



2018-2019 Preliminary Budget Overview Fiscal Year Ending June 30, 2019

Independent School District 832
Mahtomedi Public Schools • www.mahtomedi.k12.mn.us



Engage, challenge, and inspire all students to create opportunities for themselves and others



Table of Contents

Executive Summary	1
Purpose of this Document	2
SECTION I - INTRODUCTORY	
Budget Overview & Financial Prospects for Future Years	3
Operating Levy Information	4
Revenue and Expenditure History	5
SECTION II - ENROLLMENT	
Enrollment History	6
SECTION III - 2018 - 2019 BUDGET	
Budget Process and Assumptions	8
Fund Balance Policy 714	9
Budget Assumptions	9
2018-19 Financial Forecast	10
SECTION IV - ENROLLMENT SCENARIOS & BUDGET OPTIONS	
Enrollment Scenario & Budget Option #1	11
Enrollment Scenario & Budget Option #2	14
Enrollment Scenario & Budget Option #3	16
SECTION V - TIMELINE	18



★ Executive Summary

The decision of where to send your children to school is one of the most important decisions any family will make. We are grateful that families are choosing Mahtomedi Public Schools (MPS) to provide an excellent education in a small, caring environment. Our families and community members are proud of the education MPS students receive, and we are grateful for the tradition of community support for our school system.

All enrollment and budgetary decisions at MPS seek to continue to support the mission of *“Providing a learning community in which all students can learn, thrive, and succeed in a global society.”* Additionally, all enrollment and budgetary decisions are vetted through the lens of keeping expenditures and taxpayer burden to a minimum, while continuing our tradition of academic excellence.

.....

“Providing a learning community in which all students can learn, thrive, and succeed in a global society.”

.....

District Belief Statements

- Quality public education is a cornerstone of a healthy democracy.
- Education is a shared responsibility between students, families, educators, and community members.
- Everyone has the right to a safe learning environment.
- A learning community must respect, respond to, and celebrate each student’s unique needs, interests, and talents.
- Educators must continually learn, grow, and innovate to improve student learning.
- Integrity, civility, collaboration, and service are essential to responsible citizenship.
- The diversity of our students and families enriches our schools and community through the addition of new ideas, perspectives, and cultures.
- The school environment will positively influence student and staff health and wellness.
- Our schools and community will practice sustainable, responsible, and environmental stewardship of resources.



Purpose of This Document

To comply with Minnesota Statute 123B.77, the Mahtomedi School Board is required to approve the preliminary budget for the upcoming school year each year by June 30. The preliminary budget overview presented in this report includes many estimates in enrollment, staffing data, contract settlements, and other factors that are subject to change between the preliminary and final budgets.

The purpose of this preliminary budget overview is to provide district administration, School Board members, and the community with a single document as a point of reference for the 2018-19 budget process. This is a working document with frequent updates and changes expected prior to seeking final board approval on June 14, 2018.

The district is committed to engaging with the School Board, Citizens Finance Advisory Council (CFAC), staff, and community members in budget discussions and to consider other options for increasing revenues and containing expenditures.

SECTION I – INTRODUCTORY

Budget Overview and Financial Prospects for Future Years

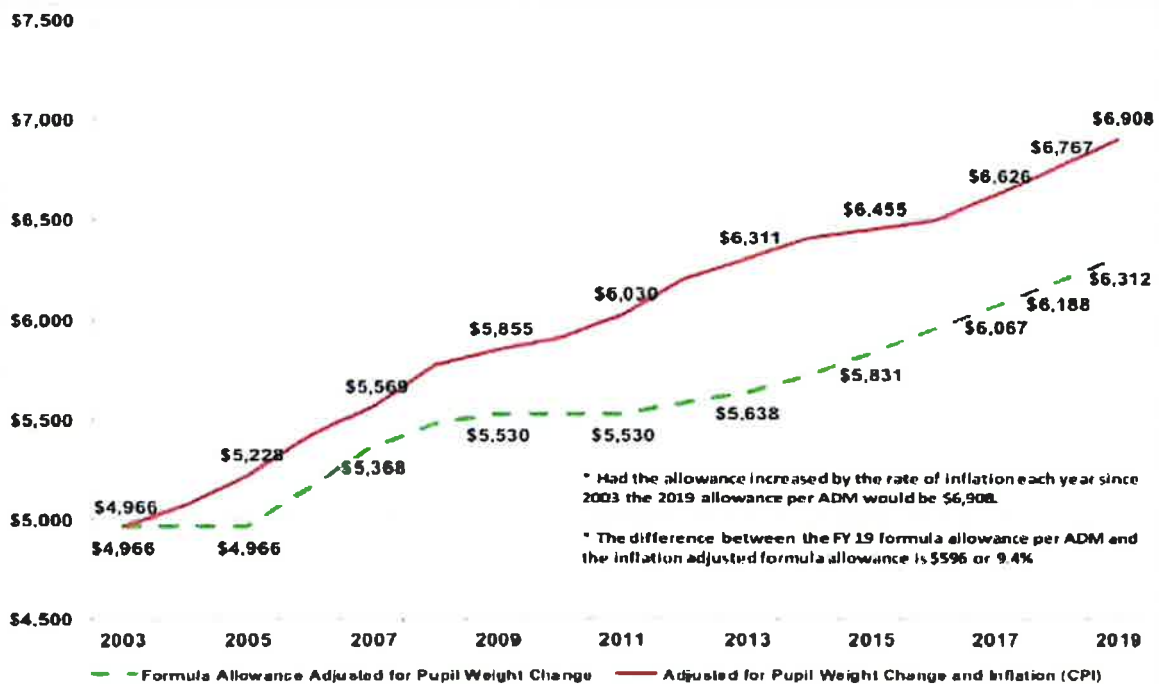
Like all districts in the State of Minnesota, MPS is dependent on the Minnesota State Legislature for the majority of its revenue. Over 70% of our revenue in the general fund comes from the state in the form of the state aid funding formula. For years, state funding has not kept up with inflation nor with increasing student needs and educational costs.

Although the State's economy continued to improve, the portion of the state budget dedicated to E-12 education continued to decline as a percentage of the total state budget. The 2017 Legislative session ended with an approved 2 percent increase in the state aid formula allowance for the biennium. That increase did not address other areas of great need for our district including addressing the growing special education cross subsidy.

Since 2003, the state aid funding formula adjusted for inflation has increased by **\$1,942** per student. Actual increases in state funding over the same time period have increased by just **\$1,346**. This has caused a structural deficit of almost **\$600** per student.

Regardless of the 2 percent increase to state funding or potential increases to our local operating levy, further budget adjustments will be needed for 2018-19.

General Education Formula Allowance, 2003-2019
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE January 2017 Inflation Estimates

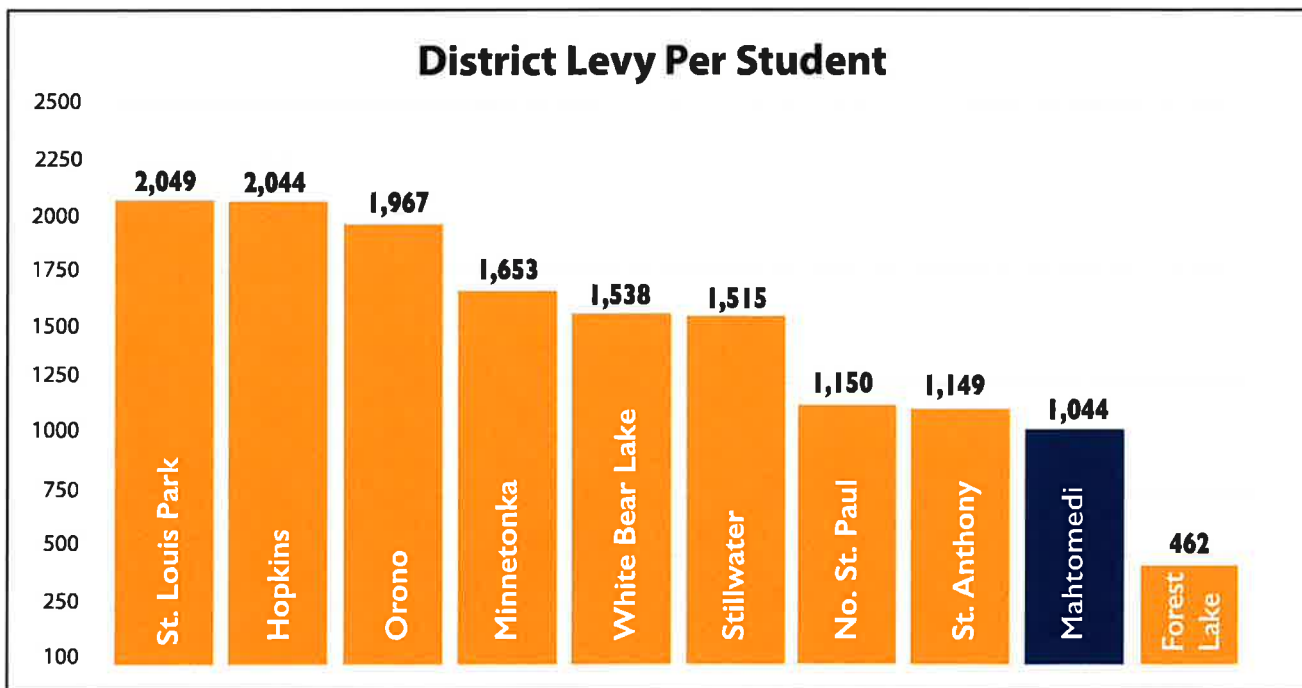


Operating Levy Information

The district supplements state funding through voter approved tax levies. For example, our voter approved capital projects levy has been crucial in giving teaching staff the tools and resources necessary to educate our students in classrooms.

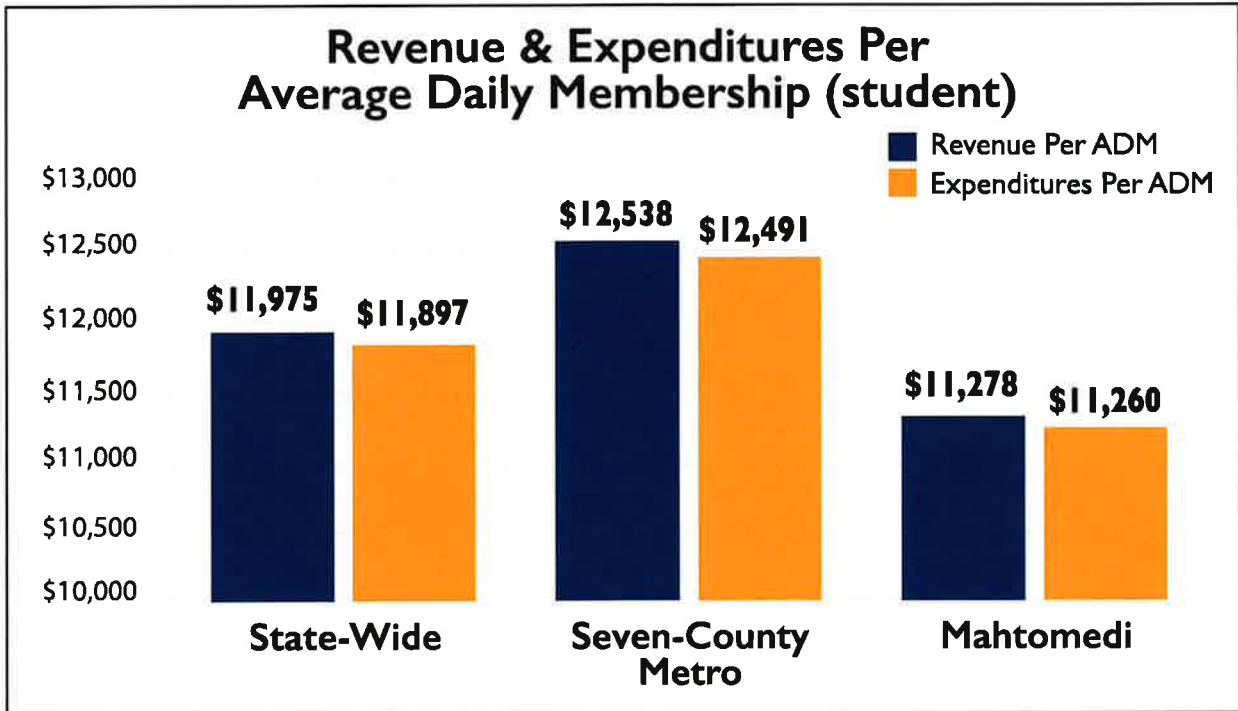
Operating levies enable the district to maintain quality programming that the community expects for its students. The \$1,044 per adjusted pupil unit (student) MPS receives in levy revenue from our local taxpayers is extremely valuable, but not enough to maintain the current investment in student achievement long term. Additionally, our local levy is not at the level of our comparable districts.

- Our operating levy contributes \$8 million to our annual budget (21% of budget) – and is an important source of funding for classroom staff, supplies, equipment and other general needs.
- Our current levy is not only lower than almost all of our comparable school districts, it is over \$900 less than the maximum allowed by State law.
- Our tradition of curricular excellence and quality programming is dependent on securing an operating levy sufficient to address increasing operating costs.
- The lack of adequate funding combined with increasing costs of providing an excellent education does not decrease the need for continued analysis of the districts operating levy. As such, the Mahtomedi School Board will be discussing dollar amount and tax impact scenarios to seek voter approval to increase the District's operating levy in the fall of 2018.



Mahtomedi Spends Less Than Other Districts

MPS spend and receive over \$1,200 less per student than the average school district in the seven-county metro area. In 2016, MPS received \$11,278 per student served, while the seven-county metro average was \$12,538. During the same time period, MPS spent \$11,260 per student, while the seven-county metro average spent \$12,491.

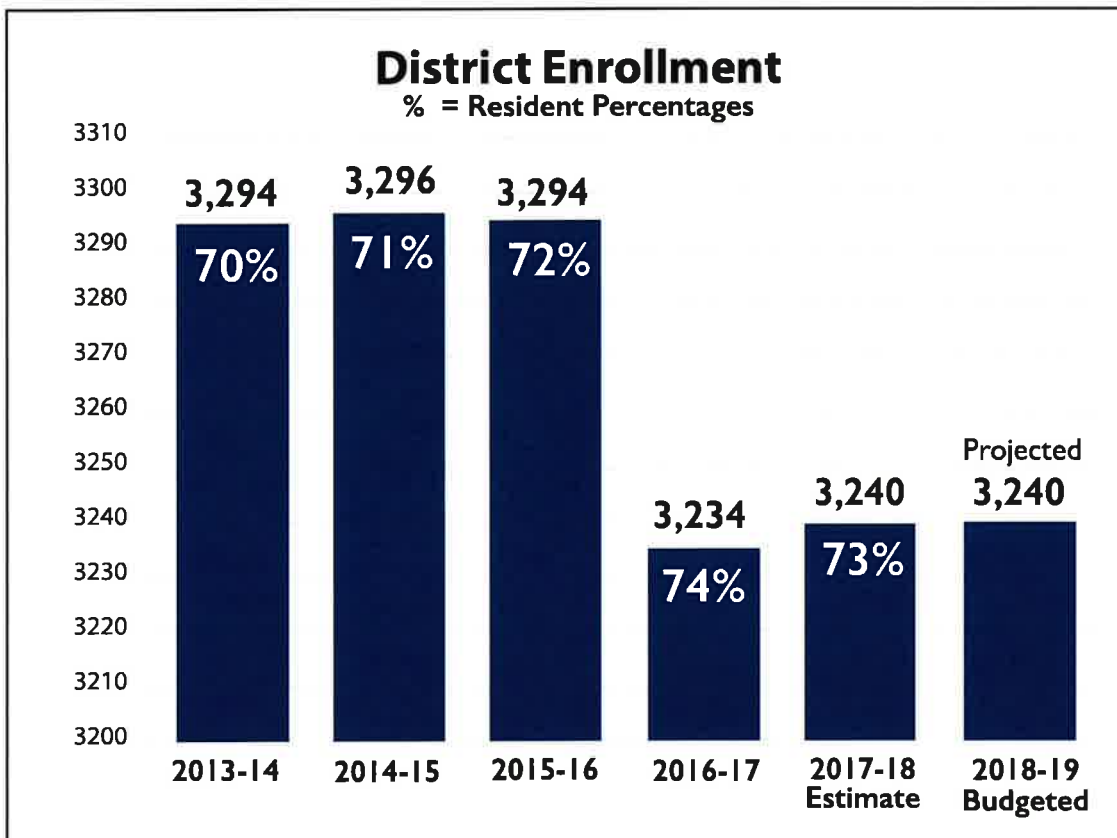


SECTION II – ENROLLMENT

Enrollment History & Projections

Maintaining level enrollment is predicated upon acceptance and attendance of open enrolled students in order to maintain grade levels with the previous school year. Any deviation from the established enrollment model will cause a decrease in student generated revenue in the general fund.

Enrollment projections at MPS are an integral part of adopting a sustainable and accurate general fund budget. Enrollment history for the previous four years, estimated 2017-18 enrollment, and projected 2018-19 enrollment is included below.



MPS has seen a trend towards more residents as a percentage of the total student population over the last 5 years.

MPS's enrollment starts with approximately 180 kindergarteners and 300 graduates.



2017-2018 Current Year Enrollment Analysis (Estimated)

GRADE	RESIDENTS	NON RESIDENTS	TOTAL ENROLLMENT
K	164	18	182
1	147	40	187
2	161	34	195
3	189	27	216
4	182	42	224
5	188	55	243
6	197	70	267
7	190	94	284
8	180	93	273
9	211	94	305
10	200	94	294
11	181	115	296
12	185	97	282
TOTAL	2,375	873	3,248

Enrollment Projections

MPS recognizes that student enrollment is the main driver of general fund revenue. Additionally, the district understands that setting an enrollment target and missing the target low will cause a decrease in student generated general fund revenue.

Therefore, prior to identifying budget adjustments for the 2018-19 preliminary budget, the School Board seeks to identify an enrollment target for the upcoming school year.

Three enrollment scenarios are presented in the following pages for review. Each scenario has a corresponding budget adjustment option. For example, enrollment scenario #1 generates budget option #1, and so on.



SECTION III – 2018-2019 PRELIMINARY BUDGET

Budget Process

School District Budgeting is a Continuous Four-Step Process:
Each step requires School Board approval and is open for public inspection and comment.

- 1 Property Tax Levy** – The budget process begins with submission of the final certified property tax levy to the home county auditor and Minnesota Department of Education. The School Board certifies the final levy before the end of the calendar year.
- 2 Preliminary Budget** – The School Board approves a preliminary budget before the start of the school year on July 1. Approval includes analysis and assumptions on staffing needs, enrollment, legislative impact, and other revenue and expenditure estimates.
- 3 Final (Revised) Budget** – The School Board approves a final (revised) budget each year in December or January based on information and estimates not previously known during the preliminary budget process.
- 4 Annual Financial Report and Fiscal Audit** – The final step includes closing the books and preparing financial statements for review and audit by an independent external CPA firm. The School Board reviews the audit report in October or November.

Revenue estimates are prepared by the Finance Department based on state statutes, using estimated enrollment numbers for the budget year. The per pupil unit formula allowance as set by the state legislature for 2018-19 is \$6,312. The per pupil unit formula allowance for the 2017-18 school year was \$6,188.

The district's budget process is based, first, on parameters set forth by school board action regarding enrollment and open enrollment projections for the budget year. The district recognizes that enrollment projections are both sensitive to the school district community and important to the bottom line of the general fund budget. Estimating and setting enrollment targets and meeting or exceeding the target are crucial in maintaining district fund balance.



Mahtomedi School Board Fund Balance Policy 714

The School Board has adopted policy 714 related to school district fund balances:

The school board shall strive to maintain a minimum unassigned general fund balance of 8% of the total general fund expenditures. If the fund balance falls below 8%, the school board shall implement a procedure to stabilize the district's financial position. This may involve, but is not limited to:

- A. No new programs will be added at the district level unless matched by a like revenue source;
- B. Allocations such as textbooks, supplies, etc., shall be frozen; and
- C. The district will review other measures which will not immediately affect delivery of programs but could have a cost savings. The district may take measures to either generate additional revenues or reduce expenditures through budget cuts of a combination of both.

The school district unassigned general fund is projected to decrease below 8% for the year ended June 30, 2018. As such, budget items such as classroom supplies, materials and membership dues have not been increased for the 2018-19 budget. All budget appropriations set forth by the School Board lapse at year end.

.....

...budget items such as classroom supplies, materials and membership dues have not been increased for the 2018-19 budget.

Assumptions

.....

The 2018-19 preliminary budget includes assumptions for staff and union contracts that have not been settled. Budgeted expenditure amounts related to contracts are subject to change depending on final settlements.

The preliminary budget assumes a 3% increase in contracts for transportation and fiscal and other fixed cost items such as property and workers compensation insurance.



2018-2019 Budget Reductions: Options & Scenarios

The following enrollment scenarios and corresponding budget reduction options are presented for review.

The following information was gathered from recommendations from building and district administration based on the financial forecast for 2018-19. Scenarios presented below are based on initial ideas and recommendations and subject to change as needed based on updated information or recommendations from staff and School Board.

2018-2019 Financial Forecast

The following 2018-19 financial forecast was prepared by the finance department and reviewed by the Citizens Finance Advisory Council (CFAC), and the School Board. The budget deficit presented below assumes the same enrollment year-over-year and \$0 budget reductions for the 2018-19 budget.

Fund	Estimated Fund Balance July 1, 2018	Revenues	Expenditures	Surplus (Deficit)	Estimated Fund Balance June 30, 2019
General Fund	2,298,361	36,122,663	37,758,362	(1,635,699)	662,662
Capital Fund	212,246	2,806,375	2,669,696	136,679	348,925
Total	2,510,607	38,929,038	40,428,058	1,499,020	1,011,587

SECTION IV – 2018-2019 PRELIMINARY BUDGET ENROLLMENT SCENARIOS & BUDGET REDUCTION OPTIONS

Scenario #1: Enrollment Scenario

- **ACTION:** Accept the following number of students in the grades listed below.
- **ANTICIPATED OUTCOME:** Same or similar enrollment in 2018-19 as 2017-18.
- Anticipated budget reduction: \$1.6M. See corresponding option #1 budget details in budget analysis section.

SCENARIO #1				
2018 - 2019 ENROLLMENT ANALYSIS (ESTIMATED)				
	A		B	C
GRADE	2017-18 ENROLLMENT	TOTAL O.E. APPLICATIONS FOR 18-19 (AS OF 1-16-18)	O.E. APPLICATIONS ACCEPTED FOR 18-19	A (Prior Grade) + B 2018-19 ENROLLMENT (PROJECTED)
K	182	64		182
1	187	25	5	187
2	195	10	8	195
3	216	6	6	201
4	224	19	9	225
5	243	13	13	237
6	267	35	24	267
7	284	13	13	280
8	273	10	1	285
9	305	23	20	293
10	294	5	1	306
11	296	1	0	294
12	282	1	0	296
TOTAL	3,248	225		3,248

SCENARIO #1			
BUILDING ENROLLMENT			
BUILDING	2017-2018	2018-2019	DIFFERENCE
Wildwood	564	564	0
O.H.A.	683	663	-20
Middle School	824	832	8
High School	1,177	1,189	12
TOTAL	3,248	3,248	0

BUDGET OPTION #1: Built on Enrollment Option #1.

Enrollment: 3,248 Budget Reductions: \$1.6M Additional Student Revenue Increase: \$0

Fund	Estimated Fund Balance July 1, 2018	Revenues	Expenditures	Surplus (Deficit)	Estimated Fund Balance June 30, 2019
General Fund	2,298,361	36,122,663	36,148,462	(25,799)	2,272,562
Capital Fund	212,246	2,806,375	2,669,696	136,679	348,925
Total	2,510,607	38,929,038	38,818,158	110,880	2,621,487

BUDGET OPTION #1 Reductions:

Wildwood Elementary: Reduction of 1 section per grade K-2. Reduction of 1 specialist and overall change in specialist model.

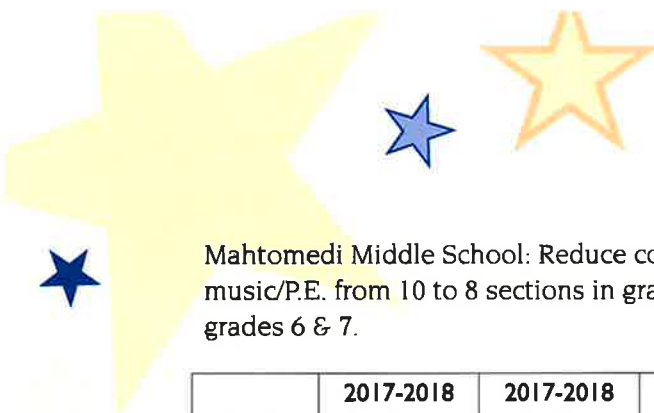
Grade	2017-2018 Students	2017-2018 Sections	2017-2018 # Per Section
K	182	9	20.2
1	187	8	23.4
2	195	8	24.4
Total	564	25	22.7

Grade	2018-2019 Students	2018-2019 Sections	2018-2019 # Per Section
K	182	8	22.8
1	187	7	26.7
2	195	7	27.9
Total	564	22	25.8

O.H.A. Elementary: Reduction of 1 section per grade 3-5. Reduction of 1 specialist position.

Grade	2017-2018 Students	2017-2018 Sections	2017-2018 # Per Section
3	216	8	27.0
4	224	9	24.9
5	243	9	27.0
Total	683	26	26.3

Grade	2018-2019 Students	2018-2019 Sections	2018-2019 # Per Section
3	201	7	28.7
4	225	8	28.1
5	237	8	29.6
Total	663	23	28.8



Mahtomedi Middle School: Reduce core classes from 10 to 9 sections in grades 6-8. Reduce music/P.E. from 10 to 8 sections in grades 6 & 7. Reduce allied arts wheel from 9 to 8 sections grades 6 & 7.

Grade	2017-2018 Students	2017-2018 Sections	2017-2018 # Per Section
6	267	10	26.7
7	284	10	28.4
8	273	10	27.3
Total	824	30	27.5

Grade	2018-2019 Students	2018-2019 Sections	2018-2019 # Per Section
6	267	9	29.7
7	280	9	31.1
8	285	9	31.7
Total	832	27	30.8

Mahtomedi High School: Increased class sizes across departments, partially dependent on registration. Family & Consumer Science as an elective offering is eliminated. 8 B-Squad coaching positions and 1 athletic offering eliminated.

District Wide: Eliminate contract with District Management Group (DMG). Reduction of 1 Q-Comp coach.

Scenario #2: Enrollment Scenario

- **ACTION:** Accept the following number of students in the grades listed below.
- **ANTICIPATED OUTCOME:** Increased enrollment by **40** students in 2018-19 as compared to 2017-18.
- Anticipated budget reduction: \$1.2M. See corresponding option #2 budget details in budget analysis section.

SCENARIO #2 2018 - 2019 ENROLLMENT ANALYSIS (ESTIMATED)				
	A		B	C
GRADE	2017-18 ENROLLMENT	TOTAL O.E. APPLICATIONS FOR 18-19 (AS OF 1-16-18)	O.E. APPLICATIONS ACCEPTED FOR 18-19	A (Prior Grade) + B 2018-19 ENROLLMENT (PROJECTED)
K	182	64		189
1	187	25	12	194
2	195	10	10	197
3	216	6	6	201
4	224	19	15	231
5	243	13	13	237
6	267	35	32	275
7	284	13	13	280
8	273	10	6	290
9	305	23	23	296
10	294	5	3	308
11	296	1	0	294
12	282	1	0	296
TOTAL	3,248	225		3,288

SCENARIO #2 BUILDING ENROLLMENT			
BUILDING	2017-2018	2018-2019	DIFFERENCE
Wildwood	564	580	16
O.H.A.	683	669	-14
Middle School	824	845	21
High School	1,177	1,194	17
TOTAL	3,248	3,288	40

BUDGET OPTION #2: Built on Enrollment Option #2:

Enrollment: 3,288 Budget Reductions: \$1.2M Additional Student Revenue Increase: \$400,000

Fund	Estimated Fund Balance July 1, 2018	Revenues	Expenditures	Surplus (Deficit)	Estimated Fund Balance June 30, 2019
General Fund	2,298,361	36,522,663	36,499,462	23,201	2,321,562
Capital Fund	212,246	2,806,375	2,669,696	136,679	348,925
Total	2,510,607	39,329,038	39,169,158	159,880	2,670,487

BUDGET OPTION #2 Reductions:

Wildwood Elementary: Reduction of 1 section of 2nd grade, overall change in specialist model K-5.

Grade	2017-2018 Students	2017-2018 Sections	2017-2018 # Per Section
K	182	9	20.2
1	187	8	23.4
2	195	8	24.4
Total	564	25	22.7

Grade	2018-2019 Students	2018-2019 Sections	2018-2019 # Per Section
K	189	9	21.0
1	194	8	24.3
2	195	7	28.1
Total	578	24	24.5

O.H.A. Elementary: Reduction of 1 section grade 3 & 1 section grade 5.

Grade	2017-2018 Students	2017-2018 Sections	2017-2018 # Per Section
3	216	8	27.0
4	224	9	24.9
5	243	9	27.0
Total	683	26	26.3

Grade	2018-2019 Students	2018-2019 Sections	2018-2019 # Per Section
3	201	7	28.7
4	231	9	25.7
5	237	8	29.6
Total	669	24	28.0

Mahtomedi Middle School: Eliminates the need for reductions totaling \$80,000 from option #1.

Mahtomedi High School: Eliminates the need for reductions totaling \$80,000 from option #1.

District Wide: Same reductions as budget option #1.

Scenario #3: Enrollment Scenario

- **ACTION:** Accept all open enrollment applications as of 1-16-18 in grades 2-12, 12 O.E. applications in grade 1.
- **ANTICIPATED OUTCOME:** Increased enrollment by **55** students in 2018-19 as compared to 2017-18.
- Anticipated budget reduction: \$1.1M. See corresponding option #3 budget details in budget analysis section.

SCENARIO #3 2018 - 2019 ENROLLMENT ANALYSIS (ESTIMATED)

GRADE	A		B		C	
	2017-18 ENROLLMENT	TOTAL O.E. APPLICATIONS FOR 18-19 (AS OF 1-16-18)	O.E. APPLICATIONS ACCEPTED FOR 18-19	A (Prior Grade) + B 2018-19 ENROLLMENT (PROJECTED)		
K	182	64		189		
1	187	25	12	194		
2	195	10	10	197		
3	216	6	6	201		
4	224	19	19	235		
5	243	13	13	237		
6	267	35	35	278		
7	284	13	13	280		
8	273	10	10	294		
9	305	23	23	296		
10	294	5	5	310		
11	296	1	1	295		
12	282	1	1	297		
TOTAL	3,248	225		3,303		

SCENARIO #3 BUILDING ENROLLMENT

BUILDING	2017-2018	2018-2019	DIFFERENCE
Wildwood	564	580	16
O.H.A.	683	673	-10
Middle School	824	852	28
High School	1,177	1,198	21
TOTAL	3,248	3,303	55

BUDGET OPTION #3: Built on Enrollment Option #3:

Enrollment: 3,303 Budget Reductions: \$1.1M Additional Student Revenue Increase: \$550,000

Fund	Estimated Fund Balance July 1, 2018	Revenues	Expenditures	Surplus (Deficit)	Estimated Fund Balance June 30, 2019
General Fund	2,298,361	36,672,663	36,637,462	35,201	2,333,562
Capital Fund	212,246	2,806,375	2,669,696	136,679	348,925
Total	2,510,607	39,497,038	39,307,158	171,880	2,682,487

BUDGET OPTION #3 Reductions:

Wildwood Elementary: Reduction of 1 section of 2nd grade.

Grade	2017-2018 Students	2017-2018 Sections	2017-2018 # Per Section	Grade	2018-2019 Students	2018-2019 Sections	2018-2019 # Per Section
K	182	9	20.2	K	189	9	21.0
1	187	8	23.4	1	194	8	24.3
2	195	8	24.4	2	197	7	28.1
Total	564	25	22.7	Total	580	24	24.5

O.H.A. Reduction of 1 section grade 3 & 1 section grade 5.

Mahtomedi Middle School: Eliminates the need for reductions totaling \$100,000 from option #1.

Mahtomedi High School: Eliminates the need for reductions totaling \$150,000 from option #1.

District Wide: Same reductions as budget option #1.



TIMELINE AND NEXT STEPS

As required by MN Statute 123B.77, the district is required to approve the preliminary budget for the upcoming year by June. We are including this information as a review and to provide a guideline for decisions on the 2018-19 budget.

A draft timeline for the budget process for the 2018-19 preliminary budget is included below:

BOARD MEETING DATE	TYPE	TOPIC
January 25, 2018	Study Session	Enrollment & Budget Options & Scenarios 2018-19 Open Enrollment Window #1 2017-18 Quarter 2 Budget Update
February 8, 2018	Regular Meeting	Enrollment & Budget Options & Scenarios
February 22, 2018	Study Session	Enrollment & Budget Options & Scenarios
March 8, 2018	Regular Meeting	Enrollment & Budget Options & Scenarios 2018-19 Prelim. Budget Non Major Funds
March 22, 2018	Study Session	2017-18 Quarter 3 Budget Update 2018-19 Open Enrollment Window #2
April 12, 2018	Regular Meeting	Proposal on ULA's for 18-19 Action on Non-Renewed Contracts 18-19 2018-19 Preliminary Budget – All Funds
April 26, 2018	Study Session	2018-19 Preliminary Budget – All Funds
May 10, 2018	Regular Meeting	Action on ULA's for 18-19 2018-19 Preliminary Budget – All Funds
May 24, 2018	Study Session	2018-19 Preliminary Budget – All Funds
June 14, 2018	Regular Meeting	Formal Action on 2018-19 Preliminary Budget
June 28, 2018	Study Session	

This budget document, in conjunction with the other finance documents requires many hours of preparation, review, and deliberation by the School Board, Citizens Finance Advisory Council (CFAC), building and district administration, and the finance department. Thank you to all those involved for their efforts on behalf of our students in preparing and reviewing these important budget documents.

Respectfully



Bill Menozzi
 Director of Business Services
 Mahtomedi Public Schools