

**EAST STROUDSBURG AREA SCHOOL DISTRICT
BOARD OF EDUCATION
SPECIAL BOARD MEETING TO DISCUSS AND
TAKE ACTION ON THE 2021-2022 BUDGET AND TAX LEVY**

JUNE 30, 2021 - 5:00 P.M.

**CART T. SECOR ADMINISTRATION BUILDING AND
VIA ZOOM**

Minutes

- I. **President** Richard Schlameuss called the meeting to order at 5:00 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 (virtually), Dr. Damary Bonilla (virtually), Larry Dymond, Jason Gullstrand (virtually), Debbie Kulick (virtually), Wayne Rohner, Richard Schlameuss and Lisa VanWhy.
- III. **School personnel present:** Brian Baddick, Brian Borosh, Meredith Capuano, David Cooper, Frederick P. Mill, Alexandra Moucha, Craig Neiman, William Riker, Shirley Rodriguez, Patricia Rosado, William Vitulli and Steve Zall. Christopher Brown, Solicitor.
- IV. **Community members present:** None.
- V. **ADOPTION OF AGENDA**

ACTION BY THE BOARD:

Motion was made by George Andrews to adopt this agenda for June 30, 2021, as submitted. Motion was seconded by Debbie Kulick and carried unanimously, 9-0.

VI. **SUSPENSION OF RULES**

ACTION BY THE BOARD:

Motion was made by George Andrews to suspend the rules of the day to permit discussion of budgetary items to be presented by the administration and members of the Board and the public concerning review of the 2021-2022 budget without the necessity of a motion and second being previously made. Motion was seconded by Dr. Damary Bonilla and carried unanimously, 9-0.

VII. **BOARD/ADMINISTRATION DISCUSSION**

Mr. Schlameuss asked Mr. Neiman to lead the discussion. Mr. Neiman said he is not sure what to lead with and will turn the meeting back to the Board as per the purpose of tonight's meeting. Mrs. Bear asked Mr. Schlameuss to inform the Board members about his discussion with Rep. Rosemary Brown. Mr. Schlameuss said what happened is that in the past week, the Legislators and the Governor agreed on a budget and that gives the district about \$2.6 million of ongoing subsidy. This give us a little bit of flexibility if the Board chooses to offset the tax increase that was approved at the last meeting. Mr. Andrews said he saw an increase of \$1.4 million on their webpage. Mr. Schlameuss said the \$1.4 million is for basic subsidy for regular education and then there's another amount for special education. The total is about \$2.6 million. He asked Mr. Neiman if these numbers are correct. Mr. Neiman said the information was provided to him from PASBO. Assuming that the new budget includes \$300 million Statewide the basic education funding for ESASD would be \$1,472,556. For special education the district would receive an increase of \$335,000,911 of new money. He said he would be remiss if he did not inform the Board members on how this amount would impact the budget which the Board approved at their June 21, 2021 Board meeting. He said he already placed a slight increase on the approved budget of \$600,000; therefore, the increase that ESASD is scheduled to receive would total \$1.2 million. Mr. Schlameuss explained that Mr. Neiman is looking at an increase of only \$1.2 million from the anticipated approved budget. Mr. Schlameuss said this is not a whole lot of money. Mrs. Bear said this is half of the tax increase that they thought the district was receiving. Mr. Neiman said he would also like to make the Board aware that he received a report today regarding the assessment appeals from property owners from the last several weeks and months. Right now the district is

looking to be in the negative with the real estate tax appeals of about negative \$1.7 million in revenues that was not anticipated in the approved budget. Mr. Andrews asked Mr. Brown if this number is correct. Mr. Brown said it is possible. Mr. Neiman said his assumption is that it is related to the Monroe County tax assessment and now the appeals are coming in. Mrs. VanWhy said she thought that the appeals can occur several times a year. Mr. Brown said, no, but the County is seeing a larger number now due to the reassessment. By next year, it should be less because all reassessments should have been done. Mrs. VanWhy asked if homeowners can appeal every year. Mr. Brown said they can but it is larger this year due to the reassessment. Mr. Neiman said the way he develops the assessment phase is based on the State Tax Equalization Board, which is the number that he had to bring to the budget but it is probably a little dated. Therefore, in the spirit of the new information coming into the district, he felt he should make the Board aware that we have been receiving assessment appeals and it is a larger number than normal.

Mr. Schlameuss said this is part of the reason we are convened together in order to review this information and show the community that we are looking at this seriously. We know we got more money and we need to review to make sure all information is in order to make the right decision. This is part of our job to evaluate the details and make a course of action that is responsible.

Mrs. VanWhy said that she would like to say that the district still has a deficit, which in no way this State money or reassessments close this gap. Neither does the 2.5% increase that was approved by the Board. Mr. Andrews asked how much funds does the 2.5% increase brings to the district. Mr. Neiman said \$2.3 million. Mr. Rohner asked what is the deficit that we are speaking about. Mrs. VanWhy said it is the \$5 million deficit for next year's budget. Mr. Rohner asked if she is speaking about the \$5 million that they took out of the budget last year. Mr. Schlameuss said this is the second year that they are taking \$5 million because they took it out last year and this year. Mr. Rohner asked what is the deficit. Mr. Schlameuss said if we consume the \$5 million from last year's budget and the \$5 million from this year's budget it equals \$10 million. Mr. Rohner said based upon that information and today is the last day of the year, we are most likely to have a surplus. What are the early indications? Mr. Neiman said it is way too early to indicate what it will be since, as he spoke about it at the last meeting and all the bills coming in, there is no way of knowing how much. He will not know until the Auditors make their report in the fall. Mr. Rohner said based upon the May statements having a balance of over \$17 million left with this current fiscal year. Would Mr. Neiman say this is an accurate statement? Mr. Neiman said he does not know what statement he is looking at. Mr. Rohner said it was in the Board packet the other week. Mr. Schlameuss said the district typically spends about \$18 million to \$20 million in the final period in June. He said if Mr. Rohner goes back two or three years in the financial documents that are available online, he would see that the district spends a little bit more in the final month. June has more expenditures due to wrapping up things. As Mr. Neiman said that at the end of the year and the next couple of months are for paying bills and reconciling accounts. More money will be spent than in previous months. Mr. Rohner said that he would like to share with the community that he knows for a fact that the fund balance continues to grow every year for the past six years without a tax increase. Mr. Schlameuss said Mr. Rohner is right. It has in past years but we do not know this past year which ends today. That is not the reality that we are sitting in right now because of the excessive amount of charter school bills. Mr. Rohner said there is no guarantee that there will not be a surplus because he has not seen the final statement. Dr. Bonilla said just knowing the expense of the charter school costs that we had this year compared to the previous years that you are speaking about, we anticipate not to have a surplus. Mr. Andrews asked if the charter school expense is \$6 million higher this year. Mr. Schlameuss said the district anticipates an expense of about \$6 million more this year. Mrs. Bear asked what does the district anticipate in charter school expenses for next year. Mr. Schlameuss said that district hopes to have a \$6 million expense next year. Mr. Neiman said that the district is budgeting an \$8 million expense. Mrs. Bear said her question is how are they looking at students coming back. What percentage have come back so far? Dr. Vitulli said they have about 30 students that are returning to brick and mortar. They are now beginning the process of getting students back into the district. Mrs. Bear asked if they are anticipating getting back 100 students into brick and mortar. Mr. Andrews said they are but like Dr. Vitulli said, they are just starting to pursue this process. Mr. Neiman said during the current fiscal year, they took a one-time plug to help support the expenses with the ESSERS II fund. We bought some time but this is not a sustainable effort because it will run out. Mrs. Bear asked how much money of the deficit did this cover from the fund balance. Mr. Neiman said, as he mentioned before, he will not know until the audit is wrapped up. Ms. Kulick asked what is the total from the ESSER fund that was used. Mr. Neiman said they used \$6 million for teachers' salaries for the teachers that were supporting the students. This helped to offset the charter school cost this year. Mrs. Bear said this was an expense that was not budgeted for this year, correct? Mr. Neiman said she is correct. Mr. Rohner asked if the ESSER II funds that are being used is a revenue that came in after the approval of this current budget? Mr. Neiman said, yes, we did not know we would receive the ESSER II funds. The application was submitted this week and will go through the appropriate steps to receive the funds. Mr. Rohner said; therefore, the \$6 million covers the \$5 million deficit. Mr. Neiman said it does not cover the deficit but rather the unbudgeted charter schools expense. We budgeted \$4 million last year and the current expense is expected to be about \$9 to \$10 million. Mrs. Bear asked if the district budgeted the amount that they normally spend on charter schools. Mr. Neiman said she is correct. Ms. Kulick asked if the ESSER II funds are non-repeatable money. Mr. Neiman said yes. Mr. Andrews asked how can we spend ESSER funds on the

charter school expense. Mr. Neiman said the ESSER II funds cannot be spent on Charter School bills but the district used it for salary and benefits for teachers who taught ESACA, which is an allowable expense. Mr. Andrews said how did the district cover this expense since they did not hire teachers. Dr. Vitulli said paying for the teachers' salaries freed up money for charter schools. Mr. Andrews said he understands that, so since they were able to use \$6 million dollars for this expense means the district is not out of any money. Mr. Rohner said that is correct. Mrs. Bear said next year they will not have money for charter schools and will not be able to switch money around. If many students will not come back to brick and mortar, then the district will be in hardship. Mr. Andrews said that the district was able to maneuver money around to pay for all expenses. Mrs. Bear said all of this information was discussed at the Finance Committee meetings. When Mr. Neiman began at the district, he let the committee members know that he was able to move ESSER funds around in order to cover the charter school expense in order to make it a wash. We still have the deficit of \$5 million and we do not know how much of it we will use. Mrs. Bear said that in the 2021-22 budget, we do not have that money to offset for the charter school expenses. Mr. Andrews said he understands that we are projecting \$8 million for next year as opposed to \$4 million; therefore, the shortfall for next year is \$4 million. Mrs. Bear said, and we already have a \$5 million deficit this year. Mr. Schlameuss said the current year's end balance may be a \$2.5 million deficit but we do not know at this time. Mrs. Bear asked if there is any way we can give a ballpark idea of how much it may be. Do we have any projections or have an educated guess? Mr. Schlameuss said that Mr. Rohner had said that at the end of May there an ending balance of \$17 million in order to pay the end of year bills in June. We spend about \$18 million in the June; therefore, we could have a deficit from \$1 to \$4 million, based on the historical spending at the end of June. Mrs. Bear asked how much outstanding bills does the district have. Mr. Schlameuss said that Mr. Neiman is not sure. Mr. Andrews said normally the district spends about \$13 million per month. During June it is about \$18 to \$22 million which is about \$5 million more than the normal months. Mr. Schlameuss said he is correct. Mr. Dymond said where do they come up with \$18 million to \$22 million. Mr. Schlameuss said if they go back to the July Board books, they will see the expenses for the end of June and that is how they determine the amount. Mr. Dymond said if they take the \$160 million budget, you average expenses for about \$14 million per month. So if there is that big of a jump in the last month, there is something wrong. Mr. Schlameuss said no that is historical spending. Mr. Dymond said bills are supposed to be paid within 30 days. Ms. Kulick said there are contracts and other items as these during June. Mr. Schlameuss said there are contracts, bills and other items to wrap up each end of year. Dr. Bonilla said this process happens in all organizations. She said she prefers not to speak about any specific number because this would confuse the Board members and the public. She said they should wait until they actually occur. Mr. Dymond said he was hoping to have some type of guideline in front of him tonight. Mrs. Bear asked how many months in arrear are they with charter school bills. Mr. Neiman said it depends on the school. It can be multiple months behind. It is also the timing in June when they get it, since June 30th is the cut off date. Items such as employees' salaries, social security and PSERS and other large numbers that drive the expenses during that month. That is why there is large jump in the month of June.

VIII. PUBLIC PARTICIPATION – LIMITED TO ITEMS ON THIS AGENDA (3 min. ea.)
None

IX. PREPARATION AND SUBMISSION OF FINAL 2021-2022 BUDGET

Mr. Brown suggested the Board vote on the budget after they discussed and determine the tax rates. Mrs. Bear asked if the budget number contains the \$10 million of the ESSER funds and asked that they do not know where they will spend it yet. Mr. Neiman said she is correct. Mr. Brown asked Mr. Neiman if the Board should approve the budget that gets submitted to the State, which contains the tax millage because if the numbers change, they will alter what they are approving. Mr. Neiman said the \$177 million can move forward without any decision because whatever is decided would increase or reduce the deficit depending on the millage. Mr. Schlameuss said or it may remain the same. Mr. Brown said he would feel more comfortable if the Board approves the budget once they know what they have decided.

Ms. Kulick asked what is the millage for 2.5%. Mrs. Bear asked what is the millage for a 1.5% increase. Mr. Neiman said since we are a multi-county district, you cannot just take a straight increase to come up with millage rate. There is a model he has to run through. The one that was approved on June 21st was 2.5% millage for Monroe County while Pike County was 0.58% millage. Ms. Kulick asked if the revenue increase was \$2.4 million, what is the millage, Mr. Neiman said it was 2.5% millage increase for Monroe County is 31.52 mills and Pike County is (0.58% millage) is 124.37 mills. Due to the district being a multi-county, you cannot raise the taxes equally. One will always be a winner and one will be a loser. Mrs. Bear said to Mr. Neiman that at the Financing Committee meeting, he presented other percentage choices for raising the taxes. She asked him to inform the Board what the other choices were. Mr. Neiman said those choices were just directional estimates during the early budget process. He said he looked at the revenues that the 2.5% would render of \$2.3 million and took out \$250,000 and figured what the millage rate would be. He said he came up with a millage rate assumption of 1.68% for Monroe County and 1.42% for Pike County. These two percentages would come up with a reduction in the Pike County Tax rate due to the rebalancing formula. Mrs. Bear said the Pike County would have received a reduction anyway if we stayed flat. Mr. Neiman said if the Board does nothing Pike County would stay flat to the current millage. Mrs. Bear said; therefore, Pike County would benefit while

Monroe County does not. Mr. Neiman said, yes, due to the extremely unusual formula. Mr. Gullstrand asked what revenue would the 1.68% generate. Mr. Neiman said it would generate \$1,566,903. Mr. Schlameuss asked what revenue would 1.42% generate. Mr. Neiman said it would generate \$1,322,281. Mrs. Bear said that amount would offset what we got from the State and the district will be back where they started from. Mr. Schlameuss said it would because it would be reducing what was previously approved by \$1 million. Mrs. Bear said this is only fair to do for the taxpayers because that is where the revenues come from. Mrs. VanWhy said she does not ever like to raise taxes and we have not raised taxes in about nine years. The last time the Board spoke about the increase, they divided this tax increase by seven years and it came out to be about .34 % per year of a tax increase. Overall it is not even a percentage per year. We still need the money at the end of the year because we are in the negative. Although we are getting extra, which is great, we are still in the hole. The Board is in the middle of a contract negotiation and we do not know where that will land. Also next year, we will have to negotiate another contract. We are not going to wing it because we got some extra money from the State. We are prolonging the inevitable. Doing a little percentage increase is better than a giant one down the line. Dr. Bonilla said she agrees with Mrs. VanWhy and the last time there were negotiations, we ended up in a strike so we should be mindful of all of the possibilities. Mr. Andrews said the public sees that the state is giving us more money; therefore, I am sure they are saying to give money back to them by not having a high tax increase or no increase at all. He said he agrees with Mrs. VanWhy but believes the \$1.7 million should be given to the public so that the tax increase is not that much. Mr. VanWhy said she is not taking the tax increase lightly because she also pays taxes in this school district. That is why she ran on the Board to keep the taxes at bay. She said they are raising the taxes 2.5% out of the maximum amount that they can. She said she does not want to raise the taxes every year at the maximum capacity in order to balance the budget. Mr. Gullstrand said according to the historical data that he has seen; he wants to make sure he understands the correct information from what Mr. Rohner said. He said our budget balance is around \$17 million dollars and everything that still needs to be paid is about \$19 million to \$21 million, which would bring the district a deficit of about \$3 million or \$4 million in the end of the 2020-21 school year. Mr. Schlameuss said historically speaking, Mr. Gullstrand is correct. Mr. Gullstrand said the Board budgeted for a \$5 million deficit so that means that the budget will be positive \$1 million. Now for the 2021-22 school year, we are looking at another \$5 million deficit and a tax increase of \$1.4 million, which is down from \$3.5 million that was already approved by the Board. Mr. Schlameuss said he is correct but this all is a tight margin. Mr. Gullstrand said the district is running a deficit every year. He said he does not want anyone to be surprised that we may use approximately \$4 million this year and have that \$1 million extra in next year's general fund. He said the Board budgeted a \$5 million deficit knowing that we will get the \$1.4 million and are not decreasing the taxes because that money will go back into the general fund; therefore, should not be a surprise to anyone. Mr. Gullstrand said that it seems that the money goes back into the general fund in October when the audit is done. Mr. Gullstrand said money will go back this year again and we do not know if any money will go back in 2022. He said he does not want people in the community thinking that we pulling something on them. Mr. Schlameuss said we are putting money into that General Fund from the reserves. Mr. Dymond said he is still baffled that each year we end up with more money in our reserve fund balance and the other accounts. He said he does not understand where the money is coming from. Mr. Schlameuss said Mr. Dymond should know since he plays the stock market. Previous results do not guarantee the future. Mr. Dymond said he is looking at the past fund balances and it keeps going up. He said he does not know how we can account for a deficit of \$5 million in expenses and the fund balance keeps increasing. Mr. Schlameuss said we projected a small surplus or a balanced budget with items that brought revenue to the school district like the bus buyback. This was unanticipated revenue and it did not come from the Legislators. Mr. Dymond said the district is still not getting their fair share of the funding. We have not done anything to put pressure on the Legislators. He said the National Magazine said we are the worst taxing district. Mrs. VanWhy said we have to approve a budget a year ahead. We are taking our best guest. When it finalizes at the end, extra money like from the bus buyback or refunding of bonds have increased the budget. We are pretty much squeezing as much as we can. We will have to buy buses now and we need to budget for them as well as the repairs that the Property/Facilities Committee have recommended. We do not have enough money in our fund balance to cover it all. Mr. Schlameuss said as he sees it tonight, the Board has four options:

1. Do not make any changes on what was approved.
2. Raise taxes by 1.68%
3. Raise taxes by 1.42%
4. Remove the tax increase that was already approved. He said he needs a motion.

i. **605 – Tax Levy (ROLL CALL VOTE)**

1.

ACTION BY THE BOARD:

Motion was made by Rebecca Bear to approve the tax rates listed below for the 2021-22 fiscal year. These rates represent a 1.68% mill increase for Monroe County and a (0.22%) mill decrease for Pike County. Motion was seconded by George Andrews. A roll call vote was taken and passed 5-4. George Andrews, Rebecca Bear, Jason Gullstrand, Debbie Kulick and Richard Schlameuss voted yes. Dr. Damary Bonilla, Larry Dymond, Wayne Rohner and Lisa VanWhy voted no.

- i. Be it resolved that a tax of 31.27 mills be proposed on real estate in the Monroe County portion of the East Stroudsburg Area School District for the 2021-22 fiscal year; and
- ii. Be it resolved that a tax of 123.39 mills be proposed on real estate in the Pike County portion of the East Stroudsburg Area School District for the 2021-22 fiscal year; and
- iii. Be it resolved that the 1% Earned Income Tax be proposed to remain in effect and be placed on all residents of the District for the 2021-22 fiscal year, of which 0.5% is shared with local municipalities; and
- iv. Be it resolved that the \$10.00 Local Services Tax be proposed to remain in effect and to be placed on all workers in the District for the 2021-22 fiscal year; and
- v. Be it resolved that the 1% Real Estate Transfer Tax be proposed to remain in effect for the 2021-22 fiscal year, of which 0.5% is shared with the municipalities

Mrs. VanWhy said that it is not fair that Monroe County gets an increase and Pike County does not. Why not raise both counties? Mrs. Bear said it would increase Monroe County even more if Pike County gets an increase. Ms. Kulick said this would be a small jump to get us where we were. Mrs. VanWhy said it will still leave the district with a deficit. Mr. Gullstrand asked if raising taxes 1.68% would make the district whole with the money that we are getting from the State, correct? Ms. Kulick said it would place us where we were going to be with the already approved tax increase. Mr. Gullstrand said it would be a win for the taxpayer. Mr. Schlameuss said the district may lose funds due to the appeals that will generate less revenues for the district. Mrs. VanWhy said Administration will need to cut costs to balance the budget. She said she is not in favor of increasing taxes but someone may be losing their job. Everything is being considered. Mrs. Bear said if we do not have kids coming back into brick and mortar, we will not need those classes; therefore, unfortunately, we will need to decide if we need these teachers. Mrs. VanWhy said, yes, but we need to be fiscally responsible. Dr. Bonilla said that she does not want to raise taxes but people will not be happy regardless. Next year we may need to raise taxes at a higher percent. She said she understands we want to give people back but we have a responsibility to be fiscally responsible. If we will have to cut programs in schools, the community will not be happy. Being in a leadership position, is hard sometimes. We may be able to negotiate sometimes but sometimes we cannot. She said she is okay with what the majority may want but she is not okay with not being fiscally responsible at a 0% increase. We were elected for the people and we must make tough decisions. She said although she is not up for re-election this year, she still feels she needs to be fiscally responsible. Mr. Neiman said the tax increase will be \$1,566,903 for the district which is \$755,000 less than what was approved on June 21, 2021. Mrs. Bear asked how much did we get from the State. Mr. Neiman said we received \$1.7 million but he had already budgeted a \$600,000 revenue increase; therefore, the net impact will be approximately \$1.2 million of additional revenue.

2.

ACTION BY THE BOARD:

Motion was made by Debbie Kulick to approve the revised formal resolution as presented to the Board for the 2021 Homestead and Farmstead Exclusion. This will result in a maximum tax reduction of \$442.75 for each approved homestead and farmstead within the School District for the 2021 tax year. Motion was seconded by George Andrews and carried unanimously, 9-0.

ii. **604 – Budget Adoption (ROLL CALL VOTE)**

ACTION BY THE BOARD:

Motion was made by George Andrews that the East Stroudsburg Area School District does hereby adopt its General Fund Budget for the 2021-22 fiscal year in the amount of \$177,316,960 and as posted and advertised in accordance with the law and in accordance with the recommendation of the Finance Committee. The General Fund Budget includes funds from state and federal governments in addition to the taxes hereafter levied, after proper additions and amendments. Motion was seconded by Debbie Kulick. A roll call vote was taken and carried unanimously, 9-0. George Andrews, Rebecca Bear, Dr. Damary Bonilla, Larry Dymond, Jason Gullstrand, Debbie Kulick, Wayne Rohner, Richard Schlameuss and Lisa VanWhy voted yes.

ACTION BY THE BOARD:

Motion was made by George Andrews to adjourn. Motion was seconded by Lisa VanWhy and carried unanimously, 9-0.

X. **ADJOURNMENT: 6:05 P.M.**

Respectfully Submitted,

Patricia L. Rosado
Board Secretary