

Budget Review 2023-24

Multnomah Education Service District



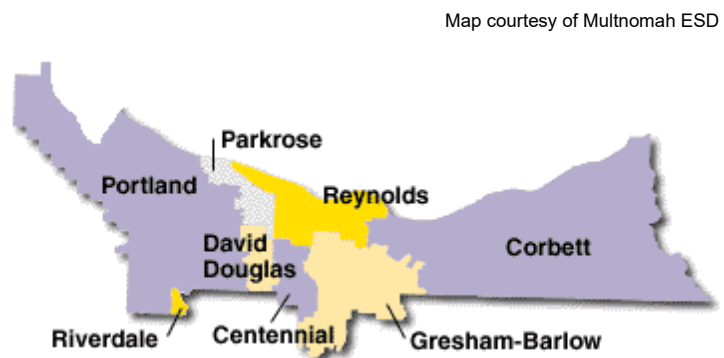
BUDGET HIGHLIGHTS

- The Approved Budget is increasing by \$5.8 million (5%) over the current year's revised budget, from \$129.7 million to \$135.6 million.
 - The Operating fund shows \$4.9 million as debt proceeds for the property they will be leasing. GASB 87 requires the total value to be recorded in the year the lease begins. So, the district is showing revenue of \$4.9 million as debt proceeds and offsetting it with the same amount for capital expenditures. When these two entries are removed, the increase in the budget is less than one percent.
- Multnomah ESD has a new Strategic Plan. The mission statement is: *Educating, Engaging, Inspiring, and Empowering through systems of support.*
- The revenue received from local education districts will increase by \$3.6 million over the current year as component districts continue to find MESD's services valuable.
- MESD's newest school, Rivercrest Academy, will open in Fall 2023. The academy is a recovery high school for students recovering from substance use or co-occurring disorders.
- The Approved Budget shows an increase of 23 positions.
 - A considerable portion of this results from the temporary, seasonal staff transitioning into FTE positions working 160 days per year.
- Total enrollment in the component school districts is dropping by 612 students. This is the fifth year enrollment has decreased.
- Uncertainties surrounding the district's budget include the State School Fund grant dollars that are not finalized and unknown component districts' enrollment in programs.
 - The district is anticipating making adjustments once more information is available.
 - MESD will use the January assumptions for the districts' choices for programs.

INTRODUCTION & BACKGROUND

The state legislature formally established the ESD in 1963. In 1978, the district's name was changed from Intermediate Education District to Multnomah Education Service District (MESD). Today, MESD staff work in over 180 schools and 25 community sites.

The seven-member Board of Directors that governs the district serves without compensation. All Directors are elected to four-year terms: five from zones and two elected at large.



MESD assists the Oregon Department of Education by administering state-level services and minimum education standards. The district also cooperatively provides specialized education services and facilities to its component school districts. Many specialized services are those with limited demand that can be delivered more efficiently and cost-effectively on a regional basis. Costs for support services in MESD

are more than twice the cost of instruction due to the distinctive needs of students. In component districts, support services costs are less than instruction costs.

MULTNOMAH ESD'S COMPONENT DISTRICTS					
District	Total Schools	Total Enrollment	District	Total Schools	Total Enrollment
Centennial	10	5,487	Parkrose	6	2,805
Corbett	1	1,055	Portland	103	44,681
David Douglas	18	8,645	Reynolds	20	9,807
Gresham-Barlow	22	11,458	Riverdale	2	595

Source: ODE Fall Membership Report 2022/23

MESD Mission, Vision & Values

Fiscal year 2024 is the first year of the district's new Strategic Plan: The Blueprint'28. The superintendent's budget message mentions that the MESD budget focuses on reaching the strategic planning goals by supporting: Student Services-School, Health and Special Education, Instructional Services, Technology Services, Communications and Community Engagement, and Administrative Services. This Blueprint '28 identifies clear metrics, strategies, and support systems that align with financial, academic, and student-centered measurements and stakeholder satisfaction, driving the ability to repurpose resources to impact priorities.

THE BLUEPRINT '28
 Multnomah ESD's roadmap for student success

MISSION Educating, Engaging, Inspiring and Empowering through systems of support.

VISION MESD is taking a systemic approach toward equity through creative, responsive, educational, health and technology services for all students regardless of race, ZIP code, ability, identity or country of origin.

GOAL 1 Creating A High-Quality Learning Experience for All

GOAL 2 Operationalizing Systems That Engage & Empower Communities

GOAL 3 Building A Culturally Responsive Workforce

Multnomah ESD	2019-20	2020-21	2021-22	2022-23
Assessed Value in Billions	\$78.958	\$82.556	\$86.733	\$90.678
Real Market Value (M-5) in Billions	\$178.763	\$186.305	\$196.714	\$211.928
Property Tax Rate Extended: Operations	\$0.4576	\$0.4576	\$0.4576	\$0.4576
Measure 5 Loss	\$-286,845	\$-319,307	\$-412,709	\$-442,691
Number of Employees (FTEs)	662	728	712	746

BUDGET OVERVIEW

MESD created this budget based on the Governor's recommended \$9.9 billion State School Fund (SSF) appropriation split 49/51 over the biennium. Education service districts receive 4.5% of that SSF amount. With this being the first year of the biennium, using the 49% split, MESD's allotment for FY 23-24 is approximately \$48.8 million per the current SSF formula and most recent ODE estimates.

The district's total budget is \$135.6 million, an increase of under five percent from the current revised budget. The increase was due to including the total value of the property the agency is leasing as debt proceeds and balancing it with a capital expenditure line item. Without this, the increase would have been less than one percent. When making comparisons in this review, this amount has been removed.

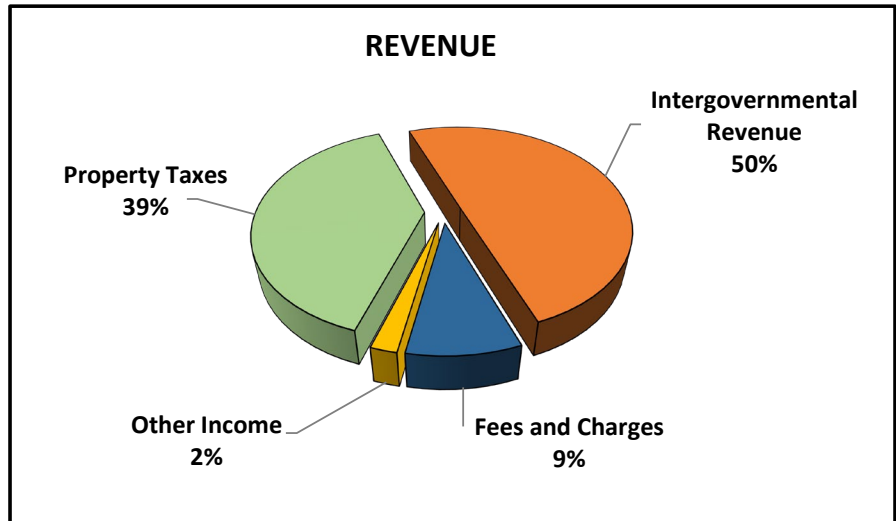
The revenues and expenditures are based on presumptions as of April 7, 2023. As the budget evolves, the district is certain adjustments will be necessary. It will be finalized once the uncertainty surrounding the component districts' program enrollment becomes more apparent. As in previous years, preliminary estimates are based on enrollment and service selections as of January 31, 2023. The governing board will adjust presumptions before June 30 as more information becomes available.

RESOURCES

Like K-12 districts, the MESD receives a set amount of funding from the State of Oregon. The district's primary revenue sources are property taxes and State School Funding (SSF). The state makes up the difference if property taxes are lower than projections.

Component districts have the option of selecting services or taking direct transit payments.

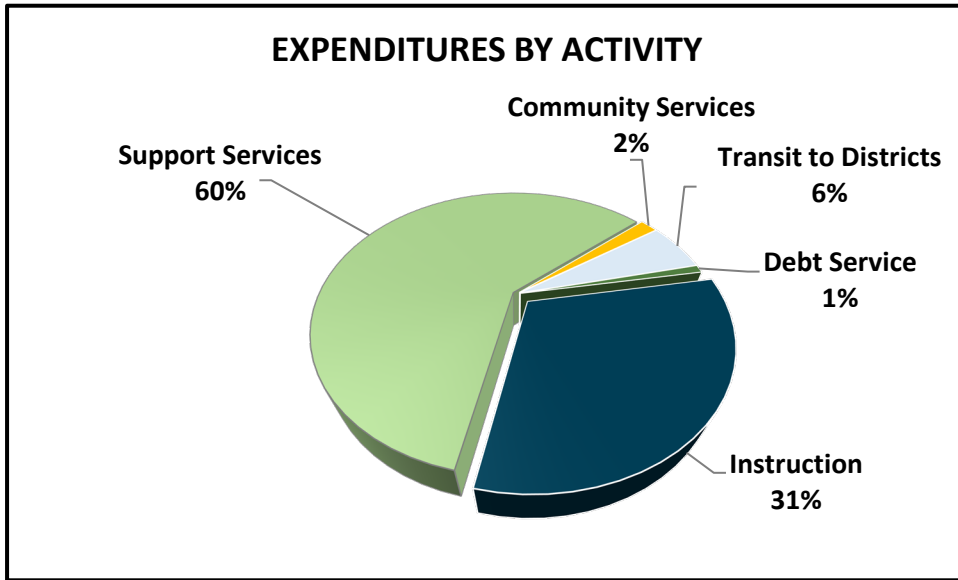
Other revenue sources include payment for services provided to non-component districts, federal and state grants, and interest on investments. MESD expects total revenue to decrease by \$600,000. Both federal and state support dropped in this budget as the increased support for pandemic recovery is phased out.



REQUIREMENTS

The expenditure portion of the budget is \$109.1 million, an increase of \$5.84 million (5.6%) over this year's budget. Personnel services will increase as the district increases salaries by 2.25% for COLA and step advancements for eligible employees. All current agreements are in place for staffing groups through June 2024. The agency is budgeting a 4% rise in health benefits.

Personnel Services



MULTNOMAH EDUCATION SERVICE DISTRICT							
Full Time Equivalent Positions by Department							
	Actual FY20	Actual FY21	Actual FY22	Revised FY23	Approved FY24	1 year Change	5 YEAR CHANGE
Administration	9	8	8	10	9	-1	0
Facilities	15	15	15	14	14	0	-1
Business Services	10	11	11	10	10	0	0
Human Resources	9	9	10	11	9	-2	0
Technical Services	30	30	29	30	30	0	0
Special Educations Services	277	313	282	290	274	-16	-3
School Health Services	136	152	164	175	176	1	40
Instructional Services	109	118	123	137	178	41	69
Total FTE	595	656	642	677	700	23	105

Personnel Services costs are 70% of the district's FY 23-24 expenditures. Full-time equivalent (FTE) positions will increase by 23 employees over the current year. The Instructional Service Department will expand by 41 workers. The increase results from some temporary, seasonal staff transitioning into permanent FTE positions. Most of these employees participate in the outdoor school programs. They enhance programs and have been reviewed and approved through Oregon State University Extensions, which administer the Measure 99 funding for Outdoor School.

Another change is the opening of the Rivercrest Academy in Fall 2023. There are 7.51 FTE budgeted for that facility. Once districts have made their service requests, staffing levels will be updated, and Personnel Services may see changes after adoption.

The Special Education Department is budgeting for 16 fewer FTE in the coming fiscal year. These are positions that the district has not been able to fill. The department reviewed and reclassified each vacant position as Behavioral Support Facilitator, and increased the compensation to align with the activity. They are hoping this change would help fill staffing positions and retaining qualified staff.

Like most districts, Multnomah ESD has difficulty finding, recruiting, and hiring qualified employees. The agency has utilized HB 4030 funding to help with recruiting activities. They have invested in learning from employees by conducting interviews across the district. They are discovering why employees stay at MESD, what they like about their jobs, and what they would change. They have rewarded the employees between \$60 and \$70 thousand using referral stipends. They are working with other agencies that support the district's hiring needs and are conducting a significant hiring event in May.

MULTNOMAH ESD REQUIREMENTS BY OBJECT				
	FY-2021	FY-2022	FY-2023	FY-2024
Personnel Services	51,846,148	57,321,792	63,976,442	72,475,569
Materials & Srvices	24,165,543	24,416,222	30,172,855	22,379,436
Capital Expenditures*	136,889	4,337,309	1,101,509	759320*
Debt Expenditures	3,384,770	64,277,546	8,089,205	8,627,663
Fund Transfers	5,600,091	5,198,327	5,519,128	5,419,417
Contingency	0	0	16,372,484	15,805,973
Ending Fund Balance	18,573,611	18,625,043	4,480,000	5,185,000
Total Requirements	103,707,052	174,176,239	129,711,623	130652378*

Materials & Services

Materials and Services expenditures are \$22.4 million in the FY 23-24 budget, a decrease of \$7.8 million. Purchased services, will decrease by \$5.2 million with non-instructional professional and technical services decreasing by \$3.6 million.

Capital Expenditures

Capital expenditure appropriations are increasing from the current year's expenditures of \$1.1 million to \$5.7 million, accounting for less than one percent of the expenses by object. Of this amount, \$4.9 million is for the total value of the building lease explained earlier. The table above does not include that expenditure. There is \$759,320 in capital appropriations set aside for technology and equipment.

SERVICE PROVISION

The district is unique among TSCC member districts in providing programs and services to other districts. It does this in two ways: through Resolution Program Services and Contract Program Services.

Resolution Program Services is a menu of program offerings in which the component districts choose to participate. State and local revenues fund this suite of services. The program offerings must be authorized by at least two-thirds of the school boards representing most of the county students. Since Portland Public School District enrollment makes up over 50% of the total number of students served by MESD, PPS must be one of the authorizing districts. These programs are all accounted for in the Resolution Services Fund.

Contract Program Services are education and administrative services that the district offers to component school districts - and districts outside of Multnomah County – and that the districts choose to purchase. These offerings are all accounted for in the Contract Services Fund.

Another way Multnomah ESD is unique is because property taxes are received in the Resolution Fund, and TSCC's spreadsheet shows the Resolution Fund as the General Fund. So, this review treats it like other districts' General Funds.

RESOLUTION SERVICE FUND

RESOURCES

Property taxes and State School Fund provide 85% of the revenue for the Resolution Fund. Of the \$40.5 million received from these sources, 90% percent is apportioned to the eight component school districts determined by each district's extended average daily membership weighted (ADMw). A maximum of 10% of the property taxes and SSF revenues are transferred to the Operations Fund to pay for the general operating costs of the district.

Each year, the ESD offers a menu of services to component school districts in the late fall. The districts then select the services they want to use in the following school year. They formalize their selections in a board resolution. So this fund is called the Resolution Fund. It accounts for the various programs provided to the component districts specified in their resolutions requesting services from MESD. The MESD's property taxes and State School Fund revenue pay for the resolution programs, not the component districts.

Component school districts select resolution program services within an allocated dollar amount. This menu used is called the Local Service Plan. The plan must include services from the following categories: special education, technology, school improvement and administrative support. The plan must also include any "entrepreneurial services" the ESD offers to entities that are not component school districts.

The Resolution Services Fund increased by 9% in the FY 23-24 budget, from \$57.5 million to \$62.6 million, even with the decline in component districts' drop in enrollment. Fall enrollment reports a total decrease of 3,613 from the current year's enrollment and over 11,000 compared to the fall enrollment five years ago for the eight Multnomah Education Service District districts. The drop in enrollment has impacted the amount the district will receive in State School Fund Grant dollars. However, the component districts are finding ways to maintain their current level of services, such as taking fewer resolution dollars in pass-through funds. In fact, in FY23, the agency is responding to district requests for additional MESD Programs. As a regional provider of services, the ESD offers economies of scale to component districts.

The chart below displays the downturn in enrollment over a five-year period. While Multnomah ESD's component districts have each declined between 4% and 14% and an average of 9%, MESD's enrollment slipped 21% from 412 students to 325.

Multnomah County School Districts' Fall Enrollment								
	2019	2020	2021	2022	2023	One Year Change	Five Year Students	Five Year Percentage
Centennial	6,184	6,099	5,710	5,520	5,487	-33	-697	-11.3%
David Douglas	10,009	9,719	9,209	8,720	8,645	-75	-1,364	-13.6%
Corbett	1,222	1,188	1,083	1,037	1,055	18	-167	-13.7%
Gresham Batlow	11,981	11,979	11,694	11,471	11,458	-13	-523	-4.4%
Parkrose	3,066	3,068	2,977	2,772	2,805	33	-261	-8.5%
Portland	48,677	48,559	46,924	45,123	44,681	-442	-3,996	-8.2%
Reynolds	11,019	10,940	10,443	9,940	9,807	-133	-1,212	-11.0%
Riverdale	637	648	601	563	595	32	-42	-6.6%
Totals	92,795	92,200	88,641	85,146	84,533	-613	-8,262	-8.9%
Multnomah ESD	412	476	429	377	325	-52	-87	-21.1%

CONTRACTED SERVICE FUND

In addition to resolution programs, component school districts and other public entities may contract with MESD for cooperative purchasing, elementary science projects, vocational education, and food dispensing programs. The district established the Contracted Services Fund to account for this function. The fund is self-supporting through grants and other reimbursements, mainly from the state and participating school districts. A maximum surcharge of 10% is added to the cost of services from this fund to cover the agency's operating costs.

The Contract Services Fund indicates an estimated decrease of 6% in FY 23-24 from \$48.2 million to \$45.2 million, with grant funding decreasing by \$1.7 million. This decrease is primarily attributable to diminishing pandemic relief dollars from federal and state sources. The declining funds are offset by a decrease in Personnel Services of \$1.4 million.

OTHER SIGNIFICANT BUDGET AREAS

OPERATING FUND

The total of the Operating Fund (excluding the lease amount showing the total value of the leased buildings) is \$10.6 million, which is \$833,102 under the current year's operating budget. Resources supporting this fund are mainly from Resolution and Contract Services funds transfers. By statute, the district is limited to 10% transfers of these funds. The total fees charged to grants and non-component districts is \$1.4 million, or 73% of the fund's total revenue.

All corporate functions are in this fund: the board expenses, the superintendent's office, finance and human resources. All expenditures are categorized as support services. Personnel Services costs account for 86% of fund expenditures (when the lease total value amount is removed from the budget).

DEBT STATUS

The district's debt is for PERS Bonds issued in 2004 and June 2022 to reduce the district's unfunded actuarial liability (UAL). The bonds issued in 2004 are scheduled to be paid off in 2028. In 2022 MESD

issued another round of PERS bonds for \$60.2 million. The total principal outstanding at the end of the current fiscal year is \$75.6 million.

MULTNOMAH EDUCATION SERVICE DISTRICT DEBT				
	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Outstanding Debt	\$23,395,000	\$21,300,000	\$79,158,416	\$75,677,417

BUDGET PROCESS & COMPLIANCE

Yes	No	Compliance Issue
x		Did the district meet publication requirements?
x		Do resources equal requirements in every fund?
	N/A	Does the G.O. Debt Service Fund show only principal and interest payments?
x		Do contingencies exist only in operating funds?
x		Did the Budget Committee approve the budget?
x		Did the Budget Committee set the levy?
x		Does the audit show that the district complied with budget law?

LOCAL BUDGET LAW COMPLIANCE

The 2023-24 Budget is in substantial compliance with local budget law. TSCC staff judged that the district's budget estimates were reasonable for the purposes shown.

The audit report for the fiscal year 2021-22 states that all expenditures were within budget appropriations, and the budget met all local budget law requirements.

CERTIFICATION LETTER RECOMMENDATIONS AND OBJECTIONS

TSCC staff did not find any deficiencies in the district's FY 2022-23 budget or budget process, and we suggest the Certification Letter contains no recommendations or objections.

Multnomah ESD

Budget Summary

	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	%
<u>SUMMARY OF ALL FUNDS</u>	Actual	Actual	Revised	Approved	Change
PROPERTY TAX BREAKDOWN:					
Permanent Rate Property Taxes	35,892,708	37,836,069	39,552,000	40,881,000	3.4%
Prior Years Property Taxes	593,174	501,361	479,000	476,000	-0.6%
TOTAL PROPERTY TAX	36,485,882	38,337,430	40,031,000	41,357,000	3.3%
RESOURCES:					
Beginning Fund Balance	16,860,401	18,573,608	18,625,043	20,265,000	8.8%
Property Taxes	36,485,882	38,337,430	40,031,000	41,357,000	3.3%
Intergovernmental Revenue	38,556,968	40,523,460	53,665,684	52,317,120	-2.5%
Fees and Charges	4,505,694	5,353,044	8,464,776	9,139,273	8.0%
Other Income	1,698,016	2,195,759	3,405,992	2,154,568	-36.7%
Debt Proceeds	0	63,994,611	0	4,900,000	0.0%
Transfers In	5,600,091	5,198,327	5,519,128	5,419,417	-1.8%
TOTAL RESOURCES	103,707,052	174,176,239	129,711,623	135,552,378	4.5%
REQUIREMENTS BY FUNCTION:					
Instruction	22,657,293	23,276,091	27,272,424	30,048,038	10.2%
Support Services	40,496,457	46,631,347	60,424,777	58,189,661	-3.7%
Enterprises and Community Services	126,830	655,476	1,606,389	1,701,626	5.9%
Facilities Acquisition and Construction	0	3,761,195	59,500	4,905,000	8143.7%
Debt Service	3,384,770	64,499,560	8,089,205	8,627,663	6.7%
Pass Throughs	12,868,000	11,529,200	5,887,716	5,670,000	-3.7%
Transfers Out	5,600,091	5,198,327	5,519,128	5,419,417	-1.8%
Contingencies	0	0	16,372,484	15,805,973	-3.5%
Ending Fund Balance	18,573,611	18,625,043	4,480,000	5,185,000	15.7%
TOTAL REQUIREMENTS BY FUNCTION	103,707,052	174,176,239	129,711,623	135,552,378	4.5%
REQUIREMENTS BY OBJECT:					
Personnel Services	51,846,148	57,321,792	63,976,442	72,475,569	13.3%
Materials & Services	24,165,543	24,416,222	30,172,855	22,379,436	-25.8%
Capital Outlay	136,889	4,337,309	1,101,509	5,659,320	413.8%
Debt Service	3,384,770	64,277,546	8,089,205	8,627,663	6.7%
Fund Transfers	5,600,091	5,198,327	5,519,128	5,419,417	-1.8%
Contingencies	0	0	16,372,484	15,805,973	-3.5%
Ending Fund Balance	18,573,611	18,625,043	4,480,000	5,185,000	15.7%
TOTAL REQUIREMENTS BY OBJECT	103,707,052	174,176,239	129,711,623	135,552,378	4.5%

SUMMARY OF BUDGET - BY FUND

Resolution Services Fund	56,619,561	57,569,494	57,451,182	62,562,369	8.9%
Contracted Services Fund	29,289,531	33,188,675	48,154,233	45,209,724	-6.1%
Debt Service Fund	3,394,096	3,763,036	7,267,125	7,574,366	4.2%
Facilities & Equip Reserve Fund	2,104,360	2,464,516	2,445,759	1,674,000	-31.6%
Operating Fund	10,184,874	74,570,531	11,438,166	15,505,064	35.6%
Risk Management Reserve Fund	2,114,630	2,619,987	2,955,158	3,026,855	2.4%
GRAND TOTAL ALL FUNDS	103,707,052	174,176,239	129,711,623	135,552,378	4.5%

DETAIL OF GENERAL FUND

RESOURCES:

Beginning Fund Balance	8,325,729	8,683,957	9,369,881	13,550,000	44.6%
Property Tax	36,485,882	38,337,430	40,031,000	41,357,000	3.3%
Federal Revenue	18,502	82,479	55,866	48,184	-13.8%
State Revenue	11,767,640	10,416,510	7,943,696	7,502,291	-5.6%
Local Revenue	9,102	32,612	17,500	19,430	11.0%
Other Income	12,706	16,506	33,239	85,464	157.1%
Transfers In	0	0	0	0	0.0%
TOTAL FUND RESOURCES	56,619,561	57,569,494	57,451,182	62,562,369	8.9%

REQUIREMENTS:

Instruction	9,828,860	8,846,674	8,803,610	11,368,944	29.1%
Support Services	19,832,271	22,691,353	23,906,592	26,182,611	9.5%
Enterprises and Community Services	71,482	305,048	136,889	180,611	31.9%
Pass Throughs	12,868,000	11,529,200	5,887,716	5,670,000	-3.7%
Transfers Out	5,334,991	4,827,338	4,936,957	5,030,417	1.9%
Contingencies	0	0	13,779,418	14,129,786	2.5%
Ending Fund Balance	8,683,957	9,369,881	0	0	0.0%
TOTAL FUND REQUIREMENTS	56,619,561	57,569,494	57,451,182	62,562,369	8.9%