



Thursday, April 24, 2014
Education Center, Edgeboro Room

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
Thursday, April 24, 2014**

President Faccinnetto called the Budget Workshop to order at 6:00 p.m. in the Edgeboro Room at the Education Center. Seven (7) Board members were present: President Michael Faccinnetto, Director Basilio Bonilla, Director Michele Cann, Director Craig Neiman, Director Rogelio Ortiz, Director Shannon Patrick and Director Angela Sinkler. Two (2) Board members arrived late: Director Eugene McKeon (6:45 p.m.) and Director Sudantha Vidanage (7:00 p.m.). Also present were Dr. Joseph J. Roy, Superintendent of Schools; Nancy Mautino, Assistant Director of Business Affairs; Dr. Jack Silva, Assistant Superintendent for Curriculum; Russell Giordano, Director of Human Resources; Mark Stein, Director of Facilities and Operations; Mrs. Claire Hogan, Director of Special Education; Dr. Dean Donaher, Director of Student Services; and Frank Arbushites, Director of Information Technologies.

Courtesy of the Floor

Randy Toman (359 Tenth Avenue, Bethlehem) – Mr. Toman asked if the PSERS chart has changed from last month. On page 19 of the presentation, is the 4.90% the tax increase? It has been stated numerous times that the lion share of the expenditures is due to charter school and PSERS costs, and that does not excuse the Board from representing the taxpayers and doing something about it. The taxpayers cannot afford these increases year after year. The Board must protect the citizens. You cannot give a 5% percent increase for the next three (3) to five (5) years.

Presentation of Budget Information

Dr. Roy reviewed key questions from last month for the Board to consider which includes tolerance for cuts to BASD programs; tolerance for tax increase Index plus Exceptions; use of fund balance; and Capital planning. He and Dr. Silva reviewed the budget goals of maintaining BASD's assets; maintaining the current programming in support of the Roadmap to Educational Excellence; sustainable budgeting; assuring adequate financial resources; sustaining mandated programs, contracts and agreements; preservation versus restoration; and multi-year financial goals to address cyclical needs in regards to buses, facilities, and uniforms.

From the beginning, the 2014-15 Preliminary Budget shows increases in charter school costs, PSERS, and everything else totaling a deficit of \$16,916,392. There were initial reductions prior to the Preliminary Budget adoption in February totaling \$(2,088,476), and changes from February to the March budget workshop showed a total net reduction of \$(4,757,460). Since the March workshop, additional changes have been made to the 2014-15 Budget which include additional maintenance projects to capital reserve of \$(167,000); prescription administration of \$(300,000); natural gas reduction of \$(100,000); retirees of \$(372,903); retiree benefits of \$88,457; educational programs of \$(300,000); building budgets of \$(118,948); programmatic reductions/staffing of \$(1,507,546); adjustment to projected employee cost increases of \$(1,117,858); reverse appeals of \$(200,000); charter school tuition of \$(200,000); fund balance from PlanCon K reimbursement of \$(517,670); IU transportation of \$95,434; and other miscellaneous reductions of \$(4,071). The total net reduction to date is \$(9,479,565).

Dr. Silva reviewed the programmatic reductions as discussed at the Board Human Resources Committee Meeting last week and is being voted on by the Board at the April 28, 2014, Regular Board Meeting. The major cost drivers within the District are the salaries and benefits. PA law does not allow Districts to lay off teachers for economic reasons. You have to have either enrollment decline or program changes, and to make sure that you have those approved by the State in time in order to include in the budget. These reductions include two (2) technology integration special professional staff of \$(219,820); six (6) elementary professional staff of \$(328,484); four (4) middle level literacy professional staff of \$(274,065); six (6) high school elective/core professional staff of \$(411,112); and four (4) high school co-teaching professional staff of \$(274,065). These reductions total \$(1,507,546).

Dr. Roy reviewed the fund balances since 2009-10 through the current year. The 2009-10 actual ending balance was \$8,912,723; 2010-11 actual ending balance was \$15,661,315; 2011-12 actual ending balance was 15,471,346; 2012-13 actual ending balance was \$23,123,558; and the 2013-14 ending balance is estimated to be approximately \$22,208,585. The District is still in strong shape with the fund balance.

The amended budget expenditure summary shows the BASD costs to be \$195,734,749 which is a 0.31% increase that includes BASD's instruction, support services, non-instructional services, facilities and debt service. When you add in the PSERS and charter school costs, the total expenditures is \$236,523,590, which is a 4.99% increase. There is a price to school choice, and this is manifested in the District. The Board and Administration are working hard with the legislators to make changes in charter school financing. The revenue to date is \$229,722,984, which is a net increase from February of \$2,929,553, and expenditures to date is \$237,159,759 which is a decrease from February of (\$6,550,064). The net change from February to April totals \$(9,479,617) in revenue and expenditures. The balance to date is \$(7,436,775), and when you add in the expected Act 1 plus estimated Exceptions of \$7,436,775, it balances out to \$0.

As a reminder, there are two (2) new items that are included in the 2014-15 Budget which includes the Career Pathways Management System, Naviance, which was approved by the Board at the March Board Meeting. The second new item is Project Lead the Way program which is an engineering stem exploration program that would be offered at both high schools.

As discussed last month at the Budget Workshop, if funding would become available, there are some Shelf items that the Administration has listed to be considered which include after school programs at the elementary level of \$181,743 as a grant is running out at the end of this year; adding an additional six (6) full day Kindergarten sections at \$408,303; network infrastructure needs of \$551,000; expanded computer upgrades of \$400,000; alternative education programming of \$300,000; lacrosse at \$80,000; school bus cycle of \$300,000; and middle school after school programs of \$346,29. These shelf items total \$2,567,345.

As mentioned at numerous Budget Workshops, the PSERS funding rate continues to rise. There will be two (2) more years of dramatic increases, and then they moderate somewhat but continue to rise to their peak in 2034-35 at 33.27% of the payroll.

As discussed last month at the Budget Workshop, to focus in on the impact of charter schools, BASD has 13,826 students and charter schools have 1,820 students. When you add the BASD expenditures with the PSERS costs, the total BASD programs is \$216,172,744. When you net that against the total revenue that is available before any tax increase is \$229,086,815 which is excess revenue over BASD cost of \$12,914,071 of internal costs of operations. When you add in the charter school tuition of (\$20,350,846), there is a deficit of (\$7,436,775).

Currently under the Act 1 Index the District is eligible to levy \$3,741,417 of additional revenue. As the Administration estimates the filing for the Exceptions for Special Education and Retirement Contributions, the total estimated increase under Act 1 Provisions would total \$7,436,775 of taxing capacity within Act 1.

The 2014-15 Tentative Budget following revisions to date is that the District's expenditures are \$236,523,590 with revenues of \$229,086,815 showing a deficit of \$(7,436,775). The millage need for Lehigh County would be 0.36 and Northampton County would be 2.63. The tax increase would be 4.90%.

As mentioned at previous Budget Workshops, the 2013-14 Millage Rates for Northampton County and the Lehigh Valley equalized millage rate. BASD is still in the lower half of the school districts in Northampton County in controlling costs. In the Lehigh Valley, BASD is now the fifth lowest and is below the Pennsylvania average and well below the Lehigh Valley average in a comparable equalized millage rate.

The recommended next steps includes the Tentative Final Budget adoption is scheduled for May 12, 2014 at a Special Board Meeting, and the Final Budget adoption is scheduled for June 16, 2014 at a Special Board Meeting.

Board Discussion

Director Neiman had a question if the expenditures were to come down, is the Administration going to put more programs in or will the tax increase be less? Dr. Roy responded that he would first look at reducing the number of position cuts. Director Neiman commended the Administration for the work they have done with the Budget, and he would support the Budget going forward.

Director Ortiz stated that there is a \$7 million deficit, and the Administration has done everything possible. It is a balancing act. If we keep cutting programs, then we will lose the students. He understands it is hard on the senior citizens with tax increases, but we are running an education program.

Director Cann spoke about comments a US Senator made yesterday on television about the importance of education and how it was in the 1960s, and how she wants to change it back to the way it used to be. She went to public school and community college and is now an US Senator. Back in the 1950s-60s, this was a country that invested in education, and in the 1980s it began to change, and she is working to change that. Director Cann stated that as a Board we need to be efficient and effective with the dollars, and the Board and Administration are doing that as shown in this presentation. As long as we are doing that, the citizens of Bethlehem would agree with this Budget, and so does she.

Director Bonilla stated that a 4.90% increase is hard to imagine for senior citizens, but he commends the Administration for what they have done. The problem is at the state level. There is a Resolution that PSBA has developed and adopted by several school districts across PA urging the General Assembly to establish a new funding formula for basic education. PA currently ranks 47th among the 50 states in the amount of state subsidies allocated to support elementary and secondary education, and the 8th in relying to local taxes. He suggests that it be discussed in May with the Board at a committee meeting with possible Board action at the Regular Board Meeting. He is not in favor of the Budget with the increase, but it is a good budget presented by the Administration.

President Faccinnetto stated that since January the Administration has cut \$9 million due to charter school and PSERs costs. In the past four (4) to five (5) years, the District has cut over \$50 million. Some of the shelf items are why students are leaving BASD and going to charter schools because there is no accountability and publicly affected elected officials that run those schools. If we continue to cut these things to even go lower to get it to a 0% tax increase, more and more students will leave and go to charter schools, and the District will spend more money. We cannot continue to strip the District because of charter school costs, but we do not have a choice. Both he and Dr. Roy have spoken to Senator Boscola to possibly get additional funding, and Director Bonilla works closely as the District's PSBA representative. He will support this Budget as presented this evening, even though he does not appreciate a 4.90% tax increase as a taxpayer.

Director Patrick stated that she agrees with all the comments that have been made thus far and she will support the Budget going forward. She also commends the Administration, President Faccinnetto, and Director Bonilla for trying to rally with the local legislators. As a Board, we need to show up and tell the legislators what is happening and also include all the other Districts. Down the road, we need to think of other tactics because all of these Resolutions and comments are not solving the issue.

Director Sinkler appreciates all the hard work the Administration did for this Budget and agrees with all the comments made. The Board needs to get out there and lobby regarding the charter school and PSERs costs that are hurting the Districts budgets. Everyone needs to get educated including the public on lobbying and working with the politicians and taking it to the next level.

Director Bonilla stated that PSBA will be having their annual Lobby Day on May 5-6 in Harrisburg. Director Patrick responded that all PA school districts should participate in this event and just not BASD. Director Bonilla stated that Lobby Day is just not for public schools, but also catholic schools as they are feeling the pain.

Director Patrick stated that on a different note, the Board receives a number of invitations now to the end of the year. She feels that the Board should be represented at each invitation/event with one Board member attending, and she is willing to chart and coordinate all of those invitations.

President Faccineto wanted to remind the Board and public about the Freedom and Liberty Mini-Thon scheduled for this Saturday at Freedom High School.

Courtesy of the Floor

Randy Toman (359 Tenth Avenue, Bethlehem) – Mr. Toman responded to comments made by Board members during the Board discussion. In regards to Director Cann’s comments, the economic times were different when that Senator was growing up, and you cannot equate that to 2014. The issue is not the 4.90% tax increase. The issue is what does that represent? It shows a track that is not sustainable. The Board is on a path that is not going to work as PSERs rates are only going to get worse. This Board and PSBA did not support House Bill 76. Why can’t you lay off people because of bad economic times? Why did you have to go to Act 1? The 5% increase represents an unsustainable budget.

President Faccineto stated that following this workshop, the Board will have Executive Session regarding legal and personnel matters. He adjourned the Budget Workshop adjourned at 7:04 p.m.

Attest,

Russell Giordano
Assistant Board Secretary

RG:dlm