

**MARPLE NEWTOWN SCHOOL DISTRICT
BUDGET AND FINANCE COMMITTEE MEETING
TUESDAY, NOVEMBER 11, 2008
BOARD ROOM
MINUTES**

PRESENT: **Committee:** Mr. Fred Dewey, Mr. Richard Carpenter, and Mr. Michael Molinaro
Absent: Mr. Richard Sokorai

Board: Mr. David McGinley, Mr. Edward Partridge, Mrs. Dana Kauffman, Mrs. Nancy Galbraith, and Dr. Jeffrey Shapiro

Administration: Mrs. Merle Horowitz, Mr. Joseph Driscoll, Mrs. Denise Land, and Mr. Michael Dumin

Press: 0

Audience: 6

1. Call Meeting to Order and 2. Pledge of Allegiance

Mr. Dewey opened the meeting at 6:34pm, welcomed all in attendance and led in the Pledge of Allegiance.

3. Approval of October 14, 2008 Meeting Minutes

Mrs. Galbraith made a motion and seconded by Mr. Partridge to approve the October 14, 2008 meeting minutes.

Mr. Dewey called for a voice vote. All present voted affirmatively.

4. Business Office/Finance Reporting

• **Bills For Payment**

Motion: To take to the full Board for approval the General Fund and Capital Reserve bills for October 2008.

Mr. Dewey stated that this motion would be brought to the full Board meeting in November.

• **Monthly Financial Reports - September 2008 and Informational October 2008**

Mr. Driscoll asked that the Board allow him to put a motion on the agenda that preauthorizes him, with the approval of the superintendent, to release bills for payment prior to the January Board meeting. (The Board does not meet in December.)

The committee agreed to bring this motion forward to the November Board meeting.

Motion: To approve monthly financial reports for September 2008.

The committee agreed to bring this motion forward to the November Board meeting.

- **Treasurer's Report – September 2008**

Mr. Driscoll stated that the capital fund has just recently reimbursed the general fund for the rest of Paxon Hollow's wiring project. That was run through an official general fund purchase order. We now have it set up where we don't have to do that anymore, but for this one (in essence of time) we ran it through the general fund. The capital reserve fund balance is \$1,635,000.00.

- **Budget Transfers - October 2008**

Dr. Shapiro stated that there is a minor point on the budget transfers. You have the heading on the report labeled as November 2008.

Mr. Driscoll replied that this is just the preparing date. We can change that. Those are usually the dates that we get the budget transfer requests. We can change it to match the schedule. That is not a problem.

Dr. Shapiro asked if this was an October transfer or a November transfer.

Mr. Driscoll replied that it was requested at the end of October. It will be made in November. We are getting more strict about waiting for Board approval before doing any transfers unless there is a real dire emergency that will impact a program, etc.

Dr. Shapiro stated that he is just looking for it to be consistent.

Mr. McGinley asked how much the roofing project is.

Mr. Driscoll replied that he and Mr. Dumin spoke the other day. I prepared making an assumption that all those roofing projects would go through as to what kind of capital funds we would need regardless of where we get them. If we assume that there would be no other sources of capital money at the moment...there is \$80,000 that the Board approved last month for repairs. In the summer of 2009, there is \$1.1 million for the middle school that is needed. There is \$805,000 needed for the summer of 2010 for Worrall and Culbertson, and \$980,000 for Loomis and Russell in the following summer of 2011. These items add up to approximately \$2.9 million in roofing costs. We have \$1.6 million. There is about a \$1.2 million that we need in addition to what we have in the capital reserve fund now. You would need to add anything on to that, that the Board may or may not decided to do with the security initiative that is being proposed at the next meeting.

Mr. McGinley asked if this is going through 2011.

Mr. Driscoll replied yes.

Mr. McGinley asked what the \$1.1 million is going to buy.

Mr. Dumin replied that the \$1.1 million is for the middle school roof. The middle school will be completed this summer. There will be two elementary schools done in the following summer and the last two elementary schools will be done in the summer after that. The middle school job will make repairs and replacements where necessary and parts of it are going to be refurbished so that it is renovated. Parts of it are going to be completely replaced. The entire roof will be under warranty.

Mr. Driscoll stated that it seems that we have enough in the capital reserve fund to get through that project if it is approved. What I was doing was starting the discussion so that we look forward to the needs that we have so that we keep them in our minds.

Mr. Carpenter asked how much the fund balance is this year.

Mr. Driscoll replied that the undesignated unreserved fund balance is just under \$5 million at the end of June 30, 2008.

Mr. Partridge asked what the other account balances are.

Mr. Driscoll replied that the capital reserve fund is \$1,635,000 after we remove the cost of Paxon Hollow's wiring project.

Mr. Carpenter suggested that we ought to transfer some money out of the fund balance to begin building up a little reserve in the capital reserve in anticipation of these expenses.

Mr. McGinley stated that this was part of the discussion that we had the other day. The other part of the discussion was that we may need some of the fund balance to balance the regular budget for this year. I think we have to be careful of putting anything in right now until we see the overall "lay of the land."

Mr. Partridge asked how close we are to our cap.

Mr. Driscoll replied that we are right on it. If I am not mistaken, it is about 8.1%.

Mr. Partridge stated that the repercussions are that it has to fund an increase if it exceeds 8.1%.

Mr. Driscoll replied correct, at budget time. If it looks like the budget that we are currently in is going to add to the fund balance again or not do anything and be neutral to the fund balance and there is a little bit of money there that we would need to be concerned with, but it is close enough that we wouldn't. If it is going to look like the fund balance might grow, then yes, we need to have that discussion.

Mr. Partridge asked what if we exceeded the 8.1% restriction.

Mr. Driscoll replied that we can't exceed the 8.1% restriction. If you do not allocate any of that fund balance to capital reserve or some other use, and it remains undesignated and available during the budget process, you can't adopt a budget with a fund balance over 8%. That money would have to be used to offset any tax increase.

Mr. Partridge agreed.

Mr. McGinley asked if we know where we are for this year. Are we going to be above or below?

Mr. Driscoll replied that we increased the fund balance. We are back to 8%. It is \$4.9 million as of June 30, 2008.

Mr. McGinley asked what we added this year.

Mr. Driscoll replied that we added about \$378,000. It wasn't as bad as that sounds. Those expenditures include \$1 million that we transferred into capital reserve last spring.

Mr. McGinley stated that if we hadn't had the 1% budgetary reserve in there, we would have been over budget.

Mr. Driscoll replied not if we didn't transfer the money out to capital reserve. In May, the Board voted to transfer \$1 million of fund balance out. Unfortunately, we have to show that \$1 million transfer as an expense so that it blows through fund balance. It looks like we spent \$1 million more than we actually did.

Mr. McGinley asked where we were at the end of the year.

Mr. Driscoll replied that if you take that out, we were at \$378,000 in fund balance. Our actual experience backing out that million would have been \$1.3 million to \$1.4 million.

Mr. McGinley asked if we were about \$1.3 below budget this year on expenses.

Mr. Driscoll replied yes.

Mr. McGinley asked why Mr. Driscoll suspects that we won't be able to do the same thing next year.

Mr. Driscoll replied that he has not done projections out to next August yet. The main concern is revenue. It is very possible that revenues for this current year's budget barely make the budget. This year, we could actually under-collect for the first time in five or six years on the revenue side just because of changes in the economy.

Mr. McGinley stated that he is confused because there were discussions about being right on or over this year. Now, we are \$1.3 million under in expenses last year with revenues down a little bit. Since revenues were down a little bit, we may have been \$1.5 million under in expenses. Why are the expenses in the budgetary higher for some reason? Why can't we take that \$1.5 million out right off the top?

Mr. Driscoll replied that there are always things in there. Out of that \$1.3 million that you are talking about, almost \$600,000 is budgetary reserve. That takes your number down to \$900,000. If you take those pieces apart, you will find that it was under-spending in legal, prescription drugs, and some other variances that we always look at from year to year. The biggest thing that adds that under-spending is going to be your budgetary reserve. Every year, when we look at those expenses, we trim down those items.

Mr. McGinley stated that even with that being said, we are still \$900,000 under in expenses.

Mr. Driscoll replied that is true.

Mr. McGinley suggested taking where the \$900,000 was and taking it out this year.

Mr. Driscoll replied that we took some of it out last year.

Mr. McGinley stated that even after the fact, we were \$900,000 under-spent.

Mr. Driscoll replied that when we looked at the projected expenses last year, we saw where things weren't being spent, so when we built the budget that we are in now, we took a lot of those savings into consideration. Those areas where we were under-spending last year that you are seeing in this audit were already factored into some of the reductions to get to last year's budget. We have already cut the budget that we are in right now. There are still things in this year's budget that will show up next year as under-spent. There will be \$357,000 in debt service that won't be spent because we transferred it from retirement into debt service. We are not going to spend it. If you add that into the \$600,000 in budgetary reserve, there is \$900,000 right there.

Mr. McGinley stated that the Board asked Mr. Driscoll to try and present something so that we could vote on the timeline. I don't think there is any way you could be close to ready at this point.

Mr. Driscoll replied that they have been working very hard to try and find ways to put together an idea to the Board that if we could make a path to show how we might be able to get down to the index. It has been very difficult. Mrs. Horowitz and I have spent a lot of time. There are certain things that we are looking at that need more time to mature. Some of the ideas take time to evolve. Even with all of that, due to some changes in the Blue Cross/Blue Shield and the way that they are formulating our retention (the administrative costs) our medical costs could go up close to 25% this year. We also may lose the pre-funding opportunities that used to be there that saved the Board 4%-6% for paying up front. That is \$1.3 million. All of the work that we have been doing has been offset.

Mr. McGinley asked what the teachers' contract says. Can we change their hospitalization to an Aetna?

Mr. Driscoll replied that the Board would have to negotiate that. You can't do anything to the teachers' contract this year. You have to bargain any of those changes.

Mr. McGinley asked if the teachers' contract specifies Blue Cross/Blue Shield.

Mr. Driscoll and Mrs. Galbraith replied yes.

Mr. Driscoll stated that he has been asked to go down to Philadelphia to try and work with Blue Cross to lower that. I know it is negotiable from year to year, but I don't know how significantly we are going to be able to change that. I can't say how we are going to come in at an index, at this point.

Mr. Partridge asked Mr. Driscoll if what he is saying is that he would need to build in an additional \$1.3 million in the operating budget to cover medical costs.

Mr. Driscoll replied yes.

Mr. Partridge stated that this is making the assumption that the district is going to fund that. When does the contract end?

Mr. Driscoll replied June 30, 2008. We have to make that assumption. You have to honor those commitments until you renegotiate a new contract. Their salary doesn't change because it is not provided for in the new contract, but everything else stays status quo.

Mrs. Galbraith stated that until the new contract is settled, you are legally bound to the existing contract.

Mr. Partridge stated that we are not saying that the taxpayers have to fund this \$1.3 million. If we have to temporarily fund the increase in Blue Cross, we would have to do it out of any salary increase and put a freeze on salaries. There are options. To say that this \$1.3 million automatically has to be passed into the budget and absorbed by the district and therefore we can't go with the Act 1 proposal that we wanted, I don't buy that.

Mr. Driscoll replied that he doesn't know any other way to do it. If we are going to be committed to it, I have to budget based on expectations.

Mr. McGinley stated that this has to be in, but a salary increase does not have to be in. A salary increase could be a zero percent salary increase for this year, if we need to hold the budget at 4.1%. I have a feeling that we don't even have the exceptions, with what you are telling us.

Mr. Driscoll replied that we lost the exceptions for the health care when the two contracts expired this year. That is one exception we lost. There are other exceptions there, but that is a process that gets calculated after

the state releases the data. I don't know what exceptions that we are going to be able to have or not be able to have until we actually apply for them. It is too soon to get to that point with any certainty.

Dr. Shapiro stated that the low hanging fruit that we have always been able to grab is the pre-funding. You are mentioning that the pre-funding is in jeopardy. Can you explain to me what has happened there?

Mr. Driscoll replied that there has been a big change at Blue Cross. The Blue Cross that services us is Independence Blue Cross and they merged with the western part of the state, Hi-Mark. There are a lot of changes going on. They may not believe that it is in their best interest to offer that pre-fund. We are hearing that the pre-fund may not be offered by Blue Cross anymore. Assuming they were giving us 5% on pre-paying \$5 million of Blue Cross/Blue Shield bills in January. They gave us that 5% on that full \$5 million. In reality, they don't have use of that for the full year.

Dr. Shapiro stated that we were part of a consortium of many districts with that pre-funding.

Mr. Driscoll replied yes.

Dr. Shapiro asked if they would be willing to run the risk of losing the business of that many districts.

Mr. Driscoll replied that they may offer the pre-fund, but not in terms that would be favorable to us. We have heard rates of 2.5%. If we can do better in the interest rate market holding onto our money, that is the difference. They are effectively getting out of it by making the deal not beneficial to us any more.

- **Investment Schedule**

Mr. Driscoll stated that the only thing different on the investment schedule is that we did purchase some cds through a cd program with the PA Local Investment Government Trust. It is a really good program. I am looking at it a little bit more. We invest in multiple institutions that they pre-certify and that they analyze and we invest in increments under the FDIC insurance. This enabled me to have a better comfort level getting into something like that to try to enhance our interest earnings. This was 3.47%. Last year, we were getting 5.6% because of where the Treasury bill was and we were getting some basis points above that.

Dr. Shapiro stated that in consideration of the work that you are doing to formulate the draft budget, are you hearing any rumblings at all from PSERS about the possibility of them raising the contribution rate because of the beating that they are taking.

Mr. Driscoll replied that it is another wild card that makes post Act 1 difficult. PSERS doesn't even announce their rate until mid December. Unless their projections hold true and they are going to keep us at that current 4.6%, I don't understand how they can. I don't know any pension fund or any fund that hasn't had some sort of market risk right now. With the across the board decrease in the market, I have to believe the pension funds across the country have suffered some. PSERS is usually a pretty good, solid, conservative, well-managed pension fund, but I don't think anybody escaped this. I don't know if that will be factored into this year's actuarial rate or if that will come next year. As soon as I find more, I'll let you know.

Mr. McGinley asked how much we get from the state and what do we use that for. Are we using all of the money from the state for educational reasons?

Mr. Driscoll replied yes. We receive about 14-15% of our total budget.

Mr. McGinley asked what would happen if we told the state that we didn't want their 14-15%.

Mr. Driscoll replied that the state mandates certain things. The best example I can think of is transportation because it is not mandated by the state. The city of Philadelphia does not bus secondary students. We get reimbursements from the state for specific things for transportation. There is special education revenue that we receive from the federal government and the state.

Mr. McGinley stated that it seems that it is costing a lot more than what they are giving us.

Mr. Driscoll replied absolutely. Special education alone costs us a lot more than what we get from federal or state subsidy. There are chapters and laws that require us to do it.

Dr. Shapiro asked on a net basis, with the transportation subsidy, do we still shell out more than we get.

Mr. Driscoll replied that he believes that we do. The private school subsidy does pretty well. Out of all the subsidies, the private school tuition subsidy for transportation is probably one of the programs and subsidies that get a pretty good amount of what we spend. If you compare, they subsidize that program well.

Mr. Dewey asked if that subsidy is based on how many private school students are in the district or how many we actually bus.

Mr. Driscoll replied that it is based on bussing. We are reimbursed \$385 per non-public school that we transport. Public transportation subsidy is a little more convoluted.

5. 2007-2008 Annual Audit Presentation-Draft report provided by auditors Major and Mastro, CPA's

Mr. Driscoll stated that even with all the changes in the Business Office staff this year, he is happy to say that with Denise Land, they are delivering the audit again in November. This is about as early as we can deliver it. We don't even close our books until August 30, 2008. It really only gives us half of September before the auditors come in to do their field work to do the final closing. To deliver any sooner would be impossible. We have Linda Major and Vicky Mastro here tonight who conducted the field work and are here to present the audit to you. The Board will be furnished with a final audit report for the November meeting. The auditors do not like to give out un-finalized statements.

Dr. Shapiro asked how far in advance will the Board have the final report.

Ms. Majors replied that you should have it by next week.

Mr. Driscoll replied that we may be able to get it out a week before the packet comes.

Dr. Shapiro asked if the Board will have the opportunity to have enough days to review it before we have to vote on it.

Mr. Driscoll replied that it is his goal to always deliver it to the Board in November, but there is no obligation for the Board to vote on it in November. A lot of districts vote on it at the Reorganization Meeting.

Dr. Shapiro stated that he personally will need a number of days to review it before he will be comfortable voting on it.

Mr. Driscoll replied that if they can provide the Board with enough time to do that, they will. If not, then I would have no problems with the Board wanting to table that until they feel confident to vote. The audit report cannot be finalized until everything that they need is in place.

Ms. Mastro stated that we have audited the financial statement which is the responsibility of your management. Our responsibility is to express an opinion on these financial statements. We have to follow certain standards when we do an audit so that all audits are essentially created equal. We do things on a test basis. We don't look at every transaction because that would be very costly to the district. I am happy to tell you that in our opinion, these financial statements present fairly in all material respects, your financial position. This is the best opinion that you can get on an audit. It is called a clean opinion. There are some other reports in here. There is one on government auditing standards where we test certain internal controls over financial reporting and compliance. This is not saying that we are giving an opinion on internal control because we are not. We are only giving an opinion on things that we did look at and the controls over those items. Pages 3 through 10 are written by your management. It is essentially supposed to give you a little bit more of an overview of what is in the statements. There are two sets of statements here. One is considered a Government-wide Statement and that is on the accrual basis of accounting where you are actually seeing revenues as they are earned and expenditures as they are incurred. The other set of statements are on Fund Statements. Those statements are on the modified accrual basis. This means that we pick up revenues that are within a 60-day period after the end of the year. There are things like liabilities such as your loan payments that would show up as an expenditure where on a government-wide statement they show up on the balance sheet and they reduce your liability. There are some differences so that you know going forward. Page 11 is your Statement of Net Assets. You have total assets of \$60,838,000 for the year. You have current liabilities of \$8,173,000. You have long-term liabilities of \$36,207,000. You have total net assets of \$16,456,000 which includes \$9,176,000 which is invested in capital assets net of related debt. You have some money restricted for capital projects of \$2 million. You have unrestricted money of \$5,252,000.

Mr. McGinley stated that he is confused with those numbers. They are not what Mr. Driscoll said a couple of minutes ago. Are capital projects \$2 million?

Ms. Mastro replied no, this is an entity wide statement. We were talking about the fund level when you asked the question about the capital projects.

Mr. Driscoll stated that some of the numbers that we spoke about tonight are as of today. The audit numbers are as of June 30th. The capital reserve fund as of June 30th was \$2 million. Now it is \$1.6 million. When you look at the Government-wide Statements, you will see that the fund balance that we were talking about earlier is \$4,929,000. There are things in here that are included that are more for accrual purposes and it changes the numbers slightly. When you are talking about fund balance that is available for your use, it is \$4.9 million. The first audit that I was involved in here (the first GASB 34 audit) had a statement of net assets of -\$104,000. We had a negative equity position in the school district. Through the positive budgets that we have had, the positive outcomes with fund balance, and investments in capital it started to grow us up to a positive net asset.

Mr. McGinley asked if Ms. Mastro did the audit that Mr. Driscoll is speaking of.

Ms. Mastro replied yes.

Mr. McGinley stated that it says at the back that we are a low risk auditee. Is that the best that you can have?

Ms. Mastro replied that low risk auditee deals with the single audit only. It doesn't deal with the regular audit. That means in the previous two years, you didn't have any findings or questioned costs on the single audit piece of it. That is the federal money.

Mr. McGinley asked where we were when you came aboard.

Ms. Mastro replied that she does not believe that we were low risk. She would have to go back and look for sure.

Mr. Driscoll replied that it had to do with the financial decisions that were made and the economy that was positive.

Ms. Mastro stated that page 12 is an Entity-wide Statement. This is on the accrual basis. This is your statement of activities. This matches expenditures by program with revenues by program. You will note that you had expenditures of \$56 million. In most cases you had a negative revenue. Overall, general revenues were \$50 million and you had a positive change in net assets of \$2,564,000 for the year. On pages 14 and 16, all of the items that take you from the governmental funds at the fund level to the entity wide level and all the changes that take place. Page 13 is the fund level statements. This is what you are used to looking at month to month when Mr. Driscoll gives you statements. This is what we have been talking about most of this evening. Your general fund balance is \$4.9 million (that is 8.6% of your general fund revenues) as of June 30th. You had \$1.2 million reserved. You had \$2 million in your capital reserve fund at the end of June.

Mr. McGinley asked what the \$1.2 million is reserved for.

Mr. Driscoll replied that is reserved for legal judgments that we have against us that we owe money on for settlements. There are three special education legal settlements involved in there. Some of it is for the final payment of textbooks.

Ms. Mastro stated that she likes to talk balance from the standpoint of how important it is to make sure that you have some fund balance. So many people like to spend it down to nothing. If you did that, you wouldn't have enough cash to pay your bills. You wouldn't have enough to pay your employees. If you had an emergency situation, you wouldn't be able to pay for those things.

Mr. Dewey asked what would be the minimum fund balance that Ms. Mastro would suggest.

Ms. Mastro replied no less than 4%.

Mr. Driscoll replied that rule of thumb that business managers usually say it to not go below 5%. The law requires no more than 8%.

Ms. Mastro stated that 8% is one month of what you have to pay out.

Ms. Mastro stated that page 18 is your statement of revenues and expense and changes in net assets for your proprietary fund which is your two service funds. Your operating revenue is \$905,000 for the year. That is down \$22,000 over the previous year. You have operating expenses of \$1,138,000 so there is an operating loss of \$232,000. You had non-operating revenues to offset that because the state and federal does give you subsidies. The subsidies in your earnings from investments came to \$179,000. Overall for the year, you had a loss in your food service fund of \$53,000. The previous year, you had a loss of \$45,000.

Mr. Driscoll replied that we have been trying to raise lunch prices to keep the food service department profitable. There are certain things that are really driving the food service costs that are probably bringing a drain on its net assets. The \$24,000 in repairs is a lot. It is really because there are infrastructure issues that the food service fund is paying for with all the old freezers, etc. Mrs. Bellew needs to invest in equipment. At some point, I want to talk to the Board with allowing me to reprioritize the general fund to replace some of the freezers. I don't think the student lunch prices can handle paying for those types of repairs. In addition, there are payroll costs in there that when that contract was approved there are year-end bonuses. I don't think that several contracts ago, they realized that those costs get passed through the food services department as well.

Mr. McGinley asked where would the increased revenue from the lunch prices have put us.

Mr. Driscoll replied that last year, he believes it was 5%. In this economy, our labor costs went up 4.1%.

Mr. McGinley stated that if we had that \$45,000 in there, we would have broke even.

Mr. Driscoll stated that we raised the prices that year too. The food costs are going up drastically. The fuel costs during that year were at an all time high.

Mr. McGinley asked if there was any replacement maintenance in this department.

Mr. Driscoll replied no. I asked Mrs. Bellew to give me an update of her fixed assets with depreciation.

Ms. Mastro stated that page 39 is the Schedule of Expenditure of Federal and State Awards. I want to point out that you have \$1,209,000 expended in federal awards this year. The major program that we tested this year was Title I. I am very happy that we had no findings and no questions.

Mr. Dewey thanked Ms. Mastro and Ms. Major for their presentation.

6. 2009-2010 Budget Process

Mrs. Kauffman asked how conservative Mr. Driscoll is being when you are looking at the revenue piece of the budget.

Mr. Driscoll replied that he is trying to be as conservative as he needs to be without being ultra-conservative. In normal situations, I would probably be a little more conservative given the state of the economy right now. Transfer taxes when they were at a high of \$1.6 million and are now down to \$1.2 million. We collected just about that last year. Is this year's real estate budget going to be any worse than next in this community? It is possible. I am trying not to over-reduce revenues knowing that sometimes we do better in some areas. I like to try and balance that out.

Mr. McGinley asked about revenues in transfer taxes. How much do you have in there for transfer taxes?

Mr. Driscoll replied \$1.2 million. We collected just shy of that last year. November is a difficult time. I have to refine that revenue budget because I haven't even gotten the numbers from the county on the real estate assessments in the district.

Mr. Dewey asked how far behind does our revenue lag in recovery.

Mr. Driscoll replied that in terms of years, he has seen it take a couple of years to catch back up in other bad markets. For some of the real estate market and development to come back, that could take a few years. We are based on that.

Mr. Partridge asked what the situation is with the Act 1 Resolution that we talked about before. What are you are you recommending?

Mr. Driscoll replied that he couldn't tell the Board with certainty that we can come in with 4.1% cutting \$1.4 million in appropriations and using \$500,000 in fund balance. With the news from Blue Cross/Blue Shield, it threw a wild card into it. Until I develop this whole budget, I would be afraid to say.

Mr. Partridge asked if Mr. Driscoll is saying that he has reservations that we can stay between the 4.1% index.

Mr. Driscoll replied no. I am saying that I know that we would like to adopt the index sooner than later, but I think that if you are looking for me to say can you guarantee that we can balance this budget with using a little bit of fund balance and some budgetary cuts without cutting actual programs...I can't say that.

Mr. Partridge asked if the Board is bound by the Act 1 index without going out to referendum.

Mr. Driscoll replied yes. The exceptions are new to Marple Newtown. I don't know how many we have left. I am looking at them now.

Mr. Partridge asked if things are that bad, how can we raise taxes to 8-9% anyway.

Mr. Driscoll replied that he doesn't think anyone wants to go and do that.

Mr. Partridge stated that even saying with the \$1.3 million that we are going to get for in benefits, we can't go ask the tax payers to fund that. To even consider that the district would bear the increase of \$1.3 million in benefits is absurd.

Mrs. Kauffman stated that this is a discussion. I just want to be clear that you are not speaking for me.

Mr. Partridge stated that this is his opinion. I am not speaking for the whole Board.

Mr. McGinley asked when we have to let the state know if we are not going to apply for the accelerated timeline.

Mr. Driscoll replied that the January Board meeting would be the latest.

Mr. McGinley stated that rather than push this through, he thinks it would be wise to wait and see where Mr. Driscoll will be with numbers in the next month or two and go from there.

Mr. Partridge stated that this is not a matter of pushing this through. It is a matter of what it is. If things are that bad, then right now, we should shut down all non-essential spending in the district. We should restrict spending in the district to be able to try to save money in the current budget.

Mr. Driscoll read the deadline: "January 29, 2009, which is 110 days prior to the primary, is the school district deadline to make the 2009-2010 proposed preliminary budget available for public inspection or adopt a resolution pursuant to Section 311 indicating it will not raise any rate of tax any more than the index."

Mr. McGinley stated that this does present a little bit of a problem because you have to have it ready by January 29th.

Mr. Driscoll replied that before we do anything, he thinks the Board is looking to have something ready so that we can logically say what "going to the index" means. If you apply for exceptions and you get approved for them, you still don't have to use them.

Mr. Driscoll stated that on February 3rd, the school district has to submit that index resolution to the state. February 8th, we have to give notice that we intend to adopt a preliminary budget which has to be done by February 14th. There may be a Special Board meeting in February to adopt a motion to approve a proposed preliminary budget, if we go the Act 1 path.

7. NIAF-\$2,000.00 Grant

Motion: To accept the grant from the NIAF in the amount of \$2,000.00.

Mr. Driscoll stated that we received a National Italian Association Federation grant for some equipment for the High School.

Mr. Dewey stated that this motion would be brought to the November Board meeting.

8. New or Additional Business

No comments were made.

9. Adjournment

Mr. Dewey adjourned the meeting at 7:43pm.

Respectfully submitted by Heather Welsh, Confidential Executive Secretary to the Board.