

Special Meeting

A Special Meeting of the Board of Education of the Northport-East Northport Union Free School District was held on Wednesday, October 15, 2014, beginning at 7:15 p.m., in the Cafeteria at the William J. Brosnan School, 158 Laurel Road, Northport, New York, with Ms. Julia Binger, Chairperson, opening the meeting and presiding.

Members present: Mr. David Badanes, Ms. Julia Binger, Mr. James Maloney, Mrs. Lori McCue, Mrs. Donna McNaughton, Mrs. Regina Pisacani, Mr. Andrew Rapiejko, Mrs. Jennifer Thompson, Mr. Stephen V. Waldenburg, Jr.

Members absent: None

Also present: Dr. Marylou McDermott, Superintendent of Schools  
Ms. Kathleen Molander, Assistant Superintendent for Business  
Ms. Rosemarie Coletti, Assistant Superintendent for Human Resources  
John Gross, Esq., Board Counsel, Ingerman Smith, LLP

1. President Binger called the meeting to order.

Public attendance: There were approximately 75 persons present.

2. Ms. Binger led those present in the Pledge of Allegiance; and
3. Pointed out the emergency exits.
4. Discussion of the Audit Report of the NYS Comptroller

Mr. John Gross, Board Counsel, stated that the Board asked him to comment on the substance of the Comptroller's Report and set the table relative to the authority of the Comptroller with respect to school districts and the conduct of audits. Mr. Gross stated that New York State Legislature's five point plan includes the requirement of school districts to have an audit committee and an internal auditor. The legislation increased funding for the Comptroller to conduct audits across the state. New York State Constitution and Municipal Law gives the Comptroller permission to conduct audits and permits the municipality to respond. If recommendations are made by the Comptroller, the municipality has the responsibility to generate a corrective action plan. Mr. Gross stated that the District's response provides a reasonable explanation of the difference of opinion with the Comptroller in the budgeting process. Mr. Gross stated that the Comptroller has consistently taken a conservative approach to the budget process and the recommendations in the Northport report appear throughout the state in other audit reports. Mr. Gross noted that the recommendations have nothing to do with fraud, malfeasance or any illegality.

Dr. Marylou McDermott, Superintendent of Schools, and Ms. Kathleen Molander, Assistant Superintendent for Business, presented an analysis of the NYS Comptroller's Audit. Dr. McDermott stated that the District is always cognizant of the future by conserving today and protecting tomorrow by paying careful attention to taxpayer resources. The Board of Education and District Administration take seriously the trust taxpayers place in them to make sound decisions with precious financial resources. They are legally responsible for safeguarding the District's financial resources.

Dr. McDermott and Ms. Molander reviewed the philosophy of budgeting, the District's record, Moody's Investor Services rating, and the District's greatest challenge with the LIPA/National Grid tax certiorari. Dr. McDermott stated that the NYS Comptroller's Audit makes no mention of the LIPA/National Grid tax certiorari or the ongoing challenges of the tax cap and does not consider the local needs and concerns. Dr. McDermott stated that they have always complied with the law, no malfeasance or criminality is suggested and no monies have been misappropriated.

The NYS Audit concerns included the overestimation of expenditures from 2008-2013, that the District has an “assigned fund balance” while operating in a surplus, and that the balance in the Retirement Contribution Reserve is too high. Dr. McDermott and Ms. Molander reviewed the reasons for overestimated expenditures in Special Education, Benefits and Debt Service. In Special Education, significant cost fluctuation can occur after budget adoption, additional students enrolled in 2013-2014 after the budget was adopted with \$700,000 in unanticipated expense, and the infusion of one-time Federal grant money in 2009-2010 was used to pay special education staff which generated a surplus in the general fund. In Benefits, the health benefit increases are not announced until January of the following year, six months into the fiscal year, and estimates are highly conservative and will often result in overestimation of actual expenditures. In Debt Service, negotiations spanned multiple fiscal years and budget cycles, anticipated settlement monies were budgeted in benefit and debt service codes which preserves the integrity of negotiations.

The Assigned Fund Balance is monies generated in the current budget to apply to the follow year’s budget to lower the tax levy. The District has had an assigned fund balance for more than 30 years. Only a handful of the 126 district on Long Island do not have an assigned fund balance. The District has reduced its assigned fund balance by \$950,000 over the last two years. The administration will continue to recommend to the Board that the assigned fund balance be further reduced.

The audit report states that \$21 million was “unnecessarily” taxed to residents by the District since 2008-2009. The District believes that this is a mischaracterization, since most of this money is from the assigned fund balance which cannot be accumulated. Dr. McDermott stated that the District did not accumulate, nor does it currently holed, \$21 million of taxpayer money as the report implies.

Dr. McDermott and Ms. Molander reviewed the history of the District’s under-spending that was used to lower the tax levy the following year, the calculation of Tax Levy and the Town of Huntington’s Total Tax Levy Percentage Increases, the Audit Recommendations and the District’s Response, the funding/use of the Retirement Contribution Reserve, and the average Restricted Reserves as a percentage of the 2014-2015 budget.

The Board discussed the budgeting process, appropriation of reserves, and the assigned fund balance. Trustee Badanes stated that the administration has done things right and personally believes the Comptroller is completely wrong. Trustee Rapijko stated that the budgeting process is very complicated. He attended the exit interview with the Comptroller’s auditors and the major issue was the assigned fund balance. Trustee McNaughton stated that the appropriations of reserves has been unanimous every year. Trustee McCue stated that the Board has supported the administration’s budget philosophy. Trustee Thompson asked if there’s a way to bridge the gap in finding some way to manage the budget that reflects what the District wants to do for the community and the issued raised.

#### PUBLIC PARTICIPATION

<u>Name</u>	<u>Comment</u>
Joseph Sabia Resident	Stated that the preliminary audit report was out three months ago and that the District is not using sound budget practices as stated in the report in Note 11 with the overestimation of debt service needs.
Frank Cavagnaro Resident	Stated that the District has over taxed for three years causing the people to lose homes. Mr. Cavagnaro asked how many people were hurt by overcharging.
Antoinette Blanck UTN President	Stated that the United Teachers of Northport are present at the meeting as a show of unity, not only within the association but also with the community. Ms. Blanck stated that the consistent over-budgeting and underspending is very disturbing. Ms.

Blanck asked the Board and administration to respect the community, taxpayers, families and employees.

Armand D'Accordo  
Resident Stated that he had written several letters to the Board back in 2011 which addressed the concerns that were stated in the audit report. Mr. D'Accordo stated that what is being done is wrong and that the community is being overtaxed. Mr. D'Accordo stated that the Board has a fiduciary responsibility to present a budget that is a fair estimate of actual expenditures.

Fred Trudwig, Jr.  
Resident Stated that he asked the Board a few years ago regarding guidance on how to put appropriated reserves in the budget. Mr. Trudwig asked how no one knows that answer to this after all the years the community has been asking these questions.

Michael C. Sordi  
Resident Asked if the administration followed up with the Comptroller's office regarding the questions raised in the exit interview. Mr. Sordi asked why the report was scheduled for the regular meeting on Monday night and why the districtwide email system or phone system was not used to notify the community of the meeting.

Tammie Topel  
Resident Stated that Special Education was mentioned on several occasions and asked the administration to cite specific examples of special education situations and the costs that required the use of the reserves.

Dr. McDermott stated that the District did not use reserves for special education.

Corene Lacina  
Parent Stated that the District continues to underfund the music program. The marching band is wearing old, torn uniforms that are over ten plus years old and the high school orchestra instruments need repairs. Ms. Lacina asked why the District can't use some of the surplus to get new uniforms.

Lawrence Beck  
Resident Stated that he echoes some of the remarks the Mr. D'Accordo and Mr. Sabia expressed. Mr. Beck addressed Trustee Rapiejko asking why the requests from former audit committee members regarding reserves were not addressed. Mr. Beck stated these issues were brought up numerous times, specifically the TAN interest which was over budget by 1,000+ percent.

Nina Dorata  
Resident Stated that she has reviewed numerous financial and audit reports and that she is appalled by the District's response to the state auditors. Dr. Dorata stated that the state represents regulators who are experts in what they do. The use of the unassigned fund balance while expecting a deficit created the appearance of a low tax increase. Dr. Dorata stated that the over budgeting increases the tax rate unnecessarily which impacts property values.

Denise Filaski  
Resident Stated that she was retaliated against by the school district, asked where the attorney fees for Ingerman Smith are coming from, why her FOILs for that money were never answered. Ms. Filaski asked if an external auditor was going to be appointed to investigate this matter and if there will be independent counsel appointed.

Joseph Stewart  
Resident Stated that at the end of the day Northport is a good school district. Mr. Stewart stated that he has seen a lot of towns dissolving and that this District is very close to those numbers now. Mr. Stewart stated that the Board and administration must figure out a way not to increase taxes.

At 9:30 p.m., motion was made by Trustee Waldenburg, seconded by Trustee Rapiejko, to adjourn the meeting.

Several Trustees stated they even though the meeting was scheduled to end by 9:30 p.m., they would like to hear from the last three public participation cards.

Vote on Trustee Waldenburg's motion was as follows:

YES: Mr. Rapiejko, Mr. Waldenburg

NO: Mr. Badanes, Ms. Binger, Mr. Maloney, Mrs. McCue, Mrs. McNaughton, Mrs. Thompson

Motion failed.

Nina Dorata Resident Implored the Board to consider putting in place a budget and finance committee. Dr. Dorata stated that the Board must consider if each member can maintain fiduciary responsibility to the community. Dr. Dorata stated that she has evidence that bigger boards mean bigger budget increases and a lot has to do with entrenchment, and consideration must be given to reducing the size of the board.

Armand D'Accordo Resident Stated that when he was on the audit committee they talked about transparency. Mr D'Accordo stated that very few things should be kept from the public. The 4% reserve, specific reserves and other amounts are built into the budget to offset unexpected expenses. A transparent budget should show the actual expenditure presented in the budget. Mr. D'Accordo stated that the he 4% reserve should be used for times when the budget is underestimated

Larry Beck Resident Asked if the external auditing firm was invited to give guidance on the District's response to the Comptroller's audit and if they will be asked to look at the report. Mr. Beck stated that letters were addressed directly to the external auditor and that they are negligent in not following up on the issues brought up by himself and Mr. D'Accordo.

President Binger stated that it is not a function of the external auditor.

Trustee Thompson stated that from the public commentary heard there is still confusion that there is an account where \$34 million exists. Mrs. Thompson stated that this should be further clarified in a subsequent meeting or on the District's website.

Trustee Badanes stated that several people have commented that the District has been engaging in fraud. Mr. Badanes stated there is no fraud and the facts are very clear.

Motion was made by Trustee Thompson, seconded by Trustee Badanes, to adjourn the meeting.

Unanimously carried.

At 9:46 p.m. the Chair declared the meeting adjourned

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Beth M. Nystrom  
District Clerk