



# **SCHOOL BOARD ACTION REPORT**

**DATE:** April 28, 2017  
**FROM:** Dr. Larry Nyland, Superintendent  
**LEAD STAFF:** JoLynn Berge, Asst. Superintendent for Business & Finance,  
[jdberge@seattleschools.org](mailto:jdberge@seattleschools.org)

**For Introduction:** May 17, 2017  
**For Action:** June 7, 2017

## **1. TITLE**

Resolution 2016/17-23, allowing usage of a portion of the Economic Stabilization Account.

## **2. PURPOSE**

This Board Action Report approves using \$11,500,000 of the Economic Stabilization Account (ESA) to help balance the 2017-18 General Fund budget and approves a repayment plan starting in the 2018-19 school year.

## **3. RECOMMENDED MOTION**

I move that the School Board adopt Resolution 2016/17-23, allowing the usage of \$11,500,000 of the Economic Stabilization Account and adopt the attached plan to repay the account starting in the 2018-19 school year.

## **4. BACKGROUND INFORMATION**

### **a. Background**

Detailed analysis, starting in 2016, identified a gap between projected revenue increases and expenditures for the 2017-18 General Fund Budget of \$74.2M. District staff worked with state legislators, the school board and our community to identify budget solutions that protected student services to the best extent possible while developing a balanced budget.

One of the budget balancing strategies discussed was utilizing a portion of the Economic Stabilization Account to fund activities that would otherwise be reduced in scope, suspended or eliminated. The amount identified to use is slightly less than half of the balance available. The remaining balance is retained in case of other unanticipated needs.

The attached repayment plan outlines a plan to restore \$2,300,000 per year for five years to fully restore the Economic Stabilization Account to 3% of the prior year expenditures, per the recently revised policy.

### **b. Alternatives**

1. The board can choose not to approve using the Economic Stabilization Account and revisit the proposed budget reductions for the 2017-18 school year using a different funding source. This is not recommended because of the potential disruption to schools and other programs who would need to further reduce services to balance the budget.
2. The board can choose to use either more or less of the Economic Stabilization Account than has been discussed and recommended. This is not recommended due to the careful balance of maintaining as much of the account as possible while protecting school programs. Using more of the account would reduce the district's ability to respond to other potential issues in the future. Using less of the account would create a potential disruption to schools and other programs who would need to provide other funding reductions to balance the budget.

c. **Research**

Budget staff analyzed historical budget data of unanticipated expenditures and moved forward a recommendation to use about half of the balance.

**5. FISCAL IMPACT/REVENUE SOURCE**

Fiscal impact to this action will be to reduce the Economic Stabilization Account by \$11,500,000, from \$23,300,000 (3.25% of the 2016-17 non-grant budget) to \$11,800,000 (1.66% of the 2015-16 Total General Fund Expenditures).

The revenue source for this motion is the General Fund.

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, it was concluded that using a portion of the District's Economic

Stabilization Account was critical to protecting school and student support programs during the current legislative funding crisis.

**7. EQUITY ANALYSIS**

In years of budget reductions, typically core services must be protected and extra resources for high need students have to be reduced or eliminated. Using a portion of the Economic Stabilization Account to protect student services allows the district to maintain programs that focus on student needs.

**8. STUDENT BENEFIT**

Using a portion of the Economic Stabilization Account allows the School Board to better shield students and direct student services from the financial deficit anticipated for the 2017-18 school year.

**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. 6022, Economic Stabilization Account, provides the Board shall approve this item
- Other: \_\_\_\_\_

**10. POLICY IMPLICATION**

Board Policy No. 6022, Economic Stabilization Account (ESA) calls for any use of funds from the ESA to be accompanied by a Board Resolution.

**11. BOARD COMMITTEE RECOMMENDATION**

This motion was discussed at the Audit and Finance Committee meeting on May 11, 2017. The Committee reviewed the motion and moved this item forward for approval by the full Board.

**12. TIMELINE FOR IMPLEMENTATION**

Upon approval of this motion, \$11,500,000 will be budgeted as a reduction of the Economic Stabilization Account to help balance the 2017-18 General Fund Budget.

**13. ATTACHMENTS**

- Resolution 2016/17-23, allowing usage of a portion of THE Economic Stabilization Account (for approval)
- Economic Stabilization Repayment Plan (for approval)
- Board Policy No. 6022, Economic Stabilization Account (draft)

**Seattle School District #1  
Board Resolution**

**Resolution No. 2016/17-23**



**A RESOLUTION** of the Board of Directors of Seattle School District No. 1, King County, Seattle, Washington to allow usage of a portion of the Economic Stabilization Account (ESA).

**WHEREAS**, the requirements of Board Policy No. 6022 Economic Stabilization Account, require a resolution of the board for any use of the account with a plan to restore the account if used; and

**WHEREAS**, the current legislative funding uncertainty has created a large financial gap that without usage of the ESA would require further reductions or elimination of district services that could potentially create a significant negative impact on student learning; and

**WHEREAS**, after exploring multiple other options to balance the 2017-18 budget, it was determined that usage of a portion of the ESA was in the best interest of the District;

**NOW THEREFORE, BE IT**

**RESOLVED**, that the Seattle School Board of Directors approves usage of \$11,500,000 of the Economic Stabilization Account to help balance the 2017-18 school year budget; and

**FURTHER**, that a plan will be implemented to restore the fund to its minimum balance of 3% of the most recently completed fiscal year by restoring a minimum of 20% of the amount borrowed each year for the next five years beginning in 2018-19.

ADOPTED this 7<sup>th</sup> day of June, 2017

\_\_\_\_\_  
Sue Peters, President

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Leslie Harris, Vice-President

\_\_\_\_\_  
Scott Pinkham, Member-at-Large

\_\_\_\_\_  
Stephan Blanford, Member

\_\_\_\_\_  
Rick Burke, Member

\_\_\_\_\_  
Jill Geary, Member

\_\_\_\_\_  
Betty Patu, Member

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

## Economic Stabilization Account Repayment Plan

As of April 27, 2017


**Background:** During 2017-18 General Fund budget development, it was determined that based on the lack of appropriate state funding, the District would need to make significant program and staffing reductions to build a balanced budget. After multiple budget discussions and meetings with our community, labor partners, employees, and senior leaders, it was concluded that using a portion of the District's Economic Stabilization Account (ESA) was critical to protecting school and student support programs as much as possible.

On \_\_\_\_\_ a resolution was passed by the school board authorizing the use of \$11,500,000 of the ESA for this purpose. Because of this usage, the ESA was reduced to 1.66% of the total actual general fund expenditures from the 2015-16 school year.

Per policy 6022, Economic Stabilization Account, in the event the ESA balance falls below the recommended minimum balance of 3%, a plan to replenish the fund must be developed and provided with the resolution authorizing the usage.

The following is the current minimum annual repayment amounts:

<b>Fiscal Year (FY)</b>	<b>Amount to repay</b>	<b>Estimated Outstanding Balance to meet 3% Requirement</b>
FY 2018-19	\$2,300,000	\$9,200,000
FY 2019-20	\$2,300,000	\$6,900,000
FY 2020-21	\$2,300,000	\$4,600,000
FY 2021-22	\$2,300,000	\$2,300,000
FY 2022-23	\$2,300,000	\$0

 <p>SEATTLE PUBLIC SCHOOLS</p>	<p>ECONOMIC STABILIZATION ACCOUNT</p>	<p>Policy No. 6022</p> <p>Page 1 of 1</p>
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It is the policy of the Seattle School Board to maintain an economic stabilization account in the general fund to help protect against unforeseen circumstances.

The District created the Economic Stabilization Account (ESA) to fund activities that would otherwise be reduced in scope, suspended or eliminated due to unanticipated shortfalls in the General Fund revenues. Any use of the ESA shall be accompanied with a resolution approved by the School Board.

In an effort to provide fiscal stability for the District and allow District Administrators to apply fiscal prudence in managing the budgetary conditions of the District, a desired stabilization amount is established. The amounts for the desired stabilization account shall be specifically identified in a separate account code in the General Fund. The amounts committed in the Economic Stabilization Account (ESA) are to be used only for the purposed defined in this policy.

The School Board shall annually adopt a specific stabilization account percentage for the upcoming fiscal year. The ESA shall be informed by the economic climate and recommended between 3 and 5 percent of the total actual general fund expenditures of the most recently completed fiscal year.

In the event the ESA balance falls below the recommended minimum level of 3%, a plan to replenish the fund will be developed and provided with the resolution authorizing use of the fund. The repayment plan must be reviewed annually as part of the budget process until the funds are fully restored.

The Superintendent is granted the authority to establish procedures in order to implement this policy.

Adopted: [DATE]

Revised: [DATE]

Cross Reference: Policy Nos. 6020; 6040

Related Superintendent Procedure:

Previous Policies: G06.00 Legal

References:

Management Resources: Governmental Accounting Standards Board 54