

March 19, 2025

The Board of Trustees of Willis I.S.D. met in a Public Meeting Concerning a 2025 – 2026 Budget Workshop and the Public Comments regarding same on March 19, 2025 at the Sharon Hill Jennette Administration Building in the Willis ISD Boardroom, 612 N. Campbell Street, Willis, Texas.

CALL MEETING TO ORDER

President Kyle Hoegemeyer called the Texas Academic Performance Report Public Meeting to order at 4:30 p.m. and announced that a quorum was present and that notice of the meeting had been posted for the time and manner required by law.

Members present: Kyle Hoegemeyer; presiding, Cliff Williams, Scott Carson, Charles Perry, Sr., Nikita Lagway, Chad Jones, and Paulett Traylor Member Absent: None

PUBLIC MEETING 2025 – 2026 BUDGET WORKSHOP

Board President Kyle Hoegemeyer initially stated the time as 5:30 PM. Board member Scott Carson corrected the time to 4:30 PM. President Hoegemeyer acknowledged the correction, stating, "Yes, thank you Scott for that correction."

Chief Financial Officer Garret Matej began the first budget workshop of the year by outlining the goals for the session. He emphasized that this workshop was occurring earlier in the year than usual, with the primary objective being to establish the current financial standing and identify the tasks and challenges ahead in preparing for the next fiscal year's budget.

The presentation was structured to cover several key areas:

- **District Budget Assumptions:** This would include a review of the fundamental factors influencing the district's revenue.
- **Property Values:** An examination of property values and their impact on the budget.
- **Local Montgomery County Impacts:** Discussion of local economic factors and their influence on district finances.
- **Funding Side Issues:** Addressing any challenges or considerations related to funding sources.
- **Current 24-25 Budget Status:** An overview of the current budget and potential carryover funds ("Cali and expend").
- **Debt Service:** Exploring strategies for managing debt service, including potential interest savings.
- **25-26 Budget Assumptions:** While acknowledging the board's familiarity with these figures, Mr. Matej highlighted that these assumptions form the basis of their annual revenue. He specifically mentioned **enrollment**, or **Average Daily Attendance (ADA)**, which he humorously referred to as "butts in seats" in the finance world, as a key driver of their financial model.

CFO Garret Matej discussed preliminary budget projections, highlighting concerns about Average Daily Attendance (ADA) due to potential voucher legislation. He presented historical and projected ADA numbers, noting a conservative estimate for next year that is lower than PASA's projection. He also addressed the tax rate, explaining that while preliminary property values aren't yet available, current legislation and growth trends suggest a potential compression of up to 5 cents, possibly bringing the total tax rate under \$1. However, he cautioned that this is a projection and the final tax rate won't be confirmed until later. Mr. Matej emphasized the uncertainty surrounding new legislation and its potential impact on property values and funding, stating that numerous revenue projections had to be discarded due to the volatility of potential changes. Finally, he mentioned the

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district's process for receiving certified tax values from Montgomery County in July/August, which forms the basis for their tax collection projections.

Continuing the discussion on tax collections, CFO Garret Matej explained that the 46million adopted in August was based on certified property values provided by Montgomery County. The county sends these values, the district applies its tax rate (.6669), and this calculation forms the basis for anticipated tax revenue. However, recent years have seen significant post-certification adjustments, not solely due to natural fluctuations like property value lawsuits, but also due to errors.

Mr. Matej then detailed two specific instances of significant errors in the certified values:

- **Double Listing:** A major property valued at \$242 million was listed twice on the tax roll. This error was corrected, resulting in a reduction of over \$2.5 million in anticipated tax collections, impacting the budget built upon the initial, inflated value.
- **Tax-Exempt Property:** A property with a \$92 million value, new to the tax roll this year, was recently determined to be tax-exempt. This late discovery (confirmed the previous week) will result in a loss of nearly \$1 million in expected tax revenue, with the removal occurring in March.

Mr. Matej emphasized that property valuation and tax collection are the responsibilities of the Montgomery County Appraisal District and Tax Collection, not the school district. He clarified that the district relies on the accuracy of the information provided by the county.

In response to a board member's question, Mr. Matej stated that the appraisal district determines tax-exempt status. He didn't have specific details about the \$92 million property's exemption but recalled terms like "foreign" or "foreign trade" being mentioned. He offered to investigate the specifics, noting the property was new to the roll this year, suggesting a recent purchase or ownership change where the tax-exempt status should have been identified earlier.

The discussion then shifted to **state property values** and their impact on local funding. Mr. Matej explained that the state is updating a calculation related to frozen levies and the over-65 population, stemming from the increased homestead exemption. Essentially, when the homestead exemption increases, taxes for citizens over 65 are frozen, leading to less tax revenue for the county. The state previously indicated it would "hold harmless" districts for this lost revenue.

Mr. Matej noted that Conroe ISD recently raised concerns about this calculation, estimating a potential revenue increase. Initially hesitant about a statewide impact, Mr. Matej has since learned that this particular calculation issue is specific to **Montgomery County**, making him more optimistic about a positive revenue adjustment for their district.

Continuing the summary, CFO Garret Matej reported potential positive news regarding state revenue due to a recalculation related to frozen levies and the over-65 population. The district has officially appealed the 2023 calculation, which could potentially yield \$2 million. Encouragingly, the new calculation was used and approved for 2024, resulting in current-year funding.

Mr. Matej then reviewed the current 2024-2025 budget. The initially adopted balanced budget in August was \$86.3 million, based on 8,400 ADA. A November review, showing an increase to over 8,500 ADA, led to a \$1.1 million budget amendment for increased state aid, offset by a reduction in SHARS funding.

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Tonight, another budget amendment is proposed, primarily to reflect a \$1.9 million downward adjustment in revenue due to the \$242 million tax roll duplication. This amendment doesn't yet include the impact of the recently identified \$92 million tax-exempt property. A \$37,000 adjustment to local revenue accounts for an easement sale, which auditors recommended be moved from a land sale expenditure account to revenue. This accounting shift explains a disparity between revenue and expenditure amendments.

A significant positive adjustment is a substantial increase in state aid. This is attributed to a more favorable state property value survey, higher Career and Technical Education (CTE) numbers, and most notably, the positive impact of the state property value recalculation for the over-65 population. This recalculation, already applied in 2024, is the basis for optimism regarding the \$2 million potential from the 2023 appeal.

Mr. Matej also addressed "TRS on behalf," a non-cash reporting figure where the district accounts for the state's contributions to the Teacher Retirement System (TRS) on their employees' behalf. Following auditor recommendations for a more conservative calculation, this will be reflected separately in the budget amendment for clarity, distinct from actual operating funds.

On the expenditure side, due to the projected increase in funding, Mr. Matej proposed reallocating a portion of the budgeted funds for vacant positions (historically around 2% or \$2 million) back into the budget. This will provide more operating flexibility in the late spring and summer months to address potential needs like white fleet maintenance and other updates.

CFO Garret Matej projected the current 2024-2025 budget at \$89.4 million in expenditures, slightly higher than the revenue projection due to the \$550,000 bus purchase approved in November.

The focus then shifted to the 2025-2026 budget and the significant impact of opening Calfee Middle School. Mr. Matej emphasized that opening a secondary campus has substantial costs beyond a primary school. He outlined several areas under review:

- **Personnel:** Determining which existing positions can be transferred versus new hires, including potential stipends for teachers managing specific programs.
- **Operations:** Covering utilities, insurance, and the general campus budget for the new facility.
- **District Programs:** Considering the impact on athletics, fine arts, and Career and Technical Education (CTE) programs.

Mr. Matej stressed that these figures are preliminary, especially regarding teacher and special education needs, which are currently under close review based on the established attendance zones and projected student numbers for Calfee. He provided initial budgetary estimates for Calfee's instructional and office personnel (potentially \$3.6 million), child nutrition staff (over \$200,000), and a School Resource Officer (SRO).

Utility costs for Calfee were projected at over \$230,000 annually, based on the averages of the similarly sized Brabham Middle School. Insurance costs were estimated to increase by \$112,000 by adding Calfee's property value to the district's policy, although insurance bids are still being sought.

Program budgets for athletics and fine arts at Calfee were initially based on the current allocations for the other middle schools. While acknowledging the initial investment in new equipment, Mr. Matej clarified that these operating budgets cover ongoing supplies and expenses like transportation.

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Looking at overall 2025-2026 expenditures based on current personnel and operating costs (excluding Calfee), the figure exceeds \$90 million. Mr. Matej noted that without the new campus, the district would be in a strong financial position due to projected funding increases and enrollment growth.

The estimated additional cost for opening Calfee is around \$4 million. Beyond this, the district will need to address new personnel needs across the district and consider compensation adjustments for all staff.

Mr. Matej provided a snapshot of the previous year's (2024-2025) new personnel additions, totaling \$2.9 million, primarily in regular education teaching positions. He mentioned an upcoming presentation from TASB, which will provide staffing projections and recommendations for the next year based on their review. These recommendations will need careful evaluation to determine their applicability and feasibility within the budget. Finally, he acknowledged that compensation is always a significant budgetary consideration. He noted discussions about a proposed \$220 increase to the basic allotment, with a potential requirement that 40% of that increase be dedicated to future raises. He is seeking further clarity on these requirements to understand the financial implications and necessary actions.

Mr. Matej then reviewed current legislative proposals:

- **HB2:** Proposes increasing the basic allotment from \$6,160 to \$6,380 and mandates that 40% of this increase be used for future raises. It also includes an increase to the special education allotment, the specific amount of which is currently unknown. Mr. Matej highlighted the significant underfunding of special education statewide, where districts like theirs spend double the state's requirement.
- **HB3:** Concerns the doctoral life program and Educational Savings Accounts (ESAs), tying ESA funding to the average per-pupil spending in the state.
- **SB2:** Proposes a \$10,000 starting teacher salary with additional increases for smaller districts and \$2,000 for homeschools.

Regarding the current year's (2024-2025) revenue, Mr. Matej projects around \$89.4 million. Key factors influencing this include enrollment growth (affecting ADA), the potential impact of vouchers, and new legislation. The proposed \$220 increase to the basic allotment could generate approximately \$2.5 million in additional funding, with the special education allotment increase being supplementary. The outcome of the property study appeal could potentially add a one-time revenue boost of \$2 million in the fall of 2025, which could help offset costs associated with opening Calfee, although its non-recurring nature makes it difficult to integrate into the long-term budget.

Moving to debt management, Mr. Matej announced two items for the April board meeting:

- **Debt Defeasance:** The district plans to pay off approximately \$4 million in bonds from the 2016 series, maturing in 2045, early. This strategic move will save the district an estimated \$3.1 million in interest payments over the next 20 years. The targeted bonds currently have a remaining payment schedule totaling \$7.2 million.
- **Bond Issuance Authorization:** Following voter approval in May 2024 for \$102.7 million for a transportation facility and high school updates, \$15 million was issued in October 2024. The remaining \$87.7 million needs to be issued. Mr. Matej recommended issuing this in two phases: approximately \$45 million in the summer of 2025 and the remaining amount in the summer of 2026. This phased approach offers flexibility regarding potential future bond elections and could lead to interest savings if interest rates continue to decline as projected. It also helps avoid arbitrage issues with the IRS. Chief of Construction and Operations Bob Eaton confirmed that the \$45 million issuance would adequately cover the cash flow needs for the initial phases of the

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transportation facility and the ninth-grade center construction, with major construction on the latter starting in the summer of 2026.

Concluding the budget discussion, CFO Garret Matej invited further questions but noted that it was still early in the budget cycle, with many factors still in flux. He acknowledged that the next year's budget would be challenging due to the opening of Calfee Middle School and the need to address compensation, a consistent priority. He echoed the district's common challenge of rising costs.

Mr. Matej expressed optimism that new state funding would materialize, enabling a balanced budget, which remains his primary goal. Reviewing the current revenue projection of \$89.5 million, he reiterated that balancing the budget without the added expenses of Calfee would be achievable with anticipated new funding. However, incorporating Calfee's needs will require a strategic approach. He hopes to provide more concrete revenue projections at the next budget workshop in June, contingent on greater clarity regarding state funding.

In response to a board member's question, Mr. Matej confirmed that the district would be eligible for the New Instructional Facility Allotment (NEA), providing approximately \$1,000 per new student in the first year of Calfee's operation, potentially recovering around \$700,000. He clarified that this potential revenue was already factored into his current projections.

Mr. Matej outlined several strategies for achieving a balanced budget, including refining county tax figures, obtaining more precise personnel needs for Calfee, and incorporating realistic vacancy rates into expenditure projections. Ultimately, the final budget will heavily depend on the amount and stipulations of new state funding.

A board member emphasized the importance of carefully considering the upcoming staffing presentation from TASB, acknowledging that some recommendations might necessitate difficult decisions. They stressed the need for wise resource allocation, particularly given the significant portion of the budget dedicated to salaries and the already lean operating costs. They highlighted the potential strain on teachers with new curriculum implementation at Calfee.

Mr. Matej agreed to address any further budget-related questions or topics. He confirmed the next budget workshop would be in June, with the aim of providing clearer revenue projections and potential budget scenarios. Regarding compensation, he acknowledged the desire to address it early but cautioned that doing so before understanding the specifics and requirements of new state legislation carries risks.

In response to a question about the potential 5-cent tax rate compression, Mr. Matej explained that while it would shift funding from local taxes to state revenue, it theoretically should not result in a net loss of funding for the district.

PUBLIC COMMENTS

There were no comments on the 2025 – 2026 Budget Workshop.

ADJOURNMENT OF PUBLIC MEETING

Motion by Cliff Williams and seconded by Chad Jones to adjourn the Public Meeting. Motion carried unanimously.

The Public Meeting adjourned at 5:19 p.m.

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