

BUDGET ADVISORY TASK FORCE



December 6, 2022

Dr. Chrys Sweeting, Superintendent

Gina Zeutenhorst, Executive Director of Financial Services

1

1

Budget Advisory Task Force

- Rafael Carranza – Community Parent
- Erika Coghill – Community Parent
- Mike Cross – Community Parent
- Darlene Fulfs – APS Classified Staff – Bus Driver
- Angie Hansen – APS Principal Representative
- Mikaela Harrington – Student Haller MS
- Crystal Henderson – Community Parent
- Scott Hodgson - Community Parent
- Nanci Johnson – APS PSE President/Nurse Staff
- Matt Jurick – APS Director of Technology
- Michael Kingman – School Board Director
- Michelle Kinney – APS Classified Staff - Fiscal Secretary
- Jason Klein – APS AEA President/Teacher
- Alyson Kleinman – Student Haller MS
- Britt Kleinman – Community/ACE Chair, Parent
- Mariska Lebahn – Student Arlington High School
- Lamar Lindsay – Community Parent
- Mark McDougall – APS Classified Staff – Security
- Verlaine Meyers – APS Certificated Staff - Teacher
- Debbie Montgomery – APS District Office Support
- Virginia Muniz – APS Classified Staff - Librarian
- Courtney Normand – Community Parent
- Trent Olson – Community Parent
- Mike Ray – APS School Board Director
- Erica Rose – Community Parent
- Marc Rosson – Community Former School Board Member
- Rebecca Sahlin Lyons – Community Parent
- Chad Schmidt – Community Parent
- Kyle Schroeder – Student Arlington High School
- Chrys Sweeting – APS Superintendent
- Maegan Voorhies-Oestreich – Community Parent
- Jamie Wilson – APS AEA Representative/Teacher
- Gina Zeutenhorst – APS Executive Director of Financial Services

2

2



Budget Advisory Task Force Charter

- **Purpose & Goals**
 - Focus on studying and understanding school district finances, and the challenges facing Arlington Public Schools funding
 - Review the current budget for 2022-23 and projected challenges for 2023-24.
 - Help provide feedback and input to develop and align priorities for balancing the 2023-24 budget.
- **Level of Authority**
 - Advisory to the Superintendent



3

3



Process Overview



Learn about school district funds



Learn more about funding challenges



Learn about timing of budget development



Review enrollment and staffing projections



Help identify priorities



Provide feedback to superintendent to help inform decision making

4

4



Key Take Aways from Last Meeting

- What key takeaways did you learn?



5

5



Strategic Plan - Vision Aligned Budgeting

Primary mission – educate, prepare, and inspire students to graduate and seek their full potential as life long learners

6

6



Vision Aligned Budgeting

Strategic Plan Goal 3: Resource Stewardship

We will secure quality resources (people, time, money and property) and align these resources to support equitable learning and achievement for students by making decisions using an equity lens and data

7

7



Allocations to Support the District's Mission

Strategic Plan Goal 3 – Resource Stewardship

“We will align all resources (people, time, money and property) to support the District’s mission.”

- 3.1 Allocate resources to maximize student learning
- 3.2 Maintain, improve and replace buildings and equipment
- 3.3 Invest community resources prudently

8

8



Values that Guide Budget Decisions

- Align resources (people, time, money & property) to support the District's mission
- Remain student focused by using an equity lens and responding to areas of greatest need, using data, research and feedback
- Value smaller class-sizes, especially for our youngest learners, and protect classroom programs as much as possible in times of reductions
- Prioritize a safe learning and working environment for students and staff
- Foster a culture that supports academic, behavioral, social and emotional health
- Invest in appropriate internal controls over financial operations and maintain compliance with board policy for minimum fund balance, while also allowing for flexibility in times of emergency
- Honor taxpayers investment in District infrastructure: facilities, grounds, technology and other assets
- Utilize resources to promote student learning and efficient operations in ways that are timely, practical, and sustainable
- Maintain competitive salaries to attract and retain excellent staff
- Evaluate impacts of decisions over time and consider future year projections

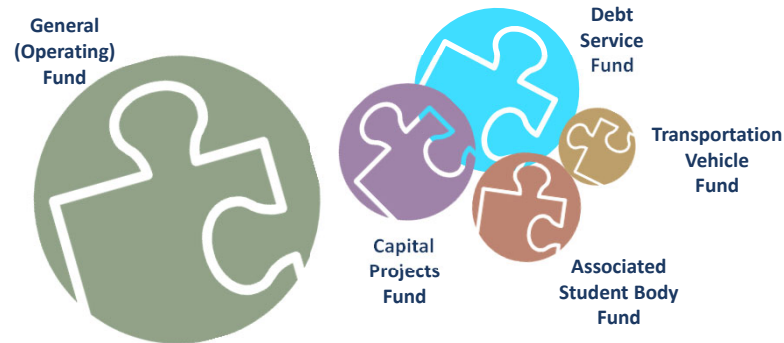
9

9



How is our budget divided?

- Our budget has five parts – 5 Funds



10

10



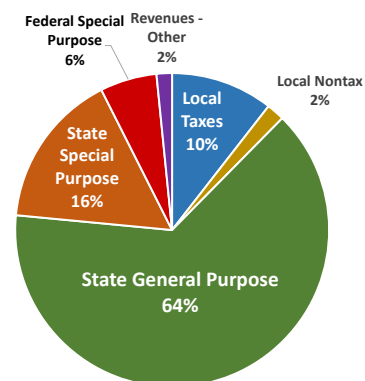
Our focus is on the
GENERAL FUND



Where does our funding come from?

Revenue budget 2022-23

- State general and state special dollars fund 80% of district programs
- Local taxes support 10%
- Local nontax and other funds 2%
- Federal dollars fund 6% (but are very restricted on their use)





Where does our funding come from?

- **State Apportionment - Prototypical School Model** formulas set by the legislature, generates 40 pages of calculations each month. Calculations are for allocation purposes only (exceptions: K-3 class sizes, teacher professional learning 3-days, social emotional learning (SEL) positions (nurses, counselors, student safety))
- **State Categorical Program Funds** - must be spent for the specific program it was given for, or the state will take the money back (examples: transportation, special ed, bilingual, remedial learning assistance program)



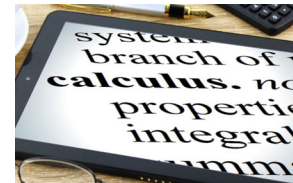
13

13



Where does our funding come from?

- **Proto-typical School Funding Model** – Formulas set by the state legislature. Funding is based upon the annual average number of *students enrolled* in the district which generates a certain level of *staffing units* multiplied by set average salaries for certificated and classified staff, plus a regionalization factor (for Arlington is 15%) and additional *formulas* to add allocations for employee benefits, materials, supplies and operating cost allocations.



$$S_k = \sum_{k=a}^{b_1} x^{-k}$$

$$\frac{1}{x} S_k = \frac{1}{x} \sum_{k=a}^{b_1} x^{-k} = \sum_{k=a}^{b_1} x^{-(k+1)}$$

$$\frac{1}{x} S_k - S_k = x^{-(b_1+1)} - x^{-a}$$

$$S_k = \frac{x^{-(b_1+1)} - x^{-a}}{\frac{1}{x} - 1} = -\frac{x^{1-a} - x^{-b_1}}{1-x}$$

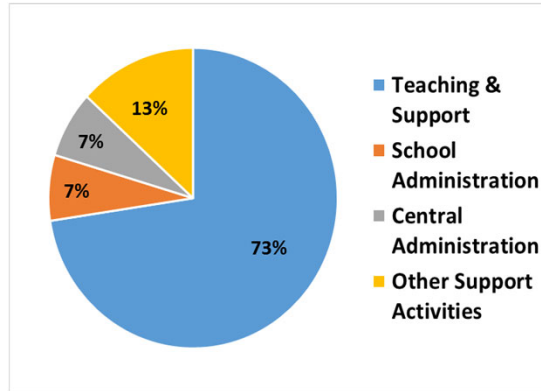
14

14



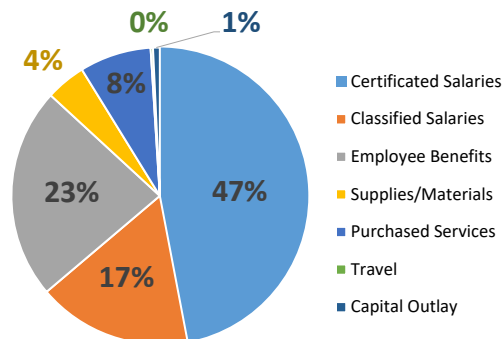
How is the money used?

- How the money is used can also be described as **'expenditures-by-activity'**. Expenditures by activity is a state required term that refers to the kind of work done in a school district.
- Each category includes all costs associated with that activity; materials, supplies, equipment, contractual services, and professional development, in addition to salary & benefits)



What do we spend money on?

- What we spend money on can be considered **'expenditures-by-object'**. Object refers to the ways school districts use funding for people, materials, and services that support student learning.





What do we spend money on?

- **Salaries & Benefits – 87 percent** of expenditures are for salaries and benefits for approximately **605 employees**, serving **5,500 students**.
 - Certificated staff hold a teaching certificate.
 - All other staff are classified.



17

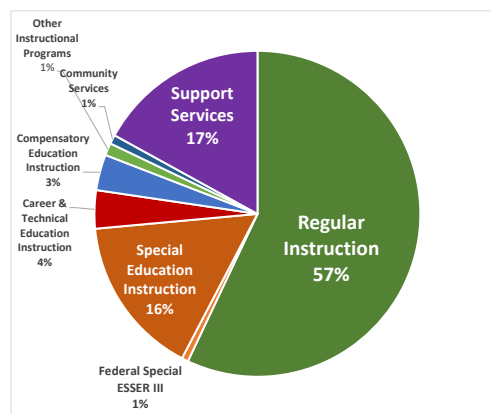
17



General Fund – expenditures

Expenditures by program

- Basic education & Federal ESSER makes up 58% of the budget
- Support services makes up 17 % of the budget
- Special education services make up 16%
- Other, Comp, & Career & Technical (CTE-Vocational) instructional programs make up 9%



18

18



New information & more learning

- Learning about the district's financial health
- Review fund balance trends
- OSPI's Financial Indicators tool
- Potential multi-year forecast
- Minimum fund balance policy
- What could change the picture
- Staff & enrollment FTE multi-year history
- Laying plans for the future
- Questions

19

19



Financial Health of the District

- **2022-23 Financial Positives:**
 - Healthy beginning fund balance helps sustain programs
 - 4-year Educational Programs & Operations Levy
 - 2022-23 is the third year of the four-year levy
 - Federal funds
 - Additional year of Dept of Health Learn-2-Return \$404,000
 - Capital Levy
 - 2022-23 is the third year of the six-year levy

20

20



Financial Health of the District

Fund Balance and minimum fund balance policy

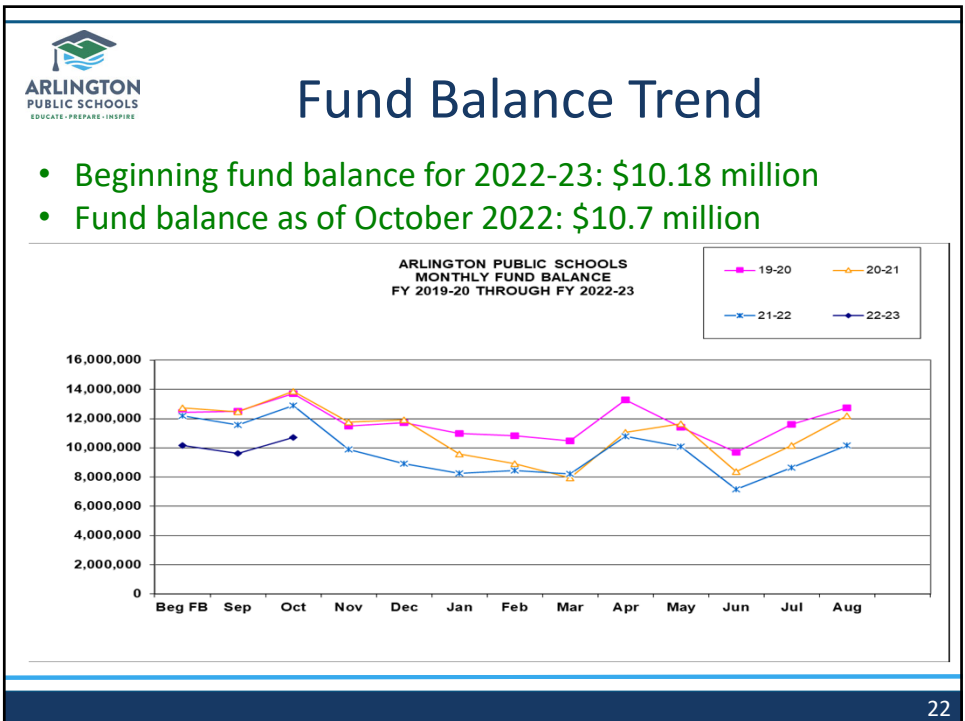




An important indicator of financial health

21

21



22



Financial Health of the District



- **2022-23 Financial Challenges:**
 - Planned spend down of fund balance, has supported programs and services through challenging times, results in declining ending fund balance compared to prior years
 - Estimate ending fund balance of \$4.2 million
 - Enrollment is recovering more slowly than hoped
 - Federal relief funds have been exhausted
 - Certain programs with unique needs, greater than the revenues generated by associated funding models
 - Special education
 - Continuing to recover from impacts of pandemic
 - Preparing for future reductions to be enacted 2023-24



OSPI’s Financial Indicators Tool

- Raw estimate for 2022-23 total profile score: 1.55
- Cut score for financial watch is 1.75

Arlington Weighted Scores							(Un-audited) Actual	Budgeted Estimated
Weighted Scores	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Fund Bal to Revenue Ratio	1.35	1.35	1.20	1.60	1.60	1.60	1.20	0.80
Expend to Revenue Ratio	1.60	1.60	1.40	1.40	1.40	1.05	1.05	0.35
Days Cash on Hand	0.15	0.15	0.15	0.45	0.30	0.30	0.30	0.00
4-Year Budget Summary			0.40	0.40	0.40	0.40	0.40	0.40
Total Profile Score	3.10	3.10	3.15	3.85	3.70	3.35	2.95	1.55

- District likely to be between 1.75 – 1.90 at year end?



Potential Forecast

Potential forecast for November 28, 2022 Financial Highlights Presentation

General Fund Summary Multi-Year	Adopted Budget 2022-23	Working Forecast 2023-24	Working Forecast 2024-25	Working Forecast 2025-26
Total K-12 FTE Enrollment*	5500	5576	5672	5692
<small>*(Includes RunStart & Open Doors)</small>		Enrollment levels increasing at less than by 2 to 4%		
Regionalization Factor	15%	14%	13%	12%
Beginning Fund Balance	10,200,000	6,021,000	4,116,000	4,387,000
Revenues	93,896,000	95,727,000	99,938,000	102,480,000
Expenditures	100,075,000	97,632,000	99,667,000	101,752,000
Ending Fund Balance	4,021,000	4,116,000	4,387,000	5,115,000
Assumes a reduction of :		(4,950,000)		

- Assumes 2023-24 beg FB + \$2M, and salary reductions of \$4.95M
- Assumes 2023-24 IPD 2.5% + 3% per CBA, 2024-25 IPD 2%, and 2025-26 IPD 2%



Values that Guide Budget Decisions

- Align resources (people, time, money & property) to support the District’s mission
- Remain student focused by using an equity lens and responding to areas of greatest need, using data, research and feedback
- Value smaller class-sizes, especially for our youngest learners, and protect classroom programs as much as possible in times of reductions
- Prioritize a safe learning and working environment for students and staff
- Foster a culture that supports academic, behavioral, social and emotional health
- Invest in appropriate internal controls over financial operations and maintain compliance with board policy for minimum fund balance, while also allowing for flexibility in times of emergency
- Honor taxpayers investment in District infrastructure: facilities, grounds, technology and other assets
- Utilize resources to promote student learning and efficient operations in ways that are timely, practical, and sustainable
- Maintain competitive salaries to attract and retain excellent staff
- Evaluate impacts of decisions over time and consider future year projections



Minimum Fund Balance

Board policy requires a minimum fund balance equal to one month's average operating costs (but allows flexibility in times of emergency)

- 2022-23 minimum = \$7.9 million
- 2023-24 minimum = \$7.7* million
- 2024-25 minimum = \$7.9* million
- 2025-26 minimum = \$8.0* million

Contemplate change to board policy from one month's average operating (roughly 8%) to one that is 5% of operating expenditures

- 2022-23 minimum = \$4.8 million
- 2023-24 minimum = \$4.6* million
- 2024-25 minimum = \$4.7* million
- 2025-26 minimum = \$4.8* million

*assumes expenditure reductions



Potential Forecast

- Ending Fund Balance compared to Target Minimum Fund Balance. Fund balance is positive, but not at the level it should be. Percentages and negative amounts in red indicate caution since the District is dropping below minimums. Future reductions will be necessary.

General Fund Summary	Proposed Budget 2022-23	Working Forecast 2023-24	Working Forecast 2024-25	Working Forecast 2025-26
Ending Fund Balance	4,021,000	4,116,000	4,387,000	5,115,000
Target Minimum Fund Balance*	7,900,000	7,700,000	7,900,000	8,000,000
<i>*1 month average operating expenditures</i>				
\$ Above Target or (\$ Below Target)	(3,879,000)	(3,584,000)	(3,513,000)	(2,885,000)
Percentage of compliance for minimum	51%	53%	56%	64%



Potential Forecast

- Ending Fund Balance compared to Target Minimum Fund Balance, with a potential adjusted Minimum Fund Balance Board Policy level. Fund balance is positive, and much closer to potential policy. Assumes a Reduced Educational Programs and Services plan implementation for 2023-24, budget reductions.

Potential Forecast for November 28, 2022 Financial Highlights Presentation

General Fund Summary	Adopted Budget 2022-23	Working Forecast 2023-24	Working Forecast 2024-25	Working Forecast 2025-26
Ending Fund Balance	4,021,000	4,116,000	4,387,000	5,115,000
Target Minimum Fund Balance*	4,754,000	4,632,000	4,733,000	4,838,000
<i>*5% of budgeted operating expenditures</i>				
\$ Above Target or (\$ Below Target)	(733,000)	(516,000)	(346,000)	277,000
Percentage of compliance for minimum	85%	89%	93%	106%



What could change the picture?

- Revenues
 - Enrollment uncertainty
 - Legislative action
 - Regionalization re-base
 - Increase for SPED program funding
 - Increases in proto-typical school funding model
 - State changes to compensation funding model





What could change the picture?

- Expenditures:
 - Outcomes of future salary negotiations
 - Cost inflator promulgated by the State Legislature
 - Careful spending in 2022-23 will help the District's financial position going into 2023-24



31

31




Activity

- View Staff & Student Enrollment FTE History (chart on next slide)
- What do you notice and wonder?
- Key thoughts
- Turn and talk with others at your table



32

32



Staff & Enrollment FTE History

Staff Full-Time-Equivalent (FTE)								
Staff FTE	2016-17	2017-18	2018-19	2019-20	2020-21 ^[a]	2021-22	*2022-23	
<i>Source: OSPI 1801 Reports</i>								
Cert Instructional Staff	310.629	314.403	332.918	341.874	344.402	350.167	354.770	
Classified Staff	178.800	180.623	187.068	203.443	175.891	211.856	220.692	
Administrators	27.938	27.654	27.173	25.200	25.988	26.915	29.000	
Total Staff FTE	517.367	522.680	547.159	570.517	546.281	588.938	604.462	
Student Full-Time-Equivalent & Increase or Decrease in Student FTE								
Student Enrollment	2016-17	2017-18	2018-19	2019-20	2020-21 ^[a]	2021-22	*2022-23	Total Chg
Total Student FTE	5290	5402	5506	5585	5154	5263	5427	
Increase or decrease in FTE	1	112	104	79	-431	109	164	138
Staff Full-Time-Equivalent Increase or Decrease								
Staff FTE	2016-17	2017-18	2018-19	2019-20	2020-21 ^[a]	2021-22	*2022-23	Total Chg
Certificated change in FTE	6.078	3.774	18.515	8.956	2.528	5.765	4.603	50.219
Classified change in FTE	15.819	1.823	6.445	16.375	-27.552	35.965	8.836	57.711
Administrator change in FTE	-0.062	-0.284	-0.481	-1.973	0.788	0.927	2.085	1.000
Total Staff FTE	21.835	5.313	24.479	23.358	-24.236	42.657	15.524	108.930

[a] 2020-21 school closures, hybrid, enrollment decreased by 8%, staff furloughs, decreased FTE but did not reduce jobs
*22-23 Budgeted FTE



Laying plans for the future...

- **Plans for reducing costs throughout 2022-23**
 - Vacancies from attrition/retirements evaluated and filled on case-by-case basis (critical to safety, security, legal compliance, positions required by and/or supported by grant funds)
 - Delay replacement cycle for contemplated equipment purchases, reduce travel, reduce supplies, reduce overtime
 - Look for additional revenue (additional grants, or other revenues)
- **Develop Reduced Educational Programs and Services for 2023-24**
 - Continual budget development updates for next year, legislative potentials, enrollment projections, staffing plans, potential new revenue, prioritized needs, involvement of board, community, students, staff
 - Budget Advisory Task Force meetings underway
 - Budget Forum meetings coming up
 - Legislative session to conclude April 23
 - **Challenge:** Board action for reductions must occur by April 24 or May 8 in order to meet contractual obligations to notify staff regarding employment by May 15



QUESTIONS?

35

35

Thank you!

Gina Zeutenhorst,
Executive Director of
Financial Services

Next Meeting:

Tuesday
January 17, 2023
6-7:30pm



36

36