

JOINT WORK SESSION

MARCH 10, 2010

At a JOINT BUDGET SESSION of the Town Council of the Town of South Kingstown, County of Washington, in the State of Rhode Island, convened at the Town Hall, in and for said Town on the 10th day of March 2010 at 7:10 PM.

PRESENT: Town Council
Kathleen A. Fogarty, President
Mary S. Eddy, Vice President
Carol Hagan McEntee
James W. O'Neill
Ella M. Whaley

School Committee
Dr. Anthony Mega, Chairman
Richard Angeli
Maureen Cotter
Frederic Frostic
Kevin Jackson
Stephen Scott Mueller
Elizabeth Morris

Also present: Stephen A. Alfred, Town Manager, Alan R. Lord, Finance Director, Dr. Kristen Stringfellow, School Superintendent, John Ritchotte, Business Manager, School Department.

Dr. Kristen Stringfellow, School Superintendent discusses the proposed FY 2010-2011 School Department Budget. This is the fourth budget developed to fit within the state's property tax cap (Senate 3050) prohibiting more than 4.5% of the funding received from property tax than was received in the previous year. Given the economic situation even the revenue available under the tax cap is unaffordable and the School Department is facing a potential mid-year aid reduction.

The proposed budget takes into consideration several expenditure assumptions. We are in the third year of the collective bargaining agreements. There are three collective bargaining units: the NEASK, ESP and Council 94. The salary increase for this year for all three bargaining units is \$885,000. This amount does not include teacher steps required by law. The budget has been developed using a \$500,000 turnover allowance, an assumption that \$500,000 worth of staff members will retire, go on leave or resign so when we hire new employees to replace them the new employees will be hired at a lower rate. The materials expenditure (P-Account) is proposed at level funding. The Utilities increased by 5% or \$40,000, healthcare increased by 10% or \$689,000, insurance increased by 5% or \$15,000, transportation increased by 4% or \$130,000 and pension costs increased by 1.6% or \$91,000.

The original revenue assumptions as of December 2009 provided for a 3% reduction in state aid and a 2% increase in local revenues. These have changed substantially.

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Discussion ensues relative to the reduction of the districts full time equivalent employees from FY 2006-2007. The total amount of administrators has gone from 21.5 to 20.5, the total amount of certified teachers has gone from 380.1 to 346.8, and the total non-certified personnel have gone from 208.5 to 181.8 resulting in the total full-time equivalent employees being reduced from 610.1 to 549.1.

Discussion ensues relative to Charter School Enrollments. In 2004 we had 120 Charter School enrollments that decreased to 101 in 2009. Between 2006 and 2009 we opened a full-day kindergarten program and we recaptured \$300,000 worth of tuitions from Charter School Enrollments.

Discussion ensues relative to the downward trend of student enrollment. In the FY 1999-2000 the K-12 enrollment was 4,383 students. Currently the K-12 enrollment is 3,459, a reduction of 925 or 21.1% over 10 years. The projected student enrollment for the 2019 year is 3,020.

Discussion ensues relative to the School Fund undesignated fund balance. In June 2009 the undesignated fund balance was \$2,311,890. One third of the undesignated fund balance or \$374,600 was applied toward operations in the FY 2009-2010. The undesignated fund balance for June 2010 is anticipated to be approximately \$1,937,290 and it is proposed to use \$484,322 for operations in the FY 2010-2011 leaving an anticipated undesignated fund balance in the amount of \$1,452,968 for June 2011.

Discussion ensues relative to the Superintendent's budget. In early December 2009 reductions were made to the School District Program as follows: a \$247,067 reduction to out of district tuitions, a reduction of \$134,798 to Charter Schools, \$117,000 reduction to IDEA to shift some healthcare benefits being carried for special education teachers resulting in a total reduction of \$498,865 in FY 2009-2010.

Discussion ensues relative to the state aid trends. In 1996 state aid was 28.90% of the school budget or \$7,433,939; it is predicted that in FY 2010-2011 it will be 15.78% of the school budget or \$9,255,564, almost half as much.

Discussion ensues relative to the changes in revenue assumptions in the development of the budget. On December 14, 2009 Governor Carcieri announced his FY 2010-2011 budget which changed revenue assumptions and schools and municipalities were hit hard. The Town is projecting level funding for the school fund and the state aid assumption is 5% lower than in the current year.

The Superintendent's budget was presented at \$59,800,926 for FY 2010-2011; the School Committee is recommending \$58,647,873 for FY 2010-2011 requiring an additional \$1,200,000 reduction in expenditures due to the loss of revenues.

In order to accomplish the reductions required to meet the School Committee's recommended budget for FY 2010-2011 the following will be eliminated from the Superintendent's budget for FY 2010-2011:

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\$10,000 for a substitute custodian;

\$100,000 for Pay as you go technology and maintenance reduction;

The Town Council requests copies of the budget being presented by the Superintendent; the Town Manager begins his presentation on the Overview of FY 2010-2011 Municipal Budget Program.

The budget that has been prepared and presented by the Governor suggests that they would be able to end the FY 2010-2011 with a \$1,600,000 surplus. Based on the out year expenditures to available revenue estimates that are provided by the budget office, they are forecasting that they would have expenditures of \$362,200,000 more than available revenues in the FY 2011-2012 some of which is associated with the ARRA funding that will not be available in 2012. The situation is compounded in FY 2012-2013 with a forecast of expenditures in the amount of \$416,200,000 over available revenues, in FY 2013-2014 the forecast is expenditures of \$457,800,000 over available revenues and in FY 2014-2015 expenditures in the amount of \$535,700,000 over available revenues. These estimates change each and every time there is a Revenue Estimating Conference.

One of the areas of concern in the Governor's budgets is the use of American Recovery and Reinvestment Act (ARRA) funds in the amount of \$251,931,698 in the FY 2009-2010 and \$217,323,368 in FY 2010-2011. The ARRA funds will be gone for the FY 2011-2012.

Discussion ensues relative to FY 2009-2010 supplemental revisions in local aid. The Governor recommended that \$125,000,000 of the \$220,000,000 state budget revenue shortfall come from local associated revenue aid take backs in the form of motor vehicle excise reimbursements in the amount of \$65,000,000, a three percent reduction across the board in education aid and pension reform by removing COLA benefits for teachers that were not able to retire as of September 30, 2009.

The State pays 40% of the teacher's retirement costs and the municipality pays 60%. The Governor has said reduce the teacher's COLA benefit and save the State that 40% and reduce the funding to the districts. Overall the reductions on the COLA benefit were between \$25,000,000 and \$26,000,000.

The concern is if they were forecasting a \$220,000,000 revenue shortfall in December and they lost \$33,000,000 with the third quarter motor vehicle reimbursement payment and if the COLA as proposed by the Governor receives the same rejection as it received in June, 2009 there is further shortfall of \$59,000,000 between the motor vehicle reimbursement payment and the COLA proposal.

The adopted School Budget for FY 2009-2010 was \$59,611,963. Based upon state aid estimates the School Department was projecting a \$745,000 surplus. Of that amount, \$600,000 was the result of under expenditures in the current year budget. If the

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Governor's proposed FY 2009-2010 budget is approved by the General Assembly and the COLA benefit is taken away from teachers, it will allow for a \$471,000 surplus. If the Governor's proposed budget were passed without the COLA benefit proposal then the School Department would be looking at \$93,000 over expenditure. The concern in the budget message was that the School Committee needed to recognize that there are potential realities that very well may occur by June 30th and that precautions need to be taken to ensure they end in a negative position.

Others concerns are the one time revenue for land sales in the amount of \$21,000,000; delay in repayment of FY 2009 deficit in the amount of \$20,000,000; State share of teacher retirement reform cuts an additional \$12.3 million from pension contributions.

Discussion ensues relative to the Governor's proposed FY 2010-2011 budget. It is projected that there will be an income shortfall of \$427,400,000. Other assumptions in the Governor's budget are: that there will be another 3.8% or \$26,900,000 reduction in state aid to education, a second year savings on pension reform in the amount of \$32,200,000, the elimination of Motor Vehicles Excise Tax Reimbursement in the amount of \$135,300,000 and additional ARRA Funding in the amount of \$95,300,000 which is subject to congressional approval.

The Motor Vehicle Excise Tax Reimbursement values for South Kingstown are \$2,100,000 that we will lose in the FY 2010-2011 if in fact the Motor Vehicle Excise Tax Reimbursement is removed. Of greater concern is that the Governor's 2010 budget eliminates the allowance for the exemption, so if passed as presented by the Governor we would be required to reinstate the \$6,000 in assessment value so each vehicle would be assessed \$6,000 more and see an increase of \$112.50 per car. Ultimately our income and sales tax dollars are not being returned and the burden is being placed back on the taxpayer for the motor vehicle exemption.

Discussion ensues relative to the School Committee's recommended FY 2010-2011 budget with and without the Governor's recommended COLA benefit change. If the Governor's Budget is adopted without the Governor's recommended 3.8% reduction and without the COLA benefit change the School Committee would need a \$458,702 adjustment to be balanced.

Discussion ensues relative to the loss of local state aid. Over a three year period the municipal government has lost over \$3,000,000 in state revenue. This is not state money but money that the state has collected in income and sales tax from residents that will no longer be forthcoming and will be used for state purposes. The projected loss for FY 2011 is about \$1,859,595 or 15% of the municipal budget net of what we pay for education transfers. The community cannot lose that type of revenue at a municipal level without it impacting the availability of providing for additional property taxes in the school budget.

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Discussion ensues relative to FY 2011 Revaluation Impact. The preliminary numbers provided by the revaluation company indicate that real estate values in South Kingstown will be reduced by 16.2% for FY 2011. Residential real estate will be reduced by 17.69%, commercial real estate by 6.92%, and Industrial by 9.13%, utilities by 1.01%. The net effect will be a loss of taxable property of about \$845,763,017 out of a roll that had been \$5,220,091,796. The land values are down about 22% and the building values are down about 11%.

Dr. Stringfellow resumes her presentation. In order to accomplish the reductions required to meet the School Committee's recommended budget for FY 2010-2011 the following will be eliminated from the Superintendent's budget for FY 2010-2011:

- \$10,000 - Substitute Custodian;
- \$100,000 - Pay as you go technology and maintenance reduction;
- \$20,000 - Maintenance Equipment Replacement;
- \$72,000 - Elementary Itinerant Consolidation;
- \$240,000 – 8 School Teacher Assistants/Clerks;
- \$74,000 - one Maintenance Position;
- \$141,000 - three Custodians;
- \$53,250 – 1 Central Office Clerk;
- \$80,000 – Professional Development Account Reduction;
- \$7,000 – Mentor Program Supplies;
- \$210,000 – Three FTE High School (Section Consolidation);
- \$77,785 – P- Account 10% Reduction;
- \$53,000 – Pupil Personnel Clerk;
- \$11,000 – Crossing Guards;
- \$40,000 – Reading Tutor Services;
- \$50,000 – Tuition Account Reduction;
- \$10,500 - HS Sports Invationals (transportation)

Total \$1,249,535

Discussion ensues relative to the additional budget reduction plan for FY 2010 as a result of the Governor's Supplemental Budget in the amount of \$95,000. The following accounts have been frozen in the current fiscal year: P-Accounts, Non-contractual substitutes, Professional Development that have not been initiated, and Reductions in Special Education tuitions based on current actual and length of time left in school year.

Discussion ensues relative to revenue concerns likely to impact current year. The Governor's FY 2011 budget assumes COLA benefit changes and for South Kingstown a \$458,000 reduction would have to be made to the recommended budget should the COLA benefit changes not be acted upon by the General Assembly. Also, in February the Rhode Island Department of Education announced a funding formula loss for South Kingstown in the amount of \$468,000 annually up to eight years for a total of \$3,843,206 with year nine and ten a little different. Should these two concerns become

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a reality South Kingstown would have to make a total reduction in the amount of \$926,000.

Other considerations that are the Town's loss of the 4th quarter motor vehicle tax for the current fiscal year; the loss of motor vehicle tax in FY 2011 in the amount of \$2,000,000; the loss of ARRA (grant) funds in FY 2012; the possible expiration of federal stabilization funds in FY 2012. The School Department recognizes their need to share the burden since 79% of the town budget is for the schools.

Discussion ensues relative to how the School Department will get the \$926,000 reduction, if needed. The following items cannot be reduced: salaries (contractual), advertising/media costs, health insurance, life insurance, dental insurance, retiree health/medical OPEB, teacher and MERS pension, FICA, unemployment benefits, workers' compensation, purchased services, rubbish disposal, water, telephone, sewage, transportation, liability and vehicles insurance, and gasoline, fuel & electricity.

Items that are eligible for consideration include the following staff: administrators, central office support, custodians/custodial roving crew, guidance counselors, HS section consolidation efficiencies, itinerant efficiencies, librarians, maintenance, reading/math coaches, pupil personnel clerks, school nurse teachers, teacher assistants/clerks, tech support, truant officer, substitute custodian.

The following sports, music, supplies and renovations are eligible for consideration: High School Sports, High School Sport Invitational and Transportation, Middle School Sports, Intramurals, Elementary Band, Elementary Orchestra, P-Accounts, Maintenance Equipment replacement, Pay as you go Technology and Maintenance.

The following programs are eligible for consideration: All Day Kindergarten, CARES, Club Advisors, Crossing Guards, Curriculum Work, ESP & ESY, Family & Community Engagement, Late Buses, Teacher Mentor Program, PBGR Coordinator, PD Funds, Reading Tutors, SMILE, Student Assistance Counselors, Therapist/Outside Evals, Tuition Category Reduction.

These eligible items are inclusive of items that have already been reduced in the \$1,200,000 reduction; being considered in the \$926,000 reduction planning, not yet being considered or have already been reduced and are being considered again.

Discussion ensues relative to three options being considered in creating a \$926,000 budget reduction. Possible changes to the revenue stream would create the need to choose one or more of the following options.

Option #1 is to reduce line items and would reduce the budget by \$468,000 from the following list of \$668,000:

1. Elimination of a floating Student Nurse Teacher in the amount of \$63,000;

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2. Elimination/Reduction of Elementary Orchestra in the amount of \$73,000;
3. Elimination/Reduction of Intramural Sports in the amount of \$30,000;
4. Shift funding of family/community engagement in the amount of \$40,000;
5. Elimination/Reduction of Student Assistant Counselor in the amount of \$58,000;
6. Reduction of Contracted Therapy Services in the amount of \$16,000;
7. Elimination of High School Librarian in the amount of \$66,000;
8. Elimination of one Administrator in the amount of \$120,000;
9. Elimination/Reduction of Middle School Sports in the amount of \$50,000;
10. Eliminate Extended School Year in the amount of \$11,000;
11. Eliminate/Reduce Custodians/Custodian Roving Crew \$101,000.

Option #2 Elementary School Consolidation would reduce the budget by \$488,321 from the following areas:

1. Reduction of Salary in the amount of \$473,061;
2. Reduction in operations in the amount of \$246,260
3. Increase in Transportation in the amount of \$126,000;
4. One time expenses in the amount of \$105,000.

Total net savings \$488,321.

Option #3 Elimination of All Day Kindergarten would reduce the budget by \$450,000 including salary and transportation; however it would impose a compounding expense of 300,000 in additional Charter School tuition.

Councilwoman Whaley asks about the transportation costs involved in eliminating the All Day Kindergarten and going back to half day Kindergarten. It is estimated at about \$63,000.

Councilwoman McEntee asks how many positions are included in the \$473,061 savings in salary for the Elementary School Consolidation? It is approximately 7 positions.

Councilman O'Neill asks if any of the reductions made to get to the School Committee's adopted budget are unfunded mandates. Bus monitors, School Nurse Teachers, anything associated with the proficiency based graduation requirements, private school buses, private school books are all unfunded mandates. The Superintendent will provide Councilman O'Neill with all unfunded mandates.

Councilman O'Neill asks what is the Basic Education Program. It is located on the Department of Education's website.

Councilwoman Eddy asks if some volunteers could be used to meet some of the requirements. Certified reading volunteers could be used. The School Department works closely with the University.

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Alan Lord, Finance Director comments that when he was trying to reconcile the state aid number there were some programs outside of the funding formula, one being group home aid which was worth about \$375,000: does that reduce the \$468,000?

John Ritchotte, School Business Manager responds the group home aid may be made outside of the funding formula which would make the exposure only about \$100,000.

The Town Manager discusses the implications of the Commissioner of Education recommended Education Aid Formula. The core instructional amount per student will be established in FY 2010-2011 at \$8,295. They are multiplying that amount by the number of students in the school district for the initial funding amount. The second component allows for additional funding per student eligible for free and reduced price lunch at 40% of the \$8,295 or \$3,318. In our case the total state aid comes out to be approximately \$31,000,000. The formula then takes the equalized assessment value of the community and factors in how much of that core cost should be reimbursed by the state. The equalize assessment value of the community is a complicated equation that takes the assessment value from three years ago or December 2006. What that means is we are taking the last revaluation when the rolls of the town increased by \$1,051,000,000 and receiving funding availability in the year when the roll is going down by \$855,000,000. The formula takes the full value of the December 2006 tax roll and increases it by the Town Median Family Income as a means of projecting South Kingstown Property Wealth. Property Wealth should not be adjusted by Median Family Income. The Formula uses a Poverty Driver factor based on Pre-K - 6th grade students on free and reduced price lunch or 18% for South Kingstown opposed to 88% for Providence. This factor provides communities with lower median family income values a higher proportionate share. Use of median family income and Pre-K - 6th free and reduced price lunch in the same formula underfunds higher income communities. The projected loss of state aid for South Kingstown is \$3,843,206 phased in over ten years with the first year loss being \$468,385.

Fred Frostic, School Committee member suggests that we request a Peer Review of the methodology used in establishing the proposed new school funding formula.

Scott Mueller, School Committee member expresses how impressed he is with the level of analysis in the Town Manager and Finance Director review of the proposed funding formula.

Rick Angeli, School Committee member states the House passed a resolution today requesting that the Commissioner get out into the communities and hold community forums around the state to answer questions in regard to the proposed funding formula.

The Town Manager states that our local legislative delegation needs to be educated on what the implications of the proposed funding formula are.

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Councilman O'Neill speaks in regard to Representative Angillo's bill in regard to a funding formula for schools. Representative Angillo's bill takes all the funding away from South Kingstown.

Scott Mueller, School Committee member states it is his understanding that Representative Angillo is waiting to see the Commissioner's proposed formula in determining whether she would accept it as a sub-article under her bill.

Dr. Mega, School Committee Chairman states that the School Committee needs to show how the proposed funding formula will impact education in South Kingstown. We need to project what the education system will look like in four years. The gauge will be student outcomes. The burden is upon us to show where student outcomes will be negatively affected.

Council President Fogarty states that some of the legislators have come forward and indicated that they would set up a meeting with the Commissioner. You can look at the numbers but the educational component has to be part of it also. Then go to the powers that be and explain the impact.

Councilwoman McEntee states that we are being evaluated on our achievement but on the other hand they are taking the money away so we can't achieve at that level. I can understand trying to get the under achieving school districts to another level but at the same time we need to maintain our level of achievement and the evaluation of the teachers and the administrators based on the student achievement and not have the funding to keep our levels up.

Dr. Mega, School Committee Chairman asks for an update from the Town Manager and Finance Director on OPEB and health insurance as it pertains to the School Department.

The Finance Director reports that as far as OPEB the study should be in shortly. The \$168,900 that the School Committee currently has budgeted will be sufficient and the \$170,000 budgeted for the FY 2010-2011. The unfunded liability will be going up but the fact that you had twenty-three retirees as of June 30, 2009 drove up the unfunded liability a little bit, but the \$168,900 is still the number as far as the annual contribution. The actuary says that there may be some volatility in the future so we need to be careful but for the next two years the \$168,900 will be locked in.

The Town Manager reports that the Auditor General issued a report as of today on municipal pensions and OPEB funding and we are one of only two communities that have established the OPEB Trust Fund and we are in the forefront in terms of being able to address those issues and meet the accounting standards that have been established for it.

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The Finance Director reports the budgeted amount for healthcare is at 10% for the School Department. The claims have increased: there are three claims two that are close to \$100,000 and one close to \$290,000 at this stage and two excess claims that are active but no cost hike from July 1, 2010. What the School Department has in the budget is sufficient but it is going to be very close. He is planning on a 10% increase in claims. In the current year claims are running about 11.5 % above what we had in the previous year. Last year's claims required a 15.5% increase on the school side. He is hoping that any overage in claims will be offset by the Delta Dental. Another thing that helped this year is that we have started to use some of the grant money for healthcare cost in the amount of \$100,000.

The West Bay Collaborative with the 9,000 members was able to go back to Blue Cross last year and March and renegotiate the administrative contract; at the time we were paying \$38.50 per employee per month and we were able to reduce that to \$28.00 per month. It saved the School Department \$82,000 in the current year and will save the School Department \$92,000 next year. In addition, we bid the stop loss: those savings are around \$90,000 of which the School Department gets about 70% or \$63,000.

Councilman O'Neill comments that there is a \$2,200,000,000 state deficit projected in the next five years. Some folks are hoping for an economic turnaround but those five years also include almost a compounding of the 3% growth and revenues to the state. It is the spread that is killing us especially when the stimulus goes away. The expenses are going much faster than any turnaround in the economy. The other comment is that the safety net part of the state budget is closing on 50% leaving state aid to education and pensions as the next two areas that the General Assembly is going to have to look at. There is no other money. Lastly we have lost \$850,000,000 in the tax roll. The average person has lost their equity position in their homes.

The following members of the community comment:

Raissa Mosher
Roland Benjamin
Bob Trager
Dr. Robert Hackey
Jonathan Daly-LaBelle
Michelle Little
Keith Vorhaben
Rob Cagnetta
Joe Livolsi
Eileen Riley
Rosemary Dionne
Carmilla Carmanazzior
Francis Crowley

Adjourn at 10:50 PM

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ADJOURNED,

Dale S. Holberton
Town Clerk