

El Paso Independent School District
Budget Review Committee (BRC)
Minutes of January 20, 2005 – Regular Meeting

BRC Vice-Chairman, Dr. Gene Finke, called the meeting to order at 7:40 a.m. in the Board Conference Room.

Committee members present: Dr. Gene Finke, Pete Euzarraga, Sonny Garcia, Ken Gezelius, Patty Hughes, Frances Wever, Dean Hester, and John R. Schatzman.

El Paso Independent School District personnel present: Charles L. Tafoya, Walt Byers, Martha Carrasco, Nicholas P. Corona, Margaret Gallardo, Fred Herrera, Hector Martinez, Juan Sandoval, Dr. Bill Wachtel, Kenneth Parker, and Tomás Gabaldón.

Board of Trustees members present: Sal Mena, Jr., Dr. Lorraine O'Donnell and David Dodge.

Welcome

Mr. Charles Tafoya welcomed and thanked everyone for attending the January BRC meeting.

Approval of Minutes

The committee received and reviewed the minutes of the November 18, 2004, regular BRC meeting. The minutes were unanimously approved with the following correction: Dr. Gene Finke suggested that reference be made to the investigative (fraud) audit procedures in the District's Fraud Policy. The correction was added to the November 18, 2004, meeting minutes, Item No. 6, EPISD Fraud Policy.

Comments from the BRC Vice-Chairman

Dr. Finke thanked everyone for attending the meeting and informed the committee that he and Dr. Rosas requested that the following items be placed on the agenda:

- Financial Implication for EPISD of Redeployment of 3,800 Soldiers to Ft. Bliss;
- Public School Finance Plan of the 79th Texas Legislature; and
- Adequacy of Funding for Bond Issue Projects in Light of Increase in Cost of Materials.

Financial Implications for EPISD of Redeployment of 3,800 Soldiers at Ft. Bliss

Mr. Tafoya informed the committee that approximately 1,600 to 1,700 eligible students might accompany the 3,800 troops with the BRAC Redeployment. The District is confident that it can handle the first round of the Redeployment without any additional space requirement. A joint meeting to update area school districts about the

Redeployment is scheduled for January 24, 2005, with Congressman Reyes and Mayor Joe Wardy to update the school districts on the BRAC Redeployment.

Impact Aid will be used to offset the cost of educating these students. The District does not receive additional funds for the military child who resides in military housing. Mr. Tafoya has met with Congressman Reyes to request that funds for Impact Aid be provided at the beginning of the school year and not at the end.

General Vane and his commanding officers at Ft. Bliss have been very instrumental in making sure that their soldiers complete and return the Impact Aid (Federal Census) forms.

Review of EPISD Financial Status

Mr. Kenneth Parker updated the committee on the District's current financial status. The following items were discussed:

- 2003-2004 District Audit
- 2003-2004 \$18.8 million Deficient
- Estimate 2005 Undesignated Fund Balance
- 2004-2005 Potential Revenue Shortfall
- Certified Taxable Values
- 2005-2006 Budget Issues
- Estimate 2005 Student Population vs. Number of Staff
- District's move to high productivity
- District copier costs

Mr. Parker also informed the committee of the Cost Saving Measures for the 2004/05 Budget Year. Some of the cost measures that have been implemented include:

- A personnel committee to review all Districtwide hiring
- A 5% reduction in all Central Office budgets in Objects 6300 (General Supplies) and 6400 (Travel and Other Class Objects)
- Consolidation of the two alternative campuses
- Elimination of all "floating" positions; All teacher openings after February 1, 2005, will be filled with long-term certified substitute teachers, except for crucial academic areas in the secondary campuses
- Hiring freeze for Central Office; all other hiring will be reviewed
- Implementation of stronger purchasing procedures

"Balancing the Budget - 101 Ideas for Cutting Costs and Maximizing Revenues," provided to the District by Carole Keeton Strayhorn, Texas Comptroller was distributed. The District has begun to implement some of the cost saving measures. The following Texas School Performance Review recommended measures were discussed:

District Organization and Management

- Assign campus administrative and support staff based upon the Southern Association of Colleges and Schools standards—tie campus administrators and support staff directly to the number of students served. In 1999-2000, when Elgin ISD grew by only 50 students, the district hired 50 additional non-teaching employees. Getting in line with standards, the district was able to save \$99,000 in one year.
- Implement a hiring freeze on all positions not directly linked to the campuses and require a formal justification for filling vacated positions that demonstrate the value each position adds to classroom instruction. Confirm this justification with a few campus administrators and teachers to see if they concur with the justification. Only reinstate positions when they add value—not just because you’ve always done it that way. TSPR recommended this idea with an estimated five-year savings of \$768,249 for Glen Rose ISD.
- Conduct cost-benefit analysis of perks—how does the district benefit from them? Examine district-owned vehicle use and auto allowances and determine if use of a vehicle or the number of miles traveled warrants the allowance or whether mileage reimbursement would be more appropriate. Restrict cell phone use to only those people that need it, and ensure that personal use of cell phones is reimbursed to the district.
- Establish agreements with neighboring districts or local entities to share the cost of services, facilities and equipment.

Educational Service Delivery

- Allocate extracurricular travel money directly to schools based on the number and age group of children served. Let schools “buy” the services they require within the established budget, either from the transportation department or from private vendors. This makes the expense predictable and controllable for budget purposes.
- Examine all stipends and ensure that they are equitable and restricted to people who provide additional services or accept additional responsibilities.
- Schedule training at times when substitute teachers are not required. Dripping Springs ISD uses parent volunteers in its “Subs-R-Us” program to reduce expenditures for substitutes during teachers’ monthly planning meetings.
- Eliminate low enrollment course offerings at the secondary level. For example, instead of offering six sections of Business Math with an average of 10 students each, offer five sections with an average of 12 students. Galveston ISD, through better scheduling, was able to consolidate low-enrollment courses and save nearly \$745,000 in one year; the district used the money to give significant salary increases to teachers. Bastrop ISD saved nearly \$360,000 by consolidating low-enrollment classes. Riviera ISD saved nearly \$250,000. San Antonio ISD estimated savings of \$35 million over five years by better allocating instructional staff.
- Enter into a contract with the local constable to visit truant students and their parents to encourage students to return to class. Hold parents accountable for their attendance – increased attendance equates to more funding.

- Institute a train-the-trainer approach to cut staff development expenditures. Teachers should pass what they've learned on to other teachers.
- Choose and train a PEIMS coordinator to help ensure that the district receives its share of state appropriations.

Community Involvement

- Bigger districts might consider consolidating staffing in media relations, community involvement, parental involvement and the like and eliminate any duplicative positions. Maintain a staffing level that is commensurate with peer organizations. TSPR recommended this idea with an estimated five-year savings of \$275,432 to Socorro ISD and for \$195,340 in savings to Robstown ISD. Not only is this a possible area for savings, but in some cases it can also enhance programs because people are working with each other rather than in competition for community or parental support.

Personnel Management

- Provide incentives to encourage employee attendance; discourage excessive absences. Fort Bend ISD developed an incentive program with attendance bonuses and included teachers' attendance as part of the principal's appraisal. The district provided six-week, semester and end-of-year recognition for teachers with perfect attendance. The district saved \$116,000 in substitute costs in the first year and reduced absences by 7,000 days.
- Have staff development providers come to the district to provide training. It's cheaper than paying employees to travel to the provider.
- Keep non-critical vacancies open for 30 days before filling the positions and sweep lapsed funds, as well as any leave without pay for existing positions, from departmental budgets.
- Restrict overtime to only the most critical needs—overtime should be the exception not the rule.
- Examine supplements for such things as organizational memberships, car allowances, staff automobiles, and cell phones. Pagers and the like, and determine whether these are used to enhance job performance—if not, eliminate them.
- Eliminate employee contracts if the Texas Education Code does not require them.

Facility Use and Management

- Allocate custodians based on 18,000 to 20,000 square feet, depending on the age and condition of the facilities. Use split shifts for custodians so that the majority of work is done after school hours. Comal ISD saved \$100,000 in the first year after implementing this policy.
- Conduct an energy audit such as those offered by the State Energy Conservation Office (SECO) and implement a comprehensive energy conservation plan. SECO conservatively estimates savings of 10 percent of a district's total utility expenses

annually. Turning off the front display lights in vending machines saves about \$70.00 per machine, per year in utility costs. Fort Bend ISD saved about \$135,000 in utility bills after retrofitting lights and heating, ventilation and air conditioning equipment.

- Apply for E-Rate discounts. Fort Bend ISD's technology staff received several technology grants, including a one year E-Rate grant, valued at \$3.5 million within one year.

Financial Management

- Establish controls and maintain timelines for grants to ensure that no funds go unused or have to be sent back.
- Examine all records management procedures and where possible eliminate paper storage. Document imaging equipment might be shared between districts or with higher education institutions. Storage space can be expensive and paying employees to go through all those boxes is costly
- Instead of paying for lost textbooks from general revenues, require principals to pay for lost or damaged textbooks from principal activity funds. TSPR recommended this idea with an estimated five-year savings of \$74,450 to Comal ISD \$150,000 to Corpus Christi ISD and \$97,705 to Galveston ISD.

Purchasing

- Join purchasing cooperatives when it is to the advantage of the district. A district can get the same or better goods or services at a lower cost-and potentially without the need for the labor-intensive bidding. Socorro ISD projected five-year savings of \$200,000 from cooperative purchasing of fuel and tires.
- Sell excess and obsolete assets. In Killeen ISD, of 8,479 items in the warehouse, the district identified 5,571 that were obsolete. Obsolete items were sold, used or disposed of, generating nearly \$6,000 in additional revenues. It's also cheaper to maintain a smaller inventory.
- Insist that no one in the district is exempt from purchasing policies and laws. Anyone who buys without permission or violates a policy should be reprimanded or fired. One or two examples will send a signal and stop frivolous violators.

Asset and Risk Management

- Examine the Workers' Compensation program and look for ways to cut costs.
 - Join a workers' compensation cooperative to reduce premiums.
 - Re-bid the insurance.
- If self-insured, have an actuary determine the correct premiums and fund balance required; at least two districts (Galveston ISD and Mount Pleasant ISD) had excessive amounts in the fund balance that allowed the district to hold back on contributions for a year or actually move dollars from one fund to another.

- Provide incentives to staff and students for accident or incident-free periods of time. For example, if a campus or department is accident or incident-free for 90 days, provide a plaque or pizza party to recognize the accomplishment.
- Safety programs in high-risk areas such as food service, transportation and maintenance have reduced premiums in the Austin ISD by \$47,000 annually.
- An early return-to-work policy for injured employees saved San Antonio ISD an estimated \$1.25 million over five years.
- Invest in higher-yield instruments. Conduct cash flow forecasts and do not leave idle cash in the bank drawing lower interest rates. In Socorro ISD, cash flow forecasting and investing increased annual interest earnings by \$5,000. Wimberley ISD increased earnings by \$8,000 annually by moving investments from one investment pool to another.
- Conduct annual inventories of all assets to reduce the loss of school property. Investigate missing assets and prosecute anyone found to have stolen school property. Require employees to sign accountability forms for the equipment assigned to them and hold them responsible when the items are missing.
- Control insurance costs. Increase the deductibles on low-risk insurance policies. Compare insurance coverage with the fixed asset and controlled asset inventories and set coverage based on actual need. Ysleta ISD was able to lower the cost of its liability and errors and omissions insurance by \$25,000 annually through annual review of the insurance costs versus the potential for loss. Killeen ISD issued a request for proposals for property and casualty insurance and saved \$100,000 in the first year with a new provider.

Food Service

- Increase participation by offering breakfast in a bag, extra-curricular lunches in a bag or by using other non-traditional service methods. Have theme days in the cafeterias, place a prize-winning dot on the bottom of certain service trays, and survey students about what they want to see more of in the cafeterias or hold monthly student taste-testing sessions.

Transportation

- Stagger bell times at campuses so each bus and driver can make multiple routes each morning and each evening.
- Control extracurricular travel expenses, particularly the need for driver overtime, by charging campuses a premium for extracurricular travel scheduled during peak before and after-school route periods. The premium should equal the overtime costs or staffing of the trip.
- Transportation staff should work closely with special education admission, review and dismissal committees to ensure that only students who require special accommodations are transported on special education buses. For example, a child in speech therapy may be able to ride to and from school on a regular bus, whereas special accommodations would be needed for a student in a wheel chair.

Safety and Security

- Eliminate drug and violence prevention programs that don't get results. Replace them with programs that show results. The San Antonio ISD eliminated one non-productive, but popular program.
- Beef up truancy programs-more students in average daily attendance means more dollars allocated to the district through state funding formulas. Socorro ISD added three attendance officers to increase attendance and could get \$1.2 million in additional state revenues over five years. San Antonio ISD hired eight additional attendance auditors for \$400,000, saving \$1 million and putting more students in the classrooms.

Public School Finance Plan of the 79th Texas Legislature

Louie Villalobos, Executive Director, Accountability and Administrative Services, was unable to attend the meeting. A handout, Texas Children First, Public School Excellence and School Finance Reform, Outline for Senate Bill 2 was distributed to committee members. The Legislature is currently meeting on the issue.

Adequacy of Funding for Bond Issue Projects in Light of Increase in Cost of Materials

Nicholas Corona, Executive Director, Facilities, provided a Priority List of Projects from the 2003 Bond Issue Allocation. He stated that the article that appeared in *The El Paso Times* was somewhat critical and inaccurate. The construction material cost escalations were not due primarily because of the three hurricanes that hit Florida. The escalations are also due to supply and demand pressures on a global scale. Mr. Corona elaborated on copper and cement costs citing the *El Paso Times'* articles.

Copper Costs

El Paso Times Article October 10, 2004

- Chilean smelter strike
- 15 year high \$1.4695/lb.
- Price has climbed 19% since September 3, 2004 as rising demand, led by China, erodes stockpiles.

El Paso Times Article November 14, 2004

- Copper demand in China will grow 13.5% in 2004
- China will use 20% of total world demand – for expansion of it's power grid (copper cable)

El Paso Times Article November 30, 2004

- Grupo Mexico S.A. – World's 3rd biggest copper producer projects 7.5% increase over 15-yr. record set last week.
- Expected to peak at \$1.60/lb. in 2005 from high of \$1.4885/lb. set November 24, 2004.
- ASARCO suspended operations in 1999 when price of copper was below 80¢/lb.

Cement Costs

El Paso Times Article September 24, 2004

Cemex – world's 3rd largest cement company – based in Monterrey, Mexico,

Mexico's Cemex battles attempts to circumvent their cement monopoly

Monterrey based CDM attempted to import Russian cement at International price of:

\$42/ton

\$30/ton shipping

\$72/ton

As compared to Mexico's average price of \$115/ton for bulk cement which is only slightly cheaper than in U.S.

El Paso Times Article October 30, 2004

Cemex in process of acquiring the Parent Company (RMC) of Jobe Concrete, El Paso's largest concrete supplier. England based RMC Group acquired Jobe in 1999. The deal is expected to close in mid January 2005.

This will create one of the world's largest concrete and cement suppliers with annual revenues of more than \$15 billion.

All projects proposed in the 2003 Bond are on schedule with the possible exception of Mesita Elementary Reconstruction due to delays associated with the property acquisitions. There is currently \$988,390 in the contingency fund, \$2.5 million for inflation costs, and an additional \$320,000 available from refurbishment projects already completed and funded from other sources. The grand total of \$3.8 million is available to address unforeseen contingencies. To date the accrued interest totals \$375,000. It is expected that, by year-end, accrued interest should total approximately \$1 million. The District is confident that it will not have to cut any of the \$27 million worth of projects.

Questions and Comments from Committee

- Will the BRAC Redeployment affect Chapin High School?
- How was the figure of 1,600 to 1,700 students for the Redeployment arrived at?
- What ratio of BRAC redeployment students will actually attend EPISD campuses?
- Why is the percentage increase in Function 13, 31, 32, 36, 41, 52, and 53 as high in each of those functions?

- Why is the principal debt service on long-term debt not shown in projected 2004-05 fiscal year, and there is one in every previous year?
- Does the District self-insure under Workers Compensation?
- When does the District know if it's projected figures match up to the actual revenues?
- When does the District plan to provide the compensation plan?
- Was the budget balanced with lapsed salaries?
- What are lapsed salaries?
- What happened to Franchise Tax Reform?

Closing Comments

With no further comments, Dr. Finke thanked everyone for their valuable time.

Adjournment

The meeting adjourned at 9:08 a.m. The next scheduled meeting will be on Thursday, February 17, 2005.