

PRELIMINARY ANNUAL SUMMARY 2022-2023 YEAR END FINANCIALS

Board Financial Update

November 9, 2023

Policy and Regulation Links

Policy 6015 - Debt and Fiscal Management

- Requires annual status report to the board of actual versus projected reserve balances

Policy 6015.1R - Fiscal Management

- Identifies reserve accounts targeted at 5% of revenues to economic uncertainties
- Fund balance reserves will be reviewed annually by the Chief Financial Officer and Superintendent
- Should reserves fall below the 5% reserve requirements, the Superintendent and Chief Financial Officer will prepare a financial plan identifying how to return fund balance reserves to their minimum amounts.

ANNUAL FINANCIAL STATEMENT SUBMISSIONS

- Annual Financial Statements required by WAC 392.117.035
- Puget Sound Educational Service District (ESD) Action Dates:
 - October 25 – School districts submit F-196 data to the ESD electronically.
 - Tacoma granted a waiver
 - November 8 – School districts sign certification page representing their data is complete
 - Tacoma granted an extension until November 10
 - November 15 – ESD must certify all financial information reported by school districts to the Office of Superintendent of Public Instruction (OSPI)

IMPORTANCE OF FUND BALANCE

- Reserves have fallen below 5% requirement
 - Estimated between 2.9%-3.1%
- What are reserves used for?
 - Planned usage
 - Emergencies
 - Bond ratings
 - Extraordinary events
- Policy requires CFO and Superintendent to develop a financial action plan

WHAT DRIVES FUNDING ISSUES FOR SCHOOL DISTRICTS

- Enrollment decline trend has continued
- Inflation and escalated costs continue
 - Nutrition - increase cost of food items, reimbursement rates not able to keep up with costs
 - Benefits are more costly
 - Tacoma places a high value on employees and uses a market driven package to support competitive salaries and wages
 - ESSER- escalating cost of programs planned to be paid for with ESSER results in less resources available to meet all planned commitments
- Legislative agenda is critical for Tacoma
 - Transportation Costs – McKinney Vento students, route efficiency, antiquated funding model
 - Special Education – Per student costs far exceed state’s allocation, more students are funded but at the same low rate and costs aren’t fully covered
 - Basic Education Prototypical Model – the state’s allocation model only covers 66% of the costs of staff that they allocate to districts
 - Limits local levy collections

IMMEDIATE MITIGATION AND NEXT STEPS

- Immediate Mitigation
 - Hiring freeze for non-critical positions
 - Phased mid-year position eliminations
 - Refresh monitoring cycles and accountability tools to ensure effective budget oversight
 - Evaluate programming needs
 - Lean efficiency practices – find ways to work smarter not harder
 - Review policies related to financial oversight
 - Seek Legislative assistance for full-funding of necessary programming
 - Budget reduction strategies for the development of the 2024-25 budget and beyond
- Next Steps
 - Final figures presented on December 14, 2023 during Board Financial Update