

Budget Committee Minutes

Tigard-Tualatin School District, 23J

May 20, 2020

Board Members Present:

Maureen Wolf, Chair
Sharon Fox, Vice Chair
Ben Bowman
Karen Emerson
Jill Zurschmeide

Budget Committee Members Present:

Jimmy Brown
Octavio Gonzalez
Meagan Madlem
Kristen Miles
Cory Morgan

Administrators Present:

Dr. Sue Rieke-Smith, Superintendent
David Moore, CFO
Darin Barnard, Director, Bond/Operations
Susan Barnard, Director, IT Department
Debbie Ebert, Director, Human Resources
Carol Kinch, Director, Student Services
Traci Rose, Director, Communications

Others Present:

Sarah Mehrabzadeh, Bond Accountant
Elizabeth Michels, Controller
Amber Summers, Executive Assistant
Zinnia Un, District Equity Coordinator, TTSD

Call to Order ~ 6:32 PM

Board Vice Chair Fox convened the Budget Committee meeting of the Tigard-Tualatin School District to order at 6:30 PM through a Google Hangout virtual meeting and live streaming via YouTube on the Internet.

Approval of Agenda ~ 6:33 PM

Board Vice Chair Fox asked Superintendent Rieke-Smith if there were any changes to the agenda. Superintendent Rieke-Smith stated that there are no changes to the agenda. Board Vice Chair Fox asked for a MOTION to approve the Agenda. Director Zurschmeide made a MOTION to approve the Agenda as presented. The MOTION carried unanimously, 10-0. The MOTION passed.

Election of Budget Committee Presiding Officer and Vice-Presiding Officer ~ 6:34 PM

Board Vice Chair Fox asked for a nomination for the Budget Committee Presiding Officer. Director Zurschmeide nominated Budget Committee Member Meagan Madlem to serve as Presiding Officer. Member Madlem accepted the nomination and a roll call VOTE was called. VOTE passed unanimously 9-0. Presiding Officer Madlem asked for a nomination for the Vice Presiding Officer and Director Zurschmeide nominated Budget Committee Member Cory Morgan. Member Morgan accepted the nomination and a roll call VOTE was called. VOTE passed unanimously 9-0.

Budget Message ~ 6:37 PM

CFO David C. Moore delivered the 2020-21 budget message and shared detailed information on the proposed budget via a PowerPoint presentation (attached). The objective of the message was to provide comprehensive overview of the proposed FY 2020-21 budget and the major influences impacting the financial condition of TTSD.

CFO Moore opened by sharing that this budget development cycle has been like no other during his career. It started out with tremendous momentum in the Fall and Winter, as SIA workgroups convened to develop priorities for the Student Investment Account dollars, then in mid-March the impacts of COVID 19 hit and direction had to be reversed a bit on how to approach budget development.

CFO Moore discussed:

Budget Message Overview

- Oregon Economy under COVID-19
 - June Economic Forecast & Revenue Update was today

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- District has the latest information on what the revenue looks like on an ongoing basis for the state and how that might impact the state school fund & Tigard-Tualatin
- Budget Assumptions
- State Funding
- Budget Shortfall and Budget Adjustments
- District Priorities
- Reserves
- Special Legislative Session

COVID-19 and Oregon Economy

- Recession drop & recovery time
 - Square root recovery
 - [HTTPS://OREGONECONOMICANALYSIS.COM/](https://oregoneconomicanalysis.com/)
 - [HTTPS://WWW.OREGON.GOV/DAS/OEA/PAGES/INDEX.ASPX](https://www.oregon.gov/das/oea/pages/index.aspx)
 - Projected to take 4 years for full recovery as far as the number of jobs

Director Zurschmeide asked if it is safe to equate our expected revenues with our percentage change in employment, can we expect a similar percent change in revenue? CFO Moore responded not necessarily. Revenue will be discussed later that might answer questions.

General Fund Budget Assumptions Pre-COVID basis

CFO Moore gave a reminder that we are responsible for developing a budget and having it adopted and submitted to different agencies by July 1, even with COVID there are no exceptions there. Local budget law expects, and other state guidance recommends, that we develop a budget based on the best reasonable estimates that we currently have available, so the budget you have been presented is still based on the \$9 billion State School Fund.

- \$9 Billion State School Fund for 2019-2021 – 51% in 2020-21
- Current service level for staffing and contracted services
 - Contractual increases
- Full funding of reserves
 - Plus \$1.5 million for Art Rutkin Elementary opening

State School Fund

- State School Fund full formula amount of \$132.8 million
 - February 26 estimate, Pre-COVID
- Extended ADMw of 14,662.08; greater than 14,620.08 in 2019-20
- Amount per ADMw of \$9,060
- ODE State School Fund Worksheet
 - See pages XV and XVI in printed document or Pages 26 and 27 in PDF

Member Brown inquired if there would be an impact on our state teacher experience adjustment if a large number of highly experienced employees retired early. CFO Moore confirmed it could but also pointed out that there is an offset as more experience also means we pay them more.

Presiding Officer Madlem noticed in the 2019-20 adopted budget document the ADMw listed is 14,489, however the 2020-21 proposed budget document discusses cost savings and extra money. She asked if that change in budgeted revenue has been accounted for? CFO Moore responded that he will talk about the ending fund balance number that reflects beginning fund balance in 20-21 budget later in the presentation. The District received updates from the ODE during the year related to the 2019-20 state school fund, so as updates were received we have increased the revenue in the current year, which will impact our ending fund balance in the current year on a positive basis.

Student Investment Account and High School Success (M98) Funds

- SIA budgeted at full allocation of \$10.1 million; Page 51 or Page 88 of PDF
 - Includes FTE of 79.25
 - Funded with Corporate Activity Tax (CAT)
 - Contingency plans at 25, 50 and 75% levels of funding
- High School Success funds budgeted at \$4.2 million; Page 55 or Page 91 of PDF
 - Student Success Act and CAT intended to bring \$133 million for full funding of \$303 million

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- Contingency plans for reductions in increments of 10% up to 30%

Member Gonzalez asked CFO Moore if he could discuss further the contractual increases from the earlier assumptions slide and what is the impact of those dollars spent. CFO Moore explained that on the personnel and staffing side the district has collective bargaining agreements with its employee groups. We made assumptions in the budget to account for both the classified increases (COLA side & step side & benefit side for the next 2 years) and then some assumptions for the other groups. Member Gonzalez asked if there has been potential consideration of not moving forward with the contractual increases. CFO Moore responded that towards the end of the presentation there will be further discussion on things that might have to be considered to address a revenue shortfall.

Revenue Shortfall

State Revenue Shortfall	SSF Loss – 38% of State	TTSD Revenue Loss – 2% of SSF
\$500 Million	\$190 Million	\$3.8 Million; 2.4% of GF Exp.
\$1 Billion	\$380 Million	\$7.6 Million; 4.8% of GF Exp.
\$2 Billion	\$760 Million	\$15.2 Million; 9.6% of GF Exp.
\$3 Billion	\$1.14 Billion	\$22.8 Million; 14.5% of GF Exp.

CFO Moore also provided numbers that were given today from COSA that are very preliminary regarding the shortfall that would hit the general fund budget. Meetings at the State level and on the Business Managers side will continue to refine the numbers. There are a lot of questions and several things to unpack and unwind.

Member Miles asked for some clarification on the numbers. CFO Moore confirmed that the numbers are very preliminary and there are still a lot of questions and details to unpack. Director Zurschmeide provided information that she had recently heard and further discussion was had.

Budget Adjustments

- Staffing and Personnel, 85% of General Fund
 - Furlough days
 - Staffing levels
 - Compensation and benefit levels
- Discretionary Spending
 - Department budgets at 5, 10 and 15% reductions
- Program Inventory
 - Are we getting the best bang for our buck?
- Future impact of COVID-19 and distance learning

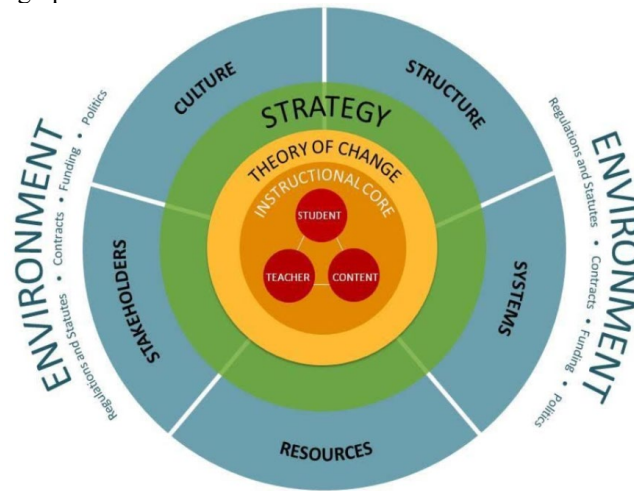
Member Brown inquired if the District will use its equity lens when reviewing potential cuts and will there be an opportunity to utilize any of the committees that have been in play during the SIA and Community Budget Workshop groups to weigh in as stake holders on any potential impact that might come up. CFO Moore responded that this was a great segue to the district priorities discussion. Superintendent Rieke-Smith added to the discussion that while she has directed our departments to look at 5, 10, 15% cuts, it is not unilateral that every budget is going to be cut by a certain percentage. As the items outlined in terms of our strategic priorities, there is a through-line that you want to have happen strategically, even in budget downturns. It might be 5% here but 15% someplace else, to make sure that that equity priority can come forward. She wanted to reinforce that this will be done through the lens of equity and with community awareness and input. CFO Moore added that all of the equity themed investments have been prioritized as priority 1 or 2 (25-50% range) and will be included in their recommendations.

District Priorities

- Strategic Plan and Strategic Financial Plan
 - Commitment to equity and all students
 - Aligning use of resources with District goals
- District Priorities Framework
 - Social emotional learning
 - Culturally responsive teaching and learning
 - Human capital

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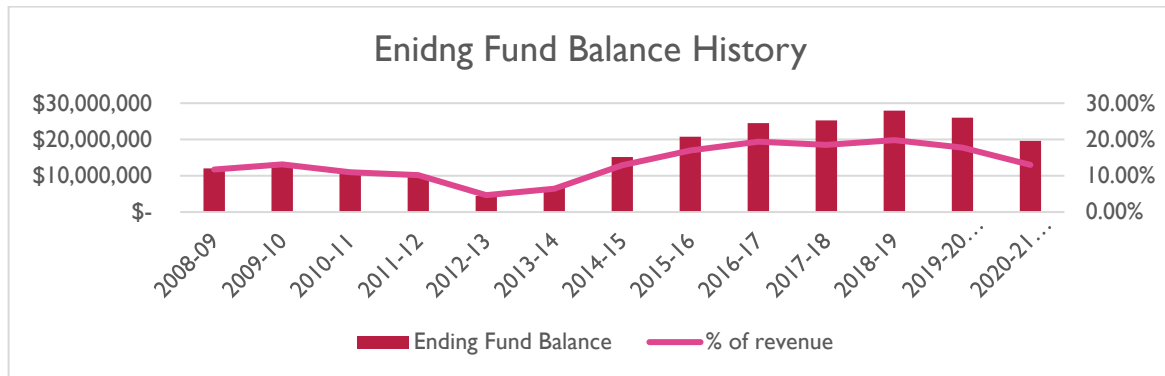
Coherence Framework
CFO Moore discussed the graphic



Reserves

- Board Policy DBDB based on \$150.88 million operating revenue in General Fund
 - 2% operating contingency
 - 5% unappropriated ending fund balance
 - 5% sustainability reserve
- \$1.5 million for Art Rutkin Elementary reserve
- Total reserves of \$19.6 million; drawdown of \$6.4 million – see Pages 4-5 of printed document or Pages 38-39 of PDF

CFO Moore referred back to Presiding Officer Madlem’s earlier question regarding if adjustments to the state school fund have been taken into account in this budget. Where they are taken into account is the beginning fund balance estimate for 20-21.



Member Morgan asked if he could be reminded of what the budgeted ending fund balance is for the reserves. CFO responded \$18.8 million and additional information is included in the Reserves section of the written budget message on page XI (22).

Presiding Officer Madlem noticed the same cost savings over the last few years with the health savings and the open positions and was curious if instead of having those large cost savings each budget period if there has been a change in methodology for the budgeting on those items going forward or if it not something that can be foreseen. CFO Moore responded that we refined the way we budget health insurance a couple years ago, it used to be a much higher number. The tricky thing is in addition to just paying the flat premium for health insurance benefits, the other part of the benefit is for those employees that choose to opt out are given a benefit of 50% of that savings. He wouldn't recommend that we change our practice in the current year because we do not know how many staff have spouses working in private industry who were carrying their insurance and have lost their jobs so it is a hard time to estimate. He does think that it is something we want to look at long term and keep refining that

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number though. Doing it at the right time is important. To address the other piece about the open positions, many of those are hard to fill positions on the operations side, custodial and maintenance staff. With our latest collective bargaining agreement, we had made some intentional moves to increase the salaries to try and attract people for those positions. We need to continue to look and work on those.

Special Legislative Session

- Revenue forecast update, second quarter
- Use of State reserves
- Additional federal revenue?
- Delay session until late June or July?
- Adjustment to State budget including State School Fund

Next Steps

- Committee takes public comment
- Committee deliberates on budget
- Placeholder for additional meetings on May 27 and June 3
- School Board will hold a public hearing and take comment on the Approved Budget on June 22, 2020
- Budget adopted on June 22, 2020
- Adjust and balance budget with actual SSF; June, July and August, 2020

Closing & Gratitude

SIA workgroup & planning teams, Board & Budget Committee members, Dr. Sue Rieke-Smith, Elizabeth Michels & Amber Summers

Questions

Member Gonzalez asked if the contractual increases he brought up earlier could be addressed because he has not seen anything further about that and he is interested. He realizes that the teachers are union and that there are agreements that were already signed and agreed upon, but in the private sector there has been reductions in pay, reductions in hours, reductions in all levels, and therefore he is interested to see what potential reconsiderations from the unions or the teachers there might be of not moving forward with some of the contractual increases. CFO Moore responded that goes back to the slide where he stated there would have to be personnel decisions and they haven't gotten to that process yet, they are waiting further economic information, but those discussions will happen. Whatever they have right now in the budget document is a placeholder, there is a contract with the Classified group so there may be some hurdles to address with any reopening of that contract but it's a consideration.

Member Miles asked, there was a notation in the budget somewhere that we are still anticipating the State School Fund 2018-19 and 19-20 closeouts, about a million each expected, does any of this current situation change that or do they have to remain true to the closeouts of previous years? CFO Moore answered that 2018-19 is done and has been fully reconciled. 2019-20 will not be reconciled until next May so that number could change in the future year.

Member Miles, in trying to weigh the utility in having further meetings against the possibility of having additional information that is within the Committee's role, asked what is the likelihood that we would have anything different to look at in a week or two? CFO Moore answered that there won't likely be concrete information over the next couple weeks. Partly because things will not be set in stone until the legislature convenes and makes the actual decisions related to state budget.

Member Brown asked what are the anticipated impacts to items such as the out-of-pocket costs for participations in clubs and athletics and with impending shortfalls, is this more or less impacted by our budget deliberations or is that not something we should look at? CFO Moore referenced the student group that did a project of surveying students on fees and impact on student participation. This group gave an update at the Budget Committee workgroup meeting 2 weeks ago. Right now, it is the Board's prerogative but he understands there is going to be continued conversation going into next year related to this because there are some other pieces that haven't been focused on including impact by other outside athletic groups, middle school participation and fundraising. There is a bigger piece to the overall conversation and we've committed to continuing conversations going into next school year. As of now there is no change to the budget related to the fees and the Board will consider fees, including student fees, at the second June or July Board meeting.

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Director Bowman asked if and when we adopt this budget, moving forward as new information comes from the states and we have greater clarity about what the numbers are going to look like for future bienniums, what will the role of the Budget Committee be versus the role of the School Board and how will those 2 entities work together with that new information? CFO Moore answered that as far as the Budget Committee, there wouldn't be any requirement to reconvene the Budget Committee because likely we will be developing a spending plan to spend less than what has been approved in the over all budget. But we are committed to keeping the Budget Committee and all stakeholder groups informed of what recommended changed to the budget are. The Board – Since I have been at the District there have been a few summers where adjustments were needed. In those cases, the appropriations were sufficient for approval to be made at the Board level, instead of reconvening the Budget Committee. That is one option or you could go through the process of making a supplemental budget to reduce the budget, it doesn't make sense to me but if the Budget Committee wanted that level of involvement that would be up to the entire Budget Committee to do that.

Public Comment, 7:22 PM

Presiding Officer Madlem announced time for public comment and shared the public comment participation process for virtual meetings noting that public comments or statements by members of the public were submitted online, would be read aloud, are limited to 3 minutes, and should be brief and concise. They may offer objective criticism of the district operations or programs but the Board will not hear complaints concerning specific district personnel. Comment submission closed at the beginning of the meeting. There was one public comment submitted.

1. *Mark Dobson, District Resident. Vice Chair Fox read his comment: “Please budget funds for beginning to integrate the use of Khan Academy in classrooms. Open your minds to accepting new technology that has been proven to improve learning. Current test scores prove that the old ways are not working.”*

Public comment closed at 7:23 PM

Budget Deliberations 7:23 PM

Member Gonzalez stated that today we are going to be asked to approve a motion on something but we do not have all of the information yet. It is hard to make a decision when we do not have all of the information. He asked when will we have the information. Director Zurschmeide explained that it might be August before we have a clear picture. What we are looking at approving is a “ceiling” today. It provides a framework and what we will end up spending will be something less.

Further discussion ensued.

Member Miles noted that because the awkward timing of this, everyone his having the same trouble and it is the Board's job to refine later. Other districts are doing the same as us.

Superintendent Rieke-Smith added that there is another school of thought relative to the Confederation of School Administrators, superintendents across the state, that from an advocacy position relative to the upcoming special legislative session that is, if we were to budget below the \$9 billion it might give them the opportunity to say “clearly you can operate on less” versus this is what it truly takes for a district to operate. Presenting the \$9 billion knowing it will end up being less, for advocacy is a point to be considered.

Board Chair Wolf acknowledged that all of our members have been highly and deeply engaged and you are approving a recommendation to take to the Board to adopt, ultimately it is the Board hearing your voices and engaging in conversation which is what is important.

Member Brown noted this is a placeholder budget to forward to the Board to make the final decisions.

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Member Gonzalez requested clarification about the motion, specifically the property tax \$4.9892 per \$1,000 and \$1.0000 per \$1,000. CFO Moore explained that the worksheet referred to earlier on page XV & XVI (26 & 27) includes a property tax element. Local property tax in the late 90's -ballot measure 97- issued everyone a permanent tax rate, ours is the \$4.9892. The 1.00 is the local option that the voters have approved, it is an additional line item of revenue. Under local budget law, the Budget Committee is required to approve those amounts each year. Board Chair Wolf added that our rate and levy are capped, we would have to go out to the voters to ask for a higher rate and many other districts have, but we have stayed conservative in that regard.

Director Bowman asked if we any sense of how the approved Ballot measures from the primary if we're approaching compression territory and if that will impact what we're able to collect. Do we know yet or when will we know? CFO Moore responded that the only small thing he has heard is that there doesn't seem to be the same concern with property taxes and the amount collected, houses still seem to be selling very quickly. He has not heard anything else.

Member Morgan expressed his gratitude & faith in everyone involved in the process. It is hard to approve something that feels so uncertain, but he feels this is the best group of people in the state to be managing this budget.

There was discussion on concessions, communication and the primary mission of keeping the instructional core whole.

Dr. Sue Rieke-Smith gave a reminder that she has begun recording weekly updates for staff on a variety of subjects, including state budget, to ensure transparent in-the-moment communications with navigating reopening and state budget. The link can be found on the district website.

Motion to Approve the Budget ~ 7:41 PM

Presiding Officer Madlem asked for a MOTION to approve the budget.

Vice Chair Fox MOTIONED that the Budget Committee of the Tigard-Tualatin School District 23J, Washington and Clackamas Counties, Oregon, hereby approve as proposed (or amended) the Budget for the 2020-21 fiscal year in the sum of \$438,725,487 for all funds now on file at the Hibbard Administration Office.

She further moved that the Budget Committee of the Tigard-Tualatin School District 23J, Washington and Clackamas Counties, Oregon, approve the taxes provided for in the proposed budget at the rate of \$4.9892 per \$1,000 of assessed value for operations; in the amount of \$1.0000 per \$1,000 of assessed value for local option tax for general school operations and in the amount of \$22,630,300 for general obligation bonds.

Board Chair Wolf seconded the MOTION.

Approval of the Proposed Budget ~ 7:43 PM

Presiding Officer Madlem took a roll call vote. The MOTION to approve the budget passed 9-1 at 7:43 PM, with Member Gonzalez voting no.

MOTION APPROVED 9-1.

Adjourn ~ 7:45 PM

Superintendent Rieke-Smith expressed her gratitude to the Budget Committee Members, Board Members, CFO Moore, Elizabeth Michels, the TTSD fiscal team & Cabinet Staff.

The meeting was adjourned by Presiding Officer Madlem at 7:45 PM