

**MINUTES OF THE BOARD OF TRUSTEES
SPECIAL MEETING/WORK SESSION
Pocatello/Chubbuck School District No. 25
Tuesday, April 13, 2010
Board Room at the Education Service Center
4:30 p.m.**

BOARD MEMBERS/SUPERINTENDENT PRESENT:

Marianne Donnelly, Chair	John Sargent, Member (Arrived at 5:46 p.m.)
Janie Gebhardt, Vice Chair	Jackie Cranor, Member
Frank Rash, Clerk	Mary M. Vagner, Superintendent

A Special Meeting/Work Session of the Board of Trustees of Pocatello/Chubbuck School District No. 25 was held on Tuesday, April 13, 2010 at 4:30 p.m. in the Board Room at the Education Service Center, 3115 Pole Line Road, Pocatello, Idaho, as provided in Section 33-510, Idaho Code;

Welcome, Call to Order, and Statement of Purpose:

Chair Donnelly welcomed everyone and called the meeting to order at 4:30 p.m. She introduced the PEA Executive Board, Negotiations Team, Budget Committee, Insurance Committee and the Labor Management Council Committee and the Administration. Chair Donnelly reviewed the addendum to the agenda. All Board members were in attendance. Mr. Sargent arrived at 5:46 p.m. Ms. Donnelly said the Special Meeting was held for the purpose of a Work Session for administration to discuss with the Board the following topics:

1. **Convene Meeting**
2. **State Legislature Wrap-Up/Spring Legislative Tour Workshop**
 - i. *School Funding Bill SB-1418*
 - ii. Legislative Intent Language
 - iii. Tracking of District Expenditures for 2010-11
 - iv. June – September 2010 Holdback 5.5% (\$2.75 million)
3. **Posting of School Transactions on Website HB-699 (Effective July 1, 2011)**
 - i. *Flexibility Regarding FTEs Shifted to Federal Funds and Use of School Plant Facilities Levy Funds SB-1422*
 - ii. *Trustee Terms Retroactive to January 1, 2010*
 1. Corrects the transition so that three trustees are elected at one time and two trustees at one time
 2. Makes this section retroactively effective to January 1, 2010
 3. Makes the section on the appointment of trustees retroactively effective to January 1, 2010
4. **Budget Reductions to Balance for 2009-10 and Previous Reductions to Meet Anticipated Holdbacks for 2009-10**
5. **District Request to City to Pay for Current District 25 Portion of School Resource Officers**
6. **Extra-Curricular Activities per Tiers of Self Funding**
7. **Roll Back to 2008-09 Pay Levels**
8. **Fund Balance Planning per Board Policy – Policy 5610 – Fiscal Management – Unappropriated General Fund Balance and Contingency Account**
9. **Revenue Projections for 2010-11**
 - i. *Unit Projection*
 - ii. *FTE Projection and Minimum Staffing Levels*
 - iii. *Reduction Projection*
10. **Presentation of Preliminary 2010-11 Budget Reductions to Meet Revenue Projections and Estimated Cost Increases (Status of Health Insurance Cost and Coverage for 2010-11)**

11. Timeline for Balancing Budget 2010-11

12. Anticipated Cost Increases for 2011-12

- i. *PERSI*
- ii. *Insurances*
- iii. *Utilities*
- iv. *Fuel*
- v. *ARRA Position Push-ins*
- vi. *Military Leaves*
- vii. *Contingency Shifts*
- viii. *TQ Budget Reduction 2011-12*
- ix. *Textbook Needs*
 1. Elementary Consumables

- x. *Idaho State Standards Conversion to National Standards 2011-12: Reading; Language Arts; Math*

13. Board Review of Negotiated Agreement Between the Board of Trustees of School District No. 25 and the Pocatello Education Association Contract by April 20, 2010

14. Tentative Upcoming Meeting Schedule

15. Public Comment

16. Any Further Board Direction

17. Adjourn

Ms. Vagner thanked the Board for adjusting the Work Session schedule. She said Mr. Sargent would arrive later. She said information would be presented relative to the outcomes of the 2010 legislature regarding education funding for the 2010-11 school year. She said the Board would be presented with the tracking of the budget, revenue and staffing for upcoming school year and what effect the cumulative reductions would have on instruction, students, staff, the community and the District's Vision and Mission. She said detailed reductions would be presented for the Board to consider and take action on at the April 27, 2010 Special Meeting. She said the reductions would change how the District serviced students for the next school year. She said the proposed reductions would adversely affect people. She said the District's administration had kept a close eye on the legislative process that came to a close in April. She said the educational budget proposed by the legislature involved substantial reductions. She said this would mean a 7.5% reduction in state funding in addition to a 5.5% holdback for the District that equaled \$6.9 million dollars. She said Districts had been instructed to plan for a holdback in June, 2010. She said the holdback would be a true holdback for schools as the state's rainy day funds were gone. She said the legislature had passed language that declared a state-wide financial emergency for all Districts unless they individually opted out of the emergency. She said the emergency status allowed for Districts to open contracts mid-year to adjust the amount of compensation and the length of contracts. She said the intent language eliminated the requirement of the District to hold a public hearing and the need to establish the prerequisites for meeting a statutory financial emergency. She said she believed it was necessary to review the concerns and issues associated with the declaration of a financial emergency and the District should hold a public hearing to seek input as to whether or not the District should opt in. She said it was important for the District to be transparent with its budget and to receive input as to possible solutions. She said the Board would review the upcoming meeting schedule that addressed the requirements of declaring a financial emergency should the Board declare a financial emergency as it prepared for reductions that would total 13% less than the previous year. She said for those reviewing the presentation all documents were posted on the District's website and would be found under School Board/Board Agendas/School Board Work Session.

State Legislature Wrap-Up/Spring Legislative Tour Workshop – *School Funding Bill SB-1418; Legislative Intent Language; Tracking of District Expenditures for 2010-11; June – September 2010 Holdback 5.5% (\$2.75 million); Posting of School Transactions on Website HB-699 (Effective July 1, 2011) Flexibility Regarding FTEs Shifted to Federal Funds and Use of School Plant Facilities Levy Funds SB-1422; Trustee Terms Retroactive to January 1, 2010; Corrects the transition so that three trustees are elected at one*

time and two trustees at one time; Makes this section retroactively effective to January 1, 2010; Makes the section on the appointment of trustees retroactively effective to January 1, 2010

Mr. Smart said he and Mr. Reed attended the Post Legislative tour the previous day and one of the things they talked about was SB-1418. He said he wanted to address the main points. He said the bill allocated \$1.5 billion to education which sounded like a lot but was actually down 7.5% from the previous year. He said any new money was put away for growth. He said Districts that did not have growth could have a larger decrease. He said there were 37 sections in the bill and he would only cover a few. He said Section 17 reduced base salaries by 4% for certified and classified personnel and 6.5% for administrative personnel. He said it also postponed payments for teachers that were receiving stipends for being nationally board certified. He said Section 20 was a catch all. He said in the past certain line items were marked for certain programs and the bill allowed those funds to be used for discretionary funds like the tobacco and lottery funds. He said the state sent a certain dollar amount per unit based on class size which was also used as discretionary funds. He said without some of the changes the reduction would have been around 32% instead of 14% so the impact had been reduced in certain budget areas. He said Section 22 clarified that Districts could not use the discretionary funds to augment salaries. He said Districts would be required to report to the State Superintendent Tom Luna as to how the discretionary funds were spent during the timeframe. He said administration was unsure of how that would be done but the state would come up with a process. He said Section 23 covered transportation being cut by 10% right away. He said Section 32 covered the previous year salary schedule being frozen for movement. He said it would be frozen again and would be off by 2 years for reimbursement. He said movement was important because it drove the index for salaries and the District was losing index. He said in addition to not giving experience credit the state would not allow any movement across for education. He said he did not know how this would play out on the salary schedule. He said transportation had taken another hit when they were told there would be no more reimbursement for approved school activities. He said the field trips that had already been taken would not be reimbursed. He said Section 34 declared a state-wide financial emergency for all Districts. He said some Districts were in a better position to take advantage of not having to meet the requirements of a statutory financial emergency, but the District would go through the motions to keep to the process in place. He said the items he covered were the main points of the bill that applied to the District. Mr. Reed said one of the buzz words for the next year was "so called discretionary" funding. He said the District would be required to track and report its discretionary funds the following year. He said the District received local and state funding and federal revenue. He said administration created spreadsheet to track discretionary expenditures that the state would require the District to report. He said the Districts local funding included the levy money and transportation reimbursement which was about \$7 million. He said all of those funds were unrestricted and could be used where needed. He said a portion of the state funding went towards salaries and benefits and the other portion were discretionary funds. He said there were \$17.5 million in state discretionary funds and \$39.7 million in the state salary and benefits funding. He said Federal revenue came from Medicaid and Grant funding. He said the District also had about \$7.5 million in its reserves. He said the reserves and appropriated funds could be spent how the district saw fit. He said fringes and supplies and equipment were discretionary. He said out of the \$17.5 million from the state the District spent about \$13.6 on salaries and benefits. He said the District was allocated \$39.5 million for salaries and benefits and spent more than \$50 million which meant the remaining funds spent on salaries and benefits needed to come from revenue or discretionary funds. He said the District had to use various funding areas to make up the additional \$13 million. Mr. Reed said projections were critical when planning the budget. He said if projections were not met it would affect the amount of the holdback. He said Districts would not be held harmless as they had been in the past as there were no more rainy day funds left. He said while there was no way to know if a 5.5% holdback would come the District still had to plan for it. He said in order to budget it would be necessary for the Districts to negotiate with the Union before contracts were signed. Mr. Smart said HB-699 was still in process. He said the bill covered transparency in regards to how Districts spent money. He said all the Districts in the state would be required to post its expenses online. He said Districts would be responsible to create a searchable database that was readily accessible to the public via internet. He said the database would include payroll, utilities and all other District expenditures. He said this would end up as a cost to the District for software and to pay someone to update the database. He said it would not be a requirement until December of 2011. Ms. Gebhardt said the last line of the bill said July 1, 2010. Mr. Reed said the date had been changed. Mr. Smart said a lot of the Districts did not have the

software capability to do it. He said administration would address the requirement at a later date. He said SB 1422 was an add-on to another bill from this year. He said it allowed Districts to move some of their FTE into federal funds. He said administration chose not to do this as those FTE would have to be moved back into the general fund in one year. He said the bill also gave flexibility to move up to 50% of its school plant facility funds into the general fund. He said the District would have to hold another election and the public would have to approve the shifting of funds with a 50% voter passage rate. He said the school plant facilities funds were already committed to projects and the funds for FY 2012 were dedicated to finishing the 6th grade move and other space issues. He said the shifting of funds was only possible for two years. Mr. Smart said there had been confusion about the transition timeline in Idaho Code relative to Trustee Elections. He said there were conflicting dates on the bill. He said the effective dates read January 1, 2011 and the bill was trying to affect elections in 2010. He said it had been determined that no elections would be held in 2010. He said the transition plan that had been presented to the Board in December was the schedule that had been passed by the legislature. He said Ms. Donnelly and Mr. Rash's terms would be extended by 1 year. He said they would serve through June, 2011. He said Mr. Sargent and Ms. Cranor would have 2 years added to their terms that would extend through 2012. He said Ms. Gebhardt's election was last year and would be extended through 2013. He said in 2013 a majority of the Trustees would be up for reelection. He said no elections would be held in 2010.

Budget Reductions to Balance for 2009-10 and Previous Reductions to Meet Anticipated Holdbacks for 2009-10

Mr. Reed said it was important to review the District's financial history and how the budget got to where it was. He said in 2009 in preparation for the 2009-10 school year the District prepared proposed reductions to make ends meet and reviewed the list of reductions. He said \$2.4 million had been reduced or frozen to balance the budget. He said this included remediation, holdbacks, appropriated funds and textbooks which totaled \$2.4 million. He said many of the cuts made were to supply budgets and textbook reductions. He said all employees across the board had taken a 1% salary reduction and some positions were shifted to federal revenue budgets which totaled about \$1 million. He said overall \$4 million had been cut from the budget to balance for the 2009-10 school year. He said after the District balanced its budget the state informed districts there would be another holdback. He said there was one in November 2009 and January 2010. He said this required the District to dig deeper into its budget. He said the ISAT budget, non reimbursable mileage for extra-curricular and field trips, supplies, and textbook funds were cut. He said \$900,000 was cut or eliminated in those categories. He said the District still needed to identify another \$82,000 from whatever remaining budget it could find. He said the District had to go back into supply budgets to make further cuts in addition to the cuts made the year before. He said the District had frozen the budget last year because it anticipated further cuts to the budget. He said the District had cut its budget as deeply as it could. He said the types of cuts the District would have to make would affect programs and kids. Mr. Reed said another change was that transportation would be reimbursed at 10% less for approved trips and also found out that current field trips would not be reimbursed which was unexpected. He said transportation was notified that some of the field trips already taken would not be reimbursed which meant \$15,000 would have to come out of the general fund. He said the District was pursuing various avenues to address the issue. He said the elimination of field trips was especially hard at the elementary level. He said as the District continued to balance its budget for the upcoming school year it would continue to address the issue and research solutions, such as outside funding. Ms. Vagner said Ms. Cranor, Dr. Mortensen and representatives from various PTA organizations met to discuss the issues and would continue to review the topic. She said the timing of the announcement to transportation had occurred at the end of March right before Spring Break and today's meeting was the first opportunity to discuss with the Board. She said it was the administration's recommendation to hold off on any further trips that would not be reimbursed. She said Dr. Mortensen would convene a workgroup that would look at possibilities from now until the end of year regarding self funding and equity issues, and another workgroup that would look into solutions for the long term. She said the District's ability to provide field trips for students had changed with the funding structure and a revised policy and procedure would need to be presented to the Board. She said administration would continue to look at ways to provide field trips that would be equitable at both the elementary and secondary level without incurring further costs to the District.

District Request to City to Pay for Current District 25 Portion of School Resource Officers

Mr. Reed said as further reductions became necessary it was critical to review the SRO component. He said they were an integral part of schools. He said SROs were essential in keeping schools safe and minimizing problems. He said as administration looked at the budget it was clear the District could not afford \$190,000 to maintain the SROs. He said Ms. Vagner communicated with the police chief for solutions to keep the SRO program in schools. He said the Police Department also felt strongly about the importance of the program and would do everything they could to keep the program going. He said the Police Department would not make any decisions on its budget until June. He said if the Police Department could not come up with enough funds the District would have SROs, just not as many, and the remaining SROs would share responsibilities.

Extra-Curricular Activities per Tiers of Self Funding

Mr. Reed said administration had worked closely with Mr. Devine on solutions for extra-curricular funding. He said extra-curricular was not only athletics and many students participated in extra-curricular programs. He said there were over 4,100 experiences in the District and there was extensive participation. He said the total costs came to \$1.13 million for the year. He said District collected and charged participation fees and collected around \$140,000 which equals 11% of the total cost to the District. He said administration had come up with different options for self funding at varying percentage levels to meet reductions. He said no decisions had been made at this time. He said funding levels could shift up or down depending on how the Board felt about the proposals. He said current participation fees would be increased and only yellow buses would be used. He said salary reductions would have to be made and equipment costs shifted. He said the proposed cuts would save around \$150,000 overall. He said if further cuts were needed the District could look at the elimination of Holt Arena and ACCIPs and charging gate fees for middle school activities which would save an additional \$150,000. He said shifting the funding of middle school activities to the city was also an option, which some programs were already supported by the city. He said at level 3 Assistant Coaches would be replaced with volunteers. He said the last level was a 100% reduction which was a pay-for-play plan. He said it would be a savings of \$1 million. He said one example of 100% self-funding was band with the total cost for the program being \$21,000 and 181 participants the cost per students at 100% would be \$120 per student. He said football was more expensive with a total cost of \$164,000 and 400 participants and would be \$416 per student. He said these were examples of what students would be required to pay if the District completely eliminated extra-curricular activities from its budget. He said the District was proposing the Level 2 option which was a 30% decrease in funding. Ms. Cranor asked if the level 4 was inclusive of the level 1 – 3 reductions. He said it was inclusive. He said there were other options the Board could look at like keeping the ACCIPs, but would need to assess an additional fee on top of student fees. He said for the most part the proposed costs included all aspects of the program but some did not. Ms. Vagner said the total cost for extra-curricular was about \$1 million and could be funded at varying levels. Mr. Reed said other districts were all over the board with extra-curricular fees and our District had a lower fee schedule than most. Ms. Vagner said there would likely be IHSAA game reductions in minor sports but there were 4 sports that would not be considered for reductions as they were revenue producing sports which included volleyball, football, and boys and girls basketball. She said there would be something posted the following day with the number of allowable events per sport. Ms. Cranor asked for clarification on the fee schedule included in the Post Register article. Mr. Reed said it listed the different schools in the area and the level of fees charged depending on how many sports a student was in. He said our District had been charging significantly less. He said fees would have to be increase and administration would recommend the amount after further discussion. He said the Board would provide direction. He said no one likes to consider this area. He said there were students that had the means but others would have a difficult time paying fees. He said all of the variables would have to be weighed and considered as the District moved forward with balancing the budget. Ms. Donnelly asked if the programs received support from activity fees. Mr. Reed said each school had its own account from money that was raised from activity fees and was allocated to various extra-curricular programs and clubs. He said this was in addition to the District funding. Ms. Donnelly asked it was a school function. Mr. Reed said it was. Mr. Rash said the Board would need to put a lot of thought into the decisions and DID NOT want to make any decisions with unforeseen consequences. He said some of them would be necessary. Mr. Reed said the District did not want to move towards 100% fundraising but said there was a need to decide what funds would be raised and what would be charged as a student fee. Ms.

Cranor said students currently held fundraisers to raise money for a good cause and now would have to have them to fund their education.

Roll Back to 2008-09 Pay Levels

Mr. Smart said as the District reviewed the budget, administration would have to keep in mind that the negotiated agreement from the previous year had a 1% reduction in salaries. He said the agreement had an appendix added that specified the 1% reduction would be removed at the end of the contract. He said salaries would have to be rolled back to the 2008-09 salary level. He said this would have to be kept in mind through the negotiations process. Ms. Cranor asked if this applied to the classified and administrative staff. Mr. Smart said those employees did not have negotiated contracts.

Fund Balance Planning per Board Policy – Policy 5610 – Fiscal Management – Unappropriated General Fund Balance and Contingency Account

Mr. Reed said the Board had adopted Policy 5610 – Fiscal Management – Unappropriated General Fund Balance and Contingency Account in 1991. He said the administration had talked about the unappropriated reserve and the policy specifies that the District will maintain a balance of 4% in the unappropriated account and 1% in the contingency account. He said the fund balance was established to absorb unpredicted shortfalls and make borrowing unnecessary. He said the Board had seen the importance of having that policy in place and had saved the District especially when going through a decline in enrollment. He said administration recommended the Board maintain the current policy. He said with both the reserve fund and contingency accounts the amount came to about \$3 million which seemed like a lot, but only covered 18 days of operations. He said if there was a significant shortfall in revenue and it endured for longer than expected the policy would be critical in maintaining operations.

Revenue Projections for 2010-11 – Unit Projection; FTE Projection and Minimum Staffing Levels; Reduction Projection

Mr. Smart reviewed the state distribution factor and said it was the state's way of giving districts discretionary funds. He said it has gone up and down over the last 10 years. He said there was no longer equalization. He said during good revenue years the governor said the revenues would continue to be maintained and therefore Districts did not need maintenance and operations budgets. Mr. Smart said the state was now back to funding discretionary expenditures at the level of 8 – 10 years ago. Ms. Donnelly noted it was even less than that. Mr. Smart said another problem was the state based salary schedule. He said it had fluctuated as well. He said for administrator's salaries it increased a little and then flattened out and in 2009 had a decrease of 5%. He said salaries had increased for classified and certified over 10 years but still had not kept up with inflation or where PERSI stated salary levels should be. He said those were the main items relating to state revenues. He said administration had a pretty good idea of where revenue would be in the upcoming year. He said local funding would be less than administration thought and earnings on investments would be down. He said that applied to anyone that had invested money receiving interest. He said local revenues would be down from \$150,000 to \$75,000. He said overall it was down about \$100,000. He said this was a decrease of \$3.6 million dollars. He said in 2011 the District anticipated having 590 units which was an increase of approximately 10 units from original estimates and would enable the District to hire additional teachers and would help with increased enrollment. He said entitlement would still be down by \$2 million. He said if there had not been an increase in units the loss would have been more. He said the state's salary apportionment and entitlement was down \$3.1 million but the overall the total support for the state would be down \$4.1 million. He said the letter the District had received notifying of additional holdbacks had increased from 5% to 5.5%. He said this was now close to \$7 million in reductions. He said 590 units generated enough FTE that the District could have units to hire, 4 to 4-1/4 new staff. He said as it was the District had fewer FTEs than it qualified for and the lack of FTE was in the administrative group. He said the District was under hired by .06 for 2010 in certified personnel and had to leave the .06 FTE funding with the state. He said if the District was able to hire, it did not make sense not to. He said the Varsity contract equaled about 17 FTEs. He said the District was trying to keep reimbursements as close as possible. He said with certain FTE the state would send the funding whether the District hired someone to fill the FTE or not. Mr. Sargent asked

when the District started using Varsity. Mr. Reed said about 10 or 12 years ago. Mr. Smart said they were contracted during a period of declining enrollment as a cost savings measure. Ms. Cranor asked what Varsity did for the District. Mr. Smart said Varsity did the deep cleaning for secondary after hours and was cheaper than utilizing the District's custodial staff.

Presentation of Preliminary 2010-11 Budget Reductions to Meet Revenue Projections and Estimated Cost Increases (Status of Health Insurance Cost and Coverage for 2010-11)

Ms. Vagner said she wanted to emphasize that reductions were at 7.5% level of state funding reductions and had been notified that Districts should prepare for an additional 5.5% holdback. She said if the total cuts were added up over a 12 month period it would come to just under 20% of revenue reductions, which was 1/5 of the District's budget. She said administration had presented the proposed reductions to the extra-curricular program and would need direction from the Board as to the level of reduction it would direct. She said the options presented were 15%, 30%, 40% or anywhere between 40% and 100%. She said the proposals were to provide a picture of what the savings would be and what programs would look like. She said the other direction item would be the fund balance and whether or not the Board would decide to go below the Board policy at 4% and 1%. She said administration recommended maintaining the policy. She said the final item for direction would be the level of salary reductions the District would face. She said the state did not offer any flexibility on use it or lose it. She said the District had no control over that funding. She said after discussion and public comment was finished there would be time to give direction. She said there were a lot of big decisions to be faced by the Board with a 13% reduction. She said the next time the Board convened would be the April 20, 2010 Regular Board Meeting and the Board would have the opportunity to provide any further direction and administration would come back to the Board again on April 27, 2010 for direction. She said the list of proposed reductions was still in process and needed further restructuring. She said the list should be complete by the April 27, 2010 Special Meeting. She said all the proposed reductions were as deep as the District could go and still stay within Board policy. She said Education Center supplies had been eliminated and the board travel budget had been shifted to TQ to allow Board members to attend the ISBA conference as an allowable training. She said administration had reduced its membership to the Chamber of Commerce and would only maintain a couple of memberships. She said other reductions included the following: the elimination of the Foster Grandparent Program; shifting League of Schools dues to the TQ budget; no general fund support for the Professional Technical program – only maintain the \$5,000 minimum for the federal match; college credit training shifted to TQ, elimination of field trips; removing Fast Forward in a number of schools, senior grandparent program elimination, vocational rehab training would not be guaranteed the same person, contract to maintain SASI would be eliminated after conversion, and early retirement reduced with no pay out this year. She said because of the District's focus on wellness, medical insurance costs would be reduced by 2%. She said the Insurance Committee met the month before and would report at the Regular Board meeting. She said changing the Kindergarten schedule would be a greater savings. She said the SROs had been discussed earlier and would wait for follow up in June. She said administration was looking into shuttles further and state law could allow for some options. She said textbook replacements would be almost totally eliminated along with supplies, travel and professional development. She said personnel reductions would include shifting expenses to TQ and the staff development piece could be re-written to include department heads as trainers. She said when the District had moved to a new classified salary schedule two years before to bring the classified salary schedule up to greater levels of equity but that was before the recession and the District could no longer support enhancing it. She said the administration calculated employee reductions with fewer hours and positions which covered the \$480,000 restructure across the District in all departments and functions. She said this would be brought to the Board at the April 27, 2010 Special Meeting. She said administration had identified \$5.3 million in reductions. She said administration needed to come up with a total of \$7.9 million and were getting close to identifying the remaining amount. She said the District lost the Safe and Drug Free Schools money that funded critical positions in dealing with at risk kids and recommended that support for those programs be maintained. She said technology funding was also eliminated but technicians were needed to maintain equipment and networking; some technology funding must be maintained. She said textbook support was almost completely eliminated and the funding that was left was minimal. She said with the reduction in insurance costs no reimbursement would be received from the VEBA Trust Fund. She said utilities costs had increased by 2%.

She said with the state's allocation to the District for FY 2011 the District was still short of meeting payroll. She said given the 7.5% reduction from the state and even with everything that was cut and frozen the District was still short of balancing the budget by \$700,000, and with an expected holdback of 5.5% it would be short \$2.9 million for a combined total of \$3.6 million. She said this left the Board with very few options to balance the budget. She said some of the remaining options included using the fund balance, cutting salaries and cutting the extra-curricular programs. She said administration would recommend a 6.9% pay reduction for all employees in order to balance the budget. She said a 1% reduction equaled over \$500,000. She said all the proposed reductions so far had included everything except salaries. She said administration would bring recommendations that balanced the budget but the Board would need to direct where the \$3.6 million would come from. Ms. Cranor asked if the 6.91% salary reduction would be for every employee. Ms. Vagner said it was recommended across the board. Ms. Vagner said it had been a very painful process over the past 3 months to identify the cuts and then administration received a letter directing another 5.5% holdback and everyone worked very hard to get there with minimal impact to people. She said administration recognized that people are program and they do the District's work of educating children. Ms. Cranor asked about the amount shown on the spreadsheet. Mr. Smart said it was just salary and payroll taxes. Ms. Vagner said one piece of good news was the reduction in health insurance costs as it was usually an increase. Mr. Smart said the insurance committee met to review premiums and in the past always had an increase. He said not having an increase was a godsend with the budget crisis the District was in. He said participating in the Wellness program and the District's health fair had paid off with a 2% decrease. He said this saved \$122,000. He said the amount was included in the list of reductions. He said the VEBA trust fund had been in place for many years but could not be used this year due to the decrease. Ms. Cranor asked what would happen with the anticipated 5.5% holdback if the economy showed an improvement. Ms. Vagner said administration would recommend the Board create an escrow or reserve account to keep the money that would be needed to meet the holdback and if it did not materialize some or all of the money would be redistributed to employees on a one-time stipend basis. She said if the District did not prepare for the holdback and one was ordered it would be more disastrous than holding the money in an escrow account for the rest of the year.

Timeline for Balancing Budget 2010-11

Mr. Smart said the timeline had changed with the financial emergency and more meetings would be added. He said administration still anticipated the budget hearing to be held June 15, 2010. He said Idaho Code required the District to have a budget in place 28 days prior to annual meeting. He said the financial emergency language only required 14 days but administration had the information far enough in advance that the regular deadline could be met. He said June 15, 2010 was the target date and the County had been notified. He said it could be postponed by 2 weeks if necessary as there was some flexibility with the financial emergency requirements. He said administration did not anticipate any major changes to the timeline.

Anticipated Cost Increases for 2011-12 – PERSI; Insurances; Utilities; Fuel; ARRA Position Push-ins; Military Leaves; Contingency Shifts; TQ Budget Reduction 2011-12; Textbook Needs – Elementary Consumables; Idaho State Standards Conversion to National Standards 2011-12: Reading; Language Arts; Math

Mr. Smart said administration needed to plan in advance for any increases for the 2011-12 school year. He said the District would no longer have ARRA funds and any permanent programs operated from those funds would need to go back into the general fund budget. He said some staff were paid for with ARRA funds. He said PERSI would go for a rate increase July 1, 2010 and the District would need to plan for that. He said administration did not have a projected cost increase for utilities or fuel at that point. He said fuel had already gone up and needed to be considered in projections. He said general funds had been shifted to TQ funds to cover a lot of general fund expenses that could no longer be supported. He said carryover from the budgets would be used for 2010-11 and administration would need to figure out how to balance the TQ budget for 2011-12. He said textbook budget had been cut for several years and the District had not been able to purchase as many as needed. He said administration would have to look at how it used consumables in the future. He said there very little left in the 2011-12 budgets for consumables. He said the Elementary Secondary Education Act would be an issue in 2014 when Districts would be required to have 100% of students meeting AYP in order to be eligible for funding. He

said that was important to keep in mind as administration budgeted for the upcoming school year. Ms. Cranor asked if the elimination of DWA/DMA was a savings to the District. Mr. Smart said it was a savings to the state, not to the District. Ms. Vagner said it would only save time in administering and reviewing the tests.

Board Review of Negotiated Agreement Between the Board of Trustees of School District No. 25 and the Pocatello Education Association Contract by April 20, 2010

Ms. Vagner said as administration began the meet and confer process it was important for the Board to review the contract within the week and would be helpful so there would be time for administration to consult if needed.

Tentative Upcoming Meeting Schedule

Ms. Vagner said the meeting schedule was tentative and some overlapped with Mr. Smart's budget timeline. She said the Governor signed the education funding bill and was effective March 31, 2010. She said Districts were not informed until a week later. She said administration originally anticipated it would become law on April 9, 2010 which was not the case before and moved the financial emergency timeline up by one week. She said all meetings were scheduled according to the financial emergency timeline if one should be declared. She said Student Discipline hearings were scheduled for the following evening and 5 were scheduled. She said April 20, 2010 was the Regular Board Meeting/Public Hearing on the budget and financial emergency. She said the Public Hearing would be convened, closed and the Regular Meeting would resume. She said there were Student Discipline Hearings scheduled for April 21, 2010 and a Special Meeting for action on reductions on April 27, 2010. She said Due Process Hearings were scheduled for May 4, 2010 with the Student Discipline hearings the following evening May 5, 2010. She said if any Due Process Hearings were requested then a Findings of Fact and Conclusions of Law meeting would be held the following Saturday, May 8, 2010 at 8:00 a.m. She said administrative contracts had to be issued by May 15, 2010. She said a Special Meeting was scheduled for May 11, 2010 and the Regular board Meeting was scheduled for May 18, 2010. She said Student Discipline Hearings were scheduled for May 19, 2010 and Due Process Hearings for May 25, 2010 in accordance with financial emergency and Findings of Fact the following Saturday, May 29, 2010. She said the Board would take action on Certificated Staffing on June 1, 2010. She said June 15, 2010 was the Regular Board Meeting for budget hearing and adoption and the July 20, 2010 was the Regular Board Meeting and reorganization. She said Ms. Johnson would work with the Board on availability for meetings.

Ms. Vagner said the actions of the 2010 legislature would have a direct effect on the District's ability to meet the Vision and Mission of the District as it had historically done. She said people in this District are program. She said people teach our children and people guide education to create a successful future for children. She said the administration had given its best effort to do everything it could to avoid any adverse impact to staff and students and were not able to escape adverse impacts. She said our children and staff would pay the price. She said it was important for the public to realize that our people are our most important resource as classified, certified and administrative personnel work directly with children and colleagues' and children would not have the same level of program as in the past. She said administration asked the community to support employees and children; that the District would do its best, but realized that children would not get the same support as the year before or this year. She said fees would need to be increased the next school year and supply costs would be expanded. She said it was very possible that students would be bringing reams of paper for classes to operate. She said in 22 years as a Superintendent she had never experienced a nearly 20% reduction in a 12 month period. She said it was unconscionable for the people of Idaho to live with. She said the future of the country was vested in how Districts invested in its children's education; and the children had been compromised by the legislature. She said the community needed to stand together against the actions of the legislature. She said a Public Meeting would be held in the Alameda Center Library on April 26, 2010 at 6:30 p.m. to build a coalition to stand before the legislature and let them know what is acceptable for public education and what is unacceptable. Ms. Cranor said it was very well said.

Public Comment

Steve Erlandson – On behalf of the PEA

Mr. Erlandson thanked the Board for its time. He said he was the Vice President of the PEA and would read a letter on behalf of Bill Davis. He said some of the comments during the evening addressed the issues in the letter, but he would read it as written because Mr. Davis was not in attendance. He said school districts were facing difficult decisions because the legislature had failed. He read the suggested ideas for the Board: 1. If the Board decided to declare a financial emergency, to please do so in a public meeting. He said thanks to legislature this action was not required but it was right. 2. If the Board should declare a financial emergency that it conduct public hearings as was required by law last year, especially if it pertained to salary reductions. He said he would like to remind Board members that they were elected by a broad constituency that included the community as well as District employees. He said the PEA expected the Board to consult with the administration but asked that they listen to other voices and ideas as well. He said the Board did not work for the administration that it worked for the people. He asked the Board that this year during the Interest Based Bargaining (IBB) process it would refrain from stating outcomes before negotiations had ended as it had the year before. He said last year there was an attempt to force the PEA into positions and felt it endangered the spirit of good faith bargaining. He said it was also not in the spirit of IBB to have an attorney at the table. He thanked the Board for its consideration of the requests. He said the challenges the District faced in these times could be faced with respect those involved could move ahead together. Chair Donnelly thanked Mr. Erlandson for reading the letter. Ms. Vagner concluded by saying there was a discussion that afternoon with representatives from the PTA's who had provided written discussion for Board to read on their own time regarding field trips.

Any Further Board Direction

Chair Donnelly had no further direction at the time of the meeting.

Adjourn

The Board adjourned the Work Session at 6:45 p.m.

APPROVED ON:

BY:

Chair

ATTESTED BY:

Clerk

MINUTES PREPARED BY:

Secretary, Board of Trustees