



# POLICY 714 FUND BALANCE POLICY DISCUSSION

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

*Belief Statement #9: Our schools and community will practice sustainable, responsible, and environmental stewardship of resources.*

# PURPOSE OF PRESENTATION



- Analysis of Current Policy
- History of Unassigned General Fund Balance
- Comparison to Other Districts
- Importance of a Healthy Fund Balance
- Future Forecasting

# Analysis of Current Policy



## 714 – Fund Balance Policy:

- The school board understands it is sound fiscal management for the school district to maintain an adequate operating fund balance. A fund balance should provide a sufficient reserve to eliminate any irregular uncertainty in a district's finances. The fund balance policy should be used to provide stability for District 832 students, staff, taxpayers and bond rating agencies.
- **The school board shall strive to maintain a minimum unassigned general fund balance of 8% of the total general fund expenditures.**
- The school board delegates the power to assign fund balances to the Director of Business Services. Assignments so made shall be reported to the school board in its annual financial report.
- If resources from more than one fund balance classification could be spent, the district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.
- The business office shall monitor the fund balance. 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 or a combination of both.



# History of the Unassigned General Fund Balance

## MAHTOMEDI SCHOOLS FUND BALANCE HISTORY 2009-10 THROUGH 2016-17

YEAR	UNASSIGNED		ASSIGNED FUND		PERCENTAGE
	FUND BALANCE	BALANCE	BALANCE	BALANCE	
2016-17	\$ 3,134,870	\$	1,465,000		8.23%
2015-16	\$ 3,573,902	\$	1,428,890		9.64%
2014-15	\$ 2,918,860	\$	1,443,870		8.26%
2013-14	\$ 3,667,550	\$	2,228,509		10.62%
2012-13	\$ 3,899,779	\$	2,675,784		11.97%
2011-12	\$ 4,237,671	\$	1,516,438		13.25%
2010-11	\$ 3,473,433	\$	966,193		11.20%
2009-10	\$ 2,808,359	\$	411,850		8.87%

NOTE: Initial budget projections show the unassigned fund balance decreasing below 8% at 6-30-18.



# Comparison to Other Districts

## DISTRICT COMPARISON

DATA FROM 2016-17 FISCAL YEAR \*\*UNAUDITED

DISTRICT	UNASSIGNED FUND BALANCE	ASSIGNED FUND BALANCE	OTHER FUND BALANCE	PERCENTAGE	POLICY
WHITE BEAR LAKE	11,249,134	11,192,999	-	10.60%	12.5% - 16.7%
STILLWATER	7,852,065	3,351,587	1,883,815	7.80%	5.00%
ORONO	5,065,684	903,865	-	14.57%	5.00%
MINNETONKA	16,065,038	3,399,616	-	13.28%	6.00%
EDINA	6,843,919	5,773,902	2,838,407	6.52%	6.00%
NORTH ST. PAUL	8,231,215	610,707	-	5.94%	5.00% - 7.00%
ST. ANTHONY	2,194,545	2,297,753	5,391,254	10.66%	8.00% - 10.00%
<b>MAHTOMEDI</b>	<b>3,134,870</b>	<b>1,465,000</b>	<b>-</b>	<b>8.23%</b>	<b>8.00%</b>
FOREST LAKE	3,620,022	416,348	-	4.93%	
ST. LOUIS PARK	7,450,330	6,271,813	-	11.79%	6.00%
HOPKINS	9,539,132	666,960	2,428,627	10.66%	6.00%
STATE AVERAGE				20.70%	

### NOTES:

- 1) Our rank is 7th out of 11 Districts listed.
- 2) Of the 4 Districts with lower fund balances, 2 (Forest Lake and Edina) are seeking increases on their operating levies.
- 3) The State Average Unassigned Fund Balance Percentage is 20.7%

# Importance of a Healthy Fund Balance



## Financial Stability

- 8% fund balance for Mahtomedi Schools is approximately \$3,000,000. \$3M is approximately 4 weeks of operating expenditures during the school year
- Ability to react to unforeseen changes or emergencies

## Cash Flow

- State Budget Forecasts and State Aid Holdback
- Normal Budget Variances +/- 1%

## Credit Ratings

- Our current credit rating is AA
- Fund balances have a direct effect on school districts' bond ratings
- Difference between AA and A rating approximately 20 basis points (.20%)

## Encourage Wiser Use of Money

- Allowing Districts to maintain fund balances is sound policy and encourages wiser expenditures
- "Use it or Lose it" spending is less than optimum and in some cases wasteful





## Optimum Fund Balance: No Perfect Answer

- Enrollment Trends: Growth, decline, stable
- Local Economy
- Operating Levy: Current level and Future Plans
- Cash Flow Needs and Characteristics

Government Finance Officers Association (GFOA) Recommendation: *GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. [www.gfoa.org/fund-balance-guidelines](http://www.gfoa.org/fund-balance-guidelines)*

How does our fund balance policy guide large decisions? Labor negotiations, expenditure reductions, educational programs, enrollment, etc....



# COMMENTS OR QUESTIONS