



2019-2020 Budget, Staffing & Enrollment Update

April 25, 2019

Included in this Management Report:

- ▶ School District Funding Basics
- ▶ General Fund Revenues & Expenses
- ▶ Challenge for 19-20 School Year
- ▶ Complexity in Determining Reductions
- ▶ Solution Process for 19-20 School Year
- ▶ Enrollment Information
- ▶ Staffing Information
- ▶ Identified Reductions

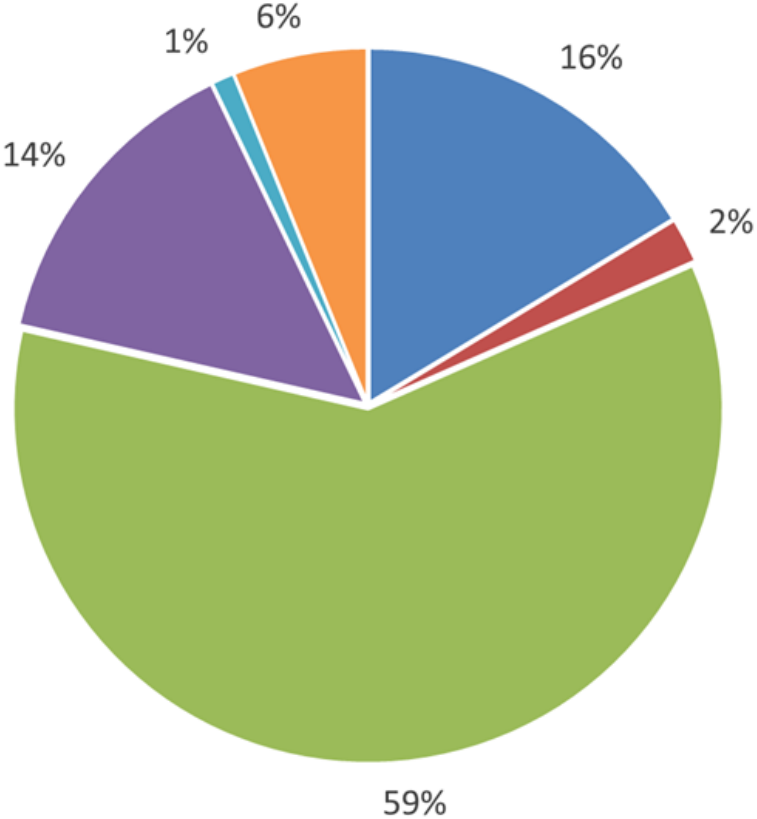
Funds for School District Budgets

- ▶ General Fund
 - ▶ All Financial Resources Except Those Required To Be Accounted For In Another Fund
 - ▶ Day To Day Operations Of The School District
 - ▶ Salaries And Benefits, Materials, Supplies, Operating Costs
- ▶ Capital Projects Fund
 - ▶ Acquisition of lands or buildings, major modernization of buildings and other property such as fields, and acquisition of equipment, including technology systems
- ▶ Debt Service Fund
 - ▶ Redemption and payment of interest on bonds
- ▶ Associated Student Body Fund
 - ▶ Student extracurricular activities in each school
- ▶ Transportation Vehicle Fund
 - ▶ Purchase or major repair of pupil transportation equipment
- ▶ **Key Take-away: Funds cannot be intermixed**
 - ▶ **Certain accounts/funds within the general fund also cannot be intermixed**

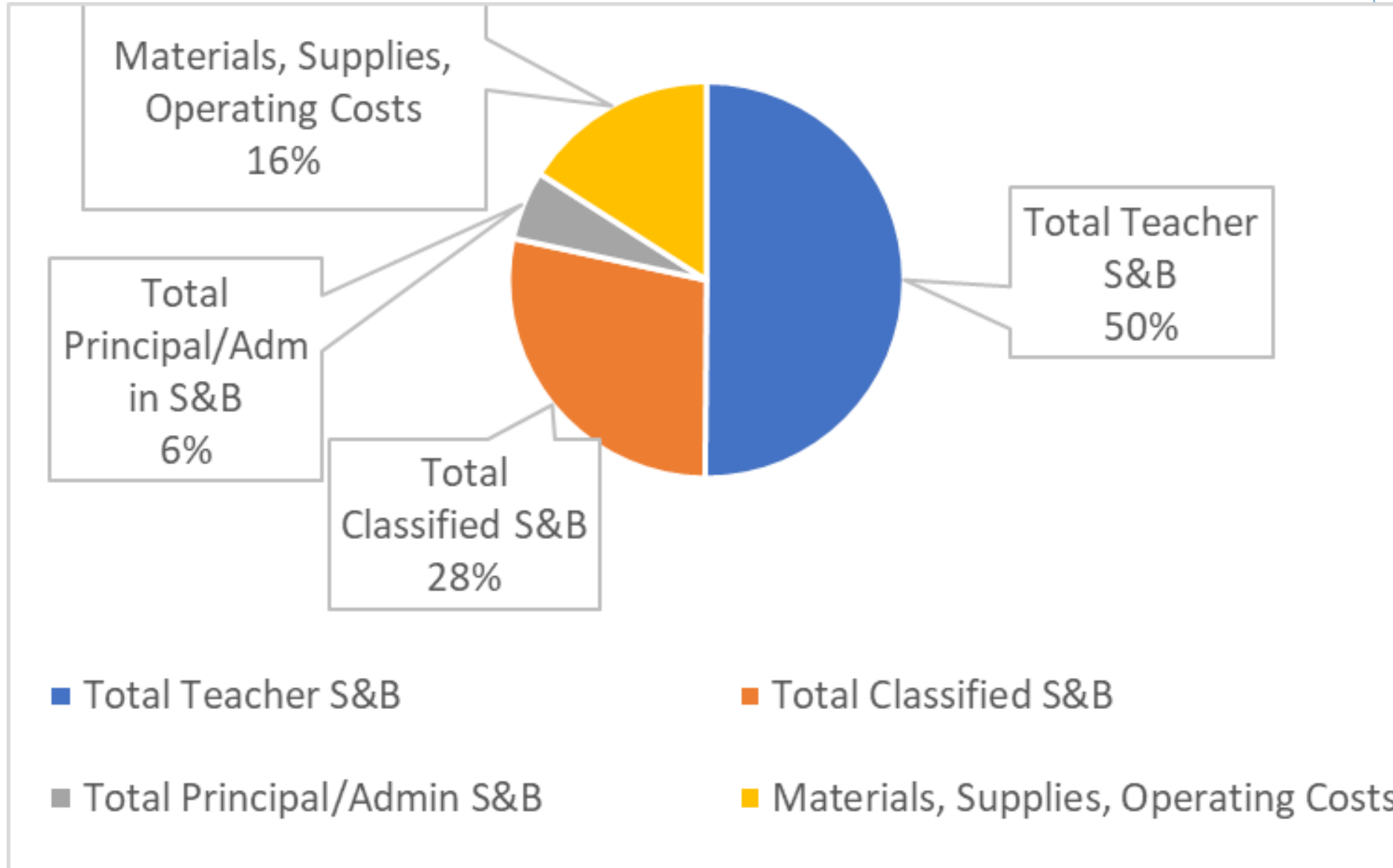
General Fund Revenue Elements

18-19 General Fund Budgeted Revenue

- Local Taxes, \$14,354,187
 - Local Non-Tax, \$2,019,547
 - State, General Purpose, \$53,806,442
 - State, Special Purpose, \$12,667,237
 - Federal, General Purpose, \$1,232,000
 - Federal, Special Purpose, \$5,465,000
- Total Revenue \$89,544,414
Interfund loan repayment: \$2,000,000



Expenses: General Fund



But wait...

Didn't McCleary fix school funding?

- ▶ The McCleary fix did allocate additional funding for schools
- ▶ It also reduced local levy authority
- ▶ And... the prototypical model was not adjusted - in other words, the new funding was not designated to shore up basic education FTE
- ▶ Furthermore, there are other unfunded mandates that are currently being discussed in the legislative session, most notably SEBB (School Employee Benefits)

Unfortunately, we are not alone...

- ▶ Each week, we read news articles where other districts are disclosing significant budget pressure in 2019-2020. On average, districts are reporting the need to reduce program/budget by approximately 5-10%. Some districts who have publicized their concerns include:
 - ▶ Everett, Vancouver, Aberdeen, Seattle, Yakima, Tacoma, Mount Vernon, Spokane, Wenatchee, Naselle-Grays River Valley, Moses Lake, Longview, Edmonds, Kelso, Winona Area, Pleasantville, Richland, Evergreen, South Kitsap, Bainbridge Island, Mead, Spokane...

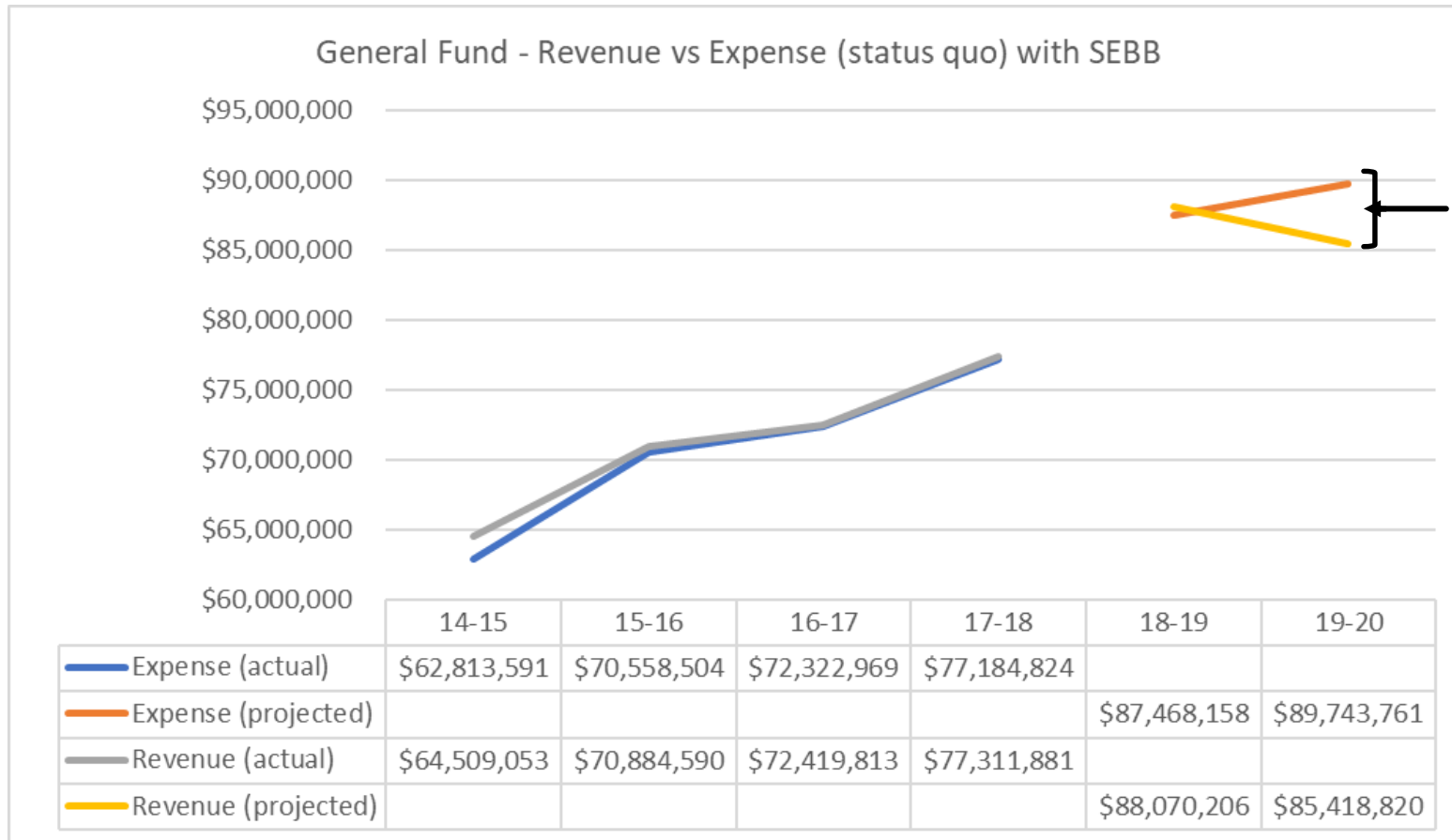
Reality for the 2019-2020 School Year

- ▶ Projected Revenue in 19-20 School year approximately \$2.6M less than the 18-19 School year due to continued reduction in local levy authority
- ▶ Enrollment decline in 2019-2020
- ▶ Salary and Benefit costs rose markedly in the 2018-2019 school year due to market conditions
- ▶ 2018-2019 revenue abnormality due to the overlap of new state funding with old levy rates
- ▶ 2019-2020 school year revenues currently projected to be less than expenses
 - ▶ Position control, Program review, Department review will be needed to align expenditures with future revenues

Revenue vs Expenditures - with SEBB

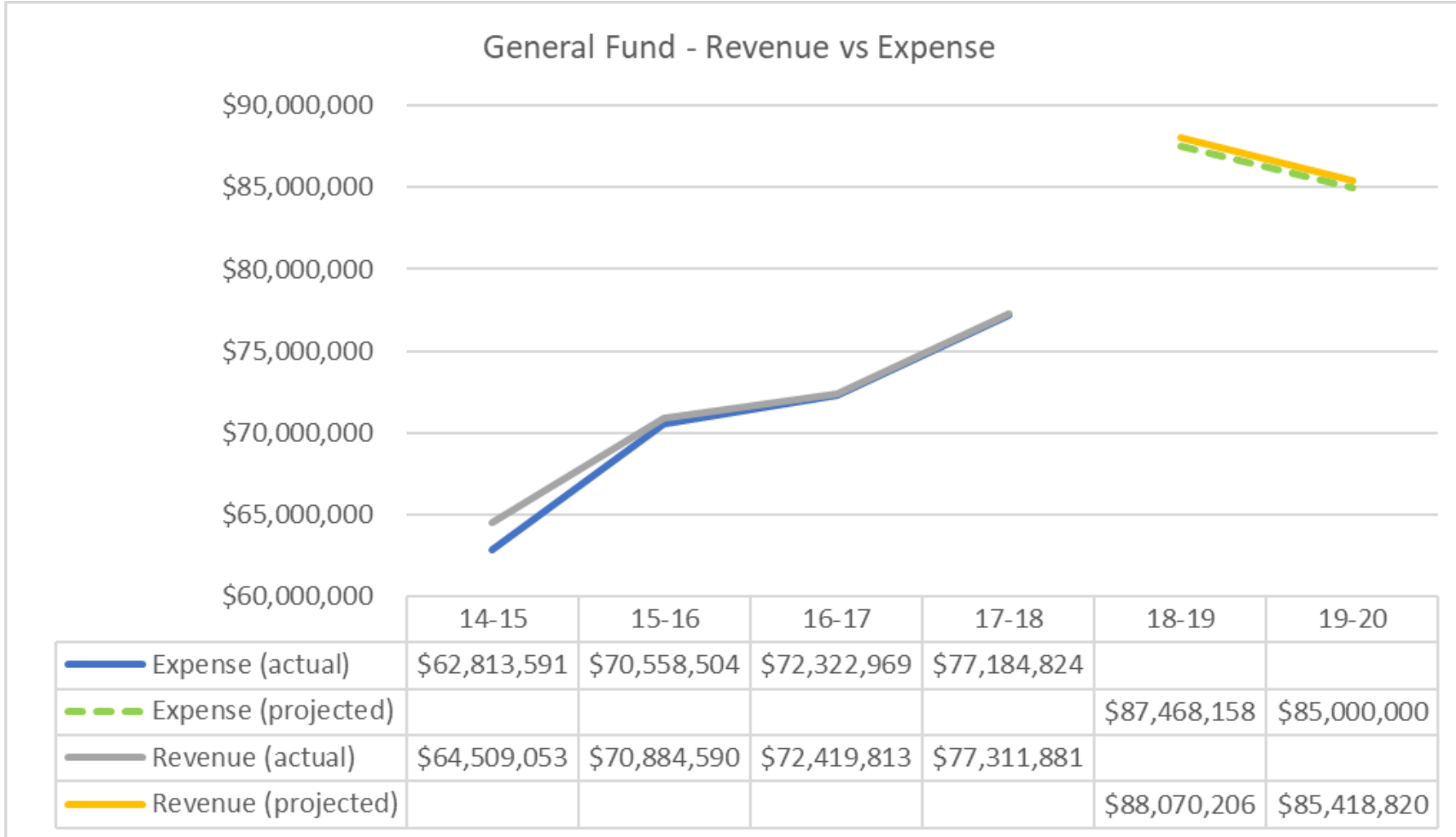
"Statement of Problem"

- ▶ 18-19 GF Authorization: \$87,621,701 (Budget Extension request +\$2M)



Declining Enrollment,
Increasing Salary Costs,
Levy Swap unevenness,
Increasing Healthcare Costs

Revenue vs Expenditures - with adjustments



Legislative Uncertainty - SEBB, SPED, etc



Impact of SEBB district wide in NKSD

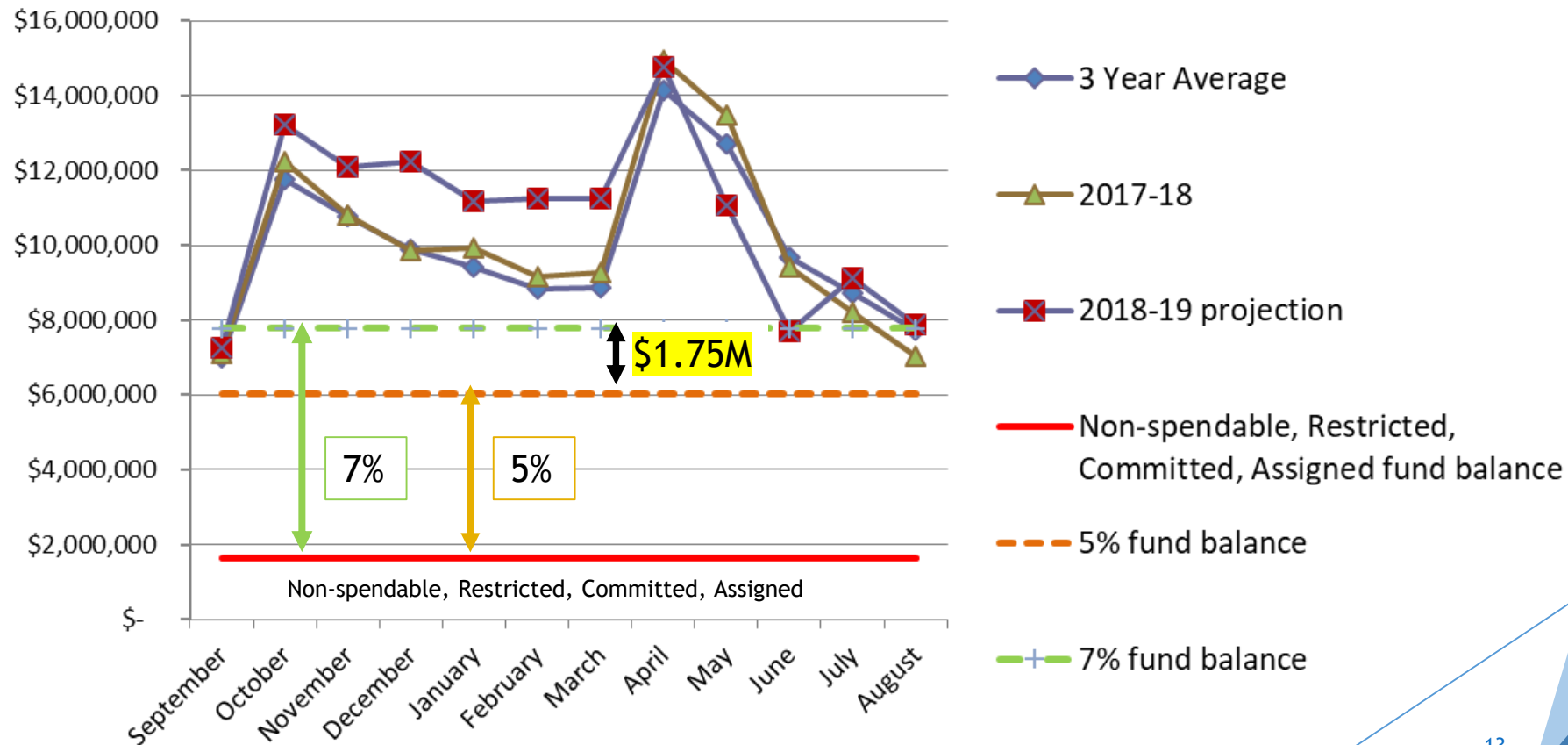
- ▶ SEBB costs - \$1114/month per eligible employee that works over 630 hours per year (\$13,368/year)
- ▶ Additional burden to local levy and food service revenue sources
- ▶ Now all employees working over 630 hrs/year will receive full-time insurance benefits
- ▶ Because the state will only partially fund the people covered in the prototypical model, NKSD must cover all employees as per SEBB, even those we pay for with local levy dollars. There is no differentiator for state funded employees vs local funded employees.

	Per month per prototypical model FTE	Annual Benefit Revenue	Annual Benefit Costs to district	Annual employee out of pocket	Annual Benefits funded by local levy
18-19 before SEBB	\$ 843.97	\$ 5,155,867.24	\$7,558,509.91	\$919,298.88	\$ 2,402,642.67
After SEBB	\$ 1,114.00	\$ 7,297,857.62	\$10,868,184.00	\$1,411,368.00	\$ 3,570,326.38
Difference (+/increase)		\$ 2,141,990.38	\$ 3,309,674.09	\$ 492,069.12	\$ 1,167,683.71

2018-2019 Fund Balance projection

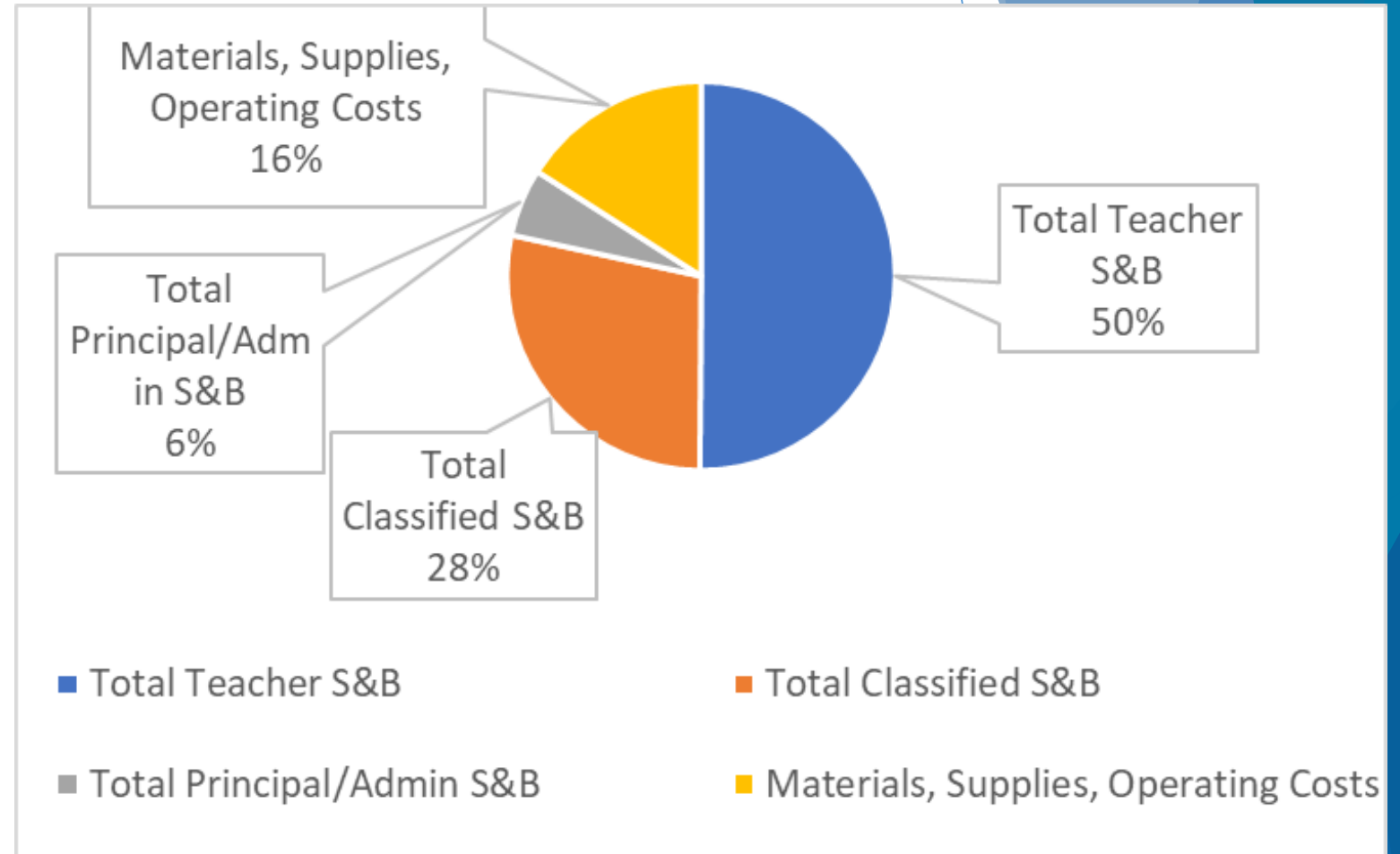
- ▶ Assuming year end Enrollment forecast from October enrollment actual
- ▶ Known and Projected Salary & Benefit changes
- ▶ Recent OSPI Increased allocation for Transportation Operations

Between 7% and 5% = \$1.75M
 7% ~ one month of Salaries and Benefits



As such, we are working to determine the appropriate response

- ▶ Avoid “easy” fix
- ▶ Getting it right instead of getting there fast
- ▶ Defining "proportional"...
- ▶ Using good process
 - ▶ HR/Business offices working more closely together than ever before
- ▶ Steps to date
 - ▶ District Service Council and Leadership team inputs and prioritization
 - ▶ Spending and hiring pause in current year
 - ▶ Community input on April 11
 - ▶ Communication with faculty/staff
- ▶ What we do know: There will be an impact to staffing and personnel



Staffing Guidelines

- ▶ Enrollment drives staffing
- ▶ Prototypical model
- ▶ Fed/state dollars
- ▶ CBA
- ▶ Categorical funding
- ▶ Must retain placeholders for budgeted staffing for open positions

Staffing Allocation Model 2019-2020

	NKEA Limit	Staffing Ratio
K-3 Grades	20:1	20:1
4-5 Grades	27:1	27:1
6-8 Grades	30:1	28:1
9-12 Grades	32:1	30:1

Staffing Information: Student Enrollment (non-Running Start)

Enrollment Projections



— Enrollment Projections

14-15

15-16

16-17

17-18

18-19

19-20

5599

5497

5839

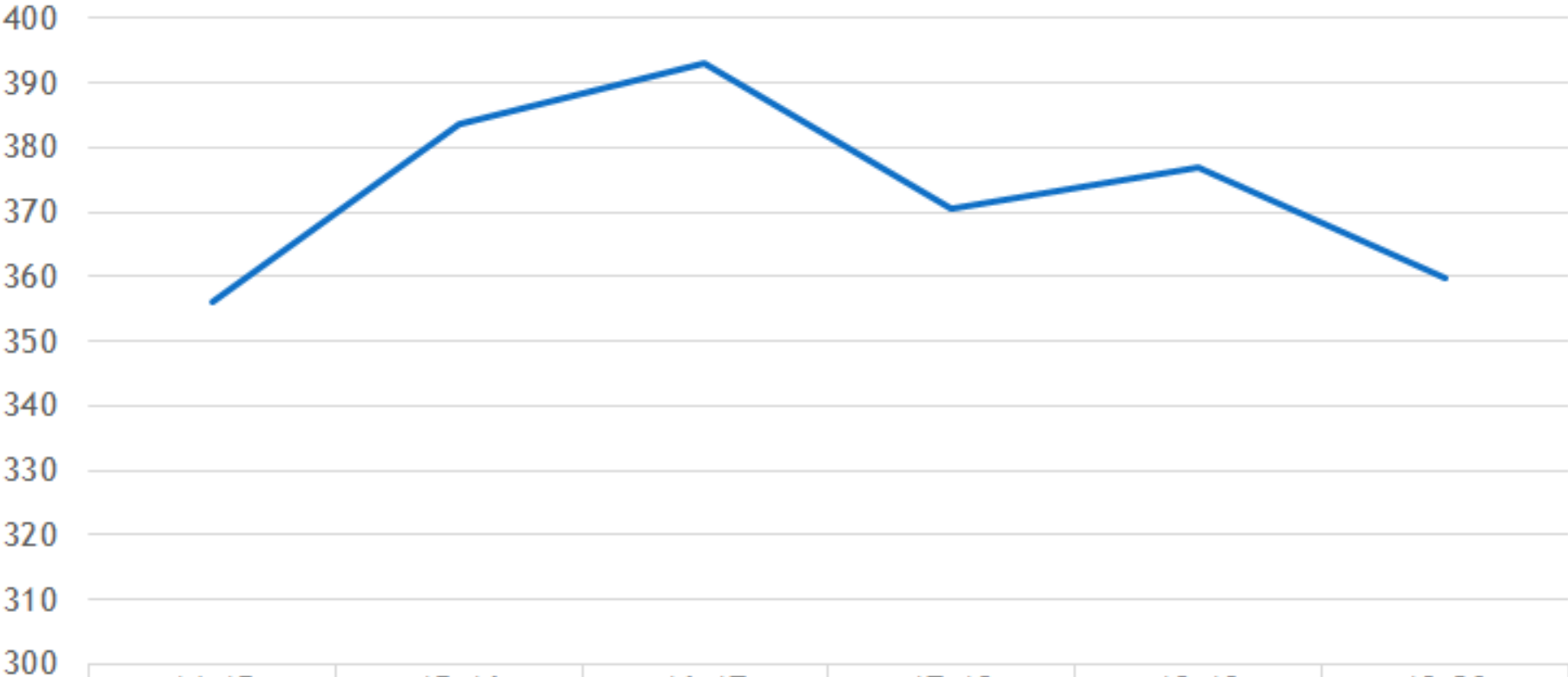
5574

5737

¹⁷ 5601

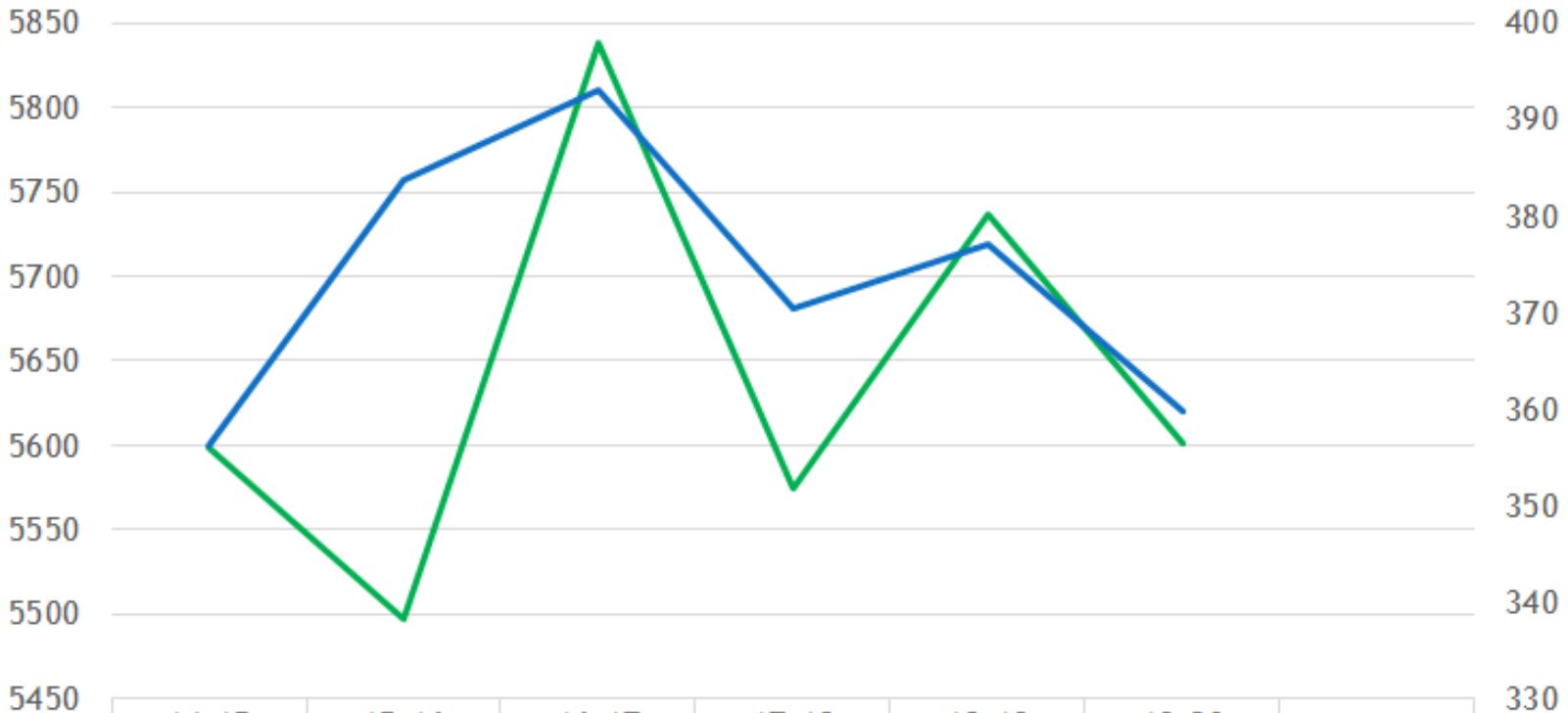
Staffing Information: Staffing

Certificated Staffing



	14-15	15-16	16-17	17-18	18-19	19-20
— Certificated Staffing	356.2	383.75	393.1	370.5	377	359.8

Staffing Information: Staffing + Enrollment



	14-15	15-16	16-17	17-18	18-19	19-20	
Enrolment Projections	5599	5497	5839	5574	5737	5601	
Certificated Staffing	356.2	383.75	393.1	370.5	377	359.8	

Change to Educational Program

	2018-2019	2019-2020	Difference
Elementary	180	173	7
Secondary	167	157	10
CTE	22	20.6	1.4
Special Education	61	58	3
			Program Reduction of: 20 FTE

Identified/Proposed Reductions

- ▶ Administration - 2.0 FTE
- ▶ Student Support Center staffing - 2.0 FTE
- ▶ Spending slowdown across NKSD in current year
- ▶ Copy Center closure - personnel and MSOCs
- ▶ Curriculum budget - reduction of \$200,000
- ▶ Position control and staffing to need/ratio (certificated and classified)
- ▶ Transportation efficiencies and staffing to need
- ▶ Fee increase for facility rental, food services and athletics participation

- ▶ **TOTAL: \$3 MILLION**

**Recommendation:
Approve Program Reduction Resolution**

Questions / Discussion

Various slides from prior study sessions and board presentations follow.

They are shared for context and recall of prior discussion regarding the 2019-2020 budget

Basic Functions of a School District that are Not Funded

Role	Funded	Actual	Comments
Central Admin	15	19.5	See below for the various categories
Business Office Supervision	0	2	Overseeing that all accounts are in order, accounts payable are correct, purchase orders, all business functions
Facilities Supervision	0	4	Ensure that maintenance and grounds personnel are evaluated, supplies ordered and maintained, audit-compliant, CBA compliant
Technology Supervision	0	1	8000 users and devices, oversee expenditures and service schedules, ensure inventory control
Transportation Supervision	0	2	Evaluate 70+ drivers and staff, ensure buses are compliant with safety requirements, ensure student safety, schedules, maintenance.
Payroll Supervision	0	1	Ensure all 1000+ employees have correct payroll every month
Human Resources Supervision	0	1	Ensure all hiring process are compliant with CBAs, policy and all laws, labor management, job posting management, onboarding
Food Service Supervision	0	1	Inventory, ordering, USDA compliance, training provider
Central Admin	5.15	5.2	cost vs allocated \$ is over \$30k+ benefits per allocated FTE
Principals	16.5	15.5	cost vs allocated \$ is over \$30k+ benefits per allocated FTE

Mental Health Support, Graduation Support

	Funded	Actual	Optimal Staffing	notes
Guidance Counselor	12	14.5	1:200 ratio MS/HS, 1:500 Elementary	As they stand now, guidance counselors provide academic counseling but limited or no mental health services
HS intervention specialist	0	2.0	4 FTE, 2 at each HS	Social-emotional support for HS students
HS graduation specialist	0	.8	2 FTE, 1 at each HS	Focused social-emotional and learning support for HS students
School Nurses	0.91	4	1:500 ratio is optimal	Contracted service. Prototypical model is woefully under realistic needs.
Psychologists	0.15	6	1:500 ratio Is optimal	Again, this is woefully under realistic needs. Psychs by necessity focus on SPED referrals. No opportunity for mental health work with students.

Current initiatives to increase support services in the area of mental health will help and are absolutely essential. Mental health services provided with academic/learning support services, especially at the HS level, would make a big difference in our on-time graduation rates.

Health and Safety

	Funded	Actual	2010 OSPI study	notes
Custodian	23	35	40	We have over 1 million SF of buildings
Maintenance/Grounds	10	16	28	We have over 230 acres of grounds
Computer Technician	3.3	10	10.6	We have 7000 users needing devices and support
Student Safety	1.1	18	3.38	NKSD number includes bus supervision
Para educators	9.95	10	14	Need for supervision in common areas and recesses is increasing every year
School Office Support	27.3	23.6	38	With security measures in place additional staffing would be extremely helpful to man entrances and help w/security
Central Admin	15	19.5	**	See below for the various categories
Business Office Supervision	0	2	**	
Facilities Supervision	0	4	**	
Technology Supervision	0	1	**	
Transportation Supervision	0	2	**	
Payroll Supervision	0	1	**	
Human Resources Supervision	0	1	**	
Food Service Supervision	0	1	**	
Central Admin	5.15	5.2		cost vs allocated \$ is over \$30k+ benefits per allocated FTE
Principals	16.5	15.5		cost vs allocated \$ is over \$30k+ benefits per allocated FTE

2018-2019

Local levy dollars needed to provide "basic education" this year

- ▶ Special Education - \$1,990,000
 - ▶ Current situation: SPED is funded on a percentage multiplier allocation model with no regard for specialty needs. We get the same money for a student with a mild learning disability as we do for a wheelchair bound, developmentally delayed student. We have to use local money to fund "basic education" for our students with the greatest needs.
 - ▶ Proposed legislation will make the special education allocation similar to the BEA allocation models - this will help but it still will not fully fund special education in NKSD.
- ▶ Transportation - \$897,000
 - ▶ Currently funded on a curve fit model of other cohort district costs based on ridership, mileage, land area with no regard for local economics or geographic challenges. In NKSD, we have limited road infrastructure combined with "lakes of trees" that we have to drive around (large agricultural lots) and we end up having to support basic transportation with local money.

Salaries & Benefits vs Materials, Supplies & Operating Costs

- ▶ Historically (since 2001)
 - ▶ Salaries and Benefits (S&B)
 - ▶ 80 to 87%, average 85%, last 3-year average 83%
 - ▶ MSOC (Materials, Supplies, Operating Costs)
 - ▶ 20 to 13%, average 15%, last 3-year average 18%
- ▶ Previously Recommended
 - ▶ Target 80%/20% with a limit of 82%/18%
- ▶ Labor market changes
 - ▶ New Target 84%/16%
 - ▶ % with a limit of +/- 0.5%

Recommended Salaries & Benefits by category

	17-18	16-17	15-16	14-15	Average
Teacher S&B	49.8%	50.8%	50.6%	50.1%	50.3%
DO Admin S&B	2.4%	3.0%	2.8%	2.2%	2.6%
Building admin S&B	3.7%	3.7%	3.6%	3.8%	3.7%
Classified S&B	26.9%	27.1%	26.1%	26.8%	26.7%
MSOC	17.3%	15.5%	16.9%	17.2%	16.7%

Fund Balance

- ▶ Components of Fund Balance
 - ▶ Non-spendable - Inventory, pre-paid items
 - ▶ Restricted - categorical program carryover, debt service, self-insurance
 - ▶ Committed - board resolution for specific purposes
 - ▶ Assigned - management reserve (ie, building carryover, etc)
 - ▶ Unassigned - not committed or assigned,
 - ▶ **MINIMUM FUND BALANCE POLICY 6022--(5%-7%)**
 - ▶ 7% ~ one month's payroll obligations

Fund Balance as of September 1, 2018	\$7,343,995
Unassigned - above minimum fund balance policy	\$0
Unassigned - minimum fund balance policy	\$5,689,934
Assigned - Building carryover	\$623,167
Committed	\$0
Restricted	\$426,616
Non-spendable	\$604,279

Specified by school board policy

Fund Balance required before school board policy

Summary of SEBB costs by employee group

- ▶ Out of pocket costs for employees will increase across the board
- ▶ SEBB impacts our lowest paid classified employees out of pocket costs the most
- ▶ Chart below uses the SEBB briefing assumptions of an average of 1.5 people covered per benefit plan

		Before SEBB 2018-2019 employee benefit FTE	Before SEBB 2018-2019 employee costs per month	Before SEBB 2018-2019 employer costs per month	After SEBB employer costs per month	After SEBB, Employee costs (1.5x average) per month
Row Labels	Sum of Headcount	Sum of Insurance Benefit FTE	Sum of Total Deduction amount	\$843.97	\$ 1,114.00	\$ 144.67
Transportation	50	45.984	\$ -	\$38,809.12	\$55,700.00	\$7,233.33
Classified Administrators	11	11	\$ 504.41	\$9,283.67	\$12,254.00	\$1,591.33
Building Administrators	16	16	\$ 4,774.60	\$13,503.52	\$17,824.00	\$2,314.67
Non-Bargained Central Administrators	13	13	\$ 2,467.34	\$10,971.61	\$14,482.00	\$1,880.67
Non-Barg Central Office Classified	8	8	\$ 1,771.45	\$6,751.76	\$8,912.00	\$1,157.33
PSE	254	209.0215	\$ 588.99	\$176,407.88	\$282,956.00	\$36,745.33
SEIU	83	72.7835	\$ 6,778.40	\$61,427.09	\$92,462.00	\$12,007.33
NKEA	378	370.5359	\$ 59,723.05	\$312,721.18	\$421,092.00	\$54,684.00
Total	813	746.3249	\$76,608.24	\$629,875.83	\$905,682.00	\$117,614.00
		per year	\$919,298.88	\$7,558,509.91	\$10,868,184.00	\$1,411,368.00