

**MEMO TO: BOARD MEMBERS  
DR. JOHN SIMPSON**

**FROM: BRUCE ELLERMAN**

**DATE: JUNE 11, 2018**

**RE: 2017-2018 FINAL BUDGET ADJUSTMENTS**

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As the 2017-18 Budget year comes to a close, there are only a few budget adjustments needed as detailed below. They are mainly housekeeping in nature and are being made in order to align the final budget with the impact of a few significant developments since the original budget adoption last June and to comply with state budgeting/expenditure/reporting requirements.

### **BACKGROUND**

Up until the 2016-17 fiscal year, the district had a long-standing practice of adjusting budget figures to actual at the end of each fiscal year as part of the budget development process for the following year since budgets were based on “trend projections”. However, this practice was thereafter discontinued so an en masse conversion to actual expenses at year-end is no longer needed. This change in approach was implemented for two reasons.

First, it enables the district to do a meaningful budget to actual comparison at year end for analysis purposes. This helps to comprehensively identify any significant budget to actual variances for analysis, facilitate refinement of the budget development process and more meaningfully inform the Board about how realistic and accurate the budget plan was for the District.

Second, the most significant revenue and expense budget line items are now primarily estimated based on relevant current and expected factors instead of being primarily based on past trends. These significant items include the revenue items of Property Taxes, Foundation Formula, Prop C, Pre-School, Adventure Club and Tuition. Significant expenditure items include Salaries, Benefits, Retirement, FICA, Building Budget Allocations, Transportation, Pre-School and Adventure club. Trend projections continue to be used for a reasonableness check on these major budget items and for projecting less significant budget amounts, but year-end adjustments from budget to actual are no longer needed.

### **BUDGET ADJUSTMENTS**

The few budget adjustments needed are:

- 1) To reflect the bond refunding completed this past December (an opportunity that understandably wasn't foreseen when the original budget was adopted the prior June);
- 2) To fund the acquisition/installation of a second modular classroom building at Edgar Road to accommodate enrollment growth in that attendance area;
- 3) To transfer certificated preschool staff salaries/benefits from the General Fund to the Teachers Fund; and
- 4) To increase the revenue pass through budget allowance for Great Circle, Epworth and SSD based on increased revenues received by Webster on behalf of students served by those organizations.

Those adjustments resulted in the following changes needed:

<u>Description</u>	<u>Current Budget</u>	<u>Adjustment</u>	<u>Revised Budget</u>
<b><u>Revenues:</u></b>			
<u>Debt Service</u>			
Line 103 "bond Issue/refunding"	0	\$18,587,700	\$18,587,700
<b><u>Expenditures:</u></b>			
<u>General Fund</u>			
Line 52 "curriculum/staff devel"	\$160,793	<\$110,000>	\$50,793
Line 84 "preschool program"	\$1,161,500	<\$550,000>	\$611,500
<u>Teachers Fund</u>			
Line 52 "curriculum/staff devel"	0	\$110,000	\$110,000
Line 84 "preschool program"	0	\$550,000	\$550,000
Line 89a "Tuition to other districts"	\$799,400	\$100,000	\$899,400
<u>Building Fund</u>			
Line 95 "building improvement"	\$1,588,426	\$310,000	\$1,898,426

Debt Service Fund

Line 102 "Interest and Fees"	\$2,116,668	\$276,500	\$2,393,168
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These adjustments are reflected in the accompanying revised 2017-18 budget documents. As a reminder, the \$16.77 million advance bond refunding (sold at a premium to face value) was done in order to take advantage of favorable interest rates which will save the district about \$900K in reduced interest costs over the next 10 years. The bond sale proceeds indicated above are being kept in a separate escrow account until the refunded bonds actually become callable and therefore can actually be retired in March, 2020. The district's timing was impeccable on this refunding as interest rates have rather slowly but steadily increased ever since and are projected to continue on that trend. It is also noteworthy that the district still projects a surplus of about \$673K for 2017-18 even after incorporating the \$310K one-time cost of the Edgar Road modular and the \$100K additional revenue pass-thru payments. Furthermore, because of the district's conservative budget approach and based on the actual May 2018 year-to-date financial results, the actual surplus is likely to be higher than projected.

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RECOMMENDED BOARD ACTION....that the Board of Education approve the 2017-18 budget adjustments outlined herein, resulting in:

Debt Service Fund Revenues - \$18,587,700 increase

General Fund Expenditures - (<\$660,000) decrease

Teachers Fund Expenditures - \$760,000 increase

Building Fund Expenditures - \$310,000 increase

Debt Service Fund Expenditures - \$276,500 increase