Bethlehem Area School District
Shaping the future. One child at a time.

Tuesday, January 20, 2015
Education Center, Edgeboro Room

Agenda

6:00 p.m. **Board Finance Committee Meeting – Mrs. Gober**

1. Courtesy of the Floor (15 minutes allowed)
2. Sports Medicine Services
3. 2013-2014 Audit Report – Mr. Gorman
4. E-Rate Update
5. Information Items
6. Agenda Items for January 26, 2015, Regular Board Meeting
   - A. 2013-2014 Local Audit Report
   - B. PlanCon K Submittal for the Series of 2014 Note
   - C. Colonial Intermediate Unit 20 Contract for Service Agreement
   - D. Dental Contract
   - E. Polling Places
   - F. Real Estate Tax Exonerations
   - G. Sports Medicine Services Agreement
   - H. E-Rate Bid Award – Internal Wireless Upgrade
7. 2015-2016 Preliminary Budget Presentation
8. Courtesy of the Floor (15 minutes allowed)
9. Open Forum
10. Adjournment

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BOARD FINANCE COMMITTEE MEETING MINUTES
TUESDAY, JANUARY 20, 2015

President Faccinetto called the Board Finance Committee Meeting to order at 6:03 p.m. on Tuesday, January 20, 2015, in the Edgeboro Room at the Education Center. Seven (7) Board members were in attendance: Director Basilio Bonilla, Director Michele Cann, Director Craig Neiman, Director Rogelio Ortiz, Director Shannon Patrick, Director Angela Sinkler and President Michael Faccinetto. Two (2) Board members were absent: Director Eugene McKeon and Director Sudantha Vidanage. 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. Russell Giordano, Director of Human Resources; Dr. Dean Donaher, Director of Student Services; Mr. Nicholas Takacs, Chief Technology Officer and Mrs. Claire Hogan, Director of Special Education. Representatives from the press were also present at the meeting.

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Mr. Rick Romolo – Chief Revenue Officer at Coordinated Health – Mr. Romolo stated that he was notified on Monday that Coordinated Health was not selected to renew the agreement for athletic trainer services after 25 years in the District. Coordinated Health will work with the District in the transition of care for student athletes. He believes it is important that the Board has an opportunity to review all of the Request for Proposals (RFPs) that were submitted. His request is to ensure that the RFP was a fair and an appropriate process and was selected through a committee. He asked if anyone on the Board saw the RFPs. President Faccinetto responded that the Board authorized the Administration to obtain RFPs, review them and come back with a recommendation. The Board is confident with the proposal that is here this evening.

SPORTS MEDICINE SERVICES

Dr. Roy introduced Robert Martin, Senior Vice President with St. Luke's University Network. The District's athletic trainer services contract expires on June 1. Requests for Proposals (RFPs) were received, and upon Administrative review, a proposal is being brought to the Board with a presentation by St. Luke's University Hospital and St. Luke's Physician Team. The District has a long standing relationship with St. Luke's and this expands the partnership.

Mr. Martin introduced his team including John Hauth, Senior Director of Sports Medicine Relationships; Dr. William DeLong, Chief of Orthopedic Surgery; Dr. Gregory Carolan, Orthopaedic Surgery: Sports Section Chief; Dr. Celestine Naeto, Primary Care Sports Medicine; and Dr. Timothy Miller, Director of Sports Physical Therapy. St. Luke's has a long relationship with the District and is excited to expand services to the District. St. Luke's is not just focused on the athlete at the varsity and junior varsity level but is focused completely on the academic performance, fitness, nutrition and energy level. St. Luke's wants to partner with the District and extend sports in new levels. St. Luke's is creating a center of sports medicine on Schoenersville Road and doing it in partnership with Moravian College. Starting in 2016, a training program will be offered for masters level training for athletic trainers and many of those will be rotating through the schools which St. Luke's has sports medicine relationships. There will also be orthopedic practice, family practice, and physical therapy practices in that program. It will be one of the models in the country and on the east coast.

Mr. Hauth stated that St. Luke's is looking forward on expanding the community partnership and the integration medical school. In addition, the value added pieces that were included in the RFP addresses not only the high performing athletes but also starts to address some of the healthcare disparities that exist across the region. St. Luke's will be adding some additional compliments in the athletic training area specifically in the middle schools. While the proposal asks for six (6) athletic trainers, St. Luke's will have six (6) full-time athletic trainers and two (2) licensed resident athletic trainers to meet the middle school athletic needs and provide some that are fluid in English and Spanish to help to address some of those disparities to work and partner with Bonnie Coyle. While St. Luke's looks forward to the work in sports medicine, they are very excited about the other things that they will be able to offer to those that might not have had access to physical activity. In addition, St. Luke's is establishing a pilot project to provide health models and opportunities for fitness for the staff.

Dr. DeLong stated that St. Luke's is gathering a very substantial program in the Bethlehem area and is looking forward to serving the students of the District. They bring vast experience in taking care of professional athletes and school-age athletes. They have a robust group of people in sports medicine and will provide the care for the students.

Dr. Carolan stated that he is the Section Chief of Sports Medicine in providing care for the students. St. Luke's has five (5) orthopedic sports medicine trained surgeons, three (3) family medicine trained sports medicine physicians all at the apex of learning abilities.

Mr. Hauth stated that Dr. Miller will be the Director of Sports Rehabilitation for the District. Once the Moravian center is up and running, Dr. Miller will be there working directly with the District as well as physical therapists. Lastly, they will work with the middle school and high school athletic trainers to establish injury prevention programs.

President Faccinetto opened it up to Board questions. Seeing none, he thanked the group for attending this evening.

2013-14 AUDIT REPORT

Mr. Gorman stated that the 2013-14 general fund ended the year with $24,735,430 in the fund balance. Of that amount, $17.1 million is not assigned for any specific purpose. The remaining difference is assigned by the Board for specific purposes and is listed in the report. There was a deficit in the general fund, and the fund balance was reduced from $26.5 million to $24.7 million. He attended the BASD Authority meeting prior to this meeting, and he was amazed to find something that the Board and Authority approved and saved the District taxpayers money. With the 2008 disaster on Wall Street and the havoc it created in the District and the pressure from taxpayers to not raise taxes, having $24.7 million in the fund balance saved the District taxpayers $1.3 million by refunding the Series of 2010 bond issue with the Series of 2014 bond issue. The District not only saved money, but a bond issue was created with the help of PFM that will never create a problem that the District experienced in 2008 because now the District has reduced the basis points (bps), and the District is using the LIBOR rate that is being used for both the money that the District is paying to the counterparty and the money the District is receiving from the counterparty. The District could not ask for a better condition. He is glad this worked out, and the reason this worked out is because Moody's believes that the District is in excellent financial shape and that is due to the $24.7 million fund balance that is being retained in the general fund. He commended the Board and the Authority in their foresight to adopt the policies that have created this situation.

Mr. Gorman stated that for the first time in eight (8) years he is pleased to report not only did the District get a clean opinion on the financial statements, but there are no material weaknesses, no significant deficiencies of internal controls, and no findings of non-compliance issues with federal programs. This is what they call in trade as a completely clean report. All of that information can be found in the management letter and there are some that are minor in nature. The good thing of having excellent records which the District now has is that the auditor gets to concentrate on smaller amounts of money and will look more heavily at student activities, athletics, and so on. He commended Stacy Gober, Nancy Mautino and the team to make the improvements that have been necessary. He commended the Board both past and present for adhering to the auditor's advice and improving the overall operations and financial reporting of the District. He audits 17 school districts, and this is the first time since the Single Audit Act was created in 1984 that not one client had no significant deficiencies and no material weaknesses of controls and no compliance findings. It is the first time in his career, and he is pleased with that which means that his client base listens to the advice to improve the operations.

Mr. Gorman asked if there were any questions from the Board. Dr. Roy asked him to reiterate what he just said about the clean report so that the reporter could get the information. Dr. Roy then thanked Stacy Gober and her team for their work and the results of the audit report.

In closing, Mr. Gorman stated that next year the financial statements will not look different necessarily, but the net balance/net equity will be a lot worse off than it is this year. This will not be the fault of the Administration, but it is a fault of accounting principles because next year for the first time in the history of all governments they are going to have to report on the financial statements and the unfunded actuarial liability in the PSERS reporting system. Right now, the District's share of that liability is approximately $320 million. This does not affect people's taxes, and this does not affect the general fund. This only deals with showing the government as a whole entity and every government in the United States will have deficits in their government wide statements as a result of all governments having to pick up this deficit. PSERS is $39 billion in the hole, and they do not have money to pay for future benefits of people that are in the pension system. That is why the retirement rates have been going up through the roof and will continue to do so unless the legislature addresses this. The District is not alone in this issue. The only possible affect this is going to have is with bond rating companies raising the bonds. It is his personal opinion that the bond rating companies already know these pension plans exist, and have taken those under advisement.

Hopefully there will not be any change in the bond ratings going forward. If there is, the District may have to pay for more bond insurance, but outside of that, they will be able to maintain the rating system the way it has been.

E-RATE UPDATE – MR. TAKACS
Mr. Takacs provided an update to the Board. The District's current wireless infrastructure is inadequate to support the growing needs to support the District's Roadmap 2.0 per the Weidenhammer evaluation that was completed last year. Without a robust wireless infrastructure, teachers continue to struggle implementing new technology solutions into the delivery of education to their students. A new wireless infrastructure lays the foundation to expand the use of lower-cost devices, increase district-wide technology adoption, and allow for future growth while reducing dependence on outdated systems.

The federal E-Rate program introduced Category 2 services focused on internal (in-building) wireless technologies. The District is in position to leverage the new category of services to address a pressing district-wide technology need. The E-Rate reimbursement rate is based upon the federal free and reduced price school lunch program, with the maximum potential reimbursement to the District of 80% total solution cost.

On December 5, the District published a Request for Bid (RFB) for re-architecture of its existing wireless network. A pre-bid meeting was held on December 15. Five (5) bids were submitted and received on January 9. Advance 2000's proposal came in at the lowest cost of $2,125,000. They also included an option to procure functionally-compatible hardware at a savings that brings the total solution cost to $1,875,000. To calculate the E-Rate discount, one of the licensing components in the package (Aruba Access Point Security Bundle) is reimbursed at 58% of the total cost. Therefore, the net cost to the District, upon successful E-Rate reimbursement, will be $392,822.40.

The Administration is seeking Board approval at the January 26 Regular Board Meeting. Upon approval, the District will file an E-Rate Form 471. Federal E-Rate reimbursement awards will be sent out in early May. The final bid award is contingent on what the District receives from the E-Rate award. Advance 2000, Inc. proposes to begin scheduling and planning work and to be in position for order and installation of hardware to commence upon notification of award. The bulk of the cabling and hardware installation will occur over the summer with the new wireless system up and running for the start of the 2015-16 school year.

President Faccinetto opened it up for Board discussion.

Director Cann asked if the E-Rate funding does not come through, what will happen. Mr. Takacs responded that the District reserves the right to reject or accept any part of the bid and it is contingent upon the E-Rate funding. So if for some reason the District would not receive that 80%, we could come back and say do we want to scale it back or only address certain schools.

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

Quotation for the $10,300-$19,100 Cost Category
The Board received information of two (2) quotations solicited during November/December. The first quote was for a boiler replacement at East Hills Middle School. The second quote was for four (4) plows to be used District-wide for clearing snow and are custom made to fit the District vehicles.

Contracted Educational Services
The Board received information regarding a contractor agreement that was executed per the Board's authorization for the Administration to sign and fully execute agreements not exceeding $10,000. An agreement was renewed to provide tennis lessons at the elementary school through a private donation and the cost is not to exceed $5,000.

AGENDA ITEMS FOR JANUARY 26, 2015, REGULAR BOARD MEETING
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The agenda items were reviewed and discussed with the Board. President Faccinetto asked after each agenda item if there were any objections placing these items on next week's Regular Board Meeting agenda. There were no objections.

2015-16 PRELIMINARY BUDGET PRESENTATION

Mrs. Gober stated that at last week's Board Curriculum Committee Meeting, the Administration reviewed the 2015-16 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 has been reduced from 2.6% to 2.3%. The timelines are based upon the primary election scheduled for May 19, 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 2.3%, 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. There are common threads that will be highlighted throughout this budget process which includes controlled growth of local expenditures; lack of adequate state funding for public schools; charter school funding reform; and PSERS reform with the rising retirements rates for employees.

Dr. Silva reviewed the 2015-16 District assets which includes maintaining neighborhood schools, full day Kindergarten, targeted class size, transportation services, diverse curricular offerings, well maintained facilities, professional development opportunities, co-curricular activities, eliminating variable rate debt, up-to-date technology and additional supports for struggling students. The 2015-16 budget goals include maintaining the current programming in support of the Roadmap 2.0 to Educational Excellence; sustainable budgeting by aligning programs to reliable revenue sources; assure adequate financial resources; sustain mandated programs, contracts and agreements; and multi-year financial goals to address cyclical needs such as buses, facilities, and uniforms.

Dr. Roy stated that the 2015-16 Preliminary Budget in the beginning shows an initial deficit of $11,661,497 which is due to increases in charter schools costs of $721,218, PSERS costs of $4,678,070 and $6,262,209 for the rest of the budget.

Mrs. Gober stated that every year the Administration looks at what new money the District will receive from all sources that can be used to help reduce the deficit. The District is starting with a reduction to the Ready to Learn grant of ($1,096,385); a reduction in federal programs of ($369,126); a reduction in the Pre-K Counts subsidies of ($188,640); and a reduction in tuition for students in group homes of ($50,000). However there is an increase in the state share of social security of $134,690 and state share retirement of $1,937,364 which is an increase in the District's payroll expense. That leaves the District with an increase in federal and state subsidies of $367,903 that can be used for instructional programs. However, there is one line item alone that the District has to look at and that is the increase in the budgetary expense for retirement of ($4,678,070) leaving the net new money for programs to be a deficit of ($4,310,167). The total revenue by source for 2015-16 is $235,631,838. The local percentage which is from the local community has increased to 70.53% 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 of 26.39%. Federal is about 2.22% with the other being 0.86%. The local community has been absorbing that lack of state funding year over year and it is clear that the local community is funding the lion share of the District's local public education with minimal reliance on state sources. In regards to the 2015-16 revenue summary and what the real dollars and increases are, the local revenue is essentially flat with a 0% change. While there have been some reallocations between varying local taxes in total, it is essentially flat. The same holds true for the state funding and that includes the increase in the subsidy for payroll taxes. Yet the decline in federal revenues has gone down as it has for the last number of years by -6.60%. In the current year, the District had anticipated about $2.5 million of fund balance revenue to offset the expenditure increase, and as this budget process begins, there is a $2 million contribution from the fund balance to offset the operating increases. The total revenue leaves the District with essentially flat or with a decrease of ($883,335) or -0.37%. Dr. Roy stated that there will be slides on the basic education funding formula and the need for a change in the funding formula. Where it would impact the District is on the revenue side where the state percentage would hopefully grow and the local percentage would be reduced if a funding formula included a weighing cost of educating students by poverty and Limited English Proficiency (LEP) students. Discussions have occurred with the Basic Education Funding Commission in that Districts that have higher percentages of poor students and LEP students should receive more money.

Mrs. Gober stated that the local real estate tax versus instructional subsidy is quite dramatic. The three (3) largest sources of state subsidy is basic education funding, the Accountability Block grant which has been renamed the Ready to Learn grant, and charter school subsidies all that have remained flat for the last nine (9) years. As the line continues to stay flat and the demand for charter school tuition and PSERS commitments continue to rise, that gap continues to get larger to the tune of $18.6 million that has had to come from reductions in local obligations, educational programs, furloughs and program eliminations. This was done to fund PSERS and charter schools, and the lack of ongoing increases in those areas to support those state initiatives has really fallen on the local community. Dr. Roy stated that from 2006-07 the instructional state subsidy was $23.4 million and for 2014-15 it is $29.2 which is only a $6 million increase when the charter school and PSERS costs have been shooting up dramatically as well as special education costs.

Mrs. Gober stated that when you look at the instructional subsidy over the last nine (9) years, while basic education funding increased 33% from 2006-07, other subsidies for instructional programs have been reduced or eliminated such as charter schools and the Accountability Block grant. Other state grants while they may have increased basic education funding, they eliminated the other grant sources that supported programs such as after school programs, tutoring, and additional supports for struggling students. If the charter school subsidy and the Accountability grant subsidies had been maintained and basic education funding had also been increased, then the District would have adequate resources to continue to operate the programs that the students need here locally. When one subsidy is eliminated and is rolled it into the basic education funding subsidy, the dollars are not there from a practical standpoint. Dr. Roy also stated that the charter school subsidy went down to zero in the 2011-12 school year, and that was just when charter school costs were rising. If that was maintained, the amount would be about $4 to $5 million in reimbursement now and that would go a long way with the District's current deficit of $11 million.

Mrs. Gober stated that the 2014-15 Preliminary Budget expenditure summary shows instructional expenses at a 3% increase which includes all classroom needs for impacting day-to-day instruction. Support services increased by 3.95% which includes guidance and nursing services, library, administration, the technology initiatives with the wireless upgrades, as well as professional development and ongoing costs for utilities and such. Noninstructional services decreased by -6.60% which includes community services and athletic programs. Debt service/transfers is remaining relatively flat at 0.28% due to the three (3) bond refundings that occurred in 2014. With these combined, this is an increase of $5,378,873 or 2.75%. Then when you add in the $25 million for PSERS at a 22.77% increase and another $21 million for charter schools at a 3.54% increase leaves the total expenditures increase at $10,778,162 or 4.56%. 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. Silva stated that the District's ongoing investments for the 2015-16 budget include Project Lead the Way, full-day Kindergarten, wireless infrastructure, online and blended learning, and remediation services for struggling students. The tentative shelf items include after school programs at the elementary schools at $181,743; after school programs at middle schools at $275,791; school bus cycle at $300,000; expanded computer upgrades at $263,036; and alternative education programming at $300,000 totaling $1,320,570.

Mrs. Gober stated that the PSERS funding rate for 2015-16 is 25.84% which is an increase of 20.8% since 2010. This is not a problem that will go away until 2034-35. Last week there was a question about the impact of amending the pension system and what did that do to the curve. Act 20 of 2010 amended the benefit that would be available to new hires. Anyone hired after 2010 and forward has some different contribution and benefit amounts than prior veteran employees. While Act 20 took off some of the spike, all it did was extend it out longer and that has since been amended annually. The change in the definition of the benefit plan really did not have a material impact on the long term funding that is required for the program.

When you look at the overall expenditures by program area, 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 debt service and the noninstructional costs that help to lean towards that total overall well-rounded student which is about 90 cents on a $1 if you exclude administrative support. There is a dramatic amount of non-discretionary expenditures that the District is committed to and obligated because of various mandates and contractual arrangements which include salaries and benefits, PSERS, debt service, tuition for students at tending outside programs, transportation, IU services, alternative education programs, special education, utilities, insurance, and federal programs. This includes 93% of the budget that is committed in some fashion which does not give the Board and Administration 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. There is 7% of the budget left where we can access for supplies, equipment, etc., and this would not get us to a sustainable budget and it will not be enough to continue the robust programs. 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 the next largest cost driver in the overall budget that is charter schools, and enrollment continues to increase. There are 1,695 students who attend charter schools including cyber charter schools for 2014-15, and we are estimating approximately 1,820 students will attend in 2015-16. The expenditure line for charter schools indicates that back in 2006-07 the tuition rate was $4.2 million and has grown to $21 million for the 2015-16 budget. This is the largest increase over time. When you look at the charter school impact, it is 9.9% of the tax base that goes to support charter school tuition or 5.1 mills. Back in 2011-12, the Governor eliminated any subsidy reimbursement that was contemplated in the charter school initiative when it was first introduced that provided up to 30% of reimbursement for charter school tuition for local school districts. It was the state's contribution to support that initiative. That was eliminated in 2011-12, and had that continued, it would have risen and would have generated an additional $15.4 million in revenue for the District. That is a dramatic amount of revenue and the amount of taxes that have been levied over that same period to fill that gap and to pay for those students to attend those charter schools. That is a dramatic shift of responsibility to fund the charter school initiative from the state back to the local community. Dr. Roy stated that when the charter school law was passed in 1997, it included the reimbursement piece to the District with the understanding that when a student leaves, the costs do not go down equivalent to the tuition that is being sent out the door. We have seen that the charter school financial reform is politically difficult because of charter lobby being strong. Even when there was a common sense fix of the special education funding last year, it was beaten back by the charter lobby. The state should focus on reinstating the reimbursement to Districts because it does not impact charters as they still get their money, but putting that leg of the financing for charter schools back in, that would help to the District. Not every school district is impacted by charters, but it does affect Bethlehem.

Director Patrick asked if the Administration took into consideration reducing the charter school number since the District is planning to offer full-day Kindergarten next year. Mrs. Gober responded that the charter school number for 2015-16 was not reduced as the Administration believes that the waiting list at charter schools for full-day Kindergarten are so material that even if the District brings back some students, that there will still be sufficient students on that waiting list that they are going to continue to choose whether it be siblings or for whatever focused purpose that parents choose to send their child to the charter school rather than the public school. In the overall percentage, a reduction was considered. The average is about a 20% increase per year. For 2014-15, 18% was projected, and for 2015-16, 16% was projected with the idea that some students will be brought back. Dr. Roy wanted to also state that the dollar amount is not for the number of students attending, it is the cost of each of those students and the tuition amount is going up as well. Director Patrick asked to reiterate the cost per student to attend a charter school. Mrs. Gober responded that it is just under $10,000 per regular education student and about $21,000 for a special education student to attend a charter school. There is no criteria on that special education student around severity or amount of support/needs and amount of expenses incurred to educate that child.

Director Bonilla stated that according to the PDE website, the District spends about $8,000 per student and charter schools spend about $8,500 per student. For special education students, the District spends about $13,000 and charter schools spend about $17,000. Mrs. Gober responded that if you look at that in aggregate, you are not necessarily looking at the District students and the charters that the District supports. The PDE website is a statewide average compared to Bethlehem students and the Bethlehem charters.

Director Neiman stated that in speaking about full-day Kindergarten, the District might not see a flood of students returning in year one, but it is going to be a multi-year internal investment that hopefully will be seen in a couple of years. Mrs. Gober responded that there are families that already have children in a charter school and want their child to go to Kindergarten, and there will always be those parents who believe in charter schools. It is the funding that is hurting the District and taxpayers.

Mrs. Gober continued with the presentation stating the Mr. Gorman had reviewed a fund balance earlier. The health of the fund balance has really been a very large focus on the financial recovery and it has been evidenced by improved bond issuance rates, by lower interest rates, and good financial ratings. It has had a planned decline because of using the fund balance to offset some of these ongoing expenses within the budget. The District is within the targeted Board policy range of 5-8%. The District continues to maintain a very healthy fund balance.

The 2015-16 Tentative Budget considerations shows expenditures at $247,293,335 and revenues at $235,631,838 showing a gap of $11,661,497. The budget cost drivers include PSERS, salaries, technology, charter schools, student tuition, healthcare, and general operations. As stated numerous times, the primary cost drivers are PSERS and charter schools to the budget. In 2006-07, the District spent $9,909,997 for charter schools and PSERS and for 2015-16 it is projected at $40,897,281. These are two (2) line items that are nondiscretionary mandated expenses.

The Act 1 Index for 2015-16 will decrease from 2.6% to 2.3% with a base levy of $3.3 million in additional revenue if the District went to the Index. The Preliminary Estimated Exceptions could be $2.8 million for special education, and $2.2 million for retirement contributions that would give the District an estimated Act 1 total of $8.5 million going into the overall budgetary discussions.

The 2014-15 millage rate in Northampton County shows the District at the bottom 4 out of 10 at 50.99. The Lehigh Valley equalized millage rates shows the District at 18.40 which is under the PA average of 18.50 and the Lehigh Valley average of 20.70. In other comparative data, BASD is the sixth largest school district in student enrollment; 10th of 26 in wealth in the Lehigh Valley; 133rd most wealthy school district in PA; 103rd in market value per student in PA; 175th in personal income per student in PA; and BASD spends 11% less than the average school district per student in Lehigh Valley and 8% less than the average in PA.

Mrs. Gober and Dr. Roy reviewed two charts regarding economically disadvantaged population with the market value (MV) and the personal income (PI) aid ratio which is the wealth within the Commonwealth, and the second chart regarding Limited English Proficiency (LEP). There are two (2) components to determine the subsidy calculations which is the MV which is all of the tax base and how does your tax base compare to all others in the state, and how does your PI level based on your state tax filing compared across the state. For Bethlehem, the District is considered to be at a moderate wealth level with a MV/PI ratio of .49 with the maximum being .85 and the lowest subsidy being .15. Bethlehem is right in the middle of economic wealth in terms of those two (2) factors, and that is the basis used for all subsidy calculations when dollars are being distributed in a formula from the state funding perspective. Dr. Roy also stated that this gets to the funding issue of the need to pay attention to percentage of students coming from poverty in the District. When you do a comparison of Districts within the range of .46 to .47, for MV/PI aid ratio, there are nine (9) Districts that fall within those numbers. Then you look at those schools and their economically disadvantaged percentage population, and it shows that the current system of determining District need is financially out of whack. These nine (9) Districts percentage rates of economically disadvantage fall within 19.3% to 36.2% with Bethlehem being 49.7%. This shows that Bethlehem has significantly more students coming from poverty with all of the educational challenges that it presents. A funding formula that weighted poverty would give Bethlehem an advantage as opposed to a District that only has 19%. When you look at the poverty's impact and the challenges it presents and then you look at the impact of LEP challenges that the students have and the additional costs to educating those students, there are seven (7) Districts in the 6% to 7% range with Bethlehem at 6.5%. Then when you show the aid ratios of those Districts, they have generally higher aid ratios than Bethlehem has and are receiving more subsidy from the state, and the formula is not working for Bethlehem. The District is in this unfortunate situation where by the MV/PI ratio we are in the middle and we are not poor, but we have a much higher percentage students who are coming from economically disadvantaged and higher LEP than Districts that are similar to us in wealth. These are items that we are bringing to our local legislators. He also reviewed the economically disadvantaged by building for the District with the percent of free/reduced lunch and the MV/PI aid ratio from 2004 to the present. The District is being considered wealthier at a time when the District is having a spike in students who are eligible for free and reduced lunches.

The Administration's recommended next steps and budget timeline include approving the Preliminary Budget as presented on February 9 at a Special Board Meeting; authorize the Administration to apply for Act 1 Exceptions; and the Administration will continue to work to reduce the deficit of $11,661,467. The Governor's Budget is to be released on or about March 3. Two (2) Budget Workshops are scheduled for March 25 and April 29. Tentative Final Budget adoption to occur on May 11 at a Special Board Meeting with the Final Budget adoption at the June 15 Special Board Meeting.

President Faccinetto opened it up for Board discussion. He wanted to remind the Board that by approving the Preliminary Budget in February allows the District to apply for Exceptions. It is not locking anyone into approving that maximum $8 million increase. It is not using all of the exceptions but it is allowing the District to have them there to see where the final budget ends at. If the Board has any questions, they can contact the Administration.

Director Cann wanted to thank the Administration for an outstanding presentation and a lot of information.

COURTESY OF THE FLOOR
None

OPEN FORUM
Director Patrick asked if there has been any consideration of opening school on Martin Luther King day and make it a day of learning and service rather than staying at home. Dr. Roy responded that there are some political hurdles as well as challenges to find service learning opportunities for all. President Faccinetto responded perhaps keeping schools closed but have organized community service activities for students voluntarily.

Director Neiman thanked Mrs. Gober and her team for the audit outcome. He is very thankful that the money the District is entrusted with are properly accounted for.

ADJOURNMENT
President Faccinetto adjourned the Finance Meeting at 7:55 p.m. The Board Human Resources Committee Meeting was cancelled, and the Board went directly into Executive Session.

Minutes prepared by
Debra Mickolay
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Administrative Assistant to the Chief Financial Officer