

# Financial Board Workshop

June 18, 2020

# Financial Topics to Cover (2019-20)

1. Review Financial Situation to begin 2019-20
2. 2019-20 Financial Projection
3. Two Financial Developments in 2019-20
  - a. Impact of Debt Prepayment on upcoming school year
  - b. TIF Funds Settlement
  - c. Impact
4. Fund Balance Review
5. Ideas for Surplus (Fund Balance Assignment, Funds 46 & 73 Contribution)

# Financial Topics to Cover (2020-21)

1. 2020-21 Preliminary Budget Presentation
2. Update on Food Service Program (Fund 50)
3. Update on Recreation Department (Fund 80)
4. CARES ACT (Education Stabilization Fund)
  - a. Allocation
  - b. Use of Funds

# Financial Results and Forecast (2018-2022)

## As of July 1, 2019

[Click here to view last year's results, the current year budget, and a two year forecast](#)

## June 2019-20 Budget to Actual Review

Fund 10 Revenue Shortage	(77,663)
Fund 10 Expense Savings	1,326,275
Fund 10 to 27 Transfer (Savings Less Revenue Shortage)	124,861
<b>Subtotal</b>	<b>1,373,473</b>

## 2019-20 Savings Type (Funds 10 and 27)

<b>Area of Savings</b>	<b>Amount</b>
Salaries/Benefits	251,030
Department Budgets	131,094
Administrative Budgets	491,449
Contracted Services	29,647
Athletics/Activities	145,273
Building and Grounds	26,744
Transportation	473,652
<b>Total</b>	<b>1,548,889</b>

# Significant Financial Developments During 2019-20

## TIF Funds Settlement

- City of Glendale closed TIF 6 (Silver Spring Development Project)
- At time of closing, available funds exceeded costs by \$1.75M
- MKE County, MMSD, Glendale-River Hills SD, MATC, City of Glendale, Nicolet all received funds
- District received a settlement of \$315,726
- Unplanned revenue (contributing to surplus in 2019-20)

## Debt Payment

- Reminder: District made debt payment (\$425k) in May
- Payment replaced the final payment due during the 2021-22 school year
- Payment reduced planned deficit

Financial Results and Forecast (2018-2022)  
(after debt payment and accounting for TIF payment;  
this includes the updated financial projection for  
19-20)

[Click here to view financial results and projections for 2018-2022](#)



# District “Funds” and “Fund Balance”

Accounting System has a series of funds (Fund 10, 27, 50, etc.)

Some funds carry balance (10, 21, 46, 49, 50, 73, 80)

Some funds cannot carry a balance (27, 97)

Fund Balance reflects cash, cash equivalents, receivables, and payables (it is not the cash balance in the bank)

Fund Balance within funds is broken down into types

Fund Balance Types: Nonspendable, Restricted, Committed, Assigned, Unassigned

# Fund Balance

End of FY 2019, Nicolet had balances in nonspendable (inventory/prepaid), assigned (funds earmarked for a specific reason), and unassigned (no restrictions)

Balances:

- Nonspendable: \$6,658 (prepaid lease payment, training registration, etc.)
- Assigned: \$5,811 (theatre shelving project)
- Unassigned: \$6,781,950

# Why Carry a Significant Fund Balance?

A district with an appropriate fund balance can:

- avoid excessive short term borrowing thereby avoiding associated interest cost;
- accumulate sufficient assets to make designated purchases or cover unforeseen expenditure needs; and
- demonstrate financial stability and therefore preserve or enhance its bond rating, thereby lowering debt issuance costs.

During 2020-21 and into the future, a significant fund balance will:

- be advantageous if a portion of tax receipts are delayed during the current recession
- provide flexibility if significant needs arise as a result of pandemic
- assist the District in achieving lower interest rates on future financing needs if a significant capital project is undertaken

# Other Ideas Outside of Allocating to Fund Balance

- Fund 46 Contribution
- Fund 73 Contribution
- Board instructs Business Manager to Assign Funds from surplus for 2020-21 purchases

# Fund 46 Capital Improvement Plan

- 7/1/19 Balance: 168,878.91
- Beginning on July 1, 2020, District can tap into capital Improvement Plan Funds for projects identified on our 10-year capital improvement plan
  - Capital Improvement Plan currently being reviewed/updated as facility study progresses
  - To be presented later in the summer based on facility study
- Segregating funds for capital improvements would guarantee their use on the capital improvement plan
  - Contribution would represent a commitment to investing in our facilities
- Would not directly impact a future budget shortfall (unless District decreased B&G budget as a result of utilizing Fund 46 funds)
  - Think of this as an investment in the future of facilities at Nicolet

# Fund 73 Retirement Benefit Trust Fund

- 7/1/19 Balance: \$3,344,478
- Most recent Actuarial Study utilized a 6-year payment structure (beginning with the 18-19 school year)
  - Indicates that Nicolet OPEB Fund fully funded by end of 2023-24
  - Double contribution this year in theory would knock off two more years (3 years of contributions left)
- Double contribution will allow no payment to be made in 21-22 providing over \$400k in budget flexibility to balance that budget (still three years left)
  - Downside: Would sacrifice a small amount of aid in 21-22 (1,500) by not making a contribution
- Actuarial Study required during 2020-21
  - Will provide data on new annual contribution and expected funding timeline - More information to follow)
  - Actuarial study will look at various factors (staff exited, trust earnings, etc.) and provide the District with an updated schedule of funding necessary to fund trust
- Think of this contribution as a way to fix a significant deficit budget two years out (similar to debt payment)

# Assignment of Funds for Textbook Adoptions

- During 2019-20 the District intended to purchase \$25k in English books but was unable to make the purchase when publishers shut down
  - **Recommendation:** Assign surplus funds for this purchase during 2020-21
- The District is planning to purchase \$30k in World Language textbooks during the 2020-21 school year
- The assignment of funds for these purchases will provide flexibility in what is a fairly “tight” budget in 2020-21

# Financial Plan with Surplus

[Click here to view a potential plan for the projected 19-20 surplus](#)

[Click here to view financial results and a projection if a double OPEB contribution and fund balance assignments for textbooks are made](#)

## Necessary Board Action on Monday

- Motion to approve contributions to other funds (Fund 46 and Fund 73) (if Board chooses to move forward
  - Do not need to define an amount in June, simply that a contribution will occur
  - Suggest to wait for final payrolls to be completed)
- Motion to instruct business manager to assign funds for textbook purchases



# Questions on 2019-20

I'm happy to answer any questions you have related to the end of this fiscal year

# 2020-21 Preliminary Budget

[Click the following link to review the 2020-21 Nicolet High School Narrative Budget](#)

[Click the following link to review the 2020-21 Nicolet High School Budget in Recommended DPI Format](#)

# Food Service Ideas (Fund 50)

- Significant deficit for 2019-20 (\$80k+)
  - Cannot experience something like this in 2020-21
  - Shortages in Fund 50 made up through fund balance or Fund 10 transfer
- What will the schedule look like?
  - In-Person Instruction (Similar lunch program)
  - Hybrid Schedule (Grab and Go Option)
  - Fully Virtual (Grab and Go Option)
- Whatever option, expect participation will be down (especially pay students)
  - Exploring options to drive participating (ordering App, Website, etc.)
  - Currently subsidize free lunch program with paid meals and catering agreements
- Option: Enter Federal Lunch Program (if needed)
  - \$3.40 reimbursement/lunch for free lunch students
    - If students participate, could amount to six figures
    - Might not be able to sacrifice that revenue for the coming year
  - More information to come in July on this idea

# Recreation Department Ideas (Fund 80)

- Ability to offer programs still unknown
- Recreation Department planning three budgets
  - One with limited summer activities
  - One with no summer activities (Currently using)
  - One with no summer/fall activities
- Deficit for 2019-20 still unknown
  - Can run negative at year end in Fund 80
  - Recommending to cover negative fund balance in addition to planned increase
- Tax Levy increase to \$342k
  - Planned increase to \$300k in 2020-21
  - Additional amount to cover negative fund balance

# CARES Act Funds (Related to COVID-19) and Potential State Budget Changes

School Districts were included in the funding approval related to COVID-19

Nicolet expects to receive \$74,832 as determined by Wisconsin DPI (a portion TBD must go to private schools in our District boundaries)

## Expected Use of Funds:

- Building modifications to implement safety procedures (Ex: touchless sinks, etc.)
- Supply/Equipment Purchases (Ex: Temperature screeners; masks; etc.)
- Staff Training (Ex: Virtual Instruction, Safety, etc.)

## **Future Budget Changes (Special Ed Aid, Per Pupil Categorical Aid, etc.)**

- Midyear changes currently being discussed
- Importance of 2019-20 Fund Balance contribution

# Questions

Please contact me via email at [jeffrey.pruefer@nicolet.us](mailto:jeffrey.pruefer@nicolet.us) if you have additional questions or suggestions.