



Finance Work Session

March 28, 2018

Work Session Purpose:

- Gain an understanding of our current and projected financial reality
- Provide administration with direction for future revenue and expenditure decisions

Previous Discussions:

- Finance 101
Presentation:
11/28/18
- Finance 102
Presentation:
12/01/18



District Funding Categories

General Fund dollars cannot take money from the other categories and is highly regulated by State statutes



General Fund

The General Fund is used to account for all revenues and expenditures of the school district not accounted for elsewhere.

The General Fund is used to account for educational activities, district instructional and student support programs, expenditures for the superintendent, district and school administration, normal operations and maintenance, pupil transportation, capital expenditures, and legal school district expenditures not specifically designated to be accounted for in any other fund.

A district may use General Fund balances for capital purposes except when the requirements for a specific categorical revenue state that it may not be used for capital purchases.



Food Service Fund

The Food Service Fund is used to record financial activities for the purpose of preparation and service of milk, meals, and snacks in connection with school and community service activities.



Community Service Fund

The Community Service Fund is used to record all financial activities of the Community Service program. The Community Service Fund is comprised of five components, each with its own fund balance. The five components are:

1. Community Service
2. Community Education
3. Early Childhood Family Education (ECFE)
4. School Readiness
5. Adult Basic Education (ABE)

- **The District's Community Education program is 68 percent fee-based**



Building Construction Fund

The Building Construction Fund is used to record all operations of a district's building construction program that are funded by the sale of bonds, capital loans, or major capital projects costing \$2,000,000 or more.



Debt Service Fund

The Debt Service Fund is used to record revenues and expenditures for trust agreements where the school board has accepted the responsibility to serve as trustee. The property in the trust agreement typically comes to the district by gift. For example, a community member may create a scholarship trust to be awarded to an outstanding student every year or the local parent group may establish a trust to purchase computer equipment.

When a bond issue is sold, the school board must levy a direct general tax upon the property of the district for the payment of principal and interest on such bonds as due. The revenue from such a tax and related state aid must be separately accounted for in the Debt Service Fund, Minn. Stat. § 475.61.



Trust Fund

Budget Assumptions 2019 through 2021



Revenue

- Enrollment projections of 8,210; 8,215; 8,220 students
- General Education funding from state to increase at 2%; 1.5% and 1.5%
- No change in tax and aid shift
- Decrease in literacy incentive aid to \$415,000 each year
- No change in compensatory revenue
- No change in referendums
- Special education growth 4% each year
- Status quo on Q-Comp
- All other formula-driven revenue follows general education formula
- No change in miscellaneous revenue

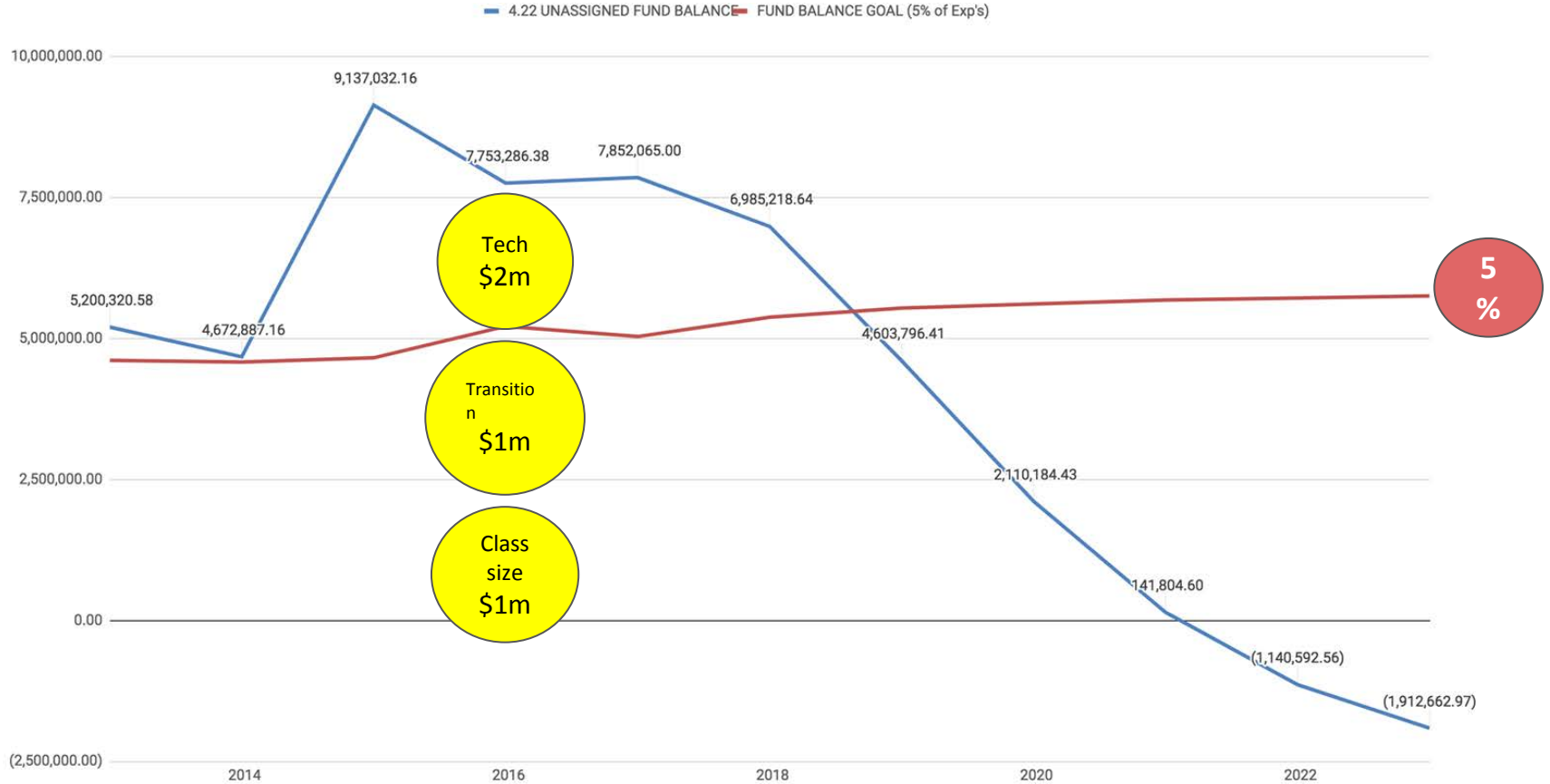
Budget Assumptions 2019 through 2021



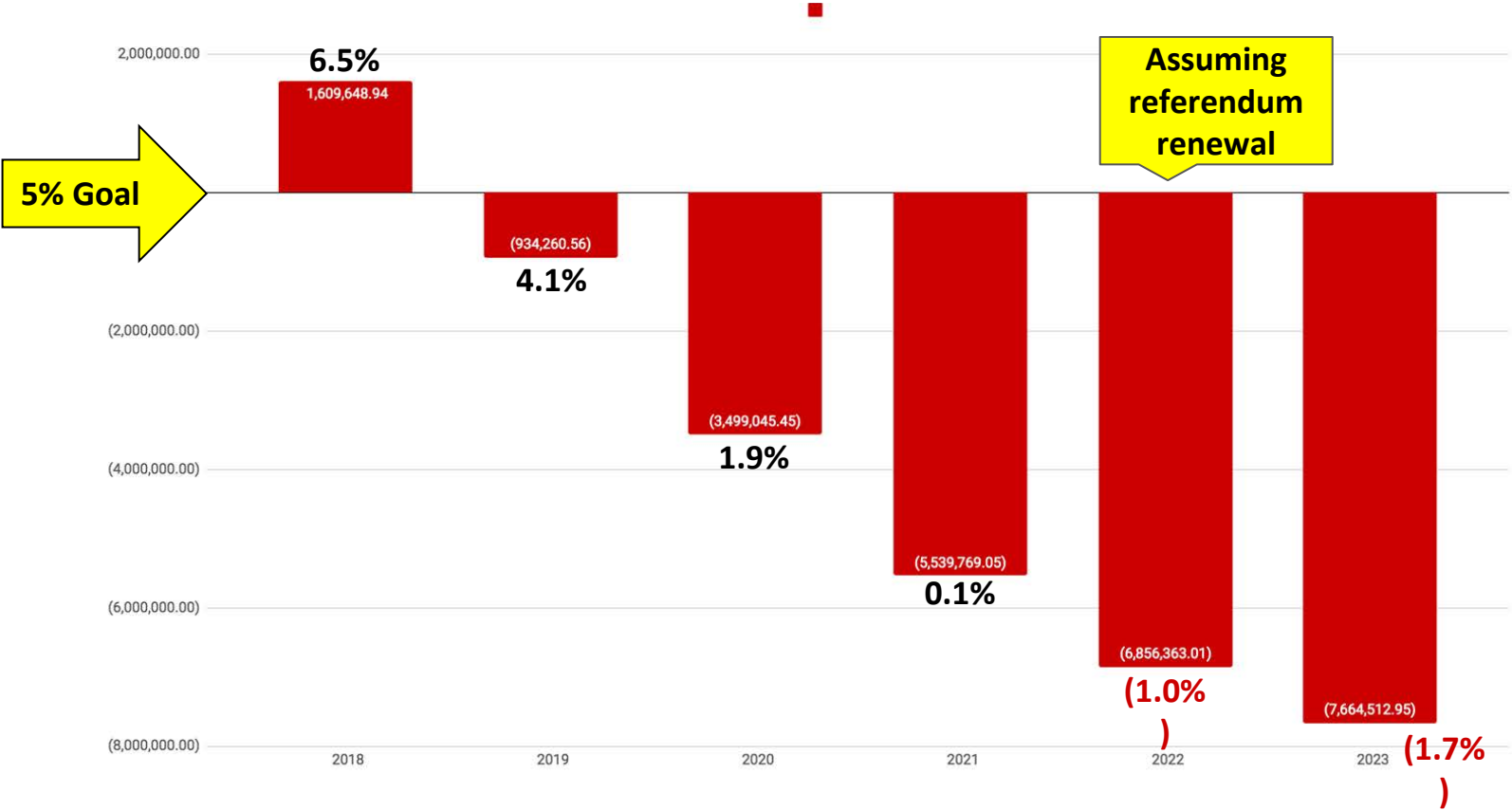
Expenditures

- Contract assumes 0% increase with roll-up costs for steps/lanes (approx. \$960,000)
- Health insurance assumes 3%; 3%; 3%
- Dental insurance assumes 3%; 0%; 0%
- OPEB Trust payment = \$1 million annually
- Staff development remains at 2% annually
- Transportation costs increase 2.5%; 2.25% and 2.5%
- Projected retirees = 12 (estimated \$19,608 savings per person)
- Severance goes to \$700,000 per year
- 2.5% increase in utilities; 5% on property/liability insurance; 3% workers compensation insurance each year
- Supply and materials increase 2% each year
- TRA increase 0.5%; PERA increase 0.25% for 2019-2020 and 2020-2021

Unassigned Fund Balance Historical/Projected Year End Balances



Fund Balance Projection



Current Reality

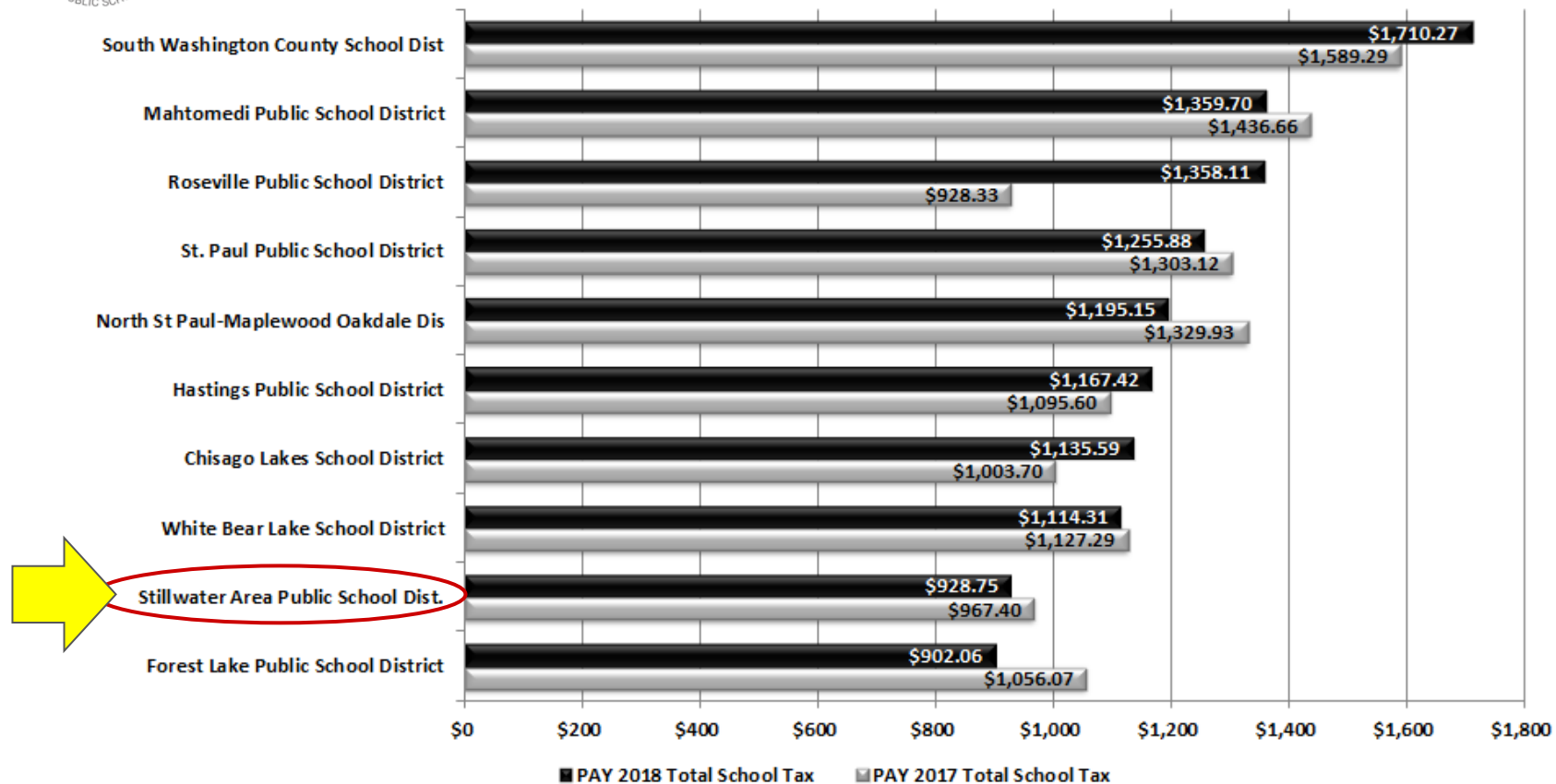
- \$1.6 million (1.5%) above board adopted fund balance policy of 5% (*one time money*)
- Expenses projected to exceed revenue by \$2.4 million in 2019, which puts us 0.9% below board adopted fund balance policy
 - Day-to-day costs increase annually
 - Supplies, utilities, fees, salaries and benefits
 - State funding not keeping up with costs
 - State mandates increasing without funding
 - Reductions in federal funding
 - = \$250,000 this year
 - Special education cross subsidy
 - = \$8 million annually

Average increase = 1.53% per year

Fiscal Year Ended June 30	General Education Formula Allowance	
	Amount	% Increase
2004	\$4,601	0%
2005	\$4,601	0%
2006	\$4,783	4%
2007	\$4,974	4%
2008	\$5,074	2%
2009	\$5,124	1%
2010	\$5,124	0%
2011	\$5,124	0%
2012	\$5,174	1%
2013	\$5,224	1%
2014	\$5,302	1.5%
2015	\$5,831	2%
2016	\$5,948	2%
2017	\$6,067	2%
2018	\$6,188	2%
2019	\$6,312	2%



Pay 2017 and Pay 2018 Comparison of School Portion of Taxes Paid on \$250,000 Homestead Residential Property



Needs

- Increase mental health services
- Increase academic intervention
- Provide resources for technology replacement
- Increase school safety measures
- Provide tech infrastructure (*capital budget*)
- Add on to Brookview (*capital budget*)

Other Costs

- Increase in Teacher Retirement Account (TRA) over next five years
- Increase contracts, services costs

Wants

- Lower class sizes
- Expand opportunities for students
 - Seven period day for secondary students
 - Activity buses
 - Immersion transportation
 - Fourth grade orchestra
 - Pathways articulation grades 9-12 (Alexandria model)
 - Newcomer Center



Stillwater
AREA PUBLIC SCHOOLS

Crisis Thrives Here

Class Size Comparison

One teacher =
approximately
\$105,000

Grade level	Board Staffing Ratio	Stillwater class size average	Regional class size average
K	21.42	20.77	21.2
1	21.42	21.12	22.1
2	25.42	24.95	23.4
3	25.42	24.40	24.2
4	29.42	26.48	25.6
5	29.42	26.62	26.4
JR	33.08	30.82	28.1
SR	33.08	29.85	28.1

Opportunities for Additional Revenue

Non-voter approved:

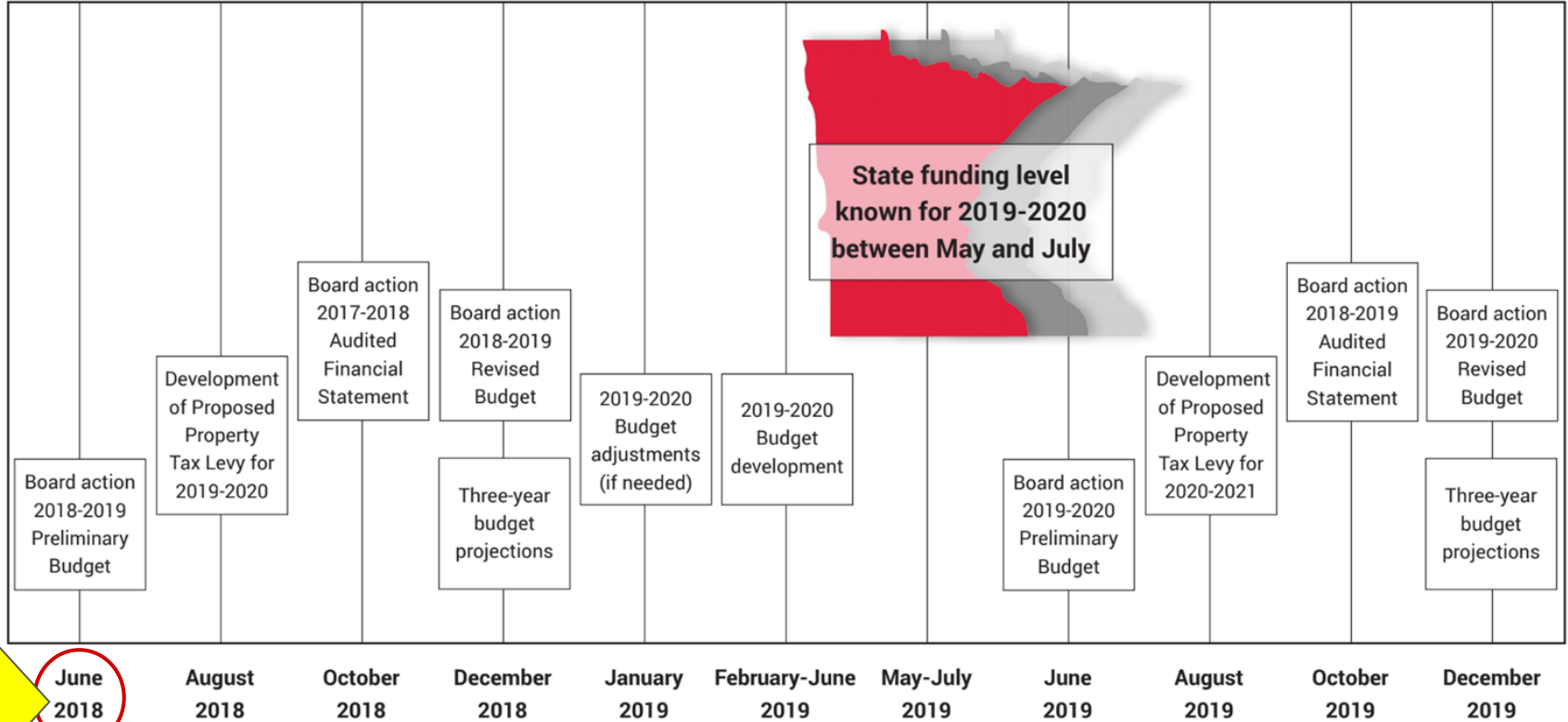
- Other Post-Employment Benefits (OPEB) Levy
 - = \$1 million per year
- Q- Comp Levy
 - \$91 per student
 - = \$745,000 per year

Voter approved:

- Increased Operating Levy
 - Estimated \$465 per student below the cap = \$3.9 million per year*
- Technology/Capital Projects Levy*

** 10 year max*

2019-2020 Planning Process



Revenue Consideration Timeline

June 21, 2018	Preliminary decision on OPEB and Q-Comp levies
Aug. 24, 2018 <i>(Aug. 23 meeting)</i>	Last day for school board to adopt resolution to call referendum election for November 2018 (per legislation)
Dec. 13, 2018	Final decision on OPEB and Q-Comp levies

Board Considerations

How do we fund the necessary interventions for WBWF and/or any “wants” and sustain them into the future?

Options:

- Do nothing - use fund balance reserve
- Utilize OPEB/Q-Comp levies
- Request additional levy to cap from voters
- Reduce expenses:
 - Class sizes, contracts, programs

