

**School Board Meeting:**

**June 22, 2009**

**Subject:**

**2009-10 Budget Approval**

**Presenter:**

**Chuck Klaassen  
Tina Burkholder**

---

**SUGGESTED SCHOOL BOARD ACTION:**

Approval of the 2009-10 School District Budget

**DESCRIPTION:**

Minnesota state statutes require Boards of Education to adopt school district budgets by June 30 each year. The 2009-10 budget is enclosed here for the Board's approval at the June 22, 2009 meeting.

This budget represents our financial operating plan for the next year. It is also a key piece of our general financial planning for the district and certainly a key piece of our longer range financial plan. It is a financial guide for the next year. It reflects our district priorities and expectations. It is a guide for future activities, both financial and program. It is a management tool for district fiscal control, and allocates the districts resources and provides the guidelines for spending those resources. It also provides the legal authority as an authorizing document for the district staff to gather those resources together and spend them in a wise manner.

This budget is not just numbers, rows and columns. It's people and programs. It's maximizing opportunities for student learning. In this budget, we have tried to reflect the mission of the District and the Board's plans and priorities for the next year and beyond. It reflects input from Board members, district administration, building leadership, and other district staff.

The budget planning process is a long one – one that actually spans multiple years. One of the most important inputs in planning the budget is enrollment projections, since our basic funding is based on the number of students in our schools. After we settle into the school year next fall and get our first official enrollment numbers on October 1, 2009, we will review the budget and put together a revised budget for the Board to review and approve in late fall. These are unsettled times with regard to enrollments and we've actually seen a greater than expected drop in student enrollment during the course of this past school year. Kindergarten registration numbers for next fall are also down over projected enrollment. We're taking our best guess about how many students we will see walk through the school building doors next September. We will monitor the budget closely throughout the year and provide updates to the Board as needed. In the spring we will revise the budget once again as we adjust to the year in progress.

This budget reflects the reductions approved for the 2009-10 year, flat state funding and changes to salaries and benefits that are included in currently settled contracts. It does not account for any significant changes to contracts that are currently not settled nor does it account for any possible wage or benefit freezes that may or may not be negotiated and/or implemented at a later date. The budget does include both revenue and expenditures (in general terms) from ARRA, the Federal Stimulus program. This includes \$3,191,518 in general formula aid replacement, \$610,286 in Special Education funding and \$112,270 in Title 1 funding.

## Summary of Funds

The **General Fund** is used to account for all revenues and expenditures of the school district not accounted for elsewhere. The General Fund is used to account for: K-12 educational activities; district instructional and student support programs; expenditures for the superintendent, district administration, operations and maintenance; pupil expenditures; and capital expenditures. The General Fund budget shows total revenues of \$50,234,466 and total expenditures of \$49,407,196, resulting in an unreserved, undesignated fund balance of 8.40%. The budget does reflect the net \$1.551 million in budget adjustments, including the increases in student activity fees, self-funded sports, all of the reduction amounts, and the add-back of a gifted ed position. At the same time, it also includes contracted increases in rates of pay and increasing benefit costs as well as Federal ARRA Stimulus revenue and expenditures.

The **Food Service** fund is used to record financial activities of a school district's food service program. Food Service includes activities for the purpose of preparation and service of milk, meals, and snacks in connection with school community service activities. All expenditures relating to meal preparation must be recorded in the Food Service fund. Eligible expenditures include application processing, meal accountability, food preparation, meal service, and kitchen custodial service. The Food Service fund budget shows total revenues of \$2,844,510 and total expenditures of \$2,759,175, resulting in a projected fund balance at the end of the year of \$167,398. Two significant factors impacting the Food Service budget for 09-10 are food prices and the necessary increase in student and adult meal prices to offset the increasing costs. The budget includes an increase of 10¢ per meal, bringing the prices to \$2.10 for an elementary student lunch and \$2.30 for a secondary student lunch. The new adult lunch price will be \$3.10, also up 10¢. Breakfast prices will also rise 10¢.

The **Community Service** fund is used to record all financial activities of the Community Education program. The Community Service fund is comprised of four components each with its own fund balance: community education, early childhood family education, school readiness, and adult basic education. The focus of community education is educational and personal growth activities and programs for all age levels that are not directly part of the K-12 education program. The Community Service fund budget shows total revenues of \$2,741,980 and total expenditures of \$2,753,111, resulting in a projected combined fund balance for all four Community Service funds of \$302,223.

The **Capital Outlay** fund accounts for health and safety, and facility repair and maintenance. The Capital Outlay fund budget shows total revenues of \$1,606,006 and total expenditures of \$1,749,000, resulting in a projected fund balance at the end of the year of \$45,606.

The **Building Construction** fund is used to record all operations of a school district's building construction program that are funded by the sale of bonds or capital loans. Construction costs for building and additions consist of advertisement for contracts; payments on contracts; installations of plumbing, heating, lighting, ventilating, and electrical engineering services; travel expenses; decorating expenses; and any other related costs. The Building fund budget shows total revenues of \$5,000 (interest earnings) and total expenditures of \$779,595. Most of our Building fund revenues were received back when bonds for our 2003 building projects were sold. We will be closing out the Building Construction fund this year with final projects at the middle school.

The **Debt Service** fund is used to record revenues and expenditures for a school district's outstanding bond indebtedness. When a bond is sold, the school board must levy a direct general

tax upon the property of the district for the payment of principal and interest on such bonds due. The revenue from such a tax and related state aid must be separately accounted for in a Debt Service fund. The Debt Service fund budget shows total revenues of \$7,600,594 and total expenditures of \$7,116,089.

The **Alternate Facilities** fund is used to record revenues and expenditures associated with projects over \$500,000 that fall under the health and safety program. Projects are funded by property tax levy or by the sale of bonds. These projects must have prior state approval and meet all the specific requirements of Minnesota State Law. Most of our Alternative Facilities revenues were received back in 2005-06 and our projects have been completed. The Alternate Facilities fund is being closed out this year.

### **Summary**

Reductions of \$1.825 million for 2008-09 and \$1.551 million for 2009-10 have helped keep the budget and resulting undesignated, unreserved fund balance in reasonable shape for another 2 years. Part of the budget development requires us to look ahead at the next few years. When we do that, it's clear that additional action will be necessary in the next several years to allow us to remain fiscally healthy and keep our fund balance where it needs to be. There are only two general variables in bringing a budget into balance – increasing revenues or reducing expenditures.

Our revenues are largely dependent on three variables – funding from the state legislature (frozen for the next two years), student enrollment, and voter-approved levy referendums. Student enrollment for budget purposes is based on projections and therefore must be conservatively figured. Our current projected Kindergarten enrollment for 09-10 is down from our earlier projections, leading us to be very wary of counting on increased enrollment to help balance the budget. The referendum issue is two-fold – renewing our existing \$110 and \$379 referendums and passing a referendum vote for new, additional money.

The ARRA Stimulus revenue could help us in the General Fund to the tune of about \$620,000 over two years. That is the amount that we would be able to reduce our Maintenance of Effort level for Special Education, thus shifting regular education dollars currently funding SPED excess costs to general, regular education purposes in the budget.

On the expenditure side of the ledger, we have experienced significant reductions for two consecutive years. A third round of reductions would no doubt require looking at more broad-based, systemic solutions. This might include such considerations as closing an elementary school, re-aligning the grade level configuration, major reductions in extra/co-curricular activities, major reductions in transportation service, exploring re-alignment of the district boundaries, and other ideas. Ultimately, the best long range solution lies in a more stable and consistent revenue stream for the district, something that depends on local voter support and reasonable increases in state funding.

### **ATTACHMENTS:**

Budget Document