

Financial Forecasting in an Uncertain Environment

Tagged: [Newsletter](#) • [Jan](#) • [2010](#)

By: Michael M. Adamczyk, RSBA, CFO, Assistant Superintendent, Business Services, Troy School District, and President of MSBO

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It certainly is amazing how things can change in a short period of time. Not that the future is rosy for school funding in Michigan, but it does not appear to be as bad as it was only two months ago. On October 19 Governor Granholm signed House Bill 4447, which included a \$165 per pupil reduction to the foundation allowance and vetoed \$51.5 million of section 20(j) funding for higher foundation allowance districts, which was \$248.18 per pupil for my district. Then, on October 22, State Budget Director Robert Emerson sent a letter to district Superintendents that School Aid Fund revenues were insufficient to fund the just enacted legislation, and a further cut to the foundation allowance of \$127 per pupil was necessary. All along we were told to anticipate a foundation allowance cut next year of between \$300 and \$700 per pupil. On December 10, Governor Granholm announced that she was pausing the \$127 per pupil reduction. Then, on December 23, the Senate Fiscal Agency released their revenue estimate and stated that there was no need for the \$127 proration and that the School Aid Fund would be short ONLY \$215 per pupil next year. Finally, on January 6 the House Fiscal Agency said the School Aid Fund would be short \$300 per pupil next year. So, depending on what set of numbers you use, the two-year shortfall to School Aid Fund is between \$380 and \$992 per pupil – quite a range.

The challenge we have as School Business Officials is communicating this to our Superintendent, Board, and community, and most importantly having credibility. The dictionary definition of credibility is the quality of being believable or trustworthy. But how can we have credibility when the numbers that we deal with keep changing. Not only are they changing, but quickly and substantially. With the bad news coming out of Lansing these last few years, I started citing the sources of my information and encouraged those people I am addressing to check my facts. In anticipation of large budget cuts next year, our district held a series of informational sessions on how schools are funded in Michigan called School Finance 101. I made sure that when I used estimates for the future, I cited the source of my information, such as the Senate Fiscal Agency for per pupil revenue estimate and the Citizens Research Council for future retirement rate estimates. This lends credibility to the numbers I am presenting which in turn gives me credibility and assures my audience that I have done my research.

The constant changing of foundation allowance estimates for this year and next requires us to constantly update our financial forecasts. The dictionary defines a financial forecast as an estimate of future financial outcomes. It is described as an economist's best guess of what will happen to a company (school district) in financial terms over a given period of time. The definition went on to say that arguably, the most difficult aspect of preparing a financial forecast is predicting revenue. I think I am going to use this definition as a prelude to every one of my financial forecasts from now on. Think of all the estimates we use and information we need to consider when building next year's budget and forecasting future years. We already know that foundation allowance estimates from the state fiscal agencies will fluctuate. We also know that taxable values must be considered as well. My local assessor informed me this week that taxable values will drop for next year. This will not only put more pressure on the School Aid Fund to make up the difference, but may also require those districts that levy a hold harmless millage rate to increase the rate next year. It will also require districts to increase their debt levy to make the required principal and interest payments.

[The Detroit News](#) reported recently that the population in Michigan is now below ten million. What effect will this have on state revenues? Fewer people means reduced income taxes and reduced sales taxes, which both negatively affect the School Aid Fund. It also means fewer children, but this is a double-edged sword. Fewer children translates into fewer children to be funded, but also means fewer children for your district. And if you are a schools of choice district hoping to offset your enrollment loss, will you be able to attract enough students when the student population is going down. How do you account for these population trends in your enrollment forecasting?

The retirement rate is another big item we need to estimate for. The Dow Jones Industrial Average ended up 19 percent for calendar year 2009. So this means the retirement system should have made some good investment returns and our retirement rate increase for next year may not be so big, correct? Remember, the Dow was down 34 percent the previous year, and is still more than 25 percent down from its October 2007 high. And, the retirement system uses a five-year smoothing method when it calculates retirement rates, so will the increase for next year be big or small?

Now that we have successfully estimated the revenue portion of our budget, which the dictionary tells us is the most difficult aspect of preparing a financial forecast; we can easily predict our expenditures. Price Waterhouse Coopers issued a report that predicted health care inflation of nearly 10% for 2009. The Segal Company's "2010 Health Plan Cost Trend Survey" projects medical plan inflation in 2010 will be similar to 2009, ranging from 10.2% to 10.8%. However, Price Waterhouse Coopers also stated that "for every 1% increase in unemployment, there is an influx of an additional 1.1 million uninsured Americans," which in turn puts pressure on private sector premium increases. With unemployment hovering around 10%, how can this not negatively impact our rate increases for next year, and by how much?

The numbers we use today to estimate our budgets and do our financial forecasts will no doubt be different next month and different again in June. As Business Officials, we need to remind our constituents that the numbers do change and they will continue to change. Change, however, should not take away our credibility. Give them the sources of your information, and give them background on the challenges we face doing financial forecasts in an uncertain environment.

Taking time for yourself...

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By: Mary Reynolds, Executive Director Business Services, Farmington Public Schools and MSBO Board of Directors

I'm writing this article in the car as my husband is drives us back from Cincinnati after hearing our son perform with the Cincinnati College of Music's Wind Symphony. This week has been hectic, our budget reduction list is due to the budget committee and administrators are meeting to talk about the implications of what Farmington Schools will look like next year. I really shouldn't have left all these responsibilities to drive down to Cincinnati, but what were my choices. I could have told my husband I couldn't go or I could make the choice to balance my life and go with him... I chose the latter.

After both of my children left for college I started working longer and longer hours at the office. There are always new deadlines and being the typical business official, I don't know how to say no or explain to people that something can't be done on their timeline. We all have choices, but sometimes our love for what we do in our jobs isn't always the best for us as individuals. By working longer and expecting more from myself, I had the added stress of not exercising or eating right. I gained weight and neglected my health. Two years ago, I decided to make a choice and change my lifestyle in order to lose the weight and work with a physician to help me set my priorities. During that time period, I learned that I could balance work with exercise and make the right food choices. It wasn't a diet - it was a lifestyle change.

Now I try to balance what I do. I don't always succeed, but I understand how important it is for me. I will be stressed this weekend, but I have learned to balance that by taking a walk or eating a salad, and not devouring everything just because it is there. I need to take time with friends and family and most importantly be there for my children. I had forgotten that even as adults they need me to be there for them.

I also starting reading again which is something that I have always loved to do. I would stress myself out because I wanted to read for the enjoyment of reading, but felt that I needed to focus on school business issues. I've made the choice to read fiction because it helps me create the balance needed in my life.

It is also important as a district leader to be there for the staff and the community. In the past, work would overwhelm me; I've learned the joy of visiting school buildings in my district and discovering what positive things are going on. The energy that is derived from that experience aids me to do a better job at managing my priorities at work.

Work will always be stressful, especially with all the unknowns in the budget. Out of crisis better decisions will be made because people will come together; unfortunately time is not on our side. We have many choices and we need to consider what is best for us as individuals and try not to drive ourselves over the edge to get everything done.

My resolution this year is to continue to maintain balance in my life between work, health and my community and family.

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[David Martell's January 2010 Column from MSBO on Vimeo.](#)

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FY2009: **8 districts save over \$276,000** = 2,035 Metric Tons of CO2 reduced or the equivalent of removing 373 cars from Michigan’s roads.

FY2008: **7 districts save over \$159,000** = 1,268 Metric Tons of CO2 reduced or equivalent to removing 232 cars from Michigan’s roads.

FY2007: **4 districts save over \$146,000** = 1,151 Metric Tons of CO2 reduced or equivalent to removing 211 cars from Michigan’s Roads.

“In the good old days our energy costs were relatively low and relatively fixed,” according to Scott Little, [MSBO](#) Associate Executive Director. “That is certainly not the case in today’s world. We partner with your district for the long term.”

[MSBO](#)’s Energy Essentials works with your district to determine how you use energy, facilitates a task force to focus on creating a culture of awareness and conservation, provides a robust software tool to measure your energy use and costs, and in the end reduces not only your costs, but also your environmental impact.

This idea of understanding our carbon footprint and environmental impact will only grow in importance as more and more emphasis is put on reducing climate change in our environment.

Energy Essentials is committed to working with your district over time and has developed a program ensuring your efforts are sustained well into the future. **There are no upfront costs, just 36 low monthly payments, typically equating to between 1 and 2 percent of your average monthly utility bills.** Energy Essentials clients have typically realized 10% or greater savings.

For more information or to set up an informational meeting with your district, please call or e-mail [Scott Little](#) at 517.327.2582

*“[MSBO](#)’s Energy Essentials program fostered district wide buy in to a conservation program that has increased our awareness as energy consumers, helping to reduce our energy costs by thousands of dollars over and above the program cost. We would not have reached the same level of success on our own,” **Nan Bendall, Business Services, Bath Community Schools, 2009 [MSBO](#) Energy Essentials Client***

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This year's conference is being held at Ann Arbor's Skyline High School, the largest LEED Silver certified High School in the country. You'll learn about the design and construction process employed for Skyline along with witnessing first hand many of the great features in this successful project.

Clinic sessions include:

- Successful performance contracting
- Funding opportunities for energy projects
- Viability of various renewable energy systems
- Communicating importance of energy management
- Understanding the utility equation
- Energy management success
- Taking advantage of utility company rebate opportunities
- Green roofs vs. cool roofs
- LEED design and construction

[Clinic descriptions and Agenda](#)

Through the generosity of our sponsors and exhibitors we are able to offer the conference this year for only \$50 including lunch!

[Register online](#) at Michigan School Business Officials at www.msbo.org

For more information, contact [Scott Little](#) at 517-327-2582.

There is Still Time to Submit Your Nomination!

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[MSBO](#) has created awards to help school districts celebrate successes and to recognize the extraordinary contribution of individuals to their school district and [MSBO](#). [MSBO](#) also offers two scholarships which encourage and recognize individuals currently employed in school business who are improving their technical skills and competencies by pursuing an undergraduate or graduate degree.

In the effort to streamline the process, **the deadline for submission of all awards and scholarships is Jan. 31, 2010.** Details and criteria for the following awards and scholarships can be found on [MSBO](#)'s Web site. We encourage you to apply for these scholarships and consider nominating a colleague to receive these awards.

School Business Official of the Year Award

Meridian Award of Excellence

Distinguished Service Award

Mark & Kay Stebbins Scholarship

Wally Piper Scholarship

[Click here](#) for more information about these awards.

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Conference Registration Scholarships Available

The [MSBO](#) Board has authorized scholarships for members to attend the 2010 [MSBO](#) conference and SET SEG has agreed to continue making a generous contribution for partial support of these scholarships. The scholarship covers the cost of registration for the full conference or a one-day registration. Scholarships do not include the Pre-Conferences or certification classes offered before the conference. Recipients are responsible for their own transportation and lodging. [MSBO](#) will notify you regarding the status of your scholarship application approximately one week after it is received.

For the Early Bird registrants: Fill out the registration form or register online. You can cancel your registration at any time up to two weeks prior to the Conference and pay only a \$25 processing fee.

For Scholarship registrants: if you are applying for a scholarship you cannot register online. You must fax the scholarship application and registration form together to 517.327.0768.

If you have questions about registration procedures, e-mail Marte Cadwell or call her at 517.327.5920.

Headquarters Hotel Available for Reservations – Amway Grand Plaza, Grand Rapids, MI - The Amway Grand Plaza Hotel has conference rates of \$125 for a single/double room. For reservations call 800.253.3590 using the "[MSBO](#)" reservation code. Daily parking costs are \$16 for self-park/\$25 for valet per night (parking prices are subject to change). The Amway charges a \$50 penalty for checking out before your planned departure date; be sure to inquire about the policy at check in if you have any concerns.

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Those who attend the entire conference (both days) will earn 1.0 SB-CEU's. [Register online](#) or download the [registration form](#) and fax it to: 517.327.0768 or mail it to: 1001 Centennial Way, Suite 200, Lansing, MI 48917.

Fees: \$240 [MSBO](#) members/\$300 Non members. Overnight accommodations are NOT included in the registration fee. **Questions:** Contact Bob Dwan at 517.327.2581.

EPA Enacted Lead Renovation, Repair and Painting Rule Requires Specialized Training

[MSBO](#) is now offering training that will certify workers in compliance with the recent Environmental Protection Agency (EPA) enacted Lead Renovation, Repair and Painting (RR&P) Rule. The rule has lead component identification obligations, tenant and parent notification requirements, and stringent work practice/cleanup and record keeping requirements.

School districts should consider providing this training to at least one maintenance staff in order to ensure regulatory compliance in the event that in-house personnel need to disturb painted components within applicable spaces. The training will last for a period of five years before a refresher course is required.

There are currently **two workshops to choose from: January 25, 2010 or March 22, 2010**. The classes will be held from 8 am to 5 pm at the [MSBO](#) office, 1001 Centennial Way, Lansing, MI. Registration fee: \$200. [Register Now](#).

AHERA Training

[AHERA Designated Person Training](#) - January 13, 2010

[MSBO](#) Office • Lansing; 8:00 AM-5:00 PM

Many school districts and other employers do not have a designated person or have not provided training for the current designated person in asbestos handling. The EPA requires a designated person receive "adequate" training to manage the asbestos program. This one-day workshop will provide an excellent knowledge base of the AHERA law and a common sense approach to managing asbestos and the asbestos written plan.

Registration fee: \$125

[AHERA Operations & Maintenance Personnel Training](#) - January 14-15, 2010

[MSBO](#) Office • Lansing; Each day 8:00 AM-5:00 PM

School districts are required to provide a total of 16 hours of asbestos training to any employee who will conduct activities that will disturb asbestos containing building materials (ACBM). Employees who perform work on heating systems, electrical systems, plumbing, and in other areas where ACBM is present should receive this training. New employees are required to have this training prior to performing any

work involving asbestos.
Registration fee: \$240

Data Security Requirements for Credit Cards

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Plante & Moran is offering a complimentary webinar on Data Security Requirements for Credit Cards on Thursday, Jan. 28, 2010. If your district depends on the convenience of credit cards as a form of payment, you need to comply with the Data Security Standards of the Payment Card Industry. The Payment Card Industry (PCI) requires any organization that stores, processes, or transmits cardholder data to comply with its data security standards (DSS) regardless of the quantity of credit card transactions. Due to recent increases in identity theft incidents, the card issuers are moving towards enforcing full compliance by all affected organizations.

This webinar will help you gain a better understanding of PCI and the steps your district will need to take to achieve compliance.

Topics include:

What is PCI compliance

Why PCI compliance is relevant to K-12

Steps required by a district to achieve PCI compliance

Benefits of achieving compliance

Risks and penalties of noncompliance

Costs associated with obtaining and maintaining PCI compliance

Date: Thursday, Jan. 28, 2010

Time: 2 – 3 pm EST

Presenters: Judy Wright, Partner, Education Consulting Practice and Joe Oleksak, Consulting Manager, Security Assurance Practice

Register Online: <http://www.conferenceservers.com/brands/INF/eATConference/maskpath.html?id=4e322fe8d8&l=en-US>

PaySchools

MSBO's business solution - PaySchools makes it possible for all schools to offer the convenience of online payment processing without incurring the costs of setting up and maintaining their own merchant account. PaySchools is Payment Card Industry (PCI) compliant.

How It Works

Parents access PaySchools through a link on the home page of their schools district's web site. They select the items they want to purchase and then pay for them using credit cards, debit cards, or electronic checks. The payments are automatically processed, and the money is transferred to the school's bank account. Learn more about [PaySchools](#) on the [MSBO](#) website.