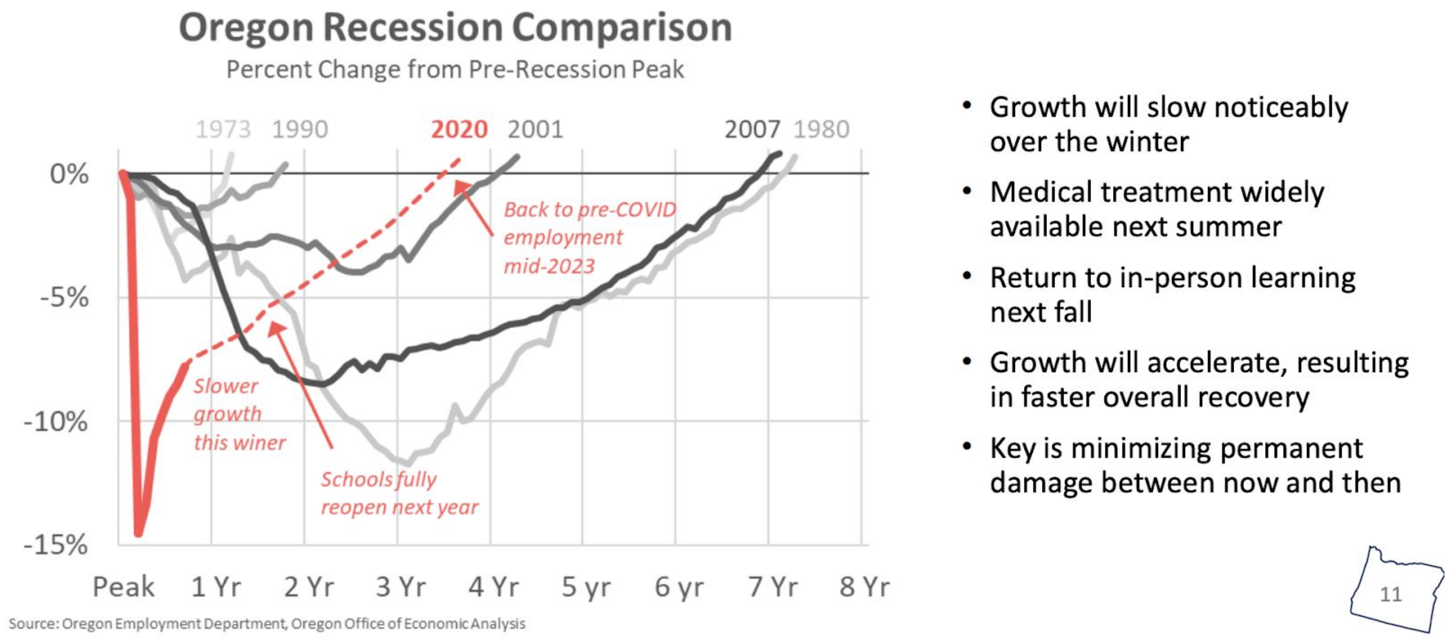
Five-Year Financial Forecast

Introduction

This five-year general fund financial forecast is based on the State of Oregon Governor's proposed budget of $9.1B for the State School Fund (SSF) for the 2021-23 biennium. The Governor's forecast includes an overall average of 6% PERS savings for the biennium across the state. It utilizes a projection based on a 50/50% split for the SSF from the 2019-21 biennium, while historically, the SSF has been projected using a 49/51% split for the prior biennium. Both of these budget assumptions lead to a revenue shortfall in the coming years.



The graphic above iis from the Oregon Office of Economic Analysis who has reported the Oregon Recession Comparison in their December 2020 Economic Forecast. The 2020 recession represents the figure of a square root in red showing the initial quick drop in the economy due to the pandemic and closing of many businesses, a quick midpoint rise upon reopening and a recovering back to pre-COVID employment in mid-2023. This represents a quicker recovery than the initial forecast in June 2020 when the recovery was initially predicted to concur in mid-2024.

The five-year forecast includes a recession recovery beginning in the 2023-24 school year and carries through 2026. PPS' enrollment projections pre-covid were forecasted to decline over the next five years, so while the economy is forecasted to turn around, the lower enrollment in the outer years offsets most of the increases.

Revenue Assumptions

The district will assume an SSF 49% allocation for the first year of the biennium and a 51% allocation for year two throughout the five-year forecast. State School Fund growth for 2020-21 is based on the actual legislative appropriation, and the 2021-23 biennium is based on the Governor's proposed budget that was released on December 1, 2020. The following years assume a recovery of the current COVID-related recession and return to a 4% growth rate based on historical trends.

The Average Daily Membership (weighted) (ADMw) for 2020-21 is based on the hold harmless extended ADMw provided for in the SSF formula due to lost enrollment during the pandemic. In 2021-22, the assumption is half of the expected enrollment would return to school, and the following years are based on the Portland State University mid-range enrollment projections.

The Local Option Levy revenue is projected at a conservative 3% growth rate per year based on historical trending data.

While the Student Investment Account (SIA) is not part of the general fund, in 2020-21, some strategic plan investments were moved to the general fund when SIA funding was reduced. In the 2021-23 biennium, the state economist has forecasted a return of corporate income tax, and SIA funding will increase to $31M per year to Portland Public Schools. Future years may realize SIA funding growth to the original $40M level.

Revenue Assumptions (in thousands)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
SSF % Growth	5.41%	4.88%	4.88%	0.56%	0.56%	4.00%	4.00%	4.00%
SSF Appropriation	$ 8,200,000	$ 9,000,000		$ 9,100,000		$ 9,828,000		$ 10,614,240
SSF ADMw PPS	57,823	57,624	57,582*	57,274	57,832	57,389*	56,889*	56,193*
SSF Formula PPS	$477,318	$500,198	$513,117	$507,272	$531,654	$546,871	$563,120	$576,671
SSF % Growth PPS	6.13%	4.79%	2.58%	-1.14%	4.81%	3.63%	3.08%	2.76%
Local Option $ Growth	$94,272	$97,372	$100,366	$103,377	$106,478	$109,672	$112,963	$116,351
Local Option % Growth	6.64%	3.29%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
SIA $ PPS			$12,393	$31,000				

**SSF will be calculated on the hold harmless extended ADMw for the prior year*

Acronyms
SSF - State School Fund
ADMw - Average Daily Membership Weighted
SIA - Student Investment Account

Expenditure Assumptions

Salaries are projected to grow at an average rate based on contractual agreements across all employee groups. Associated payroll costs include a .57%decrease in the blended PERS rate and an increase in health benefits of 5% each year. In 2019-20 PPS saw a 12.37% increase in expenditures for health insurance, mainly due to a higher than usual year for claims in addition to the credits used to buy down insurance rates in previous years ended. The remaining associated payroll rates remain relatively flat, with some minor fluctuations to account for debt service on our PERS bonds.

The Governor's budget includes a budget assumption for PERS average biennial savings of 6% for K-12 education, or what would equate to an $11.8M savings in 2021-22 based on PPS projected salaries. Due to the early issuance of PERS bonds, PPS has some of the lowest PERS rates of school districts in the state, and has realized savings over the past 15+ years. The district will not realize additional PERS savings needed in 2021-22 to offset the lower state revenue allocations. In addition, the current service level calculation completed by the Department of Administrative Services (DAS) does not include the cost of paying down the PERS bond expense paid annually. The actual PERS rate reduction for PPS of .57% will equate to closer to $2.2M in savings for the District. This $9.6M difference will have a significant impact on balancing the general fund for PPS.

Other expenditure increases across the District include utilities, transportation, and property and liability insurance premiums at a 2% annual increase. Charter schools will increase based on the SSF funding level increase, and all other expenditure categories remain flat.

Current projected SIA revenue includes an estimated increase to $778.8M for the state over the biennium, compared to the current allocation of $150M for 2020-21. With this increase, the district is projecting $31M in revenue annually. The five-year forecast includes returning SIA investments to the SIA Grant Fund in 2021-22 that were budgeted in the General Fund in 2020-21. The current SIA projection will allow for another $7.7M in investments in future years and could be used to offset losses to the General Fund.

Expenditure Assumptions (in thousands)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Salary Increase	$ 344,871	$ 356,160	$ 372,596	$ 393,017	$ 411,646	$ 431,081	$ 451,014	$ 471,464
%	4.32%	3.27%	4.61%	4.78%	4.74%	4.67%	4.62%	4.53%
PERS Rate	$ 9,800	$ 16,399	$ 17,211	$ 16,069	$ 16,860	$ 17,646	$ 18,460	$ 19,296
%	2.82%	4.80%	4.68%	4.11%	4.11%	4.11%	4.11%	4.11%
Payroll Costs	$ 76,455	$ 78,258	$ 81,624	$ 85,806	$ 90,557	$ 94,694	$ 99,430	$ 104,325
%	23.25%	23.06%	21.64%	22.50%	22.18%	22.18%	22.28%	22.38%
Health Increase	$ 71,825	$ 80,707	$ 85,789	$ 89,912	$ 94,469	$ 99,193	$ 104,152	$ 109,360
%	2.23%	12.37%	6.30%	5.00%	5.00%	5.00%	5.00%	5.00%
Charter School	$ 13,796	$ 14,066	$ 14,890	$ 15,022	$ 15,156	$ 15,762	$ 16,393	$ 17,049
%	-0.92%	1.95%	5.86%	0.89%	0.89%	4.00%	4.00%	4.00%
SIA to Grant Fund				$9,833	Carries through 2026			
New SIA $				$7,712	Carries through 2026			

Changes between Draft PPS Forecast and Updated Forecast

Revenue changes between the draft PPS forecast presented on December 1, 2020, and the updated forecast prepared after the Governor's proposed budget for the 2021-13 biennium include an SSF revenue reduction from $9.16B to $9.1B. SIA was updated from $750M to $.778.8M. Other revenue changes include changes to assumptions to align with updated information from the Oregon Department of Education (ODE). The largest being statewide local revenue projections that went from 4% to 3.5% to account for the loss of assessed value due to forest fire impacts.

Federal Funding

In the current year, the district will realize a large increase in the budgeted grant revenue. The additional resources are primarily due to one-time funding provided by the Elementary and Secondary School Relief Funds (ESSER) of $8.4M and the Federal Emergency Management Agency (FEMA) potential reimbursements of $4.5M. The forecast for 2021 includes estimated fund balance carryover from 2019-20 for unspent funds due to the change from brick and mortar education to Comprehensive Distance Learning.

PPS' Title I-A funding has declined for the past seven years due to lower poverty rates across the district. The Title I-A allocations are based on four formulas: Basic Grants, Concentration Grants, Targeted Grants, and Education Finance Incentive Grants (EFIG). The Title forecast currently shows that federal funding levels will remain relatively flat. However, PPS has fallen below the overall 15% district poverty level and the U.S. Census Bureau's Small Area Income and Poverty Estimate (SAIPE) census student threshold. The lower poverty level makes PPS ineligible for the Concentration Grant portion of the overall Title IA funding formula. Before the pandemic, the forecast included a reduction in allocation over the next three years. At this time, it is unclear what impact the pandemic will have on the funding levels.

Federal Revenue History (in thousands)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Federal Revenue (excluding Nutrition Services)	$42,622	$40,709	$38,805	$39,502	$37,460	$43,509	$67,053
% Change		-4.49%	-4.68%	1.8%	-5.17%	16.15%	54.11%

Variables

As with any financial forecast, the revenue and expenditure assumptions have possible variables. In recognition of this, detailed below are variations to the initial assumptions. The forecast includes a conservative Local Option revenue projection of 3% while the overall historical average is 9%. There are a few outliers, and when those are removed, a more realistic trendline would be closer to 5%.

Scenario Variables (in thousands)

	2021-22	2022-23	2023-24	2024-25	2025-26
Local Option value of 1% increase	$ 1,004	$ 1,034	$ 1,065	$ 1,097	$ 1,130
Local Option 3% (Forecast)	$103,377	$106,478	$109,672	$112,963	$116,351
Local Option 5% annual increase	$ 105,384	$ 110,653	$ 116,185	$ 121,995	$ 128,095
Local Option 9% annual increase	$ 109,399	$ 119,245	$ 129,977	$ 141,675	$ 154,425
1% COLA Savings All Employees	$ (3,555)	$ (7,296)	$ (7,849)	$ (8,558)	$ (9,323)
SSF ADMw Increase (pre-covid)		$ 4,247			

Below is the Local Option Levy history from 2007-08 to a projection for 2020-21.

Local Option History (in thousands)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Growth Rate		4%	2%	0%	39%	-3%	9%
Local Option Revenue	$35,217	$36,696	$37,510	$37,533	$52,036	$50,430	$54,738
Dollar increase/decrease		$1,479	$814	$24	$14,503	-$1,607	$4,308

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Growth Rate	13%	21%	10%	7%	7%	3%	3%
Local Option Revenue	$62,030	$75,357	$82,878	$88,405	$94,272	$97,372	$100,366
Dollar increase/decrease	$7,292	$13,328	$7,520	$5,527	$5,867	$3,101	$2,993

PPS' enrollment projections from the Portland State University (PSU) demographer indicate that enrollment was on a decline and will continue to decline in future years. In the forecast, the district assumes half of the lost enrollment due to COVID returns in the first year (2021-22), and future enrollment uses the PSU lower growth scenario for enrollment projections. The lower enrollment in the outer years offsets the increase in SSF Revenue as the recession comes to an end. If all enrollment loss due to COVID were to return and the district returned to pre-covid numbers for 2021-22, there would be a $4.2M increase in revenue for next year. Updated enrollment projections from PSU will be completed after the first of the calendar year.

Impact of Fund Balance on Long-Term Financial Health

The Government Finance Officers Association recommends government entities establish a formal policy on fund balance for Generally Accepted Accounting Purpose (GAAP) and budgetary purposes. The fund balance is a measure of the financial resources available in a fund. Fund balance should be maintained to mitigate current and future risks such as revenue shortfalls and unanticipated expenditures. PPS has a formal policy to maintain a 5-10% General Fund balance and establish a goal in 2017 to reach a 10% General Fund balance by 2025.

GFOA stipulates a governing board should articulate a framework and process for how the government would increase or decrease fund balance over a specific period and provide broad guidance for how resources will replenish fund balance should the balance fall below the level prescribed.

Fund balance levels should be based on each entity's unique circumstances. GFOA recommends that regardless of size, a district should maintain no less than two months of regular general fund operating revenues. Factors to be considered include:

FACTORS	Examples
Significant one-time outlays	Disasters, immediate capital needs, state budget cuts, change in economic or political conditions that negatively impact the District's revenues, unexpected infrastructure repair/replacement,
Needs from other funds	Availability of resources in additional funds
Impact on bond ratings	Increased cost of borrowed funds
Commitments and assignments	Compensate for any portion of fund balance already committed - overpayment of state school fund to be refunded in a future year

Recently, Voters approved a record-breaking $1.2B bond program last month with an overwhelming level of support with a 75% approval rate. As the district issues bonded debt for the continued modernization of school facilities and upgrades to curriculum and technology, the credit rating the district receives helps to determine the interest rates pats for bonded debt.

This past month, PPS updated credit ratings with S & P Global Ratings and Moody's Investors Service for the upcoming issuance of bonds for the 2020 program. Both rating agencies noted fund balance as an essential factor in current and future ratings.

The S & P press release on December 2, 2020, upgraded the stable outlook to a positive outlook and affirmed its 'AA-" underlying rating. In describing the upside scenario for the positive outlook, the report included, *"The outlook revision and positive outlook on the underlying rating reflect our opinion that there is at least a one-in-three chance that we could raise the rating within the two-year outlook horizon. Based on fiscal 2020 estimated results, the district's available reserves have strengthened to a level we consider strong. We expect available reserves to remain strong in the near term, supported by the district's recent history of active budgetary management that has supported positive results, diverse operating revenue mix, and positive state budgetary results likely to lead to near-term stability in state aid funding."*

On November 24, 2020, Moody's Investors Service confirmed an Aa2 rating for the upcoming bond issuance later this month. In their press release, Moody's summarized, "*We expect that prudent management will maintain a satisfactory financial position, especially given revenue growth from local taxes and state support."* In listing the factors that could lead to an upgrade, "substantial and sustainable growth in reserves and liquidity" was noted. Factors that could lead to a downgrade include "Significant growth in fixed costs that materially reduce operating flexibility, runaway growth in operating expenditures, and sustained reduction in district reserves."

Current Service Level

Portland Public Schools Current Services Level (CSL) calculation for SSF funding level would be $9.7B for the 2021-23 biennium. This funding level would allow PPS to provide the same level of services as 2020-21 into the next biennium. The proposed SSF budget of $9.1B is based on an $8.9B CSL using a 50/50% split between years one and two of the 2019-21 biennium. SSF revenue was allocated, continuing a historically utilized 49/51% allocation methodology by ODE for 2019-21. Using a 49/51% split when calculating the starting point for the 2021-23 biennium, it would be $9.16B, a $163M difference. If the state were to remove the impact of the average PERS reduction from the $8.9B, the CSL would be closer to $9.5B, another $600M difference. The total SSF CSL funding level needed for 2021-23 would be $9.7B to align to the needs of the PPS actual CSL.

General Fund Projection Summary

The summary below provides a high-level overview of the budget shortfall each year. Additional details are available on the General Fund Projections chart (page 11).

	2020-21	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Totals**
Beginning Fund Balance	**$ 64,474**	**$ 63,609**	**$ 33,308**	**$ 2,840**	**$ (35,405)**	**$ (85,244)**	
Total Revenue	678,523	675,172	702,874	725,394	745,685	764,800	
Total Expenditures	679,388	705,473	733,342	763,639	795,525	828,388	
Budget Shortfall	*(865)*	*(30,301)*	*(30,468)*	*(38,245)*	*(49,839)*	*(63,587)*	*(212,440)*
Ending Fund Balance	**63,609**	**33,308**	**2,840**	**(35,405)**	**(85,244)**	**(148,831)**	

Discussion Scenarios

The scenarios all include the assumptions discussed earlier and focus on how, when and what impact using reserves will have to balance the budget. If the district decided to spend the fund balance down each year without expenditure reductions, current reserves would last for two years. The district would need to make reductions of $39M in year three to balance the budget. Spending reserves equates to one time funding and only delays the inevitable reductions necessary and negatively impacts the district's long-term financial health. Interest rates for bond issuances would increase, and the district's credit rating would be lowered.

This table shows the current board annual goals to grow the General Fund fund balance to 10% by 2025:

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Fund Balance Goal	6%	7%	8%	9%	10%	10%

Scenario 1

Strategy: Scenario 1 reflects a projection showing the outcome of spending down the fund balance by 1% a year to reduce the total reductions needed.

Impact: The total reductions needed over the five years is lowest in this scenario at $18.3M however the fund balance is also the lowest in this scenario with a balance of $30.6M, a $33M loss. The district's long term financial health will be the most impacted in this scenario. The extended enrollment projections outside the five-year forecast show continued declines which could lead to the need to continue to reduce in future years.

The lower fund balance makes this a less ideal scenario and puts the district's long term financial health at risk.

	Scenario 1 - Spend 1% of fund balance per year (in thousands)						
	2020-21	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Total**
Budget Shortfall		$ (30,301)	$ (30,468)	$ (38,245)	$ (49,839)	$ (63,587)	$ (212,440)
Prior Year Identified Reductions		-	20,706	25,655	32,567	43,600	122,528
Fund Balance		9,596	4,813	5,679	6,239	6,692	33,018
Annual Reductions Needed		***(20,706)***	***(4,950)***	***(6,913)***	***(11,033)***	***(13,295)***	***(56,896)***
SIA Funds Available		7,712	7,712	7,712	7,712	7,712	
Revised Shortfall		***(12,994)***	***2,762***	***800***	***(3,321)***	***(5,583)***	***(18,336)***
Projected Fund Balance	$ 63,609	$ 54,014	$ 49,201	$ 43,524	$ 37,284	$ 30,592	
Projected Fund Balance %	9%	8.0%	7.0%	6.0%	5.0%	4.0%	

Scenario 2

Strategy: Scenario 2 is aligned to the current board annual goal to grow the fund balance to 10% by 2025 and maintain it in future years.

Impact: The total reductions needed over the five years is similar to the reductions needed in a few of the other scenarios, $26.9M. However, the fund balance would be the highest in this scenario in 2026 at $76.5M and the district's long term financial health will be maintained if not improved over the time frame. This scenario does have a larger reduction in 2022-23 caused by the use of $16.4M in fund balance in 2021-22 and continuing the reductions into the following year.

The large reductions needed in year 2 make this a less ideal scenario.

	Scenario 2 - Grow fund balance per Goal (in thousands)						
	2020-21	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Total**
Budget Shortfall		$ (30,301)	$ (30,468)	$ (38,245)	$ (49,839)	$ (63,587)	$ (212,440)
Prior Year Identified Reductions		-	13,954	39,436	47,300	59,123	159,813
Fund Balance		16,347	(8,968)	(9,056)	(9,283)	(1,911)	(12,871)
Annual Reductions Needed		***(13,954)***	***(25,482)***	***(7,864)***	***(11,822)***	***(6,376)***	***(65,498)***
SIA Funds Available		7,712	7,712	7,712	7,712	7,712	
Revised Shortfall		***(6,242)***	***(17,770)***	***(153)***	***(4,110)***	***1,336***	***(26,940)***
Projected Fund Balance	$ 63,609	$ 47,262	$ 56,230	$ 65,285	$ 74,569	$ 76,480	
Projected Fund Balance %	9%	7%	8%	9%	10%	10%	

Scenario 2 - REVISED

Strategy: Scenario 2 Revised modifies the original scenario by carrying through 7% in year one and year two and then grows the fund balance to 10% by 2026.

Impact: The total reductions needed over the five years is the highest of the scenarios, $34.4M. However, the fund balance would reach the 10% level as well in this revised scenario at $76.5M and the district's long term financial health will be maintained if not improved over the time frame. This scenario has a higher reduction needed in 2022-23 and requires the largest reductions over the timeline due to using fund balance in the early years which equate to one time funding and require additional reductions in later years.

The higher reductions needed in this scenario make it less ideal than other options.

	Scenario 2 REVISED - 7% Year 1 & 2 and then grow (in thousands)						
	2020-21	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Total**
Budget Shortfall		$ (30,301)	$ (30,468)	$ (38,245)	$ (49,839)	$ (63,587)	$ (212,440)
Prior Year Identified Reductions		-	13,954	32,407	47,075	58,920	152,356
Fund Balance		16,347	(1,939)	(8,830)	(9,080)	(9,368)	(12,870)
Annual Reductions Needed		***(13,954)***	***(18,453)***	***(14,669)***	***(11,844)***	***(14,036)***	***(72,956)***
SIA Funds Available		7,712	7,712	7,712	7,712	7,712	
Revised Shortfall		***(6,242)***	***(10,741)***	***(6,957)***	***(4,132)***	***(6,324)***	***(34,397)***
Projected Fund Balance	$ 63,609	$ 47,262	$ 49,201	$ 58,032	$ 67,112	$ 76,480	
Projected Fund Balance %	9%	7%	7%	8%	9%	10%	

Scenario 3

Strategy: Scenario 3 reflects a projection showing the outcome of maintaining a 7% fund balance.

Impact: The total reductions needed over the five years is similar to the reductions needed in a few of the other scenarios, $26.4M. However, the fund balance would be relatively flat in this scenario with growth only to achieve the 7% fund balance to revenue ratio. In this scenario the district’s long term financial health could be impacted due to the 2% drop from the current 9%. This scenario has a bubble in 2022-23 with the other reductions fluctuating from no reductions to $6M over the window of time.

The lower fund balance makes this a less ideal scenario.

	Scenario 3 - Maintain 7% Fund Balance (in thousands)						
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Budget Shortfall		$ (30,301)	$ (30,468)	$ (38,245)	$ (49,839)	$ (63,587)	$ (212,440)
Prior Year Identified Reductions		-	13,954	32,407	39,821	51,260	137,442
Fund Balance		16,347	(1,939)	(1,576)	(1,420)	(1,338)	10,074
Annual Reductions Needed		***(13,954)***	***(18,453)***	***(7,414)***	***(11,439)***	***(13,666)***	***(64,926)***
SIA Funds Available		7,712	7,712	7,712	7,712	7,712	
Revised Shortfall		***(6,242)***	***(10,741)***	***298***	***(3,727)***	***(5,954)***	***(26,366)***
Projected Fund Balance	$ 63,609	$ 47,262	$ 49,201	$ 50,778	$ 52,198	$ 53,536	
Projected Fund Balance %	9%	7%	7%	7%	7%	7%	

Scenario 4

Strategy: Scenario 4 reflects a projection showing the outcome of maintaining a 8% fund balance.

Impact: The total reductions needed over the five years is similar to the reductions needed in a few of the other scenarios, $26.6M. However, the fund balance would be relatively flat in this scenario with growth only to achieve the 8% fund balance to revenue ratio. In this scenario the district's long term financial health would have a better chance of being maintained. This scenario has the largest reductions taken in year 1 with the other reductions fluctuating from no reductions to $6M over the window of time.

The fund balance of 8% which puts us at year 3 of our original plan and maintaining that over the timeframe would help to support our current financial health picture.

	Scenario 4 - Maintain 8% Fund Balance (in thousands)						
	2020-21	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Total**
Budget Shortfall		$ (30,301)	$ (30,468)	$ (38,245)	$ (49,839)	$ (63,587)	$ (212,440)
Prior Year Identified Reductions		-	20,706	32,684	40,046	51,463	144,899
Fund Balance		9,596	(2,216)	(1,802)	(1,623)	(1,529)	2,426
Annual Reductions Needed		***(20,706)***	***(11,979)***	***(7,362)***	***(11,416)***	***(13,654)***	***(65,116)***
SIA Funds Available		7,712	7,712	7,712	7,712	7,712	
Revised Shortfall		***(12,994)***	***(4,267)***	***350***	***(3,705)***	***(5,942)***	***(26,558)***
Projected Fund Balance	$ 63,609	$ 54,014	$ 56,230	$ 58,032	$ 59,655	$ 61,184	
Projected Fund Balance %	9%	8.00%	8.00%	8.00%	8.00%	8.00%	

Scenario Summary and Staff Recommendation

	2020-21	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**Total**
Scenario 1 Fund Balance	$ 63,609	$ 54,014	$ 49,201	$ 43,524	$ 37,284	$ 30,592	$ (212,440)
	9%	8.0%	7.0%	6.0%	5.0%	4.0%	
Revised Shortfall		***(12,994)***	***2,762***	***800***	***(3,321)***	***(5,583)***	***(18,336)***
Scenario 2 Fund Balance	$ 63,609	$ 47,262	$ 49,201	$ 58,032	$ 67,112	$ 76,480	
	9%	7%	8%	9%	10%	10%	
Revised Shortfall		***(6,242)***	***(17,770)***	***(153)***	***(4,110)***	***1,336***	***(26,940)***
Scenario 2 Alternate	$ 63,609	$ 47,262	$ 49,201	$ 58,032	$ 67,112	$ 76,480	
	9%	7%	7%	8%	9%	10%	
Revised Shortfall		***(6,242)***	***(10,741)***	***(6,957)***	***(4,132)***	***(6,324)***	***(34,397)***
Scenario 3 Fund Balance	$ 63,609	$ 47,262	$ 49,201	$ 50,778	$ 52,198	$ 53,536	
	9%	7%	7%	7%	7%	7%	
Revised Shortfall		***(6,242)***	***(10,741)***	***298***	***(3,727)***	***(5,954)***	***(26,366)***
Staff Recommendation							
Scenario 4 Fund Balance	$ 63,609	$ 54,014	$ 56,230	$ 58,032	$ 59,655	$ 61,184	
	9%	8.00%	8.00%	8.00%	8.00%	8.00%	
Revised Shortfall		***(12,994)***	***(4,267)***	***350***	***(3,705)***	***(5,942)***	***(26,558)***

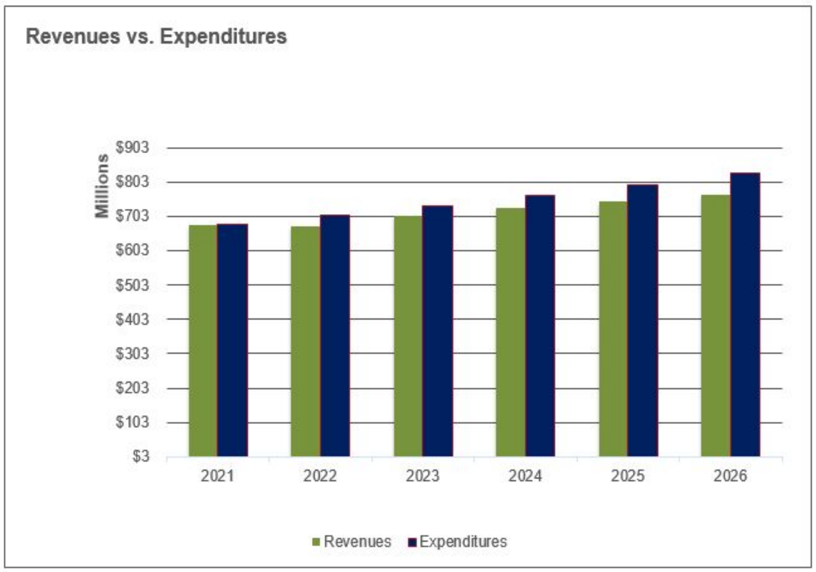
Staff recommends the district set Board budget goals using scenario 4. This scenario will allow the district to maintain an 8% fund balance as well as address reductions early on due to both the pandemic and declining enrollment. This early attention to the coming shortfall will result in smaller future year shortfalls that may be mitigated with a faster economic recovery and or a higher than projected return for enrollment.

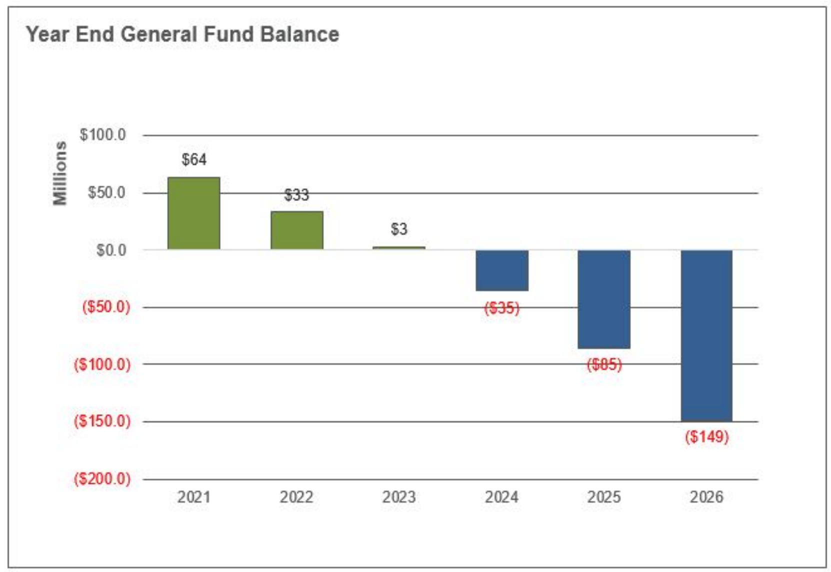
The charts and information included as an addendum on the following pages are intended to provide a more detailed look at the forecasted financial picture of the district.

General Fund - Projection Summary

Include Beginning Balances with Revenues? **Select Yes or No** **No**

	Forecast	REVENUE / EXPENDITURE PROJECTIONS									
	2021	2022	% Δ	2023	% Δ	2024	% Δ	2025	% Δ	2026	% Δ
REVENUE											
Local Sources	$396,467,030	$409,318,785	3.24%	$423,051,310	3.35%	$437,301,648	3.37%	$452,089,570	3.38%	$467,435,605	3.39%
Intermediate Sources	$14,026,945	$14,026,855	0.00%	$14,026,855	0.00%	$14,026,855	0.00%	$14,026,855	0.00%	$14,026,855	0.00%
State Sources	$267,979,347	$251,775,919	-6.05%	$265,745,911	5.55%	$274,015,463	3.11%	$279,518,922	2.01%	$283,287,811	1.35%
Federal Sources	$0	$0		$0		$0		$0		$0	
Other Sources	$50,000	$50,000	0.00%	$50,000	0.00%	$50,000	0.00%	$50,000	0.00%	$50,000	0.00%
TOTAL REVENUE	$678,523,322	$675,171,559	-0.49%	$702,874,076	4.10%	$725,393,966	3.20%	$745,685,347	2.80%	$764,800,270	2.56%
EXPENDITURES											
Salaries	$372,585,725	$393,017,079	5.48%	$411,847,361	4.79%	$431,097,266	4.67%	$451,032,452	4.62%	$471,474,728	4.53%
Benefits	$183,959,284	$195,137,680	6.08%	$203,256,703	4.16%	$212,920,806	4.75%	$223,449,423	4.94%	$234,406,924	4.90%
All Other	$122,842,850	$117,318,035	-4.50%	$118,237,973	0.78%	$119,620,697	1.17%	$121,042,936	1.19%	$122,505,954	1.21%
TOTAL EXPENDITURES	$679,387,859	$705,472,793	3.84%	$733,342,037	3.95%	$763,638,770	4.13%	$795,524,811	4.18%	$828,387,605	4.13%
SURPLUS / DEFICIT	($864,537)	($30,301,234)		($30,467,961)		($38,244,804)		($49,839,464)		($63,587,335)	
BEGINNING FUND BALANCE	$64,473,867	$63,609,330		$33,308,095		$2,840,134		($35,404,670)		($85,244,134)	
PROJECTED YEAR END BALANCE	$63,609,330	$33,308,095		$2,840,134		($35,404,670)		($85,244,134)		($148,831,469)	
FUND BALANCE AS A % OF REVENUE	9%	5%		0%		-5%		-11%		-19%	
FUND BALANCE AS # OF MONTHS OF EXPEND.	1.12	0.57		0.05		(0.56)		(1.29)		(2.16)	

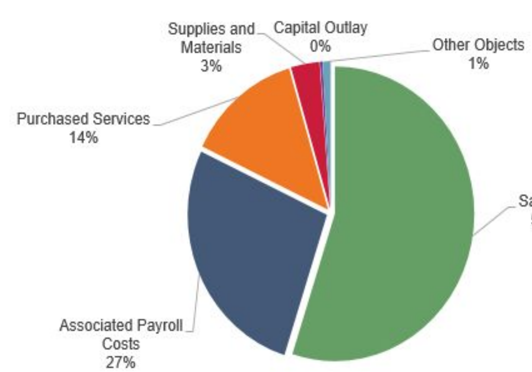




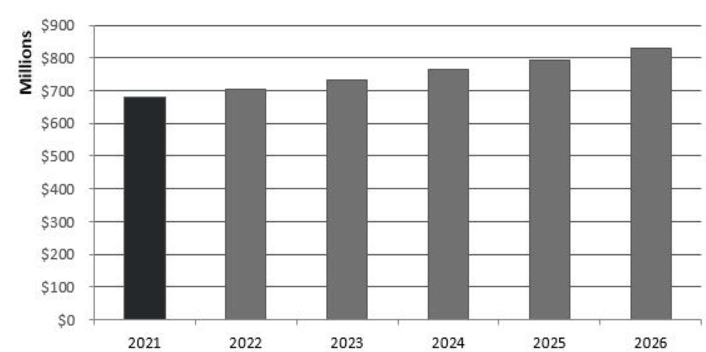
General Fund - Expenditure Analysis

	Forecast	EXPENDITURE PROJECTIONS									
	2021	2022	% Δ	2023	% Δ	2024	% Δ	2025	% Δ	2026	% Δ
Salaries	$372,585,725	$393,017,079	5.48%	$411,847,361	4.79%	$431,097,266	4.67%	$451,032,452	4.62%	$471,474,728	4.53%
Associated Payroll Costs	$183,959,284	$195,137,680	6.08%	$203,256,703	4.16%	$212,920,806	4.75%	$223,449,423	4.94%	$234,406,924	4.90%
TOTAL SALARIES & BENEFITS	$556,545,009	$588,154,758	5.68%	$615,104,064	4.58%	$644,018,073	4.70%	$674,481,875	4.73%	$705,881,651	4.66%
Purchased Services	$90,891,795	$94,618,287	4.10%	$95,432,811	0.86%	$96,708,014	1.34%	$98,020,580	1.36%	$99,371,732	1.38%
Supplies and Materials	$22,516,929	$13,162,275	-41.54%	$13,162,275	0.00%	$13,162,275	0.00%	$13,162,275	0.00%	$13,162,275	0.00%
Capital Outlay	$1,996,420	$1,996,420	0.00%	$1,996,420	0.00%	$1,996,420	0.00%	$1,996,420	0.00%	$1,996,420	0.00%
Other Objects	$6,203,706	$6,307,053	1.67%	$6,412,467	1.67%	$6,519,989	1.68%	$6,629,661	1.68%	$6,741,527	1.69%
Transfers	$1,234,000	$1,234,000	0.00%	$1,234,000	0.00%	$1,234,000	0.00%	$1,234,000	0.00%	$1,234,000	0.00%
Other Uses of Funds	$0	$0		$0		$0		$0		$0	
TOTAL ALL OTHER	$122,842,850	$117,318,035	-4.50%	$118,237,973	0.78%	$119,620,697	1.17%	$121,042,936	1.19%	$122,505,954	1.21%
TOTAL EXPENDITURES	$679,387,859	$705,472,793	3.84%	$733,342,037	3.95%	$763,638,770	4.13%	$795,524,811	4.18%	$828,387,605	4.13%

2021 Forecasted Expenditure Allocation by Object



Expenditure Projection



General Fund - Historical Summary

Include Beginning Balances with Revenues? Select Yes or No → **No**

	ACTUAL REVENUE / EXPENDITURE							Forecast	
	2017	2018	% chg	2019	% chg	2020	% chg	2021	% chg
REVENUE									
Local Sources	$335,625,893	$354,579,206	5.6%	$378,039,427	6.6%	$383,717,187	1.5%	$396,467,030	3.3%
Intermediate Sources	$13,120,580	$13,254,113	1.0%	$13,494,081	1.8%	$13,767,652	2.0%	$14,026,945	1.9%
State Sources	$213,687,766	$244,959,196	14.6%	$230,627,751	-5.9%	$271,619,649	17.8%	$267,979,347	-1.3%
Federal Sources	$7,016	$21,655	208.7%	$79,850	268.7%	$83,522	4.6%	$0	-100.0%
Other Sources	$24,521	$1,047,450	4171.7%	$69,481	-93.4%	$16,748	-75.9%	$50,000	198.5%
TOTAL REVENUE	**$562,465,775**	**$613,861,621**	**9.1%**	**$622,310,590**	**1.4%**	**$669,204,757**	**7.5%**	**$678,523,322**	**1.4%**
EXPENDITURES									
Salaries	$314,778,039	$330,589,350	5.0%	$344,882,655	4.3%	$356,176,462	3.3%	$372,585,725	4.6%
Benefits	$151,382,402	$157,827,552	4.3%	$159,479,329	1.0%	$176,455,508	10.6%	$183,959,284	4.3%
All Other	$114,035,916	$107,267,554	-5.9%	$116,343,333	8.5%	$111,985,822	-3.7%	$122,842,850	9.7%
TOTAL EXPENDITURES	**$580,196,357**	**$595,684,455**	**2.67%**	**$620,705,317**	**4.20%**	**$644,617,792**	**3.85%**	**$679,387,859**	**5.4%**
SURPLUS / DEFICIT	**($17,730,582)**	**$18,177,166**		**$1,605,273**		**$24,586,965**		**($864,537)**	
BEGINNING FUND BALANCE	**$37,835,045**	**$20,104,463**		**$38,281,628**		**$39,886,901**		**$64,473,867**	
YEAR-END FUND BALANCE	**$20,104,463**	**$38,281,628**		**$39,886,901**		**$64,473,867**		**$63,609,330**	
FUND BALANCE AS A % OF REVENUE	**4%**	**6%**		**6%**		**10%**		**9%**	
FUND BALANCE AS # OF MONTHS OF EXPEND.	**0.42**	**0.77**		**0.77**		**1.20**		**1.12**