



Public Hearing on the 2018-2019 General Fund Budget

June 4, 2018

A decorative vertical bar on the left side of the slide, featuring a golden-yellow background with various currency symbols (dollar, euro, yen, pound, etc.) in a 3D, embossed style.

Budget Presentation

- 2017-2018 Final Proposed Amendment
- Budget Assumptions – 2018-2019 & future years
- Proposed 2018-2019 budgets
 - General Fund, Sinking Fund, Debt Retirement Fund
 - General Fund sensitivity analysis
- Future year Budget Projections
- General Fund Budget Trends
- Summary & Questions

Proposed Final Amendment – 2017-2018

- Revenues & expenses are \$350,167 higher due to one time state pass through to pay off state retirement incentive early. (Not in amended bdtg.)
- Revenues: \$27,741 higher without pass through
- Expenses: \$140,323 higher without pass through
- Increase in expenses reflects granting of step increase to staff instead of projected step increase less last year's 1% scale increase

| | Amended | Final | Change |
|----------------------|--------------|--------------|-------------|
| Revenues | \$30,014,252 | \$30,392,160 | \$377,908 |
| Expenses | \$30,050,552 | \$30,541,042 | \$490,490 |
| Chg. in Fund Reserve | (\$36,300) | (\$148,882) | (\$112,582) |
| | | | |
| Ending Fund Reserve | \$2,625,215 | \$2,512,633 | |
| Fund Reserve % | 8.7% | 8.2% | |

Update: EGRNow! collections
now at \$239,000

Budget Assumptions – 2018-2019 & future years

- **Foundation Allowance Increase:**
 - \$218 (18-19), \$150 (19-20), \$100 (20-21)
- **Student Enrollment:**
 - 2,875 (18-19), 2,850 (19-20), 2,820 (20-21)
- **County Funding:**
 - Enhancement: \$215 (18-19), \$218 (19-20), \$222 (20-21)
 - Act 18: 3.5% (18-19), 2.0% (19-20, 20-21)
- **EGRNow!:** \$215,000 (18-19), \$250,000 (19-20, 20-21)
- **Taxable Values:**
 - 5.1% increase, Headlee increase 2.1% (2018-2019), 2% future years
- **Salaries (Increase):**
 - 3.0% (18-19), 1.0% (19-20), 1.0% (20-21, not based on formula)
- **Health Care (Increase):** 2.5% per year
- **State Retirement:** 26.18% per year
- **Staffing (FTE):** (0.6) HS, 0.4 Reading, 0.5 Special Education
- **Utilities:** 5% increase per year

Revenues

- State Foundation Allowance
- Student Enrollment
- County Funding
- EGRNow!

Expenses

- Salaries (Salary Formula)
- Health Care
- State Retirement
- Staffing
- Utilities

Budget Assumptions – Revenue

State Funding

| School Aid Fund | 2018-2019 | 2019-2020 | 2020-2021 |
|---------------------|-------------|-------------|-------------|
| (In Millions) | | | |
| Beg Balance | \$242.9 | \$280.3 | \$279.7 |
| Projected Growth | \$330.4 | \$326.4 | \$389.0 |
| Available Per-Pupil | \$569.3 | \$606.7 | \$668.7 |
| Projected Increase | \$218/pupil | \$150/pupil | \$100/pupil |
| Cost of Increase | \$322.6 | \$222.0 | \$147.6 |
| MPSERS Increase | | \$105.0 | \$100.0 |

Student Enrollment

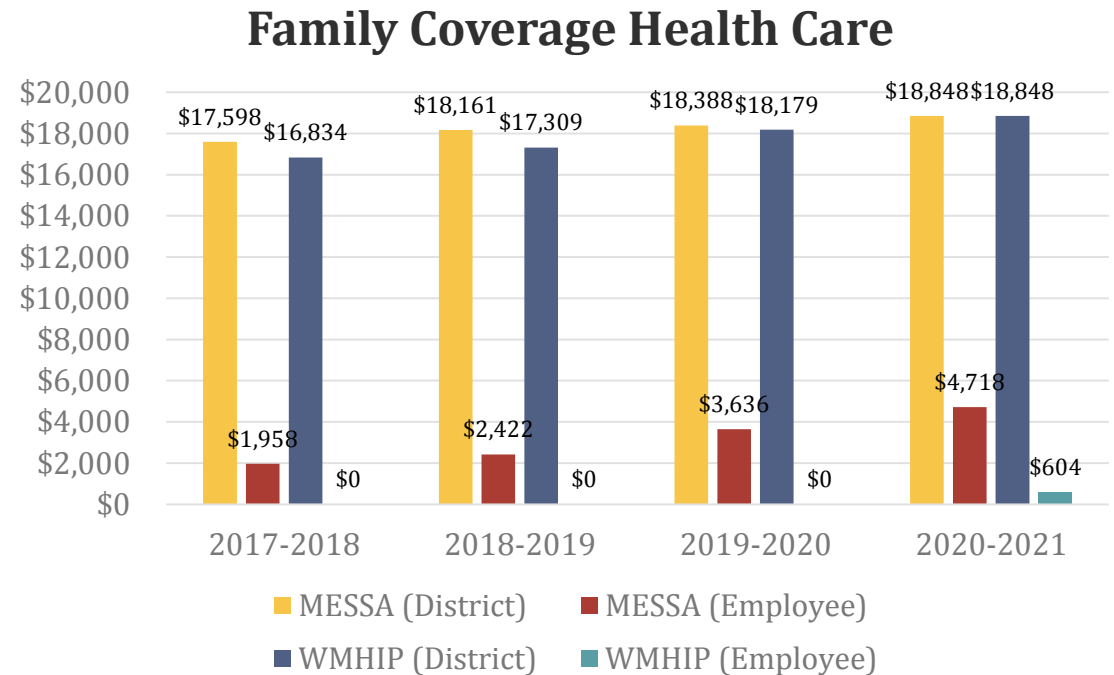
| | 2018-2019 | 2019-2020 | 2020-2021 |
|--------------------------|-----------|-----------|-----------|
| Previous Year Enrollment | 2,908 | 2,875 | 2,850 |
| Graduating Seniors | 261 | 240 | 255 |
| Incoming Kindergarten | 190 | 185 | 190 |
| Year to Year Growth | 38 | 30 | 35 |
| Forecasted Enrollment | 2,875 | 2,850 | 2,820 |
| | | | |
| | | | |

Budget Assumptions – Expenses

Salary Formula

| | Baseline | 2018-2019 | 2019-2020 | 2020-2021 |
|---------------|--------------|--------------|--------------|--------------|
| Funding | \$22,763,926 | \$24,364,556 | \$24,591,313 | \$24,628,227 |
| Health Care | \$2,210,059 | \$2,412,535 | \$2,470,979 | \$2,530,883 |
| Retirement | \$2,816,078 | \$2,859,772 | \$2,859,772 | \$2,859,772 |
| Inc./(Dec.) | | | | |
| Funding | | \$1,600,630 | \$1,827,387 | \$1,864,301 |
| Health Care | | (\$202,477) | (\$260,920) | (\$320,825) |
| Retirement | | (\$43,694) | (\$43,694) | (\$43,694) |
| Net Change | | \$1,354,460 | \$1,522,773 | \$1,499,783 |
| Salary Impact | | 1% +step | 1% on scale | (0.5%)/1% |

Health Care



2.5% annual increase to state cap. 7% annual premium increase

1% is budget assumption, (0.5%) formula assumption



Proposed Budgets

2018-2019 Fiscal Year

General Fund

- \$218/pupil foundation allowance increase
- Student enrollment decrease of 25
- **\$215,000 in EGRNow! contributions**
 - **\$239,000 as of today**
- 3.0% average increase to returning employee salaries/wages
- **\$550,000 savings from 2018 resignation incentive & other staff changes**

Removes the impact of one time pass through of state aid dollars allocated to pay off 2010 state retirement incentive one year early (\$350,167)

| | 2017-2018 Final | 2018-2019 Proposed | Inc./ (Dec.) |
|------------------|--------------------|-----------------------|--------------|
| Revenues | \$30,392,160 | \$30,368,621 | (\$23,539) |
| Expenses | \$30,541,042 | \$30,378,415 | (\$162,627) |
| Net Change | (\$148,882) | (\$9,794) | \$139,088 |
| | | | |
| Beg Fund Reserve | \$2,661,515 | \$2,512,632 | |
| End Fund Reserve | \$2,512,633 | \$2,502,838 | |
| Fund Reserve % | 8.2% | 8.2% | |
| | | | |
| | 2017-2018 Final | 2018-2019 Proposed | Inc./ (Dec.) |
| Revenues | \$30,041,993 | \$30,368,621 | \$326,628 |
| Expenses | \$30,190,875 | \$30,378,415 | \$187,540 |
| Net Change | (\$148,882) | (\$9,794) | \$139,088 |
| | | | |



2018-2019 vs. 2017-2018

Change in Revenues: (\$23,539)

- One Time State MPSERS payment: (\$350,167)
- \$218 per pupil increase: \$626,750
- Student Enrollment (2,908 to 2,875): (\$266,112)
- EGRNow! (\$254,000 to \$215,000): (\$39,000)
- Others: \$4,990

Change in Expenses: (\$162,627)

- One Time State MPSERS payment: (\$350,167)
- 3% increase to returning employees: \$500,000
- Cost savings from 19 new teachers (\$550,000)
- Health Care Increase: \$114,675
- State Retirement Increase: \$88,223
- Staffing adjustments (0.3 FTE increase): \$35,000
- Others: (\$358)

General Fund Sensitivity Analysis

| | 2,845 students | 2,860 students | Proposed Budget (2,875 students) | 2,890 students | 2,900 students |
|------------------|----------------|----------------|-------------------------------------|----------------|----------------|
| | | | | | |
| Revenues | \$30,098,715 | \$30,224,388 | \$30,368,621 | \$30,501,132 | \$30,596,635 |
| Expenses | \$30,193,324 | \$30,193,324 | \$30,378,415 | \$30,460,282 | \$30,600,624 |
| Net Change | (\$94,609) | \$31,064 | (\$9,794) | \$40,850 | (\$3,989) |
| | | | | | |
| Beg Fund Reserve | \$2,512,632 | \$2,512,632 | \$2,512,632 | \$2,512,632 | \$2,512,632 |
| End Fund Reserve | \$2,418,023 | \$2,543,696 | \$2,502,838 | \$2,553,482 | \$2,508,643 |
| Fund Reserve % | 8.0% | 8.4% | 8.2% | 8.4% | 8.2% |
| Salary Increase | Step | Step | 1% + step | 1.5% + step | 2% + step |

General Fund – Future Years

- Foundation Allowance increases in future years, but not the level of increase received in 2018-2019
- Continued student enrollment decreases
- Salary forecast reflects compensation formula projection for 2018-2019 and 2019-2020. 2020-2021 is a 1% estimate and not based on the current formula
- Assumes \$250,000 in EGRNow! funding for future year(s)
- State retirement costs will be shifting to a new methodology, so projected expenses held at 26.18% of salaries/wages until impact of new methodology is finalized

| | 2018-2019 Proposed | 2019-2020 Forecast | 2020-2021 Forecast |
|----------------------|-------------------------------|-------------------------------|-------------------------------|
| Revenues | \$30,368,621 | \$30,684,533 | \$30,769,226 |
| Expenses | \$30,378,415 | \$30,630,437 | \$30,955,100 |
| Net Change | (\$9,794) | \$54,096 | (\$185,875) |
| | | | |
| Beg Fund Reserve | \$2,512,632 | \$2,502,838 | \$2,591,934 |
| End Fund Reserve | \$2,502,838 | \$2,591,934 | \$2,406,059 |
| Fund Reserve % | 8.4% | 8.5% | 7.8% |
| | | | |
| Foundation Allowance | \$8,064 | \$8,214 | \$8,314 |
| Student Enrollment | 2,875 | 2,850 | 2,820 |
| Salary Inc./(Dec.) | 3.0% | 1.0% | 1.0% |
| Health Care Increase | 2.5% | 2.5% | 2.5% |
| Retirement Rate % | 26.18% | 26.18% | 26.18% |

Sinking Fund

- 0.4735 mills levied, 2.1% increase to revenues
- Originally 0.5 mills prior to Headlee (\$20,000 impact)
- Roof, boiler, plumbing repairs, contribution to Joint Facilities athletic turf replacement fund
- \$500,000 savings from 2018 retirement incentive
- Memorial visiting bleachers and parking lot resurfacing in future years

| | 2017-2018 | 2018-2019 | Inc./ (Dec.) |
|---------------------|-----------|------------------|--------------|
| Revenues | \$336,000 | \$346,000 | \$10,000 |
| Expenses | | | |
| Building Repairs | \$346,000 | \$250,000 | (\$96,000) |
| Athletic Turf Fund | \$40,000 | \$40,000 | \$0 |
| Total Expenses | \$386,000 | \$290,000 | (\$96,000) |
| | | | |
| Ath. Turf Fund Res. | \$415,000 | \$455,000 | \$40,000 |
| Uncommitted Res. | \$376,627 | \$432,627 | \$56,000 |
| Total Fund Reserve | \$791,627 | \$877,627 | \$96,000 |

| | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | \$346,000 | \$353,000 | \$360,000 | \$367,000 | \$375,000 | \$382,000 |
| Repairs | \$250,000 | \$200,000 | \$200,000 | \$175,000 | \$175,000 | \$175,000 |
| Athletic Turf | \$40,000 | \$40,000 | \$40,000 | \$40,000 | \$40,000 | \$40,000 |
| Memorial/Parking Lots | \$0 | \$0 | \$80,000 | \$250,000 | \$60,000 | \$60,000 |
| Uncomm. End Fund Reserve | \$432,627 | \$545,627 | \$585,627 | \$487,627 | \$587,627 | \$694,627 |



Debt Retirement

- 9.95 mills levied, 5.1% increase to taxable values
- If taxable values increase 3% per year on average, will continue to borrow from SBLF until 2023
- SBLF balance retired by approximately 2030
- Current bonds currently scheduled to be paid off in 2039
- August bond sale will be either 20 or 25 year maximum term

| | 2017-2018 | 2018-2019 | Inc./ (Dec.) |
|------------------|-------------|--------------------|--------------|
| Tax Collections | \$7,082,461 | \$7,271,610 | \$189,149 |
| SBLF | \$2,500,404 | \$2,311,185 | (\$189,219) |
| Total Revenues | \$9,582,865 | \$9,582,795 | (\$70) |
| Expenses | \$9,582,865 | \$9,582,795 | (\$70) |
| Net Change | \$0 | \$0 | \$0 |
| | | | |
| End Fund Reserve | \$51,970 | \$51,970 | |



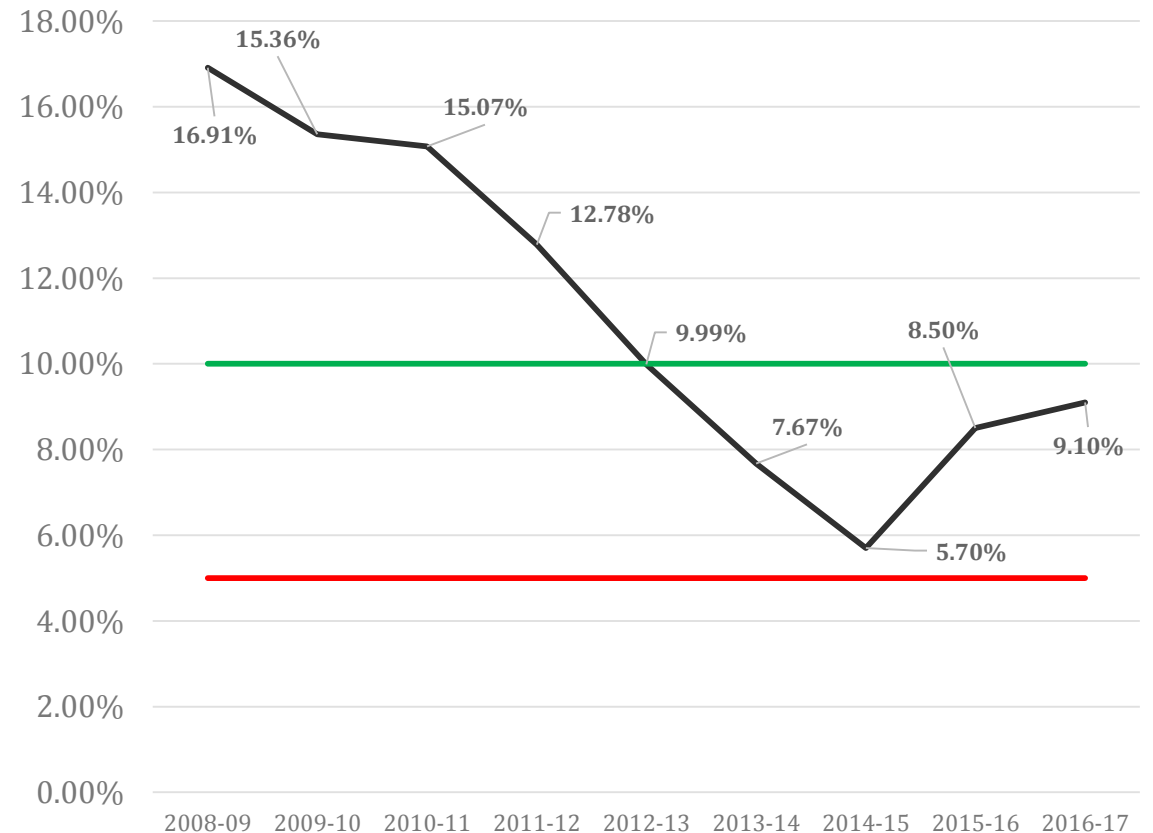
General Fund Budget Trends

Budget Results & Fund Reserve History

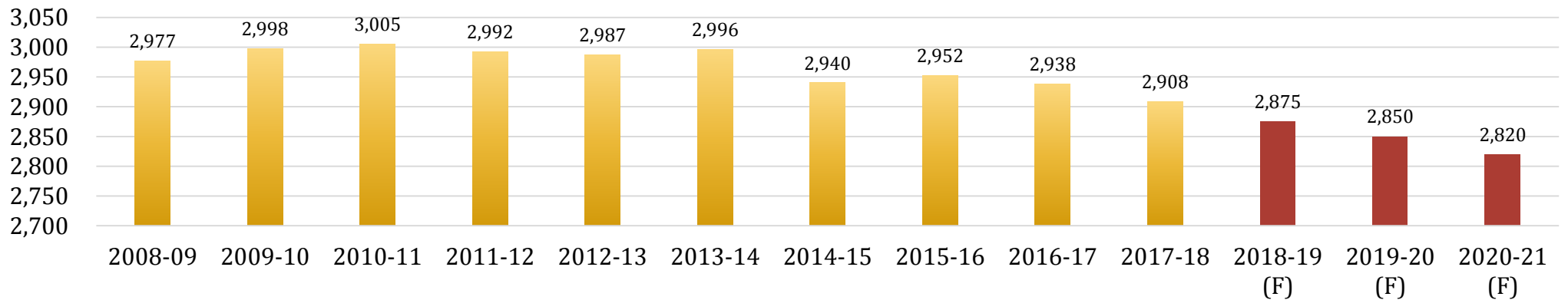
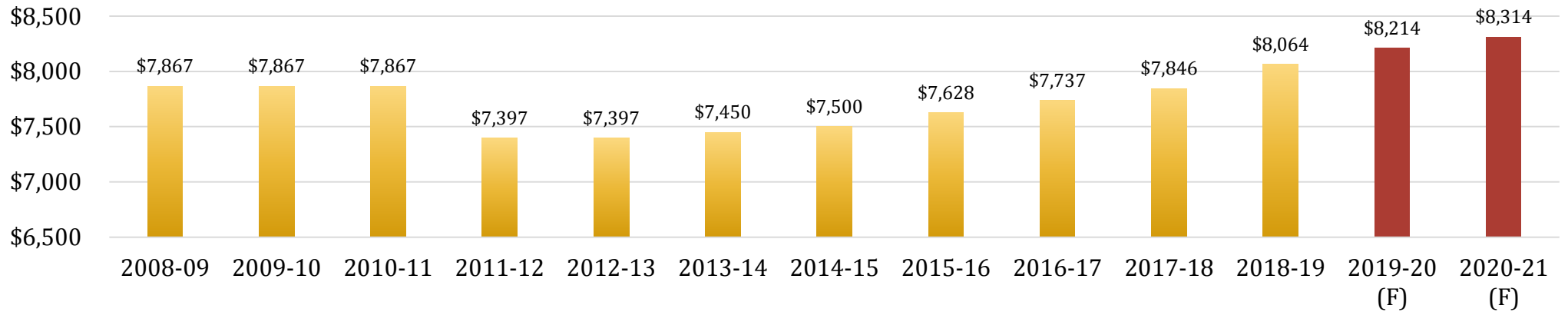
Annual Budget Results

| | Revenues | Expenses | Chg. in Fund Res | Ending Fund Res |
|-------------|--------------|--------------|------------------|-----------------|
| 2007-08 | \$27,781,528 | \$27,356,229 | \$425,289 | \$4,659,884 |
| 2008-09 | \$27,716,932 | \$27,692,998 | \$23,934 | \$4,683,818 |
| 2009-10 | \$27,994,587 | \$28,326,870 | (\$332,283) | \$4,351,535 |
| 2010-11 | \$28,091,151 | \$28,193,600 | (\$102,449) | \$4,249,086 |
| 2011-12 | \$27,417,080 | \$28,078,187 | (\$661,107) | \$3,587,979 |
| 2012-13 | \$27,366,223 | \$28,115,046 | (\$748,823) | \$2,839,156 |
| 2013-14 | \$27,315,275 | \$27,945,741 | (\$630,466) | \$2,210,806 |
| 2014-15 | \$27,066,219 | \$27,994,450 | (\$928,231) | \$1,672,479 |
| 2015-16 | \$27,630,857 | \$26,894,227 | \$736,630 | \$2,429,109 |
| 2016-17 | \$27,521,362 | \$27,288,956 | \$232,406 | \$2,661,515 |
| 2017-18 (B) | \$28,185,053 | \$28,333,935 | (\$148,883) | \$2,512,632 |
| 2018-19 (B) | \$28,514,395 | \$28,524,189 | (\$9,794) | \$2,502,838 |

Fund Reserve History



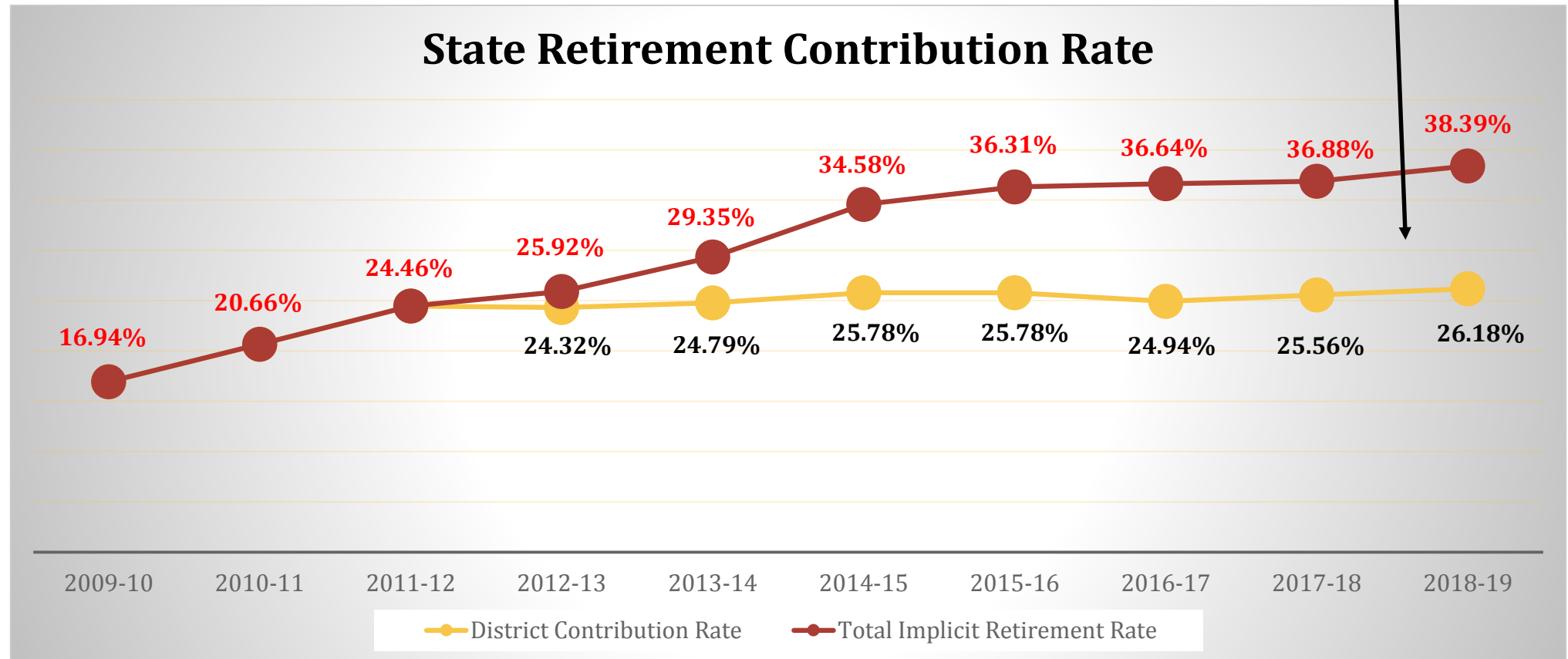
State Foundation Allowance and Student Enrollment



Personnel Expense Trend

| | Wages | Health | Total Retirement | Retirement Offsets | Net Retirement |
|-------------------|--------------|-------------|------------------|--------------------|----------------|
| 2009-2010 | \$16,001,020 | \$2,925,490 | \$2,634,789 | \$0 | \$2,634,789 |
| 2010-2011 | \$15,792,998 | \$2,908,473 | \$3,101,768 | \$0 | \$3,101,768 |
| 2011-2012 | \$15,824,414 | \$3,092,473 | \$3,734,246 | \$304,634 | \$3,429,612 |
| 2012-2013 | \$15,764,475 | \$2,471,727 | \$4,145,622 | \$618,763 | \$3,526,859 |
| 2013-2014 | \$15,533,137 | \$2,509,419 | \$4,628,377 | \$1,058,811 | \$3,569,566 |
| 2014-2015 | \$15,430,045 | \$2,720,728 | \$5,429,796 | \$1,687,786 | \$3,742,010 |
| 2015-2016 | \$14,517,593 | \$2,741,005 | \$5,397,475 | \$1,721,212 | \$3,676,263 |
| 2016-2017 | \$14,812,605 | \$2,783,298 | \$5,423,616 | \$1,847,823 | \$3,575,793 |
| 2017-2018 (Bdgt.) | \$15,243,911 | \$2,901,434 | \$5,773,928 | \$1,856,940 | \$3,916,988 |
| 2018-2019 (Bdgt.) | \$15,198,897 | \$3,016,109 | \$5,862,150 | \$1,854,226 | \$4,007,924 |
| Net Change | (\$802,123) | \$90,619 | \$3,227,361 | \$1,854,226 | \$1,373,135 |

MPSERS State Retirement History



Difference between total cost and district cost is School Aid Fund contribution to MPSERS

MPERS Change in Employer Contribution Methodology (Unfunded Liability contribution)

- Historically districts contribute via a percentage of district total payroll
 - Unfunded liability portion (UAAL): 20.96%
 - Normal cost portion: 5.22%
 - Total contribution rate: 26.18%
- Last June's MPERS reforms included a change in methodology to base UAAL contributions as a percentage of current operating expenses instead of payroll (effective 2018-2019)
- Currently, House Bill 5355 would amend the change to base UAAL contributions on payroll + purchased services, effective 2019-2020
- A base "adjusted payroll" would be calculated for 2019-2020, and that amount would be adjusted in subsequent years by the percentage increase/decrease in "payroll + purchased services"

Step 1: Determine 2017-18 Payroll

Step 2: Determine 2016-17 & 2017-18 Payroll + Purch Services

- Includes cost such as legal, audit, sub teachers, contracted maintenance
- Payroll doesn't include our "Early Childhood payroll"

Step 3: Determine "Adjusted 2019-20 Payroll"

- 2017-18 Payroll is multiplied by the change in "payroll + purchased services" from 2016-17 to 2017-18
- The "adjusted 2019-20 payroll" is then multiplied to determine district UAAL expense for 2019-20, instead of actual 2019-20 payroll

Potential Impact of change in UAAL methodology

| | 2016-2017 | 2017-2018 (B) | 2018-2019 (B) | 2019-2020 (F) | 2020-2021 (F) |
|------------------------|--------------|---------------|---------------|------------------|-----------------|
| Payroll | \$14,801,389 | \$15,261,447 | \$15,425,413 | \$15,448,648 | \$15,549,456 |
| Purchased Services | \$1,270,095 | \$1,495,279 | \$1,336,127 | \$1,349,127 | \$1,362,127 |
| Payroll + PS | \$16,071,484 | \$16,756,726 | \$16,761,540 | \$16,797,775 | \$16,911,583 |
| Growth/(Decline) % | | 4.26% | 0.03% | 0.22% | 0.68% |
| | | | | | |
| Adjusted Payroll | | | | \$15,954,692 | \$15,959,276 |
| | | | | | |
| UAAL (current method) | | | | \$3,238,037 | \$3,259,166 |
| UAAL (new method) | | | | \$3,344,103 | \$3,345,064 |
| | | | | | |
| Additional UAAL | | | | \$106,066 | \$85,898 |

Bulletin 1014

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Sample | 786 | 797 | 813 | 829 | 841 | 839 | 830 |
| General Fund Revenues | 282 nd | 186 th | 253 rd | 288 th | 304 th | 295 th | 348 th |
| Expenses: | | | | | | | |
| • Basic Program | 101 st | 52 nd | 59 th | 60 th | 58 th | 63 rd | 56 th |
| • Added Needs | 695 th | 703 rd | 706 th | 735 th | 735 th | 767 th | 773 rd |
| • Instructional Support | 148 th | 147 th | 192 nd | 180 th | 203 rd | 278 th | 296 th |
| • Operations & Maintenance | 303 rd | 309 th | 658 th | 638 th | 675 th | 648 th | 633 rd |
| • Business & Administration | 386 th | 476 th | 482 nd | 523 rd | 498 th | 589 th | 579 th |
| Total GF Expenses | 254 th | 202 nd | 236 th | 241 st | 242 nd | 342 nd | 351 st |
| Avg. Teacher Salary | 47 th | 44 th | 53 rd | 45 th | 42 nd | 52 nd | 38 th |

* 2012-13 drop in rankings for general fund revenues and operations & maintenance is the result of separating recreational millage revenue and related expenses from the General Fund



Summary

- Balanced budget for 2018-2019 which maintains all student programs & services
 - Community support of EGRNow! once again instrumental towards support of student programs. **\$239,000 as of today!**
 - Fund balance between 8-9% a little below our target of 10%, but financially viable
- \$218/pupil increase largest since 2006. School Aid Fund grew 4.7% last year, 4.4% this year. Revenue forecast is for 2.5% and 2.4% next two years, and funds for significant increase still potentially available.
- Continued projected reductions in student enrollment a significant concern to monitor
- Ability to provide compensation increase for staff within balanced budget
- Cost savings from resignation incentive will assist budget for next several years
- Continued changes with MPSERS system that could impact district cost in future years
 - Dedicated gains policy
 - UAAL methodology
 - ORS review of system assumptions



Questions?
