Budget Committee Meeting

May 29, 2018

6:00 p.m. – Hood River Valley High School Library

These Budget Committee minutes are not official as they have not been approved by the Committee. These minutes are for review and are subject to change and/or approval. Once approved, signed and dated, they are official.

WELCOME AND CALL TO ORDER AT 6:04 P.M.

Budget Committee/Board Chair Chrissy Reitz called the first budget committee meeting to order.

PRESENT:


Absent: Tom Scully.

Administration: Superintendent Dan Goldman, Chief Financial Officer Saundra Buchanan, Human Resources Director Catherine Dalbey, Curriculum and Instruction Director Neely Kirwan, Director of Special Education Anne Carloss, Cascade Lock Elementary School Principal Amy Moreland, Hood River Valley High School Principal Rich Polkinghorn, Hood River Valley High School Vice Principal Kyle Rosselle, Wy’east Middle School Vice Principal Patricia Ortega Cooper, and Technology Director Tod Hilstad.

Staff and Community Members: Rob Varga, Kelvin Calkins, Anna Dalbey, Board Administrative Assistant Terri Martz.
**ELECT BUDGET COMMITTEE CHAIR:**

It was moved by Tim Counihan and seconded by Corinda Hankins Elliott to elect David Russo as Budget Committee Chair. Motion approved unanimously and accepted by David Russo.

**ELECT BUDGET COMMITTEE VICE CHAIR:**

It was moved by Dale Hill and seconded by Chrissy Reitz to elect Tim Counihan as Budget Committee Vice Chair. Motion approved unanimously and accepted by Tim Counihan

**DESIGNATE THE ADMINISTRATIVE ASSISTANT TO THE BOARD TO KEEP OFFICIAL MINUTES:**

Budget Committee Chair David Russo appointed Board Administrative Assistant Terri Martz to keep official minutes for the Budget Committee meetings.

**REVIEW OREGON BUDGET LAW, ROLE OF BUDGET COMMITTEE AND MEETING GUIDELINES:**

Chief Financial Officer Saundra Buchanan reviewed the following information with the Budget Committee:

Objectives of Oregon’s Local Budget Law (ORS 294.321)

- To establish standard procedures for the preparation, presentation, administration and appraisal of budgets of municipal corporations;
- To provide for a brief description of the programs of a municipal corporation and the fiscal policy which is to accomplish these programs;
- To provide estimates of revenues, expenditures and proposed taxes;
- To provide specific methods for obtaining public views in the preparation of fiscal policy;
- To provide for the control of revenues and expenditures for the promotion of efficiency and economy in the expenditure of public funds; and
- To enable the public, taxpayers and investors to be apprised of the financial policies and administration of the municipal corporation in which they are interested.
Role of the Budget Committee

- In a series of public meetings, the budget committee meets to review, discuss, revise, and approve the proposed budget presented by the budget officer.
- Upon completion of its deliberations, the committee approves the budget and sets the tax rate or amount of ad valorem taxes for each fund receiving tax revenue.
- The Board conducts a public hearing to adopt the budget and levies the taxes. The estimated expenditure for each fund may not be increased by more than ten percent of the amount approved by the budget committee without republishing the budget and conducting another hearing.

Budget Committee Guidelines

1. The budget committee meeting is a meeting subject to Oregon’s Public Meetings Law (Chapter 192). A public meeting takes place in public and is open to the public.
2. A public meeting does not mean that the audience enters into dialog with the budget committee members, staff or others.
3. The Chair of the budget committee will at specified times, ask for public comment. At that time, any person in the audience may make statements about the budget or process.
4. Each person desiring to speak will be recognized and must contain their comments to three minutes or less.
5. Staff will not respond directly to public comments, but will respond to questions from the budget committee.
6. A quorum is required to conduct committee business (8 of 14 voting members).
7. A majority of the budget committee is required to approve any motion (8 of 14 voting members).

BUDGET MESSAGE AND PRESENTATION OF THE PROPOSED BUDGET:

Superintendent Dan Goldman presented the 2018/2019 Budget Message and outlined the following information providing details to committee members.

2018-19 Budget Message from Superintendent Dan Goldman

I submit for your consideration this Proposed Budget for the Hood River County School District (HRCSD) for fiscal year 2018-19. This proposed budget of $124,569,010 is the result of the financial and educational
goals set by the School Board, input from various stakeholders, staff members and community listening
sessions, and the work of the 23-member internal budget team consisting of the executive cabinet, principals,
vice-principals, and department managers and coordinators.

Within the District’s proposed budget for 2018-19, State School funding for the 2017-19 biennium is
assumed to be $8.2 billion based on the legislatively adopted budget which is then split 50%/50% between
the two years of the biennium. In most years, the typical distribution ratio is 49%/51%. This atypical funding
distribution for 2017-19 means that districts had to reserve resources from the first year of the biennium to
cover predictable roll-up costs in the second year. Thus, this proposed budget includes using over $800,000 of
State School Fund resources distributed in the first year to support the cost of current services in the second
year.

Thankfully, because of the support and engagement of our local community, the hard work and expertise of
our team of professional educators, the focus of the administration on prioritization of available resources on
students and classrooms, and the conservative budget planning of our School Board:

- HRCSD has below average class sizes for Oregon - though still higher than optimal - thanks to our
  voter-approved Local Option Levy in combination with a prioritization of teaching FTE and below
  average spending on administrative functions;
- HRCSD spends more per student than average thanks in large part to our voter-approved Capital
  Projects Bond and the Local Option Levy, in addition to the large number of competitive grants
  obtained over the last few years;
- HRCSD graduates a far greater proportion of our students on time than the Oregon state average as
  well as schools with similar demographics.
- And because of the work of our staff and the diversity of our programs, our students are absent less
  than the state average and engaged more in our schools.

State-wide Factors Increasing Budget Liability

The 2018-19 Proposed Budget will include both the spending of one-time reserve funds and increased
programming levels for students. At a time of economic growth in the State of Oregon, the primary drivers of
the State’s budget shortfall for public services are severely escalating associated payroll costs in addition to a
highly unpredictable, and insufficient, tax structure. Like all Oregon school districts, the Hood River County
Schools are facing extremely large increases to its PERS rates, unknown future health care costs in connection
to the Affordable Care Act and our legislatively-required participation on the Oregon Employees Benefit
Board (OEBB), and increases to the minimum wage enacted by SB 1532 in 2016.

PERS
Oregon Public Employees Retirement System (PERS) rates have increased dramatically for the 2017-19 biennium. PERS rates were decreased for the 2015-17 biennium due to the legislative reforms to PERS; however, the Oregon Supreme Court overturned a key piece of the PERS reforms that eliminated a portion of the contribution savings that were anticipated in future years. For the 2017-19 biennium, the District’s PERS employer contribution rates are 16.03% for Tier 1 & Tier 2 payroll and 10.7% for OPSRP payroll, increasing by 42.4% and 62.9%, respectively. The estimated cost of these contribution rate increases in the 2017-19 biennium for HRCSD is $1.04 million per year and will compound after that.

The 2019-21 Public Employee Retirement System (PERS) Advisory employer contribution rates issued December 2017 project significant increases in the District’s employer contribution rates, as shown below, demonstrating the need for reserves to address future increases in the District’s payroll costs. Tier One covers members hired before January 1, 1996; Tier Two covers members hired between January 1, 1996 and August 28, 2003; and OPSRP covers members hired on or after August 29, 2003.

### Hood River County School District

**Current PERS and Advisory Net Employer Contribution Rates**

<table>
<thead>
<tr>
<th>Employee Membership Tier</th>
<th>2017-19 Current Rate</th>
<th>2019-21 Advisory Rate</th>
<th>Change to Contribution Rate</th>
<th>Percentage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1/Tier 2</td>
<td>16.03%</td>
<td>22.57%</td>
<td>6.54%</td>
<td>40.8%</td>
</tr>
<tr>
<td>OPSRP</td>
<td>10.70%</td>
<td>16.95%</td>
<td>6.25%</td>
<td>58.4%</td>
</tr>
</tbody>
</table>

The following chart provides a historical look at the District’s PERS employer contribution rates and the advisory rates for the 2019-21 biennium. Taking into account 2017 returns (12.52% through October), even with 9 percent consistent returns going forward, system average employer contribution rates will increase for the next two biennia before beginning to decline. The drop in the 2015-17 biennium rates was the result of legislative action which was subsequently overturned by the courts. Due to the uncertainty surrounding this legal challenge, the School Board made a long-range decision to transfer potential savings from the artificially lowered rates into the District’s Biennial Reserve Fund to help with the looming PERS rate increases.
The District’s total PERS rate includes the employer contribution rate, pick-up and pension bond rate. The following chart provides historical and advisory rate data concerning the District’s total PERS rate as a percent of salary by member tier.

The District’s total PERS retirement rates for 2017-19 are shown by member tier in the following table. The proposed budget accounts for these rates in payroll cost estimates.

<table>
<thead>
<tr>
<th>PERS Member Tier</th>
<th>PERS Tier 1/Tier 2</th>
<th>PERS OPSRP</th>
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<tbody>
<tr>
<td>PERS Contribution rate</td>
<td>16.03%</td>
<td>10.7%</td>
</tr>
<tr>
<td>PERS Pickup rate</td>
<td>6.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>PERS Pension repayment rate</td>
<td>9.5%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Total rate as a % of subject salary</td>
<td>31.53%</td>
<td>26.2%</td>
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<tr>
<td>2017-19 biennium</td>
<td></td>
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Federal Health Care

The full effect of Federal health care reform on future District finances is undetermined at this time and is expected to impact payroll benefit costs as it influences medical plan designs, defines full time employees for purposes of the law as 30 hours per week or 130 hours per month, and creates penalties related to affordability for employees. Districts manage the effects of the new requirements by checking medical plan affordability as defined by ACA for plans offered by the District and through monthly monitoring of employee average work hours to determine if they must be offered a medical plan. For those employees who meet the federal ACA definition of full time and are not already eligible for a district contribution toward a health care plan, the District must then offer a health care plan to be in compliance with the ACA. It is uncertain if any future changes to the Affordable Care Act provisions will impact the District’s employer health care costs.

Oregon Minimum Wage

The minimum wage law, Oregon SB 1532, passed in 2016, provides an increasing minimum wage rate in three groups of counties. The Region 2 Statewide minimum wage will impact the District in 2019 when the minimum wage rate of $11.25 takes effect and is expected to exceed certain pay rates within the District and is expected to drive up employee payroll costs. Classified sub costs and pay classifications within the classified
collective bargaining agreement will be affected at that time. The following table shows the Oregon minimum wages for the District.

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</thead>
<tbody>
<tr>
<td>Region 2 Statewide Minimum Wage</td>
<td>$9.75</td>
<td>$10.25</td>
<td>$10.75</td>
<td>$11.25</td>
<td>$12.00</td>
<td>$12.75</td>
<td>$13.50</td>
<td>Rate adjusted for inflation</td>
</tr>
</tbody>
</table>

Positive Local Budget Factors

Importantly, the Board of Directors and Administration have enacted a number of large-scale and small-scale reforms since 2013 enabling the District to maintain (and in some cases expand) program offerings while rebuilding a once decimated budgetary reserve. This was made possible due to:

- Considerable savings from the overhaul of the transportation schedule that staggered school start and end times, which reduced the number of routes required to transport children to school while increasing rider membership and reduced the number of yearly bus replacement purchases required to maintain the fleet by 50%.
- Considerable savings from internet systems overhaul whereby the District assumed the sole responsibility (away from the CGESD) for internet connectivity/redundancy and network administration.
- Savings in energy costs, primarily with lower fuel prices and slowly modernizing our facilities.
- Savings in substitute costs in the general fund as a result of the attainment of significant grant funds, which offset planned expenditures in trainings, fees, and curricula.
- Sustained savings in purchased services and materials.
- Converting to a new, more powerful financial systems software program allowing for increased monitoring and controls at every level.
  - Importantly, the school district has earned its fourth consecutive “unmodified opinion” from external financial auditors with zero findings - the highest commendation possible.
  - “This award represents a significant achievement and reflects your commitment to transparency and high-quality financial reporting.” John D. Musso, CAE, Executive Director, ASBO International.

In May 2016, the committed community members of Hood River County voted to approve a $57.2 million capital bond levy to support new construction, maintenance and refurbishing of existing facilities, and additional technology. Moreover, the Administration pursued additional capital funding opportunities at the
state level bringing in another $4.49 million from the competitive Oregon School Capital Improvement Matching Program (OSCIM Program), $898,400 in Seismic Rehabilitation funding aimed at the Hood River Middle School gyms, $1,335,500 for the Wy’east Middle School gyms, and brought in an additional $8,601,732 in “Bond Premium” as a result of shrewd timing of bond sales - and an excellent bond rating - garnering elevated sale prices from investors. In April 2018, we were awarded an additional Seismic Rehabilitation grant of $2,038,921 for the Mid Valley Elementary School gym. All of these efforts - along with the faith and support of our community - will result in better learning environments, safer facilities, and increased community access to facilities.

Relatedly, our community supports the school district with a Local Option Operating Levy that is estimated to bring an additional $3.1 million in 2018-19; or the equivalent of 38 teaching and staff positions. On May 15, 2018 voters of Hood River County passed the 5-year Local Option Renewal Levy by a wide margin of 74% giving the budget committee the opportunity to levy additional resources to support our schools. This proposed budget is based on an assumption that the Budget Committee will approve a Local Option Levy tax rate of $1.25/$1,000 assessed property value. The sustainability of our long-term financial health as a school district hinges, in a large part, on the continued support from our Hood River County neighbors.

Finally, the School Board established the “Biennial Reserve Fund” in 2015. The Biennial Reserve Fund was established for two reasons: to effectively budget for the legislature’s decision to distribute the State School Fund using a 50%/50% split methodology (see the budget message for the 2015-16 Budget for a full explanation), and to establish a fund specific to the substantial PERS rate increases that were forecasted to escalate significantly in the years ahead as PERS reforms were largely thrown out by the Courts (as discussed above). This fund is pivotal to the District’s long-term financial health. The proposed budget 2018-19 includes using $1.5 million of the $5.5 million reserves set aside since 2015 for current services and to address PERS increases.

**Prioritizing the Budget**

The school district is moving into its fifth year of implementation of “20/20 Vision” strategic plan. The plan was constructed from with hundreds of responses from community members, HRCSD staff, students, and other stakeholders across our county. The 20/20 Vision established a new district mission (“Excellence. Every student. Every day.”), a clear overarching district goal (“Every student graduates with the knowledge and courage to learn, serve, and pursue their dreams”), and a number of “Collective Commitments” that would focus our actions and intentions as an organization. The plan was developed with equity at its core with a theory of action designed to ensure all students, regardless of their backgrounds, achieve at the highest levels. Our theory of action posits:

Every Hood River County School District student will demonstrate positive academic and social growth when all staff members work collaboratively to:

- ensure all students are safe, known and accepted;
• establish high expectations for achievement and personal growth for each student;
• identify, reach and assess student learning targets aligned to the Common Core State Standards;
• utilize research-based best practices for designing and delivering instruction;
• identify, intervene, and monitor the progress of struggling students early, with great intensity, and for as long as it takes;
• engage our diverse and committed community as partners in student learning and growth; and,
• explicitly target human and fiscal resources toward achieving these commitments.

Each of these seven commitments is accompanied by specific strategies that form the basis for our budgeting decisions and will continue to function as our roadmap into the future. The Administration has taken great care in prioritizing the 20/20 Vision in budget planning for 2018-19. The 20/20 Vision is printed in the supplementary section of this budget.

Program Changes for 2018-19

With the District’s current financial position, the proposed budget for 2018-19 includes the following program enhancements by reallocating approximately $1 million of realized savings from the 2017-18 budget:

Elementary Schools

• 1.0 FTE licensed staffing at Mid Valley Elementary School to address enrollment over the staffing formula
• .50 FTE licensed staffing for fall enrollment
• .20 FTE licensed counselor assigned to the Therapeutic Learning Center (TLC)
• .40 FTE administrator for Early Learning

Middle Schools

• 1.0 FTE licensed general classroom teacher at HRMS
• .25 FTE licensed intervention teacher at Wy’east MS
• .50 FTE licensed counselor at HRMS
• 2.0 FTE instructional assistants for behavioral problem solving at both middle schools
• Middle School athletics extra duty contracts
• 5 hours daily English Language Development instructional assistants
• Additional extra contract days for counselors

High School
• .50 FTE licensed AVID program teacher
• Extra day contracts for subject area representatives
• Extra day contracts to support various staff members work beyond the school year
• Extra duty contracts for cross-country coach and assistant coach, cheer/dance
• Secretary, bookkeeper, and instructional assistant support for the alternative program
• .30 FTE alternative school principal

District-wide

• 5 hours daily custodian for alternative school and Coe Administrative Center
• An additional training day for all instructional assistants
• 2 hours daily human resources secretary for District office reception
• School psychologist intern
• Professional growth coach stipends

It is critical that the District maintain adequate reserves in the Biennial Reserve Fund to address the significant PERS rate increases forecasted to balloon in the following two biennia and beyond. The proposed budget draws $1.5 million from the Biennial Reserve Fund to address the 50%/50% State School Fund split and PERS rate increases, leaving $4 million to address increasing PERS costs in the following biennium.

Organization of Budget

This proposed budget serves as the Hood River County School District’s financial operating plan for the 2018-19 year. The proposed budget is organized by funds: General Fund, Food Service Fund, Student Body Funds, Community Education Fund, Biennial Reserve Fund, Unemployment Reserve Fund, Bus Replacement Fund, Grant Fund, Debt Service Fund and Capital Construction Fund. Appropriations for each fund’s expenditures are summarized at the major function levels of instruction, supporting services, enterprise and community services, facilities acquisition and construction, debt service, inter-fund transfers, and contingency. The basic fund structure remains unchanged from the previous year.

General Fund Resources

The proposed General Fund budget includes resources totaling $52,636,220 comprised of operating revenues of $46,624,239, a transfer from the biennial reserve fund of $1,500,000 and an estimated beginning fund balance of $4,511,981. Following is an explanation of the three most significant revenue sources: state school fund formula revenues, local option levy revenue, and Columbia Gorge Education Service District revenue.

State School Fund Formula Revenues
Within the District’s proposed budget, State School funding for the 2017-19 biennium is based on the legislatively adopted budget of $8.2 billion split 50%/50% between the two years of the biennium as shown on page 37. Along with the legislative appropriation, the state school fund formula revenues includes local revenues such as property taxes, payments in lieu of property taxes, county school funds, common school fund, and federal forest fees, if any. Any increases in these local revenues will be offset by the amount received from the state.

Weighted student enrollment (ADMw) drives funding from the state. Additional student weight factors are provided for students in ESL programs (.50), students in pregnant and parenting programs (1.0), students receiving special education services (1.0 limited to 11% of District ADMr plus a separate factor of 1.0 for limited enrollment for those above 11%), students living in poverty (0.25), students in foster care and neglected or delinquent (0.25), and the remote elementary school correction (1.0).

The following table shows the final enrollment for 2015-16, the current estimate of 2016-17 and 2017-18 student enrollment, and projections for 2018-19. Actual student enrollment (ADMr) is projected to decrease slightly based on advancing current enrollment by grades. Enrollment has continued to decline in 2017-18 for the fourth consecutive year. Since the District’s primary funding is dependent on student enrollment, this downward trend, if not reversed, will result in future reductions in staffing and program levels for children.

The District’s weighted enrollment (ADMw) varies due to a number of specific factors. Specifically, a change in the poverty formula that was adopted by the Oregon State Board of Education in the middle of the 2013-14 school year will continue to affect the District as it reduced the number of students considered to be in poverty. The student enrollment of English language learners and the student enrollment in special education programs provide additional weights and can fluctuate from year to year depending on the numbers of students in those programs. Since 2015-16, full day kindergarten is counted as a full enrollment rather than half so that accounts for some of the projected increase in that year.

<table>
<thead>
<tr>
<th>Components of ADMw</th>
<th>Factor</th>
<th>2015-16 ADMw</th>
<th>2016-17* ADMw</th>
<th>2017-18 Estimated ADMw</th>
<th>2018-19 Estimated ADMw</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADMr (Average Daily Student Enrollment)</td>
<td>1.00</td>
<td>4,055.30</td>
<td>4,057.51</td>
<td>4,006.38</td>
<td>3,958.30</td>
</tr>
<tr>
<td>Students in ESL programs</td>
<td>0.50</td>
<td>346.06</td>
<td>350.62</td>
<td>355.77</td>
<td>352.50</td>
</tr>
<tr>
<td>Students in Pregnant and Parenting programs</td>
<td>1.00</td>
<td>10.93</td>
<td>5.80</td>
<td>3.03</td>
<td>5.00</td>
</tr>
</tbody>
</table>
Other factors besides ADMw that drive state funding for the District are the teacher experience adjustment factor, the funding ratio (which adjusts depending on the total amount of formula resources across the state), and the amount of the transportation grant. The 2018-19 District’s average teacher experience factor is calculated based on the most recent available data from 2016-17 to be 13.32 which is 1.25 greater than the State teacher experience of 12.07. The teacher experience factor may change in future estimates relative to other districts.

The proposed budget includes revenue from local property taxes collected by the District through its permanent rate of $4.8119 per $1,000 of assessed value. The amount of property tax revenue collected for current and prior year taxes is estimated to be $11,019,311 for 2018-19. Payments received in lieu of property taxes are estimated to be $58,000. These local resources count as an offset to State school fund formula revenue.

Revenue from the Common School Fund managed by the Oregon Department of State Lands is estimated to be $396,088. The State manages the Common School Fund’s real estate portfolio to increase land values and revenues and distributes about 4 percent of the fund to school districts annually. This revenue counts as an offset to State school fund formula revenue.

Revenue from federal forest fees is also included as state school fund revenue. The last extension of the federal appropriation for federal forest fees was enacted for fiscal years 2014-15 and 2015-16, however, a small amount of revenue was received in 2016-17 and 2017-18. The 2018-19 state school fund estimate, therefore, does not include this revenue. Any federal forest fee revenue received by the District is redistributed to districts throughout the State on a per student basis.

(*The State will reconcile the 2016-17 State School Fund distributions with final adjustments to districts in May 2018.)
The State reimburses districts 70% to 90% of the cost of approved transportation costs, including bus purchases over a ten-year period. The transportation grant is estimated to be $1,679,230 for 2018-19 based on the District’s reimbursement rate of 70%. Approved costs include transportation costs of elementary students more than 1 mile away, secondary students more than 1.5 miles away, between school sites, preschool, handicapped students, and students on field trips.

The State School Fund Formula estimates for the current 2017-19 biennium and prior 2015-17 biennium are shown on page 37.

Local Option Levy Revenue

The District’s current local option levy was approved by the voters May 15, 2018, for five years at a rate of up to $1.25 per thousand. Local option revenues have allowed the District to provide more resources to its schools - the equivalent of approximately 38 teaching and support staff positions. To provide some context, that is about the same number of general education classroom teachers and support staff at May Street Elementary School. Clearly, without the ongoing support of the local option levy from our community, class sizes across the school district would skyrocket and special programs within specific program areas such as athletics, extracurricular programs, electives, maintenance, and community education would be reduced or eliminated. Our students and entire staff thank the voters for supporting our future citizens of our community - our students - through the continued support of the local option levy, which has provided critical additional resources since the 2005-06 school year.

For 2018-19, the District estimates $2,439,013 in local option property tax revenues. Taxable assessed values (TAV) are expected to increase by the allowable 3 percent; however, the Measure 5 limits result in property tax compression of the local option levy therefore reducing the amount received. Local option taxes are compressed first, even if they are compressed to zero, before permanent taxes are compressed. A summary of local option votes, amounts imposed, and yields are shown on pages 107-119.

The District also qualifies for and receives a local option equalization grant from the state. For 2018-19, the proposed budget estimates $556,471 based on the amount received in 2017-18. The proportion received from the state varies, ranging from 40.1% of the local option collections in 2005-06 to an estimated 26.5% in 2016-17. The amount of the grant is targeted to Districts below a targeted assessed value per student; and is proportional to the amount appropriated and the amount of local option revenues.

Columbia Gorge Educational Service District Revenue

The District’s revenue from the Columbia Gorge Educational Service District is comprised of the District’s performance grant and an amount for reimbursement for services provided by the District. The total amount of the 2018-19 performance grant and reimbursement is estimated to be $1,629,634. The efficiencies gained
from the CGESD agreements allow the District to support curriculum adoption expenses, to address fiscal services needs, provide school improvement services, provide support for the fab bus development, provide technology support services, and provide internet connectivity and network administration services which were previously supplied through the ESD.

The District will receive services from the ESD per the adopted local service plan known as resolution services. The estimated value of these resolution services for 2018-19 is $23,399. Resolution services include regional media services, Native American services, home school and attendance services. The value of these services is shown in the CGESD budget and not the District budget.

The proportion of services and funding depend on student enrollment and the level of state funding, therefore, the amount of resolution services to the District, the performance grant and invoiced services amounts may change.

**Other Revenues**

Other revenues are summarized on page 33, as other local revenues, other state revenues and other federal revenues. Other local revenues of $698,200 are estimated in the proposed budget such as E-rate recovery, interest earnings, rent of District facilities, estimated grant indirect charges, Medicaid administrative claiming revenue, expenditure reimbursements and miscellaneous revenue. Other state revenues of $586,966 are estimated for the state long term care and treatment contract with services provided by Next Door Inc. The other federal revenue source is the teen parenting program revenue estimate of $16,000.

**General Fund Requirements**

The District’s proposed expenditure budget for the first year of the 2017-19 biennium is based on the Governor’s proposed budget estimates of state school fund revenue and enrollment estimates for the 2018-19 year, other revenue, and resources from the estimated beginning General Fund balance. Increased operational costs such as salary and associated payroll costs, utilities and other costs such as property and liability insurance have been estimated in the proposed budget.

The proposed operating requirements of the General Fund include $48,824,358 of expenditures for instruction, support services, debt service and contingency plus other financing uses in the form of transfers out of $30,000 to other funds as summarized on page 34. Total proposed expenditures and transfers are $48,797,383 and are shown by function on pages 38 to 40. The total is 4% less than the estimated total for 2017-18. Contingency funds represent 0.95% of the total proposed expenditures.

Proposed expenditures by object classification are summarized on page 35. Total General Fund salaries and associated payroll costs of $42,087,649 are 86% of total budgeted expenditures, contingency and transfers out.
Expenditures are summarized by function on pages 38 through 40 and total $30,219,776 for instruction, $17,875,510 for support services, $262,830 for General Fund debt service, $30,000 for interfund transfers, and $466,242 for contingency. More detail about salary and associated payroll cost objects are shown on page 41. The proposed budget includes estimates of salaries and associated payroll costs for each employee group based on available information. Collective bargaining agreements for classified and licensed employees are in place through June 30, 2020. Employment agreements with administrators and confidential support staff agreements are in place through June 30, 2020. More information about budget assumptions is shown on pages 21 to 25, and current salary schedules are shown in the supplemental information section of the budget document on pages 129 to 134.

There is one proposed budget transfer of $30,000 from the General Fund to the Bus Replacement Fund.

The proposed contingency budget of $466,242 is 1.0% of operating revenues and sets asides funds for dealing with unexpected revenue shortfalls, enrollment increases or other unplanned expenditures. Board policy directs that the contingency reserve be a minimum of one-half of one percent of the General Fund operating revenue.

The budget document includes General Fund expenditures by function and object for the 2018-19 proposed budget, the current budget for 2017-18 and two prior years’ actuals, as shown on pages 43 through 79. Full time equivalent staff (FTE) is shown for the 2018-19 proposed budget, actual FTE is shown for 2017-18 and budgeted FTE is shown for 2016-17.

Other Funds

This section presents information about the other funds included in the 2018-19 proposed budget beginning on page 81.

Food Service Fund – This fund accounts for the activities of the District’s food service program. Services include breakfast and lunch programs at schools across the district, supper programs at schools serving EXCEL program students and summer food programs. Resources include federal subsidies from the U.S. Department of Agriculture, which provides partial reimbursement for each meal served, the value of federal commodities, and a matching grant from the state estimated to be $36,000 from the state school fund based on the amount received in 2016-17. The proposed budget has resources of $2,131,385 including an estimated beginning fund balance of $400,000. Requirements include $2,131,385 for staff, food supplies, materials, supplies, services and equipment.

Student Body Funds – This fund accounts for the money schools receive from students and parent groups for purposes such as special school projects, field trips and student activities. The resources and expenditures budget of $1,900,000 provides a level of appropriation to account for various student activities throughout the District’s schools.
Community Education Fund – This fund accounts for the financial activities of the community education program which provides community education and recreation programs, before-school and after-school child care programs and sports programs. The proposed budget by the community education director has estimated resources and expenditures of $1,319,745.

Biennial Reserve Fund – The Biennial Reserve Fund was established to smooth effects of the state school fund distribution and for reserving funds to address future PERS rate increases. For 2018-19, the proposed budget includes the beginning fund balance of $5,515,245 and a transfer to the General Fund of $1,500,000 leaving an ending fund balance of $4,015,245 in reserve funds for the anticipated PERS rate increases for the 2019-21 biennium. The ending fund balance is 8.6% of General Fund operating revenue.

Unemployment Reserve Fund – This fund accounts for the financial activity of the District’s employer trust account with the State of Oregon Employment Department and transfers from General Fund, if needed, to pay the District’s quarterly unemployment tax liability. The proposed budget includes resources from the beginning fund balance of $293,482 and proposed expenditures of $95,000 leaving an ending fund balance of $198,482.

Bus Replacement Fund – This fund supports replacement of school buses. The proposed budget includes estimated resources from the state transportation grant’s allowable depreciation on district-owned transportation equipment of $120,000, a transfer from the General Fund of $30,000 and a beginning fund balance of $214,205. Proposed expenditures of $364,205 are budgeted for school bus replacement. (The implementation of staggered school start times in 2014-15 reduced the number of buses needed for routes and lowered the number of required replacement buses. In 2016-17, eight buses were retrofitted to meet diesel emission standards by the January 1, 2017 deadline, therefore, reducing the number of buses requiring replacement by 2025 to 16 buses.)

Grants Fund – This fund accounts for federal, state and local grants and contracts, donations and reimbursement accounts of the District. The overall appropriation is proposed to be $6,089,188. The following list of 2017-18 federal and state grant awards through the Oregon Department of Education and other sources demonstrate the District’s success in securing grant funding for special programs and activities. As final awards are known, individual grant budgets will be adjusted to reflect the revised funding levels.

2017-18 Grant Awards

Debt Service Fund – This fund accounts for the District’s repayment of general obligation bonds. The estimated amount of the levy required for the Series 2016 general obligation bonds is $4,361,179 assuming a collection rate of 95.3%. Other resources include an estimated beginning fund balance of $129,546. Principal and interest payments total $4,285,750 for 2018-19. The schedule of general obligation bond and interest requirements is shown on page 94.
Capital Construction Fund – This fund group consists of the Capital Construction Bond Fund 400, Construction Excise Tax Fund 401, Energy Projects Fund 402, Property Fund 403, Seismic Projects Fund 404 and State Match Grant Fund 405, as shown beginning on page 97. Each of these capital projects programs are accounted for separately, and budgeted together for legal appropriation requirements.

- **Capital Construction Bond Fund** - The proposed budget includes resources and expenditures of the balance of the general obligation bond series 2016 bond proceeds and premium in the amount of $42,800,000, estimated interest income of $100,000 and transfer of $83,538 from SB1149 reimbursements from the Energy Projects Fund totaling $42,983,538 in expenditures.

- **Construction Excise Tax Fund** - The proposed budget includes resources of $2,050,921 from estimated construction excise tax revenue of $350,000 and beginning fund balance of $1,700,921 to be appropriated for future development, facilities construction and improvements, as needed. Resources from the amount of school construction excise tax received by the District vary with the level and type of county construction activity.

- **Energy Projects Fund** - The proposed budget includes the District’s SB 1149 resources of $83,539. The budget includes a one-dollar placeholder for the facilities acquisition and construction expenditure appropriation and a transfer of $83,538 to the Capital Construction Bond Fund for reimbursements currently due to the District. Schools eligible for energy projects funding include May Street Elementary School, Westside Elementary School, Hood River Middle School, and Hood River Valley High School which are serviced by Pacificorp. Funds may only be spent on Department of Energy approved projects.

- **Property Fund** - The proposed budget provides resources from the current beginning fund balance of $700,568 to pay for engineering and construction costs, estimated to be $370,000, of the Sherman Avenue street extension to provide access to the District’s undeveloped property with the balance budgeted for other future development.

- **Seismic Projects Fund** – The proposed budget includes resources and expenditures of the seismic rehabilitation grant program awards of $1,335,500 for the Wy’east Middle School gym and $2,038,921 for the Mid Valley Elementary School gym from Business Oregon Infrastructure Finance Authority. The $898,400 seismic rehab grant project for the Hood River Middle School gym was completed in April 18. In 2018-19, expenditures for the Wy’east Middle School seismic project are estimated to be $1,226,513. Expenditures for the Mid Valley Elementary School gym are estimated to be $2,038,921.

- **State Match Grant** – The proposed budget of $981,175 is for resources and expenditures of the Oregon School Capital Improvement Matching Program grant. The original grant amount of $4,499,478 is designated for capital improvements to Hood River Middle School. Projects include replacing the steam pipe boiler system with a water pipe boiler system installing new water pipe, replacing the domestic water system and pipe, painting, flooring, safety improvements and other
improvements to protect the District’s capital investment at Hood River Middle School. The final work will be completed in summer 2018.

The following is a summary of proposed appropriations for the Other Funds listed above.

<table>
<thead>
<tr>
<th>Fund</th>
<th>2018-19 Proposed Appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>200 Food Service Fund</td>
<td>$2,100,000</td>
</tr>
<tr>
<td>204 Student Body Funds</td>
<td>1,900,000</td>
</tr>
<tr>
<td>205 Community Education Fund</td>
<td>1,319,745</td>
</tr>
<tr>
<td>207 Biennial Reserve Fund</td>
<td>1,500,000</td>
</tr>
<tr>
<td>210 Unemployment Fund</td>
<td>95,000</td>
</tr>
<tr>
<td>212 Bus Replacement Fund</td>
<td>364,205</td>
</tr>
<tr>
<td>2XX Grant Funds</td>
<td>6,089,188</td>
</tr>
<tr>
<td>300 Debt Service Fund</td>
<td>4,285,750</td>
</tr>
<tr>
<td>4XX Capital Construction &amp; Improvement Funds</td>
<td>50,065,175</td>
</tr>
<tr>
<td>Total Other Funds</td>
<td>$67,719,063</td>
</tr>
</tbody>
</table>

In Closing

Over the last few years, the administration under the direction of our elected school board has worked hard to create the conditions to improve our financial footing and improve our academic program by exercising a series of financial controls, reducing our operational footprint, prioritizing resources and supports to the 20/20 Vision, and enacting a conservative approach to budgetary decisions. Principals and other administrators deserve recognition for their careful consideration of the wellbeing and success of all students, but it is our dedicated frontline staff that maximizes every available resource for the betterment of our community’s children. The ultimate credit and praise must be given to our amazing personnel.

The volatility of the state, national, and global economies, major increases in cost drivers such as PERS and health care costs, Oregon’s overreliance on income tax revenue, and a lack of urgency to fund Oregon public schools adequately has manifested in this proposed budget - a budget that includes spending considerable reserves in addition to reallocating resources to increase programs for students. The Administration has spent the last few years planning for an impending budget crisis based on known liabilities such as PERS rate forecasts and skyrocketing health care costs. We have done our best to mitigate the impacts of the current
statewide funding shortfall by doggedly building viable reserves, applying for grants that would support the 20/20 Vision, and reducing our operational footprint in transportation, I.T., and maintenance. This budget has been constructed with an eye toward the 2019-21 and 2021-23 biennia when PERS rate increases are projected to compound. Maintaining adequate reserves while delivering an excellent education must be a top goal for many years to come. Our commitment to fiscal prudence and sound financial stewardship has earned the trust of our community during challenging economic times and, in keeping with that tradition, this proposed budget ensures contingencies for both unexpected and foreseeable emergencies.

I am proud of the Hood River County School District’s accomplishments and have included a copy of the District’s most recent Oregon State Report Card from the Department of Education in the budget document. Through it all, it is the teachers, counselors, custodians, instructional assistants, coaches, bus drivers, mentors, volunteers, food service employees, specialists and administrators who continue to convert scarce resources into high-impact services for students. Each day they live out the District’s mission of “Excellence. Every student. Every day.” - and they deserve positive recognition for their commitments.

I want thank each member of the Board and Budget Committee for their commitment to the children of the Hood River County School District and for their close attention to this Proposed Budget for 2018-19. We are fortunate to have a community that cares deeply about all students and our school district’s success. Our community is engaged, they care about schools and children, and they are looking for a way to be part of the solution on education funding.

The efforts in putting this proposed budget together can only be accomplished with a high degree of precision, commitment, and teamwork. First, I would like to commend members of the Finance Advisory Committee who have met regularly for the last five years and ensured the district is managing the public’s resources responsibly. This year’s advisory committee members included community members Michael McElwee, Dr. David Russo, and Liz Whitmore; Board Members Julia Garcia-Ramirez, Chrissy Reitz, and Rich Truax; HREA Representative and High School Teacher Charlene Ames; OSEA Representative and School Bus Driver Nancy Rowley; and Administrators Rich Polkinghorn, Patricia Ortega Cooper, Kelly Beard, Saundra Buchanan and myself.

Lastly, I would like to recognize the following individuals for their hard work in developing the proposed budget: Saundra Buchanan for her dedication and management of our finance systems in addition to her efforts to ensure every detail in this budget is accurate and clearly communicated; Ulises Trejo, Carol Metcalfe, and Mayra Valle for their assistance with researching revenue and expense data; Gretchen Winans and Stephanie Pate for their important contributions as payroll specialists; Neely Kirwan and Anne Carloss for their program expertise and assistance with the budget development process; and Catherine Dalbey for her labors in preparing staffing information for the final document.

This budget proposal continues the important work of aligning available resources to the District’s 20/20 Vision and investing in core and support services that help our students meet the District Goal: “Every student graduates with the knowledge and courage to learn, serve, and pursue their dreams.”
Chief Financial Officer Saundra Buchanan presented the Budget Committee with the financial summary providing highlights of each section in the following PowerPoint presentation:

**2018-2019 Budget Committee Presentation**

Printed copies of the budget presentation and minutes may be found on the district’s website or located at the District Administration Office at 1011 Eugene Street, Hood River, OR.

**PUBLIC COMMENTS:**

There was no noted public comment.

**BUDGET COMMITTEE DELIBERATIONS TOPICS:**

- Is Hood River housing market causing declining enrollment
- Factoring in other educational opportunities such as home schooling and private/public schools
- District administration participating in housing/planning committee meetings
- Declining enrollment equates to less programming for students
- Correlation of graduation rates and Local Options passing in the state
- Effects of increased property values
- Cost drivers and PERS rates/credits
- Reserve Fund
- General Fund/Biennial Reserve Fund Balance
- Class size balancing
- Provide all funding all we can to student programs while we have funding to do it
- Federal Reserve Fund
- Cost drivers and education needs within Legislature
- General Fund Expenditures/Expenses
- How our district administration prioritizes programs and plans using the Strategic Plan and Community Listen Sessions for priorities
- General Fund Functional area breakdown
- Licensed staff vs classified staff costs
- Capital Construction Funds
• Tax Levy amounts
• Clarification on Expenditure by Function FTE increases
• Program impacts from budget
• COLA for different employee groups
• Budget amounts shifted to other areas
• Discretionary budget
• Care and upkeep of buildings, electricity, water, fuel, etc.
• Education Service District Revenue

**Statutory Time Lines for Budget Adoption:**

It was expressed by one committee member that there were concerns over receiving the budget document over a holiday weekend and not enough time to process. It was noted that while all members may not have had enough time to review and process the document, there is a quorum required for voting on the budget document. There in another meeting scheduled for June 5th, if the quorum is not comfortable with adopting the budget this evening. The lateness of receiving the budget document was due to the May 15th election outcomes and only having one week due to meet publication requirements. If not adopted within time lines, another board meeting would need to be added.

It was asked if our district needed to levy the full $1.25 per $1,000 amount. Community support at 74% and the full amount was noted and members felt it was best to keep the amount on an even keel and to keep doing the best we can with the resources we have at this time. It is all about the students and our students are out performing other districts because of community support. After this year, we will be struggling to keep programs intact. Also noted was receiving the Equalization Grant to help with funding which would decrease if we decrease the levy amount.

**MOTION:**

**Motion #1**

It was moved by Rich Truax and seconded by Sarah Duckwall Snyder to approve the taxes provided for in the proposed budget of:

1) a local option levy operating tax rate of $1.25 ($1.25 proposed) per $1,000 of assessed value for General Fund operations; and
2) a permanent tax rate of $4.8119 per $1,000 of assessed value for General Fund operations; and
3) a tax for bonded indebtedness in the amount of $4,361,179 for the Debt Service Fund.
Motion approved unanimously.

Motion #2

It was moved by Dale Hill and seconded by Benjamin Sheppard to approve the Hood River County School District budget for the 2018-19 fiscal year ending June 30, 2019 in the total appropriations amount of $116,516,446 and the total appropriations per fund, as shown below, and total unappropriated ending fund balances of $8,052,564.

<table>
<thead>
<tr>
<th>2018-19 Budget Appropriations by Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 General Fund</td>
<td>$48,797,383</td>
</tr>
<tr>
<td>200 Food Service Fund</td>
<td>2,100,000</td>
</tr>
<tr>
<td>204 Student Body Funds</td>
<td>1,900,000</td>
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<tr>
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</tr>
<tr>
<td>4XX Capital Construction &amp; Improvements Funds</td>
<td>50,065,175</td>
</tr>
<tr>
<td><strong>Total Appropriations, All Funds</strong></td>
<td><strong>$116,516,446</strong></td>
</tr>
<tr>
<td>Total Unappropriated Ending Fund Balances, All Funds</td>
<td>8,052,564</td>
</tr>
<tr>
<td>Total Budget</td>
<td>$124,569,010</td>
</tr>
</tbody>
</table>

Motion approved with one abstention from member Sarah Duckwall Snyder.
Budget Committee Chair David Russo thanked Supt. Dan Goldman and CFO Saundra Buchanan and noted the information brought to the committee tonight paints a very favorable fiscal picture of the district’s current financial positions. Also noted that there are large concerns looming moving forward and he wants heard someone say that hope is not a strategy. He encouraged administration to keep lines of contact open in the community and to stay in touch with the financial advisory committee and other community stakeholders. Also noted were concerns of committee members to have time to review budget committee materials prior to meetings and requested that administration can and will honor this request in the future. He thanked all for their participation in this meeting.

**MEETING ADJOURNED AT 8:25 PM.**

________________________________________

Saundra Buchanan – Chief Financial Officer

________________________________________

Board Chair – Chrissy Reitz

________________________________________

Superintendent – Dan Goldman

________________________________________

Date