

Budget Worksession

Wednesday, March 20, 2024 1:00 PM

Microsoft Teams, 744 Third Ave., Kotzebue, AK 99752

1. - **Budget FY24**

Presenter: Megan
Williams, Director of
Administrative
Services

Northwest Arctic Borough School District

FISCAL YEAR 2025 BUDGET WORKSESSION

March 20, 2024



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Budget Purpose, Preparation, & FY25 Budget Assumptions



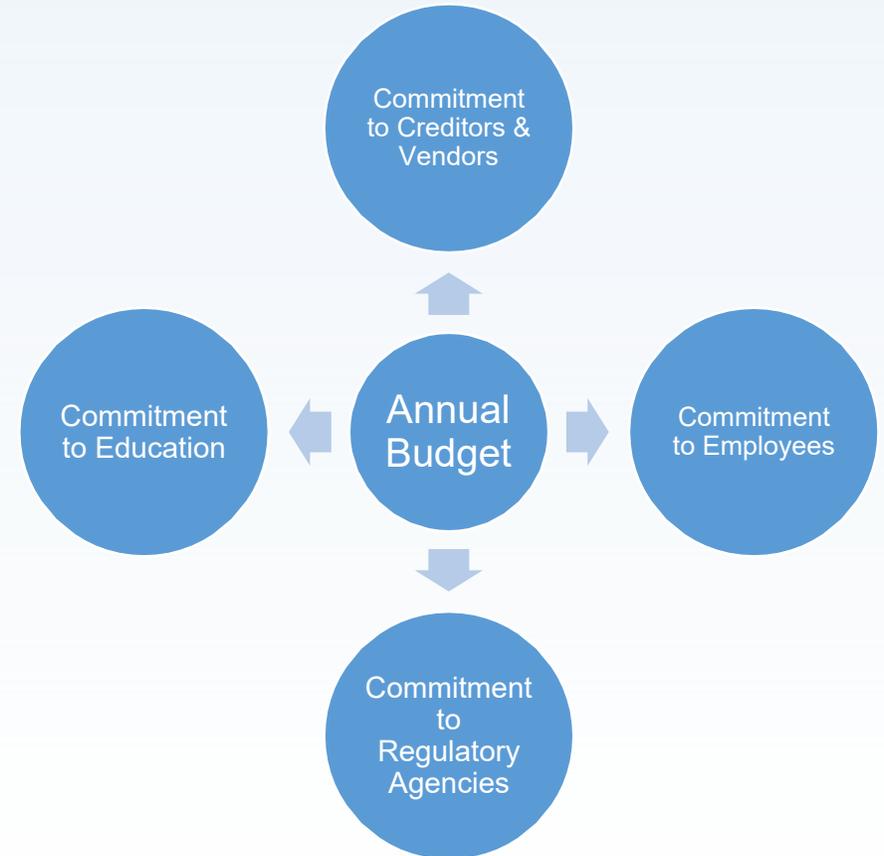
Budget Purpose

The purpose of a budget is to create a spending plan to organize, track, and improve the District's operations.

Financial Forecasting in a budget is the process of predicting future revenues and expenditures. This forecast is the basis for business decision making involving strategic financial planning for the following:

- Personnel
- Facilities
- Supplies
- Other

The Annual Operating Budget evolves, and changes as accurate information is received.



Budget Preparation

The objective or goal of the district's budget process is to develop a budget that is “a long-term perspective and not simply an exercise in balancing revenues and expenditures one year at a time” (*National Advisory Council on State and Local Budgeting*).

The strategic plan is the guiding document for resource allocation. In addition to its directives, the following objectives are also prioritized:

- Evidence-based budget recommendations (data-driven, realistic, and feasible)
- Transparent, timely and objective budget system
- Participation and awareness from district stakeholders

BUDGET PREP PROCESS

January - Administrative Services begin preparing budget worksheets for forecasting;

February- April (Budget needs approval by **May 1**):

- 1) Administration/Dept Heads work together to develop budget proposal;
- 2) Administrative Team develops district-wide budget for Superintendent Review;
- 3) The Board reviews the budget proposal and makes necessary adjustments at the Budget Worksession;
- 4) School Board holds public hearing to review proposed budget;
- 5) Board votes on budget proposal at regular April meeting;
- 6) Budget Revisions are made throughout the year when accurate information is received.

FY25 Budget Assumptions

The State of Alaska's legislative session is scheduled to end in mid-May, requiring some assumptions to be made in order to develop the budget within required timelines. The budget must be balanced before it is submitted to the School Board in April and the Northwest Arctic Borough Assembly no later than May 1st.

Assumptions used in preparing the proposed budget:

- No change to the State's Base Student Allocation (BSA) at \$5,960
- Enrollment based on projection to State
- Local contribution based on prior year
- Use of fund balance
- Negotiated salary increases
- Utilities estimated based on average usage & cost increases

An estimated \$4.9 Million remains in unreserved general fund balance for use in the 2024-25 school year.

Fund Types & Descriptions

General Operating Fund- Fund used to account for all operations of the school district not required by law or administrative action to be accounted for in another fund.

Special Revenue Fund- Fund used to account for proceeds of specific revenue sources (other than trusts or capital projects) that are legally restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Grant Fund- Fund used to account for programs funded by grants. Sometimes called designated purpose funds, their uses and limitations are specified by legal authority. Generally the resources of these funds cannot be diverted to other uses.

Capital Improvement Fund- Fund used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those or proprietary funds or trust funds). To account for resources used for acquiring capital facilities including real property, initial equipment, additions and major repairs or improvements to facilities. All projects funded by state construction grants, bonded indebtedness, and district designated capital projects.

Definitions

Fund Balance – The difference between fund assets and fund liabilities. An accumulation of revenues minus expenditures

Local Contribution – Required contribution from local City or Borough for local education

Transfer Out – Transfers of cash between funds, either for the purpose of subsidizing programs or matching grant funding, such as transferring General Fund cash to the Food Service Fund to subsidize the program.

Indirect Cost Recovery – Funds received from granting agency after determining the percentage of allowable general administrative expenses. This is determined via an indirect cost application submitted to the State each year.

Historical Enrollment & Projection

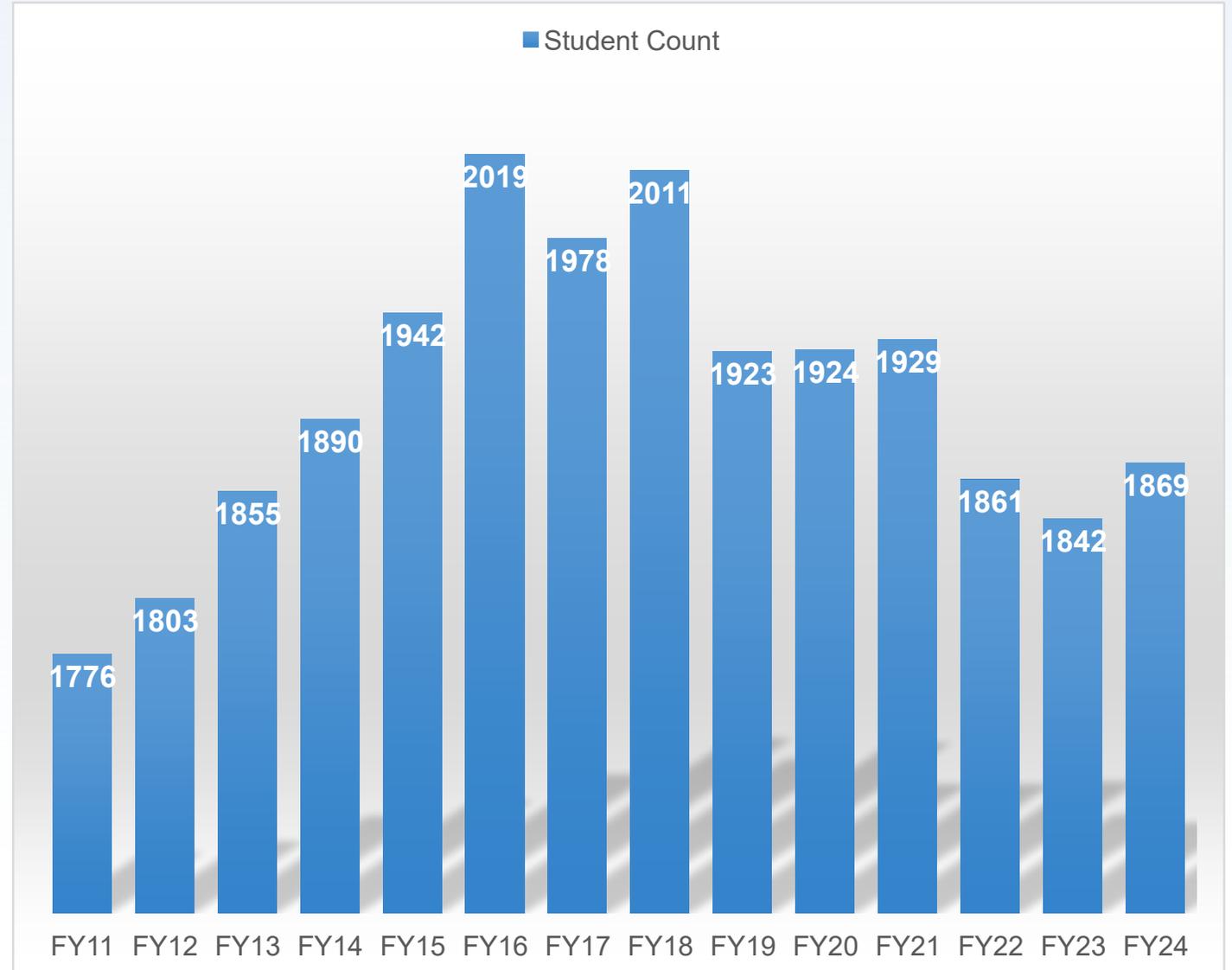


State Funded Student Enrollment

Note:

Basic Need per Student is $\$5,960 \times 1869 = \$11,139,240$. The remainder of the State Foundation Funding is built in with other cost factors such as Special Needs (20%), District Correspondence Students, CTE (1.5%) & Other Cost Factors that equate to the approximately \$37.9 million in foundation revenues.

The **FY24** Budget was built off a projection of 1880



FY24 Enrollment

Northwest Arctic Borough School District

	Elementary (PK-6)	Secondary (7-12)	Total (PK-12)	Intensive
Ambler School (370010)	38.50	22.40	60.90	
Aqqaluk High/Noorvik Elementary (370100)	119.10	77.60	196.70	
Buckland School (370020)	104.30	90.70	195.00	
Davis-Ramoth School (370210)	128.95	128.65	257.60	
Deering School (370030)	31.00	20.15	51.15	
June Nelson Elementary (370080)	266.30	0.00	266.30	
Kiana School (370040)	57.00	45.95	102.95	
Kisimgiugtuq School (370060)	81.60	73.80	155.40	
Kobuk School (370070)	22.10	7.00	29.10	
Kotzebue Middle/High School (370150)	54.80	280.20	335.00	
Napaaqtugmiut School (370090)	72.60	80.00	152.60	
NWABSD Home School (378020)	5.40	17.60	23.00	
Shungnak School (370110)	41.20	26.00	67.20	
Total	1022.85	870.05	1892.90	55

Approved Online Alaska School Information System (OASIS) was 1869 - Enrollment & Average daily membership

FY25 Enrollment Projection

School District / Attendance Center:	K-6 ADM	7-12 ADM	ADM TOTAL	SPED Intensive
<i>Enter the District's ADM & Intensive numbers in the column for that school. Correspondence goes in the above box.</i>				
NORTHWEST ARCTIC				
Ambler School	37.00	27.00	64.00	
Aqqaluk School (Noorvik)	108.00	89.00	197.00	
Buckland School	109.00	94.00	203.00	
Deering School	29.00	26.00	55.00	
Kiana School	47.00	55.00	102.00	
Kobuk School K-12	20.00	10.00	30.00	
June Nelson Elementary School (Kotzebue)	251.00		251.00	
Kotzebue Middle/High School	50.00	299.00	349.00	
Kisimgiugtuq School (Kivalina)	69.00	78.00	147.00	
Napaaqtugmiut School (Noatak)	82.00	79.00	161.00	
Davis-Ramoth (Selawik)	117.00	138.00	255.00	
Shungnak School	41.00	28.00	69.00	
TOTAL	960.00	923.00	1,883.00	52.00

TOTAL Correspondence ADM Only
16

Enrollment Projection is used to budget State Foundation revenue

Historical Fund Balance & Projection



Operating Fund Balance FY17 through FY24

	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24 – Proj.</u>
Total Fund Balance	\$12,566,160	\$8,871,044	\$14,979,795	\$13,899,827	\$9,930,390	\$7,541,586	\$9,915,223	\$12,199,499
Inventory	\$739,615	\$871,478	\$1,311,574	\$861,383	\$765,422	\$718,140	\$1,520,272	\$1,520,272
Prepaid Items	\$20,207	\$18,978	\$953,202	\$1,177,235	\$25,034	\$1,117,856	\$203,419	\$1,500,000
Impact Aid received	\$9,127,574	\$5,754,438	\$10,445,660	\$6,858,607	\$1,243,036	\$993,894	\$6,079,159	\$4,206,505
Total Unreserved	<u>\$2,678,764</u>	<u>\$2,226,150</u>	<u>\$2,269,359</u>	<u>\$5,002,602</u>	<u>\$8,687,354</u>	<u>\$4,711,696</u>	<u>\$2,112,373</u>	<u>\$4,972,495</u>
Change from prior year		-\$3,695,116	+ \$6,108,751	-\$1,079,968	-\$3,969,437	- \$2,388,804	+ \$2,373,637	+ \$2,284,276

FY24 Fund Balance will be available after Final Financial Audit

FY24 Budget



FY24 General Fund Budget

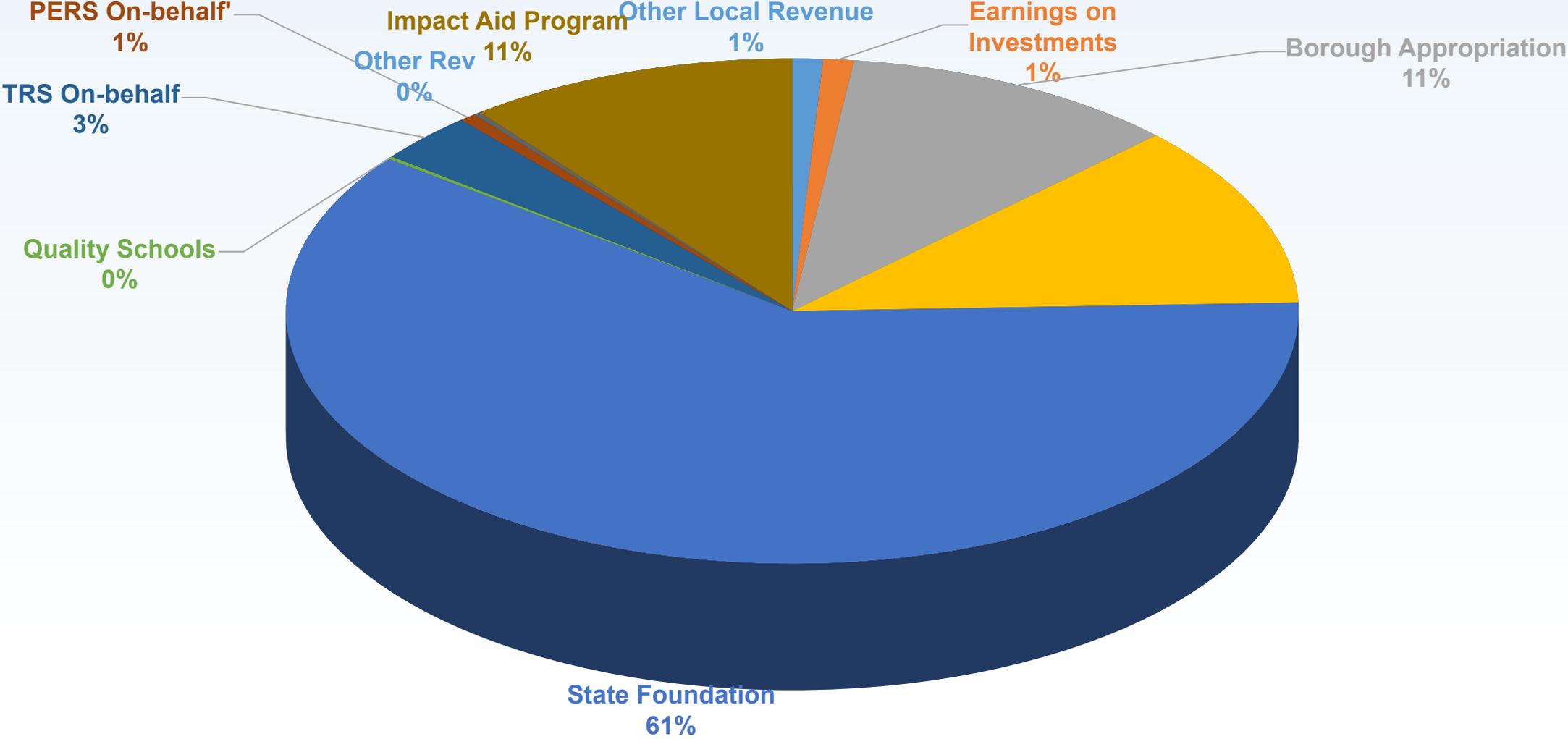
REVENUE	
Other Local Revenue	\$600,000
Earnings on Investments	\$600,000
Borough Appropriation	\$6,645,111
E-Rate Program	\$7,205,220
State Foundation	\$37,434,458
Quality Schools & Other	\$249,952
TRS On-Behalf	\$1,955,492
PERS On-Behalf	\$326,903
Impact Aid Program	\$6,510,519
TOTAL:	\$61,527,655

EXPENDITURES	
Salaries & Benefits	\$37,263,644
Professional & Technical Services	\$3,902,267
Travel	\$1,705,877
Utilities	\$13,315,839
Other Purchased Services	\$4,460,051
Property & Liability Insurance	\$1,305,616
Supplies, Materials & Media	\$1,489,821
Tuition, Dues & Fees & Equipment	179,719
Indirect Cost Recovery	(\$315,000)
TOTAL:	\$63,307,834

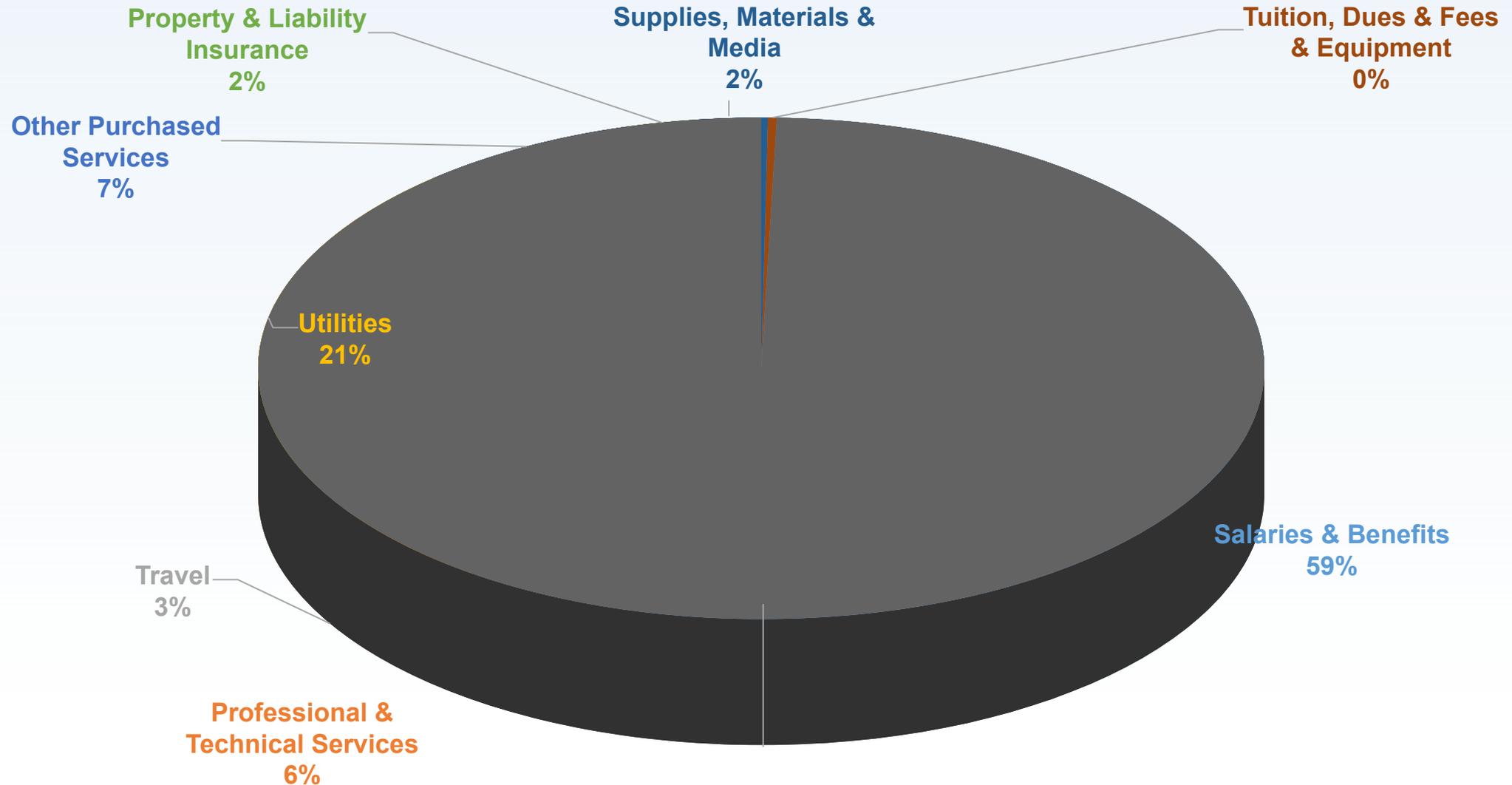
TRANSFERS OUT	
Teacher Housing Fund	\$450,000
Student Transportation	\$150,000
Star NW Magnet School	\$75,000
Alaska Technical Center	\$1,150,000
TOTAL:	\$1,825,000

USE OF FUND BALANCE	
Budgeted to use in FY24	\$3,605,179

FY24 General Fund Revenue by Source



FY24 General Fund Expenditures



FY24 Estimated Year End Fund Balance

FUND BALANCE ESTIMATE	
FY23 FUND BALANCE	\$9,915,450
FY24 REVENUES	\$65,822,262
FY24 EXPENDITURES	- \$61,763,213
FY24 TRANSFERS OUT	- \$1,775,000
ESTIMATED FY24 FUND BALANCE:	\$12,199,499

UNRESERVED FUND BALANCE ESTIMATE	
ESTIMATED FY24 FUND BALANCE:	\$12,199,499
FUEL INVENTORY	- \$1,520,272
INSURANCE & PREPAIDS	- \$1,500,000
FY25 IMPACT AID	- \$4,206,505
ESTIMATED FY24 UNRESERVED FUND BALANCE:	\$4,972,495

FY25 Budget



Adjustments to the FY25 Operating Budget

The FY25 General Fund Budget reflects changes based on the following:

Increases:

- Professional & Technical Services
 - Increase in maintenance needs
 - Increase in recruiting needs
- Anticipated salary increases for 280 Full Time Equivalent Positions
- Anticipated Health insurance cost increase of \$5,000 per enrolled employee

Decreases:

- Positions moved to grants – 6 positions
- Reduction in force – 6 District office positions
- Aligned Student:Teacher Ratio to include CTE – 10 positions
- Offering stipend to staff members that opt out of Health Insurance plan – Estimating 30 staff members
- Reduced Alaska Technical Center transfer



FY25 General Fund Budget

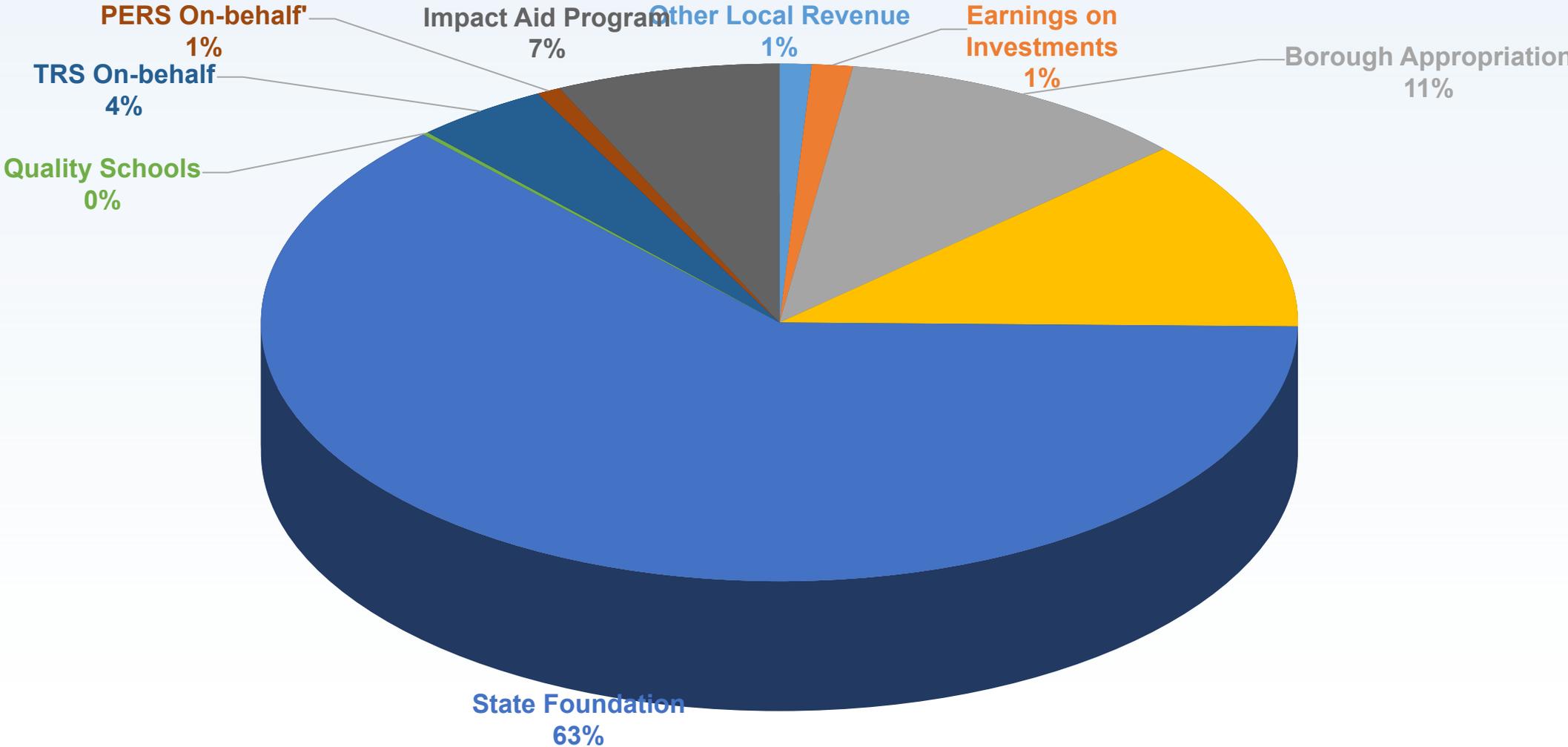
REVENUE	
Other Local Revenue	\$600,000
Earnings on Investments	\$770,000
Borough Appropriation	\$6,645,111
E-Rate Program	\$7,205,220
State Foundation	\$37,806,494
Other State Revenue	\$125,278
TRS On-Behalf	\$2,505,160
PERS On-Behalf	\$447,788
Impact Aid Program	\$4,206,505
TOTAL:	\$60,311,556

EXPENDITURES	
Salaries & Benefits	\$40,687,404
Professional & Technical Services	\$4,502,827
Travel	\$1,677,627
Utilities	\$12,734,446
Other Purchased Services	\$4,470,556
Property & Liability Insurance	\$1,350,000
Supplies, Materials & Media	\$1,736,504
Tuition, Dues & Fees & Equipment	182,680
Indirect Cost Recovery	(\$250,000)
TOTAL:	\$67,092,044

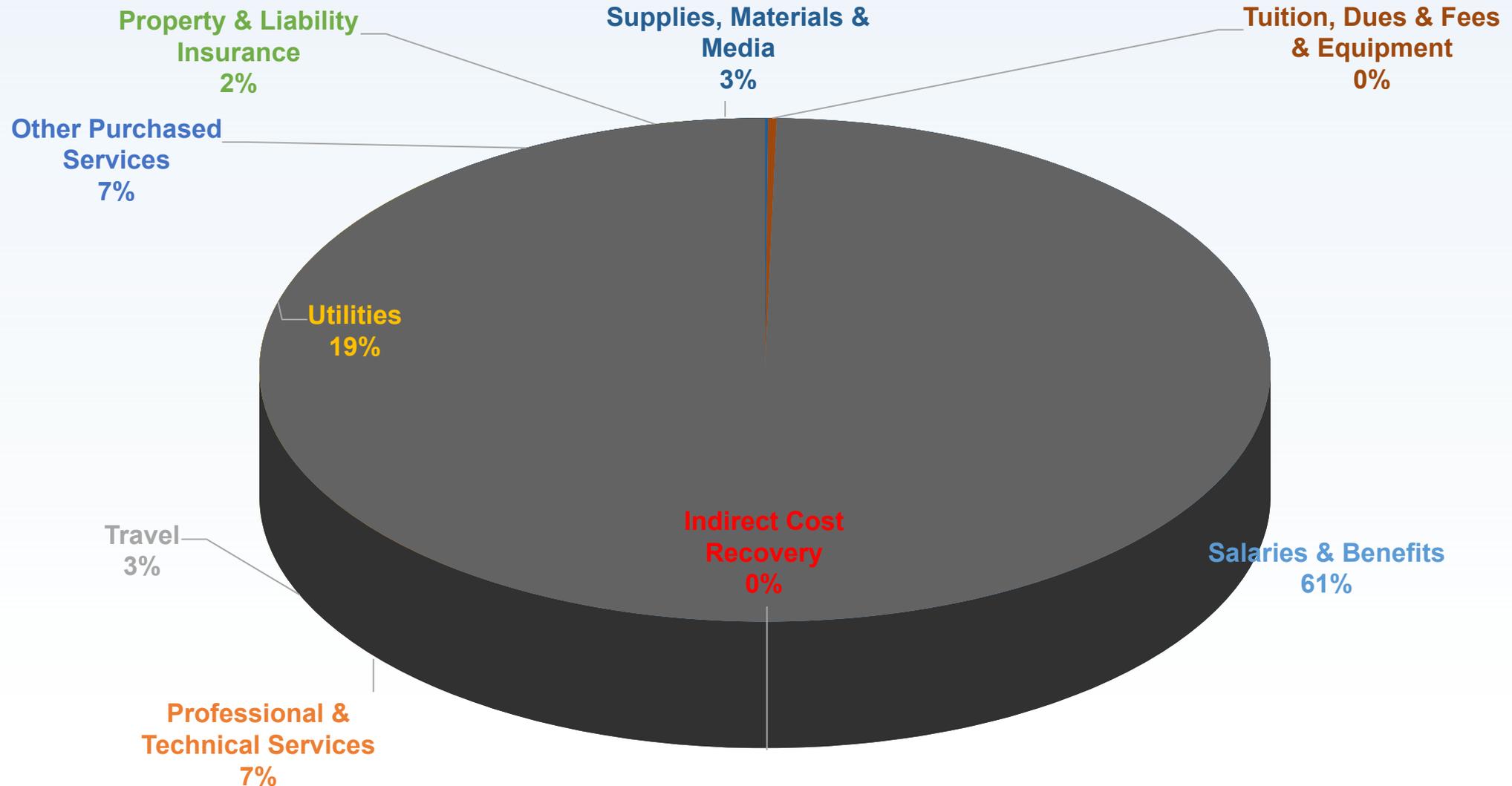
TRANSFERS OUT	
Food Service	\$1,200,000
Alaska Technical Center	\$668,000
Star Magnet School	\$100,000
Teacher Housing	\$450,000
Student Transportation	\$150,000
TOTAL:	\$2,568,000

EXPENSE OVER REVENUE	
Deficit	\$9,348,488

FY25 General Fund Revenue by Source



FY25 General Fund Expenditures



Balancing the FY25 Budget



FY25 General Fund Budget

REVENUE	
Other Local Revenue	\$600,000
Earnings on Investments	\$770,000
Borough Appropriation	\$6,645,111
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TOTAL:	\$2,568,000

EXPENSE OVER REVENUE	
Deficit	\$9,348,488

The purpose of this Budget Worksession is to Balance our FY25 Operating Budget

Possible Actions to balance the FY25 Operating Budget

This is a list of ideas generated and reviewed by the District's Administrative Leadership Team for Board consideration:

- Increase to Base Student Allocation (BSA)
- Increase the Student:Teacher ratio
- Use of other funds
- Close part of a school building
- Other reductions
- Other reductions with direction from the Board

Possible Actions to balance the FY25 Operating Budget

OTHER FUNDS	
FY25 Deficit	\$9,348,488
Use of Est. General Fund Balance	\$4,972,495
Use of Est. Capital Improvement Fund Balance	\$1,207,598
Use of Est. BSA Increase of \$300	\$2,067,704
Nana contribution	\$1,500,000
TOTAL (surplus)	- \$399,309

POSSIBLE REDUCTIONS	
FY25 Deficit	\$9,348,488
ReadiStar	\$292,000
Middle School Sports	\$252,000
Increase Student:Teacher Ratio 18 Elem & 25 HS	\$1,055,349
Seconds for meals	\$251,840
TOTAL	\$5,005,915

REDUCTIONS WITH MAJOR IMPACTS	
FY25 Deficit	\$9,348,488
Closure of School Gym	\$300,000
Increase Student:Teacher Ratio 20 Elem	\$2,900,972
Reduce Year-Round Staff to 251 days	\$272,208
Student Activities	\$1,795,224
Meal Program	\$1,200,000
Student Transportation	\$150,000
TOTAL	\$2,730,084

Possible Action: Budget Revenue Based on increased BSA

The budgeted FY25 state revenue is based on a projected student count of 1883.

	Current Base Student Allocation (BSA)	\$100 increase	\$300 increase	\$500 increase	\$680 increase – SB140
BSA	\$5960	\$6060	\$6260	\$6460	\$6640
State Foundation Revenue	\$37,806,494	\$38,495,729	\$39,874,198	\$41,252,668	\$42,493,291
Increase	\$0	\$689,235	\$2,067,704	\$3,446,174	\$4,686,797
Budget Deficit	\$9,348,488	\$8,659,253	\$7,280,784	\$5,902,314	\$4,661,691

Possible Action: Increase Student to Teacher Ratio

CURRENT STUDENT:TEACHER RATIO

Elementary

- Average of 17 Students to 1 Teacher
- No Classroom with more than 3 grade levels

Middle/High School

- Average of 23 Students to 1 Teacher
- Minimum of 2 teachers

INCREASED STUDENT:TEACHER RATIO

Elementary

- Average of 18 Students to 1 Teacher
- Minimum of 2 teachers

Middle/High School

- Average of 25 Students to 1 Teacher
- Minimum of 1 teacher

This option could potentially decrease our teaching staff district wide by 9 FTE and our FY25 budget by \$1,055,349

INCREASED STUDENT:TEACHER RATIO

Elementary

- Average of 20 Students to 1 Teacher

Middle/High School

- Average of 25 Students to 1 Teacher
- Minimum of 1 teacher

This option could potentially decrease our teaching staff district wide by 24 FTE and our FY25 budget by \$2,900,972

Possible Action: Closure of old High School Building

Currently our old Ambler High School that includes the gymnasium is separate from the main school, and utilities cost approximately \$300,000 to keep it open.

This proposal is to close the old High School Building/Gymnasium for everyday use, use the current school multi-purpose room for gym class, but open the old building for special events. The gym is currently being used for PE for about 5 classes per day and recess.

Building Size Comparison:

Ten Plex = 8,300 sq. ft.

Old Ambler High School = 13,100 sq. ft.

ATC Dorm = 17,000 sq. ft.



Possible Action: Use of Fund Balance(s)

In previous years the District has budgeted to transfer funds into the General Operating Budget from Capital Improvement Project Funds. Only funds that were previously transferred from the General fund can be transferred back. Estimated amounts available to use and/or transfer below.

General Fund

Estimated year end UNRESERVED balance - \$4,972,495

This estimate is 8% of the FY24 budgeted expenditures and will change. Actual expenditures, including health insurance costs, will not be known until after 6/30/2024.

Capital Improvement Project (CIP) Funds

Estimated year end balance - \$1,207,598

A large amount of the District's Capital improvement fund balance has been used to cover expenditures over revenue for AHFC projects, large equipment for Kivalina, building maintenance emergencies in Noatak and Selawik, and planning costs for projects on the District's 6-year CIP plan.

Questions & Direction from School Board



Northwest Arctic Borough School District

FISCAL YEAR 2025 BUDGET WORKSESSION POSSIBLE ACTIONS TO BALANCE THE BUDGET

March 20, 2024



FY25 General Fund Budget

REVENUE	
Other Local Revenue	\$600,000
Earnings on Investments	\$770,000
Borough Appropriation	\$6,645,111
E-Rate Program	\$7,205,220
State Foundation	\$37,806,494
Other State Revenue	\$125,278
TRS On-Behalf	\$2,505,160
PERS On-Behalf	\$447,788
Impact Aid Program	\$4,206,505
TOTAL:	\$60,311,556

EXPENDITURES	
Salaries & Benefits	\$40,687,404
Professional & Technical Services	\$4,502,827
Travel	\$1,677,627
Utilities	\$12,734,446
Other Purchased Services	\$4,470,556
Property & Liability Insurance	\$1,350,000
Supplies, Materials & Media	\$1,736,504
Tuition, Dues & Fees & Equipment	182,680
Indirect Cost Recovery	(\$250,000)
TOTAL:	\$67,092,044

TRANSFERS OUT	
Food Service	\$1,200,000
Alaska Technical Center	\$668,000
Star Magnet School	\$100,000
Teacher Housing	\$450,000
Student Transportation	\$150,000
TOTAL:	\$2,568,000

EXPENSE OVER REVENUE	
Deficit	\$9,348,488

The purpose of this Budget Worksession is to Balance our FY25 Operating Budget

Proposed Actions to Balance the FY25 Operating Budget

With no increase in funding, the School District has to make large programmatic cuts to balance the budget.

The list of reductions for FY25 will have a major impact on Northwest Arctic Borough communities.

PROPOSED CUTS	
FY25 Deficit	\$9,348,488
Meal Program – Request to Nana	\$1,200,000
Reduce Year Round Staff work days	\$272,208
Cut Readistar Program	\$292,000
Cut Student Activities	\$1,795,224
Increase Student:Teacher Ratio	\$1,055,349
Use of Fund Balance	\$4,733,707
TOTAL	\$0

Proposed Action: Increase Student to Teacher Ratio

CURRENT STUDENT:TEACHER RATIO

Elementary

- Average of 17 Students to 1 Teacher
- No Classroom with more than 3 grade levels

Middle/High School

- Average of 23 Students to 1 Teacher
- Minimum of 2 teachers

INCREASED STUDENT:TEACHER RATIO

Elementary

- Average of 18 Students to 1 Teacher
- Minimum of 2 teachers

Middle/High School

- Average of 25 Students to 1 Teacher
- Minimum of 1 teacher

This option could potentially decrease our teaching staff district wide by 9 FTE and our FY25 budget by \$1,055,349

Proposed Action: Use of Fund Balance

In previous years the District has budgeted to transfer funds into the General Operating Budget from Capital Improvement Project Funds. Only funds that were previously transferred from the General fund can be transferred back. Estimated General Fund Balance amount available for use below.

General Fund

Estimated year end UNRESERVED balance - \$4,972,495

This estimate is 8% of the FY24 budgeted expenditures and will change. Actual expenditures, including health insurance costs, will not be known until after 6/30/2024.

With the proposed used of \$4,733,707 of the District's estimated year end fund balance, the estimated unrestricted fund balance available for use in FY25 will be \$238,778

