| | |
|---|---|
| **School Board Meeting:** | **April 22, 2019** |
| **Subject:** | 2018-19 Budget Amendments |
| **Presenter:** | **Gary Kawlewski, Director**<br>**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.

We estimated the original pupil unit total (WADM's) to be 6,287 for the 2018-19 school year. We revised the number to 6,341 with the November 2018 enrollment projection and used that number for the mid-year forecast. As of the April 1 enrollment count, our student attrition seems to be slightly less than originally projected and, consequently, we are revising the projected ending number slightly to 6,349. This change affected the General Education aid, Operating Capital revenue, Long-Term Facilities Maintenance revenue, and Integration revenue. We are seeing a proration of revenue in QComp (PPD) revenue. This proration means we are seeing a reduction in this revenue category. As we look at special education aid, we project that the 2018-19 special education aid will be higher than what was originally budgeted. We also have additional revenue from the safety grant application that we received last fall for Montrose Elementary School.

Federal revenue entitlements were updated with prior year carryover amounts from MDE and updated amounts for the current year. The largest change in the total is from the award of the STEAM grant at Montrose Elementary School of Innovation (MESI).

We made other budget adjustments 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. We were unable to fill some special education positions so some of the services were outsourced and those costs are reflected in the purchased services category. We received the MESI STEAM grant and some of that budget is in the salary changes. We also hired more teaching staff than the total that was in our original allocation to address class size.

The benefits budget is up in total due to several factors. The TRA rate increased slightly for 2018-19 and this change was not reflected in the original budget. The remainder of the costs are from the contract settlements, the increased staffing levels, and the MESI STEAM grant.

The professional services budget is seeing increases resulting from higher special education transportation costs, the final payout on the TIES building, revised tuition costs, and the MESI STEAM grant. 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.

Fuel costs, the MESI STEAM grant, additional curriculum changes, and federal supply budget changes account for the majority of the supply category changes.

The changes in the capital outlay category are due to the MESI STEAM grant, the omission of the coop LTFM payments in the original budget, the LTFM adjustment for project costs for 18-19 that were completed in 17-18, the MESI state safety grant, and additional curriculum purchases.

In the Other category, the majority of the changes are due to Fund 9 revisions, the elimination of a fee that we were required to pay due to the Affordable Care Act that expired, and several other miscellaneous adjustments.

Our original budget projection showed that we were planning to move our unassigned fund balance from 12.16% at the end of the 2017-18 fiscal year to 7.49% at the end of the 2018-19 fiscal year. Our audited fund balance showed our final 17-18 total at 13.6%. Our mid-year revision projected an ending balance of 8.84%, which was a projected decrease of 4.76% from the audited total. Based on the final budget adjustments shown above, we are projecting that our unassigned/unrestricted fund balance will end the year at about 8.44% or a 5.16% decrease in total from the audited unassigned fund balance.

***FUND 2 – Food Service fund***

We are projecting that our meal counts will drop for lunch but increase for breakfast when comparing to last year's totals. Our original projections for increased participation appear to be a bit aggressive. However, we have been able to adjust our budgets for food and supplies as a result since those costs go up or down with participation levels. We have looked for other cost containment measures to offset the loss in revenue. We have also been working on better ways to market the program through surveys, parent/grandparent participation days, and new menu offerings and line setups.

***FUND 04 – Community Education Fund***

The change in tuition and fees comes from most of the programs in Community Education. The biggest increases come from KidKare, the general Community Education programs, and from School Readiness. All are due to increased participation.

Although the expenditure budget shows little change, the changes in the categories represent a comprehensive review of program costs. The biggest cost change is a review of the benefit costs of the program. The remainder of the expenditure amendments represent changes due to review of those cost areas and reductions in costs wherever possible. The net result shows a projection of a $90,885 budget surplus overall.

***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 2019. 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 an adjustment in categories due to the Ag bond credit that is in place for 2018-19. Our revenue totals for state aid and property taxes remains largely the same but the totals shift due to the credit. We are seeing an increase in projected interest earnings.

Based on our past bond issue refunding sales, we typically record the revenue and expenditures from the sale in the same fiscal year. The 2018A refunding bond sale used a slightly different process. This change caused the revenue to be recognized in 2017-18 but the bond expense was not recorded until the bonds were actually called which occurred in the 2018-19 fiscal year. We budgeted for the sale originally in 2017-18 but now are adding the budget for the final call of the bonds in 2018-19 with this revision.

### *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 2018-19