

**EAST STROUDSBURG AREA SCHOOL DISTRICT  
BOARD OF EDUCATION**

**SPECIAL BOARD MEETING TO DISCUSS THE 2010-2011 BUDGET  
AND RELATED FISCAL ISSUES**

**January 12, 2010**

**Carl T. Secor Administration Center – Board Room**

**7:00 P.M.**

**Minutes**

- I. President Horace Cole called the meeting to order at 7:00 p.m. and led those present in the Pledge of Allegiance. Secretary, Patricia Rosado, called the roll.
- II. Members present were: James Brunkard, Horace Cole, Robert Cooke, Douglas Freeman, Robert Gress (arrived at 7:36 p.m.), Audrey Hocker (arrived at 7:11 p.m.) and William Searfoss were present. Bet Hays and Donald Motts were absent.
- III. School personnel present: Michelle Arnold, Patricia Bader, David A. Baker, Brian Borosh, John Burrus, Anthony Calderone, Richard Carty, Maria Casciotta, Mike Catrillo, Robert Dilliplane, Irene Duggins, Larry Dymond, Eric Forsyth, Kim Holcomb, Lynda Hopkins, Gail Kulick, Sharon Laverdure, Philip Lazowski, Irene Livingston, Araina Maynard-Freed, Lois Palio, Annelle Prefontaine, Patricia Rosado, Jim Shearouse, Kim Stevens, Thomas J. Williams and Steve Zall.  
  
Also present was: Chris Brown, Solicitor.
- IV. Media Present: Dan Berrett, Pocono Record
- V. Community members present: Devin Day, Donna Houser, Brian K. Snapp, Gary Summers and Judy Summers.

**VI. APPROVAL OF AGENDA**

**ACTION BY THE BOARD:**

Motion was made by Douglas Freeman to approve this agenda for January 12, 2010 (page 1), as submitted. Motion was seconded by James Brunkard and carried unanimously, 5-0.

**VII. ANNOUNCEMENTS BY THE BOARD**

- A. Mr. Cole announced that there will be an Executive Session following the meeting tonight for the purpose of discussing litigation and negotiations.
- B. Mr. Cole announced that although the Board meetings are normally on the 3<sup>rd</sup> Monday of the month the next Regular Board meeting will be on Monday, January 25, 2010 at 7:30 p.m. due to Martin Luther King, Jr.'s Day.

**VIII. SUSPENSION OF RULES**

**ACTION BY THE BOARD:**

Motion was made by James Brunkard to suspend the rules of the day to permit discussion of budgetary items to be presented by the administration or members of the Board and the public concerning review of the 2010/2011 budget and related fiscal issues without the necessity of a motion and second being previously made. Motion was seconded by Douglas Freeman and carried unanimously, 5-0.

## IX. PRESENTATION OF INFORMATION BY THE ADMINISTRATION

Mrs. Patricia Bader presented the 2010-2011 Budget Information. She started with the following timeline:

- Monday, January 25, 2010 – Regular Board Meeting
- Thursday, January 28, 2010 – Deadline to make 2010-2011 proposed preliminary budget available for public inspection.
- Sunday, January 31, 2010 – Last day to publicly advertise the intention to adopt the 2010-2011 Preliminary Budget on February 8, 2010.
- Monday, February 1, 2010 – Meeting available if needed for budget
- Monday, February 8, 2010 – Special Board meeting to adopt the 2010-2011 Preliminary Budget
- Tuesday, February 16, 2010 – Meeting available if needed for budget
- Wednesday, February 17, 2010 – PDE deadline to adopt the 2010-2011 Preliminary Budget

She stated that the legal requirements for Act 1 timeline are:

- Public Advertisement is required ten (10) days prior to adoption of the 2010-2011 preliminary budget.
- PDE deadline to make PDE 2028 (Preliminary Budget) available to the public is January 28, 2010.
- PDE deadline to adopt the 2010-2011 Preliminary budget is February 17, 2010.

Mrs. Bader stated that the 2010-2011 budget has total revenues of \$136, 587,200.00 and expenditures totaling \$143,741,400.00. She stated that these totals include a projected 8.5% increase in real estate taxes based on equalized millage rates. Mrs. Bader stated that the budget assumes an 87.0% collection rate of Real Estate Taxes. She stated that the budget includes local revenues that are assumed to increase 10.0%, State revenues assumed to decrease .5% and Federal Revenues which are assumed to increase 25.9%. Mrs. Bader stated that it also includes the use of approximately \$3,850,000.00 in estimated exceptions that are in excess of the district's 3.9% index. Mrs. Bader presented to the Board the revenue and expenditures summary for the East Stroudsburg Area School District budget since the 2006/2007 school year until the 2010/2011 school year.

Mrs. Bader presented the 2010-2011 preliminary revenue budget assumptions. She stated that the revenues for the year ending June 30, 2011 will be 73.3% in local revenue, 23.7% in State revenue, and 3.0% in Federal and miscellaneous revenue. Mrs. Bader reviewed the district's historical enrollment and stated that the building population is declining, but that Cyber Charter is increasing and costing the district more money each year. She also explained the out of district placement due to illness, incarceration or special needs. Mrs. Bader stated that salaries and benefits make up 64.6% of expenditures, 21.8% make up total student and administrative expenditures and total debt and financing costs are 13.6% of the expenditures. Mrs. Bader presented the 2010-2011 Preliminary Budget expenditure assumptions and an expenditure history. She presented a detailed analysis of the staff. Mrs. Bader stated that the fund balance is a sign of fiscal stability. She stated those with little or no money in reserve are considered to be higher risks in their ratings. Mrs. Bader stated that the district is recommending a minimal use of fund balance for debt repayment for the 2010-2011 budget. She stated that the district is limited to a fund balance of 8%, which should be one to three months of expenditures according to PSBA. Mrs. Bader stated that Moody's, Standard & Poors and, Fitch recommend a fund balance of 8% of the current period operating expenditures. She discussed options for reducing the operating deficit by \$7,154,200.00 for the 2010-2011 school year. Mr. Brunkard asked if Mrs. Bader's other items, such as cutting back on buses and the discussion of grants appear anywhere on the presentation. Mrs. Bader stated that there are, under other items, when they met to brainstorm. Mr. Brunkard stated that he wants to make sure that the items that were discussed under the other category are items that are not forgotten and never discussed again because they do not appear anywhere in the budget presentation. Mrs. Bader stated that the State Tax Equalization Board (STEB) told the district that the revenues have to be split in Monroe County and Pike County because we are a two county district. She stated that the STEB split of revenues in Monroe County is 75.666% and in Pike County is 24.334% which equals a preliminary millage of 178.19 in Monroe County and 126.62 in Pike County. Mrs. Bader stated that on a \$25,000 assessment this would equal \$374.25 per year in Monroe County and \$192.00 per year in Pike County. Mrs. Bader stated that 1 mill of collected taxes in Monroe County would equal \$380,933.00 and \$176,787.00 in Pike County. She emphasized that the preliminary budget is the maximum amount and when it is adopted, the final amount can only go lower. Mrs. Bader stated that the district must adopt the preliminary budget on 2/17/10. She stated that she distributed to the Board tax rate variations, collections, details of revenues and expenditures. Mrs. Bader stated that she also included PSERS information, salaries, target information and a detailed analysis of technology initiatives.

**X. PUBLIC PARTICIPATION -- LIMITED TO BUDGET ITEMS**

- A. Mr. Gary Summers stated that the Board has a long road to go. He stated that he understands what a preliminary budget is and is not sure what the final budget date is, but the Board has a lot of work to do. Ms. Bader stated that the final budget is due on June 30, 2010. Mr. Summers stated that he hopes there is a process that is a lot more effective than he saw last year because it was a big disaster. He stated that if the Board does not admit it, then they are kidding themselves. Mr. Summers stated that the Board cannot nickel and dime this budget. He stated that he hopes that Dan Berrett, Pocono Record, writes down that it will be a 9.2% tax increase for Monroe County so that all the Board members get pressure from their neighbors, who are just like he who are on social security with no increase this year or next year. Mr. Summers stated that they, like Mr. Cole said, cannot afford a 9.2%, 8.2%, 7.2% or even a 2.2% tax increase, and so to say that the tax increases will get us out of this hole is absolutely insanity. Mr. Summers stated that he encourages the Board to please do the right thing for themselves and the taxpayers. He stated throwing money at the budget will not solve the problem because they have to work from the bottom up. Mr. Summers stated that he told the previous Superintendent two years ago and she asked him how much of his expenses in his budget was payroll. He stated that his payroll expenses were about 70% and his boss told him to cut the budget down 10%. Mr. Summers stated that he did what he had to do and one person left. He stated that the Board better start thinking on this and think about a 0% base budgeting and stop talking about raising expenses by 7%, 8% or 9%, but go back to zero. Mr. Summers stated that the Board needs to make everyone in the district justify each dollar. He stated that if this means one less teacher in the classroom, show him that this will degrade education; "prove it". Mr. Summers stated that this is the only approach that you are ever going to take and the Board has a lot of work to do and needs to do a better job than they did last year. He stated for example, he lives in the Country Club of the Poconos and last year the district took all elementary kids into Resica because of the construction at Middle Smithfield Elementary. He stated that there is one student still going to Middle Smithfield Elementary and the district is shipping one bus to take this one student which does not make sense. Mr. Summers stated that the Board needs to look at items like this.
- B. Mr. Dymond stated that he expected something different in the budget. He stated that he was reviewing his notes and he believes Mr. Searfoss had a printout of teachers and schedules in a budget book. Mr. Dymond stated that they discussed this issue and there was an excess in teachers. He stated that he just found out that, this school year, we have 654 according to the district paperwork, when last year they had 626 which made them upset. Mr. Dymond stated that he does not know how this increase happened and now they are looking at a couple of more teachers for this year. He stated that we have so many students in the district and on Cyber; but, we also have students in alternative education sites and special schools, which equal about a couple of hundred students. Mr. Dymond stated that if the district takes these students out of the classrooms that they are educating we have about 12 kids per class. He stated that he has never seen a budget in an industry prepared like this. Mr. Dymond stated that the district needs to look at all phone bills, utilities bills, etc. He stated that another issue was what Mr. Karkut used to say that we need to print on the double sides of the paper and use the machines that we pay thousands of dollars that can print on both sides of the paper.

**XI. BOARD COMMENTS**

- A. Mr. Cole stated that unless the district makes serious modifications, for what is considered to be the maximum tax raise, we are in deep trouble. He stated that our average taxpayer cannot take an 8 plus % increase that is in our budget. Mr. Cole stated that we may need to consider a total freeze of all new hirings or some retrenching of staff but we have to do something to try to bring this into control.
- B. Ms. Hocker stated that Mrs. Bader did a fantastic job on the budget because it is much clearer than the Board is used to seeing. Ms. Hocker asked if the budget includes the new bond issue. Mrs. Bader said, "Yes". Ms. Hocker asked if, even with that bond, we are facing a deficit. Mrs. Bader stated that the debt restructuring that was done for the 09/10 year was a one year fix. She stated that we also had a debt refinancing which did bring in one million dollars. Ms. Hocker asked about the 8.2 million dollars. Mrs. Bader stated that all the debt comes back into the 2010/2011 school year since it was only a one year fix. Ms. Hocker stated that we are almost back to where we started these budget meetings last February. She stated that a number of things were mentioned but proved very hard to implement. Ms. Hocker stated that, once again like Mr. Cole said, we have to do some serious shifting and thinking. She stated that she knows that she must be the omen of everyone on the payroll; but, I do recall that we attempted to negotiate with the various levels of staff here in terms of freezing raises or holding them for at least a year and try to get ourselves over the hump. She stated that at that time, we mentioned that we were bankrupt but we still went full force in not taking freezes on the raises. Ms. Hocker stated that we need to revisit this issue again because she does not think that we can borrow again. Mrs. Bader stated that the district does have one more restructuring option to do but the district is getting close to being at the legal limit. Ms. Hocker asked if this was explained by Ms. Doyle of PFM. Mrs. Bader stated that everything Ms. Doyle explained, the district accepted.

She stated that she did not investigate any additional debt restructuring included in this preliminary budget because she thought the Board did not want to do this again. Mrs. Bader said, however, she will look into it if that is what the Board would like her to do. Ms. Hocker stated that the Board does not really want to but, "What are we to do?"

- C. Mr. Freeman stated that restructuring only prolongs things and does not help the situation at all. He stated that he agrees with what Mr. Cole said to look at the budget, see what we can cut and do something about it. Mr. Freeman stated that we should not just talk about it but do something about it. He stated that today is the first day that the Board just saw this budget; therefore, they now need take a hard look at it. Ms. Hocker stated that the Board has been looking at this budget for a year. Mr. Freeman stated that this is the first time he is looking at it as a new Board member and does not know what happened a year ago but the Board needs to take a hard look at it and make some decisions.
- D. Mr. Searfoss stated that he does not think that the district will find big ticket items but nickeling and diming would need to be done. He said there is an estimate of \$559,000 for overtime. Mr. Searfoss stated that if we freeze the staffing like Mr. Cole suggested and the overtime expense increases as a result this, then it needs to be looked at because it would not be cost effective. He stated that High School South and High South North wireless access, at an expense of \$25,000, is not needed when a cord costs \$3.00 to plug a computer into a wall. Mr. Searfoss stated that we need to nickel and dime everything in the budget. Mrs. Bader stated that the district is prepared to do the nickel and diming but this is just a worse case scenario budget. Mr. Searfoss stated that he has some members of the public who have asked him why two maintenance people go into the store to get supplies; therefore, two people get into the car and drive to the store. He stated that the district either has too many people or one should be doing another job. Mr. Searfoss stated that we need to nickel and dime or we are not going to get the budget down.
- E. Ms. Hocker stated that we need to look at the large items of the budget and, in our case, they are the salaries. She stated that if we nickel and dime the schools, it affects the students directly. Ms. Hocker stated that we are here for the students and their education and to be cutting things that directly affect them in the schools, she is not for it, but against it. Ms. Hocker stated that she is looking at the budget wheel on the chart and the Board needs to revisit the salaries, which is the largest portion on the wheel.
- F. Mr. Brunkard stated that he is not more anxious than anybody else to pay an 8% plus tax increase. He stated that the Board is likely to work on this budget and pull it back someplace from there. Mr. Brunkard stated that even last year in the final stages as we go through these processes two things happened: He stated that the Board continues to commit monies or to not generate funds that we could. Mr. Brunkard stated that when we talk about nickels and dimes, this is a lot of what we can control but a lot of the money is already spoken for; money we are in debt for, like for the building projects. Mr. Brunkard stated that the district has a commitment to transport the kids to the schools, to have the number of personnel that we have and provide for security issues. He stated that when we get a load of other issues, we tend to spend the money on small things and larger items. Mr. Brunkard stated that the part he finds disingenuous is that, in some cases, expenditures that some Board members feel are mandatory or at least appropriate, but, in the end regard the totality of all these expenditures with everything else we are spending to be such that they won't support the budget in the end. Mr. Brunkard said, "For example" the Bunnell building debate of millions of dollars, to spend or not. He stated that also the football field is one of large item that the Board approved. He stated that in some cases we lack all brevity in expressing what it is that we are doing and how everything we do costs money. Mr. Brunkard stated that he can make more incendiary ideas on how we are spending our money; but, we will handle each issue one at a time at the Board meetings, where we actually deliberate on how we are going to spend money and what we are going to spend it on. Mr. Brunkard stated that although it isn't a pleasant thing to look forward to, another tax increase of the magnitude that we had from last year, the increase from last year did not get us out of the financial difficulties that we are in. He stated that we would be wrong to, in advance, advise the public that we have intentions not to raise taxes at all, like he heard some Board members say last year when we knew we were facing expenditures that necessitated tax increases. Mr. Brunkard said for the Board to try to keep aside some of the rhetoric because, as politicians, we have to please ourselves and everybody. He stated that the Board needs to decide what is worth spending money on and they need to advocate those areas of expenditures. Mr. Brunkard stated that they also need to decide which areas they will pull back from spending because this is a legitimate debate. He stated that the Board needs to be a little bit forthright and honest about what they are doing and in the end come up with a budget that they can totally support. He suggested that the Board not take extreme views to begin with that involve the idea that we are somehow going to avoid a tax increase this year and advertise it as a precondition to our deliberations as the budget goes forward.

- G. Mr. Cole stated that we will be meeting again in regards to the budget. He stated that he thinks that while Board members certainly have the right to suggest cuts to be made here and there throughout the budget, he would also expect that the administration under Mrs. Laverdure would take an honest knife to this preliminary budget. Mr. Cole stated that the next time they get together in regards to this preliminary budget that the budget is severely reduced and that overall percentages may be much less than they are now. Mr. Cole stated that there will be, without question, some increase in the budget because, if nothing else, just inflation alone does not allow us to operate in the same footprint that we did the previous years or in the current year that we are under.
- H. Mr. Freeman stated that he would like to see across the board a freeze in salaries because, with people losing jobs and houses, there is no reason for an increase in salaries. Mr. Cole said to Mr. Freeman that he has to realize that these individuals are under a current contract but we will be negotiating a new contract for the one that this budget reflects. Mr. Cole stated that he certainly understands what his comments relate to. Mr. Freeman stated that many people are going out to get two or three jobs and there is no reason why a teacher cannot go get another job if they need more money versus an increase in salary. Ms. Hocker stated that she concurs with Mr. Freeman
- I. Mr. Cooke thanked Mrs. Bader because he appreciates the time and effort she and her staff put into the budget information. He stated that it is very comprehensive and very overwhelming. Mr. Cooke stated that, as a new Board member, he has something to look at and digest. Mrs. Bader stated that if he has any questions, he can call her. Mrs. Bader asked when would the Board like to see the results of their administrative efforts. Mr. Cole stated that the Regular Board meeting would be a great place to give us a feel of how serious administration is taking the Board's few comments from tonight. He stated that there will also be a lot more public hype in the near future when they realize the budget they are looking at.
- J. Ms. Hocker asked how many new hires have they had since the cuts in June. Mrs. Laverdure stated that there have been very few hires and is concerned with Mr. Dymond's comments. She stated that since the first week in September, they have replaced positions with Long Term Substitutes (LTS) positions and do not have to fill those positions permanently. Mrs. Laverdure stated that the only new hires they have had are students helpers based on IEP team meeting requests for special education. Mrs. Laverdure stated that without knowing the bus that Mr. Summers is talking about, it is probably an IEP student needing a special classroom and we have to fulfill those requirements. She stated that she knows they had to hire an instructional aide based on an IEP decision. Mr. Cole asked if there were new teachers that were hired due to 2009/2010 class size increases. Mrs. Laverdure stated that they did hire a kindergarten teacher for Bushkill Elementary, a third grade teacher in Bushkill Elementary and a kindergarten teacher in Resica Elementary but they were hired as LTS and will not be replaced as well as numbers will be readjusted. Mr. Cole stated that LTS are Long Term Substitutes but nonetheless, we have to pay them. Mrs. Laverdure stated that the district did cut some positions at other schools. She stated that administration has been very diligent in not placing people where it is not necessary. Mr. Cole stated that we will have to continue in the direction of possibly increasing some class sizes which will allow us to teach a good educational program and do it at a cheaper price because we are using somewhat less people. He stated that he is not so sure that this can be done through retrenching of staff or through attrition. Mr. Dymond stated that the Board voted around June and he got those numbers to start the school year then, but, now it is 654 with the recent hire. He stated that he does not know if long term substitutes count. Mrs. Laverdure stated the LTS count this year but will not impact next year's budget. Mr. Dymond stated that he was surprised to see that they went from 626 last year to 654 the following year. Mr. Brunkard stated that sometimes when we are discussing numbers the numbers vary. He stated that he knows last year we went from 690 covered by our professional staff contract and eliminated 10 teaching positions over his objection. Mr. Brunkard stated that some of those subject matters that those teachers may have taught are being taught by recent hires. He stated that it may have turned out to have been that the job taken away had to come back due to class size or a need to produce those classes in the final analyses. Mr. Brunkard stated that we start talking about 680 instead of 690 and neither get down to the teaching positions that Mr. Dymond is talking about. Mr. Brunkard stated that this truth often happens in the conversations. Mr. Dymond stated that PDE has 689 recorded last year. Mr. Brunkard stated that some of it is the way we count things and there may be some discrepancy and if you look at our numbers, the discrepancy may disappear. He stated that Mr. Dymond may be counting in a different category of people that you do not think of as teachers or instructors in one count but that you do in another. Mr. Dymond stated that this may be fine but we need to look at and work up through the budget and not down and find out who we have and what we are paying for.
- K. Mr. Gress stated that he spoke to Mrs. Bader to start looking at the collection rates that appear to be higher this year from last year, which would be a savings to the district. He stated that we also need to look at expenditures. Mr. Gress stated that the big number is the 2 million dollar collection which we budgeted low last year. He stated that in previous years, the district went to Portnoff and lost about 6 to 8 million dollars in revenues because people were paying at a discount or at the current rate but now they are paying the penalties, which is not what the district wants. Mr. Gress stated that some collections should be coming in to equal 10%. He stated that foreclosures may

occur but we get paid when the Sheriff sales come in and some properties may need to be assessed. Mr. Gress stated that we are paying for the sins of the past Boards. He stated that we can say over and over that we are not but certain expenditures we are stuck with. Mr. Gress stated that the district may have taken out bonds but we are stuck with past costs. He stated that the Board starts cutting and all of a sudden the budget comes around and the vote is 5-4 or 6-3 and people start thanking the Board for programs when they voted against the budget. Mr. Gress stated that we got rid of some teachers and we train people and spend a lot of money on things instead of looking at the future to see what we will need. He stated that PSERS is a great expense and in 2001 the State refinanced PSERS at about 30 million dollars and everything was supposed to be fine. Mr. Gress stated that the State and the school Boards did not fund things properly and now we are looking to cut the PSERS rate down to 8.5% from 10.2% when we know in three years we will have a "gorilla" in the room and we need to start planning for it. Mr. Gress stated that we were going to spend \$18,000 to talk about a trend mouse but if you cut a dollar today, next year or the following year you will need to raise three for that dollar you cut. He stated, "It is a simple equation". Mr. Gress stated that in the past we cut, cut, cut and ultimately it is a big surprise that the debt service is 17 million dollars. He stated that we can probably look at some cash infusions to sell off the receivables to help the district out with some cash flow and there are other opportunities to look at.

- L. Mr. Cole stated that he would like to put out the same instructions he gave administration to all departments and buildings to look at their budgets to help the district lower the dollar figure instead of just "nickels and dimes".

## **XII. ANNOUNCEMENTS/INFORMATION**

Mr. Cole announced that the Board meeting is adjourned but the Board will now go into an Executive Session for the purpose of discussing litigation and negotiations.

## **XIII. ADJOURNMENT - 8:10 P.M.**

Respectfully submitted,

Patricia L. Rosado  
Board Secretary