

School Board Meeting:

May 26, 2009

Subject:

Preliminary 2009-10 General Fund Budget

Presenter:

Chuck Klaassen

SUGGESTED SCHOOL BOARD ACTION:

A report will be presented at Board meeting.

DESCRIPTION:

The preliminary budget represents our current thinking about where we are with the current 2008-09 budget (revised) and our budget outlook for next year (2009-10), with a look also at the financial forecast for the next couple of years. It incorporates the budget assumptions approved by the Board earlier this winter, with a few tweaks to account for legislation and changed economic conditions.

This preliminary budget includes the 0% change in the basic foundation aid funding formula for both of the next two years. It also removes the one-time, one year funding in the current year's budget. We've adjusted enrollment projections downward by about 40 students based on in-year changes and new projections.

We have chosen to exclude any Stimulus funding at this point since that money clearly comes with "supplement not supplant" restrictions and there are still too many unknown strings attached to it. We anticipate that any new Stimulus funds will need to be spent on one-time new expenses, therefore not resulting in an impact either way on the budget and fund balance. Stimulus is NOT an ongoing stream of revenue and we've been warned many times about the "funding cliff" associated with it. That being said, we do look forward to some really good, positive things that will hopefully be accomplished with that money.

We're still sorting out of the newly signed legislation and at this writing we are waiting for Governor Pawlenty's shift and unallotment pen to start writing its story. We expect that he will impose the 73/27 shift and also may unallot some aid in several minor categories. That would have an impact on the budget, but my guess is it would be relatively minor. The shift would mean we would likely be doing some short term borrowing with aid anticipation certificates to shore up our cash flow.

The preliminary budget overview for next year does reflect the budget reduction plan put in place following the referendum defeat last November. The 2009-10 reduction of \$1.6 million is included in the totals here and will be in the details of the final budget in June. This budget also does include the two additional special education staff positions that were part of our financial plan we reviewed in January.

The preliminary budget for next year shows general fund revenues of \$49,365,657

and expenditures of \$49,101,434. That will put the undesignated, unreserved fund balance at \$4,019,202 which is about 8.19%. That's at the low edge of our 8-12% range and when we look out beyond 2009-10, we see a rather precipitous drop in that balance over the next few years.

Overall, we're in decent shape here because we have been forward-looking and don't operate on a one-year-at-a-time approach to budgeting. Our reductions, while certainly painful, have enabled the district to maintain overall long-term stability compared to many other Minnesota school districts. Having, and sticking to, a fund balance policy is good, sound operational practice. Had we not made reductions for this year and next and implemented other cost containment measures, we would likely be in statutory operating debt by the end of next year.

Again, we cannot emphasize enough that this is a preliminary look at next year's budget. We're working to get the staffing finalized for next year with the reductions and also incorporate the newly-revised revenue projections. Much refining will be done during the next 30 or so days as we nail things down. The final budget to be presented on June 22 will go into detail and give us a clearer understanding of the year ahead. In the mean time, this gives us a big picture look at 2009-10 and what lies ahead.