

BUDGET COMMITTEE MEETING NOTES

Wednesday, June 6, 2024; 8:00AM
Depot Board Room

Attended: Commissioner Joe Deutsch, Commissioner Aaron Hill, Commissioner Vicki Dawson, Commissioner Jerry Rostad, Susan Faus, Broc Lietz, Luke Evenson, Dave Bietz, Carolyn Boutain, Tony Schmitt, Kelly Kisell, Kali Mork, Stacy Kruger, Paul Grindeland, Carmen Johnson

Absent: Commissioner Dawn Morgan

Guest: Brian Stavenger, Partner, Eide Bailly, LLP

Review 2023 Audit Draft

Brian Stavenger presented a draft of the 2023 Executive Summary. It included an overview of the audit and a high-level review of the 2023 financial statements. The documents included in the packet will be finalized prior to the August Park Board meeting.

The audit recap is as follows:

- Planning and pre-work – October through February
- Year-end testing – March and April
- Wrap-up – May
- Reporting – June

The Fargo Park District received a clean audit opinion. The opinion is the auditor's professional opinion, based on audit work, whether the financial statements were prepared in accordance with GAAP, free from material misstatement, and fairly presented.

- Adoption of GASB No. 96, *SBITAs*
- Material Weakness
 - Preparation of financial statements and proposed journal entries
- There were no significant deficiencies.

Federal Audit

- Unmodified opinion
- No internal control findings
- No compliance findings

Management Letter

- Discretely presented component units-these are in the financial statements but separately reported.
 - Valley Senior Services
 - Fargo Park District Foundations
 - Valley Senior Services Foundation

Cash and Investments

- Total cash and investments for the past 10 years, broken down in 3 different areas.
- Does not include foundations or Valley Senior Services.

Liquidity Ratio

This is calculated by dividing cash and cash equivalents by accounts payable, other current liabilities, and long-term liabilities due within one year.

- Fargo Park District at the end of 2023 is at a 3.00 liquidity ratio which means that every dollar we owe in obligations, we have \$3 in cash. This has been consistent.
- The ratio should always remain at or above 1.0. If you go below the 1.0 you may have to dip into reserves.

General Fund

Revenues from taxes, charges for services, and intergovernmental sources.

- Courts Plus is again included in the General Fund
- There is continued growth in revenues.
- Strong investment income which also created growth

Commissioner Rostad asked what this will look like if property taxes go away because of the reform bill. Brian Stavenger commented it would be possibly half of the revenue streams and would have to be picked up by something else. Broc stated the taxes would flat line, the taxes would be frozen at the collections of the prior year based on whenever it is effective. We would have to make a decision as an entity on how to replace those dollars.

Expenditures and Transfers out

- This is potentially where modifications of budget adjustments could be made.
- If there has to be increased revenues or a decrease in expenditures to balance out a potential change to the property tax formula, this would be a significant impact.

Positive Fund Balance

- Contributes to a favorable bond rating
- Produces investment income
- Offers a cushion for unexpected expenditures or revenue shortfalls

Fund Balance Categories include:

- Nonspendable-inventory, prepaid expenses
- Restricted-legally restricted by outside parties, can't be appropriated for other spending
- Committed-intended for a specific activity, imposed by formal action of the board, not legally restricted
- Assigned-intended for a specific activity by the board or individual, not legally restricted
- Unassigned - Can be used for anything

Total Fund Balances

- There has been growth in the total fund balances, specifically over the last 4 years.

Commissioner Hill asked if we have a high unassigned fund balance because we need cash on hand for the Sports Center? Luke said yes, but overall, we had revenues over expenses close to \$4.5 million this year.

Other Funds:

Debt Service Fund-Accumulation of resources to repay your debt service obligations.

- It is good to have reserves to meet your debt service obligations.

Capital Projects Fund

- Two places where the money comes from:
 - General fund, planned budgeted transfers

Revenues – Valley Senior Services

- Consistent operations
- Relying on intergovernmental revenue

Commissioner Rostad asked if the property tax issue is passed, will that have an impact on Valley Senior Services? Broc stated that it will not have an impact, none of the dollars come from Fargo Park District general fund and our property tax. Commissioner Rostad asked what kind of state aid does Valley Senior Services get, that may be where it has the impact, if the state has to cover all of the municipalities, there may not be enough to cover. Paul Grindeland stated there is about \$2.3 million in mill levy funding out of a \$6 million budget. Then there is a state match for those mills that are generated, about 87.5% from the state.

Expenditures

- Money that is used for wages, other operating expenses, capital outlay.
- Capital outlay has been very consistent.

Debt Service Coverage

- Brian said he looks at cash on hand compared to obligations.

Other Topics

- GASB No. 100, Accounting Changes and Error Corrections (2024)-not much impact
- GASB No. 101, Compensated Absences (2024)-could have an impact.
 - Accrued vacation benefits
 - Medical leave, family leave, military leave
- Inflation Reduction Act (IRA) of 2022
 - Incentives related to energy efficient construction projects, equipment, or vehicles.
 - For the first time government can benefit
- Ongoing communication – throughout the year.

Review of 2025 Preliminary Budget: Broc Lietz, Luke Evenson, presenters

Luke reviewed a high-level budget projections for 2025, effects main revenue and expense streams. This is all preliminary.

Luke stated budgets are due back on June 7th, and there will be a budget at the next Budget

meeting.

Luke reviewed the projected budget changes for 2025 budget;

1. Tax Revenue in the General Fund.
 - a. 5% growth in valuation yields, \$43,144 additional in revenue per mill.

Commissioner Dawson asked about last year's growth, Luke stated that last year's growth percentage was 12%, and we reduced our general mill levy by 4 mills last year. Commissioner Rostad asked about the set back last year of sending over the wrong budget and asked if this gets us back to where we need to be. Broc said, there was a set back and that was the result of the 4-mill reduction, we were planning to reduce the mill levy by 1.35, we ended up reducing by an additional 2.6 mills. Broc said we have not asked for a change in the mill levy as of now, he said when they work on balancing the budget for preliminary review in July, you will have a full look at the expense side and look to see if there is a need for additional revenue to offset that expense side. If there is, he said they would bring you a proposal for options. Commissioner Dawson asked what our mill ceiling is, Broc said by statute, General Fund mill ceiling is 38 mills.

2. Intergovernmental State Aid in the General Fund – passed through the City of Fargo.
 - a. Finance team has reached out to the city for an estimate based on the legislative action.
 - b. Rolling 5-year average increase of 6% per year.
3. Charges for Services
 - a. Programming, Facilities, Golf, Courts Plus and Sports Center all presented updates to pricing models at the May 29th Facilities Meeting. There will be increases for our charges for services, Luke said he doesn't have an estimate as of yet.
4. General Fund Payroll expense
 - a. Luke stated this is consistently our largest expense in the general fund. Proposing a salary increase for 4.5%.
 - b. There are 4 new full-time positions.

Susan stated they are still reviewing full-time positions as a leadership team. Susan and Dave reviewed the list, and those 4 positions are essential. Commissioner Rostad where the positions located? Susan said in Operations, in Forestry. Dave stated there is a person to take care of a lot of the natural areas, currently under contract with a company to take care of those areas. Those contracts are ending, the amount of dollars we were paying them will now go to the hired person. Then there is a position to supplement the project management team. Susan stated the other 2 positions are tied directly to the Sports Center, partner success manager and to hire a full-time customer experience position at the main information desk, having a challenge hiring part-time positions. There are also custodial positions for the Sports Center. Broc stated that this is representing regular benefited full-time employees.

5. General Fund Benefit Cost Increase
 - a. With new positions and salary increases we also incur for increased benefits. Historically we see benefits expense as a percentage of salary expense in the range of 30-35%. Looking at 35% increase.

Commissioner Rostad asked if the \$181,000 was salary and \$36,996 is the increase in benefits. General Fund Utility Cost Increase, Luke said yes.

- b. There have been discussions with Xcel Energy and Cass County Electric, neither have officially stated an exact increase, but budgeting of 5%. The City of Fargo has not commented on any utility cost increases.
6. Debt Service Fund Tax Revenue
- a. This is where we collect taxes and special assessments.
 - b. 5% growth in valuation yields \$43,144 additional per mill.
 - c. No mill changes.
 - d. The large majority of our Debt Service expenses are fixed dollar amounts for principal and interest.

Commissioner Hill questioned the General Fund Payroll Expense increase, the \$181,000 is not included in the \$391,419.00? Luke stated that it should be. Commissioner Hill said he took the \$8,698,189.00 x 4.5% and it totaled the \$391,419. Luke said that is an error then and it should be \$572,418.51.

With no further items, the meeting was adjourned at 9:20 AM.

Notes submitted by Carmen Johnson, Administrative Specialist