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Andrea Castañeda, Superintendent

Date: January 4, 2024
To: Andrea Castañeda, Superintendent
From: Robert Silva, Chief Operations Officer
Re: Financial Update for the Quarter Ended December 31, 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 financial highlights of the second quarter for the 2023-24 fiscal year.

Comparison of September 30, 2023 to December 31, 2023 Report:

The district is estimating an increase of \$19.7 million for the General Fund ending fund balance, over the September Financial Update due to a significant decline in expenditures and a slight increase in revenue.

Current Year (2023-24) Outlook:

- **Revenue** – The district is forecasting a \$1.3 million increase in General Fund revenues as compared to the September Financial Update. This is not a significant revenue change and is mainly interest income, as investment rates remain high. 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. The increased revenue at the state level provided an additional \$9.0 million in SSF and \$1 million for the district this year. In addition, the 2023-24 beginning fund balance is \$86.6 million, which is \$9.6 million higher than budgeted.
- **Expenditures** – The district has not reached an agreement with either bargaining group as of this report date, making personnel costs uncertain. Therefore, the forecasted personnel costs are based on district offers of 4.0% and 3.5% wage increases for the classified and licensed groups, respectively. The district implemented a round of spending reductions to reduce the revenue and expense gap. As a result, the district is forecasting General Fund expenditure underspending of approximately \$36.4 million compared to the adopted 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 \$54.3 million. The projected underspend on salaries and associated payroll costs is approximately \$27.8 million due to staff vacancies, caused by adjusting the rate the district is setting aside funds to repay PERS bonds and holding positions vacant. The district continues to fill school-based positions and as these positions are filled the projected underspending will decrease accordingly. As part of the reductions, the district reduced transfers to other funds by \$3.5 million.

- **Enrollment** – The December 2023 enrollment is 38,794 students compared to 39,426 from last December, a decrease of 632 students. Although enrollment continues to decline, the SSF revenue for the district increased because of the extended Average Daily Membership Weighted (ADMw) calculation and because other districts in the state of Oregon are experiencing similar decline. The district is funded based on extended ADMw, which uses the higher of current or prior year ADMw. While the district’s portion of the statewide ADMw remains steady, SSF funding should also remain steady. Enrollment is expected to continue to decline for several years.
- **Summary and Look Ahead**
The district is currently forecasting a 2023-24 General Fund ending fund balance of \$75.2 million, or 12.01% of operating revenue. This forecast is based on the district’s current 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 is in mediation with both Salem Keizer Education Association and the Association of Salem-Keizer Education Support Professionals.

**Salem-Keizer Public Schools
General Fund Revenue & Expenditure Projection
Fiscal Year Ending June 30, 2024
Quarter Ended December 31, 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)	11,268,834
Total Operating Revenue	\$ 626,212,803
Fund Balance Projection	
Actual Beginning Fund Balance*	\$ 86,636,672
Less: Budgeted Beginning Fund Balance	(77,000,000)
Adjust Increase/(Decrease) - Projected Revenue	11,268,834
Adjust Decrease/(Increase) - Projected Expenses - includes Contingency	54,295,567
Projected Ending Fund Balance	\$ 75,201,073
Projected Ending Fund Balance as a Percent of Total Operating Revenue	12.01%
<i>Administrative Policy ADM-A001 4.1 (7%-12% Targeted Ending Fund Balance)</i>	