

School Board Meeting/Workshop Date:

January 11, 2021

Subject:

Financial Projections

Presenter:

**Gary Kawlewski, Director
Finance and Operations**

SUGGESTED SCHOOL BOARD ACTION:

Review of Financial Projections for 2021-22 through 2023-24

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.

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 2019-20 school year predicted an undesignated, unreserved fund balance of \$6,527,421 or 9.40%. After closing out the year, the actual result was an undesignated, unreserved fund balance of \$8,409,807 or 12.48% 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 COVID19 pandemic.

A Look Ahead

The Minnesota legislature will convene in January of this year and is in the funding year for the biennium. Although the November 2020 state forecast showed a surplus, it was significantly less than any prior estimates. The pandemic has had a significant impact on the state's economy and the legislature will look for ways to balance the budget going forward.

Our original budget for 2020-21, adopted on June 22, 2020, showed a beginning unassigned/non-spendable fund balance of \$6,527,421. The final audit results for 2019-20 changed the 20-21 starting fund balance to \$8,409,807. Using the original projected revenues and expenditures and the revised 19-20 ending balance, the projected fund balance was projected to increase \$2,238,460 to end at \$10,648,267. The first 20-21 revised budget, done in preparation for this forecast, shows that we will end at \$10,074,003. This is \$574,264 less than the revised original projection. Our assigned and committed fund balances decreased for a combined total of \$695,586. This is a \$176,876 further decrease from the original projection.

The biggest revenue changes are due to increased special education aid, a significant drop in student enrollment affecting general education aid, CARES act funding in federal program revenue, reduced COBRA/retiree insurance contributions, and loss of student fees and fundraising. The majority of the expenditure changes come from a review of staffing, benefits, severance payments, COBRA/retiree insurance payments, operations and maintenance costs, transportation savings, and increased expenditures due to the CARES act funding.

We have included the base plan to review as we look at our financial projections over the next four years along with two staffing scenarios based on enrollment changes. 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. State and federal legislative funding changes

We will tentatively look to adopt our final budget assumptions at the board meeting on January 25, 2021.

ATTACHMENTS:

- ISD 877 BHM Forecast 2021
- Base Forecast Presentation 1.11.21
- Scenario #1 Presentation- No staff cuts for 21-22 1.11.21
- Scenario #2 Presentation – Half staff cuts for 21-22 1.11.21