

Budget Committee Meeting Notes - September 5, 2024

Present: Matt Hawkins, Nathan Smith, Bo Chenoweth, Christina Boone, Leigh Ann Vertrees, Andrea Robertson, Tyler Holthouser, Tina Rutledge, Jennifer England, Carrie Murray

Absent: Angela Craddock, JD Kline

Visitors: Kristin Froedge, Dana Barrett, Cary Barrett, Sonya Gedda, Sheryl Shirley, Katrina England

Everyone introduced themselves. Nathan Smith welcomed everyone and thanked them for their willingness to serve on this committee. The goal is to be more transparent and for everyone to have every question answered. We are here to gain knowledge and make recommendations. Ultimately, the Board of Education approves the budget as recommended by the superintendent.

Bo Chenoweth was designated as the committee secretary.

Mr. Hawkins reviewed the Budget Committee Guidelines as approved by the BOE. Mr. Hawkins gave an overview of School District General Accounting procedures. Every school in Kentucky is required to use the accounting software called MUNIS. There are 12 different pots of money. All have specific purposes with specific rules with the exception of Fund 1, also often referred to as the General Fund. This is the only fund that this committee will be discussing at length but it consists of operational funds for the district. Sources of revenue include SEEK funding from the State and property taxes.

Fund 2 is special revenue funds such as Title I, IDEA, grants (Federal, State and Local), donations.

Fund 22 is District Activity funds that are swept to the district from the schools

Fund 25 is Student Activity funds (fundraisers) held at the school level. Redbook governs the collection and expenditure of these funds.

Fund 310 is Capital Outlay funds. This fund accounts for the SEEK capital outlay allotment of \$110/AADA required by statute.

Fund 320 is the Building Fund. This receives money from special nickels in the taxes. This can only be used for facility renovations, debt service, etc.

Fund 360 is the Construction Fund. These are related to construction costs, renovation, or remodeling of any school facilities.

Fund 400 is the Debt Service Fund primarily from the sale of bonds. This is zeroed out annually and money simply flows in and back out for bond payments.

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Fund 51 is the Food Service Fund. This is totally from the General Fund and all the other funds that run the district. Much of this revenue comes from the Federal government.

Fund 7000 is Trust/Agency funds. We are trusts for two trust funds from donations.

Fund 8 is Governmental Assets. This is not cash but how much everything is worth.

Fund 82 is Food Service Assets funds similar to Fund 8.

Other than Fund 1, the rest of these are flow in and out funds that have to be spent as dictated. We must follow the rules or we can lose access to these funds.

All of our MUNIS codes consist of numbers assigned to the organization, object, and project.

Every month the district is required to submit a monthly financial report as an analysis for the board to review from month to month as required by statute. These are posted on our website under the Finance Tab.

Balance sheets are also submitted monthly. Mr. Hawkins showed an example from July. He also showed the ledger reconciliation report from July and the bank reconciliation from July.

Process of Creating the District's Budget

- Various needs assessment
- Gather data (property valuation, SEEK, staffing by position, salary schedules, etc.)
- Building staffing/salary worksheets
- Copy existing budget to use as template
- Enter budget numbers by Or., Object & Project code
- Balance each Fund

Budget Timeline: We operate on the fiscal year.

- Draft budget must be filed with KDE on or before January 30 of each year.
- Tentative budget must be filed with KDE on or before May 30 of each year. This one requires the most work. This is the most important budget, as we can calculate on our SEEK forecast, and any salary changes for the next fiscal year.
- Working budget must be filed with KDE on or before September 30 of each year.

Mr. Smith shared that sometimes we don't know actual federal dollars until July. If it is less, it can cause the district to dip into the General Fund to pay for salaries if individuals have already been hired. Maintenance is really hard on the budget because there is no way to predict.

Mr. Hawkins shared about an eastern Kentucky district that tries to keep a healthy contingency after they were hurt financially by flooding a couple of years ago. They lost an entire school but needed trailers and other things immediately.

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Mr. Hawkins shared that SEEK dollars are based on Average Daily Attendance.

There was discussion about the SEEK percentage increases last year and the forecast for this year. Right now our district student enrollment is 37 students less than this time last year. That will affect the overall SEEK money. We are losing money because we cannot get kids to come to school. This is a national problem. Before COVID, our attendance was about 95%. We are around 91%-92% now. If our special education population decreases, we must make sure the staff serving those students is balanced with that.

Mrs. Froedge discussed how we are monitored regarding our special education population to make sure we are reimbursed for all services provided to those students.

Mr. Smith shared that our ADA now is up a percentage point and we are encouraging schools to celebrate attendance to help maintain this or grow it. Mr. Hawkins shared that the average student missed 12 days of school last year. This equals about \$1 million dollars. There was discussion about making sure parents are aware of attendance policies. There was discussion to provide more incentives for students to attend school and discussion about how to inform parents better or differently about the importance of attendance and suggested dates when appointments can be made (days when school is not in session).

Mr. Chenoweth explained how staff allocation formulas are calculated and how that is based on enrollment instead of ADA. Additional employees are hired through federal dollars depending on each school's need as determined by the principal and the SBDM Council.

There was discussion regarding how much of our total budget goes toward salaries. Mr. Hawkins shared how much the district pays for each employee for part of the insurance, retirement, benefits, etc. Around 80% of the budget goes toward salaries. Much of it depends on the experience of your staff. A more experienced staff costs more money. A less experienced staff costs less money. Principals are constantly balancing which employees are being paid out of federal funds. Our total budget last year was around \$24,800,000. About \$18 million went toward salaries for the 2024-2025 school year.

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Mr. Hawkins reviewed tentative tax rates that were presented to the Board last month. Our tax rate is calculated based on the property valuations of the county. Our property valuations have skyrocketed the last two years. The property tax rate is the only area that we have direct control over at the local level.

- If the Board takes the compensating rate (designed to generate the same money as the previous year), we would actually bring in \$230,691 increase because property valuations have increased. This is not subject to recall.
- The 4% increased rate would generate an additional \$447,432. This is not subject to recall.
- FY24 rate would generate an additional \$700,000 in revenue. It is subject to recall.
- Subsection 1 rate would generate \$1,221,505 and is subject to recall.
- If we give another 5% to salaried and hourly employees \$1 an hour raise, we would need an additional \$1,396,962 and would be subject to recall.

There was discussion about any other ways to cut costs other than looking at generating more money from tax raises or cutting staff. There was discussion about a middle school, closing a school, building a new middle school, transportation issues, etc.

The last time the board took the compensating rate was 2014-2015.

Mr. Hawkins discussed the tentative budget and what changes would need to be made before the Board adopts the Working Budget. He also discussed some of the numbers that would be changed because the tentative budget requires school systems to make educated guesses on certain areas. Mr. Hawkins discussed each area of revenue that the district has coming in. Many of them are unknown until the end of the year.

Mr. Hawkins next discussed expenditures. Most of these amounts are fixed because we know how much employees are going to cost for the school year. He discussed the savings in plant operations and maintenance from energy reductions. That savings could be shifted toward salaries if we actually save that much; however, as warranties expire, the cost for repairs will shift toward district responsibility. Our contingency is 4.1% of the general fund. That amount is around \$915,000. The total contingency with all funds is about 2.79% of our total. The State requires us to have a minimum of 2% contingency.

Mr. Smith encouraged members to look at the budget line by line to see where money is going. The Board will approve the working budget at the September meeting, so the focus of this committee needs to be on the 25-26 budget. The draft budget has to be submitted on January 30. We will have trends to look at for that draft budget. We will know whether we were over or below on some of the categories where the we had to make educated guesses. December 1 will tell our special education numbers for next year. The SEEK forecast will also help us make projections.

Mr. Hawkins will set up a shared budget drive for all members and put the 101 page full budget in it for members to review. The next meeting is scheduled for November 14 at 5 pm.