

Financial Update



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Principles of Finance



- Integrity: Audits, fair representation of financial standing
- Ethical: Follow the letter of the law
- Conservatism: Forecast the worst, expect the forecast
- Security: Safeguard all assets
- Mission-driven Expenditures: All public expenditures serve a public purpose

Education Funding in Minnesota

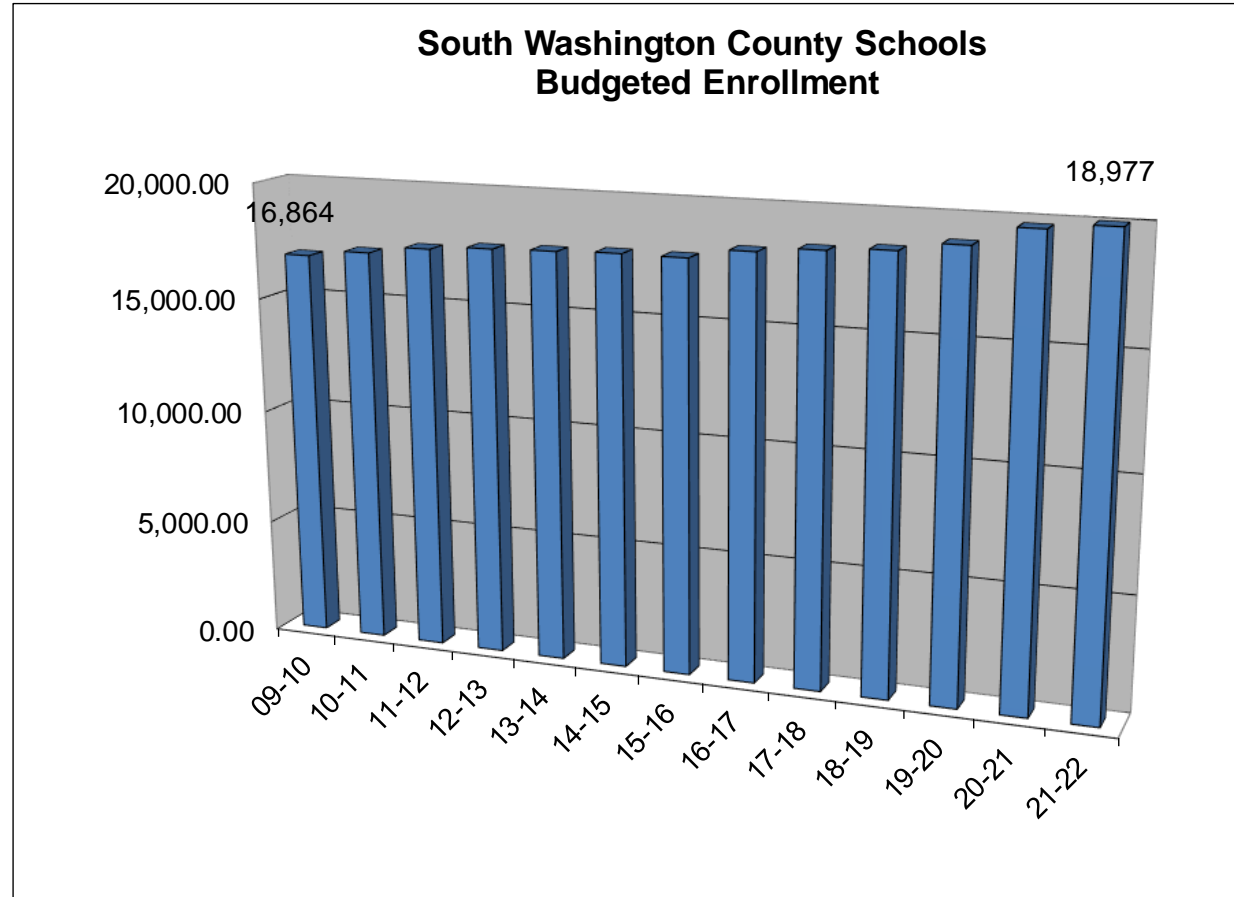
Minnesota School Districts are funded by a combination of:

2019-20 General Fund

State Aid – Income Taxes, Sales Taxes 72.5%	\$ 180,650,375
Local Levies – Property Taxes 23.4%	\$ 58,302,840
Federal Aid – Income Taxes 1.7%	\$ 4,299,822
Fees – Local Participation and Service Charges 2.4%	<u>\$ 5,987,702</u>
TOTAL \$	249,240,739



Enrollment Impacts Revenue



833 Primary Enrollment Counts for School Year 2020
(Counts valid through 09/30/2019 11:59PM)

10/1/2018

Count	School		01	02	03	04	05	06	07	08	09	10	11	12	HK	KG	PA	PB	PK (EC)	RA	RB
319	Armstrong Elementary	328	50	58	61	54	52								8	45			12	12	13
630	Bailey Elementary	640	99	119	98	104	112								9	99					
461	Cottage Grove Elementary	459	56	74	86	90	82								2	69					
343	Crestview Elementary	342	61	56	46	56	63								9	51	1		28	12	12
716	Grey Cloud Elementary	691	110	127	118	119	112								13	92					
429	Hillside Elementary	440	72	77	75	72	66								8	70	1		16	26	15
875	Liberty Ridge Elementary	840	129	141	148	154	145								15	108					
679	Middleton Elementary	694	111	102	136	112	131								8	94					
258	Newport Elementary	241	40	33	35	42	45								6	40	28	13	22		
415	Nuevas Fronteras	447	88	68	70	68	57								8	88					
445	Pine Hill Elementary	452	78	70	83	78	72								12	59					
375	Pullman Elementary	392	64	60	56	83	65								10	54			11	12	12
613	Red Rock Elementary	648	109	103	108	98	106								16	108					
566	Royal Oaks Elementary	578	100	95	102	92	89								15	85					
658	Valley Crossing Elementary	652	101	97	102	129	140								9	74					
531	Woodbury Elementary	483	99	77	72	77	88								13	57					
8,313	Elementary (PK-6) Total:	8,327	1,367	1,357	1,396	1,428	1,425								161	1,193	30	13	89	62	52
948	Cottage Grove Middle School	967						316	329	322											
1,240	Lake Middle School	1,155						359	395	401											
911	Oltman Middle School	957						326	320	311											
1,184	Woodbury Middle School	1,237						425	382	430											
4,283	Middle School (5-8) Total:	4,316						1,426	1,426	1,464											
1,830	East Ridge High School	1,873									490	462	468	453							
1,877	Park High School	1,921									476	511	498	436							
1,980	Woodbury High School	1,987									511	486	491	499							
5,687	Senior High (9-12) Total:	5,781									1,477	1,459	1,457	1,388							
	South Washington Alternative High School	106										10	28	68							
82	ALC Total:	106										10	28	68							
84	Next Step	83												83							
	056 Total:	83												83							
18,449	Total Students:	18,613	1,367	1,357	1,396	1,428	1,425	1,426	1,426	1,464	1,477	1,469	1,485	1,539	161	1,193	30	13	89	62	52

ECSE	250	
VPK/SRP	75	
PSEO	-200	
Projection	18,738	
Budget	18537	
	201	

INCREASE
 DECREASE



Expenditures – General Fund

Main Categories

Salaries	\$144,121,532	57.6%
Benefits	\$ 57,150,839	22.8%
Services	\$ 29,595,639	11.8%
Supplies	\$ 9,068,601	3.6%
Capital	\$ 9,124,874	3.6%
Other	<u>\$ 1,326,941</u>	.5%

TOTAL **\$250,388,426**



Expenditures – Salaries

- Of a school district's salaries, 73% belong to Licensed Staff
- Contract negotiations are important and determine use of the General Fund
- Steps (years of service) add automatic multipliers
- Steps must be considered when determined the new costs of a contract

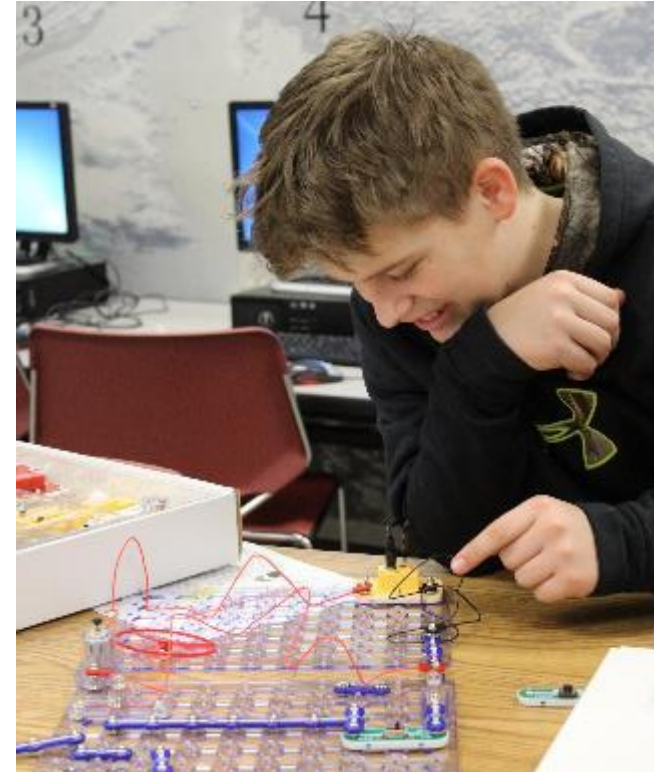


South Washington County Schools

18,000 Students

Where does \$1 of Revenue go?

Regular Classroom Instruction	\$.50
Special Education Instruction	\$.19
Pupil Support	\$.09
Facility Maintenance Costs	\$.11
Instructional Support	\$.05
District Instructional Support	\$.03
Administration	\$.03
	<u>\$ 1.00</u>



Unassigned General Fund Balance

Fiscal Year	Fund Balance \$	Fund Balance %
June 30, 2015 Actual	\$7,097,788	4.2%
June 30, 2016 Actual	\$2,101,505	1.2%
June 30, 2017 Actual	\$3,346,213	1.7%
June 30, 2018 Actual	\$2,721,584	1.4%
June 30, 2019 Projected	\$8,056,067	3.9%
June 30, 2020 Projected	\$7,308,380	3.5%

- NOTE: Board policy calls for the unassigned fund balance to be between 5 and 9 percent each year. Statutory operating debt is -2.5%.



Fund Balance

- Similar to a family emergency account
- SWCS has a fund balance to manage risk and to respond to unforeseen circumstance without having to borrow money
- Risk is assessed to determine how large the fund balance should be
- The more risk a SD faces, the larger its fund balance should be



Fund Balance

Examples of current risks:

- Bond Ratings
- State Aid lagging behind inflation
- State Aid Funding Shifts
- Federal Funding Reductions
- Contract Settlements
- Uncertain utility and service costs
- Major HVAC breakdowns



Fund Balance

- School Board Policy calls for a fund balance between 5% and 9%
- 9% would be 4.7 weeks of operations
- The present projected balance of 3.9% is about 2 weeks of operations
- To get to 5%, need to accumulate another \$3.5 million



2018-19 Fund Balance Results

- The UA GF Balance appears to have increased by almost three times
- Revenues over budget by 1%
- \$2,404,255 (Student Count and SPED)
- Expenses under budget 1.5%
- \$3,500,000



Fund Balance Issues

19-20 Deficit of \$1,147,000

SPED Cross Subsidy - \$17 million

EL Cross Subsidy – \$2.5 million

Revenue Increase of 2% = \$2,511,000

\$124 X 20,251 pupil units

Contract Increase of 2% = \$3,885,105

\$ 194,255,253 X .02

19-20 Budget has \$1.14 Deficit



Fund Balance Issues

- The fund balance cannot sustain this imbalance
- Requires operational reductions of \$500,000 per year
- Increased enrollment brings new revenue
- New staffing offsets that new revenue
- Added 16 SPED Teachers since budget established
- Added 5 Elementary classroom teachers since budget established
- Average New Teaching FTE cost \$72,000
- Student = \$10,000
- Need 7-8 students to pay for each teacher



Future Fiscal Steps

- Auditors were here last week
- Board approves tax levies in September and December
- Truth in Taxation Hearing
- Audit – Board approves in November or December
- Insert audited fund balances against Revised 2019-20 Budget
- Project fund balances for next five years
- Budget conversations
- Revise 2019-20 Budget
- Prepare 2020-21 Budget



Questions?

