

# Long Range Planning and Forecast Assumptions

## Introduction

Planning and forecasting is most accurate when contributing factors are predictable. There are many unpredictable factors in this analysis.

### Unpredictable Contributing Factors

- Enrollment
  - From 2013-2016 our district's enrollment grew 600 students.
  - From 2017-present our district's enrollment has dropped 1100 students.
  - The predictable trend is for our enrollment to continue to drop. The unpredictable nature of that trend is the amount of the decline. The range is 120-380 students.
  - Will the district close a building(s) and when?
- Assessed Valuation
  - Recent annual variances have been unpredictable.
    - FY17 - \$205,654 reduction
    - FY18 - \$34,447,027 Increase
    - FY19 - \$2,355,336 Increase
    - FY20 - \$86,396,440 Increase
    - FY21 \$18,375,479 Decrease
    - FY22 Preliminary \$33,457,137 Increase
  - The county has informed us the 2023 reassessment will bring the values back to market rate.
  - Will the businesses in our community survive the economic downturn caused by the pandemic.
  - Housing prices are reaching all time highs. Many economists believe there is a bubble in housing prices that is due to burst. If that happens, what will be the impact on our AV?
- Virtual Instruction
  - Roughly 40% of our students have chosen virtual instruction as their preferred mode of instruction during the pandemic.
  - How many students/families will opt for virtual instruction after we open schools back up?
  - That decision will impact staffing, transportation, and food service.
  - It will also impact the number of students attending in-person which will again raise the question of how many school buildings and buses do we need.
  - How will the calculation of ADA for virtual instruction impact our state aid calculation.
  - How will the state calculate ridership for transportation? Currently we use the prior year's ridership to calculate this year's payment.
  - What will be the cost associated with computer repairs from increased computer use?
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- Academic Recovery Plan
  - What support will students need to recover from the extended closure due to COVID?
- One Time Revenues and Expenditures
  - The district has experienced a number of one time revenues and expenditures.
  - Will there be more stimulus money? Will there be more one time expenditures?
- New Ongoing Expenditures - Real Change
  - Which of these changes (virtual instruction, academic programming, etc) will be long lasting and which will be short lived?
  - How will these embedded changes affect our revenues and expenditures?
- Capital Needs
  - Our buildings have been well maintained but are aging. That aging causes many unforeseen capital expenditures.
- Pending state tax cuts - SB509

### Predictable Factors

- Declining Enrollment
  - Five years is a pattern that must be acknowledged
- Revenue - Variety of Revenue Streams
  - School districts receive revenue from a wide variety of sources. As a result we are less vulnerable to volatility.
  - Property tax revenue is typically very stable.
  - The governor and legislature have fully funded the formula the past few years and have promised to fully fund it in FY22.
  - Sale tax collections have been strong even through the pandemic
- Debt service revenue and expenditures
- The district has over \$15M bonds to sell.
- Families and students want to be in school
  - Build it and they will come
- The one element of a budget that we have complete control over is expenditures.
  - We determine how much money we spend.

# Assumptions to Develop this Forecast

## FY21

### Revenue

#### Local

- YTD plus FY20s February-June property tax, tuition from other LEA. The assumption being the taxpayers collections will be similar Feb-June this year to Feb-June last year.
- The items removed are:
  - activity gate receipts or fees being collected
  - community ed fees
  - Cash food sales to adults/students
  - Facility use fees
- No change in Prop C revenues. Sales tax receipts are trending toward the Consensus Revenue Estimate.
- M and M Surcharge as budgeted
- Financial Institution Tax as budgeted
- Bond Proceeds lowered because some banks paid returns to the district in the prior year.

#### County

- No change.

#### State

- As budgeted minus the loss of 247 FTE with the reduction in summer school ADA.
- This assumes the governor will release the \$127M in withheld formula funds and gaming receipts achieve the Consensus Revenue Estimate.
- No change in transportation revenue. The state is paying on last year's ridership.
- Enhancement Grant - As awarded by DESE

#### Federal

- This is the revenue projection that has the largest room for error.
- \$5.9M reduction based on lost food service revenue - breakfast, lunch and after-school-meal program.
- \$4.15M increase based on federal stimulus allocation
- \$300K increase from Connectivity Grant
- \$98K increase from FEMA reimbursement
- \$480K increase from federal stimulus through the county

### Expenditures

#### Payroll and Benefits

- YTD spend plus projected \$7M/month (average of Sept-Nov and Jan) spend March-May and \$14M spend in June.

#### Purchase Services

- YTD spend plus the average of prior months for March-June.

#### Supplies

- YTD spend plus the average of prior months for March-June.

#### Debt Service

- Budgeted Principal and Interest payments plus fees.

#### Unrestricted Capital

- As budgeted for Facilities Operations, Technology, Herndon Career Center.

#### Bond

- YTD spend plus remaining 2020 projects and 1/3 of 2021 projects

# FY22

## Revenue

### Local

- Budgeted based on preliminary AV provided by the county and an overall tax levy of 6.32.
- Return to in-school instruction
  - Food Service
  - Activities
- Community Education resuming
- Facility Use resuming
- Assuming similar M and M Surcharge and Financial Institutions Tax
- Bond investment returns as provided by MOSIP
- Sale \$15M in bonds with anticipated \$2m in premium

### County

- Budgeted the same as FY21. This is based on:
  - Fairly stable funding source.

### State

- Budgeted an increase based on:
  - Using FY20 WADA which is the highest of three years.
  - Return of full summer school
- Assume the state used FY20's ridership to calculate the transportation payment
- Enhancement Grant - Based on Enhancement Grant Application

### Federal

- Accounting for \$6.15M in stimulus payments
- Return of food service revenue - breakfast, lunch and after school meal

## Expenditures

### Payroll and Benefits

- \$2000 to the teacher base which is a 5.3691% increase to all wages.
- Added \$500K for benefits
- Net increase in staff of 6 due to Recovery Plan

### Purchase Services

- DLT members provided budget requests. The overall amount was reduced by 15% then compared to FY19. Case by case adjustments were made where needed.

### Supplies

- DLT members provided budget requests. The overall amount was reduced by 20% then compared to FY19. Case by case adjustments were made where needed.

### Debt Service

- Scheduled principal and interest payment plus fees

### Unrestricted Capital

- Average of prior years
- \$900K added for stadium turf replacement

### Bond

- $\frac{2}{3}$  of 2021 projects and  $\frac{1}{3}$  of 2022 projects

# FY23

## Revenue

### Local

- CPI increase of 1.8% in property tax. All other revenues are unchanged.
- Assuming similar M and M Surcharge and Financial Institutions Tax
- Bond investment returns as provided by MOSIP

### County

- 1% increase

### State

- Reduction of \$1.55M due to a loss of 380 students in the formula calculation.

### Federal

- 1% Increase

## Expenditures

### Payroll and Benefits

- FY22 Budget plus \$1.8M (\$1000 to the base or 2.6% increase. Starting teacher pay = \$40,250) for salary increase and \$800K for benefits.

### Purchase Services

- 1% increase

### Supplies

- 1% increase

### Debt Service

- Scheduled principal and interest payment plus fees
- May increase when we sell the remaining bonds.

### Unrestricted Capital

- Average of prior years

### Bond

- $\frac{2}{3}$  of 2022 projects and  $\frac{1}{3}$  of 2023 projects

# FY24

## Revenue

### Local

- CPI increase of 1.8% in property tax. All other revenues are unchanged.
- Assuming similar M and M Surcharge and Financial Institutions Tax
- Bond investment returns as provided by MOSIP

### County

- 1% increase

### State

- 1% increase

### Federal

- 1% Increase

## Expenditures

### Payroll and Benefits

- FY23 Budget plus \$1.8M (Step increase) for salary increase and \$800K for benefits.

### Purchase Services

- 1% increase

### Supplies

- 1% increase

### Debt Service

- Scheduled principal and interest payment plus fees
- May increase when we sell the remaining bonds.

### Unrestricted Capital

- Average of prior years

### Bond

- $\frac{2}{3}$  or 2023 projects

## Actions for the Board to Consider

- Conducting a demographic study in the fall of 2021 to determine if redistricting is needed.
- Increase the walker zone for middle school students from half a mile to a mile.
- Increase the walker zone for high school students from half a mile to a mile and a half.
- Restructure the health insurance plan.
- Ask taxpayers to:
  - Increase the operating levy
  - Transfer debt service levy (Fund 3) to operating levy (Fund 1).
- Transfer unrestricted capital funds (Fund 4) to operating funds (Fund 1) after operating balances drop below 20%.
- Commission a marketing study that would result in a marketing plan to attract families/students to the district.
- Continue rightsizing staff using a strict interpretation of the DESE standards.
- Continue applying for grants to support mental health services.
- Evaluate major innovatives to determine if adjustments are needed.