

MINUTES
Work Session of the
BOARD OF DIRECTORS
Corvallis School District 509J
1555 SW 35th Street
Corvallis, OR 97330

I. CALL TO ORDER AND ROLL CALL

<u>BOARD MEMBERS PRESENT</u> Blake Rodman, Chair Matt Donohue, Vice Chair Helen Higgins Lisa Corrigan Bill Ten Pas Anne Schuster John Turman	<u>EXECUTIVE STAFF PRESENT</u> Dawn Tarzian, Superintendent Steve Youngblood, Assistant Superintendent Kathleen Walker, Student Services Director Kathy Rodeman, Business Director Jeanne Holmes, Human Resources Director <u>STUDENT REPRESENTATIVES PRESENT</u> Noga Heyman, Corvallis High School Jack Sattell, Corvallis High School
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A quorum was present and due notice had been published.

II. PLEDGE OF ALLEGIANCE

Chair Rodman led the group in the pledge of allegiance.

Chair Rodman invited audience members to introduce themselves and state their affiliation with the District.

III. BOARD AND BUDGET COMMITTEE DISCUSSION

Citizen Budget Committee Members Arne Larson, Rick Schroff, Liz Pearce, Leanne Giordono, Steve Martinson, and Mark Yeager were in attendance.

A. Budget Update

Kathy Rodeman, Business Director, provided written information on the state economic forecast and effect on the District in a document entitled "2009-10 Draft of Potential Reductions in the Corvallis School District." (Filed as Supplemental Item #VII-15 in the Official 2008-2009 Board Minutes.)

A summary of the comments made by Ms. Rodeman:

- The state economist is periodically updating his information, with January 16, 2009 being the most recent update.
- Estimates are affecting this year, next year, and the future; therefore, this presentation will be given to the Board in two separate parts.

Affects on the Corvallis School District in 2008-2009:

- September 2008 problems had minimal affect on the District. Oregon planned to use the state ending fund balance.
- November 2008 the shortfall forecast doubled but the governor was holding on to the same offset plan to use the state ending fund balance.
- Exponential growth of the shortfall continued; District staff had informed the Board that \$920,000 would be cut out of this year's budget.
- Informal January 16, 2009 update predicts another \$300 to \$600 million shortfall.
- The state economist is in a tough position and must take cautious stance and aim toward worst case scenario; everyone is expecting things to get worse.
- If the state does not use any other resources the Corvallis School District would be looking at \$1.8 million dollar loss; expect a lot of pressure to be put on legislature to tap into Educational Stability Fund dollars. Thinks Board should plan for 1.8 million in reduction and outline reductions if needed.
- At the state level there is a lot of anticipation of the federal stimulus package.
- She hopes \$1.8 million is right mark to aim for; she recognizes information is changing continually and \$1.8 million may need to be adjusted.
- She reminded the Board that the original \$920,000 was from the cessation of planning for the fiber optics program and the second restroom at the Western View Center.
- There have been two rounds of discretionary spending reductions at the District, as well as funds coming from canceled staff development trainings.
- She outlined possible options to get to 1.8 million, such as utility savings or an agreement with employee associations to cut three work days. (*Superintendent Tarzian noted that two of these days would be snow days, which have already occurred.*)
- Utilizing grant money for instructional materials and timing the use of the Early Retirement Reserve Funds would bring the amount to \$1.8 million.
- Suggested using whatever measures necessary so as not to have mid-year staff lay-offs because of their disruptive nature to scheduling and classes. The District is using temporary one-time measures to prevent that.

- As next year comes the District and the Board must look for long term solutions and stability going through an extended period of recovery.

Affects on the Corvallis School District in 2009-2010:

- The governor's budget was based on an expected \$1.3 billion shortfall for the following biennium. Even though education was somewhat protected, it did not provide enough of an offset.
- The problem has grown by \$1 billion per the January update; if it translates out at an equal level across the state it will be \$5.6 to \$5.8 million shortfall in the following year.
- Expect legislative changes to this budget; legislatures typically have to balance human services with education. District needs to allow \$1 to \$1.5 million for that situation.
- There is pressure to tap into state reserve funds. The three fund pools available are state Ending Fund Balance, the Rainy day fund and the Education Stability Fund. She reviewed the nature of these funds.
- Fee-based kindergarten program clarification was given last year in November and December statewide; the District had been out of compliance.
- Every program that has a fee basis, like all day kindergarten, needs to be readily available to all, regardless of ability to pay. Free and Reduced Lunch (FRL) qualifying children get access with no fee.
- For a decade the District has allowed anyone in the program to have their fee paid from another source if they desired, even if they qualified for FRL. Now we have made a distinction. At Garfield Elementary and Lincoln K-8 we provided all day free kindergarten. Other school programs are fee-based enrichment programs, with no new material to be taught.
- \$50,000 had been set aside to fund scholarships this year and that has all been used.
- There is a lot of uncertainty about Title I program funding and principals are becoming concerned about not being able to use funds for all day kindergarten.
- At the last board meeting, information was given on three options: 1) increase fees to make the programs self-sufficient, 2) continue with the \$50,000 subsidy, or 3) discontinue the tuition based programs. The board had asked for staff to provide a recommendation at the February 9 meeting.
- Staff recommends continuing the program as it is this year and use \$50,000 subsidy for scholarships and grant monies at Garfield Elementary and Lincoln K-8. Need to look at what to do in the future and give parents a heads up; need to give the community time to get ready for the programs' closures. There are a lot of kindergarten students who need a program.
- Superintendent Tarzian has asked the Corvallis Public Schools Foundation for the subsidy for scholarships. Staff is assuming that it will cost no more than \$50,000 for the kindergarten program.

A summary of the comments made by Superintendent Tarzian on Ms. Rodeman's presentation:

- The District must accept all applications for the kindergarten enrichment programs, do a lottery, and remain blind to whether applications are FRL eligible. Knowledge of FRL eligibility status cannot affect children accepted to the program.
- We want all children arriving at first grade ready.
- Kindergarten enrichment is just a review of what is learned in the mornings.
- Providing \$50,000 to \$70,000 is something the Corvallis Public Schools Foundation is willing to consider in terms of scholarship funding.
- In the past the Board has supported the kindergarten enrichment program in the understanding that it needs to pay for itself.
- With the new legislative interpretations things have shifted; now families may have a harder time paying the tuition that has existed. The next couple of years may be difficult for our community and who can access this kind of program—it stands to create a substantial impact to the budget.
- Considerable work has been done to keep the enrichment program, but the additional requirement that the District provide full scholarships to all students who qualify for Free and Reduced Lunch will compromise the ability to provide the program, as it has previously been self-sustaining.
- Concerned about the community when this program has been going on for fourteen years; concerned about parents' ability to prepare for next year.

A summary of Board discussion and staff responses to questions:

- We are not obligated to provide kindergarten enrichment programs? (Schuster)
Response: Correct. (Superintendent Tarzian)
- When will there be word about the Title I funds? (Schuster)
Response: Principals have been notified about funding but there are no assurances. (Superintendent Tarzian)
- Your recommendation will be a \$50,000 subsidy and \$355 per month for tuition. Are electives like physical education, art and music considered core curriculum? That is a potential area to look at in shifting that budget. (Corrigan)
Response: Those have been considered as part of core curriculum. When Superintendent Tarzian and I met with principals we asked them to have these services in the mornings. The Board may hear more, but staff recommendation will be one more year with the \$50,000 subsidy. (Rodeman)
Regarding the core curriculum, it makes it trickier to build a schedule to put all core principles in the morning, but has asked the correction to occur. (Superintendent Tarzian)
- Touch on what you have heard with the legislation and kindergarten. There had been anticipation that the legislature might make a decision on kindergarten. (Chair Rodman)
Response: There were three bills introduced. One is to extend the decision of legislation to

allow this kind of fee-based program through June 2012, and two would have schools provide half-day kindergarten. The District is already doing this. None of the three bills require all-day kindergarten or enrichment programs. (Rodeman)

B. Budget Assumptions for 2009-10

A summary of the comments made by Ms. Rodeman:

- Drew attention to the Early Retirement Fund (ERI) reserves and chart on page thirteen. Explained how to read the chart.
- Assumption that use of ERI reserve funds will be used as an offset unless otherwise directed.
- Assumption that District will follow current contracts with teachers and staff, as well as non-representatives agreements. Contracts outline a 3% increase; not assuming these would be renegotiated.
- Assumption that there will be 1% saving in the Public Employees Retirement System (PERS) rate next year.
- Unfunded Actuarially Liability (UAL) bonds are paid for through a charge to our employees; it is a labor rate. Every dollar of salary the District pays a percentage to PERS and UALs.
- Proposes keeping rates steady, instead of having rates go up and down. UAL will grow a little this year and drop a little in future years; 1% savings will be seen in PERS, which will help offset other cost increases.
- Last year a school committee reviewed budget process internally. An adjustment factor of 5% was too big, so reduced to 3.5%. In the spring enrollment projections are made and the District gets funding based on projection.
- In the fall when kids come in one cannot adjust the budget; it is bad if the District falls under by or up to 5%. 3.5% will make it easier to catch up in the same year.

A summary of Board and Budget Committee Citizen Member discussion and staff responses to questions:

- What is the future cost line? There is another four years of the ERI? Does that exhaust the reserve at the end of year six? (Yeager)
Response: The cumulative total of the cost line; track the cost line over columns 1 through 6. The reserve would be exhausted but the general fund cost would stabilize. (Rodeman)
- As the District is using up the reserve how is the amount to be used chosen in each year? You have made a recommendation? (Larson)
Response: 2012 is the end of the local option levy. In preparation for that large drop in cost of ERI out of the general fund would help offset if the levy does not pass again. Yes, a recommendation has been made. (Rodeman)
- Why would we not do [what is recommended tonight]? (Larson)
Response: Some would suggest taking all reserves next year. Would not recommend that because District's role is to provide and make recommendations that provide stable services.

If the fund were exhausted the costs would need to be made up in the future. (Rodeman)
It is essential to provide stability, and the certified staff was hoping for this stability as well.
(Superintendent Tarzian)

- What was the percentage of budget adjustment at schools before it was 5%? (Schuster)
Response: 1.5%; it was 6 students to 400, which was too tight a range. 12 students is a more do-able number. (Rodeman)

C. Budget Priorities for 2009-10

A summary of the comments made by Ms. Rodeman on first level of reductions:

- She and Superintendent Tarzian listened to much input. Indicated information found on page three of packet provided.
- There are some themes in what has been suggested by the Leadership Team and the Board.
- The advice received from different groups has been very helpful in putting the Guiding Principles (page three of handout) together.
- Thinking about five to six years from now when the District is in recovery; paying attention to class size, maintaining professional development, etc.
- It is futile to expect we can do things the same way; trying to come up with things that are longer term.
- Organized the packet pages this way for a reason; page four gets the District to the \$3.7 million dollar reduction. Page five is a better case version of the January 16th update from the state economist. Page six is the worst case scenario. Will ask for input from the community in February as well through four community forums.
- Tonight asking for input and ideas for ranking and inclusions on this potential reduction list.
- Reduction #1 was a grant; one time funding. Used to pay for 17 teachers and two classified staff. When grant money expires won't have the money to fund those staff members. Page nine outlines the SIF grant from reduction #1.
- Page ten outlines the local option levy. Each year for the first two years there was reserve building. When levy was presented to community District said that in first two years money would be set aside to offset adverse state funding in the last three years of the levy. Knew there would be some kind of slump.
- There is 5% Rainy day fund and the local option levy reserve. Those two reserves give the District \$5.5 million or more, and that is what staff recommends using over a six year period of time.
- Past recessions have lasted 4-5 years in Oregon. This is a deeper, longer recession, likely over six years; recommend using \$900,000 each year to offset shortfall.
- Reduction #4 addresses 90 teachers were hired two years ago. One way of retaining teachers is support them as they enter the profession; otherwise turnover at five years is very high. There are not as many new hires expected; hoping to hold onto the ones that the District has.
- Reduction #6 has been an issue that keeps getting put on a back burner; now looking at it as revenue source.

- Reduction #7 is reducing maintenance and support for district facilities. Anytime there are reductions for any district wide position or service it does have a wide affect, including longer wait times, changes in allocation system, changes in staffing, painting, etc.
- Reduction #11 regarding food services; the program has been self-sustaining and it pays a fee for indirect costs like payroll. Increasing that contribution is expected to bring funds.
- Reduction #12; Elizabeth Wyatt, manager of District theaters, can recover 10% of her salary from other fees.

A summary of the comments made by Superintendent Tarzian:

- She and Ms. Rodeman visited with each school's staff over the fall. Started in first meeting with 3.5% to 5% budget reduction and now the conversation has changed.
- Received good input and all staff were encouraged to have creative suggestions.
- Clearly observed in last recession the importance of seeking input because those who are here to educate need to be at the table to help design.
- It is never a good time to roll out a list like this; at the end of the potential reduction list there are brainstormed ideas that have not yet been fleshed out.
- The items Ms. Rodeman will review are the District's starting place.
- It is natural to try and keep everything intact somehow.
- Substantial cuts have to be made and through the process of budget meetings the Board will be asked to vote on them.
- Regarding reduction # 4, to this point the District will continue the teacher mentoring program with any new hires, two and three year teachers; but a little cut can happen because a lot of new hires are not expected.
- A sustainability committee is being looked into in regard to item #5.
- In regard to reduction #12, theaters were operating in the red until the District hired manger of District theaters and this is a step in the direction of revenue.

A summary of Board and budget committee citizen member discussion and staff responses to questions:

- Do we have the budget assumptions [laid out in earlier discussion]? (Yeager)
Response: No, you won't have them. (Rodeman)
- Staff positions from reduction #1 SIF grant were last year and this year positions? (Chair Rodman)
Response: Yes; the SIF will often be pulled in the biennium after it has been granted. (Rodeman)
- Why were teachers hired if the SIF grant was known to be short? (Schuster)
Response: Staff was hired to try to stay true to class sizes element from the vision process two years ago. (Rodeman)
This discussion took place at the June meeting in that year; there was considerable pressure from the legislature to use SIF for all-day kindergarten. Had concerns about hiring teachers

with those funds, but also knows kids only get one year in one grade. Corvallis has had the highest average class size in the state and we have created this big problem over a long period of time. (Superintendent Tarzian)

- In terms of feedback, teachers often say that they appreciate the money that reduces class sizes. (Chair Rodman)
Response: With levy dollars higher with a five year time frame, finding the appropriate sustainable window [is hard]. Did not expect two year time span on SIF. The state and District were building padding at the same time. Had confidence that the District was ready to weather a normal recession in Oregon. (Superintendent Tarzian)
No one expected a two year window. Assured by legislature that SIF would be there in the future; this recession could not be foreseen. (Rodeman)
- Would you do the same thing again in ten years in the same circumstances? (Schuster)
Response: Just bring up SIF grant for future examination. Listen for the word grant and make your decision at that time. It might be worth it for two years' class sizes. (Rodeman)
Believe the District was successful at recruiting grant teachers and new comprehensive staff to support the mentoring program. Hopeful that through attrition the District can retain as many people as were hired, even though we cannot replace retiring teachers. (Superintendent Tarzian)
- Regarding SIF, when the discussion occurred two years ago wasn't it specified to reduce class sizes? (Larson)
Response: There was a list of about eleven items and one was class sizes. (Rodeman)
Hiring staff was on there as well. (Superintendent Tarzian)
- Using \$900,000 each year to offset shortfall will mean making no contribution to the Rainy day fund. (Turman)
Response: That is true. If there is a year that things are better, it calls for the building up of the Rainy day fund automatically at the end of the year if things are better than expected. (Rodeman)
- How much is in the Local Option Reserve? (Yeager)
Response: Page twelve of the handout outlines the local option levy reserve and the hand written notes there explain what is expected for next year beginning balances. There are no remarkable savings on staff or state; carryover from sites and contingency is down considerably. Board policy gives direction about how to use Option levy funds. Reviewed the rest of the beginning balances. (Rodeman)
- When looking at reduction #2 do not think it is a savings; it is actually additional revenue. Money has been saved and will be used to offset cuts. Can there be differentiation between actual cuts and revenues? Reduction #3 is same. (Yeager and Chair Rodman)
Response: Will make two lists. (Rodeman)

- What part of the general fund “pie” are salaries? 3% increases are not going to be touched? Can the Board see the math if the contracts were frozen? (Higgins)
Response: 82% are salaries. (Rodeman)
- \$100,000 [for energy efficiency] looks like a large amount. What process was used to get that number; it is a lot of refrigerators and phone chargers. (Yeager)
Response: Includes building lights. Trying to fine tune automated system for lighting to get a closer match for when lighting is required. The overall utilities budget is \$1.5 million; \$100,000 is a big chunk but staff feels it is doable. (Rodeman)
- What is typical use for non-school use of facilities? (Schroff)
Response: There are a lot of different teams and groups that play in gyms. OSAA typically are Corvallis students playing for our school teams— wouldn’t be a non-school use. Would be something like church league use. (Rodeman)
- Is OSAA charged? (Schroff)
Response: Have to talk about that. (Rodeman)
There is a whole policy with grid with which clubs pay which amount. Example is if the Kiwanis club wants to have access to a cafeteria for a fundraiser pancake breakfast for that school. Why is there a fee for that? We are a community and there is little that goes on that does not have an inter-relationship. Charging fees for this one would not be easy to do. The point is that we need to do hard things to preserve priorities. (Superintendent Tarzian)
- What is the percentage increase for the Food Services Fee [Reduction #11]? (Yeager)
Response: Has been \$500,000 per year, but think that a large increase could be sustained without a big change for running the program. When there is a small FRL program it is hard to make the Food Services department sustainable. The FRL proportion of the population has grown to 30%, from 20% in 2001, and it helps cover the program’s base cost better because the government reimburses at a flat rate. Food Services department should be able to increase contributions without affecting services. (Rodeman)
The demographic shift in less than 10 years reinforces that school-age families have not regained ground since the last recession. This needs to be kept in mind as decisions are made. The District is supporting families with children whom have not recovered from the last recession. (Superintendent Tarzian)
- Are theaters not included in reduction #6? (Corrigan)
Response: No, because the District is always charging for theaters. (Rodeman)
Under the direction of the manager of District theaters we have consistently charged for everyone using theaters. (Superintendent Tarzian)

A summary of the comments made by Ms. Rodeman on second level of reductions:

- The second level of reductions is how to build the budget.
- Reduction #13: Right off of the top 10% off every department and school staffing.
- Reduction #16 postpones instructional materials; it violates District guidelines and staff hates to do it.
- Reduction #19: Outdoor School is a situation of fewer staff and more issues. Gave example of staff time required at the most recent Outdoor School. The proposal is to change it to a daytime experience, rather than an overnight.
- Reduction# 20 would reduce technology help which is a difficult thing to put on this list. We need to consider this as we look at where we need to be and our options.
- Reduction #22 is written so Assistant Superintendent could structure program with input from others.
- Reduction #23 is the bombshell regarding the local option levy. The District has not levied the entire amount. Have in past recommended not to levy the full amount, but in this year where the District is facing such a huge affect encourages the Board to levy the full amount.
- This was the stopping point proposed for building the budget and then the Board would have a reduction list on top of this. Proposing to stop at this level because the legislature will have a lot of pressure to access their reserves and will have more information on the stimulus package.

A summary of the comments made by Superintendent Tarzian on second level of reductions:

- Regarding reduction #13, 5% budget reduction was an immediate suggestion from the Leadership Team this year. When returned to the table in January and discussed cutting school days the Leadership Team said that another 5% should be found to cut first. Reduction #13 comes from that discussion.
- Regarding Outdoor School, last year testimony occurred on the program's importance. Recognize community is investing in this, knows parents are charged a considerable fee. Taking hard look at something in which every sixth grader is expected to participate; it's a burden. Experienced incidents last year at Outdoor School that required administration to go out and deal with potential liability issues. The overnight portion is very expensive for various reasons.
- Explained reduction #21; staff has talked about whether this is sustainable system. Schools need to figure out how to have these conversations without support for release time in the day.

A summary of Board discussion and staff responses to questions:

- Does reduction #16 include textbooks? (Chair Rodman)
- What year are we in for textbooks? (Schuster)
Response: Math adoption. (Superintendent Tarzian)

- Thought it was completed end of this year? (Corrigan)
Response: Some was bought for particular grade levels, but it was not comprehensive math adoption at all levels. (Superintendent Tarzian)
The District was supposed to adopt math this year; put it on hold. Science next year; it is K-5 math and science. (Dr. Youngblood)
- There are no savings at this point from Outdoor School. Do we know when we would have the estimated savings? (Donohue)
Response: Savings will be difficult to compile because the District does not have a current direct outlay of funds for Outdoor School, even though in previous years it has been in the budget under Assistant Superintendent's category. It is not in the budget this year, but the work is still there. District office staff had to travel to the site last year and other staff is spending time on risk management issues because of the overnight portion. It is not necessarily staff days that would be cut, but that staff can use existing time better to streamline rather than deal in crisis management. This can be discussed later if the Board likes. (Rodeman)
- Reduction #20 does not go well with reduction #17. (Chair Rodman)
Response: No, it does not, but this is where we were three years ago. (Rodeman)
- Regarding reduction #22, figuring how many people that means? (Turman)
Response: 2.5 or 3 people. (Rodeman)

Chair Rodman invited budget committee citizen members to raise concerns, ask questions or offer opinions.

- Do we have any idea what removing 17 teachers will do to class size? Will we be in a worse position than we were? (Giordano)
Response: It will have an affect of adding at least one student per class at the elementary level and at least two at the middle school and high school level because we used the funding that way. Not in worse position. (Rodeman)
Two years ago hired close to 90 teachers with local option levy and the SIF. (Chair Rodman)
- Reading between lines, trying to give feedback on how to build base budget, correct? (Yeager)
Response: Yes. Thought good time to bring all together to give the budget committee the opportunity to weigh in. (Chair Rodman)
Have to present balanced budget; each year try to amend process to provide more opportunity for input before coming with the proposed budget document. November news hit hard and fast; it was difficult to put the list out early, but it was important before bringing my recommendation to the Budget Committee. (Superintendent Tarzian)
- When does leadership team actually get direction from Board or Superintendent on how to

build their budgets? Will it happen in next two weeks? (Yeager)

Response: Next week. (Rodeman)

- This is just a chance to give input and ask questions; doing the Board and staff service if budget committee citizen members provide feedback. (Chair Rodman)
- Would like to see some examples of how implementation of what these reduction possibilities would look like to give context. Hard to give substantive feedback. (Yeager)
- Page three, reduction #26, how does that strike you against some of the other things on pages two or three? (Chair Rodman)
Response: It is a context thing. Been on budget committee a long time, in past there have been different things faced midyear or during budget process. Part of context is sustainability, and knowing minimums for school days that need to meet; can this be talked about? (Larson)
Response: Reduction #26, reducing school days. In Oregon required to meet the minimum instruction hours for school year, restrictions on breaks. Minimum number of hours is not able to be waived for lack of funding. Fail to meet instructional hours in one year means a plan must be made to make up in next year; that is why it is not sustainable. (Rodeman)
You can do it for one year but then it has to be fixed. (Superintendent Tarzian)
- Would legislature or Oregon Department of Education be lenient with this as result of economy? (Chair Rodman)
Response: They have communicated that they would not. Asked how worse punishment could be than now— they said they can withhold more money. That prompted reduction #27 on reduction lists. At all levels but our high school we operate at more instructional time than required and could likely do day cuts without falling underneath the line. At high school would need to alter instructional minutes per day to reduce by six days. That is why #26 and #27 are together. Some have given input that a different schedule might capture staffing changes as well; not sure if that is true. Don't really want to subtract time at school as ongoing option but a committee will look at it. Concerned that the state is entering time when the current year may not be only year state falls short of budgetary obligations. Cut days used as "emergency valve" and that's how ended up low on list. Maybe a plan with associations on how to adjust high school schedule for flexibility without sanctions if it is necessary to do this more than one year in row. This is a bargainable issue. (Superintendent Tarzian)
- There's a shortfall over the current biennium; does that imply a known shortfall in next biennium? (Larson)
Response: There is a known shortage there. The update presented by the economist does not go out that far. In February the economist's quarterly report will show future; there is expected shortfall in following biennium. (Rodeman)

- Some feedback is to put cut days together somewhere where parents can count on them with least impact on childcare issues; start school later, earlier, put in coldest month of year to save on power. (Superintendent Tarzian)
- Regarding the rainy day fund, if still pulling money out of that after six years there's no time to put money back in before the next cycle comes back around. Is there data to see how bad the cuts are and how bad they will last? (Larson)
Response: No; Oregon new to school funding issues. 1991 was first year state obligated to help provide adequate school funding. State went through eight years of equalizing funding across all school districts. 2001 is first example of recession staff had to work with in putting this together. It took from 2001-2005 to recover. Reason six years is that every place staff turns it sounds like this one is worse. Alternative to using all of rainy day fund to make the fund outlast the six years is to make deeper reductions. (Rodeman)
District staff worries about using funds too fast rather than spacing funds out long enough and being prudent enough with them. We are working on extending their use over time. (Superintendent Tarzian)
- It is laudable that staff could put together a list that is not affecting the students. Desire for balance regarding how much to let the public know about deep cuts and not just take funds from underneath. Not sure that she has a fixed opinion. This issue also affects the ranking; just wants to make it clear that the District is doing all it can and make sure the naturally occurring things come first on the list. (Giordono)
- It is a good point; there may have been a sense that the District is flush, which it has not been. (Chair Rodman)
- Assuming there is another chance for the option levy wants to be able to make a case to the public. There are two cases: we have preserved your funding to the extent it can be, but also the case that money is really critical to District. (Giordono)
- Will there be staff reductions in reductions #17 and #18? Are those staff cuts? (Pearce)
Response: #18 is staff reduction, #17 is part staff and part materials. (Rodeman)
- Regarding reduction #23, there was \$.30 left available on the local option levy. Last year the recommended budget was for \$1.15 and there was discussion that the public is not going to be able to distinguish between SIF grant and the Local option levy. Now recommend the Board move the \$.30 increase up on the list primarily to try to offset the loss of the SIF. Voters approved \$1.50 [per \$1000 of assessed value] and it will be very hard for them to distinguish teachers leaving and what is being done with the local option levy. (Yeager)
- How about the construction tax? Do you have a list of items like that for the next few years? (Martinson)
Response: The construction tax will not start until September 2009 so there is no history/track record or income coming in. There is a list of projects vetted by our Facilities

Advisory Committee (FAC), including boilers. As the excise tax fund builds it will only be used on capital improvements. (Rodeman)

- That would hopefully offset reduction #7. (Martinson)
Response: Not exactly. Maintenance support is for maintaining the equipment in place; it is not for a person. Would mean longer wait time. The construction excise tax would be used for failing equipment; might ultimately mean fewer repairs because not patching old equipment.

Chair Rodman announced that, after a short break, Ms. Rodeman would present on the local option levy. He reminded the Board that no vote would be taken tonight, but staff needed to hear the Board's concerns and interests in the conversation. He said that at some point in the spring when the budget committee convenes on the budget this group will have an opportunity to set the ceiling. He said that he would hope the group will set the ceiling at maximum and allow the Board flexibility. He invited the budget committee citizen members to stay and listen to the Board's discussion.

Brief discussion occurred before the break:

- Still a little unclear on the jump between \$920,000 and \$1.3 million. (Yeager)
Response: Will send an email; the plan is for 1.8 million because of the pressure building at the legislature and economic stimulus. (Rodeman)
Each time cut one day's pay for all employees \$185,000 is saved. (Superintendent Tarzian)
- Agree with Mr. Yeager on the public's perception on the SIF and the local option levy. Would like to look at ranking levying the full amount and reducing school days. Gave example of her daughter's success with smaller class size. (Pearce)
- The local option levy is a large enough chunk of the whole piece of saving money. Rank it earlier, and tell public how the levy process works. Says that now, even though last year did not support increasing levy. (Larson)
- There is sensitivity currently to what the Board went through with the construction excise tax, because this is not an easy discussion. (Superintendent Tarzian)
- Appreciates the sensitivity. The local option levy is intricate in its financing. As real value falls it actually closes the amount on the rate that is being assessed. The rate may need to be raised just to break even on the projects that have been started. Option levy will go down in 2009. (Chair Rodman)

- Regarding the value of what will be assessed, will be shocked if it comes down. (Higgins)
Response: The value of the assessment on property tax is far below the value of the property. Property taxes won't go down. (Rodeman)

D. Use of Reserves and Board Guidance to Budget Committee

(This item was not separately discussed, but was incorporated into the presentation and discussion of Agenda Item C—Budget Priorities for 2009-10.)

E. Budget Communication Plan

(This item was not separately discussed but was incorporated into the presentation and discussion of Agenda Item C—Budget Priorities for 2009-10.)

Chair Rodman called a break from 7:30 to 8:34pm. Director Higgins exited the meeting. After the break Chair Rodman allowed for further discussion on the budget reduction list.

A summary of Staff and Board discussion:

- If principals must have school budgets done this week what does this conversation do to that? (Schuster)
Response: If Board said, tonight, there would be no positive vote for increasing the levy rate then less budget allocations would be sent to the schools. (Rodeman)
- Staff has been encouraged to move the levy recommendation up on the list from tonight's discussion. Has not heard many other suggestions to change the document "2009-10 Draft of Potential Reductions." Staff will go back and interpret what this means for the schools. Goal is to have this information out to the schools by February 2, 2009. Noted that budget forums are also coming up for the purpose of discussing this issue. In order for the budget to be done in April, need to use February and the first part of March to identify priorities for the principals and staff at schools. It's a tight turn around, so cannot delay in getting instructions out to schools. (Rodeman)
- If the potential reductions had been completely unacceptable to the Board it would have caused staff to go back to the drawing board. Takes to heart the things that were said, such as the acknowledgment that these decisions will have an affect down to the classroom. (Superintendent Tarzian)
- There were not very many additions from the levy dollars that were not classroom-oriented. Hears the sensitivity to cutting out infrastructure. Referenced the energy reductions; it is a huge investment from staff to say that it can be done and there may be stresses during the

first week of school; will the public understand schools not maintained as they had been? She and Ms. Rodeman are pretty conservative in recommendations, and believe these can be done. Pleased that there was not a vehement reaction to the Potential Reduction List and it is on that belief system that staff will move forward and allocate to principals. Acknowledged that reduction of school days is like an “escape valve” and could be utilized to use less of the system rather than take it apart. (Superintendent Tarzian)

- Reduce reading coaches? From his perspective would like to preserve teaching jobs. (Chair Rodman)
Response: It is on the list of other ideas raised by staff and community on page seven of packet; not proposed. Local option levy is paying for reading coaches, and was requested by the community. The literacy coaches have been training teachers in best literacy practices and learning design. The dollars used for literacy coaches must be used for levy purpose, and literacy was a priority. (Rodeman)
There is much discussion on how to use levy dollars within the confines of the levy. If funds now paying for four teachers were poured into the general fund the District would not be able to put definition to the benefits. (Superintendent Tarzian)
- Question on definition of levy money and the use of the local option levy and using that to offset some of what is being lost from SIF. If there is a rate of \$1.50 and we are trying to offset lost SIF money, our levy is not written for K-2. Would the funding go back to building administrators with instruction to keep class size same but with no parameters regarding class levels? There is a goal of maintaining class sizes, so where is the money coming from? Is it a different general fund account? (Corrigan)
Response: Refer back to voter’s pamphlet explanatory statement. Last item under how money is to be used is ‘current classroom programs’, which provides to maintain current elementary programs. This would be the basis. The reason Director Corrigan pulled out elementary is that core curriculum was addressed in middle and high schools with the levy and literacy at middle schools and high schools were addressed with SIF. (Rodeman)
- That question has already impacted this potential reductions List. General funds pay for 30 minutes of physical education and music and the levy provides for the other 30 minutes. If general fund for these are cut the patrons would not understand that the general fund dollars, not levy dollars, were pulled. That levy brings some scaffolding around general fund dollars that is not really removable. Classes should stay smaller even still at core subjects at secondary level. (Superintendent Tarzian)
- Class size should never be back at what it was before. (Corrigan)
Response: It may be back there, but it will still be better than without the levy. (Rodeman)
Yes, and it is a good communication point that things could be worse. (Corrigan)
- A real strength of the potential reduction list is that no one’s special interest appears affected in any particular way. (Giordono)
- Would rather cut bleacher funding than raise class sizes; wants the Board to support

instruction and opportunities for children. (Ten Pas)

IV. BOARD DISCUSSION

A. Local option levy

A summary of Staff and Board discussion on the Local option levy:

- Why not look at the cost-of-living adjustment (COLA) again instead of the levy; can we ask teachers if they would be willing to remain at current levels? (Turman)
Response: Salary strategy was set to pay the average of 14 comparable districts. The COLA is the average for all employee groups. To go back now and withhold the increase will bump the District out of the market and there may be more turnover as a result. (Rodeman)
When salaries were set staff was trying to bring the District to average or above; to go back now would be reversing. (Holmes)
- Already asking for at least 1.5% giveback; may do that in coming year or two if have to cut days. Other thing is that if economy is worse next or following year the District is really slipping behind if teachers are asked to give back 3% over the years. What immediately comes to mind is that it is already being asked with at least 1.5% to be given back. District may be doing that again in the coming year or two. (Chair Rodman)
- Did not say 3% and was thinking more about next year. Tax assessing is a funny business and does not always follow a logical pattern. People's taxes could go up and in a few years if the economy is still bad, later on asking for a renewal of whole levy it may be completely rejected. (Turman)
- Would advocate moving the increase of the levy to the first page of priorities and setting the levy at the \$1.50 maximum. When the levy was made the community wanted to reduce class sizes and they voted it in to do that. If Board goes no higher than \$1.50 it has still done only what has been bargained. Going to lose a minimum of 17 teachers out of 90 hired in 2007 even if we get the \$1.50, because of the loss of SIF. That is a little over 15% of teachers. There will be a bump in class sizes just about the fourth year of option levy. Asked what will show the Board is being responsible. (Donohue)
- The board showed responsibility by limiting the levy to the dollar amount asked for originally. We should at least try to limit the rate of increase in expense on the largest budget item, salaries and benefits. We can politely ask, and can be politely told "no," but then we have a much better argument when we do raise it because we did at least try. (Turman)
- Staff has already been asked and they have shown a willingness to cooperate, taking a cut. Worst thing Board could do is not charge the entire option levy and have class size increase. Public will not be able to differentiate between SIF funds and loss of teachers. More comfortable campaigning for option levy if using full amount voted on by public. Already

- Board passed this levy at a different time and has to think about that. Dollars represented in this budget are overstated; a million dollars from the increase to \$1.50 seems too high. Also think that the state will increase tax rates. Does not know whether he will vote for or against; voters passed the \$1.50 limit at a different time and because the Board said it could be done then does not mean it can be done now. (Ten Pas)
- What is the projected attrition rate going to be? Not able to continue to employ these 17 teachers. How many will retire? Are we cutting positions or just replacing? (Schuster)
Response: People hesitant to tell the District Office whether they will retire, so staff has asked that teachers tell their association. (Rodeman)
People have lost savings that they would have used to retire. (Superintendent Tarzian)
Rough guess is fifteen to twenty teachers retiring. (Holmes)
- Have a number of temporary status teachers; probably will not be hiring those temporary teachers. Contracts require that temporary teachers go first, but openings for teachers don't empty in terms of seniority. It is not very tidy. (Holmes)
- Mentioned possible legislative money or grants update she received in the mail from the Oregon School Boards Association. Board going to have to work to get the levy renewed. Would like to keep Board's options open. (Schuster)
Superintendent Tarzian requested that a copy of the pamphlet Director Schuster received be made for staff.
- Remember that everything is based on an unofficial update; finding what is true and the foundation often takes until too late in the legislative session. (Superintendent Tarzian)
- Open to the range being discussed for the levy. Worry about people who are foreclosing, getting higher property tax, and maybe higher kindergarten tuition. Would like to not "go there" if it can be done. (Corrigan)
- Plan on having a community discussion and talk about the local option levy and taking input? (Chair Rodman)
Response: Yes. She and Superintendent Tarzian also went to staff meetings and discussed flow of money and other issues. (Rodeman)
Pie graph showed at staff meetings clearly delineates SIF, levy funds, and general funds; employees understand what is being dealt with and the potential impact on the goals that have been set for the District. Talked about the state being relatively new at handling recessions. (Superintendent Tarzian)

- The discussion of what will happen if we stay at the current level, going to \$1.30, or going to \$1.50 is an important discussion. What does the Board want to spend the money on? Talking about kids and education, this is their long term future and ability to succeed; that should be front and center. (Donohue)
- Recall Director Ten Pas saying if Board does not advocate for these kids who will. Board has to weigh worry about community's ability to pay or worry about the number of teachers in the schools. (Schuster)
- Important to make cuts where it does not affect kids and then look at the levy. Need to be very specific in our cuts. (Ten Pas)

Chair Rodman confirmed with Ms. Rodeman that staff had received the feedback that they needed. Vice Chair Donohue thanked the budget committee citizen members for their attendance.

V. ADJOURNMENT

There being no further business before the Board, Chair Rodman adjourned the meeting at 9:13 p.m.

Blake Rodman, Chair

Dawn Tarzian, Superintendent

Prepared By: Kaela Schamp

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