

MINUTES

School District 4J Budget Committee
Education Center - 200 North Monroe Street

April 28, 2008
7 p.m.

PRESENT: Pete Gribskov, Chair; Tom Lininger, Charles Martinez, Jr., Shirley Clark, Eric Forrest, Beth Gerot, Wendy Laing, Debra Smith, Jim Torrey, Mary Walston, Yvette Webber-Davis, members; George Russell, Superintendent; Susan Fahey, Tom Henry, Caroline Passerotti, Jon Lauch, Laurie Moses, Barbara Bellamy, John Ewing, District 4J staff.

ABSENT: Betsy Boyd, Alicia Hays, Craig Smith, members.

I. Roll Call

Mr. Gribskov convened the meeting and called the roll.

II. Items for Information and Discussion

A. Superintendent's Budget Message:

Superintendent Russell noted that the proposed 2008-09 budget had been prepared in accordance with the direction provided at the December 2007 Budget Committee meeting. That direction was to propose a budget that was guided by the district's mission, values, board goals and budget committee priorities and was built around three budget goals: 1) Use excess reserves for strategies to increase achievement for all students; 2) Set aside funding for *Shaping 4J's Future* recommendations; and 3) Retain sufficient reserves to meet cash flow needs and retain the district's bond rating and achieve board targets for contingency and reserves.

The 2007-09 Oregon school biennial budget approved by the legislature was significantly higher than the prior biennium budget due to strong income tax and property tax revenue. The 2007-08 budget included several service level increases as a result, including the on-load of \$7 million of services funded by the expired City Levy. A recent economic downturn and softening real estate market have increased uncertainty surrounding state and local revenue projections as analysts warily watch the national economy and attempt to predict Oregon's economic future.

Through reallocation of certain on-going funding and use of district reserve levels above board target, the superintendent proposed a budget with modest additions. The 2008-09 proposed budget reprioritizes certain requirements to add specialists and provide a higher level of service to at-risk students and schools that serve an increasingly needy student population, and uses one-time funds for strategies to close the achievement gap.

The Superintendent shared the following budget information:

Overall, the Proposed Budget totals \$319.7 million, an increase of \$3.4 million or 1.1% from the 2007–08 adopted budget. The small increase is the net result of higher general fund and insurance reserve fund budgets and a lower capital budget.

The general fund budget (excluding unappropriated ending fund balance) has increased by \$5.7 million or a modest 3.8%.

On-going service additions proposed include:

- More P.E. specialist time at the elementary and middle levels
- Secondary level special education services
- Additional English Language Learner staffing
- Support for increased science graduation requirements
- Reorganization of the human resources and executive administration functions

The majority of these on-going service changes have been funded through reductions in other areas.

A portion of district reserves is being proposed to provide one-year of funding for:

- Additional “academy school” funding to address higher student needs at certain schools
- Extension of funding for after-school programs at the elementary and middle levels
- The second year of pilot programs to assist students’ transition from middle school to high school, expand summer school, and support instructional technology.
- Additional services and materials for secondary students not meeting math benchmarks
- Continued targeted training for teachers
- Other program support including student information special education module systems implementation, reading assessments, and instructional technology
- *Shaping 4J’s Future* recommendations

Amendment: At prior Budget Committee meetings, we have discussed the rising number of students requiring special education services. The 2007-08 budget included a separate \$500,000 contingency account specifically to address potential increased costs of those services. Since the proposed 2008-09 budget was prepared, staff has analyzed special education costs. The number of students continues to climb and accordingly, so do the costs. The superintendent stated that he believes that it is prudent to again place funds in a special education contingency. He proposed that a special education contingency be created for \$500,000 and the unappropriated ending fund balance be decreased by the same amount.

Amendment: Since the 2008-09 Proposed Budget was prepared, staff has determined that available revenues in the Debt Service Fund were overstated, resulting in an insufficient debt service levy to meet debt service requirements. The superintendent proposed the beginning fund balance and revenues in that fund be modified to more accurately represent available resources and provide for a debt service levy adequate to meet debt service requirements. The beginning fund balance will be decreased by \$1,270,827, and revenue accounts will be increased by a like amount. The proposed debt service levy will be \$15,516,203, with a projected debt service tax rate of \$1.3682 per \$1,000 of assessed value. This compares to an actual debt service rate of \$1.3404 in 2007-08.

Even with the current downturn in the economy, the superintendent stated that he remained cautiously optimistic that Oregon will not fare as poorly as the rest of the nation or as in the prior

recession for several reasons.

- The state now has a “rainy day” fund. While it is still in its infancy and not sufficient to cover a moderately severe recession, it can be used to soften the impact of reduced tax revenues.
- The next biennium will not incur the outflow of over \$1 billion for “kicker” refunds.
- Recent reductions in statewide average daily membership have lessened the effect of our own declining enrollment.
- A projected decrease in the PERS rate would relieve pressure on expenditures in the next biennium.

Finally, district reserve levels provide the opportunity to make one-time investments in the classroom, review current services, analyze *Shaping 4J's Future* recommendations and determine how to best reallocate resources to ensure the educational success of every student.

The superintendent stated that Susan Fahey, Chief Financial Officer, and the financial staff would go through the General Fund financial projection in more detail and review the proposed 2008-09 budget. Even though he recommended using some of the reserves to both add to the budget and maintain some of the services that the district is currently providing, he noted that it is important to recognize that we cannot do that *ad infinitum*. The district only has a savings account we can pull from for so long before we start to feel the impact. There are a couple of unknowns that could stabilize or give us more revenue. The board would consider the Budget Committee proposal to move forward with a local option levy at the meeting on May 21. All of this is predicated on the presumption that we pass the local option levy.

The superintendent asked that as Ms. Fahey and her staff go through the information, please keep in mind that at some point we will have to start either curtailing expenditures or figure out how to add more revenue. He stated that he did not think we can wait for three years in the future to do that. We will have to start thinking next year how to be more prudent in using our resources so that as we move into 2010-11 so we do not have to take significant reductions to balance our budget.

Superintendent Russell thanked Susan Fahey and her staff for the outstanding work they have done in putting this budget together.

Superintendent Russell invited questions from the committee.

Mr. Torrey asked in light of the report last week on graduation requirements, whether 4J anticipated needing any more resources to work with sophomores and juniors.

Mr. Henry said some money had been budgeted for increased graduation requirements in science, and for ongoing conversations. He said serious discussions and planning would be needed across the district in the next year. To have this work, he noted, it would take grade 6-12 conversations.

Superintendent Russell pointed to the Equity Committee report and said there had not been time to put together a response. He said there might be some additional proposals. He said the district would need to look at what it was doing and what it could cut back on doing. He said the district would need to be more focused and targeted to address some of the needs highlighted in the report.

B. Review General Fund 2007-08 Financial Projection

Caroline Passerotti reviewed the 2007-08 financial projection update, focusing on changes since the last report at the committee's February meeting. She said the district was looking at total revenues being up \$770,000 and total expenditures being down by \$675,000, with a positive impact on the ending fund balance of \$1.4 million that would result in an ending fund balance of \$17.8 million, or 12% of operating revenues.

Ms. Passerotti said the most notable changes were on the revenue side, including State School Funding, projected to be up \$1.2 million. \$1 million of this represented per pupil funding, largely related to the statewide decrease in average daily membership, weighted. In addition, the district would get \$.7 million more in adjustment to 2006-07 State School Fund grant; a big portion of that would be a transportation reimbursement for surveillance cameras for buses.

C. Review Update of Five-Year Financial Forecast for the General Fund

Susan Fahey reviewed the update of the Five-Year Forecast for the General Fund, using a Power Point presentation.

D. Review Proposed 2008-09 Budget

Ms. Fahey reviewed the proposed 2008-09 Budget, using a Power Point presentation.

Members asked clarifying questions.

III. Items Raised by the Audience

Ross Mickey, a parent from South Eugene High School (SEHS) and assistant softball coach for the girls' softball program there, said he hoped all had received the letter he had sent a couple of weeks ago. He asked for the committee's help to address what he considered a gross inequality in facilities that the girls' softball program at South Eugene had in comparison to other sports programs at the school, the other softball programs within the 4J system and surrounding schools, as well as the 6A Southwest Conference. He said SEHS was the only high school without its own facility, and this put their girls at a disadvantage in competing.

Mr. Mickey said the field the girls were allowed to play on was owned by the City of Eugene, and usage was restricted to certain times, and at the end of May, no fields had been available, and the girls had to go to an abandoned field at Willard. He pleaded with the committee to help the program. He noted that the district had spent \$10,000 surveying the grounds at the high school for drainage but had no funds to do work there. He asked the group to consider the field in the next bond issue. He said the situation was hurting the girls and hurting the program.

In response to members' questions, Jon Lauch said construction of a field at South Eugene would cost \$780,000, including renovation of the soccer field. He said to do it right, drainage work would be needed. He commended Mr. Mickey for his passion and advocacy, but said the district's needs exceeded available funds, and there were a lot of competing priorities.

Superintendent Russell said as the district started building a bond measure, it might want to look at

this. He thought the district should have a conversation with the City as well, since most of the district's facilities also were used by the City.

Members discussed the shortage of athletic fields in the City and various options for building a new field, including partnering with the City or with the University of Oregon. Mr. Forrest commented that summer was rough for everyone, and he had to play soccer in Springfield.

IV. Items for Action at This Meeting

A. Approve the Minutes of February 25, 2008

Ms. Walston, seconded by Mr. Torrey, moved to accept the February 25, 2008 minutes. The motion was unanimously approved.

B. Set the Date for the Next Budget Committee Meeting

Superintendent Russell recommended that the next meeting be held May 12, 2008 to provide an additional opportunity for public testimony, continue the discussion, and take action, and another meeting be held May 19, 2008 if necessary. He noted that the board was scheduled to consider the committee's recommendation and conduct a public hearing on June 4, 2008 and to take action on June 18, 2008.

V. Items Raised by Budget Committee Members

There were no items raised by committee members.

VI. Adjournment

The meeting adjourned at 8:30 p.m.

(Recorded by Susan Wulfekuhler)