


Date: April 22, 2020
To: Board of Directors
From: Rosalind Medina, Chief Financial Officer 
Subject: March 2020 Unaudited Financial Report

This report provides a brief summary of the general fund financial operations through March 31, 2020. Enrollment information also includes the official state count through the month of March 2020 and the projected annual average full-time equivalent (FTE) students for the year.

Table 1 displays a comparison of summary financial data through the period ending March 31 for fiscal years 2018-19 and 2019-20.

Table 1

General Fund Comparison for the fiscal period ended	March 31, 2019	March 31, 2020	Variance Higher/(lower)
Beginning Fund Balance	\$ 32,969,307	\$ 39,945,306	\$ 6,975,999
Revenue	275,743,042	249,394,672	(26,348,370)
Other Financing Sources	31,260	79,349	48,089
Total Resources Available	308,743,609	289,419,328	(19,324,281)
Expenditures	266,148,199	279,599,930	13,451,731
Other Financing Uses	-	-	-
Total Use of Resources	266,148,199	279,599,930	13,451,731
Ending Fund Balance	\$ 42,595,410	\$ 9,819,397	\$ (32,776,013)

REVENUES

- General fund revenues and other financing sources as of March 31, 2020 were \$249,474,022. This was \$26,300,281 (-9.5%) less than this time last year.

Highlights:

- **Local tax** revenues consist of tax receipts from the educational programs and operations levies. In February 2018, Tacoma voters approved a levy that would allow the district to collect \$72 million a year. Due to legislative changes in the state's allocation formula, the district will only be allowed to collect a portion of that for the first half of the 2019-2020 school year. That amount increased starting in January 2020, when Tacoma Public Schools was able to begin collecting the full voter approved amount. Due to the legislative change, local tax revenues decreased \$19,555,427 (-46.6%) compared to this time last year.
- **Local non-tax** revenue consists of student lunch receipts, sales from vocational programs, tuition for summer school, interest earned from the investment of available cash, and several other small sources.

Revenue in this category decreased \$648,748 (-13.6%) compared to this time last year. This variance is the result of the following:

- \$370,518 decrease in investment earnings
- \$254,494 decrease in revenue from unassigned local support
- \$122,314 decrease from tuition collected from foreign exchange students due to less participating students as well as some students only participating for half the school year
- \$98,327 increase in procurement card rebates
- The remaining difference is due to smaller variances in several other programs

- **State general purpose** revenue comes from two sources – Apportionment and Local Effort Assistance (LEA). Apportionment is the revenue received through a state funding formula that is based on the average number of students enrolled which drives the number of staff allocated to the district. Starting in the 2018-19 school year, the formula also includes a supplemental regionalization factor which is based on local housing cost factors. LEA is revenue provided by the state to equalize local levy rates for districts with a proportionally lower assessed valuation tax base. The state calculates a statewide average levy rate and if, when compared with the statewide rate, the local district's levy rate is higher, the state provides LEA funds to the district to help reduce the local tax burden on taxpayers. In addition to these two sources, the Legislature has included a hold-harmless provision budgeted at \$7.8 million to the Tacoma district for the 2019-20 school year. Tacoma qualified for this provision because local tax revenue, under the new funding structure for the calendar year 2019, is less than what the district would have received under prior formulas. In calendar year 2020, the district will no longer be eligible for this due to changes in the allocation calculation which allows the district to collect at the higher tax amount.

Revenue in this category decreased \$9,205,334 (-5.6%) compared to this time last year. This variance was the result of the following:

- Total apportionment revenue decreased \$6,112,727 from last year at this time. The district received a one-time hold-harmless provision of \$12 million paid in full in September of last year. Although the district is budgeted to receive \$7.8 million in hold-harmless funding in the 2019-20 school year, it will be distributed in monthly installments throughout the year.
 - LEA revenue decreased \$3,092,340 due to an increase in the assessed values in Tacoma, which no longer qualifies the district to receive LEA funding
 - The remaining difference is due to smaller variances in several other programs
- **State special purpose** revenue consists of funding for the following programs: Special Education, Learning Assistance Program (LAP), Remann Hall, Transitional Bilingual, Child Nutrition Services, Student Transportation, Special & Pilot Programs, as well as various other small instructional programs.

Revenue in this category increased \$2,432,320 (+5.7%) compared to this time last year. This variance was the result of the following:

- \$3,086,407 increase in Transitional Bilingual revenue due to funding being received later in the year in 2018-19
- \$919,163 increase in Special Education revenue due to a projected increase in resident student FTE as well as an increase in the Special Education Basic Education Allocation (BEA) rate
- \$1,048,334 decrease in Transportation Operations due to a decrease in rider revenue

- \$305,702 decrease in Learning Assistance revenue due to a timing difference in when the funds were received
 - The remaining difference is due to smaller variances in several other programs
- **Federal special purpose** revenue consists of funding for the following programs: Special Education Federal Flow Through, Perkins Vocational Education, Title 1 – Disadvantaged, School Improvement, Head Start, Limited English Proficiency, Indian Education, federal reimbursement for student meals, as well as several other instructional programs. Revenues in this category are on a reimbursement basis. Therefore, the fluctuation in this category is often due to the timing of reporting expenditures and the processing of reimbursements by the funding agency. Program managers are given expenditure authority only for the approved amount of the grant awards; so variances should not have a negative impact on the district’s basic education budget.

Revenue in this category increased \$524,677 (+2.7%) compared to this time last year. This variance was the result of the following:

- \$695,341 decrease in supplemental Special Education funding due to a timing difference of when funds were received compared to last year
 - \$379,431 increase in free & reduced meal reimbursement
 - \$372,852 increase in funding for the Head Start program
 - \$268,066 increase in USDA commodities
 - \$240,384 increase in Title I, Part A revenue which provides financial assistance to local schools with high numbers of children from low-income families
 - The remaining variance is due to smaller variances in several other programs
- **Revenue – Other Districts** are reimbursements for services rendered to students from other school districts.

Revenues in this category decreased \$220,894 (-16.3%) compared to this time last year. This variance was the result of the following:

- \$220,894 decrease in revenue from other districts for Special Education services for non-resident FTE.
- **Revenue – Other Agencies** consists of funding from education service districts, other governmental entities and private foundations.

Revenue in this category increased \$314,657 (+65.5%) compared to this time last year. This variance was the result of the following:

- \$275,216 increase in grants funded by the City of Tacoma

- The remaining variance is due to smaller variances in several other programs

Revenue from various sources and the increases or decreases from this time last year are shown in **Table 2**.

Table 2

Revenue and Other Financing Sources Comparison by Year					
Revenue Source	Through March 2019	Percent of Total	Through March 2020	Percent of Total	Variance higher/(lower)
Local Taxes	\$ 42,013,799	15.23%	\$ 22,458,372	9.00%	\$ (19,555,427)
Local Non-Tax	4,773,115	1.73%	4,124,367	1.65%	(648,748)
State, General Purpose	164,627,412	59.70%	155,422,078	62.30%	(9,205,334)
State, Special Purpose	42,971,135	15.58%	45,403,455	18.20%	2,432,320
Federal, General Purpose	167,383	0.06%	177,762	0.07%	10,379
Federal, Special Purpose	19,351,620	7.02%	19,876,297	7.97%	524,677
Revenue - Other Districts	1,358,067	0.49%	1,137,173	0.46%	(220,894)
Revenue - Other Agencies	480,510	0.17%	795,167	0.32%	314,657
Revenue - Other Financing	31,260	0.01%	79,349	0.03%	48,089
Total Revenue	\$ 275,774,302	100.00%	\$ 249,474,022	100.00%	\$ (26,300,281)

EXPENDITURES

- General fund expenditures through March 31, 2020 were \$279,599,030; this was \$13,451,731 (+5.1%) more than this time last year.

Highlights:

- **Certificated salaries** consist of compensation including, but not limited to, regular salaries, substitutes, extended contracts, extra work for extra pay and training for employees holding an educational certificate, (e.g., teachers, principals, librarians, etc.).

Expenditures in this category increased \$3,309,898 (+2.7%) from this time last year. This variance was the result of the following:

- \$2,456,122 increase in regular salaries due to negotiated salary increases, including +3.0% increase for teachers
- \$804,337 increase in optional days (extra work activities, outside of the normal work day)
- \$282,224 increase in certificated substitute salaries
- \$259,360 decrease in extra pay for extra work
- The remaining difference is due to smaller variances in several other programs

- **Employee Benefits** consist of expenditures for the district's portion of employee benefits (e.g., retirement, social security, health insurance, etc.). This category increases or decreases in proportion to the number of staff, salaries and changes in benefit rates.

Expenditures in this category increased \$4,263,113 (+6.7%) compared to this time last year. This variance is a result of an increase in health care and retirement rates for the 2019-20 school year as well as the implementation of the Washington State School Employees Benefits Board that occurred in January.

- **Supplies and materials** consist of expenditures for supplies, instructional materials, and equipment costing less than \$5,000.

Expenditures in this category increased \$2,331,249 (+25.5%) compared to this time last year. This variance was the result of the following:

- \$1,682,552 increase in textbooks purchased for the Curriculum & Instruction K-12 Math program
- \$557,907 decrease in supplies & materials including purchases made last year for district-wide science and health curriculum
- \$549,471 increase in software purchases, including a software component of the recent math curriculum adoption
- \$361,955 increase in district-wide food costs including the National School Lunch Program
- \$191,489 increase in subscription costs, including IT security services
- The remaining variance is due to smaller variances in several other programs

- **Contractual services** consist of expenditures for services rendered to the district under expressed or implied contracts, with the exception of travel.

Expenditures in this category increased \$3,593,727 (+13.4%) compared to this time last year. This variance was the result of the following:

- \$1,662,137 increase in total district-wide utilities
- \$1,479,109 increase in various district-wide contracted services including those used for the Special Education program
- \$382,056 increase in general liability insurance
- \$212,192 increase in election costs used to cover the 2020 bond measure
- The remaining variance is due to smaller variances in several other programs

The levels of expenditures within various object categories and the increases or decreases from this time last year are shown in **Table 3**.

Table 3

<u>Expenditure and Other Financing Uses Comparison by Year</u>					
Expenditure Objects	Through March 2019	Percent of Total	Through March 2020	Percent of Total	Variance higher/(lower)
Certificated Salaries	\$ 121,883,354	45.80%	\$ 125,193,252	44.78%	\$ 3,309,898
Classified Salaries	44,100,342	16.57%	44,095,732	15.77%	(4,610)
Employee Benefits	63,378,783	23.81%	67,641,896	24.19%	4,263,113
Supplies and Materials	9,129,346	3.43%	11,460,595	4.10%	2,331,249
Contractual Services	26,750,512	10.05%	30,344,239	10.85%	3,593,727
Local Mileage & Travel	365,400	0.14%	385,579	0.14%	20,179
Capital Outlay	540,463	0.20%	478,636	0.17%	(61,827)
Total Expenditures	\$ 266,148,199	100.00%	\$ 279,599,930	100.00%	\$ 13,451,731

FUND BALANCE

Fund balance is the excess of assets of a governmental unit over its liabilities (i.e., beginning fund balance plus revenues, less expenditures and transfers, equals ending fund balance). In accordance with Government Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definition* are as follows: Nonspendable, Restricted, Committed, Assigned or Unassigned. Funds that are designated for a specific purpose are placed in fund balance accounts per the Board's Debt and Fiscal Management Policy 6015 and generally accepted accounting principles (GAAP). The Debt and Fiscal Management Regulation targets the fund balance at year-end to be 5% of budgeted general fund revenues less other financing sources, and for the month of March the district is at 2.09%. These fund balance accounts are structured to facilitate the prudent fiscal operation of the district. These accounts should remain at the designated levels unless there is substantial change in the district's operational requirements. The accounts are frequently reviewed in relation to board policies and GAAP requirements.

Table 4 shows a comparison of fund balance as of March 31, 2019 and March 31, 2020. The fund balance fluctuates with both the receipt of revenues and the flow of expenditures. This yearly cycle of revenues and expenditures is considered when developing both projections for the current year and the budget for the upcoming year. The district has earmarked all available funds, not otherwise restricted, committed or assigned to be placed in the assigned to future operations category as a onetime source to help balance future operating budgets.

Table 4

Fund Balance Descriptions for the fiscal period ended	Fund Balance Comparison by Year				
	March 2019	Percent of Revenue	March 2020	Percent of Revenue	Variance higher/(lower)
Nonspendable - Inventory & Prepaid Items	\$ 4,294,404	0.93%	\$ 4,333,231	0.92%	\$ 38,827
Committed to Debt and Fiscal Management	-	0.00%	-	0.00%	-
Committed to Encumbrances	213,631	0.05%	207,939	0.04%	(5,692)
Committed to Contingencies	1,000,000	0.22%	1,000,000	0.21%	-
Total Debt & Fiscal Management Fund Balance	\$ 5,508,035	1.19%	\$ 5,541,170	1.18%	\$ 33,134
Restricted for Carryover	\$ 1,060,151	0.23%	\$ 2,084,993	0.44%	\$ 1,024,842
Restricted for Debt Service	425,906	0.09%	218,832	0.05%	(207,074)
Assigned to Carryover	1,050,624	0.23%	2,218,341	0.47%	1,167,717
Assigned to Curriculum & Instruction	2,083,677	0.45%	3,157,779	0.67%	1,074,102
Assigned to Future Operations	7,600,551	1.65%	4,393,592	0.93%	(3,206,959)
Restricted or Assigned Fund Balance	\$ 12,220,909	2.65%	\$ 12,073,537	2.56%	\$ (147,372)
Total Nonspendable, Restricted, Committed and Assigned Fund Balance	\$ 17,728,944	3.85%	\$ 17,614,707	3.74%	\$ (114,238)
Unassigned Fund Balance	\$ 9,079,171	1.97%	\$ (25,793,719)	-5.48%	(34,872,890)
Unassigned for Minimum FB Policy	\$ 15,787,294	3.42%	\$ 17,998,409	3.82%	2,211,115
Total Unassigned Fund Balance	\$ 24,866,465	5.39%	\$ (7,795,310)	-1.66%	\$ (34,872,890)
Total Fund Balance	\$ 42,595,410	9.24%	\$ 9,819,397	2.09%	\$ (32,776,012)
Revenue less other financing	\$ 461,049,431 *		\$ 470,791,586 **		

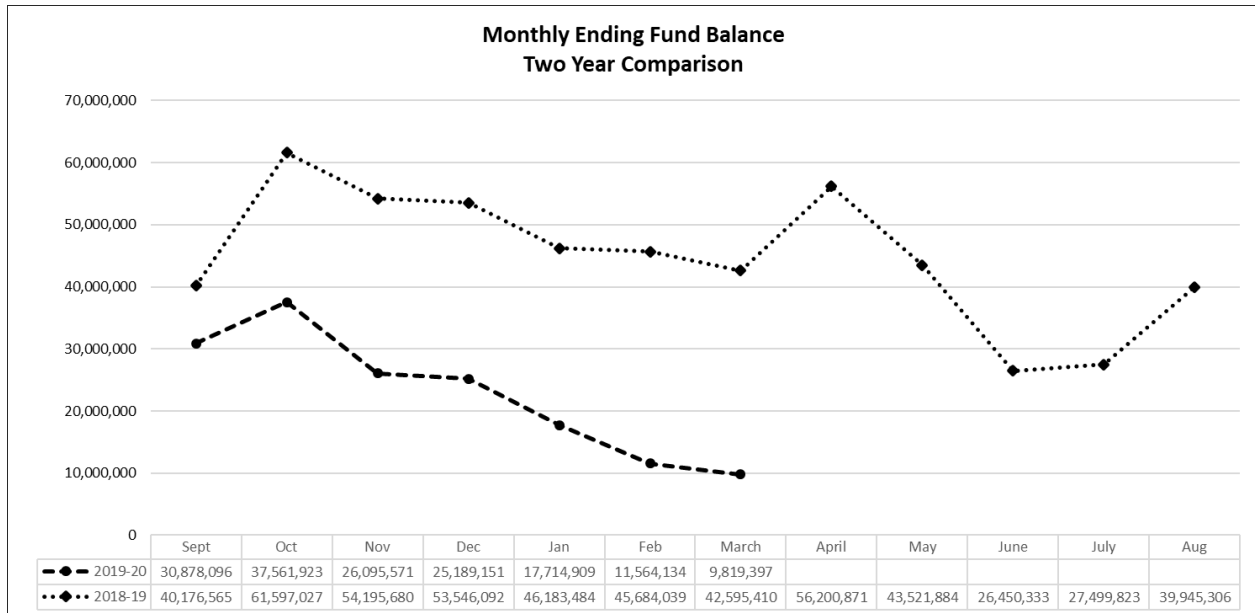
*2018-19 total actual revenue less other financing sources as of August 31, 2019

**2019-20 budgeted revenue less other financing sources

The Unassigned Fund Balance account is the net result of operations. This account fluctuates with both the receipt of revenues and the flow of expenditures. A negative balance indicates that the district is using more resources in that month.

Table 5 shows a two-year history of the monthly ending fund balance. The ending fund balance will appropriately fluctuate based upon when certain revenues are received and expenses accrued. The fund balance typically increases in October and April when the district receives property tax revenue.

Table 5



Cash Management

In addition to the fund balance, another key performance indicator used to monitor the financial health of the district is cash on hand. The district uses cash to meet payroll and pay bills as they arise. Because revenue is not received on a regular schedule over the course of the year, the cash on hand balance will fluctuate as those expenditures occur. For the month of March, total cash on hand was \$35,786,349 and daily expenditures amounted to \$1,284,241 per day which when used in the formula [cash on hand / daily expenditures] equates to 27.87 days of cash on hand.

Table 6 displays a comparison of cash on hand records through the period ending March 31 for fiscal years 2018-19 and 2019-20.

Table 6

<u>Cash Balance Comparison by Year</u>				
	March	March	Variance	
	2019	2020	higher/(lower)	
230 - Cash with Key Bank	\$ 628,855	\$ 647,268	\$ 18,413	
240 - Cash with Treasurer	6,645,816	4,306,651	(2,339,165)	
241 - Warrants Outstanding	(3,744,358)	(1,843,961)	1,900,397	
45x - Investments	63,443,585	32,676,391	(30,767,194)	
Total Cash on Hand	\$ 66,973,897	\$ 35,786,349	\$ (31,187,548)	
Avg Daily Balance	\$ 2,160,448	\$ 1,154,398	\$ (1,006,050)	
Days Cash on Hand	52.39	27.87	(24.52)	

ENROLLMENT

State funding for school districts is based on the annual average full-time equivalent (FTE) students enrolled in the district. FTE is calculated based on the number of classroom hours of instruction received.

The budgeted annual average FTE enrollment of 28,159 is based on the demographer's October projection including a 0.5% discount and a 3 year weighted average of October to year-end enrollment. Monthly budgeted enrollment is also based on a three year weighted average.

Table 7 shows monthly budgeted, projected enrollment counts and actual counts through March 2020. The projected annual adjusted average is currently 196 FTE more than the budgeted average.

Table 7

Budget vs. Projected Enrollment K-12 Full Time Equivalent (FTE) Enrollment				
	Month	Monthly Budget	Monthly Projected	Variance
	* Sep - 19	27,616	27,625	9
	* Oct - 19	27,462	27,850	388
	* Nov - 19	27,665	27,891	226
	* Dec - 19	27,657	27,768	111
	* Jan - 20	27,595	27,756	161
	* Feb - 20	27,430	27,538	108
	* Mar - 20	27,418	27,525	107
	Apr - 20	27,307	27,415	108
	May - 20	27,279	27,387	108
	Jun - 20	27,189	27,297	108
Average		27,462	27,605	143
Running Start		293	332	39
TCC Fresh Start		183	147	(35)
Reengagement		149	182	33
Goodwill		31	20	(11)
Alternative Learning Experience		41	69	28
Adjusted Average		28,159	28,355	196

Actual data through March 2020

Every student enrolled is converted to a full-time equivalent (FTE) based on the number of instructional hours. A full-time equivalent student for grades 4-12 is 900 hours (i.e., 5 hours per day x 180 days) and grades 1-3 is 720 hours (i.e., 4 hours per day x 180 days), for .5 FTE (half day) kindergarten student is 360 hours (i.e., 2 hours per day x 180 days).

Students who participate for only part of the year or part of each day are calculated as a portion of an FTE. Any district may choose to serve students more hours per day or per year than the state definition of full-time equivalent. However, those students who attend classes more hours per day will not generate more than one FTE for funding purposes.

Student enrollment is typically highest in October, but for funding purposes, monthly enrollment is averaged for the year. The graph in **Table 8** shows the budget and actual monthly enrollment through June and the budgeted and projected average enrollment for the year. Although this graph only lists September through June, the figures include projected annual average counts through August 2020. This is done to include corrections to prior monthly reports and enrollment that falls outside of the traditional school year (e.g., Running Start, Summer School, etc.) in the annual average.

Table 8

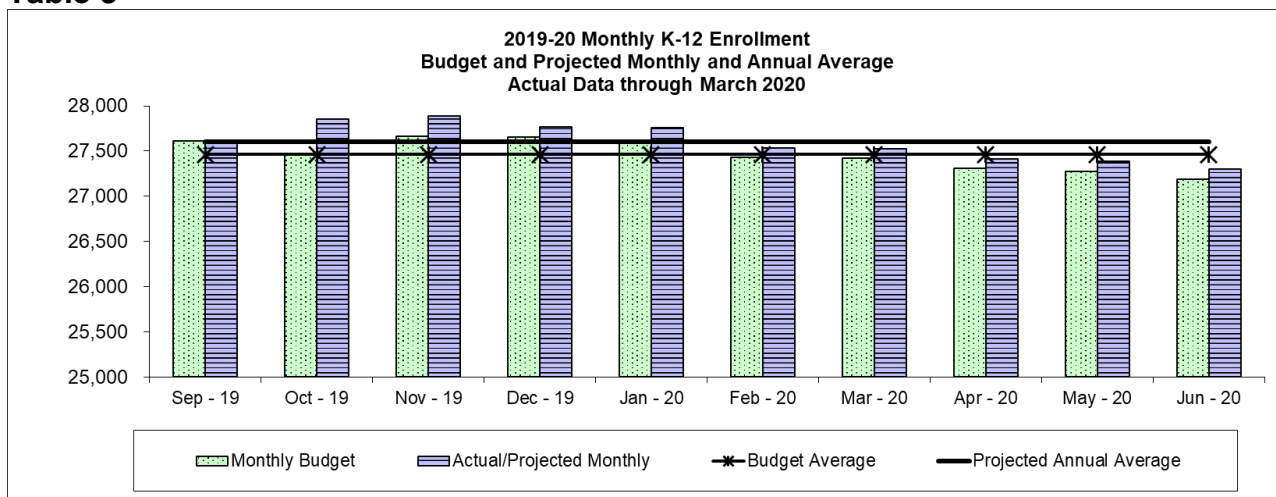


Table 9 displays the variances between actual and projected annual average FTE by individual grade level for 2018-19 and 2019-20, and the variance between projected and budgeted average FTE for 2019-20.

The projected average for 2019-20 enrollment varies from 2018-19 actual enrollment as follows (**Table 9, Column (D)**):

- Elementary schools (grades K-5) decreased by 153 FTE;
- Middle schools (grades 6-8) increased by 169 FTE;
- High schools (grades 9-12) increased by 29 FTE;
- Running Start (college level courses) increased by 41 FTE;
- TCC Fresh Start decreased by 21 FTE;
- Reengagement Center increased by 30 FTE;
- Goodwill decreased by 9 FTE;
- ALE (Alternative Learning Experience) increased by 37 FTE;

The combined variances results in an average increase of 122 student FTE from the previous year.

Table 9

K-12 Annual Average FTE Enrollment Two Year Comparison					
	(A) 2018-19 Actual	(B) 2019-20 Budget	(C) 2019-20 Projected	(D) Variance (C)-(A)	(E) Variance (C)-(B)
Kindergarten	2,248	2,272	2,238	(10)	(34)
Grade 1	2,202	2,178	2,267	66	89
Grade 2	2,228	2,108	2,190	(38)	82
Grade 3	2,256	2,142	2,228	(29)	86
Grade 4	2,288	2,152	2,244	(44)	92
Grade 5	2,380	2,204	2,282	(98)	78
Elementary	13,602	13,057	13,449	(153)	392
Grade 6	2,346	2,257	2,292	(54)	35
Grade 7	2,188	2,300	2,306	118	6
Grade 8	2,049	2,184	2,153	105	(30)
Middle School	6,582	6,740	6,751	169	11
Grade 9	2,187	2,127	2,098	(89)	(29)
Grade 10	1,925	2,137	2,130	205	(7)
Grade 11	1,754	1,744	1,663	(91)	(82)
Grade 12	1,511	1,655	1,514	4	(141)
High School	7,377	7,664	7,405	29	(259)
Running Start	290	293	332	41	39
TCC Fresh Start **	168	183	147	(21)	(35)
Reengagement Center **	152	149	182	30	32
Goodwill **	29	31	20	(9)	(11)
Alternative Learning Experience	32	41	69	37	28
Grand Total *	28,233	28,159	28,355	122	196
Actual data through March 2020					

** Open Doors - 1418 Programs

COVID-19

March 7, 2020: The Tacoma School District was alerted to a staff member at Lyon Elementary School that had tested presumptive positive for the novel coronavirus, also known as COVID-19. In response, the district temporarily closed Lyon in accordance to the recommendation by the Tacoma-Pierce County Health Department.

March 9: Three additional district schools also had individuals who received presumptive positive test results and these locations were also temporarily closed.

March 11: Washington State Governor Jay Inslee announced that events gathering more than 250 people in Pierce, King, and Snohomish counties were to be cancelled. He also advised the school districts in these counties to be prepared for a possible shutdown.

March 13: Governor Inslee ordered the closure of all schools in King, Pierce and Snohomish counties to begin on March 16 with the expected reopening date of April 27.

As part of the coronavirus response, the Tacoma School District immediately began formalizing plans to support students and their families. On March 16, the first day of the closure, the Nutrition Services department began distributing two free meals (lunch for the day and breakfast for the following morning) to all district students, Monday thru Friday. The district also began utilizing the Transportation department to dispatch buses to various sites around the district to help with the distribution of these meals. In addition, on March 23, Tacoma Public Schools in partnership with multiple local community organizations, opened five free school-based day camps for the children of the community's healthcare workers and first responders. The district also created grade-level family resource packets available online and printed for distribution at the meal sites.

The district is closely monitoring the financial impacts that COVID-19 is having on revenues and expenditures. The Washington Office of Superintendent of Public Instruction (OSPI) has begun to lay framework for how the district will be reimbursed for certain COVID-19 related expenditures and has requested districts to develop a unique accounting identifier for tracking purposes. Additionally, OSPI has committed to continue paying state apportionment revenues which is typically based on current enrollment numbers. They have decided to use February 2020 enrollment for the remainder of the 2019–20 school year and apply an adjustment rate, which refers to the historical trend of enrollment changes in the last few months of the school year. In addition to state funding changes, several Federal relief acts have been established through the Department of Education, including the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which was signed into law on March 27, 2020. OSPI has determined that the Title I allocation methodology will be used when dispersing funds allocated for Washington school districts.

Table 10 shows the district's current expenses under the budget responsibility code (BRC) used to track COVID-19 related expenditures

Table 10

Expenditures by Object	Amount of Expenditures
Debit - 0XXX	36,741.49
Salaries - Certificated Employees - 2XXX	481.91
Salaries - Classified Employees - 3XXX	10,917.47
Benefits and Payroll Taxes - 4XXX	2,516.86
Supplies, Instructional Resources - 5XXX	218,940.19
Purchased Services - 7XXX	4,213.89
Travel - 8XXX	
Capital Outlay - 9XXX	
Totals by Object	273,811.81

CONCLUSION

Fiscal operations and performance to budget are being closely monitored. The district administration continually reviews legislation and operations to make improvements for the benefit of the students, employees, and in stewardship of district assets.