

Board Agenda Item Explanation

Finance Report October 2026

It is still early in the school year so specific cost projections are difficult to calculate. These are usually more reliable in November or December. A forecast column has been added to the financial report to provide an additional data point for review.

2026 – 2027 Enrollment

The September enrollment is the first data point for projecting 2026-2027 financial results. The enrolled students are compared to two projections.

Projection 1 comparison: Number of students used to determine staffing:

There is 1 more elementary student attending in person than the staffing projection.

There are 3 more middle school students attending in person than the staffing projection.

There are 38 more high school students attending in person than the staffing projection.

Overall, the actual district enrollment is 42 students higher than staff projections.

Projection 2 comparison: Enrollment Estimate for the calculation of the State School Fund:

The actual September enrollment of 2520 students (including charter and outside placement) is 79 more students than the State School Fund Estimate.

This enrollment will result in a slight increase to the State School Fund. Additionally, charter school enrollment decreased by 5 over the estimated State School Fund, which will result in a decrease in the State School Fund Estimate. Those numbers will be reported once the updated State School Estimate is released.

Overall, the actual district enrollment is 79 more than the budgeted SSF Estimate.

The variations presented above are subject to change but estimates year over year are tighter this year as forecasting vs actuals has a smaller difference.

PERS Update:

Side Account Expiration (7/1/2027)

The District's **2002/03 PERS bond side account is expiring**, which will significantly increase employer PERS costs beginning with the **2027–29 biennium**.

The newly released employer rates are **24.97% for OPSRP** and **27.56% for Tier 1/2**. Currently, the District's cost combines the **14% PERS UAL bond payment** with employer rates of **1.89% for OPSRP** and **5.07% for Tier 1/2** (Blended rate of **16.6%**)

For planning purposes, we are assuming approximately **\$22.2 million in payroll** and an estimated blended PERS rate of **25.5%**. At that rate, annual PERS employer costs would be approximately **\$5.66 million**, or about **\$2.55 million more** than a 14% cost applied to the same payroll base.

This represents a significant cost pressure that will need to be incorporated into the District's **2027–28 budget and long-range financial planning**.

Variables: Balance left in Side account as of 7/1/2027 will be processed as credit to our PERS account. This would not decrease our PERS rate, rather it would give us invoice credit for our PERS costs. If the balance is large enough, we would have the option to create another side account and use a rate offset against the PERS rate. This would decrease our PERS rate, but it is less likely to happen. We will know more as the expiration of the side accounts gets closer.

Pension Obligation Bond Option

The District is also evaluating whether a **new Pension Obligation Bond (POB)** could help manage future PERS costs. Market conditions today are considerably different from when the District issued its original PERS bonds in 2003. At that time, the PERS assumed earnings rate was approximately **8.5%**, while borrowing costs were around **4%**. Today, the PERS assumed earnings rate is **6.9%**, while potential borrowing costs are closer to **5%**, resulting in a much narrower margin.

Inflation and interest rates remain key factors. With inflation currently above the Federal Reserve's 2% target, borrowing costs remain elevated. Market and election-cycle volatility also create additional uncertainty.

Piper Sandler will conduct a market review in mid-November. If borrowing rates remain approximately 1% above the level considered favorable for the transaction, the District would pause and move into monitoring mode. The next scheduled review will be **January 28**.

Looking ahead: We have invited Piper Sandler to the October 22nd work session to present this option and answer any questions you have. We will bring a draft resolution for consideration and review and present for approval at your November business meeting.

A proposed resolution **does not require the District to issue Pension Obligation Bonds**. Instead, it gives the District the authority and flexibility to move forward if market conditions become favorable. The current target borrowing-rate range is approximately **4.5%–5.25%**, and the authorization would remain available through **June 2027**.

Key takeaway: A new POB remains an option, but any decision to proceed would be driven by market conditions and whether the potential long-term financial benefit justifies the borrowing risk.

Next Steps

Staff is currently reviewing the proposed **Pension Obligation Bond resolution** and working with Piper Sandler to evaluate the District's options. The goal is to complete the review and determine whether to recommend moving forward with the resolution in time for the **November 12 Board business meeting**.

Approval of the resolution would **not commit the District to issuing bonds**; rather, it would preserve the District's ability to act if market conditions become favorable.

Middle School Project Update:

District Staff and the Bond Team are working with Meteor Education on the furniture, fixtures, and equipment purchases for the new middle school. We anticipate bringing a contract to the Board for approval at the next business meeting, with a total cost not to exceed \$2 million, funded through the 2024 Bond. The District plans to utilize an existing competitively bid cooperative purchasing agreement through Equalis Group, which allows us to take advantage of established pricing and contract terms rather than conducting a separate bidding process. Staff will complete the required Oregon cooperative procurement documentation and any applicable public notice requirements prior to moving forward with the purchase.