

SUNMAN-DEARBORN
COMMUNITY SCHOOLS
#WatchSunmanDearborn

2024-2028
Five-Year Financial Forecast
Sunman-Dearborn Community Schools

Presented:
January 11, 2024
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 (2021 - 2023), 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 2021, 2022, and 2023 (January 1 - December 31). From there, you will see projected calendar years 2024 - 2028.

Five-Year Financial Forecast
2024 - 2028
Education Fund

		Actual			Projection				
EDUCATION FUND EXPENSES		2021	2022	2023	2024	2025	2026	2027	2028
1	Certified Salaries (110)	14,581,114	15,291,194	16,061,354	16,933,500	17,570,613	18,062,591	18,568,343	19,088,257
2	Non-Certified Salaries (120)	2,413,489	2,724,542	3,108,884	2,982,596	2,883,640	2,964,382	3,047,385	3,132,711
3	Benefits (200)	2,955,187	3,218,183	3,439,382	3,519,174	3,614,267	3,715,466	3,819,499	3,926,445
4	Medical/Dental Ins. (222)	2,615,709	2,888,086	2,902,405	3,164,453	3,227,742	3,356,852	3,491,126	3,630,771
5	HSA Contributions (222)	552,613	531,420	565,445	560,000	560,000	560,000	560,000	560,000
6	Prof Dev/Prof Services (313)	471,342	187,962	46,828	48,000	48,960	49,939	50,938	51,957
7	Cert/Non Cert Subs (311)	132,196	413,968	516,587	526,919	537,457	548,207	559,171	570,354
8	Travel (500)	7,659	12,250	14,841	14,841	14,841	14,841	14,841	14,841
9	Career Center/Other Tuition (500)	344,116	467,490	280,627	286,239	291,964	297,803	303,759	309,834
10	Supplies/Software (600)	535,615	629,123	634,777	600,000	612,000	624,240	636,725	649,459
11	Other (700)	0	0	0	0	0	0	0	0
12	Total Expenses	24,609,040	26,364,217	27,571,130	28,635,721	29,361,484	30,194,320	31,051,786	31,934,629
EDUCATION FUND REVENUE									
13	State Funding	25,045,779	26,927,395	27,983,743	29,465,399	30,349,360	31,259,841	32,197,637	33,163,566
14	Common School Reimb.	408,594	234,482	285,336	285,337	285,337	285,337	285,337	285,337
15	Other Revenue	291,637	323,787	220,324	190,000	190,000	190,000	190,000	190,000
16	Revenue Sub-total	25,746,010	27,485,664	28,489,404	29,940,736	30,824,697	31,735,178	32,672,974	33,638,903
17	Surplus/(Deficit)	1,208,607	1,243,894	1,146,562	1,305,014	1,463,213	1,540,858	1,621,187	1,704,273
18	Transfer (to)/from Other Funds	(1,400,000)	(1,500,000)	(1,400,000)	(1,400,000)	(1,270,028)	(1,474,231)	(1,552,590)	(1,633,646)
19	Total Revenue	24,346,010	25,985,664	27,089,404	28,540,736	29,554,669	30,260,947	31,120,383	32,005,257
20	December 31 Cash Balance	3,111,000	2,732,447	2,250,720	2,155,734	2,348,919	2,415,546	2,484,143	2,554,770
21	Cash Balance Percent	12.6%	10.4%	9.1%	7.5%	8.0%	8.0%	8.0%	8.0%
22	September Count Day ADM	3,697	3,755	3,745	3,804	3,834	3,878	3,901	3,901
23	Rainy Day Fund Cash Balance	5,726,348	5,726,348	5,726,348	5,726,348	5,817,142	6,610,848	7,651,415	8,438,808
24	12/31 Cash Balance (All Funds)	11,242,217	10,757,480	10,472,707	10,757,527	11,124,379	12,131,047	13,292,764	14,287,137
25	12/31 Cash Balance % (All Funds)	32.82%	28.95%	26.83%	26.76%	27.00%	28.47%	30.43%	31.67%

Five-Year Financial Forecast
2024 - 2028
Operations Fund

	OPERATIONS EXPENSES	Actual			Projections				
		2021	2022	2023	2024	2025	2026	2027	2028
1	Certified Salaries (110)	274,338	294,365	321,397	392,584	406,840	418,231	429,942	441,980
2	Non-Certified Salaries(120)	2,236,650	2,339,141	2,688,548	2,579,690	2,673,366	2,748,220	2,825,170	2,904,275
4	Substitutes(130)	103,639	200,403	274,982	280,482	286,092	291,813	297,650	303,603
5	Benefits (200)	480,816	516,522	589,534	595,703	617,335	634,620	652,390	670,656
6	Medical/Dental Insurance (222)	323,843	374,845	443,022	456,000	465,120	479,074	493,446	508,249
7	HSA Deposits (222)	73,438	74,438	93,870	94,000	94,000	94,000	94,000	94,000
8	Workers Compensation (200)	113,214	117,373	105,500	127,000	129,540	132,131	134,773	137,469
9	Professional Services (300)	136,451	200,894	217,716	222,000	226,440	230,969	235,588	240,300
10	Water & Refuse (400)	137,418	153,630	156,841	159,978	163,178	166,441	169,770	173,166
11	Repairs and Maint. (400)	800,784	708,240	727,551	300,000	350,000	500,000	510,000	520,200
12	Contracted Transportation (500)	2,669,393	2,623,139	2,916,384	3,270,000	3,270,000	3,270,000	3,270,000	3,600,000
13	Liability Insurance/Auto (500)	310,475	394,624	447,476	540,000	550,800	561,816	573,052	584,513
14	Other Purchased Services (500)	287,554	314,980	269,266	315,000	321,300	327,726	334,281	340,966
15	Utilities (600)	981,285	1,149,810	1,246,892	1,271,830	1,297,267	1,323,212	1,349,676	1,376,670
16	Supplies (600)	709,831	996,545	894,220	900,000	918,000	936,360	955,087	974,189
17	Equip/Software (700)	0	324,695	57,604	60,000	60,000	300,000	300,000	300,000
18	Dues/Fees (800)	2,254	17,257	4,939	4,000	4,000	4,000	4,000	4,000
19	Total Expenses	9,641,384	10,800,901	11,455,742	11,568,267	11,833,276	12,418,613	12,628,825	13,174,236
	OPERATIONS REVENUE								
20	Local Property Taxes	6,999,116	7,319,880	7,783,442	8,003,730	8,243,842	9,441,157	9,724,392	10,016,124
21	License Excise Tax	808,469	804,471	799,651	823,640	848,349	873,800	900,014	927,014
22	Comm. Veh. Excise Tax	14,355	15,382	15,993	15,500	15,965	16,444	16,937	17,445
23	Fin. Inst. Tax	10,758	12,601	10,845	11,000	11,330	11,670	12,020	12,381
24	Co. School Dist & LIT	677,700	702,730	751,653	774,203	797,429	821,352	845,992	871,372
25	Interest	26,539	111,634	479,655	500,000	400,000	300,000	250,000	200,000
26	Misc. Revenues	71,900	228,021	411,456	420,000	420,000	420,000	420,000	420,000
27	Sub-Total Revenue	8,608,836	9,194,717	10,252,695	10,548,073	10,736,915	11,884,423	12,169,355	12,464,336
28	Surplus/(Deficit)	(1,032,548)	(1,279,308)	(1,203,046)	(1,020,194)	(1,096,361)	(534,191)	(459,470)	(709,900)
29	Transfer (to)/from Education Fund	400,000	1,500,000	1,400,000	1,400,000	1,270,028	1,474,231	1,552,590	1,633,646
30	Transfer (to)/from Rainy Day	(1,000,000)	0	0	0	(90,794)	(793,706)	(1,040,567)	(787,393)
31	Total Revenue	9,008,836	10,694,717	11,652,695	11,948,073	11,916,150	12,564,948	12,681,378	13,310,589
32	December 31 Cash Balance	2,404,869	2,298,686	2,495,639	2,875,445	2,958,319	3,104,653	3,157,206	3,293,559
33	Cash Balance Percent	25%	25%	23%	25%	25%	25%	25%	25%
34	Rainy Day Fund Cash Balance	5,726,348	5,726,348	5,726,348	5,726,348	5,817,142	6,610,848	7,651,415	8,438,808
35	Total Fund Cash Balance	11,242,217	10,757,480	10,472,707	10,757,527	11,124,379	12,131,047	13,292,764	14,287,137

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 2023, these budget lines equaled 94.6% of all Education Fund expenses.

The overall Education Fund expenses increased by approximately \$1.2M in 2023 mostly due to salary and benefit increases.

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 Revenue.

Since 2019, the Indiana General Assembly has allowed transfers between the Education Fund and Operations Fund, with a guideline of less than 15% of state tuition revenue being transferred. Since 2019, we have transferred an average of 5.1%. We anticipate transferring \$1,400,000 for calendar year 2024, or 4.8% of state tuition revenue.

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 most central office administrators, central office administrative assistants, technology support, transportation salaries (bus drivers and aides), maintenance and custodians. In calendar year 2023, these budget lines amounted to 37.9% 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 increased significantly with the recent changes in the Federal Fund Rate. The projection shows it to be elevated throughout the forecast. In calendar year 2025, we will make our last payment for our Pension Debt bonds of 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 actual expenditures and revenue for both the Education Fund and Operations Fund for 2023 and the projected for 2024-2028.

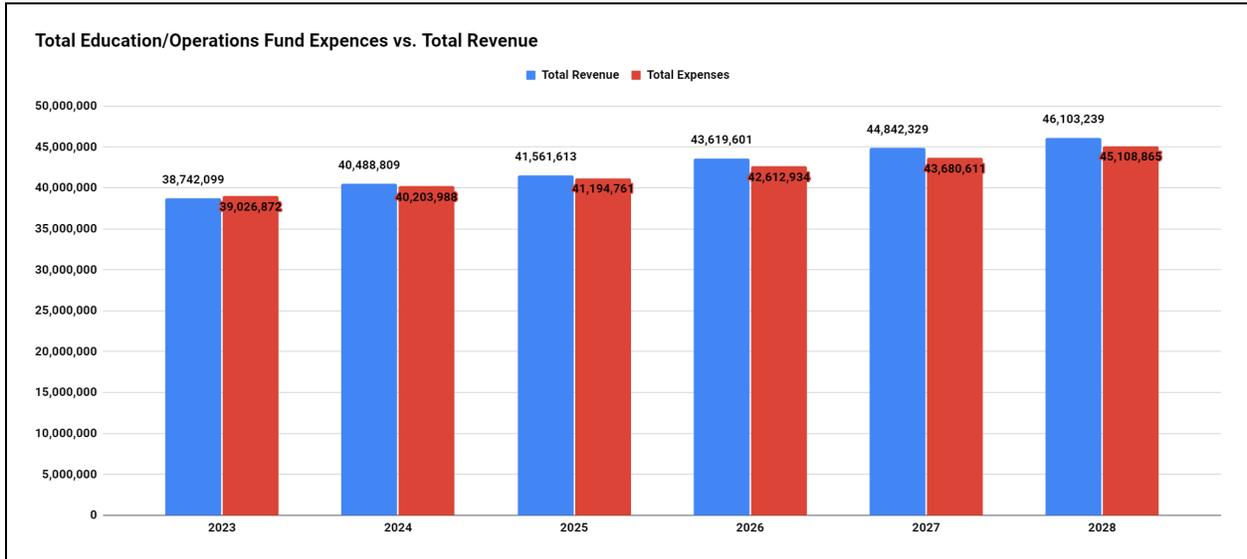


Figure 1: Education/Operations Fund Expenses vs Revenue 2023-2028

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, with a small increase in 2024 and 2025, then accelerating in 2026-208. Figure 3 shows our combined cash balance percent below the 30% goal at around 27% in 2023, 2024, and 2025, then reaching the goal of 30% in 2027 and 2028.

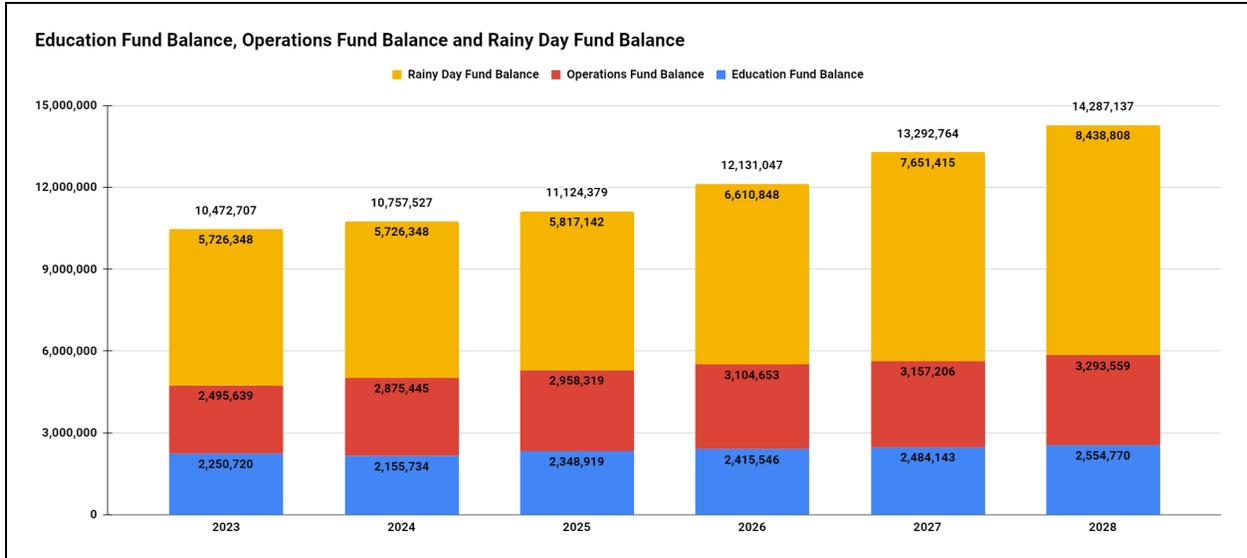


Figure 2: Education/Operations/Rainy Day Fund Cash Balance 2023-2028

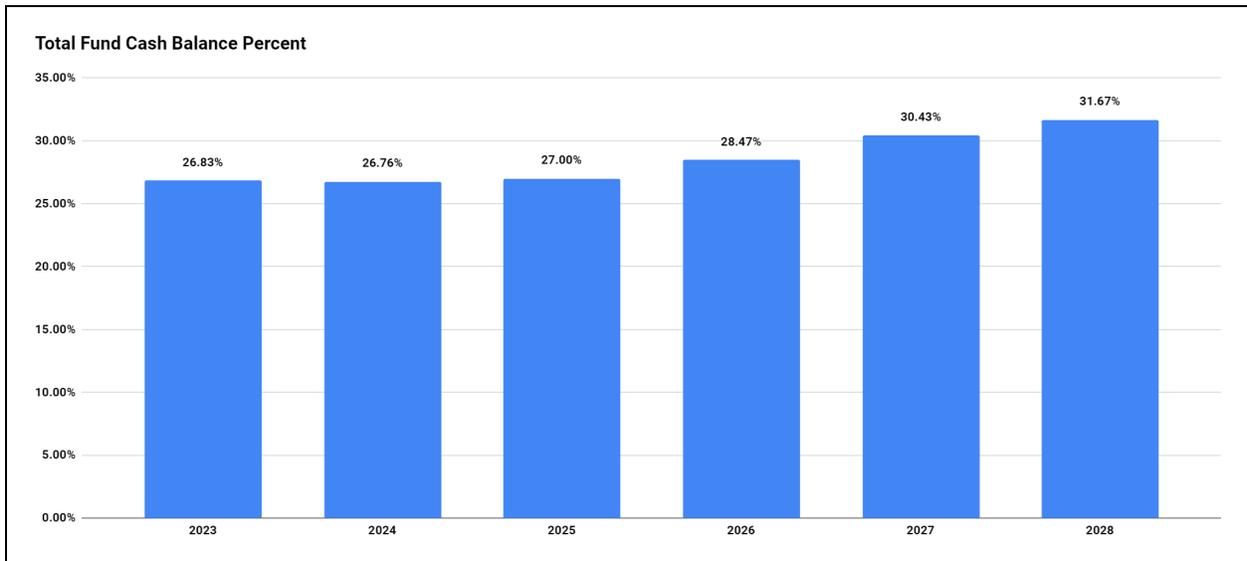


Figure 3: Education/Operations/Rainy Day Fund Cash Balance Percent 2023-2028

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 2023, 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.

Our enrollment hit a low point of 3,673 in 2018. At that time, we had experienced nearly 10 years of declining enrollment. The 2018 10-Year Enrollment Projection showed a 3,476 enrollment projection for the 23-24 school year. During the 19-20 through the 22-23 school years, we experienced an increase in enrollment and our projection began to show a sustained increase to over 4,000 by the 30-31 school year. For the current 23-24 school year, we experienced a decline in enrollment to 3,735 from 3,783 in 22-23. As a result, the most recent 2023 10-Year Enrollment Projection continues to show an increase in the future, but the pace is more gradual, with an increase to over 4,000 in the 31-32 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 291 in the 23-24 school year.

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

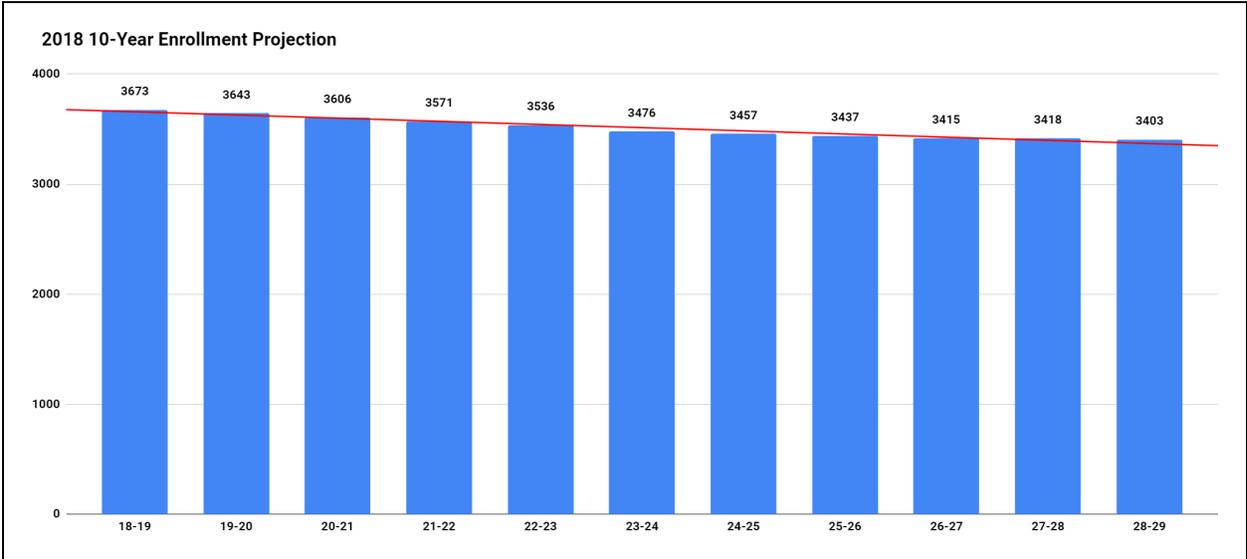


Figure 4: 2018 10-Year Enrollment Projection

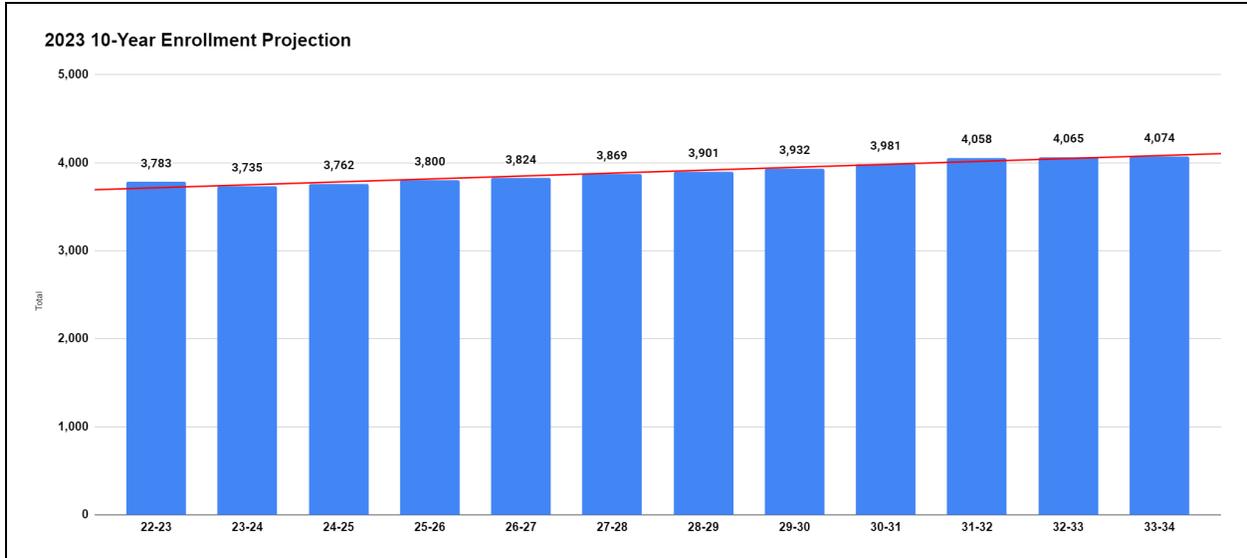


Figure 5: 2023 10-Year Enrollment Projection

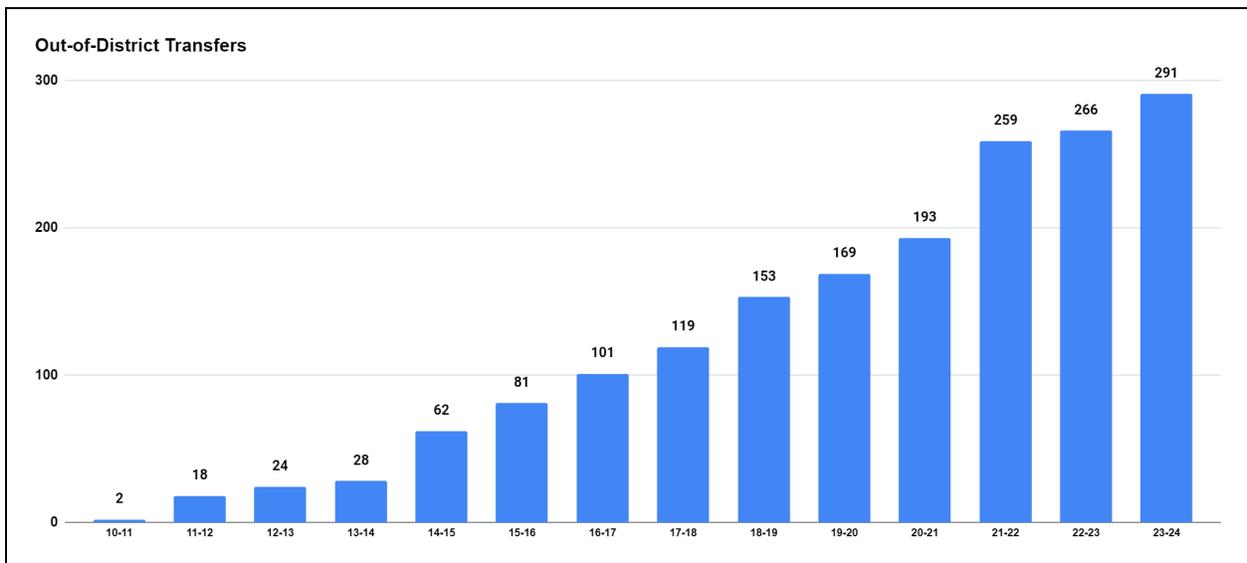


Figure 6: Historical Out-of-District Transfers

Conclusion

As mentioned above, the forecast is built upon certain assumptions. Per the Board’s request, these assumptions include raises, increases in health insurance contributions including current level of HSA contributions. Without these assumptions, the forecast would show a combined cash balance of nearly \$24M or 57% of expenditures. In addition, it shows an assumption of a gradual increase in student enrollment as well as 3% average increase in state tuition each year. 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.