



AGENDA

Budget Workshop

Thursday, March 29, 2012 at 6:00 p.m.
East Hills Middle School, Auditorium

1. Courtesy of the Floor (15 minutes allowed)
2. Presentation of Budget Information
3. Board of School Directors Discussion
4. Courtesy of the Floor (15 minutes allowed)



**BUDGET WORKSHOP
MINUTE S
Thursday, March 29, 2012**

President Faccinnetto called the Budget Workshop to order at 6:00 p.m. at East Hills Middle School in the Auditorium. Nine Board members were present – President Faccinnetto, Director Bonilla, Director Burkhardt, Director Cann, Director Follweiler, Director McKeon, Director Patrick, Director Ortiz, and Director Vidanage.

Courtesy of the Floor

President Faccinnetto offered Courtesy of the Floor to the public.

Michael Stauffer – 909 Cayuga Street, Bethlehem – Taxpayer – Thanked the Board for their hard work and the time they put in, as well as the administration. In his perception there are two parties that the Board has to consider when developing the Budget and that includes the education system and the taxpayers. In the seven to eight meetings that he has been able to attend in regards to budget workshops, usually there is a cursory comment somewhere in the process about the needs of the taxpayers. It is short lived. It is usually a quick comment by some Board member, but there is never the level of detail that we are about to see for the school district given the situation of the residents and taxpayers. He reminded the Board that he is a big supporter of the district. However, he believes we need to take a step back and handed out a sheet to the Board on information that he gathered regarding social security cost of living adjustments, the average U.S. salary increases, and BASD tax increases from 2009 to 2012. He indicated that he took a look back for the last four years at the average base salary increase in the U.S. and also the cost of living adjustments given by social security. Those are two benchmarks that he believes needs to be taken into account with the same level of detail that we are about to look at the needs of the district. The first column shows four years (2009 through 2012). His sources for the social security cost of living adjustment is no less than the U.S. Social Security government website. For average U.S. salary increases Culpepper Compensation Surveys and Services, which is a widely respected, regarded, and heavily used source within business and industry in the U.S. In 2009, the social security cost of living adjustment was 5.8 percent; in 2010 it was zero percent; in 2011 it was zero percent; and for 2012 it is 3.6 percent. The average U.S. salary increase was 1.66 percent in 2009; 2.38 percent in 2010; 2.92 percent in 2011; and for 2012 it is 3.01 percent. The salary increases in 2009 and 2010 were much lower than the BASD tax increase of 5.1 and 6.17 percent. In 2011, the tax increase was 1.7 percent, and looking at 2012, the salary increase is 3.01 percent with an expected BASD tax increase of either four (4) or 5.8 percent. The overall social security cost of living adjustments for the last four years totals 9.4 percent, and the average U.S. salary increases for the last four years totals 9.97 percent. If the Board would increase the taxes by four (4) percent, the total tax increase over the last four years totals 16.97 percent. If the Board would increase the taxes by 5.88 percent, the total tax increase over the last four years totals 18.77 percent, which would be approximately double the social security cost of living

adjustment and the U.S. based salary increase percentages. He believes that the taxpayers cannot accept a 5.8 percent tax increase. In closing, he is a supporter for our educational community, and typically the people that come up here to speak of the needs of the district, and it almost always looks that if you were to propose a zero percent increase, or be someone like me that is in favor of holding the line, that you have some lack of compassion and you do not care, and this is not true. Look at what has been done over the past five years already as we need to take a step back. These are facts and this is not opinion.

Presentation of Bethlehem Area School District Budget Information

PowerPoint Presentation Slides

Roadmap to Educational Excellence

Dr. Roy began the introduction and then had Dr. Silva review the first slide reiterating the *Roadmap to Educational Excellence for 2012-2014*, which involves Stretch Learning, Core Learning, Student Engagement, and Personal Skill Development. Last year this was called a comprehensive school approach to have strong academic programs and support programs that help students succeed in the classroom and as citizens of the school community. Last year a number of educational programs were eliminated and it was a difficult year and risking our notion of a comprehensive school. This year we are focusing on these goals and sustaining these goals.

Tonight's Objective

Dr. Roy indicated that tonight's objective is to determine the direction of the Board relative to: a) rate of tax increase; and b) shelf items. The Preliminary Budget that was approved took into account the mandated costs that the district has, the contractual obligations and those increases, and reductions made to get to the four (4) percent. There are shelf items that have not been done that we need to pay attention to within a sustainable budget. So, the shelf items that will be discussed this evening are those cyclical purchases that we are really putting a long-term effectiveness of the district at risk by keeping these items on the shelf.

2012-2013 Budget Goals

Dr. Roy reviewed the 2012-2013 Budget Goals, which consist of:

- **Sustainable Budgeting** by aligning programs to reliable revenue sources, and assuring adequate financial resources – The sustainable budgeting and the hard decisions that were made last year and the millions in dollars in cuts that resulted created a more sustainable budget. The district is not in the same position this year as it was last year in large part because of the difficult decisions made last year, and the district has a more sustainable budget. Programs have been aligned to reliable revenue sources, and we are assuring that we have adequate financial resources to move forward.
- **Addressing Structural Deficit** – The natural growth of expenses outpacing the natural growth of revenues, which is driven by the retirement system and that is a danger that lies ahead.
- **Sustaining mandated programs, existing contracts, and agreements** – The district wants to sustain mandated programs, existing contracts and agreements that we are required to do. Much of the increases in the Preliminary Budget were driven by those things.
- **Preservation** by stabilizing following dramatic changes, evaluating results of 2011-2012 reductions and changes, and Preservation vs. Restoration – The district wants to preserve what was cut last year and wants to stabilize following those dramatic changes. The

district wants to evaluate those reductions and changes and make adjustments as needed, such as middle school teaming. The focus is on preserving this reduced sustainable budget rather than restoring things to the budget because of the structural deficits that the district will face in the future.

- **Multi-Year Financial Goals** by addressing cyclical needs (buses, facilities, and technology) – The district needs to attend to some of the shelf items, such as an aging bus fleet, facility improvements which have been minimal over that last few years, and keeping pace with technology.

2012-2013 Structural Deficits – January 2012

Mrs. Gober reviewed the structural deficits as of January 2012 which include:

- **Salaries** – These are contractual salary increases that are already obligated for employees throughout the district.
- **PSERS** – This is one of the largest issues facing public education and school districts across all of Pennsylvania and is related to retirement contribution on behalf of school employers. In this current year for 2012-2013, the rate has increased from 8.65 percent to 12.36 percent, and that will continue to rise at those types of increases going into the next several years until it reaches its maximum in the high 20 percent range depending upon how the economic projections continue to change going forward with interest earnings and growth of the programs, and so on. These are mandated costs that the district needs to deal with, and this is a huge component of the increase of costs that we are looking at, as well as all other school districts.
- **Healthcare** – This is driven not also by market increases and costs, but also by the new benefits that have been added due to the national health care requirements in terms of extending coverage to people who would have not otherwise been covered under our plans, as well as adding additional benefits for the existing members that are within our plan.
- **Charter Schools** – Costs have been rising dramatically at an average rate of about a little more than 17 percent over the last number of years, and the way the formula is calculated creates a natural expansion that occurs within the formula related to reimbursement of PSERS and healthcare costs to charter schools, and also includes the cost of the tuition itself. So, to the extent that our tuition continues to rise for charter school students, that continues to be an expanding line item in the formula which continues to exasperates in the following year. The cost of Special Education for students attending charter schools is also another expense as we are obligated to provide those services to students who reside within the district.
- **Student Tuition** – The district also pays other student tuitions, such as Vo-Tech and IU programs.
- **Debt** – The District has been working to realign this and to be cost affordable.

Programs Retained After Loss of Accountability Block Grant

Mrs. Gober reviewed items retained from the loss of the Accountability Block Grant, which are as follows:

- School Resource Officers
- Targeted Class Sizes
- Fully Scheduled High School Students
- At Risk Full-Day Kindergarten (six sections)

Last year, shortly after the district approved the 2011-2012 Budget, the state had restored a portion of the Accountability Block Grant monies. The money BASD received from the state through this grant for the 2011-2012 school year allowed the district to restore school resource officers, maintain targeted class sizes, allow high school students to have complete and full class schedules, and six sections were restored for full-day Kindergarten for at-risk students. The district has maintained those programs in this current proposal for the 2012-2013 budget, even though the funding is not there to support it. The value of these particular programs are meriting of their retention.

Preliminary Budget Reductions

Mrs. Gober reviewed the Preliminary Budget reductions, which were included in the January Preliminary Budget approval:

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

Preliminary Budget Operational Reductions

Mrs. Gober reviewed operational reductions that were also included in the Preliminary Budget in January with various reductions across all categories in terms of looking at each line item to determine if there was any savings, and if so, it was reduced based on a dollar-to-dollar basis. Listed below are the operation reductions that were made by the administration for the 2012-2013 Budget in order to get to the four (4) percent increase for the Preliminary Budget in January:

Unemployment	-\$132,000	Electricity	-\$480,274
Severance	-\$41,580	Natural Gas	-\$68,291
Professional Ed. Services	-\$273,882	Heating Oil	-\$24,824
Other Professional Services	-\$180,368	Fuel	-\$19,335
Disposal Services	-\$46,892	Equipment	-\$357,143
Lawn Care	-\$28,000	Construction	-\$100,000
Contract Transportation	-\$22,464	Advertising	-\$12,000
Security	-\$14,245	Delinquent Real Estate Tax	\$1.9 M

Changes Since January

Since January, the administration has been working to finding more reductions, and as of March the administration has made the following changes listed below:

Savings on Tax Collection Process	(\$100,000)
Natural Gas Distribution Agreement Expiration	\$134,000
Demand Response Revenue – Energy providers	(\$57,000)
BAVTS Tuition – after Board approval of their Budget	\$175,154
Additional BEF and Transportation Subsidy Projection (due to IU 20)	(\$208,176)
2012-2013 IU Transportation with No PDE Funding	\$50,515
Business Office Software Savings	(\$126,976)
Additional Conversion and Training CSIU Software	\$10,000
Additional Retirements	(\$334,638)
Net Budget Increase of All Changes and Proposals	(\$457,121)

– Still Unknown Impact of Allentown NIZ

Mrs. Gober indicated that the district recently approved the in-house collection of real estate taxes within the district and no longer will look to an outside source, and the district anticipates another \$100,000 savings on the cost of collection.

The natural gas distribution agreement is a five-year agreement, which will be expiring this June, and the district is anticipating an increase of approximately \$134,000 in the cost of natural gas due to the current gas prices.

The district has approved a Demand Response Program with our energy providers that would permit the district to turn off cooling systems when the demand is the greatest over the summer months to free up capacity for other residential needs, and that should save the district through a payment of \$57,000.

The Bethlehem Area Vocational-Technical School tuition line item is an increase of \$175,154, as the final number was received by Vo-Tech and approved by the Board. The district had reduced this amount in anticipation of a possible decline in enrollment numbers, but this was not the case as there showed an increase in enrollment numbers.

Throughout the Governor's proposal as the Block Grant stands in its presentation in February, the district would realize an additional Basic Education Funding (BEF) of about \$8,000, and an increase in our transportation subsidy projection of about \$200,000. In the transportation subsidy projection there are IU costs associated with this. In the past, this subsidy had been distributed directly from the state to the IU, but now this will be passed through the districts. So instead of the district paying a net cost of transportation to the IU, the district will be paying the entire full amount, and this will be an offset by the change of the 2012-2013 IU Transportation cost of \$50,515 for the change in state funding of transportation to the IU.

Overall with the change that was made last year in terms of the overall financial software for the Business Office, the district is able to have a \$126,976 savings. The district is allocating about \$10,000 to continue working through any conversion and training issues that may be needed in implementing the remaining modules of the new software.

The district continues to gather retirements from teachers who are planning to retire at the conclusion of the 2011-2012 school year, and the district is currently realizing another \$334,638 in savings.

So between January and March 29, 2012, the administration has reduced another \$457,121 in general operating costs for the 2012-2013 Budget.

Full-Day Kindergarten Challenges (3 slides)

Dr. Silva reviewed full-day Kindergarten information as the Board had asked the administration to look at actual restoration of certain educational programs as part of the discussions of the 2012-2013 budget, which included this and middle school teaming.

In regards to full-day Kindergarten, the Accountability Block grant that the district received this year was able to fund six (6) sections of full-day Kindergarten for at-risk students at a cost of approximately \$420,000. With this grant not being available next year, the effect on the 2012-2013 Budget is to absorb that \$420,000, and the Preliminary Budget from January had this increase in the budget. The administration started an investigation of the full-day Kindergarten

restoration and are listed below:

- **Goal:** To reduce the enrollment and financial impact (out-going per pupil costs) of the Charter Schools' full-day Kindergarten programs upon the BASD.
- What would it take to expand full-day Kindergarten in BASD?
 - All students = +20 Teachers (\$1.3 million)
 - Lottery – One full-day Kindergarten per building = +8 Teachers (\$545,000)
 - Lottery – One full-day Kindergarten paired buildings = +4 Teachers (\$276,000)
- Would Expanded full-day Kindergarten in the BASD reduce the financial impact of the Charter Schools' full-day Kindergarten programs?
 - No. The BASD would be committing to on-going additional costs without the promise of reducing per pupil charter school enrollment costs to help pay for it.
 - Potential increase of half-day enrollment from nonpublic students not already enrolled into BASD Kindergartens.
 - Charter schools' full-day Kindergarten would likely still have waiting lists.
- The BASD wants to preserve its potential to unfund charter school Kindergarten programs that go beyond what the BASD provides its own students (half-day Kindergarten for all students).
- **Recommendation:** Maintain current levels of full-day Kindergarten (six sections) in the BASD for at-risk students only.

Helping Our Middle Schools

Dr. Silva reviewed this information. At the request of the Board, the administration looked at possibly restoring some part of the middle school teaming. With the elimination of 18 positions and the elimination of the teaming, the middle school day had to be changed this year and has been a challenge. With concerns from the community, the administration has been meeting to see what the district can do to restore some of the teaming. Currently, the administration is thinking of restoring teaming for sixth grade and will be discussed further at the April Curriculum Board Committee Meeting. For this Budget Workshop, the administration reviewed some details of what will be discussed in April and are listed below:

- **Goals:**
 - Creating smaller learning environments within the school.
 - More time for instruction.
 - More time for adult collaboration in support of students
- **Restore Teaming Structure at Grade 6** would require adding 7.0 teachers = approximately \$470,095.
- A more detailed Middle School Plan at the April 2 Curriculum Committee Meeting will be discussed.

Dr. Roy made a clarification regarding the additional 7.0 teachers. The adding of 7.0 teachers is not increasing staffing over this year, but the administration took out 11.9 positions in the Preliminary Budget in January, and the Budget that the administration is sharing tonight only has 5.5 positions out of it. So, we added positions back into the budget, but we are not increasing staffing over the current year.

Revised Shelf Items

Mrs. Gober reviewed the revised shelf items, which are listed below and are broken down to what was reviewed at the February Budget Workshop and adjustments made for the March Budget Workshop. These are items that are essentially deferred projects, deferred maintenance, and deferred improvements that we have been putting off for quite a number of years, and they are having a cumulative impact on our ability to provide appropriate and safe services for students. Since the February Budget Workshop, the administration continues to look at prioritizing those and understanding that any increase we are suggesting is sensitive, and what can we deal with at the most minimal level. In the right column, shows the revised numbers for this month's discussion.

	February 2012	March 2012
Capital Improvements	\$1,000,000	\$600,000
Buses - Average Age 10.2 years - 28 Buses 15 years or older - 5 Buses 20 years or older	\$500,000	\$300,000
Technology - MS Laptops year 2 of 4 – replace iBooks at middle schools/high schools, and district wide equipment upgrades	\$300,000	\$232,000
Communications/PR	\$75,000	\$20,000
Reduce 5.5 vs. 11.9 Teaching Positions	\$400,000	\$351,718
Other Items Previously Considered	\$725,000	\$0
Total	\$3,000,000	\$1,503,718
Still Outstanding: - Status of Government Budget & IU Transportation Costs - Impact of Allentown NIZ	Off the Shelf: - PSERS Reserve - Aging Equipment Replacements - Band Uniforms - Alternative Education	

For capital improvements, the administration reduced the amount by \$400,000 as there was a roof replacement included in that amount in February. Upon further review, the administration feels that the roof repair should be deferred as a major capital improvement project rather than something that can be funded in a regular operating cycle.

For buses, the administration reduced it by \$200,000 with the thought of rather than purchasing them outright, the district could consider a lease for the new vehicles, which would allow the district to spread the costs of the purchase over time rather than doing an initial capital outlay.

For technology, the district shared some of the savings that were realized from the software changes within the financial area and applied those to the technology area by looking at fine-tuning what those needs would look like and reduced it to \$232,000.

The district previously looked at a communications plan throughout the district to educate our community about the things that are happening within BASD and in a partnership with our Educational Foundation felt that a \$20,000 commitment would be needed to do the necessary things to promote the district.

In regards to staffing reductions, the administration is looking at reducing 5.5 teaching positions rather than the 11.9 teaching positions that were recommended in January in order to restore middle school teaming for sixth grade, and this would add back in \$351,718 in the general operating budget.

Finally, there were other items totaling \$725,000 that have been taken off the shelf list for March as the administration feels that they cannot be addressed at this time.

Still outstanding is what will the State budget look like as it has not been approved. The second is the impact Neighborhood Improvement Zone (NIZ) in Allentown, and the district has not received information of how this will affect our budget.

Another large item that was taken off the shelf is starting a reserve for future increases in PSERS costs.

Act 1 Index – Available Exceptions

Mrs. Gober said that the district has received final approval of the Act 1 available exceptions for BASD for the 2012-2013 Budget and is listed below:

Allowable Index 2012-13 – 2.1%	\$2,660,896	2.10%
<u>Preliminary Estimated Exceptions:</u>		
School Construction – Debt	\$ 799,554	0.62%
Special Education	\$2,538,298	2.00%
Retirement Contributions	\$1,533,216	1.21%
	\$4,871,068	3.83%
Total Est. Increase Under Act 1 Provisions	\$7,531,964	5.92%
Amount needed Preliminary Budget	\$2,400,782	1.88%
Estimated Exceptions Remaining	\$2,470,286	1.94%

Blend of Long and Short Term Needs Recommendations for 2012-2013 – Revised March 2012

Dr. Roy reviewed this information. He indicated that this is similar to two slides before and the information below adds the mills and the percentage increase related to the shelf items.

	February 2012 Mills		March 2012 Mills	
Estimated Value of Act 1 Exceptions	\$2,510,103	0.89	\$2,470,286	0.87
PSERS – 42.89% Rate				
Increase in 2012-2013	\$760,103	0.27	\$0	0.00
Shelf Items				
- Capital Improvements	\$100,000	0.35	\$600,000	0.21
- Buses	\$450,000	0.16	\$300,000	0.11
- Technology	\$300,000	0.11	\$232,000	0.12
Communications/PR			\$20,000	0.01
Reduce 5.5 of 11.9 Teachers			\$351,718	0.12
Total	\$2,510,103	0.89	\$1,503,718	0.53
		1.98%		1.18%

Dr. Roy wanted to point out additional information regarding the communications item listed above. With the amount of money that the district send to charter schools, the administration is hoping that through some focused communications the district can slow or reverse that trend of students to charter schools by better communicating the assets available to families in our district, and a \$20,000 investment would be if two charter school students come back to BASD, and this would make up for that expenditure.

So, the cost of the shelf items in a mileage tax increase is 1.18 percent.

2012-2013 Budget Cost Drivers – January 2012

Mrs. Gober reviewed this information regarding budget cost drivers, which are listed below since January through March’s proposal:

• Salaries	\$1,319,560	0.4662 mills
• PSERS	\$1,316,543	0.4651
• Healthcare	\$1,302,581	0.4602
• Charter Schools	\$ 903,465	0.3192
• Student Tuition	\$ 802,591	0.2835
• Debt	\$ 95,774	0.0338
TOTAL	\$5,740,514	2.0278

Total January Increase	\$5,067,025	1.7900	3.98%
Total February Proposal	\$7,577,128	2.6800	5.96%
Total March Proposal	\$6,153,330	2.1700	4.84%

The large cost drivers that were discussed previously would have cost the district a little over two (2) mills in taxes, and due to the other reductions the administration made across the entire budget to tighten down every projection, the administration presented a January budget at 1.79 mill increase of just over \$5 million. The initial February proposal if we considered all of the shelf items that were discussed and maximizing all of the available exceptions would have taken us to a 2.68 mills, and the proposal that the administration is discussing this evening in trying to prioritizing further those shelf needs would be a \$6 million increase, or 2.17 mill increase, or a 4.84 percent tax increase over the current millage rate.

Charter School Costs

Mr. Giordano reviewed the charter school costs associated with BASD. The chart indicates that since 2006-2007, there was an average 17.98 percent increase per year since authorized. In 2006-2007, charter school costs were \$4,282,881, for the 2011-2012 school year, the costs are estimated for \$10,481,258, and the estimated cost for the 2012-2013 school year is \$11,384,723.

2011-2012 Millage Rates – Northampton County

Mrs. Gober reviewed the chart indicating that BASD’s millage rate for Northampton County for this year is 44.92. BASD is the lowest tax millage rate.

Lehigh Valley Equalized Millage Rates

Mrs. Gober reviewed this chart, which indicates that BASD’s millage rate for Lehigh Valley is 18.3. The average rate is 21.0. BASD is quite affordable compared to other school districts in the bottom of the ranking, and BASD is below the average across the state in terms of the local effort to support our public schools.

2012-2013 Proposed Budget Following Revisions

So in review of where are we after all of the items that have been discussed so far, Mrs. Gober reviewed the following proposed revisions:

Expenditures	\$212,148,344
Revenues	\$205,995,014
Deficit	\$ 6,153,330
Millage Needed	2.17
Percent Tax Increase	4.84%

2012-2013 Proposed Impact on Average Tax Bill

Mrs. Gober reviewed what it would like for an average taxpayer and an example was explained as follows:

	<u>2.17 Mills</u>
2011 Average Assessment	\$75,082.00
2011-2012 Millage	44.9200
Tax Bill	\$ 3,372.68
2012-2013 Proposed Millage	47.0900
Tax Bill w/ Proposed Millage	\$ 3,535.61
Percentage Increase	4.8%
Yearly Increase in Average Bill	\$ 162.93
Monthly Increase in Average Bill	\$ 13.58
Weekly Increase in Average Bill	\$ 3.13
Daily Increase in Average Bill	\$ 0.45

Dr. Roy ended saying that the administration is recommending a 4.84 percent tax increase, which includes the shelf items that the administration has identified. The administration is recommending this increase this evening because they believe it is sustainable, and it preserves rather than continues the deep cuts that the district has suffered over the last number of years by addressing some long term needs. It does not restore, particularly in the area of staffing, because that would make it less sustainable, but it also begins to address long term needs through the facilities and buses shelf items. So this evening the administration wants Board direction on what increase they would like to go through. There will have to be some adjustments as we go through depending upon what the legislature does with a state budget and the Allentown NIZ, but the administration is hoping to leave here this evening with some clear direction from the Board.

Board Discussion

President Faccinetto asked for a quick clarification regarding the reduction of buses from February to March and leasing was mentioned. How many buses would the \$300,000 lease us and for what term? Mrs. Gober responded that there would be some flexibility there to discuss what really works best, but if the district would estimate outright purchase of vehicles for that amount of money, the district would be able buy three full-size buses and one mini bus. If the district looks to go to the leasing option and lease over a three-year period, the district could acquire 10 full-size buses. If the district would lease for a five-year period, the district could lease 17 full-size buses, and over a seven-year period, the district could lease 23 full-size buses. So, it allows the district to spread the costs to actually restore a larger portion of the fleet, and at least the district would begin a cycle of replenishment that has the vehicles in good repair, safe for the students, and is at least a sustainable affordability in terms of the overall budget.

Director Bonilla asked President Faccinnetto if he could gauge the Board on what their feelings are on a tax increase. President Faccinnetto responded that he would like to have Board discussion first, and then will poll the Board on a tax increase.

Director Bonilla asked if we currently pay for busing to charter schools if they have more days than we do, and are we required to do that by law. Dr. Roy responded that Mrs. McKeon, director of transportation, is responding yes to his questions.

Director Burkhardt asked to focus on Act 1. Each year we are told that we can only raise taxes so much? Can you explain how that is figured? Mrs. Gober responded that the index annually is determined on a 50/50 calculation. Half of it is determined by the state average weekly wage and that is a Pennsylvania indicator of all of the increase of wages across Pennsylvania employers. The other piece of the formula is an Educational Cost Index ((ECI) that is a federal measure of the increase in the cost of education salaries nationally. They are averaged together to determine what the index is. That index is then established across the board, and there is an additional adjustment based on each individual school district age ratio.

Director Burkhardt than asked how the exceptions are arrived at? Does each school district have its percentage for exceptions? Mrs. Gober responded yes. The school district must apply each year. There is a formula that is prescribed by PDE for each of those exceptions, and it is based on retrospective back to the district's prior year expenditures, and in other cases it is prospective on the district's anticipated spend in the upcoming year. Director Burkhardt then reviewed the Special Education exception and wanted to know how that was determined. Are they saying that in Bethlehem the general operating budget is supporting \$2.5 million that could be funded by new taxes? Mrs. Gober responded yes, and Special Education is one of those retrospective calculations and that is taking the audited numbers from 2010-2011 and comparing that to the 2009-2010 spend. To the extent that the increase over that annual period is greater than the index that is the exception amount that you are qualified to take. Dr. Roy also commented on these three exceptions because when the legislation puts a cap on the district at 2.1 for this year, but realizes that there are costs that are long term, like debt, or mandated that are largely beyond the control of districts. So, that is why these exceptions were created in these areas. Director Burkhardt then indicated that for every time we do not use these exceptions, we are basically saying we are going to fund that out of current revenue? Mrs. Gober responded yes.

Director Cann asked how did we get from a 3.98 that was first proposed to a 4.84 percent? What was added back in? It was mentioned about the full-day Kindergarten being funded by the Accountability Block grant this year, but not next year? Both Dr. Silva and Dr. Roy responded that the full-day Kindergarten funding was included in the Preliminary Budget numbers in January. Then Dr. Roy responded that the add-ons are the shelf items in the March items column. Director Cann then had a concern that the items that were covered by the Accountability Block grant that will not be funded next year and are in the budget are not mandated items, and she has a problem with that. Also, she wanted clarification if the middle school teaming was part of this increase? Dr. Roy responded yes that this was one of the added items that was not in the Preliminary Budget.

Director Follweiler's comment is in line with Mr. Stauffer's comments during Courtesy of the Floor as she went back to 2006 figures. She just emailed Dr. Silva the chart if the Board would like to review at this time. She went back to 2006 to compare BASD tax increase to social security increase, and it exactly doubled that the social security increase cumulative to 2006 at 12

percent, and the BASD tax increase cumulative since 2006 is 24.02 percent. We do not see three percent increases, and we do not see two percent increases. In fact, we see pay cuts in a lot of areas of the private sectors, and unemployment is very high right now. So her question is how is this Board going to address its proper due diligence to the entire stakeholder community to give a good quality education to our students, and at the same time not bankrupt our taxpayers?

Director McKeon commented that he will not support this tax increase and has to be much closer to the index. He has a question on NIZ and will the current EIT collector, Keystone Realty, are they for 2011 or for 2012? Mrs. Gober responded that Keystone is the Northampton County appointed tax collector beginning in 2012. The district previously used the City of Bethlehem to collect our EIT. The period of time that is in question was when Keystone was the elected collector for the City of Allentown, and that is primarily where the information needs to come from. However, they did provide a report about three weeks ago, and the City of Allentown had begun reviewing it and had some concerns, and they continue to review it as frequently as today and saying that are not comfortable with the information that was provided and have not released any information further.

Director McKeon believes that we have to revisit looking at eliminating mid-day bus runs. Last year the savings was in the neighborhood of \$100,000. If we are going to put full-day Kindergarten off the grant and back into the general operating budget, this would offset it. We also have to look at tweaking the boundaries for the elementary schools. If we have declining enrollment in some of these schools, can we tweak the boundaries, and that might eliminate buses and transportation costs? Also what is the mileage on walkers for elementary, middle, and high schools? Mrs. Gober responded that the state has set 1.5 miles for elementary and two miles for secondary.

Director Patrick spoke about full-day Kindergarten and asked Dr. Silva to reiterate what he spoke about in preserving the potential to unfund. Is there anything pending? Are there litigation or legislation changes that are in the works for that? Dr. Silva responded that there are a host of challenges to the charter school law based on one element of the law. He has heard that kindergarten reimbursement has been mentioned as one of those, but as far as any one specific legislative proposal at this moment, he would have to check with the solicitor. Dr. Roy also responded that he has been in contact with the solicitor and PSBA on any legal challenges to that, and they are kind of weighing what the chance of success in challenging that would be. Director Patrick then indicated that if we do not provide full-day Kindergarten we are going to lose students as a lot of parents today have to place children in child care, and if they cannot afford child care, these parents will look into sending their child to a full-day Kindergarten program. If the district does not provide this opportunity, then the district will lose these students.

Director Ortiz indicated that this is not an emotional decision, but a tough decision. We are here for students and failing students are dropping out of high schools. She would be comfortable with 4.8 percent tax increase to balance out, but we cannot compete this or we are going to lose students to charter schools and the charter schools will benefit.

Director Vidanage asked if we get additional funding for new buses? Mrs. Gober responded if we would maintain the current funding formula, we would benefit from that. If the Governor's proposal is adopted as it stands today and the transportation subsidy is incorporated into the Block Grant, there would not be any additional benefits for us doing that from a subsidy perspective.

Director Vidanage's second question was regarding the Act 1 index of 2.1 percent. The employment picture keeps improving so that means that there will be more people in the state of Pennsylvania that will be on payrolls and not on unemployment. So that means the actual weekly wage would go up. So this is not going to be a permanent situation. So once the average weekly wages start going up, we will not have to go beyond the level that the state approves.

Director Vidanage's third question was in regards to Mr. Stauffer's comment under Courtesy of the Floor. If you take a look at what you pay for property taxes, Pennsylvania homeowners pay a tenth highest in the nation in terms of school property taxes. However, we are 47th in the nation in terms of state taxes. So, this is a zero sum game. If you do not pay state taxes, somebody needs to pay the property taxes. When you send a child through the public school system, what percentage of that expenditure is paid by you, about 70 percent of the expenditure is paid by somebody else. Finally, he mentioned the chart and that it is systematic of the society. Since 1980, the middle class wage earners the income has not increased more than 1.6 percent for a year. So we cannot blame other folks for that, and we cannot solve the society's problems.

Director Vidanage ended by saying that he is for the 4.8 percent tax increase.

Director Bonilla indicated that he would not vote for a budget that is less than a 4.84 percent tax increase. He is not for cutting mid-day runs and increasing mileage for walkers due to safety of elementary students. These students are the future of our community, city, state, and nation, and we owe it to them to receive the best education possible.

Director Burkhardt had a question regarding the average tax bill slide. Is that not inflated by commercial properties? Mrs. Gober responded that Northampton County does not provide a breakdown of property type when they provide their assessments. Lehigh County does that and they will break it down by residential and commercial properties. We do not have that in Northampton County. So, this is an aggregate and does include residential and commercial properties. Dr. Roy also indicated that you can go on the website and plug in an address and see the assessed value of a home.

Director Burkhardt indicated that a 4.84 percent tax increase is on the low side and would even go higher.

Director Cann indicated that last year we did an amazing job on the budget with a 1.7 percent increase. For this year, we know that expenses always go up. If we do not have the Accountability Grant next year, then we should not fund those that were funded this year under the grant. In regards to middle school teaming, it was a hard decision, but they seem to be doing fine. If we take out the full-day Kindergarten and middle school teaming, we could get back to the 3.98 in January. She agrees to looking at eliminating mid-day runs. She will not go over 3.98 percent from what was given to the Board in January.

Director Follweiler indicated that at the IU meeting last night financial issues were discussed and would like to review what was discussed last night. IUs have to come to the district to get funding. For BASD, we budgeted for 65 seats for the Academy and the IU returned \$117,000 to BASD of seats not used and wanted to credit the administration to savings. Also transportation was discussed at the IU, and there was a presentation by PFM, and they are looking at some options and will be looking at some of their bonds to help lower costs to the sending districts, and might help in transportation costs to BASD.

President Faccinnetto spoke about the contracts for the last few years and since he was one that approved the contract he has to live with the 4.84 percent tax increase. Restoring middle school teaming for sixth grade he can live with. We have to address buses, building, and technology. If we would have raised it higher than 1.7 last year, then it would not be as high this year. He is fine with 4.84 percent and will not go higher.

Director McKeon indicated that at the last Budget Workshop he asked to vote on the exceptions. He still believes we need to address those exceptions.

Director Patrick wanted to piggyback on what President Faccinnetto said. Hearing these discussions we keep comparing ourselves to everybody else, and she does not want BASD to be the status quo and believes that the students deserve better. She will support 4.84 percent tax increase.

Director Ortiz spoke about the SPARK program and family centers that were lost last year. We have to look at the quality of education that BASD has always given the students. She is not willing to bargain on BASD's education because we want to be cheap.

Director Vidanage spoke about why he ran for the school board and wants to make sure that the students get the same education that his children received and then went to college. Then he spoke about Bethlehem back in the 1970s and 1980s and the Bethlehem Steel. While parents complain about taxes they also have monthly cell phone bills and have to put that in perspective. Nine of us cannot decide on the fate of future children, it has to be taken to the stakeholders to gauge their support.

Director McKeon asked if we track information on busing on how many students are eligible, and how many use the bus? Could we get the information for kindergarten students as it relates to mid-day runs?

Director Follweiler asked when will be getting a line by line of all the budget items? Mrs. Gober indicated that the Board will have that information prior to the April Budget Workshop.

Director Cann had a concern regarding mid-day runs. Which elementary schools are all walking students? Mrs. McKeon responded that William Penn, Thomas Jefferson, and Calypso. But you also have to consider those students who changed schools due to No Child Left Behind options.

Director McKeon made a suggestion that students from Farmersville use the municipal park to walk to school rather than be bussed? Some Board members responded saying that is not a good idea in regards to safety. Dr. Roy reminded the Board that we are currently going through an Operations Review for the Transportation Department, and the results should be finished by the end of April.

President Faccinnetto indicated that the next Budget Workshop scheduled in April is scheduled for Thursday, April 26. There is a request by the administration to move it as Mrs. Gober must attend to another meeting for the district. It was asked if the Board would mind moving it to Wednesday, April 25. Both Director Follweiler and Director Vidanage indicated that they have a conflict with the 25th. Since a date change could not be figured out this evening, the administration will get back with another date for the April Board Workshop via email.

President Faccinnetto indicated that on May 14, the Board would need to adopt a Proposed Final Budget.

President Faccinnetto than indicated he wants to go around to poll the Board that if this Budget that was presented this evening was up for a vote and it was June 18, would you vote yes or no.

Upon polling the Board, the following agreed to the 4.84 percent tax increase: Director Bonilla, Patrick, Ortiz, Vidanage and President Faccinnetto. Those Board members not agreeing to the 4.84 percent tax increase included Director Burkhardt, Cann, Follweiler and McKeon. (5-4)

Director Burkhardt wanted to clarify his response by saying that he would be supportive of a 4.8 percent tax increase if he were told that there is no increase in fund balance. He is not happy that we are only doing half of the shelf items. He does not think we are putting enough aside for repairs, the leasing of buses he does not understand and how that will work and needs to know more about that. There are other small items that should not even be on this list, such as band uniforms. We have not done this for our six secondary schools and that is trite. This should not be one of the items that we should be discussing tonight. I believe we will find the other half of the shelf items in fund balance. He needs to be reassured that there simply is not happening before he votes for a 4.8 percent tax increase. Dr. Roy responded that they really did not clarify it in detail tonight that for example when the PSERS and roof items that were taken of the shelf, that their intention was to be that any excess funds at the end of this year we can designate for capital reserve and PSERS. Director Burkhardt indicated that we need to somehow formulize that by either putting a line item or some other action of the Board as he needs to be reassured of this.

Director Cann indicated that she agrees with Director Burkhardt about the fund balance.

Director Vidanage had a question about the fund balance. Is there a minimum fund balance to maintain? Mrs. Gober responded that there is no state mandated minimum. It is a self-imposed minimum based on the district's policy that is a targeted range of five to eight percent. However, there is a practical minimum that is imposed by the Bond Rating Agency in order to maintain your bond rating for any refinancing opportunities that may come forward, and there is also the practical implication of being able to have sufficient cash flow to meet your payroll and other operating needs over the summer until the tax revenues are collected which generally tend to come in between September and October. In prior years when we did not have a fund balance, there were additional costs that were incurred in order to do a short term financing loan in anticipation of collecting those tax revenues so that we had sufficient dollars to meet those expenses.

Director Follweiler also discussed the fund balance issue. She agrees that we should not add to the fund balance. We are at eight percent and have a healthy fund balance. She would entertain the conversation to fund some items, but does not want the fund balance to be emptied.

President Faccinnetto agreed with Director Follweiler. The fund balance is there because it has to be there for our bond rating and interest rates that we pay. It is there to cover the expenses in the summer and when there are emergencies.

Director McKeon asked Mrs. Gober for clarification about when we will know what our surplus amount will be from the auditor for the 2011-2012 school year and will not be until January 2013. Mrs. Gober responded yes.

President Faccinnetto asked if there was any other discussion. In closing he indicated that an email will be sent out to get another date for the April Budget Workshop. Where we are leaving it tonight if we had to vote on the Budget for a 4.84 percent tax increase there would be five (5) votes that would vote for this tax increase, and four (4) that would not.

Director Cann asked what is the direction to the administration for the April Budget Workshop? Dr. Roy responded that might know by the end of April on state revenue and budget, and if the ABG money will come back in. Then the discussion will focus if we get that money, what will it be used for.

President Faccinnetto encouraged the Board if anyone has ideas or suggestions or questions regarding the line-by-line items, to email the administration so we can have them considered in April at the next Budget Workshop.

Dr. Roy indicated that this is ongoing as you saw with the adjustments upwards and downwards. This is an ongoing every day process at looking at our expenses. Mrs. Gober continues to meet with Cabinet members regularly working on their budgets. We also work on enrollment numbers through Mr. Giordano's office as he meets with principals on enrollment and staffing numbers.

Director McKeon asked for clarification. Are there some buses that may not pass inspection because of coloration? Mr. Burns from the transportation department responded that the buses have been waxed and should pass inspection.

Courtesy of the Floor

None.

Director Bonilla asked to speak under Open Forum. President Faccinnetto informed him that it is not listed on the agenda but he allowed Director Bonilla to speak.

Director Bonilla spoke about appointing a minority as a Trustee to the Northampton Community College Board. Questions have been circulating in the community about a minority being unbiased sitting on the NCC Board, and this discussion will not get us anywhere. Who says a non-minority person can be unbiased? He believes all students should be represented unrelevant of race, gender, or economic status. Based on the request of the 2008 NCC letter, the Board should look toward the future of our district's population for the future of the children we serve.

President Faccinnetto indicated that two people have notified him of interest and will be discussed at the Board Human Resources Committee Meeting in April. He forwarded their information to Mr. Giordano.

Director Ortiz wanted clarification if people are interested to apply, how do they get their name on the Board agenda? President Faccinnetto responded that the person should contact Mr. Giordano's office by the Friday before the April Board Human Resources Committee Meeting so that it can be discussed at that meeting.

Workshop adjourned at 8:10 p.m.

Attest,

Stacy Gober
Board Secretary

SMG:pag/dlm