

**REDMOND SCHOOL DISTRICT 2J
BUDGET COMMITTEE
May 7, 2014**

Budget Committee Chair, Rick Bailey called the meeting of the Redmond School District Budget Committee to order and established a quorum of seven at 5:32 pm on May 7, 2014. Board Director, Ron Munkres and Budget Committee member David Imig were absent. AJ Losoya arrived at 6:12 pm making the quorum eight.

The following were present:

Appointed Budget
Committee Members Melissa McVay
Don Fields
Sharon Rosen
Thomas Kemper

<u>Elected School Board Members</u>	AJ Losoya Rick Bailey Bob Perry Shane Nelson	Chair (arrived at 6:12pm) Director Director Director
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<u>R2J Administration</u>	Mike McIntosh Linda Seeberg Martha Hinman	Superintendent Executive Director of Academic Programs Executive Director of Student Services
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<u>R2J Personnel</u>	Kathy Steinert Lynn Evans David Burke JB Demaris Chris Morton Desiree Margo Nicole MacTavish Tara Lewellen Wanda Tigard Trish Huspek Tony Brown	Director of Fiscal Services Director of Human Resources Director of Secondary Education Director of Support Services Assistant Director of School Improvement Principal, Lynch Elementary Principal, Redmond High School Financial Analyst Accounting Supervisor Executive Assistant to the School Board of Directors Terrebonne Community School Teacher
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<u>Media</u>	None Present
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ACTION ITEMS

Approval of April 30, 2014 Minutes

It was noted that a correction was made to the last page of the minutes indicating the next meeting date of the Budget Committee. The change had already been made to the official document that would be signed by the Committee Chair, Rick Bailey.

Don Fields moved and was seconded by Tom Kemper to approve the minutes as corrected. Motion carried 7-0.

AGENDA ITEMS

General Fund Budget & Strategic Investments

Superintendent McIntosh addressed the committee and reviewed the Redmond School District Vision and Mission Statements.

RSD Vision

A relentless commitment to academic achievement and personal growth for every student

Mission Statement

A commitment to rigorous and relevant instruction which leads to mastery and development of productive citizens

RSD Strategic Priorities

- Elevate Student Achievement – Every student graduates college-prepared and/or career ready
- Support and Develop our Human Resources – A highly effective and professional team that prioritizes student growth, values collaboration and seeks continuous growth and improvement
- Sustain Safe and Vibrant School Communities – Personalized supports that nurture stakeholder engagement, student success, and safe and effective school environments.
- Balance Resources to Maximize Student Achievement – Wise, transparent stewardship of district resources that are prioritized for student achievement.

2014-15 Proposed Budget Objectives

- Build on 2013-14 investments in Strategic Plan priorities and objectives
- Appropriately resource continued implementation of Proficient Learning Model & Common Core State Standards
- Maintain successful programs and equitable class sizes
- Provide competitive compensation to attract, recruit & retain highly effective staff
- Prioritize and resource instructional technology initiatives
- Prepare to launch full day kindergarten in 2015-16

Kathy Steinert, Director of Fiscal Services reviewed the following information with the Budget Committee.

2014-15 Revenue Assumptions

- Legislature's Education Budget
 - \$6.55 Billion + \$100 Million K-12 allocation (Grand Bargain)
 - 51% in the second year

- Poverty data change & weights increased (one-time increase that becomes the new base unless our demographics or the data changes)
- Growth in property taxes of 3.2%
- Modest enrollment growth
 - Non-charter grows 0.2%
 - RPA grows 4.8%

Education’s Share of State Budget

- Hit low at last biennium at 38%
- Next year is projected at 40%

State Formula Revenue per ADMw

- For 2014-2015 - \$7,108 per student

General Fund Resources - \$63,721,200

- Local Property Taxes – 28.5%
- Beginning Fund Balance - 6.7%
- Other Local Sources – 1.6% (i.e., rental/lease income, contributions and donations, etc.)
- State Formula Revenue – 63.0%

2014-15 Expenditure Assumptions – Staffing

- Target Class Sizes

KG	23	4 th Grade	30
1 st Grade	24	5 th Grade	30
2 nd Grade	26	6 th – 8 th Grade	32
3 rd Grade	28	9 th – 12 th Grade	34
- FTE Growth in the General Fund – 1.9%
 - Licensed – 5.56 FTE increase (SpEd & District-wide)
 - Classified – 2.20 FTE increase
 - Administrative – 3.60 FTE

2014-15 Expenditure Assumptions – Salary

- Salary-Related
 - Licensed & Instructional Classified – 1 day restored (2 workdays short)
 - Steps restored to “status quo”
 - 1.0% COLA
 - Horizontal salary schedule movement
- Related Payroll Costs
 - PERS rates – flat
 - No increase in health insurance cap

PERS Rates

- SB 822 and the Grand Bargain reforms (currently being reviewed by the Supreme Court) decreased our rates from 26.1% to 21.8%. If those two provisions are found unconstitutional, our understanding is that the PERS Board is maintaining a reserve that would cover the additional employer payments owed for the 2013-15 biennium. This year and next year we are using approximately \$900,000 (each year) of reserves to buy-down our PERS rates.

- PERS rates next biennium will be based on the December, 2013 valuation of the invested PERS assets. It is possible that higher investment earnings will offset some of the inevitable PERS rate increases necessary due to the “rate collars” imposed in prior bienniums.
- The PERS Board has put caps on how much rates can increase the “rate collar.” Because of this we will continue to see an increase in our rates going forward. We are being told to expect, even if the Supreme Court upholds reforms, future increases in our PERS rates (approximately 2% vs. last biennium’s 6%).

Bob Perry stated that due to our uncertainty of PERS reforms being overturned by the Supreme Court, he believes it would be prudent to prepare for those increases.

General Fund Requirements by Function \$63,721,200

- 57.7% - Instruction
- 35.9% - Support Services
- 4.7% - Contingency
- 0.8% - Debt Service (NW Property – cannot be prepaid until 2020)
- 0.8% - Inter-fund Transfers
- 0.1% - Enterprise & Community Services

General Fund Requirements by Object - \$63,721,200

- 53.9% - Salaries
- 28.7% - Related Payroll Expenses
- 10.7% - Purchased Services
- 4.7% - Consumable Supplies & Materials
- 1.1% - Other Objects
- 0.9% - Inter-fund Transfers

General Fund Requirements by Object – Salaries - \$30,264,200

- 28.7% - Licensed
- 12.1% - Classified
- 5.7% - Administrators
- 1.0% - Additional

General Fund Requirements by Object Salary Increase - \$1,605,100*

- 93.2% - Base Salary
- 2.8% - Step Increases
- 2.1% Incremental FTE
- 1.2% - COLA
- 0.5% - Addition of one day
- 0.2% - Licensed Lane Changes

*Increase vs. 2013-14 Budget

General Fund Requirement by Object Related Payroll Expenses - \$16,087,400

- 25.2% - Related Payroll Costs
 - 11.4% - Health Insurance
 - 9.8% - PERS
 - 4.0% - Other related payroll

General Fund Requirements by Object Purchased Services - \$10,642,400

- 28.0% - Purchased Services
 - 7.2% - Charter School Payments
 - 2.8% - Other Purchased Services
 - 2.6% - Utilities
 - 2.2% - Other Tuition
 - 1.8% - Substitutes

General Fund Requirements by Object Consumable Supplies & Materials - \$2,665,200

- 4.2% - Consumable Supplies & Materials
 - 1.0% - Textbooks
 - 0.9% - Supplies
 - 0.6% - Computer Hardware
 - 0.6% - Gas & Oil
 - 0.6% - Other
 - 0.5% - Computer Software

General Fund Requirements by Object – Other - \$4,061,900

- 6.4% - Other
 - 4.7% - Contingency
 - 1.0% - Other Objects
 - 0.8% - Inter-fund Transfers

2014-15 Proposed Budget – All Funds - \$93,939,400

- 64.0% - General Fund
- 15.1% - Other
 - Fee Supported Funds – 2.2%
 - Capital Project Funds – 1.6%
 - Grant Program Funds – 4.6%
 - Nutrition Service Fund – 2.1%
 - Insurance & PERS Reserves – 3.5%
 - Unappropriated Reserve – 1.1%

Sharon Rosen expressed concern about programs “coming and going” and the expense involved getting those programs up and running. She cited the IB program and the new Camp 9 program. It seems to her that the expenses involved are a waste if we continue to discontinue the programs. She would recommend picking key programs and sticking with them.

Superintendent McIntosh stated that as an example, the IB program was discontinued because not enough students were participating in the program. “Despite the value of the program it is hard to justify continuing the program because it was not being sought out by students. I am happy to report that we have forecasted for AP and it is exactly what we projected it would be. The expense of training the IB teachers wasn’t a waste, they are still good teachers.”

Superintendent McIntosh, in response to a question regarding adding Camp 9 stated, “In a few short years there won’t be a hard textbook used in schools. In order for Redmond students to stay current and be ready to join the workforce, I am obligated to provide them those opportunities. I am compelled to believe we owe those kids that opportunity. Camp 9 is our way to enter this world of digital content. I

believe it is a trend line and I have to be within the boundaries of that trend line or I am doing a disservice to those kids.”

RSD Priorities and Objectives

Priority #1 – Elevate Student Achievement

- Staffing
 - Director of Technology & Innovation (1.0 FTE)
 - New Elementary Planning Principal (1.0 FTE)
 - TOSA: Instructional Technology Specialist (0.5 FTE)
- Professional Development
 - TOTs Stipends (Trainer of Trainers for Synergy & CCSS) - \$74,300
 - Substitute funds for Teacher Planning Teams - \$29,200
 - Trainers/Consultants: CCSS; ELA Adoption; Team Training & Inclusion - \$14,000
 - RHS Advanced Placement Teacher Training - \$17,900
- Instructional Materials
 - Supplemental CCSS Bridge Materials - \$80,000
 - English Language Arts Curriculum Adoption - \$450,000
 - Social Students Curriculum Adoption - \$50,000
 - Intervention Curriculum – to address academic remediation - \$35,500
 - Advanced Placement Textbooks & Materials - \$40,300
 - Smarter Balanced Interim Assessments - \$25,000
- Technology
 - 1:1 iPad Pilot Program in Camp 9 – Grant funded in 2014-2015
 - Instructional Technology 1:1 Initiative - \$367,600

Priority #2 – Support and Develop our Human Resources

- Expanded Career Pathways
 - Teacher Leader Stipends - \$73,900
 - Mentor Stipends - \$25,400
- Supports for New Employees
 - Induction Academy - \$28,900
 - Mentorship Program - \$40,100
- Differentiated Professional Development
 - TalentEd Perform (TED) – Grant funded in 2014-2015
 - Administrative Supports – Roving subs for evaluation process - \$12,600

Priority #3 – Sustain Safe and Vibrant School Communities

- Staffing
 - TOSA: Behavior Specialist (1.0 FTE)
 - School Psychologist (1.0 FTE)
 - Youth Transition Counselor (0.5 FTE)
- Safe Campuses and Facilities
 - School Resource Officers and Deputies at 6 schools - \$165,000
 - Security-related enhancements in Deferred Maintenance Fund Budget

Priority #4 – Balance Resources to Maximize Student Achievement

- Reserve Planning
 - Budget restores one contract day, full steps and the first COLA since 2008-09 with the use of \$1.3 million in excess fund balance generated from 2013-14 savings

- Budget plans for a 5% GF revenues ending fund balance
- Across all funds, the budget contains 10% contingency or unappropriated ending fund balance. Requires Board approval to use.
- 2014-15 implements carry-over of unspent GF discretionary budgets

Superintendent McIntosh stated, “We began the year with an approximately \$6 million beginning fund balance and will end this year with approximately \$4 million. Kathy and I share an equal concern over the next biennium. I believe in 2015-17 we will be forced to build a budget based on revenue. I don’t know what kind of belt tightening it will take to manage to the same ending fund balance as the beginning fund balance. Our philosophy will be a 7-9% ending fund budget. This year we will be in the 7% range in our ending fund balance. 2015-17 will be a troublesome time unless the legislature comes to our aid. There are many variables that give me heartache in 2015-2017.”

Don Fields asked if the Board should require a 6% reserve. AJ Losoya stated, “This has been talked about for a while but we need to remember that if we do that, there will be something that won’t get funded. But, the Board has been concerned about this for a while. We know we are okay this next school year but should we be doing something to prepare for the next biennium.”

Rick Bailey stated, “I don’t know that I agree with increasing the 5% because we want flexibility if something happens. Where I am struggling is the expectation that we will exceed the 5%. In a perfect world I would love to see something between 7 and 9%. What I am hearing is that we want that expectation but I don’t know we want to lock us into that.”

Superintendent McIntosh stated that the 7-9% range is legitimate. “We don’t want to have a 19% ending fund balance because what that says is that we should have used that money to benefit kids.”

Kathy Steinert reported that she knows we are looking at some hard decisions in the next biennium.

Don Fields stated, “I don’t understand that if we know there is going to be a problem, why we aren’t already starting to look at that to address those issues?”

Superintendent McIntosh stated, “We are walking the balance of treating our staff the best we can and also looking at what is coming at us. I am prepared to know the budget process will be filled with hard conversations. This management team agrees that we don’t want to approach 5%. We would like to manage to 7-9%. When we began this process, there wasn’t a possible way to have a 19% ending fund balance because we have teased out those padded areas. We are getting better and better in projecting to actuals. We think it is possible to manage an annual budget at 5% with an additional 2-4%.”

Tom Kemper also expressed his concerns about what is coming in 2015-17 and also believes it needs to be addressed now.

Superintendent McIntosh stated, “We have a current generation of kids in seats that deserve whatever I can get them. I don’t know where to begin the process of identifying what to cut out to increase our reserves. I find value in the things that we fund. I must reconcile all of that against what I can do today. We are getting a huge amount of benefit from the supports that are being put into place for teachers. I am not okay with 2015-17 either.”

AJ Losoya reported that he too is nervous about 2015-17 but he also knows that the current leadership of the district is doing everything they can to do the best for the students in the district.

Melissa McVay stated that she too is nervous and wonders if we are doing too much this year. “Is it a want or a need? We need to ask those questions so that we aren’t taking things away again next year. As a group, we need to look at how we are planning for our students and teachers for the next biennium.”

Superintendent McIntosh stated that he is willing to listen to their recommendations and make it what the Committee wants because that is their job. “I don’t know how to eliminate the fear of doing too much and address what is needed. There are 15 things on my whiteboard in my office. I told myself to put a line through five of them. I couldn’t identify five things to eliminate. We have already had those hard conversations of wants versus needs.”

Don Fields recommended dedicating at least 45 minutes at the next meeting to discuss what we need to do to address these concerns. “It seems with the comments that have been made we need to get some focus somewhere.”

Bob Perry stated, “If we had to cut back, what is your prioritization of the things we are doing. We need to be able to see that.”

There was a conversation regarding the impact of the CLC grant ending and the fact that the district is not in a position to continue those programs. Principals are currently working on fundraising to help support those programs.

Superintendent McIntosh stated, “We have an amazingly supportive and benevolent business community. I don’t want to abuse that.”

Public Comment

Tony Brown reported that Peter Buckley, Chair of the Ways and Means Committee and Tina Kotek, Speaker of the Oregon House would be excellent people to start lobbying for school funding.

Next Steps

- Last Budget Committee Meeting & Public Input – **May 21**
- Budget Hearing – School Board Adoption – **June 25**

Questions and Answers

Questions can be addressed to Kathy Steinert via email. Answers will be sent to all Budget Committee members so that everyone has the same information.

Requests for Information

None

Adjourn

Don Fields moved and Tom Kemper seconded the motion to adjourn at 9:03pm. Motion carried 8-0.

Next Budget Committee Meeting

The next meeting will be on May 21, 2014, 5:30pm at the District Office

Rick Bailey, Budget Committee Chair

Trish Huspek, Executive Assistant