

DRAFT

**Horseheads Central School District
Budget Workshop of the Board of Education
Big Flats Elementary School
February 17, 2011**

Present: Apgar, Brinthaupt, Buck, Holleran, Jacobus, Lively, Lynch, Miller, Strollo

Also Present: Bailey, Brock, Doubrava, Donahue, Guidotti, Holloway, Learn, McDonough, Moyer, Scaptura, Sechrist, Sotero, Suggs, S. Williams

Absent: Christiansen

Call to Order: President Lynch called the Workshop to order at 6:00 PM

Board President's Remarks:

President Brian Lynch welcomed everyone to the first Budget Workshop of the year. He apologized for having to move this meeting from last Thursday to this week. He stated it was due to him and Vice-President Buck having to be out of town. He also apologized to those who were in attendance at the Audit Meeting earlier tonight as this makes for a very long evening for them. Brian explained the guidelines and format of the Workshop as per Board Policy 2370: Public Participation at Board Meetings for Board of Education Community Budget Meetings. He further explained that the Superintendent will present the 5-Year Budget Projection and Reserve Fund Report first, with an opportunity for the Board to ask questions at the end of the presentation and then the floor will be open to the public for comments/questions at the conclusion of Dr. Marino's presentation. Brian stated the final presentation for tonight will be with the Board of Education discussing the 2011-2012 Budget Development Process and Parameters followed by comments from the Public.

5-Year Budget Projection and Reserve Fund Report

Superintendent and Acting School Business Administrator Ralph Marino presented the 5-Year Budget Projection and Reserve Fund Report for 2011-2012 to the Board. Ralph stated back on October 28th the first Five-Year Budget Forecast was presented to the Board; now its time for the February update. Ralph stated we are in the third year of the economic downturn in our country and state. The Horseheads District has been working for the last two years to combat the downturn while continuing to provide our children with a quality education. Ralph stated the first difficult budget was the 2009-2010 school year with a \$2.3 million in reductions. He stated that administrators and staff have been sacrificing for the past few years. Ralph reviewed the previous reductions of May 2009 which totaled \$2,299,659.00. Some of those reductions included a 15% reduction in all building/department budget allocations, 13 positions eliminated through attrition(retirements and resignations), restructured the Educational Support Center Office(replaced three positions with two), took back two Special Education Classes from BOCES, eliminated BOCES Labor Relations Service and more. Ralph also reviewed previous reductions of May 2010 which totaled \$2,806,905.00. Some of those reductions included eliminating 17 positions through attrition(retirements and resignations), changed garbage collection service, lowered heat in buildings, 3:30 PM to 6:00 AM and throughout weekends, eliminated food purchase and water coolers(not drinking

Cont'd

fountains), eliminated BOCES GED and Alternative Education Programs, eliminated Attendance Teacher Position and MS/IS Community Resource Officer and more. Ralph reviewed Reductions since May 18, 2010, which gave a positional savings of \$1,214,894.00. The reductions include not filling 13 positions(\$743,348), Additional Salary Savings of \$95,046, Spending Freeze approved by the Board on December 16, 2010 effective January 1, 2011 – June 30, 2011—estimated savings of \$350,000 and Curtailment of Overtime Costs - \$26,500(July 1, 2010 to January 31, 2011). The Total Reductions since May 2009 total \$6,321,458.00. Since May 2009 a total of 43 positions have been eliminated which equals 5.8% of staffing with a total number of staffing at 736. Ralph stated that state categorical aids such as textbook, hardware and software aid, as well as federal and state grants, must be spent or districts lose that money the following year. Ralph presented Governor Cuomo's Proposed State Aid for 2011-2012 with a reduction of \$1.535 billion(-7.3%) statewide and a reduction of \$3.59 million(-12.27%) for Horseheads. He noted that a property tax cap is not in the Governor's Budget Proposal. He has introduced a separate piece of legislation for a tax cap to be in effect for the 2012-2013 school year which the Senate has approved and is now being considered in the Assembly. Ralph reviewed the 2011-2012 Budget Decisions to date which include a 20% reduction in all building/department budget allocations and 13 positions not filled which total \$1,382,099 that has already been deducted from the 2011-2012 preliminary budget. To date the Budget Deficit(as of February 17, 2011) is \$8,985,331.00. This does not include a property tax increase or use of reserves. Ralph explained what an \$8.9 million deficit means to Horseheads: the reduction of programs and services and/or reduction of positions(approximately 138) and/or property tax levy increase(approximately 30%) and/or continued use of reserves and/or a combination of all of them. Significant increases for 2011-2012 and what they mean to the 2011-2012 Budget were reviewed. The Five Year Budget Projection and assumptions that have been made in the projections were reviewed. They consist of continued slow state-wide economic recovery, State Aid remaining the same for the 2012-2013 school year and then an increase of 1.5% each year until 2015-2016, no property tax levy increase, no mid-year state aid cuts and no property tax cap. If any of the assumptions change, the projections will change. Data Projections as of February 17, 2011 were presented. The District expects to use approximately \$4 million from reserves to balance the current year's budget. The amount may be greater or lower depending on revenues and expenses by June 30, 2011. This does not include a one-time grant of \$1.7 million from the federal jobs legislation approved in August 2010. Revenue Shortfall/Necessary Reductions from 2009-2016 were reviewed. Ralph presented the Reserve Fund Report for 2010-2011. The Report consisted of the following reserves: Capital Reserve, Repair Reserve, Worker's Compensation Reserve, Unemployment Insurance Reserve, Reserve for Tax Reduction, Mandatory Reserve for Debt Service, Insurance Reserve, Property Loss Reserve and Liability Reserve, Tax Certiorari Reserve, Reserve for Insurance Recoveries, Reserve for Encumbrances, Reserve for Inventory, Reserve for Employee Benefit Accrued Liability, Reserve for Retirement Contribution and Unreserved-Designated Fund Balance Reserves.

Board of Education and Public Questions and Answers Regarding the Presentation

Questions and Comments from Board Members

Board President Brian Lynch thanked Superintendent Marino for presenting the Board with such a thorough presentation and for also putting it on the Web.

Board Member Pam Strollo inquired as to what the assumptions are that go into a Contingency Budget. Ralph stated no property tax increase, no state aid increase with the Horseheads Brand at stake. He stated that we have been cut almost \$6.5 million and we can only go so far with such a cut. He further stated the tax levy was not put in because we do not want to restrict it.

Questions and Comments from the Public

There were no Questions or Comments from the Public.

Board of Education Discussion Regarding the 2011-2012 Budget Development Process and Parameters

Board President Brian Lynch and the Board discussed what parameters they would like Dr. Marino and his Team to work on to meet the budget's needs. Brian stated the community is participating in a survey in which over 900 have been collected to date. By March 3rd, the survey deadline, we should have at least 1,000 responses. This is tremendous. Brian reviewed the 7 Different Options that the Board has been presented with Option 1 being a 0% Tax Levy, Option 2 – 2% increase, Option 3 – 5% increase, Option 4 – 7.5% increase, Option 5 – 10% increase, Option 6 – 16% increase and Option 7 – 25% increase. Brian stated these possible options were discussed at the Board Finance Sub-Committee Meeting on February 15th. He reminded the Board that we can never go higher than what we go to the voters with in May with our original budget proposal if we are defeated at the polls. We need to remember that we represent the community and understand the high value the parents put on our District. Our job is to find a balance this year for the staff, students and the community. As a Board we really need to help Dr. Marino decide on an Option for Dr. Marino and his Team to work on. One that we would feel comfortable presenting to the taxpayers in May.

Vice-President Michael Buck stated it is obvious that we are going through some very tough times. We did not anticipate this when we were elected to the Board. However, we do have to deal with it. We have been able to anticipate looking ahead. The District's Ten Year Strategic Plan is an excellent look to the future. We have to be careful of not just the funding, but we also have to balance the budget for next year and look forward even with a \$9 million deficit. As we try to look at the future and balance it we have two very possible solutions: 1. Go out to the taxpayers with a maximum levy—give them the ability to maintain programs, balance and the education we provide to our students. It gives us the ability to move forwards. 2. We could begin to dismantle all those programs in Horseheads which makes it what it is today such as the ACE Program, Pre-K, etc, if we were to go with a 0% tax levy.

Board Member Jim Jacobus stated as a graduate of Horseheads over the past few months he has laid awake at night and wondered what his former school district is going to look like in the future and it scares him. He stated he has spent time with the state legislatures regarding the District's financial status and

has asked them to let the parents and children know exactly how their decisions are going to affect Horseheads. He is very disappointed that they won't. The Governor is being short sighted by believing that the Board is able to make the cuts up through the reserves or by cuts in benefits. Jim feels the Governor does not understand the education process or the importance of it. He stated 2% is about \$600,000. Even with a large number of cuts he does not see how we can provide the quality services that we currently provide the students and the community. We, as members of our community, need to have the facts. Jim recommends that the members of the community read "Education Week" so that they realize some of the decisions that we are forced to make when putting this budget together. The decisions we will be forced to make will be very difficult for all of us. The prospect of having the tax cap at 2% next year is not feasible. Jim encourages the Board to seriously consider Option No. 4 with a 7.5% Tax Levy increase. He stated he has never wanted to go higher than 2.5% but realizes this is not possible this year or next year.

Board Member Mark Brinthead stated as he looks at the various Options there are several interesting numbers. Any time you speak of a contingency budget it is unfortunately a way of taking the budget and literally sticking it to us and the taxpayers. It is not the way to have a budget. We are here to encourage children to grow. We do not have the luxury of using the reserves that we have. Every one of the individual reserves has specific rules of how they are to be used. We cannot touch those reserves except for their intended purpose. The legislator just does not understand it once they move away from the local areas. Mark stated as he looks at this and see things go from 0% to 25%, he supports the amount somewhere in the middle. He stated when looking at Option No. 4 he doesn't like it, but certainly when the Board decided in the areas of 2.5% or less we had some ideas of what was coming in but this time we just don't know. Mark feels that 7.5% isn't an unreasonable amount. He also stated the public needs to do some computer research and find out what 2% really is.

Board Member Pam Strollo stated she grew up outside of Chicago, Illinois, and stated she goes to bed at night worried that her children are not going to receive the education that she received thirty years ago. She stated this is not an easy decision to make. She stated that she would push the boundaries and go even a little further in support of Option 5, a 10% Tax Levy increase. It gives us a little more flexibility and some choices we have to make.

Board Member Mary Anne Holleran stated her children have benefited from attending Horseheads schools and a word that comes to mind to her is "equable". We need to try to keep things equable as far as programs and what this District has to offer. She just doesn't see how this would work with a 2% increase. She stated she definitely could support the 7.5%. She stated the community also needs to sacrifice a little just like the administrators and the staff and need to try a little bit harder to work with us and give a little bit more as she feels Horseheads is the best District in this area.

Board Member Rose Apgar agrees with Mark, Jim and Mary Ann. She and her children are products of the District who received an excellent education from Horseheads. She stated that when she attended the convention in October

seven school districts in New York State had already filed bankruptcy and even more who are doing so now. There are many districts that do not have a reserve to fall back on as we do. Rose is in support of Option 4 with a 7.5% Tax Levy increase. Rose feels that other senior citizens would also support this.

Board Member John Lively stated this is his second year on the Board. He stated the 2% levy has resulted in a 0% increase which has resulted with either the tax rate fallen or been flat for the past four or five years. This is good as New York State is a high tax state which is hurting the state. John stated he has always been in the camp of a low or no tax increase, however; it seems a near certainty to him that next year and the year after that if the tax is capped there will be additional reductions in state aid and this will not be possible. If we do hold the line this year, what would it mean for us next year and down the road? John stated he would support more in the 5% range even the majority is in support of the 7.5%. He stated it is important to be fair to the children, the parents and the taxpayers. Everyone has to share some of the pain.

Board Member Ruth Miller stated as the new person on the Board she knew this was coming but did not realize it was of this magnitude last year. She echoes what was said by her fellow Board members. We must put the children's education first. She concurs with supporting Option 4 with a 7.5% Tax Levy increase. She stated, "This is inevitable".

Board President Brian Lynch stated when we decided to become Members of the Board of Education we hoped we would never have to face a situation such as this one and this is about as challenging as it gets to be as a school board member. The State is proposing \$3 million cuts; about \$7 million the past two years. We are not able to get any of the sales tax revenue which hurts us. He also is under the belief that 2% would be a nice number but he is in agreement with Option 4, a 7.5 % Tax Levy increase is necessary. Therefore, the Board is in agreement that Dr. Marino and his Team work within the parameters of Option No. 4 with a 7.5% Tax Levy increase when working on the 2011-2012 Budget with the preliminary budget being presented at the March 10th Budget Workshop.

Public Comments

John Abbott 53 Brook Circle, Elmira, thanked the Board for working very hard on this very tough problem. He inquired as to how does our District compare to other districts. Are we getting hit worse than others and has the Board considered working with others Districts? Superintendent Ralph Marino stated the statewide average is about 7.3% and ours was 12.3%. There was no equality last year. We lost the largest amount of money even though other districts are much larger than ours. We have been speaking to the legislatures regarding the formula that is used. We are also talking very closely about what services could be shared with other districts. Is there some duplication within districts? We are trying to be very collaborative with other districts and not work in isolation. Board President Brian Lynch stated it bad for many, many districts. There are many that are declaring bankruptcy.

Dean Smith, 278 West Hill Road, Elmira, inquired for a further explanation of how a Contingency Budget works. Superintendent Ralph Marino stated if we look at Option 4 we will be below the deficiency. If the budget is defeated, the Board

cannot go out with Option 7 once the first budget is voted down as it can never be higher with a second proposal. If it is defeated, the Board can say that this is the budget or go lower. You can only get one review by law. With a contingency budget, there would be no capital repairs, no purchase of equipment, no use of school facilities by outside entities and the taxes would go up 7.5% with a defeated budget.

Bruce Watson, 53 Quail Run, Big Flats, stated he is a little disappointed with the post card that was mailed to the residents. It does not show how bad the budget really looks. The community needs to know about all the state mandates. He stated that cutting teachers or supplies is not the answer. The community needs to know these additional things and pressure the state legislature that unfunded mandates are killing the school district. He stated something needs to change. The 7.5% might have to be approved again in two years as it won't be enough for just one year if the State continues to cut funding. Superintendent Ralph Marino apologized in the delay in the mailing of the postcards and stated future presentations of the budget will be in more detail.

Board President Brian Lynch thanked the public for their comments. He stated that we at Horseheads get punished because of our wealth ratio. Even though we have nice growth in the District we get penalized for it. This District is not allowed to solicit funds from businesses which is a huge disadvantage. Board Member Mark Brinthaup stated there is another factor involved—the fact that we are considered a rich District. However, we take a penalty because we have a very low number of families and youngsters on free or reduced lunch which costs us in the end.

Superintendent Ralph Marino stated that we are pursuing grants though and we are able to accept donations. He stated we have to be really careful if we asking for money from businesses as we are not allowed to advertise their company/project in exchanged for funding. We also can accept donations as long as they are without strings attached.

Adjournment

Moved by Lively, seconded by Apgar.

RESOLVED, that the Horseheads Central School District Board of Education Meeting adjourned from its Budget Workshop of the Board of Education at 7:20 PM.

<u>Ayes</u>	<u>Noes</u>	<u>Absent</u>
-------------	-------------	---------------

Apgar		
Brinthaup		
Buck		
Holleran		
Jacobus		
Lively		
Lynch		
Miller		
Stollo		

MOTION CARRIED

Respectfully Submitted By:

Candy L. Maine,

Candy L. Maine, District Clerk

