MINUTES OF A SPECIAL MEETING OF THE BOARD OF EDUCATION OF THE FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION MARION COUNTY, INDIANA, HELD MONDAY, OCTOBER 6, 2008

PRESENT: Steve Randall, Christopher Wood, Randall Bland, Aaron Sullivan, C. Scott Veerkamp, Walter Bourke, Jim Snapp, Ron Blackgrave, Jim McWhirt

The Board of Education of the Franklin Township Community School Corporation, Marion County, Indiana, met in Special Session at 6:00 P.M. at the Administration Offices, located at 6141 South Franklin Road, Indianapolis, Indiana, 46259, on Monday, October 6, 2008. All Board Members and news media had been duly notified and the agenda properly posted.

REGULAR MEETING

President Randall called the Special Meeting to order at 6:03 p.m. Mr. Sullivan offered the prayer and read the FTCSC Mission Statement.

FINANCIAL UPDATE

Dr. Bourke shared a power point presentation with Board members regarding the 2008 FTCSC Financial Situation (Exhibit No. 08-128). He stated that he will share some of the difficulties that we are facing and some of the successful solutions that we have found to resolving our budget issues.

He began by stating that our student population has grown by 3,426 students in the past 10 years which is the source of our pride and our problems because we have had to build four new schools, we renovated three others and we have added two additions onto our high school to accommodate the growth. Dr. Bourke continued stating that the growth of our school corporation, while it has been wonderful, has also created some difficulties for us financially. He explained that according to the State's General Fund funding formula for newly acquired students, we were only paid 75% of the amount per pupil for the years 2004-2007, leaving a funding shortage of $2,318,401.62. He stated that property tax collection and distribution has also played a significant part in our funding issues. Dr. Bourke commented that when he and Mr. McWhirt arrived in 2006 the projected budget deficit for 2007 was nearly $3.6 million dollars and they worked to find ways to cut costs resulting in an actual 2007 budget deficit of $1.7 million. He added that in August of 2008 we just received our final 2007 tax installment from the state because of the states' property tax issues which has caused us to borrow money from the Rainy Day Fund, pay interest on that money and at the same time build a 2009 budget without really knowing how much income we will be receiving.

Mr. Veerkamp asked with regards to the numerous property foreclosures, if we ever receive the property tax funds from those properties once they are purchased. Dr. Bourke replied that whenever the taxes are satisfied the government sends us our portion, but that problem also contributes to our budget projections. Mr. McWhirt added that part of the problem is that those funds are deposited in our Debt Service Fund when they were budgeted for our General Fund.

Dr. Bourke gave the Board members four reasons for us being in this current cash position: 1) Enrollment growth funding shortages, 2) Tax collection deficits, 3) Target revenue per student deficits, and 4) Spending patterns exceeding revenue. He added that we have been able to operate in our current mode due to the availability of Rainy Day Funds.

Mr. Randall asked what the current balance is in our Rainy Day Fund. Mr. McWhirt replied that the balance is approximately $4 million.

Dr. Bourke mentioned various items that have been factors in helping to reduce our deficit: elimination of various class offerings at the middle school level, restructuring of the clerical and assistants positions at the middle and intermediate schools, and restructuring of the custodial and security personnel for all locations. He noted that with these adjustments we have managed to open two new schools this fall and still have a total cost reduction/avoidance of $1,079,695.

Dr. Bourke summarized the 2008 Budget Projections stating that because of the state's property tax issues we will not have an accurate deficit figure until December 31 and it could range from $1 to $2.4 million. He commented that when we look at how to reduce our General Fund Budget when 89% of it is in salaries and benefits, it means reductions in staff. Dr. Bourke shared that according to the 07-08 Indiana Department of Education data we have the highest student-to-teacher ratio in Marion County, we have the 2nd highest student-to-administrator ratio in Marion County, our teacher salaries are the 4th lowest in Marion County, and our administrators are among the lowest paid in Marion County. He added that a General Fund budget reduction of $2.4 million would require the elimination of 48 teaching positions, services such as clubs, athletics, band, choir, and non-essential courses would be severely limited or eliminated, class sizes would rise which would seriously disrupt the education of our students and we may have to close some of our schools. He explained that the 2008 Basic Grant Funding Formula will only allow school districts' Foundation Funding per adjusted ADM to change by 25% of the difference between this year and the previous year. He added that since growing schools districts are being funded for every new student in 2008 this year's Foundation Funding level for growing schools is significantly higher than last year's and by limiting the increase in the Foundation Funding level in 2008 to only 25% over the amount, in 2007 growing schools will continue to be penalized by assuring that they do not reach the Foundation Funding per Adjusted ADM. Dr. Bourke stated that this means that each year that the Foundation Funding level increases, we will only get a fraction closer to it thus never making up our $2.8 million deficit. He noted that he has shared this information with the IUSA, the IAPSS, Indiana Association of Business Officials, etc. for purposes of lobbying to our legislators.

Mr. Wood asked how many other school corporations are in the same position as we are. Dr. Bourke replied that there are none in Marion County that are in the same position as we are in, but there are some who are really impacted by the 1% Property Tax Cap, however, they don't have the same General Fund problems that we have. He stated that because we have grown so fast and had to build quite a few schools, our Debt Service Fund is exceeding others.

Dr. Bourke continued with explaining the impact of the 1% Property Tax Cap which means that 1% of the assessed valuation in FTCSC will be split among schools, towns, fire departments and all other taxing districts and in 2009 there will be five property tax supported school funds: Debt Service, Severance Debt Service, Capital Projects, Transportation and Bus Replacement. He stated that Debt Service Funds must be fully supported from our share of the 1% and the remaining money supports the other three funds which equates to a 1/3 cut in each fund. Dr. Bourke added that we, with assistance from the Educational Services Co., are planning to approach the Distressed Unit Appeals Board to share the impact that the 1% property tax cap will have on our school corporation.

Dr. Bourke summarized with the following possible solutions: Exempt our Debt Service Fund from the 1% Property Tax Cap calculation, Target legislation to help FTCSC and other school districts disparately impacted by the caps, and Replace our shortfall with state grant money.

Mr. Randall and Mr. Wood asked Dr. Bourke what the reason was behind Lake and St. Joseph Counties being exempted from the 1% Property Tax Cap law. Dr. Bourke replied that he does not know the real answer for the decision and he chooses not to speculate. Mr. Bland stated while the legislators understand the impact of the problem for school corporations are they looking to help resolve the issue. Dr. Bourke replied that the legislators that he has spoken to since July have given him strong support for the Foundation Funding Level per adjusted ADM as the state minimum, but we really don't know what is going to be decided. A discussion followed.

President Randall and the Board members thanked Dr. Bourke and the administrative staff for their hard work in reducing costs to try and reduce our deficit.

NEW BUSINESS

There was no new business.

OLD BUSINESS

President Randall informed Mr. Sullivan that in his absence at the last meeting the Board members agreed to contribute $100 each to the Franklin 500 Campaign.

ADJOURNMENT

Mr. Bland moved to adjourn the meeting. President Randall declared the Special Meeting adjourned at 7:10 p.m.

APPROVED

Steve Randall, President	Christopher A. Wood, Vice President
Randall Bland, Secretary	Aaron L. Sullivan, Member
C. Scott Veerkamp, Member	