

SCHOOL COMMITTEE MEETING

WEDNESDAY, DECEMBER 6, 2006

WILLIAM A. BRIGGS BUILDING (REED CONFERENCE ROOM)

845 PARK AVENUE

EXECUTIVE SESSION: 5:00 P.M.

PUBLIC SESSION: IMMEDIATELY FOLLOWING

PUBLIC WORK SESSION: 6:00 P.M.

**PLEASE NOTE THE CHANGE IN DATE FOR THIS WORK SESSION:
THE REGULARLY SCHEDULED WORK SESSION DATE WAS
DECEMBER 13, 2006. THE SCHOOL COMMITTEE IS NOW MEETING
ON WEDNESDAY, DECEMBER 6TH.**

MINUTES

A special meeting of the Cranston School Committee was held on the evening of the above date at the William A. Briggs Building in the Reed Conference Room with the following members present: Mr. Archetto, Mrs. Greifer, Ms. Iannazzi (arrived at 5:20 p.m.), Mr. Lupino, Mr. Stycos, and Mr. Traficante. Mr. Palumbo was absent due to illness. Also present were Mr. Balducci and Mr. Votto. Mr. Scherza was attending a conference, and Mr. Nero was recuperating from surgery.

The meeting was called to order at 5:12 p.m. It was moved by Mrs. Greifer, seconded by Mr. Traficante and unanimously carried that the members adjourn to Executive Session pursuant to RI State Law 42-46-5(a)(1) and contract and litigation pursuant to RI State Law 42-46-5(a)(2).

Mr. Lupino, acting Chair, reconvened the meeting at 6:00 p.m.

The roll was called.

I. Executive Session Minutes Sealed – December 6, 2006

Moved by Mrs. Greifer, seconded by Mr. Traficante and unanimously carried that the December 6, 2006 Executive Session minutes remain confidential.

II. Adjourn to Public Work Session

Moved by Mrs. Greifer, seconded by Ms. Iannazzi and unanimously carried that the meeting be adjourned to the public work session.

There being no further business to come before the meeting, it was adjourned to the work session at 6:02 p.m.

1. Preparation for Omnibus Meeting with City Council

Mr. Balducci had previously given to the School Committee an analysis of the school department over a three-year period. A copy is attached for the record. He stated that this is the same format he has used in the past to discuss the district's obligations three years out under the Omnibus state statute. Mr. Balducci prefaced his remarks regarding the revenues by stating that the figures FY 2006-2007 are before Budget Revision One. It is the actual budget figures, and it ties into the city approved budget which is the \$124 million. He noted that the analysis lists all of the revenue sources the district receives.

With regard to State Aid, Mr. Balducci noted that he leveled State Aid across the board. The State is projecting a \$100 million plus deficit this year. He believes this will be a major factor in how they address future school funding from here on out. Therefore, the \$35 million was left alone.

With regard to Medicaid Reimbursement, the two components, the \$1.6 million and \$300,000 were left alone. Mr. Balducci indicated that he believed this committee had received enough publication from him talking about those two sources of revenue and whether or not the school districts will be able to sustain that revenue source going forward. Mr. Lupino noted that Mr. Balducci had level funded it and asked if there was a chance that it may be decreased, and Mr.

Balducci responded that it could be eliminated. Mr. Traficante added that the \$300,000 is in danger of being eliminated. He noted that he had written a letter on behalf of the School Committee discussing this \$300,000 issue.

With regard to the Prior Year Carryover, Mr. Balducci stated that the district used \$531,000 from 05-06 into 06-07 as one of the balancing factors to balance this year's budget. Not knowing what future years' surpluses will be, they are 0 three years out.

The Athletic Program's projected revenue is \$29,000, the Alternative Education Program is \$65,000, both of which are being level funded across the board. Vocational School Tuition is \$1,750,000 for this year, and this is an area where Mr. Balducci has forecasted an increase. It is not based on the increase of out-of-district students attending the vocational school. It is based on the tuition rates on a yearly basis where there are tuition rate increases because their expenses do increase from one year to the next. He forecasted a 4% increase each year; that is what it has been averaging each year, and he felt comfortable conservatively showing the 4% increase in that category.

Mr. Lupino asked Mr. Balducci to convey to Mr. Scherza that in his State of the Schools' Address one of the factors is the fact that the state is looking at all of the vocational programs and how this would affect what they are talking about. They have been

discussing taking over some of the schools and changing the curricula at some of the schools and at the same time if the district doesn't get the tuition would the district realize a savings on the other side because the students are not being educated here.

Mr. Archetto left the work session at 6:08 p.m.

Mr. Traficante referred to the \$1.8 million and asked if this was the number necessary to run the school with faculty, etc, and Mr. Balducci responded that the amount was just a revenue component from outside sources. The district does subsidize, and it is approximately \$200,000 to \$250,000. To operate the vocational school, it costs approximately \$2 million plus of which the district gets \$1.7 million from outside districts. The district is not subsidizing students from other communities. Mr. Lupino asked the committee to keep in mind that these students are not in the vocational school all day long. The offset is that they are in regular education the rest of the day, and this is part of what they are talking about. They are seeing too much of what he has seen in the past. There are high track students taking Robotics because it is offered in the vocational school, and it becomes an issue. Mr. Stycos asked if the district was charging an appropriate amount for the tuition, and Mr. Balducci responded that they were.

With regard to Miscellaneous Revenues, the \$280,000 is level funded each of the years. The assumptions he is using for each of the revenue categories is listed at the bottom of the report.

With regard to City Appropriation, this is the lion's share of the budget. This year the district will receive \$84 million to fund their budget next year of approximately \$134 million. The district will be asking the City for approximately \$94 million, and the 12.3% increase is the increase from this year to next year. The \$8.6 million is the following year to the year after, and so on.

Mr. Balducci commented that at best these were rough estimates. Administration is in the beginning phases of compiling all the information that the committee will be receiving in January. These are his best educated assumptions or guesses. He will indicate this to the City Council on December 12th. He doesn't want these numbers to be hard facts and people getting nervous over these numbers.

Mr. Stycos referred to the new law that limits the amount the district's budget can increase each year and asked if the limit was on the total budget or the city appropriation. Ms. Iannazzi noted that the law was not applicable until 2010. Mr. Traficante commented that the cap could not exceed 5.25% next year on the tax revenue.

Mr. Balducci referred to the expenditures sheet and noted that he had listed the six major areas the school district reports on. He referred to the assumptions page and explained that for 2007-2008 the district will be paying a 3.5% raise, step increases, factoring in ten teacher retirements, and all other non-contractual payroll accounts which include overtime, athletics, and substitutes are being calculated at 3% across the board. There are similar assumptions in years two and three. With regard to contracts, the teacher contract expires next year, and he used an estimated 3% raise.

Mr. Balducci referred to the budget assumptions for benefits and noted that he had estimated a 10% increase in health and dental benefits, and 12% increase in certified pension contributions. He added that he had already received his bill from the State Retirement System. He knows already what Cranston will be paying for certified teachers next year. FICA and Medicare are based on payroll, and it is a factor of it. There is a 10% increase in Workers Compensation Insurance, and a 3% increase across the board for all other benefits.

With regard to the health benefits, Mr. Stycos stated that the health account was cut by \$1.2 million under what Blue Cross projected. He asked Mr. Balducci if this was 10% on top of the number that Blue

Cross recommended. Mr. Balducci responded that in his calculations he added back the \$1.2 million to the budget and then moved it forward 10%.

Mr. Balducci referred to the purchased services category. He noted that the lion's share of money spent in this area is for special education outside tuitions. History has shown that the cost of the tuition rate from the outside agencies to Cranston Public Schools on average has gone up between a low of 3% to a high of 10% so he was using 8% as a tuition increase. This does not factor in any additional students coming on the roster but does factor in students who will be graduating from the program that the district will not have to pay for. Mr. Traficante asked Mr. Balducci if he factored in any savings from Horton, and Mr. Balducci responded that he had not. Administration is still trying to get their arms around that program. Another category under purchased services is asset protection, and administration is budgeting \$150,000 for each of the next three years. This has been one of the areas the city has been gracious enough to pay for out of a capital related fund. The district has been able to remove the expense from their side of the budget, and they have picked up the tab at City Hall. Not knowing if this is going to happen again, he is budgeting the money. He will have further discussions with Mr. Zisseron as they craft next year's budget. He is using the amount of \$150,000, but it may come in at \$200,000 as actual budget dollars.

Mr. Stycos referred to the city appropriation money that appeared on

the revenue page and asked if it included the other items paid for by the City. Mr. Balducci indicated that it was not included. He explained that it is a separate fund separate and apart from city tax dollars. This year it is approximately \$706,000. It includes asset protection, text

Page 5 December 6, 2006

books, and plant and maintenance vehicles. Mr. Stycos asked if the \$84 million included the \$700,000, and Mr. Balducci stated that it did not.

Mr. Balducci referred to the textbooks and supplies budget assumptions. He stated that next year is year two of the district's obligation to pay for the reading series. This was the first year that the district paid \$350,000 with the publisher, and next year is the second half of the payment. This is one of the categories the city is paying for this year, and hopefully if all goes well he will be able to remove it from the budget next year. Right now the school department will be paying the bill.

Mr. Balducci referred to the annual order allocation, and that is the amount of money supplied to the schools for all their consumable textbooks, paper, pens, etc. He is using a 3% increase over what the vendors are charging this year. He is using 3% for years 2008-2009 and 2009-2010.

Mr. Balducci referred to the capital outlay page of the document. He noted that there is a lease obligation schedule that the district is obligated to pay from one year to the next. He factored in the obligations for each year. One of the items is the annual order money set aside for the schools to buy copiers, etc., and this is a 3% increase. The lease obligation is for musical instruments and portable classrooms. He added that the district is pretty much done with the buses; there may be a very small payment next year; and they are soon to be done with the portables. The district just began a new lease with musical instruments. Under capital outlay, there is \$100,000 for transportation equipment, \$100,000 in plant equipment, and \$150,000 in technology equipment. The City picked up the tab for the transportation equipment and plant equipment this year. Again, not knowing what will take place, he is identifying those expenditures on the district's side of the ledger. Regarding the \$150,000 in technology equipment monies, in this year's budget the committee adopted \$189,000 for new labs and replacement of older labs with new computers. Administration would like to continue that trend. At a minimum, they are asking for \$150,000 in this category for the next three years.

Mr. Balducci referred to other costs under budget assumptions. This includes teachers returning from leave. This is an adjustment administration makes for teachers who are currently on an unpaid leave of absence and have a right to come back to their job that they

left. There may be a step one teacher now teaching this particular classroom, and when that teacher comes back from leave, he or she may be a top step teacher. He has to readjust the budget upward because of that teacher coming back on staff. He has factored in an estimated cost based on the number of teachers eligible to come back. The other 3% increase is for insurance related items and conferences.

Page 6 December 6, 2006

Mr. Balducci referred back to the revenue page and noted that he is projecting an 8% increase in the bottom line revenue down to a 6% increase in years two and three. He mentioned that this is taking the existing program and existing staff and moving them forward two years. This is not adding any new programs; it is not deleting any programs; everything is status quo. The Middle School Committee and administration have been discussing the middle school concept, and that committee will be presenting a cost estimate which has not been factored into this as of yet. That will have to be considered when the official budget is prepared for next year.

Mr. Traficante referred to the vocational school monies and asked if the student enrollment was projected as being status quo. Mr.

Balducci responded that there could be an increase in the tuition rate because the per-pupil expenditure goes up. Mr. Lupino asked if the Personnel Office keeps a record as to how many teachers have maximized their eligibility retirement. Mr. Votto indicated that it was very easy to determine what level the teachers are at in terms of maximization of that time for those teachers who have been in Cranston since the beginning. It is difficult for those teachers the district has hired who came from another district. The seniority list is based upon the hiring date in Cranston. He could do an analysis by going back to the application. Mr. Lupino would like those teachers who have been here since the beginning. Mr. Votto noted that 60% of the teachers are at top step, but that means they have been a teacher for at least eleven years. He can run a report for those teachers who have between 28 and 35 years of service. This would give the number of teachers who could potentially retire. There are at least twelve who have surpassed the 35 years and really working for nothing as far as the retirement system. Mr. Stycos asked what number is being used for teacher retirement savings, and Mr. Balducci responded that the amount is approximately \$30,000 for each teacher.

Mr. Balducci referred back to the revenue page of the document for state aid. He explained that this year the district received a \$1.3 million increase over last year and commented that he didn't know if the district would receive it again next year. Hopefully the district will have a state aid figure by the time the budget process is completed in June.

Mr. Stycos asked if the salary number included any new positions, and Mr. Balducci indicated that it did not. He went on to say that as part of the budget process, a memo is generated from Mr. Nero's office to the schools asking for their personnel requests. That deadline was last week, so administration is in the process of looking at those requests. Mr. Scherza will make a decision as to what he feels comfortable with as Superintendent if any new positions are to be added to the budget.

Mr. Balducci indicated that this document will be given to the Cranston City Council at the Omnibus meeting on December 12. Mayor Laffey and Mayor-elect Napolitano will receive a copy as well.

Page 7 December 6, 2006

Mr. Balducci explained that the city's obligation under the state statute is that they are supposed to discuss revenue and tax levy and what they feel the growth will be in that category over three years. The State of Rhode Island is supposed to attend this meeting as well as bringing to the table what they believe state aid is going to be for the next three years. However, the state never appears at these meetings.

Mr. Lupino noted that the budget process is done backwards. The districts should know their state aid figure before the budget process

starts.

2. Status of \$1.2 Million Deficit in School Budget FY 06-07

Mr. Balducci distributed a memo to the committee regarding the deficit. He explained that he identified several areas where he believed the district can make up some ground. The areas he has addressed are based on actual activity through the month of November. Given that there are seven additional months to deal with, any of these potential savings he has addressed may be needed to cover shortfalls in other areas that may arise between now and June 30th.

Mr. Balducci explained that he had to adjust the health account down by \$1,182,000. He identified areas for projected budget savings.

Mr. Balducci referred to the health and dental claims and noted that because the district is self-insured, their arrangement with the carriers is such that the district pays its actual claims and pays an administrative fee for each of the carriers to administer the plans. On a weekly basis, he keeps track of what the district spends in claims this week for 2006 and compares it to the same week in 2005 to note the trends. He was happy to report that the district is actually trending less than actually spent in actual claims last year for the same period in the amount of \$504,000. If this trend continues for the

year, it would amount to over \$1 million, and this issue would be gone; however, he can't assume that at the present time.

Mr. Lupino asked if the district ever reports to its employees what an MRI costs, and Mr. Balducci responded that he was not aware of that happening. Mr. Lupino commented that all too often a doctor may order a test that the patient may have the option of thinking it isn't necessary. He asked if costs are ever published, and Mr. Votto noted that the cost is different depending upon where the employee goes for the MRI; it is not a universal charge. He felt that the employees really wouldn't care because it is their health care plan; and they are paying a cost share for it. The district has a push on right now to change people into buying generic drugs. He did a mailing today to all Blue Cross employees to get them to think about purchasing generic medication. The district has picked certain areas in which to do this. The district is also finding ways for the

Page 8 December 6, 2006

employees as well as the district to save money. The driving force behind generic drugs is saving money.

Mrs. Tocco-Greenaway indicated that with her federal Blue Cross she has to take a generic if it is available and if it is a good fit because some generics vary. If she wants to purchase a non-generic, she has

to pay the difference. She asked if there was something similar to this in place in the school district's plan. Mr. Votto responded that with the plan that is presently in place there is no requirement for generic medication. The price of the regular medication drives the employee into generic medication. The district is not quite there yet, and the co-share of a brand-name drug is \$15.00. Administration doesn't feel that it is high enough to drive people in great numbers to a generic price of \$5.00. With this program just introduced, if the employees go into generic, they won't have to pay a co-pay for one year. Mr. Balducci added that it makes sense to waive the cost sharing because the difference in price between the generic and the name brand is much greater.

Mr. Stycos asked where the savings in health benefits are, and Mr. Balducci responded that Mrs. Park receives the detail behind each week's bill. He added that he will address it with Mr. Walsh. Mrs. Greifer indicated that she had asked Mr. Walsh how much experience the district had to have with the plan changes, and he said that the district was there now. She felt that the district could ask for an analysis after the beginning of the new year to see if it is working. Mr. Balducci further commented that his analysis is broken down by carrier -- Blue Cross, United Health, and Delta Dental. With regard to United Health, for the month of October, he was seeing large reductions in weekly expenditures with the United population. He indicated that he didn't know why. Last year for the month of October he spent \$120,000 for one week, and this year it was \$60,000 for the

same week. It is all three categories meaning health and dental where he is seeking reductions in claims across the board.

Mr. Balducci referred to the IBNR which means incurred but not reported claims. He explained that because the district is self-insured they have to carry a liability on their books so when all the claims that are out there have been processed by Blue Cross hit his books he has to have a large enough reserve sitting there waiting to pay off those claims. That is based on information he receives from the carrier and industry trends. As an example, when he closed the books last year for 05-06, he had almost \$2.1 million of a reserve sitting on the books for that obligation. Not knowing whether or not that is enough, Mr. Walsh in cooperation with the carriers will arrive at what they feel the number should be. The good news is that it should be only \$1.8 million. Every year he budgets a \$200,000 piece in the health budget to accommodate what he feels will be an increase every year. \$200,000 is sitting in this year's budget that he won't need because he is already \$200,000 to the good at the end of last year. Even if it goes up \$200,000 at the end of this year, he doesn't need to make a year-end adjustment by

Page 9 December 6, 2006

picking up an additional \$200,000 expense; that is free money right now. He has identified it as a source to help close the gap.

Mr. Stycos referred back to the projected budget savings for health and dental claims in the amount of \$504,000 and asked if this was the amount that the district was below last year's spending as of November 30, 2006 or if it was projecting it out if that trend continues.

Mr. Balducci responded that the amount is through November 30, 2006. Mr. Stycos remarked that if the district spent as much as last year for the remaining seven months they would still be \$500,000 to the good. Mr. Balducci added that he was comfortable identifying only the \$500,000. Mr. Lupino asked if the district's experience was reasonable, and Mr. Balducci said that it was. It will pick up over the next month because of colds and flu. Mr. Stycos asked if the district had received a letter from Blue Cross regarding the IBNR obligations, and he responded that he had received a letter. He further commented that he was in no position to identify what the amount would be. Mr. Walsh, the district's health care consultant, has a conversation with the underwriting department of each of the carriers, and they determine what they believe the owner of this plan should set aside in dollars to accommodate that potential liability that is out there. He has the amount for the external auditors when they come in. He is giving them outside evidence, and they are comfortable with it. Mr. Stycos requested a copy of this letter.

Mr. Balducci referred to the category of special education outside tuitions and noted a reduction of \$200,000. He stated that one of the outside students attends the Perkins School for the Blind in

Massachusetts. That tuition will cost the district if the student stays there for the entire school year approximately \$197,000. He has been successful in approaching the State of Rhode Island for the past two years asking them to reimburse the district the lion's share of that expense. Because it is a very expensive out-of-district placement, the State treats it as an extraordinary cost that should not be absorbed by the district. He petitions the State, and they make whatever adjustment they need to make and gives this district some of the money. The district has a per-pupil cost for special education purposes which is approximately \$35,000 for this year. They take the \$197,000 minus the \$35,000 and send this district the difference. He is using \$150,000 hopefully as a check coming in the door soon. The district's budget is built on actual placements plus pending placements. They are placements in the hopper where the district is trying to find a placement to suit their needs. At a minimum, he believes the district can save another \$50,000, and that is where the \$200,000 is coming from. He added that he had already factored in the savings for Horton School in the budget process at the beginning.

He adjusted the outside tuition account down by \$200,000. Mr. Stycos asked if the \$200,000 savings would be achieved through Horton School, and Mr. Balducci responded that they are still working on it. He did not have an estimate at this time. Mr. Traficante commented that the building is pretty much ready to go. Mrs. Greifer stated that she attended the Special Education Parent Advisory

Board meeting, and this subject was brought up. They are looking to bring back ten, five at each level. Once they get up to speed, they are looking to double that number.

Mr. Balducci referred to the district level reserve accounts which refers back to the annual order process. The district budgets approximately \$1 million, \$750,000 of which is divided among the schools to spend for classroom supplies, etc. Administration holds back \$250,000 to accommodate emergencies that come up during the year. If a school doesn't have enough money to replace a copier, this money is used for those purposes. The goods news is that he has not had to dip into the \$250,000. He feels comfortable at this point to set aside \$100,000 and not use it for the remainder of the school year to offset the deficit. This leaves approximately \$150,000 to be used for emergencies for the next seven months. If it isn't used, they can decide how it will be used at the end of the year.

Mr. Balducci referred to the prior year (2005-2006) surplus. He mentioned that this figure is unaudited. He recently received a draft copy of the audited financial statements for the last fiscal year, and he believed the \$140,000 figure will be right on target. This is the unreserved, undesignated prior year's surplus. Similar to how the committee handled the 04-05 surplus in bringing it forward as a revenue source this year as a balancing item to balance out this

school year, they will have on the books \$140,000 that he has not designated for any specific purpose. It is money that is available that can be used for future years for whatever reason. He is identifying it as a potential revenue source to offset the deficit. It is not a total cumulative surplus. The overall surplus last year was approximately \$500,000. He will be coming to the committee asking them how to use that \$500,000. There are two set aside accounts. One of the set asides is a reserve for health purposes. At the present time, it is \$136,000. It was \$250,000, but two years ago he had to dip into it because he had to balance the health budget. He wants to get it back up to \$250,000. He wants to put back approximately \$114,000 of the \$500,000 back into the reserve account. He noted that there was a \$450,000 surplus that was the reserve for future budgets that was used to budget this year's budget, and this leaves nothing in that reserve. He wants to put back \$250,000 in that reserve to offset future bad budget years. After those two recommendations, there is a balance of \$140,000 that is undesignated, unreserved, and can be used for anything. Mr. Traficante commented that in essence this surplus of \$140,000 is the cumulative balance. Mr. Balducci mentioned that for a district this large a \$140,000 undesignated surplus is nothing. Using all of those items, the district has a \$38,000 deficit as of November 30, 2006. He mentioned that this amount is as of November and cautioned the committee to stay tuned.

Mr. Traficante asked Mr. Balducci when he would have his next trend prepared to determine how the district is doing, and Mr. Balducci

responded that it would be in line with the second budget revision which will be in March. He will be coming out of the winter months with regard to utilities, plant and transportation, and he will have eight to

Page 11 December 6, 2006

nine months' experience with health care. The IBNR won't change, and he was pretty confident regarding the special education tuition; he felt they could save \$100,000 on the district level reserves. The only area of concern is whether or not the trend continues for health and if he has to use the surplus dollars anywhere else in the budget. There was a lengthy conversation regarding surpluses in other districts throughout the state.

Mr. Stycos mentioned the \$200,000 to \$300,000 in the budget for energy savings and asked if there was any indication that the district was achieving those savings. Mr. Balducci said that as of now he had no indication of savings. The organization will be doing a formal presentation to the committee in the spring. They have been working with Karen Verrengia, the Energy Manager. One of the consultants came in today to meet with her. The district is moving forward and making changes. Administration will know better in March. He mentioned that a letter was sent to all vending machine companies asking them to turn off the light in the front of their vending machines because they are using energy. All the companies have been

cooperative by removing the balusters in the front of the machines. A sign has been placed on the machines that they are in working order. The district is looking at turning off the computers at night to save money. Space heaters can't be used in any of the buildings.

Mrs. Tocco-Greenaway asked Mr. Votto that with the new step increase if he had costed out exactly what it will cost. Mr. Votto responded that those who are close to retirement are not getting a step; they are already at top step. They will get the raise only. Those ready for retirement have to make the decision whether or not they want to stay on for the third raise of the contract. Mr. Balducci added that on an average step increases each year in prior years have amounted to approximately \$1.3 million to \$1.7 million of the annual increase in salary. The raise component has to be added to that. Salary may go up \$4.5 million, and \$1.5 million may be steps, and \$3 million may be a 3.5% or 4% raise.

Moved by Mrs. Greifer, seconded by Ms. Iannazzi and unanimously carried that the Work Session be adjourned.

There being no further business to come before the Work Session, it was adjourned at 7:05 p.m.

Respectfully submitted,

Anthony J. Lupino
Clerk