



**Board Work Session Minutes
Thursday, March 2, 2023**

The Board of Directors held a Work Session on Thursday, March 2, 2023. The meeting began at 2 pm and was held at District Office. Directors Denholm, Olson, Cannon and Gray were present. Director Burchard was excused. Also attending were Superintendent Shawn Woodward, Chief Financial Officer Heather Ellingson and Assistant Superintendents Heather Havens and Jared Hoadley.

I. Approval of Agenda

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

II. Mead School District Finances/Budget Presentation & Discussion

Chief Financial Officer Heather Ellingson presented information on school district finances in general and comprehensive information on the Mead School District's budget for the current school year, 2023/2024 and beyond, specifically. A copy of the PowerPoint used in the presentation, that was designed to help guide conversation/discussion, is attached.

Information presented included the following:

- A review of the following budget planning considerations:
 - Local Tax Rate
 - LEA (Local Effort Assistance)
 - Capital Needs
 - Contractual Obligations
 - Targeted Reductions
 - Fund Balance
- A review of definitions for the following terms that are frequently used when talking about school district financing:
 - LEA (Local Effort Assistance)
 - Regionalization
 - IPD (Implicit Price Deflator) - For 2022/2023 the IPD was 5.5%. The district has contractual obligations to increase wages by the IPD annually. The state provides IPD monies per the prototypical school funding model. However, the district must cover IPD costs out of local levy funds when staffing levels, such as nurses, exceed this model. At this time the IPD is projected to be 3.8% in 23/24 and 3.8% in 24/25.
 - CPI (Consumer Price Index)
 - AV (Assessed Valuation) - The Mead School District Assessed Valuation went up 29.1% for 2023. This unprecedented increase, which is completely out of the district's control, has had a negative impact on the district's budget. Because the AV is so high, and the district is between levy election cycles, it is not possible to get the tax rate high enough to avoid some loss of LEA funding based on the state's LEA funding formula. In the current school year, the district will experience a \$1.7 million loss (approximate) in state LEA funding.
- A review of the district's current financial position (General Fund) comparing revenues, expenditures and Ending Fund Balance for the 22/23 *Adopted* budget, 22/23 budget *Forecast* and 23/24 *Preliminary* budget. Ending Fund Balance information included amounts that are non-spendable, restricted, assigned and unassigned. If targeted reductions are not made for the 23/24 school year the district's Ending Fund Balance is

projected to be \$2.1 million, which is not sufficient to cover non-spendable, restricted and assigned obligations.

- A review of the district's current Capital Projects Fund financial position. It is projected this fund will be "spent out" in the 23/24 school year. The district has "over-delivered" on all bond projects approved by voters in both 2015 and 2018. A list of projects taking place in 22/23 and planned for 23/24 was shared.
- A review of upcoming technology needs. Most critical is the \$600,000 Switch Replacement line item that supplies internet to schools. The district is considering paying for this out of the Capitol Projects Fund. The current practice and expense associated with leasing student Chromebooks versus a purchase cycle was also reviewed.
- A review of upcoming capital facility needs. This included 60+ projects ranging from minor parking lot asphalt repairs to the complete overhaul of a HVAC system.
- To help explain the "why" of the current "perfect storm" financial situation facing the district the following contributing factors were noted:
 - McCleary "fix"
 - Loss of Regionalization
 - Increased Assessed Valuation
 - Loss of LEA
 - Enrollment losses as a result of the Pandemic
 - New buildings brought online based on projected growth in enrollment by Davis Demographics
 - Ongoing Capital needs
- Notation of *externally controlled* (Assessed Valuation, legislative decisions, Regionalization, LEA calculation, State Levy) and *internally controlled* (targeted reductions, local M&O Levy, local Capital Levy) factors that impact budgetary assumptions.
- Demonstration of an interactive Excel budgeting tool that includes a host of known and/or projected budget assumptions (IPD, revenue, expenses, Assessed Value, Levy Rate, etc.) and the ability to, in particular, see how various levy rates will impact the district's Ending Fund Balance through the 2026/2027 school year.

Other items discussed and/or of note included:

- RIF (reduction in force) notices, by law, must be delivered on or before May 15th.
- A list of proposed/potential reductions, totaling over \$4 million for the 23/24 school year, will be formally shared at the first board meeting in April. (A preview was shared at this meeting.)
- Concern of "over-shooting" the upcoming levy rate.
- The problematic nature of the district asking for too little (less than \$2.50 levy rate), the community voting yes, and then cuts still needing to be made.
- Notation that the budgeting tool, as presented, includes no money for curriculum adoptions. The tool additionally only brings back \$1 million of the proposed \$4+ million in cuts that must be made in 23/24.
- Correction regarding the amount the district would receive if the cap on Special Education funding is removed by the legislature. The amount would be between \$700,000 and \$1.2 million depending on which version of the bill (House or Senate) is approved rather than the \$300,000 - \$500,000 shared at the February 27th board meeting.
- Additional revenue the district will receive as a result of the recent Juul Vaping Litigation Settlement - approximately \$140,000 in 22/23 and \$140,000 in 23/24.
- Information on the school tax rate percentage increase for four homes located in the Mead School District from 2018 to 2023.
- The levy resolution for the February 2024 election must be submitted to Spokane County by December 16, 2023. However, to provide adequate time to inform the community on the ballot measure a decision on the levy rate would need to be made prior to this deadline.

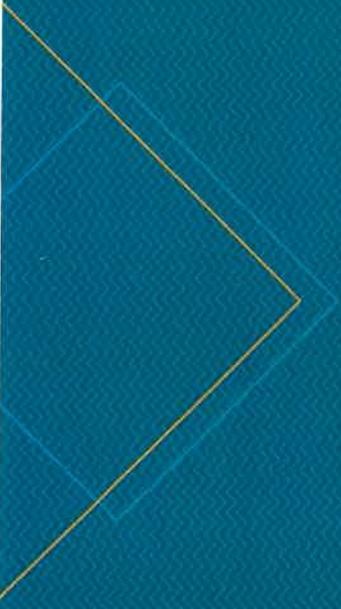
- The board will hold a second finance/budget Work Session on Thursday, March 23, 2023.

III. Adjourn

The meeting was adjourned at 4:05 pm.

President

Secretary

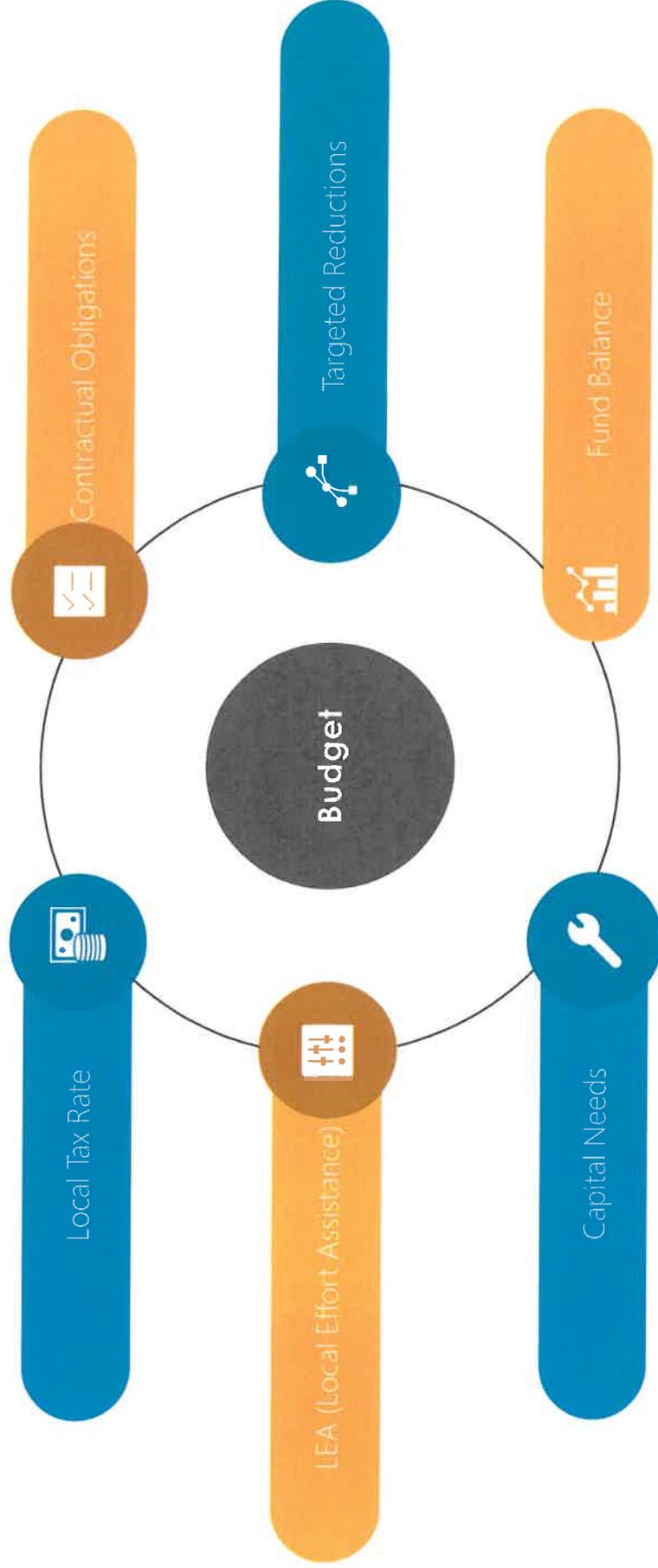


Mead School District

Budget Work Session

March 2, 2023

Budget Planning



Definitions



LEA
(Local Effort Assistance)

Revenue from the state that is meant to lessen the impact of high property tax rates due to low property valuations.



Regionalization

A factor in the prototypical funding model to adjust the allocation based on economic factors. Decreased from 6% to 3% in the last three years. Currently being discussed in the legislature. Could be further reduced.



IPD
(Implicit Price Deflator)

Inflationary adjustment to salary funding allocations. Many of our contracts have language increasing the salary schedule by IPD as a %.



CPI
(Consumer Price Index)

Used in the calculation for LEA and levy limits. Based on annual average as of August for Seattle-Tacoma-Bellevue.



AV
(Assessed Valuation)

Property valuations as determined by the County Assessor. Used to calculate levy rate and LEA.

Current Financial Position

General Fund

	2022-23 Adopted Budget	2022-23 Forecast	2023-24 Preliminary
Revenue	\$153,395,502	\$151,962,508	\$158,114,700
Expenditures	158,614,853	157,651,455	163,521,985
Net change to fund balance	(5,219,351)	(5,688,947)	(5,407,285)
Beginning Fund Balance	11,149,353	13,524,316	7,835,369
Ending Fund Balance	5,930,002	7,835,369	2,428,084
Nonspendable	587,265	368,759	368,759
Restricted	701,235	1,312,202	819,951
Assigned	3,359,130	3,527,087	1,239,374
Unassigned	1,282,372	2,627,321	0
Total	5,930,002	7,835,369	2,110,780

Current Financial Position

Capital Projects Fund

	2022-23 Adopted Budget	2022-23 Forecast	2023-24 Preliminary
Revenue	\$60,000	\$160,000	\$60,000
Expenditures	5,455,772	4,304,371	4,769,968
Net change to fund balance	(5,395,772)	(4,144,371)	(4,829,968)
Beginning Fund Balance	7,845,821	8,974,339	4,829,968
Ending Fund Balance	1,915,819	4,829,968	0

Current Financial Position

Capital Projects

Project Description	2022-23 Expenditures	2023-24 Expenditures
Mead High Science Rooms	335,654	
Mountainside Septic	31,381	
Districtwide Handicapped Improvement	20,000	763,323
HVAC Replacement Units	107,751	
HVAC Controls & Systems	387,311	1,000,000
Instructional Tech	211,837	669,293
Highland	453	
Creekside	599	
Sports/Performing Arts Complex	316,933	
Play Structure Safety Mats	5,951	
Pro-Start Kitchens	79,650	
New Flooring	274,486	
MSHS Windows	16,786	
Land Purchases	1,000,000	1,737,352
Skyline	1,515,580	
Meadow Ridge Sewer		500,000
Total	4,304,372	4,669,968

Upcoming Capital Needs

Technology

	2023-24	2024-25	2025-26
Server Refresh	\$150,000		
Switch Replacement	600,000		
Firewall Replacement	25,000		
Wireless Access Points		600,000	560,000
Classroom TVs		67,200	207,000
Teacher MacBook Refresh		340,000	864,000
School Office & Library Desktops		93,600	12,000
Student Chromebooks	1,675,000	750,000	750,000
Total	2,450,000	1,850,800	2,393,000

Upcoming Capital Needs

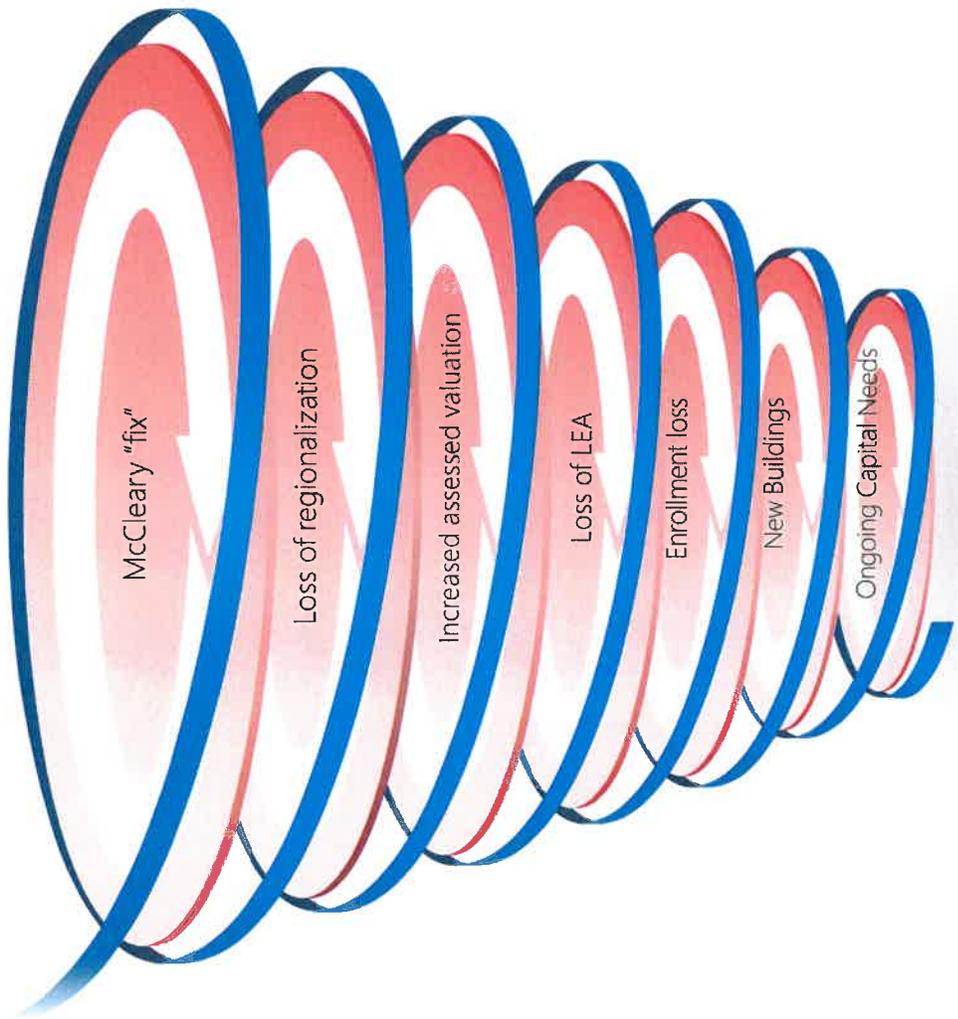
Facilities

	Fire Alarms	Chiller	HVAC	Roof Repair	Portables	Paint/Vinyl	Playground	Flooring	Asphalt/Parking lot	Athletic Fields	Maintenance Equipment
Elementary	2	2	3	1		4	2	1	1		
Middle						1		1	1		
High	1		1			2			2	2	
MLO/DO/ PLC			1	1							
District					TBD	1		1	1		4

Estimated 60+ Projects

Projects include everything from minor asphalt repair for parking lots to a complete overhaul of an HVAC system.

Perfect Storm



Budgetary Assumptions

Controlled Externally

- > Assessed Valuation
 - > Legislative Decisions
 - > Regionalization
 - > LEA Calculation
 - > State Levy
- > Contractual Obligations
 - > Enrollment
 - > Staffing
 - > Cashflow
- > Targeted Reductions
 - > Local M&O Levy
 - > Local Capital Levy

Controlled Internally



Budgetary Assumptions

Fund Balance
Modeling Tool