

Budget and Finance Meeting

May 5, 2008

Members present: Betty Rhodes, Amanda Ferguson, Mark Enderle, Melodee Parker, Julane Mullins, Mary Browning, Scott Hawkins, Kim Lyon, Rodney Jackson, Debbie Boian, Kent Pleasants.

Meeting started at 4:15 p.m.

Mary began meeting with review of tentative budget. This is a document that will be presented to the board on Thursday evening. Julane reviewed the main points. This is a biennial budget and it was prepared using available revenue trends and needs based assessments, along with exit interviews with schools and departments.

- Revenue is about 16% down from projected.
- Carry forward amounts will be added in September
- Contingency of \$3.1 million (which is a set aside to be used for one time initiatives)
- \$2.5 million unbudgeted recurring revenue and a property tax increase of 5.5%
- PVA gave value of \$571 million of new growth in property
- Tangible property will decrease
- Motor vehicle – projecting a slight increase. This revenue stream is very hard to project.
- Utility taxes will increase about 2%
- Occupational License Tax remains flat
- Expecting a slight decrease in tuition (students from other counties who attend vocational schools) – surrounding counties have built their own facilities
- Decrease in revenue from interest.

Question: Why was revenue in omitted property taxes removed? KDE does not allow district to budget for omitted and delinquent taxes. Historically the district receives approximately \$1 million. It has been added back in on line 11B.

Other changes: Allowing high schools to keep textbook fees, a decrease in miscellaneous revenue due to internal process changes, Medicare reimbursement has changed yet again and it has been tightened therefore we are budgeting less, \$2.5 million less this year from SEEK due to property assessments projected to increase, MAXIMUS reimbursement has been completely eliminated, so it will no longer be a budget item.

Overall - projecting an increase in revenue of \$2.3 million, \$3.1 million in set aside carry over for the upcoming school year. There will be \$7.9 available for reoccurring expenses. Recommending following expenses: legislative or agency mandated expenses (1% salary increases, single usage fees from LFUCG, a 1.5% salary step-up for both classified and certified). Recommending a 3% salary increase for the 2008-09 school year (3% + 1.5% for step-up = \$5.4 million). Additionally there are sewer fees, diesel fuel increases and fleet and property insurance increases.

For the 2009-2010 school year there will be a 1% mandated salary increase. The district will not make any recommendations until there is better data. This district has been fortunate to have been able to improve salaries.

Question: Salary increase 1.5 plus 3% that sounds like a 4.5% increase. Is it really a 4.5% increase for everyone? It depends on where an employee is on the step system, it averages 1.5 along the continuum with more weight being given at the beginning.

Question: Who came up for the formula for the steps and the differentiation? It was done a long time ago when the district did a salary study. There were some strategic efforts to reward longevity along the way. The biggest bumps are in the early portions, but then it tapers down toward the end.

Does the supplemental pay automatically increase? No, it stays flat. Increases have to be approved by the board. It was adjusted two years ago and it is not an area we look at every year.

Any projected increase in health insurance costs? Not employee health insurance, but the property insurance and student health and accident insurance for athletics. Health insurance is covered by the Commonwealth of Kentucky. The district does not cover any employee insurance premiums through the general fund.

Since there were no further questions Rodney reported on the Bank RFP – 13 banks attended the bank bid conference and 3 attended the school activity fund pre-bid meetings. 5 banks ultimately applied. Preliminary reviews of all bids show that all bids are under the Fed rate minus some percentage, currently the district has Fed rate plus a percentage. The bid team will meet next Tuesday and the winning bid will be brought to the board in June. There were 4 banks that applied for the school activity bank bid.

Question: should the economy turn around can the district petition for a better rate? By law we can only hold this bid for 2 years, at that time we can go back and renegotiate or we can rebid. Banks are offering additional services in an effort to compensate.

Question: Who were the bidders? BB&T, Chase, Republic, Fifth Third and US Bank. For school accounts: Traditional, Central, Fifth Third and Republic.

Do banks also offer benefits to the employees? No, but they sponsor programs such as the retirement dinner, they volunteer hours in the schools, etc.

Do you ever have the opportunity to negotiate the benefits offered to employees? Sometimes we see things on one bank bid that we like and we can include it in the final agreement. Some banks offer each employee \$25 to open a bank account. We are looking for an independent consultant to look over the bid to make sure we are not missing something.

Mary announced that several employees from the district would be attending KASBO (Kentucky Association of School Business Officials) later in the week for training.

Question (Betty): Is it time to look at salaries again? No. It was done fairly recently and is a huge undertaking. We can go back and find the history on it and we could do a comparison with other districts to see how we compare. In most cases if you make adjustments they are at the beginning of the schedule, very few are made the back end because the purpose is to get starting salaries equal to those in surrounding areas. We could also look at attrition rate and why people are leaving. That would create a good comparison to give the district a benchmark.

Kent inquired about progress toward accountability of external (booster) groups. The district has initiated training, is compliant with state required reporting from external groups. It has hired a District wide Athletic Director to oversee all athletic programs.

Mary indicated the group would need to meet again in late summer once the audit began.

Meeting adjourned 4:58 p.m.