

**School Board Meeting/Workshop Date:**

**January 11, 2016**

**Subject:**

**Financial Projections**

**Presenters:**

**Gary Kawlewski, Director  
Finance and Operations**

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**SUGGESTED SCHOOL BOARD ACTION:**

Review of Financial Projections for 2016-17 through 2018-19

**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 events 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.

This is our eighth year of using a financial planning model for the district that is also used by many other school districts in Minnesota. It was developed and is maintained by Jim Sheehan and Ann Thomas at SchoolFinances.Com.

Our financial planning model (FPM) uses the enrollment model (Enpro) that we used for our enrollment projections. This is the same enrollment projection model we've been using for the past few years. The FPM also incorporates staff and salary projections from Moreen Orr 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 projection and revised budget for the 2014-15 school year predicted an undesignated, unreserved fund balance of \$8,755,649 or 14.78%. After closing out the year, the actual result was an undesignated, unreserved fund balance of \$10,274,898 or 17.92% plus some additional designations such as the capital set aside, 3<sup>rd</sup> party revenue, student activities, and carryover balances for various sites. The final unassigned total was higher than projected, due to lower than anticipated spending and slightly higher than projected revenues.

**A Look Ahead**

The Minnesota legislature will convene in March this year and is in the "un-funding" year for the biennium. The governor has stated publicly his intent to better fund education in his second term. The 2015 Legislature made some major funding changes in adding 2% for each year of the biennium for general education revenue. It also replaced health and safety and deferred maintenance revenue with long-term facilities maintenance revenue starting in 2016-17.

The state forecast projects a surplus for the biennium and the aid shift and the property tax shifts have both been repaid by the end of the 2014-15 fiscal year. The passage of the bond issue in November of 2014 has created some flexibility in the operating capital fund for the next few years. We also created an assigned fund balance for technology purchases that will build up to a total of about \$2,000,000 starting with the 2014-15 year through the 2018-19 school year. These are expenditures that would otherwise come out of the general fund budget but now are able to be

shifted to the construction fund. We will then spend down that built up assigned fund balance for technology through the 2018-19 fiscal year. We are hoping the State's economy continues to trend upward and the Legislature can provide some additional funding. However, we are at the point where we are going to need to look at our fund balance and determine if we need to make any modifications to manage our fund balance.

Our original budget for 2015-16 showed an overall drop in fund balance of \$1,728,785. The revised budget, done in preparation for the forecast, shows that we will be \$143,356 better than this for a net decrease of \$1,585,429. However, this net change includes continuing to shift (reducing general fund expenditures) \$400,000 from the general fund into the construction fund as we continue to develop the assigned fund balance indicated above. Our revised unassigned fund balance is projected to go down \$1,729,819 for 15-16. Our original projection showed this number dropping \$2,205,375. The majority of the changes come from a comprehensive review of staffing, benefits, operations and maintenance costs, and tuition payments. The balance comes in changes to designated or assigned fund balances as a part of the budget revision as well. These changes would drop our unassigned fund balance from 17.92% down to 13.87%. Our original budget showed our fund balance at 13.18%.

We have included just the base plan for looking ahead with financial projections over the next three years. Factors that could affect these numbers lie in and among the following factors:

1. Final enrollment totals
2. Final contract settlements
3. Final budget to actual expenditures
4. Legislative funding changes

We will look to finalize our budget assumptions at the board retreat on January 25 for adoption at the board meeting later that evening.

**ATTACHMENTS:**

**ISD 877 BHM Forecast 2016  
Base Plan Summary**