

**EAST STROUDSBURG AREA SCHOOL DISTRICT
BOARD OF EDUCATION
FINANCE COMMITTEE MEETING
July 12, 2016**

**Carl T. Secor Administration Building – Board Room
5:30 P.M.**

Minutes

- I. The Chairman, Gary Summers, called the Finance Committee meeting to order at 5:35 p.m. and led those present in the Pledge of Allegiance. Secretary, Patricia Rosado called the roll.
- II. Board Committee members present were: Ronald Bradley (arrived at 5:47 p.m.), Debbie Kulick, Gary Summers and Lisa VanWhy.

Non-Committee Board members present were: Robert Gress

School Personnel Present: Jeff Bader, Adam Gangaware, Thomas Lesniewski, Ryan Moran, William Riker, John Rosado, Patricia Rosado, and Robert Sutjak

Community members present: None

III. APPROVAL OF AGENDA AND MINUTES

Motion was made by Lisa VanWhy to approve the agenda for July 12, 2016, and with members of the Committee reserving the right to add to the agenda and take further action in the best interest of the District. Motion was seconded by Debbie Kulick and carried unanimously, 3-0.

Motion was made by Debbie Kulick to approve the minutes of the June 13, 2016, meeting. Motion was seconded by Lisa VanWhy and carried unanimously, 3-0.

IV. ITEMS FOR DISCUSSION:

- a. Elementary Math Curriculum Revision Update
Mr. Moran said that the committee that reviewed the vendors for the new Math Instructional Program selected Go Math from Houghton Mifflin Court. They felt this program met all standards and rigors which students will need. In addition, Go Math has a robust on-line component. Mr. Moran is asking to move forward to pilot this program in the 2016/17 school year with full implementation in the 2017/18 school year. This program will be incorporated into the K-5 curriculum. He said he will work with Mr. Bader and Dr. Riker to gather quotes and provide total financial aspects of the program. When all details are attained, they will be brought back to the Finance Committee. Mr. Summers asked when Mr. Moran expects approval from the Board for the implementation and expenditures of the program. Mr. Moran said they are looking to get the best savings so he estimates sometime in December or January. Mr. Summers reiterated that this is when the Board will make their decision on the program. Mr. Moran said waiting until December will give the district some time to receive feedback about the program and secure the financial component of the program.

b. Alternative Fuel Buses

Mr. Sutjak said that last month Blue Bird came to the Finance Committee and presented information on the district can possibly attain savings by switching to propane. He comprised a chart to see what the actual savings would be to the district. The purchase price for propane buses is greater than for diesel buses, but that cost is offset by the lower operating costs. It would cost about \$821,440 more to replace diesel buses with propane buses. Mr. Summers asked how many buses. Mr. Sutjak it would be for the entire fleet. This is over and above what diesel will cost. Mr. Bader said this is the ten-year cost. Mr. Sutjak said that if they chose to go with propane, they will no longer have the buy-back program. The buses may last about 5 to 10 years. The buses will need to be purchased without any buy-back option. The operational savings per year would be about \$210,000. The district will provide maintenance on the buses like changing the filters on them. The savings is that propane buses use less oil and have smaller oil filters than diesel buses, the cost of propane is significantly less than the cost of diesel fuel, and propane buses do not require the additional equipment and additives to meet emissions inspections. It would be about 3.9 years to receive a return on the investment with a net savings of \$1,286,000. The cost for the fuel tanks and stations would be about \$360,000. He estimated these numbers from what he received from the bids that Pocono Mountain School District received since they are beginning their process of converting to propane buses. If you factor in the cost of the propane tanks, the return on investment is 5.6 years and the net savings is \$926,000. Mr. Bader said that these numbers don't assume any grants that may be obtained. Mr. Bader said that the district is buying diesel buses almost every year in order to continue with the four-year cycle to replace buses. The district will need to replace 36 buses next year. Propane buses last about 7-10 years; therefore, they would not need to be replaced until that time. Maintenance on propane buses are less than on diesel buses. Mr. Sutjak said if the district will no longer buy diesel buses but buy propane buses, there will be a savings of about 11.5 million dollars over a ten-year period after factoring in the higher purchase cost for propane buses. Mr. Summer said that he would like to see the breakdown of the cost per year for the next ten years. If we decide to purchase propane buses, how many buses are we purchasing each year and what would the cost be per year? The explanation should be included on one sheet which includes how many diesel buses are being replaced with propane and how is the buy-back program cost being offset. If we are saving 12 million dollars then Mr. Sutjak should explain how we got to this amount in a ten year period. Mr. Sutjak said he included what we would spend on diesel buses. Mr. Summers said Mr. Sutjak would have to explain why wouldn't the district want to change to propane if we can save over a period of ten years. How are we going to maintain the buses? Mr. Sutjak said what we can't see is the type of failures but in last month's presentation they stated that a diesel engine lasts less than Propane buses who have engines with exhaust system just like gas vehicles have. Mr. Summers asked if we would need to spend more on maintaining the propane buses and would we need more maintenance personnel. Mr. Sutjak said the district has one mechanic per 30 buses which is sufficient to what is needed. Mr. Summers said that what Mr. Sutjak is suggesting is that we can hold on to a bus for ten years and have no need to hire any more mechanics. Mr. Sutjak said all that may be needed are tools which is a minor expense. Mr. Bradley asked who would perform the maintenance on the buses. Mr. Sutjak said the district mechanics will provide maintenance on the buses. They change lights, oil, etc. Mrs. Kulick asked if the mechanics work on the wear and tear on the buses, for instance, the seats. Mr. Sutjak said that they replace slits and seat tears. If they find out who did it, they ask for reimbursement. All items on the buses currently have to be fixed in order to turn

them back. Mr. Summers said that currently the buses are not turned over after ten years; therefore, the seats may need to be repaired more than once, which is an extra expense. Ms. Kulick asked if seat belts are included in the expenses. Mr. Sutjak said the cost is about \$50 per seat and will be required on diesel buses as well as propane. Mr. Bader said this expense may occur during the next cycle when more buses will need to be purchased. Ms. Kulick asked if this will save the district some money. Mr. Bader said there will be a savings, how much will depend on how long they keep the buses (7, 8 or 10 years.) The savings is that propane buses can be kept longer than diesel buses. Ms. Kulick asked if the district will replace the buses with the same cycle and fleet they follow currently. Mr. Sutjak said they will need to come up with some type of replacement schedule. Mr. Bader said they will look to develop a replacement cycle that will balance the cost and the budget. Currently, there are peaks and valleys and they want to keep same schedule. Mr. Bradley asked if propane buses are safe. Mr. Sutjak said that according to last month's presentation they said propane buses are safe. Mr. Bradley said that this is what Blue Bird is saying but what are the other districts saying. Mr. Sutjak said he's been in contact with Pocono Mountain School District but they are just starting the use of propane buses. Mr. Bradley asked if Mr. Sutjak is aware of any other school districts using propane buses. Mr. Sutjak said he is not aware of any other local school districts using propane buses. Mr. Bradley suggested reaching out to other districts to find out how the propane buses are working in their district. Mr. Sutjak said he has spoken with other individuals during conferences and they love the use of propane buses. Mr. Summers asked when will the district need to buy buses. Mr. Bader said the district will need to bid for buses in the fall to order them in the spring of 2017. Mrs. Summers said if we continued the cycle that we currently have, we will purchase buses in the spring of 2017 and then get propane buses in the fall. Mr. Sutjak said in the fall of 2016, we need to decide what the district will go out to bid. Mrs. VanWhy asked how many buses will the district need to buy. Mr. Bader said 36 72-passenger buses and 8 vans. Mr. Sutjak said this purchase can be spread out. Mr. Bradley asked how many companies sell propane buses. Mr. Sutjak said Blue Bird and Thomas. Mr. Summers said if we are not looking to purchase propane buses in the next cycle, then when is the next time we will need to purchase buses. Mr. Sutjak said we will need to purchase buses again the following year. Mr. Bader said that the purchase of propane buses may take a while because the district will need to explore options for stations, contracts for propane, etc. The district may want to try it out at either North or South first. Mr. Summers asked if they are looking to start looking to start during the fall of 2016. Mr. Sutjak said they can in order to save money especially on idling. Propane buses heat quicker so this will save money since buses will not be idling. Mr. Sutjak said they spoke to Pocono Mountain on how the buses work in the winter and they had no problem in even 5 degrees weather. Mr. Summers said what if we replace 36 buses this coming school year and 32 next year, in three years, we would have replaced all buses. Mr. Bader said Mr. Summers is correct. Mr. Summers asked if we are purchasing propane buses, how many are we purchasing in total. Mr. Sutjak said the district would need to purchase 36-72 seat buses and 12 vans. Mr. Summers asked if Mr. Sutjak's recommendation is that the district switch to propane buses. Mr. Sutjak said that the district can save a lot of money with replacing diesel buses with propane buses. We already hired a head mechanic. Mr. Summers asked how are they going to convince the Board that the district should make the switch. The Committee may recommend it, but the Board will need some time to process the entire undertaking. Mr. Summers said that Mr. Bader will be sharing the five-year budget projection and he would like to see how this purchase will impact the projections. Ms. Kulick suggested that they prepare some type of graph explaining the expenses if the district switches to propane compared to if they

remain status quo. Mr. Summers said that Mr. Bader and Mr. Sutjak will present to the Board on Monday night the savings on having propane buses as compared to diesel buses.

c. Centralized Bus Lot

Mr. Sutjak said that his presentation includes the total cost for centralizing the bus lots. To centralize the bus lots, it would cost approximately 7.7 million dollars. However, this price does not include land acquisition. The new routing system would assist with rerouting all buses. It will impact the district's subsidy a little bit. Fuel will increase by approximately \$46,000 per year. Mr. Summers asked if we have a centralized but lot in this area we would like subsidy but save on fuel consumption. Mr. Summers said we would spend more on fuel consumption. Mr. Summers said why should this be done if it will cost more on fuel and hinder our subsidy. Mr. Sutjak said the district can manage the drivers more efficiently and control their hours. Mr. Summers asked if this lot will include offices for staff. Mr. Bader said that the district would need to acquire land that is about 4.4 acres which would cost about \$450,000. One never knows since developers are bidding prices up. Ms. Kulick said that 4.4 acres would be for just the bus lot and nothing else. Mr. Bader said they may need about 6 acres to include space for everything. Mr. Sutjak said the North Penn's bus lot has 200 buses and their lot is about 4-5 acres. Ms. VanWhy asked why the need to centralize the bus lots. Mr. Sutjak said that they are trying to manage the drivers more efficiently since there are three work phases. Mr. Summers said that centralizing the bus lots seem to have an increase to the district. It could work but we are looking at more than 7 million dollars with land acquisition. Mr. Sutjak said the district can sell the South lot. Ms. Kulick asked if there is a buyer. Mr. Sutjak said they will try to sell the lot but they do not have a buyer. Mr. Bader said they do not know who will buy it and for how much. Mrs. VanWhy and Ms. Kulick do not believe that the district is ready to centralize the bus lots. Mr. Summers said that we need to view a proposal that indicates if it makes sense or not to centralize the bus lots. The savings is good but will it be spent trying to obtain a lot. Mr. Bader said the district has two bus lots and by consolidating there will be a savings. Mrs. VanWhy said that it will cost about 7 million dollars plus 30% construction cost. Mr. Bader said that it may cost less but it would depend on the bids. Mr. Sutjak said that they are looking for a place to better manage all involved.

d. 5-Year Budget Projection

Mr. Bader said his presentation includes no increase in assessed values, no tax increase, and no increase in the State's subsidy with the exception of the mandated reimbursement for social security and retirement. Based on the recently approved State budget, the district should be getting another 1 million dollars in State subsidy. There is no change in the Federal revenue. His chart includes the sale of fixed assets such as the bus buy-back program. The chart also includes State and Local revenue with local having the bulk of the revenue. The expenditures projection include a 3% wage increase, retirement cost, and a 7.5% trend increase in the cost of healthcare each year. The debt service includes all of the current bond refinancing. All other expenses are projected to remain the same except for the transportation bus purchases. Mr. Bader said that his presentation includes a chart with a line graph that include all expenses on the red line and all revenues are on the blue line from 2016-17 to 2021-22. Expenditures quickly outgrow the revenues. Mr. Summers asked what is driving the bulk of the expenses. Mr. Bader said that wages and benefits are the drivers. The last page of Mr. Bader's presentation includes a chart with the Annual and Cumulative Deficits. The deficit in 2017/18 is projected to be approximately \$6.5M. The deficit in 2021/22 the deficit is projected to be \$23.6M with a cumulative deficit over 5

years of over \$70M. He was conservative in both his revenue and expenditure estimates. Even if the district gets an additional 1 million dollars each year in State funding, it would not make a difference. The district would have to get a huge increase in order to get the deficit down. Mr. Summers said he will get in touch with the Legislators to let them know this information. Mr. Summers asked Mr. Bader to present his five-year projection to the Board members at Monday night's meeting. He said there is good news and bad news. We need to seal the gap. This is the third view they have seen and the district is getting better at projecting revenues and expenditures. The district will have to go through some hurtles over the next five years. Mr. Bader said the previous numbers for this school year, 15/16, seem to indicate like there would be a 4.4 million dollar deficit but right now it looks like 2 million dollars.

e. 2016-17 State Budget Update

Mr. Bader said that the State budget was passed but there is no indication on how this will be funded. Some items being looked at to fund the budget are revenue from cigarette taxes, gambling proceeds, etc. The Legislature is also looking to make some one-time transfers from other funds into the General Fund to cover the anticipated costs. Another area which hinders the approved State budget is that tax revenue came in less than projected in the second half of the year. Mr. Summers asked what is PDE planning to payout to the districts. Are they planning to send payments out on schedule? Mr. Bader said that even though the budget was passed, funds cannot be distributed until the fiscal code is passed. Mr. Summers said if the Legislature does not pass the fiscal code then they will not send out any subsidy. Mr. Bader said he believes this will be the case. We may want to talk to the Legislators about this issue, too, when they come into the district. Mr. Summers said we should talk to our Local Representatives and speak to Harrisburg. The Pocono Record should run a story. People do not understand the implications. If the budget is not passed than we will not get our Basic Education Subsidy and we will be in the same situation as this past school year.

f. Activity Buses

Mr. Bader said that North's schedule is different from South's activity bus schedule. South picks up at 4:15 p.m., which creates a problem for the athletic program because students are not able to participate. Each activity bus costs about \$15,000 to \$16,000 for 170 days of operation. One option is to change the pickup time to 5 p.m. to accommodate both the student activities and the athletic program. This is similar to what is done at the North campus. Mr. Summers asked if the 5 p.m. bus covers all schools. Mr. Bader said it would cover J. T. Lambert Intermediate School and H.S. South. Mr. Summers asked if there any other schools that an activity bus aside from the 5 p.m. bus. Mr. Bader said what is needed is a second set of buses to pick up later at the South schools. North has buses that pick up at Lehman Intermediate School at 5:10 p.m. and High school North at 5:20 p.m. This enables students to participate and get a ride home. The activities at the North campus are structured differently. Mr. Summers asked if the activities in the North campus go to 5:20 p.m. Mr. Bader said that non-athletic activities end earlier, but they provide a supervised study hall for those waiting to take the activity bus. Something similar can be done at the South campus, too. Mr. Summers asked why can't it be done without adding a bus. Dr. Riker asked if the activity buses run every day. Mr. Bader said the same activities do not run every day. Dr. Lesniewski said that the North has activities three days a week, Monday, Tuesday and Thursday not Wednesday and Friday. Students use the library or study hall until the activity bus can take them home or they go home. At the South campus, activities occur daily for an hour and the athletic schedule is different.

Dr. Riker asked if athletics practices every day. Dr. Lesniewski said athletics practice every day.

g. Purchase of new School Police vehicle

Mr. Bader said for the past several years the district has been replacing security vehicles. They would like to replace a 2006 vehicle which has 250,000 miles on it. The purchase of the vehicle has been included in the 2016-17 security budget. This is the last vehicle that needs to be replaced. Chief Mill is requesting that they keep the old vehicle as a spare for when others need to be repaired. Mr. Summers asked where is the 2006 Ford Camper kept. Mr. Bader said that it is kept at the South Maintenance building. Mr. Bradley asked what was the cost of the previous police vehicle that was purchased because items were included that were not necessarily needed. Mr. Bader said that the vehicle was bought with standard items and nothing extra. Mr. Bradley said he understands that some items were not needed because we are not officially a township vehicle. Mr. Bader said that the district has a Police Department; therefore, we are required to have certain items on the police vehicles. Mr. Bader said all items are reviewed to see if they are needed. Mr. Bradley asked if we do our own repairs like the rotation and balancing of tires. Mr. Bader said that we do repairs in-house. Mr. Bradley asked why are our tires bald. Mr. Bader said the tires are replaced as needed and that depends on the mileage and wear on the tires. Mr. Bradley asked how often are they replaced. Officer Adam Gangaware said they are replaced at least once a year about every 30,000 miles. Mr. Bradley asked how is this determined. Mr. Sutjak said that a safety inspection determines this factor. Mr. Bradley asked if we do anything with an outside company. Mr. Sutjak said everything is done in-house. Mr. Bradley asked if we are saving money in-house. Mr. Sutjak said we are. Mr. Bader asked that Mr. Bradley let him know if he would like him to check any specific vehicle or issue. Mr. Summers said we should review what was purchased last year and how much was spent. Ms. Kulick asked if we get the cars from the State list. Mr. Bader said that we do.

h. Disposal of old furniture

Mr. Bader said that there are a lot of old chairs, file cabinets as well as other items in Lehman Intermediate School that are not going to be used. Mr. Summers said he took a walk around and saw a lot of junk. Mr. Bader said they would like to do an inventory to see what is useable and what can be scrapped. There are student chairs and other items that can be sold maybe in a public sale. Another means can be through the use of Penn Link to advertise the sale of items. Ms. Kulick said the district can probably do an auction like the townships do for equipment. Mr. Bader said this is a possibility but the district has mainly furniture and not equipment. Mrs. VanWhy suggested that student clubs may want to sell items to raise funds. Mr. Bader said they are trying to come up with different ideas but it will not cost the district a lot. Mr. Bradley suggested working with church groups. Mr. Bader said they will need to see how much items they have before making a final decision. Mr. Summers suggested that the Committee keep this item on the agenda for next month again to see what the district has.

Mr. Bradley said that J. T. Lambert Intermediate garage should be reused for bus driver's headquarters. Mr. Sutjak said that they received a letter from the insurance company suggesting that drivers not be allowed in the garage for safety reasons. Currently, the Training Learning Center (TLC) at J. T. Lambert Intermediate School is used as the lounge. Some drivers use the bathroom in the garage and will need additional facilities if they are not allowed in the garage. The district is opening up the office that has been used

by the JTL Head Custodian for use by the drivers to provide the additional bathroom facilities and is cleaning out an additional room in the TLC for more driver lounge space. There have been some pushback because drivers want to walk around.

i. Lehman Township Deputy Tax Collector Appointment

Mr. Bader said that last month Ms. Bonnie Wargo was approved as the Tax Collector for Lehman Township but now they would like RoseAnn VanWhy to be appointed Deputy Tax Collector.

j. Qualified Zone Academy Bonds

Mr. Bader said that the State announced another QZAB (Qualified Zone Academy Bond) Program that will provide a tax credit with a lower interest rate. Instead of 3 or 4% it would be 1 or 2%. The minimum amount to borrow would be five million dollars, which is higher than the last time. 100 percent of the QZAB allocation must be used for renovation, repair or rehabilitation of existing public school facilities or for equipment to be used at the academy. The renovation, repair and rehabilitation work must support a Board-approved education plan with the goal of enhancing the academic curriculum, increasing graduation and employment rates, and preparing students better for college and the workforce, with verifiable student performance evaluations. The comprehensive education plan is to be approved by the Local Education Agency. Students in the academy must be subject to the same standards and assessments as other students in the LEA. The deadline to decide if the district would like to look into this program is August 15th. Ms. Kulick asked if we can look at something relating to health careers. Mr. Bader said it would need to be to purchase physical space or a building. Ms. Kulick suggest an EMT program or nursing program or equipment of some type. Mr. Bader said it may not equal five million dollars. Mr. Summers said it would probably be for the use of getting the district's own vocational technology program. Ms. VanWhy said the deadline may be the issue. Mr. Bader said that in 2010 the district used a similar program to renovate J. M. Hill Elementary School. Ms. Kulick said it can probably be used for the bus lots. Mr. Sutjak said it does not meet the qualifications. Mr. Bradley said he thought that J. M. Hill Elementary School is not complete. Mr. Bader said to his knowledge all repairs were done except for the basement area.

V. PUBLIC PARTICIPATION – LIMITED TO ITEMS OF DISCUSSION

A. Mr. John Rosado asked how much would it cost to install the propane tanks instead of centralizing both bus lots. Mr. Summers said it would cost about \$180,000 per station. The centralizing of the lots would cost about 7 million dollars. Mr. Rosado asked if the drivers will be fueling their own propane buses. Mr. Sutjak said they will be fueling their own buses as they currently do on a regular basis.

B. Mr. Gress said that the district should monitor grants for fueling. The State may require operation cost to have extra space. When North is out and South doesn't go there are issues. Mr. Gress said that Mr. Sutjak mentioned a savings with idling of buses but this was already counted as a savings when they purchased the Zonar System. Therefore, it cannot be counted twice as a savings. Some North parents do not like waiting for the late activity bus due to sports going to a later time. Mr. Summers said the ultimate solution may be for two activity buses as each location. Mr. Gress said that this is how it used to be at the North and South campus. Mr. Summers said when the

Committee gets together again, they should talk about the cost for double activity buses for each location. Mr. Bader suggested that both principals be present to discuss this issue.

C. Ms. Kulick suggested that the district contact the media to help with the disbursement of any news release they may have. Mr. Bader said that Beth Brelje has taken over reporting on the district since Lynn Ondrusek left the paper.

VI. ADVISORY RECOMMENDATIONS FOR CONSIDERATION BY THE BOARD OF EDUCATION

1. Mr. Summers asked that the following items be presented to the Board at the Regular Board meeting on Monday, July 18th:

- A. Mr. Sutjak's Centralized Bus Lot presentation
- B. Mr. Bader's 5-year budget projection.

2.

RECOMMENDATION BY THE COMMITTEE:

Motion was made by Debbie Kulick to recommend that the Board consider for approval the following items: Motion was seconded by Lisa VanWhy and carried unanimously, 4-0.

- 1. The purchase of a new School Police vehicle.
- 2. The appointment of Roseann VanWhy as the Deputy Tax Collector for Lehman Township effective July 1, 2016.

VII. NEXT MEETING – August 8, 2016

VIII. ADJOURNMENT – 7:03 p.m.

Respectfully submitted,

Patricia L. Rosado,
Board Secretary