Budget Workshop Goals

• Understanding our current financial situation

• Review possible courses of action and recommendations for addressing our situation

• Agreement on next steps for the 2022 budget
Priorities for the 2022 Budget

• Preserve student supports and programs
• Update school feeder patterns
• Address excess building capacity and modernize our footprint
• Reduce operating costs wherever possible
# Forecast through June 30, 2021

<table>
<thead>
<tr>
<th></th>
<th>Adopted</th>
<th>Projected 1</th>
<th>Projected 2</th>
<th>Projected 3</th>
<th>Projected 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$631,914,258</td>
<td>$624,123,735</td>
<td>$632,601,337</td>
<td>$640,595,720</td>
<td>$648,546,934</td>
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<tr>
<td><strong>Total Expenditures</strong></td>
<td>$671,348,058</td>
<td>$662,858,117</td>
<td>$676,559,298</td>
<td>$682,348,630</td>
<td>$690,288,135</td>
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<tr>
<td><strong>Beginning Balance</strong></td>
<td>$73,234,205</td>
<td>$91,701,905</td>
<td>$52,967,522</td>
<td>$9,009,562</td>
<td>($32,743,349)</td>
</tr>
<tr>
<td><strong>Operating Surplus/(Deficit)</strong></td>
<td>($39,433,800)</td>
<td>($38,734,382)</td>
<td>($43,957,961)</td>
<td>($41,752,910)</td>
<td>($41,741,200)</td>
</tr>
<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>$33,800,405</td>
<td>$52,967,522</td>
<td>$9,009,562</td>
<td>($32,743,349)</td>
<td>($74,484,549)</td>
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<tr>
<td><strong>Less Projected Reservations</strong></td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
</tr>
<tr>
<td><strong>Less Committed Fund Balance</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Less Assigned Fund Balance</strong></td>
<td>(38,980,987)</td>
<td>(43,957,961)</td>
<td>(41,752,910)</td>
<td>(41,741,200)</td>
<td>($39,867,414)</td>
</tr>
<tr>
<td><strong>Unassigned Fund Balance</strong></td>
<td>($7,680,582)</td>
<td>$6,509,562</td>
<td>($35,243,349)</td>
<td>($76,984,549)</td>
<td>($116,851,963)</td>
</tr>
<tr>
<td><strong>% Budgeted Expenditures</strong></td>
<td>-1.14%</td>
<td>0.98%</td>
<td>-5.21%</td>
<td>-11.28%</td>
<td>-16.93%</td>
</tr>
<tr>
<td><strong>Minimum Fund Balance per Board Policy #721</strong></td>
<td>$33,567,403</td>
<td>$33,142,906</td>
<td>$33,827,965</td>
<td>$34,117,432</td>
<td>$34,514,407</td>
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<tr>
<td><strong>Compliance with Fund Balance Policy</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Funds needed to comply with Fund Balance Policy</strong></td>
<td>$41,247,985</td>
<td>$26,633,344</td>
<td>$69,071,314</td>
<td>$111,101,981</td>
<td>$151,366,370</td>
</tr>
</tbody>
</table>
Revenue, Expenditure, and Fund Balance Trends

Revenue:
- 2018: 606,751,232
- 2019: 619,833,105
- 2020: 623,733,329
- 2021 Projection: 624,123,735

Expenditures:
- 2018: 623,733,329
- 2019: 642,670,668
- 2020: 622,434,373
- 2021 Projection: 662,858,117

Fund Balance:
- 2018: 111,672,445
- 2019: 88,834,882
- 2020: 91,701,905
- 2021 Projection: 52,967,522

2018 | 2019 | 2020 | 2021 Projection
---|---|---|---
606,751,232 | 619,833,105 | 623,733,329 | 624,123,735
623,733,329 | 642,670,668 | 622,434,373 | 662,858,117
111,672,445 | 88,834,882 | 91,701,905 | 52,967,522
We Continue to Exhaust Our Reserves

### Graph:

- **Total Fund Balance**
- **Unassigned Fund Balance**

- **Years:** 2021, 2022, 2023, 2024

- **Balance Levels:**
  - $0
  - $20,000,000
  - $40,000,000
  - $60,000,000
  - $80,000,000
  - $100,000,000
  - $120,000,000
  - $140,000,000

- **Note:** The chart shows the decline in fund balance from 2021 to 2024.
Real Estate Revenue is Down 7%
Charter Schools Expenditures Are Up 21%
State Funding Will Not Improve Our Outlook

- Basic Education Funding increased by $451,052 (0.28% increase)
- Special Education Funding increased by $41,054 (0.14% increase)
- Statewide Basic Education Funding increased by 4.0%
- Statewide Special Education Funding increased by 4.2%
- Ready to Learn Block Grant remained at level funding for all districts
Current Utilization of Elementary and Secondary School Emergency Relief (ESSER) Funding

- Allocated a total of $161.2 million
  - ESSER I – $11.1 million
  - ESSER II – $49.5 million
  - ESSER III – $100.2 million

- ESSER I funds primarily used to purchase student and staff devices
- ESSER II funds are tentatively being allocated to fund computer purchases, building technology infrastructure, cost incurred for continuing district operations, summer learning, and educational materials and software
- ESSER III spending plan is currently being developed
ESSER I Usage Overview

- **Student Laptops**: 68%
- **Staff Laptops**: 14%
- **Instructional Packets**: 10%
- **Non-Public Share**: 7%
- **Indirect Cost**: 1%
Our Finances Require Immediate Action

- Projected general fund deficit of $38.7 million in 2021
  - $43.9 million in 2022

- Projected to be out of compliance with fund balance by the end of 2021

- Projected to exhaust operating budget fund balance in 2023

- Need to dramatically increase revenues and/or decrease expenditures
Possible Courses of Action

- Workforce Reductions due to Enrollment Decline
- Programmatic Reductions
- Program Consolidation
- Reductions to Capital Plan
- Millage Increase
Possible Courses of Action

• Workforce Reductions due to Enrollment Decline
• Programmatic Reductions
• Program Consolidation
• Reductions to Capital Plan
• Millage Increase
2021 Expenditures at Budget Adoption

- Salaries & Benefits: 51%
- Special Education: 13%
- Debt Service: 6%
- Charter Schools: 16%
- Utilities: 2%
- Transportation: 5%
- Purch. Prof. & Tech. Services: 1%
- Purch. Prop. Services: 1%
- Supplies: 2%
- Other Purch. Services: 2%
- Property: 1%
- Other Objects: 0%
- Other Finan. Uses: 0%
- Prior Year Encumbrances: 0%
- Other Purch. Services: 1%
- Purch. Prop. Services: 1%
Addressable Portion of the 2021 Budget

- Salaries & Benefits: 51%
- Special Education: 13%
- Debt Service: 6%
- Charter Schools: 16%
- Transportation: 5%
- Purch. Prof. & Tech. Services: 1%
- Purch. Prop. Services: 2%
- Utilities: 2%
- Other Purch. Services: 2%
- Supplies: 2%
- Property: 1%
- Other Objects: 0%
- Other Finan. Uses: 0%
- Prior Year Encumbrances: 0%
- Other Purch. Services: 1%
- Purch. Prop. Services: 2%
- Utilities: 2%
- Transportation: 5%
- Charter Schools: 16%
- Special Education: 13%
- Transportation: 5%
- Purch. Prof. & Tech. Services: 1%
- Purch. Prop. Services: 2%
- Utilities: 2%
- Other Purch. Services: 2%
- Supplies: 2%
- Property: 1%
- Other Objects: 0%
- Other Finan. Uses: 0%
- Prior Year Encumbrances: 0%
Salaries and Benefits Represent Our Largest Variable Cost

- Salaries & Benefits: 78%
- Transportation: 8%
- Utilities: 2%
- Purch. Prof. & Tech. Services: 2%
- Other Purch. Services: 3%
- Purch. Prop. Services: 1%
- Property: 1%
- Supplies: 3%
- Other Finan. Uses: 0%
- Other Objects: 1%
- Prior Year Encumbrances: 1%
- Other Purch. Services: 3%

Expect great things.
Context of School-Based Budgets Within the General Fund

School-Based Budget: $235,585,589 (35%)

Charter Schools: $106,033,980 (16%)

Special Education: $89,436,870 (13%)

Debt Service: $43,399,171 (6%)

Centrally Allocated Support: $27,565,806 (4%)

All Other Addressable General Fund: $171,826,642 (26%)
Composition of School-Based Budgets

- **Base Service Delivery Model**: 90%
- **Positions Above Delivery Model**: 4%
- **CTE/Program/Magnet Allocation**: 3%
- **Appeals**: 2%
- **Other Costs Above Base Model**: 1%

Does not include funding for ESL and PSE teachers and para, Academic Coaches, PreK Teachers and paras, School Nurses, Custodian, Food Services Workers, or School Safety Personnel.
Staff Growth Outpaces Enrollment Decline

<table>
<thead>
<tr>
<th>Year</th>
<th>K-12 Enrollment</th>
<th>General Fund FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>98%</td>
<td>21</td>
</tr>
<tr>
<td>2016</td>
<td>97%</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>93%</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>91%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>88%</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>85%</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td>114%</td>
</tr>
</tbody>
</table>
We Would Need to Reduce 648 Positions to be in Alignment with Enrollment Decline
ESSER Funding is Intended to Provide Support During the Pandemic

• Funding activities that are necessary to maintain operation of and continuity of and services, including continuing to employ existing or hiring school staff is an intended use of ESSER

• We are required to use 20% of funding to address learning loss through evidence-based interventions

• Maintaining school-based staff will create the normalcy needed to allow us to address learning loss
Options for Workforce Adjustment

• **Option 1:** Elimination of all AppealAllocations and all positions beyond district’s base Service Delivery Model beginning with the 2022-23 school year. Estimated elimination of 161 school-based positions for 2022-23.

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Cost Savings</td>
<td>$ 8,414,775</td>
<td>$ 21,036,937</td>
<td>$ 21,036,937</td>
</tr>
</tbody>
</table>

• **Option 2:** Elimination of all Appeal Allocations for 2022-23 and all positions beyond district’s base Service Delivery Model for 2023-24 school year. Estimated elimination of 24 school-based positions for 2022-23, and 137 additional positions for 2023-24.

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Cost Savings</td>
<td>$ 1,301,636</td>
<td>$ 10,367,228</td>
<td>$ 21,036,937</td>
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</tbody>
</table>
Options for Workforce Adjustment Using ESSER III Funding

• **Option 1:** All positions maintained through 2022-23 school year. Elimination of all appeal allocations and all allocations beyond the Base Service Delivery Model for 2023-24 and beyond. Estimated elimination of 161 school-based positions for 2023-24. Would require an estimated $33.7 million in total ESSER Funding beginning January 1, 2022.

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Cost Savings</td>
<td>$21,036,937</td>
<td>$21,036,937</td>
<td>$21,036,937</td>
</tr>
<tr>
<td>ESSER Funding Required</td>
<td>$21,036,937</td>
<td>$12,622,162</td>
<td>$0</td>
</tr>
</tbody>
</table>

• **Option 2:** Elimination of all Appeal Allocations for 2022-23 and all positions beyond district’s base Service Delivery Model eliminated for 2023-24 school year. Estimated elimination of 24 school-based positions for 2022-23, and 137 additional positions for 2023-24. Would require an estimated $30.4 million in total ESSER funding beginning January 1, 2022.

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Cost Savings</td>
<td>$21,036,937</td>
<td>$21,036,937</td>
<td>$21,036,937</td>
</tr>
<tr>
<td>ESSER Funding Required</td>
<td>$19,735,301</td>
<td>$10,669,709</td>
<td>$0</td>
</tr>
</tbody>
</table>
Using ESSER to Maintain School-Based Staffing through 2022-23

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$631,914,258</td>
<td>$624,123,735</td>
<td>$629,472,415</td>
<td>$637,466,797</td>
<td>$645,418,012</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$671,348,058</td>
<td>$662,858,117</td>
<td>$655,522,361</td>
<td>$661,311,693</td>
<td>$669,251,196</td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>$73,234,205</td>
<td>$91,701,905</td>
<td>$52,967,522</td>
<td>$26,917,576</td>
<td>$3,072,680</td>
</tr>
<tr>
<td>Operating Surplus/(Deficit)</td>
<td>($39,433,800)</td>
<td>($38,734,382)</td>
<td>($26,049,946)</td>
<td>($23,844,896)</td>
<td>($23,833,185)</td>
</tr>
<tr>
<td>Ending Fund Balance</td>
<td>$33,800,405</td>
<td>$52,967,522</td>
<td>$26,917,576</td>
<td>$3,072,680</td>
<td>($20,760,503)</td>
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<tr>
<td>Less Projected Reservations</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
<td>($2,500,000)</td>
</tr>
<tr>
<td>Less Committed Fund Balance</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Less Assigned Fund Balance</td>
<td>(38,980,987)</td>
<td>(26,049,946)</td>
<td>(23,844,896)</td>
<td>(23,833,184)</td>
<td>(21,959,398)</td>
</tr>
<tr>
<td>Unassigned Fund Balance</td>
<td>($7,680,582)</td>
<td>$24,417,576</td>
<td>$572,680</td>
<td>($23,260,503)</td>
<td>($45,219,901)</td>
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<tr>
<td>% Budgeted Expenditures</td>
<td>-1.14%</td>
<td>3.68%</td>
<td>0.09%</td>
<td>-3.52%</td>
<td>-6.76%</td>
</tr>
<tr>
<td>Minimum Fund Balance per Board Policy #721</td>
<td>$33,567,403</td>
<td>$33,142,906</td>
<td>$32,776,118</td>
<td>$33,065,585</td>
<td>$33,462,560</td>
</tr>
<tr>
<td>Compliance with Fund Balance Policy</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Funds needed to comply with Fund Balance Policy</td>
<td>$41,247,985</td>
<td>$8,725,330</td>
<td>$32,203,438</td>
<td>$56,326,088</td>
<td>$78,682,461</td>
</tr>
</tbody>
</table>
Overview of our Capital Improvement Plan

• 7-year plan that spans 2021 through 2027

• Total cost is $311.2 million
  • Long Term - $251 million
  • Major Maintenance - $60.2 million

• Funding by issuing General Obligations Bonds each year

• The cost of bond repayment is reflected in our annual appropriation for debt service
8 Year Debt Service ($35 million budget)
8 Year Debt Service ($30 million budget)
Impact of Possible Tax Increase

- 2021-22 Act 1 Index for the district is 3.0%
- Current Millage rate is 9.95 Mills

<table>
<thead>
<tr>
<th>% Increase</th>
<th>Mills</th>
<th>2022 Estimated Real Estate Revenue</th>
<th>Increase over Existing Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Increase</td>
<td>9.95</td>
<td>$183,623,498</td>
<td>$-</td>
</tr>
<tr>
<td>0.50%</td>
<td>10.00</td>
<td>$184,511,615</td>
<td>$888,117</td>
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<tr>
<td>1.00%</td>
<td>10.05</td>
<td>$185,399,733</td>
<td>$1,776,235</td>
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<tr>
<td>1.50%</td>
<td>10.10</td>
<td>$186,287,850</td>
<td>$2,664,352</td>
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<td>2.00%</td>
<td>10.15</td>
<td>$187,175,968</td>
<td>$3,552,470</td>
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<tr>
<td>2.50%</td>
<td>10.20</td>
<td>$188,064,085</td>
<td>$4,440,587</td>
</tr>
<tr>
<td>3.00%</td>
<td>10.25</td>
<td>$188,952,203</td>
<td>$5,328,705</td>
</tr>
</tbody>
</table>
Long-Term Action Steps

• Aggressively advocate for Charter School Funding Reform

• Identify and implement strategies for recapturing our diverted earned income tax revenue

• Identify and implement strategies for increasing student enrollment
  • Utilizing ESSER funding can provide the stability needed to improve and attract back families

• Dedicate future millage increases to expanding the capital improvement budget
Short-Term Action Steps

• Utilize ESSER III funding to prevent school-based workforce reductions in 2022-2023
  • Up to $33.7 million is requested

• Continue to evaluate and identify additional workforce reductions to be implemented in 2022 and beyond

• Increase local revenue by increasing the millage rate

• Reduce annual capital improvement budget to $30 – $35 million

• Revise feeder patterns and modernize our footprint
Budget Approval Timeline

• October 4, 2021 – October Budget Workshop
• October 25, 2021 – Public Hearing
• November 3, 2021 – November Budget Workshop
• November 17, 2021 – Preliminary Budget Released
• November 22, 2021 – Public Hearing
• December 6, 2021 – Special Budget Public Hearing
• December 8, 2021 – December Budget Workshop
• December 20, 2021 – Public Hearing
• December 22, 2021 – Legislative Meeting
In Closing

• Workforce reductions to align with enrollment decline are needed

• ESSER III can provide short term stability, but further action is needed to address out deficit

• Strong consideration should be given to millage increases in upcoming years to increase local tax revenue

• Reduction to the capital plan is needed to maintain level debt service