

NO: XII
Minutes of the
Board of School Directors
DERRY TOWNSHIP SCHOOL DISTRICT
Hershey, PA 17033

January 26, 2009

OPENING ITEMS

1.01 Call to Order

A meeting of the Board of School Directors, Derry Township School District was held on Monday, January 26, 2009, in the District Office Board Room. Mrs. Beulah Chabal, Board President, called the meeting to order at 7:00 p.m.

1.02 Roll Call

Directors Present: Mr. Christopher Barrett
Mrs. Beulah Chabal
Dr. Donna Cronin
Dr. Henry Donahue
Mr. John Gräb
Mr. Alan Malkoff
Dr. William Parrish
Mrs. Ellen Sheffey
Mr. Charles Stover

Superintendent: Dr. Linda Brewer

Secretary: Mr. Stephen Rineer

Solicitor: Mr. Brian Jackson

Student Representative: Andrew Rogers

Press: Mr. Drew I. Weidman THE SUN
Ms. Monica von Dobeneck PATRIOT-NEWS
Mr. James A. Strine, III HERSHEY CHRONICLE

Representatives of the Administrative Staff: Mr. Dan Tredinnick, Dr. Bernie Kepler, Dr. Cynthia Goldsworthy.

Representatives of the Staff and Community: Bunny Hottenstein, Cindy Hertz,

Peggy Conway, Judith Woodring, Judy Haverstick, Ryan Neal, Megan Hulse, Michael Hulse, and Julie Neal.

1.03 Flag Salute

Mr. Barrett led those gathered in the Salute to the American Flag.

1.04 School Board Recognition

Dr. Brewer: If I could have the floor for a moment, Madam President. Tonight, it is my distinct pleasure to honor our 9 Board members who work with such dedication and considerable devotion of time and energy and talents on behalf of our children. It is fitting that January has been proclaimed School Board Recognition Month by the Pennsylvania School Boards Association. This year marks a special milestone as we remember the 175th anniversary of the signing of the Free Schools Act in 1834. This pivotal legislation firmly established public education in Pennsylvania and ensured that decisions about schools would be made locally by elected members of this community, all of you. The community at large may not know the countless hours that our Board members devote to committee meetings, reading reports, attending public meetings and events, but I know. Too often we neglect to recognize the commitment and hard work of these ladies and gentlemen to serve as advocates for our students. I may not know how often the Board members are approached with issues as they go about the community, in the grocery store, at community events, e-mails, phone calls and so on. This is not a job for the faint of heart. In part and parcel of the Board's role, they are to engage in crucial conversations where opinions differ, stakes are high, and emotions likewise. As a token of appreciation, our Community Task Force keynote speaker, Dr. Forni, signed his latest book for each of you and there is also a certificate that entitles you to one free book.

Tonight, we celebrate the many gifts of our Board members who donate all of their time to us every day. To Beulah Chabal, Chris Barrett, Donna Cronin, John Grab, Hank Donahue, Alan Malkoff, Bill Parrish, Ellen Sheffey, and Chuck Stover, we say thank you. The staff and students of our District are asking all members of the community to take a moment and tell the Board members thanks for caring about our children. In celebration of you, we have a gift of music for you. Under the direction of Mr. Farrell, the high school mixed choir, called Cantable, will perform two selections for you. We are so grateful for their presence tonight. Thank you so much ladies and gentlemen.

REVIEW AND APPROVAL OF MINUTES

2.01 Approval of January 12, 2009 School Board Meeting Minutes

A motion was made by Mrs. Sheffey and seconded by Mr. Malkoff to approve the minutes of the January 12, 2009 Board meeting. All Board members present signified by a Yes vote.

MOTION CARRIED.

INFORMATION AND PROPOSALS

3.01 Announcement of Executive Session

Mrs. Chabal announced that there was no executive session.

3.02 Recognition of Citizens (Agenda Items)

None.

3.03 Standing Committee Report

Mr. Barrett: I have a few notes from the Finance Standing Committee that took place today. First Mr. Brian Straub is with us to give us a report on the audit. I reported in July concerning a management letter for material deficiency which really in essence isn't a material deficiency, but Brian is going to explain that. I want to comment that we did get an extremely clean audit and I want to thank the administration again for the presentation of a clean audit for many years. Thank you to Steve Rineer.

Also, we talked about the budget status, budget development and next steps. Tonight, as a resolution, you will see that there is a 4.1% resolution that would allow us to increase taxes. One of the things I really have to say is that this is just a resolution, it does not increase the taxes. We are still in a budgeting situation. Our goal is not to bring in a tax increase for the upcoming year, but for safety's sake we need to look at voting for that resolution in case we do need to avail ourselves of a tax increase, although we don't expect that at this time.

A couple of things to report on, as far as revenue and expenses. Thanks to Steve, we are at 101.92% on the local revenue side. The largest positive variances right now are in real estate taxes and the pilot payment. However, we are seeing continued deterioration in occupational privilege, earned income tax, real estate transfer tax, as well as the amusement tax. We are starting to see some affects of

the economy. However, we are fortunate in that, overall, we are still at 101.92% of budget with state revenues approximately 1.1% and federal slightly below. On the revenue picture, we're currently at 101.75% and our forecasts still look fairly good. However, we're forecasting again that the EIT, OPT, and amusement taxes will not reach budgeted projections this year, but with the overages and the positive variances on the revenue side, we should be able to cover that for this year and have a positive variance.

The last thing that I want to make a comment on and Dr. Donahue brought this up last time, and I think this is a really good exercise. The question was: if we choose to increase taxes, and let's say this is all a hypothetical exercise, but if we were to go up to the 4.10% over the next 3 years, how much revenue could we garner for that increase? Obviously, if we don't increase it, we don't get anything, but if we go up one percent which is a .17 increase in the millage over 3 years, it will garner an additional \$978,000 in revenue. That is a compounding effect over 3 years. The first year would give us \$321,000, at 2% or a .33 millage increase. Over the 3 year term, it would be \$1.9 million, at a 3% increase, or .5 increase in millage. At 4.1%, which would be the highest part of the index, over a 3 year term would be a .6 increase in millage that would yield us 3.9 million dollars over a three year term.

A lot of times, we talk about the compounding effect of real estate tax increases and that kind of gives you a little bit of an idea. I think that concludes my report unless anyone on the Finance Committee has something they want to add that I missed.

Thank you Madam President.

3.04 Presentation - Local Audit

Mr. Straub: I know the Board members have had the weekend to review the financial statements. I'm just going to go through these very briefly. If you have any questions, feel free to ask me. I will review the basic information in this financial statement.

Page 1 contains the auditor's report. It's an unqualified opinion, meaning that there were no material misstatements and everything is in accordance with generally accepting accounting principals. There is a section following which is the management's discussion and analysis that is put together by the administration. I would advise you to read through that, as it focuses on some of the financial highlights that were important to share with the Board.

Page 3 is a statement of activities. I'm not going to go through this report on a page by page basis. On Page 2 is the government wide financial statements. In the governmental activities column for this year at June 30, 2008 is the current portion of long term liabilities. The current portion of long term debt is almost 17.5

million dollars. Keep in mind part of this is a result of the series of 2008 refinancing where you refinanced 4 bond issues, 2 of those were still outstanding at June 30, 2008. There is 13 million dollars in assets and 13 million dollars in debts that came due back in September of 2008. That is now paid off. The number looks different than what you would normally see, but it's a result of the way you did the refinancing.

Page 4 is the balance sheets for the governmental funds. The first column is the general fund and you'll see the undesignated fund balance of the general fund as of June 30, 2008 is \$3,882,000. That is exactly 8% of the District's expenditures for the past year. Keep in mind that last year, you passed a new Board policy that set up a capital reserve fund and the provisions pretty much said that anything over and above 8% of your undesignated fund balance would be transferred to the capital reserve fund. As you see there is almost 4 million dollars now in the capital reserve fund as a result of that transfer.

Page 6 is the governmental changes in revenues and expenses. The first column is the general fund. For the year ended June 30, 2008, the general fund had a negative change in fund balance of almost 3.3 million dollars. Included in that 3.3 million dollar negative, takes into account almost 4 million dollars that was transferred to the capital reserve fund. Had the transfer not happened, you would have had about a \$600,000/\$700,000 surplus for last year.

There are just a few notes I would like to review. On page 32, we talked about the undesignated fund balance, but the Board also has some designated fund balances as of June 30, 2008. Note H on page 32 gives you a summary of what those designations were at the beginning of the school year, as well as what the designations are at the end of the school year. If you recall, you changed the designation on your post employment benefit obligation which is a million dollars, to a retirement rate stabilization fund. I would expect that's going to come in handy in the next few years, knowing how the state pension funds have performed the last year in particular. The other thing to note is what your state employment retirement payment was for last year. It was almost 1 ½ million dollars at a 7% rate. There is some talk that in 2, 3, or 4 years that rate could approach 15% to 21%, so the 1 million dollars that you now have set aside is not going to go very far when you get to that point, keep that in mind.

That's pretty much all I wanted to review on the financial report itself unless someone has more questions. We did issue a management letter this year for the first time in a number of years and part of the reason the management letter was issued this year is some of the regulations on what we're required to do as auditors have changed. We've been doing the audit probably for 20 years. Every year we come in, propose journal entries to the administration, administration looks at them and decides if they're appropriate, and then we get their approval to post them. In the course of doing that we probably propose 40 journal entries in the course of a year, some of which are what I would call material. Now, if we propose material

adjustments, we're required to consider that to be a significant deficiency in internal control. Nothing has changed the way we perform the audit, but now it's a required deficiency. We have that deficiency in the management letter this year. Obviously the Board would have to decide to be able to get rid of that deficiency, or whether they want to change the way the audit is structured. In other words, will more of the adjustments be done in house before we were to start the audit, and it's going to be a question of cost versus benefit. I know the administration, when we come in to do the audit, the Business Office is involved in a lot of other things that seem to have their priority, such as starting to develop the budgets for the next school year. I know that there was a 403b annuity issue this year and other things that are on the Business Office plate. If they're going to get rid of this deficiency, the only way to do that would be to potentially hire some more people. The cost probably does not outweigh the benefits, and that's something the Board would have to decide.

We probably do 75 audits and we believe we're going to have this deficiency in probably 74 of them this year.

Any questions on the management letter?

Finally, you also received something new this year called a SAS 114 communication to those in charge of governance. This is the letter addressed to the Board of Directors. Obviously, you are not involved in the day-to-day maneuverings of the audit. This letter goes through some of the things that occurred during the audit to bring you up to speed. For example, whether there were any disagreements with management, whether there were any changes in accounting practices, sensitive disclosures that you should be aware of, and whether or not you consulted any other accountants. These are all the things that we're now required to put in writing to the Board's attention on how the audit went. I don't think I would consider anything that occurred during the audit out of the ordinary, so if you have any questions on that, I'd be glad to answer them. Any questions in any area?

Mr. Barrett: Madam President, one important point to make is that we discussed in the Finance Committee our recommendation to have Brian's firm complete those entries from a cost, efficiency, and oversight standpoint. I think we really need to stress that it doesn't have anything to do with the Business Office's current operations. Steve Rineer runs a great ship, so does Dr. Brewer, so it has nothing to do with that. It's a change in the laws and I think we determined that it would be best to have Brian continue with that.

Mr. Stover: Brian, thank you. Your firm does a great job. I know every year I understand these better and better as we go through them so I don't have any specific questions for you, but a lot of people here are complaining about state funding and I'd just like to read into the record a short paragraph about what we're really talking about.

The District is required to provide educational opportunities for students with special needs and the cost to provide these special programs continues to increase as a result of increased numbers of students identified with special needs as well as more complex and multi-faceted needs exhibited. While the Commonwealth of Pennsylvania continues to provide funding in this area, the cost of educating these students continues to escalate at a rate higher than the Commonwealth's reimbursement increases. In 2007-2008, special needs spending increased for our District \$248,939.00 while the Commonwealth funding decreased \$4,996.00.

Dr. Cronin: I just have one question and you did touch on it, but specifically for my clarification and possibly others. You said that if we had not transferred - obviously we reached our 8% of expenses maximum in our undesignated fund balance which caused an internal transfer of the \$3,961,000...

Mr. Straub: Almost 4 million dollars.

Dr. Cronin: Exactly. If we hadn't made that transfer, there would have been a \$600,000 surplus. Does that mean the extra that originally went to the fund balance was a surplus in our regular income so it went to the undesignated fund and then had to transfer out? Where did that money, I don't have a good picture.

Mr. Straub: The way the mechanics work now as my understanding, is based on the Board's policy. At the end of the year, after all the adjustments are made, there is a determination made as to what percentage is the general fund undesignated fund balance compared to expenditures of the general fund. If that number is more than 8% based on the new Board policy, the excess is transferred to the capital reserve fund for future endeavors.

Dr. Cronin: Where did it originally come from to be an excess in the undesignated funds. Was it a surplus for that year and if we hadn't transferred it...

Mr. Straub: It's more than a combination of this year because the surplus would have \$600,000 and you transferred 4 million dollars. A lot of this was as a result of prior year accumulations in fund balance that you're transferring now.

Dr. Cronin: So even though we transferred that amount, it looks like on paper, the net change was a drop in 3.3 million dollars. If we hadn't made that transfer, we'd have a \$600,000 surplus. That's an accumulation of positives that were too high in the undesignated fund and that's why it was transferred out.

Mr. Straub: Right.

Dr. Cronin: Okay. So, it wasn't a one year...

Mr. Straub: In prior years, it would only have been a \$600,000/\$700,000 transfer.

Dr. Cronin. Okay, thank you.

Dr. Parrish: Steve, a lot of that positive variance this year was the unbudgeted pilot payment from the Giant Center, is that correct?

Mr. Rineer: It was unbudgeted revenue. Correct. I mean, if we had not received the pilot payment that was not budgeted, we would have been very close to breaking even.

Mr. Barrett: I think that was the point we made in the Finance Committee meeting today. Even with the negative variances that we have in some areas, if we wouldn't have been over with the pilot payment, we would have been right on target. That was good forecasting on your part. That's why I think the Board policy comes into play that we put those into reserves so they don't become part of recurring spending. We're getting as close to zero budget as we can. I think that's why we did it. That forecasting worked out great actually on your part.

Mr. Straub: One of the other things in your variance was, keep in mind, that the Lebanon County Tax Collector had died on the job. During that process, a lot of your money was put in escrow until they figured out who was supposed to get the money. There was a lot more money coming from the Lebanon Earned Income Tax Collector this year than you normally would have gotten.

Dr. Parrish: I think the other thing worth noting is Mr. Straub's comment about the retirement fund. We're going to get hit with a big expense in two or three years. Hopefully, some of these designated funds will soften that blow. but it's coming and for school districts who aren't planning for that, it's going to be a big hit.

Dr. Cronin: Because of the pilot payment that was unbudgeted and other unbudgeted areas, the 3.9 almost 4 million dollars, over how many cumulative years do you think that accounts?

Mr. Straub: We have a 10 year summary of a general fund in the next to last page of the financial report. If you go back there, you'll see that prior to this year, there were three years in a row which cumulated about 5 million dollars in fund balance of the general fund. Until this year, and with the fact that you transferred to the capital reserve fund, you were showing positive numbers every year. At least the last three years.

Dr. Cronin: Alright that helps, thank you.

Mrs. Chabal: Thank you very much.

UNFINISHED BUSINESS

4.01 Unfinished Business

None.

NEW BUSINESS

5.01 Approval of Finance Report for December 2008

The Administration recommended the approval of the December 2008 Finance Report.

1.	The Treasurer's Report for the month ending December 31, 2008 was summarized as follows:	
	• General Fund Revenues	\$2,732,025
	• General Fund Expenditures	3,262,203
	• Balance of Cash Plus Investments	27,203,975
2.	The listed schedule of investment transactions for the period beginning December 1, 2008 through December 31, 2008 had total interest earnings of \$86,472 comprised of the following:	
	• General Fund	\$567
	• Money Market	11,313
	• Certificates of Deposit	67,453
	• PA School District Liquid Asset Fund	128
	• PA Local Government Investment Trust	7,011
	The average interest rate for December 2008 was 3.43%	
3.	The December 2008 expenditures for the paid bills for all funds totaled	

	\$1,691,954 excluding net payroll, retirement contributions, and debt service.	
4.	The January 2009 expenditures for the unpaid bills for all funds totaled \$671,048.	
5.	The estimated expenditures of the General Fund for the month of January 2009 are in the following amounts:	
	• Operating Expenses	\$1,000,000
	• Utilities	152,000
	• Net Payroll (3 pays)	1,805,000
	• Employer Provided Insurance	305,900
	• Payroll Deductions	885,000
	• Employer Payroll Taxes (FICA/RET)	205,785
	• Debt Service	<u>0</u>
	Total Estimated Expenditures	\$4,353,685

Dr. Parrish moved the Board approve the Finance Report and was seconded by Mr. Stover.

Roll Call Vote:

Barrett – Yes

Chabal – Yes

Cronin – Yes

Donahue – Yes

Gräb – Yes

Malkoff – Yes

Parrish – Yes

Sheffey – Yes

Stover - Yes

9 Yes

MOTION CARRIED

5.02 Budget Transfers

Section 687 (d) of the Public School Code provides: The Board of School Directors shall have the power to authorize the transfer of any unencumbered balance, or any portion thereof, from one class of expenditures or item, to another, but such

action shall be taken only during the last nine (9) months of the Fiscal Year."

The Administration recommended the Board authorize the January 2009 budget transfers.

Mrs. Sheffey moved the Board approve the request and was seconded by Mr. Malkoff.

Roll Call Vote:

Barrett – Yes

Donahue – Yes

Parrish – Yes

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Yes

Malkoff – Yes

Stover - Yes

9 Yes

MOTION CARRIED

5.03 Resolution in Accordance with Section 687 of the Public School Code: Limitation of Real Estate Rate Increase to 4.1%

RESOLUTION IN ACCORDANCE WITH SECTION 687 OF THE PUBLIC SCHOOL CODE: LIMITATION OF REAL ESTATE TAX RATE INCREASE TO 4.1% INDEX

WHEREAS, the Board of School Directors of the Derry Township School District has determined that there will be no increase in the rate of any tax for the support of its public schools for the 2009-2010 fiscal year by more than the Index established by the Department of Education (Department) for the district;

WHEREAS, the Index for the District is 4.1%

WHEREAS, the Board of Directors of the Derry Township School District does hereby certify that the District will comply with the procedures as forth in Section 687 of the Public School Code as it relates to the annual budget for the adoption of its proposed and final budgets;

WHEREAS, the Board of School Directors certifies that increasing any tax at a rate less than or equal to the established index will be sufficient to balance its final budget;

WHEREAS, the Board of School Directors certify that the District will submit information on a proposed increase in the rate of a tax levied for the support of the public schools to the Department on a uniform form prepared by the Department no later than five (5) days after the adoption of this resolution;

WHEREAS, the Board of School Directors certify that a copy of this resolution adopted pursuant to Section 311 of the Taxpayer Relief Act of Special Session No. 1 of 2005 will be sent to the Department no later than five (5) days after the adoption of this resolution;

WHEREAS, the Board of School Directors recognize that the District shall not be eligible to seek referendum exceptions under Section 333 (f) of the Taxpayer Relief Act; and,

WHEREAS, the Board of School Directors recognize that the Department shall compare the proposed percentage increase in the rate of the tax with the index; within ten (10) days of the receipt of the information as required, the Department shall inform the District whether the proposed tax rate increase is less than or equal to the index.

NOW, THEREFORE, BE IT RESOLVED, by the Board of School Directors of the Derry Township School District as follows:

The Board of School Directors adopts this RESOLUTION on the 26th day of January, 2009 indicating that it will not raise the rate of any tax for the support of its public schools for the 2009-2010 fiscal year by more than the index established by the Department of Education for the district of 4.1%

DULY ADOPTED, by the Board of School Directors of this School District, this 26th day of January, 2009.

DERRY TOWNSHIP SCHOOL DISTRICT
Hershey, PA

By: _____
President

ATTEST:

Secretary

(SEAL)

Dr. Parrish moved the Board approve the resolution and was seconded by Dr. Cronin.

Mr. Stover: I just want to be crystal clear. This does not mean we're raising taxes by 4.1%. In fact, we're moving towards a zero tax increase.

Mrs. Chabal: Thank you.

Roll Call Vote:

Barrett – Yes

Chabal – Yes

Cronin – Yes

Donahue – Yes

Gräb – Yes

Malkoff – Yes

Parrish – Yes

Sheffey – Yes

Stover - Yes

9 Yes

MOTION CARRIED

5.04 Resolution to Raise the Exemption of Earned Income for Local Services Tax

**DERRY TOWNSHIP SCHOOL DISTRICT
LOCAL SERVICES TAX
RESOLUTION**

WHEREAS, the Derry Township School District seeks to comport with 53 P.S. § 6924.301.1 et seq., which addresses the Local Services Tax (LST), and

WHEREAS, for the benefit and efficiency of its taxpayers and its resident employers, the District seeks to align its exemptions for the LST with those of Derry Township.

NOW THEREFORE BE IT RESOLVED, that the following exemptions from the LST shall obtain effective January 1, 2009:

Any person whose total income from all sources is less than twelve thousand dollars (\$12,000) per annum;

Any person who has served in any war or armed conflict in which the United States was engaged and is honorably discharged or released under honorable circumstances from active service if, as a result of military service, the person is blind, paraplegic or a double or quadruple amputee or has a service-connected disability declared by the Veterans Administration to be a total and permanent disability;

Any person who serves as a member of a reserve component of the armed forces and is called to active duty at any time during the taxable year.

Mr. Barrett moved the Board approve the resolution and was seconded by Dr. Cronin.

Mr. Stover: I have some concerns, and as a rookie on the Tax Association, in fact I haven't even attended my first meeting yet because they've been cancelled. We were supposed to have one Thursday and it was cancelled. I just want to explain a little bit about this and expand upon my concerns. This local services tax replaces the occupational tax which previously was \$10, where the Township got \$5, we got \$5. Everybody paid it, except for someone who earned less than \$1,000. On November 6, when the supervisors presented their budget. I did not see anywhere where this was discussed before and this appeared in their budget - increasing this tax. Out of the total \$52, the Township would receive \$47 and we would continue to receive \$5. The legislators voted on this and it is legal. My concern is: why the Township didn't talk to us about this. Then on November 25, they voted upon it. The other concern is this was not discussed with the Tax Association. To my knowledge, Mr. Rineer, you've been to all those meetings and this has not been discussed. The essence of what this does changes how the money is collected. Now, it's collected monthly so they'll be collecting about \$2 a month.

Mr. Rineer: It's \$2 a pay for a biweekly pay.

Mr. Stover: Okay. I'm not as concerned with that because it's a small amount of money. It is a cash flow issue, but changing it from a \$1,000 to \$12,000 exemption is a concern. I think we're collecting about \$165,000 now, we'll be losing \$30,000, and I would like to have discussions with the Tax Association to see if there aren't possibilities. It is my understanding that we do not have to change our exemption, we can stay at \$1,000. They have to change theirs by law, so I would like to explore this before we take \$30,000 out of our budget. Having said that, I would move that we table this issue until Mr. Malkoff, Mr. Rineer and I can have discussions with the Tax Association.

Mr. Malkoff: Just to echo Chuck's comments. One of the issues is, once the Township changed the basis for the calculation from what it was before, we stayed the same. It puts a burden on each employer in Derry Township to basically do two separate calculations - one for the District and one for the Township. There is no possible way that, if you're a small employer or self-employed person, that you're going to become involved in doing two separate calculations to calculate taxes. It basically puts the individual employer in a very difficult position. This is an issue that we really have to clarify and resolve at the Tax Association level.

Mr. Barrett: Madam President, I'll withdraw my motion in favor of a motion to table.

Mrs. Sheffey: Is there a timeline for this?

Mr. Stover: I did ask Steve before the meeting if we were putting ourselves in any kind of jeopardy by doing this and he said we were not.

Mrs. Chabal: Do we have enough time to table the issue? Do you have enough time for us to be able to bring that forward under Roberts Rules which would mean that we would need to be speaking of that issue again at our next meeting?

Mr. Stover: I think probably the way I would suggest that we do this is probably not wait until the February meeting and that we get in touch with the Tax Association and see how they respond to this. Maybe there is nothing that can be done, but I think it is remiss for the Tax Association not to discuss it. If we don't discuss it at a formal meeting, there certainly should be some discussions with Scott Stevens.

Mrs. Chabal: Okay. Are we in proper order, Steve, with Mr. Barrett's removal of his motion?

Dr. Cronin: I'll withdraw my second of that motion, but I think it's imperative that the discussions take place to make sure that we're not encumbering the system as Mr. Malkoff stated. I personally believe those three exemptions, specifically people making under \$12,000. I'm less concerned with removing any burden on folks making that income in terms of being exempt, as well as the military veterans and the reserves who are called to active duty. That part of it, I'm happy about, and I want to support, but in terms of the timeline and clearing up the collection part, I'll withdraw my second because of that.

Mr. Barrett: I agree with that too with all those considerations for those people. I definitely agree that we ought to table.

Mr. Gräb: For point of clarification. This says any person whose total income from all sources is less than \$12,000 a year. Does that include pension payments, social security payments, dividends, and interest, or is it just earned?

Mr. Rineer: I don't know the specific answer. I'm going to assume for purposes of answering your question that it ties in because this is an Act by the state legislature and the state legislature has not taxed pension. I'm assuming that the income categories, that that \$12,000 is with respect to, are all the income items you file on your Pennsylvania income tax returns, which includes earnings from wages, self-employment income, interest income, dividend income, rents and royalty income. Those are the items that would normally be covered by that \$12,000 amount.

Mr. Gräb: Thank you.

Mrs. Chabal: So we need to proceed in what proper order? We need a motion to table.

Mr. Stover moved the Board approve the request and was seconded by Mr. Barrett.

Mrs. Chabal: Do we need a full vote or a yay, nay?

Mr. Rineer: It never hurts to have a full vote.

Mrs. Chabal: Okay.

Roll Call Vote:

Barrett – Yes

Chabal – Yes

Cronin – Yes

Donahue – Yes

Gräb – Yes

Malkoff – Yes

Parrish – Yes

Sheffey – Yes

Stover - Yes

9 Yes

MOTION CARRIED

5.05 Approval of Audit Report for the 2007-2008 School Year

The Administration recommended the approval of the audit report for the 2007-2008 school year as presented by Mr. Brian Straub, CPA from the District's auditing firm of Waggoner, Fruitiger & Daub.

Mr. Barrett moved the Board approve the request and was seconded by Mr. Malkoff.

Roll Call Vote:

Barrett – Yes

Chabal – Yes

Cronin – Yes

Donahue – Yes

Gräb – Yes

Malkoff – Yes

Parrish – Yes

Sheffey – Yes

Stover - Yes

9 Yes

MOTION CARRIED

5.06 Elimination of Fund Balance Designation and Establishment of Reserve Fund

The Board of School Directors of the Derry Township School District hereby eliminates the \$1,000,000 General Fund Balance designation for Retirement Rate Stabilization which was established by Board action effective June 30, 2008. The \$1,000,000 designation is hereby transferred to a Retirement Rate Stabilization Fund.

Mrs. Sheffey moved the Board approve the request and was seconded by Dr. Cronin.

Roll Call Vote:

Barrett – Yes

Chabal – Yes

Cronin – Yes

Donahue – Yes

Gräb – Yes

Malkoff – Yes

Parrish – Yes

Sheffey – Yes

Stover - Yes

9 Yes

MOTION CARRIED

5.07 Approval of Tax Collection Association Re-Appointment

The Administration recommended Mr. Frank Nardo be re-appointed to the Township of Derry Tax Collection Association as an At Large Member until December 31, 2010.

Mr. Malkoff moved the Board approve the request and was seconded by Mr. Stover.

Roll Call Vote:

Barrett – Yes

Chabal – Yes

Cronin – Yes

Donahue – Yes

Gräb – Yes

Malkoff – Yes

Parrish – Yes

Sheffey – Yes

Stover - Yes

9 Yes

MOTION CARRIED

5.08 Requests for Payment - Construction Project

The Administration recommended the approval of the following invoices as reviewed and approved by Mr. Consalo:

	Elementary School HVAC Improvements:	
1.	Trane, Inc. (HVAC Contractor) Application No. 08	\$45,000.00
	Multi-Purpose Practice/Playing Fields:	
2.	Hayes Large Architect LLP Bill No. 0811-074	4,314.98
3.	Hayes Large Architect LLP Bill No. 0811-075	2,573.00

4.	Hayes Large Architect LLP Bill No. 0812-011	19,200.00

Dr. Parrish moved the Board approve the request and was seconded by Mr. Barrett.

Dr. Cronin: I just have a comment. I notice that there are payments for the multi purpose playing fields and I'd be remiss if I didn't express my continued concerns. Anytime I turn on CNN and actually the local news recently, the papers, as well as the news, have shed light on some organizations' sacrifices have been occurring in our own Derry Township. For example, I'm sure you're all familiar with Penn State Children's Hospital now on hold in terms of a major capital improvement project. Pinnacle just put a hold on their short stay surgical center, and all upper management, including nurse managers, have had their salaries frozen and zero bonuses for the year. I haven't gone to physically see what Tyco and Hershey Foods are doing, but I'm sure it's similar, so I'm still uneasy in terms of us going forward with this project rather than advancing the academic middle school project. I just want to throw that out there because I feel very strongly that, in our current economic situation, I would rather spend money on a middle school project that we know is going to be necessary within a year or two than going forward with something that would be great, but could wait and that's just my personal strong feeling that I have, because of the uncertainty.

Mr. Stover: We don't know that in a year or two we're doing the middle school. We don't know that. This money needs to be spent within 3 years and to accelerate the middle school project that is going to cost way in excess of the 4 million dollars would be, in my judgment, not the right thing to do. Secondly, what is your solution to the track and for our problem with fields. It's easy to be against something, but unless you present a solution for how we're going to fix the track and how we're going to accommodate our growing sports needs, I don't agree with that argument.

Dr. Cronin: No, I absolutely agree that I've seen first hand with my own children and lots of students, the need for the additional fields. That is something that I've heard since I've moved here, so it didn't necessarily happen overnight. But, I certainly would feel more comfortable knowing that middle school overcrowding, which I think is more significant, was addressed. Even though 4 million might not be able to cover the whole thing, it certainly isn't chump change and I would just like to see a discussion, maybe community input or something. Like you said, I'd rather put our money where the academics are and the sports fields, I think we continue to do what we have been doing. I know using the turf field at the stadium has helped with a lot of teams, but I think that we continue to be as creative as we have with the field for another year or two and really push forward with the middle

school projects. We know our numbers are showing that enrollment is going higher and I think it's the 5th grade class that's really large. Of course, the first grade class, but the 5th grade class is entering soon. Once again, it would be nice to have dialogue since the economic changes keep going not in our favor.

Mr. Stover: Just to reiterate. What you're proposing is to move forward with the middle school project, which in essence would probably guarantee a tax consequence, whereas what we're proposing to do, which is study the numbers. The General Services Committee is not convinced that this needs to be done now - there are no teachers on carts, the administration agrees that they can work through this and if you look at our debt service, by delaying this we will be able to do this without a tax consequence. I'm in favor of waiting until we absolutely know this has to be done. A good example of how that was done was the high school. We went through some pain, but by delaying it and doing it, I think we did at the perfect time. We did not have a tax increase, and I'm more in favor of moving towards an expansion that gives us the best possibility of not having to raise taxes and raise our debt.

Mrs. Chabal: Any further discussion? Thank you, Donna and Chuck.

Dr. Cronin: One final comment on the numbers. I guess I would assume from our last presentation that the consultant had shared those numbers. So if we could just have an update.

Mrs. Chabal: Which numbers?

Dr. Cronin: The numbers for the enrollment projections. If we're not sure that we're going to need it, it would be nice to just get updates as to how close we think we are to needing it.

Mrs. Chabal: Yes, and I'm sure we'll begin to get those as time gets closer. I do recall that one of the discussions, as Chuck did mention, is that it's imperative. Yes, we know that we have bubbles and yes we know that in the future we will need to have expansion of some sort at the middle school level, but two fold things.

First of all, it's important as we look carefully at our debt and how it is layered out for us and Lou Verdelli has done a fabulous job in stepping back so that we are able to wrap our debt around so that we can keep, basically what we might consider as our mortgage, at a level area. Even though we are, in fact, building at that time. As in the same way we did the high school. We were able to do that and I think that one of the things that Chuck is mentioning is that those studies indicate that we can hold the bar where it is, even though our classes are beginning to become a little more crowded. We can look back at what our bubbles are and hold on to the time where we really know beyond a shadow of a doubt that this has to happen, so it can coincide with what we know our long term financial

plan is as far as our wrapping our debt and working with Lou Verdelli very closely. He is an integral part of this entire discussion, because one of the things that we, as a Board are very proud of, is that we have been able to manage our debt and we were able to do the high school without major tax implications. We were able to maintain our debt level and it's important that we do that. It's important for our long term economic health. I appreciate and understand your concern, as far as the fields are concerned, but those capital dollars as Chuck mentioned, have a life to them and that life is shorter than the life that we need to look forward for the expenditures for the middle school. As you articulated yourself, it's obvious that the needs are there for the fields and as we understand our financial plan and as we look forward to what we may need to do and more than likely will have to do at the middle school, those two particular projects don't mesh in the way that you're talking about.

Dr. Cronin: Thank you for the explanation. I was under the impression that it was a more imminent concern. As long as we're proactive and know rather than coming up short.

Mrs. Chabal: Right. The General Services Committee has kept right on top of that. They've worked very closely with the Finance Committee to keep on top of that and we've also worked very closely in keeping our finger on our financial pulse, which Lou Verdelli does stress as far as our long term debt is concerned. But, I appreciate your concerns.

Dr. Cronin: Thank you.

Mrs. Chabal: Thank you.

Roll Call Vote:

Barrett – Yes

Chabal – Yes

Cronin – Yes

Donahue – Yes

Gräb – Yes

Malkoff – Yes

Parrish – Yes

Sheffey – Yes

Stover - Yes

9 Yes

MOTION CARRIED

5.09 Agreement to Participate in the Capital Area Wide Area Network

The Administration recommended the District enter an agreement with the Capital Area Intermediate Unit to participate in the Capital Area Wide Area Network (CA WAN) for a five-year period.

The District desires to take advantage of the cost and collective benefit of

participating in the CA WAN and the resulting ability to connect to the PAIU net created by the Pennsylvania Association of Intermediate Units.

Mrs. Sheffey moved the Board approve the request and was seconded by Dr. Cronin.

Roll Call Vote:

Barrett – Yes
Chabal – Yes
Cronin – Yes

Donahue – Yes
Gräb – Yes
Malkoff – Yes

Parrish – Yes
Sheffey – Yes
Stover - Yes

9 Yes

MOTION CARRIED

5.10 Approval of Policy 801 - Public Records

The Administration recommended the approval of Policy 801 - Public Records of the Derry Township School District Policy Manual which has been on public review for thirty days in the Hershey Public Library, Derry Township Tax Office, Derry Township Municipal Office, Hershey High School Library, and the District Office.

Mrs. Sheffey moved the Board approve the request and was seconded by Mr. Barrett.

Roll Call Vote:

Barrett – Yes
Chabal – Yes
Cronin – Yes

Donahue – Yes
Gräb – Yes
Malkoff – Yes

Parrish – Yes
Sheffey – Yes
Stover - Yes

9 Yes

MOTION CARRIED

5.11 Requests for the Use of School Facilities

The Administration recommended the approval of the Requests for the Use of Facilities:

<i>Group:</i>	Hershey Community Baseball Association
<i>Date/Time:</i>	March 20 through September 2009 8:00 a.m. - 10:00 p.m.
<i>Requested</i>	Memorial Field, JV Baseball Field

<i>Facility:</i>	(Will work in conjunction with Hershey Little League to schedule field time)
<i>Event:</i>	Baseball Games and Practices
<i>Fee:</i>	None
<i>Group:</i>	Hershey Little League
<i>Date/Time:</i>	March 20 through October 2009 8:00 a.m. - 10:00 p.m.
<i>Requested Facility:</i>	Memorial Field, North/South Fields, JV Baseball Field (Will work in conjunction with Hershey Community Baseball Association to schedule field time)
<i>Event:</i>	Baseball Games and Practices
<i>Fee:</i>	None
<i>Group:</i>	Derry Township Police Department
<i>Date/Time:</i>	March 29, 2009 1:00 p.m. - 4:30 p.m.
<i>Requested Facility:</i>	High School Cafeteria
<i>Event:</i>	Written Testing for Police Officer Applicants
<i>Fee:</i>	None
<i>Group:</i>	Hershey Little League
<i>Date/Time:</i>	June 19 - 21, 2009 8:00 a.m. -Dusk
<i>Requested Facility:</i>	Memorial Baseball Field
<i>Event:</i>	Father's Day Little League Event
<i>Fee:</i>	None
<i>Group:</i>	Kicks 4 Kids Charity Soccer Tournament
<i>Date/Time:</i>	June 20, 2009 8:00 a.m. - 6:00 p.m.
	June 21, 2009 8:00 a.m. - 6:00 p.m.
<i>Requested Facility:</i>	Inside Cinder Track
<i>Event:</i>	Kicks 4 Kids Charity Soccer Tournament
<i>Fee:</i>	Request for Waiver

Dr. Cronin moved the Board approve the request and was seconded by Mr. Malkoff.

Dr. Parrish: One question. For the use of baseball facilities, if there is a discrepancy between the two baseball organizations about scheduling field time, who is going to go first?

Dr. Brewer: It is my understanding that Mr. Elias has worked with them and he has brought something that is mutually workable. If not, that would need to go back to him for dispute resolution.

Dr. Parrish: I just recommend that be clarified ahead of time, because there has been some friction there as people in the community know. I think we need to have that in place so that it's very clear to everybody that Sam Elias will ultimately make that decision.

Roll Call Vote:

Barrett – Yes

Chabal – Yes

Cronin – Yes

Donahue – Yes

Gräb – Yes

Malkoff – Yes

Parrish – Yes

Sheffey – Yes

Stover - Yes

9 Yes

MOTION CARRIED

5.12 Personnel - Resignations

The Administration recommended the approval of the following resignations:

Professional:
Roesch, Jennifer Learning Support Teacher High School Reason: Personal Effective: 01/16/09
Classified:
Kingston, Thomas Bus Driver District-wide Reason: Personal Effective: 02/07/09

Dr. Cronin moved the Board approve the resignations and was seconded by Dr. Parrish.

Roll Call Vote:

Barrett – Yes

Chabal – Yes

Cronin – Yes

Donahue – Yes

Gräb – Yes

Malkoff – Yes

Parrish – Yes

Sheffey – Yes

Stover - Yes

9 Yes

MOTION CARRIED

5.13 Personnel - General

1.	The Administration recommended the approval of the following appointments:
	Professional:
	Brown, Julee * (for Jennifer Roesch) Learning Support Teacher High School Long -term Substitute Bachelors, Step 1 Salary: \$40,281.25 (pro-rated) Effective: 04/01/09 through the end of the 2008-09 school year
	Classified:
	Johnson, Scott Substitute Bus Driver District-wide Salary: \$13.60 per hour Effective: 01/26/09 (pending receipt of Act 151 and 114 clearances)
	Kovacs, Charles Substitute Bus Driver District-wide Salary: \$13.60 per hour Effective: 01/26/09 (pending receipt of Act 151 and 114 clearances)
	Transfer of Classified Staff:
	Winter, Janet * From: Substitute Bus Driver District-wide To: Bus Driver (replacing Robert DeAngelis) District-wide Level A: 5.0 hours per day Salary: \$13.60 per hour Effective: 08/25/08 (Retroactive)
	Limited Service Contracts:

	<p>Boyer, Allen * Technology Lead Teacher Elementary School Level III, Group E, Step 4 Salary: \$1,088 Effective: 08/21/08 (Retroactive)</p>
	<p>Collier, Michael (New Position) Assistant Varsity Boys' Lacrosse Coach High School Level II, Group D, Step 7 Salary: \$2,097 Effective: 03/02/09 (pending receipt of Act 34, 151, and 114 clearances)</p>
	<p>Cullari, Rachel (replacing Caroline Montgomery) Choreographer High School Level I, Group I, Step 1 Salary: \$725 Effective: 01/26/09 (pending receipt of Act 114 clearance)</p>
	<p>Hartman, John (replacing Paul Socha) Stage Manager High School Level I, Group I, Step 6 Salary: \$791 Effective: 01/26/09 (pending receipt of Act 34 clearance)</p>
2.	<p>The Administration recommended the approval of the following request in accordance with the District Policies 435 & 439:</p>
	<p>Valoczki, Tara Grade 3 Teacher Elementary School Paid/Unpaid Childbearing/rearing Leave Effective: On or about 04/28/09 for a period of 6 weeks</p>
3.	<p>The Administration recommended the approval of the following request in accordance with District Policy 535:</p>
	<p>Kulbacki, Vicki Paraeducator Early Childhood Center Paid/Unpaid Family Medical Leave (up to 12 weeks) Effective: 01/13/09 (Retroactive) to be used intermittently during a one-year cycle as necessary (pending receipt of FMLA paperwork)</p>
	<p>Titus, Derek Custodian Early Childhood Center Paid/Unpaid Family Medical Leave</p>

	Effective: 01/21/09 (Retroactive) through 03/25/09
4.	The Administration recommended the approval of the following additions to the 2008-2009 Substitute Teacher List:
	Brassell, Nicole B.A. in Sociology with teaching certification in Elementary Education from Millersville University
	Greene, Adam B.S. in Elementary Education from Penn State University
	McCullough, Megan B.S. in Elementary Education from St. Vincent College
	Stasny, Michele B.A. in Art Education from Kutztown University
	Todd, Jaclyn B.S. in Physical Science from The College of New Jersey
	* This individual is currently an employee and/or volunteer. Clearances are on file.

Dr. Cronin moved the Board approve the personnel recommendations and was seconded by Mr. Barrett.

Roll Call Vote:

Barrett – Yes
Chabal – Yes
Cronin – Yes

Donahue – Yes
Gräb – Yes
Malkoff – Yes

Parrish – Yes
Sheffey – Yes
Stover - Yes

9 Yes

MOTION CARRIED

DELEGATES REPORTS

6.01 Dauphin County Technical School Report

No report.

6.02 Derry Township Tax Collection Association Report

Mr. Malkoff reported that the meeting for January was cancelled. The meeting for February will take place on February 26, 2009.

Mr. Stover: Please make a note to switch the names.

Mrs. Chabal: I will.

6.03 Harrisburg Area Community College Report

No report.

6.04 Capital Area Intermediate Unit Report

Mrs. Sheffey: We met Thursday and I forgot to bring my notes so bear with me. We had a preliminary review of the general operating budget. They are asking for a 4.1% increase in District's contributions. To put that in perspective, I think it's going to be about \$1,800 more for Derry Township. I know we are working very hard to have a zero percent tax increase, so the 4.1% may seem high, but I think it is reasonable. They have not raised District contributions for the last three years and, I believe going back the last 6 years, it's only been a 1% increase on average, so I think it's a reasonable request. As I had mentioned at a previous meeting, they actually have expanded their operations by more than 50%. I plan on voting to approve that budget at our next meeting which is February 26. If it is approved by the whole IU Board it will then be sent to the individual District Board and then we as a District Board will have to vote to approve it, I believe in March.

SPECIAL REPORTS

7.01 Student Representatives' Report

Mr. Rogers: We do not have anything to report tonight, although on behalf of the student body, we would like to thank the Board for all they do for us and our education. While we students may not always see the direct impact of what you do, we understand the lengths you go to for our sake and we are grateful for all you do for us. Thank you.

7.02 School and Community Information Report

Mr. Tredinnick: Thank you Mrs. President. It is my pleasure to call to your attention to three students who are being honored this evening. Because of our meeting schedule in December, I did not have the opportunity to discuss the December student of the month. This evening, I want to highlight for you quickly our December student of the month and our two January students of the month.

Rachel Abendroth was named the December student of the month for Hershey High School by the Federated Women's Club. She is the editor of the high school yearbook and plays varsity field hockey and lacrosse. She is member of the high

school production staff. She's also a member of the National Honor Society, the French Honor Society, and she is a National Merit Scholarship Semi Finalist. She volunteers with the Special Olympics, Habitat for Humanity, the Boys and Girls Clubs, and Downtown Daily Bread, which is a soup kitchen. She is planning to study bio medical science and physics when she attends college next year.

For January we have two students of the month, Andrew Kirk and Natasha Kumar.

Natasha has accumulated numerous awards in recent years for a wide variety of things including her writings where she has received awards from the Pennsylvania School Press Association. She has also won numerous awards in various science fair competitions and Science Olympiad. She is a very active volunteer, volunteering for the Milton Hershey Medical Center and the Helen Keller Institute for Deaf/Blind in Mumbai, India and her efforts in that particular endeavor earned her the Young Humanitarian of the Year Award from the Pennsylvania Association of Gifted Students. She is planning to attend college at Brown where has been accepted into a very prestigious program for her undergraduate studies and guaranteed acceptance into the medical school as well.

Kirk is a Hershey High School cross country team captain. He is also President of the school's Career and Health Club in addition to his participation in marching band, jazz band, and wind symphony. He is also a cast member of the upcoming production of the Sound of Music. He is a member of the National Honor Society and is a national merit commended student. He is also planning to attend college where he is hoping to go to Penn State University where he will study something in the field of engineering.

Those are the students of the month for December and January.

I also want to mention that yesterday I saw a number of you here and in the community at the Community Task Force event which was held at the Hershey Free Church where we began a community-wide dialogue on considerate conduct and civility. There were about 750-800 participants in the audience at any given time, so I know as a member of the Task Force, the District was pleased to be a participant of that and very gratified by the turn out that was shown at that event.

7.03 Board Members' Report

Dr. Cronin: It's not a report, but I just want to comment. I did attend and I want to commend the Task Force and the administration for making sure the Strategic Plan had the civility as part of its focus. I thought the presentation was very well done. It was great to see the students there. I thought it was great that Professor Forni presented in a nice manner to show us all the importance of civility. I think his focus was on the merits of an inclusive environment and I was thrilled to see that you made sure that we have these little pledges. I forgot to turn mine in, but I

have extras for everybody. I do want to turn mine in. I specifically liked or wanted to make note of, he had 25 different things on the back which I'm sure everybody saw. Number 1 was pay attention, Number 4 was listen, and Number 10 was respecting others' opinion. It's nice to have other people in the audience, because I know, as a Board member, it's important that we listen to the community and thank you for coming. We do want to listen and hear what you have to say.

Mrs. Chabal: I will echo Donna's comments. I think actually if we look around the table, we had a majority of our Board members there, so it was well attended. It was a delightful afternoon and I think that certainly what Dr. Forni had to say was down to earth and practical, which is something that I look for in a good speaker. He gave some very practical applications, and he was a pleasure to listen to. I thought one thing that certainly indicated he was able to hold the audience's attention was the large number of students from Milton Hershey School that attended. Not only were they extremely well behaved, but they listened intently to this gentlemen's conversation. I think it was a wonderful thing. Thank you Dr. Brewer and Mr. Stover, I know that you're a part of that. It was a wonderful start, and I look forward to where we'll go from here. I really look forward to that as it builds momentum and moves to our community so that we can learn the proper ways to agree, to disagree and be civil with one another. Thank you very much.

7.04 Superintendent's Report

Dr. Brewer: I actually do have a couple of follow ups tonight. First of all, Dan, when can we expect Dr. Forni's presentation to be on the website, because for those that were not able to be present, he has agreed to allow us post it.

Mr. Tredinnick: We were fortunate to have some student volunteers from the High School Cinema Club shoot the proceedings and they're working on editing a final package. They expect it's going to take them about a week to have that available, but then it will be posted on the website for everyone to see.

Dr. Brewer: I also would like to thank the Community Task Force. They have been meeting for over a year and this was a culminating experience for them, but it is really just a beginning. It was meant to be a keynote that kicks off a lot of activities and one happened today in that Dr. Forni spent the morning with many of the people that support our students and actually had an audience with some of our student leaders as well.

The other thing I want to mention is that we did have a presentation for the two tiered bus system. It was originally scheduled to be discussed tonight, and I wanted to be able to have the public know that we have deferred that decision. Number 1, because we got a lot of really good input from the parent meeting and Number 2, we have now sat through six presentations from architects who will be helping us with the middle school building project should it come to fruition in three

to four years and one of the charges was to give us some solutions for the traffic problems and they've come up with a lot of good suggestions. What we wanted to do was take it back to committee, to General Services, which we will do the first meeting in February to discuss the recommendations and discuss where we are with deciding on an architect for the various projects that are being considered in the future.

I just have one other question, Dan were you planning on taking the Board picture tonight?

Mr. Tredinnick: If that is the pleasure of the Board, I do have a camera here.

Dr. Brewer: So that's the question. We'll take it next time, then. I'll try to remember that all of us will be prepared for the next meeting.

7.05 Board President's Report

No report.

RECOGNITION OF CITIZENS (Non-agenda Items)

8.01 Recognition of Citizens

Julie Neal: I have a couple questions to clear my mind. You said we have three years to spend the money for the sports field and I was just wondering when that started? Since it was approved tonight, do we have three years from now to start it?

Mr. Rineer: It began when the bonds were issued and that would have been about mid-May of 2008.

Ms. Neal: Then to clarify because I'm slightly confused about the middle school project. Initially when the conversation was going on, it sounded like it was going to be far away in the future and that there were architects being hired for this for a possible 3 to 4 years. When are we thinking that we're going to need to expand the middle school?

Dr. Brewer: I can answer that one Julie. What we decided as a Board and General Services Committee was, with the complexity of decisions that need to be made in the middle school, without landing on an architect and a specific situation, we don't know exactly what this project is going to cost. In fact, as we've looked at the various recommendations from the six architects, the fiscal implications vary a lot. The task of the General Services Committee will be to see which recommendations and initial impressions from the architects give the best solutions

we need. That's a process that takes some time. Once you contract with an architect, you are only contracting with them for the intellectual design. You don't go beyond that to any kind of contracts for the work until you get to bids. We have the luxury of being able to strike a dialogue with the community, with our students, and with the faculty to determine the philosophical underpinnings that will help us, for example, going to teaming structures and so on. The other thing is we're looking at enrollment and believe we get to a critical mass at about 2011. We feel that though we are tight in the middle school, we're not nearly as tight as we were in the high school. To watch the enrollment, and we do update it every September, will help us see where we are with that project, but we think we're probably three years out. By working with the architects on a solution will help us look at where that will fit in with our existing debt.

Ms Neal: We're thinking that we're going to be at critical mass in about two years?

Dr. Brewer: About three years.

Ms. Neal: We probably won't be ready to start building?

Dr. Brewer: No. If we determine an architect in the next couple months, then next year will be a fact finding and doing the plans which will take some time. The next year, which will be 2010/2011, we would be in the development phase to go into construction for 2011/2012, which would be the right place in our debt structure for taking on debt without tax implications.

Ms. Neal: At that point, wouldn't this money for the fields then still be possibly used for the middle school?

Mrs. Chabal: No, because there is only two and a half years left on that money.

Ms. Neal: I'm just asking.

Mr. Barrett: No, because of timing.

Ms. Neal: Alright. Thanks for clarifying.

Mrs. Chabal: Thank you. Is there anyone else?

Ms. Haverstick: Before I came here tonight, there was more sobering news that occurred. Today, 50,000 people lost their jobs, and I know this is not new to you. I know you know the economy is in a recession. The reason why I'm here is there is a lot of concern in the community among taxpayers of how the money's being spent right now, because we are in a recession. There is concern with the money being spent for the turf fields. As a taxpayer, and several other people I've talked with, it just seems right now... Eventually, I know we need renovations, but I also know I went to a wonderful meeting about laptops that are needed for each child in

the middle school and the training that teachers are going to need for this laptop. I know that money can be allocated for that. One of the reasons that they said they couldn't do it right now is because they didn't have the finances. As a taxpayer, and other people talking, to us it seems like putting money towards turf fields, at a time of an economic recession is more of a nicety than a necessity. This is how it's being viewed and it's almost like giving bonuses when your company's going under, or a family going on vacation when the house needs renovation. You try to crunch that money and hold on to it and see what best use you can put that money towards when your economy is down. It's going to take years for the economy to get back on its feet and 4 million dollars is a lot of money. I don't know if it's possible to put turf fields on hold. I know you're on a timeline and I'm still trying to understand all of that, but I don't know if there's anything else the District can look at - whether it's the technology or starting renovations, because it's a great concern to have that money put towards something like that. Technology and renovations are something all the students could benefit from and they're going to need when they graduate. It's something that's really become a concern among the community that I wanted to draw your attention to, especially as times are getting tighter and tighter and people are looking at whether they will have a job tomorrow. I just want you to think about it.

Mrs. Chabal: We do think about it. One of the things I think is the most difficult is we try to get our message out about the fields and the use of those particular dollars. If you look at it and think of it as two different baskets: that is a basket of money set aside - bond money specifically sought after and approved for capital improvements. It's not legal to use it for any other purpose. As I said, we have a strong, active Finance Committee and General Services Committee that work closely together. This has been under consideration for a number of years because, hopefully as you attend more and more meetings, you will find that we do take a 'steady as it goes' approach, not only to any capital improvement project, but anything that has a financial implication. I'm sure you're aware, every one of us live here in this District, we're not from some far away place that's telling you how to spend the money. The field issue is actually very critical at this point. This particular field is in complete disarray. There's a cost to simply replace it and then we looked at what additional cost might be utilized in order to give us a better usage of that field, because as Dr. Cronin certainly knows with her involvement in athletics and many of us know, our fields are absolutely stretched to the max. What both the General Services and Finance Committees looked at, starting how long ago, Mr. Gräb?

Mr. Gräb: Several years ago.

Mrs. Chabal: Several years ago. We began to look at, how can we financially, without tax payer impact, make some necessary changes, not only to the track, but to the overall field uses. We've had many public meetings, a lot of discussion on what that would look like and what the cost benefit analysis of a turf field versus the standard field and everything from how long it takes to rest between the field

and the 24 hour usage. Believe me, we have certainly done our homework as best we can on something that really has to happen. Let me just pause for a second, on our website do we still have some of the information out there about any of the work we did on the field usage? I think for a while there was information on our website, I just don't know where it may have settled in the information pile.

Mr. Tredinnick: There is information available and given that there is still great community interest in it, we can certainly make it more visible.

Mrs. Chabal: We can pull the information back up and float it closer to the top when you log onto the website. If you'll allow me to just pontificate a little more, that is a basket of money. That money is not available for technology. It's not available for curriculum. That's just the way it's structured. We didn't invent that rule. As Julie had asked, is it possible, and Donna had asked, is it possible to save these dollars, but they have a life span to them, so when the bond is issued and passed, there is a window of opportunity. It must be used or you lose it and this was something thought on, researched, and discussed around this table for several years about the field use. Now, is it looking great with this economy? No. It doesn't look good with people who haven't had the opportunity to follow the process. I think that the 9 of us who are sitting around the Board, and I don't want to speak for everyone, but I would certainly say a majority of those who sit around the Board feel like this was a well thought out, well measured process we went through. This economy is a mess, and so it does look as though perhaps we are being superfluous. I would say to you that we are not. Dr. Brewer has pointed out some of the steps that we will undertake before we will go into building, even though our student population is growing. We're not going to take that lightly. We need to know we absolutely have to do this. Hopefully, you understand that we take seriously the trust the taxpayers put in us to balance our responsibility of providing the finest education to our children. Unfortunately, Derry Township carries what is it now, 79 cents out of a dollar or is it still at 85 cents?

Mr. Barrett: 85 cents.

Mrs. Chabal: If our budget was only one dollar, 85 cents of that dollar is raised by real estate, commercial and other small taxes. We essentially get next to nothing from state and we are aware of that.

Ms. Neal: The renovation of the middle school, though, that would be a capital improvement?

Mrs. Chabal: That is a capital improvement, but it can't happen in that time frame. We have to be able to spend that first set of dollars prior to when you would need it. You can't hold on to it.

Ms. Neal: Some of the confusion of what I'm hearing, though, of why it can't start sooner. Why? I guess the time frame of the renovations with the middle school,

there's confusion of why that has to wait and I know that there's probably so many things that we don't understand that go into that.

Mr. Barrett: You're bringing up a good point and there are two points I want to make. Number 1, you have to go through a process called PLANCON and it's structured a certain way. Years and years ago, there were many abuses with contractors and Boards giving contracts for equity contracts when there wasn't a process. Basically, you have to prove that by enrollment increases, you need to build. That process takes an incredibly long time, and each step of the process has to be approved by the Department of Education before you're allowed to go to the next step of the process, and then we have to approve as a Board before it goes to the next step of the process. Essentially, you can build without that and you can to a degree, but you won't get reimbursed for it. There are a number of different points. Also, we have the time to do it right, so that's why we looked at six different architects and one of them, well a couple of them are good, but one of them gave us a real good proposal that would probably decrease the amount we would spend over time. I mean, 4 million is an incredibly big expenditure and it's an investment in our Plan, but when you're talking about the middle school, you're talking triple or double. That's why it's better we take our time. Maybe this is a little silver lining in a dark cloud, but right now to put those fields in, because we'll rebid it, there are many contractors now that are idle, and we'd probably get it at a cost now that we would never get it in the future. I think, from a strategic perspective, you have to look at it all types of different ways. You're right, it is complicated.

The second thing I wanted to say is that I think we need to get this online and use our e-tool to get the message out there so people understand this, because we keep getting the same questions all the time. We need to use our e-mail and the tools that we have to be able to communicate to the public. You have very legitimate questions and if I was sitting there, I would say the same thing.

Mr. Stover: I think Chris hit the nail on the head. It is complicated, but not so complicated that you can't get a few of the main points out, like these are the things we could spend that money on. These are the things we can't possibly spend that money on. These are our time constraints with that money. It starts to get more complicated with the bidding process and so forth, but I think if you can get across to people that would be helpful. Most people know if you borrow money to remodel a house or get a home equity loan to remodel a house, they can't use that money to do whatever they want. If they lose a job, they can't use it to supplement their income in any way. We're under certain constraints, and I think the constraints we're under are rather straight forward, so if we could have a list on the web page that says: It is a capital expenditure. It can't be spent on salary. It can't be spent on technology, things like laptops. It might be spent on the middle school, but it can't be of the reasons mentioned earlier. You bring up a really good point. You borrow long term funds to fund long term assets. That's just Banking

101. Steve, correct? It would be very irresponsible for us to use long term borrowed funds for short term.

Dr. Donahue: I think my main point was, it's communication. Where we can improve ourselves is in communicating these issues. I think when somebody asks a question like this, and we have time to communicate to them, it becomes pretty clear why we are doing what we're doing. But when you go to the web page and somebody's at a party and they say, why are they spending 4 million dollars...

Mr. Barrett: You know what? Honestly, with the economy being bad, I would ask that same question and I think it's very legitimate. When I first started on this Board, I remember the person came to me and said, 'We need a truck.' Okay, buy the truck. They proved they needed it. There was no capital plans to do anything, so I used to scream all the time, "Where is our capital plan?," and they probably got sick of hearing me. The next year, they budget \$30,000 after they got the truck and used the money for whatever they wanted. Now, we have an incredibly tight capital plan and we have an incredibly tight expense plan thanks to Steve Rineer and Dr. Brewer and her crew. Thank God, we're in a really good financial position as opposed to some other districts. There is going to be some pain over the next couple of years, there's no doubt about it. I see it around me all the time and you are all hearing the same thing. It's great that you question us. We don't mind being questioned, because it gives us the impetus to go out and tell the story the best way we can. We need to do that. It is complicated to protect the taxpayer's dollars, believe it or not, but there are so many hoops you have to jump through.

Dr. Brewer: I'd like to take one crack at this. A bond is like taking a mortgage. When you take a mortgage, you're buying a house, you're buying a building. Let's say, for example, a business is buying a building. They can't then use that money to give back to their customers, to pay salaries, to go get an expensive car instead of buying a building. The mortgage was written particularly for a capital kind of thing like a building. That's exactly what was done in this case and when you look at the bond, it is very specific about what the money was borrowed for. I've heard, why don't you give the 4 million dollars back to the taxpayers? We can't do that. Not only that, if we don't do this, we received this money at a very good interest rate and we'd have to give it back. It would be like getting a mortgage on a house for 2%, decide you are not buying the house and in a couple years you have to go get the same house for 6%.

Ms. Neal: I understand that and I'm so glad you took the time to explain it, because some of it does make more sense to me now, but I guess in these economic times it would be right. I understand it's like a car loan. If you go to a car dealership and get a car loan, you can't spend that car loan on your house and I understand that. But, in difficult financial times, maybe you shouldn't be getting a car loan if you know your house is going to need to be repaired. It's not a grant, we're paying that money.

Dr. Parrish: We got that money at a point where the economy wasn't where it is now and at a very favorable rate under circumstances that allowed us to restructure our debt which saved us money also. In essence, I think it's sort of a home equity for remodeling and paying off your credit or restructuring your credit card analogy. The fact that we took that loan then and restructured our debt saved a lot of money.

Dr. Brewer: Our debt is almost a quarter of a million dollars less this year than it was last year under the restructuring.

Mr. Stover: I think a good analogy that I tell people is that you used your house as equity to borrow money and with some of that money, you remodeled and with some of that money they let you pay off some credit card debt thereby restructuring your debt. Now you are paying a 2% or 3% loan instead of a 20% credit card.

Dr. Parrish: The other issue is if we were to go ahead with the middle school project right now there would definitely be tax implications. Your taxes would go up. To move forward with it right now would definitely have a negative impact on our citizens. I think the one thing our citizens are going to have to realize with the middle school is that we might not be able to solve it. We may have to suck it up in Derry Township a little bit and maybe not have the exact perfect ratios for classrooms and the exact everything that we want. It may come to that. In two or three years we can't build the building project, because we don't want to pass that on with a tax increase. We may have to suck it up here a little bit. I think that's just where we are.

Mr. Stover: Bill, I think that's an excellent point. If there's ever a time to be prudent because of the economy, it's time to be prudent about our projections. These projections were made prior to all this mess we're in. Are our numbers going to continue increasing to precipitate a need for this? We don't know. We would rather be prudent and wait and look at the numbers because we may be able to push this thing further than what we're even thinking. We don't have all the information to make a decision. To make a decision and build now would be critically wrong.

Bunny Hottenstein: The other side of this whole financial picture is that it's not a stock market drop. It's a credit crunch. This is extremely important. First, let me say about the loan structure. I know the people in the public who don't go to our Finance Committee meetings don't understand the way our bonds have been structured over the years. I've been going to Board meetings for approximate 20 years. I don't know how many. We borrow money regularly to build additions on buildings or for whatever reasons we borrow money. We have big bond payments in the first few years and then the bond payments shrink down. This is structured at the current time, so that when we're ready to do something, if we need to do something at the middle school, the bond payments we're currently paying will

have reduced themselves to a level at which we can take on another loan without increasing taxes and that's why. Because we start out with big payments and come down to smaller payments. That's why when you add a bond at that time you're not going bigger than the current kinds of payments. Now, we have to look at the fact that the current financial difficulties are really a credit problem. You can't get loans now. We have one of the best bond ratings. We're about 5th from the top in the state in the excellence of our bond rating, but even we cannot borrow money today because there isn't money to borrow. We need to borrow money if we're going to do something with the middle school and we have to hope that in a couple of years when we need to borrow that money, it will be there to be borrowed at our excellent credit rating. That's part of the problem too - the credit crunch.

Ms. Haverstick: I just had another question that is probably a little off track, the buses that we'll need, is the money there now if we do? I am in favor of the two tiered system and if we do move towards that, is that a different pocket of money that you use to purchase those buses?

Mr. Barrett: Again, one of the things that we did with the 5 year capital, that's all been projected in our Capital Plan. This might be a good way of explaining it. If we got overages or one time monies - instead of getting it to recurring deficit spending, because we had that nasty situation before, what we did was say, let's put these dollars into a fund that can handle capital expense moving forward. Then we planned back from that fund so some of those things are already taken care of in that fund. For example, roofing and all those things that are going to happen over time. Thank God, we have great assets, so we want to make sure that we maintain them, and Mr. Rineer and Dr. Brewer do a good job in house. Now we have that plan moving forward. We look at it every year and update it. I think we made presentations a couple different times. Is that online Dan, the Capital Plan?

Mr. Tredinnick: I don't know, but I'll check.

Mr. Barrett: Maybe we need to do that too.

Dr. Brewer: I think that if it is online, we're continually changing it, so I think it would be appropriate to put it online when we make that presentation in March.

Mr. Barrett: I ask the press too, if you could do us a favor and highlight this information is on our website. Dan, if you could work with them to give them the URL, I think that would be helpful.

Dr. Cronin: I think this dialogue is great and I think it's important because of the point that Bill made about the fact that we may have to suck it up in a couple years and not build onto the middle school. I think a lot of people in the community right now are thinking we should just suck it up and deal with the fields that we've been

dealing with. I think we need to balance the fact that sense exists on both sides. Once again, I think this dialogue has been very good.

Mrs. Chabal: Right. I can't let you close with that because it's an apples and oranges comparison and the field usage is so high. As you well know, the need for the fields and the turf fields that can be used 24/7 is not something that this Board took on lightly. I think we've listened to the discussion that said we are going about this wisely and carefully with this money. I think it is safe to assume that the dollars already put aside in the bond issue being wasted rather than used would be inappropriate and I think that is not something that we can look at. We've talked about that tonight that we cannot use those dollars on anything more appropriate and serve our students better and give a long term financial benefit. As far as being able to utilize those fields and have the maintenance is incredibly necessary on that track. The track is basically unusable. I think it's important for us not to stray away from the fact that this was not something that was done lightly and it was done and thought out carefully and the desire to want to utilize something that was definitely pigeon holed, if you will, for a certain thing is not something that we can do at this point, Donna.

Dr. Cronin: No, I totally understand. I only meant to imply that our dialogue is helping understand the sentiments on both sides. I totally appreciate all the work that's been done and I followed along the usage of the fields.

Dr. Parrish: I think it's safe to say that, had we been having this discussion from a year ago now, we wouldn't be building fields. It's very easy to say that. We would just have to give it what we had. We couldn't borrow the money if we wanted to. The only solution is, if we decide not to do the fields, to give the money back and the reality is, I think that's an opportunity lost because the implication, the way that 4 million dollars is structured in our debt structure is pushed so far out that the actual operating budget implication for that on any particular year is fairly small and the savings for a tax payer individually, I think would be very small.

Mr. Rineer: You couldn't do that because the bonds that were issued have a call date. You can't pay those bonds off probably for 5, 6, or 7 years and even if you issued those bonds at a very competitive rate, let's say 3 ½% we're earning 2.

Mr. Barrett: We'd pay a serious penalty, plus it would affect your credit rating moving forward, your bond rating. There's a lot of negative implications there.

Dr. Parrish: So realize this decision was made in a totally different financial climate and once you've locked into it, you're sort of committed. We really don't have any good choice to not move forward to be honest with you.

Mr. Malkoff: There's another benefit to the project that hasn't been discussed and that's cost savings. The cost savings in terms of what it costs us to annually maintain a natural turf versus the artificial turf in terms of seeding, mowing,

watering, etc. That's something that hasn't been discussed. This is a long term project, this is not something we're looking at in terms of just one or two years but a long term project. Knowing the discussions that we had, it was obvious that there are so many different teams. We have such a high participation in athletics in Derry Township and we are so constrained with the resources that we have and I know there has been a lot of discussion about the use of the Hershey Park stadium, but we don't always have that available to us when we need it. It is available at different points in time, but getting the feedback from the student athletes and the coaches, the utilization of the new artificial turf is going to be so great and I think it's such a great benefit to the various athletic teams. In terms of avoiding injuries, I've heard a lot of negative things about the current conditions of the track and of the field as well. Again, I would just emphasize the long term benefits and also the annual cost savings and that's something I don't think we talked about before. Steve, do you have any comments on the annual cost savings at all or any numbers?

Mr. Rineer: That would be a question I would have to review. I would add though that I seem to recall the cost estimates to repair the existing track was somewhere around a ½ million dollars. Right off the get go, if you didn't move forward with the multipurpose fields, you'd have to, at a minimum, repair that and those dollars would be gone forever.

Mrs. Chabal: Thank you so much for starting and having a wonderful discussion.

9.01 Adjournment

Mrs. Chabal announced the next Board meeting would be held Monday, February 9, 2009 starting at 7:00 p.m. in the District Board Room.

Mr. Stover moved to adjourn, with a second by Dr. Cronin and, approved by unanimous voice vote by all members. The meeting was adjourned at 8:45 p.m.

Respectfully submitted,

Stephen E. Rineer
Secretary to the Board
Approved at the February 9, 2009 meeting

Beulah Chabal
President of the Board

LDM