



# KENAI PENINSULA BOROUGH SCHOOL DISTRICT

## Finance

Melody Douglas, Chief Financial Officer  
148 North Binkley Street Soldotna, Alaska 99669-7553  
Phone (907) 714-8888 Fax (907) 262-5867  
Email mdouglas@kpbsd.k12.ak.us

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## MEMORANDUM

TO: Board of Education  
THROUGH: Dr. Donna Peterson, Superintendent *Donna Peterson*  
FROM: Melody Douglas, Chief Financial Officer *M Douglas*  
SUBJECT: FY08 Budget

**BACKGROUND:** As you know, the District's budget is in a state of transition from a funding standpoint. Education funding issues are not in the forefront of the Legislature at this time; it is likely final determination of these funding options will come late in the session. Relief to the PERS and TRS employer rates set by the Alaska Management Retirement Board for FY08 is expected.

It is hoped that legislative revenue sharing of some sort, or other revenue assistance, will occur for the Kenai Peninsula Borough (KPB) that will in turn allow the Assembly to continue local effort funding at the cap for the District.

If additional revenue elements are forthcoming, the FY08 budget will need to be revised. In the meantime, a balanced budget must be approved by the Board of Education and transmitted to the Kenai Peninsula Borough Assembly for action.

### **PERTINENT INFORMATION:**

<b>FY08 Preliminary General Fund <u>Revenue</u> Budget</b>	<b><u>\$111,339,795</u></b>
Allocate Fund Balance	<u>\$2,094,604</u>
<b>Revised General Fund <u>Revenue</u> Budget</b>	<b><u>\$113,434,399</u></b>
<b>FY08 Preliminary General Fund <u>Expenditure</u> Budget</b>	<b><u>\$113,434,399</u></b>

**RECOMMENDATION:** The administration recommends Board of Education approval of a general fund budget of \$113,434,399 and a budget of \$131,136,419 for all funds until such time as the legislative impact of educational funding is known for FY08.

## **ADDITIONAL INFORMATION:**

### **Use of fund balance**

The use of fund balance for ongoing operational expenses creates a potential challenge in budgeting for the subsequent fiscal year. All situations remaining equal, in the future additional revenue will be needed to address the portion of the budget covered by the use of fund balance for FY08. If sufficient funds are not realized to address routine annual increases and/or the amount covered by the fund balance allocation, the District will need to make appropriate adjustments in the FY09 budget.

### **Expenditure considerations**

Budget issues to be discussed in the FY08 budget revision process, to be addressed by the Board of Education at the conclusion of this legislative session, will likely include:

**PERS/TRS employer rates:** The District will need to make the appropriate adjustments to address the outcome of this FY08 budget challenge. Please note this issue is also significantly impacting available grant funding. Efforts are underway to limit the effect of these mandated rates on grant projects, although, it is understood that the Legislature is primarily focused on this issue from a general fund standpoint. The District may need to consider a transfer of funds to grant programs to cover the cost of these employer rate increases.

**Utilities – natural gas:** The District is in the process of reviewing the contract with our natural gas supplier as the rates passed on to the District significantly exceed the rate approved by the regulatory commission and the amount budgeted.

**E-rate adjustment:** Finalization of this year's E-rate application occurred after the FY08 preliminary budget was developed. These budget changes will be incorporated in the next FY08 budget revision presented to the Board of Education.

**School configurations:** Providing education opportunities for students is at the forefront of all decision-making. To that end, school configurations are being reviewed at smaller sites, such as Chapman School and Moose Pass School, where middle school students may have improved opportunities by attending middle schools. The preliminary budget does not reflect the Sears/Mt. View school consolidation.

**Pupil transportation:** A review of all transportation services is underway to try to limit the amount needed from the general fund to operate this program. Any reduction to the amount budgeted for pupil transportation services in the FY08 preliminary general fund budget would be available to address FY08 staffing needs.

**Staffing formula changes:** Subsequent to the development of the FY08 preliminary budget, some staffing changes have been made such as moving to principal/teachers at some of our smaller locations. Addressing pupil teacher ratios at certain grade levels within the staffing formulas is also being discussed, with changes that may need to involve budget reductions in other areas of the budget such as supplies. Accounting for these changes is expected in the next revision of the FY08 budget.

**Expenditure - in-kind budget adjustments:** The FY08 Preliminary Budget included no changes to in-kind budget categories with the exception of insurance. The District should receive updated budget information from the Kenai Peninsula Borough in the near future; these changes will be included in the next revision of the FY08 budget.

Ideally, legislative action will allow reinstatement of staffing formulas to current levels and review of the initiatives presented in the FY08 preliminary budget.