

BETHLEHEM AREA SCHOOL DISTRICT
BOARD OF SCHOOL DIRECTORS
BUDGET BOARD MEETING

Budget Meeting of the Board of Directors of the Bethlehem Area School District was held on Monday, January 10, 2011 at 10:30 p.m. in the Dining Room of the Education Center, 1516 Sycamore Street, Bethlehem, PA 18017. BUDGET MEETING

President Cann called the roll:

MEMBERS
PRESENT

Members present: Directors Burkhardt, Cann, Faccinotto, Follweiler, Leeson, McKeon, Ortiz, Tenaglia - 8

Members absent: Director Amato

Others present: Dr. Joseph Roy, Superintendent of Schools; Stacy Gober, Board Secretary; administrators, members of the press and other interested citizens and staff members. OTHERS PRESENT

Dr. Roy stated that there is a handout coming around that is just a graphic description of the preliminary budget. He said he would like to open by saying this is the beginning of the budget development process under ACT I. He continued saying that the time lines have been moved back, so this is the presentation of what is really a status quo budget. He said this means basically that we moved ahead with numbers that we knew about and if there were increases they were built in increases like contractual increases. Again he stated that this was the beginning of the process. He continued saying, "On the upside down pyramid, triangle that I used to give a conceptual approach that will start to give us some of the questions that the board has. This is a rough time line". He continued stating that in January administratively they are working to go department by department looking at identifying priorities by department and then also asking them how can they be leaner and smarter wherever they can do this. Dr. Roy stated that they will be trimming and increasing efficiencies. In February, he said, they will be looking at each department, what are the mandates, what are they required to do and what are they required to do by law. He said that local mandates may not be required by law but it is what our district has been committed to over time. Also, he said they will be BUDGET DISCUSSION

looking at cycles and by cycles he means what are some that maybe necessary cycles of replacement, whether it is for equipment, maintenance issues, technology and so forth. He said they need to identify cycles that they may need, however, they may not be able to start it this year, but they do know that there are cyclical things that they haven't been able to do. He said they still may not be able to do them this year, but they want to know what those are. He said this refers to if there are any upgrades, replacement type things, and things of that nature. Dr. Roy stated that at the same time they will be looking at the annual staffing review. He said this is what Dr. Silva, Mr. Washington, Mrs. Gober and I have been working at particularly on this time line, to bolster the process from last year and they thought they could provide updates at board Finance Committee Meetings. An example he gave was if they've been working on looking at transportation, here are the priorities, here are areas they are looking at to make reductions, here are things they need to pay attention to and then ask for the boards input at that time and take that back with them as they continue to work. He said it is a back and forth process using the February and March Board Finance Committee Meetings to do that. He continued that in March they move down the triangle to more specific line item reviews by departments and again will be updating the board and informing the board that here's where they are, they will be asking for input and suggestions and guidance to take back as they do the work and then ultimately they have to remember that in April is when the proposed preliminary budget is presented. He continued saying that they do have an April 4th Budget Workshop to do that at which time he thinks is more what they are thinking of is the power point presentation, the longer in-depth presentation. Last year Dr. Roy said he thought that took place towards the end of April and that then the budget hearing would be again using a similar process to last years May 9th Meeting, followed by the tentative adoption of the proposed budget and then ultimately the final budget in June. He stated that this is a time line they had given out awhile ago when they first reviewed the budget and they talked about some priorities, and if they want to add to this process additional meetings or workshops as they go, they can consider that. He continued saying that there is the process of developing the budget by looking at it on the administration side and the departments and that is the process that they will be working through January and February and then their thought was to bring reports to the board and get feedback like they have the regular energy update meetings, they could do the budget updates and get feedback at that point leading up to the April 4th workshop which then kicks off the more in-depth presentations

and workshops, as we had last year. He stated that he thought maybe there were three workshops leading up to the adoption of the final budget. He continued saying that this is kind of an overview of the budget process and again that this was a preliminary draft presentation that is really a status quo look. He said that this draft is more conservative on the expenditure side than last year at this time in January, where last year the projected expenditure increases were 8.38 percent and this year in this initial starting point budget, the expenditure increase is 3.84 percent. Dr. Roy said that the challenge for them this year is on the revenue side and the expenditure side but they are starting at 3.84 percent and looking at how they can back down from there as opposed to starting at 8.38 percent last year. He continued saying that the challenge this year on the revenue side is that they are going to be down 4.46 percent, over \$8 million they are projecting in state and federal funding which is a large chunk due to the loss of stimulus funding and they are unsure of what is going to come from the state as well. He said they will ask the board to authorize F1 exceptions that are permitted for the district and they think that this is particularly critical this year because the state budget has yet to be released, and it won't be released prior to the preliminary approval in early February and then the exception filing deadline will likely proceed governor Corbett's release of his budget in March. He continued saying that to preserve our options, they recommend at that the board authorize the filing for the ACT I exceptions and again this is a working document and this is the starting point of a process that goes on in January, February, March, April, and May as they work through finalizing, refining and coming up with a final budget that meets their educational needs, but also respects where they are financially as well. He said that the decrease in revenue is creating real stresses in this process that will be very challenging.

Mrs. Gober stated that if you reference the inside first page of the document that is entitled the "Draft Budget" you will see in there the summary format of a comparison that shows where they were budget to budget as well as where they ended the 2009-2010 fiscal year. She said that there have been some minor revisions pending the final audit. She continued saying that when they look at it again as Dr. Roy indicated they are starting out in a deficit position in terms of revenue because of \$8.3 million that they are short in terms of state and federal revenues. She said they had known that this was coming, and they knew it was going to pose a challenge utilizing the stimulus funds to balance their state budget as well as to fund the ongoing school district subsidy, and if you look at the back page of that triangle document that Dr.

Roy prepared, there is a graph on the very bottom of that page which shows the subsidy comparatively year over year and at this juncture, the 2011-2012 revenue is about at the same level as it was in 2007-2008. She continued saying that this puts them in a bit of a challenge as well as the state and federal where they are in about the same level. She said they have gone back quite a number of years in terms of revenue because of the stimulus money and the gap that will present. She said that as they stated, the Governor has not even taken office yet and will need another month in order prepare his budget in the initial year, so they are going to be eventually flying blind until at some point mid to the end of March, which is partly why they have a little bit more of a challenge in this year then they would otherwise in other years where you could make some different assumptions. She said what they have included in the revenue picture however, that has helped them to get to where they are, which is not a terrible position on the local side, is that they have included the revenue that they would anticipate receiving from the casino and hotel. Mrs. Gober said that the hotel is scheduled to come on line in July of 2011, and she is hoping that that is still on schedule. She continued saying that the other piece they have included in the revenue picture is the EduJob revenue and there is \$1.9 million in the education job funding bill that has been authorized by President Obama but has yet to be allocated or distributed or discussed at the state level. She said that it is anticipated that this will not occur because it needs to be authorized through legislation and the earliest might be April but it could be up through June 30 before they have information on what their revenues would look like for the EduJob subsidy component. She said that there again is another question although she has made an assumption and included some revenue there for that Title and if they look at the expenditures, she said they are a fairly conservative status quo look and again they have sketchy data in order to move forward with things that are significant, such as tuition for outside student placement which can be a large expenditure because they are so early within the fiscal year. She said they just received the special education budget for the Intermediate Unit for 2010-2011 which then again they are in the process of reviewing and will have extrapolate and project forward what that might look like for 2011-2012, which they will then project forward and make some assumptions for 2011-2012. She continued by saying that there are a lot of assumptions that have been built in here, but essentially this is a straight line going forward type projections, and the only increase in expenditures are related to mandated items which would include the increase in the retirement rate, and they have also included in here the

amount that was reflected on the \$435,000 for repairs within the maintenance department for capital improvements, for things like sinkholes, etc. that traditionally they have kind of absorbed through various sources, and they thought that that was not necessarily a reasonable and responsible way to approach things that they know are going to be occurring because they have occurred year over year and so they have included those within this draft as well. She went on to say that what that shows them then is that they have a deficit that would require 6.09 mills to be funded if they funded it as is, which leaves them a deficit of \$17,194,557. She said that if they take the full index of 1.7 percent that would yield \$2.1 million, and bring that total down to \$15 million, and a gap above the index. Again, she stated that you need to know that this does not include any state or federal increase and the state projected subsidy that they have been advised to use is approximately at a 13 percent decrease in state subsidy due to the federal stimulus ending. She said that is reflected once they have a revenue projection from the state and they will include that and again narrow that gap and hopefully efficiently. Mrs. Gober said that if they would follow through with the budget as it is originally presented here, knowing that there are outstanding issues that would be an increase again of 6.09 mills, that would take them to 50.26 mills or 13.79 percent increase and if they look at the next page, that shows where the volume of the budget comes from. She said it is derived primarily from salaries and benefits being 76 percent of the overall budget and driven mostly the deficit side a loss of \$10.8 million in state and federal revenue. She said that the increase health benefits is significant, and they have talked about the fact that that particular fund is under funded from a responsibility standpoint and an ongoing financial standpoint and they do not have insurance in place for some expenses and they are self funded. She continued saying that this is a serious exposure that is a concern for her, and she has built in budget money to address that. She said that if you look at what are the major cost drivers for the budget, they are exceeding the overall total budget increase by a little over a million dollars and so you can see where the costs are coming from in preparing this budget and if you look just at the primary cost driver, they have made other reductions throughout the overall budget in order to offset that increase to whatever extent was possible. She said that if you look at the budget calendar, which is just a new statement of what they had started back in November at the November Finance Committee Meeting and is in tonight's budget workshop with advertising to follow next week with the preliminary adoption and the special meeting on February 7th. Mrs. Gober said that

this is the ACT I timeline and it is essentially a double process. She said that ACT I when it was instituted and adopted required that you have a preliminary adoption in early February that is then followed by the exception, court approval, tax rate certification process that occurs throughout February and March and you then fall back into the old original school codes budget about the timelines that are for May and June with the appropriate advertising requirements to follow. She said that they will duplicate the advertising and adopt the preliminary final adoption again in May and June and they will schedule various meetings along this continuum from April through the final adoption in June. Again, she said that this is a working document, and they will make whatever corrections on pages as they get information, and they will update them. She continued saying that it's going to be fluid and it's going to change and hopefully it will change in a positive direction quicker than not, but one way or the other they will close the gap because that is what they are obligated to do. She said that the administration is looking forward to developing the process and the focus in accordance with the vision and guidelines that were shared in November as well and they will continue moving along that path to make sure that this not only is a status quo budget but that it also addresses all of the resources that they have available to support the educational program as it has been defined as is the focus for the upcoming fiscal year.

Dr. Roy stated that he has heard positive comments from a number of board members about the process and the outcome of last year's budget and the conversations begin with Dr. Silva and Mr. Washington and Mrs. Gober. He said they thought they would add to that by using the February and March Finance Committee Meetings for updates as a feedback with the board and if he is hearing something else tonight, then there will be plenty of time to adjust dates as well. He said that they are going off of last year's model and then adding to it by adding in the February and March information sessions.

Mrs. Gober stated that the first page addresses the millage comparison for Bethlehem verses the other school districts with the county and the Intermediate Unit and again Bethlehem is very conservative economically as it compares to is leaders in the region and if they look at the back page and look at the ACT I index and what its movement has been over the last number of years, ACT I was orchestrated in 2006-2007 as the first year of ACT I and this is the first year that they are actually facing a challenge that puts them in a very difficult decline in terms of the amount of revenues that they would be permitted to levy under

ACT I absent any eligible exceptions, like the retirement rate and debt service, etc. She said that it does kind of have a strange alignment of the perfect storm where you have declining index, you have an increase in the retirement rate, you have the loss of the stimulus fund, and a new Governor coming into office that extends his timeline and that effects the state level as well. She said that it is going to be a challenging year, and she doesn't think anyone is immune to that or is denying that in any way, and they are doing what they can at this point, to present status quo that is minimal compared to what may have been presented at this juncture in many of the other prior years, so they will continue toward refining that, defining it, and putting a face on what those dollars will look like and what they will be spent for and keep them included in the evolution of that process as they move forward.

Director Follweiler asked where the dates came from that are on the website calendar and asked if Dr. Roy and Mrs. Gober could review it because it has every budget workshop on a Monday following the Facilities/Finance Meetings and so the assumption is that all these updates that they are talking about and anything else are Mondays following the Facilities/Finance Meetings.

Mrs. Gober stated that is on Monday, May 9 that does dovetail with the Committee Meeting primarily because that would be when they would need to have the special meeting for the Budget.

Director Follweiler stated that there is a special meeting on February 7, but it has a workshop on April 4, 8, May 9 and after the May 9 with a special meeting and a hearing and then the June 15 Meeting, and asked if they could address the meeting schedule.

Mrs. Gober stated that there intention was to have several more budget workshops between the April and June timeline so they will make sure that they are addressed on an individual basis.

Director Follweiler asked if the is going to be any discussion at this meeting on what was discussed.

President Cann stated that they would come up with another time to have questions.

Director Leeson stated that she did have a couple questions to ask. First, she stated that of all the timelines that were projected

she believes that this timeline might work in a year when things were really great and going well, but she thinks that this is going to be a more challenging year and that they need to be looking at cuts and they need to be looking a little bit more globally than they are looking in this schematic. She said that they did this about three or four years ago checking on the priority of each department and since then they have also continued making cuts, and she is sure that they will find additional ways of working leaner and smarter but she doesn't believe that is where they are going to find the majority of their costs savings. She said she also had a comment on the preliminary budget. She asked if she was hearing that they have added a few things, and she is not hearing about anything that they cut from the budget and that they added in for healthcare, but she didn't hear any cuts.

Mrs. Gober stated that this was where, if you look at just the cost drivers that are on that second page, totaling \$1.9 million and the total increase in the expenditure budget is 7.9 percent, but throughout the entire overall budget they have reduced \$1.1 million to get where they are today.

Director Leeson stated that they tried to use stimulus funds for mostly one time expenses, and she would like to see a chart of where the stimulus funds were spent last year. She said they did say that stimulus funds last year were going to things that if they were not available; they are not going to be refunded.

Mrs. Gober stated that they can reproduce this chart, but that it was included in the budget presentation from last spring.

Director Leeson stated that she feels that they need to have that information with this presentation. She said she had just one more clarification in the revenue on the second page, they are showing revenue of 2010-2011 of a budget of \$8.9 million with the beginning funds balance, and she believes that should be actual balance.

Mrs. Gober stated that that is what that is.

Director Leeson stated that then that should be actual balance?

Mrs. Gober stated that this is related to the budget and it is not an actual because 2010-2011 has not yet been completed yet.

Director Leeson stated that that was not a concluding balance that was a beginning balance.

Mrs. Gober stated that that was correct, and as of July 1, 2010, that is what the balance was.

Director Leeson stated that they also, if she is correct budgeted about \$2 ½ million to go into the fund balance this year.

Mrs. Gober stated that it was \$2 million.

Director Leeson stated that they were showing nothing for the beginning fund balance of 2011-2012.

Director Leeson stated that she thought they had something else that they took that money from and it was not the fund balance.

Mrs. Gober stated that they did reduce expenditures to try to align for the reduction in the subsidy; however, at this point she has not included it in here as a projected incentive.

Director Leeson stated that they had a savings that they looked at, and they were anticipating they would have a fund balance.

Mrs. Gober stated that they budgeted \$2 million that would have floated to the fund balance to help replenish that level and then they lost \$2.2 million in federal and state subsidies through the July state budget adoption and then subsequently in August there were additional reductions when the Medicare funding did not come through to the extent that the state had projected. She said that they did reduce much of what was in the PA Tax grant to try to offset that but at this juncture this document does not include a 2010-2011, June 30, 2011, estimated ending. She continued saying that this is budget numbers.

Director Burkhardt stated that they budgeted \$2 million initially and what he understands they are saying is because of external influence they had to use that budget money.

Director Leeson stated that recouped it, but is not going to be shown?

Director Burkhardt stated he understood what they were saying, but asked how do you know how to offset it because of reduction in the state.

Director Leeson stated that she thought Stacy was saying that she is not showing any fund balance.

Mrs. Gober stated that for 2010-2011 with a balanced budget, revenue in revenue out, balance, no change, in the ending fund balance that it would carry forward and as they move forward closer through to the end of the fiscal year, they will begin to include projections in there that will have value and meaning however, at this point, the projections that they included are going to be as rough as the budget numbers are.

Director Lesson asked, on the last page, if that is what they are considering the offset, is that what would go into the fund balance at the end of the year.

Mrs. Gober stated that the \$2 million would be what was there for replenishing of the fund balance. The \$600,000 is what was for ongoing regular normal budgetary reserve items.

Director Leeson asked then if this is the money that would go into the reserve, so they do have almost \$2.5 million that they are expecting that will not be spent in this year's budget. So their budget and fund balance for 2011-2012 should reflect that.

Mrs. Gober stated that if it remains unspent, and they also have \$2.2 million more in revenue than what is shown on the budget as well.

Director McKeon stated that if they have this offset pressure that they have got to take it from somewhere and everything else remain status quo, then it has to come out of the anticipated budgetary reserves.

Director Burkhardt stated that they have budget transfers all year long and there is an external pressure because of the reduction in funding that they anticipate on the revenue side that isn't there or has not been there for a couple months and asked then where was it coming out of if everything else was just status quo.

Director Tenaglia stated that whether it is 8.3 percent or 10.7 percent loss of stimulus funds, there is no corresponding reduction in expenditures.

Director Burkhardt stated that his concern is that they are getting into a level of detail that is simply not possible to readily address actively because they are only six months into the year. He thinks they need to be talking more generally and they all know that they are not going to have a 13 percent increase in their taxes and

that it is just not going to happen. He continued asking where the cuts are going to come, are they going to look at anything that they funded out of federal funds that they are not getting anymore, are they going to simply say they are gone and are they going to say that anybody who retires from now until the end of the year that their positions are frozen and they'll look at it a lot closer to the end of this budget cycle and see whether they can afford them or not. He feels that there are some general kinds of thing that they could send pretty specific signals to the administration about where they stand and he is concerned that they are going get into detailed things and that it is too early yet, unless the Governor comes through, and they don't anticipate that he will, and says that he is not going to cut state subsidy. He feels that as the detailed things come out in April, May, and June and as the numbers start to be solidified more, he thinks that they have to set some parameters for the administration so they know where they are going immediately.

Director Leeson stated that she agrees they need to have more in depth discussion, but she personally needs more information before setting those parameters. She gave an example saying that fill positions, then does that mean, that we are going to raise class sizes, in which case, maybe that is not the direction they want to go, but they do need to have this information. She said she feels that they need to do a good audit of their schools and how many students are in each class and what could they be doing to reduce the number of people that cannot be replaced come retirements.

Director Burkhardt stated that if they do not say to the administration that this is something they are serious about in terms of realigning the district, and then he tends to believe it won't happen because that is not something that they normally do. He stated that they haven't done that in years, and they used to say you either take the kids to their seats or you build on so your kids have more seats somewhere else. He continued that perhaps this is the year they have to look at making sure that they send the kids to seats and again, it may not sit well with people, but it certainly is something that he feels they will have to look at seriously.

Director McKeon asked if they determine that one elementary school is under populated for a certain grade level, then would they jury meter that district to load those kids up or would they do that for all K-5. He stated that to him it would make no sense to ship just fourth graders from Freemansburg to Farmersville as opposed to tweaking that order which may then create an

overload in K-3.

Director Tenaglia asked why weren't the programs that were funded by students' monies taken out of this budget.

Dr. Roy stated again, this in the beginning of the process. I will have to defer to Stacy on some of this, about the number of stand alone programs solely funded by stimulus.

Mrs. Gober stated that the number of stand alone programs that are funded solely by stimulus are minimal.

Director Tenaglia stated that somehow we had \$10 million more last year than this year, but you didn't account for it.

Dr. Roy stated again this is the beginning of the process.

Director Follweiler stated she had two things to say, first the beginning of the process as Mr. McKeon stated, this is the wish list. We shouldn't have the wish list. We should have a 0 tax increase amount of money and then figure out what we're going to spend it on.

Dr. Roy stated that he didn't think that it was accurate to say a wish list. The expenditure increase of 3.8 percent when you factor in the increases that happened by salary increases and other things, there is no wish list. Stacy mentioned a couple areas where maintenance was trying to build a line item for maintenance especially since we're not having the construction projects to pull from to build in the stop loss insurance.

Director Follweiler stated that she understood that it is not a dream list.

Dr. Roy stated that you look at the contractual increases and you look at the 3.8 percent and there is no wish list.

Director Follweiler stated that her point is that if we started with a \$186 million budget three years ago. Let's say we only have \$186 million, and then what can we afford to fund. Not, here is everything that we believe we need to run the district and where are we going to get the money? This gives it a whole different way to look at it when you go to the department and you say, "here department you have this amount of money, come back to me and tell me how you wish to spend it". Instead of, "department, give me the list of everything that you have today

and how much are we going to increase it for next year”.

Mrs. Gober- stated that that was not what they did. She said they told them that they had the same amount that they had last year, which was the same amount they had the prior year, which was the same amount that they had the prior year. She continued saying that they have not given anyone an increase in their allocation amount.

Director Follweiler stated that whatever the stimulus money was spent on last year is gone. Whatever it was, it is out of the budget because the purpose of the stimulus, which was given to the whole, United States. It was a jolt because of the economy. It was a one shot deal and do not spend it on things that you are going to want money for in the future. So whatever we spent it on, we should just take that out.

Mrs. Gober stated that she would tend to philosophically agree with that position until Pennsylvania decided to use that to fund their ongoing basic education obligations. She said that that is what posed a difficult challenge for Pennsylvania schools. Director Leeson stated that what she is hearing is that we need more discussion on the budget, a lot more discussion and she feels that they need the meeting sooner than February. She thinks they need to get ideas of where they are going to be looking for cuts. She continued that she would first like to hear from the administration. She feels the board needs to see how the stimulus money was spent, but would also like to hear what the administration is going to propose and what ideas they are going to start looking at for cuts.

President Cann stated that she feels she would like to see the meeting before they vote on the preliminary budget. She thinks everyone has too much to say to take that big step without another full fledged meeting.

Mrs. Gober asked if everyone understands that this is not the final budget. She continued saying that the final budget will not be completed until June 13 and there are six months to finish this budget.

President Cann responding by saying that no one is going to try to finish the budget before we finalize the preliminary budget, but because it is a vote that people are taking, she feel they need to feel a little more comfortable about voting.

Director Faccinnetto stated that we have not tied up this February 7 vote since its inception. It is going to go forward and that is the maximum that is on the table.

President Cann asked if everyone wanted a meeting before the February 7 vote or after the vote.

Director Faccinnetto stated that at this point based on how they behaved as the board the last couple of years, that the preliminary budget is going to go through then they start to widdle down or expand or whatever it happens to be and they move forward.

Director Ortiz stated that it does not matter

Director Follweiler stated that she had a real problem with the whole preliminary process because she finds it is insulting to go through and put a huge increase out there for the press, knowing that that is not what it is going to be. It is unrealistic in her opinion and she asked why don't they say 0 and go up where they have to and then the answer is about the index. She continued saying that she will not be voting for this preliminary budget. She stated that if they have enough other votes to pass it, then so be it. She feels they still need another meeting, possibly Monday, January 31 since the board does not have any other scheduled meetings. She feels that they need to go over this in depth. She continued saying that she did like Mr. Burkhardt's suggestion that they have to come up with very large scale cuts in addition to the nitty gritty, but she thinks that it is insulting when they print this preliminary budget out and she understands why Mrs. Gober has to do it from her job perspective from Act 1, but she feels it is insulting to throw those high numbers out there.

President Cann asked everyone if they want to have a budget workshop before Feb. 7.

Director Follweiler stated that she feel they need to have a budget workshop as soon as possible, and they have to work it and work it hard.

Director Burkhardt stated that he doesn't feel they should have a budget workshop before Feb 7 since they will be shooting in the dark until the administration comes forward with some numbers based on say – stimulus money is gone -- the administration should go forward showing us what that impact is to the district and here is where we spent that \$10 million. At this time he does not feel there is enough to discuss. He continued saying that they

can discuss the global kinds of things that they want to see the administration bring back to them.

President Cann stated that, that in it self is viable enough to get started on.

Director Burkhardt stated that he agrees with Director Follweiler about the whole process being convoluted, but by law they have to do what they've got to do and that is Step 1, and then they work from there.

Director Leeson stated that she agrees with Director Follweiler and that she will not vote for this preliminary budget. She doesn't feel that they have done the work that they need to do to be prepared to put this out as a preliminary budget. She said she feels that they do need to have a budget workshop and soon. She continued saying that she thinks that this stimulus money for example, is something that would be very easy to have together in a very short time and would be very easy to discuss. She said she would like to see more recommendations for areas in which they are going to look for cuts from the administration and then she thinks the board needs to set a direction as to whether these are things they can or cannot accept. She thinks that the administration is going to need to have a better idea of what type of taxes, and she thinks like Director Follweiler and will not go above the index. She continued saying that they need to have a better sense of where is this board going to stand tax wise on the budget and she feels that there is an awful lot of work to do. She said she has communicated this with Dr. Roy many times over the past couple months.

President Cann stated that they have every intention of doing all those things, but it was going to be after the preliminary budget.

Director Leeson stated that she cannot accept this as the preliminary budget.

President Cann asked if Director Leeson would like to have a meeting before February 7.

Director Leeson stated that she thinks that they really need to be in order to looking at the cuts, and she feels they are way behind.

Director Burkhardt stated that he would be fine with having a meeting prior to February 7 if there is information that they can actually discuss if there is time for the administration to put

Dr. Roy stated that there is a handout coming around that is just a graphic description of the preliminary budget. He said he would like to open by saying this is the beginning of the budget development process under ACT I. He continued saying that the time lines have been moved back, so this is the presentation of what is really a status quo budget. He said this means basically that we moved ahead with numbers that we knew about and if there were increases they were built in increases like contractual increases. Again he stated that this was the beginning of the process. He continued saying, "On the upside down pyramid, triangle that I used to give a conceptual approach that will start to give us some of the questions that the board has. This is a rough time line". He continued stating that in January administratively they are working to go department by department looking at identifying priorities by department and then also asking them how can they can be leaner and smarter wherever they can do this. Dr. Roy stated that they will be trimming and increasing efficiencies. In February, he said, they will be looking at each department, what are the mandates, what are they required to do and what are they required to do by law. He said that local mandates may not be required by law but it is what our district has been committed to over time. Also, he said they will be looking at cycles and by cycles he means what are some that maybe necessary cycles of replacement, whether it is for

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Attest,

Stacy M. Gober
Board Secretary