

**BEMIDJI AREA SCHOOLS
BEMIDJI, MINNESOTA**

DATE: MRCH 18, 2019
TO: BOARD OF EDUCATION, BEMIDJI SCHOOL DISTRICT #31
FROM: CHRIS J. LEINEN, DIRECTOR OF BUSINESS SERVICES
SUBJECT: BUDGET PROJECTION 2019-2020
COMMENTS:

Attached is a Budget Report for 2019-20. This is part of our five year projection model which builds on actual audited data from 2017-18 and our adopted budget from 2018-19.

Projections for 2019-20 incorporate assumptions from several sources. These include the State Legislature, local county birth rates, historical contract settlements, market driven inflation rates and changes in formula driven revenues identified by the Department of Education. The assumptions incorporated into this model are as follows:

Enrollment is derived from our SchoolFinances.com projection model and indicates flat enrollment for next year and the future years as well. This projection does not incorporate the possible opening of a new Charter School. This could reduce student counts by 80 students next year and more in future years. Enrollment figures will become more accurate next October when we submit our actual seat counts to the Minnesota Department of Education. October enrollment drives many of the funding formulas for purposes of cash flow. MDE will make an adjustment the following year to account for enrollment fluctuations throughout the school year. Our final student number is called Average Daily Membership or "ADM" which is the true basis for many state funding formulas. Our ADM will not be finalized until December of 2019, six months after the budget year is over. This "lag" in funding finality is one reason why a fund balance is necessary.

FY20 Budgeted Revenue is projected to increase by \$529,559 for next year to \$67,161,415 based on the per pupil formula increase of 2% less a reduction in Compensatory Ed revenue due to a decrease in Free and Reduced lunch counts.

FY20 Budgeted Expenses are projected to increase by \$1,275,186 to \$68,491,801 for next year based on an assumed 2% inflation rate.

The Operating Budget spending variance is currently projected to be a deficit of \$1,330,387.

Our current beginning Fund Balance for 2018-2019 is 10,420,656 of which \$5,236,912 is restricted and \$4,598,985 is unrestricted. When projecting fund balance it is important to remember that we are projecting two years out and that the results of the current year will necessarily have an effect on the following year as well.

The projected ending general fund balance for 2019-2020 is as follows: restricted \$4,936,912 plus unrestricted \$3,568,598 for a total of \$9,835,897.

RECOMMENDATIONS:

As the process of moving grades 4&5 into Gene Dillon Elementary and Kindergarten into the Elementary schools continues, we need to take advantage of the opportunities for efficiency that this new space provides us. "Right sizing" district classrooms will be necessary to balance this budget.

We need to approve a resolution in the spring to keep our existing operating referendum authority. This will come in the April or May board meeting.

We need to have success at the legislative level to bring equity into the Transportation Sparsity funding formula. We currently have an operating deficit of \$561,000 while most schools are running significant surpluses.

We need some relief from the Legislature from a Special Education Cross subsidy that currently exceeds \$4.1 million per year. These funds come directly out of our classrooms.

We need to renew our operating referendum in November of 2020 and contemplate requesting an increase. Our current operating referendum of \$480 per pupil is approximately half of the state average.

State revenue represents 80% of our operating budget and therefor any shortfall at the state level is very hard to make up locally.

Our expense budget is made up of 80% staff salaries and benefits and therefor it is very hard to make significant adjustments without effecting people.

Financial Planning Model Version XXIV - SchoolFinances.Com

SUMMARY WORKSHEET

BEMIDJI 31

Budget Year

INPUT WORKSHEET	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Pupil Unit Value 2.00% Change		\$6,312	\$6,438	\$6,567	\$6,698	\$6,832	\$6,969
Percent of Fall WADM to EOY WADM		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Formula Revenue per APU		8676.23	8849.76	9026.75	9207.29	9391.43	9579.26
ENROLLMENT WORKSHEET	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Pre K, Handicapped, K, Grade 1-6 Enrollment	2,946	2,945	2,907	2,820	2,791	2,769	2,750
Grades 7 - 12 Enrollment	2,167	2,185	2,233	2,306	2,340	2,377	2,385
EC & Kindergarten - Grade 12 Enrollment	5,064	5,071	5,080	5,068	5,069	5,084	5,075
Enrollment change from Previous Year		FLAT → 8	8	(12)	1	15	(9)
ADM's FY18	5,063.87	5,071.44	5,079.64	5,067.83	5,068.94	5,083.80	5,074.63
Beginning of Year ADM CHANGES		7.57	8.21	(11.81)	1.11	14.86	(9.17)
REVENUE WORKSHEET	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Estimated Adjusted Pupil Units	5,482.70	5,527.00	5,544.86	5,547.72	5,555.54	5,577.87	5,570.24
BASIC COMPENSATORY - 358,000		\$34,886,424	\$35,699,166	\$36,431,905	\$37,212,891	\$38,109,773	\$38,818,801
DECLINING ENROLL		\$0	\$0	\$0	\$0	\$0	\$14,887
GIFTED & TALENT		\$71,851	\$73,525	\$75,034	\$76,643	\$78,490	\$79,950
PENSION		\$55,787	\$55,967	\$55,996	\$56,075	\$56,300	\$56,223
REFERENDUM - BOARD Action 2019		\$2,652,960	\$2,661,535	\$1,813,161	\$999,996	\$1,004,017	\$1,002,644
Other Formula Revenue <small>See Revenue Worksheet</small>		\$10,555,479	\$10,261,866	\$10,315,449	\$10,391,351	\$10,446,568	\$10,451,699
Total Projected Non-Formula Revenue		\$18,409,356	\$18,409,356	\$18,409,356	\$18,409,356	\$18,409,356	\$18,409,356
Tuition Variation Adjustment to Fund 01		\$0	\$0	\$0	\$0	\$0	\$0
Percentage Based Revenue Adjustments(if used)		\$0	\$0	\$0	\$0	\$0	\$0
TOTAL Rev. (Gen/Trans/Capital)	\$66,237,938	\$66,631,856	\$67,161,415	\$67,100,901	\$67,146,310	\$68,104,505	\$68,833,560
EXPENDITURE WORKSHEET	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Salaries and Wages	\$0	\$39,627,095	\$40,419,637	\$41,228,030	\$42,052,590	\$42,893,642	\$43,751,515
Employee Benefits	\$0	\$13,760,339	\$14,035,546	\$14,316,257	\$14,602,582	\$14,894,633	\$15,192,526
Non-Salary and Non-Benefits	\$0	\$13,829,181	\$14,036,619	\$14,247,168	\$14,460,876	\$14,677,789	\$14,897,955
Staffing Worksheet Teacher Salary Changes		\$0	\$0	\$0	\$0	\$0	\$0
Staffing Worksheet Non-Teacher Salary Changes		\$0	\$0	\$0	\$0	\$0	\$0
Unspecified Dollar Amount Expenditure Changes		\$0	\$0	\$0	\$0	\$0	\$0
Percentage Based Expenditure Changes(if used)		\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$65,584,036	\$67,216,615	\$68,491,801	\$69,791,454	\$71,116,048	\$72,466,064	\$73,841,996
STAFFING WORKSHEET	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Instructional Staffing Summary Only	1						
Annual Ratio Staffing Changes			0.00	0.00	0.00	0.00	0.00
Cumulative Ratio Staffing Changes			0.00	0.00	0.00	0.00	0.00
Total Teaching Staff Based on PLAN		0.00	0.00	0.00	0.00	0.00	0.00
Total Staff 'Teacher' Salary Changes Based on PLAN			\$0	\$0	\$0	\$0	\$0
Total 'non-teacher' Salary Changes Based on Plan			\$0	\$0	\$0	\$0	\$0
RESERVE WORKSHEET	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
TOTAL BEGINNING FUND EQUITY	\$9,766,754	\$10,420,656	\$9,835,897	\$8,505,510	\$5,814,957	\$1,845,219	-\$2,516,340
VARIANCE = (REVENUES - EXP.)	\$653,902	-\$584,759	-\$1,330,387	-\$2,690,554	-\$3,969,737	-\$4,361,560	-\$5,008,437
TOTAL EOY FUND EQUITY & RESERVES	\$10,420,656	\$9,835,897	\$8,505,510	\$5,814,957	\$1,845,219	-\$2,516,340	-\$7,524,777
TOTAL RESTRICTED AMOUNTS	\$6,044,434	\$5,236,912	\$4,936,912	\$4,786,912	\$4,736,912	\$4,736,912	\$4,736,912
Variation in Restricted Amounts from Prior Year		-\$807,522	-\$300,000	-\$150,000	-\$50,000	\$0	\$0
UNASSIGNED	\$4,376,222	\$4,598,985	\$3,568,598	\$1,028,045	-\$2,891,693	-\$7,253,252	-\$12,261,689
Unrestricted/EOY APU	\$798.19	\$832.09	\$643.59	\$185.31	-\$520.51	-\$1,300.36	-\$2,201.28
S.O.D. Reserve Amount	\$4,376,222	\$4,598,985	\$3,568,598	\$1,028,045	-\$2,891,693	-\$7,253,252	-\$12,261,689
S.O.D. Reserve %	6.67%	6.84%	5.21%	1.47%	-4.07%	-10.01%	-16.61%
-2.5% or less is S.O.D.	O.K.	O.K.	O.K.	O.K.	S.O.D.	S.O.D.	S.O.D.
GOAL RESERVE AMOUNT	\$3,935,042	\$4,032,997	\$4,109,508	\$4,187,487	\$4,266,963	\$4,347,964	\$4,430,520
GOAL ACHIEVED	YES	YES	NO	NO	NO	NO	NO
PLAN CHANGES NEEDED F/GOAL	\$0	\$0	-\$540,910	-\$3,159,443	-\$7,158,655	-\$11,601,216	-\$16,692,209