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**MANAGEMENT  
&  
OPERATIONAL  
REVIEW**

**VASHON ISLAND SCHOOL DISTRICT**

**Financial Review**

**(Efficiencies, Comparisons, Reductions, Priorities and Future Planning)**

**10-1-2022**

Washington Association of School Administrators  
825 Fifth Avenue SE, Olympia WA 98501

**VASHON ISLAND SCHOOL DISTRICT**  
**Financial/Budgetary**

**MANAGEMENT REVIEW**

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**SPECIAL THANKS: To Vashon Island staff for scheduling all the interviews and opening their office space for the day. Additionally, the candor, honesty and thoughtfulness of the staff that were interviewed was impressive. It is a testament to the District that all stakeholders were given a voice at the table from the Board of Directors, administrators, to labor union leadership. All those involved provided great input and conveyed a true love for Vashon Island Schools.**



## **I. INTRODUCTION**

### **ABOUT THE MANAGEMENT AND OPERATIONAL REVIEW PROCESS**

The Washington Association of School Administrators (the Association) was contacted by the Vashon Island School District regarding the possibility of carrying out an evaluative study of the district's budget and financial position. This study was undertaken to provide an independent review of the District's finances and make recommendations that would provide efficiencies and potential budgetary reductions given the recent deterioration of the Vashon Island School District's reserves.

There will be readers of this report for whom the approach used in this kind of study may be unfamiliar—the following initial section (The Four Phases of a Management Review) is included to provide an introduction to the design of a review. A Management Review is intended to provide an objective look at the current operational effectiveness of a district in particular focus areas and to produce a report that the district can utilize in planning for the future. The Association has developed the approach over a 17-year period and carried out approximately 200 studies in Washington and other states.

A review may be designed to address all major programs in a district or be focused upon a narrower program area. In this case, the Vashon Island School District was interested in a review covering the district's current/future budget, staffing allocations, comparisons with like-size districts, and assurances that reductions (if needed) will lead to future financial stability/solvency.

## **II. THE FOUR PHASES OF A MANAGEMENT REVIEW**

### **PREPARATION**

The initial portion of the review is that of planning. A plan is developed in concert with the school district that includes the specific goals and objectives sought. A review team is cooperatively selected and orientation for the team members provided. A meeting is held with key school district personnel to provide accurate input for the team and an introduction to what the review will involve for district employees.

### **ANALYSIS**

The analysis phase involves the on-site activity by the review team. Information is collected in the form of relevant school district policies, reports, documents, etc. In addition, interviews are conducted with administrators, staff members, board members, and other district employees as appropriate. Where possible, there are observations of actual activities within the school system.

## **EVALUATION**

An evaluation of the documentation, interviews, observations, and other information takes place next. This involves the members of the team in collective discussion and independent writing. The review is captured in a report that provides a comprehensive description of district functions with specific findings and recommendations.

## **REPORTING**

The final report is presented personally to the superintendent and board of directors, if desired, and the recommendations for improvement are explained. The report, in its entirety, provides a springboard for planning and positive direction for the school system. Each report is prepared in such a way that the positive strengths of the school district are acknowledged.

## **III. EXECUTIVE SUMMARY**

The summary below is intended to provide a very brief indication of major points covered in the main report. People are urged to read the report in its entirety to gain a perspective on the work done in the management review process.

This review was requested to have an outside team assess the school district's operations. There were specific issues that the district identified as areas to be covered and questions to be answered in this review. These areas have been addressed by the district over the past several years but the district believed they needed further attention. It is these areas that the WASA team was asked to emphasize.

### **AREAS OF FOCUS & SUMMARY OF RECCOMENDATIONS:**

#### **REVIEW OF DISTRICT BUDGET/CURRENT FINANCIAL POSITION:**

Recommendations under this area of focus for the Management Review include the following:

**Recommendation:** Examine the trend of fund balance or reserves and determine if the District is "deficit spending." The current level of spending assuming no additional revenue or budget reductions is not sustainable.

**Recommendation:** The District should strive to reach the minimum 6.5% fund balance and also be transparent about the necessity for additional reserves for capital needs (field turf) as well as those liability accounts denoted in the District's budget priorities.

#### **STAFFING, SALARY/BENEFITS, PERCENT OF OVERALL BUDGET DEDICATED TO LABOR EXPENSES:**

Recommendations under this area of focus include the following:

**Recommendation:** Given, the District in 2020-21 has 83.8% of total expenditures in salary and benefits, and in 2022-23 has the 2<sup>nd</sup> highest teacher salaries behind Bainbridge Island (as judged

by beginning and top salary amounts, even with 12% regionalization funding) and the lowest fund balance of the comparison group; the reviewer would recommend a reduction in labor expenses as a total percentage of the operating budget.

## **ADMINISTRATIVE EXPENSES & WORKLOAD DISTRIBUTION**

Recommendations under this area of focus include the following:

**Recommendation 1:** Given the size of the District its “overhead” is above industry standards. The average administrative overhead for comparable districts is 14.43%. Vashon Island is currently budgeting 15.64% in administrative expenses. This percentage needs to be constrained and reduced as the District seeks out financial stability. The District should be mindful of growing any administrative FTE as they are making budget reductions and looking to stabilize the finances of the District.

**Recommendation 2:** The reviewer recommends that the reduction made to the Executive Director of Business Services position continues in future years. Fiscal oversight can be provided by the Director of Finance.

**Recommendation 3:** The reviewer in this case noted **no need** for additional staffing in central administration. In fact, the District should look to decrease administrative staffing when attrition or staff movement allow. Administrative overhead for the comparison districts used earlier (Vashon, Bainbridge, North Mason, Port Townsend, and Meridian) on the comparative analysis was 14.4% of total expenditures.

## **RECOMMENDATIONS FOR BUDGETARY REDUCTIONS (AMOUNT & AREAS OF FOCUS)**

Recommendations under this area of focus include the following:

**Recommendation 1:** District is running average general education class sizes currently of 25.4 at Vashon High School. The reviewer would like the District to target an average general education class size of 28 students. If average class size is increased to 28, then the staffing of the building would move from the current 23.4 FTE to 21.30. (A reduction of 2.1 FTE) This is in line with industry standard class sizes and still better than the current state funded class size of 28.74 for grades 9 to12. Staffing must be allocated based on a targeted class size and not driven by the “master schedule” of the building. This proposed reduction would save an estimated \$273,000.

**Recommendation 2:** Moving to the middle school, current staffing is 16.8 general education certificated FTE for 356 students. This allocation results in a ratio of  $(356/16.8 = 21.2)$  when adjusting for prep period on a standard 6 period schedule, actual resulting class size is  $(21.2/5) * 6 = 25.40$ . The reviewer believes targeting an average class size of 28 is appropriate. This would require 15.5 teachers and would drive a reduction of 1.3 certificated FTE. An estimated savings of \$169,000 per year.

**Recommendation 3:** Given the District is on the higher end of the industry standard for administrative overhead (see prior chart) the District needs to continue to make reductions in administration (District has already committed to not fill the Exec. Director of Business). Vashon's sole elementary school has enrollment of 484 students with 2 administrators. The current ratio of administrator to students at Chautauqua is at 1:242. This ratio is very low in a time when the District is seeking financial solvency and battling increasing costs. This reduction would save approximately \$180,000.

**Recommendation 4:** Classified support staffing was also examined by the reviewer. Office support staff levels across the District are within industry standard, but there are efficiencies that can be exercised. The reviewer recommends that a reduction in High School office support needs to be undertaken as its current staffing model provides 3.5 FTE for 495 Students (1:141). A ratio between 250 to 300 students per 1.0 FTE of "office" support staff is typically sufficient to carry out the needed work. The goal, given the number of staff members at Vashon High School, should be to reduce 8 hours labor (the equivalent of a 1.0 FTE). This should result in annual savings of approximately \$85,000 and have a 1:200 staff to student support ratio.

**Recommendation 5:** This recommendation is focused on para-educator staffing levels. The first area that needs to be reduced in the reviewer's opinion is the AM/PM ferry monitors. This position should be examined, as the position provides monitoring/assistance of students outside of the schoolhouse on their way to/from school. The second recommendation is to review and reduce by 1.0 FTE special education para-educator staffing. The reviewer in this case is aware that special education staffing is driven by student enrollment, level of acuity of disability, etc. to that end the District must rely on the Director of the Special Education program to execute staffing reductions that have the least impact on student services. If both recommendations are utilized in this case the estimated savings would be \$77,000 annually.

**Recommendation 6:** The reviewer examined the nutrition services department, including staffing levels, expenditures, and revenue. Vashon Island prides itself on executing scratch baking, utilizing local ingredients, and serving the best quality food to students. This goal is laudable but must be appropriately resourced. An analysis of the most recently completed fiscal year (2021-22) demonstrated that Vashon Island was losing approximately \$0.31 per meal it was producing. To that end, lunch prices must increase to maintain a "break-even" program. The reviewer recommends the following for meal prices in 2023-24.

<b>Meal Prices for 2022-23</b>	<b>Breakfast</b>	<b>Lunch</b>
CES	\$2.25	\$3.75
MCM/VHS	\$2.50	\$4.00
Adults	\$3.00	\$6.00
<b>Proposed for 2023-24</b>	<b>Breakfast</b>	<b>Lunch</b>
CES	\$2.75	\$4.25
MCM/VHS	\$3.00	\$4.50
Adults	\$3.50	\$6.50

This \$0.50 increase will provide estimated additional revenue of \$116,000 annually. This will offset the cost increases occurring in 2022-23 and planned for in 2023-24.

**Recommendation 6:** The District should upon turn-over re-evaluate all positions for the need to rehire or not. This is a great practice to be in during leaner financial times. The District should also work with legislators to remedy the Vashon Island regionalization funding of 12%. The District is at a revenue disadvantage in comparison to districts across King and Snohomish counties. Additionally, the District can thoughtfully increase enrollment from “off-island.” Increasing reliance on out of District enrollment can be risky financially but may be needed if Vashon Island student enrollment continues to be flat or in decline.

**IMPLEMENTATION OF BUDGET REDUCTIONS (TIMING AND COMMUNICATIONS)**

Recommendations under this area of focus include the following:

**Recommendation 1:** The reviewer recommends moving forward as soon as possible with a concrete plan for program reductions. These reductions should go before the Board of Directors in April of this year for action, well prior to the May 15<sup>th</sup> deadline for certificated staff renewal. Prior to or in conjunction with the Board of Directors action it is essential to notify/collaborate with labor unions and affected staff.

**Recommendation 2:** Create a communication plan that tells what the narrative is for why the District is in a position that reductions are needed. The District is not in this position due to mismanagement, in fact aligning expenditures with current revenue streams is prudent.

**IV. MANAGEMENT REVIEW TEAM:**

The management review team was composed of a single member, Mr. Jacob Kuper. Mr. Kuper is currently Exec. Director of Finance for Yakima Schools. He has over 20 years of experience with Washington State School Districts’ finances and operations. Mr. Kuper is a former Washington



State Auditor, CFO/COO of Issaquah School District and also provides consultation services to other school districts around the State.

## **V. LOGISTICS OF THE REVIEW**

The plan for a review as outlined above involved the examination and study of documentary information as well as the on-site interviews of many people involved in the school district. The list below represents a sample of the information requested for examination and reviewed for this project:

### **DOCUMENTS REVIEWED/COMPARISON DISTRICTS**

In advance of the onsite visit, we reviewed the District's current F-195 (Annual Budget(s)), the most recently completed financial statements, current State Apportionment Statements, the F-203 (Annual Revenue Estimate), Approved local levies (amount and timing), Staffing allocations, expense reports, other internal financial documents, applicable org charts, salary schedules, OSPI data for district comparisons.

The comparison District in this case were chosen to provide a representation of various districts across the region that are comparable in size and vary in geography. Bainbridge was chosen as its an "island" district within King County, North Mason was selected due to its size and proximity. Port Townsend was selected for its student FTE numbers and demographics, the final comparison is Meridian School District which is within 200 students in size to Vashon and provides a representative district from the northern portion of the Interstate 5 corridor. The reviewer is aware that the District has used other districts in the past for bargaining comparisons, however in this case the sole goal of the review is not for salary comparisons rather overall financial health and district operations.

### **THOSE INTERVIEWED**

The first point of contact in the review was via a phone call to Superintendent Slade McSheehy. We collaborated on the scheduling of interviews and the focus of the review. We settled on September 16th, as the onsite interview date. The interview schedule consisted of forty-five-minute interviews (excluding planning and questioning time needed with Kay Adams and Amy Sassara, Finance and Human Resources Staff).

The following Vashon Island Stakeholders were interviewed:

- Slade McSheehy, Superintendent
- Learning Leadership Team; Danny Rock, Greg Allison, John Erickson, Stephanie Spencer, Jon Hodgson, Thomas Elliot, Rebecca Goertzel, Kathryn Coleman
- Amy Sassara, Human Resource Director
- Kay Adams, Finance Director
- Labor leaders for SEIU, VESP and VEA (two sessions)
- Directors' Group: Lisa Cyra, Kevin Dickerson, and John Stanton

## **VI. THE REPORT**

### **OVERVIEW:**

Vashon Island is a district in King County with student FTE of approximately 1,500 students. This management review was undertaken to review:

- The District's budget and current financial position
- Staffing, salary/benefits and the percent of overall budget dedicated to labor expenses
- Workload distribution and administrative expenses
- Recommendations for budgetary reductions amount and areas of focus
- Implementation of budget reductions (timing and communications)

### **PROCESS:**

This management review is comprised of three major components, preparation, analysis and evaluation.

The analysis phase was bifurcated into the onsite review and the examination of provided/gathered documentation. The analysis of school District data was done prior to the onsite visit. This allowed the reviewer to be acquainted with the District's financial position and have empirical data of like size school districts.

The interview process was done in approximately 45-minute increments. All staff spoke with candor and passion. It was communicated to all those interviewed what the goals of the review were, and that a written report was to be provided. It is also worth noting that some comments were asked to remain confidential, non-disclosure of those comments does not have an impact on the recommendations provided in this report.

The final phase of the review is the evaluation or synthesis stage. This stage is where the onsite work and data gathering come together in written report.

### **BACKGROUND: (Themes of Onsite Interviews)**

#### **Themes of Onsite Interviews:**

The interview process is one that allows for themes to emerge that guide the final recommendations. As the reviewer it was apparent to me that most of those interviewed were cognizant of the District's financial concerns. There was a sense of shared responsibility, and not an attitude of blame, which the reviewer found refreshing. All stakeholders provided insight on what the District should do to align spending with revenue streams. There was agreement by executive level staff that the District was having to tackle unprecedented wage/bargaining pressure driven by inflation and a "post-Covid" labor market. Overall, districts around the State and Nation will be facing similar financial realities as "one-

time” ESSER (Covid Relief Funding) expires, inflation roars and student enrollments stagnate or decline.

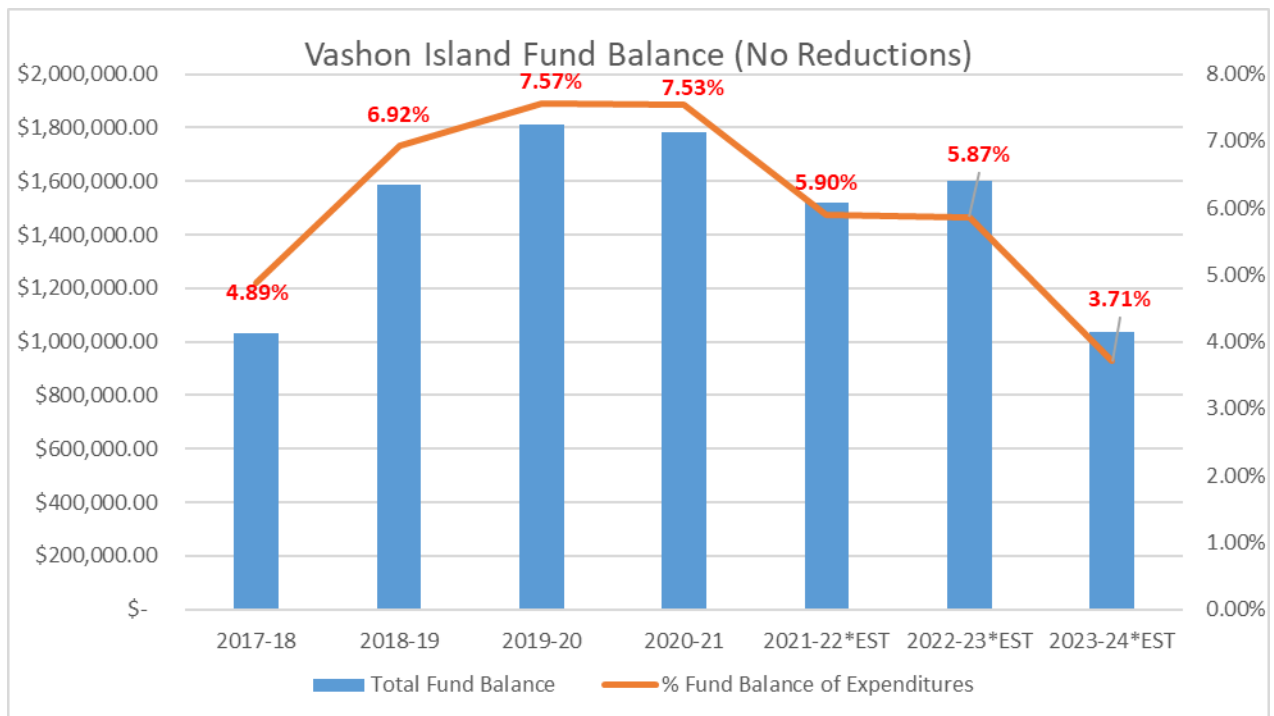
All stakeholders were provided with a small amount of background, that being that the District would likely need to reduce spending for the next fiscal year (2023-24) as they are currently using significant amounts of one-time ESSER funding and reserves to remain solvent. Each stakeholder group brought their own ideas forward for reductions and revenue generation in some cases. No single idea was pervasive throughout the interviews.

Overall, the interview process was helpful and provided a window into the District that is essential when reviewing finances and budgetary priorities.

## SECTION 1: REVIEW OF DISTRICT BUDGET/CURRENT FINANCIAL POSITION

**Challenge 1:** Determining if the District is financially stable or healthy. This challenge is more difficult than it appears, but the first measure is often the change in “equity” or reserve balances.

**Recommendation 1:** Examine the trend of fund balance or reserves and determine if the District is “deficit spending.” The graph below represents the trend and projection of the District’s total fund balance reserves, both as a percentage of expenditures and in total dollars. The amounts reflected assume no corrective action (budget reductions) and no major changes in revenue streams.



The District has been deficit spending, i.e. spending more than it takes in in revenue since 2020-21 with a projected decrease in fund balance of approximately \$800,000 from 2020-21 to 2023-24. This will be a 44% reduction in reserve balances. (Almost halved) The current level of spending assuming no additional revenue or budget reductions is not sustainable.

**Challenge 2:** *Provide a clear goal or target of adequate fund balance reserves.*

**Recommendation 2:** Provide the Board of Directors a recommended level of total fund balance and reserves needed for emergencies and other capital needs. For example, the reviewer would recommend a total unreserved/undesignated fund balance of 6.5% of expenditures, in any given year. This percentage both meets the Board’s Budget priorities and assists in meeting the cashflow requirements of the District throughout the year. 6.5% given the District size would be an acceptable minimum along with the needed/promised reserves for capital improvements. *Please note that the most recently compiled state-wide financial data (2020-21) shows total average fund balances of 14.7% of actual expenditures.*

Along with the minimum 6.5% fund balance needed for liquidity, unforeseen budgetary issues (think SEBB, IPD, roof or boiler failure, etc.) the District should also set aside promised/needed capital reserve amounts in excess of the 6.5%. There are essential capital needs that in lieu of capital levy or bond proceeds the District must pay for out of the General Fund. It is prudent in this case to set aside funds to be used on smaller capital improvement/emergencies such as failing roofs, boilers, etc.

In my professional opinion the District should strive to reach the minimum 6.5% fund balance and also be transparent about the need for additional reserves.

## **SECTION 2: STAFFING, SALARY/BENEFITS, PERCENT OF OVERALL BUDGET DEDICATED TO LABOR EXPENSES:**

**Challenge 1:** *Determine if the District is spending too much on “staffing” or labor expenses as a percentage of the total budget.*

As a percentage, over 85%, is often the canary in coal mine as it relates to financial insolvency. The state-wide average for 2020-21 was 84.4%, this percentage has increased 2 to 3% points over the last four-year period, and indicator of the financial stress the entire State is under in a post pandemic environment. Below is a table created to provide comparisons of similar situated districts:

**Vashon Island, Bainbridge Island, North Mason, Port Townsend, and Meridian School District**

% of Total Expense that is Salary/Benefits		Vashon	% of Total Expense that is Salary/Benefits		Bainbridge
2020-21 (F-196): Regionalization @ 12%			2020-21 (F-196): Regionalization @ 18%		
\$	10,222,737	Cert Salaries	\$	27,209,766	Cert Salaries
\$	4,020,583	Classified Salaries	\$	8,840,923	Classified Salaries
\$	5,595,007	Benefits	\$	13,885,584	Benefits
\$	19,838,327	Total	\$	49,936,272	Total
\$	23,687,415	Total Expenses	\$	57,232,205	Total Expenses
83.8% % Salary/Benefits			87.3% % Salary/Benefits		
Total Ending Fund Balance	\$	1,784,511	Total Ending Fund Balance	\$	6,742,216
Ending Fund Balance %		7.53%	Ending Fund Balance %		11.78%
Beginning Teacher Salary (22-23)	\$	61,289	Beginning Teacher Salary (22-23)	\$	61,886
Top Teacher Salary (22-23)	\$	121,710	Top Teacher Salary (22-23)	\$	120,655
AAFE 2021-22		1,478.15	AAFE 2021-22		3,574.92

% of Total Expense that is Salary/Benefits		North Mason	% of Total Expense that is Salary/Benefits		Port Townsend
2020-21 (F-196): Regionalization @ 6%			2020-21 (F-196): Regionalization @ 10%		
\$	13,807,517	Cert Salaries	\$	7,539,795	Cert Salaries
\$	4,813,378	Classified Salaries	\$	2,575,245	Classified Salaries
\$	7,614,984	Benefits	\$	4,373,386	Benefits
\$	26,235,879	Total	\$	14,488,425	Total
\$	32,023,112	Total Expenses	\$	18,512,917	Total Expenses
81.9% % Salary/Benefits			78.3% % Salary/Benefits		
Total Ending Fund Balance	\$	4,421,090	Total Ending Fund Balance	\$	2,316,014
Ending Fund Balance %		13.81%	Ending Fund Balance %		12.51%
Beginning Teacher Salary (22-23)	\$	56,254	Beginning Teacher Salary (22-23)	\$	54,400
Top Teacher Salary (22-23)	\$	110,930	Top Teacher Salary (22-23)	\$	109,948
AAFE 2021-22		2,239.35	AAFE 2021-22		1,163.68

% of Total Expense that is Salary/Benefits		Meridian	% of Total Expense that is Salary/Benefits		AVERAGES
2020-21 (F-196): Regionalization @ 6%			2020-21 (F-196)		
\$	10,659,234	Cert Salaries	\$	13,887,810	Cert Salaries
\$	4,270,625	Classified Salaries	\$	4,904,151	Classified Salaries
\$	6,169,496	Benefits	\$	7,527,691	Benefits
\$	21,099,355	Total	\$	26,319,652	Total
\$	24,959,257	Total Expenses	\$	31,282,981	Total Expenses
84.5% % Salary/Benefits			84.1% % Salary/Benefits		
Total Ending Fund Balance	\$	4,150,686	Total Ending Fund Balance	\$	3,882,903
Ending Fund Balance %		16.63%	Ending Fund Balance %		12.41%
Beginning Teacher Salary (22-23)	\$	56,740	Beginning Teacher Salary (22-23)	\$	58,114
Top Teacher Salary (22-23)	\$	110,946	Top Teacher Salary (22-23)	\$	114,838
AAFE 2021-22		1,730.42	AAFE 2021-22		2,037.30

**Recommendation:** Given the District in 2020-21 has 83.8% of total expenditures in salary and benefits **and** in 2022-23 has the 2<sup>nd</sup> highest teacher salaries (as judged by beginning and top salary amounts), and the lowest fund balance of the comparison group; the reviewer would recommend a reduction in labor expenses as a total percentage of the operating budget. This should be accomplished by reducing staffing and not looking to decrease compensation amounts for existing employees. The reviewer will provide recommended budget reduction amounts later in the report. The percent of budget that is allocated to labor is a very important indicator of

financial health. To reiterate, the current 83.8% of budget dedicated to labor, for Vashon Island is within industry standard. **However**, given that the District is funded at only 12% regionalization, has the 2<sup>nd</sup> highest teacher salaries and the lowest fund balance amounts, labor costs should be reduced to allow for the District to remain solvent and execute the program needed to serve its students and stakeholders.

**SECTION 3: ADMINISTRATIVE EXPENSES & WORKLOAD DISTRIBUTION**

**Challenge:** Does the District have appropriate staffing levels in administration and is the workload distributed effectively?

**Recommendation:** Review “Admin Cost Comparisons” and trends of administrative expenses. The table below provides a snapshot of the District vs. the State as well as a two-year trend of administrative expenses for Vashon Island. Overall impressions are that the admin staffing levels are comparable to state-wide averages and the trend of administrative expenses is decreasing as a percent of budget. Given the size of the District its “overhead” is in line with industry standards (albeit on the upper limits). That being said, the District should be mindful of growing any administrative FTE as they are making budget reductions and looking to stabilize the finances of the District.

Admin Cost Comparisons				
		Actual State 2020-21	Actual Vashon 2020-21	Budget Vashon 2022-23
11	Board of Directors	0.30%	0.73%	0.43%
12	Superintendents Office	0.70%	1.34%	1.40%
13	Finance Office	1.20%	2.43%	2.30%
14	Human Resources	0.80%	0.85%	0.77%
15	Public Relations	0.20%	0.04%	0.12%
21	Supervision-Instruction	2.40%	3.72%	3.22%
41	Supervision-Food Service	0.20%	0.55%	0.51%
51	Supervision-Transportation	0.40%	0.00%	0.00%
61	Supervision-Maintenance/Operations	0.30%	1.01%	0.73%
	<b>Total Central Administration</b>	<b>6.50%</b>	<b>10.68%</b>	<b>9.47%</b>
23	Building Administration	6.00%	6.05%	6.17%
	<b>Total Central &amp; Building Admin.</b>	<b>12.50%</b>	<b>16.73%</b>	<b>15.64%</b>

**Recommendation** The reviewer in this case noted **no need** for additional staffing in central administration. In fact, the District should look to decrease administrative staffing when attrition or staff movement allow. Administrative overhead for the comparison districts used earlier (Vashon, Bainbridge, North Mason, Port Townsend, and Meridian) on the comparative analysis was 14.4% of total expenditures. The District is moving their overhead numbers in the right direction and with the elimination of the Exec. Director of Business position, which will lower further the amount of budget being utilized by administrative overhead. Vashon Island is of a district size (Less than 2,000 FTE) where large overhead percentages are common, however lowering administrative expenses should be a long-term focus.

#### **SECTION 4: RECCOMENDATIONS FOR BUDGETARY REDUCTIONS (AMOUNT & AREAS OF FOCUS)**

**Challenge 1:** *Determine the amount of budget reduction needed to stop deficit spending (balance budget) and rebuild reserves.*

**Recommendation:** The reviewer encourages transparency and consistency in the numbers used to provide the amount of reduction needed. This is done by using a two fiscal year method and publicly available data (if possible). Historically, this is accomplished by using your current reserve amounts and then applying “major/known budget drivers.” Below is a table of what the reviewer believes the next 18 months of District finances will be if no action is taken. In short, if the District continues to move forward with its current spending levels, by the end of fiscal year 2023-24 there will only be about \$1,037,000 in reserves or a 3.7% total fund balance. This reserve amount is insufficient from a cash-flow perspective and is well below state and regional comparisons. (As was illustrated earlier in the report)

<b>Vashon Island School District</b>	
<b>Major Budget Factors 2022-23 and 2023-24</b>	<b>Financial Overview</b>
Beginning Fund Balance for 2022-23	\$ 1,521,775
Est. Salary Savings from less experienced staff	\$ 150,000
Salary Savings for unfilled central admin staff	\$ 175,000
Unforeseen Expenditures	\$ (150,000)
Food Service Program (Revenue less than Cost)	\$ (75,000)
Estimated Ending Fund Balance 22-23	\$ 1,621,775
<hr/>	
Estimated Beginning Fund Balance (23-24)	\$ 1,621,775
Estimated Expenditure Budget 2023-24	\$ 27,953,278
<hr/>	
<b>2023-24 (Changes in Revenue or Savings)</b>	
Local Levy Revenue (Per OSPI)	\$ 119,000
Loss of ESSER	\$ (480,000)
Increase in State Funding @ 2% per OSPI	\$ 365,000
<b>Net Change in Revenue</b>	<b>\$ 4,000</b>
<b>Increased Labor Expense (IPD Flow Through + Negotiated)</b>	<b>\$ (417,000)</b>
<b>MSOC (Materials, Supplies, Etc)</b>	<b>\$ (171,000)</b>
<b>GRAND TOTAL</b>	<b>\$ (584,000)</b>
<b>Estimated Ending Fund Balance 2023-24</b>	<b>\$ 1,037,775</b>

**Challenge 2:** Now that the “trajectory” of the finances is clear, how much do we need to reduce to stabilize the finances, (stop deficit spending) rebuild reserves and still be able to invest in meaningful program expenses.

**Recommendation:** The reviewer recommends determining, first how much the expenditures need to be reduced to “break even” and then how much is needed in reductions to build reserves over a reasonable amount of time. The chart below provides the current working model and makes a recommendation of reducing program (expenses) by an estimated \$779,000 or approximately 2.8% of total operating expenses for 2023-24.



<b>Vashon Island School District</b>		
<b>Est. 2023-24 Expenditure Budget</b>		<b>\$ 27,953,278</b>
<b>Current Projected Deficit 2022-23</b>		<b>\$ -</b>
<b>Current Projected Deficit 2023-24</b>		<b>\$ (584,000)</b>
<b>Reductions Needed to Break Even</b>		<b>\$ (584,000)</b>
<b>Estimated Ending Fund Balance 2022-23</b>		<b>\$ 1,621,775</b>
<b>Reductions needed for Fund Balance Restoration to 6.5% (One Year)</b>		<b>\$ 195,188</b>
<b>Total Reductions for Breakeven and One Year Fund Balance Restoration to 6.5%</b>		<b>\$ (779,188)</b>
<b>Total Unreserved Fund Balance @ 6.5%</b>		<b>\$ 1,816,963</b>
<b>Restricted for Maintenance/Capital</b>		<b>\$ 200,000</b>
<b>Total Fund Balance</b>		<b>\$ 2,016,963</b>
<b>Total Percent</b>		<b>7.2%</b>
<b>Recommended Reduction Amount in 2023-24</b>		<b>\$ (779,188)</b>

**Challenge 3:** *Where should the District make reductions of approximately \$780,000? The reviewer will use his observations and analysis to recommend several areas where expenditures can be reduced. These recommendations will inform the administration and will be used in conjunction with ideas/tactics formulated by the Superintendent and his leadership team.*

**Recommendation 1:** The reviewer believes the only way to provide certainty in savings is to reduce program or staffing levels. The first place to examine is the staffing allocations for instructional staff. (As it's the largest portion of the organizations budget) Beginning with high school staffing, the District is running average general education class sizes currently of 25.4 at Vashon High School. The reviewer would like the District to target an average general education class size of 28 students. If average class size is increased to 28, then the staffing of the building would move from the current 23.4 FTE to 21.30. (A reduction of 2.1 FTE) This is in line with industry standard class sizes and still better than the current state funded class size of 28.74 for grades 9 to12. Staffing must be allocated based on a targeted class size and not driven by the "master schedule" of the building. Most schedules at the secondary levels in Washington State are built using a combination of student enrollment, graduation requirements, student choice and set staffing allocations. In other words, staffing at the secondary level of the District should be done via pre-determined ratio. This proposed reduction would save an estimated \$273,000.

**Recommendation 2:** Moving to the middle school, current staffing is 16.8 general education certificated FTE for 356 students. This allocation results in a ratio of  $(356/16.8 = 21.2)$  when adjusting for prep period on a standard 6 period schedule, actual resulting class size is  $(21.2/5) * 6 = 25.40$ . The reviewer believes targeting an average class size of 28 is appropriate. This would require 15.5 teachers and would drive a reduction of 1.3 certificated FTE. An estimated savings of \$169,000 per year.

**Recommendation 3:** Given the District is on the higher end of the industry standard for administrative overhead (see prior chart) the District needs to continue to make reductions in administration (District has already committed to not fill the Exec. Director of Business). Vashon's sole elementary school has enrollment of 484 students with 2 administrators. The current ratio of administrator to students at Chautauqua is at 1:242. This ratio is very low in a time when the District is seeking financial solvency and battling increasing costs. This reduction would save approximately \$180,000.

**Recommendation 4:** Classified support staffing was also examined by the reviewer. Office support staff levels across the District are within industry standard, but there are efficiencies that can be exercised. The reviewer recommends that a reduction in High School office support needs to be undertaken as its current staffing model provides 3.5 FTE for 495 Students (1:141). A ratio between 250 to 300 students per 1.0 FTE of "office" support staff is typically sufficient to carry out the needed work. The goal, given the number of staff members at Vashon High School, should be to reduce 8 hours labor (the equivalent of a 1.0 FTE). This should result in annual savings of approximately \$85,000 and have a 1:200 staff to student support ratio.

**Recommendation 5:** This recommendation is focused on para-educator staffing levels. The first area that needs to be reduced in the reviewer's opinion is the AM/PM ferry monitors. This position should be examined, as the position provides monitoring/assistance of students outside of the schoolhouse on their way to/from school. The Ferry system is part of the public transport system in Washington State and has adult personnel aboard each vessel per the requirements of the US Coast Guard. The District needs to focus resources inward instead of providing services outside of the schools.

The second recommendation is to review and reduce by 1.0 FTE special education para-educator staffing. The reviewer in this case is aware that special education staffing is driven by student enrollment, level of acuity of disability, etc. to that end the District must rely on the Director of the Special Education program to execute staffing reductions that have the least impact on student services. If both recommendations are utilized in this case the estimated savings would be \$77,000 annually. Overall, as it relates to special education staffing, the District should reduce as recommended and utilize a cost containment strategy as special education continues to be subsidized by the local levy.

**Recommendation 5:** The reviewer examined the nutrition services department, including staffing levels, expenditures, and revenue. Vashon Island prides itself on executing scratch baking,

utilizing local ingredients, and serving the best quality food to students. This goal is laudable but must be appropriately resourced. An analysis of the most recently completed fiscal year (2021-22) demonstrated that Vashon Island was losing approximately \$0.31 per meal it was producing. To that end, lunch prices must increase to maintain a “break-even” program. The reviewer recommends the following for meal prices in 2023-24.

<b>Meal Prices for 2022-23</b>	<b>Breakfast</b>	<b>Lunch</b>
CES	<b>\$2.25</b>	<b>\$3.75</b>
MCM/VHS	<b>\$2.50</b>	<b>\$4.00</b>
Adults	<b>\$3.00</b>	<b>\$6.00</b>
<b>Proposed for 2023-24</b>	<b>Breakfast</b>	<b>Lunch</b>
CES	<b>\$2.75</b>	<b>\$4.25</b>
MCM/VHS	<b>\$3.00</b>	<b>\$4.50</b>
Adults	<b>\$3.50</b>	<b>\$6.50</b>

This \$0.50 increase will provide estimated additional revenue of \$116,000 annually. This will offset the cost increases occurring in 2022-23 and planned for in 2023-24.

**Recommendation 6:** The District should upon turn-over re-evaluate all positions for the need to rehire or not. This is a great practice to be in during leaner financial times. The District should also work with legislators to remedy the Vashon Island regionalization funding of 12%. The District is at a revenue disadvantage in comparison to districts across King and Snohomish counties. Additionally, the District can thoughtfully increase enrollment from “off-island.” Increasing reliance on out of District enrollment can be risky financially, but may be needed if Vashon Island student enrollment continues to be flat or in decline.

**SECTION 5: IMPLEMENTATION OF BUDGET REDUCTIONS (TIMING AND COMMUNICATIONS)**

**Challenge 1:** *When should the District begin to communicate to stakeholders the final plans for budget reductions of 2023-24?*

**Recommendation 1:** The reviewer recommends moving forward as soon as possible with a concrete plan for program reductions. These reductions should go before the Board of Directors in April of this year for action, well prior to the May 15<sup>th</sup> deadline for certificated staff renewal. Prior to or in conjunction with the Board of Directors action it is essential to notify/collaborate with labor unions and affected staff.

**Challenge 2:** *Communication to the community and staff as to why the reductions are needed now for future financial stability.*

**Recommendation 1:** Create a communication plan that tells what the narrative is for why the District is in a position that reductions are needed. For example, Vashon Island is not unique and the structure of school finance in Washington State has changed. The District is not in this position due to mismanagement, in fact aligning expenditures with current revenue streams is prudent.

**Conclusion:** The District is taking the appropriate steps to “right the financial ship,” and the reviewer commends District leadership for undertaking this process. There is still much work to be done as the accepted recommendations become implemented but given the skill and leadership that has been demonstrated, the District will be well served going forward.

**Appendix A: Summary of Proposed Budgetary Changes**

Dept/Bldg	Reduction	Cut/Shift/Add	Notes	Program Impact (Savings)/Increase	
				Costs	Gen Ed
MMS	Change Allocation Model	Cut 1.3 FTE	Target Class Size of 28 instead of 25	(169,000)	(169,000)
VHS	Change Allocation Model	Cut 2.1 FTE	Target Class Size of 28 instead of 25	(273,000)	(273,000)
CES	Reduce Elementary AP	Cut 1.0 FTE	Elementary Admin Position	(180,000)	(180,000)
VHS	Office Support	Cut 1.0 FTE	Office Support	(85,000)	(85,000)
Special Education	Para Support	Cut 1.0 FTE	Para Support	(52,000)	(52,000)
District	Ferry Monitor(s)	Cut AM/PM	Support Staff	(25,000)	(25,000)
<b>Total Reductions (FTE &amp; \$\$\$'s)</b>		<b>6.9</b>			<b>(784,000)</b>
<b>Additional Revenue to ensure Break-Even Food Service on a going forward basis (increase lunch and breakfast prices by \$0.50)</b>					<b>116,000</b>
<b>Total Reductions or Revenue Enhancements:</b>					<b>900,000</b>