

# MINUTES

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

October 18, 2010  
7 p.m.

PRESENT: Jennifer Geller, Chair; Betsy Boyd, Shirley Clark, Tim Gleason, Pete Gribskov, Wendy Laing, Debra Smith, Craig Smith, Beth Gerot, Alicia Hays, Anne Marie Levis, Jim Torrey, Mary Walston, members; George Russell, Superintendent; Laurie Moses, Carl Hermanns, Barbara Bellamy, Celia Feres-Johnson, Susan Fahey, Jon Lauch, Sara Cramer, Les Moore, Larry Sullivan, Caroline Passerotti, John Ewing, staff; Merri Steele, Paul Duchin, members Eugene Education Association.

ABSENT: Carla Gary, member.

Ms. Geller convened the meeting of the School District 4J Budget Committee.

## 1. ROLL CALL

Ms. Geller called roll.

## II. ELECTION OF OFFICERS

Mr. Torrey moved to reelect Ms. Geller to the position of chair. Mr. Smith provided the second. The motion passed unanimously, 13:0.

Mr. Torrey moved to elect Mr. Gleason to serve as vice chair. Ms. Levis provided the second. The motion passed unanimously, 13:0.

## III. ITEMS RAISED BY THE AUDIENCE

There were no members of the audience who wished to speak at this time.

## IV. ITEMS FOR INFORMATION AND DISCUSSION

### A. 2009-10 General Fund Financial Results (unaudited)

Caroline Passerotti, Financial Analysis and Budget Manager, reviewed the *2009-10 General Fund Financial Results* with a PowerPoint presentation. She began by reviewing the components of the State School Fund formula which determines the amount school districts will receive. She explained that taxes brought in under the operating levy were included in local revenues as a part of the State School Fund formula. She said under the formula the district received a maximum grant amount by multiplying the average daily membership (ADM) by a "per pupil amount" and the local revenue amount was subtracted from the total to determine the amount the state provided. She explained that final adjustments to revenue under the formula are made in May of the subsequent year to account for higher or lower than projected local revenues or ADM. Regarding expenditures, she indicated that staff

was only now closing the books on the last school year and they would be reviewing expenditures to determine why they came in \$1 million higher than had been projected. She noted that less than \$500,000 was attributable to personnel costs.

## **B. 2010-11 Revenue Update**

Susan Fahey, Chief Financial Officer, continued the PowerPoint presentation with the *2010-11 Revenue Update*. She said although the recession had technically been declared to have ended, the ramifications continued with continued drops in employment. She reported that the state was expecting to lose ground on income *per capita*; currently Oregon was at about 91 percent of the national average.

In response to a question from Ms. Geller, Ms. Fahey explained that the drop in general fund and lottery fund revenue was due to how the legislature allocated the budget. She said a greater percentage had been going to health and human services in the past two biennia.

Ms. Fahey continued the update. She said it was interesting to note the growth of federal funds, which showed how much the state had been relying on stimulus money and other federal funds to keep services going in the past few years. She reported that the state was still holding the Education Jobs Bill funds that had been received, which would result in \$3.3 million to the district, until a legislative vote was held to maintain the level of funding at what had been promised in June with some additional money to be taken out of reserves.

Ms. Fahey related that they had projected that compression would increase by 50 percent, which was thought to be conservative, and it actually increased by 69 percent which resulted in a net decrease in the levy revenue by about 16 percent.

Ms. Geller asked where legislative approval of additional funding from reserves would put the school district. Ms. Fahey replied that it would bring the district back to the level the funding being projected in June. Ms. Geller ascertained from Ms. Fahey that in the interim there would be another economic forecast. She noted that personal income taxes had come in lower than forecasted, by about \$40 million.

Superintendent Russell said another interesting point was that the Ballot Measure 66 and 67 collection was coming in at about 50 percent of what had been projected.

## **C. 2011-13 Public Employees' Retirement System (PERS) Rates**

Ms. Fahey reported that PERS rate had been set for the next biennium since the Budget Committee had last met and that a composite rate increase of 6.3 percentage points was anticipated. Including PERS pick-up, the total rate was projected to be 25 percent. She stated that the district financed a portion of its PERS liability with pension bonds, and that bonds were paid back by an assessment on salaries. She explained that if they cut salaries substantially, this PERS debt service rate would have to be increased to generate sufficient funds to cover the debt service payment. The cost of the rate increase was \$400,000 higher than forecast in May. She reviewed a graph of the *4J PERS Rate History* which indicated that the current increase was the highest to date.

## **D. Initial Strategies for Sustainable Budget Development**

Superintendent Russell discussed the initial strategies for sustainable budget development with a PowerPoint presentation, hard copies of which were provided to everyone present. He stressed that he was providing a conceptual framework and not actual strategies at this point. He reiterated that the board had established a goal to adopt a sustainable budget strategy. He reviewed how the district spent its money and why there was a shortfall. He recalled that one of the problems discussed in the previous budget session was what happened when one-time federal funds, such as the American Recovery and Reinvestment Act (ARRA) money, went away. He stated that declining enrollment continued to impact the budget, though the decline had not been as steep as had been projected

for the present year. He related that over the past ten years, the district had lost over 2,000 students. He said they were heading toward "a cliff," because the district was projecting an operating shortfall of between 19 and 27 percent for the next year and the shortfalls were projected to continue through 2014-15.

Ms. Gerot asked if the 5 percent reduction in state per pupil funding was based on a funding level of \$5.8 billion. Ms. Fahey affirmed that it was.

Superintendent Russell stated that the challenge the district was facing was how to continue targeting limited resources, in terms of people, time, and money, on student achievement. He said they needed to determine what they had to do, as a district, based on what was required by state and federal regulations and what they should be doing that they were currently not doing, as well as what they were doing that they did not have to do. He related that Mr. Torrey had asked them to consider what would be a "trump card," something that should not be considered when looking at what to cut.

Superintendent Russell continued his PowerPoint presentation with a series of slides on the *Value to Impact Grid*, the *Hierarchy of Values, Goals, and Priorities*, and examples of strategy options. He related that he had suggested to the board that they strategize to reduce the budget by \$30 million. He reviewed the *Sustainable Budget Proposed Process & Timeline*, which would culminate in a public hearing on January 5 and board action on January 12 or 19.

Ms. Boyd asked what financial exigency was and whether it was a concept applied in the State of Oregon. Superintendent Russell said it had not been tested in Oregon and he was not certain what it would mean. He understood that to apply it the district would have to be completely out of money. Ms. Fahey elaborated, explaining that from a financial point it meant how "broke" the district would have to be before it could unilaterally implement some strategies from a staffing perspective.

Mr. Torrey asked if Chapter 9 would apply to educational entities, given that Chapter 9 was for governmental entities. Ms. Fahey replied that she had not researched this at this point. She commented that she hoped that she would not have to. Superintendent Russell related that a lawyer friend had researched it and believed that it was one answer to bankruptcy for a school district.

## **V. ITEMS FOR ACTION AT THIS MEETING**

### **A. Approve Minutes from the March 15, May 10, and June 2, 2010, Budget Committee Meetings**

Ms. Geller clarified that Ilene Nittler's last name had been spelled incorrectly in the Items Raised by the Audience section of the May 10, 2010, minutes.

Ms. Laing observed that the adjournment time for the June 2, 2010, meeting was listed incorrectly. The meeting was longer than 24 minutes.

Ms. Laing, seconded by Mr. Smith, moved to approve the minutes of the School District 4J Budget Committee meetings held on March 15, May 10, and June 2, 2010, as amended. The motion passed unanimously, 13:0.

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

Ms. Geller said the proposed date for the next meeting was November 22. She stated that Superintendent Russell planned to issue the preliminary recommendations prior to the meeting and the November forecast would be complete.

Mr. Torrey, seconded by Ms. Gerot, moved to set the next School District 4J Budget Committee meeting for November 22. The motion passed unanimously, 13:0.

## **VI. ITEMS RAISED BY MEMBERS OF THE BUDGET COMMITTEE**

Ms. Hays thanked Superintendent Russell for showing the magnitude of the amount of cuts that would need to be made. She appreciated that the people in the community were learning about the situation and listening to the proceedings.

Mr. Torrey asked if there was a way to see if the staff ratio had a greater impact for lower grade levels than higher ones. Ms. Fahey responded that staff could assemble the information.

Ms. Geller reminded everyone that was listening of the online survey. She stressed the critical importance of having as much community input and community investment as possible. She believed that the strengths of the area schools were critical to the economic health of Eugene and the State of Oregon. She recalled the words of Robert Barr, who spoke to the board at its retreat, who said public schools provided some kids their only chance to improve their lives.

Ms. Boyd thanked staff for the work they put into this. She remarked that she could only imagine the pressure that they and the elected officials were under. She added that she would like to think in terms of what some investments brought in external investments. One example she cited was the school lunch program. She thought this would be useful information as they looked at what kinds of cuts they would make.

Ms. Clark asked what the threshold would be for the number of school days per year. She asked if there was any discussion at the state level in the Department of Education or OSBA regarding this. She also thought that because of the high likelihood of some school closures, they should consider whether such decisions would hold. She said if they were going to hold to those decisions, then the properties could be moved toward being sold.

In response to the latter question, Superintendent Russell affirmed that school closures would likely be permanent. He related that there were a number of conversations around the state about how to move forward and what the state education system and school districts will look like as they moved forward. He said part of the assumption would be that as they looked at closing and consolidating schools or getting rid of surplus property, they would think about the longer term implications regarding those pieces of property.

Mr. Torrey thought this tied into the Envision Eugene discussion, which was considering the question of whether or not the Urban Growth Boundary (UGB) would be expanded. He underscored that such an expansion would not have an impact on the school district; it would only impact other school districts. He said there were only two small areas that could bring more student population to the School District 4J: the area out West 11th Avenue heading toward Crow and the south hills. He related that he, Ms. Bellamy, and Superintendent Russell planned to meet with city staff in advance of the next meeting of Envision Eugene to discuss this. He pointed out that a lot of how to keep from expanding the UGB would be to grow up, i.e. to intensify development within the UGB, but the question that he kept asking was whether young families with children would live in multi-story facilities. He said so far the research showed that the people who lived in those types of developments were young people with no children or older people. It looked to him like the city would push people to the outer regions where more affordable housing would be available.

## **VII. ADJOURNMENT**

Ms. Geller adjourned the meeting at 8:18 p.m.

*(Recorded by Ruth Atcherson)*