

**EAST STROUDSBURG AREA SCHOOL DISTRICT
BOARD OF EDUCATION
FINANCE COMMITTEE MEETING**

August 8, 2017

Carl T. Secor Administration Building – Board Conference Room

5:30 P.M.

Minutes

I. In the absence of the Chairman, Gary Summers called the Finance Committee meeting to order at 5:33 p.m. and led those present in the Pledge of Allegiance. Secretary, Patricia Rosado called the roll.

II. Board Committee members present were: Gary Summers and Lisa VanWhy. Ronald Bradley and Robert Gress were absent.

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

Since there wasn't a quorum present, the agenda and minutes could not be approved

III. **APPROVAL OF AGENDA AND MINUTES**

RECOMMENDATION: Motion to approve the agenda for August 8, 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.

RECOMMENDATION: Motion to approve the minutes of the July 11, 2017 meeting.

V. **ITEMS FOR DISCUSSION:**

a. **Propane Bus Warranty**

Mr. Bader said that the large buses and the wheelchair buses the district purchased were from Blue Bird, who uses a Rousch propane conversion system. Rousch is a Qualified Vehicle Modifier (QVM) by Ford, the engine manufacturer. Being a QVM means that Ford has certified that the propane system does not cause the engine to operate outside of its calibration specifications. The low bid for the small buses was by Rohrer, who we have subsequently found out is using a propane system by Icom. Icom is not a Ford QVM, which means that their propane system may cause the engine to operate outside of its design specifications, which could void the engine warranty by Ford. Additionally, when a bus chassis is ordered from Ford that is designated to have a propane conversion. It includes hardened seats and valves to account for the higher heat from propane combustion. The District found out from Ford that the chassis that Rohrer ordered were not designated for a propane conversion and did not have the hardened seats and valves. The district is worried that if any issue arises with the engines, the warranty will not be honored and that we may be stuck in the middle of dispute between Ford and Icom as to the cause of the engine problem. The District has had several meetings and phone conferences with Rohrer, Icom, and the company that installs Icom's propane systems and

expressed our concerns. Both Rohrer and Icom have given the District assurances that they will stand behind any engine issues that may be associated with the propane system. The district has two options. One is to not accept the buses from Rohrer and explain that they are not meeting the bid spec because Ford will not guarantee the warranty. If we do so, it is likely that Rohrer will take legal action because they believe they have met the requirements of the bid and they have approximately \$700,000 worth of buses that were ordered for us. The District will also need to rent buses temporarily until new buses can be ordered and delivered. This will also be more costly. The second option is to continue with the delivery of the buses as planned and hope that if issues arise, that Rohrer and Icom will stand by their promise. If we do find issues arising, the District can look to trade out of these buses earlier than planned. Mrs. VanWhy asked if this issue applies to the whole fleet of buses. Mr. Bader said it only affects 10 buses. The small buses. Mr. Sutjak said that the main concern is the warranty issue. If we don't take buses, we can be up to 45 days without these buses. Mrs. VanWhy asked what is Ford saying about this issue. Mr. Bader said the engines are under their warranty but if there is an issue caused by the propane system, it becomes a gray area. Ford could say the issue is caused by Icom's propane system causing the engine to operate outside of its specified ranges and Icom could say that it is a Ford issue, leaving the District holding the bag. If Rohrer used the Rousch system, there would be a clear distinction between an engine problem and a propane fuel system problem. Mr. Summers asked if Blue Bird also uses Rousch. Mr. Bader said they do. Mr. Summers asked if any other school district used this company and experienced a similar situation. Mr. Sutjak said he believes that this is the first set of propane buses that Rohrer has provided to any district. Mr. Summers asked if other districts are using other buses. Mr. Sutjak said most district use Blue Bird. Mrs. VanWhy asked what is the backup plan. Mr. Bader said they have done all they can do in terms of getting guarantees in writing from Rohrer and Icom. Mr. Summers asked if the district has anything in writing for the fueling from Rohrer but not from Ford. Mr. Bader said that they have the original warranty but is not sure if it will hold up in court. Mr. Sutjak said Ford has said that using a non-QVM propane system may void the engine warranty. Mr. Summers said then the district's option is to take the 10 buses and hope that they work and then fight the legal battle if necessary. Mr. Bader said he spoke to Tom Dirvonas and Chris Brown and there are no guaranty if the district will win or lose on this issue. Mrs. VanWhy suggested that the district look into not having this issue reoccur. Mr. Bader said that he and Mr. Sutjak have discussed modifying the bid specs for this year to make sure we don't run into the same problem. This is a new process they had to deal with; therefore, did not know this issue may have come up. Mrs. VanWhy asked what is the plan on how long the buses will be kept. Mr. Bader said the plan was to hold the small buses for 4-5 years. Mr. Summers asked if the ten small buses will be kept for 4-5 years. Mr. Bader said, yes, unless we find there are problems and then we can look to trade them sooner. One of the benefits of moving away from a buy-back program is that we determine when buses are traded. Mrs. VanWhy asked if the district keeps the larger buses for more years. Mr. Bader said the district is planning on keeping the buses 7-10 years. Dr. Riker said that Rohrer should be looking to assist the district if they want to continue doing business with us. Mr. Bader said in the near future, other districts may reach out to our district for recommendations on propane buses and that might help with Rohrer standing behind their buses.

b. Sr. Citizens Tax Rebate Update

Mr. Bader said the district has received a large volume of senior rebate applications in July and August. Currently, they have 521 rebate applications. Last year, the district received a total of 660 applications for the entire year. Currently, the total reimbursement is \$225,000, which is more than last year at this time. Mr. Summers said last year the amount was less due to the time frame change. Mr. Bader said that he will have a second person assist with the process. The State does not process their reimbursements for about 8-10 weeks.

c. TSA 403(b) Admin Fee

Mr. Bader said he received an email from a 403 Administration Services tax shelter annuity company. It is strictly voluntary for employees. Currently, the district has about 10-12 vendors. When the program was set up in 2008, the service fee for Administrators was \$2 per month, which the district has been paying. Does the Board want them to change from district paying to vendor paying? Most vendors will probably find some way of charging the fee back to the employee. He asked if the Board would like the vendor or district to pay the fee. Last year the district paid about \$8,600. Mr. Summers asked if the employees are aware that the district is paying a fee for this item. Mr. Bader said he is not sure. Mrs. VanWhy asked what is the protocol for this type of service. Who normally pays? Mr. Bader said he knows Stroudsburg School District pays for their employees but he does not what the other school districts do. Mrs. VanWhy said if she, as an individual, would invest, she would have to pay. Mr. Bader said it can be set up for employees to pay. Mr. Summers asked if it is a fixed fee.

Mr. Bader said it costs \$2.00 a month per employee. Mr. Summers suggested that Mr. Bader check with other school districts in the area to see what they are doing. The district needs to insure that employees know what and how much they are paying for this item.

d. Smithfield TIF

Mr. Summers said that he has nothing new to report on TIF. When he receives any new information, he will report on it at that time.

e. PSBA Platform Committee Meeting

Mr. Summers said he presented the proposal, regarding fair and equitable funding, which the Board approved at their June 26, 2017 meeting, to the PSBA Platform Committee Meeting on July 29, 2017. The proposal included a four-year plan to fix Pennsylvania's school funding disparities for Basic and Special Education funding as follows:

1. Allocate \$300 million annually to school districts receiving less than their Act 35 Basic Education Funding Formula.
2. Allocate \$45 million annually to the school districts receiving less than their Special Education Funding Formula allocation.
3. Districts already receiving their proportionate share of the Act 35 Basic Education Funding Formula shall not receive any additional allocations for Basic Education until all districts are receiving their proportionate share.
4. Districts already receiving their proportionate share of the Special Education Funding formula allocations, shall not receive an additional allocations for Special Education until all districts all receiving their proportionate share.

His intent was to fix an issue that the PSBA says they are all about but are not doing anything to make it an equitable way for all districts. There were proposals presented by our district as well as Stroudsburg and Bethlehem. Our proposal was defeated. Mr. Summers provided information that was given to him at the PSBA Platform Committee meeting. The blue page contained the Basic Education Funding that was allocated for all school districts in 2014-15 through the Funding Formula and how much they will get in 2017-18. The ESASD was given \$13,203,911 in 2014-15 and in 2017-18 is scheduled to receive \$15,676,791, which is a \$2,472,880 increase. If the proposed formula would go into effect, the district would receive \$32,750,569 which is an increase of \$17,073,778. This would be about 11 million more than what Pleasant Valley is getting. The green page contained the analysis of proposal to add \$300 million per year in Basic Education Funding and Distribute to Select School Districts. Over the four-year share, the district would get \$17.6 million which will get the district closer to what they should be getting. At the end of the four years, the district would have received \$33.2 million. Pleasant Valley would receive their share of \$22.3 million in 2017/18 but nothing else for the next four years. The orange sheet includes the analysis of Proposal to add \$45 million per year in Special Education Funding and Distribute to Select School Districts. The district is scheduled to receive \$4.2 million in 2017-18 and over the four years \$7.6 million. This amount reflects what they basically have been funding. In Mr. Summers' presentation, he highlighted this amount as an area that the district is being underfunded. The current formula helps about 137 school districts but hurts the rest. These districts will not agree with the change because they will lose funding. He will see what happens in the PSBA meeting in October since PSBA will not agree for the change due to political entities. Ms. VanWhy said everything on the presentation is correct but believes they will not allow the change to happen.

f. Sub Bus Driver Rate

Mr. Summers said that a retired bus driver attended two Board meetings asking that the district raise the substitute rate for bus drivers. Mr. Bader said that he prepared a chart which includes current bus drivers' pay rate and the sub bus drivers.

	2017-18 Bus Driver Rate	Sub Bus Driver Rate
ESASD	\$15.51	\$12.50
Del Val	\$15.60	\$11.00
Poc Mtn	\$15.60	\$12.00
PV	\$15.60	\$15.60
Stroudsburg	\$13.60	\$12.50

Due to lack of subs, the district paid Pocono Transportation about \$90,000 in 2015/16 and \$134,000 in 2016/17. Mr. Summers asked if the reason we are paying Pocono Transportation is because we do not have buses or drivers. Mr. Sutjak said the large volume of trips that are needed are due to North athletic teams. Since the students are far away, they need to leave early and all buses are being used for dismissal. Mr. Summers said then leaving at 2:30 p.m. for an event causes an issue. Mr. Sutjak said there are enough buses to cover the majority of the events. Mr. Summers asked for the individual's name that brought this issue to their attention. Mr. Sutjak said his name is Joe Bussiere. Mr. Bussiere and other retired drivers do not want to sub for \$12.50. Ms. VanWhy asked if the sub drivers need to have all necessary clearances and training. Mr. Sutjak said they have to have all that is required including a physical that the district pays. Increasing the sub pay to \$15 may increase the pool of subs who may want to drive. Ms. VanWhy asked what are we paying the outside company compared to the new sub rate of \$15.00.

Mr. Sutjak said they pay the outside company for traveling 45 minutes plus whatever the trip takes and another 45 minutes to return. The company gets paid a lot more than a sub driver would. Mrs. VanWhy asked if the district would be paying more for the company than we would pay the sub drivers at \$15 an hour. Mr. Bader said if they raise the sub rate to \$15 it would help with about 50-100 trips. How much? We do not know. Mr. Summers said one way to find out is to raise the rate and keep track of all trips to compare to last year's expense. He suggests that the district raise the rate and give it a try for this school year. Mr. Bader said that he brought another handout which includes sub rates for all positions within our district. He asked if the committee would like to consider raising the rates for the rest of the positions. Mr. Summers said they were informed about the lack of sub bus driver. Are there other areas that need to be reviewed? Mr. Bader said paraprofessional, student aides, health room nurse or nurse aide may lack subs. Mr. Summers suggested only raising the bus driver sub rate to \$15 an hour for now. Mrs. VanWhy asked if there are a lot of retirees that would sub. Mr. Sutjak this past year he had four bus drivers who retired. Mr. Bader asked how many additional buses does the district have to use for extra runs. Mr. Sutjak said he has 16 additional buses. Mrs. VanWhy suggested raising the bus driver sub rate to \$15 on a trial basis.

g. Enrollment Projections

Mr. Summers said he is anxious to see what the 10/1/17 student count will be this year for our district as well as the rest of the Monroe County Districts. The district needs to determine if students that left are coming back. He suggested contacting ESU to see if they can assist us in analyzing if students that leave come back what the district should be doing to prepare. Because if students start coming back, we know what this will mean for the district.

h. 100% Homestead Exclusion

Mr. Bader said that a referendum for 100% Homestead Exclusion will be part of the General Election and he is sure that the public will approve it. No money, however, has been allotted to fund it. No district action is needed at this time.

i. Property & Facilities Items

Mr. Bader said since there is no quorum, items iii, iv, v and vi need to go to the Board for approval without the Finance Committee's recommendation for approval.

i. Capital Plan Update

Mr. Bader distributed information about the Five-Year Capital Plan as of 8/1/17. He said the bold projects are the projects that were completed. The second page includes the net changes of \$2.4 million to current \$1.9 million. There was an added project for the intercom system which cost about \$400,000. This Project is still contingent. Mr. Summers asked if everything that is listed under 2015/16 was completed except for the roof repairs. Mr. Bader said the roof still needs to be done because the company that was supposed to do it backed out. Mr. Summers said you can move this item to the new school year. How does the future projects look and what kind of money will be needed for future planning? Mr. Bader said he and Scott Ihle met with Josh Grice to discuss the high priority projects such as the North paving work. The Storm water sewer system can be moved up on the list but it hasn't been checked. A proposal for doing a camera study will go to the

Property/Facilities Committee. The Property/Facilities Committee will be looking at a roofing plan for the district. An ATC System is needed for North which will cost about \$2 million. They will be working with Trane for a guaranty energy savings contract to pay for at least some of work. There are only two members on the Property/Facilities Committee; therefore, they are concerned with making any recommendations. Mr. Bader asked if the committee can combine to do a work session to discuss the capital plan and possibility of borrowing funds, if needed. This will help determine how much to put aside for the next several years. Mr. Summers said he does not recommend borrowing. He suggests that they remove from the list what was done and the district needs to pay for what projects are in progress. The future projects need to be arrange for the next five years. Money needs to be reserved through 2021/22. Maybe the two committees should get together. Mr. Bader said it is a catch 22 situation. We can come up with money for next two years but how much is the Board willing to allocate. The North roof will cost about \$5 million. Mr. Summers said that the district paid \$800,000 for the repairs on the North roof. Mr. Bader said this was just to patch up the current issues. Mrs. VanWhy said that projects need to be prioritize in order to see what needs to be done immediately. Mr. Bader said that Scott Ihle is concerned with roof because roof needs further repairs but now other issues have arisen. Mr. Summers said he would suggest prioritizing with the engineer's assessment. This will help to determine how much money will be needed over the future years. There may be a limit in time and not necessary with the money. He suggest that the district arrange the projects with the amount of time needed to complete them then by how much money will be needed. The district has money reserved and it's important that the community be made aware that this is a serious issue that we are facing and we need to do it without borrowing money. Mr. Summers suggested that a joint committee meeting be scheduled with Scott Ihle and the Engineer.

ii. Propane Fueling Stations Update

Mr. Bader said the Fueling stations, that have been installed, are ready for use.

iii. JTL/LIS Masonry – D'Huy Engineering - \$15,555.20

iv. JTL/LIS Masonry – Jones Pay App #2 - \$476,341.20

Mr. Summers asked if J. T. Lambert will be ready by the first day of school. Mr. Bader said the project is progressing and they are creating building access to accommodate the sports and band programs. The workers are trying to work on the three front towers in order to have at least two openings for students. Mr. Summers asked if there are any contingency plans. Mr. Bader said he will talk to Josh Grice, D'Huy Engineering and the Masonry Company to see the possibility of working longer hours. This may need to go to the Property/Facilities Committee to cost it out.

v. Aspen Pest Control 2-yr Agreement - \$13,704.00

vi. Otis Elevator Agreements - \$50,326.82

The Otis Agreement is an annual agreement and the company has been with the district for a while. Mrs. VanWhy asked if they are the only company that can be used. Mr. Bader said since the elevators are from Otis, he is not sure if other companies will repair them. Mr. Summers said the contract presented tonight is for 2-3 years. Mr. Bader said he believes this is how it has been renewed for several years. No one has a copy of the original contract. Mr. Summers asked if the contract is contained as part of someone's files. Mr. Bader said that his office does not have one because his files do not have past contracts. Mrs. VanWhy suggested that the district ask Otis for a copy of the original contract. Mr. Bader said Mr. Ihle has been in contact with them. Mr. Summers suggested looking at previous Board minutes.

**VI. PUBLIC PARTICIPATION – LIMITED TO ITEMS OF DISCUSSION
ADVISORY RECOMMENDATIONS FOR CONSIDERATION BY THE BOARD OF
EDUCATION**

Due to lack of quorum no items could be forwarded to the Board for final approval. There are four items that the Property/Facilities Committee recommended that the Board consider for approval:

1. D'Huy Engineering Invoice #46342 in the amount of \$15,555.20 for the JTL/LIS Masonry Project
2. Jones Masonry Pay Application #2 in the amount of \$476,341.20 for the JTL/LIS Masonry Project;
3. Aspen Pest Control, 2 year Agreement in the amount of \$6,852/yr.;
4. Otis Elevator inspection and service agreements in the amount of \$50,326.82

VII. NEXT MEETING – September 12, 2017

VIII. ADJOURNMENT 6:40 p.m.

Respectfully submitted,

Patricia L. Rosado
Board Secretary