



Greater Albany Public School District 8J
718 Seventh Avenue SW
Albany, Oregon 97321-2399
Maria Delapoer, Superintendent

Special Budget Committee Meeting

March 10, 2010

5:30 p.m.

MINUTES

CALL MEETING TO ORDER

Budget Committee Chair Lyle Utt called the March 10, 2010, Budget Committee Meeting to order at 5:31 p.m.

Present were:

Lyle Utt	Budget Committee Chair	
Liisa Reid	Board Chair	Arrived at 5:34 p.m.
Jerry Boehme	Budget Committee Member	Arrived at 5:32 p.m.
Frank Bricker	Budget Committee Member	
John Ewing	Budget Committee Member	
Doug Marteeny	Budget Committee Member	
Bill O'Bryan	Budget Committee Member	
Will Summer	Budget Committee Member	
Julie Jones	Budget Committee Member	
Maria Delapoer	Superintendent	
Steve Kunke	Assistant Superintendent	
Russell Allen	Director of Business	
Randy Lary	Director of Human Resources	

Committee Member Sandi Gordon made previous arrangements to be absent. A list of others present at the meeting is attached to the original minutes.

PLEDGE OF ALLEGIANCE

Mr. Utt led those present in the Pledge of Allegiance. Committee Member Jerry Boehme arrived at 5:32 p.m.

BUDGET COMMITTEE OPERATIONAL TASKS

1. Mr. Utt asked if everyone had an opportunity to review the minutes from the December 2, 2009, Budget Committee Meeting. Committee Member Frank Bricker made a motion to approve the minutes as presented. Mr. Utt asked for discussion. There was none. **MOTION CARRIED UNANIMOUSLY.** Ms. Reid was not present when the vote took place.

COMMENTS FROM THE PUBLIC

There were no comments from the Public.

Special Budget Committee Meeting

March 10, 2010,

5:30 p.m.

Page 2

FOCUSED DISCUSSION ON BUDGET PREPARATION

Superintendent Maria Delapoer stated that she would start by passing the microphone to Director of Business Russ Allen. (Committee Member Liisa Reid arrived at 5:34 p.m.) Mr. Allen stated that this was a special meeting to provide financial information to the committee. The information he proposed to cover was an update on economic recovery; revenue for the district (what we know and when we know it), along with some financial forecasting. He stated that the Superintendent would follow up with some comments on budget development.

Update on Economic Recovery

Mr. Allen provided the Committee with a Power Point Presentation. He stated that he gleaned his information from a presentation by Paul Warner, the legislative revenue officer. Copies of the slides are attached to these minutes. Mr. Allen reported that information from Salem shows a slow financial recovery. He stated that reports have been somewhat encouraging but there is a long-term problem in that the state is estimating that it will be 2013 before the economy returns to 2008 employment levels. Committee Member Will Summers stated that he felt that the estimates reported are extremely optimistic. Committee Member Bill O'Bryan asked what had changed over the last month. Mr. Allen responded that he hadn't seen much of a change yet. He stated that the State is projecting that the economy is pulling out of recovery but with the help of stimulus funds; after a while the federal monies will cease to stimulate the economy and there will be a flattening-out period while the economy gets back on its feet without federal assistance.

Revenue for the District

Mr. Allen then discussed the many facets of revenue for the district. He stated that he breaks revenue into three groups: 1) Local resources (which do not include property taxes) including interest on investments, student fees, and facility use fees totaling approximately \$1 million; 2) Fund Balance, which runs between 5 and 8 percent; and 3) everything else is lumped into one pot, which consists of state controlled resources. Mr. Allen reported that 91 percent of the district's general fund revenues are controlled by the state and that they will give or take away funds according to what they believe we should have via a mathematical equation.

State Controlled Revenue

Mr. Allen shared that the beginning of the process is when the legislature adopts a state school fund. This is the amount the state has taken out of its budget to put into the state school fund. Then there is another \$1.5 billion or so to add for property taxes, forest fees, etc. Each December school districts and educational service districts are asked to provide estimates to ODE for the following year. The first estimate is given out by the state in March. Note that the estimate is received in the middle of developing the budget for the following fiscal year.

Mr. Allen then explained that there are many factors that impact how much funding the district receives, which is all out of the district's control. He shared that the numbers received from the state are estimates for 11 months after the fiscal year in question has closed. Therefore there can be three years "open" at one time. Other factors that are considered by the state for the whole state pie would be local property taxes (current and delinquent), federal forest fees, common school fund, county school fund, and state-managed timber

Special Budget Committee Meeting

March 10, 2010,

5:30 p.m.

Page 3

revenue. All of these elements affect the size of the state pie. The state looks at historic data or they ask local districts to estimate these factors and then review them to see if the numbers are reasonable. Mr. Boehme asked what would happen if a district were to estimate 0. Mr. Allen responded that they would receive a phone call from ODE because it will mess up the entire state estimate resulting in an overpayment to the district from ODE and then the district would have to pay back the overage so there is motivation to be close on the numbers.

Mr. Allen shared that the next set of factors impact the size of the state pie and the size of GAPS' slice depends on enrollments. He explained that when the state prepares its financial estimate based on the assumed enrollment for the state; which helps determine the size of the pie. Discussion ensued. Mr. Allen then shared that ELL students, Pregnant and Parenting students, students in poverty, students in foster care and eligible transportation expenses all are factors that increase or decrease the amount of money received from the state. He stated that another factor that affects the amount of money the district gets from the state is the district's teacher experience versus the state's average teacher experience. If the district's average is greater than the state, the district gets more funding, if it is less than the state, the district gets less funding. Mr. Allen stated that he had left out Special Ed but it is set at 11 percent. He then went over the estimates that were received from ODE for the 07-08 year beginning on March 6, 2007.

Mr. Allen shared that there are approximately 20 students in the district who qualify under the high cost disability guidelines but it won't be until mid-May when we find out how much we will actually receive under those guidelines. Mr. Summers stated that for Mr. Marteeny's information he wanted to confirm that the district still had one student who is being educated out of state. Special Education Director Ryan Mattingly affirmed that the district still pays close to \$300,000 for this student's education. Discussion ensued. Mr. Allen emphasized that he is still operating in three fiscal years at the current moment like every other business manager in the state which can have a major impact on the ending fund balance.

Mr. Allen then provided a handout on the State School Fund Grant. He explained that the information on the back of the page that explains how the state calculated the numbers. Mr. Bricker asked when the district receives the numbers on Title I from the feds. Mr. Mattingly responded that it comes out at some point in the spring but are not out yet. Ms. Delapoer added that Title funds help the district determine how many additional classified individuals that can be hired through those funds. Discussion ensued. Mr. Allen concluded by stating that he hoped that he had painted a picture as to why it can be difficult in a school setting to know how much you have in revenue because it is based on many factors that are completely outside our control and that can change based on what the State thought they were going to get versus what we really end up with. He then passed out the State School Fund Grant information to the Committee.

Financial Forecasting

Mr. Allen stated that he had also been asked to provide information about financial forecasting. He added that after the first couple of slides, he would provide some information on what some would call a "dashboard." Mr. Allen stated that a good precursor to a discussion on financial forecasting would be an article that appeared in the Oregonian on February 17, 2010 reporting expected state funding shortfall for the next two bienniums. Mr. Allen then pulled up a spreadsheet for the Committee to review. He stated that this was an existing model that he modified for our school district that will allow the ability to see where the district has been, where it is now, and then project forward. He explained that a projection is nothing more than a bunch of assumptions. Mr. Allen pointed out that there are many areas where one can make

Special Budget Committee Meeting

March 10, 2010,

5:30 p.m.

Page 4

assumptions on the expenditure side and also on the revenue side that are very important in order to determine where it's going to end up. He added that changing any one of the numbers will have an impact of where it will end up.

Mr. Allen commented that the biggest unknown on the expenditure side are the PERS rates. It is known state-wide that PERS rates for employers are going up 4.8 percent in July 1, 2011. What is not known is how much the district will be hit as a result of investment losses with its PERS side account. This is the account that was established when bonds were sold by the district to retire its share of the PERS unfunded actuarial liability. Mr. Allen stated that as far as he can tell the district will still have a benefit for having sold the bonds but that benefit will be greatly reduced. The question is between the 4.8 percent and the reduction in the benefit for having the side account is going to be what we see as a PERS rate. He reported that preliminary estimates were received that were based on what the market did in 2008 and the combined rate was going to be approximately 19.8 percent which would be almost a 100 percent increase in our PERS rate. Mr. Allen reported that the PERS Board took action and the market rebounded some in 2009 so now the district is now looking at a rate of about 17.35 percent which is about a 70 percent increase for what we have to pay for PERS. This is a factor in which we have no control and a factor for which we won't know for sure until September of this year. The good part about PERS is that we do get notice in plenty of time for putting together the 11/12 budget.

Mr. Allen shared that the two big factors are the PERS change and what will be the increase in the State School Fund. He cautioned that although the current State School Fund looks like it is \$6.0 billion part of that amount are stimulus dollars that are going away and part are reserve dollars from the rainy day fund that are going away. Therefore, whatever percent increase we base the general fund on needs to be 5.65 or 5.7 of pure general fund dollars rather than the full 6.0. Mr. Allen stated that it is remarkable how much a single percent can make up or down in the whole equation. He showed the Committee how the dashboard/spreadsheet changed as he plugged in different assumptions. Discussion ensued. As part of the discussion Mr. Allen reminded the Committee that the district is a labor-intensive organization and 85 percent of our budget is labor and that in order to significantly reduce costs there are only two options: either to reduce the amount you pay labor or reduce the amount of labor. More discussion ensued.

Mr. Boehme stated that the forecasting dashboard will help when trying to explain differences to different groups and organizations by being able to provide them with an assumption page. A graph can be very powerful in showing details. He stated that he liked the work provided that it helps look forward to what things need to be considered and what has to be done.

Current Breakdown of Personnel

Mr. Allen stated that the last piece was looking at the current breakdown of personnel costs. He reported that 8.3 percent are administrators, 61.4 percent are licensed, and 30.3 percent are classified. Mr. Boehme asked how the numbers compare historically. Mr. Allen responded that it depends on how far back one was to look. He stated that over time the district has increased its percentage of classified employees and these numbers include benefits where as in the past they have not. He also mentioned that some classified employees receive more in benefits than they do in salary. Ms. Delapoer commented that the number of employees in each group are 35.5 administrators, 422 FTE licensed (450 individuals), and approximately 371 FTE classified (500 individuals) in the general fund. Mr. Allen and Mr. Lary added detailed information to Ms. Delapoer's numbers. Mr. Boehme commented that this information would be helpful for

Special Budget Committee Meeting

March 10, 2010,

5:30 p.m.

Page 5

bargaining. Ms. Reid commented that previous Director of Business Tom Gaulke had done an analysis over 10 previous years of staffing ratios and his analysis had shown a significant increase in classified hours attributed to IDEA, etc. Mr. Allen stated he believed that this was the case.

Budget Preparation

Ms. Delapoer commented that it is apparent from the information provided that the tracking of trends and numbers is complicated and once we know a number it is just the beginning of knowing what the district can work with. Then it needs to be determined what should be saved, and what and how it should be spent. The current year's budget was balanced by reducing days and the money carried over from SIF. The SIF funds are no longer available so we were really looking at a \$5.8 billion budget. Ms. Delapoer added that the district needs to shore up for next year and store up funds for the 11/13 biennium. She stated she felt that it is important to maintain the same amount of staff working with kids as this year, to go backwards would be a mistake because there are large class sizes already and was very concerned about going in that direction. Ms. Delapoer commented that when the district was able to add funds, staff was added back. She felt this was the right decision.

Ms. Delapoer stated that she is looking at partial restorations and targeted areas in the new budget. She emphasized that these were not complete restorations but non-staff budgets are not sustainable for buildings to operate at the current level. She stated that the increase for next year's budget would be minimal but needed to remain functional. Partial restoration areas would be to restore cut days, to pick up some staff out of other funds, expand the middle school summer program, elementary and secondary curriculum director positions by limiting special program administration. She added that she felt it would be important to add back some athletics funds and activities because administrators are spending too much of their time fundraising and the community has a limit on their ability to contribute right now. Ms. Delapoer stated that she feels that some funds need to be put towards textbooks and staff development for those textbooks. She reported that the schools' supply budget has been difficult this year especially with paper costs and they have asked for help there. She would like to put money back into the maintenance department to show the community that we are good stewards with the funds they provided in the bond. Ms. Delapoer added that continuing the computer replacement cycle and the bus replacement cycle are also important.

Ms. Delapoer stated that as much as she would love to reduce class size by adding back more staff, she believes that there is not enough money to make a significant difference by putting money into staffing. She shared that buildings have been under spending their non-staff allocation and will do so again next year but she wants to avoid more cutbacks in allocations. She stated that she would use the budget guidelines, operational considerations, and district goals to determine where to spend funds. Ms. Delapoer acknowledged that the bulk would need to be saved so that in 2011 we are not faced with drastic reductions. She stated that she wanted to let the Committee know so there was no surprise when she presented the Budget Message in April. She asked if there were any concerns in these areas or if the committee felt staff was headed in the wrong direction.

Mr. O'Bryan stated that based on the premise of needing a savings account, what is being anticipated for that amount. Ms. Delapoer responded that she didn't have a specific dollar amount but knows that the first year of PERS is between \$2 million and \$2.5 million just for the first year so there needs to be at least that amount put aside. Mr. O'Bryan then asked what was in "savings" now. Mr. Allen responded that the real question is not only what is the projection of the ending fund balance for the end of this school year and, if

Special Budget Committee Meeting

March 10, 2010,

5:30 p.m.

Page 6

any, how much can be added to it next year. Mr. O'Bryan commented that one needs to keep in mind the add backs being planned and to plan ahead for the next couple of cycles. Mr. Allen responded that it is the balance between shoring up and saving up. Mr. O'Bryan added that he felt that \$500,000 should go back into maintenance; anything else wouldn't make a difference. He stated that there has been a good job planning so far and just wants to be sure the questions are asked. This is a long-term process that needs to be kept in mind.

Mr. Boehme stated that it was discussed receiving approximately \$1 million from the state and wanted to know if it is figured into the budget. Mr. Allen shared for the others in attendance that were not aware of what Mr. Boehme was referring to was that there is Facility Grant money available from the Oregon Department of Education when new square footage is brought online. There is an acknowledgement that you can't use bond money to do everything in furnishing facilities; there is an assumption that districts will have to front some money to furnish those facilities. The state sets aside a certain amount of money per biennium that individual districts can access to base on their construction costs on new square footage. We received a small amount over the last couple of years, which was used to outfit Timber Ridge when it opened this year. The amount that we are to receive soon is money that will be at the Board's discretion. Mr. Allen shared that the estimate the district is to receive has come out to be much less than originally anticipated, about \$650,000. He stated that it was less because there were a lot of other new schools opening this year.

Mr. Boehme then asked about when the science textbook adoption is supposed to come online. Mr. Allen responded that he blended two years for the adoption so there wouldn't be a spike. Mr. Boehme commented that it would be another large amount of resources going out in the next few years. Mr. Allen affirmatively replied unless the district was to choose not to do the adoption. Discussion ensued.

Mr. O'Bryan asked if there needed to be more discussion regarding the ending fund balance. Ms. Delapoe stated that more discussion at this point would be premature. She stated that the ending fund balance would be as big as possible because things are not looking much brighter. She stated that the district will have to spend some money next year to sustain some programs that had been cut. Ms. Delapoe stated that she believes that with a little money the district can bring programs back to a functionality level. She stated that there is a danger of long-term consequences if funds are not provided for them at this time. Mr. O'Bryan stated that there may have to be some prioritization done to help with these decisions.

Mr. Ewing asked how student days were cut this year. Mr. Allen responded that there were three student days cut. He added that there had been no cut days due to weather. Mr. Allen reported that originally the agreements were that administrators took 7 cut days, teachers took 6 cut days, and classified employees took 3 cut days. Later it was reduced to administrators 6 cut days, teachers 5 cut days, and classified employees 3 cut days. Mr. Ewing then asked if it was possible to continue the cut non-student contact days. Mr. Allen responded that it might be possible for the Administrative and Classified contracts, but the licensed contract cannot be re-opened this year.

Mr. O'Bryan asked what was needed from the Committee at this time. Ms. Delapoe responded "Good Thoughts." She stated that last year at this time the district was cutting the budget mid-year, preparing layoff letters, and then cutting \$7 million from this year's budget. She emphasized that she was glad that the 09/10 budget was conservative because many districts will be making reductions for next year's budget. Discussion ensued.

Special Budget Committee Meeting

March 10, 2010,

5:30 p.m.

Page 7

Mr. O'Bryan asked if he could get a copy of the Power Point Presentation. Mr. Allen stated that he would e-mail it out to the committee.

COMMENTS FROM THE PUBLIC

Mr. Utt asked if there were any comments from the public. There were none. He then announced that the next meeting was scheduled for Monday, April 19, 2010, at 7:00 p.m. Mr. Utt then asked if there was any more discussion. There was none. Mr. Utt adjourned the meeting at 7:40 p.m.

Lyle Utt, Committee Chair

Recorded by Kathie Caldwell-Sullivan