



HOOD RIVER COUNTY SCHOOL DISTRICT

Finance Advisory and Bond Oversight Committee

October 20, 2016, 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: 4:05 p.m. End Time: 5:30 p.m.

Present: Dan Goldman, Saundra Buchanan, Kelly Beard, Patricia Ortega-Cooper, Rich Polkinghorn, Heather Staten, Liz Whitmore, Dave Fishel, Dale Kuykendall

Absent: Julia Garcia-Ramirez, Sheri Holloway, Mikka Irusta, Dr. David Russo, Rich Truax

1.

September 15, 2016	February 16, 2017
October 20, 2016	March 16, 2017
November 16, 2016 (revised date)	April 20, 2017
December 15, 2016	May 18, 2017
January 19, 2017	June 15, 2017

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Financial Report as of June 30, 2016

The financial report, Summary of Revenue and Expenditures as of June 30, 2016, is organized by fund and function with budget variances for the fiscal year 2015-16 and includes actual beginning and preliminary ending fund balances. The report is preliminary with pending transactions noted by fund. The 2016-17 Adopted column shows the budget adopted by the Board.

General Fund. Pages 1-4 of the Summary of Revenue and Expenditures as of June 30, 2016 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 15-16, total operating revenue is \$42,576,906 and is \$717,022 or 2% greater than the revised budget and is 0.9% greater than the estimated year-end budget, as shown on page 1.

Total General Fund Operating Requirements. The total operating requirements budget shown on page 2 is \$41,426,708 with an unaudited year-end total of \$39,295,613 is \$2,131,095 or 5% less than the budget. Of the variance, instruction expenditures were \$996,457 or 4% less than the budget. Support services expenditures were \$891,038 or 6% less than the budget. The contingency budget balance of \$243,600 provides a favorable variance of that amount.

General Fund Ending Fund Balance. The District began the year with \$4,662,277 in beginning fund balance and when combined with the operating revenues of \$42,575,996, operating requirements of \$39,295,613, and other financing uses of \$1,997,011, equal an ending fund balance of \$5,945,649. The ending fund balance is 14% of operating revenue, an improvement of 0.1% as compared to the estimated 15-16 ending fund balance of 13.9% when the 16-17 budget was adopted.

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).

Administration will prepare recommendations for addressing these cost issues and for opportunities to improve school programs; and bring them to the Board for consideration.

General Fund Variance Analysis

General Fund Operating Revenue Variances (page 1)

Total Operating Revenue. For 15-16, total operating revenue is \$42,576,906 and is \$717,022 or 2% greater than the revised budget and is 0.9% greater than the estimated year-end budget.

State School Fund Formula Resources. With enrollment higher than originally budgeted, the District expected to receive more revenue from the state school fund in 2015-16 based on estimates submitted to the State and actual state school fund resources. Current estimates of total state school fund formula revenues are \$37,632,876 which is \$900,278 or 2% greater than the budget. The estimates of state school fund resources include local property taxes and payments in lieu of taxes, county school funds, common school funds and Federal forest fees.

- R1111 Current Year Taxes – Estimates for the 15-16 year were based on receiving 95.2% of the \$9,977,083 operating tax levy. Total property taxes of \$9,538,373 provided a positive variance of \$40,190 or 0.4%.
- R1112 Prior Year Taxes and R1114 Payments in Lieu of Taxes – Current negative variances are \$20,308 and \$1,100, respectively. Any receipts for prior year taxes and related payments are included in the state school fund formula resources.
- R3103 Common School Fund – The Common School Fund revenue of \$443,757 provided a 19% positive variance due to additional distributions in 15-16 by the Oregon Department of State Lands.
- R4801 Federal Forest Fees – Federal forest fees of \$169,929 was received. The amount received was \$19,159 or 10% less than estimated in the budget. All receipts from this federal source are included in the state school fund formula resources.

Local Option Revenues. Revenues are from two sources, the local option levy of \$1.25 per thousand of TAV and from the State local option equalization grant. Local option revenues were 3% greater than the current budget.

- R1121-1122 Local Option Tax – The current budget is based on the current year levy of \$2,106,070 and estimated collection rate of 95.2% and prior years' tax. Actual receipts of local option revenue of \$2,013,339 were \$8,360 or 0.4% greater than budget. Prior year taxes provided a favorable variance of \$9,471 or 24% greater than the budget.
- R3120 Local Option Equalization – The local option equalization revenue from the State of \$612,066 is \$52,333 or 9% greater than the current year budget.

Educational Service District Revenues. Columbia Gorge ESD revenues are comprised of flow-through funds and services invoiced to the CGESD per the approved local service plan. These two components provided resources of \$1,071,200 which was \$370,889 or 26% less than the budget due to a \$350,000 reduction in the amount of invoiced services for the year and an

unfavorable variance of \$20,889 in flow-through funds. This revenue is dependent on the state school fund formula estimates for ESDs.

Other Local Revenues. Other local revenue of \$635,958 provided a positive variance of \$121,458 or 24% more than the budget of \$514,500. Revenue from local sources can vary significantly from year to year; therefore, we budget conservatively to avoid unexpected unfavorable variances. Listed below are a few variances in other local revenue.

- R1321 Tuition from Individuals – The total of \$37,311 is \$9,189 less than budget.
- R1510 Interest Earned – Interest earned of \$98,539 provided a favorable variance of \$48,539.
- R1913 Rentals-Services – Revenue from services provided to facilities rentals is \$10,136 providing a favorable variance since no budget was estimated due to the nature of these services which may be requested at the time of the facility rental.
- R1960 Expenditure Reimbursement – Reimbursements vary from year to year and totaled \$13,256 which is \$6,744 less than the budget.
- R1980 Grant Indirect Charges – Grant indirect charges of \$120,932 were \$60,932 more than the budget and reflect the level of grant activity.
- R1990 Miscellaneous Revenue – Miscellaneous revenues totaled \$114,244 which was \$50,244 more than the budget.
- R1991 Medicaid Admin Revenue – Medicaid administrative claiming revenue of \$7,800 is \$42,200 less than the budget. This revenue is dependent on the level of Medicaid activity.

Other State Revenues. The other state revenue of \$545,985 is the total of the long term care and treatment contract revenue R3205 for 15-16 with no budget variance to the current budget.

Other Federal Revenues. The other federal revenue budget of \$20,000 is for the teen parenting revenue estimated to be received. The actual amount of \$16,012 is based on children served in the child care program for teen parents and changes depending on service levels.

General Fund Expenditure Variance Analysis. In reviewing General Fund expenditures by object classification on page 3-5, a high level view of variances show that in categories where there is more discretion in spending, there were greater savings. The most significant variances are listed below.

- Salaries were 96% expended and accounted for \$862,602 or 4% favorable variance.
 - Licensed salaries accounted for \$293,466 in savings.
 - Classified salaries accounted for \$157,859 in savings due position vacancies in custodial, maintenance, transportation and instructional assistants.
 - Substitute licensed pay accounted for \$183,086 of savings resulting from less subs due to the Collaboration Grant and less contractual requirements for subs.
 - Substitute classified pay accounted for \$106,480 of savings. The difficulty of filling some categories of sub positions contributed to this savings.
 - Other pay accounted for \$73,704 of savings. The licensed contract provision to allow carryover of licensed staff comp days contributed to this savings.
- Associated payroll costs were 95% expended and accounted for \$630,676 or 5% favorable variance.
 - Health insurance accounted for \$295,475 or 5% savings.
 - Other significant savings were from PERS, FICA and workers compensation premium.
- Purchased Services were 92% expended and accounted for \$275,344 or 8% favorable variance. Listed below are the largest savings in dollars.
 - Printer and copier services accounted for \$63,622 of savings.
 - Other purchased services accounted for \$34,533 of savings.
 - Contracted repairs accounted for \$29,536 of savings.
- Supplies and materials were 93% expended and accounted for \$125,000 or 7% favorable variance.
 - Vehicle fuel accounted for \$68,759 of savings due to continued lower fuel prices
 - Supplies accounted for \$34,830 of savings from many different District functions
- Capital outlay was 103% expended with an unfavorable variance of \$1,999.
- Other goods and services were 101% expended and accounted for \$4,128 or 1% unfavorable variance.
 - Dues and fees exceeded the budget by \$5,371.
- Transfers to other funds were made as planned with no variance.
- Remaining contingency funds were \$243,600 of the favorable variance.

Other Funds

Other Funds. All other funds are shown beginning on pages 5 through 19. Grant Funds 220-299 and the Capital Construction Funds 400-404 are grouped and summarized for this report. The 2015-16 beginning fund balances reflect the prior year audited ending fund balances.

Fund 200 Food Service – The Nutrition Services program revenue of \$1,700,354 and beginning fund balance of \$572,970 provided resources totaling \$2,373,323. Program expenditures totaled \$1,840,567 leaving an ending fund balance of \$432,756. The program operated within its \$2,491,470 approved budget appropriation.

Fund 204 Student Body Funds – Student Body activity is recorded at year-end, with revenue and expenditures pending. The beginning fund balance of \$574,404 is the total available in all student body funds.

Fund 205 Community Education – The community education program activity reflects a beginning fund balance of \$103,811, revenue of \$877,211, expenses of \$858,649, with an ending fund balance of \$122,373.

Fund 207 Biennial Reserve Fund - The District transferred a total 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 \$138,942 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. Since the State Unemployment Trust statement as of June 30 has not been received, final adjustments to expense are pending.

Fund 212 Bus Replacement Fund – The Bus Replacement Fund accounts for the budgeted transfer of \$150,000 for bus depreciation and expenditures of \$123,626 for the bus purchased during 15-16, leaving an ending fund balance of \$67,923.

Funds 220-299 Grant Funds – Grant Funds revenue of \$4,397,372 and beginning fund balance of \$421,495 provided resources of \$4,818,867 for grant funds expenditures of \$4,372,918 with an ending combined fund balance of \$445,950. Expenditures are within the \$6,000,000 budget appropriation.

Fund 300 Debt Service – The Debt Service Fund beginning fund balance for 15-16 is \$352,387. Property tax revenues provided \$3,846,677 which was 3% greater than the budget. Beginning fund balance and property tax revenue are both be used to offset property tax levies. Expenditures of \$3,822,325 include the semi-annual interest payments of general obligation bonds and the annual principal payments in June.

Funds 4XX Capital Construction Funds – The summary of all capital construction funds shows a beginning fund balance of \$1,720,227, of which \$201,774 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 14-19.

- Fund 400 Capital Construction Bond Funds balance of \$118,870 and interest revenue of \$342 was expended for remaining projects totaling \$119,212 in 15-16.
- Fund 401 Construction Excise Tax Fund resources include receipts of \$339,802 and a beginning fund balance of \$664,016, totaling \$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 June 30, 2016 with an account balance of \$271,440. There were no expenses for the year.
- 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. No funds were expended for the year.
- Fund 404 Seismic Projects Fund is budgeted in 16-17 to account for the state seismic projects grant.

Summary of Inter-fund Transfers – A summary of inter-fund transfers is shown on page 19. Transfers include the budgeted transfer to the Biennial Reserve Fund in the amount of \$1,752,011, 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. The budgeted transfer within the Grants Fund was not needed during the year.

Bond Projects Report
October 20, 2016

General Information

- Opsis Architects on board and active
- CM/GC interviews are 10/25 / Requesting Approval 10/26
- Organizational Chart
- Master Schedule
- Pre-Design Schedule – 3-month
- Core Team meeting every Monday afternoon
- Seismic Grant work
 - HRMS approved and in the design process
 - Wy'east submitted, pending approval. On hold, but targeted for construction summer 2018.
 - Deadline extended, and funds available for another application. Under consideration.

Recent Events

- May Street Site Team 10.18
- Wy'east Site Team 10.06
- HRMS Site Team 10.19
- Wy'east Focus Group 10.19

Upcoming Events

- Wy'east Site Team 10.24
- Wy'east Focus Group and Open House 11.2
- HRMS Site Team 11.2
- Portland Area School Tours 11.3
- May Street Focus Groups 11.7 and 11.8
- May Street Open House 11.15 and 11.17