

**MINUTES OF THE PATERSON BOARD OF EDUCATION
COMMITTEE OF THE WHOLE**

March 21, 2013 – 6:44 p.m.
Administrative Offices

Presiding: Comm. Kenneth Simmons, Vice President

Present:

Dr. Donnie Evans, State District Superintendent

Ms. Eileen Shafer, Deputy Superintendent

Comm. Chrystal Cleaves
Comm. Jonathan Hodges

Comm. Manuel Martinez

Absent:

Comm. Wendy Guzman

Comm. Errol Kerr

Comm. Alex Mendez

Comm. Corey Teague

Comm. Christopher Irving, President

Comm. Simmons: Good evening everyone. While we are waiting for a quorum, we will go ahead and start as a committee so that we can begin the presentation.

PRESENTATION OF THE 2013-2014 SCHOOL DISTRICT BUDGET

Dr. Evans: In the coming days actually we will be submitting a final budget to the Department of Education. Activity has been underway in recent months and weeks. Actually, the process started last fall to get us to where we are today. Fortunately or unfortunately, depending on how you look at it, Mr. Kilpatrick joined us very late in this process so he inherited the process and has picked it up and moved with it and has given it the substance that you see tonight. We feel very good about where we are. It still begs for some additional tweaking. We have to present a balanced budget, but we know we have a cliff looming in a few years if we don't do our due diligence in some critical areas and other issues that we have. But we feel comfortable with what we have and that's what you're going to be hearing tonight.

Mr. Richard Kilpatrick: Thank you very much. I appreciate the time. Before we start I really want to thank my staff in the finance area and also the cabinet because I have only been here a few weeks, less than two months, and a lot of this work was done before I even got here. The hard work that everyone put in made my job a lot easier when I did get here to be able to do the things that I needed to do to get us to this point. So I wanted to thank everyone. My intent tonight is not to dissect the budget. I think that's what you want to do and that's what I want to respond to. My intent is really to walk you through the process, how we got to this point, and get you to understand a little bit more about the structures and what the budget is made up of so when you see

these numbers in reference to an account code here and an account code there you may be able to understand it a little better. I think that will help people move forward with what we do and how we do it and understand it better. First, I'm going to introduce things and talk about our budget process flow, the budget timeline we had in place, the principal's budget kickoff meeting because they're very actively involved in the process, our cabinet team meeting and subsequent meetings. We're going to talk about the district goals rather briefly, but it is really the basis for the budget. We're going to talk about our budget office process, our budget overview, and the cost drivers within the budget that really make the budget a little difficult. Then we'll talk about the account code structure and open it up for questions and answers. Hopefully you've had some time to look at the details of the budget and come forward with some questions. If we don't have an answer for you tonight we can certainly find it. This budget process flow that you see and that's included in your handout is a result of an APQC process that the district went through last year. I was not a part of that process, but I understand that this was a very thorough process that the district went through to really identify the key players, their need for involvement, when they needed to be involved, and all the inputs and outputs that will be expected of a process. So this timeframe that you have is really sort of a template timeframe that we expect to follow and there's a little more detail on the timeline later on that we'll go through to show what we did in the past. The key here is September, the initial cabinet discussion about a budget. I was talking to someone the other day and I said we have issues we have to deal with this year. But the fiscal year of 2014-2015 budget will start for me a week from Friday, the day after we submit this because it is important for us to begin planning and moving forward for where we need to be for the next year immediately after this one's submitted. That where we're starting to operate. We need to be forward-thinking throughout this process. The next three pages are a budget development schedule that was put together by Daisy before I got here. Daisy was very instrumental in basically documenting the APQC process in very detailed steps for all the steps that needed to be done in order to get the budget moving forward for the current year. As you can see, it started way back in September. It talks about all the people that are responsible and target dates. This will become our template moving forward for the budget document every year. We will adjust the dates for the targets based on the state requirements towards the end, but we want to move forward. Actually, this summer we have a retreat which is done every year to begin talking about the next year's budget. Even though that year we're going to start talking about implementing the current year budget, we're going to need to think about the future year as well. That's on the horizon. I don't want to talk about the budget development schedule in detail, unless there's a question about it. But as you can see, there are multitudes of people that are involved with this down to the principals, department heads, cabinet members, obviously, the Superintendent, deputy superintendent, the school business administrator, etc. We don't create the budget. The budget is created by everyone. One of the first reach-outs from the finance area is reaching out to the principals and talking to them about their role in the process. Every year in late fall, maybe early winter, depending on the scheduling, we will have a budget kickoff meeting. The budget kickoff meeting this year was in December. That's the time when the principals are gathered and talk about what their responsibilities are in the budget process. I think there's a lot of interaction and understanding about what their

role is. It's very important in our environment where there has been some changeover of principals to really get them comfortable with what their role and responsibility is in this process. As you can see, they introduce themselves, talk about the consideration for budget preparation, and the calendar of the district priorities and focus that we want the principals to concentrate on. They also talk about the chart of accounts so the principals got to understand the code structure so that they knew when we told them, "You can't put it in this account. You have to put it in that account," they understand it a little bit. We're not out there to make them perfect budget managers to understand everything because we are still the resource. But if they understand a little bit of it, then they can ask intelligent questions and they can question the things that we're telling them that have to be done. We don't have a problem with that. The most important thing I think is on here is the fact that their budgets are determined or are driven by the enrollment in the school. The enrollment in the school has to become a projection at that time when we start asking them questions for that information. So if the enrollment is going to drop in a school then their budget is going to drop a little bit. If the enrollment is going to increase then their budget is going to increase. The major piece of their budget obviously is personnel costs, but we're really asking them to talk about non-payroll expenditures. They're making the decisions locally. So if they want to go and revamp their computer room and invest in new computers, then that's one way they can fund it. If they want to do something very specific hopefully they get that opportunity. We don't handcuff them and say they can only do certain things. But they do have needs for paper, pencils, books, colored paper, scissors, depending upon the level of teaching that's going on. They do have to need the supplies that they have. The next level that we really address is the cabinet members. People think of central administration, but it goes out a little further than central administration because I think the cabinet members want to help schools address their needs that they have. The important needs, from my perspective, are the training and the professional development that they have that goes on for the schools. This budget is really being driven by the teacher and principal evaluation process and the training that we have to do to teach the teachers about the expectations and that process. It's also teaching the principals how to do it because they're going to be doing primarily all the evaluations for the teachers. So our focus this year in this budget has a lot to do with that. It also has a lot to do with student achievement. So we have a lot of professional development, the things we've been doing over the years to get the student achievement up in a way that we want all our students to achieve. The district goals are familiar to you. They're familiar to everyone. This is what drives the budget. When you ask someone are they doing something and why they're doing it hopefully they're driving it back to this. If they're not driving it back to this in some way then we ask harder and tougher questions. That's really what has to drive the budget. We laid out goals in the strategic plan and we need to move them forward and follow that. If we're doing things that are outside of that, then we're not using the money in the focused areas that we need to focus on. There's a lot of time and effort and energy spent on creating goals and strategic plans and that's why they're there. That's why we have to abide by that. It's critically important. The next couple of slides really outline the business office operations and budget process and all the different things that we do throughout the cycle. It's not necessarily geared or specific about who does what. It is about what we

need to do in our office and our function. This probably is a good time to really relate to you when we say the business office who that means. Right now we do not have a budget director. We have a budget supervisor line that's funded for this year, but it's a vacancy. We have a budget clerical staff, a budget coordinator, who basically is the person who we rely on to do a lot of the budget input for the system and budget transfers throughout the year. That's basically it. Then we have Daisy. Daisy really is acting as a budget director/everything else that Daisy does, but at this time of year she has a big budget director hat on. Again, if you look at this on the second page we're starting in early September having discussions with the cabinet about starting this budget process in this budget cycle. I want to emphasize that this is a process that's evolving here in the district. Obviously I wasn't here when the APQC process went into effect. It was worked on this year and it will be revised as we move forward and adhered to a little bit more than it has been in the past considering that there are more people here and more people able to lead the process moving forward in the finance area. With all the different hats that Daisy had on last year she was not able to implement everything that she wanted exactly the way she wanted. But this is something that she absolutely is committed to moving forward in the way that we have it structured now. At the end of the budget process when we start getting near the time where refinements have to be made in the budget, and we're in the middle of that right now, the Governor has a budget address generally at the end of January. Usually in an election year where they're getting elected they'll push it off a little bit. Once he does that budget message the budget numbers come out and they have about two days to get the numbers to us. From the point that those numbers come out we have about seven days to issue the budget. That's the little timeframe that we had two weeks ago in which we came to the Board with an approved budget. That's a very tight window. It's a very tight opportunity to do things. What's important about that is this whole process we talked about starting back in the summer and starting in September is when that time comes where you get the revenues to be able to make decisions you need to make for slicing and dicing, as I call it. If the revenue numbers come in in a favorable manner it's a lot easier because you don't have to cut things out that you feel are important. But when the numbers come in flat or with very little increases or decreases, as they did a few years ago for this district, then you have to make important decisions rather quickly. That's why you start the process early on. That's why you start laying out the priorities up front knowing where you want to go and knowing what you want to do. So we're in the middle of the process now. You issued the budget two weeks ago. Actually, just before I came down now I received word from the finance area that the finance side is good. We've been working on a narrative piece in the budget that has been submitted that they liked. They only allow us so many spaces of words to go in and they asked us to really be very definitive in what we're doing. We gave them a whole bunch and then they asked us to reduce it down quite a bit in order for it to fit in the system. So we've been going around in circles a little bit. It's not very comforting, but they saw what we had and they liked it. We just have to refine it a little bit more. So basically our budget has been approved to move forward for advertising. It will be advertised Saturday with a little verbiage on the bottom that says pending county review and that county review will formally come tomorrow, just so everyone knows. Once that's done we now have a time period from now until our public hearing to revise our

budget, which is why we're having this meeting. The Board can look at this budget and say, "Let's do this or that." We can go back to the administration and say, "Can you do this or that?" It gives everyone an opportunity to make changes. We have a requirement to come to the public and present the budget. We present the budget and then we can still make changes in a very small window. Today is the first day that we could have had a public hearing. Next Thursday is the last day we can have a public hearing and that's when our public hearing is. Then we have to submit the budget the next day. We will make changes if we have to after the public hearing, but hopefully after this process and maybe some things that happen during the week we won't have to be making any more changes moving forward. I want to emphasize one point. Even though the budget gets approved and implemented, like I said, come next Friday I'm going to be thinking about the budget for fiscal year 2015. We can make adjustments and changes if things happen. If you remember, a budget is not set in stone. A budget is a planning document and we're in the month of March right now planning for what's going to happen from July 1 through next June. That's a long period of time in advance to know exactly what's going to happen and all the impact that everything is going to have on our district. So there is flexibility for moving things forward.

*Comm. Irving enters the meeting at 7:01 p.m.

MINUTES OF THE PATERSON BOARD OF EDUCATION SPECIAL MEETING

March 21, 2013 – 7:01 p.m.
Administrative Offices

Presiding: Comm. Christopher Irving, President

Present:

Dr. Donnie Evans, State District Superintendent
Ms. Eileen Shafer, Deputy Superintendent

Comm. Chrystal Cleaves
Comm. Jonathan Hodges

Comm. Manuel Martinez
Comm. Kenneth Simmons, Vice President

Absent:

Comm. Wendy Guzman
Comm. Errol Kerr

Comm. Alex Mendez
Comm. Corey Teague

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

Comm. Martinez read the Open Public Meetings Act:

The New Jersey Open Public Meetings Act was enacted to insure the right of the public to have advance notice of, and to attend the meetings of the Paterson Public School District, as well as other public bodies at

which any business affecting the interest of the public is discussed or acted upon.

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

**Special Meeting
March 21, 2013 at 6:30 p.m.
Administrative Offices
90 Delaware Avenue
Paterson, New Jersey**

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

Comm. Irving: Just for the record, Comm. Mendez is stuck in New York in traffic. He gave me a call about half an hour ago. Comm. Kerr is at his work and will not be able to make it. Mr. Kilpatrick, I apologize.

Comm. Hodges: Is the budget hearing next week going to be here or at Kennedy?

Mr. Kilpatrick: I think Comm. Irving came in at the right time. We've just really gone through an introduction talking about the budget process, timelines, and district goals. I did want to emphasize that it was not my intent to go through this budget line by line. It's my opportunity to give you to go through the budget line by line and whatever questions we have we'll be able to answer. If we can't, we'll certainly get back to you. I did emphasize that this is an open window now for being able to change the budget from now until after the budget hearing. As soon as we have any kind of changes or whatever we need to make to the budget we'll make and get it submitted before next Friday.

Comm. Irving: This is the first time that I had the opportunity to sit with the BA. Our assistant BA yesterday gave me some great insight on the budget. I think I have a firm enough understanding. We were talking about priorities individually as Board members and collectively. Dr. Evans, how would you like requests with regard to different line items in the budget? Case in point, I make it very clear that I think we need to do something with our Parent Resource Center and how that's staffed. I'm currently looking at different areas in the budget that we can pull from. As the BA told me yesterday something has got to come from somewhere else. So I guess what would be the best process in order to submit recommendations to have this conversation? I know this session is bringing clarity to the budget. How do you want that to happen?

Dr. Evans: If it relates to priorities then I would prefer that be to me and the appropriate representative of the division that's impacted. If it's regarding an explanation or clarification of something that's in the budget, Mr. Kilpatrick and the appropriate staff can clarify what something means and the impact. So it really depends. An example of what you were talking about with the parent engagement office, there are two levels at which that could occur. Parent engagement for the most part is funded through federal dollars.

Comm. Irving: Title I.

Dr. Evans: That's correct. That's done through the instructional division with Joanne Riviello and Marguerite Sullivan. So that would be the place to start to see what possibilities there are there. The flexibility with Title I has been reduced significantly because of what we're doing with Priority and Focus schools. But there still should be some albeit diminutive flexibility.

Comm. Irving: Case in point, when you go through the budget the reality is at the end of the day the Parent Resource Center really only gets about \$30,000 for operating expenses. There are also monies that are flowed through the Arab American School. Thanks to our BA for helping me understand what the numbers are, but we're only talking about \$30,000. This is a program that's part of the strategic plan and a pillar, and one which we discussed and talked about being of utmost importance. I feel as though I have enough information to sit down with whomever. You're right that Title I is stretched. The RACs also use Title I. That's how they're getting their funding. So that pot does not seem to me as the probable place. It's going to have to come from other places. That's why I'm just thinking it might make sense to have a conversation with you first and then bring folks to the table. I'm just going as far as to say maybe we can set up some time Board members can meet with you to discuss individual priorities and then roll it out to the Board as a collective next week during the budget hearing to explain. I'm making this clear because I think this time more than ever with all that we have going on in the Board, which I hope we move to really soon, this Board needs to be very active in the budget process. So if we have recommendations and suggestions we can make those and share them with the Superintendent and with the Board and make sure that the priorities are clear for everyone that sits around the table and has a vested interest. But it should always be channeled through the Superintendent to the BA and to the legal staff. Does that make sense?

Dr. Evans: Yes, it does. It would also be helpful if there is a particular model or approach or something that we can quantify or very quickly calculate dollars and cents around. I know Kemper has lots of ideas and thoughts. But we're dealing with a very short timeline so the more you and/or the appropriate staff person comes forward the quicker we can bring resolve.

Comm. Irving: Cheryl, tomorrow can you reach out to each Board member and try to see if there are open times next week between their schedules and Dr. Evans' schedule, to see if we can get them at least to speak with Dr. Evans for half an hour or

forty minutes? I just want to make sure the other Board members get an opportunity to express their concerns. The best way to do that would be to try to figure out the schedules and see if they can match up later. Is that cool with you, Dr. Evans?

Dr. Evans: Yes.

Comm. Simmons: For those Board members who may not have time, would it be a good idea for them to give their concerns to you?

Comm. Irving: Absolutely. Dr. Evans, so far I don't think that meeting has been rescheduled yet for next week.

Dr. Evans: No, it hasn't. The hearing is Wednesday and the budget will be submitted on Friday. Our meeting is on Thursday. So we need to do it earlier in the week.

Comm. Irving: Cheryl, can you work that out with me and Dr. Evans before Monday? If anyone has any comments, questions, or recommendations please share them with me and I'll share them on behalf of the Board members that may or may not be able to be there.

Mr. Kilpatrick: I actually appreciate that because that really provides a structured approach for any questions or concerns that come up. Whatever questions or concerns come up here tonight we can address now or if we don't have the answer we can move forward through that process.

Comm. Irving: Are we in the midst of your presentation?

Mr. Kilpatrick: Yes. One of the things that I want to emphasize to you is that there are two main parts of our budget when we think of it. That is our non-salary and our salary costs. The non-salary costs are really discretionary at a management level, whether that's at the schools or whether that's the cabinet members or department heads. Then there are the salary levels. The salary levels are a little less discretionary because we've sort of been under the model of what we've been doing is what we want to continue with. Therefore, that's what we have. I want to emphasize to that in this budget, as Dr. Evans pointed out, we're not RIF'g anyone in this budget this year. We're not looking at things and making major league cuts in reference to the salaries at all. If we go to the next slide in reference to this budget there's an increase and it's not necessarily one particular item. But there is what we call different things that drive the budget up and there are four major areas that really are driving our budget up this year. One of the major ones is the charter schools. I'm not saying the new charter school very purposefully because not only do we have a new charter school that's going to open up projected at near capacity, but we also have our other charter schools in the district that have increased their enrollment. Those increases are costing us from last year's start of the budget a \$6.2 million increase. That's very important to think about moving forward for fiscal year 2015 because there will be another charter school, presuming it gets through its planning year and it's successful. It's not quite as big as

the other one, but it is a significant number of students that if they choose to go there will then be a draw on our revenue stream. That is something we just have to be cognizant of moving forward. It's the second biggest increase in our budget this year in the aggregate. The first largest is employee benefits, which makes sense. The cost for benefits is going up, even though employees are paying more. Employees are on a tiered structure and every year that they move up on the tier, once we hit tier four, everyone is going to be at the maximum. They will be providing their own costs for the coverage, or their own payment for the coverage, but until we get there we're still going to be increasing costs and the cost for the increase year in and year out is never going to be matched by the employees. It's just not going to happen. That increase this year is projected to be \$8 million. So already we're at \$14.2 million of an increase over last year if we hold everything else the same. The other area, which is a very important area, because I think this is a conscious decision, it's an area that if the state had been doing its job all along we wouldn't have to be investing in so much. That's our deferred maintenance in our facilities area. We have to keep increasing our commitment to our facilities because they're old, decrepit, and now what we're doing is we're actually taking on some major projects that if the state had been supporting us all along and if we had the new schools that were promised years ago we probably wouldn't be investing in these types of things. But it is an investment in maintaining our current structure in our current buildings. That's still only a \$2 million investment above what we did the prior year. The next largest increase is our Fund 15 salaries. That's not just salary increases. It's really just people that are in the buildings that are doing work. That's a \$4.7 million projected increase for next year.

Dr. Evans: Fund 15 is at the school level.

Mr. Kilpatrick: That's the schools. I'm not saying anything about Fund 11. I'll tell you a little bit about Fund 11. That's more administrative, but that's because it's not going up next year overall. It's actually come down a little bit. The state requires us to do our budgets at what's called the School-Based Budget approach. Basically, we allocate our costs and we project our costs out and budget by school at every school. So whatever expenditures are happening in the local schools have to be reported like that - salaries, costs for maintenance, costs for purchases, and costs for employee benefits. It's allocated that way by school. So any employee that's at the school level is reported out that way. If we have a person that works in multiple schools then we will separate that and allocate that between schools, which we do have to do in a lot of cases. We're talking teachers, administrators, guidance counselors, nurses, and custodial maintenance. As we know, we don't have our own custodians. We have a custodial staff, which we do allocate some of the costs out that way.

Comm. Cleaves: So these people are not projected anywhere else in the budget, but just in here.

Mr. Kilpatrick: They're projected in Fund 15.

Comm. Cleaves: So we're not double-budgeting them in another category.

Mr. Kilpatrick: Correct. We'll get to it when we get to the detailed budget. There's a line in the budget that's called "Contribution to School-Based Budget." That's the aggregate of all the different school-based budgets tallied up and allocated. That's in the Fund 11 budget. There's a line for that item.

Dr. Evans: May I clarify one additional piece? There are some positions at the school level that are funded from federal dollars. SIG is a good example. That's federal money allocated for that purpose. There are also non-SIG Title I or NCLB dollars that fund positions in schools as well. They are not captured in Fund 15. They're Fund 20.

Mr. Kilpatrick: Dr. Evans is showing off this financial aptitude. That's impressive. He obviously picked up on something I missed, so I appreciate that. Actually, that's one of the things that I was going to talk about at the end, different funds and what they do. These are absolutely great questions because it really shows the importance of you understanding what's in front of you all the time.

Comm. Martinez: How many different levels are there?

Mr. Kilpatrick: I'm going to cheat and look forward because it's actually in here later on. We operate Fund 11, 12, 13, and 15. Fund 11 and 15 are the biggest ones. Grants and all our different grants come from under Fund 20. Fund 30 are capital projects, which we really don't do any capital projects. Fund 40 is debt service, but we don't have a lot of debt service because most of the debt service has gone through the city. Fund 60 is actually a very big fund. That's the cafeteria fund. It's called an enterprise fund. It's sort of a for-profit model for what we do in the district. If there were any other types of operations that we had in the district that we did in that manner we'd have to account for them in Fund 60 as well. Fund 80 is trust and scholarship funds. These funds are not something that we just created and just decided to do. They're generally accepted accounting principle funds and the state's chart of accounts that are established that we just abide by. It kind of makes it easy for us. Every school district has them.

Comm. Irving: That's how the BA that comes in one day will already know that Fund 11 is always going to be this and Fund 15 is always going to be that.

Mr. Kilpatrick: Correct.

Comm. Cleaves: In these individual funds, is there a line or contingency just in case a school needed to add additional bodies in there and you don't have to pull monies from another budget line? Does each budget line have a contingency line?

Mr. Kilpatrick: No. Every dollar that comes in on the revenue side gets budgeted in a line account. I will tell you in years past when funds were a little more plentiful there would be people that would be able to budget and hide money in different lines that they would use in an emergency basis or use in a contingency basis. But there is no line that's called emergency. We have our emergency reserves, which is in essence left

over fund balance we had that the Board and the administration has decided to put aside in case there are emergencies that we can deal with. There's a maximum of \$1 million that can be placed in those reserves, which we have taken advantage of, so if we had a problem in the district that was considered an emergency condition. For example, if the roof blew off here tonight because of a bad windstorm that came through or something we could ask the county for approval. This is an emergency and because we don't have funds in the budget and Mr. Sapara-Grant wouldn't be able to fund that because he's got monies allocated elsewhere, we could ask the county to fund that type of situation. It's basically an asset account, not an operating account. I love the questions. It makes it easier. So we're back on slide 14. If you look on this, this is a familiar slide because this is the same slide we used a couple of weeks ago. The increase in our budget is 4.2% and this is really the increase access to money or the revenue side to money that we have of about \$19 million of which on the expenditure side with everything else the same we've already gone through the four different items that are eating up that \$19.9 million - the charter schools, the employee benefits, the facilities, and the Fund 15 employee personnel costs.

Comm. Irving: One of the things that I just want to point out to the Board is not an easy conversation to have. But I think in the coming years the Board needs to have the conversation about the local tax levy. We have not raised a single penny for the children of the city in over three years since I've been on the Board and even more than that. I believe there's going to come a point where the State of New Jersey is going to look at us and say, what are you doing? I don't know how long we can continue to survive, but I think it's a conversation that we have to have. I do not want to raise taxes in the city. Nonetheless, after three or four years of not raising taxes and not raising our contribution, but yet sitting back and letting the state continue to fork over their amount I think it sends a really bad message to the state and a greater message to the community at large that we are not as invested as we probably should be in our children's education. Again, I don't think we should have that conversation now. But I think in another term we need to have this conversation. Mr. Kilpatrick and I were talking yesterday and I do have some questions about the impending cliff we're on. As a Board, I hope we understand. We're facing this huge structural deficit and there are going to have to be some tough decisions made. I'm talking about tough decisions. We have to make up millions in the course of two years. Where's the money going to come from? We can only cut teachers and central office staff by so much. There are still other price tags hanging loose. We have vacant buildings that are half full, our local tax levy, and T.J. Best's salary. We can cut that. I just think that at some point in time we're going to have to in executive session and also in front of the public have some real tough decisions about what is this district's and the Board's position on being fiscally responsible as a Board. The state knows what they want to do and what they want to give us. But we still have to do what we have to do and not raising the local tax levy and not making recommendations for four cycles I think is a very noble gesture from the Board. But to me there's still a greater message that sends. I don't know what that is and what that means in conversation, but I think it needs to be had. Mr. Kilpatrick, help me out.

Mr. Kilpatrick: I'll just give you some illustrative things. For every year that we didn't raise the taxes it's approximately \$700,000. Within the next year that's another \$700,000 on that. So if we haven't done it for four years you're accumulating that \$700,000 year in and year out. You're over \$3 million in four years that you're missing out in that one year. One of the things that is good or bad, depending upon how you look at it, and what's happened in the government structure and all the laws that the Governor has put into place is that there's banked caps for those tax levies. We have a cap levy right now of 2%. However, we haven't raised taxes for a number of years and every year that you don't raise them you still are allowed to raise them in the future up to the bank cap going back and taking advantage of those lost revenues if you choose. The problem with that is you're not just getting this money from the state or from the air. You're taxing your taxpayers. So if you didn't do the 2% this year but you wanted to do the equivalent next year and get the bank cap from the past year you're doubling the rate that you would have charged if you did it one year in a row.

Comm. Martinez: So they can be compounded.

Mr. Kilpatrick: To a degree. There's a calculation that happens. Also because of the big increase in health plan benefits there are other things that you can add to that cap. The number for us is over \$10 million right now. But you'd have to go out and tax the people over \$10 million. We're not doing that. You just need to understand and know that. I want to go to Comm. Irving's statement about what we need to do moving forward because as I said once this budget gets approved I'm beginning to think about fiscal year 2015. At the finance committee level we need to start those discussions about what it means for where we are and how we're going to get to the next level and get to a spending pattern that we're going to be able to live with. That's what we talked about and I think we can start at the committee level and move it forward to really have those frank and difficult discussions.

Comm. Irving: I don't want to beat this down, but I just think that we're looking at four years of no increase in the tax levy and we keep going back to the fact of the state cutting us and flat-funding us. We're flat-funding ourselves and I think it's time to have a conversation with the community about what the contributions on our end really mean and how would a \$700,000 increase look. I just think that we have to reevaluate this. I just don't think it's feasible nor does it make sense to go four years without a tax increase of anything and expect the state to continue to still support us. We're not willing to contribute that ourselves.

Comm. Martinez: I agree. I think it's going to be an interesting conversation, especially in the year 2014.

Comm. Irving: All I'm saying is just have the conversation. I think we should certainly have the conversation. I agree. In 2014 we should have the conversation.

Mr. Kilpatrick: I think what you do is if you move in that direction you don't just raise taxes to raise taxes. I think if you raise it with a purpose and you put something to it of

what you're going to get or what the community will be getting back from it directly it makes it easy. Back to the budget overview, I feel that we really need to talk about this in a little detail that is in reference to our budgeted fund balance, our reserves, and how we got to where we did this year or projected for this year. If you look at the next slide number 16 it talks about the four years, 2010-2011 and 2011-2012 which are actual years. 2012-2013 is the budget year which is what we're in right now and what we're projecting for 2013-2014. Something happened in 2011-2012 that was not planned. We didn't know it was going to happen and we got additional state aid for Ed Jobs revenues and for just some additional state aid that the Governor decided to hand out that was a lot more than we had planned for, which was a good thing for us because to be honest we're living on that right now. That total if we go back now to slide 15 really helped us create our fund balances and use our budgeted fund balances in the 2013 year. If we had not had those additional revenues in that year we would not be able to be projecting for 2014 that we have fund balances from this year's budget. That's very important. If we did not have the added revenues in 2011-2012 that we had which allowed us to fund 2012-2013 at a level that was basically flat we would not be able to be projecting a fund balance this year that we're able to use from next year's budget. I'm letting that sink in a little bit because that's very important. Basically what that says is we have over this year and moving into next year really been spending more money than we're receiving from the state and our local tax levy which is our main stream of revenues. We're using basically money that has been saved or not spent from prior years.

Comm. Cleaves: Does this send up a red flag?

Mr. Kilpatrick: It definitely sends up a red flag. If you remember, the auditors have documented this fiscal cliff that we're talking about. I believe we're putting our toes over the end of it right now and I express that this way. We're creating fund balances this year that are projecting to be about \$6 million less than we projected for this time last year. That means that we're really starting to eat into that fund balance and it's not going to become available. It's not going to maintain its availability moving forward. In addition to that, what are very important to look at are our reserves. The reserves that are there that are asset accounts that are basically somewhat permanent if we so choose we're beginning to use them and not replenish. We don't plan to replenish our maintenance reserve this year. We have about \$12 million in it and we're using \$6 million next year. Our tuition reserve we have to use just because of the way the law is written. We put it in there because there was so much money left over last year that we created this reserve to hopefully be able to put money away for a rainy day. The rainy day is not here for those reserves because we haven't had tuitions that are above what were projected in our appropriations, but we have to spend it and that money is then going to fall down to fund balance moving forward. In addition, the one thing we are doing is we're not moving our emergency reserve. We don't have to. We don't have an emergency right now. So we will maintain that emergency reserve at \$1 million, which is the maximum. As you can see, we are projecting and using a larger budgeted fund balance this year than we did in the current year. That's getting us over that cliff. I don't mean falling over it, but we're putting our toes over it and we're balancing right now. It's

very important that this year that we're in now that we do some things at the end of the year. We've already put a hold on basically our spending and any kind of hiring, really reviewing what's going on through the hiring process to fill positions that really are only critical and moving forward next year with that same process to make sure that if a position opens up it only gets filled if it's really critical. With that retirements and filling of positions that open up need to go through the same process. If it's not a position we really need, then we really have to think whether we want to fill it or not because we need to spend within our means. That's the hard message that Comm. Irving is talking about that we have to live with and move forward with. We really have it operate that day in and day out as we move forward. Are there any questions about that?

Comm. Martinez: Are there different buckets that you guys are creating to identify areas where we can cut back? I know you just briefly talked about some things? But are there different areas that you guys have already identified? Can that be shared with us at some point?

Mr. Kilpatrick: You want to talk about some of the things we're doing?

Comm. Martinez: We don't have to go into detail right now, but generically speaking.

Dr. Evans: I committed late last spring over a two-year period this year and next year to reduce district office by 25%. We are going to do that. We have the remainder of this year and all of next year. So by the end of next year is the timeline by which that should be accomplished.

Comm. Martinez: So that's one bucket, administrative overhead. Are there any others?

Mr. Kilpatrick: There are things going on, on the academic side, in reference to scheduling. The schools are really looking in detail at how they're scheduling. I can give you an example in the special education area where there were resource room teachers being requested. So the administration, Ms. Peron, came forward and said you're looking for this position but do you really need it. She asked them to look for details for the scheduling and when she looked at those details she found that if we just altered the schedule a little bit we would not require that position. It's things like that, if we start looking at things in detail and focus in a targeted way, across the board we should be able to find things that will help us out.

Comm. Irving: Let me give you another one which is not going to be popular and which I don't necessarily support. There are some tough decisions facing us in the coming months looking at schools that are not filled to capacity. We can't operate and have schools that only have 300 kids and they can fit 700. The general operating expenses of that building we eat into. So we either have to find more kids from other schools and make sure they fit inside those schools. Or we have to start looking at some choices and trying to make some decisions. There are a lot of decisions some people may like and some that some people may not like. But those are the types of things that we have to look at. Are our buildings filled to capacity and if they're not, why? If they're not

filled to capacity, how do we make sure they're filled to capacity? ? If they're not filled to capacity and we don't have the students to do so, what are our other options? Again, we are facing a \$20 million shortfall.

Mr. Kilpatrick: It depends what year you're talking about.

Comm. Irving: 2015.

Mr. Kilpatrick: I wouldn't want to make a prediction on that yet.

Comm. Irving: It's a significant amount of money.

Mr. Kilpatrick: Yes.

Comm. Irving: Millions.

Mr. Kilpatrick: Yes.

Comm. Irving: Salaries in central office are only going to eat into that yea bit. Before we start looking at the district as a whole all I'm saying is taking a very holistic approach and looking at every aspect of the district – salaries, buildings, staffing, and consultant contracts. Everything in between we have to really look at. I'm just saying it's not going to be easy.

Mr. Kilpatrick: I think our role is really to bring that forward to the Board and not just say that there is a problem. We have to come up with some ideas and potential solutions. That's our job. That's what we need to do and that's what I and my staff really need to begin doing a week from tomorrow.

Comm. Martinez: It's good the proactive approach that's being taken in identifying this way ahead of time. It's a tall order.

Mr. Kilpatrick: It hasn't happened overnight and it won't get resolved overnight either. It's a tall order, but we have to do it. It's the only way we're going to be able to maintain things. I want to emphasize an area here because I think it's one of the bright sides of things that you don't hear about and don't know about, but it was a forward-thinking process that happened and year ago. If you've heard about the SEMI, the Medicaid reimbursement process, the state has set up with the federal government a process where we get reimbursed for services that get provided to our students that we can qualify for Medicaid reimbursements. It's called the SEMI process. There's a consultant that the state hires that works with us to do this. Last year the district said we want to maximize this as much as we can. What they did is they found someone to work and be dedicated for this process alone. I think it's that forward thinking that's important that we have to continue in multiple different areas. That area is far outstretching. It's projected revenue streams that the state gives us. We're projected for 2012-1023 at \$736,000, which doesn't sound like a lot of money but that's about the

2% tax levy. That number right now is approaching \$1 million and we're only in March. We have another quarter to go. We're projecting that it will be over the \$1 million and \$1.2 million is not unrealistic. We put this number and, by the way, the state flagged it and said, "Are you guys really serious about this?" We basically doubled what the state's projection was for us for this current year for next year because we're confident in what's being done that we can still improve even more on the number from what we're getting this year. So we project a \$1.4 million revenue stream which is about double of what the state had projected for us for the current year. That's the type of thing we have to think about elsewhere. I don't want to give Suzie any more, but that's Suzie's area in this consistent process here. We have to get that mindset about people and how we do things across the board. It's very important to do that because there are so many people and operations that are going on around that have opportunities for that. I'll share a discussion that I had with someone today in that they needed to find some money to fund something for next year. I sat down with them and talked to them about certain things in their budget and it was discovered that the same type of operation that's happening at the elementary school is happening at the high school. But we have two different companies or providers of that type of service. Could they do it for all the schools? Could the high school one do it for the elementary schools? Could the elementary school one do it for the high schools? It's that type of thing that people have to start thinking about and they have to really take ownership of it. I think part of my role is to really ignite these types of discussions, bring these types of thoughts to the table, and help people understand that they can make these types of choices and decisions. We need to get there because there aren't unlimited resources available.

Comm. Hodges: If you had a compendium it would be so much easier because then you'd be able to identify these kinds of services, look them up, and maximize. You can see the duplication that occurs all over the district.

Mr. Kilpatrick: Joanne, do you want to respond?

Dr. Evans: Before she does, I've actually used the first and second editions of the compendium to do just that. I've gone through and found duplications in what we already have, just to validate what Dr. Hodges is saying. Those editions are still available.

Mr. Kilpatrick: Okay. That brings me to slide 17 in which we talk about the budget cost drivers. I don't want anyone to think that the cost drivers are the things that are increasing or driving up what we're doing because they're not necessarily one of the four things that are increasing over last year. But they're big ticket items that we have in our budget and things that in essence we don't have a lot of control over, for example, the charter schools. We don't have control over that. They're here and we have to pay what the state tells us we're going to pay. If the enrollment adjusts during the year we have to adjust to it. We have contractual responsibilities that we have chosen to do in reference to custodial services, security services, building leases, places to put our children, and our personnel costs. These are all contractual responsibilities that we have and that we have to meet. They're choices that we have made because we want

to provide the services in that way. I will say that I'm pretty convinced that there are cost savings doing it this way rather than having employees doing a lot of these services direct. Obviously with personnel costs we have full-time equivalent employees and we have our health benefits, which this year is projected at a 16% increase, and our extra compensation built into our contractual responsibilities for the union agreements, extra compensation for stipends and things like that, and substitutes. Another driving cost, and I don't mean that it's a driving cost meaning that it's going up, but special education costs are something that you're always a little concerned about because you don't necessarily have control over those costs. A student comes in, has a disability, you've identified that disability, and the parent wants you to check out the disability. An IEP is developed for that child and you have to pay those costs. Whether it's a significant cost because it's a service we can't provide in-district and we have to go out of district or not, it's a cost that we have to provide and we have to maintain it. Our early childhood costs for special education is not something that's part of the budget for the grant because we have to provide the special education costs for our early childhood children. In the state's funding formula those costs are part of what we receive. I have never been able to say that they are paying for all of our early childhood special education costs. I think we should probably look at that in a way. It will take some time, but I would like to see that because I think it probably does not match the needs that our children have in our early childhood program. We need to always be up to speed with our child study team services in order to meet the needs of our special education children. We are investing this year in our facilities technical capabilities to make sure that as we move forward with automated testing for our children that the state's requiring that we will be ready for that and it's not something that we're going to have to jump on the bandwagon and expand something in the year that is required. We're getting ready for it now and investing in it now to upgrade our facility readiness for that. Community services are actually increasing in different ways. We have multiple schools that we're increasing for next year. For our after-school programs we have a grant, but we're actually investing more money than what the grant's providing for us for those school services that we're providing after school. These are very well-respected programs that we really feel are benefitting the students so we're expanding them and providing them to our children. Improvement of instruction and staff professional development is a really key ingredient for us over the next two years at a minimum primarily because we want to drive up student achievement, but also because we have a big push for the new evaluation processes for principals and for teachers. We are doing transportation in a way that's different from the way it was done in the past. We're actually providing some transportation locally. That really hasn't been done in the past. That's one of our cost drivers that is sort of new for us, not to mention our special education costs for transporting students that are out-of-district. Those are our bigger cost drivers. Obviously, our personnel costs are in there and I didn't designate one area growing over another because I don't think that's really where we are. We're not. We're actually basically trying to stay the same, at least from one year to the next. The next few slides really are more something I wanted to allow some time for and that we started to talk about a little bit earlier. It's in reference to the chart of accounts. Every bill list that you get has a designation on there for an account that says where the money is being charged to. On that account you can actually kind of designate or

understand where the money and what department it's from if you knew what the chart of accounts was. That's why I'm trying to bring it to you at the table here. The code structure is fund program function object. We also use location significantly in reference to our budgeting process. The other three options there are not used as much and I'm basically really going to ignore them. We already talked about our different funds. The current Fund 11 is really where most of our general expenditures come from. We talked about our school-based budgets in Fund 13. We didn't talk about Fund 12 and 13, but if we put in the budget some capital expenditures and planned expenditures that we want to do for facility development or major projects that would be a Fund 12 type of expenditure. We do special schools, alternative high school, and evening adult programs are special schools. Then we have our special revenue funds, which is really our grant money. If we get a grant from the federal government or from the state government we have to fund it and allocate it in this different fund. I want to sort of emphasize that a fund is basically a silo. It's the money that has to go in. Whatever revenues come in from it have to go out from that same silo. You can't take money from one silo and use it in another silo. That's very important. The funds are separate, distinct and allocated based upon law and that's how the funds are expended. I want to touch upon Fund 60 a little bit because you don't really see or hear a lot about our enterprise fund. You don't see a budget. You don't see it as part of the budget. That's primarily because it's a fund that's sort of a for-profit operation. It's all our cafeteria operations that we have. We're in kind of a good position with our cafeteria fund and that's because several years ago the fund was actually at a negative deficit and we used to have to fund it year in and year out with a contribution. We're actually in the opposite role now and we're trying to allocate costs to our enterprise fund and our cafeteria fund that are true costs for that operation but in the past had been absorbed by Fund 11. We're able to do that totally legitimately and we did that last year to the tune of about \$1.5 million for cafeteria monitor positions that were there. So it's a nice thing. The better we do in the cafeteria fund the better we can do and more costs we can allocate there that are truly related to the cafeteria fund. The next group of numbers in the chart of accounts is called the program code. If you look on slide #21 it lists all the different program codes. There are quite a bit of them, but it kind of gets you in the scope or understanding of all the different methods or programs that we can allocate costs to. They are dedicated for the things that we are doing on a regular basis. The first several ones, the 100-level codes are really regular instructional programs, whether it's preschool and kindergarten or the different grade levels. When you get into the 200 levels you're really talking about mostly up to the 210s the special education type programs. The 220s talk about early childhood and some different types of programs. When you start getting into 230s you're getting into the Title programs, which are specific, and that's how those are set up. The 400s talk about different school-sponsored activities. This I think is helpful for you to have when you come and you see a bill list that you're approving every month. It has the account code and you can start understanding a little bit more about what those funds are for and what those purchases are for. Generally you see the vendor. It's kind of easy. The vendor is x, y, and z, but what is it really for? Now if you have this chart of accounts you can line it up and get a better understanding. The next group of numbers in the chart of accounts is the function code and there are quite a bit of them. There are probably two pages of them

here I think and it really gets to a little bit more delineation of understanding what the costs are for. The one that you might think about a little more is 251, central services. Those are a lot of the centralized things that are happening in the district building where the costs are allocated. All the fiscal services and all the human resources and planning activities are done there. Some of the instructional staff you can see is under 220. Most of the instructional staff is actually in the 100s. All the support services are under 200, whether it's nursing services, which is health, attendance, and social work services. I don't know if we have extraordinary services that we do for special needs kids. That would be 217. Another important one to understand is 252, administrative information technology, which is a fairly new code that is also a general administrative code. That is important. 261-262 talks to the maintenance of facilities and the operations of the facilities and the plants and security. Transportation is function code 270 and all our benefits go into 290. Are there any questions about these types of codes? The last code actually is maybe the easiest one to define. The object code really is a little more definitive of what actually is happening, whether it's salaries in the 100 level or the 200 level. The descriptions are pretty self-explanatory and they really tell you exactly what's going on, whether it's 300, 400, or 500. So I just wanted to provide this to you for your understanding of what the account code structure really does. Now I think it's really up to you. You've had the budget for a little while. You had this big thick packet that we submitted electronically. Now we don't have to kill the trees to send it off. But I'd like to go and answer any questions that you have in the budget, whether it's a line item, a supporting documentation, or anything like that to touch upon that. We have the account titles in the middle and any line numbers. However you want to address it. The first four pages are your revenue side and the first handout and the second 32 pages are all the appropriations that we have.

Comm. Simmons: I do have a question with regard to charter schools and taxes. Do charter schools in any way impact taxes?

Mr. Kilpatrick: Only if you chose it to. What I mean by that is it is impacting it because this is money that's going out the door. So whether it's the state aid money or your tax levy money, it's money out the door. We're not designating it as state aid. We're not designating it as local tax levy. But it's now money that you don't have to spend. So if we increased our charter schools to a level twice what it is now and we didn't get any more state aid and we didn't make some hard choices for our revenue stream, then we'd probably have to increase our tax levies to address those shortfalls in spending that we have for charter schools.

Comm. Hodges: And I think we should.

Comm. Irving: I'm serious.

Comm. Hodges: It's prudent.

Comm. Irving: It's millions that are leaving out. How do we make up for it?

Comm. Hodges: \$6 million increase? I think we should move to do just that. It's the responsible thing to do.

Comm. Irving: The point you make I think is an important point.

Comm. Hodges: I'm dead serious.

Comm. Irving: I know you are.

Comm. Hodges: To follow your leadership, I think it's very prudent. I think we should go right ahead and levy those taxes based on the charter schools that are opening up in our school district. Dr. Evans, I really want a serious look at that. We have programs we can't afford to cut. If we're going to have to face these costs, I think it's a good idea, as Mr. Irving has said, to raise those taxes.

Comm. Irving: I'm willing to have that discussion.

Comm. Martinez: In 2014.

Comm. Irving: We can have it now. I'm all for it. We can certainly have that conversation.

Comm. Hodges: I don't know if you want to take \$6 million, but I think you should propose maybe a \$2 million increase.

Comm. Martinez: Maybe instead of compounding the 2% that we missed, we can increase that 2%. Then we can revisit the compound.

Comm. Irving: You guys can discuss this back and forth all you want, but it still needs five votes. I can tell you right now I would be a champion against this at this point in time.

Comm. Martinez: 2014.

Comm. Irving: Maybe. I think the point Dr. Hodges is making though is it's a great way to wake the community up.

Comm. Hodges: We're not going to do this in 2014, but not do it now?

Comm. Irving: It's a great way to wake the community up so folks understand the impact.

Comm. Hodges: Well, that's not my point. I never said that at all. You're putting words in my mouth. I'm thinking it would be prudent to offset some of these costs.

Comm. Irving: Have the conversation with the Superintendent and let's see the recommendation that comes back to the Board. I did have a question and I don't know if Mr. Kilpatrick talked about what we're doing presently with some of the vacant positions and how that process is being handled. I just want to share that with the Board because I think it's really important. The budget is reflected and incumbent upon the vacant positions.

Mr. Kilpatrick: Right. That actually was a very difficult decision because we spent a Saturday here with a group of administrators talking about the new positions that people wanted and needed. When we got through that day it was very evident that there were positions that people really needed and wanted for their operations. The budget revenue numbers then came down and it was very evident that it was going to be impossible to meet any of those new positions. In fact, what we determined is that the vacant positions that we had at that time, which we had a list of, were going to have to be held open and not filled moving forward unless we found corresponding cuts in the projected requests moving forward. So we have chosen to not fund vacant positions in fiscal year 2014 even if the position was a funded position in 2013. Moving forward we'd hold that position and that line open so that we did not have to fund it and we would have in essence savings moving forward. It's not that that's it and no way can you have the position. We have a personnel review committee that's set up that's looking at every request for positions that are coming through whether it's a vacant position or a person moves from one place to another, to see whether that position is needed and to really analyze and focus on the commitment that the position has for the goals and objectives of the district. So we're in the middle of that process. We're meeting every week about it and we've put forward some positions that are required and are making corresponding identifications in the budget to fund them moving forward for next year. We will continue that process as we move forward for new vacancies as well as the vacancies that we have right now.

Comm. Martinez: Earlier in your presentation you spoke about principals and their budgets and a little bit about that process. Perhaps this question is a little remedial and I'm not even sure if it falls under your umbrella. Is there any oversight from any department if not yours as far as how principals work these budgets? I ask only because when I hear of schools that are short on supplies and don't have pencils, paper, books and things of that nature, is there any oversight that principals are given to make sure that adequate money is going towards purchasing of the supplies to make sure that books are there and things of that nature? I'm not sure if that even falls under your umbrella.

Mr. Kilpatrick: I'll answer it this way – basically it's a local decision by the principal for their budget. They're allocated a certain number of dollars upfront. If they choose to buy a new computer for their office and for their use versus buying paper that's needed in the classroom, I don't know that there are many principals that would do that, but it's a local decision. I'll also share with you a little bit about the process that we do for purchasing. Anyone that purchases something in the district has to go through our purchasing process. The purchasing process starts off with a requisition. A requisition

gets entered online and there is an approval process that has to go through. Basically secretaries will enter the requisitions in the school, the principal would then approve them or disapprove them, and then it would move forward to the next level, unit head and assistant superintendent. Depending upon the type of purchase, if it's a technology purchase, it may go through our technology area as well. So there are multiple reviews that go through. Then it gets to purchasing and they determine whether they have to go through a bidding process or anything like that and whether it's an appropriate purchase. Then it comes to the finance area. So there are at least four different reviews that are going through for the requisitions. Is anyone analyzing that review to see whether it's an appropriate purchase for them, whether it's supplies or something that the administrator or the principal just wants? I think it's going on along that line. I don't think an assistant superintendent is just letting them do whatever they want. I know when I'm looking at things I'm wondering why we're buying 50 cases of paper this time of year when we're probably not going to need 50 cases of paper. I will e-mail or talk to someone about that type of thing.

Comm. Martinez: I ask only because when I hear about certain schools not having textbooks, I'm wondering is anyone watching the store and making sure the schools have the textbooks.

Dr. Evans: The answer is yes. I'd like to add to Mr. Kilpatrick's response. Mr. Johnson and I have had a number of discussions about requests for his approval for certain purchases that he questioned because he knew the needs of the school and the purchase was inconsistent with the needs of the school. He's weighing whether or not to approve it and in the end if it's truly inconsistent he didn't approve it. I just remember those conversations that he shared with me as he was reviewing – and I believe last fall some came through – and at the same time weighing them against the provisions or the items that are in those school improvement plans as well. So the answer is yes, there is a level of supervision. In addition to that, when parents or students share with us things like they don't have textbooks the first thing we do is cycle back to the principal through the assistant superintendent to ask why. There may be a good answer. Maybe they have I-pads. Or there may not be a good answer and some action is taken. But there is ongoing monitoring and supervision.

Mr. Kilpatrick: It doesn't really start with the requisition process. It really starts with the budgeting process because when they submit their budgets at the beginning of the process those budgets are then reviewed at the level of assistant superintendent to see whether those are appropriate things that they want to move forward. Then the expectation is that what you put in your budget and your plan you're going to follow through on. That's why the requisition process is so important and we require a justification for every requisition that gets processed. If someone puts something in there for 30,000 #2 pencils we want to make sure that they need 30,000 of them and they're not going off and selling them on the street corner.

Comm. Hodges: I went through this and I was looking for the school-based budgets. I didn't see all those.

Mr. Kilpatrick: That could be. We can get that information.

Comm. Hodges: There are a lot of questions. I don't know much about the budget. I've never given enough attention to it. An area of concern for me is how we are actually going to be approaching this literacy priority that we say we have in terms of fulfilling the need for the literacy coaches. I don't know whether they're all in place yet or what the situation is. But I'm trying to determine whether or not we have the number of staff that we need to do the things that we say we're going to be doing, particularly in early childhood literacy.

Dr. Evans: You're talking two initiatives. There is a literacy initiative separate from what was called mentor teachers that are in the Priority and Focus schools. They obviously are focusing on English language arts. There is one there specifically in Priority schools and there are positions shared across Focus schools for that particular purpose. Mr. Johnson, we're fully staffed in that area with the Priority and Focus schools? Yes. With regards to the literacy, Mr. Peron is in a better position to talk about position needs and where we are in assessing those needs and providing staff, if I understand your question correctly.

Ms. Susana Peron: In terms of staffing for preschool?

Comm. Hodges: I'm actually thinking from...

Ms. Peron: Pre-k through 3?

Comm. Hodges: Right.

Ms. Peron: We are going to consolidate staff that we have now so the literacy coaches and the teacher mentors are all going to be used for language and literacy. There are school-based language and literacy supervisors who will help with the effort. Money has been allocated for professional development for teachers and for different resources and reading strategies. However, specific to reading specialists in early childhood, we have a cohort who is finishing up their masters this summer. They're actually going to be doing their practicum in the summer and they will be utilized as trainers.

Comm. Hodges: You said consolidate.

Ms. Peron: I don't mean consolidate. I mean use the different positions in the different schools and in the different areas to bring them together so that they attend professional development and everyone has a focus. Rather than bringing more people in we build capacity with the people that we have in the district. We make them experts in reading strategies and early childhood, child development, and utilize their expertise in that way.

Comm. Hodges: My question is we have our 75% efficiency goal. Do you have enough people to get you to that point? Do you have enough people and resources? Because next year I'll be coming back to say we did make 75% proficiency or we did not, and I'm going to want to know why we didn't if we didn't. So the question is, are you certain we have everything we need?

Ms. Peron: I am certain. We are actually spending the last bit of money for next year to align the assessment. We want to track those children with the STAR assessment. We're aligning it to the district so that at the end of four we have the early literacy assessment that we're going to give them and teachers will now have access to that data firsthand. When those children enter that room in September they will know where they're at and where they need to go. We haven't had that. Our assessment systems are not aligned from pre-k to k. So when we give you data and we present data to you it's a manual effort. We have to find all of those different children, where they came from, where they are, and we have to track them with their DIBELS and the other assessments that we have in the district. But we're actually putting in place the money to align the assessment system so we have the data firsthand. That's going to be something different.

Comm. Irving: That's why the curriculum committee is committed to this longer conversation about early childhood and extending it beyond just preschool for exactly that purpose, to make it a comprehensive umbrella in which all systems are speaking to each other. What you raise, Dr. Hodges, is a great point.

Comm. Hodges: I'm not talking about preschool here actually.

Ms. Peron: You're talking about the continuum.

Comm. Hodges: Kindergarten, first, and primarily second grades. That's what I'm looking for in terms of 75% proficiency.

Mr. Kilpatrick: While we don't have the details of the school-based budgets, if you look on page 30 of 32 in the second handout that you had received for tonight about two thirds down the line on line 84020 is the general fund contribution to school-based budget. You'll see that number is nearly \$250 million. That along with the federal contribution would make up what the schools have for resources for staff salaried and non-salaried. It's page 30 of 32 about two thirds of the way down, line 84020 on the left-hand column. If you go across you'll see that though it doesn't line up well on the top it's about \$250 million. By the way, that's a \$13 million increase from the prior year.

Comm. Hodges: What we spending on the RACs?

Mr. Kilpatrick: The RAC expenditures are in No Child Left Behind. I am not familiar with the dollar exactly with that. We're in the middle of looking at what we're moving forward with for next year. I just received some salary projections for that and that's something that I'm starting.

Dr. Evans: The primary fund source for positions funded because of the Regional Achievement Centers was the 30% set aside that went to SES. That money was redirected.

Comm. Hodges: I just need a number.

Dr. Evans: I don't know the exact figure. Is it \$4.8 million?

Comm. Hodges: So, how can these people spend \$4.8 million of our money and we can't ask them as a Board what they're doing?

Dr. Evans: The positions are in our schools. We know what's happening.

Comm. Hodges: I don't know what they're doing because they haven't come and talked to me about it.

Dr. Evans: I can give you a list of the positions.

Comm. Hodges: No, I want them to come tell me what they're doing with the money.

Dr. Evans: I hear you.

Comm. Hodges: I don't want them to come tell you what they're doing with it. I want them to come tell me what they're doing because it's my responsibility to exercise the oversight. If they're going to spend \$4 million out of our budget, I need the respect of having them come tell me what they're doing with it so I can ask them questions in case I don't necessarily understand what they're doing or agree with what they're doing.

Comm. Irving: Dr. Hodges, just so you know, the intention is to have the RAC come through curriculum.

Comm. Hodges: It started in September and it hasn't happened yet.

Comm. Irving: I feel you, but I got a commitment from Scott Rixford himself to attend the next scheduled curriculum committee meeting.

Comm. Hodges: That doesn't help me out.

Comm. Irving: I'm just trying to tell you the process that we worked out to have them come to the curriculum committee to talk with us first because the work that they're doing is instructional based. After the meeting with the curriculum committee then come back and share that conversation in front of the Board. I think that makes sense as a starting point to have this conversation to have them in committee and then for the full Board to have it. All I'm telling you is that I'm committed to making sure that happens.

Please take my word. Everyone else has paid lip service to trying to make this meeting happen and I'm trying to see it...

Comm. Hodges: I'd like it in writing as to a timeline of when they're going to come to the Board. Your curriculum committee doesn't tend to ask the questions that I do.

Comm. Irving: Sure. You're right. I'll send Scott an e-mail and just let him know as per our conversation the timeline and the way in which the RAC is going to be communicating with the Board and committee first. Then in a longer and broader conversation we'll go outside of committee.

Comm. Hodges: It is their obligation and that's what the people are thinking. I don't want them to think that because they spoke to the curriculum committee that they can square on the obligations with the entire Board.

Comm. Irving: I made it very clear that ultimately the Board collectively wants to have this conversation. But I just want to ensure that it's a constructive conversation that talks about their role in this district and the contributions that they bring.

Ms. Joanne Riviello: (Comments were made away from the microphone and were not heard on tape.)

Comm. Hodges: I understand. If it's a dime that they're spending of our money, I want to know how it's being spent. We have a right to know. Right now they haven't extended that courtesy to us. They're doing it to other districts but not to us and that's unacceptable. I just need a ballpark figure. Again, if it's ten cents we need to know. We have a right to know what they're doing here in our buildings. It's totally unacceptable that they're not. You mentioned that the budget was driven this year by teacher and principal evaluations. Given the troubling test scores, as the state saw it, was there more emphasis placed on addressing the teacher and principal evaluations or compensating for adjustments? I think you understand what I'm trying to say.

Dr. Evans: No, I don't.

Mr. Kilpatrick: I think what you're asking about is we have issues with student achievement. How are we balancing our issues with student achievement with the initiatives for teacher evaluations and principal evaluations? I couldn't give you a number on the percentages. But I would like to say I emphasized the teacher and the principal evaluations because that's so critical for us moving forward as a state requirement. It does not mean that we've put student achievement initiatives in a back seat. We're still going forward with the things that we do. I'm not the person that can really say what those things are, but certainly Dr. Evans and Deputy Shafer can talk to those things and they have not taken a back seat to the principal and teacher evaluations.

Dr. Evans: Keep in mind teacher and principal evaluation systems are designed to improve student achievement. Teachers are the number one factor associated with student achievement and then principal leadership is number two. So if you have poor teachers and your evaluation system is designed to identify them replacing them with better teachers, then you will improve student achievement. There is a direct relationship.

Comm. Hodges: I will remind you, Dr. Evans, that the Paradigm Program was designed to improve student achievement. The Whole School Reform Program was designed supposedly to bring about student achievement.

Dr. Evans: And it worked in both districts where I was at the time we used them. Where I was it worked.

Comm. Hodges: But you weren't here when both of those programs were implemented. So just telling me that they worked and what they're designed to do doesn't mean that they actually work. That's my concern.

Dr. Evans: As someone who has been evaluating teachers for 35 years I can tell you there is a direct relationship between how you evaluate teachers and administrators and what you do with that information. It directly relates and improves student achievement if you do it right. What I hear you saying is we haven't done it right.

Comm. Hodges: That may very well be. I'm not challenging the fact that it may in fact work. But you just simply can't tell me that because it says it's going to do it that it means it's going to happen. That's my problem.

Dr. Evans: Okay. That's fair.

Comm. Irving: Since you brought up about the new teacher and principal evaluation, the staffing structure we have presently, is that the intended staffing structure that we're going to have moving forward next year? Does the staffing structure support the level necessary in order to ensure that this gets implemented right? I know we've pulled folks who were in other positions to create this team. I just want to make sure that the budget reflects those goals and positions and/or institutionalizing those positions within the district because of the level of importance that they have. I just wanted to know exactly where that is reflected in the budget.

Dr. Evans: Are you referring to school-based positions? Or district level positions?

Comm. Irving: I'm talking about Brenda's team and the people that she has, her support staff. Where is that reflected in the budget? I would have to assume that at least for the next three or four years those positions have to be fundamental positions in the district to ensure that this rollout continues to happen. I did not see that in the budget and I think that if it's not it needs to be reflected in a much clearer way.

Dr. Evans: That's a good point because it's distributed in different places and embedded in a lot of position, and pulling it together really should happen. To answer your question about moving forward, there are different positions in place designed to help get it implemented. Once it's implemented then institutionalizing it requires a different approach and does not require as many people. In fact, that's part of a budget reduction strategy over time. Once you get it fully implemented then maintaining it and having a small cadre of people to keep principals and teachers and others up to date in terms of the latest training and/or observing and giving feedback and doing all those kinds of things becomes the mode. That does not require as many people. So over time staff should be reduced.

Comm. Irving: I think it's more incumbent than ever to see exactly what are those line items that are going to be under that area and the staffing that's there so that quantitatively we can document over the next two or three years the reduction needed and/or the people needed now in order to make it happen. Again, I don't want to be caught out here holding our hands together in the summer trying to roll this program out and realize that there wasn't enough staff or the folks who are in the department didn't feel comfortable enough to ask for the support needed. Now is the time and this evaluation system is so crucial and so important to get it right. That's why I mentioned at the last Board meeting I'm serious. I think that come June we need all hands on deck for Ms. Patterson's area and whatever resources she needs. We have two months with not much activity happening in the schools to get this program off the ground and make sure that the teachers, principals, administrators, and assistant superintendents and all who are going to be responsible for the evaluations and assessments all understand and are on the same page. As Dr. Hodges just mentioned, as I was going through this yesterday that's something that was missing for me. Exactly where do we see that in the budget? I think that needs to be very clear because of the level of importance that it has.

Comm. Hodges: The reason I raised the issue at all was because the press seems to think that whenever the Governor rolls out a program that the program is infallible and if there aren't corresponding increases in test scores and achievement it's because the district failed, not because of the program. History has been quite the opposite. So I'm not willing to accept the notion that simply because someone called a program whatever it is that means it's now going to be successful and that if there is a corresponding lack of improvement the fault for that accrues to us and hence we lose our district, if you understand what I'm saying.

Dr. Evans: I understand.

Comm. Hodges: That's why I'm looking for benchmarks and a degree of implementation and so forth. If we're going to have this loss of money then I need to know that there's 100% implementation in place before you start cutting our people out of here. I also need to know that there's a benchmark that says these things have been in place and the effectiveness has improved to the point where I can begin to lay off other people. I need to see some clear measure that that is in place. If you don't, then

we're just going ahead and cutting people that we may in fact need because we're not where we need to be and then there's no way back. What was not mentioned and you hinted at was the Governor included an undefined line item, additional adjustment aid.

Comm. Irving: For the suburb schools?

Comm. Hodges: No. It's just this nebulous additional which went across the board and that's what caused all the school districts to at least receive some money in this year's budget, which happens to come on an election year. Next year that won't be there, possibly. So that additional aid that we're using now to...

Mr. Kilpatrick: We didn't receive any of that additional aid. There was nothing in our line item for that additional aid.

Comm. Hodges: Okay. That additional aid won't be there and that means there may be a precipitous drop in our funding because we may be making up that hole in this budget coming.

Mr. Kilpatrick: I just want to clarify another thing. Overall while the press is talking about another threshold of increase in state aid for school districts, the level of increase was very small.

Comm. Hodges: That's my concern. I'm looking at next year's potential problems and I don't want the name of a program to suggest that it's going to work and have a loss of these people and no way to recover from that.

Comm. Irving: Are there any other questions for the BA? Thank you, Mr. Kilpatrick, great job.

Mr. Kilpatrick: No problem. Thank you very much.

PUBLIC COMMENTS

It was moved by Comm. Martinez, seconded by Comm. Simmons that the public comment portion of the meeting be opened. On roll call all Board members voted in the affirmative. The motion carried.

No speakers.

It was moved by Comm. Cleaves, seconded by Comm. Martinez that the public comment portion of the meeting be closed. On roll call all Board members voted in the affirmative. The motion carried.

Comm. Irving: I just want to make sure the Board members here are taking advantage of the opportunity to go through the budget and make whatever recommendations to the Superintendent. If you can't, then get that information to me and I will have that

conversation on your behalf. Dr. Evans, I'm looking forward to this conversation and having the Board's hand in constructing this budget.

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

The meeting was adjourned at 8:40 p.m.