

**EAST STROUDSBURG AREA SCHOOL DISTRICT
BOARD OF EDUCATION
FINANCE COMMITTEE MEETING
January 10, 2017**

**Carl T. Secor Administration Building – Board Conference Room
5:30 p.m.**

Minutes

- I. The Chairman, Robert Gress, called the Finance Committee meeting to order at 5:31 p.m. and led those present in the Pledge of Allegiance. Secretary, Patricia Rosado called the roll.
- II. Board Committee members present were: Robert Gress, Gary Summers and Lisa VanWhy. Ronald Bradley was absent.

Non-Committee Board member present was: Judy Summers

School Personnel Present: Jeff Bader, Fred Mill, Ryan Moran, William Riker and Patricia Rosado.

Community members present: Rob Glus – Conrad Siegel Actuaries

III. APPROVAL OF AGENDA AND MINUTES

Motion was made by Gary Summers to approve the agenda for January 10, 2017, 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 Lisa VanWhy and carried unanimously, 3-0.

Motion was made by Gary Summers to approve the minutes of the December 5, 2016, meeting. Motion was seconded by Lisa VanWhy and carried unanimously, 3-0.

IV. ITEMS FOR DISCUSSION:

- a. Mr. Jeffrey Bader said that there have been questions as to whether or not the district's participation in the EBTEP Healthcare Trust was the least costly means for providing health insurance for district employees; therefore, he invited Mr. Rob Glus, Healthcare Consultant of Conrad Siegel Actuaries to answer them. Mr. Glus handed out a presentation regarding Healthcare Funding. Page 1 illustrated the difference between fully insured and self-insured programs and specifically self-insured through a trust arrangement like EBTEP. In all cases the largest cost is from the claims experience, which represents between 80-85% of the cost. In a self-funded arrangement there is additional savings of around 3-4% because there is no insurer's risk or contingency and an additional 3-4% due to lower PPACA expenses for self-funded plans. A self-funded trust plan provides additional savings of 1-2% due to needing to provide a lower reserve since there is pooled risk instead of individual risk, another 4-5% in lower claims administration cost due to the purchasing power of the trust, and an additional 4-5% due to lower stop loss costs also because of the pooled risk from a trust. The most significant cost is the cost of claims, which is determined by the discounts that the insurer is able to negotiate with medical

providers. The trust does not negotiate the discounts, but buys access to the insurer's network.

Mr. Glus discussed the Overall Per Employee Per month claims cost, Medical per employee per month (PEPM) Claims cost and Prescription Drug Per Employee Per month (PEPM) Claims Cost. There has been some volatility over time with periods where the district's trend was better than the Trust and some periods where our trend has been worse. Overall the last 2 ½ years we have been running below the trend, but recent claims experience has been more in line with that of the other districts.

Mr. Gress said his concern is with the cost employees/insurance have to pay for a particular procedure. Negotiating a better discount is the key to lower costs. How do we know we are getting the best discount? The larger the pool there's savings but not always. There are hidden cost because the IU runs the trust. Over the past 4-5 years, the district paid too much into the trust; therefore, we did not have to pay this year. Next year the district will need to cover a budget deficit of 2.2 million dollars. Mr. Gress said that Mr. Glus works for the trust. The district needs to talk to someone who does not work for the trust in order to get an independent look. Some members have pulled out of the IU trust. Who makes the determination for the fees that Pocono Medical Center and Lehigh Valley Hospital charges? Mr. Glus said that the trust does not make money. Mr. Gress said the insurers make money. Mr. Glus said when you are self-funded you are buying into the insurance. Mr. Gress asked who does Mr. Glus work for. Mr. Glus said he works for the school district. Mr. Bader said the district contracts directly with Mr. Glus' firm, Conrad Siegel, to be our healthcare consultant. Mr. Glus said that he does not sell products. If the cost is not the best answer for somebody, there are other options. Mr. Gress said the district needs to cut down in the budget but not by cutting supplies or programs. Mr. Glus said he works for the trust but his job is to help keep the costs down. The district is self-funded through the EBTEP. They try to squeeze down everything so the district does not have to pay administrative costs. Pocono Mountain School District went to a third party insurance. They are in the PPO Network. When Blue Cross/Blue Shield joined, the cost dropped. Hospitals send money to insurers on a negotiated rate. Mr. Gress said it may be all legal but the hospitals do not give us the number of what was negotiated. Why is there such a difference in cost for the same procedure/test? Who is looking at cost on the district's behalf? Mr. Glus said the insurance company looks at the cost. Mr. Gress asked who works with the insurance company on our behalf and who works on the agreement between the hospital and insurance? Different hospitals charge different fees for the same test. Mr. Glus said it has to do with leverage. Mr. Gress said but who's leveraging for us. Our district should have better leverage. Who is looking at Monroe County? We got ripped off through the IU so we did not benefit. The district is trying not to cut student items and all we hear is that the IU trust is looking for our best interest. How do we know for sure? Mr. Glus said the district cannot control the discount. Blue Cross/Blue Shield is a large insurance company and that is why the district has access to their network. Unfortunately, there is nobody with a lower discount than they currently have. Hospitals charge what they charge because they can. Mr. Gress said by June, the district will look at cutting back due to budget deficits. Will they need to cut sports or programs? Mr. Glus said the district is being as efficient as they can be. The district cannot negotiate directly with providers because they do not have that leverage. The district can save money through deductibles as they have started to include in their medical plans. Mr. Gress said that prescription cost is cheaper. Mrs. VanWhy said it's about educating the consumer. Mr. Gress said wellness programs may help, too. Mr. Glus said it also depends on the

cycle of employee claims. It can also depend on the plan structure. Mr. Gress said all areas of wellness can contribute to better claims like we have in the district's safety plan to help with workers' comp. claims. Other incentives need to be looked at. Mr. Summers said that the Pocono Mountain School District just self-insured the employees and are carrying the same healthcare, Highmark Blue Cross/Blue Shield. He asked, "Can I assume if Pocono Mountain School District's employee and our district's employee goes to Pocono Medical Center, are they both paying the same amount?" Mr. Glus said, "Yes". The difference is their insurance benefits such as the deductible. Mr. Summers said when looking at the claims for the past two years, the IU claims are about 10,000 per year and other districts are about 16,000 per year. Does this mean that the IU employees are much healthier? Mr. Glus said it is estimated by the net claim divided by employee coverage. It all depends on family or individual coverage which can be drastically different. Mr. Summers said it does not talk about individual coverage. Can this be done by employee cost? Mr. Glus said it can be done by employee cost and by age, etc., too. The plan designs are driving biggest adjustments. Wellness programs may help but it will take time and you will need to spend money. The trust tries to give best estimate of what the cost would be. They try to manage risk and volatility. The district can underfund but it will catch up to us. The other option is to make changes to our design. Mr. Gress said there may be more questions down the road about other options. Mr. Bader said we can leave the trust. If we stay with Blue Cross/Blue Shield, claims will not be different. Mr. Gress asked if the trust has looked at joining other trusts. Mr. Glus said they have looked and renegotiated the prescription portion of the plan. They got a better contract because they were able to negotiate directly. Mr. Gress said mail orders may be better. Mr. Glus said some are but not all. The district can mandate this process through their plan design. Mr. Gress said the district needs to look in-house such as with Urgent Care who charges double if they cannot handle a situation they send you to the hospital but then bill you as the hospital does, too. Mr. Bader said Urgent Care are their own entity. Mr. Glus said actual costs are all the same but the district needs to educate their people. High co-pays reduces costs, but it may cause health concerns if employees don't go see a doctor. Mr. Gress said cheaper co-pays do not matter but what matters is the cost each provider is charging. We need someone to look at this issue. Mr. Summers said that when someone looks to purchase a car, they shop around for better prices. The employee would need to do this with their healthcare cost. Co-pays helps for the employee to shop for a better price. Mr. Bader said he had to do this last week for a test he needed to have. Mrs. VanWhy said people need to be informed to shop around and where to go. Mr. Gress said data should be readily available. Mr. Glus said this is a good idea but there is not access to this information.

b. Propane Bid Results

Mr. Bader said there were four bids that came in for two fueling propane stations and propane cost. One of the vendors only bid on delivery propane and not on the installation of the stations. There were three options presented: Option 1: District Owned, Option 2: Vendor Owned and Option 3: LPG only. The Vendors Sharp Energy and Suburban Propane were similar in price. Suburban was slightly lower when factoring in the estimated fuel costs over the three-year contract. The district's grant proposal to cover the cost of the stations is still outstanding. DEP made the recommendation but the district does not know who will receive it. If the district gets the grant it could save the district the cost of installation. With Board approval, the district can move forward but wait to make a decision on the lease or up-front purchase. The permit approvals will take time; therefore, the district needs to know how to proceed. Ms. VanWhy asked if the district moves

forward to purchase the fuel tanks and then we receive the grant, would it be less expensive. Mr. Gress asked why would the district want to own fuel tanks. Mr. Bader said after three years, the district will own them anyway. Mr. Gress said the fuel tanks would cost the district more expenses due to maintenance issues. Mr. Gress asked if the district would need to rebid after three years. Mr. Bader said they will need to bid the fuel only after the three years. The company will install but not uninstall the tanks. Whether we own or lease, there will be maintenance cost. Mr. Gress asked if we will need to purchase two tanks if we centralize the bus lots. Mr. Bader said we still may need two tanks. Mr. Gress asked what is the timeframe for everything. Mr. Bader said that if they get approval now, they can be ready for the next school year. Mr. Gress asked what is the timeframe with the borough. Mr. Bader said the district only needs DEP approval. Ms. VanWhy suggested moving forward since they will need to obtain the tank and propane and it would be cheaper to buy it now. Mr. Gress asked how much is the grant that the district might get. Mr. Bader said he does not remember the exact amount but it will cover almost all of this expense. Mr. Gress asked what is the \$2,000 for that is mentioned here. Mr. Bader said this is a rebate incentive for first time cost which is factored into the cost analysis. Mr. Gress asked if it is legal to take this into consideration. Mr. Bader said it is. Ms. VanWhy asked who will be providing the propane. Mr. Bader said that the bid was for the cost of the two tanks and the propane service for three years. After the three years, the district can purchase the fuel from another vendor. Ms. VanWhy asked if the district is obligated to take the lowest price. Mr. Bader said they are.

c. Act 1 Resolution

Mr. Bader said that the Board has to approve the Act 1 Resolution by the end of January in order to file it with PDE. The resolution does not indicate that the Board cannot raise taxes but that they cannot raise taxes above the index of 3.5%.

d. Results of Bond Sale GO Bonds Series 2017

Mr. Bader said that the Bond Sale took place on 1/8/17. There were 14 total bids from four bidders. Janney Montgomery Scott was the lowest. Even though interest rates have gone up in recent weeks, the district still exceeded the savings target. The total was over one million dollars. The percentage was 16% as oppose to the normal target of 2%.

Ms. VanWhy asked if this issue is done. Mr. Bader said, yes, this bond is done but there will be another bond item in the spring time. At that time, the Board will need to approve another resolution. Mr. Gress asked if the Board needs to take action on any item tonight. Mr. Bader said no action is required at this time.

e. Berk One Act 80 Proposal (Option B)

Mr. Bader said that the district needs to verify all addresses to see if they are in the district. He would like to use BerkOne to do this since it is less expensive than if it is done at the district. On the proposal, Bundle B is for \$700 which includes basic service including one (1) PDF copy of each report and one (1) CED or flash drive containing flat file of records processed, which will need Board approval.

f. Rescission of Board Action to purchase 6 buses with luggage bins

Mr. Bader said that the district approved to purchase 30- 72 passengers buses from Brightbill and 6 -72 buses with luggage with storage bins from Wolfington. The Transportation Department prefers to not buy the six buses with storage bins but rather buy 6 additional 72 passenger buses from Brightbill. Brightbill has agreed to hold the same price as their bid price. This can be done because it is part of the State Contract. Mr.

Gress asked if the State price is lower than the lowest bid. Mr. Bader said it is higher. Mr. Gress asked why are storage bins needed since the band has a box truck. Mr. Bader said this was needed to take athletic equipment to away games or competitions and would enable us to take fewer buses. Mr. Gress said items may get damaged in a storage bin. Mr. Summers asked if 6 more buses are still needed. Mr. Bader said 6 more buses are needed without storage bins. The previous motion approving the six-bus purchase with bins from Wolfington needs to be rescinded. The Board needs to approve the new purchase of 6 more buses without storage bins from Brightbill. Mr. Gress asked if this process is legal. Mr. Bader said it is legal to purchase through the State Contract since items on their list have been bid out. Mr. Gress asked if this action is similar to when they bought the computers. Mr. Bader said they purchased the computers through a State Contract.

g. IU Catalog Fixed Discount Program

Mr. Bader said that the IU's Catalog Fixed Discount Program items need Board approval. The IU bids out items to get a better pricing. Mr. Summer asked if all items on the list have a better price. Mr. Bader said certain items do. We do not have to purchase all items through the IU, but we can if we wish.

h. Bollinger Invoices

Mr. Summers said that he asked Mr. Bader to provide the Committee with a breakdown of the payments to the Bollinger Law Office because over the past three months the district has paid about \$8,000 to this firm. In reviewing the breakdown he now sees that it was due to the Fusfoo and Sommastream Agreements that was reviewed to see if the district would like to participate in this free program. Mr. Gress said it was supposed to be a free item. Dr. Riker said although Fusfoo, Inc. said other districts were involved, he has not heard any mention of this program from any district.

i. Follett Costs

Mr. Summers said that when the Librarians, Marjory Gullstrand and Bobbie Nordmark, came to speak to the Committee about the additional funding, he asked them to look at all expenditures. It appears that they have spent funds on database products. He thought this would be part of the ITEC Department. Mr. Bader said this database is part of the Library Department that Ms. Gullstrand and Ms. Nordmark manage. Therefore it's included as part of their budget but it's broken down by each building. Mr. Summers said; therefore, it is not part of the principal's budget but it is a separate budget. Mr. Bader said, yes, it's a separate budget. Mr. Gress asked if the money for the library books were given to the librarians and not the principals. Mr. Bader said the money was given to the librarians.

j. Borrowing for Capital Projects

Mr. Gress said that 2.1 million dollars will be needed for the North and J. T. Lambert projects. There are other items that they don't have an amount for like the J. T. Lambert floor, gym and auditorium. Mr. Bader said that money was set aside a number of years ago for the gym floor replacement. Mr. Gress said that money was spent on the H.S. South auxiliary gym and that competition floors at other schools are not in good condition. Mr. Bader said the district had a vendor come into the district to inspect all of the gym floors and the Facilities Department is putting together a plan. Mr. Gress said the district needs extra money in the Capital Project Fund. Mr. Summers said the district has enough money to cover projects for a couple of years. According to D'Huy Engineering's report about 35 million dollars will be needed. At some point and time, the district will need to

generate more money. Borrowing may be an option. Mr. Bader said that the Property/Facilities will revisit the list and budget. Propane tanks will need to be added to the Capital Plan because they were not included when the original list was created. Mr. Summers said Administration will need to look at the original list and make adjustments by prioritizing items. Mr. Gress said money is tight and the Board has not and is not looking to raise taxes. Cash on hand is being spent. Other items will need to be looked at sooner or later. Future Boards will carry the debt. Jamie Doyle should be contacted to get numbers of how to raise funds in the district. Mrs. VanWhy said she is not inclined to borrow money right now. Mr. Summers said unless some miracle happens, if we need to repair and replace, we will need to borrow funds in the near future. Therefore, it's not a bad idea to talk to Jamie Doyle to see what options are out there. Mr. Gress said the district can look at refinancing and refunding bonds. We need to be proactive. We are spending the fund balance but we need to be fiduciary responsible because we may need to cut and gut. We are giving more money to the libraries but with no extra funds from taxes we cannot afford it. Last year the district even gave back money in taxes. Mrs. VanWhy said that the district needs the cameras and lighting upgrades. MCTI got a grant for both of these items; therefore, the district should look into getting this grant. Mr. Summers said cameras and lights for the parking lots are needed. Mr. Gress said that these items can be part of the Safe School Grant and should be looked into. Chief Mill said that there is a short window to apply but it can be looked into once all items that are needed are identified.

k. Support Staff & Teacher Negotiations

Mr. Gress said that Support Staff and Teacher negotiations are ongoing. Mr. Summers said that the first meeting with the Support Staff was held and the second one will be forthcoming soon. Mr. Gress said that attorney issue needs to be looked at.

l. Proposed Meeting Dates for 2017

Mr. Gress said that all dates are good for this year's Finance Committee Meetings. Dates and times will be advertised.

m. Property & Facilities Items

i. JTL Masonry Investigation – DEI Invoice - \$9,250

Mr. Summers asked when will the investigation be done. Mr. Bradley said that he believes the bids will go out in February and the results will be presented to the Board in March.

Mr. Summers asked for a follow up on the following items that were purchased:

1. Hatch Learning for \$38,000
2. Lego Education \$33,000
3. Robotics Elementary from Best Buy for \$9,999.

Mr. Gress asked if the district has heard from any Legislator with reference to the Work Session that was scheduled for January 21st. Mr. Summers said they heard back from PDE indicating that they will send four representatives and Senator Scavello said he could not make it but will send a representative. Mr. Gress asked if we will still have the work session. Mr. Summers said that the district should have at least Rep. Brow and Rep. Madden attend. Mr. Bader asked if he should prepare anything for the work session. Mr. Summers said he should bring some slides of today's information such as the Basic Education Funding money and what the district's potential loss if we don't get more

funding. Mr. Gress said there is some talk amongst the legislators about the Act 76, which eliminates all school property taxes.

V. PUBLIC PARTICIPATION – LIMITED TO ITEMS OF DISCUSSION

None

VI. ADVISORY RECOMMENDATIONS FOR CONSIDERATION BY THE BOARD OF EDUCATION

RECOMMENDATION BY THE COMMITTEE:

Motion was made by Gary Summers to recommend that the Board consider for approval the following items: Motion was seconded by Lisa VanWhy and carried unanimously, 3-0.

- a. The bid from Suburban Propane, the lowest responsible bidder, in the net amount of \$1,140,516 for the installation and maintenance of two 18,000 gallon propane tanks, and the supply of propane autogas for a period of three years from July 1, 2017 through June 30, 2020
- b. The formal Resolution as presented at this meeting certifying that the District will not seek exceptions to the Act 1 Index and will not raise taxes in an amount that exceeds the Act 1 Index (3.5%) for the 2017-18 tax year.
- c. The proposal submitted by BerkOne for Act 80 Comparison Services. The District is selecting Bundle B at a cost of \$700.00
- d. To rescind the action of the Board at its December 19, 2016 meeting to award a bid to Wolfington Bus Co. for six 72 passenger propane school buses with storage bins and to purchase six 72 passenger propane school buses from Brightbill Bus Co. at a cost of \$512,820.
- e. The District's participation in the IU Joint Purchasing Board's Catalogue Fixed Discount program for the 2017-18 fiscal year.
- f. The invoice #45548 from D'Huy Engineering in the amount of \$9,250 for services rendered as part of the J. T. Lambert Masonry Investigation project.

NEXT MEETING – The Finance Committee approved the following Meetings dates for 2017, which will begin at 5:30 p.m.

February 13, 2017

March 13, 2017

April 10, 2017

May 8, 2017

June 12, 2017

July 11, 2017

August 14, 2017

September 12, 2017

October 9, 2017

November 13, 2017

VII. ADJOURNMENT: 7:19 p.m.

Respectfully submitted,
Patricia L. Rosado,
Board Secretary