MSA Long Range Budget Assumptions - Jan 27, 2023

No Expansion/Merger Budget Summary

Enrollment

Our current MSA site is not able to maintain the current 600 students that was temporarily approved to support expansion. If we do not expand, the school will need to shrink to 550 students. We will not remove students, but this budget model assumes the enrollment would slowly decrease over the next 4 years until we are at 550 students.

Revenue

2% increases from the state are assumed each year.
Federal revenues assume a 2% increase each year, as well as a proportional decrease relating to a lower Average Daily Membership ADM. (7% over 4 years)
All other revenue which is related to students assumes a 2% increase, as well as a proportional decrease relating to a lower ADM. (7% over 4 years)
These assumptions bring our overall revenue down while we are decreasing ADM, but at 550 when we steady out, the revenue overall begins to increase again. (by 2%)

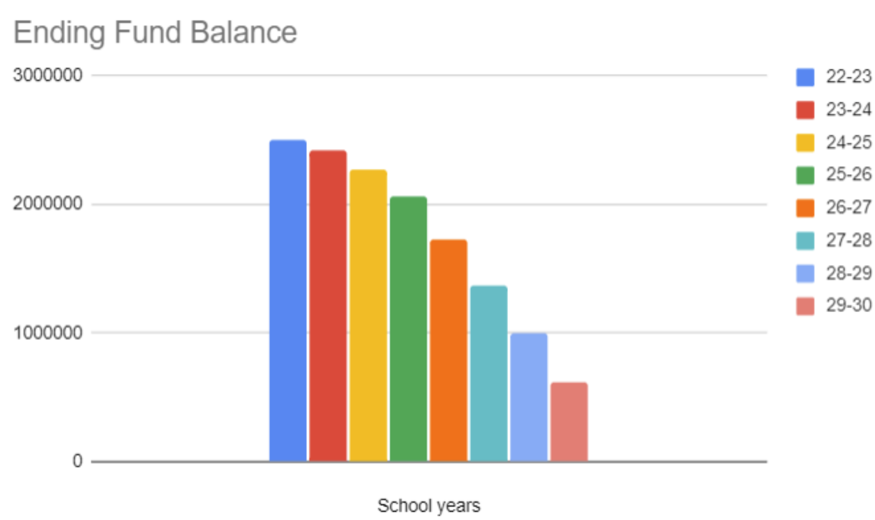
Expenditures

2% increases are built in for all items to cover inflation and staff raises.
Reduction of 44 ADM equates to 2 teacher FTE reductions which would take place in FY26 and FY27.
The model allows some expenditures to decrease in the short term with the decrease in students for those items directly tied to student numbers, such as field trips, supplies, etc.
Other expenditures in the model continue to increase even though enrollment is decreasing. They are not dependent on the number of students in the building – examples include utilities, insurance, etc. Inflation will continue to drive these costs up, even with lost revenue due to decreased students.
Building Lease amounts are set per the bond documents.

Summary

Within the first year, we are showing a deficit. The deficit continues to grow each year which eats into our fund balance until it is as low as 6.5% 7 years from now.

Once enrollment stagnates, the gap becomes larger because we aren't bringing in any new revenue to offset costs, other than the 2% increases from the state. Significant cuts would be needed to maintain a balanced budget.



2,069 ADM Budget Summary

Enrollment

The model assumes adding an elementary program grades K-5. Additionally, middle school would be expanded and high school would admit students on the waiting list. The model assumes adding a 2nd building site to accommodate the growth and number of students. The district would more than triple in size, with a full capacity of 2,069 ADM in all grades K-12. The model still assumes approximately 20% of 11th graders and 55% of 12th graders will opt for PSEO.

Revenue

2% increases from the state are assumed each year.
Federal revenues assume a 2% increase each year, as well as a proportional increase relating to a higher ADM.
All other revenue which is related to students assumes a 2% increase, as well as a proportional increase relating to a higher ADM.
A new source of revenue would be available with 3rd and 4th graders in the program, Literacy Incentive Aid.

Expenditures

2% increases are built in for all items to cover inflation and staff raises.
Teacher FTEs are added at a rate of 1 for every 22 additional students, for a total of 63 new teachers over the course of 4 years.

Utilities, Rent, and building insurance are increased to assume 2 separate sites.
Transportation expenses have been added to represent the cost of shuttling students between building sites.

Building rent assumes issuing new bonds to accommodate a remodel of both sites, as well as acquiring Building's C and D so that the MSA Bldg. Co. will own them going forward.

Summary

It is typical to see a deficit the first year of an expansion due to the one-time start-up costs when the full enrollment is not yet reached.

In future years, the annual surplus is very healthy, and grows our fund balance up to nearly 30% within 7 years. This gives the school more flexibility to provide for unforeseen expenditures, increased staff raises, new instructional programs, etc. in the future.