

**School Board Meeting/Workshop Date:**

**January 13, 2014**

**Subject:**

**Financial Projections**

**Presenters:**

**Gary Kawlewski, Director  
Finance and Operations**

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**SUGGESTED SCHOOL BOARD ACTION:**

Review of Financial Projections for 2014-15 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 sixth 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 Martell 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 2012-13 school year predicted an undesignated, unreserved fund balance of \$8,796,535 or 16.52%. After closing out the year, the actual result was an undesignated, unreserved fund balance of \$8,674,396 or 16.64% plus some additional designations such as the capital set aside, 3<sup>rd</sup> party revenue, and an addition to our designation for severance payments.

A Look Ahead

The Minnesota legislature will convene in February and is in the off-year of the budget determination year for the biennium. This session is likely to look at tweaking some of the major funding changes that were made last spring. The 2013 Legislature made some major funding changes. The legislature adopted a budget that added \$78 (1.5%) to the General Education funding formula for 2013-14 and 2014-15. It also created an opportunity for school boards to add up to \$300 per pupil for operating referendum authority. It added increases to Special Ed aid. The legislature also set Integration revenue at about 83% of the 2012-13 levels. Finally, the legislature also provided for tax relief through increased state equalization for a number of revenue formulas. We were also able to begin to add back some positions that were reduced a few years ago.

The state forecast projects a surplus for the biennium and the aid shift and the property tax shift will have both been repaid by the end of the 2013-14 fiscal year. Our budget management efforts over

the past several years will position us to get through the next few years assuming the State's economy continues to trend upward and the Legislature does not hit us with funding reductions. Our fund balance and continual monitoring of any staffing changes should help us manage at least one more year without the need for budget modification discussions.

We have put together several scenarios for looking ahead with financial projections over the next five years. You can see that the last two to three years of this projection do see significant drops in the projected fund balance, and we will need some revenue or expenditure components to change in order to avoid that financial hole. This has been consistent with the model for the last several years.

**ATTACHMENTS:**

ISD877 BHM Forecast 2014  
Base Plan Summary  
Scenario #5