



ROBERT SILVA, Chief Operations Officer
Business and Support Services
2450 Lancaster Drive NE • PO Box 12024 • Salem, Oregon 97309-0024
503-399-3036 • Fax: 503-399-3407

Andrea Castañeda, Superintendent

Date: November 01, 2023
To: Andrea Castañeda, Superintendent
From: Robert Silva, Chief Operations Officer
Re: Financial Update for the Quarter Ended September 30, 2023

Board Policy EL-8, Item 6 sets out a provision for the School Board to receive quarterly financial reports that include a recap of changes between the current and previous report in expenditures, revenue, enrollment, and a projected ending fund balance. The information provided in this memo summarizes the highlights of the first quarterly report for the 2023-24 fiscal year.

Prior Year (2022-23) Recap:

The district's audited financial statements are in the process of being finalized and will be presented in the 2022-23 Annual Comprehensive Financial Report. Preliminary numbers indicate that the General Fund ending fund balance for the fiscal year will be approximately \$86.6 million, or 13.58% of General Fund revenues.

Current Year (2023-24) Outlook:

- **Resources** – The district's adopted General Fund budget was built on an assumed \$9.9 billion State School Fund (SSF) revenue for the 2023-25 biennium and the legislature approved a \$10.2 billion SSF funding at the end of its session, well after the SKPS budget committee process began. The increased revenue at the state level provided an additional \$9.0 million in SSF revenue for the district. The increase in SSF funding will likely result in an additional \$1.0 million from the Willamette Education Service District (WESD). In addition, the 2023-24 beginning fund balance will be approximately \$86.6 million, which is \$9.6 million higher than budgeted, mainly due to grants easing pressure on the General Fund. Although the district did not adopt an amended budget to reflect the change from \$9.9 to \$10.2B, subsequent financial projections include the increase.
- **Expenditures** – The district has not reached an agreement with either bargaining group as of this report date, making personnel costs uncertain. Because personnel costs represent almost 87% of the district operating budget, this uncertainty presents a growing risk to the district's ability to manage current year expenses and plan for fiscal year 2024-25. Therefore, the forecasted personnel costs are based on district offers of 4.0% and 3.5% wage increases, and miscellaneous additional offers related to compensation for the classified and licensed groups, respectively. To ease projected future General Fund pressure, the district has been aggressively monitoring expenses and containing costs since July. As a result, the district is forecasting General Fund expenditure underspending of approximately \$18.0 million compared to budget. This underspending, combined with operating contingency of \$17.9 million that is typically not spent unless an unusual or extraordinary event occurs, is a total underspending of \$35.9 million. The projected underspent salaries and associated payroll costs are approximately \$12.5 million due to staff vacancies, assuming the positions remain

vacant. The district continues to fill school-based positions and as these positions are filled the projected underspending will decrease accordingly. In addition, a 10 percent underspend on supplies and materials and purchased services, or \$5.5 million, is projected. These assumptions may not be viable as they may impact schools. These savings are intentional, necessary, and the result of systemic cost-cutting and expense management throughout the district.

- **Enrollment** – The September 2023 enrollment is 39,357 students compared to 39,998 from last September, a decrease of 641 students. Although enrollment continues to decline, the SSF revenue for the district increased with the new biennium allocation. The extended Average Daily Membership Weighted (ADMw) calculation is also protecting the district from the enrollment decline. The district is funded based on extended ADMw, which uses the higher of current or prior year ADMw. As long as the district’s portion of the statewide ADMw remains steady, SSF funding may also remain steady. Some districts are beginning to report increasing enrollment.

Summary and Look Ahead

This forecast is based on the district’s offers to the collective bargaining groups and assumptions that may not be viable. As updated and actual information becomes available, fluctuations will likely occur between this report and subsequent quarterly reports. The district has filed for mediation with the Salem Keizer Education Association and the Association of Salem-Keizer Education Support Professionals has also filed for mediation. The district anticipates bargaining will conclude by Fall 2023 or Winter 2024. Due to the forecasted gap for the 2024-25 fiscal year, the leadership team is making hard decisions and the first round of reductions at the district level will be announced after Thanksgiving. In addition, the district continues to engage with the Salem-Keizer community for input on their priorities and this information will be used as part of its decision-making for the next round of reductions.

Salem-Keizer Public Schools
General Fund Revenue & Expenditure Projection
Fiscal Year Ending June 30, 2024
Quarter Ended Sept 30, 2023

	2023-24
State Formula Revenue	\$ 502,035,625
Exempt Revenue and Fund Transfers	26,271,672
Total Budgeted Revenue	\$ 528,307,297
Budgeted Beginning Fund Balance	77,000,000
Total Budgeted Resources	\$ 605,307,297
Total Budgeted Expenditure	\$ 605,307,297
Total Budgeted Resources	\$ 605,307,297
Less: Budgeted Beginning Fund Balance	(77,000,000)
Add: Actual Ending Fund Balance 2022-23*	86,636,672
Total Operating Revenue - Prior to Year End	\$ 614,943,969
Year End Revenue Increase/(Decrease)	9,962,000
Total Operating Revenue	\$ 624,905,969
<u>Fund Balance Projection</u>	
Actual Beginning Fund Balance*	\$ 86,636,672
Less: Budgeted Beginning Fund Balance	(77,000,000)
Adjust Increase/(Decrease) - Projected Revenue	9,962,000
Adjust Decrease/(Increase) - Projected Expenses - includes Contingency	35,855,132
Projected Ending Fund Balance	\$ 55,453,804
Projected Ending Fund Balance as a Percent of Total Operating Revenue	8.87%
<i>Administrative Policy ADM-A001 4.1 (7%-12% Targeted Ending Fund Balance)</i>	

*Please note the 2022-23 Ending Fund Balance is an unaudited number, thus not final.