



Willmar Public Schools ISD #347

2005-2006 Budget 1st Revision

FINAL DRAFT

**Board of Education
January 23rd, 2006**

Serving the Communities of Blomkest, Kandiyohi, Pennock and Willmar



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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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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**
- **Newcomber 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 2006 1st Revision Budget Budget Development Plan

ID	Task Name	Start	Finish	Resource Names	Q4 05			Q1 06	
					Oct	Nov	Dec	Jan	Feb
1	Develop Budget Plan	11/2/2005	11/4/2005	Bob, Dan, Kathy	■				
2	Review Plan with Administrative Team	11/4/2005	11/4/2005	Bob	■				
3	Update site allocations based on 11/1 enrollment	11/7/2005	11/18/2005	Bob, Dan	■	■			
4	Revise Payroll Budget	11/7/2005	12/9/2005	Dan, Norma	■	■	■		
5	Review Plan with Finance Advisory Committee	11/21/2005	11/21/2005	Bob, Kathy	■				
6	Distribute Site Budget Worksheets	11/21/2005	11/21/2005	Dan, Bob	■				
7	Develop Revenue Budget	11/21/2005	1/4/2006	Bob	■	■	■		
8	Administrators complete updated budget worksheets	11/22/2005	12/9/2005	Administrators	■	■			
9	Review Plan with School Board	11/28/2005	11/28/2005	Bob, Kathy	■				
10	Develop district wide expenditures, Federal program, gifts & grants, misc. budgets	12/5/2005	12/9/2005	Dan, Bob		■			
11	Develop Enrollment projection	12/19/2005	1/4/2006	Bob, Dan, Kathy			■	■	
12	Preliminary Budget Review	1/4/2006	1/6/2006	Bob, Kathy, Dan, Bill				■	
13	Development of Budget Document	1/9/2006	1/12/2006	Bob, Dan & Kathy				■	
14	Email preliminary budget proposal to FAC	1/13/2006	1/13/2006	Dan, Bob				■	
15	Present Budget to Administrators	1/17/2006	1/17/2006	Bob, Dan & Kathy				■	
16	Present Budget to Finance Advisory Committee	1/17/2006	1/17/2006	Bob, Dan & Kathy				■	
17	Prepare final Budget proposal for Board	1/18/2006	1/19/2006	Bob, Dan & Kathy				■	
18	Email final Budget proposal to Board	1/20/2006	1/20/2006	Dan, Bob				■	
19	Present final Budget proposal to Board for approval	1/23/2006	1/23/2006	Bob, Dan & Kathy				■	
20	Email finance news update to all staff	1/24/2006	1/24/2006	Bob				■	
21	Update Smart Finance with new budget	1/24/2006	1/24/2006	Dan				■	
22	Update Finance Website with new budget and news update	1/24/2006	1/24/2006	Tanya, Bob				■	
23	Update Enrollment projection on EDRS	1/25/2006	1/26/2006	Bob				■	

Budget Reductions for FY 2006

May 2005

\$800,000 of expenditure reductions and revenue increases

- Didn't replace 6 retiring teachers and one retiring custodian
 - Reduced 4 other teachers
 - Reduced supply budgets
 - Increased student activity and parking fees
-
- Responding to declining enrollment
 - Uncertainty of State Funding
 - Financial Stewardship – long range planning
 - Board Reinstated two elementary teacher positions in July 2005

Added All-Day Every Day Kindergarten for FY 2006 *August 2005*

- Additional cost of about \$319,000/yr
- + \$75,000 for curriculum in FY 2006
- A positive, long-term investment in our students and our community
- Part of a World-Class Education

Budget Highlights

■ General Fund

- Unreserved Fund Balance decline of \$1.7 million, or 33%
- New state aid legislation “net” is a 1.58% gain to district
- Enrollment decline beginning to moderate?

■ Food Service Fund

- Fund Balance increase of \$25,176, or 32%

■ Community Service Fund

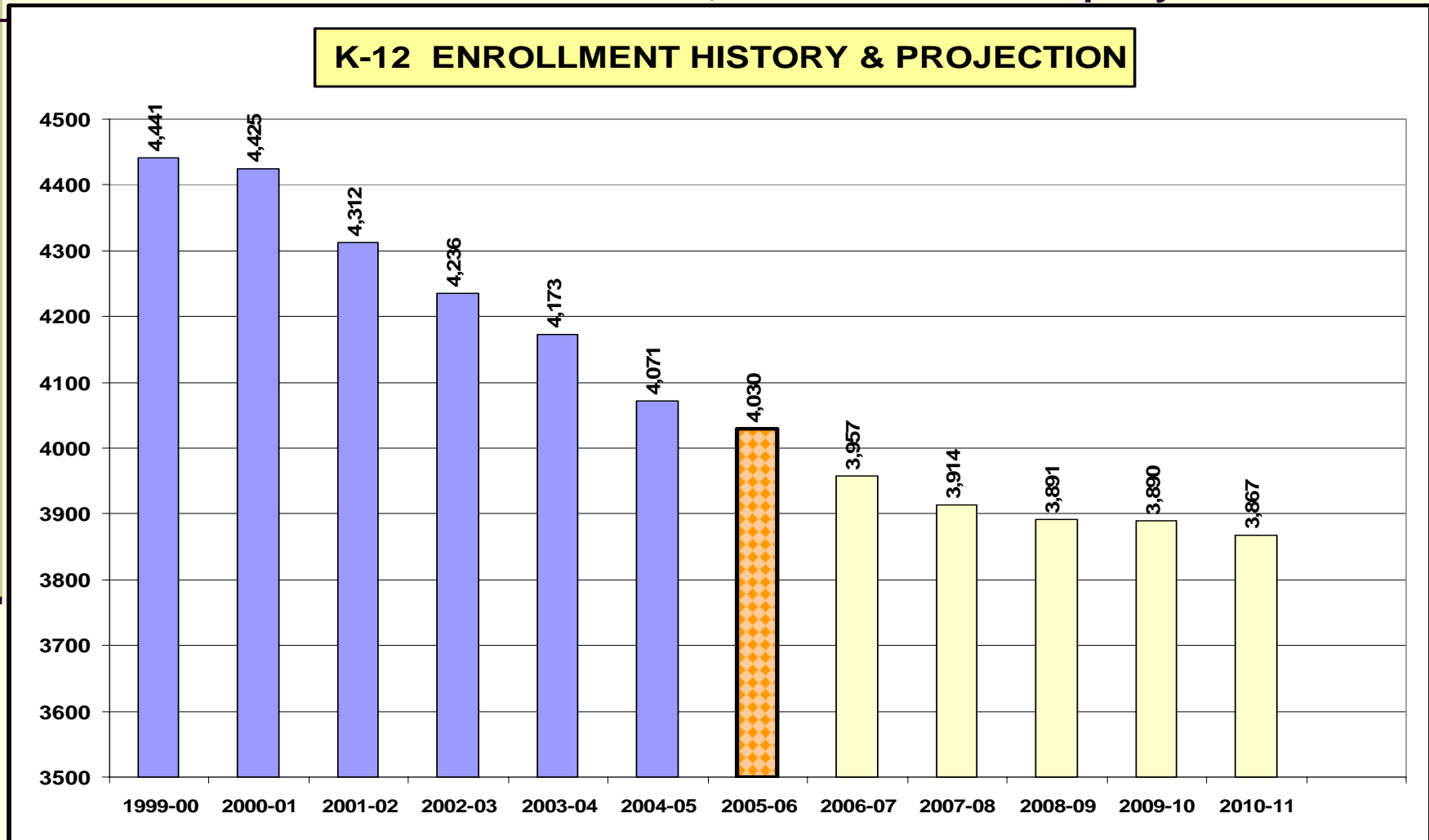
- Fund Balance decrease of \$17,616, or -9.1%

■ Debt Service Fund

- Fund Balance increase of \$249,979, or 33%

- 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 – use to account 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.

Enrollment... Total K-12 enrollment in FY 2004-05 was 4,071 ADM's. Enrollment decline is expected to continue at a lesser rate for several more years before leveling out. A steady enrollment pattern would save the district about \$400,000 in lost revenue per year.



Enrollment Projection

- We project 4,050 ADM's* (Average Daily Membership) for FY 06 (E – 12)
- Data Sources:
 - EnPro Model
 - H Model
 - Seat Count #'s
 - 2003 Demographic Study
 - 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 06 Revenue Budget Assumptions

- Enrollment of 4,050 ADM's
- Carry forward unreserved fund balance of \$5.17 million from FY 05 into FY 06.
- State aid is based on current State of MN legislation, including a 4% general education formula increase.
- Levy revenue is based on the 2004 Pay 2005 Levy Certification.
- Special Education aid based on estimates using State of MN worksheets and data.
- Federal program revenues are based on signed documents.
- Local revenue increases approved at the May 9, 2005 School Board meeting are included.
- Non-levy local revenue is 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

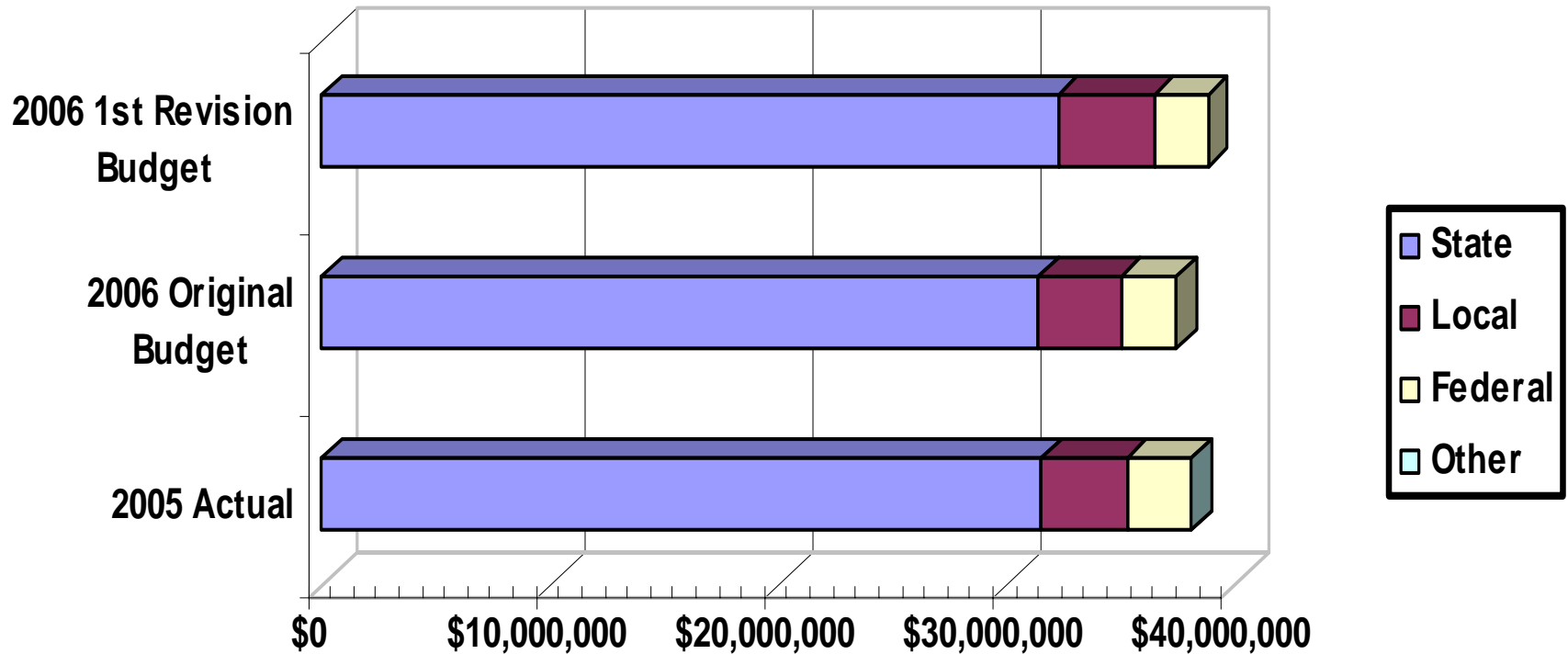
FY 06 Expenditure Budget Assumptions

- Payroll and benefits are increased by projected negotiations outcomes or by 4.0% (combined).
- Maintain minimum 6% fund balance per School Board resolution.
- Expenditure reductions totaling over \$700,000 approved at the May 9, 2005 School Board meeting are included.
- The All Day Every Day Kindergarten program approved at the August 8, 2005 School Board meeting is included.
- The two elementary teaching positions reinstated at the July 11, 2005 School Board meeting are included.
- Transportation budget is based on a 3% negotiated increase.
- Non-payroll budgets are generally based on a 2% increase.
- Grant expenditures and associated revenues that are known at this point in the budget cycle are included.
- The Staff Development budget and reserve budget dollars reflect the new State of MN legislation passed in July 2005.
- Sr. High masonry, pool and roof repairs of \$400,000 are included, based on best estimate with the information available at this time.

FY 2006 General Fund Budget

Revenues	\$38,793,709
Expenditures	<u>\$40,433,163</u>
Change	(\$1,639,454)

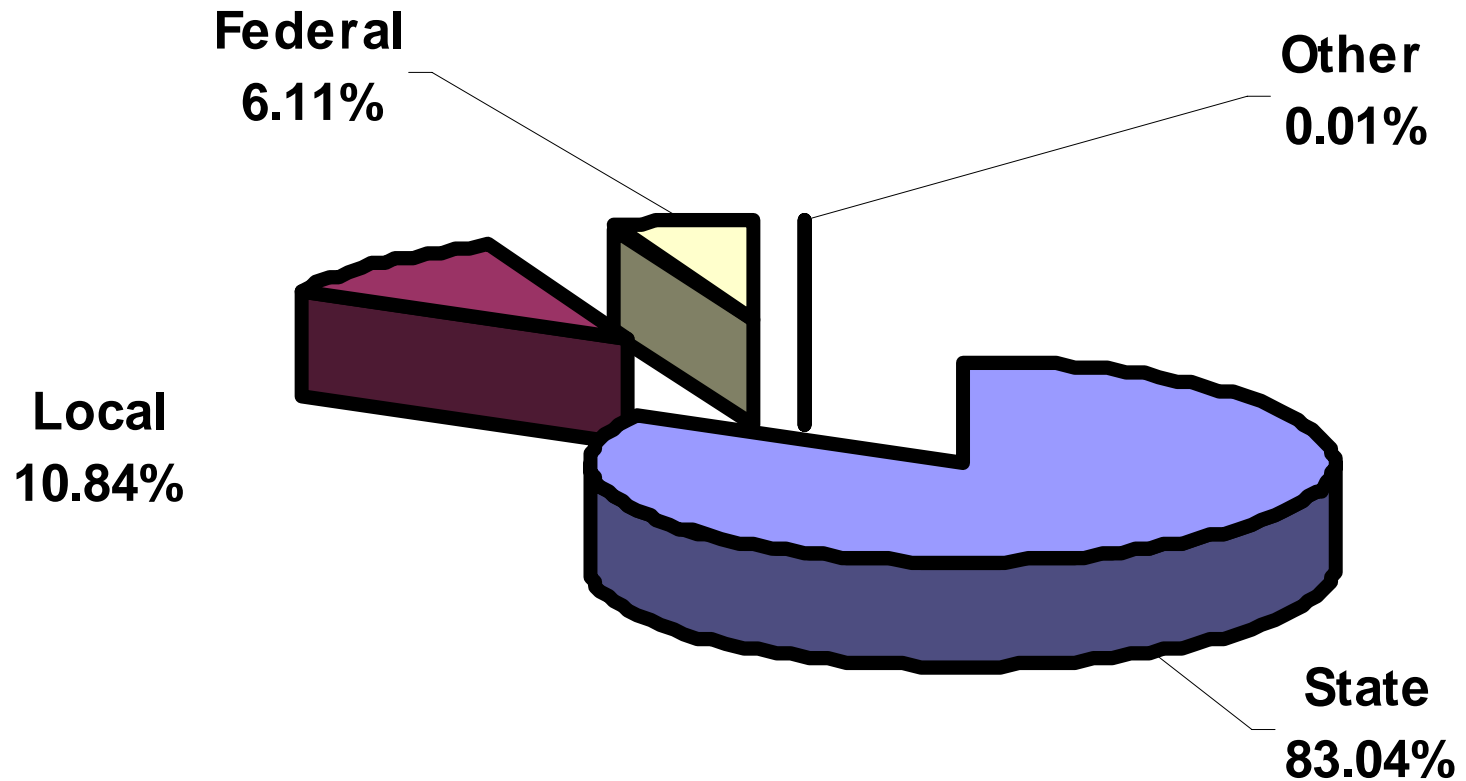
General Fund Revenue



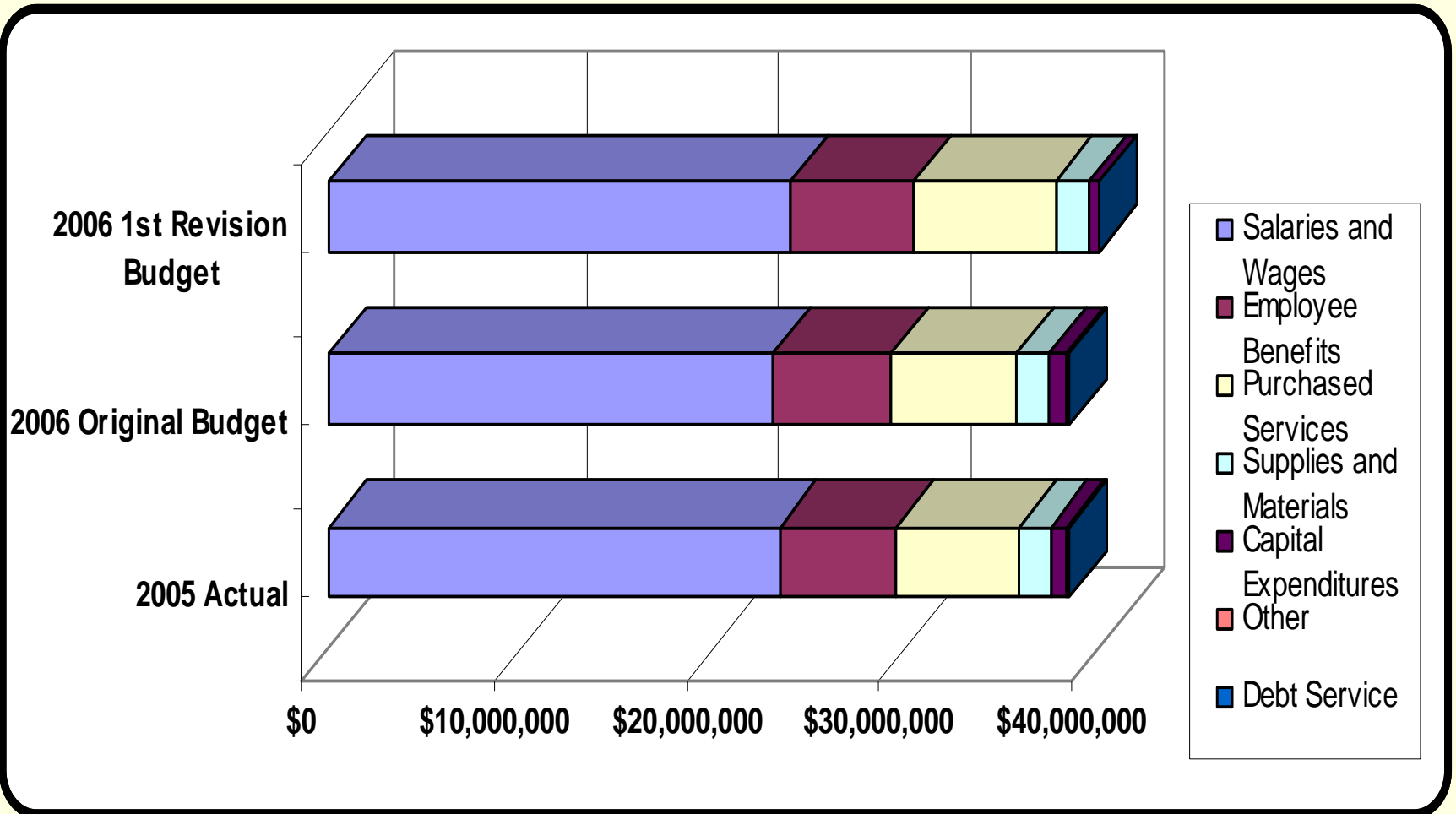
Revenues - Significant Budget Variances from the Original 2006 Budget

- **General fund Revenues** are budgeted to increase by \$1,409,519 or 3.8%, compared to the FY 06 Original Budget, and 1.96% higher than FY 05 actual revenues.
 - State revenues are \$822,378 higher due to new legislation passed after the original budget was approved. Factoring in the new legislation, including the 2% Staff Development set-aside as part of the new state finance legislation, and assuming the moderating enrollment decline, overall state revenues increased by 1.58% compared to FY 2005.
 - Special Education Tuition billing revenue is \$324,241 higher based on best estimates.
 - Interest income is \$65,000 higher due to an excellent cash position, aid anticipation borrowing, and higher interest rates.
 - Continued projected declining enrollment accounts for \$227,812 less state aid compared to if enrollment had stayed the same as in FY 05 (see the Revenue State Aid Comparison report in the Information Section).
 - Gifts and Grant revenues are \$123,450 higher. Grant revenues and associated expenditures that are known at this point in the budget cycle are included. These budgeted revenues may grow as grants are received during the year.

General Fund Revenue By Source



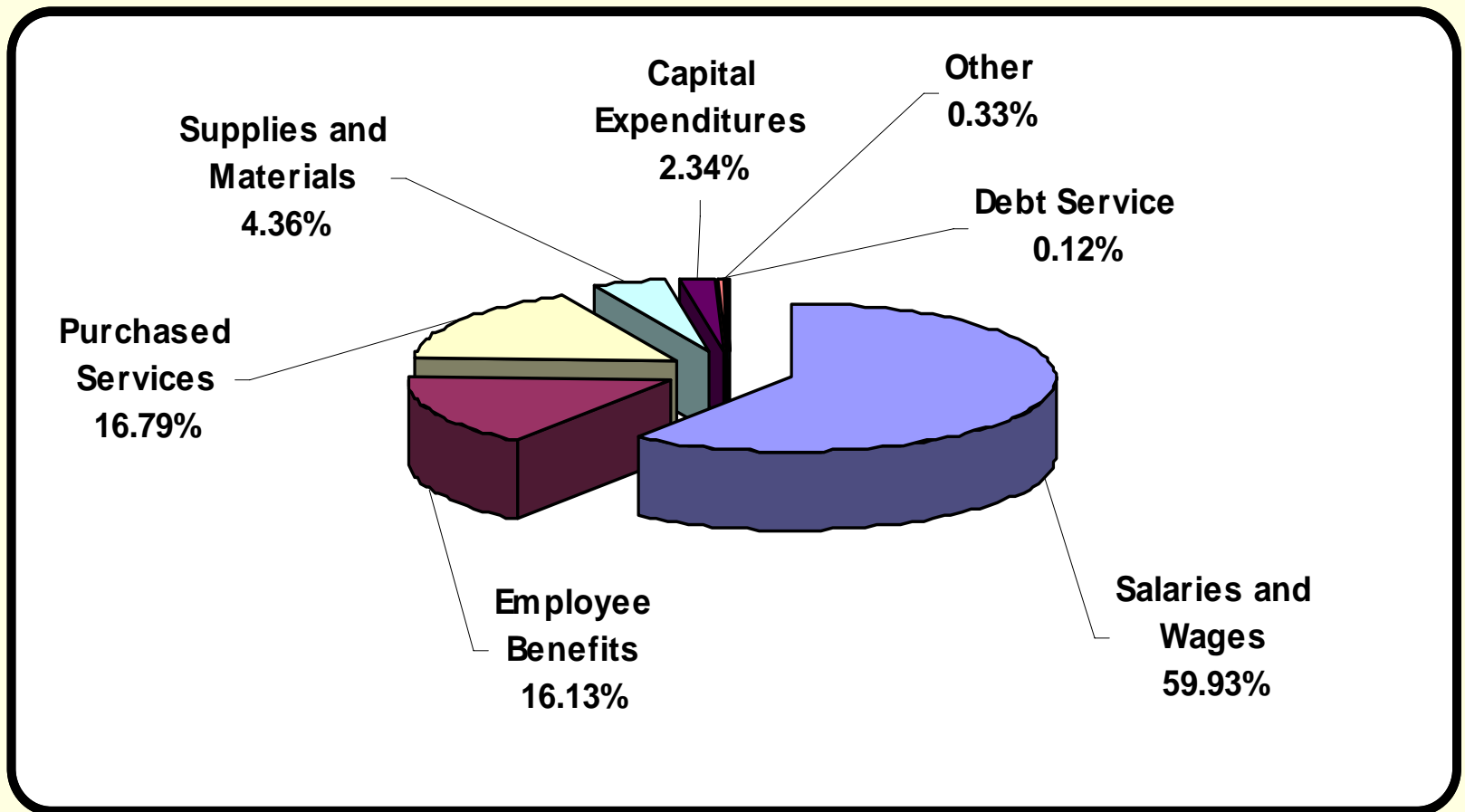
General Fund Expenditures



Expenditures - Significant Budget Variances from the Original 2006 Budget

- **General fund Expenditures** are budgeted to increase by \$2,005,319, or 5.22%, compared to the FY 06 Original budget.
 - The addition of All Day Every Day Kindergarten, with associated costs of \$394,000.
 - The reinstatement of several teaching positions, adding about \$85,000 of wages and benefits to the budget.
 - The Staff Development budget and reserve budget dollars reflect the new State of MN legislation passed in July 2005, increasing the staff development budget by \$341,210.
 - Sr. High masonry, pool and roof repairs of \$400,000 are included, based on our best estimate with the information available at this time.
 - Transportation increased by \$131,473 due to higher diesel fuel prices and our best estimate.
 - Utilities increased by \$85,143 due to higher energy costs.
 - Interest expense increased \$56,000 due to aid anticipation borrowing.
 - Tuition bills payable increased \$64,500 based on our best estimate.
 - Projected contract settlements also played a factor in the Salaries and Benefits increase.

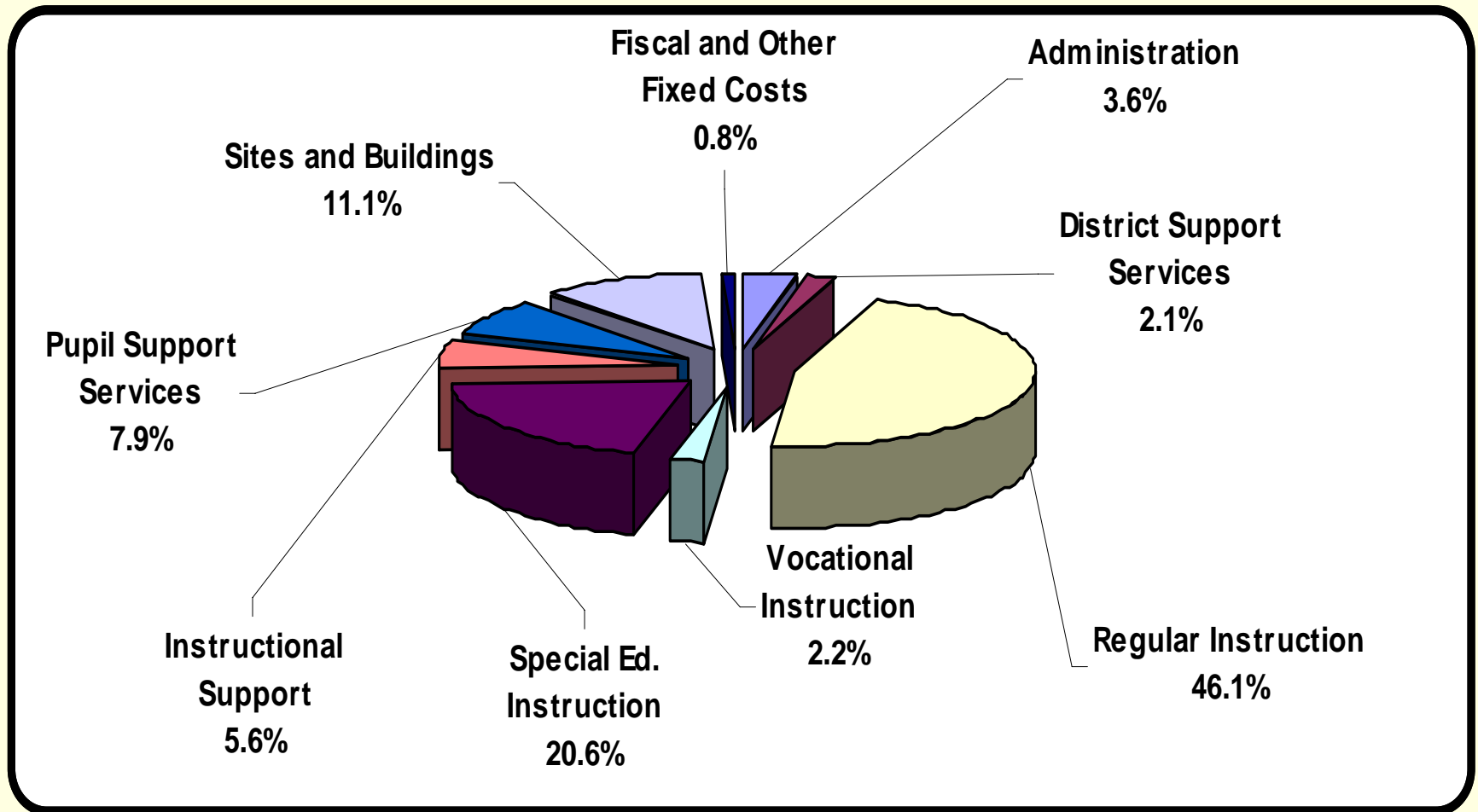
General Fund Expenditures by Object Code



Expenditures 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 Expenditures by Program Code



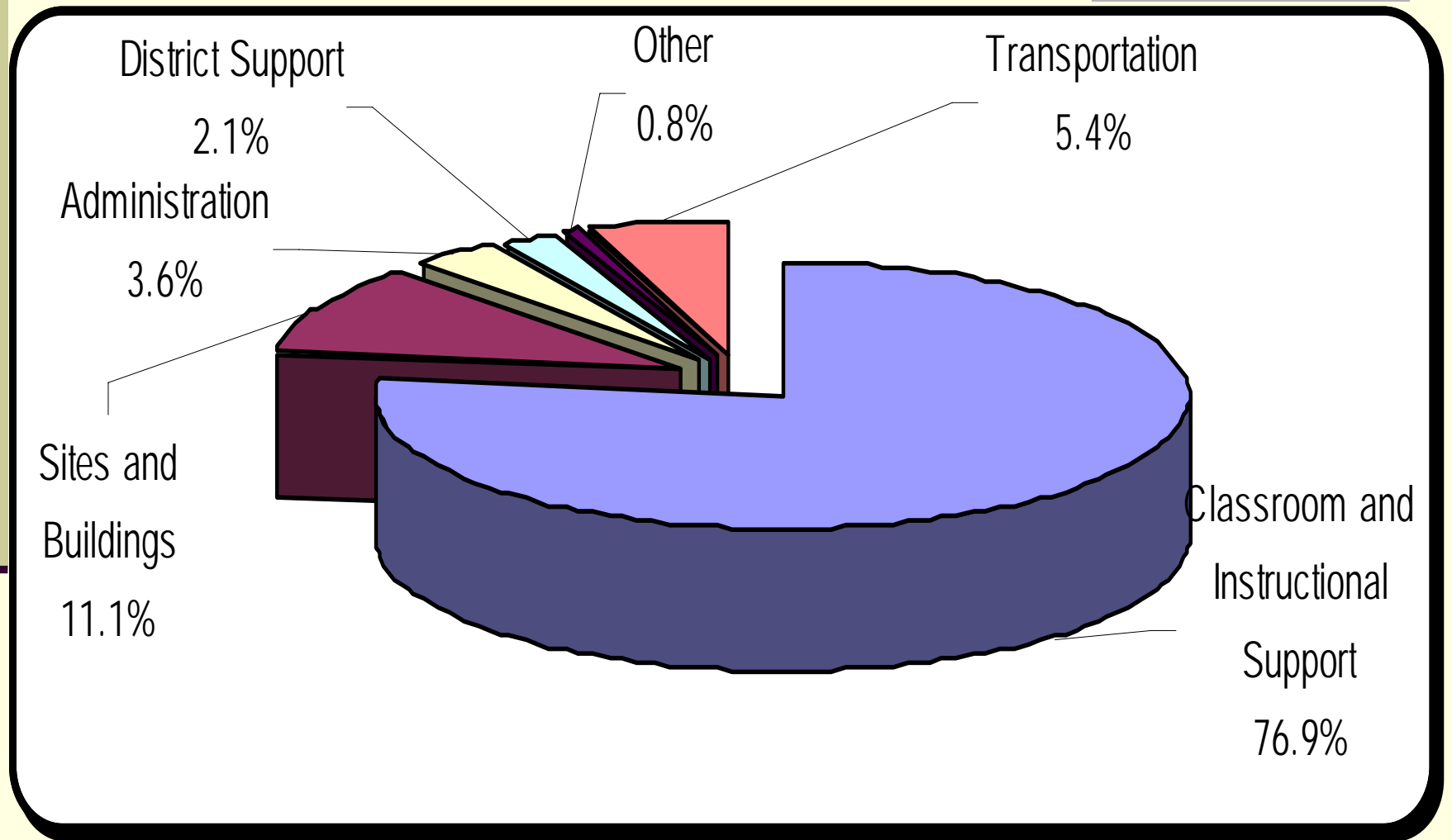
Program Expense Categories

- 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.

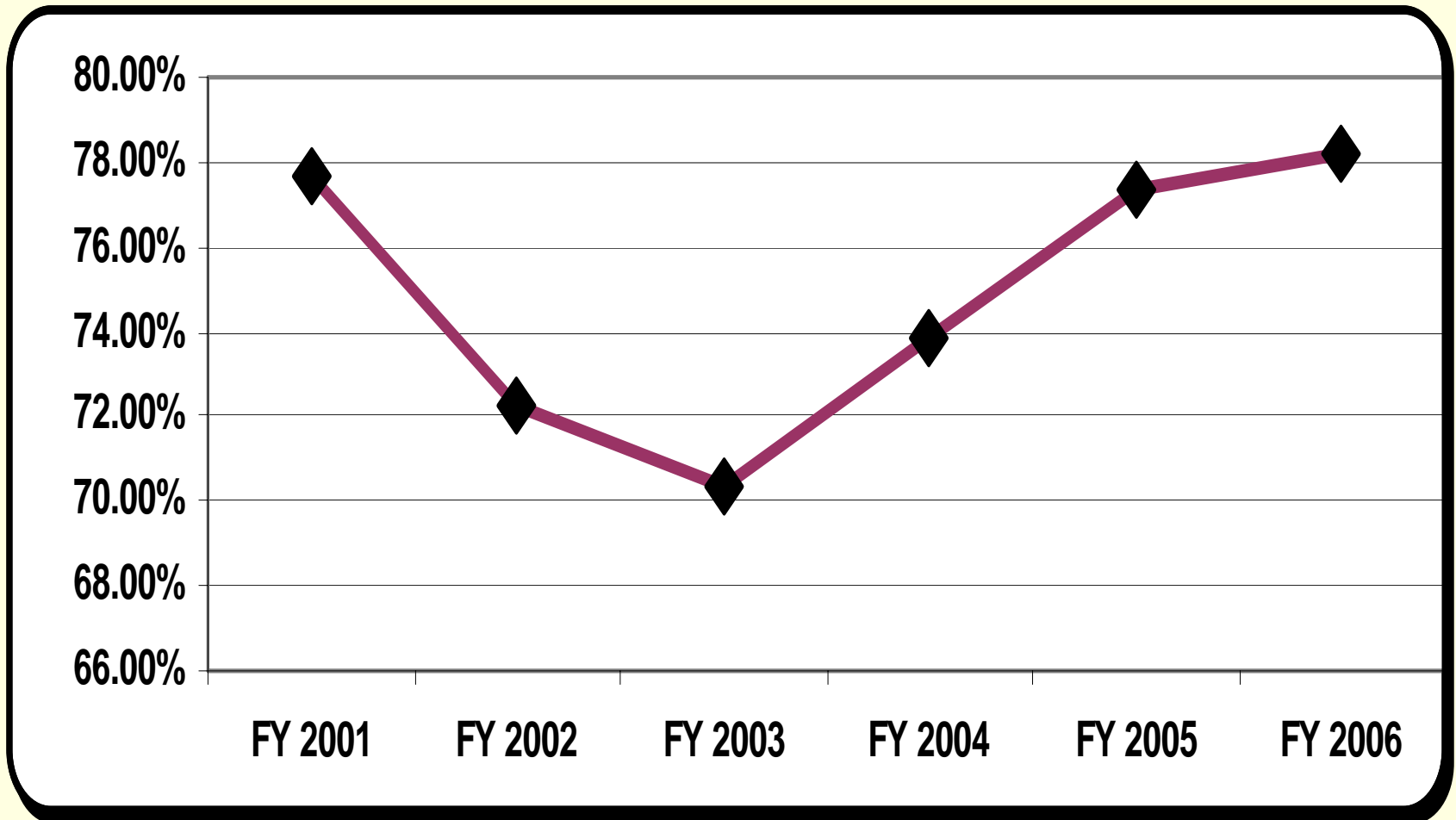
Instruction Takes Top Priority

Functions	Detailed Functions	Budget
Classroom Instruction	Regular and Vocational Programs	\$ 19,523,377
and Pupil Support	Special Education	\$ 8,322,777
\$31,107,918 or 76.9%	Instructional and Pupil Support	\$ 3,261,764
Transportation	Pupil Transportation	\$ 2,196,190
\$2,196,190		
5.40%		
Sites and Buildings	Operations, Maintenance and Capital	\$ 4,218,605
\$4,506,634	Health & Safety	\$ 288,029
11.10%		
Administration	School Board	\$ 64,055
\$1,435,970	Office of the Superintendent	\$ 238,649
3.60%	Building and District Leadership	\$ 1,133,266
District Support	Business Office	\$ 539,281
\$865,170	Human Resources	\$ 210,639
2.10%	Other	\$ 115,250
Other	Interest Expense	\$ 108,782
\$321,281	Property Casualty Insurance	\$ 212,499
0.80%		

Instruction Takes Top Priority



Payroll & Benefits expenditures as a percentage of Revenues



Spending Guidelines for FY 2006

- PO submissions Deadline (non-emergency) – March 15
- Spending only for FY 2006 needs
- Approved budget is not a license to spend down – unless part of program requirement
- Goal of spending under budget where we have control – contributing to the fund balance is good for students, parents, staff and taxpayers.

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	\$130,000
■ New legislation	
■ Health & Safety	\$4,323
■ Moving towards \$0	
■ Severance	\$810,000
■ 2 nd ensuing year	
■ Operating Capital	\$394,621
■ Steady – emergency reserve	
■ Area Learning Center	\$0
■ Based on best estimate	

Financial Planning Model

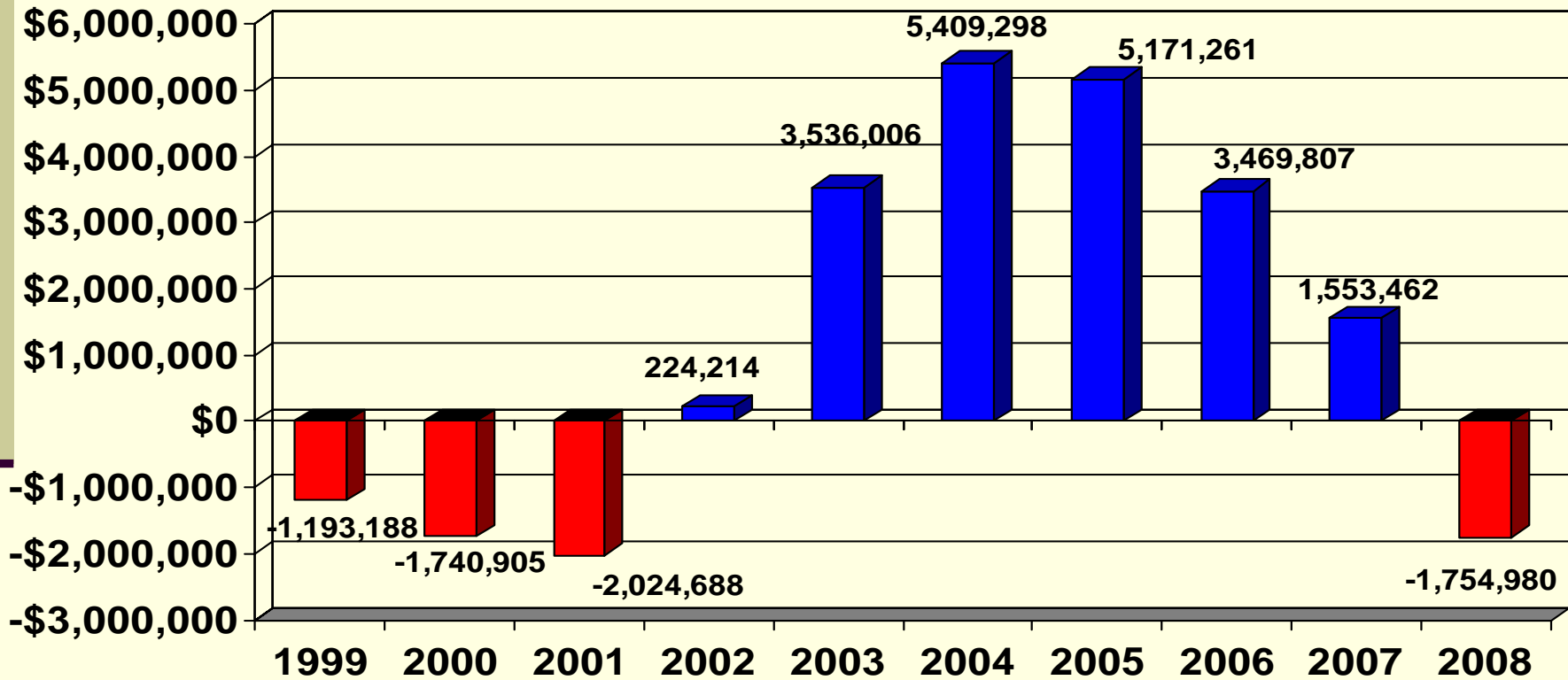
Assumptions

- **Fund Balance Goal** 6% of Operating Expenditures
- **Annual Financial Audit** 2004-2005
- **Budget** FY 06 Budget 1st Revision proposal
- **Enrollment** FY 06 Budget 1st Revision proposal
- **Revenue** New FY 06 & 07 Legislation, then 4% increase to state formula FY 08 – 11.
- **Payroll and Benefits** 4.0% increase annually in total, Teacher contract based on recent settlement for FY's 06 & 07.
- **Non-payroll** 3% increase annually, plus 2% staff development spending.
- **Teacher Staffing Ratio** Steady as enrollment declines
- **Non-licensed Staff** 2 FTE's reduction annually FY 07-11
- **Reserves** FY 06 Budget 1st Revision proposal
- **Legislation** Current

Does not reflect potential impact of proposed CCS high school addition

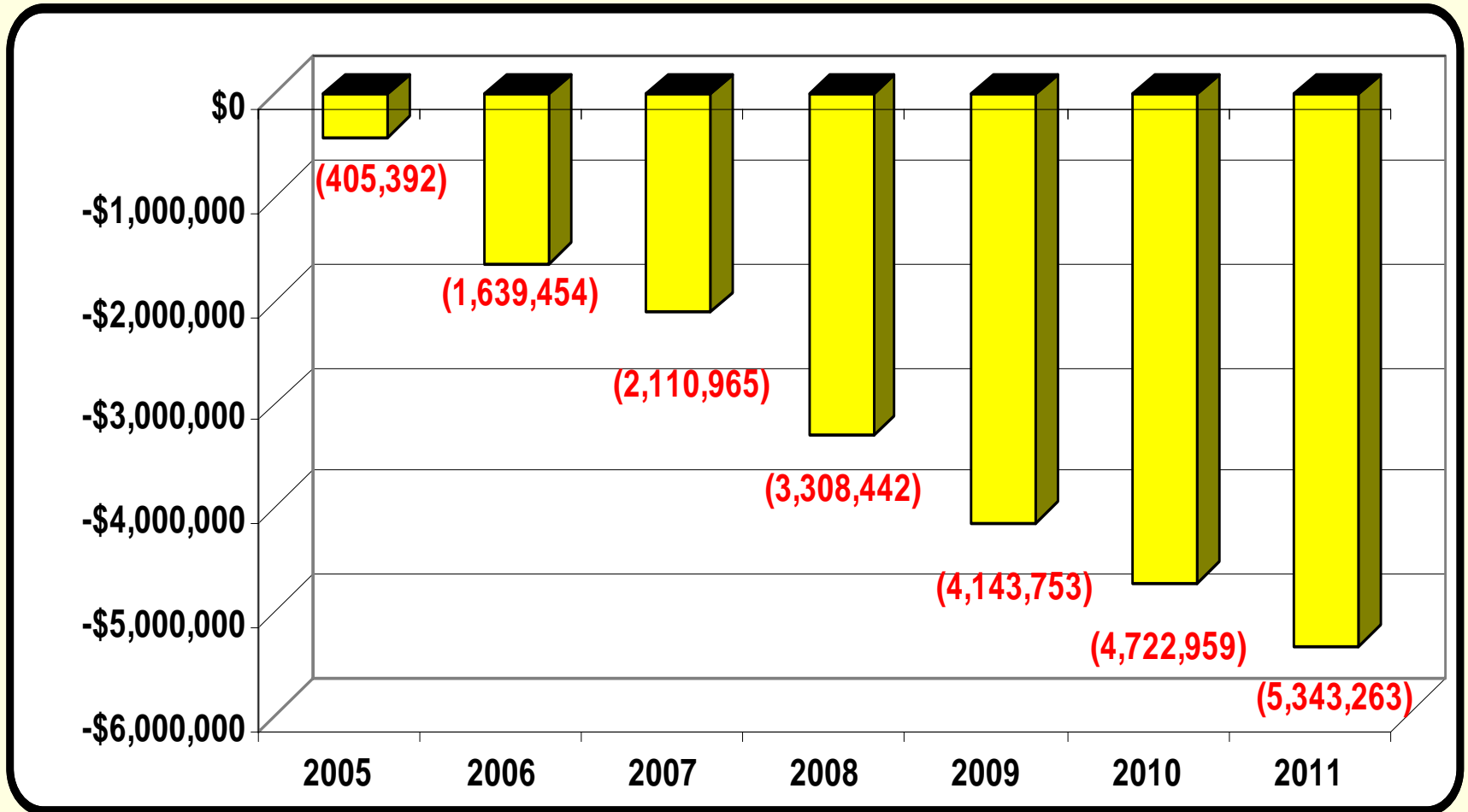
Financial Planning Model - General Fund Unreserved Fund Balance History and Projection

Unreserved Fund Balance – represents resources available to meet any current and future year’s expenses. The most common statistic used to evaluate school district financial health.



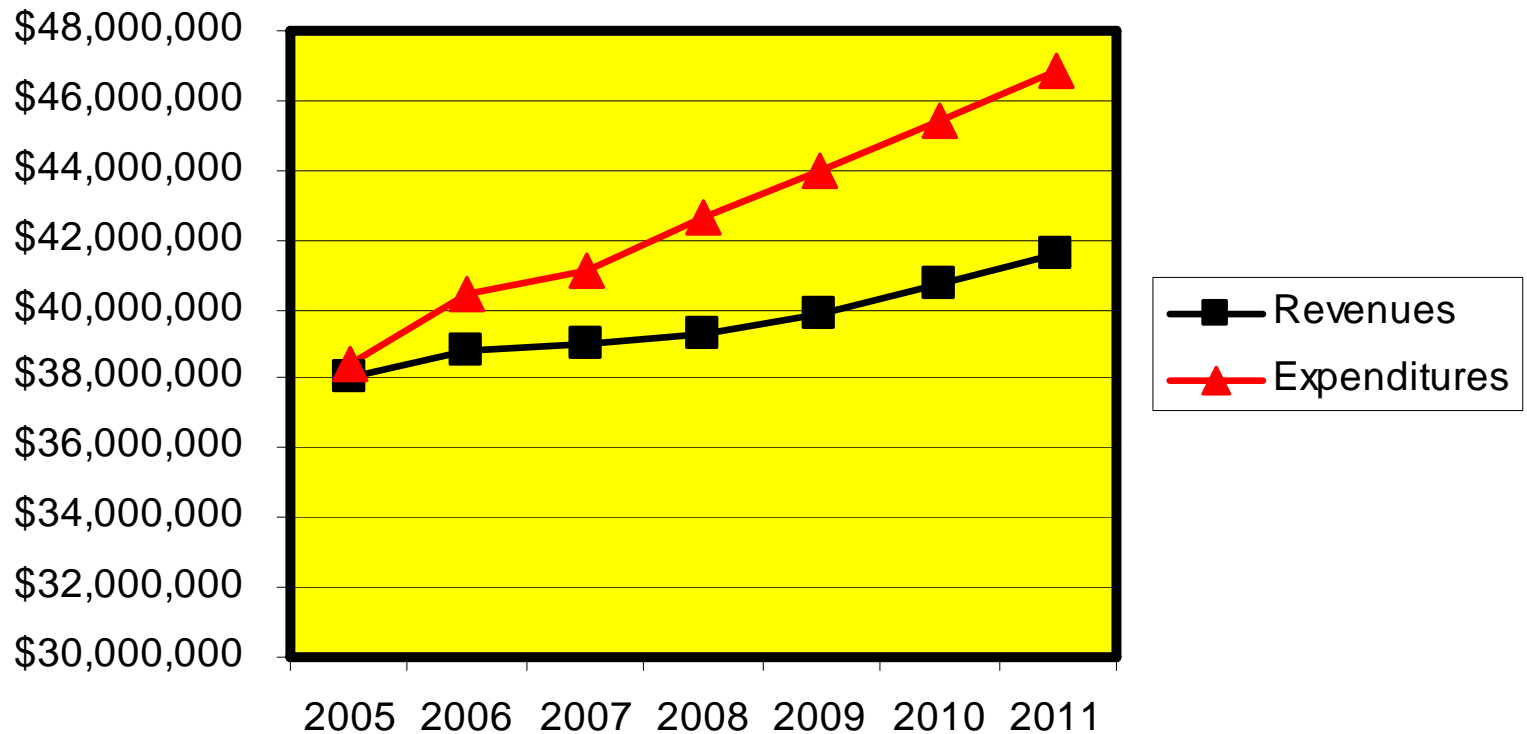
* Projected

Financial Planning Model Spending Variation



Financial Planning Model

Revenue and Expenditure Trends



WHY is the fund balance declining?

- Lack of adequate new revenue – New legislation = 1.58% net state increase, including new staff development set-aside
- Modest inflationary cost increases
- Continued declining enrollment

This is a “model”, NOT a plan

Our trend is normal in MN

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

Willmar Public Schools

School Board 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 3.5 weeks of operating expenditures.

Cost-Saving or Revenue Enhancing Measures - A Few 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
- Business Office/HR and Administration expenditures are lower than average cost

FY 2006 Education Initiatives

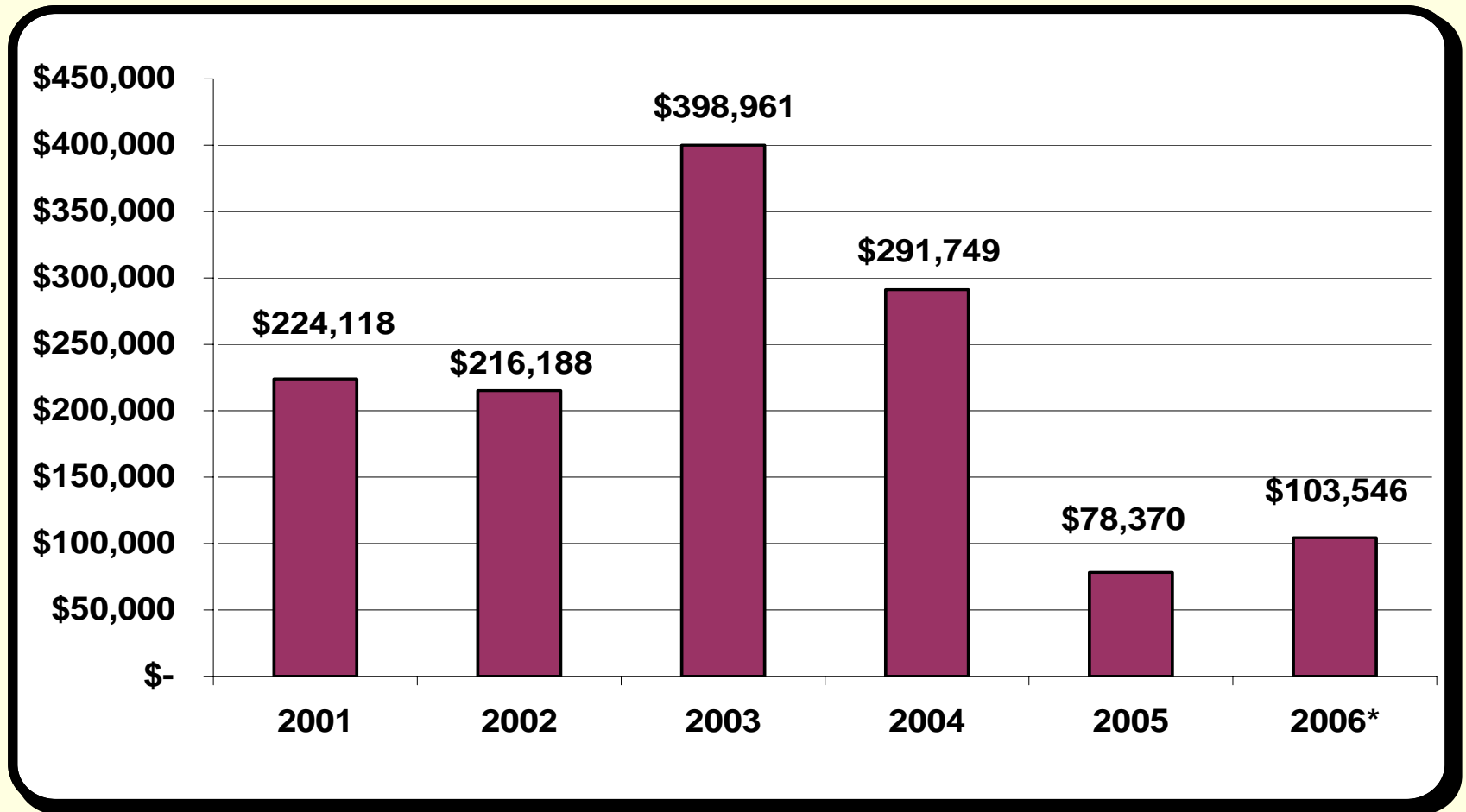
- Implemented All-Day-Every-Day Kindergarten
- Continuing with the 3rd Year of the NCA accreditation renewal process for K-12 sites.
- Implementing goals and objectives at all sites that support the Board's Strategic Plan.
- Continued efforts to focus and align our curriculum to state standards.
- Reading 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

Revenues	\$1,890,687
Expenditures	<u>\$1,865,511</u>
Change	\$25,176

- Revenues reflect new meal price increase - we are still lower than average.
- Revenues are updated based on new food service finance legislation.
- No kitchen compliance projects in FY 06.
- Includes some equipment upgrades due to very old equipment and/or compliance.

Food Service Fund Balance History and Projected Fund Balance*

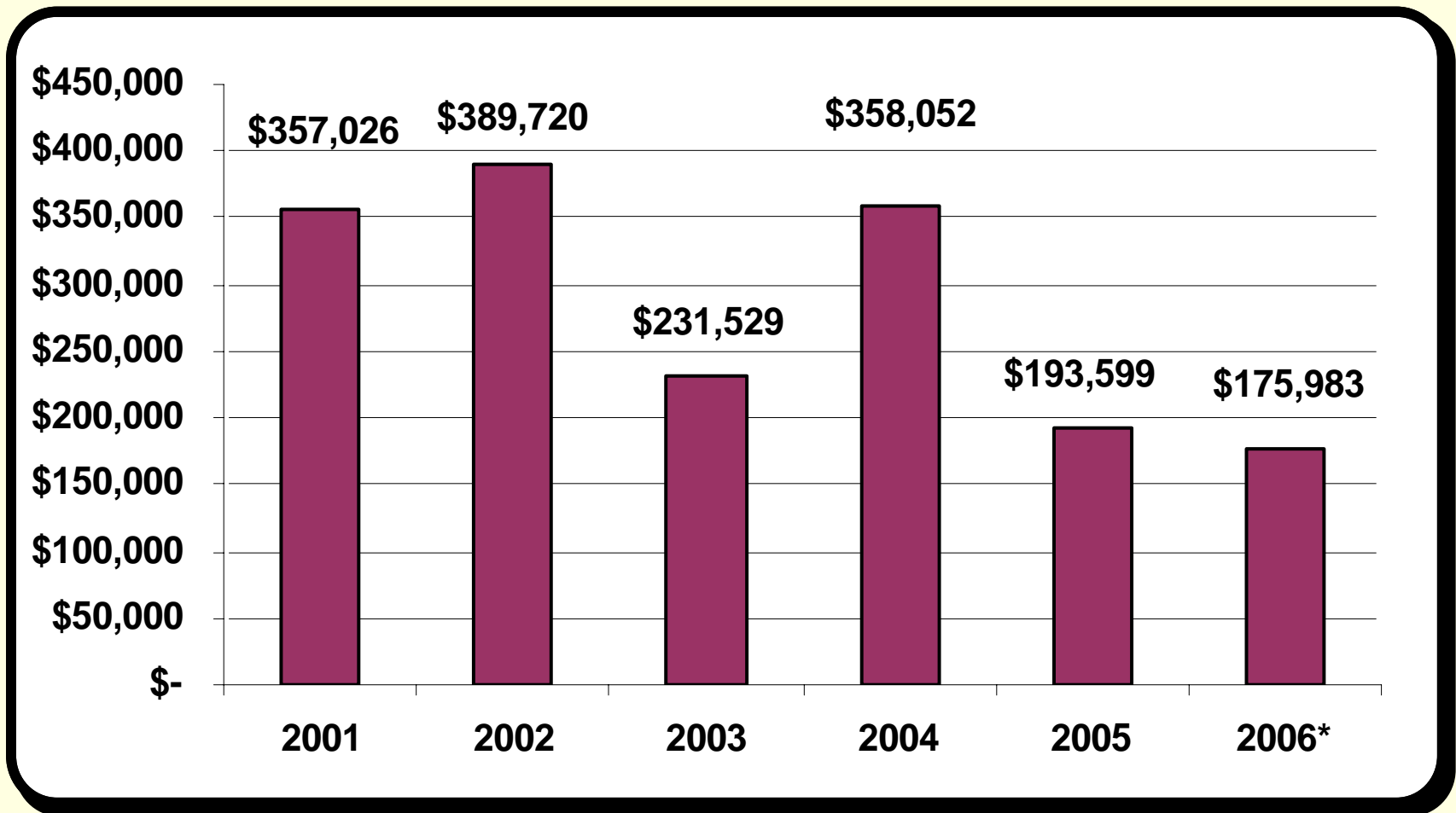


Community Services Fund

Revenues	\$1,996,764
Expenditures	<u>\$2,014,380</u>
Change	(\$17,616)

- Includes soccer field development.
- Revenues and expenses are more realistic now based on current knowledge of program, grants, fees, partnerships, grants.

Community Service Fund Balance and Projected Fund Balance*

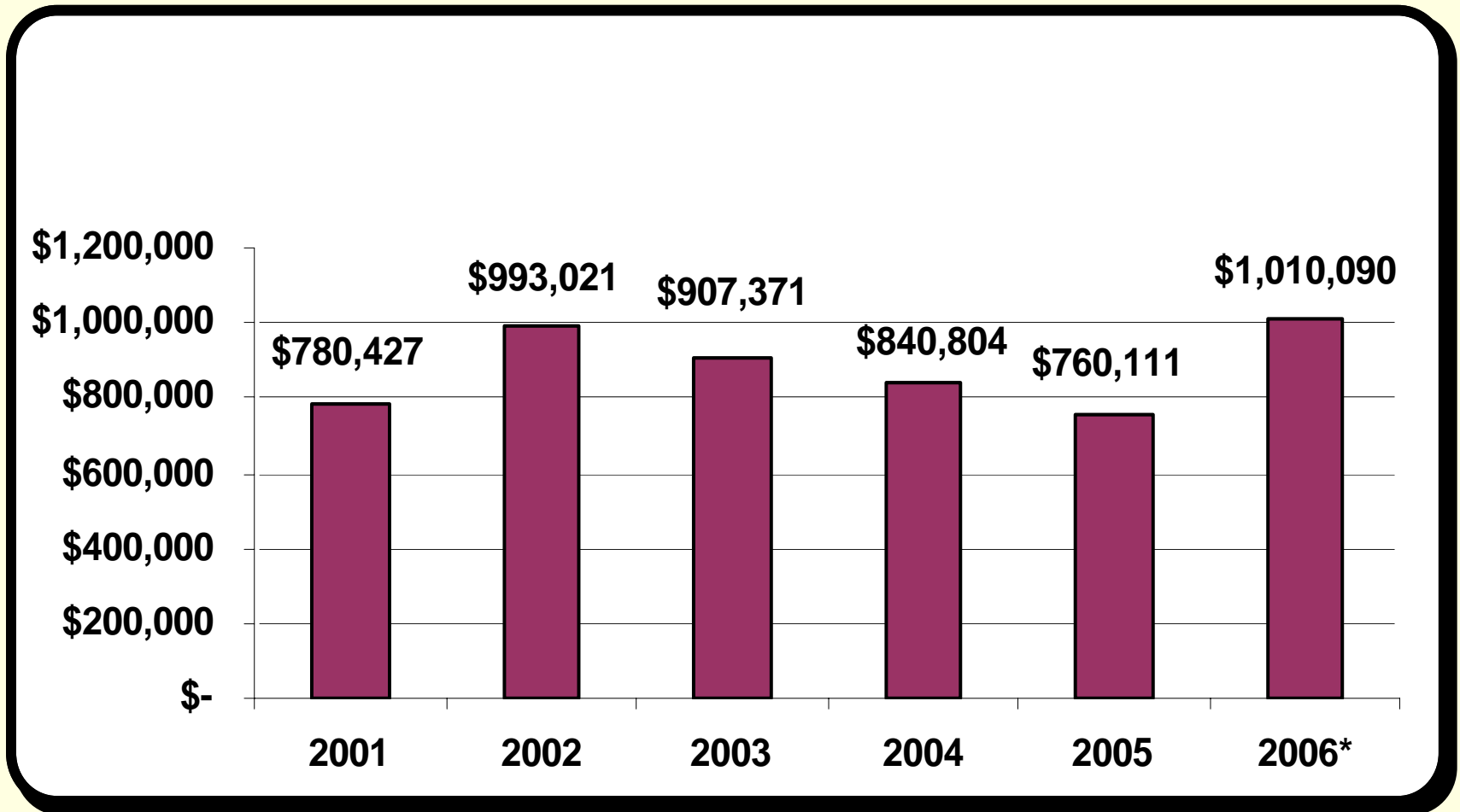


Debt Service Fund

Revenues	\$19,992,738
Expenditures	<u>\$19,742,759</u>
Change	\$249,979

- Budget reflects Sr. High bond refinancing in FY 05, effective FY 06.
- Revenues increased \$247,114 from the original 2006 budget due to increased interest earnings.
- 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

- *This summary document was prepared by Business Office staff. It presents an overview of the proposed budget. Please see the 2006 1st Revision Budget report for a more thorough look at this budget along with detailed comparisons to previous years and descriptive narrative.*
- *The preparation of this report could not have been accomplished without the efficient and dedicated services of the District's Staff. Special thanks to Dan Holtz for his excellent assistance on this project.*
- *Our appreciation to the School Board and Finance Advisory Committee for their interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.*

Willmar Public Schools

“Educating the Future in an All-American City”

Please contact us with budget questions at:

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- Dan Holtz, District Accountant, 320-231-8527
 - [*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)

- Kathy Leedom, Superintendent 320-231-8510
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