

MINUTES

School District 4J Budget Committee
Education Center—200 North Monroe Street—Eugene, Oregon

April 13, 2009
7 p.m.

PRESENT: Mary Walston, Chair; Wendy Laing, Vice Chair; Betsy Boyd, Shirley Clark, Eric Forrest, Beth Gerot, Pete Gribskov, Alicia Hays, Tom Lininger, Charles Martinez, Jr., Debra Smith, Jim Torrey, Yvette Weber-Davis, members; George Russell, Superintendent of Schools; Barb Bellamy, Susan Fahey, Celia Feres-Johnson, Carl Hermanns, Caroline Passerotti, Jon Lauch, Laurie Moses, Christine Nesbitt, Larry Sullivan, Yvonne Curtis, Kay Mehas, John Ewing, Les Moore, Phil Scrima, Tim Carmichael, School District 4J staff.

ABSENT: Craig Smith, member.

I. Roll Call

Ms. Walston called the meeting of the Eugene School District 4J Budget Committee to order. She called the roll, noting that Mr. Smith was unable to be present.

II. Items Raised by the Audience

There was no one present wishing to speak.

III. Items for Information and Discussion

A. 2009-2010 Employee Contract Update

Ms. Nesbitt provided the update, reporting that discussions with all employee groups had gone well and the district had achieved good results with each group. The net result was \$2.88 million. She reviewed the elements of the agreements reached with each group, which included the Eugene Education Association (EEA), Oregon School Employees Association (OSEA), and 4JA and Senior Management.

Ms. Walston determined there were no questions of Ms. Nesbitt.

B. Early Retirement Incentive Plan Update

Dr. Feres-Johnson provided the update, reporting that the district approved an early retirement incentive plan for licensed staff. She reviewed the plan, which included a one-time cash payment. She reported that 28 eligible teachers took advantage of the incentive plan, and an additional nine employees retired by April 1, 2009, allowing the district to save 36 FTE (full-time equivalent) positions.

Ms. Smith determined from Dr. Feres-Johnson that the retirements under discussion would occur at the end of the 2009 school year.

Superintendent Russell reminded the committee that the intent of the retirements were to mitigate the impact of the reductions as a result of the change in staffing ratio and to minimize the number of teachers actually laid off due to the change.

IV. Items for Action at this Meeting

A. Approve Minutes from the February 9 and March 2, 2009, Meetings

Mr. Torrey, seconded by Ms. Hays, moved to approve the minutes of February 2 and March 2, 2009. The motion passed unanimously.

B. Review Updated Financial Projections and Provide Feedback on Budget Reduction Strategies

Superintendent Russell introduced the item, reporting that the budget gap continued to worsen. He reminded the committee that it was considering a biennial budget.

Ms. Passerotti provided a brief update on the budget picture as it was since the Budget Committee last met. She then reviewed a list of initial 2009-09 budget reduction strategies and additional strategies implemented since the last meeting.

Ms. Passerotti noted the slightly improving economic situation.

Ms. Fahey reported that Governor Ted Kulongoski indicated that school districts should build their budgets on a State budget of between \$5.4 billion and \$5.9 billion, which was a large range. The budget assumed the use of the federal State Fiscal Stabilization Fund, the state Rainy Day Fund and the state Education Stability Fund.

Ms. Fahey reviewed General Fund Revenue Assumption Changes for 2009-2010. She called attention to the decline in resources and expenditures that occurred since April 2008. She shared the forecast for the anticipated deficit for the years 2009-10, 2010-11, and 2011-12, noting it was based on a State School Fund of \$5.6 billion and included implementation of most budget reduction strategies.

Ms. Fahey introduced a series of proposed budget reduction strategies. Staff responsible for overseeing each strategy—Ms. Moses, Mr. Hermanns, and Ms. Fahey—explained the rationale behind the strategies. Members asked clarifying questions.

Speaking to the athletic reduction strategy, Mr. Forrest asked what percentage increase the revenue increase represented. District Athletic Director Tim Carmichael said it represented about a ten percent increase in gate receipts, which Ms. Fahey quantified to be \$410,000.

Mr. Forrest hoped that students in individual sports were not penalized more than kids in team sports. Mr. Torrey asked if the district considered children not financially able to participate and might look for resources to underwrite scholarships. Ms. Moses said the district always sought to do so. The district did not plan on increasing fees for sports, although it proposed to charge more for season passes. The district continued to think of ways to generate money to underwrite fees for students who could not pay. There was an Oregon School Athletic Association (OSAA) Scholarship Fund in place for that purpose.

Mr. Torrey asked if more students were seeking financial support to allow them to participate in sports than at this time last year. There were some head nods from school staff present. Superintendent Russell

said the district looked at eliminating sports or increasing fees but decided against that because the impact of the reduction was not worth the savings.

Responding to a question from Mr. Lininger about what schools had underused capacity, Mr. Hermanns indicated he would have to return with more detail.

Speaking to the school consolidation strategy, Mr. Forrest asked what “gigantic” meant for high schools in terms of size. Mr. Hermanns said that depended on the high school combination. Mr. Forrest estimated a high school population of 5,400 divided by three, was 1,800. On that basis, he had attended a “gigantic” high school. He said he had sat through a lot of discussions about consolidating elementary schools but few about high schools. He said that the largest cost savings the district could realize would be through consolidation of high schools. He anticipated a large community discussion about that. He suggested that if the dialogue was about cost, the committee could not quickly move to elementary schools given the limited nature of the savings involved. He advocated for a discussion of the consolidation of high schools, acknowledging the controversial nature of the topic. However, the district was shrinking and unless that changed, he thought the discussion needed to occur.

Mr. Torrey was convinced the district would have to discuss school closures. He questioned the impact of the current economic situation on Bethel School District and asked if there were opportunities for the two districts to consider efficiencies the two districts might achieve together in regard to high school, or if not there, at the middle school level. He considered that a “big elephant” that the district needed to talk about. He did not think the district had the luxury of merely filling the existing gap; he was concerned about the future, and believed if the district did not look at the situation honestly, it would face some severe challenges. He acknowledged the district would have community pushback from the approaches he mentioned.

Dr. Martinez agreed the issue of high school consolidation needed to be taken seriously. He believed the board had serious discussions about the optimal high school size and had vetted the question of moving to a district with three high schools as part of the Shaping 4J's Future process. The feedback the board received led it away from consolidation. However, Dr. Martinez thought all options needed to be considered, in part because of the budgetary implications involved. He said the savings would not be realized in a vacuum, and the notion of closing a high school to save \$1 million would not be easy given the costs of consolidating, the repercussive effects on the high schools to be combined, and the repercussive effects on the elementary and middle schools that fed into the high schools. Dr. Martinez did not think the needed savings would be realized quickly, although he acknowledged a high school consolidation would realize an ongoing savings.

Ms. Gerot agreed with the remarks of Dr. Martinez.

Ms. Smith suggested the state of the economy provided the district with the incentive to make decisions the community did not want to make but that were necessary. She said the committee needed to be willing to make unpopular choices that served the long-term need. While she agreed that the “Shaping 4J's Future” effort was designed to address the shrinking student population and the cost implications of that, the drivers for that process were different from the situation the community was facing now. She suggested that maybe the community would not like the choices the committee made, but it would understand.

Mr. Torrey asked if the federal government had provided any stimulus money for school construction. He suggested that the district might be forced to expand or enhance existing schools to absorb additional student capacity. He asked if the district had any capital budget for that purpose. Superintendent Russell

believed there was some stimulus money for construction but he was unsure it was intended for schools. He anticipated that the district would have to apply for it from the State. Mr. Lauch said the school construction money was pulled from the final bill passed by Congress, although there might be some available for construction in the money allocated to the States. He had heard nothing about that, however.

Superintendent Russell said the district had some capital reserves that could be used for construction. Mr. Torrey said he was suggesting the addition of classrooms as opposed to new construction.

Ms. Smith said there was money for energy conservation associated with the stimulus funding. She said the timelines were very short for applying for those funds, however.

Ms. Clark suggested that existing economic factors might accelerate the district's enrollment problem and lead to deeper enrollment declines. Superintendent Russell said the district had lost more students this year than it typically did. He believed that student losses had been aggravated by the economic climate and did not know what that portended for future years. He did not think the district would see an increase in student enrollment any time soon.

Mr. Lininger agreed about the need to consider closures at all levels. He said the Think Tank's recommendations should be reconsidered as it regarded high school closures. He pointed out that demographic trends continued to reduce enrollment, and he did not think that transfer caps would work because families would move. He observed that all Salem schools were much larger than Eugene schools. He was concerned about equity between children in different phases of school and suggested that putting the burden on one stratum of students, such as elementary schools, was less than ideal. He called for a good faith exploration of savings at all levels. Mr. Lininger thought it possible that small learning communities could be created within a building that included 1,800 students.

Ms. Boyd was troubled by the district's strategy of having some large elementary schools, particularly in the Sheldon region, and very small elementary schools in others regions. She recalled that the committee had discussed larger elementary schools as being able to provide more class offerings but wanted to be careful in pursuing that, because she believed that some of the larger schools in the Sheldon region were having trouble serving some student populations and were not performing at the same level as schools with similar student population characteristics. Ms. Boyd did not think Eugene's experience showed bigger schools were better. She was also concerned that high school students were not getting the right classes or electives when they need them. She advocated for a "big picture" look at high schools to see how well the district was serving those students. She suggested that the district might be better served by a different model of high school, and if larger high schools increased the likelihood more students would take a full load of classes, that was better for them and the community. She did not want to take high schools off the table.

Dr. Martinez said it appeared the committee agreed it needed to take up the issue of closure and consolidation and keep all options on the table. He believed further board discussion was also in order.

Superintendent Russell suggested the district needed to consider where the school closure/consolidation strategy fit into the budget balancing approach and distinguished it from the programmatic discussion that would also occur.

Superintendent Russell said the district continued to budget with one-time, unsustainable strategies; school closures were more sustainable savings, although they might involve some one-time costs. He said that no matter the school level involved, the question was how soon the district received a return on its investment; in other words, when would the savings begin to be realized on a sustainable basis? He was unsure he had

a good sense of the other costs involved in closing a high school or middle school. He said that it appeared the committee supported that examination. Budget Committee members concurred with Superintendent Russell's assessment.

Ms. Fahey reviewed the one-time strategies proposed by staff.

Mr. Forrest said that reducing the ending fund balance below board target represented borrowing one year and repaying it back the next year when the district had no reasonable expectation of having the money the following year. Ms. Fahey said that it gave the district additional time to plan for ongoing reductions. Mr. Forrest did not think that was a good approach.

Ms. Smith agreed with Mr. Forrest, adding that using reserves was a great strategy if the district had a way to pay them back. She did not think the country would see a significant amount of recovery until 2012.

Mr. Torrey agreed with Ms. Smith about how long recovery would take. He believed the community needed to have a discussion of what it to be like and how to achieve that in all areas. He said the district was "not in this ship alone."

Speaking to Mr. Forrest's comments, Mr. Torrey agreed but suggested that the district needed to "buy time." He expressed appreciation for the contributions of the bargaining units and pointed out that they "stepped up faster" than anyone else, but the committee would need to replace that contribution next year somehow, as well as the reserves it employed this year.

Superintendent Russell asked other committee members to comment on the strategy for the use of one-time funds. He reiterated Ms. Fahey's statement that the strategy bought the district some time. He reminded the committee that the strategy was based on a State budget of \$5.6 billion; a budget of \$5.4 billion would impact the district to the level of \$2.75 million.

Dr. Martinez did not see many alternatives before the committee. He said if there were other reductions that realized the same amount and did not impact the quality of instruction, he would like to hear about them. However, he thought the committee had done what it could in that regard, and he was having a difficult time envisioning what reductions the district could be ignoring. He did not think the community would greet the strategy with a resounding cheer, but he believed that it recognized the district needed the time to have the conversation that was necessary, and that meant spending down one-time dollars.

Mr. Lininger did not think reducing the reserves offset the need for school consolidation. Superintendent Russell acknowledged that. Mr. Lininger said if 4J parents were given the choice of driving farther to a better school or having an inadequate school in their neighborhood, he thought they would drive farther. He urged the committee to move quickly toward the subject of consolidation.

Mr. Torrey thought the district had to consider a consolidation strategy to address a "worst case" budget scenario coming out of Salem. If it had to go to the next staffing ratio level, he wanted to know what that saved the district and the impact of that. He thought that would give the district a heads start and serve as a heads up for the teachers and community.

Mr. Forrest suggested that using reserves was like borrowing money. The district had set it aside to get through a bad situation, and now was considering borrowing without knowing how to repay it. He did not think a bank would support the approach being proposed.

Superintendent Russell said the district planned on having a contingency for a lower State budget. He

anticipated the district would use any surplus to restore its reserves to the degree possible.

C. Set Date for Next Budget Committee Meeting

Ms. Clark asked if the committee could have more information about the issue of school consolidation at the next meeting. Superintendent Russell thought the committee could have more information about the financial implications of the issue. Ms. Fahey thought it would be challenging for staff to produce those numbers by that date.

Dr. Martinez did not see school consolidation or closure as a strategy for this year given how long it would take to process the issues involved with the community. Ms. Smith agreed. She said the other strategies would get the district through the short-term and allow it to embark on a path that provided more return.

The committee scheduled its next meeting for May 18, 2009, with a follow-up meeting scheduled for May 27, 2009.

Ms. Walston observed that some of the issues concerned involved board policy decisions, but she encouraged the board to take advantage of the committee members in communicating with the public.

V. Items Raised by Committee Members

Ms. Walston solicited items from committee members.

Ms. Gerot alerted the committee to the local field hearing being conducted by the House Ways and Means Committee being held on May 1 from 1 p.m. to 4 p.m. at the Prince Lucian Campbell Building on the University of Oregon campus.

VI. Adjourn

Ms. Walston adjourned the meeting at 8:40 p.m.

(Recorded by Kimberly Young)