

BETHLEHEM AREA SCHOOL DISTRICT
BOARD OF SCHOOL DIRECTORS
BUDGET WORKSHOP

JANUARY 27, 2011

The Board of School Directors of the Bethlehem Area School District held a Budget Workshop on Monday, January 27, 2011, at 6:00 p.m. in the Dining Room of the Education Center, 1516 Sycamore Street, Bethlehem, PA 18017. Please note that this Workshop was originally scheduled for January 26, 2011, but was postponed until January 27, 2011.

BUDGET WORKSHOP

Vice President Burkhardt called the Workshop to order.

MEMBERS
PRESENT

Members present: Directors Amato, Burkhardt, Faccinetto, Follweiler, McKeon, Leeson, and Tenaglia - 7

Members absent: President Cann and Director Ortiz. President Cann arrived late to the Workshop.

Vice President Burkhardt offered Courtesy of the Floor to visitors. Speakers are asked to come to the podium, stating their name and address. Public comment in the first session is limited to 30 minutes and is for agenda items only. The second courtesy of the floor will be for any district concerns or business. Speakers are limited to three minutes each. The board requests that, when possible, all individuals supporting a like position on a topic select a speaker to present their views to avoid repetition. If that is not possible, all are welcome to speak. As per school board policy, generally, speakers are limited to taxpayers, residents, or employees of this school district. At the conclusion of the workshop, another block of time will be allocated for public comment. At that time, the same rules will apply. It is asked that speakers observe proper decorum, without personal attacks towards a specific individual or individuals. It is not the custom for the board to enter into a dialogue at these meetings about concerns. However, the board does listen with care to issues raised. Speakers will receive responses, in some form, by the administration.

COURTESY OF THE
FLOOR

The following individuals addressed the Board of School Directors:

Mike Stauffer
Bethlehem, PA

Mr. Stauffer stated the following: *I've done my best to take an initial read through the preliminary budget and I know you have a lot of hard work ahead of you and there is going to be a lot of give and take. I just wanted to respectfully request at the beginning of the whole process, one thing caught my eye in the newspaper and that is that it is my understanding and please correct me if I am wrong, but to the best of my understanding there is a certain percentage of which if you go above that in a tax increase, it is supposed to go to a referendum to the voters, but it is also subject to your discretion to go around that and go straight to Harrisburg and ask for an exception not to put it on the referendum.*

Vice President Burkhardt stated that it was not quite that simple but he was on the right track.

Mr. Stauffer continued with the following: *Realizing that I don't know all the details and deferring to your expertise, in general I would say the spirit of my request is that anything where there would be the potential opportunity to put a tax increase before voters on a referendum, as a voter, as a citizen, and as a hard working guy, I am urging you to do that and again realizing it may not be as simple as I am explaining it, but think of the community if the option was taken to go around what is a way to bring it before them and say, we've done our best job as a board, we wrestled and grappled with this, here is what we've come up with, now community, we're coming to you. I see that as kind of safeguard because to be honest and I am passionate about our school district, very passionate, and I know reasonable increases here and there, sometimes that has to happen, but I think I speak for a lot of people and I come right in the middle. I'm not rich, I'm not poor, I call myself middle class. I'm about 50 years old. I and many people like me are getting to pretty much, the dishrag is squeezed dry and I just read the City wants to raise parking rates. Every time you turn around something is going up. We did without our vacation last year, we didn't do a lot of things because the money just wasn't there, so I would just ask as this process kicks off that you go into this with that mindset, wherever possible, to keep the community involved and whatever provision is made to bring them in and get them to yea say or nay say it. I urge you, please to not choose any type of exception or way that could go around that, because my perception is that is in there as a safeguard. Having said that, as always you have my respect. I know there are no easy answers, and I appreciate the hard work that all of you do and are going to do over the next few months.*

Vice President Burkhardt stated that explaining the process is part of the administrations presentation, so he will defer to them at the moment and that if it doesn't seem clear enough, they can further explain it.

Mrs. Gober stated that the way that ACT I is structured, in the event the local school district would require revenues of tax increase beyond the stated ACT I index, there are three options. She continued saying that the district could elect to waive their right to go beyond whatever the index is and agree in early January to adopt the budget within those parameters. She said there are also 10 criteria that would qualify for a request to either the Commonwealth Court or PDE. Mrs. Gober continued saying that for exceptions to the ACT I index that would fall within those 10 specified areas if it was a court order or if it was an increase that was precipitated by a mandate such as the increases in the state retirement funding rate, those types of things would qualify for a request that is subject to approval to exceed the index to whatever value those exceptions would generate and will cover that. She went on to say that the third option is that if the budget still cannot be balanced within the exceptions plus the index, the board would have the opportunity to take the general budget to the community for a referendum approval in May at the primary elections and then if that referendum would be successful then we would be back to having to make the budget fit within the ACT I provisions between the May primary election and the June final budget adoption.

Dr. Roy stated that they will put some numbers to what Mrs. Gober stated as they go through the presentation.

Director Leeson asked Vice President Burkhardt that maybe they should also clarify the role of the public and that is why they do have public hearings and the public budget hearings and this process is a lengthy process and there is an awful lot of opportunities to be involved beginning with the last time on January 10, 2011, and listening to tonight's budget workshop. She continued saying that she thinks that two or three more workshops are scheduled, the preliminary budget in April and then the adoption in May. She went on to say that it is a lengthy process and there are a lot of opportunities for the public to be involved.

Director Amato asked about the second step that Mrs. Gober had gone over and that if they go to the state for the exceptions and they grant them to us that then the public does not have a say in

the matter. He continued saying then in other words they cannot go to the referendum.

Vice President Burkhardt stated that that was correct, as it is his understanding as well.

Mrs. Gober stated that at that juncture, you would either choose exceptions or a referendum, and you would have to have your referendum questions to the ballot preparation by the end of March and that timeline is included in the packets that were available in the back. She said they would have to have a ballot question to the county by March 28, 2011, if they would choose to do so.

Vice President Burkhardt asked if there was anyone else from the public that would like to address the board at this time.

Russ Dentrone
Hanover Township

Mr. Dentrone stated the following: *I was looking at the article that was in the Morning Call indicating that the School District was applying for exceptions. I am going to be very blunt. I think exceptions are a scam created by the legislature in terms of making the public feel like we have control over our school budgets the way other states do. As you know, we're one of the few states where the public doesn't vote on its budget. We don't vote on it now, you come up with exceptions, because you say you need the money and you end up getting a grant by Harrisburg, and we have no say in it. Therefore, what I would like to see and actually urge you to do is the same thing that was in the paper yesterday with Saucon Valley School District. I would like to see this board come up with a resolution that there will be no tax increase above 1.7 percent allowed by Harrisburg and just do it. We're in a recession. I know in the state of the union address, the President will say we're out of the recession, but today about two hours ago, on the news we heard that unemployment is up again nationwide. We are not out of this recession, and we have social security recipients who have had no increase over the past two years, not one this year, not one next year, and those on fixed incomes now have to live on less so teachers can live on more because you gave them a raise and health insurance premiums are up, mine is doubled over \$400 a month in the past two years, yet we have to pay for other peoples' health insurance again because of contracts. Now what I would like to see the school board do is say there will be no tax increase above the 1.7*

percent, and I know that is not going to be easy, and I commend you for the work you have done in the past. I even wrote a letter to the board when you stood up against the TIF because I am one of those that believe that the homeowners or the tax money from the homeowners in the school district should be used to educate students and not used for developers, financial advisors. Let's use it for education, and I commend you for the vote that you too are against the TIF last month or the month before. But on the other hand, we're in a budget session right now and I know its not going to be easy. I was here last year and the year before and the year before, so I was going to write a letter and then read it, but I hate hearing people read letters and you probably do to. I thought I'd just speak from the cuff. Again, the main reason I came here was exactly why these gentlemen came here and that was to urge you not to increase taxes above the 1.7 percent increase because there is no more money out there. It's not there. If we're going to have to live on less, so the school district can live on more, then something is wrong with this picture, something is drastically wrong with this picture. Keep it at 1.7 percent and don't say automatically we have to put in for exceptions. Don't put for exceptions, there are not exceptions because there is no more money there.

Thank you.

Vice President Burkhardt asked if anyone else wishes to speak to the board at this time. He continued saying that there is another Courtesy of the Floor at the end of the meeting so that you may also respond if something comes up during this time period.

Vice President Burkhardt stated that they are going to turn this meeting over to the administration for a presentation and then open up to the board for discussion. He asked that unless it is absolutely a burning issue, he would like to let the administration do their thing and get through their presentation and try to hold the questions until afterwards.

BUDGET
PRESENTATION

Dr. Roy stated that they have come with a budget that is revised from the January 10, 2011, preliminary budget meeting that they briefly discussed on January 10. He said he would like to start with reminding us all that the purpose of the budget is to fund the educational endeavor of the district and our broad goals and destination is to again be recognized as one of the top districts in Pennsylvania while also serving as a model for being responsible stewards of the communities resources. He continued saying that they understand that there are two sides of the same coin. He said

they had talked about a formula for excellence they want to build in their educational systems -- high expectations, matched with high support and their focus on moving ahead is around the school improvement model that they recently discussed Monday night and they talked about four areas for their school improvement model focusing on core learning, core academic knowledge, stretch learning, engagement of students in their learning, and then also personal skill development as the four components of school improvement planning. He continued saying that they will also be driven by new graduation requirements at the state level coming in the form of the Keystone Exams, which are going to require that end of course state final exams are going to require them to make sure and realign their curriculum with the new Keystone Exams and Graduation requirements, and then they are focused also on building relationships and positive school climates to Restorative Practices. Dr. Roy said that the two components of school improvement are around students' engagements and personal skill developments, so it is a board focus as they think about next year. He continued saying that in the budget that they had on January 10, they had the numbers listed on the sheet. He went on to say that you will see that tonight that they have made some substantial steps away from those numbers in a positive direction, and he wants to thank the board for their individual input and thoughts at the early stage in the process to help them to continue to refine their budget. He continued saying that they will see the movement that they made in a positive direction away from those numbers.

Dr. Roy said they looked at decreases to get to today and in essence between January 10 and today, by looking at the budget early and look at staffing because they are projecting ahead in January for staffing for September. He stated that there is room there for them to continue to make adjustments. They looked at healthcare reimbursements, the Pre-K funding, and the TIF rebate adjustment, and by making some reductions and some adjustments in those revenue figures the gap compared to the January 10 budget was reduced. He went on to say that this is the gap between revenue and expenditures and has been reduced in the last couple weeks by \$5.6 million.

Dr. Roy stated that he wanted to point out a few things regarding the expenditures. He continued saying that at the bottom right corner are the percentage expenditures, the increase in expenditures from last year's budget to this year's budget is 2.71 percent. He went on to say that they work hard to control

expenditure changes in this early stage of the budget process; in fact he said that this is the lowest percentage increase in a proposed preliminary budget in 10 years. Dr. Roy said that last year the proposed increase was around 8.3 percent and they know that they will continue to focus on expenditures and continue to widdle it down, but that they are starting from a pretty conservative preliminary budget with regard to expenditures.

Mrs. Gober stated that she is not going to read specific numbers to them but the primary focus of their spending is related to direct instruction for the students in the classroom and the support services that go to facilitate that students learning. She said that the increase as it is proposed would be an increase of \$5.6 million over the current year and that would be a 2.71 percent increase in the overall expenditure. She continued to say that at this early juncture there is a significant amount of information that is still subject to change but is unavailable and that this number is based on assumptions and projections. She continued saying that they want to be clear in that this is going to be an evolution and there will be changes. She said that they cannot lock on that number, but they will do their best diligence in making sure that the information is received, and they will incorporate it and share that along the process so that everybody knows where they are as they move through between now and the June final budget adoption.

Mrs. Gober said that this is essentially is a static look at what they are planning to do for the upcoming year, and they do not have any new initiatives in the budget that would require new funding for programs that would not be a realignment of spending from another given area. She said that one of the things that they did want to make sure everyone was aware of, is that they did maintain the school bus replacement cycle that was initiated last year, and they have included in the budget the \$400,000 for new vehicles next year which is the amount that they had purchased in the current year as well. She said they had budgeted \$800,000 in 2010-2011 but they only spent \$400,000, and they are recommending that they continue at the \$400,000 level. She continued saying that the other new item that is included in the budget is somewhat a responsibility factor in maintaining the investments that the community has made in the facilities that they use to educate the students. She said they feel that it is important that they maintain and sustain a capital improvement plan so that they do not allow the facilities to deteriorate to an extent that would require an extensive renovation to a building or some emergency type of care that can become very costly. She went on to say that they are in an area

that does frequently have sink holes, and they have several every year and that has not been identified in the past as a specific line item of an allocation amount to make those repairs. She said that they will be adding in this budget presentation a specific line item for sinkholes as well as concerns that come up throughout the year relating to mechanical or electrical problems, masonry, and roof repairs that are ongoing so that again they can prevent that large big scale entire roof replacement and then they also have an issue at one of the buildings where the exterior wall is deteriorating and some of those resources would be used to make sure that that repair is completed and that the building envelope is secure and intact as it should be going forward. She said that the dollar value for those items is \$435,000. She stated that if they look at where they are relating to revenue, she thinks when they look at the amount of red on that page, that it becomes clear that they are facing an enormous challenge relating to the loss of state and federal funding that they have enjoyed for the last two years due to the American Reinvestment And Recovery Act or the stimulus funding they have received and not just as a direct receipt of those funds from the federal government school level, but also the impact that those stimulus dollars have had at the state level. She feels that there has been a fair amount of news coverage related to the condition of the state budget and the holes that they are facing relating to the gap that exists and when they put the revenue projections together coming forward for the upcoming year, they are very conservative projections but they are recognizing that those stimulus dollars will disappear and they will go away as of June 30 and that the state also has a deficit position relating to those funding opportunities. She continued saying that this is a conservative look what is representing a loss of 2.87 percent over the current years revenue in order to operate and so even if they were looking at maintaining a 0 increase on their expenditures, they still would be in a tax challenge based on the fact that they are not able to maintain revenue due to this stimulus program. Mrs. Gober said she thinks that there is one other thing that they want to make sure that everyone understands, and she feels that they do know, that part of the concerns that were raised in the way the stimulus monies were allocated to state and local governments was going to cause this exact circumstance and in doing so, puts them in a position where when they have a loss of operating dollars from the state and local government, or from the state and federal governments, the results of that is that it does fall back on the local tax payer in order to make up that difference and there are some political challenges that they need to acknowledge and face going forward in trying to reconcile that. She said that the

Governor being new this year and first taking office in the middle of January is delayed in releasing his budget and making his budget address for the upcoming year, so the administration is doing this budget at this time with no information. She said that they are hopeful that as the Governor unveils his proposed budget for July 1, 2011, that that will provide them with some clarity related to what the state subsidy picture would look like for them, and she is hopeful that he will not allow all 500 school districts to be facing this same challenge which they are today and once they have that information they will continue and incorporate and continue to monitor that going forward until there is a state budget that is adopted and that will hopefully alleviate a significant amount of the red lines that are included on this particular revenue screen.

Mrs. Gober said that if they look specifically where those uncertain areas are or the decline due to both state and local loss of the stimulus fund, they are projecting a \$3.3 million decline in the basic education subsidy which is essentially their block rent that is allowed to be used for most anything they would need to do related to conducting education within their facilities. She said that the more specific target funds that were programmed grants with accountability block grants and the educational assistant grant, they have projected that those will go away because they were more democratic initiatives that were proposed by Governor Rendell and there is some thought that the incoming Governor and his administration would not necessarily be inclined to roll forward Governor Rendell's initiatives.

Regarding Charter Schools, Mrs. Gober said that they have yet to receive the full 30 percent funding for charter school reimbursement, and so they've made an adjustment there as well, and if they include a small nominal change from budget to budget for the special education subsidy which is essentially a flat line, they are looking at \$6 million in state revenue that they cannot project at this time would be available to the Bethlehem School District for operating their upcoming budget. She went on to say that if you look at the trend line of where they have been over the last number of years related to state and federal subsidies, they can see where they had the spike at the top of the blue line for the stimulus revenue that was passed through to them, but if they draw a ruler line across the 2011-2012 projected revenue, it is somewhat ironic that it is almost identical to the funding levels that were in 2007-2008, and she thinks that they can all recognize that they are doing more in public schools today than they had in 2007-2008 and each year they have new initiatives and new

mandates that are imposed that they are requirement to implement, and they are certainly living in a different economic climate. Mrs. Gober feels that if they look at the price of gas in 2007 verses the price of gas today, or fuel or diesel for the school buses or electricity after deregulation, they are all in a different cusp stratus than they were at that time, but yet that's where the funding is being reduced to at this juncture.

Mrs. Gober continued that if they look at where the stimulus money fell off the end of the cliff and as they say in light terms, they are going to lose \$540,000 in Title 1 funding, \$1.5 million in IDEA funding which is targeted specifically for special education students, and \$3 million that was part of the state fiscal stabilization revenue that the state used to supplant the basic education funding and there is stimulus revenue of another \$5.1 million that they know with certainty will not be available next year.

Mrs. Gober said that within those programs, some of the things that they had funded with those grant dollars were for the educational assistance program including primarily tutoring which also took the form of summer school and supplies and transportation related items. She said that if they look at what was included in the Accountability Block Grant, they have by definition utilized those funds for full day kindergarten, early childhood initiatives, class size reduction at the K-3 level and some additional after school programs that are offered through tutoring and their family centers. She said that the Title I stimulus dollars were used to facilitate additional early childhood or children who qualify for Title I services, staff development, teachers who work in those Title I programs and instructional materials to support the same. She continued that the IDEA Stimulus revenue had been used to pay the balance of the salaries that the normal standard IDEA flow through funds that they have received for maybe 12 or 13 years for special education teachers, instructional assistance, that they used to offset the cost of the salaries for those staff. She also said that there is a new IU classroom that they required in the 2010-2011 school year that was funded as one-on-one teacher assistance for students who require such through there IEP, the Special Ed. portion of the slots that they have Colonial Academy for their special needs students and their contracted services that are again IEP related. She went on to say that the challenge with these funds is that they are related to special needs students that are within our district, the costs that are associated with those are not discretionary and they cannot go away when the revenue goes away. She said that

they still need to service those children and they will have to work through making sure that they accommodate their educational needs as they move along.

Mrs. Gober said that the largest part of the stimulus dollars that they received was through the Basic Education Subsidy that was required to be distributed in accordance with the PA Pact guidelines. She said that the PA Pact has provisions within it that only a small portion, 10 percent can be used for Maintenance effort, and 10 percent was permitted to be used for academically specific programs that were researched based to actually improve academic achievement, and the remainder of those revenues had to be used for expansion of existing programs and they could not be used to supplant what they currently do and so right in the definition causes some challenge for their local school district. She continued saying that they utilize those funds for Pre-K programs, after school tutoring programs and within the regular K-12 education area. She said they have one staff position that they have included along with advanced placement training for the teachers who offer those courses, professional development, assessment development and 4Sight testing which is a mechanism that is used to track students along the year to make sure that they are achieving in line to be proficient or advanced with the PSSA scores, and various science equipment, labs, text books, tuition reimbursement, tutoring programs, again to make sure their students AYP requirement, some technology initiatives within the classroom and some labs and again supplementing some of the Title I programs that they are already providing to the students who qualify for those services. She continued saying that when they looked at what was used, it does present some challenges on the part of the district to look at how else they can implement the programs and initiatives that were supported by that revenue. Mrs. Gober went on to say that where they are as of today after they have made the adjustments that they have outlined previously, again they are at expenditures of \$212,000 or 2.71 percent increase with a decline in their revenues of nearly 3 percent which leaves them with a gap that they need close of \$11.5 million between now and the final adoption in June.

Mrs. Gober stated that last year at this juncture they had a gap of \$11.9 million and as Dr. Roy had asked her once along the early curve why she was really angst and upset about this and the reality is that they do have the ACT I restriction that they are bound by and every year that they come in with an additional look at a budget, they have some gap between the revenue and the expenditure, and that is their job between now and June over

the spring, to find better and creative ways to do what they need to do to find what the priorities are and make those changes so that they are presenting a balanced budget for the school district and the community by the June deadline. Mrs. Gober continued that they look at what the millage would be today, they are 44.17 mills, if they look at the millage that would be required to close that gap if in fact it would be all real estate tax, it would take them to 46.89 mills or 9 percent, a little over 9 percent if nothing changed between the revenue or expenditure projection as they stand today. Again she said they know that they are planning spot working reviewing of the programs, the needs, and the priorities going forward over the next few weeks and months that will impact the expenditure projections. As they move along that curve they also will gain more accurate information, they will get valuable pieces of data from other sources regarding not only expenditures but also revenue and hopefully be able to have some improved projections following the Governor's budget which again comes after their requirements to adopt a preliminary budget and move forward without process. She said they are essentially coming into this blind from a revenue standpoint.

Mrs. Gober continued that if they would look at what would be available to them if they would apply for exceptions, and again there are 10 various criteria or areas under which they could apply to say that they have an extenuating circumstances. One of which she said is full construction debt, which is the debt that was in place and levied to ACT I coming into effect, so they allow for a change in the rules in the middle of the game, so to speak, where they borrowed money under one set of playing positions and then ACT I changes their ability to maintain that same revenue stream and that would give them \$290,000 that they would be able to apply for. She continued that maintenance of the local revenue curve, actual instructional expenses per ADM, that they did not qualify for the actual instructional expense component, but they did qualify for \$1.5 million of maintenance of local revenue which is essentially an indicator stating that year after year based on students, they are not maintaining the same local effort toward the budget as they had been the previous year and the factors that are used here are one year behind, so they are comparing in these calculations 2008-2009 versus 2009-2010. She said that they have qualified for an exception related to special education students which again, if they look at the loss of \$1.5 million in IDEA federal stimulus dollars without necessarily losing the students that are supported by that, this would provide an offset, albeit local, it is an offset to maintain the educational school services to those children. Under

Retirement Calculations, it is estimated to yield about \$2.5 million, and if they look at all those in aggregate in addition to the base index of 1.7 percent that would yield \$2.1 million they would estimate that they would be able to levy at a maximum \$7.6 million or 6.16 percent increase of the real estate tax. She went on to say that if all exceptions were approved as is, and she wanted to specify that the exception window is not yet open so these are spreadsheet type projections based on the information that they have and they will be clarified later in February when the state allows them to actually input their section of data and they will then have through March to make a determination as to whether the school district would qualify which exceptions they would grant based on the applications.

Mrs. Gober said that what she would suggest is that in this particular year when they have such an uncertain revenue projection, when they have significant shortfalls due to one time federal dollars and they are putting this budget out prior to even the State Governor having to release a budget that they be permitted to apply for the exceptions that would give them the latitude and wiggle room in order to deal with whatever comes forward whether it be through the Governor's budget or through subsequent information on the expenditure side that might develop over time that provides us with flexibility and that that is not to say that they would suggest or recognize that they would use all of the exceptions, nor would they look to be recommending at this juncture a 6 percent tax increase. She said that just by them applying and receiving for exceptions, they are not required to utilize them, so it just provides them with options and that is really all that applying for the exceptions would do at this point.

Mrs. Gober stated that in order to be eligible to apply for the exceptions they must be presenting a budget at this February's adoption that does exceed the 1.7 percent base index and again to reiterate they are not permitted to raise taxes beyond the ACT I index plus exceptions and although they have a larger deficit than that with grants it is indicative of the homework that they need to do between now and final adoption to get them where they need to be. She continued saying that when they look at what has happened with the ACT I index since its inception a number of years ago, they can see that the swift and steady decline and less index projection is not looking healthy for the 2012-2013 fiscal year at this point either as it is based on both a state and federal economic index that are blended in order to determine the index that they are utilizing. She said that this is stale data in some

respect, and there is a lag between the time those indexes evaluated and when they are actually imposed upon them, so they are about 18 months behind so they have a little bit more than they need to whether in terms of school district budgets even as the economy gets to improve they will not improve the index at that extent due to that lag where the indicators are somewhat behind the actual implementation of the rate on their budget. She said again she thinks they always do well to emphasize the ongoing responsibility of the district in terms of its community and taxpayers and when they look at where they are related to tax rates compared to other school districts within Northampton County, the school district is still the lowest tax rate within their neighbors and that is a reflection on the prudent fiscal responsibility that the district has maintained over the years, and if they look at this again then compared to a state level, they are using an equalized mill which is a leveling mechanism that allows every school district local tax effort to be compared uniformly, and they are the second lowest within their intermediate unit and they are still somewhat slightly below the state average, so again inciting that even at the state level not just locally they are holding a reasonable and conservative approach to expenditures within the district.

Director Amato stated that he is not for the exception, and he absolutely agrees with the two gentlemen that got up there, and that would just be a slap in the taxpayers face in this community for salaries have gone down or either fixed or they are out of work or expenses have gone up. He said he thinks the process is this simple. He continued saying an example would be if he is a businessman and his revenue went down last year by \$50,000, and his expenses stayed the same then would he the businessman go out and borrow \$50,000 from the bank to level things or would he cut expenses. He went on to say that we all know what a good businessman would do; he would have to cut expenses. He went on to say that it is the same way in a household; they have people whose salaries have gone down in compensations for their work, people that are out of jobs or doing more with less, gas has gone up, heating oil has gone up; electricity has gone up, so they have less money to spend on their families and people have no vacations, no night's outs with the kids or things like that. He said he thinks it is that simple and they have the obligation to this community and he doesn't care if its 7 million dollars, 10 million dollars or 5 million dollars, they need to live within their means. He went on to say that he understands that as far as the federal and state allocations, they haven't really figured much of that in the budget.

Mrs. Gober stated that they know that they have lost the stimulus portion.

Director Amato continued asking are federal monies there.

Mrs. Gober stated that yes they were.

Director Amato stated that he thought they were talking about the exception model of \$5.5 million they could get, but yet they don't know what they are going to get from the state or federal government and that a good portion of that could be enough.

Mrs. Gober stated that the challenge is that they will not know that information before they are required to adopt the proposed preliminary budget, and they will not know that before the deadline passes for the exception applications.

Director Amato stated that it is their duty as school board directors, rather than going through an exception, which he feels is the chicken way out of it, they are going to have to have this in place to reduce that \$5.5 million if the state and federal government come through. He said he feels that they owe that to the people in the community.

Dr. Roy stated that on the areas of potential reduction, they need to look and they are looking at basically all non-mandated programs. He went on to state what do they do that they are not required by law or school code to do. He continued that these are the broad categories and are in the handouts that were available for everyone where there are more specific examples of non-mandated program expenditures that they are looking at and costing out and that is the work over the next couple of months to identify those areas specifically where reductions are possible.

Dr. Roy continued saying that as they go through the development process internally they are looking at the priorities each department and administration is looking at where they can make reductions, where can they be leaner and smarter, what are the mandates and can they do things smarter even within the mandated areas and then as he said what are the non-mandates that they really need to look at where can they make reductions. Dr. Roy continued that the next slide is a summary from the handouts. He said he feels that this is an important slide because it kind of sets the playing field in his eyes and gets to some of what they heard tonight about increases in exceptions and so forth. He went on to say that this is the playing field in his mind,

from one goal line at one end of the field, a 0 percent tax increase would require the current \$11.5 million gap in revenue and expenditures to be closed by reducing expenditures or the increase in state and federal revenues which they cannot project at this point. He said that if they are in the middle somewhere, then the next part of the field moving from the 1 goal line is a 1.7 percent tax increase, the ACT I index and that would reduce, if taxes were raised to the index of 1.7 percent, that that would reduce the gap by \$2.1 million leaving \$9.4 million in reduced expenditures or again possibly increase state or federal revenue, however, they don't know and at the other goal line, the other end of the field is a 6.16 percent estimated tax rate and that is the ACT I index plus the preliminary exception bills Mrs. Gober talked about. He said a 6.16 percent ACT I plus exceptions increase would reduce the gap by 7.6 percent leaving \$3.8 million to be reduced by expenditures or an increase in state and federal revenues. He went on to say that a referendum is typically what would be considered by a district if there was a desire to be able to go beyond the ACT I plus exceptions. He went on to say that referendum under the ACT I law is to go to voters beyond the 6.16 percent. He continued saying that they are not suggesting that they go there so this is the ballpark of the field that they are playing on from 0 percent to a maximum of 6.16 percent and they are not recommending that they are going to end up at 6.16 percent by any means, but that at this early stage, that is the ball field that they are playing on. Dr Roy again stated that the proposed preliminary budget qualifies for an ACT I exception because the tax increase in its early budget would be 9.27 percent and that is greater than the index and therefore you have to show at this point that their expenditures are greater than their revenues in the preliminary budget in order to be eligible to apply for the exceptions, however, they can tell they wanted to make this point, because it is big, in a box, you cannot raise tax millage above the ACT I index plus the estimated exceptions and therefore the highest possible increase would be 6.16 percent and again then the field would be then 0 percent to 6.16 percent. He went on to say that their job is to close that gap between revenues and expenditure over the next few months.

Vice President Burkhardt stated that the administration has presented an updated look at where they are. He went on to say that by the end of the meeting his hope is that they have at least members of the board who are willing to move the process by voting to accept the preliminary budget and move forward. He said that it is his hope that through talking this evening that they are in a position that they can at least get five votes at their

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February meeting to move this document forward. He continued saying that they have to do this by law. He said they all know it's not the final budget, and they all know that that is going to require a lot more work, but that they need to get this step past them so that they can move further on. At this point Vice President Burkhardt opened up the meeting for dialogue.

Director Follweiler stated that she had a couple of things she wanted to discuss. She went on to say that on the very last slide, and she wanted it made extremely clear by Dr. Roy or Mrs. Gober that what they are saying is that in order to apply for the exception which the administration is recommending they have to pass a preliminary budget at that exception percentage or higher. She asked if this was a correct assumption.

Dr. Roy stated that she was correct at the 1.7 percent or higher.

Director Follweiler stated that then the exception that Mrs. Gober calculated is that they would be eligible for was 6.16 percent. She went on to say that she looked at it as though they have to do two things by February 7, 2011, and that is that they have to say that they are going to stay within the 1.7 percent and not go beyond it, or they have to pass a preliminary budget at some percentage. She asked if it does have to be over 1.7 percent or does it have to be over 6.16 percent. She asked to have that clarified.

Mrs. Gober stated that it has to exceed the index, which is 1.7 percent.

Director Follweiler stated that then if they pass a preliminary budget that was 2 percent, it still exceeds the index and can you then apply for exceptions up to 6.16 percent, or do you have to only apply for exceptions up the 2% and pass?

Mrs. Gober stated that she wants that clarified and reread the technical questions.

Director Follweiler stated that in her opinion it is and always has been that anything beyond the index is referendum. She said that she knows what the law is, and she fully understand it, but the two gentlemen that spoke basically said the words that she says at every budget since she has been involved, and that is that she feels that the safe way is take the budget to the public and that is not the way Pennsylvania does it, and therefore she works within their systems, but she wanted to just fully understand and have the whole board and the public understand exactly what the law is

on what they decide to pass as a board.

Director McKeon stated that he has two questions. His first question was if they don't pass the proposed preliminary budget, then what are the implications?

Mrs. Gober stated that the board must pass a proposed preliminary budget before February 21st because that is the deadline that they must submit the approved preliminary budget to the Department of Education.

Director McKeon asked what happens if they don't approve the preliminary budget, what are the implications?

Mrs. Gober stated that because it is a requirement in the law, there really is no documentation of what happens if they don't since they will. She went on to say that the recourse has never been outlined because #1 it's new and #2 she doesn't know that it's ever been tested. She said that the budget will continue to be a topic of discussion until its final adoption in June.

Dr. Roy stated that if they don't approve a preliminary budget and then they cannot apply for the exception, which means then they would have to be bond by the 1.7 percent index and the reason that they are saying at such an early point and that it is dangerous is because there is such a question mark in particular around the state and federal subsidy. He went on to say that they have this \$11.5 million revenue expenditure gap, and if they limit it to the 1.7 percent, and they estimate the state and federal has been reduced, but it could be even less than that, therefore it could be better or it could be worse, but by taking the exception off the table, they would be eliminating their flexibility way before they know what they are going to be receiving.

Director McKeon asked what would be the estimated cost to go to referendum.

Mrs. Gober stated that she has not costed that out specifically because it was not the administration's recommendation to do so, however, they certainly would have expenses related to preparing the ballot questions, legal review of saying informational material that would need to be distributed and shared with the community regarding what the referendum question is, what does it involve, what is the request, what is the consequence of the reference failing amendment, and what would be included and what would be excluded. She went on to say that there are costs that are

associated with it, but again, she has not specifically costed them out because it was not our recommendation to do that.

Vice President Burkhardt stated that the purpose of the referendum is if the district wants to be able to raise taxes beyond the ACT I plus exceptions.

Director McKeon stated that he understood that, but he just needs the public to understand that there is a cost associated with the referendum; it is not just hardwiring a ballot and going. He said they had heard a number a while back of a couple hundred thousand dollars to potentially get referendum, however he stated that that may have been a non-primary year.

Dr. Roy stated that the purpose of ACI I is to impose limits on districts so that is the 1.7 percent or it could be the 6.16 percent with the exception. He went on to say that the referendum under ACT I is really a way for districts if they felt they needed to and their community supported it and it would be to get beyond those limits. Dr. Roy said that if they say that now, then for sure they would lose the possibility to apply for the exceptions.

Mrs. Gober stated that she thinks it would suffice to say that mainly without anything it would absolutely be an audit exception because you failed to comply with the laws of Pennsylvania.

Director Tenaglia stated that their best case is the 6.16 percent and that is the most optimistic.

Dr. Roy stated that he was not sure what Director Tenaglia meant by optimistic.

Director Tenaglia stated that it meant the index plus the maximum that should be calculated out on the exceptions, should they take them to the 6.16 percent. He said that that is the administrations best case.

Dr. Roy stated that that would be the highest tax increase.

Director Tenaglia stated that that provides them with the most revenue that they can reasonably foresee for the next fiscal year.

Mrs. Gober stated that that was with being absent subsequent information.

Director Tenaglia asked then why at this point in the process are they almost 50 percent above that.

Dr. Roy stated that because this is the beginning of the budget process and not the end of the budget process. He stated that it is through the next four or five months that districts work through the budget process as things become firmer numbers for next year, the state numbers and so forth. He said that this is the beginning of the process to get down to a final budget that has to be approved in June.

Director Tenaglia asked then that this has been the past experience with the maximum allowable exceptions that they have applied for and what they actually made.

Mrs. Gober stated that to the best that she is aware at this point they have never exhausted and used 100 percent of the exceptions that were permitted.

Director Tenaglia stated that in the past they have applied for exceptions and in his recollection was that the state granted them less than the maximum allowed.

Mrs. Gober stated that that was correct between the application and the approval. She went on to say that she can only speak for her own experience, where they were relatively consistent, of course they do vary, they are not identical to the dollar but they have not had a dramatic difference one way of the other.

Director Tenaglia stated that he thought that their experience was different than that.

Director Leeson stated that she had some of the same questions as Director Tenaglia had. She asked if she was correct in that they have taken out of the revenue side the stimulus fund money that they anticipate they will not be receiving next year.

Mrs. Gober stated that that was correct.

Director Leeson asked then what have they taken out of the expense side, and wanted to know what has come out so far to balance what was removed from the revenue side?

Mrs. Gober stated that programmatically they have not eliminated programs that were incorporated within those grants. She went on to say that this is part of what they are going to do is prioritize

and see what are they using those dollars for, what are the priorities, what do they value in maintaining, what needs to be changed, what needs to be amended, and what needs to be discontinued.

Director Leeson stated that she hears them talking about an \$11 million gap and when she hears budget, she hears people talk about balance, that your revenues balance your expenditures, not gaps and she thinks it is the job of the administration to present the budget that they feel they need to operate with next year and she believes that needs to be balanced and not with a gap. She went on to say that she thinks Director Follweiler last time talked about this as the wishlist and this is not a budget this is a wish list and Director Leeson agrees that she doesn't see this as a budget. She said she thinks when they look at what is it that they are going to have, they are going to have a maximum 6.16% revenue to work with so a preliminary budget she believes should reflect that and it should show with what is it that they feel will have to come out in order to meet what is more than likely going to be the maximum budget. She went on to say that they all know that they are working with uncertainties; they all know that they are making guesses at this point, but she said it sounds to her like they already made guesses about the revenue side, what is going to come out of the revenue side, so they have to do the commensurate exercise of taking out of the expenditures side. She said she understands that there was a discussion as well at this time last year, but at this time last year Mrs. Gober had just joined them in their district, and it only gave her a very short period of time, so she thinks that they kind of gave a little buy, with their preliminary budget last year, but a preliminary budget should still be a budget, it should still reflect something that is realistic in their district. Director Leeson said she thinks they started with 13 percent, and they are down to 9 percent at this point and that is really not realistic. She said she feels that the administration needs to take a look and if she remembers correctly when they looked at the stimulus funds, they originally tried to put in the stimulus funds that were going to be one time expenses if possible or things that they felt that if they absolutely had to were things they could look at cutting. She said she thinks that is the way the administration looked at it last year, and she knows at the very end of the budget cycle last year, they kind of got surprised with lower numbers than they expected and so she thinks some monies went into stimulus funds that may have been more essential. She went on to say that this is at least one place to start and say what is in here that possibly does not have to be repeated over time and where does the administration see the

funding that they can live without.

Vice President Burkhardt stated that on page 2 of the document that they received this evening, there is a list of the administrations best estimate of where those extra funds that are no longer going to exist and what they funded this year. He went on to say for example, the \$500,000 plus for class size reduction, full time kindergarten, now these are all things now that technically could be on the chopping block because the money is not there. He said that that is our philosophy if the money is not there then program goes away. He said he feels that what has happened is, they need to, or at least his thought is, they need to have the administration tell them what they are not going to keep and then they have to scream and holler and say no way, they want that or they agree and say yea that this is the way it is going to be. He went on to say he thought this is how the process was going to work. He continued saying that there is a lot of money on that one page and they don't want to make those cuts without information from the administration. He said he hopes they were going to do this with the help of the administration.

Director Leeson stated that she thought that is the way that they would do it and let the administration decide what they needed in order to get the job started and in fact she thinks in previous years, the board has set parameters and if she remembers correctly, last year the board set the parameters but they ask the administration to bring us a needs based budget. She went on to say they asked them to bring the board a needs based budget that would address the goals that they had set for the administration to get off of corrective action, to enhance and expand some of the offerings, and what Mr. Silva call stretch learning, that they wanted their students to have a well rounded education, so these are the things that they need specifically outlined from the administration and ask them to bring the board a needs based budget.

Vice President Burkhardt stated that this budget and this process is not unlike the other previous years under ACT I, at the preliminary budget stage, the process anticipates moving through January, February, March, April and May towards a balanced budget based on revenues and expenditures. He went on to say to balance the budget through expenditure reductions only when they don't know clearly what the revenue side is going to look like and that needs to play out over the spring months. He went on to say that to have a balanced budget at the preliminary budget stage, he doesn't think it has been an expectation here in the past,

nor he is sure anywhere, again, he said that it is the beginning of the process. Vice President Burkhardt said that the stimulus money that funded a number of different things did not fund solely one-time things. He went on to say that if for example it funded for tuition reimbursement, so tuition reimbursement is a contractual item that is not going to go away because the stimulus money went away.

Director Tenaglia asked if he was talking for staff or the dual enrollment tuition.

Vice President Burkhardt stated that he was talking about staff.

Director Tenaglia stated that Tuition reimbursement is a contractual item, and if they use stimulus monies to fund that that was them since this was a general operating budget obligation. He said they were also were presented with personnel hires that were specially hired with stimulus money and at the time it was presented to the board, the board asked what happens when the stimulus money goes away then those positions were to go away. He went on to say that in this presentation, this stimulus has gone away, but they don't see the corresponding elimination of those positions.

Dr. Roy stated that they have anticipated in the second draft of this budget, a number of staff reductions based on numbers and projecting ahead, although again it is early to do that and Mrs. Gober was telling him that there were two of those out of he thinks 10 or 12 that they took out at this point and were stimulus funded.

Dr. Roy stated that the gap that they are talking about is \$11.5 million.

Director Amato stated that they are saying that now going forward, is the fact that they looked at this and this budget needs to go back and the administration needs to come back with this to meet whatever we give me them, \$10 million in the hole, \$11 million in cuts, or \$8 million in cuts or whatever, and he said they within the no exception monies and tell them to come back and here is what has to happen, and then they will meet in another week.

Dr. Roy stated that is reaction to this is that this is the budget process over the next several months to get to that point, not to get a budget that starts July 1.

Director Amato stated that he thinks this board is saying loud and clear that they all want to stay within 1.7 percent so let's find out if they do, and if that is the case, then they need to go to the chopping block.

Dr. Roy stated that that would be fine with that direction, but that would be then the work over the course of the spring to get down to that. He said that they might not have to be all cut if the revenues increase.

Director Amato stated that he is fine with that because that will keep them away from going to the state for an exception and keep within the 1.7 percent and over the process of the next two, or three or four months, we'll see what they get from the federal government, so if the administration is coming back to them in a week or so and saying here is \$9 million in cuts if they don't get anything from anyone.

Dr. Roy continued saying that the identification of the cuts and the pricing them out is the work over the next few months and to identify \$9.4 million in cuts is always the work of spring in two weeks,

Director Amato stated that Vice President Burkhardt should find out from the board if they want to stay within 1.7 percent. He said that if the consensus here tonight is 1.7 percent, then the administration is given its marching orders and they are to stay within the 1.7 percent and there are no exceptions.

Director Lesson said that personally she would love to see them stay within the 1.7 percent range, and she does realistically think that it might be a good idea to be able to apply for the exceptions because of the uncertainty of what is going to be coming in the next couple of months. She said that she feels the decision to use those exceptions should be coming later. She said that she would challenge the administration to try and stay as close to the 1.7 percent range in making all of those adjustments.

Dr. Roy stated that would be good direction and his concern was with that they cannot achieve that kind of reduction in two weeks that that is the work of the next few months.

Director Leeson stated that her other concern is that she is not prepared to vote affirmatively for a 9 percent budget because she thinks that is too far out of range, and she thinks that they need a budget that is much more realistic and shows some of the areas in

which they are going to be making reductions prior to their vote.

Director Faccinnetto stated that he couldn't commit to saying nothing more than a 1.7 percent increase because they don't know what their state funding is and suppose something radically comes out of Harrisburg and it is significantly less than they thought. He said that anything can happen that can affect that roof. He said he needs more information because he cannot vote without something more concrete and he doesn't know what that is, and he is not prepared at this point to say 1.7 percent. He went on to say that he is not going to say that he is going to vote for a 3, 4, 5, or 6 percent increase, but at this point, he said it is too early for him to say 1.7 percent and don't apply for exceptions. He said he feels that that is not responsible on their part.

President Cann stated that she agrees with Director Amato that they need to set the guidelines and she is not even happy with 1.7 percent, and she feels they have to have 0 percent and see how they can live within their means, which they have had for the last year, however, she would vote for a preliminary budget at 1.7 percent but nothing higher, and she wanted to clarify with Dr. Roy and Mrs. Gober that what they are trying to say is that they cannot just say they are going to vote for nothing above the exception and they have to produce a document to the state that shows that 1.7 percent level.

Mrs. Gober stated that they must exceed the aquiline index in their preliminary budget submission or the window to apply will not apply.

President Cann stated that she understands that part, and she is not for applying because she is not for going above the index but her understanding, and she agrees with Director Amato that they should just give direction to the administration and say, they are not going to apply for anything above the index and stay within the index. She continued saying then they are done with voting on any kind of budget until June when they have the final budget. Mrs. Cann asked if they have to produce a balanced budget document to the state if they are going to stay within the index.

Mrs. Gober stated that you must produce a budget then. She said that you can choose to place whatever criteria or positions that you determine on what that final number looks like, but what they are trying to say is that there is no requirement for you to oppose that restriction today. She said she understands that that might be your end objective; however, there is no requirement to

do all that cutting today, when they are in an information void in many cases. She went on to say that one of their very large contracts is as an example and this is their special education contract and all of the other contracts through the intermediate unit for education services, and they do not have information on them at this time.

President Cann stated that she doesn't think that Director Amato was suggesting that they figure out in the next two weeks how to make the cuts down to the 1.7 percent, but she thinks what he was suggesting is that they as a board commit to the community that they will not raise taxes beyond the 1.7 percent in June when the budget is actually passed. She went on to say that when Dr. Roy was explaining that they couldn't commit to that number in the next two weeks that is what led her to believe that they had to turn a document in with their proposed budget too. She said that three years ago when she first joined the board, they as a board voted that they were not going to exceed the index and they were done.

Mrs. Gober stated that when you adopt that resolution what that does is it voids this February discussion and then they don't turn anything into the state and they go back to the old process where they don't speak to them until May.

Director Follweiler asked that if they vote not to exceed the 1.7 percent then we are done with the paperwork to the state if they determine that they want to leave that window open to apply for exceptions. She said she understands that what they are saying is that if they apply for them, it doesn't mean they have to use them. She went on to say that her opinion, the reason she would want to cut it off at the 1.7 percent is because once you open the door people can come through it and so she doesn't want to open that door. She understands everybody else's opinion that they want to look at everything, but if they don't open the door, then they absolutely have to get it. She went on to say then that as soon as they apply for those exceptions, the possibility is that the tax increase could be beyond the 1.7 percent. She said that her vote would be not to open the door and commit to this index.

Vice President Burkhardt asked if anyone needed to clarify their positions.

Director McKeon stated that he just has a request of the administration, that on the list of potential projects, could they go through it for the next time and look at items where they spent

money and necessarily will incur it again. He said that there are some items on the list that he is looking at that maybe they are going to have to have. He said he knows they always have textbooks, those are a requirement. He said that they may have been able to go out and get additional textbooks with these \$114,000 where now they roll back to a different expenditure level that is already in the GOP instructions, supplies that are stimulus money. He went on to say that when he looks at this special education there is no way we are going to cut that. He said it is with stimulus money, so it has to roll back into the GOP because it was a special education requirement.

Dr. Roy stated that he already said there are special education items that could go.

Mrs. Gober stated they have 65 total and of those, 15 were identified purely for special education classes.

Director McKeon stated that maybe that can come off. He went on to say that they need to know what has been truly utilized as a one-time expenditure and what items now would have to be put back into the GOP if they decided they needed to be put there. He said his understanding is that if there is something on the chart or list that is going to away, but if they need it, then what is coming out of the GOP to equalize it. He went on to say that as far as the 1.7 percent, he is willing at this point to exceed the 1.7 percent.

Director Tenaglia stated that on page 3 of the timeline, it has just been pointed out that the administration has now added several additional meetings and this was a result of some of their discussions. He stated that he would be like to see a specified time be set between the board meeting budget adoption on February 7, 2011, and then working through the March and April time frame so that the administration is on notice that by that May 9, 2011, meeting, they want no more than a 1.7 percent increase. He stated that this would take them to where he gets a sense that some board members want to go, and he understands the thought process of not going to the safe exceptions, which he thinks significantly restricts them and the administration and if they would commit to a May 9, 2011, budget at the index level, then he would be willing to give them the latitude to work over the next two or three months to get to that point.

Dr. Roy stated that they will commit to whatever the board tells them to commit to.

Director Faccinetto stated that if they commit to 1.7 percent, and they are not going over the exceptions, then they have to be able to commit that in May and June that they are going to cut football and their Pre-K, and they are going into summer school busing, and they don't want to have people come and yell at them about it. He went on to say that they have to commit, then they have to cut popular programs and stuff that people like and they cannot just dance around and say well theater is better than this and band is better than his and sports are better than this and it is going to be tough, and if that is what they are going to do and that is what they are going to commit to, then they have to be ready to commit to that.

Director Amato stated that under the school advisory they have unmandated programs and wanted to know if there was a dollar figure.

Dr. Roy stated that that is going to come.

Vice President Burkhardt stated that he wanted to ask a question, they know they can't go above 6.1 percent under any circumstances, then why don't they present a budget, even though they don't know exactly where the cuts are going to come from, but why not for this preliminary highly fluid document that they have to approve in February, then why don't they approve something that is 6.1 percent because they cannot go any higher than that no matter what and then they continue to work down from there because he is not in favor of 6.1 percent, but he does believe they need to get over this hurdle of where they're at, and he is not in favor of locking them in at 1.7 percent. He said he understands the need to cut as a businessman, but he also understands that the quality of your product is in jeopardy and then you have to raise prices. He went on to say that as a businessman, when he has a 30 percent increase in PPL, he cannot cut kids that work in the summer time, so nobody can get their ice cream, you have to adjust prices. He said he thinks that it has been excessive and they need to cut back, but he is not in favor of cutting the school district programs. He said they want a school district that parents want to send their kids too; they want a school district that is regarded highly by the state and by the people across the state, and he feels they can do that somewhere in the middle, and he feel that somewhere there would be reasonable. A 1.7 percent is locking them in to something very early in the process. He said that they might as well tell the community to stay home because they know what the percentage is going to be and they will just sit here and cut.

Director Tenaglia stated that he thinks if you get to the April/May time frame, and the administration has taken some gradual deductions in the increase over the subsequent preceding two months, then at that point in time, they can say look they've done what they think, they did as much as they can, but they're at 1.7 percent, and in order for them to further reduce that, this is where the real pain is going to be felt. He stated that that would at least give them some time. He said he thinks that the problem right now of restricting them to the 6.17 percent by February 7, 2011, which is about a week and a half, and he just thinks that is not practical.

Vice President Burkhardt asked that you mean you cannot simply show that as less in the staff category, knowing that the final budget is not there.

Mrs. Gober stated that she thinks where the biggest question is, is related to what is the state budget going to look like and this is an ultra conservative look at what would state funding looks like.

Director McKeon stated that in all fairness to Mrs. Gober it will not be the same budget before June 30, 2011, because in the last eight years they have never seen that before, so the best they can hope for is see what the Governor recommends in his budget proposal, between that March proposal date and June 30, 2011, when the State is supposedly mandated.

Mrs. Gober stated absolutely and that she agrees with what Director McKeon is saying there, but at least you would have some indicators at that point. He went on to say that they would have some discussion, they would have a starting point and they would be able to follow the dialogue at the state level.

Director Tenaglia stated that this would give time to work through February, March and April time frames to work from 9.7 percent down to the 1.7 percent level.

Mrs. Gober stated that she thought that Vice President Burkhardt's question is why can't they just arbitrarily plug a number for February 7, 2001, and she thinks that they have some concerns about not doing the do diligence to say what number is it that comes out, but additionally they're saying they know that Mrs. Gober was ultra conservative in the revenue, if they are going to plug anything, lets assume that the Governor isn't going to allow all 500 school districts to have this level of reduction and then they work both sides against the middle as they've outlined

they would.

Vice President Burkhardt stated that they know they cannot go beyond that so why spread again to the public a number that is far above what they know they can do. He said that if they're going to take their lumps, let them at least take them lumps based on the number that is realistic, which is the 6.16 percent, not 9.7 percent.

Director Amato stated that there is a lot put out there for them to work with and they will never get to the 1.7 percent. He said that if you put down a figure of 6.6 percent, and he said he was through this budget process many times in his lifetime and they give them a figure like that, that is where it will be. He said they have a cut in the business world and he went through this every 7 years or so and he said they know they just got too fat and the boss came back and said, the CEO of the company, they're going to cut 15 percent. Everyone said there is no way they can run a business like that. Fifteen percent and guess what, when they got rid of the 15 percent they moaned a little bit, but they were better off after it, and they ran their business the right way, the good way and they made money, but if they would have left it go at that, and they would have said only 10 percent they would have started the destruction of the company.

Director Leeson stated that she agrees with Vice President Burkhardt and one of the things they are looking at here, they have taken this conservative look at revenue, they've already taken the revenue out, and if they do the commensurate cuts in their expenses, it is always easier to add back in then it is to out. She said that as they make their adjustments as they get more information, as Mrs. Gober had stated and she has taken a conservative look at the revenue side so hopefully the revenue is not going down, but the revenue will either be at that level or slightly more, so it is really the expense side that they are looking at more, since they made assumptions on the revenue side, and now they need to make the assumption on the expense side at this point.

Vice President Burkhardt stated that when they finally get to do a little poll, he sees three possible options they should be thinking about. The 1.7 percent - no higher, or the 9.4 percent, or the 6.16 percent - preliminary budget that they have to see in February. He said that those are the three things that seem to be on the table.

Director Leeson stated that regarding the TIF rebate, did she understand Mrs. Gober that she had already calculated in the TIF rebates and south side rebates that they are going to be getting into this budget.

Mrs. Gober stated yes.

Director Leeson asked about how much are they anticipating per year or that they are hoping for.

Mrs. Gober asked if she meant in revenue or rebate. She said that she didn't have that figure at her fingertips. She said she knew that the rebate, the money going back to the Authority, is about \$2½ million.

Director Leeson asked what are they retaining.

Mrs. Gober stated that she did not have this information with her.

Director Leeson stated that they have put that into the budget and they are not reserving that money for anything else, like the teachers' bump or anything. She said she didn't think they ever had a discussion as to how they were going to allocate that money and asked if it was just being absorbed right now into the general budget.

Mrs. Gober stated that it is a district revenue assessment that is available for operating expenses and it is not like every other tax revenue.

Director Leeson stated that they haven't had that discussion, but asked for affirmation that that is what has happened in the current budget and what we are currently looking at as being absorbed into the operating budget.

Mrs. Gober stated yes.

Director Leeson stated that just as a thought, she saw the non-mandated list, and she would just like to add one more that she thinks they have to take a very close look at and that is professional services. She said she thinks that they might be able to find savings in their looking carefully at professional services.

Director Follweiler stated that she has a question for Mrs. Gober. She said that in her presentation one of the items that she said was that a 30 percent Charter School Fund was not received.

Mrs. Gober stated that the Charter School Funding requirement is established at 30 percent of the prior year's expenditures and if they have, here's an example, you have \$10,000 in Charter School tuition, that you paid, the subsidy related to that should be \$3,000 coming back.

Director Follweiler stated so if they have a student who chooses to go to the Performing Arts Charter School and the Bethlehem School district writes a check for let's say \$10,000 to the Charter School, then the district gets \$3,000 back from the state in subsidy.

Mrs. Gober stated that that was correct. She said that in subsidy in the subsequent year, in the following year and that is what she was referencing when she said that the state has not yet ever funded that at the 30 percent level, it has always been somewhere between 24 and 27 percent.

Director Follweiler asked where the 30 percent number comes from?

Mrs. Gober stated the state.

Director Follweiler stated then that the law that developed the Charter Schools stated that the state would reimburse 30 percent of the school districts costs. She also asked what is their recourse to go after that money that hasn't been received?

Mrs. Gober stated that she didn't believe that they have any. She said that it is based on what is appropriated in the state budget, and they distribute the appropriation line item and that is shared equally, and they fund a pro out of basis of your tuition subsidy.

Director Follweiler asked what the total amount of the principle is on their current debt?

Mrs. Gober stated that she didn't have the outstanding principle figures with her.

Director Follweiler stated that they could get that to her, she just wanted to understand the difference between how they bucket it per year and how they have it with the interest in it.

Mrs. Gober stated that if you look at the packet that Mr. Scherer presented last month, it would be included in there, it shows you the total outstanding commitment on all of the debt serve and it is

also broken out by annual payment obligations. She said that the annual payment goes across and the cumulative is down at the bottom as your cumulative totals.

Vice President Burkhardt stated that he believes it is an excess of \$300 million.

Director Follweiler stated that she thought it was under that amount. She said she thinks they were saying the same thing because if everybody is committed to trying to get to the 1.7 percent, I believe that the difference is the analogy as she used with opening the door. She said that it is just a matter of which one of them wants to keep the door shut and which ones want to open the door, but she thinks what she heard is that the whole board is committed to at least by Director Tenaglia's date of May, getting to that 1.7 percent. She said she feels the next question is do they think that the scheduled timeline is sufficient and is there enough workshops in there to get to that by May 9th?

Dr. Roy stated yes and the timing of the workshops was to get a few weeks in between each workshop.

Director Leeson stated that she wanted to clarify that they really need to be there by April, not by May 9, 2011. She said that when they get that budget in April, that is when they really need it, since that is usually when the board gets to finish the budget and does any tweaking, if they feel it is necessary.

Director Follweiler stated that she was talking about the budget hearing for April 26, 2011.

Director Leeson stated that the May date is pretty late.

Dr. Roy stated that Director Follweiler was correct, and that that is the adoption in April.

Mrs. Gober stated that she thinks it suffices to be restated that if they were in any other fiscal year, and they were looking at least a status quo revenue line item, these challenges would be far closer to being reality and really their challenge is the lack of evidence.

Vice President Burkhardt stated that he appreciates Director Follweiler wishing to speak for the whole board on that issue, but he is not committing to 1.7 percent at this point. He said he thinks what they are hearing is that the whole board is not going to

support 6.16 percent but it should in between 1.7 percent and 6.16 percent.

Director Leeson stated that she feels we should start at 0. She thinks it is 0 percent because I think there are some of us who are not at 1.7 percent, and she thinks they are where they're supposed to be, some are above and some are below.

Vice President Burkhardt stated that they are there to support the school district and that includes our taxpayer base, it includes their kids and their staff and they've got to do something that is reasonable. He said they are the lowest, again, the issue came up tonight of Saucon Valley, and maybe if they have a tax rate of Saucon Valley, they wouldn't even be here talking about this. He stated that they are not anywhere close to some of these districts that have much higher taxes.

Director Amato stated that they should not themselves to the Jones'.

Vice President Burkhardt stated that they shouldn't compare at all.

Director Tenaglia stated that he thinks the administration still needs some guidance and direction from the board and he thinks what he is hearing is that between 0 percent and 1.7 percent should be the target for April 26, 2011, and if they are all in agreement with that, then the questions remains, are there five board members to support the preliminary budget at 9.27 percent with the stipulation that between February 7 and April 26, 2011, the administration comes to the board with a budget number, no greater than 1.7 percent, by April 26, 2011. He continued that if they can get five voters for that, then they have the commitment from the majority of the board to approve the preliminary budget. He went on to say that if they approve a commitment to the preliminary budget of 9.27 percent as proposed here on February 7, again with the stipulation that between February 7 and April 26, 2011, the administration will make several reductions or have better revenue information so that on April 26, 2011, they will come to the board with a budget that has an increase between 0 percent and 1.7 percent, and that would give them enough latitude to have a period of time to make those cuts, it will also give them the advantage of being able to apply to the state for the exceptions, even though they may not use them, but at least you do have that other option available if they have a catastrophic event, a sink hole that swallows half of Freedom, they may need

to go above that.

Director Amato stated that he thought they couldn't go above, even with the exceptions 6.16 percent.

Director Tenaglia stated that they cannot, but this is their number, and they've got a week and a half, and he doesn't feel that in fairness to the administration that they have enough time, a week and a half, to reduce that 9.27 percent to reduce that to 6.16 percent.

Vice President Burkhardt asked the administration if they can come up with the 6.16 percent.

Dr. Roy stated that Mrs. Gober suggested that if they are going to make adjustments, in response to Vice President Burkhardt's question, if they said they wanted to set in this preliminary budget of 6.16 percent now and he also emphasized that that 6.16 percent is an estimate and they haven't been approved. He went on to say that this is their number now based on what they know. So 6.16 percent increase with the exceptions, Mrs. Gober was suggesting, they could adjust that again, because again, they are making projections at this early stage and they were very conservative on the revenues, so they could bump the revenue up and that would cause to, if we did that, close that revenue expenditure gap by \$3.9 million or a little less.

Director Tenaglia stated that you would have cut a 1/3 out of that number to get to what they have now.

Dr. Roy stated that they could do it by adjusting their monthly revenue projection, and what they can cut when they identify within the next two weeks these areas.

Vice President Burkhardt stated so it sounded as though the answer is yes. He said he just wanted to go around the horn and see, not as a vote, but as a sense of the board whether they have enough people who are willing to approve this preliminary budget at the 6.16 percent.

Yea, Directors Tenaglia, Faccinetto, Leeson (at 6 percent), McKeon, and Burkhardt,

Nay, Director Amato, and Follweiler.

Vice President Burkhardt asked if they should plan on a vote on this.

Dr. Roy stated that they are looking at coming in at 6.16 percent, where this one is at 9 percent, and this is the next revision prior to the February 7, 2011, voting date for 6.16 percent.

Director Amato stated that they just went around here at 6.16 percent, but yet he heard everybody say they don't want to go over 1.7 percent, except for Vice President Burkhardt.

Vice President Burkhardt stated that they are at a preliminary budget.

Director Amato stated that he didn't care what they are at in the preliminary budget, and said that as Director Follweiler stated that both of those doors are wide open, so it is now at 6.16 percent.

Vice President Burkhardt stated that he didn't believe that knowing the tenure of people that sit around the table at the meetings. He stated that these are people who aren't going to approve a 6.16 percent increase as a final budget.

Director Leeson stated to Vice President Burkhardt that she thinks Director Tenaglia also recommended that they set parameters for the other budget hearings to get down to the 1.7 percent, and that if they are willing to approve the budget and it is her understanding that those who are willing to approve it are willing approve it to give the administration a little more time to explore and look at where they can cut expenses. She said that it is not that they are interested in using that as a metric of where they are going to be, but she thinks Director Tenaglia also recommended that they have other guidelines as they go along so that at each Budget Hearing they have a marker where they are at a certain point.

Director Tenaglia stated that April 26, 2011, between 0 percent and 1.7 percent, since that was the consensus and now if they feel comfortable that they can get the 6.16 percent by February 7, 2011, or the 4, 3, 2 is fine.

Vice President Burkhardt stated that they could say that but he thinks what will happen is they will bring forward the ramifications of those decisions and that is what is going to happen as they widdle it down.

Director Tenaglia stated that they could make it happen in its entirety, not hope that it happens.

Vice President Burkhardt stated that he doesn't think he was hoping.

Dr. Roy said that the direction is fine that was given to the administration. He said that the 4, 3, 2 fits in nicely but it depends where they are, and some things they are looking at costing at significant programs that might have a big impact or on the revenue side that gives them markers, but he thinks markers are fine, but they are shooting just kind of picking those numbers out of the hat at this point.

Director Tenaglia stated that he thinks they are looking at seeing some significant progress.

Dr. Roy stated that they have to do that to get down the end, absolutely.

Director McKeon stated that as they progress to the reduction in the gap, the board would like to see a list of what is in that deletion with a dollar description and a dollar amount associated with it. He said they may disagree with the administration's choices, and they would then throw it back. and they would have to make an alternate suggestion for them.

Dr. Roy stated that they will do that.

Vice President Burkhardt asked if there was anything else for the good of the order.

Vice President Burkhardt stated they would be moving on to Courtesy of the Floor.

Patricia Felix
1721 Warren Street
Bethlehem, PA

COURTESY OF THE
FLOOR

Mrs. Felix stated the following: *"I have addressed this board in house and made a presentation, etc. for the couple of years that I have been attending and I've been through this budget process with you before and you often start out in the double digits and then we end up with a 5 percent or 6 percent increase which means you think you gifted us with it because it*

wasn't the 12 percent or 13 percent. So, it looks like the scenario is playing over again this year and I feel like we are being set up for another 6 percent tax increase. I would remind you that due to past consecutive property tax increases and they have been in the range of 5 percent or 6 percent and each time you have them I hear a comment, well it is only a couple hundred dollars, as if its a one time thing. I remind you that it is not a one time thing; it becomes part of the base. You pass a 6 percent increase this year it's on top of the increase last year that was another 6 percent on the base and that increase was on the year before that when we had a 5 percent or 1 percent increase and so on and so forth. So this few hundred dollars that you mention becomes several hundred dollars and perhaps thousands of dollars. I just can't understand where you are coming from. Do you understand what the national debt is? Do you understand what the state debt is? Do you understand what the school district debt is, the city debt, the county debt, and where do you think the money is coming from. Shall I just throw over my 401K and say, here have it all, I'm done, take my house, take my property, I'm finished. I have to live within my means and you do to and when they send a budget, by law we can't cut athletic programs, that is such an old song, because you know that parents are going to judge, your kids are going to be heartbroken. There are many things you can do. I worked at Bethlehem Steel, a multibillion dollar corporation, and we went through tremendous budgeting. You are not a multi-billion dollar organization here and you should be able to do this budget and you shouldn't be doing all this foot dragging. Get down to basics, to understand what it takes to survive, get there and do it and far as football programs or basketball programs. There are other things in your budget you could look at. For example, I looked through this; you've got \$200,000 budget for travel. I would propose to you that the school district does not need \$200,000 for travel and you can immediately say, well we got professional training. Guess what, do you know how many professionals were at Bethlehem Steel from a vast law department to a huge Homer Research, PhD's, anything and everything and yet we found ways and we still went bankrupt. Be careful because you could be heading there yourself and take us with you. The \$200,000 in travel, you just need to flip the pages, and start looking at your line items, and you can save money by \$5,000 here, \$10,000 there. You don't have to buy one big glaring \$3 million package. You can find it in bits and pieces and it adds up. If you need \$200,000 for training, think about video conferencing or telephone conferencing, we did it. I used to travel oversees for Bethlehem

Steel, it was a matter of in many cases, it was integral part of our business, we got our business going. But we also had professional training and yet we cut that all out. So can you. Travel to us was far more important than it is to you. You can do video conferencing, you can do teleconferencing, look in that budget and find the other line items and do it. Thank you”.

Russ Dentrone
Hanover Township

Mr. Dentrone stated the following: “I am a little disappointed you didn’t vote on the 1.7 percent. You should not have left the door open and I agree with Mr. Amato totally, you should have kept it at 1.7 percent maximum from the 6 percent. You are not going to drop it from 6 percent. I’ve been in these budget meetings before, and you are not going to drop it and its going stay up there around the 6 percent. You should have kept it at 1.7 percent and that should have been your target. It was mentioned that well maybe we’ll go from 5 percent, 4 percent, 3 percent but you are going to let a program slide next month and then cut it the following month. Your target should be the 1.7 percent and that is where it should be; that is what the state says and you should not have kept the door open and especially for the exceptions cause that’s what the exceptions are designed to do. They open the big door, you know we can tell the public what to vote on the budget, but if you needed more, we’re going to take more”.

Noelle Pantebianco
West Bethlehem

Ms. Pantebianco stated the following: “I’m not going to beat the dead horse because I agree with what was said before me and I agree with Director Amato and Director Follweiler, but what I would say, why don’t you strive for the same excellence that you ask for in your students academically, I mean 1.7 percent is good, and 0 percent is even better. I mean I went to a small Catholic School and they didn’t have much. We used beat up textbooks, but it sent me to some of the best schools in the country, and I would just suggest that you consider that.

Randy Toman

Mr. Toman stated the following: *“Just a couple of things, one is, you people, I’ve been here now, and this is the fourth budget time I’ve been sitting here listening to this stuff. You people know what the revenues are if you look at the graph you can see what the revenues are, they spike because of the stimulus package and now they are down to where they will be, you probably peaked out right about now, as far as revenues. I would suspect next year the revenues are going to drop and then thereafter, unless the economic times change, that graph is going to start to slide. Now you people knew that, how you come in here and treat the taxpayers, there is no vehicle here, I only, for the first time in a long time, I agree with Director Amato. I don’t want keep pointing people out and naming names, you people are sitting here. I have told at least two of you people that the mandates and the addressing of the political problem must start here. You people are under the gun, the way the whole budget process works, how you can start a budget process and you don’t know how much money you are getting from the state or from the federal is beyond me. With the new Governor coming in you won’t have anything from him for quite a while, you are going through a budget process without even knowing what he going to do to you. If you are looking strictly at the revenues, you guys are like R10 millions out of kilter, now what is going to happen next year when the revenue may slide. I have no idea. You are going to be going through the same process I have said for four years now, that it should start at 0 and go from there. No body is representing the tax payer. You want to go 6 percent, you want to go above 1.7 percent, and I don’t know where the rest of you are, but I say the taxpayers are about broke. You can’t wring anymore out of the taxpayer and I suspect it is going to get worse at budget time. So if you want to go at 6.1 percent, you do whatever you want, but I tell you there is one guy in Bethlehem, Pennsylvania, that won’t look at it as a gift horse in the mouth, if you go down to 3 percent or 4 percent, I expect you to be at 0 percent. I expect you to take a look at everything and say we can no longer go above \$200 million. That’s to be maxed out there at \$203,000 million somewhere in that range, if we are up at \$ 212,000 million and next year up at \$214,000 million, you are going to have a bigger spread then. You guys don’t have a line item problem, you have an attitude problem, and the attitude is you should stay within the range of what the graph showed you for the last five years. You can’t go above it. It is an impossibility to go above it. Where do you think you are*

Patricia Felix
1721 Warren Street
Bethlehem, PA

COURTESY OF THE
FLOOR

Mrs. Felix stated the following: *“I have addressed this board in house and made a presentation, etc. for the couple of years that I have been attending and I’ve been through this budget process with you before and you often start out in the double digits and then we end up with a 5 percent or 6 percent increase which means you think you gifted us with it because it wasn’t the 12 percent or 13 percent. So, it looks like the scenario is playing over again this year and I feel like we are being set up for another 6 percent tax increase. I would remind you that due to past consecutive property tax increases and they have been in the range of 5 percent or 6 percent and each time you have them I hear a comment, well it is only a couple hundred dollars, as if its a one time thing. I remind you that it is not a one time thing; it becomes part of the base. You pass a 6 percent increase this year it’s on top of the increase last year that was another 6 percent on the base and that increase was on the year before that when we had a 5 percent or 1 percent increase and so on and so forth. So this few hundred dollars that you mention becomes several hundred dollars and perhaps thousands of dollars. I just can’t understand where you are coming from. Do you understand what the national debt is? Do you understand what the state debt is? Do you understand what the school district debt is, the city debt, the county debt, and where do you think the money is coming from. Shall I just throw over my 401K and say, here have it all, I’m done, take my house, take my property, I’m finished. I have to live within my means and you do to and when they send a budget, by law we can’t cut athletic programs, that is such an old song, because you know that parents are going to judge, your kids are going to be heartbroken. There are many things you can do. I worked at Bethlehem Steel, a multibillion dollar corporation, and we went through tremendous budgeting. You are not a multi-billion dollar organization here and you should be able to do this budget and you shouldn’t be doing all this foot dragging. Get down to basics, to understand what it takes to survive, get there and do it and far as football programs or basketball programs. There are other things in your budget you could look at. For example, I looked through this; you’ve got \$200,000 budget for travel. I would propose to you that the school district does not need \$200,000 for travel and you can immediately say, well we got professional training. Guess what, do you know how many professionals were at Bethlehem Steel from a vast*

Vice President Burkhardt asked for a motion for adjournment. ADJOURNMENT
Director McKeon made a motion to adjourn the meeting.
Director Follweiler seconded the motion. The meeting was
adjourned at 8:10 p.m.

Attest,

Stacy M. Gober
Board Secretary



AGENDA

Budget Workshop

Thursday, January 27, 2011 at 6:00 p.m.
Education Center, Dining Room

1. Courtesy of the Floor (15 minutes allowed)
2. Presentation of Preliminary Budget Information
3. Board of School Directors Discussion
4. Courtesy of the Floor (15 minutes allowed)