

SEASIDE SCHOOL DISTRICT 10
Budget Committee Meeting
Tuesday, April 17, 2018 — 6:00 pm
District Administration Office
1801 South Franklin Street, Seaside, Oregon

PRESENT:

Budget Committee: Kelli Brenden, Ryan Dewey, Mary Bess Gloria, Lori Lum, Nancy McCune, Patrick Nofield, Cathy Peinhardt, Steve Phillips, Hugh Stelson, Brian Taylor, AJ Wahl, Michelle Wunderlich

Administration: Superintendent Sheila Roley, Business Manager Justine Hill, Principals John McAndrews, Jeff Roberts, Robert Rusk, Juli Wozniak, Assistant Principals Natalie Osburn, Steve Sherren, Director of Special Services Jeremy Catt

Others: Brenna Visser

CALL TO ORDER

The April 17, 2018 Budget Committee meeting was called to order by Board Chair Steve Phillips.

A quorum of the Budget Committee was present.

ELECTION OF CHAIR AND VICE-CHAIR

Board Chair Steve Phillips called for nominations for Budget Committee Chair.

A motion nominating Cathy Peinhardt as Chair of the Budget Committee was made by Michelle Wunderlich and seconded by Ryan Dewey. Board Chair Steve Phillips asked if there were any other nominations for Budget Committee Chair. Hearing none, nominations were closed and the motion carried unanimously.

Budget Chair Cathy Peinhardt called for nominations for Budget Committee Vice-chair.

A motion nominating Michelle Wunderlich as Vice-chair of the Budget Committee was made by Patrick Nofield and seconded by Steve Phillips. Budget Chair Cathy Peinhardt asked if there were any other nominations for Budget Committee Vice-chair. Hearing none, nominations were closed and the motion carried unanimously.

PRESENTATION OF BUDGET MESSAGE AND BUDGET DOCUMENT

Superintendent Sheila Roley read the 2018-2019 Budget Message.

Dr. Roley thanked Justine Hill, the Administrative Team and the District Office staff for their work on the budget and asked Business Manager Justine Hill to walk the Committee through the budget document.

Business Manager Justine Hill explained a budget document is a written guideline outlining the District's comprehensive fiscal picture for the next operating year. Oregon Budget Law (ORS 294) specifies a process and format for Seaside School District's annual budget. The Oregon Department of Education (ODE) has adopted a chart of accounts that are used to classify revenues and expenditures, which have also been approved by the Oregon Department of Revenue. The accounting system is structured to maintain the identity of the resources, obligations, revenues, expenditures and equities for each Fund. This is accomplished by providing a complete self-balancing set of accounts. Every Fund within our budget must balance, which means that revenues must equal expenditures. The Seaside School District's budget is

divided into the following ODE Fund categories: 100 General Fund which is the District's largest Fund with the most transactions. It documents the general operating revenues and expenditures and is considered the District's primary accounting Fund, 200 Special Revenue Funds which account for specific revenue sources that are legally restricted to expenditures for specified purposes, 300 Debt Service Funds which account for general long-term debt obligations, 400 Capital Projects Funds which account for financial resources used to acquire or construct major capital facilities, and 700 Trust and Agency Funds which account for assets held by our District as an agent for outside organizations. Ms. Hill further explained regarding the District's budget, the State mandates that the expenditures in each Fund be broken down into two components: Function and then Object. The Function defines the program or department and the Object defines the type of expenditure. The revenues of the General Fund and the Special Revenue Funds are presented in summary and detail. Expenditures are presented in a Function summary and an Object summary followed by a detailed breakdown. Debt Services Funds, Capital Projects Funds and Trust and Agency Funds, are presented only in detail. The summary pages are a quick snapshot of the budget; however, the focus of this presentation will be on the detailed information. Only important or significant changes will be discussed during this meeting; however, requests for additional information or questions are welcome. Pages 8 and 9 detail the General Fund Revenues. According to the latest Oregon Economic and Revenue Forecast, "the outlook remains bright as the economy continues to hit the sweet spot and the current outlook for Oregon remains positive." A strong Oregon economy positively impacts the District's property tax revenues which are the District's largest revenue source. The most noteworthy change, which will negatively affect revenue, is that the City of Seaside has implemented the Southeast Seaside Urban Renewal Plan. As an impacted taxing educational District, the establishment of Urban Renewal Plan does not directly reduce the District's current tax revenues; however, it does reduce the growth of revenues. Over time, as the increment between the frozen base and the actual assessed value grows, more revenues are diverted from the taxing districts to the Urban Renewal Agency. These diverted revenues do have an impact on our future years operating budgets because they do equate to increased revenues that are not being infused into the District's revenue stream. According to the City's projections, the District is anticipated to see diverted revenue of \$107,552 next year. The District remains thankful to our local taxpayers for continuing to support the local option levy. The District acknowledges that revenues from this source have not been growing as anticipated due to the compression factor; however, it still provides over a million dollars in revenue. The compression factor is the result of the Real Market Value and Assessed Value on properties moving closer together. This tax gap is used in the local option calculation. As those two values move closer together, the funds received decreases. The real estate market continues to have upward momentum which assists in alleviating some of the impacts of compression loss. Interest rates have significantly improved and an increase in interest revenue has been allocated. The majority of Student Fees are due to the Middle School athletics program. Because the District pays the expenditures related to this athletic program, the pay-to-play money that students are required to pay is deposited in the District's General Fund. The District is not anticipating any fundraising activities to support the regular operating budget. Our School Board is very supportive of community use of our facilities. The District is anticipating similar building rental usage as in previous years. The largest source of revenue in the Miscellaneous Revenue category is a workers' compensation dividend that our provider distributes each year if they meet financial targets. The District has been experiencing high workers' compensation rate claims over a several year period and if we end up in the Assigned Risk Plan we will be issued a policy that excludes a dividend participation provision. According to the latest State Forestry Office projection, timber revenue overall is anticipated to increase by five (5) percent; however, many of the timber sales projected to deliver revenue have not yet been sold. Over the last few years, timber revenue has steadily increased. As a cautionary note, these revenues are very volatile. Also, the Forestry Office always clearly states on their communications that "any changes and/or additional restrictions imposed by federal and state Endangered Species Act regulations could seriously encumber these projections." An important change to note is that the District has been reporting both their County School Fund timber and State timber revenues in Revenue 3104. To correctly reflect the distribution of timber revenues, the County School Fund timber has been separated and put into Revenue 2101. County School timber funds are distributed to each school District based on student enrollment. The District participates in a Clatsop County wide Special Education Consortium managed by the Northwest Regional Educational Service District (NWRESD). At this time, we do not see any changes in the anticipated revenue from participating in this program. The Common School Fund (CSF) is a program that was established in 1859 to provide resources to schools. The State

Treasurer and the Oregon Investment Council invest the Common School Fund and the State Land Board sets the distribution policy. This year we received less than what was forecast because payments from the CSF are based on a running three-year average of the earnings, never touching the corpus of the fund, so sometimes preliminary estimates do not always align with actual disbursements. The District does not anticipate receiving any funding from the State of Oregon's School Funding Formula; however, it is important to be aware that the District is very close to being on the formula. At this point, it is estimated that the Seaside School District will receive the majority of its revenues from local property and timber taxes. State Timber 3104 represents the dedicated plots of timber that are specifically harvested for the Seaside School District. They are traditionally known as "Schoolhouse 40s." The strong beginning fund balance has been anticipated and needed to help absorb Public Employees Retirement System (PERS) rate increases scheduled in the 2019-2020 school year. Please be aware that even though the amount of the anticipated beginning Fund balance is over 10%, it is still not enough to cover general operating costs until November when the District receives the majority of its revenue. The District will need to participate in the Tax Anticipation Notes (TANs) loan program in order to have enough revenue to cover expenditures for the months of July, August, September and October. Pages 10 through 15 are General Fund Summary sheets (by Function and by Object). These represent a summarized version of the information that I will be covering in more detail. Before I begin discussing specifics, I will give an overview of the payroll cost factors that impact almost every Function. This will eliminate the redundancy of hearing the same information multiple times while still giving you a clear vision of the economic factors impacting the largest operating expenditures in this budget (which is payroll). The budget has been prepared with the following salary assumptions: the District is budgeting a 2.50% salary increase with step (when applicable) on Licensed, Confidential, and Administrative groups; and a 2.25% salary increase with step (when applicable) on Classified. Classified staff negotiated a substantial code change for regular special education assistants. Their salary will move from a code 4 to a code 6 on the union salary schedule. Retirement (PERS) rates are set in a biennial cycle and the next scheduled rate increase will be July 1, 2019. There is no projected PERS rate change for the 2018-2019 school year. The District's PERS Unfunded Accrued Liability (UAL) bond payment continues to increase on its regular payment schedule. Monthly OEBB insurance caps have been negotiated at \$1,600 per month (\$19,200 annual per eligible staff member) on all employee groups. Workers' Compensation rates are based on several components (class rate, experience rating modifier, and premium discount). Based on the cost of several of the District's past workers' compensation claims, our insurance agent has advised us to anticipate a significant increase in our experience modifier next year. The District has experienced high claims and continues to run the risk of entering into the Assigned Risk Plan. Unemployment rates and workers' assessment benefit fund tax has been budgeted with a slight increase from the current rates. Page 16, Object 111, the budgeted full-time equivalency (FTE) shows an increase of 1.00. To start working towards meeting mandated physical educational requirements, an additional licensed staff member is being added at the elementary level. In Object 117, the purpose of this allocation is to allocate for negotiated unused personal leave payments that have to be made when an employee retires or terminates employment. Object 420 has been adjusted to provide instructional materials for the District's Health adoption. This is part of a required State curriculum adoption cycle. Object 470 takes into account that software has become an integrated part of education and in order to continue access, annual subscription fees are required and new software, STAR 360, which offers a comprehensive preK-12 interim and formative assessment suite will also be implemented. Object 480 has been increased to purchase a new staff computer for the newly created PE position. Page 17, Object 133, consists of the K-5 portion of a K-12 Science, technology, engineering and mathematics (STEM) coordinator position and a P-3 coordinator position. These are stipend amounts and are not affiliated with FTE, and Object 134 is a negotiated extra duty salary for elementary licensed staff who participated in an extended outdoor school program. These are also stipend amounts and are not affiliated with FTE. Page 18, Object 112, is not a new .41 FTE position but a redistribution of current FTE. It was budgeted last year in Function 1250. Object 420 is to provide instructional materials for the District's Health adoption. Object 470 is an increase which has been allocated to continue to meet the growing need for software support and to purchase the new software suite STAR 360. Object 480 are funds that were allocated last year to support the new electronic science curriculum component have been removed. Page 20, Object 340, some funds have been transferred to Function 1132 to more accurately reflect program needs in Robotics which is associated with High School Extracurricular. Object 420 has been adjusted to provide instructional materials for the District's Health adoption. In Object 470, allocations have been increased to support educational needs and the purchase of

the new STAR 360 software and in Object 480, funds that were allocated last year to support the new electronic science curriculum component have been removed. Page 21, Object 340, funds have been reallocated from Function 1131 because the Robotics program is associated with extracurricular activities. Page 23, Object 111, although FTE has not decreased, salary has decreased due to transition in staff. In Object 122, an increase has been allocated to provide required student support when critical classified staff are absent from work. In Object 134, additional time is needed to adequately train staff who provide continuous support to our students with specific educational needs. In Object 350, allocations have been made to support cell phone access for staff that work with students out in the community and in Object 480, allocations have been moved as part of the regular District technology replacement schedule. Page 24 addresses Function 1227 Extended School Year. The District has a legal obligation to provide support to students with special educational needs and is required to provide educational extensions for specific students during school recess periods so that these students do not lose vital educational skills. There are no significant allocation changes. Page 25, Object 112, reflects the changes represent restructuring of already existing educational assistant positions. Last year .41 FTE was budgeted here, however, it was actually moved to Function 1121 this year. Another .47 FTE was budgeted, however, due to changes in union negotiations; it was moved to Function 1280. There was no actual loss in FTE, just reallocation. Even though there was a reallocation (decrease) in salary/FTE, it is offset by the union negotiation code change in this category. Page 26 addresses Function 1272 GF Title I. In previous years, due to the way the District's Title I program was structured and with the limited financial federal funds, part of the expenditures had to be put in the General Fund. With the implementation of a school-wide Title I model and an increase in our federal grant funding, expenditures are shifted back to the special revenue fund. This is not a decrease in FTE, it is just a reallocation to Special Fund 240 Function 1272. Page 27 reflects a change referenced on Pg 25, Function 1250 due to union negotiations. A .47 FTE was budgeted in Function 1250, however; it was moved to Function 1280. There was no actual loss in FTE, just reallocation. In Object 134, allocations are needed for classified staff to provide support outside of their regular working hours. Page 28, Object 360, allocations have been appropriated to provide for financial contributions to Cannon Beach Academy (CBA) Charter School. This payment is based on CBA's projected enrollment and the established State School Fund Charter School rate. Page 30, Object 410, the District has allocated funds with the assumption that a summer school grant with a matching requirement will be received. The grant is budgeted for in Special Revenue Fund 233. Page 32, Object 480, allocations have been moved as part of the regular District technology replacement schedule. Page 33, Object 480, allocations have been moved as part of the regular District technology replacement schedule. Page 34, Object 114, the decrease is due to change in staff and in Object 650 the liability insurance type has changed based on certification of new hire. Page 36, Object 112, anticipated changes in configuration related to our new campus project coupled with a staff retirement, allows an opportunity to restructure two positions at the District support level. The .50 FTE is not an increase, just a redistribution of position responsibilities from Function 2520. Object 340 and 350 are a redistribution between the two objects due to changes in a negotiated agreement. In Object 480, allocations have been removed for chrome books that were purchased. Remaining funds are part of the District's regular technology replacement schedule. Page 37, Object 340 and 350, is redistribution between the two objects due to changes in a negotiated agreement and Object 640 shows and increase to cover dues and fees. Page 38, Object 112, the salary has decreased due to transition in staff and in Object 480, as part of the regular District technology replacement schedule, allocations have been moved to purchase new computer hardware in other areas. Page 41, Object 310 and 312, as we begin planning for the transition to a new campus, finalizing a District strategic plan and focus on student educational needs, an increase in allocations has been made in this area to provide support to our staff. In Object 340, resources have been allocated to pay for conference registrations, meals, hotels and other expenses associated with traveling for professional development for the District. Page 42, Object 380, an increase in allocated resources has been made based on continued need for outside legal support. Page 43, Object 480, funds have been allocated as part of the District's regular technology replacement schedule. Page 44, Object 340 and 350, this is redistribution between the two objects due to changes in a negotiated agreement. In Object 480, funds have been reallocated as part of the District's regular technology replacement schedule. Page 45, Object 112, as previously mentioned, the .50 FTE is not a decrease, just a redistribution of position responsibilities from Function 2190 and Object 650, has been increased for liability insurance premiums. Page 46, Object 114, although there is no change in FTE, there has been an allocation for a performance-based pay increase. Our current Maintenance Supervisor will have completed licensed

trainings for asbestos and lead and the licensures, skills and performance merit a pay increase. Page 47, there was a reduction to allocations last year in this Function due to the passing of the school relocation bond; however, funds will continue to be reallocated to a Capital Maintenance Reserve Fund (420) to assure that the District has resources to adequately maintain our facilities. The District will continue to only provide routine maintenance to current existing facilities. Page 49, Object 112, the decrease of .37 FTE is a combination of changes due to adjustments of current bus routes and accommodating special route requirements. Routes are adjusted on a regular basis to meet District needs. Object 390, has been increased to meet projected needs. It primarily consists of professional services related to mandatory transportation drug testing and physical requirements. In Object 541, allocations for the purchase of three new buses have been appropriated as part of a regular vehicle replacement schedule. The District will continue the same procedure for vehicle replacement as it did this year. A new bus will be purchased for delivery in November after the majority of tax revenue is collected and any additional purchases will be made if revenue targets are met in late January. Page 50, Object 460, based on projected needs, this allocation has been reduced. In Object 470, the District has essential software needs that have annual renewal agreements. Historically, some of these software agreements have been charged to our Special Funds E-Rate; however, as the funds in this federally funded program have decreased, we will be required to move them over to the General Fund. Object 480, this allocation is part of the regular District technology replacement schedule. Object 640, the District no longer participates in the STRUT program. Page 51, Object 116, this increase is a reflection of eligible staff who may become early retiree recipients. Page 52, Objects 610 and 622, no resources have been allocated due to the completion of bus lease payments. In Object 790, four transfers have been allocated. A transfer of \$195,000.43 is needed to support the District's food service program, a \$8,465.91 transfer has been allocated to support the High School ASPIRE program which receives a yearly State grant award (\$2,700), a \$61,095.78 transfer to Special Fund 261 Equity in Education, and a \$319,434.42 transfer to initiate the Capital Maintenance Reserve Fund, which will ensure the District has resources to adequately maintain our K-12 facilities. In Object 700 the District is allocating \$500,000 to contingency. Also on Page 52, Object 820, there are no significant changes to this area. The District is required to provide a balanced budget. This concludes the General Fund Detail and now we will continue with the Special Funds. Pages 53, 54, 55, 56, 57, 58 and 59 have summary information and again the focus will be on the detail. Page 60 and 61, the District's elementary schools are participating in a Universal Lunch and School Breakfast Program. All students enrolled at either of the elementary schools may participate in the breakfast and lunch program at no charge to them but they are required to take a reimbursable meal. Implementing this program has significantly decreased our local food service revenues and will be something that will continue to be critically reviewed. Transfers have been allocated from the General Fund to support this program. In Object 112, there has been a very slight increase in FTE (.03) allocated for the Gearhart Elementary staff due to increased student participation. This FTE change was effective in the 2017-2018 school year. Page 62 and 63, the budgeted distribution of allocations in these Objects changes based on yearly needs. There is no obligation for the schools to spend their entire student body funds; however, all resources are allocated so that the funds are available as if the school intended to spend all of them. Page 64 and 65, this was a newly established Fund last year. The purpose of this Fund, High School Graduation and College and Career Readiness Act of 2016 (Measure 98), is to provide direct funding to increase high school graduation rates. The three specific focus areas are to: establish or expand career and technical education programs in high schools, establish or expand college-level educational opportunities for students in high schools, and establish or expand dropout-prevention strategies in high schools. Object 111-340 shows an increase of a 1.0 FTE Culinary Arts/Hospitality licensed teacher has been allocated. In Object 410-480 allocations have been made to support instructional programs with supplies, materials and technology. These funds are for a variety of different programs associated with the application requirements. Object 133-232, this is an allocation to allow for a coaching stipend for our newly created culinary position which may require mandatory extracurricular activities. This is a stipend amount and is not affiliated with FTE. Function 2240, allows instructional staff development to support the entire program. It is not directly related to the Culinary Arts/Hospitality position. Page 66 through 69, this Fund is a compilation of many potential grants that the District may receive. Expenditures for individual grant requirements are placed in the anticipated Functions and Objects. There is no guarantee that the District will receive any of the grants. Page 70 and 71, Object 111-244, an increase of .50 FTE has been added to support adding at least one instructional coach. Page 72 and 73, because of the uncertainty of this funding source, expenditures will only be approved as revenues are received by the District. This is a federally funded program and revenues

are projected to decrease. In Object 470, allocations for general operating software programs are budgeted. These systems include the District financial program, substitute calling program, staff training program, school website hosting and student data warehouse program. Page 74 and 75, this program consists of participating Districts completing a survey three times a year and as a result obtaining reimbursement for time spent by employees on things that would be considered potentially covered by Medicaid. The District participates in this program through Northwest Regional Educational Service District. Expenditures will be focused on providing support to our students in need of health/medical services; as well as, the continued effort to comply with ADA requirements. Because of the uncertainty of this funding resource, expenditures will only be approved as revenues are received by the District. Page 76, the District transferred the accounting obligations of this program back to the plan administrators at Northwest Regional Educational Service District. The program is still intended to operate within the District but expenditures will no longer be reflected in our budget. On Page 77, a transfer of \$8,465.91 from the General Fund has been allocated because the High School would like to support the program but does not have enough grant funds to cover expenditures and in Object 353, postage has been removed because it has not been used. Page 78, revenues 4501 and 5200 show an increase has been allocated in grant revenues because of increased federal support to this specific program area and an inter-fund transfer is not anticipated. In Object 111 and Object 112, last year staff were partially split between the General Fund Function 1272 and Special Fund 240 Function 1272. Due to increased funding and a shift in program type, all FTE can be moved to this Fund. Staff levels are the same FTE at 6.68; however, they are now represented in just one area. Page 79, the District has budgeted with the intent of potentially receiving funds in the program area. Page 80 and 81, based on student poverty rate information submitted to the Department of Education, the District again anticipates qualifying for these additional resources. Appropriations have been made in anticipation of receiving the funds. Page 83 and 84, this is a special program that is State mandated. It requires a portion of all Pacific Power and Northwest Natural Gas receipts to go to schools in those utility companies' areas. Expenditures will be allocated to pay for the loan that the District needed to complete a 2012-2013 mechanical systems project at The Heights; as well as, any eligible maintenance that may be required on that system. Page 85, this is a new grant through the Meyer Memorial Trust. The goal of the grant is "through equitable education, transform our District to improve college and career readiness for English Learners and students in poverty." This grant requires a District contribution. For budgetary purposes, all required allocations have been transferred to the grant; however, all of these funds may not be needed because some of the District's contributions may be done in-kind or with other grant funding. Expenditures have been based upon specifically agreed upon requirements of the grant application. Page 86, Object 374, two District held scholarships have sunsetted. Scholarships are now being established through Scholarships, Inc. which is a non-profit community organization. Page 87, is the District's Debt Service Payment Schedule for the PERS Unfunded Actuarial Liability Bond. Page 88, is the Debt Service Payment Schedule for the 2017 General Obligation School Relocation Bond that was passed in November of 2016. Page 89, Object 610 and 621, payment allocations have been made for the 2017 General Obligation bond sales. This is a levied tax imposed on our voters. Page 90, at this point, the primary purpose of this Fund is to keep funds available for the obligation of future field replacement at Broadway Field. Last year the District had hoped to start accumulating for a new field at The Heights Elementary; however, this project has been halted until the new campus layout is completely developed. The increase in the ending fund balance is due to property sales. As properties sell, proceeds will be deposited into this Fund. If necessary, funds could eventually be transferred to support the new campus project. Page 91 and 92, in November 2016, voters gave the District authorization to sell GO Bonds not to exceed \$99.7 million. In February of last year, the District sold two series of bonds totaling \$97.4 million which also resulted in an additional \$11.6 million in bond premium. A bond trades at a premium when it offers a coupon rate higher than prevailing interest rates because investors want a higher yield and will pay more for it. Taxpayers are not responsible for paying for the additional funds that bond premiums generate. They are responsible only for the \$97.4 million sold. Because the District did not issue the full \$99.7 million, it still has a remaining \$2.3 million that can be sold at a later date. All revenues in this fund, including bond premium and interest earned, can only be spent on the K-12 campus project. Revenue 3199, is a \$4 million grant through the State of Oregon OSCIM Program. The State will match a school district's local GO bond one-to-one up to \$4 million. To date, the District has not claimed against the matching grant. In Function 4150, based on the cash flow projections provided by our project management firm, allocations have been made as construction begins on our new campus project. Page 93, The objective of this Fund is to start accumulating resources to ensure that the

District is able to adequately maintain our new school facilities. The purpose of these resources is to cover substantial maintenance projects. The resources will not be used for regular operating maintenance and supplies. In Object 5200, a transfer from the General Fund has been allocated. In the past, these resources have been allocated in the General Fund Function 2542 to maintain our current ailing facilities. Because new facilities are a reality, there is no reason to invest any substantial maintenance repairs in the current facilities. Page 94, the District is no longer a grant authority for any outside organizations. No appropriations have been made to this Fund.

Budget Chair Cathy Peinhardt asked the Budget Committee if they had any questions regarding the Budget Message and Budget Document. Hearing none, she asked if there were any questions from the public. There were no questions. She encouraged the Committee to contact Superintendent Sheila Roley or Business Manager Justine Hill, prior to the next Budget Committee meeting, if they have any questions.

SCHEDULE NEXT MEETING

The second meeting of the Budget Committee is scheduled for Tuesday, May 15, 2018, 6:00 pm at the District Office.

The Budget Committee meeting was adjourned.

Sally Francis
Executive Assistant