

BETHLEHEM AREA SCHOOL DISTRICT
BOARD OF SCHOOL DIRECTORS
BUDGET HEARING

APRIL 26, 2011

The Budget Hearing of the Board of Directors of the Bethlehem Area School District was held on Tuesday, April 26, 2011, at 6:00 p.m. in the Auditorium of East Hills Middle School, 2005 Chester Road, Bethlehem, PA 18017.

BUDGET
HEARING

President Cann called for the Roll Call by the Board Secretary:

MEMBERS
PRESENT

Members present: Directors Amato, Burkhardt, Faccinetto, Follweiler, McKeon, Ortiz, Leeson, Tenaglia, and President Cann - 9

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

OTHERS
PRESENT

President Cann offered Courtesy of the Floor on Budget items.

COURTESY OF THE
FLOOR

Steven Antalics
737 Ridge Street
Bethlehem, PA

Mr. Antalics stated: I was able to hear a study on Community Colleges and Colleges of that same level looking to reduce the school year from four to three years simply because of budget problems and money problems and they looked at it very carefully. The alternative schools like an Ivy league school, are asking \$35,000 for enrollment, and they have endowments so therefore they never have a money problem, but the problem was with the Community Colleges and Colleges of that same level and they found out reducing the college year from four to three years was going to be extremely difficult for one very simple reason, too many of the students needed remedial courses. Why? It was stated that remedial courses were needed because of the failure of the secondary school systems. I can't draw a correlation because they didn't get into that, but extrapolating simple logic saying that preschool, kindergarten, Pre-K, is extremely important because it is going to equipped the child to have a better ability to learn and especially in Bethlehem because of the ethnic mix of the district. I strongly urge you that to relieve this problem at the college level because of the failure of secondary systems, in no level, in any way, restrict Pre-K because of the importance of it and I think if you look at it carefully you might agree and along with that it

might be proper for the administration to take a salary cut to set a precedence. Some fear such. Put these monies along with other monies and by cutting programs which are not that important to a Pre-K student to look at that seriously and reinstall all of the programs for Pre-K that have been cut down because as this study proved the very important, and only that way can the district then meet its requirements to send off to a higher education children who are qualified. Thank you.

Jolene Vitalos
President – Bethlehem Education Association

Mrs. Vitalos stated: It is my understanding that the board has earmarked \$2,000,000 of new tax revenue for the purpose of growing its fund balance. When Dr. Persing was acting Superintendent, the board anticipated the June 2010 balance to be approximately \$3,500,000. Instead the district closed with an \$8,900,000 balance. If the board doubled than anticipated on last year's ending balance, what does the board anticipate this June's balance to be? The cuts to the 2009-2010 school year brought the district from the red to almost \$9,000,000 in the black. With the second year of cuts in 2010-2011 one would anticipate even more financial gains after two years of penny pinching and frugal spending. It is not unrealistic that 2012-2013 perhaps more maybe within reach. The \$2,000,000 fund balance line item could be reallocated to directly impact students. The message being sent is that the board is more interested in immediate cash on hand and not maintaining programming.

I commend you for making decisions to refinance the remaining swaps into fixed rate loans, also one has to acknowledge that swaps that remain are performing to the districts advantage, but a \$2,000,000 line item to stash money in a savings account while programs are being slashed for the third consecutive year, should this really be a priority.

I know you are facing sickening decisions because of Tom Corbett. There is continued unrest and PTO parents were lobbying at the Capitol yesterday and higher ed. continues to protest in droves and on May 3rd there is a huge movement state wide to descend on the Capitol. Corbett supporters are now questioning him and certain bills proposed by the Senate education and appropriation's committees, now on the Senate debate, have been postponed for votes because of the lack of support of the legislators themselves. There is pressure

mounting and constituents need to continue to repeatedly contact their legislators to fully fund public schools. If I was a betting person, BASD will have some increase in the state revenues for the 2011-2012 year and Corbett's proposed budget will not pass it in its original form. The priorities should be continued pressure on Harrisburg to constitutionally, fully fund Pennsylvania's public schools and the decision that the BASD level need to focus on continued quality education for all students.

Growing a savings account at the expense of the children should not be the priority tonight. By reallocating the \$2,000,000 fund balance line item elsewhere further analyzing the performance of current swaps, remaining vigilant with all potential refinancing opportunities and anticipating some increase in state revenue, this board could stop the madness tonight at 2.4 percent and rethink the priorities. Going to a 1.7 percent increase tonight is the equivalent of .75 mils or about another \$2,000,000. You have the \$2,000,000 if you reallocate the fund balance line item. Thank you for the opportunity to speak.

Ms. Emily Cecchini

9th Grade – Liberty High School

I'm forewarning you my speech is a little bit longer than three minutes because I didn't know the rule.

I know that the school district budget is not a top priority for most 14 year olds, but when your dad is an educator and your mom is a PTA person and you are assigned an article on budget cuts for the school newspaper it tends to be something that gets discussed at the dinner table. I am not an adult, let alone an expert on the budget, but I think that I have a basic understanding of the reality that you as the board have the responsibility to find a way to eliminate millions of dollars in deficits and the only way to do that is to find more money or cut programs. I understand that none of you enjoy making these hard decisions, but right now at this time programs have to be cut in order to balance the budget. I also imagine that every person in this room has a different idea about which programs are the most important and should be spared. The concern that I bring to you are not about the necessary cuts that must occur, but rather the outlook for the future. The common theme that I hear over and over again is that the risk is once programs are eliminated and you show that you can function without them, you never get them back. I am afraid that

necessary and effective programs that made our school district exceptional are going to be cut out of necessity with no commitment to restoring them as soon as you can. I am not talking about extra spending; I am talking about valuable programs like SPARK, Family Centers, resource officers, guidance counselors and teachers, middle school teams and effective thematic programs and extracurricular. My concerns seem justified when I read plans about how tax increases can save programs, but some people don't want to consider them. This year, each middle school lost one assistant principal, many of my parents friends will tell them how surprised they are that you don't really notice difference in the way the middle schools are being run. I know first hand that it is because people like my dad and Mrs. Santanasto and all the other middle school principals and assistants are sitting at their dining room tables working until midnight going into work on Sunday and a Saturday morning and other things like that. My dad says all the time how helpful the secretaries, guidance counselors and teachers are at trying to make up for the loss and how understanding they are when things don't get done as quickly as they used to. Now there may be even less guidance counselors and teachers and it just seems to me like eventually there won't be a way to make up for the losses. Kids and parents will feel the difference and PSSA's scores will show the difference. When I have a lot on my plate I tend make a to do list. I really feel like this school board needs to have a list right now and that the heading for this list needs to be "as soon as we can". I am a successful student and the reason for that is because I have had all the necessary tools in place from the time I was born to help me achieve success. I also played softball since I was five. For six years I threw the ball wrong. My throw was functional but it wasn't the most effective. When I was eleven I had a coach that told me that if I even wanted to play middle school or high school ball, I was going to have to learn how to throw correctly. After six years of doing it wrong, it was really difficult and frustrating to make the change. SPARK gets kids started off on the right track and identifies potential problems early. It needs to be on your "as soon as we can" list. I can't say that if I didn't have a winter coat, that I would walk to school on a bitter cold day or that without a backpack I would carry all of my books, notebooks and pencils to and from school everyday. If the electricity were shut off at my house, I doubt that I would light a candle and do my homework. Family Centers meet these needs and many others and have to be back in the picture as soon as they can. Resource officers make our school a safer place. My neighborhood has a block watch that

meets monthly to discuss issues and keep an eye on our entire neighborhood. Teams are like the middle school version of a block watch. They help teachers get to know their students better, they create a smaller sense of community for the students and it is easier for them to meet and identify problems for students and solutions for dealing with them. These things have to be on the "as soon as we can" list. I know that many people will be against tax increases because money is tight for everybody, but if you can spell out the benefits that the tax payers will receive by saving or restoring these programs, people may be more understanding. I don't always like or agree with what my parents and teachers tell me I have to do, but if I understand why, I am a little more tolerant. Maybe you could hold meetings in the schools like the president does when he is trying to educate the nation about some of his plans. Help people understand that saving or restoring these programs and keeping teachers and guidance counselors helps keep students in school and cuts down on disruption. They create more productive classroom settings where students can get ready for college and vocational school and return to Bethlehem as Doctors, mechanics, accountants and plumbers. When kids aren't vested in school, they cut or act up and students like myself have a harder time getting their work done. Remind them that sports and the arts give a lot of kids a reason to keep their grades up and say no to alcohol and drugs. Also, when kids are involved in extracurricular activities they have less time to loiter and get into trouble, which in the end is better for everyone in Bethlehem. I understand that you might have to cut important effective programs in order to get by right now, however, things appear very uncertain and somewhat dismal. Having an "as soon as we can" list shows a sense of commitment to returning to the most effective way to run our schools not just a functional way. It becomes a source of hope. It says that you won't forget about incredible, thematic programs like Sequoia. Not only did the Sequoia teachers win last year's excellence in education award, but they have black and white data that shows the large percentage of students in the program that have moved from below basic and basic to proficient and advanced on the PSSA's year after and year. Students like myself benefit from being heterogeneously grouped and learning to be better leaders who realize that everyone has gifts and talents and good leaders are the ones who can recognize and utilize those gifts. How can you want to restore exceptional programs like that as soon as you can? My point is that while I might not be able to afford a new pair of jeans this month, it doesn't mean that I will never buy a new

pair of jeans again. Please have potential resources and funding and be committed to restoring effective programs and positions as soon as you can. Place every effective position and program that you cut on that list and hang it on your office cork boards and tape it to the front of your school board notebooks, so that you never forget about them. Please don't let meeting temporary demands create the permanent extinction of great programs. Approximately 14 percent of the US population is illiterate. You don't die from illiteracy. People who are illiterate drive cars, get married, and have children and function in society. Just because you can function as an illiterate person, doesn't mean it is the most effective way to live. Thank you for your time. I greatly appreciate it.

Donna Cyé
1629 West Broad Street
Bethlehem, PA

Ms. Cyé stated: My focus is really going to be on the little book that you all printed out. When you all do your stuff, I'd like to be able to go through it and see how it is relating to the foundational document. That is what I really would like to know. How is this working toward this foundational document that I can see how it is really working. I will be paying attention to what you are saying so I can see how you're relating it so I can understand the dynamics of this whole situation. Thanks for listening.

Nicholas Yowakim
8th Grade – East Hills Middle School

Nicholas stated: I am a part of the Spirit of Bethlehem Program. In the Spirit of Bethlehem we learn how to be leaders and take control for other people and help other people. I am also a member of the East Hills Football Team. In football we learn how to take out our frustrations on the field and not on other people, how to make new friends every year and how to be a wolf pack. A wolf pack is a team. I also am a part of the Freedom Wrestling Team. It is amazing to be able to go up to Freedom everyday and be able to participate with the high school kids. It is a great opportunity. I am also part of the East Hills Soccer Team. On the soccer team I am a Captain of the Team. Being the Captain of the team helps me become a leader and allows me the chance to take control for my team. I was elected Captain because I was one of the kids who take control of the team. If it weren't for East Hills Soccer, then I would

never be in the position that I am in today to become a leader and be where I am today. While many people blame kids issues on parents, and parents not being involved, few look at the community that they live. If the community would be able to be strong and keep kids involved in other sports and other activities then kids will get better grades. I know that every sport that I have played and I play three sports for schools that every kid that plays the sports doesn't fail and if they are failing before the sports, they get their grades up. Sports and activities are better ways to get to kids to be able to focus on what they want to do because I know that when I go to school every day, I am not just getting up every morning at 8:00, but when I get up and I am looking forward to a sport after school or to some kind of activity, I know that I can get up and do good in school and look forward to tests and do better in school.

Janet Jackson
938 Meadow Circle
Bethlehem, PA

Ms. Jackson stated: I am mom, a taxpayer, a lawyer, and a supporter of the sports programs that the school district funds. I am going to tell you from this perspective of a lawyer who has had about 25 years experience representing children often in criminal court, juvenile court; I am going back to the late 1980's. The one thing that children who appear in juvenile court have in common in my experience and many people have written about it is that they are not involved in school sports. Rarely did I have a child charged with a crime who had been involved in school sports and I believe that that is because school sports are not about play, they are not about games, they are about character, they are about coaches who give our children examples of being willing to work tirelessly for little or no pay in order to make children learn some of the things that are not easy for certain children to learn from books. I think that school sports are every bit as important as any other program that you are looking at because there are children, many of them boys, I am a mom of two boys, and mostly those are boys that I am representing in juvenile court and realize that the sports programs are doing wonderful things, not only for boys but many boys don't experience the ease of academic success that many girls do. It is often more of a struggle for a boy to find something that they are good at and that they can be proud of and I believe that boys and girls often learn from sports that it is hard work that leads to success and the hard work that they see lead to success and the good feeling that they

get from experiencing that success makes them want to work harder in school, it is not just if I fail I can't play on the Lacrosse team, it is I've succeeded in making a goal in a sport by working hard and being taught to work hard and now I have the knowledge that that is what I can do with my hard work. I hope that you will look hard and long before cutting any sports programs. They are keeping our children out of trouble in ways that are countless. As a person who has seen what happens when a child loses confidence in himself and believes that the only thing that can set him apart is to do something that we all hope our children will not do, which is commit a minor crime or a major crime. Don't forget that parents are not using these sports programs as babysitting. Most parents are working like dogs to get their children to sporting events, to sporting practices, doing everything possible because parents know what the sports are doing for their children.

Dr. Roy stated: We have come to present the latest version of the budget in our budget process. The conclusion of tonight's workshop will have a budget with a revenue expenditure gap that can be closed by a 1.7 percent tax increase as we were directed to accomplish by the board. I am going to ask Dr. Silva to take us through some of the academic and the budget goals and then turn over to Mrs. Gober to go through the details of the numbers of the presentation this evening.

DR. ROY –
PRESENTATION OF
BUDGET
INFORMATION

Dr. Silva stated: Thank you very much President Cann and Dr. Roy. As we've started the previous workshops it was always good to build the context of what our budget deliberations are for and in the case of our first slide, the 2011-2012 budget goals support what Dr. Roy and I have laid out as the road map of educational excellence. Not only a strategy by which we're hoping to produce more competitive graduates and more successful schools, but also those principals that will allow us to make good informed budget priorities. Yes we are responsible for students in the core area of core learning and their basic skills, but we're also shooting for students to stretch to their ability to identify and to pursue their potential that they have in a comprehensive school experience. When students have the opportunity to engage, play in a band, play in a sport, it not only builds their involvement and their character, but it is also part of a comprehensive school experience that makes us more than just a profile of our standardized test scores.

So, that representation on that first slide gives us the context for what our budget has been designed to improve. Specifically in

2011-2012 budget goals we have tried to shield certain priorities maintaining a comprehensive school experience. School has students who have been successful have known it as described by both the captain of the 8th grade soccer team at East Hills and the student reporter, the idea that school presents more than just the basics. It provides a well-rounded experience for students to build their natural interests. To maintain class size in the core subjects where the vast majority of our students are taking their courses and especially to maintain an in school support for our most at risk elementary students who over the past years have seen reductions in some of those supports and as we talk about reducing the reach of the district as related to Pre-K and full day kindergarten, we believe it is even more important today to make sure that those early grades have as much support as possible.

Continuing on the goals in a macro economic sense we want to make sure we always practice sustainable budgeting. That is extremely important that we be able to work both sides of the ledger in a confident way so that future programs and future expenditures are aligned, not maintaining existing programs that aren't necessarily financed or carrying budgets larger than what is needed by the educational program. When a budget is sustainable it is ultimately in a long term most effective. We need to assure adequate financial resources as required by the school code to provide an adequate education for our students, we need to sustain mandated programs whether they be existing contracts or agreements which constitute the majority of our budget which are a non discretionary areas. Finally, any good budget is part of a multi-year budget to make sure that multi-year financial goals are reached and the board deserves a lot of credit for the last few years of maintaining its eye on the multi-year budget as well as the individual year budget and that to create those conditions and those long term improvements that will lead to the overall financial success of our school district and finally given the economy as it is we have had six budget workshops to gradually bring the recommended tax increase down to the Pennsylvania index of 1.7 percent tax increase. Smaller than traditionally faced at this time in the budget process, but given the economic times, one that I believe the board was reasonable to ask for. So, given the context and the big picture, now is the time to get more into the granular details of the proposed budget and I will turn that over to our business officer, Mrs. Gober.

Mrs. Gober stated: Thank you Dr. Silva. To take us back to the beginning when we began these discussions at the preliminary adoption in February, we began this road with about \$1,500,000 deficit that was a 9.27 percent increase in the taxes necessary to fund that. How did we get here? If we look at already anticipating that we were going to have a reduction in the stimulus dollars, we all knew that we were going to lose a little over \$5,000,000 in stimulus revenue when we began our budget discussion in terms of Title I for reading and math improvement, IDEA for special education programs, and the state fiscal stabilization funds which were the piece of revenue that were included in the state budget, in the Governor's Budget as a way to supplant the basic education subsidy.

Normally when we have this conversation one of the other issues that we talk about is the Governor's Budget and what did we receive in terms of new funding for Bethlehem Area School District from the state Governor's proposal. In this year you will notice that there are an awful lot of negatives on that particular page which further exacerbated the expectation that we knew we had a reduction in funding that we needed to accommodate going forward for 2011-2012. The Governor's Budget presented for us another \$5,500,000 that we needed to reduce in lost revenue, and we needed to either fill that through an additional revenue source or through reductions in programs in the budget line item.

If we just look at graphically and compare what our revenues were for 2010-2011 compared to the proposal for 2011-2012 you can see that they are almost \$7,000,000 less in terms of pure raw dollars, however, the interesting irony is the shift between state and local funding even though we are looking at a smaller pool of revenue at the base level, we have increased almost 4 percent local effort due to the reductions in the state and federal funding that need to be absorbed by the local taxpayer when they are not received through other grant or subsidy sources.

Through the conversations that we have shared with you throughout the dialogue that has occurred over the spring we have reduced quite a bit of program as well as increased revenues to the tune of about \$14,000,000 that relate to many of the programs that we have already outlined and discussed in detail at many of the presentations prior.

As a recap so far, in our presentations in our proposal we have reduced 174.5 positions, 96.5 of which are professional staff and the remainder are non-professional positions. In addition to that we have looked to see how we can increase our revenue so that we don't focus solely on the reductions in student programs. We have recognized revenue from the annual reconciliation that is done at the conclusion of each fiscal year from the Bethlehem Area Vocational-Technical School. We have looked to discuss delinquent tax collection system that we believe will increase the revenue from delinquent real estate taxes. We have looked at increasing the price of athletic events and sports passes for students and families in addition to looking at an activity fee that would be assessed the board for students at the secondary level. As part of our normal annual process what we normally go through is a district wide projection of enrollments for the upcoming year. We then consider the student course selection that occurs at the secondary level and align those so that we look at what type of class sizes and what enrollments do we need to provide staffing for the upcoming year. These are then reviewed between principals and the curriculum and instruction office in order to determine the staffing that is required for the various courses that are going to be offered in the upcoming year.

As was outlined at the last board meeting through the proposed program changes as they were submitted to the Department of Education for consideration there are programmatic reductions of about 76 positions in addition to another 20.5 positions that were non-program related that aligned to the 96 positions that are being proposed to be reduced in the areas that are shown on the slide above and have been discussed again in prior presentations. If we look historically at the efforts that have been made over the last number of years going from 2007-2008 forward to the projections for 2011-2012, we've seen an overall decrease of 17 percent in professional teachers staffing and a decrease of 22 percent over the same period for administrative staffing which would include all supervisors, principals and directors.

If we look at the proposal as it stands tonight as it is being presented before you, we are presenting a \$202,000,000 budget proposal, which is a 2.3 percent reduction over the current 2010-2011 budget. It also includes reductions across the board in all areas of instruction, support services, non-instructional services and debt service. Looking at the budget proposal graphically you can see that still the greatest emphasis in terms

of spending in this budget proposal is directly for instruction at 60.42 percent, and if you combine that with the related student services, nearly 86 percent of the overall budget dollars that are being requested in this upcoming year are directly or indirectly impacting students on a regular daily basis. What are the different drivers that make up the overall budget? If we look at salaries, we are people industry. We deal with our students and our teachers are directly involved in that process, in that learning. Over 43 percent of our budget is related to salaries for all of this staff that we employ on a regular daily basis and if you include the associated benefits that align to those wages, we are at 64 percent of our budget is tied to salaries and benefits to support the staffing that is required to deliver the instruction that we do on a regular basis.

One of the largest issues that we know we need to deal with going forward is the PSERS funding rate and the escalation that is anticipated between now and the 22 through 24 year. If you look at where we are as aligned by the arrow we are already on the upside of that increase and that will look at a dramatic change in the way that we fund our schools going forward. If we remain along that path.

There are many non-discretionary areas that need to be included in an operating budget that really does restrict and limit the latitude that school board members have in evaluating where we can make reductions and changes. If we look at non-discretionary items which are either contractually obligated or legally required, nearly 95 percent of our overall operating budget is either contractual or obligated by mandate in some fashion. If we then review our overall expenditures and look at them in a programmatic line item and we consider that 83 cents on every dollar are going directly to support students and student learning on a daily basis whether it be through direct instruction, the maintenance of the facilities to keep the lights on and the heat in a comfortable environment, health care, transportation to make sure the students get to and from school, we are looking at about 83 cents on the dollar that are going to support students getting into the classroom and having an appropriate learning environment so they can succeed in their future.

So, again to recap, we are proposing at budget that is 2.3 percent lower than it had been in 2010-2011 at \$202,449,000 and that will be supported by a revenue proposal that is \$200,330,000. This again in reflection of the decline primarily

in the state and federal funding through subsidies and other grants is a \$6,900,000 reduction in what we are slated to receive with the current budget year. If you look at the difference between that \$202,000,000 and the \$200,000,000, that is a \$2,000,000 deficit that we are presenting in tonight's proposal.

Looking at the revenues graphically by source, nearly 74 percent of the support for our schools here in Bethlehem Area School District is supported locally by various tax sources or local donations and contributions. Each year it is a declining state support of our school district here, so there is truly an investment that the local community is making in our schools and our future going forward.

If we look at our fund balance and where it has been and where we see it going forward, we had a deficit position a few years ago in 2007-2008, and the board has made a lot of encouraging and courageous between then and now, both programmatically and revenue generating with the line item to support the fund balance and get it back to a viable level where it is projected to be at the end of 2010-2011 at approximately \$15,000,000. This increase of about \$6,000,000 in the projected ending fund balance is made up of three primary components. First, \$2,000,000 of that increase is due to the planned revenue item that was a fund balance line item for the restoration of an appropriate sound financial position. Approximately \$1,200,000 is attributed to the increase assessed value at the Sands Casino and parking facility that is down on the south side that was the result of a modified tax increment financing agreement that occurred after the budget had been adopted. The remainder of the variance is the result of about 1.39 percent in operational savings throughout the course of this year which is attributable to the staff and administration of the district in their willingness to be frugal and conservative on an ever going daily basis so that we can save dollars everywhere that we can to support student programs. If we look at the fund balance graphically and historically although this color got a little bit washed out there is a bar that runs across the top of that screen that is between five (5) percent and eight (8) percent range which is the target that school districts should strive to reach in terms of a viable fund balance so that we can maintain financial stability and at the conclusion of this upcoming budget year June 30th of the current year, we anticipate that we will be right up at the appropriate target level.

One of things that we need to continue to do as an administration and a board is continue to manage that band, that bar of optimal fund balance level so that it does not rise above a point of the eight (8) percent restriction that is imposed by the Commonwealth on a budgetary basis but also that we don't let it decline to a point where we are then in a position of less than favorable financial ratings when it comes time to due bond refunding, refinances, etc. One way that we would primarily recommend in order to manage that would be that for any anticipated revenues above that eight (8) percent limit that we would first target those two be transferred to the capital reserve on an annual basis as funds are available so that we can restore a balance of a fund that we will be able to access for capital improvements whether it be a roof that needs to be replaced or other repairs that we may need to do to various buildings on a regular ongoing operational basis that will provide us the ability to make sure that we have the resources to make the repairs as they become required.

One of the new things that we are going to need to be dealing with in the next few months or few weeks is a new policy that is stipulated by GASBY 54 provision that changes the way that we designate and reserve fund balance within public schools across the country actually. There are now five (5) categories where currently we have three and they are a little bit more liberal. These five categories that you are going to be discussing over the next few weeks will be a little bit more restrictive in terms of non spendable reservations which are essentially, the only example I can think of is your inventory, is the reserve that you would keep on hand for the inventory that we hold at the end of the fiscal year so that we have a corresponding equity line item to offset that asset. The next least restrictive fund balance reservation is a restricted category and that is restricted only in the sense that there is some external limitation on the use of the funds that are in that category, namely a court order or some other type of legal requirement that requires the funds to be set aside and not touched for that particular specific purpose.

Next the board can take formal action through resolution to commit a portion of the fund balance for a specific designated purpose. This would be an area where we could look at using some fund balance to be committed for rate stabilization as an example with the PSERS funding rate as we had looked at previously and be able to set aside some revenue in order to mitigate that increase going forward. Another idea would be to

set aside some revenue that we would have to be able to offset any termination fees that we may have in looking at restructuring and refinancing our debt position. Through policy the board could designate assigned fund balance that meets certain criteria that can also be delegated to a particular administrative officer or a committee of the board. This would be more aligned to the designated category that we see and use in today's examples but it is very specific in stating that stabilization funds have incredible limitations under this assigned category. They would need to meet the following criteria in that they would not normally occur, the situation would not normally occur, it cannot be an emergency event and it cannot be an anticipated revenue short fall that would be, unless it would be beyond a magnitude that is the normal governmental course of action or through operations. So because of those restrictions and tightening of the ability to reserve funds for various operating purposes that is the reason that we would suggest that if the board chose to do any type of stabilization it be done through board resolution as a committed fund balance. In doing so the only thing is that by committing that fund balance you can only uncommit that by the same type of a board action. The remaining unassigned or undesignated fund balance would be the dollars that would be restricted to the eight (8) percent limitation. If we look going forward and look at a historical analysis of where we have been, if you see the red line being the revenue, for a number of years when we were in a deficit position that red line was below our expenditures so we were not bringing in enough revenue to sustain our operational expenses. Over the prior two years, that situation has reversed itself and we are not again back at a healthy financial position in presenting a balanced budget with the 2011-2012 proposal before you.

If we look going forward however, considering increases in revenue by normal natural growth, not considering new developments or any of those types of things that may come through over time and taking the index tax rate going forward and projecting normal contractual type increases we will over the five year period shortly be in a position of again needing to look at how can we sustain revenue to cover our ongoing operational costs. In trying to balance what we are faced with going forward and the financial sustainability of those operations going forward, we try to balance those concerns with the economic condition that we find ourselves in today in a situation where we have unprecedented reductions in revenue available for student programs and knowing that we are at a

financially stable financial position at the conclusion of this fiscal year, it is recommended by the administration that we would reduce the line item for fund balance restoration in this upcoming budget proposal before you tonight.

In doing so we are recommending that we reduce the \$2,600,000 budgetary reserve to \$1,600,000 and use that \$1,000,000 to offset the remaining budget deficit that was still in the proposal as of the last presentation.

To recap then, we are at \$202,449,000 in expenditures to be supported by \$200,303,000 in revenues leaving a deficit of \$2,118,000, which is .75 mils, or 1.7 percent, which is our ACT 1 index.

Our current milage is 44.17 mils; the proposal is an increase of .7508 mils, which is a proposed milage of 44.92 mils on an assessed value. The total milage then at 1.7 percent is equal to that .75. If we look at the ongoing budget that we have in the detail tonight, nearly a third of that is to support debt increases throughout the upcoming budget, which leaves .38 mils for ongoing operations. If we look at the ACT 1 index and consider where we might be again in that forward look of what does next year and the future years bring – this year the state index was at 1.4 percent. Although all indicators have not yet been received, it is leaning at this point that the ACT 1 index for next year will be less than it is for the 2011-2012 year and as you know there are various bills being considered at the state level right now that would eliminate the ability to seek exceptions to go beyond that reduced ACT 1 index. If we look at the exceptions that we qualify for in this current 2011-2012 planning year, we at the adjusted index of 1.7 percent, we qualify for another 2.3 percent of exceptions that would take us to an overall tax increase allowable under ACT 1 of just slightly over 4 percent. The proposal that we have here tonight at .75 mils on the average assessment of \$75,000 within the district would generate an annual increase of about \$56 for the average tax payer in 2011-2012. If we look at where do we stand historically in comparison to the other school districts within Northampton County? Congratulations again to the board and the administration for their courage and willingness to keep taxes low for our community and be respectful and mindful of the challenges that funding school districts can bring. We are as you can see in the striped box still the lowest mil levy within Northampton County and if we look across the intermediate unit we are the second lowest in terms of equalized mils and

compared across the Commonwealth we are below the Pennsylvania average in terms of milage assessment for our local effort in taxes. If we look at where we have been in moving forward through the glide path and the timeline of the challenges that we have met along the way as milestones we have at today's juncture reduced from the last presentation of 2.42 percent tax increase to the 1.7 percent ACT 1 increase.

Dr. Roy stated: So we come to the point in the presentation where I urge the board to consider a few options, there are many options emerging a few. We have made significant cuts, or recommended significant cuts over the past several months that really do impact the school district, but as I said before we have been able to do it for the most part by protecting the inner circle of the concentric circles and that is the classroom and class size. Tonight's presentation includes the good news of an expected continued growth in the fund balance, which then allows us to make the final reduction in expenditure of \$1,000,000 to get to tonight's number of a 1.7 percent tax increase by reducing what we had planned to spend just to go to the fund balance. So, the options that I urge the board to consider, accept the proposed budget as presented that is a \$202,000,000 supported by the 1.7 percent increase. I do want to make the point that further cuts going deeper into the expenditure side will begin to get inside the classroom circle and impact the class size and core academic programs. We have done a lot of reductions. We could consider offsetting some of the proposed reductions we've made with other reductions, so if we don't like A, we could look to do B. We could also look to restore selected proposed reductions with ACT 1 exceptions as Mrs. Gober said, we are at 1.7 percent which is the ACT 1, however, we do have exceptions that would allow us to increase our revenue by more than that and that would also be a consideration if there were recommended reductions that we wanted to restore.

A couple of open questions, when we come to the last couple of slides, we have asked the Bethlehem Area Vocational-Technical School to review their budget and come back to us with reductions. I know that they have done some excellent work on that. The BAVTS board needs to review that revised budget before we are in a position to discuss, but that will be in the next couple of weeks. We do hope to have further reductions in our expenditures to the VoTech as a result of the Vo Tech reducing their budget.

There is a possibility, although we don't know what that might look like with the increase state revenue, as the state budget works its way through the Harrisburg process.

On this slide you will see a list of and there may be others, but this is a list of proposed reductions in prior workshops that at least one or more board members have raised concerns about and I should say that this list is the concerns about these cuts is shared by the administration as well, many of the cuts we are recommending are difficult to make and so these may be the ones that we consider for priority restoration if we don't want to go with them. The total cost of that is \$900,000 which would put us back to about a 2.42 percent increase unless we offset it in other ways by other cuts by substituting other cuts that haven't been made yet or by in some ways some of them would be offset by what we anticipate the savings we'll have when we have a final Bethlehem Vocational-Technical School budget.

Finally, going forward on our glide path I wanted to make note that the implementation of program changes is a large, a very large task that looms before us. In past years when the district has made reductions, in almost every case, the reductions in positions have been able to be absorbed through attrition so very few if any people were laid off, left their jobs. That is not the case this year. Because of the depth of the breadth of the reductions and the program changes we will have people, many people that will be losing their positions that will be furloughed and in order to do that in a way that is fair to the individuals involved and that also in a way that allows us to plan for the changes because we have proposed changes to the middle school schedule, changes to elective scheduling at the high school, the significant reduction in the SPARK program. Major program changes across the board that we now need to begin to figure out the details of implementing and then notifying the staff that are affected.

The board's direction on where we are with this budget is critical for us to be able to finalize the details. We need to know exactly where we are budget wise in so we know exactly the extent of the curtailment of programs and the furloughing that will take place. So that is a major task that is in front of us. We have been working on and we need to continue through June 7th because there is a June 8th, tentative teaching assignment where we are obligated to provide our teaching staff with their tentative assignments for next year. So there is a timeline that we are working under. As a reminder, we have a

final budget adoption tentatively scheduled for June 13th at a Special Board Meeting.

President Cann asked if Dr. Roy could clarify, the \$6,000,000 you believe we will have after the 2010-2011 school year, is that one time money and if so why.

Dr. Roy stated: I'll ask Mrs. Gober, we had this slide that explained where that money was coming from, let's review that and then we will talk about what would be one time and what would not be.

Mrs. Gober stated: The primary revenue that is driving that increase is related to \$2,000,000 from that fund balance line item that was earmarked for that specific purpose to increase the fund balance in addition to the Sand Casino assessment that came in after the budget was adopted. So, \$2,300,000 of that increase \$2,200,000, is related to known or planned events. The remainder of the increase is due to operational savings that are on an ongoing basis which are just under 1.4 percent of our overall budget. We have done a lot of things differently in terms of the way that we operate with securing additional quotes, looking for best pricing. We have had several positions that have remained vacant throughout the course of this year, all of which have generated additional savings from an expenditure level.

President Cann asked: So which amounts would remain in the 2011-2012 budget.

Dr. Roy stated: What we are recommending the reduction in expenditure tonight was a reduction, a line item, for budgetary reserve from \$2.6 to \$1.6 million. So the planned increase for the budgetary reserve or the fund balance would be \$1,000,000 instead of \$2,000,000 based on the growth of the fund balance overall and getting us into the acceptable range of close to the eight (8) percent maximum into that five (5) percent to eight (8) percent range. So, we still have \$1,000,000 of planned fund balance in the budget and then that would be for next year. Each year typically because a budget is a blue print. Again, in this example, we under spent the budget 1.39 percent, that is \$2,800,000 of that the additional funds at the end of a normal year where you are cautious about your spending; you don't spend your entire budget. We should have a couple million dollars a year left at the end of the year.

Director Follweiler stated: Mr. Scherer, sticking with the fund balance my question is, if we do reduce that line item by that \$900,000 what does that do to our financial health and our credit rating position?

Mr. Scherer stated: I think we were given encouraging news that we saw with the overall goal, either from the rating agencies perspective, whether it is from the bond sharers perspective or the other banks that we are forming a relationship with that have come through whether it is RBC or Wells Fargo, as mentioned they were looking for the undesignated, unreserved or unassigned fund balance closer to that 8 percent. Now that we are seeing this news where we are getting very close to that if not at it, I think dropping the fund balance from \$2,000,000 to \$1,000,000 will not cause any problem given the numbers that we are looking at right now.

Director Leeson stated: I see we have the five year projections which we have not discussed right now but we do see in the five year projections, a fund balance by the year 2014-2015 if we continue moving in the same direction, and I think it is showing tax increases as well, of a negative \$9,000,000 in the year 2014-2015, is that correct?

Mrs. Gober stated: That is correct and that is where I had indicated that if you look back at the graph there was a funding gap.

Director Leeson stated: A negative \$27,000,000 the following year. So, as we are talking about reducing this \$2,000,000 line item, we might be looking at it in a very shortsighted manner that yes, it looks good now.

Let me talk about a couple other things. We took out all of our buses this year, and we don't have buses in the upcoming current budget. So, two years of no buses and also after going through several years of not replacing our buses, we put that money into a restricted fund balance to start building some of our other necessary expenditures which might be more prudent than to just use it as the cut right now and so as we go forward it will make it a little bit easier reaching this 2014-2015 year. In other words, there is danger coming, it looks good this year, but when we take it out a couple years, its not looking as pretty.

Mrs. Gober stated: In the interim, one of the things that we were trying to do is balance the consideration of not just the

taxpayer but also the significant impact that we have already made on programmatic changes in the upcoming year and in looking at this simply slowing the pace, moving forward and understanding that we would not lose sight of the operational intention that on an annual basis allow the fund balance to grow on a natural basis through prudent spending and on going monitoring throughout the year, each year.

Mr. Scherer stated: That slide was the first time I was looking at the slide, but you are absolutely right. I guess the first question is one of the goals is to build close to the 8 percent for the unassigned number and so based on those numbers it looks like we are pretty much there, but you are absolutely right, another key question is sustainability and that is something that the banks, and credit rating agencies also look at very well and when we do go to do another bond issue or bank loan, they will not only look at what is going on right now, but also in the future and I am not sure what kind of increase was built in as a tax increase.

Mrs. Gober Stated: Just an index projection and whatever would be trended natural growth in real estate revenue.

Mr. Scherer stated: I think that could become an issue with the other parties, with the rating agencies and the banks where three, four, or five years ago they were not necessarily concerned with how things are going to look three, four, or five years down the road, but that is a key issue in today's environment and they want to make sure that things do look good today and that steps are being made and you are showing all that and you made a lot of encouraging signs but they will also look to the planning. I have been through many, many rating presentations, or bank analysis when they are looking at doing funding and we have shown many slides similar to that where it shows expenditures in the future are greater than the revenues. Obviously that doesn't look good, but I think the other thing the other parties do look at is the planning part of it and they do realize that there are deficits going forward even with some kind of tax increase and they do recognize that. They don't like to see the negative numbers and the potential use of the fund balance, but I think in many cases, they are more encouraged by at least that there is the planning out there and that you are looking ahead to that and you are just not looking at the 2011-2012 year, you are looking at the 2014-2015 year and out. There will be issues that will continually be addressed going forward to help make that short fall off. So it

is a tough question. From my perspective, not being a taxpayer in this district, being the financial guy, I personally would like to see bigger balances because we still have a lot of financings to do here at the School District to take your debt and sort of rebalance your debt portfolio to where everybody wants to be, and so we are talking somewhere north of \$100,000,000 of additional debt that we are going to need to be issuing over the near term to refinance some of the existing bonds or reallocate some of the swaps, whatever the case may be and credit rating is extremely important, no question about it. It is much more important than it has ever been.

Director Leeson stated: May I ask a clarification on that point, the fund balance is not just our savings account; this isn't just something that we are just taking money and putting it aside. This is money that we are required to have in case of an emergency and it will cost our taxpayers more if we do not have that fund balance when we need go to refinance the debt. Is that correct?

Mr. Scherer stated: Yes and having a fund balance is just one of the many components that the raters look at, but having a good fund balance, not an excessive fund balance, but an average level fund balance will allow you to get better interest rates, much better interest rates, much better other fees related to an issue, like bond insurance, so there is no question about it, it will also avoid hopefully in the future going out in having to do tax anticipation notes. Obviously you know that there is costs associated with that going forward, there is interest expense, there is fees, so that will also eliminate that and the other thing that we see a lot now, you have seen it too, is cash flow issues that are not driven by the board or administration decisions, it is either at the state level or the federal level or it may delay the budget and they may not have the monies coming in time and so having some amount in that balance there will in the long run save the taxpayer money.

Director Tenaglia stated: First of all, once again, the board is seeing this information for the first time at 6:00 tonight. Why we couldn't have seen this sooner remains a mystery? Secondly, this increase in the fund balance is also a surprise to the board, it was not presented to the board last Monday night during our meeting, nor was it presented when the board was in the front of the superintendent in the Cabinet on Wednesday night, so if we have a lot of questions it is because we are seeing this for the first time.

One of our Courtesy of the Floor speakers asked about how this all ties them together, and I am as befuddled as the public on the budget proposal behind page 3 of 3 on the general fund revenue, you show here a current real estate for the 2011-2012 budget of \$124,600,000. On the separate handout that we received tonight for the 2011-2012 budget, you have \$119,500,000. If I look again to your 2010-2011 budget, from the budget worksheet - \$118,500,000 yet on the board reports we see as recently as the March report at the April meeting, current real estate taxes budgeted \$113,700,000. Any explanation for the variances?

Mrs. Gober stated: The primary difference between the real estate taxes that are reflected in the five year projection versus the budget document that you have before you is the Homestead rebate that has not yet been released from the state.

Director Tenaglia stated: Let's just stay with your budget proposal for the 2010-2011 budget versus what you present to the board each month as the budget for the same time frame.

Mrs. Gober stated: That is again what I am trying to answer. The difference between those two numbers is that the budget that is represented on the monthly budget report is the net of the Homestead rebate that is received from the Commonwealth, which we do not have a \$4,700,000 that is reflected in state revenue rather than local real estate revenue. The other difference that you will see, that I believe you have questioned in the past on the budgetary report is related to the TIF money. That money has been sitting in district revenues and is not payable to the Bethlehem Authority until May 1st at which time they will have 45 days to calculate the TIF rebate and return those monies back to the school district, our portion, by June 15th of the current year.

Director Tenaglia asked: Wasn't it previously sitting in undistributed taxes?

Mrs. Gober stated: No, the undistributed tax line item is simply a holding reservoir until we have sufficient detail from the tax collector to allocate the revenues back to the individual municipalities. The revenue is still the revenue and the tax dollars for real estate have been all fully reconciled.

Director Tenaglia stated: In Gorman's audit report, he had

several recommendations, one of which was regarding catastrophic health coverage. In the administration in their response to the budget into the audit said that that would be included, but I don't believe it is.

Mrs. Gober stated: Yes it is.

Director Tenaglia stated: Where do we see that here?

Mrs. Gober stated: It is included in the cost of the 270 Health Care line item. It includes the cost of claims plus the premium that would be required for stop loss insurance.

Director Tenaglia asked: And how much is the catastrophic insurance coverage?

Mrs. Gober stated: It is estimated between \$600,000 and \$700,000, but I am working on various scenarios to try to mitigate that expense.

Director Tenaglia stated: Again, going back to the audit report daycare, Mr. Gorman questioned, we have an \$111,000 loss for last year. His notes make a loss in the last two years approaching \$200,000. Has that been rectified?

Mrs. Gober stated: Yes it has and it was an accounting difference. The primary difference was related to a salary that was being charged to the Daycare program that should have been in the general fund and that has been resolved. Additionally the Daycare fund is not a part of the general fund and has no bearing on this particular budget proposal as it is before you.

Director Tenaglia stated: But where is the deficit coming from?

Mrs. Gober stated: Their own fund balance. The Daycare program is an enterprise fund just as our cafeteria program and it relies on its own revenue income from tuition fees paid by parents to operate.

Director Tenaglia stated: So you had one of our employees who were paid a salary and that was improperly charged to Daycare.

Dr. Roy stated: At one point in time.

Director Tenaglia stated: Currently, the 2009-2010 Audit report that we received in the last couple of months?

Dr. Roy stated: Yes, there was going back a few years, the SPARK principal also had supervised the Daycare program and so that salary was charged into Daycare, when that was changed a couple of years ago, the SPARK principal, we had a new SPARK principal, wasn't responsible for supervising the Daycare and that salary had not been pulled out of the Daycare budget. That has been corrected since the audit.

Director Tenaglia stated: Director Leeson touched a point on last year the board committed to a fleet replacement plan for the buses and that year was coming from one of the funds, I believe the 2009 fund, but that is gone. Correct?

Dr. Roy stated: This budget does not contain new bus purchases.

Director Leeson stated: I am going to first start with I am certainly glad to hear that we are anticipating an additional \$6,000,000 as my husband said, finally we are going to have tax relief for our citizens, but my question is the presentation, we have a proposed budget, tonight is supposed to be our first budget hearing, we have done budget workshops, and this is our first budget hearing. This is not the complete budget, is it?

Mrs. Gober stated: Yes.

Director Leeson stated: This is the complete budget?

Dr. Roy stated: This is the updated document that the board approved as a preliminary budget back in February.

Director Leeson stated: We do not have a letter of transmittal, and I thought that we had more detail in the January 26th meeting has more detail. Also, Director Tenaglia had asked for a different format and I think other board members had asked for it as well. Have we been responsive to those requests and looked at a different format?

Dr. Roy stated: I think before the preliminary budget we did some reformatting to try to show the categories in various ways. The information in the tentative budget that you have that reflects the 1.7 percent increase is presented in a number of different ways depending on what level of detail you are

looking for.

Director Leeson stated: I will also say that we had asked last year for some additional detail pages that I know are not here, we did discuss some of them in the presentation, but they are not in the budget, and I know we just received this so I need time to review everything but this budget seems difficult to understand.

President Cann asked Director Leeson what she would like to see different.

Director Leeson stated: Well, for example, let me ask this question, do we still have the \$500,000 in here for the increased delinquency?

Mrs. Gober stated: Yes

Director Leeson stated: I expect that in a letter transmittal. Do we know that we will have at least \$1,500,000 from the Southside TIF, I know we showed \$1,200,000?

Mrs. Gober stated: There have been several parcels that have been turned over as delinquent, they have not been paid.

Director Leeson stated: Are we putting that into revenue this year?

Mrs. Gober stated: Yes.

Director Leeson stated: I would expect that in a letter of transmittal. I would expect these things, how do we know that when we read this budget? How do we know that these changes have taken place?

Mrs. Gober stated: Because we discussed this at the various meetings.

Dr. Roy stated: This is perhaps the fifth maybe the sixth workshop when we presented in essence the same information each time that information was covered.

Director Leeson stated: When we get a budget we should be able to find it and it should be clear to anyone who picks up the budget not just if they happened to be at the meetings and

happened to catch it. So these are the types of things that I am looking for in the budget and to have a better understanding what is in and what is not in the budget. We're hearing that we have \$6,000,000; we just went through, agonizing over whether we should fund a boiler replacement at Nitschmann and we are finding that we have excess funds. Buses, the board has said many times that they would like to try to start replacing the buses and we are saying that we have all this extra money but we are not moving forward. I just find it very difficult to read and to understand.

Dr. Roy stated: The projection provided tonight just on the anticipated surplus at the end of this current year is not reflected in next year's budget and it is at the end of April and we have two months left and so Mrs. Gober was able to make firm projections about what we expect to have as a balance for the current year. So, that's not reflected in the 2011-2012 budget with the exception because of that balance that we are expecting at the end of this year. We are recommending that we reduce that budgetary reserve from \$2,600,000 to \$1,600,000. I think that with the level of cuts that we've made, which have been quite substantial, to budget another \$1,000,000 for the budgetary reserve for the fund balance for next year and then really tax to pay for that or make reductions in further damage to our educational programs, I can't support that so, that is why you will see the recommended reduction in the budgetary reserve this evening.

Director Leeson stated: That doesn't answer my question.

Director Burkhardt stated: I'm confused; we approved a \$2,000,000 line item to increase our fund balance last year as part of the budget process. That's \$2,000,000 of that \$6,000,000. We fought with the Southside TIF organization to get more revenue from that area. We knew that, that is not some surprise, it is being presented on paper, but we knew that was coming. So now you have about \$2,800,000. \$2,800,000.00 is not, from my years of experience with budgeting, that is pretty common that a budget can either be under expended or as you well know, over expended that got us in the mess that we are in now. So the \$6,000,000 that we are bashing about, is really pretty easily explained in my way of looking at it unless I'm missing something. \$3,200,000 of it is stuff that we discussed around this table pretty recently and the \$2,800,000 is kind of a function that goes on every year. As I can remember board members, perhaps it was you Director

Leeson, would asked the superintendent as this process would go every year, how are we doing, what kind of money is going to be left in this year's budget. I remember those things and that's how this goes.

Director Leeson stated: You remember it because I just asked it at the last regular board meeting and at that time we were told that we were probably about slightly ahead of where we should be and again, the board has been agonizing over some of these purchases, and I think \$2,800,000 right now with our budget, \$2,800,000 is a lot of money.

Director Ortiz stated: I do agree with Director Tenaglia that we should have had this before hand as well so we would be able to go over it. Now, we are discussing \$6,000,000, we are discussing \$1,000,000 that we want to be able to just kind of set up to the 1.7 percent increase and stay there. I am also seeing that we are not discussing what I believe is the most important thing, which I see that you have here on the priority restoration for any improved revenues, we have here to retain high school resource officers, we are not putting any of these into that \$1,000,000, right, we are just taking these things out which I think are where we should be trying to get some extra money to see if we could be able to have these things that we need for our kids, the safety and security and we are not going to have that, so why are we discussing this, we just have the 1.7 percent increase and don't go beyond that, but don't cover what the kids really need.

President Cann stated: We didn't get to that part of the discussion yet. We are going to discuss that, but I promised Director Tenaglia I'd let him finish the subject that he was on and then we are going to address that list.

Director Ortiz stated: What is the answer, are we covering this? Yes or No.

President Cann asked: You mean covering it by discussing it tonight. Unless we do something other than what is presented here, those items are still out.

Director Ortiz asked: Then what are we talking about?

President Cann stated: We have to talk about how if you want them back in and then how you would like to accomplish that.

Director Ortiz stated: We are talking about \$1,000,000 we are trying to take out of the fund balance to do what? Just to keep the 1.7 percent tax increase.

President Cann stated: To stay with where we are now.

Dr. Roy stated: That is correct. Not out of the fund balance, it is reducing what we are planning to budget to go into the fund balance, so it is like an expenditure line to get to the 1.7 percent we are saying reduce what we were going to budget for budgetary reserve by \$1,000,000. That gets us to 1.7 percent. It doesn't put back those other things that are on that other slide. But that was part of the options that I mentioned needed to be considered that we can replace those cuts if we don't like them with other cuts. We can offset some of them hopefully, restore them when we know for sure what reduction in cost to Vo-Tech will have or the board could choose to raise taxes higher than 1.7 percent to restore those. So there needs to be some direction tonight from the board as far as those next steps.

Director Tenaglia stated: Going back to the \$500,000 delinquent tax collection, my recollection of the April Finance Meeting that the proposal from the administration did not go forward, also that there was a timing difference that the taxes that were delinquent for the 2010 calendar year would have to be remitted to the county by the 15th of April. So, in the absence of hiring a different collection mechanism, we are still utilizing the county for that, the taxes for the 2011 calendar year won't be submitted for delinquency until I assume April 15, 2012, so how are you going to get \$500,000 into your 2011-2012 budget?

Mrs. Gober stated: What I had indicated at that time was I had believed because the Northampton County turn over date is April 15th, that we would be able to capture that. I had just recently prior to that meeting and I had disclosed it that evening, realized that all of the taxes, both Lehigh and Northampton County have been turned in January and they always have been. If in fact we maintain that January turnover date, then in fact, whoever we would have collect would have between, lets say February 1st and June 30th to process and collect whatever revenues they can on those delinquent taxes, and I still believe that \$500,000 is a reasonable estimate within that time frame since the majority of the taxes that have been generated are based off of the first notification.

Director Tenaglia stated: With your now anticipated fund balance as of June 30th of the current year, is there still going to be a need for a Tran, to get you between July 1st and September, October time frame?

Mrs. Gober stated: I am hopeful that we will not need one. I am not anticipating one.

Director Follweiler stated: I am not sure if we are at this stage of the conversation yet, but in listening to Director Ortiz's question, and I agree with her that that is a section that is up for discussion throughout this meeting. I want to kind of, if we can, go back to the slide on the five-year projection with the bar chart, the chart itself. While we are discussing what we are doing in this budget, we cannot let our eyes off of this chart. Where are we going to get the revenue to make up that differential that Mrs. Gober has in our five-year projection? Mrs. Gober, the majority of this increase in expenditure is the PSERS or its just general projections through all the contract obligations we have and other areas. Is that a combination of everything?

Mrs. Gober stated: It is a combination of everything and there are variables built in related to the cost of utilities, fuel for operating of the bus fleet, the PSERS rate increases there, as well as contractual increases and we have also in that plan included a stepped restoration of the equipment replacement cycle for the vehicles, along that path, so there are some growth increases that are there that would allow discretion going forward if revenues change, there is not increase in here for additional state revenue, so as different state funding scenarios or federal funding scenarios change and we also have some flexibility within the expenditures to adjust and accommodate.

Director Follweiler stated: You essentially did what I would have expected you to do to the conservative approach to increases in both the revenue and the expenditures and unless we find a way to increase the revenue, that's the scenario we are going to have.

Mrs. Gober stated: Correct.

Director Follweiler stated: I know that this board only has control over the local revenue or the local taxes. We need to work with community members, other boards, to find other revenue sources or we do need to continue to look at if we

change and save a program this year are we going to be able to do it next year. The young lady who spoke so eloquently said, its hard once you take something away to get it back. It is equally as hard, once you give someone something to take it away. So we have had many years of growth and inventive programs in this school district and I agree that is what draws many people to this district, but when we made those choices and those expenditures, whether is was building a new building, creating a new program, any inventive item that made our school district more attractive, we didn't foresee this type of scenario which is why I want Mr. Scherer to explain on the fund balance, so I bring this to my point of beyond our control and Dr. Roy, if you don't know now from your peers, perhaps you can find out what happened to ideas throughout the state like decreasing the number of school districts. The amount of money that could be saved throughout the state by merely taking the 501 down to 400 has got to be millions of savings for every district. Where are we with overall plans like that?

Dr. Roy stated: That particular proposal I have not heard much about because that is very difficult politically across the state with all the 501 school districts not many are willing to go away and so there is not a lot of political support for that. There is talk from the governor's office about reducing some mandates on districts to hopefully reduce costs, but the ones that they are talking about I don't think amount to the type of dollars we're talking about here. So, this is the challenging situation that we face with the restrictions of ACT 1 and there is discussion in and a good possibility as Mrs. Gober said earlier that the ACT 1 exceptions might be abolished so you are restricted on the revenue that you can raise at the local level, you are dependent on the state for what the state will provide you, and then you have educational programs to deliver at the local level. So it is a tough box to be in right now. And that is for all school districts.

Director Follweiler stated: I agree, so I just want to remind us that as we go forward and I don't like all these cuts either, but as we go forward in discussing what and where we are going to cut, we have to remember, what is sustainable, you know if we cut, last year for example or the year before we talked about cutting busing to the SPARK program and we ended up saving that, I believe it was through a grant or other monies but in some way we ended up saving that and here we are now talking about completely reducing the scope of the program, so was it really that smart of us to save that \$80,000 last year or had we

saved that \$80,000 last year what could it have brought into this year. So, we have to keep our focus on that as we each make our individual decisions and then of course our final majority decision as a board. So, just please don't forget this slide.

Director McKeon stated: I want to echo what Director Follweiler said. I am looking at the five-year projection, and I understand in years three through five makes it very difficult to project anything, but we are looking at potentially PSERS currently this year is about \$5,400,000 going to about almost \$26,000,000, so we are talking about going up 400 percent very easily and that is PSERS, and I think that is a pretty good number. We are looking at our potential of our benefits and that a stab in the out years but this year we are looking at \$37,600,000 projected in 2016-2017 almost \$77,000,000 is what benefits are going to be to the district. Director Follweiler, you are absolutely right, so if we as a board decide that we are going to reinstate some of these cuts, somebody better have some good suggestions on how to make that reinsertion into the budget, budget neutral.

Director Faccinnetto stated: I just want to talk on two of the cuts here. One that I thought we discussed last time, the midday kindergarten bus runs. I don't know how we can live with the fact that we are going to take kids to school and not bring them home. It is unacceptable to me. I understand the chart and the projections, and we need to come up with something to offset it or raise taxes. We cannot take kids to school and not bring them home at the ages of four and five years old. We are going to put a burden on our buildings, burden our principals and teachers, on everybody, you know we can't just open the door and say alright you have to walk because there is no bus coming until the end of the day. That cannot be on this list in my opinion, that has to be built somewhere else in the budget, \$114,000.

The other one I wanted to quick talk about was the high school resource officers. I had talked a little bit about that last time, and I had hoped to include the high school and the middle school resource officers. I don't know if the other people who spoke and supported that felt the same way, but I just wanted to point that out that I was referring to all of them, not just the high school ones. I want to maintain not only the high school, but the middle school resource officers as well and I don't know if we should get rid of the middle school as a point to keeping the high school ones. I don't know at what age or what

place it is better to have them.

Director Leeson stated: I want to point out that we have been talking about the five-year projections for a long time now, and I know that I pointed out that we traditionally got this in November and I want to point out how important it is to be getting the five-year projections in a more timely fashion. People now are looking at the five-year projections in April, at the end of April, kind of in almost a little bit of shock and trying to put this in the framework of our budget and it is very difficult to do that here at the last minute, although thankfully at least we have it to look at before adopting a budget, it is more difficult now when the administration feels that they are getting closer and closer to a conclusion and to throw that information in. So, I would just like to point out the need for this earlier in the process and I would highly recommend that we begin getting this in November so that as we start our process we can use this and have it in the back of our minds as we go through the budget process.

But I am also going to echo Director Faccinnetto, I agree with you, there is no way we can bring young children to school and then tell them that we are not taking them home. And so the midday kindergarten run I agree with you. I thought that that had been discussed, but I also think there are a number of other issues here that somewhat had been discussed, and I would like to see for our next hearing, and I believe we do need to have another hearing so that the board can review these documents thoroughly and at the next hearing. I would like to see proposed cuts by the administration to cover some of these problem cuts for the board. I don't know if all of them are supported by the majority of the board, but whichever ones are supported by the majority of the board, and I certainly do not support this senior privilege where we are reducing the senior year by 25 percent, and I do not support the extracurricular cuts. We looked at that a couple of years ago and just as both of our young people talked about how extracurricular impacted their lives, for \$10,000 at the high school level, that is a small fee. The elimination of the activity fee that is being proposed, I think we did propose perhaps using the concession stand money to cover that type of cost. I think there has also been a suggestion for realigning the athletic director position, which is a substantial amount of money that would cover some of these expenses, so I think we need to start looking at those items more carefully.

President Cann stated: As long as you have the floor, would

you tell me which ones you would want to see back in the budget.

Director Leeson stated: Obviously I don't like any of the cuts, but the ones that are untenable for me are the midday kindergarten run, the activity fee, the extracurricular and the senior privilege.

President Cann stated: I would like everyone to give me their feelings.

Director Follweiler stated: I have a clarification question first. Just to clarify I rudely asked Mrs. Gober, but to share with everybody the resource officer in the last workshop was at \$90,000, it is now at \$140,000.00. So, I would like to have Mrs. Gober explain to the rest of the board where the extra money got added to this expenditure in a couple of weeks?

Mrs. Gober stated: Originally when the budget was developed there was \$180,000 budgeted for high school and middle school resource officers. When we reduced the middle school we simply took half of that and the remaining half for the high school. During that interim period there was additional billings that were received from the city related to the cost of the officers being in the district and based on those revised estimates and looking back at the invoices, that is the reason that we believe in order to restore both high schools that it would be more than the \$90,000 we had simply reduced as half and half.

Director Ortiz stated: This is so difficult to make these decisions, but based on if I had to make a choice, I would say, to retain the high school resource officers, the increase high school guidance ratio, and the kindergarten bus runs, also the senior early arrival and early dismissal because they really get into trouble. I have high school students and believe me, to do this; we are not doing a good service to them.

Director McKeon stated: Could we, and I am not the most logical person, could we develop somewhere to go through this process, and we have jumped all over six or seven items. Why not bring each item up and have it like we do at the recommendations of the administration, if we want to pull it and discuss it, do it, take a vote and then be done with it, but we have jumped all over the place. This reminds me of committee meetings of days long gone, where we're here and hope nobody

takes offense, in a Bataan death march to get to the end. Let's lay it out and decide how we are going to do it and then move sequentially from one item to the next.

President Cann stated: What I had wanted to do was because as Dr. Roy put it out there, these were the cuts that enough people seemed to have a problem with that they deserve priority discussion because they are most likely to be problematic. If we could do those and then anybody could bring up any other cuts that they think are untenable and we'll see if we have any success with that.

Director McKeon stated: That is fine, but I mean to be jumping to multiple lines as part of a discussion, I think we should just be going down the list and look at them, the ones that you have highlighted, go down those first and decide which way to go.

President Cann stated: I will poll each line individually.

Director Amato stated: We take a look at all of this and there is eight items here that the administration said they've heard board members want to have it put back in the budget. We can put them all back in the budget, but I think then you need to find a way to eliminate something somewhere else, to make it cost neutral because first of all, I don't know why the administration would have put down a one way ticket to school and not home. Why would we do that? Is that an insult to us or what? Is that the Batten march? That basically is what you did here. Dr. Roy, that is an insult to this board.

Dr. Roy stated: Well it certainly wasn't intended that way.

Director Amato stated: You're going to take students one way and tell them to get their own way home. I mean it is. You need to find a way to take that out and put something else in there that makes sense or we will be going around and around on this forever.

Dr. Roy stated: We are looking at the early stages of the process at the non-mandated programs.

Director Amato stated: Well then take it all out completely. You are not going to be taken to school and have to worry about how to get home; we're not going to have it. I would have rather have had that and then discuss it, then to have a one

way ticket to hell.

Dr. Roy stated: I think that is what we are trying to do is get the consensus of the board for what items we want to put back in.

Director Amato stated: To have something like that in there is just an insult to this board.

President Cann stated: Director Amato, I will tell you that Director McKeon mentioned to me that Saucon Valley does that exact thing. It does not provide midday transportation for kindergarteners. It is not unheard of or really out there, it isn't.

Director McKeon stated: And they are much more rural than we are.

Director Amato stated: We are just damned spoiled. We have stuff here and we have for the time I've been on this board. We've had programs that we have put in place to try to cover every student that comes through the Bethlehem Area School District and it was outstanding. I mean just absolutely outstanding, times were good, we had the income to do some of those things, by the time summer comes we are going to be paying \$5 or more for a gallon of gasoline and we are looking at a budget here that we want to keep putting back in. Resource officers now that were at \$90,000, it is up to \$140,000. By the next workshop, it may be up to \$200,000. You better understand the economy isn't getting any better. It is getting worse and if that gas goes up, it affects everything in our lives; food, heat, transportation; everything and we cannot let that out of our sight when we put this budget together. It is not just \$80, that's one night out on the town. That is an \$80 assessment for a house of \$70,000. I mean how many houses in this district are just assessed at that and a lot of senior citizens that are assessed a lot more than that and that was to get a 1.7 percent increase. So, double the assessment, then double it if you want to go from 1.7 percent to 3.4 percent and before you know it, it is just getting out of hand.

President Cann stated: I will take each one of these items in turn as requested.

Director Burkhardt stated: Point of order, do we have five board members who are supporting the 1.7 percent increase? Because if there are, as proposed tonight, in which case then we

could focus on this other group of \$900,000 that is here, if we don't, we're not even at a tentative budget yet, so, why would we start doing this, when we don't know whether we have five board members who will even do the 1.7 percent increase.

Director Leeson stated: Director Burkhardt I think those are two entirely separate questions, whether you support these particular cuts and whether you support the 1.7 percent. I think are two entirely different questions, to say that you support the 1.7 percent well, now we are going to just fine line detail it. I think that at this point, the board needs to start getting involved in the budget, and I think it is a good idea Director McKeon whether we do it President Cann's way of each expressing or going down the list and our supporting, and then it is a separate question all together and another separate question is do you accept the \$1,600,000 fund balance. I mean there are a couple of questions here that needs to be answered.

President Cann stated: We do have to get to both of those tonight.

Director Ortiz stated: I think it is not a separate question, where are we going to get the money if we don't support the 1.7 percent.

Director Leeson stated: There are other cuts.

Director Ortiz stated: It is not a separate question. I think if we don't have support for the 1.7 percent increase, then we have to go back and discuss if we are willing increase taxes.

Director Amato stated: I think Director Leeson makes a good point. First of all, I thought we were supposed to get to a 0 percent increase. We're supposed to keep working down to that. So how can we talk about things we want to put back in until we decide where we are? Now Director Burkhardt, if 1.7 percent, if there is five on this board that want 1.7 percent, then we can start to talk about putting things back, but if the goal was to get to a 0 percent increase, we are not there yet. We need to get there.

President Cann stated: I don't believe that there was a majority that wanted a 0 percent increase.

Director Amato stated: We cannot talk about putting back

anything until we get to where we want to be.

Director Burkhardt stated: The superintendent has made it very clear that to do what Director Amato is suggesting will mean raising class sizes, hitting the core. I am listening to what the superintendent says. Thank you for your opinion Director Leeson, but quite frankly I really prefer to hear from the administration on this issue. If it has anything to do with increasing class sizes, then I don't want to talk about retaining the resource officers until that issue is resolved, because to me that is a far more important issue, then the things that are on this page. That's all the reason that I am saying, do we have five who are ok with the 1.7 percent, if there are not, then there is a whole other set of data that is going to come in with recommended cuts.

Director Leeson stated: It is always the popular scare tactic to say that we are going to increase class sizes if we go any further. But, that is just simply not true. We have not looked at #1 - the \$22,000 I believe it is that I think the majority of the board is supporting bringing back into the budget from the Kane's and the Bulldogs fees. We have not looked at concessions; the realignment that Director McKeon has suggested for the athletic director could save us another \$200,000. We have not really looked at libraries; we have seen a cut of \$124,000 with just reducing two middle school librarians, so there are many other cuts that have 0 impact on our students. Zero impact and do not impact class sizes.

Director Burkhardt stated: I am listening and I am calculating, you are at about \$300,000. You are talking about \$1,500,000. It would be another \$2,000,000 to get to 0 percent. Where is the rest coming from? If you want to be this specific and make that point, give me your \$2,000,000 that you are going to cut.

Director Leeson stated: Well that would be easier done if we had received this document earlier and had been able to go through it and if we had a letter of transmittal that explained what some of the increases and the decreases are and although we have gone through some of those in some of the budget hearings, so it is not that easy on the spot right now to be looking at this document and finding additional cuts. We don't even know what is in here right now.

President Cann stated: I am going to make an executive decision.

Director Amato stated: I agree with Director Leeson in a lot of aspects here. First of all Director Leeson, there is not \$200,000 in one athletic director that you'll ever get, but Director Leeson, there are definitely creative ways in this district to save money without effecting class size. We've talked about it and as soon as I mention this, they will probably be throwing tomatoes or something at me but you take a look at some of the schools that are under used and start to combine those schools whether they be elementary or middle school or what have you, and we can save money there, yes, we are going to get away from the neighborhood concept that we have had for years, but how can you have a building that can support 900 students when you only have 600 students in it and keep something else going. I think Director Tenaglia brought that up a couple weeks ago. There are ways to save, not a one way ticket to hell. There are ways to save in this district, and we better start getting creative or we are going to just destroy the good things that we do have.

Director Ortiz stated: I agree with Director Burkhardt. We have to make a decision. You can't have it both ways, either you are sticking to something or you're not. So do we have a consensus so we can move on?

President Cann stated: What we can do is see if everybody will tell me if you are ok with the 1.7 percent increase, and if not than what. If we have a majority that is ok with 1.7 percent, then we can look at these expenditures that we are starting to look at and if there is a majority that wants to put some of them back in, then we have to find another way to cover that to stay at the 1.7 percent. So that would be the next step after this.

Director Amato stated: I don't think we have gone far enough.

President Cann asked if each Director was ok with the 1.7 percent tax increase: Director McKeon – ideally I'd support the 0 percent realistically 1.7 percent is fine. Director Ortiz – 1.7 percent or higher. Director Follweiler – 0 percent. Director Amato – we need to look at creative ways to reduce this budget and we haven't done that – 0 percent. President Cann – 1.7 percent. Director Burkhardt – 1.7 percent or higher. Director Leeson – We just learned that we have \$2,800,000 than we had anticipated in this year's budget and in anticipation that we will continue to look for cuts in next years budget and so – no, I cannot support any tax increase when we have excesses of \$2,800,000 in our current budget unplanned in our current

budget, with \$6,000,000 more. Director Faccinetto – 1.7 percent or higher. Director Tenaglia – 0 percent tax increase. We have five people that will vote for 1.7 percent tax increase or higher. So, we are not going to look for more cuts to get down to 0 percent. We don't need to unless they are to replace other cuts that we want to restore.

So getting back to that - Do you support cutting guidance counselors in the high school?

Director Tenaglia stated: I am confused now.

President Cann stated: We want to know about restoring some of these items if we do not want to have some of these cuts.

Director Tenaglia stated: Well that is up to the five now who want a 1.7 percent tax increase or higher.

Director Burkhardt stated: I am just taking off from what you are saying, my thought is if Vo-Tech is coming in with a reduction of some amount, we factor that in and reduce that \$900,000 by whatever that amount is. I would assume it is substantial, because that were a lot of things on there that could be cut.

President Cann stated: So if the items that people want restored can be covered by that, then we would potentially be done or close to done. So, you do not want to render a comment on any of these cuts Director Tenaglia if you want them restored or not.

Director Tenaglia stated: Well is it just going to be the cuts that were listed now?

President Cann stated: We are talking about now; we can talk about other cuts if anyone else wants to bring other ones up afterwards.

Director Tenaglia stated: Page 22 of the administration's handout: Each of these items if we put them back in will take us beyond the 1.7 percent tax increase, but we had people who voted for the 1.7 percent who said that they could not support some of these cuts.

President Cann stated: Then we would consider alternate cuts if that is the majority case. So, the way that Dr. Silva

suggested, these are all cuts, so you either say accept the cut or reject the cut.

Director Tenaglia stated: We haven't done this with any other line items on the budget, and I choose not to participate in this process because there is other items that may be up for previous consideration that I have plus or minus on. Those that want to restore things go ahead and find the corresponding cuts somewhere else.

President Cann stated: The reason we are focusing on these is because they were most often brought up. That was the reason for it, not to cut off discussion on anything further.

Director Amato stated: Director Tenaglia is correct. There are five people that want to get 1.7 percent or more, then they are the ones that want to add this stuff back in there. The four that said 1.7 percent don't want any of those, they want to be at 1.7 percent, so let the five decide what they want to vote, and we'll see where we go.

President Cann stated: Anybody who wants to give me an answer, can give me an answer, however, you vote on it.

Director Faccinnetto stated: I do not accept any of these cuts, however, if we have to prioritize, the activity fee and the middle school coed soccer would be at the bottom of my priority list as compared to some of the other items. If I had to live with something on this list, I could potentially live with those two, the other ones I feel are too important.

Director Leeson stated: Yes, I think I had given you some, but I will say that like Director Faccinnetto, not that any of these are ones that we'd like to see cut, but I can live with the resource officers and the middle school soccer.

Director Burkhardt stated: I reject all of these cuts with one caveat and that is concerning the high school resource officers. I believe that we need a police presence in our high schools. I would hope that the administration could work out a better situation than the current one. It is my understanding that the Liberty High School resource officer position is only on sight about 60 percent of the time because of other issues relative to the way that the city contracts with its police department. There are numerous days that Liberty is unstaffed. I would like to see us if we are going to have \$140,000 line item or some

amount like that, that we just contract to have police presence, it doesn't have to be one person and that way it could be what we think we are getting which is 100 percent coverage, because we are not getting 100 percent coverage. This past week there was an incident at Liberty, and I saw in the paper that it was a hall monitor and a teacher that broke it up. I specifically asked where was the resource office and that was a day that that individual was not present. That to me is not covering our schools for safety issues. I strongly support the idea that having an officer in our building is important, but I don't necessarily subscribe to the concept that it has to be the same officer. So I would just ask that we look at a more creative way of funding that position.

President Cann stated: In the past, I felt that I could live with some of these particular cuts, but from what I have been hearing from the community and my fellow board members I would prefer to find a way to restore these and replace them with hopefully some of the Vo-Tech funding and alternative cuts, so I want to reject all of those.

Director Amato stated: I don't care to comment.

Director Follweiler stated: As we know, I am for finding further cuts. As to what they are, I think we need intelligent debate amongst ourselves and listen to anything the public has to say to make my comments on these particular items. I think that anyone who is in favor of a tax increase who thinks that \$80 or up is sustainable say for example a senior citizens who lives in Lehigh County who we just heard through the news is having a 16 percent tax increase separate from the tax increase they are going to get from the school district, not including the tax increase that they will get from the city and every other governmental institution that is in financial straights right now and then not vote to assess a \$25 fee for an extra curricular activity for a person who is actually using the item, I just can't understand that any more than I can understand the midday run. I am at a loss, so what we cut has got to be determined by this board and this administration by June 30th. I will stay here until midnight or later debating intelligently what the cuts are, but there should be cuts, so anyone who is not in favor these particular cuts, I am welcome to hear other suggestions. I agree with Director Amato, Director Ortiz had brought it up in the past; Director Tenaglia had brought it up in the past about consolidating some of our school efforts. Two years ago, I think Director Leeson brought up consolidating some of the

sports teams amongst other things. I understand that there are flaws with all of these ideas, but these are ideas that need to be debated because we are not going to get to that slide that I asked us not forget by talking about \$20,000 here and there. We need to do that; I am not saying we don't. We need to do everything. So my opinion does not change, we cannot afford a tax increase on the backs of our taxpayers at this time, we need to look for additional community funding or other non taxpayer funded avenues to get revenue into this district or we will not be sustained in five or ten years.

President Cann stated: Director Ortiz you previously said that you would reject the cut to the Guidance Counselors, reject the cut of the Kindergarten bus runs, reject the cut for the resource officers, can you address the remaining ones for me.

Director Ortiz stated: Yes, I would eliminate the activity fee and the soccer, if I had to choose those would be the two. Also, getting back to the resource officers and getting back to Director Burkhardt, I received a note, I spoke to Officer Boddie and he was kind of clarifying that it is not true they are only there 60 percent of the time, that the officer is split between two schools and they are limited in the amount of time they are going from one school to the other and that there scheduling one school on odd days and the other ones on even days, so they have a split day of a six day school cycle between the two schools and they also said that they are available to speak regarding that issue.

Director McKeon stated: I support all the cuts that are on this page, regarding the resource officer. I think Director Burkhardt; we would end up paying more. Dr. Roy I think we are paying 100 percent of that resource officer, correct?

Dr. Roy stated: That is correct. The grant funding ran out.

Director McKeon stated: So if he is out and we ask that there be coverage, it is not going to be gratis, they are taking an officer off roll and moving him over there on those days that the regular assigned officer is going to cover. I think we'd end up incurring more expense.

Dr. Roy stated: I think what Director Burkhardt was suggesting was that we would need the conversation with the city.

Director McKeon stated: If they are willing to do that, which is fine. Just on the surface, it appears we are paying for the officer to be there five days a week contractually if he has a court obligation, he doesn't have to come back to the school because of their contract, not the contract with us, but their PBA contract. Unless the city was willing, and I don't know if Mayor Callahan would be willing to do that since they are in the same boat we are, looking into trim money, so I can't picture him donating an officer.

Director Burkhardt stated: Yes, I was thinking more in the terms that you would no longer have a school resource officer, you would have a school resource position so that week 1, it might be Mrs. Cann, week 2 it might be me, because we are both available for the full time so that basically the district would be funding a position but it could rotate among a number of different men or woman as opposed to one person, so I am certainly not looking at it to be more expensive, just more efficient.

Director McKeon stated: That concept makes sense.

President Cann stated: Director McKeon you accept all of these cuts.

Director McKeon stated: Yes.

President Cann stated: By my tally – There is majority support to reject the:

Guidance counselor reduction
Kindergarten bus run
Extracurricular cuts
Senior early dismissal

Mrs. Gober what would those four total up expense wise that we would need to cover for them going back in.

Dr. Roy stated: Between \$600,000 and \$700,000. Actually it would be \$685,800.00.

President Cann asked: When will we know the reduction in the amount that we need to contribute to the Vo-Tech?

Dr. Roy stated: The Vo-Tech, I am sorry I don't have that date in my head, there is a meeting coming up next week. I believe

it is May 3rd when that budget would be presented at that time. So we would know then after that assuming that the revised budget is accepted by the board, then it returns to the districts for approval.

President Cann stated: So we would have to wait until all the districts voted on it as well to be certain of it.

Dr. Roy stated: I would feel comfortable after the Vo-Tech board supports the changes. So that you remember, the Vo-Tech board, which is made up of representatives from the three sending districts approved the original budget, it was approved by two of the three districts, then Bethlehem asked for revisions, so then they went back, made some substantial cuts, now they need to start the process again, so they will start with their board on May 3rd and then assuming the revised budget is approved then, it will go to the three districts. I think once it is approved by the Vo-Tech board, we would have a good sign.

President Cann stated: That could take us a long way with this particular amount. Before we move on to other things, I need to know who accepts moving \$1,000,000 from the districts contribution to the fund balance in order to arrive at what we saw here today as the 1.7 percent tax increase.

Director McKeon stated: It has already been addressed through the 1.7 percent vote.

President Cann stated: You think that \$1,000,000 moving is part of that vote?

Director Leeson stated: I don't.

President Cann stated: I don't know if I want to assume it. Are all of you ok making that move?

Director Burkhardt stated: That was the leap of faith I made and it included the \$1,000,000 move.

President Cann stated: I know but I want to make certain. Is everyone ok with reducing the contribution to the fund balance by \$1,000,000?

Director Leeson stated: President Cann may I just ask then what is our plan and what is our thoughts for this when just a few short years out, we will have a \$9,000,000 negative fund

balance going from a positive \$15,000,000 to a negative \$9,000,000, and the following year a negative \$27,000,000? What are our plan and our thoughts on that?

President Cann stated: I want to first see if people want to do this or not. This is \$1,000,000 we are talking about.

Director Leeson stated: Well I guess I am concerned that the \$1,000,000 taking that out of the budget may impact the progress in our decision, the long term feasibility here of the fund balance.

President Cann stated: I think that everybody realizes that, that it has the impact of \$1,000,000.

Director Leeson stated: It is \$1,000,000 per year.

President Cann stated: No, it is not. Would this be a one time only move?

Director Leeson stated: No, it becomes a line item so you're reducing your budget by \$1,000,000 right now.

Dr. Roy stated: We are reducing that line item in this year's budget by \$1,000,000.

President Cann stated: What would be next year.

Dr. Roy stated: Well we would see where we are in next year's budget. Again, one of the challenges in budgeting \$2,000,000 currently is that in essence the revenue, that is an expenditure, where we're budgeting to spend \$1,000,000 basically to put it into the fund balance and \$2,000,000, we're saying make it \$1,000,000 because in order to get that revenue, we are taxing people, so it raises a difficult question, if taxing in order to save \$2,000,000 rather than \$1,000,000 and our recommendation as was in this budget was to make that \$1,000,000 and not \$2,000,000.

Director Leeson stated: Dr. Roy, but my question is what is the plan then for filling this hole that is coming in a very short period of time, if we are going to take that \$1,000,000 out of the line items, what is the plan then to fill that hole because if there is no plan in place then we will continue that downhill trend to a negative \$9,000,000 in just a couple of years.

Dr. Roy stated: Well, as we saw this year with prudent budgeting and spending during the year, we would expect to have a couple of million dollars a year in surplus funds because we don't spend 100 percent of the budget that would then go towards the fund balance at a minimum.

Director Leeson stated: This was not your administration but I will share with you that is what we heard when they overspent the budget by \$8,000,000 and put us \$5,000,000 in the hole.

Dr. Roy stated: I can't address that nor do I want that to be hung on me. We have presented a very responsible budget with massive cuts in it that in the \$11,000,000 or \$12,000,000 range of cuts probably last year there were about \$5,000,000 in cuts, so this budget has major cuts and creative cuts to get us to the 1.7 percent tax increase without raising core class sizes. So, going forward we will continue with responsible budgeting, we have reduced the size of the district basically to a more sustainable level which will help us next year and then as we go into future years, we will have to continue to look at our sustainability and make reductions when necessary but the projections, certainly the projections now are much different then they might have been a couple of years ago and so the projections always need to be updated depending on the state of the economy, state revenues and so forth. This is a snapshot now of a projection, but they will need to be updated. It may stay as a negative as it appears on the out years, it may get better. We need to budget for this year and I think we've made major steps in creating a more sustainable budget.

Director Tenaglia stated: You don't have to look too far out, You look at your projections for the retirement that go from \$8,000,000 to \$11,300,000, so a year from now, your \$3,000,000 plus but this year you want to take away \$1,000,000 of that.

Dr. Roy stated: Again, I think it creates a situation where you are putting \$2,000,000 in and taxing people for a fund balance that is now in the target area. And I think that that is a question I wasn't prepared to recommend that.

President Cann stated: I don't want to make the assumption that everybody that said they were ok with 1.7 percent is ok with how we got there tonight, in particular, but with the \$1,000,000 reduction and contribution to the fund balance, so I do want to see the board's responses.

Director McKeon stated: Yes

Director Ortiz stated: Yes

Director Follweiler stated: I think it is very short term and I think that unless we are prepared to fight the legal battle to where we can stop paying pensions to our retirees and I think that is a very unlikely scenario, we have got to learn how to address it and I understand the difficult position we are in, I understand that Mr. Scherer said for this year it will not affect our credit rating, I understand the Mrs. Gober has proved mathematically that we can cover it for this year, but I believe it, like raising taxes, yet again this year, is very short sided to our long term sustainable problem solution. My vote is no.

Director Amato stated: We are just putting off the inevitable, I mean, we have just got to get into this budget and we have got to do some things creatively that will not affect the core of our educational system, class size, and that we're just putting off, we keep raising taxes, we can't keep doing that. What we need to do is look at what we can do creatively to make cuts that will not affect class size, but get us where we need to be and looking at the next half a dozen years because it is not going to get any better. My vote is no.

President Cann stated: I vote yes considering what Dr. Roy said how we will be in the target range very shortly regardless and I know that we still have the future problems, but that they are going to be there whether this million is there or not.

Director Burkhardt stated: I vote yes – I think that the \$1,000,000 reduction is reasonable.

Director Leeson stated: I think as difficult as it is, I think Director Follweiler said it very articulately that we need to address the long term issue and for me it is not a matter whether we put \$1,000,000 into the fund balance that is not the issue, my issue is what the plan is for filling that gap. Now, if you could do that and not use the \$1,000,000 this year, I am fine with that. I am not looking to build the fund balance, but I don't see a plan, I am not hearing a plan for that huge expenditure coming down the road and it is going to put us back into financial ruin again, so, until I hear a plan, as to how we are going to address the long term issue my vote is no.

Director Faccinnetto stated: Yes.

Director Tenaglia stated: No. We're whistling past the graveyard, no one wants to face it. The numbers are there in front of them.

President Cann stated: We are ok with that.

President Cann asked: Are there any cuts that have been introduced over the course of these workshops that anyone wants to bring up because they are concerned about it and do not want to support it.

Director Leeson stated: Well, I want to address again, I haven't had time to go through all of these, but I would like to at least address a couple of them. On an unnumbered page, the proposed preliminary general fund budget expenditures by major categories the second side, there is a 580 travel and we have an increase of \$22,000. Could you address what the increase in travel expenses are?

Mrs. Gober stated: It is simply reflective of the historical spending in that area and increasing mileage rates that are dictated by the IRS reimbursement. We could put a budget number in there that would be consistent budgetary but it has not been reflective of the actual costs that are incurred.

Director Leeson stated: This is mileage for transportation back and forth between schools or is this conference travel?

Mrs. Gober stated: It is both.

Director Leeson stated: I thought we had eliminated a great deal of conference travel and so I would not anticipate seeing that number going up.

Dr. Roy stated: Look at what the 2009-2010 actual was \$186,000 and then it was only budgeted for this year at \$155,000. We are trying to get to a more realistic budgeted number there.

Director Leeson stated: I have some other small line questions. We have construction services Item 450 of \$385,000 for this year.

Mrs. Gober stated: If you recall that was one of the items that

was discussed early on in the process related to actually identifying revenue or a budget line item to deal with the ongoing recurring sink holes that need to be remediated across the district as well as HVAC and electrical repairs that are currently and have been for years just generally absorbed.

Director Leeson stated: So that is that line item right there.

Dr. Roy stated: We originally had it at \$500,000, and then I think we had reduced it.

Director Leeson stated: Directly above that line we have other lease rentals and an additional \$288,000 for this upcoming year. What is that increase?

Mrs. Gober stated: That is a combination of equipment leases, rental of facilities, including the Stabler lease that used to just simply be incorporated as a supply line item in with the graduation expenses, so it is again, properly qualifying the actual expenditures related reclassification in accordance with the PDE accounting manual and recognition of the actual expenditures that have been incurred over time.

Director Lesson stated: So are you saying that the lease rentals used to be in another line and now it is going to this line?

Mrs. Gober stated: In some cases.

Dr. Roy stated: Again, if you look at the actual for 2009-2010 it was at \$1,900,000 and then it was budgeted for \$400,000 less this year.

Director Leeson stated: Has the 2009-2010 been realigned for some of these?

Mrs. Gober stated: Yes

Director Leeson stated: That has been realigned so that may not have been budgeted.

Mrs. Gober stated: To the best extent. If there are wholesale changes that I was able to identify, then that wholesale change has been realigned, if they were individual expenditures that were buried within a particular aggregate total, they may not have exactly been aligned in the 2009-2010 actual.

Director Leeson stated: Again, the next page, 510 – Contracted Transportation - an addition of \$181,000 for Contracted Transportation.

Mrs. Gober stated: There are several items in there again reflecting our actual cost related to contracted intermediate unit transportation, some private transportation that we have needed to engage for transportation for individual students to Colonial Academy as well as the transportation for the students who are attending the school for the deaf in Pittsburgh.

Director Leeson stated: That should be reflected in this year's budget because we do have that expense in this year's budget.

Mrs. Gober stated: But it was not known at the time the budget was adopted.

Director Leeson stated: So that has not been realigned. That budget item has not been realigned yet for the expenses.

Mrs. Gober stated: The budget that is shown there for 2010-2011 budget is the budget as it was adopted.

Director Leeson stated: On the next page, about the middle of the page we have Professional Education 1320 – Professional Education Services IU – within it looks like an increase of \$385,000 for IU Services.

Mrs. Gober stated: That is contracted education tuition for the IU services that are provided for the partial hospitalization program and regular education students that attend Colonial Academy.

Director Leeson stated: Is this an increase for next year?

Mrs. Gober stated: It is just a change in the ratio of how many students are regular ed versus alternative ed in receiving those services. Generally what I have done is budgeted in an aggregate and then realigned based on the exceptionality of the students who are actually incurring the service.

Director Leeson stated: I guess I am not quite following this one.

Mrs. Gober stated: I have no way to know at this point from a budgetary standpoint what would be the exceptionality or the

placement, whether it be an alternative ed placement, a regular ed, partial hospitalization student, or a special education placement in order to properly determine what is the proration of the tuition. What I can tell you is what the projected total cost is. So the distribution is the estimate, not the actual projected tuition.

Director Leeson stated: So I guess where I am not following this, we had actual of \$261,000 in 2008-2009, actual of \$156,000 in 2009-2010, budgeted of \$234,000 and now we are budgeting \$620,000. What is happening that we have this large increase?

Mrs. Gober stated: There is a new system that I have implemented in terms of allocating the actual cost based on the individual student's exceptionality and placement. That had not been the case prior.

Dr. Roy stated: So this is a lump sum right now that when we know for sure that there is XX number of dollars for autistic services for other services will be broken out to those line items.

Director Leeson stated: But don't these other 2008-2009 reflects that and the 2009-2010 reflect it and these are the actual?

Mrs. Gober stated: What I can tell you is that in 2008-2009 all of those costs were budgeted either under special ed or alternative ed. In 2009-2010 I believe to the best extent that I was able to capture the data we did reallocate that based on the individual exceptionality of the students who participated in the program and again that will be the practice. The key is the cost of the service, not necessarily whether they are regular ed, special ed, or alternative ed, we will not know that until the conclusion of the year and we know exactly how many students attended for how many days and incurred which costs and then they will be properly distributed to the account code that they belong in.

President Cann stated: I think I know what Director Leeson is getting at for 2009-2010 and 2010-2011 are those numbers the total as you say the 2011-2012 is, so are they comparable?

Mrs. Gober stated: I don't believe so.

President Cann stated: So that would explain it then. That doesn't represent the total.

Director Leeson stated: Mrs. Gober said she realigned 2009-2010 so why wouldn't 2009-2010 be the total.

Mrs. Gober stated: There is no way for me to know today which students will be actually participating in receiving those services and to what extent for the 2011-2012 school year. I need to put the money somewhere in a budgetary line item. Only when the expenses are actually incurred will they be coded to the appropriate functional area based on the individual student's exceptionality.

President Cann stated: So when you meant realigning you meant you put it in the proper places, not in a lump sum.

Mrs. Gober stated: If there is two regular ed students and one special ed student it will be 2/3 regular ed and 1/3 special ed at the conclusion when the services have been reconciled.

Director Leeson stated: So you draw out of this account and put it into other accounts is what you are saying throughout the year?

Mrs. Gober stated: There needs to be a budgetary transfer to follow the students, yes.

Director Leeson stated: Now you understand why I have problems following this.

Mrs. Gober stated: But again, I can't speak to how or why items were coded the way they were in the past, all I can do is realign the actual to where they've fallen in accordance with the account codes in the PDE manual.

Director Follweiler stated: Mrs. Gober on the Title 2011-2012 proposed preliminary general fund budget, right underneath the bolded salaries, the first one, group insurance, is that 2010-2011 correct that we went from \$261,000 to \$14,000 back up or should that be \$140,000.

Mrs. Gober stated: No, the budget line item that is reflected there is what was actually adopted that is for the life insurance which is a fully insured program and it has been funded out of

the self insurance fund which is not correct. So that line item was under budgeted in the prior year 2010-2011.

Director Follweiler stated: So the actual expenditures were higher so that's why that particular line going across, you are going back up then by 900 percent.

Mrs. Gober stated: Correct.

Director Follweiler stated: So there is somewhere else where that money was taken from that balances out.

Mrs. Gober stated: We will have to realign the budget to match the expenditures.

Director Faccinetto stated: I have one quick one that jumped out at me. Page 2 of 15 – Tuition for Charter Schools predicted to go up 40 percent - \$672,00 next year. Is there any particular reason for that? I don't believe we have any new ones.

Mrs. Gober stated: Generally in aggregate there is an increase in the overall charter school tuition. The difference here again is similar to the IU discussion we had related to whether the individual students attending the charter schools are regular ed students or special ed students. The accurate number is the total charter school tuition, not necessarily the alignment between the two until we know exactly who attended.

Director Leeson stated: I am going to those pre pages again, Dues and Fees – dues and fees are up \$18,000. This is on the second page 8-10. Is there a reason for the dues and fees being up?

Mrs. Gober stated: I would really want to take a look at that because if you are comparing budget to budget and you look at the actual for the prior year, that whole line item is disconnected. Because in 2009-2010 there was \$700,000 versus \$75,000.

Director Leeson stated: I agree, I think I also saw that and I have to look under the board that the board dues and fees were going up and that was surprising to me.

Mrs. Gober stated: Well, that is a function of primarily the PSBA dues that are a function of enrollment.

Director Leeson stated: But our enrollment is going down.

Mrs. Gober stated: Their fee structure is banded so you are in a band of enrollment. 8000-10,000 or over 5,000, under 5,000.

Director Leeson stated: There is a cut that will not hurt any students.

President Cann stated: Is that an actual proposal you would like to make?

Director Leeson stated: I have no problem making that as a proposal. I think that that would be an easy cut for us.

President Cann asked: How much was it again?

Mrs. Gober stated: I want to guess between \$11,000 and \$12,000, but I can find that out if you would like.

President Cann stated: This cut was brought up several years ago, I recall, and it was not successful because the feeling was that it would cut the school district off from the information that the PSBA gives and the support they give in their policy formations and such.

Director Leeson stated: On page 8 of 15 – Dues and Fees under the board is \$57,869. Up \$13,000.00 this year.

Director Follweiler stated: I'm with you Director Leeson.

Director Leeson stated: May I also ask then under board travel - \$17,900. That is why I am asking. In fact there is 2009-2010 actual of \$11,998.00. Where did that come from?

Mrs. Gober stated: That was actual expenditures.

Director Leeson asked: For travel? I am on page 8 of 15 – 2310580.

Mrs. Gober stated: I can itemize that for you.

President Cann stated: I am definitely curious what that is about.

Director Leeson stated: While we are on the page - Custodial supplies of \$91,000 increase of \$15,000.

Mrs. Gober stated: That is general supplies. It picked up whatever 610 it found. But that is general supplies.

Director Leeson asked: For the board?

Mrs. Gober stated: Yes

Director Leeson asked: What board supplies?

Mrs. Gober stated: Why don't I just provide the detail for the board account and then you can have the reference for any of the items.

President Cann stated: The books and periodicals are the only ones that I am aware of that come to us through PSBA and it would seem that would be inclusive of that fee.

Director Leeson stated: Yes, I do think we need the details.

President Cann stated: If there were cuts other than the ones we discussed tonight, that you had a concern about and wanted to discuss or anyone have anything like that.

Director Leeson stated: This is not putting back in, this is taking out. We discussed this looking at realigning the libraries and I know I personally have heard a lot of support for that – middle school and high school – not the elementary libraries and looking at our costs even of the supplies, the books and anything within the libraries as well. I saw the administration showed us, \$124,000 by reducing two middle school librarians, who at least would be a start but I think there is probably other cuts we could make in that particular area. I think we should have more discussion on this. Director McKeon's idea of the realignment for the athletic director as well but I think that maybe something we should discuss.

President Cann stated: The library cut that you mentioned - is that in yet?

Director Leeson stated: No.

Dr. Roy stated: That is correct but it is on the short list if we need to replace some of the things that we just took out. It is in the budget to go to one district athletic director, and to

eliminate the one position.

Director Leeson stated: It could be an elimination of three positions.

President Cann stated: Could you describe for the board before I ask their opinion on it, what your cut on the library is that you suggested so far?

Dr. Roy stated: We didn't suggest anything, but what we were looking at on that one sheet because it had been suggested, we started looking at taking rather one librarian from each middle school having reduced to two and have one librarian cover two middle schools. The reason that I am not a big fan of that is while it may be true currently, that our librarians and libraries are not a vital hub of our instructional program, they can be and they should be and under the idea of once we take it away will we ever get it back. In an age of the importance of information technology and quality research and so forth, I think there is a lot of potential for the libraries. So, I wasn't eager to take away those librarian positions because then it would really be hard to make progress in those areas. But, if we need to make these tough decisions that is where we started with the middle school, so that was my thinking at this point.

President Cann stated: Could I please have your opinions and the order you want to give me on whether you would support that cut to get some money back into replace other cuts?

Director Follweiler stated: I'd want more information on both sides so we could debate it, but I am just stuck on this board services. I am sure there is a lot of things in here that we wouldn't traditionally think would go under board. I mean I know all we pay for is legal issues and things like that. I am sorry I can't concentrate on the librarian issue.

Mrs. Gober stated: If I could clarify that is 2300 – all administrative services, so that would include the office of the principal and so forth, so that is an aggregate, it is not just board. It is 23, 24, and 25 – that is aggregated.

Dr. Roy stated: We'll clarify that.

Director Leeson stated: Could we have a budget that then showed the board expenses and not have it listed as an aggregate, please?

Mrs. Gober stated: Yes, you had requested the format be different so I provided a different format, but if you look at expenditures by functional area, page 2 of 3, you can look at board services there which is budgeted at \$166,459 for a reduction of \$8,291 from the prior year from the current year and it was \$242,000 in the year before that in actual. That is not an aggregated number.

Director Follweiler stated: So that is primarily things like legal expenses and that type of thing that the board must incur those costs. Is that correct?

Mrs. Gober stated: Legal is separate, but that would include your PSBA dues, it would include any expenses that are directly incurred for agendas, board officer bonding, the audit services which are the charge of the board, it is a service provided for the board. Those types of things.

Dr. Roy stated: We will get the detail for you.

Director Follweiler stated: Back to the PSBA dues, there are certain services that they provide that I would say we should take advantage of, for example, training for new board members when they come on and things like that, if we can look at what non member fees for some essential items such as that would be versus paying ongoing membership. But the librarian issue I would really want to see some data from Dr. Silva before I would necessarily agree to change that.

President Cann stated: There is some interest in it.

Director Leeson stated: May I ask another question, page 2 of 3, now that we are there. The library has an increase of \$62,000. Where is the increase coming from?

Mrs. Gober stated: At minimum it is going to be salary and benefits.

Director Leeson stated: Our budget is about \$1,600,000. So we are talking about \$125,000 reduction out of a \$1,600,000 budget?

President Cann stated: Director Leeson, you would support a cut like that?

Director Burkhardt – Yes, if it is being used to get us these other things that we really want.

Director Faccinetto – Yes, I would agree with that.

Director Tenaglia – I agree with Director Follweiler, I would like some more information.

President Cann stated: I wanted to comment on the PSBA thing. One of things that we are going to be looking at in committee in the next couple of months is the PSBA sent it is the board governing standards, the policy, because they have asked us to readopt it. It already is policy but as a practice they want boards to readopt it every few years because it forces you to look at it and see what your standards of governments and make sure they are actually following it. One of the sections is that board members should make sure they keep up to date on what's happening in the field of education and field the state budgeting, just that you have to keep yourself informed and knowledgeable and it actually it say that by going to conferences and seminars, we have not done that for quite some time because we can't afford that, so really the only way we are keeping up to date is through the literature we get through PSBA. If we don't get that, I don't think we are fulfilling that obligation to stay updated. That would be my concern.

Director Tenaglia stated: King Spry puts out a school leaders bulletin.

President Cann stated: Does anybody want to consider eliminating our membership in PSBA or is there no interest at all.

Director Follweiler stated: I think we need to understand fully what we are getting for that money and then discuss it.

President Cann stated: What I am thinking now is what Director Leeson said before that we probably need another meeting before we go into the voting at the meeting on the 9th.

Dr. Roy stated: On the 9th we have one committee meeting, we've cancelled the Curriculum meeting awhile ago so it is scheduled to have a Financial committee meeting, then a budget workshop and then the vote. If we don't do the things that were put back into tonight, how are we going to compensate for that?

Director Leeson stated: My concern is that we're just taking a very cursory look at this budget and coming up with a lot of questions, and I have an idea that as we look at it more carefully there is going to be even more questions and so that is my concern of having another meeting and then we are going to vote, when as you can see that some of the questions, that are arising right now as to what is covered under this item, what is covered under that, you know, I think we need to have more clarification so that when board members are voting on this budget, they know what they are voting for and what they are not voting for.

Dr. Roy stated: We've had a number of workshops including this evening. We have time scheduled that evening that is the approval of the tentative final budget; we then have several workshops scheduled between that vote and the final adoption as well. So there is still a lot of time left.

Director Leeson stated: Well, the tentative budget needs to be done 30 days in advance of the vote and we need to have the vote June 30th. But, I think that we have currently scheduled it a lot earlier.

Dr. Roy stated: Yes, June 13th, because if we don't need to we don't want to push it to the deadline and by approving on June 13th, it allows us more time to get tax bills out, so we get money coming in sooner. So, again on May 9th, it is the tentative approval of the final budget. We still have several meetings after that. We have the very broad outlines confirmed tonight with the 1.7 percent tax increase, we are talking about less than \$700,000 in putting money in and where are we going to take it from. So I think that our focus has come down to a much narrower focus, and I would hope that we would be able to move ahead with what we have scheduled.

Director Burkhardt stated: I know it was said earlier in the meeting but this is not a normal year and we are laying off an exceptional number of people and I think the sooner we can, unless there is some critical issue that we are not addressing, the sooner we can give the administration the formal signal, so they can start talking to people and helping people make decisions about what they are doing with the rest of their lives, I think it is important.

President Cann stated: My very last consensus taking tonight is if you think that it is ok to go ahead with what we have planned

on May 9th, given that there is an opportunity that evening to look at what is revised from tonight and opportunities following May 9th for other questions and clarifications on the entire budget.

President Cann asked for a consensus from the board if it is ok to go ahead on May 9th: Yes - Director McKeon, Ortiz, Follweiler, Amato, President Cann, and Director Burkhart.

Director Leeson stated: We just received these documents tonight and we had made it very clear that we wanted them in advance and so I think that the board is remiss in not asking for an additional meeting on the budget. The budget is a very important item.

President Cann stated: No one is dismissing it; it is saying we will ask the questions at the other budget workshops.

Dr. Roy stated: I can say this document is the document that was presented in January and approved in February with the changes of the recommended cuts to get to tonight's 1.7 percent. This is the same document with the changes that have been made, so it has been updated based on the recommendations to get to the 1.7 percent.

Director Tenaglia stated: I think we need another meeting, but that doesn't seem to be the majority point of view. Some things we seem to expedite and some things we seem not too, it's rather selective.

President Cann stated: Apparently the majority of the board is ready to proceed with May 9th as planned.

President Cann asked: Does anyone have anything else they would like to say or bring up at this time?

President Cann offered Courtesy of the Floor for anyone who would like to speak.

COURTESY OF THE
FLOOR

Chris Nelson

738 Apollo Drive
Bethlehem, PA

Mr. Nelson stated: I am a seventh grade student here at East Hills and I participate in soccer. I love being on the soccer team here at School. I would like to know why soccer was the only sport cut from middle schools. How did you choose this sport? I have heard nothing about other sports. Why! I am not suggesting you cut other sports, I just don't understand how you chose this sport. Obviously it is coed, but there are five girl's sports, two boys' sports and two coed sports. What about next year, do you then decide to cut football and volleyball and continue until there is nothing left? I think it is important to keep athletics in middle school because it encourages many athletes to work hard in class so they can stay eligible to play. We also meet other people who we might not be friends with. We learn about teamwork and playing together, discipline and respect. We learn what it takes to win, how to work harder and how to manage disappointment. We develop school spirit and a sense of pride in our school. Without these activities, many athletes would be completely unengaged. I realize that our district has limited funds and it may not have money to continue to pay for coaches, buses, uniforms, equipment, and other fees, but to cut these activities will be a disaster. I think it is unfair that only soccer kids need to decide if its pay or lose the sport. My suggestion is pay to play for every sport in middle school. If the savings the district needs from the middle school is approximately \$24,000 and there are about 800 middle school athletes across all sports, at all four middle schools, then it will be about \$30 to \$35 per family for each sport their child participates in. This seems fairer than one or two sports and cutting those. This is similar to what band and some other organizations do, asking families to pay an assessment fee or fund raises to participate. They also rely on parents to help. We can do the same with sports if you let us. All we ask is that rather than cutting sports, you think about how we can raise the money we need to run all the sports programs in middle school. Thank you.

President Cann stated: Thank you for sharing your opinions and for staying with us tonight.

Donna Cye
1629 West Broad Street
Bethlehem, PA

Ms. Cye stated: It was really interesting the more I am attending these meetings to listen to you because I am really interested in money and how it is spent and where it goes. I am really good with the structure and function of organizations. What I noticed tonight with the board members is there is not enough information available at the time it is needed. I was a little district treasurer and I all my little accounts that had to be available to my members of the group and it was individualized. So, I am seeing that information is not available to all the board members in a reasonable length of time. The other thing I am noticing is there is not enough specific information under the line items and for me, I didn't get updated information on these papers that you have because I don't really know how your system works yet, but I am really working hard to understand it. I might have missed this but I was wondering how much money would be anticipated to obtain from the 1.7 percent tax increase. There is a lot of missing pieces as I'm listening and I do have attention deficit disorder that was not diagnosed when I was young, but there are a lot of missing pieces here that kind of prevents people from making a well informed decision. I love you all up here and I want to see the best opportunity for all the students that are coming behind us. Thanks.

Jim Reinhardt
3962 Autumn Ridge Road
Hanover Township, PA

Mr. Reinhardt stated: There is a couple points that I would like to touch on and just being new to the budget system, I may say something that you have already gone through but the bottom line is to students and giving them the best education as its been said, that is one of the great things about this school district. Director Amato touched on really going in depth into the budget and looking at numbers and I would say it has got to start at the top and work its way through trying to keep programs that are out there that are a little bit different then your normal type of systems, I know here at East hills, they have the Nature Quest program, Nitchsmann has the Sequoia program, kids love that, they love that program, they thrive in it and I have a seventh grader right now at Nitschmann and he is looking forward to possibly being in Sequoia. I don't know if that program is something that maybe cut because of changes in the structure of the teachers, but also talking as someone who has been out of work for nine months, I am not looking forward to a tax increase, but the bottom line is again, it is for the

students, so if takes that 1.7 percent, we'll find a way to do it, we'll pay it whether our son is in school or not, if he is in a private school or not, but he is in the public school system here, we'll do it. I read the paper and see how I think its four local school districts, whose teachers have accepted freezing their salaries and possibly rolling back their salaries. I've sat here for over three hours and have not heard a word about doing that. Instead they are getting a 3.9 percent raise I believe it is that was voted on, I will tell you in the nine months what I am bringing home is ridiculous, I've put myself in that position, my job was cut, but I will also say leading up to that, I had reduced hours and I had reduced salary. Why if teachers are in the position to do this for students, which I've always heard, you teach because you want to teach kids and you want to make them better people. Why wasn't that brought up tonight? That is what I would like to know and I haven't read anything in the paper other than saying that they declined to do that. There are plenty of teachers from other school districts that are losing their jobs, they would love to come in here and be able to have a position and make some money instead of losing their jobs. So, I would look at that and I would also look at some of your other professional fees that you are probably paying out there. Shop around, people need work, get better pricing that way. That is my suggestion. Thank you for your time.

Karen Becker
738 Apollo Drive
Bethlehem, PA

Ms. Becker stated: I feel like when I come to these meetings crisis management is the mantra. I would like to see more strategic management and the board and the district thinking about sustainable quality education, not just sustainable budgeting. I appreciate the notion that we have got to look five years out, we can't just say, once again we are sitting in a crisis situation. It is no surprise to me that the students with the willingness and the ability to speak out tonight were students that all participate in your thematic programs, are all highly engaged students. They have the ability to do that because of the opportunities afforded to them in the school. If you take those things away, you are not going to have those students. I would like to see the district defined by those students, not defined by the students that the woman who was here as an Attorney talked about. I think we pay now or we pay later in police fees. I think the students that were here had a lot of things to offer, they offered insights and they provide

opportunities and they came with suggestions, not just complaints. I think the idea of having town meeting and workshop, with the student might provide some insight to the board, might provide some insight to the administration as well to see what is it that the students really want, what do they value and I think you would see that they value quality education. As a college professor, I can assure you that your students need to be competitive, they need to have extracurricular activities and something to put on that college application if there is nothing there, they won't get in, they won't get through the first cut, and I can tell you there is no way they will get any money to pay for college. Thank you Director Leeson for thinking about that, the reduction in hours for seniors ~ colleges are giving out acceptances later and later. I work at the College of New Jersey, we have just sent out our last batch. We look at what happening in the senior year. A senior who chooses not to come to school is not a student we want at an honors college. Think long and hard about the removal of the resource officers. I know that board has struggled with the charter fees and I can tell you the Number 1 reason people leave public school to go to charter education is safety. The perceived safety whether it is real or not, in the high schools and in the middle schools, is a critical issue. Perhaps there is another way for our resource officer that aren't here as they should be - we've got to have same presence in the district. I was told recently at a baseball game that about 30% of the arrests on any given day for the city of Bethlehem, come from the two high schools. It is appalling and it says to me, there is no way we can do without a resource officer in those schools. I was interested in the slide that talked about we have the lowest tax milage assessment in the area. A better question for you, I think is how do we fair in terms of educational quality. I hope we're not the lowest there. How are our property values? Again, I hope we're not the lowest. What does our student engagement look like, what are our crime statistics, what are our gradation rates, these are key factors in Bethlehem as a livable community and influencing the quality of life and not just the lowest milage folks. Changes in middle school teaming and elimination of two planning periods. Does this mean teachers get another class to teach or are we putting them on lunch supervision? I think no matter how you cut it, we are kidding ourselves to say there is no impact on educational quality. As a professor, if I am given one more class to teach that's at least 30 more students with papers I've got to grade. I lose my planning period, I lose my prep period or I attend more meetings, it has an impact on what I do on

those original periods. So, don't think that we are going to give teachers more to do and think even though we are not looking at changing class size, we are changing the quality. I'd really like to encourage you to think not just about class size, but to think about quality delivery. Think about managing teacher quality. Look at the thematic programs in the middle school, they typically operate with larger classroom sizes and their kids do tremendous. If Director Amato can sit there and say to us we've got to find creative solutions, then look, this is the third time we've been here, stop complaining, and come with solutions. Thank you.

Bob Pearson
33 2nd Street
Catasauqua, PA

Mr. Pearson stated: I am a Biology Teacher at Freedom High School and I am also soccer coach here at East Hills for nine years and I just want to piggy back off of what the players were saying and my question is and I don't know if you can answer this, if your allowed to answer this, or what the format is here, but why was soccer the only sport that was looked at to be cut. Before I came here tonight, I understand we have difficult choices to make, I heard about combining middle school sports. I didn't agree with it, but I understand we have difficult choices to make. I heard about pay to play. In an ideal world I wouldn't agree with it, but we have difficult decisions to make, I understand that, but what I don't understand is looking at all the middle school sports and say this one is the one that has to go. Everything else is ok but this one has to be the one to go. If we are talking about creative solutions at the middle school sports level, why can soccer not be part of those creative solutions, why does it have to be the only one that gets eliminated? Right now that is the only sport for boys to play in the spring at the middle school that is it. It is softball and soccer. If soccer is eliminated, then they have no sport to play. Also, it is a very low cost sport out of all of them. Not a lot of equipment that you need, not a high number of coaches, not a high cost of insurance. Also, it is a very popular sport. It is a very fast growing sport in popularity. I have over 80 kids every year that try out for the soccer team. So, I just don't understand why we are only looking to eliminate soccer. We all said that we need to have creative solutions, well why can't soccer be part of the creative solutions. Thank you.

President Cann asked if anyone else had anything they would

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like to say at Courtesy of the Floor.

President Cann stated: Thank you so much for being here and for all the help you give us with all of your suggestions.

Meeting was adjourned at 9:15 p.m.

Attest,

Stacy M. Gober
Board Secretary

SMG:pag