

**School Board Meeting/Workshop Date:**

**January 13, 2020**

**Subject:**

**Financial Projections**

**Presenters:**

**Gary Kawlewski, Director  
Finance and Operations**

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**SUGGESTED SCHOOL BOARD ACTION:**

Review of Financial Projections for 2020-21 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.

This is our twelfth year of using a financial planning model for the district. Many other school districts in Minnesota use this model as well. Jim Sheehan, former business manager for Rochester Schools developed the planning model. Ann Thomas and Todd Netzke at SchoolFinances.Com maintain the model.

Our financial planning model (FPM) uses the enrollment model (ENPRO) that we used for our enrollment projections this past fall and is the same enrollment projection model we have been using for the past few years. 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 projection and revised budget for the 2018-19 school year predicted an undesignated, unreserved fund balance of \$5,920,320 or 8.44%. After closing out the year, the actual result was an undesignated, unreserved fund balance of \$6,710,756 or 9.73% 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 salaries and benefits.

**A Look Ahead**

The Minnesota Legislature will convene in February this year and is in the non-funding year for the biennium. The governor has stated publicly his intent to better fund education in his first term. The 2019 Legislature made changes to the general education

funding formula, added increases to special education funding, and granted additional safe schools funding as well as some equalization aid relief for the 2020-21 fiscal year and beyond.

The state forecast projects a significant surplus for the biennium. We also created an assigned fund balance for technology purchases that has built up to a total just under \$2,000,000 at the end of the 2018-19 school year. These expenditures would otherwise have come out of the general fund budget but were able to be shifted to the construction fund. We are starting to spend down that built up assigned fund balance for technology in the 2019-20 fiscal year. We were also able to pass an operating referendum on November 5, 2019 that will provide an additional funding stream starting in the 2020-21 fiscal year and ending with the 2024-25 year. In addition, we are hoping the State's economy continues to trend upward and the Legislature can provide some additional funding.

Our original budget for 2019-20 adopted on June 24, 2019, showed a beginning unassigned/non-spendable fund balance at \$4,506,778. The final audit results for 2018-19 changed the 19-20 starting fund balance to \$6,710,756. Using the original projected revenues and expenditures and the revised 18-19 ending balance, the projected fund balance decreases \$1,413,542 to end at \$5,297,214. The first 19-20 revised budget, done in preparation for this forecast, shows that we will end at \$6,528,346 or a decrease of \$182,410. This is \$1,041,551 better than the original projection. However, our assigned and committed fund balances decrease a combined total of \$1,935,316.

The biggest revenue changes are due to increased special education aid, safe schools aid, a reduction in federal program revenue, and reduced COBRA/retiree insurance contributions. The majority of the expenditure changes come from a review of staffing, benefits, severance payments, COBRA/retiree insurance payments, operations and maintenance costs, and tuition payments. Based on these modifications, our unassigned fund balance will drop from 9.73% of expenditures down to 9.24% of expenditures. Our original budget showed our fund balance at 6.30%. These numbers include the \$1,505,000 of program modifications that were made for the 2019-20 fiscal year.

We have included the base plan to review as we look at our financial projections over the next four 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 adopt our final budget assumptions at the board meeting on January 27, 2020.

**ATTACHMENTS:**

- ISD 877 BHM Forecast 2020
- Base Forecast Presentation 1.13.2020

