

**EAST STROUDSBURG AREA SCHOOL DISTRICT  
BOARD OF EDUCATION  
FINANCE COMMITTEE MEETING  
March 13, 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 5:30 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, Robert Gress, Gary Summers and Lisa VanWhy.

Board Non-Committee members present was: Judy Summers

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

Community members present: Rob Thompson, - EHD  
John Cote, LERTA/TIF  
Jim DePetris, LERTA/TIF  
Chuck Leonard, LERTA/TIF  
Doug Olmstead, LERTA/TIF

**III. APPROVAL OF AGENDA AND MINUTES**

Motion was made by Gary Summers to approve the agenda for March 13, 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 Ronald Bradley and carried unanimously, 4-0.

Motion was made by Gary Summers to approve the minutes of the February 13, 2017, meeting. Motion was seconded by Lisa VanWhy and carried unanimously, 4-0.

**IV. ITEMS FOR DISCUSSION:**

a. LERTA/TIF

Mr. Chuck Leonard said he is here tonight in hopes of getting support for the Tax Incremental Financing (TIF) Committee. The TIF Committee is for the Mosier Site Project called the Smithfield Gateway. Under a TIF, a portion of the taxes from the increased assessment due to development is used to carry debt on improvement in the infrastructure. The ESASD will begin collecting some taxes during the 2018/19 school year. The district would not lose anything because the project will bring more revenue. They are here to ask that a Board member serve on the TIF Committee to study this project, the funding of it and what will be needed to move forward. Mr. Gress asked Mr. Leonard to introduce who is here today. Mr. Leonard said that Mr. DePetris, Mr. Olmstead and Mr. Cote are here with him tonight. Mr. Gress asked them for a brief

overview of the project. Mr. DePetris said that they are behind in this Economic Growth Project. They would like Rep. Brown to get involved and this district. They own 120 acres off Route 209, which was formerly a dairy farm. This project will bring over 1,000 jobs to the area as well as commercial business and residential housing. There will be three phases to this project. Phase 1 is for major retail, Phase 2 is for the residential aspects of the project and Phase 3 is entertainment. Roads will need to be worked on and they will be in communication with Penn Dot. Road repairs will cost about 8 to 9 million dollars. They plan to create four lanes off 209, a loop road and two traffic lights on Route 209 and 447. Mr. Leonard said the roads have not been worked on for the past 15 years. Mr. Cote said that they have worked on different scenarios for the project. The reconstruction has to be done by a private developer. Phase 1 does not justify the change in the roadway. Therefore, they have to have the mixture including residential and entertainment, too in order to submit this project to Penn Dot. Mr. Summers asked what areas this project will go through. Mr. Cote said this project will be built through Music Center Driver where they will build a cul-de-sac. Mr. Summers asked where will the water and sewer be tied into for this project. Mr. DePetris said it would be a combination of the town water at 447 and 209. The sewer will be from East Brown Street pump station and the pump station at the Valhalla plant. Mr. Summers asked if they will have capacity to handle the new area. Mr. Cote said they will. Mr. Summers asked how much retail space will this project have. Mr. Cote said they have about 400,000 feet of retail space. Mr. Gress asked what is the timeframe for the taxes. Mr. Leonard said, by law, it is 20 years but it would be up to the TIF Committee to set the timeframe and percentage of taxes. There is a lot of flexibility. It is estimated to be a six-month project. It will not impact the existing taxes. Mr. DePetris said it is a multi-phase development. Mr. Summers asked who will be on the committee. Mr. Leonard said one ESASD Board member, one county board of commissioners, one Smithfield Township taxpayer, and one consultant. Mr. Summers asked when will the project start. Mr. Leonard said the project will start in about two months. Mr. Leonard said they can come to Monday's Board meeting to ask for a Board member appointment. The TIF Committee can begin meeting in May. Mr. Summers asked if the committee will be ready to recommend by the end of 2017. Mr. Leonard said he believes so. It should take not take more than 4 months. They will also need to get each taxing authority to approve the project. Mr. Bader asked if their debt issue would be for the 8 – 9 million dollars for Penn Dot road improvements. Mr. Leonard said it would likely be from 3 to 5 million dollars and they are looking for 100% of it to go through TIF. This is what the TIF Committee will have to decide. Mr. Bader asked if they were planning on sizing the bond based on what cash flow was generated by the TIF payments. Mr. Leonard confirmed that is what they will do. Mr. Bader asked if they have a timeframe from start to finish for the project. Mr. DePetris said it would most likely take two years if they start at the end of this year. Dr. Riker asked what would be the possibility of gaining students for the school district through this project. Mr. DePetris said he does not think there is any possibility. This project would include multi-residential apartments. Mr. Leonard said the residential area of the project would attract the millennials who are looking for jobs in the area. The percentage for adding students in the area is extremely low. Mr. Gress said they will need growth in the area for this project to work. Mr. Leonard said that since 2000 there has been significant growth in seniors over 65 due to senior housing. Mr. DePetris said the residential area will include amenities such as a pool. Mr. Cote said the Township has imposed some architectural standards. Mr. Bradley asked what is being done to attract companies to build in this area. Mr. Cote said that currently they do not have Penn Dot approval to start; therefore, they had to expand the project. Mr. Bradley said people in East Stroudsburg have limited possibilities in the

workforce. Mrs. VanWhy said there is a taskforce that is working on a ten-year comprehensive plan for work on this area. Mr. Gress said the location is an issue because 209 is a disaster. Mr. DePetris said that is why they need the TIF Committee to move forward with the project. Mr. Bradley asked again how will this project create jobs. Mr. Leonard said the project is estimated to bring about 300 jobs in the area. Mr. Gress said that other projects came to a previous Board and they would not approve it. This project makes sense to help with the growth of the future. Mr. DePetris said ESU is very supportive. Mr. Bradley asked how has LERTA helped with the growth in this area. Mr. Leonard said that LERTA certainly is appealing to businesses when looking at areas that do not offer it. It makes this area more competitive.

b. Workers' Comp Self-insured Proposal

Mr. Bader said that over the last few years the District has been working diligently on ways to decrease workers' compensation claims. Previously the district paid about 1 million dollars in claims. This year the district paid about \$625,000. With this improvement, Mr. Bader and Mr. Thompson have been discussing other ways to save on cost.

Mr. Thompson said that the Safety Committee changed the safety culture. They believe that there can be a savings if they change their structure to become self-insured instead of fully-insured through a carrier. Under a fully-insured plan, if the cost of claims is less than the premium, the carrier makes a profit. With a self-insured program, the District carries the risk, but also saves the profit.

Mr. Thompson distributed a presentation, which included the following:

The State calculates the ESASD Historical Experience Modification, which increased from 1.497 to 1.645. Over the past five years, the district has received a significant surcharge on its workers' comp program. The surcharge currently costs the district \$233,323. EHD's solution is to change the program design to self-insurance in order to:

1. Eliminate surcharge of experience modification
2. Control so that the carrier does not make decisions rather the district will
3. Savings: Every dollar saved on the program is district money that can be reallocated to PSERS, or Healthcare such as accountability and flexibility.

The cost components of self-insurance are the claims, program administration, dedicated asset fund, excess insurance and State fees/assessments. Mr. Thompson presented a self-insured workers compensation results from the Reading school District where their dedicated account was \$300,000 and after fees, excess insurance and claims payment they spent \$373,004 vs. the guaranteed cost renewal offering of \$1,015,048. The ESASD claims projection has had an average of \$341,272 in policy per year claims. As of 2/22/17 it is \$39,189.00. EHD believes it can improve by 5% each of the next 3 calendar years. Mr. Thompson presented self-insured cost projections from 2017-2021. He also presented the actual results from the past five years, 2012/13 to 2016/17. There would have been a 1.8 million dollars savings if we were self-insured. Mr. Thompson asked why stay with EHD. They are expertise in self-insurance, they have experience with public entities, they have guidance on accident and illness prevention (they meet with Safety Committee to be in compliance with state Program), they have one flat fee so program success is imperative and they are a dedicated public entity team.

### Steps to Conversion

Early May 2017, EHD completes application to State for self-insurance.

Late May, EHD works with district to select TPA, Excess carrier and EHD installs policies for AIPPS Program

July 2017, programs begins. Transition to TPA managed by EHD

October 2017, first Claims Review

January 2018, Stewardship review in conjunction with TPA

November 2018, budget figures submitted to ESASD for Monroe County 2018-19 year.

All Year, training and committee work as determined by ESASD/EHD.

Mrs. VanWhy asked what does the district pay now. Mr. Thompson said the district pays \$625,000 per year. Mr. Bader said we believe this number will go down due to our improved experience modification. Mr. Thompson said it will add several thousand dollars back into the district.

Mr. Gress said if the claims do not go up, it will be a plus but it all depends on the claims. It cannot hurt to look into. He asked who handles the claims in the business office. Mr. Bader said that the claims are handled by Ms. Vitulli in his department. Mr. Gress asked who makes the decisions. Mr. Bader said he makes the decisions. If we are self-insured, we are taking our own risk instead of the insurance carrier, but we have enough protection for the claims. He suggested getting quotes from insurance carriers to compare prices. Mr. Gress said even if the modification is going to be higher on the market, it's worth looking into. Mr. Thompson said that EHD has the ability to drive modification numbers which helps to control the district's destiny. Mr. Gress asked what does the committee have to approve tonight. Mr. Bader said they can give their approval for the district to work with EHD to explore self-insurance workers compensation. If the Board chooses to go self-insured, he recommends advertising for an RFP for a third party administrator in order to make a decision by July 2017. Mr. Thompson said the district will have to pay the \$500 application fee in order to begin the process. Mr. Summers asked if Mr. Thompson has any ideas on how many firms will receive the RFP. Mr. Thompson said about four to five firms may submit an RFP and EHD will help manage this process.

#### c. Telephone Service Bid

Mr. Borosh said that the district's telephone service is up for renewal. Back in November, he filed for E-Rate reimbursement. This is the last year. Next year the district will save 20% but then in 2018/19 the district will incur the full amount. The district received two bids, one from Ironton and one from Zito. Zito is a little less expensive but in prior years, the district has had three outage issues with them. They broke down the specs by three types of phone services, POTS and PRI lines and SIP trunks. Mr. Borosh said the total points out of the specs that Ironton got was 94 and Zito got 90. There will be an approximate savings of \$19,000 per year prior to E-Rate. Mr. Gress asked if Mr. Borosh is recommending Ironton and not Zito. Mr. Borosh said that is correct due to past issues. Mr. Gress said he does not have an issues with picking Ironton as long as our solicitor, Chris Brown, reviewed the information and agrees with Mr. Borosh.

#### d. Request to bid elementary computer replacements

Mr. Borosh distributed information regarding the replacement of current configuration on the Macs at the six elementary schools. This item was discussed in a previous Board Work Session. This change will help to increase personalized instruction. Currently, K-5 had

instructional models such as Reading Wonders as well as a Blended approach which includes hands on and digital components in order to meet the needs of students through the use of technology. In order to replace the Mac computers for over a four-year period and without finance costs, it would be about \$588,000. Mr. Borosh said he would like to follow the Intermediate School model and deploy Chromebooks to get more devices in the hands of students. He worked with a committee of 13, which included technology coaches and elementary principals. They can replace one Mac for 3-4 Chromebooks. It is a savings of about \$136,000.

e. Request to bid network infrastructure for elementaries

Mr. Moran asked Mr. Borosh if the change to expanded devices for the elementaries can be supported with our current network. Mr. Borosh said that he would like to upgrade and expand the wireless network system to increase building-wide coverage and introduce a fast and more secure network to support devices.

Mr. Summers asked what is the longest servicing computer at the high school level. Mr. Borosh said they will have three-year old computers as of July. There are also two-year old Lenovo computers at J. T. Lambert Intermediate School. Mr. Summers asked if Mr. Borosh feels that a four-year cycle is good. Mr. Borosh said that there are carts at Middle Smithfield Elementary and East Stroudsburg Elementary that will be four years old that were previously at the intermediate schools. Mr. Summers asked; therefore, four years is good. Mr. Borosh said yes, otherwise, the district will lose too much on repairs.

Mr. Summers asked if we are increasing the infrastructure the same as we did with the intermediate and high schools. Mr. Borosh said he is correct.

Mr. Gress asked if there is anything else that needs to be done. Mr. Borosh said the switches, telephone and security cameras also need upgrades. Mr. Gress suggested looking at everything that needs to be done so they can be worked on all at once. Mr. Gress asked if the bids will be for two items. Mr. Borosh said yes and they will save 20 cents on the dollar. Mr. Summers asked if the district will get an E-Rate savings. Mr. Borosh said they will.

f. Lost Taxes from Assessment Appeals

Mr. Bader presented a chart which included the total assessments and taxes per year by county and township. The net of cumulative taxes lost through 2016 is about 7 million dollars which reflects increases and decreases in assessments. Mr. Gress suggested that Mr. Bader present this chart to the Legislators during the Board Work Session. Mr. Summers suggested that he review all numbers since the 2016 numbers in Monroe County and Pike County are about 1 million dollars difference than the numbers that were used on the sheet. The number that was used to compute the millage was about 638 million dollars; therefore, he suggested that Mr. Bader double check all the figures.

g. Capital Improvements Borrowing

Mr. Gress presented a five-year capital plan chart that was updated on 3/6/17. Mr. Summers asked if this chart has been reviewed by the Property/Facilities Committee Meeting. Mr. Bader said it was reviewed but no final decisions were made. Mr. Summers asked Mr. Bader to express to the Property/Facilities Committee that they complete due diligence so that they have everything on the list that needs to be done down the road and to check what has been done. Mr. Bader said that the committee and other individuals that have an

impact on the decisions will continue discussing all items. Mr. Bradley said on Thursday and Friday he will have some individuals come into the district to check the schools for security upgrades and repairs. Mr. Summers said that the district paid D'Huy Engineering (D'Huy) a lot of money to review everything that needs to be done. They submitted 18 pages of suggested repairs/additions totaling about 35 million dollars. He suggested using D'Huy's input. Mr. Bader said if the district wants to do more work, then they will need to borrow money. Mr. Gress said all items need to be reviewed and addressed to prevent bigger cost down the line. Mr. Bradley said revisions will definitely need to be made. Mr. Summers said bids were requested in the Pocono Record. Someone needs to tell D'Huy that they need to capture all problems now. It will be unacceptable for them to do some work and then come back with more issues. Mr. Bader said that everything is part of the bid specs. Mr. Gress asked Mr. Bader to keep this item on the Finance Committee Agenda. Mr. Summers asked when is the bid opening. Mr. Bader said bids are due April 4<sup>th</sup> and that there is a pre-bid opening on Friday at 3 p.m.

h. Meeting with Legislators

Mr. Summers said that the Work Session with the Legislators will be on Saturday, March 18<sup>th</sup> at 9:30 a.m. Currently, we have three legislators attending, Senator Scavello, Representatives Brown and Madden. He asked if there are any specifics that will be discussed. Mr. Gress suggesting lack of State funding, Homestead/Farmstead Act 76. Mr. Bader said that Senator Scavello mentioned at a recent meeting at the IU that the Legislature thinks the way to drive out property tax reform is through the Homestead/Farmstead exclusion. Homeowners will get a tax break on their homestead. Mr. Summers said someone from the Pocono Record will probably be at the meeting; therefore, the district should inform the legislators about our revenues and expenses. The district should reinforce that they are doing everything they can to reduce expenses such as through the purchase of propane buses as oppose to diesel/gas, purchasing computers at a lower price, etc. Everything is being done to control expenses. Mr. Bader said the district needs to discuss with the legislators that in order to cover the current capital needs, the district will need to borrow additional money. Under the proposed property tax reform legislation, the district cannot borrow money except through public referendum. Mr. Summers said we need to make sure that the Legislators are aware of the gap between revenues and expenses as well as the 30 million dollars that will need to be spent for all the projects. The district will need to go to the voters. Mr. Gress said county-wide reassessment of homes will hurt some people. Mr. Summers said reassessments are being done in his area but they are not coming into the homes. Mr. Bader said that it is his understanding that they are completing drive-by reassessments. Mr. Summers said he was asked to fill out a card with questions. Mr. Bader said that that the county will likely have a lot of appeals due to the inaccuracies. Mr. Gress said that some houses pay a lot of taxes while others are so low due to the inaccuracies. Mr. Bradley said he was home when they were assessing his area but they never came into his home. They just walked around his property. Mr. Gress said due to the lack of accuracy, the Board will be left holding the bag. Mr. Summers said this is the reason for the many appeals.

i. Commonwealth Connections Lawsuit

Mr. Bader said that the Commonwealth Connections Academy dropped the lawsuit. He asked Mrs. Petersen from the Levin Legal Group, who is representing us in this case, to draw up a Release and Settlement Agreement in order to make sure that the Academy does not go to PDE for a deduct.

j. Property & Facilities Items

i. HSS Pool Boiler Heat Exchanger – Super Heat - \$11,900.00

Mr. Bader said Super Heat submitted a proposal to install a new heat exchanger for the pool boiler at High School South.

ii. Gym Floor Maintenance – Mastercraft

1. LIS - \$23,000.00
2. JTL - \$23,000.00
3. HSS (Main) - \$7,200.00
4. HSN (Main) - \$5,800.00

Mastercraft is a Costar contractor that the district would like to use for work to be done on the Lehman and J.T. Lambert Intermediate Schools and High Schools North and South's gymnasiums. Mr. Summers asked if this work was listed on the Capital Improvement Plan. Mr. Bader said they were. Mr. Bradley said this work should have been done previously. Mr. Gress asked what happens if additional items are found. Mr. Bader said they will deal with each issue as it occurs.

iii. D'Huy Engineering – JTL Masonry Design & Bid Invoice #45757 - \$16,000.00

Mr. Bader said that the bill from D'Huy Engineering is for \$16,000 out of the \$72,000. Mr. Bradley said this is work that needs to be done at J. T. Lambert Intermediate School due to the substandard repairs that were previously done.

iv. JM Hill Playground – BYO Recreation - \$29,959. 00 (Tentative)

Mr. Bader said Mrs. Michelle Arnold, JM Hill Elementary Principal, came to the Property/Facilities Committee meeting about a year ago, regarding her playground that is over 20 years old. The district received a proposal from Beyond Your Ordinary (BYO) with a sale of \$20,169, which includes a discount of \$2,300. Installation is not included; therefore, BYO submitted another proposal for \$13,432.00 for the installation of the playground. The price currently does not include the demolition of the playground. Mr. Ihle does not think that his staff can do this work. Some of the old equipment may be kept. Mr. Summers asked if the Board can approve this proposal on Monday. Mr. Bader said the vendor, BYO, is trying to get a Costar number, which needs to happen before it can be approved. They will try to submit everything by the end of the week. This proposal may need to go on an addendum.

k. State Budget

Mr. Gress said there is no update with the State budget because right now the Legislators are meeting and discussing everything.

- l. Mr. Bradley said that he invited two professionals to come into the district. He along with Chief Mill, escorted the two individuals around the school buildings to inspect for safety concerns. They suggested securing some brick work that pose a danger to students and staff. Mr. Gress asked if administration was made aware of this concern. Chief Mill said he is not sure if this issue was brought up by D'Huy Engineering but the towers at J. T. Lambert Intermediate School are cracked. Scaffolding may need to be placed on it to prevent anything from falling on the students. Mr. Gress said that Mr. Ihle should look into this matter and if scaffolding needs to be put up, then Mr. Ihle should make the recommendation to do so. Dr. Riker said he will speak to Mr. Ihle about this matter. Mr. Bader said that they can also have D'Huy Engineering look into the situation. Mr. Bradley

said the individuals that came into inspect also had other concerns. Mr. Gress said that all items were part of D'Huy Engineering's report. If there are items that require immediate attention, they should be done.

- m. Mr. Summers asked Mr. Bader to look into two checks for students who are attending Waynesboro Area School District and Butler Area School District. He questioned why these students are attending schools faraway. Dr. Riker said they may have been placed in these schools through a court order. Mr. Bader said he will look into it and get back to Mr. Summers.

**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, 4-0.

- a. To appoint a Board representative to serve on the Tax Incremental Financing Committee for the proposed Smithfield Gateway project.
- b. To authorize the District and EHD to submit an application to the State for a self-insured workers' compensation program.
- c. The bids for telephone service for a period of three years effective July 1, 2017 through June 30, 2020 to the vendors as presented at this meeting.
- d. The seeking of bids for the replacement of elementary computers in support of the District's digital transformation framework.
- e. The seeking of bids for network infrastructure upgrades for the District's elementary schools in support of the District's digital transformation framework.
- f. The proposal from Super Heat Inc. in the amount of \$11,900 to replace the heat exchanger in the HSS pool boiler to be paid from the Capital Reserve Fund.
- g. The proposals from Mastercraft Sports Flooring under Costars Contract #014-166 to refinish the gym floors at Lehman in the amount of \$23,000, JTL in the amount of \$23,000, High School South in the amount of \$7,200, and High School North in the amount of \$5,800 and to be paid from the Capital Reserve Fund.
- h. Invoice #45757 from D'Huy Engineering in the amount of \$16,000.00 for services rendered as part of the JTL and Lehman Masonry projects.
- i. The proposal from BYO Recreation for the J.M. Hill Elementary School Playground in an estimate amount of \$29,959, contingent upon receiving a Costar Contract number.

**VII. NEXT MEETING – April 10, 2017.**

**VIII. ADJOURNMENT: 7:26 p.m.**

Respectfully submitted,  
Patricia L. Rosado,  
Board Secretary