ISSAQUAH SCHOOL DISTRICT 411

Enrollment and Budget Update, 2027-28 Budget Development Guidelines



Regular Board Meeting / November 12, 2026

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Purpose of Tonight's Financial Update

PURPOSE

To report results on 2025-26 financials and 2026-27 enrollment, and gather Board direction for the 2027-28 Budget Development Guidelines

1

2025-26 Financial Results

How 2025-26 fiscal year closed against the June projection, financial stewardship results, and why costs continue to outpace revenue.

2

2026-27 Enrollment

The October count against the budget's assumptions, where the decline is concentrated, and kindergarten as the earliest signal.

3

Board Guidance

2026-27 fund balance initial estimate, the multi-year outlook, and board direction for the budget development guidelines.

Refinancing the 2017 Bonds Saves Taxpayers Another $4.5M

On October 20, the District sold $76.4M in refunding bonds at a lower interest rate.

Ratings Reaffirmed

Moody's reaffirmed the District's Aa1 rating and S&P its AA rating on September 24, 2026, drawing strong investor demand.

State Credit Enhancement

The Washington State School District Credit Enhancement Program, rated Aaa and AA+, assures investors of repayment. Participation depends on voter approval.

Lower Interest Rates

The new bonds average 3.82%, compared with 5.00% on the refinanced debt, exceeding the District's savings target.

Timely Board Action

The Board approved issuance on March 26, 2026, so the District was ready when market conditions allowed.

SAVINGS TO TAXPAYERS

$4.5M

More savings from refinancing bonds

REFUNDING BONDS SOLD

$76.4M

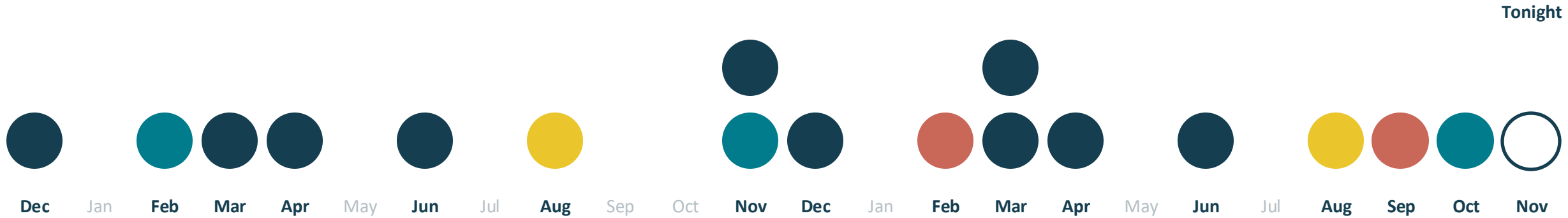
3.82% average rate vs. 5.00% on the refinanced debt

Unlimited Tax General Obligation Refunding Bonds, 2026B: $76,390,000, refinancing the 2017 bonds. 2016 bonds: $109.7M refinanced in June 2026, est. $18.6M savings (August 13 Budget Hearing).

Two Years of Board Work on Financial Sustainability and Enrollment

17 public sessions since December 2024

Regular or budget meeting · Work study · Board retreat · Budget hearing



2024-25
6 sessions

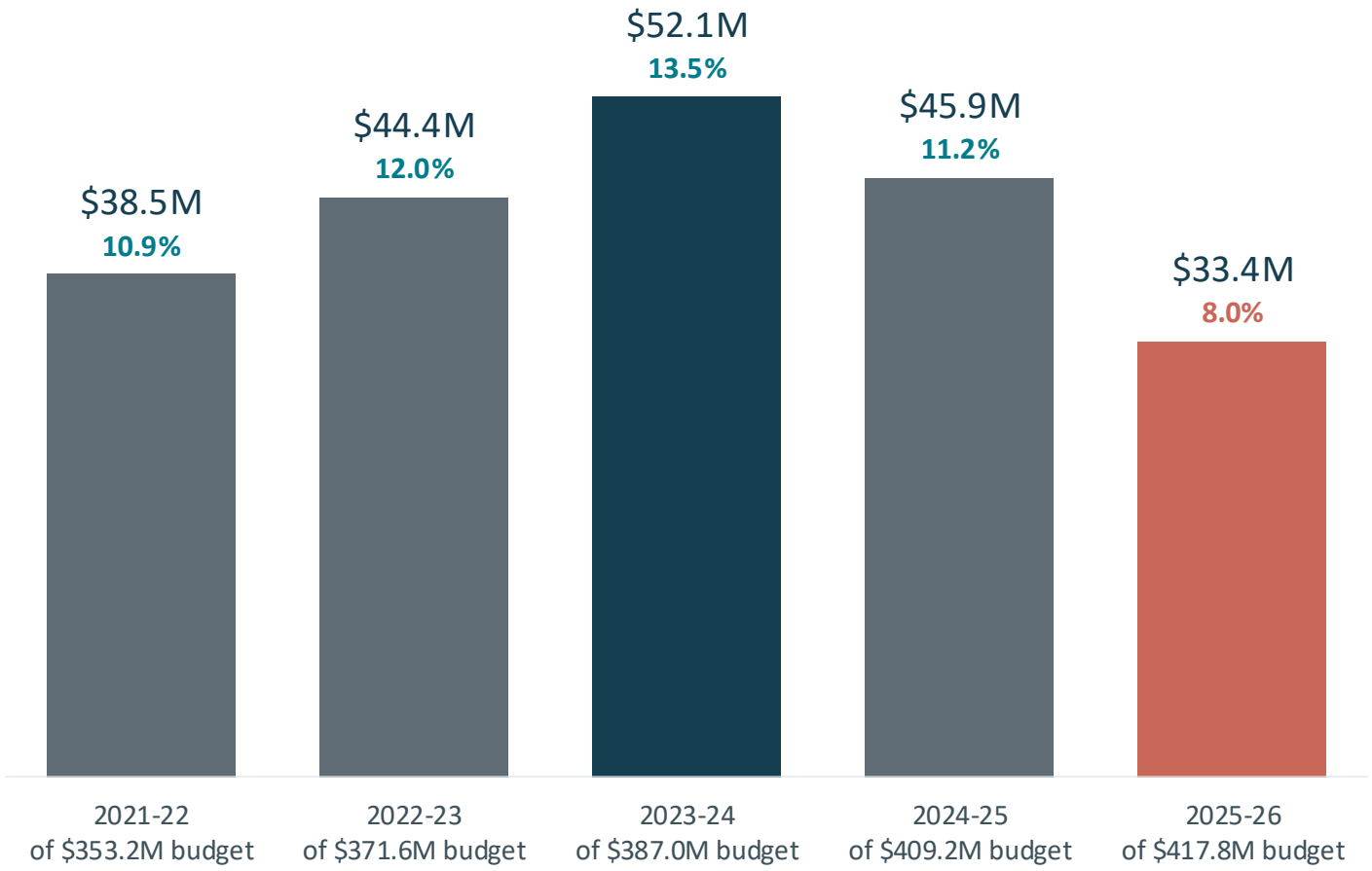
2025-26
9 sessions

2026-27
2 so far, plus tonight

Tonight builds on that work: the guidelines set the parameters for 2027-28.

Fund Balance Fell to Its Lowest Level in Five Years: $33.4M and 8.0%

2025-26 closed at $33.4M, within $5,100 of the June projection.

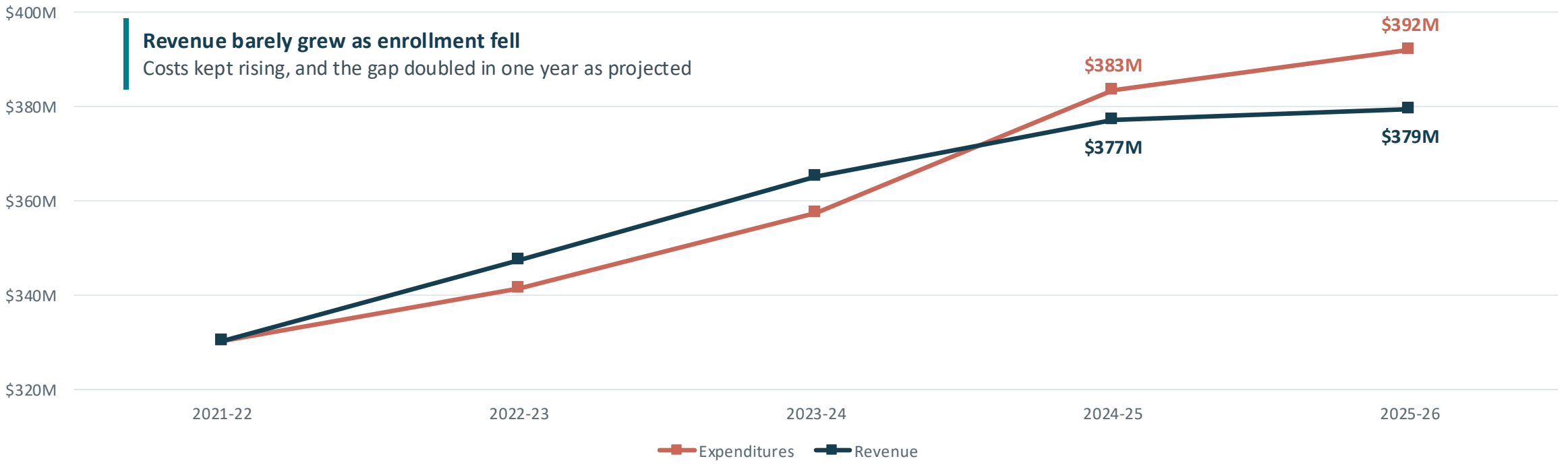


WHAT MAKES UP THE $33.4M	
Nonspendable Inventory and prepaid items	**$3.6M**
Restricted Restricted by law, grants or contracts	**$1.8M**
Committed Set aside by Board action, including the Board reserve	**$1.6M**
Assigned Includes $5M for future school facilities (was $20M before June 25)	**$6.5M**
Unassigned Available for operations: 4.76% of $417.8M (policy 3% to 7%, or $12.5M to $29.2M)	**$19.9M**
Total fund balance	**$33.4M**

General Fund ending fund balance, audited year-end figures; 2025-26 per August 31, 2026 close ($33,371,268). Percentages use each year's budgeted expenditures, shown under each year. June 9 estimate: $33,366,181.

Costs Grew Faster Than Revenue

In 2025-26, revenue grew 0.6% while expenditures grew 2.3%.



GAP, 2024-25

$6.2M

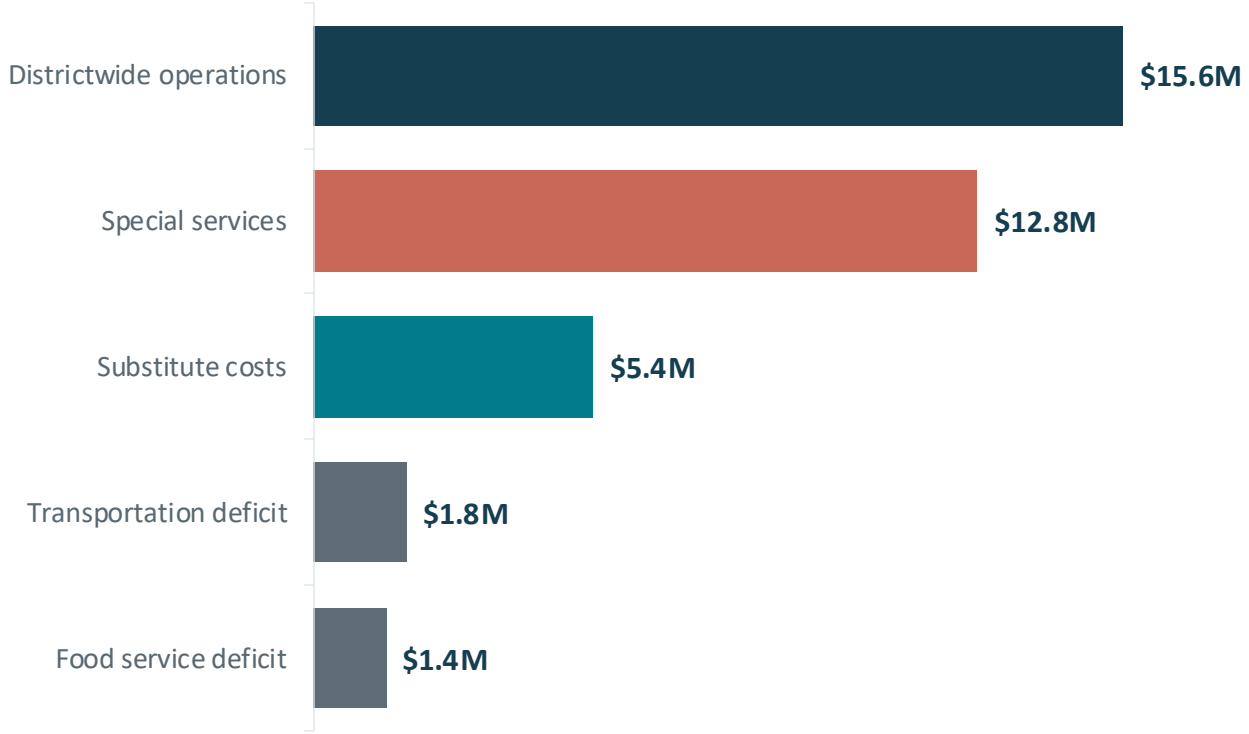
First year expenditures exceeded revenue

GAP, 2025-26

$12.5M

Doubled in one year

Local Dollars Cover Costs the State Does Not Fully Fund



WHAT EACH ONE IS

Legally required. Special services: $12.8M the state underfunds that we must provide.

Unfunded substitute cost. $5.4M in substitute costs the state does not fund.

Rising operating costs. Utilities and insurance: about $15M spent, up 32% in one year.

Program deficits. Transportation and food service cost more than state dollars brought in.

2025-26 General Fund local support, $ millions. Substitute costs: substitute costs not funded by the state. Districtwide operations: local funding for operating costs.

Multiple Years of Reductions, and the Gap Remains

$60.2M
in reductions, 2021-22 to 2026-27

3,092 fewer
students since 2019-20
20,245 to 17,153 K-12 FTE (15%)

$13.3M
reduced for 2026-27 alone
Included 43 teaching FTE; Projected $5.0M deficit remains

STAFFING ADJUSTMENTS

Certificated and classified allocations aligned to enrollment each year as it declined.

ADMINISTRATION REDUCTIONS

Central office and department budgets absorbed larger proportionate reductions, keeping cuts away from classrooms where possible.

VACANCY MANAGEMENT

Open positions reviewed before filling, with vacancies held or repurposed.

OPERATIONAL EFFICIENCIES

Transportation, utilities, technology, and service contracts adjusted to lower recurring costs when possible.

These actions have slowed the draw on fund balance, but they do not close a gap driven by declining enrollment and costs that grow faster than revenue.

2026-27 Enrollment Fell 266 FTE From Last Year

The decline continues, driven by fewer births and smaller kindergarten classes.

17,153 FTE

K-12 enrollment, October 1, 2026

Excludes ALE, TK and Running Start

266 fewer

than last year

17,419 in October 2025 (1.5% lower)

WHY ENROLLMENT IS DECLINING

Fewer births

King County resident births fell from 26,011 in 2016 to 22,903 in 2024 (12% lower).

Housing and affordability

Of about 1,700 planned housing units, 57% are multifamily, which historically adds fewer K-12 students.

Smaller kindergarten classes

Kindergarten fell from 1,453 in 2019-20 to 1,027 in 2026-27 (29% lower).

Open enrollment softened this year's drop, but the underlying decline continues.

Sources: ISD October 1 counts (K FTE); WA Department of Health, Vital Statistics Highlights 2016 and 2024 (King County resident births); 2026-27 Budget Hearing, August 13, 2026 (housing).

266 Fewer Students Means About $3.2M Less in State Basic Funding

Revenue adjusts quickly. The cost structure adjusts slowly.

STATE BASIC EDUCATION ALLOCATION

$11,849

Per student, 2026-27

FEWER STUDENTS THAN OCTOBER 2025

-266 FTE

17,419 to 17,153 K-12 FTE

LESS STATE BASIC FUNDING

About -$3.2M

Basic allocation only

REVENUE ADJUSTS QUICKLY

Funding follows each student. The state allocates basic education dollars for every enrolled student.

Other programs are not included. The $3.2M excludes special education, LAP, bilingual, highly capable and transportation funding.

COSTS ADJUST SLOWLY

Buildings. Core operating costs remain with fewer students.

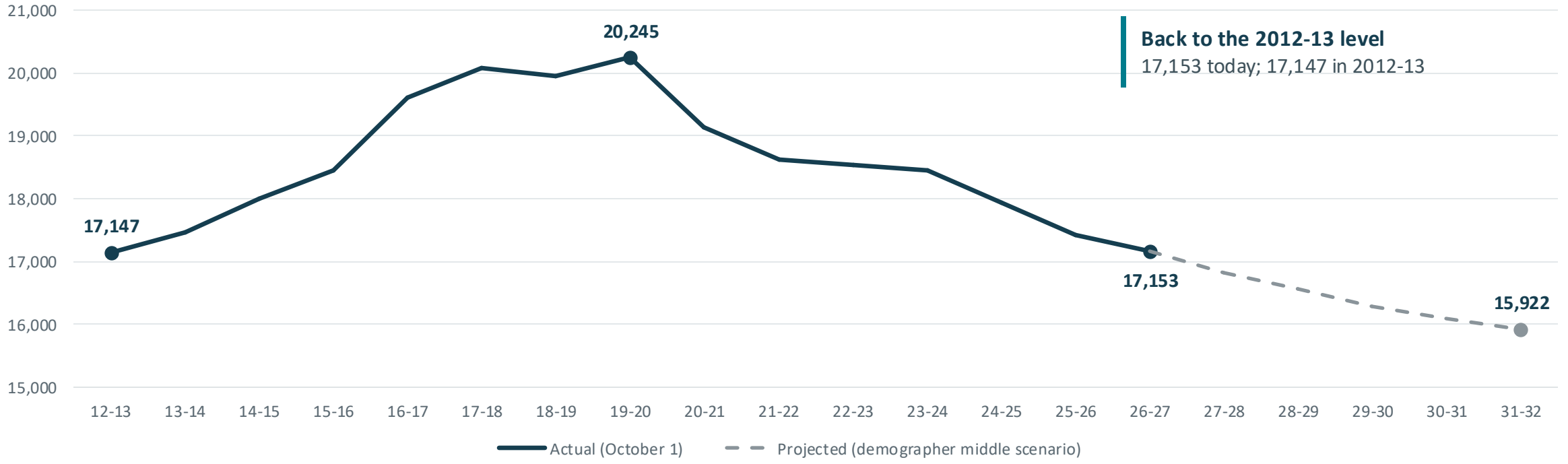
Staffing and services. Cannot change mid-year.

External pressures. Inflation, insurance, mandates and formula gaps keep rising.

The core challenge: maintain essential services while aligning costs with a smaller enrollment base.

Enrollment Is Back to 2012-13 Levels, and Still Declining

About 1,231 fewer students projected by 2031-32.



SINCE 2019-20

3,092 fewer

20,245 to 17,153 K-12 FTE (15%)

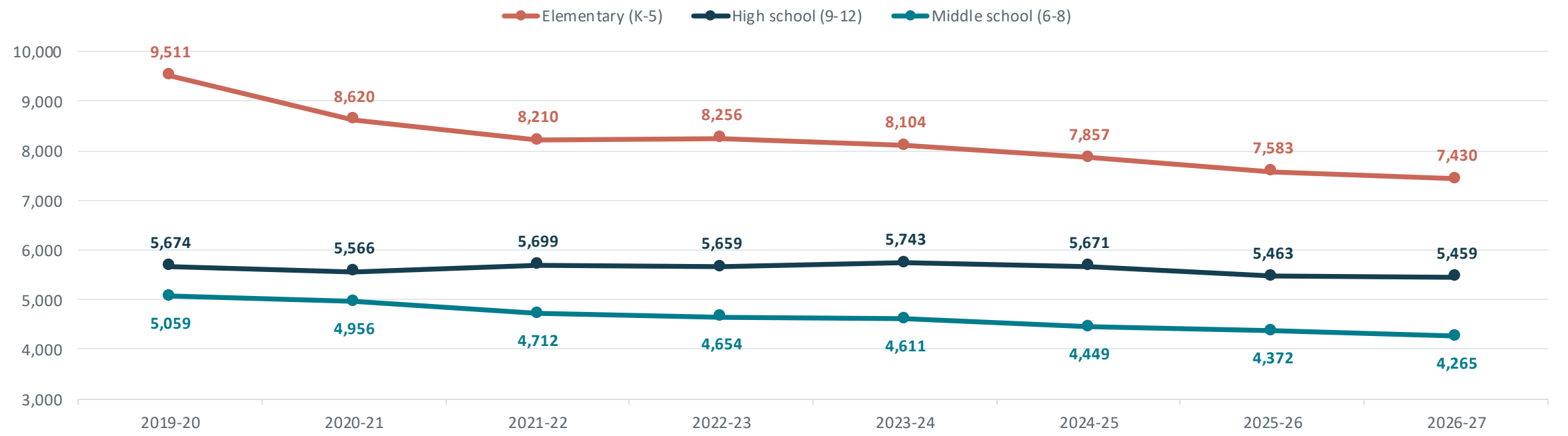
PROJECTED BY 2031-32

15,922

1,231 fewer than today (7.2%)

K-12 FTE excludes ALE, TK and Running Start. Projection: demographer, January 2026, middle scenario.

Enrollment Varies by Level



ELEMENTARY ENROLLMENT DECLINING

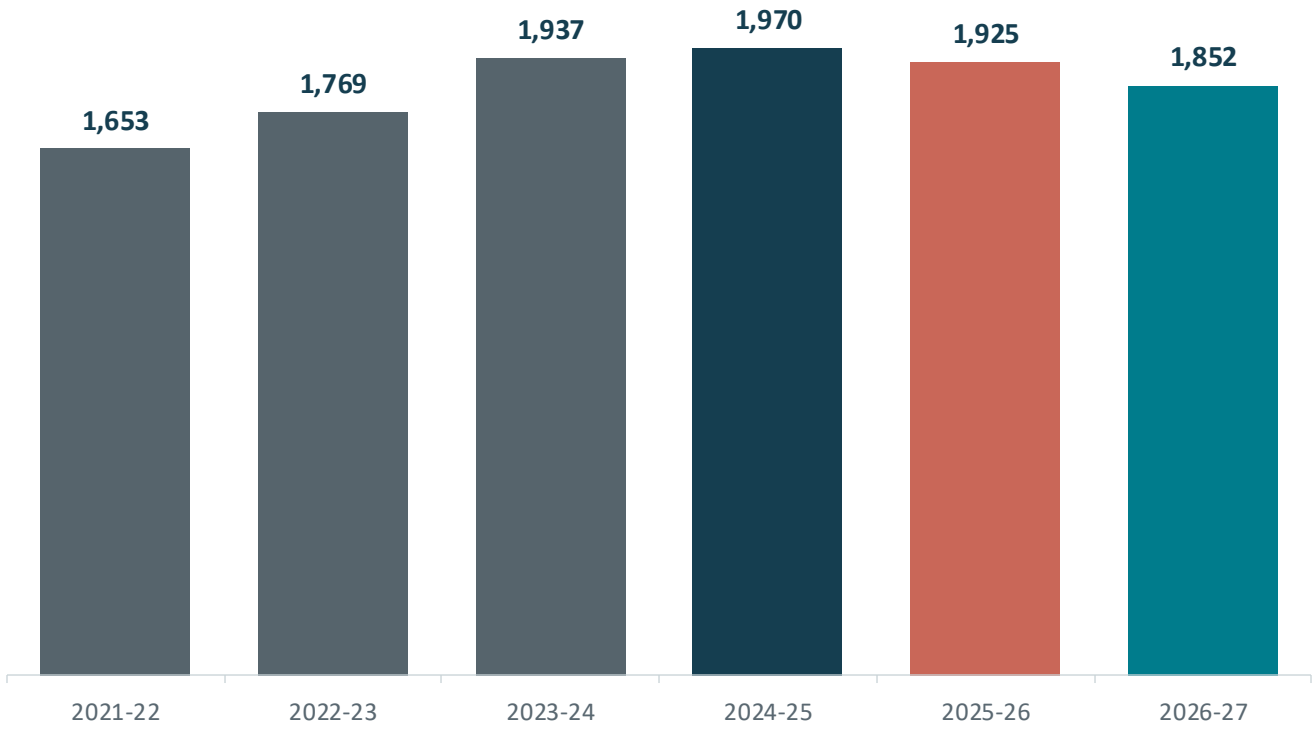
Driven by declining birth rates and smaller kindergarten classes entering the district.

HIGH SCHOOL ENROLLMENT STABLE

Larger student cohorts continue in high school before future declines.

Student FTE, October 1 counts, 2019-20 through 2026-27. Excludes ALE, TK and Running Start.

Special Education Enrollment & Funding Update



UNFUNDED BY THE STATE, 2025-26

$6,650 per student

$12.8M for 1,925 students (October 2025)

WHY COSTS DO NOT FALL WITH ENROLLMENT

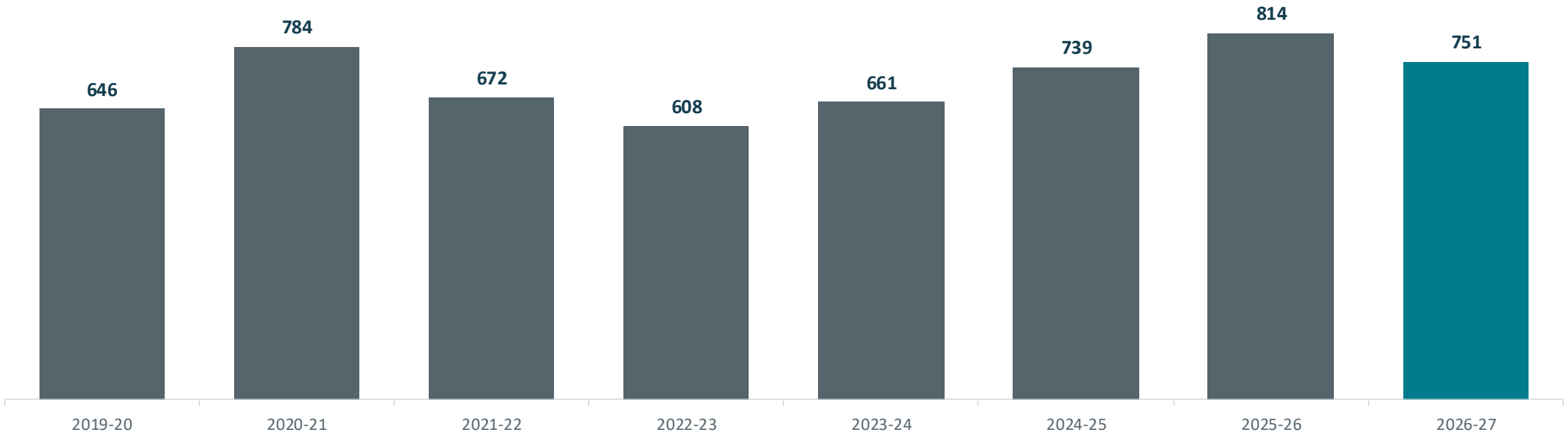
Services follow each student. Staffing reflects caseloads and individual needs.

Required by law. Services must be provided regardless of the state allocation.

Fewer students means continued alignment of staffing and services, while maintaining every required support.

October P223H counts, including ages 3 to 5 and TK. $12.8M: 2025-26 General Fund local support for special services.

Running Start Enrollment Remains High



SPACE WE MUST HOLD

About 750 students

Running Start students may take classes on campus or return to their high school

REVENUE FOR OPERATIONS

Passed through

State funding follows Running Start students to the colleges

Running Start FTE, October 1 counts, 2019-20 through 2026-27.

2026-27 Leaves Unassigned Fund Balance Near the Policy Floor

An initial estimate of a $5.0M deficit in 2026-27.

UNASSIGNED, END OF 2025-26

4.76%

$19.9M, within policy

UNASSIGNED, END OF 2026-27 (PROJECTED)

About 3.6%

$14.9M, at the low end of the range

BOARD POLICY RANGE

3% to 7%

Unassigned fund balance

WHAT WE EXPECT THIS YEAR

- Expenditures continue to grow faster than revenue as enrollment declines.
- We will preserve as much fund balance as possible while staying within policy.

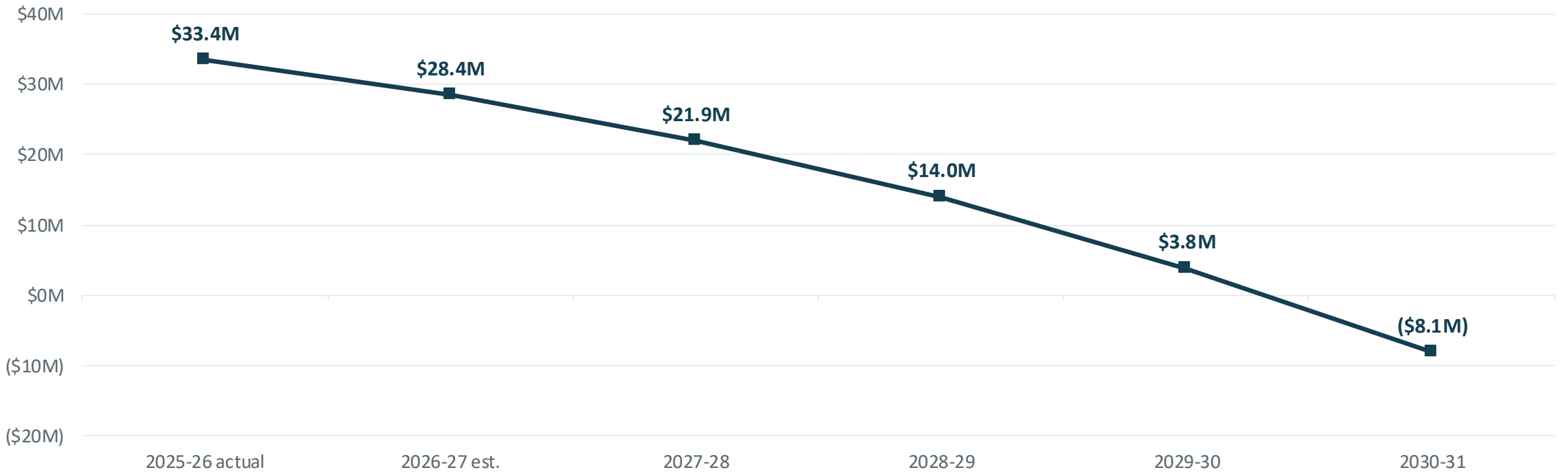
BEYOND 2026-27

- Before reductions, the gap grows about $7.3M a year.
- Reductions must be ongoing so the savings carry into later years.

2026-27 is manageable. The years after it require sustained, ongoing reductions.

Without Further Reductions, Fund Balance Runs Out in 2030-31

Aligning teacher staffing to enrollment slows the decline but does not stop it.



ADDITIONAL REDUCTIONS, 2027-28

$6.5M

Needed to hold fund balance at $28.4M

ADDITIONAL REDUCTIONS, 4 YEARS

$36.5M

Ongoing, 2027-28 through 2030-31

Starts from $33.4M; 2026-27 estimated at $28.4M after a $5.0M deficit. Before reductions, the gap grows about $7M a year. Teacher alignment: about 40 FTE per 550 fewer K-12 students at $170K per FTE, rising 3% a year. Enrollment: FLO middle scenario. Source: November 12 work study.

Binding Conditions Apply When Fund Balance Runs Out

OSPI attaches enforceable financial requirements to approval to budget future-year receivables.

WHAT BINDING CONDITIONS ARE

When they apply. A district cannot cover planned spending with current-year revenue plus beginning fund balance, and seeks OSPI approval to use future-year receivables.

What they require. Financial targets, regular reports, and a recovery plan with OSPI and the ESD.

What does not trigger them. A deficit budget alone, if available fund balance covers it.

ONE WASHINGTON DISTRICT'S EXPERIENCE

Placed on binding conditions in 2023. To restore fund balance, the district:

Cut programs. Eliminated middle school sports two years in a row and ended online learning options.

Cut staff. Laid off teachers and paraeducators; class sizes grew.

Changed schools. Closed schools, moved sixth grade to elementary, froze school budgets and paused curriculum adoptions.

OSPI lists 11 districts under binding conditions as of October 2026, up from 8 in mid-August. One entered in August despite prior budget cuts.

Sources: RCW 28A.505.110; OSPI budgeting guidance (March 2025) and binding conditions correspondence; WSSDA (September 2024); district and regional news reports (2023 to 2025).

Closing the Gap Will Take a Multiyear, Districtwide Approach

The reduction amounts are planning targets, not a completed plan.

1. Establish priorities

Define the services and outcomes to protect, the fund balance target, and the principles that guide difficult tradeoffs.

2. Review the full budget

Evaluate staffing, programs, operations, service levels, contracts and other structural costs across the district.

3. Honor Levy Funded Commitments

Prioritize other reductions first, protecting levy-funded programs as long as financially feasible.

4. Continue the multiyear strategy

Build on the approach already underway: sequence reductions, assess cumulative effects, and avoid short-term fixes that create larger costs later.

Board Guidance Tonight

Your direction shapes the 2027-28 Budget Development Guidelines.

Prior-Year Guidelines

Provided for your feedback and direction.

Your Feedback

Incorporated into the final draft for adoption.

Critical Steps and Target Dates

Draft calendar also provided for your feedback.

The guidelines are adopted in December and set the parameters for the 2027-28 budget.

Thank You

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Appendix: Critical Steps and Target Dates

Step	Timing
Board Retreat and Work Study	Sept to Nov 2026
Board Budget Development Guidelines input and adoption	Nov to Dec 2026
Financial Analysis Core Team meetings	Dec 2026 to July 2027
Budget process updates on district website	Dec 2026 to Aug 2027
Legislative session (105-day session)	Jan 11 to Apr 25, 2027
Board meetings and retreat	Jan to Apr 2027
Superintendent's budget review; program changes announced as needed	By Apr 30, 2027
District budget and budget guide completed	Jun to Jul 2027
Public hearing on proposed 2027-28 budget	Aug 12, 2027
Budget adoption	Aug 26, 2027