



KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Finance

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MEMORANDUM

TO: Board of Education
THROUGH: Dr. Steve Atwater, Superintendent
FROM: Melody Douglas, CFO
SUBJECT: FY10 Budget Revision – General Fund

PURPOSE:

The approved FY10 budget reflects the preliminary budget presented to the Board in February of this year. This revision is presented to request approval of a revised general fund budget plan as detailed below.

RECOMMENDATION:

The administration recommends the Board of Education approve changes to the FY10 general fund revenue and expenditure budgets to reflect a revised FY10 general fund amount of \$125,306,531.

PERTINENT INFORMATION – GENERAL FUND:

Revenue Budget

Local Effort

Generally, KPB does not have their budget work completed when the District develops our preliminary budget for the subsequent year. Consequently, it is necessary to adjust the District budget based on the amounts noted in the FY10 funding ordinance approved by the Assembly. KPB Ordinance 2009-19 includes information that reflects a shift of funds from local effort to in-kind services in the amount of \$1,016,094. See Expenditure section for more details.

On-behalf Retirement Adjustment

The on-behalf revenue amount was inadvertently rolled forward in the preliminary budget from FY09 to FY10 without being adjusted. The FY10 on-behalf revenue budget is overstated by a total of \$1,712,547; \$891,862 for TRS and \$820,685 for

PERS. It may be necessary to adjust the on-behalf budgets later in FY10, based on actual salary information.

Fund Balance

Use of fund balance for on-going operations is not a recommended practice. The best use of fund balance is for one-time funding needs, because these expenditures don't require on-going financial support. However, planned use of fund balance has been discussed throughout numerous Interest Based Bargaining (IBB) and budget meetings. An additional allocation of \$3,279,176 is needed to balance the FY10 budget as presented. This brings the total fund balance allocation to \$4,524,843 reflecting 3.6% of the budget.

Expenditure Budget

Estimated costs associated with IBB tentative agreements

Interest based bargaining (IBB) has occurred with KPEA and KPESA for most articles in the contracts, including those involving costs. Expectations are high that IBB will be concluded soon. The total estimated amount for tentatively agreed to articles is \$2,379,694 reflecting salary adjustments, related benefits, and increased health care costs.

In-Kind Budget Adjustment

Annual in-kind budget adjustment per KPB Ordinance 2009-19 to reflect the following changes:

	FY10 Original Budget	FY10 Revised Budget	Difference
Local Effort	\$34,829,436	\$33,813,342	\$(1,016,094)
Maintenance	5,936,415	6,344,440	408,025
Utilities	63,745	76,494	12,749
Insurance	2,019,515	2,599,006	579,491
Audit	27,500	42,000	14,500
Custodial	106,765	108,094	1,329
	\$8,153,940	\$9,170,034	\$1,016,094
	\$42,983,376	\$42,983,376	-0-

Elementary Assistant Principals

There are two elementary schools with one building administrator housing over 400 students: Mt. View and K-Beach. With the increasing responsibilities of building administrators, it is becoming more challenging for elementary school principals to maintain and sustain school/district initiatives. By hiring full time assistant principals for these schools, building principals will be able to better meet the needs of the students. These assistant principals will assist with staff evaluations, assessment coordination, student discipline, and safety. Elementary assistant

principal positions will also allow for individuals aspiring to become elementary principals an opportunity to gain and practice skills necessary to be successful. Estimated cost for two full time equivalence (FTE) staff members is \$215,108.

Nursing Staff Allocation Increase

In recent years, the number of students with significant health needs has risen. Students at sixteen sites are in need of specialized care only available through a nurse. Nursing hours at each school are determined by the medical needs in the building. In order to provide this specialized care, available nursing time at other buildings has been reduced. This requires delegation of duties, such as administering medication and basic first aid, to other staff. In order to provide a higher level of health service to our students and relieve other employees of nursing duties, an increase of 4.5 FTE is requested at an estimated cost of \$344,105. This additional staff would be distributed among schools to increase existing hours. The proposed formula would provide full time nursing for any school over 200 students. Schools with under 200 students would be combined with other small schools based upon a formula. Also included with this plan is a floating FTE to cover for nurses on leave or absent. Meeting the needs of medically fragile students has required full-time nursing staff at some schools, regardless of staffing authorized by formula.

School Activities Safety Equipment

It has come to the administration's attention that the reconditioning and/or replacement of contact sport equipment (examples: football and hockey helmets) and other safety equipment is not being done as often as recommended due to the limited availability of funds. These costs have been borne by the pupil activity fund and/or booster clubs through fund-raising and student fees. Board Policy seeks to ensure student safety; the use of improper or unsafe equipment significantly increases risk of student injury. It is recommended that funds be allocated to support replacement of upgraded equipment and to provide for reconditioning as appropriate. The estimated amount for this budget category is \$75,000.

Funds to Furnish Teacher Housing Units

Generally, every year there is a need to replace furniture and/or appliances at various teacher housing units. Funding these items has occurred through transfers from a variety of sources. This inefficient process creates a purchasing challenge for replacing items in a timely manner. It is recommended that a \$20,000 annual budget allocation be established to accommodate these purchases. In addition, for FY10 only, it is recommended that \$15,000 be budgeted to furnish the new duplex (\$7,500 for each unit) available this fall for teacher housing in Nanwalek.

On-behalf Retirement Adjustment

The on-behalf expenditure amount was calculated incorrectly in the FY10 preliminary budget. The expenditure budget needs to be reduced a total of \$708,272; \$711,964 reduction for PERS and \$3,692 increase for TRS. The on-behalf budgets are estimated at this time. It may be necessary to adjust these budgets later in the year, based on actual transactions.

Utility and Telephone Budget Adjustment

Implementation of the District energy conservation program and installation of the IP phone system have resulted in cost savings. Approximately 75% of the amount budgeted in these categories was expended in FY09. It is recommended that utility and telephone budgets be reduced 10% at this time with continued monitoring throughout FY10 for adjustment as appropriate.

FY10 GENERAL FUND BUDGET REVISION SUMMARY:

Revenue Budget

Approved FY10 Revenue Budget	<u>\$123,739,902</u>
Decreased Local Effort	(\$1,016,094)
Increased In-Kind	\$1,016,094
Adjustment of On-Behalf - PERS	(820,685)
Adjustment of On-Behalf – TRS	(891,862)
Allocation of Fund Balance	<u>3,279,176</u>
Net Change in Revenue	<u>1,566,629</u>
Revised FY10 Revenue Budget	<u>\$125,306,531</u>

Expenditure Budget

Approved FY10 Expenditure Budget	<u>\$123,739,902</u>
Estimated IBB costs	2,379,694
Elementary assistant principals – 2 FTE	215,108
Nursing staff increases – 4.5 FTE	344,105
Safety Equipment for School Activity Programs	75,000
Establish a budget for replacement furniture and appliances for remote site teacher housing	20,000
Establish a budget to purchase furniture for two new Nanwalek teacher housing units	15,000
Adjustment of On-behalf – TRS	3,692
Adjustment of On-behalf – PERS	(711,964)
Reduce utility and telephone	<u>(774,006)</u>
Net Change in Expenditures	<u>1,566,629</u>
Revised FY10 Expenditure Budget	<u>\$125,306,531</u>

OTHER INFORMATION

It will be necessary to eventually seek Assembly approval of the District's increased budget per AS 14.14.060. That action is planned after the general fund budget is revised to reflect actual enrollment (after completion of the October 20 day count period) and after special revenue funds are adjusted to reflect receipt of American Recovery and Reinvestment Act of 2009 (ARRA) funds.