



Olympia School District

2018-19 School Year through 2021-22 School Year

2nd Reading of 2018-19 SY Operating,
Capital, ASB, Transportation Vehicle
Fund, and Debt Services Budgets

Budget Consideration Overview

- Following budgets must be approved by the Board by August 31.
- Budgets identified for 1st reading on July 16 must be submitted to the Educational Service District for review.

Schedule of Budget Review	1 st Reading	2 nd Reading
Operating 2018-19	July 16	August 20
Operating 2019-20, 20-21, 21-22	August 6	August 20
Capital 2018-19	July 16	August 20
Debt Services 2018-19	July 16	August 20
Transportation Vehicle 2018-19	July 16	August 20
Associated Student Body 2018-19	July 16	August 20



What do we submit?

- About 160 pages of F195 is submitted to OSPI, which is then reviewed and approved.
- F195 identifies expenditures for each budget, about \$250 million, by program and by object.
- Examples of Program: Basic education, highly capable education, transportation, food services, administration.
- Examples of Object: Certificated salaries, classified salaries, benefits, contracts, goods/services, equipment.



Overview of Presentation

- Operating Budget
 - Revenue Assumptions
 - Major Operating Budget Assumptions
 - Class Size, K-3 Class Size
 - Summary of COLA and Bargaining to Date
 - Major Funding Assumptions
 - New Costs
 - Preliminary Operating Budget Ending Fund Balance
 - Risks to Proposal
- Capital, Debt Service, ASB and TVF Budgets



OPERATING BUDGET



How do we build the budget?

- Enrollment and dozens of other assumptions
- Project beginning balance and revenue
- Roll forward current budget and staffing design
 - Staffing allocations
 - Continuation of current program design
 - Vacant positions budgeted as if will be filled
 - Assume salary levels, as bargaining is not complete
 - Update budget for new costs
- Keep re-projecting Ending Fund Balance
- Public Hearing, 1st Reading
- 2nd Reading, adopt Board of Directors amendments, enact resolution



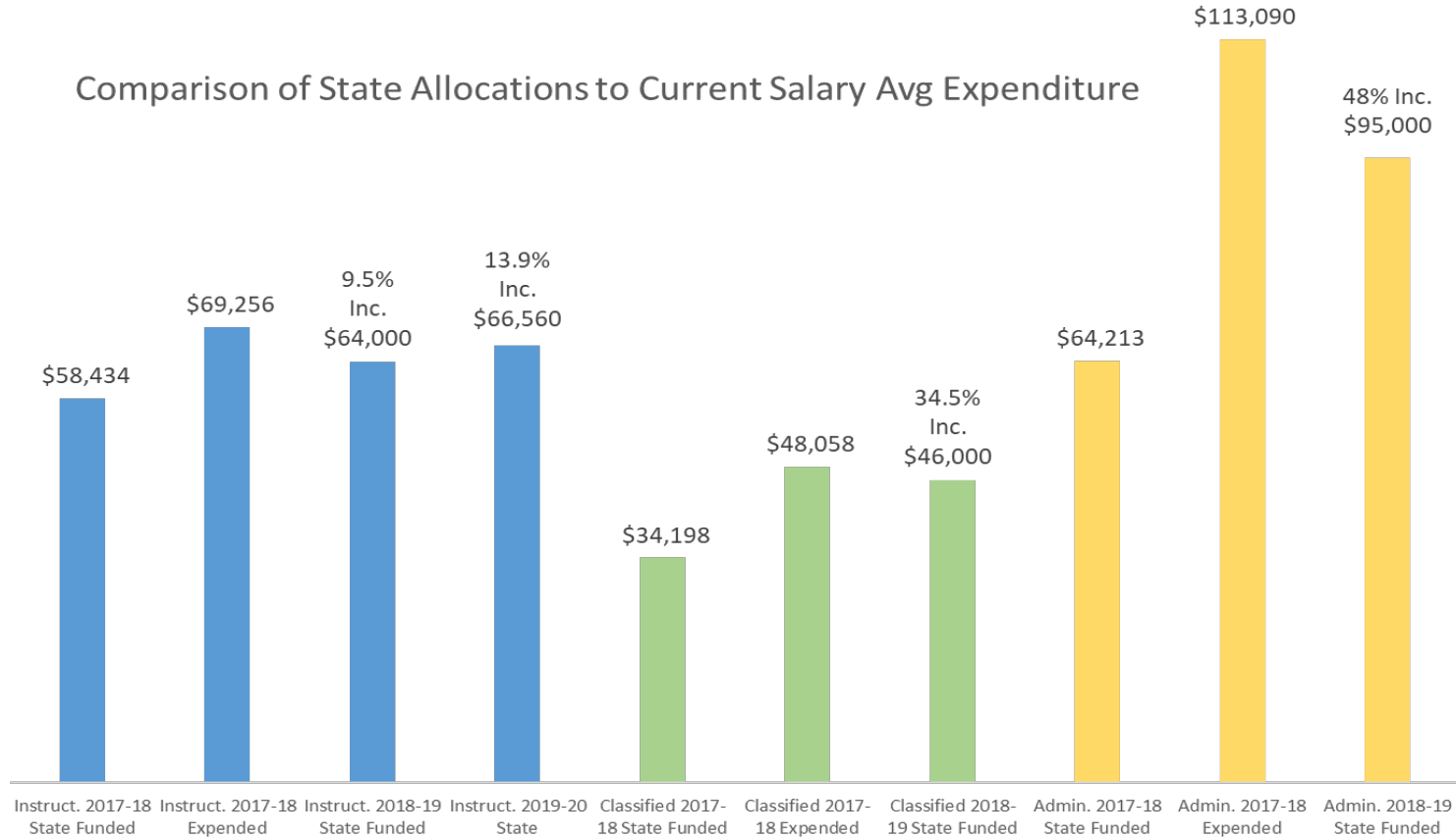
Legislative Changes for 2018-19 Operating

- Major changes in finance system are implemented for the 2018-19 SY.
- Salary allocations for all staff are increased and then inflated for a 1.9% COLA.
 - Staff mix no longer funded.
 - Experience factor does not arrive until 2019-20.



Salary Allocation Growth

Comparison of State Allocations to Current Salary Avg Expenditure



Staff Type	2017-18 State Funded	2017-2018 Expended	2018-19 State Funded	2019-20 State Funded
Instructors	\$58,434	\$69,256	9.5% Increase, \$64,000	13.9% Increase, \$66,560
Classified	\$34,198	\$48,058	34.5% Increase, \$46,000	
Administrators	\$64,213	\$113,090	48% Increase, \$95,000	



cont. Major Legislative Changes

- Calendar year 2019 maintenance and operations levy is 46% of what is approved by voters. Overall, 24% reduction in 2018-19 SY levy.
 - Levy was used to subsidize low salary allocations,
 - and Hire more staff than the state funded.
- Salary allocation increase vs. levy decrease is offsetting. Nets to \$1.42 million increase for 2018-19 SY. (Nets to \$3.41 million ***decrease*** for 2019-20 SY.)



Revenue Highlights

Major Revenue Sources	Change for 2018-19 SY	% Change
Basic Education Non-Levy	\$11.4 M	17.2%
Levy	(\$6.1 M)	(23.8%)
Special Education	\$2.1 M	15.5%
Career and Technical	\$0.04 (\$37,000)	0.6%
Compensatory Education	\$0.3 M (\$321,000)	7.4%
All Other Categorical	\$0.5 M (\$493,000)	4.9%
Total	\$8.5 M	6.7%



Enrollment Highlights

Boundary-based Schools	ORLA
Elementary: -10 (BH + 17; Brown +24)	Montessori: +2
Middle: +34 (WA -14)	MAST: 0 Change
High School: +74 (OHS +103; CHS -31)	H-Connect: 0 Change
Total: 98 Increase over 2017-18 SY	Total: +2



K-5 Elementary Class Size Overview

Schools	<u>Feb 2018</u>		<u>Difference</u>
	<u>Actual</u> <u>2017-18</u>	<u>Budgeted</u> <u>2018-19</u>	
Garfield	19.11	20.80	1.69
LP Brown	19.40	20.56	1.16
Madison	21.67	21.25	-0.42
McKenny	21.71	21.59	-0.12
Hansen	20.27	21.39	1.11
Pioneer	21.46	21.82	0.35
Boston Harbor	21.00	22.26	1.26
Lincoln	21.45	21.92	0.47
Roosevelt	20.91	21.08	0.17
McLane	22.01	21.82	-0.19
Centennial	22.92	22.39	-0.52
Average	21.08	21.54	0.45



Elementary Teacher Deployment Overview

Classroom Configurations	2016-17	2017-18	2018-19
Total Classroom Teachers	174	176.5	175.2
Total Support Teachers	5.2	7.7	9.4
Total	179.2	184.2	184.6
Total Combination Classrooms	7	6	9
Class Size of K-1 Combinations	---	---	---
Class Size of 1-2 Combinations	19.5	14, 19	---
Class Size of 2-3 Combinations	17	18	18, 20
Class Size of 3-4 Combinations	22	---	23, 18
Class Size of 4-5 Combinations	22	15, 20, 25	25, 19, 25, 19, 24

- Cost to eliminate combination classrooms is \$936,000.



Secondary Teacher Deployment

Schools	Change in Teacher Deployment from Spring 2018
Marshall	0.8
Jefferson	1.6
Reeves	0.7
Washington	(0.7)
Avanti	(0.7)
Capital	(2.3)
Olympia	1.8
Total Change	1.2



Cost of Living Increases

- State funded COLA is 1.9%. (“Inflationary increase”)
- 3.1% COLA assumed in budget for all staff.
- Negotiations continue for:
 - Bus drivers, maintenance, grounds, custodians
 - School administrative and district office administrative
 - School administrators
 - Teachers
 - Technology
- Negotiations are complete for:
 - Food Services
 - Para-educators



Curriculum Adoptions

- Budget \$450,000 each year. In 2017-18 SY, will under-spend this and carry some resources into 2018-19 SY.
- 2017-18 and 2018-19 SY amounts will be combined to purchase high school math curricula.
- (2019-20 SY amounts will be devoted to science curricula updates.)



Other Major Assumptions

- Contingency for fall start-up of \$600,000.
 - Including Special Education contingency.
- GRuB stipend built into base for summer 2019, assume \$1,000 per student for 55 students. (District pays its payroll tax on top of this, \$110 per student.)
- Insurance cost increase is 12%.
- Water cost increase is \$64,000.
- No assumed increase in safety net.
- Federal Title II revenue is reduced, and backfilled with general fund; Title I not backfilled.



Other Major Assumptions (cont.)

- High poverty schools have a 6 hour Behavior Technician (Garfield, Brown, Hansen). All other schools have a 3 hour BT. (3 Remodel schools allocated an additional 3 hours.)
- Carryforward 2017 unexpended amounts for same sub-units' as in past: schools, CTE, LAP, Title I, Title II.



Enhancements

- Anticipated deficit; no enhancement process in spring 2017.
 - No enhancements are funded.
- Changes to program are funded w/in the program or reflect higher cost to same design.
- 2 exceptions where we have new work:
 - Funding for continuation of strategic planning process.
 - Run, Hide, Counter training for students and staff.



Beginning Fund Balance

- Carry over 6% on September 1, 2018 becomes the beginning balance. (3.42% was original budgeted beginning balance for September 2018; then updated to 3.67% in November 2018.)
- Difference equates to \$2.7 million.
- Actual beginning balance will be known November 2018.
 - Actual will be higher than 6%. In 2017, we were \$316,000 off of this 6% estimate (ended with 6.3%).
 - Will reconfirm estimate at end of July.
 - If higher amount, will largely be attributable to categorical programs or school under-expenditure. (CTE or LAP)



Goal Ending Fund Balance

- Assuming this beginning balance, and after funding the base with no cuts (largely a roll over base with some exceptions); funding COLAs; maintaining K-5 class size; continuation of 2017-18 staffing allocation method:
 - *August 31, 2019 ending fund balance = 3.98%.*
 - *Increase of \$302,000 from budgeted EFB for August 2018 (3.98% vs. 3.67%).*
 - *Very low compared to OSPI target (8.5%); low compared to neighbors.*
 - *Deficit of **\$7.8** million in 2019-20 SY (not including \$1.2 M deficit associated with new health benefits law).*



Goal Ending Fund Balance

- Within this 4% goal, want to control fluctuations, and give Board as much as possible to spend:
 - Assume addt'l resources in 2018-19 largely via underspending in 2017-18 of \$2.7 million.*
 - Assume underspending in 2018-19 of \$700,000.
 - (Mechanism is to build this into Revenue and provide more expenditure capacity.)
 - About 5th year continuation of this assumption at some level.
 - If underspending is greater than \$700,000 will know by spring and will build higher amount into May 2019 budget planning for 2019-20 SY. (see * above.)
- Summary of cycle of updates, see next slide.



Ending Fund Balance is Not Static

Official Budgeted EFB	Official Updated Beginning Balance	Projected for 2019-20 SY Budget Prep	Final 2018-19 SY
August 2018	November 2018	May 2019	November 2019
PROJECTED Ending Fund Balance for August 2019. Based on many projections, including projected 2017-18 Ending Fund Balance.	2017-18 SY Ending Fund Balance is now known. Therefore, 2018-19 SY Beginning Fund Balance is final and influences the August 2019 ending fund balance.	Updated to reflect an estimate of underspending. This is an unofficial estimate, but used to ensure that we do not under-plan for the 2019-20 SY.	Final known once the school year closes, November.
\$5,456,813 – 3.98%	To Be Identified	To Be Identified	To Be Identified

Major assumptions include a) \$0.7M in extra capacity to account for typical underspend and b) \$2.7 M higher beginning balance than budgeted for August 2018.

Difference could be spent by Board or becomes minimum add to 2019-20 SY budget process in May 2019.

Difference for underspending incorporated into budget process so the board can “spend” / control this resource.

Difference automatically adds to the EFB of the 2018-19 SY and adds to the 2019-20 SY beginning/ending balance.



Operating Budget Balance Sheet

Row Number	Balance of Revenue and Expenditures	Projection
1	Beginning Balance (6% Carryforward)	\$6,926,484
2	Change in Assumed Under-expenditure	Yes, discussed above
3	Revenue	\$135,653,365
4	Total Resources	\$142,579,849
5	Planned Reserve (3.98%)	\$5,456,813
6	Resources After Reserve Funded	\$137,123,036
7	Expenditures as Described Above	\$137,123,036
8	Balance	\$0



Risks to Proposal

- Carry in less than 6% (higher spending toward end of 17-18 SY).
- Carry in less than 6% in basic education (we still hit target of 6%, but value is tied up in categorical programs).
- Less state funding than expected (state grants are in process of being finalized, much of grants are assumed).
- Will hire more staff, budget assumes current staff mix; might hire more experienced staff than budgeted.
- Negotiations are not complete.



Next Steps

- ESD will review our budget; approve our F-195 and notify OSPI.
 - Assuming budget will be approved by ESD, then....
- Board consider amendments.
 - Notify Jennifer of potential amendments so that they can be costed out, and EFB calculated. Notify me if the amendment is confidential.
 - Jennifer also writes a formal amendment for potential adoption.
 - Due to Jennifer July 30.
 - Jennifer will prepare cost and impact statement and return to requesting Board member by August 10.
- 2nd Reading on August 20, and final adoption.
 - Each Board member decides whether or not to “run” their amendments at the public meeting.



CAPITAL BUDGET



Capital Budget Sources

Type of Revenue	2017-18 SY	2018-19 SY
Local Property Tax	2,675,088	5,559,707
Timber Excise Tax	6,440	10,900
Rebates	0	0
Investment Earnings	37,000	37,000
Interest Earnings	150,000	150,000
SEPA/Impact/Mitigation Fees	352,000	352,000
Griffin Reimbursements	250,000	250,000
Sale of Bonds	0	72,000,000
Grants	0	0
Total	\$ 3,470,528	\$ 78,359,607



Capital Budget Expenditures

Categories	<u>2018-19 SY</u>	Notes
Secondary Schools	\$15,087,016	\$14.6 M for beginning payments on OHS and CHS
Elementary Schools	\$54,842,178	\$52 M for remodels; remaining payments on mini-buildings
Emerging Projects	\$ 8,107,495	Progress on Bond Small Projects List across district
Technology	\$ 5,738,248	49% instructional investments; 51% operational investments
Misc project & HVAC	\$ 1,069,500	(no data)
Total	\$84,844,437	(no data)



FINAL BUDGET ADOPTION



Resolution 587

Fund	Amount
General Fund Appropriation (prior to amendments)	\$137,123,036
Capital Projects Fund Appropriation	\$84,844,437
Transportation Vehicle Fund Appropriation	\$1,500,000
Debt Service Fund Appropriation (including interest)	\$17,781,350
Associated Student Body Appropriation	\$1,021,502
Total Budget	\$242,270,325



2019-20, 2020-21, and 2021-22 School Years

3 YEAR OUTLOOK



State Law Background

- Historically, Districts prepared a budget for the upcoming school year. Board adopted by August 31st.
- HB 2242 requires Districts to prepare a 4 year budget.
 - In this case, 2018-19, 2019-20, 2020-21, and 2021-22 school years.
 - ESD reviews all 4 years.
 - Board formally adopts 2018-19 SY.



Work to Date

- In August 2017 began projecting future years.
- Levy step-down and salary allocation step-up was unique to new system.
 - Additional Professional Days ramps up from 0 to 3 across 3 years.
- August 2017, February 2018, May 2018---all projections of future years indicate a \$7-\$11 million deficit.
 - Variations on some assumptions, but largely similar.
 - Some presentations have included impact of new state health benefit system. (Current outlook does not.)



Now

- State has given us new revenue projection tools. We have purchased and deployed new expenditure projection software.
- State revenue inputs are more solid now.
 - State budget is official for 2018-19 SY only but we have hints.
- Enrollment is projected 3 years. (4th year is a guesstimate.)
 - Staffing plan for all schools for all grades by year = how many teachers must be deployed. Very precise.
 - Classified is less precise, but few.
 - 1,800 staff projected with step increases and all other salary specifics, each year.



Key Assumptions

Year	MSOC	Salary Funding	Inflation Funding	District Granted COLA	K-3 Staffing	Other Staffing
2018-19	(no data)	(no data)	1.9%	Negotiations	No Compliance	(no data)
2019-20	Insurance Increase 10%; all other 1.9%	\$2.3 M for staff mix	1.9%	Negotiations	Compliance, Meet 1:17, 12 new Staff	Current Staffing Design is Assumed
2020-21	Same	Same	2.0%	2.0%	Meet 1:17	Same as above
2021-22	Same	Same	2.0%	2.0%	Meet 1:17	Same as above



Additional Assumptions

- Maximize levy revenue across all years.
 - February 2020 election, voters approve \$1.50/\$1,000 and assessed value grows in 9% range.
 - New state decision to lag assessed value by 1 year reduced levy revenue is this window.
- Title I and other federal programs, LAP, Highly Capable, and CTE do not require a general fund subsidy.
- Special Education (including federal), all require a subsidy which grows.
 - Transportation is similar, but much smaller.



Revenue and Expenditure Outlook

School Year (SY)	2018-19 SY	2019-20 SY	2020-21 SY	2021-22 SY
1) Beginning Balance	\$6,926,484	\$5,522,315	(\$2,352,728)	(\$9,159,356)
2) Revenue	\$135,718,521	\$134,477,827	\$138,044,681	\$141,807,445
3) Expenditure	\$137,122,690	\$142,352,871	\$144,851,309	\$146,726,205
4) Difference	(\$1,404,169)	(\$7,875,043)	(\$6,806,628)	(\$4,918,760)
5) Percent Reduction	-1.02%	-5.53%	-4.70%	-3.35%
6) Cumulative Deficit*	\$5,522,315	(\$2,352,728)	(\$9,159,356)	(\$14,078,116)
7) Poss. Reduc. (4% EFB)	\$0	\$6.8 M	(no data)	(no data)

*Not possible. Must cut expenditures to meet district policy of 3% minimum ending fund balance.

Note: New state health insurance program will cost the district \$1.2 million per year. This cost is not displayed.



Binding Conditions Generally

- State law: expenditures must not exceed resources (revenue plus beginning balance).
- If district ends year (or approaches year end) by over expending, district requests the permission to budget (count) future receivables against the deficit, from OSPI.
- OSPI will grant permission but impose binding conditions. Typically, turns key financial oversight to Educational Service District. ESD assists district with developing a balanced budget and monitoring progress. If district does not follow ESD advice, then additional restrictions imposed.



Binding Conditions Text

WAC 392-123-060

Petition to budget receivables collectible in future fiscal periods.

When a school district or charter school is unable to prepare a budget or a budget extension in which the estimated revenues for the budgeted fiscal period plus the estimated fund balance or actual fund balance in case of a budget extension, at the beginning of the budgeted fiscal period less the ending reserved fund balance for the budgeted fiscal year do not at least equal the estimated expenditures for the budgeted fiscal period, the school district board of directors or charter school board may deliver a petition in writing at least twenty days before the budget or budget extension is scheduled for adoption to the superintendent of public instruction requesting permission to include receivables collectible in future periods beyond the fiscal period being budgeted in order to balance the budget or budget extension for the fiscal period being budgeted. Said petition shall include a resolution of the school board requesting permission to budget receivables collectible in future fiscal periods and other such information as the superintendent of public instruction shall deem as necessary.

If such permission is granted, it shall be in writing, and it shall contain conditions, binding on the district or charter school, designed to improve the district's or charter school's financial condition.



Binding Conditions by Year

- Board is not adopting the 2019-20 SY budget and beyond. Only adopting 2018-19 SY; which balances. Therefore, binding conditions do not apply.
- 2019-20 SY: Must identify how to balance by April 15, 2019 as this is the date by which we can influence staffing and can take advantage of attrition.

