

November 18, 2020

## **SCRANTON, PENNSYLVANIA**

The Scranton School Board of Directors held a Public Hearing on Proposed 2021 General Fund Budget via Zoom on Wednesday, November 18, 2020 immediately following the Budget and Finance Committee Meeting.

### **1. Call to Order**

President Gilmartin called the meeting to order at 6:53PM.

### **2. Pledge of Allegiance**

### **3. Roll Call**

Present: Directors Cruz, Dempsey, Fox, Hume, Malloy, McAndrew, Welby, Yanni and President Gilmartin.

Absent: All Present.

### **4. The Purpose of this Public Hearing is to hear public comment regarding the Proposed 2021 General Fund Budget**

Business Manager Pat Laffey reviewed the Proposed 2021 Final Budget indicating revenues of \$166.3 million and expenditures of \$170.4 million leaving us short by just about \$4.1 million. Mr. Laffey added that the district's 2019 audit came in with a surplus of \$1.9 million and previous to that there was a negative fund balance of about \$465,000 bringing the 2020 starting fund balance to a positive \$1.4 million.

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President Gilmartin asked in regards to the sale of the delinquent taxes, she is assuming it is an increase because there are more delinquent taxes out there and not because they're going to be able to get more of them paid.

Mr. Laffey responded that it is a little of both; in conversations he has had, the delinquent collections by the Tax Claim Bureau for 2020 have been on par with prior years, even with MRS so that is allowing them to pay down their note and thus having a larger base to borrow against or to lend. Mr. Laffey added that they put it in as an increase solely for the fact that we knew that we were going to be short and if we can get this down, it's an initiative of the recovery plan to eventually not sell the delinquencies but rather have the Tax Claim Bureau collect them. Mr. Laffey further added this is a program we've been in for a very, very long time and with these downturns in the economy specifically in revenues we just don't know if this is the year we can do it, that we can transfer out of it.

Ms. Gilmartin believes the tax collection piece of all of this is so important, referring back to the Proposed Preliminary Budget a few months ago when there was discussion of a far more significant tax increase. Ms. Gilmartin added that she and Mr. Laffey researched tax collection rates of 91% in surrounding and similarly sized surrounding districts and at that point they were talking percentage points to define the impact and she would be interested to know what impact that would have on the deficit the district is facing, if we're budgeting to collect 86.21% of taxes, what if we collected 88%, or 90% and what if we did get to 91% and the long term goals of the tax structure in the city and county, but it seems if this is an area we could really drill down on we might be able to realize some change more quickly.

Mr. Laffey commented that if they were to take the levy that they're proposing of \$55 million dollars, reduce it by the allocation for the Homestead or Farmstead Act, it's going to leave a net levy of \$50,657,000 million dollars; at a collection rate of 90%, that's going to

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increase this \$43,669 to \$45,591, bringing approximately \$1.9 million dollars additional revenue, so just a 4% increase bringing that up to around 90% could get the district approximately another \$1.9 or \$2 million dollars.

Mr. Laffey continued that the next steps where they are looking, which may not be ideal, is the capitalization of the principle and interest on the new bond issue where they can save approximately \$1.1 million dollars of principle and interest in the 2021 budget, however, it does add to the total long term debt of the district by approximately another \$600,000 over 20 years and they're looking hopefully for reductions in the TAN interest. Mr. Laffey said he budgeted up from the prior year by about \$200,000 but the City of Scranton actually received some very competitive rates, lower than what they've seen in the past so he is optimistic that hopefully he will see a similar reduction in our overall interest rate and interest.

Mr. Laffey said they talked about the supply budget and equipment budget being up \$500,000 so when you exclude those expenditures that would be funded with the additional federal CARES funding, and they're going to look at all the departments, all the schools, every line item to see what drove those spikes. Mr. Laffey added, speaking with some of the departments, some of the contracted services, they think that maybe they can decrease some of those costs.

Mr. Laffey said they estimated local revenue to be down with the exception of us levying taxes for real estate, we're going to take another look at those at the end of the month, and they estimated it is down approximately \$1 million dollars through November 15<sup>th</sup> or 16<sup>th</sup>, were actually up ahead of where we were at the same period last year so maybe they can soften some of that, some of those anticipated decreases in local revenue due to the pandemic.

Director Yanni asked if the last resort would be to capitalize on our current debt and if that is allowed through the recovery plan.

Dr. Finan said yes.

Director Yanni asked what else, other than that are they looking at to reduce those expenditures and what other areas are they looking into.

Mr. Laffey responded there are a lot of things still in the works, between building reconfiguration, bus runs, crossing guards, walking routes; those are all meetings that are occurring every day, sometimes numerous times a day, so they hope to have a better grasp of how that's going to impact 2021 so that would certainly be included in the final budget if they can get a good estimate on what they think that impact would be.

Director Hume asked about the declining attendance that was discussed at the recovery meeting, presumably this will have implications in state revenue, though not for this budget but for the one forthcoming.

Mr. Laffey replied that potentially there could be an impact adding they are asked to make some big decisions in very uncertain times.

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Mrs. McTiernan added that part of the problem obviously is the budget cycle, we're in the middle of a pandemic and we're down 756 students but they're trying to prepare a budget for January and make predictions for next September so it is nearly impossible as we know we're looking at our student population today and if that is to remain consistent then yes, staffing would change drastically. Mrs. McTiernan reiterated the problem is they have to prepare now for September which they don't know what those numbers will be and if they stay the same there will be significant staffing decreases and if our students do come back then they will make those decisions but she doesn't think they can do that in a middle of a pandemic.

Director Hume, presumably if there's any attrition, they would leave those positions unfilled in the short term she assumes.

Mrs. McTiernan agreed, giving an example that we are down six positions now in the cyber school so those individuals were moved into open positions because the need was not in our cyber school but we do have a problem with the number of teachers leaving the district; they are not filling positions that are not needed but unfortunately we still have open positions that need to be filled based on the number of students we have.

Dr. Finan added that they will have to monitor the enrollment through the early part of the summer to see whether or not those students come back, not knowing when we'll get to the other side of Covid but they'll have to monitor the enrollment because that is what will determine staffing and to Ms. Hume's point about attrition is the right one but they'll have to hold some of those positions if they don't see the increases coming back, it's going to be a wait and see what the numbers really are and they may not know that until September.

Mrs. McTiernan now took the opportunity to thank Mr. Laffey and her team because she believes it was a commitment that they all made and as Dr. Finan believes and as Mr. Laffey stated, this was the best year we've had since 2006 with an actual fund balance, thanking everyone again for analyzing every single penny.

Director Hume commented on the extraordinary job everyone did for the district and to actually have a surplus adding that we'll get through this and get back on track with the recovery plan with a few more certainties rather than juggling the unknowns.

Director Gilmartin asked Mr. Laffey to speak briefly on the Business Privilege Mercantile Tax and the transition to the payroll prep tax, and although it is not in the district's budget or the City's budget, she believes it's not a decision they're going to make at this time.

Director Hume added that as long as it's not at this time rather than never, she would hate to see that door close and believes the wider we can spread the base of revenue the better.

Director Gilmartin added she thinks as there is higher levels of conversations about tax structure, the broader the conversation, there is still potential.

President Gilmartin now moved to Public Comment.

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## 5. Public Comment

Barbara Cook, West Scranton, asked if there are receipts for the miscellaneous income and where the money was spent and spoke of the shortage of \$4 million dollars. Mrs. Cook also questioned why, at the last meeting, there was a comment made about a paraprofessional and a winning lottery ticket, followed by laughter and asked why everyone laughed.

President Gilmartin responded that everyone has been a little overwhelmed and indulged in a moment of levity, she is absolutely certain there was no malice, no ill intention behind anything that was said and she apologized if a door was opened to a moment of laughter.

Mr. Laffey responded to Mrs. Cook that there is certainly a receipt for every dollar that is in the audit financial statements or in the budget adding that athletic gate receipts and stop loss reimbursements would be included in that category.

## 6. Adjournment

There being no further business, a motion to adjourn was made by Director Cruz, seconded by Director Fox and the meeting adjourned at 7:17PM.

By: \_\_\_\_\_