Shorewood
SCHOOL DISTRICT

Budget Balancing and Financial Management Strategies: 2023-2024 and Beyond

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Overview

- Why Do We Need to Talk About Budget Balancing?
- 5-Year Projection Review
    - Fall Projections and Assumptions
    - Updates
- Challenges and Strategies
- Looking Ahead

Why Do We Need to Talk About Budget Balancing Strategies?

- ✔ Community Promise
- ✔ Financial Reality

Goal: Make smart choices now that prevent hard choices later.

5-Year Projection Review

Operating Referendum Parameters

- ➔ Fund Balance at least 25% of operating expenses in 2028
- ➔ Minimally, breaking even in all projected years

Baseline Assumptions - Revenue

Flat resident enrollment*; increased open enrollment

$5.5M operation referendum + statewide $100 per pupil yearly revenue limit increase

2% annual state aid increase

3% annual salary increase, inclusive of all salary schedule changes

*Assumes we will adjust staffing accordingly if enrollment decreases

Baseline Assumptions - Expenses

$1M in 23-24 salary, benefit, and contract reductions (before increases)

3% annual salary increase, inclusive of all salary schedule changes

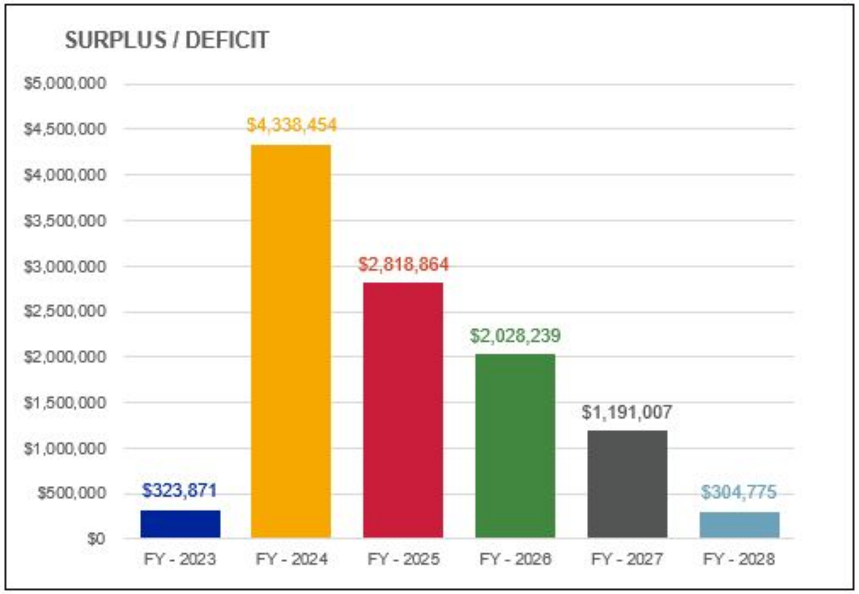
Increased cost for fixed expenses, esp health care (10%)

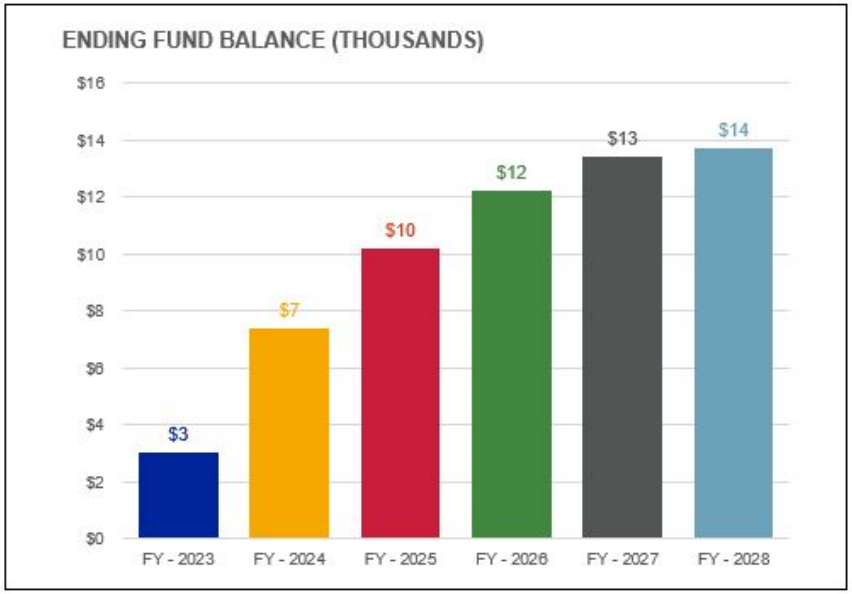
Restoration of school and department budgets cut in 22-23

Maintain current student programming and services

Maintain buildings and technology

$5.5M Scenario with $1M in Reductions





Projections:
FY23 Fund Balance Percentage: 11.18%
FY28 Fund Balance Percentage: 36.97%

SHOREWOOD SCHOOL DISTRICT

How Are We Trending Against these Assumptions?

Updated Assumptions and Trends

- Birth rate impacting enrollment - trending down
- State and local revenue before referendum trending $300K under projected and $1.6M under current year
- Federal revenue trending $200K under projection
- Benefit costs likely to significantly exceed projected
- Multiple requests for increased allocations

Challenges and Strategies for Financial Sustainability

Challenge: Rising Health Care Expenses

Health care expense is trending high for many school districts (and other industries)

26% proposed increase for 23-24 with potentially similar and compounding future increases

Strategy: Health Care Planning

✔ Modify plan design to mitigate premium increase

✔ Seek bids from other carriers

✔ Position District for self-financing by building a designated fund balance

- Seeking recommendations on dollar amount
- FY23 Claims - Premiums Gap = $1M

✔ Execute self-financing

Timeline: Health Care Planning

Timeframe for Implementation:

23-24 - Plan changes; New carrier (tentative)

24-25 and 25/26 - Define parameters for self-financing; Plan changes if needed

26-27 or 27-28 - Implement self-financing

Challenge: Threshold Costs of Running a District

If the total student population decreases over time, overhead costs increase as a percentage of expenses but can be hard to shrink.

Strategy: Reduce or Modify Contracts

✔ Evaluate contracts annually: Is this a service that is saving or costing us?

- ✔ Do we still need this service?
- ✔ Do we have the capacity to bring this function in-house without adding staff?

Timeframe for Implementation: 23-24 and ongoing

Contract Changes: 23-24 Results

Result: Approx. $120K change

- Expeditionary Learning
  - Continue, but without accreditation expenses
  - $30K savings
- ICS
  - Continue, but with reduced need for consulting in next phase
  - $25K savings
- Contracted Therapy Provider
  - Renegotiate or change providers
  - $30K savings
- Miscellaneous Service Contracts
  - $36K savings

Strategy: Increase Efficiency

- ✔ Evaluate opportunities to increase efficiency, including through additional leveraging of technology
- ✔ Cross-training and additional staff sharing
- ✔ Consider outsourcing of certain functions, as feasible and cost effective
- ✔ Ensure salaries are competitive for experienced staff who are capable of managing multiple functions
- ✔ Close evaluation of needs to refill

Timeframe for Implementation: 24-25 and ongoing

Challenge: Exponential Cost of Increases

Maintaining competitive salaries is a goal; Increases compound however, and historically increase at a much faster rate than revenue.

A 1% increase in salary in year one of a five year period compounds to a difference of $1M over five years for salary alone

Strategy: Exponential Cost of Increases

- ✔ Operating referendum to cover the cost of step and lane increase
- ✔ Manage salaries for new staff

Challenge: Balancing Enrollment, Student Choices, Needs and Staffing

Our student population is not static in terms of total enrollment, student needs, and student interests. As our student population changes, we need to be nimble in responding to their changing needs.

Strategy: Balance Students to Staffing

- ✔ Rotate courses running with 15 or fewer students per teacher
- ✔ Reduce sections to achieve class sizes close to target
- ✔ Share staff across the District
- ✔ Leverage staff who can teach across disciplines
- ✔ Align staffing with student needs

Timeframe for Implementation: 23-24 and ongoing

Staff Balancing: 23-24 Results

8.5 FTE Reduction

- 5.8 = Teaching
  - 4.6 = SHS
  - 1.2 = SIS
- 2.7 = Non-Teaching
  - 1.0 = SIS
  - .1 = SHS
  - 1.6 = Elementary

Projected Average SHS Class Size: 23.8*

*Excludes Music and PE

Challenge: Inflationary Impacts

Inflation impacts all areas of education from workbook purchases to busing to electricity. Our school and department budgets will include adjustments to the most impacted, including athletics, technology, and utilities.

Strategy: Priorities

- ✔ Is this a necessary expense? What is the impact of not funding it? How would our strategic priorities be affected?
- ✔ What investments are we continuing to make that are no longer necessary or the most critical to our success? What could we do differently to offset costs?

Challenge: Infrastructure and Capital Expenses

Maintaining our infrastructure sometimes means large expenses that require advanced planning. This puts pressure on our general operating budget.

Strategy: Use Both Funds 46 and 41

What is Fund 46?

- Trust fund for capital maintenance that allows the District to transfer funds at the end of the year after other expenses are taken care of
- Can help smooth out the impact on shared costs and the tax levy
- Funds set aside over the next five years can be used without impact on shared costs beginning in 2028

Strategy: Use Funds 46 and 41 as Complementary

How Does Fund 46 Differ From Fund 41?

- Can transfer funds from Fund 10 (Fund 41 can only be funded through the tax levy)
- Impact on shared cost is in year funds are deposited versus spread out over time like Fund 41

When Do We Use Which Fund:

- Fund 46: Year-end contributions when funds available
- Fund 41: Allocate portion of tax levy when we are certain we have the funds available

Timeline: Fund 46

Timeframe for Implementation:

2023 board action to establish fund; initial investment

23-24 through 27-28 Set aside funds

28-29 and ongong - Funds available to leverage (may also continue to fund annually)

Summary of Proposed Strategies

- Careful management of staffing and hiring
- Health care plan design changes (immediate) and self-financing (future)
- Careful examination of contract expenses (immediate and ongoing)
- Increase efficiency by leveraging technology and retaining highly-skilled staff
- Leverage a Fund 46 to smooth out infrastructure expense
- Multiple strategies to maintain diversity of courses while keeping average class sizes closer to the target

Looking Ahead

5/9 Deeper Dive into Capital Maintenance

5/23 Preliminary Budget Presented

→ Likely smaller margin than projected

23-24 Continue work as outlined

Questions and Discussion