

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

**January 18, 2018**

**Carl T. Secor Administration Building – Board Conference Room**

**5:30 P.M.**

**Minutes**

- I. The Chairman, Lisa VanWhy, 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:** George Andrews, Larry Dymond, Rich Schlameuss and Lisa VanWhy.
- III. **School Personnel Present:** Jeff Bader, Tom Hendel, Fred Mill, William Riker, Patricia Rosado, Patrick Schantzen and Bob Sutjak
- IV. **Community Members Present:** Mr. Umbenhauer, Maillie LLC
- V. **APPROVAL OF AGENDA AND MINUTES**

Motion was made by George Andrews to approve the agenda for January 16, 2018 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 Rich Schlameuss and carried unanimously, 4-0.

Mr. Schlameuss asked for TIF to be included on the agenda so he can report to the Committee the most recent update.

Motion was made by Rich Schlameuss to approve the minutes of the December 14, 2017 meeting. Motion was seconded by George Andrews and carried unanimously, 4-0.

**VI. ITEMS FOR DISCUSSION:**

a. FY 2017 Audit

Mr. Umbenhauer, Senior Auditor of Maillie LLC, reviewed the ESASD Annual Finance Report, Year Ended June 30, 2017. His report included the Independent Auditors' Report which included their opinion. The Auditors' Report included an Unqualified opinion and had no findings.

Mr. Dymond asked if the total debt is about \$164 million dollars but with interest it will total about \$207 million dollars. Mr. Umbenhauer confirmed those totals provided that the District does not incur any additional debt or refinance any existing bonds. Mr. Schlameuss asked if the district can do more refinancing. Mr. Umbenhauer said according to the new law it looks like the district cannot. Mr. Schlameuss asked what did the district sell in order to receive proceeds of capital assets. Mr. Bader explained that the district sold buses as part of the buy-back program. Mr. Schlameuss asked who sets the pension percentage that the district has to pay. Mr. Bader said that PSERS sets the amount. Dr. Riker congratulated Mr. Bader on a job well done. Mr. Bader said he did it with the help of his staff. Mr. Schlameuss said that it's a lot of data that needs to be compiled from

everyone. Mr. Dymond asked what is the district going to do about the \$38 million dollars listed in Note B as “Uninsured and uncollateralized?” Mr. Bader said the funds are protected. They represent deposits that the District has with PSDLAF and PLIGIT and are invested in fully collateralized CD’s. The CD’s are collateralized at 120%. Mr. Dymond asked what happens if the bank closes. Mr. Bader said we are still protected. Mr. Dymond said that according to the report, we are at risk. Mr. Umbenhauer said he said we aren’t at risk. Mrs. VanWhy said we would be at risk through FDIC, because the deposits exceed the \$250,000 max, but we are guaranteed protection. Mr. Umbenhauer said we can obtain a letter which states that we are guaranteed. Mr. Dymond said he would like a copy of the letter. Mr. Bader said that the Board will need to accept this audit report.

b. FY 2017 Variances

Mr. Bader presented a handout which included actual Revenues and Expenditures net surplus (deficit) for the 2016/2017 budget.

Under Local, real estate taxes came in about 1% higher than anticipated, which could be due to the continued improvement of the tax collection rate meaning more taxes are collected in the period that they are due rather than delinquent. The district also received more for the Earned Income and Real Estate Transfer Tax. The total variance for the local revenues was \$1,095,808.

The total variance for the State revenues was \$2,948,470. Much of that was due to the Basic Ed Subsidy being higher than budgeted. Actual State revenues are not determined until the State Budget is passed. The 2016-17 State Budget was not passed until well after the District’s budget is due. With the amount of subsidy unknown, we typically budget based on the actual amount received in the prior fiscal year. The other large variance was due to the one year delay in receiving PlanCon reimbursements from the State.

Under Federal, there was a surplus from the Federal Impact Aid. Impact Aid is revenue in lieu of taxes for federal land that has been taken off the tax rolls. In our case, it is for the Delaware Water Gap National Park. Subsequent to our budget being foiled, the National Park Service acquired additional land for the National Park, which increased our Impact Aid amount. The other issue is that every year the funding for Impact Aid has to be reauthorized by Congress and it has been subject to budget cuts in recent years. The other area where the District saw a positive variance is in ACCESS funding. In recent years we have been qualifying for more funding through the work that Matt Krauss, Access Coordinator has done in making sure we are maximizing our eligible expenses. Mr. Andrews asked what ACCESS services are? Mr. Bader said it is for the students who are eligible for Medicaid. The district tries to bill for everything they qualify for. The surplus for the Federal revenues is \$424,178.00.

Other funding sources would be from the return of the buses. Since the buses were sold back in June of 2017, the revenue was posted to the 2016-17 budget. Had they been sold in July, it would appear in the 2017-18 budget. Mr. Schlameuss asked if the district is selling buses back this year. Mr. Bader said they are. Other funding sources had a surplus of \$2,065,898 for a total surplus of \$6,534,355.

Under expenditures, the bulk of the surplus is from salary and benefits in the amount of \$3,182,210. Most of this is due to budgeted salary increases that did not occur as well as the District’s share of retirement and FICA on those wages. The total for non-salary & benefits it is \$2,901,844. The surplus for expenditures totaled \$6,084,054.

Total actual revenues was \$154,611,705 and the total actual expenditures was \$142,522,915. The net surplus is \$12,088,790, which will be added to the fund balance. Mr. Andrews asked if this amount is what is anticipated for this year. Mr. Bader said this money is for future years. Mr. Andrews asked if this money is what Senator Scavello is speaking about. Mr. Bader said Senator Scavello speaks about the total amount of the Fund Balance. Mr. Andrews said but the district does not have that total amount to use. Mr. Schlameuss said the district has the funds but most of it is assigned. Mr. Bader said that Senator Scavello wants the district to spend all of it. The surplus will go into the unassigned portion of the Fund Balance. The State does not want the district to have a fund balance with more than 8%. The district has 12.5% above the 8%; therefore, 12.5% should be allocated. In the past, money has been placed in the Capital Reserve budget. This may help the district by not having to borrow money for future projects. Mr. Schlameuss asked if the district has money in the Capital Reserve Budget. Mr. Bader said we do but all of it has been allocated. Mr. Schlameuss asked how much money is in the Capital Reserve Budget. Mr. Bader said there is 11 million dollars in the Capital Reserve Budget, but that has been allocated for currently identified projects. Additional projects will require either use of Fund Balance or borrowed funds. Mr. Schlameuss said the surplus will help with the deficit in the Capital Reserve Budget. Mrs. VanWhy said money is needed for the H. S. North roof repairs. Mr. Bader said they allocated 1 million dollars. Dr. Riker said money has to be divided into the 3 pending projects. Mr. Bader said money was only allocated for renovations and repairs. Mr. Dymond said that all the projects need to be discussed at the next Property/Facilities Committee meeting and how to move the money into the Capital Reserve Budget. Mrs. VanWhy said that items such as the North roof and storm water issues need more investigation in order to determine the final cost. Dr. Riker said no money has been allocated for these projects. Mr. Schlameuss asked what was the total funds which were allocated for the projects on the five-year plan. Mr. Bader said the original list totaled 30 to 50 million dollars, which does not include the new items. Mrs. VanWhy said smaller items have been handled in-house.

c. 2018-19 Budget Draft

Mr. Bader presented Draft #1 of the 2018-2019 budget. One of the difficulty in developing school budget is that you work two years out, so it is difficult to make quick changes. For example, we now have 2016-17 actual figures and can reflect those changes in the 2018-19 budget, but it is too late for them to have been incorporated in the 2017-18 budget. Mr. Schlameuss asked if the district works with a yearly budget. Mr. Bader said they do. Mr. Bader said that total revenue for 2018-19 is estimated to be \$155.5M, just slightly higher than the \$154.1M budgeted for 2017-18. That figure could go up once the State budget is passed. With 2018 being an election year, it is likely both parties will want to put more money in for Education, but it will not be known until after the State budget is passed, which will likely be late again.

The total expenses estimated for 2018-19 are about \$154.7M compared to the \$156.4M budgeted for 2017-18. These figures are a good starting position, although we have not received the estimated budgets for grants yet. Mr. Schlameuss said that transportation costs went up because of the purchase propane buses and tanks. Mr. Bader said the purchase of the new buses was the reason for the expense. Mr. Schlameuss asked if this is part of the Capital Reserve Budget. Mr. Bader said it is not. Mr. Schlameuss asked why the two areas of non-public and pre-kindergarten categories have zero budgeted for them. Mr. Bader said he is still waiting for that information since these are funded by grants. Mr.

Schlameuss asked what is the \$350,000 in the Budgetary Reserve used for. Mr. Bader said it is used for unforeseen needs. It is like a savings account.

The budget is based on trying to continue to provide a zero tax increase for the District. However, since the District contains parts of two counties, we must balance the millage between the two counties based on the relative market values as defined by STEB (State Tax Equalization Board). Because the relative market value for properties in Pike County has declined relative to Monroe County, there needs to be a slight tax increase for Pike County, while holding Monroe County the same. For Monroe County the millage rate is anticipated to be 177.86 and for Pike County, 123.66, a .75 mill increase in 2018-2019. Mr. Andrews asked what does the proposed increase in Pike County equal. Mr. Bader said it is about \$18.38 tax increase for an average home in Pike County. Mrs. VanWhy asked if this amount is per year. Mr. Bader said for one year. Mrs. VanWhy said Pike County may not like this increase. Mr. Bader said that Monroe County previously has a raise in taxes and Pike County got a decrease. Mrs. VanWhy asked if Pike County received an increase last year and Monroe County stayed the same. Mr. Bader said that is correct and the year before that both counties went down and Pike County had a bigger decrease. Mr. Schlameuss said then this increase will bring them back to where they were. Mr. Bader said it will still be less than 5-6 years ago. Mr. Schlameuss asked why was there more budgeted for regular instruction in 2017-2018. Mr. Bader said it was for any anticipated raise. It will all depend on what the Board will decide on negotiations. This is not all for salaries it is also for textbooks and supplies. Mr. Bader said he will bring a more detailed presentation to Monday night's Board meeting. Mr. Schlameuss asked if the Board will have to make any decisions on Monday. Mr. Bader said they will not need to take any action since this is just the first view of the 2018-2019 budget. Mrs. Lisa VanWhy since what was budgeted for teacher negotiations may change, numbers will change. Mr. Dymond said he is surprised that the district is just paying the interest in a 5-7 year span. The district keeps taking out loans and will have to make back payments. Mr. Bader explained that when the District did much of their borrowing in prior years they structured the debt to wrap around existing principal and interest payments to equalize the annual payments. Mr. Dymond asked what about now. Mr. Bader said that the savings from the recent refundings are spread out over the remaining payments to smooth down the debt service. Mr. Dymond said that it surprises him to see how much money the district paid for bond refunding. Mr. Bader explained that even with those costs, the District saved over \$15M on the four refundings it did in 2017.

d. 2018-19 Bus Purchases

Mr. Bader said the Committee members have been given a summary of prices for buses the district would like to purchase for the 2018-2019 school year. The Committee previously recommended that the district go to NJPA in order to purchase the buses. The National Joint Powers Alliance bids for a base bus. The district can then go the vendor to negotiate due to the numbers of buses they plan to purchase and for any other specifications. Previously, the district did not go this route and had issues. Mr. Sutjak met with Brightbill and for 26 buses it would cost \$89,224 each. This year the district will pay \$89,095 each for 26 buses. For \$200 more they get more items for a good price. Mr. Schlameuss asked how many years do the small buses last. Mr. Sutjak said that we are looking to purchase small buses rather than vans. The small buses are built much more solidly and will likely last about seven years. Mr. Andrews asked if the smaller buses cost more than the vans. Mr. Sutjak said they cost a lot more but the parts are the same. Mr. Schlameuss asked what is the brand for the lift. Mr. Sutjak said Braund is the brand name for the bus lift. Mr. Andrews asked if he has the information he requested about specs and option sheets.

Mr. Sutjak read off the list of options the District selected for the new buses. Mr. Schlameuss asked if they come with fire extinguishers and cameras. Mr. Sutjak said they come with fire extinguishers but the district purchased the cameras previously. Mr. Schlameuss asked what cameras do we have. Mr. Sutjak said Provision. The cameras have a five-year warranty. Mr. Dymond said that the buses we have now require repairs. The issues with the current buses from Blue Bird are items like water leaks into them, electrical system problems, wires are tight and break, power steering leaks, anti-freeze leaks, front door control issues, etc. Mrs. VanWhy asked if these items have been an issue all along. Mr. Sutjak said all issues have been taken care off. Pocono Mountain also had similar issues and Blue Bird and Brightbill said they will fix all problems. Mrs. VanWhy said that is why we have a warranty on all buses. Mr. Sutjak said they are sending all buses back that have these issues. Not all buses have the issues and not all drivers complained. When he gets a list of the issues they take care of them one at a time. Only one bus had a problem with the rain leaking into the bus. Brightbill will pay for all issues.

e. PlanCon K GO Bonds Series AAA of 2017

Mr. Bader said that the PlanCon K application is to apply for reimbursement for bonds that were used for the projects. This is part of the new refunding that the district did on the GO Bonds Series AAA of 2017. The application goes to PDE and they give us a new schedule.

f. Request to Bid

Mr. Bader said he would like the Board to approve the district going to bid for the following items. Mr. Borosh would also like to bid through PEPPM for the E-rate Technology equipment. Mr. Borosh would like to get stacking hardware to regulate all buildings and uninterruptible power at a total cost of \$58,000 or \$59,000. The district will be reimbursed \$47,000; therefore, the total cost to district would be about \$11,700. Once the Board approves for them to go out to bid, the district can come back to the Board with the prices.

- i. Athletic, Custodial, Medical, and Tech Ed Supplies
- ii. Food Service Supplies
- iii. E- rate Technology Equipment – PEPPM Mini Bid

g. Deputy Tax Collector Appointments

Mr. Bader said that each Tax Collector nominated a Deputy and the Board needs to approve them so that they can get bonded and certified.

h. Property & Facilities Items

- i. JTL/LIS Masonry – D’Huy Engineering Invoice #46955- \$3,277.50
- ii. JTL/LIS Masonry – D’Huy Engineering Invoice #47083- \$4197.30
- iii. Resica Cell Site

Mr. Bader said that Mr. Borosh was approached about the possibility of placing a cell tower at Resica Elementary School on top of the water tower. The Property/Facilities Committee would like the district to further explore this opportunity. The district would work on getting a lease where some small revenue can be generated for the district. Mr. Bader said they will gather more details and bring back more information to the Board.

i. TIF

Mr. Schlameuss said he represented our Board at a TIF meeting with Chuck Leonard from the Pocono Mountain Economic Corp., Mr. Garris from the County and Mr. Barrett from Smithfield Township. They met with Industrial Development for the TIF Bond. Prior to this meeting the TIF Committee was looking for 7 million dollars to construct road improvements by Route 209 and 447. When questioned why are they looking to borrow so much money, they brought the amount down to 6 million dollars. The developer would have to pay the back taxes to the district in an estimated amount of \$300,000. Once the property is developed, the district will get an additional revenue higher than \$300,000. By the end of 20 years, the school taxes that the district will collect will be more than one million dollars. The first ten years the district will collect \$99,000. After ten years the district will see the additional funding. After that, it will be about one million dollars a year. If they do not get this funding, the project will not happen and the district will not get any revenue. Once the Committee secures the funding, Mr. Schlameuss said he will give the Board members, the breakdown of the numbers.

Mrs. VanWhy asked if the TIF Committee is asking for a tax break for 10 or 20 years. Mr. Schlameuss said there are two parts of the loan. The first part is that they will pay 2% for the first 10 years and then 7 ½ for the next 20 years. The bulk of the loan is 2% of 10 years. Mr. Bader said they are using the anticipated tax revenue from the development to help pay their loan. He cautioned the Board about these terms because 20 years is a long time. He has seen 10 years only. Mrs. VanWhy said 10 years is a long time. The district is working on 0% tax increase. Mr. Schlameuss said that without the loan the project could not be built. The district will benefit from the improved roads that the TIF is proposing. Mr. Schlameuss said this project will create jobs and additional revenue. Mrs. VanWhy asked how does the district secure the amount that TIF is negotiating. Mr. Schlameuss said he expressed his comments and he does not know what the outcome will be. The developer has a lot of property in the community. Mr. Bader said the amount of the TIF loan be based on how much is needed to do the improvements, not how much can they borrow. Mr. Schlameuss said Mr. Leonard is looking to borrow enough to cover everything that may come up. Mrs. VanWhy asked what does the TIF need from the district. Mr. Schlameuss said Mr. Leonard is willing to come and present all details to the Board. Mr. Bader said he has some concerns and will forward them to Mr. Schlameuss so he can send it to the TIF Committee members. Mr. Schlameuss asked if he should send details to the Board. Mr. Bader said the Board should receive all final details from the TIF Committee. Mrs. VanWhy said this issue will be continued. Mr. Bader said the Board may want to seek outside expertise to advise them on this type of project. Mr. Dymond asked what is the major concern at this time. Mr. Bader said the biggest concern is how they are sizing the deal. Mr. Dymond said that since they have a good business plan, they should have taken it to Rep. Brown and Senator Scavello in order for them to discuss this project with PennDot. Mr. Schlameuss said they have 15 million dollars for the project but it is not enough. Penn Dot is not putting a lot of money into the project. Mr. Schlameuss said he will put together all information and send it to everyone.

**VII. PUBLIC PARTICIPATION – LIMITED TO ITEMS OF DISCUSSION**

None

**VIII. ADVISORY RECOMMENDATIONS FOR CONSIDERATION BY THE BOARD OF EDUCATION**

**RECOMMENDATION BY THE COMMITTEE:**

Motion was made by George Andrews to recommend that the Board consider for approval the following items. Motion was seconded by Larry Dymond and carried unanimously, 4-0.

1. Acceptance of the 2016-17 Audit.
2. Purchase of Propane school buses per NJPA #102115-BBB pricing at a total cost of \$4,536,400
3. PlanCon K for GO Bonds Series 2017 AAA
4. Request to go to bid for Athletic, Custodial, Food Service, Medical and Tech Ed Supplies
5. Request to participate in the PEPPM Mini Bid process for the purchase of e-rate eligible technology.
6. Deputy Tax Collector Appointments
7. D’Huy Engineering Invoice #46955 in the amount of \$3,277.50
8. D’Huy Engineering Invoice #47083 in the amount of \$4,197.30

**IX. NEXT MEETING – February 12, 2018 at 5:30 pm**

The Committee members discussed the meeting dates and changed May 14<sup>th</sup>'s time to begin at 3:00 p.m. April will need to be further discussed due to a conflict with some Board members attending a conference.

**Revised Meeting Dates:**

February	12,	2018	-- 5:30 PM – Carl T. Secor Administration Center – Board Room
March	12,	2018	-- 5:30 PM – Carl T. Secor Administration Center – Board Room
April			To be determined
May	14,	2018	-- 3:00 PM – Carl T. Secor Administration Center – Board Room
June	11,	2018	-- 5:30 PM – Carl T. Secor Administration Center – Board Room
July	9,	2018	-- 5:30 PM – Carl T. Secor Administration Center – Board Room
August	13,	2018	-- 5:30 PM – Carl T. Secor Administration Center – Board Room
September	11,	2018	-- 3:45 PM – Carl T. Secor Administration Center – Board Room
October	08,	2018	-- 5:30 PM – Carl T. Secor Administration Center – Board Room
November	12,	2018	-- 5:30 PM – Carl T. Secor Administration Center – Board Room

**RECOMMENDATION BY THE COMMITTEE:**

Motion was made by Larry Dymond to adjourn. Motion was seconded by George Andrews and carried unanimously, 4-0.

X. **ADJOURNMENT: 8:05 p.m.**

Respectfully submitted,  
Patricia L. Rosado,  
Board Secretary