

2022-23 ANNUAL SUMMARY  
YEAR END FINANCIALS  
AND SEPTEMBER PROJECTION

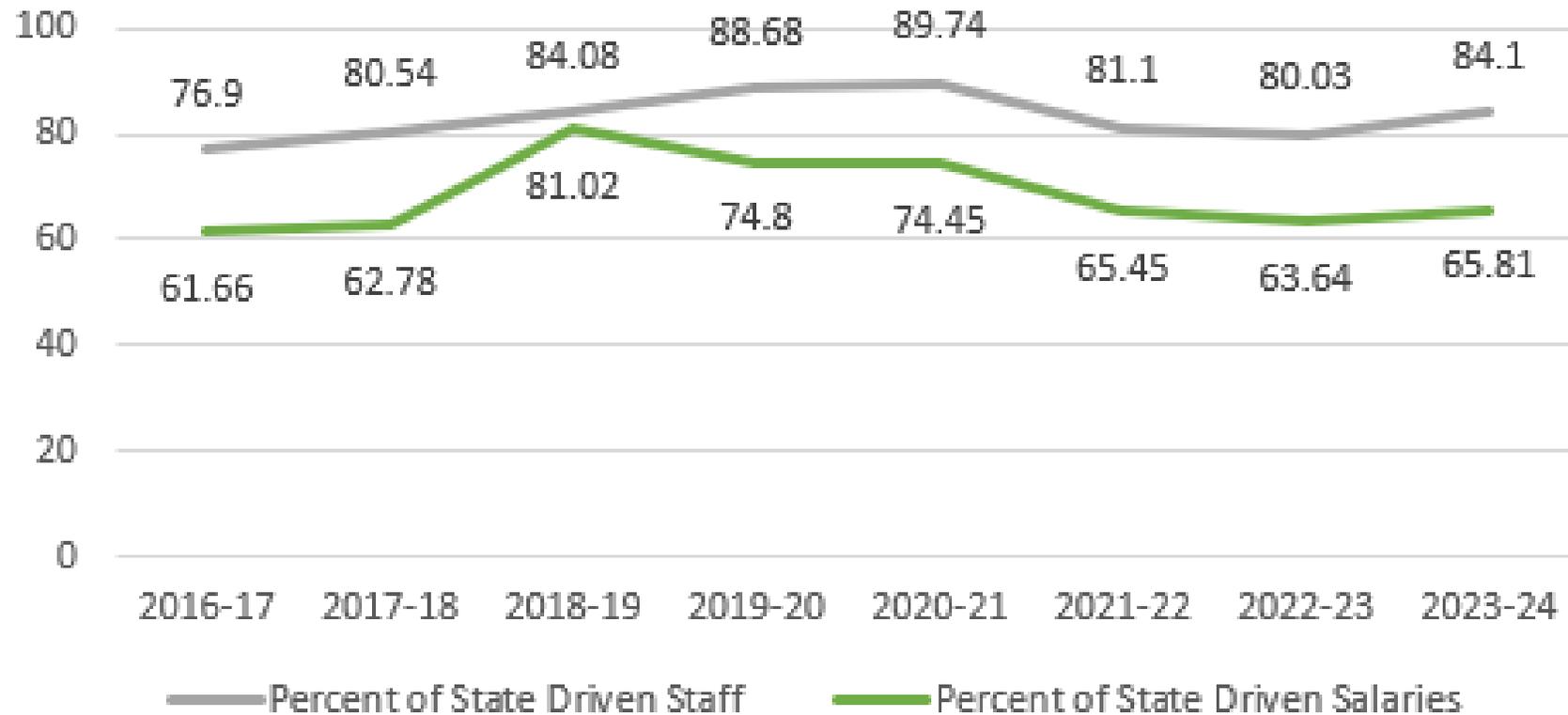
School Board Financial Update

December 14, 2023

# WHAT DRIVES FUNDING ISSUES FOR WASHINGTON SCHOOLS

- 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
  - Competitive market driven salary requirements drive higher 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

## Percent of State Driven Staff and Salaries Compared to Total BE and LEVY Funded Staff



FUNDING GAP FROM THE STATE

	<b>Associated Student Body</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Transportation Vehicle Funds</b>
Beginning Fund Balance	\$2,018,843	\$30,551,345	\$430,241,427	\$2,563,566
Plus Revenues	\$1,618,545	\$72,141,044	\$51,987,031	\$1,124,019
Less Expenditures	\$1,437,269	\$69,158,674	\$126,673,769	\$657,203
Ending Fund Balance	\$2,200,119	\$33,533,715	\$355,554,688	\$3,030,381

2022-23 YEAR END UPDATE  
OTHER FUNDS

## 2022-23 YEAR END UPDATE GENERAL FUND

- Revenues – 93.8% of budget
- Expenditures – 93.9% of budget
- Fund Balance Reserves – 3.5%
- Required Reserves – 5% or \$26,517,345
- Reserve Variance – 1.5% or \$8,183,651

	2022-23 Budget	2022-23 Year End Actuals	Variance
Beginning Fund Balance	\$ 55,513,851	\$ 44,334,490	\$ (11,179,361)
Plus Revenues	\$ 571,452,772	\$ 535,927,901	\$ (35,524,871)
Less Expenditures	\$ 598,543,984	\$ 561,928,696	\$ (36,615,288)
Equals Ending Fund Balance	\$ 28,422,643	\$ 18,333,694	\$ (10,088,945)
Fund Balance Reserve Target		\$ 26,517,345	\$ (8,183,651)
* Fund Balance Reserve %	5.0%	3.5%	

\* Fund Balance Reserve percent calculated from Ending Fund Balance vs. adjusted Revenues (Revenues minus Other Financing Sources).

## IMPORTANCE OF FUND BALANCE

- Reserves have fallen below 5% requirement
  - Actual – 3.5%
- What are reserves used for?
  - Planned usage
  - Emergencies
  - Bond ratings
  - Extraordinary events
- Policy requires CFO and Superintendent to develop a financial action plan



# HISTORICAL FINANCES

# IMMEDIATE MITIGATION IN THE 23-24 YEAR

- Immediate Mitigation
  - Hiring freeze for non-critical positions
  - Reduce discretionary spending
  - Cancel contracts
  - Make 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
  - Begin developing strategies for cost reductions in the 2024-25 budget and beyond

# Appendix

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Final Action Date	By	Action
<b>October 25</b>	S.D.	Final date for submission of completed F-196 data from the school district to the local ESD. The data will be submitted electronically and/or on an F-196 manual form. Districts not able to submit by the October 25 due date may request a waiver by email or written notice to the ESD.
<b>November 1</b>	ESD	Final date for the ESD to review and forward the certification page back to the school district for signature.
<b>November 8</b>	S.D.	The signed certification page is due from the school district to the ESD.
<b>November 15</b>	ESD	Final date the signed certification page by the ESD is due at OSPI, School Financial Services.

**ANNUAL FINANCIAL STATEMENT SUBMISSIONS**  
**WAC 392.117.035**

# Policy and Regulation Links

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## 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.

# HOW DID WE ARRIVE HERE

- September – January Projections indicated fund balance reserve in excess of 5%
- February - revised projections provided first indication of reduced resources
  - Trending data was inconsistent, data points were examined to see if errors were made
- April/May – Superintendent and CFO started working on a plan to mitigate resource allocations
  - Hiring freeze was instituted – critical positions were allowed to move forward but other positions were held
  - Discretionary funds were removed – funds were removed from budgets to curb spending
- July – trending was showing that mitigation strategies curbed further use of resources
- August – trends would suggest ending near July or slightly better
  - Unusual spending activity in August resulted in the further spend of \$4 million
  - Total Fund Balance use was \$2.3M more than budget plan (Enrollment, inflation, benefits)

# 2022-23 FINANCIAL STATUS

## GENERAL FUND - FEBRUARY

As presented  
June 8, 2023

- Revenues –  
92.3% of budget
- Expenditures –  
92.3% of budget
- Fund Balance Reserves –
  - February = 3.7%
  - April = 4.4%
    - \$3.2M needed for 5% of forecasted Revenues
- Required Reserves –  
5.0%

	2022-23 Budget	2022-23 Projected Year End Actuals	Variance
Beginning Fund Balance	\$ 55,513,851	\$ 44,334,490	\$ (11,179,361)
Plus Revenues	\$ 571,452,776	\$ 527,648,275	\$ (42,657,803)
Less Expenditures	\$ 598,543,984	\$ 552,634,801	\$ 43,314,514
Equals Ending Fund Balance - Feb	\$ 28,422,643	\$ 19,347,964	\$ (10,522,650)
<b>Ending Fund Balance – Apr Forecast</b>	\$ 28,422,643	\$ 23,001,072	\$ (5,421,567)

## 2021-22 YEAR END UPDATE GENERAL FUND

- Revenues – 91.3% of budget
- Expenditures – 88.2% of budget
- Fund Balance Reserves– 8.6%
- Required Reserves – 5%

	2021-22 Budget	2021-22 Year End Actuals	Variance
Beginning Fund Balance	\$ 60,819,684	\$ 56,066,371	\$ (4,753,313)
Plus Revenues	\$ 553,909,806	\$ 505,526,349	\$(48,383,457)
Less Expenditures	\$ 587,183,999	\$ 517,919,915	\$69,264,084
Equals Ending Fund Balance	\$ 27,545,491	\$43,672,805	\$16,127,314

	<b>Associated Student Body</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Transportation Vehicle Funds</b>
Beginning Fund Balance	\$1,930,351	\$25,941,599	\$514,176,468	\$2,559,597
Plus Revenues	\$1,074,513	\$65,539,802	\$25,647,428	\$622,331
Less Expenditures	\$986,021	\$60,930,056	\$109,587,848	\$618,363
Ending Fund Balance	\$2,018,843	\$30,551,345	\$430,236,048	\$2,563,565

**2021-22** YEAR END UPDATE  
OTHER FUNDS