

MINUTES

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

January 24, 2011
5:30 p.m.

PRESENT: Jennifer Geller, Chair; Shirley Clark, Carla Gary, 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, Eliza Drummond, John Ewing, staff; Dayna Mitchell, Eugene Education Association.

ABSENT: Betsy Boyd, member.

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

1. ROLL CALL

Ms. Geller called roll.

II. ITEMS RAISED BY THE AUDIENCE

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

III. ITEMS FOR INFORMATION AND DISCUSSION

A. Review Enrollment Projections

Eliza Drummond reviewed enrollment projections with a PowerPoint presentation. The district was projecting that they would lose 59.5 students at the kindergarten through 5th grade level in the 2011-12 school year. She highlighted the five-year projections by level, noting that the information was also in the committee packets. She said the kindergarten figures were not looking good into the future.

Ms. Walston asked what formula was used to develop the projections. She noted that people ask the board members why Eugene was growing but the school population was declining. Ms. Drummond explained that the kindergarten projections came from county information on live births that the district receives from the state. She had gone back 15 years and done an analysis comparing how many children were born and how many enrolled in district schools. From this she extrapolated the percentage of students who would attend district schools into the future. She said for the rest of the grades, projections were based on cohort survival ratios which indicated how many students stayed with the district and how many were left in June. She noted that an adjustment had to be made in projections for 6th grade and 9th grade, because the district typically gains some students from private schools that ended either with 5th or 8th grade. She related that they also typically see a decrease in enrollment through the high school years, but the district was being successful in reenrolling students in some of the programs through the alternative schools.

IV. ITEMS FOR ACTION AT THIS MEETING

A. Review Draft of District General Fund Financial Forecast

Susan Fahey, Chief Financial Officer, reviewed the three forecast revenue models with a PowerPoint presentation. She stated that overall they expected revenue growth to be sluggish. She said this was the year they expected to take the full financial hit from the market decline in property values.

Ms. Gary noted that the forecast did not factor in any new charter schools and asked why this was. Ms. Fahey explained that they did not have any projections for them at present because no new charter schools had been approved.

In response to a question from Ms. Laing, Ms. Fahey explained that the 6 percent PERS pick-up represented the employee portion of the Public Employee Retirement System (PERS) contribution that public agencies had agreed to pay on behalf of the employees. She stated that the district expected to expend the PERS reserve by the end of 2012-13.

Mr. Gleason asked if the PERS reserve was different than the 5 percent reserve fund. Ms. Fahey responded that it was a separate reserve, that several years ago PERS rates dropped but they had known that the PERS rate would increase again. She said the district had retained \$4 million each year of the biennium to offset the future PERS rate increase but had not needed it all; \$2.5 million was left in the fund to offset further increases.

Mr. Gleason asked what impact spending the PERS reserve would have on the rate increase. Ms. Fahey replied that the cost of the rate increase for the next year was expected to be about \$5.1 million, including the added back furlough days. She said the \$1.25 million would be used to offset this increase.

B. Provide Feedback on Superintendent's Sustainable Budget Final Recommendations

Superintendent Russell recapped the budget recommendation contained in his attachment, *Superintendent's Final Recommendations*. He said the numbers in the financial forecast kept changing from day to day. He said there were still a number of things that would have to happen before the final budget recommendation could be made. He believed, at this point, that the district deficit resulting from proposed funding levels would not be more than \$26 million. He thought the first year of the biennium would look as if the biennium figure was \$5.7 or \$5.8 million and that funding would be front-loaded for 2011-12.

Superintendent Russell discussed the proposed staffing ratio changes. He stressed that the ratio change did not translate straight across to a certain number of kids more in a classroom. He explained that increasing the ratio by three, it could mean as many as four or five or even more kids in a classroom because of the kinds of choices that would need to be made at a school site. This was why he changed the staffing ratio proposed in the budget. He ascertained from the committee that there was strong support for keeping the staffing ratio as low as possible.

Superintendent Russell reviewed the final recommendations piece by piece. He noted that the increase in furlough days under *Fewer School/Work Days* could not be instructional days.

Mr. Gribskov ascertained that the furlough days would be spread out through the year. Superintendent Russell said that was the current practice. He related that concern had been expressed about how the days were spread and he thought they might want to find a way to put them all in one period of time.

Mr. Gribskov recommended that the district make the winter break longer or that they shorten the school year.

Superintendent Russell commented that the item that was generating the most controversy was the *School Closures and Consolidations*. He pointed out the alternate proposal, which would close Adams Elementary School. He noted that a large amount of the public testimony had been about closures.

Mr. Gleason asked what parts of the alternate proposal would make a difference in costs. Superintendent Russell replied that it would leave two schools that were currently proposed to close open. He did not consider the alternate proposal to necessarily be viable, but the district and board had been asked to look at placing Charlemagne French immersion school in a more centralized location. He also noted that some had asked why they would not consider closing Adams because it was a smaller school than Crest Drive and Parker Elementary Schools.

Ms. Geller explained that the board had kept the alternate scenario and had the comparison of cost savings generated because of public input that asked them to do so.

Superintendent Russell said there had been no change from the initial recommendation for *Shared Services and Contracting Out*. He stated that the Lane Education Service District (ESD) was going to experience significant funding cuts. The governor was considering reducing the percentage of the state school funding for ESDs from 4.75 percent to 4 percent. He related that Governor Kitzhaber had said that if the ESDs did not voluntarily find ways to consolidate services and find efficiencies, he might force the issue.

Ms. Smith ascertained that the suggested savings of \$500,000 could change.

Superintendent Russell noted that the stakeholder task force which was being organized to examine grade reconfiguration would still be convened to consider *School and Instruction Redesign*. Regarding the use of *Non-Instructional and Student Support Programs*, he did not know how much more they could charge people and still keep some of the students who participated in those activities engaged in school. He commented that *Reserves and One-Time Funds* could only be used for so long and then they would be depleted.

Superintendent Russell discussed the recommendations under *Compensation and Benefits*. He stressed that in adding up the elements of this portion of the proposal, it was important to remember that they were asking employees to make a significant sacrifice. He noted that some community colleges and districts were beginning to look at the Public Employee Retirement System to address the issue of employee pick-up.

Ms. Smith surmised that some employees were likely watching closely for PERS reform as a potential trigger to choose retirement. Ms. Fahey said this was a pattern that had been seen in the past. Ms. Feres-Johnson echoed this. She stated that there had been spikes in retirement when PERS changed its retirement benefits.

Ms. Smith commented that one thing people were watching was the treatment of sick pay. Ms. Fahey responded that currently the district followed the regular PERS rules, so that if people had sick leave and if they went out under the retirement option, it was added in.

Superintendent Russell underscored that just because this was part of the budget recommendation did not mean it could be achieved; it would take a lot of conversation with employee groups for the cuts in compensation to occur.

Ms. Geller added that most of PERS was not controlled by the district.

Superintendent Russell explained that *status quo* provisions could apply; if an agreement was not reached by June 30, certain contract provisions such as step increases would be automatically implemented. He averred that it would behoove the district to figure out how to reach an agreement with the union prior to that date.

Regarding the *Revenue Enhancement* portion of the recommendation, Superintendent Russell said the question was where the bond measure would fit in if the city placed an income tax measure on the ballot. He asked Mr. Smith to discuss the work of the committee.

Mr. Smith reported that the *ad hoc* committee the council had convened to discuss a tax measure had met twice and had come out with a report with many aspects but no recommendations. He stated that the City Council would consider whether it would ask City staff if they wanted to develop the concepts further at a meeting scheduled to begin at 7:30 p.m. He related that they had discussed a progressive income tax for Eugene residents and had discussed what the amount would be but had no actual numbers to propose. He said there had been significant discussion on how the money should be used and there was general consensus that it should be used to restore furlough days and preserve the staffing ratio. He stated that the committee strongly felt that the tax should be instituted with a sunset date after four to six years and that there would be a "claw back" if the state came up with more money for kindergarten through 12th grade education. He also related that given that the city had limited ability to raise revenue for itself, some of the discussion centered on whether the city was using up some of its ability to do so for city services. He said they discussed how the revenue should be split and the decision was to split it according to the number of residents in the two Eugene school districts. The committee had also discussed whether the city should pursue a regional revenue source and had concluded that it should not. He stated that if the assumption was that the tax would not be enacted until 2011, the receipt of the tax revenue would not occur until April of 2012. Because of this, if the district was going to affect staffing ratios, they would have to come up with some money in the next school year to fund it. He felt the answer to what source they could use would be reserves, but the reserves were already low to begin with.

Ms. Walston asked if the committee had discussed how to garner revenue from the 25 percent of the school population that did not live in the city. Mr. Smith replied that they had not really discussed this.

Ms. Walston wondered if the city would have strings attached to its funding. Mr. Smith responded that the committee had talked quite a bit about how detailed they could get. He said they mostly focused on the class size, furlough days, and student-to-teacher ratio.

Superintendent Russell said one thing he planned to do on February 2nd was to parcel out each of the areas of the sustainable budget recommendation and ask the board to vote on each piece and then the entire package, upon completion of the piecemeal votes. He observed that if the board voted to have 50 percent of the cuts be sustainable, they would have another 50 percent to figure out how to pay for over the next couple of years. He underscored that in the following year, 2012-13, the district would have less money available to it if the Governor's budget frontloaded the biennium, as proposed.

Ms. Smith asked why the Governor was going to do that. Superintendent Russell thought there were two reasons, the first of which was to formulate some bridging strategies that he had for getting to a sustainable budget to work on in the next year. He thought the second reason was that the revenues could potentially improve in the second year of the biennium.

Ms. Clark felt that this got back to what Mr. Smith was talking about. She said if they were thinking about proposing a bond measure and the Eugene City Council was thinking about proposing another measure, both to the benefit of the students and schools, how were they thinking about presenting the two measures. She wondered how they could keep the public from feeling like they were being hit twice.

Ms. Geller thought the board would have the same conversation. She noted that Eugene was not the only community considering dual proposals.

Mr. Smith noted that there was American Recovery and Reinvestment Act (ARRA) money available to help with a bond measure in May, but not in November. He also noted that current bonds were expiring then and to vote in another bond in May would not result in an increase in the tax level for citizens.

Ms. Geller noted that the board intended to discuss these things further in the work session scheduled for the following day.

Ms. Laing asked how approval of the Coburg charter school application would impact school closures and reconfiguration. Assistant Superintendent Carl Hermanns replied that it was hard to predict at this time. He noted that the district retained 20 percent of state funding distributed on the basis of ADM (average daily membership).

Ms. Laing asked if the board was seeking to partner with other organizations to raise funds along the lines of how the University of Oregon Foundation raised funds. Ms. Geller replied that this was a possibility. She thought this was a conversation the board should have because there probably was a possibility of expanded fundraising.

Ms. Bellamy commented that the district had a contract with the EEF for fundraising services.

Ms. Levis noted that the EEF board had discussed this and would continue to do so.

C. Set Date for Next Budget Committee Meeting

Ms. Geller stated that the next date for a Budget Committee meeting was tentatively scheduled for May 9.

Mr. Gribskov, seconded by Ms. Walston, moved to set the next School District 4J Budget Committee meeting for May 9. The motion passed unanimously, 13:0.

VI. ITEMS RAISED BY MEMBERS OF THE BUDGET COMMITTEE

There were no items raised by Budget Committee members at this time.

VII. ADJOURNMENT

Ms. Geller adjourned the meeting at 7:01 p.m.

(Recorded by Ruth Atcherson)