

**MINUTES OF BUDGET COMMITTEE PRELIMINARY DISCUSSION
SCHOOL DISTRICT 4J, LANE COUNTY, OREGON**

Date: January 29, 2024

The Budget Committee of School District No. 4J, Lane County, Eugene, Oregon, held a Budget Committee Preliminary Discussion at 6:00 p.m. in-person at the Education Center, 200 North Monroe Street in Eugene, Oregon, via Zoom Webinar, and via live-stream and broadcast on KRVM. Notice of the meeting was emailed to the media and posted on the 4J website on January 26, 2024.

ROLL CALL

BUDGET COMMITTEE MEMBERS PRESENT:

Abbie Stillie
David Wallace
Scott Fellman
Courtney Salic
Eric Richardson
Dakota Boulette (online)
Amy Fellows (online)

BOARD MEMBERS PRESENT:

Maya Rabasa
Judy Newman
Tom Di Liberto
Rick Hamilton
Morgan Munro
Jenny Jonak (online)
Erika Thessen (online)

STAFF:

Andy Dey, Superintendent
Jenna McCulley, Chief of Staff
Matt Brown, Director of Financial Services
Bob Blyth, Associate Director of Financial Services
John Goldberg, Financial Supervisor of Operations and Accounts Payable
David Chadwick, Executive Assistant to the Chief Business Officer

GUESTS (PUBLIC SEATING):

Sabrina Gordon, Eugene Education Association (EEA)

MEDIA:

KRVM

I. CALL TO ORDER/ROLL CALL

Chair Rabasa called the Eugene School District 4J Budget Committee Preliminary

Discussion to order at 6:01 p.m. She said the names of all board members present in-person and online.

Ms. Newman entered the meeting at 6:04 p.m.

II. BUDGET COMMITTEE MEMBER INTRODUCTIONS

Each Budget Committee member introduced themselves by stating their name and affiliation with Eugene School District 4J.

III. PRE-MEETING TOPICS

Finance Director Matt Brown stated that ORS 294.426 outlines rules concerning what can be discussed in a Preliminary Discussion. He referenced a handout provided prior to the meeting titled, "Pre-meeting Topics for Budget Committee Discussions." He asked the board and committee members if there were any questions relating to what can and cannot be discussed during the meeting. There were none.

IV. SUPERINTENDENT'S TIME

Superintendent Dey explained that he will provide a budget message at the first official Budget Committee meeting. He stated that he appreciates everyone's contribution serving on the Budget Committee. He emphasized that one of the hallmarks of a quality district is using available resources in alignment with district priorities.

V. ITEMS FOR INFORMATION

VI. 1. BUDGET COMMITTEE PRESENTATION

Director of Financial Services Matt Brown and Associate Director of Financial Services Bob Blyth provided a Budget Committee presentation via PowerPoint.

BUDGET COMMITTEE BASICS

- **Why Create a Budget?**
 - To set the financial plan for the district
 - To identify appropriations

BUDGET AND BUDGET PROCESS

- **Who Creates a Budget?**
 - The budget is prepared and proposed by staff
 - The budget is modified and approved by the Budget Committee
 - The budget is modified and adopted by the Governing Board (i.e. School Board)

In summary: there are three main steps in the budget process: proposal, approval, and adoption.

- **Budget Law Is All About Appropriations**
 - Districts do things that cost money
 - Districts can't spend money without legal authority
 - District gives itself legal authority to spend money through appropriations
 - Appropriation is legal permission to spend; and the legal limit on spending
 - After budget adoption, all that matters is appropriations
 - Supplemental budgets allow for a change in appropriations (i.e. unexpected revenue and/or expenses)

Mr. Richardson asked, regarding supplemental budgets, is it the Budget Committee's role to come back and get it approved?

Mr. Brown responded that typically the Budget Committee does not meet for supplemental budgets, and staff would likely go to the governing body for approval (i.e. school board). Mr. Brown noted that the governing body does have the authority to consult with the Budget Committee on the matter.

Mr. Brown introduced a timeline for the budget process.

- **General Timeline**

- Preparation: December through March
- Proposed budget: March through May
- Approved budget: March through May
- Budget adoption: June
- Monitor and change: July through December

Ms. Salic asked when the fiscal year is.

Mr. Brown responded that the fiscal year is July 1 – June 30.

- **What is the Proposed Budget?**

- A budget message that explains budget document and important features, explains major changes and insights, explains forecasting and future trends
- Budget sheets show a balanced budget by fund and levels of appropriations

- **Budget Layout**

Mr. Brown introduced the budget layout. He said that in the budget document, between each of the funds, is a category. The categories are the description of what the expense or revenue item is, two years of actuals, so one can compare data with the previous years, the current budget, and the proposed budget.

He said the approved and adopted columns will be blank, as they do not get filled in until the budget is adopted.

- **Budget Committee Proposed Dates – 2024**

- March 12
- April 9
- April 23
- April 30 – if necessary
- May 7 – if necessary

Ms. Fellows asked how, if at all, the timing of the legislative sessions (for example, this year being a short session and next year being a long session) impact the Budget Committee's proposed meetings.

Mr. Blyth said the district is required to pass budget in a timeframe that is set by law. He said sometimes that coincides with legislative sessions and sometimes doesn't. He said the district stays within their timeframe and gets the budget passed; there are times when it creates certain issues for the district, such as understanding what the potential revenues might be.

- **Budget Buckets**

Mr. Blyth introduced the topic of budget buckets, stating that governmental accounting, also called fund accounting, segregates the money into different buckets. Each of the buckets has their own funding source, and rules on what the money can be used for. He said that all the funds *must* remain separate and used for their own specific purposes.

Mr. Blyth highlighted the six budget buckets: general fund (100s), special purpose (200s), debt service (300s), capital projects (400s), insurance reserves (600s), and private trust (780).

Mr. Blyth said the general fund (100s) is the one the district has the most discretion over. The state school fund formula provides the greatest amount of revenue. Revenue is also received from the local option levy. Those combined are the ones the district can make the most decisions on, and the rules are the least restrictive.

Special purpose funds (200s) are grants, student body funds, Individuals with Disabilities Act (IDEA), and nutrition services.

Debt service (300s) funds are for principal and interest debt payments.

Capital projects (400s) funds help pay for new schools, curriculum, anything that can be bondable.

Insurance reserve (600s) funds include insurance, risk management, workman's compensation, and unemployment.

Private trust funds (780) are private donations. These funds are almost always designated for a specific use, indicated by the donor.

- **FY24 Budget Breakdown**

Mr. Blyth revealed the fiscal year 2024 budget breakdown. He noted that concerning the general fund, .88 of every dollar is spent on people (i.e. staffing).

-FY 2024 Budget: \$648 million

-General Fund: \$296 million (46% of the overall budget)

-Capital (24% of the overall budget)

-Special purpose (14% of the overall budget)

-Debt (8% of the overall budget)

-Insurance reserves (8% of the overall budget)

-Private trust (>1% of the overall budget)

- **FTE Groups**

Mr. Brown showed a chart detailing full time employees (FTEs) over three fiscal years (21/22, 22/23, 23/24). The data is pulled annually in October. He noted the increase in the past year or two: 523 FTEs added since 21/22. He emphasized that the data does not include current vacancies in the district.

Mr. Fellman asked how many vacancies there are.

Mr. Brown responded that he will follow up with that information.

- **FTE by Group**

The following data shows FTEs by group in 23/24. Mr. Brown said the data reflects a considerable effort to hire additional classified staff (up 2% from the previous year).

-Licensed 52%

-Classified 40%

-MAPS/Administration 8%

- **MAPS & Administration**

Mr. Brown showed a chart detailing staffing numbers for MAPS & administration.

- **FTE Funding Sources**

Mr. Brown showed a chart detailed FTE funding sources (e.g. general fund or other funds).

- **SSF Examples**

Mr. Blyth showed a chart detailing state school fund (SSF) examples and noting idiosyncrasies regarding funding schools in Oregon. He provided a short history, stating that two measures (Measure 5 and Measure 50) have a profound impact on taxes and how schools are funded. He said between the two measures, that fundamentally shifted where and how schools are paid for. It created what is called the state school fund revenue formula—all local revenue basically belongs to the state as to how it is going to fund schools. He said the idea was to create equity across the state so that the wealthier communities were not being able to fund their schools with large amounts of money and the poor communities weren't left trying to figure out how to get their kids a good education.

Mr. Blyth showed a pie chart illustrating how the state school fund works—what happens when enrollment increases, decreases, and when every school district's enrollment decreases evenly.

Ms. Newman asked if the chart reflects a rolling average.

Mr. Blyth responded that the state redoes their estimate several times throughout the year.

- **Enrollment Changes at Oregon's Largest Districts**

Mr. Blyth showed a bar graph detailing the enrollment changes at Oregon's thirteen largest districts. The districts account for 45% of all enrolled students in the state. Eugene School District 4J is one of the thirteen largest districts. He reported that at the beginning of year, each district sends an estimate of the number of students expected to enroll. After the school year begins, the number is adjusted. The adjusted number is updated to the state. The chart reflects the initial enrollment estimate plus changes/adjustments over the 2023-24 school year. He noted that if all districts are decreasing at same level, that means less revenue for Eugene School District 4J. This year to date reflects a \$3 million cut in the amount of revenue received from the state school fund (SSF).

- **Enrollment in 4J**

Mr. Blyth stated that since FY 13/14, the district has been experiencing a downward trend in enrollment at the rate of 3% per year. He pointed out that other school districts across the state are also seeing decreases in enrollment, likely driven by low birth rates and high housing costs.

Ms. Fellows asked if there is an attempt to conduct exit interviews with parents whose students leave the district.

Superintendent Dey responded that sometimes they do have conversations with families, but at this time they do not systematically get information from every family who un-enrolls from 4JSD.

- **General Fund Revenue**

Mr. Blyth presented a pie chart detailing general fund revenue. The general fund makes up 46% of the budget.

- State school fund: 49%
- Property taxes: 37%
- Local option levy: 10%
- Other 4%

He emphasized that if they were to increase property taxes, the state school fund would get smaller.

- **Beginning Fund Balance**

Mr. Brown described the beginning fund balance, as depicted on a line graph. He said the district's beginning fund balance has grown considerably over the past ten years. The beginning fund balance is currently \$80 million, up from \$7 million roughly ten years ago. The growth can be contributed to a policy that retains 5% of revenue in the fund balance. He noted that last year the school board began a discussion about if the 5% retention should be increased to 10% or 15%.

- **Fund Balance**

Mr. Brown highlighted fund balance growth with the possibility of a board policy change to reflect 10% or 15%. The change could potentially result in as much as \$33 million in the beginning fund balance.

Ms. Munro asked Mr. Brown to define “beginning fund balance.”

Mr. Brown responded that the beginning fund balance is the amount left over at the end of the previous fiscal year.

Mr. Fellman asked if the beginning fund balance is the same as reserve funds.

Mr. Brown responded yes. The reserve funds often get combined with the beginning fund balance.

- **General Fund Forecast**

Mr. Brown referenced a graph revealing that, based on the general fund forecast, district expenses are expected to go up (red line) while revenues are expected to go down (green line). The gap between the green and the red reflects how much the beginning fund balance goes down next year. He said if the district continues their current trend, the beginning fund balance will drastically decrease.

Ms. Munro asked if they’ve been under forecasting revenues and over forecasting expenses; and how does that influence the chart that we are now seeing?

Mr. Brown responded that yes, they have been under forecasting revenues and over forecasting expenses, however, they’ve improved forecasting over the past few years.

Chair Rabasa requested that if and when the school board/budget committee holds a conversation about reserves, can they bring the recommendation that COSA and/or OSBA has regarding the topic.

Mr. Brown responded affirmatively.

Ms. Munro asked what the purpose of a beginning fund balance is.

Superintendent Dey responded that the beginning fund balance is for any number of things. He said historically the funds are instrumental in moderating the impact of needed cuts. The funds have also been used for roof repairs, replacing boilers, and other unexpected expenses which exceed what was appropriated for capital expenditures.

Ms. Munro said if the state is late with our money, do we have a line of credit or is it the beginning fund balance.

Superintendent Dey responded that is correct.

Mr. Richardson asked if the state weighs the amount of the beginning fund balance.

Mr. Blyth responded they do not, currently, but there is discussion about capping that and it having an effect on the state fund formula.

Vice Chair Jonak asked if the district has insurance to cover something like a roof collapse.

Mr. Blyth responded that insurance would cover something like that. Some of the expense the district would potentially have to cover.

John Goldberg, Financial Supervisor of Operations and Accounts Payable, offered (in response to Ms. Munro's question) an example of when the Kelly roof collapsed. He said when the collapse occurred, the district had to tap into reserve balances to pay for it upfront, since the claim process takes time. After the insurance company determines the value for the repairs. He said the district does not necessarily get reimbursed for everything, but typically for most of the cost.

Ms. Munro asked if the general fund forecast includes the passing of the levy or not.

Mr. Blyth responded that it does. They conduct multiple forecasts, such as if the levy does not pass, if state funding increases, if enrollment continues to go down, etc.

- **200s – Special Purpose Funds**

These funds make up approximately 14% of the overall budget. (Within buckets there are a number of smaller buckets.)

- Fund 201: Federal grants direct funds – \$19 million (expires)
- Fund 202: Federal grants indirect funds – \$250,000
- Fund 210: Title – \$9 million
- Fund 220: IDEA – \$5 million
- Fund 250: State and Local Grants – \$8 million
- Fund 251: Student Investment Act (SIA) – \$18 million
- Fund 252: High School Success - \$6 million
- Fund 260: Donations Fund – \$750,000
- Fund 261: Billables Fund – \$1 million
- Fund 262: KRVM – \$1 million
- Fund 270: Eugene Education Fund (EEF) Gifts – \$750,000
- Fund 275: Eugene Ed Fund (EEF) Grants – \$200,000
- Fund 280: Student Body Funds – \$7 million
- Fund 290: Special Purpose Reserve Fund - \$7 million
- Fund 299: Nutrition Services Fund – \$9 million

- **300s – Debt Service Funds**

These funds make up approximately 9% of the overall budget.

- Fund 300: Debt Service Funds – \$40 million
- Fund 370: Debt Service PERS Fund – \$8 million

- **400s – Capital Project Funds**

These funds make up approximately 24% of the overall budget. Funds 460 through 466 are all related to the 2018 bond.

- Fund 400: Capital Projects Fund
- Fund 410: 2013 Bond Fund
- Fund 420: 2011 Bond Fund
- Fund 450: Property Sale Fund

- Fund 460: 2018 Bond Fund
- Fund 461: Program Moves Funds
- Fund 462: 2018 Bond Facility Upgrades
- Fund 463: 2018 Bond Safety & Security
- Fund 464: 2018 Bond Equity
- Fund 465: 2018 Bond Instruction
- Fund 466: 2018 Bond Technology
- Fund 490: Capital Equipment

- **600s – Insurance Reserve Funds**

These funds make up approximately 8% of the overall budget.

- Fund 600: Risk Management Fund (workman's comp, unemployment, etc.)
- Fund 610: Insurance Reserve Licensed
- Fund 620: Insurance Reserve Classified
- Fund 630: Insurance Reserve Administration
- Fund 640: Insurance Reserve Wellness Clinic
- Fund 650: District Post Retirement

- **700s – Private Trust Fund**

These funds make up approximately >1% of the overall budget.

- Fund 780: Private Trust Fund (private donations for specific uses at specific sites. For example, North Eugene High School instruments)

- **Open Questions**

Mr. Brown and Mr. Blyth responded to questions.

Ms. Newman asked, concerning the Eugene Education Foundation (EEF) funds, who decides the process since they are not designated funds? How do those funds get used?

Mr. Brown responded that those go into Fund 280 – Student Body Funds. Then the district, Superintendent, and school board determine how those funds will be used.

Mr. Richardson asked if we are in the middle of a biennium.

Superintendent Dey responded affirmatively.

Ms. Munro asked if FY24 is this year or next year?

Staff responded that FY24 is this year.

VII. DISCUSSION

There was no further discussion.

VIII. ADJOURNMENT

Chair Rabasa adjourned the Budget Committee Preliminary Discussion at 7:51 p.m.