

## 1. Introduction and Explanation of GFW SOD Position

The district's SOD position has developed due to a combination of factors. They include declining enrollment over the past eight years, increased operating of three older buildings and increased staffing costs.

The student decline has been at an average rate of 2.34% annually over the past eight years.

The district consists of three older buildings, with each of them having a portion that is more than eighty years old. The buildings are not efficient to heat, while the maintenance costs for the buildings continue to go up due to their age. Also, labor contract negotiations have continued to increase the staffing costs for the district.

The current district administration (superintendent, business manager, and accountant) are all new to their positions within the last 18 months. The business manager was hired in May of 2018 and the superintendent in June of 2018, which didn't allow time to make any substantial adjustments to the FY19 budget.

## 2. Budget Development and Financial Management Process

When developing the FY20 budget the following procedures were used:

- **Student Enrollment Projections** - All students were rolled forward one year and a decline of 3.2% was factored into the total.
- **Unrestricted Revenue Projections** - An increase of 2% in the General Education Aid. Also, increases for declining enrollment, non-public transportation aid, and federal dollars were included in the budget. For all other misc. and local revenue a five year history was looked at and a conservative budget was determined.
- **Restricted Revenue Projections** - The fiscal year 2020 revenue model provided by MDE was used to calculate all the restricted revenue from the levy and state entitlements based upon our enrollment projections as stated above.
- **Staffing** - Teaching reductions were identified by administration based on student numbers and student registration requests at the high school. This included the reduction of one administrative position and four certified staff.
- **Expenditure projections for unrestricted expenditures** - An increase of 2.5% was used for salary and wages as it is a negotiating year. Other costs included were referendum special election costs and the purchase of a used bus. For non-payroll expenses many meetings were held with all department heads to go over their budgets and they were asked to find reductions. For district wide expenses it was reviewed by the business manager and the superintendent for any possible reductions.
- **Expenditure Projections for Restricted Expenditures** - After the restricted revenue projections were completed, each restricted source was reviewed for appropriate expenditures for both payroll and non-payroll items and budgeted into the appropriate finance codes.

- **Contingency budgeting** - The district does not have a contingency budget in place, but the budget developed was extremely conservative. There are adjustments made to LTFM projects based on unexpected expenses that may arise.
- **School Board and Administration Role in Budgeting Process** - The monthly school board packets include financial updates. A board finance committee consisting of three board members was formed in May of 2019 to meet with the business manager, district accountant and superintendent on semi-regular basis.
- **Mid-year revisions to the budget and the approval process for such revisions** - During the SOD planning stages a mid-year revision to the budget was done and is included in the plan. At this point, we have a good indication of where most of the contracts are going to be settled and ran a new revenue model to adjust enrollment to current counts. There will be one more revision in the spring for any other changes to contracts and enrollment that have occurred. Each revision will be closely done by the administration and the finance committee. Once that process is complete it will be taken to the full board for approval.

### **3. Ongoing Financial Monitoring Processes and Procedures**

The business manager on a monthly basis while prepping for the board packet does a detailed review of budget to actual to make sure everything is on track. If a department head is getting close to being over budget then discussion will be had as to why. The school board receives monthly financial updates that includes bank account balances, monthly payrolls, monthly bills, and a comparison of budget to actual for revenue and expenses.

Purchase orders require an administrative approval prior to further being processed. District-wide expense items are run through the superintendent's office for approval. The school board treasurer reviews bills each month prior to the school board meeting and gets clarification on any questions or concerns.

After a budget is completed, prior to approval from the board, a fund balance projection is completed by the business manager and reviewed for any restricted areas that are overspent unless that was the intention due to having prior year fund balance available. Any issues will be caught at that time. The board receives this projection with the proposed budget to be approved so they are aware of the projected financial situation.

### **4. Action Plan to Remove SOD Status**

The district administration began making reductions to address the financial issues in the spring of 2019. The reductions include reducing a building administrator and four full-time certified teaching staff. In May of 2019, the school board and administration formed a board finance committee to enhance communication and to utilize board member input in developing a three-year plan to address the financial issues facing the district. The committee has met several times over the past eight (8) months to start the process of getting the district finances in order.

The SOD Plan does not include an increase to the operating levy as that is not allowed until it is approved by district voters. Pending plan approval, the district intends to identify an appropriate levy increase amount to the current operating levy in place through FY22. The plan would be to revoke the current levy and ask voters to approve a higher operating levy.

When looking at FY21 the district plan for budget reductions are:

- Reduce 3.6 full-time certified teaching staff
- Reduce the superintendent position to a 0.5 position (This reduction would be throughout the length of the plan.)
- A proposal to fully close the intermediate building beginning in the fall of 2020.

One of the certified staff reductions would be in an elective area impacting the jr./sr. high school and intermediate school. The remaining reductions would reduce a district-wide mentor position and elementary teaching staff.

The district is anticipating a 2.5% decline in student enrollment based on a six-year trend and the potential closing of a school building. There would be some increase in funding for declining enrollment and the 2% increase in General Education Aid.

The building closing public hearing is scheduled for February 3rd, with the school board having it as an action item on the February 10th board meeting agenda. The SOD plan includes any negotiations settlements that are board approved or tentative agreements that are pending board approval. The district has one group left unsettled.

For FY22, the district plan includes making the following budget reductions:

- Reduce 4.0 full-time certified teaching staff
- Reduce 4.0 full-time classified staff
- Move to a 4-day school week (Pending approval from the state)
- Hard freeze for all district employee salaries

The certified teaching staff reductions would be two elective area positions, one high school core area position, and one elementary teaching staff.

The district is assuming the trend for declining enrollment will continue and is projecting a 2% decrease. The assumption is no increase in the General Education Formula, but there would again be an increase in funding for declining enrollment.

In the final year of the plan, FY23, the district would make the following reductions:

- Reduce 4.0 full-time certified teaching staff
- Reduce 4.0 full-time classified staff
- Hard freeze for all district employee salaries

The certified teaching staff reductions would be one in an elective area, one high school core area position and one elementary position.

The district has included an additional 2% decrease for declining enrollment and assumes no increase in the General Education Formula. There would be a slight increase in funding for declining enrollment.