

MAY 24, 2017

**HANOVER AREA SCHOOL DISTRICT
BOARD OF EDUCATION
SPECIAL MEETING**

MINUTES

MAY 24, 2017

**Hanover Area Junior/Senior High School
Hanover Township, Pennsylvania
May 24, 2017**

A Special Meeting of the Board of School Directors of the Hanover Area School District was held in the Hanover Area Junior/Senior High School on Wednesday, May 24, 2017, at 6:00 P.M. The meeting was called to order by the Board President, Mr. John J. Mahle, Jr.

PLEDGE OF ALLEGIANCE TO OUR FLAG

ROLL CALL OF BOARD MEMBERS:

PRESENT: John J. Mahle, Jr, President; Paul Holmgren, Vice-President; Kevin Quaglia Treasurer; Lorraine Heydt, Secretary; Frank Ciavarella, Jr., Dr. Vic Kopko, Stacy McGovern, Joyce Potsko
and Joseph Steininger.

ABSENT: None

Lorraine Heydt, Secretary, stated a Quorum was established for the meeting.

OTHER PEOPLE PRESENT:

Mr. Andrew Kuhl, Superintendent; Mr. Thomas R. Cipriano, Jr., Business Administrator; Attorney Jack Dean, School Solicitor, and a number of citizens.

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John Mahle, Board President, read the Hanover Area School District Executive Session Report. Pursuant to the Pennsylvania Sunshine Act, the Board President wishes to announce that at its Special Meeting for general purposes on Wednesday, May 24, 2017, the Board of Education of the Hanover Area School District held an Executive Session to accept matters of employee relations, labor negotiations, and threatened or actual litigations. The Board closed the Executive Session at 5:30 P.M., and began the Public Meeting at 6:00 P.M.

The subjects discussed in the Executive Session related solely to matters of employee relations, labor negotiations, and threatened or actual litigations.

Attorney Jack Dean, School Solicitor, stated last week we had a Work Session, thereafter, there was a published report, which I wish now to clarify. The published report stated the Hanover Area School District was either going to or was contemplating raising taxes by 14%. That was an inaccurate report. This Board never contemplated raising taxes 14%. What was said by the business consultant was that Hanover Area was eligible to seek exceptions up to 14%. Under no circumstances did this School Board ever consider raising taxes 14%. Before anyone has any questions on the 14%; on the agenda tonight is the proposed budget for the 2017-2018 School Year and you will see that Hanover Area did not contemplate raising taxes, it never did. I just wanted to make that clear if anybody has any questions or concerns about the 14%, that is unfounded fortunately. I know I would be concerned if I read that also. I just wanted to clarify that before the meeting got started.

John Mahle, Board President, stated I also want to clarify something. I became President of the Board at the Reorganization Meeting in December. My first meeting was January of 2017. We held a Special Meeting in February where I had requested the Audit Report from Zavada and Associates for all the Board Members. During that time during that meeting, we went over the audit and found some discrepancies. And the discrepancies were concerned by every Board Member. The following month, I called another meeting and I asked the Board to bring in Melone Associates to do a finance study on our finances. When Mr. Melone came in, he did a study and in eleven days found that we were \$3.5 in the hole. It brought a lot of concern. At this time; and the Board worked very hard, but at this time I would like to turn the meeting over the Dr. Vic Kopko.

Dr. Vic Kopko, Board Member, stated I briefly want to comment on where the School District was and where we are going. This Board has taken a pro-active approach when investigating the severe financial issues facing the district and formulating a plan to address these issues. Some of the issues, those of which the public are aware are: First, Hanover Area School District currently has

the highest tax rate in Luzerne County and secondly, we have uncovered significant financial burdens. I came to this Board on February 13, 2017; the
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very night the Annual Audit Report was presented. It indicated a fund balance of \$3.6 million dollars deficit without warning, which was very alarming. More alarming were the exceptions that were indicated in the report that certain cash accounts “were not reasonably determinable”; that cash accounts were not on the software system and there is a lack of timely reconciliations. Another comment on the audit said the software system was not being utilized properly. That very evening, we immediately advised administration that we must re-finance long-term debt simply based upon looking at the rates and the terms of the outstanding bonds.

Where we are today: as a Board, we chose to retain Albert Melone and Associates, who specializes in School District work. Their work can be categorized as forensic in nature. And we will use their expertise to provide an understanding as to where this School District is at this point in time and resolve the issues in the audit. This School Board understands that the hiring of Melone and Associates is a cash outlet; however, we couldn't afford not to do this.

The future: we put together a 2 Phase Plan to aid our School District. Phase 1 is underway and near completion through financing options. Our team is set with financial institutions and their advisors to create a bond refinancing. While not taking on extra debt, we will realize approximately \$2 million dollars in debt service savings in the School Year 2017-2018 and working with our amortization periods. An additional \$1.5 million dollars will become available through refinancing of our short term debt. Both of these refinancing packages will allow us to address the immediate deficit and generate an additional \$3.5 million in available cash, this is money the district would otherwise not have had. Phase 2: Comprehensive and Complete Operational Review of every aspect of the School District: #1 - Bid Process: we will start by implementing the mandated bid process with very strict guidelines, which will include three bids on all procurements and services, to be collected and reviewed by this Board, not administration. Often times details of the Board purchases are not reviewed and we are alerted only when check registers failed. This will change immediately. By implementing an appropriate transparent bid process, this School District should recognize significant savings and reduce expenses in many areas including the promotion of mandated low prices and generic products. #2 – Implement a proper purchase order system. This is a significant weak point in operations financially. This Board has recognized direct payments of reimbursements that clearly should have utilized the purchase order system. And the above action will present a more accurate financial picture that is transparent. #3 – Required Monthly Closings, Budget to Actual Variation Reports and Timely Reconciliations. This is an immediate change implemented

through this Board and Melone and Associates. We are already in the process of setting up the systems for timeliness.

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#4 – Open Communications: There must be more open discussions and brainstorming with the nine individuals on this Board and your administration. In conclusion, this Board is leaving no stone unturned and working with our professional consultants and we are doing everything possible to protect all the stakeholders of the district: the taxpayers, the students, and its' employees.

One final thought, I can't stress to you enough that the \$3.5 million dollars in cash flow will be freed up by our refinancing. It took tremendous effort, it took team work, and it is going to get done. I need to thank Attorney Jack Dean who was absolutely instrumental in the debt refinancing package. That concludes my statement.

RECOMMENDATIONS:

FINANCIAL:

It was moved by Frank Ciavarella, seconded by Paul Holmgren: To approve the following motions:

1. To approve the Resolution authorizing Northeast Revenue Service, our delinquent property tax collector, to collect penalty, interest, and fees per attached schedule – as approved by School Solicitor.
(Exhibit F-1)

2.	Sweet, Stevens, Katz & Williams, LLP Attorney Angela Evans Invoice #106458	\$313.50
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	Elliott Greenleaf	\$897.00
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Attorney John G. Dean
Invoice #139704

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Elliott Greenleaf \$312.00
Meghan M. Carey
Invoice #139704

Pugliese, Finnegan, Shaffer & Ferentino, LLC \$1,131.00
Attorney William Finnegan
Invoice #25520

3. Approve the Hanover Area School District 2017-2018 Proposed Final General Fund Budget, Projected Revenues amount to \$28,881,069 and Projected Expenditures amount to \$30,490,614.

The stated millage rate is 17.5771, an increase of Zero (0) mill. A copy of the Proposed Final General Fund Budget will be on display for the inspection of the general public in the District Administrative Office and on the Hanover Area School District website beginning May 26, 2017.

4. Approve taking Tax Anticipation Note in the amount up to \$6.5 million dollars from First Keystone Community Bank at 0.99% tax free interest rate with maturity date twelve (12) months.

BOARD VOTE: (ON MOTIONS #1 TO AND INCLUDING #4 ABOVE):

YES: Ciavarella, Heydt, Holmgren, Kopko, Mahle, McGovern, Potsko, Quaglia, Steininger. NO: None ABSENT: None ABSTAIN: None
Chair declared the motions carried.

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PERSONNEL:

It was moved by Stacy McGovern, seconded by Joseph Steininger: To approve the following motion:

1. Appoint/re-appoint the following Extra-Curricular Personnel, as recommended by the Athletic Director, for the 2017-2018 School Year:

William Kane	Head Varsity Girls Volleyball	\$3,123.00
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BOARD VOTE: (ON MOTION #1 ABOVE): YES: Ciavarella, Heydt, Holmgren, Kopko, Mahle, McGovern, Potsko, Quaglia, Steininger. NO: None
ABSENT: None ABSTAIN: None Chair declared the motion carried.

RECOGNITION OF VISITORS:

A woman named Allison asked the Board if they were thinking about not continuing the uniforms for the students, because they are getting very expensive with her children growing so fast, she is constantly purchasing new clothes. She said secondly when you get to the High School, you can't wear these shorts; you can't wear this and can't wear that. She noted that we pay the highest taxes but we don't have a Gym teacher, an Art teacher, or a Music Teacher; the kids are getting gipped each way possible. She said her daughter was in 3rd grade and she has 31 kids in her class and 20 of those kids have behavioral issues; as a result, she is not learning anything and her grades have dropped tremendously. Secondly, she said, her daughter had Career Planning and all the teacher did was pass out leaflets and told the students to learn. She asked if the Board was considering hiring more teachers, outside of the school district, that are not friends of friends; because some of these teachers don't know anything; and I hate to say that. She said she was frustrated because Hanover has the highest taxes. Allison said her sister was an Art Teacher in Nanticoke School District, whose

taxes are not as high as Hanover's, and they brought back all the specialized teachers; she wanted to know what's wrong there. She also asked why aren't the taxes paid across the board; why are the people who own houses being punished.

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Attorney Jack Dean, School Solicitor, stated I can respond to that question. The federal legislature proposes the tax reform; the School District doesn't have the power to change the taxing structure. You will have to contact your state legislature.

The woman replied that she contacted Senator John Yudichak and he told me to take it up with you. She went on to say that we have kids in Hanover Village, Marion Terrace and Dundee Apartments, which is a whole school bus by itself, who don't pay taxes but her grandmother, if you keep raising taxes, she can lose her house. She asked if she should be positive because her daughter has too many kids in her class, only had one month of science this year, has to have a tutor for reading, and can't understand the new math. She knows that change is inevitable, but if it is hurting the kids; that is not a positive thing.

Another woman in the audience stated you said the newspaper article regarding the tax increase was misquoted and asked where did they get that information from. Also, she asked, from what she read, the article stated there was missing money and asked where did that money go. She wanted to know who does know where the money went and who takes care of paying the bills for the district. She felt that the board's answer to the money problem was to dump more taxes on the taxpayers who are overtaxed as it is. She also asked how do we know that weeks or months down the line the Board is not going to vote for this increase, behind closed doors; because there are a lot of districts that have done it.

Andrew Kuhl, School Superintendent, in reply to your first question, the article should have stated that the school district qualifies for up to a 14% increase in taxes. As far as the budget is concerned, in accordance with state legislation, the School District must submit a balanced budget to the State by June 30th and it has to be passed by the School Board at a public School Board Meeting.

The woman then asked why is our tax millage so much. She stated she always thought Dallas was higher but Hanover is higher than Dallas and she wanted to know what do we have in Hanover that substantiates this tax.

Andrew Kuhl, School Superintendent, replied we haven't increased the taxes this year.

Frank Ciavarella, Board Member, also replied the best I can give you is this. If

Wilkes-Barre Area increased their millage by 1 mill, it would take in \$100,000.00; but if Hanover Area raised their millage by 1 mill, it would only take in about \$50,000.00; because we don't have the volume of tax base as they do. That is why we have to raise our taxes two mills to match other district's one mill.

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The woman replied that it sounds like the district is in competition with the other school districts. She asked again in regard to the paper, where is the money going and stated that as a taxpayer, we pay our bills and we have to account for every dollar that we spend; and then we read an article like that.

John Mahle, Board President, replied that is why we brought Melone and Associates into the district; they were hired until the end of July, 2017.

Another gentleman in the audience asked what was the previous auditing system of the School District; was it done by a professional organization on a bi-yearly or yearly basis.

Thomas Cipriano, Business Administrator, replied the last audit was done by Zavada and Associates.

The same gentleman commented that somewhere in the previous years there was a huge mistake, so I would like to see whoever it is or if it is a corporation, and hold that person accountable. He also asked if the district looks into the people who haven't paid their taxes in years; do you hire a professional service to collect these unpaid taxes.

Attorney Jack Dean, School Solicitor, replied January 1st of each year, every delinquent tax in Hanover Township is turned into the Luzerne County Tax Claim Bureau. The Luzerne County Tax Claim Bureau contracts Northeast Revenue Service to collect these delinquent taxes. Northeast Revenue Service has increased their volume of delinquent taxes from the past I will say from 85% recovery rate to a 95% recovery rate. In fact, on the agenda tonight, the Board has contracted Northeast Revenue Service to collect penalty, interest, and fees per a payment schedule. When all of the taxes are turned over on January 1st to Northeast Revenue Service, the first thing that happens is 10% penalty fee is attached to the delinquent tax amount and a lien is put on the person's property. The second thing that happens is that they immediately begin accruing interest at the Board approved rate, which I believe is 9%. Northeast Revenue Service knows the state tax collection laws and sends letters out in February to these individuals stating that their taxes are delinquent. Immediately, within the first quarter, there is an influx of tax payments that come in. After that the process continues until there is a tax sale and a judicial tax sale free and clear. It takes physically three years to collect 95% of the delinquent taxes and they do a

fantastic job collecting these taxes. I have seen the returns increase and the work that they do.

The gentleman asked on that point, do you look at businesses in Hanover Township that haven't paid any taxes, and I am not talking about KOZ properties.

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Attorney Jack Dean, School Solicitor, replied if you can identify these businesses and get the list to the School Board, that would be great.

Andrew Kuhl, School Superintendent, commented that the School Board is also looking at another project regarding corporation taxes.

The gentleman asked how many tax exempt properties are there in Hanover Township.

Another woman in the audience asked why are the group homes tax exempt.

Andrew Kuhl, School Superintendent, replied that we are not the Internal Revenue Service, we don't declare taxes.

The gentleman responded in regards to that, last week the Luzerne County Council passed a Resolution where all groups doing contracts with the county will have to be given their 990 forms. He said he knows of a resident who was paying \$7,000.00 a year in property taxes, now they pay none, but their CEO made \$800,000.00 last year.

Andrew Kuhl, School Superintendent, stated maybe we can do a Pilot Program regarding tax exempt properties.

The gentleman replied that they do it in the cities. He said places like Kings College and Wilkes University have 200 plus tax exempt properties; and some of the group homes, they are homes like you and I have, they are not churches, but they are tax exempted also. He said what he is trying to get at is the Luzerne County Council see that these people should be paying taxes; granted a church running on a shoestring budget should be tax exempt but the corporations making \$800,000 a year, should be taxed. He stated that he will work on that list and give it to the Business Manager.

The gentleman also remarked that he was glad to hear Dr. Kopko's statement in the beginning of the meeting because what I am getting here is someone approved contracts without putting them out on bid.

Dr. Vic Kopko, Board Member, replied that he didn't say that. Here is what I am saying: we can do a lot better here and I don't need to tell anyone here that.

What I am saying is we need to do a whole lot better when it comes to bids and we have the opportunity to reduce operating expenditures in this school district in my opinion by really focusing in on an appropriate bid process and making it so we can actually see significant savings. I believe we can.

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The gentleman went on to say we originally thought there was x amount of dollars in the fund balance then all of a sudden we find it isn't there. He asked who was supposed to be watching the bank when all of this happened and who is responsible for us not having the right numbers. He wanted to know whose job was it because that is a significant amount of money and went on to say that criminal charges could be filed somewhere; maybe we should contact the D.A. or the State Auditor General's Office. He said he wasn't pointing fingers at anybody but the people deserve to get an answer.

Andrew Kuhl, School Superintendent, replied the mistake that was made was not a mistake that money disappeared. Two accounts were under budgeted. When our PSERS came in for last year for our retirement account as well as our Special Education and Cyber and Charter School accounts they were both under budget to a significant amount. It was a mistake in the budget which left us with \$3 million dollars in a hole in the budget, because those accounts were under budgeted by \$3 million dollars. It was not where money was missing or dollars were missing, it was simply that these accounts were under budgeted, and at the end of the year when the payments were made for the obligations to PSERS and the obligations to Cyber/Charter Schools, we paid more than we had budgeted for.

The gentleman stated the last thing that I wanted to say is I attended the Pocono Mountain School District Board Meeting last week, which is one of the biggest districts in the state. He remarked that they reduced their millage by 10 mills over the last three years and there is no reason why we can't do the same thing. He said I work and get paid, I know what kind of house I can afford, I know what kind of car I can afford, and I know where I can afford to go on vacation. He said if he wanted to buy a Mercedes Benz he couldn't say to his boss you have to pay me more because I want to buy that car. But he said if the School Board in the past wanted something, they said we can take it from the people; and you can't do that anymore. He remarked that a few months ago the School Board approved the new construction in the Hanover Industrial Park, saying it will bring in more jobs to the township. But, he said, no one who works there is buying houses in Hanover Township because the school taxes are too high. He went on to say that people are having a hard time selling their houses in Hanover Township because the school taxes are too high.

Dr. Vic Kopko, Board Member, replied let me just explain something very briefly. Right in the 2016 Audit Report, when an Audit Firm makes a comment that certain

cash accounts are not reasonably determinable, that throws out exactly what you are talking about. This is precisely why we brought Melone and Associates in, to make that determination and to make sure that the cloud goes away and to fix all of these issues. The plan that we put together as a Board fills the hole, takes care of everything, freezes up \$3.5 million dollars in funding and none of us are voting for a tax increase.

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The gentleman replied what you should do, when I read the article in the paper, it sounded like the School Board was going to raise the taxes 14% and that someone stole \$3 million dollars; someone should go after that paper to print a retraction. He said the main reason he came to the meeting tonight is because it sounded like his taxes were going to go up 14%,

Andrew Kuhl, School Superintendent, replied he is reasonably sure that the person who wrote that article will put in the paper tomorrow that the Board has voted to not raise taxes. He said there is another thing that we should realize too: in 2011 the school district had \$24 million dollars in long term debt. Tonight as we start this meeting, that number is down to \$11 million dollars. So during this time there were really good things that were happening by this Board from taking the \$24 million dollars down to \$11 million dollars, in a short period of time. Over the last five years, we have only raised taxes in three of those years, but never did the increase exceed the state index. There was a zero increase in taxes for two out of the five years.

Another woman in the audience remarked that her school district taxes have gone up every year since she moved from New York and purchased her home in 2007. She had a reassessment done on her home and the taxes went even higher.

The gentleman in the audience replied sometimes after a reassessment they will increase the assessed value of your home, which increases your taxes and stated welcome to our county.

Another gentleman in the audience asked based upon the statement that you just made relative to the retirement fund, the cash account that wasn't accounted for properly, is that saying that the retirement plans of this district are not going to be sustainable in the future.

Thomas Cipriano, Business Administrator, replied no, the money was paid into that account. The amount budgeted was mistakenly budgeted lower than it actually was so the retirement plan is whole.

The gentleman then asked how long have the current auditors been auditing in this district.

Andrew Kuhl, School Superintendent, replied quite a while.

The gentleman asked regarding the balance that the auditors couldn't find, why weren't they told to find it.

Tom Cipriano, Business Administrator, replied they found it in those accounts that were under budgeted. It was an overspending, not a loss of money.

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The gentleman replied that he understood that and he looked at the reports on the website. He stated the Auditor General came in here in 2014 and looked at things through portions of prior year and came up with maybe three things. He remarked what you stated earlier with regard to what the Board is planning on doing, sounds like the management letter that should have been presented to the Board by the auditing firm. He said his question is, is the management letter for the last five years available that we can review it.

Andrew Kuhl, School Superintendent, replied the audits are always available.

The gentleman replied that he said management letters, not the audits.

Dr. Vic Kopko, Board Member, stated it is part of the audit package; at least it was this last year. The only thing I can tell you is I have been on the Board for only a few months, but we dropped the ball here, no question. And a large part of that is the fact that the systems that we needed to monitor proactive, not reactive, failed. They were not in place, there was very little follow-up, and because of that the transparency was an issue because the real-time information data was not available.

The gentleman went on to say that you said you received the report in February, but the report is due the end of December, so why did it take so long to get it and have it reviewed. He remarked as the other gentleman stated earlier, someone should be held accountable for the budget going from a \$300,000 positive to a \$3 million dollars negative.

Dr. Vic Kopko, Board Member, replied all I can tell you is ten minutes on the job and that was my first question.

The gentleman asked that was years ago so why wasn't that re-stated in what was filed with the state because right now all that was filed with the State was a \$300,000 surplus and no changes have been made. He went on to say that if the present auditing company has been here that long, and I know it was a long time, why did it take a news article, three days after election, to bring this to an apparent head.

Dr. Vic Kopko, Board Member, replied let me say this, when we first got the Audit

Report on February 13th, we immediately jumped on corrective action. This Board, seven and a half months after the fact, was in complete and utter shock. That is what I sensed on my first night, I know I was shocked; and I was trained in finance. The problems are many, we are fixing them, we have answers that will plug the holes and keep us going and make this a very strong productive school district and I can assure you that this Board put a lot of time in to correct this.

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The gentleman replied what you have stated is very commendable as to what you are going to be doing, that you have read all those parts, it comes straight from what would be an auditor's management letter as to the responses as to what is going to be done in the future to correct these actions.

Dr. Vic Kopko, Board Member, replied I used to write them.

The gentleman replied so did I. But, he asked, why hasn't the auditing firm re-stated, because certainly there has to be a re-statement in the last audit.

Dr. Vic Kopko, Board Member, replied that is part of the work that Melone and Associates is doing. They already picked that up and addressed the Board last week at the work session. That has been discussed and all those numbers have already gone forward and that has been taken care of.

The gentleman stated that a question was asked earlier regarding the taxes and delinquencies, and the answer that was provided was relevant to real estate taxes as to the delinquencies. He said he might be wrong but he believes the person was asking about delinquent personal income taxes and business privilege taxes. He said he doesn't know who the collector is currently for the School District, but if it is the firm that he is thinking of, it is the former people who ran Don Wilkinson Agency, and it should be checked.

Thomas Cipriano, Business Administrator, replied we have used Berkheimer for the last three or four years.

The gentleman replied very good. Thank you.

Another gentleman in the audience asked who is the overall seer of the money, the school district administrator, the business administrator, or is it Mr. Kuhl. He said he knows the Board votes on the budget but they are not the ones controlling the budget; and asked who is in charge of the budget.

Attorney Jack Dean, School Solicitor, answered that the budget is prepared by the administration, reviewed with the Finance Committee of the Board, and the finalized budget numbers are approved by the Board. It is a combination of individuals, not just one person, it is administration coming forward to the Finance

Committee to talk about where we are at with the Early Retirement Incentives and things like that, so it isn't one person, it is a combination of the Business Manager, Administrators, Finance Committee and ultimately the Board.

The gentleman then asked who does the check and balance system for the budget if it isn't the Board, he asked if it was the Business Administrator.

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Another gentleman in the audience asked who does the check and balance system for the budget and replied it should be done monthly or weekly if it is in trouble. He asked who is dropping the ball, doesn't anyone on the School Board know. He wanted to know who tells you that we are behind three months into the year, or that we are behind \$500,000 on the budget. He asked who prepares the Budget Report.

John Mahle, Board President, replied the Business Administrator.

The gentleman asked the Board what is the job of the Business Administrator.

Thomas Cipriano, Business Administrator, replied exactly that. When, as Mr. Kuhl said, those accounts that were under budgeted, in particular for the Cyber and Charter and Special Education expenses, or because of an influx of numbers that were not anticipated, the expenses increased. It is the first time in my history that we had such an influx. So when the budget was prepared, at this time, and eleven and twelve months later there is an influx, we still have to pay the bills even though they weren't budgeted for. They are the two areas that were totally under budget; the others were pretty accurate.

The gentleman replied so you are the person in charge of the budget and asked how does he audit the budget and do the check and balance system for the budget.

Thomas Cipriano, Business Administrator, replied from this time forward, like Dr. Kopko stated, there will be a monthly budget to actual report, like Dr. Kopko referred to, and it will be reviewed on a monthly basis.

Another gentleman in the audience asked why now all of a sudden, why wasn't it being watched right from the beginning.

Thomas Cipriano, Business Administrator, replied because we didn't have a year like we had in 2016.

The gentleman replied you didn't anticipate it; so if the line item is budgeted for a certain amount of dollars and that account goes under budgeted by \$3 million dollars; at what point did you see we were in trouble with the line item or line

items.

Thomas Cipriano, Business Administrator, answered when the auditors came in and we were reviewing the expenses in the line items, it was found.

The gentleman replied so the auditors found it.

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Thomas Cipriano, Business Administrator, replied no it was a combination of me and the auditors.

The gentleman then asked did you alert anyone of the problem as soon as you found it that we were in trouble.

Thomas Cipriano, Business Administrator, replied yes, they had to verify all that in the audit. It will be done on a more timely basis, starting this month, there will be a check and balance system on the budget once a month. I can't go backwards so we will start with the report in May.

Another gentleman asked Mr. Thomas Cipriano how long was he the Business Administrator.

Thomas Cipriano, Business Administrator, replied for seven years.

Dr. Vic Kopko, Board Member, stated I came from private business and the first thing that I noticed is that it is difficult for my fellow Board Members to make decisions without having proper information; part of that systems structure I was talking about earlier, which has a lot to do with reporting and communications. I know for me it was important to see the stuff that I needed to see from the last few years. Melone and Associates have come a long way with the software system being properly utilized, and at our meetings now we will have budget to actual expenses in hand. So again I think, if anything, the people understand that now this Board is pro-active, instead of reactive, and we need to understand that certain decisions were made with not having the best information all the time.

A gentleman asked about the bid process that you are now going through and you read through the things you are going to be changing; why now, when we go all the way back to Spinozza in 2009, why did it take so long. He said that is really the question and he is glad that they are doing it.

Dr. Vic Kopko, Board Member, replied I have been on the Board for three months and I don't know why either.

The same gentleman asked about the Financial Motion stating we have a solicitor

and four attorneys from four law firms. He wanted to know what that is all about.

Attorney Jack Dean, School Solicitor, replied these are payments for the co-solicitors in my office who do the research for hours, some do only contracts; but I can assure you there is no overlap in services. The payments for the co-solicitors are based on their relative expertise.

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One of the gentleman in the audience stated at Choice One, we are required to change auditors every two years, even if we think they are doing the best job in the world and I think that is something that the Board should consider. Secondly, in regard to the taxes where the lady said Senator Yudichak told her to check with the Board, I attended a Forum of the Luzerne County Council last week where they had all state legislatures there and they don't care. He said when he got up and said the Ed Rendell passed gambling and said all the money from the Mohegan Sun was going to give us a 20% decrease in our property taxes but I have been waiting at my mailbox and haven't gotten it yet. He stated when he started that discussion, all the state legislatures got up and left. He told the Board that he has a list from last year of all the state's gaming lands given to Luzerne County, because we have a casino here, and we do get some good things out of it, like money to the Police Department or a new firetruck; but a medical industry was given \$1 million dollars of gambling tax money to expand their business. He said \$1 million dollars was even given to Guard Insurance to expand their business. He went on to say that they are both profit companies who don't want to take their profits to expand their businesses; they want to use your tax dollars. He said the gaming lands don't help our property taxes one bit. He said he thinks what should happen here is you should get together with the County Council and Hanover government to get in touch with the State Legislatures and tell them that this isn't working and you have to change this; because the people are fed up.

Dr. Vic Kopko, Board Member, replied I am speaking for myself and no one else, I am an advocate of fundamental and across the board property tax reform and I think it is the only way out of this. People who own homes cannot afford any more taxation. It has to change. People not only in Hanover Township but also in surrounding communities cannot sell or buy homes because of the taxes. I understand what you are saying and I believe the way to go is to pressure the State Legislations into supporting House Bill #76 and Senate Bill #76.

Thomas Cipriano, Business Administrator, stated that the School District receives \$889,000.00 from gaming money and that has not gone up in the last five years. That is where you get the homestead credit which is about \$225.00.

The gentleman stated that brings me back to my previous point regarding tax

exempt properties. He said we have 456 tax exempt properties in Hanover Township; that if they were taxed, would bring into the township manager almost \$90 million dollars more in tax revenue; for the Township and the School Board.

Thomas Cipriano, Business Administrator, replied we have three Pilots: two are the high rises low income development properties and the third is from state game lands. They are the only three that qualified for that program. The KOZ's are completely off. In 2010 we had close to thirty KOZ properties, now we are down

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to zero, except three or four are Earth Conservancy which are not taxable anyway. So we have zero KOZ's. Also, from the new buildings that are being put up, the School District gets half of 1% from their employees' earned income taxes.

Another gentleman in the audience asked how much does the Luzerne Intermediate Unit pay to utilize the Lyndwood Elementary School.

Andrew Kuhl, School Superintendent, replied they have paid \$50,000.00 each year for the last three years.

A woman in the audience asked will the Special Education Program be closed because of the budget cuts.

Dr. Vic Kopko, Board Member, replied there are no cuts. The district is mandated to take care of the Special Education students.

Another woman asked how many teachers who work in the Hanover Area School District live in the district.

Andrew Kuhl, School Superintendent, replied he does not have that information.

Another gentleman replied just for the record that is the Pennsylvania Education Association that does not allow School Districts to make their teachers or any employee of the School District live in the Township. He said he doesn't think any school district in the world make their teachers be residents of their township. He commented that what the Board is doing, and I don't know where the mistakes were, but the acknowledgement that the Board is going to do something about it, makes everyone here very happy.

A gentleman asked the Board if there was any discussion regarding increasing the earned income tax rate.

Thomas Cipriano, Business Administrator, replied not the earned income tax rate. I believe when we researched that we found out, with the size that we are,

Hanover Township will not allow us to go beyond 1%. There are districts like Hazleton that have gone above because of their size. One thing we are looking into in the next thirty days is to increase that line item for next year because of the employees going into those two LERTA properties that were mentioned in June. We are going to be collecting taxes from there starting in July through September, then by the end of the year, they will run a 2 shift operation or an around the clock operation. We also believe we will have additional earned income from the Nardone's Pizza expansion in the Industrial Park as well as a new Coremark building.

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The gentleman asked when you say size, what is the determinant.

Thomas Cipriano, Business Administrator, replied the Township's class, I believe, limits us to 1%.

The gentleman asked nothing to do with population.

Thomas Cipriano, Business Administrator, replied no. We looked into it five years ago but we are going to explore it again.

NEW BUSINESS:

None

OLD BUSINESS:

None

FUTURE MEETINGS:

