

**MINUTES OF THE PATERSON BOARD OF EDUCATION
SPECIAL MEETING**

December 1, 2021 – 6:00 p.m.
Remote - Zoom

Presiding: Comm. Kenneth Simmons, President

Present:

Ms. Eileen F. Shafer, Superintendent of Schools
Ms. Susana Peron, Deputy Superintendent
Khalifah Shabazz-Charles, Esq., General Counsel
Boris Zaydel, Esq., Board Counsel

Comm. Vincent Arrington
Comm. Emanuel Capers
Comm. Oshin Castillo-Cruz
Comm. Jonathan Hodges

Comm. Dania Martinez
Comm. Manuel Martinez, Vice President
Comm. Nakima Redmon
Comm. Corey Teague

Comm. Simmons read the Open Public Meetings Act:

The New Jersey Open Public Meetings Act was enacted to insure the right of the public to have advance notice of, and to attend the meetings of the Paterson Public School District, as well as other public bodies at which any business affecting the interest of the public is discussed or acted upon.

In accordance with the provisions of this law, the Paterson Public School District has caused notice of this meeting:

**Special Meeting
December 1, 2021 at 6:00 p.m.
Remote - Zoom
90 Delaware Avenue
Paterson, New Jersey**

to be published by having the date, time and place posted in the office of the City Clerk of the City of Paterson, at the entrance of the Paterson Public School offices, on the district's website, and by sending notice of the meeting to the Arab Voice, El Diario, the Italian Voice, the North Jersey Herald & News, and The Record.

Comm. Simmons: Since this is a pretty short agenda, I'd like to do two things. We'll go into public comments, but right after public comments I'd like to just move the resolution and then we can just devote the rest of the time to the budget discussion. Is everyone okay with that?

PUBLIC COMMENTS

It was moved by Comm. M. Martinez, seconded by Comm. Castillo-Cruz that the Public Comments portion of the meeting be opened. On roll call all members voted in the affirmative. The motion carried.

Ms. Rosie Grant: Good evening, Mr. Chair, Commissioners, Madam Superintendent, staff, and community. As always, thank you for this opportunity. I neglected to say I'm speaking on behalf of the Paterson Education Fund. My first issue is the article around the payments to our custodial contractors. How much of this was more than what was expended the previous year? I do understand that you are obligated by law to pay these contracts. I'm just interested in whether or not they were overtime hours or anything in excess of what the normal contract would have been while we were in shutdown. I think that's a key place to focus as we look at this. Our new PEF newsletter for 2020-2021 is out. I encourage you to find it on our website. It will be up tomorrow. We accomplished quite a bit thanks to our donors, supporters, volunteers, and in large part to Paterson Public Schools. Thank you, Ms. Shafer and your administration, for allowing us to do the work that we do inside the schools and for partnering with us on the work that we do in the community. I'm looking forward to the budget discussion. It's great that you're starting this early. You are ahead of the curve once again and I appreciate that. Thank you so much.

It was moved by Comm. Hodges, seconded by Comm. M. Martinez that the Public Comments portion of the meeting be closed. On roll call all members voted in the affirmative. The motion carried.

RESOLUTION FOR A VOTE:

Resolution No. 1

Whereas, the Paterson Public School District approves the payment of bills and claims dated December 1, 2021, beginning with check number 228699 and ending with check number 228708, in the amount of \$214,852.72, and wire in the amount of \$5,000,000.00, for a total amount of \$5,214,852.72;

Be It Resolved, that each claim or demand has been fully itemized, verified and has been duly audited as required by law in accordance with N.J.S.A. 18A:19-2.

It was moved by Comm. M. Martinez, seconded by Comm. Castillo-Cruz that Resolution No. 1 be adopted by the Board. On roll call all members voted in the affirmative. The motion carried.

Paterson Board of Education Standing Abstentions

Comm. Arrington

- Self
- Family

Comm. Capers

- Self
- 4th and Inches
- Westside Park Group
- Insight
- Jersey Kids

Comm. Castillo-Cruz

- Self
- City of Paterson
- Transportation

- Downtown Special Improvement District
- Celebrate Paterson

Comm. Hodges

- Self
- City of Paterson

Comm. Dania Martinez

- Self
- Ilearn Schools
- Paterson Arts & Science Charter School

Comm. Manuel Martinez

- Self

Comm. Redmon

- Self
- Historic Preservation of the City of Paterson
- County of Passaic

Comm. Simmons

- Self
- Family

Comm. Teague

- Self
- YMCA

DISCUSSION ON THE 2022-2023 SCHOOL DISTRICT BUDGET PRIORITIES

Ms. Shafer: Tonight, you're going to hear about where we are and what it looks like for the 2022-2023 school year. In addition, you'll also see our priorities. We ask the Board to contribute to the priorities as we move through the presentation. At this time, I'm going to hand it off to Mr. Richard Matthews, our Business Administrator.

Mr. Richard Matthews: Good evening. The goal of the meeting tonight is to talk about the 2022-2023 budget priorities. Before we get into the priorities, I want to go through some items that have budgetary impact and need some clarification. I'm going to talk a little bit about the structural deficit as it pertains to our budget gap and fund balance report that was reviewed with you last week. There are four bullet points here, but the main takeaway from this slide is that currently we're in year five of legislation S2, which means that the state has to fully fund our district by 2024-2025. In 2021-2022, we received an increase in state aid of \$29 million. As I said earlier, we're in year five of that legislation. Salaries and benefits account for over half of our budget. You can see the charter school and vocational costs are increasing rapidly at about 18% per year. The total cost to our district in 2021-2022 was in excess of \$105 million. There's a difference between structural deficit, financial deficit, and balancing the budget. In layman's terms, our financial obligations are exceeding our revenues on a year-by-year basis. You're going to see that in the fund balance review that we're going to go through later on. We can actually be in a deficit as we are in right now where our expenditures exceed our revenues, but that doesn't mean that we still can't balance out our budget. In years past when they talked about the fiscal cliff, they were saying that by the end of the year you're going to be in the negative. Last week when I went through the fund balance review, we talked about having excess surplus, fund balance,

and budgeted fund balance. Under a financial deficit, we're not going to have those reserves. There's a difference between fiscal deficit and fiscal cliff, which we talked about in 2014, 2015 and 2016 where we were getting no additional state aid, we weren't raising any taxes, and we were still having expenses that were going to up every year as they are going up right now. That's structural deficit. That's what we're in right now as you will see that in the budget gap that I'm going to go through later on. These are our typical cost drivers – salaries, health benefits, instruction and program, charter school, transportation, substitutes, class coverage, custodial services, and special education. These are our normal major cost drivers that account for over \$100 million in our budget. This slide is the actual gap that we're going into right now. We have done a preliminary analysis of where we were in terms of our revenues. We were told to submit to the Board a flat budget meaning that there's no additional state aid. I will say that if you look at the top column in revenues under fiscal year 2023 projected, we're projecting a tax levy of \$66 million, tuition at \$500,000, and miscellaneous revenue at \$3.6 million, total revenues for the year of \$569,584,214. That's the revenue projection for fiscal year 2022-2023. If you go down to the appropriations section, you have charter school costs. We're projecting that number is going to go up to \$102 million. Typically, that number goes up 18% year-over-year. Last year we projected 18% and we landed at 18%. Non-salary is transportation, substitute costs, central office, and facilities. That number is being projected to go up 13.79% based on the prior three-year trend. You take your FICA \$13 million, salaries, collective bargaining agreement at 3.25% for 2022-2023 at \$257 million and benefits, so we're saying total appropriations are \$614 million. Our expenses went from \$568 million to \$614 million. Our revenues went from \$568 million to \$569 million. The difference between those two is \$44 million. That's what we call a structural deficit. Year over year our expenses exceed our revenues. I know someone is going to ask how we plan to balance the budget. Last week when we did the fund balance review, we had excess surplus and budgeted fund balance. Last year, we used \$5.3 million between those two categories. If you go back up into fiscal year 2023 projected, you see budgeted fund balance at \$0 and excess surplus also at \$0. Last year we used \$5 million from those two categories to balance out the budget. In this projection, we have nothing there for those two categories because we're submitting to you a flat budget. The revenues went up \$1.3 million because that number is flat and the appropriations went up \$46 million because those are projections based on prior year trends and the fact that some things are fixed in terms of salaries and benefits. We had a meeting today with our provider and we're going to be getting those final numbers later on. This is an early projection. Some of these numbers can change up or down. When we give you this number every year, we're pretty close to what our real gap is. When we talk about a structural deficit, this is what that really means. In terms of us being able to balance out our budget, we have meetings starting on January 10-14 with central office. We have already given them their schedules and times we're going to go through their budgets line by line. We are going to have all the department heads in those meetings. We're going to have procurement there, purchasing, and making sure that we're procuring as best as we can. We're working on doing all our big bids right now for custodial services so we can get the best pricing available. We're also going to engage in conversation regarding budget-saving strategies. Some of the priorities are in our budget-saving strategies. Just to give clarity to fiscal deficit and fiscal cliff, which we're not talking about anymore, structural deficit is what we're in right now. We don't come out of this overnight. Going back a few years ago when we got the \$5 million in additional revenue from the emergency aid, that was a help, but that doesn't really get us out of this bleeding. Even going a few years back when we got the \$12 million from the sale and lease back of textbooks, those were one-time revenues that help you on a short-term, but don't really solve your problem long-term. It's a combination of increasing the revenues and controlling your spending over a period of time to come out of this structural deficit. \$44

million looks daunting. A couple of years back, we had \$70 million. This is moving in the right direction because of the combination of revenue growth and spending control that we're in this spot right now. So that people are clear, flat budget means we didn't put in any revenues that we have available to us. We didn't put in budgeted fund balance, or excess surplus. Those are going to be at our disposal to help balance out the budget, along with cost-saving strategies that are going to be discussed in future meetings. In terms of the gap, this is where we are today. This number can move up or down here or there. For the most part, we're still getting in numbers to put into non-salary for the 2022-2023 budget. This is a jumping off point to see where we are in terms of budget priorities and having sustainability. As we start to put in priorities, we want to make sure we can sustain programs. To sustain programs, we have to make sure that we have the revenues to do that. We don't want to have programs come into the local budget and we can't keep them. Over the last couple of years, we haven't had any layoffs or cuts. We don't want to balance out this budget through cuts and we don't feel we're going to have to do that. That's been one of Ms. Shafer's mantras from day one with me. We plan on definitely getting to a balanced budget and also maintaining sustainability and we're not looking to do this by just cutting and slashing programs. That takes away from the sustainability and our overarching goal of educating our kids. Before I go into the priorities, does anyone have questions about what's in front of them?

Comm. Simmons: For the funding that we recently applied for and were denied...

Mr. Matthews: Stabilization aid.

Comm. Simmons: Part of the reason we were denied was because of what the state sees as the financial deficit and our ability to close the gap and balance the budget. Because of that, the state doesn't feel that we have a structural deficit.

Mr. Matthews: There were two criteria. One, you lost state aid and we received \$29 million. The other one was they didn't say structural deficit. We said that we were in a structural deficit. They were talking about a fiscal deficit. We're going off the cliff and we're not in that position. When they looked at our numbers and they see that we ended last year with excess surplus and we had budgeted fund balance, you are not in a fiscal deficit. Structural deficit is different. We are in a structural deficit. I went to Ms. Shafer and said based on the criteria here, we don't meet it but I can make an argument for a structural deficit. We did that. We couldn't argue against loss of state aid because we gained \$29 million, but I was able to put forth an argument in terms of providing more teachers to reduce class size. We're still not where we need to be in terms of educating the kids and teacher/student ratio. The big part of that money was towards reducing class size. We knew it was going to be long shot to put in for this aid, but we said we have to be in it to win it. We didn't think we had a good shot, but we went forward with the application. It was a very long and drawn-out application process. A lot of information was required. That's it. We didn't lose state aid and we're not in a fiscal deficit. We didn't really meet the criteria that the application required.

Comm. Simmons: Secondly, I sent Ms. Shafer an article this morning. I'm not sure if you're familiar with the recent federal DOE decision and what they have said to the state DOE in terms of having districts fully funded. There were some districts like Jersey City who lost aid. The federal DOE is now telling the state that they need to basically give Jersey City back their money.

Mr. Matthews: It's like \$125 million. I read the article. Mr. Sweeney made a comment and he did say toward the end that he might put places like Paterson at risk. I knew the

question might come up and I tried to discuss it in this area here regarding S2 and how they're saying we're going to be fully funded by 2024-2025. We're in year five of that and that means we have to be about 65% of being full funded. The State of New Jersey never made a comment about the request. They were requested to talk about it and they made no comment on it. It will be a windfall for Jersey City. It may have some impact on us. The legislation says that we need to be about 65% fully funded by 2022-2023 and fully funded by 2024-2025. It could have an impact on us. The DOE never made a comment, but they also are using federal funds for this money. They're not using the state budget money for this. If they're going to use that money, which is not state money, I'm going to say early on that we really should not be impacted because the law states that they need to fully fund us. If we were not getting the money that I'm personally expecting for this year, what you see here in the appropriation section, we're going to have to have some hard conversations about what we're going to do regarding some of these items. Everything in that category, such as charter school and non-salary, we're going to have to do some hard negotiating to get that number down. I need that \$35 million. That's my number. We should be getting roughly that amount of money in terms of state aid this year based on what the law on the books says regarding getting us fully funded. It's obviously a concern. When we give you this flat budget, we don't expect that number to be \$476 million come a week after the Governor's address in February. We are definitely looking to see that number go over \$500 million, which helps close the gap. We have some things at our disposal regarding budgeted fund balance and excess surplus. As I said last week, the numbers that I gave for those two categories combined were about \$15 million. That was not an audited number, but we feel that is real close to what's going to be when the audit is finally done. In our priorities, we have some things that we need to do. One of the things we haven't done in this district in a while is to invest money into capital reserve. Going back years when we were overspending our budget by \$40 million, we were never putting money into capital reserve. We can't just rely on ESSER. It's a good windfall of money that we're going to be able to put towards a lot of things regarding facilities, but we also have to do our own due diligence as a district and make the investment into capital reserve. If there are things that we need to do, like pave Eastside or Kennedy, we'll have money in that account to do that. We have to start investing money into our reserves and that's one of our priorities for 2022-2023. I'll go into that later on. I think this is an important document for people to see. If you go to the change column under total operating budget, you see additional revenue of \$1.3 million. You go to the total appropriations and you see \$46 million. That is the gap right there. If we do it backwards here, we should have a number of what our revenue should look like so that we can give you a true gap. This gap is almost not real because we're basing it on no additional state aid. I haven't put in budgeted fund balance or excess surplus. There are three pockets of money that are not in this number. It's a worst-case scenario. As I said to Ms. Shafer, it's not as alarming as it has been in years past. When we were at \$70 million years ago, that was bad.

Comm. Hodges: How does the state not recognize that we have a structural deficit?

Mr. Matthews: They do. That was more fiscal. Some people think of structural deficit as fiscal deficit. All those years when they were making predictions about what was going on with the fiscal cliff, they saw the trend of no additional state aid, no additional tax revenues, and your appropriations going up. Their predictions of us going to a fiscal cliff were pretty much spot on. Then S2 came along and we made some increases in our revenues and that talk went away. But under the state's purview I know in 2015-2016 we overspent our budget by \$40 million. That's crazy.

Comm. Hodges: Isn't that symptomatic of having a structural deficit?

Mr. Matthews: It has nothing to do with that.

Comm. Hodges: But you have a situation where you're routinely receiving inadequate funds versus what your expenditures are.

Mr. Matthews: You had a budget that year of \$470 million and you spent \$510 million. You submitted a balanced budget that year, but somebody said, "To hell with the budget, we're just going to keep spending because we have a surplus." That year, your unassigned fund balance was very healthy. Your reserves were healthy. We needed this and that and we just spent it. No matter what happens, you still have a budget you have to manage. In this district there are things that are unforeseen, and you have to make it happen. We get that. There are also things that happen the other way where you don't spend. You have breakage in salaries, and you're not fully staffed. There are things that you budgeted for that didn't really happen. There's money that falls out, but not to the tune of \$40 million. That was five or six years ago, but we're not in that space anymore, thank god.

Comm. Hodges: What would the state recognize as a structural deficit given our current situation? What would they see that would cause them to believe that we have a structural deficit?

Mr. Matthews: They would say we didn't include state aid, budgeted fund balance, and excess surplus. Let's use \$30 million as a round number. We're at \$44 million right now. If I'm the state and you come to me with this information, I'm going to say you add \$30 million to your state aid, \$15 million to your budgeted fund balance and that's \$45 million. You're not in a structural deficit. That's how they would see it. Then they will also say our tax levy should be \$110 million and we're at \$66 million. If we raise our taxes, that's \$34 million. I'm just answering your question, Dr. Hodges. I'm not telling you how we're going to move. I'm saying how the state would answer that question.

Comm. Simmons: I had a conversation with some folks from the state and that is exactly what they said to me. We have the ability to raise taxes.

Mr. Matthews: That's what they would say. The reality is our local fair share is over \$100 million. We know we can't raise our taxes to \$100 million. Our reality is we're in a structural deficit. Our reality does not allow us to do all the things that the state says we should do. That's why they don't recognize us as being in a structural deficit.

Comm. Hodges: Here's the problem. They're also giving us the city money because it has a structural deficit. If it has a structural deficit, which they are subsidizing, where are we supposed to get money to raise taxes from? They give the municipal government money in order to help stabilize their budget. They know that there's a problem here fiscally in the City of Paterson. How can they tell you that you can then go back and raise taxes that they're subsidizing against the city doing it?

Mr. Matthews: I'm going to give you a stat really quick, and I should probably give you the document. In 2000, the school was 29% of the total tax breakdown for the City of Paterson. In 2018, we went to 16%. In 2000, it was 56% and they're now at 64%. The percentage of the total tax breakdown in Paterson has gone up in the last 20 years. We went from 29% to 16%. The county went from 13% to 19%. For the last 20 years everybody went up in terms of total tax breakdown, except for the Board of Education. We're now at about 19% of the total tax breakdown from a high of 29.5%. Those are

numbers that nobody is really aware of. When you look at the percentage of the total taxes, we're still much lower than we were going back as far as you want to go back.

Comm. Hodges: I understand that. However, the fact of the matter is the state is subsidizing the municipal government because of the level of taxes. They don't have to raise taxes. If the school district does it, where does the community get the money from? We're not a low tax city, not at all. They have those arguments there, which is why they're coming out with the money to go to the municipal government. How does the district turn around and grab \$40 million on top of all that? Who's going to pay those taxes in the City of Paterson? You'll go up to an average of \$12,000 per household. You can't do that. We're not that well situated a community. There has to be a realistic conversation about what was done here. While the state was in control, they didn't raise their taxes.

Mr. Matthews: I agree with you.

Comm. Hodges: It was one of the arguments I made to them a number of times. You didn't raise taxes in 25 years. You waited until you came to us, handed it back, and told us we had to raise those taxes. We knew that was coming.

Mr. Matthews: Ms. Shafer and I had this conversation last night. It just seemed like we were set up to fail. When you have control over a district for that number of years and you don't look toward the next generations of kids coming in, that's why for many years the only way the budget got balanced was through cutting staff and programs. That's why we lost things like music, arts, and we didn't order new books. We cut staff and that's part of the reason classroom sizes ballooned during this time. Again, we have to smooth things out over time to get out of this. We're doing a budget thinking of a year at a time when we should be thinking about 10 and 20 years. The kids of these kids are going to go to these schools. We have to give them something. We can't give them classroom sizes that we have. Our charge is to smooth it out so that it gets better over time. We can't do it in one year. We have to do it over time. It has to be something that is intentional. I'm being intentional to the best of my ability. I'm communicating that to Ms. Shafer. If those numbers from the auditors come in as I'm saying they're going to come in and we have a \$40 million fund balance, it's a combination of raising revenues and controlling spending. Controlling spending by itself won't do it. Raising revenues will help, but it's in combination. Controlling spending means we want to make sure we're giving those kids the things that are in our priorities regarding overall academic achievement, operations, facilities, and food service sustainability. All those things are part of it. As I try to explain structural deficit, you don't get out of it with a \$5 million hit when your budget is going to be close to \$600 million. That's less than 1% of your budget. That's .75% of your budget. Although \$5 million is a lot of money, it really doesn't make the impact that people think it does. It's not that we didn't appreciate it. Even going back to the \$12 million, that's the year we had a \$70 million budget gap. Now we have to pay for that over five years. We're in year four paying back that money. Those are costs we have to get off the books. Obviously, things like the leases are things that we're looking at to get off the books. It's a combination of controlling your spending to get out of this structural deficit along with raising revenues. It's both. When we balanced budgets in years past, we balanced it through cutting staff and programs. That's not how we want to run this district today or any time in the future. We have to have a balanced approach to it so that we can achieve our mission and goals and district priorities. It's in combination and there's a little bit of pain regarding the revenue side of it. We also have to be more responsible on the appropriations side and make sure that we procure right and we're spending smart. It doesn't mean sometimes things don't get wasted. We get a call for something and we react to it. We could have scaled

back a little bit on trying to solve that problem. That's something that happens in real time when you look back. You get a call for 100 thermometers, but you only needed 60. That's just a small example of things that happen in real time here on a day-to-day basis. That's it.

Comm. Hodges: As long as that conversation is had with the state, so they understand the true position of what's going on here for the longest time. This is something that we have argued with the Commissioner of Education over in the past.

Mr. Matthews: When they ask for the stabilization aid, one of the things they look at is your Board Secretary report and they look at your financials. For year end, this is your budget. This is how much money you spent. Here's money available here. They're seeing numbers that are saying we're not in a fiscal deficit. That's good. That's not a bad thing, but they're looking at a snapshot. They're saying there are other things available to us that we can use. They're looking at everything more globally as a state. They're not looking at what's happening here in Paterson on the ground floor in terms of demographics and being a lower wealth district. That part is not a main concern as it is to us.

Comm. Hodges: All I'm saying is that somehow, we have to make them understand that it is a concern because this is the reality. I'll stop right there.

Comm. M. Martinez: Dr. Hodges' point is very well taken. It seems like it's a vicious cycle that we're in. I don't even want to rehash that. My quick comment is going to be said with the utmost respect. I feel like I'm in last year and the year before that where we always have these same conversations about the things we need to do and the tough decisions. Then you fast-forward a year and we find ourselves in the same place. I don't say this as an indictment on anyone. I don't want any one person to take it that way. I remember literally last year sitting in front of the computer and it's like groundhog's day. The last three or four years we go through the same conversation of cycles and expenditures and revenues and increases and budgets and we're always in the same place year after year. We have the conversations, and we say all the right things, but at the end of the day we're in the same hole every year.

Ms. Shafer: I would agree with you, Mr. Vice President. If you look down at the bottom, you see that salaries are half of the budget. You have contractual requirements that no matter what you do those salaries are going to go up. We also have PCTI, charter schools, and transportation, which is at an all-time high. These are reoccurring costs that constantly increase. We are doing better when it comes to the gap, but that gap is what those increases are year after year.

Comm. M. Martinez: I agree. Those numbers don't lie. You're spot on. You can't cover those increases up. They are what they are. Again, this is not an indictment on anyone in particular. We know that every year those increases are going to come. Yet somehow, we're not able to offset them and that's where a little bit of my frustration is. Leon, you were saying that we should be looking 20 years down the line. We're having a hard time planning for the next year down the line. We know that all of those increases are coming next year and the year after, but it seems like every year we're unprepared of it. How do we offset them? What do we do?

Ms. Shafer: I think this year we're much more prepared because we have additional money that we have not had in fund balance. That's one way. This is just our projection. We haven't looked at how we are going to balance that \$44 million. We're starting very early this year. We don't have our state aid numbers yet. We haven't

looked at what are some things that we can scale back on. It's a much more manageable number of \$44 million. I remember a time when we were at \$70 million because of all that underfunding for years. This is a much more manageable number. This is the first presentation before we start to get down to how we are going to close that gap.

Mr. Matthews: Comm. Martinez, the number wasn't audited, but we are ending the year in a much better spot than we did last year. If you look at fiscal year 2022, we used \$5 million in fund balance from excess surplus. I'm saying to you with certainty that we're going to have \$15 million available. We are in a better position than we were last year this time. It could be better, but we have more available to us to balance it than this time last year.

Comm. M. Martinez: And I don't want to undervalue those strides that we have made. Strides have been taken and we are in a better place. I don't want to underscore that. That's a great thing. I still feel the way this is set up we're always going to be behind the 8-ball. I don't have the answers right now. I don't know what those drastic changes are, but it seems like the way the state views our fiscal situation and the way we handle our fiscal situation, something has to give. Even though we are in a better place right now, year after year we're still behind the 8-ball. Year after year we know what's coming and we're still trying to bob and weave to get through this. We've made strides, but I feel structurally something...

Mr. Matthews: I have the answer. If we knew what our number was from the state right now – and I'm using \$30 million – we should be able to plug that number in tonight. We should know what that number is. A lot of states know their number. They never give you a flat number. If I put \$30 million there right now, that gap is \$14 million. This is really a false gap. Based on the law we should expect \$30 million. If we were to do this exercise after getting our state aid, you're not going to see \$44 million. You're going to see a much lower number.

Comm. M. Martinez: I don't want to undervalue or take the light off the work that's been done to get us to the improved place that we are. I'm not trying to be Negative Nancy here. If that \$30 million was plugged in, we'd still be \$14 million in the red.

Mr. Matthews: No. We have \$15 million available to us in budgeted fund balance and excess surplus.

Comm. M. Martinez: The good news is that we're starting so early and that is to our benefit.

Comm. Castillo-Cruz: It's good and frustrating all at the same time that we're starting early. It's great, but we always get ourselves worked up because at the end of the day we don't really know what the number is until the spring when the deadline is coming close to vote for the budget. We go through a few months of pure frustration. For many years the outcome has ended worse. We've gotten so much better than when I first got on six years ago. We talk about having to increase taxes and I get it. The state has been saying for a few years that we have to increase our taxes. However, they want to presume that we should make decisions, but they're not here and they're not necessarily understanding. The Department of Education may not speak to community affairs, but they should know that they're supplementing the city's budget. How do you expect us to function and increase taxes in the way that we are? Granted, everyone else has increased and we should increase as well. I get that from the state, but it doesn't mean it makes sense for Paterson. I honestly don't have the answer of what

else we can say and to whom we can say it. I know we've had this conversation multiple times, but I think we need to start thinking beyond this budget. It is what it is. We have to have a budget. We get to those consequences every year. We have to pass a balanced budget. We have to approve the budget. Local control is always going to be on the verge of being taken away if you don't pass it. We're in the same cycle. What can we do that's outside of the box to see if we can arrive at anything different? Who can we bring to the table so we can really have a conversation of what Paterson goes through if we continue to increase taxes? I understand that most school districts cover 90% of their budget. I get that. Paterson is not there. What do we do? I'm not sure any of us have the answer, but what do we do so that we can move and have the conversation in a way that's actually valuable and that we're creating some sort of movement or push for them to really acknowledge the situation in the city right now?

Comm. M. Martinez: That's the question we're all asking rhetorically because we don't have the answer. Let's continue with the presentation and the questions from others. Those are my concerns. To be fair, I don't want to underscore or take the light off the progress that has been made. For that, Madam Superintendent and BA, thank you for taking the strides.

Comm. Arrington: What's driving the 13% increase in the non-salary fund?

Mr. Matthews: That's transportation, custodial, substitutes, and all those items in central office. Out-of-district tuition and special education costs are in there. We're hoping that we can land at that spot. We're getting letters today from other districts saying they can raise up to 15% to 20% for their tuition next year. Those are coming in now.

Comm. Arrington: Is breakage a part of that 13%? Is that factored in?

Mr. Matthews: No. Breakage is in salaries and that's more to the fund balance report than this right here. This is speaking to what we're going to budget for the year. Out of the fund balance report when we're talking about spending at 96%, breakage comes out of that. That's more in the other report.

Comm. Arrington: We budgeted for 100 substitutes, but we only could find 75.

Mr. Matthews: We're spending it over in class coverage now. I grouped substitutes and class coverage in the same box.

Comm. Arrington: The breakage in substitutes is going to class coverage.

Mr. Matthews: The money not being spent on substitutes is being spent in class coverage. It's still being spent.

Comm. Arrington: That makes sense. What's the 10% for the non-salary and FICA?

Mr. Matthews: The state gives us those numbers every year for what they have to go up to. They've been going up for the last couple of years.

Comm. Arrington: Does the 3% in salaries include new head count?

Mr. Matthews: You have a document called 'position control' that has 3,000 employees and they're all collectively bargained. Out of that number, as we're going through turnover with our employees, we have to take last year's position control that was

submitted in the budget and bump up that number 3.25%. Going back to the fund balance report, the money that doesn't get spent falls out. We're not at 100% staffing and we have people coming on board at lower rates than those who are retiring and resigning. That number can be tweaked, but I think to be smart you need to go by your prior year number and go up based on what the bargaining agreement calls for.

Comm. Arrington: If we had 100 employees last year, do we have 100 employees this year?

Mr. Matthews: We're looking at it based on it being at 100% of employees.

Comm. Arrington: We're flat-lined as far as increases.

Mr. Matthews: Yes. If we enter the year with 2,000 employees and we're seeing that we're going to be at 1,800, we might want to take that number and move it down a little bit. We do not budget it at 257 and move it to 254. Those are the decisions we have to make working with Luis Rojas. Where are we going to end the year regarding our employee count?

Comm. Arrington: I know we hired some new employees with ESSER money, correct?

Mr. Matthews: Some positions are being brought to the local budget and some are going to be in the grant for two or three years.

Comm. Arrington: We talked about something where we're not going to kick the can down the road. That salary will be put somewhere.

Mr. Matthews: We have salaries that are being brought back into local budget. That's the sustainability piece that we talked about. There are positions that are going to be in the grant for only one year. It's about \$6 million in salaries in the grant that are coming back to the local budget for 2022-2023. There are positions in the grant that are going to be there for two and three years. For instance, a compliance officer is going to be in the budget until 2025. When the grant expires, the position is gone. There are positions like behaviorists that are going to be in the grant for one year and in 2023-2024 we will bring it back into the local budget. We're bringing positions back into the local budget because we want to sustain these programs. That's part of the district priorities, the suitability in positions and programs.

Comm. Simmons: This is starting to sound like a May budget meeting. Can we get into the priorities?

Mr. Matthews: Yes. It's broken up into two categories. The overarching theme is academic achievement. Under that, we put up those categories that we feel fit that. High restructuring is money in the grant for \$5 million. That's in ESSER III. We want to increase our graduation rate. We're working with Ms. Tsimpedes regarding textbook adoption. These are all the categories that we have under academic achievement in terms of priorities. Learning loss is something that is also in the grant, but it's also a priority regarding academic achievement. These are all items under the overarching theme of academic achievement – parent training, dual enrollment, and financial literacy. Ms. Shafer and I have a meeting tomorrow with a vendor regarding that and we also have programs already in place. We also have AP courses and high school internship programs. On the operations side, food service, continuing COVID-19 protocols, contact tracing, testing, and facility upgrades. We're getting reports every day regarding facilities, what's happening in the rooms, and temperature. There has to

be a big investment into upgrading windows and adding some air conditioning units, and improving, repairing, and maintenance of our HVAC systems. One of the things that we're putting as a priority for 2022-2023 is acquisition of a fleet of buses to have an impact and give us more control over what's happening in transportation. We're gearing that more towards out-of-district. We're starting out with out-of-district because those are the highest costs we're dealing with. We want to have some kind of impact regarding our out-of-district costs. There is going to be a cost to acquire buses, get drivers, have a fleet, manage it, and have drivers, and maintenance and repairs to the vehicles. When we go through our analysis, we will show that we believe there's going to be a long-term savings to acquire buses to address transportation issues. I mentioned to you earlier regarding capital reserve. Something we haven't done in past budgets is put money into capital reserve so that we can do things within our own budget regarding investments into building infrastructure, envelope, and facility needs. Board guards are important. I've been having conversations with those guys regarding the ratio of Motivated guards versus Board guards and what the impact is. There are a number of additional Board guards that we can bring into the local budget, but also reduce our non-salary number by Motivated guards. For every one Board guard we might be able to reduce the Motivated guards by two and a half. We're getting a bigger bang for the buck on the impact of a Board guard versus a Motivated guard. We might see a situation where people are seeing less guards in their building, maybe more Board guards, but we're creating a safer environment because we have a person who has more authority and control over discipline and security in the school. With all these things that we do, we don't want to bring things on board and not be able to keep these things running long-term. Sustainability is about money, making sure we have it in place so that we can keep whatever program or additional staffing we're bringing into the local budget long-term. Sustainability is a very nebulous term, but it speaks to us being able to keep things moving forward, not just for a short period, but for a long-term basis. In terms of the district meeting with Ms. Shafer and cabinet, this is a list of district priorities that we are putting into the 2022-2023 budget. Some of this stuff is obviously in the local budget already. Some of it is in the ESSER grant. This is what we're proposing for 2022-2023 and beyond. We should talk about beyond, not just the upcoming fiscal year. Comm. Simmons, this completes what we have. We will take any questions, recommendations, or anything the Commissioners feel needs to be added to this. We will take that information in and we will have to put a price tag on any district priorities we want to put into the budget so that we can see how it impacts the gap and how we're going to balance out the budget.

Comm. Teague: I know we have been over this millions of times before. Clifton has a school specifically for special needs students. Paterson is the actual county seat. Why can't we have a school just for special needs students here in Paterson? All the county officers are here. The county court is here. The county administration building is here. Why can't Paterson have a centralized school just for special needs students?

Mr. Matthews: I'm going to say to you that we did have this conversation. We never really put forth the feasibility study of doing it. I was in Bergen County and I talked to them regarding their special needs building. I had some conversations with the special services department. We need to have a true feasibility study planned out over some time to see what it would take to make that happen. Having your own building for that could save a lot of money. You would have to put together staffing, the infrastructure to support it, and the equipment. It has to be done almost like high school restructuring. You have to find a building and lease it out. It would have to be along the lines of when Deputy Peron did high school restructuring to put that on the table for a future date. That's something that would need a year of planning at least and then a year of presenting what the funding options are in terms facilities, staffing, and program needs.

It would encompass a bigger meeting with facilities and the special services department and working with the county on that. It's something that can be built. We need to have big ideas like that that really protect us. It's something that addresses structural deficit. Those are big ideas that will have a big impact in terms of millions of dollars on our budget. To Comm. M. Martinez' point, I definitely remember hearing you say that for the last couple of years. You're right. We need big ideas like that and the resources to do the planning. We don't want to get bogged down with things that take away from us implementing big ideas.

Comm. Teague: Okay. That's all I had.

Mr. Matthews: Does anybody want to add to that?

Comm. Simmons: If Board members don't want to add or need time to think about it, please...

Comm. D. Martinez: Can we revisit the Newcomers' school program? I know the Board had discussed it and it was rejected. When it was up for discussion, the Board wanted it at Eastside High School. I'm proposing having it at all high schools. That's all I have for right now.

Comm. Simmons: Mr. Matthews, do you want to take these recommendations and discuss them in cabinet?

Mr. Matthews: Going back to Comm. Teague's recommendation, that involves the county, to take a private facility under Paterson Public Schools. That's a lot more involved than just finding a building and doing a lease. We need to involve the county because that's a part of what they do regarding working as a private enterprise within a public institution.

Ms. Shafer: To answer your question, we're going to take down any recommendations, go through them at cabinet, and then put some price tags on them. If Board members give us recommendations and we have questions, we will get back to them so that we're clear and then we can cost it out.

Mr. Matthews: I would suggest that we do this again. I say that only because sometimes we get last-minute requests. We need that in the budget, and it costs half a million dollars. Now we have to shuffle the deck again. I don't think one meeting like this is enough. I know we meet a lot, but we need to have a way to facilitate getting information from Commissioners regarding priorities and also a timeline. Some things may be for another year and some for this year. We have to look at everything and see how it fits in 2022-2023 and 2023-2024. High school restructuring has been on the table and now we're at the launching off point for next year. Some things are going to be a one-year planning and working process. Deputy Peron worked on it for probably two years, but we're at a launching point for that next year. Those big ideas are things that happen beyond a one-year window.

Comm. Capers: Thank you, Mr. Matthews, for the presentation. Is there anything we can move from outsourcing back to in-house to save money?

Mr. Matthews: Is there any specific category you're looking at?

Comm. Capers: I'm not looking at any category. Some we're under contract with coming up this year that we can look at. It could save hundreds of thousands of dollars or more.

Mr. Matthews: We can look at it. Let me talk to a couple of different departments that have outsourced some major items and see what the option is regarding in-house.

Comm. Capers: How would that look like? I'm not talking about any specific thing. Off the top of my head, I don't know what's up this year. I know we had some two and three-year contracts, if not longer. What's up this year that the Board can look at? We can bring this back in-house or go in another direction. Can we have a list of those items and see what's up this year?

Mr. Matthews: We have to look at those items that are being outsourced now and see how it's being managed. If we're in the middle of a contract or if it's about to expire, we have to look at that in totality and come back to you with a response.

Comm. Arrington: I guess you're doing this already, but are we looking at all our leases that we can get out of, such as AHA and School No. 29? I'm pretty sure that's already on your roadmap.

Mr. Matthews: With what's happening with these storms, I have met with the archdiocese. As we're losing space because of boilers or leaky roofs, we looked at other spaces to engage. Kids are going remote, and we need a permanent space. Nothing has been done. We're trying to get away from leases into more ownership. Obviously, we have 90 Delaware to deal with pretty soon because this lease is up in 2024. This is the biggest one that we have going on. We have Sheridan Avenue that we just renewed for two more years. We have to look at the situation at STARS Academy. We're working on Alexander Hamilton Academy right now. We have an offer to the seller and we're waiting for a counteroffer. We've looked at some spaces because of the situation that's happening with these storms. That's a nip-and-tuck situation right now regarding the leases.

Ms. Shafer: Going from last year's budget to preparing for next year, we did eliminate Colt Street and Prospect Park. We are looking at as many as we can do. Like Leon said, where do we put the kids? There's not a whole lot out there that we can purchase at this point.

Comm. Arrington: At UPS we do a software license usage audit. We procure 500 licenses for Office 365, but we're finding out that we're only using 300. These are some of the things we do at UPS to save money. We look at fully utilizing all our software licenses and we look to renegotiate. I'll talk with Kenny and Chris about that when we go back into committee next week. There may not be big dollars there, but every little bit helps.

Mr. Matthews: It does help. It's something that was brought up in a meeting about a month ago. When you do have that meeting with them, it won't be the first time he's hearing it.

Comm. Simmons: Any other Commissioners? If you think about it, you can still submit your recommendations through Cheryl via email so that we can get them to the administration as soon as possible. They can have their discussions and put a price tag to it and then we can schedule another meeting to talk about what the costs look like

and if logistically we are able to do them. If we are able to do them, we will put them in place.

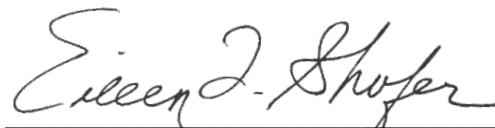
Comm. Hodges: I would just like to have a copy of those items that were placed before us. What does it take to have a substantial reduction in graduation via the Portfolios? That will represent a substantial improvement. What will it cost to do that? Academically, what will we expect a Paterson student to be able to accomplish? What is it going to cost to get them there? I've asked these questions before. Those are the key drivers. If you look at what our costs will be down the road, you need to look at how we improve education overall. I'd like to know where our students are now, where we want them to be, and what it's going to cost to get them there. I'd like a profile of what a Paterson student should be able to do upon graduation and the cost to get them there versus where they are now. We have a long way to go and we need to map out a plan to address these issues. There are some costs involved in that and they're not going to be one-time expenditures. They're going to be made over a course of time, so we need to plan it out.

Comm. Simmons: Please submit your recommendations to Cheryl so she can get them to the administration so they can work on them. Once they have that information, we can schedule another meeting, as the BA suggested. We want to make sure this is a recurring conversation and we don't get to May and folks want to add things at the last minute that we can't find funding for.

ADJOURNMENT

It was moved by Comm. Hodges, seconded by Comm. Redmon that the meeting be adjourned. On roll call all members voted in the affirmative. The motion carried.

The meeting was adjourned at 7:24 p.m.

A handwritten signature in cursive script, reading "Eileen F. Shafer".

Ms. Eileen F. Shafer, M.Ed.
Superintendent of Schools