

**Redmond School District  
School Board Meeting  
March 6, 2013**

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**In Attendance:** Chair Cathy Miller, Vice-Chair AJ Losoya, Directors - Ric Little, Bob Perry, Pat Reck, Superintendent Mike McIntosh, RSD Staff: Trish Huspek, Kelly Richard, Kathy Steinert, Mayor George Endicott, City Councilman, Tory Allman, REA President, Karen Gray, Jamy Hartford, Budget Committee members, Sharon Rosen, Rick Bailey, and Holly Sides. Media – Leslie Pugmire-Hole (*Bend Bulletin*), left at 8:17pm.

Chair Cathy Miller called the meeting to order with a quorum of five at 5:30 p.m.

**PROCEDURAL ITEMS**

**Additions, Deletions and Corrections to the Regular Agenda**

An addition to the agenda will be made to include a Personnel Report during the Consent Agenda.

**ACTION ITEMS**

**Approval of Licensed Employee Contracts**

Under ORS 342.805 to 342.937 the board is required each year to take action on the contract status of licensed district employees. Renewing probationary teachers and administrators and extending the contracts of contract status licensed teachers and administrators must be completed prior to March 15<sup>th</sup> as per the appropriate statute.

Superintendent McIntosh reviewed with the board the recommendations for renewals of licensed staff

*Bob Perry moved and AJ Losoya seconded a motion to adopt the recommendations listed on the teacher and administrator status list provided for the 2013-2014 school year. Motion carried 5-0.*

**Consent Agenda**

- Personnel Report

*Pat Reck moved and Ric Little seconded a motion to approve the consent agenda as presented. Motion carried 5-0.*

**PRESENTATIONS**

**If I Were Mayor**

Mayor George Endicott was in attendance to provide information on the annual “If I were a Mayor” Contest. The contest is sponsored by the Oregon Mayor’s Association (OMA) and Oregon Afterschool for Kids (ASK). Mayor Endicott reviewed the details of the contest and reported that entries are due April 26th. Mayor Endicott will select one winner in each category: Elementary School Poster-Grades 4-6, Middle School Essay-Grades 7-8 and High School Video or PowerPoint presentation. The local winner in each category will be awarded \$100 and recognized at a City Council meeting. Each winner from Redmond will be entered into the statewide contest, where three students will receive laptop computers from the OMA and Oregon ASK. He encouraged all of the schools to get involved.

Mayor Endicott also provided an overview of the initiatives that the League of Cities is supporting this legislative session. During every session the League of Oregon Cities takes positions on various issues to advocate on behalf of Oregon’s cities on issues of statewide impact or concerns. This year, they are focusing on two key areas;

property tax inequities and statewide property tax limitations. The league has proposed two measures to improve the property tax system. These are referrals that would restore voter control and reset a property's taxable value at sale.

The voter control referral would allow local voters to consider a temporary tax outside of statewide limits. The amendment would not raise anyone's taxes, but would empower voters to authorize a tax for local operations.

The reset at sale referral resets a property's taxable value to its real market value at the time of sale or construction. The amendment would not raise anyone's taxes on their current home, but would restore fairness over time by recalculating taxes based on the market. The League of Cities is encouraging the public to contact their legislator to encourage their support of the constitutional referrals.

The State of the City address is scheduled for April 10<sup>th</sup>.

## ADJOURN

*Bob Perry moved and Pat Reck seconded a motion to adjourn the regular meeting at 5:54 p.m.*

## WORK SESSION

Superintendent McIntosh stated that since the board met last week to discuss the budget some new information has come in. He commended Kathy Steinert for the amazing job she has done in gathering this new information. He stated that this year the budget committee is being included in the budget process earlier to allow them an opportunity to help develop the budget from the beginning.

Kathy Steinert, Business Manager provided the Board with a PowerPoint presentation that reviewed the long range plan and budget objectives that was provided at the last meeting and to provide additional updated numbers. She stated that the following information will not necessarily be what will ultimately end up happening. It is a starting point.

Tonight's Goals:

- Discuss the four R's:
  - Revenue
  - Reform (PERS)
  - Reserves
  - Risks (and Opportunities)
- Discuss the assumptions that will underlie the proposed budget
- Respond to questions and concern
- Discuss next steps

2013-2014 Budget Objectives

- Restore a standard school year (add back 9 days)
- Maintain successful programs and equitable class sizes
- Successfully launch Redmond K-12 online
- Implement Proficient Learning Model & Common Core State Standards with appropriate training and resources
- Enhance professional growth and development and expand evaluation system
- Provide competitive compensation to attract, recruit and retain highly effective staff

Cathy Miller stated that last year one of the priorities was no reduction in staff. She believes that if that is still the belief, it should be listed as an objective.

Superintendent McIntosh stated that his goal would be to restore what has been cut in the last few years.

### **2013-2014 Revenue Assumptions**

- Ways and Means 2013-15 Co-Chairs' Education Budget
  - \$6.55 Billion K-12 Allocation
  - PERS Reform - \$200 million in savings (less savings that what was in the Governor's budget)
  - \$120 million carve-out from ESDs for regional professional development centers – Not included in Co-Chairs' budget (everything is indicating this carve out won't happen)
- Modest Enrollment Growth – 1.5%
  - 60 full-time enrollees in RSD Online Academy
  - Growth exceeds 0.2% growth in State school age population
- Other Assumptions
  - 49%/51% split of the allocations over the biennium

State School Fund (SSF) Per ADMw – now at \$6700 per ADMw.

### **PERS Reforms**

Co-Chairs stated, "We are trying to thread the needle on PERS. Can the proposed reforms be legal, fair, and result in short-term savings and long term stability?" Superintendent McIntosh stated that any reform that gets through the legislature will be challenged and will take time to get through the Supreme Court.

Every district will need to decide if they will budget based on assumed PERS reforms.

### **PERS Reform Proposals**

- Ways and Means 2013-15 Co-Chairs' Budget
  - \$200 million in savings for K-12 (80% of Governor's Budget) Not cash -
  - COLA adjustment
  - Eliminate tax assistance to out-of-state retirees
- OSBA – SB 754
  - Limit COLA
  - Eliminate tax assistance to out-of-state retirees
  - Limit "Final Average Salary"
  - Transfer 6% from IAP back into "the system" – For Tier 1 and Tier 2 employees (future contributions)
  - Lower assumed earnings rate for "Money Match" retirees – those Tier 1 and 2 members for whom the money match method makes sense over the full formula benefit.

### **PERS Reform Assumptions**

- Jim Green, OSBA Deputy Executive Director, at OASE Funding Coalition state, "I believe that there will be some reform around the COLA and out-of-state retirees issue."
- Ways & Means 2013-15 Co-Chairs' Budget
  - \$200 million in savings for K-12 (80% of Governor's Budget)
  - Average rate reduction for Governor's Budget was 4.7% of salary
  - Assume 80% of original reduction – 3.75% of salary that we can assume for a reduction in our rates

### **RSD Average PERS Rates**

2007-09

- Base Rate – 16.50%
- Net Rate without Reform – 13.45%

2009-11

- Base Rate – 14.36%
- Net Rate without Reform – 13.07%

2011-13

- Base Rate – 19.00%
- Net Rate without Reform – 17.07%

2013-15

- Base Rate – 26.05%
- Net Rate without Reform – 23.47%
- Net Rate with Reform – 19.72%

Superintendent McIntosh stated that at some point we will need to decide what to base our budget on. Do we include PERS reform assumptions or proceed without them.

Cathy Miller stated that as we are building this budget, as we get more figures and get a more concise picture, we shouldn't be surprised in May. "We need to be very clear in our commitment to what we are building. Is there a possibility that we will have a reduction in staff based on these numbers?"

Kathy Steinert stated that these numbers are more precise than what we had a couple of weeks ago but there are risks that could cause a reduction in staff that will need to be addressed. The budget will need to be based on the priorities that are established.

Superintendent McIntosh stated that everything that is being presented would be his goals but it will be important to understand that how much revenue the district receives will directly affect those goals.

**2013-2014 Expenditure Assumptions – Staffing**

- Class size ratios
 

KG	23	High School	32-34
Grades 1-5	27	Redmond K-12 Online	75
Middle School	32		
  
- Minimal FTE Growth – 0.09%
  - Licensed – 3.75 FTE decrease (MS and High School)
  - Classified – 2.23 FTE increase (SpEd; DO & 0.5% growth)
  - Admin – 2.04 FTE increase (HS; DO-grant/bond funded)

**2013-2014 Expenditure Assumptions – Salary**

- Salary Related
  - All days restored (9 instructional; 6 workdays)
  - 1.6% COLA
  - Horizontal and vertical salary schedule movement
  - Stipends – increase due to no Collaboration Grant reprieve
- Related Payrolls Costs
  - PERS rates – 3.75% rate reduction due to reforms; 2.02% increase in rates
  - Medical Insurance Cap – increase of 4.2% to \$1,141
  - Restore tuition reimbursement

**2013-2014 Expenditure Assumptions - Other**

- Purchased Services

- HDESD Tech Consortium increase \$231,000 due to 2.0 FTE added
  - Charter School payments increase \$250,000 due to estimated growth in enrollment at RPA of 26; increase in Charter School rate for 2013-2014
  - Redmond K-12 Online – Connections Learning curriculum and instructors cost of \$225,000
  - Substitute costs increase of \$121,000 (12%) due to salary/days
  - Very modest utility cost increases built into the long range model
- Consumable Supplies and Materials
    - CPI-U – 1.6%
    - Computer Software – Additional Synergy Modules \$38,000 increase
    - Computer Hardware - \$100,000 Increase (Refresh and Online Academy)
    - Textbooks – Interim Common Core State Standards in English and Math Adoption - \$126,000

**Anticipated 2013-2014 Shortfall – Co-Chairs’ Budget**

- Net Operating Deficit (\$4,778,000) difference between current year’s revenues and expenditures
- Deficit Net of Required Reserves (\$3,154,000)  
We get to spend down some of the beginning fund balance that we assume we would go into 2013-2014 with. Been budgeting for the last four years to spend down our beginning fund balance we have been fortunate enough to realize savings during the school year. Anything in excess of the required 5% Beginning Fund Balance.

It is important to note that without PERS reform, the district will not be able to stay status quo with the 2012-2013 budget.

**Anticipated 2013-2014 Shortfall – Co-Chairs’ Budget/Governor’s Budget**

Net Operating Deficit

- (\$4,778,000) – Co-Chairs’ Budget
- (\$6,022,000) – Governor’s Budget

Deficit Net of Required Reserves

- (\$3,154,000) – Co-Chairs’ Budget
- (\$4,314,000) – Governor’s Budget

**Overview of Planned Reserves – 2013-2014 Estimates (will change)**

- General Fund - \$2,677,000 – General operating contingency set by Board policy at 5% of General Fund revenues
- 2008 General Obligation Bonds - \$750,000 – Reserve for 2008 bond construction project carryover
- 2004 General Obligation Bonds - \$269,300 – Reserve for 2004 bond carryover (EGMS roof fund)
- Deferred Maintenance Reserve – (\$265,800) – Contingency/reserve for ongoing deferred maintenance projects. The district currently has an unbudgeted \$2.5 million deferred maintenance inventory of projects
- New School Start Up Reserve – \$2,820,800 – Reserve for future school start-up costs. This reserve has been used to fund technology and equipment needed for Ridgeview High School.
- SB1149 Energy Project Reserve- \$71,100 – Reserve to prefund projects eligible for reimbursement
- Bus Replacement - \$24,700 – Reserve for future bus replacement. Funding for this reserve comes from a designated portion of the annual State Transportation Grant equal to vehicle and garage depreciation. The district is legally required to put these funds in reserve.
- Equipment Replacement - \$73,500 – Contingency/reserve for future replacement of maintenance equipment such as mowers and utility trucks
- Insurance Reserve - \$900,000 – Contingency for unanticipated judgments, claims and deductibles; reserve for future self insured unemployment claims liabilities

- PERS Debt Service Reserve - \$872,900 – Unappropriated ending fund balance portion of the PERS Debt Service reserve. The purpose of this reserve is to continue to allow the district to absorb the shock of the significant PERS rate increases anticipated for the 2013-2015 biennium.
- PERS Debt Service Reserve - \$150,000 – Contingency for unanticipated PERS side account charges or employee earnings adjustments.
- New School Start-up Reserve - \$400,000 – Unappropriated reserve to re-establish the Hartman Campus if needed in the future.

### **Potential Reserve Demands**

- PERS – With or without reform
- Three new roofs - \$690,000 (Tuck, Lynch, RHS)
- Other deferred maintenance projects - \$2.5 million
- Bus replacement Fund
- Phone System Replacement (Mitel System)
- Technology Replacement & Acquisition Fund
- General Fund replenishment - \$1.85 million to New School Start-up since 2003-04

### **2013-2014 Budget Risks**

- Current year assumptions around HB 3417 incremental revenue – changed the way extended ADMw is calculated
- Co-Chair’ Budget is not approved
- Potential revenue “carve-outs” - \$38 million per COSA – money that is set aside before the money gets put into the equalization formula and distributed to school districts.
- No PERS Reform
- No Prison Reductions & Reform – if the legislature doesn’t act, this could cut the K-12 funding
- Sequestration – could have some affect on the district if the federal government doesn’t remedy it – could see reduction in federal grants

### **2013-2015 Biennium Opportunities**

- More aggressive PERS reform
- Property tax reform
- State economy improvement
- Real estate revenue from newly zoned property
- Greater cost savings in 2012-13
- Increased enrollment

Holly Sides stated that Kathy provided an excellent presentation. “I would not budget on speculation and only budget on what we actually will have.”

Superintendent McIntosh stated that he and his team are doing their best to get the Budget Committee information sooner than later.

Rick Bailey stated that this overview is helpful in helping them understand what we are heading towards. It will be help to have this background information once the actual budget documents are presented.

### **Next Steps**

- Legislative session – Receive Co-chairs budget early March – DONE
- Budget Committee Work Session on March 6 – DONE
- Budget development
- Refine estimates
- Proposed Budget – April 24
- Public Input

The first Budget Committee meeting will be on Wednesday, April 24 at 5:30pm. At this meeting the budget message will be presented.

Superintendent McIntosh stated, “We won’t have more significant numbers by the April 10<sup>th</sup> work session. I would request that we not meet on April 10<sup>th</sup> to allow Kathy and her staff time to prepare the draft proposed budget.

Superintendent McIntosh stated, “If we don’t get PERS reform, what we are left with is unacceptable. We might need to accept it but I would like to factor in a reasonable amount of PERS reform in the proposed budget.”

Sharon Rosen stated, “The district has been on a roller coaster ride over the last several years. I would caution everyone to not look through rose colored glasses and put something out and then have to pull it back.”

Rick Bailey stated that the PERS reform would need to be something very concrete. “I would hate to see us get into a position where we are swinging back and forth.”

Superintendent McIntosh stated that his position is that if he had it his way, he would restore everything on the list.

Ric Bailey stated that he doesn’t think the district will be able to get all of it back at one time. It will need to be done in steps. Bob Perry concurred with this position.

Cathy Miller stated that she would only count on the money that we know is in the bank. “My concern is the credibility of the district. I wouldn’t want to jeopardize that by promising something we can’t deliver. I would feel more comfortable with putting together a budget based on what we know we have. I also want to make sure that we as the budget committee don’t jeopardize anything for the following year.”

Cathy Miller further stated that because the meeting on April 10 has been canceled, she would appreciate receiving a one sheet executive summary at least two days before the meeting on April 24<sup>th</sup> that would highlight the key data points of the proposed budget document.

The work session adjourned at 9:20 pm.

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Cathy Miller, Board Chair

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Trish Huspek, Executive Assistant