

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

March 11, 2019 – 6:19 p.m.
Administrative Offices

Presiding: Comm. Oshin Castillo, President

Present:

Ms. Eileen Shafer, Superintendent of Schools
Robert Murray, Esq., General Counsel

Comm. Emanuel Capers
*Comm. Jonathan Hodges
Comm. Manuel Martinez
Comm. Eddy Olivares

Comm. Joel Ramirez
Comm. Nakima Redmon, Vice President
Comm. Robinson Rondon
Comm. Kenneth Simmons

The Salute to the Flag was led by Comm. Castillo.

Comm. Martinez 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
March 11, 2019 at 6:00 p.m.
Administrative Offices
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. Castillo: I want to welcome you all to this special meeting. This special meeting of the Paterson Public School District Board of Education has been scheduled for Monday, March 11, 2019 at 6:00 at the administrative offices at 90 Delaware Avenue, Paterson, New Jersey. To the extent known, the agenda will include discussion on the 2019-2020 School District Budget. This is the only topic for today. It's the budget.

Ms. Shafer: Before we start talking about the budget, there was an article in the newspaper yesterday that stated that we had five assistant superintendents. We haven't had that many in a long period of time. We are sending a press release out. As some of you know who have been here, my predecessor was using the title as 'chief' interchangeably with assistant superintendent. A chief and an assistant superintendent

require the same certification, which is chief school administrator certification. Their contract must be approved by the County Superintendent by code and their salary guide is the same. I gave the Board and I'll give some to the public, but if you look at the second page it is very clear. Over the past 15 years, nine of those fifteen combined had a combination of assistant superintendents and chiefs to the tune of the number six. While I have been in this position for the past two years, we have had six. Prior to me, we had two years of eight. You can read the rest of it, but I just wanted the community and the Board to have clarification. They are interchangeable. They are in charge of divisions in the school district. Thank you. At this time, I'd like to call Mr. Matthews up to give us a full description of where we are with the budget development and what our next steps will be going forward.

PRESENTATIONS AND COMMUNICATIONS

Update on the 2019-2020 School District Budget by the Business Administrator

Mr. Richard Matthews: Thank you, Madam Superintendent. Thank you, Board Commissioners. Today hopefully we can have a conversation about where we are as far as the budget gap. You can see some of the steps that have impacted the budget as far as some of the major cost drivers. We will go through some of the numbers. I really want to spend more time on understanding how things really impact the budget. We're going to move forward on the presentation. Any time you have any questions, feel free to stop me. This is the budget calendar on March 11. Today we're having our special Board meeting. Tomorrow we have a budget meeting with the fiscal committee. Wednesday we have a workshop. These are the rest of the dates that impact us submitting our budget to the County. The budget has to be at the County on Wednesday, March 20. Subsequent days are related to hearing and advertising dates. The final date for the budget adoption is Tuesday, May 14, 2019. This to me is the most important slide before we get into the actual numbers of where we are for a budget gap. Right now, we're looking at \$43,624,674. Employee salaries and benefits increased from 2018 to 2019 in the amount of \$10,693,802. That's all collectively bargained. That's non-bargaining at about a 3.2% increase. That's an impact of over \$10 million. Charter school numbers come in along with our state funding numbers. Last week when we got our state funding, we got the true up of the charter school number. The charter school number for 2019-2020 is \$9,000,025. That number can change during the course of the year. Last year we got a number in March and in February we got a true up of an additional \$1.4 million. For today, the number for charter schools is an additional \$9 million. There's a lot of transportation for out-of-district kids. That number went up \$2.6 million. Special education related services TO, PT, speech – that number again with the same number of services went up \$6.5 million. Legal services went up \$380,000. Security is up \$582,000. Our substitutes are up \$1.6 million. Last year we had a one-time revenue of \$12 million, the sale and leaseback of the textbooks. That money was used to help us balance out last year's budget. The net from 2018-2019 to 2019-2020, we have an additional \$43 million of budget impact. Are there any questions on that? On March 5, we gave a little overview on where we thought we'd start the year. I know it's a hard sheet to read, but we thought we would get the \$20 million that we got last year. We initially projected it would be at a \$20 million budget gap. Taking last year's revenue, we raised the taxes 2% on this sheet. If you look at fiscal year 2020 you see the 2% tax levy increase. We just pull the revenues down. Miscellaneous revenues are \$8.9 million up to \$521 million. Again, we were projecting to get the same revenues as we got last year. It went from \$426 million to \$446 million, a \$20 million increase. That's what we were projecting on March 5. As of the end of the business day on Friday, this is what we ended up at. You see fiscal year 2019, we

upped the taxes 2%. All the yellow is all the changes that we made as we got our numbers on Friday. We added the \$5.1 million for bank cap. We added the \$18,000 for testing. Our state aid number went from \$426 million to \$439 million, which is a 3.1% increase year over year. Our state aid this year was an additional \$13.2 million, so our revenue number now as of Friday is \$519 million. You see the appropriations below that. The charter school number we had budgeted \$66 million, but now it came in as an extra \$3 million. It changes into \$9 million. Our non-salaries are \$153 million. Our benefits are \$69 million. Our budget priorities are the \$52 million that Ms. Shafer had been talking about throughout the year of all the things she wanted to do regarding academics, personnel, facilities, curriculum and instruction. We've only baked in \$6.1 million of the \$52 million. End of business on Friday we're at a \$38 million budget gap. That's where we're at. Are there any questions regarding that number?

Comm. Capers: You said the budget priorities were \$53 million?

Mr. Matthews: It was a total of \$52 million for various different budget priorities. When we were going through our numbers we sat down with Ms. Shafer and asked her to give us the things she must have in the budget. It came to \$6.1 million. End of business on Friday we had plugged in that number and it came to \$38 million. After we plugged in all those numbers, we realized we have to start making some cuts. We're actually in that process now over the weekend of trying to shave those numbers down. We can go through some of those strategies later on.

Comm. Capers: Shave the Superintendent's priorities?

Mr. Matthews: No. We can't change the revenues right now. The revenue is \$519 million. We have to change the \$558 million. We have a \$38 million gap between our appropriations and our revenues. That's the number that we're working on right now. Just a recap of where our revenues come from - 85% come from the state, another 11% comes from our tax levy. This is a breakout of our different revenues. These are the appropriations.

Comm. Capers: You said there was a 2% tax levy?

Mr. Matthews: As of end of business on Friday we plugged in the 2% tax levy. It's in there now. Now we have \$38 million and we have to reduce that \$558 million to \$519 million. That's what we have to do. This is a breakdown of our appropriations by a pie chart. I'll make sure you get the next presentation ahead of time. As we try to close the gap, these are some of the strategies that we're looking at right now. The big one is budgeted vacancies. We've been spending time today going through the budgeted vacancies. That number is \$12 million. These are positions that are open since July 1 that haven't been filled to date. I'm not sure we're going to be able to take the full \$12 million. Ignore the bank cap. That's already in the number. Today we spent most of the time going through central office budget reductions. We actually called every department into the office today into a meeting to sit down and go through all their numbers. We've given people directives. We gave them a number to cut and to come back with their cuts. We have some numbers that came back already. We're going to start plugging in all those new numbers tomorrow and keep looking at every possible thing to get to a balanced budget. This is the bank cap. Any questions about anything in particular?

Comm. Simmons: When you say the bank cap is already in this number, is that just an additional 2% from last year?

Mr. Matthews: No. The bank cap is money that we can use in the 2019-2020 budget that were not used in prior years. You earn the bank cap from not raising your taxes, health care adjustments, enrollment adjustments. It's a bank of money that the state says you're allowed to use on top of your tax levy. That money is now \$5.1 million.

Comm. Simmons: So it's not baked into the numbers. It's a number that we can consider.

Mr. Matthews: That \$5.1 million is in our \$38 million budget gap right now.

Comm. Redmon: The \$5.1 million is already included into the \$38 million.

Mr. Matthews: If you look here, the \$5.1 million is here. It should have come out of the strategy, but it's already in there. Our true gap is \$38 million and now we have to reduce that number to get to the \$519 million.

Comm. Castillo: I know that we have money coming out of our debt services.

Mr. Matthews: That has nothing to do with this. That's totally separate. No impact whatsoever.

Comm. Castillo: We can't use the money that we paid for whatever that debt into this?

Mr. Matthews: The only thing you will get for that is if you don't use that money that's coming off the taxpayer will get tax relief. A lot of that debt service is paid by state aid and through the taxpayers. So the full amount of money that's coming off, some will go to the taxpayer and some goes back to the state. That debt service isn't all taxpayer money.

*Comm. Hodges enters the meeting at 6:34 p.m.

Comm. Redmon: What is the local impact for the taxpayers? What would the impact be for the local people?

Mr. Matthews: The debt service has nothing to do with this here.

Comm. Redmon: Once we clear the debt off the books you said that money goes back to the state and also to the local people, right?

Mr. Matthews: That's true.

Comm. Redmon: What is the local impact for the people here? When will we see that relief?

Mr. Matthews: I would have to get back to you on that number. That's different.

Comm. Castillo: Unless we're using it for some type of capital project like fixing a roof. We've had different conversations around the same topic.

Mr. Matthews: That not a true budget issue right now.

Comm. Castillo: Correct. If we're saying some of those monies come from the taxpayers, it does become a budget issue if we're giving some relief and then at the same time we have a tax levy. Does it balance out? Is it more money?

Mr. Matthews: I would have to get back to you on what that relief would be when that debt service comes off the books.

Comm. Redmon: That's the reason I asked. On the one hand you're telling us that the local tax levy was increased. Now we have a debt coming off the books. Would it balance out where we don't actually see the money coming off the books where it would be a loss?

Mr. Matthews: It's one of the reasons why I want to give pause to that referendum. I don't want to mix up those conversations. I was going to bring it up at the fiscal meeting tomorrow night. Because of what we're trying to do here I wanted to give pause to that.

Comm. Capers: When are we as a Board going to see the actual breakdown of where all this money is getting spent? You say the cost driver for special education is going up \$3 million. Where is the itemized budget that the Board needs to see?

Mr. Matthews: You'll have that on Wednesday. We will give you a true breakdown. When we get our charter school number, we get a breakdown by school of what we have to pay each school for the year. For transportation at the meeting on Wednesday when we start making our cuts, you'll see what's in everybody's budget. It's going to be crystal clear what's in everybody's budget.

Comm. Capers: That's what I thought we were getting tonight.

Mr. Matthews: We got our numbers on Friday and we had to plug all the numbers in to be able to get a true gap. We don't want to give you information that's not accurate. We were basing everything on this right here. This is our original projection that we were doing with the community. These are projections. Now that we have our real numbers we have to go and plug everything into the computer and it takes some time to do that. We have everything put in and now we went from putting everything in to now making cuts. All the cuts we can't get to you because we haven't put all the number in yet. It wouldn't be fair to try to give you those numbers now because we haven't added them all in yet.

Comm. Capers: The Board has to decide where we're going to make the cuts. We have to see where you guys are making the cuts.

Mr. Matthews: You're going to see everything on Wednesday. Everything that we recommended to be cut today and over the weekend, we have it all documented. You're going to have a whole bunch of spreadsheets to see where they originally budgeted, what we're recommending as far as cuts and where we are as of Wednesday, March 13. You're going to have it all on Wednesday. As a matter of fact, it will be at fiscal tomorrow.

Comm. Capers: Can we have a comparison from last year? Let's say special education went up \$3 million.

Mr. Matthews: You'll have all that.

Comm. Castillo: I just want to make sure that we're in turn.

Comm. Olivares: I'm looking at the strategies for closing the gap. Now we have a \$30 million shortfall.

Mr. Matthews: It's \$38 million.

Comm. Olivares: When you do the math on the strategies and you add all those numbers, do we get to a balanced budget? Are we still at a shortfall?

Mr. Matthews: We're still short right now.

Comm. Olivares: When you look at these numbers, we're still short.

Mr. Matthews: Yes. We're still short.

Comm. Olivares: By how much? Do you know?

Mr. Matthews: We're not going to do the whole \$14 million. Central office staff is still short at least \$12 to \$15 million. That's why we're actually taking a real deep dive into everybody's budget and going line by line. This is a massive operation and you have to look literally line by line to be able to cut some of the fat. It's a lot.

Comm. Simmons: For the \$12 million for unfilled positions, on Wednesday is it possible to get a list of what those positions are?

Mr. Matthews: Yes, you will have them. We have that.

Comm. Simmons: Just so I'm clear on the bank cap and the levy, that \$5 million is something that we need to approve?

Mr. Matthews: Yes, that's my recommendation.

Comm. Capers: We're talking about the tax levy? That's the same question I was going to ask. When you were presenting, it sounds like it was already approved.

Mr. Matthews: If it's yellow, it's a change. The day before it wasn't there and then we got our numbers and we said we're going to need this \$5 million. We plugged it in there as of Friday's date.

Comm. Capers: I was a little bit confused. You are proposing the 2.5% tax levy?

Mr. Matthews: I'm proposing a tax levy of 2%. I'm opposing a bank cap of \$5.1 million.

Comm. Capers: Thank you.

Comm. Hodges: I'm just trying to figure out when is the Board's time to decide what we're going to be doing? When do we do that, which is long overdue? I understand what the administration is trying to do. But it's our job to do oversight and planning, not just the administration. We're supposed to be making decisions about what gets cut and what doesn't get cut. I do appreciate the work that you're going to be doing in terms of giving us options. But those options are options and we're supposed to take a look at what's going on and make the decisions as to what goes and what doesn't go. That's what I'm trying to find out. When does that happen?

Comm. Castillo: We have a few more meetings after that. I don't know if Cheryl has given you a call. We've scheduled a few more special meetings coming up before so we can go into it.

Comm. Hodges: When is the preliminary budget?

Ms. Shafer: The 20th.

Comm. Redmon: We're meeting today for the budget and we're meeting again on Wednesday. We have another special meeting on Monday and also on Tuesday.

Comm. Capers: I'm thinking at the special meeting we're getting a whole budget, not just an overview of what's going on. You could just mail this to my house.

Mr. Matthews: We want to give you on Wednesday what's in the budget. In the last couple of years when we've had our budget hearing, I've heard Dr. Hodges say when you get the big budget presentation what's in the budget. On Wednesday we're going to give you what's in the budget and then you can go from there and make those decisions on what should be cut. What's in the budget, you're going to have on Wednesday. This today was more of a snapshot. We got out funding. We got our numbers. This is our true picture right now. We would have to go back and look in our own different departments. For instance, I have to look at my own department. Where can we make some cuts? Everybody was brought in today to look in their business world to see where they can make some decisions to help get us down to a balanced budget? It's not going to take away your opportunity on Wednesday to look at what's still in the budget. We want your feedback and recommendations on where to go and get to that \$519 million. We want your input on that.

Ms. Shafer: Let me just start with why do we have this gap. If you recall last year, we received \$20 million. This year we received \$13 million. Right off the bat, we're short \$7 million. Then if you look at the cost drivers, you have another \$43 million. If you add that all together, the \$43 million plus the \$7 million, then you have the one-time revenue of the \$12 million, which were the textbooks. That's why we got where we are. Is it possible for the Board to get the budget tomorrow?

Mr. Matthews: Yes.

Ms. Shafer: We will deliver the budget to you tomorrow. We're going to come back on Wednesday and continue to discuss. We spent the weekend and today going through what is it that we would be able to cut. I'm trying very hard not to cut staff and things for kids. I'm not sure we're going to be able to do that. We need to take a look at it and you can come in with your recommendations of what you want to cut. We will give you some recommendations and then together the Board will decide what the recommendations are that we're going to cut to balance the budget. We'll get it to you tomorrow.

Comm. Redmon: Ms. Shafer, I do agree that we do need the budget early. But that's unrealistic for them to give us numbers for tomorrow. Basically, you just got the numbers and you're plugging them in. I don't think the entire budget will be done tomorrow and we can make decisions.

Mr. Matthews: Not the entire budget, but what's in the budget. You won't have a balanced budget tomorrow, but we can give you what's in the budget for non-salary. We can give you what's in the schools.

Comm. Redmon: I think the question that most of the Commissioners are asking is for the itemized budget to see what it is line by line. Right now, we're just giving an overall

budget and everybody is just getting numbers. We want to know specifically each department where we're cutting.

Mr. Matthews: This report is a pretty good report that we have. I would say take the report. It's pretty detailed. If you're looking into the transportation world and are wondering what's in transportation, you can see what's in there. If you want to look at special education, you can see what's in there. If you have any questions, we can answer them. It's detailed enough to know what's going on in that world.

Comm. Capers: Do you have school by school?

Mr. Matthews: No. We can give you that too.

Comm. Capers: Can you give us last year's?

Mr. Matthews: Yes.

Comm. Hodges: It's one thing for us to just throw out our priorities and concerns. The other thing is thinking about what impact is going to be with these cuts. I really need to know what that's going to mean. This is serious and quite shocking. Certainly, in view of what's been going on for the last eight years prior to this year this is a major problem. It's going to have repercussions in terms of how well our children get educated. I need to have an understanding of what these cuts are going to mean, particularly in terms of classroom supplies for students. That's why we're all here. It should be why we're all here, more so than personnel.

Ms. Shafer: We can certainly give you that based on our discussion and recommendations. But again, it's more about the Board looking to see what they want to cut. It might be some of the same things. I can show you here's what we're recommending, here's how it's going to impact the kids, and we're still not down to zero. It's going to be more.

Comm. Hodges: That's basically what I'm looking for.

Comm. Simmons: I hate to keep harping on this, but I'm a pragmatist. Is the \$5 million the minimum?

Mr. Matthews: It's the maximum bank cap. It's a three-year lookback on monies that you can use in the current fiscal year. In the 2019-2020 fiscal year, based on no tax levy, no health care adjustment, no enroll adjustment, it's monies that we could have used last year. Last year's number was \$4.2 million. The money gets moved over and the money that's available to us for 2019-2020 is \$5.1 million. That's the maximum that we can use for this year's budget.

Comm. Simmons: What would be the number if we didn't?

Mr. Matthews: There's a little thing here that kind of breaks out how you can actually... This here gives you the 2% that we talked about already. For every \$1 million of bank cap this would be the tax impact. We would use \$5 million and the tax impact would be \$190 for the entire year. That would be the total tax impact to the taxpayer on a home valued at \$190,000. We did it by millions of dollars. You can see we chose to do \$2 million, \$3 million, or \$4 million. We're recommending the full amount of money.

Comm. Simmons: I'm not shocked by any of this. I didn't anticipate that we would get what we got last year. As much as we would like to, I don't think that we can close this gap without eliminating personnel.

Mr. Matthews: I would tend to agree with you on that one.

Comm. Simmons: The sooner we can get what that would look like, that would be good for the Board to know as well.

Mr. Matthews: We'll have that information to you shortly. I don't want to give you the exact date, but we're working on it right now.

Comm. Simmons: Thanks.

Comm. Olivares: I'm not sure that I understood what Comm. Simmons was saying. Until we get the budget and we look at these numbers we just don't know exactly what it is that we can or cannot do. I'm confused now. We're going to get the budget tomorrow. Am I correct?

Mr. Matthews: You're going to have the budget tomorrow. Today's purpose was to give you a snapshot of where we are so that we know what our budget gap is and some of the strategies and if you guys have any suggestions or recommendations on what we can or cannot do. We'll give you the budget. That's the first step.

Comm. Capers: Do you know what the City Council is proposing for a tax levy? I heard that they're proposing a tax hike too.

Comm. Simmons: They don't get their percentage until June. They won't know what it is.

Mr. Matthews: I think we've raised our taxes two times in the last 11 years.

Comm. Redmon: If the Board considers the tax levy, what would be the overall amount per household?

Mr. Matthews: If we did the full amount of the recommended bank cap and the 2%, it would be \$190.19 per household annualized. That's almost \$6 million.

Comm. Castillo: There's not much we can say until we have all the information in front of us. I'm a little stuck. We don't have any of the possible details of anything, so it's hard for us to really say even worst-case scenarios or any type of scenarios. That's what makes it a little bit complicated. Do you think it would be better if we keep on with the meeting, leave it as is, and tomorrow we get a full detail of all the information? I think it's difficult for us to have an educated conversation without anything.

Mr. Matthews: We had to plug stuff in and we have recommended cuts here to get the numbers down. But we want to just make sure that we talk to all the department heads and everybody signs off on the cuts. We don't want to cut something and then all of a sudden we find out we can't do it. We're waiting for everybody to come back to us with all the information, but we do have an updated budget for non-salary for central office and we don't have the schools here right now. I'd rather give it to you all in one lump sum.

Comm. Castillo: This is my suggestion. When we come back on Wednesday, I want to make sure that we have all the information to have an educated conversation. Though I see that you wanted to give us this information, we're sitting here on a PowerPoint that could technically have been emailed to all of us because we can't make any changes, add-ons or anything. We can't have a conversation. If we're going to do this on Wednesday, Monday, and next Tuesday, I just want to make sure that we have everything in front of us that we may need in order to move forward. Right now, all that we can do is shake our heads. There's not much that we can go with. I know it's a lot of paper, but we all have our tablets and whatever it is that we need to do to make sure that we can have these conversations that make any actual sense.

Mr. Matthews: We will have it tomorrow.

Comm. Capers: If the district can't provide the Board members with all the information we're asking for, is it possible to move the meeting?

Comm. Castillo: They can provide all the information by Wednesday because this Board needs enough time...

Comm. Capers: Everything that we're asking for?

Comm. Castillo: This Board needs enough time to have a conversation if we're going to vote on a budget.

Mr. Matthews: You'll have to tomorrow.

Ms. Shafer: Let me just be clear on what we're going to have. Tomorrow morning the line-by-line budget will be delivered to the Board members. That will include all school budgets and central office. Everything will be given to the Board.

Mr. Matthews: School and central office budgets we will have tomorrow.

Ms. Shafer: You'll have it tomorrow. I think we should also give them the recommended cuts so they have it so once they look at it, they either agree or disagree with us and would rather do something else. We'll give you what we have.

Mr. Matthews: We have that right now. We'll give that to them tomorrow.

Ms. Shafer: We'll give that to you tomorrow. What else do you need?

Comm. Castillo: Is this the 600-page budget?

Mr. Matthews: No, you're going to get 30-35 pages.

Comm. Redmon: She's asking because when we asked for a full detailed budget the last time, we got 605 pages and we did not get a chance to go through it.

Mr. Matthews: You're going to get no more than 30 pages.

Comm. Castillo: It's fine. I just want to make sure that if it is 600 then we're going to need more than 24 hours to do it. At least make sure that all the line items are included as well as positions that are on the website that haven't been filled in a long time, and what does that allocate to, and every other department that we can think of as well. Is there anything else before we go into public comments?

PUBLIC COMMENTS

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

No speakers.

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

OTHER BUSINESS

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

The meeting was adjourned at 6:59 p.m.