



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 budget was revised in December 2007 to accommodate the annual salary and benefit updates in preparation for the FY09 preliminary budget process. This budget revision takes into account the District's final OASIS enrollment of 9,249.70 average daily membership (ADM) received from the Department of Education and Early Development (EED) in March, and energy funding allocated by the Alaska legislature at the end of the legislative session.

RECOMMENDATION:

The administration recommends the Board of Education approve an increase of \$5,284,929 to revise the general fund budget from \$117,272,948 to \$122,557,877. In addition, Special Revenue funds have increased \$1,415,231 from \$17,702,020 to \$19,117,251. The total School District FY08 Revised Budget is \$141,675,128.

PERTINENT INFORMATION:

Revenue Budget Adjustments:

Foundation Funding Formula: The final OASIS enrollment for FY08 is up 82.70 FTE from the enrollment projection; most of this enrollment resulted from increased Connections enrollment. The FY08 loss of revenue due to Hope School's enrollment falling below 10 students is approximately \$275,000. The net of increased enrollment and loss of Hope's separate school status is a reduction of \$47,613 in foundation revenue, \$141 in Quality School funding, and \$10,951 in local effort for a total reduction of \$58,705.

Supplemental State Funding: At the end of legislative session, SB 221 included one-time funding for school district energy costs in the amount of \$1,394,329, which is based on the District's FY08 adjusted average daily membership of 13,943.29 x \$100 per ADM.

On-Behalf PERS/TRS Payments: The State will be making payments on behalf of the District into the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS). Information received from EED for FY08 indicates the TRS amount to be \$17,195,551. The PERS amount is estimated to be \$1,716,218 for FY08; this number will change once actual information for March through June is received. The FY08 total for on-behalf PERS and TRS payments is \$18,911,769. The Revenue budget increase for this on-behalf funding is \$5,293,909 (\$18,911,769 - \$13,617,860).

Interest Earnings: Interest rates are extremely favorable; however, this situation is being exacerbated through the Kenai Peninsula Borough's implementation of GASB 31 which requires unrealized investment losses and gains to be recorded annually. The unrealized gain for FY08 is estimated at \$750,000. Please note that FY09 and FY10 will likely have unrealized losses based on current information.

Fund Balance Allocation: Since other funding has been realized, it is prudent to remove the allocation of fund balance from the FY08 revenue budget. These funds will be available for future needs as determined by the annual budget process.

Expenditure Budget Adjustments

On-Behalf PERS/TRS Payments: The expenditure budget needs to be adjusted to reflect the increased costs associated with the payments made on-behalf of the District per SB 125 which is a cost-sharing program that lowers the employer PERS rate to 22% and TRS rate to 12.56%. This adjustment of \$5,293,909 matches the associated revenue amount noted above.

Health Care Costs: In March, the Health Care Cost Committee increased health care contribution rates for FY08 by \$15 per employee per month for both the District and employees. The District's contribution rate is increased from \$800 to \$815, per month per employee for an annual employer amount of \$9,780. Employee contribution amounts will increase from \$150 to \$165 per month, for an annual amount of \$1,980. The total FY08 cost of health care per employee per month is \$11,760. The amount needed for the District's share of this adjustment is \$173,300.

Read 180 Materials: Additional FY09 staffing was approved to expand this program. The materials need to be purchased to offer this program at the locations added for next year. The one-time cost is estimated to be \$110,000.

Interventionist Materials: Additional FY09 staffing was approved to implement K-8 interventionists. The materials need to be purchased for this program at locations added for next year. The one-time cost is estimated to be \$95,000.

Head Sprout Program and Materials: This robust software provides a targeted reading program for K-1 students. It provides for a structured school learning environment in addition to supplemental learning at home. This pilot program for distribution to parents of incoming kindergartners will cost \$55,000.

Wellness Program: This program implemented in January, 2008 includes a District website with various health related education and promotions to encourage employee participation. Reduced health care costs and reduced employee absenteeism are expected to result from implementation of a wellness program. Expansion of this program will be discussed through the collective bargaining process. Estimated FY08 year-to-date costs are expected to be \$25,000. The costs of this program will also need to be included in the FY09 budget.

Background Checks: Prudent risk management requires the District to perform background checks on all new hires. The estimated cost for FY08 is \$10,000. The cost of background checks must also be added to the FY09 budget.

Contract Services for Energy Consultant: Targeted review of District utility costs is in place as a cost containment measure. A school incentive program was launched district-wide last fall; the results of that program are expected this fall. This cost is estimated at \$50,000 for FY08 which represents approximately 1% of the District's FY08 utility budget. It is expected that, once operational, this expense will be offset by savings in energy costs.

Trial National School Board Association Affiliate Membership: The Board of Education approved a trial one-year NSBA membership at the April 14, 2008 meeting; estimated cost is \$3,315.

KPESA Work Study Contract: The last time job classifications were evaluated by an independent party was in 1985 by Donworth, Taylor, Inc. The validity of this study, given the myriad of changes in work environments and responsibilities, is routinely called into question. A request for proposal needs to be developed for consulting services; estimated cost for such services is \$100,000. Potential implementation costs will need to be addressed once consultant recommendations are received by the District.

Charter School Adjustments: Charter school budgets need to be adjusted per the final OASIS enrollment. In addition, the energy funding allocated to the District for FY08 was awarded on the adjusted ADM, therefore, a proportional amount is included for charter school adjusted ADM. The net changes to charter school budgets is \$526,617.

| | FY08 Original Budget | FY08 Revised Budget | Change |
|------------------------------------|----------------------------|---------------------------|----------------|
| Aurora Borealis Charter School | \$1,619,259 | \$1,804,141 | \$184,882 |
| Fireweed Charter School | 597,983 | 585,572 | -12,411 |
| Kaleidoscope Charter School | 1,737,192 | 1,931,491 | 194,299 |
| Soldotna Montessori Charter School | 1,490,522 | 1,650,369 | <u>159,847</u> |
| | | | <u>526,617</u> |

Contingency: The current FY08 budget includes \$1,859,494 allocated for contingencies. This budget revision allocates \$1,157,212 of the contingency amount, leaving \$702,282 to be used for future District needs.

FY08 GENERAL FUND BUDGET REVISION SUMMARY:

Revenue

| | |
|------------------------------------|----------------------|
| Revised FY08 Budget | <u>\$117,272,948</u> |
| State – Final OASIS | -47,613 |
| State – Quality Schools | -141 |
| State – Energy Assistance | 1,394,329 |
| State – PERS/TRS On-Behalf Payment | 5,293,909 |
| Local Effort | -10,951 |
| Interest Earnings | 750,000 |
| Allocation of Fund Balance | <u>-2,094,604</u> |
| Revenue Adjustment | 5,284,929 |
| Revised FY08 Revenue | <u>\$122,557,877</u> |

Expenditure

| | |
|--|----------------------|
| PERS/TRS On-Behalf Payment | 5,293,909 |
| Read 180 Materials | 110,000 |
| Interventionist Materials | 95,000 |
| Head Sprout Software and Materials | 55,000 |
| Health Care Adjustment – Co-Pay Increase | 173,300 |
| Energy Management Contract | 50,000 |
| Reclassification Work Study Contract | 100,000 |
| Wellness Plan Contract | 25,000 |
| Background Check Contract | 10,000 |
| NSBA Trial Membership | 3,315 |
| Charter School Adjustments | 526,617 |
| Contingency Reduction | <u>-1,157,212</u> |
| Expenditure Adjustment | 5,284,929 |
| Revised FY08 Expenditures | <u>\$122,557,877</u> |