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January 15, 2010

VIA FACSIMILE (215-853-2130) AND REGULAR MAIL

Andrew W. Muir
UniServe Representative
601 Bethlehem Pike
Building C
Montgomeryville, PA 18936

Re: NASD - NESPA Negotiations

Dear Mr. Muir:

As you are aware, the Norristown Area School District has been requesting a counter offer from the NESPA group for months, and all requests have been ignored. On November 24, 2009, the Norristown Area School District sent to your attention a demand to receive a counter-offer on or before January 4, 2010. Our letter gave you and the Norristown Educational Support Personnel Association approximately six (6) weeks to formulate and submit a counter offer to the School Board.

January 4th came and went without NASD receiving any offer from your team.

Over the course of our negotiations, the District has tried to educate you and your group of the economic hardships that are being faced locally by the NASD community; hoping to negotiate a compromised contract that would help keep both the District solvent and your membership employed.

However, your group has yet to demonstrate any recognition of our concerns about:

- **Fund Balance** - NASD has one of the lowest unreserved fund balances in the Commonwealth. Our undesignated, unreserved Fund Balance for the fiscal year ended June 30, 2009 was only about 1% of our total annual operating budget.
- **Struggling Real Estate Market** – The recession has taken its toll on local property values and halted local property sales. As a result of the slow home sales, the District has seen the loss of nearly 50% of its transfer tax revenues. In addition, NASD is currently facing a significant number of assessment appeals, practically all of which will result in a further loss of real estate revenue to the District.

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- **State Funding** - We continue to hear about the economic crisis at the state level, and have great concerns over the future funding for NASD. As you will recall, the state budget for the 2009-10 year was a debacle. Representatives from our District traveled to and rallied in Harrisburg many times last summer, literally begging for adequate funding. And while both leaders and representatives from our other labor groups actively supported our rallying efforts, NESPA did not actively engage in our fight for fair state funding. In the end, our state government used stimulus dollars to support the basic education subsidy. We have no indications yet as to how bad the financial picture is for 2010-11; but all signs seem to demonstrate that the state funding crisis will be even worse.
- **Health Care** – Rising health care costs have made it prohibitive for NASD to continue to provide the same core health care plan to NESPA. The Fact Finder agreed with our position on this issue, and found that our proposed change to the Blue Cross/Blue Shield C1-F1-01 product line was fair and acceptable. This C1-F1-01 plan is already being utilized in our District; by both our Mid-Management and Cabinet employee level groups. Additionally, it should be noted that there are numerous other local Districts that have successfully negotiated C1-F1-01 products into their collective bargaining agreements.
- **PSERS** (Pa School Employees Retirement System)– As everyone knows, NASD, along with every other Pa School District, is trying to find a way to deal with the PSERS funding crisis. Our employer contributions will be drastically increasing over the next five-year period; from the current 4.78% contribution rate to over 30% in the coming years.

As the District begins to prepare the 2010-2011 fiscal year budget, it is becoming increasingly evident the Budget will require both staff and program cuts. At first glance, NASD is facing a revenue shortfall of approximately \$ 8 million..

The District's offers to NESPA, and its position during Fact-Finding, took these factors into account. We tried very carefully to offer a wage and benefit package that was affordable and sustainable by the NASD community. We looked to NESPA to act as a partner in joining with us to address these imminent problems. The Fact-Finder's report, which included a wage increase for over 99% of your members, required your concession in the area of healthcare. For months we have tried to demonstrate to you and your group the minor changes that would come with our proposed change in the plan design. And, for months, your group has refused to truly consider our proposed option.

By failing to actively bargain in good faith, and allowing the "status quo" to continue along, the savings the District needed to finance this contract is dwindling significantly as each day passes. As a result, the District has no choice at this point, other than to take more severe action,

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including the lay off of a portion of the NESPA group. Planning for this action is already underway.

The Board, in the hopes of avoiding layoffs, proposes the following three-pronged offer, which will remain on the table until 6:00pm on January 27, 2010.

- **NESPA accepts the Fact-Finders Report in its entirety and all tentative agreements agreed to between Bernadette McHugh and Mark Fitzgerald during meetings with Lawrence Coburn.**
- **NASD agrees to provide a 12 month moratorium on furloughs of the current NESPA staff.**
- **NESPA & NASD agree that retroactivity will not be applied due to the fact the District has not been able to realize the needed savings associated with the proposed change in healthcare. As you know, NASD had hoped to implement the healthcare changes on July 1, 2009.**

Please know that the Norristown Area School District is not alone in its current financial struggle; virtually every District in Montgomery County is beginning to plan for staff layoffs as the result of budget shortfalls and the crippling Act 1 Index. **The above offer provides your group a competitive wage increase, a comprehensive health plan, an increase in paid holidays, and continued employment for at least 12 months.** We hope your team will finally engage in this negotiation process. At this late date, many jobs depend on it.

We look forward to hearing from you regarding this offer.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mark Fitzgerald". The signature is stylized and somewhat cursive.

Mark W. Fitzgerald

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cc: Norristown Area School District Board of School Directors
NESPA Negotiating Team
Dr. Janet Samuels
Wendi Vargas
Robert Malkowski
Anne Rohricht
State Mediator John Cairns
Jeffrey T. Sultanik, Esquire