Budget Development
2017 - 2018

School Board Work Session

March 16, 2017

Work Session Agenda

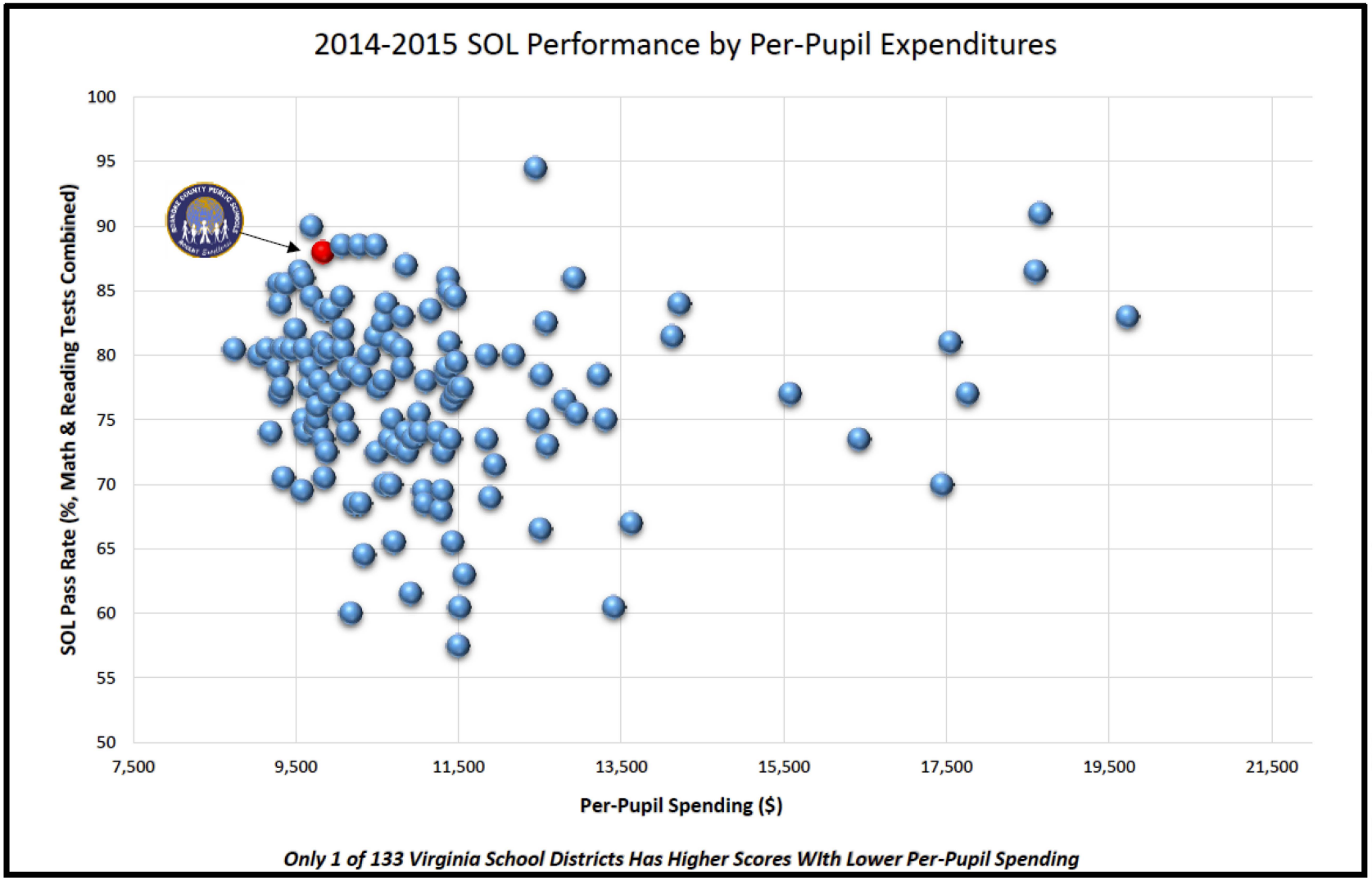
I. Superintendent's Proposed Budget for 2017-2018

II. Board Member Discussion and Direction

III. Final Steps

Superintendent's Proposed Budget for 2017-2018

Stewardship of Local Taxpayer Funding



Note: Graph represents latest state-wide data available.

Update to Other Fund Budgets

The following updates have been made to the Other Fund Budgets presented at the 3/7/17 work session:

- Grant Fund:
  - added Champions Together Grant of $5,000
- Capital Fund:
  - added EBS lease income of $20,670 designated for IP telephony equipment
  - added IP telephony project of $132,750 which is part of the Technology Plan as presented at the 1/26/17 work session and is funded by EBS lease income accrued to date
  - increased Capital Fund grant contingency by $25,000 for potential mid-year capital grant awards for a total increase of $50,000 over prior year's budget

Board Priorities

- VRS rate increase (mandatory)
- Special Ed positions (state regs)
- Employee compensation
  - Compensation Study step increase (1.5% average)
- Health insurance increases using health reserves 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
- Full-day nurse coverage
- Compensation Study Part 2
  - Increase substitute teacher rate
  - Increase substitute IA rate
  - Increase academic supplements
  - Increase coaching supplements

Health Insurance – Budget Options

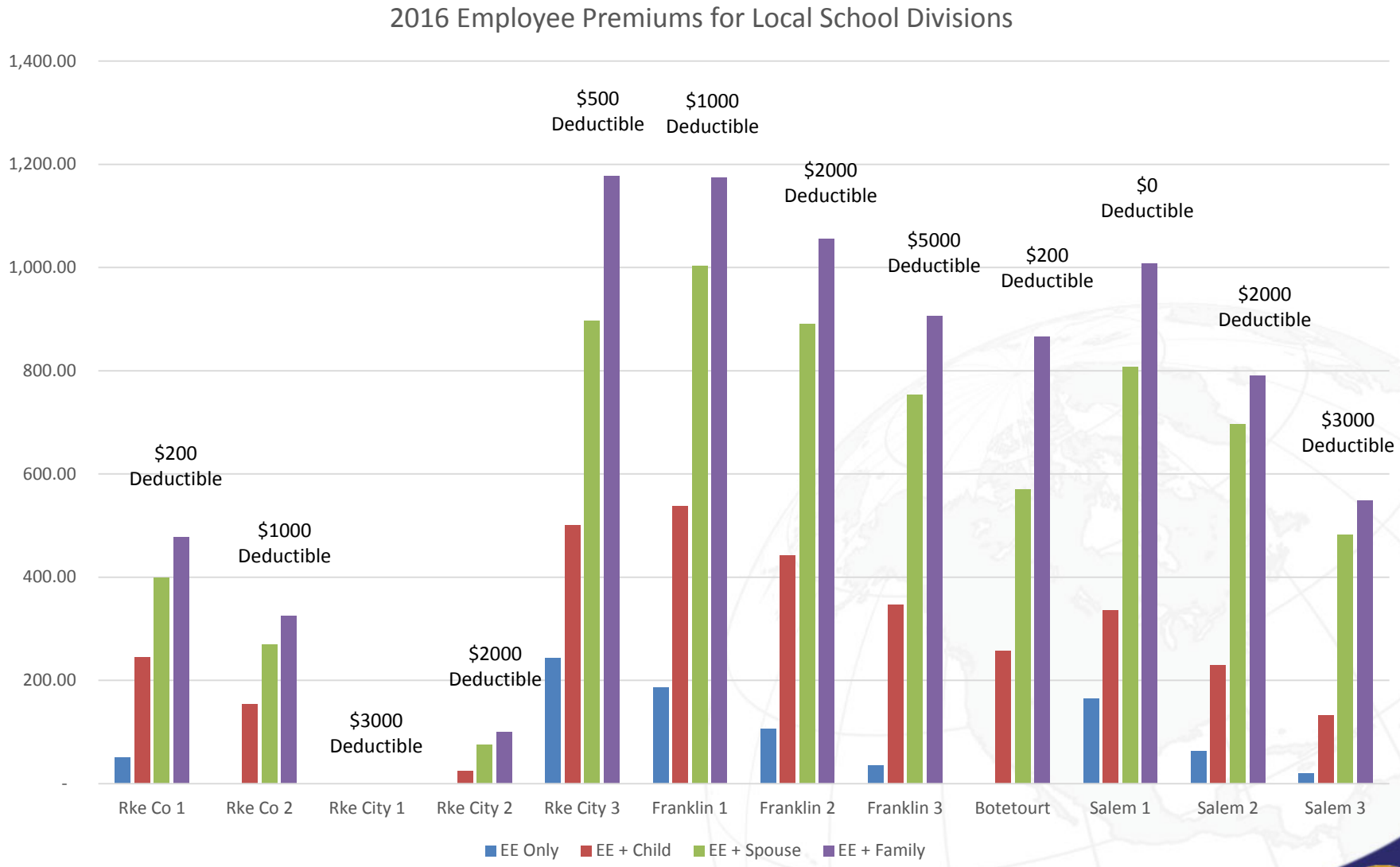
Options from 2/27/17 work session included in proposed rates:

1. Increase EE share of subscriber only premium (currently $1.46/month)
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 should reflect incentive for employees to shift to higher deductible plans (27% to 39% shifted this year)
5. Use health reserves to subsidize rate increases (future budget impact)

Options to consider in 2018-2019:

1. Spouse surcharge if spouse has coverage available through own employer
2. Shift to higher deductible plan (current HDHP is $1000 deductible)

Health Insurance – Other School Districts



Health Insurance – Pricing Concerns

- Employee share of subscriber only coverage is $1.46 per month currently; proposing increase to $20 per month for $1000 deductible plan
  - Botetourt had free coverage in 2016 with $200 deductible plan
  - Roanoke City had free coverage in 2016 with $2000 deductible plan
  - Salem had coverage for $20.41 in 2016 with $3000 deductible and $63.33 for $2000 deductible
  - Proposed rate would still be low and competitive for recruiting new teachers
- Employee share of dependents/family is significantly lower than neighboring school divisions; proposing increase to 34% of total premium for $1000 plan
  - Proposed family benefit is 170% of employee only benefit (171% in current year)
  - Proposed family rate will still be lowest price family plan with lowest deductible in area school divisions
  - Increases in dependent coverage may result in some families reconsidering splitting coverage with spouse's employer plan

2016 Rates (except RCPS is proposed 2018)

Locality	Deductible	EE Only Deduction	Family Deduction
Salem	0 Ded	164.14	1,007.80
RCPS (proposed)	**200 Ded**	**107.67**	**609.25**
Botetourt	200 Ded	0.00	866.50
Roanoke City	500 Ded	202.45	980.47
RCPS (proposed)	**1000 Ded**	**20.00**	**431.46**
Franklin	1000 Ded	186.00	1,175.00
Roanoke City	2000 Ded HRA	0.00	83.33
Salem	2000 Ded	63.33	790.86
Franklin	2000 Ded	107.00	1,056.00
Salem	3000 Ded	20.41	548.10
Franklin	5000 Ded	36.00	906.00

Note: Rates obtained from other school district web sites and/or phone calls in 2016 for similar comparison (latest rates available for all school districts).

Proposed Health Insurance Rates – $20 Option

$20 Employee Option

Cost: $ 342,986

Current Employees
Proposed FY 2018 Health Insurance - 12 Month Rates
Key Care 1000 WITH Wellness

Plan	# of Employees Enrolled	FY 2018 County Contribution	FY 2018 HRA Contribution	FY 2018 Total County Contribution	FY 2018 Total Monthly Premium	FY 2018 % Employee Share	FY 2018 Employee Rate	*FY 2017 Employee Rate*	*Monthly Difference: FY 2018 - FY 2017*
Employee Only	241	$ 451.79	$ 41.68	$ 493.47	$ 523.47	4%	**$ 20.00**	*$ 1.46*	*$ 18.54*
Employee + Child	33	$ 426.88	$ 83.34	$ 510.22	$ 708.65	28%	$ 198.42	*$ 162.26*	*$ 36.16*
Emloyee + Spouse	38	$ 623.14	$ 83.34	$ 706.48	$ 1,070.42	34%	$ 363.94	*$ 282.22*	*$ 81.72*
Employee + Family	172	$ 754.21	$ 83.34	$ 837.55	$ 1,269.01	34%	$ 431.46	*$ 339.45*	*$ 92.01*

Current Employees
Proposed FY 2018 Health Insurance - 12 Month Rates
Key Care 200 WITH Wellness

Plan	# of Employees Enrolled	FY 2018 County Contribution	FY 2018 HRA Contribution	FY 2018 Total County Contribution	FY 2018 Total Monthly Premium	FY 2018 % Employee Share	FY 2018 Employee Rate	*FY 2017 Employee Rate*	*Monthly Difference: FY 2018 - FY 2017*
Employee Only	343	$ 520.03	$ 41.68	$ 561.71	$ 627.70	17%	$ 107.67	*$ 52.08*	*$ 55.59*
Employee + Child	53	$ 565.81	$ 83.34	$ 649.15	$ 886.35	36%	$ 320.54	*$ 253.33*	*$ 67.21*
Emloyee + Spouse	51	$ 775.79	$ 83.34	$ 859.13	$ 1,286.76	40%	$ 510.97	*$ 413.40*	*$ 97.57*
Employee + Family	184	$ 897.46	$ 83.34	$ 980.80	$ 1,506.71	40%	$ 609.25	*$ 495.00*	*$ 114.25*

$26,100 reduction in cost for each $10 added to KC1000 Employee Only rate paid by employees

SAMPLE RATES

Health Insurance – KC1000 Makes Sense

- What you get with KC1000:
  - Lower premium than KC200; consumer driven health care
  - $500 HRA cash contribution at beginning of year ($1000 for employee plus dependents)
  - Lower out of pocket maximum ($3500/$7000 vs $4000/$8000)
  - Lower drug co-pays ($10/25/40 vs $10/30/50)
  - Save money even if employee ends up paying full deductible amount

Example	Annual Deductible	HRA Cash Provided to Employee	2017-2018 Proposed Annual Premium	Total Cost to Employee
KC200 Employee + Family Wellness	$ 400.00	$ -	$7,311.00	$7,711.00
KC1000 Employee + Family Wellness	$2,000.00	$(1,000.00)	$5,177.52	$6,177.52
Cash Savings to Employee in KC1000				$1,533.48
Additional tax savings if employee deposits into flex account to use for deductible (est 30%)				$ 460.04
Total savings to Employee in KC1000				**$1,993.52**

Employee Choice

Fact #1: Employees will pay more to stay in current plan; rate increase is unavoidable

Fact #2: 61% of employees could save money in their monthly premium deduction by switching from KC200 to KC1000 plan

Health Plan (Wellness)	Coverage	Employee Deduction This Year	Proposed FY2018 Employee Deduction for KC200	Increase in Monthly Cost to Employee to Keep KC200	Proposed FY2018 Employee Rate for KC1000	Monthly Savings to Employee to Switch to KC1000	**Possible Annual Savings to Employee**
KC200	Employee Only	$ 52.08	$ 107.67	$ 55.59	$ 20.00	$ 32.08	**$ 384.96**
KC200	Employee + Child	$ 253.33	$ 320.54	$ 67.21	$ 198.42	$ 54.91	**$ 658.92**
KC200	Emloyee + Spouse	$ 413.40	$ 510.97	$ 97.57	$ 363.94	$ 49.46	**$ 593.52**
KC200	Employee + Family	$ 495.00	$ 609.25	$ 114.25	$ 431.46	$ 63.54	**$ 762.48**

Possibility: Increases in dependent coverage may result in some families reconsidering splitting coverage with spouse's employer plan

SAMPLE RATES

Health Insurance – Salary vs Health Increase

Year	Projected Annual Salary with 3% Salary Increase Every Year	Projected Annual Salary with Health Increase Paid Instead Every Other Year instead of 3% Salary Increase
2017	40,985	40,985
2018	42,215	40,985
2019	43,481	42,215
2020	44,785	42,215
2021	46,129	43,481
2022	47,513	43,481
2023	48,938	44,785
2024	50,406	44,785
2025	51,919	46,129
2026	53,476	46,129
2027	55,080	47,513
2028	56,733	47,513
2029	58,435	48,938
2030	60,188	48,938
2031	61,993	50,406
2032	63,853	50,406
2033	65,769	51,919
2034	67,742	51,919
2035	69,774	53,476
2036	71,867	53,476
Average Salary for VRS Retirement Calculation	**69,795**	**52,957**
Average Annual VRS Retiree Benefit for Life	**38,387**	**29,126**

Note: Above estimates are not official VRS calculations; prepared for comparison and content purposes only.

Increases in salary are more advantageous to employees in the long-term than increases in benefits

- Retiree benefit based on average of 3 or 5 highest salary years (example assumes 3 years for VRS Plan 1)
- Salary increases are cumulative (each building upon the last)
- In this example, the employee would receive $9,261 more in VRS payouts every year for life with annual salary increases vs. employer paid health insurance increases

Superintendent's Proposed General Fund Revenue Budget for 2017-18

	Budget 2016-2017 ADM 13950	Budget 2017-2018 ADM 13700	Increase (Decrease) ADM -250)	Percent Change
State aid for education	$ 73,529,258	$ 75,192,450	$ 1,663,192	2.3%
Transfer from County	67,839,376	68,098,215	$ 258,839	0.4%
Federal revenue	634,807	374,998	$ (259,809)	-40.9%
Other revenue	1,137,042	1,270,968	$ 133,926	11.8%
Transfer from laptop reserves	-	203,960	$ 203,960	N/A
Transfer from health reserves	-	286,385	$ 286,385	N/A
Total revenue	$ 143,140,483	$ 145,426,976	$ 2,286,493	1.6%

Revenue adjustments for the following:

- Federal E-rate reduction (based on current E-rate denial status)
- Grant contingency increase (offsetting expenditure)
- New 6th grade laptop fee used to offset Technology Plan
- Laptop reserves used to fund Technology Plan
- Health reserves used for majority of health insurance benefit increase

Superintendent s Proposed General Fund Expenditure Budget for 2017-2018

Superintendent's Proposed Expenditure Budget for 2017-2018 addresses the following School Board priorities:

- VRS retirement rates (mandated by state)
- Special Education teachers and IA's as required by state regulations
- Compensation Plan step increase (1.5% average cost)
- Budget neutral items included:
  - Technology replacement plan funded with reserves and student laptop fees
  - Health insurance premium increases funded with general fund, health reserves, and employee contributions (mostly budget neutral)
  - Retain church rental income of $65K in general fund budget and pay for HVAC support by offsetting church rental income distribution to schools

Quick Math

Prioritized expenditure increases:	
• VRS premium increase (mandatory)	$ 1,367,843
• Special Ed teachers – 3 (state regulations)	184,500
• Special Ed IA's – 6 (state regulations)	145,100
• Special Ed teachers in baseline – 12 (state regulations)	738,000
• Compensation Study step increase	1,555,061
• Health insurance budget increase	342,986
Total prioritized expenditure increases	$ 4,333,490
Proposed funding allocation:	
• New revenue (excluding technology and health reserves)	$ 1,796,148
• Use laptop reserves for Technology Replacement Plan	203,960
• Use health reserves for proposed health insurance benefits	286,385
• Other department budget reductions (net)	255,284
• Use baseline personnel budget (savings from attrition, lapse, vacancies)	1,791,713
Total proposed funding allocation	$ 4,333,490

Priorities in 2018-2019

Unfunded Priority Budget Requests:		
• Full day nurse coverage in schools	$ 601,615	**Work on options for funding in 2018-19 budget**
• Compensation Study Part 2 – substitute teacher rate	64,600	
• Compensation Study Part 2 – IA rate	84,300	
• Compensation Study Part 2 – academic supplements	80,000	
• Compensation Study Part 2 – athletic supplements	76,000	

Superintendent's Proposed Budget for 2017-18

See separate Budget Summary worksheet to be provided during work session

Board Member Discussion and Direction

Final Steps

~~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

- Superintendent's Proposed Budget for 2017-18

March 21, 2017 – work session

- Final review of School Board revisions to Superintendent's Proposed Budget

March 30, 2017 – School Board Adopts FY18 Budget

- Includes CIP, CMP, Bus Replacement Plan, and Technology Replacement Plan

April 1, 2017 – Submission of FY18 Budget to Board of Supervisors

Questions & Comments