EAST STROUDSBURG AREA SCHOOL DISTRICT
BOARD OF EDUCATION
FINANCE COMMITTEE MEETING
November 14, 2022
Administration Center Board Room and Via Zoom
5:30 PM
Minutes

I. **The Chairperson**, Rebecca Bear, called the Finance Committee meeting to order at 5:39 p.m. and led those present in the Pledge of Allegiance. Secretary, Patricia Rosado called the roll.

II. **Board Committee Members Present**: Rebecca Bear, George Andrews, and Richard Schlameuss.
Wayne Rohner was suspended (as per Board action at the 10/17/22 Regular School Board meeting); however, was present at the meeting.

III. **School Personnel Present**: Brian Baddick, Brian Borosh, Diane Kelly, Edwin Malave, Fred Mill, Craig Neiman, William Riker, Patricia Rosado and Steve Zall.

School Personnel via Zoom: Ken Murphy

IV. **Community Member Present**: Larry Dymond and Michal Peterson

Other: Michael Stramara – PSDLAF

V. **Approval of Agenda and Minutes**

RECOMMENDATION BY THE COMMITTEE:
Motion was made by George Andrews to approve the agenda for November 14, 2022 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 Richard Schlameuss and carried unanimously, 3-0.
RECOMMENDATION BY THE COMMITTEE: Motion was made by George Andrews to approve the minutes from the October 10, 2022 meeting. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

VI. **Items for Discussion:**

b. 2021-22 Annual Financial Report
Mr. Neiman said the Annual Financial Report that was given to the Board, for their review, was the same document that was submitted to PDE. Assuming the committee is okay with it, I will move it onto the Board agenda this month. Mr. Schlameuss asked if the Committee members received a copy of the report. Mrs. Bear said Mr. Andrews received a copy. Mr. Andrews said he asked for a copy because we received a notice that said if you want a hard copy we have to ask for it. Mr. Schlameuss said if it is online then I don't need a copy. Mrs. Bear said it is on the district's website. Mr. Schlameuss asked if it is a

long document. Mr. Neiman said it is a 180-page document. I would like to take the opportunity to say that the auditors were scheduled to present this evening; however, they were not wrapped up with all of their fieldwork and are ready to present. We made a decision to not have them present anything at this time since their audit report was not ready. We will have to align our schedules with them once we know what the Committee's schedule looks like in either December or January.

c. High School South CNC Router Upgrade - Educational Solutions Enterprises Quote, $10,500.00
Mr. Brian Borosh said there are four CNC routers at each school that is used in the Tech Ed Program. About six years ago, we updated the CNC routers at J. T. Lambert Intermediate and Lehman Intermediate. Currently, H.S. South's router is in the state of imminent failure as of last week. We are asking that the Board consider looking at the Restoration and Revitalization Service that we have a quote for in the amount $10,500. Those CNC machines were put in those high schools about 18 to 20 years ago. We paid $30,000 at that time. A total replacement would cost about $60,000 each. In speaking with Mr. Craig Long, Tech Ed Department Chair, he since that equipment is used for the Wood Tech Curriculum and it is a graduation requirement. With that equipment being down, the students cannot fulfill that part of the course. Mrs. Bear asked is this an easy fix or will parts take time to come in. Mr. Borosh said I do not know what the supply chain is on that. Mr. Ken Murphy, who also teaches this class, got the quote. We are going to act on it as soon as possible. There has already been some money invested in this machine. I think we are at the point of looking at a revitalization. A new machine would be $60,000 versus $10,000. Mrs. Bear asked will the machine last. Mr. Borosh said I think we will get about ten to twelve more years out of it. The machine itself is good. We are talking about the electronics and the computer and everything that does that. I spoke to Mr. Long today and the North machine is starting to have some issues, too. It would be the same amount of money to fix it. Mrs. Bear asked should we do both machines at this time. Mr. Borosh said that would be my recommendation. Mrs. Bear said I would hate for that machine to go down and be in the same boat as South is now. Mr. Schlameuss said I would imagine that the technology has changed over the last 18 years. Is this something for us to consider to pay the $60,000 and have the machines changed at this time. Yes, it is $60,000 vs. $10, 500 but I would imagine that since the technology has changed, we are not teaching the students what they would need to do in the workplace. Mr. Borosh said what the machine does and what they accomplish through the module and the curriculum, is the same whether we get a new machine or not. When we bought the machines about18 years ago and we got good machines. That was not a concern from the Tech Ed teachers. It is just more upgrading the electronics and things that make that machine work. They use different programs to do whatever they are building and CAD to that machine. We have been keeping up with that software piece of it. It is just the electronics of the machine itself and not necessarily the mechanics part. Mr. Andrews asked if the machine is a router. Mr. Borosh said yes. Mr. Andrews said I am trying to figure out what we really do on it. Mr. Borosh said it is for software and electronics. It is not the mechanics of the machine but it is the electronics. Mrs. Bear said it is what tells it to do. Mr. Borosh said corrects. Mr. Andrews said it is more than an electronics board because there are a lot of other things.

It is a computer inside it that tells it what to do. Mr. Borosh said yes. Mr. Andrews asked I am just trying to figure out why we do not need the whole computer and just one piece. Mrs. Bear said because it still cuts. Mr. Schlameuss said it is a very sophisticate machine. The kids do great things. Mrs. Bear said the software changes and that is what we are updating. Mr. Borosh said that is not what we are updating at this time but we update the software annually. Mrs. Bear said it is the computer behind the interfacing. Mr. Borosh said correct. Mr. Schlameuss said the pieces break and that is what we are replacing. Mr. Andrews asked is it like the home router. Mr. Borosh said you would be hard pressed to fit this into half of your garage. Mrs. Bear said when we move this item forward, it will be for North and South; therefore, two items. Mr. Andrews asked will it be the same amount for both of them. Mr. Borosh said it is the same exact revitalization service for South and North.

d. Lehman Intermediate & Resica Elementary Special Education Furniture - Pemco Quote, $20,861.60
Mr. Brian Baddick said we are here again to talk about some furniture updates for our Special Education classes at Lehman Intermediate and Resica Elementary School. What you are looking at here is a Pemco quote. We have been using the lowest bid quote with Pemco to do our furniture replacement for the last several years. This one here is a little bit of a combo. Because our population is shifting a little bit and our classrooms are increasing with our student population, we need to continue adding some of those resources to standing desks, the alternative seating and things like that. We are still building that plan to constantly replace furniture in special education classrooms throughout the district. What you are looking at here is $20,8610.60 for the two buildings right now so that we can continue to develop our Sensory Integration Program. This expenses are coming out of our ACCESS Program and it has been budgeted.

e. 2023-24 Northampton, Monroe, & Pike County Joint Purchasing Board Fuel Bid Authorization
Mr. Neiman said this evening we are looking for authorization from the Committee to move forward with the annual fuel oil bid that we participate in with the IU 20. If the Committee is okay with moving it forward, we can put this item on next week's Board agenda as well. I provided the estimated quantities for our district. It gets added into with the other districts that would like to participate to go out to bid for fuel oil for next year. Obviously the market is very erratic right now. I look for the authorization because on the day that they go out to bid and receive those bids, we will have to move quickly. I will be at the bid opening and they will look for an authorization at the time of the bid opening. The bid opening is scheduled for December 14th. They then take it to the IU Board that evening for approval. I will bring that pricing back to the Board in January so that you can see what the pricing would look like. Obviously, we have been in a good place relative to the market particularly this year. We are in a very good place. I am sure that the numbers will be going up exponentially. Mrs. Bear asked have we budgeted for the increase. Mr. Neiman said the 2022-2023 budget is based off the numbers that you see here. The issue would be with the 2023-2024 budget. I have not put any numbers in the budget for that yet. I will take a wild guess in a bit. We will not know the numbers until December 14th. Mr. Andrews asked once we come up with a number are we tied in there

for the whole year or can it go up and down as the market changes. Mr. Neiman said I have the option to lock in for the amount of gallons that I want. Therefore, I can lock in a four-year consumption or anything less than that. For the last couple of years, I locked in the four-year quantity at the pricing. That would be a strategy that I plan to implement. My thought at this time would be to lock in the full quantities. The Committee or Board my want to do something less than that due to the assumption that the market is going to drop. Mrs. Bear asked do you have a crystal ball. Mr. Neiman said I do not have a crystal ball that is why I was sticking to the predications to have the full quantity locked in knowing that the market will get worse before it gets better.

f. Electricity Consortium Purchase Timeline Update

Mr. Neiman said this is just an FYI for the Committee since we talked extensively about purchasing electricity. I wanted to share the email that I received from Provident. The timeline would have been getting final pricing here last week. I could have brought those contracts to the Board for ratification this month. Based on where the markets are at, Provident has pushed off their timeline in hopes that the markets will improve if we wait a little longer. Mr. Andrews said they have the same issue that the IU 20 has. Mr. Neiman said correct. Mrs. Bear said the good news is that we are locked into the current rate until June 2023. Mr. Schlameuss asked what is the drop dead date for us to get the bids. Mrs. Bear asked can they wait until May. Mr. Neiman said I don't have a drop dead date but I believe that they can turn a bid around pretty quickly. Mrs. Bear asked can we give them a drop dead date. Mr. Schlameuss said I am not asking us to do that. Mrs. Bear said but do we want to give them a date in order to get us those rates. We can have them give us the rate by May 15th so that we can have it on the June agenda. Mr. Neiman said what the Board authorized several months ago was for us to participate in the consortium. We are in the consortium now and we have to follow their timeline. Mr. Schlameuss said as long as there is no lapse, we should be fine. Mrs. Bear said as long as we get the best price is what matters. Mr. Neiman said there will not be a lapse.

a. Presentation - PSDLAF overview and portfolio review

Mr. Michael Stramara said he is here representing the Pennsylvania School District Liquid Asset Fund (PSDLAF). For anyone who is not familiar with that, I will give you a quick overview to get things started. Before we get started, is there anything in particular that anyone would like to make sure I discuss today. I prepared some information but if you have any questions, we can discuss at that time. It is all about transparency and making sure that everyone understands everything that we are going over today. Therefore, if there is anything that you want to make sure that I cover, please let me know. I am not sure if there is a time limit so if there is a time constraint, please let me know. Mrs. Bear said as long as we are done by 7:30 p.m. so that Mr. Schlameuss can pick up his children. Mr. Stramara said I am not going to talk that long but I am happy to answer any questions.

Page 3 - PSDLAF stands for Pennsylvania School District Liquid Asset Fund. We were created in 1982. There are three Local Government Investment Pools in the State of Pennsylvania. We are one of them. We have been around since 1982. Forty years is a long time. We were created for the specific purpose of helping School Districts and

Local Government entities in the Commonwealth of Pennsylvania, with their financial needs. That does not include Municipal Underwriting and Bond Issues. It is pretty much money management. We are governed and audited through PA Law. We are only allowed to transact in any securities and instruments that are permitted by PA Law. If you want to buy stocks, gold, corporate bonds, no can do, which is great. We are sponsored by PASBO, Pennsylvania School Business Officials and PSBA, Pennsylvania School Boards Association. We are the only organization sponsored by both for about 30 or 40 years.

On slide 4 and 5 of the presentation is states that we are currently managing over $8 billion of Pennsylvania municipal monies. I would say 95% of that is school district monies. We are permitted legally to work with other Municipal entities, i.e. Townships, Borough authorities, etc. Our main focus has been working with schools. Safety has always been first with PSDLAF and will be as long as I am associated with them. Obviously, we want to earn as much as we can. We are dealing with taxpayer's money so safety is paramount and liquidity is second. If we don't have money to meet our obligations, then what good is the investment going to do for us? We have many different levels of interactions with schools. Some are full-blown cash-flow management, CFO Programs, etc. Some schools call us for some advice or want to do something and we work with them in that capacity. Every School District in Pennsylvania is unique. Every cash flow is different. Some get the majority of their cash flow from the State or Real Estate Taxes. If you get your share from Real Estate Taxes, then you are getting a windfall of money upfront. You will then have the ability to invest those funds over the course of the fiscal year. Some schools are not in that position because they get a stipend from the State throughout the fiscal year. They really do not have access to cash. They don't have a fund balance or large tax receipts. That is why we want to work hand in glove with the schools that want to utilize our service in order to determine your cash flow. We can then put together a plan that meets your specific needs. You have primarily two sources of revenue. It is your expenditures between payroll, debt services, insurance and PSERS, which is about 87% of your budget. We put together a plan and put that plan into action. We are looking to maximize the return with the funds that you have without compromising safety. I have been working with East Stroudsburg Area School District (ESASD) for a long time. I have been doing this for 30 years. I only work with schools. Our job is to understand the law and what you can or cannot do. You can buy anything that is guaranteed by the government, i.e. collateralized deposits, FDIC ensured CDs, etc.

Page 6 is the snapshot of East Stroudsburg. You got a lot of money like I said earlier. The discount period of taxes is the solid dark green line. You get a lot of receipts in and during the fiscal year you are spending that money. Your receipts exceed your expenditures. You use that money to pay your bills.

Page 7 contains what I was talking about investments. Act 10 was a legislation that was passed in the Commonwealth in 2016 that gave School Districts the ability to engage in some additional investment vehicles that weren't previously approved or legal in PA. Pennsylvania School Code Section 440.1 is what governs your investments. This was a modification to Section 440.1 of 1949. It gave the school districts the ability to invest in some riskier assets such as Commercial Paper and Negotiable CDs. Commercial Paper is short-term debt of a company. Mrs. Bear asked do they only allow rated A companies, correct? Mr. Stramara said they have to be in the highest rated categories by Standard and Poor's and Moody. The Negotiable CDs have to be top-tier rated banks. Your only permitted to invest in the highest quality companies. Mrs. Bear said so no FTX. Mr. Stramara said hopefully what happened in 2007 or 2008, when we went through the housing crisis we saw big companies go under, does not happen again. No one is safe. However, if handled properly, it could add some incremental value to the School District's portfolio. We don't do it. We did not opt into it. If you want to do it, I can help you analyze and help educate you on it. I would be happy to but you cannot buy it from us. It is not permitted. We did not engage in it. So if that is something that the School District is looking at, we can talk about it in more detail. I want everyone that is listening tonight to know, you cannot have any exposure if your money is with PSDLAF. If you do engage in taking a deeper look into this, I strongly recommend for everyone to understand the risks associated with it. If matched appropriately, it could be good. Safety first at PSDLAF.

Page 8 – I want to take a moment to briefly set the stage for the interest rate environment; where we are, how we got here, maybe where we are going and how that pertains to ESASD. I could talk for hours about this. I could have a forty-page slide deck. Mrs. Bear said I do this all day, too. Mr. Stramara said I love it and I don't love it. We are in a very unique situation where we are today. We have had a lot of bumps in the road over the years but where we sit today there are no textbooks. There is no history to help guide us out of this and the Feds are well aware of that. They are doing everything they can with the tools that they have to try and curb inflation, which is the chart that we are looking at here. The big picture is that inflation hit 9% and now it is 7%. That's great. It has come down a little bit. We see fuel prices come down a little bit. I'll tell you what, though, if I go to a restaurant, I'm sure that my restaurant bill is not two percent cheaper that it was a couple of months ago. We want inflation to come down and 7% is a heck of a lot better than 9% but let's look at the big picture here. We haven't been anywhere close to this since the 1980's. It is unprecedented times. It is still way too high. It's unmanageable. What do we do to fix it? The Feds are trying. We have seen the Feds raised rates during the last four meetings 75 basis points each time. They raised rates 75 basis point once, ever. and that wasn't even after the Great Recession. That was going back into the 90s. They are playing catch up and trying to control something that is out of control. There is a lot of factors at play here. Fifteen years ago, from an economic standpoint, pretty much what happened in the U.S. happened in the world. We were kings of the castle. That isn't the case anymore. We are a global economy. We all got to understand that and we all have to accept that. What happens here happens in the world. What happens in the world, happens here. We can't get ourselves out these types of situation anymore just by raising rates or putting a monetary policy in place. The Feds are doing everything they can. I personally believe the Feds did a fantastic job twelve years ago in trying to help get us out of a very difficult situation that we were in. History will tell what is going on here. I don't know if the Feds can raise rates high enough and fast enough to contain what we are experiencing. Some of it is self-inflicted. Some of it is the cause of the Pandemic. Some of it is what is going on in Ukraine and then in other areas. It is the Perfect Storm. We will get out of it. I am convinced of that. When, I don't know. We are not here in the time markets to guess what is going to happen. We use the tools that we have. We make the recommendation based off those tools and we do the best that we can. You are a School District with taxpayer money and are contained and limited in what you can do. We will do the best with what we got. Higher rates are good in one factor. If you got cash, you are going to earn more on your cash. This benefits this School District to some degree unless you are going to go out and borrow money to build buildings, which you have in the past. Mrs. Bear said we are almost debt free. Mr. Stramara said you probably have rates in the 1% handle. Mrs. Bear said we do. Those were the benefits we reaped when rates were zero.

Page 9 – The next chart shows short-term liquid rates. At PSDLAF we have a money market or checking account, which is our liquid account that we call PSDLAF MAX. We also have an investment vehicle that we call Flex that gives us weekly liquidity. I used those two in this chart just to paint a picture here so we can see how long we were at zero. The Feds were at zero to a quarter percent because the Feds have adapted this range, which hopefully they will get out of. I don't think we will ever get out of that now. Pre-Great Recession, it was what it was. You can see how fast rates have moved. They have gone from 0% to around half of a percent with PSDLAF. Some banks may be lower. Some banks may be higher. Rates have increased significantly over the past two years. Really over three of the past fifteen years the rates have been very low. There hasn't been a ton of opportunity for schools to put their money to work. A year ago today during Thanksgiving, we were earning zero and the expectation is that the Feds may need to raise rates in the first quarter of 2023 which we haven't even seen yet. We are thinking a whole another year, this will be 0% which people are starting to wonder are we going negative. People are starting to wonder are we the new Japan. Japan is in a zero interest rate policy for 40 years and they are still breathing but theirs is slightly a different economy than ours. Zero percent environment does not work here for a sustained period of time. We are out of that. You got your refinancing in. You don't have to borrow any new money. Everything is lining up great for ESASD as we sit here today.

Page 10 is a brief picture of where interest rates are. I used treasury rates because they are universal, the safest investment and it is pretty much what the market is giving us as the best option today. I am showing you the three-months, the six-months and the one-year treasury bills. I am showing you from December, March July, August and November. The blue box, which really doesn't exist because it was at zero, is from December, a year ago. The green box is basically today. You can see that the rates are up about 4%. The Feds' fund rate is 3 ¾ of 4%. It was zero to a ¼ %. The rates are up 3.75 basis points since March. This gives us just a snapshot for people that don't look at this information every day of how dramatic rates have really moved. You can get almost 4.5% in six months where you were getting 5 basis point, maybe, a year ago.

Page 11 is my favorite chart in the deck. It is also one that probably is going to be the most confusing for everyone. Let's just look at the big takeaways here. The black box, top left-hand corner, is the target Fed rate, the upper bound, that is the higher end of the 3 ¾% to 4% and the Fed effective rates right below that at 3.83%. The Feds fund rate is the rate that the Feds control and for simplicity sake the fed funds rate is basically the rate at which banks loan each other money. It is a hair more complicated than that but basically that is what it is. The effective rate we have now, because we do not have Fed rates, is 3.83% on November 10th. That was the effective rate at which banks were changing money around. That number is important. We want to keep an eye more on the 3.83% than the 4%. Below that area on the chart it says meeting. Those are all of the upcoming Feds' meeting dates. Historically, the Feds will not change monetary policy, meaning increase or decrease rates in between meetings. We did see that happen during the Great Recession. It is very rare. It is for an emergency-type of situation. I don't think there is an emergency situation now. We will go with the assumption that the Feds more than likely, are only going to raise the rates at a meeting. There are all of the meetings coming up. The next meeting is on December 14th, which is a month away from today. We already said that the Feds is on 75 basis points four times in a row, because they are trying to catch up. What's next? Mrs. Bear said I heard 50 but who knows. Mr. Stramara said, exactly, what you hear will be proof in the pudding here. This chart, the Fed Fund Futures, is a live market. This is real money buying Futures contracts. This is not 150 economist putting their heads together and all voting on what is going to happened. It is not a survey. It is a real live market. What does that mean? It is good, because it is where people are putting their money and bad because it can change. It is probably different right now. A week ago, these numbers were significantly different. I will briefly touch on that when we get there. Let's go back to December 14th. I like to look at the implied rate column, which is almost in the far right-hand side. We can see that the implied rate, which is the implied Fed Fund Trade on 12/14/22, according to the Futures Market, is 435% and where is the effective rate today. Mrs. Bear said 3.83%. Mr. Stramara said let's call it 3.85% and there is our 50 basis points. The market has priced in 50 basis points at the next meeting. You are spot on. Let's go down that implied rate column because what we really care about is where is this potentially going. Is it going to 10%? Is it going to 8%? Is it going to 5%? We'll do simple math again. The highest number on the chart is 4.90%. Let's just say it is at 5%. It is at 3.83% today. That is another hundred to one hundred and twenty-five basis points. This is another four to give moves. If you want to go by moves from where we are today. We are going to get fifty in December, maybe, which means it could be another fifty to seventy-five out there by May according to this data. That helps. The 4.90% a week ago was 5.28%. They took a quarter percent off. Why did they do that? They did that because that CPI Number I showed you earlier in the year, it went from nine to eight to seven. Inflation is getting under control. Not our pocket books but according to the CPI numbers, inflation is coming down. They took some of the potential moves off the table. You can ask me a week from now and these numbers will be different. They won't be significantly different unless there is a significant event that happens in the inflationary data, employment date or global events. Who knows? Let's go further here. We got to our 4.90% and my 5% number rounding. What happens after that? We hear the "R" word, potential recession around the corner. Some of us may have even heard the nasty word which is stagnation, which is way worse than a recession. What is the market telling us is going to happen? By January of 2024, the Futures Market is telling us that funds rate will be 4.25% from the high of 5%. The only way it can get from 5% to 4.25% is if the Feds cut rates. Those are your recessionary fears that are being built into the market. The news does a great job of reporting the headline numbers for the unemployment rate, the Dow, etc. They are great to know. What is in the numbers and we are taking a deeper look into this number today, if the Feds aren't able to get us to a level that curves inflation or slows inflation without going too aggressive. That is one of the fears right now and that Feds have actually admitted it. They have said I might go too far but we have tools in our toolbox to take care of that. I don't know what the tools are but they said they have tools that can fix it. You may have heard of hard landing versus soft landing. The hard landing is the Feds goes up and then they went too far, so they come right back down. They are not going to go all the way down but they have come down 75 basis points in six months after they just went up. That is hard landing. The soft landing is when the Feds smooth things out by raising rates to a level that smooths out inflation. You then deal with the market and do what you have to do from there. That is soft landing. That is what we all want. The likelihood of that is not good right now, especially when the Feds are transparent as ever. When I got into this business, with Greenspan. You can write a book with some things he said such as Conundrums and other things. The Feds are being transparent, which is good. We can understand what is going on. I thought this was a good picture to paint from a market standpoint. It looks like rates are going to go a little higher. Who Knows from there. The question is what do we do with the information? I already said that we work with you to try and develop a cash flow, your specific cash flow. You get your money and the money is going out most of it. You have a nice reserve because you are going to need it. Maybe not in your term but you are going to need it. That is why we need to look at what the market is offering and take advantage of the opportunities as they present themselves. I want you to look at September where the highest implied rate on this chart which was 3.43%. If we are investing in September, then we are thinking that we are not going above 3.5. Once again, it isn't a market timing thing but it is giving us at least some light on the runway to help make decisions.

Page 12 What does this mean to us? I put together the current portfolio for the ESASD as of Friday 11/10/22, which has a couple of takeaways at the bottom. As we sit here today, if we don't earn another penny and we have earned $334,858.16, we are good. Some of that is on paper. The investment has not matured yet. If everything goes as we are, in the current rate environment, meaning rates do not go up or down, we are around a million and a half in the positive. What you have budgeted, I guaranty, is less than a million and a half. Mr. Neiman said the budget was only $250,000 for the full year. We already exceeded the four-year budget on this line item. If you flip back a couple of charts and look at where we were when we passed the budget, the number may have been conservative at that time but we did not know what was going to happen. We have exceeded the four-year budget with reference to earnings. Mr. Stramara said according to this chart that was probably, I wouldn't even say, a super conservative number because we were still at zero in March. The higher rates are a benefit from our General Operating Account. Let's talk about the products again. You can see a different array of products. Some of these investments were from about a year ago. You can see that we have investments coming up tomorrow at .1%. This is when we thought rates were staying at zero until the first quarter of 2023. We have 1% versus 0%. That is one of the advantages of being in a proactive approach. We may not get everything at the high and I hope we never get everything in the high because that would mean that we are trying to time the market. We invest when we have the funds based on the cash flow and maybe we are less aggressive. Maybe we are a little more aggressive depending on what the market is giving at that time. Once again, we go back to my very first comment. There is not a lot we can do. We can't take this money out forever and we have limited products. The products I briefly touched on earlier i.e. treasuries. The Treasury rates will lead the market every single time whether the Feds are raising rates or lowering rates. There was only one time, historically, that treasuries make a ton of sense for a school in a rapidly rising interest rate environment. We want to buy them all that time if we could. The other options are CDs, the bank product. They will catch up. They lag the whole way up and they lag the way down. They don't lag fast and play down. The banks will catch up and the CD rates will be attractive again. Right now, they are not and there are two reasons for that. A. What I said they are lagging. B. If we go back 14 years ago to the banking crisis, the financial crisis and the Great Recession, banks were begging for money. They couldn't get money so their rates never got as low as what we have gone through the past two years. There was more opportunity back then in bank product because they were begging for money and your deposit was secured. It was collateralized or FDIC insured. If the bank goes under, you got your collateral or your FDIC insurance. Maybe there was a little lag in getting your money back but your money was secured. Today, it is totally different. Banks are flushed with cash. They are loaded. They do not need or want money. The only banks that really want money are the ones that are looking to build a relationship or acquire another bank. It is a different environment. We are going to see treasury is really heavy right now because they make the most sense and that is what our job is. Our job is to not only evaluate your cash flow and know your cash flow, but to know the market. This is all we do. I don't have corporate clients or individual clients. They are looking for all of this different things. They are all the same clients looking for the same thing and that is what we do. So the blend of investments will change. We always want to have a little bit of diversification but it will change. Right now it is the treasuries. Treasuries have an added investment other than they are considered the safest investment vehicle in the world, because we have the printing press that nobody else has. You can sell them. You might take a loss or a gain but they a negotiable, marketable and liquid. A CD, you cannot. The goal is never to buy an investment that we have to sell. We are buying whole. When we buy something, we know the rate we know what we are earning. We hold onto it until maturity and off we go. We are not managing this portfolio based on what the market is giving us or manage the portfolio based on your category needs.

Page 13 – Questions
Mrs. Bear asked the CDs are broker CDs, do we go out to the market and look at whatever bank is offering the best rate? How are you brokering out your CDs? Mr. Stramara said there are multiple ways that we interact with banks. We deal with the biggest bank you can name and the smallest community banks. Like I said earlier, your bank deposit is either going to be FDIC insured for up to a quarter of a million dollars. We cannot give a bank more than that. We normally do about $245,000 or $240,000 to hedge in the interest a little. If it is more than that, you need permissible collateral. Act 72 of 1971 specifically states what you can and can't be held against your deposit as

collateral. To answer your question, we deal with banks on an individual basis. ADC Bank in Wichita, Kansas, we gave them $245,000. They book the CD in the School District's tax ID and name. We manage the process. If the bank goes under the bank's FDIC kicks in and we do all of the work. You get your money back. We also work with brokers. There are companies out there that all they do is talk to all these banks across the country that are looking for deposits. They create a negotiable instrument for brokerage CD that can actually trade negotiably. It is like the treasury and we buy those, too. We also do collateralized CDs. This is in excess of the $250,000 where we need that collateral in place against your deposit. That is where a majority of our investments happen is in the collateralized space. We work with on a collateralized basis. I don't even know the number. A lot of banks. On the FDIC-basis, we work with hundreds of banks directly. Many in the thousands directly and then we use the brokers. It is a mixed bag with all of the above. We do engage in brokers CDs, where we have taken the stance where we only buy new issues. It may be that they are trading at a premium or at a discount we only buy new. Even if it might benefit you to buy a premium that is straight and that is little bit cheaper, the juice is not worth the squeeze. We stay away from those things.

Mrs. Bear asked when you do the broker CDs, do you look at the different banks to make sure that the broker CD is not a bank that we are currently with, so we could keep our FDIC in line. Mr. Stramara said yes. We manage that entire process. We are actually a part of IntraFi formerly ICS. This organization was started by some folks from the FDIC years ago where they pull FDIC insurance together. You give them one million dollars and they go out and get 5-6 banks pledging them $250,000 against your deposit. Then if that bank goes under, we go to those same banks and you get your insurance back. The beauty to that platform is that the platform talks to us. If you add money at an institution that secures your deposit through, I call it FDIC insurance, but the legal name is Reciprocal FDIC Insured Product. We encourage if you are going to buy CDs you buy them through one place or at least make sure we are aware. If you want to buy from A, B or C Bank and they have good rates, absolutely but make sure we do not have it first. To answer your question, we do all that and manage that entire process of making sure that you are not doubled up with a bank. The only thing we cannot do is if you buy a CD directly with A, B or C Banks and I am using that bank as collateral, there is no talking there because you have the link directly with the bank as opposed to going through IntraFi Network where they would know and we would know. If you go to A, B or C Bank directly there could be a doubling of bank. We encourage you to let us know. At the end of the day, we solely exist to help you whether you use us for our investments or not. I don't care. What I care about is educating you on the process of helping you to do the best you can do. Do I believe we have good products? Absolutely. They are safe and they are good but we are here to help you manage the process. Now Mr. Neiman did not tell me to say this but at the end of the day, the Business Office staff are overwhelmed. They do not have the time or the resources to analyze every single CD that might come across their desk. They can run it by me and I can take a look at it and give them an unbiased opinion. At the end of the day, to go buy this here and there, can be counter-productive. Mr. Neiman said on page six which details the trend for the year for the receipts and disbursement. I wanted to make the comment on the customer service side on what PSDLAF does for the School District and the Business Office. If it is weekly or a couple of days during the week, between me, Mrs. Kelly or anyone from the Business Office staff, that are always moving funds and we have payroll coming in, we can count on Mr. Stramara who does not only have our forecasted expenditures but his customer service and interaction between the Business Office is really top notch. We rely heavily on that availability and the fact that you know that Mr. Stramara is on the other end of the phone or email very quickly when we have a need in the office. I am thankful for that in my experience with him in my short time at School District and I know that the Business Office staff is grateful as well. Mr. Stramara said we love what we do. Our Pennsylvania office is in Lancaster and there are eight of us. We really take a lot of pride in what we do.

Mrs. Bear asked how do you determine what to do. For example, there is a collateralized pool that is maturing tomorrow and then there is CD that is maturing on the 21st. Do you work with Mr. Neiman to determine if you do six months, nine months or twelve months? Do we put it in the Flex account? Mr. Stramara said there are multiple ways of answering that. That investment, in a perfect world, would come due and be used for an expenditure. The ultimate goal is to have an investment come through at a time you need them. You will also have a basket of reserve of investments that will ensure that we may not need to offset an expenditure. The money comes through and we do not need it for expenditure. What is the process? We take a look at the market and we talk about how dynamically the market changes. We believe the Feds are going to go possibly to fifty basis points next month. We look at the Flex Investments. That is the weekly liquidity. Our flex rate is from 3.68% to 3.80%. It just depends on who it is. The district is at the higher end of our flex rate. The reason for that is because our cash flow optimization participant. Let's say if the Feds do what the market is thinking, that flex rate is going to go to 4.25% or 4.30% in a month. The first thing that comes to our mind is Max is an option but that is going to lack. Flex in a month is going to be 4.25% or 4.30% assuming that goes up to our rates are 10, then what is our options? The three month's rate is about 4% so I can earn a 3.89% for a month and possibly 4.25% for two months. I can do that math assuming that it goes up. I would not do for three months. The first thing we want to do is look at the cash flow. If there is a gap and it is three months, Flex would be my recommendation. If it is six months, it is a whole different story because right now we run the breakeven analysis based on what the market is telling us. Buying the six month at 4.5 % or Flex, based on not the fifty in December, it would breakeven. The marketers are not stupid. They are very efficient. There is a reason that the six-month and one-year rates are where they are today. I showed earlier that the six months are at 5% base points a year ago today it is at 4.5%. The Feds rate at 3.75% tells me that the six months have 75 basis points. That other 25 basis point, we will see in December. Then we look at the cash flow if there is a gap in six months, we will fill it based on the information that we have here today. I cannot guaranty Flex will go up 50 basis points. It has gone up every move but we don't know when and if it will go to 50. I rather lock in today but not at three months. Flex makes more sense. Mrs. Bear said we have more investments maturing in three months. Mr. Stramara said I could not place all of the information in this presentation but a lot of time and effort has gone into the cash flow. The cash flow is based exactly on what we spent one year ago which is based on what happened two years ago. It is not going to move a whole lot. You will approve a pay increase for your people and the Debt Service will not have a big change. I don't think there will be new changes to debt. I hope you have new money but things will not change for you. The cash flow is good, really good. I can tell you it is one of the best that we have because the data we have is current date. It is an interesting tool that we look at. If we took $5 million out for six months, it would tell us that we created a deficiency on that six-month maturity. We don't have enough cash to do that. We plug your numbers in and look at the rates and come up with what the market is giving us. It is very dynamic and ever changing. Like I said the three-month was higher but not today. Mr. Stramara said it is exciting and frustrating all at once. Equities historically are a leading indicator of what is to happen. I don't think it is any more but it does show things are good. We look at everything and we want to see it doing well. I am happy to answer questions at any time. I am the number one proponent for education. We are here to help.

VII. Recommendations by the Property & Facilities Committee

a. D'Huy Engineering Invoices
   i. Lehman Intermediate and Bushkill Elementary Flooring – Invoice #56108 $1,222.45
   ii. High School North and Smithfield Elementary Flooring – Invoice #56109 $871.44
   iii. High School North Natatorium Roof Replacement – Invoice #56110 $720.05
   iv. High School South Turf Replacement – Invoice #56111 $781.49
   v. Resica Elementary HVAC Replacement – Invoice #56112 $2,065.00
   vi. High School North and Lehman Intermediate Rooftop Equipment Replacement – Invoice #56113 $1,470.00
   vii. High School South and JM Hill Flooring Replacement – Invoice #56114 $13,650.00

b. Applications for Payment
   i. High School North Natatorium Roof Replacement – Munn Roofing Corp – Application #1 $105,986.70
   ii. High School North Flooring Replacement – H&P Construction – Application #5 $44,062.03
   iii. Bushkill Elementary HVAC - Trane - Application #5 $715,035.24

c. Current Projects List

Mrs. Bear asked if the High School North gym floor and Lehman Intermediate School will linger until they fix what we want them to fix. Will it linger at 97%. Mr. Neiman said yes. Mr. Andrews asked what is the meaning of the color-coded items on the list. Mrs. Bear said the yellow section is for ESSER projects. Mr. Neiman said the cream color area are the projects that have been completed. Mrs. Bear said the white area is the new projects which have not started yet. Mr. Andrews said that we had $9,500,000 bid out and we have completed about $407,000. Mrs. Bear said we used up a lot of the ESSER money. We used it for the Smithfield Elementary and North flooring projects, which are at 92%. Mr. Andrews said we used 43% and now have 57% left to use. Mrs. Bear said but some of it includes ESSER funds. Correct? Mr. Neiman said, correct. Mrs. Bear said it looks like there are some big projects that are being paid through the ESSER Fund. Mr. Andrews said we have used up all of the ESSER money, correct? Mr. Neiman said all ESSER money has been budgeted for but it has not all been spent. Mr. Andrews said so we cannot add any more projects to the ESSER Fund. Mrs. Bear said correct.

d. Lehman Intermediate - Pool Filters and Parts - Strand Pool Supply, quote $12,684.93
e. Middle Smithfield Elementary - Emergency Sprinkler Fire Pump Repair - Keystone Fire & Security, quote $526.50
f. High School North - Flooring Replacement - H&P Construction, Change Order #1 decrease $26,121.60

VIII. Recommendations by the Education Programs & Resources Committee

a. Elementary RAZ Plus renewal - Learning A-Z, quote $8,208.00
b. Additional Into Reading K-6 materials - Houghton Mifflin Harcourt, quote $6,572.88

IX. Public Participation - Limited to Items of Discussion

None

X. Advisory Recommendations for Consideration by the Board of Education

1.

RECOMMENDATION BY THE COMMITTEE:
Motion was made by Richard Schlameuss to recommend that the Board consider for approval the Annual Financial Report for the Fiscal Year ending June 30, 2022 and submitted to PDE on November 11, 2022. Motion was seconded by George Andrews and carried unanimously, 3-0.

2.

RECOMMENDATION BY THE COMMITTEE:
Motion was made by George Andrews to recommend that the Board consider for approval the quote from Educational Solutions Enterprises for CNC Router upgrades at High School South and High School North in the amount of $10,500.00 for each school. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

3.

RECOMMENDATION BY THE COMMITTEE:
Motion was made by George Andrews to recommend that the Board consider for approval the quote from Pemco for Special Education furniture at Lehman Intermediate and Resica Elementary in the amount of $20,861.60. Purchase will be funded by Access. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

4.

RECOMMENDATION BY THE COMMITTEE:
Motion was made by George Andrews to recommend that the Board consider authorizing the administration to participate in the 2023-24 Northampton/Monroe/Pike County Joint Purchasing Board bid and pricing analysis for #2 Fuel Oil, Truck Transport and Off-Road Diesel, Tank Wagon on December 14, 2022 with ratification of the award occurring at the January 2023 Board of School Directors Regular Board meetings. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

5.

RECOMMENDATION BY THE COMMITTEE:
Motion was made by George Andrews to recommend that the Board consider for approval the following D'Huy Engineering invoices, which were recommended by the Property & Facilities Committee. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

a. D'Huy Engineering Invoices:
   i. Lehman Intermediate and Bushkill Elementary Flooring – Invoice #56108 $1,222.45
   ii. High School North and Smithfield Elementary Flooring – Invoice #56109 $871.44
   iii. High School North Natatorium Roof Replacement – Invoice #56110 $720.05
   iv. High School South Turf Replacement – Invoice #56111 $781.49
   v. Resica Elementary HVAC Replacement – Invoice #56112 $2,065.00
   vi. High School North and Lehman Intermediate Rooftop Equipment Replacement – Invoice #56113 $1,470.00
   vii. High School South and JM Hill Flooring Replacement – Invoice #56114 $13,650.00

6.

RECOMMENDATION BY THE COMMITTEE:
Motion was made by George Andrews to recommend that the Board consider for approval the following Applications for payment, which were recommended by the Property & Facilities Committee. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

b. Applications for payment:
   i. High School North Natatorium Roof Replacement – Munn Roofing Corp – Application #1 $105,986.70
   ii. High School North Flooring Replacement – H&P Construction – Application #5 $44,062.03
   iii. Bushkill Elementary HVAC - Trane - Application #5 $715,035.24

7.

RECOMMENDATION BY THE COMMITTEE:
Motion was made by George Andrews to recommend that the Board consider for approval the quote from Strand Pool Supply for pool filters and parts at High School North in the amount of $12,684.93. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

8.

RECOMMENDATION BY THE COMMITTEE:
Motion was made by George Andrews to recommend that the Board consider for approval the quote from Keystone Fire & Security for emergency sprinkler repair at Middle Smithfield Elementary in the amount of $526.50. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

9.

RECOMMENDATION BY THE COMMITTEE:
Motion was made by George Andrews to recommend that the Board consider for approval the High School North Flooring Replacement from H&P Construction Change Order #1 decrease in the amount of $26,121.60. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

10.

RECOMMENDATION BY THE COMMITTEE:
Motion was made by George Andrews to recommend that the Board consider for approval the following items, which were recommended by the Education Programs & Resources Committee meeting. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

a. Elementary RAZ Plus renewal - Learning A-Z, quote $8,208.00
b. Additional Into Reading K-6 materials - Houghton Mifflin Harcourt, quote $6,572.88

XI. Next Meeting – To Be Determined

RECOMMENDATION: Motion was made by George Andrews to adjourn. Motion was seconded by Richard Schlameuss and carried unanimously, 3-0.

XII. Adjournment: 6:59 p.m.

Respectfully submitted,
Patricia L. Rosado
Board Secretary