

2007-08 PRELIMINARY BUDGET PRESENTATION



INDEPENDENT SCHOOL DISTRICT NO. 719

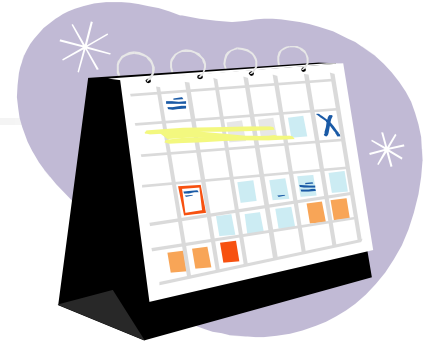
June 18, 2007

Topics Of Discussion

- Budget Calendar & Process
- 2007 Legislative Session Review
- Reserved Fund Balances
- 2007-08 Preliminary Budget Graphs
- Special Services Analysis
- Long Range Planning
- Referendum Planning

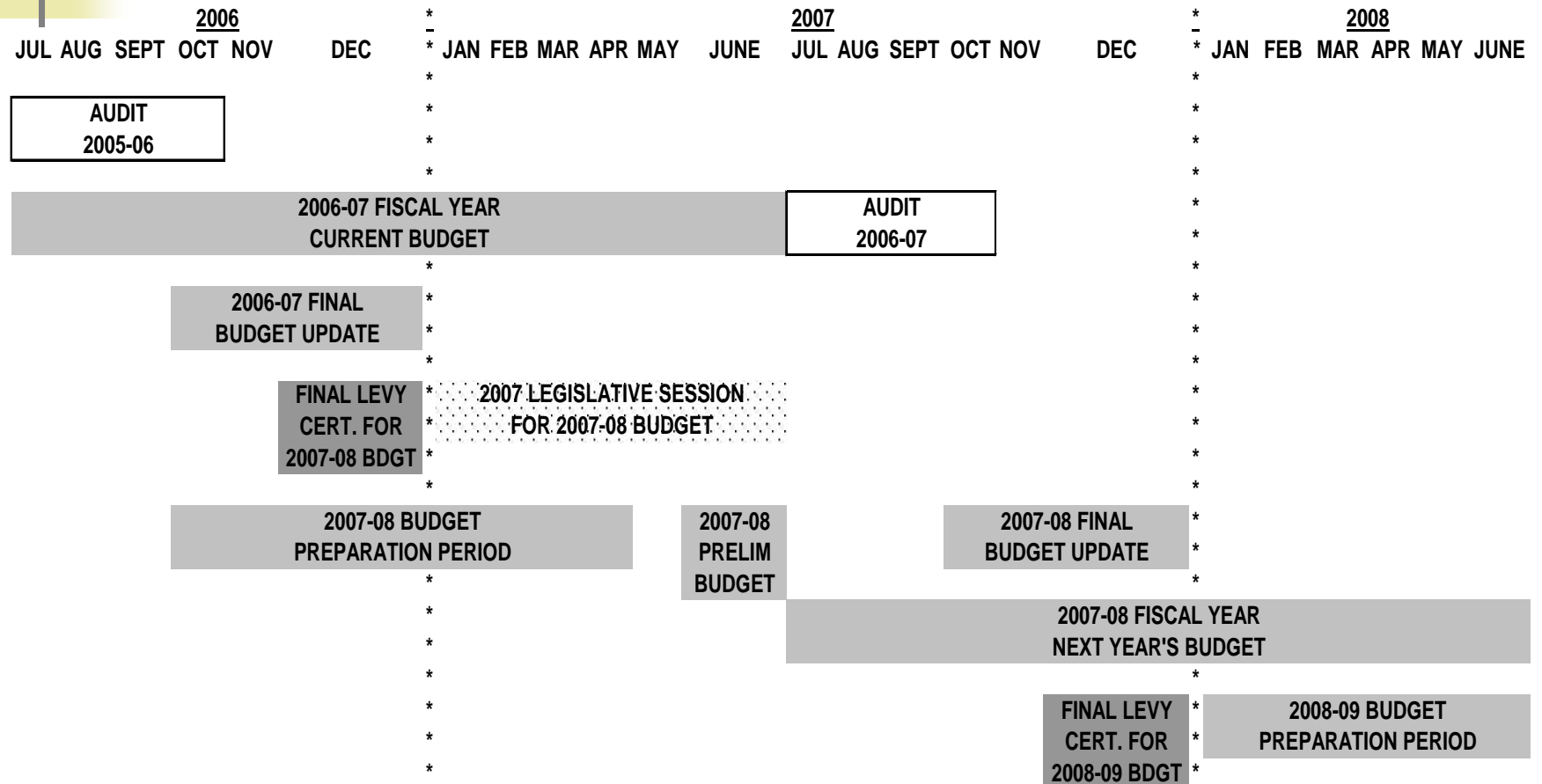


Budget Calendar



- Long Range Plan Update – December
- Budget Development – January to February
 - Cost Center Budget Reduction Proposals
 - Establish building FTE, equipment, and supply allocations
- Budget Review Committee – February
- Public Hearing – March
- Board Approval of Budget Reductions - April
- Preliminary Budget Approval - June
- Proposed Levy Certification – September
- Audit Report – October
- Truth in Taxation and Final Levy Certification – December
- Final Budget Approval – December

Budget Calendar Flow Chart





2007 Legislative Session Review

- General ed formula increase
 - 2% for 07-08
 - 1% for 08-09
- Special education formula changes to partially restore the cap from previous years
 - 07-08 regular special ed 89% proration vs 76%
 - 07-08 excess special ed 80% proration vs 44%
 - 08-09 regular special ed 88% proration
 - 08-09 excess special ed 71% proration

2007 Legislative Session Review (cont.)

- Restricted funding
 - All day every day kindergarten changed the weighting factor from .557 to .612
 - Gifted and Talented \$3/pu increase
 - Technology/Capital Aid – two years only
 - 07-08 \$40/pu
 - 08-09 \$55/pu
 - Safe schools levy beginning in 08-09 – \$3/pu increase
- Other Funds
 - Food Service 1.5 cent increase in each lunch sold
 - Early Childhood Family Education \$8 per pupil increase

Major K-12 Funding Components

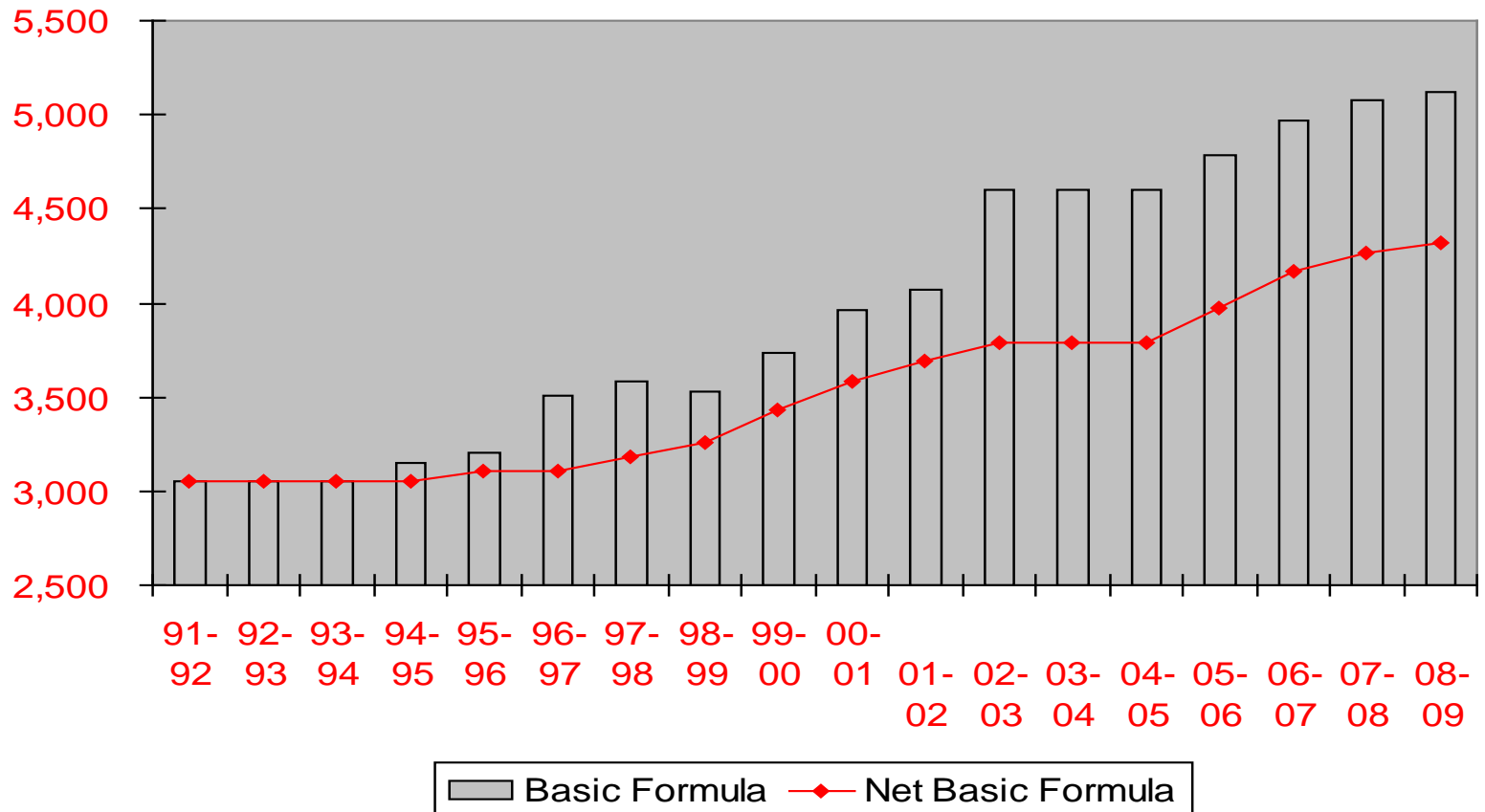
	2006-07 Revenue	2007-08 Revenue	Percent Increase	2008-09 Revenue	Percent Increase
<u>General Education Aid</u>					
Unreserved General Fund	44,748,647	45,630,700	1.97%	46,024,300	0.86%
Reserved General Fund	1,756,500	1,808,900	2.98%	1,821,900	0.72%
Total General Education Aid	46,505,147	47,439,600	2.01%	47,846,200	0.86%
Total Special Education	4,440,000	5,433,000	22.36%	5,758,000	5.98%
Total Reserved or Categorical Revenues	269,146	907,324	237.11%	1,044,074	15.07%
Total Unreserved Revenues	49,188,647	51,063,700	3.81%	51,782,300	1.41%
Total Reserved or Categorical Revenues	2,025,646	2,716,224	34.09%	2,865,974	5.51%
Total All Revenues	51,214,293	53,779,924	5.01%	54,648,274	1.61%

Note: State Summary information shows overall increase for 07-08 at 4.8% and 08-09 at 6.2%.
The 6.2% is cumulative for the two year period. The annual 08-09 increase is 1.4%.

Note: The unreserved revenues increase over what was projected in the long range plan is
1.4% for 07-08 and 1% for 08-09.

General Education Funding Formula

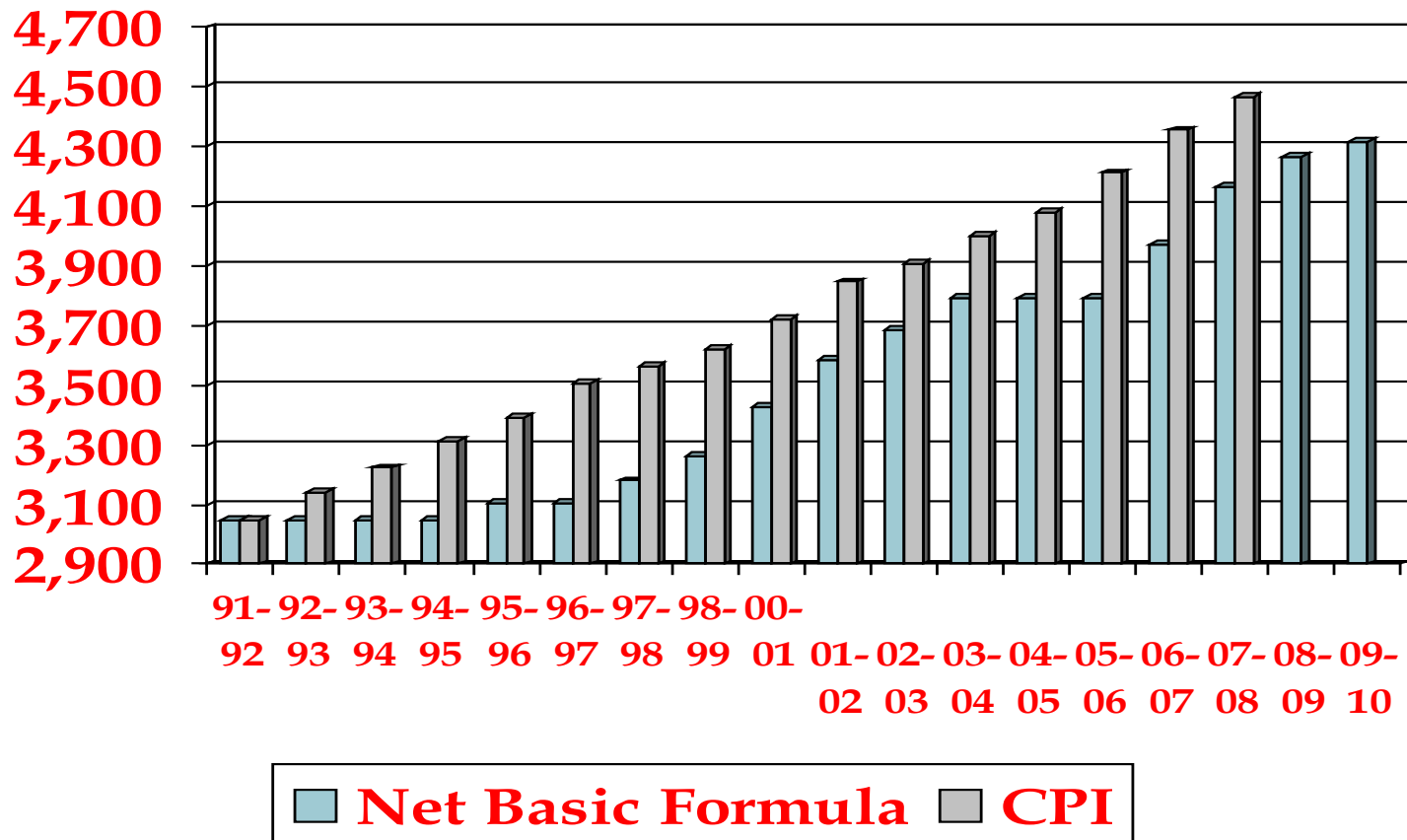
History Comparison of Actual Formula and Net Formula Allowance (less shifts)



General Education Funding Formula

History Comparison if net formula had increased at the same rate as the CPI percent change

Source: MN House of Representatives, Fiscal Analysis Department





06-07 Estimated Year End

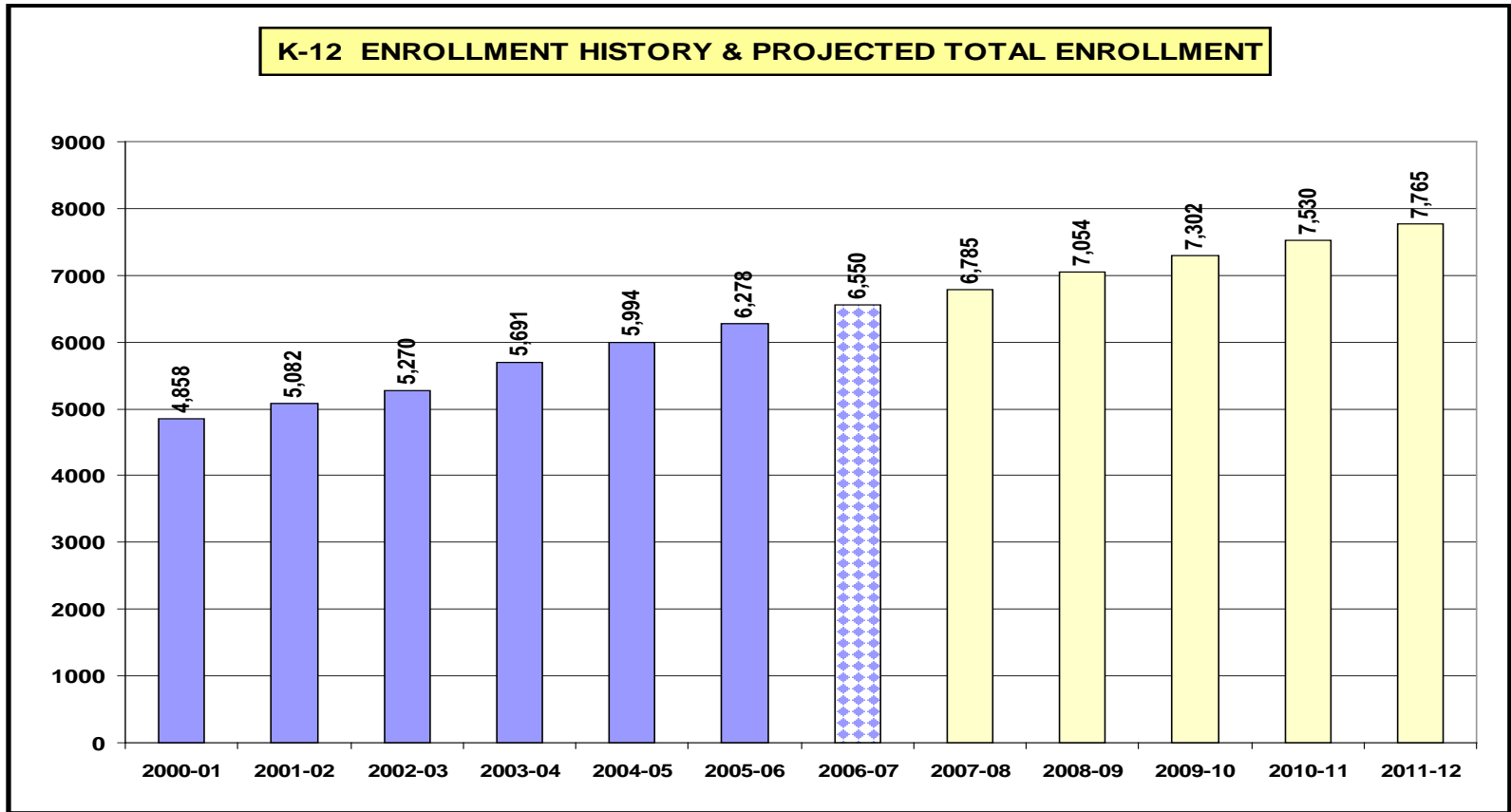
- Revenue Adjustments
 - Summer school, interest, and energy rebates
 - Current year general ed aid adjustments for pupil units
 - Prior year general ed aid and special ed aid adjustments
 - Special ed aid tuition rate changes
- Expenditures Adjustments
 - Mid year cost center reductions
 - Prior year and current year special ed tuition
 - Severance
 - Utilities and snow removal
 - Other



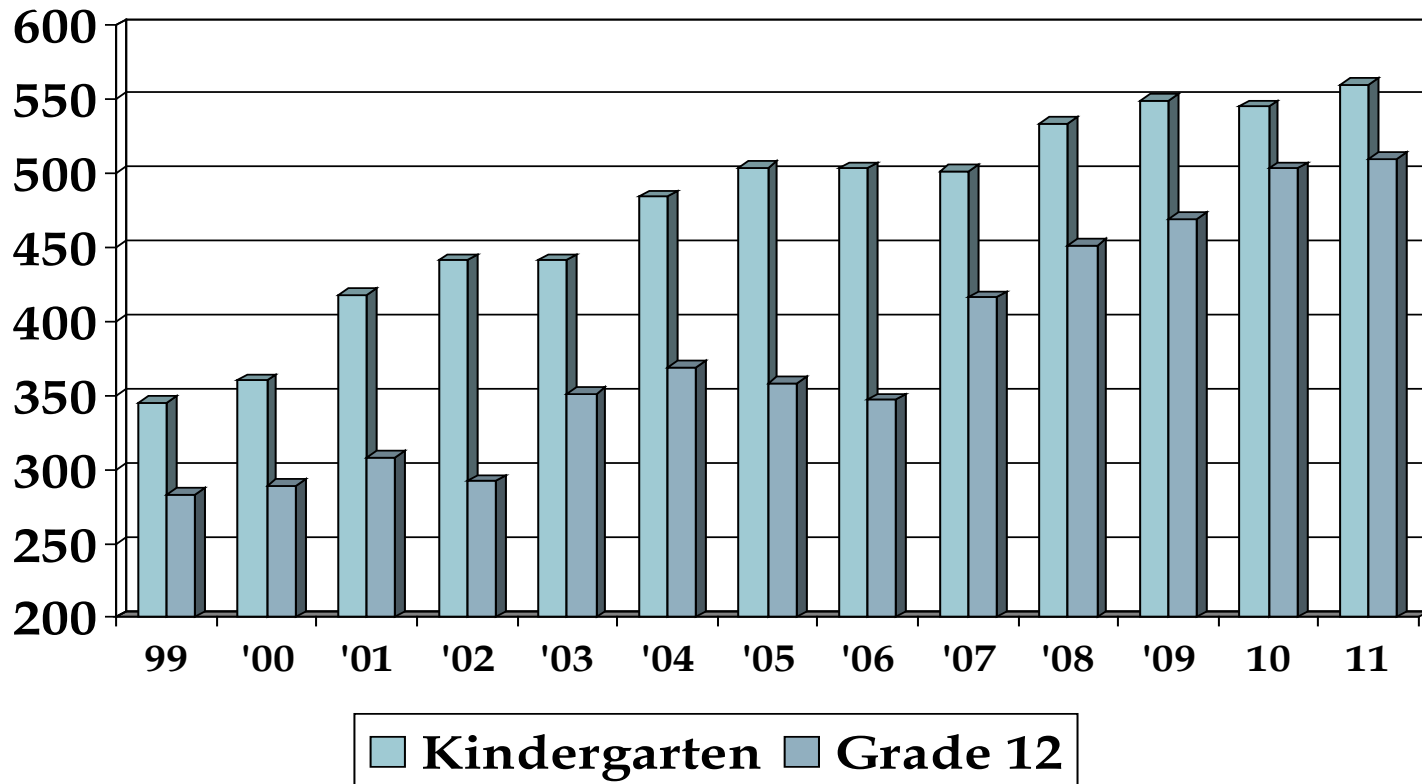
Enrollment (ADM) Assumptions

- Used demographic study Low Kindergarten projection
- Reduce 54 student migration in 07-08 due to one time migration of non public students in 06-07
- Grade 1 to 12 projections align close to demographic study low Kindergarten and high migration projection

Enrollment Projections



K Enrollment vs. Grade 12





07-08 Budget Assumptions

■ Revenue Assumptions

- 2% basic formula increase
- Kindergarten projection 534
- 7,575 Adjusted marginal cost pupil units
- Special education formula
 - Regular special ed 89% proration
 - Excess special ed 80% proration
- Federal programs, interest and other local revenues

■ Expenditure Assumptions

- April 07 Budget plan
 - Cost center reductions
- Special education (MRVSEC) transition
 - B-3, Lifeskills, Academic Alternatives, and itinerant staff
- Federal programs based on entitlements
- 2.5% increase in expenditures from the previous year



Reserved Fund Balances

- Learning & Development
- Gifted and Talented
- Basic Skills - ELL & Compensatory (Remedial)
- Staff Development
- Operating Capital
- Safe Schools
- Health & Safety



Summary of Budgets - All Governmental Fund Types

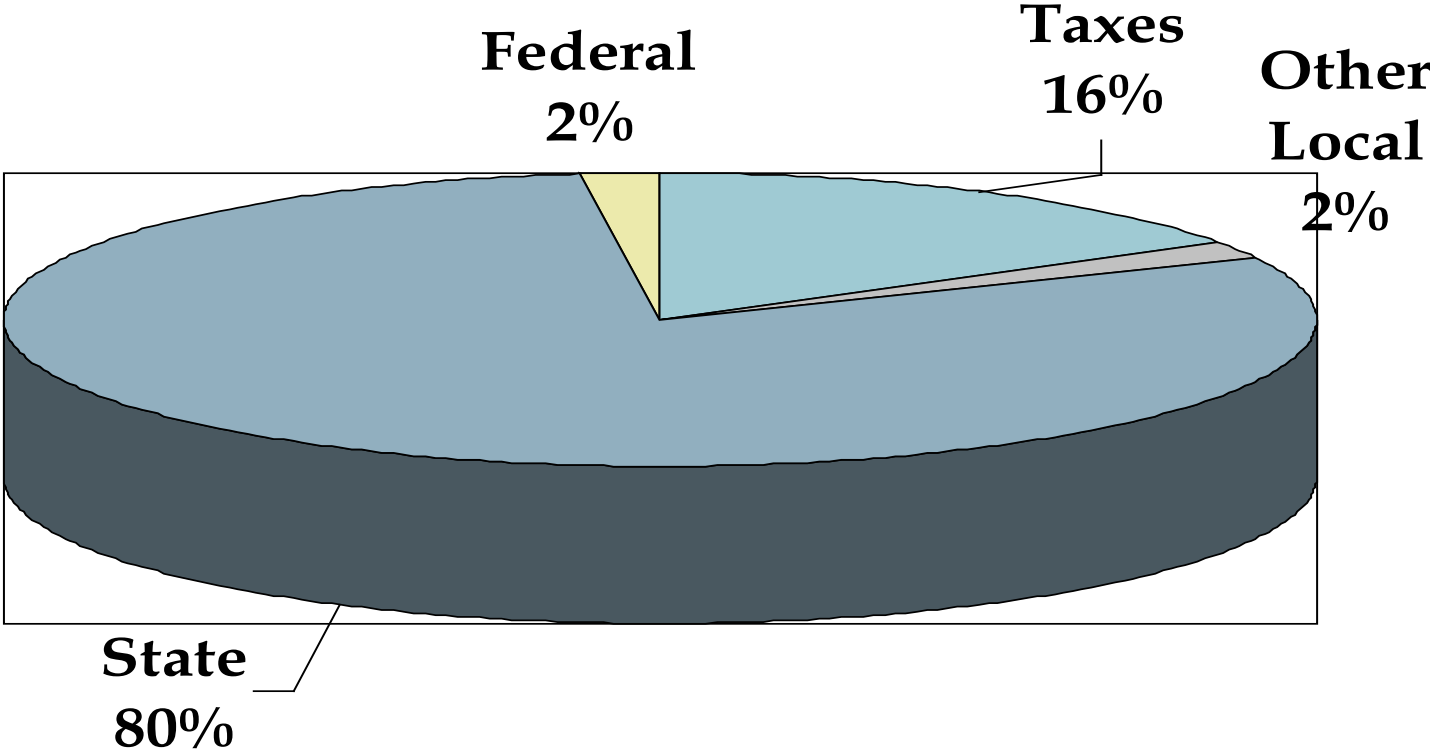
- **Summary of Four Funds**

- General - Includes general, transportation, operating capital, and special services
- Special Revenue - Includes food service and community service
- Debt Service
- Capital Project

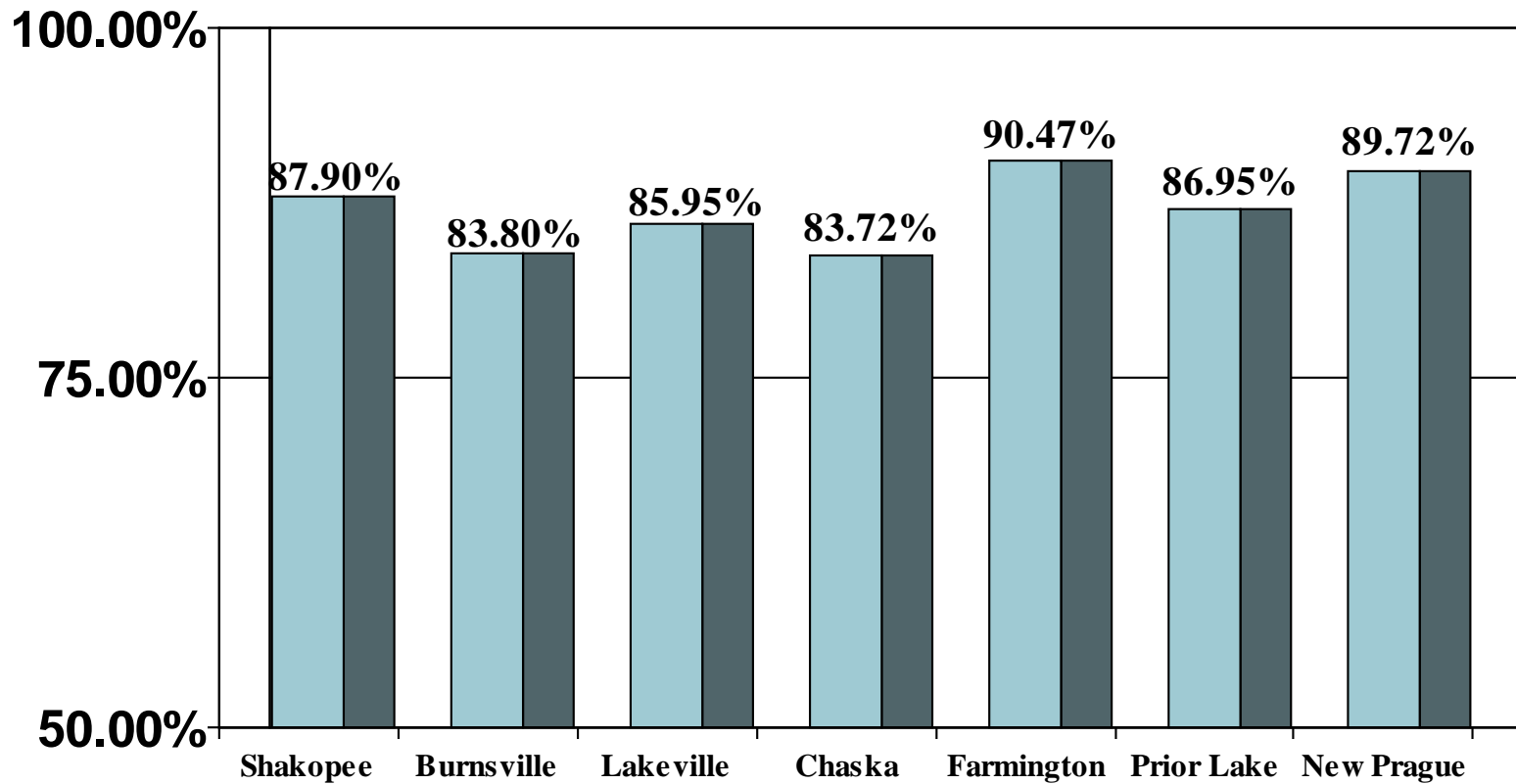
- **Three Sections**

- Revenues
- Expenditures
- Fund Balances

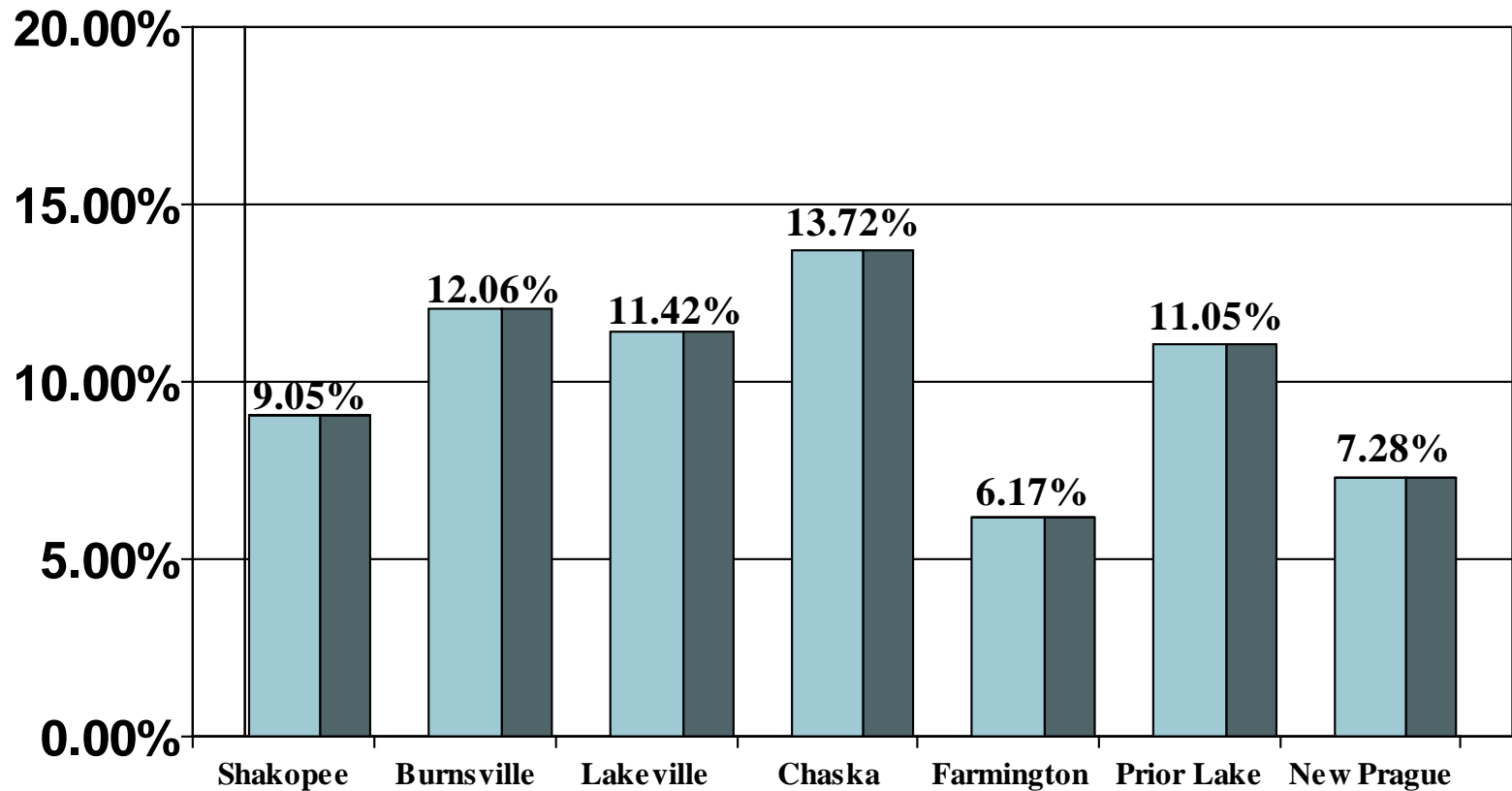
General Fund: Revenue by Source



2005-06 Revenue-State Sources

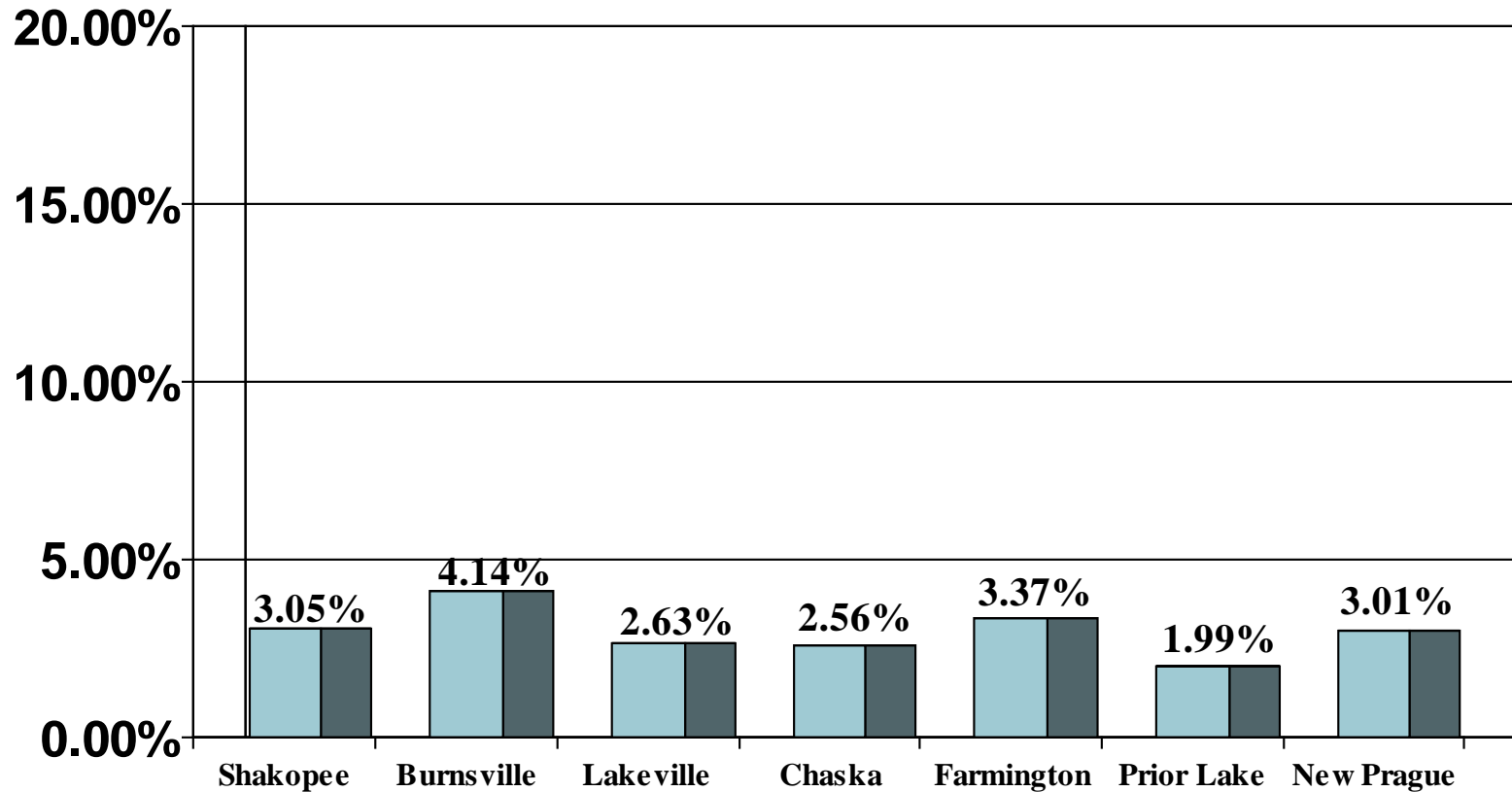


2005-06 Revenue-Local Sources



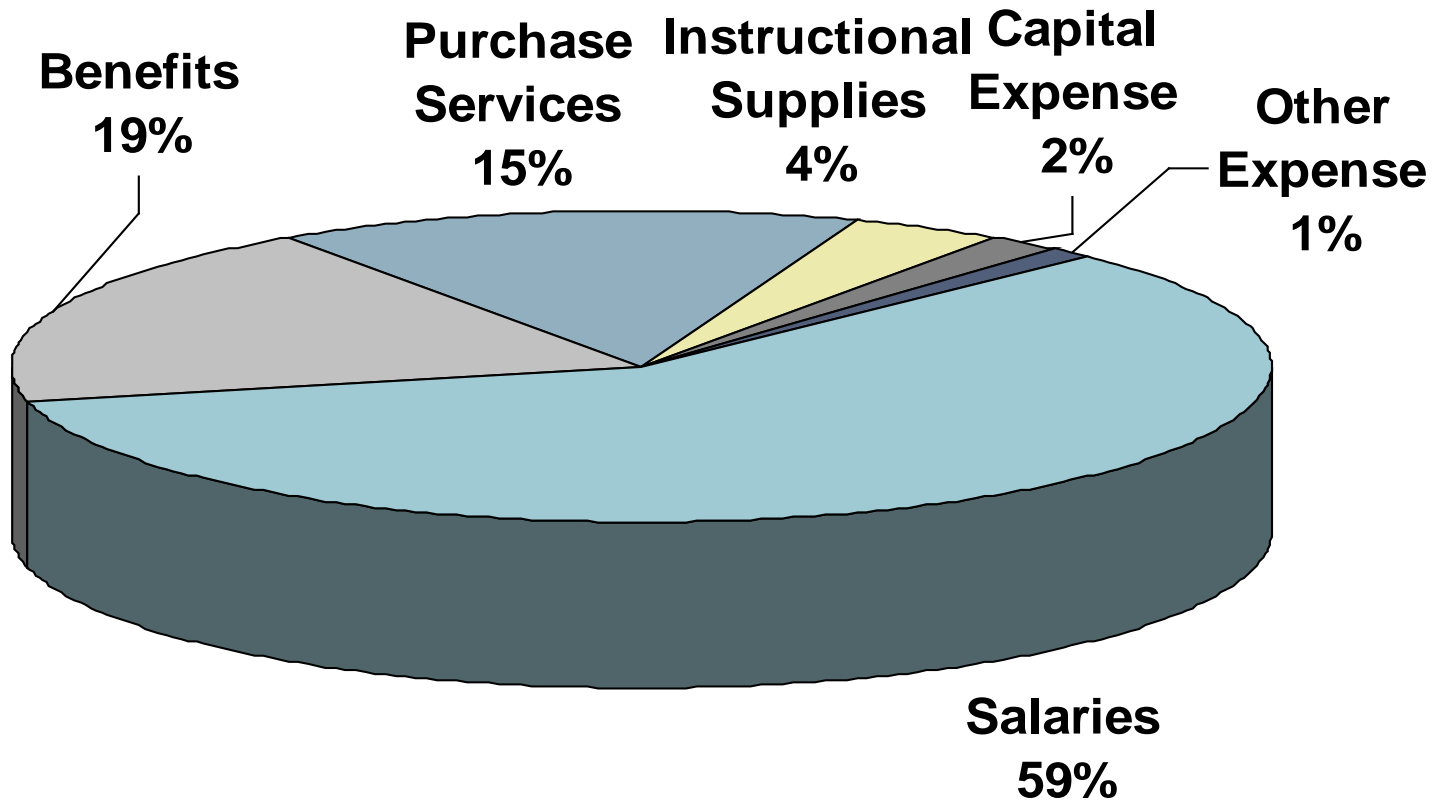
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2005-06 Revenue-Federal Sources

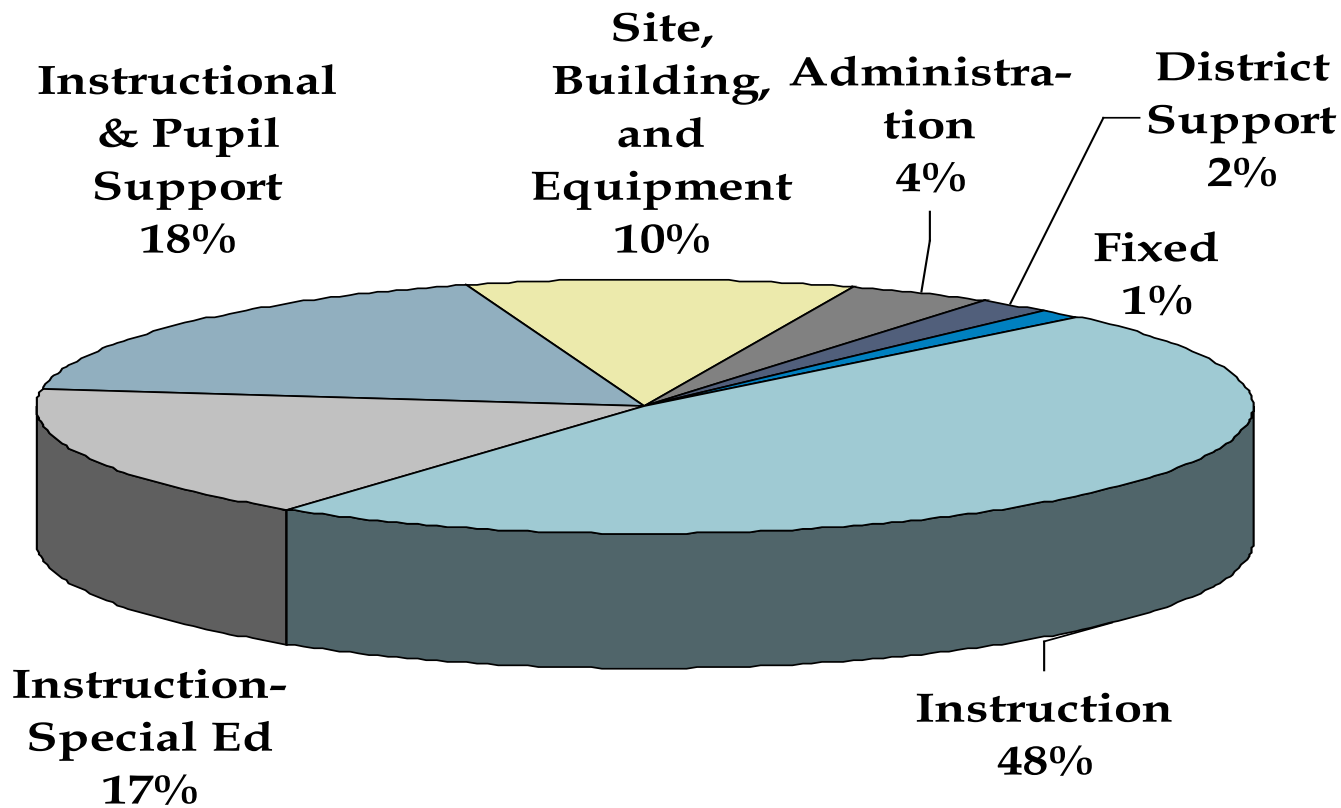


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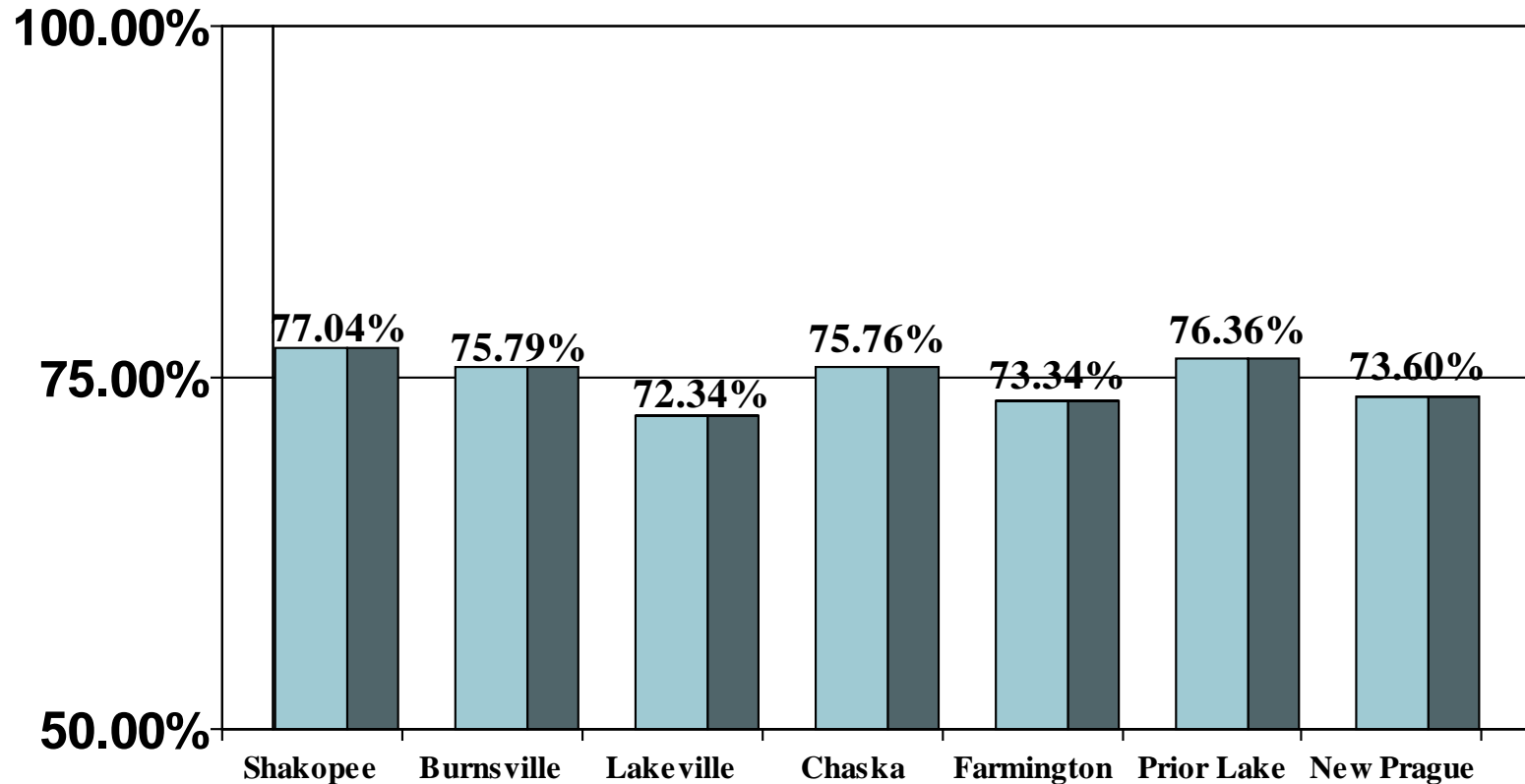
General Fund: Expenditure by Object



General Fund: Expenditure by Program

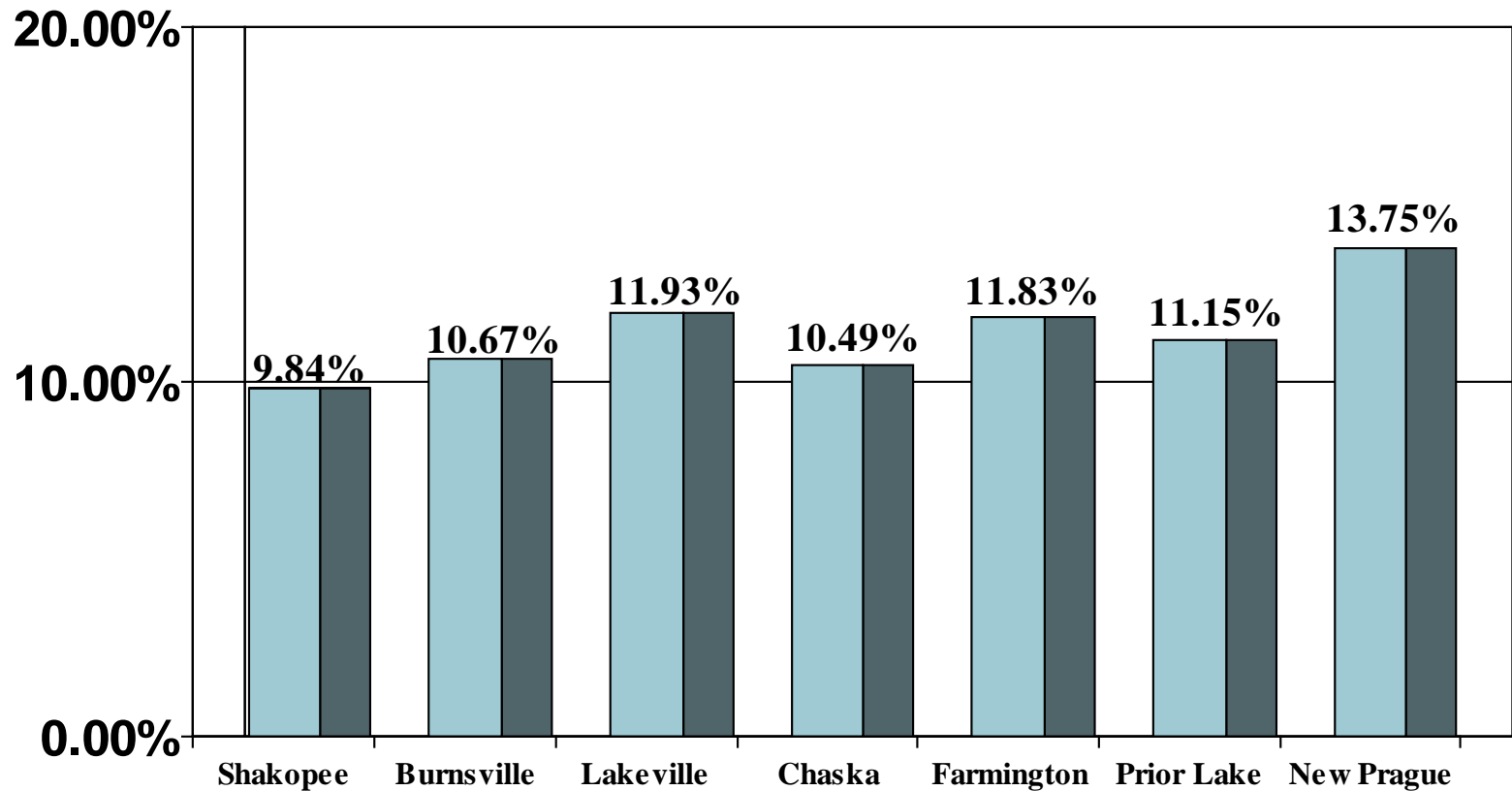


2005-06 Expenditures by Program Instructional & Support Services



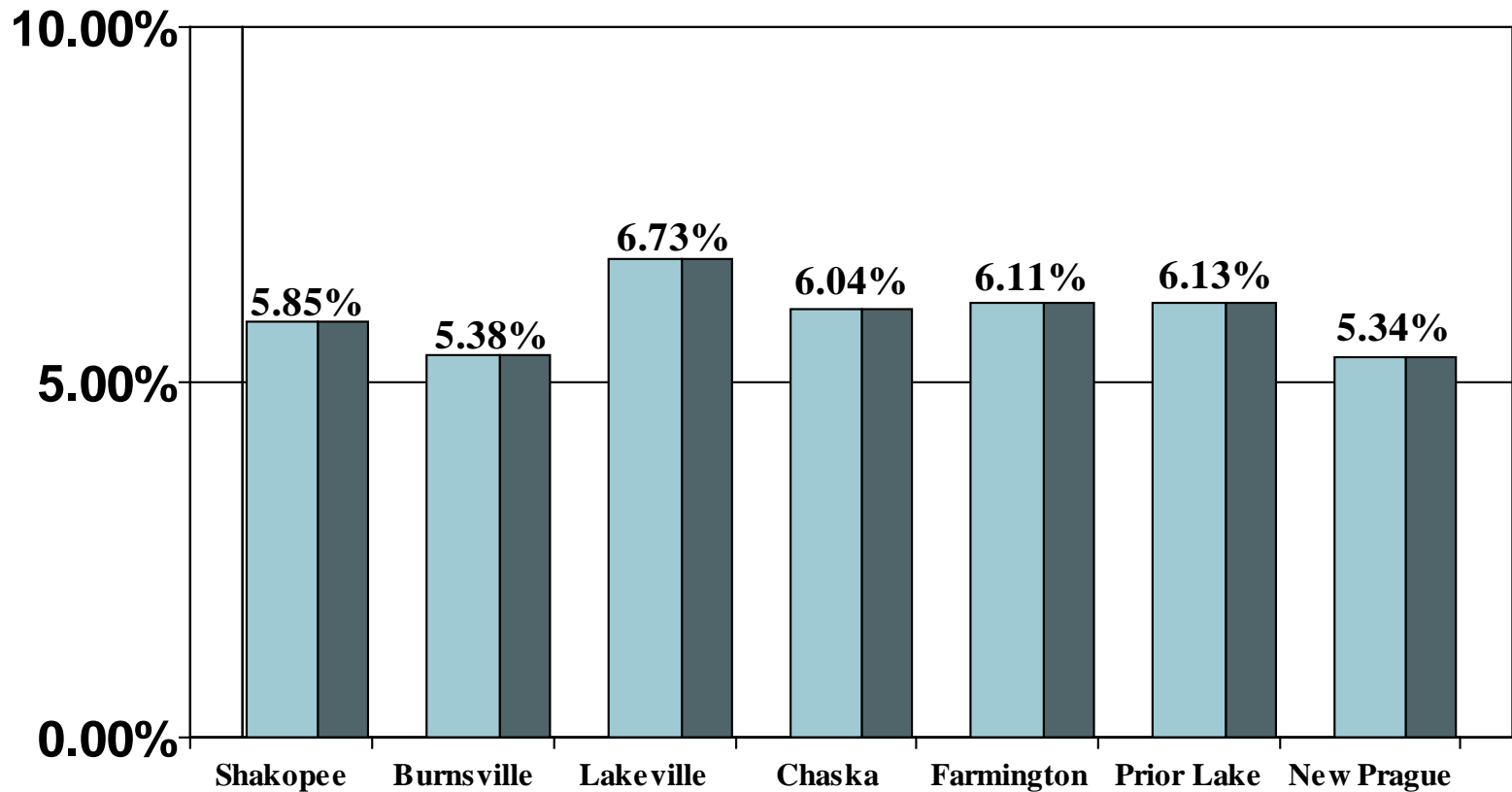
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2005-06 Expenditures by Program Facilities, Operations & Maintenance



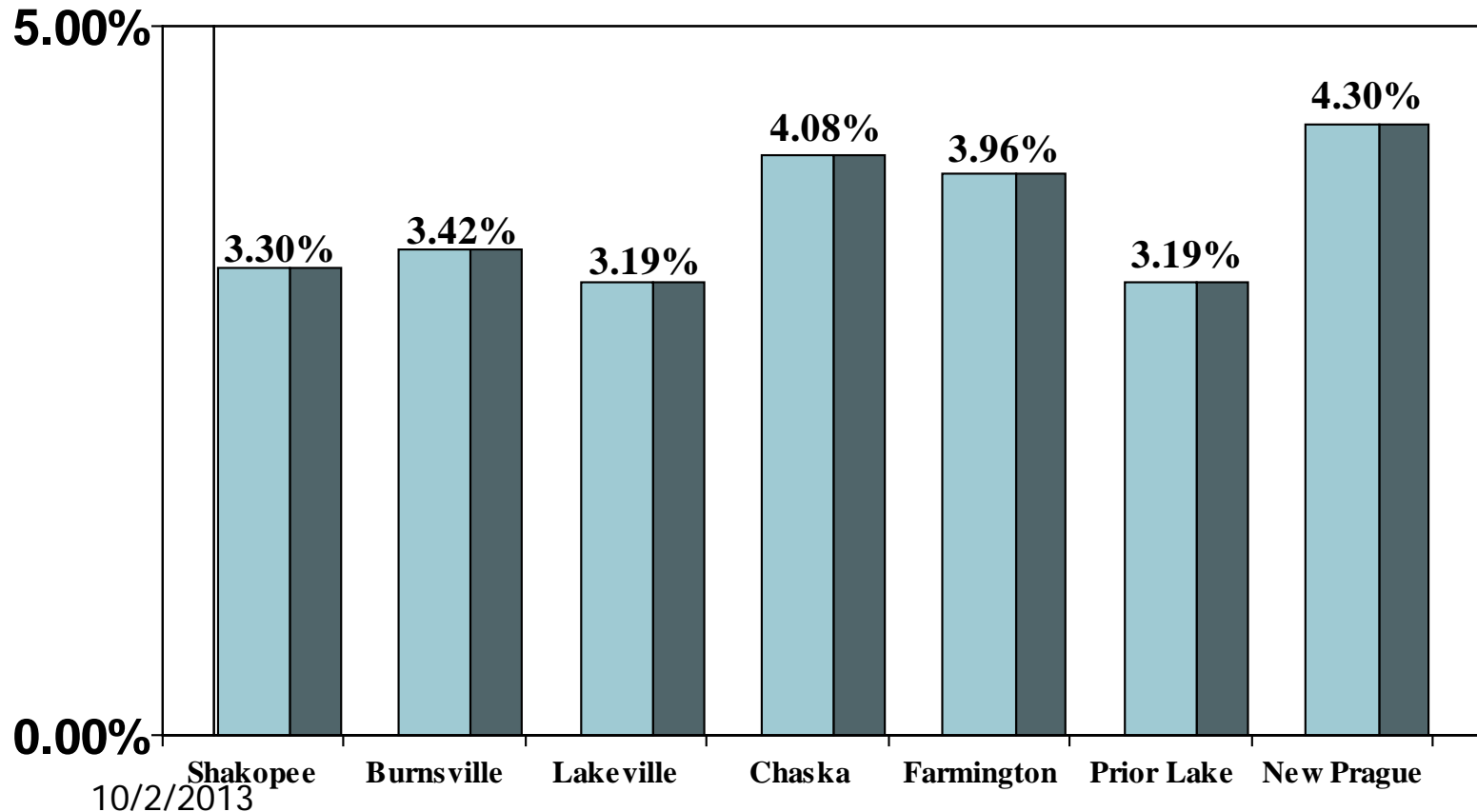
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2005-06 Expenditures by Program Student Transportation



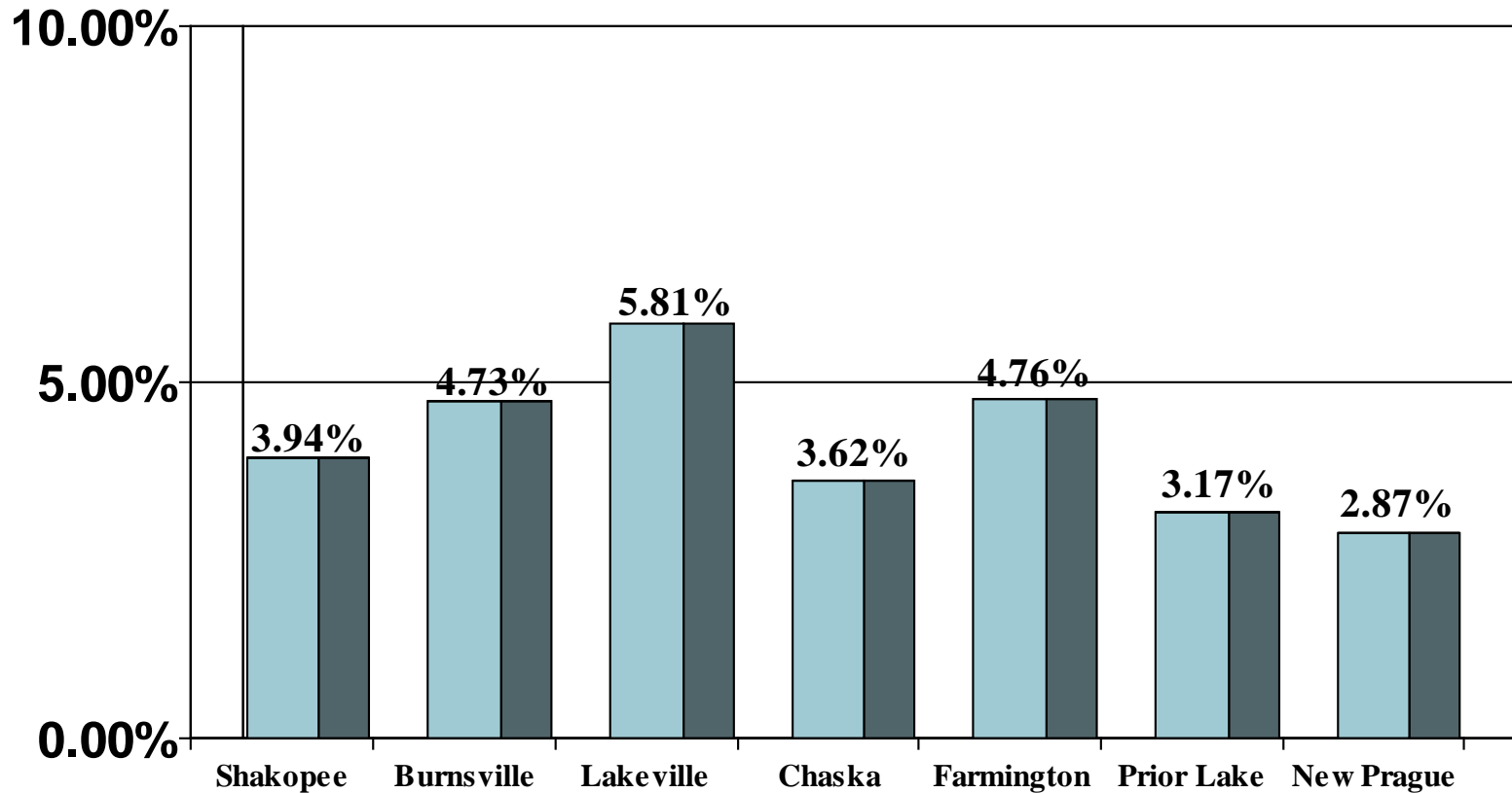
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2005-06 Expenditures by Program District Administration



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2005-06 Expenditures by Program School Level Administration



Special Services Analysis

average 48% contribution from general fund

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07 Est.</u>	<u>2007-08</u>
Other Local	59,950	145,337	149,620	150,000	0	0
Special Ed Aid	3,401,578	3,355,271	3,331,036	3,504,038	3,654,000	5,106,000
Excess Special Ed	(190,601)	(725,747)	702,736	744,109	711,090	336,000
Federal	<u>336,835</u>	<u>518,634</u>	<u>580,108</u>	<u>704,213</u>	<u>769,304</u>	<u>866,366</u>
REVENUE	3,607,762	3,293,495	4,763,500	5,102,360	5,134,394	6,308,366
Special Ed	5,834,970	6,603,221	7,322,579	8,565,863	8,821,374	8,939,407
Transportation	459,573	551,263	752,530	798,156	833,918	890,849
Federal	<u>385,233</u>	<u>480,914</u>	<u>639,125</u>	<u>669,018</u>	<u>766,173</u>	<u>866,355</u>
EXPENDITURES	6,679,776	7,635,398	8,714,234	10,033,037	10,421,465	10,696,611
COST TO GENERAL FUND	3,072,014	4,341,903	3,950,734	4,930,677	5,287,071	4,388,245
GEN FD/EXP RATIO	45.99%	56.87%	45.34%	49.14%	50.73%	41.02%



Revenue Planning Parameters

- Enrollment
 - Use 12 year Average of County Births for Kindergarten
 - Enrollment increase of 3% to 4% per year
- General Ed Formula Allowance
 - 2% basic formula increase for 07-08
 - 1% basic formula increase for 08-09
 - 1.9% basic formula increase for 09-10 and 11-12
 - Average basic formula increase for the last seventeen years
- Special education formula changes
 - 08-09 regular special ed 88% proration
 - 08-09 excess special ed 71% proration
- Non public transportation and gifts 3%, and federal revenue 4%
- Referendum Sunset in 2009-10



Expenditure Planning Parameters

- Incremental transfer of technology department to the General Fund
- 2% staff development
- Utilities 6% increase
- Transportation for enrollment growth, boundary changes, and future contract settlements
- MRVSEC and special ed tuition 6% in 08-09, and 7% in 09-10 and beyond
- Seven retirees in 07-08 with 10% increase in 08-09 and beyond
- Lane change costs based on 06-07
- No additional FTE for enrollment growth in 09-10 and beyond – to be determined annually in the budget process



Levy Referendum

- Additional \$630/pu equals \$4,550,000 new revenue beginning in 08-09
- How the new revenue would be spent:
 - Open Redtail Ridge (13 full time staff) \$1,400,000
 - Restore 2% staff development \$630,000
 - Additional 20 full time staff \$1,235,000
 - Open HS addition in 09-10 \$400,000
 - 08-09 textbooks, capital, curricular costs
 - Budget restoration, strategic plan, and
 - continuous improvement plan recommendations \$800,000



Why maintain fund balance?

- Sound fiscal management has a long term positive impact on the success of students
- Validates fiscal credibility with various reporting constituencies (I.e. taxpayers, staff, bond counsel, auditors, legislators, and state and federal agencies)
- Important to the establishment of a good credit rating for the District. Moody's recommends a fund balance between 5% and 10%.

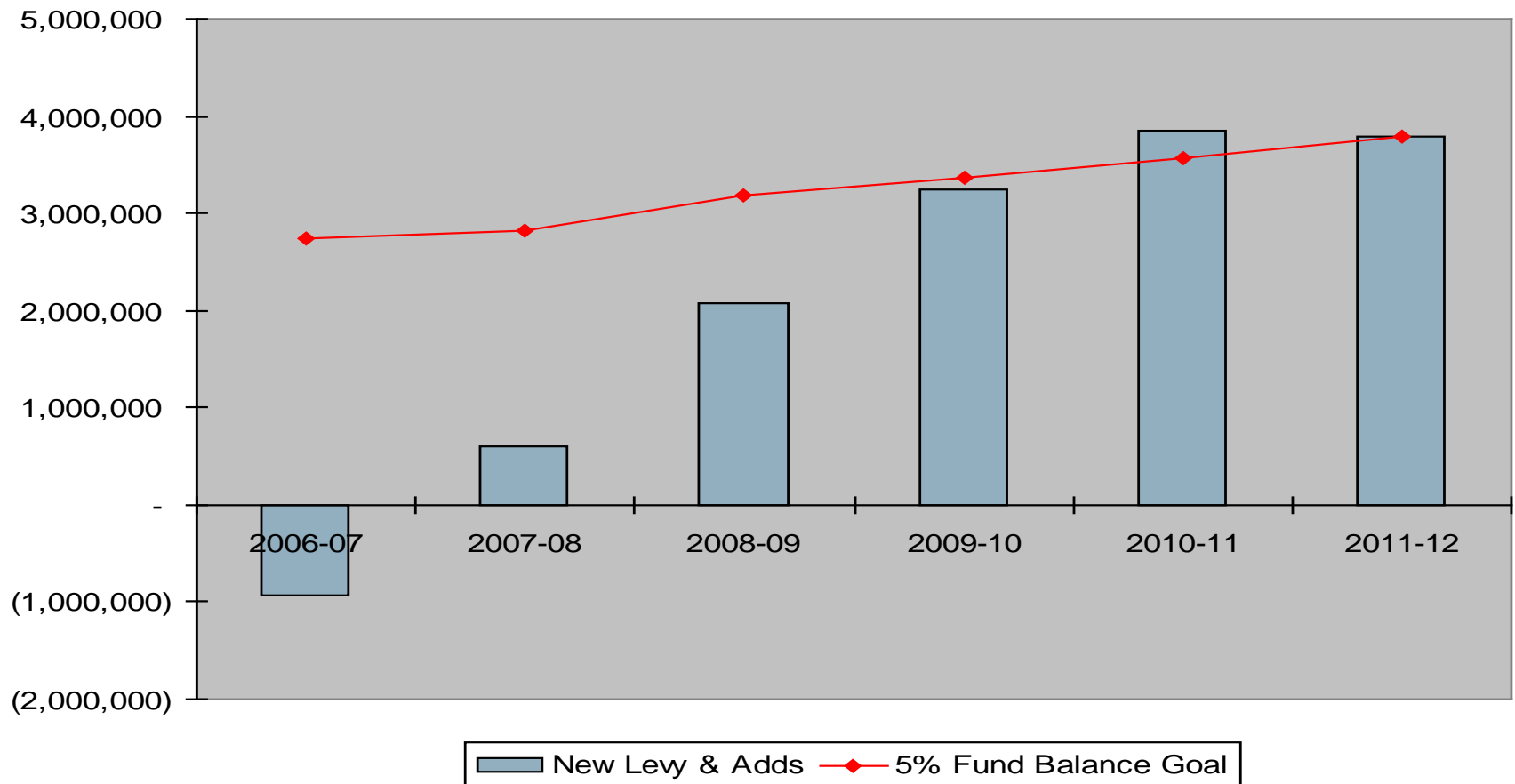


Why is fund balance necessary?

- Necessary for unknown situations
 - Irregular payments of state and local revenues
 - State aid proration, metering of payments, and state shut down
 - Provide service to students prior to receiving funding (Special Ed)
 - Mandated but not funded programs
 - Higher utility costs and/or other fixed costs
 - Start Up costs for new buildings
 - Greater than expected inflation
 - Changes in enrollment and state funding
 - Higher than anticipated contract settlements
 - Unanticipated deficits in other operating funds
 - Costs of defending and/or settlement of a lawsuit

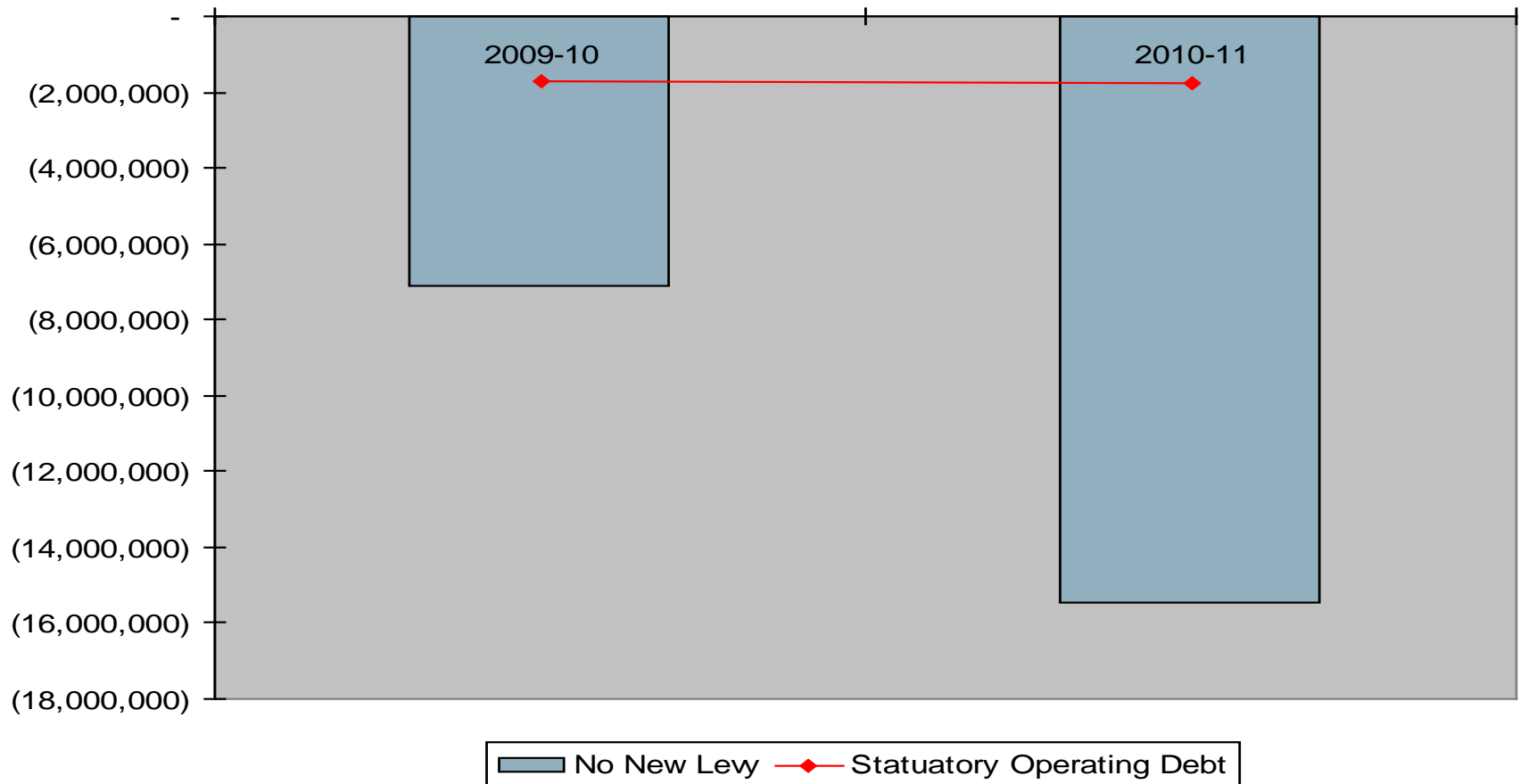
Fund Balance Analysis with Financial Planning Examples

Note: staffing for enrollment growth in 08-09 only



Fund Balance Analysis with Financial Planning Examples

Note: Includes costs to open Redtail Ridge in 08-09



Estimated Annual Tax Impact Based on Taxable Market Value

Taxable Market Value	Levy \$1470/pu Cap (\$630 increase)	Bond \$29.8 million HS Addition
	Net Increase	Net Increase
200,000	232	41
250,000	289	52
300,000	347	62
350,000	405	72
400,000	462	82
450,000	521	103
500,000	579	129

Summary

- The plan is to incrementally move the District in a positive financial direction so that all available resources are used to provide educational opportunities to students

