Budget Development Workshop
Board of Directors Meeting
March 17, 2020
Overview

Objectives

• Review the budget development process
• Affirm fund balance management plan
• Consider magnitude of restrictive budget constraints
• Critique the draft 2020-21 budget adjustments

Key performance outcomes

• 4.1.a – Long-term planning in finances, staffing, technology, and facilities are intentionally and systematically driven by student enrollment, learning measures, and strategic priorities.
• 4.1.b – A minimum fund balance of five percent is maintained in the general fund.

Board goal

• S.3.a – Establish budget priorities to align with strategic priorities, State of School Review priorities, and legislative mandates.
Budget development process
Budget development process

2020-21 and 2021-22 budgets require cuts

- Use of fund balance will mitigate the magnitude of cuts
Budget development process

Process on track
- Accelerated schedule
Budget development process

Thank you to the 2019-20 FAC members

• Julio Cortes, City of Everett
• Tony Edwards, Edwards Insurance and Financial Services, Inc.
• Mary Fosse, Community Member
• Rachel Mathison, Cocoon House
• Jamyang Dorjee Nhangkar, Community Transit
• Mason Rutledge, C3 Leaders
• Angie Sievers, Economic Alliance of Snohomish County
• Maritza Rodriguez, Cascade High School student
• Ethan Zoller, Everett High School student
• Alex Higgins-Sanchez, H.M. Jackson High School student
• Kyla Saechoa, Sequoia High School student
• Jodie Moyer, Special Services Receptionist and EAEOP Representative
• Laura Rogers, Paraeducator and EAP Representative
• PattyAnn Toomey, Technology Technician and SEIU Representative
• Kevin Allen, Principal, Eisenhower Middle School
• Jessica Corneille, Assistant Principal, Emerson Elementary School
• Jacob Ellsworth, Assistant Principal, Evergreen Middle School
• Dave Peters, Principal, H.M. Jackson High School
• Doug Plucker, Assistant Principal, Everett High School
• Kelly Shepherd, Principal, Sequoia High School
• Aleta Smoot, Principal, Silver Firs Elementary School
• Dr. Peter Scott, Deputy Superintendent
• Dr. Sally Lancaster, Regional Superintendent
• Brian Beckley, Chief Information Officer, Learning and Info Technology Services
Fund balance management plan
Fund balance management plan

8-year fund balance history comparison

- Supreme Court Decision on McCleary
- Initial Increases in MSOC and Transportation
- Increase in Full-Day Kindergarten and K-3 Class Size Requiring Local Salary Match
- Underfunding of Employee Compensation
- New State Funding & 2018 Full Levy

High Bond Ratings

Graph showing the fund balance history comparison for various districts over the years from 2011-12 to 2018-19.
Fund balance management

What is the right fund balance?

• High fund balance can result in the deferral of instructional supports
• High fund balance often influences bargaining outcomes
• High fund balance during uncertain times buffers against major cuts
• High fund balance is an important consideration to rating agencies
  ▪ A history of strong fund balance management is also important
  ▪ Property values (wealth) are also strongly considered

“Management and governance: strong and proactive management; adherence to fund balance policy; strong institutional framework”

“Everett School District benefits from a strong and proactive management team that demonstrates conservative budgeting practices, conducting multi-year forecasts, cash-flow projections, and scenario analysis. Management maintains a formal policy to keep general fund balance at a minimum of 5% of expenditures, with a target of maintaining 6% to 7% of expenditures.”
Fund balance management

Fund balance management plan

- Use of fund balance will mitigate the magnitude of cuts
- Draft budget plan results in net reduction of $2 million
- 2021-22 use of fund balance reduces cuts to $2.5 million

- $2.5 million net reductions planned for 2021-22
- First proceeds from 2022 EP&O levy will be spring 2023
Fund balance management

**Fiscal implications of legislative session**

- Legislature concluded 60-day short session on March 12, 2020

- Prior biennial budget enhancements **affirmed**
  - $150,000 – Special education K-21 multiplier partial increase
  - $600,000 – Third professional learning day

- Prior legislative actions with negative fiscal impact **affirmed**
  - $935,000 – Regionalization phase down net of maintenance
    - Higher impact than planned due lower IPD

- Net effect on projection - $185,000 lower
Fund balance management

Fiscal implications of legislative session

• Other funding notes with possible or unknown impacts to EPS
  ▪ $4.2 million statewide Safety Net funding increase
  ▪ $100 million statewide Covid-19 response funding
  ▪ $21.5 million statewide transportation hold harmless funding
    • 2018-19 carryover clause of some concern
    • OMB funding report due to legislature by August 1, 2020
  ▪ SEBB clarifications around optional benefits and eligibility

• Budget issues that did not move forward, but may return next year
  ▪ Increases to prototypical school model
  ▪ SEBB benefits for drivers retained through pupil transportation services contracts
  ▪ Clear guidelines on use of levy funds and to guard against arbitrary financial penalties
Fund balance management

Board discussion

*Please share your thoughts and level of concurrence with the recommended fund balance management plan*
Restrictive constraints
Restrictive constraints

General fund supports school operations

- All other funds have unique restricted uses
- Other funds highly restricted from general fund expenditures
- General fund conversely can be spent on other fund expenditures
Restrictive constraints

General fund also has restricted programs

- Other programs have unique and highly restricted uses
- Other programs align services to revenues
- Special education costs exceed state and federal revenues
- Remaining state and local revenues fund all other program costs

Diagram:

- Regular Instruction, Instructional Support, Support Services, Operations, and Athletics
- Special Education
- Career & Technical Education
- Other Categorical
- Pupil Transportation
- Food Services
Restrictive constraints

Remaining funds cover all other costs

• Prescriptive school staffing
  ▪ State funded minimum student-to-teacher ratios
  ▪ Contracted class size goals
  ▪ Elementary planning time drives specialists (e.g. Music, PE, Reading)
  ▪ Elementary reading and math specialists
  ▪ Secondary planning period drives teacher FTE
  ▪ Counselor ratios
  ▪ Before school, lunch, and after-school supervision

• Operational necessities
  ▪ Building administration and office supports
  ▪ Custodial and security
  ▪ Building maintenance
  ▪ Grounds maintenance
  ▪ Fiscal, HR, and LITS operations
  ▪ Instructional support and supervision
  ▪ Insurance and utilities

• Non-curricular supports/community expectations
  ▪ Athletics and clubs
  ▪ Community facility use
Draft budget adjustments
Draft budget adjustments

Planned program enhancements

- $420,000 – Add 3 student behavior support facilitators, gen. ed.
- $380,000 – Increase all elementary assistant principals to full time
  - Net of reduction in other administrative support
- $190,000 – Add Sequoia High School assistant principal
- $185,000 – Redesign technology instructional coaching model
- $130,000 – Implement Performance Matters assessment/analytics
- $ 95,000 – Expand orchestra to Eisenhower and Cascade
- $242,000 – Other increases
  - Increase Positive Behavior Interventions and Support (PBIS) training
  - Increase middle school administrative support by 1 hr/day
  - Add one section of Geometry at North and Evergreen
  - Increase operating costs for various departments
Draft budget adjustments

Planned program reductions

- $560,000 – Reduce teacher FTE through attrition in grades 4-5
- $490,000 – Reduce teacher FTE through attrition in grades 9-12
- $340,000 – Reduce instructional technology training services
- $306,000 – Restructure funding of elementary robotics
- $280,000 – Reduce FTE and restructure funding of instructional facilitators
- $280,000 – Implement planning and counseling FTE efficiencies
- $280,000 – Reduce central department MSOC by 7 percent
- $200,000 – Postpone or change funding for curriculum adoptions
- $187,000 – Professional development, TLS and Curriculum
- $180,000 – Staff reductions through attrition and other efficiencies
- $148,000 – Reduce and restructure funding of early learning
- $100,000 – Expand Purchasing Card usage to increase rebate
- $362,000 – Reduce miscellaneous maintenance, supplies and operating costs (MSOC)
Board discussion

Following any clarifying questions, please provide feedback on the proposed balance of program enhancements and reductions
Thank you!