

June 15, 2022

TO: Douglas County School District (DCSD or the District) Board of Education (BOE)

FROM: DCSD Fiscal Oversight Committee (FOC)

SUBJECT: SY 22-23 Budget

The FOC's primary function is to assist the BOE in fulfilling its fiscal oversight responsibilities with integrity and reliability. As such, the following comments are regarding the SY 22-23 District Budget.

- We commend the District staff for providing a detailed budget and related information to the FOC. We are confident this will be beneficial as the BOE navigates the next school year.
- The compensation and benefit recommendations are significant and unsustainable without additional funding. The proposed budget, including:
 - Staff pay increases,
 - Retention payments for employees returning in the fall,
 - Lump sum stipends to address staff that are above pay band, and
 - No employee increase for benefits are all significant increases.

The recently approved compensation plan sets in motion salary improvements that are not covered by current ongoing funding, leading to deficit spending and use of reserve funds. Additionally, there is not a performance-based element included in the compensation recommendations. The FOC asks that, going forward, we have a chance to review some type of proposed enhancement for incorporating a performance piece into the ongoing compensation plan. However, we stop short of recommending such a change at this time.

- The Site Based Budgeting (SBB) is an important tool that allows the individual school to make their own decisions in using budget dollars that follow their specific needs. Last year's improvements that provide additional funds to schools that have students needing additional resources to succeed and this year's change for a small school factor will be helpful. We believe benchmarking, other than just getting the money out, should be part of determining if the new SBB formula is helping students in need and continuing to meet the other outcomes for which it was established.
- After some fiscal concerns surrounding the pandemic, it appears that targeted Federal funding and additional State funding for the District has generated an increase in undesignated reserves. This appears to be a one-time event that is unlikely to continue. Using some of the undesignated reserves to create designated reserves for "operating" and "capital improvements" will provide greater stability for the BOE to adapt to the unknown financial needs in the future.
- With the current economic volatility, it would be time well used to consider the impact to school funding during the last economic downturn in 2008. This information will be useful if the State suffers reduced tax revenue and again uses school funding to balance its budget.

- While the low interest rate environment has changed, we recommend the District continually review existing bonds and COP lease payments for potential savings from lower rates or a combination of lower rates and reduced terms.
- Although not mentioned in the budget, it is implied that additional funding is needed in the near-term. If the State revenue continues its current path, some of the needed funds will come from the State. We will be providing recommendations soon in a separate memo on needs for an additional Mill Levy Override and Capital Bond funding.

The BOE and the District leadership team play key roles in the education of students in the District. Being good and wise stewards of taxpayer funds and clearly communicating with staff, parents, and other taxpayers is critical. We thank the BOE for working with the FOC and we look forward to continuing to assist the BOE with its fiscal oversight responsibilities. If additional information or clarification is needed, we would be happy to respond.

Sincerely,

James Maras

James Maras, Chair, on behalf of the FOC