



Finance 101

February 2021



EDEN PRAIRIE SCHOOLS
Inspiring each student every day

Agenda

- Budget
 - Process & Factors
- School District Funds
- General Fund Revenues
 - Major Source – State Aid
 - Special Ed Cross Subsidy
 - Voter Approved Levies
- General Fund Expenditures
 - Major Categories of Spending
 - Classroom Teacher Staffing
- Fund Balance Categories
 - Reasons for fund balance
- Budget Unknowns
- 5-Year Enrollment Projections
- 5-Year Financial Forecast
- Resources



Budget Process

- **Financial Model Software**
 - Analyze financial trends, per student spending, resource allocation
- **Input Data**
 - Prior year audited data
 - Current year budget
 - Assumed outlook of various factors
- **Framework for Assumptions**
 - Guidance from Citizen Finance Advisory Committee (CFAC)
 - Gauge Local, Regional, Statewide, National Conditions
 - AMSD and MASBO
 - Consult with other School District's
- **Long Range Financial Forecast**



Budget Factors

- **Biggest drivers**
 - Revenue – Enrollment, Basic Formula Allowance, Operating Levy
 - Expenditures – Salary/Benefit settlements, class size ratios, fund balance reserves, medical insurance rates, property insurance rates, workers compensation, utility rates
- **Enrollment**
 - Review of demographics
 - Periodic demographic studies, City of Eden Prairie (housing), trends, open enrollment (OE)
 - Enrollment Software
 - Include actual history
 - Scientific mechanism for projecting future trends



School District Fund Categories

Operating Funds:

- General
 - Capital
 - Transportation
- Food Service
- Community Service

Non-Operating Funds:

- Building Construction
 - LTFM
 - Designing Pathways
- Debt Service

Internal Service Fund:

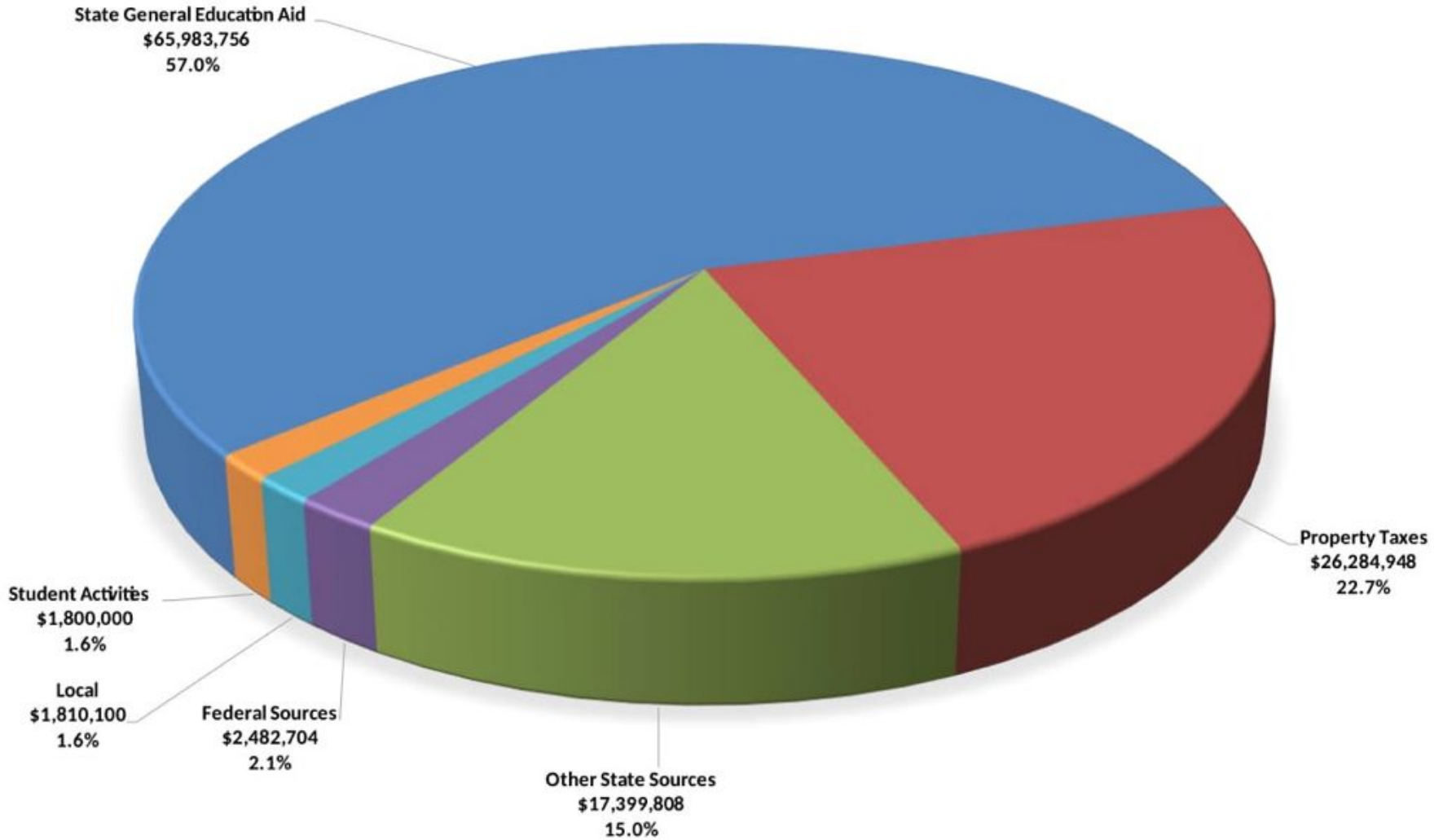
- Dental Self Insurance
- Medical Self Insurance

Fiduciary:

- OPEB Trust

GENERAL FUND REVENUES

FISCAL 2021 REVENUE



General Education Aid

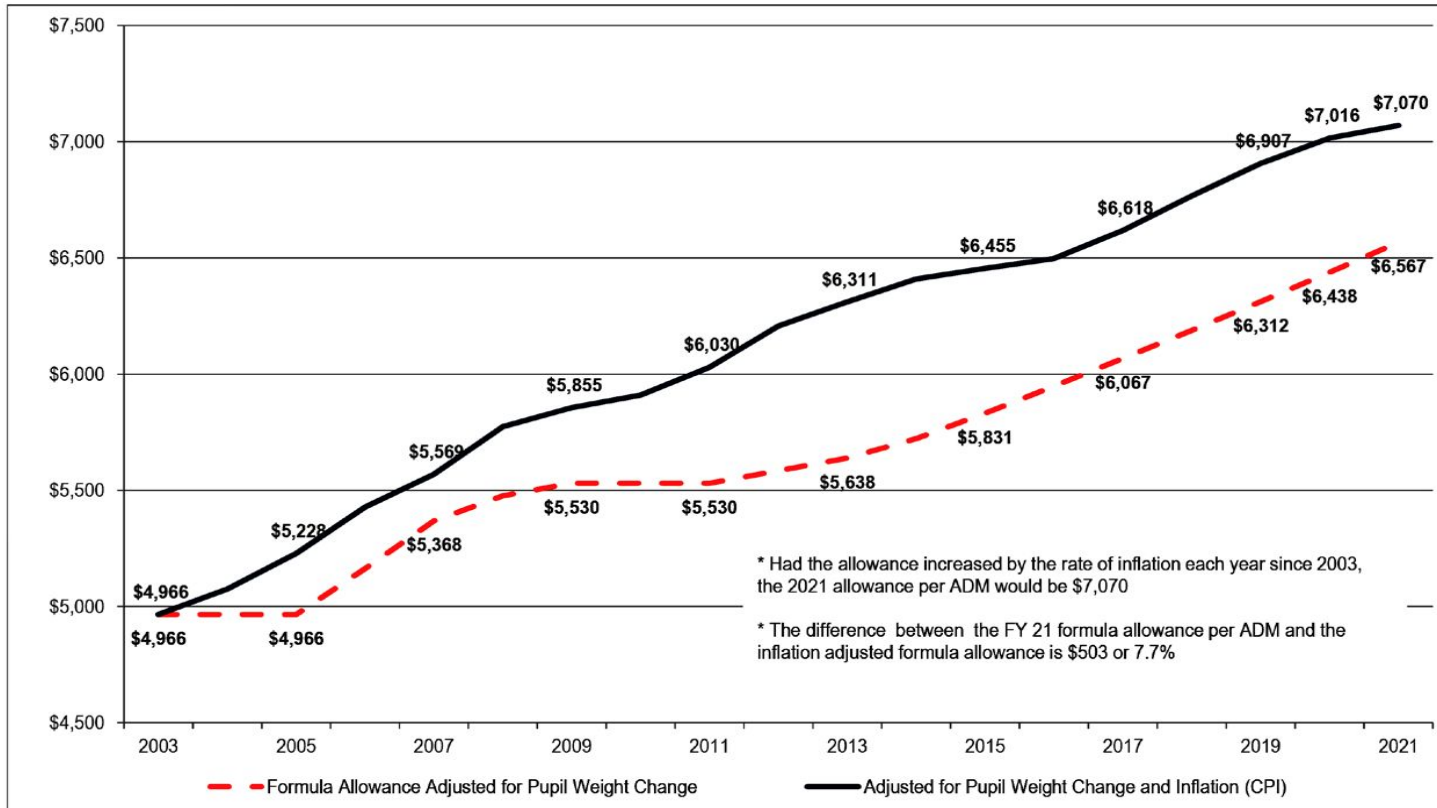
- Largest source of revenue for the district
- State funds - used for any operating expense
- Formula Allowance times Adjusted Pupil Units
 - FY21 = \$62,222,325
- Adjusted Pupil Unit (APU)
 - Total enrollment, Resident & Open Enrollment
 - 1.0 weighting - Grades K-6
 - 1.2 weighting - Grades 7-12



Basic General Education Formula Lags Inflation



General Education Formula Allowance, 2003-2021
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: Minnesota Department of Education, June, 2020



Special Education Cross Subsidy

- Definition – The difference between School district expenditures (\$20.2 Million) for special education programs and corresponding revenue
 - Revenue includes State, Federal, 3rd Party Billing, and General Education that reasonably follows the student)
 - \$12.6 million
- Current Cross Subsidy for EPS:
 - \$7.6 Million
 - Paid for by the general fund



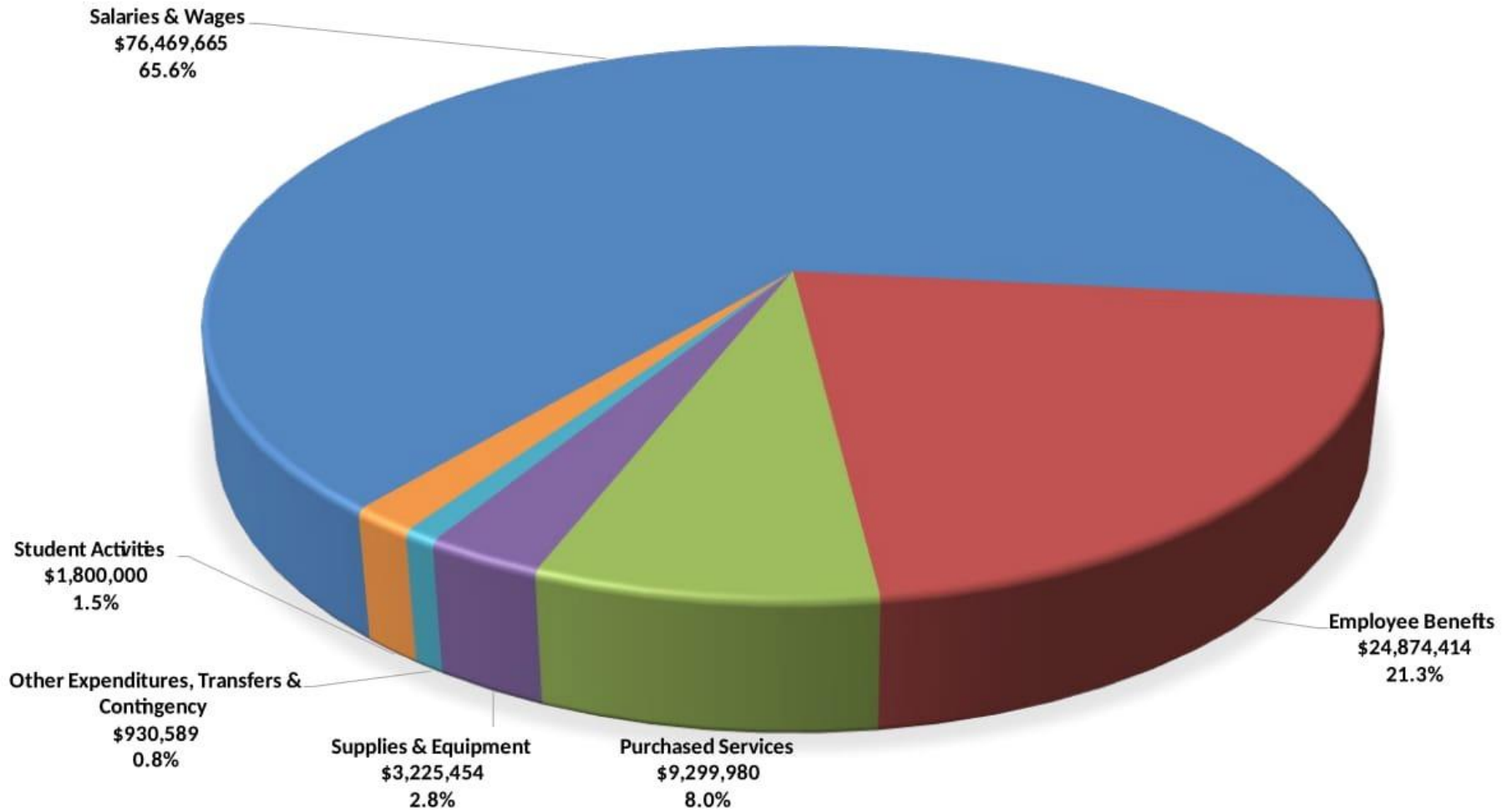
Voter Approved Levies

- Operating Referendum
 - Passed in Nov. 2014
 - Expires June 30, 2025
 - Approx. \$22 million per year
- Capital Projects Levy (Technology)
 - Passed in Nov. 2013
 - Expires June 30, 2025
 - Approx. \$7.3 million per year



GENERAL FUND EXPENDITURES

FISCAL 2021 EXPENDITURES



Expenditure Categories - % Spent

- **FY21 Budget - \$116,600,102**
 - 56.5% Instruction & Instructional Support
 - 18.6% Special Education
 - Cross Subsidy \$7.6 million
 - 7.9% Operations & Maintenance
 - 4.1% District Support
 - 3.2% Administration
 - 6.1% Transportation
 - 3.6% Student Activities & Athletics



Classroom Teacher Staffing

Grade	Target
Kindergarten	20.0
Grade 1	20.0
Grade 2	24.0
Grade 3	25.0
Grade 4	27.0
Grade 5	30.0
Grade 6	30.0
Grades 7 & 8	31.0
Grades 9-12	31.5

Classroom teacher staffing according to estimated enrollment and class size targets* across district and by grade

*Class sizes may vary depending upon specific enrollment



Fund Balance Categories

- **Non-spendable** – not in spendable form or legal requirement
 - Prepaid items, Inventories
- **Committed** – used for specific purpose by formal board action
- **Restricted** – legally enforceable constraints
 - Operating capital, health & safety, basic skills, staff development
- **Assigned** – district's intent for specific purpose
 - Capital, site carryover, third party billing
- **Unassigned** – for all other purposes not described by other categories
 - Used to calculate Statutory Operating Debt (SOD)
 - Used to calculate compliance with board policy
 - The fund balance mostly widely referred to by individuals



Why Have a Fund Balance?

- **Necessary for unknown situations**
 - Irregular payments of state and local revenues
 - State aid proration, metering of payments, tax shift, state shut down
 - Mandated but not funded programs
 - Higher utility costs
 - Greater than expected inflation
 - Changes in enrollment and state funding
 - Pandemics!
- **Sound fiscal management has a long term positive impact on the success of students**
- **Validates fiscal credibility with various reporting constituencies, including establishing a good credit rating**
- **Minimum of 8% per School Board Policy**



Budget Unknowns

- State Funding
- Federal Funding
- Pandemics
- Teacher Retirements
- Housing Changes within the City
- EP Online
- EPS Pathways



Enrollment Projections

	2021-22	2022-23	2023-24	2024-25	2025-26
Kindergarten	610	610	610	610	610
Grades 1-5	3,663	3,624	3,611	3,572	3,559
Grades 6-8	1,917	1,910	1,873	1,843	1,833
<u>Grades 9-12</u>	<u>2,864</u>	<u>2,840</u>	<u>2,789</u>	<u>2,817</u>	<u>2,772</u>
Sub-Total	8,444	8,374	8,273	8,232	8,164
<u>EP Online*</u>	<u>320</u>	<u>497</u>	<u>773</u>	<u>1,275</u>	<u>1,275</u>
Total	8,764	8,871	9,046	9,507	9,439

*EP Online only represents estimated open enrollment



5-Year Financial Forecast

Referendum	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Fiscal Year	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Unassigned Fund Balance \$	\$16,914,141	\$14,211,240	\$10,525,882	\$6,280,130	\$2,162,424	-\$18,383,475
Fund Balance %	14.8%	12.3%	9.0%	5.3%	1.8%	-15.2%



Resources

- District Website - Finance Department
- MN School Finance History 1849-2019
- MN School Finance-Guide for Legislators
- Minnesota Department of Education Website





THANK YOU



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