

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

SPECIAL BOARD MEETING TO DISCUSS THE 2011-2012 BUDGET AND RELATED FISCAL ISSUES

January 13, 2011

Carl T. Secor Administration Center – Board Room

7:00 p.m.

Minutes

- I. President Horace Cole called the meeting to order at 7:07 p.m. and led those present in the Pledge of Allegiance.
- II. Members present were: James Brunkard, Horace Cole, Robert Cooke, Douglas Freeman, Robert Gress and Audrey Hocker. Bet Hays, Donald Motts and William Searfoss were absent.
- III. School personnel present: Patricia Bader, David A. Baker, Brian Borosh, John Burrus, Richard Carty, Maria Casciotta, Michael Catrillo, Irene Duggins, Eric Forsyth, Lynda Hopkins, Gail Kulick, Sharon Laverdure, Fred Mill, Carolina Rodriguez, Patricia Rosado, Paul H. Schmid, Jim Shearouse, Kim Stevens, Oliver Trojak, Thomas J. Williams and Steve Zall. Also present was: Christopher Brown, Solicitor.
- IV. Community members present: Mike Meachem, Verona Meachem, Gary Summers and Judy Summers.

V. APPROVAL OF AGENDA

ACTION BY THE BOARD:

Motion was made by Robert Cooke to approve this agenda for January 13, 2011 (page 1), as submitted. Motion was seconded by Douglas Freeman and carried unanimously, 6-0.

- VI. **ANNOUNCEMENT OF EXECUTIVE SESSION** -- There was an Executive Session immediately following this meeting to discuss litigation.

VII. ANNOUNCEMENTS BY THE BOARD

- A. Mr. Cole stated that the Regular School Board meeting will be held on the fourth Monday, January 24, 2011, due to the Martin Luther King, Jr.'s holiday on the third Monday in January. He suggested that everyone keep this in mind and in their calendar.

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 2011-2012 budget and related fiscal issues without the necessity of a motion and second being previously made. Motion was seconded by Robert Cooke and carried unanimously, 6-0.

IX. PRESENTATION OF INFORMATION BY THE ADMINISTRATION

- A. Mrs. Laverdure reminded everyone that this is a preliminary budget with many unknowns, especially with the State budget and with the new Governor's budget. She stated that they are hearing many different things about Federal money. Mrs. Laverdure stated that there are many, many unknowns and Mrs. Bader will go over them with everyone as well. She stated that she will have other announcements at the end with regard to some upcoming meetings and the changes we have to make.

B. Mrs. Bader welcomed everyone to the first presentation of the 2011-2012 budget. She stated that on the first page with the timeline, she would like to point out a couple of things. Mrs. Bader stated that she will be asking for items that you want me to do further analysis on or for further explanation. She stated that she will bring that back to the January 24th Board meeting. Mrs. Bader stated that there will be an item under the Superintendent's Report for more discussion on the budget. She stated that we do have to make the preliminary budget available for public inspection on the website on January 27th and we have to advertise on January 30 our intention to adopt the 2011-2012 preliminary budget. Mrs. Bader stated that they have scheduled to meet and possibly adopt the budget on February 7th, which she believes is a conflicting date. Mrs. Bader stated that she is proposing to change this meeting to February 10th. She stated that she does not believe this date conflicts with any other meetings like the one scheduled at the Monroe Career and Technical Institute. Mrs. Laverdure asked Ms. Hocker if this conflicts with the IU 20 meeting. Ms. Hocker said that the IU 20 meetings are on the third Wednesday of each month. Mrs. Bader stated that February 10th would be the meeting to adopt the Preliminary Budget. She stated that she will also have Monday, February 14th available, if necessary, but we have to adopt the preliminary budget by February 16th. She stated that the legal requirements are:

1. Public Advertisement is required ten (10) days prior to adoption of the 2011-2012 preliminary budget.
2. PDE deadline to make PDE 2028 (Preliminary Budget) available to the public is January 27, 2011.
3. PDE deadline to adopt the 2011-2012 Preliminary budget is February 16, 2011.

Please note: There are deadlines for public notice submission to the Pocono Record.

Mrs. Bader stated that tonight she is presenting a balanced budget of \$150,229,000 which means revenues equals expenditures. She stated that there is no use of fund balance. She stated that tax revenues are estimated at an 8% increase with a 90% Collection Rate of Real Estate Taxes. Mrs. Bader stated that last year, if they remember when she presented the preliminary budget, the expenditures exceeded revenues so we would have needed a 17% tax increase. She stated that they significantly trimmed the expenditures by doing austerity measures and other things. Mrs. Bader stated that, in addition, when she presented the budget last year, we had an 89% collection rate but she was able to bump it up to 90% for the final. She stated that she started at 90% this time, but she is happy to report that she found out today that the collection rate is 91%. Mrs. Bader stated that this is something she can consider for the future. She stated that it seems that economic conditions are improving. Mrs. Bader stated that the local revenues are assumed to increase 9.7%, State revenues are assumed to increase 4.3% and Federal Revenues are assumed to decrease 57.2%, which is basically the loss of the ARRA funding in the special and basic education area. She stated that the 8% increase in taxes is approximately \$5,578,466 in excess of our district's index. Mrs. Bader stated that the index is the legal limit for which we can raise our taxes without exceptions and that is 1.9%. She stated that we would have to file for exceptions in the amount of approximately \$1,000,000. Mrs. Bader stated that for the purpose of this preliminary budget, the homestead/farmstead is assumed to be at the 2010-2011 rate. She stated that she distributed a worksheet which superseded what they received last week and includes the estimation of the homestead/farmstead rate. Mr. Cole stated that Mrs. Bader announced that the budget was \$150,229,000 when it actually is \$150,029,000. Mrs. Bader apologized and said that the balanced budget is \$150,029,000. Mrs. Bader stated that, in her presentation, you can see the sum of the actual years and the budget for the current year versus the preliminary budget. She stated that you can see that by raising taxes 8% at a 90% collection rate which includes the decrease of the homestead/farmstead, it would come in at \$95,643,120. Mrs. Bader stated that she left transfer taxes flat from the budget for 2010-2011 school year although you can see that the actual is a decline from the 2009-2010 school year. She stated that, hopefully, things will pick up a little bit and get some more revenue there. Mrs. Bader stated that she left the earned income taxes flat from the 2009-2010 year. She stated that the budget for the 2010-2011 school year is a little lower than actual and she believes there could be some additional revenues from that area. Mrs. Bader stated that the delinquent taxes is something she will need to do further analysis on for the final budget. She stated that they have been budgeting \$6,000,000 but the collections have been quite strong in the delinquent area. Mrs. Bader stated that she thought it was appropriate to increase the 2011-2012 school year preliminary budget to \$7,500,000. She stated that this is another area that needs to be further analyzed for the final budget. Mrs. Bader stated that the other local revenues are pretty much flat. She stated that for the State revenues, she budgeted the base education funding subsidy which would equal what we received in State funding, plus the ARRA money from Federal in the amount of \$13,419,105. Mrs. Bader stated that the other subsidy number is from grant funds and she will talk about it later on. She stated that we get a lot of grant funding and other subsidies. Mrs. Bader stated that you can see the loss in Federal revenues from the 2010-2011 school year to the 2011-2012 school year and that is basically all of the ARRA funding that the district received. She stated that other sources represent an accounting anomaly that the State has required the district to do since 2010, which is the present value of the lease payments for new computers. She stated that when we buy our computers over 4 years and we are budgeting 1/4 payment in the expenditures, the State says we have to show on the expenditures and revenues side that we have a source of funds of 100%. Mrs. Bader stated that the total expenditures is a zero balance budget where our expenditures are \$150,029,000. She stated that she added a new budget item for Tax Refunds due to reassessment appeals in the amount of \$350,000 and in some cases they will be granted. Mrs. Bader stated that the properties with pending tax assessment appeals are included at full value in the

2010 Certified Assessed Values; therefore, there could be a double loss with refunds and loss of revenues as well. She stated that delinquent tax revenues collection is budgeted higher than in the 2010-2011 school year. Mrs. Bader stated that she is assuming that Porter Township remains in the East Stroudsburg Area School District. She stated that transfer taxes will remain flat from the 2010-2011 school year budget and earned income taxes are slightly elevated. Mrs. Bader stated that Basic Education Subsidy is estimated to stay at the 2010-2011 school year level including the 2010-2011 Federal ARRA funding. She stated that the Individuals with Disabilities Education Act and American Recovery and Reinvestment Act or IDEA and ARRA have been eliminated in the 2011-2012 school year budget. Mrs. Bader stated that the State Property Tax Reduction Allocation has been estimated at the 2010 level. She stated that grant revenues have remained flat at 2010-2011 school year levels. She stated that there is so much uncertainty surrounding the level of the 2011-2012 school year budget. Mrs. Bader stated that the State revenues continue and will not be announced until March 2011. She stated that the new Governor has one extra month to prepare his budget. Mrs. Bader stated that she estimated that it will be flat, although, some legislators seem committed to education. She stated that she does not know if they have the political will or might. Mrs. Bader stated that the preliminary budget has a lot of guesses. She stated that 73.6% of our revenues are local and our taxpayers are big supporters of our budget. Mrs. Bader stated that she brought the district's historical enrollment chart which shows that over the past six years, we have had declining enrollments. She stated that the next page has a bar chart with the enrollment of the children not only in our district but by building. Mrs. Bader stated that we are losing a lot of children to cyber schools which does not mean that our costs are going down but they are escalating. She presented a visual breakdown of expenditures. Mrs. Bader stated that 63% of our budget is salary and benefits. She stated that we now reached the stage where our debt is flattened out. Mrs. Bader stated that professional staff salaries have been budgeted at an increase of 2.8% and any negotiated increases must be added to budgeted salaries. She stated that the EBTEP health insurance trust contribution is estimated to increase 6%. Mrs. Bader stated that with the Obama Healthcare Plan, we don't know what it will be when the under 26 years olds are added to the district's rolls. She stated that PSERS' contribution is an item that is budgeted at 10.59%. Mrs. Bader stated that in the 2010-2011 school year, we had 10.55%. She stated that the original estimates were that we were going to come in at 10.59% but there was recent legislation with, she thinks, House Bill 2497 that set the PSERS rate at 8.65%. Mrs. Bader stated that this is an area we can trim but it might not be a good idea. She stated that there are no new staffing requests.

She stated that they set the Administrative targets at 1.5% less than the final 2010-2011 school year budget, basically because our index went from 3.9% to 1.9%; therefore, we thought this was a fair thing to do. Mrs. Bader estimated a capital reserve transfer of \$2,520,000. She stated that the budgetary reserve is \$750,000. Mrs. Bader stated that the 2011-2012 school year debt payment is \$17,318,429 and includes the new debt for Resica Elementary and J.M. Hill Elementary. She stated that the Resica Elementary project would change out the building mechanics to improve the efficiency of the building and the J. M. Hill Elementary project would do basically the same thing. Mrs. Bader stated that the debt has leveled off at approximately \$17,500,000 and should be at that level until the 2026-2027 school year. She stated that a Tax Revenue Anticipation Note is not anticipated to be needed in the 2011-2012 school year. Mrs. Bader stated that included in the budget is \$60,000 for the negotiations attorney. She stated that a large fixed asset budget has been included at \$99,000. Mrs. Bader showed the budget expenditure history and stated that we can see over time how our expenditures have grown. She stated that included in her presentation is that they are trying to slow the expenditures as well. Mrs. Bader stated that on the next page of her presentation is a detailed analysis of how the salaries, benefits and required taxes are playing out. She stated that she presented a three year forward look at the PSERS rate. Mrs. Bader stated that she wanted to show how the PSERS rate increase will affect the budget in future years. She showed the Board and the public the PSERS rate for 2011-2012 of 8.65%. Mrs. Bader stated that she wanted to remind the Board that the budget she presented has a PSERS rate of 10.59%. She stated that you can see how significant the PSERS rate plays out. Mrs. Bader stated that she also wanted the Board to be aware where the PSERS rate goes in the future. She stated that they used to talk about a spike but it is really a very high plateau and it is going ride along that level and creep up into the 27% range. Mrs. Bader stated that she is hoping that our legislators can come up with some other solutions for us. She stated that the grant revenues currently fund 76 ½ positions. Mrs. Bader stated that when the Governor announces his budget, and he talks about basic education, we have to be very cautious that he is not using the grant revenues as a hole filler for his basic education. Mrs. Bader stated that we really need all of our funding budgeted flat or even an increase. She stated that we cannot sustain any decrease in any of the areas. Mrs. Bader stated that we will be watching carefully what the Governor has to say. She stated that she would like to remind the Board:

The importance of a fund balance:

1. Is a sign of fiscal stability.
2. Enables the earning of interest income which offsets tax millage.

3. Credit ratings of school districts and other public entities can be affected directly by the level of their fund balances; those with little or no money in reserve are considered to be higher risks and their ratings, along with their cost of borrowing, suffer accordingly.
4. We are recommending no use of fund balance for the 2011-2012 school year budget.

Guidelines are:

1. PA Schools with a budget the size of ESASD are limited to a fund balance of 8%.
2. Fund Balance should be one to three months of expenditures according to PSBA.
3. The ratings agencies: Moody's, Standard & Poor's, and Fitch recommend fund balance be 8% of current period operating expenditures (budget).

Mrs. Bader stated that we have a reserved, undesignated Fund Balance on June 30, 2010 of \$10,843,377. She stated that just applying our budget for the 2010-2011 school year, we would end up with a fund balance of \$8,843,377 which would remain unchanged for our balanced budget. Mrs. Bader stated that the 8% watermark would be \$12,002,320. She stated that the 8% is what it is but other areas can reduce the budget as follows:

1. Improvement in collection rate or investment interest rate.
2. Announcement of Governor's budget including all subsidies and grant amounts in excess of presented budgeted revenues.
3. Announcement of additional federal revenues.
4. Appeal the Assessment values of large taxpaying entities (long term).
5. Reduction to staff as approved by the Board & PDE.
6. Reduction to staff through attrition and retirement.
7. Two debt restructuring opportunities in May and November 2011.
8. Reduce PSERS contribution to 8.65% (which approximately is about \$1,100,000) which will impact us next year to raise taxes higher.
9. Reduce Capital Reserve Fund transfer based on the 3-5 year plan.

Mrs. Bader brought to the Board the millage requirement to show them where the assessed property values came in at, where the millage would be at 1.9%, which is our index, and where it is at the preliminary budget at 8%. She stated that the tax increase and difference between two counties are as follows:

- Monroe County
 - STEB split of revenues is 75.73%
 - 2010-11 Millage is 174.53
 - 2011-12 Preliminary Millage is 188.67
 - Increase of 14.14 mills (8.1%)
 - On a \$25,000 assessment, the impact is \$35.35 per month or \$424.20 per year
 - 2010 Homestead/Farmstead Median Assessment is 23,850
- Pike County
 - STEB split of revenues is 24.27%
 - 2010-11 Millage is 125.10
 - 2011-12 Preliminary Millage is 134.71
 - Increase of 9.61 mills (7.7%)
 - On a \$25,000 assessment, the impact is \$24.02 per month or \$288.30 per year
 - 2010 Homestead/Farmstead Median Assessment is \$27,430
- 1 Mill of Collected Taxes in Monroe County = \$399,762
1 Mill of Collected Taxes in Pike County = \$179,358

Mrs. Bader stated that:

- By law on February 16, 2011, a preliminary budget must be passed.
- A Special Board meeting is scheduled for Thursday, February 10, 2011 to adopt the preliminary budget. She stated that she will be asking for items at the end of her presentation.

Mrs. Bader stated that she brought what the tax increase looks like if we maintain a balanced budget. She stated that the first page shows the current year with an 8% increase. Mrs. Bader stated that the 4.5% increase in the 2012-2013 school year and then 7% in the 2013-2014 school year. She stated that, basically, that dip is due to the PSERS rate, so we need

to raise the taxes for PSERS 2% instead of 4% because we are already at 10.59%. Mrs. Bader stated that the other assumptions she made are that salaries only increase by 3%, healthcare only increases by 6% each year, that the collection rate for taxes is only 90%, that we don't take on any additional debt above the \$17,500,000, and that expenditures other than salaries can be budgeted at index.

Mrs. Bader stated that on the final page of her presentation she has a look at the budget if we were to raise our taxes only using the index. She stated that she made up the index for the future for the 2012/2013 and 2013/2014 school years but she does not know what it really is. Mrs. Bader stated that they are estimating that the index will trend downward in the school year 2012/2013 and bottom out there and start to rise after that. She stated that, again, it is totally a guess. Mrs. Bader stated that you can see that we very quickly start hitting deficit numbers.

X. BOARD COMMENTS

- A. Mr. Brunkard stated that on some of the assumptions Mrs. Bader made, 6% raise in healthcare cost is one area which seems that she is optimistic. He stated that she attended many meetings as he has in terms of what healthcare costs are and what they are anticipated to be. Mr. Brunkard stated that more frequently than not, they are coming in at double the 6% increase. He stated that he has not heard anybody that is involved in the system that we contribute to have any hope of having a mere 6% increase and yet she used that number. Mr. Brunkard stated that he understands that people shy away from the large numbers and from the unfortunate cost of everything and that we want to come in well on some things, but in areas where we have reasonable expectations that things cannot be as good, he thinks we need to state them clearly for what they are. Mr. Brunkard stated, that aside, he does want to commend Mrs. Bader because she put in a lot of work here and she is really looking at a lot of ugly things and turning them over and holding them up to public view. Mr. Brunkard stated that particularly in this early stage of the preliminary budget, let us look at it and see where we can save money. He said let us not commit ourselves too early to specific large-scale cuts and things and let us not underestimate the true cost of the money that we are going to spend.
- B. Ms. Hocker stated that she was looking at the itemized portion and does not know if this was raised the last time, but she was looking at copier cost being too high. She stated that she was also looking at periodicals for each one of the schools both in instructional and building area. Ms. Hocker stated that she believes with so much electronic materials available, we should look at that. Ms. Hocker asked if we had a total cost for each because she has individual buildings. She stated that she looked at J. M. Hill Elementary School, as an example, and sees that in many cases it costs \$28,000 for periodicals. Ms. Hocker stated that she knows many schools have computers throughout the classrooms to be used for instruction or to be used by staff; therefore, they can obtain the information with other things such as Kindles which are downloaded on a daily basis, weekly or monthly. Ms. Hocker stated that you can get anything anywhere in the world, practically for nothing. She stated that she thinks we should start looking at this as a way to bring down some of the cost in this area.
- C. Mr. Freeman stated that another area he was looking at in the budget, which is a large amount, was the sports between north and south discrepancies of some of the programs. He asked why is one nearly double than the other. Mr. Freeman stated that there are discrepancies in the north and south programs where one gets one sport and not the other. He stated that it is the same programs for two different schools and they should be the same amount of money. Mrs. Laverdure stated that it depends on the number of students that participate. Mr. Freeman stated that there is no difference with the amount of students. He stated that if this was Corporate America and less people were buying a product or less people were coming in to do things, they would eliminate positions and close places down. Mr. Freeman stated that this may be looked into in order to consolidate some of the schools that the least amount of students are going to and redistribute students to the bigger schools that we just built. He stated, like he said before, Corporate America would do this but our products are students. Mr. Freeman stated that if we lose students, we do not need the same amount of teachers. He stated that we can redistribute. Mr. Freeman stated that he cannot afford to pay more taxes and is ready to move out of the area. He stated that the reason why we are getting more taxes paid to us is because the banks own the homes; therefore, they are paying the taxes versus the individuals. Mr. Freeman said that what Mrs. Bader said is false information.
- D. Ms. Hocker stated that, once again, please look at the copiers. She stated that she believes that the copiers are being used to copy lessons from books. Ms. Hocker asked if this is correct, because if this is the case it means that children are not really able to move at their own pace as opposed to having a book in hand to do the lesson that is assigned. She stated that if there are those students that are conscientious and want to go ahead, they can do that with a book. Ms. Hocker stated that, to her, the amount of money being spent on copy materials is very excessive. She stated that we need to look at this because it is only making copy companies, paper companies and everybody else very wealthy. Ms. Hocker stated that there are a lot of things that are electronically downloaded like books. She stated that, in reality, books should be in the in the hands of the students in the classroom and at home. Ms. Hocker stated that this

portion of education should not have changed. She stated that she is seeing more and more that things go home on little sheets of paper. Ms. Hocker stated that this is something that is normally done for substitute teachers that do not have a lesson so you hand them this sort of thing. She stated that this should not be a daily practice in our school district. Ms. Hocker asked if anyone can answer her question with regard to why we are using so much money for copying. She stated that if this is the case, then we have to back up and question our teaching methods here and note that it is a shortage on the end of the students because they should have those books and not copies. Mrs. Laverdure stated that the copiers are used for educational purposes. She stated that, as far as specific numbers, at this point, we are looking to initiate some codes on all the copiers so we can monitor copy use. Mrs. Laverdure stated that principals are monitoring the type of materials that students are getting from copiers. She asked if Mrs. Duggins had any instructional data at this point. Mrs. Duggins stated that most of the expense of the copiers goes for the leases. She stated that we have to give a lot of monthly assessments that are ongoing. Mrs. Duggins stated that it is necessary to do this on paper in order to run them through the Scantron. She stated that this is an additional expense that continues to increase as we do more and more common assessments. Ms. Hocker said her question is about lessons being copied and that are sent home. She asked if this is being done. Mrs. Duggins stated that maybe one of the principals may answer this because she does not see the material that they hand out. Ms. Hocker stated that she was doing rough figuring and we were way over half a million dollars in just copying and that seems to be very excessive. She asked if any principal can answer her question. Mr. Zall stated that he does not know if lessons are copied but they may be copying the vocabulary books for students to get practice on instead of writing in the books. Mr. Zall stated that lessons get copied for students who are on suspension. He stated that he is not familiar with any lessons being copied. Ms. Hocker stated that she can pick any school to answer her question because copying is excessive. Mrs. Duggins stated that there are many activities that are available online. She stated that they may have picked information to copy that is on an online site that they felt was valuable. Mrs. Duggins stated that through the Standards-aligned System, there is information available for teachers to share. She stated that it might be a lesson from one of those systems either from a website or the Standards-aligned System. Mrs. Duggins stated that the State is trying to get teachers to share with each other across the State. She stated that this might be what they are copying. Mrs. Laverdure stated that she would like to go on record that it is not the philosophy of this district to "ditto" the children to death. She stated that "ditto" means the old fashion paper and that sort of thing. Mrs. Laverdure stated that it went from "ditto" machines back in the 70's to copiers now. She stated that traditionally we take pride in the textbooks, activities and that kind of instruction. Mrs. Laverdure said to please note that it is not the philosophy of this district to instruct in that manner. Ms. Hocker stated that, therefore, none of the elementary schools have handed out lessons on those papers because this is what she wants to know. Mrs. Laverdure stated that occasionally they might but it is not the "end all of instruction". Ms. Kulick stated that the copying is done for math literacy assessments, hands on materials communication logs, etc. She stated that there are items that go back and forth with students to school and home. Ms. Kulick stated that books that students work on may not be purchased because they do not use the whole book so they are copied for students. Mr. Catrillo stated that they pay for leases and not per copy. Mrs. Bader said that they do pay a per copy cost which is a monthly maintenance fee but all the copies are pulled into one so if north goes over and south goes under then it balances out. Ms. Hocker said that then it is clear to her that the students are not getting lessons copied but that each student has a book for all subject areas that they need.

- E. Mr. Gress stated that the only thing that needs to be looked at, and he said this a couple of meetings ago, is the number of kids on the buses. He stated that he knows we have looked at it and we need to raise the number. Mr. Gress stated that if the Feds say 72 then we need to put 72 students on the bus and we may get 50 or 60 students riding the bus. He stated that we are looking at cutting things and possibly raising taxes; therefore, we should not have $\frac{3}{4}$ of the buses empty. Mr. Gress stated that he does not want to pack them in but if we have to do that then we have to do it. Mr. Gress stated that he knows we have raised the amount but we do not schedule 72 students on the bus. Mrs. Laverdure stated that he is correct that we do not schedule 72 students. Mr. Gress stated that he also knows that in some areas we cannot but for the future we should see what we can do for that. Mr. Gress stated that he voted last year for the higher PSERS rate but we cannot afford to do that this year. He stated that it would be nice to go to 10.6% or 10.3% but we cannot afford to do that. Mr. Gress stated that he thinks we should do what the State says to do in order to beat the minimum. He stated that, hopefully, they decide to do something to change the retirement system in PA, which is probably around 1.1 million dollars now. Mr. Gress stated that he thinks we have to look at some fund balance use. He stated that he does not think we cannot use it in this economy. Mr. Gress stated that we have to take something out of there. Mr. Gress stated that he is not saying to drain it, because we need something for next year, but to see if that number can bring it down. He stated that we need to look at attrition and class scheduling. Mr. Gress stated that, again, we have to look at the numbers and see what offerings we have. He stated that if it is business learning or hiring teachers north and south, for example, when a class has 6 students or 12 students in each school, see what will be offered for next year. Mr. Gress stated that it may not be a huge savings but a teacher or two. He stated that energy savings will be some savings which is not in the budget. He stated that he is glad that they have the preliminary budget numbers and future numbers. Mr. Gress stated that PSERS is a mess and

the State has to do something, like change the process of retirement funds. He stated that the Governor will announce his preliminary budget probably on March 4th which will be a big tale. Mr. Gress stated that we need to look at all areas where we can cut.

- F. Mrs. Laverdure stated that with regard to staffing, since the initial first day of school all employees that have been hired are LTS (long-term sub) so it gives them the flexibility to look at classes and numbers to see how, through attrition and retirement, they can make some changes. Mrs. Laverdure stated that the State locks the district into how you can let teachers go. She stated that this is why it is important to hire staff on as temporary employees.
- G. Mr. Brunkard stated that with regard to the simple point of increasing the numbers of students on the bus, although you would never expect to have 72 students on a bus, you should schedule them. He stated that there will be students who are absent while others get rides to school. Mr. Brunkard stated that the way it was set up for his kids was that they could get up earlier and take the bus or sleep half an hour later in order for him to drive them to school. He stated that there are probably a lot of parents that do things the same way or they take them to school while they are driving by the school on the way to do something. Mr. Brunkard stated that we are buying extra buses at a great expense and we are scheduling buses that are running with empty seats. He stated that they ran the buses a long time and know how true that is in different situations but there should be a way to save some money there. Mr. Brunkard stated that as far as what Mr. Gress said concerning the PSERS rate, it is an unfortunate thing. He stated that if you look at the projections for what is going to happen, even if we make allowances for the future in PSERS, we are not going to have an effect on it anyhow. Mr. Brunkard stated that saving the money in this upcoming budget by budgeting more money for PSERS is certainly some savings, and a certain amount of buttressing against the future problem of that, but the problem remains there. He stated that it has been pushed by instead of being a spike. Mr. Brunkard stated that like Pat Bader said it is a plateau. He stated that it will have to be dealt with in some long range fashion and at the State level. Mr. Brunkard stated that to burden the our local taxpayers with the immediate implications of what the PSERS crisis is, is probably one thing we can spare them. He stated that last year in the final budget when the time came to pass it, he was happy that we had as much of the tax increase we had because it was necessary. Mr. Brunkard stated that in areas where we cut taxes, if we are not going to accompany those with realistic costs of running the district, we are going to face increasing the taxes next year for it. He stated that we have to take a real look, and he is not saying that anybody is not, but we have to scrutinize this authentically to see where money can be saved and at the same time to spend money, where spending money this year will save us from spending even more money in future years. Mr. Brunkard stated that we have seen too many instances of budget fear and tax raise fear in the past. He stated that he does not believe that we are going to be raising taxes 8% but there is no sense in running away from the necessary tax raise to offset our increased costs. Mr. Brunkard stated to keep the cost down and save money where you can. He stated that it is a grim picture that we are looking at that will require a lot of work.
- H. Mr. Cole stated that as he looks at the budget and hears Mrs. Bader telling us where we are at, he thinks a lot of work has gone into putting this preliminary budget together. He stated that, however, he finds the results, once it is reduced to print, as being totally unacceptable to our district. Mr. Cole stated that to even give thought to the possibility that we can increase taxes over 14 mills in this budget year is out of sight. He stated that we cannot allow this to happen. Mr. Cole stated that we have to get this 8% overall increase down considerably so that if there is a millage increase, and it is almost a certain that there will be some type of millage increase, we have to make it something that is acceptable. He stated that he guesses that last year when we put together the preliminary budget, we were talking about something like 16% or 17 % and we brought it down considerably but even an 8% increase is just too much. Mr. Cole stated that we need to get this down to something in the 5% or under 5% tax increase for the 2011-2012 school year which will then translate into possibly half or less of a millage increase. He stated that this is something that maybe the taxpayers could stomach and live with. Mr. Cole stated that he is not sure how his fellow Board members feel about it, but it looks like we have an awful lot of work ahead of us and in a relatively short amount of time in a rather unsure immediate future, from the standpoint of the State and what the Federal Government is going to do for us. He stated that we certainly cannot pass all this along to the local taxpayers. Mr. Cole stated that we have people losing their homes and crying bloody murder and we have to do something to help them. He stated that we have to take some hard line cuts and we have to cut staff. Mr. Cole stated that we can see that there is attrition in our schools. He stated that we see that there is a large number in our elementary schools. Mr. Cole stated that we have to reduce staff through attrition or however else. He stated that we have taken on some new staff this year but as our Superintendent said they are long term subs. Mr. Cole stated that they can be individuals that are let go without repercussion. He stated that he agrees with what Mr. Gress and Mr. Brunkard said about the monies that are being set aside for the increase in pension benefits. Mr. Cole stated that we cannot be building a reserve when we do not have an opportunity to do that because we have to go bare bones. He stated that he can go on with other things but he just finds this unacceptable at this point and there is a lot of work to be done.

- I. Mr. Gress stated that the Monroe Career & Technical Institute came in a couple of hundreds of thousands of dollars more for us. He stated that it has to be cut, too. Mr. Gress stated that the district sends 200 kids to an important program but we have to cut. He stated that we cannot carte blanche them. Mr. Gress stated that at the last meeting, we bought 2.3 million dollars worth of buses and we cannot afford them. He stated that we get stuff for the computer program but do not know how much of it is substantial. Mr. Gress stated that we need to spread these things out but we jump into it and we cut basic stuff. He stated that we do not have enough library books. Mr. Gress stated that we need one million dollars worth of them and we are not going to buy them. He stated that it is all in the planning. Mr. Gress stated that the final budget has to be cut. He stated that the State loves it when we cut down in the preliminary because then they say look we don't need it. Mr. Gress stated that we know the PSERS thing is a disaster. He stated that he does not know what they are doing in Harrisburg. Mr. Gress stated that this is the number one issue not the other basic education subsidy. He stated that this is what is driving most of these costs. Mr. Gress stated that when it jumps up to 21 million dollars in a couple of years what are they going to do. He stated that they say they are going to hold it steady or do something. Mr. Gress said, again, we know that the preliminary budget is going to come down but not too much; because, then Harrisburg loves it and when they run all the numbers they says we are going to cut you down further than what your preliminary budget is worth. He stated that not that we are playing the game but it is a game they want to play. Mr. Gress stated that they want to see us get below bare bone to cut everything we can cut and give them the number. He stated that then the Governor presents his budget and says, by the way, we are going to give you less than what you thought you were budgeting. Mr. Gress stated that then we have to go back even further and we already cut back. He stated that in the past we kept it here but, again, there are different things we can cut. Mr. Gress stated that we need to put in extra stuff to show that we do need it. He stated not that we do not need it, because then next year we are in trouble again even more. Mr. Gress stated that it is a balancing act of how much we can cut into the preliminary budget and then see how much we can cut long term.
- J. Mr. Cole stated that we all know where we probably need to be and it is quite a distance from this 150 million dollars. He stated that he could not believe it when he saw it. Mr. Cole stated that we had such a high overall budget last year and we cut what we thought was substantial money out of the 140 million dollars. He stated that this year in the preliminary budget, which has been scrutinized quite thoroughly by administration and the building level, it is now 150 million dollars. Mr. Cole stated that, at that rate, a few years down the road it will probably not be unrealistic to think in terms of a 200 million dollar budget. Mr. Cole said we are a big business.
- K. Mr. Freeman stated that it needs to be operated like a business and this is the main thing. He stated that he does not know how it has been operating all these years but it has to be run like a business. Mr. Freeman stated that you have to cut where you have to cut to stay alive.
- L. Mrs. Bader stated that she has what they would like her to bring back on January 24th. She stated that she wants it clarified to leave the preliminary budget as it stands here or to cut it before it is passed because we do not know what will happen in Harrisburg and then cut it down for the final. Mr. Cole stated that there is a lot of ways to skin a cat, "so to speak". He stated that he does not care how we skin it we need to work on skinning it because we are way too fat at the moment. Mr. Gress stated that in the minimum, we need to cut PSERS to what the State says, which is about 1.1 million dollars. He stated that you also need to take about 1 million dollars from the fund balance. Mrs. Bader asked if he wanted this taken off in the preliminary budget. Mr. Gress said, "Yes". He stated that he is not saying to cut it down next week to 3%, 4%, 5% or 6%, just something out of this number. Mr. Gress stated that the PSERS thing should be more but in a perfect world we should be funding at a higher plateau but we cannot do it. He stated that we can add the delinquent rate of 91% to show additional revenue to the preliminary budget. Mr. Gress stated that if we get more delinquency which is fine, then you have a delinquency and you do want some because they pay at a higher rate. He stated that we lost millions of millions of dollars not having a healthy delinquency rate in the school district. Mr. Gress stated that we will get that money eventually. He stated that we need to come in something less so we can pass something preliminarily. Mr. Gress stated that we will have to keep looking to see what the Governor gives us or does not give us and go from there. He stated that it is my opinion to cut 1 or 2 million from that. Mr. Gress stated that he cannot speak for everyone but something has to be cut from this preliminary budget. He stated that he will not vote for this one. Mr. Gress stated that, ultimately, it has to come in with something off this one and has to be passed strictly to send to Harrisburg. He stated that we then need to see what PDE says and what homestead numbers come in at. Mr. Gress stated that it is not where we are supposed to be in tax savings. He stated that if we go in with less and go to the legislature and cut down to zero, they will say we don't need any money and we can cut further. Mr. Gress stated that they have to see that there is an increase and that we are looking for ways to cut. He stated that they need to realize that there is a problem so it can be heard. Mrs. Bader stated that on January 24th, she will bring the revisions. Ms. Hocker stated that she believes that last year, they were speaking about what the IU called their fund balance with all of the contributions coming in from the respective areas. She stated that she recalls they had a large amount of money that was just laying there in excess of what they needed.

Ms. Hocker asked if the district got any money transferred back. Mrs. Bader said that we did not but at the last EBTEP meeting, where our balance was analyzed, we had 3.8 months of reserve. She stated that we are required to have four but that is how much healthcare is increasing. Mrs. Bader stated that we used it up and at the end of last year we had about an eight month reserve. She stated that we took a funding holiday this year and held our contribution flat and are turning through that now; therefore, we have to be very cautious. Mrs. Bader stated that the reason they did not come back to us is because we had some cases that went over the stop loss and we had not gotten our stop loss revenue back from the insurance carrier. She stated that when those revenues come in, it will hit that reserve and keep us in compliance. Ms. Hocker asked if this could possibly exist with the MCTI as well or have we not looked into it. Mrs. Bader said she is not sure. Mr. Gress stated that the MCTI is different because the IU had a capital account because it fluctuates but this one stays there in a reserve. He stated that when they need something, they do not come to us at the last minute, not that it cannot be looked at because everything counts. Mr. Gress stated that with the IU, it was the health insurance premium which was big dollars so we took a fund balance holiday for 2-3 months so we do not have to make payments in 2009-2010. Mrs. Laverdure stated that in that respect, it comes back to us. Mr. Gress stated that the MCTI capital reserve, they keep. He stated that the other one which they kept \$100,000 for was PSERS which was something different. Mr. Brunkard stated that in a quick motion in an aftermath of a meeting, and we spoke about this in some length at a previous meeting, people committed \$700,000 towards the PSERS situation for the MCTI and our contribution was in the range of hundreds of thousands of dollars. He stated that it is not money gone but a different form of allocation of funds and it was done rather precipitously. Mr. Brunkard stated that it sort of came from an oral motion from the floor following discussion that the \$700,000 that was being asked for in excess funds was not sufficient. Mr. Brunkard stated that he would say, "we" but over his objection, \$700,000 went towards PSERS. He stated that people were saying you pay it now or pay it later. Mr. Brunkard stated that given that choice, frequently he chooses to pay it later because something might happen between now and then. He stated that he might get lucky enough to lose his property and not have to pay taxes on it but he does not mean to break into this thing too much. Mr. Brunkard stated that he completely agrees with Mr. Gress in terms of the reduction of PSERS and taking 1 million dollars out of the general funds and committing that as a reduction in the budget. He stated that he has to ask in those cases where he pointed out that 6% is an unrealistic optimistic contribution or participation of health funding increases. He stated that he knows from Mrs. Bader's experience in past budgets and he can tell from looking at this budget that she has some expectations and have been conservative and cautious in some places with the expenditures. Mr. Brunkard asked if she thinks that her caution outweighs the possibilities enough to have a balance, or would she consider going back over this and looking hard and increasing the anticipation of healthcare costs or other areas. He stated for her to review it as she goes back over it. Mr. Brunkard stated that he does not want us to cut out something that we really need and then later as we continue to reduce it, we already left a roof off a building or a driveway unpaved that will cost us more money in the long run. Mrs. Bader stated that she will prefer to get back with the central office administrators and look for real savings instead of just taking out of the fund balance. She stated that she will do this for the next time we meet. Mrs. Laverdure stated that we want to hold on to the fund balance because we do not know what is happening at the State level. She stated that we do not know where the Governor is coming in. Mrs. Laverdure stated that if it comes in very low, we do not have any place to lean on at that point. She stated that we have to be very careful with the fund balance until we get that information. Mrs. Laverdure stated that we can always drop the increase, we cannot go up. Mr. Gress stated that we should look at a trend calculation so we do not get into a problem with a cash flow scenario because Harrisburg is deadlocked. Mrs. Laverdure stated the fund balance can help us there, too. Mr. Gress stated the he realizes this but it is not going to get us far with 8 million dollars on a 150 million dollar budget. He said he stated it is early and we do not need a trend but here, hopefully, you break even and do not lose it and get it for 1.6 and invest it and get close to it. Mr. Gress stated that they have the votes to do whatever they want and they will see that they have tough decisions and will not be able to make them right away, so we are not stuck over a barrel and get reimbursed right away at the State level. He stated that we were darn close last time. Mr. Cole stated that he made this statement a couple of times over the year and he has been on the Board for a long time. He stated that, historically, we seem to overestimate our expenditure and underestimate our revenues. Mr. Cole stated that the fund balance which I have seen go up and down and which seems to replenish itself even though we have chosen a few times over the years to rob or borrow some of the money from the fund balance. He stated that it has a lot of resiliency and always seems to come back. Mr. Cole stated that the reason it comes back is due to the overestimated expenditures and underestimated revenues. He stated that he has no reason to disbelieve that we cannot do that again. Mr. Gress stated that the only other thing that needs to be looked at is overtime. He stated that we need to look at night-time sporting events and doing them after school. He said not to eliminate them but move them up. Mr. Gress stated that we need to look at when things are scheduled and we need to move them around. Mrs. Laverdure stated that if we move them up you only have a number of buses and bus drivers that are available, so you end up with an added expense of having to charter buses. Mr. Gress stated that he is just throwing out some ideas. Mrs. Laverdure stated that we want them, but we have to counter them if we must.

XI. PUBLIC PARTICIPATION -- LIMITED TO BUDGET ITEMS

- A. Mr. Meachem stated to Mrs. Bader that he will pose his question about the periodicals that he posed several weeks ago at the very end. He asked with respect to page 17 of the budget presentation regarding grant paid positions, what percentage of these grants are attributed to special education programs because, if in fact any of them are, we are presenting them as though it is optional when in fact it is not. Mr. Meachem stated that on page 20 when it says "Reducing the Tax Rate", one of the things that troubles him about typing something of this sort is that we always mention reducing staff. He stated that I am asking, as a member of the public, to set him at ease why don't we ever add administration to that line as well. Mr. Meachem stated that if we lay off just one administrator that equals two, in some instances, about three or four members of the staff. He stated that he wants to know, as a member of the public, that we are considering administrators as well. Mr. Cole stated that he does not think that that particular statement is only geared to mean only teaching staff. He stated that everyone is considered a member of the staff if they are employed by the school district. Mr. Cole stated that it is not spelled out by category. Mr. Meachem stated that when he previously asked this question at a Board meeting, he recalls that a member of the senior administration stated "I have a contract". He stated that he thought the staff had a contract as well. Mr. Cole said this is true. Mr. Meachem stated that, as a member of the public, he would like to know that if, in fact, a neighbor of his who is a teacher is being considered in a layoff situation, that a member of the administration is being considered as well. He stated that on page 22 as a resident of the North and there are many occasions when we consider these two separate and unequal districts, the whole concept of presenting it in this way, to him, smells of baiting. Mr. Meachem stated that what happens is when you look at the page laid out in this way, they say people in the North are not paying as much as people in the South. He stated that the fact is that this tends to disguise the fact that they are talking about tax increases. Mr. Meachem stated that he would like to suggest in the future if we can couch this kind of language or to eliminate it to avoid those types of discussions. He stated that when we talked about xeroxing, and there seems to be some debate about what is going on with that, he tends to look at the check registers at the public meetings continually and those numbers are astronomical. Mr. Meachem stated that what happens is that we seem to have a fuzzy debate on what are actual expenses. He stated that he recently went shopping with his daughter and they came to the bread aisle. Mr. Meachem stated that there is a particular bread that she likes and he said to her based upon their weekly budget, they are not going to be able to purchase that bread. He stated that they will purchase bread but not that one. Mr. Meachem stated that what he sees, as a member of the public, is a very simple situation here. He suggested that we go to all 10 school administrators and say to them that for this year, we are going to allocate you \$2,500 per month for all of your xeroxing, live with it and that is that. He stated that this is how you budget, because, at that point, if you have a finite amount of money, that is all that you got. Mr. Meachem stated that what will happen is the debate about whether we are copying books or whether or not or how we are using xeroxing will go away. He stated to establish a budget and stick by it. Mr. Meachem stated that if, in fact, you have \$2,500 per month for xeroxing per building; that is what it is. He stated that so that means that if in Resica, you run out of xeroxing for that month and you developed an ongoing working relationship with Bushkill and say I need to copy this and don't have it in my budget, we would think that we would operate in a cooperative level where the Bushkill principal would say to you, I don't need it this month so he would be more than happy to give it to you. Mr. Meachem stated that if this type of cooperative thinking were going on, he can tell you that he, as a member of the taxpaying public, would think that this budgeting process is a lot more than talk. Mr. Meachem stated that one of the things that he is looking at here is that we look at student driven expenses. He stated that what happens is, as a member of the public, this is double talk. Mr. Meachem stated that what happens is that he looks on a monthly basis of the dollars that are being reimbursed for people who are driving. Mr. Meachem stated that when you look at the allowable expenses that are put forth by the Internal Revenue Service, you would suggest that some of our people are driving about 700-900 miles per month in-district. Mr. Meachem stated that if they are doing that much driving in-district, then when do they have an opportunity to work. He stated that the fact is this if we go to the department heads and we say guess what guys we are giving you \$200 in reimbursable expenses per month. Mr. Meachem stated that this is the type of budget treatment that the public is looking for as opposed to speaking in global numbers that we will have to go back and talk to the administration over it. Mr. Meachem stated that he told his 16 year old daughter, "You can have bread, not just that one".
- B. Mrs. Meachem stated that one of her questions is from page 15. She stated that she noticed that we have extracurricular professional staff. Mrs. Meachem stated that her question is if these are considered to be schedule B positions. She stated that if not, what type of positions would they be. Mrs. Meachem stated that we have overtime for all staff, so how is the overtime different than the extracurricular professional staff time. She stated that her other question is in terms of class coverage. Mrs. Meachem asked what kind of activities qualify for class coverage and why would the teacher not be in the class. Mrs. Meachem asked how is that different than the substitute which means that the teacher is absent all day. She stated that she is not sure what class coverage means. Mrs. Meachem stated that in terms of budgeting for substitutes, we have an estimation there so how is that computed. She stated that for example if staff is allowed to be absent two days per year, are we budgeting all staff for two days or are we

shortfalling it; therefore, of course, we don't budget correctly so we don't have enough. Mr. Cole stated that all of these questions can be explained by Mrs. Bader easily. Mrs. Bader stated that the extracurricular positions are schedule B. She stated that overtime is for all support staff. Mrs. Meachem asked what would they do on an overtime capacity. Mrs. Bader stated that they could be shoveling snow or doing other administrative duties. She stated that they would be doing their regular job for a longer period of time. Mrs. Meachem stated that she thought there was three shifts for custodians so why would there be overtime. Mrs. Laverdure stated that they do not work on weekend days and elementary does not have 3rd shift. She stated that if there is snow the borough gives them 24 hours for removal; therefore, there are guidelines there to follow. Mrs. Laverdure stated that over the holiday when some of the individuals are off, they were given probably one hour to check the buildings. Mrs. Meachem stated that it says all staff. She asked what would a principal or teacher be doing. Mrs. Bader stated that it is only for hourly employees. Mrs. Meachem stated that in terms of substitutes how do they budget and how is it computed. Mrs. Bader stated that a substitute could be a daily sub like in the high schools, you can have 15 teachers out in a day because they could be going to meetings, too. Mrs. Meachem asked how is class coverage different from subs. Mrs. Bader said that class coverage is what they pay the actual employed teacher to cover for someone else. Mrs. Meachem asked where would that someone be. Mrs. Bader stated that they could be out at a meeting or out. Mrs. Meachem stated that Mrs. Bader said it could be all day. Mrs. Bader stated that the sub is not a regular employee they are coming in to cover the four periods and they do not get a break. Mrs. Laverdure stated that an example class coverage might happen if a teacher had an emergency and had to leave so you need class coverage because you would not be able to secure a sub. She stated, typically, teachers do not like to be out of their classroom but if there is a training or a meeting that they need to attend, they need class coverage for that period. Mrs. Meachem asked what percentage is class coverage for IEP meetings. Mrs. Laverdure stated that they do not have the exact percentage but it would be when the parent is available, so they would need to accommodate the parent so the case manager may need to be covered. Mrs. Meachem stated that, again, she is asking how does the district figure out the estimate for the substitutes. She asked how are we computing that number. Mrs. Bader stated that it is based on history. Mrs. Meachem asked if it is based on two absences or ten absences per person. Mrs. Bader stated that a district our size has a rhythm to it; therefore, we know that there might be about \$80 per day for a substitute. Mrs. Bader stated that we compare our estimate to actual and go from there. Mrs. Laverdure stated that they follow over a pattern and over a period of time. Mrs. Meachem asked how many days does the \$1,104,000 represent or cover. Mrs. Bader stated that they do not calculate it that way. Mrs. Meachem asked then how does she do it; this is what she is asking. Mrs. Bader stated that we look at history and then the actual. Mrs. Laverdure stated that many teachers do not take days. She stated there may be someone who gets sick and has to take them all. Mrs. Meachem asked if it is a guess number. Mrs. Laverdure stated that it is the best guess based on historical pattern. Mrs. Meachem stated that with the unused sick leave/ vacation leave, is this all staff combined such as teachers, support and administrators. Mrs. Bader stated that this is for when they retire they get paid for their unused sick leave. Mrs. Meachem asked if this includes all staff. Mrs. Bader stated that it is usually for the professional staff. She stated that the support staff will have less of a payout. Mrs. Meachem asked if they are included in this number. Mrs. Bader stated that they are and again it is based on historical pattern.

XII. ANNOUNCEMENTS/INFORMATION

- A. Mrs. Laverdure stated that on March 10th at the Property/Facilities Committee meeting that has been advertised for 9:00 a.m. in the Central Administration Board Room, they would like to incorporate a PASBO presentation where they will be analyzing the Governor's budget. She stated that they will view that presentation then have a short meeting.
- B. Mr. Cole informed fellow Board members that there is an audit report tomorrow morning at 10:00 a.m. in the Board Room.
- C. Mr. Cole thanked everyone for coming and informed the Board that they will now go into an Executive Session.

XIII. ADJOURNMENT 8:38 p.m.

Respectfully submitted,

Patricia L. Rosado
Board Secretary