



Committee Report

Committee Name:	Budget & Finance
Date of Report:	4/21/2021
Written/submitted by:	Jennie Winter
Date of last meeting:	4/21/2021
Date of next meeting:	<p>5/19/2021, 5-6:30 pm,</p> <p>online: Please join my meeting from your computer, tablet or smartphone. https://www.gotomeet.me/diecisf/nova-classical-academy---finance-meeting</p> <p>You can also dial in using your phone. United States (Toll Free): 1 866 899 4679 United States: +1 (571) 317-3116</p> <p>Access Code: 408-910-245</p> <p>(Board members: please be aware that with four board members on the Budget & Finance committee, we are close to a six-person Board quorum. Should you visit a Budget and Finance meeting, please be prepared to sign off as needed to avoid breaking open meeting law. All other public are welcome to visit our meetings. Thank you.)</p>

Motions/Action Items for the	4/21/2021	Board Meeting	Goal
1. The Finance Committee recommends the 2021-2022 budget to the board for approval.			N/A

2020 - 2021 Committee Goals		
Goal	Brief Update on Progress	Completed
1. Monitor and recommend 2020-21 budget	In January, committee recommended	Yes

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revisions to Board of Directors for review and approval.	2020-2021 revised budget for board approval. In August, committee recommended and board approved: <ul style="list-style-type: none"> • Making new \$246,000 Covid line for Coronavirus Relief Fund spending • Moving \$60,000 from technology to a contingency fund. 	
2. Review and recommend 2021-22 budget, which includes five-year pro forma projections, to Board of Directors for review and approval.	FY22 Budget recommended to the board in April and five-year budget review expected later in the spring after more funding information is available from the state.	No
3. Review and update financial controls.		No
4. Finish the year within two percent of projected revenue and expenses.		No

Committee Discussion Highlights:

1. **Lease Aid: IMPORTANT NOTE TO BOARD MEMBERS:** In recent years, we have planned to submit our lease aid application during the summer for the following year, and each year we are delayed in part by our difficulty in gathering a signed Lease Aid Certification Form from each board member. As you can see in our current financials, we still have not received our 2020-2021 Lease Aid, and that is due to our not receiving forms back from board members in a timely fashion. Not only does this problem distract the school’s staff members from other important business, but we did not meet our Actual Year-to-Date Debt Service Coverage Ratio debt covenant in March due to this issue. We have finally received our lease aid forms for the 2020-21 fiscal year from all board members, and we are hoping to start receiving our current fiscal year’s lease aid soon. Now, we need to quickly turn to our 2021-22 lease aid application. **This Lease Aid Certification form is included in this month’s Board packet for the 2021-2022 fiscal year. Please sign and return it to Brett Wedlund ASAP** as we plan to submit our lease aid application by May 31st to ensure funding starts immediately in July and we are fiscally compliant.
2. **March Financials:** At the end of the fiscal year, we are projected to meet all three of our bond covenants and authorizer requirements of at least 60 days cash on hand, 25 percent fund balance and 1.1 debt service coverage ratio. See financials for details.
3. **Fiscal Year 2022 Proposed Budget:** Joe Aliperto and Brett Wedlund re-presented the first draft of the FY22 budget. The committee and the board have already reviewed it once without changes. Dr. Wedlund noted that approving the budget this month will make it easier to plan

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staffing and make annual job offers. We do not know when the legislature will be finalizing the state's budget this spring/summer, but we believe we are in the ballpark with a budgeted 1.5 percent state general education aid increase, and our budget contains a cushion: it does not account for expected \$264,999 of ESSER funding:

- a. The school has been allocated funding from the federal government to help safely reopen and sustain the safe operation of schools and address the impact of the coronavirus pandemic on the nation's students. Funds have been approved and allocated through three different Acts. These include the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Supplemental Appropriations (CRRSA) Act, and the American Rescue Plan (ARP) Act. The funds are more commonly known as ESSER Funds (I, II, and III), which stands for Elementary and Secondary School Emergency Relief. Our estimated allocations are as follows: ESSER I - \$42,454, ESSER II - \$68,563, and ESSER III - \$153,982. Combined, these funds amount to \$264,999 to use between now and September 30, 2024.
4. As a review from our March meeting: **2021-22 budget highlights and assumptions:**
 - a. **Timing and uncertainty:** Nova is required to finalize its next annual budget via board approval by the end of June. Nova's fiscal year starts July 1. However, the State of Minnesota is expected to finish negotiating the next two years of general education and other educational funding in late May at the earliest. Due to the state's often protracted biennial budgeting process, Nova is sometimes forced to make substantial budgeting assumptions. Unfortunately, this is one of those times.
 - b. **Stable enrollment:** The budget assumes a 0.5 increase in average daily membership (ADM).
 - c. **Assumed 1.5 percent state general education revenue increase:** When this preliminary budget was built, we believed we might expect a 1.5 percent state general education revenue increase in 2021-22 - and possibly a higher increase the following year. *During the April finance meeting, there was talk that it might be a 1.0-2.0 percent increase in 2021-22. Again, we won't know final numbers until politicians finalize state budget negotiations later in the spring or summer.*
 - d. **Assumed 2 percent salary line increase.** Nova leadership is hoping to include a 2 percent salary line increase in the budget. Not discussed in the finance meeting, but added here as a friendly reminder: when the board approves any salary line changes, the impact of those changes to individual employees may differ. Board level salary line decisions should not be misconstrued as any kind of promise of future earning details related to individual employees or even groups of employees. School administrators are responsible for employee compensation strategy, decision-making and communication. Board and committee members do not play a role in communicating about compensation and benefits to employees, except as these topics pertain to executive director compensation and the board supervising the executive director.
 - e. **Assumed 6 percent health insurance increase:** Like many organizations, Nova is on a calendar year employee benefit schedule for health insurance, which is different from its July-June fiscal year. As was previously reported to the board, Nova negotiated a freeze on health insurance costs through December 2021 and a 12 percent cap on health

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insurance costs for the 2022 calendar year. This equates to a 6 percent cap on health insurance spending for our 2022 fiscal year.

- f. **Marginal revenue budgeted under Gifts and Donations:** Our community is wonderfully generous in supporting Nova programs through time, talent and financial donations, and these gifts make a huge difference to Nova and its students. As requested by Nova's board, we are returning to the practice of *not* budgeting substantially for our community's generous gifts and donations to the school. Returning to this practice reduces budgetary risk, while it also provides a potential unbudgeted revenue cushion for special circumstances and projects.
 - g. **Increased revenue and spending for Alternative Delivery of Specialized Instructional Services (ADSIS):** ADSIS is a grant program for state special education aid to assist students who need additional academic or behavioral support. Nova applies every two years, and this is an application year. Given student progress uncertainties related to the 2020-21 covid school year, Nova is applying for a larger grant than it has in the past. The additional funding will be used to fill three additional positions: a lower school intervention specialist, an upper school math intervention specialist and an upper school reading intervention specialist. Nova is eligible for more than one million dollars in total ADSIS spending. Assuming Nova's grant application is approved - as is expected - Nova will be reimbursed for 60 percent of ADSIS-related expenses. This assumed reimbursement and additional spending is built into the budget.
 - h. **Other notable details:** The budget includes:
 - i. Continued realignment of current staff salary lines to actual staffing areas.
 - ii. Continued vacancy of two administrative positions that school leaders decided not to refill following staff resignations.
 - iii. Reduced custodial staffing as Nova plans to outsource more custodial services.
 - iv. Increased counseling staff hours to serve students who may have greater needs as they work to manage or recover from Covid-related stresses and return to in-person instruction and activities
 - v. \$20,000 for continuation of brand refresh consulting services that will start in FY21, pending board approval of \$40,000 of additional spending in FY21. This equals \$60,000 total on brand refresh in FY21 and FY22.
5. **Line of Credit:** Dr. Wedlund announced that the bank is looking at the Line of Credit contract again before approving the final terms given delays in our being able to submit a signed contract.
 6. **Bond Refinance:** Dr. Wedlund shared that the board approved Nova's intent to engage with Piper Sandler to work on refunding (or commonly referred to as "refinancing") a portion of our bonds this summer, and that we have now contracted with Piper Sandler after first looking at a competitive offer.

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