

**REDMOND SCHOOL DISTRICT 2J**  
**BUDGET COMMITTEE**  
**May 21, 2014**

Budget Committee Chair, Rick Bailey called the meeting of the Redmond School District Budget Committee to order and established a quorum of nine at 5:32 pm on May 21, 2014. Budget Committee member Melissa McVay was absent. Community Member, Bill Walker.

The following were present:

<u>Appointed Budget Committee Members</u>	David Imig (Budget Committee Vice-Chair) Don Fields Sharon Rosen Thomas Kemper	
<u>Elected School Board Members</u>	AJ Losoya Ron Munkres Bob Perry Shane Nelson Rick Bailey	Chair Vice-Chair Director Director Director (Budget Committee Chair)
<u>R2J Administration</u>	Mike McIntosh Linda Seeberg Martha Hinman	Superintendent Executive Director of Academic Programs Executive Director of Student Services
<u>R2J Personnel</u>	Kathy Steinert Lynn Evans David Burke JB Demaris Chris Morton Nicole MacTavish Tara Lewellen Wanda Tigard Trish Huspek Tony Brown	Director of Fiscal Services Director of Human Resources Director of Secondary Education Director of Support Services Assistant Director of School Improvement Principal, Redmond High School Financial Analyst Accounting Supervisor Executive Assistant to the School Board of Directors REA Representative & Terrebonne Community School
<u>Media</u>	Leslie Pugmire-Hole	<i>Bend Bulletin</i>

## ACTION ITEMS

### Approval of May 7, 2014 Minutes

*Don Fields moved and Tom Kemper seconded the motion to approve the minutes as presented. Motion carried 9-0.*

## AGENDA ITEMS

### Public Comment

None

Rick Bailey, Budget Committee Chair, stated, "I'd like to take a moment to thank Kathy and Mike for the time they've taken to address the concerns voiced in our last meeting. As Mike said, we're not out of the woods quite yet and I think that the comments and questions made so far reflects this committee's awareness of that and our desire to try to ensure that the District will not go backwards in the near future. I think Kathy's emails effectively addressed our concerns. Specifically:

1. In looking at fund balances, we need to be aware of all funds, not just the general fund. Past board planning has laid the foundations for reserving monies outside the general fund for foreseeable issues (i.e., the PERS reserve). The questions that I presented at the last meeting were posed with too narrow of a scope.
2. Ample evidence that a 5% reserve in the general fund is adequate and prudent, particularly in light of my first point. I am persuaded that there is a lot of thought behind that board policy which I think we need to respect. While I think our concerns and questions are well founded and the board and staff are aware of and share them, I am also compelled to remind the committee that setting policy is outside of our authority and staff has delivered a budget that is within board policies."

Superintendent McIntosh thanked Rick for his comments. "The work that you have seen and the work that has been accomplished are due to Kathy and her team leading the process. I shift all of the gratitude to where it belongs and know that it has been a rewarding process that gets better each year."

Kathy Steinert reviewed the following information with the Budget Committee:

### Strategic Priority

Balance Resources to Maximize Student Achievement – this budget was prepared with this objective in mind.

### 2014-2015 Proposed Budget All Funds - \$94,939,400

- General Fund – 64.0%
- Debt Service – 11.2%
- Planned Reserve – 7.5%
- Grant Program Funds – 4.6%
- Other – 12.7%

### Special Revenue Funds & Other Funds

- Nutrition Services, Asset Replacement Funds & Capitol Projects
  - Nutrition Services

- Self-Supporting; expectation is to bring in revenues and funds all of the operations of Nutrition Services. Learned this fund cannot cover unpaid student debt so we are proposing a transfer from the general fund of \$8,000 so that we can cover some unpaid student expenses. These expenses come from students whose account became overdrawn and comes from the time period between the school year starting and when their free/reduced status is approved. Some of this debt has been rolled over from years past. This is an attempt to level the books and start over. Many of our schools are now on school-wide free/reduced lunch so we don't incur these expenses.
- 2014-15 Proposed Budget Nutrition Services Resources - \$2,520,200
  - Federal Sources 67.8%
  - Local Sources – 8.7%
  - State Sources – 1.0%
  - Beginning Fund Balance – 22.5% (there is a limitation on what they can carry forward is limited to three months of operating expenses)
- 2014-15 Proposed Budget Nutrition Services Requirements
  - Consumable Supplies & Materials 31.9%
  - Salaries – 27.6%
  - Contingency 20.5%
  - Related Payroll Expenses – 17.1%
  - Purchase Services 1.6%
  - Capital Outlay – 1.2% - \$30,000 investment in self-service bars at the high schools
  - Other Objects – 0.1%

Superintendent McIntosh stated, “Our secondary meal participation has declined in the last few years. Nutrition Services is looking at ways to increase participation and improving the product that is offered.”

- Asset Replacement Funds
  - Asset Replacement Funds - \$3,427,700
    - Contingency – 39.7%
      - New School Start-up – 24.1%
      - Deferred Maintenance 12.0%
      - Equipment Replacement 1.7%
      - Bus Replacement – 0.8%
      - Phone System Replacement – 0.9%
      - Property Acquisition – 0.3%
    - Deferred Maintenance – 37.8%
    - New School Start-up – 12.9%
    - Bus Replacement – 6.4%
      - Fleet must meet emissions compliant deadline by 2025 - This will require replacing two new busses each year
      - Non-compliance would affect our reimbursement rate
    - Phone Replacement – 2.2%
    - Equipment Replacement – 0.7%
    - Property Acquisition – 0.3%

- AJ Losoya asked, “If we want to keep on track on deferred maintenance issues, how much would that be. JB Demaris, Director of Support Services, estimated that the district would need to set aside \$500,000 per year.

Superintendent McIntosh stated, “We have applied for all the credits and reimbursements available to us to get where we are today. We identified almost \$4 million still being needed to address maintenance issues in the district (i.e., roofs, boilers, etc.) We have done a lot but we have reached the point where we are prioritizing and will still be short on the RHS roof. We won’t be receiving another facilities grant to cover those expenses so we will need to start planning out to build an account balance. We are in a great spot comparatively because of the work that was able to be done with bond proceeds. The Redmond High School roof will be in excess of \$1 million. Part of that expense is due to the asbestos that is on part of the roof.”

- Fee Supported Funds - \$2,687,100
  - Fee Supported Funds - \$2,687,100 (Co-Curricular and Student Activity Funds)
    - Operating Contingency – 26.6% - Resources we don’t plan on spending in the upcoming year
    - HS Co-Curricular – 24% (pay-to-play fees)
    - SB 1149 – 12.0% (public purchase charges – Dept. of Energy)
    - FAN – 10.6% - Funded through Federal Title 19 Funding. Three times per year we participate in the MAC Surveys. Part of that revenue funds the FAN programs in the schools.
    - Elementary Co-Curricular – 8.5%
    - Student Activities – 7.6% (fundraisers)
    - Middle School Co-Curricular – 6.6%
    - E-Rate – 3.9% - Revenues from companies and are used to provide working capital for E-rate projects that the District wants to do. Only certain types of projects are eligible for E-Rate funds. (i.e., increasing the District’s wireless capabilities in District buildings)
- Grant Program Funds
  - Grant Program Funds - \$4,353,100
    - Title IA ESEA – 49.3%
    - IDEA – 24.2%
    - Teacher Incentive Fund (TIF) Grant – 13.2%
    - Title IIA – Teacher Quality – 3.9%
    - CTE Revitalization Grant – 4.1% (State Grant)
    - Other – 5.3%
      - Title III – English Learners – 1.3%
      - NQTL/Educator Effectiveness – 1.6% (State Grant)
      - Student Mentoring, Monitoring and Acceleration Grant – 1.7% (Funding Camp 9)
      - Miscellaneous State/Local Grants – 0.8%

AJ Losoya expressed concern on how the district will be able to sustain the TIF and Title IIA initiatives when those grants end.

Superintendent McIntosh reported that professional development won't be lost when the grants end. But, teacher stipends and teacher leader stipends would need to be covered by another revenue source.

Sharon Rosen stated that she would like to see more resources go towards the CLC programs. It appears to her that more money is dedicated to teachers than to students. "I would like to see the Board have a dialogue about spending those kinds of funds that would benefit students."

Superintendent McIntosh stated, "Any dollar that we can save in the general fund by using grant funds is an advantage to the district. We must remember that those grants come with very specific guidelines that we must adhere to. We believe it is worth our time to manage those small chunks of money. We don't dive on every opportunity but we do look at each opportunity to see if it will meet the need and will be worth the management involved."

- Debt Service
  - Debt Service – 11.2%
  - 2004 Bonds
  - 2008 Bonds
  - 2012 Refunding Bonds
  - 2013 Refunding Bonds
  
- 2014-2015 Proposed Budget District Tax Rate
  - \$5.0251
  
- Internal Service – Requirements - \$5,642,400
  - PERS Debt Service – 44.0%
  - Planned Reserve – 41.1%
    - Liability Insurance – 7.1%
    - Workers Comp – 5.3%
    - Unemployment Insurance 3.5%
    - PERS Contingency – 7.4%
    - Unappropriated PERS Reserve – 17.7%
  - Workers Compensation – 6.0% (SAIF)
    - 27% increase in rates for next year – we have had some claims but we have also had successes in improving the incidence of injuries. This year alone, half of the claims were due to slips and falls (winter weather). The District's rates are based on our claim history.
  - Liability Insurance – 5.8% (PACE)
  - Unemployment Compensation – 1.5% (Self-Insured)
  - Other – 1.6%

There was a lengthy conversation regarding PERS rates and how they are determined.

- Contingency & Unappropriated Reserves - \$8,186,100 – 10.1%
  - General Fund – 36.3%
  - Unappropriated – 12.8%
    - PERS Debt Service Unappropriated Reserve – 12.2%
  - New School Start-up Reserve – 10.1%
  - Insurance Reserve – 11.0%
  - Co-Curricular Activities – 7.2%
  - Nutrition Fund – 6.3%

- Deferred Maintenance Reserves – 5.0%
- PERS Debt Service Reserve – 5.1%
- 2008 GO Bonds – 2.3%
- All Other – 3.9%

### **Questions & Answers**

- Q. Will the things that are being offered this year in the association contracts be able to be sustained or will those needs to be cut in the next biennium?
- A. Superintendent McIntosh reported, “We might be okay and we might not be. If not, we look at how we address that. I don’t know what the answers are right now. The same conversations will resurface again.”

Superintendent McIntosh spoke to a list that was created by the Budget Taskforce that identified district priorities that they recommended be funded and which ones were to be unfunded at this time due to lack of resources. “There has been an incredible effort that has been put into the conversation about what things can be cut.”

Sharon Rosen expressed her appreciation to Kathy Steinert for the information and transparency of the information provided.

Kathy Steinert thanked Wanda Tigard, Accounting Supervisor and Tara Lewellen, Financial Analyst for their contributions to the budget process. “They put in a tremendous amount of work in preparing the proposed budget.”

## **ACTION ITEMS**

### **Motion to Approve Proposed Budget**

*David Imig moved that the Budget Committee of the Redmond School District 2J, Deschutes County, Oregon hereby approves the budget document as proposed by the superintendent for the 2014-15 fiscal year. The total budget sum approved is \$94,939,400. Don Fields seconded the motion. Motion carried 9-0.*

### **Motion to Approve Property Tax Levy**

*David Imig moved that the permanent tax rate of \$5.0251 be assessed in support of the General Fund. Don Fields seconded the motion. Motion carried 9-0.*

### **Motion to Approve Tax Levy – Debt Service Fund**

*David Imig moved that a tax levy of \$10,861,500 be approved for the Debt Service Fund for the purpose of the annual payment toward the retirement of bonded debt owed by the District. Thomas Kemper seconded the motion. Motion carried 9-0.*

### **Next Steps**

- Budget Hearing – School Board Adoption – **June 25**

### **Adjourn**

*Thomas Kemper moved and David Imig seconded the motion to adjourn at 7:59pm. Motion carried 9-0.*

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Rick Bailey, Budget Committee Chair

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Trish Huspek, Executive Assistant