**Walla Walla Public Schools**
Developing Washington's Most Sought-After Graduates

**Superintendent**
364 S. Park Street
Walla Walla, WA 99362
(509) 527-3000
www.wwps.org

# 2019-20 Financial Summary

TO: Board of Directors

FROM: Wade Smith, Superintendent

DATE: April 10, 2019

RE: Board Financial Review

As the Board is well aware, we have thoroughly scrubbed the district's budget over the last 3-4 years performing yeoman's efforts to remove all non-essential costs in order to maximize the impact of our valuable resources. We have prioritized these efforts by preserving those that align with our strategic planning initiatives, are supported by research, and have the least detrimental impact on student/the classroom setting. As a result, we have gone as far as limiting employee/Board travel, moving most professional development and training costs to state and federal grants where permissible, sought alternative lower-cost approaches to historically supported programs, and reduced a number of central office, support, and select building-level staff through attrition. We have been able to do all of this, remarkably, with minimal impact to program and student. I would be remiss, however, to not point out that the impact of these reductions have resulted in additional workload and burden to staff and administration districtwide.

Identifying cost-savings measures in school district budgets is difficult when, as in Walla Walla's case, over 80% of our resources goes to support staff salaries/benefits. These costs are embedded in account codes 2-4 (e.g., 2 is cert salaries, 3 is classified, and 4 is benefits). Non-payroll related costs are coded in the 5-9's based on the type of expenditure they are referring to (e.g. 5 is supplies/materials, 7 is purchases/contracted services, and so on).

Our roughly $78M budget is comprised of various funds. Many of them are federal and state restricted accounts that provide limited flexibility on how and where (which site/program/student population) resources can be spent (e.g. special education, vocational instruction, skills center, and federal programs). Furthermore, federal and state "supplant" rules do not permit a district to use most federal and state grant funds to offset former expenses paid for out of general fund state dollars. As an example, we are not permitted to use federal title or state LAP grant dollars to pay for an employee or services that were formerly paid for out of general fund dollars, even if there is no longer sufficient general fund dollars to cover the costs. In addition, maintenance of effort requirements also affect many of these restricted accounts that require the same levels of spending at sites/programs from one year to the next, further limiting the flexibility of resourcing.

There are, however, funds that do provide greater levels of discretionary authority, understanding that there are still some fiduciary requirements that must be maintained. In essence, there are 6 funds that, in some cases more-so than others, permit the Board flexibility to adjust during times of financial constraint. Below is a brief summary of each:

- Basic Ed (01)
    - Of the $39.46M Basic Ed budget, about 11% is non-district employee-related costs (about $4.39M). Of that, nearly $2.2M is allocated primarily to building student support budgets (that have already been greatly reduced over the years) and textbooks. Another $1.7M is used for purchased services, $171,000 for travel, and $261,000 are capital related purchases (furniture replacement, computer replacement, etc).
- Alternative Learning (02)
    - Of the $523,000 budget, only $7,000 (or 1.3%) is discretionary 5-9 expenditures.
- Dropout Re-engagement (03)
    - Of the $83,000 budget, only $3,500 is discretionary 5-9 expenditures,
- Highly Capable (74)
    - The district's highly capable budget of $343,456 goes primarily towards staffing, with $20,000 used to support supplies and materials. The state only provides Walla Walla with $149,000 to operate the program, however.
- District-wide Support (97)
    - This fund covers all non-instructional costs for the district, from Board costs, to utilities, to facilities/maintenance, to insurance. The bulk of the non-payroll related expenses are found in the purchased services area ($5.28M), the largest single item being utilities ($1.68M).

**Financial Outlook**

Although there remains much left to be worked out in Olympia, it is safe to assume that the following two items (negotiations and SEBB), provide the greatest threat to our continued solvency. Based on our current understanding of SEBB, and preliminary negotiation estimates, the district will need to identify $4.8M in resources to cover the two line items.

| Overall Budget Scenario/Outlook | Potential Impact to Expenditures |
|---|---|
| Employee Compensation Placeholder/Rollup Costs | $3.9M |
| SEBB Impact (preliminary estimate based on most recent batch-run scenario performed by the business office) | $900,000 |
| **Total** | **$4.8M** |

**Identified and Potential Cost Savings Measures**

Based on the assumption that the Board wishes to maintain its current level of investments in our strategic planning categories (e.g. curriculum, technology, behavioral, safety, engagement, and Latino outreach), the chart below represents varying options for Board consideration. Many of the activities have already been approved and/or put into motion next year as noted by "Already Accomplished." As the Board addresses savings, it is important to note that a significant amount of the identified savings below ($2.1M) comes from one time set-aside money that may solve next year's financial shortfall, but will not provide for sustainable solvency the following year.

Understand that some of the "other potential reduction/savings" options outlined below are quite trivial in scope/amount, but nonetheless are brought to your attention so you are fully aware of our current/historical discretionary investments. These items are simply meant to provide you some talking points and potential exploration should the Board require additional information. I have noted those which I would recommend the Board consider in their deliberations and future planning.

| Description of Savings Strategy | Anticipated Savings | Already Accomplished |
|---|---|---|
| Pre-School Transition/Partnership with ESD | $300,000 | √ |
| Developmentally Disabled Pre-School Partnership with ESD | $70,000 | √ |
| Rent/Associated for Pre School | $50,000 | √ |
| Tech Retirement/Non Replace 1 FTE | $70,000 | √ |
| Insurance Savings (transition to local MZ office) | $30,000 | √ |
| ESD Data Center Savings Through New Contract Negotiated | $40,000 | √ |
| Lincoln HS Aligned to ALE Funding Model | $50,000 | √ |
| Transportation Efficiency Proposal | $400,000 | √ |
| Bond Offset for Employee Time* | $75,000 | √ |
| Excess 2018-19 Anticipated EFB over 8% (1.0M McCleary Set-Aside and $1.09M of green)* | $2,099,893 | √ |
| Reduce 2 MS Teachers Through Attrition | $180,000 | √ |
| Continued Classified Non-Replacement (5 persons) | $150,000 | √ |
| **Total 19-20 Savings (one-time and ongoing)** | **$3.51M** | |
| **Total 19-20 (ongoing)** | **$1.4M** | |

| Other Potential Reductions/Savings | Anticipated Savings | Recommended |
|---|---|---|
| Eliminate The Health Center Payment | $40,000 | |
| Eliminate the Carnegie Art Lab Payment | $20,000 | |
| Reallocating Through Negotiations, the Teacher's Insurance Pool to Offset Raises/Costs | $300,000 | √ |
| Eliminate Farm to School Payment | $10,000 | |
| Eliminate NSBA Dues and Travel to National Conf. | $11,300 | √ |
| Highly Capable Reduction (live within the state allocation) | $195,000 | |
| Continued Alignment of Classified Staff Through Attrition to Prototypical Model (3-5 persons per year) | $100,000 | √ |
| Food Service (Increase meal price 10 cents). This decision was proposed but implementation delayed last school year. | $1,500 | √ |
| Borleske Rent and Associated Costs | $100,000 | |
| Elementary Consolidation (2020-21) | $1.39M | √ |

| | |
|---|---|
| What about contracting out busing services? | With the adjustment to efficiency/start/stop times, we anticipate that transportation will operate at a cost-neutral basis next year. As a result, there is little long-term incentive to explore this option as long as we maintain efficient operations. Although there would be a one-time influx of revenue from the sale of our fleet to a contractor, the long-term savings would be less significant. In addition, we would need to explore the feasibility of such a consideration due to the Coop implications and received state match money for the site/program. |
| What about contracting out food services? | With an increase in meal prices and potential consolidation of elementary schools, both of those considerations would bring our nutrition program to near "in the black" operations in subsequent years. Based on both proposed/possible activities, contracting out would likely not yield significant financial savings to warrant consideration. |

**Denotes 1-time funds*