

Board Agenda Item Explanation

Finance Report - March 2025

Budget Development 25-26 Update

A beginning point for budget development is to assess the financial health of the district. The ability to mitigate volatility and continue to deliver instruction to our students indicates a sound financial condition. The evidence of this is the strategic reserves established to respond to specific circumstances.

State revenues and correspondingly the State School Fund are volatile due to reliance on a single tax source. The Board Policy of maintaining an 8% General Fund Balance avoids the need to adjust costs immediately if the state is not able to fund the State School Fund as budgeted.

The district is self-insured for unemployment costs. Should there be a need for a reduction in force the absence of a reserve requires a greater number of staff be terminated because of the need to pay the unemployment charges. The reserve balance at June 30, 2025 is estimated to be more than \$250,000.

The reality of older facilities is that the potential for catastrophic failure is always possible and continues to be discussed. A reserve of \$250,000 is maintained to meet such needs in one of the capital funds.

PERS costs have the potential to be a major disrupter. MRSD issued pension obligation bonds in 2002 and 2003. The proceeds from these bonds paid the unfunded actuarial liability and established a side account to assist in managing future PERS cost increases. The payments for the bond debts is funded by the district from operating revenue. The side account is amortized over the life of the bonds and is used to offset the required employer contributions to PERS for employees. The final payments for the bonds will be in 2027 – 2028. The amortization of the bond debt was established on a basis that resulted in the payments increasing over time. A reserve fund was established to ensure that disruptions in operational revenue did not result in payment deficiencies. This reserve fund is intended to be used to flatten out the increases in the payment amounts. The reserve balance at June 30, 2024 was \$867,000. This will need to be increased to mitigate the increase in Employer PERS rate starting in 2025-2026 and as we move toward the Bond maturity in 2027.

Considering the status of these reserves the District enters into the 25-26 budget preparation process in a financially sound position.

General Fund Revenue

The initial ODE State School Fund Estimate shows a narrow gap between 2025-2026 projected ADMw (3064.41) and current year updated ADMw (3025.99). Since the 2025-2026 number is greater it is the source of funding for 2025-2026.

This estimate also has implications for 2024-2025. The previous estimate used for the current year budget reflected 2024-2025 ADMw to be 2,991.99. The updated 2024-2025 ADMw increased to 3,025.99. The new estimate increases the state school fund \$259,315, or 1.1% over the budgeted amount in the current budget cycle. This small increase compared to inflationary pressures creates a challenging environment as we move into the next biennium.

Overall, the impact results in a forecasted increase in the state school fund of \$2,257,104.15 or 10% for the 2025-26 budget cycle.

General Fund Expense

Building and department leaders are submitting budget documents. The compilation of these will provide a clearer picture of the size of the anticipated deficit spend.

Other Funding Sources

A similar process of estimating revenues and expenses for funds like the Student Investment Account, Federal Grants and High School Success Act are underway.

During March, this process should result in a clear picture of the financial plan for 2025-2026.

Current year projection of ending fund balance

The Monthly Finance Report has been updated to reflect the current estimates of revenues and expenditures. Expenses are continuing to be monitored closely.

Submitted by: Andy Campbell