

SUNMAN-DEARBORN
COMMUNITY SCHOOLS
#WatchSunmanDearborn

2023-2027
Five-Year Financial Forecast
Sunman-Dearborn Community Schools

Presented:
January 12, 2023
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 first five-year financial forecast was presented in 2017.

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 (2020 - 2022), 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 2020, 2021, and 2022 (January 1 - December 31). From there, you will see projected calendar years 2023 - 2027.

Five-Year Financial Forecast
2023 - 2027
Education Fund

		Actual			Projection				
EDUCATION FUND EXPENSES		2020	2021	2022	2023	2024	2025	2026	2027
1	Certified Salaries (110)	14,200,843	14,581,114	15,291,194	15,613,231	16,081,628	16,564,077	17,060,999	17,572,829
2	Non-Certified Salaries (120)	2,342,018	2,413,489	2,724,542	2,871,212	2,953,983	3,042,602	3,133,881	3,227,897
3	Benefits (200)	2,675,750	2,955,187	3,218,183	3,222,000	3,426,410	3,529,202	3,635,078	3,744,131
4	Medical/Dental Ins. (222)	2,394,828	2,615,709	2,888,086	3,005,000	3,125,200	3,250,208	3,380,216	3,515,425
5	HSA Contributions (222)	577,875	552,613	531,420	533,250	533,250	533,250	533,250	533,250
6	Prof Dev/Prof Services (313)	214,654	471,342	187,962	187,962	191,721	195,556	199,467	203,456
7	Cert/Non Cert Subs (311)	142,405	132,196	413,968	478,000	487,560	497,311	507,257	517,403
8	Travel (500)	9,038	7,659	12,250	12,000	12,000	12,000	12,000	12,000
9	Career Center/Other Tuition (500)	349,801	344,116	467,490	474,900	484,398	494,086	503,968	514,047
10	Supplies/Software (600)	444,413	535,615	629,123	660,000	673,200	686,664	700,397	714,405
11	Other (700)	127,413	0	0	1,000	1,020	1,040	1,061	1,082
12	Total Expenses	24,269,362	24,609,040	26,364,217	27,058,555	27,970,370	28,805,996	29,667,574	30,555,925
EDUCATION FUND REVENUE									
13	State Funding	23,652,382	25,045,779	26,927,395	28,557,241	29,985,103	30,884,656	31,502,349	32,132,396
14	Common School Reimb.	627,536	408,594	234,482	285,337	285,337	285,337	285,337	285,337
15	Other Revenue	355,713	291,637	323,787	276,500	276,500	276,500	276,500	276,500
16	Revenue Sub-total	25,570,835	25,746,010	27,485,664	29,119,078	30,546,940	31,446,493	32,064,186	32,694,233
17	Surplus/(Deficit)	1,301,473	1,208,607	1,243,894	2,060,523	2,576,570	2,640,497	2,396,612	2,138,308
18	Transfer (to)/from Other Funds	(1,000,000)	(1,400,000)	(1,500,000)	(1,400,000)	(2,892,799)	(2,548,578)	(2,301,838)	(2,040,590)
19	Total Revenue	24,570,835	24,346,010	25,985,664	27,719,078	27,654,141	28,897,915	29,762,348	30,653,643
20	December 31 Cash Balance	3,374,030	3,111,000	2,732,447	3,392,969	3,076,741	3,168,660	3,263,433	3,361,152
21	Cash Balance Percent	13.9%	12.6%	10.4%	12.5%	11.0%	11.0%	11.0%	11.0%
22	September Count Day ADM	3,668	3,697	3,755	3,783	3,804	3,834	3,878	3,901
23	Rainy Day Fund Cash Balance	4,726,348	5,726,348	5,726,348	5,726,348	5,814,576	6,399,735	7,607,956	8,567,667
24	12/31 Cash Balance (All Funds)	11,137,795	11,242,217	10,757,480	11,561,966	12,339,503	13,078,389	14,444,844	15,567,432
25	12/31 Cash Balance % (All Funds)	33.78%	32.82%	28.95%	30.41%	31.27%	32.29%	34.74%	36.47%

Five-Year Financial Forecast
2023 - 2027
Operations Fund

		Actual			Projection				
OPERATIONS EXPENSES		2020	2021	2022	2023	2024	2025	2026	2027
1	Certified Salaries (110)	297,279	274,338	294,365	329,368	339,249	349,426	359,909	370,706
2	Non-Certified Salaries(120)	2,013,055	2,236,650	2,339,141	2,539,530	2,615,716	2,694,187	2,775,013	2,858,263
4	Substitutes(130)	48,092	103,639	200,403	202,500	206,550	210,681	214,895	219,193
5	Benefits (200)	452,436	480,816	516,522	555,000	569,073	585,773	602,967	620,669
6	Medical/Dental Insurance (222)	322,113	323,843	374,845	408,000	424,320	441,293	458,945	477,302
7	HSA Deposits (222)	75,500	73,438	74,438	85,875	85,875	85,875	85,875	85,875
8	Workers Compensation (200)	136,136	113,214	117,373	103,725	105,800	107,915	110,074	112,275
9	Professional Services (300)	134,067	136,451	200,894	150,000	153,000	156,060	159,181	162,365
10	Water & Refuse (400)	125,465	137,418	153,630	168,000	171,360	174,787	178,283	181,849
11	Repairs and Maint. (400)	523,147	800,784	708,240	480,000	489,600	499,392	509,380	519,567
12	Contracted Transportation (500)	2,597,509	2,669,393	2,623,139	2,932,000	3,270,000	3,270,000	3,270,000	3,270,000
13	Liability Insurance/Auto (500)	258,857	310,475	394,624	446,936	455,874	464,992	474,292	483,778
14	Other Purchased Services (500)	272,748	287,554	314,980	317,000	323,340	329,807	336,403	343,131
15	Utilities (600)	800,620	981,285	1,149,810	1,195,000	1,218,900	1,243,278	1,268,144	1,293,506
16	Supplies (600)	571,491	709,831	996,545	960,000	979,200	998,784	1,018,760	1,039,135
17	Equip/Software (700)	73,432	0	324,695	80,000	81,600	83,232	84,897	86,595
18	Dues/Fees (800)	2,270	2,254	17,257	4,500	4,500	4,500	4,500	4,500
19	Total Expenses	8,704,217	9,641,384	10,800,901	10,957,433	11,493,956	11,699,983	11,911,515	12,128,709
OPERATIONS REVENUE									
20	Local Property Taxes	6,697,588	6,999,116	7,319,880	7,671,511	7,824,941	7,981,440	9,091,069	9,272,890
21	License Excise Tax	801,345	808,469	804,471	790,000	813,700	838,111	863,254	889,152
22	Comm. Veh. Excise Tax	14,289	14,355	15,382	15,000	15,450	15,914	16,391	16,883
23	Fin. Inst. Tax	8,871	10,758	12,601	12,400	12,772	13,155	13,550	13,956
24	Co. School Dist & LIT	689,612	677,700	702,730	702,000	723,060	744,752	767,094	790,107
25	Interest	67,359	26,539	111,634	480,485	275,000	175,000	100,000	100,000
26	Misc. Revenues	276,241	71,900	228,021	30,000	30,000	30,000	30,000	30,000
27	Sub-Total Revenue	8,555,305	8,608,836	9,194,717	9,701,396	9,694,923	9,798,372	10,881,358	11,112,988
28	Surplus/(Deficit)	(148,913)	(1,032,548)	(1,279,308)	(1,256,037)	(1,799,033)	(1,901,611)	(1,030,157)	(1,015,721)
29	Transfer (to)/from Education Fund	805,475	400,000	1,500,000	1,400,000	2,892,799	2,548,578	2,301,838	2,040,590
30	Transfer (to)/from Rainy Day	0	(1,000,000)	0	0	(88,228)	(585,159)	(1,208,222)	(959,711)
31	Total Revenue	9,360,780	9,008,836	10,694,717	11,101,396	12,499,494	11,761,790	11,974,975	12,193,867
32	December 31 Cash Balance	3,037,417	2,404,869	2,298,686	2,442,649	3,448,187	3,509,995	3,573,455	3,638,613
33	Cash Balance Percent	35%	25%	25%	22%	30%	30%	30%	30%
34	Rainy Day Fund Cash Balance	4,726,348	5,726,348	5,726,348	5,726,348	5,814,576	6,399,735	7,607,956	8,567,667
35	Total Fund Cash Balance	11,137,795	11,242,217	10,757,480	11,561,966	12,339,503	13,078,389	14,444,844	15,567,432

Education Fund Expenses

Lines 1 - 11 are the Education Fund expense categories. Line 12 is the total of all expenses. Lines 1-5 are salaries and benefits for all employees funded through the Education Fund. This includes building administrators, teachers, counselors, instructional assistants, school nurses, media specialists, athletic coaches, ECA sponsors, and building administrative assistants. In calendar year 2022, these budget lines equaled 93.4% of all Education Fund expenses.

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

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.

Since 2019, the Indiana General Assembly has allowed transfers between the Education Fund and Operations Fund, with a guideline of less than 15% being transferred. In calendar year 2020, we transferred around \$800,000, in calendar year 2021, we transferred \$400,000, and in calendar year 2022, we transferred \$1,100,000, for a three-year average of 3.5%. For 2023, we recommend transferring \$1,400,000, or 4.9%, from the Education Fund into the Operations Fund.

Line 16 is the Education Fund revenue from all sources, before any transfers to or from the Education Fund.

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 amounted to 35.2% 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.

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 - County Distribution and Local Income Tax (LIT), Line 25 - Interest, and Line 26 - Miscellaneous. As you can see, our interest income has increase signifancly with the recent

changes in the Federal Fund Rate. The projection shows for it to be elevated for 2023 and 2024, then come back down to more normal levels. Also, 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.

Figure 1 below shows the projected expenditures revenue for both Education Fund and Operations Fund from 2022-2027.

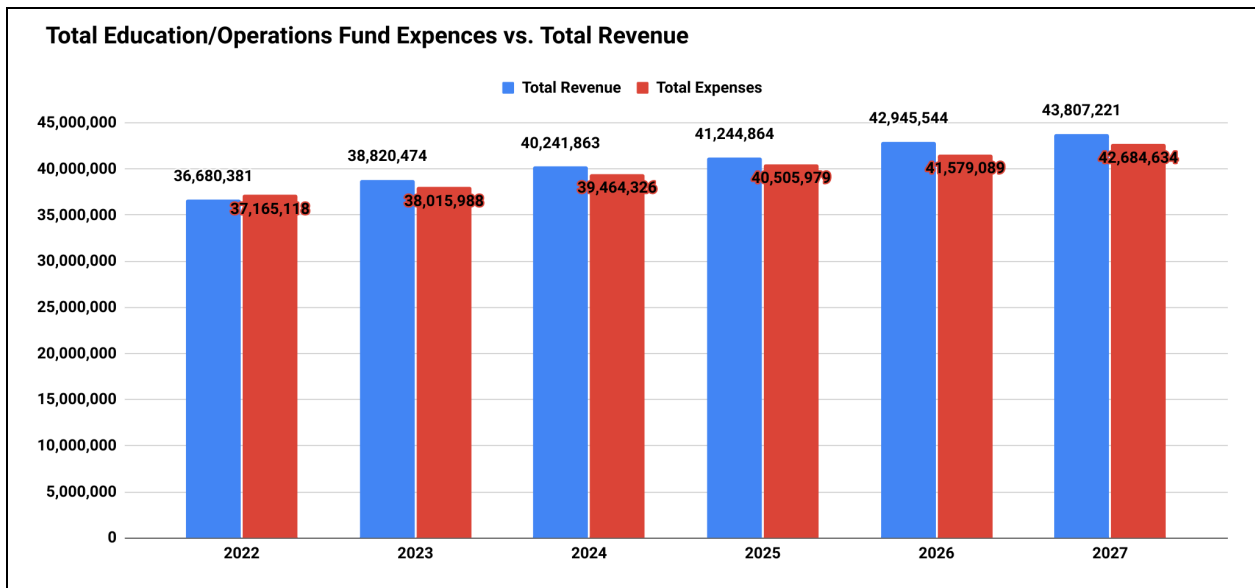


Figure 1: Education/Operations Fund Expenses vs Revenue 2022-2027

Education, Operations and Rainy Day Fund December 31 Cash Balance

The Strategic Plan goal is to maintain a combined cash balances of the Education Fund, Operations Fund, and Rainy Day Fund between 30% and 35%. Below, Figure 2 shows our combined cash balance increasing each year, after a \$380k decrease in 2022. Figure 3 shows our combined cash balance percent slightly below the 30% goal at 28.95% in 2022 and 29.97% in 2023. It then quickly grows above the 30% goal in the remaining years.

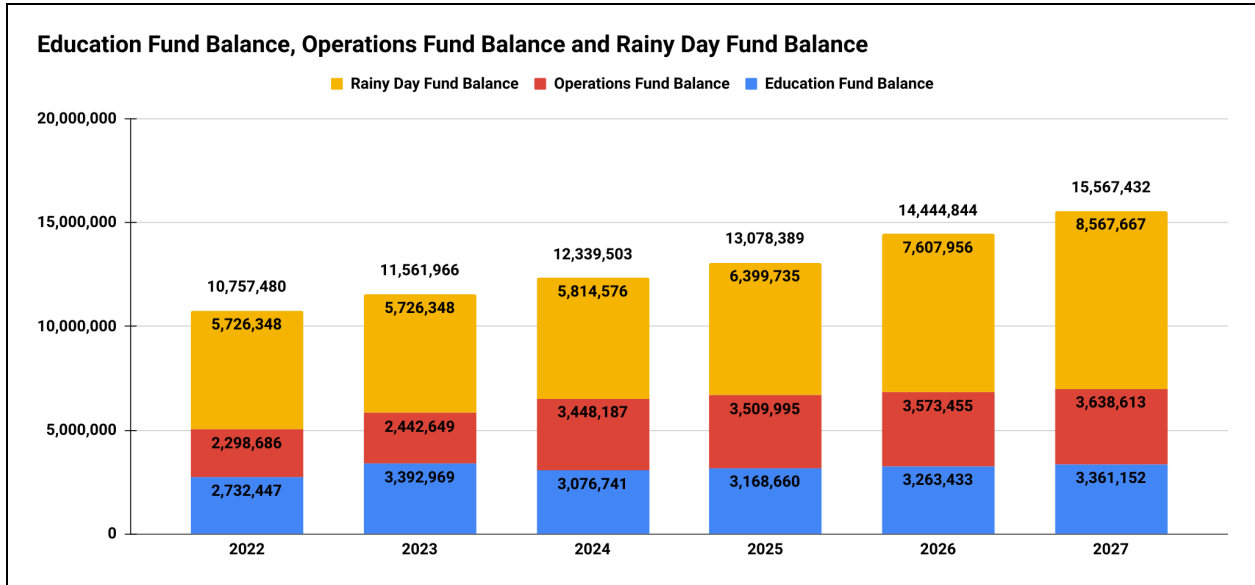


Figure 2: Education/Operations/Rainy Day Fund Cash Balance 2022-2027

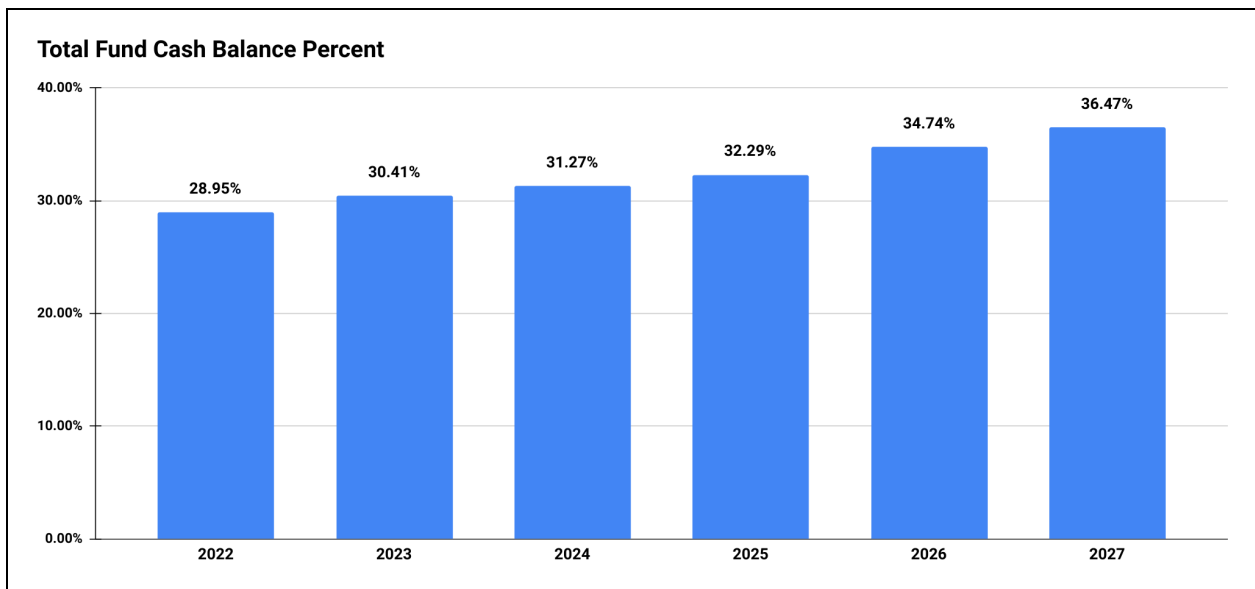


Figure 3: Education/Operations/Rainy Day Fund Cash Balance Percent 2022-2027

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 three years, our enrollment has actually increased - by 17 in 2020, by 59 in 2021, and by 28 in 2022. 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 3,484 enrollment projection for the 22-23 school year and a 3,394 projection for the 25-26 school year. The most recent 2022 10-Year Enrollment Projection shows an actual enrollment of 3,783 for the 22-23 school year and projects an enrollment of 3,878 for the 25-26 school year.

The most significant factor in the enrollment projection trend reversal is an increase in out of district transfers - from 2 in the 11-12 school year to 276 in the 22-23 school year.

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

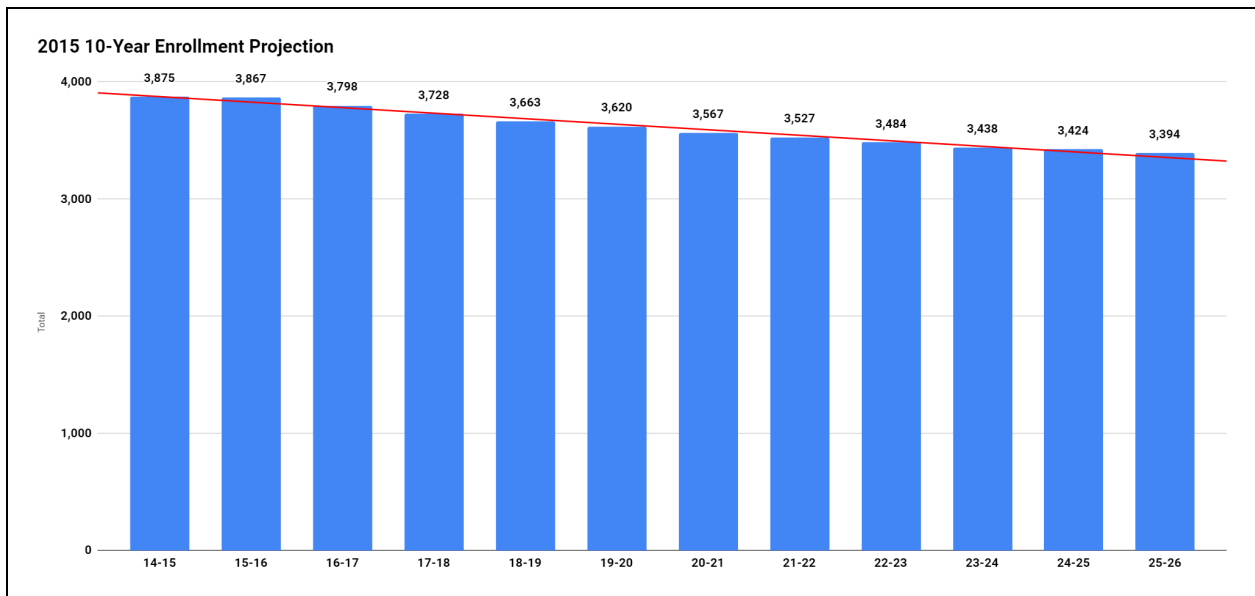


Figure 4: 2015 10-Year Enrollment Projection

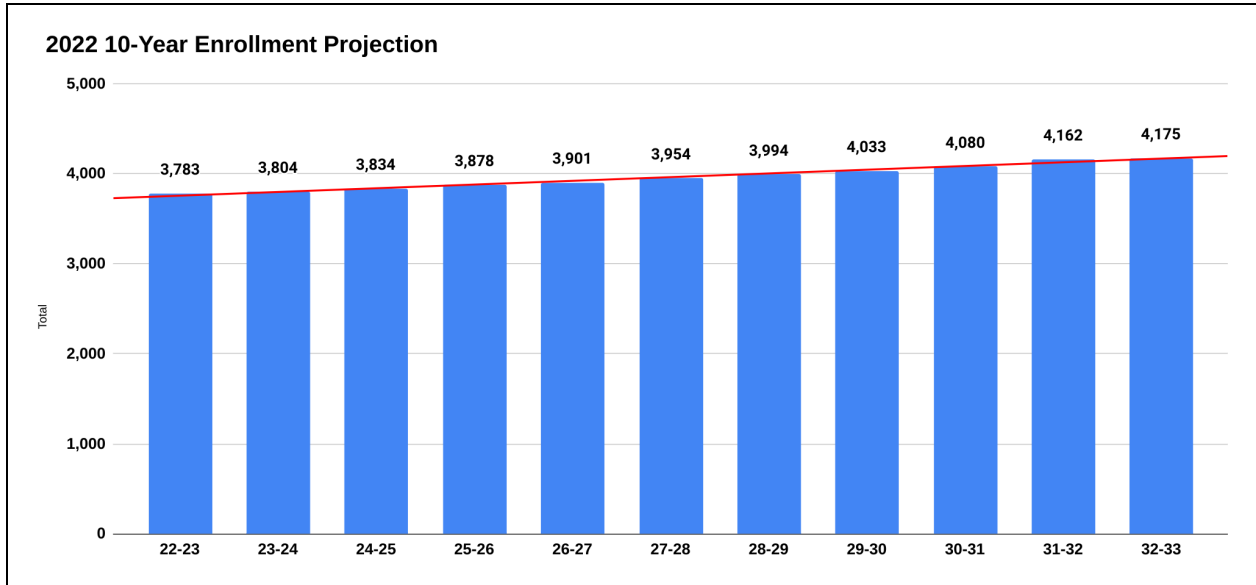


Figure 5: 2022 10-Year Enrollment Projection

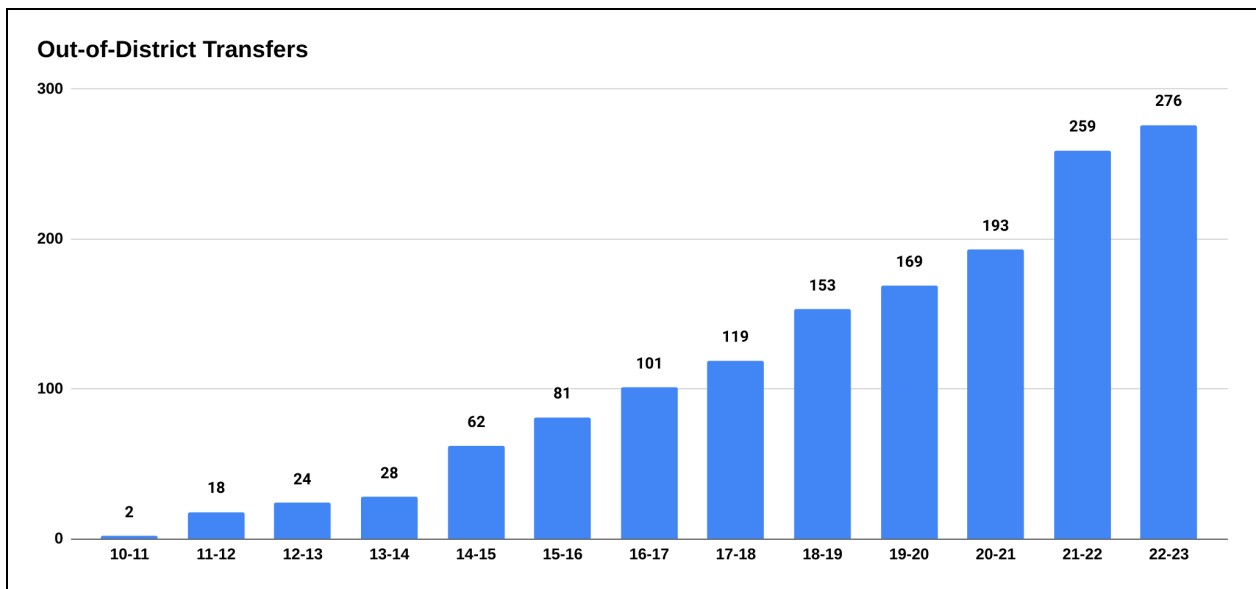


Figure 6: Historical Out-of-District Transfers

Future Pay and Benefits

It is important to remember a five-year forecast is built on certain assumptions as listed in the document. The five-year forecast models an average raise of 3% each year, a 4% increase in health insurance contributions, and the continuation of Health Savings Account (HSA) contributions.

Conclusion

As mentioned above, the forecast is built upon certain assumptions. In any year, the assumptions can change. 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.