

2019-20 Budget Questions

Craig Nelson

1) The salaries and benefits budget assumption increased from 3% in the 2018-19 adopted budget to 5% in the proposed budget (plus \$3.5 million for PERS). Is it possible to share a bit of detail regarding how this assumption, which appears to be a nice round number, came to be? Are we far enough in the 2018-19 school year to do a lookback of budget vs. actual to see whether our process around developing this assumption is sound?

Actually, we have increased salaries and benefits by 5% in each of the past several years. On the Budget Assumption Summary Sheet, I accidentally recorded the increase at 3% for FY 18-19 when in fact it should have read 5%.

2) On P2, object 1920 deals with private donations and contributions. There has historically been some funds from this source, but none are listed for 19/20. Is that because there is no way to forecast what will be contributed?

Private donations and contributions belong under special revenue fund, not general fund. We moved this to fund 209 (p. 91) and the forecast is to receive \$150,400 in FY19-20.

In years past, we had a budget for private donations. What we have seen is that many donations come in just before the end of the fiscal year. With any financial system, we had no way to track and keep those donations separate from rolling into the General Fund Ending Fund Balance. It became an accounting issue of tracking donations crossing fiscal years.

By expanding fund 209 MAP to include donations, we have a way to keep the funds separated by school and can cross fiscal years without additional staff time tracking a specific school's donations.

3) On P4-5, contingencies and other use of funds total about \$7 million. A good chunk of this is from land sale proceeds and another chunk is from student body funds. Is the plan to save the land sale proceeds and combine them with future bond proceeds to fund capital improvements? It seems odd that we are rolling nearly \$1 million in student body funds from one year to the next – what's the plan here? Is there a big student body-led project on the horizon?

Page 4 and 5 captured general fund only. \$7 million under contingencies and other use of funds included \$1 million for contingency and \$6 million for ending fund balance (please see the general fund budget at a glance for detailed information).

Land sale proceeds are posted under fund 294 (p. 111) and Student Body Funds are posted under fund 295 (p. 112).

Student Body Funds (SBF): We never included SBF in our Budget Book before. We are in the process of bringing SBF record keeping into the business office in FY 19-20. The number that you see in the proposed budget FY 19-20 is just our estimate.

In years past, we have coded Student Body Accounts in the 700 fund (Trust and Scholarships).

A year ago, the Oregon Department of Education published a revised program budgeting and accounting manual (PBAM) to say that Student Body Accounts belong in fund 200 (special revenue).

During the course of 2018-19, we moved the fund balances to Fund 295. Student Body Funds are made up of the transactions from all of our Primary, Middle, and high schools. The appropriation level is based on their ending fund balances. These funds belong to each school. The budget is a roll-up of all those schools' bank balances.

4) Function 1221 spends about \$35,000 on software per year, which seems to be more than just about every other function combined. Are these costs held centrally and just not allocated to other functions or is this team deploying some really expensive software? I realize the amount isn't significant, but the question is more around cost allocation and for my own knowledge about how it works within the district.

These costs are for computer software going towards ULS, AIMSweb, Co-Writer, and N2Y (N2Y replaced WHS Achieve) and is held centrally.

Student Services budgets \$35,000 for software because it is more cost effective for the District to buy these licenses centrally than to have each building buy their own licenses when they may only have a few students in each building that need access to these tools.

5) Would it be possible to report on FTE trending (YoY) by function? I see the proposed number for 2019-20 and the detail is listed on each page of the requirements by function, but it might be nice to see that snapshot in more of a summary page vs. having to look at each function separately.

We already have this list in the reference materials. Please see "All Funds FTE by Program." The second column list 1111, 1121, 1131...these numbers represent "function." Reference materials can be found in tab V of the Budget Book.

6) Function 2210 is adding a couple of licensed headcount for next year? Is this general growth or to tackle a particular strategic priority?

Function 2210 page 42 went from 5.75 FTE in the Adopted Budget in FY18-19 to 5.65 FTE in the Proposed Budget in FY 19-20. No growth. It is also important to note that staffing (head count) often changes between the adopted budget in May of any year to the opening day of school in August. And also during the year (more slightly).

7) Fiscal services liability insurance is a big number for next year – what's driving this?

Fiscal services liability insurance increased by 5% in FY19-20. Originally, the Business Office posted liability insurance under fund 2510. A year ago, the Oregon Department of Education published a revised Program Budgeting and Accounting Manual (PBAM) and according to this revised PBAM, liability insurance should be recorded under function 2520.

8) There is almost \$1 million for the utility grant program that doesn't appear to be utilized. Is there a project on the roadmap where we expect these funds to be used? Or are we hanging onto the funds as a way to boost/maintain minimum reserves?

This money is reserved for future school improvement. School improvements can include new windows, upgraded heating and cooling systems, building envelope improvements, energy efficient lighting, domestic hot water systems, and more.

In order to qualify to use this fund, new energy saving projects will need to be undertaken.

Kirsten Wyatt

1) Is there a significant reason for the change from Incremental Based Budget to Zero Based Budget?

To shift from Incremental Based Budget to Zero Based Budget is to avoid potential budget violations. With a Zero Based Budget, school principals and department leaders work together with the Business Office to identify which function and category that they need to allocate funding to and which they do not. Having school principals and department leaders participate and contribute their knowledge to the budget process will help them understand their building budget better and increases accountability across the system.

2) Page 2 – 1123 – why the increase in FY20?

With a total of \$9,948,474 (\$9862,195+\$86,279) in Local Option Tax, I anticipated we will earn \$25,600 in interest. This estimate of 0.26% earnings on interest is very conservative.

3) Page 2 – 1741 – why the increase in FY20?

Based on the actual revenue that WLWV collected in this current year to date, I anticipate HS Activity Fee in FY19-20 will bring in an increase in revenue.

4) Page 9 – 0324 – why the decrease from FY18?

In the past, our District was renting several Modular Buildings but these buildings have been removed.

5) Page 12 – 0411 – why the increase in FY20?

Supplies are about 2-5% increase each year.

6) Page 18 – 0371 – why the increase in FY20?

This is not an increase. If you look at the actual expenditure on FY 16/17 and FY 17/18, you can see that, we spent \$362,270 in FY 16/17 and \$365,576 in FY 17/18. We did not budget enough in FY 18/19; already we have spent more than \$108,000. The proposed budget for FY 19/20 is a reflection of a more accurate expenditure for this program.

7) Pages 18 and 21 – 0111 and 0112 – are FTEs being consolidated or moved between these funds?

We reclassified FTEs between these two programs for greater accuracy.

8) Page 31 – 0641 – why the decrease in FY20?

I don't see 0641 on page 31. Perhaps you meant another function. Please feel free to re-ask this question during the meeting.

9) Page 54 – 0319 – why the increase in FY20?

ZBB allowed school principals to allocate a budget based on their building needs and meet the District investment strategies.

10) Page 56 – 0114 – is this a planned retirement?

Yes, in FY 18/19 we have 1.5 FTEs (.5FTE of this is the cost of our business consultant to help with transition).

11) Page 56 – 0651 – why no expense in FY20? Shown elsewhere?

I moved it to function 2520. Fiscal Services as liability insurance should belong there. Please see my answer from Q4 to Craig Nelson.

12) Page 80 – what is the projection for this fund? Is it increasing in a five year forecast or on the decline?

It will be declining in the future. We figured in 2007 that it would take about 20 years to clear the current early retirement benefits from the system. Longer for sure, for administrators. Depending on who might retire and how many, the fund could be increasing in costs. Over the long term, it will decline – I just can't predict at what rate that will occur due to people working longer than expected. The proposed budget showed an increase to reflect the possibility of more retirees.

13) I'd also like to see a schedule of FTE changes in one table to visually see what funds are impacted the most by FTE changes – like the below as an example: This showed in All Fund FTE by program.

We already have this list in the reference materials. Please see "All Funds FTE by Program." The second column list 111, 1121, 1131...these numbers represent "function". Reference Materials can be found in tab V of the Budget Book.

Jim Kamikawa

1) The \$2.9 million of PERS reserve in the 18/19 ending fund balance will be moved into the General Fund. Does this mean the funding has been re-designated to other categories or will the \$2.9 million be utilized for PERS?

The \$2.9 million PERS Reserve in FY18-19 already moved into General Fund as of June 30, 2018. It is factored into the ending fund balance. One could say it is still "set aside" 'as a place holder in the General Fund Balance Sheet to utilize for PERS.

2) Allocation of total expected funding is split between 19/20 and 20/21 budgets 49% and 51% respectively. What is your confidence level that this will cover year over year price increases? What areas do you feel we may be exposed to greater risks than currently planned year over year price increases that is beyond the district's control?

The estimate of the Governor Budget at \$8.87 billion with the split of 49% and 51% will not cover all of the FY20-21 increases. With our current projection for the second year of this biennium, it is clear that we are facing challenges in FY20-21 with PERS and other expenditures that are continuing to increase.

Equal pay, wages cost, building repairs, and unknown rate changes from transportation are some examples that could be exposed to greater risks than our current plans.

3) Do we have a timeframe on state legislatures making adjustments to the state school fund?

The legislature is still struggling with their financial projections. These challenges might not be resolved until after our budget is approved.

4) Where does the West Linn-Wilsonville Education Foundation contributions to the district fall under which category?

We recorded this contribution under donation account 1920 in the general fund when we received it. Since this is a contribution, we are unable to predict how much the Foundation will support us each year, therefore we do not include it in the budget.

5) In your opinion are there areas where the District may find additional funding above and beyond what is planned? i.e. MAPS, Sports Boosters, Education Foundation, Federal or State programs, etc.

I think Education Foundation is one of the areas that I (district CFO) would be happy to offer suggestions for additional funding if asked. As a 501c3, there are rules that govern how they fundraise and provide donations. And, there are restrictions to how district staff can be involved.

6) Are other areas being considered for raising additional funds for the district that will expand the budget for 19/20 and beyond? Ads on website, business sponsorships (naming rights) on stadium/sports fields/theaters?

State and District policies restrict these areas. As you know, the School Board is considering a large capital bond and a renewal to a local option levy this November, 2019. Any "requests for additional funds" from our community would need to be considered carefully within this landscape. It is easy for a community to feel "over taxed" or over asked upon."

Of course, if you have any suggestions for raising additional funding for the District, please share.

7) What is the estimate for ending fund balance for 19/20, 20/21?

The estimate for ending fund balance for 19/20 is \$6,078,007 (please see general fund budget at a glance. This \$6,078,007 includes the \$2.9 PERS reserve). FY20/21 is about \$2 million.

8) Are the donations under Private Sector solicited by and given to the District or were these private donations given to the individual schools via local PTSA and other school-affiliated associations? Where does one go if someone wants information to give donations via their estate planning to the District?

The district does not solicit funds but we do have PTAs/PTOs and local vendors who make donations to schools.

9) Page 111; 294 – Land, is the district allowed to use a portion of the proceeds of sale of land to apply to the general fund?

Money received from land sale(s) have, in the past, been held to help purchase new land in the future. Historically we have not used land sale proceeds to fund capital projects. The School Board is in the midst of a future siting process using FLO Analytics.

10) PERS year over year seems to be different percentage increases in different programs. Will you clarify why that is? For example:

a. Page 11 of General Fund Requirements by Function/Object. #1131 High School Programs 0201 PERS 18/19 \$1.98 million vs. 19/20 \$2.55 million – an increase of 28.7%.

PERS tied to FTEs as well as PERS Tier (1, II and OPSRP). Further, there are fluctuations in FTEs, substitutes pay an additional pay (extra duty contract) that also effects the amount of PERS that is paid in. It is difficult to make line by line comparisons due to these many changes.

b. Page 10 of General Fund Requirements by Function/Object #1122 – Middle School Extracurricular has PERS 18/19 -- \$20,489 vs. 19/20 \$55,874 an increase of 272.7%

Wages increased significantly in function 1122. Please see object 0100 salaries total.

11) If the State does provide an additional \$3.5 million of funding to the District, are there concerns you have of existing line of sight expenses?

If the State provides an additional \$3.5 million each year, then it will fix our budget concerns for this biennium. We would need that level (and more) to be provided for us to build in an any sustained balance to our budget. In other words, this isn't a two-year problem.

Dylan Hydes

1) We heard in our presentation from Carol Samuels that the District's employer contribution rate for PERS peaks at 30% during the 2023-25 biennium, and the rate stays that high for about 10 years, and then slowly decreases. To what rate do we expect the District's employer contribution rate to drop before it stabilizes? And when do we expect that will occur? 2050? 2060?

At this point, we don't have a clear number to show that new rate in the distant future. I will reach out to Piper Jaffrey to see if we can get this information for you.

2) I assume our projections of necessary PERS contributions takes into account that with each year, the District will have a lower percentage of Tier 1 employees. Is that right?

To the best of our knowledge, yes, it is included in the projection calculations.

3) We have heard Ms. Hughes discuss that a proper ending fund balance should be at (I cannot recall exact rate) of the District's total budget. I would appreciate hearing a discussion as to whether this recommendation is a consensus among various education organizations and/or accounting firms, or is it the recommendation of a single trusted source?

Government Finance Officers Association (GFOA) minimum recommended reserve of 16.6% of revenues/expenditures.

Oregon University System recommends 10-15% of revenues/expenditures.

Best Practices recommend 15% of revenues or at least 1 month of operation expenditures.

OSBA has an FAQ response to this question, which includes their own recommendation of 5-8% and includes GFOA's recommendation of 5-15%. They also state variables that may impact a Board's comfort level with an ending fund balance, i.e. size of district, predictability of future funds, etc.

The estimate ending fund balance for FY18/19 is \$8,065,755, which now includes our \$2.9 million PERS reserve. Without the PERS Reserve, the District estimates ending fund balance is about 5%.

4) Should EFBs differ depending on the characteristics of a district or is it a one-size-fits-all situation? And should sizes of EFBs differ depending on the state of the economy? For example, is it advisable to inflate EFBs in good times, and deficit spend in bad?

Yes, you are right. EFBs (ending fund balances) should be carefully tailored to the needs of each District and change in economic conditions. Managing savings during good times can always benefit the District in bad times.

5) As a percent of total budget, are there any areas where our District spends considerably more or less than typical school districts in Oregon?

It is hard to do the accurate comparison but Forecast 5 will have the ability to process this request. We are in the process of purchasing this product and I hope to share this information with you and Board members in the near future.

It is important to always keep in mind that comparing one district's fund balance area to another district's fund balance areas is not always "apples to apples."

6) What role has public input had on this budget? If the impact is nil because the public has taken little interest in this process, please say as much. And if that is the case, what, if anything, can the district do to foster more input from the public in determining budgetary priorities?

This year, we had several community members who participated in the Budget Public Hearing. We followed up with a "budget webinar" and community poll/survey. We had nearly 100 responses to our budget questions through the poll. This is the highest public response we have had in many ears. The responses did factor into budget priorities. That said, you will see from the responses that there is a broad expectation to keep or grow personnel and programs, which is challenging to do when reductions in expenditures need to be made.

Responses from that survey will be provided at our Budget Meeting. If there is naything that we can do to foster more public input, it would be great.

Jeff Hallin

1) Local Option: The local option tax revenue is nearly \$10 million, an increase of 17.5% from 2018/19 and has grown rapidly over the recent period. Are there any contingency plans for the possibility of a large drop in local option revenue if real estate values decline?

We are monitoring these increases closely, including staying in conversation with both Cities regarding housing developments in the near and far future, and listening to economnic forecasts. Should we begin to see a plateau or prediction of economists of the start of a decline, we do need to make plans accordingly with staffing and programs.

2) Revenue from intermediate sources: what is the general education service district funds (\$1.92 million)? Are there any restrictions on the use of these funds?

Each ESD can allocate funds differently depending on the agreement created by the participating school districts (by resolution). Clackamas ESD distributes funds to school districts based on "resolution services" and "contract services." Each has nuanced restrictions. We can discuss this more at the meeting.

3) Expense Reductions: Is there an estimate of what the 18 FTE reduction in licensed staff will have on class sizes?

Likely there will be some increase in class size depending on where the FTE reduction lands. In primary schools, if we can make blended classrooms to mitigate larger classes, we will. In secondary schools, we will do our best to avoid larger core classes.

4) Are there any penalties for suspending the implementation of state-mandated increases to PE/Wellness hours?

We are likely not the only district in the state with these circumstances. There has already been a delay with this implementation; it seems unlikely even with the fiscal shortfall this first year of the biennium. If there is no provision provided at the state level from ODE or legislators, then we would request a “waiver” for a year. This would be reflected in our Division 22 report.

Regan Molatore

I have reviewed the proposed 2019-20 budget. I can see it is a balanced budget with spending that directly related to the Superintendent’s message and priorities. I do not have any questions or concerns about the allocation of resources within the budget.

I wanted to comment that I really liked the new layout of the budget. I found it much easier to read and work through.

I have some broader questions in preparing for the future as well as a couple of clarifying questions to help my understanding:

1) With regards to the reductions in staff, do you anticipate releasing existing staff members or do you think this can be addressed by not replacing staff who leave at the end of this school year (either by retirement or otherwise)?

We will address this by not replacing temporary staff, resignations, and retirements.

2) What predictions can you make about how the second year of the biennium will look as related to budgetary cut?

It is still a serious matter as we are still facing the continuing increases in PERS (at the minimum of \$3.5 million) without the corresponding increase in revenue.

3) With regards to pre-k funding, p. 15, why does it designate programs at 6 of our 9 primary schools and not 9 of 9 primary schools?

We currently do not have (sustainable) extra space at three of our primary schools. The long-term goal is to have preschool at all nine primary schools.

4) By contrast to the above, why are our schools that receive Title IV funds not listed under the description on p. 103?

Great idea! I will update the description to list the schools there.

Ginger Fitch

1) One of the assumptions used for revenue was ADMr increase of 48 students, which is the low-end forecast from FloAnalytics. What are the benefits and risks of going with the lower end instead of the median (200) or high (300)?

Benefits: more conservative approach keeps us away from over spending.

Risks: underestimating might keep us from being fully prepared for additional students.

Each year (the last three years) we are decreasing in our annual growth number. This is due to fewer students being admitted into the district based on Open Enrollment and Inter-District Transfers each year. In our December count, we only had 5 more students this year compared to the same time last year. This number changes at various stages in the school year (September, December, March, June). We are leaning on being conservative as we continue to reduce transfers. We are growing (in district) while also decreasing (out of district).

2) What staffing inequities did the district identify across the district and how does the budget reflect an attempt to correct those? I.e. band class size at Athey Creek Middle School vs. other middle schools?

At the secondary level, we design some of our classes to be larger (i.e. choir, band): it also depends on the teacher's desire. We also want to offer the same classes at all four of our middle schools, even though some interest might be lower or higher any given semester or year. This is the case at Athey Creek.

3) The FTE reductions of licensed staff are about 4 at every school level? Why did you make that decision? The FTE reduction for licensed staff for disabled student services is 7. Why? There is no like-reductions in FTE for administrators under the office of the principal as seen in the licensed FTE at all school levels. Why?

Representing reductions in FTE in a budget document is challenging, given that we are also working with using retirements, resignations, and temporary staff as a means to reduce gently across the organization. We are working with these conditions (retirements, resignations, temporary) to then make the reductions better distributed across the district. In a budget document, we have to reflect reductions in places in May/June that may end of being slightly different than the reality in September, but overall expenditure reduction is still the same. There are several places for administrative reductions. We did not reduce principals. We will explain the administrative reductions at the meeting.

4) The allocations for Talented and Gifted appear stagnant over the last three budgets. The perception, for some, is that the program is as well. Will it require an influx of funds to change that or can it be done through some other means?

The amount allocated for TAG is used only for some relatively small fixed costs for maintaining the program structure such as setting up after school enrichment offerings in primary schools and screening all first graders using the CoGAT assessment. The costs for what students experience during the school day such as additional AP courses, the supplemental Redbird Mathematics for K-5 development of performance tasks with extensions for gifted learners and professional learning for differentiation are part of the improvement of instruction and primary, middle, and high school program costs. There is a TAG program renewal underway that includes updating identification, revising the individualized plan for gifted learners and providing extensions and differentiation in all core courses. There are added sections of AP courses and an internship program that will begin in fall 2019. The renewal work is ongoing.

Budget Committee members may also recall that we receive no additional funding from the state designated for TAG programs. Therefore, our expenditures are allocated differently (across the budget) than a Title or Gran separate fund item.

5) Does the budget permit purchase of alternative methods to herbicides if the district deems them effective?

The district is already implementing alternative methods to herbicides and is using the general budget to fund these expenditures (i.e. fence guards, steaming), in addition to increased application altogether. If the Board chooses to direct staff to scale current alternatives more rapidly or implement other costly alternative methods than the budget in our maintenance fund can accommodate, then we could consider using our contingency money.

6) Is there any legislation in this biennium that may increase costs immediately that we do not have a plan for in this budget?

There is still the possibility that the legislature will go back to the Governor's proposed budget of \$8.97 billion. This would give us an immediate \$750,000 more per year. There is also some speculation that it would even go up to \$9 billion.

There is possible changing in PERS reform that would save the district money.

But the most significant current legislation is still HB 3427, which proposes \$2 billion additional funds per biennium. It is projected that the soonest we might see these funds would be summer or fall of 2020.