

## MINUTES

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

January 5, 2009  
7 p.m.

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

ABSENT: Tom Lininger, member.

### I. Roll Call

Dr. Martinez called the meeting to order and called the roll.

### II. Election of Officers

Dr. Martinez invited nominations for chair.

Mr. Torrey nominated Mary Walston for the position of Budget Committee chair. There being no other nominations, Ms. Walston was unanimously elected chair.

Ms. Walston invited nominations for vice chair.

Mr. Torrey nominated Wendy Laing for the position of Budget Committee vice chair. There being no other nominations, Ms. Laing was unanimously elected vice chair.

### III. Items Raised by the Audience

No one wished to speak.

### IV. Items for Information and Discussion

#### A. Review Enrollment Projections

Mr. Henry reviewed 2008-09 projections by level, the actual number of students on September 26, 2008, the 2009-10 projections and the difference between projections. He said projections were compared because that was the basis for staffing, not actual students. He noted that the projections for next year were lower by a total of 90 students. He also reviewed five-year enrollment projections through 2013-14 to illustrate the long-range estimates of students in the

system. He said the category of unclassified students represented students who were not assigned to a traditional grade level, such as Life Skills students.

In response to a question from Ms. Smith, Mr. Henry said a “survival” ratio was done each year by exiting seniors and bringing up kindergartners to determine patterns of student retention. He said that ratio typically resulted in very accurate overall projections, although it was more difficult to achieve on an individual school basis, particularly when it was a small school.

Mr. Torrey asked if the impact of the Hynix closure and consequent loss of families in the community was reflected in the data. Mr. Henry said there had been an exit of students, although that was not reflected in the September 2008 enrollment figures.

Ms. Boyd said the State used an average daily membership (ADM) and used the highest of two years when allocating funds to the district. She asked if the district had considered alternative formulas to minimize instability, such as the State’s formula. Mr. Henry said ADM was considered in staffing by looking at student retention in schools from September through May. He said the issue of mobility could be addressed using the State’s mobility formula.

Ms. Fahey commented that the State provided the district funding based on an ADMw extended, which was the higher of two years. She said a district with declining enrollment was typically funded on the prior year ADMw under a hold harmless formula. She said that approach was not taken with individual schools, but in the past the district has provided half of the licensed FTE loss to schools through “gap staffing” from a pool established to manage those transitions.

#### **B. Update on Shaping 4J’s Future**

Ms. Bellamy reported there was currently activity on two of the four district-wide strategies. She said the transfer limits for middle and high schools should help to even out staffing and programs available to students across the district. She said a final public input meeting on boundary changes would be held January 6, 2009, and there appeared to be general support for the five boundary changes being proposed. Superintendent Russell would report to the Board on the implementation direction for transfer limits and boundary changes in February. Regarding transportation and its impact on school choice, she said the study had determined that the cost of providing transportation to all elementary schools in one region was about \$500,000 so no further action would be taken at this time.

Ms. Bellamy summarized progress on the eight regional strategies and noted that only one school – Buena Vista – lacked room for a kindergarten.

Ms. Laing asked if 2012-13 was still a viable target for moving Buena Vista Spanish Immersion program and students to another site in the Sheldon region. Ms. Bellamy said that was dependent on the timing of a future bond measure.

#### **C. Review 2008-09 Financial Projections**

Ms. Passerotti reviewed the *General Fund 2007-08 Financial Summary – Revised January 2009*. She said the ending fund balance for the year was \$17.1 million, representing 11.5 percent of operating revenue and was \$750,000 less than the last projection. She said it was also \$1.3

million less than anticipated when the 2008-09 budget was proposed. She noted that revenues were \$736,000 over projections and expenditures were \$1.5 million over projections.

Ms. Fahey used a slide presentation to summarize the economic conditions that contributed to the district's financial tribulations from spring through December 2008. She said as a result of the shifting financial picture the district could experience a \$3.5 million reduction in State funding in the current year. She indicated there were several factors whose impacts were unknown at this time, including a new federal economic stimulus package and how the State would handle further reductions if necessary in the current year. She said one option for the State was to access Education Stability funds; another was to delay the May School Fund payment until July so they could be paid in the next biennium. She said the district had sufficient cash on hand to carry through if the May payment was delayed.

Ms. Passerotti used a slide presentation to discuss the details of lower revenue expectations for State funding, operation and local option tax levies and interest earnings in 2008-09. She said a potential additional shortfall in State revenue had not been built into the forecast because it was uncertain how that would affect the district. She projected expenditures to be about \$5 million lower than the adopted budget through a combination of actual trends and budget reduction strategies already implemented. She reviewed details of the savings realized from budget reduction strategies. She concluded by stating that the ending fund balance was projected at \$11.3 million, representing 7.6 percent of operating revenues. She noted that the projected balance was \$1.4 million lower than the budget projection after underspending and was below the Board's 8.5 percent target for 2008-09.

## **V. Items for Action at This Meeting**

### **A. Approve Minutes from the April 28 and May, 12, 2008 Budget Committee Meetings**

Mr. Smith, seconded by Ms. Gerot, moved to approve the April 28, 2008, minutes. The motion passed unanimously.

Mr. Smith, seconded by Mr. Forrest, moved to approve the May 12, 2008, minutes. The motion passed unanimously.

### **B. Review Draft of District Financial Forecast and Provide Direction for Balancing the 2009-10 Budget**

Ms. Fahey said the forecast represented an update based on new information from the State. She said staff had been focusing on the General Fund because of the volatile economy and therefore the Capital Fund was not included in the forecast; that would be provided at a later date. She explained there were three revenue assumption scenarios:

- Base forecast using Governor's recommended budget
- Alternate #2 removes Education Stability Funding from Governor's recommended budget
- Alternate #3 assumes further economic deterioration

Ms. Fahey said there were operating deficits projected in all years for all forecast models; the increase in State revenues was not sufficient to cover costs and corrective action would be required in all years. She said the forecast was on a biennial basis to provide more accurate information. She indicated there was a 4.9 percent biennial increase in State School Fund revenue over the 2007-09 legislature approved budget and slow growth in operating levy revenue was expected over the forecast period, along with decreases in local option levy revenue through 2011-12. She noted that in all years increases in per pupil funding were partially offset by decreases in district enrollment and while overall enrollment was decreasing, special education enrollment was not and additional per pupil funding for special education students was capped at 11 percent of ADMr.

Regarding expenditures, Ms. Fahey stated that wages and benefits costs were increased by current contracts and staffing tracked enrollment, plus a 13.5 FTE teacher pool. She said 2008-09 services funded on a time limited basis had been removed and those were detailed on a handout entitled *General Fund Forecast: 2008-09 Expenditures Removed from the Forecast*. She noted there was a PERS rate decrease of 4 percent for the next biennium, with an assumed composite rate of 12.4 percent, increasing to 20.4 percent in 2011-13. The forecast included \$1 million per year to be transferred to the PERS reserve in 2009-11 to help offset the PERS increase and the reserve would be exhausted at the end of the 2011-13 biennium.

Ms. Fahey stated that the forecast included a 14 FTE teacher reduction to track enrollment decline during the forecast period and a 13.5 FTE pool to permit staffing flexibility. Costs for utilities and fuel and technology maintenance exceeded inflation by \$326,000. She reviewed transfers for capital projects, fleet and equipment, insurance reserves and nutrition services.

Ms. Fahey summarized the projected annual deficits under the three forecast scenarios in each year of the forecast period and identified the assumption differences for the alternate models. She said lower revenues than initially projected and use of reserves over the last several years to fund operations were the major factors contributing to base forecast operating deficits.

Forecast variables included:

- State and local revenues
- Special education costs
- Implementation of No Child Left Behind (NCLB)
- Employee compensation costs

Ms. Fahey remarked that the financial outlook for future years was dependent on several factors such as economic cycles and the federal response to the recession, district demographics affected by a downward trend in enrollments and an increase in students qualifying for special services and free/reduced price meals and legislative or voter-approved changes.

Superintendent Russell distributed copies of remarks he made to district administrators earlier in the day and highlighted some sections. He believed it would be irresponsible to treat this as a short-term event for which reserve or contingency funds could be used. It was necessary to make both short- and long-term structural adjustments to the organization in order to survive and thrive. He stressed that the only way to take advantages of the challenges the district faced while remaining fiscally responsible was to concentrate resources where they would have the greatest impact—the instructional core—and look for ways to reduce expenditures.

Superintendent Russell identified a number of steps which the district could take to manage effectively the growth of expenses:

- Restructure how the district does business to save dollars and maintain the highest priority programs and services
- Staff hiring: avoid layoffs and manage job cuts through attrition and by creating or preserving “landing places” for those who might be displaced and slow or stop hiring if the positions were funded from the General Fund budget
- Spending reductions for the current year at 2 percent for schools and 5 percent for central office departments. Departments were asked to develop additional scenarios for the 2009-10 budget that included a 5 percent and 10 percent reduction in expenditures. Schools may be asked to reduce their materials and supplies expenses by 5 percent next year as well.
- No increases in salary for senior management staff next year and a request that 4JA administrative, supervisory and professional staff forego salary increases as well. Unions could be asked to reopen contracts to discuss adjustments.
- Review of planned capital expenditures for current and next year with some projects likely placed on hold
- Engage in contingency planning

Superintendent Russell said he would be asking principals to identify priority programs and services important to schools and classrooms and initiating an online survey for staff to provide their suggestions for efficiencies and priorities. He said input would also be sought from stakeholders such as unions, students, parents and the community as the district strived to maintain a strong educational program. He said staff would gather information and feedback and present it to the Budget Committee. He thought that it would require more than the typical number of meetings to work through the issues and asked how involved the committee wanted to be in the stages of decision-making.

Mr. Torrey asked how the district’s growth in special education students compared to that of other districts and whether that growth presented an opportunity to request additional funds from the State. Mr. Henry replied that the growth was similar to larger districts and to other districts locally.

Superintendent Russell doubted that additional special education funding could be obtained from the State. He said there was an indication that more fully funding those services was a priority for the new federal administration because of the impact on students and services.

Mr. Torrey said if the district was attracting a larger number of high need/high cost students because of the uniqueness of its programs that could be an argument for additional resources to offset those costs.

In response to a question from Ms. Smith, Ms. Passerotti said of 700 students, the district received full funding for 200 and partial funding for 500. That translated into about \$3 million annually.

Ms. Clark asked if NCLB was an unfunded mandate. Superintendent Russell replied that significant parts were unfunded, but that was not any more of an issue than lack of funding for special education. He said there were also unfunded mandates from the State and districts needed to assure that the legislature did not impose more unfunded mandates.

Ms. Gerot urged Board members to be engaged with legislators and clear about the consequences of decreases in funding to the children in the State. She said 4J's prudent budgeting over the past several years was serving it well and many districts were experiencing far great financial problems. It was important to advocate for all students.

Ms. Fahey recommended that the committee defer providing direction on setting parameters to balance the 2009-10 budget to the next meeting when more information would be available.

Ms. Walston determined that committee members concurred with the suggestion.

Mr. Torrey asked if there were any areas, such as services to students requiring additional support, which should be held harmless in the budget process. Superintendent Russell said the intent was to bring back information from the principals and survey results that would indicate which services were priorities and which might be expendable.

### **C. Set Date for Next Budget Committee Meeting**

Ms. Fahey asked committee members to hold the following dates open for potential meetings: January 26, February 9, March 16, May 4, May 11 and May 18. Members would be polled to determine the best dates to schedule meetings.

## **VI. Items Raised by Members of the Budget Committee**

Ms. Boyd encouraged principals to engage site councils in determining service priorities. She asked principals to share with the district the membership of site councils so there could be communication centrally with individual site councils instead of relying on principals to convey information.

Mr. Gribskov asked that committee members receive information materials as early as possible before the next meeting.

## **VII. Adjournment**

Ms. Walston thanked staff for the information they had provided to the committee.

The meeting adjourned at 8:45 p.m.

(Recorded by Lynn Taylor)