



HOOD RIVER COUNTY
SCHOOL DISTRICT

Finance Advisory and Bond Oversight Committee

February 16, 2017, 4:00-5:30 p.m.

Coe Building Conference Room 3, 1011 Eugene St., Hood River, OR

Finance Advisory Committee Members

Dan Goldman, Superintendent	Sheri Holloway, OSEA
Saundra Buchanan, Chief Financial Officer	Mikka Irusta, HREA
Kelly Beard, Principal, May Street ES	Rich Polkinghorn, Principal HRVHS
Liz Whitmore, Community Member	Dr. David Russo, Board Member
Patricia Ortega-Cooper, Vice Principal, Wy'east MS	Heather Staten, Community Member
Julia Garcia-Ramirez, Board Member	Rich Truax, Community Member
Chrissy Reitz, Board Member	
Dale Kuykendall and Dave Fishel with the Wenaha Group	

Start Time: 4:07pm End Time: 5:50pm

Present: Dan Goldman, Saundra Buchanan, Kelly Beard, Sheri Holloway, Rich Polkinghorn
Liz Whitmore, Rich Truax, Dale Kuykendall, and Auditor Tara Kamp.

Absent: Julia Garcia-Ramirez, Patricia Ortega-Cooper, Mikka Irusta, Heather Staten, and David Russo, Chrissy Reitz.

Reports & Discussions

- a. Report on Audit for the year ended June 30, 2016 (Tara Kamp, Pauly Rogers and Co., P.C.) Link to report at: <http://www.hoodriver.k12.or.us/domain/998>
[Attachment: Communication to the Governing Body for the year ended June 30, 2016](#)
- b. [Financial Report](#)
- c. Update on the capital projects and improvements program (Dale Kuykendall, Wenaha Group)

Bond Projects Report
February 16, 2017

Prepared by Dale Kuykendall, Wenaha Group

This past month has seen solid progress on May Street, Hood River Middle School and Wy'east Middle School. It has also seen continued weather impacts, as the snow-covered site at May Street has prevented adequate survey work, and the closures of I-84 delayed some trips by designers and consultants. The District undertook a thorough review of all buildings and consulted with architects and engineers to determine allowable snow loads, and it was determined that things were satisfactory from a structural perspective at that time. However, there was damage to roofs, conduits, pipes, gutters and interior finishes. These items were documented as part of a possible reimbursement package in coordination with the County. The District's identified expenses, including overtime and outsourced snow removal services, was about \$85,000. There are additional expenses that occurred after this survey that have not yet been quantified.

The Design Development package for Wy'east Middle School is complete, and estimates are being updated to reflect the changes since the last pass. PBS Environmental has performed a building survey to determine the extent of materials requiring abatement during the construction process, such as asbestos or lead. The design team and Wenaha met with the County in preparation for submitting the Conditional Use Permit. We learned that typically a 4 to 6-month timeframe is involved for this permit, which is required for the STEM addition to the building. The County understands our need to start construction when school is out, and we will work with them as possible to accomplish this. Dan Goldman and Dale Kuykendall met with the Hood River County Fair Board to review impacts of construction on the annual County Fair in late July. They will lose a fair amount of their usual parking, and pedestrian access will need to be carefully controlled. There was some discussion of utilizing the District's nearby bus facility as parking, and providing bus service (at Fair expense). Construction is scheduled to start this summer, with renovations and parking to complete for the start of school. The new STEM addition will complete early in 2018.

Similarly, Design Development for the Hood River Middle School is complete, and estimates are being updated over the next two weeks. Some additional work was identified due to the snow loads, particularly on the canopy that connects the old building to the newer additions to the west. Leaks have shown up, causing considerable damage to the gypsum-based soffits below. Design work is underway to address this with the summer work. An early bid package is being prepared to acquire long-lead mechanical equipment, with work scheduled to start in May. Completion will likely linger into the school year, but there is no plan to interrupt the school calendar.

The May Street Elementary School replacement project is currently in the Schematic Design Phase. Floor plans are becoming more real and the Site Team and Focus Groups continue to engage. A meeting with the adjacent neighbors occurred last evening with about 10 attendees plus the District, Opsis and Wenaha. Concerns about traffic, light pollution, façade and rooflines were the primary messages. There was appreciation shown for the District and Design Team considering the desire for a “neighborhood-friendly” school, with decent setbacks from the property lines and the area-appropriate design seen so far. An Open House for the broader community, parents and kids is scheduled for February 28 at 5pm. Additional neighborhood meetings will occur to keep people informed, and as mandated by the City’s planning/permitting process.

Of note, the extreme weather has continued to delay the on-ground survey work, but the team is trying to work around those constraints. At this point, the rain is helping to clear the snow. Overall, the May Street design process is progressing well, with construction documents (CD’s) scheduled to complete near the end of 2017. Construction start is scheduled for February of 2018 with occupancy at the start of school Fall 2019.

Smaller Projects

There are several smaller projects underway or will start soon. The High School Metal Building (for equipment and fuel storage) with a contract issued to Simurdak Construction, is scheduled to complete this summer. The High School Child Care Center Egress Door mandated by the County/State, (Hale Construction) is 90% complete (weather delays) and should complete this month.

Other projects are coming to the forefront. A conceptual plan for the Parkdale Playground was presented yesterday. There will be a lot of stakeholder and community involvement, and this plan will evolve significantly. The work at Cascade Locks, such as new playground equipment, safety fencing, music room restoration and gutter/soffit work, is being designed with construction scheduled for this summer. At Westside Elementary, two projects are in early design. Field netting to prevent lacrosse balls from hitting houses, and the girls’ softball batting cage, both targeted for Summer of 2017 or sooner.

An overall bond report is intended for the next meeting of this committee, incorporating updated estimates for the first three larger projects.

The financial report, Summary of Revenue and Expenditures as of January 31, 2017, is organized by fund and function with budget variances for the fiscal year to date 2016-17 and includes audited ending fund balances from 2015-16. The 2016-17 Adopted column shows the budget adopted by the Board. The 2016-17 Budget column shows the current budget as amended. Encumbrances and actuals follow in the next two columns with variances and percent of budget.

General Fund. Pages 1-4 of the Summary of Revenue and Expenditures as of January 31, 2017 provide year-to-date General Fund financial data in a similar format as the budget document.

The first report view on pages 1-2:

- summarizes General Fund operating revenues and groups revenue into State School Fund Formula Resources, Local Option Revenues, Education Service District Revenues and other local, state and federal revenues;
- summarizes expenditures or operating requirements by function category;
- includes a section of other financing sources and uses; and
- shows a net change in fund balance, beginning and ending fund balance.

The next report view on pages 3-4 provides expenditures by object classification.

General Fund Summary

Total Operating Revenue. For 16-17, total operating revenue is \$27,683,774 as of January 31, as shown on page 1. Education service district revenue will be reported in February for receipts received in February.

Total General Fund Operating Requirements. The total operating requirements budget shown on page 2 is \$43,357,773. Current encumbrances are \$19,550,703 and year-to-date expenditures are \$18,917,746. We have encumbered or spent 89% of the budget. This is normal for this time of the year.

Of the current variance, instruction has encumbered or expensed 95% of the budget. Support services expenditures has encumbered or expensed 81% of the budget. Debt service has expensed 9% of the budget. The contingency budget balance is \$350,005 as of this report. After the supplemental budget approved by the Board in February, the contingency balance is \$202,240. Encumbrances and expenditures to date by object classification are shown on pages 3 – 4. The supplemental budget adjustments approved by the Board in February will be reflected in the February report.

General Fund Balance. The District began the year with \$5,946,367 in beginning fund balance with an unappropriated ending fund balance of \$5,473,139. Per current budget estimates, we project ending fund balance to be \$5.4 m to begin the 2017-18 fiscal year.

Current and Future Outlook. As we look forward to the 2017-19 biennium, PERS rates will rise significantly. The PERS Board recently adopted employer contribution rates for the 2017-19 biennium that will increase the District's rates as shown in the following table.

	2015-17 Rate	2017-19 Rate	Change in Rate	% Change	Est. cost per year based on current subject salary
PERS Tier 1/2	11.26%	16.03%	4.77%	42.4%	\$602,266
PERS OPSRP	6.57%	10.70%	4.13%	62.9%	\$441,835
					\$1,044,101

The estimated total cost of the increases to the District's PERS employer contribution rates in the 2017-19 biennium is \$2.09 million based on the current subject salary for each tier. Districts have been advised to expect similar increases in future biennia. Planning for these increases will take significant resources. For the 2019-21 biennium, the expected increase would cost \$4.18 million based on the current subject salary for each tier. Without new resources, the District will need to have \$6.27 million in reserve for this cost factor alone. These estimates do not include increased PERS contributions for any future salary increases. The School Board will need to consider increasing the Biennial Reserve Fund to address these costs.

Other impacts we must plan for include effects of the Affordable Care Act, which will continue to increase the District's employee benefit costs through increasing premiums and ACA compliance.

In 2016-17, current student enrollment has required more resources than originally budgeted to address staffing for student success and was funded through contingency transfers.

The level of Oregon funding of the State School Fund for the current biennium is inadequate in comparison with other states as discussed in the District's current Budget Message. District enrollment and the level of state appropriations for K-12 are the most significant factors in the amount of SSF revenue received by the District. Carve-outs or dedicated funding and legislative mandates all produce financial impacts to the local budget and school programs, favorable only if funded; or unfavorable if not funded or underfunded (such as the full day kindergarten).

The administration is in the process of developing the draft budget for 2017-18 per our approved budget calendar. The challenge is building a sustainable budget with the Governor's 2017-19 proposed budget and Co-Chari's 2017-19 budget framework both falling short of funding for current service level for state school funding of K-12.

Other Funds. All other funds are shown beginning on pages 5 through 20. Grant Funds 220-299 and the Capital Construction Funds 400-404 are grouped and summarized for this report. The 2016-17 beginning fund balances reflect the prior year unaudited ending fund balances.

Fund 200 Food Service – The Nutrition Services beginning fund balance of \$432,948 is less than originally estimated and budget appropriations will be reduced through a supplemental budget approved in February. The program director is working on ways to increase meals to students and to identify program improvements.

Fund 204 Student Body Funds – Student Body activity is recorded at year-end, with revenue and expenditures pending. The beginning fund balance of \$579,166 is the total available in all student body funds. For the prior year, 2015-16, revenue totaled \$1,025,776 and expenditures were \$1,021,014.

Fund 205 Community Education – The community education program activity reflects a beginning fund balance of \$122,373, YTD revenue of \$391,756, expenses of \$421,361, with a current fund balance of \$35,856. New program activity is expected to start soon with the support from the Four Rivers Early Learning Hub to provide Cascade Locks pre-school services.

Fund 207 Biennial Reserve Fund – The beginning fund balance is from the District's transfer of \$1,752,011 to establish the fund to set aside funds for state school fund distribution in the second year of the biennium and to set aside funds for upcoming PERS rate increases, as approved by the Board.

Fund 210 Unemployment Reserve – The Unemployment Reserve Fund beginning fund balance of \$193,284 and General Fund interfund transfers of \$95,000 provides resources to pay for expenditure activity of the District's Local Government Benefit Trust Fund and the quarterly unemployment premiums.

Fund 212 Bus Replacement Fund – The Bus Replacement Fund accounts for the budgeted transfer of \$150,000 for bus depreciation, beginning fund balance of \$67,923 and expenditures of \$120,945 for school bus purchases with a projected ending fund balance of \$96,978 to carry forward to 2017-18 for future bus purchases. The District was able to make school bus emissions repairs to eight buses by the December 31 deadline to be in compliance with current regulations.

Funds 220-299 Grant Funds – Grant Funds year-to-date revenue and expenditure activity is shown and within budget appropriations.

Fund 300 Debt Service – The Debt Service Fund beginning fund balance for 16-17 is \$376,739. Property tax revenues are budgeted to be \$3.8m. Beginning fund balance and property tax revenue are both used to offset property tax levies. Budgeted expenditures of \$4,079,479 include the semi-annual interest payments of general obligation bonds and the annual principal payments in June. A supplemental budget was approved in February to recognize differences in the amount of the actual debt service payments and the results of the bond refunding.

Funds 4XX Capital Construction Funds – The summary of all capital construction funds shows a beginning fund balance of \$2,010,826, of which \$271,440 is designated for energy projects as approved by the Oregon Department of Energy with the remainder available for ongoing or future capital improvements. The following capital projects funds are included in this report on pages 15-20.

- Fund 400 Capital Construction Bond Fund resources include the proceeds of the 2016 G.O. Bonds and investment earnings.
- Fund 401 Construction Excise Tax Fund resources include receipts to date of \$88,865 and a beginning fund balance of \$1,003,819 to provide funds for future development. Resources are dependent on the amount school construction excise tax received by the District and will vary depending on the level of construction activity within the county.
- Fund 402 Energy Projects Fund accounts for the District's SB 1149 resources and expenditures through October 31, 2016 with an account balance of \$293,836. We are working with Oregon Department of Energy regarding future qualifying energy projects.
- Fund 403 Property Fund is budgeted to provide resources to cover the future construction costs of the District's requirement to provide the street extension to the District's undeveloped property estimated to be \$367,784 from the current beginning fund balance of \$735,568.
- Fund 404 Seismic Projects Fund is budgeted in 16-17 to account for the state seismic projects grant.
- Fund 405 will account for the State OSCIM Matching Grant award of \$4,499,478.

Summary of Inter-fund Transfers – A summary of inter-fund transfers is shown on page 21. Transfers for the year include the budgeted transfer from General Fund to the Bus Replacement Fund in the amount of \$150,000; and the budgeted transfer to the Unemployment Fund in the amount of \$95,000.