



BUDGET MEMORANDUM

DATE: July 25, 2016

TO: Mr. James T. Russell, Superintendent
Mrs. Ida D. Wright, Chairman
Mrs. Melody Johnson, Vice-Chairman
Mrs. Linda Costello
Mrs. Linda Cuthbert
Dr. John Hill

FROM: Debra L. Muller
Chief Financial Officer
Financial Services

A handwritten signature in blue ink that reads "Debra Muller".

SUBJECT: FY17 Tentative Budget Summary

The tentative budget for FY17 of \$847.7 million (compared to \$781.2 million in FY16) represents an 8.5% increase. The general operating category of the Florida Education Finance Program (FEFP) had an increase of \$11.9 million. Revenue increases were mostly attributable to increases in FTE, Required Local Effort (RLE) and state funding. The RLE revenue increase was generated primarily by increased property values.

The Base Student Allocation (BSA) continued its recent (yearly) trend increases to \$4,160.71 from \$4,154.45. This increase moved the BSA to within \$2.76 of the 2007-08 level. However, when factoring inflation in, the State continues to fall short of funding schools at pre-recession levels and has relied mostly on increases in property values. A significant increase in the digital learning earmark of \$298 thousand is also noteworthy, after an increase of \$448 thousand in FY16. The application of the District Cost Differential (DCD) of 0.9689, a reduction from 0.9701, continues to have a debilitating effect on overall FEFP revenue. This year's DCD application resulted in a loss of \$8.9 million as of the second calculation. The cumulative loss to the district since 2004 in the application of this formula based on a dollar for dollar value has been \$129.5 million, the highest of any district in the state.

The FY17 second calculation represented an increase of \$11.9 million from FY16. Additionally, during FY16 the district FEFP was pro-rated by \$0.77 million. We must remain vigilant that the state has more accurately predicted growth to avoid another significant proration in FY17.

The capital projects and five year work program are found on pages 12-17 of the enclosed booklet. Special Revenue (Federal) funds are on pages 18-20. The capital projects budget increased due to bonding, while Federal funds no longer includes RTTT which was closed out. It should be noted that the Debt Service fund shows a decrease due to the refunding of COPS bonds and the final payment in December 2016 of the Half-Cent bonds from the first referendum. All other funds and related data appear throughout the booklet and will be referred to at the board presentation on July 25, 2016.

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This is the first time since 2011 that the District is able to balance the budget without an operating deficit and using non-recurring fund balance. In addition, raises for employees are budgeted using a combination of salary increases approved by the board at impasse and reallocating health insurance savings from the capped district contribution. Other expenditure increases include the addition of 90 teaching positions to accommodate student enrollment growth and meet class size requirements, expanded school-based support in accordance with the District's Strategic Plan goal of individualized learning, charter school expansion and other contractual increases, earmarked categorical aid, continued reduction of the capital maintenance transfer, and additional maintenance and technology support positions to support growth. These expenditure increases are mitigated through additional revenue from FEFP, electricity and fuel savings, teacher retirement savings and salary lapse.

The district's focus on maintaining and enhancing student programs, increasing academic achievement, and maintaining compliance with class size amendment requirements are targeted goals in this tentative budget. Finally, due to improved local economic conditions as Volusia County shows signs of continued growth, and favorable financial forecasts and indicators. The FY17 tentative budget represents a continued focus to apply financial resources for maintaining and enhancing a potent academic environment.

DM/dv