

**School Board Workshop:**

**January 9, 2023**

**Subject:**

Financial Projections

**Presenter:**

**Ryan L. Tangen, Director  
Finance and Operations**

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**SUGGESTED SCHOOL BOARD ACTION:**

For Board Review Only.

**DESCRIPTION:**

Overview

Long-range financial planning and forecasting are integral functions of a school district. Forecasting procedures allow us to compile information and make an educated prediction about our financial future as a district based on current trends. It also attempts to determine how these trends will impact the district and its operations in the future. Planning is using forecasting information to determine how best to respond to the anticipated future.

Our Financial Planning Model (FPM), uses the enrollment model that we used for our enrollment projections this past fall. The FPM also incorporates staff and salary projections from Evan Ronken, Director of Human Resources, and uses the current funding laws and formulas to project the anticipated revenues the district will generate. The model also looks at anticipated changes in laws and formulas to help project future revenues.

A Look Back

The revised budget for the 2021-22 school year predicted an unassigned/non-spendable, unreserved fund balance of \$11,346,798, or 15.68% of total expenditures. After closing out the year, the actual result was an undesignated, unreserved fund balance of \$11,558,772, or 15.97% of total expenditures. The final unassigned total was higher than projected primarily due to slightly higher revenue and slightly lower anticipated spending in most categories due to the COVID-19 pandemic.

A Look Ahead

Programming and student activities have returned to a pre-pandemic level. The enrollment loss experienced during the pandemic did not recover and enrollment projections indicate a long-term downward trend. Federal Pandemic Relief Funds continue to supplement the budget and allow the District to maintain licensed staff to help students navigate academic loss due to lost classroom time, but 2023-24 is the last year the funds can be used. Students qualifying for free and reduced meals have increased and should stay at this level into the future. This is a biennium funding year for the Minnesota legislature. The state surplus is significant and may result in additional funding for public schools.

Our original budget for 2022-23, adopted in June 2022, showed a beginning unassigned/non-spendable fund balance of \$11,346,798 or 15.68% of total expenditures. The final audit results for 2021-22 changed the 2022-23 starting fund balance to \$11,558,772 or 15.97% of total expenditures. Based on the original budget operating results and the revised 2021-22 ending balance, the projected unassigned/non-spendable fund balance would have decreased \$1,407,713 to \$10,151,059 at year end. The 2022-23 first revised budget, done in preparation for this forecast, shows that we will end at \$10,492,749. This is \$341,690 more than the revised original projection but still a net decrease of \$1,066,023 for the fiscal year.

Increased revenue related to special education and federal pandemic relief funds were the largest sources of revenue changes. Enrollment is projected to be close to the budget projection but the extended time enrollment was decreased to reflect the prior year's amount resulting in reduced General Education Aid. The majority of the expenditure changes come from a review of staffing and benefits. Changes in expenditures related to payments to other districts and transportation were also significant contributors.

Included is a base plan to review as we look at our financial projections and formulate budget assumptions at a later meeting. Factors to consider when reviewing the base scenario include but are not limited to:

1. Enrollment projections
2. Final contract settlements
3. Final budget to actual expenditures
4. State and federal legislative funding changes

We will tentatively look to adopt our final budget assumptions at the board meeting on January 23, 2023.

**ATTACHMENT(S):**

- ISD 877 BHM Forecast 2023 board presentation 1.9.23
- January 2023 Forecast Base Scenario 1.9.23
- January 2023 Forecast Scenario #1 No Staff Cuts 1.9.23
- January 2023 Forecast Scenario #2 Half Staff Cuts 1.9.23
- January 2023 Forecast Scenario #3 CARES FTE Reduction 1.9.23