



Finance Advisory and Bond Oversight Committee

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

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

Start Time: 4:05pm End Time: 5:30pm

Present: Dan Goldman, Sandra Buchanan, Julia Garcia-Ramirez, Mikka Irusta, Patricia Ortega-Cooper, Rich Polkinghorn, Chrissy Reitz, Heather Staten, Rich Truax, Dale Kuykendall, and Dave Fishel.

Absent: Kelly Beard, Sheri Holloway, Liz Whitmore, Michael McElwee

Date: March 16, 2017

To: Finance Advisory Committee

From: Sandra Buchanan, Chief Financial Officer

Re: Financial Report as of March 14, 2017

The financial report, Summary of Revenue and Expenditures as of March 14, 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 March 14, 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 \$33,215,477 as of March 14, as shown on page 1. To date, one of two Common School Fund revenue payments have been received. The Local Option Equalization revenue from the State is generally received in April. ESD revenues received to date are for pass through funds to the District. The other State revenue variance is from the pending receipt of contract reimbursements for the long term care and treatment contract.

Total General Fund Operating Requirements. The total operating requirements budget shown on page 2 is \$43,527,568. Current encumbrances are \$16,714,074 and year-to-date expenditures are \$22,349,197. We have encumbered or spent 90% 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 83% of the budget. Debt service has expensed 9% of the budget. The contingency budget balance is \$202,240 as of this report. Encumbrances and expenditures to date by object classification are shown on pages 3 – 4.

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-Chair's 2017-19 budget framework both falling short of funding for current service level for state school funding of K-12.

Other Funds

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 budget appropriations were reduced through a supplemental budget approved in February to account for lower beginning fund balance. The program director is working on ways to increase meals to students and to identify program improvements. One recent change is partnering with HRVHS to provide healthy snacks in the student store that meet nutrition program snack requirements.

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 \$456,516, expenses of \$527,204, with a current fund balance of \$51,686. Grant funding support from the Four Rivers Early Learning Hub will 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 an 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 \$13,461,970 include the semi-annual interest payments of general obligation bonds and the annual principal payments in June and the bond refunding transactions. 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. Remaining debt service payments for the year total \$3,345,979.

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 \$156,457 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 to date with an account balance of \$314,454. We are working with the Oregon Department of Energy regarding future qualifying energy projects related to the bond program.
- 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 accounts 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.

Bond Projects Report

March 16, 2017

Prepared by Dale Kuykendall, Wenaha Group

Reporting back on the snow/ice related impacts, the District's insurance program has assigned an adjuster to evaluate the damage and to coordinate repairs. In some cases, repairs might be rolled into the pending bond project construction. The insurance company has determined that the District-wide damages are considered "one event" which will minimize deductible exposure.

Budgets for the Design Development package for Wy'east Middle School have been updated to reflect the current design. We are slightly over budget, but the team will work to hit the target through bid alternates, value engineering and the sub bidding process. This will be managed with direction from the Core Team. 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. Estimates have been updated and are on target. The domestic water system replacement is included and the Core

Team had previously authorized use of OSCIM grant funds to cover that added work. An early bid package for long-lead mechanical and plumbing equipment is currently out, and Kirby Nagelhout Construction Co. (KNCC) is managing that process as part of their contract. Work will start in the boiler room in May, with completion lingering into the school year. Some asbestos abatement work is happening this Spring Break.

The May Street Elementary School replacement project is currently in the Schematic Design Phase. The first budget based on the design is in hand, and based on the current building size, it is as expected. The value engineering and design process will be used to fine-tune the pricing to an acceptable target. Good attendance at a recent Open House was gratifying and well-received. Work has actually started on site, in the form of both surveying and geotechnical investigation. This project remains on-track, with construction start 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, and the remaining work, a fire alarm pull station, will complete over Spring Break.

Other projects are coming to the forefront. Schematic Designs for the Parkdale Playground and the work at Cascade Locks are complete. It is planned that both projects will bid this spring and start work 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.

Wenaha Group has updated the Bond Master Schedule, and it is under review by the Core Team. A copy is included with this package.