



UNIONVILLE-CHADDS FORD SCHOOL DISTRICT
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**SCHOOL BOARD
 BUDGET HEARING**

**Minutes
 May 4, 2009**

The budget hearing of the Unionville-Chadds Ford Board of School Directors was held on Monday, May 4, 2009 in the Unionville High School Large Group Instruction room. Mrs. Brown called the meeting to order at 7:00 p.m.

The following members were present: Kathleen Brown, President, Karen Halstead, Dr. Paul Price, Dr. Corinne Sweeney, Timotha Trigg, Edward Wandersee, and Dr. Therese West. Also present were Sharon E. Parker, District Superintendent, Dominick Guisepppe, Rich Hug, Rick Hostetler, John Nolen, Dr. John Sanville, Bruce Vosburgh, Gail Wolfel, community residents, members of the press, and Denise Miller, recording secretary.

Mrs. Brown stated that Mr. Cochran could not be here this evening because of a death in his family.

Superintendent Parker stated that great credit is due to Bob Cochran for his work in preparing the 2009-2010 Preliminary General Fund Budget.

Ms. Parker stated that the budget book provided an overview and budget details. The Control Point format began in 1982-83 for accountability and budget monitoring, which includes revenues, expenditures summary, and expenditure details. The Revenue Data section details supporting local, state, and modest federal revenues. The Non-Central Control Point section includes all buildings, support departments (exclusive of Food Service), and other Central Office responsibilities. Central Salaries and Benefits are monitored by the central office, and preparation is based on a vital working relationship between the Human Resources, Business and Curriculum offices, and the Building Principals and Superintendent. Items that are not directly related to the operations of a building or department or are not salary and benefit related are included in Other Central Control Points (i.e. debt service, fuels and utilities, charter schools, etc.). The Other Data section contains statistical and informational data to aid in the review of the budget details.

Ms. Parker reviewed the following points regarding the Budget Overview:

▪ Total Revenues -	\$69,573,960	2.74%
▪ Total Expenditures -	<u>70,049,336</u>	3.23%
▪ Operating Deficit -	(475,376)	
▪ Beginning Fund Balance -	<u>2,904,002</u>	Est.
▪ Ending Fund Balance -	<u>2,428,626</u>	3.47%

Our practice in Unionville-Chadds Ford over a number of years has been a very conservative look at revenues. The operating deficit represents unanticipated scenarios in the educational realm of possibilities.

CALL TO ORDER

**MEMBERS
 PRESENT**

**COMMENTS
 FROM
 SUPT. PARKER**

**2009-10 General
 Fund Preliminary
 Budget**

Budget Overview

Ms. Parker reviewed the next slide that outlined the “big picture”:

- Values
- Vision – in the Strategic Plan
- Assessments – Instructional, Academic
- Revenue Trends – History of trend and where we anticipate it to be
- Resource Conservation – Maximize resources; Plan to reduce consumption
- Priorities – External mandates; Compliance
 - Cost associated with them (i.e. Recent Swine flu outbreak – can be suddenly imposed and of significant consequence (FERPA, OCR, OOR, etc.)
- Environmental Expenses – Economy vs. Economics

The “Big Picture”

She reviewed the 2009-10 Expenditure Increase Summary as follows:

▪ Salaries:			
New Positions	\$	- 0 -	
Existing Positions (net of retirements)		<u>486,034</u>	\$ 486,034
▪ Benefits:			
New Positions		- 0 -	
Medical / Dental		176,775	
PSERS (net of Rate Stabilization)		26,620	
Other		<u>(28,294)</u>	175,101
▪ Curriculum & Instruction			(196,946)
▪ Building Allocations			(25,477)
▪ Special Education			889,287
▪ Debt Service			740,042
▪ Pupil Services			760,102
▪ Other Areas			<u>(616,189)</u>
▪ TOTAL			<u>\$2,211,954</u>

**2009-2010
Expenditure
Increase
Summary**

There are no new positions budgeted for this school year, nor any reserve positions. Last year, \$855,926 represented the cost for new positions. Substitute costs of \$760,000 moved to contracted services due to the outsourcing of substitutes with STS. Benefit costs are under better control due to self-funding.

The decrease in Curriculum and Instruction is based on the cyclical nature and multi-year phase-in of materials. Mr. Batchelor stated that a very thoughtful process occurs every five years regarding what is needed. The belief for next year is to respond to needs at a little lower cost due to what is on the curriculum cycle. We hope to phase in some textbooks over a few years for cost effectiveness. The current economic situation is also taken into account. Ms. Parker stated that there are no new programs planned.

The Debt Service amount does not use any reserve funds. Stimulus Funds from I.D.E.A. total \$375,000, and guidelines continue to be received from the Chester County Intermediate Unit with details on a daily basis.

The 2008-2009 Expenditure Increase Summary was reviewed:

▪ Salaries:			
New Positions	\$	855,926	
Existing Positions (net of retirements)		<u>1,563,845</u>	\$2,419,771
▪ Benefits:			
New Positions		340,473	
Medical / Dental		464,520	
PSERS (net of Rate Stabilization)		(165,253)	
Other		<u>56,693</u>	696,451
▪ Curriculum & Instruction			222,791
▪ Building Allocations			21,986
▪ Special Education			94,592
▪ Debt Service			(184,946)
▪ Occ. Ed., I.U. & Other Education			33,868
▪ Other Areas			<u>230,634</u>
▪ TOTAL			<u>\$3,535,147</u>

**2008-2009
Expenditure
Increase
Summary**

This overview reconciles the 2008-09 budgeted expenditures to those in 2007-08. The figures for new salaries, curriculum and instruction, and debt service are of particular note.

A pie chart of the Expenditure Summary was reviewed:

▪ Personnel Costs		
▪ Central Salaries & Benefits	71.58%	
• Substitute costs moved to Pupil Services		
▪ Other Categories	0.78%	
○ Debt Service -	11.26%	
○ Special Education		
▪ Continues to be a significant and Growing Portion	4.47%	
▪ Continues to be the most volatile category		
○ Fuels/Utilities -	2.60%	
○ Building Allocations -	1.87%	
○ Buildings/Grounds, Transportation -	2.17%	
○ Curriculum, Technology, Pupil Services -	2.89%	
○ Other -	3.16%	

**Expenditure
Summary**

Central Salaries were reviewed:

- 78.36% - Direct Educational Delivery & Student Services
- 12.18% - Buildings & Grounds and Transportation
- 7.32% - Administration
- 0.00% - New Positions

The majority of labor is used for direct classroom interactions. No other CCIU school district employs its own transportation fleet. We are proud that we do and maintain it in that manner. The "Other" category includes extracurricular and safety (crossing guard) costs. New personnel requests amount to 0.00% in this budget.

Central Salaries

Ms. Parker outlined the salary history from 2001-02 through 2009-10:

- Substitutes - Moved to Contracted Services under Pupil Services Control.
- Prep Level Moves – 1.36%
- No New Positions or Reserve Positions
- No New Supplemental Contracts

We are not banking any positions and will come back to the Board if mid-year adjustments are needed. No programs are being cut, and no new programs are being added.

She reviewed a chart regarding the benefits history:

- Either Contractual or Statutory
- Medical / Prescription
 - 2009-10 is the fifth year of self-funding medical / Rx
 - Medical up 4.10%
 - Rx up 4.82%
- PSERS (PA School Employees Retirement System)
 - 4.78% vs. 4.76%
 - Used 6.20%, which was also used for 2008-09
 - Transfer \$511,378 to PSERS Rate Stabilization Fund

Indications are favorable to surrounding districts that did not move to self-funding. Mr. Joseph Lubitsky, Chester County Intermediate Unit, credited Mr. Cochran for bringing this option to the districts. The growth and usage have been manageable, due, in part, by the HR Department's wellness program.

The PSERS rate is projected to spike 16.40% or higher of payroll by 2012-13. The 2008-09 budget included a \$500,000 rate stabilization fund contribution that may or may not be made, based on the final 2008-09 outcome. The 2009-10 budget also includes a \$500,000 rate stabilization fund contribution. The contributions will allow for a phasing in of this spike that is dictated to us by state law.

Ms. Parker reviewed a chart that depicted Self-Funded Healthcare premium changes from 2000-01 through 2009-10. The low point was seen in 2003-04, with self-funding beginning in 2005-06. A reserve was being built to protect against future high rate increases. Recent years' actuarially determined rates have been 10% or less, with the last two years at 5% or less.

The following points regarding Spending Control/Revenue Enhancements were reviewed:

- Allocation Index has remained frozen for four years, despite CPI and Act 1 Index growth
- No new staff positions
- Use of outside service for substitutes to obtain better data on substitute usage
- Conference attendance restrictions put into place
- Energy Management Program has helped to control increasing costs of utilities
- More aggressive grant writing
- Economic stimulus funds

**2009-10 General
Fund Preliminary
Budget
(Continued)**

Salary History

Benefits History

**Self-Funded
Healthcare**

**Spending
Control/Revenue
Enhancements**

Ms. Parker stated that a sense of disequilibrium is felt with these changes. Grant writing has been extremely impressive, not only for new programs but to fund personnel costs and many alternative sources of revenue. Lele Galer met with the administrative team and offered to work with staff in obtaining funds. Conference attendance has also been restricted.

Rich Hug, Director of Technology and Communications, reviewed 3rd-day Enrollments from actual figures in 2004-05 to projections through 2018-19. The most recent five-year history shows growth from the 3,900 range to approximately 4,100 in 2007-08 and 2008-09. Although the 2008-09 3rd-day enrollment was down from the 2007-08 figure (4,095 vs. 4,130), the 2009-10 projection is at 4,118 but current actual enrollment is at 4,132. The leveling out that occurs during 2010-11 to 2012-13 is the construction period for UHS. Third-day enrollment projections can change significantly when recalculated each fall (i.e. economic downturn with people going from private to public schools).

Mr. Hug outlined the revenue summary:

			<u>Change</u>
▪ Local Revenues -	\$59,084,395	84.92%	3.50%
▪ State Revenues -	10,304,022	14.81%	(1.24%)
▪ Federal/Other Revenues - (Title I)	185,543	0.27%	(8.46%)

Mr. Batchelor stated that Title I funding will be reduced for us next year. This is due to our economics in U-CFSD (one of 51 districts in Pennsylvania that is affected).

Mr. Hug reviewed Revenue Trends from 2001-02 through 2009-10, noting the following points:

- Interim and transfer taxes can fluctuate significantly; Delinquent taxes have been the most stable of the three
- Conservative budgeting – from a high of nearly \$4 million in 2003-04 to a baseline of \$2.5 million this year and next (10-year low)

The millage impact from 2001-02 through 2009-10 was reviewed:

	<u>Chester Co.</u>	<u>Delaware Co.</u>
Current Millage -	22.53	21.14
Proposed Millage -	23.91	20.97
Percentage Change -	6.13%	(0.80%)
Impact on Average Home- Estimated State Gaming Funds Offset to Qualified Homestead Properties	\$378.01	\$(39.79)
2009-10 -	\$228.55	
2008-09 -	\$232.81	

Delaware County's rate increase has been higher in 10 of the last 20 years. This is the second year that Delaware County has seen a decrease, while Chester County increased (2007-08). The calculation for the split between counties is based on Section 672.1(a)(1) of the Pennsylvania School Code. This is the second year of State gaming revenues, and the estimate is to reduce qualified tax bills by approximately \$228.

**2009-10 General
Fund Preliminary
Budget
(Continued)**

**Third-Day
Enrollments**

**Revenue
Summary**

Revenue Trends

Millage Impact

Mr. Hug reviewed the Assessed Value Changes from 2001-02 through 2009-10. Eight-figure growth was seen in Pocopson and Chadds Ford (Toll Brothers developments). Declines were seen in three townships (assessment appeals). The overall assessment growth was 1.45% (0.63% in Chester County; 4.62% in Delaware County). The significant difference from last year (Delaware County) is impacting the millage split.

A chart was shown to indicate the annual percent change in market value from 2001-02 through 2009-10. Market values are determined by the State Tax Equalization Board (STEB) each year. The second chart showed the share by county from 1999-00 through 2009-10.

The millage changes from 2001-02 through 2009-10 were reviewed. Mr. Hug outlined the factors related to these changes:

- Market value ratio change
- Assessed value growth
- Expenditures growth
- Other revenues growth
- Targeted fund balance

The difference in change has varied:

- Low 0.06% percentage points in 1997-98
- High 9.94% percentage points in 2008-09

The millage history from 2001-02 through 2009-10 was reviewed for Delaware and Chester counties.

Mr. Hug reviewed the fund balance for 2001-02 through 2009-10, noting the following points:

- 2009-10 ending at 3.47%
- Maximum budgeted ending fund balance is 8%, effective 2005-06
- Ending fund balance as a percent of spending is a reflection of the economic times
- Fund balance consideration does not include amounts in the Capital Reserve Fund, Healthcare Trust Fund, Debt Service Reserve Fund or the PSERS Rate Stabilization Fund.

The fund balance target has been in the 3.5–4.5% range historically.

A chart that outlined Reserve funds was displayed for 2001-02 through 2009-10. The three additional reserves were established since 2005-06 for the Debt Service Reserve Fund; Healthcare Trust Fund; and PSERS Rate Stabilization Fund.

The breakdown of the State Gaming Property Tax Relief allocations was reviewed. Unionville-Chadds Ford would receive \$1,488,528 (virtually unchanged from 2008) and divide it among the 6,517 eligible homesteads at \$228 per parcel.

**2009-10 General
Fund Preliminary
Budget
(Continued)**

**Assessed Value
Changes**

**Market Value
Changes**

Millage Changes

Millage History

Fund Balance

Reserve Funds

**State Gaming
Property Tax
Relief**

Ms. Parker commented regarding the areas to which the budget reflects and responds:

- World Economic Situation - Spending responsive to revenue constraints
- Long-Term Needs of the District - UHS Building Project funding and debt service is within 11.50% of total spend
- Environmental Economy – Escalating costs of most everything else
- Population Projections – No additional staff based on near-term student enrollments
- State and Federal Mandates – Ever-increasing need for special education services

She reviewed information regarding the Act 1:

- Millage increases limited by Index
 - 2009-10 Index is 4.1%
 - Exceptions are based on dollars (not percentages) and are applied disproportionately in multi-county situations
- U-CFSD applied for Exceptions
 - Special Education - \$638,709
- Maximum Millages with Exceptions
 - Chester County – 23.91 mills
 - Delaware County – 22.01 mills

Superintendent Parker reviewed the 2009-10 budget adoption schedule:

- Additional Budget Hearings – May 5 and 6, 7:00 PM, UHS Library (if needed)
- Post-Present Proposed Final Budget – Monday, May 11 Work Session, 7:00 PM, UHS Library
- Approve Final Budget – Monday, June 15 Regular Board Meeting, 7:30 PM, Pocopson Elementary School Gymnasium

She extended her thanks to Mr. Cochran, Mr. Guiseppe, and the Business Office staff for their excellent work on the budget.

Dr. Price complimented Mr. Cochran on the good job in taking the economic condition into account. The Act 1 limit will be lower and the PSERS rate will be three to four times what it is today. The reserves may not be enough to lessen the impact. This seems to be a reasonable budget without a lot of excess.

Dr. West agreed with Dr. Price's comments. She referenced the 3.26% budget increase from last year and the Act 1 index at 4.1%. Since we increased to the index last year, Dr. West inquired about how much below the index we were this year. Dr. Price responded that we were at the same level with the remainder in the reserve funds.

Mr. Wandersee stated that Mr. Cochran, Mr. Guiseppe, and the other staff members had done a fantastic job on the budget. Specifically, he commended them for not adding new hires and for the health care self funding. It is clear that we need to obtain every dollar to the full index. This is an outstanding school district, and he will not quibble over a dollar in one account vs. another. The fund balance is exactly where it should be; it's distressing to see some districts still up at 8%. We are in trying times and will have a lot of unemployment for a long time in this society.

**2009-10 General
Fund Preliminary
Budget
(Continued)**

**Budget
Reflections &
Responses**

Act 1

**Budget Adoption
Schedule**

**BOARD
MEMBERS'
COMMENTS**

3.a.7

In response to Mrs. Halstead's question, Ms. Wolfel stated that we were trading in three buses. She inquired as to the possibility of keeping one more bus to help ease problems with the sports teams. Mrs. Halstead commented positively regarding the administration's review of course loads and the personnel inventory. She emphasized the costs for special education students, with many additional special needs students coming to the district. Mrs. Halstead attended two legislative meetings last week where the discussion centered on special education costs.

Mrs. Trigg commented about the typical inclusion in the budget of an extra position for elementary class size balancing. She has been receiving questions as to whether it is still our priority to maintain the target of 25 students and find savings elsewhere. Ms. Parker stated that we want to be able to have 25 as our target, but most importantly, an environment where positive teaching and learning can flourish. We have reviewed the projections carefully. If an influx is seen from non-public schools, we will make adjustments accordingly. Mr. Wandersee stated that we should analyze the situation on the grounds at that time.

In response to Mrs. Trigg's question, Mr. Wandersee stated that, in following Governor Rendell's budget proposal, you may see a cut (not an increase) in the state's special education funding formula. Mrs. Trigg commented about discussion at a recent legislative breakfast that would be favorable to us in increasing special education funding. Mr. Wandersee stated that, in his experience, the discussion and what transfers can be very different. Ms. Parker stated that our experience and services are IEP-driven, based on actual documents.

Public Comments

Bruce Yelton, Pocopson Township resident, asked whether the Act 1 exceptions had been approved. Ms. Parker responded that the exceptions were granted by the state. Mr. Yelton inquired about whether the district expected residents in the Toll Brothers neighborhood to appeal their assessments. Ms. Parker stated that we did not have an answer to his question.

Vic Dupuis, East Marlborough Township resident, asked about the size of the private school population in the district. Ms. Wolfel stated that we transport close to 500 private school students, but there are many we do not transport. In response to his question regarding the 11.5% cap on bond debt, Mrs. Brown stated that the history had been reviewed regarding the trend. Dr. Price stated that Mr. Baker looked at the limit when it was high and the goal was never to exceed that high mark (the guideline for what we could handle previously without impacting programs).

In response to Mr. Dupuis' question, Mr. Hug stated that the average credit to taxpayers from the gaming revenue would be about \$228 for those who applied for the homestead exemption. Mr. Dupuis asked about whether the reserves are projected to stay stable over the course of the next budget year. Ms. Parker stated that they are situationally driven. Mrs. Brown commented about the hope to increase PSERS contributions each year to even out the impact and the possible effects from health care events.

**BOARD
MEMBERS'
COMMENTS
(Continued)**

**RESIDENTS'
COMMENTS**

Jeff Hellrung, East Marlborough Township resident, inquired about a breakdown of the \$900,000 increase for special education. Mrs. Brown stated that additional costs could be attributed to the increased scope of services for some children. She is asking for an Executive Session after tonight's meeting regarding one situation. Mr. Guiseppe stated that the amount includes regular funds for IDEA and an additional \$375,000 from stimulus funds. The increase on the budgetary side is offset by an increase in revenue on the federal side. The expenditure of stimulus funds is being determined as part of the application process to utilize those funds. Ms. Parker stated that we are monitoring the regular updates regarding federal stimulus money from Ambrose Finnegan at the Chester County Intermediate Unit. We may see a different figure when we come down for final approval.

Keith Knauss, East Marlborough Township resident, asked whether the Board had planned ahead by reviewing three- to five-year projections regarding revenues and expenditures and whether there was something we should be doing this year in planning. He stated that the 11.5-12% debt load was fine before the Act 1 index was here because the Board could raise revenue if needed.

Mrs. Brown and Dr. Price stated that Mr. Cochran had completed a review regarding projections. Mr. Wandersee stated that we have definite concern about this, and it has been reviewed. We recognize that 11.5% will be tough, and will put some restrictions on programs, etc. In response to Dr. Price's comment, Ms. Parker stated that Bob Cochran's projections for five years would be presented at a special Board meeting on Thursday evening to discuss the UHS Project.

Mr. Knauss inquired as to the availability of the five-year projections. Mr. Wandersee commented regarding the Board's brainstorming, stating that the recession is not very reassuring. We don't know what the economy will be in two years but hope it will be a lot better. The implication that the Board is not thinking about this is resented. Mrs. Brown added that the projections Mr. Knauss had done would be wrong now. We have an idea of what our population will be and are looking at our tax base. We will have better numbers next week. It's rather a question of the numbers not being firm than a question of the Board not looking at them. We are planning on how we can provide a quality education with what we have.

In response to Mr. Knauss's statement that administrators in the Owen J. Roberts School District were asked to forego pay raises, Mrs. Brown stated that they volunteered to do so. Ms. Parker stated that the discussion had not taken place. It will be announced to the community following such discussion.

In response to Mrs. Brown's question, Board members concurred that there was no need to meet on Tuesday or Wednesday evenings. She requested that Board members send an e-mail to Bob Cochran with any questions.

Ms. Parker requested a brief Executive Session regarding a pupil personnel matter.

The meeting was adjourned at 8:15 p.m.

Respectfully submitted,

Robert W. Cochran, Secretary

**RESIDENTS'
COMMENTS**

(Continued)

**MEETING
ADJOURNED**

3.a.9