

School Board Workshop:

January 8, 2024

Subject:

Financial Projections

Presenter:

**Ryan L. Tangen, Director
Finance and Operations**

SUGGESTED SCHOOL BOARD ACTION:

For Board Review Only.

DESCRIPTION:

Overview

Long-range financial planning and forecasting are integral functions of a school district. Forecasting procedures allow us to compile information and make an educated prediction about our financial future as a district based on current trends. It also attempts to determine how these trends will impact the district and its operations in the future. Planning is using forecasting information to determine how best to respond to the anticipated future.

Our Financial Planning Model (FPM), uses the enrollment model we used for our enrollment projections this past fall. The FPM also incorporates staff and salary projections from 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 2022-23 school year predicted an unassigned/non-spendable, unreserved fund balance of \$10,912,203, or 14.39% of total expenditures. After closing out the year, the actual result was an undesignated, unreserved fund balance of \$11,125,196, or 14.76% of total expenditures. The final unassigned total was higher than projected primarily due to lower than anticipated spending.

A Look Ahead

Programming and student activities have returned to pre-pandemic levels. Federal Pandemic Relief Funds have been an invaluable resource allowing the district to maintain licensed staff with fewer students. Unfortunately, the Federal Pandemic Relief Funds will be exhausted during the 2023-24 school year. Student enrollment is projected to continue a long-term downward trend and aligning the budget with the projected enrollment will be a long-term process. The 2023 legislative session made significant progress in funding mandates but also created additional revenue restrictions.

Our original budget for 2023-24, adopted in June 2023, projected an unassigned/non-spendable fund balance of \$11,637,220 or 15.01% of total expenditures. The final results for 2022-23 increased the 2023-24 starting fund balance by \$212,993 to

\$11,850,213 or 15.29% of total expenditures. The 2023-24 first revised budget, done in preparation for this forecast, shows that we will end at \$11,243,043 or 14.23% of expenditures. This is \$607,170 less than the revised original projection and an increase in expenditures magnified the decrease in the percentage of expenditures.

Increased revenue related to tax adjustments, between terms unemployment aid, and integration grant adjustments were the largest sources of revenue changes. Enrollment is projected to be less than the budget projection but adjustments from the prior year helped offset the change. The majority of the expenditure changes come from staffing and benefits. Changes in expenditures related to between terms unemployment and integration grant adjustments were also significant contributors.

Included is a base plan to review as we look at our financial projections and formulate budget assumptions at a later meeting. Factors to consider when reviewing the base scenario include but are not limited to:

1. Enrollment projections
2. Final contract settlements
3. Final budget to actual expenditures
4. State and federal legislative funding changes

Following a budget workshop on Jan 16, 2024, the final budget assumptions will be presented for approval at the board meeting on January 22, 2024.

ATTACHMENT(S):

- ISD 877 BHM Forecast 2024 board presentation 1.8.24
- January 2024 Forecast Base Scenario 1.8.24
- January 2024 Forecast Scenario #1 No Staff Cuts 1.8.24
- January 2024 Forecast Scenario #2 Half Staff Cuts 1.8.24