

**EAST STROUDSBURG AREA SCHOOL DISTRICT
BOARD OF EDUCATION
SPECIAL BOARD MEETING TO DISCUSS THE 2020-2021 BUDGET**

April 29, 2020 – 7:00 P.M.

VIA Zoom

Minutes

- I. **President** Richard Schlameuss called the meeting to order at 7:00 p.m. and led those present in the Pledge of Allegiance. **Board Secretary**, Patricia Rosado called the roll.
- II. **Board Members present:** George Andrews, Rebecca Bear, Damary Bonilla, Larry Dymond, Sharone Glasco, Debbie Kulick, Wayne Rohner, Richard Schlameuss and Lisa VanWhy.
- III. **School personnel present:** Brian Baddick, Brian Borosh, Gail Kulick, Tom McIntyre, Ryan Moran, William Riker, Patricia Rosado, William Vitulli and Stephen Zall. Christopher Brown, Solicitor.
- Community members present:** Audry Garrett, Maria Hopkins and Darryl Sabino.
- IV. **ADOPTION OF AGENDA**

ACTION BY THE BOARD:

Motion was made by Lisa VanWhy to approve this agenda for April 29, 2020 as submitted. Motion was seconded by Damary Bonilla and carried unanimously, 9-0.

V. **SUSPENSION OF RULES**

ACTION BY THE BOARD:

Motion was made by Rebecca Bear 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 2020-2021 budget without the necessity of a motion and second being previously made. Motion was seconded by Lisa VanWhy and carried unanimously, 9-0.

VI. **PRESENTATION OF INFORMATION BY THE ADMINISTRATION**

Mr. Tom McIntyre said that, on Monday, PASBO provided recommendations and assumptions regarding how local revenues can change. Last week, he presented some numbers but this presentation is a bit more drastic. He said he will explain the two options and Mr. Moran will speak about the third option. The Board members can then decide how they would like administration to move forward. Last week we spoke about the projected deficit of 1.28 million dollars. If we raise taxes above the index of 3.2%, the district can raise 1.5 million dollars. When he presented the budget on April 20, 2020, there was a change in the revenue sources with an addition of \$311,894.00 and a decrease in Salary & Benefits and Other Investments. These revenues and expenses brought down the budget's deficit from an estimate of 1.7 million dollars to 1.3 million dollars. These calculations are before the COVID 19 Pandemic began. On April 27, 2020 PASBO provided a model to help districts estimate decreased revenue from the COVID 19 Pandemic. PASBO examined the impact and duration of recovery following the 2008 recession. Their model estimates that the range of the total local revenue loss for school districts could be from \$895 million to \$1.07 billion. The impact of the estimated range of the local revenue loss for each district is just that – an estimate as follows:

-Property Tax collection rate could decrease by 1.95%. Therefore, this would reduce our revenue by \$2,400,000, which is not reflected in our 20/21 budget.

Mrs. VanWhy asked if this amount is for our district or overall. Mr. McIntyre said this figure is for our district. All information he is sharing is for our district. Using our rates.

- Earned Income Tax could drop 15%. Therefore, this would reduce our revenue by \$570,000. Currently the 20/21 budget includes a 10% reduction at a total of \$380,000. An additional reduction of \$190,000 revenue would need to be reflected in the budget.
- Real Estate Transfer Tax could drop 28%, which would reduce the revenue by \$266,000. This amount is not currently reflected in the 20/21 budget.
- Delinquent Tax collections could drop by 25%, which would reduce the revenue by \$2,625,000. This amount is not currently reflected in the 20/21 budget. Within the past few years, our tax collections have been very good, especially in Monroe County.
- Interims Tax collections could drop 50%, which would reduce the revenue by \$65,000. There will not be much opportunity for individuals to obtain funds. This amount is not currently reflected in the 20/21 budget.
- Investment Earnings could drop 80%, which would reduce the revenue by \$800,000. \$500,000 (50%) reduction is included in the 20/21 budget. \$300,000 would be the additional reduction.

The total estimate of all reductions due to COVID-19 is \$6,726,000. \$880,000 are included in the 20/21 budget. The additional reductions to consider total \$5,846,000. This amount would need to be added to the 1.2 million-dollar deficit. He reviewed 2008 figures and they are pretty close to what PASBO is predicting. He is optimistic and he believes the economy will start picking up quicker than they think. If this is so, numbers will change. Mrs. Bear asked about the tax freeze that the State is looking to implement. What will happen to the district? Mr. McIntyre said we would have to freeze the figures on the budget to what it was in 2019. He said he doesn't think they have enough votes to get this motion passed. This is just one year and moving forward until next year and the year after, hopefully, revenues will increase. Ms. Glasco asked what are some additional reductions to consider because the deficit is a large number. Mr. McIntyre asked if she is speaking about revenue or expenses. Ms. Glasco asked if the number Mr. McIntyre gave them is the sum of everything. Mr. McIntyre said this is the total amount of potential revenue loss. Mrs. Bear said she feels that property taxes will not be as low as they are predicting because in 2008, some individuals were not receiving unemployment. Also, in 2008 many high paying individuals who worked in Finance lost their job but now they are working from home. Mr. McIntyre said that is why he is not 100% convinced of all of these numbers. He feels the EIT will affect this year's budget. He spoke to Berkheimer and the \$300,000 that the district should be receiving will drop by at least 50% due to many people not working. The district does not get EIT from unemployment. A lot of people are working from home. Mrs. VanWhy said so what Mr. McIntyre is saying is that the deficit could potentially be 7 million dollars, which includes the figures he just presented of 5.8 million dollars plus the 2.1 million dollars from the previous budget presentation. Some of these figures will be true; therefore, it will cause a huge impact on the budget. Many people are not working. Mr. McIntyre said he lowered the EIT by 10% and he feels confident with this number. He said he will still need to tweak some numbers before the Finance Committee meeting. The budget will not affect the current millage rates unless the Board want to decide on a certain way. The extra revenue has helped the previous budgets.

If the property taxes are raised at the 3.2% index, it will raise a 1.5 million-dollar increase. The County Average Assessment in Monroe County is \$136,564 and Pike County is \$21,597. The Current 20/21 Tax Rate is 30.72 in Monroe County and Pike County it is 123.66. The estimated current school taxes per parcel is \$4,195.25 in Monroe County and \$2,670.69 in Pike County.

If the Board would like to increase the millage rate to the index of 3.2%, the maximum mills based on index for Monroe County would be 30.9385 and in Pike County is 128.2354. The new estimate school taxes per parcel is \$4,225.09 in Monroe County and \$2,769.60 in Pike County. The Estimate per parcel would be \$29.84 in Monroe County and \$98.81 in Pike County. The estimate per month increase is \$2.49 in Monroe County and \$8.23 in Pike County. The second option is to use the Fund Balance. Our committed Fund Balance, which is assigned by the Board, includes future retirement benefits at 18.5 million dollars and future health costs at 6 million dollars. The assigned portion, which may be assigned by the Board, includes the capital projects at 5.7 million dollars, athletics budget at 21,924.00 (which was done years ago due to a PDE ruling. It can now be placed somewhere else.), future budget expenditures at 84 million dollars for unexpected expenses. The Fund Balance also includes future educational programs at 4 million dollars, and also, unassigned funds at 3 million dollars. The total Fund Balance is 45.9 million dollars which is part of the General Fund to be used, if needed. He said he is not a firm believer of using the Fund Balance but the district is not operating through normal day to day business. The Fund Balance will help minimize the blow of loss in revenues but this needs to be a Board decision. Ms. Kulick said if they agree to use the Fund Balance and the numbers change, they do not have to use the total amount allocated. Mrs. Bear said if things end up better than anticipated, the district may not use the whole amount. Ms. Kulick suggested informing the taxpayers that if they do not pay their taxes, they may increase next year. Mrs. VanWhy said raising taxes would raise 1.2 million dollars and a cost to the taxpayer would be about 4,225.09 in Monroe County or 2,769.50 in Pike County. Mrs. Bear said that the figure is if the home is worth \$136,000; otherwise, it may be more. Dr. Bonilla asked if there is a scale of how much the taxes would be for the different amounts of how much the home is worth. She suggested posting a chart of

price ranges and not specifics. Mr. McIntyre said he can put a chart together for them. Mr. Rohner asked why is Pike County higher than Monroe County. Mr. McIntyre said it is due to the number of parcels. There are less parcels in Pike County than Monroe County. Mr. Rohner said what has recently changed because he does not recall this being the case before. Mr. McIntyre said it is how the State formula is now and how they calculate the taxes. It may be also due to the reassessments in Monroe County. They went from 400 million dollars in total assessments to 2.6 billion dollars. Mr. Andrews said Monroe County is being assessed at 100% and Pike County is being assessed at 25%. Mr. McIntyre said the Millage Rate is 1.76 in Pike County with the reassessments, is skewed. Mr. Rohner asked for the median in Monroe County and Pike County. Mr. McIntyre said he does not have that information with him. Mr. Rohner said that the Pike County residents are paying more. Mrs. VanWhy said we do not have control on how this is set up. Mr. Rohner said the disparity has never been so drastic; therefore, something is different. Mr. Schlameuss said we need to look at the parcels. Mrs. VanWhy said this has nothing to do with income but property value. Mr. Rohner said that Pike County is 100% and Monroe County is paying 25%. Mrs. VanWhy said it was not like this until the reassessment. Mrs. Bear said some will be paying more taxes in Monroe County due to reassessments. Mr. Dymond said we are not talking about dollars but mils. Mrs. Bear said it depends on the amount of the home versus what it was before to what it is now. Mr. Dymond said depending on the millage, if you have the same home in Monroe County and in Pike County, there should not be that big of a difference in taxes. Mr. McIntyre said the assessments are different now because in Monroe County it is at 100% and in Pike County it is at 25%. In Pike County the tax rate is 123.66 vs. the 30.72 in Monroe County. The property would be the same but assessments would be different. The tax payment would be close. There are a lot of moving parts and with the reassessment, it makes it more difficult to understand. Mr. McIntyre said that he agrees with Mr. Rohner regarding the median income but it is not taken into account with the assessment of a house. Mr. Rohner said he does not want to see senior citizens lose their home because it has happened. Mr. McIntyre said he would not want to see that either. Mr. Schlameuss asked what is the current deficit. Mr. McIntyre said it is about 7 million dollars because he calculated the numbers close enough. This year is a good year to rely on Fund Balance. If we end up 4 million dollars short, then we can use the Fund Balance instead of raising taxes. He said he is trying to see the taxpayers point of view, too. Mrs. Bear asked what is the State going to give the district. Mr. McIntyre said he does not know. Mrs. Bear asked if the district will receive some of the money that they are getting from the Federal Government. Mr. McIntyre said they will but it will not total more than what they normally receive. Mrs. Bear said the State will not want to give us more money due to our Fund Balance. Mr. McIntyre said the State is using the money to cover their gap so we would get 1.7 million dollars, which will be included in the same amount as we received last year. No additional money will come to the district. They will give us flat funding, which will include the 1.7 million dollars that is due to us from the Federal Government. Mrs. Bear asked if the district has applied for any grants. Mr. McIntyre said we did not get the 5 million-dollar grant for technology. The district is still working with the other grants for food services, security, etc. Mrs. Bear asked if there are any new grants due to the COVID 19 Pandemic. Mr. McIntyre said there is a PEMA grant that he will be submitting to cover security, food services, equipment to sanitize, etc. Mr. Andrews asked how is the ACCESS funds being used during this time. Mr. McIntyre said we already have that money earmarked for Salary and Benefits, programs and the sensory rooms. There is about 400,000 left in ACCESS. Ms. Bear asked if transportation will be reviewed to save some funds by rearranging the routes. Mr. McIntyre said they will be looking in this area. Mr. Schlameuss said there also may be some savings in propane, fuel, etc. Mrs. Bear said they are also looking to save on insurance cost. Mr. McIntyre said he will have the new rates soon. Mr. Schlameuss asked what other areas can be looked at. Mr. McIntyre said Mr. Moran is here to speak about the program changes.

Mr. Moran said that they discussed several categories as possible program changes as they move forward as a district to reduce some expenses. He said they review annually numbers in staffing and positions as well as retirements and resignations to see if they need to replace or reduce through attrition. A factor that needs to be considered before making the decision is enrollment numbers. If they have a retirement at the elementary level and if they are able to stay within the student-to-staff ratio, they can reduce a position. This changes every single year due to enrollment numbers. One area that they are uncertain about is what will happen to current enrollment. Some are predicting an increase in enrollment due to more families that will be moving in from other States into Pennsylvania. To date, we have eleven confirmed retirements and one resignation for a total of 12 positions that they are evaluating to see if they can be replaced with today's enrollment and following the same programs and guidelines that they have followed in the past. In the elementary level, they are seeing a reduction in enrollment so they may not need to replace three positions. This is not a long-term budget reduction but a yearly analysis based on enrollment. There is a potential for some reduction through attrition but it would not hurt the student-to-teacher ratio. Mr. Rohner asked what is the student ratio for grades K-5. Mr. Moran said student ratios in grades K-2 are 22 students in a class but they try to keep it lower. In grades 3-5, student ratio is 27 students but it could go above that number by 1-2 students or below that. Using those two numbers we are looking at the projections for next year and anticipate that, if the numbers remain the same, the potential of not replacing three positions. This plan may change if there is a spike in enrollment. This process is typical every year. Mr. Rohner asked what is the student ratio for grades 6-12. Mr. Moran said there is no set ratio due to teaming setup in buildings, but it can be around 24 students in a class. Ms. Glasco said this is a lot of students in

terms of ratio. Even if these positions can save through attrition, it would not be a large savings but a small dent in the budget. Education would not be helped if student ratios go up. Mr. Moran said that he understands her concern, but these guidelines have been in place for the past few years. Mrs. Bear said that in the past, the district has hired a teacher during the school year due to enrollment numbers going up. Mr. Moran said their goal is to not have this happen that is why they look at these numbers on a weekly basis so that we do not have to split classes in the beginning of the school year. Mrs. Bear said this should not also occur mid-year like it has happened in the past. Mr. Moran said they try not to do this. Mr. Schlameuss asked due to the COVID 19 situation, does the district think that we may see students going into the district's Cyber Academy vs. our brick and mortar schools. Mr. Moran said there is definitely the potential for that and they have had discussion on this issue. We may see an increase in enrollment in Pennsylvania where students may want to use our Cyber Academy or they may choose to attend a Cyber Charter school. The district has been discussing how to address these scenarios. Ms. Glasco said that Dr. Riker spoke about the district's Cyber Academy being an option for the students. Is there anything of substance that can be looked at to reduce expenses? Is there any big ticket item, even though we are lean in this area because administration has done a marvelous job, that can save money in expenditures? Mr. Moran said if you are talking about the deficit, that will mostly likely come from salaries and benefits. Ms. Glasco said eliminating 3-4 individuals through attrition will not make a dent in the deficit. Mr. Moran said that is just an annual process that the district goes through each year and not reviewing it for the current situation. If we are talking about options in reduction in expenses, there are other categories to look at when we receive guidance from the Board to help the district reduce or eliminate. One area can be in instructional resources because the district has some resources that they must have and others that provide additional assistance but are not essential such as a supplemental program in Mathematics. He said they can look at all instructional resources to see which ones can be reduced or eliminated. We can then see the cost reduction that can assist the district's deficit. The district can also review all activities. They can also look at increasing the ratios in grades K-12, too. This could result in additional positions not being replaced. These are just options and he is not advocating any in order to reduce our expenses. Mrs. Bear said in the Finance Committee, they spoke about the IU 20 transportation expense. If the district took over transporting these students, they can save some money. Mr. Moran said transportation is another area that may also affect materials and salaries and benefits. Mrs. Bear said the district pays a lot of money to the IU 20 to transport these students. Dr. Riker said next year, the district may have a greater transportation expense depending on how many students will be allowed to ride on a bus. Therefore, he believes the transportation expense will increase. Mrs. Bear said when Transfinder gave the Finance Committee members their presentation, they said the district can save some finances by rerouting the buses and placing up to 46 students in a bus. Dr. Riker said we do not know if we will be allowed to place 46 students on a bus. Mr. Andrews asked Mr. McIntyre if there are any funds from the Facilities budget that can be reduced in order to balance the budget. Mr. McIntyre said he looked at the Facilities budget and reduced it as much as possible to help with the Salaries and Benefits expense. He said he does not know how much more they can cut. Mr. Andrews asked if Salaries and Benefits is the problem. Mr. McIntyre said it is and it is the same issue that all districts have. Mrs. Bear said we are also inventorying all items to save money. Mrs. VanWhy said all of these suggestions, although good, are small ticketed items and we need to save a lot of money. The items may help cut some funds but the deficit is high due to the Pandemic. The district has done a good job and we did not count on this situation. We need to get through this challenge that hopefully is a one-time situation. Mrs. Bear said negotiations will be starting soon. Mrs. VanWhy said she believes due to the current situation, they need to use the Fund Balance and then for the future, we can look at all other items. Mrs. Bear said right now it is not the time to raise taxes. Mrs. VanWhy said she agrees and we have the emergency funds for this case. Mrs. Bear asked if they are able to pay back the Fund Balance. Mr. McIntyre said when we finalize the budget, the resolution can be worded that the Fund Balance will cover the deficit and not indicate a specific amount. We don't have to say a specific number so that we do not use the whole amount that is in the Fund Balance. Hopefully, revenues come in higher than expected so that we may not need to use the entire Fund Balance. He does not believe the district will need to use the entire 7 million dollars. The only decision that administration needs to know today is if the Board is planning to raise taxes, use the Fund Balance or cut programs. We are one of a few districts that has the Fund Balance to use. Mrs. VanWhy said she agrees with Mrs. Bear not to raise taxes. This will only generate 1.5 million dollars for this year. Mr. Schlameuss said raising taxes will place an extra burden on many community members. Dr. Bonilla said she agrees and, as Chair of the Education Program & Resources Committee, they are doing their best to help and support the students. She predicts that more resources will be needed and this area should not be sacrificed. Mrs. Bear said she agrees and more support will be needed for families that lost loved ones during this Pandemic. Mrs. VanWhy said she is looking at all areas that come with expenses. She is not against educating and supporting the students but we also need to look at the expense that comes with it. Dr. Bonilla said the utmost role of the district is to educate the students. She knows that they are looking at the finances of everything but the district has suffering math scores. Therefore, they need to provide trauma resources as well as all resources. Mrs. VanWhy said she agrees. Mr. Dymond asked if the PSERS earnings shrink, would they bill us extra during the next school year's budget. Mr. McIntyre said the rate is already locked in. If it increases, it would affect the 2021/22 school year's budget. The rates come in around December. Mr. Dymond asked what is the current district's debt. Mr. McIntyre said it is an annual expense of about 17 million dollars. Mr. Schlameuss said the bulk of the debt is in 2030. Mr. Dymond said the list of maintenance and repairs come close to 1

million dollars that they need to do over 30 years. Mr. McIntyre said not necessarily. The total district's debt is 150 million dollars as of June 30, 2019. Since then the district has made a payment of 9 million dollars. The information is on page 38 of the audit report. Mr. Dymond said other issues that the district has are that taxes have not been raised in 10 years and lack of adequate funding. The district is supposed to go to court in July regarding fair funding. Mr. McIntyre said he does not know when the hearing will now occur. Mr. Dymond said if they receive the fair funding it can help the district. Mr. McIntyre said the district is supposed to be funded at 50% and the district is only getting 25%. Mrs. McIntyre said he agrees with raising taxes because every year expenses rise about 3%.

VII. BOARD COMMENTS

Mr. Schlameuss said one of the objectives of this meeting is to provide guidance on the budget. As the motion states does the Board wish to raise taxes, use the Fund Balance or cut programs? According to what he has heard this evening, is that they would like to use the Fund Balance and not raise taxes nor cut programs. Hopefully, the deficit prediction will not be as it has been currently stated.

VIII. PUBLIC PARTICIPATION – LIMITED TO ITEM ON THIS AGENDA (3 min. ea.)

None

IX. PREPARATION OF PROPOSED 2020-2021 BUDGET

ACTION BY THE BOARD:

Motion was made by Lisa VanWhy to direct the Chief Financial Officer and Administration to prepare the proposed 2020-2021 budget for consideration on May 18, 2020 as follows: to make use of Fund Balance to balance any existing deficit in lieu of a tax increase or program cuts. Motion was seconded by Damary Bonilla. A roll call vote was taken and carried unanimously, 9-0. George Andrews, Rebecca Bear, Damary Bonilla, Larry Dymond, Sharone Glasco, Debbie Kulick, Wayne Rohner, Richard Schlameuss and Lisa VanWhy voted yes. (Debbie Kulick lost connection; therefore, voted via text).

1. Raise Taxes
2. Use Fund Balance
3. Cut Programs

ACTION BY THE BOARD: Motion was made by Wayne Rohner to adjourn. Motion was seconded by George Andrews and carried unanimously, 8-0. Debbie Kulick lost connection; therefore, not present for the vote.

X. ADJOURNMENT: 8:27 P.M.

Respectfully Submitted,

Patricia L. Rosado
Board Secretary