



BOARD COMBINED COMMITTEE MEETING MONDAY, DECEMBER 7, 2015 MINUTES

Meeting called to order by President Faccinnetto at 6:26 PM in the Edgeboro Room at the Education Center, 1516 Sycamore Street, Bethlehem, PA 18017.

Members present (8): Directors Karen Beck Pooley; Dr. Dean Donaher; Craig Neiman; Rogelio Ortiz; Shannon Patrick; Angela Sinkler; Thomas Thomasik and President Michael Faccinnetto

Member(s) absent (1): Director Eugene McKeon

Others present: Dr. Joseph Roy, Superintendent of Schools; Stacy Gober, Chief Financial Officer; Dr. Jack Silva, Assistant Superintendent for Education; Mark Stein, Chief Facilities Officer; Claire Hogan, Director of Special Education; Nicholas Takacs, Chief Technology Officer; Russell Giordano, Chief Human Resources Officer; Dr. Jodi Frankelli, Supervisor of Early Learning, Grants and Development; and Vivian Robledo-Shorey, Director of Student Services and Minority Affairs

1. Courtesy of the Floor

2. Discussion Items

2.1 Residency Verification Consultant

Dr. Roy explained school code residency provisions as well as the District's policy for verification of residency. This includes the District's 22 buildings, IU classrooms, alternative placements, charter schools, and cyber charter schools with an aggregate student population of approximately 15,800 students. The District is experiencing increases in the number of questionable situations for residency requiring further investigation. Verification will help the District avoid theft of services and safeguard the District from incurring costs to educate non-resident students within the District or paying charter school tuition and transportation costs for students who do not meet residency requirements. The Administration proposes to utilize the services of DBM Investigations and Consulting at a rate of \$55 per hour with each case being capped at \$1,500 and requiring Administration approval to continue if needed for a specific case.

Director Patrick asked how long would a typical investigation involve. Dr. Roy responded that it would not be long with databases and tools that are available and observations of address to see if child lives there or not.

2.2 Commitment of Fund Balance

Mrs. Gober stated that Gorman & Associates completed the 2014-15 financial audit, and the District is pleased to show a positive surplus at the end of the year (June 2015) of \$3,170,098. No reserves or contingencies planned in the budget were utilized. The surplus resulted from actual expenditures being 2% under budget or (\$4,855,923) net of contingencies with actual revenues being 0.7% under budget or (\$1,659,179).

Prior to concluding and preparing the final audit report, the Board and Administration are required to designate any portion of the fund balance to be committed or assigned for a specific purpose through official Board action. At the June 22, 2015, Regular Board Meeting, the Board approved designating a portion of any operating surplus as a commitment of fund balance for the fiscal year ending June 30, 2015. As follow through on this Board action and upon conclusion of the audit but prior to finalization of the financial statements, the Administration recommends approving the commitment and transfer of \$2 million to Capital Reserve from the General Fund for future capital improvements. Additionally, it is recommended that funds be assigned or set aside from the total fund balance as contingencies for future PSERS increases, reserves to fund the 2015-16 operating budget, self insurance fund reserves, a reserve fund from the principal's annual operating budget for new equipment needed upon opening the new Nitschmann Middle School, and funds for a pending state subsidy deduct currently on appeal to PDE for the 2007 and 2008 Alternative Education Program. These recommendations are in alignment with Policy 620. Additionally, sufficient fund balance is necessary to provide sound fiscal stability for bond ratings as well as for cash flow in the summer before tax payments are collected. In years when there is a delayed State budget, the District's fund balance will help sustain the programs and operations avoiding the need to secure a Tax and Revenue Anticipation Note (TRAN) or Line of Credit (LOC) which in previous years cost \$67,000 to \$200,000 annually.

Dr. Roy commented on the positive surpluses to the fund balance for the last five (5) years.

President Faccinnetto commented on being 2% under budget in a year where the 2014-15 budget was only 0.25% increase in District expenditures end with the remaining increases due to charter school and PSERS costs.

2.3 School Board Policy 246 - Student Wellness - Second Reading

Mr. Giordano and Mrs. Halkins reviewed the policy. The first reading occurred at the November Human Resources Meeting. Mr. Giordano stated that revisions are being made to the policy to ensure compliance with state and federal guidelines for student nutrition and physical activity. Mrs. Halkins stated that smart snack provisions have changed requiring changes to this policy along with overview to amend policy with administrative procedures that can be amended as provisions change.

2.4 2016-2017 Budget Development Highlights

Dr. Roy reviewed the PowerPoint presentation that was provided to the Board and public. The budget goal is to maintain the District's assets and programming in support of the *Roadmap to Educational Excellence 3.0* and the BASD goals. The realities is the difficult economic times that presents the District with structural deficits to make it increasingly difficult to achieve the goals.

Due to 2016 being a Presidential election year, the Act 1 calendar is moved earlier based on the primary election. Act 1 of 2006 limits the local taxation to an Annual Index of 2.9%. Board adoption of the Preliminary Budget must be 90 days prior to the Primary Election and must be adopted by January 27, 2016. The Preliminary Budget adoption is a Resolution approving the preliminary budget, authorizing the advertising and filing of Act 1 exceptions, and authorizing the posting and advertising of the Budget. The Preliminary Budget will be reviewed at the Board Curriculum Committee on January 11, 2016 with Board adoption at the January 25, 2016, Regular Board Meeting. The District will also schedule two (2) Budget Workshops in March and April and provide budget updates at the Finance Committee Meetings. A Tentative Budget needs to be adopted by the Board at a Special Board Meeting on May 9, 2016, with a Final Budget adoption at a Special Board Meeting on June 13, 2016.

Some of the District's structural budget issues include: structural deficit which is caused by the growth of mandated and contractual expenses exceeding the natural growth of revenues; revenue to remains flat; decline of federal funds; fixed costs continue to grow including employee salaries, benefits, operations, etc.; contributions to the PSERS retirement system and charter school costs continue to grow; and Act 1 limits millage increases.

Dr. Silva reviewed District assets. In identifying and prioritizing the District's assets, the Administration looks at the *Roadmap 3.0* and what items are non-negotiable and must be maintained for 2016-17. Items that the District values includes maintaining neighborhood schools, grade level reading by third grade, 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 summer programming.

In reviewing the budgets for the last five (5) years, there were dramatic cuts with a 1.7% tax increase in 2011-12. In 2012-13, there was sustainable and efficient budgeting with a 4.84% tax increase. In 2013-14, there was sustainable and restorative budgeting with a 2.72% tax increase. In 2014-15, there was sustainable and restorative budgeting of a 4.99% tax increase with 0.25% being District expenditure increases and the remaining due to increases in PSERS and charter school costs. The 2015-16 budget is sustainable and forward leaning with a 2.9% tax increase with full day Kindergarten being implemented, the start of the construction project for Nitschmann Middle School, the wireless infrastructure project, lease of nine (9) new school buses, and continued key educational initiatives such as Project Lead the Way, College and Career Pathways, Hybrid Learning, Community Schools, Leader In Me, and Advanced Placement offerings.

Mrs. Gober reviewed the budgeting balancing considerations which include expenditure reductions, greater operating efficiency, future cost avoidance, enhancing revenues, and raising taxes. With expenditure reductions, the Administration looks at wage and benefit savings, health care management, program reduction/elimination, defer cyclical purchases, and reduce/eliminate non-mandated services. In regards to greater operating efficiency, the Administration looks at more efficient and equitable tax collection, energy savings, reduced material/supply use, increased transportation efficiency, improved procurement, and renegotiate lower pricing. In looking at enhancing revenues, the Administration looks at the municipal appeals, payments in lieu of taxes, sale/lease of property, delinquent tax collection, educational foundation, community partnerships, naming rights, and advertising allowed by PA School Code. For future cost avoidance, the Administration looks at service delivery options, more cost efficient collective bargaining agreements, reducing long-term interest costs, charter school oversight, and residency verification.

Charter school impact continues to grow with 1,640 District students attending charter schools and 242 attending cyber charter schools. The charter school tuition cost for the current budget (2015-16) was budgeted at \$20,859,751, and as of last week, the estimate has increased to \$21,792,859 which is 8.9% of the budget or 5.7 mills or 14.8% of the tax for charter schools.

Director Neiman had concerns regarding the charter school slide with the numbers rising, and he thought with discussions last year, that the numbers would be somewhat less.

The PSERS rate projection for the 2016-17 fiscal year will be 29.69% which is a 14.90% increase from back in 2010-11. While we are reaching the peak where in three (3) year it is projected to remain level, this is still a big impact to the budget.

To describe what the value of \$1 million is for the District it includes a ¼ tax mill; approximately 12.5 new teachers; 1/3 of all sports/activities; 12 new school buses; 952 laptop computers; and 3,076 Chrome books.

The 2016-17 District budget development includes collecting all necessary data and projections; analyze budget trends versus District priorities; and Board Budget Workshops and Finance Committee discussions. Some of the outstanding questions include: will Governor Wolf's education priorities be achievable and sustainable; will State funding be improved; will overall local revenue improve; will Charter School Reform legislation pass; will PSERS Reform legislation pass; and will State mandates be reduced?

The Administration will review the Preliminary Budget with the Board at the January Board Curriculum Meeting, and the Board

will have to act on the Preliminary Budget at the January 25, 2016 Regular Board Meeting.

3. Information Items

4. Agenda Items for the December 14, 2015, Regular Board Meeting

- 4.1 Residency Verification Consultant
- 4.2 Commitment of Fund Balance
- 4.3 Act 32 Tax Collection Commission Voting Delegates
- 4.4 Bethlehem Area School District Employee Benefit Trustee Appointment
- 4.5 Bethlehem Area School District Authority Reappointment
- 4.6 Bethlehem Area Vocational-Technical School General Authority Reappointment
- 4.7 Northampton County to Sell Repository Property
- 4.8 Colonial Intermediate Unit 20 Fixed Percentage Catalog Discount Cooperative Purchasing Bid
- 4.9 Colonial Intermediate Unit 20 Fuel Oil Bid Award
- 4.10 Lehigh Valley Community Foundation Grant
- 4.11 Keystone STARS Grant Initiative
- 4.12 Food Service Equipment Grant
- 4.13 Wireless Upgrade Project Change Order
- 4.14 School Board Policy 246 – Student Wellness – Third Reading

The agenda items listed above were reviewed and discussed in detail with the Board. Director Patrick asked if the Board could receive updates regarding the residency verification work to see if it is benefiting the District. For the BASD Employee Benefit Trustee Appointment, Director Thomasik accepted the appointment. The CIU 20 Fuel Oil Bid Award information will be filled in later this week as the bid opening and award will occur on Wednesday at CIU 20.

President Faccinnetto asked after each item if there were any questions and any objections placing these items on next week's agenda, and there were no objections. All of the items will be placed on the December 14, 2015, Regular Board Meeting agenda.

5. Courtesy of the Floor

Jolene Vitalos (BEA President) – Ms. Vitalos wanted to inform the Board that UPS notified the Teamsters 773 that they were donating 6,000 books ranging from infant to 18 years old. Some of the BEA elves went to the UPS warehouse the week of Thanksgiving and had pallets of books to choose from. She contacted St. Luke's about these books, and they will give a book to each BASD student who visits the dental van. Both high schools received a pallet of books and the librarians will be charged with disbursing the books. Marvine, Spring Garden and Thomas Jefferson Elementary Schools were receiving books this week. Broughal Middle School was also receiving books which will also benefit Fountain Hill and Donegan Elementary Schools.

6. Open Forum

Director Neiman asked if the Board could receive an update on the wireless project. Mr. Takacs stated that by December 18, the project will be complete. Over the holiday, they will do a test prior to school reopening in January, and then all old equipment will be connected to the new system. They have been monitoring the success based on the number of complaints and work requests and it is declining. All elementary schools are done except for Fountain Hill. There will be a final walk through and certification. The District is currently supporting approximately 20,000 devices District wide.

President Faccinnetto stated that the Board will have Executive Session following this meeting regarding personnel and legal matters.

7. Adjournment

Director Donaher made a motion to adjourn the meeting and seconded by Director Neiman at 7:43 PM.

Debra Mickolay

Prepared by Debra Mickolay

Administrative Assistant to the Chief Financial Officer