

Budget Review 2023-24

Multnomah Education Service District



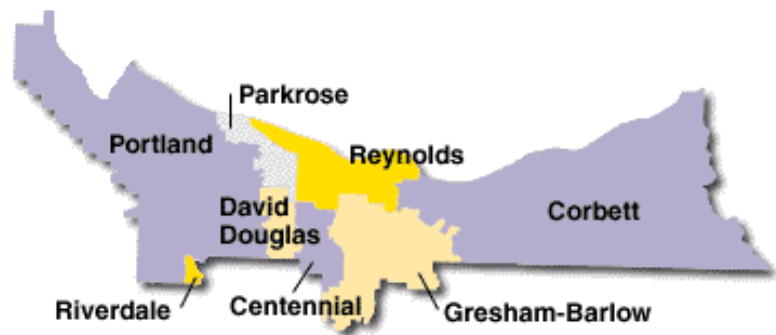
BUDGET HIGHLIGHTS

- The Approved Budget is decreasing by \$12.4 million (-8.9%) over the current year's revised budget, from \$138.9 million to \$126.5 million.
 - Just under half of the decrease is due to a change in accounting in last year's budget (GASB 87) requiring the Operating fund to show the total value of Rivercrest Academy property lease in the year the lease began (\$4.9 million). When the entries are removed, the decrease in the budget is roughly 5.6%.
 - The second half of the decrease is due to the reduction in federal support as federal grants projects are completed.
- 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.
- The revenue received from local education districts will increase but at a slower rate. Revenue increases \$912 thousand over the current year. Last year this revenue source increased by \$3.4 million.
- Personnel services will increase by a placeholder percentage for COLA as the district is in negotiations and step advancements for eligible employees. Current agreements for all staff end as of June 30, 2024.
- The Approved Budget shows an increase of five positions in response to meet the needs of component districts and the regional student population focusing on increases in Student Health and Instructional Services.
- Total enrollment in the component school districts is dropping by 566 students. This is the fifth year enrollment has decreased.

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).

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 is primarily located in Multnomah County and extends into Clackamas and Washington counties along school district boundaries. The eight 'component districts' in the region are diverse and include central city, suburban and rural schools. MESD serves over 174 schools and 25 community sites.

MESD Eight Component Districts					
District	Total Schools	Total Enrollment	District	Total Schools	Total Enrollment
Centennial	10	5,485	Parkrose	6	2,822
Corbett	1	1,063	Portland	99	43,979
David Douglas	14	8,660	Reynolds	20	9,613
Gresham-Barlow	22	11,371	Riverdale	2	564

Source: ODE Fall Membership Report 2023/24

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.

MESD Mission, Vision & Values

The district continues into its second year of the Strategic Plan: The Blueprint'28, which sets 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	2020-21	2021-22	2022-23	2023-24
Assessed Value in Billions	\$82.556	\$86.733	\$90.678	\$97.984
Real Market Value (M-5) in Billions	\$186.305	\$196.714	\$211.928	\$214.090
Property Tax Rate Extended:				
Operations	\$0.4576	\$0.4576	\$0.4576	\$0.4576
Measure 5 Loss	\$-319,307	\$-412,709	\$-442,691	\$-719,366

BUDGET OVERVIEW

MESD created this budget based on the Governor's recommended \$10.2 billion State School Fund (SSF) appropriation split 49/51 over the biennium. ESD's 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 24-25 is approximately \$52 million per the current SSF formula and most recent Oregon Department of Education (ODE) estimates.

The district's total budget is \$126.5 million, a decrease of 8.9% percent from the current revised budget. This is in large part due to the \$4.9 million recorded under national accounting standard required GASB 87 (requiring the total value to be recorded in the year the lease begins) for the Rivercrest Academy property leased in prior year. Excluding the capital lease, the districts total budget represents a reduction of 5.6% driven by the completion of federal grants in prior year.

Due to the timing of information from the state and component districts, it is certain budget changes will happen prior to budget adoption. The revenues and expenditures are based on presumptions as of February 20, 2024, when the MESD Board approved the budget parameters in a resolution. It will be finalized once the uncertainty surrounding the component districts' program enrollment is resolved. As in previous years, preliminary estimates are based on enrollment and service selections as of January 31, 2024. The governing board will adjust presumptions before June 30 as more information becomes available.

RESOURCES

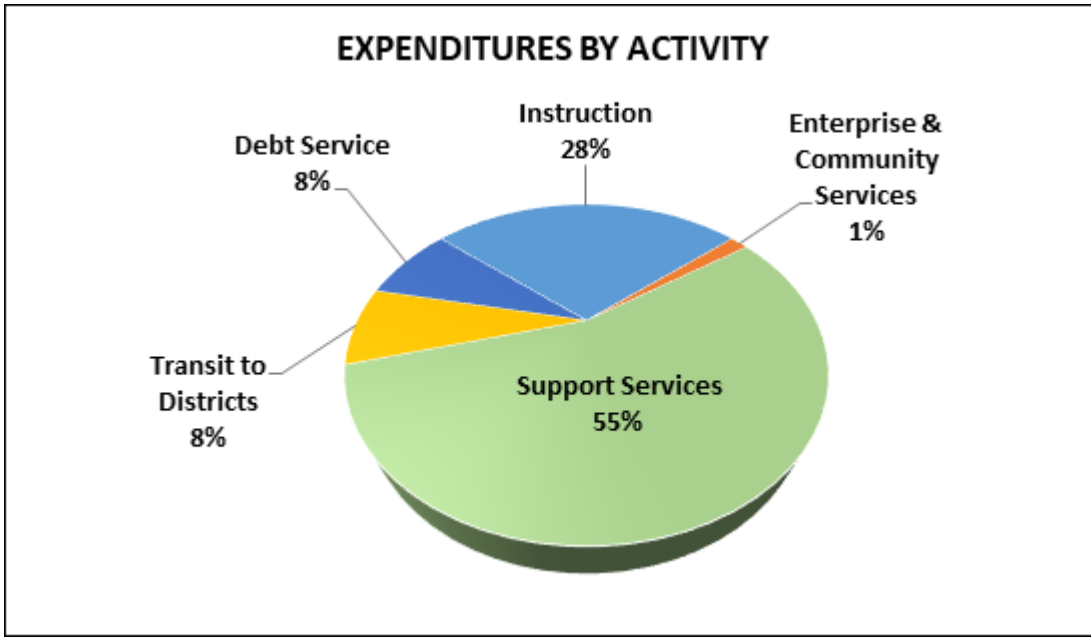
Like K-12 districts, the MESD receives a set amount of funding from the State of Oregon. State School Funds (SSF) are appropriated by the State for all K-12 Funding across the state. Approximately 54% of the MESD's revenues come from the SSF appropriation. The appropriation calculation includes the property taxes received by the ESD. The remainder of the SSF appropriation less the estimated property taxes is recorded as SSF revenue.

Component districts have the option of selecting services or taking direct transit payments, which MESD passes through to the component districts.

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 \$5.5 million (7%). Increases in property tax revenue offset large decreases in federal funding that completed in 2024.

REQUIREMENTS

The expenditure portion of the budget is \$112.1 million, a decrease of \$7.4 million (6%) over this year's budget in direct relation to the reduction of federal funding completion. The district is in negotiations with the unions, and personnel services will increase a placeholder percentage for COLA and step advancements for eligible employees. Current agreements for all unions end as of June 30, 2024. The agency is budgeting a 4% rise in health benefits.



MULTNOMAH ESD REQUIREMENTS BY OBJECT				
	FY-2022	FY-2023	FY-2024	FY-2025
Personnel Services	\$57,321,792	\$62,957,956	\$70,760,887	\$78,771,023
Materials & Services	24,416,222	26,385,584	34,508,531	24,534,978
Capital Expenditures	4,337,309	951,933	711,267*	23,402
Debt Expenditures	64,277,546	8,089,204	8,627,663	8,740,660
Fund Transfers	5,198,327	5,919,775	5,638,234	5,923,831
Contingency	0	0	8,133,848	1,760,856
Ending Fund Balance	18,625,043	20,238,001	5,651,829	6,760,000
Total Requirements	\$174,176,239	\$124,542,453	\$134,035,259	\$126,514,750

**GASB 87 Capital Lease for Rivercrest Academy (\$4.9 million excluded)*

Personnel Services

Personnel Services costs are 70.3% of the district's FY 2024-25 expenditures. Full-time equivalent (FTE) positions will increase by five Full-Time Equivalent (FTE) employees over the current year. Much of the staffing levels remain consistent with prior year. Some notable changes to programming are detailed below.

Special Education Services, School Health Services and Instructional Services departments increase by a combined three FTE from prior year revised budget. This is based on the fluctuation to meet the needs of component districts and the regional student population.

MULTNOMAH EDUCATION SERVICE DISTRICT							
Full Time Equivalent Positions by Department							
	Actual FY21	Actual FY22	Actual FY23	Revised FY24	Approved FY25	1 YEAR Change	5 YEAR CHANGE
Administration	8	8	10	9	9	0	1
Facilities	15	15	14	14	15	1	0
Business Services	11	11	10	12	11	-1	0
Human Resources	9	10	11	11	11	0	2
Technical Services	30	29	30	30	31	1	1
Special Educations Services	313	282	290	275	262	-13	-51
School Health Services	152	164	175	175	183	9	31
Instructional Services	118	123	137	184	192	8	74
Total FTE	656	642	677	710	714	5	58

Materials & Services

Materials and Services expenditures are \$24.5 million in the FY 2024-25 budget, a decrease of nearly \$10 million. This is directly related to the reduction of federal funding that is completed in the 2023-24 revised. Of that \$10 million, the largest reduction is in Purchased Services, which will decrease by \$6.2 million.

Capital Expenditures

Capital expenditure appropriations are decreasing from the current year's expenditures of \$711 thousand to \$23 thousand, accounting for less than one percent of the total expenses by object when excluding the \$4.9 million capital building lease required by GASB 87 in 2023-24. Note that the table on p.4 excludes that expenditure. No significant capital expenditures are slated for 2024-25. Funding is set-aside for routine repairs and equipment replacements.

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. The districts choose to purchase these offerings (or not); purchases are all accounted for in the Contract Services Fund.

Another way Multnomah ESD is unique is by receiving property taxes in the Resolution Fund and the district has no fund named "General". Therefore TSCC's spreadsheet shows the Resolution Fund as the "General Fund".

RESOLUTION SERVICE FUND (General Fund)

Property taxes and State School Funding (SSF) provides 90% of the revenue for the Resolution Fund. Of the \$52.1 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). This resource is directly tied to school enrollment. 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. As such, 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 decreased 7.1% in the FY 24-25 budget, from \$61.1 million to \$56.8 million. The largest resource decrease is in the fund's beginning balance, which goes from \$10.6 million to \$4.1 million. On the expenditure side, contingency is reduced in this fund to balance the decrease in fund balance.

Transit payments (pass-through of state dollars) to the component districts are 16% of expenditures in this fund. These pass-through payments of \$8.5 million are estimated to decrease by \$3.2 million compared to the current budget.

Fall enrollment reports a total decrease of 566 from the current year's enrollment and over 8,643 compared to the fall enrollment five years ago for the eight MESD districts. In the past, the component districts have typically chosen to maintain their current level of services even in the face of declining enrollment, since the need for MESD services is still there. As a regional provider of services, the ESD offers economies of scale to component districts. This year sees growth from component district revenue of \$912,000, a slower rate of growth than in last year's budget.

The chart below displays the downturn in enrollment over a five-year period. Multnomah ESD’s component districts have each declined between 1% and 3%, averaging 2%, and MESD’s enrollment slipped 7% from 476 students to 336.

Multnomah County School Districts' Fall Enrollment								
	2020	2021	2022	2023	2024	One Year Change	Five Year Change	Five Year Change %
Centennial	6,099	5,710	5,520	5,487	5,485	-2	-614	-10.07%
Corbett	1,188	1,083	1,037	1,055	1,063	8	-125	-10.52%
David Douglas	9,719	9,209	8,720	8,635	8,660	25	-1,059	-10.90%
Gresham Barlow	11,979	11,694	11,471	11,374	11,371	-3	-608	-5.08%
Parkrose	3,068	2,977	2,772	2,805	2,822	17	-246	-8.02%
Portland	48,559	46,924	45,123	44,364	43,979	-385	-4,580	-9.43%
Reynolds	10,940	10,443	9,940	9,807	9,613	-194	-1,327	-12.13%
Riverdale	648	601	563	596	564	-32	-84	-12.96%
Totals	92,200	88,641	85,146	84,123	83,557	-566	-8,643	-9.37%
Multnomah ESD	476	429	377	325	336	11	-140	-29.41%

Source: [Oregon Department of Education: Student Enrollment Reports : Students : State of Oregon](#)

OTHER SIGNIFICANT BUDGET AREAS

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 8.1% in FY 2024-25 from \$47.4 million to \$43.6 million, with grant funding decreasing by \$5.1 million. This decrease is primarily attributable to diminishing pandemic relief dollars from federal sources. The declining funds are offset by decreases in Purchased Services and Supplies and Materials.

OPERATING FUND

The total of the Operating Fund is \$11.5 million. Resources supporting this fund are mainly from Resolution and Contract Services funds transfers, \$5.2 million for FY 25. By statute, the district is limited to 10% transfers of these funds.

The Operating Fund also receives fees charged to grants and non-component districts at a total of \$1.4 million. These three sources of revenue make up 58% 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 utilize 85% of the fund’s revenue sources.

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 \$67.1 million.

MULTNOMAH EDUCATION SERVICE DISTRICT DEBT					
	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025
Outstanding Debt	\$21,300,000	\$79,158,416	\$75,677,417	\$71,645,817	\$67,089,493

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 2024-25 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 2022-23 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 2023-24 budget or budget process, and we suggest the Certification Letter contains no recommendations or objections.

Multnomah ESD

Budget Summary

<u>SUMMARY OF ALL FUNDS</u>	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	%
	Actual	Actual	Revised	Approved	Change
PROPERTY TAX BREAKDOWN:					
Permanent Rate Property Taxes	37,836,069	39,265,020	41,347,000	43,439,000	5.1%
Prior Years Property Taxes	501,361	618,866	10,000	460,000	4500%
TOTAL PROPERTY TAX	38,337,430	39,883,886	41,357,000	43,899,000	6.1%
RESOURCES:					
Beginning Fund Balance	18,573,608	18,625,043	20,238,001	13,294,600	-34.3%
Property Taxes	38,337,430	39,883,886	41,357,000	43,899,000	6.1%
Intergovernmental Revenue	40,523,460	48,119,650	54,699,024	51,284,312	-6.2%
Fees and Charges	5,353,044	9,214,870	9,132,712	9,542,222	4.5%
Other Income	2,195,759	2,779,229	2,975,288	2,570,785	-13.6%
Debt Proceeds	63,994,611	0	4,900,000	0	-100%
Transfers In	5,198,327	5,919,775	5,638,234	5,923,831	5.1%
TOTAL RESOURCES	174,176,239	124,542,453	138,940,259	126,514,750	-8.9%
REQUIREMENTS BY FUNCTION:					
Instruction	23,276,091	26,550,599	30,143,759	31,105,985	3.2%
Support Services	46,631,347	54,654,650	62,432,693	61,987,655	-0.7%
Enterprises and Community Services	655,476	1,302,508	1,729,285	1,730,763	0.1%
Facilities Acquisition and Construction	3,761,195	0	4,905,000	5,000	-99.9%
Debt Service	64,499,560	8,089,204	8,627,663	8,740,660	1.3%
Pass Throughs	11,529,200	7,787,716	11,677,948	8,500,000	-27.2%
Transfers Out	5,198,327	5,919,775	5,638,234	5,923,831	5.1%
Contingencies	0	0	8,133,848	1,760,856	-78.4%
Ending Fund Balance	18,625,043	20,238,001	5,651,829	6,760,000	19.6%
TOTAL REQUIREMENTS BY FUNCTION	174,176,239	124,542,453	138,940,259	126,514,750	-8.9%
REQUIREMENTS BY OBJECT:					
Personnel Services	57,321,792	62,957,956	70,760,887	78,771,023	11.3%
Materials & Services	24,416,222	26,385,584	34,508,531	24,534,978	-28.9%
Capital Outlay	4,337,309	951,933	5,619,267	23,402	-99.6%
Debt Service	64,277,546	8,089,204	8,627,663	8,740,660	1.3%
Fund Transfers	5,198,327	5,919,775	5,638,234	5,923,831	5.1%
Contingencies	0	0	8,133,848	1,760,856	-78.4%
Ending Fund Balance	18,625,043	20,238,001	5,651,829	6,760,000	19.6%
TOTAL REQUIREMENTS BY OBJECT	174,176,239	124,542,453	138,940,259	126,514,750	-8.9%

SUMMARY OF BUDGET - BY FUND

Resolution Services Fund	57,569,494	58,021,349	61,077,421	56,768,944	-7.1%
Contracted Services Fund	33,188,675	41,564,837	47,436,853	43,600,437	-8.1%
Debt Service Fund	3,763,036	8,183,953	8,491,195	9,587,182	12.9%
Facilities & Equip Reserve Fund	2,464,516	2,398,759	1,941,344	1,850,100	-4.7%
Operating Fund	74,570,531	11,477,714	16,875,421	11,454,271	-32.1%
Risk Management Reserve Fund	2,619,987	2,895,841	3,118,025	3,253,816	4.4%
GRAND TOTAL ALL FUNDS	174,176,239	124,542,453	138,940,259	126,514,750	-8.9%

DETAIL OF GENERAL FUND**RESOURCES:**

Beginning Fund Balance	8,683,957	9,369,881	10,954,854	4,500,000	-58.9%
Property Tax	38,337,430	39,883,886	41,357,000	43,899,000	6.1%
Federal Revenue	82,479	28,447	64,985	54,157	-16.7%
State Revenue	10,416,510	8,250,053	8,583,447	8,189,432	-4.6%
Local Revenue	32,612	40,497	26,832	19,614	-26.9%
Other Income	16,506	31,551	90,303	106,741	18.2%
Transfers In	0	417,034	0	0	0.0%
TOTAL FUND RESOURCES	57,569,494	58,021,349	61,077,421	56,768,944	-7.1%

REQUIREMENTS:

Instruction	8,846,674	10,232,561	11,206,489	12,261,089	9.4%
Support Services	22,691,353	24,076,022	28,397,136	30,189,621	6.3%
Enterprises and Community Services	305,048	17,404	161,134	146,370	-9.2%
Pass Throughs	11,529,200	7,787,716	11,677,948	8,500,000	-27.2%
Transfers Out	4,827,338	4,952,792	5,238,532	5,453,331	4.1%
Contingencies	0	0	4,396,182	218,533	-95.0%
Ending Fund Balance	9,369,881	10,954,854	0	0	0.0%
TOTAL FUND REQUIREMENTS	57,569,494	58,021,349	61,077,421	56,768,944	-7.1%