

Item 9A: Business Services Report: 2024–2025 Fiscal Year Summary with AASD Budget Strategies

Board of Education

Mon, Sep 08, 2025 6:00PM

Kay Eggert (Board President) 06:29

We are now on reports and first from Business Services, the 2024-25 fiscal year summary with AASD budget strategies. Holly Burr.

Holly Burr (AASD Executive Director Of Finance) 07:05

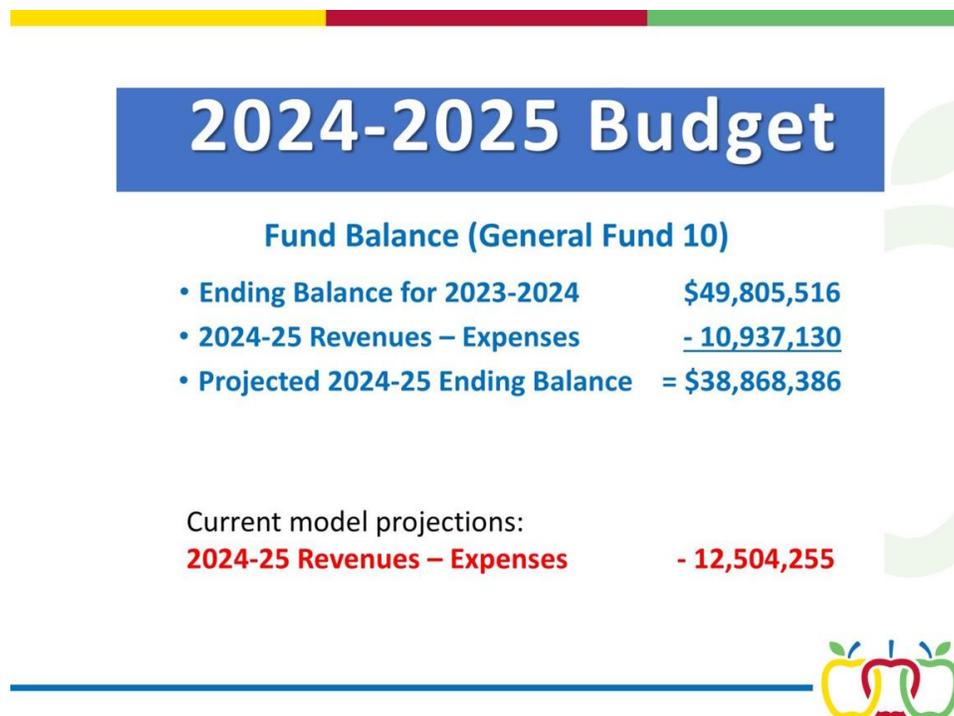
Give Kayla one second to get that up.

Holly Burr (AASD Executive Director Of Finance) 07:08

Okay so we wanted to take this opportunity to do a quick year end summary for '24-'25. The preliminary audit work has been completed in August. However, we won't have the final for at least a month, probably closer to two months, but we'd like to do a summary at this point as we're pretty confident in the numbers that that we have.

Holly Burr (AASD Executive Director Of Finance) 07:40

So, I wanted to just start with a, I guess, a look back. This was the slide we had looked back at back in February of this year. This is showing the total beginning fund balance of \$49.8 million and the projections for the current year.



Holly Burr (AASD Executive Director Of Finance) 08:09

Moving to '24-'25 summaries then, revenue changes for the year—and I combined Funds 10 and 27. As you are all aware, those are our two largest funds, the General Fund and the Special Education Fund. And because of the transfer of money, you will oftentimes see these combined together when we're talking about general operations of the district. So, the top four bullets again, are just kind of a reminder of some of the changes that we were going to see for '24-'25 based off of the state budget. I'm not going to get into those details. We've seen them a number of times.

Holly Burr (AASD Executive Director Of Finance) 08:55

Our original budget for revenues was just under to \$214.4 million. And I expect the end of the year revenues to come in at around \$216.5 million. So that is an increase. And the largest variance here, again, for I think, the third year in a row, but for sure, the second was in interest income. We continue to budget very conservatively, as the Feds continue to say they're going to be reducing that—reducing that rate. This is a silver lining in the fact that they didn't. So, we still had about \$1.1 million over what we had originally budgeted for that. The remainder of the increase—I couldn't pinpoint to anything specific. It was all much smaller amounts, under \$200,000 and from many multiple sources, so different grant fundings, different state fundings and things like that. So, questions on revenues?

Revenues

Revenue changes for 2024-2025 - Funds 10 & 27

- Revenue Limit increased to \$11,729.33 per member
- \$325 from State budget and additional from the Operational Referendum in 2022
- State Equalization Aid increased
- Private school vouchers increased by \$843,286 to a total of \$8,304,393

Total Original Budgeted Revenues =	\$214,361,506
Projected Ending Revenues =	\$216,545,314



Kay Eggert (Board President) 10:04

I do have a question. I know that we have gone through these numbers before, but the fourth bullet point "private school vouchers increased by \$843,000 for a total of \$8 million"—we are not making money off of private school vouchers.

Holly Burr (AASD Executive Director Of Finance) 10:23

We are not. Private school—

Kay Eggert (Board President) 10:24

Okay, I just wanted because when it appears—

Holly Burr (AASD Executive Director Of Finance) 10:26

Private school vouchers is a 100% pass through program. So, the \$8.3 million would go on to our tax levy at the end of the year in the total amount. We actually never even see that money. We collect it from the—we do it as part of the tax levy, but the state actually collects it. And so, we—then there's an equal expense for it. So, whatever we take in goes right back out, and the state actually does it. We don't even do it.

Kay Eggert (Board President) 11:00

No, I understand. And I just—for clarification, I mean, the first two—three bullet points actually are have increase to our revenue. The fourth one is a pass through. It is not an increase to our revenue. I just wanted to clarify that.

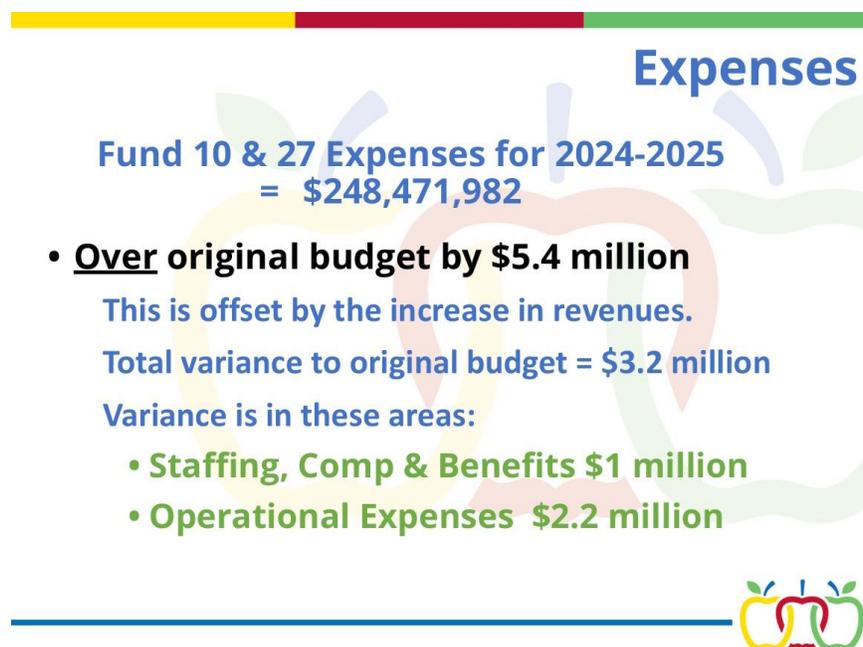
Holly Burr (AASD Executive Director Of Finance) 11:14

No, that's a great clarification, President Eggert. Thank you for the reminder that that is—that is just a pass through, and we had it on here because it did impact the levy for '24-'25.

[Somebody's phone or walkie-talkie went off and briefly interrupted things.]

Holly Burr (AASD Executive Director Of Finance) 11:42

Moving on to expenses, so original budgeted expenses for '24-'25 were about \$242.4 million. You see I have on here our ending is going to be about \$248.5 million. So, we were over budget on our expenses to the tune of about \$5.4 million. That increase is offset, however, by the increase in revenues, and so the total variance is about \$3.2 million. And I know, and I understand that this is a big number. \$3.2 million is still a big number, but please keep in perspective that that is—as a percentage, is about 1.3% of our budget. This is still well within a normal variance range for the year. So, although we, none of us, like it, we don't like to see that kind of a change beginning of the year to the end of the year, it is not out of the realm of normal.



Oliver Zornow (Board Member) 12:56

Are you able to provide a little bit more detail on the \$2.2 operational expenses piece? What it—what does that consist of? Not looking for an itemized listing here, but generally, what are what are we talking about, that that costs more than we expected?

Holly Burr (AASD Executive Director Of Finance) 13:11

Sure. And again, there wasn't any—so staff compensation, benefits. I mean, that was an easier one. I can pull that as a group. Operational expenses, again, it was a whole bunch of a lot of little stuff, \$50,000 here, \$100,000 there, \$30,000 there. But just generally, things cost more than we had anticipated. So contracted services was a big chunk of this. Anytime we have to contract work out, which we do have to do sometimes, those costs are increasing. Unfortunately, in this particular case, some of this stuff is increasing at a faster rate than what we had anticipated. Other example, you know, we do our best to anticipate, you know, utilities, insurance, and all of that, but bottom line sometimes that it just costs—plain costs more by the end of the year. It just plain costs more than what we thought. And that is a big case here. We also include in those operational expenses any carryovers for the buildings, because we do allow our buildings to carry—if they don't use all their funds one year, we do allow them to carry over. So again, that was a small amount here that they used some of their carry over a little bit more than what they had in prior years. So....does that answer your question?

Oliver Zornow (Board Member) 14:45

Well, partially. Would we say that this 2.2—were any of these one-time pieces, or the broader 5.4, right? Are these one-time expenses, or is this sort of we have an additional, like, size of operating that we didn't anticipate that carries forward, right? Did we make some sizable investments in some spaces that we didn't know were gonna be that big, or did we increase the amount that we're sort of as the churn?

Holly Burr (AASD Executive Director Of Finance) 15:14

I would say the vast majority is just simply in operational expenses. There was a small amount of—and by small amount, I'm going to say about \$500,000 that was one time that would not carry over into the future. But the vast majority of this is simply just things are costing more and expenses are going up faster than we anticipated.

Ed Ruffolo (Board Member) 15:43

What was the amount transferred from the general Fund 10 to cover the shortfall in special education funding?

Holly Burr (AASD Executive Director Of Finance) 15:50

So special education this year actually was pretty much on target to what we had budgeted for. So, although a little bit of this would have come from there, very little of it. So, our transfer was \$29.7 million, and we had budgeted 29.9 so we were, we were very much on target with that.

Ed Ruffolo (Board Member) 16:17

But if I remember, we were at about a 30% in the end, 30% reimbursement rate from the state. I know they were at 32 but it was sum certain, not sum sufficient, so it's always a little bit less. So, it would be fair to say at \$29 million, if not—if they had the reimbursement rate for special education had been at 60% which it traditionally is, we wouldn't be having this conversation. We wouldn't even have a shortfall this year. In fact, we wouldn't have a deficit. If in the last four years that have been at 60%—just simple math—we wouldn't have a deficit at all. Is that fair?

Holly Burr (AASD Executive Director Of Finance) 16:56

That is a fair statement.

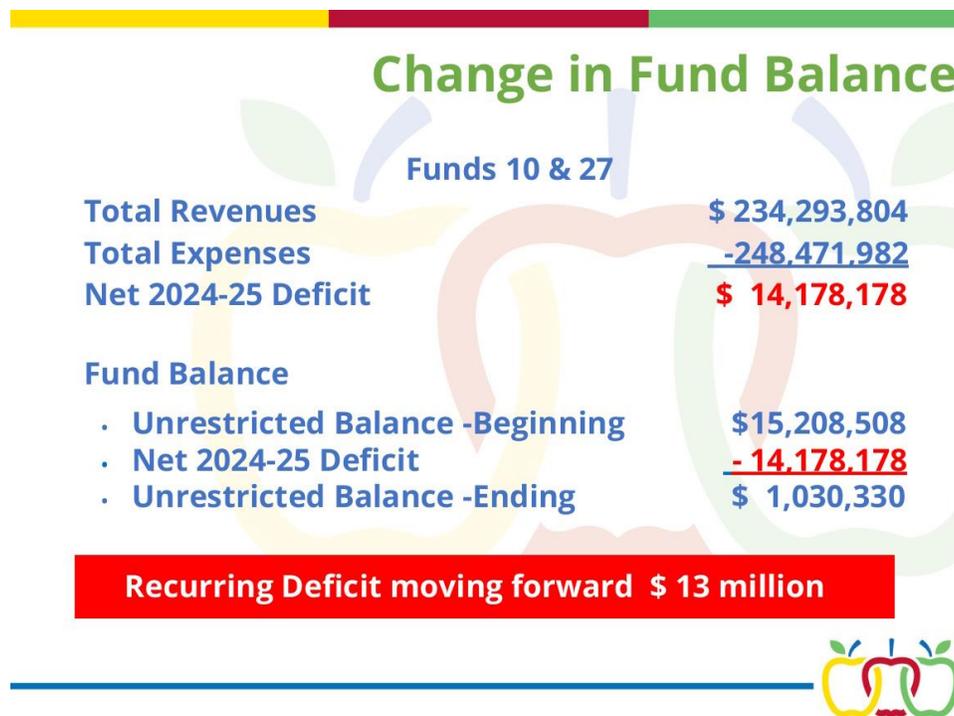
Ed Ruffolo (Board Member) 16:59
Thank you.

Greg Hartjes (Superintendent - AASD) 17:00

So, I just want to make a couple of comments about board member Zornow's question. In some of the areas, and as Holly talked about in operations, we might budget for a 10% increase, and it might be a 20% increase. So, something as simple as we can't repair our elevators; we have to have those repaired by an outside contractor. And so, we might budget for a 10% increase, and it might be 20%. Our property insurance has been going up considerably because of just different ways that insurance is being written in terms of how we have to insure our buildings. We haven't changed anything in how they function or any possible catastrophes to them, but insurances are charging us differently. So those are just some examples where if we see more than a 3% increase, we know that that's what our revenue is generally increasing by—2 to 3%. Those are just examples really out of our control, and they're going up by much higher than, you know, we've even budgeted for this past year.

Holly Burr (AASD Executive Director Of Finance) 18:14

Okay, so moving on to the fund balance then. In summary, we are kind of look—we are looking at totals for the year, revenues, \$234.3 million, expenses at \$248.5 million. This will leave a deficit for the current year of about \$14.2 million. Now we talked a lot early on about the full fund balance versus our discretionary, so the unrestricted, unassigned fund balance. We started the year at \$15.2 million in that unassigned, unrestricted fund balance, and after subtracting our \$14 million here, the unrestricted balance is going to be right around \$1 million. Now to board member Zornow's question earlier about one-time expenses, we did have some additional one-time expenses that budgeted—not budgeted, included in that \$14.2 million deficit. So, the carry forward deficit we'll be anticipating about \$13 million. So, it's not the full 14.2. Questions on this?



Greg Hartjes (Superintendent - AASD) 19:44

So, this is the number we've been talking about for several months. Is, you know, is it \$12 million? Then we thought it might be as high as \$15 million. This is the number; it's \$13 million; that's our deficit going forward.

Oliver Zornow (Board Member) 19:58

I just want to clarify that's what our deficit will—that we project our deficit to be going forward in the '25-'26 school year. That's the carry forward piece, and that incorporates cuts we've made in preparation of this school year to spending in different categories.

Holly Burr (AASD Executive Director Of Finance) 20:20

No. So this is simply if we changed nothing, if all else is equal, we would carry—we would start the district—start the year minus 13. Now, from here, in next meeting's presentation, we will start to talk about, okay, how do we start chipping away at that? Or what do we do? The goal for '25-'26 is to not have that increase. So, we will take a look at, okay, if we if we have known increases in certain areas, then are we able to make reductions in others? So, the goal moving forward is to not to have that deficit increase anymore, but we will be starting with that number. From there, we will add on—okay, new revenues from the state. We know we're getting \$10.3 million-ish in new monies. What are our new expenses going to look like? So, subtract those back off. So, we'll—we're going to talk about more about that. But just for a clarifying point that no, this \$13 million is not the '25-'26 budget.

Oliver Zornow (Board Member) 21:32

13 million is not the deficit we anticipate from next year. That's interesting. This is if, if we took last year's budget copy and paste—

Holly Burr (AASD Executive Director Of Finance) 21:40

Correct.

Oliver Zornow (Board Member) 21:40

\$13 million of it carries forward. So, the \$1.2 million of it was one-time expenses for this year that we don't anticipate to make happen again.

Holly Burr (AASD Executive Director Of Finance) 21:51

Correct.

Ed Ruffolo (Board Member) 21:52

Just a follow up to Oliver Zornow's question, based on what I'm seeing here from this unrestricted balance, the goal really is to zero out the budget deficit—new deficit next year, right? We want we're not going to add any more to that deficit, because we really can't. There's no dollars to cover it. So, we really need to have a balanced budget going into next year. Much as possible.

Holly Burr (AASD Executive Director Of Finance) 22:14

We won't have a balanced budget going into next year, but we do not want this \$13 million to get any higher. Correct. And go ahead, are there other questions? Otherwise, that's the perfect lead into the next slide.

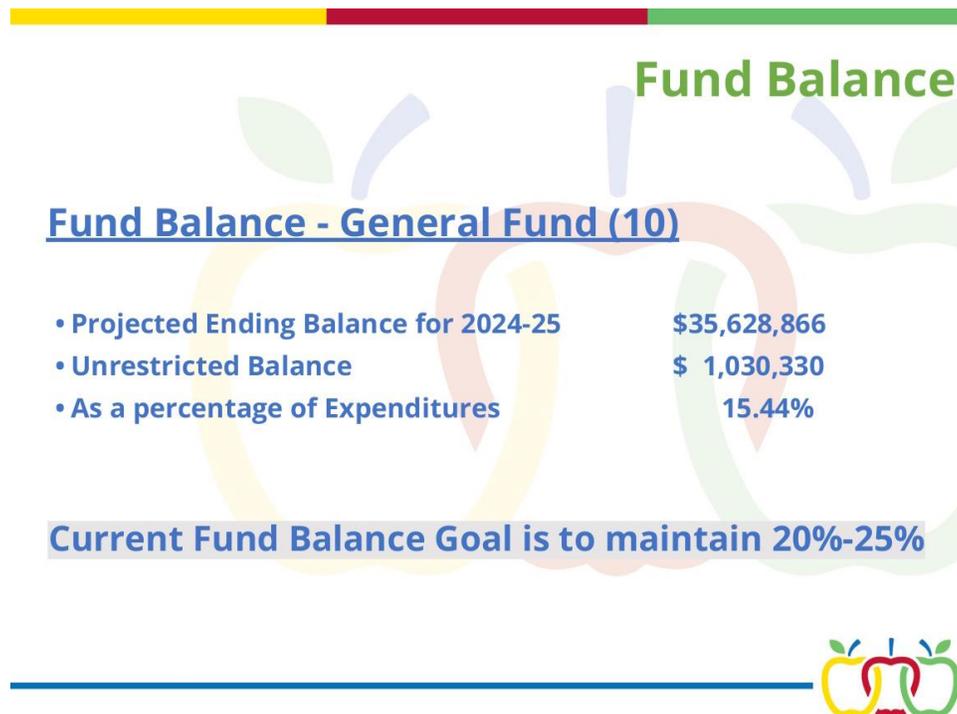
Greg Hartjes (Superintendent - AASD) 22:33

So, I just want to clarify one piece though, understand we don't have Fund Balance left to take the \$13 million that we're already spending this year. That's going to have to come from Assigned Fund Balance. Is that what you're leading into then?

Holly Burr (AASD Executive Director Of Finance) 22:48
That's fine. Go ahead.

Greg Hartjes (Superintendent - AASD) 22:49
Yeah, so just want to be certain that we're in a budget already that is \$13 million in the red to start the year. And so, there'll be changes throughout this year, some in our revenue, some in our expenses, but whatever ends up at the end of this year having spent more than we take in, has to come out of our assigned [...].

Holly Burr (AASD Executive Director Of Finance) 23:20
Okay. Yeah. So, we will continue then to talk about the fund balance. So, we started—so the projected ending balance right now for '24-'25 is sitting at—and then again, now we're bouncing back to this is the total number. So what Superintendent Hartjes was just talking about, is we are going to now have to tap into part of that \$35 million for some of this. Our unrestricted portion is only \$1 million. As a percentage of expenditures, the \$35 million is—we are down to 15.4%. And just as a kind of a reminder, our goal would be to be between that 20 and 25%.



Oliver Zornow (Board Member) 24:11
I want to just clarify on the goal. It's not just a, you know, feels good goal to have 20-25% in the in the fund balance. This really is—this supports our bond rating, which makes sure that we're able to borrow affordably for capital projects and ensures that we have cash flow management throughout the year. On a 250 plus million dollar year budget we're looking at a situation where \$1 million minus \$13 million—we get down to a point where it becomes challenging for us to ensure that we will have a consistent cash flow. Is that correct?

Holly Burr (AASD Executive Director Of Finance) 24:59
That is absolutely correct. So, what we use that \$35.6—what we will use that \$35.6 million for is our cash flow, because we get a very small portion of money from the state from July—we start our year in July. We don't

approve the budget until the end of October. We don't get the significant amount of money from our state payments until December. We are five months through our year before we receive a good chunk of our money. We'll get a small payment here in September, but not enough to carry us through. That 35 million will represent payments to for payroll, cash flow. It will represent claims payments for our self-funded plan. Those are the two largest things. It also represents retiree payments for 403—403Bs, so things like that. The biggest issue is the cash flow. We have to be able to make payroll through November, not that we won't have enough money. After all, it's just, just like, you know, making it to pay day. Our pay day is December. So, we have to figure out how to cash flow our money until we get to that point.

Oliver Zornow (Board Member) 26:20

Can you describe what districts do if they get to the point where they can't cash flow payroll?

Holly Burr (AASD Executive Director Of Finance) 26:26

The most common thing is just a short term borrow. So, there's a couple different ways to do that, but you will see districts that will short term borrow for one payroll. They'll do it for a month, or sometimes up to a few months until you get tax levy monies in January, February. That's very, very common. It just costs money, you know. Anytime you have to borrow money, you have to pay to use it. So, preventing that is, of course, what we want to do, but if we have to, it wouldn't be the first time, including this district. It's been a number of years since Appleton has had to short term borrow. But if we have to do that again, we will have to do that again.

Kay Eggert (Board President) 27:14

Holly, I just want to just go back to something, I mean, to temporarily use restricted fund balance to make pay to cash flow. But this is not a strategy that we would use. I mean, it's restricted for a purpose because it's needed for other purposes, but we do have the ability that we can use it for just cash flow purposes, but the money needs to be there for the other purposes.

Holly Burr (AASD Executive Director Of Finance) 27:47

Correct.

Kay Eggert (Board President) 27:48

I just want—because sometimes, I mean, you know, I think if we're talking about, we can just, you know, use this money, but we really—we can use it temporarily, but it's we can't.

Holly Burr (AASD Executive Director Of Finance) 28:01

Correct. We need to earmark—you know, there's formulas for everything, but we need to earmark, you know, a specific amount of money for claims payments for our health plan. You know, that's between five and \$6 million alone. Again, the retirement plan funds—those have already been committed at the beginning—so and again, remember that this is a snapshot as of June 30. So as of June 30, we already had contracts committed for construction for, you know, payments, other payments that were going on. That has to be included in those restricted funds. That money is already committed for a specific purpose, and that's basically what we're talking about here now. That doesn't preclude us from use—you know, if, if we know we're not going to use a million, can we temporarily, as you just mentioned, use, you know—yes, we can. But when it's restricted, is it is restricted; you have to use it for that specific purpose. And I use the term restricted. We also have what we call a assigned. So restricted—restricted is restricted; you can only use it for that purpose. Assigned funds is more what you're talking about, President Eggert, is—so the assigned funds is more we're assigning it for this purpose, but if we need to temporarily use it, we can pull it out and then put it back. Restricted is not restricted. You can only use it for—now those are very specific. So, like, you know, food service funds I can't use to balance payroll or pay health insurance claims. It has to be used for food service. So, there's certain—there's certain things you

cannot commingle. But, um, yes, we will we will use what we can to have cash flow, knowing that next year we will likely have to short term borrow. We will not be able to get through another year without it.

Oliver Zornow (Board Member) 30:23

Can you clarify another year? What year do you believe short term borrowing starts? Is it this school year or next year?

Oliver Zornow (Board Member) 30:31

Next school year.

Oliver Zornow (Board Member) 30:31

Next year. So, we've got a year to do something about it.

Holly Burr (AASD Executive Director Of Finance) 30:37

From here, then we will be moving into discussions about the '25-'26 budget. So, we're not going to get into that deeply tonight. I know you have—you all have some work sessions that we're going to be working on, pieces of that as well. Administration is going to be working hard on, not only the '25-'26 budget, which needs to be approved by the end of October, but also then looking, you know, a two year—so looking at the '26-'27 budget, and what that could potentially look at. Like, you know, we've had discussions about how to increase it on the revenue side, versus, you know, making reductions in the future. So, if there's anything else that we want to cover tonight, let me know. Otherwise, that is a summary for '24-'25. It will not be the last time you hear about '24-'25 because, of course, as we fully end it, and then, of course, the auditors once they're done, will come and give their presentation as well.

Kay Eggert (Board President) 32:01

Anything you want to add?

Kay Eggert (Board President) 32:02

Okay, that looks like that's it. Thank you very much.