

School Board Meeting:

April 23, 2018

Subject:

2017-18 Budget Amendments

Presenter:

**Gary Kawlewski, Director
Finance and Operations**

SUGGESTED SCHOOL BOARD ACTION:

Recommend board approval.

DESCRIPTION:

FUND 01 REVENUE – General Fund

The General Fund revenue adjustments consist of multiple adjustments to property taxes, federal programs such as Title I and Special Education, local revenues that change over the course of the year, and state aid entitlement changes. The state aid entitlement adjustments result from revised enrollment estimates, new state revenue reports, revised expenditures and proration on state aids.

The original pupil unit total (WADMs) were estimated to be 6,297 for the 2017-18 school year. We revised the number to 6,320 with the November 2017 enrollment projection and that total was used for the mid-year forecast. At this point in time, that number appears to be fairly solid and consequently has not been changed in the final revised budget. This affected the General Education state aid and the Operating Capital state aid. As we look at special education aid, the projected 2017-18 special education aid is also projected to be higher than what was originally budgeted for 2017-18. We revised this number upward in the December 2017 revision used for the forecast. However, after further review, we are revising that number down slightly for the final revision but still showing an increase in total. We are also adjusting the revenue and offsetting TRA In-kind expenditure contribution that has been previously shown too high in the budget.

Federal revenue entitlements were updated with prior year carryover amounts from MDE and updated amounts for the current year.

Other budget adjustments were made for reduced third party billing revenue, additional interest earnings and changes in fund 9.

FUND 01 EXPENDITURES – General Fund

The General Fund expenditure amendments consist of two salary projection updates: December and March. All employee groups are settled at this time. All of the contingency positions are allocated. In the regular programs, there were a number of new hires due to retirements and resignations. Some special education positions were unable to be filled so some of the services were outsourced and those costs are reflected in the purchased services category.

The benefits budget is down in total, in part, due to the adjustment for the reduction of the TRA In-kind contribution and reclassification to the Other expenditure category. However, this decrease is offset by higher projections for health insurance due to contract settlements and higher insurance premiums. The budget also reflects the payroll corrections for 2017 that needed to be made.

The professional services budget is seeing increases as a result of higher special education transportation costs and new finance software costs. As stated above, we had to outsource some of our special education instruction as we were unable to hire individuals to fill the positions. Additionally, we are seeing higher utility costs for the year.

Fund 9 changes and federal supply budget changes account for the majority of the supply category changes. We also reduced the budget slightly for decreased fuel costs.

The biggest change in the capital category is due to allocating the remainder of the Long-Term Facilities Maintenance revenue to complete the BCMS pool wall project.

In the Other category, the majority of the change is due to the reclassification of the TRA In-kind contribution to this expenditure category.

Our original budget projection showed that we were planning to move our unassigned fund balance from 16.67% at the end of the 2016-17 fiscal year to 12.42% at the end of the 2017-18 fiscal year. Based on these budget adjustments shown above, we are projecting that our unassigned/unrestricted fund balance will end the year at about 12.16% or a 4.51% decrease in total in the unassigned fund balance.

FUND 2 – Food Service fund

Our meal counts are consistent with our prior year totals to-date for the most part. Our original projections for increased participation appear to be a bit

aggressive. However, we were able to pull back some of the budget for food costs as a result since food costs go up or down with participation levels. Additionally, we changed point of sale software and are now using Infinite Campus as our software provider. As a result, we are seeing higher costs for purchased services and technology expenses. The technology expenses are a one-time cost. Even with these changes, we are projecting that we will add about \$70,000 to the Food Service fund balance for the year.

FUND 04 – Community Education Fund

The state aid entitlement adjustments are due to a portion of QComp aid that needs to be reflected in this fund. The vast majority of the decrease in tuition and fees is from the Little KidKare program.

The expenditure amendments consist primarily of revisions to projected final costs for salaries and benefits, revised totals for contracted services and reduced food and supply costs.

FUND 6 – Building Construction fund

All of the activity for the bond issue passed in November of 2014 is reflected in this fund. The expenditures reflect projects that will be completed to some degree by the end of June 2018. We review our project schedules regularly and are anticipating that some of the project payouts will occur a little sooner than originally anticipated.

FUND 7 and 47 – Debt Service funds

The revenue budget for the Debt Service funds shows a slight adjustment up for Long-Term Facilities Maintenance aid and some revenue neutral shifts of market value credit totals between the tax and aid categories. We are showing the anticipated revenues and expenditures from the 2018A bond refunding sale. Due to the refunding of the OPEB bonds in May of 2017, we needed to make an expenditure neutral adjustment to the principal and interest schedule as the new bond schedule has us paying off more principal in this fiscal year than originally scheduled.

FUND 18 – HRA Trust fund

Although these funds are actually expenditures of the general fund budget, they are held in a trust fund for future benefit of active employees. These benefits were negotiated in lieu of other post-employment benefits that were in several employee contracts. These funds have a vesting schedule and revert back to district control in the event the employee does not work in the district long enough to meet the vesting schedule. The changes reflect the revised district payouts and estimated interest earnings from the fund.

FUND 45 – OPEB Trust fund

The revenue for the OPEB Trust fund is decreased to more accurately reflect the net appreciation expected in our OPEB Trust portfolio. The budget for expenditures was adjusted up to reflect the changes in projected post-retirement benefit expenditures.

Attachments:

ISD 877 BHM Final Budget 2017-18