

Board Special Meeting



2445 – 3rd Avenue South, Seattle WA 98134

Work Session: Budget; Work Session: Board 2015-16 Annual Self-Evaluation
Tuesday, November 22, 2016, 4:30-7:00pm
Auditorium, John Stanford Center

Minutes

Call to Order

Director Patu called the meeting to order at 4:33 pm. Directors Present Patu, Blanford, Harris, Burke. Director Peters arrived at 4:39pm and Director Pinkham arrived at 5:02pm. Director Geary was absent.

Work Session: Budget (Discussion and/or Action)

This meeting was staffed by Superintendent Larry Nyland, Deputy Superintendent Stephen Nielsen, and Assistant Superintendent for Business & Finance JoLynn Berge.

Dr. Nyland spoke about how the Legislature has not done their job and the District is hopeful they do eventually do their job. Currently the District is spending \$100M on salary to fully make up what the State does not pay. They have now taken \$30M away from us in Levy funds. We will be working with parents, teachers and schools on the solutions of this problem that the Legislature has caused.

Mr. Nielsen spoke about realizing how disruptive this Budget deficit is to students, families, and staff to help with the anxiety that this is causing. We are hopeful the legislature will recognize the problem they are causing.

Ms. Berge spoke about having recommendations on the fund balance. She explained one recommendation is the economic stabilization reserve of 3-5% of non-grant budgeted revenue. We are recommending we use \$11M of it to go towards the deficit. This will require a change in board policy which will reduce the percent to an estimated 1.65%

Director Harris asked what the reserve fund was in 2001-2002. Mr. Nielsen explained the ending balance in the unreserved fund was \$1 and that was not a good place to be. We had other reserves in other places. We had a clear plan on the remaining fiscal integrity and it took years to rebuild the fund.

Director Harris asked do we have a draft policy. Ms. Berge explained we do not yet have a draft a policy and she will be explaining about that later in this meeting.

Director Harris asked about our bond rating. Ms. Berge spoke about how our financial indicator rating may go down with Office of Superintendent of Public Instruction (OSPI).

Director Patu asked how long would it be to get back to that 3.25%. Ms. Berge explained due to the biennial budget we will have a recommended staff plan by this summer.

Director Burke asked if the District can issue bonds against our good rating to buffer. Ms. Berge explained districts that have no fund balance can get a line of credit. We are not at

that point and we don't want to be at that point. The state would put us in binding conditions and on a 3-4 year plan of recovery. Mr. Nielsen added the binding conditions, if you don't have a balanced budget, is that the State takes over.

Director Blanford asked how was the percent of 1.65% determined. Ms. Berge explained this is aggressive, but still responsible if something else occurs.

Director Burke asked if we were to bond is there a reason we cannot do that and stretch it over time. Ms. Berge explained we are not cash short, if we did this we would be down at the State being told why this is not the proper way to budget.

Director Burke stated he was having a hard time with the idea of laying off employees and then rehiring them as the way to go.

Dr. Nyland explained if we went below the 1% we would be on the watch list and OSPI would take issue with us. Because we would be spending more money than we have.

Director Burke stated he sees this as a liquidity problem. Mr. Nielsen explained he cannot imagine a bonding industry wanting to loan the funds without a large fee behind it. He will do additional research on this and get back to the Board. Director Peters thinks just because this is how it has been done for years doesn't mean we shouldn't explore other options.

Ms. Berge reviewed the indirect policy recommendation, this would exclude Parent Teacher Student Association (PTSA). This would be phased in over two years.

Director Blanford asked if we have spoken with our grantors about this yet. Ms. Berge stated we have spoken with the City. This is the industry standard within government, nonprofit and K-12 schools.

Director Burke asked if we have bench marked the indirect policy with other districts and he would like to see that in the presentations. Ms. Berge confirmed we have, and we are right in the middle.

Mr. Nielsen explained this is not up for a vote, but does need affirmation from the Directors that they are ok moving forward with what will be occurring.

Ms. Berge spoke about updating projections on the deficit. \$1M of the \$3M of the updated projection is the boundary changes. She listed an additional \$2M that are normal items that occur each year and the assumptions have been updated, which drove that change.

Director Harris asked if we have any worksheets that show what the \$1M is. Ms. Berge explained they are transportation costs and the remaindered is the amount put aside for the boundary changes.

Director Patu asked if there was any budget set aside if we have boundaries changes. Ms. Berge we have a reserve in FY16-17 for boundaries and transportation.

Director Blanford asked if the additional \$1M is in addition to the deficit that we decided on last Wednesday. Ms. Berge explained that is correct and referred to slide 9, it shows the original \$11M and the additional \$1M.

Ms. Berge reviewed slide 10 and explained the benefits of early hiring for our students.

Mr. Nielsen explained the \$5M on the utilized unrestricted fund balance amounts is now due to the closed budget. Ms. Berge explained if all things on slide 11 hold then the District would still have \$44M that would need to be found.

Director Burke asked if early hiring was successful then would the deficit would be impacted. Ms. Berge said we caught up and have a different outcome. Budget Director Ms. Sebring said we expected it to drop because of early hiring. \$7M is the highest it's been in the last 9 years. If we go too much higher, we run the risk of not getting it.

Director Harris asked if the \$2.2M we do every year why wasn't it caught in the \$71M. Ms. Berge said it is different, its Cost of Living Adjustments (COLA's) and increases in pension costs that we got updates to recently.

Director Peters asked what caused the changes in the \$5M. Ms. Berge explained the District spent more than expected in staffing and added 85% of our costs are staffing costs.

Mr. Nielsen explained slide 11 shows the updated projections. Budget Director Linda Sebring spoke about the proposed edits to the budget development calendar. Dr. Nyland explained historically we have not had to worry about the process because we have been very close to balancing the budget. Most things we do involve staff and this is approximately 400 staff that could be effected, and we were not ready to do that on December 3rd. Dr. Nyland explained we are trying to manage that with our community engagement.

Ms. Berge reviewed the proposed budget development calendar. She explained the Budget will need to be approved in early August.

Director Peters stated knowing who the 400 are changes the question we will be asking our schools.

Ms. Berge reviewed budget decisions levels 1-4. Level 4 will impact the WSS. All of the textbooks are \$5M and \$2M for math. Those are other things that will buy us down.

Director Blanford stated many people he meets will say we have the right mix of people at each school. The downside of the RIF is teachers will make other decisions and we will lose teachers and displaced teachers will change the dynamic of the school.

Director Harris ask to have more clarity on the 24 credit question. Dr. Nyland explained the board has approved the 24 credits. The taskforce recommendation is a trimester 7-8 period day that would cost approximately \$7M. Dr. Nyland confirmed we will not be ready to move forward with the trimester plan in the 2017-18 year. However, in 2018-19 we will need to be prepared for the trimester plan.

Chief Engagement Officer Carri Campbell reviewed the communication and engagement plan. The plan is to increase our community awareness. We need people to be aware of how they can engage in the time between now and February. Ms. Campbell would welcome feedback from the Directors.

In closing, Mr. Nielsen explained there is a lot of empathy required for this kind of budget process. The hard part is to do it right and to have contextual understanding. The ultimate authority resides with the Board and the Business and Finance office will get them through this.

The meeting recessed at 5:58pm and reconvened at 6:04pm.

Work Session: Board 2015-16 Annual Self-Evaluation

This session was staffed by Board Office Manager Theresa Hale and Director of Board Policy and Board Relations Nate Van Duzer.

Director Patu provided an overview of the meeting's agenda. Ms. Hale discussed the feedback process and asked for two Directors to assist with drafting a narrative of the self-evaluation process and results. Director Burke noted he would be leaving the meeting early and would therefore not be able to assist in this role. Mr. Van Duzer noted his availability in assisting with the drafting process. Directors Blanford and Pinkham volunteered to work with Mr. Van Duzer to draft the narrative. Directors and staff discussed the background of the evaluation process and requirements. Staff noted the robust Washington State School Directors' Association (WSSDA) model and good practice of annual self-evaluation. Staff and Directors discussed the history and research behind the current evaluation process and the ability to improve and build on the process to meet the current needs of the Board. Director Harris noted that this is not a state legal requirement and opined that the true evaluation and accountability of elected officials is seen at the ballot box. Director Blanford noted that there are very strong arguments to tighten up the evaluation process and discussed his view on the importance of Board leadership in accomplishing the District goals, noting that SMART Goals were a mechanism to obtain these goals. Director Burke discussed the relevance of SMART Goals but noted the need to improve the process and implementation of these goals and evaluations thereof. Directors and staff discussed options for developing new SMART Goals for the Board and how they will be evaluated. Directors noted that they did not want to have another meeting but would opt to have two Directors work with staff to solidify goals and then bring them back to the rest of the Board for input and finalization.

Director Peters moved to appoint Directors Blanford and Pinkham to compile a narrative for the remaining Board members to review, finalize and post for the December Regular Board meeting. Director Harris seconded. This motion passed unanimously.

Ms. Hale pointed to primary goal documents and noted the rubric, survey results, ranking of goals and the definition sheet. Ms. Hale provided an overview of each goal, the responses received from the survey and then asked Directors for their opinions on where to rank each goal in the evaluation process. Directors discussed their opinions on where and why they felt a ranking was deserved for each goal. Directors determined that they would rate themselves as Basic for Goal 1. Directors determined a rating of Basic+ for Goal 2.

Director Burke left at 6:49pm.

Ms. Hale noted the rankings and feedback provided by Directors for Goal 3. Directors discussed the analysis of reaching this goal and noted the challenges to defining the Board's success in reaching the intended results. Directors debated whether to provide a ranking of Basic or Basic Plus. Ms. Hale noted that the narrative could reflect that the Board did not completely agree on the ranking and that it was somewhere between Basic and Basic Plus. Mr. Van Duzer noted the next opportunity to discuss and solidify the 16-17 Goals and provided a synopsis of the discussion on each goal and noted that the consensus was that the Board could work to improve the evaluation and goal setting process.

This meeting adjourned at 7:17pm.