Roanoke County Public Schools
Budget Adoption
2017 - 2018

School Board Presentation

March 30, 2017

Superintendent Comments



Budget Challenges for 2017-2018

- State revenue growth offset by mandatory VRS rate increases
- Misleading state message that state budget includes 2% raises for school employees (only funded for 38% of the school year)
  - 2.0% times 38% (Feb 15, 2018-June 30, 2018) = 0.76% funded raise
- Limited new funding from the County of Roanoke revenue sharing formula
- Loss of one year enrollment gain in 2015-2016 resulting in reduction in ADM
- Regulatory increase in special education staffing related to caseload limits
- Sustain integrity of market rated Compensation Plan for retention and recruitment of high quality school employees
- Significant increase in employee health insurance renewal rates
- Balance total compensation between pay and benefits

- Large dollar needs and expectations far exceeding available resources

Budget Challenge every year is to:

- Maximize ability to fund budget priorities
- Minimize risk of over-spending actual funding

Revenue Variables	Expenditure Variables
Sales tax collections extend past end of fiscal year (August)	Higher enrollment in September; kindergarten enrollment
ADM estimated 12 months in advance and before current year calculation completed	Absenteeism/substitutes
Mid-year state cuts (FY09-10)	Open-end contracts
Unplanned revenue loss (E-rate)	Termination payouts in June
Unknown participation in tuition programs	Utilities (too hot, too cold, snow)
Medicaid funding volatility from year to year	Additional employees/dependents enroll in health/dental plans
Choices in Education Act of 2017	Property insurance increases
	Other expenditure increases after budget is adopted

§4.27 Use of Year End Balance in the School Operating Fund

Background – At the end of a fiscal year, unspent expenditure appropriations, and revenues in excess of budget, generally lapse and revert to a reserve or fund balance within the fund in which the appropriations originated. In some cases it is desirable to reappropriate a portion of these funds to allow for the completion of projects or purchases in process. The Board of Supervisors provides for these instances by including wording in the County Appropriation Ordinance that encompasses encumbrances, capital projects and school funds. The National Advisory Council on State and Local Budgeting (NACSLB) has issued guidelines representing standards of excellence in governmental budgeting that include the preparation of policies and plans for capital asset acquisition, maintenance, and replacement (Principle 2; Element 5; Practice 5.2). This policy addresses this standard.

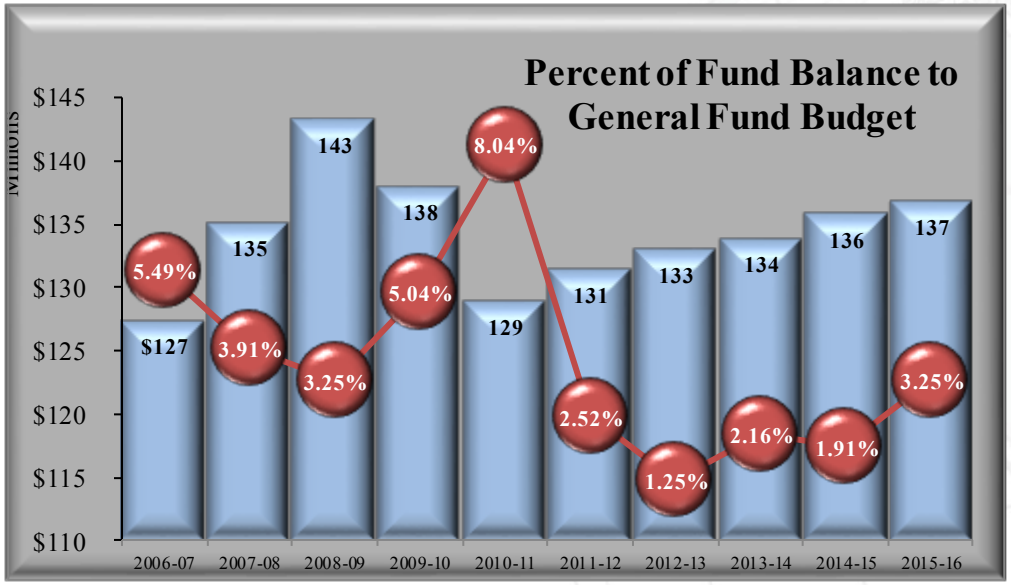
2015-16 Year End Fund Balance (last full year)	
Revenues in excess of budget • 13712 ADM budget • 13982 ADM actual • +270 = "one year anomaly" • Only enrollment growth in past 8 years	1.2%
Personnel savings	1.4%
All other departmental savings	0.6%

Year-End balance in reasonable range for <u>past 5 years</u>

- FY15-16 increase due to one-time ADM spike of 270 students (only growth in past 8 years)

Higher year-end balances in FY10 and FY11 due to:

- State revenue cuts of $7M and $12M in FY10 and FY11 budgets (RCPS planned for this in budget)
- Additional state revenue cut <u>warning</u> early in 2009 (state cut 3% in March 2010 near end of year)
- Spending and hiring freezes implemented district-wide for majority of both years due to warnings and subsequent action mid-year
- Stimulus funding intentionally saved and then used for non-recurring purposes
- VRS premium holiday approved for schools in 4th quarter ($2.2M savings at end of year)



FY18 Health Plan Renewal	
Rate Increase	Budget Impact
12.6%	**$1,134,022**

RCPS Claims for past 12 months

- Total medical claims increased 7.1%
- Pharmacy claims increased 16.3%
  - Generic +9.7%
  - Brand +23.1%
  - **Specialty medications +37%**
- 7 claims over $200,000
- Increase in number of claims over $100K (above market average)
- Excess claims paid by reinsurance have exceeded the reinsurance premium by $678K over last 6 years
- Renewal quote based on projected RCPS claims indicates the need for a 12.6% increase
- **Largest increase since 2003 (under 10% every year for past 14 years)**
- **Employee rates for higher deductible option available each year held nearly constant for past 8 years**

Year	Increase to Employee
FY 2010	0%
FY 2011	0%
FY 2012	0%
FY 2013	0%
FY 2014	0%
FY 2015	KC200 only - 5%
FY 2016	KC200 only - increase $15 to $30 monthly
FY 2017	3.5%

Health Insurance - Rate Setting Decisions

Health insurance rates were set for 2017-2018 based on the following assumptions approved by the School Board at the 3/16 work session:

1. Increase EE share of subscriber only premium (everyone contributes)
2. Increase EE share of spouse and family coverage (well below neighboring school districts and with much lower deductibles)
3. Increase differential between wellness and non-wellness rates
4. Pricing reflects incentive for employees to shift to higher deductible plans
5. Leverage wellness program requirements through Wellness Center to maximize potential future claims savings
6. Create fiscally sustainable and competitive employee health rates

Options to consider in 2018-2019 renewal:

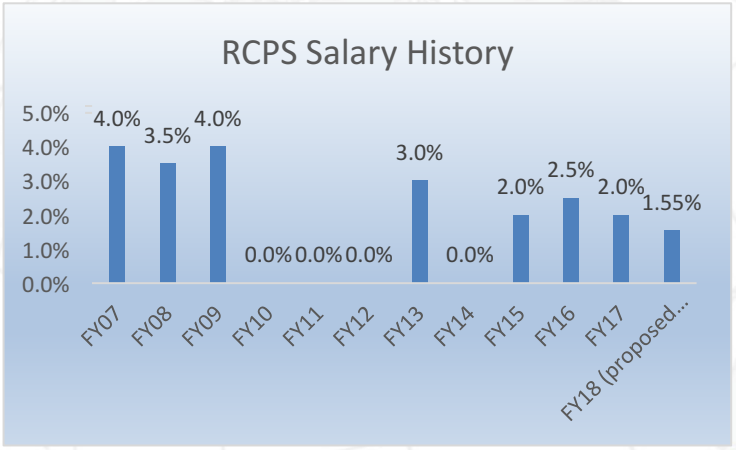
1. Spouse surcharge if spouse has coverage available through own employer
2. Shift to higher deductible plan (current HDHP is $1000 deductible)
3. Rebidding health plan package
4. Consideration of school couple rate adjustments

Funded in 2017-2018 Budget:

- VRS rate increase ($1.4M)
- Special Ed positions ($1.1M)
- Employee compensation
  - Compensation Study 1-step increase ($1.5M)
  - No steps added to new Comp Plan
- Health insurance increases using health reserves ($0.3M) and increasing employee premiums
  - Remain competitive with other school divisions (retention/recruiting)
  - Dependent coverage cost more aligned with other school divisions
  - Allocate resources to salary
  - Future value to retiree of salary increase vs benefit increases

Deferred to Future Budget:

- Full-day nurse coverage
  - Work group established to assess nurse coverage during entire student day and make recommendation to School Board prior to budget planning for 2018-19
- Compensation Study Part 2
  - Increase substitute teacher rate
  - Increase substitute IA rate
  - Increase academic supplements
  - Increase coaching supplements



Prioritized expenditure increases:	
• VRS premium increase	$ 1,367,843
• Special Ed teachers (3)	184,500
• Special Ed teachers in baseline (12)	738,000
• Special Ed IA's (6)	145,100
• Compensation Study 1-step increase (no new steps)	1,555,061
• Health insurance budget increase after restructuring rates	342,986
Total prioritized expenditure increases	$ 4,333,490
Funding allocation:	
• New revenue	$ 1,796,148
• Laptop reserves for Technology Replacement Plan	203,960
• Health reserves for health insurance benefits	286,385
• Other department budget reductions (net)	255,284
• Redirect baseline personnel budget (attrition, lapse, vacancies, etc)	1,791,713
Total funds allocated	$ 4,333,490

	2013-2014 Actuals	2014-2015 Actuals	2015-2016 Actuals	2016-2017 Budget	2017-2018 Budget	Increase (Decrease)
Revenues						
State revenues	$ 66,316,743	$ 68,967,794	$ 70,082,979	$ 73,556,758	$ 75,214,950	$ 1,658,192
Local revenues	65,944,318	66,996,426	67,703,707	67,839,376	68,098,215	258,839
Federal revenues	941,920	871,586	724,029	634,807	374,998	(259,809)
Other revenues	899,365	768,939	710,637	1,109,542	1,248,468	138,926
Transfers	1,865,116	-	193,800	-	490,345	490,345
Total revenues	135,967,462	137,604,745	139,415,152	143,140,483	145,426,976	2,286,493
Expenditures						
Salaries and related costs	108,489,893	109,701,103	109,377,462	118,767,372	121,259,411	2,492,039
Contractual services	2,786,163	3,324,468	4,151,968	4,487,077	4,756,191	269,114
Internal services	423,118	384,592	381,232	375,000	375,000	-
Other charges	5,349,041	5,248,642	5,673,129	6,537,277	6,813,267	275,990
Materials and supplies	3,614,976	3,654,281	3,501,830	3,292,919	3,156,749	(136,170)
Payment to joint operations	-	28,103	30,694	51,249	100,000	48,751
Capital outlay	946,422	1,068,140	2,041,219	967,837	466,639	(501,198)
Contingencies	-	-	-	210,000	235,000	25,000
Transfers	13,120,793	14,490,683	12,407,482	8,451,752	8,264,719	(187,033)
Total expenditures	134,730,406	137,900,012	137,565,016	143,140,483	145,426,976	2,286,493
Excess (deficiency) of revenues over (under) expenditures	1,237,056	(295,267)	1,850,136	-	-	-
Beginning fund balance	3,655,551	4,892,607	4,597,340	-	-	-
Ending fund balance	$ 4,892,607	$ 4,597,340	$ 6,447,476	$ -	$ -	$ -

This is first budget in 9 years to rise above 2008-2009 funding levels (1.5% higher).

All Fund Budgets for 2017-18

Summary By Fund	2016-2017 Budget	2017-2018 Budget	Increase (Decrease)	Percent Change
General Fund	$ 143,140,483	$ 145,426,976	$ 2,286,493	1.6%
Instructional Resources Fund	1,109,752	1,091,652	(18,100)	-1.6%
Bus Fund	783,219	876,893	93,674	12.0%
Grant Fund	6,773,852	7,017,665	243,813	3.6%
Capital Projects Fund	1,275,670	28,482,750	27,207,080	2132.8%
Nutrition Fund	6,071,880	6,079,204	7,324	0.1%
Laptop Fund	100,000	357,740	257,740	257.7%
Total Funds	$ 159,254,856	$ 189,332,880	$ 30,078,024	18.9%

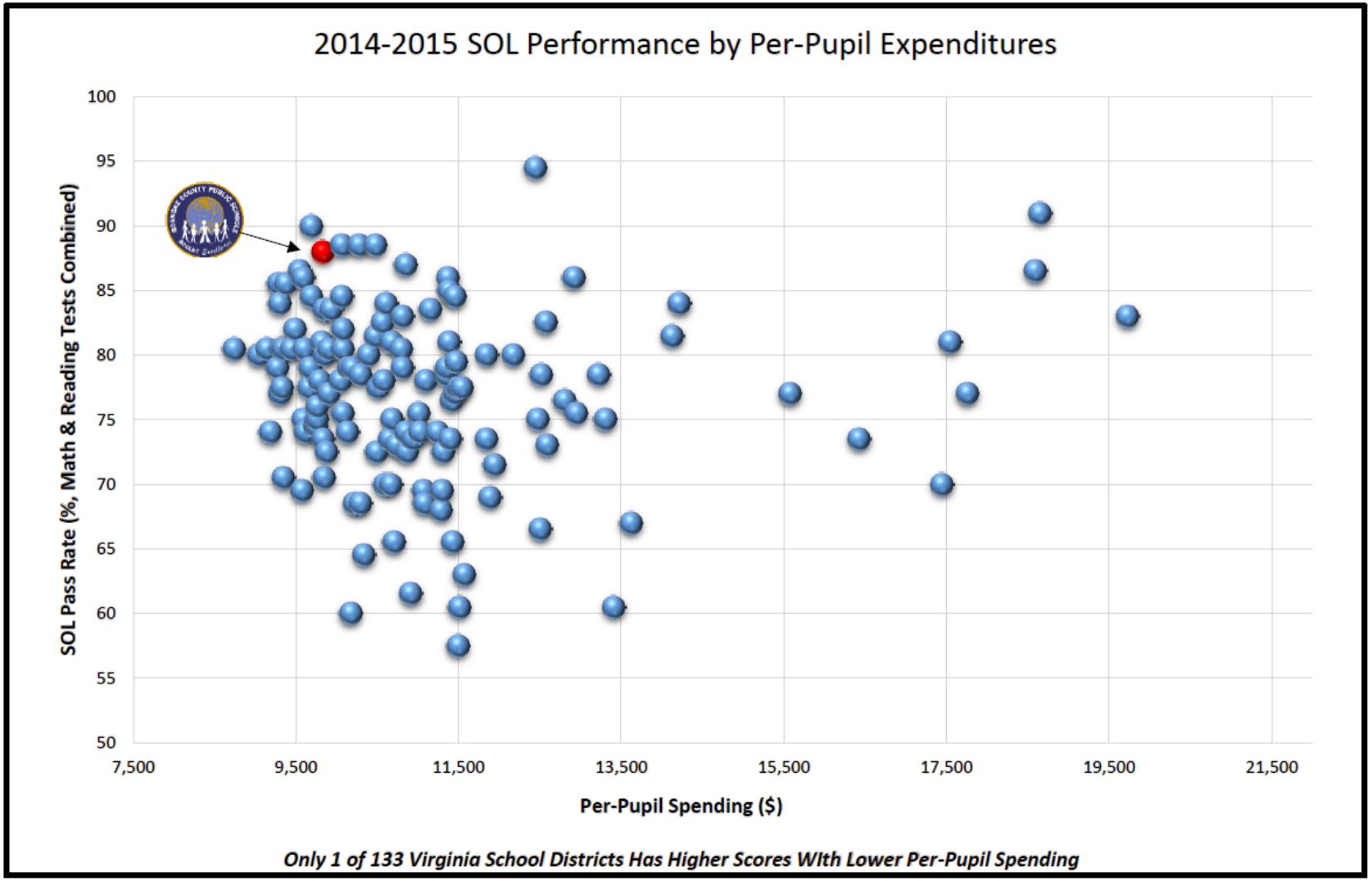
Capital Plans are critical to protecting the existing investment in facilities and equipment, providing preventive maintenance to extend the useful life of school property, and providing for the methodical replacement of essential equipment, vehicles, and capital infrastructure of the school division. Planning ahead of need prevents unnecessary pressures on future budgets.

Capital Plans included in 2017-2018 Annual Budget:

• Capital Improvement Plan	$28,050,000
• Capital Maintenance Plan	$1,000,000
• Technology Replacement Plan	$1,469,370
• Bus Replacement Plan	$876,893

Proposed Budget for 2017-2018

See separate document
Annual Budget
2017-2018



"We cannot do it all…but we are doing it well."

Note: Graph represents latest state-wide data available.

School Board Action Needed

School Board action recommended:

1. Adoption of the Capital Improvement Plan for 2018-2027.
2. Appropriation of $189,332,880 in revenues and expenditures for all school funds for 2017-2018, including funding for the following capital plans:
   - Capital Improvement Plan
   - Capital Maintenance Plan
   - Technology Replacement Plan
   - Bus Replacement Plan
3. Approval of health, dental, and vision insurance rates for 2017-2018 (separate board report).
4. Approval of 2017-2018 Compensation Plan (separate board report).

~~January 12, 2017 – work session~~

~~January 26, 2017 – work session~~

~~February 7, 2017 – joint work session with County BOS~~

~~February 23, 2017 – work session~~

~~March 7, 2017 – work session~~

~~March 16, 2017 – work session~~

~~March 21, 2017 – work session cancelled~~

March 30, 2017 – School Board Adopts 2017-2018 Budget and CIP

April 1, 2017 – Submission of 2018-2019 Budget to Board of Supervisors