



# **SCHOOL BOARD ACTION REPORT**

**DATE:** May 16, 2018  
**FROM:** Dr. Larry Nyland, Superintendent  
**LEAD STAFF:** JoLynn Berge/Assistant Superintendent for Business & Finance/252.0087  
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**For Introduction:** June 27, 2018  
**For Action:** July 11, 2018

## **1. TITLE**

Setting the 2018-19 Economic Stabilization Account.

## **2. PURPOSE**

Per Board Policy No. 6022, Economic Stabilization Account, this action sets the Economic stabilization Account at 3.27% of the 2016-17 general fund expenditures for the 2018-19 budget.

## **3. RECOMMENDED MOTION**

I move that the Board approve an Economic Stabilization Account balance of 3.27% of general fund expenditures from the 2016-17 school year when developing the 2018-19 fiscal year budget.

## **4. BACKGROUND INFORMATION**

### **a. Background**

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

The percentage of funds in the stabilization fund may either be maintained or increased annually during budget planning with the school board.

Consensus was reached by the board during the February 28 budget work session to add \$2,000,000 to the ESA, which would bring the ESA to the level of the 3.27% of the 2016-17 general fund expenditures.

### **b. Alternatives**

1. Adopt a lower reserve percentage. This would provide additional funding for 2018-19 budget development. This would increase the structural shortfall in the following year.

2. Adopt a higher reserve percentage. This would reduce available funding for 2018-19 budget development and potentially increase the impact on schools, programs and staff. This would decrease the structural shortfall in the following year.

c. **Research** To provide a buffer in difficult economic times, many school districts and governmental agencies maintain of a reserve for unanticipated needs.

**5. FISCAL IMPACT/REVENUE SOURCE**

Fiscal impact to this action will be \$2,000,000.

The revenue source for this motion is increased revenue from FY2018-19 budget development.

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 increasing the Economic Stabilization Account was important toward rebuilding the resources from the minimum percentage toward a slightly higher amount to help protect the district from continued future funding uncertainties.

**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. Increasing the Economic Stabilization Account to protect future student services allows the district to reduce disruptions to programs that focus on student needs.

**8. STUDENT BENEFIT**

Please see Equity analysis, above.

**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, requires the District maintain a minimum fund balance equal to between 3% and 5% of the District’s General Fund (GF) expenditures from the most recently completed fiscal year. It further requires that the School Board annually adopt a specific reserve percentage for the upcoming fiscal year.

**11. BOARD COMMITTEE RECOMMENDATION**

This motion will be discussed at the Audit and Finance Committee meeting on June 11, 2018. The Committee reviewed the motion and recommendation for approval.

**12. TIMELINE FOR IMPLEMENTATION**

Upon approval of this motion, the Economic Stabilization Account balance will be modified after adoption of the FY18-19 General Fund Budget.

**13. ATTACHMENTS**

- Board Policy No. 6022, Economic Stabilization Account

	<p>ECONOMIC STABILIZATION ACCOUNT</p>	<p>Policy No. 6022  May 17, 2017  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: August 2015  
 Revised: May 2017  
 Cross Reference: Policy Nos. 6020; 6040  
 Related Superintendent Procedure:  
 Previous Policies: G06.00  
 Legal References:  
 Management Resources: Governmental Accounting Standards Board 54