

UNIONVILLE-CHADDS FORD SCHOOL DISTRICT
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**SCHOOL BOARD
BUDGET HEARING
Minutes
May 4, 2005**

The second budget hearing of the Unionville-Chadds Ford School Board was held on Wednesday, May 4, 2005 in the Unionville High School LGI Room.

Mr. Wandersee, President, called the meeting to order at 7:08 p.m.

The following members were present: Ed Wandersee, Kathleen Brown, Curt Baker, Keith Knauss, Stephen McClaskey, Ed Murray, Bruce Swayze, and Timotha Trigg. Also present were Dr. Jack Kenney, Superintendent, Dr. Brenda O'Hern, Robert Cochran, Rick Hostetler, Rich Hug, Tom Marinelli, Bruce Vosburgh, James Molleca, Dr. James Price, Gail Wolfel, community residents, members of the press, and Denise Miller, recording secretary.

Mr. Wandersee stated that Mr. Cochran would reflect upon the changes based on the direction of the Board at the meeting on Monday evening, May 2, 2005. After that, the Board will return to their seats and take comments from the public and hopefully come to a conclusion before 11:00 p.m. tonight. We will vote on the preliminary budget adoption next Monday, May 9, 2005.

Mr. Cochran explained that we have requirements due to the deadline of posting and adopting the budget by June 30, 2005. He stated that we had our first budget hearing on May 2, 2005 and a proposed budget that included revenue of \$54.7 million and expenditures of \$56.4 million. This proposal included an operating deficit of \$1.7 million ...

Cannot legally exceed those so we expect ... left with \$500,000 structural deficit. ... leaves us with a \$2.5 million dollar ending fund balance.

Mr. Cochran reviewed the following points from the Board discussion on May 2nd:

1. Staffing

- UHS Guidance Counselor – members of the public made presentations to discuss this item
- Chadds Ford Elementary Special Education – comments were also received from the public
- Number of Reserve Positions (too high/too low) – people were on both sides of this issue

**CALL TO
ORDER**

**MEMBERS
PRESENT**

**COMMENTS
FROM BOARD
PRESIDENT**

**CHANGES TO
PROPOSED
BUDGET –
DIR. OF
BUSINESS &
OPERATIONS**

- Student/Teacher Ratio and Long-Term Costs – The Board’s overall perspective has been by building and by district. There are a lot of differing opinions.
2. Deficit Spending Plan
 - Structural vs. Conservative Budgeting – consuming fund balance to put off a tax increase for the current year.
 - Adequacy of the Margin for Error – (98-99%); trying to be more efficient
 3. Level of Service being Provided Next Year vs. Next Year – district-wide, including transportation and bus routes – all aspects of the educational system at U-CF

**CHANGES TO
 PROPOSED
 BUDGET –
 DIR. OF
 BUSINESS &
 OPERATIONS
 (Continued)**

May 2 Directions to Administration

Mr. Cochran reviewed the following points from his PowerPoint presentation:

1. Guidance Position – addition of position for UHS
2. Special Education – addition of a half reserve position for probable use at Chadds Ford Elementary
3. Cuts – Make cuts to other areas of the budget to fund the above additions (Trim the “conservative budget” spending)
4. Millage Rates – Increase them so that the Chester County increase is at 3.1% (Philadelphia Metro CPI). Use this to reduce the structural portion of the budget deficit.

Changes to May 2 Budget

The changes to the May 2nd budget were reviewed by Mr. Cochran:

• UHS Guidance Position -	\$ 74,113	
• ½ Reserve CFES Special Education -	38,301	
• Cuts to Various Line Items -	(112,414)	
• Diesel Conversion Grant -	<u>212,000</u>	
Increase in Expenditures -		\$212,000
• Current Real Estate Taxes	152,105	
• Diesel Conversion Grant -	212,000	
• State FICA/PSERS Subsidy -	<u>4,716</u>	
Increase in Revenues -		<u>368,821</u>
• Net Reduction in Budget Deficit -		<u>\$156,821</u>

He commented that the position additions were budgeted to include benefits. The Board has received the details of where the cuts originated. The tentative budget was increased \$212,000 since the Toyota Clean Buses for Kids grant was not approved during the initial budget development in April.

Mr. Cochran reviewed the May 4th Revised Preliminary Budget:

- Total Revenues - \$55,088,669 6.43% (6.02%)
- Total Expenditures - 56,646,521 7.00% (6.60%)
- Operating Deficit - (1,557,852)
- Beginning Fund Balance - 4,254,226 Est.
- Ending Fund Balance - \$2,696,373 4.76%

The ending fund balance increased from 4.5% to 4.76%.

Millage Impact

The impact to millage rates was reviewed as follows:

- Current Millage
 - Chester County 19.15
 - Delaware County 17.72
- Proposed Millage

	<u>5/4</u>	<u>5/2</u>	<u>4/11</u>
○ Chester County	19.75	19.68	19.98
○ Delaware County	18.19	18.13	18.40
- Percentage Increases

	<u>5/4</u>	<u>5/2</u>	<u>4/11</u>
○ Chester County	3.13%	2.77%	4.33%
○ Delaware County	2.65%	2.31%	3.84%

Consensus

Mr. Cochran discussed the following points in reaching a consensus:

- Structural Deficit – Budget still includes approximately \$400,000
- ERIP – One-time savings of \$450,000 this year that we won't see next year (early retirement/teachers)
- Staffing Levels – are higher than what some would like to see; lower than what some would like to see
 Millage – Perhaps higher than some would like to see it this year; lower than what some would like to see, especially in light of Act 72 issues
- Spending – Growing faster than some would like to see it grow; has grown less than some would like to see it grow in the baseline year of potential Act 72 back-end referendum
- Opinions – are 18 valid opinions from nine elected officials plus the administration's opinions

He stated that it's a matter of coming to a compromised consensus. The administration liked the first budget that included money for future building.

**CHANGES TO
 PROPOSED
 BUDGET –
 DIR. OF
 BUSINESS &
 OPERATIONS
 (Continued)**

Budget Adoption Schedule

Mr. Cochran reviewed the budget adoption schedule:

- Adopt/Post Preliminary Budget – Monday, 5/9/05, 7:00 p.m. (Board Work Session – Admin. Office Large Conference Room)
- Approve Final Budget – Monday, 6/20/05, 7:30 p.m. (Regular Board Meeting – Unionville High School LGI Room)

In response to Mr. Wandersee's question, Mr. Cochran stated that the budget would be posted on the district's website.

Mr. Wandersee complimented Mr. Cochran his fine job in reviewing the changes to the preliminary budget. We have a document that not everyone is happy with but with which they may be able to live.

Comments from the Audience

Jack McDonough, East Marlborough Township resident, asked whether the proposed, revised budget would affect the high school in the curriculum and instruction area. Dr. O'Hern stated that it would not be affected.

Carolyn DiPlacido, Birmingham Township resident, commented regarding special education services at Chadds Ford Elementary School. She thanked the Board members for speaking with them and for reading their e-mails, etc.

Bruce Yelton, Pocopson Township resident, commented that there was no discussion at the meeting on Monday evening from the Board regarding cutting the expenditures. They represent two to three times the rate of inflation and your budget reserves will disappear in two to three years. We should be giving lower tax rates. He stated that we have added seven new teachers per year on average since 1999-2000 to lower the student/teacher ratio. Mr. Yelton suggested that we eliminate the nine new positions and not fill the 18 retirements that occurred last year. This would bring the student/teacher ratio to what it was in 1999-2000. When you put a body in a position, it's hard to lay off that person.

Mr. Wandersee stated that he appreciated the consistency in Mr. Yelton's comments regarding the budget.

**CHANGES TO
PROPOSED
BUDGET –
DIR. OF
BUSINESS &
OPERATIONS
(Continued)**

**RESIDENTS'
COMMENTS**

Board Discussion

Mr. Wandersee stated that it's not a perfect world and no one is totally thrilled with this budget (not enough cut; don't have enough in there). The administration feels they can live with this budget and perform. In terms of the operating deficit, we have done this a few times before. Last year, we were at ~\$1.2 million in operating deficit. Mr. Cochran stated that there was conservative budgeting on both sides and this year, we're at close to break even. Mr. Wandersee stated that we would have to think twice before we start doing new initiatives. We have a budget that is pretty tight but fair.

Mr. Knauss commented that he looked at the budget and saw a 7% increase in expenditures and a 3.1% increase in the millage rate. He commented specifically regarding the retirement incentive (one-time @ \$450,000) and the spending down of the fund balance (\$1.7 million) that will not be available in the future. Mr. Knauss also mentioned the hidden costs of new hires using a low starting salary of \$46,000 rather than a lifetime average of \$60,000. When they are here for a number of years, we will be paying much more for their salaries.

Regarding the long term, Mr. Knauss commented about classroom space, utilities, travel, educational reimbursements, support staff, building allocations and substitutes, which he estimates to be about \$50,000/year/teacher. He actually estimates the spending increase to be 8.7% with its difference guaranteed to show up in future years. A 3.1% millage increase is really 7.9% with the decisions made tonight. He cannot vote for this budget when he sees the real underlying cost implications. He and Bob both come out with spending increases that are significantly larger than those presented in our legal document.

Mr. Swayze inquired to Mr. Molleca as to whether we had properly addressed the special education scheduling. Mr. Molleca stated that he had spent time with Mrs. Stone yesterday and they came up with a schedule that she feels can work (1.5 teachers for special education at Chadds Ford).

Dr. Kenney indicated that they had spent today and yesterday reviewing their schedules and are pretty comfortable with these numbers (1.5 at this point). One of the difficulties we were having was a misunderstanding of what was required. Mrs. Stone thought she had to block K-3 reading all the time (i.e. 9-11:00). We discovered after talking with Mrs. Schwab that we want to block 1st, 2nd, and 3rd grades but not K through 3rd. When we realized that was what was occurring district wide, it was a lot easier to match up the schedules.

BOARD DISCUSSION (Continued)

**BOARD
DISCUSSION
(Continued)**

In looking at class sizes regarding Chadds Ford, we had three additional 4th grade enrollees and have broken that out to three classrooms as opposed to two classrooms. We discussed how we are going to teach the accelerated math. It will only be a smaller issue in 3rd grade next year. Our budget leaves us with two reserves instead of three. If we get a large influx of special education students, there or anywhere else, we'd have to add staff.

Dr. Kenney referred to Mrs. Trigg's comment the other night regarding 4% special education students at Chadds Ford. He stated that when you're looking at students across the district, you must include speech also (not just learning support) since it's a much larger number. If you looked at learning support only, he would suspect that the numbers would be relatively similar.

Mr. Swayze thanked everyone for working so diligently. He would love to see a balanced budget and sees Mr. Knauss's arguments. However, if we were to leave many things the same, the ending fund balance would end up significantly higher and he believes 4.5% is realistic.

Mr. Murray commented that in looking at the April 11th new salaries and benefits, if you took out all new positions and hired no new positions, gave back our retirement incentives, decreased medical and PSERs about half, we'd still have the curriculum and instruction, special education, debt service for the HVAC. If we hired nobody, our expenditure budget would go up 5.6% with no new hires with just what is in the contract and inflation. It does not address the program and quality of our education that we want to offer.

It concerns him that we don't have direct control over our budget going up 5.6% (24% medical benefits, increased special education students who are identified). We don't have control over all of these things nor that the legislators give us control over. He doesn't have a way for the board holding expenditure budgets down to a level of inflation. How can you do it at the local level when it's not being controlled anywhere else? He does not have an answer.

We are fortunate that we provide the educational product that we do, our housing values go up, new people move into the district. With the same taxes every year, we have more money in the same level of taxation.

Mr. Murray also echoed Mr. Knauss that although salaries are approximately what they are now and the average is \$60,000 over a lifetime, the value of a mill goes up dramatically. He doesn't think you can look at the value of a teacher over a 30-year life and expense that to today unless you're going to expense the value of the mill over that 30-year history of the expenditure period as well. You might want to present value back the value of a the \$60,000 teacher and you might come up with what we have today.

Mr. Wandersee stated that nobody doubts what Mr. Murray said and what Mr. Baker said on Monday. Any expenditure will be driven 5-6% every year, year after year, because it's normal growth. There are not many on the Board who are tighter than he is but he looked at the positions here. He looked at the guidance counselor and spoke with a lot of people outside the district. Mr. Wandersee has the greatest regard for Mr. Knauss's research. We've got to try to put the brakes on that but never look at bottom end of the pyramid. If we put something on top, we have to take something off the bottom. We should look for opportunities to change in the future.

Mrs. Brown felt speechless and doesn't see how we don't address the staffing issues that we have addressed this year. They are expensive but needed. She thought about living without the air-conditioning but Mr. Knauss did not agree with her. The district will pay for that over 20 years. Those kinds of things we do throughout the year affect the budget now. We can't stop that now because these needs are important but when it comes to budget time, we can't forget the choices made during the year. We have to pass a budget and address the needs we have.

We have fairly good arguments for the positions we are hiring this year. Mrs. Brown is concerned with the positions in reserve and we have already spoken for 1.5 positions. Mrs. Brown has heard from a lot of retired taxpayers as to how they feel regarding Act 72. She does want to keep those people in mind parents should thank the retired people who are footing this bill for us every year. If we pass a budget that is close to the rate of inflation, it is not irresponsible. Most West Marlborough residents hate growth, but it does help to spread the tax burden.

Mr. Knauss stated that he might have looked at the HVAC project twice if he had known all of the implications in the budget (PSERs, etc.). If so, he may have made a different decision. He stated that the administration did try to make two very difficult decisions regarding the guidance counselor and the special education positions. Mr. Knauss is uncomfortable that the Board added them back into the budget. They are good positions and he understands why they are there but somewhere you have to stop adding positions or draw the line.

Mr. Baker stated that when he was elected, the three pieces he tried to bring were that there needs to be a strong balance between three competing sources that all pull in equal directions:

1. Fiscal responsibility – make sure district is run in a prudent way and that we shepherd the taxpayers' money in a way that is proper

**BOARD
DISCUSSION
(Continued)**

2. Curriculum & Instruction – We have to provide truly outstanding curriculum and instruction. What touches the kids is the product of our school district. It's what makes our district great and we have to care for it with great attention.
3. Learning Environment – The fact that we are financially secure and providing great curriculum and instruction is of no use unless we're providing an appropriate learning environment.

Mr. Baker commented regarding the above competing sources:

1. Fiscal Responsibility – We have a unique situation and the probability of facing back-end referendum is real whether or not we choose to opt in or out of Act 72. If we ignore Act 72, it would be as though we were driving down the road while seeing an oncoming car and in order to address it, we put on a blindfold - the car will hit us. How significant is that into this discussion? It might mean a teacher. Mr. Baker is not aggressively pursuing overspending on the part of the district. We have a unique set of circumstances.

Last year, when looking at a deficit budget, we discussed the nature of that deficit (1/2 conservative and 1/2 retirements). It was argued that we want to avoid a structural deficit budget which last year was unacceptable but is now okay for one year.

2. Curriculum and Instruction – He buys into Dr. Kenney's vision. We have achieved the highest academic performance in the state and we should continue to raise the bar.
3. Learning Environment – Mr. Baker voted no on the HVAC project because he didn't believe it was in context. He believes it is important that we look at the entire campus – middle school and high school. He has argued in context that it's easier to vote for a \$40 million campus plan than to vote for a \$6.5 million partial plan.

There are some substantial expenditures with regard to the middle and high schools in the near future and he wants to make sure those don't fall by the wayside. He does not like this budget and the deficit spend but realizes that we need to move it ahead but we're not done until we get to the end of the game. He reserved the right to flip-flop on that.

**BOARD
DISCUSSION
(Continued)**

In response to Mr. McClaskey's question regarding whether medical expenses in the budget were in stone now, Mr. Cochran stated that we were conservative in our budgeting and are progressing to a self-funding model and were using the numbers that were given to us so far. He commented that it's not likely the numbers will change but one year in this model will give us a better feel.

Mr. McClaskey asked whether we would be able to cover the structural deficit with additional transfer tax or other additional revenue. Mr. Cochran stated that the transfer tax has been disappointing and has come in slower from the assessment office backlog. He hopes the estimates will show themselves to be extremely conservative and we will have a catch-up dollar in the beginning of the 2005-06 school year that will help us.

After looking at the numbers over the last five years, Mr. McClaskey stated that he is concerned with the growth in new staff. At the middle school, there appeared to be 7.7 new hires and a growth of 18 students. He sees three more in this budget. We have this bubble moving through it and it will be through in a year. He might look at cutting the budget there.

Mr. Baker stated that we spoke of the analysis of the structural deficit for next year. Mr. Cochran did not have an opportunity to do that. Mr. Baker stated that when we get to June, that will be an important element to him since his wish is to look at a multi-year horizon.

Mr. Wandersee commented that multi-years are great but you also set a point that one of our responsibilities is also to maintain high academic standards. On that standpoint, we all agree. We could philosophize for a long time and change property taxation to some other form of taxation.

Mrs. Trigg clarified her interest in having a sufficient number of reserve positions. It would not surprise her if we needed an additional first grade class a Chadds Ford or Unionville Elementary next year. We may need these positions next year in order not to start with 22+ in K-3 and 24+ in 4-5. Those are the reasons she wants to reserve positions, not for fluff. She is not completely comfortable with the level, but she can live with it.

Mr. McClaskey asked whether this limits us to the number of people we can hire. Mr. Cochran stated that we could take it out of the budgetary reserve or add it if the budget is not adopted. There is money in here but you can only spend the budgetary reserve once. Dr. Kenney added that this also increases the structural deficit number.

Mr. Wandersee requested a voice vote in favor of the budget proposal:

Mrs. Trigg –	Yes
Mrs. Swayze –	Yes
Mrs. Brown -	Yes
Mr. Knauss –	No
Mr. Murray –	Yes
Mr. Baker –	Yes (allow to move forward to the next step)
Mr. McClaskey –	Yes (“ “ “ “ “ “)
Mr. Wandersee -	Yes

Mr. Wandersee stated that with at least five yes votes, we could put the proposed budget to a vote for tentative adoption at the next meeting on May 9, 2005.

The meeting was adjourned at 8:20 p.m.

Respectfully submitted,

Kathleen M. Brown
Secretary

**DIRECTION TO
ADMINISTRATION FOR
PRELIMINARY
BUDGET
ADOPTION**