Midland Independent School District

BOARD OF TRUSTEES AGENDA

Meeting Date: March 4, 2026

Presented by: Tucker Durham, Chief Financial Officer

Subject: Board Committee Report

Information Item

Executive Summary

Budget Projections – Fiscal Year 2025–2026

The Committee received an update on projections for the current fiscal year. Mr. Durham explained that the projections remain based on assumptions and may fluctuate as the year progresses. However, current estimates indicate the district is expected to finish the fiscal year in a balanced or surplus position rather than the previously adopted $7.89 million deficit. The projections include approximately $2.4 million in net proceeds from the sale of two district-owned apartment complexes, which recently closed.

Mr. Durham reviewed several key assumptions used in developing the projections. Average Daily Attendance (ADA) is currently 26,170, though projections assume 26,000 ADA for the remainder of the year to remain conservative. The district's attendance rate through the first four six-week cycles is 92.9%, compared to the 93% attendance rate assumed in the budget. Mr. Durham also discussed one-time revenue associated with the 1882 partnership at Lamar through the Capri project, explaining that the district retained 100% of the 1882 funds in the third year of the agreement, which equates to approximately $1 million in additional revenue this year. He noted that this revenue is unique to the current year and will not recur in future projections.

Required Budgeted Costs

The Committee reviewed several major required costs that must be included in the district's annual budget. Mr. Durham noted that payroll represents approximately 78% of the district's local operating budget, excluding revenues associated with 1882 partnerships. Other significant required expenditures include tax collection and assessment costs, which total approximately $3.7 million, as well as property, auto, and risk management insurance, financial audit services, utilities and fuel costs, and recapture payments.

Mr. Durham reported that the district changed its property insurance brokerage during the previous fiscal year, which resulted in a slight reduction in insurance costs. A meeting with the district's insurance brokers is scheduled following spring break to begin planning for the upcoming policy year. Savings may also occur due to the district no longer owning certain properties.

Preliminary Outlook – Fiscal Year 2026–2027

The Committee reviewed preliminary assumptions and projections for the upcoming 2026–2027 fiscal year. Current planning estimates include projected enrollment of 28,959 students, projected ADA of 25,952, and an attendance rate of approximately 92.5%.

Mr. Durham also discussed several external revenue factors that may influence district finances. Interest rates have declined significantly compared to the previous year, which will reduce interest earnings. While the district earned approximately $16 million in interest revenue last year, current projections assume approximately $8.3 million due to lower rates, currently hovering around 3.5%.

Oil royalty revenue remains another variable. The district budgeted $3.5 million in royalties for the current year. Mr. Durham noted that geopolitical conditions and fluctuations in oil markets may impact whether that projection is ultimately met.

Additional Revenue Opportunities

Dr. Howard discussed additional revenue associated with the Arrington and Midland College agreement, which is expected to generate approximately $3.7 million over a 15-year period, with roughly half of the revenue expected within the first 18–24 months of operations. Mr. Durham also noted that additional mineral leases approved by the Board during the previous summer are beginning to generate revenue.

Campus Consolidation and Facility Considerations

The Committee discussed potential facility changes and long-term planning considerations. One concept under review involves consolidating the Lamar campus, relocating students to nearby campuses, and moving the MAP program to the Lamar facility. The district would also relocate two Disciplinary Alternative Programs (DAP) currently housed at an elementary campus to the MAP location.

Mr. Durham noted that the MAP property will be sold in the near future, though this revenue has not yet been included in financial projections. The property was recently appraised at approximately $4.45 million, and preliminary interest has been expressed by charter school organizations. Any potential sale would be presented to the Board with conservative revenue assumptions.

Budget Strategies Under Consideration

Mr. Durham outlined several strategies under review to maintain a balanced and sustainable budget moving forward. These include removing certain large budget items that could be addressed later through payroll vacancy savings, as well as adjusting the district's staffing fill-rate assumptions. Rather than budgeting at a 100% fill rate, the district may budget between 97% and 99%, which reflects historical vacancy patterns and could reduce the overall budget by approximately $1.3 million for each percentage point adjustment.

The administration is also evaluating potential revenue from the sale of district-owned properties, including the MAP property, land located south of town, and other unused assets. These revenues would not necessarily increase annual spending but could help stabilize the district's long-term financial position and provide additional flexibility as the district continues addressing operational needs.

Compensation Plan Review

The Committee received an update on the ongoing review of the district's compensation plan, including pay

grades, contract days, and stipends. Cabinet budget hearings were recently completed, and the administration will continue refining the plan to ensure compensation structures align with district needs and priorities.

Mr. Durham reported that recommendations for the 2026–2027 compensation plan will be presented at the Finance Committee meeting scheduled for May 13, followed by Board consideration later that month.

Fund Balance and Financial Stability

Dr. Howard discussed the importance of maintaining adequate fund balance reserves, noting that many districts across the state are experiencing increasing financial pressure. In some cases, districts have had to obtain short-term loans to meet payroll obligations due to cash flow timing issues. She emphasized that maintaining strong reserves allows the district to avoid similar situations and continue operating responsibly during months when revenue collections are limited.

Self-Funded Medical Plan Review

The Committee also received an update regarding the district's self-funded medical plan. Mr. Durham noted that the district is working with its insurance broker to review historical claims data and develop recommendations to ensure the plan remains financially sustainable. A presentation will be brought to the Board in March that will include historical trends and projections for the upcoming year.

Procurement Oversight and RFP Reporting

Mr. Durham introduced a new reporting tool that will be presented at each Finance Committee meeting. The report provides a comprehensive listing of all active Requests for Proposals (RFPs), including the bid title, board approval date, contract start and end dates, allowed extensions, approved spending thresholds, total expenditures to date, and the remaining available balance.

This report will help ensure that departments remain proactive in managing contracts and spending limits and will allow the Board to remain informed about procurement activity across the district.

Discussion of District-Owned Land

The Committee engaged in discussion regarding a district-owned property located south of town near Interstate 20. Board members noted that the property consists of approximately 65 acres with existing utilities and is surrounded primarily by industrial development. Several members expressed concern that the location may not be suitable for a future elementary school due to traffic and surrounding land use.

Board members discussed the potential for the property to have increased in value since its purchase, with estimates suggesting it may now be worth more than the original $4.9 million purchase price. The Committee discussed the possibility of selling unused properties as part of a broader strategy to support future facility investments.

Long-Range Facilities Planning

The Committee also discussed broader long-range planning considerations related to district facilities. Dr. Howard explained that the administration is evaluating potential school consolidation opportunities, particularly where campuses operate significantly below capacity. Larger campuses serving approximately 750–1,200 students may provide greater operational efficiency compared to smaller campuses with significantly lower enrollment.

Potential concepts discussed included combining specialized programs or constructing new facilities to replace multiple smaller campuses. Administration will continue analyzing enrollment trends and facility needs before presenting formal recommendations to the Board.

Next Steps in the Budget Process

Mr. Durham reviewed several upcoming steps in the budget development process. The administration will continue refining both payroll and non-payroll budget assumptions and will present ongoing updates to the Finance Committee and Board. The district will also present the final budget amendment for fiscal year 2025–2026 in June, along with adoption of the 2026–2027 budget.

Following budget adoption, the Board will also establish the district's tax rate later in the year.

Board Members and Staff Present: Board President - Josh Guinn, Vice President - Michael Booker, Board Secretary - Sara Burleson, Superintendent - Dr. Stephanie Howard, Chief Financial Officer - Tucker Durham, Executive Director of Finance - Julia Willett-Weekly, Executive Assistant - Nicole Glenn

Contact Person

Tucker Durham, Chief Financial Officer