

2003-2004 Budget

First Revision

Willmar Public Schools



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

**ISD 347 Willmar Public Schools
School Board and Administration
2003-2004**

School Board Members	
Brad Schmidt	Chair
Dion Warne	Vice-Chair
Mike Carlson	Clerk
Eric Roberts	Treasurer
Wayne Lenzmeier	Director
Shawn Mueske	Director
Sandra Unger	Director
Distirct Office Administration	
Kathy Leedom	Superintendent
Bob Haines	Director of Business and Finance
Bill Busta	Director of Human Resources
Wendell Erickson	Director of Special Education
Connie Spartz	Director of Curriculum and Instruction
Principals	
Rob Anderson	Senior High
Steve Brisendine	Washington Learning Center
Patti Dols	Roosevelt Elementary
Maria Erlandson	Kennedy Elementary
Brad Knudson	Alternative Programs
Mike Prunty	Junior High
Beckie Simenson	Jefferson and Lincoln Elementary

Check the District's Finance web site at
<http://www.willmar.k12.mn.us/jrhigh/distweb/Business/business.htm>

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Monday, January 26, 2004

Dear School Board, Finance Advisory Committee and Administrative Team,

We submit and recommend to you the attached 2003-2004 Budget - 1st Revision for the Willmar Public Schools. This budget includes all Governmental Funds of the school district, including the General, Food Service, Community Education and Debt Service funds.

This budget was completed with a detailed and exhaustive review of every revenue and expenditure item within the context of the District's mission, goals and financial policies. Extensive supporting documentation on each of the fund budgets is provided in the attached Information section. Additional supporting documentation is available upon request. Approval of this budget, including any changes, is scheduled for the School Board Meeting on Monday, January 26th at 4:30 p.m.

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 District's educational programs and services for the 2003-2004. In addition, we want to emphasize to all constituents our continued careful and deliberate financial stewardship of taxpayer dollars.

THANK YOU to all of the staff from around the district that contributed to this project. In particular, thank you to the District Office staff and the Principals who worked together as a team to make this happen. Most specifically, thanks to Dan Holtz, District Accountant, for his excellent assistance on this project.

General Fund Financial Planning Model

The district's financial planning model projects that the District will exceed our 6% fund balance goal again in FY 2004. This state-of-the art financial model is based on the best information that we have available at this time. Based on reasonably conservative assumptions, the General Fund's 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 be outpacing declining revenues 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.

While working diligently to demonstrate accountability through results, the district is also stressing the importance of helping each child set goals for the future. 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.

Sincerely,

Kathryn Leedom
Superintendent

Robert Haines
Director of Business and Finance

Willmar Public Schools 2003-2004 Budget 1st Revision

General Fund Executive Summary

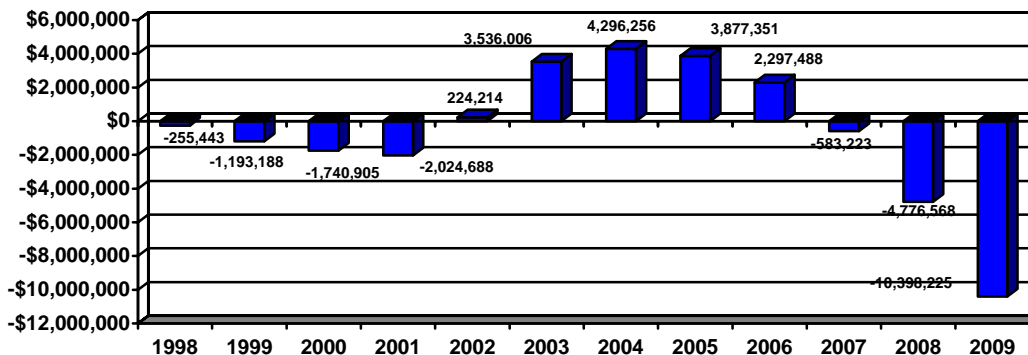
General fund revenues are budgeted to increase by \$516,914, or 1.4%, from the original FY 2004 budget. These improved revenues are primarily the result of increased state aid and federal program budgets.

Revenue Source	Actual FY 03	Original Budget	1st Revision Budget	Change Original 04 to 1st Revision	
		FY 04	FY 04	\$	%
State	32,194,247	31,080,879	31,299,226	218,347	0.7%
Local	3,384,616	3,288,997	3,386,251	97,254	3.0%
Federal	1,593,643	1,547,981	1,736,793	188,812	12.2%
Miscellaneous	36,194	0	12,500	12,500	NA
TOTAL	37,208,700	35,917,857	36,434,770	516,913	1.4%

General fund expenditures are budgeted to increase by \$296,082, or .8%, compared to the original FY 2004 budget. This increase is primarily the result of funding the district's transition to the VEBA health insurance plan.

Expenditure Object Codes	Actual FY 03	Original Budget	1st Revision Budget	Change Original 04 to 1st Revision	
		FY 04	FY 04	\$	%
Salaries and Wages	21,395,957	22,052,241	21,742,022	-310,219	-1.4%
Employee Benefits	4,780,820	5,190,835	5,751,306	560,471	10.8%
Purchased Services	4,687,872	5,791,428	5,831,231	39,803	0.7%
Supplies and Materials	1,259,670	1,605,349	1,651,857	46,508	2.9%
Capital Expenditures	1,001,832	787,957	882,725	94,768	12.0%
Debt Service	132,995	165,698	55,645	-110,053	-66.4%
Other	120,545	154,259	129,063	-25,196	-16.3%
TOTAL	33,379,691	35,747,767	36,043,849	296,082	0.8%

General Fund Undesignated/Unreserved Fund Balance Projection



1st Revision Budget Process and Significant Changes

The Original and preliminary version of the 2003-2004 budget was reviewed by the Finance Advisory Committee on May 19, 2003 and approved by the School Board on June 9, 2003. That Original Budget was completed with enrollment and other key projections developed in the spring of 2003. This 1st Budget Revision is an opportunity to revise our critical enrollment projections, more clearly reflect the impact of new school finance legislation passed in 2003, and to more accurately update other important estimates.

The budget process is comprised of five phases – planning, preparation, adoption, implementation, and evaluation. Planning and preparation for the 1st revision of the budget began in the fall of 2003 with the development of the budget development plan shown below and analysis of the student enrollment trend. The current enrollment status provided the data to update allocations for site non-payroll budgets. Expenditure estimates were updated both on a site basis and district-wide in December. A revised enrollment projection was developed in early January and provided the key data for an updated revenue projection.

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 - 1st Revision Budget Development Plan

ID	Task Name	Start	Finish	Resource Names	Q3 03			Q4 03			Q1 04			Apr		
					Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar			
1	Enrollment and Demographic Study	07/01/2003	9/3/2003	Jim Sheehan, Ann Thomas, Bob												
2	Develop Tentative Budget Calendar	7/25/2003	8/1/2003	Bob, Dan, Kathy												
3	Review Tentative Plan with Administrative Team	8/12/2003	8/12/2003	Bob, Kathy												
4	Update Payroll Budget	11/10/2003	12/30/2003	Dan, Norma												
5	Develop Enrollment projection and Revenue Budget	11/10/2003	12/30/2003	Bob, Dan												
6	Develop district wide expenditures, Federal program, gifts & grants, misc. budgets	11/10/2003	12/30/2003	Dan, Bob												
7	Review Plan with Finance Advisory Committee	11/17/2003	11/17/2003	Bob, Kathy												
8	Review Plan with Administrators	11/25/2003	11/25/2003	Bob, Kathy												
9	Determine new site allocations based on 12/1/03 enrollment	12/1/2003	12/1/2003	Bob, Dan												
10	Distribute Site Budget Worksheets	12/3/2003	12/03/2003	Dan												
11	Administrators complete updated budget worksheets	12/3/2003	12/12/2003	Administrators												
12	Development of Preliminary Budget Document	1/5/2004	1/14/2004	Bob, Dan & Kathy												
13	Present Preliminary Budget to Administrators	1/20/2004	01/20/2004	Kathy, Bob												
14	Prepare final Budget proposal for Board	1/20/2004	1/23/2004	Bob, Dan & Kathy												
15	Email and Mail final Budget proposal to Board	1/22/2004	1/22/2004	Dan, Bob												
16	Present final Budget proposal to Board for approval	1/26/2004	01/27/2004	Kathy, Bob, Dan												

GENERAL FUND

Revenue

Revenue Assumptions

1. Student enrollment will decline from 4,233 ADM's to 4,175 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 on-line approval documents, signed documents have not been received.
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.

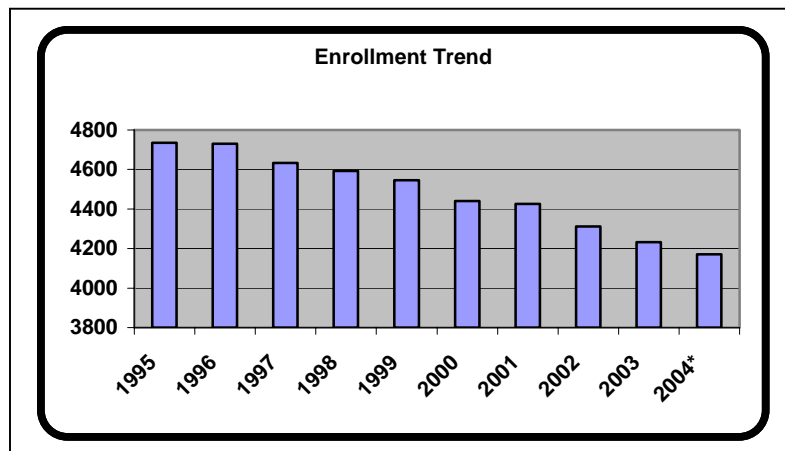
Enrollment

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 FY 2002.

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

Fiscal Year	Students ADM's
1995	4735
1996	4730
1997	4633
1998	4592
1999	4545
2000	4441
2001	4425
2002	4312
2003	4233
2004*	4175

* Projected

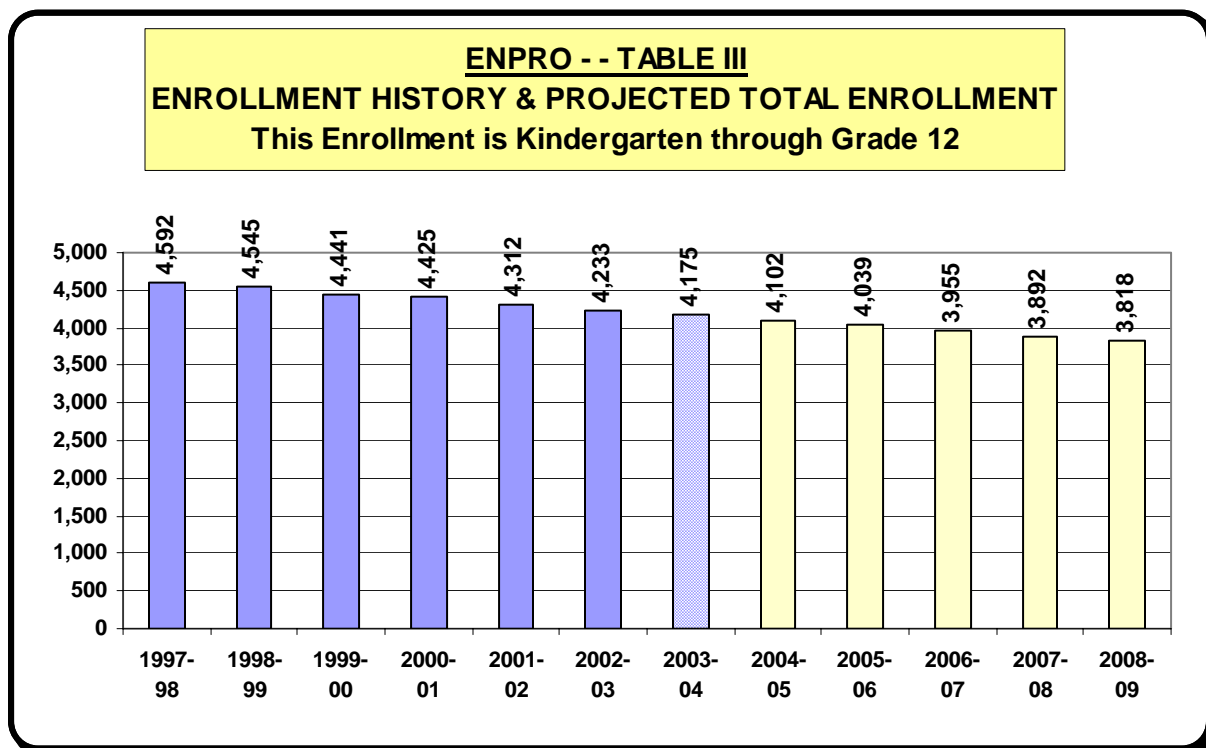


Although the population of both the city of Willmar and Kandiyohi County grew during the 1990's, the district's student enrollment declined. In general, the district's enrollment decline is a function of demographic trends affecting the majority of Minnesota school districts. These trends include a decline in the number family households, a decline in the number of households without children, lower populations of children, and increased mobility. In addition, the district also faces a challenge from student open enrollment options.

The District originally projected 4,114 ADM's for FY 2004. Jim Sheehan and Ann Thomas of SchoolFinance.com performed a detailed demographic and enrollment projection and presented a projection of 4,091 ADM's for FY 2004. Enrollment year-to-date (YTD) has continued to decline, but at a lesser rate than expected.

The H Model tool provides enrollment projections based on YTD data and projects 4,217 ADM's for FY 2004. In addition, the comparison of our EOY ADM's as a percentage of October 1 student enrollment on a historical basis shows an average, and a very consistent, relationship of 97.3% over the past nine years. This internal calculation projects 4,133 ADM's for FY 2004. **Our updated 2004 ADM projection of 4,175 is halfway between these two projections.** This represents 62 or 1.5% less ADM's than FY 2003 actual.

Looking into the future, demographic trends point to continued declining enrollment for the Willmar Public Schools. There are a number of signs that point to successful economic development trends in Kandiyohi County. It is too early to tell if this economic expansion will positively affect our enrollment.

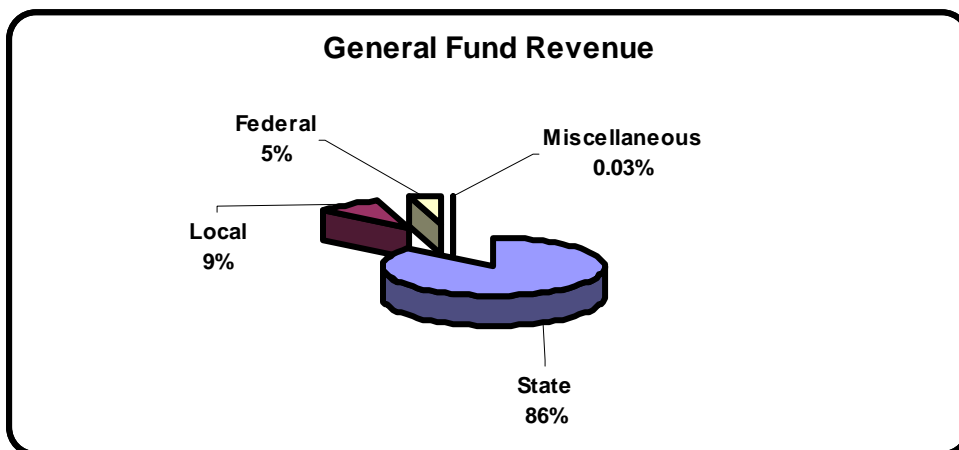


Revenue

General Fund revenue is budgeted to increase by \$516,913, or 1.4%, from the original FY 2004 budget.

Revenue Source	Actual FY 03	Original Budget	1st Revision Budget	Change Original 04 to 1st Revision	
		FY 04	FY 04	\$	%
State	32,194,247	31,080,879	31,299,226	218,347	0.7%
Local	3,384,616	3,288,997	3,386,251	97,254	3.0%
Federal	1,593,643	1,547,981	1,736,793	188,812	12.2%
Miscellaneous	36,194	0	12,500	12,500	NA
TOTAL	37,208,700	35,917,857	36,434,770	516,913	1.4%

State aid is expected to increase by \$218,347 compared to the original budget. This increase is primarily a function of the updated enrollment projection which, although it projects continued declining enrollment, projects a less steep decline than originally projected last spring. Federal revenues are projected to increase by \$188,812 from the original projection, which was based on an assumption of revenue equal to 95% of total FY 2003 revenue. Local revenues are projected to increase by \$97,254 compared to the original projection. This increase is due to including Grant Revenue of \$261,845 in the budget, a projected \$104,000 payment from the Appletree Institute as part of the District's health plan transition to a VEBA plan and a reduction in special education tuition billing revenue based on updated information.



A more detailed revenue summary follows on page 11.

	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 03-04	Original	Original	
Revenue	Actual	Actual	Actual	Original	Revised	Revised	Revised	
Source	Audited	Audited	Audited	Budget	Budget	Difference	Change	Comments
Local	7,040,484.93	6,096,597.58	3,384,616.32	3,288,997.00	3,386,251.18	97,254.18	2.96%	Grants included, VEBA revenue
State	27,284,549.25	26,390,524.37	32,194,247.35	31,080,878.50	31,299,226.10	218,347.60	0.70%	Enrollment projection
Federal	1,147,444.28	1,687,478.82	1,593,642.73	1,547,981.36	1,736,792.72	188,811.36	12.20%	Actual entitlement
Other	71,457.63	95,941.77	37,244.13	0.00	12,500.00	12,500.00	N/A	
TOTAL	\$35,543,936.09	\$34,270,542.54	\$37,209,750.53	\$35,917,856.86	\$36,434,770.00	\$516,913.14	1.44%	

Summary comparison of the FY 03-04 Revised budget to the FY 03-04 Original Budget

Local Revenues: Local revenues increase by \$97,254. This increase is a result of three factors: 1) Grant revenue of \$261,845 is included in the budget based on known information, vs Grant revenue of \$0 in the original budget; 2) The VEBA payment of \$104,000 from the Co-op is now in the budget; and, 3) a reduction of \$250,000 in the special education tuition billing budget based on best estimates.

State Revenues: State aid increased \$192,961 from the original budget. The increase is a function of the updated revenue projection. The state aid budget accurately reflects current legislation vs. some degree of unknowns at the time of the original budget.

Federal Revenues: These revenues increase by \$188,811 compared to the original budget. This budget is based on known entitlements and current funding vs. estimates used in the original budget.

Other Revenues:

A more detailed revenue report for each source code along with narrative information is included in the Information section.

General Fund

Expenditures

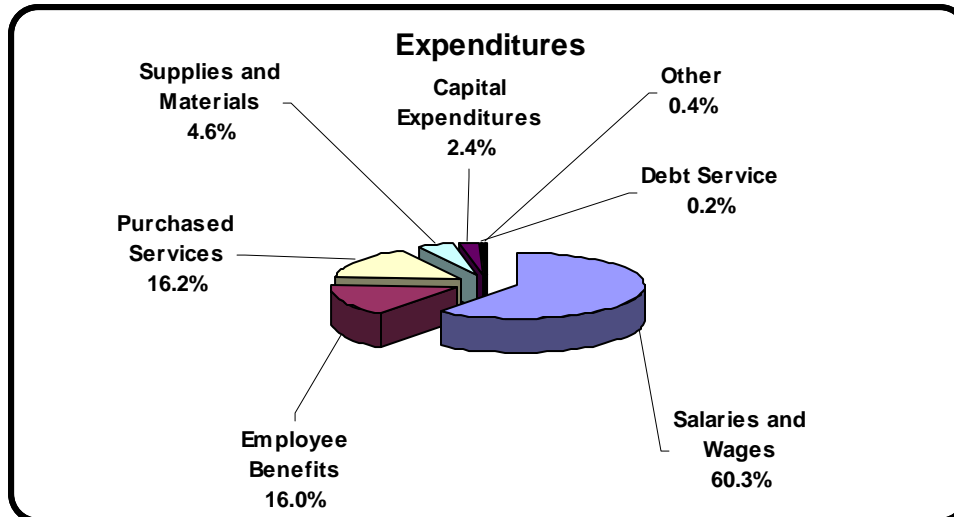
Expenditure Assumptions

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% estimated 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 Child Left Behind implementation costs (known) are beginning to impact the budget.
9. No unplanned and significant new capital expenditures.

The expenditure budget is projected to increase by \$296,082, or .8%, compared to the original budget.

Expenditure Object Codes	Actual FY 03	Original	1st Revision	Change Original 04 to 1st Revision	
		Budget FY 04	Budget FY 04	\$	%
Salaries and Wages	21,395,957	22,052,241	21,742,022	-310,219	-1.4%
Employee Benefits	4,780,820	5,190,835	5,751,306	560,471	10.8%
Purchased Services	4,687,872	5,791,428	5,831,231	39,803	0.7%
Supplies and Materials	1,259,670	1,605,349	1,651,857	46,508	2.9%
Capital Expenditures	1,001,832	787,957	882,725	94,768	12.0%
Debt Service	132,995	165,698	55,645	-110,053	-66.4%
Other	120,545	154,259	129,063	-25,196	-16.3%
TOTAL	33,379,691	35,747,767	36,043,849	296,082	0.8%

The largest category, Salaries and Wages, is budgeted to decrease by \$310,219, or -1.4%. The majority of this decrease is a result of reducing the severance budget based on best estimates. Employee Benefits are budgeted to increase by \$560,471, or 10.8%. This increase is primarily a direct result of our transition to the VEBA health insurance plan. Non-payroll expenditures remain relatively stable as a whole, increasing by .6%.



A more detailed expenditure report summarizing object code groups follows below.

Object Code Groups	FY 00-01 Actual Audited	FY 01-02 Actual Audited	FY 02-03 Actual Audited	FY 03-04 Original Budget	FY 03-04 Revised Budget	Original/ Revised Change	Comments on Major Changes
Salaries and Wages	22,314,647	20,141,643	21,395,957	22,052,241	21,742,022	-310,219	Reduced severance budget
Employee Benefits	5,306,674	4,641,610	4,780,820	5,190,835	5,751,306	560,472	Focus of negotiated settlements is benefits.
Purchased Services	4,644,102	4,667,939	4,687,871	5,791,428	5,831,231	39,803	
Supplies/Materials	1,431,151	1,207,926	1,259,670	1,605,349	1,651,857	46,508	
Capital Expenditures	1,349,138	845,605	1,001,832	787,957	882,724	94,768	
Debt Service	351,736	235,881	132,995	165,698	55,645	-110,053	Lower interest rates/less AA borrowing
Other Expenditures	251,240	187,133	120,544	154,259	129,063	-25,196	
TOTAL	35,648,688	31,927,738	33,379,691	35,747,766	36,043,849	296,083	Focus of negotiated settlements is benefits.
Summary comparison of the FY 03-04 Revised Budget to the FY 03-04 Original Budget							
Salaries and Wages:	The reduction of \$310,219 from the original budget is primarily the result of a \$280,000 reduction in the severance budget.						
Employee Benefits:	The emphasis of the negotiations process has been on health care benefits, resulting in the increased budget.						
Purchased Services, Supplies and Materials, Capital Exp's, Other	Non-payroll expenditures increased .6% in the revised budget. See the detailed object code report in the Information section.						

General Fund

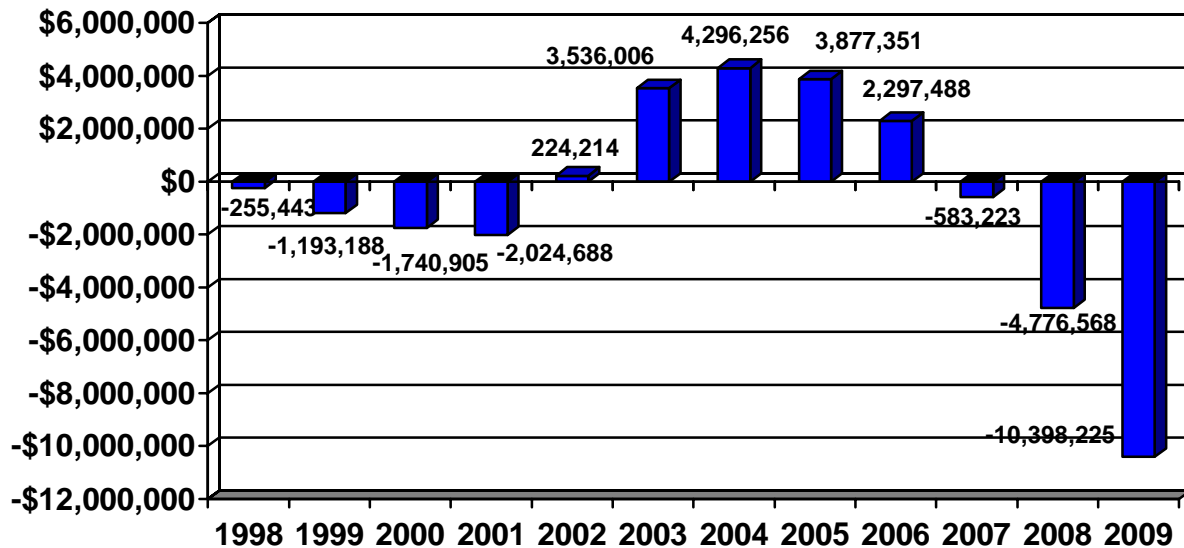
Five Year Financial Planning Model

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 1st Revision
- **Enrollment** Updated projection from this budget proposal
- **Revenue** 0% increase FY 05, 2% 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** \$300,000 retirement savings annually and \$100,000 non-payroll budget savings per year
- **Reserves** Updated reserve projections 1/26/04

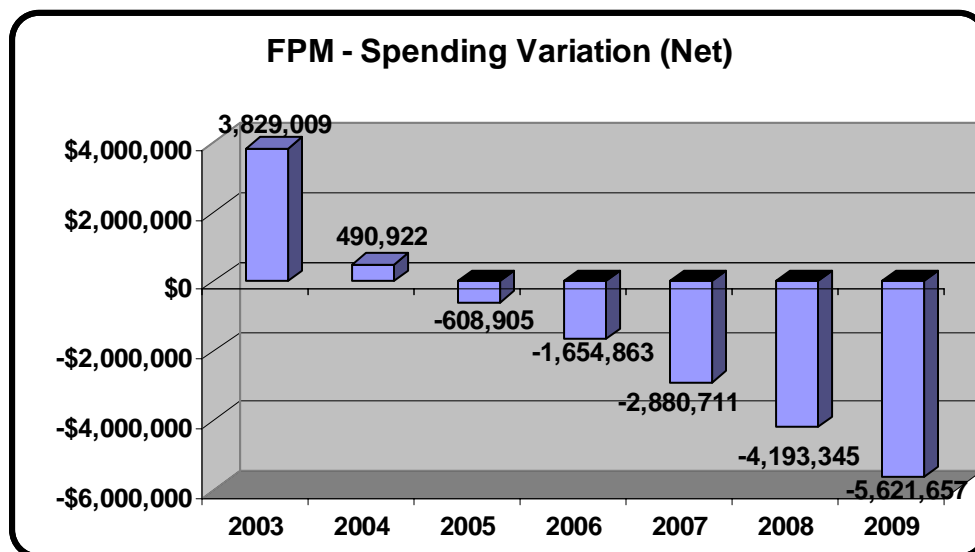
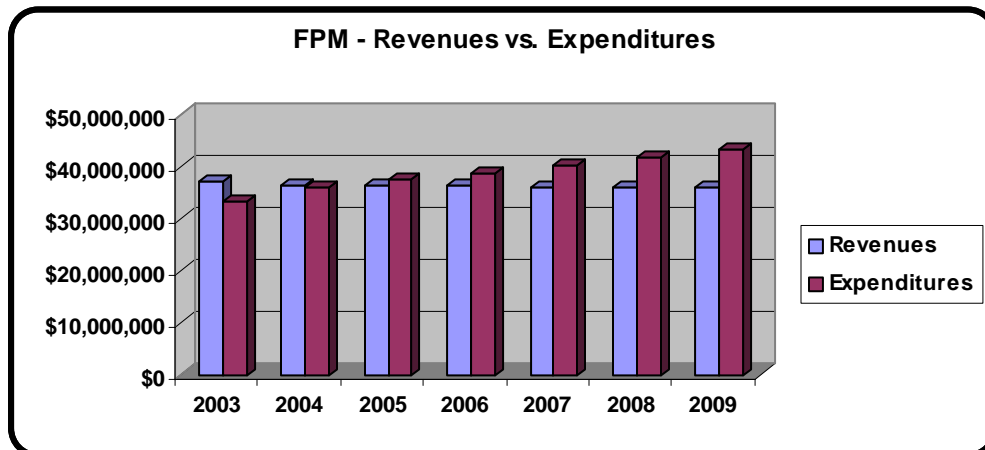
General Fund Undesignated/Unreserved Fund Balance Projection



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.

INFORMATION SECTION

Documents included in this section:

General Fund Revenue

Budget Checklist

Worksheet

Budget Trial Balance

Revenue Model

Smart Finance Revenue Summary Report

Revenue by Source Code detail and narrative

“What-if” Document

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