

## Finance Report April 22, 2024

- I. We are pleased to announce that we have reached a tentative agreement with the Annandale Education Association (teachers). We cannot share the tentative agreement at this time, but both groups feel like it is a good agreement. Teaching staff will be voting on May 3.
- II. We have answered the questions that were presented to us during the last board meeting. If you have other questions please reach out to Tim Prom at [tprom@isd876.org](mailto:tprom@isd876.org). Thank you!

## Budget Questions/Answers

Were there financial errors made that lead to the district having to make budget reductions?

No. The factors that lead to this are consistent with the approximately 70% of school districts in the same situation. These factors include: Money needed for unfunded state mandates, increased wages for hard to find positions, inflation, COVID relief money expiring (we planned for this, but it does add to the reductions).

What is your idea of a "safe" balance in the general fund? 1 ½ months (or about 13% of our overall budget) of operating expenses. This is our school board policy. When it falls below the 1 ½ months we work on a plan to build it back up.

Even though we have fallen slightly below our policy target we are still in a good position. The statutory operating debt (SOD) calculation is different from our fund balance policy calculation. SOD exists if the school's operating debt is more than 2 ½ percent of the most recent fiscal year's expenditure amount. When a district is in SOD, the state requires the district must limit its expenditures so that the calculated net unreserved general fund balance is no longer in SOD. We ended the year with a SOD calculation of 13.68%, so we are far from this happening.

When is the budget approved and how do people know if the district is deficit spending? The budget is approved at a school board meeting

each spring. In the last two years, people would have been notified of deficit spending by reading school board meeting minutes online and/or in the newspaper or by attending school board meetings. The school board agenda is shared with Annandale Education Association Representatives along with local media outlets.

We do our best to be proactive, but there are simply things you cannot predict. We have to make the best decisions we can based on the past and many other factors that we have at that time.

If we deficit spent in 2022, why did we add more spending in 2023? We predicted enrollment would continue to increase based on past history, the demographic study and the increase in construction of housing and apartments within the district boundaries. The budget also reflected an expected decrease in inflationary effects. For example, utilities increased 58% (increase of \$172,333) in the 2021-22 school year. Typically when we see a large increase in one year, the following year expenditures will partially return to previous levels of expenditures. In the 2022-23 school year utilities increased another 12% (increase of \$54,995).

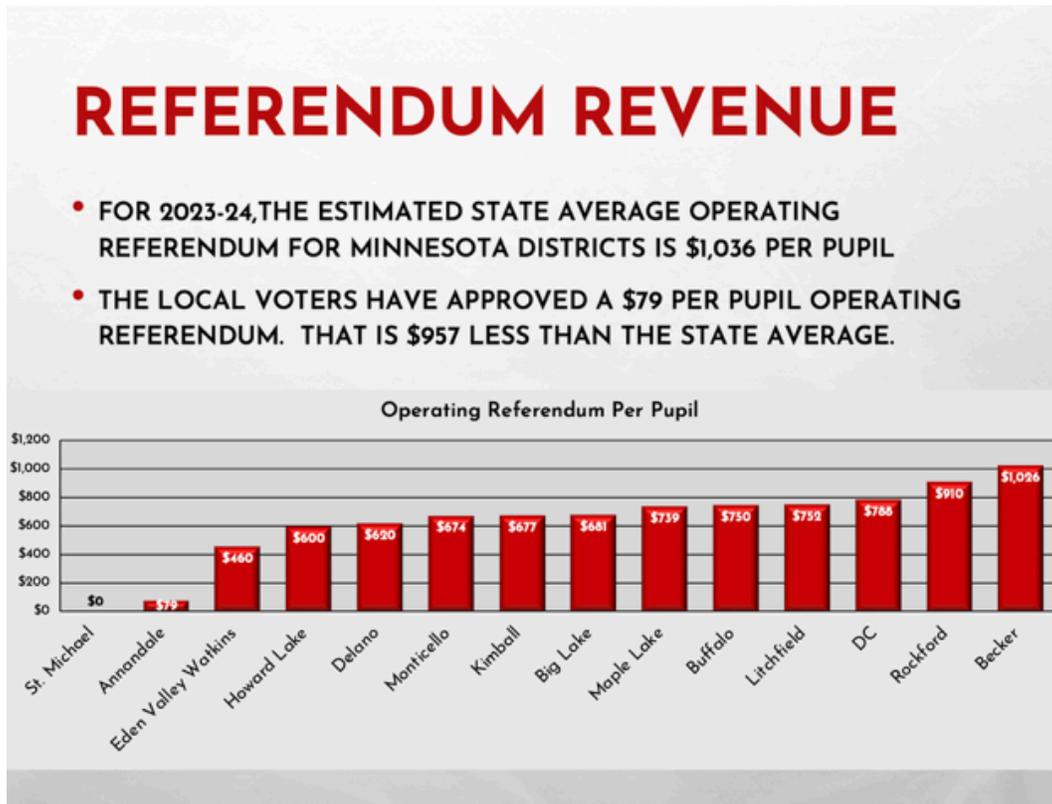
If we were deficit spending, why have we added FTEs, even in 23-24? We added 2.25 FTE'S in 23-24 based on the needs of our student population. Those hires took place during a projected increase to enrollment. We receive partial CTE reimbursement for one of the FTE's added.

How has the ratio of teachers to students changed over the last few years?

<u>School Year</u>	<u>Teachers</u>	<u>Students</u>	<u>Ratio</u>
23-24	154.31	2020	13.09 students to one teacher
22-23	152.06	2000	13.33 students to one teacher
21-22	149.06	2012	13.50 students to one teacher

Why can other districts also facing inflation afford to give raises? Other districts have a considerably higher Operating Levy. Most of them have also been cutting the last few years due to decreasing enrollment or loss of Covid Funds. These have allowed their fund balance to remain at their

policy level. Many districts cannot afford these raises and are cutting their budgets either this spring (like we are doing) and/or next spring.



Why did we not try to levy more money to pay for expenses? The last time we went to our voters for an operating levy was in November of 2019. Our enrollment was increasing and we were trying to pass a building bond. The message to our community was that we would be coming back to them for a building bond, so we did not want to burden them with increased property taxes from an increased operating referendum and a possible new building. In the past, when the new elementary school was constructed, our enrollment increased enough to help cover operating expenses.

We passed our operating referendum in November of 2019 without an increase and we were set to go to our voters in May of 2020 with our building bond election.

When can we go out for another Operating Levy and why didn't the district go to our voters this past November?

Voting on Operating Levy's can only be done in the month of November.

To go to voters in November, the school board would need to make the decision that this is their intent around July. This past July, we were promoting our building bond which was voted on in August. It was not possible to go to our voters in November after the August bond election.

Where do we get our revenue and what are our major expenses?  
There are a number of items that are affecting the budget.

Revenues: Revenue comes from enrollment, which fluctuates, and Operating Levies

Expenses: Inflation, wages - not enough people applying for jobs which drives up cost to obtain them, COVID relief money must be spent by the end of the 23-24 school year. We planned for this, but it just adds to the reductions.

Increased costs due to inflation:

Salaries \$343,823

Benefits \$168,353

Utilities \$54,000(12% increase) (\$173,000 in FY22 (58% increase from FY21))

Activities and field trips \$79,000

Supplies \$174,253 - mostly custodial expenses

Didn't the state give a higher percentage than ever before?

The 4% of state aid in 23-24 was higher compared to recent years. The average is a two percent increase which is what the school district will receive for the 24-25 school year.

Where is the financial information publicly posted for us to see?

The district's website is under Business and Finance.

What percent of the general fund is used by teachers versus admin, paras, etc?

Percentage of total general fund expenditures

Teachers 58%,

Administration 7%  
Paraprofessionals 7%  
Custodian/Grounds 4%  
Administrative Assistants 3%  
Non personnel gen fund expenditures 21%

What's the plan to ensure this doesn't happen again?

We monitor enrollment, revenue and expenditures. We have been and will continue to work with administration to look at ways to reduce costs.

Was the track supposed to be replaced sooner, if so, why has it not been completed?

The original track was put in about 24 years ago, the same time the auditorium was built. Since then, it has undergone the usual and timely repairs and maintenance.

It is time for a new track, no one disagrees with that. However, without holding an election and asking for funds to build a new track, the best way to cover the cost of the track is through Long Term Facility Maintenance (LTFM) money. This is money that can only be spent on repair or replacement of existing facility items. As mentioned, the track is one of these items.

Unfortunately, due to the age of two of our buildings, as a district we have to prioritize which projects get done each year with our LTFM money as we only get so much each year (these are considered pay-as-you-go projects). The state allows districts to overspend for a year, but then underspend the following year to make it up. Districts are also allowed to sell bonds for LTFM projects to spread the costs of the projects over a longer time period. By choosing to use the LTFM dollars in the pay-as-you-go method it allows the District more flexibility for unexpected breakdowns, instead of tying funds up in bond payments.

Right now, we have a failing air conditioning unit that services the high school commons and gym spaces. It needs replacing and has taken priority over the track due to the number of students this affects. In the summer and fall months the gym is used for camps and both volleyball and basketball games. In fall of course it is a classroom space for our students. The condition of the floor when not cooled, has created some very dangerous conditions due to the slippery floors.

Currently the plan is to do this project in the summer of 2025, pending any unforeseen major repairs throughout the district.

Why did this district say in August part of the need for a new building was because of increasing enrollment, now they are saying we are making cuts because enrollment is going down?

As district leaders, we need to be looking down the road 5, 10, 20, 30 years...the process of conducting a building bond referendum, getting it passed and building the facility is a long process. All indications show us that we will need room for growth down the road. In addition, we have a failing middle school, which forces us to make decisions we feel are in the best interest of the district as a whole.

The current birth rates indicate that we will experience a slight dip in enrollment, which we are going through right now. It also shows that it will increase again.

We would have been reducing staff no matter what would have happened with negotiations. How many staff would still need to be cut if staff received a 0% in salary?

If this would have been a non-negotiations year, the district would have had to cut \$700,000. This scenario would have allowed us to build our fund balance back much quicker. These reductions would have happened more naturally, through attrition, meaning if the student numbers are not there, they do not warrant the staff (approximately 10 staff members). This would likely only affect a minimal number of para support staff.