

**UNIONVILLE-CHADDS FORD SCHOOL DISTRICT**  
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**SCHOOL BOARD**  
**BUDGET HEARING**  
**Minutes**  
**May 5, 2003**

The budget hearing of the Unionville-Chadds Ford School Board was held on Monday, May 5, 2003 in the Unionville High School LGI.

Mr. Brown, President, called the meeting to order at 7:00 p.m. He requested that the group stand for the Pledge of Allegiance to the flag.

The following members were present: Herb Brown, Corinne Sweeney, Kathleen Brown, Keith Knauss, Stephen McClaskey, Anne F. Michelini, Ed Murray, Bruce Swayze, and Ed Wandersee. Also present were Dr. Jack Kenney, Superintendent, Brenda O'Hern, Robert Cochran, Marvin Shapiro, Bob Bertrando, Tom Marinelli, Bruce Vosburgh, Charlene Stone, Tom Wood, Rick Hostetler, Rich Hug, Marie Wickersham, community residents, members of the press, and Denise Miller, recording secretary.

**MEMBERS  
PRESENT**

Mr. Brown welcomed everyone to the budget hearing, stating that agendas and copies of Mr. Cochran's Powerpoint handout were available in the back of the room. He reviewed the budget process that begins in the fall with data gathering and revenue projection through March/April of the following year.

Mr. Brown stated that budget books were distributed to board members on April 22. A budget work session that was open to the public was held on April 29 and included a presentation by the administration with highlights. Tonight is the first of three meetings (followed by meetings on May 6 and May 7 if needed). Preliminary budget adoption is scheduled for May 12 and the budget will be posted on the district web site or copies will be available at the District Office. Mr. Brown invited public comment during this period prior to final adoption at the regular board meeting on June 16. We will begin this evening's meeting with comments from Dr. Kenney followed by Mr. Cochran's presentation for the public. Mr. Brown will review a summary of procedures for board discussion, proceed to discussion and changes, and provide direction to the administration accordingly.

**OVERVIEW –  
BUDGET  
TIME LINE**

Dr. Kenney welcomed everyone in attendance. He commented about the process, which began on August 5 when he arrived. In looking at the budget for the following year, you need to know where you are for this year. The administration proceeds with a study of revenue and budget projections to see what we have to do to prepare this budget.

**DR. KENNEY'S  
COMMENTS**

**3.a.1**

Dr. Kenney reviewed some known factors such as labor costs, fringe benefits, pension contributions, needs in the buildings and those in working with Buildings & Grounds and Transportation. Some unknown items include revenue projections, based on history as well as state and federal government subsidies for Unionville-Chadds Ford. He provided an overview of revenues and projections for this year:

Total Revenue -	\$48,670,466 - +8.46% over 2002-03
Expenditures -	<u>\$49,960,957</u> - +9.11%
Deficit -	(\$1,290,491)
Beginning Fund Balance -	\$3,290,491
Ending Fund Balance -	\$2,000,000

We will use the fund balance to have a projected fund balance of \$2,000,000 next year at this time (~4% of budget). The beginning fund balance projection is based on data acquired from late January of this year.

Dr. Kenney reviewed the millage impact:

	<u>Current Millage</u>	<u>Proposed Millage</u>	<u>Percentage Increases</u>
Chester County –	18.07	18.88	+4.48%
Delaware County -	15.76	16.55	+5.01%

He reviewed the revenue and expenditure summaries as follows:

<u>Revenue</u>	<u>Amount</u>	<u>Percentage/ Total Revenues</u>
Local (Real Estate Taxes) -	\$41,039,923	84.32%
State -	\$7,448,543	15.30%
Federal/Other -	\$182,000	0.37%

**Expenditures**

Personnel (Salaries/Wages/ Benefits)	70.45% of Costs
Most Remaining Items	Fixed or Semi-Fixed Costs
Major Growth Items	Staffing, Pension, Debt Service, Utilities

Due to the K-5 reorganization, staffing for Chadds Ford Elementary, the additional debt service and increases in utilities to open our fourth elementary school, along with air-conditioning costs.

**BUDGET OVERVIEW- DR. KENNEY**

**MILLAGE IMPACT**

**REVENUE**

**EXPENDITURES**

Mr. Cochran, Director of Business Operations, reviewed the following items:

**Revenue Detail**

- Vast majority (77%) is current real estate tax - interim, transfer, delinquent, and interest income
- State revenue – 15.3%; Federal - .37%. The state revenue excluded any impact relative to Governor Rendell’s proposal. The state government will take care of reducing property taxes during the first year. In the second year (2004-05), it will be handed down to school districts. There is little increase in special education and no increase in regular education funding.
- Millages rates are driven by all other budget revenue and expenditure factors (estimated beginning fund balance, expenditures, ending fund balance target, other revenue sources, and growth in assessed values).

**Governor’s Proposal**

- Mr. Cochran reviewed a summary for Chester County
- Districts such as Avon-Grove, Coatesville and Oxford would receive more than a dollar back for every dollar sent to Harrisburg
- Unionville-Chadds Ford would only receive about 47 cents back on a dollar

**Expenditures**

- Control point budget is used – (function/purpose, object/nature) which gives specific information to department heads and supervisors.
- YSYM (*Your School, Your Money*) has added work to the Business Office due to the level of detail maintenance.
- 97% of money is tied up in central control points.

**Control Points**

- Central Control Points – 89.48% of total – include the salaries and benefits, debt service, fuels and utilities, and other areas (i.e. charter schools, insurance, categorical items, etc.)
- Other Control Points – include Buildings & Grounds, Transportation, Curriculum, Pupil Services and Special Education (~10%).

**MR.  
COCHRAN’S  
OVERVIEW**

**REVENUE  
DETAIL**

**GOVERNOR’S  
PROPOSAL**

**EXPENDITURES**

**CONTROL  
POINTS**

**Control Point Details**

- Fixed Control Points – Salary & Benefits, Debt Service, Fuels & Utilities, Special Education (highly volatile)
- Flexible Control Points - Building Allocations, Buildings & Grounds, Transportation, Curriculum, Pupil Services, Other

**CONTROL  
POINT DETAILS**

**Salaries Breakdown**

- Education is a labor intensive industry
- Instructional services equal about 75% of total salaries – directly related to educating the students
- 13.7% - making positive learning environment and getting students there (i.e. Buildings & Grounds, Transportation)
- 7.67% – administer whole program and provide accounting
- 2.3% - related to new staff

**SALARIES  
BREAKDOWN**

**Benefits Breakdown**

- Medical/Dental – Historically fastest growing (not as fast this year based on the tentative Collective Bargaining Agreement)
- PSERS decreases of the late 1990's have reversed drastically (230% increase this year over 2002-03 - \$837,000).
- Benefits driven by statute or collective bargaining.

**BENEFITS  
BREAKDOWN**

**Retirement (PSERS) Rate History/Forecast**

- Just over 20% - 1989-90
- Declined in 1990's to low of 1.09%
- 1.15% in 2002-03 to 3.77% in 2003-04 to a projected 9.53% in 2004-05 (156% increase)
- Combined ratio - state reimburses - \$1.9 million in additional gross costs just on pension

**RETIREMENT**

**Debt Service**

- Some growth - direct result of building projects
- Capitalized interest – applied to 2002 series during 2002-03
- No reduction has been included in the current budget for board consideration of refinancing of the 1999 debt (Include as reduction in this budget or consider to be held to offset in a future year?)

**DEBT SERVICE**

### **Debt Service Structure**

- Plateau for 10 years; after 20 years, district would be debt free!

### **Fuels & Utilities**

- Electricity growing fastest (air-conditioning elementary schools)
- Fuels, electricity, water, sewage, transportation fuels.
- Construction Committee - looking at Energy Education for some potential savings. Believes this is realistic budget for 2003-04.

### **2003-04 Expenditure Increases**

- Total increase of \$4,164,549
- Salaries (new positions) – 14.39% increase; (existing positions) – 18.15% increase
- PSER's (retirement) – going up drastically – 230%
- Debt Service – 23.81% increase

### **Real Estate Taxes**

- Only revenue source over which school district has direct control
- 2.52% growth in tax base this year
- One-tenth mill provides \$165,525. (Chester County) plus \$42,592 (Delaware County)
- 97.8% collection ratio

### **Fund Balance**

- State discussed 8% maximum initially – may not be a dead issue
- Fund balance consideration does not include amounts in capital reserve or construction funds
- 2003-04 Projection – End with \$2,000,000 or 4% of \$50M spending plan

### **Assessed Values**

- Reassessment in 1998 and 2000 makes historical comparison difficult beyond 2000
- Three-Year Growth – modest ranging from 1.44-2.82%

### **Millage History**

- Chester County – 15.05 (2000-01) to 18.88 (2003-04)
- Delaware County – 13.11 (2000-01) to 16.55 (2003-04)
- Three-Year Percent Increases/Growth - Chester County over 10% to 8% to 4.48% now; Delaware County 14% to 5% to 5.01% this year.

## **Mr. Cochran's Overview (Contd.)**

### **DEBT SERVICE STRUCTURE**

### **FUELS & UTILITIES**

### **2003-04 EXPENDITURE INCREASES**

### **REAL ESTATE TAXES**

### **FUND BALANCE**

### **ASSESSED VALUES**

### **MILLAGE HISTORY**

**3.a.5**

Mr. Cochran reviewed the budget adoption schedule with preliminary adoption scheduled for May 12 and final approval on June 16, 2003.

### **Board Discussion**

Mr. Brown reviewed some changes in procedure from the past practice of starting at one end of the table and around. Instead, he asked that board members signal him when they are ready to comment. He suggested that we make motions for change but reserve voting until after the public has had an opportunity to comment.

Mr. Swayze raised questions regarding:

- Section 3, p. 3 – Buildings & Grounds - Operations, Preventive Maintenance – not much of an increase, take into account the cost of Chadds Ford Elementary coming on-line. Mr. Hostetler responded that costs were reduced in some areas but Chadds Ford was taken into consideration.
- Section 3, p. 3 – Curriculum - Summer Salaries – Dr. O’Hern stated that the money is for curriculum writing this summer in areas that were adopted and for finishing Language Arts, Math and Science. In response to Mr. Swayze’s question as to whether it was likely that this will go down next year, Dr. O’Hern responded that it will continue next year because of other areas adopted (Pa. Academic Standards).
- Computers and Instructional Equipment – large increase – Dr. O’Hern stated that there has been for the past two years due to the new adoptions in language arts, math and science at the elementary level. The high school was asked about upgrading equipment (i.e. AP courses, biology, etc.) – planned delay until elementary expenditures were completed. In technology and science, items include a GPS positioning system (Earth & Space Science) – things to allow students more access in science courses. The shift is from textbooks to equipment (i.e. cameras, drafting plotters, dissecting microscopes, etc.).

Mr. McClaskey asked whether she anticipated this movement to go forward or switch back to more textbooks. Dr. O’Hern responded that it will probably include more textbooks or a combination of textbooks and equipment. Mrs. Brown asked about the life expectancy of equipment items. Dr. O’Hern responded that the last time was from the high school bond fund money – about 10-12 years ago. Mrs. Michelini asked if the board could have a list of what this includes.

**Mr. Cochran’s  
Overview  
(Contd.)**

**BOARD  
DISCUSSION**

**Buildings &  
Grounds**

**Curriculum –  
Summer  
Salaries**

**Computers/  
Instructional  
Equipment**

- Line 2220, p. 5 – Salaries/Technology Support – Mr. Cochran stated that this represents professional and support staff in the buildings who work with the teaching staff to use technology as a tool and staff working with the integration of technology into the classroom. This figure grew from 2002-03 (\$503,000 to \$521,000) – they were in place but pulled out of the 1100. series to the appropriate function. The 2818 function went to 2220 (2818 represents Rich Hug and his department with the hardware side of technology).

In response to Mr. Knauss' question regarding technology spending next year, Mr. Cochran stated that items under curriculum will remain at \$400,000. Functions 2220 and 2818 would be based on what you do but should remain consistent except for salary increases. Dr. Kenney commented about discussions with Rich in the past regarding the use of bond fund monies to finance technology if necessary. Mr. Hug stated that the budget was reduced three years ago from \$500,000 to \$425,000. Ninety percent is taken up for repair, replacement, and software, leaving little money for new purchases. We have a five-year cycle of computer replacement but we actually get six to seven years by moving equipment. In response to Mr. Swayze's question regarding whether teachers are functionally capable on computers now, Mr. Hug responded that we are doing as well or better when compared to other districts. We need time for training. Also, the move to academic standards has been a great help. The next few years should be better and better.

Mrs. Michelini commented regarding the \$425,000 savings (last projection from Public Financial Management) on the refinancing of debt. This would take down the budget by about .2% (4.48 to 4.28). Dr. Kenney stated that this is a non-recurring savings. Mr. Cochran mentioned the increases for next year in pension costs and fringe benefits because of the tentative agreement with the association. Mrs. Michelini and Mr. McClaskey agreed that if we can save \$400,000 on refinancing, we should save it on taxes now.

Mrs. Michelini stated that the district goal is to keep to the Consumer Price Index increase of 3.5% (Section 7, pg. 3). The budget this year is 4.5%. If it went down to 3.5%, where would the administration recommend cutting to keep in line with the CPI and enrollment decline this year? Mr. Cochran stated that the calculations used in January indicated less kindergarten students unless the state mandates full-day kindergarten. In response to Mr. Wandersee's question, Dr. Kenney stated that projections for student population are 160-180 for kindergarten (reduction of ~40), +15 students at the senior high school, for a net loss of 25 students K-12. We have reduced a kindergarten teacher by one already. The losses are across the grades where it is difficult to reduce staff. We don't see the loss as having an impact on the number of staff – one position. We do not see a significant increase or decrease.

**Board  
Discussion  
(Contd.)**

**Technology**

**Debt Service -  
Possible  
Savings**

**Align with CPI  
Increase /  
Enrollment**

**3.a.7**

Mr. Knauss stated that he is opposed to long-term refurbishing of capital projects with today's taxpayer dollars. He feels they should be funded by the people who are receiving those improvements and that we should borrow when needed instead of having a rainy-day fund.

Mr. Knauss proposed a motion and it was seconded by Dr. Sweeney to reduce the capital reserve budget from \$300,000 to \$100,000 (budget resolution #1).

Mr. Hostetler discussed his view for funding capital projects, stating that he feels it's not prudent to borrow dollars every time we have a capital reserve expenditure come up (We know these are expenditures that will occur). The long-range plan for capital is relatively minor when we're floating bonds for these types of expenditures. Projects do get deferred from time to time or they have been incorporated into construction projects. The list only includes items in a five-year period (excluding: public water at the high school/middle school; boilers at the high school—35/40 years old; LGI roof at Hillendale). It's prudent to budget for these much as we would for our homes.

Mrs. Michelini commented about our long-range plan expenditures eating away at our capital reserve – while putting in \$300,000 per year. She feels it would not be prudent to take away what is left. It should be reserved – Mr. Hostetler is being conservative. Mr. Knauss has no qualms about the spending but feels it should be financed differently.

Mr. Cochran discussed a related issue with the purchase of vehicles for Transportation - when operating your own transportation, the continual upgrading of the fleet goes from capital to more maintenance of those vehicles. Preventive-maintenance type items are rather sizeable and others are rather diminutive but when they add up together, they equal \$300-400,000. It's more prudent when you have \$300-500,000 – take it to address when the rates are lower. The way it is being done now is a more prudent way.

Mr. McClaskey prefers some minor projects to show up in Maintenance-Operations rather than in capital reserve (should be projects over \$100,000). He would be comfortable in a reduction to split it out over a number of years. Mr. Hostetler commented that as Mr. Swayze had noted previously, there is a modest increase in the operating budget because some smaller items show up in capital reserve. Dr. Kenney stated that we will have other capital projects each year and will continue to have to borrow and burden future boards and citizens as time goes on. Perhaps we should increase the debt service to pay/finance them now.

Mr. Brown stated that he would prefer to defer to the staff we have who are running that area rather than micromanaging them. He fears that if we take it out of capital reserve, we would find ways in very difficult years to cut back on our maintenance, which will cost more. Mr. Swayze reviewed the period when he was on the board previously and Tom Marinelli was in charge of Buildings and Grounds. The buildings were in bad shape because of items that were deferred every year through the 1980's. The costs to make up for really lousy foresight were tremendous. Tom discussed this with the board so that they would listen and understand - we would be making a terrible mistake to go back.

Mr. Marinelli discussed the high school's need for renovation and the administration having been chastised because of maintenance items. That is how we came up with the capital reserve items - without a lot of spikes. Mr. Knauss stated that his proposal is not to defer the maintenance; it's to borrow so the taxpayers who are enjoying it will pay for it .

Mr. McClaskey posed a question to Mr. Cochran that if we come in at 98% of budget on expenditures, is there anything to prevent the board from taking the extra money to allocate it to capital reserve? Mr. Cochran responded that it would be a possibility.

Mr. Knauss asked whether Mr. Cochran was comfortable with the percentage increase in the regular salary line item of about 4%. Mr. Cochran responded that with the added movement of staff members through the steps, which is anticipated to be higher than what we have experienced in previous years, as well as what we have seen in retirement incentives, he is comfortable with that percentage.

Mr. Wandersee congratulated Dr. Kenney and Mr. Cochran for an outstanding job in putting the budget together this year – the best presented in his four years. His only question is the one that Mrs. Michelini had raised regarding what to do about refinancing savings. This would be a significant amount – how do we handle that?

Mr. Brown stated that since the estimated savings from refinancing is a key point of about \$425,000, further discussion may be in order. It would be a philosophical change in using the savings to offset the budget increase, but we also need to be realistic with the PSERs changes – will be a difficult item to handle in future budgets. He would prefer a flat line increase in the budget vs. spikes from 11% to 2%, for example.

Mrs. Michelini commented that she hopes the revenue piece will go up due to new development etc. Dr. Kenney stated that we would also have additional expenses due to new housing, except in age-restricted communities. The estimated \$425,000 would be a one-time savings; in the third year, we will have to go up that much more to offset the Penna. School

**Board  
Discussion  
(Contd.)**

**Capital  
Projects/  
Reserve  
(Contd.)**

**Debt Service -  
Possible  
Savings**

Board Discussion - Mrs. Michelini's Comments (Cont'd.)

Employees Retirement System increases. Mrs. Michelini would like to see the money put back in the taxpayers' pocket and have us sharpen our pencils next year on the budget.

Mrs. Brown stated that this was a huge interest payment – we're talking about refinancing to have a lower interest rate. The money belongs back with the public – not savings for less cost. Mr. Wandersee also feels we should make the savings in the current budget.

Mr. Murray stated that he understands what everyone is saying but submits that any change - whether additional fund balance or reducing the overall tax burden - should not be done until the final budget adoption (The money may be there but it might not be there.). He suggested that we see if the money is available on May 19 before spending it.

Mr. Cochran commented that board members should keep in mind that if \$425,000 is reduced out of this budget, the new items discussed would be increased in 2004-05 (Pa. School Employees Retirement System, fringes, etc.) If we recognize that reduction in 2003-04, we will also have that commensurate increased amount in 2004-05 (\$1,000,000 jump – debt service – one-time savings). Mr. Murray stated that we would come back next year with more debt service (building an additional debt service and not getting anything – would be like a tax increase next year).

Dr. Sweeney thanked Dr. Kenney and Mr. Cochran for the budget preparation – it's so understandable and she finds it very helpful. She stated that for our residents, many have been party to various years of below average tax increases, even though we knew there would be future large expenditures. This would be a modest increase this year - we are getting a lot more bang for our buck. She agrees with Mrs. Michelini regarding what the administration could slash to lower the budget total. Her preference (with a family) would be to tax only when you need; however, it takes many years to realize that the public does not like that (big swings in percentages). They prefer slow, steady increases in tax rates. She would rather see a steady increase – that is where her mind is.

Mr. Murray agreed with Dr. Sweeney, adding that in a year with salary increases, utilities in the new building, a 240% PSERs increase, and state subsidy being flat, we're getting a lot done for 4-1/2%. According to newspaper reports, we would be the lowest in the county. He is in favor of keeping the budget as it is.

Mr. Wandersee thanked Mr. Murray and appreciates Dr. Sweeney's comments. He congratulated Dr. Kenney and Mr. Cochran – he can live with this budget because what we would gain, we would lose over time. We shouldn't tangle too much and are headed in the right direction.

**Board  
Discussion  
(Contd.)**

**Capital  
Projects/  
Reserve  
(Contd.)**

**Public Comments**

Bruce Yelton, Pocopson Township resident, commented regarding the Work Session on April 29 and a predicted 1% decline in the student population next year. He feels that the board should make tough policies, commenting about an 11% increase per student (three to four times the rate of inflation). Mr. Yelton stated that at one private school, the average tuition (including books) is \$5,000. He stated that the current property tax is destroying the quality of life in the district for our farmers - more students cause more costs. The earned income tax used by ten districts serving Chester County should be instituted here. Mr. Yelton also suggested that Chadds Ford Elementary School should not be opened next year, considering the lower population projection (or for another four to five years). He stated that our district should join other districts to challenge pension funds – this should not be passed on to local school districts.

Bernadette Forese, Pennsbury Township resident, stated that she has attended these meetings in the past – it appears to be significantly better than in previous years. She feels that it has been an interesting, healthy debate and agrees that it is our money and should come back to us. She agrees with Dr. Sweeney’s position to take care in keeping tax increases on a level plane (vs. spikes).

Dr. Kenney stated that we are experiencing the same feeling with state pensions. There were decreases and they did not send the money to the school districts - right now we’re having a spike. Mistakes are sometimes made in going from year to year. If we can accumulate some money to pay for pension increases so that the rate is not so high next year, we can gain some interest. He prefers that the increases go up in a manageable level.

It was moved by Mr. Knauss to reduce the capital reserve fund from \$300,000 to \$100,000. Mr. Brown called the question. Motion defeated (1-8).

Mr. Brown directed the administration to present the budget as presented tonight on Monday, May 12, 2003 for preliminary adoption.

It was moved by Mr. Wandersee and seconded by Mr. McClaskey to post cancellation of the budget meetings that were scheduled for May 6 and May 7, 2003. Motion carried (9-0).

The meeting was adjourned at 9:00 p.m.

Respectfully submitted,

Kathleen M. Brown  
Secretary

**PUBLIC  
COMMENTS**

**MOTION -  
REDUCE  
CAPITAL  
RESERVE**

**DIRECTION TO  
ADMINI-  
STRATION**

**MOTION –  
CANCEL 5/6 &  
5/7 MEETINGS**