



KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Finance

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MEMORANDUM

TO: Board of Education

THROUGH: Dr. Donna Peterson, Superintendent

FROM: Melody Douglas, CFO

SUBJECT: FY08 Budget Revision – General Fund

BACKGROUND:

The FY08 preliminary budget was approved in April 2007, pending anticipated education funding increases by the Alaska Legislature. Education funding was addressed late in the session resulting in the allocation of 50% of the district cost factor (DCF) determined by ISER and an increase to the School Improvement Grant (SIG) awarded for FY07. The FY08 approved budget included \$2,892,450 of the total \$5,955,888 awarded for the DCF adjustment leaving \$3,063,438 for this budget revision. In addition, \$742,527 was included in the FY08 approved budget for School Improvement Grants. The amount allocated by the Legislature for SIGs was \$1,517,638, leaving \$775,111 for this budget revision.

RECOMMENDATION:

The administration recommends the Board of Education approve an increase of \$3,838,549 to revise the general fund budget from \$113,434,399 to \$117,272,948.

PERTINENT INFORMATION:

Staffing Formulas: This revision assumes reinstatement of staffing formulas to FY07 levels. This would result in the addition of 60 full time equivalency (FTE) teachers, equating to approximately \$4,891,440. Please note this amount reflects the full employer rate for TRS as determined by the Alaska Retirement Management Board. The increased TRS amount (54.03% – 12.56% = 41.47%) is expected to be paid by the State for FY08 on behalf of the District.

School Consolidation: There will be a total of 3.58 fewer FTE's resulting from moving Sears Elementary to Mt. View Elementary equating to \$224,049 reduced salaries and benefits. In addition, utility budgets will be reduced by \$67,272 making the total reduction to the expenditure budget \$291,321. Please note that utility costs associated with the

building being vacated will become the responsibility of Kaleidoscope Charter School. Further adjustments relative to the consolidation may be included in a later budget revision.

Peninsula Optional High School: Based on continued development of this program there is a need for three (3) certified FTE and a half support FTE for implementation. In addition, basic operating budgets are needed for supplies, postage, travel, etc. The total amount included in this budget revision is \$263,908.

Health Care Costs: In May, the Health Care Cost Committee increased health care contribution rates for FY08 by \$25 per employee, per month for the District and employees. The District’s contribution rate is increased from \$775 to \$800 per month per employee for an annual amount of \$9600. Employee contribution amounts will increase from \$75 to \$100 per month for an annual amount of \$1200. The amount needed for the District’s share (including reinstating the FY07 staffing formulas) of this adjustment is \$291,936.

The Collective Bargaining Agreements (CBA) include the clause “ In FY08 and FY09, 10% of any increase in total operating fund financial support from the State of Alaska will be used to reduce total health care expenses.” The estimated amount for this budget adjustment is \$899,566 (\$5,258,894 (TRS adjustment) + \$758,819 (SIG) + \$2,977,944 (DCF increase) = \$8,995,657 x 10% = \$899,566). The final amount will be determined when FY08 final OASIS information is received from the Department of Education and Early Development.

In Kind Adjustment: The District has received updated in-kind budget amounts from the Kenai Peninsula Borough for FY08 through Ordinance 2007-19. The adjustments are as follows:

	<u>Approved Budget</u>	<u>Revised Budget</u>	<u>Change</u>
Maintenance	\$5,684,563	\$5,936,415	\$251,852
Utilities	55,430	63,745	8,315
Workers Comp Ins	861,750	889,163	27,413
Property and Liability Ins	1,551,518	1,130,352	(421,166)
Audit	26,500	27,500	1,000
Custodial	<u>101,874</u>	<u>106,765</u>	<u>4,891</u>
	<u>\$8,281,635</u>	<u>\$8,153,940</u>	<u>(\$127,695)</u>

Utilities – As you know HEA increased electricity rates by approximately 6% effective May 2007 and gasoline prices have jumped again recently which will affect all utility accounts. A 10% increase in utility budgets is recommended excluding charter school budgets.

	FY08 <u>Budget</u>
Water & Sewer	\$216,857
Garbage	153,464
Electricity	3,187,543
Natural Gas	966,605
Fuel	<u>914,666</u>
	<u>\$5,439,135</u> x 10% = \$543,914

Substitute costs: Certified substitute salary costs have been running approximately \$700,000 the last couple of years. This budget category is budgeted at a total of \$618,239 (\$400,485 for substitutes with certificates + \$217,754 for substitutes without certificates) for FY08. It is recommended that an additional \$100,000 be allocated to this budget category.

Retirement and Transfer of Funds: The State is expected to make payments on behalf of the District into the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS). There may be future adjustments to both the revenue and expenditure budgets pending updated information from the State of Alaska Division of Retirement and Benefits.

Legislative relief for TRS totaled \$5,258,894 of which \$5,146,549 is for the general fund. The remaining \$112,345 is to be used to address increased TRS costs for grant funds. It is recommended these funds be processed as a transfer of funds from the general fund to pertinent grant funds.

Contingency: The balance of \$2,231,005, representing approximately 2% of the general fund budget, is recommended to be placed in a contingency account to be used by a Board approved budget transfer for future needs, such as a utility budget increase, unexpected health care or workers compensation cost increases, or other unanticipated costs. Should utilization of these funds not be necessary during FY08, they will become part of fund balance at the end of this fiscal year to be used for future year's needs.

School Improvement Grant: Charter schools will receive increased funding for the Supplemental School Improvement Grant funding awarded by the Legislature for FY08 based on projected enrollment. It is recommended these allocations be processed as a budget transfer from the contingency budget.

FY08 GENERAL FUND BUDGET REVISION SUMMARY:

General Fund Revenue Budget

Approved Revised FY08 Budget	<u>\$113,434,399</u>
Increased State Revenue – District Cost Factor	3,063,438
Increased State Revenue- School Improvement Grant	<u>775,111</u>
Total Increased Revenue	<u>3,838,549</u>
Revised FY08 Revenue Budget	<u>\$117,272,948</u>

General Fund Expenditure Budget

Approved FY08 Budget	<u>\$113,434,399</u>
Reinstate Staffing Formulas	4,891,440
School Consolidation	(291,321)
Peninsula Optional High School	263,908
Increased Health Care Costs	291,936
CBA ‘Juneau Clause’	899,566
Adjust In-Kind Budgets	(127,695)
Utility Budget Increases	543,914
Increase allocation for certified substitutes	100,000
Reduced TRS - to be paid by the State	(5,146,549)
Transfer of Funds – TRS to Grants	112,345
Contingency	<u>2,231,005</u>
Total Increased Expenditures	<u>3,838,549</u>
Revised FY08 Expenditure Budget	<u>\$117,272,948</u>