

School Board Meeting:

April 22, 2024

Subject:

2023-24 Final Revised
Budget Adjustments

Presenter:

**Ryan L. Tangen, Director
Finance and Operations**

SUGGESTED SCHOOL BOARD ACTION:

Recommend board approval.

DESCRIPTION:

GENERAL FUND REVENUE

The General Fund revenue adjustments consist of changes to property taxes, state formula aid entitlements, Special Education Aid, federal programs and local revenues.

The number of students educated by BHM Schools is the most important input for both revenue and expenditure budgets. The original budget estimated the weighted student estimates or "Adjusted Pupil Units" (APU) to be 5,684 for the 2023-24 school year. Based on the November 2023 enrollment projection, the total APU was revised to 5,648. Monthly enrollment has remained consistent with prior year trends so those same totals were used for the final revision. This decrease in pupil units has a direct effect on the General Education Formula Aid, Operating Capital Revenue, Long-Term Facilities Maintenance Revenue, Integration Revenue and many more. Special Education Aid is projected to be lower than what was originally budgeted due to increased tuition billing. Even with the decrease in revenue due to the lower APU, revenue from State Sources is projected to be higher than the original budget primarily due to the increase in new aid categories, grants, and prior-year adjustments. Overall, revenue from State Sources increased by \$380,633 for the final revision.

Federal revenue adjustments consist of updated entitlements for title and special education, changes to the obligation of Federal Pandemic Relief Funds (FPRF) and grant revisions. These changes increased our revenue from Federal Sources by \$936,122 for the final revision.

Other revenue budget adjustments included higher-than-expected interest income, local grants, tuition billing, student activities and donations. These increases resulted in an overall increase of revenue from Other sources by \$489,831 for the final revision.

Local Property Taxes were adjusted for additional revenue related to Apportionment, early recognition of certain levies, miscellaneous collections, and other levy adjustments. The net increase in Local Property Taxes was \$316,125.

Overall, the General Fund revenues increased by \$2,121,711 from the original budget to the final revised budget.

GENERAL FUND EXPENDITURES

The General Fund expenditure adjustments focused on revised estimates for salaries and benefits, Federal Pandemic Relief Funds, curriculum purchases, grant revisions and student activities. Salaries and benefits are adjusted twice per year; first with the mid-year update in December and with the final budget revision. All but one employee group is settled at this time so a projection was used for an overall increase. During the year, all of the contingency positions were allocated. Some vacancies were late to be filled, or not filled at all, and coupled with retirements and resignations, this is the major contributor to the salaries and employee benefits adjustments. Some special education vacancies needed to be outsourced and those costs are reflected in the Purchased Services category. These adjustments resulted in an overall increase in salaries and employee benefits expenditures. The Salaries and Employee Benefits budget increased by a combined total of \$1,041,799.

The Purchased Services budget included decreased transportation costs and increases in special education contracted services, tuition agreements with other districts, grant revisions and operating expenditures. Overall, the Purchased Services budget increased by \$416,948.

The Supply budget also realized an overall increase. The increase can be attributed to curriculum purchases, transportation fuel, grant revisions and student activities. The final revised Supply budget increased by \$569,327.

Changes in the Capital Outlay category are due to increases in expenditures for grant revisions, revised Long-Term Facility Maintenance (LTFM) and capital projects and activities. The majority of LTFM and capital project adjustments are related to project timing. Overall, the Capital Outlay category increased by \$245,413.

The Other category experienced numerous budget increases and decreases resulting in very little change.

GENERAL FUND BALANCE

The original 2023-24 budget projection showed an increase in the Unassigned Fund Balance of \$725,017 to \$11,637,220 or 15.01% of expenditures. This total was based on the projected 2022-23 year-end Unassigned Fund Balance as a starting point but the 2022-23 audited fund balance was \$212,995 higher than projected ending at \$11,125,198 or 14.76%. Using the 2022-23 audit results, the original budget projection showed an increase of \$725,017 to \$11,850,215 or 15.29% of expenditures. The midyear revised 2023-24 budget showed an increase of \$117,845 ending at \$11,243,043 or 14.23% of expenditures. The final revised 2023-24 budget projects an increase of \$485,806 with an ending Unassigned Fund Balance of \$11,611,004 or 14.55% of expenditures.

FUND 2 – Food Service Fund

The 2023-24 school year is the first year of a new state program providing free meals for every student. The return to free meals resulted in participation rates mirroring the participation rates during the pandemic when meals were free through federal relief. The revised meal participation projection for 2023-24 is 983,314. This is 45,310 less than the original budget and 237,364 more meals served than in 2022-23. Overall, the revenue budget increased due to a larger-than-expected increase in the federal reimbursement rates and interest revenue. The permanent increase in participation was supported by increased or restructured staffing but due to vacancies, staffing and benefits were adjusted lower. Product pricing has stabilized but is still higher than anticipated leading to increased supply budgets. The Capital Outlay budget was increased for additional service line replacements and other kitchen upgrades. Overall, the Food Service Fund deficit increased and is expected to have a deficit of \$292,096 for a year-end fund balance of \$2,725,440.

FUND 04 – Community Education Fund

Overall, there was very little net change to the revenue budgets. KidKare, Youth Enrichment, other Community Education programs, and rentals are projected to exceed the original budget but school readiness realized a significant decrease of \$102,200 offsetting the other revenue increases. All revenues combined are projected to be \$33,856 less than the original budget. Expenditures for purchased services and supplies increased due to high participation rates and staffing was adjusted to current projections resulting in an overall increase in expenditures of \$55,175. The changes resulted in \$89,031 less of an increase to the fund balance. The Community Education Fund is projected to have an increase in fund balance of \$137,168 for a year-end fund balance of \$664,489.

FUND 6 – Building Construction Fund

The Building Construction Fund activity is a result of the successful building bond referendum. Revenues consist of proceeds from the bond sale and interest income earnings on the balance during 2023-24. Expenditures are limited due to project timelines. The majority of expenditures will be for the design and bidding of projects scheduled to be started in the spring of 2025. \$450,000 has been set aside for outdoor projects scheduled to be started in June 2024. The Building Construction Fund is projected to have a year-end fund balance of \$44,191,189.

FUND 7 and 47 – Debt Service Funds

The revenue and expenditure budgets for the Debt Service Funds are tied to property taxes and bond issuance making them fairly predictable except for interest income and state credits. The classification of the \$202,209 transfer between the OPEB Debt Service

Fund and the Debt Service Funds was revisited and is now shown in both the revenue and expenditure summaries in the Other category. The 2023-24 budget was adjusted to include changes to fiscal disparity, equalization aid, interest income, and the transfer of fund balance. The Debt Services Funds are projected to have a fund balance increase of \$334,489 with a year-end fund balance of \$2,025,769.

FUND 18 – HRA Trust Fund

Although these funds are expenditures of the General Fund budget, they are held in a trust fund for the future benefit of active employees. These benefits were negotiated in place of other post-employment benefits that were in several employee contracts. These funds have a vesting schedule and revert 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. The HRA Trust Fund is projected to have a fund balance increase of \$440,240 with a year-end fund balance of \$4,246,040.

FUND 45 – OPEB Trust Fund

The revenue for OPEB Trust was adjusted to more accurately reflect the net appreciation expected in the OPEB Trust portfolio and retiree premium contributions. The OPEB Trust Fund is projected to have a fund balance increase of \$249,106 with a year-end fund balance of \$13,026,416.

ATTACHMENT(S):

- ISD 877 BHM Final Revised Budget 2023-24 Presentation
- ISD 877 BHM Final Revised Budget 2023-24 General Fund Balance Detail