

BOARD STUDY SESSION MEETING MINUTES

December 13, 2022

Call to Order

President Cohen called the Study Session of the Shoreline Board of Directors to order via Zoom at 4:02 p.m. on December 13, 2022.

Roll Call

Present: Sarah Cohen, President; Emily Williams, Vice President; Sara Betnel, Director; Meghan Jernigan, Director; Rebeca Rivera, Director

Absent: Luke Smith, Shorecrest Student Representative and Helen Murphy, Shorewood Student Representative

The following topics were discussed:

2023-24 Budget Planning Updates – General Fund

Jennifer A. Farmer, Assistant Superintendent, Business & Operations and Mark Spangenberg, Director of Finance & Business Services presented.

Ms. Farmer started by reviewing the work and reporting what had taken place up to this point. The Budget Advisory Team (BAT) has met three times and she reviewed the work done so far with this team. They are expecting to hear what their charge is from the Board.

Budget trends to date were shared, and it is too soon to really make assumptions about how we are doing with some expenses. Updates will be provided as we proceed through the year. Budget mitigations continue.

Several enrollment tools have been used for the 2023-24 budget. All models show a decline in enrollment for next year.

Mr. Spangenberg presented actual enrollment from the last four school years in projecting the rest of the current fiscal year and into the 2023-24 fiscal year, noting the pandemic has negatively impacted the numbers. An assumption is the District will have the same number of kindergartners next year as we have this year. The enrollment projections currently show a loss of 95 students total.

Assumptions for the 2023-24 budget were presented with the caveat that it is early and the state tools used are not yet available. There are currently some big moving targets at the state level that will have significant financial implications.

In looking at the 2023-24 budget without district adjustments, we would have an ending fund balance of -\$11.7 million. This is why it is urgent we make plans to right size the budget and stay within the revenue next year and build back an ending fund balance for the District moving forward.

Ms. Farmer would like to bring clear Board priorities and goals to BAT in January, with a long-term view. We will need to continue to have a framework that supports and prioritizes financial health until the District is at a point it can be moved down the priority list, where it will continue to be important, but won't be the focus.

Proposed priorities were shared for starting the discussion regarding the Board priorities for the committee's charge. These are intended to help the Board provide expectations to the advisory team in support of this work.

Director Jernigan asked if the IPD (Implicit Price Deflator) mentioned in the presentation is mandated annually? Or is it happening a lot now due to the cost of living? Ms. Farmer explained it is a little bit of both. The IPD is the basis the legislature uses to look at the cost-of-living increase. That was an intentional change that shifted from the consumer price index. The IPD was supposed to be around 2.1% last year, but the legislature elected to set it at 5.5%.

Director Jernigan asked whose IPD is funded through the state legislature and whether or not all districts have to inherit that cost where it is not applied to all employees. Ms. Farmer said the District does not receive IPD from the state for federally-funded employees or any employees partially or fully funded by levies. Most districts plan to use the levy in their budget because those are often connected to collective bargaining agreements. It is easier to plan around when it is at 2% than when it grows into these larger numbers.

Director Betnel asked more to be shared around the relationship between regionalization, potential staff salary rebase, and the IPD.

Ms. Farmer explained that in 2017, when the legislature settled the McCleary lawsuit, legislation was introduced, taxing themselves with reviewing and rebasing basic ed compensation every four years. When that came upon them last year and in trying to figure out the mechanics of how to do that, it was an assignment given to OSPI. OSPI created a committee for recommendations to the legislature for the required review and rebase. The report is a significant lift and it would increase the base salaries paid by the state and ensure regionalization was fair and equitable. OSPI's plan was to set regionalization at no more than 12%. Districts would see, potentially, a decrease in regionalization, but an increase in the base salary. The IPD is separate from the rebase structure. The legislature set the IPD higher last year.

The group was invited to start a discussion, and some concerns and questions were brought forward. It was asked what the Board can anticipate receiving back from the BAT. Is there a series of recommendations? Some confusion was mentioned around what else the Board can anticipate receiving to make decisions with, other than what comes from BAT. Will there be a vision and recommendations on a higher level, guiding the development of something more specific by District staff – and then the Board make the decision at that high level?

Ms. Farmer said she doesn't know the answer, which is good, as she is not trying to bring a foregone conclusion forward. She envisions that she, the Board, and Mr. Spangenberg will talk a lot across the next several board meetings and study sessions, folding in the recommendations being seen. The goal is that the Board will have had ample opportunity to see and discuss summaries of everything that will be recommended. There is not a vision or conclusion as to what that will look like yet.

President Cohen clarified that the Board's charge for the process is one moment in directing the body of work. There will be other ongoing work the Board will have input into as well.

There was discussion around the Board priorities for the charge provided to the BAT. The Board will present their charge to the committee at their meeting on January 9, 2023.

The Board has heard community feedback to make cuts further away from direct instruction. Also noted was district equity work, and with the huge cuts, maintaining the district equity goals and resolutions. Those would be two more specific items to add to the Board's charge. Another thing to keep in mind is to be looking forward to having the BAT bring recommendations for the path of return or restoration.

President Cohen proposed the conversation move from the priorities, which can also be discussed in the following board meeting, to more nitty gritty questions around the number for the charge of the ending fund balance.

As the conversation continued, the question of the charge for the BAT to be 2% or closer to 3-4%. Director Jernigan voiced concern that if the charge is for the suggested 2% goal, we could be right back in the same place a year from now. If that needs to be raised it is something that needs to be shared with the BAT immediately.

President Cohen asked if getting to the 2% in the 2023-24 budget would mean a comparable level of cuts the following year. Ms. Farmer referred to Mr. Spangenberg to answer this, and added she won't be comfortable until Shoreline has a healthy ending fund balance, at or above the Board policy. It is extremely difficult to operate with no flexibility. The \$13-15 million cut is the hardest she's seen in her career, and it will be impacting peoples' lives profoundly. This is why a target below what is comfortable was chosen – to honor that this type of reduction in this organization is going to be very difficult.

Mr. Spangenberg explained each 1% is about \$1.7 million. As we go through the year there are variables of the revenues and expenditure trends to watch and there may be some surprises. Shoreline has to submit a legal budget that does not have a negative fund balance to get the September 2023 apportionment. The 2% gets us to about \$3.5 million ending fund balance and that will be a big challenge.

In answer to a question of clarification by Director Betnel, Ms. Farmer explained that knowing it is early in the process and that all these things can and likely will change, yes, there is a net difference that needs to be tackled and then, whatever the targeted ending fund balance will be. That is the number (ending fund balance) on which the Board should focus. Also, it is best to receive a minimum fund balance percentage target from the Board.

Recognizing this is a multi-year effort, Director Betnel asked about looking at a stepwise approach to rebuilding the ending fund balance, e.g. what would 2%, 3% and 4% balances look like respectively?

Director Rivera noted a concern to avoid what occurred last year, where different people were saying we'll cut this program or that program there, which creating a lot of conflict. How might we make the process minimally conflictual? President Cohen suggested using a ground up model opposed to top down, which would discuss what is needed vs. what needs to be cut.

Ms. Farmer noted Assistant Superintendent Schultz has shared the concept of, here is a school house with students, teachers and principal. Now what else is needed? In whatever way BAT members share their thoughts, the discussion will be around priorities for what we are providing in our schools. Ultimately, the District is responsible for fiscal health, and it will be District staff making recommendations for reductions. Whether BAT recommends what we build or what we cut, the hopeful part is what we prioritize for the future. Maybe some historical perspective on what this team thought was important will be valuable to the team 2-3 years from now which might be able to envision some restorations with the partnership of the District.

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Ms. Farmer also noted the Board policy regarding the ending fund balance is based on expenditures. To give the Board perspective as they think through this, the current year's projected \$1 million ending fund balance is .6% of total expenditures.

President Cohen asked if the group had any last thoughts. Director Jernigan shared that she's been thinking about the impact not only on students, but also on families. The District provides services families rely on. It would be advantageous for the Board and BAT to consider partnerships, resources or other things that we can provide families to hold the balance of what we're asking our community to navigate through. That prospect brings her hope and comfort while also being afraid about what is ahead for the District. She expressed gratitude for the guidance of the District's fiscal team and leadership from Superintendent Reyes.

Adjournment: 5:13 p.m.

Sarah Cohen, School Board President

Attest: January 24, 2023

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.