

**Horseheads Central School District
Community Budget Workshop
Erin Town Hall
February 7, 2013**

Present: Buck, Conklin, Jacobus, Johnson, Lynch, Miller, Stollo

Also Present: Abrunzo, Bailey, Bradley, Christiansen, Donahue, Holloway, Marino, McDonough, Moyer, Patterson, Scaptura, Sechrist, Williams, Woodworth

Absent: Apgar, Brinthaup

Call to Order: Board President Brian Lynch called the Community Budget Workshop to order at 6:00 PM

Board President's Remarks:

Board 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 School Business Executive Jane Bradley will present the Preliminary 2013-2014 School Budget consisting of a Reserve Fund Report, 2008-2012 Overview, Review of the Property Tax Cap Worksheet, 2013-2014 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 the presentation. Brian stated the final presentation for tonight will be the Board of Education discussing the 2013-2014 Budget Development Process and Parameters followed by comments from the Public. Brian stated the guidelines for the Public Comments include stating your full name, address and to conduct yourself in a civil manner.

Preliminary 2013-2014 School Budget Presentation

School Business Executive Jane Bradley presented the Preliminary 2013-2014 School Budget consisting of a Reserve Fund Report, 2008-2012 Overview, Review of the Property Tax Cap Worksheet, 2013-2014 Budget Figures and Five-Year Budget Projections to the Board.

Reserve Fund Report

School Business Executive Jane Bradley reported on the Reserve Fund Report noting that \$700,000 was withdrawn from the Capital Reserve Fund on October 25, 2012, for Summer 2013 repair work, leaving a balance of \$17,277. Jane 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 30th.), Reserve for Insurance Recoveries, Reserve for Encumbrances, Reserve for Inventory(The District doesn't have.), Reserve for Employee Accrued Liability(It was noted that \$1,066,690 was withdrawn from this fund on November 30, 2012, leaving a balance of \$3,819,80.), Reserve for

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

2008-2012 Overview

School Business Executive Jane Bradley stated we are in our fifth year of the economic downturn in our country and state. The Horseheads District has been working for the last five years to combat the downturn while continuing to provide our children with a quality education. Jane stated the first difficult budget was the 2009-2010 school year with a \$2.3 million in reductions. She stated that administrators and staff have been sacrificing for the past several years.

Jane 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. Jane 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. Jane reviewed the previous reductions of May 2011 which totaled \$4,203,912. She 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 8th grade boys' and girls' basketball, boys' soccer and girls' volleyball, reduced BOCES instructional technology services and eliminated the Extended School Year Principal position.

Overall, Jane stated the total District budget has been reduced by nearly \$11 million in four years. There has been an elimination of 121 positions through retirements, resignations and layoffs. Department/Building budgets have been reduced by 37.5% with a plan to reduce these budgets by another 25% next year. General education and foreign language instruction in Grades 7-12 and Special Area Instruction(art, music, physical education and library) in Grades K-6 have been reduced. Programs such as Student Transition and Recovery(Star) Program, K-12 intramurals, German instruction, BOCES GED and Alternative Education Program, Middle/Intermediate School Resource Officer Program and Freshman Athletic Teams have been eliminated.

Property Tax Cap Worksheet

School Business Executive Jane Bradley reviewed the Property Tax Levy Cap Worksheet as of February 1, 2013. Jane stated the tax cap formula is a very complex formula. Jane stated the Total Tax Levy Limit before Exclusions is

\$33,205,348. The Total Exclusions are \$1,502,764 with a Total Tax Levy Limit at \$34,708,112. Therefore, the Proposed Increase for the 2013-2014 School Year is \$1,159,170 or a 3.46% increase.

2013-2014 Budget Figures

School Business Executive Jane Bradley presented the 2013-2014 Budget figures. Jane stated the total Revenue Projections as of February 1st are \$65,083,878, Expense Projections total \$73,355,597, an increase of \$3,843,926 or 5.53% whereas last year's, 2012-2013 voter-approved budget was at \$69,511,671. Jane stated that the deficit for the 2013-2014 Preliminary School Budget is a negative \$8,271,719. Jane noted that for the current school year the District used \$5,075,000 from District Reserve Funds and \$1,745,980 to balance the budget. Jane stated that although State Aid to the District will increase slightly in the 2013-2014 school year, we are still below the 2007 levels. As of February 1, 2013, State Aid Projection is \$26,724,730 (the District's Share of the NYS Lottery Revenue is included in our total State Aid. In 2012-2013, this amount was approximately \$5.2 million.). In 2013-2014 State Aid is projected at \$27,131,033 which is an increase of \$406,303 or 1.52%. In 2007-2008, the District received \$28,436,680 in total State Aid. Even with the increase next year, we are still receiving less State Aid than six years ago.

Five-Year Budget Projections

School Business Executive Jane Bradley presented the Five-Year Budget Projections consisting of the Property Tax, State Aid, Use of Fund Balance and Reserves, Other Revenue, Total Budget and the Budget Deficit.

Board of Education and Public Questions and Answers Regarding the Presentation

Board President Brian Lynch thanked School Business Executive Jane Bradley for putting together a very thorough Budget Presentation and for sharing the history of the budget with the Board. He also thanked Superintendent Dr. Ralph Marino and his staff for having the insight in preparing the projections over the past years or we would not be in the shape we are today. Brian stated tonight the Board will have to come to a consensus that will give Dr. Marino guidance as to the direction he should go with the 2013-2014 Preliminary Budget.

Board Member Dr. Michael Buck stated that looking across the total budget lines for the five-year budget projections, we are projecting a 1% increase. Dr. Buck asked, "How do we explain the 51/2% increase and how do we explain the \$5.3 million deficit?" to the public. Dr. Marino stated that in this current school year, we only have two retirees from all of the Collective Bargaining Units with these two positions having to be replaced. Dr. Marino stated even though these positions will be replaced at a lower salary they still will impact the budget. The current deficit is running in the District's Self-Funded Health Care. This is basically a rollover budget of what we have now which will require a 51/2% increase.

Board Member Warren Conklin inquired as to how much money has the District saved as a result of the Spending Freeze. Superintendent Dr. Ralph Marino stated that our goal is \$750,000. We are currently \$1 million in the red with the Health Care Plan. We have been discussing this for months with the Finance Committee and have talked about appropriating \$4 million from our Reserves to cover last year's budget. We are at a 31/2% tax levy increase, however; we need 6%, 9% or even 12% to cover next year's budget. Even with a Retirement

Incentive, a Resignation Incentive and looking at 85 possible layoffs, we still would need to increase the tax levy. Dr. Marino stated another option would be also for the Board to consider the reconfiguration of schools(possibly closing one or more schools) which would be effective at the end of this school year on June 30th.

Board Vice-President Pam Strollo stated that she thinks the Board is going to have to discuss multiple levels of these ideas in-depth in order to be able to close the gap. Maybe the 4 1/2% is not feasible and we should consider going to 5%. We have a lot of great studies underway which focus on how to preserve the academics and the arts and at the same time maintain the Horseheads' Brand and finances so that we don't dissolve. We need to do the best we can to attack this situation at multiple levels to close the gap and remain optimistic as we do so.

Board Member Dr. Michael Buck stated that he is fundamentally opposed to the freezing of budget spending. He stated that he is encouraging the Board to come out with a Budget that they are comfortable with spending the following year. He stated that in the fall he encouraged the Board to consider a one-year plan to decide if school(s) needed to be closed or if there was a need to redistrict and it was decided that a "slow approach" needed to be taken to handle this. However, now we are discussing the possibility of closing one or more schools while we are in the middle of data collection when we could have been further if a decision would have been made in the fall. It is important that we have the data so that we are able to make smart decisions. We have people and programs that need to be considered if one or more schools close. If we do restructure, we also need to know if there is a substantial projection of savings before we make any decisions. Dr. Buck stated that if we take \$4 million from the Reserves and save \$5million from restructuring we are pretty close to what we need to fill the budget gap. Board Member Dr. Michael Buck stated that we will need money to offset the cost of the building renovations which means we have to spend money to make money.

Board Member Ruth Miller stated that she concurs with most of what Board Vice-President Pam Strollo stated. She stated the tax cap is an important conversation as it works towards the gap deficit. We have to entertain all of these ideas and approach them in a positive manner even if it we may need to look at increasing the Reserves to \$4.5million and increasing the tax levy.

Board Member Warren Conklin inquired if we have any ideas at all if we close a school what the savings would be? How would it impact the difference with 85 possible layoffs? Superintendent Dr. Ralph Marino stated we have not done any work in this area yet because we did not know if the Board would entertain this possibility. However, once the Board gives the approval to move forward in this direction data collection will begin.

Board President Brian Lynch stated that he supports Board Vice-President Pam Strollo's recommendation that we take \$4.5 million from the Reserves and that everything else that has been discussed tonight is also on the table. We need to have a price out of the costs of the reconfiguration of the school buildings to see what the financial impact would be. We all want to keep the Horseheads Brand intact as much as possible. If we need to reconfigure the buildings and increase the spending of the Reserves, then we need to consider doing so. If the 3.46% tax levy is not enough, then as a Board we need to consider increasing it. If we

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receive \$1million for every 3%, then maybe we need to increase it by more than 3%. Board President Brian Lynch stated that the Reserves are the projected Reserves at the end of June. If everything falls as it is now, it would be \$11.6 million this year and the \$4.5million would come from that. Brian stated it is important to remember these are just projections at this point.

Board Member Jim Jacobus inquired if we could zero out the Tax Reserve? Superintendent Dr. Ralph Marino stated this is a very good question which he will investigate. He will check to see if it is possible how such a withdrawal would work and will report back to the Board at the next Board meeting. Jim stated if we were to go above the tax levy amount and the budget was defeated we would have one other opportunity to go back to the 3.46%. Dr. Marino stated this is correct. The Board could chose to go back to any number, however; 3.46% or below would only need a simple majority vote in order for the budget to pass. If this were the case, we would have to have a plan to make up the difference which may mean budget cuts.

Board Vice-President Pam Strollo stated that she does not like it, but none of the options are good. She is in favor of moving forward of increasing the tax levy another 3%. Board Members Jim Jacobus, Ruth Miller and Dr. Michael Buck stated they are also in favor of this increase. Board President Brian Lynch stated that he also agrees to entertain this increase as long as it is not greater than 6 1/2%. Board Vice-President Pam Strollo stated it's her understanding that at the Charter for the Grade Reconfiguration Study there is no idea what it would look like or if there would be loss of personnel. Superintendent Dr. Ralph Marino stated that you cannot close the gap without having less people. Board Vice-President Pam Strollo asked how the Board feels about looking at two different options. The first would be with \$4.5 million from the Reserves with a 6 1/2% Tax Levy. The second would be taking more from the Reserves or revise the tax levy even higher than 6%. Superintendent Dr. Ralph Marino stated that we also need to think about the emotions and anxiety that goes along with this. He wants to send the Jobs In Jeopardy letters out by the end of the month as it impacts 85 people. The District has already eliminated 121 jobs and even with another loss of 85 staff members, we could still have 7 schools left but the programs would not be the same. This is a very, very difficult position to be in.

Overall, the Board has given Superintendent Dr. Ralph Marino the authority to proceed with the following preliminary decisions: 1. Proposed tax levy increase of 6.46% which is above the property tax cap, so we would need a super-majority(60% approval) of the proposed budget by the voters. 2. Use of \$4.5 million in Reserves, 3. Re-offer the Retirement Incentive that was first offered earlier in the year, 4. Offer a Resignation Incentive(The incentives would have to have a \$250,000 in savings.) and 5. Investigate the closing of one or more schools on June 30th of this year. Dr. Marino will report back to the Board at the March 7th Community Budget Meeting at the Big Flats Community Center with his findings.

Questions and Comments from the Public

There were no Questions or Comments from the Public.

Questions and Comments from Board Members

Board President Brian Lynch thanked Superintendent Dr. Ralph Marino for presenting the Board with a very thorough presentation and for also putting it on the Web. He stated he understands that the budget process is very confusing,

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is hard to understand as it involves a lot of information that can become very complex and overwhelming at times which is why he appreciates everyone who came to tonight's meeting. Brian stated future Budget Workshops will be held on March 7th at the Big Flats Community Center and April 4th 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 to the future 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. He stated we 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.

Board Member Warren Conklin inquired if the Retirement Incentive would be the same as the one that was already turned down earlier this year. Dr. Marino stated there has been some talk among the employees that some may be in a better position to take it this time around if it is offered. Dr. Marino wanted it to be noted that we have the designation of \$975,000, however; every time we do an incentive it shrinks. Our goal is to try and keep the District financially solvent and keep the Horseheads Brand intact.

Board President Brian Lynch thanked the Public for attending tonight's Workshop and the Town of Erin for hosting it. He stated that word needs to get out to the Public that there are two more Community Budget Workshops, one on March 7th, at the Big Flats Community Center and the final one on April 11th at Broad Street School. Please encourage your family and friends to attend the workshops as it is important that everyone is educated on the budget process, the tax cap and tax levy.

Adjournment

Moved by Miller, seconded by Strollo.

RESOLVED, that the Horseheads Central School District Board of Education adjourned from its Budget Workshop of the Board of Education at 6:45 PM.

<u>Ayes</u>	<u>Noes</u>	<u>Absent</u>
		Apgar
		Brinthaup

Buck
Conklin
Jacobus
Johnson
Lynch
Miller
Strollo

MOTION CARRIED

Respectfully Submitted By:

Candy L. Maine,

Candy L. Maine, District Clerk

