

# Vernonia School District – Financial Update

Reduction In Staff Resolution

FY 2024-25 Review and FY2025-26 Projections

10/9/2025

Jim Helmen- Superintendent

Marie Knight- Business Manager

# Opening Statement

On May 15, the District received a State School Fund repayment notice of \$730,521.30, which immediately raised red flags and prompted a decision for the District to complete full encumbrances of FY23-24 and conduct a financial audit before making any final determinations.

By the time the encumbrances were finalized and the audit results returned in September, the 2025–26 school year had already begun.

In hindsight, I realize we should have acted immediately when we learned of the repayment instead of moving toward an audit. Staff and program reductions could have addressed the \$700,000 deficit without delay, and waiting for the audit only prolonged uncertainty.

Please know that I take full accountability for this decision and for the stress, anxiety, and hardship it is causing our staff. I deeply regret that my choices created this burden for those who dedicate themselves every day to our students.

Please know that I am committed to learning from this experience and doing everything possible to prevent a similar situation in the future. I am truly sorry for the impact this has had on each of you.

# Opening Statement

On May 15, the District received a State School Fund repayment notice of \$730,521.30, which immediately raised concerns and prompted the decision to complete full encumbrances of FY23-24 and conduct a financial audit before making any final determinations.

By the time the encumbrances were finalized and the audit results returned in September, the 2025–26 school year had already begun. While a decision to make staffing and program reductions immediately in May could have addressed the \$700,000 deficit sooner, the overall impact — including the loss of valued staff — would have been similar, just earlier.

Our District has a strong track record of success and responsible stewardship, and we remain committed to preserving the high standards our community expects. This situation has made clear that we must strengthen our financial systems and decision-making processes to ensure we can act promptly and strategically in the future.

Moving forward, we are implementing changes that include:

- Earlier review and response protocols when budget adjustments are needed.
- Streamlined communication between business office, superintendent and the Board to accelerate decision-making.
- Continued professional audits to verify and safeguard fiscal accuracy.

We understand how deeply this affects our staff and community. While the outcome is challenging, we are learning from it and making changes to protect our mission and priorities. Thank you for your dedication to our students and for your continued trust as we work together to move forward.

# Current Financial Position

## General Fund Status

- FY2024-25 projected ending balance: **(-\$89,330)**
- FY2025-26 projected ending balance (without corrective action): **(-\$281,737)**
- **Implication:** Negative balances require **proactive strategies** to ensure financial stability

**Visual idea:** Bar chart showing FY2024-25 vs FY2025-26 projected balances

# FY2024-25 Expenditure & Revenue Overview

## Budget Variance Review

- Expenditures higher than anticipated, contributing to reduction in ending balance
- Revenue lower than projected, creating additional strain
- Causes: Unanticipated adjustments and normal variance in operating costs

Visual idea: Side-by-side bar chart of projected vs actual revenue and expenditures

# State School Fund (SSF) Adjustment

## SSF Reconciliation – FY2023-24

- Oregon Department of Education reconciles prior year revenue each spring
- Local revenue higher than projected – reduction in SSF allocation: \$659,322
- Mitigation: District had set aside \$668,000– minimized impact on operations

Talking point: Importance of setting aside contingency funds for revenue volatility

Visual idea: Line chart showing projected vs actual SSF revenue over 3 years

# Transportation Reimbursement Adjustment

## GASB 86 Accounting Change – Transportation

- Reimbursement rate reduced from 80% to 70%, effective FY2024-25
- Revenue loss: \$388,669
- Not communicated until May 2025 – impacted budget planning

Visual idea: Pie chart showing transportation revenue loss vs total revenue

# Combined Financial Impact

## Key Factors Contributing to Shortfall

- SSF reduction: \$659,322
- Transportation reimbursement loss: \$388,669
- Higher-than-expected expenditures
- **Total combined impact** = significant reduction to General Fund balance

**Visual idea:** Stacked bar showing each factor's contribution to deficit

# FY2025-26 Projections

## Projected Challenges

Without staffing and program adjustments: Negative balance (\$281,737) at the end of the school year

### Factors:

- Revenue uncertainty (state funding, transportation)
- Staffing and operational costs
- Historical expenditure trends

Visual idea: Line chart showing fund balance projection over 3 fiscal years

# Recommended Strategies

## Action Plan to Address Shortfall

- Review expenditure trends to identify cost-saving measures
- Reassess revenue projections for FY2025-26
- Develop budget adjustment plan for the year
- Consider mid-year staffing adjustments as needed to maintain balance

Visual idea: Table of strategies with responsible departments and timeline

# Next Steps & Oversight

## Ensuring Fiscal Responsibility

Leadership will:

- Monitor monthly financial reports closely
- Provide enhanced monthly summaries for the Board
- Adjust operations as needed to maintain compliance and sustainability

Goal: Protect student programs, staffing, and services while addressing shortfall

# Transparency & Communication

## Enhancing Board Oversight

- Improve monthly reporting to include:
  - Revenue adjustments
  - Encumbrances
  - Year-to-date trends
- Maintain open communication with Board and staff

# Questions & Discussion- Board

## Open Discussion

- Board input welcome
- Feedback on recommendations and strategies encouraged

# Enrollment

VSD seeking a staff reduction plan due to budget shortfall of \$700,000

How we got Here:

1. 24/25 state school fund adjustment due to:
  - i. One time Timber sales
  - ii. Decrease Transportation reimbursement
  - iii. Property Tax increase
  - iv. ADW loss
  - v. Teacher Experience

What we are doing to fix the problem

1. Proactive approach to attrition for 25-26 on staffing and materials
2. Completed full audit of school fund ( 3 year cyle)
3. Identified need for staff and program reductions mid year to mitigate further cuts for 26-27.
4. Adjusting to a budget ratio of 30:1 instead of 17:1

if we do not now:

1. We will have a negative fund balance of \$300,000
2. Have to get a loan to pay for payroll ( Loan against 26-27 state school fund)
3. Impact to core CTE and fine art programs

# Vernonia's Timber Revenue Bubble (FY22/23–FY25/26)

- Fiscal Year | Timber Revenue | Change | What Happened
- 2022–23 | \$833,453 | — | Typical timber year
- 2023–24 | \$1,006,311 | +\$172,858 | One-time spike from strong sales
- 2024–25 | \$650,000 | –\$356,000 | Returned to normal levels
- 2025–26 (proj.) | \$700,000 | Stable | Returns to historical average
- Explanation: One-year spike temporarily boosted local funding; SSF reduced, lag created shortfall.
- Set aside, adjust estimates in december.

# District Approach: Conservative Funding & Staffing Adjustments

- Oregon's economic challenges and revenue volatility create uncertainty
- Total FTE across all funds decreasing gradually: 93.44 → 83.63
- Staff Type | FY23/24 | FY24/25 | FY25/26
- Classified | 31.09 | 30.97 | 27.73
- Teachers | 41.27 | 35.90 | 35.90
- Administrative | 5.50 | 5.00 | 5.00
- Teachers aligned to enrollment, classified adjusted gradually, admin slightly reduced.

# Conservative Funding & Savings To Date

- Non-teaching positions adjusted strategically rather than across-the-board cuts
- Key positions like Superintendent and Business Manager maintained/increased
- Gradual reductions create buffer against unexpected funding drops
- Focus on core programs and stability
- Savings support continued student programs and services

# Vernonia School District Budget Overview

- Fiscal Year | Revenue (\$) | Expenditures (\$) | Ending Fund Balance (EFB %)
- FY20/21 | 8,222,232 | 7,811,262 | 4.99%
- FY21/22 | 8,499,846 | 8,078,579 | 4.96%
- FY22/23 | 9,432,978 | 8,721,788 | 7.54%
- FY23/24 | 10,104,398 | 9,336,711 | 7.60%
- FY24/25 | 9,398,479 | 9,478,672 | -0.85%
  
- Key Takeaways:
- Revenue growth steady until FY23/24
- FY24/25 shows temporary deficit, prompting monitoring