

TILLAMOOK SCHOOL DISTRICT #9
2022-2023
BUDGET MESSAGE

Tillamook School District No. 9, Tillamook County, Oregon, was organized under the provisions of Oregon Statutes pursuant to Oregon Revised Statutes Chapter 332 for the purpose of operating elementary and secondary schools. The annual budget is prepared pursuant to Local Budget Law, addressed in Oregon Revised Statutes Chapter 294.

The accounts of the District are organized on the basis of funds. Each fund is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. The 2022-2023 Budget includes the following fund classifications:

100	General Fund
200	Special Revenue Funds
300	Debt Service Funds
400	Capital Project Funds
600	Internal Service Funds
700	Trust and Agency Funds

The District uses the Modified Accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, as well as expenditures related to early retirement and compensated absences, are recorded only when payment is due.

The **General Fund** provides funds for PreK-12 programs, including instructional and support services, necessary to carry out the District's mission. **Special Revenue Funds** provide funds to enhance the quality of education. **Debt Service Funds** account for obligations resulting from bonds payable to support facility improvements and Public Employees Retirement System (PERS). **Capital Project Funds** provides the facilities, technology, and transportation necessary to meet the needs of the students. **Internal Service Funds** account for District activities where the reporting focus is upon determining net income, financial position and changes in cash flow (Group HRA). **Trust & Agency Funds** are assets held by the District as a trustee or agent.

The District's General Fund revenue primarily comes from the State School Fund (SSF). The SSF includes local revenues received for Ad Valorem taxes, State Managed County Timber, Federal Forest Fees, Common School Fund, and the State Transportation Grant. The State Transportation Grant reimburses the District up to 70% of its student transportation costs. The 2021-2023 biennium State School Fund (SSF), signed by the Governor, is **\$9.299 billion**. In order for the District to cover its current service level, the SSF would need to be about \$9.6 billion. Due to the shortfall in funding at the \$9.3 billion SSF level, this budget is built using **\$2,340,687** of the General Fund Reserve.

The District expects additional revenues of about \$1.8 million from the Student Investment Act (SIA) through the corporate activity tax on businesses. These funds are not part of the General Fund and are recorded as a Special Revenue Fund under Fund 251. The SIA funds support an additional 20.67 FTE positions previously approved through an application process through the Oregon Department of Education.

The State has also received over \$2.0 billion in Federal Educational Stabilization Funds, which includes the Elementary and Secondary School Emergency Relief Funds (ESSER). The ESSER Fund was created to provide relief to School Districts as they prevent, prepare for, and respond to COVID-19. Tillamook School District received \$6.172 million in three separate allocations and has until September 2023 to spend the first two allocations and until September 2024 to spend the third allocation. This Budget includes spending \$2,082,720 in ESSER funds to cover the cost of the Virtual Education Program, additional custodial help, Mentoring Program, Discovery Program, and an appreciation bonus for staff for the purpose of recruiting and retaining.

The **2022-2023 Budget** totals **\$57,705,492**. This includes \$47,163,982 in appropriations and \$10,541,510 in unappropriated/reserves. Appropriations are budgeted under fund classification as follows: General Fund \$28,005,245, Special Revenue Funds \$10,594,421, Debt Service Funds \$4,136,316, Capital Improvement Funds \$3,851,000, Internal Service Funds \$542,000, and Trust and Agency Funds \$35,000.

GENERAL FUND REVENUE

As mentioned above, this budget is based on a State School Funding level of **\$9.3 billion**. The amount a District receives from the State School Fund is based on student enrollment called Average Daily Membership “weighted” (ADMw). The ADMw calculation is comprised of Average Daily Membership regular (ADMr), then “weighted” by factors which offer additional funding per student in each of the following special needs categories: ELL (English Language Learners), students on IEP’s, students in Pregnant/Parenting Programs, students in poverty, and students in foster care. The ADMw used for the SSF calculation in this budget is **2,538**. Total General Fund revenue is **\$33,964,558**. This includes State School Fund revenue of \$24,218,096, local and other state funding of \$896,462, a transfer of \$50,000 from the Group HRA Fund (employee insurance premium pick-up), and a beginning balance (reserve) of \$8,800,000.

GENERAL FUND APPROPRIATIONS

The General Fund appropriations amount to **\$28,005,245**. Appropriation are as follows: Instructional Services \$16,054,273 (58.37%; student support services \$10,251,140 (37.23%; community support services \$10,000 (.04%); transfers to other funds \$1,089,832 (4.33%). For unusual or extraordinary events that cannot be foreseen and planned, a contingency of \$500k is included in the budget.

General Fund appropriations as a percentage by category are as follows:

Salaries and benefits	84.01%
Purchased Services	4.80%
Supplies & Materials	5.60%
Capital Outlay	0.08%
Other	1.23%
Transfers to other programs	4.32%

Transfers from the General Fund to other funds include the following: \$24,832 Youth Transition Program; \$35,000 Vehicle Replacement Program; \$200,000 Technology Rollover; \$500,000 Athletic Field Fund; \$300,000 Building Improvement Fund; \$10,000 Summer Kinder Camp; \$20,000 Wellness Fund; and \$100,000 Catastrophic Fund (see Internal Service Funds below).

Staffing increases in the GF Budget include 4.0 FTE certified positions and 2.0 FTE classified positions. New positions are as follows: CTE Mechanics teacher, TAG teacher, half-time PE teacher, half-time Career/Instructional teacher, SLP teacher, Educational Assistant SEL, half-time Educational Assistant Day Care, and half-time Custodian/Groundskeeper.

The District's strategy has been to maintain a healthy reserve to protect the District from making significant staffing cuts during times of economic downturn. The 2020-2021 school year began with a reserve of **\$6.98 million** and ended with **\$8.85 million**. The increase in the reserve account is directly related to COVID and subsequent changes in expenditures and funding. As schools moved to distance/hybrid learning, the expenditure structure at each school significantly changed, especially staffing costs. Some staff took unpaid leave, others partial unpaid leave under the Emergency Family and Medical Leave Expansion Act (EFMLEA), and many open positions were not filled. Although the District witnessed a significant increase in expenditures related directly to the impact of COVID, additional Federal Funds (ESSER) become available to offset these costs. The 2021-2022 Adopted Budget began with \$8.5 million in the General Fund reserve. The District anticipated using \$1.0-\$1.5 million in reserves due to the lack of State School Funding. However, the District is still unable to fill a number of positions and is experiencing a lack of available substitutes. Due to the ongoing staffing shortage the District does not anticipate the need to use reserves for the 2021-2022 school year.

As mentioned earlier, the 2022-2023 budget includes the use of **\$2.34 million** of the GF reserve. This is based upon the funding shortfall in the State School Fund and the assumption that all positions will be filled in the 2022-2023 school year. On average (excluding the pandemic years), only 97% of budgeted appropriations are expended in any given year. If this holds true for 2022-2023, actual reserves expended will be closer to **\$1.5 million**.

Special Revenue Funds are restricted for a stated purpose. These may be the result of education grants through the Federal and State governments, private donations, or programs clearly identified as special purpose. These include all Title funds, Food Service, Trask River High School, Student Body funds, Student Investment Account, ESSER funds and a number of smaller

grants. Total appropriations in Special Revenue Funds amount to **\$10,594,421**. Instructional services represent 60.2% of the total appropriations, support services 24.1%, community services 14.1%, and transfers to other funds 1.6%. Special Revenue Fund appropriations as a percentage by category are as follows:

Salaries and benefits	69.3%
Purchased Services	11.3%
Supplies & Materials	13.1%
Capital Outlay	2.7%
Other	2.0%
Transfers to other programs	1.6%

Debt Service Funds account for the accumulation of resources and the payment of a General Obligation Bond (GO Bond) Fund 310, and Limited Tax Pension Bonds Fund 300. Total appropriations under Debt Service Funds for principal and interest payments is **\$4,136,316**.

On May 16, 2017, the District passed a \$4.0 million General Obligation Bond for safety and facility improvements with a matching State grant for \$1.9 million. At the same time, the district refinanced its old GO Bonds. The remaining balance of the GO Bonds is **\$3,885,000**.

In 2003, the District entered into a pooled PERS Bond for \$16,593,017. The remaining balance is **\$9,292,718**. The growing gap between the cost of PERS benefits promised to employees and the funding available for this benefit, has created an unfunded actuarial liability (UAL). Pension Bonds, as with the District's 2003 Bond, can potentially improve the ability of the District to pay its obligation. The concept of the Pensions Bonds is to borrow at low interest rates and deposit these funds in PERS; if PERS investments exceed borrowing rates, savings are realized, and the Districts PERS rates are reduced. Based on the actuarial evaluation in 2019, the realized savings from the 2003 Bond is \$8.6 million. Due to extremely low interest rates (2.5%-4.5%) in 2021, Tillamook School District joined a group of Oregon schools and went out for another pooled Pension Obligation Bond. The District sold \$13,195,000 in PERs bonds on August 19, 2021 at a TIC rate of 2.478%. Estimated present value savings is \$5.6 million. The 2021 PERS Bond balance as of June 30, 2022 is **\$12,865,000**.

Capital Project Funds account for financial resources used to acquire, construct or replace/repair major capital facilities, technology hardware, equipment, vehicles and school buses. Total appropriated expenditures for capital improvements amount to **\$3,851,000**. This includes the following: \$780k Building Maintenance Fund 400; \$400k Technology Fund 412; \$371k Bus Replacement Fund 420; \$500k Construction Excise Fund 430; and \$1.8 million Athletic Field Fund 455. In May 2022, the District entered into the construction phase to upgrade the athletic field and track at the High School. Total cost is approximately \$2.2 million.

Internal Service Fund is the District's Group HRA Insurance Fund. Due to the long-term trend in increased medical insurance premiums, higher deductibles, higher max out-of-pocket limits, and the impact of the Affordable Care Act, the District created a long-term strategy as a means to reduce and/or minimize the escalating medical costs for both the District and its employees beginning with the 2014-2015 school year. A Group HRA is part of this strategy. The District offers a lower premium, high deductible, high max out-of-pocket medical plan for all qualified staff. The HRA reduces the deductible and the max out-of-pocket for each insured employee and his or her dependents by providing a fund that bridges this gap. This is made possible by the lower premiums paid on the higher deductible insurance plans. As long as the fund balance in the Group HRA is sufficient (per the terms of the Certified Negotiated Agreement), the employees premium share is also covered in full or part by this fund. This budget includes a \$50k transfer to the GF in the event the premium cost increases more than 5%, which would cause the employee's premium to increase. Currently, insured staff (single, 2-party, and family) only pay \$30 per month for the district offered insurance package. Total appropriations under this fund are **\$442,000** which includes the transfer, the cost of a third-party administrator and claim reimbursements.

A new Internal Service fund was opened for the 2022-2023 school year. Fund 602 Catastrophic Leave. Under the terms of the 2022-2026 TEA Negotiated Agreement, certified staff can donate up to two days of their sick leave per year to a Catastrophic Leave bank. Only staff that donate to this leave can use it and it is limited to 45 days per year per staff with a cap of 250 total paid out leave days, but not to exceed total number of leave days in the bank. Total appropriations under catastrophic leave is **\$100,000**.

Trust and Agency Fund is the Charity Drive Endowment Fund. Each year the high school does the Charity Drive fundraiser. A percentage of the funds raised are set aside in an endowment fund. These are funds in excess of current needs and held in trust for future use as determined by the District and the Charity Drive committee. Total appropriations for 2022-2023 is **\$35,000**.

The District's goal is to strive for a balance between being good and conservative stewards of District funds, while at the same time, providing the best possible education for all students. Due to the financial strength of the District, even with the anticipated State School Funding shortfall, current level of services will be maintained for the 2022-2023 school year.

The mission of the Tillamook School District is to prepare our students with academic, artistic, and social skills necessary to become positive contributors to a changing world.

Shannon Farrier
Finance Director
Budget Officer