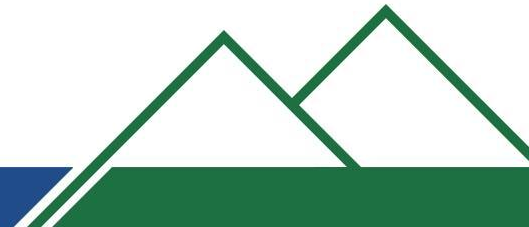


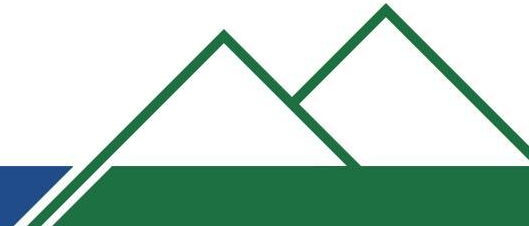
**Marysville School District
Financial Overview
&
Proposal for a
Reduced Educational Program
April 26, 2023**



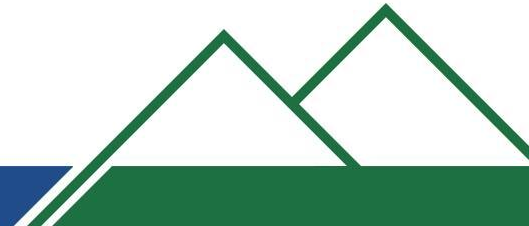
Agenda



- Budget for current year - fiscal year (FY) 2023
- Estimates for next year (FY 2024)
 - Revenue
 - Expenditure
 - Budget
- Beyond the budget- the facts about cash flow



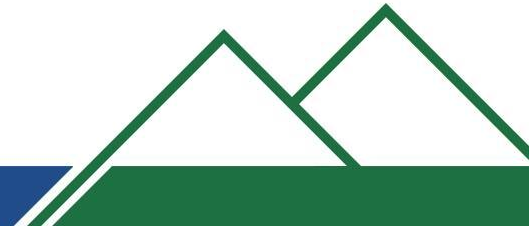
Budget for the Current Year (FY 2023)



General Fund Budget Information FY 2023



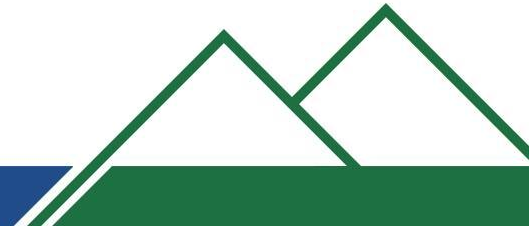
- MSD will receive no ADDITIONAL tax revenue, aside from cash from delinquent taxes, until April 2024 (next fiscal year) due to 2 failed levy votes. MSD last received tax revenue (this fiscal year) in October 2022.



General Fund Budget Information FY 2023



- Employee costs (salary and benefits) are 82% of the general fund expenditure budget.
- Student enrollment factors heavily in funding for the District.



Adopted Deficit Budget for 22-23 School Year



Revenue Budget \$ 182.6

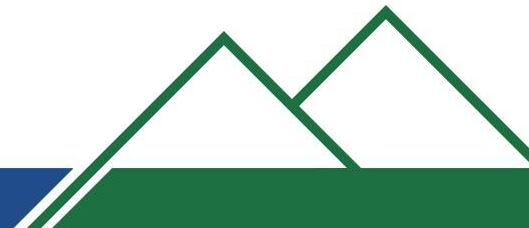
Expenditure Budget \$ 184.9

Deficit \$ - 2.3

Amounts presented are in millions.

- FY 2023 (current year) budget is a deficit budget.
- The budget for expenditures exceeds the budget for revenue.
- The \$2.3 million deficit will be absorbed by the fund balance.

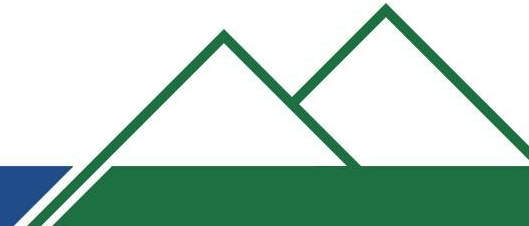
Estimates for Next Year (FY 2024)



General Fund Budget Information FY 2024



- Board Policy requires 8% unassigned fund balance.
- Employee pay increases driven by IPD (implicit price deflator) are not fully funded by the State.



General Fund Budget Information



- Due to two failed levies, tax dollars will not flow into the District until April 2024.
- MSD will receive no additional tax revenue in calendar year 2023, aside from delinquent tax payments.
- This impacts 2 fiscal years - FY 23 & FY 24.
- This significantly impacts MSD's ability to provide high-quality education to children.





Estimated Revenue for FY 2024

Current Revenue Budget \$ 182.6

Expiring grant resources - \$3.5

Estimated change in
State Apportionment* + 3.4*

Estimated Revenue for Next Year \$ 182.5

Amounts presented are in millions.

Estimated Expenditures for FY 2024

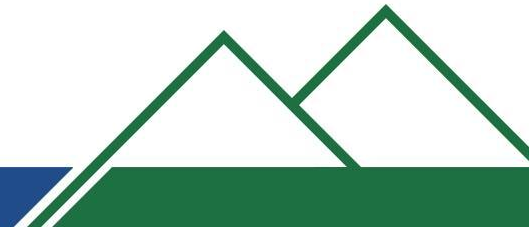


Current Expenditure Budget	\$184.9
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Estimated Pay Increase for All Employees @ 3.70% + agreements	<u>\$10.3</u>
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Estimated Expenditures for Next Year	\$ 195.2
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Amounts presented are in millions.



Comparison of Budgets



	<u>FY23</u>	<u>FY24 (estimate)</u>	<u>Change</u>
Revenue	\$182.6	\$182.5* -	0.1
Expenditure	\$184.9	\$195.2 +	10.3

Net spending that

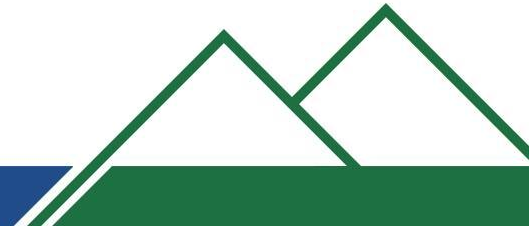
Exceed Revenue \$ -2.3 \$ -12.7

Amounts presented are in millions.

Spending Reductions FY 2024



In order to balance (rightsize) the budget for next school year (FY 2024) expenditures must be reduced by \$12.7 million.



Proposed Reductions to Educational Program

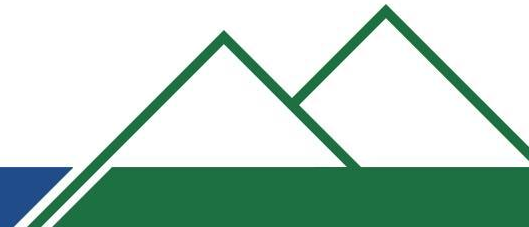
Central Office & Operational Supports	Count	Amount
Non-Employee Costs:		
Reduce operational budgets by 15% (excluding school budgets)		\$ 2,655,000
Marysville Online – curriculum budget		\$ 145,000
AVID program – supply budget		\$ 110,000
Employee Costs:		
Eliminate central office administrator positions	2	\$ 430,000
Eliminate certified staff paid with expiring grant (primarily ESSER)	16	\$ 2,119,150
Eliminate classified staff paid with expiring grant (primarily ESSER)	9	\$ 743,566
Eliminate AVID program - stipends		\$ 18,500
Central Office & Operational Supports	27	\$ 6,221,216



Proposed Reductions to Educational Program

Classroom Staffing – Certificated and Classified	Count	Amount
Eliminate Marysville Online – certificated budget		\$ 1,188,043
Eliminate Marysville Online – classified budget		\$ 29,776
Certificated staff retirement and resignations	39	\$ 5,460,000
Increase budget teacher overload costs		\$ - 2,000,000*
School Leadership:		
Eliminate Marysville Online administrator position		\$ 200,000
Total Classroom Staffing and School Leadership		\$ 4,877,819
Total Reductions to Education Programs		\$ 11,893,569
Total Needed Reductions to Expenditures		\$ 12,700,000
Balance to Reduce for next year; absorbed with fund balance		\$ 806,431

Beyond the budget, the facts about cash flow





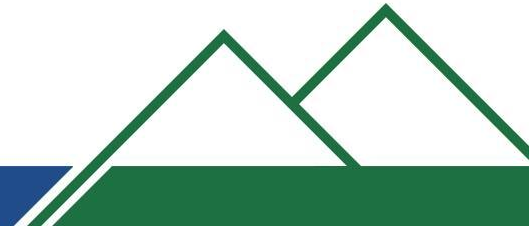
Reminder:

As a result of the failed vote on the tax levy in February 2022 and April 2022 Marysville School District will lose \$25 million in tax revenue in calendar year 2023.

This impacts the current school year (FY 2023) and next school year (FY 2024).

Few businesses function optimally after losing (roughly) 15% of revenue.

As a result, a cash flow analysis was prepared.

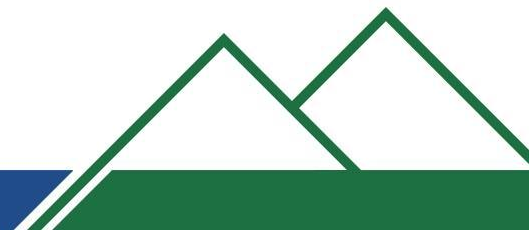


Cash Flow Analysis



MSD analyzed the money coming into the district and the money going out of the district, starting with the cash on-hand.

- Cash in flow:
 - State funding
 - Local property taxes
 - Federal/State grants
 - Other miscellaneous
- Cash out flow:
 - Payments to employees (payroll)
 - Payments to vendors (accounts payable)

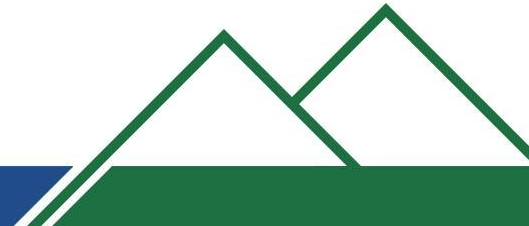


Cash Analysis Concern



Without the \$12.5 million in property tax receipts (April 2023), the cash flow analysis indicates MSD will be unable to meet the expected payroll and accounts payable needs in June 2023.

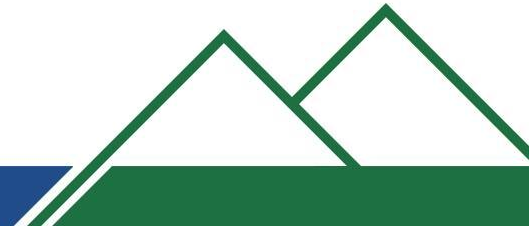
We have options to resolve this concern.



Cash Analysis Concern

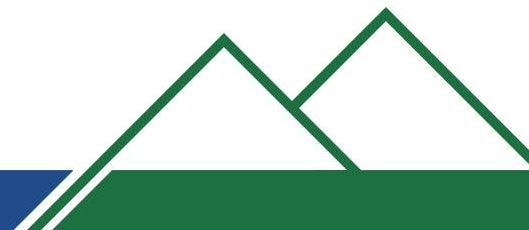


- Short term borrowing -
 - Borrow \$6 million from the capital projects fund
 - Seek an apportionment advance from OSPI
- Long term borrowing -
 - Work with County officials
 - Work with bond attorney and financial advisor to issue a debt instrument(s)



A Note On Long Term Borrowing

- MSD must ensure its fiscal health for future generations of children.
- Long term borrowing is not ideal, but necessary to meet current challenges and to better situate the district in future years.
- Put another way, MSD can't live exclusively in the moment and neglect the needs of future students.



Budget Implications

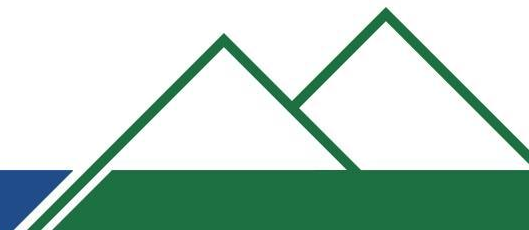


Next year (FY 2024)

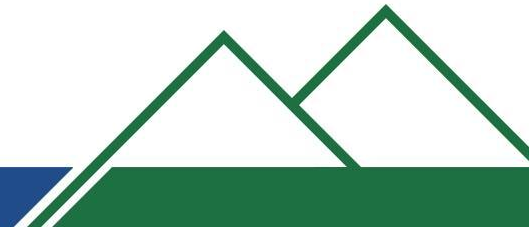
- No property tax receipts in October 2023. The next property tax receipts will be received in April 2024.
- Capital project interfund loan (\$6 million) must be repaid with interest.

Future years

- Long-term borrowing must be budgeted and repaid with interest.



Borrowing adds additional budget pressure for next year
(FY2024) and future budgets



Potential Additional Reductions to FY24 Budget – (due to short-term borrowing)

Total Initial Needed Reductions to Next Year Budget		\$ 13,494,534
Additional reductions needed to repay capital projects fund		\$ 6,000,000
Total reductions needed to Balance next year's budget		\$19,484,534
Total Reductions to Education Program (from previous slide)		\$ 11,893,569
Additional reduction to the number of certificated positions		\$ 6,000,000
Additional reductions TBD		\$ 794,534
Reductions & Potential Additional Reductions		\$ 18,688,103
Balance to Reduce for next year; absorbed with fund balance		\$ 806,431

Questions?



Marysville
School District

