



**HOOD RIVER COUNTY**  
SCHOOL DISTRICT

**Finance Advisory and Bond Oversight Committee**

September 19, 2017, 4:00-5:30 p.m.

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

Start Time: 4:03pm    End Time: 5:33pm

Present: Present

Dan Goldman, Sandra Buchanan, Julia Garcia-Ramirez, Nancy Rowley, Rich Polkinghorn, Chrissy Reitz, Liz Whitmore, and Rich Truax.

Absent: Kelly Beard, Mikka Irusta, Patricia Ortega-Cooper, Heather Staten, Michael McElwee

Guest: Wendy Herman, OSEA President

Reports & Discussions

- a. Update on the capital projects and improvements program, budget and bond project schedule (Dale Kuykendall & Kieron Spellman, Wenaha Group)
- b. Financial Report (Sandra Buchanan)

The next meeting on October 19 will be held at Wy'east MS where we will include a tour of the capital improvements projects.

2017-18 Meeting Schedule	Time
September 19, 2017	4:00-5:30 p.m.
October 19, 2017	4:00-5:30 p.m.
November 16, 2017	4:00-5:30 p.m.
December 21, 2017	4:00-5:30 p.m.
January 18, 2018	4:00-5:30 p.m.
February 15, 2018	4:00-5:30 p.m.
March 15, 2018	4:00-5:30 p.m.
April 19, 2018	4:00-5:30 p.m.
May 17, 2018	4:00-5:30 p.m.
June 21, 2018	4:00-5:30 p.m.

The preliminary financial report, Summary of Revenue and Expenditures as of June 30, 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 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 June 30, 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 page 3 provides expenditures summarized by object classification.

### **General Fund Summary**

**Total Operating Revenue.** For 16-17, total operating revenue is \$44,235,400 as of June 30, as shown on page 1, represents a positive budget variance of 2%. Of the current 1% positive variance of \$428,707 in operating revenue from State School Fund formula revenues, the state school fund revenue variance of \$400,751 accounts for 93% of the variance. Local Option revenues are 1% or \$23,198 less than budget due to a lower Local Option Equalization Grant and taxes yet to be received. Revenue from the Education Service District is 10% higher due to the receipt of carryover funds. Of the variance of \$378,573 in local revenue, the two largest projected variances are \$138,678 from interest income due to a combination of increasing interest rates and larger account balances and \$75,158 from grant indirect charges.

**Total General Fund Operating Requirements.** The total operating requirements budget shown on page 2 is \$43,527,568. Current encumbrances are \$29,043 and year-to-date expenditures are \$41,791,025 with a positive overall variance of \$1,707,500. We have encumbered or expensed 96% of the budget with an overall savings of 4% of the current budget.

Instruction expended 2% less than the budget resulting in a positive variance of \$497,354 with total expenditures of \$26,479,270. Support services expended 6% less than the budget resulting in a positive variance of \$1,007,906 with total expenditures of \$15,045,344 and encumbrances of \$29,043. Debt service expended 100% of the budget of \$266,410. Of the original contingency

budget of \$500,000, the balance is \$202,240. Encumbrances and expenditures to date by object classification are shown on pages 4-5.

Of the 3% salary savings variance, the largest variances came from classified salaries, substitute pay and other pay. Associated payroll costs were 98% expended with a 2% overall savings across all objects. Purchased services objects were 92% expended providing a budget savings of 8% with the largest purchases services variances from electricity, contracted repairs, rentals, and heating fuel. Supplies and materials objects were 92% expended providing a budget savings of 8% with the largest supplies and materials variances from textbooks, vehicle fuel, and supplies. The Other objects budget was 97% expended with a 3% budget savings from property and liability insurance and fees.

**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. Preliminary ending fund balance is \$8,145,742 as of June 30, 2017. In 2017-18, we will transfer \$2,763,235 of this balance to the Biennial Reserve Fund for future PERS costs.

**Current and Future Outlook.** As we look forward to the 2017-19 biennium, PERS rates will rise significantly. The PERS Board 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 has planned to increase the Biennial Reserve Fund to address these costs with the adoption of the 2017-18 budget.

Other impacts we must plan for include effects of the Affordable Care Act (ACA), which will continue to increase the District's employee benefit costs through increasing premiums and ACA compliance. The Oregon Educators Benefit Board is released health insurance rates for the 2017-18 plan year in early May. Medical premium increases ranged from 2.1% to 8.8% on plans currently offered by the District. These increases include a health provider fee of 2.1% which was added to all plans as required by the ACA.

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 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. The budget committee approved the District's proposed budget for 2017-18 on May 3 with a state school fund level based on the Governor's 2017-19 proposed budget. The May 16 State revenue forecast showed that funds available for the 2015-17 biennium which is expected to trigger the personal and corporate tax kicker. The personal tax kicker would be refunded to taxpayers and the corporate tax kicker is required to be spent on K-12 education funding. This forecast is the next-to-last revenue forecast before the final determination of a kicker is made with numbers released in August.

On June 6, the Full Ways and Means Committee approved the proposed \$8.2 billion for the State School Fund for the 2017-19 biennium and proposed to split the amount 50/50 for each school year. With this news, HRCSD administration will be planning budget adjustments to be considered by the Board after July 1 to account for these new resources within the 2017-18 budget and to prepare to roll back budget reductions as discussed in the District's 2017-18 budget message.

### **Other Funds**

**Other Funds.** All other funds are shown beginning on pages 6 through 21 with year-to-date activity through June 30. 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 audited ending fund balances.

**Fund 200 Food Service** – The Nutrition Services budget appropriations were reduced through a supplemental budget approved in February 2017 to account for a lower beginning fund balance of

\$432,948. During the year, the new program director worked on ways to increase meals to students and to identify program improvements. One mid-year change was partnering with HRVHS to provide healthy snacks in the student store that meet nutrition program snack requirements. A review of the year's activity shows that the program is operating within its budget and resources. Resources from local, state and federal sources of \$1,653,034 and beginning fund balance of \$432,948 less expenditures of \$1,660,036 result in \$425,947 in ending fund balance.

**Fund 204 Student Body Funds** – The beginning fund balance of \$579,166 is the total available in all student body funds. Student Body revenue totals \$1,115,694 and expenditures total \$1,031,290 with an ending fund balance of \$663,570.

**Fund 205 Community Education** – The community education program activity reflects a beginning fund balance of \$122,373, revenue of \$946,398, expenses of \$824,866, with an ending fund balance of \$149,567. Grant funding support from the Four Rivers Early Learning Hub is providing funding for Cascade Locks pre-school services which was established mid-year.

**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. Pending is a transaction to record the activity of the District's Unemployment Trust Fund administered by the State. The trust statement is received in November for the preceding year.

**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 17-18 for future bus purchases. The District was able to make school bus emissions repairs to eight buses by the December 31, 2017 deadline to be in compliance with current regulations.

**Funds 220-299 Grant Funds** – Grant Funds revenue and expenditure activity is within budget appropriations with total revenue of \$4,305,547 and total expenditures of \$4,195,705. The ending fund balance of \$555,792 is restricted for various contract or grant purposes.

**Fund 300 Debt Service** – The Debt Service Fund beginning fund balance for 16-17 is \$376,739. For 16-17, total revenue of \$13,314,674 is from property tax revenue of \$3,881,071 and from refunding bond proceeds of \$9,433,603. 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. The ending fund balance of \$229,546 will be carried forward to 17-18.

**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 16-21.

- Fund 400 Capital Construction Bond Fund resources include the proceeds of the 2016 G.O. Bonds and investment earnings. Through June 30, a total of \$3,066,795 has been expended with outstanding encumbrances of \$157,597. At the close of the fiscal year, the ending fund balance will be carried forward to 17-18.
- Fund 401 Construction Excise Tax Fund resources include receipts of \$347,102 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 \$343,562. 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. The current balance will be carried forward to 17-18.
- Fund 404 Seismic Projects Fund is budgeted in 16-17 to account for the state seismic projects grant in the amount of \$898,400. Most expenses will occur in the 17-18 fiscal year, however, a total of \$88,092 was expended in 16-17. The District has also received an award in the amount of \$1,335,500 for Wy'east Middle School seismic rehab project which is scheduled to begin in 17-18.
- Fund 405 accounts for the State OSCIM Matching Grant award of \$4,499,478. Grant expenditures total \$1,089,559 and outstanding encumbrances total \$257,935.

**Summary of Inter-fund Transfers** – A summary of inter-fund transfers is shown on page 22. Transfers for the year include the budgeted transfer from General Fund to the Bus Replacement Fund in the amount of \$150,000; the budgeted transfer to the Unemployment Fund in the amount of \$95,000; and a transfer within the grants fund of \$8,35