



**Board Work Session Minutes
Monday, March 22, 2021**

The Board of Directors held a Work Session on Monday, March 22, 2021. The meeting began at 5 pm and was held at Mead High School. Directors Burchard, Denholm, Olson, Cannon and Green were present. Also attending were Superintendent Shawn Woodward and Chief Financial Officer Wayne Leonard.

I. Approval of Agenda

Director Denholm made a motion to approve the agenda, as presented. Director Green seconded the motion. The motion carried unanimously.

II. Fund Balance Discussion

Chief Financial Officer Wayne Leonard reviewed fund balance information previously shared with the board on February 22, 2021. This included the current goal of 6% as set forth in Policy 6022 - Minimum Fund Balance. The policy does not specify if this percentage applies to the combined assigned/unassigned fund balance or the unassigned alone. Also reviewed was a four-year comparison of the fund balance as a percentage of total expenditures for 23 school districts, including Mead, located throughout the state.

New information shared with the board included an article out of Oregon (*Ending Fund Balance - How Much is Enough?*) and the March 5, 2021, *Credit Opinion* from Moody's regarding the Mead School District. This included an updated credit analysis following the district's recent downgrade in bond rating from Aa3 to A1 (one notch). Mr. Leonard pointed out bond ratings for many school districts throughout the state have been downgraded . . . several more than one notch. This is primarily the result of a change in bond rating methodology.

The Moody's *Credit Opinion* included district credit strengths, credit challenges, factors that could lead to an upgrade in bond rating, as well as factors that could lead to a further downgrade. In conversations with Moody's the district's only weakness is its fund balance. Increasing the fund balance to 10% would most likely improve the district's bond rating moving it from the current A1 back to Aa3.

As requested by the board on February 22nd in preparation for this work session, Mr. Leonard reported one month of operating expenses totals \$11,771,447 (8.33%) and payroll for one month is \$10,165,565 (7.2%). A fund balance of 10% would require \$14,131,389. The district's current fund balance is 6% (approximately \$8.5 million). It takes \$1.4 million to increase the fund balance by one percentage point.

Discussion topics included:

- West side of the state versus east side valuations and per capita income, and how these impact bond ratings.
- Including definitions in the district's fund balance policy.
- The need to, especially with upcoming negotiations, clearly delineate the assigned and unassigned fund balance totals.

The amount of COVID related money the district has received and anticipates receiving was also reviewed. Money from the first two rounds of ESSER has already been coded to cover many of the costs of operating this year and the district has identified additional expenses, that have

already been incurred, for assignment to the upcoming third round of funds. The anticipated amount of the third round of ESSER monies is \$8 million. The district most likely won't have definitive information on the third round of funding until the current legislative session concludes.

Because the third round of ESSER money will repay the district for costs already incurred, Mr. Leonard recommended the district use a portion of this reimbursement money to increase its fund balance. He additionally suggested the district establish an unassigned fund balance goal of 6%.

By consensus the board asked that Mr. Leonard draft a revision to the district's Minimum Fund Balance policy that includes a fund balance goal range for both the overall fund balance and unassigned fund balance. Additionally, this draft should include definitions for each fund. This policy revision will be brought forward for first reading consideration at the next board meeting.

Additional comments included the need to strike a good balance between being too rigid and too "loosey goosey" in establishing a fund balance goal, understanding it will take time to increase the district's fund balance, making sure levy dollars recently approved by voters fund the line items advertised and the need for board members to be able to defend/articulate the "why" for monies that are set aside.

III. Adjourn

The meeting was adjourned at 5:55 pm.

President

Secretary