

Board Special Meeting



2445 – 3rd Avenue South, Seattle WA 98134

Work Session: Budget
Wednesday, November 16, 2016, 3:00-4:00pm
Board Conference Room, John Stanford Center

Minutes

Call to Order

Director Patu called the meeting to order at 3:04 pm. Peters, Burke, Geary, Patu, Pinkham. Director Blanford arrived at 3:08pm and Director Harris arrived at 3:25pm

Work Session: Budget

Assistant Superintendent Business & Finance JoLynn Berge spoke about making adjustments to the presentation since it had been emailed to the Directors the Friday prior to this meeting, these updates are reflected in the presentation they have now and online.

Director Peters asked what the Directors will be learning at the upcoming work sessions. Ms. Berge explained the goal is for them to have overview of the fund balance, indirect policy and setting up for staff to bring them a recommendation next Tuesday.

Ms. Berge reviewed the portion of the budget that is controlled by the State and explained the state is not keeping up and the gap continues to grow. Ms. Berge spoke about how she had not received additional feedback on the Budget Guiding Principles and explained she is always open to Director's feedback. Ms. Berge reviewed the historical budget gaps.

Director Burke asked if the budget gaps were solved by using underspends and why are they listed one time funds. Ms. Berge confirmed that is correct and we use underspends each year. Budget Director Linda Sebring explained why the underspend is one time funds because they vary each year which is why it is called one time funds.

Director Peters spoke about being concerned, she is anxious to see what was done in the past. Ms. Berge will look back on historical documentation and get back to the board.

Director Blanford asked why did Ms. Berge choose to start with Fiscal Year (FY)10 for the budget gaps. Ms. Berge explained that was when the downward trend began.

Director Geary is concerned that the Historical Budget Gaps on slide 9 shows a huge gap and is confusing to her. Ms. Sebring explained the purpose of using this slide was to show that in 2010 the District began to hit difficult times. She also explained this slide shows how the District resolved the deficit at that time. This also shows how the legislature helped the District out in FY11-12, but for FY17-18 we have not seen a shortfall to this magnitude.

Ms. Berge went through FY11-12 cuts and additional revenue. Ms. Berge spoke to how in the past the District has eliminated elementary counselors and they may be on the

table again, as we try and find additional areas to make up our gap in the next year.

Director Burke asked based on FY16 did the deficit get reduced from \$10M. Ms. Sebring explained these are equalizing to the October time frame and estimated costs that were not going to be there. In FY16 the District knew it would have additional revenue, but also knew of additional needs/asks of things it would like to do for kids.

Ms. Berge compared direct services to support services. She explained direct services are 81% and support services are 19%. Ms. Berge explained what central administration is and how is it a subset of support services. Ms. Berge explained how central administration is defined by what is in the State Accounting Manual.

Director Peters asked if the legal department was in support services. Ms. Berge explained a percent of legal is in Board of Directors and the remaining amount is in the Superintendent department.

Director Peters asked if the Board of Director's amount fluctuates based on election year. Ms. Berge confirmed it does fluctuate, and this is not reflected of an election year.

Deputy Superintendent Stephen Nielsen explained he and Ms. Berge are working on alignment of where each position aligns with where they are truly doing the work from.

Director Burke asked if the cost codes are sub divided. Ms. Berge confirmed they are and that the Board will have additional information that shows FTE amounts.

Ms. Berge summarized the three components to the Levy Cliff for the FY17-18 Revenue Reductions. She reviewed the process of "ghosting", per pupil inflator (PPI) and levy based authority. Mr. Nielsen spoke about how we get more from our local levy, but with McCleary we are back where we.

Director Peters asked why is no one in the Legislature talking about the "ghosting". Ms. Berge confirmed people are talking about the Levy Based Authority but not the ghosting. Director Burke asked if we have a solution identified. Mr. Nielsen confirmed we do have a solution, but it's all about who is in charge after the election. Ms. Berge explained as long as the District receives enough net new dollars then we are ok.

Ms. Berge spoke about how the State will say we have a \$78M fund balance.

Director Patu asked how many unsettled cases do we have. Deputy General Counsel Noel Treat explained it was quite a few and could get the exact number to the board later.

Director Peters asked what drives the Settlement reserve. Mr. Treat explained it is not the \$4.9M on the slide but that is of ongoing and we have a fairly large amount that is unspent.

Ms. Berge spoke about the History of the Seattle Economic Stability Fund Balance. Currently it is set at 3.25% and referenced slide 27 and 28 shows what we could do.

Director Burke asked what have we ended at in the past. Ms. Berge will get that information and get back to the board. Mr. Nielsen spoke about how in 2002 we ended with \$1. That is not something we want to repeat.

Ms. Berge gave history of the Seattle unassigned fund balance. Ms. Berge explained we currently do not have an indirect policy. Ms. Berge explained the benefits of having a policy that would cover the rates. Currently the restricted rate is 3.99% and unrestricted is 15.29%.

Director Blanford asked would the funds we get from city grants we currently get 3.99% and we could get 15.29%. Ms. Berge confirmed that is correct. The District would apply this percentage based on how many dollars that are spent. This would go towards all that goes into administrating grants.

Director Geary asked how do we change the percent amount if we are currently not collecting the 15%. Ms. Berge explained this would be going forward for the FY17-18 grants and we would have to negotiate that. Director Harris asked if salary and benefits are direct cost do we ask employee to keep time sheets. Ms. Berge explained for federal grants we do keep timesheets, and there are guidelines for that.

Director Harris asked if we have a bar chart that addresses grants on a continuum that shows their sustainability. Ms. Berge explained on the grants website we have that information available.

Director Peters asked if 2.8M would be the most we are looking at and this would be annual. Ms. Berge confirmed that is correct.

Mr. Nielsen stated in his opinion it would be beneficial to have a policy on indirect rates and that it will be a benefit to us.

Director Burke asked if the District would get additional grant funds. Ms. Berge spoke about how we would not get additional funds; it would help balance the budget

Ms. Berge explained what will be discussed at the November 22nd and December 3rd work session meetings.

Dr. Nyland spoke about why we need to meet this aggressive timeline.

Adjourn

This meeting adjourned at 4:06 pm.