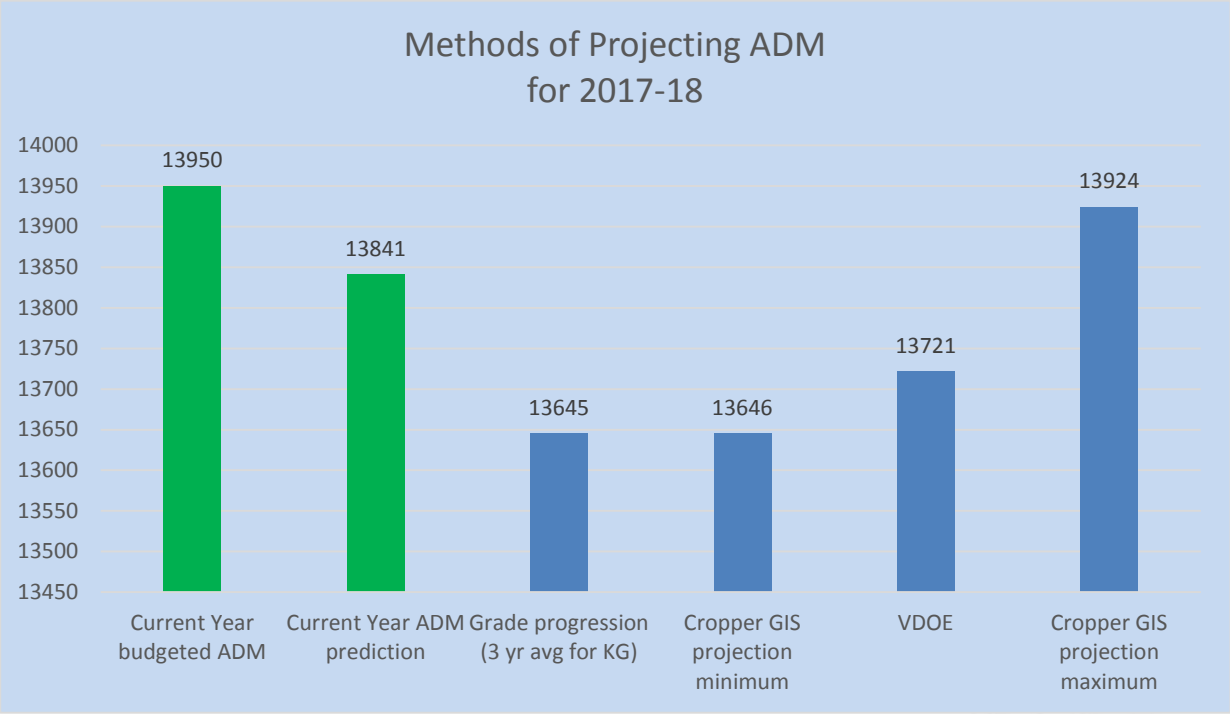


Work Session Agenda

I. Average Daily Membership

Average Daily Membership

Average Daily Membership



KG Enrollment as of January	
FY12	979
FY13	1007
FY14	1007
FY15	973
FY16	988
FY17	918
AVG for 5 yrs	979
AVG for 4 yrs	971
AVG for 3 yrs	960
AVG for 2 yrs	953

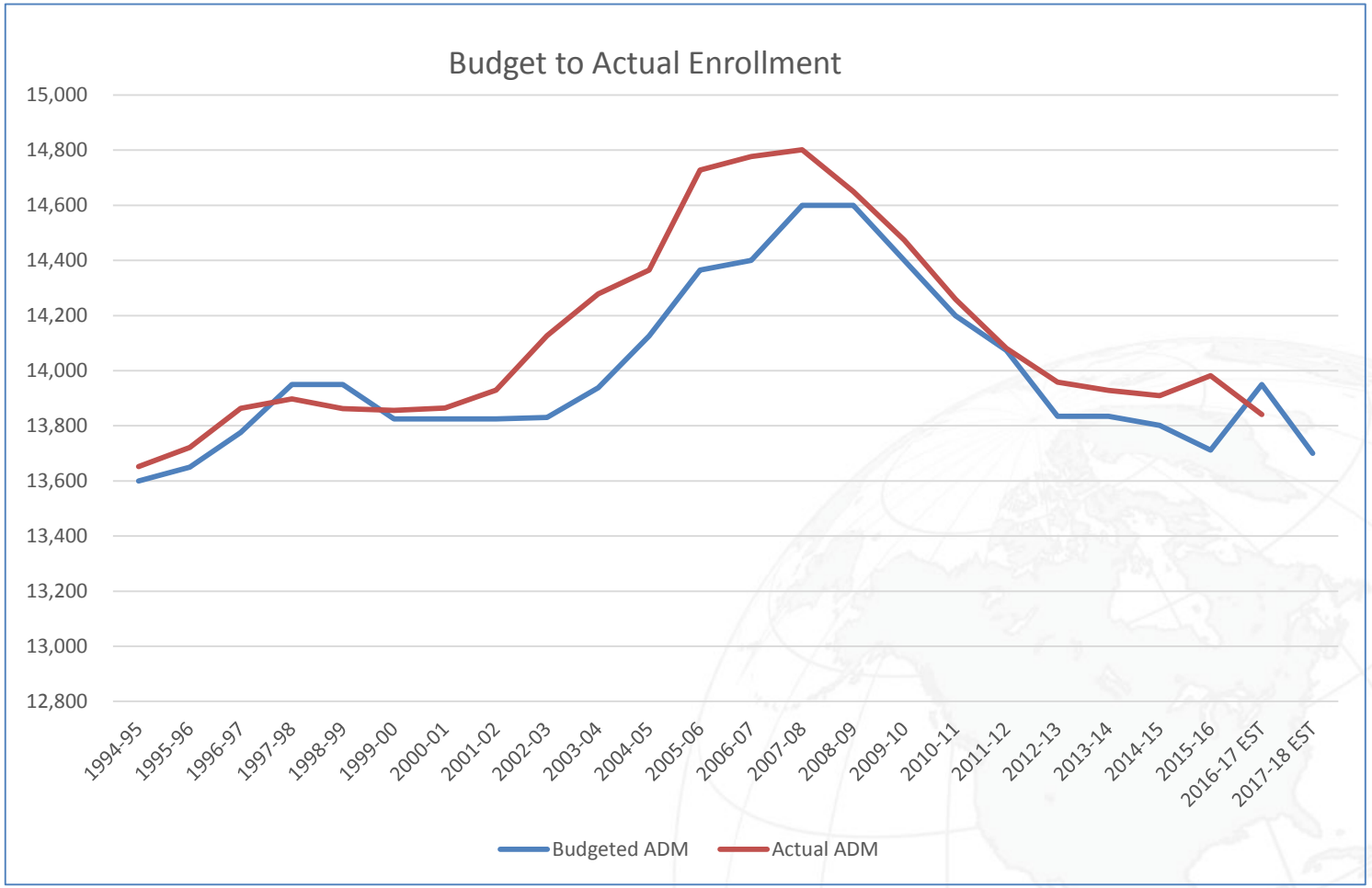
	KG	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Grade Progression	960	918	985	985	1040	1033	1056	1085	1063	1094	1164	1147	1115	**13645**

Staff Recommendation
13,700

School Board Recommendation
????

Note: Should this estimate be too high, actual collections of state revenue will be lower than budget and could warrant the need to access the Emergency Contingency set up by the School Board for situations such as this.

Average Daily Membership



Revenues
Commonwealth of Virginia

House and Senate Highlights

Both Budgets

- Increase VRS rate from 14.66% to 16.32% (meets 100% requirement one year early)
- Increase VRS retiree health credit rate from 1.11% to 1.23%

House Budget

- Increases lottery funding (from $224 to $313 per pupil)
- N/A - Small division relief funding if < 10,000 students and 10% decline in enrollment

Senate Budget

- Reduces lottery funding (from $224 to $186 per pupil)
- Funds state share of 2% salary increase for SOQ positions as of 7/10/17
- 2% raise in either FY17 or FY18 qualifies
- N/A - Enrollment loss relief available for districts with > 1.5% enrollment loss
  (RCPS would have to fall below 13,772 in FY17 to be eligible for any funds; predicting FY17 ADM will be 13,841)

House and Senate

	Current Year			At Crossover		
	Budget	Estimated	Governor	House	Senate	Final GA
ADM	***13950***	***13834***	***13700***	***13700***	***13700***	
State Revenues						
Sales Taxes (local estimate)	15,000,000	15,101,794	15,183,022	15,183,022	15,183,022	
Basic Aid	39,907,713	39,748,579	39,259,803	39,253,827	39,253,827	
Compensation Supplement/Bonus	619,578	0	679,029	0	1,034,311	
Lottery Supplement	468,956	466,299	1,979,004	2,754,351	1,642,371	
Categorical/Incentive Revenues	17,527,872	17,271,059	17,933,097	17,933,097	17,913,723	
Total State Operating Revenues	73,524,119	72,587,731	75,033,955	75,124,297	75,027,254	0
Increase (Decrease)		**(936,388)**	**1,509,836**	**1,600,178**	**1,503,135**	
State aid per student				*5,001*	*4,994*	

New state revenue for FY 2018 is likely to be between $1.5M and $1.6M with ADM of 13700

-- Pending final General Assembly action --

Revenues
County of Roanoke

Revenue Sharing Formula

- Accounts for shifting dynamic between school enrollment and

Revenue Sharing Formula

1. Calculate 3-Year Average:

	ADM*	Population**	ADM/Pop	
FY2015 (actual)	13,909	93,569	14.8650	
FY2016 (actual)	13,982	93,775	14.9102	
FY2017 (budgeted)	13,950	94,103	14.8242	
Average of 2014-16	**41,841**	**281,447**	**14.8664**	①
FY2016 (actual)	13,982	93,775	14.9102	
FY2017 (budgeted)	13,950	94,103	14.8242	
FY2018 (projected)	13,700	94,443	14.5076	
Average of 2015-17	**41,632**	**282,311**	**14.7469**	②

*ADM per adopted School Budget - Student Enrollment Table and School CAFR Table

**Population from CAFR Table 13

2. Calculate Net Allocation Change:

Difference in the ADM/Population Index	① - ② =	0.1195	③
Payroll Factor		65%	④
ADM/Population Index times Payroll Factor	③ x ④=	0.077694	⑤
Divide ADM/Population Index by Avg.	⑤ / ②=	0.005269	⑥
Net Allocation Change	1.0 - ⑥=	0.994731	⑦

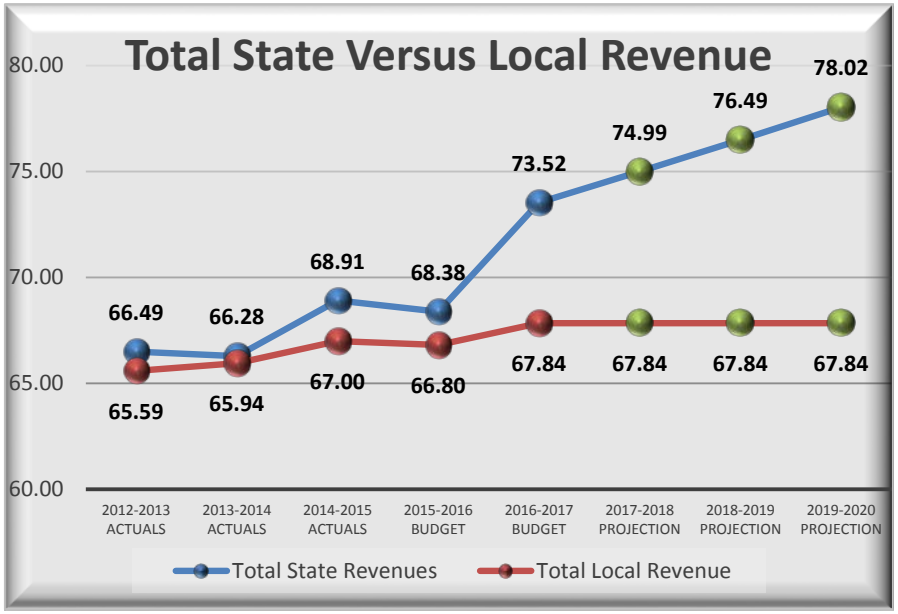
Revenue Sharing Formula

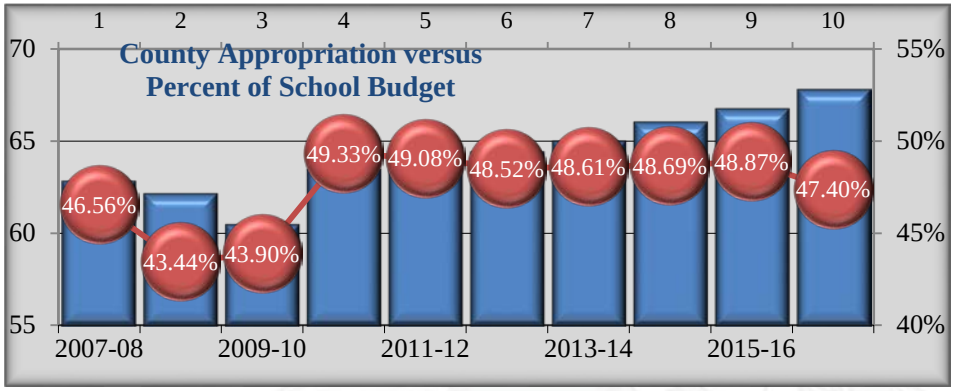
3. Calculate Increase/(Decrease) in School Transfer:

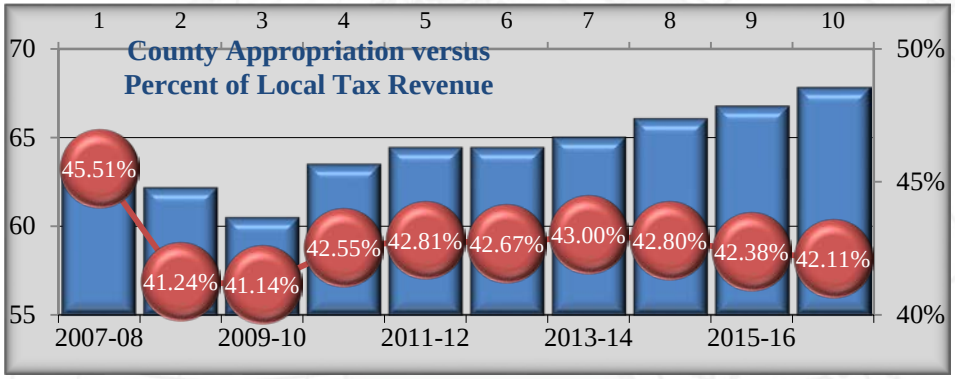
Property and Local Taxes	$ 161,029,473	$ 163,235,794
Adjustments:	-	-
Lodging Tax-Roanoke Valley Convention and Visitors Bureau	(507,643)	(514,894)
New Treasurer Position (Proposd Budget)	-	(39,909)
Increase in CSA costs (tentatively $600K)	-	(600,000)
Economic Development Incentive (South Peak CDA)	(311,000)	(560,000)
Economic Development Incentive (Allstate)	(150,000)	(150,000)
Economic Development Incentive (HyperGen)	(37,500)	-
Economic Development Incentive (Ardagh)	(650,000)	(650,000)
Net total taxes	**$ 159,373,330**	**$ 160,720,991**
Percentage of School Transfer/Net Taxes	42.5949%	
Net Allocation Change applied to Percentage of School Transfer		42.3705%
School Transfer Calculated	**$ 67,839,376**	**$ 68,098,215**
Increase in Transfer from County of Roanoke for 2017-18 (tentative)		**$ 258,839**

Local Transfer from Board of Supervisors

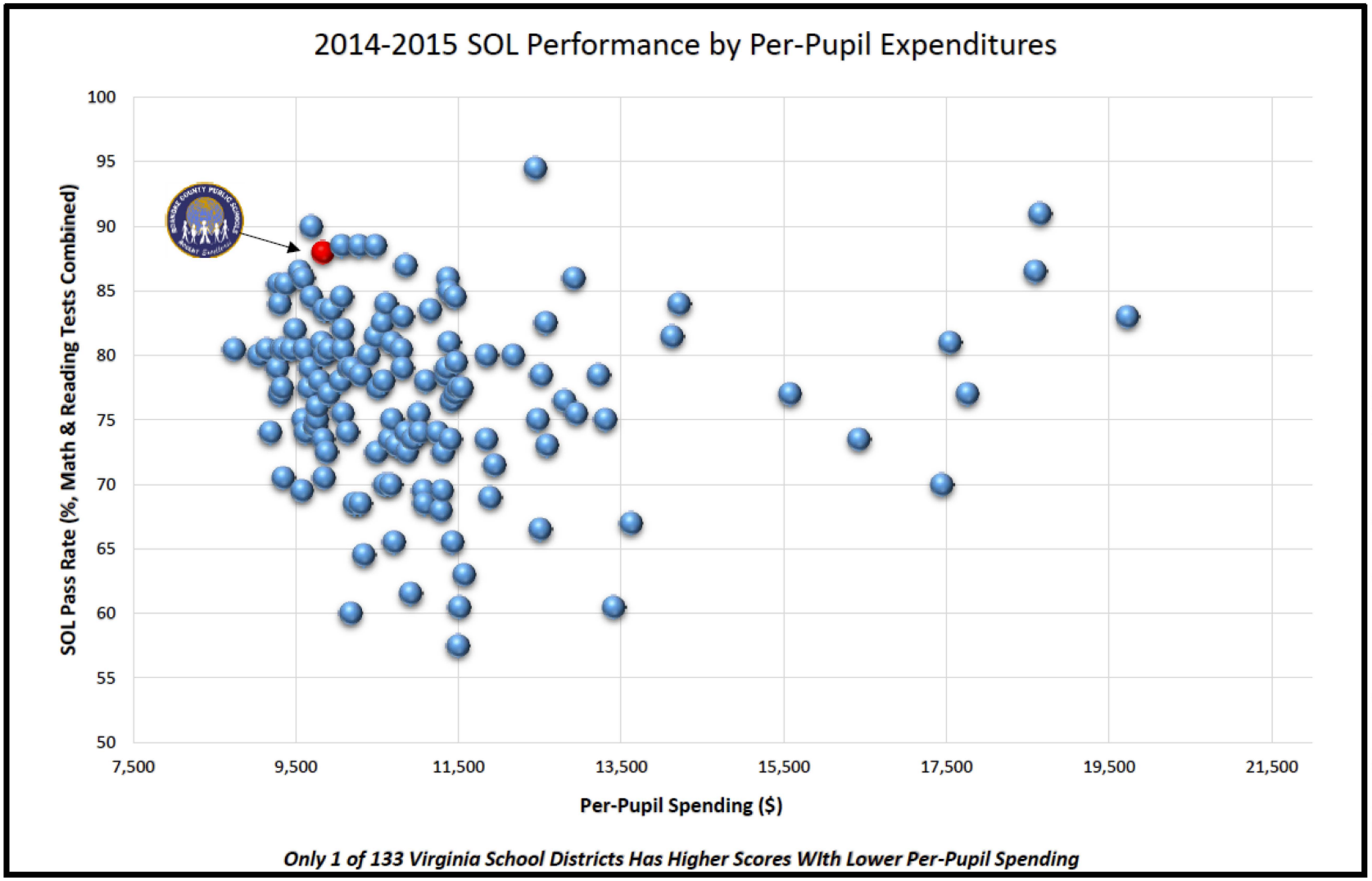
- Based on revenue sharing formula
- Formula was changed for 2015-16 budget process







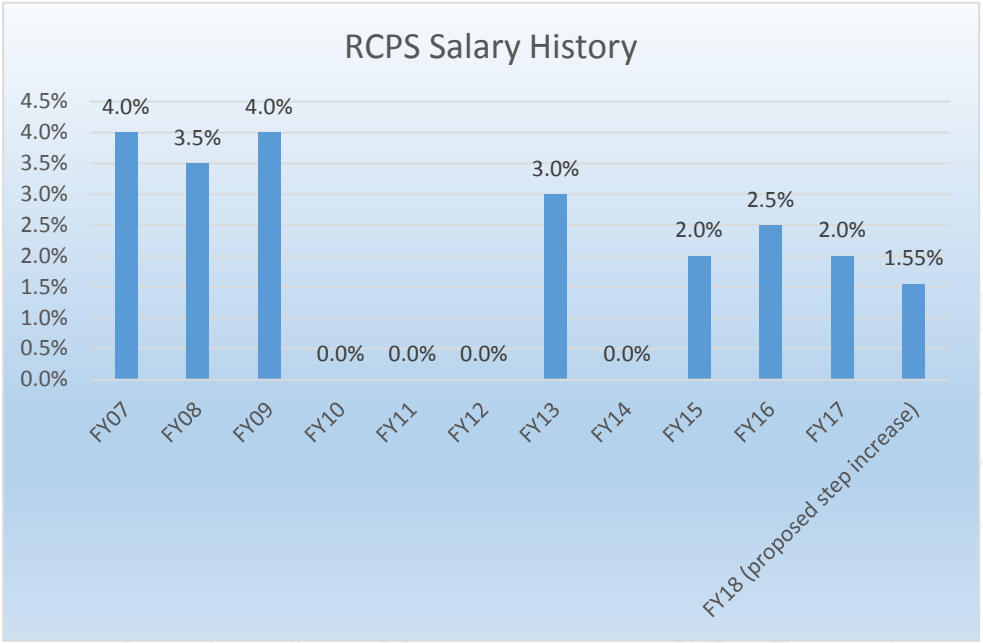
Stewardship of Local Taxpayer Funding



Employee Compensation

Compensation History

Year	Raise	Bonus/Market Adj	Inflation Rate
FY07	4.0%	-	2.85%
FY08	3.5%	-	3.85%
FY09	4.0%	-	-0.34%
FY10	-	$500	1.64%
FY11	-	-	3.16%
FY12	-	4.0% (min of $500, max of $2500)	2.07%
FY13	3.0%	-	1.47%
FY14	-	-	1.62%
FY15	2.0%	-	0.12%
FY16	2.5%	-	1.26%
FY17	2.0%	Comp Study Mkt Adj (5% funding)	2.5% as of Jan
FY18 (proposed step increase)	**1.55%**	**-**	**TBD**



Compensation Study in 2016

- ❑ Ensure internal equity and market comparability
- ❑ Ensure recruitment and retention of high quality employees

Compensation Study Review

- Phase I of the Compensation Study met the

Compensation Study Moving Forward – Phase 2

- Phase II of Study - Supplements

Considerations for 2017-18 Budget based on Phase II and State/Federal Requirements

Budget Request	Cost
Compensation Plan - step increase for employees	$1,555,061
3 Special Education teachers	$184,500
6 Special Education Instructional Aides	$145,100
Substitute teacher rate to $90/day	$64,600
Substitute IA rate to $65-$72/day	$84,300
Coaching Supplements	$76,000
Non-coaching (academic) Supplements	$80,000
Total Budget Request	**$2,189,561**



Health Insurance - Background

- Joint health insurance program for County, Schools, WVRJA, and RVRA

Health Insurance – Wellness

- Marathon Health & Wellness Center opened October 2016
  - Voluntary employee benefit
  - Focus on employee wellness (1-2-3 plan to wellness)
  - Strong participation in first few months

Volume Trend By Type					
Month	Coaching	Acute	Telep	Labs/Other	Total
October 2016	30	47	2	61	140
November 2016	79	63	4	124	270
December 2016	143	41	2	291	477
January 2017	200	73	8	282	563
Total	452	224	16	758	1450

Percent of Total Population With Biometric Screening		
Month	Total Bios	Percent Screened
October 2016	62	3.69%
November 2016	142	8.46%
December 2016	392	23.36%
January 2017	670	39.93%

Percent of Total Population Engaged						
Month	Coach	Coach %	Acute	Acute %	Total	Total %
October 2016	25	1.49%	36	2.15%	61	3.64%
November 2016	69	4.11%	70	4.17%	139	8.28%
December 2016	182	10.85%	82	4.89%	264	15.73%
January 2017	341	20.32%	90	5.36%	431	25.69%

Percent of High and Chronic Engaged						
Month	Coach	Coach %	Acute	Acute %	Total	Total %
October 2016	18	3.61%	20	4.02%	38	7.63%
November 2016	46	9.24%	40	8.03%	86	17.27%
December 2016	100	20.08%	45	9.04%	145	29.12%
January 2017	189	37.95%	44	8.84%	233	46.79%

Health Insurance – RCPS Rate History

Year	Increase to Employee	Increase to School Board
FY 2010	0	0.0%
FY 2011	0	4.1%
FY 2012	0	4.8%
FY 2013	0	0.0%
FY 2014	0	2.5%
FY 2015	KC200 only - 5%	0.0%
FY 2016	KC200 only - increase $15 to $30 monthly	0.0%
FY 2017	3.5%	3.5%

Note: National medical trends historically average 10% and higher; plan revisions have contained RCPS annual increases well below national trends despite higher medical costs in Roanoke Valley in comparison to much of Virginia.

Health Insurance – Budget Impact

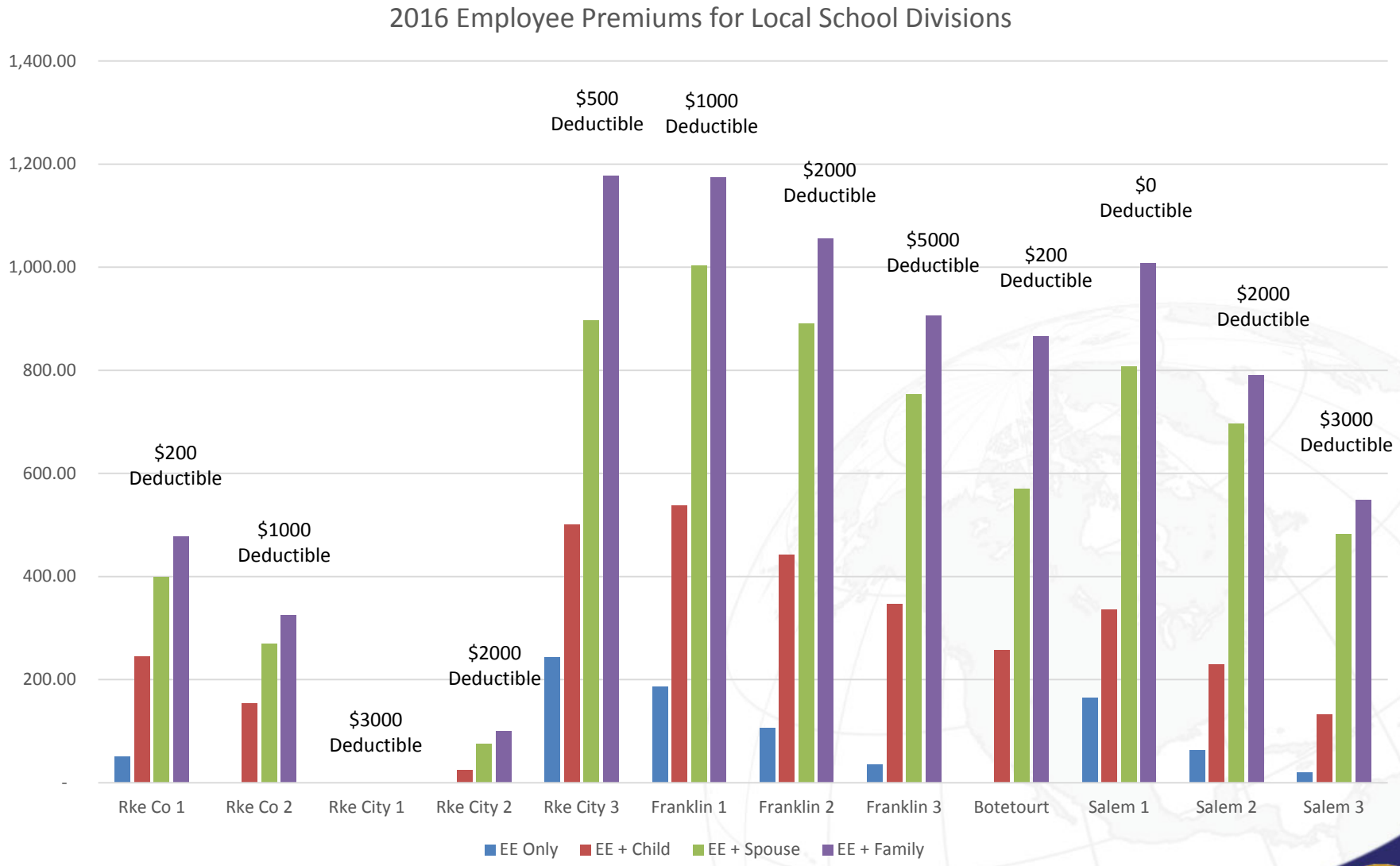
RCPS Claims for past 12 months

- 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 in budget and employee rates

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

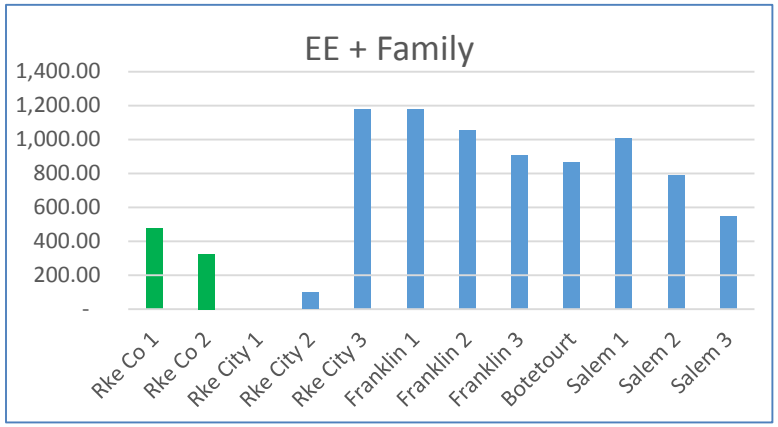
National Trend Factors	
Medical expenses	7.5%
Rx expenses	5.5%

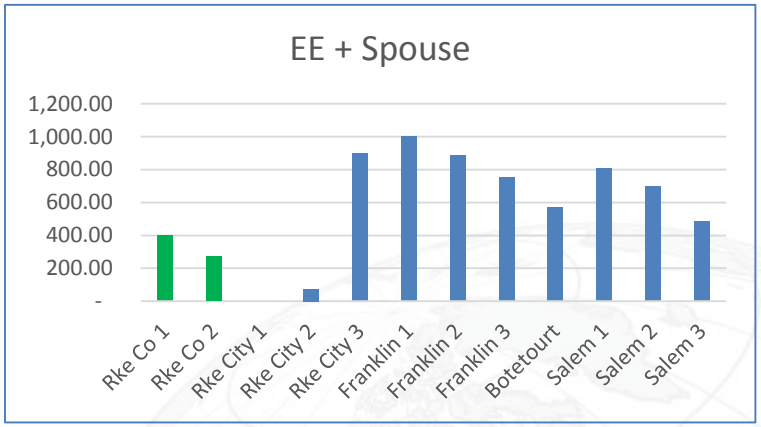
Health Insurance – Comparing Employee Premiums



Health Insurance – Pricing Concerns

- Employee share of subscriber only coverage is $1.46 per month
- Employee share of employee + dependents/family is significantly lower than neighboring school divisions





2016 Rates Locality	Deductible	Family Rate
Salem	0	1,007.80
Botetourt	200	866.50
Roa City	500	980.47
Franklin	1,000	1,175.00
Roa City	2,000	83.33
Salem	2,000	790.86
Franklin	2,000	1,056.00
Salem	3,000	548.10
Franklin	5,000	906.00
RCPS	200	**478.26**
RCPS	1,000	**325.16**

2016 Rates Locality	Deductible	EE Only Rate
Salem	0	164.14
Botetourt	200	-
Roa City	500	202.45
Franklin	1,000	186.00
Roa City	2,000	-
Salem	2,000	63.33
Franklin	2,000	107.00
Salem	3,000	20.41
Franklin	5,000	36.00
RCPS	200	**50.32**
RCPS	1,000	**1.46**

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)

Example	Deductible	HRA	2016-17 Annual Premium	Total Cost to Employee
KC200 Employee + Family Wellness	$ 400.00	$ -	$ 5,940.00	$ 6,340.00
KC1000 Employee + Family Wellness	$ 2,000.00	$ (1,000.00)	$ 4,073.40	$ 5,073.40
Cash Savings to Employee in KC1000				$ 1,266.60
Additional tax savings if employee deposits into flex account to use for deductible (est 30%)				$ 379.98
Total savings to Employee in KC1000				**$ 1,646.58**

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
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
- 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 instead of employer paid health insurance increases

Health Insurance – Budget Options

Pricing consideration should be given to the following

Benefits
Virginia Retirement System

VRS Fiscal Impact

VRS Plan	Current Rate	Governor's Rate	Rate Change	Estimated Increase (Decrease) in Budget
VRS – Professional	14.66%	16.32%	+1.66%	$1,275,629
VRS – Non-Professional	4.83%	4.83%	No change	0
Retiree Health Credit	1.11%	1.23%	+.12%	92,214
Life Insurance	1.31%	1.31%	No change	0
Net Budgetary Impact for FY18				**$1,367,843**

- Employee contribution to VRS remains at 5%

Other Budget Requests

Additional Budget Requests

Allocate portion of church rent for on-call HVAC support on weekends	$	10,000
Replace student records software system		26,000
Prevention Council funding request		50,000
Extend contract - athletic directors (240 days/8 hrs)		56,000
Increase in joint IT costs for financial system annual support services		62,967
Remove church rental income from Operating Budget		65,000
New position - Apprenticeship Supervisor (including benefits)		82,000
New position - Guidance/contract adjustment (including benefits)		84,000
New position - Internal Audit position		94,000
Technology replacement plan		248,184
Increase in employee share of health insurance renewal - 13.2%		500,000
Convert nurses to full-time status including benefits		601,000
Provide full-time health benefits to part-time employees		1,335,000
Total Additional Requests	**$**	**3,214,151**

Recap the Challenge

New Funds:		
Commonwealth of Virginia	$	1,500,000
County of Roanoke	$	258,839
New Revenue	**$**	**1,758,839**
New Expenditures:		
Compensation Plan - step increase (1.55%)	$	1,555,061
Compensation Study - part 2 (substitutes/stipends)	$	304,900
Additional special education teachers/aides	$	329,600
Health insurance renewal increase	$	1,134,022
Virginia Retirement System (mandatory increase)	$	1,367,843
Additional requests	$	3,214,151
New Budget Requests	**$**	**7,905,577**

Next Steps

- Work session – March 2, 2017

