

SUNMAN-DEARBORN
COMMUNITY SCHOOLS
#WatchSunmanDearborn

2022-2026
Five-Year Financial Forecast
Sunman-Dearborn Community Schools

Presented:
January 13, 2022
Sunman-Dearborn Community Schools
Board of Finance Meeting

Introduction

The five-year financial forecast has been developed to help provide a clearer picture of the financial future of Sunman-Dearborn Community Schools.

The forecast and report are designed to comply with new Indiana Code regarding Senate Enrolled Act (SEA) 549 passed into law during the 2019 Indiana General Assembly. SEA 549 requires a report be presented during the annual Board of Finance meeting which assesses the financial condition of the school corporation using the fiscal indicators determined by the Distressed Unit Appeal Board (DUAB). For more information about DUAB or the fiscal indicators, please go to <https://www.in.gov/duab/2386.htm>.

The forecast is developed with certain assumptions. As with any forecast, those assumptions can prove to be incorrect due to changes in enrollment, changes in the state budget, or changes in the economy. A detailed explanation follows.

The forecast contains three years of historical data (2019 - 2021), followed by five years of projections. The forecast projects expenses and revenues of both the Education Fund and the Operations Fund, as well as the projected cash balances of both funds and the Rainy Day Fund.

Overall Forecast Format

Moving from top to bottom, the top section of the forecast is expenses, and the bottom section is revenue. Moving from left to right, first are various categories, then each year. The first three years are actual expenses from calendar year 2019, 2020, and 2021 (January 1 - December 31). From there, you will see projected calendar years 2022 - 2026. Below the revenue section are the various assumptions made for the forecast.

Five-Year Financial Forecast
2022 - 2026
Education Fund

	EDUCATION FUND EXPENSES	Actual			Projection				
		2019	2020	2021	2022	2023	2024	2025	2026
1	Certified Salaries (110)	13,461,001	14,200,843	14,581,114	15,280,000	15,510,400	15,510,400	15,510,400	15,510,400
2	Non-Certified Salaries(120)	2,542,632	2,342,018	2,413,489	2,525,000	2,684,452	2,684,452	2,684,452	2,684,452
3	Benefits (200)	2,796,655	2,675,750	2,955,187	3,095,000	3,147,709	3,147,709	3,147,709	3,147,709
4	Medical/Dental Ins. (222)	2,586,669	2,394,828	2,615,709	2,980,000	3,099,200	3,099,200	3,099,200	3,099,200
5	HSA Contributions (222)	554,510	577,875	552,613	551,250	551,250	0	0	0
6	Professional Services (300)	123,027	214,654	471,342	300,000	306,000	312,120	318,362	324,730
7	Certified Substitutes(313)	138,929	142,405	132,196	308,000	314,160	320,443	326,852	333,389
8	Travel (500)	16,972	9,038	7,659	8,400	8,400	8,400	8,400	8,400
9	Career Center/Other Tuition (500)	253,570	349,801	344,116	455,000	464,100	473,382	482,850	492,507
10	Supplies/Software (600)	280,328	444,413	535,615	600,000	612,000	624,240	636,725	649,459
11	Equipment (700)	3,768	127,413	0	0	0	0	0	0
12	Total Expenses	24,059,653	24,269,362	24,609,040	26,102,650	26,697,671	26,180,347	26,214,950	26,250,246
EDUCATION FUND REVENUE									
13	State Funding	23,037,972	23,652,382	25,045,779	26,986,512	27,588,187	28,141,619	28,706,119	29,281,909
14	Common School Reimb.	555,476	627,536	408,594	83,387	83,387	83,387	83,387	83,387
15	Other Revenue	46,787	355,713	291,637	262,000	262,000	262,000	262,000	262,000
16	Revenue Sub-total	25,051,031	25,570,835	25,746,010	27,331,899	27,933,574	28,487,006	29,051,506	29,627,296
17	Surplus/(Deficit)	991,378	1,301,473	1,208,607	1,229,249	1,235,903	2,306,659	2,836,556	3,377,050
18	Transfer (to)/from Other Funds	(1,800,000)	(1,000,000)	(1,400,000)	(1,500,000)	(1,139,409)	(2,363,565)	(2,832,749)	(3,373,168)
19	Total Revenue	23,251,031	24,570,835	24,346,010	25,831,899	26,794,166	26,123,441	26,218,757	26,254,129
20	December 31 Cash Balance	3,072,557	3,374,030	3,111,000	2,840,249	2,936,744	2,879,838	2,883,645	2,887,527
21	Cash Balance Percent	12.8%	13.9%	12.6%	10.9%	11.0%	11.0%	11.0%	11.0%
22	September Count Day ADM	3,673	3,668	3,697	3,755	3,766	3,746	3,751	3,773
23	Rainy Day Fund Cash Balance	4,452,404	4,726,348	5,726,348	5,726,348	6,034,524	7,769,078	10,074,575	13,998,581
24	12/31 Cash Balance (All Funds)	9,905,815	11,137,795	11,242,217	11,505,327	11,909,283	13,584,501	15,915,154	19,864,820
25	12/31 Cash Balance % (All Funds)	29.33%	33.78%	32.82%	32.10%	32.64%	37.77%	44.12%	54.91%

Assumptions:

S-DOA funded through federal stimulus for 21-22 school year	2022 and 2023 funding based on state budget
2% Increase each year on discretionary spending	2024 and beyond 2% increase in state funding

Five-Year Financial Forecast
2022 - 2026
Operations Fund

	OPERATIONS EXPENSES	Actual			Projection				
		2019	2020	2021	2022	2023	2024	2025	2026
1	Certified Salaries (110)	337,616	297,279	274,338	267,000	263,457	263,457	263,457	263,457
2	Non-Certified Salaries(120)	1,991,689	2,013,055	2,236,650	2,230,000	2,393,160	2,393,160	2,393,160	2,393,160
4	Substitutes(130)	79,983	48,092	103,639	100,000	102,000	104,040	106,121	108,243
5	Benefits (200)	428,947	452,436	480,816	455,000	557,890	557,890	557,890	557,890
6	Medical/Dental Insurance (222)	308,074	322,113	323,843	360,000	374,400	374,400	374,400	374,400
7	HSA Deposits (222)	56,875	75,500	73,438	77,875	77,875	0	0	0
8	Workers Compensation (200)	122,513	136,136	113,214	125,984	128,504	131,074	133,695	136,369
9	Professional Services (300)	230,790	134,067	136,451	144,000	146,880	149,818	152,814	155,870
10	Water & Refuse (400)	132,671	125,465	137,418	150,000	153,000	156,060	159,181	162,365
11	Repairs and Maint. (400)	936,524	523,147	800,784	540,000	550,000	561,000	572,220	583,664
12	Contracted Transportation (500)	2,632,253	2,597,509	2,669,393	2,636,000	2,636,000	2,636,000	2,636,000	2,636,000
13	Liability Insurance/Auto (500)	229,010	258,857	310,475	363,000	370,260	377,665	385,219	392,923
14	Other Purchased Services (500)	252,580	272,748	287,554	288,000	293,760	299,635	305,628	311,740
15	Utilities (600)	972,653	800,620	981,285	990,000	1,009,800	1,029,996	1,050,596	1,071,608
16	Supplies/Software (600)	553,170	571,491	709,831	720,000	734,400	749,088	764,070	779,351
17	Equip/Vehicles (700)	442,004	73,432	0	292,521	0	0	0	0
18	Dues/Fees (800)	3,255	2,270	2,254	2,000	2,000	2,000	2,000	2,000
19	Total Expenses	9,710,606	8,704,217	9,641,384	9,741,380	9,793,385	9,785,282	9,856,450	9,929,041
	OPERATIONS REVENUE								
20	Local Property Taxes	6,622,828	6,697,588	6,999,116	7,200,000	7,344,000	7,490,880	7,640,698	8,743,512
21	License Excise Tax	805,092	801,345	808,469	780,000	803,400	827,502	852,327	877,897
22	Comm. Veh. Excise Tax	15,520	14,289	14,355	14,000	14,420	14,853	15,298	15,757
23	Fin. Inst. Tax	8,439	8,871	10,758	11,000	11,330	11,670	12,020	12,381
24	Co. School Dist & LIT	581,324	689,612	677,700	668,241	688,288	708,937	730,205	752,111
25	Interest	245,055	67,359	26,539	30,000	30,000	30,000	30,000	30,000
26	Misc. Revenues	324,269	276,241	71,900	72,000	70,000	70,000	70,000	70,000
27	Sub-Total Revenue	8,602,527	8,555,305	8,608,836	8,775,241	8,961,438	9,153,841	9,350,548	10,501,657
28	Surplus/(Deficit)	(1,108,080)	(148,913)	(1,032,548)	(966,139)	(831,947)	(631,441)	(505,902)	572,616
29	Transfer (to)/from Education Fund	1,800,000	805,475	400,000	1,500,000	1,139,409	2,363,565	2,832,749	3,373,168
30	Transfer (to)/from Rainy Day	(1,500,000)	0	(1,000,000)	0	(308,176)	(1,734,555)	(2,305,497)	(3,924,006)
31	Total Revenue	8,902,527	9,360,780	9,008,836	10,275,241	9,792,671	9,782,852	9,877,800	9,950,818
32	December 31 Cash Balance	2,380,855	3,037,417	2,404,869	2,938,730	2,938,016	2,935,585	2,956,935	2,978,712
33	Cash Balance Percent	25%	35%	25%	30%	30%	30%	30%	30%
34	Rainy Day Fund Cash Balance	4,452,404	4,726,348	5,726,348	5,726,348	6,034,524	7,769,078	10,074,575	13,998,581
35	Total Fund Cash Balance	9,905,815	11,137,795	11,242,217	11,505,327	11,909,283	13,584,501	15,915,154	19,864,820

Assumptions:

2% increase in property tax revenue

2% increase is all other expense lines

\$1,100,000 debt service revolving G.O. bond 2022+

Education Fund Expenses

Lines 1 - 11 are the Education Fund expense categories. Line 12 is the total of all expenses. Lines 1-6 are salaries and benefits for all employees funded through the Education Fund. This includes teachers, counselors, instructional assistants, school nurses, media specialists, athletic coaches, ECA sponsors, and building administrative assistants. In calendar year 2021, these budget lines equaled 94.6% of all Education Fund expenses.

The overall Education Fund expenses increase significantly in 2022 due to the 9% increase in teacher and staff compensation for the 2021-2022 school year, followed by a 4.8% increase in the 2022-2023 school year.

Operations Fund Expenses

Lines 1 - 18 are the Operations Fund expense categories. Row 19 is the total of all expenses. Rows 1-7 are salaries and benefits for all employees funded through the Operations Fund. This includes central office administrators, central office administrative assistants, technology support, transportation salaries (bus drivers and aides), maintenance and custodians. In calendar year 2022, these budget lines equal 38.3% of all Operations Fund expenses. This is considerably less than the Education Fund. The Operations Fund also pays our utilities, contracted bus routes, insurance, equipment, supplies, and small improvement projects.

Education/Operation Fund Expenses Assumptions

- 4.8% salary increase for 2022-2023 school year
- 2% increase is all other expense lines
- \$1,100,000 debt service revolving G.O. bond 2022-2026

Education Fund Revenue

There are three (3) sources of Education Fund revenue; Line 13 - State Tuition Support, Line 14 - Common School Loan Reimbursement, and Line 15 - Other Income.

We continue to better understand how the Education Fund and Operations Fund will work in unison and with transfers between the two funds. Each year, we will likely need to transfer some revenue from the Education Fund to the Operations Fund. In calendar year 2019, we transferred \$300,000, or around 1.25%. In calendar year 2020, we transferred \$1,000,000, or around 4.5%. In calendar year 2021, we transferred \$400,000, or 1.6%. For calendar year 2022, we transferred \$1,100,000, or 4.2%. Moving forward, we anticipate The 2019 General Assembly set a guideline of 15% or less to be transferred from the Education Fund to the Operations Fund. By depositing all other revenue directly into the Operations Fund, this will limit the amount we must transfer from the Education Fund.

Line 19 is the Education Fund revenue from all sources, before any transfers to or from the Education Fund.

Operations Fund Revenue

There are several sources of revenue for the Operations Fund; Line 20 - Local Property Tax, Line 21 - License Excise Tax, Line 22 - Commercial Vehicle Excise Tax, Line 23 - Financial Institute Tax, Line 24 - Local Income Tax (LIT), Line 25 - Interest, and Line 26 - Miscellaneous. Line 27 is total revenue, which is projected to increase around 2.5% each year from 2022-2025. Please note the increase in calendar year 2026. In calendar year 2025, we will make our last payment for our Pension Debt bonds. The levy amount each year is approximately \$950,000. This amount is reduced from our Operations Fund levy. In 2026, we will no longer have a Pension Debt Fund levy, and the amount will be returned to the Operations Fund.

Education/Operation Fund Revenue Assumptions

- Actual state funding 2022 and 2023, 2% increase 2024-2026
- 2% increase in property tax revenue
- Average Daily Membership (ADM) based on 10-year enrollment projection and

Figure 1 below shows the projected expenditures revenue for both Education Fund and Operations Fund from 2021-2026.

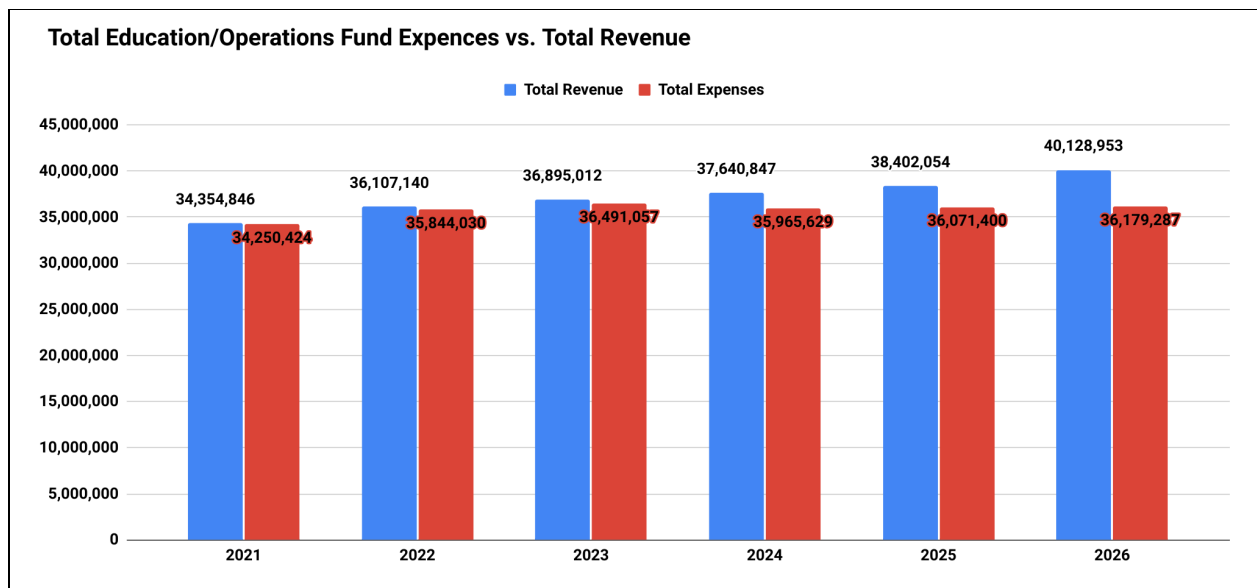


Figure 1: Education/Operations Fund Expenses vs Revenue 2021-2026

Education, Operations and Rainy Day Fund December 31 Cash Balance

Due to the changes in the funds and ability to transfer between them, the December 31 cash balance of both funds must be reviewed together. For the Education Fund, it is shown on Line 23 and for the Operations Fund, it is shown on Line 32. Per the Strategic Plan goal of maintaining a cash balance in the Education fund between 10% and 12%, the Education Fund maintains an 11% cash balance each year of the five-year forecast. Excess revenue is transferred to the Operations Fund or the Rainy Day Fund. During Calendar Year 2021, a 25% cash balance was maintained in the Operations Fund. It appears the cash balance will need to be maintained around 30% in the Operations Fund. The cash balance increases to 30% in calendar year 2021 and beyond. As Figure 5 shows, the combined cash balance of the Education Fund, Operations Fund, and Rainy Day Fund grows each year of the forecast.

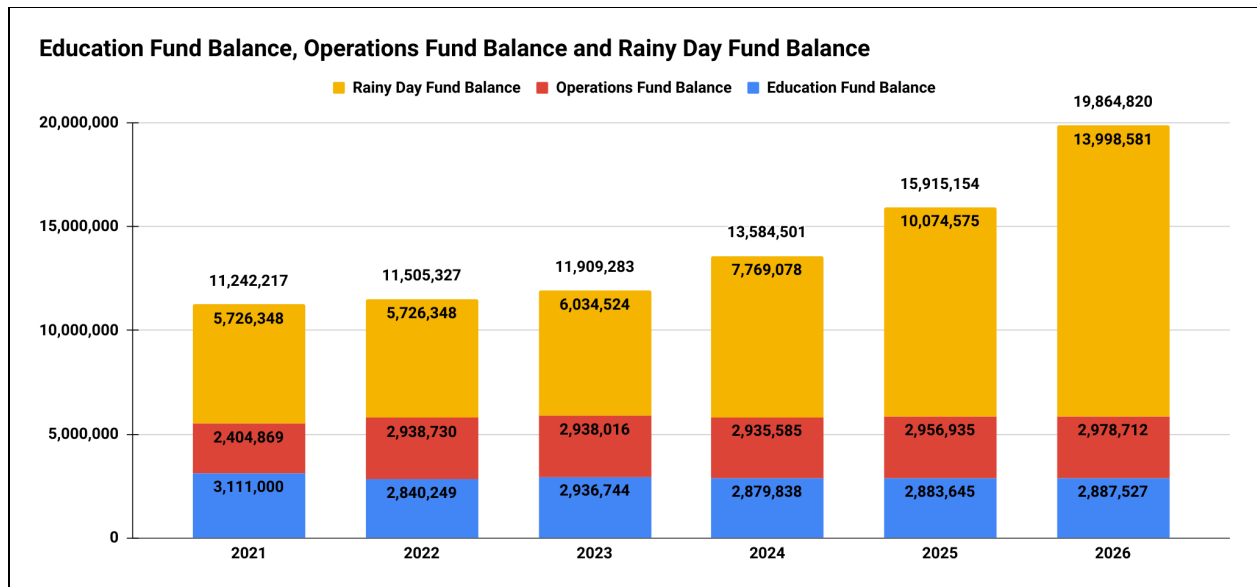


Figure 2: Education/Operations/Rainy Day Fund Cash Balance 2021-2026

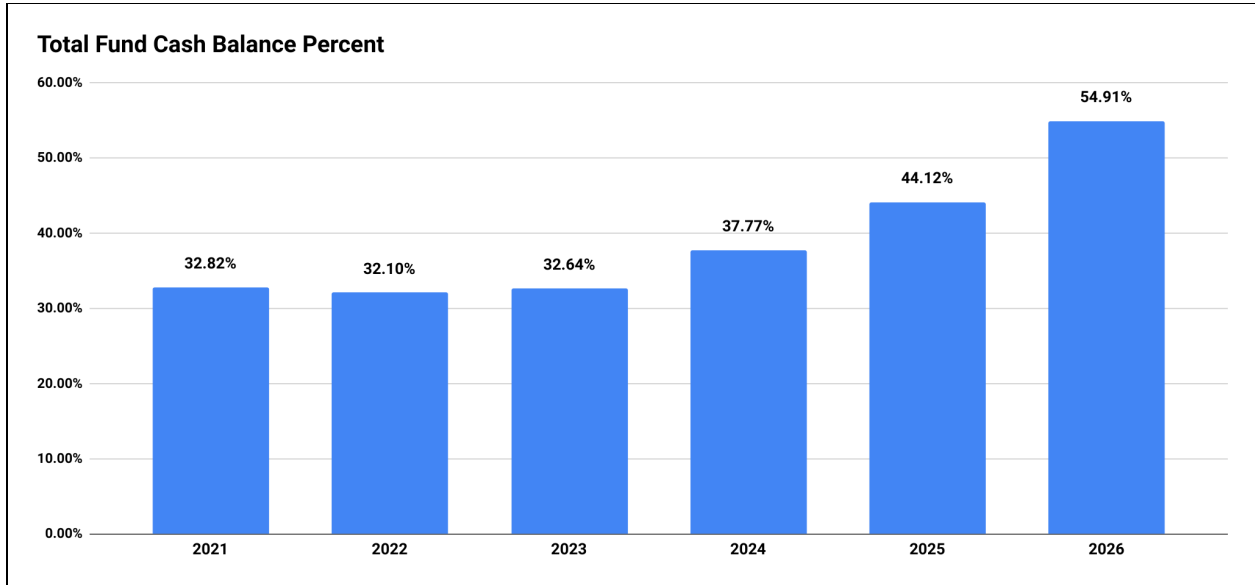


Figure 3: Education/Operations/Rainy Day Fund Cash Balance Percent 2021-2026

Average Daily Membership (ADM)

ADM, or student enrollment, is a crucial factor in the financial forecast. Since 2008, the state has assumed nearly all of the Education Fund revenue. In calendar year 2021, state revenue was 99% of the total Education Fund revenue. State revenue is generated by student enrollment. For the past several years, our enrollment has been above the projection and the last two years, our enrollment has actually increased - by 17 in 2020, and by 59 in 2021. The recent increase has changed the enrollment projection model significantly where the projection is now showing a growth for the first time in over 15 years.

The 2015 10-Year Enrollment Projection showed a 3,527 enrollment projection for the 21-22 school year and a 3,394 projection for the 25-26 school year. The most recent 2021 10-Year Enrollment Projection shows an actual enrollment of 3,755 for the 21-22 school year and projects and enrollment of 3,773 for the 25-26 school year.

There have been two major factors in the enrollment projection trend reversal; (1) each year we have realized an increase in out of district transfers - from 2 in the 11-12 school year to 259 in the 21-22 school year, and (2) a Kindergarten enrollment of 283 for the 21-22 school year - the largest Kindergarten enrollment in over a decade.

For purposes of the financial forecast, the enrollment is assumed to be neutral without an increase or decrease.

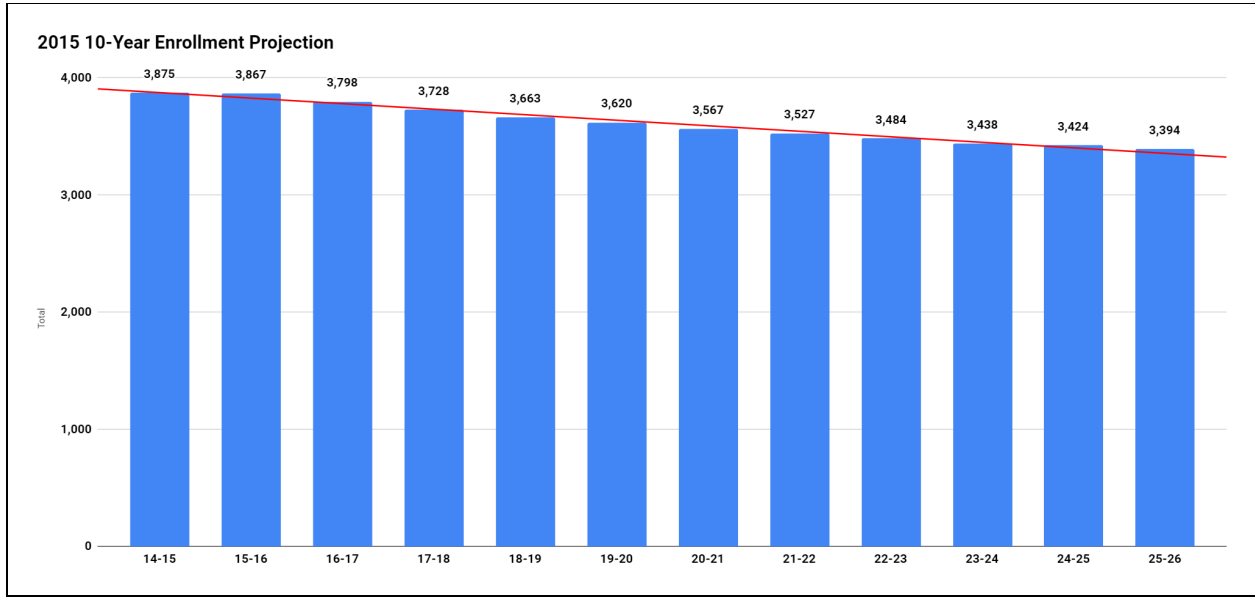


Figure 4: 2015 10-Year Enrollment Projection

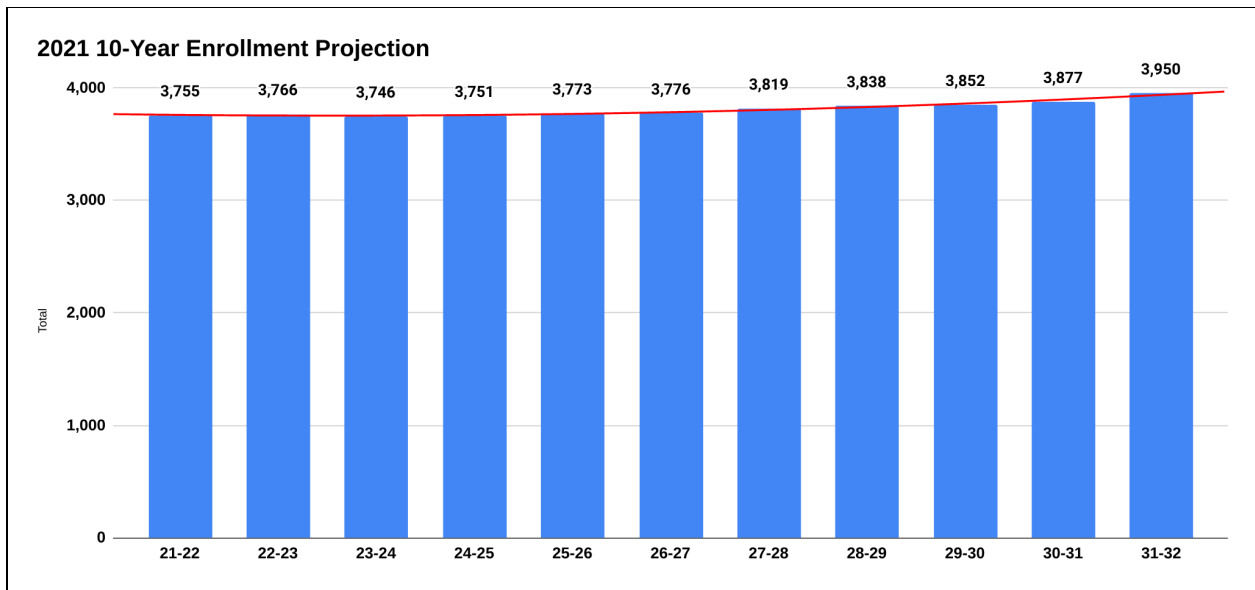


Figure 5: 2021 10-Year Enrollment Projection

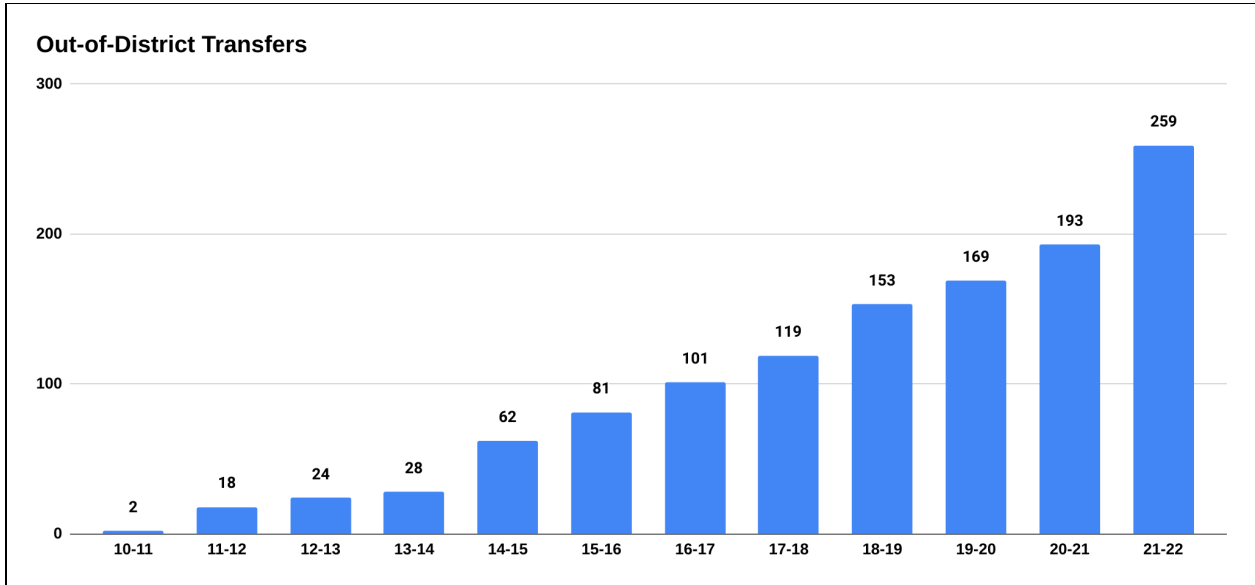


Figure 6: Historical Out-of-District Transfers

Future Pay and Benefits

It is important to remember a five-year forecast is built on certain assumptions as listed in the document. It also only models current obligations for salary increases and health insurance benefits and does not include increases in salaries or benefits beyond the current Collective Bargaining Agreement (CBA). The current CBA with the Association is for 2021-2023. From August of 2023 through the end of the forecast, there are no raises, increases in benefits and health insurance premiums, or the continuation of the Health Savings Account (HSA) deposits. One of the goals of our Strategic Plan is to have the highest salaries in Southeastern Indiana. The five-year forecast shows the school corporation has the fiscal capacity to continue to give raises to our employees and increases in related benefits and health insurance.

Figure 6 and Figure 7 below show the expenditures, revenues and cash balances of both the Education Fund and Operations Fund if the Board provides average raises of 2.5%, average health insurance premium increases of 4%, and continues to make HSA deposits each year from 2023-2026. As shown in these figures, the Board has the financial capacity to continue to give raises and increases in health insurance premiums throughout the span of the five-year financial forecast.

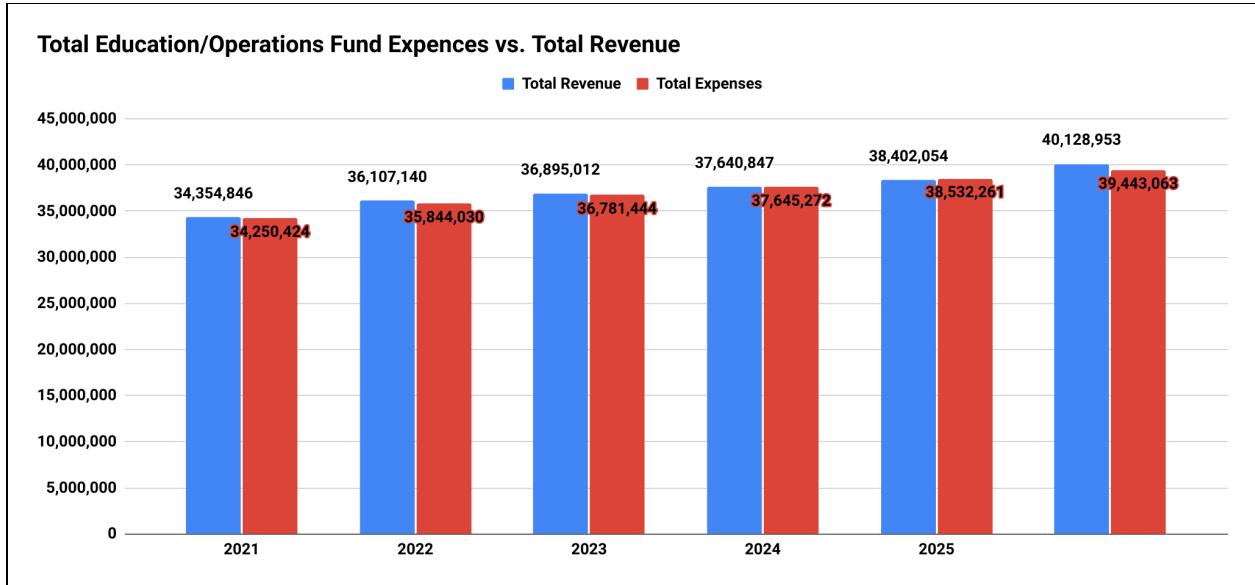


Figure 7: Education/Operations/Fund Expendes vs Revenue 2021-2026

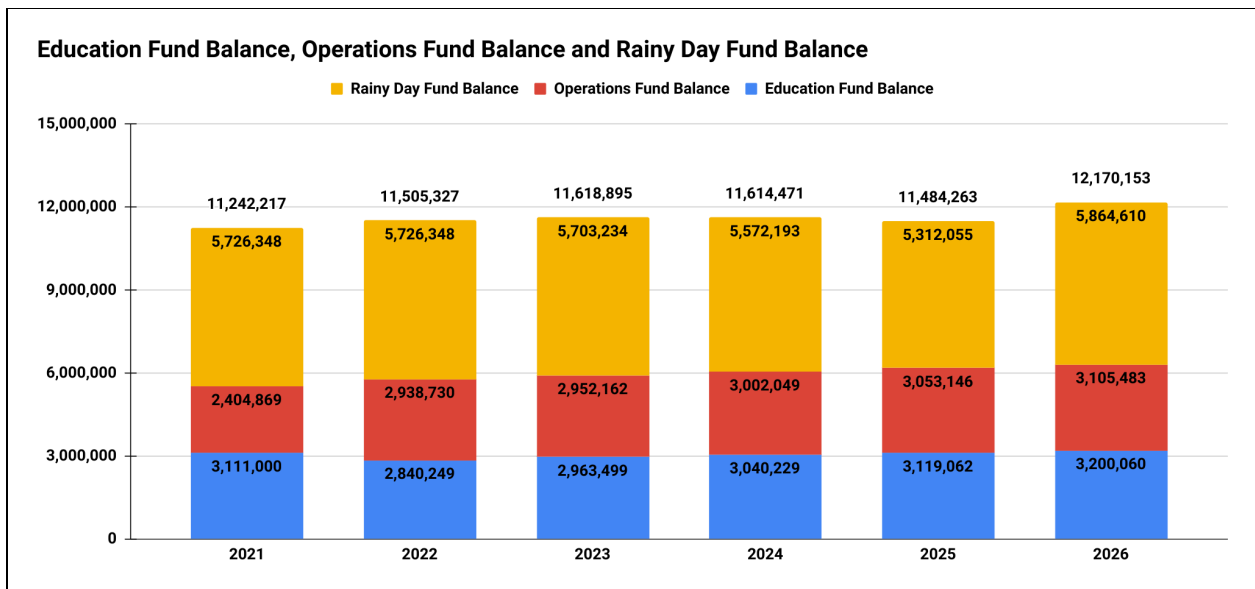


Figure 8: Education/Operations/Rainy Day Fund Cash Balance 2021-2026

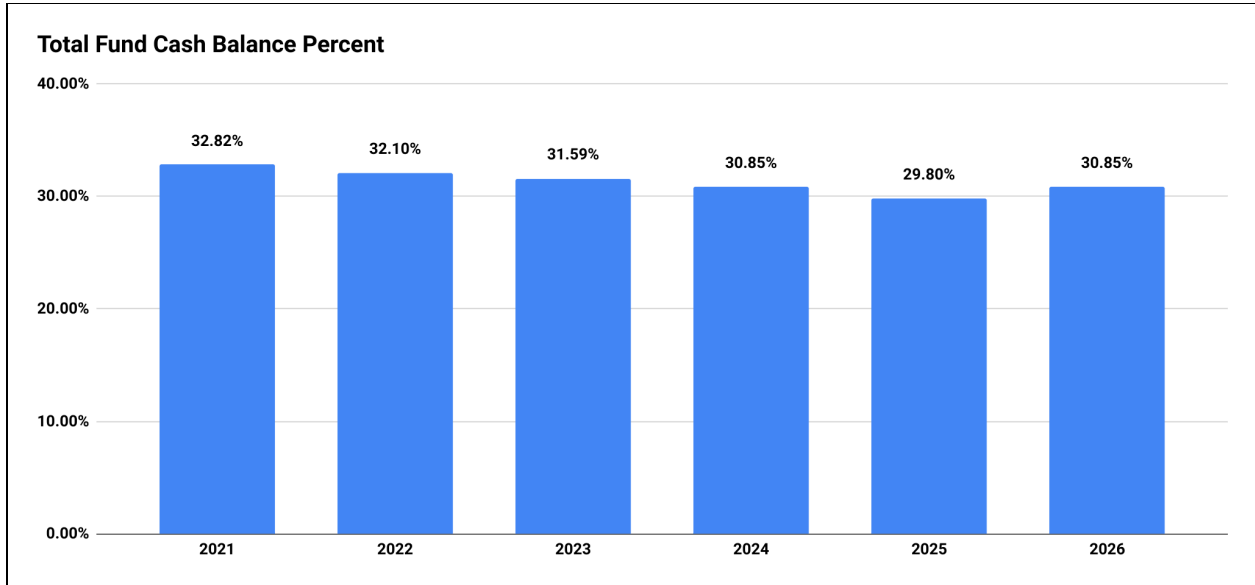


Figure 9: Education/Operations/Rainy Day Fund Cash Balance Percent 2021-2026

Conclusion

As mentioned above, the forecast is built upon certain assumptions. In any year, the assumptions can change, particularly as we continue to experience a global pandemic. However, given the assumptions, Sunman-Dearborn Community School Corporation continues to be in a very strong financial position. In fact the strongest financial position the school has been in for many years.