

**WARREN COUNTY SCHOOL DISTRICT
BOARD OF SCHOOL DIRECTORS
SPECIAL MEETING MINUTES**

MONDAY, MARCH 26, 2012

1. Opening Activities

1.1 Call to Order

The regular meeting of the Warren County School District Board of School Directors was called to order by Mr. Stewart, President, at 4:38 p.m. in the Board Room of the Warren County Career Center, 347 East Fifth Avenue, Warren, Pennsylvania.

1.2 Pledge of Allegiance

Mr. Stewart led the Pledge of Allegiance to the American flag.

1.3 Roll Call

Present:

Mr. John Grant

Mr. Jack Werner

Mr. Thomas Knapp

Dr. Paul Yourchisin

Ms. Mary Anne Paris

Mr. Michael Zamborik

Mr. Arthur Stewart

Mrs. Donna Zariczny

Absent:

Ms. Nancy McDanel

Others Present:

Mr. Brandon Hufnagel, Superintendent; Mrs. Amy Stewart, Director of Instructional Technology/Communications; Mrs. Amanda Hetrick, Director of Secondary Education; Dr. Norbert Kennerknecht, Director of Buildings & Grounds Services; Mrs. Diane Martin, Director of Special Education; Mr. James Grosch, Director of Business Services; Mr. Chris Byham, Solicitor; Mrs. Ruth Huck, Board Secretary; Mr. Brian Ferry, Robert Patchen, and Mr. Josh Cotton, Times Observer; Mr. Michael Kiehl, Transportation/Purchasing Manager; Mr. Brian Collopy, Technology Coordinator; Mr. James Miller, Supervisor of District-wide Athletics & Co-Curricular Activities; Mrs. Suzanne Turner, Human Resource Supervisor; Mr. Matt Jones, Coordinator of Grants & Foundation Development; Mr. Jeff Flickner, Principal; Mrs. Delores Berry, Principal; Charter School Trustees – Dr. Patrick Farrell, Mr. Shane Stanley, Mrs. Diane Elmquist, Mr. Ed Martone, Mr. George Sanders, Mrs. Tina Dinger, Mr. Patrick Black, Mr. David Bauer, Mr. Randy Daugharthy; and approximately 25 unidentified members of the audience.

1.4 Reading of the Mission Statement – Mr. Arthur Stewart

The mission of the Warren County School District, where today's student is our future, is to equip all students with the educational skills necessary to achieve their unique personal potential.

1.5 Reading of the WCSD/PSBA Standards for Effective School Governance and Code of Conduct - Mrs. Donna Zariczny

TO PROMOTE STUDENT GROWTH AND ACHIEVEMENT, AN EFFECTIVE SCHOOL BOARD...Models responsible governance and leadership by: (1) interacting with school officials in other districts and using resources provided by organizations and agencies committed to effective governance and management of public schools, and (2) complying with board policy and all applicable local, state and federal laws and regulations.

1.6 Public Comment

Nicole Peterson	Warren, PA	Mrs. Peterson stated that it wasn't long ago that the State Auditor General, Jack Wagner, asked for a moratorium on the creation of charter schools because the funding is not currently connected to the actual costs of educating children and called it a bad deal for taxpayers. While she understands that the financial impact is not supposed to be taken into consideration, she is still concerned with this application and the prospect that a petition is circulating to start a charter school at Sugar Elementary School. Mrs. Peterson observed that with declining enrollment and the current economic climate, the district is hemorrhaging economically, and she urged the Board to consider the charter application very carefully. There is a failure to compromise for the betterment of the district and a clear abuse of the charter school system. As COSI states its case today, she stated only two things matter, 1) no one's numbers matter except the administration's, because those are the ones used to balance the budget and provide for the educational needs of the students, and 2) this affects the future of the district, county, and the children. She hopes that someday the regionalism is shut down.
Betsy Sobkowski	Warren, PA	Ms. Sobkowski stated that the superintendent has laid out a great plan for a K-12 in the Eisenhower and Sheffield areas to address some of the issues and gives everyone a fair and equal opportunity for their students and anything else would be reckless because it considers special interest groups rather than the community as a whole. The community needs to find solutions. She feels

		approving a charter school would be a step backwards which is compounded by the new petition for a charter school at Sugar Grove Elementary. In her opinion the district may need to consolidate sports teams. The community must be realistic in what it is facing; otherwise the children will be the ones who suffer with limited access to electives and opportunities.
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2. New Business

2.1 Deliberation - Charter School Options

Mr. Stewart made the following statement:

Good afternoon. This special meeting has been called to allow an opportunity for the Warren County School District Board of School Directors to meet with representatives of the CSOI and Eisenhower Charter School Board. At the March 12th regular meeting of the Warren Count School District Board of Directors, members of the Eisenhower Charter School Board addressed this Board and offered a willingness to discuss financial matters that may be of interest to the Warren County School District. At the upcoming vote on the Eisenhower Charter School application, the Warren County School District Board of School Directors cannot employ financial matters as part of its consideration. However, the Board is happy to receive your thoughts as to any financial matter that the charter school board is willing to discuss. We do this with the understanding these matters are not part of any negotiations between the Warren County School District Board of School Directors and the representatives of the CSOI and Eisenhower Charter School Board. This is an informational session to help begin a dialogue on how the Eisenhower Charter School can assist the Warren County School District with current and future budgetary issues in the event the charter school application is approved. Given the informal and preliminary nature of this meeting, the Board understands that this meeting is not a public hearing; the discussion will not be a part of the Record for purposes of appeal; and any information presented this evening shall not be treated as an amendment of kind to the original charter school application. Dr. Ferrell, is the CSOI and the Charter School Board in agreement with the conditions under which this meeting is being held?

Dr. Farrell responded that the CSOI and Eisenhower Charter Board of Trustees were in agreement.

Mr. Stewart asked Dr. Farrell to proceed with his presentation and to set the agenda for the financial matters which the group would like to discuss. Before Dr. Farrell began the presentation, he asked the CSOI and Charter School Board members to introduce themselves.

Dr. Farrell stated that even though the financial implications of the charter application cannot be considered, as members of the community they are aware of

what is happening with the general budget. The CSOI and Charter Board want to partner by doing their part in trying to assist, understanding the process and what the probabilities are should the charter be approved. The group's desire is to review the numbers and work collaboratively with the WCSD Board of Directors.

The CSOI and Charter School Board used reports from the school district to put together their presentation.

Mrs. Dinger and Dr. Farrell discussed the following:

- Financial Impact Analysis including:
 - the cost of the Eisenhower Charter School;
 - funds allocated to the Charter as presented in a report give by Warren County School District on September 26th;
 - the estimated payment to Warren County School District from Eisenhower Charter School to send students to the Warren County Career Center and the Learning Enrichment Center;
 - the initial estimated impact of the Charter School to Warren County School District;
 - the 2011-2012 costs associated with Eisenhower Middle/High School per the September 26th report;
 - total allocable expenses;
 - net projected funds distributed to the Charter School per the September 26th report minus the total costs for Eisenhower Middle/High School for a total estimated impact of the Charter School being \$1,066,774.

Dr. Farrell then addressed additional shared expense reductions and methodologies used to tease out other expenses that could be allocable to Eisenhower should it exist as a charter school. The allocation methodologies used to determine the share of the charter school were direct expenses, square footage, and student population. The allocation factors showed figures ranging from 11.13 percent to 11.58 percent.

Using the 2011-2012 shared expenses as presented by the Warren County School District on September 26th and applying these methodologies at 11 percent, a comparison was made. Debt service, retiree benefits, and Charter/Cyber expenses were not included.

Mr. Stewart contended that debt service and expenses attributed to current retirees are things that every student in the District shares.

Mr. Bauer explained there are services that are provided centrally and benefit Eisenhower students, but now the Charter School will have to provide those on its own.

The area of technology was discussed because there are contracts that will continue for several years and include the Eisenhower facility.

Mr. Hufnagel asked if, within the \$115,437 discounted technology allocation, there should be additional cuts to the allocation because most of the technology items are offered district-wide.

Dr. Farrell said the group would be happy look at that with the District to get more clarity.

Mrs. Dinger interjected that on page 5 technology is one of the items for cost sharing opportunities.

Contingency was one area that the Charter Board was not sure how to allocate so that would have to be discussed and a dollar figure determined.

The additional days that the Charter School will be in session beyond the school district's scheduled days and the expenses associated with those days was also discussed including transportation. Depending on the daily schedule for arrival and dismissal at the school, a determination will be made on whether or not the District will have to provide a "double loop" for busing which would be an additional cost to the District. Mr. Hufnagel also clarified that the reimbursement rate to the District is 70 percent.

Dr. Farrell commented that the Charter School is willing to assume the additional expense for the busing if needed, and there are volunteers who have offered to pay for that additional expense. He also stated that they want this to work and want the additional ten days for the students.

Mr. Grant brought up the point that the Charter Board is using figures from the 2011-2012 budget pointing out that these figures may be higher than the figures proposed in the 2012-2013 budget because of the planned reductions to balance the 2012-2013 budget. He feels that will need to be taken into consideration.

On page 4 of the presentation, the range of net cost or savings with the Charter School was demonstrated.

Mr. Stewart asked that the Charter Board look at the District's perspective on the cost of the Charter School. On page 3, Debt Service, Retiree Benefits, and Charter/Cyber are items that are shared equally and the total cost is \$8.2 million. If the Charter school is going to pay its fair share, then \$8.2 million multiplied by 11.5 percent is \$951,000 and would be the Charter Schools share of that burden.

Dr. Farrell disagreed with that assumption.

Mr. Stewart stated that the school district still has to pay for former retirees or for Russell Elementary debt service and part of that burden would be passed to all of the citizens of the school district. The Charter's share would be 11.5 percent and in the District's analysis, if the Charter does not carry the 11.5 percent, then the other students of the district, who are not part of the charter school, carry a disproportionate amount or share.

Mr. Bauer commented that the District revenue does not change one bit if the Charter School exists or not, and the monies are still there to pay the debt service, retirement benefits just as they are today. The Charter Board was only looking at areas that would change for the District such as the facilities maintenance budget where the District will no longer have to maintain the facility. They were also looking for ways to restructure the budget to show that it is no longer the District's responsibility.

Mr. Stewart recapped that to come to the conclusion that there is a savings to the District, the Charter Board has looked at the direct and indirect costs. As to the

direct costs you have started with the \$ 5.4 million and subtracted the direct costs of \$3.9 million, and now the indirect costs you are trying to allocate back and forth. Somehow we have to allocate the indirect portion. Using debt service as an example, if there are 5,000 students and it is distributed across those students, and if 11.5 percent of those students come from Eisenhower, that 11.5 percent of the debt service has to come from the Charter School pool of money.

Again Dr. Farrell disagreed stating that the Charter School receives somewhere between seventy-five and eighty percent of the funds that come to the school district from the local, state, and federal sources. It is not from the bottom up but from the top down. When the Charter Board looked at funding, that was the point of the 25 percent discount. The district retains five percent for transportation costs and the 20 percent is representative of the other things the District must continue to pay.

Mr. Stewart responded that as of today, 11.5 percent of the debt service is coming from the students at Eisenhower. If you have this debt service, and today 11.5 percent is attributable to Eisenhower students, and if after the formation of the Charter School, we attribute the exact same percentage to them, which is \$951,000, then the District still has to come up with that amount of money.

Dr. Farrell acknowledged he understood and realized Mr. Stewart was working from a zero basis while the Charter Board views that the funds are coming to the District already, which encompasses all those things.

Mr. Stewart remarked that the challenge is to put our arms around what portion of the indirect costs are attributable to the Eisenhower students, and to the extent that the answer comes up under the Charter School iteration, that they don't pay that, then the non-charter school students are stuck with that greater burden, which is the purpose of this intellectual exercise.

Dr. Farrell commented that the premise itself was not clear to him for which he apologized.

According to Mr. Stewart's calculations, and the exercise the district did to come up with the cost of the charter to the District of \$1.2 to \$1.8 million, the end conclusion is that there is not a savings to the District but a cost. He concluded that both sides may not agree but must acknowledge that there are two different ways of calculating the impact on the district.

Dr. Farrell stated that after the funds have come into the district and the charter costs are subtracted, there is still 1.4 million dollars to deal with the indirect expenses.

Mrs. Zariczny was concerned about student services not being included part in the charter application, but that amount was not accounted for if the District is expected to provide those services.

Dr. Farrell noted that on page 5 of the presentation is a list of additional potential revenue sources for the Warren County School District including purchased services, cost sharing opportunities, and direct financial contributions which could be collaborated and negotiated.

On page 6 of the presentation was the Charter School plan for improving the Eisenhower facility should the district turn the school over to the charter group.

Dr. Farrell said that the group wants a community school rationally prepared with a curriculum that is not gutted, that does not result in its children having to go out to other schools to get the courses they need. The Charter Board feels it is in a position to responsibly keep a quality curriculum at the Charter School and responsibly fix the Eisenhower building. The Charter Board has gotten funded for contingencies, and there are additional plans for fundraising to support its efforts. It is the Charter Board's feeling that the QZAB and a 19 million dollar investment is not the way to go for the District.

Mr. Stewart remarked that it is great that the charter group is here. We are all part of the same community, and what we do here affects more than 550 students; we are responsible for the 5000 students that attend this District. The administration has advised the Board that the Charter School will add a \$1.2 million to \$1.8 million deficit to the District's budget. He posed a question to the charter group asking if they understood the methodology by which the superintendent and administration have calculated and arrive at the loss of a million plus dollars. He understood that the Charter Board was coming at calculating the costs from a different direction, but even in using its figures, he still sees a deficit of \$400,000. Mr. Stewart wondered if there is any methodology to the items on page 5 or elsewhere that the District and Charter Board can come together and bridge that gap in the lack of communication.

Dr. Farrell commented that the concern is agreeing on the top number. The top number the Charter Board used was \$5.7 million, and that is the most it could cost the District. The District seems to be adding from a different direction more than the \$5.7 million. The District is still going to have the same amount of money coming into its coffers, and the most that this charter could cost the district is the amount of money that comes out of the budget and goes to the Charter School. That is where the Charter Board believes the number is \$5.7 million, and the District's number seems to be somewhere north of that number.

Mr. Stewart stated that the cost is actually what we have to turn over to the charter school as the first component, and the second component is those shared costs that still remain the District's responsibility if the charter school is not paying its share, all those costs rest on 4500 other students.

Dr. Farrell disagreed explaining his point of view that it does still rest on those children and the money is still there and that the only cost to the school district is the \$5.7 million.

Mrs. Zariczny shared that the District did an exercise where it said if every school in the district were to become a charter school what would it cost. There was not enough money in the pot to pay for charter schools and cover the indirect costs of the District.

Mr. Bauer explained that the Charter School does not get the full tuition allocation from the state, and the formula used takes into account that the budget includes funding that cannot be distributed. Debt service and other things are taken into consideration in the funding formula.

Mr. Stewart stated that the charter school formula used is to afford school districts a break even proposition. Tidioute cost the district a million dollars and the state funded the million dollars, but now the funding has gone away, and the district is a million dollars in the hole as compared to where it used to be on that charter school.

This reality is a consequence of the way the state has chopped what it used to send to districts like ours.

Mr. Grant explained that the formula used to bring in money for the students of this district does not exist. There used to be special aid given to the school district in the name of charter schools, but that was eradicated last year. No longer does the District get any money. There is a misunderstanding that there is some formula that brings a certain amount of money to this school district for each student. The District has been "save harmless" for at least ten years because of declining enrollment, so the District has not been on formula even though people keep talking about it. There is no formula for the District. If there was a formula based on one proposal before the legislature, it would devastate this district because of declining enrollment but help urban districts. To have a formula for charter funding complicates things because monies to the district are not allocated by formula.

Mr. Stewart summarized that the administration and the Charter Board are coming at the analysis of the Charter School costs from two different directions. If both sides want a meaningful product from this, the opportunity is here, but both sides have to start speaking the same language.

Dr. Farrell understands that the district has expenses and that the district amortizes those expenses over the 5000 students in the district, and the concern is that by removing 550 students, you will then have to amortize all those expenses over that many fewer students, and there are budget problems with expenses over and above the monies that come in from federal, state, and local coffers.

Mr. Wilston stated that in looking at the pie, there is a lot of gray area. What the Charter Board has tried to do is to pull out what it thinks costs are that can be allocated to Eisenhower and can be separated out. The question that he thinks Mr. Stewart has is that there are a bunch of costs from a district perspective that aren't being covered anywhere. The issue the Charter Board has and struggles with is getting to that level of detail with the information it has and to understand where those opportunities are. If we go into this knowing we are not going to right size some of these efforts, from a district perspective, because you pull out a school, those costs are all going to remain the same. Collaboratively the Charter Board and District need work together to figure out what that money in the middle is and figure out how to supplement that from the charter or figure out how to reduce those costs from the school district's perspective.

Mr. Grant stated that this is very complicated dealing with each one of the cost elements, and dealing with estimates, but one thing is for sure, there will be less money to work with next year. As a school board member, his problem is providing for an entire county when he doesn't know what the exact number is, but that he will have less to work with next year than he did this year. The issue is the reduction of lost opportunity amortized over the student population because of the reduction in funding. He is frustrated that a segment of the population is not going to recognize that loss, if in fact the formula does not change for charter schools. There will be programmatic reductions because of lost revenues, and a segment of the district will not be affected; those attending the charter school. Anything that adds to the amortization of reduction bothers him, because it will not be spread equitably across the county. It will be spread among those people who are still in the Warren County School District schools. If we are going to collaborate, how do we reduce and keep

the impact of the Charter School from negatively affecting the opportunities of the rest of the student population.

Mr. Bauer stated that the Charter Board believes that number is a manageable number. Even at the end of the day, and if the analysis shows the school district would be better off with a charter school, the Charter Board would still be interested in sitting down and looking at all of the ways that it is still financially the most efficient to provide education, because this is a long term commitment for everyone. They do not want to see a situation like is happening in the Chester Upland District where nearly fifty percent of the students attend charter schools and the charter schools are going underwater because the district itself has made some missteps. There has not been good coordination with charter schools. The Charter Board is serious about making it work for everyone in the district. It wants to do the best it can for this district.

Dr. Farrell remarked that whether the charter is granted or it is taken to the charter appeals board, the Charter Board is willing to work with the District to make this work for the whole community. No matter what direction has been used to arrive at the numbers, the Charter Board would like to sit down with the superintendent or whomever to drill down and figure out what these numbers are and the opportunities that are available.

Mr. Hufnagel asked them to look at the 2012-2013 budget and actual numbers which may help. The numbers are not that far off, but it is the assumptions that we make. You assume there are things that can be cut. Mr. Hufnagel is not certain he can make the cuts that the Charter Board has assumed in its presentation. If cuts have to be made, that means that there will be something that cannot be offered. He has to ask himself, what is being lost for kids in the District.

Dr. Farrell remarked that that is why they used the model they did with the 25 percent discount. They are willing to sit down and look at line items and try to see how both Boards can help each other. The Charter Board has tried to show the opportunity to manage the impact on the District, to show a good faith effort and on top of that to show where purchased services and contracts can be shared.

Mrs. Elmquist commented that the Charter Board does not want to see services cut, and the objective of talking to District Board members is that the Charter Board does not want the district to have to cut any services.

Mr. Stewart stated that the fact the Charter Board came to discuss an issue that the law does not compel it to discuss, speaks to its integrity. What a nice thing that both tables are comprised of volunteers who have the children's best interest at heart. The Board is not able to meet privately to discuss issues, but the Charter Board members do have the opportunity to provide the Board with what you think is unclear or ask for additional information about the September 26th budget documents from the administration and to address questions to individual board members or the superintendent for answers.

Dr. Farrell stated that he appreciates everyone's efforts on the Board and it appears to be a very thankless job sometimes, and he does believe the members have the best interest of the students in mind for the whole district. He hopes that the Board understands that the Charter Board's resolve to move forward has only grown deeper, and hopefully it can move forward linked arm in arm with Board members.

The Charter Board members are most appreciative of Mr. Hufnagel and like working with him for his thoughtful approach to the issues.

Mr. Stewart thanked the Charter Board for attending and for the food provided.

2.2 Other

No items were brought forward.

3. Closing Activities

3.1 Adjournment

It was moved by Mrs. Zariczny and seconded by Mr. Knapp that the meeting be adjourned. The meeting adjourned at 6:50 p.m.

Respectfully Submitted,

Ruth A. Huck, Board Secretary