

**LEBANON COMMUNITY SCHOOL DISTRICT
BUDGET COMMITTEE MEETING
April 26, 2018, 7:00 PM**

Santiam Travel Station

750 S. Third Street, Lebanon, OR 97355

MEETING AGENDA

- 1. Call to Order**
- 2. Approval of April 12, 2018 Meeting Minutes** (Page 2)
- 3. Public Comment**
- 4. Information and Discussion of Proposed 2018/19 Budget** (Page 10)
- 5. Motion to Approve the Budget**
- 6. Motion to Set the Tax Rate**
- 7. Adjournment**

Future Budget Committee Meetings

May 10, 2018	7:00 PM	(if needed)
June 14, 2018	7:00 PM	

**LEBANON COMMUNITY SCHOOL DISTRICT
BUDGET COMMITTEE MEETING
April 12, 2018, 7:00 PM**

Santiam Travel Station

750 S. Third Street, Lebanon, OR 97355

MEETING MINUTES

A meeting of the Lebanon Community School District Budget Committee was held on April 12, 2018. Those present included the following:

Tom Oliver, School Board Chair
William Barish
Sandi Cox
Terry Deacon
Kris Latimer
Jeff Vandiver

Dr. Rob Hess, Superintendent
Bo Yates, Assistant Superintendent
Linda Darling, Business Director
Jennifer Meckley, Human Resources
and Community Relations Director

The meeting minutes were recorded by Maura Kwiatkowski, Executive Secretary.

1. **Call to Order**

School Board Chair Tom Oliver called the meeting to order at 7:02 PM.

2. **Election of Officers**

A. Chair. Terry Deacon nominated Sandi Cox to be Budget Committee Chair. The motion was seconded by Jeff Vandiver and unanimously approved by the Committee.

B. Vice Chair. Oliver nominated Terry Deacon to Vice Chair. The motion was seconded by Jeff Vandiver and unanimously approved by the Committee.

Cox accepted the gavel and presided over the remainder of the meeting.

3. **Presentation of Budget Message**

Superintendent Rob Hess read the Budget Message.

4. **Presentation of Proposed 2018/19 Budget**

Business Director Linda Darling presented the 2018/19 Proposed Budget.

The primary difference from the 2017/18 budget is that last year, the State Legislature was still in session, and education funding had not yet been approved. The District planned based on an \$8.2 billion biennium budget, which was the funding level ultimately approved by the Legislature.

Page 10 of the budget document shows the major differences. Typically, the Legislature funds 49 percent for the first year of the biennium and 51 percent for the second. For 2017/18, the Legislature funded 50 percent for both years. We received more money this year; the revenue projection for 2018/19 is \$45.068 million. The most significant difference is the Beginning Fund Balance (BFB).

Darling called the Committee's attention to the revenue table on Page 11. Differences include the change in the state funding split and the 52 more weights over those previously budgeted. These two factors result in an anticipated \$2.059 million revenue increase over the previous estimate. The projected revenue increase over 2017/18 is approximately \$1.84 million. Darling noted we will have similar circumstances this year, but the BFB will begin to decrease.

As noted on Page 12, the development of the 2018/19 budget reflects three primary priorities: 1) graduation and support services, 2) personnel and associated benefits costs, and 3) facilities. Sample expenditures associated with these priorities include:

- A Fulltime Equivalent (FTE) staffing increase of 14.2 over 2017/18 actual FTEs.
- Continued funding for support programs such as AVID, ASPIRE, and the Construction and Technical Education (CTE) program, including a \$40,000 transfer into the Vocational House Fund to ensure its continued success until the house is sold and the program is self-sufficient.
- \$400,000 to the Textbook Fund to support a new K-12 Social Studies curriculum.
- \$50,000 to the Classroom Furniture Fund to facilitate grade reconfiguration in several schools.
- Additional support for music (additional staffing) and athletics (\$31,000 to add middle school basketball).
- More funding for the Nutritional Fund, including increased staff support.
- A \$250,000 transfer from the General Fund to the PERS (Public Employees Retirement System) Fund to help address PERS rate increases for 2019/2021.
- \$100,000 to update and increase security cameras and supporting infrastructure in buildings.

- Funding for roofing projects at several schools.
- Increased transfer to the Capital Improvement Fund to supplement grants awarded by the Oregon Department of Education (ODE) to conduct a facilities assessment and develop a long-range facilities plan.
- A \$300,000 total transfer to the Bus Replacement Fund to replace buses as required by law.

Darling noted that staffing costs have increased as a result of contractual obligations, particularly for the nutrition program, which is heavy with classified staff.

In addition, community groups would like the opportunity to improve turf infields for baseball and softball. The proposed budget includes an additional \$75,000, for a total of \$85,000, for these improvements, only with Board approval of the project and defined parameters for the community project.

The table on Page 13 shows the total difference in transfers from the General Fund to various Special Revenue Funds.

Darling discussed the various data illustrated on Page 14 of the proposed budget document. Estimated student weights equal 4,921, and the per-pupil-expenditure from the General Fund is \$9,159. Deacon asked whether cost of living is ever considered in this calculation; Darling said it is not.

The graph on Page 15 provides a four-year expenditures history of the General Fund (2015/16 actual through 2018/19 proposed). This history does not include the \$1 million contingency, since the district does not anticipate spending those funds. As can be seen, 78 percent of the budget on average is spent on salaries and benefits.

Darling noted that Pages 16 and 17 show enrollment history based on actual students in the building each October (ADMr does not reflect actual student count). Enrollment is generally at its highest in October. Oliver noted enrollment is slightly down. Hess indicated the Forecast 5 software the district is now using provides live birth information and allows for more accurate enrollment projections.

Page 27 provides an overview of State School Fund Grant revenue, and the funding formula includes a teacher-experience component. Hess advised the district is generally below state average in teacher experience; but we are making positive progress, and the state as a whole is seeing more senior teachers. Hess analyzed

teacher salaries and found that a district receives the most state resources when it has a higher concentration of mid-level experience teachers (5 to 15 years).

Oliver noted that if we maintain current enrollment, we will receive approximately \$600,000 to \$640,000 more funding next year. If we had those students in September, we should not necessarily have built the budget for those students, and Hess indicated we would not have the authority to spend. The total budget creates the ceiling on the district's authority to spend.

Oliver asked if there is any down side to using a less conservative student estimate. Darling advised this could be a positive or a negative. If the budget is increased by \$700,000 for additional teachers but student enrollment does not require hiring those teachers, there is no issue. The district will be funded at what is there all year long. She pointed out the district does not have the authority to spend beyond the ceiling; however, the 10 percent contingency can be used for instruction by Board resolution. The district may also make adjustments – 10 percent overall – within the total budget. Darling said the downside is if we hire more teachers and we do not have the students, the district has spent the money, and the Fund Balance (FB) has been spent down.

Oliver pointed out that if we look back at Page 14, the growth in BFB is clear. We consistently spend less money than we receive. Are we achieving the right balance? He believes the Board can assume a little more risk than we have in the past.

Hess noted the 2018/19 proposed budget includes 100 fewer students. We have more staff working with fewer students, which results in better services for the students.

Darling advised that if we invest in additional staff now, we have less money for increasing wages for current staff. Oliver indicated we need to achieve a balance that allows for more staff and more comparable salaries for current employees to encourage retention. Darling said the district has settled with Classified staff this year and will be negotiating with Certified staff next year.

Darling believes the proposed budget will take the FB down to the \$3 million range. If more students arrive and stay in the district, the FB increases. Hess noted that over the last two to three years, we have seen more students at the secondary level – Seven Oak Middle School and the high school. Families with school age children are moving into the area.

Bill Barish asked about the impact of the medical school on district enrollment. Jennifer Meckley advised that the medical school does impact our staffing, but we

do not have data on how many district students are children of medical school students.

Darling followed up on Hess' remarks about the Forecast 5 application. The program provides data on birth rates versus kindergarten. The birth rate is up, but kindergarten-age children have decreased. Darling believes the medical school is a factor in this case. Medical school enrollees are having children, but the families leave the area before their children reach kindergarten age. Hess noted there are also a significant number of homeschooled and online students in the district.

Barish asked what data Darling used to project enrollment. Darling responded that, in November, she rolled everyone up one grade, and high school seniors were removed. She also reviewed average kindergarten enrollment for the last four years. Parish asked whether we have data on the percentage of students who come into district and turnover and mobility trends. Darling confirmed this is factored into enrollment projections, but it generally does not change things, since families come and go. The mid-November data has historically given us a pretty accurate enrollment picture. April and May tend to have the lowest enrollment levels, but these are offset by highs in October and November.

Pages 28 and 29 provide line item breakdowns of historical and projected General Fund revenue.

Page 31 shows the General Fund budget construction by function. It is based on the staff we have now and where they are currently located. Darling increased the number of teachers this year to fill some openings and added elementary music. Current staffing and the increases are based on the assumptions discussed on Page 9.

Page 33 shows budget construction by object. Budget amounts are the same, but they are arranged differently.

Pages 38 through 143 show the budget by function and object. This is the most detailed breakdown of the proposed budget.

Pages 146 through 187 cover the various Special Revenue Funds. Darling noted she has budgeted \$5.2 million for anticipated and unanticipated grants, which provides the authority to spend for grants that may be awarded. In previous years, we have only spent \$2.3 and \$2.8 million. One funding stream is High School Success (formally known as Measure 98), which has been incorporated to provide the district the flexibility and authority to spend on students.

Page 191 shows the district's bond repayment schedule.

Barish asked whether the district had considered moving away from hard copy textbooks to electronic versions. Darling noted that we have both; however, the cost of an electronic textbook is not just about the cost of the textbook. If an electronic device is lost, stolen or broken, the textbook license is also lost. Each time we add a device we are also required to add a new license.

Oliver noted that while an electronic textbook is not necessarily less expensive, we do receive more value for dollars spent. Darling advised that the district can purchase a hardcopy/electronic bundle for about the same cost of purchasing one or the other.

The lower grades tend to be more electronically focused. Hess pointed out the key is teachers using the devices. The district has been rolling out Google Chromebooks, and the real advantage comes when we are able to own the hardware and software. Most of our computer labs are being dismantled, and we are running nearly one-to-one on devices. Yates noted there is a great deal of opens source material available.

Oliver asked whether the proposed budget supports appropriate classroom size and student-to-teacher ratios. Hess advised that it does not; and Oregon runs five to six students above average. Twenty-three (23) is the ideal classroom size. Oliver noted we are 20 FTEs below where we would like to be, with a trend of building the FB. We have been very conservative.

Hess pointed out that mental health meetings have become essential in schools and require counselors, mental health service providers, and social workers. The current 12 counselors is more than the district has ever had, and mental health staffing impacts the number of FTEs the district can add to classrooms.

Oliver said he would like to see the district spend more of the money available. Yates noted that when we begin teacher negotiations, we will be fighting the "our teachers are lower paid" battle, and the district must develop a strategy to address this issue. Regarding next year's teacher negotiations, Barish asked, historically, what raises have teachers received? Darling and Meckley indicated raises this year were 1.68 percent, and next year it is 1.5 percent. Additional insurance was also provided. Level 1 compensation was also deleted; teachers now enter at Level 2.

Oliver pointed out we are moving backward in teacher pay, and Barish said teachers will not settle for another 1.5/1.5 percent contract with the current FB. We want to keep teachers here. Cox agreed that in order to have middle-range

experience teachers, we need to keep them here with appropriate compensation. Barish agreed the district needs to keep good teachers and pay them to stay; however, they may have to work harder with somewhat larger class sizes.

Deacon noted that many teachers he worked with previously left for Eugene and Albany. Hess noted that our class sizes are better than Albany, Corvallis and Salem; but our wages do not compare. When we recruit teachers, we do not compare on compensation; we recruit those who want to live here. Cox asked what the incentive is for teachers to come here. We need to show them they are worth more; what incentives can we provide?

Darling indicated that if the budget as proposed is not changed, and the district receives up to 50 more students, more revenue would result. If additional teaching staff was not added, the district would retain a larger FB (\$3 to 4 million), which would help going into the next negotiation cycle. This is a risk, however, because the FB is a one-time funding source.

Yates advised that during negotiations, we have always wanted to change the salary schedule to attract/support teachers at the lower end without taking from more experienced teachers. We will need an influx of funds to make the salary schedule more competitive. Barish noted that if we had a strong FB entering negotiations, it would be good time to do that. Oliver is not sure how the FB will come into play. We have carried a significant FB for a number of years. It is nice to have, but it is not helping our students. At what point is our risk adversity not beneficial?

Parish asked if Darling is confident we are in a good position with PERS. She indicated the district is weak in this area, and she does not see PERS reform on the horizon to offset the concern. Darling expects PERS increases over the next three biennia. Oliver noted we have not yet had to access the PERS Reserve, but we will need to at some point. Should we increase the PERS Reserve transfer?

Darling noted there is also discussion about creative bond financing for PERS, but the bill had not yet been signed by the Governor even though it was her initiative. Basically, the organization pays into PERS with potential state matching funding at 25 percent, but the money paid in cannot be borrowed funds. A large district with significant cash reserves could purchase PERS bonds and take out all matching money in nearly one sweep. No matching funds would remain for smaller districts. Darling also pointed out the district would give up control of its funds for many years in exchange for the 25 percent match.

5. Request for Information

Darling asked if the Committee would like to see any specific changes to the proposed budget.

Oliver advised he would like to see more money in the PERS Reserve.

Hess asked whether the Committee wanted more students in the count, and Oliver indicated yes. Should we take a deeper look at the projected enrollment by analyzing past projections versus enrollment? If we project higher enrollment that does not materialize, however, we would likely be spending money we do not have. Darling confirmed she would review the PERS Reserve, as well as direct instruction costs, and will provide the Committee with several proposals.

Darling encouraged individual Committee members to contact her with questions or if additional review is needed. More significant strategy questions should be submitted to the Committee Chair so all Budget Committee members receive the same information.

The next Budget Committee meeting is scheduled for April 26, followed by a May 10 meeting, if needed. The District must have an approved budget by May 10, since the Board will act on the budget at their June 14, 2018 meeting.

6. Public Comments

There were no comments by the public.

7. Adjournment

There being no further business before the Committee, Chair Cox adjourned the meeting at 8:25 PM.

Sandi Cox, Chair

Rob Hess, Superintendent

BUDGET COMMITTEE MEMORANDUM



To: The Honorable Chair and Members
Lebanon Community School District Budget Committee

From: Linda Darling, Business Director

Date: April 18, 2018

Meeting Date: April 26, 2018

Re: Additional Student Weights and Funding

Background

The Budget Committee requested data on student ADMr (Average Daily Membership rate) current and past trends, additional revenue generated from claiming additional ADMr, and the potential distribution of those additional funds in direct instruction and PERS Reserve. The attached tables provide the following information:

- Table 1 is the 2017-2018 Second Quarter Accumulative ADMr to ODE (Oregon Department of Education). Four times each year, the district submits Accumulative ADMr to ODE. These number determine the funding amount received from the SSF (State School Fund).
- Table 2 is the 2018-2019 Projected ADMr that was submitted to ODE, is reflected in the SSF Estimate (Pages 26 through -27 of the Budget Document) and which equates to \$39,082,369 of General Fund revenue. At the bottom of Table 2, the 2017-2018 Second Quarter Accumulative ADMr numbers are advanced one grade. This is to show if we had the exact amount of ADMr for the entire year and those are advanced for the next year how would they compare. The bottom set of numbers shows the difference between the projected and 2017-2018 Second Quarter. There are 31.58 more ADMr weights in 2017-2018 than what is projected for 2018-2019.
- Table 3 is the historical data for 2010 through 2017 reflecting the Second Quarter Accumulative ADMr data, the Annual (4th Quarter) Accumulative ADMr (the actual number for which we receive funding), and the number of ADMr weights that change from the Second Quarter to the Annual. The average decrease in ADMr weights is 45.49. If you applied that average to the 2017-2018 Second Quarter Accumulative ADMr, then the 2017-2018 Annual ADMr would be 4,201 ADMr.
- Table 4 is the calculation of adding 35 ADMr weights to SSF, which equates to \$277,970, and increasing the budget by this same amount (\$127,970 for Direct Instruction) and (\$150,000 for the PERS Reserve).

Lebanon Community School District
Requested Materials for April 26, 2018 Budget Meeting

Agenda Item 4

Table 1:
2017-2018 2 Qtr. Accumulative ADMr Report (12/2017)

	KG	1	2	3	4	5	6	7	8	9	10	11	12	Grand Total
Cascades School	50	46	41	53	57	70								318
Green Acres School	47	59	42	48	55	63								313
Hamilton Creek School	30	32	39	36	36	35	41	26	33					308
Lacomb School	31	24	25	23	30	30	31	25	35					255
Lebanon Community SD 9	0	0	0	0	2	1	1	1	2	1	13	14	27	61
Lebanon High School									288	332	293	331		1,244
Pioneer School	52	57	41	53	56	60	45							364
Riverview School	70	61	57	68	77	73								406
Sand Ridge Charter School	44	41	42	37	29	29	32	40	23					317
Seven Oak Middle School							227	200	235					662
Grand Total	325	320	287	318	343	361	376	292	328	288	345	306	358	4,247

Reporting required quarterly to ODE

Table 2:
2018-2019 Projected ADMr

Location	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
Cascades School	51	51	45	40	53	56								296
Green Acres School	47	47	57	46	48	58								303
Hamilton Creek School	31	31	33	39	37	36	35	41	26					309
Lacomb School	30	30	23	24	23	31	30	30	22					243
Lebanon Community SD 9							9	10	10	8	8	11	12	68
Lebanon High School									318	276	323	283		1,200
Pioneer School	51	51	56	41	53	57	60							369
Riverview School	72	72	60	57	69	77								407
Sand Ridge Charter School	40	40	40	40	37	30	26	30	35					318
Seven Oak Middle School							200	270	197					667
ADM Total	322	322	314	287	320	345	360	381	290	326	284	334	295	4,180
2017-2018 2nd Qtr. Report		325	320	287	318	343	361	376	292	328	288	345	306	
grades moved up a year		-3	-6	0	2	2	-1	5	-2	-2	-4	-11	-11	-31.58
Difference between Projected ADMr & 2nd Qtr.														

Table 3:
Accumulative ADMr Historical Data

ODE Report	ADMr 2nd Qtr.	ADMr Annual	Diff
10-11	4,119.38	4,108.77	(10.61)
11-12	4,161.49	4,105.32	(56.17)
12-13	4,204.41	4,158.90	(45.51)
13-14	4,250.38	4,158.38	(92.00)
14-15	4,163.64	4,128.56	(35.08)
15-16	4,309.79	4,243.62	(66.17)
16-17	4,180.67	4,167.75	(12.92)
AVG			(45.49)

Table 4:
Adjusted Revenue

Additional ADMr	\$ Per Weight	Total
35	\$ 7,942	\$ 277,970
Adjust Expenditures		
Direct Instruction: Staffing		\$ 85,313
Payroll costs		\$ 42,657
PERS Reserve		\$ 150,000
Balance		\$ -