Date: 4.8.22

To: Board of Education

From: Steve Shelton

Re: Financial Forecast and Rayteam Recommendation

Rayteam met on 4.7.22. Our discussion was very open, honest and professional. We stayed true to our norms and the focus of our mission. I appreciate the working relationships of the team.

I shared our current financial condition and upcoming capital equipment and improvement needs. Even though capital equipment and improvements are not directly part of the work of Rayteam it does impact working conditions and the operating budget.

The district's current financial condition is strong and in line with the board goal to be fiscally responsible and policy to maintain operating balances of at least 15%. This condition is only possible because of the infusion of over $28M in Elementary and Secondary Schools Emergency Relief (ESSER) Funds as well as the Department of Elementary and Secondary Education's (DESE) decision to allow us to use our Average Daily Attendance (ADA) and Weighted Average Daily Attendance (WADA) from 2020 (highest of the previous four years). Normally the 2020 year would have fallen off the formula but because of the impact of the pandemic, they have allowed it to be used for funding calculations.

Looking forward the district financial condition will not be strong and will not meet the board goal to be fiscally responsible and policy to maintain balances of at least 15% unless the estimated $10.5M-$13.5M gap between revenue and expenses are addressed. I offer that range based on three financial forecast scenarios developed based on:

- The Rayteam recommendation ($13.5M Gap)
- A step increase and Classified Matrix Adjustment (CMA) ($12.5M Gap)
- No salary increase ($10.5M Gap)

If the Rayteam recommendation is approved, the district will need to forego salary increases the next three years (FY24, 25 and 26) and reduce an estimated $13.5M in expenses and/or increase revenues to maintain balances of 15%.

If a step increase and CMA is approved, the district will need to forego salary increases the next three years (FY24, 25 and 26) and reduce an estimated $12.5M in expenditures and/or increase revenues to maintain balances of 15%.

If the no salary increase is approved, the district will need to forego salary increases the next three years (FY24, 25 and 26) and reduce an estimated $10.5M in expenses and/or increase revenues to maintain balances of 15%.

In all scenarios the district must close the gap between revenues and expenditures to achieve the stated board goal and be in compliance with board policy.