

## BOARD STUDY SESSION MEETING MINUTES

May 3, 2022

### **Call to Order**

President Rivera called the Study Session of the Shoreline Board of Directors to order via Zoom at 6:00 p.m. on May 3, 2022.

### **Roll Call**

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

Absent: Yubi Mamiya, Shorewood Student Representative

The following topic was discussed:

### **2022-23 Budget, Part IV**

*Ms. Marla Miller, Deputy Superintendent, and Mark Spangenberg, Director Finance and Business Services, presented.*

### **Previous Study Sessions: 2/15/22, 3/8/22, and 4/12/22**

Topics reviewed (study session handouts are available on the District's website)

- Enrollment History and Projections
- Impacts of Enrollment on Budget Development/Funding
- Overview of State Funding
- Legislative Impacts
- Review of recent financial information
- Board questions and discussion

### **Today's Study Session Topics**

- Updated Enrollment Forecasts
  - 2022-2023
  - Four-Year Forecast: 2022-23 through 2026-27
- Updated 2022-2023 Budget Information
  - Revenue Projection
  - Fund Balance Requirements
- Administrative Input for Potential Reductions
  - Ms. Miller emphasized that no final decisions have been made, this is about starting the process of having input from a variety different stakeholder.
  - We will not have all the resources next year that we, so want to think in that context.
- Board Questions/Discussion

### **Scheduled steps in the budget adoption process:**

- 5/10/22 Board Regular Meeting
  - Staff Recommendation of Resolution Authorizing Maximum Reduction in Force (RIF)
    - This gives a maximum authority for being able to reduce contracts, it doesn't mean that's the final answer – it sets the upper limit
    - Gives us the capacity to make decisions with a parameter
- 6/21/22 Board Regular Meeting
  - First Reading of Preliminary Budgets: Capital Projects, ASB, Debt Service, and Transportation Vehicle Funds
  - Presentation on status of General Fund budget development
- July Board Regular Meeting
  - First Reading of Preliminary General Fund Budget

- All decisions and recommendations to this point will be embedded in a document, looking more official
- August 23 Regular Board Meeting
  - Public Hearing/Final Budget Adoption: All Funds

### **Enrollment Forecast**

Ms. Miller reviewed actual enrollment numbers for six years, from 2015-16 through January 2022 actuals, compared to the last five years. The purpose of the data is giving us the ability to look at six years' worth of enrollment data, and use it to project the coming years. The more current years are weighted more than previous years. What has been previously shared for 2022-23 is we are expecting to be down around 150 student FTEs. Looking at the numbers, kindergarten enrollment is far behind what we saw last year at this time. Therefore, the four-year enrollment forecast starting from the 2022-23 projection, modified only with that kindergarten number being reduced from a projection of 647, down to 566. Then, what the next four years of enrollment would be if those were the numbers we had.

President Rivera asked how the 566 was calculated? Ms. Miller explained that this is actual enrollments in hand. We are provided weekly updates, and that is the most recent actual enrollment we had for kindergarten.

President Rivera asked how many enrollments would we expect to get between now and August? Ms. Miller said the District compares year to date enrollment at the same time, in the same week, year after year, and compares where we were last year with where we are this year. We are down. We would have expected to be at about 640.

The next slide shows a graph isolating the four-year enrollment forecast from 2022-23 through 2026-27 school years. The red 566 number for 2022-23 kindergarten is likely not going to drop, but we do not know how much it may grow. Rather than being over optimistic and then needing to make reductions, we thought it best to start being conservative with that kindergarten enrollment and let it roll through the process at this point. The next set of red numbers below total non-Running Start, grade by grade, year by year, you can see the totals.

The negative 323 in red, is a year over year change in enrollment for grades K-12, not inclusive of Running Start. We continue to project that we will lose enrollment each year. One thing to note in this chart is larger classes move through the process and graduate, and smaller classes come in. Each year, not only is the kindergarten changing that total enrollment, but also smaller classes are making their way through the K-12 projections.

Ms. Miller invited the group to think about, as we look at losing elementary students, and that continues to the extent we are seeing here, it begs the question of how many elementary schools are we able to continue to operate? In the mid 2000s it was necessary to close schools in order to keep the balanced budget going forward.

These are projections, so as a reminder, all the other grade levels are based on students that were actually here in January of 2022, then moving those numbers forward based on our retention data.

Director Betnel asked if these numbers are projections from the demographer? Ms. Miller stated these are not based on the demographer's data, these are based on the actual data from students in each grade level. The demographer comes in when we ask, and when we do a longer-range projection. In 2018 we had them help identify the factors compressing enrollment across the region.

Director Betnel's inquiry that this four-year forecast is based on existing enrollment and that weighted average was confirmed by Ms. Miller, with the reminder that kindergarten is low.

Ms. Miller noted another thing to explore is opening up student transfers into our district. Because other districts in the region are also experiencing a decline in enrollment, not sure we could expect much increase in enrollment. When coming into our district, we want to be sure transfer students can become a member of our community. They would roll through and we'd want to see what that does for our total enrollment at different levels. Also, would we be able to maintain them in middle and high school comfortably and not negatively impact Shoreline students.

Director Betnel asked if this is expected to be even across the district or do we anticipate fluctuation based on different school boundaries. Ms. Miller explained we do this at a district level, and then it gets rolled out school by school, based on their actual enrollment. We already can see the impact on individual schools. Looking at the low elementary numbers we may want to consider closing a school. This takes time, community involvement, looking at boundaries – so it is a process. It's something we may want to look at in the next year.

Student Representative Stark commented, since other districts are experiencing similar enrollment decreases, maybe it would be less effective to open our schools once again. Could that actually be a positive since we should have decreased difficulty in ensuring someone's full education – instead of 10% we only get 5% of a numbers boost? Ms. Miller said if we consider opening up enrollment to out-of-district transfers, then run through the numbers at the three grade bands, we can see what those additions do to the capacity of schools the transfers would impact. If they were to enter in elementary, what would it look like as they flow through each grade level? If a district looks at doing boundary adjustments, you want to have 18-24 months to do that work. It can happen more quickly if needed, but you want to give the District and the community time to really delve in and think about the ramifications.

### **2022-23 Financial Projections**

Ms. Miller shared updated information based on the state revenue estimates from a tool released April 21 called the F203. It is important to know the source of the information in case there is a need to go back to look again. With this new tool we can project our own enrollment and build it into the revenue forecast model. With this built in, the state portion dropped, safety net funding is the same as we saw earlier and the enhancement levy has dropped. Again, this is based on enrollment now, not the value of property in the district. The one-time ESSER revenue impact has been adjusted to reflect the actual amount we expect from collecting in the 2021-2022 fiscal year. That is the last of our ESSER funds with which we are balancing the current year's budget.

There is a new item in revenues regarding the Federal Meals Reimbursement. There is no indication the federal government is going to extend the waiver for this program. We will move away from reimbursement for every meal served, and students not having to pay for meals we provide, there is going to be an impact to the program. We are estimating a \$250,000 net difference between reduced costs and reduced revenues.

The kindergarten shortfall is now included in our projections. Right now, we are at least three kindergarten classrooms low.

The staff compensation increase has not changed, and the placeholder for negotiated increases is still there. Liability insurance is a real number, not a placeholder. We have a \$500,000 placeholder for an increase in cost of utilities. Items we are paying for with ESSER funds we don't think will continue, so there is a reduction in related costs. There's a placeholder of \$250,000, which will be fine-tuned the closer we get to August. We won't be paying as much for ORCA cards and there is a placeholder for the City of Shoreline surface water management fee. We may not qualify for all the instruction we used to get a waiver for, so it is prudent to expect some kind of fee. \$200,000 is an estimate.

The next line item is highlighted in blue because it is important for the Board to have awareness and a conversation about what strategy you want the District to use in building the General Fund budget. The placeholder is showing if we bring in \$4,250,000, the fund balance will be brought back to roughly 4.5%.

President Rivera asked, what is the number the 4.5% represents we are making up to? Ms. Miller stated it will take us up to about \$7,500,000. She pointed out on the spreadsheet, we see expenditures of about \$9.4 million and increase of revenues around \$2.9 million. There are so many one-time things in and out that bringing the fund balance to the 4.5% provides a foundation. When we get to the end of developing the budget, the question will be do you want us to include a target of bringing fund balance back to Board Policy?

President Rivera asked why the fund balance reserves at the bottom of the page are not in the first columns with revenue changes?

Ms. Miller explained they are one time only and don't continue to be available to balance the budget moving forward. The state is providing some one-time enrollment stabilization funding of about \$74,000. The reason the next number is highlighted in blue is because we are still estimating what the enrollment stabilization will be for 2021-22. Where enrollment is lost, state funding is lost, so half that difference is being made up in one payment in May 2022, helping to offset reductions in 2022-23.

Director Betnel asked if those reserves are accounted for in the red box at the top, the \$3,875,000? Ms. Miller confirmed, yes – if it did not include the reserves, it would be - \$6.5 million, so the enrollment stabilization is helping offset that.

There is also a one-time negative of ESSER reduction of \$4.6 million. Next year we won't be offsetting revenues with that \$4.6 million, and the state funding for compensation will not be reducing us for the regionalization factor. There are a lot of variables.

Student Rep Stark asked, if assuming all these numbers hold fast or are worse than we expect, not contributing to the fund balance again and completely draining it, wouldn't that bring us into the positive?

Ms. Miller explained, from a mathematical standpoint, yes. But with our fiduciary responsibility, we cannot take fund balance negative. There are a number of things that look at the health of the District, and we are already on thin ice because we don't have a fund balance equivalent to the board policy at 4.5%. We are already at risk.

Student Rep Stark followed up asking how do we go into the negative to maintain our fund balance? How do we physically do that? Do we get a loan? Ms. Miller answered, by putting the fund balance restoration in the plan, we will reduce further in order to be able to set aside funds. The only way you can put money in fund balances is to spend less than you get.

Student Rep Stark asked, assuming that all these numbers stay true, we would have \$4.25 million in the fund balance and we would be in the red by \$3.87 million? Ms. Miller noted, if we set aside \$4.25 million, then we have \$3.87 million to figure out how to fund this whole picture.

President Rivera commented, a couple things about maintaining a minimum fund balance is that our financial standing with a number of different agencies comes into question. We put ourselves at risk for things like another pandemic, where if we don't have enough money, then it is a problem to pay salaries. One of the other things which we're going to be talking about today and next Tuesday, is that to balance the budget, we need to reduce expenditures by \$3,874,920. That means reducing staffing to balance the budget.

Ms. Miller noted the reduction to balance the budget items that are not filled in yet. As they are filled in, that will automatically reduce how far in the hole we are and bring us up to a whole number. That is the goal – to figure out what that whole number will be.

President Rivera is wondering do we restore our fund balance to 4.5% now, or do we contribute, say half this year, and half next year, to give us a little less of shock factor to that change?

Ms. Miller stated that is a huge question, because that sets our target for how far we need to go reducing expenditures. This is why the four-year enrollment forecast is so important. It is far easier to build your fund balance when you're in growth mode rather than reduction mode. Past year conversations about fund balance at the 4.5% to 5% note this has been a relatively low threshold and a low target. There is definitely a balancing conversation to have about what the Board is comfortable with and what we need to do.

President Rivera asked, when we talk about staff compensation, there is staff compensation for the number of teachers we currently have. If we are looking at a reduction of three kindergarten classes next year, does that number include the number of kindergarten teachers we currently have, or the reduced number of kindergarten teachers we would need?

Ms. Miller replied it includes our current staffing, and if you look below, there is a line for enrollment driven staffing reductions where it is offset. That is separated out because as we fine tune our enrollment projection, we can hold one number constant, and reflect updated decisions and data in that enrollment driven projection line.

Director Jernigan asked how many months of operation is this fund balance?

Ms. Miller stated it is less than a full month, about 1/3 of a month of operating costs. Right now, we are running a monthly payroll at just about \$12 million. We are working to get it to \$7.6 million.

Director Jernigan asked, even if we do achieve that, we are talking about less than one month's worth of day-to-day operations, and so what do districts usually rely on the fund balance for?

Ms. Miller stated she has only seen one time in her career when the fund balance was literally funding operating costs. This was because the revenue expected from the federal government and from the state was withheld because of the recession. The fund balance is a place we go when we have overestimated enrollment. It is a place that we go if we have uninsured risk the risk pool won't cover us for.

Mr. Spangenberg noted there is also a cycle of how the apportionment payments come in. Some months are as low as 5% of the annual sum, and some months are 12% or more of the annual number.

Ms. Miller stated this Board's fund balance is one of the lowest in the state. Most districts are somewhere between 6% - 12%. There are some in the private sector who would say increase your revenues. School districts are not legally allowed to increase our revenues. We don't have the ability to be entrepreneurial. We are not supposed to compete with the private sector. We are using taxpayer recourses and taxpayer funds.

Student Rep Stark, noting other districts are at 12% in their reserves, can you give us a ballpark of what it would take with this kind of decline over three years to get us back to where we can cover a month's worth of expenses?

Ms. Miller said, in addition to the \$4.25 million, you'd be looking at an additional \$6-7 million. Now is not a good time to be changing the district's fund balance policy. I do think it is a good time to meet

the Board's policy. With fewer students, we will not have the resources to continue to do everything we currently do. We need to think about how reductions would be determined.

### **Considerations for 2022-2023**

#### **2022-2023 Fiscal Year**

- Impact of projected enrollment decline
- State and federal funding
  - Last year of reduced state funding for compensation due to elimination of “regionalization factor”
  - Anticipated last year of state assistance with pandemic-related enrollment decline
    - A reason this could change is because there has been a regional or statewide additional pandemic impact. Not every district is experiencing the same enrollment decline.
    - Legislature thinks this is the last time that enrollment stabilization will be provided for school districts.
  - Last year of ESSER federal funding impacts
- Local levy funding also now impacted by enrollment decline

#### **Four- year Projection**

- Continuing decline in enrollment
- Continuing enrollment impact on levy funding

Ms. Miller shared administrators' input to balance the budget. *This does not reflect decisions*; it reflects input from those invited to think of three categories of ideas. The first category is 'I recommend doing this, and it is the right thing to do to balance the budget.' The second category is 'I wonder if there's another way to do something, if we have to do this something, can it be done differently?' The third category was a suggestion to 'press pause while we are in this financial situation, and look at bringing it back when we can.'

Ms. Miller emphasized when looking at all the items on the list, it isn't that people don't value these items. If we can't afford to keep doing everything we have been, these are items suggested to look at in order to balance the budget. The reality is we are going to have to make some reductions. With a number of these items there would need to be a bargaining negotiation in order to make a change.

President Rivera wanted to clarify what the Board's role is here. This is an exercise of understanding the possibilities of what the District is thinking. It is the District's responsibility to make the decisions regarding what may happen next year. Ms. Miller stated that is exactly correct. The District asked the Board to pass the RIF resolution which established a total maximum number of contracted FTE *positions* - not people, but positions - that would be reduced or eliminated next year. This is an administrative responsibility to balance the budget, we ask the Board to authorize the number of positions that could be impacted next fall. There are ideas around allocating resources based more on particular demographics of a school rather than having everybody get the same thing. There are ideas about making reductions in administrative positions and in central office departments in order to support the work differently.

Director Betnel referred to line 29 and asked what are high impact/inclusion budgets? Ms. Miller explained those are funds bargained in the SEA collective agreement. Each school has a pool of funds they determine how to use to meet the needs of their students for that coming year. Often high impact inclusion is for mitigating the additional needs of students who are special needs who may have extraordinary support requirements. Often schools will hire para educators to support students. It is mostly staff support these funds are used for and is a school by school allocation.

Director Cohen asked for clarification. The way the survey worked, people were not choosing from a list of options, they were submitting text. In line 34, it probably represented a range of different suggestions that were then grouped under this summary?

Ms. Miller confirmed, yes, there were some commonalities.

Director Cohen commented they may have had specific suggestions for which programs or schools, but that still would have come under line 34, for instance.

Ms. Miller said it would take a lot of additional conversation to dig deeper into what it would mean to consider reducing a program or a school. She continued to refer to the items on the list, pointing out Transportation and shuttles. The shuttles were put in place to provide access to the different programs not duplicated in both high schools. In reviewing reducing conference registrations, it is fair to expect acknowledging what's essential at a time when we're making reductions to people's livelihood.

Superintendent Reyes commented, regarding the travel or conference registration topic, sometimes those activities are covered by other funds, like Title II, which are not part of the basic education allocation or the general fund. When we talk about providing parameters for what something like that could look like, it would include stipulations on which funds, and to what extent. We have some of our state and federal funds funding staff, so we want to be sure we're maximizing those funds in that regard too. So, as we consider, it's just one of those things we have to think about from a number of different angles.

Director Betnel echoed what President Rivera stated regarding this not being a Board decision. She asked how the decision making process happens with the administration and what's the framework for that decision making?

Ms. Miller explained past practice has started with administrators generating ideas and then asking administrators to review if the ideas truly could work or are there fatal flaws? Once a list or an idea is put together that seems feasible, then you want to provide an opportunity for others to weigh in. This could include other staff, community and parents. Oftentimes it is hard to provide enough context for people to know there may be legal reasons or bargained reasons we have to do something - or other parameters. Ultimately will be up to the Superintendent and her team to finalize the reductions needed to be made to balance the budget.

Superintendent Reyes commented that we want to do everything we can to be the least impactful to students, so anything that directly supports students we want to try to maintain. We want to start with non-employee related costs, but 85-86% of Shoreline's operating costs are directly related to staffing. It is about having open conversations, which can be challenging conversations, about how we make those decisions. Every position is important so it is a challenge, and we're going to need to come together and work through it to get to a place where we're healthier fiscally.

Director Cohen noted looking at the numbers, the number of budget shortfall looks really large. What would it look like to reduce that? Looking at the list, it seems it would take a lot of those to make up the budget shortfall. How many will be classrooms we are not going to have, and how many are going to have to come from somewhere else in the system? Is this a lot bigger shortfall than usual, or is it usual for a contracting year? How should we understand what we're facing?

Ms. Miller pointed out it is about a 2.5% reduction. The enrollment driven reduction in classroom staffing is just about eight FTE. There are some years you don't have to make a reduction. I don't think it is too far out of the norm, and there are many strange variables. Our levy is now directly impacted by enrollment, which wasn't the case before. Maybe this 2.5% is the norm for a while. We

wouldn't have to do everything on the list. We should be able to make reductions relative to what each category represents of the overall general fund budget. We cannot get to a balanced budget without affecting staffing because our budget is committed to personnel costs.

### **General Recommendations**

- Prioritize classroom staffing
  - Maintain Grades K-5 staffing ratios
  - Restore Grades 6-12 staffing ratios (from 26.1 to 25.1 students per teacher)
- Continue to meet legal and safety-related requirements
- Restore reserves to meet board policy (4.5% – 5% of Total Expenditures)
- To the extent possible, make reductions in each area of the budget relative to the overall share of the budget:
  - Administrators
  - Non-Supervisory Certificated Staff
  - Classified Staff
  - Materials/Supplies, Purchased Services, Capital Outlay
- Prepare to address the impacts of reduced enrollment for the next four years
  - Explore opening schools to out-of-district transfers
  - Explore possible need to reduce number of operating elementary schools

Keeping an elementary school open is great when you have enrollment to support it. If you don't have enrollment to support it is very expensive.

Student Rep Stark asked what are the immediate costs related to closing an elementary school in the short term? Ms. Miller explained the cost of doing it quickly is community understanding and support. There will be a significant reaction from the community if a school is closed without enough time to process, understand and be part of it. That said, it is close to \$1 million.

Student Rep Stark asked if there are any fiscal costs related to the act of closing it down? Ms. Miller replied no, it will net out to being pretty close to \$1 million in savings.

Director Cohen asked for an update on the voluntary notices of resignations and how does that logistically work with a RIF? Also, with the regionalization funding going away with the cost of living in this area and paying staff living wages, what impact should that have on our long-term planning? Should we change our operating model in some way to account for that? Ms. Miller stated in bargaining the SEA contract we have the flow through of COLA and a negotiation about what the increase above COLA would be. That is done for another year beyond this. With the loss of that regionalization support from the state, then the negotiation for that sort of market compensation falls to the levy to pick up the difference. We have to be able to demonstrate what we are paying out of the levy is not funding basic education, but paying for additional time, additional responsibility and incentive. Some interpret the incentive is also providing a market driven salary.

We have done a preliminary review of vacancies that are due to retirements, resignations and leaves. The list of vacancies spans the different content areas that people will need to fill. We will dig into that in serious detail this coming week. The number of people who will not have positions will be relatively small. It then is based on where we have vacancies, and what are the qualifications of the staff to fill them. The number of positions we reduce will be approximately half of the positions we had identified back in February.

Director Betnel asked what direction or input are you looking for from the Board prior to Tuesday or at Tuesday's meetings? Ms. Miller reiterated we are still looking at trying to restore that fund balance to align with Board policy and in order to build a RIF resolution, we have to understand the target. Based on conversations with Superintendent Reyes and what was heard tonight, we would



build that RIF resolution, trying to meet the fund balance target that is built into this current balancing spreadsheet. The biggest thing I was hoping for tonight was to have an understanding of where you seem to be on fund balance.

Superintendent Reyes asked if this would be through consent agenda or is it an action item? Ms. Miller replied it is usually an action item with a presentation and adoption of the resolution.

President Rivera thanked everyone and the meeting was adjourned.

Adjournment: 7:31p.m.

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Rebeca Rivera, School Board President

Attest: July 19, 2022

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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.**

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