

BOARD STUDY SESSION MEETING MINUTES

February 15, 2022

Call to Order

President Rivera called the Study Session of the Shoreline Board of Directors to order via Zoom at 4:00 p.m. on February 15, 2022.

Roll Call

Present: Rebeca Rivera, President; Emily Williams Vice President; Sara Betnel Director; Meghan Jernigan Director; Sarah Cohen, Member; and Sky Stark, Shorecrest Student Representative.

Absent: Yubi Mamiya, Shorewood Student Representative

The following topic was discussed:

2022-23 Budget Development – Part 1

Presenters:

Marla S. Miller, Deputy Superintendent

Mark Spangenberg, Director Finance and Business Services

When building a budget, the pieces come together over time. Today we will bring everyone up to a foundation level of the building blocks of the budget. We will revisit in March when the legislature moves to adjournment and more details are known about the state impacts.

Tonight, for the 2022-23 Budget Development – Part 1, the following will be discussed:

- Enrollment History and Projections
- Impacts of Enrollment on Budget Development/Funding
- Overview of State Funding
- Legislative Impacts

This will be an opportunity to learn and think about what enrollment does for all aspects of the budget. Once a decision is made on the budget model used for enrollment, we stay with that throughout the whole process to avoid constant modifications.

The next study session is scheduled on March 8, 2022 to discuss these items in more depth.

Enrollment History and Projections

The District saw a low point of enrollment in 2013. In 2016-17, a good part of the jump in enrollment was due to kindergartners being funded as full-time students rather than half-time students. This was an anomaly that year worth noting, as the increase in numbers was not completely due to increases in enrollment.

In March of 2020, COVID hit and we saw a decline. The state had us count enrollment in 2019-20 as though March 2020 continued as the benchmark for the remainder of that year – masking how much of a drop off we would have seen if we reported monthly spring 2020 enrollment actuals.

Enrollment is a huge driver for budget development.

The demographer, Les Kendrick, was asked to update the long-range projection in November 2018 to the 35-year projection done in 2015 in anticipation of developing the 2017 bond planning. It is now time to contract for a new 35-year projection. Typically, the projections done over that span are a little

more aggressive, taking a more liberal view of the number of students because it is part of planning for facility needs; it is better to overestimate than to underestimate. Long-range projections need to be fresh enough to qualify for state analysis of the District's facility needs should the District develop a facility construction plan. When thinking about and planning for another bond and future projects, the long-range enrollment projection report that would be provided to the state should not be more than two years old.

Since we are currently in a recovery period, Director Betnel asked if Ms. Miller could give her perspective on the possibility of doing a shorter-term projection for 3-5 years, and then a longer-term projection.

Ms. Miller explained that it could be both. The value of a long-range projection is typically that the demographer digs into the building permits and birth rates in the area, which is data the District doesn't dig into too deeply on a year-to-year basis. Five-year projections include kindergartners coming into the system. Ultimately, we'll need a 35-year projection to do facility planning.

Director Cohen inquired as to how frequent the 35-year projections typically are done and Ms. Miller's response was six years at the most. There's a process the state uses, Study and Survey, and it is a six-year planning horizon. In that Study and Survey document you have these long-range projections.

President Rivera asked if she understood correctly in that we are not quite due for a 35-year projection, but because numbers have changed significantly, perhaps we should have one. Ms. Miller replied that we could actually be due for one since the last full one we had was in 2015 and was in anticipation of developing the 2017 bond proposal. The state would expect that we would be facilitating that 35-year projection soon. It is embedded in a much larger project, which looks at enrollment and facility conditions, the economy and the market. Enrollment is just one part of it. Typically, the long-range enrollment forecast is a starting point which tells us how much of a variation we'll be planning in enrollment, and that drives the facility needs analysis.

President Rivera asked about the timeline for which we need to run another bond measure. There is no fixed timeline. There are a couple of variables:

1. How is the economy and how are taxpayers feeling?
2. The state constitution has a cap on the amount of debt a district can have relative to the overall value of the district.
 - Bond issuers don't like to see a district too close to that cap.
 - Look at where are we in terms of the value of the property in the district and the debt.

A good bond planning horizon is in the 18-24 month range prior to the time a proposal is made for the upcoming ballot. It makes sense to start with instruction needs first, and come around to what the facility planning needs are from those recommendations to support the instructional vision (three-year middle school model). This is why it makes sense to start with the strategic plan, then look at instructional planning, then facility planning. It is probably wise to add a year to that timeline to have time for planning a strategic plan to build a community and board vision.

Ms. Miller gave a big thank you to the voters for passing the levy and of all those who assisted in getting the information out!

A bond has a longer term commitment than a levy. The District may be on the brink of being able to consider a capital levy to replace the 2006 bond capacity, rather than another bond. A capital levy requires a 50% + 1 majority vote and drives a shorter term commitment from the taxpayers (4-6 years).

Edmonds School District recently shifted to capital levies to build schools. Shoreline does not have enough assessed value to have a capital levy drive enough annual revenue to build a new school (that would still need a capital construction bond), but in terms of looking at the 2006 bond small works component, a capital levy would be something to consider.

Director Jernigan asked if Edmonds was able to use the capital levy option because they have enough assessed value across all of their jurisdictions. Yes, formerly it was only Tacoma and Seattle School Districts that had enough tax base to drive a levy to do major construction projects. Edmonds has joined them now. Director Jernigan had a follow up question regarding whether or not Edmonds, if they needed \$50 million for a building, would be able to get there through this shorter term option, and noted that Shoreline does not have that capability. Ms. Miller clarified that we are a smaller district and our commercial tax base is considerably different. Edmonds' tax base is growing and seeing billions of dollars a year coming into the tax base because of the commercial development there. If the District is looking at \$3.5 million - \$5 million range, it is enough to do the components for which the 2006 bonds were used.

When asked by Director Betnel about how the revenue we are getting from the Aldercrest [Annex] lease feeds into any existing projects or future capital project planning, it was reported the revenue goes into the Capital Projects Fund. The revenue has not been worked into specific projects yet, but it is deposited monthly and grows interest. It will be identified in the next capital projects report.

Projections for 2022-23

When projecting for the coming year, we look at the actual enrollment numbers of the prior six years. When looking at these six years, we have an opportunity to not over-react or under-react to the most recent years.

Four models were shared in order to show how the prior six years have been used to project the upcoming year. With the example models, the numbers show how the prior years' numbers were weighted in determining the calculation of the 2022-23 projection.

The January actual data is used for two reasons. First, over the course of time, it has been the most predictive of what the annual average FTE will be for the entire year. Second, it is available now and the timing is right for figuring out what the enrollment projections will be for the coming year.

When asked by Director Betnel if the January prediction numbers tend to be accurate for kindergarten as well, Ms. Miller explained if you look at kindergarten over the years, it has probably been the most varied class size. Kindergarten classrooms are staffed as students enroll and classrooms added as we have students come into the system.

In reviewing the models, you can see the different impacts each model has on the numbers. How aggressive do we want to be in thinking we'll pull back out of the impacts of the pandemic? In looking at tried and true methods, there are no guarantees and this has been an odd couple of years! It may be a good time to think about the stance we want to take.

Staff recommends continuing with the 111234 projection methodology, which predicts an enrollment reduction of 151 students.

- Over time has proven to be the most predictive model
- Variation between models is relatively modest
- Projection is based on January 2022 actual – reflects the upward trend in enrollment recovery since September

We will need to know by mid-March so we can start rolling out staffing projections. Typically, the Board hasn't chosen which methodology to use; that has been a staff choice. However, the Board should let staff know if they would like to take a different direction and possibly be more aggressive in developing the budget.

Director Jernigan inquired as to what happens if we project fewer students and more show up, what does that trigger in terms of challenges?

Two things:

1. If we project a decline in enrollment, that will generate fewer staff positions than this year. It rolls out a reduction in staffing which is difficult, but it is also a key decision for school districts financially.
2. If we were to over-project students and hire more staff than our enrollment will support, it will consume the fund balance. If we underestimate and have more kids show up, then the hiring process is harder as most experienced teachers are already committed under contract elsewhere.

Superintendent Reyes agreed it is typical for many school districts to take a more conservative approach on projections because of the ramifications of over-projecting.

President Rivera referenced the estimated 151 fewer students across the district, which is about 5 to 8 teachers. What realistically do you think that number is across the district depending on different school situations? Would it still be 5 to 8, would it be spread across schools or would it be none? Ms. Miller agreed, it does tend to be spread out. Think about how those kids will be spread over ten schools; hopefully it will not be one whole classroom. We have a process that starts with the global and then works to the local. Because classroom teachers are allocated by formula are automatically adjusted according to the enrollment projection. Other positions are not as likely to be affected.

Director Cohen asked if there are any specific factors, other than the volatility of the pandemic that would lead us to think that we would see an additional decrease in students above what was caused by COVID. This can be a difficult question to answer and Ms. Miller shared some factors that impact the numbers:

- Increase in Running Start because of the opportunity to gain college credit
- Cost of housing and higher unemployment – people may move out of the area
- There may have been a bubble coming through the system

Director Betnel followed up by asking if there is information from our two cities of any population changes on the horizon. Ms. Miller explained, traditionally, that is included in the long-term projection information. Notifications of multi-family units have been received with the timeline of their occupancy. Those numbers typically show up in enrollment numbers. The demographer, in looking at the Sound Transit project, did not predict much enrollment growth from those developments.

2022 Apportionment Report

Ms. Miller shared her screen and showed a monthly Statement of Apportionment. This report is produced monthly by the state telling what the revenue is coming in that month relative to what our annual allocation was expected to be. Everything in the report is impacted by enrollment.

Part of the apportionment report applies prototypical school state staffing allocations, which was referenced in one of the handouts. A huge part of the state's funding of school districts looks at an allocation model that provides funding; each district decides how to use that funding. There are two benchmarks that every district *must* hit:

- Hire enough teachers to meet teacher/student ratio (46 certificated teachers per 1,000 students)
- K-3 class size reduction money must meet 17:1 ratio (17 certificated teachers per 1 student) in the state's funding model

The handout (prototypical school state staffing allocations) reflected what the state allocates at each school level, and how the district allocates for Shoreline schools. This was discussed in detail with the Board.

Another big factor was discussed--the fact that only a portion of staffing is funded. This is where we may use levy funds to make up the difference or allocate the state funds differently. Well over 55% of the budget was reflected here in this document and that is before talking about maintenance, food service, transportation staff, custodians, etc. The state prorates their allocations according to the actual number of students we have in each school level, but their funding formula for how much they pay per position is the same.

Director Cohen asked if the state funding adjusted for salary difference regionally or is it the same across the state. Ms. Miller replied that now that McCleary drives the state's funding formula, they are phasing out a regionalization factor for funding salaries.

Director Betnel stated she recently learned that CTE students do not get the same allocation as those who are not CTE. Ms. Miller clarified that every student counts as a basic ed student, and there is richer funding if they are enrolled in CTE classes. There is add-on funding, similar to special ed students who are in self-contained classrooms. They count as a basic ed student, and receive additional funding for their special needs. CTE is treated similarly.

Shoreline adds a lot of richness to the basic funding model from the state through the local levy. This includes nurses, librarians, support staff, etc. Funding from the levy allows the District to make different choices as to how to fund these positions. If you add to one line, you need to think about subtracting from another line.

School districts' ability to drive funding is limited. If you have a decline in enrollment, you cannot go out and seek money elsewhere. Reserves are below target level, so there is not a lot of safety net or flexibility.

Enrollment Impacts on Other Funding:

- Transportation
- Food Services
- Special Education
- Categorical Programs

Legislative Impacts – Legislative Calendar

Set to be done by March 10

The next study session is scheduled on March 8, 2022.

- Update on Legislative action
- Detailed analysis of current financial status
- Projected budget requirements for 2022-23
- Board discussion of interests, concerns and direction for budget development

Next Steps

- Study Session on March 8, 2022
- Legislature adjourns? (March 10, 2022)
- Detailed budget development now through August:
 - Analysis of legislative impacts
 - Analysis of enrollment impacts
 - Analysis of funding gaps
 - Staffing
 - Other areas of interest

In regard to the surface water fees from the City of Shoreline, Director Jernigan inquired about the status of the process, who the decision makers were and when will a decision be made. Ms. Miller responded that it was the City Council and that they are changing the way the District can apply for the waiver. We've received some information on what they are thinking. Ms. Miller will get more information and get back to the Board with an update.

Director Jernigan asked for information about the pool now that it has been demolished; she asked if the City was leasing the property that the District owns. Ms. Miller clarified that the City doesn't lease the property. Rather, there is a joint use agreement with the City for several properties and that is one of them. They don't pay a lease but it is part of that overall agreement. Director Jernigan followed up by asking who pays to manage that space now that it has been demolished. Ms. Miller stated the City has managed the pool and they have been managing the demolition. They have an idea of what they would like to build on that vacant lot and have presented the District with a proposal; at this time they are waiting for a response. Director Jernigan asked if that was something that would come to the Board for approval. Ms. Miller stated that she expected it would go to the Board because it is district property and this is related to how it gets used. The joint use agreement was initially approved by the Board and was amended about five years ago, which was also submitted to the Board for approval. The design or changes to the use of property don't require Board approval, but do require District approval. It is good to have the Board weigh in on what they would like to see happen on the property as well. We are not managing it or proposing the District take over the management of it. It's a joint effort.

Director Cohen asked if the District was thinking about selling the property. The response was no. Ms. Miller thought it would be good for this Board to have a conversation about thoughts and goals related to property in general. The District is routinely approached about selling and/or leasing property. No property decision will be made without Board approval.

President Rivera reminded the group of the time and suggested that additional information might be shared in a Friday Briefing. She asked if anyone had any follow-up questions on the budget.

Director Betnel asked for clarity around what guidance was needed from the board members moving forward to the next study session in March. Ms. Miller said it would be great to know if, as a group, the Board had a sense of being more aggressive or less aggressive, more conservative or less conservative in the budget development process. It would also be helpful to know what level of risk they wanted built into that assumption.

Director Betnel also understood that for the next meeting in March, they should be prepared to discuss interests, concerns, and direction for budget development. Director Betnel provided an example (not recommendation) that could possibly include having visual arts at every elementary school. Ms. Miller stated that would be the start of that conversation once we have a better sense of the financial impacts of the enrollment plan. If the Board would like to have staff cost out specific items, they would be happy to do that. But she cautioned that adding in one area would likely also mean taking something away in another area. Director Betnel clarified she was just using visual arts as an example as to what is being asked from them in the next meeting.

Ms. Miller reminded the Board that there are deadlines. Once we pass a date, we cannot make a different decision related to our largest cost item, which is certificated staffing. We have to have any decisions that would reduce someone's contract clearly done and identified well in advance of the May 15 deadline.

President Rivera stated she would tend to agree with staff recommendations to use more conservative numbers/projections. She asked if the projected reduction of approximately 150 students and the corresponding five to eight certificated positions could be achieved through retirements. Ms. Miller explained that staffing schools can be a tricky exercise. There are people who have different credentials and expertise, so those retirements and vacancies need to fall in the right spot. In the SEA negotiations this year, there was agreement for an incentive for early notification (February 1) for people who are not planning to come back in the fall. That was very helpful in that there were more staff who announced early than have ever done so that early in the past.

President Rivera thanked Ms. Miller for the review and the very detailed insight for the budget workings and allocations. Ms. Miller thanked Mr. Spangenberg for all the preparation and information he provided for today's study session.

Adjournment: 5:28 p.m.

Rebeca Rivera, School Board President

Attest: April 5, 2022

Dr. Susana Reyes, Secretary
Shoreline Board of Directors

All documents referenced in the minutes may be viewed in the Superintendent's Office during normal business hours.