



SCHOOL BOARD ACTION REPORT

DATE: May 17, 2018
FROM: Dr. Larry Nyland, Superintendent
LEAD STAFF: JoLynn Berge, Asst. Superintendent for Business & Finance,
jdberge@seattleschools.org;

For Introduction: June 27, 2018
For Action: July 11, 2018

1. TITLE

Resolution 2017/18-18, Fixing and Adopting the 2018-19 Budget

2. PURPOSE

This action report calls for adoption by resolution of the 2018-19 recommended budget and four year budget plan summary and enrollment projections. The attached presentation provides more detail about planned expenditures.

3. RECOMMENDED MOTION

I move that the School Board adopt Resolution 2017/18-18, to fix and adopt the 2018-2019 Budget, the four-year budget plan summary, and the four-year enrollment projections.

4. BACKGROUND INFORMATION

a. Background

The School Board is being asked to adopt the 2018-2019 Recommended Budget. This adoption includes approval of operating transfers from the Capital Projects Fund to the Debt Service Fund up to the amount of \$2,688,325 and transfers up to the amount of \$20,696,877 to the General Fund.

General Fund

The 2018-2019 General Fund Budget is recommended at \$955,448,694. General Fund resources are comprised of \$ 860,243,231 in non-grant resources and \$ 95,205,463 in grant funds. Included in these amounts are capacity reserves of \$ 18,139,758 in non-grant capacity and \$8,000,000 in grant capacity. The capacity reserves are placeholders for potential spending in the event that new revenues are received or unspent funds from 2017-18 are transferred to 2018-19. Expenditures will not be made against capacity unless actual resources are received.

Associated Student Body Fund

The 2018-2019 Associated Student Body Fund Budget is recommended at \$ 6,779,000. The budget is used to support various Associated Student Body activities.

Debt Service Fund

The 2018-2019 Debt Service Fund Budget is recommended at \$ 2,698,325. This fund will be used to pay the debt service on the 2010 Series-A Refunding bond that financed the John Stanford Center for Educational Excellence, and \$10,000 in capacity for administrative fees or other currently unknown expenses.

Capital Fund

The 2018-2019 Capital Fund is recommended at \$303,424,622 The Capital Fund revenue is comprised of: \$194,058,167 of Building Technology Academics IV and Building Excellence IV levy collections; \$12,575,249 of State Assistance Funding; \$4,200,000 of E-Rate; \$671,923 of investment earnings from Building Technology Academics/ Athletics IV, Building Excellence IV, Building Technology Academics III, Building Excellence III, Building Technology Academics II, and Capital Eligible Projects; \$1,410,356 in rentals and leases; \$7,616,638 in Capital Grants and \$60,000,000 in a cash flow bond, less \$2,688,325 million in funding transfers to the Debt Service, and \$20,696,877 million in funding transfers to the General Fund.

Four-year forecast

	2018-19	2019-20	2020-21	2021-22
Enrollment	53,064	53,934	54,740	55,206
General Fund				
Total Resources	\$ 1,000,856,296	\$ 927,078,318	\$ 944,334,840	\$ 961,977,100
Total Expenditures	\$ 955,448,694	\$ 970,928,155	\$ 1,000,056,000	\$ 1,030,057,680
Contribution To/(From) Fund Balance	\$ 45,407,602	\$ (43,849,837)	\$ (55,721,160)	\$ (68,080,580)
Capital Fund				
Total Resources	\$ 341,292,614	\$ 221,292,878	\$ 202,412,002	\$ 198,818,952
Total Expenditures	\$ 303,424,622	\$ 193,272,675	\$ 175,007,317	\$ 141,723,981
Other Financing Uses- Transfers Out	\$ 23,385,202	\$ 23,514,402	\$ 23,646,827	\$ 23,778,183
Contribution To/(From) Fund Balance	\$ 14,482,790	\$ 4,505,801	\$ 3,757,858	\$ 33,316,788
Debt Service				
Total Resources	\$ 2,714,959	\$ 2,842,867	\$ 2,972,484	\$ 3,103,522
Total Expenditures	\$ 2,698,325	\$ 2,827,525	\$ 2,957,950	\$ 3,089,306
Contribution To/(From) Fund Balance	\$ 16,634	\$ 15,342	\$ 14,534	\$ 14,216
Associated Student Body				
Total Resources	\$ 6,832,000	\$ 6,972,000	\$ 7,186,000	\$ 7,473,000
Total Expenditures	\$ 6,779,000	\$ 6,985,000	\$ 7,266,000	\$ 7,624,000
Contribution To/(From) Fund Balance	\$ 53,000	\$ (13,000)	\$ (80,000)	\$ (151,000)

b. Alternatives

1. The board can choose not to approve the budget. This is not recommended because approval is necessary in order to allow schools, educational support programs and administrative functions to continue operating.
2. The board can choose to make amendments to the recommended budget. This is not recommended due to the significant amount of work and discussions that have already occurred to reach the proposed budget decisions. Making any major changes this late could create a delay in finalizing and submitting the budget to the state.

c. Research

This motion reflects the culmination of budget development work that started in October of 2017. This was a public process that included several community meetings and School Board work sessions. A public hearing on the budget will be held on June 27, 2018.

5. FISCAL IMPACT/REVENUE SOURCE

Fiscal impact to this action will be \$955,448,694 (General Fund), \$6,779,000 (Associated Student Body Fund), \$2,698,325 (Debt Service Fund), and \$303,424,622 (Capital Projects Fund).

The revenue source for this motion is multiple sources.

Expenditure: One-time Annual Multi-Year N/A

Revenue: One-time Annual Multi-Year N/A

6. COMMUNITY ENGAGEMENT

With guidance from the District's Community Engagement tool, this action was determined to merit the following tier of community engagement:

Not applicable

Tier 1: Inform

Tier 2: Consult/Involve

Tier 3: Collaborate

Through multiple budget discussions and meetings with our community, labor partners, employees and senior leaders, ongoing programs and investments for student learning were identified and incorporated into the annual budget decision-making process. A public hearing as required in RCW 28A.505.060 will take place on June 27, 2018.

7. EQUITY ANALYSIS

Detailed review of budget balancing strategies and support needs for the district’s equity goals were discussed and evaluated over the last year during development of the proposed budget.

8. STUDENT BENEFIT

Adopting the proposed budget benefits students by providing a balanced budget that is designed to provide necessary resources for teachers, teacher support and administrative support for academic success for all students of Seattle Public Schools within the constraints of our current funding environment.

9. WHY BOARD ACTION IS NECESSARY

- Amount of contract initial value or contract amendment exceeds \$250,000 (Policy No. 6220)
- Amount of grant exceeds \$250,000 in a single fiscal year (Policy No. 6114)
- Adopting, amending, or repealing a Board policy
- Formally accepting the completion of a public works project and closing out the contract
- Legal requirement for the School Board to take action on this matter
- Board Policy No. 6000, Program Planning, Budget Preparation, Adoption and Implementation, provides the Board shall approve this item
- Other: _____

10. POLICY IMPLICATION

The 2018-2019 Recommended Budget is in compliance with the following:

- 1) Board Policy No. 6000, Program Planning, Budget Preparation, Adoption, and
- 2) Revised Code of Washington State Law: RCW 28A.505.130 which requires school districts to adopt a balanced budget, RCW 28A.505.060 which requires first-class school districts to adopt a budget no later than August 31st each year and to forward copies of their adopted budget to their Educational Service District no later than September 3rd, and RCW 28A.335.060 which allows school districts to deposit revenue into the General Fund from the lease, rental, or occasional use of surplus school property to be expended for general maintenance, utility, insurance costs, and any other costs associated with the lease or rental of such property.

11. BOARD COMMITTEE RECOMMENDATION

This motion was discussed at the Audit and Finance Committee meeting on June 11, 2018. The Committee reviewed the motion and _____.

12. TIMELINE FOR IMPLEMENTATION

Upon approval of this motion, staff will file a completed budget with the State. This budget will go into effect on September 1, 2018 and expire on August 31, 2019.

13. ATTACHMENTS

- Resolution 2017/18-18, Fixing and Adopting the Budget (for approval)
- Presentation on 2018-19 Recommended Budget

**Seattle School District #1
Board Resolution**



Resolution No. 2017/18-18

A RESOLUTION of the Board of Directors of Seattle School District No. 1, King County, Seattle, Washington to fix and adopt the 2018-19 budget.

WHEREAS, WAC 392-123-054 requires that the Board of Directors of every school district meet for the purpose of fixing and adopting the budget of the district for the ensuing fiscal year; and

WHEREAS, public notices were published on June 11, 2018 and June 18, 2018 announcing that the Board of Directors of Seattle School District No. 1, King County, Washington, would meet in a public meeting on June 27, 2018 for the purpose of holding a required public hearing regarding the 2018–2019 Fiscal Budget of the district; and

WHEREAS, the Board of Directors has been requested to approve operating transfers from the Capital Projects Fund to the Debt Service Fund up the amount of \$ 2,688,325 and

WHEREAS, pursuant to RCW 28A.320.330 the Board of Directors has been requested to approve operating transfers from the Capital Projects Fund up to the amount of \$ 20,696,877 to the General Fund for certain major renovations, facility repairs and technology - related expenditures; and

WHEREAS, pursuant to RCW 28A.335.060, the Board of Directors has been requested to redirect revenues derived from the rental and lease of real property for 2018–2019 to be used exclusively for nonrecurring costs related to operating school facilities up to a maximum of \$ 3,935,389; now therefore

NOW THEREFORE, BE IT

RESOLVED, that the Seattle School Board of Directors has determined that the final appropriation level of expenditures for each fund in 2018–2019 will be as follows:

	<u>APPROPRIATION LEVEL</u>
A. General Fund	\$ 955,448,694
B. Associated Student Body Fund	\$ 6,779,000
C. Debt Service Fund	\$ 2,698,325
D. Capital Projects Fund	\$ 303,424,622

RESOLVED, that the Seattle School Board of Directors has determined that the four-year financial forecast is as follows:

	2018-19	2019-20	2020-21	2021-22
Enrollment	53,064	53,934	54,740	55,206
General Fund				
Total Resources	\$ 1,000,856,296	\$ 927,078,318	\$ 944,334,840	\$ 961,977,100
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Contribution To/(From) Fund Balance	\$ 53,000	\$ (13,000)	\$ (80,000)	\$ (151,000)

RESOLVED that the Board of Directors of Seattle School District No. 1, King County, Washington, approves, in a meeting thereof held July 11, 2018, operating transfers from the Capital Projects Fund to the Debt Service Fund up to the amount of \$ 2,688,325 and Capital Projects Fund transfer up to the amount of \$ 20,696,877 to the General Fund and to redirect up to \$ 3,935,389 of rental and lease revenue to the General Fund.

ADOPTED by the Board of Directors of Seattle School District No. 1, King County Washington, at a regular open public meeting thereof, held this 11th day of July, 2018, the following Directors being present and voting in favor of the resolution.

Leslie Harris, President

Richard Burke, Vice-President

Jill Geary, Member-at-Large

Scott Pinkham, Member

Eden Mack, Member

Zachary DeWolf, Member

Betty Patu, Member

ATTEST: _____
Dr. Larry Nyland, Superintendent
Secretary, Board of Directors
Seattle School District No. 1
King County, WA

Presentation on 2018-19 Budget

Board Meeting
June 27, 2018

Agenda

1. Recommended FY18-19 Budget Summary
2. Enrollment
3. General Fund Resources
4. Expenditures by State Program
5. Expenditures by State Activity
6. Expenditures by State Object
7. Comparison of Direct Services to Support Services
8. Maintenance Supplies & Operating Cost (MSOC) Funding vs Expenditures FY 2018-19
9. Associated Student Body
10. Debt Service
11. Capital Fund
12. Next Steps
13. Appendix
 1. District wide staffing
 2. Link to School Funding Allocations

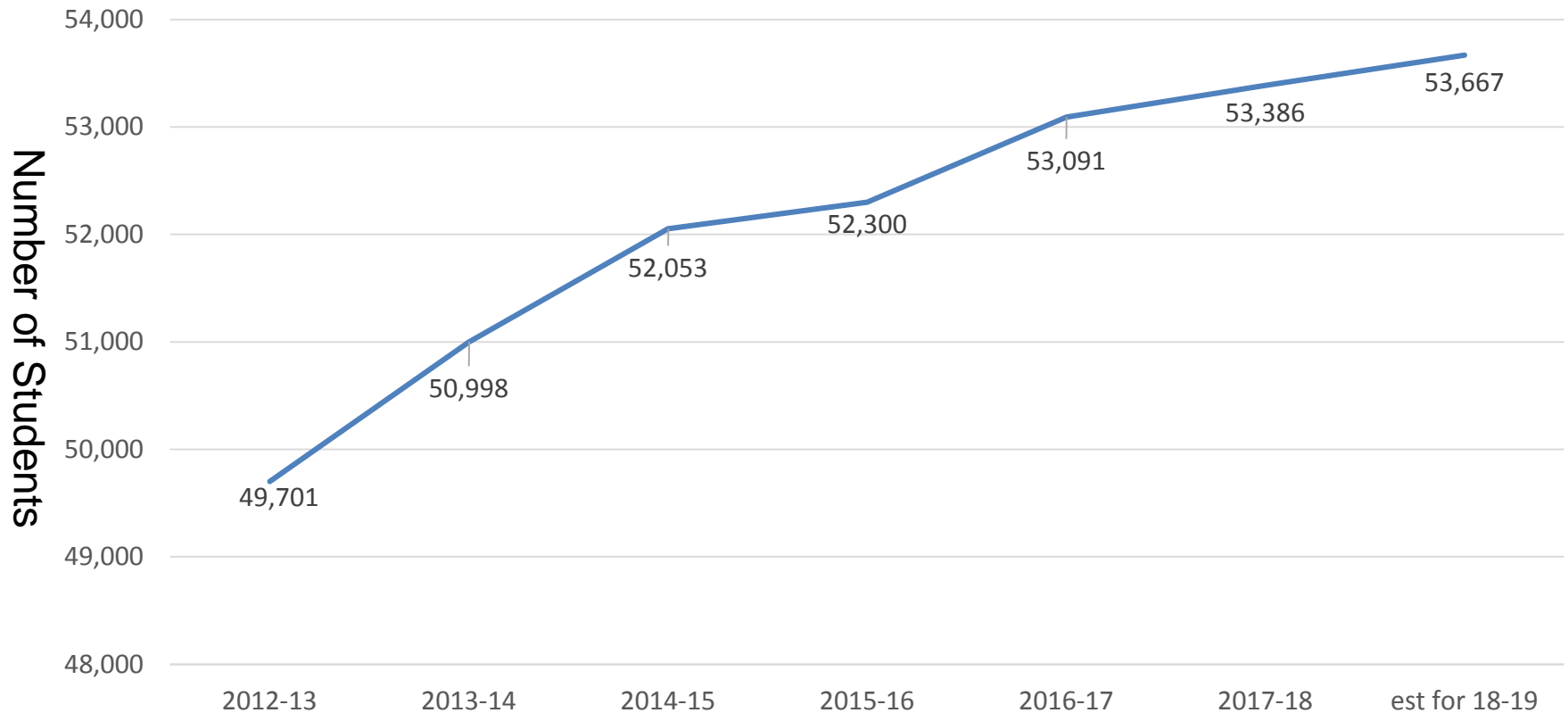
Recommended FY18-19 Budget Summary

(Dollars in Millions)

	General Fund	ASB Fund	Debt Service Fund	Capital Fund
Beginning Fund Balance	\$89.9	\$4.0	\$1.3	\$60.8
Revenue and Other Financing Sources	\$957.5	\$6.8	\$2.7	\$280.5
Expenditures	\$955.4	\$6.8	\$2.7	\$303.4
Transfers Out				\$23.4
Net Operating Activities (Use of Fund Balance)	<u>\$2.1</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>(\$46.3)</u>
Ending Fund Balance	\$91.9	\$4.1	\$1.3	\$14.5

Numbers may not add due to rounding

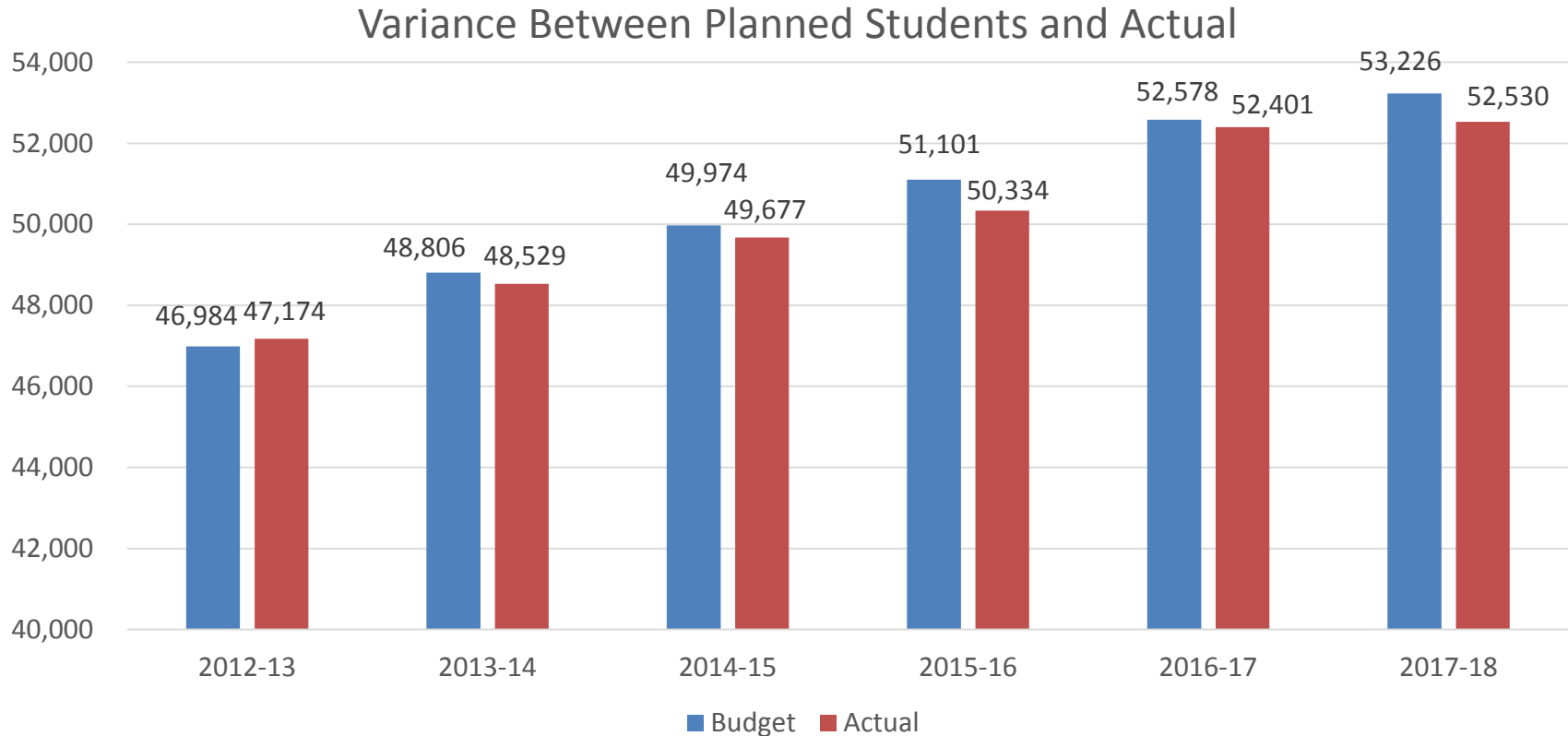
Enrollment – October Headcount



Actual enrollment per OSPI report 1251H. Estimated 2018-19 enrollment provided by Seattle's Enrollment Planning Department

Enrollment

Annual Average Full Time Equivalent (AAFTE)



Enrollment excludes Running Start, Dropout Reengagement, and Summer School
Source: OSPI Reports 1251 for Actual (2017-18 is thru May) and F-195 for Budget

General Fund Resources

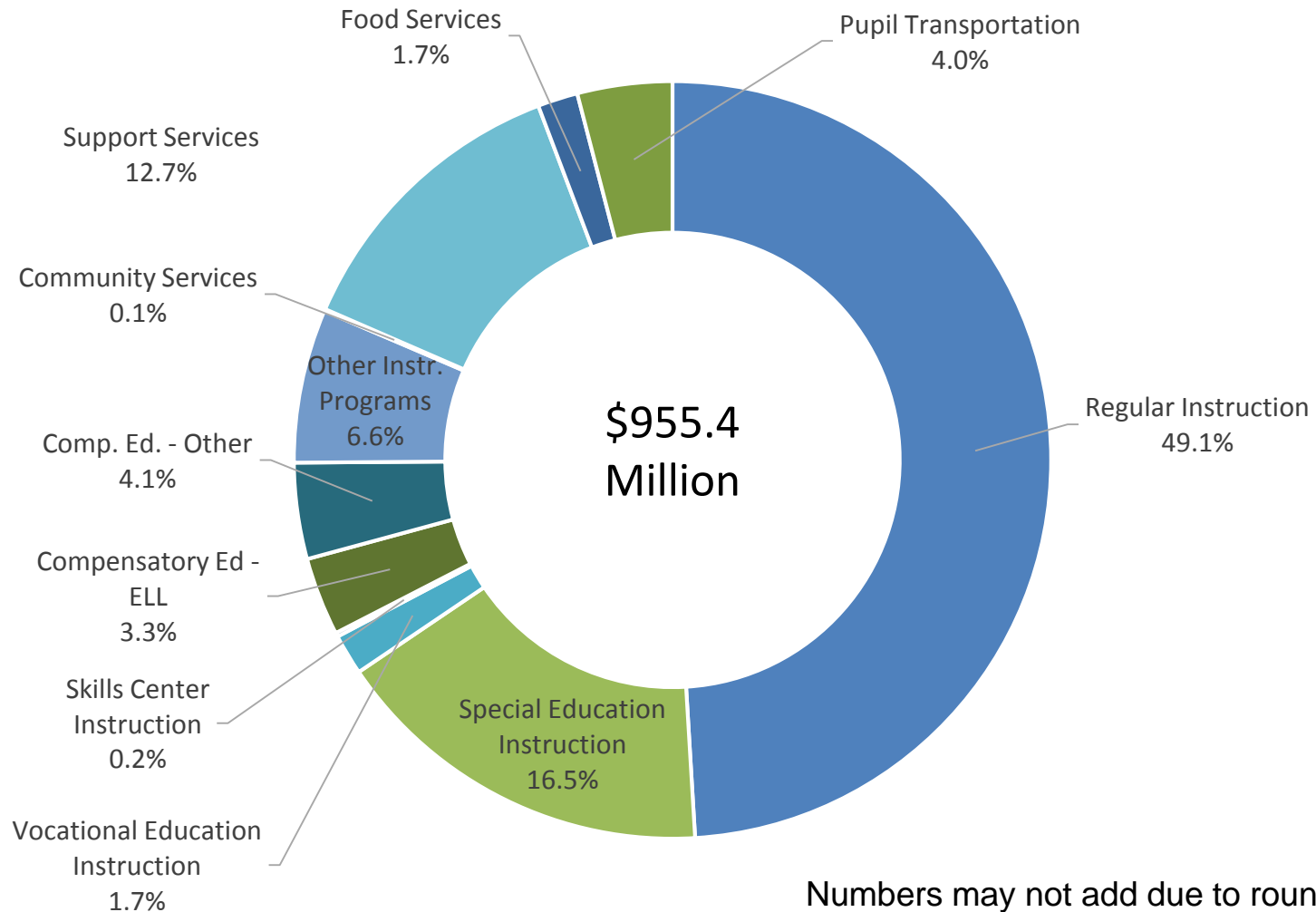
Dollars in Millions	2016-17 Actual	2017-18 Adopted	2018-19 Recommended	Change 2017-18 vs 2018-19	2018-19 Percent of Total Change
State	\$453.4	\$495.9	\$646.8	\$150.9	30.4%
Local Levy	\$199.0	\$217.6	\$178.7	(\$38.9)	(17.9%)
Federal	\$51.6	\$51.4	\$51.0	(\$0.4)	(0.8%)
Other	<u>\$48.7</u>	<u>\$43.8</u>	<u>\$60.2</u>	<u>\$16.5</u>	<u>37.6%</u>
Total Revenue	\$752.7	\$808.7	\$936.8	\$128.1	15.8%
Other Resources	<u>\$15.4</u>	<u>\$60.2</u>	<u>\$64.1</u>	<u>\$3.9</u>	<u>6.5%</u>
Total Resources	\$768.1	\$868.9	\$1,000.9	\$132.0	15.2%

Expenditures by State Program

Dollars in Millions	2016-17 Actual	2017-18 Adopted	2018-19 Recommended	Change 2018-19 vs 2017-18	2018-19 Percent of Total
Regular Instruction	\$361.3	\$422.0	\$468.7	\$46.7	49.1%
Special Education	\$130.3	\$143.1	\$157.6	\$14.5	16.5%
Vocational Education	\$9.8	\$12.8	\$16.6	\$3.8	1.7%
Skills Center	\$1.2	\$1.3	\$1.6	\$0.3	0.2%
Comp Ed. - Ell	\$27.5	\$30.2	\$31.9	\$1.7	3.3%
Comp Ed. - Other	\$35.0	\$36.9	\$39.2	\$2.3	4.1%
Other Instructional Progs	\$32.2	\$45.8	\$62.6	\$16.8	6.6%
Community Services	\$1.6	\$0.7	\$0.8	\$0.0	0.1%
Food Services	\$14.4	\$15.8	\$16.4	\$0.6	1.7%
Pupil Transportation	\$34.9	\$37.5	\$38.7	\$1.2	4.0%
Support Services	<u>\$104.0</u>	<u>\$111.7</u>	<u>\$121.5</u>	<u>\$9.8</u>	<u>12.7%</u>
Total Expenditures	\$752.2	\$857.7	\$955.4	\$97.7	100.0%



Expenditures by Program



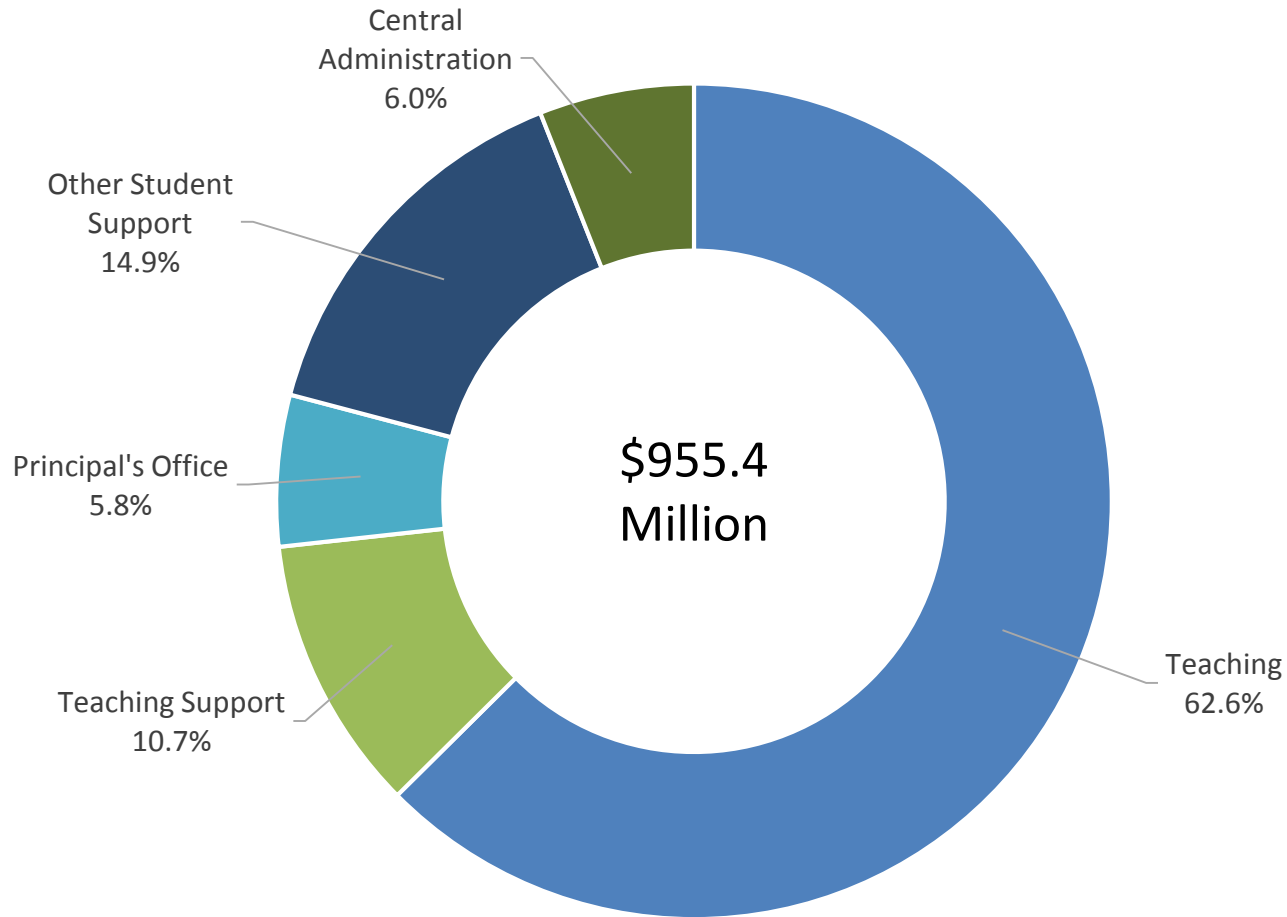
Numbers may not add due to rounding

Expenditures by State Activity

Dollars in Millions	2016-17 Actual	2017-18 Adopted	2018-19 Recommended	Change 2018-19 vs 2017-18	2018-19 Percent of Total Expenses
Teaching	\$450.5	\$536.9	\$597.9	\$60.9	62.57%
Teaching Support	\$83.3	\$83.0	\$102.1	\$19.1	10.69%
Principal's Office	\$48.0	\$52.2	\$55.9	\$3.7	5.85%
Other Student Support (Food Services, Utilities, Transportation, etc)	\$123.7	\$134.4	\$142.3	\$7.9	14.90%
Central Administration	<u>\$46.8</u>	<u>\$51.2</u>	<u>\$57.3</u>	<u>\$6.1</u>	<u>6.00%</u>
Total Expenditures	\$752.2	\$857.7	\$955.4	\$97.7	100.00%

Numbers may not add due to rounding

Expenditures by Activity Group



Numbers may not add due to rounding

State Activity Groups Defined

- **Teaching** - Includes expenditures related to direct instruction of students. Includes instructional materials, basic instructional and student supplies, but does not include textbooks or instructional software.
- **Teaching Support** – includes support services related to teaching and student well-being. Includes, counseling, pupil safety, health related services, instructional professional development, textbooks, and instructional software.
- **Principal's Office** – Includes management and coordination at the school level. Includes the duties of the principal, assistant principal, attendance specialists, and school clerical staff.
- **Other Support** – Includes activities foundational to student success and the operation of schools but not directly in the context of student instruction. Includes Nutrition Services, Maintenance, Custodial Services, Grounds, Utilities, and Information Systems.
- **Central Administration** – Includes those activities related to management, regulation and control at the district level such as the Board of Directors, Superintendent's Office, Human Resources, Finance and Education Leaders. Also includes the management and administrative components of support areas such as Nutrition Services, Transportation, and Building Maintenance.

Expenditures by State Object

(Dollars in Millions)

Major Object		2016-17 Actual	2017-18 Adopted	2018-19 Rec.	Change 2018-19 vs 2017-18	2018-19 Percent of Total
0	Debit Transfer	\$7.4	\$3.1	\$3.6	\$0.4	0.4%
1	Credit Transfer	(\$7.4)	(\$3.1)	(\$3.6)	(\$0.4)	(0.4%)
2	Cert. Salaries	\$334.0	\$394.9	\$441.7	\$46.8	46.2%
3	Class. Salaries	\$138.6	\$156.5	\$168.3	\$11.8	17.6%
4	Employee Benefits	\$161.9	\$187.3	\$203.3	\$16.0	21.3%
5	Supplies	\$29.7	\$38.7	\$49.8	\$11.1	5.2%
7	Purchased Services	\$86.0	\$79.3	\$90.7	\$11.4	9.5%
8	Travel	\$1.0	\$0.6	\$0.7	\$0.0	0.1%
9	Capital Outlay	<u>\$0.9</u>	<u>\$0.4</u>	<u>\$1.0</u>	<u>\$0.6</u>	<u>0.1%</u>
Total		\$752.2	\$857.7	\$955.4	\$97.7	100.0%



Expenditures by State Object

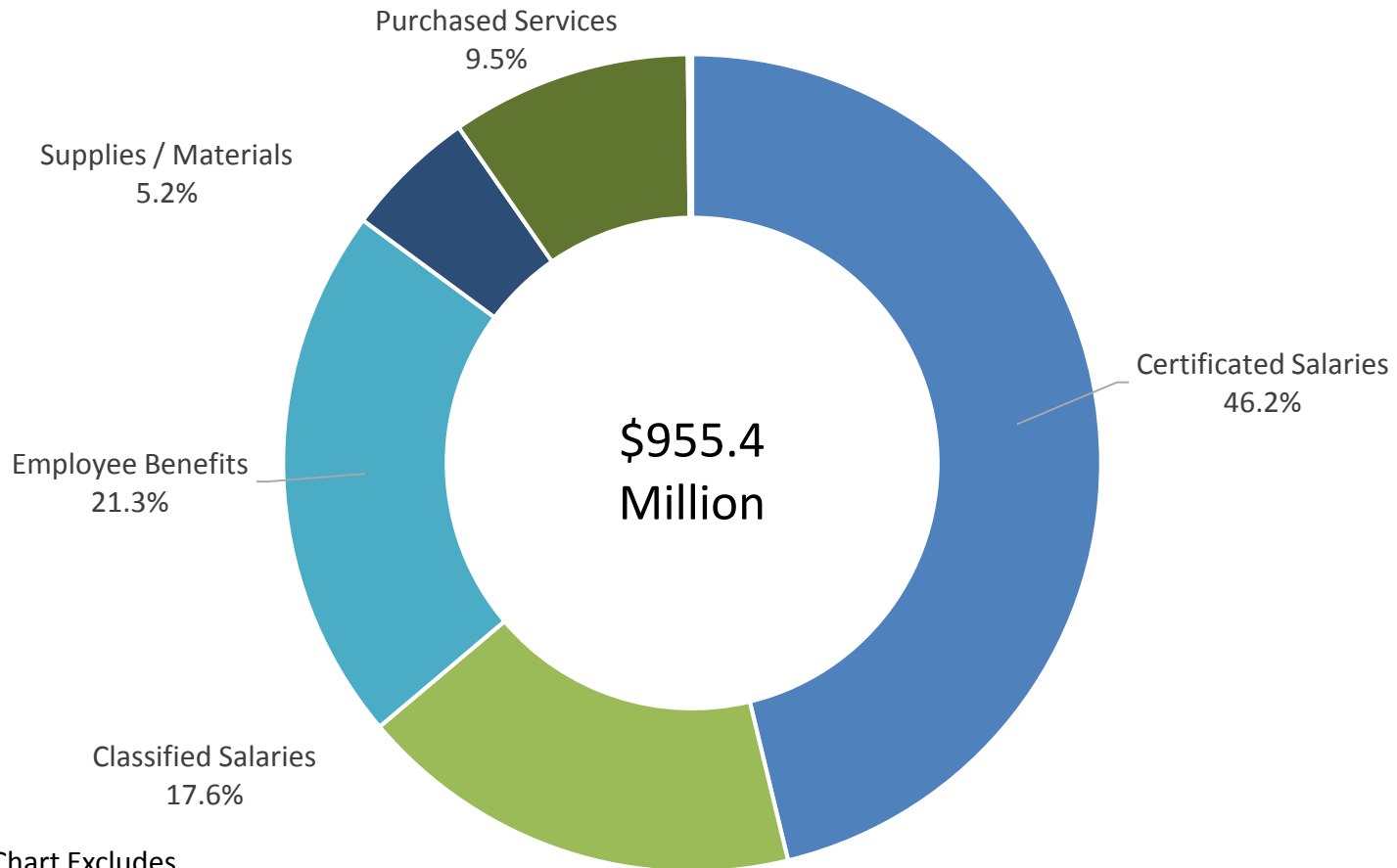


Chart Excludes
Travel: .07%
Capital Outlay: .10%

Numbers may not add due to rounding

Comparison of Direct Services to Support Services

- Direct Services - \$790.9M (82.8%)
 - School allocation budget (Weighted Staffing Standard formula)
 - Centrally held budget for staff and supplies exclusively in the schools such as nurses, instructional assistants, custodians, bus drivers and food service workers
- Support Services- \$164.5M (17.2%)
 - Support staff not in schools but instrumental in running the district
 - Activities such as cost of processing payroll, paying bills, administering programs, managing grants, hiring staff, warehouse and delivery staff and technology support

Maintenance Supplies & Operating Cost (MSOC) Funding vs Expenditures FY2018-19

	State Funding	General Fund District Expenses
Technology	\$7.2	\$6.3
Utilities	\$15.1	\$13.3
Insurance	\$3.1	\$2.8
Curriculum & Textbooks	\$7.7	\$5.8
Other Supplies	\$15.4	\$13.4
Library Materials	\$1.0	\$0.5
Professional Development	\$1.2	\$12.7
Facilities Maintenance	\$9.0	\$12.7
Security and Student Safety	\$0.4	\$1.0
Central Office	<u>\$5.8</u>	<u>\$9.8</u>
Total	\$66.0	\$78.2



Numbers may not add due to rounding

Associated Student Body

	Actual	Budget	Budget
	2016-17	2017-18	2018-19
Beginning Fund Balance	\$ 3,614,709	\$ 3,595,430	\$ 4,032,430
Total Revenue & Other Financing Sources	5,384,339	7,144,000	6,832,000
Total Expenditures	5,403,618	6,707,000	6,779,000
Ending Fund Balance	\$ 3,595,430	\$ 4,032,430	\$ 4,085,430

- The Associated Student Body (ASB) Fund is used to account for funds raised by students to support optional extra-curricular activities that promote the cultural, athletic, recreational, or social (CARS) growth of students.
- All ASB revenues are restricted to the extracurricular benefit of students.
- The cost of the Fund Analyst position and related training supplies is paid from the General Fund and not included in the ASB budget.

Debt Service

	Actual 2016-17	Budget 2017-18	Budget 2018-19
Beginning Fund Balance	\$ 12,894,145	\$ 1,334,899	\$ 1,330,732
Total Revenue & Other Financing Sources	\$ 8,801,053	\$ 2,590,428	\$ 2,714,959
Total Expenditures	\$ 20,386,551	\$ 2,576,650	\$ 2,698,325
Ending Fund Balance	\$ 1,308,646	\$ 1,348,677	\$ 1,347,366

- 2018-19 Only Debt Service is for the John Stanford Center Bond Principal and Interest
- Estimated Amount Outstanding 9/1/18 is \$24,120,000

Capital Fund

	Actual 2016-17	Budget 2017-18	Recommended 2018-19
Beginning Fund Balance	42,065,394	4,652,192	60,760,282
Total Revenue and Other Financing Sources	190,650,783	279,141,899	280,532,333
Total Direct Expenditures and Transfers	205,661,484	279,592,533	326,809,824
Ending Fund Balance	\$ 27,054,693	\$ 4,201,558	\$ 14,482,791

Next Steps

- July 16 – Budget submittal to ESD for error checking
- July 11 – Board Action to adopt FY18-19 budget
- August 17 – Budget loaded into SAP financial system
- September 4 – Approved budget due to ESD

Appendix

1. Districtwide Staff FTE Summary
2. Link to School Funding Allocations