

Financial Update and 2025-26 Budget Planning

November 2024

Dr. Susana Reyes, Superintendent

Angela Von Essen, Assistant Superintendent for Business and Operations



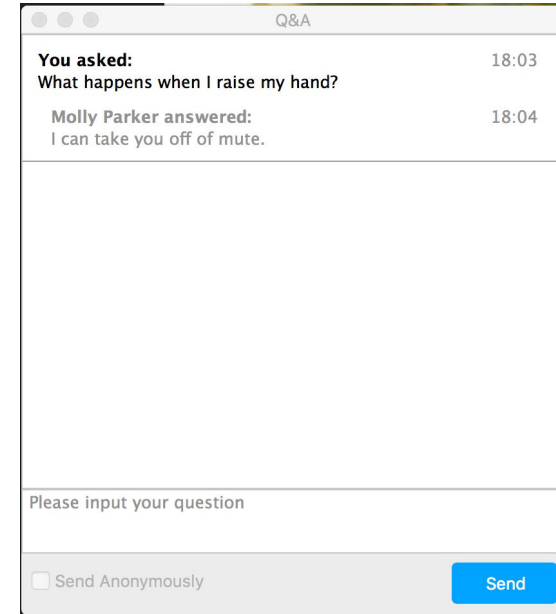
Introductions

Superintendent: Dr. Susana Reyes

Assistant Superintendent: Angela Von Essen

Today's Format

- Presentation by Susana Reyes and Angela Von Essen
- Submit questions via Q&A
- Some questions will be answered in Zoom with a text response, if possible
- Questions will be answered following the presentation



The screenshot shows a Zoom Q&A window with a title bar labeled "Q&A". The content area displays a question and an answer:

You asked: 18:03
What happens when I raise my hand?

Molly Parker answered: 18:04
I can take you off of mute.

Below the answer is a large empty text input field with the placeholder text "Please input your question". At the bottom left, there is a checkbox labeled "Send Anonymously" which is currently unchecked. At the bottom right, there is a blue button labeled "Send".

Land Acknowledgement

The Shoreline School District acknowledges the Coast Salish peoples of this land, the land which touches the shared waters of all tribes and bands within the Duwamish, Puyallup, Suquamish, Tulalip, Snoqualmie, and Muckleshoot nations.

Land Acknowledgement Resources:
[#HonorNativeLand](#) & [Native Land](#)



[Understanding Coast Salish Design](#)

Race and Equity Decision-Making Tool

The purpose of this tool is to engage everyone involved in Shoreline Schools to learn, think, and address how race and equity impacts choices in instruction, programming, staffing, funding, and policy. All members of the Shoreline Schools community should strive to improve anti-racist practices and equity awareness through all of our activities and choices. We encourage the application of this tool in decisions that impact students, staff, and families.

Before a Decision:

A. Pause and examine YOU - Who are you?

- Who is involved in making a decision? (race, gender, class etc.)
- What inherent biases do you bring to the table?

B. Who is affected?

- What dimensions of diversity (race, gender, class, sexuality, gender identity, culture, age, ability, immigrant status, etc.) are in the impacted group?
- In which ways is the impacted group involved in the decision-making?

C. What are the impacts?

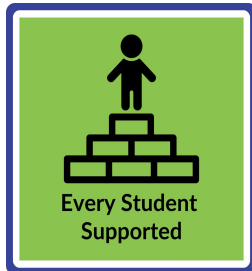
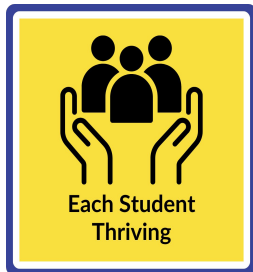
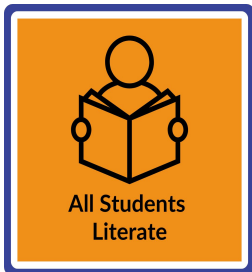
- How will the decision of this group advance equity in our system?
- What evaluation tools and measures do we need to determine the impacts of our decision?
- What are the potential challenges, structural barriers, or unexpected blind spots?

D. What do you think happened?

- Did you succeed in advancing equity?
 - To what degree?
 - How do you know? (What evaluation tools and measures were used to determine the impacts of our decision?)
- If no, what steps are we taking to ensure equity is still achieved?

Envision Shoreline: Engage. Inspire. Empower.

Keep These Key Areas in Focus

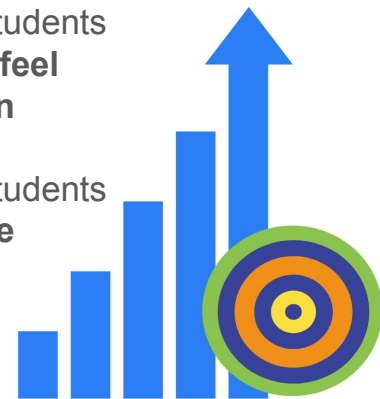


ssd412.org/envision

Work Toward Our Targets

By Spring of 2029:

- 85% of Shoreline's 5th and 8th graders will **read at grade level**
- 95% of Shoreline's students will **report that they feel safe and welcome in school**
- 95% of Shoreline's students will **graduate on time**



Summary of Presentation

This presentation provides an update of the District's financial position to inform the planning of the District's 2025-26 budget, focusing on the following key areas:

1. **Where We Stand Now**

- Our final 2023-24 financial position
- Impact on current year's (2024-25) budget

2. **Planning for the Future**

- Identifying our 2025-26 budget needs and potential gaps
- Setting appropriate reserve targets

3. **Why This Matters**

- Supporting student success
- Building financial stability
- Ensuring district financial health

4. **Our Goal**

- Make informed decisions for 2025-26 budget planning to ensure District stability and financial health
 - Review estimated 2025-26 financial deficit and potential Reduced Educational Program amount
 - Determine 2025-26 unreserved fund balance target

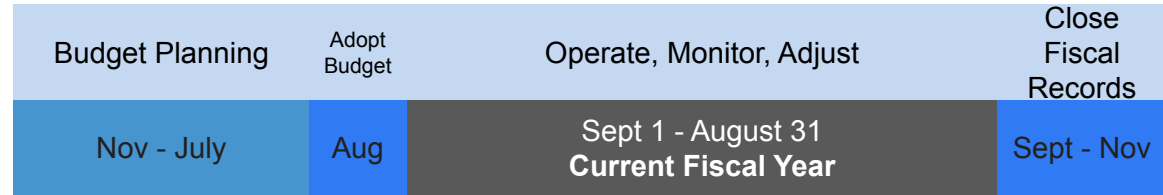
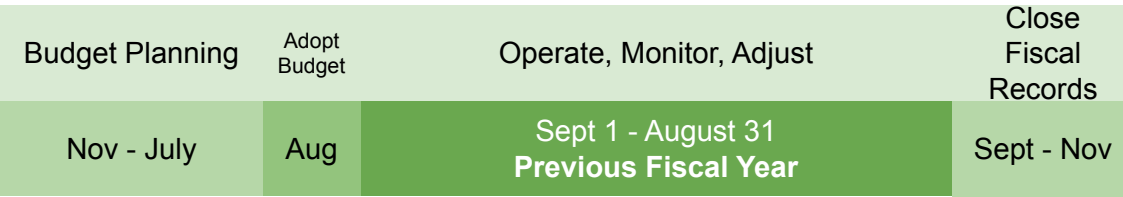
Overview - Budget and Financial Cycle and Timelines

Each year, we operate in three fiscal years:

- prior year (closing financial records)
- current year (budget adjustments and actual)
- next year (budget planning)

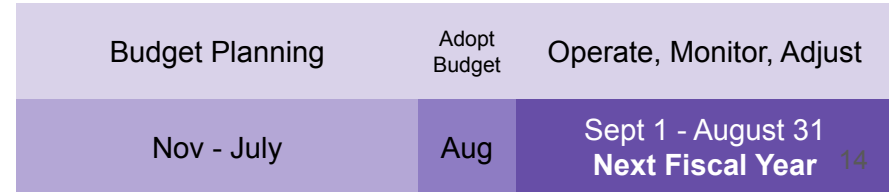
November:

- Closing previous year
- Operating current year
- Planning next year



July/August:

- Adopt an annual budget (required by August 31)
- Previous fiscal year is not closed
- Labor negotiations may not be complete
- Develop required forecasts for next three years



Where We Stand Now

2023-24 Financial Update

Where We Stand Now

- After closing the 2023-24 financial records, our actual financial position is slightly better than budgeted
- The 2023-24 unreserved fund balance was \$2.8M more in comparison to the August 2024 adjusted budget due to:
 - Higher beginning fund balance from 2022-23 (\$1.8M after closing the 2022-23 fiscal records)
 - Student enrollment higher than budgeted
 - Additional mid-year state funding
 - Reassigned a portion of reserved funds to cover educational program costs
 - Bargaining contract pauses and reductions after the budget was prepared and approved in August 2023
 - Continuation of districtwide spending reductions
- The updated unreserved fund balance for 2023-24 is \$7.1M (4.2%)

2023-24 Original and Adjusted Budgets vs. Actual

	Original 2023-24 Budget (Aug 2023)	Adjusted 2023-24 Budget (Aug 2024)	Actual 2023-24 Budget (Nov 2024)	Difference (Adj. to Actual)
Beginning Total Fund Balance	\$5,994,000	\$7,822,010	\$7,822,009	-\$1
Ending Restricted/ Reserved Fund Balance	\$3,224,000	\$3,806,780	\$2,482,713	-\$1,324,067
Ending Unreserved Fund Balance	\$2,312,000 (1.4%)	\$4,285,772 (2.5%)	\$7,128,055 (4.2%)	\$2,842,283
Ending Total Fund Balance	\$5,536,000	\$8,092,552	\$9,610,768	\$1,518,216

This is now our adjusted beginning total fund balance for 2024-25.

2024-25 General Fund Budget

What is the status of this year's budget?

Since the 2023-24 financial position improved, it also positively impacts the 2024-25 Budget

- We plan to end the 2024-25 fiscal year with \$1.3M more than projected because of the higher beginning fund balance from 2023-24
- Budgeted revenue and expenditures do not change, and they are estimates
- The updated ending unreserved fund balance for 2024-25 is projected to be \$3M (1.7%)
- We analyzed and adjusted reserved/restricted funds to account for expenditures in the appropriate categories. Even though this helps our unreserved fund balance and cash flow, it does not solve our financial situation.

2024-25 Approved vs Adjusted Budget

	Approved 2024-25 Budget (Aug 2024)	Adjusted 2024-25 Budget (Nov 2024)	Difference
Beginning Total Fund Balance	\$8,264,000	\$9,610,768	\$1,346,768
+ Revenues	\$178,145,000	\$178,145,000	
- Expenditures	\$182,260,000	\$182,260,000	
Deficit	-\$4,115,000	-\$4,115,000	
Restricted/Reserved Fund Balance	\$3,297,300	\$2,482,713	-\$814,587
Unreserved Fund Balance	\$851,700 0.5%	\$3,013,055 1.7%	\$2,161,355
Ending Total Fund Balance	\$4,149,000	\$5,495,768	\$1,346,768

In Progress: Current Budget Reduction Efforts

In addition to the expenditure reductions over the past two years, we've implemented the following measures for the 2024-25 school year and will continue to explore additional reductions throughout the school year.

- **Procurement and Supplies:**
 - Reduce building and departmental budgets by 25% for 2024-25 and 25% for 2025-26
 - Eliminate non-essential memberships and dues
 - Restrict food and beverage purchases for meetings, training, and events
 - Implement approval process for purchases over \$1,000
 - Continue strict monitoring of budget and purchasing
- **Personnel:**
 - Continue strategic hiring freeze
 - Restrict new stipends, additional time, and overtime
- **Technology and Equipment:**
 - Extend replacement cycles for various equipment
 - Reduce technology professional development
- **Travel, Transportation, and Professional Development:**
 - Restrict to mandatory, student-related, or grant-funded activities

These reductions are estimated to save approximately \$597,000 in 2024-25 and \$420,000 in 2025-26, but they will not address the larger deficit we are facing and the fact that our expenses continue to outpace our revenues.

Changes in 2024-25 Unreserved Fund Balance

Why would fund balance improve at the end of the year?

- Historically, when the prior year's financial records are closed, the ending fund balance has ended approximately \$2M higher than budgeted because:
- The budget is an estimate
- In general, districts use a conservative approach in estimating revenues
- Expenditures are estimated to be higher to account for contingencies, such as late bargaining, repairs, new grants
- Therefore, the ending unreserved fund balance for 2024-25 might see a similar improvement and may end closer to \$5M (2.8%). **Note:** We will not know the actual amount until we close the financial records in November 2025.

2024-25 Ending Unreserved Fund Balance		
Budgeted (Aug 2024)	\$851,700	0.5%
Adjusted (Nov 2024)	\$3,013,055	1.7%
With possible improvement (determined in Nov 2025)	\$5,013,055	2.8%

Board Policy 7130 requires a minimum 4-5% unreserved fund balance

Unreserved Fund Balance Improvement

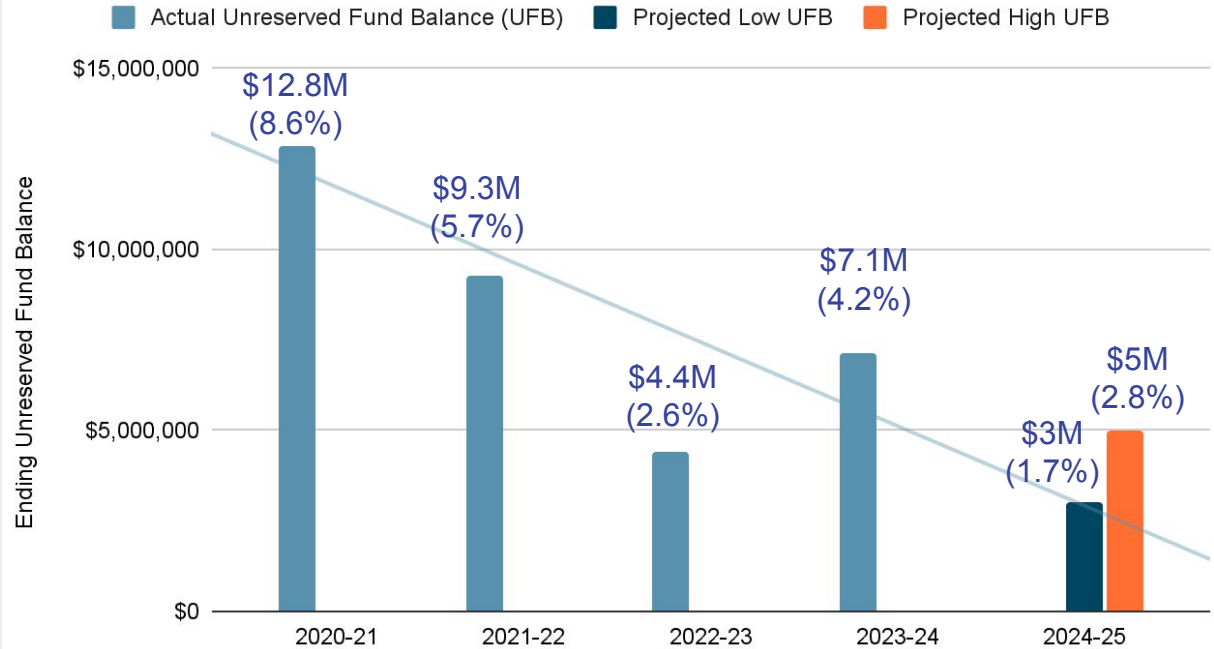
- Historically, at the close of financial records, the actual fund balance has improved in comparison to what was budgeted.
- It is important to note that the budget is created to account for budget capacity and contingencies.
- Over the last couple of years, the difference between the adopted budget in August and the actual amounts determined in November typically improves the ending unreserved fund balance amount by approximately \$2M.
- To account for the potential increase in unreserved fund balance, we can conservatively assume that we may see similar improvements this budget year.
 - **Note:** We will not know the actual amount until we close the financial records in November 2025.

Our Unreserved Fund Balance Is on the Decline

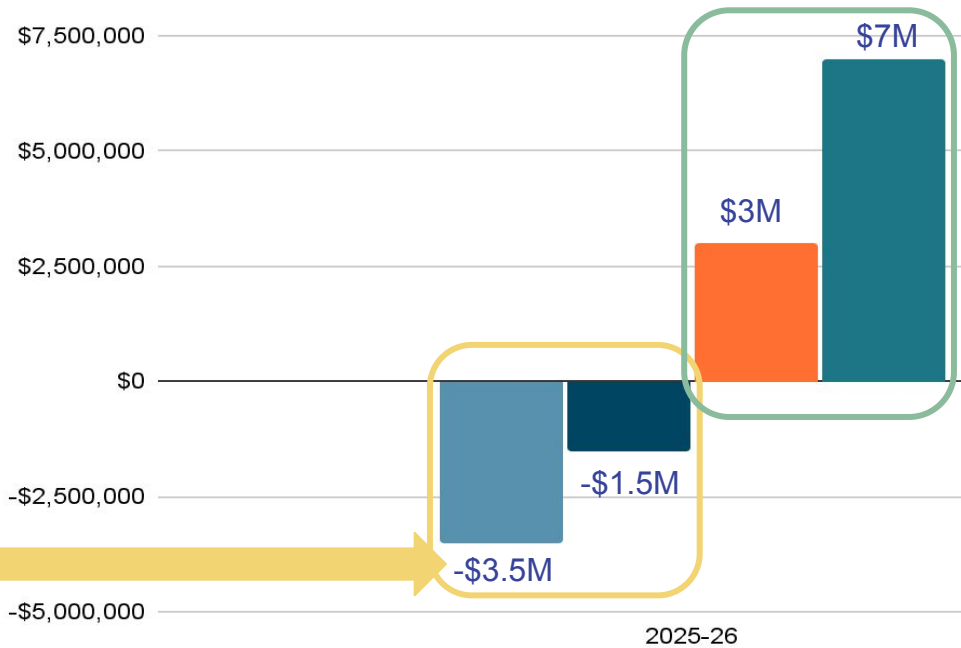
The unreserved funds (liquid cash) the district has on hand to operate is dangerously low.

Our unreserved fund balance has been on the decline in recent years, as district expenses have exceeded revenues.

We ended last school year (2023-24) with \$7.1 million (4.2%) in unreserved fund balance; however, we are projected to end the current school year (2024-25) with \$3-5 million (1.7-2.8%) unreserved fund balance.



We Can (and Must) Reverse the Trend



If we do not implement a REP for the 2025-26 school year, we are projected to end the year with an unreserved fund balance between -\$1.5 and -\$3.5 million.

If we implement the recommended REP for the 2025-26 school year, we could end the year with an unreserved fund balance between \$3 and \$7 million.

A fiscally responsible and policy-compliant fund balance for the year should be \$7.6-9.5 million.

Why Is There Such a Focus on Unreserved Fund Balance?

Part of the State accounting process each year is to project our beginning and ending fund balance, much like an individual might estimate their savings account goals. If the district spends less than our revenue in a given year, the remainder is fund balance.

The ending fund balance has two parts to it: **unreserved** fund balance and reserved fund balance:

- The **unreserved** fund balance is liquid cash – available to use on any district expenditure and saved for other eventualities, such as lower enrollment than expected or an unexpected expense. This is the key fund that we are working to get back to a healthy level.
- The reserved fund balance exists for assets we have for a specific purpose. This includes carryover – or unspent funds – from programs with inflexible expenditures. It also includes things such as our inventory of food items that have not yet been made into a meal and served/sold to students.

Why Do We Need Unreserved Fund Balance?

A healthy unreserved fund balance:

- Ensures continuity of operations in an emergency
- Mitigates any delays/changes in state funding
- Allows flexibility for unforeseen conditions or mitigation of reductions once budget cycle begins
- Can help offset unexpected declines in funding or enrollment
- Fund balance is an important indicator of district financial health
- Fund balance is a key factor in a bond rating, affecting the interest rate our community pays on borrowed funds for capital projects

Additionally, operational reasons a district needs liquid cash available are:

- Revenues do not come in evenly throughout the year; therefore, we must maintain enough available cash to fund payroll and district expenses, even during the months of lowest income.
- Much of our revenue is received as reimbursements, for which we pay up front for the materials or services and are paid back for a portion of expenses months or even more than a year later.

Planning for the Future

Why Continued Reductions are Necessary

We need to consider the following current and ongoing realities of our budget emergency:

- Our ending unreserved fund balance continues to be dangerously low
- Expenses continue to outpace our revenues
- Our district has been operating without certain curriculum and resources necessary to provide the high standard of educational services we expect for our students
- There have been very limited professional development opportunities, which are critical to enhance and evolve professional practice
- Buildings have been operating with limited supplies, failing equipment that hasn't been replaced, and outdated systems
- We must get to a place of financial health where we can resume investments in the elements that are necessary to support our schools
- The more we delay investments, the more expensive it will be to bring district materials and systems up to date

How Are We Set Up to Start and Finish 2025-26?

Ending 2024-25 with possibly a \$5M (2.8%) unreserved fund balance is higher than budgeted and may help our future financial situation.

However, we are still likely to end 2025-26 with a negative fund balance if we don't make significant changes.

On the next slide, we will look at what is contributing to the 2025-26 \$8.5M budget deficit and how we might address this.

	Adjusted 2024-25 Budget	Updated 2025-26 Forecast	Updated 2025-26 Forecast w/o Improvement in Fund Balance
Beginning Fund Balance	\$9,610,768	\$7,495,768	\$7,495,768
+ Revenues	\$178,145,000	\$180,616,000	\$180,616,000
- Expenditures	\$182,260,000	\$189,150,000	\$189,150,000
Deficit	-\$4,115,000	-\$8,534,000	-\$8,534,000
Restricted/Reserved Fund Balance	\$2,482,713	\$2,482,713	\$2,482,713
Unreserved Fund Balance (Includes \$2M Possible Improvement to Fund Balance)	\$5,013,055 2.8%	-\$1,520,946 -.8%	-\$3,520,946 -1.9%
Ending Fund Balance	\$7,495,768	\$961,768	-\$1,038,232

Planning for the Future: 2025-26 Estimated Budget Deficit

Potential Revenue: \$2.4M

- Increase of Existing Levy
- Enrollment Increase
- Materials, Supplies, & Operating Costs (MSOCs) Increase
- 2024-25 Budget Reduction Efforts

Additional Costs: -\$6.9M

- Return of Labor Partner Contract Pauses
- Rising MSOCs
- Salary Increases - 1.9% Implicit Price Deflator (IPD)

Continued Annual Deficit (from 2024-25): -\$4M

Unknown Revenue and Costs
State Legislative Session
Open Bargaining Agreements: <ul style="list-style-type: none">● Shoreline Education Association (SEA)● Professional-Technical Association● SEIU-Grounds/Custodians/Warehouse● SEIU-Food Service● Mechanics
Learn more about employee groups and who they support

Estimated Budget Deficit:	\$8.5M plus unknowns
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Our Goal

Our Path to Financial Health

Our goal is to return to sustainable fiscal health where:

- ✦ **Our expenses are within our means**
Building a balanced, sustainable budget
- ✦ **Our unreserved fund balance is healthy**
Enabling us to weather unexpected expenses or emergencies
- ✦ **We can align our resources to our strategic plan**
Fulfilling our goals and outcomes for student success
- ✦ **We can be flexible and nimble**
Supporting students and addressing areas of greatest need
- ✦ **We have a healthy foundation for growth**
Preparing to expand services as increased revenue becomes available

2025-26 Budget Reduction Scenarios

A few budget reduction scenarios are provided below with consideration of the following:

- Possible improvement in unreserved fund balance (\$2M)
- Projected 2025-26 deficit (\$8.5M)

Budget Reduction Scenarios	Reduction Amount	Unreserved Fund Balance Amount	Unreserved Fund Balance %
1. No Reductions	0	-\$1,520,946	-.8%
2. Reduction of Total Deficit Amount	\$8,534,000	\$7,013,055	3.7%
3. Reduction of Deficit Amount Minus Possible Unreserved Fund Balance Improvement	\$6,534,000	\$3,013,055	1.6%

%	Unreserved Fund Balance
-8%	Projected 8/31/26
1%	\$1,891,500
1.5%	\$2,837,250
2%	\$3,783,000
2.5%	\$4,728,750
3%	\$5,674,500
3.5%	\$6,620,250
4%	\$7,566,000

For Discussion

Projected Unreserved Fund Balance:

2024-25 Updated Estimate \$5M (2.8%)
2025-26 Updated Projection **-\$1.5M (-.8%)**

Projected Considerations:

Continued Deficit from 2024-25: **-\$4M**
Additional Costs: **-\$6.9M**
Potential Revenue \$2.4M
Totaling: -\$8.5M plus unknowns

To continue our work toward financial stability and health, we must make necessary reductions and spend within our means.

Therefore, staff recommend a Reduced Educational Program (REP) target of at least \$6.5M, which may result in an estimated unreserved fund balance of \$3M (1.6%), and continue to take a multi-year approach.

Note: We will continue to be behind because of the **disparity in state and federal funding**. Additionally, this still does not put the District in a healthy financial position and does not allow for any unknowns, such as bargaining work.

Board Guidance

Proposed (draft) guidance from Board Officers for discussion:

- Avoid binding conditions
- Seek to pass a budget that does not rely on borrowing against ourselves
- Center student outcome goals identified in the strategic plan
- To the extent possible, make reductions furthest away from students in need of the most support
- Maintain sufficient building and central administration that supports continued sustainable operations and student supports
- Work to rebuild our unreserved fund balance over 3-5 years, as conditions permit

Looking Ahead: 2025-26 Budget Timeline

Board meeting dates are aligned with major budget milestones. The timeline for the development of the 2025-26 Budget does not include the following crucial work:

- Labor Partner Meetings and Collaboration
- Community Meetings and Presentations
- Staff Meetings and Presentations
- Student Meetings and Presentations
- Budget Advisory Team (BAT) Meetings
- District Leadership Team Meetings

Proposed Board Budget Timeline	
November 12, 2024	<ul style="list-style-type: none"> ● 2024-25 Financial Update and 2025-26 Budget Planning ● Board Guidance for Budget Development Planning
December 2, 2024	<ul style="list-style-type: none"> ● Updated Demographer Report - Study Session
December 10, 2024	<ul style="list-style-type: none"> ● 2023-24 Year-End Fiscal Financial Report (F-196)
January 14, 2025	<ul style="list-style-type: none"> ● Preliminary 2025-26 Enrollment Projections ● Review of Preliminary 2025-26 REP
February 11, 2025	<ul style="list-style-type: none"> ● 2024-25 Financial Update ● Resolution to Approve 2025-26 REP
March 18, 2025	<ul style="list-style-type: none"> ● Review of 2025-26 Enrollment Projections, Prototypical School Funding Model, and Staffing
May 20, 2025	<ul style="list-style-type: none"> ● Legislative Update ● 2024-25 Financial Update
June 17, 2025	<ul style="list-style-type: none"> ● Review of 2025-26 Preliminary Budget
July 22, 2025 (tentative)	<ul style="list-style-type: none"> ● 2025-26 Budget Hearing and Budget Adoption

Key Points

- Our 2023-24 financial position was better than projected
- Current year (2024-25) projections show improvement
- However, we face a significant budget deficit for 2025-26
- Substantial reductions will be necessary
- We must address both immediate needs and long-term financial health

Thank you!



Appendix: Budget Q&A

Why didn't we budget for this additional money in our unreserved fund, knowing that this has been a pattern in recent years?

We have shared in our budget presentations that the 2023-24 unreserved fund balance would likely end above budget. However, a school district's budget must be conservative to avoid putting a district in jeopardy, especially when we are operating on such a thin margin. We need to have budget capacity, and we don't want to overproject our enrollment and revenues. With our budget consistently in the danger zone over the past three years, it has been critical that our budgeting work reflect conservative projections.

If we have more in unreserved funds, are we on track to financial health now?

No. Expenses continue to outpace revenue, which leads to a continued decline in our unreserved fund balance. We must take steps to address both immediate needs and long-term financial health.

Will staffing reductions still need to be made next year?

Yes. As we know, with 87% of our costs associated with salaries and benefits, our choices are limited and we will have to consider reducing staffing costs that are not covered by State funding.

Appendix: Budget Q&A

With the increased enrollment projections from the demographer recently, will that revenue be enough to regain fiscal health?

While learning that more students may enroll in our school district in the coming years is welcome news, the revenues from that enrollment is insufficient to adequately fund school district programs and services. With more students comes more expenses in staff, materials, and more, so the revenue is offset by the costs. With the broken funding model in WA State, the revenue we will receive for additional students will likely be less than it costs the district to serve them.

Additionally, we are still awaiting more detailed information about updated enrollment projections, and we must budget conservatively to avoid putting the district's financial health in peril. A lot can change over time, and it is too soon to know how these new projections will actually affect our enrollment, revenues, and expenses.