

ALSEA SCHOOL DISTRICT 7J
Budget Committee Meeting
Tuesday, April 25, 2023

1. Call to Order, Flag Salute - 1805
2. Roll Call
Budget Committee: Kimberly Lanning, Joni Olsen, Jamie Olsen, Sara Cash, Terry Lunsford,
Budget Committee Absent: None
Board Members: Linda Montanez, Deb Lindberg, Risteen Follett, Soren Rounds, Ryan VanLeuven
Board Members Absent: None
Staff: Sean Gallagher, LaRae Sullivan, Lora Nickle
Patrons: Naomi Shadwick (ADHOC)
Online attendees: Samantha Pedder, Holly Olsen, Heather Shunk, Cheryl Doe, Tim France, Eric Clendenin, Bart Rothenberger, Aimee Hart
3. **Approval of Agenda** – Jamie Olsen motioned to approve the agenda as presented. Terry Lunsford seconded. All in favor, motion unanimously approved.
4. **Approval of Minutes** – May 19, 2022
The approval of the May 19, 2022, minutes were tabled until the May 2, 2023, meeting. Amendments need to be made.
5. Election of Officers
Nomination of Chair: Risteen Follett moved to nominate Joni Olsen as Budget Committee Chair, Deb Lindberg seconded, no other nominations were received. Motion passed unanimously approved.
6. **Nomination of Vice Chair:** Risteen Follett moved to nominate Sara Cash as Budget Committee Vice Chair, Terry Lunsford seconded, no other nominations were received. Motion passed unanimously approved.
7. **Budget Message** –
Sean Gallagher read the 2023-2024 Budget Message
The district has been resetting and restructuring all areas associated with budgetary requirements since March 2022 when I joined the district as Acting Superintendent. Proper budget development is essential to the health and wellbeing of the organization associated with the budget.

During the 2022-23 school year, it became brutally apparent that the district was overly obligated beyond predicted revenue associated with the 2023-24 school year. The district has been working aggressively to curb expenditure through implementing an appropriate checks and balances system for all requested expenditures. In addition, all contract obligations were evaluated and were either renegotiated, cancelled, and/or other vendors were used to achieve an improved outcome for a more economical price. The original target to reduce expenditure was approximately \$5M. Through the previously mentioned efforts, that target was reduced to \$3M.

The district also embarked on an aggressive project called the HR Reset designed to address salary imbalances and to maintain competitiveness with similar sized and regional school districts. A hopeful side benefit was to save some money as a result. After proper salary placement of employees within the new salary structures, the district can call the financial outcome as neutral. The benefit to the HR Reset was to achieve a balanced salary structure, ensure employees were ensure employees were placed.

appropriately within the new salary structures, and to fully define job expectations through newly written and updated job descriptions. This is usually a one to two-year project, the district was able to complete the HR Reset project in approximately 8 months. The district also had been enforcing a hiring freeze and absorbing positions through natural attrition that have been vacated in addition to a spending freeze that only allows for necessary purchases.

At this point in the process with contracts under control, salaries balanced, and proper checks and balances applied to all expenditures, naturally absorbed positions, and a spending freeze, the district had no other option other than to reach to employee expenditures. Usually, one can approximate that 80% of a school district's costs are associated with salaries and benefits. The district truly exhausted trimming from the other 20%, and unfortunately had to develop a Reduction In Force (RIF) plan. This plan reduces the overall employee numbers by approximately 40%. All employee groups are affected. With all the above efforts, I am pleased to present the attached balanced budget. It was a painful journey getting to this point, but it will ensure a solid financial future for Alsea School District (ASD).

Highlights:

- The 2023-24 ASD budget is built upon a 49/51 split for the next biennium set a \$9.9B in the State School Fund (SSF) legislative proposal. At the time of authoring this budget message, the legislative assembly had not approved the \$9.9B figure, it could fluctuate either up or down. The state legislature is required to approve a budget by June 30th . Any fluctuations could result in either further cuts, or possible additional money available.
- At least \$1.3M in unappropriated funds available for the 2023-24 school year
- Program preservation throughout the district except for Learn at Home Oregon (LAHO) due to state law requirements.
- LAHO will move forward as a K-3 program, eliminating grades 4-8 with an ADMw target of 213. This target is set to be less than brick and mortar to maintain non-virtual status for the district. This status is what allows the district to bring in students from adjoining school districts ranging from the coast to mid-Willamette valley without denial from resident Superintendents for both Brick & Mortar and LaHO. The ability to bring in students through parent selection without barriers formulated by resident school districts is the bread and butter for ASD. The district has a written agreement with Oregon Department of Education (ODE) that ensures funding will not be lost during this transitional period preserving the non-virtual status. This outcome will be achieved by fall 2023.
- Bond project: The district is happily moving forward with the voter approved bond project. The list of areas that were originally promised has been reduced to electrical upgrades, HVAC upgrades, and the construction of a Vocational (VOC) / Career Technical Education (CTE) center. Recent evaluations are hopeful that the VOC/CTE center costs can be significantly reduced to provide additional options to be explored such as a kitchen/cafeteria center, window replacements, etc.
- Maintenance of Effort (MOE): MOE federal law states that a district must always spend more the next year than the previous year for special education programs. This law is to ensure that SpEd students are properly supported at consistent levels year to year. Unfortunately, the district allowed the MOE to increase from ~\$300K to ~\$1.4M completely unchecked for minimal SpEd student increases from 2019-20 through the 2021-22 school years. Unfortunately, this obligates the district maintain MOE expenditures even though the number of SpEd students does not warrant these numbers. The only way that a district can reduce MOE over time is as follows:
 1. Voluntary departure or retirement of SpEd personnel with required documentation,
 2. Decrease in enrollment of children with disabilities,
 3. Termination of a costly disability program per student, and

4. Termination of costly purchases or long-term purchases (i.e., acquisition of equipment or construction of school facilities) based on student IEP needs.

The district has a plan to reduce the MOE obligation over a period of three years using the above strategies, but this will take some time. In the meantime, overall SpEd staffing and expenditures may appear to be heavy. A district either spends the amount allocated in the MOE or is fined by the federal government for the difference.

This proposed 2023-24 budget will still have some line-item fluctuations as experienced in the 2022-23 budget build, but not to the same intensity. The 2022-23 budget build included major fluctuations to bring the district back into alignment with state budget law. It is likened to placing the correct files in the correct file drawer of a file cabinet. The 2023-24 proposed budget now has some historical expenditure data to fall back on, but only reliable data from the current year. As the district continues to maintain proper budgeting and expenditure requirements, the budget will become more and more stable over time. Currently, the district is developing a three-year strategic budget plan to provide financial strategies to ensure stable budgetary expenditures, stable programing for students, and stability of staffing. This ensures optimal success for any school district over time.

The district continues to maintain strong relationships with county services such as Linn-Benton-Lincoln (LBL) ESD, County Sheriff's Department, County Commissioners, County Planning, County Health Services, Corvallis Library System, and local school districts. These resources are vitally important for the programming and financial success of ASD. This brings resources to ASD that are of minimal cost such as technology support, mental health, student health services, grant support, etc.. I can't impose enough of a priority for ASD to maintain these relationships over time. This reduces the financial burden of the district to hire these services separately.

I would like to thank the district budget committee and the district school board members for their involvement in the budgeting process. These efforts are appreciated and help to ensure the financial success of ASD and the Alsea Community. As your acting superintendent, I want to thank all of you for the opportunity to serve the ASD and community. I look forward to looking back at ASD in a few years with a great deal of pride in what the district is achieving. Keep up the good work everyone, this is a special place.

8. Budget Presentation – presented by LaRae Sullivan

- Enrollment trends using extended ADMw 660.49 for 2023-24
- 9.9 billion State budget with 49/51 split
- 3 million beginning fund balance as resource.
- \$120,000 as planned General Fund Contingency
- FY23.24 - COLA and Step Freeze for All staff, except Certified
- All 163 day classified employees will get 5 paid holidays.
- All Employees will not have PAID lunch breaks (BOLI requirements still apply)
- PERS costs have increased.
- Health insurance remains the same

Other Budget Item –

- School Insurance costs have increased estimated at 20%
- Unemployment has increased – Estimating 80K into budget.
- MOE budgeted in General Fund around 1.4 million.
- LAHO budget in General Fund only: 1,130,000

- 1 New Bus purchase this coming year
- Outsourcing Food Service program
- Athletic Program has been put into Special Revenue Fund for Transparency (Fund 218)

Financial Overview –

- Revenue General fund: 10.5 million
- Expenditures: shown by function and object summary (pg. 24 in proposed budget packet)
- Overview of all fund appropriations with FTE
- General Fund transfers to special revenue funds with history
- Overview of transportation agreements and how they affect Alsea's budget and lease payments
- Overview of Debt service and proposed Bond levy
- Overview of Capital projects balances
- Overview of FTE (pgs. 150 and 151 of the proposed budget packet)

Other items to consider

- Revenue from State can Fluctuate
 - Both in General and Grants Funding
- State has not finalized their Biennium budget
- Enrollments need to increase for FY23.24 for Financial Stability

9. **Recommendations:** The committee had several questions regarding:

- What is the difference between ADMw and ADMr
- Who determines how much moneys are given to each budgeted item
- What about other programs such as athletics. Who makes the budget determination in those areas.
- Why is the district continuing with the LaHO program if it is not the big money maker that it was.
- Is there a way to have a more detailed budget presented to the committee like they have seen in the past that shows a better breakdown of costs?

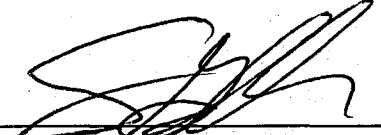
The recommendation was to recess the budget meeting and continue on May 9, 2023 at 6:00 PM

10. Meeting recessed at - 2110

As recorded by,

Lora Nickle

Board Chair: 
Risteen Follett

Clerk: 
Sean Gallagher