



**BUDGET WORKSHOP  
MINUTES  
Thursday, February 23, 2012**

President Faccinnetto called the Budget Workshop to order at 6:00 p.m. at Freedom High School in the Auditorium. Eight Board members were present – President Faccinnetto, Director Burkhardt, Director Cann, Director Follweiler, Director McKeon, Director Patrick, Director Ortiz, and Director Vidanage. Board member absent was Director Bonilla.

**Courtesy of the Floor** - None

President Faccinnetto asked for a moment of silence for Director Bonilla was hospitalized and could not be at the Budget Workshop this evening.

**Colonial Intermediate Unit #20 Budget Presentation – Dr. Charlene Brennan**

Dr. Charlene Brennan, Executive Director of the Colonial Intermediate Unit #20 (CIU #20) presented the 2012-2013 Budget through a PowerPoint presentation.

The CIU #20 provides advisory services and programs, consultative services and programs, educational services and programs, and serves 13 school districts, 3 CTCs, Charter Schools, and non-public schools. The CIU #20 is 1,200 square miles with 13 districts, 3 Career Centers, 1,200 employees, and have a \$174 million budget. CIU #20 serves 86,000 public school students. They serve 9,000 non-public students served. They serve 7,000 professional staff. CIU #20 is the eighth largest IU in the public school student population served. For the 2010-2011 school year #20 served 7,800 students, 832 students transported, 116 district classrooms, 28 Colonial Academy classrooms, and 17 Early Intervention classrooms. Dr. Brennan outlined the various other programs provided including Special Education, Behavior Health programs and services and related services including adapted physical education, occupational therapy, and physical therapy, intensive psychological and psychiatric care. They provide adjudicated youth education, Second Step Violence Prevention and a 24/7 crisis response team with specially trained staff.

The CIU #20 General Operating Budget (GOB) is the support and foundation for the operation of the Intermediate Unit and Direct Service to districts. The IU provides educational support services – executive office and business office; human resources; curriculum, and instructional material services.

The Budget Overview shows the total of \$100.9 million in IU budgets plus \$78.9 million EBTEP Health Trust. The CIU #20 GOB for 2012-2013 is \$2,973,200 which has been reviewed by the SAC committee, IU Board review and approval followed by 13 school board approvals.

As indicated previously, the GOB for the IU is \$2,973,200, which is a one percent decrease to the budget. The increase to the 13 school districts is zero percent. The overall decrease of \$29,420.

The revenue includes a loss of \$105,914 from the IU line item eliminated in Governor 2011 State Budget; Level I capacity Building Grant of \$50,000 expected to be eliminated next year; and new revenue from state through core budget of \$159,094 to offset administrative costs of special education programs. The GOB Revenue State Sources consist of Administrative Offset from the State totaling \$159,094; Social Security payments totaling \$59,910; and Retirement payments totaling \$98,920. The GOB IU Sources consist of Receipts, other IU sources totaling \$2,102,336 which is a zero increase that includes organization indirect costs of payment from other IU budgets and payment from federal programs; special projects such as EBTEP Administration Fee and CPE courses for credit; and workshop registration fees. The expenditure budget includes almost all expenditures at zero percent increase or reduced except for mandated benefits such as PSERS and unemployment compensation; and staff salary concessions of half expected increase for 2011-2012 and zero percent increase for 2012-2013.

The Local School District Withholding includes only **required** school district contribution to IU Operations with a total of \$520,440 of \$2,973,200 which is a zero increase over the 2011-2012 budget year; deduction from School District State Subsidy; and Formula Based on wealth (market value) and size (WADM).

Dr. Brennan then reviewed the internal and district services that are provided at IU 20 in regards to the Executive Offices, local school district withholding, executive offices, facilities, driver education, budget and funding, transportation services, business services, human resources, inservice programs, curriculum services, professional development, school improvement, computer fairs, technology services, telecommunication services, and early intervention services to school age to graduation.

#### Board Questions on the CIU #20 Budget Presentation

President Faccinnetto asked if there were any Board questions.

Director Follweiler – As the BASD Board member who serves on the CIU #20 Board, Director Follweiler gave an overview of what CIU 20 provides to BASD as there are new members on the Board. She also thanked Dr. Brennan for preparing this budget with a zero percent increase for the school districts.

#### **Bethlehem Area-Vocational Technical School Budget Presentation – Mr. Brian Williams**

The Proposed 2012-2013 BAVTS Budget is a culmination of examining current and future needs of the school and how to best determine the necessary funding to operate at the highest level of excellence. The overall educational budget must be driven by student achievement goals and operational resource requirements. Instructional resources must be aligned and allocated to meet student achievement goals, measurements, and standards. Operational costs that support quality teaching and learning must be addressed in the Budget.

He reviewed the BAVTS Performance Goals and emphasized that all budgetary decisions must pass the same Balanced Scorecard Test as other BAVTS Goals and Strategies. Every effort is being made to reduce and/or eliminate non-essential resources from operational and instructional budgets through team based program budget review process; Strategic planning focus and alignment of expenditures; use of Balance Scorecard in planning budget(s); and business office scrutiny in purchases. BAVTS understands that CTE education requires them to constantly examine the industry marketplaces for opportunities, to respond in a sustained manner by investing in new programs, and reinvesting in viable programs.

In regards to District Contributions, last year BAVTS presented a Proposed Budget that held district contributions to a zero increase. The final 2011-2012 Budget had district contributions that were reduced by eight percent. The 2012-2013 Proposed Budget is based on a two percent increase in district contributions, as recommended by the Superintendents.

Revenue Sources for BAVTS include 84 percent from member districts, 11 percent from the State, three (3) percent from Federal, and two (2) percent from Local. The revenues are stagnant. The number of non-resident students has dropped significantly resulting in reduced tuition. The Vocational Subsidy (State) and Perkins Grant (Federal) projected at current levels.

BAVTS has limited Expenditure Budget Growth with stagnant revenue plus goal of two percent increase in District Contributions equals an expenditure budget increase of \$162,725, which is a 1.69 percent increase in expenditures. Salary and Benefits amounts for 2012-2013 are unknown as the teacher salary schedule is dependent on three districts, and the support staff agreements are under discussion. PSERS rate increased from 8.65 percent to 12.36 percent for a total of \$165,616. Worker's compensation has increased by 25 percent. This will be the fifth year without increase in health care rates. Staffing changes for 2012-2013 include one administrative reduction; one administrative position reclassified to clerical; one teaching position reinstated; one clerical position not filled; and two teaching assistant positions not filled. Another Expenditure Reduction includes the building utility and maintenance costs reductions resulting from closing of Northampton Campus, and shop and administrative budget cuts totaling \$60,000.

Expenditure Categories include 47 percent in salaries; 24 percent in employee costs; five (5) percent in utilities; four (4) percent in professional services and insurance; five (5) percent in general replacement and maintenance; 10 percent in supplies/texts/software; two (2) percent in new equipment; and three (3) percent in other. He reviewed the Enrollment trends for BAVTS from 2006 through 2011 the Membership District Contributions for BAVTS from 2006 through 2011 are as follows:

	2011-2012		2012-2013		Change	
	Support	% Total	Support	% Total	Support	% Total
<b>Bethlehem</b>	<b>\$5,183,715</b>	<b>63.71%</b>	<b>\$5,264,953</b>	<b>63.44%</b>	<b>\$81,238</b>	<b>1.57%</b>
Northampton	\$2,210,018	27.16%	\$2,267,440	27.32%	\$57,422	2.60%
Saucon Valley	\$742,547	9.13%	\$766,612	\$9.24%	\$24,065	3.24%
<b>TOTAL</b>	<b>\$8,136,280</b>	<b>100%</b>	<b>\$8,299,005</b>	<b>100%</b>	<b>\$162,725</b>	<b>2.00%</b>

Board Questions on the BAVTS Budget Presentation

President Faccinnetto asked if there were any questions from the Board.

Mrs. Follweiler questioned the two percent increase vs. the zero percent increase last year and the BAVTS budgets from the previous years.

## Presentation of Bethlehem Area School District Budget Information

Dr. Roy presented an update to the 2012-2013 Budget stating the Budget Goals

- Sustainable Budgeting by aligning programs to reliable revenue sources
- Assure Adequate Financial Resources
- Sustain Mandated Program with sustaining existing contracts and agreements
- Multi-Year Financial Goals that address cyclical needs (buses, facilities, uniforms)
- Target 4.0 percent Tax Increase
- 2011-2012 Goal of Sustainability (Concentric circles)
- 2012-2013 Goal of Preservation to stabilize following dramatic changes, evaluate losses of 2011-2012 reductions and changes, and preservation vs. restoration
- Address Structural Deficit

Mrs. Gober reviewed the reductions to reach the four (4) percent preliminary target, which includes:

- Reduced 11.9 teaching positions due to declining enrollment projections (\$621,092)
- Anticipated Savings for Projected Retirements (\$582,461)
- Technology (\$100,000)
- Maintenance Projects (\$100,000)
- Anticipated Transportation Efficiencies (\$100,000)
- Savings on Tax Collection Process (\$35,000)

Programs that were retained for the 2011-2012 school year included six sections of full-day Kindergarten, school resource officers, targeted class sizes, and fully scheduled high school students. Dr. Roy indicated that the full-day kindergarten and the school resources officers were covered through the Accountability Block Grant, which is not available to districts next year.

Mrs. Gober reviewed the changes since January 2012 which include:

- Savings on Tax Collection Process (\$100,000)
- Natural Gas Distribution Agreement Expiration (+\$134,000)
- Demand Response Revenue (\$57,000)

### 2012-2013 Education Budget – Student Education Achievement Block Grant

Mrs. Gober indicated that there were some changes in the Governor’s Proposed Budget which introduced a Student Education Block Grant. This grant includes social security, nonpublic and charter school pupil transportation, pupil transportation, and basic education funding. All of these formula bases will be placed into this Student Education Block Grant.

Mrs. Gober reviewed what the 2012-2013 Governor’s Budget reflects for the 2012-2013 budget as follows:

	<u>2012-2013 PDE</u>	<u>2012-2013 Prelim. Budget</u>	<u>2011-2012 PDE</u>
Estimated Basic Education Funding	\$27,044,017	\$27,035,855	\$27,044,017
Estimated Social Security Subsidy	\$3,815,934	\$3,579,145	\$3,484,698
Estimated Pupil Transportation Subsidy	\$1,695,716	\$2,370,421	\$1,515,485

Estimated Nonpublic & CS Pupil Transportation Subsidy	\$874,719	\$0	\$858,165
Accountability Block Grant	\$0	\$0	\$665,439
Proposed Student Achievement Education Block Grant	\$33,430,386	\$32,985,421	\$33,567,804

The Social Security Subsidy and Transportation Subsidies are all subject to final 2011-2012 actual subsidy. The Pupil Transportation Subsidy includes IU transportation subsidy, which will need to be paid directly by BASD to the IU. The Accountability Block Grant funded in 2010-2011 PDE Budget was used as revenue in 2011-2012 BASD Budget. Mrs. Gober reminded the Board that these are preliminary numbers from the Governor's Budget as it has not gone through the Legislation.

Mrs. Gober indicated that the recent Budget Growth for BASD has been a 1.7 percent increase over two years driven by staffing costs, and increase in the charter school expenses. The Five-Year Budgetary Projection shows that expenditures were higher than the total revenue in 2003-2004 through 2007-2008. In 2008-2009, revenues were higher than expenditures and have stayed that way through the present. For the 2012-2013 Budget the administration is hoping to be very close in expenditures and revenues. In the upcoming years, expenditures will likely exceed revenues if projected at current trends.

Dr. Roy indicated that the Enrollment Trends from 2006-2007 through 2015-2016 show a projected decline in enrollment from 15,354 to 13,341. We have lost close to 1,000 students over the five years. We have to look at how to slow this rate of decreasing enrollment and getting students back to BASD from charter schools. Regarding Enrollment and Facility Considerations, the administration is planning on looking at Paired School Analysis in the 2012-2013 school year, and Facility Utilization Analysis during the 2013-2014 school year. If we can work on bringing students back from Charter schools, enrollment will hopefully go up.

Dr. Roy indicated that the Competing Long Range Financial Issues include Recovery Built to Last with the Fund Balance, PSERS, Collective Bargaining Agreements, Healthcare Costs, Reassessment, Debt Restructuring, and Charter School Funding. The long-term impact of the 2012-2013 Budget includes Sustainability, Build an Adequate Revenue Base to equalize annual increases, Preservation vs. Restoration.

Mrs. Gober reviewed the Short Term Priorities, which include PSERS; Buses; Capital Improvements; Technology; and Charter Schools. This is the first year for the PSERS increase, with more increases coming forward to other years. We have to look at the buses and be weary of the state requirements for the buses to pass inspections. Capital Improvements and Charter schools have been addressed to the Board previously. Technology we have held steady. Long Term Priorities include Wages through Collective Bargaining, tuition, and column movement; Healthcare; PSERS; Capital Improvements; Technology; Charter Schools; and Facility Utilization Analysis. To maintain the financial health of BASD, we have to look at wages and health care costs that are related to them. BASD has created a Healthcare Trust and hopefully that will help the district. PSERS and Capital Improvements will still be there and will only cost more if not included in the budgets.

Mrs. Gober reviewed questions raised at the previous Budget Workshop whether the district could bring back full-day Kindergarten for all students at all elementary schools. This would include adding 20 teachers at an estimated cost of \$1,347,732. If there would be a lottery for one

class per building that would include adding eight (8) teachers at an estimated cost of \$544,441. If there would be a lottery for paired buildings (1 full day program that would neighbor two elementary schools) that would include adding four (4) teachers at an estimated cost of \$276,676. To respond to the question if the district could restore Sixth Grade Teaming. This would include adding seven (7) teachers (estimated) at an estimated cost of \$470,095.

Shelf Items

Mrs. Gober reviewed the Shelf Items, which include:

Capital Improvements	\$1,000,000
Buses	500,000
Technology	300,000
Band Uniforms	150,000
Alternative Education	450,000
Public Relations	75,000
Contingency Staff (6)	<u>400,000</u>
TOTAL	\$3,000,000

Still outstanding are: PSERS Reserve and Aging Equipment Replacements

Mr. Stein reviewed the list below of items rising to the highest priority as there really was not a line item for Capital Improvement for the past several years. The asbestos repairs are addressed through all buildings as they arise. About 40 percent of the software for HVAC needs to be upgraded. We have to come compliant with FCC requirements for transportation and maintenance radio upgrades. The analog system at Freedom High School is 10 years old and needs to be replaced. A lot of our facilities need masonry and roofing repairs. The overall roof repair that is needed is at Miller Heights.

Project	Cost	Running Cost
Miscellaneous asbestos repairs	\$60,000	\$60,000
HVAC Control Software Upgrade	\$170,000	\$230,000
Transportation and Maintenance Radio Upgrade (FCC Compliance)	\$35,000	\$265,000
Freedom Security Camera Replacement	\$90,000	\$355,00
Miscellaneous Masonry and Roofing Repairs	\$240,000	\$595,000
Miller Heights Roof Replacement	\$420,000	<b>\$1,015,000</b>

Act 1 Index – Available Exceptions

Mrs. Gober reviewed the Act 1 Index of 2.1% or \$2,660,896 and Available Exceptions as of February 23, 2012

Preliminary Estimated Exceptions:

School Construction – Debt	\$ 896,984	0.3169	0.70%
Special Education	\$2,512,957	0.8877	1.98%
Retirement Contributions	<u>\$1,506,291</u>	<u>0.5321</u>	<u>1.18%</u>
	\$4,916,232	1.7367	3.86%
Total Est. Increase Under Act 1 Provisions	\$7,577,128	2.6767	5.96%
<b>Amount needed to Reach 4% Target(\$2,406,129)</b>		<b>(0.8500)</b>	
Estimated Exceptions Remaining	\$2,510,103	0.8867	

Dr. Roy then indicated that after reviewing all of this information, by Blending of Long and Short Term Needs, recommendations for 2012-2013 would include:

Estimated Value of Act 1 Exceptions	\$2,510,103	0.89 Mills
<b>PSERS – 42.89% rate increase in 2012-2013</b>	<b>\$ 760,103</b>	<b>0.27 Mills</b>
Shelf Item		
- <b>Capital Improvements</b>	<b>\$1,000,000</b>	<b>0.35 Mills</b>
- <b>Buses</b>	<b>\$ 450,000</b>	<b>0.16 Mills</b>
- <b>Technology</b>	<b>\$ 300,000</b>	<b>0.11 Mills</b>

Mrs. Gober indicated there is a PSERS rate increase of 42.89 percent for the 2012-2013. We also have to look forward and each year there will be more increase in PSERS. The shelf items include Capital Improvements that were just reviewed by Mr. Stein. The average age of the bus fleet is 10.2 years. There are 28 buses that are 15 years or older, and there are 5 buses 20 years and older. We had an extensive presentation on the technology cycle last year. The technology plan for the 2012-2013 school year includes middle school laptop cycle year 2 of 4 with replacement of iBooks at middle schools and high schools, and district-wide equipment upgrades.

Dr. Roy reviewed that the March Budget Workshop will reflect on the following:

- Alternative Revenue (advertising)
- School Bus Lease vs. Buy Analysis
- Cost and Revenue Refinements
- Board Inquiries

### **Board Discussion**

Director Cann questioned if the district is getting assistance from the City and Township in paying for school resource officers in the high schools. Dr. Roy responded that both the City and Township are willing to split the costs of the school resource officers for next year. She also applauded the administration for scheduling high school students for a full day.

Director Cann continued with two more items in regards to full-day Kindergarten and sixth grade teaming wondering if these are outside of the current 2012-2013 Budget, and Dr. Roy responded yes. Then her concern was if there are other places where we can cut to get some of these items back.

Director Ortiz had a concern that we are barely able to get to a four percent and can we use these exceptions. Mrs. Gober responded to her concern saying yes, but the Act 1 information presented this evening is only tentative, and the district hopes to hear from PDE within the next few weeks to receive the final numbers related to exceptions for the district.

Director Ortiz also noticed that with this four percent, there will be 11.9 teaching position reductions. Dr. Roy responded that this number is due to the classroom numbers projected at the schools for next year as the enrollment numbers are declining. Director Ortiz asked if there was a way the Board can address the four percent as she is not happy that 11.9 teachers will be cut and strongly encouraged to the Board to reconsider an increase higher than four percent. President Faccinnetto responded to her concern.

Director Vidanage had a concern in trying to retain some of the students that are going to charter schools and what are the expected savings to bring back these students. Dr. Roy responded as of right now, the administration does not have an estimated savings as we do not know how many students would come back, such as bringing students back who attend full-day Kindergarten at charter schools. Director Vidanage also asked Mr. Stein how much in the maintenance budget is spent on Nitschmann currently. Mr. Stein indicated about \$185,000 a year is spent for the upkeep of Nitschmann.

Director McKeon believes the Board should vote on each of the PDE exceptions for which the district applied in March to see what they approve so the administration can move forward. President Faccinnetto asked for clarification regarding Director McKeon's concern, and Mrs. Gober reviewed the procedures for the Act 1 exceptions that the school district must follow.

Director Patrick feels if the district provides full-day Kindergarten it would help bring back charter schools students, bring back more teachers, and it is a need as many parents have full-time jobs and need to find day care and pay for those costs if their child attends half-day Kindergarten.

Director Follweiler asked for more clarification on the Student Education Achievement Block Grant as this was also discussed the other evening at the CIU #20 Board Meeting. Mrs. Gober reviewed this information regarding the formula basis. Director Follweiler feels that some districts will gain with the grant and some will not. Has this been determined yet? How is BASD's allocation determined? Mrs. Gober said this is still being reviewed and has not been finalized. There needs to be a lot of review of how this has been allocated for the school districts and how BASD may use this money.

Director Follweiler also had a concern with the enrollment trends as we make assumptions that the enrollment trend is going down. Do we know how many are due to charter schools, to lower population due to the birth rate, and/or moving out of the area? Dr. Roy indicated that the administration will look into this and bring back information to the Board.

Director Burkhardt had concerns regarding the Fund Balance. He had a question related to the item Budgetary Reserve of \$3 million. Mrs. Gober responded that there was \$1 million that is intended for grants that come in during the school year. The actual number if you take out the cushion of grants that may be received during the year is \$2 million budgetary reserve. That is a 1 percent margin during the year for any unanticipated expenditures. Director Burkhardt then complimented Mrs. Gober on doing a wonderful job of increasing our fund balance. He supports Director Ortiz going above the four (4) percent, but he does not see reinstating any curriculum items. He understands the other items that are needed as part of education, but he is looking for curriculum reinstatement. Can the \$2 million go away and put it into curricular programming? Mrs. Gober explained more about the fund balance that we are at a good point, but we have to look forward conservatively and think differently on budgeting. Director Burkhardt believes we have built the cushion in the fund balance and wants to look at bringing back some curriculum programs. Dr. Roy then answered his concerns regarding no curriculum programs in the shelf items, but it is up to the Board to tell the administration what reductions they prefer for Capital Improvement and buses so they would be able to put some of those savings back to curriculum programs. Dr. Silva addressed some curriculum programs that are currently being done and what has been done through grants with Janet Tate's office.

Director Faccinnetto believes the Board needs to look at bringing back partial full-day Kindergarten and sixth grade teaming. He also believes that we have to look at Capital Improvements and bus replacements. In addition, we need to look at continuing Technology.



Director Patrick questioned the opportunity to tap into Budgetary Reserve. Mrs. Gober reviewed the recent review in December by Standards and Poors and their concern of our fortitude to sustain our district's financial health. We need to be aware of how to maintain our fund balance. We have to be very careful how we use the budgetary reserve/fund balance, because it might affect bond issuance later when we apply.

Director Vidanage asked if the administration looked at the Census data by City and/or County in projecting the Enrollment data.

Director Ortiz spoke about technology and public relations being put back into the budget.

Director Faccinetto asked if the technology recommendations are new or is this part of the plan? Mr. Arbushites indicated that this is part of the plan. This is the second year of the phase. Windows XP will expire, and we need to replace those licenses. Many departments use PC computers and we will need to do this by 2014. Network infrastructure also needs to be addressed.

Director Faccinetto asked Dr. Roy what direction he wants from the Board this evening to which he responded that following the Board discussion this evening he will take the Board's concerns and work on them for March.

### **Courtesy of the Floor**

Marie Brown – Parent (4110 Juniper Lane Bethlehem) –She is in support of sixth grade teaming and reinstating it at the middle schools as are the other parents that are here this evening. She has three children in BASD and teaming was an important part of her son's education who is currently at Freedom High School. Her son in sixth grade currently who does not have teaming, and she sees a difference. She wants to see more time spent in the classroom rather than in homeroom. She reviewed how much class time has been cut from 50 minutes to 45 minutes. If you cannot bring teaming back this year or next year, please relook at the middle school scheduling so that students are not in homeroom so long and will be in class longer.

Prior to adjourning, Director McKeon asked by a show of hands how many in the audience were not employees of the district and thanked them for attending.

Workshop adjourned at 8:05 p.m.

Attest,

Stacy Gober  
Board Secretary