



**Monday, January 13, 2014**  
**Education Center, Edgeboro Room**

**Agenda**

- 6:00 p.m. Board Finance Committee Meeting – Mrs. Gober**
1. Courtesy of the Floor (15 minutes allowed)
  2. Northampton Community College 2014-2015 Budget Presentation – Dr. Erickson
  3. 2012-2013 Audit Report – Mr. Gorman
  4. PA Auditor General's Performance Report for June 30, 2009 through 2012
  5. **2014-2015 Preliminary Budget Presentation**
  6. Information Technology Infrastructure Discussion
  7. Information Items
  8. Agenda Items for January 27, 2014, Regular Board Meeting
    - A. 2012-2013 Local Audit Report
    - B. PA Auditor General's Performance Audit for the Years Ending June 30, 2009, 2010, 2011 and 2012
    - C. BASD Authority Reappointment
    - D. BAVTS General Authority Reappointment
    - E. Polling Places
    - F. Authorization to Expend 2014-2015, 2015-2016 and 2016-2017 Budget Funds and Submit for E-Rate Reimbursement – Cellular Telephone Services
    - G. Authorization to Expend 2014-2015, 2015-2016 and 2016-2017 Budget Funds and Submit for E-Rate Reimbursement – Month-to-Month Telecommunications Services
    - H. Bid Award – Xerographic Paper – White
  9. Courtesy of the Floor (15 minutes allowed)
  10. Open Forum
  11. Adjournment



**BOARD FINANCE COMMITTEE MEETING MINUTES  
MONDAY, JANUARY 13, 2014**

Director McKeon, Board Finance Chair, called the Board Finance Committee Meeting to order at 6:02 p.m. on Monday, January 13, 2014, in the Edgeboro Room at the Education Center. Nine (9) Board members were in attendance: Director Basilio Bonilla, Director Michele Cann, Director Eugene McKeon, Director Craig Neiman, Director Shannon Patrick, Director Rogelio Ortiz, Director Angela Sinkler, Director Sudantha Vidanage, and President Michael Faccinnetto. Also in attendance were: Dr. Joseph Roy, Superintendent of Schools; Mrs. Stacy Gober, Chief Financial Officer; Mrs. Nancy Mautino, Assistant Director of Business Affairs; Dr. Jack Silva, Assistant Superintendent for Education; Mr. Mark Stein, Director of Facilities and Operations; Mr. Frank Arbushites, Director of Information Technologies; Mrs. Claire Hogan, Director of Special Education; and Dr. Dean Donaher, Director of Student Services. Representatives from the press were also present at the meeting.

**COURTESY OF THE FLOOR**

Director McKeon offered Courtesy of the Floor to the public for items pertaining to the agenda. A second Courtesy of the Floor will be offered at the end of the meeting for matters pertaining to school district business.

Randy Toman (359 Tenth Avenue, Bethlehem) – Mr. Toman had three (3) questions for the Board. Has the Board seen the District’s Budget presentation before tonight? Director McKeon responded that the Board received the information in their Friday mailing. Mr. Toman stated that he understands that all is subject to change, but does the Board understand the 2.6% on page 2 of the presentation and it is nearly double what social security gave out. Does this proposal say on page 13 of the expenditures that the District will spend \$242 million which jumped \$16 million in one year? Director McKeon responded that was correct until we start looking into the numbers.

**NORTHAMPTON COMMUNITY COLLEGE 2014-15 BUDGET PRESENTATION**

Director McKeon welcomed Dr. Erickson, President of Northampton Community College (NCC), this evening to present NCC’s 2014-15 Budget to the District.

Dr. Erickson thanked the Board and taxpayers for supporting NCC. He showed a PowerPoint presentation highlighting some exciting things happening at the college. NCC is a “College of the Community” which is all about serving the students, businesses, and community. NCC has a good Strategic Plan in place with five (5) strategic priorities, which include student outreach, completion agenda, diversity and global engagement, community engagement, and leadership in technology. In tracking their progress, they want to introduce eight (8) new academic programs, develop partnerships with six (6) global colleges/partners through the Internet, increase the completion rate by 6%, increase enrollment by 4%, and build one (1) new residence hall to expand the residency capacity to serve the student population which is being paid with Foundation money not taxpayer money. Coming soon, NCC will have a new van that will be used as a traveling admissions van. The graduation rate for 2012 grew to 90% for graduates employed or continuing their education. They provided about \$40 million in student financial aid in the 2012-13 school year which approximately 65% of the student population. NCC is the largest private scholarship program of any community college in PA. New programs include environmental science, hospitality management, licensed massage therapist, and line-worker with the first graduation class of line-workers being held this past November. The annual tuition cost for a full-time student at NCC is \$3,690 compared to a first year student at an area four-year college, which ranges from \$8,700 to \$55,000. NCC has developed agreements with 12 four-year colleges. The Morning Call selected NCC as the “Top Work Place” for 2013.

The 2013 fall enrollment of Bethlehem students is 2,365 and 41.4% are full-time students. There were 112 graduates from Freedom High School and 172 graduates from Liberty High School that enrolled at NCC for the fall semester. A Liberty graduate was part of the student team who created the parts for a nearly 33-foot tall wind turbine and assembled them in the mountains of Peru, and the team set the world record of the highest altitude wind turbine in the world. There are currently 10 BASD graduates that are NCC Presidential Ambassadors. There were two (2) Freedom High School graduates and 10 Liberty High School graduates who were inducted into the Phi Theta Kappa earlier this year.

Dr. Erickson stated that he met with the area superintendents in the fall about the Index for this year and what the needs of NCC were. They pinpointed a 2.1% increase overall in terms of coming to the Districts for additional support. That is based on a five-year average of the students coming from each District. The good news is that Bethlehem is coming in increasingly great numbers. So the amount of money NCC is requesting for the 2014-15 Budget is an increase of \$81,801.

In closing, Dr. Erickson thanked the District for their support, and each Board member was given a brochure of NCC's strategic priorities.

Director McKeon opened it up to Board discussion/questions.

Director Bonilla commented that he attended NCC and currently his sister attends. His concern is about any increases such as what NCC is proposing with the BASD budget deficit that will be discussed later. He does value the work that NCC does. Dr. Erickson responded that NCC continues to grow. Numbers are looked at closely and reorganization has been done this year in terms of where NCC is going. At the same time, there is some level of increase that happens in salaries and additional costs. NCC's overall budget is about 2.8%, and they are looking for a 2.1% increase from the Districts.

Director McKeon stated he is happy to see NCC offering a four-year degree to complete locally, and the fact that NCC has been able to hold the increase to 2.1% is commendable.

Director Vidanage had a concern regarding the high prices of student materials and some students are having difficulty purchasing the books. Dr. Erickson agreed with him that they are aware of this. They are looking into increasing the number of rental books, the number of used books, and e-Books. There is some support that comes out of the Foundation.

Director Sinkler asked if there was any support in the budget for students who attend NCC during their high school years. Dr. Erickson responded that this is dual enrollment. It is included in the budget as the state funding has gone away. Students are currently paying the in-county fee which is supported by the District and provides a great opportunity for high school students.

Director Ortiz had a question about making NCC a four-year college and when will it begin. Dr. Erickson responded in a little over a year NCC plans to offer this, and they plan on making an announcement in spring about a partnership that is being finalized.

### **2012-13 AUDIT REPORT**

Director McKeon welcomed Mr. Bill Gorman from Gorman and Associates to review the 2012-13 Audit Report with the District.

Mr. Gorman stated that his major responsibility is to render an opinion on whether the financial statements are in accordance with the accounting principles that governments need to follow. On page 10 of the report it states that the District is in compliance with the general accepting accounting principles. He is also responsible to report on whether the District is operating the federal programs in compliance with federal regulations, which includes the National School Lunch Program, Title I, IDEA, etc. On pages 113 and 114 of the report it states that there were no compliance issues with any of the federal programs and were run in accordance with federal regulations associated with each federal program. They are also supposed to prepare the audit and perform the audit under Government Auditing Standards and General Accepted Auditing Standards which are issued by the American Institute of Certified Public Accountants. The Government Auditing Standards are issued by the Government Accountability Office in Washington, D.C. and has to be performed under two (2) separate standards including testing internal controls to insure

that the controls in place are sufficient to report all of the material transactions that happen throughout the course of the year. This is the first year since being the local auditor in the District that he is pleased to announce the District no longer has any material weaknesses in controls and no longer has any significant deficiencies of internal control. He wants to commend the Administration on turning the District around where he can report a clean bill of health, and he can report that the financial records are not materially misstated. He can report that there are no internal control issues or problems as there were in past years. There was a dramatic change last year, but there was still a material weakness or significant deficiency that remained and management has eliminated that. That is not to say that there are still not some deficiencies that occur, but the magnitude of those deficiencies are such that they are manageable, and senior management is managing those deficiencies and making the appropriate adjustments throughout the course of the year. No government entity cannot have some sort of deficiency in controls, but the magnitude needs to be at a minor level and for the first time the District meets that calling. The District has minor deficiencies, certainly nothing significant or material.

Mr. Gorman also stated that there are significant changes in this year's report when compared to prior years due to accounting changes requiring new terminology for government accounting. There are over 40 pages that changed from last year. The balance sheet now includes two new terminologies of deferred inflows/outflows of resources. Deferred outflow of resources means that the District has acquired a net asset, but the District is not going to use that net asset until future periods down the road. A deferred inflow of resources is money that the District has received in the current year that they are not going to recognize as revenue until the subsequent year. They have added these two new categories of elements to a balance sheet, and they changed the name of the balance sheet to a Statement of Net Position which can be found on page 24. Most of these have to do with the District's derivatives except for one item which is deferred refundings on bond issues. Another item that has changed in the audit report is the opinion letters on the financial statements and federal programs to explain what the local auditor's responsibilities are, what management's responsibilities, what the financial statements are involved that are audited, and any kind of emphasis of matter which is new this year and adjust the opening balance to the government wide set of financial statements. It does not affect the District's general fund and does not have any affect on the District's budget, but it does on the government wide financial statements.

Mr. Gorman stated that the District ended up the year with a surplus of \$4.6 million, and the ending fund balance was a healthy \$26 million in the general fund. That is a good and strong fund balance considering that the District is going to do some major construction with Nitschmann Middle School. However, if you look at the government as a whole, the government has a deficit of \$22.5 million. So, it is good on one hand as far as the fund balance which affects the overall budget and the District's tax levies, but as a government as a whole the District is still in a deficit situation, and most governments are not much better.

Mr. Gorman asked if the Board had any questions.

Director McKeon stated that outside of the fund balance, the negative number is predominately related to the swap values. Mr. Gorman responded that this was correct and it almost equals it. If it wasn't for the derivative instrument of liability that is out there, the District would be break-even as a government as a whole.

Director Vidanage asked what is the ideal fund balance to maintain. Mr. Gorman responded that it should be 8-10% of the budget which shows stability and saves on borrowings/bond issues for reducing long term interest cost. The fund balance is also necessary to fund intangibles, such as emergencies. If you do not have a fund balance to pay for those uncertainties, then you must borrow to pay and incur interest.

Director McKeon wanted to commend Mrs. Gober, Mrs. Mautino and the staff for a great audit report.

#### **PA AUDITOR GENERAL'S PERFORMANCE REPORT FOR JUNE 30, 2009 THROUGH 2012**

Mrs. Gober stated that the District was notified by the Department of the Auditor General that the Audit Report for the fiscal years ending June 30, 2009, June 30, 2010, June 30, 2011, and June 30, 2012 has been completed. They review any programs that are related to a state subsidy of any kind which includes the basic education subsidy, teacher certification, child accounting, transportation, etc. for compliance

with all the rules and requirements that are related to each of those programs. The state usually does a public audit every two (2) years, but this visit was for four (4) years. They were in the District in April 2013 and completed their visit in mid-June. The Board was provided an update at the June 17, 2013, Board Finance Committee Meeting. An exit conference was held with the Audit Committee and the Administration on July 16, 2013. The report found that the District complied, in all significant respects, with certain relevant state laws, regulations, contracts. The District is thrilled to have a positive report with no material concerns, no issues that need to be addressed or identified through the four (4) year audit. They also reviewed the findings from the prior audit regarding an alternative education finding that the District has appealed to PDE and are awaiting a ruling and determination on that appeal. The other issue was around the general fund deficit which the Administration has addressed and all of those issues have been resolved in accordance with the state audit in the subsequent reviews.

Dr. Roy stated that the scope of this audit was beyond what Mr. Gorman did. This includes looking at school safety issues, and a big piece they do is teacher certification. They examine teacher files to see if they are properly certified. In a large District with 1,000 teachers there were zero cases like that. At the exit conference, they emphasized how impressed they were by a District this size to have zero issues in the areas that they looked at. So, the audit is just not focused on the Business Office, but all the departments.

### **2014-15 PRELIMINARY BUDGET PRESENTATION**

Dr. Roy stated that at last Monday's Board Curriculum Committee Meeting, the Administration reviewed the 2014-15 Budget development process. This evening, the Administration will review the Tentative Preliminary Budget. Act 1 of 2006 limits local taxation to an Annual Index which increased from 2.1% to 2.6%. The timelines are based upon the primary election scheduled for May 20, 2014, and a Preliminary Budget needs to be adopted by the Board 90 days prior. The Board must decide by Resolution to not tax above the Index of 2.6%, apply for Exceptions for certain expenditures, or place a Referendum Question if they wish to exceed the Index plus Exceptions. The District's Preliminary Budget Strategy is to preserve the ability to maximize the District's options by applying for Act 1 Exceptions in the face of numerous unknown variables at this early stage of the budget development process. The 2014-15 Budget Goals include maintaining the District's assets which include neighborhood schools, targeted class size, diverse curricular offerings, student academic support, well maintained facilities, up-to-date technology, professional development opportunities, co-curricular activities, and continue to reduce variable rate debt. Other goals include maintaining the current programming in support of the Roadmap to Excellence; sustainable budgeting by aligning programs to reliable revenue sources; assure adequate financial resources; sustain mandated programs, contracts and agreements; preservation versus restoration which is in year 3; and multi-year financial goals to address cyclical needs such as buses, facilities, and uniforms.

Mrs. Gober stated that the 2014-15 Preliminary Budget in the beginning shows an initial deficit of \$16,916,392 which is due to increases in charter schools costs of \$6,726,037, PSERS costs of \$4,422,461 and \$5,767,894 for the rest of the budget. The Administration already found \$2,088,476 in initial reductions to the budget in technology, tax collections, energy efficiency, consumable materials, unemployment, tuition reimbursement and communications. The District is unsure of what new money they will receive for 2014-15 and is not anticipating that there will be any subsidy additional for school educational programs from the state in the Governor's budget aside from the 50% offset that the District receives for the pension obligation. So, the District is beginning with the retirement expenses of \$4.4 million net the subsidy and the losses in other state line items, the District is beginning the expenditures at \$2.7 million for many state supports for the remaining programs that are mandated within those expenditure areas. So, how is the District going to fund the operations? The revenues by source for 2014-15 show an increase from \$216,448,028 to \$225,630,030 or 1.79%. The local percentage which is from the local community is at 70.33% that includes real estate taxes, earned income, realty transfer, per capita, mercantile taxes, etc. There is a declining share of state resources towards the District's programs. The District is at about a quarter of the funding from the state, and just a little over 2% from the federal government, and the remainder is basically from the District's fund balance. It does present a challenge when you move forward because the District cannot continue to tap the fund balance for ongoing support of the District's expenditures in the long run as it is not sustainable revenue that is available year over year. In a detailed perspective, the District's local resources have increased 3.18%, the state revenue

increase of 2.97% is primarily driven by the retirement reimbursement, and the District is looking at projecting declines in the federal funding based on sequestration and the decline in the other categories because last year the District had a larger fund balance contribution towards the operating budget than we are projecting at this point. To date, the \$1 million that was set aside as an appropriation of fund balance from the prior year close for offsetting that PSERS increase leaves the District with a natural growth in revenue of 1.79% as the District moves forward.

The 2014-15 Preliminary Budget expenditure summary shows instructional expenses at a 3.58% increase which includes all classroom needs for impacting day-to-day instruction. Support services increased by 2.20% which includes guidance and nursing services, library, administration, etc. Noninstructional services increased by 6.63% which includes community services and athletic programs. Debt Service/Transfers increased by 2.78% which includes the continuation of the technology cycle and the school bus cycle, and those are the large components of the debt service. With these combined, this is a \$6 million increase or 3.14% increase. At this preliminary stage, this is a conservative estimate understanding that there are a lot of unknowns in this early process. Then when you add in the \$20 million for PSERS at a 27.11% increase and another \$20 million for charter schools at a 48.56% increase from last year, it is a material number and large obstacle. At this point, the challenge is to understand what can be done to offset internally those expenditures so that the District can provide appropriate and outstanding programs for the students within the District's facilities.

Dr. Roy wanted to emphasize that the expenditure slide that was just reviewed was broke out to show the line item of BASD expenses at 3.14% increase. When you take everything the District does other than the pension and the charter school costs, this includes salaries, health care, busing, facilities upkeep. At this early stage, the preliminary expenditure increases are only 3.14%. The Administration wanted to make the point that everything else which includes the pension and charter school costs increases it to 7.67%. The District has to pay PSERS and the charter school tuitions. It is important for the Board and the community to know what is really driving the District's budget challenges.

Mrs. Gober stated when looking at the expenditure profile graphically, it makes a very strong statement that 62.78% of the budget is going toward instruction and support services is 24.80% which means that 87.58% of the budget is going for direct instruction in support of that instruction for students. The debt services/transfers is 11.17% and noninstructional services is 1.25% of the expenditures.

Dr. Roy stated that there are three (3) new items that the Administration would like to include in the 2014-15 which include remediation services for struggling students, Career Pathways Management System, and Project Lead the Way. A Career Pathways Management System is a software program that helps students with goal setting, course management, and helps guidance counselors manage it as a career pathway for the students. Project Lead the Way is the pre-engineering curriculum that was discussed with the Board as a new program for next year. However, the Administration has tentative shelf items that are not in the budget and would like to get into the budget which include after school program at the elementary level. Four (4) elementary schools have the 21st Century After School Program grant that will expire at the end of this school year that provides tutoring and enrichment programs. Just as the middle school grant last year ran out, the Administration budgeted money in the 2013-14 budget to continue middle school after school programming. The Administration would like to do something similar for the elementary level at those four (4) schools. Full-day Kindergarten was expanded by six (6) sections for this year for at risk students, and the Administration would like to expand that by another six (6) additional full-day kindergarten sections. The network infrastructure needs to be updated and replaced. The expanded computer upgrades includes expanding the cyclical replacement cycle. The alternative education programming needs more in that area. The final shelf item is lacrosse. These shelf items total \$1,921,046.

Director Bonilla asked how does SPARK fit into this budget and is it a yearly grant? Dr. Roy stated that it is a yearly grant, and the Administration is expecting continuation of SPARK. Director Bonilla asked if the District still has the ice hockey team as a club sport? Dr. Roy responded that ice hockey is not a club sport.

Mrs. Gober stated that the PSERS funding rate for 2014-15 is increasing by 26.4% which is a dramatic increase for one year. This is not a problem that will go away until 2034-35. There in lies the challenge of

how is the District going to continue to make these PSERS contributions and still continue to offer the programs that is needed on a day-to-day basis for the students. When you look at the overall expenditures, the overall budget in areas of cents on the dollar, there is 81 cents of each dollar that is coming into the District that is spent on direct student learning and support of that instruction. The remainder is the administration, debt service, and the noninstructional programs that help to lean towards that total overall well-rounded student. When you look at salaries as a percentage of the budget, the District is spending 40% of the budget on wages, the associated benefits are 24% with a total of 64% of the budget going directly for salaries and benefits. The lion share of which is primarily driven by the District's professional staff and is the largest group of employees. When you look at what does the District have as the ability to control of costs, you look at the non-discretionary expenditures. There are charter schools that are mandated, tuition payments, PSERS salaries are contractually obligated, the required debt service payments, transportation is mandated locally, IU services, alternative education programs, utilities, insurance, and federal programs. This includes 93% of the budget is committed in some fashion which does not give the Board a whole lot of wiggle room of how are we going to resolve these challenges of coming up with that offset to balance the budget. Charter school enrollment have risen again this year. There are 1,542 students who attend charter schools including cyber charter schools. This is up 200 students over last year and was created because a few charter schools increased their capacity and their overall program enrollment. That is unable to be controlled on the District's end and then you can see how that has affected the charter school costs, and it is not a small incline. It is a real challenge and how is the District going to manage it in the current year and going forward. When you look at the total cost in the current budget year, \$225 million was budgeted and we projected we were going to have \$12.6 million in charter expenses. Those 200 additional students have increased the District's current year obligation to a \$15.6 million which is 7% of the budget, and 5.7 mills which is basically 12% of the tax base is going to pay directly for charter schools in the 2013-14 school year. That number going forward for next year is going to be even more dramatic, and it is an issue that the District needs to deal with. When you look at what is the District expenditure level and what is the increase, the District is at \$209 million that we are committing toward ongoing District facilitative programs after you deduct the amount of charter tuition that is going out the door and not being reflective in anything internally.

Dr. Roy also stated that the District's conservative estimate that if all 1,500 charter school students came back to the District and you hire one (1) teacher for every 25 students, it would cost the District \$5 million, and would save \$10 million if all charter school students came back. It is important for the Board and public to understand that charter schools are not cost neutral. Charter schools are costing the District \$10 million more than if they did not exist.

Mrs. Gober continued with the presentation stating the Mr. Gorman had reviewed a fund balance earlier. The District has been utilizing the fund balance to offset ongoing operational expenses primarily around the PSERS increase, and to provide stability and financial security for the District. The District will be renewing three (3) Floating Rate Notes and that positive healthy fund balance is going to be material in the District's ability to do in a cost effective way. It has also allowed the District to put money aside for those unforeseen facilities type issues, as well as planning ahead for the Nitschmann Middle School project. We are in a very positive fund balance position. It is not the Administration's intention to grow the fund balance, but it is recommended that we make sure we are maintaining it because it is a cash flow and rainy day fund as well as our financial insurance policy that we are in a strong and healthy fiscal situation.

The 2014-15 Tentative Budget following considerations by the Administration shows expenditures at \$242,546,422 and revenues at \$225,630,030 showing a gap of \$16,916,392. The budget cost drivers include charter schools, PSERS, IU services, salaries, student tuition, healthcare, debt, general operations, and net deficit remaining.

The Act 1 Index for 2014-15 will increase from 2.1% to 2.6% because they see that the economy seems to be picking up which allows the Districts to have an adjusted Index. That will be a base levy of \$3.7 million in additional revenue if the District went to the Index. The Preliminary Estimated Exceptions could be \$1.8 million exception for special education, and \$1.9 million for retirement contributions that

would give the District an estimated Act 1 total of \$7.5 million going into the overall budgetary discussions.

The 2013-14 millage rate in Northampton County shows the District at the bottom 3 out of 10 at 48.36. The Lehigh Valley equalized millage rates shows the District at 18.10 which is under the PA average of 18.23 and the Lehigh Valley average of 20.37. In other comparative data, BASD is the sixth largest school district in student enrollment; 10th of 26 in wealth in the Lehigh Valley; 132nd most wealthy school district in PA; 105th in market value per student in PA; 172nd in personal income per student in PA; and BASD spends 15% less than the average school district per student in Lehigh Valley and 10% less than the average in PA.

The Administration's recommended next steps and budget timeline include approving the Preliminary Budget as presented on February 10, 2014 at a Special Board Meeting and authorize the Administration to apply for Act 1 Exceptions. The Governor's Budget is to be released on or about February 4, 2014. Two (2) Budget Workshops are scheduled for March 19 and April 24, 2014. Tentative Final Budget adoption to occur on May 12, 2014, at a Special Board Meeting with the Final Budget adoption at the June 16, 2014, Special Board Meeting.

Dr. Roy stated that in the next six (6) weeks the Administration will meet with each department to look for additional areas for reductions. They will also monitor the revenue side of the budget. They will work to reduce the \$16.9 million deficit.

Director McKeon opened it up for Board discussion.

Director Vidanage stated that this is not unreasonable when considering \$11 million mandated costs.

Director McKeon stated that it should give the Board some pause about expanding programs until the PSERS rate stabilizes, and the Board should be very reluctant to expand the programs knowing that the District has to get to that 32% level of PSERS. He is appreciative of the short list of new programs.

Director Vidanage asked if the PSERS formula can change in contribution. All of the Indexes are up and do you have to stick with what they are saying. Mrs. Gober stated that the formula is set by legislation so the PSERS Board has already enacted a rate for the 2014-15 year. Any changes would be a legislative change to the program/benefit design in the long term, and none of the proposals that have been introduced have been able to dramatically change that rate projection. All the amendments can really do is to taper that climb, but it does not eliminate it.

President Faccinnetto stated that a reminder to the Board that this is not a rosy picture of the deficit. The budget process which is dictated by the state with the timelines to follow there is no way that the Administration would voluntarily bring a budget with a \$17 million deficit. We should be planning this process all through the spring by gathering the information and coming up with a budget. It is the backwards way of doing things, but we have to start with the number in the beginning to get where we want to be. Come February 10 the Board is not approving a budget and saying that we are going to raise taxes 10% or 8% to get the whole thing ironed out, but this the backwards way of doing things.

Director Vidanage asked if the District can stop the rate of charter school enrollment. Dr. Roy responded that the District has made some efforts to get students back. The challenge for charters schools is that it is an easy decision for the parent as they do not have to pay anything additional to send their child to a charter school, and the students are bused. The District needs to continue to do a good job in selling ourselves as well. Director Vidanage suggested possibly doing a forum to talk about student achievement at BASD and the costs of charter schools.

Director Neiman asked if the Act 1 exceptions are added into the revenue projections. Mrs. Gober responded that they are not added into the revenue projections.

## **INFORMATION TECHNOLOGY (IT) INFRASTRUCTURE DISCUSSION**

Dr. Roy stated that they have been working with the Intermediate Unit (IU) to conduct a review of the District's IT broadly defined. On the educational side, how are we using technology in the classroom, how are we staffed, and how are we structured, etc. At February's Curriculum Committee Meeting, the Administration is going to share the feedback that they received from the IU team. One of the recommendations that is included from the team is to take a technical look at the District's network infrastructure. The Administration would like to share with the Board this evening why this is timely to get some outside eyes to look at the technical infrastructure of the network, and then we will look for a consensus to send out a Request for Proposal (RFP) to get some quotes of what that might cost and bring that back to the Board in February.

Mr. Arbushites stated the demands on technology have grown tremendously. Originally the District's network was designed to be an educational network, and over the years the District has added many operational needs to the network which are important, such as the card access system, security cameras, TimeClocks, printer management, solar panels, etc. All of those things take up resources on the network. In addition, the District has added thousands of computers over that time to support the classrooms and are wireless which creates much greater demands on the District's network infrastructure. The Administration has been working with IU 20 to draft an RFP so that we can work with a professional consultant who can give us an assessment of the state of the network and provide some recommendations to help plan for the future. This would be done by interviewing the IT staff and other staff members in the District who can offer input on the technology needs of the program whether it be educational or operational. There are many technology opportunities for the District to explore in the future, such as BYOD which is bring your own device and cloud computing. If the District were to go in that direction, how easily can the network accommodate those thousands of different devices, and how can we make sure that they connect securely. Online testing is another big topic. We have to be able to support hundreds of students connecting at the same time using computers to our network in order to complete online testing, and currently the District is not very well equipped to do that. Those are some of the topics that the District would like to talk with the network review consultants as it is about planning, focusing the District's efforts and dollars in the right direction, and learning from the experience to professionals who have done this before. We would like to ask for the Board's consensus and send out an RFP so we can collect some bids to do a network infrastructure review at an estimated cost of under \$15,000.

Director Vidanage spoke about cloud computing as many local colleges use this, and have you learned from them on security of cloud computing? Mr. Arbushites responded that yes many of them do that, and the District has also taken some steps to move toward cloud computing by implementing Google Apps in the high schools, and there are Chrome books that are taking advantage of that. In a big District, we want to try things out before we jump into head first. We have done some research on the security of cloud computing and spoke to other Districts, and we are hoping to get more information from the consultants on how do we make the necessary preparations so that the District is protected for a safe online experience.

No Board member objected for the Administration to send out an RFP.

## **INFORMATION ITEMS**

Mrs. Gober shared three (3) information items with the Board as follows:

### PFM Update

The Board received an update from PFM on Wells Fargo. Both the Administration and PFM have been working with them regarding the Series of 2011 Bond, and they plan to provide a response later this month. In February, PFM will be bringing back their proposal to the Board for consideration.

### Quotations for the \$10,200-\$18,900 Cost Category

The Technology Department requested quotes for a switch upgrade at Nitschmann Middle School. Three (3) quotes were received with Dexon Computer Inc. being the lowest quote at \$12,997.

### TimeClock Plus Update

It is preceding as scheduled and the District is working on technology issues and payroll rules. We are working with the bus driver group first, and then move to the rest of the groups.

Director Vidanage stated that in regards to the fund balance Wells Fargo wants to see the District have a certain amount of funds to back up the FRN. If that is committed that means a certain portion of the total fund balance is not there and is less. Aren't we breaking the rules of the agreement if the amount changes because a certain amount is committed? Mrs. Gober responded that the District is not pledging a fixed amount. Any bond underwriter is going to want to see more rather than less, but certainly that is part of the rating process for them to understand how well the District plans for and is able to accommodate both the knowns and the unknowns. They understand we have operational needs from a cash flow standpoint. They are willing to accommodate that provided that we meet the obligation long term to keep our word and set aside sufficient funds. Director Vidanage had a question about the bond insurance. Mrs. Gober responded that there is bond insurance on every issue the District takes. The variable rate bonds have bond insurance, and this one with Wells Fargo is a negotiated note. She needs to double check with PFM if we take bond insurance on these notes as well.

### **AGENDA ITEMS FOR JANUARY 27, 2014, REGULAR BOARD MEETING**

#### **A. 2012-13 Local Audit Report**

As presented earlier, the Board must accept the 2012-13 Audit Report as prepared by Gorman and Associates, the District's local auditors.

#### **B. PA Auditor General's Performance Audit for the Years Ending June 30, 2009, 2010, 2011 and 2012**

As presented earlier, the Board must accept the Audit report as prepared by them for the fiscal years ending June 30, 2009, June 30, 2010, June 30, 2011, and June 30, 2012.

#### **C. BASD Authority Reappointment**

Mr. Russell D'Entrone's term on the BASD Authority expires at the end of January, and he has agreed to continue to serve on the BASD Authority for a five-year term through January 2019.

#### **D. BAVTS General Authority Reappointment**

Mr. Luke Cunningham's term on the BAVTS General Authority expires at the end of January, and he has agreed to continue to serve on the BAVTS Authority for a five year term through January 2019.

#### **E. Polling Places – May 20, 2014, General Primary Election and November 4, 2014, General Election**

An annual agenda item to approve 11 District buildings to be used as polling places for the 2014 elections.

Director Patrick stated that there has been some discussion about removing schools for polling places for safety purposes. Dr. Roy stated that in November students are off on Election day and is used as an inservice day. In most municipalities, if schools were not used as polling places they would have a very hard time find enough polling places. We limit the entrance that people come in and out of and isolate them to one area of the building.

#### **F. Authorization to Expend 2014-15, 2015-16, 2016-17 Budget Funds and Submit for E-Rate Reimbursement – Cellular Telephone Services**

Proposals were solicited and received for the District's cellular telephone services. T-Mobile currently provides these services to the District. Four (4) proposals were received and T-Mobile was the lowest proposal at an estimated cost of \$14,815.44 annually and will be submitted for E-Rate reimbursement.

Director Vidanage stated that he heard that T-Mobile will be taken over by Sprint. What will happen with the contract? Mrs. Gober stated that when this has occurred in the past the transition was basically transparent as the District was an existing customer. Director Vidanage stated that he is

concerned with going with the lowest bidder. Mrs. Gober stated that this is a local bid and would be a binding contract. Any changes or takeovers, they would be responsible for following the contract through its expiration.

**G. Authorization to Expend 2014-15, 2015-16, 2016-17 Budget Funds and Submit for E-Rate Reimbursement – Month-to-Month Telecommunications Services**

Proposals were solicited and received for the District's basic telephone service. Earthlink currently provides these services to the District. Six (6) proposals were received and Earthlink was the lowest proposal at an estimated monthly charge of \$1,607.50 (\$19,290 annually) and will be submitted for E-Rate reimbursement.

**H. Bid Award – Xerographic Paper – White**

Bids were received and opened on January 6, 2014. Bids were mailed to 12 vendors with five (5) bids received. W.B. Mason Company, Inc. was the lowest responsible bidder meeting specifications at a cost of \$58,564.80 for three (3) truckloads or 2,520 cartons of white paper.

Director McKeon asked the Board if there were any concerns with the agenda items going forward on the January Board Meeting. Seeing none, he moved to Courtesy of the Floor.

**COURTESY OF THE FLOOR**

Director McKeon offered Courtesy of the Floor to the public for matters pertaining to school district business.

Stephen Antalics (737 Ridge, Bethlehem) – Mr. Antalics stated that he has a concern with the tentative shelf item lacrosse being listed. He sat through the presentations of the group proposing lacrosse, and he respects their wishes. Lacrosse in relation to the other athletic programs is a minor program and are all extra curricular. He would like to see lacrosse removed from the list and put Pre-K on the list.

Randy Toman (359 Tenth Avenue, Bethlehem) – Mr. Toman stated that he understands that everything is flexible and subject to change. The PSERS rate and charter school rate will also increase year after year. That should scare the Board in the next two (2) consecutive years. The taxpayers cannot stand that. On page 13 it shows the 3.14% increase for the District and shows the outside problems. What are you going to do with the outside expenses? What are you going to do for the older lady who will not be able to afford taxes? The PSERS chart on page 17 scares him and it should scare the Board.

**OPEN FORUM**

Director McKeon asked if any Board members had any items for Open Forum.

Director Vidanage stated the he does not know how the District can basically equate the changes in social security to change in the school taxes. Changes in social security increases for the total. You cannot equate the increase in social security with taxes you pay. The base is not the same. You cannot have the argument go on and on that we are taxing as we want. When their kids were in school, who supported their taxes, and now who is supporting their grandchildren. Look at the numbers.

**ADJOURNMENT**

Director McKeon adjourned the meeting at 8:04 p.m. Director Patrick stated that the Board Human Resources Committee Meeting will begin in five (5) minutes.

Minutes prepared by

Debra Mickolay  
Administrative Assistant to the Chief Financial Officer