

**Minutes of Budget Advisory Committee Meeting
March 11, 2019**

Attendees:

Valerie Henning Piedmonte, Superintendent

Victor Karlsson, Assistant Superintendent for Finance & Operations

Kathy Keane, Secretary to Assistant Superintendent for Finance & Operations

Kristin Cacal

Kerry Cunningham

Rebecca Hegenauer

Connie Hussey

Ann Marie Kovaleski

Nora Mannuccia

Carrie O'Connell

Chris Palizza

Francine Santos

Scott Seaman

Christine Zirkelbach

Absent: Karen Bridges, Jamie Callanan, Annette Gabriel, Michelle Gosh, Bryan Horn, Eric Larca, Jennifer Lynch, Sonia Mesika, Caren Marotta

-The meeting began at 6:35pm.

-Mr. Karlsson thanked the members for committing the time to assist the District in explaining the budget to the community. He reviewed the Charter and reaffirmed the Committee's role as being advisory in nature, and reiterated that the Committee cannot make decisions on behalf of the Board of Education. Instead, the Committee can, and should, make recommendations to the Board based on what is discussed in the Committee meetings.

-The Committee has two remaining meetings: April 8th, which will focus on increasing transparency, and May 8th, which will focus on increasing voter turnout.

-This meeting's objective is to understand the importance of utilizing the full capacity of the "Tax Cap". Mr. Karlsson requested that a member of the Committee attend the March 12th Board meeting to present a recommendation and/or a recap of tonight's meeting. Dr. Henning-Piedmonte suggested that 2-3 people could represent the Committee. Scott Seaman and Christine Zirkelbach agreed to attend and represent the Budget Advisory Committee.

-Mr. Karlsson stated that it would be helpful to develop 2-3 relevant points to be conveyed to the Board at the March 12th meeting.

-Next, Mr. Karlsson began the discussion on understanding the importance of utilizing the full potential of the "Tax Cap". The projected "Tax Cap" for the 2019-20 budget is 4.06%. The "Tax Cap" is a prescribed formula created eight years ago and applies to all school districts throughout New York State. However, there are factors unique to each school district which play a part in determining each school districts' individual "Tax Cap" figure.

-The Tax Base Growth Factor is what will most significantly affect Brewster's "Tax Cap" for 2019-20. This was reviewed in detail at the February 26th Board of Education meeting. It measures growth in the tax base due to significant additions to existing properties and/or brand new construction. For example, if a commercial business built an extension (Ace Endico), that increases the Tax Base Growth Factor. Another example is the Algonquin Natural Gas Transmission Company, which constructed a new building that significantly increased the Tax Base Growth Factor. This information is reported by the Assessors Office of each Town (Southeast, Patterson, and Carmel) to New York State, where it is analyzed. The State then reports to each school district their unique Tax Base Growth Factor. This "Tax Cap" component alone is increasing Brewster's "Tax Cap" by 1.7%. The other components are: the "Allowable Growth Factor" (Consumer Price Index [CPI]), which is increasing it by 2%, and the Capital Exclusion which is related to construction debt, net of Building Aid, which is increasing it by 0.4%.

-The District has an opportunity to restore and build instructional programs because of the Tax Base Growth Factor. Moreover, the commercial properties within the District will be absorbing the majority of the increase for which they are responsible for creating (by virtue of the Tax Base Growth Factor). Per conversation with the Assessor's Office, there were significant increases in the Assessed Values of the following commercial properties:

- Ace Endico: addition to existing building
- Algonquin Natural Gas Transmission Company: new building
- Brewster Honda: addition to existing building & new building

-In continuing the development of the budget for next year, we need to know what the Board's parameters are for the Tax Levy.

-Mr. Karlsson described the difference between the "Tax Cap" and Tax Levy:

- The "Tax Cap" is the maximum amount allowable for a Tax Levy increase, which requires a simple majority (50% +1) for budget approval. It sets a benchmark for the determination of the Tax Levy.
- The Tax Levy is the actual amount the Board authorizes to be collected in taxes, which can be more, less, or the same as the "Tax Cap". When the Board adopts the budget in late April, they also adopt the Tax Levy associated with it.

-A Committee member posed a question regarding a chart presented at the February 26th Board meeting, which showed other districts whose "Tax Cap" was over 4% last year. She was concerned that the school districts listed were in Westchester County and that no school districts in Putnam County were included. Mr. Karlsson and Dr. Henning-Piedmonte explained that the information provided was last year's data for districts whose budgets passed with Tax Levies of 4% or higher; none of the six districts in Putnam County had Tax Levies greater than 4%, so they of course, were not listed. Mr. Karlsson further explained that every school district in New York State is unique, and that "Tax Caps" can vary significantly even among two neighboring districts. He stressed that the Allowable Growth Factor (CPI), is the only component that each district in the state has in common. Every other component included in the "Tax Cap" is unique to each particular school district.

-Another member asked to review the components affecting Brewster's "Tax Cap" in previous years. Mr. Karlsson reviewed each of the past four years, showing that while the "Tax Cap" itself was fairly consistent, ranging from 2.04 - 2.22%, the components driving the increase were significantly different in each year. In explaining the 2019-20 "Tax Cap", Mr. Karlsson explained that the starting point was 2%, due to the change in CPI, and that the other factors drive it up or down. He again stressed that the most significant reason for the increase above 2% is due to the Tax Base Growth Factor, which resulted from the growth of commercial properties.

-A member asked if there any way to find out how much of the 4% is absorbed by the commercial properties. Mr. Karlsson informed the Committee of his conversations with the Putnam County Office of Real Property Tax, which confirmed that the Taxable Status Date is March 1st for the Towns of Southeast, Patterson, and Carmel to determine their tentative assessment data. However, the data is not transmitted from the Towns to the County until mid-April, and does not become final until mid-August when the Assessment Roll is finalized. Mr. Karlsson further explained that he will seek the County's assistance in estimating the impact in late April, when the tentative information becomes available.

-Looking forward to next year (2020-21), if the Board were to adopt a Tax Levy increase of just 2%, the revenue foregone from the 2019-20 "Tax Cap" is approximately \$1.5M. A member equated that figure to 15 instructional positions that would not be available for next year and beyond. Once that revenue is foregone, it is gone forever and cannot be recovered in future years.

-Each year, the revenue foregone compounds due to the effects of future Tax Base Growth Factors and future CPI. Mr. Karlsson reviewed a handout showing the "Tax Cap" revenue foregone from 2012-13 through 2016-17, as well as, the long-term effects of not utilizing the "Tax Cap" in 2019-20. Ten years from now, the potential cumulative effect of revenue foregone would compound to \$3.4M, if the Board were to adopt a 2% Tax Levy instead of

the 4.06% "Tax Cap". The importance of utilizing the "Tax Cap" was discussed.

-Dr. Henning-Piedmonte reminded the Committee that it is not prudent to go into fund balance (savings) to close a budget gap. To balance the budget, reductions are made to cause the least harm to the classroom. Almost 80% of the budget is attributed to salaries and benefits. We need to carefully craft a message to the community regarding the 4.06% Tax Levy.

-The District's ERS and TRS pension contributions decreased in 2019-20 but they are expected to increase significantly in 2020-21. Enrollment in career and technical education at BOCES has increased, and so will the District's tuition costs for next year. And we cannot predict what will happen with health insurance costs, which are constantly increasing.

-A member pointed out that, although we do not know exactly how much of the 4% increase the commercial properties will absorb, we do know that residential properties should not see a 4% increase in their tax bills. He further explained that the same concept applies to a Tax Levy of 2% or 3%, and that the residential portion should be less than the total Tax Levy increase.

-Mr. Karlsson stated that the budget has been constructed based on an assumption of a 4.06% Tax Levy increase. Discussion ensued about the taxes, positions, programs, contingency budget, and crafting a message to the community.

-Dr. Henning-Piedmonte highlighted the opportunity to propose 21.6 instructional and 8.5 non-instructional positions in the budget, and how significant the opportunity is that has been afforded by the growth in commercial properties.

-Dr. Henning-Piedmonte stated the District is working with the Brewster Teachers' Association (BTA) and Administrators' Association of Brewster (AAB) regarding retirement incentives. Since discussions are conceptual at this point, the number of retirees and the cost avoidance associated with their retirement are not available at this time. Mr. Karlsson indicated that additional retirements have not been factored into the budget. For every teacher that retires there is a savings that can go towards new staff, building programs, etc.

-Mr. Karlsson asked the Committee what their recommendation would be to the Board of Education regarding the Tax Levy: should they support a Tax Levy at the "Tax Cap" or should they recommend a lesser amount?

-Mr. Karlsson advised that permanent loss in revenue is our biggest challenge. Although 4.06% is higher than we have been accustomed to, the increase in commercial business

assessments will help to absorb the majority of the increase for which they are responsible for creating.

-The consensus of the Committee was to recommend to the Board a 4.06% Tax Levy increase. Mr. Seaman and Ms. Zirkelbach will represent the Committee and make the recommendation at the March 12th Board meeting.

-One member expressed frustration and concern about getting this information out to the community: no one shows up to budget presentations.

-Dr. Henning-Piedmonte suggested pushing out "budget bytes", which are short doses of the most pertinent information. Committee members and staff could record a scripted "byte" about a specific budget component. It was also suggested that District representatives and Budget Advisory Committee members present at "town hall" type meetings held away from school grounds at churches, synagogues, Elks club, VFW, etc.

-Another member asked if the Committee could send out a newsletter now, ahead of the budget newsletter, defining the function of the Budget Advisory Committee and explaining the budget using layman's terms. Dr. Henning-Piedmonte suggested sending something out after the March 12th Board meeting explaining the Committee's recommendation of the Tax Levy increase along with any relevant information.

-Mr. Karlsson then discussed two new reporting requirements for next year: Every Student Succeeds Act (ESSA) and New York State Financial Transparency reporting. An article was included in the meeting's handout providing more information. It does not appear that the ESSA reporting will be useful to Brewster as we are a smaller district as compared to a larger district with multiple elementary and secondary schools to compare per-pupil spending.

-Templates for providing more detailed budget information were provided, which will be made available in addition to the state-prescribed budget format. These supplemental schedules will be the topic of the next Committee meeting. Mr. Karlsson indicated that more detailed information will be made available each year going forward as our Budget Statement continues to evolve and provide a greater level of transparency to the public.

-The meeting concluded at 8:04pm.

Respectfully submitted,

Kathy Keane
Secretary to the Assistant Superintendent
for Finance & Operations