



Wednesday, March 13, 2013
East Hills Middle School, Auditorium

Agenda

6:00 p.m.

Budget Workshop

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
MINUTES
Wednesday, March 13, 2013**

President Faccinnetto called the Budget Workshop to order at 6:03 p.m. at East Hills Middle School in the Auditorium. Seven (7) Board members were present: President Michael Faccinnetto, Director William Burkhardt (arrived at 6:10 p.m.), Director Michele Cann, Director Irene Follweiler, Director Eugene McKeon, Director Shannon Patrick, and Director Aurea Ortiz. Two (2) Board members were absent: Director Basilio Bonilla and Director Sudantha Vidanage. Also present were Dr. Joseph J. Roy, Superintendent of Schools; Stacy Gober, Assistant to the Superintendent for Finance and Administration/Board Secretary; Dr. Jack Silva, Assistant Superintendent for Curriculum; Russell Giordano, Director of Human Resources; Mark Stein, Director of Facilities and Operations; Dr. Dean Donaher, Director of Student Services; and Frank Arbushites, Director of Information Technologies.

Courtesy of the Floor

President Faccinnetto offered Courtesy of the Floor to the public for anyone wishing to speak about a budget item. Seeing none, he turned it over to Dr. Roy for the presentation of the 2013-2014 Budget.

Presentation of Bethlehem Area School District Budget Information

Dr. Roy began the presentation by regrounding everyone on the Preliminary Budget strategy from back in January which is preserving the District's ability to maximize the District's options by applying for Act 1 Exceptions in the face of numerous unknown variables at this early stage of the budget development process. The Board approved the Preliminary Budget in February and the paperwork has been submitted to PDE. Since then, a lot of things have happened with the Sequestration at the federal level, the Governor's proposed budget, and the District has done a lot of work internally to identify changes in revenues and to identify additional reductions. This evening's discussion regarding the 2013-2014 Budget will focus on federal and state budgets and then work all the way down to the line item look at the District's budget.

Mrs. Gober stated that everyone has heard a lot about the impact of Sequestration. At this point, there is not yet a lot of very clear information on how this reduction will impact the District specifically, but we do know that none of those impacts will be relevant until the 2013-2014 fiscal year. Based on the estimates there is about 5% in reductions in federal programs, and those impacted reductions include: Title I in the amount of \$(184,760); Title III in the amount of \$(13,009); Impact Aid in the amount of \$(10,000); Title II in the amount of \$(36,018); and IDEA in the amount of \$(117,478). Should those cuts actually come to pass in that equitable 5% range, it would be a little over \$400,000 that the District would have to reconcile and reduce in revenue if in fact the cuts would come through. The Administration will continue to monitor what those reductions will look like as they become more specific, and the Board will be kept informed.

Mrs. Gober stated that in regards to the state budget, the impact of Governor Corbett's Proposed Budget is that there is new revenue that is being proposed for the District, which includes an increase from February's Preliminary Budget of \$697,148 for Basic Education Subsidy. However that additional revenue is contingent upon some relatively significant changes in the retirement calculations for the PA School Employees Retirement (PSERs) fund. The savings that would be generated through those amendments to the retirement provisions would be the revenue that would be used to fund this additional subsidy. The Governor was pretty clear in his address in stating that if in fact it does not generate or realize the proposed changes to the PSERs system that this additional revenue may be in jeopardy. Again, this information has to play itself out, and the Administration will make whatever adjustments as more information becomes available. The Special Education line item has been level funded, however, the estimated revenue that is going to be realized for the District is a reduction of \$(32,924), and this is impacted based on enrollment and aid ratio values. The Accountability Block Grant is shown as a zero impact because the District already anticipated that it would receive funding at the same level that was received for this year. So, it is revenue neutral to the original proposal.

Mrs. Gober indicated that other issues that were addressed at the state level included changes to the charter school funding particularly for cyber charter schools. There is proposed litigation that will be coming forward that will implement some of the changes that were contemplated and suggested to the state, but only related to cyber charter schools. The proposal would reduce pension double dipping where Districts are including 100% of the pension costs in the formula for charter school tuition when in fact the Districts are receiving 50% of that in subsidy. So, it is a net 50%, but Districts are paying 100%. This proposal would also allow Districts to deduct 50% of extracurricular activities, which are not offered by cyber schools. Districts would also be able to deduct 100% of all health, library, and cafeteria services that is provided. Districts would also be able to deduct 50% for a district-operated cyber charter school. Another provision would be a direct subsidy deduct for tuition paid from District students directly to the cyber schools. This is a concern because it would not allow the District to reconcile the enrollment and residency for those students. There has been a history of material variances in terms of being able to reconcile actual students being invoiced before that subsidy is deducted from the District's payments. This proposal would also change the charter approvals to five years for the initial charter approval, and a ten-year term on all renewals. Currently it is a three-year initial and a five-year renewal. If these charter school revisions/proposals would take affect for cyber schools, the potential District savings is approximately \$244,488.75 in cyber tuition payments. Since this is still pending legislation, it is not included in final terms, and this revenue/savings would be additional beyond anything that has been contemplated thus far.

Dr. Roy wanted to indicate that the Administration included this charter information because there seems to be a likelihood that the legislators are going to do something about the charter school funding. It is unsure why they are just doing this for cyber charter schools and not all charter schools. If they would do it for all charter schools, the District would be able to save over \$1 million. He also stated that the Administration did not include slides on pension reform because the chances of that happening and having a significant impact on the budget this year is pretty slim. The Administration also did not include information on the sale of the state stores because that would be one-time money for four years in a row and beginning in the 2014-2015 fiscal year.

Mrs. Gober stated the Historical Act 1 Index shows that it has been relatively flat for the last two (2) years. BASD's market value/income aid ratio is greater than 0.400 for the school year prior at 0.4791. The Base Index is showing some recovery since the 2011-2012 fiscal year. The Base Index will remain the same at 1.7% and the Adjusted Index will remain the same at 2.1%. The Statewide Average Weekly Wage (SAWW) formula is impacting the Act 1 Index calculation, and will change from 2.1% to 2.0% for the 2013-2014 fiscal year. This is the direct result of PDE's interpretation of how the three-year SAWW is impacting the Act 1 Index calculation. In June 2011, Governor Corbett signed Act 6 of 2011, which stated that starting in 2012, the SAWW for unemployment compensation benefit calculations is amended to be based on the most recent three (3) fiscal years (36 months of data). The amendments change the unemployment compensation law. Why does this matter to the BASD? The Act 1 of 2006 Special Session, Section 102 definitions for SAWW states that the amount determined by the Department of Labor and Industry in the same manner that it determines the average weekly wage under section §404(e)(2) of the act of December 5, 1936 (2nd Special Session 1937 P.L.2897, No. 1) known as the Unemployment Compensation Law except that it shall be calculated for the preceding calendar year. PDE's interpretation of the Unemployment Compensation Law and Act 1 is administratively most conservative view.

Mrs. Gober then reviewed the Act 1 Index Calculation of the old and new showing that the 12-month percentage included in the ECI in the 2013-2014 Index Calculation remains at 1.4%. The SAWW percentage changes from 12-month to 36-month from 2.9% to 2.0%. To determine the Act 1 Index, you take the ECI percentage plus the SAWW percentage and divide by two (2). The old Act 1 Index calculation would come to 2.2%. The new Act 1 Index calculation comes to 1.7%. The new methodology reduces the 2013-2014 Index by .5%. The District's impact of 2.1% versus 2.7% is \$680,078, which would be additional taxing capacity in the upcoming budget year. This was a PDE interpretation that again restricted the ability for schools in PA to generate revenue for the upcoming fiscal year.

Mrs. Gober then reviewed the Act 1 Index Estimated Exceptions for 2013-2014 thus far remaining flat showing an Allowable Index of 2.1%, which is \$2,679,313 or 0.9800 mills. The District did file for Exceptions after adoption of the Preliminary Budget in February. The preliminary estimated exceptions are considerably smaller than in prior years mostly due to reduced costs for previous efforts in doing all available debt refunding to keep it low, and to contain programmatic costs within the special education program and those are very minor exception amounts. If you look at where the lion's share of any exceptions would come would be within the retirement contribution that is impacted directly by the rising PSERs rate in the 2013-2014 fiscal year, which will increase to 16.93% from the current year of 12.35%. So in total, the estimated exceptions includes: school construction debt of \$37,618 which is 0.0133 mills or 0.03%; special education of \$63,136 which is 0.0223 mills or 0.05%; and retirement contributions of \$1,815,233 which is 0.6406 mills or 1.36%. This totals \$1,915,987, which is 0.6762 mills or 1.44% for preliminary estimated exceptions. The total estimated increase under Act 1 provisions shows \$4,595,300, which is 1.6500 mills or 3.5% in additional revenue to fund the upcoming budget.

Mrs. Gober stated that one of the issues that the District also has to look at for the upcoming fiscal year is the impact of the reassessment within Lehigh County. While this is not a plain and simple forward explanation, she reviewed how the District will implement and integrate the reassessed values within Lehigh County to those in Northampton County and balance them utilizing the provisions of the School Code that define how to calculate school districts that lie in more than one (1) county, and then what does that impact look like for the 2013-2014 fiscal year. There are a lot of moving parts. In discussions with PDE on how to nail this down and make sure that we have all of the right values, at the end of the conversation that while this Preliminary Budget is based on estimates that are from the January 2012 Lehigh County values that were certified by the county, there will be interim assessment values that are created from January 2012 through June 2013 that will be in the July 1 tax duplicate, and those remain to be clearly identified by the county and any appeals that are pending on the new assessed values. So, the numbers will change, but the basis of the calculation is that there is a ratio that is required to be applied between the two counties according to the Statewide Tax Equalization Board (STEB) assessed market values. So, proportionally the tax rate in both counties is equal per the State Tax Equalization Board, and they are using the 2011 market value for both Northampton and Lehigh Counties.

Mrs. Gober then reviewed the Multi County Rebalancing calculation, which is mandated formula. For the 2012-2013 fiscal year in June 2012, the tax rates for both counties were 47.09 mills. When looking at the 2013-2014 data, the 2011 STEB market values are reflected with Lehigh County being at \$1,370,764,219, and Northampton County being at \$6,509,657,896. When you use those numbers to determine the tax levy using 47.09 mills, this would generate \$140,125,595 and would be the targeted revenue that the District will look to equalize between the two counties. Using those market values, Lehigh County has 17.4% of the market share of the total assessed value, and Northampton County has the remaining 82.6%. Again, using those two have a weighted average on the revenue to be generated from both counties, again realizing that same \$140,125,595, would create a new millage rate for Lehigh County of 15.08 mills that would be equal to the new reassessed values to the 47.09 mills that was levied in the 2012-2013 fiscal year. So, that is the base number and in understanding that there was a reassessment, the District has to then go through another set of calculations that shows how do we take that new rebalanced millage of the 15.08 mills for Lehigh County and the 47.09 mills for Northampton County and apply that to the revenue that needs to be generated in order to achieve the budget goal. According to the PDE formula and this rebalancing calculation, the District would have to levy \$148,230,900 in order to generate the revenue required at \$137,726,868. By doing this calculation and this formula, the District would then need to raise taxes to 15.89 mills from 15.08 for Lehigh County, and 49.97 mills from 47.09 mills for Northampton County. The purpose of this exercise is to identify whether that increase is within the Act 1 Index. It does exceed the Act 1 Index, and that did allow us to qualify to apply for Exceptions. However, those millage values will change between now and the July 1 bills, and it will change because the actual assessed values are going to continue to change in both counties between the interim values that will occur between January and June 2013 for Northampton County, and January 2012 through June 2013 in Lehigh County. So, this illustrates how the rebalancing will occur, and it demonstrates that in Lehigh County the mills will not look the same as they did before. It will be a dramatically lower millage rate that will end up generating the same amount of revenue on a market value proportionate basis.

Dr. Roy continued with the presentation to review the budget goals for the District. The 2013-2014 budget goals include maintaining the District's assets which include neighborhood schools, targeted class size, diverse curricular offerings, student academic support, well maintained facilities, up-to-date technology, professional development opportunities, co-curricular activities, and continue to reduce variable rate debt. The second goal is to maintain current programming in support of the *Roadmap to Educational Excellence*. The third goal is sustainable budgeting by aligning programs to reliable revenue sources. The fourth goal is to assure adequate financial resources. The fifth goal is to sustain mandated programs, contracts, and agreements. The sixth goal is preservation versus restoration, which is in its second year. The seventh and final goal is multi-year financial goals in addressing cyclical needs in regards to buses, facilities, and uniforms.

Dr. Roy reviewed the initial budget reductions back in January totaling \$1,209,964, which included projected retirements, technology, tax collections, energy efficiencies, consumable materials, unemployment, tuition reimbursement, equipment lease renegotiated, and communications.

Dr. Roy reviewed the 2013-2014 Preliminary Budget cost drivers which include salaries at \$2,840,150, which is 1.0 mills; PSERS at \$2,395,500 or 0.8454 mills; health care at \$2,221,306 or 0.7839 mills; charter schools at \$2,434,162 or 0.8590 mills; debt at \$515,541 or 0.1819 mills; fund balance at (\$1,000,000) or (0.3529); and general operations at (\$1,209,964) or (1.1328). The net deficit remaining is \$8,196,695 or 2.8900 mills.

Dr. Roy also stated that the Administration also provided a Preliminary Budget Report with some of line items by department for the Board to review. It is important to review this because when you take out those key cost drivers, which are salary increases, PSERs increases, and healthcare increases, you can then review what is left in the budget as well as the charter school costs. The entire rest of the budget is at a 0% increase. So, this is a point the Administration wants to make and look at those main areas for those things that we can control, that we have controlled and made big cuts, and maintained cuts in this current budget. However, the big cost drivers are the salaries and benefits.

Mrs. Gober stated that when we take the same budget information that was presented and adopted in February and backed out the salaries and benefits, if you focus on that variance column, what you will see is that many of the line items have had minimal increases or actually have been reduced. If you look at where there are significant costs that are remaining, there are specific issues that are related to those primarily being those items circled, such as regular instruction under other purchased services is for increased charter school costs. The other increase is under Vocational Education and that is related to the Vo-Tech Budget presentation from Monday's Finance Meeting where there is an increase due to increased enrollment of BASD students at Vo-Tech. When you look at the total Instruction areas there is an increase mainly due to charter school tuition increase and reductions in other instructional areas. The next increase is in medical services under equipment for replacement computers for nurses that are sorely needed in order for them to monitor and track student health issues, and will also align to the new grant program for monitoring student health services across the Lehigh Valley, as well as replacement of defibrillator units throughout the District that are aging. Many of those defibrillators were received through grant dollars many years ago, and now are in need of replacement. In maintenance there have been reductions in transportation and central services. The next area of increase is in the community services area which is parent involvement which is Title I funding that would be required to be implemented as part of the grant and a local match for the community school partners which had previously been funded through federal sources and now has been reduced to being a local expense as well. The final page shows debt service with an increase due to the second year of the technology replacement cycle and second year of the school bus lease cycle. The increase in the fund transfer is due to the replacement of point of sale computers in the cafeterias, and those are required to be replaced because they can no longer operate on the same Windows platform that they currently run, and there is no way to upgrade that Windows operating system without updating the hardware itself. It is important for us to track the sales within the cafeteria program. So if we look at the non-salary increases, of the \$74.5 million that is remaining, \$2.3 million is the increase or 3.29%. If we back out of that number of \$13.8 million for charter school expenses, that leaves the District with a net of \$60.6 million, and that is actually a \$(64,000) decrease in

the same line items over the prior years. So when we speak to looking to begin as a 0% based budget, this is actually demonstrating that we are in fact looking to start our initial discussions at that 0% increase.

Mrs. Gober then recapped it in a more summarized way. The 2013-2014 Preliminary Budget Report for March shows a Preliminary Budget of \$224,644,723, which was adopted in February by the Board, less salary and benefits of \$(150,136,305), and less charter school costs of \$(13,818,885) shows the costs remaining for further deficit reduction of \$60,689,533. That net increase is actually a decrease of \$(64,046) or 0% increase in all non-salaried or non-waged account codes. When you take the deficit reduction of \$60,689,533 and reduce it down further for other items that the District is mandated and obligated to pay include less debt service of \$(22,478,329); NCC and BAVTS tuition of \$(8,371,838); IU special and alternate education of \$(7,391,717); electricity, and natural gas, water and sewer of \$(3,586,113), and then we add back in academic support restoration after grants lost of \$742,289 coming to a balance for further reduction of \$19,603,825 or 8.7%.

Dr. Roy reviewed new items for 2013-2014 Budget and includes maintenance of 2012-2013 shelf items that were in last year's budget and includes capital projects, expanded technology upgrades, and school bus lease phase II. Items that were not in last year's budget but are in this year's budget is an effort to restore some of the academic supports for struggling students across the board, restoration of some curriculum-based field trips as we have been building local partnerships with, restore the new cycle of band uniforms and instruments, and the final item is targeted staff development opportunities.

Dr. Silva reviewed restoring academic support. The grants lost are 21st Century Learning Communities of \$(500,000) and Educational Assistance Program (EAP)/Tutoring in PA (TIP) of \$(700,000) for a total of \$(1,200,000). These are very significant losses in the budget that are very much needed. We have seen in the schools that AYP in the last two years slipped and moved to the Warning or School Improvement status mostly at the elementary schools. The same children who benefit from the after school tutoring and programming to become engaged in school are the same children who did not clear the bar academically which changed the status of the schools from meeting AYP to not meeting AYP. So having that tutoring and after school programming capacity within the academic supports is very important. Children learn at different levels and rates, and there will be variations in achievement. The Administration wants all students to get the high level of achievement, and in order to do that, we must provide that time for tutoring before, during or after school. After school programming is beneficial to all students. We have been able to build back some of the capacity for after school tutoring and recreation through our support of expanded busing, but this grant funded piece is about to slip away. Within the Preliminary Budget, the Administration did recommend \$420,000 for that area. In regards to the evaluation of the high school services program, the Administration found a consistent message that many students are in need of coordinated social services than what the counselors and assistant principals are able to provide. So within this Preliminary Budget, there is \$100,000 for social services to reduce the drop out prevention rate. In addition at the high school level, we have a requirement by all high school students to serve 60 hours of community service prior to graduation. However, coordinating all those students at Freedom and Liberty and tracking those hours require the Administration to budget \$72,152 to oversee this and make sure that all students serve the hours prior to graduation. The last item the Administration would like to restore is middle school library services. Currently, we have two (2) middle school librarians servicing four (4) middle schools, which equates to the libraries being closed half of the day. Libraries are the key centers of literacy instruction, differentiated instruction, and reading instruction to improve those lower achieving students. A dynamic library helps to create a dynamic classroom. When there is not access to the library, they tend not to differentiate and it hurts students. In addition, most libraries are now called information centers or technology centers as a lot of items are online. This is the technology extension for curriculum. So the Administration has budgeted \$150,000 in the 2013-2014 budget. By restoring some tutoring, some community service, some social services, and middle school library services shows a total of \$742,289 in the 2013-2014 Budget, which will assist in student achievement.

Dr. Roy also stated that in regards to restoring social services the idea may seem to add more guidance counselors which is a more expensive model. Another model is to try to have a social worker who can take some of the most critical cases and connecting them with an outside agency. This is the most time

consuming for counselors, and if we can have a social worker that can coordinate that, this would allow counselors more time to do other things. The Administration's plan is not to hire the social worker, but hire them through the IU through a contract. That way the District does not bear the entire cost as their training and licensing will be done through the IU. Dr. Roy sees this occurring at Liberty High School in support of the ninth grade plan and focusing on those incoming students. Also, Dr. Roy wanted to make a comment about the middle school library services. The Common Core Standards that PA has adopted to align with PSSAs have heavy emphasis on non-fiction reading, writing, and research, and this is the heart of information literacy and library services. The District is ill served to have middle school libraries only open half a day. With all the items that were cut a couple of years, these are the areas that the Administration believes are the most critical to start to build back into the budget.

Mrs. Gober stated that some of the areas that Mrs. Hogan has been working very closely with the IU in exploring three (3) particular areas that are class programs that have been placed outside the District borders. She has been looking to see how can we work to bring back those students to the District and incorporate them to the District programs. The benefits include increased supports within the District, increase Least Restrictive Environment (LRE) ratios, decrease tuition costs, and decrease transportation costs to be realized in 2014-2015. The interesting component about this is that it is not directly going to generate a one-for-one dollar savings in this current budget proposal, and some of these changes occurred in enrollment and classroom assignments after we prepared the initial budget estimates. However, more significantly, any of the transportation savings that would be generated would not actually be dollars reflected in this budget until the 2014-2015 fiscal year because all of that reconciliation is always one (1) year behind. So the services provided to students in the current fiscal year are the services that we have budgeted for next year. While it is not a direct 2013-2014 impact, there are significant dollars to be saved going forward by bringing these students back to the District. These classes are primarily around the Emotional Support and Life Skills students, and in doing so, we would also look to net the cost of bringing in some mental health professionals to work with the students in those classes. We need to make sure that we are maintaining those supports for those students in order for them to be successful for when we bring them back home. There will be additional details when the Administration works through exactly how that is going to be implemented between Mrs. Hogan and the IU, and that information will be brought back to the Board.

Mrs. Gober stated that in regards to transportation area, the District is in the second year in the school bus cycle lease and about half of that investment being in actual physical school buses which will yield the District about 10 new vehicles. In addition, the Administration is looking to focus on and implementing a new tracking system, Zonar System, at a cost of \$150,000 that offers GPS, improved routing allowing greater efficiency, improved parent information on route times, and safety and security of bus location and stops.

Mrs. Gober reviewed the following changes since the Preliminary Budget approval in February 2013, which includes reductions of \$(2,155,063) as follows:

	<u>\$ Change</u>	<u>Millage Impact</u>
Read 180 computers (absorbed in curriculum budget)	\$(20,000)	(0.0071)
Electricity	\$(230,000)	(0.0811)
Facility Repairs	\$100,000	0.0353
Natural Gas	\$(200,000)	(0.0705)
Special Education Subsidy	\$32,924	0.0116
Basic Education Subsidy	\$(697,148)	(0.2458)
Athletic Director	\$129,140	0.0455
Various Salary Adjustments	\$(59,379)	(0.0209)
Retirees	\$(730,448)	(0.2576)
Retiree Benefits	\$360,088	0.1270
Increased Tax Assessment? (tentative by PDE)	\$(649,600)	(0.2291)
IU 20 SPARK Lease	\$(130,000)	(0.0458)
Field Trips	\$(20,000)	(0.0071)

Staff Development	\$(25,000)	(0.0088)
Social Security Subsidy	\$(106,973)	(0.0377)
Overtime Salaries	\$(26,146)	(0.0092)
IDEA Allocation	\$117,478	0.0414
Total Net Reductions to Date	<u>\$(2,155,063)</u>	

Mrs. Gober stated that in regards to revenue and expenditures and the changes since February 2013 show the following, which aligns with Target Increase of 3.5%:

	<u>February 2013</u>	<u>March 2013</u>	<u>Net Change</u>
Revenue	\$216,448,028	\$217,881,347	\$1,433,319
Expenditures	\$224,644,723	\$223,922,978	(\$721,745)
Balance	<u>(\$8,196,695)</u>	<u>(\$6,041,631)</u>	<u>\$2,155,064</u>
Act 1 plus Est. Exceptions	\$4,595,300	\$4,595,300	3.5%
Excess Over Act 1 plus Estimated Exceptions	(\$3,601,395)	(\$1,446,331)	

Mrs. Gober stated that there still needs to be additional reductions as we need to cut another \$1,446,331, and the pending items for consideration include additional retirements, staffing needs and enrollment, special education program changes, cyber charter school legislation, and fund balance. The recommended next steps is that the Administration continues budget and program refinement to reach targeted Tentative Budget for the April 29, 2013 Budget Workshop. The Board will have to adopt a Tentative Final Budget at the May 13, 2013, Special Board Meeting with adoption of the Final Budget at the June 17, 2013, Special Board Meeting.

Dr. Roy concluded by saying that this is what the Administration has done thus far. He did want to reiterate that this budget is built on revenues from a 3.5% increase, which means we will still have \$1.4 million to cut and reduce.

Board Discussion

President Faccinnetto opened it up to Board discussion.

Director Follweiler asked what was reduced in community school funding. Dr. Roy responded that there was a local contribution to the community schools that was paid through school improvement money. That money has been reduced which is federal school improvement money and the local portion of the community schools is built into this budget for the first time, which is \$30,000.

Director Follweiler then asked about the \$100,000 for social services as it was stated that it would help reduce the workload of the guidance counselors, and will this take care of the issue that has been discussed with the Board previously in providing more help to guidance counselors? Dr. Roy responded that it does not reduce the per pupil ratio, but it will allow them to focus on other areas.

Director Follweiler stated that no one would ever convince her it that it is worth \$72,000 to have someone keep track of hours of community services. It is bad enough that it's not the parent's job anymore to teach their children that they need to be involved in their community and that the school district must take that over. Dr. Roy responded that there is more to it then just tracking hours. There are 5,000 students. It is lining up the community service agencies, maintaining them, adding them to the list, and coordinating the program. When the position was cut, it was the assumption that some of it would be picked up by the administrators, and we ran into unfair labor practice issues if we took work from the collective bargaining group to administrators. We have been basically winging for the last couple of years, because there is not someone in there that is coordinating this.

Director Follweiler's last comment was about the increased enrollment in Vo-Tech and in charter schools. She would like clarification on why that then does not reduce some of our per pupil costs. Mrs. Gober responded that what the Administration has done is that the charter school students are not necessarily an offset to our existing enrollment because in many cases those are students who never entered our system, and they are beginning their charter experience as charter school students, or they were nonpublic or homeschooled students who we are now paying for and never lost their enrollment as an offset. So, the charter schools are a little bit different issues. Dr. Roy then responded to the Vo-Tech question. In speaking to Mr. Williams, he said the District had an increase of 100 students and really it is closer to 200 because they only go for a block. So, if you consider 200 less bodies sitting in electives and divide that by two high schools there are 100 less seats in an elective. Then you take the dozens of electives that are offered and sections offered, it doesn't amount necessarily to we need less. We did cut electives last year by cutting two full-time business teachers from Liberty; we cut family consumer science, and reduced art previously. When it is spread out in schools that are so large, you do not get that option to reduce this. Mrs. Gober also stated that the budget allocations while they have been held steady at the per pupil dollar amount over the last many years, the projections for 2013-2014 are based off of the trend and enrollment for 2012-2013. The numbers that were discussed by Mr. Williams were based on this year's current enrollment.

Director also had a question regarding the revenue side, and she was in the minority on this in the past and will remain there, and you cannot discuss a budget when you are talking about raising taxes and not discuss an activities fee, such as Pay to Play. When we are considering adding another athletic director back, the Board could look at funding it through that fee.

Director Burkhardt responded to Director Follweiler's comment stating that the Board heard from the lacrosse students that there are students who cannot afford to play that sport since they have to fund it themselves. He cannot support a Pay to Play concept as there was a highly diverse student population economically.

Director Cann also responded to Director Follweiler's comment stating that she understands her point, but she agrees with Director Burkhardt as the parents spend a lot of money when their children are in activities and sports. Every sport has massive amounts of fundraising and are required to sell so much and if they don't they have to pay the remainder. There is a lot of pay to play that exists already, and she would not want to add to that.

Director Follweiler responded that she agrees with what Director Burkhardt and Director Cann stated, and fully agrees that every extra curricular activity is an integral part of the stretch learning, but we absolutely have no problem saying it is only \$60 when it comes to the property owner who may have paid for their children already. In addition, the plan that was submitted had exceptions for those who could truly not afford it.

Director Ortiz stated that she is happy that we have GPS in tracking where the students are on the bus. She applauds the idea of a social worker dealing with many issues that the families have. She just wants clarification and understand that \$600,000 has been budgeted for Pre-K programs or SPARK. Dr. Roy responded that the Pre-K program is the Pre-K Counts grant. From the time that we made the big cuts a few years ago, there was other grant money that helped pay for the SPARK program. When that went away, SPARK was scaled back to what the Pre-K Counts grant pays for. There has not been general fund budget money going towards Pre-K prior to the cuts or since the cuts. Director Ortiz asked if the Pre-K Counts grant is still within the District's reach. Dr. Roy responded yes, and there have been four (4) classrooms the last two (2) years funded by Pre-K Counts, and the District is applying to add a classroom. The District currently has two (2) classrooms at Donegan, one (1) at Marvine, and one (1) at Clearview. We would like to expand that through the grant money to Fountain Hill which would be our next highest need area.

Director Ortiz asked about an item circled in the presentation of \$2,090,491, and that is taking away what money? Dr. Roy responded that this figure shows the total increase for basic instruction and is an increase for everything above it. The Pre-K program is in a shaded box, and that number is low because it does not include the salaries and benefits.

Director Ortiz also had a question regarding charter school tuition, and does that include the money that the District is given for Pre-K or Kindergarten instruction through the charter schools. Dr. Roy responded that the District does not pay for Pre-K for charter schools, but we do pay for Kindergarten and all day Kindergarten if they have it. Director Ortiz asked if the \$2 million is the amount that is paid to charter schools. Mrs. Gober responded that this is an increase for next year in total charter school costs. Director Ortiz asked what we are paying charter schools for Kindergarten. Mrs. Gober responded that she does not have that number right now, and she would check to see if we would have that by grade level. Dr. Roy responded that the total charter school costs are budgeted for \$13.8 million, and so if they were spread out evenly and if there were even numbers in all grades, it would be about a \$1 million a grade level. However, we can look at how many students we have in Kindergarten charter schools and multiply that by the tuition rate per student and to come up with that number to be exact. Director Ortiz stated that she just wants to be having a clear vision of where we are losing to charter schools because we are not engaging into having our own programs for early childhood.

Director Patrick asked what are in the middle school libraries right now in regards to computers and technology. Dr. Silva responded that it depends upon the building and the age of the building as Nitschmann's library is different from Broughal's. It is the stacks that have the books and reference materials, and then numerous computer stations around the different sections of the library. We are at a point right now that in some of the decisions regarding technology replacement to replace those computers because they are quite old. We have had a long record of having technology in the libraries.

Director Burkhardt asked about the budgetary reserve of \$3 million. Mrs. Gober responded that \$1 million is available capacity within the overall budget for any grants that the District might receive during the course of the year that we would not anticipate or have knowledge of, but that is offset by \$1 million in revenue line and then is cost neutral. This leaves \$2 million for true budgetary reserve for items that come up throughout the course of year that we would not be able to anticipate whether it be equipment failures, increased enrollments, or charter school spikes, etc. We are trending on normal and by pulling it closer, it does not leave the District much latitude of what if money. Director Burkhardt then asked about the non-salary/benefit budget where it increased, is that fringe benefits? Mrs. Gober responded no because the benefits are not included in this particular look. This would be increased tuition across the board for outside organizations where students are placed at the Vo-Tech, NCC, but also our cost of utilities, and debt service that would really be the primary cost driver. Dr. Roy responded that this is everything but salaries and benefits, and the increase is mostly driven by the charter school increases. Director Burkhardt then asked if the budgetary reserve was \$500,000 instead of \$3 million, we would have our deficit made up. Director Burkhardt responded that he has witnessed for two years the very conservative approach by the business manager to have an increased fund balance that we never counted on, and he simply does not want to see any more cuts. Dr. Roy responded that \$2 million is less than 1% for budgetary reserve, and on the last page of the presentation we do have pending consideration of fund balance. We continue to track the revenue for this current fiscal year and watch to see what additional monies we receive, and in turn we will keep that in mind when considering more reductions.

Director Follweiler responded that she would definitely consider Director Burkhardt's discussion and would not want to go down lower than \$500,000, but could possibly be fine with reducing by \$500,000. When she came on the Board, the fund balance was gone. I believe it is something that we need to consider.

Director McKeon responded to Director Burkhardt's comment and asked Mrs. Gober how much did we recently set aside for the Nitschmann Middle School project. Mrs. Gober responded a total of \$5 million, but it was \$3 million that was taken from the fund balance at the close of June 30. Director McKeon then stated then theoretically \$8 million has been accounted for? Mrs. Gober responded really only \$6 million

as \$8 million was an initial estimate that then was not realized because of the accounting change in acknowledging the mercantile tax. Director McKeon then stated that half of last year's surprisingly large surplus has already been readily committed toward future projects. Mrs. Gober responded that we have moved that money to the capital reserves that was \$3 million, and \$2 million was put toward self-insurance, and \$1 million that is contemplated for this revenue.

Director Cann wanted to respond to what Director Follweiler said, and she also doesn't agree with the community service requirement due to its expense and administrative burden. She does not understand the idea of forced volunteerism. She has not seen any evidence of this, and she tends to think that students who would volunteer out of the goodness of their heart and the students that would only volunteer because they have to because it is a graduation requirement. It is costing the District a lot of money to do this, and we have a lot of clubs that have volunteer activities to fundraise for charity.

Director Burkhardt asked that if the Board thinks of cutting community service, please wait until he is off the Board as this was one of his intense and heartfelt battles that the District engaged in the 1990's, and it was all based on a huge report that came out about high schools and the things high schools students needed to do to be productive citizens.

Director Patrick stated that she fully supports community service because it is a benefit to the students and community partners.

Director McKeon asked what is anticipated for the tutoring program. Dr. Silva responded that it is the number of hours needed by a teacher to work one-on-one or in small groups with students in a sustained way. Director McKeon asked if that included transportation money. Dr. Silva responded that the tutoring would follow the other after school opportunities for the activity buses.

Director McKeon asked what duties are entailed in the community service position and would like to see that before considering adding it back into the budget. Dr. Silva responded that there is currently a program evaluation for community service.

Director Patrick wanted to piggyback on the after school program costs. It was mentioned that a lot of this needs to occur in the elementary schools. Is there a way that some of the higher achieving high school students could participate in tutoring and get credit toward their community service hours? Dr. Silva said we can look into that but the many challenges of that are the high achieving students from the high school are doing more things.

President Faccinnetto wanted to poll the Board to see their feeling for the Administration to continue to work toward 3.5% for April 29 and would the Board support the 3.5%?

- Director Ortiz stated lower would be better, but if no other option, she won't cut programs.
- Director Patrick agrees with Director Ortiz and would be more comfortable with less than 3.5%, but if there were significant changes she would not be sure.
- Director McKeon would like to see between 2.1% and 3.5%.
- Director Follweiler would accept a lower goal of 0%.
- Director Cann agrees with Director Ortiz and Director Patrick
- Director Burkhardt excited to see some academic discussion and agrees with 3.5% or less if possible.
- President Faccinnetto likes 3.5% or less but concerned with future years and the Nitschmann Middle School Project, and we must be conservative.

President Faccinnetto asked to move the next Budget Workshop on April 29 to the Education Center since not a lot of the public is present and it is difficult to discuss in this setting at East Hills. No Board members objected to the change in location of the April Budget Workshop.

Courtesy of the Floor

President Faccinnetto offered Courtesy of the Floor to the public. Seeing none, the Budget Workshop adjourned at 7:45 p.m.

Attest,

Stacy Gober
Board Secretary

SMG:dln