

MINUTES

Work Session of the

BOARD OF DIRECTORS

Corvallis School District 509J
1555 SW 35th Street
Corvallis, OR

I. CALL TO ORDER AND ROLL CALL

Chair Gable called the meeting to order at 6:07 p.m. in the Central Office Board Room, 1555 SW 35th St., Corvallis, Oregon. Chair Gable dispensed with the calling of the roll and the secretary recorded those present as listed below.

BOARD MEMBERS PRESENT

Cyrel Gable, Chair
Sara Gelser, Vice Chair
Robert Baldwin, Member
Nell O'Malley, Member
Robert Johnson, Member
Kari Rieck, Member
Joan Demarest, Member

BUDGET COMMITTEE MEMBERS
PRESENT

Mark Volmert
Karyle Butcher
Julie Manning
Shaun McKinney
Bob Speaker

EXECUTIVE STAFF PRESENT

Jim Ford, Superintendent
Ron Corbell, Assistant Superintendent
Jeanne Holmes, Assistant to the Superintendent
Dawn Tarzian, Teaching and Learning Director
Sharon Thornagle, Director of Student Services
Laverne Pitts, Corvallis Public Schools Foundation
Kathy Rodeman, Business Services Director
Linda Martin, Budget Analyst
Julie Catala, Board Secretary

PRINCIPALS PRESENT

Cathi Alden, Crescent Valley High School

A quorum was present and due notice had been published.

II. BOARD DECISION MAKING

Chair Gable asked the Board to list things they learned from the recent middle school naming process. The process had involved subcommittee recommendations and a rescinded vote due to community responses.

Director Demarest joined the meeting at 6:15 p.m.

Board members voiced their concerns and areas where an understanding of roles would be helpful. These included:

Subcommittee Charges:

- Need to be specific, discussed and agreed upon.
- Subcommittee not to deviate from its charge.

Communication with Public:

- Better communication is needed.
- Need a method for documenting verbal community communication and, a contrasting opinion, not to get into a process-heavy approach.
- Greater awareness of the Gazette-Times' communication ability along with the possibility of being misunderstood.
- District needs its own method of communicating to the public as opposed to relying on Gazette-Times written articles.
- The public is not seeing thought processes for a vote voiced during the meeting. A solution would be to recap individual Board conversations or reasons for endorsing an item (or not). These reasons could be stated prior to votes on non-routine decisions. This would communicate to the public that more thought had gone into a vote than was apparent at the meeting.

Board Communications:

- Communication between Board members needs to be clearer.
- Criteria for specific decisions could be discussed.
- Does the public view the Board as individuals or as a body? How can that be judged and dealt with?
- An understanding of when to act alone or as a body, when does it spill over? Is it when it becomes controversial, newsworthy, or a legal issue and how would the Board as a body know without a meeting? Not responding to e-mails from the public would be uncomfortable as they are among those to whom the Board is accountable.
- Where is the line between district office administration and the Board, an elected body? Though they need to work mutually together can either speak for the other?
- Members could seek any needed clarifications of topics prior to meetings.

During the discussion Board members made these additional comments:

- Speaking with other Board members provides an awareness of others' thought processes and the possibility that other interests in the community or as a whole also approach the dilemma in the same way. Keeping an open mind opens up new ways of looking at choices that are voiced.
- Speaking with other Board members also provides an opportunity to share known educational trends and other districts' paths, and general information as well as the timelines for District decisions. It also builds comfortable working relationships.

- The Board did a pretty clean job of remedying the situation.
- The naming issue was a more tangible, visible, and wide-ranging one than most other District decisions which likely stimulated larger and more passionate participation by the non-school community.

Superintendent Ford added there are some answers to be found through the Oregon School Boards Association but interpretation and acceptance might not be smooth. He suggested media relations be examined; they have downsized as well as the District. A heightened presence from the Gazette-Times might be helpful. He also referred to the Board's Roles and Responsibilities template that he refers to monthly as a tool. Chair Gable referenced the Board and Superintendent Working Agreements as a guide that should be perhaps viewed monthly.

Due to time constraints, it was suggested the conversation could be continued after the Board self-evaluation, scheduled for a future meeting. Superintendent Ford noted that he meets with the Board Chair twice monthly where issues and the Board meeting agenda are discussed, counsel is sought, and information disseminated. It was suggested that perhaps that could be a point where the Chair might decide to make an issue a one-voice issue.

Ms. Holmes committed to providing the Board notes from the conversation so that they could reflect.

III. 2004-05 BUDGET PREPARATION

Citizen members of the District's Budget Committee joined Business Services Director Kathy Rodeman and Budget Analyst Linda Martin to address the Board regarding the 2004-05 budget preparation.

A. BUDGET ASSUMPTIONS

Chair Gable welcomed the Budget Committee members and thanked them for agreeing to serve.

Ms. Rodeman began by stating that she and the Committee are asking the Board's guidance and direction as to how to approach budget reductions this year. She stated the need for reductions is likely not a surprise, especially in light of the failure of Measure 30, the State's budget balancing bill. (A "yes" vote would have enacted a temporary personal income tax surcharge; increases in corporate minimum tax; make other corporate, income, property, cigarette tax increases; and change or avoid specific budget cuts. A "no" vote retained existing personal income, corporate and other tax laws; and triggered \$544.6 million in budget cuts to education, healthcare, senior services, and public safety.) The District's 2004-05 base budget shows an expected \$1.5 million shortfall, assuming the District settles the teachers' contract at cost neutral and the District uses \$1.6 million being held in reserve this year (2003-04) specifically to offset next year's increased shortfall.

Ms. Martin stated the District is assuming 133 fewer students next year resulting in an average daily membership weighted population (ADMw) of 7,850. (ADMw employs a weighting method that recognizes students require varying degrees of District resources, i.e., half-day kindergartners need half the resources of a full-day student, students with special needs may need more.) The declining enrollment matches national and State trends and aligns with the worst-case scenario in the study of District enrollment trends conducted by Portland State University. More of the same can be expected for about five more years and then the District hopes to begin to see an increase. Enrollment determines the money the District receives under the state formula. Ninety-four to ninety-five percent of the District's general funding comes under this formula. The State will provide the District an official estimate in March of what can be expected for the following year, though Ms. Rodeman stated historically the estimate has been too high.

Ms. Rodeman reviewed the distributed budget handout. The first page compared differences in the 2004-05 budget to the 2003-04 adopted budget. (See Supplemental Item #VI-5 in the Official 2003-04 Board Minutes.) Greater details of the expenditure assumptions were listed on the second page.

Points that were noted:

- The expected difference in funding received from the state for the next year, 2004-05, is nearly \$3 million less than last year.
- \$1.6 million is being held in reserve this year as a cushion for next year (2004-05) as a one-time resource, not prudent on which to build a budget
- \$1 million is being held in reserve, as it was last year, for the PERS (Public Employees Retirement System) appeal outcome to be presented to the Oregon Supreme Court, perhaps in June, with the consequences perhaps known in August or September. The \$1 million represents the difference in announced rates and what the legislature changed. Ms. Rodeman stated she had been hearing that most of the reform is not likely to be upheld. She cautioned that as well she has been advised, PERS rates can be expected to rise significantly in July 2005 and later to offset the losses from 2002 and beyond. Actuaries operate at least two years behind, hence the delay. Should these held funds not be needed to satisfy the above described possible PERS expenditures, Ms. Rodeman encouraged a one-year use, such as for textbooks or, as Ms. Butcher suggested, distributing it over five years when enrollment is hoped to rise.

Ms. Rodeman explained that the District should have a contingency for operating purposes as well as have an unappropriated ending fund balance. The contingency is to serve as a cushion for unexpected drops in revenue, unexpected expenditures, or emergency funding to cope with such unforeseen events as earthquakes, etc. The contingency is currently at 2%; Board policy calls for 2.5%. If the contingency were used and all the other budget items came in as budgeted, the District could end up with a zero fund balance, too close to becoming insolvent. About six years ago the District came close with a \$15,000 ending balance. Prudent fiscal management, especially in a time when resources are uncertain, as is the current case, says a 3% minimum ending fund balance is appropriate; establishing that would be another possible use for the \$1

million PERS reserve. In the present budget for 2004-05 there is no unappropriated ending fund balance.

In the discussion that ensued, the following responses to questions were made:

- No rent is expected for what will be the old Westland Middle School when it is vacated near the beginning of the 2004-05 school year. There are bond funds to demolish the building allowing the land to be used in the future in accordance with Phase II of the District's Long-Range Master Plan.
- A minimum amount of funds are budgeted to supply utilities to the building until demolition.
- The District owns the portable classrooms erected at Westland. They were purchased used from Lebanon School District. Selling them would perhaps net \$48-50 thousand. Moving and set-up is costly.
- Perhaps bond funds could be used for some transition costs, moving from one school to another. \$90,000 is set aside for transition costs that bond money is not eligible to fund. In addition, staff receive two days pay to help move classrooms.
- Long-term substitutes and temporary teachers qualify for unemployment even if their assignments end in June and they are hired back in the fall, per State regulations. It is not likely they could be hired as independent contractors as Internal Revenue Service criteria stipulates that they do work for others and that the employer not control their curriculum or assignments.

When mention was made of the possibility of using several short-assignment substitutes in lieu of one long-term substitute or temporary teacher to save unemployment costs, Director Baldwin opined that it is bad to predicate temporary teacher replacement on what is cheapest. Ms. Butcher suggested thinking in terms of long-term larger item solutions as opposed to nickel and dime solutions only for the next school year.

B. REDUCTION PRIORITIES

Ms. Rodeman then asked for feedback from the Board and Budget Committee regarding budget reduction priorities. She noted the \$1.5 million shortfall is a best-case scenario. It could reach \$2.1 million. She referenced an e-mail in the handout regarding the same topic which was sent to all District employees. A similar one will be sent to key communicators.

Their suggestions included:

- Explore outsourcing services such as landscapers, plumbers, painters, speech/audiologist services and payroll.
- Work backward from what the District needs to manage classrooms and what the District needs to support classrooms and then work back toward the top of the pyramid, keeping essentials the budget will allow.
- Scrutinize ESD (Educational Service District) packaged services even further to see if savings can be obtained.

- Look at what percent reductions in particular programs would mean.
- Hold schools at an acceptable level of funding until the funds run dry, thus cutting short the school year due to the District being unable to fund its obligation. The District has been nibbling at the edges since 1991 when Measure 5 was passed. Shutting down school early reduces the nibbling and demonstrates that there is no more to cut, there is no waste.
- Do not apply District funds to unfunded government mandates such as the No Child Left Behind Act.
- Take a broader look that would encompass nearby districts such as Albany, Philomath, and Lebanon, searching for cooperative ways to utilize an economy of scale.
- Have the Budget Committee decide what holds the District together. Administrators' value is not as tangible as a teacher's in a classroom. The established task force to study common levels of administration will help gauge their value though it may not change the public's perception. The ones to gauge the value of the District Office are the principals and schools that use the services.

Responses to the suggestions included:

- Look further into some suggestions and bring back responses after the Budget Committee meets.
- Work has already been done with some speech/language/audiologist contract work.
- All District psychiatrists, except one, were eliminated one year ago.
- The custodial task force last year looked at the situation in-depth and recommended keeping the custodians as employees but cutting an equivalent number of dollars while reviewing custodial salary schedules.
- The District is offering services to other districts and government entities (business services such as payroll and accounts payable, food service accounts, maintenance and outsourcing to Benton County shops). Ms. Rodeman can bring back a report in May.
- Outsourcing feeds the big problem that Corvallis has in its demographic of having richer older citizens, making it really hard to get more money for schools. The employees of the outsourced firms (who could have lesser pay and benefits) would likely lean toward living in the less expensive surrounding communities, increasing the percentage of richer, older Corvallis citizens. It also could have unknown effects such as leaving employees without health insurance and employing other related practices the District may not wish to be party to.
- A thorough analysis for all options should be undertaken.

Superintendent Ford explained that the District had not provided ready-made possible scenarios to the Budget Committee because there is value in having those who see things differently suggest solutions because they are outside of the system. Offering only purely District-contrived scenarios could be seen as an un-open process. It could also devalue the Budget Committee.

Ms. Manning queried if the Budget Committee could be shown the more entrepreneurial ways the District is trying to generate revenue.

IV. ADJOURNMENT

There being no further business before the Board, Chair Gable adjourned the meeting at 8:15 p.m.

Cyrel Gable, Chair

Jim Ford, Superintendent

Prepared by: Catala/Shute

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