



Study Session of the Board of Directors Meeting Minutes
SHSD District Office Professional Development Center · 511 Chambers Street · Steilacoom, WA
May 10, 2023

I. CALL TO ORDER

Chair Scott called the Study Session to order at 9:00 a.m.
Executive Director Susanne Beauchaine led the Pledge of Allegiance.
Directors McDonald, Scott, and Tinsley present.
Director Tinsley excused Director Hogan for medical reasons, Director McDonald seconded the motion, and the motion passed (3/0).
Director McDonald made a motion to approve the agenda, Director Tinsley seconded the motion, and the motion passed (3/0).
Director Rohrer arrived at 9:05 a.m.

II. TOPIC FOR BOARD DISCUSSION - 2023-24 Budget Development

Superintendent Weight began the meeting by presenting an overview of how a school district budget is created. This overview included School Board functions and roles. Dr. Weight also referenced the Citizen's Guide to Washington State K-12 Finance document, which is linked on the district's website. The budget process as required by law was also described, including the five types of governmental funds. All district reports are available online at OSPI's website. Dr. Weight described how funds are used from the general fund, capital projects fund, transportation vehicle fund, debt service fund, and associated student body fund. Dr. Weight described the F-195 report - a completed, detailed budget document required annually by the state. The F-195 report is available on the district's website as well as OSPI's website. The F-196 report describes actual expenditures and revenues for the district. Dr. Weight shared the revenue sources for the district, including state revenues, federal revenues, and local revenues. The difference between levies and bonds was also explained. Dr. Weight shared that enrollment is simply the funding driver. The state portion of school funding allocated per full-time student is approximately \$10,000 for the 2023-24 school year. For each student needing extra services, additional state dollars are provided. These state dollars do not cover the full cost of this additional instruction. Dr. Weight shared the complex general apportionment formula. She also shared the expenditures of the district for the 2022-23 school year, which show 84% of the budget is used to pay salaries and benefits of staff. Also shared was the required budget timeline for the school district. The budget is reviewed by the Educational Service District, approved by the School Board, and then submitted to OSPI. Questions and discussion followed regarding staffing levels balancing with enrollment levels.

Dr. Weight then shared information regarding the district's latest ThoughtExchange, which asked for feedback from the community regarding the development of the district's 2023-24 district budget. The district received the highest amount of feedback from the community it has ever received. In the past, the district analyzed the thoughts by themes in the past. ThoughtExchange now uses AI feedback data, and the data showed the community values teachers, support staff, extracurricular

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education, special education programs, and music programs/bands in that order. Dr. Weight also shared the district's "This or That" exercise, completed by district staff, where staff shared the areas they most valued for district funding.

Mr. Shawn Lewis, Executive Director of Administrative Services, moved the meeting on to general fund budget assumptions - including enrollment, revenue, staffing levels, and overall cost increases. He shared that budget assumptions are never exact. They are assumptions made based on known information and information that is estimated based on external factors. Initial assumptions include expected salary levels of staff based on existing contracts, enrollment based on current year enrollment and historic trend information, and data received from the state based on state and federal budget results.

The general fund budget assumptions information began with enrollment assumptions for the 2023-24 school year. Mr. Lewis explained how Running Start funding works, sharing that if a student attends Running Start at Pierce College, Pierce College receives 93% of the funding the district receives for that student. Mr. Lewis then discussed revenue source assumptions for the 2023-24 school year, including 77% from state revenues, 5% from federal revenues, and 18% from local revenues. Mr. Lewis shared the district will receive an increase of 3% in regionalization - moving from 3% to 6% - for district staffing expenses. The district, however, was already paying our staff based on a 6% rate even though the district was not receiving that funding from the state. Regarding local funding, Mr. Lewis shared levy funding based on levy calculations. Director Rohrer questioned an increase in funding from district rentals. Mr. Lewis explained there will be a small increase for rental fees, and the district will also be more consistent with what is written in policy by not waiving fees as the district had in the past. Regarding state revenue, Mr. Lewis shared the district has received an estimate from OSPI regarding state funding, and this amount is what the district used for the 2023-24 assumptions. In terms of federal revenue, Mr. Lewis shared the district does not receive data this early for the following year, so projected federal revenue typically uses current year revenue. ESSR, ARP, Grant Capacity funding from the current year are not included for next year's projections, reducing federal revenue for next year by \$794,606. Mr. Lewis then shared staffing level assumptions for the 2023-24 school year. Director Tinsley commented that perhaps the district should reduce class sizes at elementary levels, and increase class sizes at secondary levels. Mr. Lewis and Dr. Weight shared it is difficult to lower class sizes at elementary schools, when elementary schools are already over capacity. The fact that the bond did not pass limits the district's ability to lower class sizes for elementary levels. Additionally, the district wants to provide a comprehensive education for our secondary students, and the district cannot accomplish that goal for our students if the district further reduces staffing at these levels. Dr. Weight shared future discussions will need to involve problem solving for smaller class sizes without the physical facilities needed. Dr. Weight shared the district hires more certificated staff, more classified staff, and more administrative staff than what the state funds, and those staff members all receive salaries above what the state funds.

Discussion occurred around special education staffing and 1:1 paras required - some for students with health issues who do not have IEPs, which means the district receives no special education additional funding for these students. Director Scott asked how many district students receive services outside the district because the district contracts with an outside district. The response was the district currently has only one student receiving services outside the district. Dr. Weight shared how difficult it is to find out of district services for students. Director McDonald shared how important it is for the community to be aware of the fact that everyone values special education services so highly, but the state does not come close to fully funding districts for those services.

Director Scott inquired about whether the special education population has increased. Dr. Weight shared that is definitely the case, and the needs of the students are very different now than in previous years.

Chair Scott recessed the meeting for a brief break at 10:50 a.m.

Chair Scott resumed the meeting at 10:57 a.m.

Mr. Lewis moved on to cost assumptions including contract costs of certificated staff, classified staff, administrative and exempt staff, transportation bids (which includes over a 10% increase from the current year), Running Start costs, and food service bids (not finalized until June 30 due to federal requirements in the bidding process). Director Scott inquired about the impacts of inflation. Mr. Lewis explained how those estimates are determined, and how the district will be working to offset those increased costs. Significant cost impact assumptions for the 2023-24 school year include salary increases (\$1.4 million), insurance costs, transportation costs, food service costs, land purchase, and benefit reduction (the state reduced pension rate). Director Rohrer questioned the increased insurance costs. Dr. Weight explained that increase is industry-wide, especially for school districts. There are only two companies who insure school districts, and the other provider would not have offered any savings for the district.

Mr. Lewis then discussed certificated staff changes suggested as part of the budget for the 2023-24 school year. These staff adjustments are required to match enrollment changes. Dr. Weight shared that for 2022-23, Steilacoom High School had 37 CTE courses, next year there will be 38 CTE courses offered. These types of programs are not being eliminated. Director Tinsley asked about elementary specialist position changes. The district will now have consistency in specialist offerings at all elementary schools. Classified and administrative staff changes are being developed. Due to contractual required timelines, certificated staff changes needed to happen first. Reductions are being developed for elementary, secondary, and district office staff. Dr. Weight explained that at the upcoming May 17 Regular Board Meeting, the Board will be presented with a Memorandum of Understanding (MOU) reducing calendar days (furlough) for district administration and exempt district office staff. The admin staff was agreeable to this adjustment in their current contracts. This will save the district \$187,000. The district office also eliminated 6.7 positions, saving an additional \$720,000. Total district level reductions total \$1,681,000. Elementary level reductions are at 10.9 FTE, and secondary level reductions are at 7.4 FTE. The district is working on options for an athletic trainer for the high school, but the district cannot afford the \$94,000 spent last year for the trainer, who was hired through a contracted agency.

The district asked Durham to look at transportation options for the district, and three scenarios were offered - two with little to no cost savings. The only option offering a significant cost savings was combining Saltar's Point students and Pioneer Middle School students on bus routes. The district rejected this scenario, as it is not in the best interest of our students.

With all the reductions mentioned, the district would still experience a budgeted shortfall of \$368,627. Additional budget adjustments being considered are anticipated Safety Net funding of \$350,000, school budget reductions of \$150,000, and ASB costs sent to ASB of \$20,000. These additional reductions would leave the district with a budget surplus of approximately \$150,000. This does not get the district to its end goal of rebuilding its 6% fund balance.

Gudrun Sullivan, Executive Director of Student Services, shared regarding special education program changes. She shared about inclusionary practices, guaranteeing that students with IEPs have the

right to be educated with their general education peers as much as possible. The district's proximity to JBLM's CARES Center greatly impacts the number of special education students enrolled in our district, especially students who require services in our highly structured classrooms and 1:1 support services. Ms. Sullivan shared the number of students requiring these services in our district puts the district in a rough spot because it is enough to really impact our budget, but not enough that we qualify for additional state or federal funding. Ms. Sullivan continued with explaining Least Restrictive Environments - LRE 1: Students in 80-100% of the school day, LRE 2: 40-79%, LRE 3: 0-39%. This year, Chloe Clark Elementary School has 20% of their students with IEPs at a LRE 3. Other district schools are between 5-7% at a LRE 3. Ms. Sullivan went on to share changes for the 2023-24 school year including grade configurations for Highly Structured Classrooms, Transitions change at Steilacoom High School (moving to students aged 16-21 and providing better academic and community services to all age groups), added para support in schools, reduced certificated FTE to align with enrollment and caseloads, and denying transfer requests. Embedded support in schools will include Tabitha Ellison supporting elementary schools, and Gudrun Sullivan supporting secondary schools with paperwork as well as instructional assistance. Ms. Sullivan is working to form a Special Education Advisory Committee, including teachers and community members, with the goal of increasing transparency so the community is better aware of the logistics and challenges of special education services with the legal requirements and minimum financial support received from state and federal funding.

Mr. Lewis moved the meeting forward with key questions for the Board for the budget process. Regarding the general fund, based on current estimates and the current list of proposed budget reductions, the district budget is balanced but does not restore fund balance to the Board minimum target. He asked: What additional reduction options does the Board want the district to consider in the final budget? Are there any current options being considered that are off the table? What is the scope of additional reductions the Board would like to see recommended (how much)? And what would the Board like to see for final budget adoption timeline?

Director Scott shared they have already received the balanced budget option, what if the Board now requested a 1% fund balance - what would that look like? What would a 3% fund balance look like? He shared a 6% fund balance is currently not a realistic goal for the 2023-24 school year. Mr. Lewis shared if the Board wants to end at 2% fund balance for this year, then 4% the following year, then 6% the following year, the district can provide budgets to reflect those goals. The Board could then decide if it agrees with the proposed cuts. Director McDonald agreed with that process, as it would show the community that the Board and the district has a plan to build back the fund balance. Dr. Weight suggested the Board consider the final proposed budget at the July 19 Regular Board Meeting for a more realistic timeline, which would also give the community more time for feedback, and it is also not inconsistent with historical budget practices.

Director Tinsley asked if additional administrative positions are being cut. Director Scott shared the district is at 8% administrative staff, which is lower than most districts. He shared that having less than 10% is better than most non-profit organizations. Director McDonald inquired if an administrative position was available in a school, could a district office administrative position move to the school admin role, even if only temporarily. Dr. Weight shared that type of option is being considered. Dr. Weight shared how she cares deeply for our staff, and just as she is concerned about not RIFing (Reduction in Force) teachers because she cares about them and their families, laying off our admin positions would also affect them and their families, and is not the right choice. Also, to bring in additional revenue to the district (five grants have been gained through district administrative efforts), the application and project management of the grants requires district

staffing. Eliminating a \$100,000 staff position could then potentially remove \$500,000 or more in funding for the district. The admin furlough was so easily agreed to by the administrative team, and Dr. Weight shared that would never have happened in any other district, and she wants to honor the loyalty and commitment of the district administrative team. Dr. Weight shared she does not desire to follow other districts who have let go of every provisional employee, every dean of students, etc. She shared she cares too deeply for her staff to make those types of easy/simple decisions.

Director Tinsley asked if there is any possible data to suggest we may actually have an increase in enrollment. Mr. Lewis shared that is possible, however, we had similar data last year that did not transpire, so the district will not budget for that.

Director Rohrer shared she wants district staffing returned to pre-pandemic levels. She feels decisions are not being made on hard facts. Mr. Lewis shared he has been receiving the opposite feedback - that he has been determining this budget based on numbers only, without enough heart in the process. He shared he is thankful to work with a team who has a heart for students. His budget recommendations have been made based on data. He shared he is not sorry that decisions are also made because the district cares about the humans who work here. Dr. Weight shared that the gossip about admin configuration is not helpful because the numbers are not that different than pre-pandemic. More than one FTE was saved by the district through the administration's willingness to furlough. She will provide further data for Director Rohrer. Director Rohrer wants data analysis based on other similar districts. Director McDonald shared we have different admin positions than other districts because of the amount of DoDEA grants we acquire, so all the numbers and data need to be put into context. Director Scott shared that as someone who has actually had to fire people before, he appreciates Dr. Weight's approach to balance the budget through attrition. Additionally, he shared people who state the district has too many administrative positions simply do not understand the intricacies of what each position brings to the organization. He once again shared that 8% administrative budget is really quite low. Dr. Weight shared she will do what the board asks. If they want additional positions eliminated, they need to let her know and she will make that happen. Director Tinsley said she also wants additional data comparing SHSD to other similar districts. Dr. Weight reminded the board again that it is only May, and we have additional time for changes to be made through additional attrition.

Director Rohrer asked if the Board will be able to see an additional list for reductions that haven't been presented, specifically operations costs. Mr. Lewis shared any non-mandatory costs and contracts have already been eliminated. He shared cutting additional staff (and determining what does not get done) is the only additional option at this point. He stated the district can give a list cutting all band, all choir, all sports, etc., but the district does not feel that is in the best interest of anyone and will create havoc in the community. Dr. Weight and Mr. Lewis shared there is nothing left to cut that they are aware of other than more people. Certificated staff cannot be cut at this point - other than through attrition. It is too late in the year for a Reduction in Force (RIF).

Mr. Lewis shared other fund assumptions including Capital Projects Fund, which is only for emergency expenses, impact fees will be used for land, and there will be no summer projects. The Debt Service Fund has no voted debt, so any future bond rate will be a new tax. Bond rate will decrease from \$1.63 to \$0.00. ASB fund will receive less district support for athletics, and raised ASB fees may be necessary to support athletic programs.

Mr. Lewis wanted to make it clear that there will be sports changes happening at the middle and high school that are not budget-driven, but are driven by school requests and Title IX issues (C team football at the high school creates a Title IX issue at the high school). Director Scott asked if the ASB fund is still extremely high, and Mr. Lewis confirmed it is at \$300,000. Director Scott does not want to see ASB fees increased when the ASB balance is so high currently.

Mr. Lewis shared there are capital needs in the district, and because the bond failed, things like the HVAC system at Cherrydale needs to be paid for through a different funding source. He asked if the Board would consider a capital projects levy next November with no additional election costs. The levy could pay for Cherrydale's HVAC system, pay off land in DuPont, and pay for a classroom on Anderson Island. There are pros and cons to this idea, and many options to consider. However, the timeline is short, and Mr. Lewis wanted to make sure the board is aware of this option. If considering either a capital projects levy or a bond, what timeline would the board like to consider? Director Scott asked if Mr. Lewis would have time to prepare a 1-year capital projects levy presentation to share at the June 21 Regular Board Meeting. Mr. Lewis confirmed he could make that happen. Dr. Weight shared this option would also maintain a steady tax rate for the community. Director Rohrer suggested an emergency ask from the legislature to fund the HVAC system. She also asked that this topic include feedback from the bond committee. Mr. Lewis shared he will gather community feedback prior to the June meeting, and then provide options to the board at the June 21 Regular Board Meeting.

III. ADJOURNMENT

Director McDonald made a motion to adjourn the meeting at 1:00 p.m., Director Tinsley seconded the motion, and the motion passed (4/0).

K Weight
(Secretary/Superintendent)

Saul Scott
(Chair)
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