



Willmar Public Schools ISD #347
2006-2007 Budget

FINAL DRAFT
Board of Education
June 12th, 2006

**Serving the Communities of Blomkest,
Kandiyohi, Pennock and Willmar**

Table of Contents

➤	Introductory pages	1 - 5
➤	Budget Development Plan	6
➤	2007 Budget Reductions	7
➤	New: All-Day Every Day Kindergarten	8
➤	2007 Budget Highlights	9 - 10
➤	General Fund:	
➤	Enrollment Projection	11 - 13
➤	Budget Information	14 - 28
➤	Financial Planning Model	29 - 34
➤	Fund Balance Policy	35 - 36
➤	Cost-Saving Measures	37
➤	2007 Education Initiatives	38
➤	Food Service Fund	39 - 40
➤	Community Service Fund	41 - 42
➤	Debt Service Fund	43 - 44
➤	Conclusion and Contact information	45 - 47

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Mission and Goals

Preparing All Students for a Successful Tomorrow

- **Provide a world class education**
- **Improve the lives of students**
- **Ensure achievement for all students**
- **Continue responsible financial stewardship**
- **Enhance school and community relationship**

Hallmarks of Pride

- Accredited by the North Central Association of Schools and Colleges
- All-Day Every Day Kindergarten
- Spanish in the Elementary Schools
- Advanced Course Offerings at Jr. High
- Advanced Placement Classes at the Sr. High
- Model English Language Learner Program
- Newcomer Center Program
- Five Secondary Alternative Programs
- Early Childhood emphasis
- Extensive Music opportunities
- Met all 2005 AYP requirements for NCLB
- State and national school finance awards
- Played a central role in Willmar's All-American City designation

FY 2007 Budget Development Plan

ID	Task Name	Start	Finish	Resource Names	Q1 06		Q2 06		
					Feb	Mar	Apr	May	Jun
1	Develop Budget Plan - coordinating with Capital Budget Plan	2/6/2006	2/10/2006	Bob, Dan, Kathy	■				
2	Review Plan with Administrative Team	2/21/2006	2/21/2006	Bob, Kathy	■				
3	Review Plan with School Board and forward to FAC	2/27/2006	2/27/2006	Bob, Kathy	■				
4	Develop base budget assumptions	3/6/2006	4/10/2006	Bob, Kathy, Dan, Admin, Board		■			
5	Develop Site allocations	4/10/2006	4/14/2006	Bob, Dan			■		
6	Distribute Site Budget Worksheets	4/14/2006	4/14/2006	Dan			■		
7	Administrators complete updated budget worksheets	4/18/2006	4/26/2006	Administrators			■		
8	Develop Revenue Budget	4/17/2006	5/5/2006	Bob, Dan			■		
9	Develop district wide expenditures, Federal program, gifts & grants, misc. budgets	4/17/2006	5/5/2006	Dan, Bob			■		
10	Revise Payroll Budget	4/24/2006	4/28/2006	Dan, Norma			■		
11	Develop Enrollment projection	4/27/2006	5/2/2006	Bob, Dan, Kathy			■		
12	Preliminary Budget Review	5/8/2006	5/10/2006	Bob, Dan, Kathy			■		
13	Email preliminary budget proposal to FAC	5/11/2006	5/11/2006	Bob, Dan			■		
14	Present Preliminary Budget to Finance Advisory Committee	5/16/2006	5/16/2006	Bob, Dan & Kathy			■		
15	Present Preliminary Budget to Administrators	5/17/2006	5/17/2006	Bob, Dan & Kathy			■		
16	Prepare and review final proposed Budget document	5/18/2006	6/7/2006	Bob, Dan & Kathy				■	
17	Email final Budget proposal to Board	6/8/2006	6/8/2006	Bob, Dan					■
18	Present final Budget proposal to Board for approval	6/12/2006	6/12/2006	Bob, Dan & Kathy					■
19	Email finance news update to all staff	6/13/2006	6/13/2006	Bob					■
20	Update Smart Finance with new budget	6/13/2006	6/13/2006	Dan					■
21	Update Finance Website with new budget and finance news update	6/13/2006	6/13/2006	Bob					■
22	Update Enrollment projection on EDRS	6/14/2006	6/14/2006	Bob					■
23	Write Budget article for Cardinal Connection	6/14/2006	6/14/2006	Bob					■

FY 2007 Budget Reductions

\$763,000 of expenditure reductions and \$7,700 of revenue increases approved in May 2006.

- **Reduced 18 FTE's both certified and non-certified staff**
 - **Other reductions of "hours" and of extra-curricular coach reductions.**
 - **Increased Sr. High Student Parking fees and Speech fees**
-
- **Responding to declining enrollment**
 - **Sum total of State Funding is below inflation**
 - **Financial Stewardship – long range planning**

All-Day Every Day Kindergarten

Added in August 2005

- **Additional cost of about \$325,000/yr**
- **A positive, long-term investment in our students and our community**
- **Part of a World-Class Education**

2007 Budget Highlights

➤ General Fund

- Unreserved Fund Balance decline of \$1.1 million, or -26.51% after updated reserves are factored in.
- Current state aid legislation is less than a 0% net increase -.82%
- Enrollment decline beginning to moderate soon?

➤ Food Service Fund

- Fund Balance increase of \$36,392, or 35.15%

➤ Community Service Fund

- Fund Balance decrease of \$3,963, or -2.25%

➤ Debt Service Fund

- Fund Balance increase of \$119,623, or 11.84%

Fund Descriptions

- **General Fund** – The largest and primary fund. Used to account for K-12 educational activities, student transportation and capital related activities. All financial resources are accounted for here, unless they are specifically required to be accounted for in another fund.
- **Food Service Fund** – used to account for food service revenues and expenditures.
- **Community Service Fund** – for services provided to residents in the areas of early childhood or adult programs, recreation, civic activities, nonpublic pupils, veterans, or other similar activities.
- **Debt Service Fund** – used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest and related costs.

FY 2007 General Fund Budget

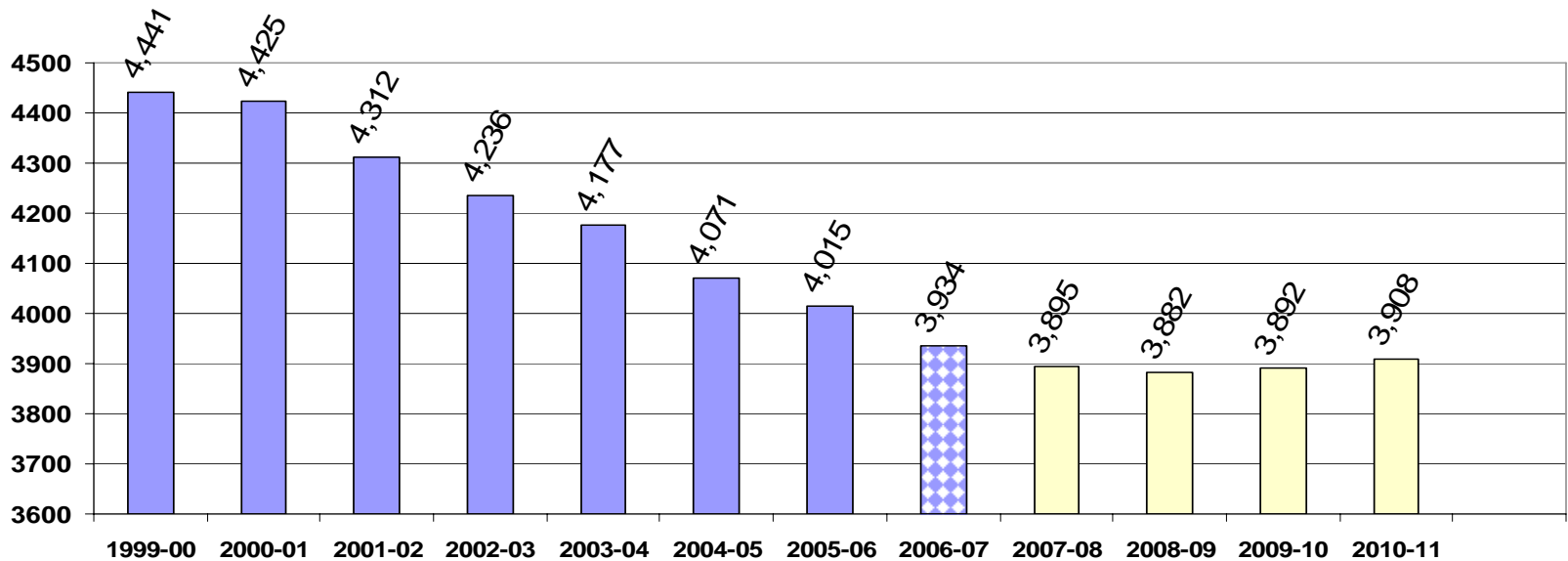
Revenues	\$38,934,023
Expenditures	\$39,826,405
Change	<u>- \$892,382</u>

- Deficit Spending began 2 years ago.
- This (increasing deficit spending) is not a surprise. The District has made over \$700,000 of budget reductions each of the past two years in a effort to moderate the deficit spending.
- Budget reductions and/or fee increases appear likely again for next year. Also, pursuing the possibility of additional revenues.

Enrollment

Enrollment decline is expected to continue at a lesser rate for another year or so before leveling out. A steady enrollment pattern would save the district about \$400,000 in lost revenue per year.

K-12 ENROLLMENT HISTORY & PROJECTED TOTAL ENROLLMENT



Enrollment Projection

- We project 3,955 ADM's* (Average Daily Membership) for FY 07 (E – 12), compared to 4,035 in FY 06. Includes 10 less ADM's due to CCS 9th grade addition.

- Data Sources:
 - **EnPro Model**
 - **H Model**
 - **Seat Count #'s**
 - **2006 Demographic Study and Enrollment Projection**
 - **MDE Mobility data**
 - **Sr. Class size and incoming K class issues**
 - **Local economic development**

The 10 year declining enrollment trend is expected to level out by approximately FY's 2008 or 2009.

ADM's (Average Daily membership) calculates actual "membership time" in Willmar Public Schools, rather than simple enrollment counts at a given point in time.

Why is Enrollment Declining?

Main Reasons are Demographic Realities:

- **Decreased Youth population**
- **Decreased Households with Children**
- **Low Birth Rate**
- **High Mobility Rate**
- **Rural to Urban Shift**

Other smaller, but important issues:

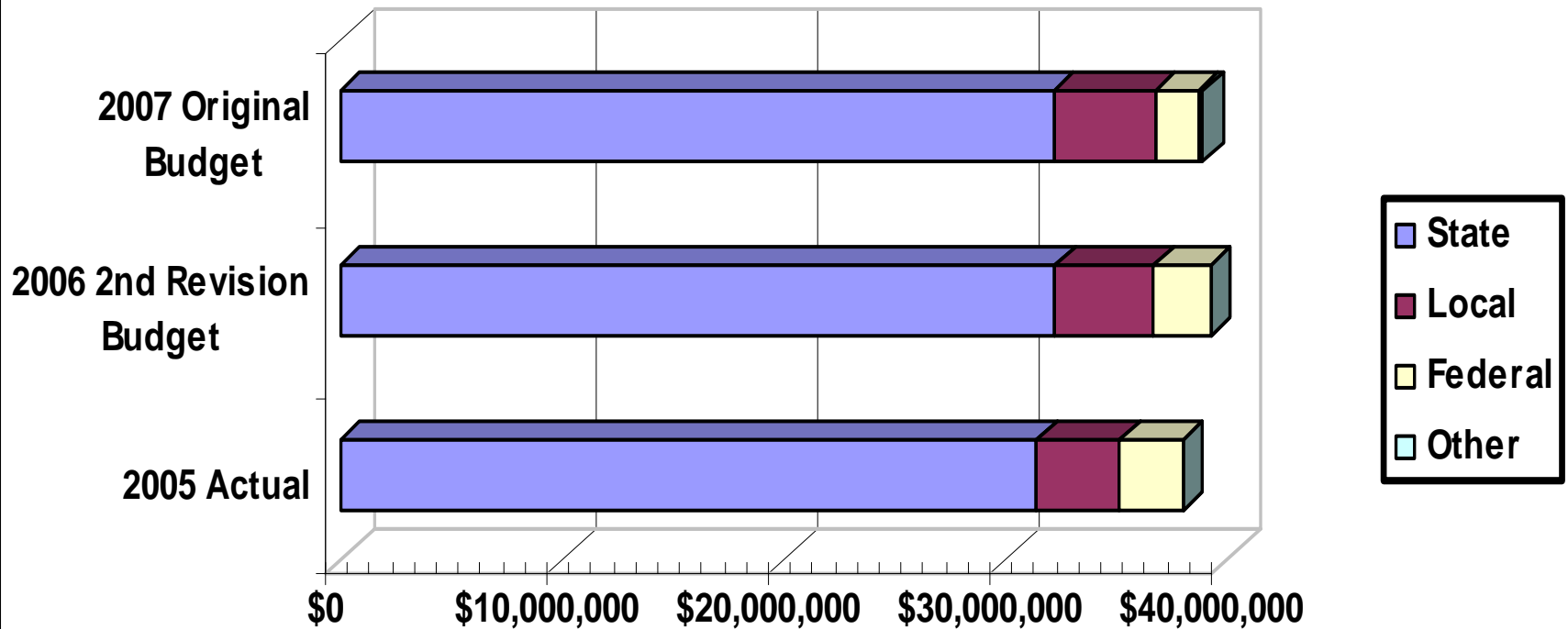
- **Open enrollment, dropouts, home schooling and private schools**

FY 07 Revenue Assumptions

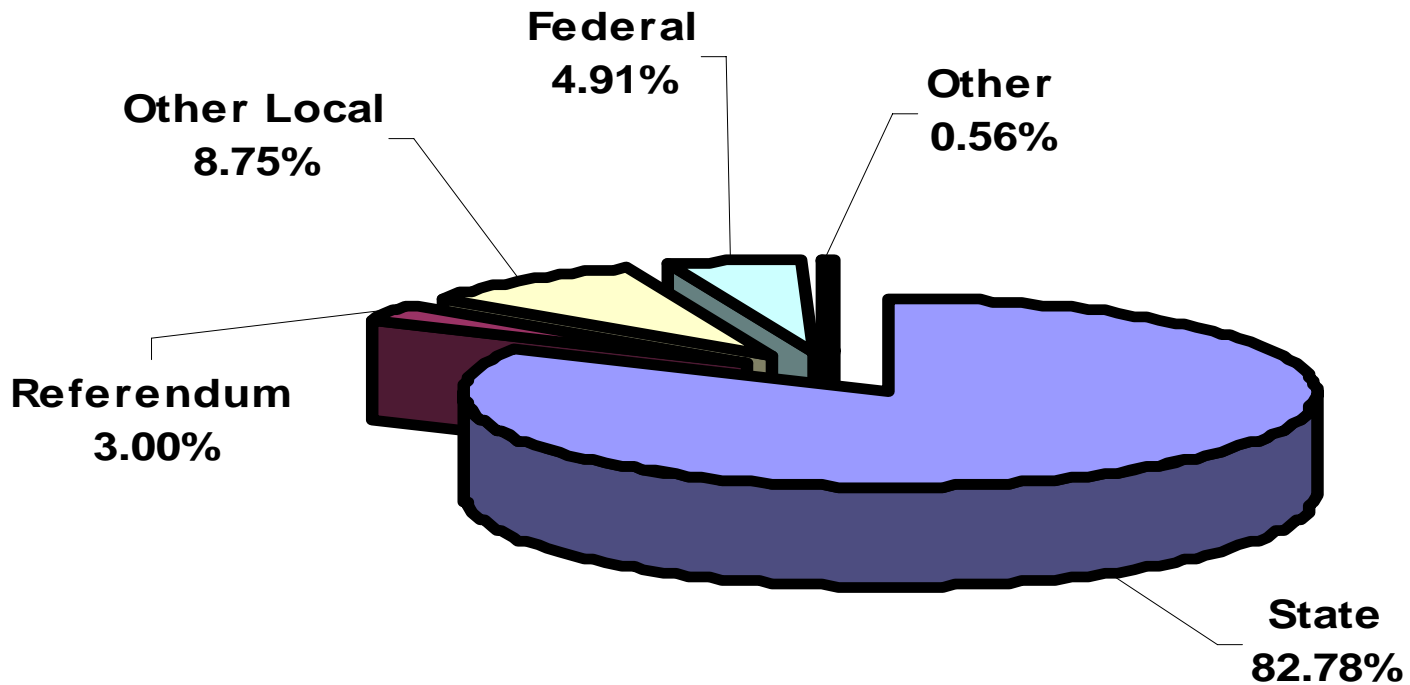
- **Enrollment of 3,955 ADM's, compared to 4,035 in FY 06.**
- **Carry forward unreserved fund balance of \$4.06 million from FY 06 into FY 07.**
- **State aid is based on current State of MN legislation, including a 4% general education formula increase.**
- **Levy revenue is based on the 2005 Pay 2006 Levy Certification approved by the Board in December 2006.**
- **Special Education aid based on best estimates using MDE data.**
- **Federal program revenues are based on preliminary allocations.**
- **Non-levy local revenues are based on estimates and the best information available.**
- **Grant revenue and associated expenditures that are known at this point in the budget cycle are included.**

We utilize three different revenue models to build the revenue budget

2007 General Fund Revenue



General Fund Revenue By Source



Revenues - Variances from 2nd Revision 06 Budget

General fund Revenues are budgeted to decrease by \$349,233 or .89%.

- **Local revenues are \$116,680, or 2.62%, higher.**
 - **Local levy increase of \$580,863**
 - **Tuition Billing decrease of \$245,496.**
 - **Interest earnings decrease of \$151,600**

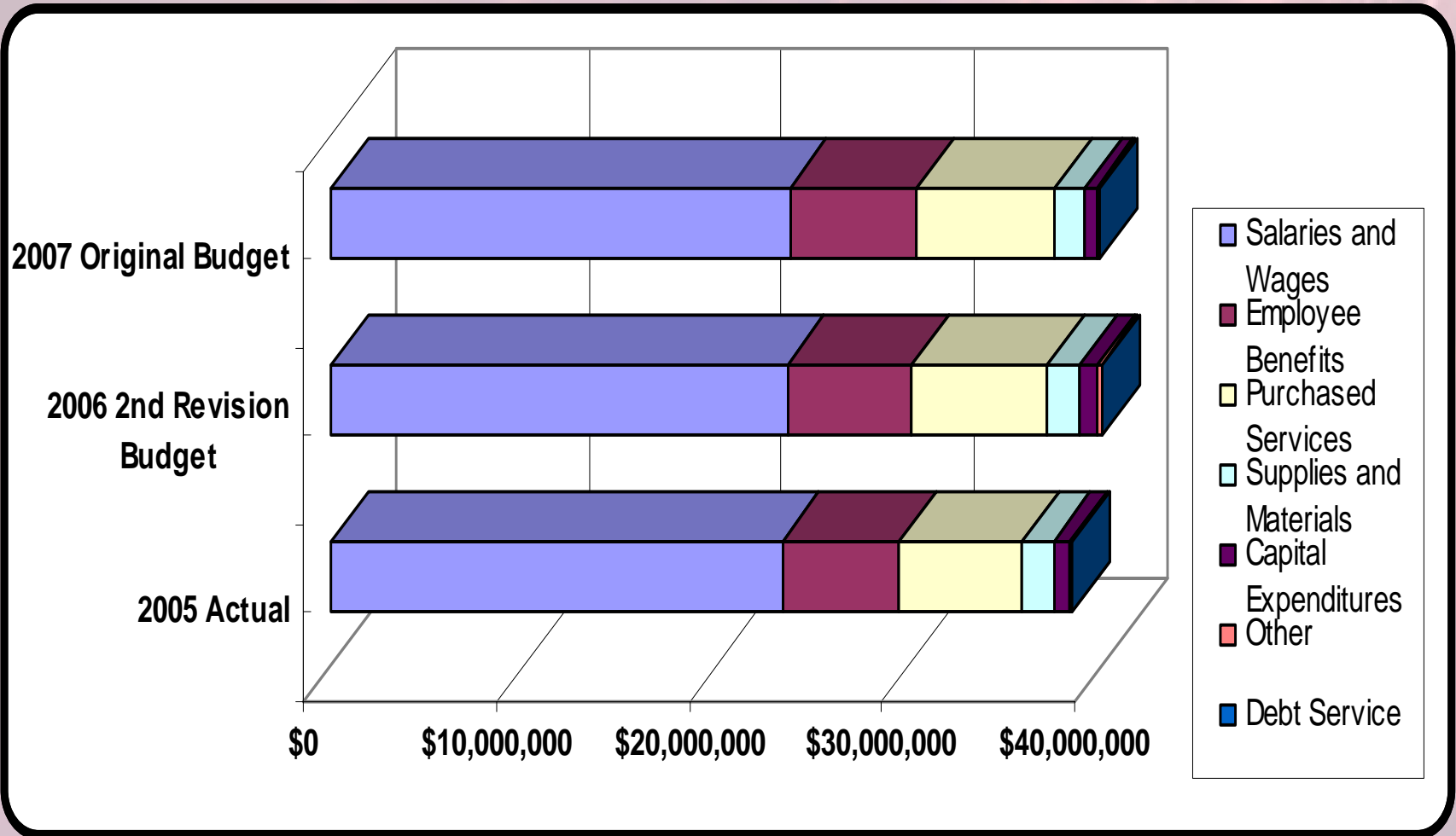
- **State revenues decrease by \$63,119 or by .20%. This reflects the 4% formula increase and an estimated \$286,074 decrease in Spec Ed revenue.**

- **Federal revenues decreased by \$614,107, or 24.31%. This is due to the end of the Reading First Grant and overall lower federal allocations.**

FY 07 Expenditure Assumptions

- **Payroll and benefits reflect actual contracts. All contract negotiations are complete for FY 07.**
- **Maintain minimum 6% fund balance per School Board resolution.**
- **Expenditure reductions of \$763,000 approved at the May 8, 2006 School Board meeting are included.**
- **Transportation budget is based on a 3% negotiated increase.**
- **Non-payroll budgets are generally based on a 3% increase.**
- **Grant expenditures and associated revenues that are known at this point in the budget cycle are included.**
- **Federal programs are based on preliminary FY 07 allocations.**
- **The Staff Development budget and reserve budget dollars reflect current legislation in place for FY 07.**
- **Final \$10,000 baseball stadium contribution is also included.**
- **No Q-Comp/ATPPS expenditures are included.**
- **Sr. High wall and roof repairs of \$300,000 are included.**

General Fund Expenditures

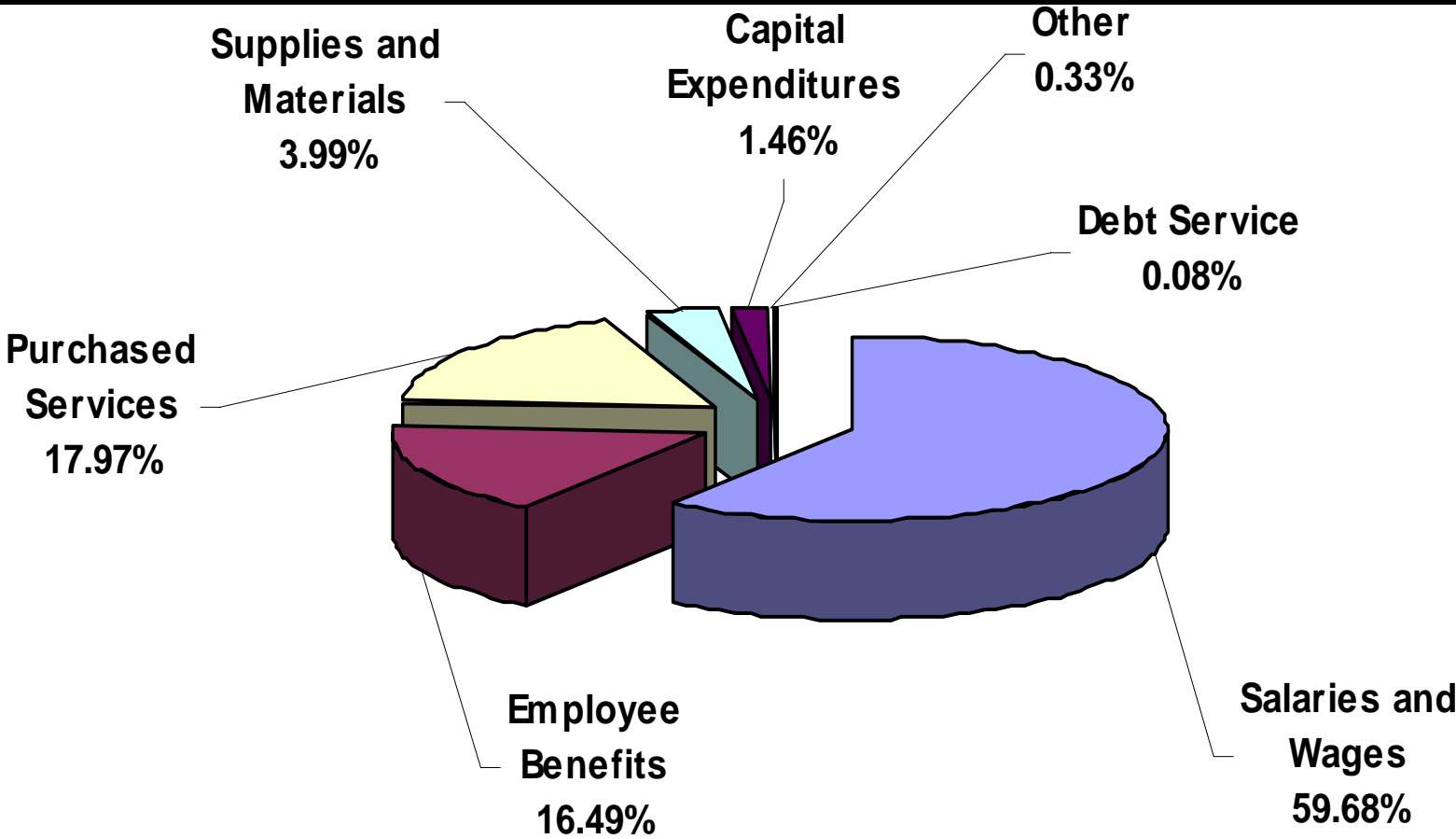


Expenditures - Variances from 2nd Revision 06 Budget

General fund Expenditures are budgeted to decrease by \$193,059, or .48%.

- **Supplies and Materials are \$150,189 less – due to the discontinued Reading First Grant.**
- **Capital Expenditures are \$257,098 less – due to classifying more of these expenditures under Purchased Services codes per GASB 34.**
- **Debt Service Expenditures are down by \$76,685 because we don't need Aid Anticipation Borrowing in FY 07**
- **Other Expenditures are \$92,201 less – districtwide software licensing was completed in FY 06.**
- **Payroll and Benefits increased by \$275,675 or by 0.9% - due to completed contract negotiations, budget reductions, and federal program reductions.**

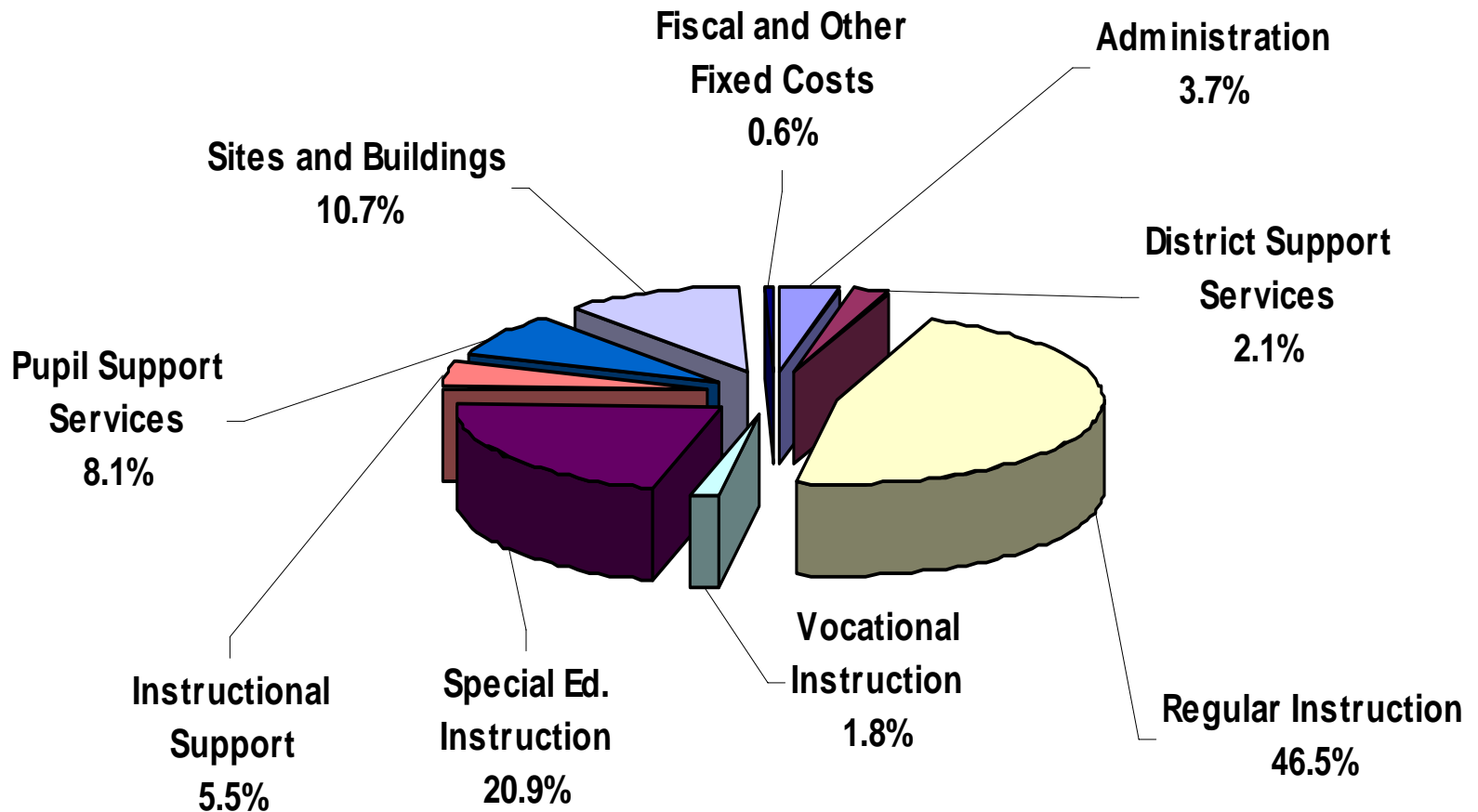
General Fund Expenditures by Object Code



Exp's by Object Code – Some non-payroll Examples

- **Purchased Services –**
 - Normal building and grounds maintenance, repair and minor improvements.
 - Legal, Utilities, Special Ed tuition agreements
 - SWWC Service Coop contracts, annual financial audit, Police Officer liasons
- **Supplies and Materials –**
 - Instructional supplies, office supplies, custodial supplies, fuel for buildings, textbooks.
- **Capital -**
 - roof repairs, classroom furniture, major repairs, technology equipment, instructional equipment
- **Debt Service –** costs associated with cash flow borrowing.
- **Other –** dues and memberships, City assessments

General Fund Exp's by Program



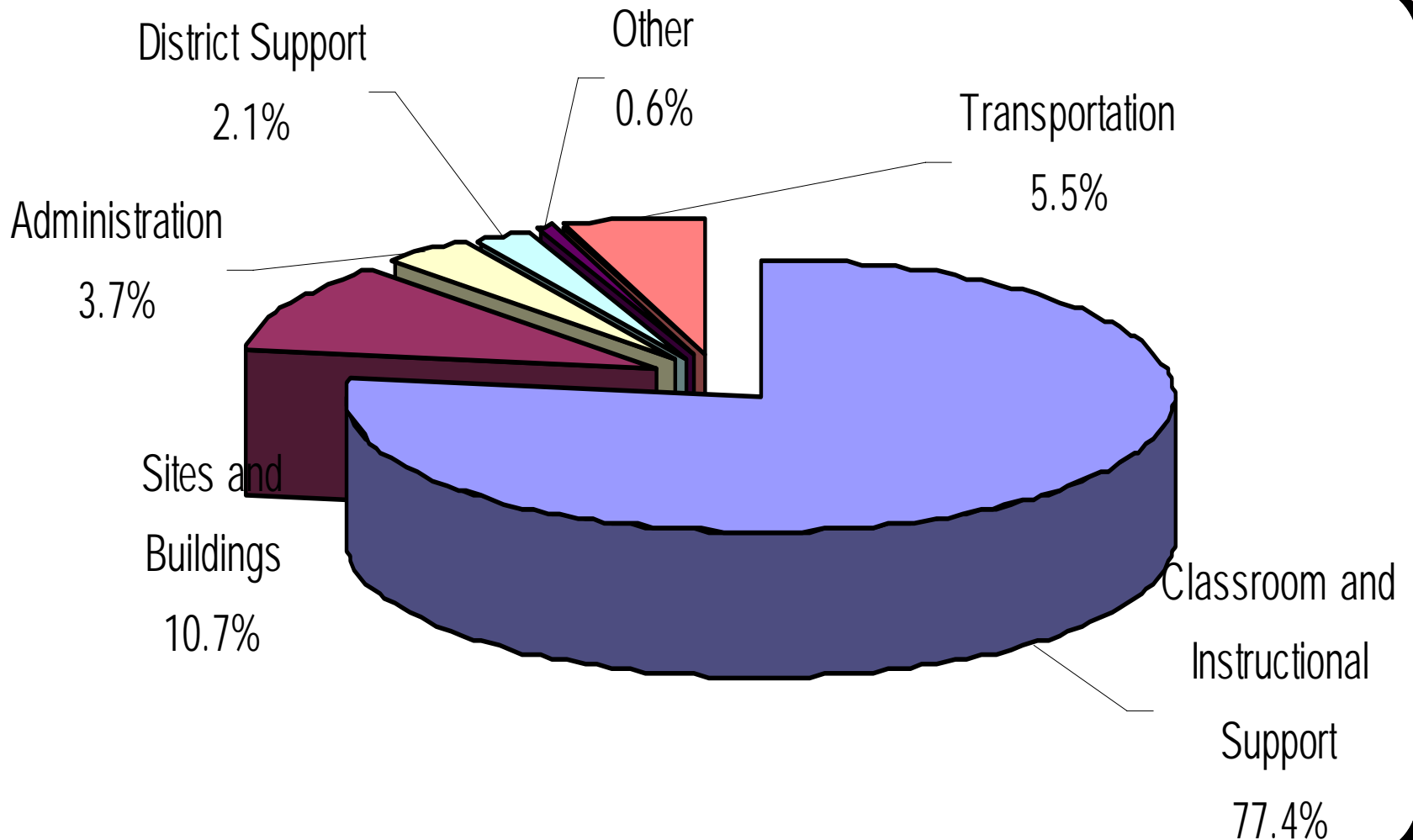
Program Expense Categories

- **Administration** – Includes for example: School Board, Superintendent's office, Principals and office staff.
- **District Support Services** – Includes for example: Business Office, HR, Legal, School Elections.
- **Regular Instruction** – Includes: All activities dealing directly with teaching of pupils.
- **Vocational Instruction** – Includes: Courses and activities for students seeking career exploration and employability.
- **Special Education Instruction** – Learning experiences for pupils with atypical characteristics or conditions.
- **Instructional Support Services** – Includes for example: Curriculum development, media centers and staff development.
- **Pupil Support Services** – Includes: Guidance counseling, health services, social workers and transportation.
- **Sites, Buildings and Equipment** – Includes: Activities related to the operations, maintenance and repair of the district's facilities and grounds.
- **Fiscal and Other Fixed Cost Programs** – Includes for example: Property/casualty insurance and interest expense for cash flow borrowing.

Instruction Takes Top Priority

Functions	Detailed Functions	Budget
Classroom Instruction and Pupil Support \$30,806,496 or 77.4%	Regular and Vocational Programs	\$ 19,258,403
	Special Education	\$ 8,337,390
	Instructional and Pupil Support	\$ 3,210,703
Transportation \$2,192,469 5.50%	Pupil Transportation	\$ 2,192,469
Sites and Buildings \$4,243,072 10.70%	Operations, Maintenance and Capital	\$ 3,926,679
	Health & Safety	\$ 316,393
Administration \$1,492,643 3.70%	School Board	\$ 65,468
	Office of the Superintendent	\$ 246,251
	Building and District Leadership	\$ 1,180,924
District Support \$853,628 2.10%	Business Office	\$ 527,891
	Human Resources	\$ 182,544
	Other	\$ 143,193
Other \$238,097 0.60%	Interest Expense	\$ 32,097
	Property Casualty Insurance	\$ 206,000
	Misc.	\$ -
	Total	\$ 39,826,405

Instruction Takes Top Priority



General Fund Reserves Projection

Reserves represent available resources for specific purposes. Created by the Legislature to ensure that revenues are used only for specific purposes.

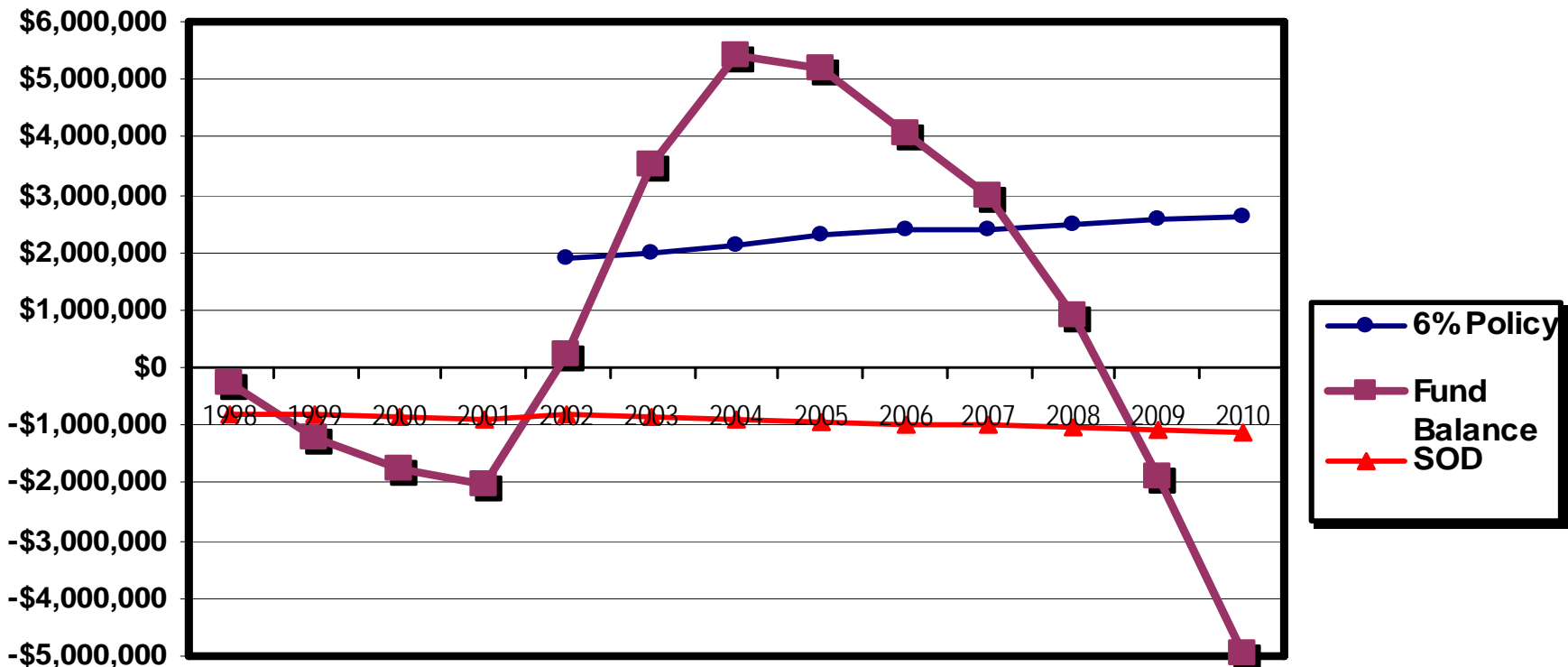
➤ Staff Development	\$409,763
➤ Health & Safety	\$0
➤ Severance	\$1,100,000
➤ 2 nd ensuing year	
➤ Operating Capital	\$400,000
➤ emergency reserve	
➤ Area Learning Center	\$0

Long-Term Financial Projection Assumptions

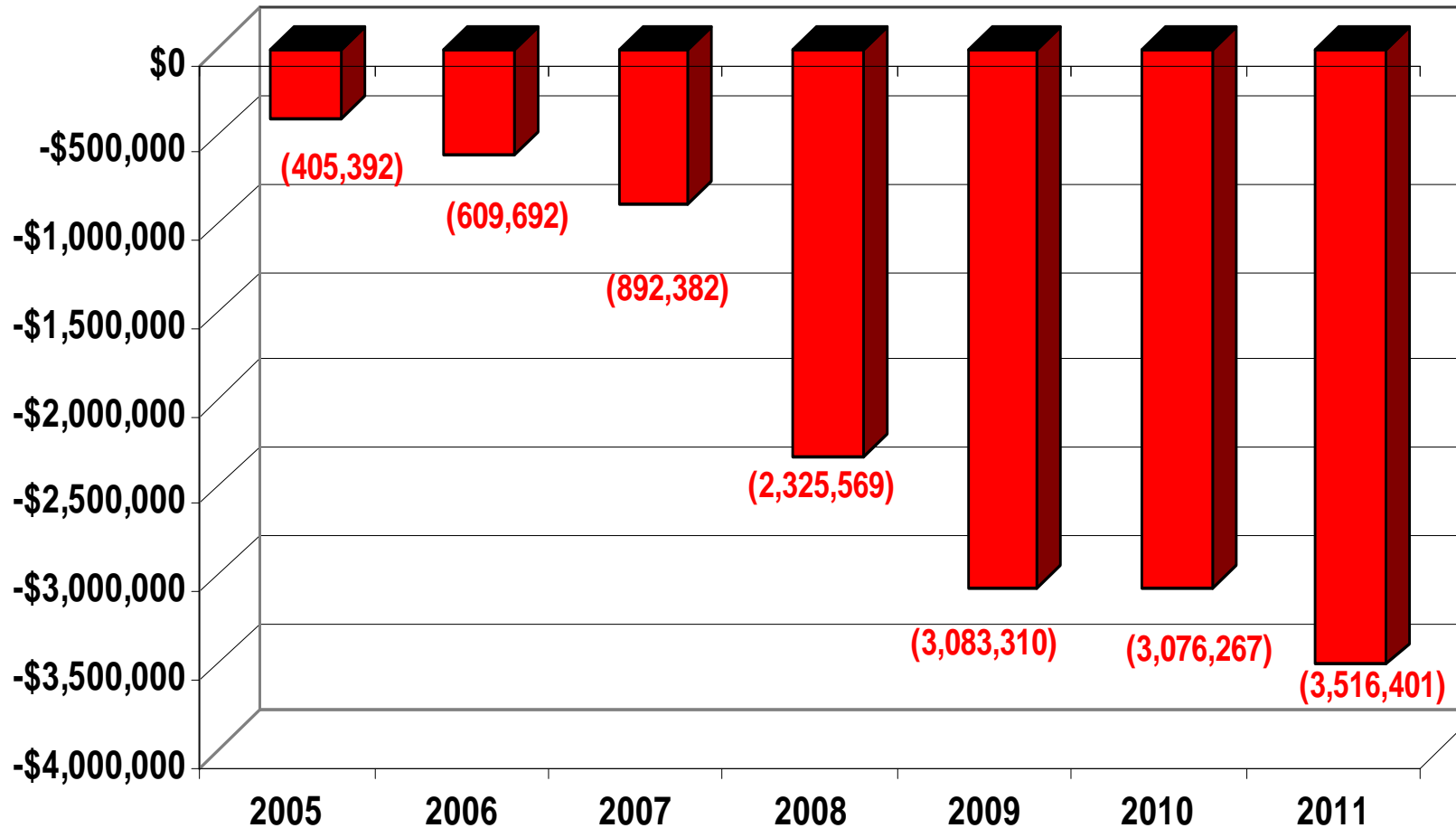
- **Fund Balance Goal** 6% of Operating Expenditures
- **Annual Financial Audit** 2004-2005
- **Budget** FY 06 Budget 2nd Revision proposal
- **Enrollment** FY 06 Budget 2nd Revision proposal
- **Revenue** New FY 06 & 07 Legislation, then 4% formula increase.
- **Payroll and Benefits** 4.0% increase annually in total.
- **Non-payroll** 3% increase/yr plus 2% staff development set-aside
- **Teacher Staffing Ratio** No staffing reductions are included.
- **Non-licensed Staff** No staffing reductions are included.
- **Reserves** Our best estimate as of 6/5/06.
- **Legislation** Current
- **CCS Grade Addition** Assume 10 less ADM's in Grade 9 FY's 07-11
- **Sr. High Wall/Roof** Assume \$500,000 in FY 07 & \$500,000 in FY 08
- **ATPPS (Q-Comp)** Not included.
- **Microsoft Settlement** Assume these expenditures are primarily in FY07

Financial Planning Model - General Fund Unreserved Fund Balance

Unreserved Fund Balance – represents resources available to meet any current and future year's expenses. The most common benchmark used to evaluate school district financial health. We have a very proactive, detailed, data-based and participatory financial projection process.

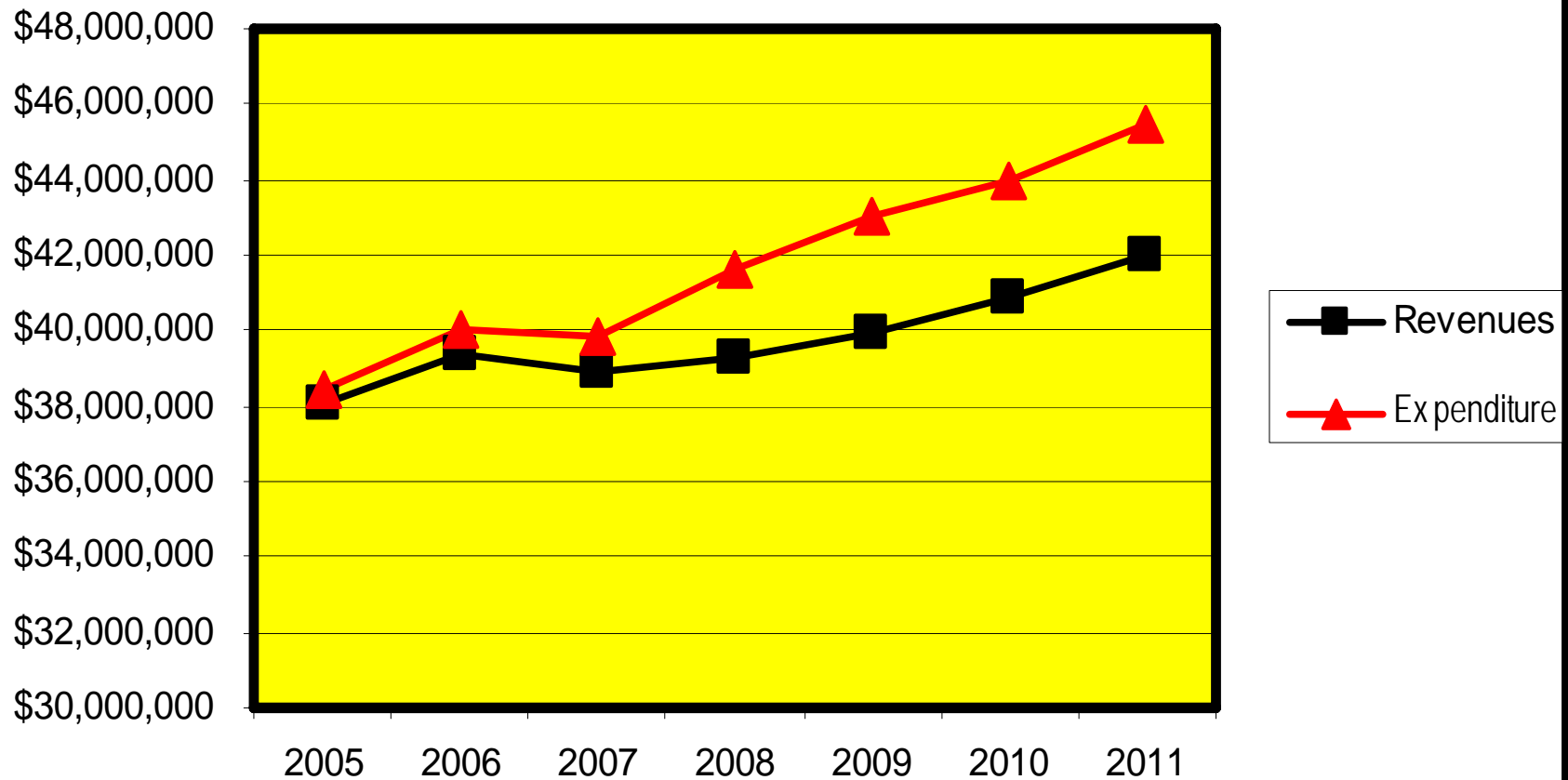


Financial Planning Model Spending Variation

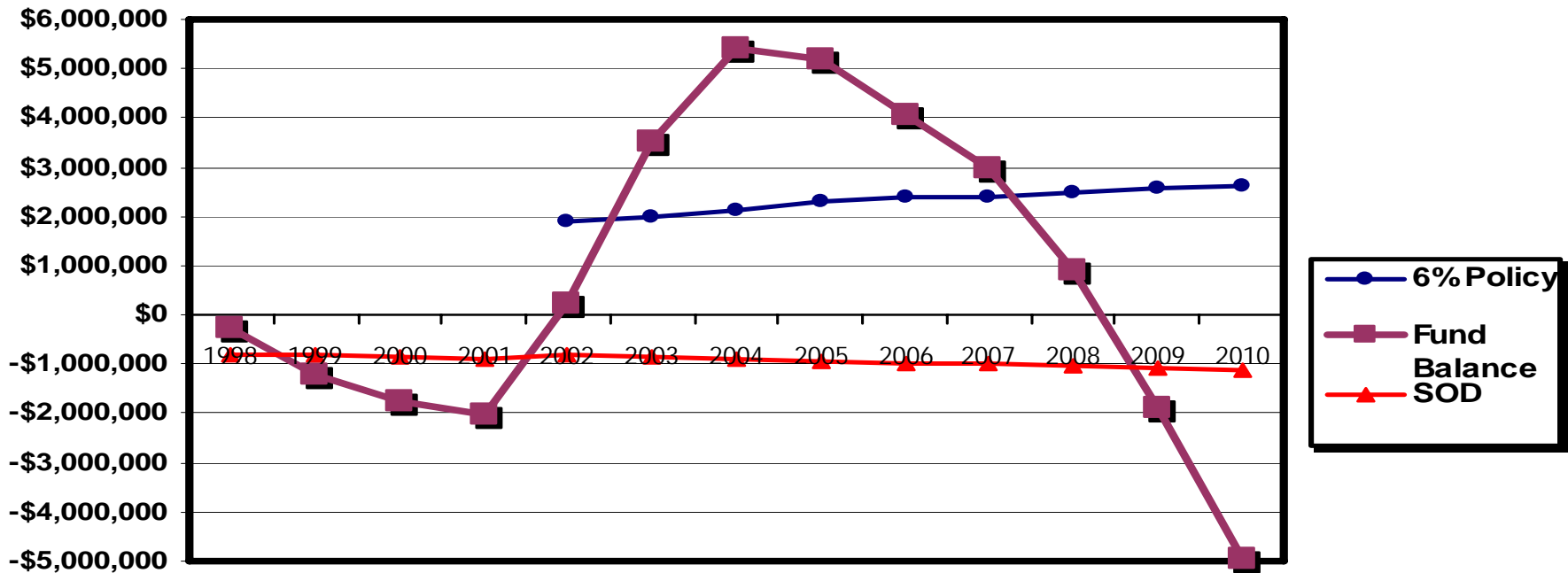


Financial Planning Model

Revenue and Expenditure Trends



Financial Projection – Historical context



- FY 2002 – Reductions/fee increases of \$1.8 million. Some new state revenue.
- FY 2003 – New Referendum (passed 11/01) revenue begins hitting the books. Some new state revenue.
- FY 2003 – FY 2007 – Total new non-federal revenue increase is 3.95% over that four year span.
- FY 2006 – 1st year of new state general ed aid in three years, less than 2% net.
- FY 2007 – New state general ed aid, less than 2% net increase.
- Historical projection accuracy – Yes, from a trend standpoint.

WHY is the fund balance declining?

- Lack of adequate new revenue – New legislation = less than 2% net state increase, including new staff development set-aside
 - FY 2007 State and Local Revenue combined has increased by only 3.95% since FY 2003, or by an average of 0.99% annually.
- Modest inflationary cost increases
- Continued declining enrollment
- This is a “model”, NOT a plan - - Our trend is normal in MN
- We have communicated often and in many different ways about the financial challenges that will soon face us.

District will proactively manage our budget to maintain the 6% fund balance goal

Willmar Public Schools Fund Balance Policy (General Fund)

- **Maintain 6% (as a % of expenditures) minimum fund balance through:**
 - **Reducing Expenditures, or**
 - **Operating Referendum, or**
 - **Combination of both**

Why Maintain a Fund Balance?

- **Validates fiscal credibility with constituents – maintain fiscal accountability to the taxpayers.**
- **Important to the establishment of a good credit rating for the District. MDE, Auditors, Moody's, S&P, and other experts recommend a 5 – 15% range.**
- **Necessary for unforeseen situations**
- **Offset the compounding effect of deficit spending**
- **Sound fiscal management has a long term positive impact on student success.**

*Our 6% Fund Balance Policy = a savings account of about
3.13 weeks of operating expenditures.*

Cost-Saving or Revenue Enhancing Measures - Examples

- **VEBA Health Care Plan**
- **Tuition Billing improvements**
- **SEE Energy Saving Program**
- **SEMS Substitute management software**
- **Property/Casualty Insurance renewal project**
- **Districtwide copier lease quotation**
- **March 15 PO spending deadline**
- **Refinancing of the Sr. High Bonds**
- **Garbage and Recycling agreement renewal**
- **Paperless Payroll project**
- **Business Office/HR and Administration expenditures are lower than average cost**

FY 2007 Education Initiatives

- **2nd Year in a Row of All-Day-Every-Day Kindergarten**
- **Continuing with the NCA accreditation renewal process for K-12 sites.**
- **Implementing goals and objectives at all sites that support the Board's Strategic Plan.**
- **Further implementation of the NWEA academic testing program**
- **Continued efforts to focus and align our curriculum to state standards.**
- **Reading First and CORE Initiatives**
- **Implementing "Newcomers' Centers" for 2nd language learners new to the U.S.**
- **Implementing advanced learning classes at Jr. High**

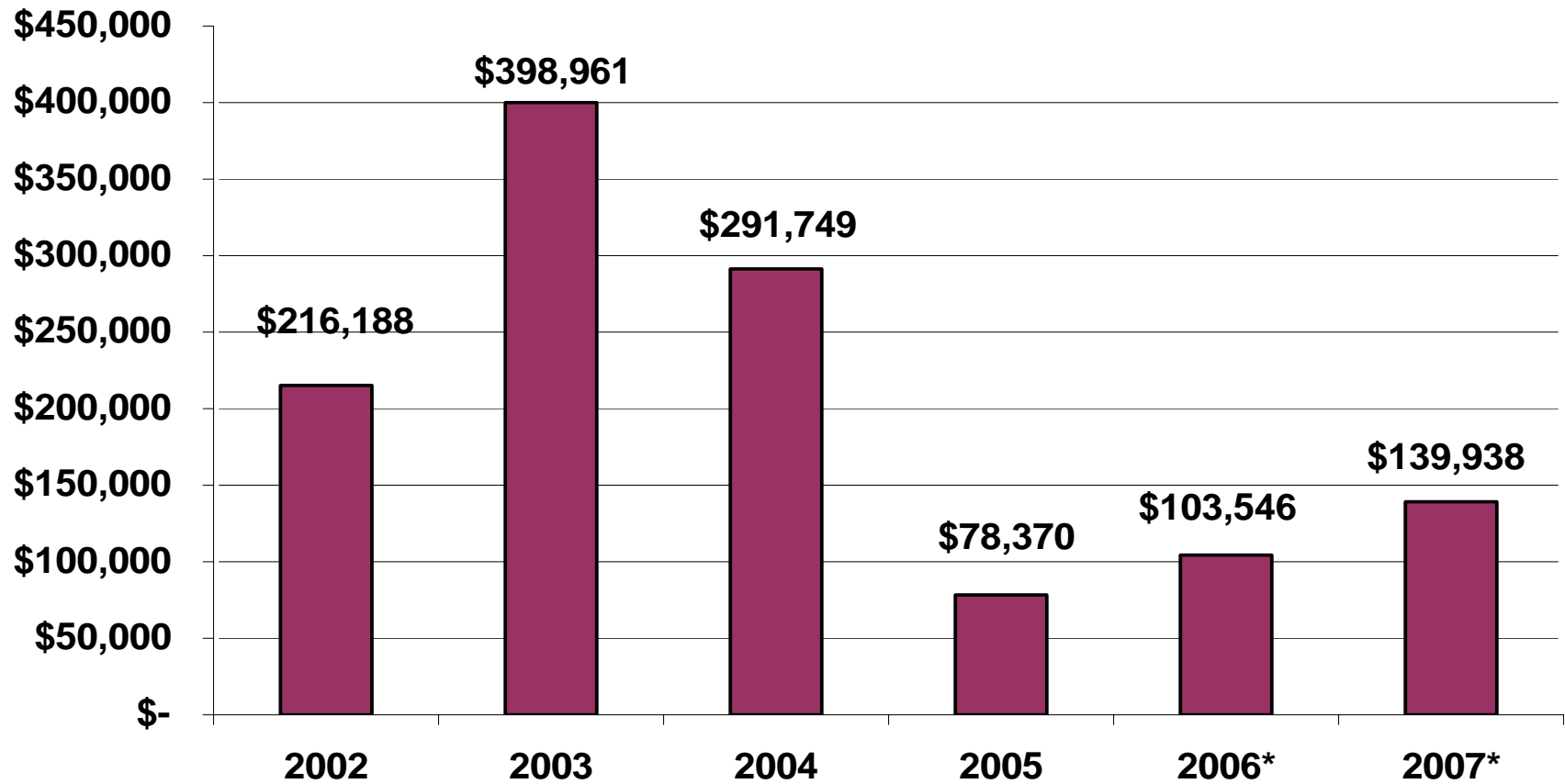
Food Service Fund – Original budget

Revenues	\$1,928,882
Expenditures	\$1,892,490
Change	\$36,392

Revenues reflect new meal price increase - we are still far lower than various averages.

- Revenues are updated based on new food service finance legislation.
- No major kitchen compliance projects in FY 07.
- Includes some equipment upgrades due to very old equipment and/or compliance.

Food Service Fund Balance History and Projected Fund Balance



Community Services Fund – Original Budget

Revenues	\$2,189,616
Expenditures	\$2,193,579
Change	-\$3,963

Community Service Fund Balance and Projected Fund Balance

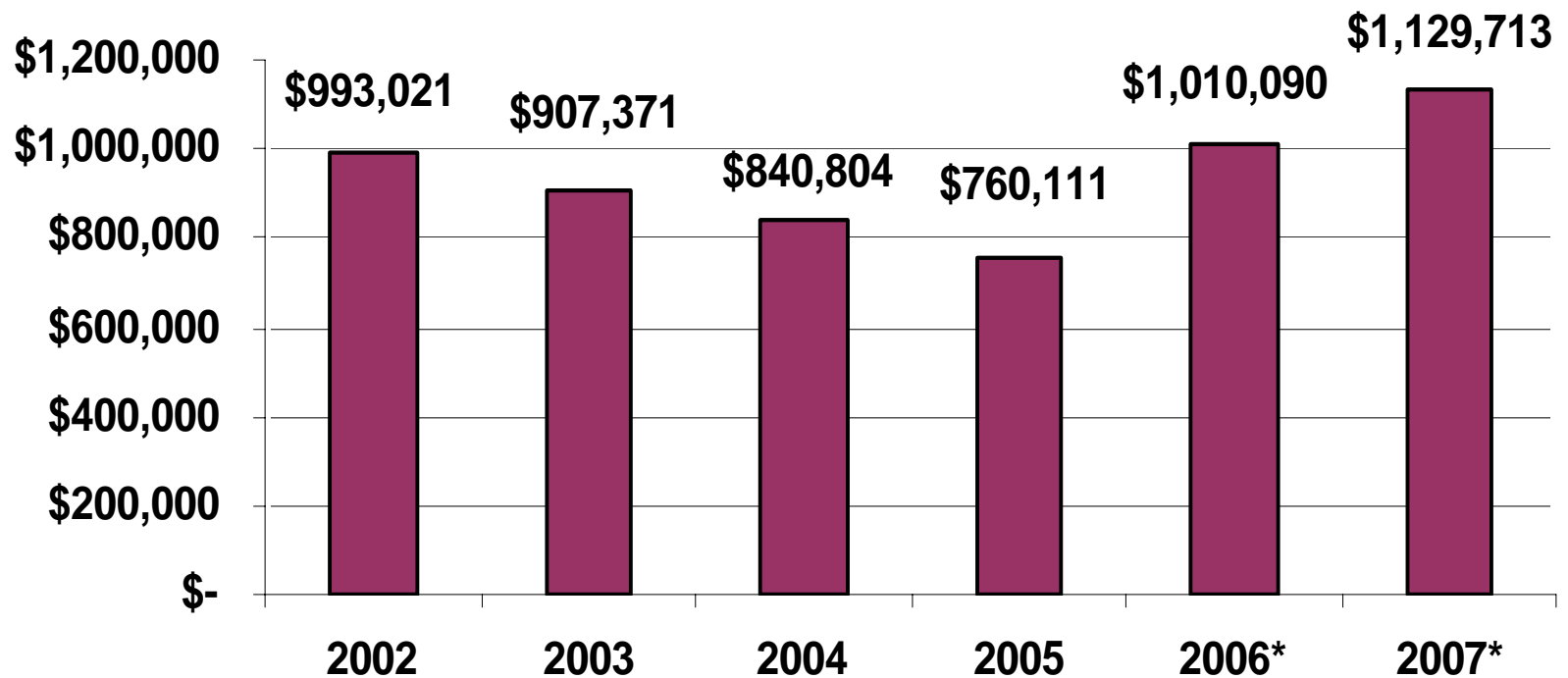


Debt Service Fund — Original Budget

Revenues	\$2,769,025
Expenditures	\$2,649,402
	<hr/>
Change	\$119,623
	<hr/>

Debt service dollars are only available to the Debt Service Fund. We can only spend this money on debt service.

Debt Service Fund Balance and Projected Fund Balance



Thank You

- *The preparation of this report could not have been accomplished without the efficient and dedicated services of the District's Business Office Staff. Special thanks to Dan Holtz for his excellent assistance on this project.*
- *Our appreciation to the School Board, Kathy Leedom and the Finance Advisory Committee for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.*
- *This presentation provides an overview of the proposed budget. Please see the 2007 Budget report for a more thorough look at this budget including detailed comparisons to previous years and descriptive narrative.*

Willmar Public Schools

“Educating the Future in an All-American City”

Please contact us with budget questions at:

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 - [*holtzd@willmar.k12.mn.us*](mailto:holtzd@willmar.k12.mn.us)

- **Annette Derouin, Director of Nutrition Services, 320-231-8521**
 - [*derouina@willmar.k12.mn.us*](mailto:derouina@willmar.k12.mn.us)

- **Steve Brisendine, Community Education Director, 320-231-8494**
 - [*brisendines@willmar.k12.mn.us*](mailto:brisendines@willmar.k12.mn.us)

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*District Finance Web Site: www.willmar.k12.mn.us
Click on At a Glance, District Services, then Finance*

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