

BOARD MEETING MINUTES

January 27, 2020

Call to Order

President Heather Fralick called the Study Session of the Shoreline Board of Directors to order in Room D105 of the Administrative Offices at the Shoreline Center at 5:30 p.m. on January 27, 2020.

Roll Call

Present: Heather Fralick, President; David Wilson, Vice-President; Sara Betnel, Member; Meghan Jernigan, Member; and Rebeca Rivera, Member.

Absent: Michael Closson, Shorecrest Student Representative and Cynthia Ruelas, Shorewood Student Representative.

This Study Session was convened in order to continue the discussion that began at the January 22, 2020 Study Session on the topic of budget and finance.

Budget and Finance – Part 2

Presenters:

Marla S. Miller, Deputy Superintendent

Mark Spangenberg, Director of Finance and Business Services

Tam Osborne, Director of Human Resources

Ms. Miller began with an overview of the annual budget development cycle by month:

January

- Build district-wide enrollment projection for coming year based on actual January enrollment (will be shared with the Board at the February 10 regular meeting)
- Determine staffing ratios (Position Control team includes Marla Miller, Brian Schultz, Tam Osborne and Mark Spangenberg)
- Refine and test budget priorities for coming year
- Begin annual audit of prior year (date varies but will be in March this year) – last year’s audit indicated that the District needed to tighten up the process for inventorying items, particularly those that are “small and attractive” and portable and can easily be walked out the door, e.g. phones, projectors, etc. Another area mentioned in the audit was refining the system of assigning and tracking of credit cards, of which the District has very few. There were no findings. There are three levels of information sharing by the state auditors. One level is called a *finding*—something critical that needs to be remedied and gets reported to bond holders and other entities that make assessments of how well finances are managed. During Mark Spangenberg’s tenure, the District has had very clean audits. The next level of reporting is called a *management letter*, which if not taken care of will ultimately become a finding. (The small and attractive item process for Shoreline came in the form of a management letter.) The third level is called *exit items*, which are observations that auditors may share and possibly make suggestions about doing differently. Board members are invited to the entrance conference at the beginning of the audit. This is where the auditors explain the process and what they will be looking for, as well as ask board members if they have anything of particular interest they would like to include in the audit. This audit is a financial and accountability review; auditors are not funded by the Legislature to perform best practices review but there are other groups that could be hired to do so if needed.

March

- Distribute school-by-school projections and related staffing allocations
- Principals build classroom configurations
- Continue discussion of budget priorities
- Monitor Legislature

May

- Before May 15 (according to state law):

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Determine surplus/certificated Reduction in Force (RIF) – Ms. Miller and Mr. Osborne regularly (every other week) meet with Shoreline Education Association (SEA) leadership; it has been many years since there have been more than one or two teachers impacted in this process. In answer to a question from a board member about the process for a certificated person of color being impacted by a RIF, Mr. Osborne responded that the appropriate procedures are relative to collective bargaining language, which has all been negotiated. There would never be any reduction in force relative to a person's race, ethnicity, religion; however, any individual that may be least senior could be vulnerable. At times, it may involve moving a teacher to a different location such as when North City and Sunset were closed, staff were relocated to different buildings.

Develop overall staffing impacts at district level

Request Board approval of any RIF notices

- Refine staff assignments
- Monitor Legislature

June

- Build detailed budget staffing and financial data
- Adjust to legislative changes
- Provide preliminary report to Superintendent and Board
- Issue contracts/hire

A question was asked as to how close to actual the enrollment projections are, in general. Typically, they are very close (in the range of 20-30 FTE students district-wide); the exact numbers are included in the monthly enrollment reports that are shared with the Board in the financial presentations. Every school's enrollment and staffing are examined regularly by the Position Control team. Usually by the official fourth day of school count in September, staff have a good idea as to whether or not the staffing is appropriate for the enrollment.

July

- Refine budget details
- Present first reading of official preliminary budget to Superintendent and Board (if not done in June)

August (before August 31)

- Budget second reading, Board adoption of final budget (state law requires adoption by August 31)
- ESD review/approval of final budget

September

- New fiscal year begins September 1
- Collect first enrollment data for new school year ("4th Day Count")
- Begin close-out process for prior fiscal year ended August 31

October

- Adjust building budgets and certain staffing based on October 1 enrollment counts
- Continue close-out of prior fiscal year; complete by last week of October

November/December

- Close prior year
- Prepare financial statements
- Begin preparation for annual audit

The budget is comprised of the following funds: General, Capital Projects, Debt Service, Associated Student Body (ASB), Transportation Vehicle, and Private Purpose Trust Funds. Ms. Miller noted that the Board is actually acting as trustees in regard to the ASB Fund. These funds are raised by students and the students have the decision-making authority as to how they are spent. Additionally, by state law, there needs to be a process for waiving student fees (ASB card, athletic activities, school dance, etc.) for a

student or family if they want to participate but can't afford; there cannot be a financial barrier to participation. Ms. Ruelas added that the price of an ASB card is about \$40 and that scholarships are available—students can talk to their counselors.

The Board was provided with copies of the F195 budget for 2019-2020. Ms. Miller walked through the F195, covering the following items of interest with the Board:

- Fund Summary (page 5) – overview of all funds
- Budget Summary – three-year overview of General Fund (pages 6-7)
- Enrollment and Staff Counts – three-year overview (page 8)
- Summary of General Fund Budget – three-year overview (pages 9-10)
- Revenues – three-year overview (page 13)
- Expenditures Summary – three-year overview (page 19)
- Salary Exhibits by Program and Activity – certificated (page 48) and classified (page 79)
- General Fund Summary by Object (page 111)
- General Fund Summary by Activity (page 112-113)
- Program 01 Basic Education – Objects of Expenditure (page 25)

A question was asked as to what types of things are purchased by local levy funds. Ms. Miller responded that local levies pay for items for which there is no state funding. This includes activities that occur outside the regular school day--extracurricular music, athletics that are part of a student's experience at school but not funded by the state. The largest part of our General Fund levy goes to the extra time that is paid to SEA staff for training, professional development (TRI money). The state funds the base salary (180 days + 3 days professional development). Everything else is funded through local levy dollars. Shoreline teacher contracts include 180 days + 8 days (locally funded) on the calendar, in addition to funding for market-driven salary compensation that keeps them relatively stable with other districts (also locally funded). Special education is poorly funded and current calculations indicate that approximately 40% of General Fund local levy dollars will go towards special education for the coming year.

Something new that will be taking place this year is the state, as part of the annual audit process, will now be auditing how districts spend local funds. Part of the process includes placing a descriptor on the end of each line item account number that indicates whether it is from local funds, state funds, or federal funds.

At this point, Superintendent Miner suggested that since it was getting close to the start time of the next meeting, this topic could be split in two and completed at the study session on Monday, January 27. The topic originally scheduled for January 27 (overview of property management) could be moved to February 10.

In response to a question about Private Purpose Trust Funds, Ms. Miller referred to donations to the District that come with strings attached from the donor. Private Purpose Trust Funds are generally those that benefit individual students; this is actually the only mechanism by which the District can "gift" public funds. Mr. Spangenberg gave an example of a large shared donation with Port Angeles School District received from a donor that allows the interest income each year to be given to a student who is going to college.

Ms. Miller referred to a request that came in from a board member requesting a breakdown of the budget descriptions. She distributed a one-page handout, General Fund Subsidiary Account Code Format, along with a 9-page Chart of Accounts with descriptions.

The account code format is as follows:

PPSS AA OOOO LLLL 4444 5555 S

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Program*

Sub-program*

Activity*

Object*

Location

4 – Available for locally-defined use

5 – Available for locally-defined use

Source*

*State-defined codes to provide commonality across the state and produce statewide reports

The Board receives regular reports, some monthly and some annually.

Monthly reports include:

- Budget Status Reports for all funds
- Cash Flow Report – General Fund (unique to Shoreline)
- Enrollment Report

Annual reports include:

- Preliminary and Final Budget
- Final Year-End
- Auditor's Report

Ms. Miller advised the Board that if they would like to change or add to the number of reports they receive, please let her know.

A question was asked as to whether or not other districts use a similar finance model or do they use something different. Ms. Miller responded that this model is required by the state for all school districts. This allows the Legislature to do statewide analyses of how school districts are receiving and spending money.

It was announced that Part 2 of Budget and Finance would resume on Monday, January 27 at 5:30 p.m. President Fralick suggested that further questions be emailed to Superintendent Miner so that presenters can address them at the next meeting.

Adjournment: 6:51 p.m.

Heather Fralick, Board President

Attest: March 16, 2020

Rebecca L. Miner, Secretary
Shoreline Board of Directors

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