

UNIONVILLE-CHADDS FORD SCHOOL DISTRICT
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SCHOOL BOARD
BUDGET HEARING
Minutes
May 2, 2005

The budget hearing of the Unionville-Chadds Ford School Board was held on Monday, May 2, 2005 in the Unionville High School LGI Room.

Mr. Wandersee, President, called the meeting to order at 7:04 p.m.

The following members were present: Ed Wandersee, Kathleen Brown, Curt Baker, Keith Knauss, Stephen McClaskey, Ed Murray, Bruce Swayze, Corinne Sweeney, and Timotha Trigg. Also present were Dr. Jack Kenney, Superintendent, Robert Cochran, David Dickens, Dominick Guiseppe, Rich Hug, Tom Marinelli, Dr. Andrew McLaughlin, Jim Molleca, John Nolen, Dr. James Price, Maria Schwab, Charlene Stone, Bruce Vosburgh, Marie Wickersham, Gail Wolfel, community residents, members of the press, and Denise Miller, recording secretary.

Mr. Wandersee provided the following opening comments regarding the agenda:

1. Dr. Kenney, District Superintendent, will provide initial comments.
2. Mr. Cochran, Director of Business and Operations, will provide the main presentation on the proposed budget for 2005-06.
3. Mr. Knauss, School Board Vice-President, will provide a presentation to Board members regarding some of his own research and has developed a presentation that he thinks will be valuable to the Board and to the public.
4. Suggestions and comments from the public will be heard. Mr. Wandersee stressed that the questions and comments should be those that the Board could possibly answer tonight and not debate issues. He requested that any long comments or questions should be written to the Superintendent.
5. The Board will discuss the budget proposal. As they do, individual Board members will have an opportunity to pursue any comments they may have and he wants every Board member to pursue all of their comments. We're trying to find a general consensus on those comments. Board members are free to make a motion to accept A or B and we will take a simple vote to accept or reject the motion and move forward.

The Board hopes to finish this meeting tonight; if not, we will continue to tomorrow night.

**CALL TO
ORDER**

**MEMBERS
PRESENT**

**COMMENTS
FROM BOARD
PRESIDENT**

Dr. Kenney will provide his overview and speak about the budget presentation that was given to the Board on April 11, 2005. He will discuss where we are at this point in time, followed by Mr. Cochran's presentation.

Dr. Kenney stated that the original budget was presented to the Board on April 11th. After the initial presentation, we have one, two, or three hearings, depending on the outcome this evening. The Board will then discuss and vote on the tentative budget adoption at their Work Session on Monday, May 9, 2005. The budget is then posted and ratified at the June Board meeting.

We have worked on the budget since the Christmas holiday and discussed possible personnel needs for next year. We look at all departments relative to what we may or may not need. The administration met with the Personnel Committee of the Board and indicated that this is what has been requested and what we feel is needed.

Expenditures/Revenue

The budget proposal on April 11th indicated the proposed budget with expenditures of \$57,049,572 (over \$52,939,874 in 2004-05) for an increase of \$4,109,698. The projected revenues are \$55,362,577 and our projected fund balance for this year is \$4,254,226. We will utilize \$1,686,996 of the fund balance to help balance our budget. If we do that, we would project a fund balance of \$2,567,230 at this time next year.

In reviewing the needs for new positions with the Board, it amounted to \$567,811 and \$904,196 for existing positions. The savings from the early retirement incentive to teachers totaled \$456,320, for a net increase of \$1,015,000. The savings from the early retirement incentive cannot be considered in the next budget because we will not have that savings next year.

Benefits

The increases in benefit costs include \$1,085,136 (medical), \$303,124 (PSERS), and \$153,765 (other-dental, life insurance, unemployment). Medical costs have risen 17.5% and prescription costs are up 15.50%. If we accept the new positions, that will increase to 24% budget to budget. PSERS (retirement) costs will increase 11%. The total increase in benefits costs amounts to \$1,542,025.

**COMMENTS
FROM BOARD
PRESIDENT
(Continued)**

**SUPER-
INTENDENT'S
COMMENTS –
BUDGET
OVERVIEW**

Curriculum & Instruction

The increases of \$125,500 include the purchase of new social studies textbooks for our elementary program. In addition, there is a large increase in the mentor payment for our Induction Program since 18 teachers are retiring through the early retirement incentive. We may also lose additional teachers due to resignations, etc.

Special Education

This is an extremely difficult area in which to project but we see increases of \$165,855 for existing positions and for those outside of the school district. If new children walk in during the fall, we have to be prepared for that.

Debt Service

This area has sparked a lot of discussion between the administration and the Board. We see additional debt service of 1,036,848 and about half of the money is for the HVAC Project that we will be completing at the high school. The administration also decided to include some additional money in the debt service. We are facing big expenses in the not-too-distant future for renovations to the high school, middle school, moving the administration, Hillendale Elementary, and field issues. We have placed an additional two-tenths (.2) of a mill into the budget in preparation for the upcoming renovations of various buildings or relocating the district office. This would be placed into a restricted capital projects fund. With the retirement of the current debt on the high school in 2013-14 and the additional savings brought about through the two-tenths (.2) of mill in this and subsequent budgets, future millage increases as a result of debt service for renovations would be controlled and leveled.

Others

This area includes fuels, transportation, building budgets and charter schools. Charter schools are a real problem for many school districts. We will spend about \$270,000 for our students who attend them and the state is giving us about \$65,000.

Millage of Original Presentation

The original budget proposal included 19.98 mills (4.33% increase) for Chester County (19.15 in 2004-05) and 18.40 mills (3.84% increase) for Delaware County (17.72 in 2004-05). In our discussions with the Board, we talked in great detail about special education (particularly the Chadds Ford issues), elementary class sizes (which are on the watch list), and reserve positions. We looked at middle school class sizes and reviewed high school requests vs. what the administration included as needs. The additional debt service and why the administration preferred to do it was discussed, as well as

what were maintenance vs. investment items. We felt that \$2,786,000 was money needed to maintain what we currently have and \$1,323,000 was for an investment /additional expense (i.e. reading teacher at the middle school) and we would have to create that position.

As a result of the discussions, some changes were made:

- Debt Service – removed \$497,167
- Middle School – one of three, new regular education positions was removed - \$64,227
- Support Staff (U.E.) - .3 of an extension of a position, eliminated fringe benefits and Central Office extra special education position - \$49,395 removed
- Special Education – eliminated \$4,262 from costs

The cuts totaled \$615,051 from the original budget on April 11th. The revised preliminary budget includes total revenues of \$54,719,848 and total expenditures of \$56,434,521. The operating deficit would be (\$1,714,673) with a beginning fund balance of \$4,254,226 and an ending fund balance of \$2,537,552 (4.5%). The millage impact would be 19.68 - 2.77% (Chester County) and 18.13 – 2.31% (Delaware County).

Expenditures

This budget is being reviewed after the \$349,000 in cuts. Personnel (Salary & Benefits) represents 72.16%, the biggest cost, with Debt Service at 11.4%, and Special Education the next largest at 3.14% (the fastest growing of the categories that we see).

Mr. Cochran commented that in looking at the budget as whole, this is very similar to what was presented to the Board on April 11, 2005. Personnel costs account for 71-72% of expenditures since education is a labor-intensive industry. The debt service (cost of providing the infrastructure that we have) is 12% over time (high school renovations, middle school renovations, and the purchase of Hillendale Elementary in the late 1980's). Special education costs of about 3% are mandated by state and federal regulations. We have very little control of what that cost is because it's based on the child's needs. Fuels and utilities represent 2.96% of expenditures and 2.14% for building allocations. The Board has very little flexibility from one year to the next to have any influence over these costs.

Salaries

Seventy-six (76%) percent of our salaries are directly related to the delivery of instruction to the students. Thirteen (13%) of salaries are utilized to transport the students and clean and maintain the facilities. We are one of two school systems in Chester County that maintains its own bus fleet. Other

**SUPER-
INTENDENT'S
COMMENTS –
BUDGET
OVERVIEW
(Continued)**

**DIRECTOR OF
BUSINESS'
OVERVIEW OF
PROPOSED
2005-2006
BUDGET**

Salaries (Continued)

districts contract the busing at roughly the same cost. Administration represents 7.2% of salaries and 1.65% is included for new positions. The retirement incentive savings for this year amounts to \$456,320.

Salary History

Salaries are primarily guided by the Collective Bargaining Agreement or other employee agreements. Mr. Cochran reviewed the following points regarding the salary requests:

1. Professional Staff
 - a. Elementary Class Sizes
 - b. Growth at UHS & CFP-MS (Bubble of students moving through these schools)
 - c. ESL & 504 Positions (Federal Statute)
 - d. Three Kept in Reserve
2. Support Staff
 - a. One Non-Budget Impact
 - b. One Kept in Reserve
3. Supplementals
4. A lot more was requested than went into this budget.

Two of the reserve positions are for enrollment changes over the summer where we may have to add a staff member. If we special education enrollments increase, we will have to take it from the general budgetary reserve for an aide.

Benefits

Mr. Cochran outlined the areas for increased costs in benefits:

1. Medical – up 17.5 % and up 15.38% for prescription Coverage, despite efforts by the Board, administration and teacher association in the last Collective Bargaining Agreement where planned changes were made. Costs continue to rise at unbelievable rates, despite efforts to control those costs, resulting in the biggest portion of what we are seeing here.
2. PSERS – The state continued to lower the rate that school districts were required to contribute (which hit a low in 2001-02). It is projected to be up to 20% out five years (now @ 4.69%). The state made a minor accounting change in how we pay it that resulted in a savings of about \$118,000 in the current year.

**DIRECTOR OF
BUSINESS'
OVERVIEW OF
PROPOSED
2005-2006
BUDGET
(Continued)**

Revenue

Currently, 85% of total revenues are from local sources. Less than 15% of revenue is received from the state in the Basic Subsidy (increase of 1-1/2% for basic and special education subsidies). The Governor is saying that the inflation rate is 3.1% and he's not even keeping up with that rate of increase for subsidies. The federal piece totals about .2% (two-tenths of one percent).

Real Estate Tax Revenue

The real estate taxes are driven by the assessed values in Delaware and Chester Counties. We have seen eight-figure growth in East Marlborough and Pocopson Townships. Continued growth is anticipated in Pocopson and Pennsbury Townships. Growth in Delaware County includes the Girl Scout camp.

Last year, we had a larger increase in market value in Chester County vs. Delaware County. This growth has produced \$1.2 million in additional real estate revenue to fund the 2005-06 budget.

Market Value

Mr. Cochran stated that it's important to the extent that it impacts the division of revenue responsibility between the two counties. This year we've seen that the growth in market value is a lot closer.

Assessed Value Changes

This year, there is eight-figure growth in East Marlborough, Pocopson and Birmingham Townships. Chester County's growth is anticipated to continue in Pocopson and Pennsbury Townships and Delaware County's growth includes a Girl Scout Camp.

Change in Millage Rates

The difference in rate increases has varied from .06 percentage points to 8.44 percentage points over 10-15 years. Mr. Cochran reviewed the millage changes that included the market value ratio change, assessed value growth, expenditure growth, other revenue growth and targeted fund balance as factors.

Fund Balance

This is the second year that the Board is targeting 4.5% as a fund balance and the first year that the state is requiring that we not exceed 8% (budgeted fund balance). Mr. Cochran stated that Dr. Kenney had mentioned his concern for future years. The majority of the drop in fund balance of \$1.7 million is conservative budgeting.

We also recognize that the budget is a legal document. We cannot spend more than we have budgeted so we do not violate that provision and do not exceed that amount. We've been at about 99% with our expenditures compared to 98% in prior years. The majority of budgeted deficit spending is based on conservative budgeting practices. However, some is structural and could impact next year's millage. The fund balance consideration does not include amounts that are in capital reserve or in construction funds.

Changes

Mr. Cochran stated the staffing levels include what the administration believes is reasonable. The building requests from principals included additional items that the administration did not include. He stated that the current budget includes estimates but we still have two months to go, which can have an impact on it. Where the interim, transfer and delinquent taxes end up will have an effect on the current budget also. Insurance costs are also subject to change.

Bottom Line Changes

Each \$53,000 decrease in expenditure reduces the budget increase by 0.10% and reduces millage rates by about 0.02 mills. If we added one additional position, it would add about \$65,000 (0.12%) to our spending increase (between .02 and .03 mills). If it were a more specialized position, it would increase spending by approximately 0.14% (between .03-.04 mills).

Budget Adoption

If the board deems it necessary, we will meet on May 3rd and 4th; otherwise, we'll return on May 9th to approve the tentative budget and post it. It will be advertised, printed in the newspapers, and copies placed at all schools for our citizens to review. Final approval is scheduled for the regular Board meeting on June 20, 2005 at 7:30 p.m. in the Unionville High School LGI Room.

**DIRECTOR OF
BUSINESS'
OVERVIEW OF
PROPOSED
2005-2006
BUDGET
(Continued)**

Presentation by Mr. Knauss

Mr. Knauss stated that he was presenting his thoughts alone and that they may or may not represent other Board members' feelings. He reviewed a chart that plotted per-student spending by year. The 7.7% increase over the last five years raised a red flag for him. It's far above the rate of inflation. Our proposed budget increases by 7.8% for the next year and continues along that same line. Mr. Knauss had been thinking that an 8% increase in per-student spending was justified if we started with a small base. Maybe we are trying to catch up to the normal spending of other districts.

He reviewed a per-student spending comparison, noting that Lower-Merion is impressive at \$20,000/student. We're fairly far away from other high-performing districts in the Philadelphia area at \$13,00/student. Even though we spend much less than them, our millage rate is much higher.

He reviewed the per-student spending for 2004-05 vs. taxing power figures. They indicated that Unionville-Chadds Ford is only an average district when it comes to taxing power because of our small industrial/commercial base upon which to tax. Most other districts depicted have a substantial industrial/commercial base.

We'd have to increase our millage rate to politically uncomfortable levels to match some of the higher-spending districts. Even so, maybe it's worth it if we can buy improved academic performance with increased spending. There seems to be no correlation between per-student spending and academic achievement when comparing districts with similar demographics. In looking at Lower Merion (high) and Central Bucks (low), they are achieving the same results.

While PSSA scores are not the perfect measure of education, they are the only universal quantifiable measure other than SAT scores. When substituting SAT for PSSA scores, the graph told the same story. Since salaries and benefits comprise a large share of the district's budget, staffing levels will have a high correlation with spending.

Mr. Knauss stated that most of us are comfortable with the inverse – student/teacher ratio vs. teachers/100 students. He used this comparison to demonstrate the similarity of this graph to the prior one, noting these points:

1. High correlation between the number of teachers/student and spending/student. Staffing drives about 85% of the budget. We must also add in the debt service cost to house a teacher, etc.
2. Low correlation between staffing levels and student achievement (18 students/teacher – Central Bucks; 13 – Lower Merion; and 15 – Unionville-Chadds Ford). Staffing level is a minor factor in student achievement, although some districts are better at applying their staff more productively.

**PRESENTA-
TION –
MR. KNAUSS**

In comparing the five-year per-student spending growth rate in the Philadelphia area with the their spending level, Unionville-Chadds Ford is above the average at 8%. If we continue to be above average, we'll end up being one of those high-spending districts. Staffing is where the rubber hits the road in the budgeting process. Do we add more staff or make trade-offs?

In 1999, we had 3822 students and 258 teachers. The enrollment growth was approximately 100 students over the next five years and we've added 41 new positions. The proposed budget was 10 positions and is now nine plus three reserve positions. Mr. Knauss is hoping we can reign in our above-average growth before the legislature does it for us with the voter referendum process. He will hold back his vote until the budget is cut back to an acceptable level.

Standard & Poors rates school districts on spending efficiency (return on investment). Unionville-Chadds Ford ranks second out of 60 districts in the area and tenth out of 500 in the state. Upper Merion and Lower Merion rank near the bottom. This is a great outcome and a credit to the administration, teachers, parents and students. As all Board members know, we are asked by the state to provide a thorough and efficient education for our students. Many times we focus solely on the thorough point by emphasizing academic achievement. He'd like to emphasize efficient spending alongside of academic achievement.

Mr. Wandersee thanked the three speakers who did an excellent job and gave us a lot of food for thought. He had planned to review the numbers that had been changed through the reduction already but feels that Dr. Kenney and Mr. Cochran did a good job for us. Going from a 7.8% to a 6.6% increase was a step in the right direction with the reduction in the amount of millage and a nominal impact relative to staffing. This may be good or bad depending on your point of view. A 4.5% fund balance is still there and he thinks it is a good number. Mr. Wandersee applauded the administration for maintaining that. We've also heard some numbers on how the budget could leverage up or down depending on future cuts or future adds.

Comments from the Audience

Mr. Wandersee asked that comments be kept brief and that in-depth items be put in writing to Dr. Kenney with a copy to himself.

Jack McDonough, East Marlborough Township resident, noticed that the district growth is near 0% and it's 7% at the high school (largest increase of any of the schools). His main point is that cuts should not be made at the high school in respect to the other schools. There are real safety issues in some of the departments (i.e. science department). He stated that the Board made a great step forward with the eight classrooms but if they don't fill them with teachers, we haven't reduced class sizes.

**PRESENTA-
TION –
MR. KNAUSS
(Continued)**

**RESIDENTS'
COMMENTS**

Mr. McDonough stated that he felt Mr. Knauss's presentation was an overly broad simplification. He stated that there are serious problems under the surface here at Unionville High School. The teachers almost cannot take much more. He is here because of his child in 9th grade since their education will definitely be impacted.

Two-thirds of the stakeholders do not have children and it would be a more difficult decision but would be the correct one. We owe a lot to those without children but someone paid for their children in prior days. In this instance, everyone benefits if Unionville High School stays strong. Mr. McDonough suggested that there are many more major reasons for poverty than tax increases. He doesn't believe that is a reason to reject an increase. Mr. Wandersee stated that there are 3.1 teachers currently scheduled in the plan.

Bernadette Forese, Pennsbury Township resident, stated that she had spoken at different times throughout this school year regarding class size at Hillendale Elementary. The current class sizes of 55 in two 3rd grade classes is ridiculous and unacceptable. Some who have responded said their kids were in classes that size and they are fine. What they are being taught now with increased material and the PSSA pressure indicates that they need more not less from their teacher. She has seen Mrs. Harkins and Mrs. Teti doing an amazing job of teaching her children this year. She is disappointed because her child did not get the best that his teacher had to offer. Mrs. Forese feels that it's not possible for a teacher to do that physically and mentally for 28 children.

We began the year with 51-52 students but as test scores and our reputation grow, people continue to move here. The third grade saw a 7% increase since the fall. The removal for math fell short this year and as her son's advocate, she is communicating this to the Board and urged them to hire additional teachers at Hillendale. She asked that the additional teacher item be approved for Hillendale for the next school year.

Mr. Wandersee thanked Mrs. Forese for her comments. He stated that he believes under the current situation that the whole problem is being looked at closely and there will be three classes at Hillendale in grade 1-5.

Amanda Combs, East Marlborough Township resident, thanked the Board members and stated that they respect the Board immensely. She commented that she has heard about how we can increase the budget if we don't have more students be we are solving problems that already exist. We need to remedy these situations but not at the cost of other classes. She feels that needs to be expressed.

**RESIDENTS'
COMMENTS
(Continued)**

Mrs. Combs mentioned to Mr. Knauss the correlation between PSSA scores and student spending and she feels there are some missing factors. There is so much left out of the charts he is making (i.e. time and money from the parents' pockets that are not part of that spending, etc. that would make those number come together). She asked if there could be more spending per student by the district.

Lou Minella, East Marlborough Township resident, commented that he is positive that we need another guidance counselor and is perplexed not to see it in the budget. He has not heard one sound argument against it. What are we producing at the end of the high school project? We're producing a huge percent of kids going on to fine colleges. We should not be happy to compare ourselves with average districts for the ratio of students/guidance counselors and we should look at the ratios in the better districts. In comparison to those districts, our ratio is bad.

This function is so critical as is the recommendation part of what these counselors do (not form letters). If not the counselor position, cut it and put in a clerical function that would take us from 260:1 to at least 220:1. We are saying we're great in test scores but at the end of the process, we are not here to help you. This is the easiest decision and he is frustrated that he has not heard an intelligent argument that says we not to do it.

Mr. Wandersee stated that he appreciated Mr. Minella's passion regarding the guidance counselor. Their position is not the same as it was when they were in school. The Board has a concern for the issue and hopes he continues to speak with Dr. Kenney. His input is appreciated.

Carol Catanese, Pennsbury Township resident, echoed Mr. Minella's comments regarding the high school counselor and what a counselor does on a daily basis and throughout the school year. They are responsible for 250 students compared to regular teachers with about 150 students. They must make contact with the students and know them well enough to write letters for them and are responsible for the kids' future and yet we give them a larger burden than we do our classroom teachers. She just doesn't get it.

Mr. Wandersee thanked Mrs. Catanese for her thoughts.

Liz Scargle, East Marlborough Township resident, asked whether we were replacing the teachers that we're losing through retirements. Mr. Wandersee stated that we have some reserve positions for classes that are being monitored for increased enrollment.

Lele Galer, Pocopson Township resident, inquired about whether there was a request to place kilns at Unionville and Pocopson Elementary Schools on the Board agenda. Dr. Kenney responded that this was not on the agenda. Mrs. Galer commented that she is looking for about \$3,000 for the kilns in these two schools. She has researched the county and found that every elementary school in our county has at least one kiln. At one point, she had obtained full funding but it was not in the curriculum. There are very serious issues but this is very important to several teachers.

Mr. Wandersee thanked Mrs. Galer for her comments and stated that we were not going to work on it tonight. He also thanked her for her work in the arts – it is appreciated.

Lathie Gannon, East Marlborough Township resident, encouraged the Board to please consider our schools. There is so much more to education than how these kids do on tests. There is a growing feeling that the kids are going to school just for how to take tests.

Lynn Majarian, East Marlborough Township resident, echoed Mr. Minella's comments regarding the guidance position. She asked specifically which positions at the high school remained in the budget. Dr. Kenney responded that there were 3.1 professional positions (same as presented on April 11th). They represent .6 (World Language), .5 (Special Education; -.2 (Art); .8 (Language Arts); .6 (Social Studies); .2 (Math); and .2 (Other).

Carolyn DePlacido, Birmingham Township resident, inquired about the special education situation at Chadds Ford. Mr. Molleca, Director of Special Education, stated that we have minus one learning support classroom position. We are looking at the possibility of moving a teacher to a classroom and will be meeting with the classroom teacher and building principal to see whether that is feasible.

Jack McDonough, East Marlborough Township resident, commented regarding the 17% increase difference between the 2002 graduating class and the present freshman class. He also congratulated Dr. Kenney for going on LINK weekend with the students.

Discussion – Board Members

Mr. Wandersee invited comments from the Board members.

Dr. Sweeney commented regarding the guidance counselor position at Unionville High School. This was discussed at the P.T.O. meeting, and she feels that every comment made is accurate. The college admission process is a terribly competitive world whether at the undergraduate or the graduate level.

**RESIDENTS'
COMMENTS
(Continued)**

**BOARD
DISCUSSION**

**BOARD
DISCUSSION
(Continued)**

She asked whether the ratios provided by the administration were those for the top school districts. Dr. Kenney responded that the national average is 450:1 and the national counselor's association average is 250:1. In response to Dr. Sweeney's question, Dr. Kenney stated that between the ratio in our peer group it's 200:1 and 250:1. Dr. Sweeney stated that she believes we should have an additional counselor in the budget. She asked that the administration to look for another cut or some staffing decrease. She doesn't want to see an increase in the budget.

Mrs. Brown would also like to see a guidance counselor in this budget but would first like to see what we are going to do with that position. Will be bring down the number of students they see or will this be someone who goes out to colleges, etc.? One use would lower the number of students seen and one would not. Dr. Kenney stated that no additional staff were included under what was proposed.

Mr. Swayze commended the administration for their outstanding start on the budget. We are largely in the right direction but he would like to tweak a few things. He thanked Mr. Knauss for his effort and presentation and was somewhat alarmed by the growth of teachers by 41 positions. He has never been more comfortable with the balance of the teacher and student ratio, especially in the elementary schools. Mr. Swayze has been very concerned about that but the administration has really come to grips with that with the exception of the learning support position at Chadds Ford. If we don't meet legal standards, we might have a problem there.

Mr. Swayze would support a guidance counselor but not at the expense of more costs. He would rather reduce the number of reserve positions as we have used them in the past, but with the balance and the staffing we have, he would prefer to see the reserve number cut back to two or one to accommodate the counselor position. Finally, he is happy with the projected fund balance. He thinks the tax burden is fairly reasonable for what is projected this year. Next year, we will face some very difficult decisions regarding medical benefits and make some very tough decisions there.

Mr. Knauss stated that he's on the other end of the decision regarding the guidance counselor but wanted to give his input publicly. We cannot expect our counselors to write a personal letter of recommendation and he has gone through it with a senior this year. Mr. Knauss does other things to make his student stand out (summer camp, correspondence schools, etc.). Most colleges don't put a lot of weight on these letters since most of them are form letters. There are lots of things parents can do.

**BOARD
DISCUSSION
(Continued)**

Mrs. Trigg commented that she would like to see the added guidance counselor at the high school but feels the learning support staffing level at Chadds Ford is a higher priority due to the legal questions. She met with Mr. Marinelli and Mr. Molleca but was not reassured after these meetings. We need to meet the legal standards, equity among the schools, and make a wise decision. When we're considering young children who are having difficulty in learning to read, we would spend more money later on to achieve far less success.

With regard to added teachers, Mrs. Trigg stated that when the decision was made to undergo significant expenses to renovate the elementary schools to increase capacity, one of the driving factors was to lower the class sizes. We spent a lot of money toward that end but there is a little more money needed to achieve those ratios. She believes we need to add four to five more teachers today to be at those levels. Mrs. Trigg would be very reluctant to reduce the reserve positions and thinks we may not have enough of them. After reviewing her calculations in moving our children up to the next level, she stated that we are right on the borderline in a number of cases.

Dr. Sweeney commented that she feels confident that one of the driving forces of going K-5 was not class size. We felt very comfortable all along with our class sizes. It makes it more difficult to maintain class size with smaller schools.

Mr. Wandersee stated that he knows it was an objective to have smaller class sizes in the district.

Mrs. Trigg asked whether we were sure that in eliminating the Chadds Ford position we would be able to meet our regular requests. Mr. Molleca responded that we could not be certain we wouldn't have more students identified to push that number up. His understanding is that one of the reserve positions is to put that position back. He cannot project who will move into the district. Dr. Kenney mentioned that there could also be students in the other buildings.

In response to Mrs. Trigg's question, Mr. Molleca stated that with the current numbers, it's a matter of doing some scheduling but he is certain that we can do it but he cannot guarantee any growth and what that would do to us. In response to Mr. Wandersee's question regarding functionality, Mr. Molleca stated that we'd try to go with the lowest number we could get but it would not be fiscally responsible and he couldn't support that. Dr. Kenney stated that we are at 11 to 1 with the legal requirement of 18 to 1 for resource rooms. He thinks people are referring to age grouping per class. What we are seeing in our special education is that we have gone beyond some of the legal requirements and have provided a lot of extra services and parents have become accustomed to that. Dr. Kenney thinks cost is the issue. We don't have unlimited resources.

**BOARD
DISCUSSION
(Continued)**

Mrs. Trigg commented that if we have 11 students and there would be a 4% identification rate, she doesn't believe that is how many would be identified next year. Dr. Kenney would assume there are some in the pipeline but in all six schools. In response to Mr. Wandersee's question, Dr. Kenney stated that we would need approximately four to five more identified students to increase to the half position.

Mr. Baker asked whether what is being proposed would provide the same, better or worse services if we look at each school under the proposal that has been made and the uniqueness of special education. Mr. Molleca stated that it's difficult to answer that question. Teachers will be dealing with five grade levels at the elementary level. The numbers are not much different but the number of grade levels will be different with possibly six grade levels compared to three at the other elementary schools. Mr. Baker asked if he should expect deteriorated services year after year if he were a parent at Chadds Ford. Mr. Molleca responded that he would like to think it would be the same but there are more students this year with two teachers. There would be fewer students and one less teacher. Mr. Wandersee stated that they are very concerned and asked what he thought.

Mr. Knauss commented that we see this a number of times when our kids go from a class size of 17 to 25 but within a year or so, we are back to 18. We should not give undue concern to this as long as the average is fine over time. Mr. Wandersee felt that Mr. Knauss made a good point relative to regular education classes but we're dealing with a special education class.

Mrs. Brown stated that she doesn't know enough about what the special education needs are and would have to take their decision. Mr. Molleca stated that if the issue were up to him, he would put the second teacher there if the Board were willing to support it. It will be more difficult for the teacher to deal with five grade levels. Although it is legally defensible, it will be up to the teacher to maintain the standard to which we are accustomed. Mrs. Brown commented that she feels we are using our teachers wrong. It's hard for her to figure out in the book what is happening as far as how many people are going to see these kids and who picks up what pieces.

In response to Mr. Wandersee's question, Dr. Kenney stated that there would be three sections of math at Chadds Ford. Mr. Wandersee asked if there was some money in reserves in case there was an increase in the special education pipeline. Dr. Kenney stated that it's for needs. As you saw in Mrs. Trigg's report, he doesn't share a couple of points she made regarding the possibility that we'll need an additional person in some classes. In other areas, he would agree with her and those are on the watch list. The lowest class sizes at Chadds Ford are in Kindergarten and Grades 1, 2, and 5. With 256 students at Chadds Ford presently, we proposed that the AT/IST teacher, who has fewer students, teach the third grade math.

**BOARD
DISCUSSION
(Continued)**

Mrs. Trigg commented that her overriding feeling is that she does not feel that one teacher would be adequate. She would be comfortable if the special education position were kept in reserve if it is removed from the budget. Mrs. Trigg is comfortable with two reserve positions but feels we cannot go above a 6.6% increase.

Mr. Baker discussed the implications of Act 72 and its long-term effects. Since the baseline is being established by this budget, we are establishing a baseline that will be with us forever. There will be changes next year since we had a one-time event with the E.R.I.P. (Early Retirement Incentive Program) for teachers. This covered half of our deficit spending and half was with conservative budgeting.

This year, the argument is that half is conservative budgeting and the other half is true structural deficit spending to bring that down. It's the reason why we have a 6.6% increase and a 4.4% increase in millage. We are subsidizing in a baseline year the millage rate through deficit spending by drawing down our reserve. He would like to look at the possibility of taxing at a minimum at a no deficit spend position for at least that portion that does not constitute conservative spending. Mr. Cochran commented that about two-thirds is conservative budgeting and one-third structural.

Mr. McClaskey stated that there is about \$600,000 in the budget that is structural to draw down the reserves. The Board must decide with what level they are comfortable. What would next year look like without the E.R.I.P. bump, etc.? Mr. Wandersee commented that we could be back here talking about a 10-11% increase next year. Mr. Baker stated that we would have a back-end referendum. Mr. Wandersee feels we cannot ask current taxpayers to add enough money for the future expenses. Mr. Baker stated that we should not subsidize a deficit by spending down the reserves. Mr. McClaskey commented that there is a \$600,000 hole structurally in this budget that will have to be dealt with eventually. We should balance the budget this year.

In reference to Mr. Knauss's presentation this evening, Mr. Baker stated that a large portion of our rise in taxes (7.1%) is attributable to our construction program. If you take that away, the growth is fairly steady. The original proposal by the administration including the pre-funding of debt, will set us up for spikes in the tax increase over the years as opposed to smoothing it over a period of time. The Board is making a strategic decision in going that way.

In other areas, there has been a lot of discussion about whether supplementals are sufficient. We should consider that at this appropriate time.

**BOARD
DISCUSSION
(Continued)**

We should also look at the technology budget to verify that we're spending appropriately in that area. He would push for people in the classroom and tight control on the non-labor spending.

We seem to be focusing on the affordability model and smashing everything into the bag. He wants to at least provide a reasonability test to see whether we're meeting the district's objectives with this budget. Are we seeing a deterioration in class size, other services?

Mr. Baker commented regarding costs in the technology budget (\$67,000-software contracts; \$37,000-professional services; \$77,000-new software licensing; and \$15,000-travel). This adds up to a couple of hundred thousand dollars and bears scrutiny, which is why we are here.

Mr. Wandersee commented that he respects Mr. Baker's point of view. He stated that we're looking for absolute numbers but also considering guidance counselors, etc. Mr. Baker stated that, in general, Mr. Knauss put his finger on it if you look at historical spending in peer groups who have not had significant construction projects. They've shown a 5% run rate and we're running at 4%. On an aggregate basis, he'd put it comparable with other districts. If there's room for incremental spending, that would be the cap that he'd place on it. Mr. Knauss commented that we are just not capable of doing that unless we are an administrator and really dig into the budget. He suggested that we put a cap on the budget and let Dr. Kenney come back and tell us how he best thinks we can spend that money. We could also set a staffing ratio.

Mr. Baker suggested that if basing it on expenditures we should indicate a cap at slightly higher than the 6.6% that is in place. With other pieces, unless we are going to diminish services elsewhere, this budget includes the same level of services and the same class sizes with pulling out the pre-funding of debt.

Dr. Kenney commented regarding maintenance spending vs. investment spending (i.e. reading position at the middle school for an investment – something we don't have). At the high school, we don't have the number of technology people that we have at the middle school – increase/investment. For the most part, he thinks ~\$1.3 million is considered investment (including part of the debt service). Mr. Cochran stated that we need about 5-1/4% of the 6.6% increase as maintenance spending.

**BOARD
DISCUSSION
(Continued)**

Dr. Sweeney commented that she has tremendous admiration for the administration, faculty and staff members here. She doesn't agree that if we cut into our maintenance budget we are going to lower the standards. That is why she proposes we add the guidance counselor position. You tell us where you can find that money in the budget or make some adjustments. It does not mean your quality of life will deteriorate. She does not think cutting into our maintenance budget means that we are going backwards.

Dr. Kenney stated that we could reduce our professional development budget, for example, but some of that difference is absolutely obligated for staff to attend seminars, etc. He was asked if we hold our expenditures to 4%. Dr. Kenney indicated that we'd have to cut an additional \$1,377,052. We can do that but people will come through the door at the next meeting (i.e. eliminating transportation runs, etc.) Also, class sizes would become a serious issue and the last thing you would generally eliminate would be the teachers in the classroom.

He commented that Mr. Hug had given us his information regarding the technology budget. It was frozen for 3-1/2 years and this year it's up the same as what it is for the principals (3.2%). Dr. Kenney stated that there was an agreement made years ago regarding the \$50,000 line item being used for part of the salary from Central Salaries and the full \$500,000 going to the technology budget.

Dr. Kenney stated that he compiled a list of cuts necessary to reduce expenditures by \$1,377,052, but it's scary and he doesn't want to talk about it (similar to what Act 72 would do about eight years from now, we would do this year.)

Mr. Knauss stated that he agrees with Dr. Kenney regarding some things but he would be looking at capping the hiring and looking at an increase of 30 students (1-12) for next year and we're at 15:1. The starting point for him would be two positions and then we would go from there. We operated just fine this year with the people we had and saying that we need nine or ten does not compute for him.

Dr. Sweeney stated that we would be trying to correct some things with the guidance counselor position, etc.

Mr. Hug commented that if technology were reduced, computers would stay in the classrooms longer. We've been on a five-year cycle but at a deficit for quite a while. We've been at \$500,000 for five years with decreases in two of those years. We've doubled our computers and our usage and we're getting our bang for our buck. We actually get six to seven years out of the computers but we can't do that forever. Part of the \$75,000 decrease was because we got a little bump from the Bond Funds.

**BOARD
DISCUSSION
(Continued)**

Mrs. Brown commented that the special education budget has changed quite a lot from \$1.6 million to \$1.8 million and asked why that occurred. Mr. Molleca stated that he took all of the students we have in private schools now and he pretty much has a student for the numbers he put in the budget. Regarding contracted services, Mr. Cochran stated that this is paying for position placements of identified students with a few slots for what we consider moving. We did the same thing this year and the current estimate is that we'll be within \$1,000 of what we anticipated to spend.

Mrs. Brown asked whether the funds budgeted for legal services were just in case. Mr. Cochran responded that we need to leave some even if we don't use all of it. One special education child could change your special education budget by \$150,000 and this is available for all areas of the budget. In response to Mrs. Brown's question, Mr. Cochran stated that some areas are put at a prior year amount and looking at a five-year history, there are years where it exceeded the numbers at which you are looking. We saw significant adjustments in those areas. Mrs. Brown commented that it needs to be as tight as it can be.

Mr. Wandersee stated that we can nickel and dime these things but it adds up and then you have something with which you can work. Mr. Cochran commented that we used to be at 98% spending and are now at 99%; the closer to 100%, the more danger.

Mr. Baker commented regarding a legislative change of some significance with the retirement system (PSERS) in permitting the buy back of part-time service. This is having an impact in some districts and he inquired as to what it is in U-CF. Mr. Cochran responded that we are not anticipating any major impact from it. Mr. Marinelli stated that we've had few requests. Mr. Baker has seen initial invoices in the \$30-40,000 range.

Mr. McClaskey stated that there is a \$600,000 hole projected in this budget. He would find \$300,000 in savings on the expenditure side and increase the tax increase on the other side (3-1/2%-Chester County and 3%-Delaware County vs. 2.77 and 2.31).

He suggested cutting the two new positions at the middle school since it looks like a bubble next year and then it would be gone. Later we would cut the position. The enrollment growth is at the high school level and he asked what staffing increases we have had there.

Mr. Baker commented that he would go to three tests as to what constitutes a good budget at this point:

1. Is this a balanced budget for 1% conservative budgeting?

**BOARD
DISCUSSION
(Continued)**

2. Are we the same or better in average class size at each elementary grade level, the middle school and high school (average across the district)?
3. Are we the same or better in the provision of other services? Special education stands out as well as supplemental contracts.
4. Guidance Counselor – he supports this but is not sure that you hinge a budget on a single position.

In response to Mr. Wandersee's question about maintaining class size across the district, Mr. Baker stated that he thinks there is an assumption that Dr. Kenney is keeping a watch on class size. Mr. Wandersee commented that this is a tough job. If you have to run a district on that principle, it's almost an impossible job to make sure you have the equality at each school. In response to Mr. Wandersee's question regarding this test having a shortcoming regarding class size across the schools, Mr. Baker stated that it's conceivable but we do have a fail-safe in the reserves.

Mrs. Brown commented regarding the middle school projections for 2003-04 (at 964) and this year (at 990). In response to her question, Dr. Kenney stated that we added one last year and zero the year before.

Mrs. Trigg stated that if she understands the middle school numbers this year, we have 340 6th grade students with 13 teachers and next year, 336 (fewer students) with an increase to 14 teachers. We could live without that position.

Dr. Price commented that we are at 27-28 currently and by adding two teachers, we will go to 26. Three teachers were proposed originally to bring the class size down to 25 (for core subjects – language arts, social studies, science, math; not the special areas).

Mr. McClaskey posed the question to the administration as to whether a \$300,000 cut was possible without a reduction in the educational experience for the kids. Dr. Kenney stated that it was possible but when you make those decisions, people will be here to complain and will be upset.

Mr. Wandersee stated that we could add up the areas but not to go through it with an axe and cut new positions. We need to consider what we are doing with our positions in future times (future thinking).

Mrs. Trigg would like clarity that there are 13 (6th grade), 12 (7th grade) and 13 (8th grade) teachers in the core subjects.

Mr. McClaskey asked about what the spend out is for the next five years from capital reserves. Mr. Wandersee stated that this was reviewed at the Facilities Committee meeting. Mr. Cochran stated that the five-year plan is \$167,000 short.

Mr. Wandersee knows that no one likes deficit financing and appreciates the comments. He believes there is enough in here that if we have problems, we have wiggle room. The public cannot complain about the tax increase and the percent of expenditures is modest. The only concern is that we have not been able to do anything for the guidance position, but what would we do with it? This is a management issue within that operation. If we take \$600,000 out and change class sizes, that doesn't pass his test.

Mr. Murray stated that he feels somewhat hesitant to do a line item by line item review during the adoption of the budget. If we were more involved in structuring the budget, that is a philosophical issue and we would need to be involved in December/January. We are going in too many directions. He echoed what Mr. Swayze said regarding class sizes at the elementary level where there should be no complaint at any building. Where there were problems at Hillendale and Pocopson Elementary, they have been corrected.

Mr. Murray is concerned with the overall tax increase because he believes that absent going line by line and finding certain cuts earlier in the process, he'd be very hesitant to reduce this budget to a level lower than the standard rate of inflation. We know this is a deficit finance budget. We know there will not be \$456,000 worth of retirement incentives next year. In other words, we're about \$1 million short for next year. If you took out all new staff (\$568,000), the budget to budget increase is still \$2.9 million (5.7%) and we would still have a \$1 million hole in the budget.

The idea that we have the capacity to hold to a 6% expenditure increase is not realistic or fair to the administration. He would want to see the guidance counselor funded as well and the .5 special education teacher at Chadds Ford and increase the debt service (1/2 of the proposal) for future debt service. He would support a budget with a 3.1% Chester County tax increase (slightly lower in Delaware County). That would be slightly above the statistical mean of inflation in the county. To prioritize, 1. Guidance Counselor; 2. .5 Learning Support teacher at Chadds Ford; 3. Debt Service.

Mr. Wandersee truly believes that we should not borrow people's money today for what will be needed for tomorrow. Mr. Murray stated that he finds that bad districts spend it ill-advisedly (debt service) and good districts spend it correctly.

**BOARD
DISCUSSION
(Continued)**

Mr. Wandersee suggested meeting briefly one more time and charged the administration with looking at a budget with a 3.1% increase in Chester County taxes with the proviso that it includes the high school guidance counselor, .5 special education position for Chadds Ford, and money for debt service if available.

Dr. Sweeney stated that she could not guarantee that she would vote for this. She would prefer to keep the percent increases that are currently projected, keeping the guidance counselor and reserve special education positions (in the current reserve numbers).

Mr. Wandersee restated that we maintain a 6.6% increase budget and a 2.77% Chester County millage rate and add the guidance counselor with the administration's ability to cut for those funds.

Mr. Knauss is uncomfortable with a 6.6% increase and likes Mr. McClaskey's idea of finding \$300,000 and increasing the millage rate the other \$300,000. We are still spending and increasing our positions without regard to what is going to happen in the future. He is driving to decrease the increased staffing.

Mrs. Brown agrees with a lot of the Board members in different places. She does not think taxpayers would expect a tax increase that is lower than the rate of inflation. We should not be nickel and diming the place where we deliver education. The most impact we have is to have the right teacher with the right student. This is not where we should save money. She does not like to see us in a big hole but will not vote for a budget where we slash personnel.

Mr. Wandersee commented that Mrs. Brown is saying that Mr. Murray's proposal makes sense.

Mr. Swayze commented that he is on a similar track with Dr. Sweeney and Mr. Knauss. He doesn't subscribe to going up to the 3.1% but wants to preserve the guidance counselor and perhaps the special education positions. He doesn't have a problem with taking on a new teacher with a bubble and feels that the administration will back that person out as required.

In response to Mr. Baker's question regarding deficit spending in an Act 72 year, Mr. Murray responded that he is not okay with it but doesn't see the increase we need to get to it. In response to his question, Mr. Cochran stated that this would be the first year that those teachers will not be there (retirement incentive). Mr. Murray commented that this still says we are \$465,000 plus \$600,000 short, which equals a \$1 million shortage on next year's budget.

Mr. McClaskey commented that it is easy this year but will be difficult next year without the one-time savings, etc. We are still looking at a \$450,000 structural deficit but we will have to deal with it next year.

Direction to the Administration

Mr. Wandersee stated that Mr. Murray had suggested that expenditures remain at \$56,434,521 but we should find the money for the .5 special education and 1.0 guidance counselor and bump the revenue up so the tax increase is 3.1% vs. 2.77% in Chester County, which is the Philadelphia Metropolitan rate. Mr. Wandersee requested an informal vote from Board members:

- Mrs. Brown – yes, (raise reserve positions to 3.5 vs. identifying .5 special education)
- Mr. McClaskey – no
- Mr. Baker – yes
- Mr. Murray – yes
- Mr. Swayze – yes
- Dr. Sweeney – no
- Mr. Knauss - no
- Mrs. Trigg – yes
- Mr. Wandersee – yes

With six votes in the affirmative, Mr. Wandersee stated that the Board would meet on Wednesday, 5/4 @ 7:00 p.m. in the UHS LGI Room.

The meeting was adjourned at 9:30 p.m.

Respectfully submitted,

Kathleen M. Brown
Secretary

**BOARD
DISCUSSION
(Continued)**

**DIRECTION TO
ADMINISTRA-
TION FOR
PRELIMINARY
BUDGET
ADOPTION**

**MEETING
ADJOURNED**