

KENAI PENINSULA BOROUGH SCHOOL DISTRICT

148 North Binkley Street Soldotna, Alaska 99669-7553
Phone (907) 714-8888 Fax (907) 262-9132
www.kpbsd.k12.ak.us

SCHOOL BOARD COMMUNICATION

Title:	FY15 Budget (REVISED)		
Date:	April 8, 2014	Item Number:	Worksession and 10b.
Administrator:	Dave Jones, Assistant Superintendent 		
Attachments:	FY15 Preliminary Budget Document		

Action Needed **For Discussion** **Information** **Other:** _____

BACKGROUND INFORMATION

The FY15 Preliminary Budget Document has been presented for review by all interested parties. Because of ongoing discussions in the Legislature and anticipated changes in funding from the state for next year, the revenue estimates have not been changed. Once the state and borough funding levels are known, a revision will be made to the FY15 Budget and that revision will be brought to the board for approval. At this time, that revision is expected to be brought forward at the July board meeting.

The revision would include a reduction of Use of Fund Balance equal to the amount of any additional funding provided by the State of Alaska or the Kenai Peninsula Borough. If revenues exceeded the \$4,593,729 amount currently identified as anticipated Use of Fund Balance, the board would be asked to provide direction on reinstatement of any other currently identified cuts.

Enrollment Projection

The process used to project the FY15 enrollment is based on a straight-line method for most schools as of October 17, 2013. The steps involved in arriving at the projection of 8,773 students included:

- Students at school sites were moved ahead one grade level, with some variance based on school administrator input.
- Charter school enrollment projections are in concert with the contractual agreement between each charter school and the district.
- Staffing for Homer Flex, Kenai Alternative and Marathon School locations according to amounts stated in Board AR 6183c.
- Kindergarten enrollment based on the average actual enrollment for FY12, FY13 and FY14, with some modifications based on additional information from school administrators.
- Sites affected by feeder schools were adjusted according to anticipated student movement.

The District was required to submit the FY15 enrollment projection to the State of Alaska Department of Education and Early Development by November 5, 2013.

Revenue Budget

The Preliminary General Fund revenue budget totals \$161,206,486, with budgeted revenue from all sources of \$154,456,357, use of Fund Balance reserved for Health Care in the amount of \$2,156,400 and use of General Fund Balance in the amount of \$4,593,729.

The state revenue projection of \$109,730,357 includes \$74,029,142 for the Foundation Funding Program, \$274,995 in the Quality Schools grant and \$33,684,316 in payments made directly to the retirement system on behalf of the district. These On-behalf payments are also reflected in the expenditure budget.

The Foundation estimate was made assuming no increase in the Base Student Allocation (BSA) in the State of Alaska Foundation Funding Formula. One time funding of \$1,741,904 included in the Governor's Preliminary Budget has been included in this estimate of state revenue.

At the local level, borough support has been included at \$43,500,000, the same level as FY14. This amount is about \$2.5 million under the maximum allowed for local contribution and the district will be increasing the amount requested from the borough after other budget changes are determined.

Expenditure Budget

The Preliminary General Fund expenditure budget of \$161,206,486 is based on the enrollment projection and other considerations noted below.

- Staffing has been adjusted to support the FY15 student enrollment projection of 8,773 using staffing formulas revised to include an increase of .5 in the Pupil/Teacher Ratio (PTR).
- Based on information from the District's insurance broker, employer-paid share of health care was estimated at \$1,417 per employee per month or \$17,004 per year. This calculation also includes the change in employer share to assume 85% of the total health care expenditures.
- Employer-paid retirement benefits were calculated on projected salaries, including 22% of gross wages for PERS-eligible positions and 12.56% of gross wages for TRS-eligible positions.
- Schools were staffed based on the staffing formulas that fit their size and configurations, according to the change in the PTR.
- Programmatic staffing that was implemented in FY09 is still included in the staffing of the FY15 preliminary budget.
- Supply and copy budgets have been adjusted based on student enrollment projections with a small amount of Instructional Supply Budgets reserved for staff development district-wide.
- Utility budgets have been reviewed based on historical data and adjusted for anticipated changes as needed.
- Budgets for property, liability and stop-loss insurance and worker's compensation costs, which are received as In-Kind Services from the Kenai Peninsula Borough, were budgeted at FY14 amounts.
- Fund transfers have been included for the Student Nutrition Program in the amount of \$800,000 and the Community Theater Program in the amount of \$25,000.

Use of Fund Balance and Other Considerations

The Alaska Retirement Management (ARM) Board approved changes to both TRS and PERS On-Behalf contribution rates. TRS rates increased from 41.06% to 58.19% and PERS rates increased from 13.68% to 22.03%. The total estimate for FY15 On-Behalf contributions is \$33,684,316, an increase of \$10,838,900 from FY14. As you are aware, both the Revenue and Expenditure budgets include this amount.

FY2015	Employer Rate		On-Behalf Rate (Relief Rate)		Actuarial Rate	Estimated On-Behalf Contribution
TRS	12.56%	+	58.19%	=	70.75%	\$29,622,936
PERS	22.00%	+	22.03%	=	44.03%	\$ 4,061,380

The governor's proposed budget for the upcoming fiscal year was released in December 2013 and included a \$3 billion payment against the unfunded liability in the retirement systems. He estimated that the unfunded liability is approximately \$12 billion and stated that this action would result "in lower fixed annual payments on the rest of the debt over time."

Estimated revenue from all sources for the FY15 Preliminary General Fund Budget totals \$154,456,357. Use of Fund Balance designated for Self Insurance in the amount of \$2,156,400 is also included in the preliminary budget, per previous discussion and planning with the board. Use of General Fund Balance in the amount of \$4,593,729 is currently shown in order to present a balanced budget. That use of fund balance will change, depending on board approval of additional expenditure reductions, additional revenue from the state or borough, or a combination of those options. The total of revenue and use of fund balance in the FY15 Preliminary General Fund Budget is \$161,206,486.

Expenditures in the FY15 Preliminary General Fund Budget total \$160,381,486. Additionally, there are transfers to other funds scheduled totaling \$825,000. The total of all expenditures and transfers for the FY15 Preliminary General Fund Budget is \$161,206,486.

Even with use of Fund Balance designated for Self Insurance, there is still a gap between revenues and expenditures in the amount of \$4,593,729. The possibility of increased funding at the state and/or local level, additional reductions to expenditures and additional use of fund balance are areas to consider in formulating a plan to balance the budget.

Budget Forums

Opportunities for review and discussion of the FY15 budget were held around the borough. Dates and information about the budget cycle that that has been / will be used in formulating the final FY15 budget are as follows:

November 12, 2013	Community Budget Development Committee Meeting
December 3, 2013	Joint Work Session – School Board and Borough Assembly
January 14, 2013	FY15 Preliminary General Fund Budget, Board Work Session
February 3, 2014	FY15 Detailed Preliminary Budget Information, Board Work Session
February 18, 2104	Public Budget Forum, Seward High Library, 5:30 pm
February 19, 2014	Public Budget Forum, Soldotna High Library, 5:30 pm
February 25, 2104	Public Budget Forum, Homer High Library, 5:30 pm
March 3, 2014	Presentation of FY15 Budget at School Board Meeting
April 14, 2014	Presentation of FY15 Budget for Approval at School Board Meeting
April 15, 2014	Final FY15 Budget to Borough Assembly

The preliminary FY 15 budget is posted at:

<http://www.kpbsd.k12.ak.us/Workarea/DownloadAsset.aspx?id=30082>

ADMINISTRATIVE RECOMMENDATION

Information is presented for information and discussion, approval of the FY15 Budget is requested.

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SCHOOL BOARD COMMUNICATION

Title:	FY15 Budget (ADDENDUM)		
Date:	April 11, 2014	Item Number:	Worksession and 10B.
Administrator:	Dave Jones, Assistant Superintendent		
Attachments:	FY15 Preliminary Budget Document		

Action Needed
 For Discussion
 Information
 Other: _____

BACKGROUND INFORMATION

Due to the changing fiscal picture at the state and local levels, District administration is recommending that the General Fund expenditures related to the Skyview pool be reinstated into the FY15 budget.

This reinstatement will necessitate an increase in the General Fund budget of \$180,000. For budget purposes, this increase to expenditures will be offset by a similar increase in the Use of Fund Balance.

Revenue Budget

The Preliminary General Fund revenue budget will increase by \$180,000, from \$161,206,486 to \$161,386,486, with budgeted revenue from all sources of \$154,456,357, use of Fund Balance reserved for Health Care in the amount of \$2,156,400 and use of General Fund Balance increased from \$4,593,729 to \$4,773,729.

Expenditure Budget

The Preliminary General Fund expenditure budget will increase by \$180,000, from \$161,206,486 to \$161,386,486.

Use of Fund Balance

Although this revision is achieved through increased use of Fund Balance, it is anticipated that increased funding at the state and local levels will greatly reduce the use of Unassigned Fund Balance in FY15. The final funding provided at the state and local levels will determine actual amount of Fund Balance usage.

FY15 General Fund Budget (REVISED)

FY15 Revenue Budget	\$ 154,456,357
Use of Fund Balance for Health Care	2,156,400
Estimated use of Unassigned Fund Balance	4,593,729
Total Revenue and Use of Fund Balance	161,206,486
 Recommended Revision 4-11-14	 180,000
 FY15 Revised General Fund Revenue and Use of Fund Balance	 \$ 161,386,486

FY15 Expenditure Budget	\$ 161,206,486
Recommended Revision 4-11-14	<u>180,000</u>
FY15 Revised General Fund Expenditures	<u>\$ 161,386,486</u>

ADMINISTRATIVE RECOMMENDATION

This information is presented for information and discussion, approval of the FY15 Budget is requested.