

FY 2020 Budget Public Forums

March 26, 27, 28, and 30, 2019

North, Roosevelt, Operations Center, and Lincoln

DMPS Business & Finance



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BUDGET CALENDAR



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FY 2020 Budget Development

Item	Date
Budget Development	May 2018 – April 2019
Board Work Sessions	September 2018 – March 2019
Budget Published in <i>DM Register</i> (Statutory requirement: published 10-25 days before the Public Hearing)	March 22
Public Forums – Public comment on proposed budget (4 in director districts)	March 26 – March 30
Public Hearing – Adoption & Certification of FY 2020 Budget (School Board Meeting)	April 2
Special Board meeting, if necessary, Adoption & Certification of FY 2020 Budget	April 3-14
Statutory deadline to submit FY 2020 budget to the Polk County Auditor for certification	April 15
Fiscal Year 2020 begins	July 1

HOW MANAGEMENT BUILT THE PROPOSED BUDGET



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Budgetary Considerations

- Budget Parameters
 - Management Limitation 2.6
 - Student Expectations
- Financial Assumptions
- Key Financial Measures & Objectives

Budget Parameters

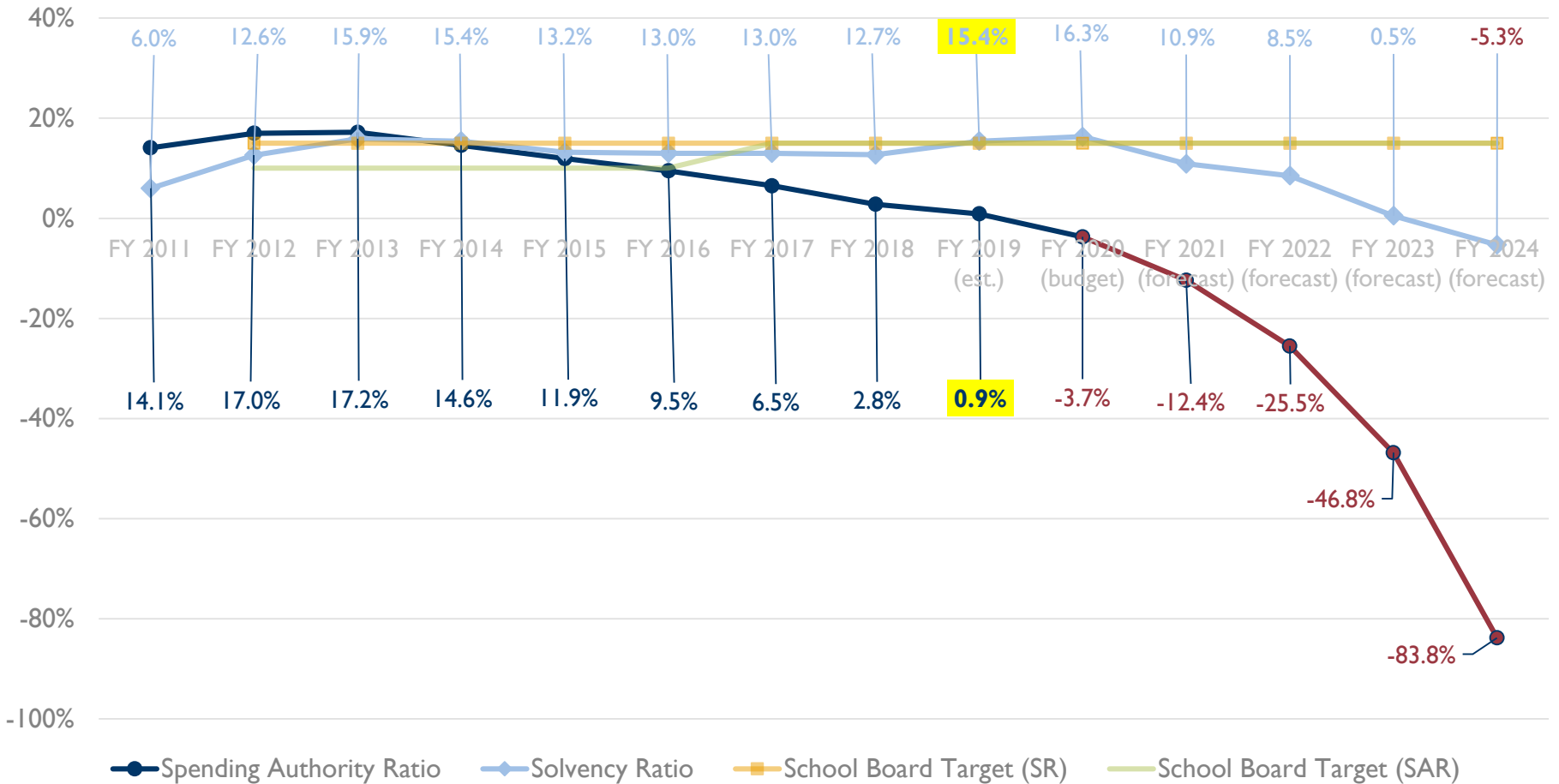
Management Limitation 2.6 – Financial Planning/Budgeting

Financial planning for any fiscal year or the remaining part of any fiscal year may not deviate materially from the Board's Student Expectations Policy or risk financial jeopardy.

Accordingly, the Superintendent shall not present a budget that:

- Falls below a 15% solvency ratio for the General Fund.
- Falls below a 15% unspent spending ratio for the General Fund.
- Creates a situation or condition described as unacceptable in the "Financial Conditions and Activities."
- Omits credible projections of revenues and expenses and disclosure of planning assumptions.
- Plans the expenditure of more funds than are projected to be received in any fiscal year.

Spending Authority & Solvency Ratios: Where we started FY 2019

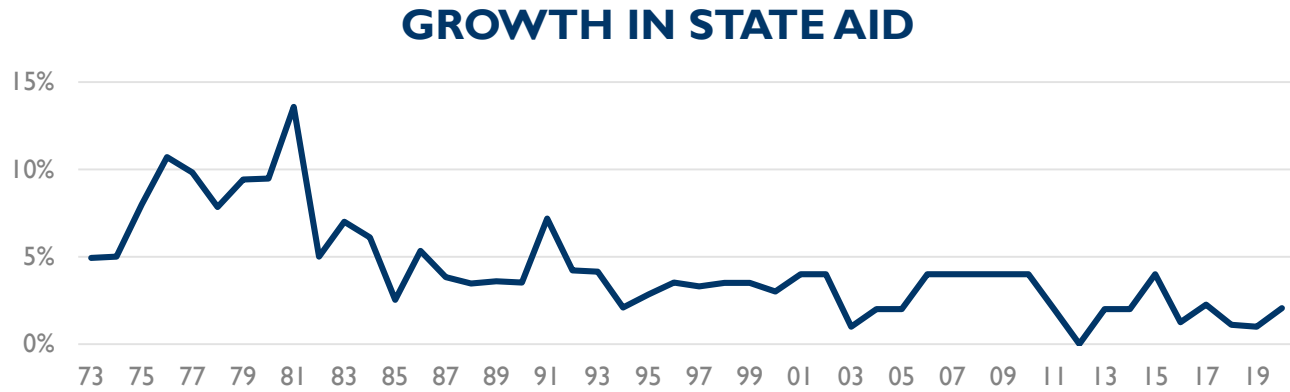


Spending Authority

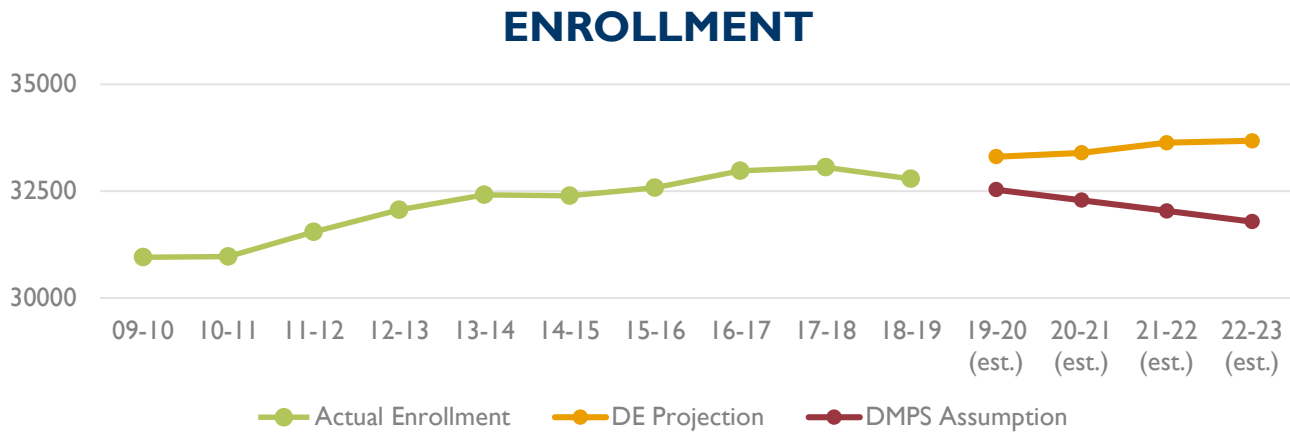
- State controls maximum amount each district can spend.
 - It is **illegal** for a school district to exceed its total Spending Authority.
- Limit on spending is the amount of **Spending Authority** a district has, *not* the amount of cash or fund balance.
- Spending Authority is directly tied to student enrollment, e.g., Cost Per Pupil.

Growth in Spending Authority

1) Increase in Supplemental State Aid



2) Increase in Student Enrollment



3) Increase in Miscellaneous Income

10% DECREASE IN TITLE FUNDING FOR FY 20

General Fund: 2020 Scenarios

	Reestimated Fiscal 2019	Projected Fiscal 2020	Projected Fiscal 2020	Projected Fiscal 2020	Projected Fiscal 2020	Projected Fiscal 2020	Projected Fiscal 2020
		Scenario A	Scenario B	Scenario C	Scenario D	Scenario E	Scenario F
Revenues							
Total Revenues	448,474,453	451,618,867	451,618,867	448,474,453	451,618,867	451,618,867	448,474,453
Expenditures							
Total Expenditures & Other Uses	442,740,799	449,162,000	434,162,000	432,162,000	454,730,000	433,730,000	431,730,000
Excess Revenues Over Expenditures	5,733,654	2,456,867	17,456,867	16,312,453	(3,111,133)	17,888,867	16,744,453
Solvency Ratio	13.7%	14.2%	17.6%	18.0%	16.3%	21.2%	21.6%
Unspent Spending Authority Ratio	0.9%	-2.5%	0.9%	0.9%	-3.7%	1.0%	1.0%
Unspent Authorized Budget	4,235,750	(10,844,314)	4,155,686	3,925,686	(16,412,314)	4,587,686	4,357,686
		Scenario A	Scenario B	Scenario C	Scenario D	Scenario E	Scenario F
SSA		1%	1%	0%	1%	1%	0%
Inflation Increase		1%	1%	1%	1%	1%	1%
Compensation Increase		1%	1%	1%	3%	3%	3%
Expenditure Reduction		\$0	\$15M	\$17M	\$0	\$21M	\$23M

Plan to Reach Board Target for Spending Authority

		Y1	Y2	Y3	Y4	Y5	Cumulative / End Point
Scenario A	Annual Expenditure	\$437.0 M	\$441.2 M	\$441.8 M	\$444.2 M	\$447.1 M	\$447.1 M
	Cut	-\$20.5 M	-\$10.6 M	-\$12.9 M	-\$14.1 M	-\$12.9 M	\$71 M
	Spending Authority	1%	1%	1%	1%	1%	1%
Scenario B	Annual Expenditure	\$415.8 M	\$414.7 M	\$420.2 M	\$435.1 M	\$450.6 M	\$450.6 M
	Cut	-\$41.2 M	-\$15.3 M	-\$8.2 M	--	--	\$64.7 M
	Spending Authority	5.8%	11.1%	15.0%	16.3%	15.3%	15.3%
Scenario C	Annual Expenditure	\$432.2 M	\$422.2 M	\$411.5 M	\$426.1 M	\$441.4 M	\$441.4 M
	Cut	-\$24.7 M	-\$24.7 M	-\$24.7 M	--	--	\$74.1 M
	Spending Authority	2.0%	6.1%	12.5%	15.5%	16.0%	16.0%

Scenario A: Maintain in Compliance with Iowa Law; 1% Annual Unspent Spending Authority Ratio

- The district would have to cut expenditures every year over the five years to simply remain in compliance with a 1% USAR
- The cumulative cuts would equal approximately \$71 M

Scenario B: Achieve 15% Annual Unspent Spending Authority Ratio

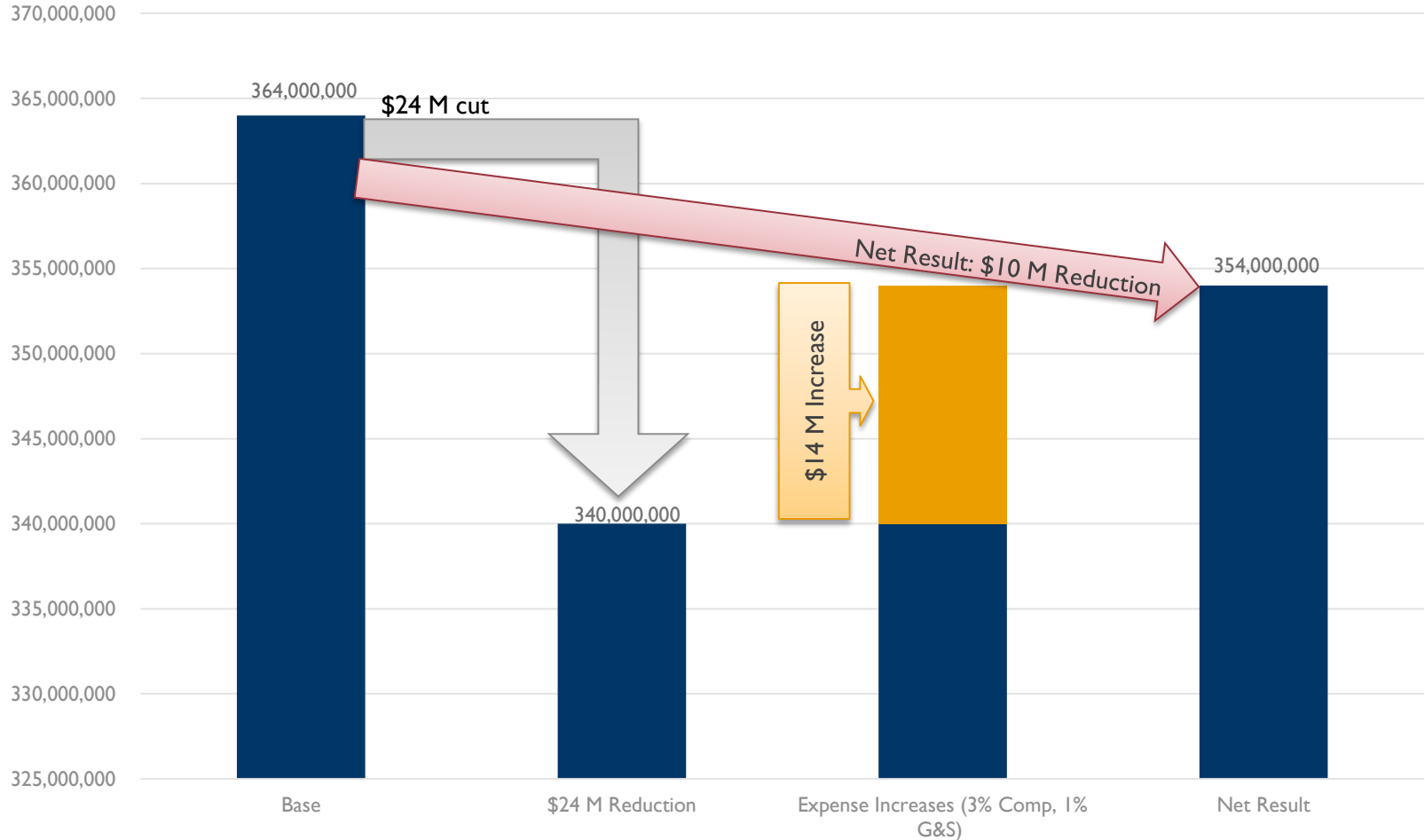
- Significant cut in year 1, followed by 2 additional years of cuts to achieve a 15% USAR in year 3
 - No additional cuts needed in years 4 and 5
- The cumulative cuts would equal approximately \$65 M

Scenario C: Achieve 15% Annual Unspent Spending Authority Ratio

- Equal cuts spread over 3 years to achieve a 15% USAR in year 4
 - No additional cuts needed in years 4 and 5
- The cumulative cuts would equal approximately \$74 M

Net Result

NET IMPACT OF \$24 M CUT



Assumptions for FY 2020







Law; Policy governance; Board budget parameters	Will follow budget law, policy governance management limitations, and board budget parameters.
GAAP	Budget will be in accordance with Generally Accepted Accounting Principles.
State Supplemental Aid	2.06%.
Certified Enrollment	32,788.76; 269 fewer students than the prior year.
Cost per Student	\$6,938 – a 2.06% increase over the prior year and fully funded.
Property valuations	Estimates indicate general taxable property valuations will increase 4.1% and total valuations will increase 3.4%; final valuations not available until June 2019.
State property tax relief	Will continue to receive increased state aid to replace property taxes and thereby reduce property taxes applicable to the district, per state law.
Cash Reserve Levy	Recommend increasing the levy to the prior period amounts.
Statewide Penny	Will parallel modeling and Department of Revenue projections. The district is monitoring closely proposed changes to the law.
Short-term investment rates	Forecasted to be 1.8% to 2.7% in FY20.
State Aid - Certified Budget	Based on receipt of full funding of each student at a district cost per student of \$6,938, a 2.06% increase.
Weighted funding	Funding is based on weighting factors as defined by law for Home School, ELL, SPED, At Risk programming, and Regional programming. It does not include Preschool.
Certain State grants	Funding for state grants is same as the current year.
Compensation	Negotiations are currently underway with bargained groups. The district costed out multiple compensation scenarios in anticipation of settlement with groups. It is assumed that all parties will work collaboratively to maintain a financially healthy workplace while continuing to offer employees a competitive workplace package.
Utilities costs	Energy conservation efforts will continue to offset increased utility costs; however, cannot allow for unknown weather factors.
Balanced budget	Resources will cover expenditures, as required by law.

How do you get to \$24M?

- **Benefits:**
 - Changes to Health Plan (HBAC involved)
- **Staff Positions:**
 - Changes at secondary (new schedule); End/Reduction of Grants; MS Director; CommEd
 - Restructure of building leadership teams
- **Employee Schedules:**
 - Reduction of days; Subs @ secondary
- **Programs:**
 - Repurposing of CommEd
- **Expenditures:**
 - DART contract, Furniture, Electronic devices, Department and decentralized budgets

Key Financial Measures & Objectives

FY 2019 & FY 2020

Key Measure	Objective	Status	Status
<u>Certified Enrollment</u>	Stable or growing	32,788.76 (10/2018)	
<u>Unspent Authorized Budget</u>	Maintain or build	\$5.9 M (FY 2019 est.) \$11.7 M (FY 2020 est.*) <i>*2.06% SSA, \$24M operating cuts</i>	
<u>Spending Authority Ratio</u>	15%, not to exceed 25%	1.3% (FY 2019 est.) 2.6% (FY 2020 est.*) <i>*2.06% SSA, \$24M operating cuts</i>	
<u>Solvency Ratio</u> (General Fund)	15%, not to exceed 25%	12.7% (FY 2018) 14.7% (FY 2019 est.) 20.0% (FY 2020 est.)	
<u>Salaries & Benefits</u>	75% by 2023	81.79% (FY 2019)	
<u>New Money % vs. Settlement % vs. Difference</u>	Less than or equal to District Allowable Growth and/or at state average	<ul style="list-style-type: none"> FY 19 New Money: 1.00% SSA FY 19 DMEA Settlement: 3.28% Difference: (2.28%) 	

DMPS Staffing

- FY 2020 Staffing (as of 3-2019)
 - February Actuals for FY19 and Estimates for FY20
- Reduction: Classroom Staff (Certified)
 - Improved Scheduling
 - Decreased Title I funds
 - Attrition
- Reductions in: Clerical, Para positions
 - Attrition to fill open positions
- Reduction: Admin
 - Reclass of Associate Principal
 - Central Office

WHAT THE BOARD IS ADOPTING & CERTIFYING



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Eight Ways to Balance a Budget

Balanced Budget

1. Revenues \geq Expenditures
2. Revenues + Fund Balances \geq Expenditures
3. Revenues + Transfers \geq Expenditures
4. Revenues + Loans \geq Expenditures
5. Revenues + Fund Balances + Transfers \geq Expenditures
6. Revenues + Fund Balances + Loans \geq Expenditures
7. Revenues + Transfers + Loans \geq Expenditures
8. Revenues + Fund Balances + Transfers + Loans \geq Expenditures

Balanced Budget

Calculation/ Component	Description	2.06% SSA
District Cost Per Student	Amount set by the state sets the cost per student at prior year + allowable growth	6,938
x Enrollment	District enrollment on October 1, 2018	32,788.76
= FY 2020 District Regular Program Cost	Equal to cost per student x enrollment	227,488,694
- FY 2019 District Regular Program Cost	Prior year's cost per student x prior year enrollment	224,757,263
= Increase in District Combined Cost	Assumes full funding of the proposed allowable growth.	2,731,431
- Funds for Special Programs	Some state educational programs require state funding be matched with state foundation aid – ex. SPED; ELL; Gifted and Talented.	1,546,729
= Increase (Decrease) in Regular Program funding	Also commonly referred to as “New Money” or (Reduction in New Money)	1,184,702
+ Built in Revenue changes	Increased tax revenue due to valuation changes; and adjustments to the cash reserve levy, adjusted for tax relief built into state foundation aid formula	4,013,180
- Built in Expenditure changes	Compensation increases, inflation for utilities, supplies, equipment, etc.	(8,667,633)
= Revenues in excess of Expenditures	Expenditures do not exceed revenues	13,865,515

Proposed for Adoption

Proposed Budget for Certification	
Revenue	
Total Revenue	\$ 567,852,667
Beginning Balance	\$ 206,150,013
Total Resources	\$ 774,002,680
Expenditures	
Instruction	\$ 270,690,502
Total Support Services	\$ 166,204,880
Non Instructional Programs	\$ 29,724,300
Total Other Expenditures	\$ 72,826,415
Transfers Out	\$ 22,995,050
Total Expenditures & Other Uses	\$ 562,441,147
Ending Fund Balance	\$ 211,561,533
Total Requirements	\$ 774,002,680
Proposed Tax Rate:	18.60005

Proposed Property Tax: Flat

- FY 2020 Proposed Property Tax
 - Decrease: \$0.00069
- Multiple Components to District Property Tax Rate

LONG-TERM CONSIDERATIONS

General Fund Forecast

SAVE: Secure and Advanced Vision for Education



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General Fund

- Largest fund in the district
 - Accounts for approximately 80% of ALL money in DMPS
 - Anything that does not *have* to be accounted for in another fund is accounted for in the General Fund
- Two key, distinct (complementary) issues:
 - Fund Balance (Cash)
 - Spending Authority (Limit on Spending)

General Fund Forecast

	Re-estimated Fiscal 2019	Budget Fiscal 2020 <i>with assumptions</i>	Projected Fiscal 2021 <i>with assumptions</i>	Projected Fiscal 2022 <i>with assumptions</i>	Projected Fiscal 2023 <i>with assumptions</i>
Revenues					
Total Revenues	452,145,656	456,158,836	452,324,621	458,889,251	459,807,575
Expenditures					
Total Expenditures & Other Uses	441,215,998	432,548,365	421,313,000	410,744,000	425,295,000
Excess Revenues Over Expenditures	10,929,658	23,610,471	31,011,621	48,145,251	34,512,575
Solvency Ratio	14.7%	20.0%	21.9%	30.8%	29.3%
Unspent Spending Authority Ratio	1.3%	2.6%	6.8%	13.4%	16.4%
Unspent Authorized Budget	5,893,259	11,712,989	30,709,703	63,346,242	83,608,976

Assumptions					
SSA	2.06%	1.00%	1.00%	1.00%	1.00%
Enrollment	32789	32539	32289	32039	32039
Inflation Increase	1.00%	1.00%	1.00%	1.00%	1.00%
Compensation Increase	3.00%	3.00%	3.00%	3.00%	3.00%
Expenditure Reduction	\$24.7M reduction	\$24.7M reduction	\$24.7M reduction	\$24.7M reduction	\$0 reduction

SAVE: Statewide Penny

- Began as local option sales tax in early 1990s
 - By 2004, all 99 counties had passed a LOST
- Converted to “Statewide Penny” July 1, 2008
 - Set to sunset (end) in 2029
- **Why is SAVE so important?**
 - Primary source of construction & renovation funds
 - Five Year Average Annual Capital Expenditure (FY15-FY19)
 - SWP = \$ 55,147,162
 - PPEL = \$ 8,415,536
 - PERL = \$ 258,510

CLOSING



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Additional Information is Available

- Financial information and the FY 2020 Preliminary Budget are located at:
 - <http://www.dmschools.org/departments/business-finance/budget/>
- Online Budget Forum:
 - <https://www.youtube.com/watch?v=lbqd4-TXhBA&feature=youtu.be>
- Comments or questions regarding budget development
 - Email: budget@dmschools.org
 - Phone: (515) 242-7635

PUBLIC HEARING

- Adoption & Certification of FY 2020 Budget
 - DM School Board Meeting (1800 Grand Ave)
 - April 2, 2019
 - If necessary, a Special Board Meeting will be held April 3-14
- Statutory Deadline to submit FY 2020 budget to the Polk County Auditor for certification is April 15

FY 2020 BUDGET PRESENTATION

Questions?



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