FY2024-25 Revised Budget Presentation

March 3, 2025
Special School Board Meeting

Agenda

WAYZATA PUBLIC SCHOOLS

- Background information along with Assumptions & Components that go into the creation of the budgets
- Review of the Preliminary FY2024-25 Budgets presented to the School Board in June 2024.
- Review of following FY2024-25 Revised Budgets:
  - Fund 01 (General Fund)
- Questions

FY2024-25 Revised General Fund Budget

OVERVIEW & BACKGROUND INFORMATION

WAYZATA PUBLIC SCHOOLS

Government Fund Structure

General Fund

Used to account for the general operations of the school district. This fund includes salaries and benefits for teachers, principals, custodians, secretaries, paraprofessionals, and administrators; cost of supplies, textbooks, transportation contracts, utilities, repairs, and equipment. This fund is also used for long-term facility maintenance projects of less than $2,000,000 and for the capital projects (technology) levy.

Food Service Fund

Used for all expenditures related to operating Wayzata Cafés, including food, salaries, benefits, supplies, and equipment. Food Service revenues typically come primarily from the sale of meals to students and adults. This year, the Minnesota Legislature enacted free meals for all students. State aid now provides a greater portion of revenue.

Community Services Fund

Used for expenditures related to community education programs such as Early Childhood Family Education, Adult Basic Education, Wayzata Kids (afterschool and summer childcare programs), youth classes and Community Ed programs.

Community Services revenue primarily comes from fees charged for the programs and property tax revenue dedicated to community services.

Building Construction Fund

Used for expenditures of major building projects. Proceeds from the sale of bonds authorized in an election are placed in this fund. This fund is also used for long-term facility maintenance projects exceeding $2,000,000.

Debt Service Fund

Used to accumulate and account for resources that fund principal and interest payments on bonds sold to finance construction. These are akin to a homeowner's payments on a mortgage.

WAYZATA PUBLIC SCHOOLS

= Budget that is being presented today, Monday, March 3, 2025

Refresher on Fund Balance Categories

Restricted – legally enforceable constraints

- Operating Capital
- Capital Projects Levy
- Long Term Facility Maintenance (LTFM)
  - ***Levy adjusted***

Non-spendable – not in spendable form or legal requirement

- Prepaid items
- Inventories

Committed – used for specific purpose by formal School Board action

Assigned – district's intent for specific purpose

- Separation/retirement
- Q-comp
- Site carryover

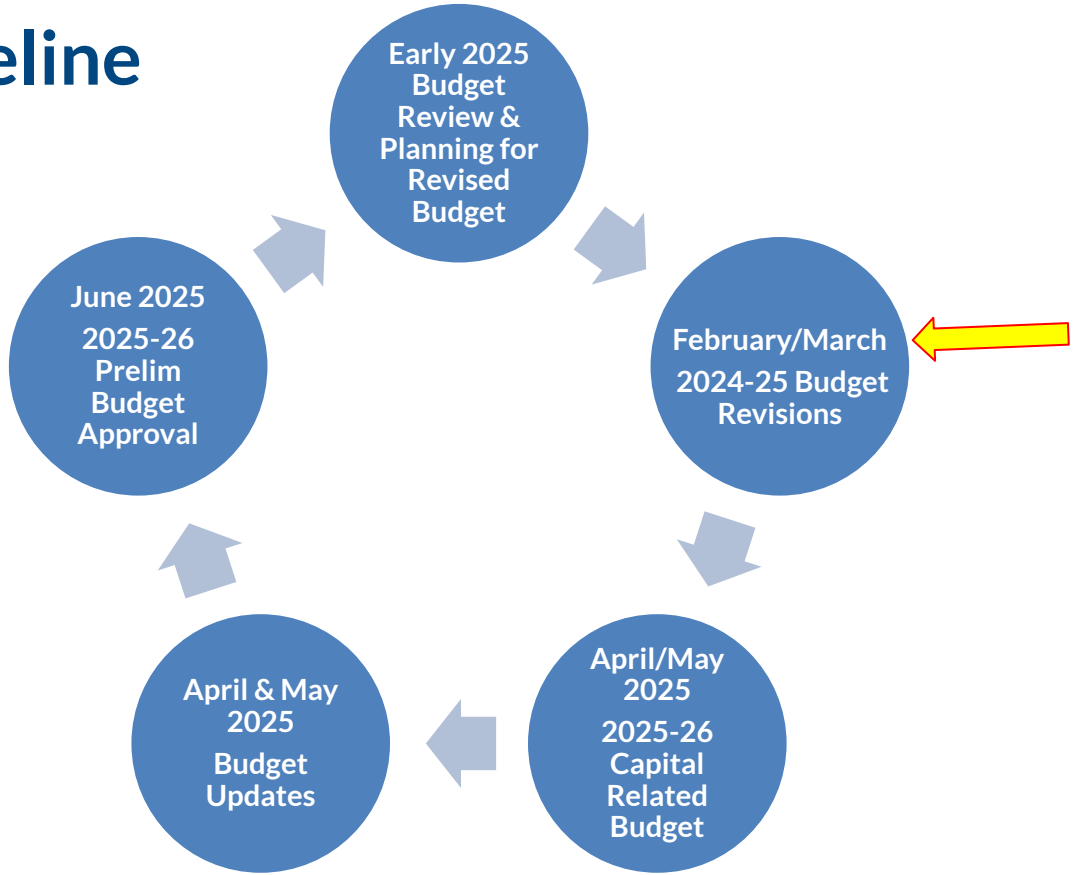
Unassigned – for all other purposes not described by other categories

- Used to calculate Statutory Operating Debt (SOD)
- The fund balance mostly widely referred to by individuals

*** Assigned and Unassigned are components of the Unrestricted Fund Balance***

WAYZATA PUBLIC SCHOOLS

Budget Timeline



WAYZATA PUBLIC SCHOOLS

Formula Allowance

Past, current & future estimates

Formula Allowance: FY2024-25:

- The dollar amount per pupil unit used to calculate each district's basic general education revenue.
- The district received 4% on the formula in FY2023-24 but ***but only 2% for FY2024-25.***

Fiscal Year	Formula Increase	Formula Amount	Formula Increase Amount
FY24	4.0%	$7,138	$275
FY25	2.0%	$7,281	$143
FY26	2.0% Estimated - Subject to Floor	$7,427	$146
FY27	2.17% Estimated	$7,589	$162

Table 6: General Education Formula Increases 1989 to 2025

($ per Pupil Unit)

Fiscal Year	General Ed Formula Allowance	Statutory Dollar Increase in Formula	Formula Increase Adjusted for Roll-ins and Roll-outs & pupil weight changes	% Increase for Adjusted Formulas	Biennial Adjusted Formula Increases Over Previous Biennium
2025	$7,281	$143	$143	2.0%	6%
2024	$7,138	$275	$275	4.0%	—
2023	$6,863	$135	$135	2.0%	4.45%
2022	$6,728	$161	$161	2.45%	—
2021	$6,567	$129	$129	2.0%	4%
2020	$6,438	$126	$126	2.0%	—
2019	$6,312	$124	$124	2.0%	4%
2018	$6,188	$121	$121	2.0%	—
2017	$6,067	$119	$119	2.0%	4%
2016	$5,948	$117	$117	2.0%	—
2015	$5,831	$529	$105	2.0%	3.5%
2014	$5,302	$78	$78	1.5%	—
2013	$5,224	$50	$50	1.0%	2.0%
2012	$5,174	$50	$50	1.0%	—
2011	$5,124	$0	$0	0.0%	0.0%
2010	$5,124	$0	$0	0.0%	—
2009	$5,124	$50	$50	1.0%	3.0%
2008	$5,074	$100	$100	2.0%	—
2007	$4,974	$181	$191	4.0%	8.1%
2006	$4,783	$182	$182	4.0%	—
2005	$4,601	$0	$0	0.0%	0.0%
2004	$4,601	$0	$0	0.0%	—
2003	$4,601	$533	$104	2.6%	5.3%
2002	$4,068	$104	$104	2.6%	—
2001	$3,964	$224	$157	4.2%	9.2%
2000	$3,740	$210	$167	4.7%	—

FY26 and FY27, and beyond: actual increase equal to Consumer Price Index Urban (CPI-U) with a floor of 2.00% and cap of 3.00%. CPI-U determined based upon prior two fourth quarter totals. Language including inflationary increases does not prevent future legislatures from additional increases in the formula.

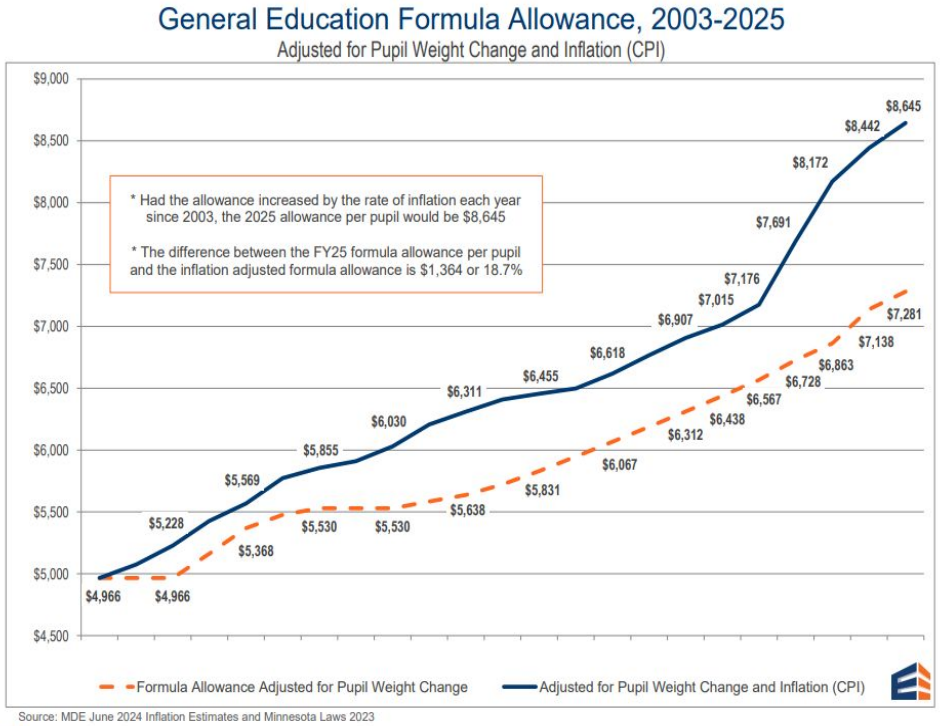
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Updated: Impact of the Gen Ed Formula not keeping pace with the rate of inflation

General Education Formula Allowance, 2003-2025

Adjusted for Pupil Weight Change and Inflation (CPI)

GenEd Formula Allowance if adjust by inflation since 2003:	$8,645.00
FY2024-25 Actual GenEd Formula Allowance:	$7,281.00
Difference per pupil:	**$1,364.00**
FY2024-25 Estimated Enrollment Projection:	12,760.00
FY2024-25 Actual GenEd Formula Allowance:	$7,281.00
Estimated Gen Ed Aid Formula Allowance:	**$92,905,560.00**
FY2024-25 Estimated Enrollment Projection:	12,760.00
GenEd Formula Allowance if adjust by inflation since 2003:	$8,645.00
Estimated Gen Ed Aid (if kept pace with inflation):	**$110,310,200.00**
Estimated Gen Ed Aid (if kept pace with inflation):	$110,310,200.00
Estimated Gen Ed Aid Formula Allowance:	$92,905,560.00
Estimated additional $ for WPS in FY2024-25:	**$17,404,640.00**



Source: MDE June 2024 Inflation Estimates and Minnesota Laws 2023

EHLERS
PUBLIC FINANCE ADVISORS

Levy Revenue Reminder

Tax Levy: **The total dollar amount the district will collect.**

Tax Base: **The total value of all properties.**

As **NEW properties** are added, the **tax impact** per property decreases.

Example: The tax impact for an $800 tax levy would be $200 per property.



Example: The tax impact for the $800 tax levy would be $100 per property.



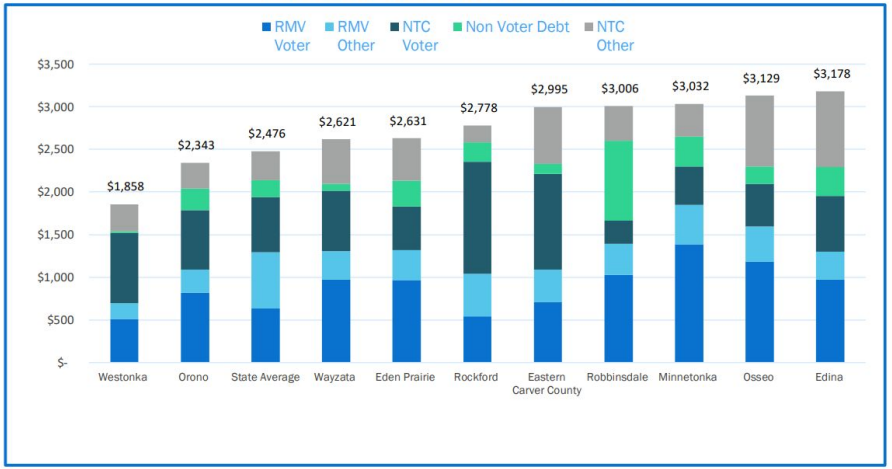
Example above is a simplified example for understanding the concept. Not all properties have the same estimated market value.

If new houses are being built and more expansion continues, does that mean more money for the district?
The simple answer is always that increases in property valuations do not result in a corresponding increase in revenue to school districts, which is unlike other municipalities that may have fixed tax rate levies and revenues grows as valuations grow. The majority of a school districts revenue including property tax revenue is calculated using formulas that are driven by enrollment. Enrollment goes up revenue increases and enrollment goes down revenue decreases. The one exception is the district's capital project levy that does increase or decrease based on changes in the district's Net Tax Capacity (NTC).

Pay 2024 Tax Levy Comparison to other West Metro Districts

Wayzata Public School District

Pay 2024 Tax Levies for Residential Homestead



#	District Name	Home Value	RMV Voter	RMV Other	NTC Voter	Non Voter Debt	NTC Other	Total Levy
277	Westonka	632,400	$ 513	$ 183	$ 827	$ 20	$ 315	**$ 1,858**
278	Orono	632,400	$ 820	$ 270	$ 698	$ 249	$ 305	**$ 2,343**
	State Average	632,400	$ 635	$ 661	$ 645	$ 200	$ 335	**$ 2,476**
284	Wayzata	632,400	$ 971	$ 332	$ 710	$ 80	$ 528	**$ 2,621**
272	Eden Prairie	632,400	$ 965	$ 356	$ 507	$ 303	$ 499	**$ 2,631**
883	Rockford	632,400	$ 544	$ 500	$ 1,309	$ 228	$ 197	**$ 2,778**
112	Eastern Carver County	632,400	$ 710	$ 378	$ 1,127	$ 116	$ 665	**$ 2,995**
281	Robbinsdale	632,400	$ 1,028	$ 367	$ 266	$ 938	$ 407	**$ 3,006**
276	Minnetonka	632,400	$ 1,386	$ 460	$ 450	$ 356	$ 380	**$ 3,032**
279	Osseo	632,400	$ 1,183	$ 416	$ 497	$ 205	$ 829	**$ 3,129**
273	Edina	632,400	$ 974	$ 325	$ 655	$ 340	$ 885	**$ 3,178**
Group Average			**$ 885**	**$ 386**	**$ 699**	**$ 276**	**$ 486**	**$ 2,731**

Data sourced from Minnesota Department of Education Pay 2024 School Tax Report.

WAYZATA PUBLIC SCHOOLS

PMA SECURITIES

FY2024-25 Revised General Fund Budget

Key Budget Assumption(s)

WAYZATA PUBLIC SCHOOLS

FY2024-25 Revenue Projection information

Enrollment Increases for FY2024-25

- Updated new projected enrollment of 12,760 students. Used enrollment of 12,684 for FY2024-25 which is up from 12,408 used for the FY2023-24 Revised Budget.
- This is an increase of 76 students from the preliminary projection and up over 350 students from last fiscal year.
- ADM is different from the monthly count
- ADM for FY2023-24 = 12,499.7
- 2/1/2025 enrollment count was 12,837 (not ADM which is why we used 12,760)

Formula Allowance (roughly 60% of Revenue Budget)

- 2% in FY2024-25, down from 4% in FY2023-24
- $7,138 PPU to $7,281 PPU for FY2024-25 ($143 increase)

Levy Dollars (roughly 30% of Revenue Budget)

- Roughly 3% increase with adjustments for FY2024-25

Special Education Cross Subsidy & Federal to pay tuition bills

- Special Education cross-subsidy continues at roughly 75% reimbursement (25% still not covered)
    - Despite the additional cross-subsidy aid, costs continue to rise resulting in impacting the unassigned general fund dollars
- Utilizing $1.5M of Federal dollars to pay Special Education tuition bills

Federal allocations & COVID related dollars

- Forecasting similar revenues to current year for non-COVID related dollars less the $1.5M
- COVID related dollars came to an end this FY2024-25 on 9/30/24.

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Key Budget Assumption
Formula Allowance

Fiscal Year	Formula Increase	Formula Amount	Formula Increase Amount
FY24	4.0%	$7,138	$275
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FY26	2.0% Estimated - Subject to Floor	$7,427	$146
FY27	2.17% Estimated	$7,589	$162

Formula Allowance for FY2024-25:

- The dollar amount per pupil unit used to calculate each district's basic general education revenue.
- The district received 4% on the formula in FY2023-24 but now back down to 2%
- **For the FY2024-25 we are using 2% which is an increase of $143 from the PY at $7,281**
- Going forward there is a floor of 2% and a cap of 3%. Far below the increasing expenditure costs which will continue to allow expenditures to outpace revenues.

FY26 and FY27, and beyond: actual increase equal to Consumer Price Index Urban (CPI-U) with a floor of 2.00% and cap of 3.00%. CPI-U determined based upon prior two fourth quarter totals. Language including inflationary increases does not prevent future legislatures from additional increases in the formula.

REVIEW: Key Budget Assumption(s)

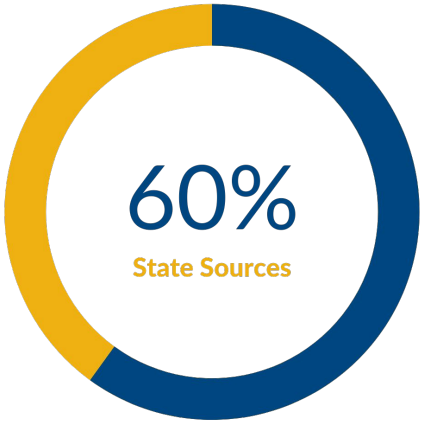
FY2024-25 Enrollment Projection

- Enrollment is one of the key driver for projecting revenue (Pupil driven revenue system)
  - It's a great thing when you are growing and a tough thing when growth is flat or declining
- Enrollment Projections
  - Reminder: FY23-24 increased from 12,296 on the prelim to 12,408 on the revised
    - 112 increase from the FY2023-24 preliminary budget to revised budget
  - **FY24-25 Preliminary Budget estimate of 12,684 is now being increased to 12,760 for the revised budget**
    - This is a 352 increase over PY revised estimate
- With Minnesota being a pupil driven revenue model, growing enrollment is a key factor that generates additional revenue that can create a cushion against the General Education Formula Allowance not keeping pace with inflation & expenditures. It can also allow districts to avoid cuts and offer such things as smaller class sizes and new programs that without the growth would not be possible or very challenging. WPS experienced this first hand the viciousness of the per pupil funding model at the onset of the pandemic when we not only didn't see the estimated 250 new students, but lost 200 students. This had a crippling effect on our finances for years to come.

FY2024-25 Actual GenEd Formula Allowance:	$7,281.00
Increased student projection for FY2024-25 Prelim Budget:	352
Estimated Revenue from increased projected enrollment:	**$2,562,912.00**

Estimated Revenue Generated Per Pupil (factoring in Formula Allowance & Levy)	$10,000.00
Increased student projection for FY2024-25 Prelim Budget:	352
Estimated Revenue from increased projected enrollment:	**$3,520,000.00**

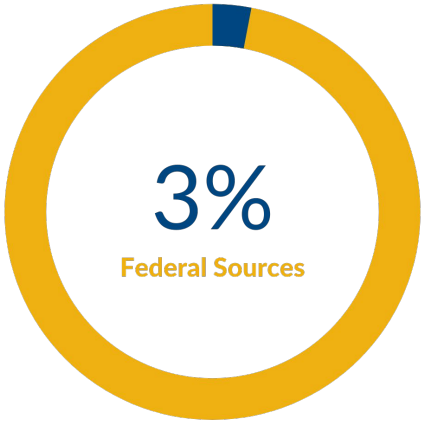
General Fund – Source of Revenue 2024-25 *(estimated)*



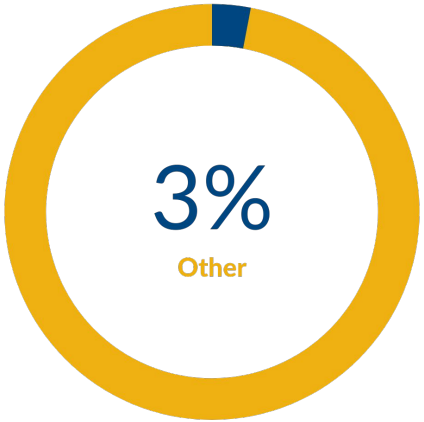
2% increase



3.8% increase
(before adjustments)



0% increase



2% increase

Quick Recap: Same budget Assumptions - Revenue

Category	FY 2023-24	FY 2024-25
State Aid	4.00%	2.00%
Levy (General Fund)	4.12%	*3.80%
Other	2.00%	2.00%
Federal	0.00%	0.00%

**Not including Levy Adjustments*

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FY2024-25 Expenditure Projection Information

Salaries & Benefits:

- Salaries: Per Settled Contract or Board Parameters
  - Will be negotiating with the WEA Teachers Union and Unaffiliated group this summer.
  - Accounted for added positions since the Preliminary budget
- We made adjustments closer to projected actuals now that we know the staff in certain benefit areas including Health Insurance which impacted those areas.

Transportation:

- Stayed the same. Budgeted an increase of roughly 6% from FY2023-24

Utilities:

- Budgeted an overall increase of roughly 5% from FY2023-24
  - Electric 4%; Heat 2%; and Water 6% (10 years of history)

LTFM:

- Projecting $14M in expenditures for the current fiscal year
- ***Budgeted/Factored in LTFM adjustment of over $5M in the FY2024-25 Preliminary Budget***

Special Education:

- Budgeted an increase from Prelim Budget of more than 4% due to higher projected needs and increases expected into the future along with shifting $1.5M of costs from Federal to State Special Education
  - These costs are mainly captured inside the Salaries & Benefits portion of the budget.
  - Our State Special Education costs are expected to rise about 12% from FY2023-24 actual costs of $23.8M to a projected $26.6M for the FY2024-25 Revised Budget.

Technology:

- Increase in Expenditures but offset with increased Revenues

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General Fund – Expenditures 2024-25 *(estimated)*



Quick Recap: Budget Assumptions - Expenditures

Category	FY 2023-24	FY 2024-25
Salaries	Per Contract or Board Parameters	Per Contract or Board Parameters
Health Insurance	5.00%	7.00%
TRA Rate (July 1)	8.55%	8.75% *(9.5% on 7/1/2025)*
PERA Rate (July 1)	7.50%	7.50% *(remains same as LY)*
Supplies	3.0-4.0%	3.00%
Fuel/Utilities	6.00%	est. 5.00%
Transportation	15.00%	est. 6.00%

WAYZATA PUBLIC SCHOOLS

The Pandemic & Cost Containment

It's important to remember how negatively impacted the district was due to the Pandemic & the crucial importance Cost Containment played

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The lasting impacts of the Pandemic & the importance of Cost Containment for WPS

History & going forward

- ***(Reminder)* Underfunding for decades as explained and shown on previous slides:**
  - Reminder of the earlier slide on the lack and compounding impact of underfunding for decades
  - Estimated $17.4M additional revenue dollars in FY2024-25 if the Gen Ed Formula Allowance had kept pace with inflation
    - It's important to note the $17.4M is just a one year example and doesn't factor in what our enrollment would have been without the pandemic impact *(doesn't consider the prior years or compounding impact)*
- **Continued Pandemic impact to WPS:**
  - **Not all schools in MN were impacted the same by the pandemic** for a variety of reasons and unique characteristics but the response from the Federal & State governments were to take a "one size fits all" approach. They didn't look at how each school was impacted differently and continued not to even into the 2023 Legislative session.
  - WPS is still navigating through the profound financial implications caused by the pandemic, starting with lost revenue of close to $4M plus in the 2020-21 school year due to:
    - About 200 students choosing other education options and the pause of a decade-long pattern of enrollment growth in the district of about 200-250 students further deepened the impact of the pandemic. Enrollment growth had previously shielded the district from budget cuts and allowed for expanded program offerings and lower class sizes.
    - The lost revenues for more than 400 to 450 students, coupled with staffing plans already in place for the higher projected number of students, significantly decreased the district's fund balance resulting in a need to enter into multiple years of cost-containment.
    - Enrollment would have been close to 13,000 student by FY2023-24. It could be argued that the district went without a minimum of $11M in funding (up to $22M) based on if the pandemic hadn't happened and the trends the district had been experiencing continued.

Important to Remember…

The lasting impacts of the Pandemic & the importance of Cost Containment for WPS

History & going forward

- Loyal to our Staff and Students -
  - **Decision based on the best information available at the time:**
    - Stayed loyal to our staff when the pandemic hit due to a variety of reasons that included the timing of the pandemic, uncertainty of the length of the shutdown, and suggestions by our state leaders to keep all our staff employed.
    - Moved forward with hiring for the next school year due to the timing mentioned above and based the hiring on the continued growth the district had been experiencing.
    - District stayed true to our Strategic Roadmap: Exceptional Student Learning, Experience and Relationships; Community Trust Confidence and Partnership; and Operational Excellence.
      - **Knew we needed our exceptional staff to provide services to our incredible students during that time with all of the uncertainty & needed to be ready for the to serve students.**
    - This came at a **huge cost to the district that would impact us for years to come but was the right decision.**
  - Never made whole by the state or federal governments for keeping our exceptional staff employed during the initial stages of the pandemic to be ready for our students.
    - In hindsight, the district would have been better off financially to disregard suggestions by laying staff off as the **federal government stepped in for those schools that did by forgiving a big portion of their unemployment costs**. The district made the right decision to stay committed to keeping our excellent staff to be ready to serve our incredible students and community.

The lasting impacts of the Pandemic & the crucial impact Cost Containment played

History & going forward

- **Past - 2023 Legislative Changes:**
  - New funding from 2023 Session was helpful with the 4% on the formula and the additional Special Education Cross-Subsidy Aid but not all areas were considered & addressed
    - Each district was impacted differently and uniquely by the pandemic
      - The **legislation never made districts whole for the impacts they experienced that were out of their control that caused our financial crisis due to the pandemic**
  - Unfunded mandates continue to create challenges for districts
    - i.e. Summer Unemployment: True impacts are still unknown for the long term
  - Increased Special Education needs still impacting the general fund despite the increased cross subsidy aid

- **Moving forward to return to financial fitness and long-term financial sustainability for the district:**

  - Planning with the Long-Term in mind and knowing things can change quickly will be important:
    - We have to plan with the long-term in mind as our revenues as starting the FY2024-25 School Year we are back to 2% on the GenEd formula (3% max after FY2024-25) and our Expenditures will continue to rise at a higher percentage and outpace our revenues causing a decrease to the Unassigned Fund Balance over the upcoming years.
    - This is also be expedited if enrollment growth slows, stops, and doesn't meet future projections. This decrease will continue at an increasing rate so it's crucial that the district keeps the long-term in mind as we plan for now and into the future. This is the reason for the importance of the Cost Containment plan and following through with the plan.

The important lessons learned from the Pandemic & the crucial impact Cost Containment played

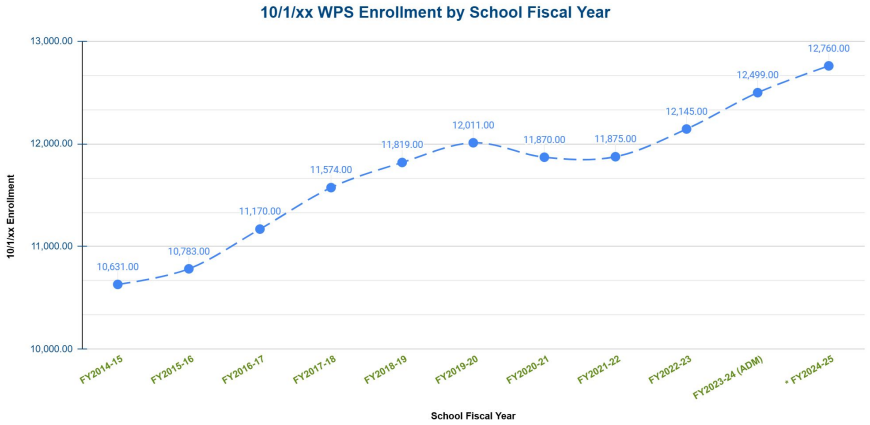
History & going forward

- **Moving forward to return to financial fitness and long-term financial sustainability for the district:**
  - Enrollment Growth considerations:
    - The district is experiencing student growth again that is similar to pre-pandemic levels (currently above forecast).
    - ***Enrollment growth along with the Cost Containment efforts*** have allowed the district to continue to move forward in getting back in a sustainable financial position to deal with the continued underfunding.
    - We are a pupil driven revenue system in MN so the student growth helped the district avoid cuts, keep class sizes smaller and add programs prior to the pandemic. The pandemic showed us the budgetary impact of what happens when that growth disappears.
    - ***Student growth basically acts as a funding stream (subsidizes the gap) that allows districts that are experiencing growth to stay financially sound whereas district with stable or declining enrollment are looking at cuts continually due to the lack of funding of schools in MN.***
    - We can't continually depend on growing enrollment as at some point that will slow and stop when the district grows out.
    - The district also needs to plan for any fluctuations in enrollment projections as it can have a profound impact on our finances.

The lasting impacts of the Pandemic & the crucial impact Cost Containment played

Student Enrollment - Tracking Change (MARSS12 Report)		
School Fiscal Year	**10/1/xx Enrollment**	**Change from PY**
FY2014-15	10,631.00	
FY2015-16	10,783.00	152.00
FY2016-17	11,170.00	387.00
FY2017-18	11,574.00	404.00
FY2018-19	11,819.00	245.00
FY2019-20	12,011.00	192.00
FY2020-21	11,870.00	(141.00)
FY2021-22	11,875.00	5.00
FY2022-23	12,145.00	270.00
FY2023-24 (ADM)	12,499.00	354.00
* FY2024-25	12,760.00	261.00

***Note:** Unofficial 10/1/2024 count until final MARSS in January 2025. Prelim Budget was based on 12,684.



These are October 1st numbers (unless noted otherwise) so they are different from the ADM that the district is paid on. This is just a point in time.

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The lasting impacts of the Pandemic & the crucial impact Cost Containment played

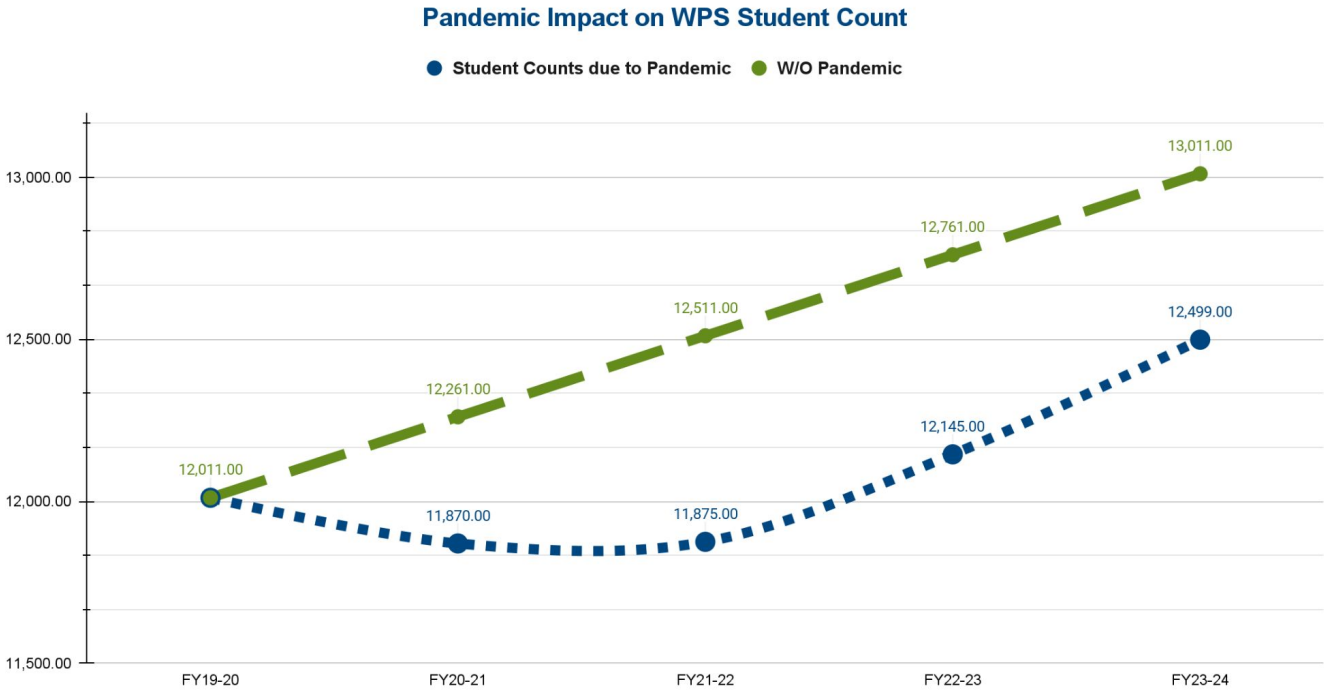
Showing the unique impact(s) of Pandemic on Enrollment & Revenue at WPS						
	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	
MARSS 10/1/xx enrollments:	**12,011.00**	11,870.00	11,875.00	12,145.00	12,428.00	
Estimated annual enrollment increase:		**250**	**250**	**250**	**250**	
Estimate of where we could have been w/out pandemic:		**12,261.00**	**12,511.00**	**12,761.00**	**13,011.00**	
= difference of what enrollment would have been versus what actually was:		**391.00**	**636.00**	**616.00**	**583.00**	
= Revenues district would have had if not for the pandemic:		**$2,500,000**	**$2,500,000**	**$2,500,000**	**$2,500,000**	
= Revenues lost due to decline in enrollment:		$1,410,000				**Estimated Total(s)**
Scenario #1 - Estimate: 250 Students each year @$10K (Aid & Levy):		**$3,910,000**	**$2,500,000**	**$2,500,000**	**$2,500,000**	**$11,410,000**
Scenario #2 - Estimate: Revenue WPS would have had w/Aid & Levy (compounding):		**$3,910,000**	**$6,360,000**	**$6,160,000**	**$5,830,000**	**$22,260,000**

Used an estimated $10K per student (GenEd Formula & Levy)

Note: Updated estimated count from 12,684 students to 12,760 for the Revised FY2024-25 Budget

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The lasting impacts of the Pandemic & the crucial impact Cost Containment played



WAYZATA PUBLIC SCHOOLS

The lasting impacts of the Pandemic & the crucial impact Cost Containment played

Wayzata Public Schools - Cost Containment	
Data from district website	
School Fiscal Year	Estimated Cost Containment Amount
FY2022-23	$5,241,020.00
FY2023-24	$3,152,848.00
FY 2024-25	$2,610,796.00
Estimated Cost Containment Effort:	**$11,004,664.00**

As a reminder that the amounts above were target/estimated amounts that will obviously vary for a variety of reasons
District website: https://www.wayzataschools.org/district/finance-operations/cost-containment

- The Cost Containment planning, implementation, and follow through has allowed the district to slowly get back on its feet after the devastating financial impact the pandemic had on Wayzata Public Schools as shown in previous slides.
- The district has returned to experiencing student growth at pre-pandemic levels (above in the current year) which has helped rebound from the financial devastation caused by the enrollment fluctuation from the pandemic.
- Although unpopular and very difficult, by the district and Board addressing the financial impact of the pandemic early on, it has put the district in a position to recover and prevented the cuts from being larger and setting ourselves up for a more sustainable future with all the current uncertainties and variables that could impact the financials for the district.

Review: LTFM Information & Adjustment for FY2024-25

- **Background of LTFM (PayGo)**
  - What does PayGo or being an Alternative Facilities district mean?
    - Annually Wayzata Public Schools reviews and revises an approved 10 year long-term facilities maintenance plan which allows the district to levy for future Fiscal Year LTFM expenditures. These expenditures are for replacement and maintenance costs (like for like).
  - Amount the district typically spends on LTFM annually
    - Ranges from $7.5M to $16.5M Annually
  - Challenges faced due to pandemic
    - At the same time, Covid-related shutdowns rapidly rotated consumer demand towards goods and away from in-person services. This collision of pandemic-induced supply shocks and strong demand for goods generated inflationary pressure across the global economy. As suppliers were unable to meet elevated demand, the true cost of highly-efficient, but fragile global supply chains became clear.
      Article:"https://www.whitehouse.gov/cea/written-materials/2023/11/30/issue-brief-supply-chain-resilience/"
  - Challenges of fiscal year ending June 30th (timing of projects)
- Adjustment Amount factored into this budget
  - $-5,430,026.00 due to a 2021-2022 Fiscal Year Adjustment
  - 2 year lag on the adjustment
  - Sits in a Restricted Fund Balance that is then taken back on the levy
    - Long Term Facilities Maintenance Fund Balance was $16,212,641 as of June 30th, 2024.
    - ***Important to understand:*** Essentially just a cash flow impact but not a bottom line impact

WAYZATA PUBLIC SCHOOLS

Federal & Special Education Funding Review & Update

WAYZATA PUBLIC SCHOOLS

Wind down of COVID Relief Funding

- Various funding under ESSER, GEER, CRRSA and ARP started in FY2021
- Received just over $11.8M in total CARES related funding since FY2021
- Funding was targeted for specific areas & very little was available to supplant/cover existing expenditures. Instead, the intent was to add new positions and costs but with no plan past the funds running out to cover these new costs.
- All remaining funds expired on 9/30/24 and
- The district has utilized all those funds

Reminder:Cross-Subsidy Reduction Aid

- This Cross-Subsidy Reduction Aid component began in SFY 2020, and was created to limit the difference between the amount districts spend on special education and the revenue provided to districts specifically for special education purposes.
- The amount of *general education dollars used to cover this difference* is referred to as the "cross-subsidy."
- The initial cross-subsidy is the total special education expenditures (including transportation), minus the total special education aid (with the tuition billing adjustment), minus the general education revenue generated by students receiving special education services if receiving more than 60 percent of their special education services outside of a regular classroom (i.e., a federal instructional setting greater than two).
- The cross-subsidy reduction aid is calculated by first determining a district's initial cross-subsidy from the previous fiscal year; then applying 6.43 percent.
    - This percent increased for SFYs 2024 through 2026 to 44 percent, and 50 percent starting in SFY 2027 and later.

Preliminary FY2024-25 General Fund Budget



FY2024-25 General Fund Revised Budget (Fund 01)

All areas included (*LTFM Adjustment*)

General Fund Information:
The General Fund contains all revenue and expenses for the general, day-to-day operations of the school district. This includes salaries and benefits for teachers, administrators, custodians, administrative professionals, and para-professionals; instructional supplies, technology, transportation, textbooks, and money spent to operate and repair district buildings. In some ways, it is clearer to express the General Fund in terms of what it does not cover. The General Fund does not cover Wayzata Cafés; Community Services; debt service payments on bonds issued by the District; and the cost of major construction projects financed through the issuance of bonds.

The General Fund includes expenses associated with the capital projects (technology) levy. The focus of this program is curriculum and classroom technology, particularly expansion of classroom tools: projection and sound systems, smartboards, and software. The General Fund also includes expenses funded with the Long-Term Facility Maintenance (LTFM) levy for projects less than $2.0 million. Projects over $2 million are recorded in the Building Construction Funds. It is important to note that LTFM expenditures can fluctuate considerably from year to year and can impact the overall view of the District's funding picture.
The level of spending is set with a number of considerations in mind, but one of the primary considerations is to maintain an adequate level of reserves for unanticipated events. The District has a formal policy calling for an unassigned fund balance in the General Fund equal to at least 5% to 7% of one year's expenditures. This balance could be considered to be the District's "savings account."

Maintaining a prudent fund balance is important for the stability of the district, and is a key measure that bond rating agencies examine when assigning a credit rating to a district's debt issuances. The unassigned General Fund balance as of June 30, 2024 is $16.9M. This is roughly 7.6% of the FY25 expenditure budget, or about four weeks of operations. Unanticipated events that could occur that would require the District to dip into its unassigned fund balance include:

- Property tax delinquencies and abatements
- Enrollment fluctuations
- Unanticipated price increases for essential purchases, e.g. fuel for heating, other utilities, transportation
- State aid revenue reductions
- COVID-19 pandemic
- Federal sequestration
- Unforeseen public health emergencies or severe weather/natural disaster

2024-25 Revised Budget (LFTM included)

	2024-25 Preliminary Budget	Change ($)	Change (%)	2024-25 Revised Budget
Revenue				
Local Property Taxes	$71,929,683	$600,000	0.83%	$72,529,683
State Aid	$136,405,457	$1,668,699	1.22%	$138,074,156
Federal Aid	$2,714,699	$1,373,254	50.59%	$4,087,953
Other Local Revenues	$6,364,324	$196,919	3.09%	$6,561,243
Total Revenues	**$217,414,163**	**$3,838,872**	**1.77%**	**$221,253,035**
Expenditures				
Salaries and Benefits	$159,537,954	-$1,998,910	-1.25%	$157,539,044
Purchased Services	$33,671,289	$2,009,971	5.97%	$35,681,260
Supplies and Materials	$7,245,743	$1,901,915	26.25%	$9,147,658
Capital	$18,020,738	$1,382,286	7.67%	$19,403,024
Misc./Other	$1,801,976	$0	0.00%	$1,801,976
Transfers to Other Funds	$0	$0		$0
Total Expenditures	**$220,277,700**	**$3,295,262**	**1.50%**	**$223,572,962**
Revenue over Expenditures:	**-$2,863,537**	**$543,610**		**-$2,319,927**

** The projected expenditure over revenue amount includes a negative LTFM adjustment of $5,430,026. This doesn't accurately portray a true picture of the district operations. The next slide provides a more accurate picture of the operations.

FY2024-25 General Fund Budget (Fund 01)

2024-25 Revised Budget (Excluding LTFM)

	2024-25 Preliminary Budget	2024-25 Revised Budget
Revenue		
Local Property Taxes	$63,413,482	$64,013,482
State Aid	$136,405,457	$138,074,156
Federal Aid	$2,714,699	$4,087,953
Other Local Revenues	$6,364,324	$6,561,243
Total Revenues	**$208,897,962**	**$212,736,834**
Expenditures		
Salaries and Benefits	$159,387,147	$157,389,944
Purchased Services	$28,173,289	$30,183,260
Supplies and Materials	$7,209,393	$9,111,308
Capital	$9,626,666	$11,008,952
Misc./Other	$1,796,976	$1,796,976
Transfers to Other Funds	$0	$0
Total Expenditures	**$206,193,471**	**$209,490,440**
Revenue over Expenditures:	**$2,704,491**	**$3,246,394**

***** This excludes LTFM (PayGo levy) and LTFM levy adjustment to show a more realistic view of the FY2024-25 Revised Budget***

Components of the FY2024-25 Revised Budget:

This accounts for all Fund Balance categories (excludes LTFM)

- Restricted
- Nonspendable
- Assigned
- Unassigned

Key Budget Assumptions & Factors Considered

- Enrollment
  - Projecting enrollment at 12,760 from prelim of 12,684.
  - Up 352 students from FY2023-24 revised budget estimate.
- Revenues
  - Gen Ed Formula current at 2% for FY2024-25 at $7,281.
- Expenditures:
  - Salaries & Benefits
    - Salaries per contract or board parameters
    - Medical Insurance increase of 7%
    - Adjustments to prelim on Health, TSA, Summer Unemployment, etc
  - Transportation increase of 6%
  - Utilities increase of roughly 5%
  - LTFM projects based on 10 year plan
  - Special Education cost increases
- Federal & COVID Related dollars
  - Carryovers factored in from prelim budget
  - COVID dollars ended 9/30/2024.
    - District has spent those dollars

WAYZATA PUBLIC SCHOOLS

FY2024-25 Revised General Fund Budget (Fund 01)

2024-25 Revised Budget (Excluding LTFM)

	2024-25 Preliminary Budget	2024-25 Revised Budget
Revenue		
Local Property Taxes	$63,413,482	$64,013,482
State Aid	$136,405,457	$138,074,156
Federal Aid	$2,714,699	$4,087,953
Other Local Revenues	$6,364,324	$6,561,243
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*** This excludes LTFM (PayGo levy) and LTFM levy adjustment to show a more realistic view of the FY2024-25 Revised Budget*

The district is expected to have Revenues over Expenditures of an estimated $3.2M for FY2024-25 excluding LTFM adjustments. As explained prior, this will be key in continuing to come out of Cost Containment, staying ahead of expenditures outpacing revenues, and creating a sustainable financial situation for the district.

Important items to point out on projected $3.2M Revenue over Expenditures:

- Our projected increase of 352 students from the FY2023-24 Revised Budget will bring in a estimated additional $3.5M when factoring in formula aid and levy aid. This is very close to what we are projecting for Revenues over Expenditures. If this student projection doesn't come to fruition, this would change the budget projection significantly.
- The $2.6M cost containment for the current FY along with the prior two FY's has been instrumental in the whole process to help get us back on solid ground from the devastating financial impact of the pandemic. Although we are showing $3.2M, if we add back additional staffing or use part of the projected amount before we see the students arrive, it will put us back into a perpetual cost containment situation. The costs continue to compound on an annual basis. If we add $1.5M or $2M back, that amount then adds to the expenditures and outpaces the revenues immediately and compounds annually at a higher rate than our revenues. We also are back to 2% for FY2024-25 on the formula and then back to a max of 3% into future years (est. 2.53% is latest we've heard)
- The district will be continually monitoring the enrollment changes and will deploy hotspot teachers as determined by district staff working in collaboration with principals.

Key reasons why the district is rebounding from the devastating impacts due to the Pandemic:

- Cost Containment: Addressed very quickly and ahead of most other districts
- Student growth returning to pre-pandemic levels *(above average currently)*
- Special Education Cross-Subsidy increase
  - Same time seeing big cost increases/needs (still cross subsidy impact)
  - MOE implications
- One-time GenEd Formula at 4% helped but now back to 2% and ceiling of 3%
- Long-term fiscal/budget planning knowing ***several variables can quickly change the current projections and situation***:
  - Uncertainty of Federal funding
  - Student growth slows or stops
  - Negotiations with staff and bargaining units (Salary & Benefit costs)
  - Special Education cost increases despite new Cross-Subsidy Aid
  - Referendum(s) failing
  - Tech Levy failing
  - Short-term facility needs due to growing enrollment
  - Expenditures continuing to outpace Revenues
  - Continued challenges of the GenEd Formula not keeping pace with inflation

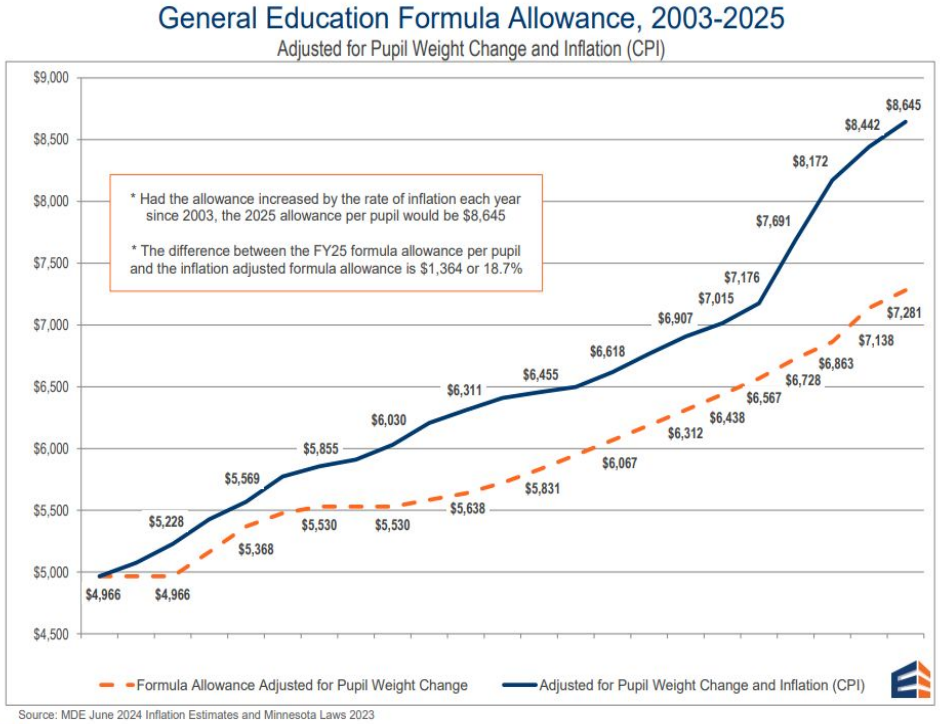
Continued Planning & Monitoring

WAYZATA PUBLIC SCHOOLS

Areas/items/concerns that impact and will continue to impact the long-term fiscal health of the district

Variables/things that could quickly change the current projections & situation:

- Balancing the current needs of the district and community while keeping the long-fiscal sustainability of the district in mind
- Adding back expenditures without consideration and understand of the long-term fiscal impacts
- Closely monitoring student enrollment and planning/adjusting accordingly
- Continued challenges of the per pupil Formula Allowance not keeping pace with inflation
  - Expenditures outpacing Revenues
  - GenEd Formula not keeping pace with inflation
  - Continued Unfunded Mandates
    - Still waiting to see the true impacts of the Summe Unemployment
- Current and future staff negotiations
  - We are a service oriented organization so 70+% of our co are Salaries and Benefits
- Changes in legislation
- Uncertainty on the Federal level for future funding



Source: MDE June 2024 Inflation Estimates and Minnesota Laws 2023

EHLERS PUBLIC FINANCE ADVISORS

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Questions?

THANK YOU

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