

Finance & Facilities Committee - Special Meeting

Monday, January 23, 2023 6:00 PM

Waconia Public Schools - District Office - Conf Rm C, 512 Industrial Blvd.,
Waconia, MN 55387

1. DISCUSSION ITEMS

1.A. District Adjustment Process and Budget Review

2. Enrollment Tracking Worksheet

Presenter: Ra Chhoth,
Director of Finance &
Operations

WACONIA PUBLIC SCHOOLS

ENROLLMENT ANALYSIS

Fiscal Year 22-23

MONTHS REPORTED: 5

REGULAR ED

BEG OF MONTH	REG K	HD-K	EC	PRE-K	HK	TOTAL K	GR 1	GR 2	GR 3	GR 4	GR 5	GR 6	GR 7	GR 8	GR 9	GR 10	GR 11	GR 12	TOTALS
SEP	210		64		35	245	294	284	290	265	319	313	340	300	350	336	361	336	4,097
OCT	201		79		41	242	291	279	287	267	313	310	336	297	347	335	351	332	4,066
NOV	202		80		41	243	294	278	289	266	313	309	339	296	346	335	351	333	4,072
DEC	200		89		42	242	294	278	288	267	313	308	337	297	348	332	351	338	4,082
JAN	201		96		42	243	292	278	288	266	313	309	337	298	344	331	350	340	4,085
FEB						-													-
MAR						-													-
APR						-													-
MAY						-													-
TOTALS	1,014	-	408	-	201	1,215	1,465	1,397	1,442	1,331	1,571	1,549	1,689	1,488	1,735	1,669	1,764	1,679	20,402
AVERAGE	202.8	-	81.6	-	40.2	243.0	293.0	279.4	288.4	266.2	314.2	309.8	337.8	297.6	347.0	333.8	352.8	335.8	4,080.4
EXTENDED TIME	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TUITION - OUT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ALC																			
MONTH	REG K	HD-K	EC	PRE-K	HK	TOTAL K	Gr. 1	Gr. 2	Gr. 3	Gr. 4	Gr. 5	Gr. 6	Gr. 7	Gr. 8	Gr. 9	Gr.10	Gr. 11	Gr. 12	TOTALS
SEP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.00	19.00	26.00
OCT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.00	19.00	27.00
NOV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9.00	17.00	26.00
DEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.00	9.00	15.00	26.00
JAN	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.00	10.00	13.00	26.00
FEB	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
APR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
JUN	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.00	43.00	83.00	131.00
AVERAGE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.0	43.0	83.0	131.0
SEAT COUNT TO ADM ADJ. FACTOR	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
ALC ADJUSTED ADM'S	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.0	43.0	83.0	131.0
AVG TOTALS	202.8	-	81.6	-	40.2	243.0	293.0	279.4	288.4	266.2	314.2	309.8	337.8	297.6	347.0	338.8	395.8	418.8	4,211.4

3. **SOD DRAFT**

Presenter: Ra Chhoth,
Director of Finance &
Operations

#110 Waconia

SPECIAL OPERATING PLAN SUMMARY

GENERAL FUND 01

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
	Base Year	Budget Yr			
Unreserved Revenues					
Base revenue = Prior Year Revenue		47,230,274	48,939,011	49,444,113	49,381,798
General Ed Revenue change due to enrollment change		(136,017)	248,923	(18,707)	221,118
General Ed Revenue change due to basic formula allowance change		595,357	0	0	0
Decreasing enrollment revenue - This is \$0 if increasing enrollment		35,008	0	4,815	0
Referendum Revenue change		149,482	256,179	(48,423)	31,300
Other revenue changes		1,064,908	0	0	0
Total Unreserved Revenues	47,230,274	48,939,011	49,444,113	49,381,798	49,634,216
(Revenue % change - year to year)		3.62%	1.03%	-0.13%	0.51%
Unreserved Expenditures					
Base = Prior year total unreserved expenditures		47,017,654	49,078,773	49,078,773	49,078,773
Change in Unreserved Expenditures		2,061,119	0	0	0
Total unreserved expenditures	47,017,654	49,078,773	49,078,773	49,078,773	49,078,773
% Change in Total Unreserved Expenditures		4.38%	0.00%	0.00%	0.00%
Revenue Over/(Under) Expenditures	212,620	(139,762)	365,340	303,025	555,443
Prior Year Ending Fund Unreserved Balance	(5,051,932)	(4,839,312)	(4,979,074)	(4,613,734)	(4,310,709)
Unreserved fund balance (\$) (numerator for SOD Calc)	(4,839,312)	(4,979,074)	(4,613,734)	(4,310,709)	(3,755,267)
Unreserved fund balance (%)	-10.29%	-10.15%	-9.40%	-8.78%	-7.65%

3.A. Narrative



Waconia Public Schools - ISD #110

Special Operating Plan Narrative for Statutory Operating Debt

Section 1: Introduction and Explanation of Current SOD Position

Waconia Public Schools - ISD 110 was in Statutory Operating Debt as of June 30, 2022, financial audit by - 10.29%. The unrestricted operating fund balance was negative by \$5,027,451.

1.1 Fund Balance History:

Waconia Public Schools has had a history of strong fund balances going back to 2010 when the General Fund unassigned fund balance was at \$3,691,113. From that point through the year ending 6/30/2016 the fund balance remained strong and reached a high in 2012 of \$4,818,896 with slight declines after that. The 6/30/2016 unassigned fund balance was \$3,390,442 even while experiencing a slight decline that year of \$313,960. Since that point the district had a decline in the 2017 fiscal year of \$1,336,354 to an ending fund balance of \$2,033,058. Then in the 2018 fiscal year, the fund balance took a sharp decline of \$3,836,362 to (\$1,751,938). This trend continued in the 2019 fiscal year pushing the deficit further down to \$6,435,564 or -15.47%. This was slightly better than was expected in the prior year SOD report of \$6,493,944 or -15.64%. In the 2020 fiscal year the district made some improvements to its deficit fund balance and ended the year at a deficit of -\$6,218,593 or -15.12%. For fiscal year 2021 the district unassigned fund balance was -5,207,471 or -11.80%. In the fiscal year just ended, June 30, 2022, the district made small improvements to its deficit fund balance and ended the year at a deficit of -\$5,027,451 or -10.29%.

1.2 Fund Balance Decline:

The district had been deficit spending in anticipation of running an operating referendum campaign in the fall of 2018. There were increases in Special Education expenditures in conjunction with Capital Spending for facilities. What was not anticipated was the stagnant growth due to the Covid Pandemic. The new special education funding formula resulted in unforeseen consequences that negatively impacted many school districts in the state, including ISD 110.

1.3 Major Factors Impacting the District:

Districts such as Waconia are bearing more and more of the increased costs for these mandated special education programs. In addition to special education costs, increasing contractual costs for providing services to our student population are putting major strains on our scarce resources. Costs such as higher energy usages, are putting additional strains on the general fund.

1.4 Planning for the Future

As of July 1 2022, new management has taken leadership roles for Waconia Public Schools. The

Superintendent and the Director of Finance and Operations are working on rebuilding the fund balance in close cooperation with the school board. Four new board members have joined ISD 110 since January 1 2023. A budget review and reduction process is in place to have all stakeholder voices heard as the challenge to get ISD 110 out of statutory operating debt is a primary concern for the community at large. ISD 110 is expecting to make strategic decisions on future staffing needs due to stagnant growth, while also balancing excellence in education for all students.

Section 2: Budget Development and Financial Management Process

Budget development has traditionally been the job of the Superintendent and the Director of Finance and Operations with input from staff and school board members.

2.1 Student Enrollment Projections:

The Director of Finance and Operations presents enrollment projections monthly to the school board. Enrollment updates and projections for coming years are presented in June with the preliminary budget. The Director of Finance and Operations consults with the MARSS coordinator to make these projections. Projections for future years are based mainly on census projections, with adjustments made for potential students enrolling in or out of the district.

2.2 Unrestricted Revenue Projections:

The District prepares a preliminary budget for the school board approval every June. That process starts in the fall of the previous year with the preliminary levy cycle. We utilize a variety of tools to project revenue including the state What-If spreadsheets and the levy documents. The tool most used is the state revenue projection model. That spreadsheet has proven to be the most reliable tool in projecting revenues for both the current and the future year being budgeted.

2.3 Restricted Revenue Projections:

Projections for federal grants such as Title I and Title II have been made based on the previous year's allocations and entitlement amounts listed in the State SERVS system. State revenues relating to statutory reserves are made from the levy sheets that are adopted in December. The state's revenue projection model is used in projecting these revenues as well. The budget is revised after the audit is approved mid-year and these projections are updated based on their values in the State SERVS system.

2.4 Staffing:

A new process to help refine the budgetary process was introduced this year with the new Superintendent and new Finance Director. Waconia Public Schools Resources in Education Planning (WREAP) addresses the budget shortfall by gathering inputs from all stakeholders to look for efficient and creative strategies to help align the current reality of the districts to the limited resources of the district.. In January of 2023 the administrative team met to analyze budget items and explore ways to reduce expenses with minimal impact to programs that serve our student population. The WREAP timeline is attached to this memo. The approved recommendations are used in developing the next year's budget.

2.5 Expenditure Projections for Unrestricted Expenditures:

Projections are made by reviewing the previous year's budget, and looking at what was actually spent versus what was budgeted. We reviewed our 2022-2023 budget to determine the accuracy of our 2022-2023 preliminary budget. Adjustments were made to the 2022-2023 budget as needed. District staff is currently in the process of developing the 2023-2024 budget.

2.6 Expenditure Projection for Restricted Expenditures:

The same process is used for these projections as with the unrestricted expenditures.

2.7 Contingency Budgeting:

For many years, we were budgeting an expected surplus in revenue over expenditures, and we had built up our fund balance to about 17%. In the past few years the fund balance has made a dramatic downward turn and has decreased to the point where we are in SOD. The school board has adopted a fund balance policy which states we would strive to maintain a minimum unassigned general fund balance of 5% of the annual General Fund Operating Budget.

2.8 School Board and Administration Role in Budgeting Process:

The process of developing the budget is mainly the responsibility of the Director of Finance and Operations and the Superintendent, with input from staff, administration, and school board. The district is currently implementing a budget process label Waconia Resources in Education Allocation Planning (WREAP). Inputs from all stakeholders are heard and district leadership are reviewing efficient planning for the next budget cycle FY 23-24.



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2.9 Mid-Year Budget Revisions:

District staff make mid-year budget revisions after the audit is approved. This typically occurs in February of each year. The budgets are again revised in June of each year along with the preliminary budget for the following year. Both of these budget revisions are presented to the school board for review and approval.

Section 3: Financial Monitoring, Processes and Procedures

This is the responsibility of the Director of Finance and Operations and the Superintendent with the input of the school board finance committee.

3.1 School Board Finance Committee:

The finance committee meets monthly and includes the Superintendent and the Director of Finance and Operations. The role of the finance committee is to review financial matters.

3.2. Administrative approval of expenditures:

Staff needs to get administrative approval before any orders are placed. All expenditures are approved initially by their direct administrative team members and then finally approved by either the Director of Finance and Operations or the Superintendent.

3.3 Administrative Approval of Journal Entries:

The Controller prepares any journal entries needed and the Director of Finance and Operations reviews and approves those journal entries.

3.4 School board approval of expenditures:

All expenditures are approved by the school board at their regular monthly meetings when they review and approve the bills. Sometimes, bills are questioned, and the administration provides further detail of questioned bills to the board.

3.B. SOD PLAN

4. **Bank Rec**

Presenter: Ra Chhoth,
Director of Finance &
Operations

Transfers

	Transfers To	Transfers From
Security Bank	2,000,000.00	
	2,200,000.00	
	500,000.00	
Rygh Scholarship		
Bond Disbursement		
OPEB EQUITY		
OPEB		
2018 COPS		
Hometown Bank		
AAC Proceeds		
2019 Lease (Tennis Court)		
OPEB Equity		
OPEB		
PM-A Operating		2,000,000.00
		2,200,000.00
		500,000.00
Refunding Bonds		
2017 COPS-US Bank		
PMA		
KleinBank General to Activities		
Old National		
Mid Country		
LTFM Bond		
Facility Bond to Debt Service		
 Total Transfers	 4,700,000.00	 4,700,000.00

5. **WREAP Budget Planning Update-Verbal**

Presenter: Ra Chhoth,
Director of Finance &
Operations