

**DRAFT**

**Horseheads Central School District  
Budget Workshop of the Board of Education  
Big Flats Community Center  
February 9, 2012**

**Present:** Brinthaupt, Buck, Conklin, Jacobus, Lively, Lynch, Miller, Stollo

**Also Present:** Abrunzo, Bailey, Christiansen, Donahue, Holloway, Learn, Marino, Moyer, Scaptura, Sechrist, Squires, Williams, Woodworth

**Absent:** Holleran

**Call to Order:** President Lynch called the Workshop to order at 6:02 PM

**Board President's Remarks:**

President Brian Lynch welcomed everyone to the first Budget Workshop of the year. 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 Preliminary 2012-2013 School Budget consisting of a Reserve Fund Report, 2008-2011 Overview, Review of the Property Tax Cap Worksheet, 2012-2013 Budget Figures and Five-Year Budget Projections first. There will be 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 the Board of Education discussing the 2012-2013 Budget Development Process and Parameters followed by comments from the Public. Brian stated the guidelines for the Public Comments including to state your full name, address and to conduct yourself in a civil manner.

**Preliminary 2012-2013 School Budget Presentation**

Superintendent and Acting School Business Administrator Dr. Ralph Marino presented the Preliminary 2012-2013 School Budget consisting of a Reserve Fund Report, 2008-2011 Overview, Review of the Property Tax Cap Worksheet, 2012-2013 Budget Figures and Five-Year Budget Projections to the Board.

**Reserve Fund Report**

Dr. Marino reported on the Reserve Fund Report noting that \$650,000 was withdrawn from the Capital Reserve Fund on November 17, 2011 for Summer 2012 repair work, leaving a balance of \$714,050. Ralph reported on the Repair Reserve Fund, the Workers' Compensation Reserve, Unemployment Insurance Reserve, Reserve for Tax Reduction, Mandatory Reserve for Debt Service(The District doesn't have.), the Insurance Reserve, Property Loss Reserve and Liability Reserve(The District doesn't have.), Tax Certiorari Reserve(The District is required to pay back if we are not successful in court. We are required to make adjustments to this account before we close the books on June 30<sup>th</sup>.), Reserve for Insurance Recoveries, Reserve for Encumbrances(Due to the Spending Freeze there were very few bills when the books were closed on June 30<sup>th</sup>.), Reserve for Inventory(The District doesn't have.), Reserve for Employee Accrued Liability(Ralph wanted it noted that \$5,822,295 was withdrawn from this fund on November 17, 2011, leaving a balance of \$5,124,682. This was a one-time withdrawal that was approved by the Governor.), Reserve for Retirement

Contribution(ERS only) and Unreserved-Designated Fund Balance Reserves (How our auditors appropriate the money we have.). Ralph provided the Board with the history and the activity in each of the funds.

### **2008-2011 Overview**

Ralph stated we are in our fourth year of the economic downturn in our country and state. The Horseheads District has been working for the last four 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 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 \$3.59million (-12.27%) for Horseheads.

Ralph reviewed the previous reductions of May 2011 which totaled \$4,203,912. He stated the reductions include the building/department budgets have been reduced by approximately 22.5%., approximately 70 positions(26 through layoffs and 33 through retirements/resignations) were eliminated, the Teacher Mentor Program was reduced from a three-year program to a one-year program, defunded department chairs, grade level chairs and team leaders, reduced special area instruction(art, library, music, physical education) and computer lab supervision, phased out German instruction for the 2011-2012 school year, defunded approximately 25 extra-curricular stipends, grades K-12, eliminated freshmen athletic teams and combined sports with two teams into one: 7th and

8<sup>th</sup> grade boys' and girls' basketball, boys' soccer and girls' volleyball, reduced BOCES instructional technology services and eliminated Extended School Year Principal position. Overall, Ralph stated total reductions since May 2009 are \$9,310,476.

Ralph stated that the New York State School Boards Association has identified "the new 3Rs" as Reducing, Restructuring and Redesigning and that the District is committed to preserving "the 3 As" as much as possible: Academics, Arts and Athletics. He firmly believes that we need to really focus on restructuring and redesigning because the old model will not work due to the fact that the funding isn't there to support it. We need to become very creative to redesign our system to ensure our students will continue to receive a solid education.

### **Property Tax Cap Worksheet**

Dr. Marino reviewed the Property Tax Levy Cap Worksheet as of February 9, 2012. Ralph stated the tax cap formula is a very complex formula. The maximum allowable levy growth factor is 2%, but there are several exemptions a District must factor in to determine the maximum allowable tax levy increase. In Horseheads' case, that increase is 3.85%. This is the maximum the tax levy can increase with a simple majority vote by the taxpayers. The District is awaiting final guidance documents from the New York State Education Department and Comptrollers' Office for the tax levy cap calculation. Dr. Marino stated that we do not control the Tax Base Growth Factor. This is a number that is given to us by the State and is specific to our school district. He also stated that the Base Year Levy plus PILOTs is a number that fluctuates. This is an incentive for businesses to build in our school district and is payment in lieu of school taxes. As of today the PILOTs are about \$740,000. Ralph stated that the 2011-2012 tax levy was \$32,441,675 with a proposed 2012-2013 at \$33,690,645 which is an increase of \$1,248,970 or 3.85%. State Aid projection with the Governor's proposal as of today is \$26,557,829 an increase of \$602,785 or 2.32%, whereas, last year's was \$25,955,044. Ralph noted that in 2006-2007 the District received \$26,996,403 in total state aid. Even with this current proposed increase we are still receiving less state aid than six years ago. Also, the District's share of the New York State Lottery Revenue (approximately \$4.5million in 2011-2012) is included in our total state aid.

### **2012-2013 Budget Figures**

Dr. Marino presented the 2012-2013 Budget figures. Ralph stated the total Revenue Projections as of today are \$64,180,680, Expense Projections total \$71,260,575, an increase of \$1,931,395 or 2.79% whereas last year's, 2011-2012 with voter-approved budget was at \$69,329,180. Dr. Marino stated that the deficit for the 2012-2013 Preliminary School Budget is a negative \$7,079,894. Ralph noted that for the current school year the District used \$5,295,000 from District reserve funds and \$1,745,980 from the federal jobs bill grant to balance the budget. Ralph noted that the Federal Jobs Bill expires in June which will affect many positions. State Aid Projections as of today with the Governor's Proposal is \$26,557,829 which is an increase of \$602,785 or 2.32%. In 2006-2007 the District received \$26,996,403 in total state aid. We are receiving less than we did six years ago.

**Five-Year Budget Projections**

Dr. Marino presented the Five-Year Budget Projections consisting of the Property Tax, State Aid, Use of Fund Balance and Reserves, Federal Jobs Bill Grant, Other Revenue, Total Budget and the Budget Deficit. Ralph stated it is very important when putting the budget together that you assess where you are and project out where the deficits are at. Ralph stated he is comfortable with the 2% with 1% budget growth. The District has had two years in a row under 1%. Unfortunately, the District needs to stay in this range because our revenues don't add up. Dr. Marino stated that whether it is \$1 million or \$2 million, it will be painful for us. We are getting very close to what is required to meet the Commissioners' Regulations. This is why it is very imperative that we really look at re-designing and restructuring what we have. We need to keep mindful that reductions are very emotional as they impact programs, staff, students and the community as a whole. It is very important that we keep the students encouraged and wanting to go to school and be successful.

**Board of Education and Public Questions and Answers Regarding the Presentation**

Board Member John Lively stated that he believes the strategy we should adopt is not to be the first District in our area to go into solvency. John stated that our choices are fairly limited. We can go out with the 3.85% which is a safe middle ground and is legally allowed which does not require a majority or we can choose to take a risk and go higher. The question is what happens if we choose to go higher and the budget is defeated. The third option is go below it which will put us in a hole even deeper than we are in now. If we choose to go above 3.85% and the voters don't approve it, what are our options? Dr. Marino stated we would have to have a re-vote. We could go out with the same budget proposal again or we could modify it to a lower percentage. However, we could not go higher. If it fails again, then we would have to go out with the exact same tax levy as we have this year. It is different than the prior contingency budget. We need to have enough reserves so that we are not taken into this situation. We need to sit back and watch during the next year or two and learn what the other Districts are doing to maintain their financial stability. He stated even \$5million is still too risky. If we take \$3million from Reserves, could we stretch it out between \$3.8 and \$5million would be the most we could go. In the end we will look exactly at what is left and how much pain we can live with. John stated that we need to have some ideas as what we may need to cut before we can have a concrete number.

Board Vice-President Dr. Michael Buck stated he appreciates what Board Member John Lively said regarding an increase of \$2million from last year and \$5million from Reserves. We have about \$12million available to us right now and if we spend one-third of it over the next four years, how will this make us look this year and the next three years. Dr. Marino stated we need to look at the new numbers and run it for five years, \$11.4 million is all the Reserves there is and once they are gone, they are gone.

Board Member Jim Jacobus stated it is important that each Board member gives their input as where they stand so that the Finance Committee, Dr. Marino and his Team are able to move forwards in preparation of a final budget for the voters in May. Jim stated the hardest thing for him is to decide what the consequences will be. He would like to know what the cuts are going to be before he makes a

decision. He is not in favor of the \$7million being taken from the Reserves as there could be major cuts next year. Jim stressed the importance that everyone really needs to think about what it really means to take money from the Reserves without knowing exactly what the consequences will be. Jim is very concerned that a 3.85% tax levy will not pass. If this occurs then we have some interesting positions that we could be in such as cutting more programs, staff or go back and take more money from the Reserves Fund. Jim stated this could be a huge problem if we take \$7million from the Reserves to balance the budget. This would leave us with \$4million in Reserves which would create a huge problem for next year. Dr. Marino stated that \$7million would be ten percent of the budget which would raise a concern to the auditors. Dr. Marino stated we received a clean audit this year with the auditors being aware that we have a substantial amount of money in the Reserves for subsequent years. We need to make sure that we are looking at long-term use of the Reserves not just this year and next year. We have to be very sensitive that we don't use all the Reserves as we will not have another \$7million to use the following year. It is important that we remain solvent. We have a plan that we have submitted to our auditors and we need to follow it.

Board Member Pam Strollo stated that she is comfortable and willing to support \$4million being taken from Reserves. Pam stated she is concerned that if we go over 3.85% what will this mean to the public? It would be difficult for us to explain why we chose to do this in light of the economic situation.

Board Member Warren Conklin stated it is very hard to say \$5million, \$4million or \$3million when we do not know what the consequences are. Dr. Marino stated that if you go back and look at the previous year's budget documents and look at what positions the Federal Jobs Act supported, etc, you will have a better understanding of where we are today and why. Warren stated that the Public needs to be educated that the 2% Tax Cap is not a true figure and that the 3.85% is what the realistic figure is.

Board Vice-President Dr. Michael Buck agrees with Jim. He emphasized it is hard to choose a number without being aware of what the repercussions will be. Dr. Buck stated that we would really be taking a risk if we go out with a tax levy increase of anything higher than 2%. It is the general public's understanding that 2% is what the tax cap levy is, so anything higher would be voted down. Once again, Dr. Buck inquired as to how do we educate the public? He stated that we should go out with the maximum 3.85% at the eleventh hour and keep in mind that the amount we collect this year will roll forward next year. If we go with the 3.85%, we won't have to go with the majority. He does not know how we can answer question No. 1, "Given the state and federal financial situation and the impact of raising the tax levy and using reserves, what is the appropriate level of programs/services(the 3 As) for the children of the Horseheads district." He stated this needs to be given back to Dr. Marino to make the appropriate levels of programs/services and then bring back to the Board.

Board Member Ruth Miller stated as intense as the vote was last year she is not comfortable going above 3.5%.

Board Member Mark Brinthaup stated he would not be the least bit comfortable going over 3.85%. We have to explain to the taxpayers, a group of people who

do not fully understand what is going on and why we chose to go with this increase. Mark stated since Dr. Marino became Superintendent five in a half years ago, he has shown us that he is adept at handling our financial situation and that he is well adverse with the budget, has very good communication with people at the local and state level and with the Board. Therefore, Mark is deferring this back to Ralph. Since Ralph knows the numbers and what we have to work with, he should compile us a list showing the cuts that would be needed in order to reach the appropriate numbers that we need. Mark stated we need to be very conservative in the use of the Reserves because once they are gone, we will have nothing left to work with and we will be in worse shape.

Board President Brian Lynch stated the State Aid numbers are very dramatic numbers that are still below what we received in the past. At this point in time, Brian is comfortable going with a Property Tax Levy at 3.85%. Brian stated there are some school districts that are having real problems with PILOTS as they are at a negative percent. We may find ourselves at that point at sometime with the gas expansion. Brian stated he cannot support taking \$7million from the Reserves. However, he will support a budget using only \$5million. This would keep us where we were last year and the year before. We need to make sure that we consolidate as many expenses as possible to maintain a balance in the Reserves. Therefore, he is challenging Dr. Marino to bring the Board back a list at the next Budget Workshop to show us how much an impact would be at the \$5million and the \$4million level. Brian stated that Dr. Marino and his Team need to look at the list of demands from administrators, teachers, programs that were cut last year and reconsider if the cuts are working. Is it possible that some of the positions need help? Could we look at Shared Services with BOCES? Brian stated he doesn't think that the cutting of positions and combining with others is working as well as we thought it would.

Board President Brian stated that it is consensus of the Board that they would like Dr. Marino and his Team to meet the budget's needs using the following parameters: 1. Keep the Tax Levy increase at 3.85%, 2. Explore the use of \$4 to \$5million of Reserves and 3. Do everything possible to keep the programs and services intact as this represents the Horseheads' name.

### **Questions and Comments from the Public**

George Rose, 610 Hillingdon Way, stated that he agrees with members of the Board that 3.85% might be a little bit more than what the public will approve. He stated that the people who do not attend the meeting will question why the Board did not go with the 2% tax cap. The budget is very complex and the public needs to be educated in the budget process. Mr. Rose inquired as to the financial figures for the three "A's--Academics, Arts and Athletics", Administrative and Capitol figures and the PILOTs that Dr. Marino referred to earlier tonight. He also inquired as to the District enrollment and how these figures will relate to it. Dr. Marino stated that he will obtain the figures that Mr. Rose asked for and will follow-up with him. Dr. Marino stated that enrollment figures have gone down slightly since the beginning of the year, however, we are still up more than most other Districts. We are in the area of zero to one-hundred lower than we were in September. Ralph will obtain the comparison from Elmira Heights and will follow-up.

Linda Watson, 53 Quail Run Road, Elmira, inquired for clarification that at the start of the meeting Dr. Marino was asking for \$7million from the Reserves. Would this leave any money in the Reserves for future use? Also, Mrs. Watson

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asked for clarification regarding what would happen if the budget does not pass. Dr. Marino stated we are not allowed to set aside money once the ten year window is depleted. When this was approved in May 2002 we had to take it out then. Once it is closed, we have to ask the voters to create a new one. Dr. Marino explained the budget process and what the consequences would be if it were to go out twice and fail. Dr. Marino explained there could be a re-vote at 3.85% or lower. He explained that if a person's assessment does not change, the person would have the same exact tax bill. There are no exemption factors. Mrs. Watson stated that the 2% would even be a hard sell to the public. It will look bad for the school district. Dr. Marino stated it is a very difficult situation that we are in due to the state of the economy; however, we are not alone. There are 669 districts facing the same situation that we are in. There was only one mandated relief but unfortunately, we already are doing it.

### Questions and Comments from Board Members

Board President Brian Lynch thanked Superintendent Dr. Marino for presenting the Board with such a thorough presentation and for also putting it on the Web. Brian also thanked everyone who came out tonight. He stated he understands that the budget process is very confusing, is hard to understand as it involves a lot of information that can become very complex and overwhelming at times. Brian stated future Budget Workshops will be held on March 8<sup>th</sup> at the Erin Town Hall and April 4<sup>th</sup> at Broad Street School.

Board Vice-President Dr. Michael Buck stated that since Dr. Marino arrived in the District one of the things he has done the best is looking out ahead and managing the finances of the District. However, he stated that we need to stop trying to run the School District solely as a School District and focus on how to run it as a business and keep it financially stable. Dr. Buck appreciates all of the work that Dr. Marino has done to help save the District money. It seems like this is all we talk about is where to cut money, programs and staff. You cannot try to maximize educational outcomes in this manner any longer. Dr. Buck stated that he appreciates that Dr. Marino wants to keep us where we are at but we need to look at the future and re-think how we are spending our money.

### Adjournment

Moved by Lively, seconded by Miller.

RESOLVED, that the Horseheads Central School District Board of Education Meeting adjourned from its Budget Workshop of the Board of Education at 7:17 PM.

<u>Ayes</u>	<u>Noes</u>	<u>Absent</u>
Brinthaup		
Buck		
Conklin		
		Holleran
Jacobus		
Lively		
Lynch		
Miller		
Strollo		
MOTION CARRIED		

Respectfully Submitted By:

*Candy L. Maine,*

Candy L. Maine, District Clerk

