



KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Finance

Melody Douglas, Chief Financial Officer
148 North Binkley Street Soldotna, Alaska 99669-7553
Phone (907) 714-8888 Fax (907) 262-5867
Email mdouglas@kpbsd.k12.ak.us

December 17, 2007

MEMORANDUM

TO: Board of Education

THROUGH: Dr. Donna Peterson, Superintendent *Donna Peterson*

FROM: Melody Douglas, CFO *M Douglas*

SUBJECT: FY08 Budget Revision – General Fund

PURPOSE:

The District annually reviews and revises the general fund budget to reflect the salary and benefit account changes for employees hired for the current school year. It is important to make the changes resulting from these and other adjustments at this time so that comparison of the current year budget to the FY09 preliminary budget is relevant. Detailed information regarding the changes, as well as a summary of changes, is provided in this memo.

RECOMMENDATION:

The administration recommends the Board of Education approve changes to the FY08 general fund expenditure budget as outlined below.

PERTINENT INFORMATION:

Staff Costs

The annual budget adjustment to reflect the salaries and benefits of those actually hired for FY08 has been completed. The net difference of these adjustments represents an approximate .5% budget reduction of \$628,233 from the original budget. Basically, we hired staff on the lower end of the salary schedules from those leaving the District. Health care costs and substitute salary budgets have also been adjusted to account for increases.

Connections Program

The Connections Program realized an approximate 11% increase over the enrollment projection. The FY08 preliminary budget was developed on a Connections enrollment projection of 857 compared to 947 included in the District's OASIS report. It is necessary

to increase the supply and repair allocations for a total of \$136,000 to address this 90 student increase in enrollment.

Mandated Medicaid Payments

The District's independent auditor reviewed the accounting for all Medicaid transactions and recommended that the allowance amount, that is required to be paid to the State of Alaska per the Medicaid contract, be included in the expenditure budget. The accounting for these transactions has been correct; we just need to budget for the \$125,000 expenditure in the FY08 budget.

Transfer of Funds for Pupil Transportation

Two additional special education bus routes were added because of increased load counts and time on-road. In addition to transporting special education students to and from school, the buses are used to transport students across attendance boundaries for the students in the transition program, work release program, workforce development program, special education community activities programs, and OCS placements. Enrollment in general may be decreasing, but the number of students requiring either temporary or long-term assistance with transport is increasing, as is the number of miles traveled to accommodate these needs. An increase in the transfer to the pupil transportation fund from the general fund in the amount of \$176,705 is included in this budget recommendation.

Contingency

The remaining balance of \$190,528, representing approximately .16% of the general fund budget, is recommended to be placed in the contingency account to possibly be used by a Board approved budget transfer for future needs. Such needs would include 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 in the future.

FY08 GENERAL FUND EXPENDITURE BUDGET REVISION SUMMARY:

Approved FY08 Budget	<u>\$117,272,948</u>
Annual salary and benefit adjustment	(628,233)
Connections Program increase due to additional enrollment	136,000
Mandated Medicaid payments	125,000
Increase transfer of funds for two additional special services bus routes	176,705
Contingency	<u>190,528</u>
Total Increased Expenditures	<u>-0-</u>
Revised FY08 Expenditure Budget	<u>\$117,272,948</u>

SUPPLEMENTAL INFORMATION

Enrollment

The mid-year budget revision generally incorporates preliminary Department of Education and Early Development OASIS information. This year, the net change in revenue resulting from the preliminary OASIS (20 day count period) process is minor, therefore, the revenue budget will be revised when the final OASIS information is received.

Please be aware that the District exceeded the FY08 enrollment projection of 9,167 by 86 students for a total preliminary enrollment of 9,253. Although enrollment changes occurred at most schools, the most significant change in enrollment was in the Connections program with an increase of 90 students. Connections students are factored into the funding formula at 80% of a full time student enrolled in a traditional school.

However, this enrollment increase will not result in additional revenue due primarily to Hope School losing separate school status by dropping below the ten (10) student minimum mandated by State Statute. This change alone represents a loss of about \$275,000 in revenue.

On-behalf PERS and TRS Retirement System Payments

The District has not received direction about how to account for the legislatively awarded 'on-behalf' payments to address some of the PERS and TRS unfunded liability. A communication from the Department of Education and Early Development is expected in the near future with the information about how to account for these payments. Any necessary budget adjustments to address this situation should occur in the next FY08 budget revision.