

**MINUTES OF THE SEPTEMBER 10, 2019
WORK SESSION OF THE
WASHOE COUNTY SCHOOL DISTRICT
BOARD OF TRUSTEES**

September 10, 2019

1. Opening Items

1.01 CALL TO ORDER

The work session of the Board of Trustees was called to order at 1:31 p.m. at the Washoe County School District's Central Administration Building, 425 East Ninth Street, Reno, Nevada.

1.02 ROLL CALL

President Katy Simon Holland and Board Members Jacqueline Calvert, Andrew Caudill, Ellen Minetto, Malena Raymond, and Angela Taylor were present. Board Member Scott Kelley was not present at the time of roll call. Interim Superintendent Kristen McNeill and staff were also present.

1.03 PLEDGE OF ALLEGIANCE

Trustee Andrew Caudill led the meeting in the Pledge of Allegiance.

1.04 PUBLIC COMMENT

There was no public comment at this time.

1.05 ACTION TO ADOPT THE AGENDA

It was moved by Trustee Minetto and seconded by Trustee Caudill that **the Board of Trustees approves the agenda as presented.** The result of the vote was Unanimous: Pass (Yea: Jacqueline Calvert, Andrew Caudill, Katy Simon Holland, Ellen Minetto, Malena Raymond, and Angela Taylor.) Final Resolution: Motion Carries.

2. Items for Presentation, Discussion, Information and/or Action

2.01 PRESENTATION BY STAFF AND DISCUSSION BY THE BOARD REGARDING: AN OVERVIEW OF THE ESTIMATED FISCAL YEAR 2018-19 GENERAL FUND RESULTS; OVERVIEW OF THE FISCAL YEAR 2019-20 BUDGET AND POSITIONS; INITIAL TRENDS FOR THE FISCAL YEAR 2020-21 BUDGET; DISCUSSION OF THE POSSIBLE BUDGET PROCESS

FOR FISCAL YEAR 2020-21; AND CONSIDERATION OF POSSIBLE DIRECTION TO THE INTERIM SUPERINTENDENT AND STAFF

Mark Mathers, Chief Financial Officer, began the presentation. The intent of the meeting was to review the previous process used to develop the budget to determine if that process met the needs of the Board or if they were interested in making any changes. It would be important to ensure staff was able to provide the information in a way that was easy to understand for the Trustees, especially since three Trustees came into the process during the middle of the last fiscal year.

Mike Schroeder, Budget Director, provided background information on how the District's budget was developed for Fiscal Year 2020 (FY20), including the usage of Priority Based Budgeting (PBB). The District was able to present a structurally balanced budget for FY20 after the 2019 Nevada Legislative Session concluded, which was approved by the Board in late June with the Amended Final Budget, and met the goal set by the Board to have a structurally balanced budget by FY21, as well as allowing for a projected ending fund balance of 7.2%, which was slightly below the Board's goal of an 8% to 10% ending fund balance. The final budget for FY20 was \$488.3 million with about 91% of all expenses related to salaries and benefits.

Mr. Schroeder reviewed the preliminary trends for FY21. Enrollment was the primary source of revenue for the District from the state and had been flat over the past few years, but the District was beginning to see an increase in the projected enrollment. The early estimates were showing a 5% increase in revenue from the ad valorem and government services taxes. The District knew the per pupil amount from the state would increase by \$50 for FY21. Projected expenses were reviewed and were expected to increase due to the opening of two new schools, increases to health care costs, and employee rollup costs. At the present time, the District was anticipating the new expenses would be greater than the new revenues with a gap of \$4.26 million. It was important to remember the information was very preliminary and the numbers would continue to be refined throughout the budget process until the final budget was presented and approved. Unknown factors that could impact revenues and expenses included enrollment trends, salary negotiations, and utility and gas price increases.

Mr. Mathers presented options for the development of the budget and why the District used the PBB process. Different government agencies used different approaches to their budget development, including line item budgeting, program budgeting, PBB, budgeting for outcomes, and zero-based budgeting. The pros and cons for each process were explained.

President Simon Holland wondered if any school districts had tried utilizing the budgeting for outcomes process. Mr. Mathers commented he was unaware of any school districts that had utilized the process and did not believe it would work well for school districts

due to the time constraints when collecting data on programs that would be required to implement the process.

Trustee Scott Kelley arrived at the meeting at 1:58 p.m.

President Simon Holland asked if there were approaches that blended the performance of programs with the goals of the organization. Mr. Mathers mentioned PBB was close to that approach. He felt if the District were to continue to utilize the process they would be able to refine the metrics and provide the type of information the Board was interested in receiving. The larger conversation he believed needed to occur while reviewing the data from PBB was if a program was determined to be important but the results were not favorable, what should be done in terms of budgeting. The question was one staff did not consider while working on PBB, but could be considered in the future as more people understood the process.

President Simon Holland felt the community would be interested in seeing more information on the return on investment related to programs to ensure programs were effective and worth the costs. She was concerned about the amount of time it would take to fully analyze all programs and mentioned the District could look at a rolling system where a certain number of programs were reviewed each year.

Mr. Mathers continued with the presentation. Information on how local governments made decisions in reducing costs was provided, including cuts made on an ad hoc/expert judgement basis, across the board cuts by either a percentage or dollar amount, and PBB. Previous approaches used to reduce the District's budget were explained and included information on re-basing department budgets based on historical spending patterns over a 3-year period, open position salary savings, ad hoc cuts, cost benchmarking with other agencies, and the analysis of specific programs, such as take-home vehicles and athletic transportation fees. He cautioned that since the District had utilized various approaches to reduce costs, there were not a lot of options remaining for large-scale cuts and additional cuts would impact services even more than prior reductions. In total the District had reduced the budget by more than \$63 million over the past 3 budget cycles.

Mr. Mathers indicated the Board would need to decide if they wanted to continue to move forward with the policies and plan adopted in 2018, including having a structurally balanced budget, the availability of an ending fund balance of 8-10%, developing a long-term financial plan to ensure a structurally balanced budget, continuing public engagement efforts, monthly and quarterly reporting on budget status, evaluating programs to determine effectiveness, avoiding incremental budgeting, continuing to examine spending patterns, and utilizing data to drive budgeting processes.

President Simon Holland believed the Board should be flexible in terms of the ending fund balance but supported at least 8% because it represented about one month's expenditures. While it was important to have the goal, the Board and community needed to understand the District was still facing the possibility of a structural deficit in FY21. The Trustees provided consensus on continuing the goals approved in 2018.

Mr. Mathers stated the Office of Business and Finance would begin meeting with departments in the coming month to begin the process of reviewing their budgets sooner than prior years. They wanted to ensure conversations were able to occur to determine what changes could be considered to reduce expenditures, instead of having a more paper driven process that occurred with PBB. They were also looking at alternatives in funding textbooks to alleviate the strain on the budget by spreading the costs out over two budget cycles instead of the one cycle method the District currently used.

President Simon Holland wondered how that process would work if the District was trying to implement new textbooks sooner. Mr. Schroeder mentioned nothing had been finalized and Business was continuing to hold conversations with the Office of Academics on the process. Additional information would be presented when more was known on the process.

Trustee Caudill asked if the District had heard back from the Nevada Department of Education (NDE) on the ability to purchase textbooks with Capital Projects funds. Mr. Mathers stated the conversations with NDE were still occurring related to that possibility.

Mr. Mathers continued with information on other ideas being considered to help reduce costs. Other thoughts had been to provide principals with the ability to have more input into their site allocations instead of a fixed formula set by the District. Finally, the District was looking at revisiting some of the PBB results to determine if the process could be refined with the additional knowledge of how the process now worked.

President Simon Holland remarked she would like to see additional conversations regarding efficiencies and continuous improvement. She understood the difficulties with the PBB process but felt there were additional things the District could consider, such as developing employee suggestion programs or interdisciplinary teams to look suggestions. She appreciated the efforts, but it was important to allow others to look at what was occurring to determine if there were more effective and efficient ways of providing services at a reduced cost. She was not interested to see another full round of program reviews related to PBB because it had only been a year and she did not believe that amount of time would make that much of a difference in the results; however, if staff knew there were improvements to the process that could be made, she would support reviewing certain aspects or programs.

Trustee Caudill agreed with many of President Simon Holland's remarks. He mentioned, as a Trustee that came in during the middle of the process, he would often hear from staff regarding the scoring and results of PBB that no one had spoken with them because the results seemed to not align to what they believed were important programs and services. He would be interested in seeing additional conversations with staff about what they were seeing and their thoughts about where reductions could or should be made since they were the ones with the day-to-day understanding.

Interim Superintendent McNeill indicated part of the issue with the PBB process was creating a clear understanding of what a program was. She believed the process would become more effective once everyone had a clear definition of a program and how the scoring process worked. Since it was the first time the District had gone through the process, it would be important to revisit the results in the future.

Trustee Raymond agreed with the comments. She had heard from many staff members that they were concerned about being part of a program that was scored as a low priority and what that meant for them. The District continued to have issues with low employee morale and the process did not ease the fears of many because they felt targeted by being scored lower. While PBB looked at programs, when the budget discussions were held, the numbers provided really came down to a position so that individual then believed they were a low priority in the District. She hoped involving staff more would assist with calming the fears but since the largest part of the budget was for salaries and benefits, when reductions were discussed positions would always be a factor.

Mr. Mathers remarked the comments were correct and the District was looking for additional ways to include more staff members in the process, including holding conversations with all employee associations on how to provide greater opportunities for those working on specific programs. Prior budget approaches had been more top down in the past so a bottom up approach should be looked at as an option. He added that part of the issue also came with communicating the results to all District staff and the community. He provided the example of librarians being included on a list of options for the Board to consider for reduction. While the option was a non-starter for the Board, the option remained open long enough for staff and the community to become very concerned. He cautioned that difficult decisions might have to occur and if all options were to be presented then there would be concerns from employees, so he was interested in hearing from the Trustees on ways to improve the process to allow various options to be presented, while at the same time not causing a panic.

President Simon Holland mentioned she would like to see the discussions focused more on what the Board wanted to keep, instead of what could be eliminated. The conversations at the budget forums were centered around what the community was interested in keeping so she believed the budget discussions should begin with those programs first and not what should be reduced first.

Trustee Taylor urged everyone to remember that every dollar in the budget was associated with a person when making decisions and recommendations. She stated budgets were moral documents and showed the priorities of the Board and District in what programs and positions were important. If difficult decisions were required in the future, it was important to remember the document would show the priorities of the Board. Mr. Mathers noted the 2019 Nevada Legislative Session did produce improvements for school districts in terms of funding and he believed the 2021 Session would continue to show a commitment to education. He would be interested in working closely with departments to determine the amount of unfunded mandates in the District and what programs departments believed were necessary that the District was not adequately funding, such as cyber-security or computer refresh, due to a lack of funding so that information could be provided to the state.

Interim Superintendent McNeill added the communication with the community was important, but it was also important for staff to have a better understanding of the process. The current meeting was being live-streamed, not only for the community, but for staff as well. Members of the District's Leadership Team were present so they could also have a better understanding of the process the Board wanted to follow and communicate that information to their departments and schools.

President Simon Holland thanked staff for all their work. The Board appreciated the work that had occurred and the innovative ideas they had come up with to develop a balanced budget. The Board understood the current budget was inadequate, and while they were grateful for the additional funding from the state, the District was still in a precarious position and facing a structural deficit. She wanted to ensure the Board continued with the budget forums, even with a balanced budget, because it was an important opportunity for the Board and District to have the conversations with the community, both internal and external, about what was occurring in terms of funding, what they valued, and what the District had been doing.

Trustee Taylor agreed with continuing the budget forums because they did provide an opportunity for a dialogue with the community. While the format might look different than prior years, it was still important to have the conversations with the community about what was occurring and how the District was spending the money.

President Simon Holland opened the meeting to public comment.

Todd Bailey thanked staff for the information provided. He stated the information in the staff reports and presentations had improved over the past few years so he wanted to thank everyone for providing additional information to the public. The District and Board had made tough decisions related to the budget since 2002 and the various economic downturns that had occurred since that time. He believed staff had done what they could

to look for efficiencies and agreed it was getting more difficult to find them, but appreciated everyone was willing to continue to look for opportunities to reduce costs.

President Simon Holland requested additional information on how the parallel funding would work related to the current funding formula and the new funding formula from the state. Mr. Mathers stated the parallel funding model would not take effect until FY22, but there were a lot of unknowns for all school districts related to the process. The new model was intended to be more pupil centered but exactly how that would look was not finalized yet and the commission on the formula would be meeting at the end of the month. The commission would be looking at how the formula would look for each school district and the impacts on everyone.

President Simon Holland asked if the ending fund balance for FY19 was final since it was labeled as estimated on the presentation. Mr. Mathers noted the total for FY19 was still considered an estimate and the District would not have the final numbers until the Comprehensive Annual Financial Report (CAFR) had been complete. He believed the final number would be higher so the District would be in a better position than previously anticipated, but did not want to provide additional information until the final information from the state was known; however, was confident the District would see an ending fund balance in the 8-10% range.

3. Closing Items

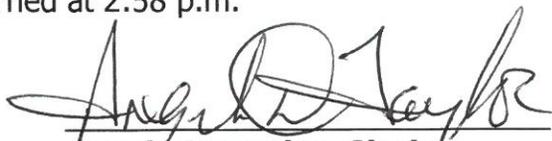
3.01 PUBLIC COMMENT

Todd Bailey provided remarks related to the lawsuit filed against the District by former superintendent Traci Davis. He expressed concerns regarding the District's perceived lack of protections for student data privacy and expansion of digital programs. He remained concerned about the contract signed with KPS3 related to the communication and media outreach done during Ms. Davis' departure from the District.

3.02 ADJOURN MEETING

There being no further business to come before the members of the Board, President Simon Holland declared the meeting adjourned at 2:58 p.m.


Katy Simon Holland, President


Angela D. Taylor, Clerk