

School Board Meeting:

April 24, 2017

Subject:

2016-17 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, (WADM's) were estimated to be 6,265 for the 2016-17 school year. We revised the number to 6,337 with the November 2016 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. The projected final special education aid for 2015-16 appears to be significantly higher than what was recorded and reviewed by our auditors. Additionally, as we look at the current year, the projected 2016-17 special education aid is also projected to be higher than what was originally budgeted for 2016-17. We revised this number upward in the December 2016 revision used for the forecast and are, again, revising it higher for the final revision. We are also recording the revenue and offsetting TRA In-kind expenditure contribution that has not been previously shown in the budget. These transactions were recognized for 2015-16 during the audit for the first time and were not recorded in the original budget for 2016-17 which was adopted in June of 2016.

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 additional third party billing revenue, additional interest earnings, changes in fund 9, and region tourney reimbursement.

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. Most 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 up in total due to the recognition of the expenditure side of the TRA In-kind contribution. However, this increase is offset by lower projections in the remainder of benefit categories to correspond with the adjustment downward of overall salaries.

The professional services budget is seeing increases as a result of higher special education transportation costs and new finance software costs. The budget also includes costs related to the lease refinancing and costs related to the early childhood facility study. As stated above, we had to outsource some of our special education instruction as we were unable to hire individuals to fill the positions. We were, however, able to reduce the costs of the fiber optic lines and the civic center lease with the City of Buffalo through renegotiating those contracts.

Fund 9 changes and federal supply budget changes account for the majority of the supply category changes.

For capital expenditures, we renewed our filtering software package that is a 3-year package. We purchased the package up front and will reduce future technology purchases over a three-year period. We get better pricing by using this process.

In the Other category, we are seeing some fund 9 adjustments and are recoding some tuition expenditures that had to be moved from the purchased services category. In addition, as we continue to host more region tournaments, our region tournament expense budget goes up in a similar way as was listed for region tournament revenue above.

Our original budget projection showed that we were planning to move our unassigned fund balance from 16.48% at the end of the 2015-16 fiscal year to

11.7% at the end of this fiscal year. Based on the budget adjustments shown above, we are projecting that our unassigned/unrestricted fund balance will end the year at about 13.84% or a 2.64% decrease in total in the unassigned fund balance.

FUND 2 – Food Service fund

We have seen a continued increase in meals served as a result of recent changes made by the food service staff to counter the significant menu restrictions changed at the federal level. The food service staff members have worked hard to find cost reductions to try to keep the fund balanced. They have also worked hard to implement menu changes that meet the federal guidelines and have also increased participation. We are hopeful that the final projection of a significant increase to the fund balance will hold through the end of the year.

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 2017. 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 also showing the anticipated revenues and expenditures from the OPEB bond refunding sale.

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 2016-17