

2003-2004 Budget

Second Revision

Willmar Public Schools



Serving the communities of Blomkest, Kandiyohi, Pennock, and Willmar

DATE: Monday, April 26, 2004

TO: School Board, Finance Advisory Committee and Administrative Team

FROM: Kathy Leedom and Bob Haines

RE: FY 2004 General Fund Budget 2nd Revision

We submit and recommend to you the attached 2003-2004 General Fund Budget – 2nd Revision for the Willmar Public Schools. Extensive supporting documentation is included.

Our most important concern in the presentation of the budget data is to improve the quality of information to the School Board, staff, parents and community about the financial aspects of the District that relate to our educational programs and services. In addition, we want to emphasize to all constituents our continued careful and deliberate financial stewardship of taxpayer dollars.

Special thanks go to Dan Holtz, District Accountant, for his excellent assistance on this project.

The district's financial planning model projects the District will exceed our 6% fund balance goal again in FY 2004. Based on reasonably conservative assumptions, the General Fund's unreserved fund balance is projected to steadily decline beginning in FY 2005. The reason for this decline is the anticipated lack of new revenue, continued declining enrollment and modest inflationary cost increases. The bottom line is that even modest inflationary expenditure increases will outpace the expected 0% revenue increases resulting in a net fund balance decrease.

This "model" is only a model at this point, and not a plan. The District plans to proactively manage expenditures and revenues to maintain a reasonable and prudent fund balance of 6% or greater.

While working diligently to demonstrate accountability through results, the district is also stressing the importance of helping each child maximize achievement progress. The Willmar Public Schools wants each child to imagine great possibilities and then to work hard in school towards reaching those possibilities. Clearly, sound fiscal practices and financial stability are essential underpinnings for carrying out our primary mission of educating every child who comes to our doors.

Please contact us with any questions about the attached budget or about the district in general.

Willmar Public Schools 2003-2004 Budget 2nd Revision

General Fund

General fund Revenues are budgeted to increase by \$1,022,659, or 2.8%, from the 1st Revision FY 2004 budget.

Revenue Source	Actual FY 03	1st Revision	2nd Revision	Change 1st Rev. to 2nd Revision	
		Budget FY 04	Budget FY 04	\$	%
State	32,194,247	31,299,226	31,967,425	668,199	2.1%
Local	3,384,616	3,386,251	3,410,626	24,375	0.7%
Federal	1,593,643	1,736,793	2,061,633	324,840	18.7%
Miscellaneous	36,194	12,500	17,745	5,245	42.0%
TOTAL	37,208,700	36,434,770	37,457,429	1,022,659	2.8%

These improved revenues are primarily the result of three key factors:

- \$316,000 of new federal revenue from the new Reading First Grant
- \$311,052 of new state revenue from Special Education Excess Cost aid – unexpected and very difficult to predict
- \$249,056 of increased state aid due to our improved enrollment projection

More detailed information on the revenue budget is included in the following attachments.

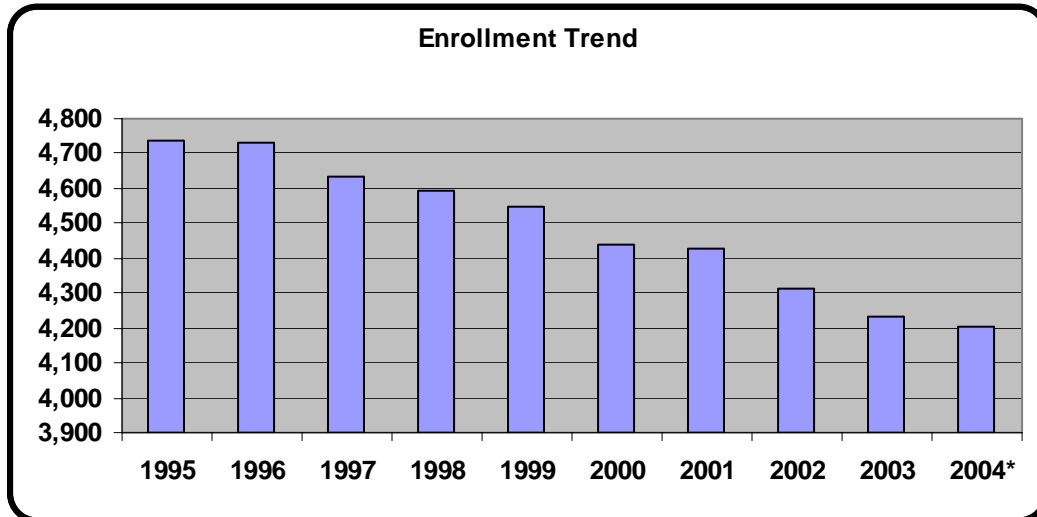
Revenue Assumptions

1. K-12 Student enrollment will decline from 4,235 ADM's in FY 03 to 4,204 ADM's.
2. State aid is based on 2003-2004 school financial legislation passed in 2003 and summarized in the MN General Education Revenue document (What-if) published by the MN Department of Education.
3. Levy revenue is based on the 2002 Pay 2003 Levy Certification approved by the School Board in December of 2002 (for fiscal year 2003-2004) and published by the MN Department of Education.
4. Federal program revenues are based on signed documents.
5. Non-levy local revenue is based on estimates and the information available.
6. Grant revenue has been updated based on known revenues.
7. No Magnet School grant revenue.

Enrollment

The District utilizes enrollment projections provided by two sophisticated enrollment projection tools, along with an internal calculation tool. The District has historically been very accurate in forecasting end-of-year (EOY) enrollment, since the implementation of the new enrollment tools in early FY 2002.

The following chart and graph shows the actual and projected enrollment growth for the district for the fiscal years 1995 – 2004.



* Projected

Our projected enrollment for the 1st Budget Revision was 4,175 ADM's. Since that time, enrollment has remained fairly steady. Analysis shows several key points that signal enrollment will likely not decline as much as we originally projected:

- Our overall K-12 seat count enrollment has declined by only 5 students from 10/1 to 04/01 vs. declines of 92 and 141 in the past two years, respectively, for the same time period.
- Overall major category student enrollment “ends” are 72 less this year from 10/1 to 04/01 vs. last year in the same time period.
- The number of students moving to another MN district during the same above time period declined by 47 from last year to this year.

Reviewing this data along with enrollment projection information supports the updated enrollment projection of 4,204 for FY 04.

General fund Expenditures are budgeted to increase by \$46,716, or .1%, compared to the 1st Revision FY 2004 budget.

Expenditure Object Codes	Actual FY 03	1st Revision	2nd Revision	Change 1st Rev. to 2nd Revision	
		Budget FY 04	Budget FY 04	\$	%
Salaries and Wages	21,395,957	21,742,022	21,547,047	-194,975	-0.9%
Employee Benefits	4,780,820	5,751,306	5,763,102	11,796	0.2%
Purchased Services	4,687,872	5,831,231	5,903,920	72,689	1.2%
Supplies and Materials	1,259,670	1,651,857	1,881,900	230,043	13.9%
Capital Expenditures	1,001,832	882,725	819,629	-63,096	-7.1%
Debt Service	132,995	55,645	55,645	0	0.0%
Other	120,545	129,063	119,321	-9,742	-7.5%
TOTAL	33,379,691	36,043,849	36,090,565	46,716	0.1%

This small increase in expenditures is primarily a function of several large changes to the budget:

- \$316,000 of new expenditures resulting from the new Reading First Grant
- \$300,000 reduction in the Severance budget
- \$29,000 of unused Sr. High Registration fee revenue from 2003 was added back to the budget due to the new MAFA legislation.

Expenditure Assumptions

1. Payroll and benefit budgets for employees with contracts in the process of negotiation are based on a 3.5% total increase to payroll and benefits for FY 2004. Payroll and benefit budgets for employees with School Board approved contracts for FY 2004 accurately reflect those contracts.
2. Maintain minimum 6% fund balance per School Board resolution.
3. Transportation budget is based on a 3% negotiated increase.
4. There are no increases to the site supply/misc. allotments on a per student basis.
5. Grant expenditures have been updated based on known and estimated revenues.
6. No Magnet School grant expenditures.
7. There are no new Staff Development budget dollars, per MN legislation. Staff Development budgets reflect carryover dollars from the prior year.
8. No unplanned and significant new capital expenditures.

Financial Planning Model

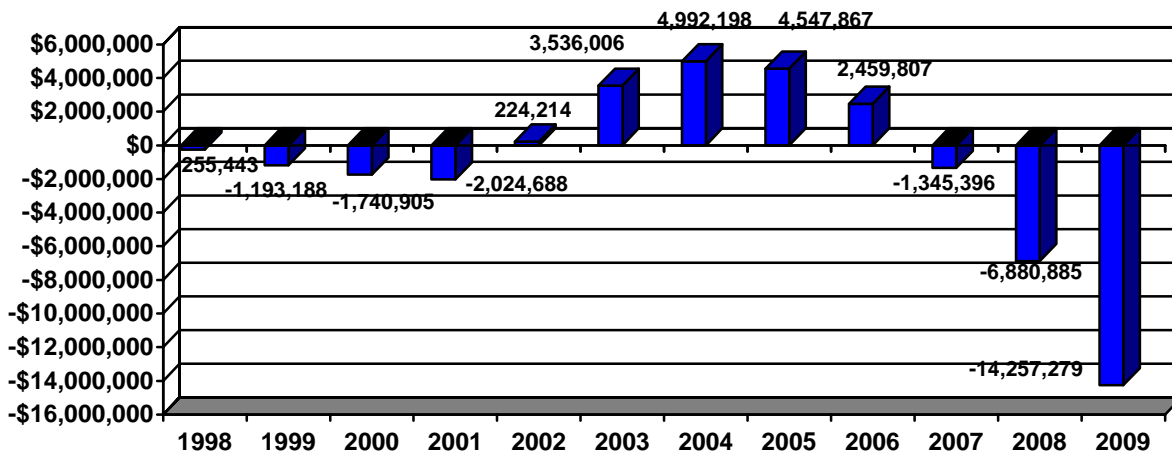
A five-year financial projection is prepared several times per year for the General Fund using our Financial Planning Model (FPM) and provided to the School Board, Finance Advisory Committee, staff and the public. This projection includes FY 2004-2005 through FY 2008-2009 and helps to provide an important frame of reference district budget and policy making. All figures are subject to change and are for planning purposes only.

Assumptions:

- **Fund Balance Goal** 6% of Operating Expenditures
- **Annual Financial Audit** 2002-2003
- **Budget 2003-2004** 2003-2004 Proposed Budget 2nd Revision
- **Enrollment** Updated projection from this budget proposal
- **Revenue** 0% increase FY 05, 0% formula increase 06-09
- **Payroll and Benefits** 3.5% increase annually to the total. Health care increases 20% in FY 05 and 15% going forward.

- **Non-payroll** 2.0% increase annually
- **Teacher Staffing Ratio** Steady, matches enrollment projection
- **Non-licensed Staff** 3 FTE's reduction annually from 05-09
- **Additional Savings** \$200,000 retirement savings annually
- **Reserves** Updated reserve projections 4/23/04

General Fund Undesignated/Unreserved Fund Balance Projection



FPM Analysis

This planning model depicts the general fund undesignated/unreserved fund balance. The years 1998 through 2003 represent actual audited fund balance numbers. The years from 2004 to 2009 represent projected fund balance numbers based on the assumptions listed above. Additional supporting documents for this model are provided in the appendix.

This model projects that the fund balance will begin declining in FY 2005 and continue to decline at a steep pace through FY 2009. This projected fund balance decrease is a function of limited new revenue, continued declining enrollment and modest inflationary expenditure increases.

This is a model – not a plan. The trend represented is not unique to the Willmar Public Schools. The District plans to proactively manage expenditures and revenues to maintain a reasonable and prudent fund balance.

There were no significant changes in our site non-payroll budget allocation process. Also, the Board has not instituted any major changes in the delivery of educational programs and services that have materially affected the financial or operating policies of the District.

**Willmar Public Schools
FY 2004 Budget - 2nd Revision
Budget Development Plan Calendar**

ID	Task Name	Start	Finish	Resource Names	Q1 04		Q2 04	
					Feb	Mar	Apr	May
1	Develop Tentative Budget Plan Calendar	2/23/2004	3/5/2004	Bob, Dan, Kathy	▲	▲		
2	Big picture overview with School Board	3/8/2004	3/8/2004	Bob, Kathy		✘		
3	Review Plan with Finance Advisory Committee (FAC)	3/15/2004	3/15/2004	Bob, Kathy		✘		
4	Review Plan with Administrative Team	3/16/2004	3/16/2004	Bob, Kathy		✘		
5	Update district wide expenditures, Federal program, gifts & grants, misc. budgets	3/15/2004	4/9/2004	Dan, Bob	▲	▲		
6	Update site non-payroll budgets	3/29/2004	4/9/2004	Principals		▲		
7	Develop Enrollment projection	4/1/2004	4/5/2004	Bob, Dan, Kathy		▲		
8	Develop Revenue Budget	4/6/2004	4/19/2004	Bob, Dan, Barb		▲		
9	Development of Budget Document	4/19/2004	4/22/2004	Bob, Dan & Kathy			✘	
10	Forward budget document to Board and FAC	4/22/2004	4/22/2004	Dan			✘	
11	Present Budget to School Board	4/26/2004	4/26/2004	Bob, Kathy			✘	
12	Present Budget to Admin Team	4/27/2004	4/27/2004	Bob, Kathy			✘	
13	Update finance website with new budget info	4/27/2004	4/27/2004	Bob, Tanya			✘	
14	Write budget article for next Cardinal Connection	4/27/2004	4/27/2004	Bob			✘	

Detailed supporting documents follow.

Check out our Finance Web Site at www.willmar.k12.mn.us/jrhigh/distweb/Business/business.htm

Please contact Bob Haines at 320-231-8511, hainesb@willmar.k12.mn.us or Dan Holtz at 320-231-8527, holtzd@willmar.k12.mn.us with any budget questions.