

NEAH-KAH-NIE SCHOOL DISTRICT NO. 56  
BUDGET COMMITTEE MEETING

Monday, May 6, 2019

**PRESENT**

**BUDGET COMMITTEE MEMBERS:**

Terry Kelly (6:20 p.m.)	Janet Lease
Landon Myers (6:30 p.m.)	Lisa Hooley (absent)
Kari Fleisher	Mike Tosch
Pat Ryan (absent)	Jim Doyle
Sandra Tyrer (absent)	Tamara Mautner
Michele Aeder (acting Chairman)	Tami Schild
Carol Mahoney (absent)	Audry Haines

**DISTRICT OFFICE STAFF**

Paul Erlebach, Superintendent  
Mark Sybouts, Business Manager  
Kathie Sellars, Administrative Assistant

**OFFICIAL MINUTES**

1. CALL TO ORDER – School Board Chair & Introductions  
Ms. Aeder (serving as acting chairman) called to order the budget committee meeting at 6:02 p.m. All present stood for the flag salute. Ms. Aeder asked everyone to introduce themselves. Mr. Erlebach introduced the administrators who were in the audience.

2. REVIEW ROLES AND RESPONSIBILITIES OF BUDGET COMMITTEE  
Mr. Sybouts reviewed the roles and responsibilities of the budget committee. The budget committee is responsible for the following:

- ✓ Receives the budget document
- ✓ Hears the budget message
- ✓ Hears and considers the public comment
- ✓ Discusses and revises the budget as needed
- ✓ Approves the budget
- ✓ Approves the property taxes

The Annual budget is \$30,491,142

3. ELECTION OF PRESIDING OFFICER  
Ms. Aeder called for nominations for presiding officer. Mr. Doyle nominated Mike Tosch, Ms. Lease provided the seconded. Mr. Tosch declined the nomination. Mr. Doyle nominated Janet Lease, Ms. Fleisher provided the seconded. The nomination carried unanimously.

4. DESIGNATION OF SECRETARY  
Ms. Lease designated Ms. Sellars as the secretary.

5. BUDGET MESSAGE - Superintendent, Paul Erlebach  
Mr. Erlebach presented his budget, message. It is attached to these minutes.

6. BUDGET DOCUMENT OVERVIEW – Business Manager, Mark Sybouts  
Mr. Sybouts reviewed the budget document by going fund by fund and pointing out changes. He shared that he expects to earn \$250,000 in interest this year due to the rise in interest rates.

Garibaldi Grade School: We did reduce a teacher and one instructional assistant due to lower enrollment numbers.

Mr. Sybouts also explained the new governmental accounting rule regarding Sp Education and ELL, funds, 1220, 1250, 1291, and 1295 costs are now reflected through the building budgets. In the past those expenses were attributed to the district office cost center.

Nehalem basically stays the same.

Middle School: we will be increasing some in the library to allow for the change in the use of the shared librarian between the middle and high school.

High School: there is a slight reduction in staff costs, but that is just where they are being paid from. There is also a slight increase in the guidance services.

District Office: Mr. Sybouts informed the committee that the district did a district-wide lighting upgrade to LED lighting. It is unclear at this time what the saving will be from the project, he also mentioned that the PUD had a five percent rate increase, so we really do not know what the savings will be from the lighting upgrade at this time.

Technology equipment will be reflected in the state and local grant funds.

Student Activities: He stated that he uses place holders because he does not know what the schools will be doing.

Federal projects fund: Title 1 funds are slowly being reduced.

State and local grants: Mr Sybouts stated that donations such as Mudd Nick Foundation and other granting agencies will be reflected here. He also noticed that there seems to be an error on page 79, fund 230 function 1121 the 0.18 FTE. That is incorrect and will need to be fixed.

Maintenance Fund: We have \$80,000 carryover and will be transferring in \$200,000. Mr. Erlebach stated that we are taking care of our maintenance needs through this fund.

Vehicle Replacement: We will be purchasing a new van this summer which will be used to transport students to the TEC programs in Tillamook.

Capital Projects: These funds will be used to fund the chemistry lab renovation along with Construction Excise Tax (CTE) funds.

7. BUDGET COMMITTEE REVIEW AND DISCUSSION – Budget Committee

Mr. Myers asked about fund 230, there will need to be a change made to the budget. Mr. Doyle asked about the number of ELL students, Mr. Erlebach stated that we have roughly 40 and they are Spanish speakers.

8. PUBLIC HEARING FOR PUBLIC COMMENTS

Ms. Lease called for a public hearing at 7:26 p.m. to hear any public comment. There were no comments from the public hearing was closed at 7:27 p.m.

9. ADDITIONAL BUDGET COMMITTEE DISCUSSION – Budget Committee

None at this time.

10. APPROVE CHANGES TO THE BUDGET DOCUMENT

There will need to be a change to page 79. Mr. Sybouts will correct this prior to the board budget approval.

11. CLOSURE – At this point, we will ask the Budget Committee to approve the proposed budget, establish the maximum tax levy rate/amount at \$4.5002/\$1,000 of assessed valuation for the General Fund, and to establish the maximum Debt Service Fund tax levy amount of \$1,160,823.

**M-Aeder/2<sup>nd</sup> Kelly to approve the budget with the necessary change on page 79 and establish the maximum tax levy rate/amount at \$4.5002/\$1,000 of assessed valuation for the General Fund, and to establish the maximum Debt Service Fund tax levy amount of \$1,160,823. The motion carried unanimously.**

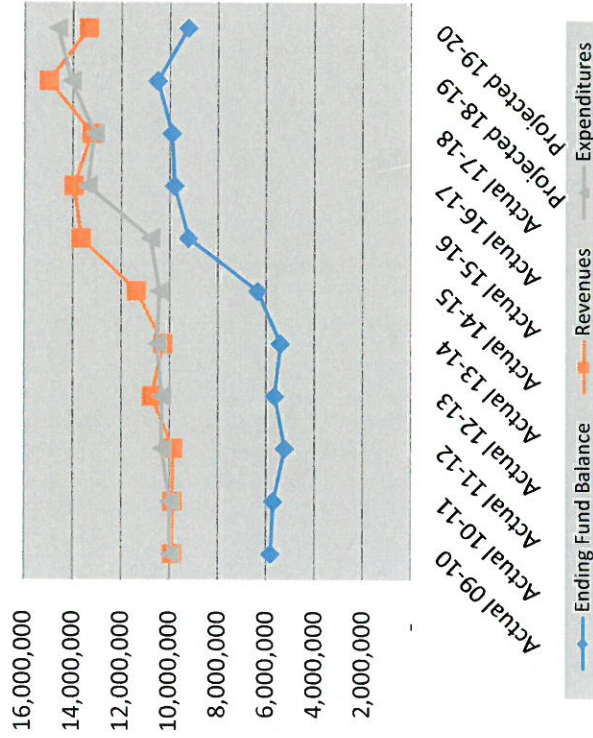
12. ADJOURNMENT

Hearing nothing more to come before the committee the meeting was adjourned at 7:26 p.m.

## Budget Message

Projected General Fund revenues (property taxes and state timber) for 2018-19 are higher than expenditures. However, projected GF revenues for 2019-20 are estimated to be lower than projected expenditures. The projected forecast for 2019-20 indicates the ending fund balance will decrease.

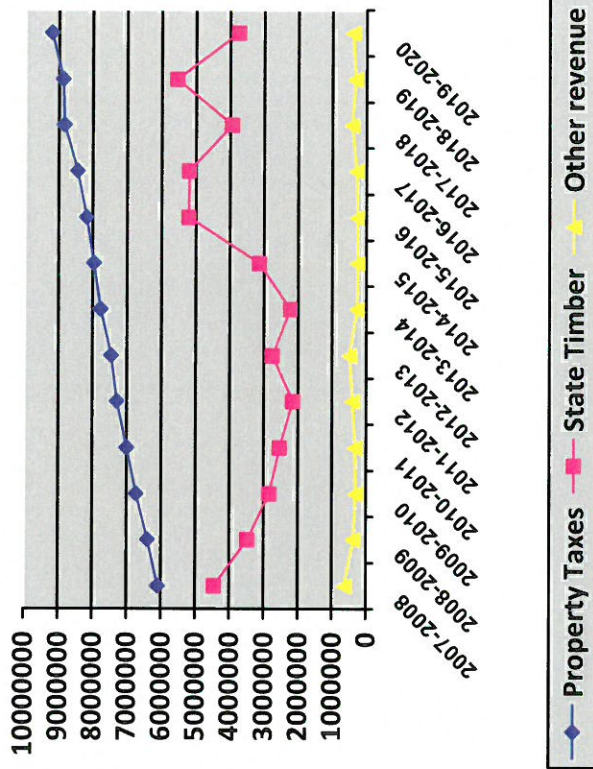
### General Fund



### General Fund Revenues

The chart below shows the trend of General Fund revenues by major categories. Property taxes are increasing. The significant increase in state timber revenue is estimated to decline in 2019-20.

### General Fund revenues



**Budget Increases for 2019-20**

Cost-of-Living Adjustment (COLA) confidential and classified staff only.	
Licensed staff are negotiating with the district	76,424
Salary step increases (classified and licensed)	83,904
Payroll benefit costs (FICA, PERS & workers compensation) based on above increases	42,203
PERS Rate increase	314,018
.5 FTE PE teacher MS	39,218
3.9 hour grounds and maintenance assistant	26,803
3.9 hour middle school media instructional assistant	14,847
.5 FTE elementary & MS/HS school counselor	56,569
<b>Total</b>	<u><u>653,986</u></u>

**Decreases from 2018-19 Budget**

Garibaldi teacher 1 FTE	72,370
Garibaldi instructional assistant	41,456
<b>Total</b>	<u><u>113,826</u></u>

**Neah-Kah-Nie Board Goals**

- 1) Preserve small class sizes pre-kindergarten to 5<sup>th</sup> grade.
- 2) Ending fund balance not to go below \$6,000,000.
- 3) Maintain a high level of professional development.
- 4) Retain current programs.
- 5) Commitment to replacement cycle transfer costs:
  - a. Technology \$150,000
  - b. Maintenance \$200,000
  - c. Vehicle replacement \$ 10,000
  - d. Furniture replacement \$ 9,000
  - e. Textbook adoption \$100,000
  - f. Emergency preparedness supplies \$ 10,000
- 6) Continued commitment to Capital Improvement Plan.
  - a) One time transfer to Capital Projects Fund \$500,000.
- 7) Maintain adequate staffing for District goals.
- 8) Be current with textbook adoption.

### **Superintendent's Budget Summary Statement**

Neah-Kah-Nie School District is one of a select few school districts in Oregon that does not receive funding from State Basic School Support. Neah-Kah-Nie School District receives approximately 73% of its funding from property taxes and 27% from Tillamook State Forest timber revenue. The school district receives more in property taxes and State timber revenue than it would from State Basic School Support.

This year, the assessed value for property taxes is anticipated to increase from \$2,093,217,515 to \$2,156,014,040. The property tax collection rate is expected to be 93%. In 2019-2020, the District estimates it will receive \$8,931,684 in current property tax revenue and \$275,000 in prior year property tax revenue.

Budgeted state timber revenue is projected to increase from \$3,080,478 to \$3,749,293, in 2018-19. The overall revenue forecast from property taxes and timber revenue is expected to increase from \$11,967,286 to \$12,956,157, in 2018-19. State timber revenue is estimated to decrease in 2019-20. It is important to stress that timber revenue is always uncertain. The District can only forecast projected timber revenue with available information; frequently, this information changes.

As property taxes increase and state timber revenue fluctuates, expenditures continue to increase.

The ending fund balance has increased over the last few years. The actual June 30, 2018 fund balance was

\$9,907,867 and is projected to be \$10,500,000 by June 30, 2019. This fund balance increase is a result of state timber revenues in excess of budgeted amounts. This fund balance is what allows for a \$500,000 transfer to the Capital Projects – Building/Facilities Fund. This fund, along with the Capital Projects - Construction Excise Tax Fund, provides the resources to fund the Capital Improvement Plan.

The Capital Improvement Plan's projects for 2019-20 include:

- \$1.5 million seismic upgrades to Garibaldi Grade School
- \$400,000 high school chemistry classroom renovation
- \$135,000 high school lower gym floor repair and bleacher replacement
- Major painting projects district-wide
- Garibaldi Grade School downstairs bathroom renovation, exterior and interior painting, roof, intercom, and landscape.
- High school Maker Space
- Other district-wide prioritized improvements identified in Capital Improvement Plan

Student preschool through grade 12 enrollment is currently 801 and is expected to increase to 822. Unlike

other school districts, NKN school district does not receive additional funding when there is increased student enrollment.

The licensed contract expires July 1, 2019 and classified contract expires July 1, 2022.

The current table of maximum district paid insurance contributions is the following:

Tier	Full Family	\$2,159.82
	Employee/Spouse	\$1,532.75
	Employee/Child	\$1,323.76
	Employee only	\$ 696.72

The District must closely monitor insurance costs and review policies and procedures around health insurance in order to meet the requirements of the unpredictable federal health care law. Oregon Legislature limits insurance cost increases each year to 3.4%.

The District's Public Employee Retirement System (PERS) current rate for Tier I & Tier II staff is 27.2% for Tier I & Tier II staff and 21.94% for Oregon Public Service Retirement Plan (OPSRP). The PERS rate increase next year will be 4.71% for Tier I and II staff and up to 4.83% for OPSRP staff. It is estimated PERS costs will increase in 2019-20 by \$314,018.

Next year, the school district will receive \$100,000 to \$200,000 in Measure 98 funds. The total amount the district will receive depends on State Legislature funding. M98 funds must be used for teacher collaboration, systems to ensure students graduate on time, chronic absenteeism, community partnerships, equity, and dropout prevention. A plan was developed to comply with these requirements. Components of the plan include: .5 funding for 1 FTE high school building trades/welding teacher, ASPIRE Program, Expansion of high/middle technology & robotics, culinary arts, after school tutoring, absentee prevention, Maker Space classroom, etc.

The district received a \$10,500 Kindercamp Grant that will partly fund this preschool to kindergarten summer program.

The good news is the district is able to maintain, and in some cases enhance, current staffing levels and programs. Preschool funding will remain at its current level. Average class sizes at the elementary level will be approximately twenty-one students. Current pre-K-12 technology requires sustained funding. Elementary schools continue to provide counseling services, physical education, music, and a literacy coach. There will be an increase in school counseling at all schools. NKN Middle School will hire a .5 PE teacher and a .5 classified media assistant. High School class sizes will be at current levels. High school students continue to have a strong offering of core classes (math, science, English Language Arts, social studies) and art, music, band, choir, Spanish, business, building trades, STEM, culinary



arts, Robotics, and physical education. The current MS/HS media teacher's role will be reconfigured to a media/technology instructional coach. Middle and high school students have a wide variety of after school activities with an activity bus available. The budget also includes a part time grounds/facilities assistant.

The school district's bond issue will be paid off June, 2025. Standard and Poor's, in 2015, rating for district bonds is a AA-/Stable. The *Long Term Rating* is AA+/Stable based on the State Bond Guarantee Program.

Due to the school district being financially responsible with property tax and State timber revenues and being fiscally conservative with expenditures, this budget meets the goals set by the Board:

- Preserve small class sizes at the pre-kindergarten through 5<sup>th</sup> grades.
- Ending fund balance not to go below \$6,000,000.
- Maintain a high level of professional development.
- Keep current programs.
- Commitment to replacement cycle transfer costs:
  - Technology \$150,000

- Maintenance \$200,000
- Vehicle replacement \$ 10,000
- Furniture replacement \$ 9,000
- Textbook adoption \$100,000

- Continued Commitment to Capital Improvement Plan including \$500,000 funding transfer
- Maintain adequate staffing for District goals
- Be current with textbook adoption
- Emergency preparedness \$10,000

Respectfully submitted,

Paul Erlebach, Superintendent  
Neah-Kah-Nie School District