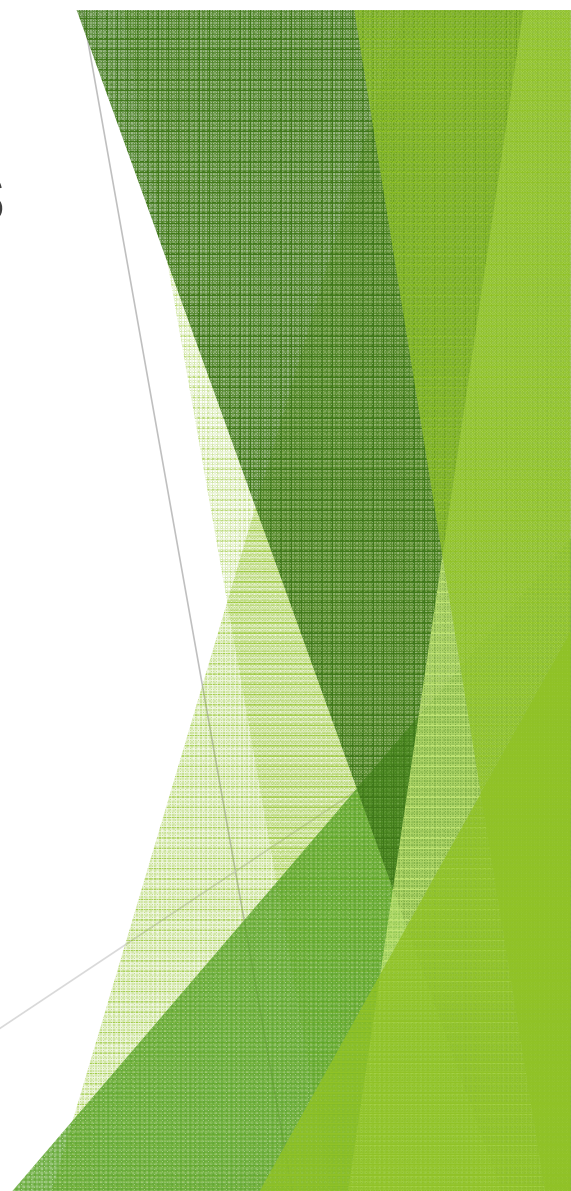




Where Did We
Find The Money?



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► Negotiations with our bargaining units lasted many months during 2014-15. There was no money budgeted for employee raises; however, in the end nearly 3% overall raises were given to employees.

► **Where did we find the money?**

The Annual District Budget

- ▶ The annual District budget is an estimate of what the District will receive and spend.
 - ▶ When actual revenue is less than actual expenditures there is a budget shortfall....
 - ▶ where do we get the money to make up that shortfall?
 - ▶ When actual revenues exceed actual expenditures.....
 - ▶ where do we put the extra money?

The Money Equation

Revenue -

Expenditures

=
Fund
Balance

What is Fund Balance For?

- ▶ Fund balance is the District's savings account.
 - ▶ Used to pay for unexpected expenditures that weren't budgeted for.
 - ▶ Not a recurring source of revenue to be counted on from year-to-year.
 - ▶ Not to be used for day-to-day expenses.
 - ▶ If budgeted expenditures exceed budgeted revenues, fund balance is used to balance the budget once cuts are made.

History of Fund Balance Use

- ▶ The District has relied on using fund balance to balance the budget over the last 6 years.
 - ▶ Raises given to employees for 2014-15 cost the General Fund \$8.3M.
 - ▶ When drafting the 2015-16 budget another \$8.3M was needed to fund the raises.
 - ▶ Even after cuts were made the District still used \$6.3M to balance the 2015-16 budget.

Fund Balance Goal

- ▶ Board policy is to keep the Unassigned Fund Balance at 3% with a goal of 5%.
- ▶ Financial Condition Ratio =
 - ▶ Assigned + Unassigned Fund Balance Divided by Revenue
- ▶ Florida's Auditor General - Financial Condition Ratio between 5 - 10% is looked at favorably by credit rating agencies

Volusia County's Disadvantages – District Cost Differential (DCD)

Year	DCD
2010	0.9593
2011	0.9610
2012	0.9647
2013	0.9672
2014	0.9683
2015	0.9739
2016	0.9701

- ▶ The DCD is part of the FEFP formula where aid is redistributed.
- ▶ Volusia County has lost over \$120 million since the DCD was implemented in 2004.
- ▶ For every dollar calculated in aid Volusia receives a reduced amount.
- ▶ DCD fluctuates from year-to-year.
- ▶ Of all the surrounding districts we receive the largest reduction.

District Cost Differential – As Compared to Surrounding Districts

District	DCD	Total Gain/Loss FY04-FY16	Rank
Brevard	1.0009	(34,316,942)	4
Flagler **	0.9532	(27,040,860)	5
Lake	0.9727	(47,515,037)	3
Marion	0.9571	(89,102,214)	2
Orange	1.0004	28,891,718	7
Seminole	0.9926	(22,014,853)	6
Volusia	0.9701	(120,594,464)	1

** All counties shown have enrollments over 30K, except Flagler. In addition, Flagler receives a sparsity supplement of approximately \$2M.

Additional 1MILL Disadvantage

- ▶ In 2012 the District presented a failed referendum to Volusia County voters to add an additional 1MILL to the tax levy.
- ▶ In 2015-16 this would have generated about \$30 million additional revenue for the District.
- ▶ We are often compared to both Seminole County and Orange County who both have the additional 1MILL.

Assigned & Unassigned Fund Balance	2015	2016 Estimated with 5% Salary Increase
Assigned State & Local Budget	\$10,412,093	\$10,412,093
Assigned SY Budget (2015-16 BUDGET SHORTFALL)	\$6,338,730	
Assigned SY Budget – VTO Proposal #1		\$11,808,841
Assigned SY Budget – VTO Proposal #2 (PAR program)		\$1,717,308
Assigned – SY Budget – AFSCME/VESA/Non-Bargaining		\$3,778,815
UNASSIGNED	<u>\$14,446,6584</u>	<u>(\$20,155,270)</u>
Total	\$31,197,481	\$7,557,787
% Unassigned to Revenue	3.4%	-4.6%
Financial Condition Ratio	7.3%	1.7%

What happens if our fund balance does fall this low?

- ▶ Florida State Statute 1011.051 states:
 - ▶ 3% threshold – “If at any time the portion of the general fund’s” available “ending fund balance is projected to fall below 3 percent of projected general fund revenues during the current fiscal year, the superintendent shall provide written notification to the district school board and the Commissioner of Education.”
 - ▶ 2% threshold – Same as 3% above but “Within 14 days after receiving such notification, if the commissioner determines that the district does not have a plan that is reasonably anticipated to avoid a financial emergency....the commissioner shall appoint a financial emergency board.....” that shall operate the school district.

The background features abstract, overlapping green geometric shapes, primarily triangles and polygons, in various shades of green, creating a modern, layered effect.

What options does the
District have to keep
Fund Balance at a sound
level and give raises?

Explore All Options

- ▶ Continue to explore areas where we can gain efficiencies in operations and save money.
- ▶ Maximize the use of alternative funding sources (grants, donations, etc.).
- ▶ Health Insurance Subsidy – Maintain competitive plans for our employees at reasonable rates.
 - ▶ A District subsidy cap would enable the District to know what its contribution would be. This option must be negotiated with District bargaining units.

Volusia Contributes the Most of Surrounding Districts

- ▶ Up to \$839 for the PPO plan
 - ▶ Next highest district subsidy is Seminole at \$687
 - ▶ Employees pay \$20
 - ▶ District Triple Option and HMO plans have \$0 deductible, \$0 co-insurance and low copays
 - ▶ Surrounding Districts have much higher deductibles, co-insurance and copays.
 - ▶ Proposal offered to unions to make no salary or benefit changes in 2015-16.
 - ▶ In 2016-17 use savings from changes to health insurance subsidy to fund salary increases

Proposed Board Health Insurance Subsidy

27%
annual
savings

** General
Fund Savings
Only

Plan	Employees on Plan (Single coverage only)	Current Monthly Employer Contribution	Proposed Monthly Employer Contribution	Monthly District Savings per plan	Annual District Savings **
PPO (Florida Blue)	1,016	\$839	\$469	\$370	\$4,511,040
HRA (Florida Blue)	229	\$837	\$469	\$368	\$1,011,264
Triple Option (FL Health Care)	3,083	\$624	\$469	\$155	\$5,734,380
HMO (FL Health Care)	1,045	\$553	\$469	\$84	\$1,053,360
POS (Florida Health Care)	6	<u>\$435</u>	<u>\$469</u>	<u>\$0</u>	<u>\$0</u>
Total GF Cost/Savings	5,379	\$46,269,071	\$33,399,215	\$1,072,404	\$12,868,855

Proposal to use health insurance savings to fund salary increases

District Health Insurance Subsidy Cap Savings	Apply 75% to Salary Increases	Percent Increase **
\$12,868,855	\$9,651,641	3.15%

** Cost of 1% salary increase (including benefits) across all bargaining units and non-bargaining is approximately \$3,068,390.

Summary of District Priorities

- ▶ The District must get its financial house in order. Keeping the District's Financial Condition Ratio between 5% – 10% must be a priority. A Fund Balance Restoration Plan will be presented to the Board in the spring.
- ▶ District health insurance subsidy cap savings would not occur until 2016-17 pending outcome of negotiations with bargaining units.
 - ▶ Savings realized would be reoccurring and therefore not dependent on Fund Balance to sustain. Salary increases could be budgeted each year.
- ▶ Savings realized from health insurance savings in 2016-17 would be used to fund salary increases during 2016-17.