

Financial Planning Frequently Asked Questions

Updated 7-20-11

1. Where are we saving our money in the \$8,204 cost per pupil?

When looking at comparative data from the Minnesota Department of Education (MDE) we under spend in almost every category that is tracked. There is no one category that stands out. We spend less than most because our revenues are less than most. (See operating levy comparison on powerpoint). Find expenditure comparisons at the school district's website www.delano.k12.mn.us then click on "Operating Levy Information."

2. Other schools that have gotten themselves into financial troubles are being bailed out by the state. How much are we missing out because we have been financially responsible?

If a school goes into Statutory Operating Debt (SOD), the state provides assistance in advising the district how to get expenditures in line with revenues. There is no financial bailout. A school goes into SOD when its fund balance falls below a negative 2.5%.

By being financially responsible the state is delaying payments to cash flow itself, reducing the amount of money we can put on interest. If we didn't have these reserve funds and they weren't delaying payment we would be incurring interest expense to borrow for cash flow purposes. The expense of borrowing would be greater than any potential interest earnings.

3. How much are we paying for the current operating levy of \$426?

\$89 per \$100,000 of taxable value. The same amount applies to residential and commercial property and Wright and Hennepin Counties.

4. And would there be a "Double levy"?

We would replace the current \$89 per \$100,000 levy with a higher amount. However, remember, that the levy was reduced in 2011 by about \$45 per \$100,000 with the retirement of some other debt so that lessens the increase.

5. Where did you come up with your proposed spending increase of 1.32% - my personal budget spending is increasing more than that?

This is a conservative estimate based on continued spending patterns relative to employee costs including lower than average health insurance increases and purchased services (school busing, audit, grounds care, utilities, etc.). One of the primary cost drivers is mandated special education services which leads to costs we have very little control over. Special education funding from the state and federal government do not cover all the costs of their mandates.

Our assumptions are based on level funding from the state. If the state reduces funding then the assumptions will change.

6. Does the debt service reduction reduce the \$3.6M in proposed cuts?

No, there is no relation between the two because the debt service and general fund are separate funds and we are dealing with the general fund which has to do with the educational programs and operations of the district.

7. What will be cut to get the \$3.6M in reductions?

The school board reviewed over \$800,000 in reductions at the June 27 school board meeting for the 2012-13 school year should the levy fail. This included a reduction in the activities program, reducing bus routes for grades 5-12, and reducing approximately fifteen staff members including a nurse, custodians, paraprofessionals and teachers. A \$3.6M reduction would be 20% of the General Fund.

8. Is the money broken down into how it is spent?

There are several ways to view this. One is by the pie charts provided in the presentation. Also MDE provides a long spreadsheet on many categories that are available as per link in question 1.

9. Can't you place a limit on the number of students you have in a class? (I have a limit to how many animals I can have on my property.)

We have limited open enrollment (apply by January 15) to two students per grade. After January 15 we can utilize a Non-Resident Agreement where the resident and non-resident district can agree to have a student enroll in the non-resident district.

Every student we enroll brings in \$5,124 (plus adjustments that bring it to about \$6,000). We want to optimize class sizes so we have all the students that we can accommodate to leverage funding. It does not save us dollars to limit the number of students that we enroll. In optimizing class sizes we are sensitive to class sizes.

10. What have you done to look at health care benefits to extract additional savings?

We are seeing the benefits of the implementation of a VEBA (Variable Employee Benefits Association) Plan whereby the district contributes dollars to the employees' VEBA Accounts. Deductibles are paid from this account that the insurance company (Blue Cross Blue Shield) does not recognize when calculating premium rates. We were notified in May that premiums will be reduced by 5.8% beginning in October 2011. This is due in part to the implementation of VEBA. We also have implemented wellness activities in an effort to keep people healthy. The lower rates were also driven by a bidding process used by our insurance cooperative. The past 10 year average increase has been about 10%.

We will also be making available a high deductible Health Savings Account option beginning in October.

11. What will happen next year when the one-time Federal Jobs Bill money is gone?

The Federal Jobs Bill money was designed to create and/or save jobs. We hired several positions to take care of some current needs. These positions may stay in place for 2011-12. After that they will be terminated.

12. Is open enrollment closed? And what is the impact on class sizes?

We have limited open enrollment (apply by January 15) to two students per grade. Again, we try and optimize class sizes as each student brings about \$6,000.

13. How many teachers are accounted for in your class size slide {as related to elementary and middle school}?

The same total number as this year. Seven sections in kindergarten, eight sections in first, seven sections in second, six sections in third, seven sections in fourth, fifth and sixth.

14. What does it look like out into 2020...cuts?

We cannot project that far out as there are too many variables: state funding, enrollment, overall state of the economy, etc.

15. What can we expect to gain with a \$990 levy?

We are projecting to maintain class sizes and class offerings similar to what we have now. These numbers are calculated so as to keep a reasonable fund balance for cash flow purposes. If the patrons of the school district desire programming beyond what is currently offered, then we need to be looking at higher operating levies than what we have been talking about or a technology levy.

We are working under the following assumptions:

Flat state funding next two bi-enniums

No increase in enrollment

Spending increases 1.32% yearly

One-time fed stimulus ends in FY11 (\$408,669) and FY12 (\$206,331)

There is a 9% reduction in school taxes payable in 2011 or about \$45/\$100,000

16. If the operating levy is increased to \$990 won't this provide the district additional dollars for lower class sizes or other new initiatives?

If an operating levy of \$990 is authorized this will generate an additional \$1.4M in revenue. Based on the budget the board adopted on June 27, district will have a deficit of approximately \$785,000 in 2011-12. Due to one-time Federal stimulus funds, the District has been able to preserve its fund balance for cash flow purposes and to avoid cash flow borrowing. Any positions that were added used these one-time funds and will be terminated at the end of 2011-12. Thus, the additional \$1.4M revenue that would be raised by increasing the levy to \$990 will offset the projected budget deficit spending of \$785,000.

Again, this operating levy is designed to maintain educational excellence, not add new programs or lower class sizes.