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Andrea Castañeda, Superintendent

Date: April 9, 2024
To: Andrea Castañeda, Superintendent
From: Robert Silva, Chief Operations Officer
Re: Financial Update for the Quarter Ended March 31, 2024

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 third quarter for the 2023-24 fiscal year.

Comparison of December 31, 2023 to March 31, 2024 Report:

The district is estimating an \$87.2 million General Fund ending fund balance, an increase of \$12.0 million, over the December Financial Update due to increased revenue and a decline in projected expenditures, as discussed below.

Current Year (2023-24) Outlook:

- **Revenue** – The district is forecasting a \$6.3 million increase in General Fund revenues as compared to the December Financial Update. This includes, an additional \$1.2 million in property taxes and \$2.4 million in interest income. Furthermore, an increase of \$2.7 million is expected in State School Fund (SSF) revenue based on recent data provided by Oregon Department of Education (ODE). The SSF revenue increase is largely due to a decrease in statewide ADMw, which resulted in an increased funding per ADMw. SSF estimates can be found on ODE’s website. This quarterly report does not include any SSF May adjustment for the prior year and a positive May adjustment is likely since the 2022-23 fiscal year is the second year of the 2021-23 biennium so state reserves will be liquidated.
- **Expenditures** – The forecasted personnel costs have been adjusted for wage and insurance increases on ASK-ESP’s ratified collective bargaining agreement and SKEA’s tentative agreement. The district is forecasting additional underspend of \$5.7 million in General Fund expenditures as compared to the December Financial Update. Although wage and insurance increases were higher in the latest bargaining group agreements compared to the December forecast, changes in effective dates and other payroll savings/adjustments have offset the increase. For example, as allowable, payroll is being charged to grants instead of the General Fund and will continue to support the General Fund. This figure is approaching \$10 million this fiscal year.
- **Enrollment** – The March 2024 enrollment is 38,605 students compared to 39,230 from last March, a decrease of 625 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**

A General Fund ending fund balance of \$87.2 million, or 13.79% of operating revenue is estimated for the 2023-24 fiscal year. The increase in fund balance is a result of spending reductions, closely monitoring the hiring of vacant positions, decreasing PERS bond debt rate and other cost-saving measures. However, these efforts are still not enough as the district continues to project a revenue and expense gap for the upcoming and subsequent fiscal years. To close the gap as much as it can, the district is currently working through another round of reductions. Consequently, having a sufficient General Fund ending fund balance is very crucial to help with the gap, to comply with district financial policies and to maintain financial stability. As updated and actual information becomes available, fluctuations will likely occur between this report and subsequent quarterly reports.

**Salem-Keizer Public Schools
General Fund Revenue & Expenditure Projection
Fiscal Year Ending June 30, 2024
Quarter Ended March 31, 2024**

	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)	17,552,319
Total Operating Revenue	\$ 632,496,288
<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	17,552,319
Adjust Decrease/(Increase) - Projected Expenses - includes Contingency	60,038,820
Projected Ending Fund Balance	<u>\$ 87,227,811</u>
Projected Ending Fund Balance as a Percent of Total Operating Revenue	13.79%
<i>Administrative Policy ADM-A001 4.1 (7%-12% Targeted Ending Fund Balance)</i>	