School Board Meeting:	**April 26, 2021**
Subject:	2020-21 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, Special Education and CARES Act funds, local revenues that changed 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 of state aids.

We estimated the original pupil unit total (WADM's/APU's) to be 6,285 for the 2020-21 school year. We revised the number to 5,945 with the November 2020 enrollment projection and used that number for the mid-year forecast. As of the April 1 enrollment count, our enrollment projections are similar to the counts used for the mid-year revision. As a result, we are using those same totals for the final revision. This decrease in pupil units affected the General Education aid, Operating Capital revenue, Long-Term Facilities Maintenance revenue, and Integration revenue. As we looked at special education aid, we are projecting that the 2020-21 special education aid will be lower than what was originally budgeted. However, we are also seeing that the final total for fiscal year 2019-20 is higher than was estimated for the FY2020 audit so that increases the overall total for the year.

Federal revenue entitlements were updated with prior year carryover amounts from MDE and updated amounts for the current year. We are seeing a use of carryover for the STEAM grant at Montrose Elementary School. We are also seeing reductions in use of other federal programs. We will carry over those unused funds into next year. The largest change in the federal revenue category is due to the various CARES Act funding sources that were made available to the district from the state, county and township.

We made other budget adjustments for reduced fees from activity and other trip cancellations due to the COVID-19 pandemic. We are also projecting significantly lower interest earnings due to reduction in interest rates because of the pandemic. We are also seeing a reduction in retiree and COBRA contributions as a number of former staff members opted not to elect to stay on the district's insurance plan. We also are seeing a significant reduction is student activity revenue from fundraising and donations.

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 are in the third year of the Montrose Elementary STEAM grant and some of that budget is in the salary changes.

The benefits budget is down in total due to several factors. The original budget reflected the possibility of a number of non-renewed from last year taking the COBRA insurance option at their expense. The vast majority did not exercise that option. The vast majority of the remainder of the costs are from changes in health insurance from both individual election changes and anticipated changes from contract settlements.

The professional services budget is seeing reduced utility costs, lower transportation costs, lower travel costs, lower lease costs, and lower contracted service costs in the regular program. We are, however, seeing an increase in tuition costs.

Purchases in the MESI STEAM grant, significant purchases due to the CARES Act funds to manage the costs of the pandemic, and significant reductions in student activity costs represent the majority of the supply category changes.

The changes in the capital outlay category are due to the LTFM adjustment for project costs for 20-21 that we completed in 19-20, lower than anticipated MESI STEAM grant purchases, and equipment items purchased through the CARES Act funds.

In the Other category, the majority of the changes are due to lower ECSE tuition costs and lower expenses from not hosting section and state tournaments this year due to the pandemic. The tournament hosting has an offsetting reduction in revenue as well.

Our original budget projection showed that we were planning to move our unassigned fund balance from 9.40% at the end of the 2019-20 fiscal year to 12.14% at the end of the 2020-21 fiscal year. Our audited fund balance showed our final 19-20 total at 12.48%. Our mid-year revision projected an ending balance of 13.82%, which was a projected increase of 1.34% 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 13.84% or a 1.36% increase in total from the audited unassigned fund balance.

FUND 2 – Food Service fund

The COVID-19 pandemic continued to create change for the food service program for this year. We were anticipating that we would be running the summer food service program through the end of November 2020. However, the USDA authorized the use of the summer food program for the start of the school year and for the duration of the school year. This change eliminated all paid student meals and significantly reduced ala carte sales. However, we are projecting that our meal counts will actually increase slightly in total between the lunch and breakfast programs. For lunches, we are projecting a reduction in total meals. However, we are projecting an overall increase in breakfast meals when compared to last year's totals. The summer version of the lunch and breakfast program used during the school year has a higher reimbursement rate but also has a higher food cost since a lot of the products are prepackaged. We are seeing that our original projections for food, milk and supplies were lower than needed. We were able to purchase two vehicles through the CARES Act funds for meal delivery and are upgrading several coolers that needed replacement.

FUND 04 – Community Education Fund

The COVID-19 pandemic continued to create significant changes for the Community Education program as well. In addition to loss of revenue for programs that were not able to run, we were required to provide childcare for essential workers at no charge. This resulted in a revenue generation loss for Kid Kare and Youth Enrichment, as well as for most of the Community Education programs.

The remainder of the expenditure amendments represent changes due to review of all cost areas and reducing costs wherever possible. The net result shows a reduction in fund balance of $164,720 moving the overall deficit in fund 4 to $290,076.

FUND 6 – Building Construction fund

All of the activity for the bond issue passed in November of 2014 is reflected in this fund. We have completed all of the projects approved by the bond issue and the fund is now officially closed out.

FUND 7 and 47 – Debt Service funds

The revenue budget for the Debt Service funds show an adjustment primarily due to reduced fiscal disparity revenue and shifts in Ag/market value credits. Our revenue totals for state aid and property taxes remains largely the same but the totals shift due to the credit changes. We are seeing a decrease in projected interest earnings as well.

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 estimated district payouts and estimated interest earnings from the fund.

FUND 45 – OPEB Trust fund

The COVID-19 pandemic has greatly affected the OPEB trust as we are seeing significant market valuation changes due to the pandemic. We saw a significant drop in the fund balance for FY20. However, we are seeing the opposite affect for FY21 and are seeing a significant increase in the value of the fund. The revenue for the OPEB Trust fund increased to reflect the projected market value appreciation expected in our portfolio. The budget for expenditures adjusted down slightly to reflect the changes in projected post-retirement benefit expenditures.

Attachments:

- ISD 877 BHM Final Budget 2020-21
- 2020-21 Final Revised Budget General Fund Balance Detail