

# Five Year Budget Projection Presentation

## Edgewood-Colesburg School District

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Superintendent



## Overview

- Sound budgeting principles require the district to project the anticipated financial situation.
- While projecting the status of all funds under the control of the district is important, the primary focus of this presentation is twofold:
  - Projecting the tax rates likely over the next five budget years
  - Projecting the Unspent Authorized Budget for the General Fund
- These projections were prepared utilizing the Comprehensive Financial Projection Model (CFPM) which has been created by Piper Sandler & Co. and Iowa School Finance Information Services (ISFIS)

## Assumptions

- In preparing any long term projection, it is important to both make and explicitly describe key assumptions as these can have significant impact on policy decisions.
- While the CFPM can project many assumptions, for the purposes of this presentation there are four key assumptions that have to be made:
  - 1 Enrollment - The primary driver of the district's General Fund financial position is enrollment, as the Iowa Foundation Formula is an enrollment based formula.
    - Budget Enrollment is the enrollment of resident students living in the district.
    - Enrollment Served is the number of students attending classes in the district.
    - Weighted Enrollment includes Supplementary Weighting as certain categories allow the district to count certain students at a value greater than 1.
  - 2 State Supplementary Assistance (SSA) Rate - Set by the legislature annually and controls the growth in the District Cost per Pupil. It is commonly described as the percentage growth in the State Cost per Pupil.

## Assumptions (cont)

- 3 Property Valuations - change in property valuations can have an impact on the district's property tax rate. Additionally, the characteristics of new property valuation can impact funds differently.
- 4 Tax Rates - two types of impacts on tax rates, property tax and if applicable, income surtax are detailed:
  - Formula-driven tax rates are those rates which are determined by the operation of the Iowa School Foundation Formula and are automatically calculated.
  - Policy-driven tax rates are those rates which the district has authority to change, commonly within a range specified by the state.

## State Supplementary Assistance Rates

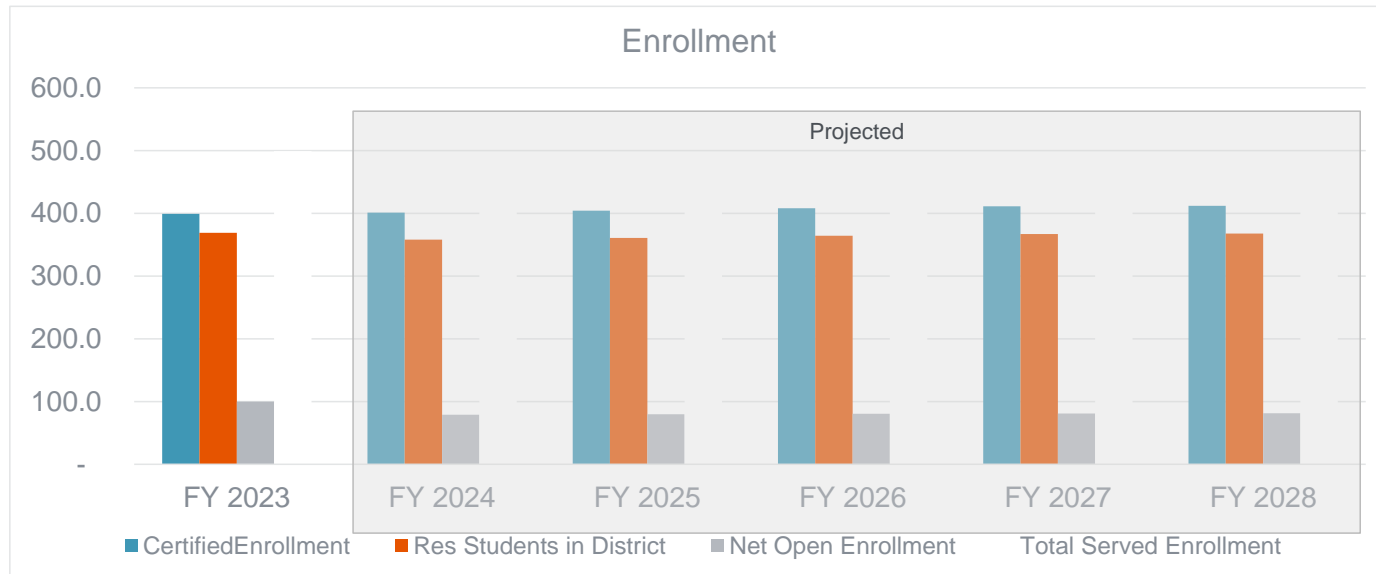
- While the legislature can set different rates for each of the components of SSA, historically the legislature has set one rate for all five categories.

Historical SSA Rates					
FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
1.11%	1.00%	2.06%	2.30%	2.40%	2.50%

SSA Rates Used in Projection					
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Overall Growth Rate	3.00%	2.50%	2.50%	2.50%	2.50%
Regular Program	3.00%	2.50%	2.50%	2.50%	2.50%
Teacher Salary Supplement	3.00%	2.50%	2.50%	2.50%	2.50%
Professional Development	3.00%	2.50%	2.50%	2.50%	2.50%
Early Intervention	3.00%	2.50%	2.50%	2.50%	2.50%
Teacher Leadership Comp	3.00%	2.50%	2.50%	2.50%	2.50%

FY 2023 per Pupil
\$ 7,635.00
\$ 691.92
\$ 77.31
\$ 83.08
\$ 357.80

## Enrollment



- Certified Budget Enrollment for FY 2024 is projected to be 401.0 students. This is an increase of 2.0 students or 0.5% compared to the current year.
- Net Open Enrollment for FY 2024 is projected to be 100.0 students. This is a decrease of 21.0 students or -21.0%.
- Total Enrollment served for FY 2024 is projected to be 480.0 students. This is a decrease of 19.0 students or -3.8% compared to the current year.

## FY 2023 Spending Authority Resources

	FY 2022	FY 2023	Change
Regular Program	\$ 2,957,787	\$ 3,061,635	\$ 103,848
Supplementary Weighting	\$ 164,146	\$ 221,247	\$ 57,101
Teacher Salary Supplement	\$ 276,076	\$ 285,107	\$ 9,031
Professional Development Supplement	\$ 30,847	\$ 31,867	\$ 1,020
Early Intervention Supplement	\$ 33,149	\$ 34,257	\$ 1,108
Teacher Leadership Supplement	\$ 142,762	\$ 147,781	\$ 5,019
<b>Total</b>	<b>\$ 3,604,767</b>	<b>\$ 3,781,894</b>	<b>\$ 177,127</b>
Special Education	\$ 232,398	\$ 202,404	\$ (29,994)

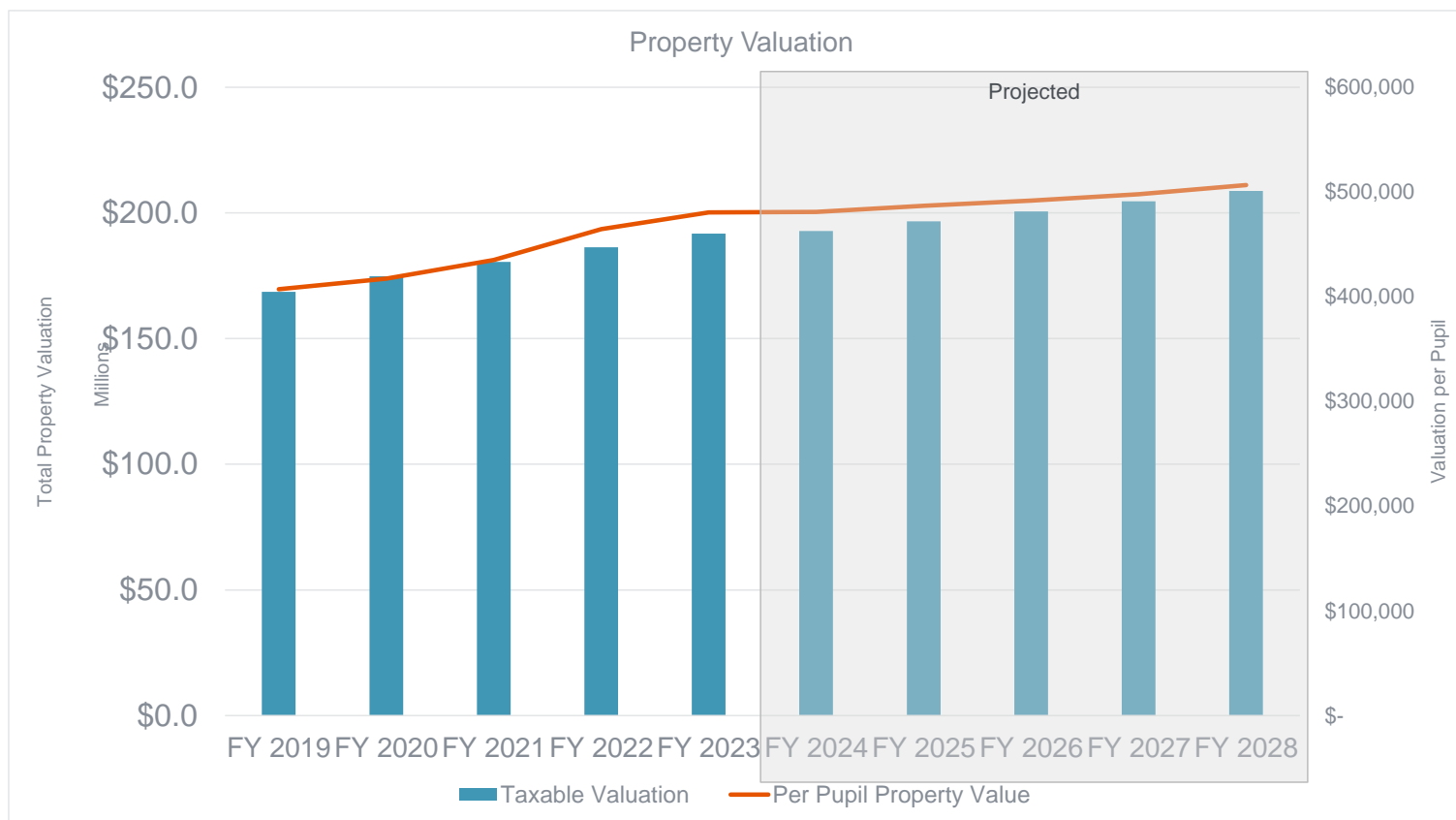
## Property Valuation

- Property valuation is one of the key components impacting our property tax rate.
- The two most important types of valuation are:
  - The property valuation we calculate for the General Fund
  - The property valuation for PPEL, Debt Service and ISL calculation, which includes both regular and TIF valuation.
- General Fund valuation does not include Tax Increment Financing (TIF) Valuation
- For FY 2024 property valuations will increase by 0.6% or \$1.1 million.
- To fully calculate our property tax rate for each year of the five year projection, we have to estimate valuation growth.



## Property Valuation (continued)

- This is the property valuation growth assumption used in the projection:



## Property Tax Rates

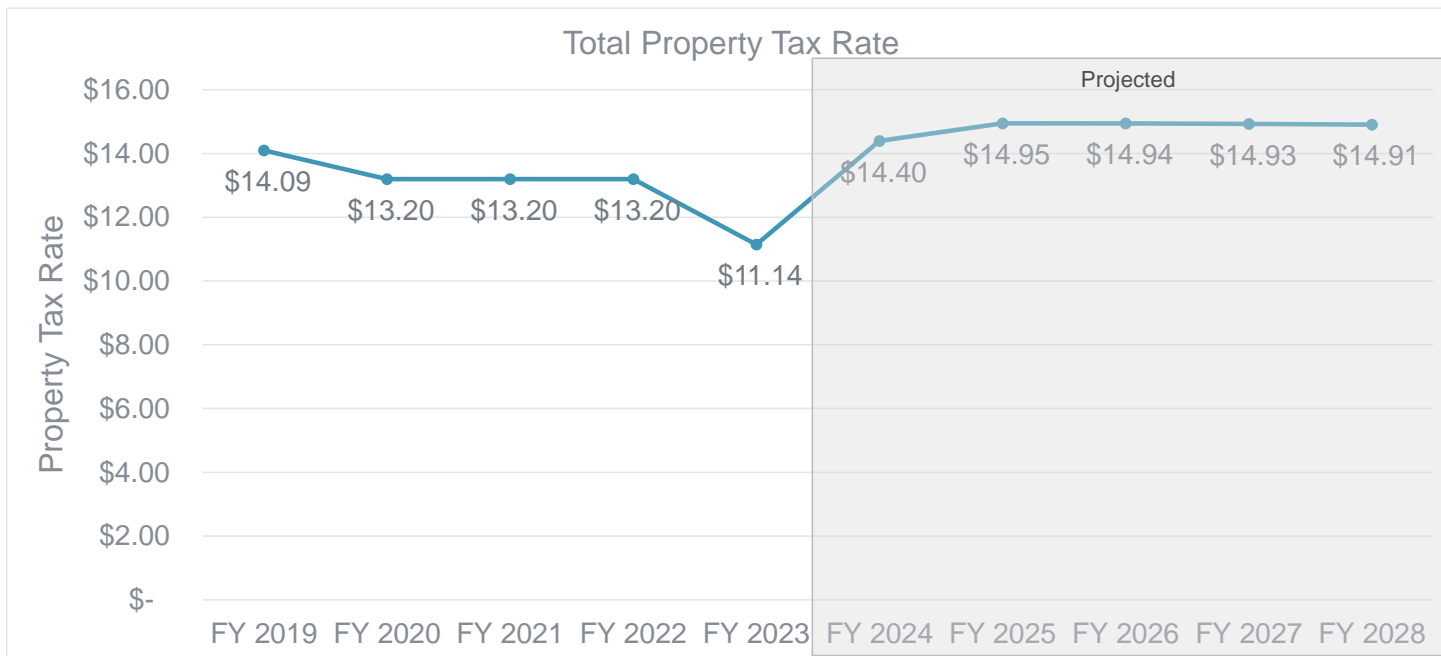
- Property tax rates in Iowa are expressed in dollars per thousand of taxable value.
- To calculate the taxes levied, take the rate, multiply by the taxable value of the property (after credits) and divide by 1,000.
- Property value in Iowa has two ways it is expressed - Assessed Value and Taxable Value
  - Assessed Value is the value as set by the assessing entity and may be broadly defined for all classes other than Agricultural as the market value.
  - Taxable Value is the value that is multiplied by the tax rate to generate the taxes owed and is always equal to or less than the Assessed Value due to credits and rollbacks.

## Property Tax Rates (continued)

- Property tax rates can be divided into two broad categories:
  - General Fund rate - Uniform Levy, Additional Levy, Cash Reserve Levy, Instructional Support Levy
  - Non-General Fund rates - Board and Voter-Approved PPEL, Management Levy, and Debt Service Levy
  - We will look at the overall levy rate produced by the projection and then describe and discuss each levy and rate.

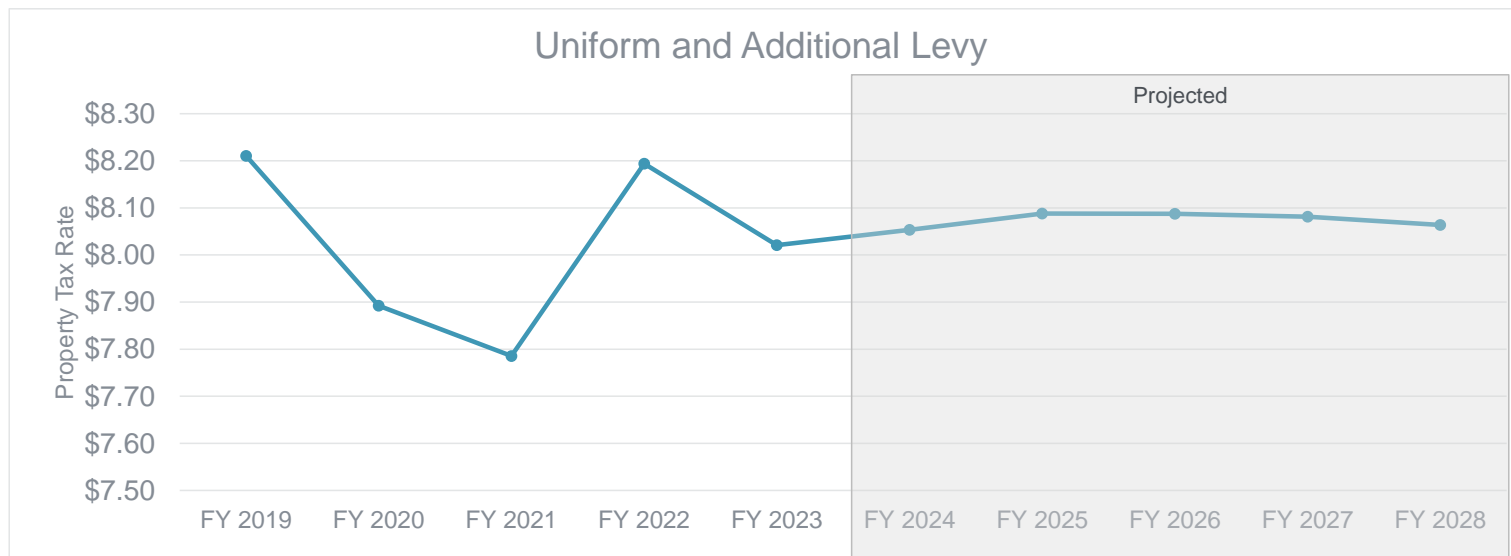
## Total Property Tax Rate

- Shown below is the property tax rate produced by the projection.
- While the district strives to keep the property tax rate as stable as possible, there are factors which can be beyond the control of the district.



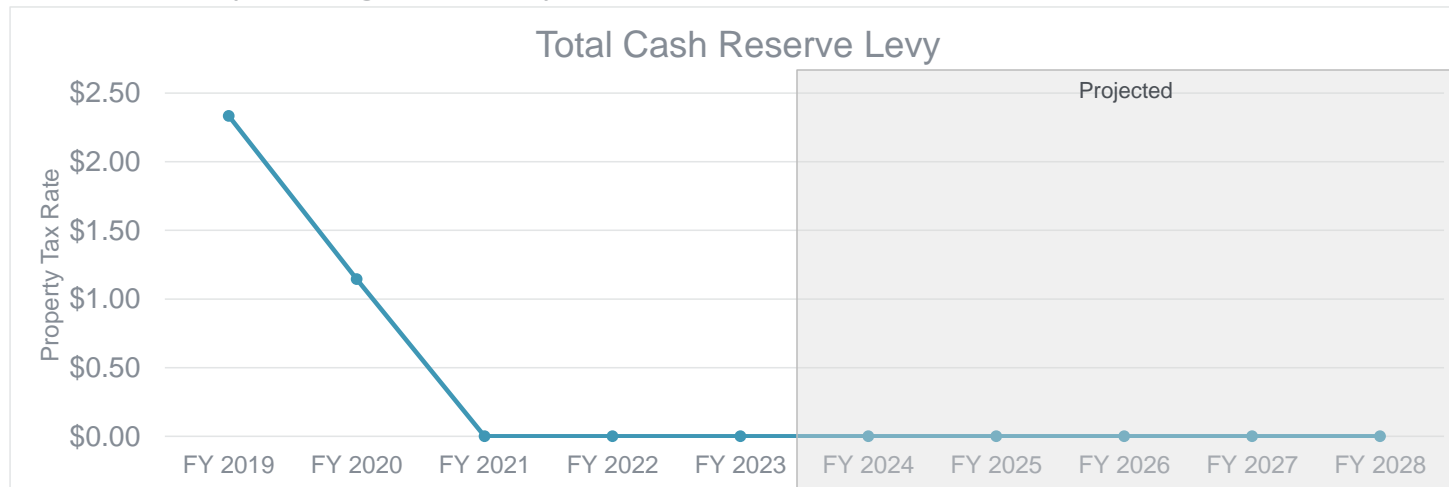
## Uniform and Additional Levy

- The Uniform Levy is a \$5.40 per thousand levy that all school districts levy.
- The Additional Levy tax rate is mostly determined by the valuation characteristic of our school district. Factors that can impact the Additional Levy include weightings (Special Ed, ELL, Community College Concurrent Enrollment, Dropout Prevention, At-Risk, etc.) or the Budget Guarantee.



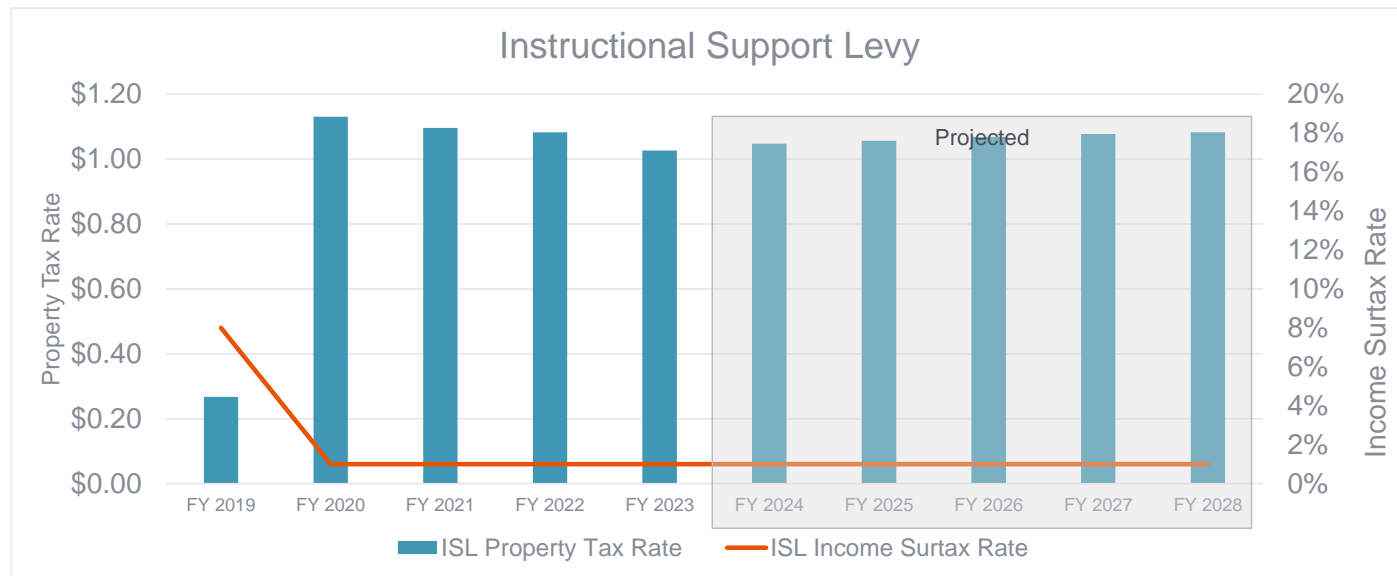
## Cash Reserve Levy

- The Cash Reserve Levy is an annual property tax levy set by board action as part of the Certified Budget.
- There is no rate limit on the levy but once district reserves reach 20%, the district cannot levy until the reserve falls below that amount.
- The Cash Reserve Levy provides funds to finance operations but does not provide additional Spending Authority



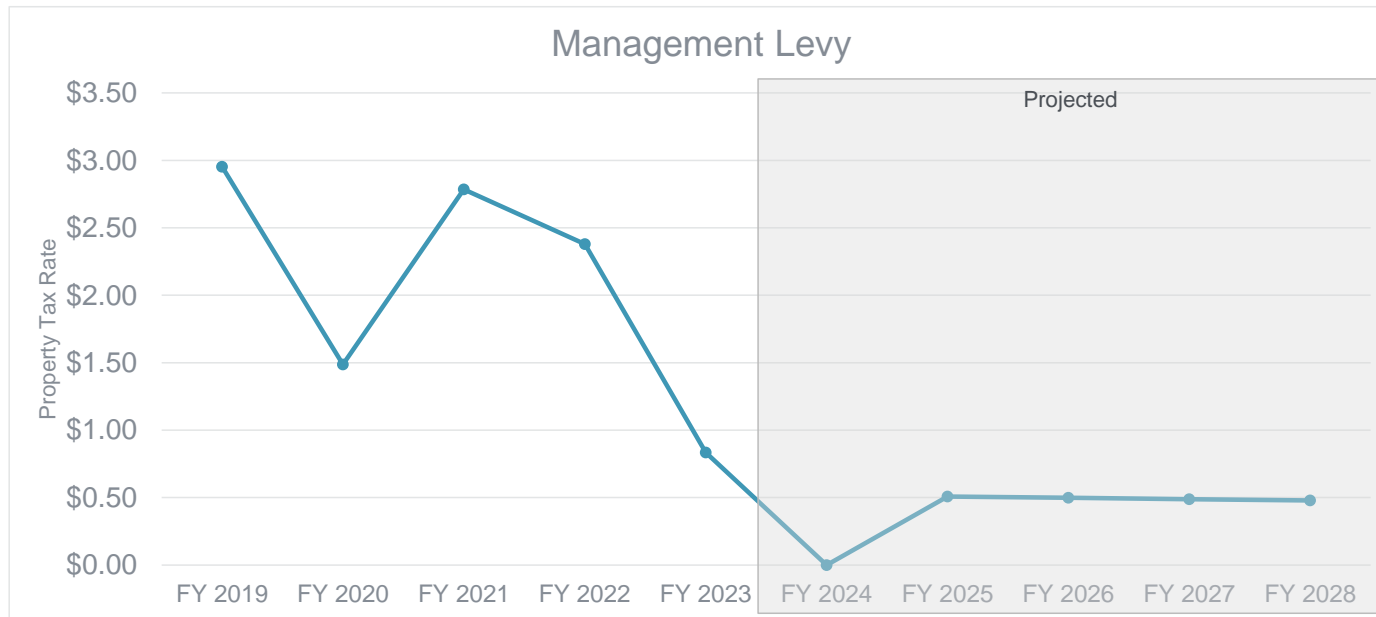
## Instructional Support Levy

- The Instructional Support Levy allows districts to raise spending authority and cash by board action (5 years) or voter action (10 years).
- Districts have the option of utilizing a income surtax to offset some or nearly all of the property tax impact of the ISL. In FY 2023 the district utilized a 1.0% income surtax rate which reduced the ISL property tax rate by \$0.14 per thousand.



## Management Levy

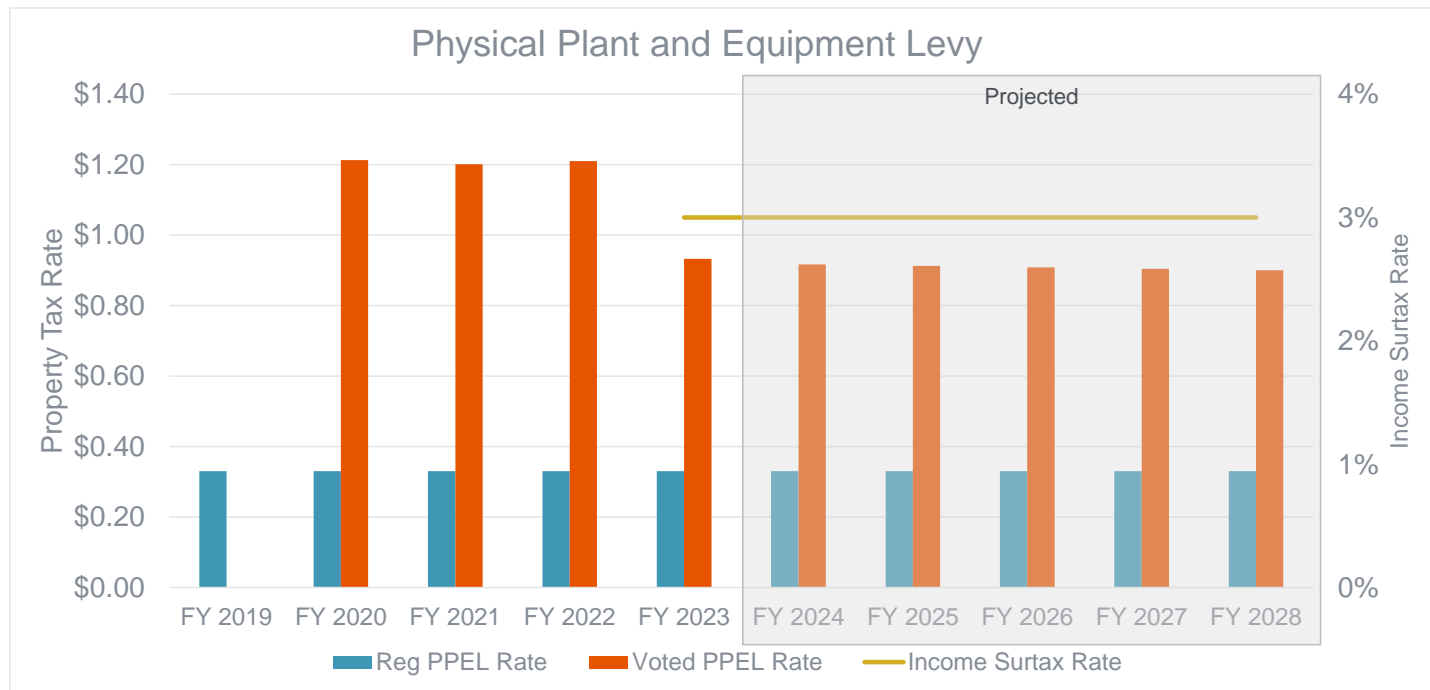
- The Management Levy funds certain costs including Early Retirement, insurance (not employee benefits), and other specified costs.
- There is no rate limit on the levy and it is set as part of the Certified Budget each year.





## Physical Plant and Equipment Levy

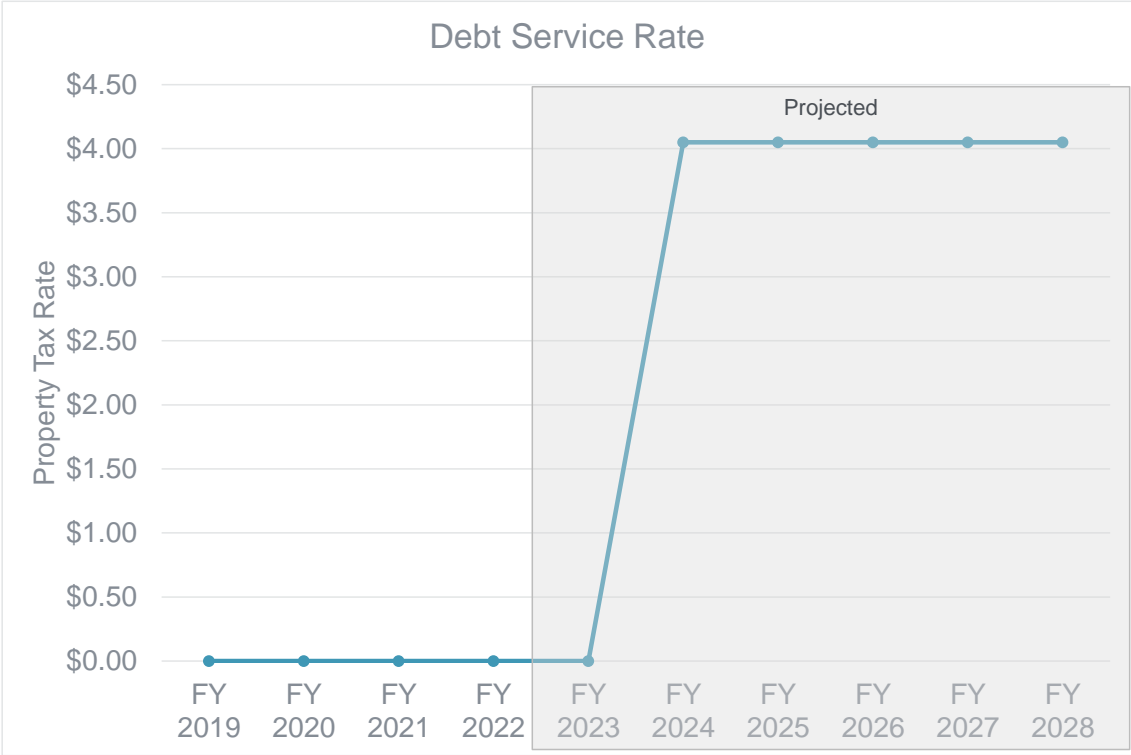
- The Board Approved PPEL is a maximum of \$0.33 of property tax
- The Voter Approved PPEL is the maximum equivalent of \$1.34 of property tax - voters may approve the use of Income Surtax to reduce the property tax impact.



# Debt Service Levy

- The Debt Service Levy is authorized by voters as part of what is commonly referred to as a "bond issue".

FY 2023 Debt Service Rate	\$ -
Maximum Debt Service Rate	\$4.05



## Solvency Ratio

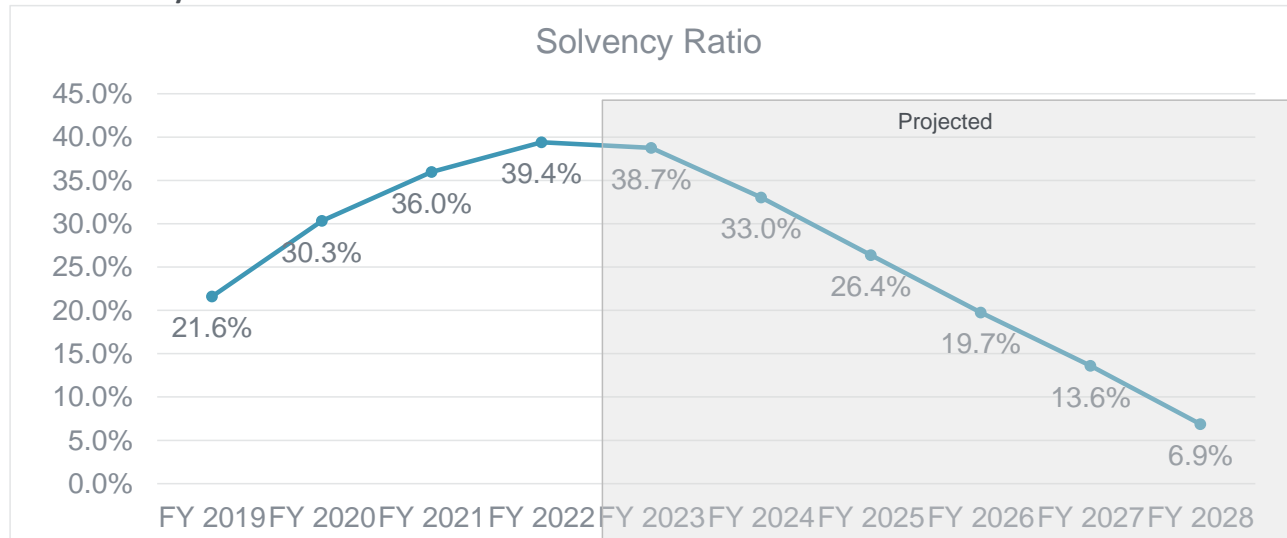
- Solvency Ratio is the fund balance of the General Fund at the conclusion of the fiscal year.
- While it is an important measure from a cash flow perspective and may be important to rating agencies or the public, it is not the measure used by the state to determine General Fund financial health.

Calculation:

$$\begin{array}{r} \text{Assigned Fund Balance} \\ + \text{ Unassigned Fund Balance} \\ / \text{ General Fund Revenue minus AEA Flowthrough} \\ = \text{ Solvency Ratio} \end{array}$$

## Solvency Ratio (continued)

- Solvency Ratio can be impacted by:
  - Cash Reserve Levy
  - Underfunding of State Aid/Across the Board (ATB) cuts
  - Property tax delinquencies/appeals
  - Expenditure reductions
- The projected Solvency Ratio is shown here:

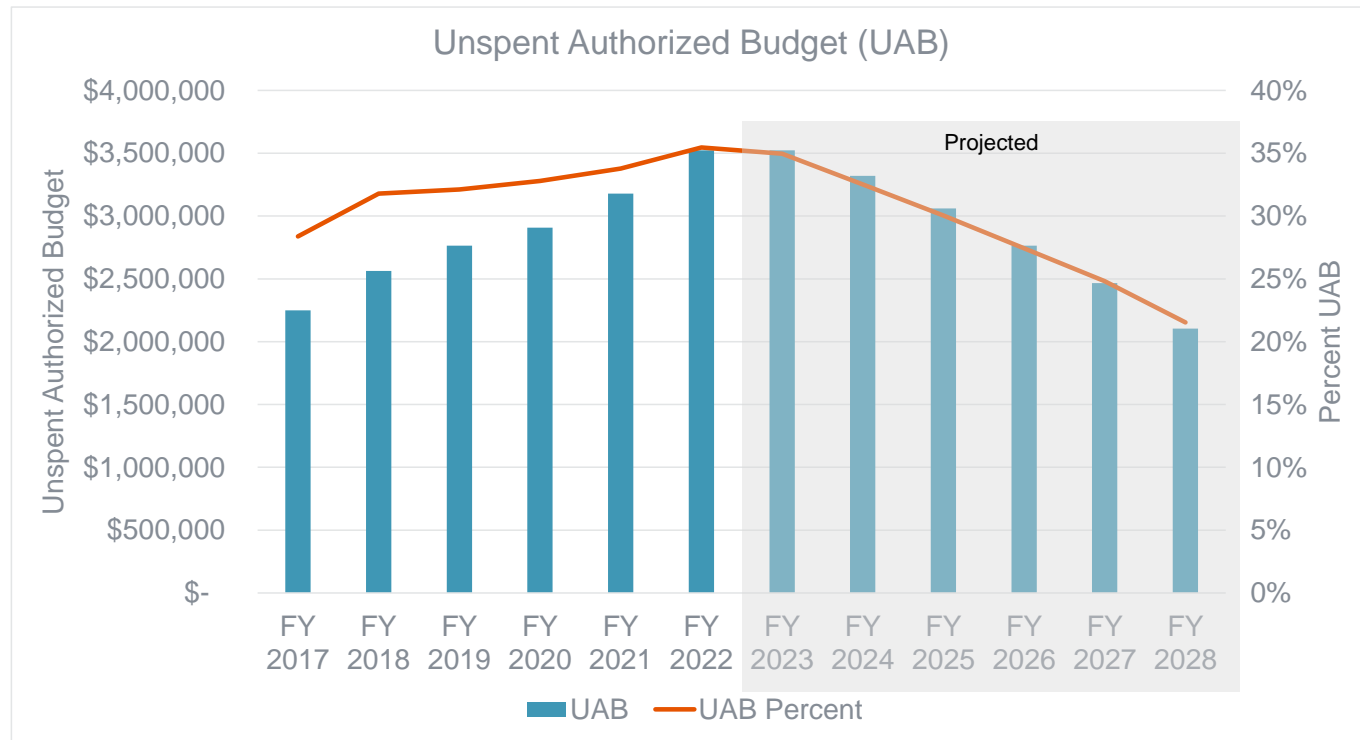


## Unspent Authorized Budget

- The Unspent Authorized Budget or UAB represents the remaining spending authority of the General Fund at the conclusion of the fiscal year.
- It is the single most important General Fund financial measure and is used by the School Budget Review Committee and the State Board of Education in evaluating school district General Fund financial position.
- If a district's UAB falls below zero, the district will be subject to additional reporting and potentially sanctions, up to and including mandatory closure of the district.

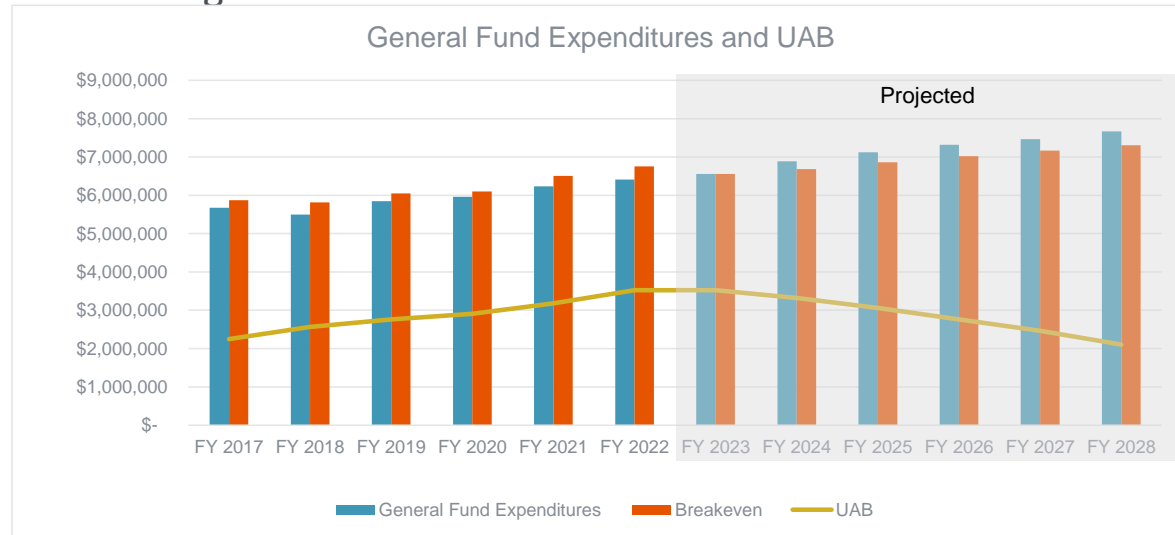
## Unspent Authorized Budget (continued)

- We will examine the UAB in two ways, in terms of total dollars and also as a percent.



## Unspent Authorized Budget (continued)

- Because options for adding Spending Authority are limited, we most often view expenditures as the driving force in our UAB.



- Breakeven spending is the spending level each year that produces no change in the UAB. It measures current year spending authority resources.
- Our district has historically wanted to keep the UAB Percent between 15% and 20%, with small school sizes comes difficulties in making changes with affecting programs.

## Glossary

Breakeven Spending	The amount of spending that produces no change in Unspent Authorized Budget, can be expressed in dollars or percent.
Budget Guarantee	Provision of spending authority triggered by an enrollment decline. For the Regular Program Budget Adjustment the amount is automatically included in property taxes and requires a board resolution annually.
Headcount Enrollment	The October 1 headcount of resident students. The enrollment count is used in the upcoming fiscal year for determining funding.
Income Surtax	Can be used to lower property tax rates for the ISL and the voted PPEL. The income surtax is calculated as a percent of Iowa individual income tax liability.
Maximum District Cost	Current year spending authority plus Unspent Authorized Budget from the prior year. This is the maximum legal General Fund spending authority of the district.
Miscellaneous Income	Any General Fund income which is not taxes or state aid and is actually received.
Operational Sharing	Specific type of Supplementary Weighting for sharing certain positions. Different amounts are generated by the position shared (e.g., Superintendent, 8 students).
Regular Program District Cost	The spending authority created by the 1.0 headcount.
Solvency Ratio	Assigned + Unassigned General Fund Balance divided by Total General Fund Revenues less AEA Flowthrough. This measures the surplus fund balance on a percentage basis.



## Glossary (continued)

Special Education Deficit	The excess cost of the Special Education program beyond the revenues generated by the weighting.
State Supplementary Assistance Rate	The rate set by the legislature for the growth in the State cost per pupil. The rate is usually expressed as a percentage.
Supplementary Weighting	Additional student count for specific activities including Community College Concurrent Enrollment, At-Risk, and various types of sharing.
Unspent Authorized Budget	The remaining spending authority at the conclusion of the fiscal year.
Weighted Enrollment	Total enrollment multiplied by a cost per pupil to determine the funding for different programs. Example, Special Education.