

**MEMO TO: BOARD MEMBERS
DR. SARAH RISS**

FROM: DR. DIANE MOORE

DATE: JUNE 15, 2015

RE: TREND-LINE PROJECTIONS

Please find enclosed draft trend-line projections for the Board's consideration. Each simulation projects revenues and expenditures through the 2021-2022 school year. All three projections assume an annual expenditure increase of 3%. Three different revenue growth projections were used. The first assumes a 0.50% increase, the second simulation assumes a 0.75% increase and the third assumes a 1.00% increase. Three revenue projections were provided due to the past three years fluctuations in revenue. The most conservative projection shows the school district's fund balance dropping to 12.35% by the end of the 2018-2019 school year. Two of the three simulations project a fund balance of 3% or less by the 2019-2020 school year.

Understanding the budget projections:

For the 2015-16 school year the budget reflects total expenditure reductions of \$1,634,395.00. These reductions reflect an overall decrease in expenditures from 2014-15 to 2015-16 of \$399,762. This will enable the board to approve a proposed budget with a minimal projected deficit of (\$353,301). For future years the district will need to carefully monitor revenues and plan salaries and other increases in expenditures with an understanding of what type of year-end deficit would be desired. The trend-line projections annual expenditure increase of 3% would provide salary increases at or below 2% for all personnel. No new programs would be implemented unless other expenses are reduced to pay for new programming. Annual expense modifications must be monitored closely for cost of living increases (i.e. health insurance, food, gas, paper, supplies, utilities and property insurance).

For the 2016-17 school year operating revenues are projected to be between \$56,005,665 and \$56,284,300. Expenses (assuming a 3% increase) are projected to be \$57,762,741. This would create a deficit of (\$1,757,076). The fund balance is projected to drop to \$14,911,503 (26.62%). There are multiple ways to modify this projection:

- Offer an early retirement incentive package – If 10 certified staff took advantage of early retirement the district would project the savings to be approximately \$155,000 a year. If 20 certified staff took advantage of the package the projected savings would be approximately \$315,000 a year;
- Consider changes to the district's health insurance program – Savings would depend upon how this is structured. For the 2015-2016 school year each employee will pay 10% of the insurance premium. This is estimated to save the district \$315,727;
- Freeze or limit salary increases below a 2% increase. A 1% increase to salaries would cost an estimated \$340,000 (this does not include WAFC staff);
- Determine what amount of the existing fund balance to use to offset the projected deficit.

Proposed changes to future budget documents:

Beginning with the 2015-2016 budget, the Business Office proposes adding the following detail to the budget history /current proposed budget documents:

- **Electronic Budget notebook –**
 - The Business Office will add a description of each revenue and expenditure line item. This will provide a better understanding of where the district's revenue comes from and what type of expenditures are being made each year;
 - The Business Office already provides a breakout of other local (line item 11), other state (line item 24) and other federal (line item 28) in the electronic budget notebook each spring when the notebook is first created. We will also provide a final update within this notebook in June of each year to see the current year final revenues in these line items;
 - Provide building budget details for each school under the appropriate expenditure line item;
 - Develop additional detail per line item requested by Board members.
- **Budget Spreadsheet –**
 - Local Receipts – create line item 11b – Preschool tuition. This source of revenue has grown over the years and now equals approximately 50% of all anticipated revenues within line item 11. Providing a breakout of preschool tuition will provide the reader an opportunity to compare preschool revenues and expenditures;
 - Teacher Fund Expenses – create line item 89a – Tuition to other districts. For many years the district has included any tuition paid to other districts or Epworth and Edgewood within line item 89. As flow-through expenses to Epworth and Edgewood have grown this amount is over \$1 million annually. Creating a separate line item will eliminate any confusion over what amount is teacher salary related and what amount is tied to tuition payments.
- **End of year budget presentation –**
 - Current year budget overview – Add a slide showing significant changes in operating revenue. This will help the board understand variances within specific revenues compared to the beginning of the year budget projection;
 - Current year budget overview – Add a slide for self-supporting programs. This slide will depict total revenue, total expenditures and surplus/deficit for Food Service, Adventure Club, Preschool and Head Start;
 - Next year budget overview – Add a slide (if needed) summarizing expenditure reductions.