

Policy & Governance Meeting Minutes
August 5, 2019

Present: Laurie Klinkhammer, Eric Torres Absent: Charles Vue

Also present: Mary Ann Hardebeck, Abby Johnson, Kim Koller, Jim Schmitt (came at 9:27), Meta Miske
Recording Secretary

Meeting called to order at 8:43am by Dr. Torres.

No members of the public present for public comment.

Policy 662.3 – Fund Balance

Dr. Hardebeck said that Budget Development Committee has asked Policy & Governance Committee to review the Fund Balance policy for possible modifications. This policy was last reviewed around the time of the referendum.

Abby Johnson said the fund balance is a top concern for Budget Development Committee. The current budget is expected to put the District at 16% of the fund balance which is very worrisome. Budget Development Committee has asked about having the policy include a target range or a statement that the District cannot go below a certain threshold. One challenge is that the only way to raise the fund balance is to increase revenue, so there has been hesitation to require the fund balance to be at a certain level.

Ms. Johnson said the last time the policy was reviewed Policy & Governance hesitated at implementing thresholds and percentages. Ms. Johnson asked if Policy & Governance wants to set a threshold. If so, what does that look like, and what would happen if the District goes below the threshold? Ms. Johnson shared sample policies from WASB. Ms. Klinkhammer asked why Budget Development Committee wants a threshold. Ms. Johnson said that Budget Development Committee has been asking what the expectation is and what is acceptable in the budget; does it need to be balanced or can there be a \$2 million deficit? Ms. Klinkhammer asked if by setting a threshold in the policy, does that force Budget Development Committee to cut into the “80%” (salary and benefits)? Is Budget Development Committee asking for a tool to be able to address the 80%? Dr. Torres asked if Budget Development Committee is asking for a line to be drawn. Ms. Johnson said they are looking for guidance.

Dr. Hardebeck said it may be helpful to talk about what happens to the fund balance year to year. Ms. Johnson said the budget for 2019-20 was at 16.5% fund balance while the auditors recommend 20-30%. The fund balance isn't cash, it's equity in buildings and other assets. It's not easily accessible, and it can harm the District's credit if the fund balance is too low. Ms. Johnson said she's not sure it's a good idea to set a fixed fund balance percent because it can be difficult to meet. Dr. Torres asked if they are looking for a descriptive statement about what a healthy fund balance would be? Dr. Hardebeck asked if there's a deposit into the fund balance? Ms. Johnson said the fund balance is revenues plus expenditures and it's been many years since revenues have been greater than expenditures.

Dr. Hardebeck said the way expenditures are growing each year (2.5% average), what happens if the District goes below a threshold that's been set? Does it mean the District is out of alignment with a policy or does it trigger a remedy such as budget cuts? Dr. Hardebeck said she has observed that

previous Boards have been reluctant to make cuts which has resulted in the need to dip into the fund balance more and more.

Ms. Klinkhammer asked if Policy & Governance were to set a firm threshold, does that make it easier for Budget Development Committee and the Board to make cuts and create a balanced budget? Dr. Hardebeck said cuts such as changes to OPEB have been talked about as the whole Board reviews the budget. Ms. Klinkhammer asked what does Budget Development Committee want from Policy & Governance? Dr. Hardebeck said she thinks they are asking for Policy & Governance to do a study of what a fund balance policy could look like. This could include a survey of other district's fund balance policies to see what vague policies look like and what more defined policies look like. Many districts who've never worried about fund balances may have the fund balance defined in their policy versus districts who worry about the balance may keep the policy vague. Some of the districts who aren't hurting so much financially already made major changes to OPEB or other budget areas, such as class size, years ago and are now reaping those benefits. Even if the District makes changes to OPEB there realistically won't be a significant impact to the budget for about five years.

Dr. Torres asked if we've consulted with UWEC or our financial institution regarding the policy? Dr. Hardebeck said when the policy was reviewed a few years ago a survey of other districts was conducted. Ms. Klinkhammer would be interested to know what the outcome was for any district who set a threshold and crossed it. Dr. Torres would be interested in knowing what UWEC does; he said at some point UWEC had no fund balance.

Sample policy 2 indicates a minimum level and states the adequacy of the fund balance would be reviewed annually as part of the budget development process. If the fund balance drops below the threshold, it directs the district administrator to create a solution to present to the Board to rectify the problem. Agreement among Policy & Governance Committee that this is a nice sample policy.

Dr. Torres said the District and Board cannot continue to avoid making cuts. The policy shouldn't be a lifeline to avoid making cuts. Ms. Johnson said the biggest way to help the District is to restructure the OPEB plan to make it cost feasible which isn't popular with employees and it will still take five years to see an impact. The options the OPEB Ad Hoc Committee presented as an alternative to OPEB changes aren't a solution to the whole problem, they are just small pieces to help. Ms. Johnson estimates that the maximum savings from those ideas is \$500,000 per year. The ideas are practical and make sense but won't create the needed impact. Dr. Torres said that while not as impactful as needed to solve the problem, it's important that the ideas came from the staff and the Board needs to appreciate that employees helped with these ideas and said they can live with the changes. Dr. Torres said if the Board approves those items tonight it needs to be clear that it helps but doesn't solve the budget problem.

Ms. Johnson will emphasize the cost savings in her presentation this evening and indicated that some items are hard to put a dollar value on, such as grandfathering changes if the Board decides to change OPEB. Ms. Johnson will contact Baird Bond Rating Agency to ask about the fund balance policy for other school districts and will pull other sample policies to bring back to an upcoming Policy & Governance meeting. Ms. Johnson said the District might need to borrow money more often if there is another deficit year.

Dr. Torres said it might be a good idea to mix the sample policies that were shared and create a more defined policy without a required fund balance percentage. Ms. Johnson asked if there are specific

districts that Policy & Governance wants to review policies from, and no specific districts were requested. Ms. Johnson will share sample policies in advance of the next meeting this topic is on the agenda so committee members may read in advance.

Policy 751.5 Student Transportation in Private Vehicles

This policy was discussed at the last meeting and questions arose which Ms. Johnson and Ms. Koller have since researched. The questions were regarding numbers 2 and 3 in the policy which were age limits and years one must have a clear driving record.

Regarding number 2, Ms. Johnson checked with the district's insurance agent and there's no concern with a driver being older than 70 and there has never been a cap on the upper age limit. However, the concern is the starting age of 18, and the recommendation would be a starting age of 21 which would cover some new teachers and young coaches who may need to transport students.

Regarding number 3, for most vehicle concerns the District looks at three years for the point valuation, but for drug/alcohol related concerns it's five years. Ms. Klinkhammer said if the standard used when reviewing the Employee Handbook aligns with the insurance recommendation, then Policy & Governance should align with the insurance recommendation when reviewing policies as well. The policy could reference administrative rule since the District works with the insurance company yearly. Ms. Klinkhammer suggested that number 3 changes to match the insurance language. Dr. Torres agrees.

Dr. Torres asked if there is a policy regarding student athletes who transport their peers before and after school to games and practices? Ms. Johnson said it's discouraged but the District cannot control/patrol it, so it is in the hands of students and parents. Athletes are reminded at the code signing meeting that transporting other students is at their own risk. Dr. Hardebeck said one thing that came to her attention when concerns arose about students practicing when school is not in session is concerns about students transporting each other when weather is inclement. Practices continue to take place on inclement weather days even when the District has said that school is closed, and all practices cancelled. It's a liability to the District that these practices continue to be held, even if the coach doesn't show up and the team captain runs the practice. Ms. Koller said this year hockey practice at Hobbs has been shifted to avoid some of the after-school rush. Practice used to begin at 3:30, it will now begin around 3:45.

Ms. Johnson will provide Meta with the insurance information necessary to update the policy and a final policy will be presented at the next meeting as well as a continuation of the discussion on fund balance.

Dr. Torres received two suggested resolutions – one regarding use of native American symbols as mascots, and one regarding clean energy. He will bring those to the next meeting for the group to see.

Meeting adjourned at 9:36am.