

Financial Forecast and Fiscal Year 2026-2027 Budget Update

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Overview

Based on current projections, the district is expected to operate with an approximate \$1.5 million deficit in FY27. The district continuously makes right-sizing adjustments based on enrollment. At this time, the recommendation is to strategically utilize fund balance to cover this gap, while continuing to monitor updates and plan thoughtfully.

Financial Position

The district remains in a stable financial position:

- Fund balance policy target: minimum of 16% (approximately 2 months operating expenses)
- Projected fund balance: 27% at the end of FY26, and 24% at the end of FY27

A healthy fund balance provides flexibility to manage short-term financial pressures while maintaining financial stability.

Enrollment Trends

- Projected decline of approximately 86 students in FY27
- Enrollment has been declining for over 10 years and is expected to continue

Key Revenue Factors:

- 2.69% increase in per-pupil funding
- 2% increases in referendum and special education funding
- New EL cross subsidy aid
- Decreases in federal and state funding, including:
 - Title I (due to lower poverty rate)
 - Compensatory revenue (formula change)
 - Expiration of MTSS Grant
 - Proration of summer unemployment reimbursement
- Athletic/activity fees and participation assumed to remain stable

Key Expenditure Factors:

- Salaries: 2% increases plus step and lane changes for settled contracts; 2% assumption for unsettled contracts (9 groups expiring 6.30.26)
- Benefits: 6% increase in health insurance premiums
- Transportation contract: 3% increase
- Staffing Ratios and department budgets: no changes

Outlook and Next Steps

While the district is able to manage the projected deficit in the short term, long-term financial sustainability will require continued planning and adjustments, particularly in response to declining enrollment.

Additionally, the district's operating referendum is set to expire in FY28, and the Board will begin reviewing future options.

Financial Planning Process (Annual Cycle)

The district follows a structured financial cycle to ensure transparency and informed decision-making:

- March: Financial Forecast
- June: Adopted Budget
- November: Audit Results
- December: Revised Budget