

MINUTES OF THE PATERSON BOARD OF EDUCATION BOARD RETREAT

February 3, 2018 – 10:00 a.m. – 2:00 p.m.
Administrative Offices

Presiding: Comm. Oshin Castillo, President

Present:

Ms. Eileen Shafer, Acting State District Superintendent
Ms. Susana Peron, Acting Deputy Superintendent
Robert Murray, Esq., General Counsel

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

Comm. Joel Ramirez
Comm. Nakima Redmon, Vice President
*Comm. Flavio Rivera

Absent:

Comm. Kenneth Simmons

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

Comm. Redmon 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:

**Board Retreat
February 3, 2018 at 10:00 a.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.

INTRODUCTORY REMARKS

Comm. Castillo: We are going to make a change. We're going to go into executive session later on, possibly after lunch, just because I want all the Commissioners here so we can get all the information. We're going to switch it up a little bit and do the budgetary process and that discussion first. Then we will move on to the rest of it later on this afternoon.

OVERVIEW

Ms. Shafer: Good morning and thank you all for being here. We really have three important issues to discuss this morning. As the President said, one will be in executive session. The other two is to give you an update of where we are with the budget. You know the budget changes day to day. We do not have the revenues from the state yet. We're hoping that there will be some type of an increase and it will not be flat-finding. Our Business Administrator, Richard Matthews, has put together some numbers to share with you as to where we are in addition to some budget strategies to close the gap. We're also asking you for your input on any strategies that you may have to close the gap. In addition to that, I will be talking about a five-year budget plan based on all of my meetings since July with parents, the community, teachers, union leadership, students, custodians, nurses, secretaries, principals, the Board, and the public. All of that is in a plan which is about 100 pages. I think it's important to realize that I don't have those meetings just to check the box. We need to listen to what the community and the parents are saying and then put that into a plan. Then the plan is mirrored with this five-year budget rollout. I'll be going over that. It's all in draft. The Board needs to approve it as we move into local control. You also need to have input and a say as to what the priorities should be. That's really what we're here today to do. I'm going to turn it over to our Business Administrator so he can tell you where we are. We've had a number of community forums around the budget. We've had discussions at our Board and workshop meetings around the budget and we're going to continue to do that because we heard loud and clear that the community, parents, and the Board did not have input to the budget.

DISCUSSION ON THE 2018-2019 SCHOOL DISTRICT BUDGET

Mr. Richard Matthews: I want to start talking about some of the things that we're doing inside the office right now. The budget team has been going out there and meeting with department heads in schools and capturing all the appropriations for the upcoming budget. As you're doing the budget, you're really working with three different budgets. You're working with the current budget, the 2018-2019 budget, and you also want to make sure whatever you do this year is going to also impact the 2019-2020 budget. If you go to the second page, you have a couple of columns there. The first one says fiscal year 2018. This is what we put into the budget for fiscal year 2018. You see the appropriations are \$472 million and the revenues \$472 million. We're still working daily to make sure that we don't end the year with a deficit. That's right now the most important thing, to make sure we end the year on a positive note. We're scratching and clawing, meeting with department heads, and going back reviewing budgets and expenditures to make sure we can land on a positive note. With that, part of the plan was to put together different budget numbers with a flat-funded budget and with a 5% increase. If you look into the second column, that budget there is a flat-funded column. The revenues are all the same except for the \$42 million, which is a 2% increase in the tax levy. We'll talk about that later on. The second column is fiscal year 2018-2019. No increase in state aid. Everything remains the same and appropriations are \$534 million based on collecting all the data, meeting with department heads, taking in the budget priorities and new initiatives. With that, the non-salary goes from \$132 million to \$160 million on the appropriations. At the bottom, you see there is \$132 million for 2018 and then it goes to 2019. Those are all from the forms that we've had from Ms. Shafer meeting with the teachers, principals, community, and all those different initiatives from the textbooks, reading programs, instructional supplies, professional development, and substitute teachers. All the initiatives came to a \$28 million increase from non-salary. From 2018 to 2019, our appropriations go from \$472 million to \$534 million. If we're flat-funded with no increase in state aid and a 2% tax increase, our budget gap for

2018-2019 is \$78 million. We're definitely not going to be flat-funded. We're making some assumptions based on what we're hearing in Trenton talking to some of our people. We're going to get some kind of increase in state aid. The last column is really based on a 5% increase in state aid. You see at the top there that's the \$42 million which is our 2% tax levy and on down to where it says 'equalization aid.' For 2018-2019, we're assuming of \$393 million in state aid, which brings us to \$534 million in appropriations and \$474 in appropriations. If you go to your appropriations line, charter schools this current year are \$45 million. We're going to go to \$55 million based on the numbers we got from the state. That's a number that we can't impact. Non-salary goes to \$160 million in 2018-2019. Salaries go from \$227 million to \$242 million. Benefits go from \$66 million to \$77 million. That number is based on the state health benefit plan. That is a net number, not a gross number. That's after contributions. After all of that combined, we're looking at a \$60 million budget gap going into budget season. Any questions from that point there in terms of the budget gap and how we got to the number? This is just basically stating how we got to where we are today.

Comm. Hodges: Where is Tech?

Mr. Matthews: The actual number for Tech is about \$11 to \$12 million.

Comm. Hodges: Shouldn't it be in the order of \$20 million? Plus, it's going to go up to...

Mr. Matthews: There's an additional 122 kids. I don't have the exact number for Tech.

Comm. Hodges: Where will it appear in here?

Mr. Matthews: It's in non-salary. Tech is separate from the charter schools.

Comm. Castillo: All out-of-district is in there as well?

Mr. Matthews: Yes, it is. It's out-of-district, leases, retirement contributions, repair and maintenance, and professional development. Tuition went up \$3.6 million from last year.

Comm. Redmon: With the increase in students going to Tech now our total will be over 600 students?

Mr. Matthews: They added 122 kids for the STEM program. I have that exact number in my office. I don't remember off the top of my head.

Comm. Redmon: I think it was 579.

Mr. Matthews: This is still a moving target. We're still going back to different departments. We're sitting down going back through their budgets to the bottom 15% trying to recoup some appropriations to reduce that number. This number today is a worst-case-scenario number. It is a moving target, but as we stand today this is where it is. I'm sure that by next week it's going to change. Literally, we got some different news yesterday reading the ESSA grant, which we spoke about last night. This number is going to constantly change and we need everybody's input to help us close the gap. On the last page are some strategies. A lot of these are still a work in progress, but I think there's a big opportunity that we have with health care and a couple of different fashions. We had that meeting yesterday with the bargaining units. We had our broker come in and sit down with different unions yesterday in this room for probably about an

hour and a half. The meeting was very positive. They are looking for the next step in the process. I think you have a district that is looking to close the gap and an association that's looking to cut a deal. There are some opportunities out there in terms of health benefits. For instance, we talked about coming out of the state plan and changing some of the plan designs. For instance, Newark went from a Direct-10 to a Direct-20 and they saved \$14 million on all their plans alone. I took our current health benefit plan. We have about 95% of our people on Direct-10. I moved them all over to Direct-20/35 and in just family plans alone it's a \$16 million savings. This is the kind of savings that we get over four or five years. We're looking at \$75 million. This is not a one-year savings. This is going to stay with us forever.

Comm. Martinez: Does that impact the quality of the service? How does that impact the employees who will be switching from Direct 10 to Direct 20/35?

Mr. Matthews: There are some out-of-pocket expenses that will go up a little bit, but also your monthly premium is going to be reduced. Currently, we pay \$2,300 a month for Direct 10. The 20/35 plan is \$1,735. It's a \$600 difference in your monthly contributions to the district between Direct-10 and Direct-25. If you take a person who is now paying \$1,700 a month, it may go down to \$1,100 a month. It's a \$600 savings in their contribution. There are some differences in terms of the plans, but they're not real substantial.

Comm. Redmon: Their out-of-pocket costs will go up, like copays.

Mr. Matthews: For hospital visits, it's a \$10 copay versus a \$20 copay. Your out-of-pocket for out-of-network in the Direct-20/35 goes up to \$10,000. Under the Direct-10 it's like \$1,000. There are some differences in terms of care that are going to be reduced, but those differences were put on the table for all the people to review and look at. It's still a work in progress. These are things we have to look at as a district to save money.

Comm. Martinez: The cost that is going to be taken out of their paycheck could drop by as much as \$600? But the out-of-pocket costs could go up as well?

Mr. Matthews: It will go up.

Comm. Martinez: It scales out that if they're keeping \$600 more as opposed to paying that in that can go towards those out-of-pocket costs if it came to that.

Mr. Matthews: Our labor costs are through the roof. For instance, the number you see, \$77 million, is a net number. Our costs for health benefits for 2018-2019 are \$94 million. After contributions, we go to \$77 million. That's one fifth of our budget just on health benefits.

Comm. Redmon: But then also with Chapter 78 the State of New Jersey may be coming completely out of that plan also. The insurance rates might go down because of Chapter 78.

Mr. Matthews: Yes. They will get relief. Part of the deal is to offer them a package that will give them Chapter 78 relief. They're looking for that relief. They've asked us in different meetings they're looking for relief and this will afford them and the district to give them what they're asking for and for us to save a boatload of money. Again, this \$16 million that we would save, we would save it every single year. The state plan is going to be going up a minimum 10% every year.

Comm. Redmon: We only looked at one plan, or several different plans?

Mr. Matthews: No. We're looking at different plans. The biggest bang for the buck is going from D-10 to D-20. We will get a savings going from D-10 to D-15, but with a \$60 million budget gap, we need to get a big hit. When you see this number, it is a number that will help us for the next four to five years. Just getting back to one point, we went from \$82 million in 2017-2018 to \$94 million in 2018-2019. Our debt was \$66 million and we're going to \$77 million. This budget gap here includes being on the state plan with a 13.1% increase that we've already gotten hit with effective January. Those teachers just got hit with that and this association is looking for this kind of hit. As part of us being able to close this gap, this is a big opportunity for us as a district even with the whole labor negotiations. We should look at this and try to strike some kind of deal with them.

Comm. Castillo: I know you had a meeting with the union and laid all the information out to see if it's something they would be looking to move forward to or how we can talk about it. I know the county did go through something similar with out-of-pocket costs. What you're paying every month is less, but it's just out of network. The network is so big of doctors and places you can go into that going out of network is really difficult. There are a lot of specialists. It's from what we can see. I don't know if it's the exact same plan. I would have to look myself.

Mr. Matthews: Coming out of the plan is one thing. That is also another option that is on the table that we have to look at. Right now, this is where we're at. We went to the state and asked for the claims loss for Horizon and Aetna. We got the Horizon numbers back. We're still waiting for the Aetna numbers. The broker just needs to get that one number back from Aetna for 2017 to put together a formal proposal with a price of whether or not we can come out of the plan or stay in the plan, but make a plan change to save the employees and the district money. I think we have to do that. Then we can decide whether or not we want to move forward. Another option is another carrier is putting together a proposal that may not be Horizon or Aetna. We have some preliminary numbers from them, but I'd rather just wait until they get the Aetna numbers. That's also an opportunity where we can save \$15 to \$20 million making that kind of move.

Comm. Redmon: The plan that the teachers and the staff is currently under is consider the Cadillac program of the state.

Mr. Matthews: That's the word they use, 'Cadillac.'

Comm. Redmon: Most people are knowledgeable about the Cadillac plans. Then they will go and trickle down. They have several different other plans. For your younger teachers that are here, most of them would benefit from coming out of the Cadillac health insurance. They are not likely to be sickly.

Mr. Matthews: You're right about that, but I think when people come on board they ask a friend what they should do. They say Direct-10. I've been sampling a lot of the people and asking them why they went to Direct-10 and a lot of them don't know why.

Comm. Redmon: Direct-10 has the next benefits. I'm just using myself as an example. When I come to a business and I see the insurance plan, you just go with whoever has what. What I would suggest to you guys when you start negotiating comparisons,

speak to your new staff that comes in and tell them you might not need this right now, but you can always adjust when you get older.

Mr. Matthews: I agree with you. Last night we mentioned in our fiscal to better educate the people as part of the onboarding process to communicate what are the plans out there, what are the options, and what's really the best.

Ms. Shafer: You know that when you make the change it has to be the same or better. What we're doing is really taking a look at what's available, sharing it with all the folks that we met with yesterday, the president of the association. What everyone is saying is that even if they get an increase in their check of 2%, over the past five years they have not seen a nickel. A family is paying close to \$13,000 per year. Anyone with more than one child is paying \$13,000 for the year. You have a family that you're trying to support, but you haven't seen a raise in five years. They're looking for that Chapter 78 relief. By relief they're even willing to say just stop it for a minute so that we can catch up. What we're saying is there's a price to pay for that, which means we can freeze that based on some of the plans that we're looking at, but something else is going to go up. It could be a copay. Instead of \$10, it's \$20. Or depending on whether people go out of network, those prices go up. If you stay within throughout network, then what you're going to see is just the different in the copay. It all depends on what the person wants to do and what their medical situation is. That's why we're sharing all the information with them. That was only one meeting, just sharing information. They had some great questions and then we're going to go back with more information so that they can really make an informed decision. It's not something that we're going to be deciding, but we're trying to work with them. We understand the Chapter 78 and that was from our past governor. At the same time, as you can see, we're close to almost \$100 million right now with health benefits. We're in the 90's.

Mr. Matthews: It will be over \$100 million next year. It keeps going up double digits every year. We're at \$94 million this year. Next year it's going to be \$104 million. It's going to be the same thing all over again. I think we have a window now where the association is looking for something and this gives them that mechanism. Our demographic that we have now are all on Direct-10. We can't give them relief staying in Direct-10. We can give them something, but they have to give up something. This is a win for both sides. In my opinion, this is the kind of win that we need. Normally we cut, but we're cutting our own program. We're cutting something that makes it worse for our own kids. This is a win and then going forward we have a little breathing room as far as our health care. We can pay in the next couple of years what we paid last year. To keep getting hit with 10% increases every year is just, in my opinion, not sustainable.

Comm. Hodges: How do you anticipate that that's going to change?

Mr. Matthews: If we're getting a 10% increase off a much lower number that will be the kind of relief that we can get.

Comm. Hodges: The federal government just cut the mandate. What's going to happen now is that health insurance costs are going to go through the roof. There are no protections. If you don't have a large enough pool to absorb the shock, you're going to have a real problem. They're not going to eat that money. What's going to happen now is the people who are young are being forced to pay and they're out of the system. All the insurance companies are going to adjust. He cut the taxes that forced you to be mandated. I think he also cut the medical devices tax. The purpose of those was to drive down the cost. Now he's cut both of them. I guess my question is, what is that impact going to be on a confined pool that you're talking about here?

Mr. Matthews: If you're in the state plan you're still part of the same pool. We're not coming out of the pool of people. We're just changing the plan design.

Comm. Martinez: Will there be any potential pushback from union members about this? I'm just thinking out loud. Is there any angle that they can take to push back on this? It seems mutually beneficial.

Mr. Matthews: It is. Can it be pushed back? We say equal to or better than and somewhere along the line they run across a situation where it was covered but is not covered, but we have to make good on it. If we say equal to or better than, we have to make sure that we provide equal to or better than.

Comm. Martinez: In certain instances, there could be some areas where they will be adversely impacted but overall is the same.

Mr. Matthews: It's not going to be perfect. For instance, maybe your doctor comes out of Horizon or Aetna. That could happen.

Comm. Martinez: Those types of circumstances are out of our control.

Mr. Matthews: A doctor can leave and then that person doesn't have that doctor anymore. We can't control that.

Comm. Redmon: Once we go to the bargaining agreement and both sides agree to this, when will this take effect?

Mr. Matthews: If we're going to stay in the state plan, we want this into our 2018-2019 budget. That's why we're pushing, but we have to do this anyway. We want this in our 2018-2019 budget. Depending on when we can come to some kind of agreement, I would have to talk to Bob and Luis to find out when it could take effect. We can do this internally. We're not coming out of the state plan, so we don't have to give notice. But if we go out of the state plan, we have to give notice. This is all still within the state.

Comm. Redmon: Right now, you have the Cadillac plan and then we go down to like the Honda.

Mr. Matthews: Exactly. Newark took all their people out of Direct-10 and put them into 20/35, but they went to Horizon 20/35. We can do Horizon. We can do Aetna. It's up to us. We can bargain with them and find out what's the best one. There's no fee to do the plan design change or anything like that.

Comm. Redmon: The members that are currently in the plan now, if we go out of this particular plan that we have, when will they be able to go into open enrollment? It takes time to go into an open enrollment process. You can't just switch over like that. That's why I'm worried about the overlapping money.

Mr. Matthews: Right. Again, that's something I'm going to have to talk to the broker about to be able to answer that question. I don't really have that answer right now.

*Comm. Rivera enters the meeting at 10:40 a.m.

Comm. Martinez: Nakima, you're spot on. If we can time this right, maybe that transfer takes place right when the enrollment session is about to open. When that does happen, the enrollment process is available. That's a good point, Nakima.

Comm. Rivera: Are we planning to propose a lesser plan for new members coming in, cancelling the best plan that we have available for the current staff and offer the incoming ones a lesser plan? It's not going to address the issue that you have now, but you have to always think ahead. Don't be reactive but proactive. Other organizations are doing that.

Mr. Matthews: My recommendation would be to get rid of Direct-10 altogether and our plan would be Direct-20/35. That would be my recommendation. That was for the group to...

Comm. Rivera: I understand, but what is the term used? They sell their children?

Mr. Murray: They sacrifice their unborn.

Comm. Rivera: That's the term. They're going to get pushback. We're still going to try everything you're saying, but at least we can try to do something now to address...

Mr. Matthews: The new guys coming on board.

Comm. Rivera: Yes. It has to be done.

Mr. Matthews: I'm going to call Valerie Wilson from Newark and find out how they handled the new people coming on board.

Comm. Redmon: That's the first question I asked. If you present them with something and our older members have this, they're going to go back and talk to the older members and wonder why they're not presented with the same.

Comm. Castillo: Yes and no, depending. I'm just talking about myself. It's kind of a different mentality. Younger people get sick less. We don't worry about those steps just yet. We're always okay with the more money we can keep in our pockets for now and worry about tomorrow, tomorrow.

Mr. Matthews: They want the money in their pocket. We can't be giving the new people the Chapter 78 relief on Direct-10. That's something that we have to put on the table as well. If you want to be on Direct-10, you can't get the 78 relief. If you want to be hit with the 13% increase every year then that would be your choice to make. I would say that we can't give them the same thing being in Direct-10. That would not make sense.

Mr. Murray: In addition, with respect to different programs for employees, there are a number of regulations that prevent that. You have to treat all employees the same. The last time I looked at it that applied only to the individual coverage. There was a time when school boards would offer new employees single coverage only. It ultimately was abandoned by the school boards because they found that married prospective employees would go elsewhere. We will have to look at whether or not we can do something different. As Mr. Matthews has pointed out and captured exactly how you save money in health care, there are only two ways and he's identified both. There's a slight increase in employee copay. The second way to save money on health care, and there are only two, is choice. That's the panel. He reported to me that there was some employee in the group that you met with yesterday who had a friend in Newark and had

a good experience. When you hear they have a friend, you cross your fingers. It's a good experience because it's a mystery and that helps to take the mystery out.

Comm. Rivera: I'm a government employee myself. The recommendations that I've been putting forth are things that I've seen happen. For example, at the county you offer people different plans. At one time I had the so-called Cadillac plan. But because we're not part of the state, coverage here in the district costs \$31,000 for family coverage.

Mr. Matthews: \$2,300 a month.

Comm. Rivera: It's like \$31,000. We had the numbers last night. At the county it's almost like \$50,000. If your salary is high enough, you could end up paying 33% of that, which is \$14,000. If you think about it, it's over \$1,000 a month. What we have in the county are different options. For example, I decided not to take the Cadillac plan and took a lesser one that almost provided the same and it saves both myself and the county. The only thing that changes is the emergency visits. Instead of paying \$25, I would pay \$100. You also have to meet a higher deductible, nothing outrageous. Let's say after you hit \$350 then everything is good. Also, the \$15 copay at the doctor's office is now \$25. That's a choice that the employee makes. It's not that you have to negotiate with the union. You're still offering them the better plan. With the new employees that we have, they're negotiating for the employees they have now. They're willing to give up something. It's a negotiation. People that are coming new are not offered at the county the Cadillac plan at all. The last measure we did, and we haven't seen a big outcome yet because it's new and people still don't know, but we had a cost saving which we have here. That one even costs the county way less.

Mr. Matthews: Are you talking about HSA?

Comm. Rivera: Yes. They have to contribute. We are now offering \$50 per pay to each employee that enrolls in that plan. I understand the union is going to fight and they want something in return. We can take measures. It's harder to change the plan for whole district, but we can do things to address the future of the district. That's what I'm saying. I'm sure you can work something out with the union with incoming members. Being a treasurer of a charter school, I also noticed that's bad. I see a lot of people leaving all the time. Right now, you might not have a family. Let's say you're a new teacher. Let's say you're 23 years old. Now you're planning to establish a family and you're the one that has the coverage for the family. You don't have to leave because it's ridiculous. You're going to have the single coverage and now you're going to have to pay the add-on, the portion that's not covered to have the family. At least offering lesser plans for people to have a choice, but also it's key to try to work something out with the union for incoming members. Again, you took the job and this is what you accepted. The union is not going to fight that. The union is going to support their employees with the contract that they came in with. They're new and they're going to accept that or they won't take the job. And a lot of times people don't see the difference.

Comm. Castillo: I wasn't offered the Cadillac plan because obviously I came in way after. Even the plans that were offered to me some of them just didn't make sense because you're getting almost the same number of things like the in-network hospitals, including St. Joe's and some other hospital. If you wanted to go open network, then I could go to Hackensack. Most likely if I have an emergency, I'm not going to go to Hackensack right away. There are things like that that if you want to make that choice

then, but it takes more money. Now I'm paying double the amount for having the ability to either pay \$15 and go to Hackensack, or paying \$25 and that's it.

Mr. Matthews: I think what you're saying is a good point about offering the new people something. Maybe the Direct-15 can be a fallback instead of Direct-10. I would not want to go back to Direct-10 because it's so costly and expensive. The Direct-15 has a fallback for the new people. That will be the new Cadillac as an option. You can address new people coming on board. But to go back to D-10 is so expensive. You don't want in five years to be back where you are right now if you turn over your people.

Comm. Redmon: That's not my original question. Once we decide what we're offering, this is what we're offering. We're not going backwards or forward. We're just offering this particular plan. My main question was, if we're going to go to another plan do our members have enough time to be enrolled into the newer plan so that we don't get hit with the cost of having two plans at one time and switching everybody over? That was my main question. That's what I wanted to know.

Mr. Matthews: I have that down as a follow-up.

Comm. Redmon: Once we decide we're coming out of this Cadillac plan, that's something you guys are going to negotiate with the unions and you're giving us different options to go into different plans. I'm fine with that. When they come into the Paterson Public School District this is what we're offering. Point blank.

Mr. Matthews: Right.

Comm. Rivera: I don't think you understood what I said. You can do all the things you're talking about. What I'm saying is let's try to address the issue of the new people coming in. The unions don't offer them the best plan they have. That's what I'm trying to tell you. Like Oshin stated, the plan that I have my doctor has to be in network. I can go anywhere. I can go to any hospital. The list is ridiculous, just like the one we had before. Even when I had the Cadillac plan, I never went out of network. That's the plan that I decided to go into. What I'm saying is the people that are coming in let's not offer them the best plan we have. You can work out anything with the unions and do what you originally had planned, but I'm just giving you different ideas.

Mr. Matthews: I got you.

Comm. Castillo: Can you just give a quick summary of where we were?

Mr. Matthews: If you go to the second page here is a spreadsheet. The first column is fiscal year 2017-18. It's where we are right now. This is what's in the budget. This is our revenues. There you see the appropriations. That's where we are this year. That's not saying we're going to land there. We're still working on having a fund balance. Right now, we're projecting a small fund balance for 2017-18. The next column is based on no increase. Ms. Grant, I'm on that second page. In fiscal year 2018 this is where we are. These are the revenues and the appropriations for 2017-18. We're looking at the middle column right now. The middle column is based on no additional state aid. We've been flat-funded for the last bunch of years. I've tacked on a 2% tax increase. Based on this 2% tax increase and no additional aid the bottom line number there is \$78 million. That's our budget gap based on no additional aid for 2018-19. The last column is based on an increase in state aid and a 2% tax increase. It also includes the state plan of 13.1% increase. You see from fiscal year 2018 benefits are \$66 million. We go to the far-right column and the \$77 million is a net number for benefits.

Salaries went from \$227 million to \$242 million. Our appropriations for 2018-19 are \$534 million. Our revenues are \$474 million. Where we sit now, that's a \$64 million budget gap. That's where we are right now. We're going to the next page which really addressed different strategies.

Comm. Hodges: Has the cost for special education teachers been factored into this?

Mr. Matthews: Yes.

Ms. Shafer: It's all part of the \$60 million.

Comm. Hodges: Total anticipated costs for bringing us into compliance? What's that cost?

Ms. Shafer: Close to \$2 million. It's all part of the \$60 million.

Mr. Matthews: From 2017-18 to 2018-19, we have \$20 million in additional non-salary. You also have salary. Non-salary, which is out-of-district tuition, substitutes, supplies, textbooks, and professional development, we have a list of priorities that we've gotten from different meetings. That number is a \$20 million increase from 2017-2018. The next page talks about we have a \$60 million shortfall. This is the worst-case scenario. What are our strategies to not only close the gap, but also have a fund balance at the end of the year?

Comm. Rivera: What's the projected fund balance?

Mr. Matthews: For 2017-18?

Comm. Rivera: 2019.

Mr. Matthews: Right now, there is no projected for 2018-19. We have to first close the gap and then balance the budget plus have some reserve. Right now, we're at a gap. That's what this meeting is about, to address closing the gap and have a reserve. Right now, we're projecting \$60 million in the hole for 2018-19. These are assumptions based on the 5% increase in state aid and 2% tax levy increase. Just for the record, I didn't include fund balance right now because I don't want to use fund balance. We have \$15 million from fund balance, but I haven't put this into the number yet.

Comm. Rivera: That's what I'm asking.

Mr. Matthews: We have \$15 million that I don't have here because I'm trying not to use it. Just be aware that we do have it.

Comm. Rivera: That \$78 million is actually \$67 million.

Mr. Matthews: Right.

Comm. Hodges: How much is the fund balance that you're holding?

Mr. Matthews: \$15 million.

Comm. Rivera: You'll have a little more after you close whatever you need to close here.

Mr. Matthews: Again, we're working on trying to...

Comm. Rivera: In theory.

Mr. Matthews: Yes.

Comm. Castillo: He's trying to find other ways without having to insert that money.

Comm. Rivera: In theory, we have to include it.

Mr. Matthews: I'm just stating for the record that it's not there so the number is not as bad as it seems. That number is missing, but if we have to use it, we're trying not to use it. We're trying to act like it's not there. Again, the last page is a list of strategies that we're looking at. Obviously, some of these you've gone through before. We've talked about the health benefits. Right now, with the aides and the PAs there's an ongoing thing to look at the class size or make sure that we have the right amount of PAs in the system. That went to the superintendents on Thursday. We're waiting for that to come back. In terms of making sure that everybody has the right amount of PAs and IAs in the schools. We should have that stuff back in a couple of weeks. The sale and leaseback of textbooks is something that we've talked about. We had a meeting with Ms. Davis from the Education Funding Sources yesterday. It's a strategy that is approved by the state which allows you to use your textbooks, Chromebooks and Kindles as collateral. It's basically a loan. It's a one-time revenue that allows us to recognize the revenues for the upcoming budget season to help us in the crunch that we're in. It's been used in North Haledon, Bayonne, Elizabeth, Newark, and other schools. It's a short-term fix. I'm recommending that we give it consideration. It's an opportunity to get about \$10 million to \$15 million into our books for the upcoming year. I left a pamphlet here for you to read. I think it's probably better if you read the program of what it's all about.

Comm. Martinez: How long would be the terms of this loan? And what's the interest rate?

Mr. Matthews: We pay it back over five years or sooner. It's at a 3% rate. We have to go out for financing. We haven't done anything because we want to give her the okay to go out for financing and report back on what it would be as far as the payment schedule for five years.

Ms. Shafer: Did we do it here before?

Mr. Matthews: We did it twice before, in 2005 and 1998. Newark did it a couple of years ago. North Haledon did it. Northern Highlands did it.

Comm. Hodges: We were in far better financial conditions in those days.

Comm. Redmon: For those two times that we did it, what was the overall cost saving measures for us at that particular time?

Mr. Matthews: It wasn't really a cost savings. It was an infusion of cash. We used the money for general fund.

Comm. Castillo: I asked a similar question last night because we just had that presentation. I'm still trying to get a hold of the whole thing. Just to put a number out there, \$10 million. Once this is signed and we approve to go on this, we can put the

\$10 million in this budget. We can recognize it in this budget and then we would have to show for the next school year that we made a purchase of books with it. It recognizes books, Kindles, Chromes, as long as it's not a license. Did I get that all correct?

Comm. Rivera: The purchase for the next year I think is in addition. We don't have to show for the \$10 million. It would be a last resort to think about this because it's a loan. It's a Band-Aid for the problem.

Mr. Matthews: Yes, it is.

Comm. Rivera: I wanted to see that \$15 million in the presentation. It's there. That's what you use it for. It's a decision between increasing taxes. It's money you have there. Every district and municipality depends on it. If we have a shortfall, that's the first thing you have to tap before you think about anything else. To your question, I think it's next year. I know you can get up to \$10 million this great. If you want to do another \$5 million next year, that's something that has to be revisited. Even this one has to be.

Mr. Matthews: My recommendation was for just the one-time \$10 million for this year. We can use eight books per kid.

Comm. Rivera: I apologize for going back and forth. It's just things that we discussed yesterday. We have to address them. Dr. Hodges, I know you go to the Council meetings all the time. I think I'm going to make it a point to go because now for two years I've been complaining about the same thing and it doesn't get addressed. In the previous sheet you have an interest line, interest that we're earning on the district. I had a recommendation a year ago to look into other banks. At the county at one time we were getting \$100,000.

Comm. Castillo: I'm sorry. I don't mean to interrupt you, but the presentation that we had for this was a finance committee meeting that we had last night. Mr. Matthews brought this presentation to us. We heard from Ms. Davis just for us to take a look at it and see if it's a route that we want to go into. That's why we had a review yesterday and we wanted to bring it here. This is the same thing we got last night in order for the entire Board to see if it's an option or if it would make sense for us to go down that route.

Comm. Hodges: The entire Board should have the presentation.

Comm. Castillo: She's coming. We had the initial presentation and then she would have to get a few numbers back we're missing. Once she has that, she was going to come in front of the entire Board in a workshop meeting.

Comm. Hodges: I want to see those numbers.

Comm. Castillo: We're all on the same page. We got this. She's crunching some numbers and then making a presentation.

Comm. Hodges: Quite frankly, I don't see us getting any additional money for at least two years. The Governor has a deficit he has to worry about so it's not going to happen next year. I'm just wondering whether you want an additional burden added to this when we have other issues coming.

Ms. Shafer: I agree. It's a Catch-22 for us. Anything on here that doesn't close the \$60 million means people. Right now, I have 25 classes over 30 and it just keeps growing. That's part of the priority that we're going to talk about, but I just want everybody to keep that in mind. I'm not saying do it. I'm just saying in the overall picture we have to think about for us the bulk of our money is salaries. Anything here that we decide not to use to close the gap, whatever it is... I'm sure there are going to be concerns about vacancies because I have that too. But anything we don't use just means that our class sizes are going to continue to grow.

Comm. Martinez: It would come at the expense of staff.

Ms. Shafer: Yes.

Mr. Matthews: That was my closing comment. Whatever we don't do here then we need something else to put in place. We welcome any other ideas or suggestions that we can take back to the team.

Comm. Redmon: What is the true vacancy number? Before the reorg we were at 48. What is it now?

Mr. Matthews: The overall number is \$8 million.

Comm. Redmon: You're talking about the salary. I'm asking for the true number of vacancies.

Comm. Rivera: As I was stating previously the City of Paterson has a tendency of paying us money that they collect on our behalf. It's not their money. They collect on our behalf and they don't send the money to the district. When was the last payment they made?

Mr. Matthews: November was the August payment.

Comm. Rivera: They collect on our behalf. It's not their money. They should not be using it to support their cash flow. We have our own issues here. Also, going back to the interest amount, we have \$200,000 in interest. At the county at one point we were only getting like \$100,000 because we had a lot of fees from the bank. We were able to get a smaller bank. They don't charge you fees at all and the interest for the year was over \$1 million. We went from \$100,000 to over \$1 million. We have to analyze everything. The reason I'm bringing this up, Dr. Hodges, is because little things fill up the bucket. Last night we were presented with a bid that was put forth for the gate for Eastside High School and the security booth. I asked the question to the facilities representative, Rodney. What was the estimate for the project? He said the engineer said it would cost around \$700,000. I know bids usually come a little above. I understand \$800,000 or \$900,000. Tell me that we're not proposing for the Board to entertain paying \$1.4 million to do these gates when our engineer said it should cost around \$700,000. I understand coming in a little higher. We spoke about a few things last night. I told them it's not going to go before the Board. It is a need, but we cannot throw money out of the window like that. \$1.4 million is not acceptable when the engineer said that it should cost around \$700,000. This is the mindset that the administration has to project to the department heads. This is not fake money we're dealing with. We can put the funding into other resources if we have it. To spend \$1.4 million on something that is supposed to cost \$700,000, then I hear we almost paid \$1 million for Eastside. That's irrelevant. If my engineer said it should cost around \$700,000, I understand paying a little more because it's dependent on bids. But we

have to set a maximum threshold when we do those bids. If he exceeds that amount we will not award the contract. To pay double for something is ridiculous. Going back to the city, for years I have been talking to the administration in the city to try to get them to pay us on time. If the district pays our sewer late they charge us a fee. They pay us whenever they want. The last payment was in August. That's unacceptable.

Mr. Matthews: It was the August payment in November.

Comm. Castillo: They were late anyway.

Mr. Matthews: Yes.

Comm. Rivera: They paid us in November for August. They're collecting on our behalf. They're hitting the taxpayers. Just like they're collecting the property tax for the county, we make sure they pay us on time.

Comm. Castillo: It's a conversation that we've had several times. I know our business administrator has been over to City Hall multiple times to make sure we get this issue resolved and it's gone to deaf ears. We never get it and we're still waiting on it.

Comm. Redmon: I can answer your question a little bit of why we get paid late. When they collect the money, it goes into the city's general fund. When it goes to the city's general fund, they appropriate a certain amount of money going to each department in the city. I agree with you. We should be making noise to get our money. If we're not making noise, they're going to keep that money to themselves. They're going to hold our money. They've been doing it for years. Like we said earlier, the School Board and the city don't have a working relationship and I think it's now time that we start moving forward to have a working relationship with the city. They have to partner with us if we're going back to local control. They have to have some kind of ownership to us. I've been saying this for a while. Not ownership to us, but some kind of accountability to us. They feel they don't have to answer to us.

Comm. Rivera: It's our money.

Comm. Martinez: The money they're collecting on our behalf they should get to us so we can have that in our fund and we can collect the interest generated from that however minimal or great that amount is.

Comm. Rivera: Not just interest. We need the money. This is why I brought this up. We always have cash flow problems as of late because we no longer have a surplus like we used to have in the past. Daisy used to say, "I haven't paid this vendor because we don't have the money." We've created a culture here that a lot of vendors don't want to put in a bid. Supposedly we send this bid to 45 vendors. We post it in the newspaper, but we also reached out to 45 vendors to bid on this project. It could be considered a simple project. They tell me that only one person. As a Board member we're not supposed to get into this, but in order to provide oversight in finance we're going to have to see everything, even the bids that go out. I want to see what is going on. I just don't understand how for a district this size every vendor should want to do business with us. You mean to tell me that one vendor out of 45 puts in for a project with double the amount? There's an issue. I know Daisy one time told us that some vendors don't like to do business here because we used to pay them late all the time. We have to change that culture because it's costing us a lot of money.

Mr. Matthews: It is. Agreed.

Comm. Hodges: It's appropriate to have the BA contact vendors about why you didn't respond.

Mr. Matthews: I'm sorry. I missed that.

Comm. Hodges: It would be appropriate for you to reach out to the vendors, particularly on a project like this, to ask them why there was no response.

Comm. Castillo: I think we need to notify vendors that things have changed and we have a new BA. If you tell me here goes Paterson again and I'm not going to get paid in so many months, I'm not going to want that headache, especially when there are jobs elsewhere. But if I know things have changed and those issues have been resolved, then maybe they'd want to come back to the district.

Mr. Matthews: I'll do that.

Comm. Castillo: I think it's been an issue that Flavio addressed today. Bids go out and then we will have one or two companies and we end up paying way more money than we should because we don't have companies reaching out.

Comm. Hodges: That's probably not going to change until you have the money to pay people.

Comm. Rivera: It goes back to the city. Whatever we contracted with is supported by the budget. The issue that we used to have in the past is a cash flow problem. The city somehow is responsible for creating this nonsense. If they're supposed to give us \$40 million and half the year goes by and we only get less than one third of that, we have an issue. That is money that should be in our bank in order for us to pay those vendors.

Mr. Matthews: Collecting interest.

Comm. Rivera: We can't pay those vendors because we don't have the cash flow.

Comm. Hodges: What is the balance of money?

Mr. Matthews: They catch up by the end of June.

Comm. Rivera: After the year is done. What good does that do to the budget?

Ms. Shafer: The last couple of years we were holding our breath that we would make the last salary payment in June because we were not getting it in time. The end of June for us is the last day of school versus their end of June. That was always a balancing act. We have sent them letters. We have met with the business administrator and the mayor at the time.

Comm. Rivera: I'm going to go to the next meeting. I'm just making you aware. I've never gone to speak on behalf of the district. I let the administration handle it. Enough is enough. This is bad. Dr. Hodges, I hope you can join. I know you are always there. This is unacceptable.

Ms. Shafer: There's a new Mayor right now. We should reach out. I meet with her pretty often. We should reach out to say at least get us up-to-date now.

Comm. Rivera: She can do that one time, but we have to drive that. It is our money. They should not hold it for more than one month. It is our money. I should not hold it for six months in my pocket.

Comm. Hodges: They're going to tell you right off they don't necessarily collect it.

Comm. Rivera: The law is even if they don't collect. That's why they have an account called reserve fund collected tax. They actually bill the taxpayers a little extra because a few people don't pay their taxes on time. They're billing our taxpayers extra because of people's delinquencies. In the county, for example, they have to pay the county 100% even if they only collect 50%. It is their responsibility. That's how the law is written. It's the same thing with us. We don't care if the people didn't pay them. That's why they have a built in cushion. If they need \$40 million to raise they do it depending on the collection rate. They will put \$41 million. That extra \$1 million that they're billing the taxpayers covers the people that are delinquent with their taxes. They have that cushion. The law states that if it's a \$40 million levy, they have to give us \$41 million. If we collect quarterly, they give it to us quarterly. You're supposed to get some clarification if they're supposed to pay us monthly. At the county they give us quarterly payments if they collect the taxes quarterly.

Mr. Matthews: It's monthly.

Comm. Rivera: They've been doing it monthly or the law is monthly?

Mr. Matthews: The law says monthly.

Comm. Rivera: They're still going to hold the money they collect for the first quarter, but at least we're going to get monthly payments. The month of January we will get in February.

Mr. Matthews: They're supposed to get the month of January in January.

Comm. Rivera: Okay, so monthly - January in January.

Mr. Matthews: They're supposed to give me two months next week. That was the plan.

Ms. Shafer: That brings us up to October.

Comm. Castillo: Then we will be in February. Now we're back to square one.

Comm. Redmon: When they pay us we can put this back into our surplus?

Mr. Matthews: No. It's part of our general fund.

Comm. Redmon: I'm just asking because I'm not sure what it's being applied to.

Comm. Rivera: This is how it works. Budgeting is one thing. The budget gives you the authorization to spend even if you don't have a penny in your bank. The money that we get is for our cash flow. That's why we collect taxes and the state gives us money. They're not co-related. The money that we get from them doesn't affect our budget at all. It affects our cash flow, the money that we have on hand. It's the same thing with the city. They don't depend on the money they collect from us to support their budget at all. Their budget is their budget. That's the authorization to spend with the anticipation

of getting the money you're supposed to get. They don't have to use that money. They're doing it on purpose. I think it's no respect for us.

Mr. Matthews: We have to make them do it.

Comm. Rivera: We have to make them do it if we need to get the lawyers involved. Dr. Hodges, the only reason I mention lawyers now is we've been asking them since I've been here to make good on the taxes they collect on our behalf and they don't do it. They just laugh.

Comm. Martinez: I like the approach of us being proactive and doing it, but also Ms. Shafer reaching out to Ms. Jane on that end. I will be with you on Tuesday.

Comm. Castillo: Let's move forward on this.

Mr. Matthews: We're still talking strategies. Again, the facilities strategy is \$4 million. Steve, Rodney, and myself have gotten together. Part of this is to add head count to facilities. For instance, we have a lot of money spent in time and material. There's a lot of wasted money going out the window on time and material. We're not getting a bang for the buck for heating, fire alarms, plumbing, and electricians. Steve is giving me a head count based on different dynamics in terms of skill sets. We can get rid of T&M and also reduce overtime.

Comm. Hodges: That information needs to come to the whole Board.

Comm. Rivera: Which information?

Comm. Hodges: About facilities.

Ms. Shafer: This is the first time we're going over this.

Comm. Hodges: That's not the first time this has happened though. The costs have been there. They didn't just occur yesterday.

Ms. Shafer: I'm saying the conversation.

Mr. Matthews: This is a strategy.

Ms. Shafer: We're waiting for Steve to get back to us to say what can we cut in time and material and then what do we need to offset that in order for us to save.

Mr. Matthews: We have the head count. We have the skill set. We have the salary. We have the benefits. Based on the head count that Steve is going to give to us, he's going to eliminate time and material and reduce overtime. We'll give you that information. We have that. We want to go through it next week and clean it up a little bit. We will give you the analysis and based on that, Steve is saying we will have no more T&M.

Ms. Shafer: That will come to the whole Board when we have our next budget meeting. Steve has been out.

Mr. Matthews: We've been talking over the phone. We're talking to Rodney. He gave me the head count. We have the salaries and benefits. We're going to add head count, get rid of T&M, and reduce overtime.

Comm. Hodges: What were you running monthly in time and material?

Mr. Matthews: The budget was like \$2.5 million for the year. It's a lot of inefficiencies in T&M. We had guys showing up on jobs, doing surveys, looking around, and saying they can't do it. We were paying a team of guys four hours for one day. Then they would come back and fix. We're spending a lot of money on T&M that's really a waste of money every month.

Comm. Hodges: \$2 million?

Mr. Matthews: That's an annual number.

Comm. Hodges: I'm asking you, what's the cost every month? That's what I'm looking for.

Mr. Matthews: This strategy is to eliminate it. The budget was \$2.5 million. We can eliminate the \$2.5 million, but we add the head count and the benefits and we're going to save \$1 million by doing that. That's the plan. The final two, there's a \$5 million bank cap that we can take advantage of. It's imposed on the taxpayer. It's there. The tax levy is about \$900,000 at 2%.

Comm. Hodges: What's a bank cap?

Mr. Matthews: It's unused tax levy that we haven't used in the past. Health care adjustment the state gives you money for. Enrollment adjustment the state gives you money for. It's another tax on top of the tax levy. It's called bank cap. We have \$5 million.

Comm. Rivera: At the local level it's the same thing. Do you know how Christie imposed that 2% levy cap on appropriation and then at the local level you can do up to 3.5%? The council does a resolution to approve the additional. You do a calculation and there are some things that are excluded, things that you cannot control like insurance. When you get to the bottom number it lets you know how much your budget can actually increase by, the appropriations side. Forget the revenue. Last year we spent \$480 million. When you finish that calculation and it has that 2% cap, then it tells you that you can spend this much. If last year you did your budget and you didn't utilize all of it, you leave a little bit for next year in case you need it. It allows you to carry. That's why it's called a cap bank. It's not an additional tax. The law allows you to exceed. If this year the cap only gives you 2% and you need a little bit more, if you have some saved from the previous year then you can use it. You cannot carry it for multiple years. You can only carry it one or two years.

Mr. Matthews: It goes back three years. You have to use up the oldest years first.

Comm. Rivera: That's what it is. It's just so we can stay within the law.

Comm. Castillo: It's just a carryover.

Comm. Rivera: Yes, but it's not an additional tax.

Mr. Matthews: The money goes to the local taxpayer. You might see taxes increase 2.5%. That goes to the local taxpayer.

Comm. Hodges: When you go to City Hall mention that to them. I'm not going to be there.

Comm. Rivera: Let me explain. We've been using this cap bank for years in this district and we haven't increased the levy. We went 10 years without increasing the city levy. The cap bank does not necessarily translate into additional taxes to the homeowner. That's what I'm trying to explain. It's just the appropriation aspect of it. For example, that cap bank could increase. Let's say we have to increase city taxes by \$800,000 next year. If you increase that interest in investment line by \$800,000 you don't need to increase the levy because you already have enough revenue from other sources that you don't have to tap into the taxes. Revenue equals appropriations. We don't have to get into that. That's confusing a lot of people.

Comm. Castillo: I'm going to need to break this down again.

Mr. Matthews: We'll talk offline me and you.

Comm. Hodges: I need to be a part of that conversation too because I can explain this to people when they hear the word tax.

Comm. Rivera: It's not a tax. If that's the case, we should increase by \$5 million.

Mr. Matthews: You don't have to use it all either. You can use a portion of it.

Ms. Shafer: Let's be clear about something. Before we go out there, let's be clear that these are strategies that we are sharing to close the gap. We are not going out there and saying that we're increasing the taxes. This is for everybody's information that these are strategies. The next thing is, what strategies do you have that we need to add to this list? That's what we're asking. Just as we're going to the community and we've had a couple of forums already. What ideas or strategies do you have to close the gap? We're not saying that we're doing any one of these. What we are saying is here is a sample. The tax levy is included. Just like we did last year, we had another way of offsetting that, which was courtesy busing for \$900,000 and we didn't do the tax levy. These are only strategies. This is the big difference between doing the budget last year and this year, sharing all the information with the Board, community, parents, and all the stakeholders so that they have input and we have conversations with them before we make any decisions. Just for the record, no decisions have been made about any item on these strategies.

Mr. Matthews: If we can all agree now to take the bank cap off, that's fine.

Comm. Castillo: I think we're all trying to understand what the bank cap is and how it's going to be used, not only for us, but for the city and how it's going to be explained. Bank cap sounds great. No one knows what in the world that means and what effect it has. It's a question we have to answer. We need to know what we're doing. If information like this gets out we need to have a response for the public. This is where we are. What this is and what effect it has.

Comm. Redmon: What is the projected local tax that we're looking to increase for the upcoming budget? Last year I think we only did 2%. What is the realistic number that we're looking at?

Mr. Matthews: I'm going to answer that question based on my conversation that I had with our auditor. I'm going to recommend that we go to 2%, which is like an \$800,000 from last year's tax levy number.

Comm. Redmon: We're saying 2%.

Mr. Matthews: Yes.

Comm. Redmon: That's all I needed to know.

Mr. Matthews: That's the number.

Comm. Rivera: That's a perfect scenario. You have the bank cap of \$5 million, but we're only increasing the taxpayers \$800,000.

Comm. Redmon: That's the reason I asked that simple question. You have to look at it in a simple way. You guys are the nuts and bolts. You guys know the figures. We just want to know how it's going to affect our bottom line as taxpayers. We know last year we increased 2% and this year coming up we're increasing another 2%, that's 4% in a total of two years. Whatever revenue you get behind it, I don't need to know about that. I just need to know how it's going to affect my bottom line.

Mr. Matthews: Can I just add my mother is a taxpayer in this town, too.

Comm. Redmon: We all are. For the last nine years we have not increased. We cannot say we're voting a budget down because now the local tax increase is going to go up. We can't do that anymore. We have to now come to the realization that we have to now increase and pay our fair share as taxpayers. Other municipalities have been paying for years and we have not.

Mr. Matthews: I agree. These are options that we can talk about or take off the table. I'm just putting it all there so we can all know.

Comm. Hodges: I'm just saying I need a clearer understanding of what the bank cap is and an explanation needs to be made in public so that there's no confusion. We owe something in the order of \$40 million in terms of taxes for our school district. In the eyes of the Education Law Center it will end your budget deficit, but you're not going to levy that on the city at one particular point in time. That's what the formula calls for.

Mr. Matthews: \$85 million.

Comm. Hodges: We're at \$42 million. I do think there are some discussions that have to be made with the city as we wrestle with how we do that long-term. That's going to be shocking to the taxpayers. I do think that we should somehow find a way to share some of that with the charter schools. One of the things I was upset about last year was when the Commissioner called us back after we turned down. We should have said to them we will raise the taxes if you give us \$600,000 away from the charter schools and make us all have some pain. That was never discussed. That would have been working in the benefit of everybody. It would have given them an understanding that they have to have a role to play and that never happened. It would have been half of \$1.2 million that we took away from our educational budget. We had said we will raise the \$600,000 if you give us \$600,000 from all the charter schools since they go harmless either way. That would have been a better bargaining chip. Then we should have had the press say that the Commissioner refused to put the same kind of pain on

the charter schools they're putting on the regular schools. That would have been the strategy that I would have pursued.

Mr. Matthews: I have a question now.

Ms. Shafer: Let me say something about that. I think if we need to increase even it's only the 2%, it's still an increase that's going to impact the taxpayers here. We all know that's not a pretty sight because the city is struggling. The people in the city are struggling. We could make a statement to Trenton to say if we have to increase our taxes 2% because of this deficit and we're still not getting fully funded, then what part is the charter school going to play in their contribution. It may not go far, but we also know that they said that they're looking at different ways to fund charter schools. It's not that they're going to eliminate them, but they're also putting a hold on what goes through and what doesn't. We could at least push back that much.

Comm. Rivera: We have come a long way, Ms. Shafer, in addressing a lot of wasteful spending and everything else. There comes a time that the same way the city and the county do a 10% increase, we provide services and our costs go up. We don't depend on a lot of other revenue sources like municipalities and counties. We have a city that's struggling, but we're talking about \$800,000 for the education of our kids at 2%. We have to address a lot of things here. For example, yesterday we were talking about a grant that has not been approved yet. A lot of these grants don't like to supplant. That means that you cannot grab the staff that you currently have and put it on the grant. They want you to increase your service. That's the purpose of the grant. This grant doesn't get approved yet. We're working on it. It will be approved. We have to take those measures. I don't know what the reasoning behind it is, but sometimes you have to make tough decisions about either cutting some people or doing what you need to do. I'm not supporting laying people off, but...

Comm. Castillo: We need them to do their job.

Comm. Rivera: Dr. Hodges, we have a line here for indirect costs that I've been talking about since you were on finance.

Comm. Redmon: What year are you talking about?

Comm. Rivera: 2018. We have an indirect cost line. A lot of these grants allow for us to charge indirect costs. When I raised the question four years ago, I was told that we were too top-heavy. What that means is the grant gives you an amount that you can use for administrative costs. But because the budget for the grants were being put, not by our business office, but by whoever is running the grant out there they were not looking out for the best interests of the district. For example, if they had \$500,000 for administration, they might not need \$300,000. They could probably do the job with hiring enough staff using the administrative money for \$300,000 and they can say let's apply the rate that we have here and give \$200,000 back to the district for indirect costs that we can put into our general fund. That's not happening here in the district. We let them put the budget together. If they're allowed to spend \$500,000 on administrative costs, they make sure that they hire staff for \$500,000 when they can probably do the job with \$300,000. These are things that we have to address that we haven't addressed yet.

Comm. Hodges: The point I was making is you can go to the state and ask them. Or you can do what Clifton did with your budget. Run short of the amount you're asking for and then make the state force you to pay it. Then the onus is on them. They can either

have a discussion or they can have the County Superintendent force us to do it. At least you put the issue on the table and you explain that the pain should be shared by everybody and we don't take the whole blame from the city for raising our taxes again when we have such terrible schools.

Comm. Martinez: We spoke about this the other day in governance about filling whatever gaps we leave out. Right now, there are some folks who are kicking the tires on some of the properties but no imminent offers of anything in the way of anything coming close to actually generating any revenue as of yet.

Mr. Murray: That's an excellent summary. We had that conversation with Mr. Gaines, the realtor that the Board retained. He has toured the properties. He's preparing the presentation for marketing purposes. He has had a couple of folks interested in coming to look at it. He's made several calls to others who are buying buildings or who might be interested in buying buildings of our size. He hopes to have the marketing plan ready approximately in two weeks. Then we move to the next stage. Clearly, at the end of the day the property has to be disposed of through auction. The problem that we had last time is that we had no one who came to the property and made any serious bids. Also, the one developer who has interest has indicated that he requires variances and that's from his attorney. That's not unusual. However, going that route is something that will be sure not to close by June 30. So we're back to selling as is. That's where we are. We're also going to explore whether or not we can do an intragovernmental sale without going through the bid process. Municipalities can do it. I have participated in Hoboken where the city sold a piece of property to the parking authority and it could be a direct sale. It is limited by statute and the attorneys handling it are going to look into that. We are going to see if it's something that can be done.

*Comm. Capers enters the meeting at 11:42 a.m.

Comm. Martinez: That would be essentially selling the property through the parking authority or to?

Mr. Murray: To. Before we pursue that, we have to see if we can do that. It may not be open to boards of education. I believe it is because in Harrison the high school field was first transferred to the municipality and then to the community development authority and then purchased by the then Metro Stars. We will have to see.

Comm. Rivera: We started this process early on in the year. A lot of investors were very excited about bidding. Whoever bids the most, that's who's getting the property. You still hear a lot of complaints of why we are doing this. All of a sudden, we put it up and we get one. All these people were so excited they were going to submit a bid. What happened? The process was flawed. It cost the taxpayers because if we sold those properties and we had a couple of million, that's money we can insert in the budget. Right now, we have it on paper and look how much we went by. What's the market value for those properties? It doesn't mean we're selling it for that much. When we did the analysis, it was a few million dollars.

Mr. Matthews: \$6 million was the asking price, but that was not right.

Comm. Rivera: I understand. Right now, we're at \$1.5 million.

Mr. Matthews: That's a very conservative number.

Comm. Rivera: The process was very flawed. A lot of people were interested in some of these properties. I know three or four people that were interested in School No. 5 and they wanted to go see it. We're new. It's not like we sell properties every day. I understand things were not going to go perfect. We were trying to figure out how we were going to do it, whether we were going to put it all in one day or do it separate. That whichever investor didn't get the first property could probably invest in the second one. They didn't even get a chance to view this property. That's what got to me.

Comm. Hodges: This is the first I'm hearing about a flawed process. What was the flaw?

Comm. Rivera: What I mean by flaw is it took a long time for things to get done. For example, the advertisement, we started this early and it took a few months. We were using a lawyer and it took a few months for the property to even get advertised.

Comm. Castillo: Like five or six.

Comm. Rivera: That's after I was saying, when are we going to sell this property because I know the importance of having this money to support next year's budget? You remember this in finance all the time. That's what I mean by flawed. It took too long. They didn't have enough time to view the properties.

Comm. Castillo: It was a disconnect with viewing the property.

Comm. Rivera: These people were all gung-ho about going to see the properties. The excitement was there, but since this process took so long to advertise and everything else, they reached out so many times to Steve Morlino to do it. In his defense, Steve couldn't present it because the advertisement wasn't there.

Comm. Hodges: Why wasn't the advertisement there?

Comm. Rivera: A long time. That's what I'm trying to say.

Comm. Hodges: It's an advertisement. I don't understand. I'm still trying to find out why I'm finding out about this now.

Comm. Castillo: About what?

Comm. Hodges: About this flawed process.

Comm. Rivera: I used the word 'flawed' because it took a long time. Maybe the word should not have been used. It wasn't expedited. It was delayed. A delayed process is a better word.

Comm. Castillo: There was too much miscommunication in this process. Trust me. I think we're all still trying to get a grasp on what the situation was. From the date the decision was made, which alone was an issue, from the process of advertisement and getting to the attorney, to people that called saying that they wanted to see the property were never shown the property, to the advertisement of the actual bid date that came out just before the actual bid if people weren't aware, it was just a lot of miscommunication of what was going on. There were few parties involved.

Mr. Murray: The minimum price.

Comm. Capers: What parties are you talking about?

Comm. Martinez: Manny Martinez is interested in looking at the School No. 5 property. Manny contacts someone and he's having a hard time getting in touch with someone to pinpoint who's going to be that person to let him in. Manny Capers is going to be the person to let him in. Who has the keys? How do I get in the building? Those details were not fleshed out and it just delayed the entire process.

Comm. Rivera: In the district's defense, we also were too optimistic. We wanted the minimum price to be the appraisal price. The reason we decided on that timing is because a lot of people were reaching out. We set a minimum price. The appraisal price some people think might be ridiculous. How much was School No. 5?

Mr. Matthews: \$1.8 million.

Comm. Rivera: I'm not going to blame everything on the process now that I remember this. It had a high minimum price too.

Comm. Hodges: It would have been helpful if this information was shared with the Board so we can all exercise oversight. We were not able to do that. That's the whole point.

Ms. Shafer: I can remember being in a meeting with Dr. Evans. Florio came in for a meeting because he wanted to see Old School No. 5. This goes back to last spring.

Comm. Castillo: I don't think it was just bringing it out to the entire Board. We didn't even have all the access to it. By the time we found out there was an issue with just showing of the proprieties it was already too late. By the time it was identified who was going to show. We weren't even included in all of the procedural issues. By the time we found, is when things were going downhill. This is where we are today. Now what do we do from here to move forward? That happened. Now it's at the table for us to decide on and we need to push it forward. That's the direction we can go into.

Comm. Hodges: One of the first things we can do moving forward is share the information so that we all know what's happening.

Comm. Castillo: That's what we're doing. That's why we're here.

Comm. Hodges: When it's happening, not after the fact.

Comm. Rivera: It wasn't after the fact, Dr. Hodges. We did vote as a Board to allow for the property sale to take place.

Comm. Hodges: We voted, but that's not what I'm talking about. What I'm talking about is the delay. Part of our job was to put pressure where it's supposed to be placed.

Comm. Rivera: And the finance committee did.

Comm. Hodges: You did, but we didn't know about it. I'm not on the finance committee.

Comm. Rivera: Processes take time. We speak in finance, when is this going to take place? It should be advertised by this date. Now this date comes and we say, "Did this get done?" It had to be postponed because of this. It's not like nobody was looking into

it. It was too many parties involved I guess and one party depended on the other. This is the first time we did this. It's not like we're selling properties every year. Not to make an excuse, but that's what I mean by the process. We learned from that and we just hope that it doesn't happen again.

Mr. Murray: Exactly. In addition, the price was set by the Board in public session. Also, the Board in public session decided to have a rolling schedule for sale, which meant that there was a built-in seven weeks from what would have been the first sale to the last. In getting materials together it would seem that should be an easy piece of logistics. I only recall one item that was not so easy, where are the deeds. We had to trace down where the deeds were. Did we own the property? Perhaps the Board may also recall when the attorneys were directed who were handling it, there are a number of parts to the law I don't do. Real estate is one of them. The attorneys also had to research the Board was concerned that if we sold the property the funds would go to the State of New Jersey. That had to be researched. In an intricate process, as Comm. Rivera just said, if one piece goes off for a week, it cascades through the entire process. The good news in terms of going forward is that we learned by what we didn't do properly last time, or more efficiently. Properly we did. Efficiently is a better description. We also brought in a realtor. It is clear that we were not getting a better regional look at these buildings. When some communities such as Jersey City Riverfront and Hoboken anywhere want to go to market, it's a hot market for their properties. You come to other communities, not just Paterson, it's not a hot market and you have to get marketing. Now you have it. Mr. Gaines met with us two or three weeks ago. I don't recall the exact date now. That also deals with one of the things that you've done with this procedure, is to deal with the problem of people seeing the properties. There was a great concern that it be a fair system so that there would not be later a claim that somehow the system was rigged for a favored bidder. Not that would ever happen in Paterson. There was a concern to do it right.

Comm. Ramirez: I understand everything that has been discussed, but I just want to make it clear that for me I don't think the idea of selling to another governmental agency is a good deal, when you look at the bigger picture, for the taxpayers in Paterson. Those properties are not going to go on the tax rolls and that's going to affect all of us who are taxpayers. I just wanted to make that comment.

Comm. Hodges: Sometimes there are ways to expedite things that people aren't aware of. Over the years we have found some of them. That's why it's helpful to know that there's a hang-up. It would be helpful to let us all know because sometimes some of us have the ability or experience in getting past those, which might have put us in a different position. That's all I'm saying.

Ms. Rosie Grant: I haven't spoken because I wasn't invited to, so a plea for public session before lunch.

Comm. Castillo: I'm sorry, Rosie. Why don't we go to public portion?

PUBLIC COMMENTS SESSION

Ms. Grant: I have several questions particular to the closing of the gap. I'm looking at the health benefits as possible cost savings. I'm confused by the explanation. The health benefits say cost savings of \$10 million to \$12 million. It says double-digit premium increases. To me, that says we need to expend more money.

Mr. Matthews: Meaning that staying in the state plan every year we're getting a double-digit increase. The past year it was 13%. Last year it was 12%. There are other options that we are looking at besides just changing the plan design and the state health benefit plan. There is another option that hasn't been before us yet of possibly going out of the state health benefit plan that can give us a savings of in excess of \$10 million and over five years over \$50 million. That's an option.

Ms. Grant: Then the explanation should probably be changing the plan design.

Mr. Matthews: That one should probably say coming out of the State Health Benefit Plan. That's probably a better description.

Ms. Grant: That makes sense.

Mr. Matthews: Sure.

Ms. Grant: Thank you. I'm not sure what Chapter 78 is.

Mr. Matthews: Chapter 78 relief is the contribution that the employees are paying for their health benefit premiums. We've been in contract negotiations and that's one of the things that the association is looking for. They're looking at possibly capping it and freezing it. In other districts where they've gotten some relief they've made their employees move from Direct-10 to Direct-20/35. We can't afford to get relief in the current plan as it stands now. This is just something that we're looking at to afford them that relief. They would have to make a change in their plan design to take a lesser plan.

Ms. Grant: The option there is for the staff to pay more.

Mr. Matthews: To play less towards their contribution.

Ms. Grant: Where does the money come from? How is it a relief for the budget if the staff is paying less?

Mr. Matthews: Our portion would be a lot less as a district. As an example, Newark moved their people from Direct-10 to Direct-20/35. As a district, they saved \$14 million. Just on a family plan alone, I took our entire plan from all our people, Direct-10 and Direct-20/35 and the difference for families for just Paterson is \$16 million. That will be our savings.

Ms. Grant: I heard a conversation about us having oversized classrooms. This is about cutting back on aides, PAs, and IAs to the tune of \$30 million, similar to the vacancy discussion on the budget. Not all vacancies are positions that are needed. Is there a plan in place to make sure that kids have what they need as we downsize or right-size?

Mr. Matthews: The vacancy piece that I didn't really bring up is I know last year we wiped out our vacancies to help balance the budget. The thing that we're talking about doing is making sure that we go to the people where those vacancies are and make sure that we don't wipe them out because those jobs come back from next year and raise our budget. We don't want to wipe out \$8 million and bring back \$4 million. We have to really find out what are those positions that we can afford to get rid of and not just get rid of the entire pool of money. That's the potential of what it is right now. The number will be a lot less as we go through the different RIFs to make sure that positions that we get rid of don't come back. It just comes up a problem next year.

Ms. Grant: That's the whole pool. On the bank cap I did some research as we talked. The 2% is what is capped for the tax increases per year, except in the case of pensions, health, debt service, construction, and emergencies you can go higher. If you don't use that, then that is capped and that's what creates your bank cap. You can within three years decide to use it. When you decide to use it, you don't need a vote from the taxpayers to allow you to use it to increase the levy, but tax bills will go up. It has to come from somewhere. The city does not have the surplus out of which they're going to pay the school district the bank cap. It appears in the tax bills, although there is not a discussion at the City Council level or a vote about the tax levy. I just pulled that up from the law and from what happened in Tinton Falls when people saw their tax bills go up 7% because the district used their bank accounts. I just wanted to caution that that's the lesson that I just learned by googling it. I wanted to bring that to your attention. Dr. Hodges' comment about bringing committee work to the entire Board is something that I observed over the last few years. Sometimes we get committee reports and sometimes we don't. The committee is charged with doing the grunt work, but the entire Board is responsible and accountable for all of it. I do encourage more sharing of information at Board meetings outside of Board meetings. If materials are going to a committee for a particular piece of work the rest of the Board should have that material so that they can then say to the committee members they took a look at this and here is what we think because you're all accountable to this community and to this budget. Just a couple more things - one is to endorse the call for joint workshops with City Council and also more joint collaboration with the administrative at the city level. We're going into local control. They have votes. When it comes to whether we get to be an appointed Board or an elected Board, the City Council can vote as we return to local control. It's essential that there is collaboration between the two. The law says the city can vote. Be it in a referendum or whatever the case may be, there needs to be collaboration. I don't necessarily want to stay for your ethics training, but you may be breaking Sunshine laws if you do ethics training in executive session. If there's an ethics issue, it becomes a legal issue. Only legal and personnel should be done in executive session. I wanted to raise that as well to keep us above board. Thank you.

PUBLIC COMMENTS SESSION CLOSED

DISCUSSION ON THE 2018-2019 SCHOOL DISTRICT BUDGET

Comm. Castillo: Before you go, Comm. Rivera, I had a very small conversation with the Mayor and we did talk about scheduling a meeting so we can sit down and speak about a few things with her, the BA and Council President to see how we can move into scheduling a joint session with this Board and City Council to see how to move forward with local control and to discuss the issue of payments and things like that. It's a conversation that we're having with them. I spoke to Mr. Matthews last night to see if there's a direction we want to go as a Board and just to have some paperwork and see exactly what we can do and financial topics we can speak about with the city as well as with the county to see if we can do some shared service agreement or other processes where we can join forces and work together and better all the relationships between all the parties. With the discussion of information, our committees do great work. It's also trying to make sure that everyone has the same information moving forward. It's definitely something that we spoke about in finance yesterday. We haven't had all our other committees yet, but I've spoken to Ms. Shafer and a lot of the Commissioners to make sure that we're all on the same page with a lot of things and avoid a lot of disagreements.

Comm. Rivera: We use bank cap every year. I don't mean to disagree with you, but it doesn't necessarily mean you get a tax levy increase. I believe bank cap has to do with

the appropriation. Again, if you do other cost-saving measures then it doesn't translate into a tax increase. Correct me if I'm wrong. We use bank cap every year. Mr. Matthews?

Mr. Matthews: Honestly, I said I'd talk to you offline. It is an increase in taxes.

Comm. Rivera: Maybe it's different at the school level. Let me ask you a question then. If it's an increase in taxes, look at this sheet. Please indulge me. Read tax levy for me. What does it say?

Mr. Matthews: It says \$42,285,000.

Comm. Rivera: What increase is that?

Mr. Matthews: 2%.

Comm. Rivera: Which is how much?

Mr. Matthews: \$800,000 plus.

Comm. Rivera: Is that \$5 million?

Mr. Matthews: No.

Comm. Rivera: Get it?

Ms. Grant: This is short \$60 million. These are ways we can make up.

Comm. Rivera: It doesn't translate. That's what I'm trying to explain to you guys. It doesn't translate into a levy increase directly. It doesn't go to the taxpayers directly. That's what I'm trying to tell you.

Comm. Castillo: I understand both sides. I really do. I don't mean to cut you off. I propose that we look into the information and just make sure we're all on the same page on what this means because it is something that we have to make a decision on. If you can research the appropriate information and make sure the entire Board gets exactly what it is, the effect it will have on this district, and the effect it will have on taxpayers as well. Just to make sure that at least with that piece of information we're all on board with.

Mr. Matthews: It raised the taxes last year 2.6%. 2% was for taxes and the .6% was for the health care adjustments. That was bank cap. They got their taxes raised 2.6% last year, not just 2%.

Comm. Redmon: I needed to know the true vacancy number in the district.

Comm. Hodges: I need to go look up bank cap.

Mr. Matthews: I'll do that. That's a good suggestion.

Comm. Rivera: Two other points. The description column I agree with you. You have to do a little better with the description. For example, Chapter 78 should not be a description. Chapter 78 is the contribution that the employees make. When I first saw it I said how are we going to increase a contribution from the employees by \$16 million?

That's how I interpreted it. It should not be Chapter 78. It should be maybe plan change.

Mr. Matthews: I get that. That's my exact words - plan design.

Comm. Rivera: Chapter 78 is not there. My other thing is committee meetings. We had this discussion yesterday about getting as much information as possible. There are things that get presented in committee that are not going to be presented to the Board. They don't. The best example is the bid that you guys brought up to us. Thank god you brought it to finance. If not, it would have gotten to the Board. Most likely it would have gotten approved by the Board because nobody would have asked the question. I haven't heard this question asked in all the years. Maybe I missed it when somebody asked. How much did we anticipate on spending on this? I probably heard Dr. Hodges asking that a few times. If that question would never have been asked last night it would have gotten to the Board. I appreciate you bringing that up to us, not the fact that it was double. We had this bid. We're planning to purchase this. For that thing I don't see a need. If that's the case, what's the purpose of committees? Then let's present it to the whole Board.

Ms. Grant: That's not what I suggested at all.

Comm. Rivera: There are some things that we have to do.

Comm. Castillo: Let's have one discussion at a time. I don't want this to get all over the place.

Comm. Hodges: If you have that kind of discussion and you determine you're not going to put it forward, the fact that you had a discussion should be part of your report.

Comm. Rivera: That is in the minutes. We have someone taking the minutes there.

Comm. Castillo: I think we're missing the point. From my perspective, I think more things need to come to committee because there are some things that we see at the Board meeting. Then we get asked what we talked about in finance but we've never seen it. That's the first part of that, making sure that everything goes to the appropriate committees so we can have the proper discussions there and vet it there. The second part is making sure that we have minutes or information if it was coming to the Board.

Comm. Hodges: Or not coming to the Board.

Comm. Castillo: If it were, just to use that as an example, then this happened, this is what it's for, and this is the money. Just so we have more information for the entire Board to make an appropriate discussion. Or, depending on how big it is, sent to the Board prior to the meeting just to make sure everyone had a chance to overlook it before we make a final decision. Does that make sense?

Comm. Hodges: Not entirely.

Comm. Rivera: Oshin, you did speak about changing the format and making sure that it's a better breakdown of things that take place. You suggested that we separate facilities and we're doing that. Your recommendation was that whoever is taking the minutes for us is going to detail every item and give a recap. Don't just have a paragraph. We discussed this bid. In the next meeting, hopefully she will be doing it that way. If she doesn't, I'm going to tell her to redo the minutes. This was presented to

the finance committee regarding the bid. This discussion took place. That's basically what we're requesting.

Comm. Castillo: It's also not just one person having the minutes. It's the chairperson's responsibility to make sure that all the information that we spoke about is included as well. One thing is for a staff member to take minutes. We appreciate it. It helps us catch a few things. It needs to be reviewed by every chairperson to make sure all the questions that the Board can have and it's our responsibility to make sure all the information is there.

Comm. Hodges: If you decide that you're not going to present something to the Board, the reason behind that is what's important. Let's say it comes back two years later. You can say it was discussed and this was the reason we didn't do it then, which may still be valid, but the persons on that committee don't know that. That's the issue.

Comm. Castillo: We're a little bit behind schedule. Why don't we have about 10 minutes, get food, and then we can keep going, if that's okay with everyone.

The Board took recess at 12:30 p.m.

FIVE YEAR BUDGET PROJECTIONS

Ms. Shafer: Science has never recovered. Art and music have never recovered. I was at a game the other day with Eastside and Kennedy and they had a five-piece band. It's more kids getting involved. More kids are motivated to be in school. When we had the Marching 100 that was so many kids that were excited about being in school and whether you like it or not, some of those extracurricular activities are the only motivation force that kids come to school. I want to bring that back. It's going to take time and it's going to take money because you can't have a band at the high school when kids have not had music their entire educational career. Now they're getting in the ninth grade and decide they want to start playing the trumpet. It takes time. What was happening in the past was that we had instrumental and bands at the elementary level and then kids just went right into the Marching 100 when they got to high school. We just don't have that now. I phased in those for the next couple of years. Vocational education came from a parent meeting that I had where a couple of parents said that their son is not going to go to college and they wanted them to have the opportunity to go to a vocational program so that when he does come out he may or may not have some type of certificate where he can then go to a trade school. They went on about us always needing plumbers and electricians. I'm not going to go through every year, but one option here is that we take Paterson Catholic when Don Bosco moves out and we call it the STEAM hub of the district. We could take SOIT out of Eastside and free up some space. We can take STEM out of Kennedy and free up some space and then put in vocational programs. I have somebody looking at cosmetology, plumbing, and electric. At the same time, Passaic County Community College has just added electrician, plumbing, welding, and carpentry. That's just something to think about. It says draft so none of it is written in stone. In order for us to do a vocational program you need space. I'll give you an example. For the cosmetology, you need a really big area where you can put in the nails, the facials, the hair, and all of that. You can't just do that in a little office. We just need to think about it. It's just an option that I put out there. I also wanted to be very competitive with Tech. To put our own STEAM building you'll see in here some plans for PANTHER, but it can't house as many people. We can put 1,100 over at Paterson Catholic. It's just something to think about. It's in here as you go through it. We did put some money into the Full Service Community Schools. Right now, our Full Service Community Schools are being funded through grants. We have

some schools right now that have great partnerships with faith-based organizations, such as the Boys and Girls Club. Specifically, the high schools have the teen centers, such as at Eastside, Kennedy, and International, where we have a very stable partnership. We can begin to open up some community schools. We have a plan for that as well. Money from recruitment of hard to fill positions - I just put on here as a priority working with city government. We have some money allocated for moving from a passing grade of 60 to 63 starting July 1. We put some money in there. We put some money in dual enrollment. We have an opportunity for our students at PANTHER to leave their senior year with 30 college credits. That's half of what they need for an associate's degree. We have to take advantage of that. There is some money there, as well as for doing dual enrollment with some other colleges. We allocated it for every high school. Every high school program will have dual enrollment. We talked about special education compliance earlier. I'm recommending that we take a look at how we can change the lottery system. A lottery system is how the kids get from eighth grade to high school. Originally when we had the lottery system we had some different application processes. There was a written application, an interview, a project, teacher recommendation, a parent component, a summer program, and a weekend program. We got totally away from that and strictly everybody is just in a lottery and has the same access as everyone else. We need to take a look at that. It's a delicate balancing act because what we don't want to do is make Eastside and Kennedy a dumping ground. At the same time, I think we sweeten the pot by putting in the vocational programs there. Also, that will help change the image of what people think about the two large high schools. We have some time to plan, and that's another thing. I'm big on planning. I'm not that knee-jerk. This gives us three years to plan, get a group of folks together, and how are we going to be able to do this. It is expensive to do vocational education. I think if you've been listening to the Governor, there's going to be some funding available for that that we have to take advantage of quickly.

Comm. Capers: When do you look to change the dynamic of the academy of eighth graders entering high school? Are you taking this year approach?

Ms. Shafer: No. We already had the academy fair. We'd have to have this ready for next fall. It's too late now. Parents and students don't know. Again, as we move into local control this is really for the Board to take all of this into consideration. Maybe you look at some of this and decide you're not doing that. This is really the time where the Board, as we go into local control, says a lot more about the budget than ever before. The Board may vote it likes a lottery system and just leave it the way it is. If we're going to change it, we can't change it until next year because we're already in the middle of it. If we're going to continue to have parents in the community involved, we need to stay transparent with them. They need to know if we're making these changes. When I talk about a weighted lottery, let's just say for PANTHER because that's really the one that did a complete 360. We'd look at your math and science scores and attendance. Special education would be involved in having equal opportunity. Bilingual would have an equal opportunity. We used to have a summer program with PANTHER that if you were going there in September you had to attend. If you didn't attend, that was a problem. It's some of those kinds of things. If you're involved in any type of activities, would that hold some weight? We would have to look at the criteria and see do we agree on the weights or don't we. Or we can go to some other type of system. It would have to be something that would have to be vetted. We'd have to come with recommendations. Teachers, parents, and principals would have to be involved. It would eliminate some folks. At the same time, it would motivate people to do better. We do want to implement G-Sweep, which is the google classroom. We did have that in a couple of places in the city and put a hold on it. We would certainly want to look at

it with technology and the members of the Board who are technology savvy and help us with that. That is something that we want to entertain.

Comm. Hodges: I would like you to think about an overall approach to technology in the classroom. There are some things that can be done. Coding can be done for free right now by using the I-pads or whatever. The courses are there and you can use many elements of coding. You need to decide whether you're going to have standardization of equipment or some versatility throughout the district and how to manage the units in terms of repair, stocking, and all that other stuff. Who's going to pay for it? How do you get grant money? More importantly, how do you openly plan to incorporate it within the curriculum? I think that needs to be fleshed out better than what we have now. You don't want hodgepodge approaches. You really want to plan out where you're going to be in five years, what it's going to cost you to get there, and then change that. What we're doing now just has no clear direction. I think it also has to be done in terms of what kind of schools you're going to have. Tech gets \$5,000 and change because of the technological piece to do the vocational schools. If you're going to do vocational schools, you're going to need some of that money from them. If you have some of that money from them, then you can do what you want to do. The Board still needs to map out where it's going so you can plan what you're going to have to do. We haven't done. I'm a little concerned about that.

Ms. Shafer: If you move on to the next page, in order for us to have a STEAM hub at Paterson Catholic there needs to be a buildout. You'll see that later on. We already have some projections. It's about \$18 million. If you do a pool, it's \$21 million. That's to do all the labs we would need to have a STEAM hub and everything that would need to happen there. This is certainly something that we want to have a discussion with the SDA around because we certainly don't have \$18 million to \$20 million. We have some time to plan that because it's not next year. I put it on here because it's important that we do plan. That's really what we need to do. We haven't done a good job in the past about planning when we know things are coming two or three years from now.

Comm. Redmon: Have we also included whether we're going to keep that field? That field is terrible. That drainage has never been good.

Comm. Capers: The swamp.

Comm. Redmon: I would include that into your plan with the buildout.

Comm. Capers: You're doing these projections based on not knowing the numbers that we're going to get from the state.

Ms. Shafer: That's correct. A lot of the numbers that are here are already in the \$60 million. That \$60 million, depending on what the state gives us, hopefully will decrease. We've been having conversations with Dr. Rose at the community college in hopes that we can get some grant money there. In order to bring that program back to what it was I'm suggesting that we hire an engineer. That's in for next year, as well as the STEAM hub at Paterson Catholic. We need to develop a financial plan to raise funds for Hinchliffe Stadium. That's our property. When I talk about a financial plan, I'm talking about an outreach to not only people in Paterson, but companies. If you go to any stadium you'll see all the advertisement. For example, I think it's \$5 million for a commercial tomorrow during the game for two seconds. There's a lot of money out there to be made, but we need to be able to put a steering committee together. We all know different people and they know people. Somewhere we should be able to start putting that money together so we can at least have a plan for Hinchliffe Stadium. It

may not be the grandioso that we've seen in the past, but the stadium right now is what the priority should be.

Comm. Capers: Can we look at how Newark did their plan and how they built their stadium? It's similar to Hinchliffe. Where did they get their money?

Mr. Matthews: I'm going to call Valerie.

Ms. Shafer: We will find out.

Comm. Capers: It's a beautiful stadium. It's the same size as Hinchliffe. I think we can take that approach. I think the district did it. The city had nothing to do with it. Is that agreement up with the city?

Ms. Shafer: Yes.

Comm. Capers: It's expired. The city will have nothing to do with Hinchliffe?

Comm. Hodges: You're still operating as if the agreement exists. It's gives us Bauerle Field.

Comm. Redmon: The only thing that made the agreement void was when the actual armory...

Comm. Hodges: The armory was not part of the agreement.

Comm. Redmon: The original agreement was Hinchliffe Stadium. The language needs to be updated. When we first sat down with the city we were supposed to go back and update the agreement. We never did. We reached out to the Mayor at that time and we were supposed to sit back again. He had some proposals that he wanted us to take a look at and there were some things that we didn't agree on.

Comm. Capers: When we do have that joint meeting can we write up another proposal or agreement moving forward so everybody is clear?

Ms. Shafer: I think we can have the discussion. The last time we met was under a different Mayor. They were going to play hardball and not let us use Bauerle Field. Some of the fields that are in the city we use and don't pay a fee. They're all our kids. Who's going to use it if our kids aren't going to use it? That's a whole other discussion.

Comm. Hodges: That might be something that Ms. Williams might want to take on.

Comm. Capers: We need to take a look at what fields we own and just have an agreement on all this and have that updated.

Ms. Shafer: It depends on who is at the table and what the agenda is. Can we talk about the last time? It sounds simple and that's the way it should be because it's for the kids. Unfortunately, sometimes it's a little different than how it appears.

Comm. Capers: I get it.

Ms. Shafer: I also have in here a school plan to increase performance for the bottom five schools. That's \$1 million. We need to do something about that. Some of our schools were Focus and Priority and now the state changed it Targeted and

Comprehensive. Some of our schools remain there. If this is something that's approved, I want to meet with those principals and together develop with the Board and the principals the plan. They have to make it work. We have got to change student performance in those bottom five schools. It's not a cookie cutter. It's not something that all five can do or that the whole district should do. There were some definite needs in these bottom five schools that we need to look at. Another priority for me is going to do something about transportation. We're not going to go through another fall like we did this past fall. On after-school clubs, we did want to have something offered for all the schools. I don't want to go too far into this. This is also something in negotiations that we're trying to do that hopefully won't cost us any money. For example, if a teacher was good at chess, then maybe they can have a chess club every Wednesday. That's something they would volunteer to do and we would have some type of giveback for them to volunteer. Maybe they want to do it three days a week or whatever they wanted to do. Then we would have some kind of a giveback. We're looking at that as part of the agreement. We need to implement, once we get local control, a two-year transitional plan. That's going to take a big group of stakeholders, district staff, Board members, and community to come together. We're going to need extensive training. Some of our administrators have never worked under a local control operated district. We're going to need to go through that as well. I want to bring back the truant officers, especially at the high schools, to address the chronic absenteeism. We're not in compliance in physical education so I want to bring back two teachers a year until we get to where we need to be.

Comm. Castillo: Ms. Shafer, I don't mean to cut you off, but to cut you off.

Ms. Shafer: You can look at the rest of this. These are things that we would just need to prioritize. If you look at the last page, here are the dollars. The 2018-19 is \$23 million. That has nothing like 2019-20. That has the \$21 million for the Paterson Catholic buildout. 2020-21 has the buildout for PANTHER. I just want you to make sure that you see that. Here's where we are. If we had the funding the way we are supposed to, we wouldn't have a major issue. We're not going to get there this year or probably next year either. You can read this. I just want to quickly mention two things. The schools are always complaining about shades. Instead of us providing shades, which are a huge cost to the district, I'm suggesting that we get a shade maker and the materials and we make our own. Window shades. That's one piece. The other piece is to do something about out-of-school-suspensions. That is for us. We own two buses now. Instead of our kids going to out-of-school-suspension, which makes no sense, they're either on the street or sleeping at home, we pick them up, bring them to a center where they're going to learn some coping skills, restorative justice, counseling, as well as academics. When they go back they understand what they did wrong and what got them where they are. Right now, you send them home and nobody talks about what they did wrong. I'll stop.

Comm. Capers: In 2018-19 you have the security camera installation. How many schools don't have it? Is it just five schools?

Ms. Shafer: No. I think we have five a year.

Comm. Capers: How many don't have?

Ms. Shafer: I'll send that to you because I have it. I'm pretty sure right now it's 20. If we do five a year, then we're good.

Comm. Capers: In this you have the plan for the All Boys high school. Is that in the \$23 million?

Ms. Shafer: No. We need to have a discussion whether we're going to have an All Boys high school program. We have two years to make that decision. Probably because it was in the paper all of a sudden somebody else was interested in Prospect Park. I asked our attorney to get with the landlord. This is just for your review. I gave you the lease. It's \$7,000 for the next five years.

Comm. Capers: \$7,000 each year?

Ms. Shafer: Yes. It was \$221,000 for the past five years. The next five they're going to \$228,000. It's \$6,350 a year. We're going to need to act quickly if someone else is interested.

BOARD TRAINING ON ETHICS

Comm. Castillo: Comm. Arrington actually needs to leave because he had a prior engagement. Let's move over to the next step very quickly. We're definitely behind schedule. We'll have that conversation for another moment.

Mr. Matthews: Closed session?

Mr. Murray: There's really no reason to do that. There was a question raised. I believe you can have it in closed session because it is a matter of attorney/client advice. However, I think we ought to proceed and deal with it in the open session that we're in. I recommend we just proceed. It remains an open session. The topic of Board member ethics frankly reminds me of my bar review course when I came back home to New Jersey to take the exam here. Unlike New York where I passed it a few years earlier, New Jersey was an essay exam. For sure there was always a question about attorney ethics. You always take a bar review course. When the instructor got to the point of cautioning about attorney ethics, a pretty complex area like Board member ethics, he said you'll see the question quickly in the essay issues that you will be writing on and just hang the attorney. Perhaps it was good advice for purposes of taking the bar exam. It really trivializes what's a serious topic. The serious topic is one, not just of Board member ethics and responsibilities, but it gets to the issue of conflict of interest. The concept of conflict of interest is something that is significant because it does reach at what point an individual, even a good person, can separate private/personal interests from the interests of the organization. Then we get to the complex area that if it was not a conflict of interest, would it be the appearance of conflict. All we have to do is watch CNN or MSNBC or any other programs these days to see it play out in a tragic way for our country because of the major issues of conflict that we see. When we look at conflict also here in Paterson it's something more significant than my bar review instructor, which it was only just about 10 years ago that a member of this Board had a complaint brought against him after hearing the commission rule that he be suspended for one year. He appealed to the Commissioner of Education who reduced it to three months, but the appeal to the then State Board reinstated the one year. The individual's public record would certainly have been available. The point of it isn't the individual case. It had to do with the code of ethics for school board members. As we start our conversation let me share with you a copy of the Code of Ethics for School Board Members. What we're going to be doing in the time we have allotted this afternoon is we're going to be looking at how we find and define School Board members' responsibilities and how that set of responsibilities comes to play under ethics and day-to-day operations.

Comm. Castillo: I probably did this backwards. I guess I didn't introduce to everyone what we were moving forward to do. It's my fault. A year ago today, we actually had a Board retreat on ethics and what the role of the Board members was. We had that training a year ago today. I think it's something we should revisit every year or maybe more than once a year, to make sure that we're all on the same page. Especially now that we're under local control, I want this to be one of a few other trainings that this Board should have just because we're being looked at differently. We have a lot more pressure. There are a lot more avenues and opportunities to make mistakes. We may not want to, but because we don't know we could make them. It's just so that we're moving in the right direction. This will be one of the few other trainings that we will have with Mr. Murray, NJSBA, and a few others. For new Board members it's also a great way to become more knowledgeable about what's going on.

Mr. Murray: I apologize for moving perhaps too quickly to speak. We're going to be getting our information today from three sources. One is state statute. You have that in front of you. Another is Paterson Board policy. At different points in our conversation we will be passing out copies of your Board policy. Also, we're going to have guidance from determinations by the School Ethics Commission. Those determinations that we will be considering and also as we reach certain specific points are largely advisory opinions that the SEC has rendered. Coming to what we're dealing with for School Board members, I think it would be fair to say that the topics would fall into three categories. The first is the relationship and responsibility of members of the board of education dealing with the soon-to-be superintendent of schools. In short, where is the line of authority that is within the province of School Board members and where is the authority with respect to the day-to-day operation? We have in Paterson put that into codification by way of the bylaws. It follows what is generally regarded as this area of responsibility for Board members. That is that Board members set overall policy and the State Superintendent in our case runs the day-to-day operation of the public schools. That's also clearly set forth in the policy that you have now before you. The policy indicates that the Superintendent makes determinations for the operation of the district consistent with Board policy. You will see in the document in the next to the last paragraph that if policy does not speak to a particular matter that comes up by way of necessity, the Superintendent is delegated the power to resolve that issue and then report to the Board. We find this area set in the code of ethics. It would seem to me primarily in paragraphs C and D that the Board makes the determinations and the Board then allows the State Superintendent the power to operate the public schools. In a number of areas by statute, for example, in hiring, actions by a local Board can only come after a recommendation by the Superintendent. There are clear lines of demarcation.

Comm. Redmon: You're talking about the ethics and the state guidelines. You also referred back to the Bylaws that we have. I just want to make sure I'm following along.

Mr. Murray: I apologize.

Comm. Redmon: I was reading the bylaws and then you went on to something else. That's why I was trying to make sure that I was following along.

Mr. Murray: What I'm relating here is simply that both in the Bylaws as well as in the statute it established responsibilities for Board members and the Superintendent. Speaking of Board members, let me share with you the bylaws of the Board as it defines the responsibilities of members. I'm going to come back later on the question of release of information. I ask just that we hold our thoughts on that for the moment. I'm

principally looking at the first paragraph of the Board policy that establishes the power and responsibility of the Board member. What's significant in the Board policy that Paterson has adopted, and it's not unique and well stated, is that a member of a local Board of Education in New Jersey is a member of the Board of Education with that responsibility and authority only when this Board is in session. When a Board is not in session, the individual is a citizen who happens to have also membership on the School Board. It's when the School Board is in session that there is power and authority. That doesn't mean that you can't request information. It means as far as the actual power and authority, it exists at the time of the meeting. It is not an individual power. I'd like you to hold on this a little bit because I'm going to come back and talk about this public expression and what can be said in that setting. Let me at least in a preliminary way establish a point so that it is put to rest immediately. That is because someone is a local Board of Education member it does not mean that you therefore as a consequence of being a School Board member that you have in some way either eliminated, reduced, or modified your right as a citizen, which means the first amendment right to speak. You have every right to do that. As far as release of information and so forth, the first amendment controls. The one caveat they would say is the caveat that says information in closed sessions cannot be released by a Board member, whether in an official capacity or as a citizen who happens to be aware of what occurred, until it has been released to the public. That's the one exception. I want to come back because I know there's been a lot of conversation of late about public statements. Like a lot of it, oftentimes there's a loss of perhaps some nuances to what the rights are and are not. We go back to the Code of Ethics for School Board Members, in addition to the two sections that talk of the responsibilities of the Superintendent, it's also important to notice NJ. Again, this is statute and it's incorporated. NJ indicates that a Board member must refer all complaints to the chief school administrator who will act to resolve those complaints. Only after the failure of administrative action would it then be proper to bring those forward. The first point on complaints goes to the Superintendent. The second area, which I have commented on that we're talking about today, is this issue of Board member conduct. The conduct is essentially in the freedom of speech area, which we touched on. That's section G of the Code. The third and final area is the question of improper conduct. Improper conduct is really set forth in sections E and F. There should be no personal promises made or private action taken that would compromise the Board. Then in section F, it's very specific, to use the schools for personal gain or for the gain of friends. In this area of improper conduct, we then get to look at the SEC. This document that I have just passed out is the statutory framework for the School Ethics Commission. We're going to look at three parts of this with some care. First, it sets standards of conduct where there's conflict and certain prohibitions of action by members. There was a question of defining conduct. The second general point with respect to this has to do with the action of the Commission itself. We're going to look at the power of the Commission. It's an administrative agency and the Commission's power is to hear to first investigate and then hear charges of alleged violation of the ethics laws. If there is a determination by the Commission to go forward, the case is referred of this Office of Administrative Law and then the determination of the administrative judge. It goes back to the Commission and then any appeal from the Commission will be to the Commissioner. Because we don't have the State Board now, it would then go to the appellate division. What is the power of the Commission? The Commission can reprimand a member. A Commission can censure a member. A Commission can suspend a Board member for a period time. The Commission has the power to remove members of local Board of Education. Also, with respect to the power of the Commission, when you have an opportunity you will see that the Commission by statute is required to refer to the attorney general any information which indicates the possibility of the violation of criminal laws. We will come back to this because this gets into the conflict of interest area. This gets into the money area. We will also find out

that it's really not just money. It doesn't have to be an envelope with hundred-dollar bills in it or a gold Rolex watch. It can be other things of value. We'll be coming back to that. The third point that I want to bring out on this document now about the Ethics Commission, I'd like you to indulge me and look at page 9. I would respectfully say if there's any one item that you would take away from today's conversation it's this item.

Comm. Martinez: We only have up to five.

Mr. Murray: Then we're going to have to make copies of that. The Commission has the power to grant advisory opinions. It means that these requests for advisory opinions can be made by a member individually or by the Board. They are totally advisory opinions that you will be looking at. They do not indicate the name of the School Board and they do not name any individual. It provides an opportunity, if there's a question, to have an opinion granted by the Commission. As you're going to see with the Commission, they're very strict conformists as to what the statutes are with respect to the requirements. The Commission does not grant a liberal interpretation of the statute. If there is an issue or question, it's appropriate to have that considered by the Commission. Let me just see if we can find out where this copy is at the moment. Here we are. Excuse me for one moment. I do know you have page 2. We will go to page 2. Page 2 is the definition of the terms in the statute. This is where you go to decide who is an immediate family member. You find an immediate family member is a spouse and dependent child of the school official residing in the same household. This seems pretty straightforward and not terribly complicated. That is until you consider what it means if someone is getting a divorce. Does divorce clearly mean the end of the discussion as to whether or not you're in a setting dealing with an immediate family? The point of this is to indicate that in the first instance the fact that the divorce is started is not the end of the discussion. Additionally, even if a divorce had been granted, that is not the end of the discussion because the law takes into account, as the Commission sees it, that there are continuing alimony obligations. My point on this is twofold. First, as it speaks to the immediate family. Secondly, I call to the members' attention how this Commission operates. A Commission is not going to give latitude to a set of facts to say whether or not there's potential for conflict. The Commission is going to have a very narrow determination and that's because of the alimony. You would think that the law as it's defined here stops once the divorce is granted and there's no appeal. That's not what the Commission does. The Commission also in this advisory opinion goes to the expression 'or others.' When we look into the determinations we find that it's an area where great caution has to go on. So I would suggest to you that a principle that is often said be applied. That is, if you would at all be awkward, defensive, or embarrassed if the facts of your situation were on the front page of the Record, then it's probably a good idea to get an advisory opinion. An advisory opinion is also protective. If we can now turn to page 3, it deals with the conflicts of interest. You will see the case we just looked at comes out of paragraph B. It says immediate family 'or others.' Whereas we thought in the definitional section that we knew everything about immediate family because it defined it as it did, when we get to the statutory provision that has 'or others' we find that that's not the case. Let's go down to Section E. This is where the most serious violations of the statute can be found. Most of the Commission's sanctions are in the area of reprimands, possibly censure, or maybe suspension. The serious penalties are really out of this section of the statute. That's because this is where you get to financial gain or benefit. I call your attention in Section E to the fourth line that ends with 'or other thing of value.' That comes directly out of the criminal statutes. That's how you define bribery and extortion. That's why I said before it is not simply the obvious of cash in an envelope. It is anything of value. Let's take a look at how the Commission has dealt with these issues in their opinion. I've selected these cases to look at because they are cases that are fact patterned that make it clear

that this is a fairly arcane area with these rules but the consequences of the violations could be pretty severe. The first case that you have is an individual who purchased a bookstore with her daughter in another community. As you see the fact pattern with respect to the bookstore there's been some pretty substantial restrictions on how the bookstore would operate. There would not be solicitation. They would not speak to district staff members. The bookstore would keep itself very separate. But when it gets to the Commission and the Commission's determination, it also looks at not only at keeping the bookstore from dealing business with the district, but also raises the question about staff who would come to the bookstore to make purchases. Of course, what is the staff of the bookstore possibly doing and what is the Commission concerned about? The Commission is concerned that the staff members may perceive that they can get special advantage if they shop at a Board member's business. So there are prohibitions that are built into this particular case.

Comm. Hodges: If a staff member owns a bookstore, I don't know all the teachers and administrators in the district. They may know me, but I have no idea who they all are. If they come and purchase a book from me, how am I jeopardized by that?

Mr. Murray: That's perfectly fine. On that narrow set of facts, you would not have a violation and the Commission makes that clear. It is to keep a very real separation from the bookstore and the possibility that someone is coming to you on your end where you would have reason to know that you'd be giving them some special advantage.

Comm. Hodges: They could argue that you have reason to know who the secretary of the so-and-so is. You're here all the time. That may not allow me to sell a book to them.

Mr. Murray: Again, the Commission does recognize this. There's nothing prohibiting an individual from choosing to patronize your establishment. The point to take away from this case is not the specifics of this bookstore. It's that the Commission is going to analyze very carefully and be inclined to restrict as compared to grant the authority to have an intermingling of a business and a School Board member and the responsibility of the Board. My point to raise this case to you is that if you find yourself in a setting where you have a question, and I don't know if anyone here is about to buy a bookstore or some similar business, it's not about the bookstore. The takeaway from this case is if we are focused on bookstores or stores, then I've missed the point and not done a good job about it. My point to you is really not this case. My point to you is back the advisory opinion. That's the point. The advisory opinion protects you from the point of view of the consequences that can be pretty severe. Where there are financial transactions is where you can have the most severe outcomes, whether that be expulsion, removal from the Board, or even more concerning that you have people who have authority that is very disconcerting. I've never known anyone who received a subpoena from a prosecutor that wasn't deeply concerned about it. I'm talking about good people who did nothing wrong and perfectly fine. If you are in something where there is a businesslike transaction, my point is to get an opinion. If you look at the way this person made the request, her perception of this was really doing business with the district because of what was constructed in the fact pattern. It was a lot of protection about not soliciting business from the school district. It didn't recognize that there's another area. The point is in business transactions it's a good idea to get the opinion from the agency. Before my time runs out, I want to stay on this question of finance.

Comm. Castillo: Your time ran out 10 minutes ago.

Mr. Murray: I hope there isn't a problem. I'm not suggesting I think there is a problem. It is the area where we very much don't want a problem. As you probably would realize from what I said to you before that the last case wasn't about bookstores, this case is not about hardware stores. It happens to be a fact pattern about a hardware store. What you have in this case is a Board member who owns a hardware store, doesn't have a contract with the local school district where this individual serves as a Board member, but from time to time there are purchases. As you can imagine, someone needs electric light bulbs. They go down to the local hardware store and they buy them. Remember, there's no name. It's anonymous. They go down to Charley's and get a couple of hammers or whatever. What does it add up to in the whole year? Maybe \$3,500. It's not going to put somebody in business or out of business. And there's been a past practice of doing it. The Commission looks at this and comes, as you see, to a very strong conclusion absolutely not. This was not something that they would sanction. The operative thing, and this is strong language for the Commission, it should be taken as they really don't like this request. To them, this request should not have been made. It is so apparent that this is a conflict. In the last page it was undisputed that the Board member had a direct financial involvement in the company which does business with the Board. It then makes clear that the fact that there's an amount of money that's small is not a de minimis rule. That's the takeaway. If there's a specific fact within this, other than get an opinion, the amount of money, no matter how small, if given for an improper purpose, is trouble. The de minimis amount of money, even if it was the one purchase for \$20, they would say that would be a violation. The other problem you have with this is this is where you start getting the referrals. Not the bookstore. This is where you can have the referrals to criminal justice. Let me move on to another matter which frequently comes up and that's volunteering.

Comm. Castillo: How much time do we have? I want to be respectful to the Commissioners' time since we said we were going to be done by 2:00? I do feel bad that we still have them here on a Saturday afternoon. I just wanted to know how much more time. I know this is very important information.

Mr. Murray: A genuine two minutes.

Comm. Capers: Can you overview the voluntary part?

Mr. Murray: I'm handing them out. The reason for that is it's fascinating. Let me tell you why I selected this opinion. I selected this opinion for a reason. To some extent, it's something that kind of happens. It's also selected because you would think the Board member is doing something additional good for free. Why is this any kind of an issue? To be frank with you, when I saw this case it's struck me that this is something that is a real-life issue. It turns out that this case is where you have a Board member as a citizen. The case is concerned with the interrelationship when the Board member is really now a citizen who happens to be a Board member working with employees. In that capacity there's a concern that there would be a breach of the authority. What's made very clear in this particular case is the fact that the interaction is limited and does not compromise the authority of Board. I'm going to indulge for one last case because it dawned on me...

Comm. Capers: Can I ask you a question?

Mr. Murray: I'll take the question and I will explain why I'm giving that case.

Comm. Capers: I do a bunch of sports camps. A lot of our district staff is gym teachers, sports guides, and high school coaches. They all volunteer. I know some coaches in

our district travel with me to other camps that I do. Some of them are paid camps. Is that any conflict of interest?

Mr. Murray: We'd have to take a closer look at that and because it's money we might want to...

Comm. Capers: It's not Comm. Capers. It's my non-profit foundation that I've been doing for the last 10 years. I did a camp in Pittsburgh with some Steeler players and some district employees came up with me to help me run it because they know how the camp operates. It was a paid camp. From my foundation they got paid.

Mr. Murray: I think we need to talk some more about that. There's been a conversation. It says to me that it should definitely go to the Commission for an opinion. Keep in mind our friend who had the hardware store, it didn't matter how long he had the hardware store and how long he was selling incidental nuts and bolts. It didn't matter. With past practice that sounds like a good thing, the Commission says that doesn't matter. In this quick dialogue we can't possibly fully develop all of the facts that would be relevant. You would want all of the facts to be considered. The benefit of getting that opinion is protection.

Comm. Hodges: Then I have greater concerns too. HARP several years ago wanted to go to New York City to see the body exhibit. I went to Superintendent Glascoe and arranged to get the money for them to go to New York City. I accompanied them as a chaperon. Is that a problem?

Mr. Murray: No. That is exactly within the case that I gave you. That's 100% within the case because it's very limited and your responsibility was not at all interest. I'm not suggesting that's not the fact about Comm. Capers. Let me also be clear.

Comm. Castillo: It's a conversation that should be had.

Mr. Murray: It's a bigger conversation than this way across the table.

Comm. Redmon: Going back to Comm. Capers, what is the procedure? Now we know he has a non-profit and we know he works with the district with this non-profit. What should he be doing? What should we be doing?

Mr. Murray: As counsel to the Board, although I represent the Board, we could have a look at what the facts are. It sounds to me like you may want to get an opinion from the Commission. That's what it sounds like.

Comm. Capers: Voluntarily or...

Ms. Shafer: Before we do anything, I think you need to meet with Mr. Murray. I didn't know you had a foundation either. I knew you did the camps, but I didn't know it came from that. I think you should meet with him with all the facts and then make a more informed decision of what has to happen next. I think it's good you brought it up rather than get into something and then have a different issue. I think it needs to be further explored.

Comm. Castillo: I think it's a conversation offline. You can guys can meet and have this conversation. It might be nothing or it might be something. But it's something that we need to discover and then proceed to see what the next step is.

Mr. Murray: Thank you, Madam President. I know you're rushing. With this next case I have to make one comment because this is the first amendment follow-up case, how you have to distinguish Board members when they're making public statements offline or whether it's on social media, Twitter, or wherever. I'll be very quick. Comm. Capers, I would think maybe talk to Fran.

Comm. Capers: I excuse myself on this when we do come to vote. My foundation is partnered with the Family Engagement. We did do the garden in John F. Kennedy. I excused myself. That's all legal, right?

Comm. Castillo: Mr. Murray, can you get him in contact with Ms. Barto and see when they can set up a meeting?

Mr. Murray: I will take care of it.

Comm. Castillo: Have that conversation with her. Even though you might have done the right thing, it's always good to know just in case that question at one point is raised. Just to be on the safe side.

Mr. Murray: The President is exactly correct and right on target.

Comm. Hodges: I have a similar situation. Not about a foundation, but I certainly work with members of the administration. I put together an aviation program last year with members of the administration. We need to understand what those limitations are going to be because we could lose a lot of our activities.

Comm. Castillo: We can do this in a part two and have Mr. Murray or Ms. Bartow give us a list. Or just have a separate session at one point just based on this type of information. We all do a lot of volunteer work in the city and we just need to make sure that what we're doing is correct. If it's not, if there's any way we can fix it and still provide the services for the community. It's definitely something he can write down for us and Ms. Bartow at one point to have a smaller session to get that.

Mr. Murray: I'm determined to get to case #9. Right now, we have a lot of freedom of speech issues. This case sets the rules. You need to look at these rules. I apologize on the two minutes because I violated that rule.

Comm. Redmon: Don't rush where we can't get the information.

Mr. Murray: This is an extremely important case because it is very current. I'll leave it at that. This is where you have a citizen who happens to be a Board member. This case sets the rules for how you deal with them. Remember when we started the conversation I said, because I didn't want to get off track at that point, that you do not modify, forfeit, give up your right to the freedom of speech under the first amendment to the constitution when you became a School Board member. Here is where we now apply that rule. It's a wonderful case because it's about politics. If ever there might be something...

Comm. Hodges: That doesn't involve us.

Mr. Murray: And it involves a School Board member supporting someone for the School Board. It says that's perfectly fine provided that when the citizen who happens to be a School Board member speaks to say a reporter who likely or reasonably knows that this person is a School Board member or puts something out that there is a disclaimer that

you are not speaking for the whole Board. You might not think it, but that's what the Commission wants. If you want to be protected this is the case. You have to say, "I'm not speaking for the whole Board and I am not speaking as a Board member." At that point, you're at the first amendment and you're fine. That's what it takes. There is one last caveat. We usually don't read footnotes and I don't blame you because I hated them in law school, too. They drove me crazy and I never could get the rules right either. On this one, go to the footnote because it's very important. It's advisory opinion A-3614. I don't know whether or not the Paterson School Board provides members with phones, tablets or whatever. You can't use that for this first amendment. In the future, you may get things as your local control. As you probably know from your colleagues in other Boards, it's pretty common to have a whole array of equipment.

Comm. Capers: Email addresses too?

Mr. Murray: Everything. That's a very excellent point, Commissioner. You can't use anything. In other words, if you want this protection, you can't do it through anything that's Paterson schools.

Comm. Castillo: Don't open your email containing anything else on the tablet that's political or campaign related, even if it's your personal email?

Mr. Murray: With personal email you're okay.

Comm. Castillo: If you open it on the tablet. Now it's getting picky.

Mr. Murray: You can't do it on the tablet. Now it picks up through the threads. I'm not an expert on that, but there was a case just recently in Hoboken where a Board member thought she was sending an email on a thread to a couple of social friends and it had some remarks on there, which were pretty strong and inappropriate. Instead, she hit the button and sent it to all the Board members. So be careful.

Comm. Hodges: Be mindful of the fact that even though you tell the press you're not speaking on behalf of the Board, they will not print that.

Comm. Redmon: They put it the way they want to.

Comm. Hodges: Yes.

Mr. Murray: You're able then to say, "I said." Just keep that in mind and you're fine. I appreciate it because they want to sell papers and the way they do that is to get two folks going like this with each other.

Comm. Castillo: You're lucky when you can get whatever you actually said to them on the paper. They pick and choose. You can say a whole paragraph and you will get three words out.

Comm. Martinez: If I'm understanding this correctly, if I have my Facebook account opened to Manny Martinez and I want to support Bob Murray for President of the United States I can do that. But if my Facebook or social media account refers to me as Board of Education Commissioner Martinez, then I can't do that.

Mr. Murray: You can't. That would be a mixed signal and they're not buying mixed signals. Let's go back to the newspaper thing. If you want to protect yourself, you write a little note to the reporter saying. Why? You get to court and you're getting into some

trial which hopefully won't happen. Your lawyer will hand you the document and say I show you this, can you identify it? Yes, I can. Then he will read it. Self-serving? Yes, but it's a document.

Comm. Ramirez: I know the answer, but I just want to bring it out because you just brought up the Facebook thing. What occurs when other elected officials are having fundraisers and they throw our names onto the invitations with our official titles?

Mr. Murray: You have to protest that in the strongest language you can with lots of documents.

Comm. Ramirez: Let's say a senator is having a fundraiser and calls us asking us to be on the host committee. I say okay and then you're on the invitation as Comm. Hodges.

Mr. Murray: You have to get your name off. You have to go on record to have your name not as a Board member.

Comm. Ramirez: As a Board member or Commissioner?

Mr. Murray: Whatever. I apologize for the two pages. I hope what I had to say this afternoon was of help. Any time there is a question, you know where to get me.

Ms. Shafer: One quick announcement. We have a China delegation coming on Monday to Don Bosco. There are 27 elementary students coming to visit our middle schools. They're actually going to be spending time in the classrooms. They're going to be in classrooms and going to classes with our kids.

Comm. Redmon: This is the second time that they've been here.

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 2:30 p.m.