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BUDGET COMMITTEE APPROVED 4/27/22

Redmond School District

Budget Committee Work Session

February 9, 2022

Board Members in Attendance: Chair Shawn Hartfield, Directors Liz Goodrich, Jill Cummings, Keri Lopez. Absent: Vice Chair Michael Summers

Budget Committee Members in Attendance: Stephanie Hunter, Jill Adams, Kevin Palmer, James Wood, Tim Benesh

Work Session started at 5:32 pm.

2022-23 Budget Issues & 2023-2027 Long Range Financial Plan – Kathy Steinert

Kathy explained what a long range financial plan is and the objectives. The development of the long range plan is based on the December 2021 Economic and Revenue Forecast. A new forecast was released today and really strengthens upon the forecast she will present tonight.

We are reliant upon the state to provide the majority of our revenues. The state of the economy shows labor income booming, withholdings continue to boom, and there seems no end to the boom in the corporate excise tax. The risk is persistent inflation, however, the return of inflation is also generating additional corporate activity tax (CAT) collections. The 2023-25 estimated kicker should lead to additional funding for K-12 during this budget period. The forecasted increase in CAT revenues is dedicated to education. The state's reserves grew significantly and are projected to be 16.5% of current revenues at the end of the 2021-23 biennium.

Some reminders of items K-12 needs to take into consideration when planning:

- A statewide pandemic-related enrollment impacts
- Stagnant to lower State School Fund allocation to fund districts' General Fund
- Growing grant fund revenues with restricted uses: ESSER and State Student Investment Funds
- "Great Resignation" and hiring/turnover challenges hit education
- Wage increases and pay compression
- Oregon population growth - While net migration is still positive (although has been decreasing over the past five years), for the first time, deaths outnumber births
- According to Deschutes County Population Forecast (which includes the PSU's preliminary forecast results) shows the continuation of an annual growth rate of 2.3% rate until 2040, deaths are projected to outpace births, continued drop in total fertility rate, net migration is expected to continue an increasing trend reaching close to 7,000 by 2047

Revenues

The General Purpose Grant per ADMw and extended ADMw will go down slightly next year, and then will slightly increase in the following years.

The Operating Revenues include the State Formula Revenue, which is the bulk of the Operating Revenues. In addition, we receive High School Success (M98) Funds, Student Investment Account Funds, as well as COVID Relief Funds. Through emergency Connectivity Funds (ECF) we were awarded everything we applied for. We will be able to purchase Chromebooks, wifi hotspots, and equipment for wifi on buses.

Expenditures

FTE by funding source – The vast majority of it is in our General Fund, however our recent growth has been due to our grant funds, particularly the Student Investment Account. Our expectation over the next five years is that we will grow over nine FTE primarily in our projected enrollment growth.

Salary & Benefit Increase Assumptions – The district settled on a two-year contract agreement with both associations. Licensed will receive a 2.5% COLA and Classified a 3.0% COLA, as well as eligible step increases, and a 2.5% COLA for administrators.

PERS Rates - The district made the courageous decision to issue PERS bonds in August of last year. We believe we made a very good decision because we got an incredibly low interest rate on the bonds. After several weeks, the investment market was booming, so the investments immediately grew. We got to experience a drop in our PERS rates of over 4% points. It has significantly altered the cost structure of our district. We lowered our budget by \$1.5 million in PERS expenditures. We are expecting the PERS rates to remain steady. We are projecting a \$3.2 million PERS reserve set aside by the end of this FY and this plan does not assume utilizing any of the reserve.

Salaries & Related Payroll Costs - The related payroll costs (PERS and health insurance) were close to 58% of salaries in 19-20, we are forecasting in 26-27 it goes down under 49%

Summation

We are concerned about the budget deficit for the 22-23 FY. We have ESSER funds, but the plan was to not use those funds to close General Fund gaps. We need to get through the under allocation in 22-23, that will be our challenge.

Next Steps

Balanced budget will be presented on April 27, 2022
Review budget documents and submit questions
Second Budget Committee meeting - May 11, 2022

Work Session ended at 7:49 pm.



Budget Committee Chair



Gina Blanchette, Executive Assistant