

School Board Workshop:

January 10, 2022

Subject:

Financial Projections

Presenter:

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

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 to make an educated prediction about our financial future as a district based upon current trends. It also attempts to determine how these trends will impact the district and its operations in the future. Planning is using the 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 2020-21 school year predicted an unassigned/non-spendable, unreserved fund balance of \$10,033,048 or 13.84%. After closing out the year, the actual result was an undesignated, unreserved fund balance of \$10,620,905 or 15.00% of total expenditures and some additional designations such as the capital technology set aside, third party billing revenue, student activities and carryover balances for various sites. The final unassigned total was higher than projected primarily due to lower than anticipated spending in most categories due to the COVID-19 pandemic.

A Look Ahead

The COVID-19 pandemic continues to have a significant impact on our school district and nation. In response to the pandemic, Federal Pandemic Relief Funds have allowed the District to maintain staff to help students navigate academic loss due to lost classroom time. Our student enrollment took a sharp decrease due to the pandemic and projections show a long-term downward trend in enrollment.

Our original budget for 2021-22, adopted in June 2021, showed a beginning unassigned/non-spendable fund balance of \$10,033,048. The final audit results for 2020-21 changed the 2021-22 starting fund balance to \$10,620,905. The first 2021-22 revised budget, done in preparation for this forecast, shows that we will end at \$10,511,400. This is \$288,204 more than the revised original projection but still a net decrease of \$109,505 for the fiscal year. Our assigned and committed fund balances decrease a combined total of \$495,168. This is a \$117,094 further decrease from the original projection.

Even though we experienced enrollment below budget, an increase in general education aid and increased extended time enrollment offset the losses. Federal Pandemic Relief Funds also played a role in the budget changes. The majority of the expenditure changes come from a review of staffing and benefits.

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 24, 2022.

ATTACHMENT(S):

- ISD 877 BHM Forecast 2022 board presentation 1.10.22
- January 2022 Forecast Base Scenario 1.10.22