

SPECIAL BOARD MEETING
 APRIL 26, 2016
 SCHOOL ADMINISTRATION OFFICE

A special meeting of the Board of Trustees of Mountain Home School District No. 193 was convened at 6:00 p.m., April 26, 2016, at the District Administration Office, 470 North 3rd East, Mountain Home, Idaho, in said district, pursuant to authority provided by Title 74, Chapter 2, Section 74-202(4)(c)(6)(b) – Special Meeting of the Board of Trustees, Idaho Code, and pursuant to affirmation by the Clerk that notice of the special meeting had been given to each trustee and had been announced via electronic mail and posted public notice as required by law. A copy of the Notice of a Special Meeting of School Trustees so posted follows:

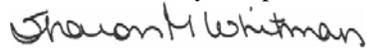
April 26, 2016
NOTICE OF SPECIAL MEETING
BUDGET & CONTINUOUS IMPROVEMENT PLAN WORKSHOP OF THE BOARD OF TRUSTEES
MOUNTAIN HOME SCHOOL DISTRICT NO. 193
Mountain Home, Elmore County, Idaho

NOTICE IS HEREBY GIVEN that a special meeting – Budget Workshop, of the Board of Trustees of Mountain Home School District No. 193, will be held on Tuesday, April 26, 2016, at 6:00 p.m., at the District Administration Office located at 470 North 3rd East, Mountain Home, Idaho, in said District, during which the following business will be conducted:

- I. Budget Workshop
- II. School Board Trustee Continuous Improvement Plan Training
- III. Adjourn

This Special Meeting of the Board of Trustees of Mountain Home School District No. 193 is called pursuant to Title 74, Chapter 2, Section 74-202(4)(c)(6)(b) – Special Meeting of the Board of Trustees, Idaho Code.

Dated the 22nd day of April 2016.



Sharon M. Whitman
 Clerk, School District No. 193
 Mountain Home, Elmore, Idaho

At 6:00 p.m., Chairman Walborn convened the special meeting of the Board of Trustees to discuss the proposed FY17 budget.

- I. **BUDGET WORK SESSION** – Chairman Walborn asked Mr. Ogborn to give his proposed budget description. Mr. Ogborn stated that this description is a work in progress and is just a preliminary estimation and not the final budget. Mr. Ogborn explained that this is an assumption and projections that we have at this point in time. He reviewed the proposed budget description as follows:

Overview

This discussion describes the history and assumptions regarding the preliminary 2016-2017 budget. This budget will be presented to the Mountain Home School District Board of Trustees for input and recommendations. The final budget will change based on the workshop discussions and direction received by the Board.

The revenue and expense discussions below are for activity in the General Fund. The General Fund is where the primary activity of the District occurs such as staff salaries, healthcare expenses, contracted services, general supplies, and liability insurance. Some expenses are paid for by special State or Federal Grants and are considered to be in “Special Revenue” Funds, not the General Fund. A brief description of Special Revenue Funds is at the end of this budget discussion. Within the General Fund, money that is not spent in any one year is kept in a Fund Balance (savings account) to be used in future years. The Fund Balance may be either restricted (dedicated to a particular use or purpose), or unrestricted (available for any need). The terms restricted and unrestricted are often referred to as Appropriated or Unappropriated. The budget is for the period beginning July 1, 2016, through June 30, 2017. This

time frame is called a fiscal year and is commonly indicated by the term FY. The timeframe through June 30, 2017, is FY 2017.

The General Fund gets its money from three primary sources, the first being the State Department of Education payments as appropriated by legislation, the second being the Federal payments for children who are connected with the military called "Impact Aid" revenue, and the third being the Levy approved by the citizens of Mountain Home in the Supplemental Levy. The legislature implemented a change in their reimbursement methodology to Districts called the Career Ladder. In essence, this replaced the education and experience placement table having 98 cells with a table having 13 cells, 3 cells for residents up to a BA degree, and 10 cells for staff holding a Master's degree. This compressed table is referred to as the Career Ladder, but has nothing to do with our certificated salary scale. I project an increase in funding of \$210,000 for certified reimbursement. Currently, this payment methodology is set to be the reimbursement model for instructional staff moving forward. The FY 17 Career Ladder reimbursement model includes the 11 certificated staff we have assigned to Pupil Personnel Services, Administrative, or classified reimbursement. These remain on a reimbursement table similar to last year's table.

We are still looking at a budgeted deficit fund balance of a negative \$460,000 from the end of fiscal year 2015. This will need to be addressed in the near future by cutting expenses or retaining some of the increased funding.

From the three sources of revenue with the first being funding from the State of Idaho that will be increased in 2017; the second being the Federal Revenue (Impact Aid) budgeted at a decrease of \$375,000 from FY 2016 budget; the third source is the Local Revenue (the Supplemental Levy) budgeted to remain the same as FY 2015. The Supplemental Levy is due for a vote in May 2016.

Expenses are categorized into seven major categories. Each category has subsets of accounts within them. The seven categories are salaries, benefits, contracted services, supplies, capital, insurance, and transfers. How the net amount of revenues over expenses will be split up between stakeholders will be a delicate balance and driven by the Board of Trustees.

Enrollment and Support Units

In FY 2017, we are budgeting student enrollment at 3,800, which is a drop of 48 students from the FY 2016 school year as taken on Impact Aid card day. Richard McKenna Charter School is planning to open an elementary school in August of 2016 and the loss of students is estimated at 45 elementary students. If they take 45 elementary students this year, that is estimated to be 1.75 support units which equates to approximately \$160,000.

Trustee Binion asked whether McKenna was going to stay elementary or go kindergarten through 12th grade. Mr. Ogborn replied probably kindergarten through 12th grade.

Enrollment dropped in FY 2016 by 24 students, in spite of what looked like a recent historical trends. Utilizing the current year's enrollment by grade and location, I am projecting a slight decrease in enrollment for the budget year over the current year. The current enrollment with a projected attendance rate of 92.8% will produce 181.0 Support Units. This Support Unit projection is slightly less than the FY 2016 actual of 181.94. Support Units will vary depending on the mix of students, and the divisors by grade level, and attendance rate.

The number of Support Units is generated from the Average Daily Attendance (ADA) and unit divisors from Idaho Code. The unit divisors are basically an assumption of what an average class size is for the different grade levels, the higher the grade, the lower the divisor, and the more the number of Support Units per student. The number of Support Units is influenced by the mix of the students' ages, as well as the attendance rate. Since Support Units are driven by ADA and not enrollment, a higher attendance rate yields more Support Units although the total enrollment may remain the same.

Bennett Mountain High School continues to grow and is retaining the students we would have lost in years past. Their divisor is the lowest in the District and their increased funding per capital is above any other school in the District. They are about at the maximum of their capacity this year.

Trustee Monasterio asked Mr. Ogborn to explain a support Unit. Mr. Ogborn replied that a support unit is how the state formulates how they will pay school districts. The state takes the enrollment, takes the average daily attendance, and divides it by grade groups using different divisors according to age. He said then the state determines how many classrooms we would need according to the states formula and provides then number of staff using their calculations. He went on to explain that the lower the divisor the higher the reimbursement and the higher the support unit.

Chairman Walborn asked if making a small change in ADA (average daily attendance) would make a significant reimbursement amount. Mr. Ogborn stated that yes, and that is why we have decided to take the entire Thanksgiving week as a no school day; it is better financially for us then having the poor attendance rate due to families leaving for the holiday. Discussion continued regarding ADA and the affect it has on reimbursement.

Impact Aid students living on base are budgeted at 415 students, which is less than the FY 2016 actual of 433 students. There is no indication that the on-base “A” students will increase substantially in the near future. We lost the ability to count civilians in the current fiscal year. This means our FY 2016 budgeted revenue of \$1,375,000 is actually going to be closer to \$900,000. We transferred 32 students from off-base military to civilian status if there were both a civilian and military parent to no avail. We are budgeting for FY 2017 as if we will not have sufficient civilians again in FY 2017.

Enrollment	Grades	Loss to McKenna	Budget				
			FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Stephensen	1-3		175	169	176	175	176
East	1-3	-20	280	279	299	304	303
North	1-3	-10	240	259	232	259	266
West	1-3		260	266	268	257	254
	Subtotal 1-3		955	973	975	995	999
Stephensen	4-6		50	42	49	66	45
East	4-6		100	84	94	116	89
North	4-6		85	89	78	87	77
West	4-6		80	85	89	71	72
HMS	5-6		596	624	593	567	576
	Subtotal 4-6		911	924	903	907	859
Jr High	7-8		575	554	590	570	578
Bennett Mtn	9-12		80	78	65	48	-
High School	9-12		930	925	973	1,010	1,008
	Sub Sec		1,585	1,557	1,628	1,628	1,586
Kindergarten		-15	310	345	311	320	308
Pre-K			34	42	52	48	46
Pine			5	3	3	7	6
Total			3,800	3,844	3,872	3,905	3,804

State Revenue

Revenue from the State is comprised from four sources. The first three sources are paid on five periodic State payments called “Foundation Payments.” The last State Revenue source is a periodic payment generally paid late in the year.

The first source of State Revenue is what is referred to as Entitlement (Discretionary Revenue), which is based on the total number of Support Units we generate. In 2016, the District received \$23,868 for 181.2 Support Units. This is still below the 2009 entitlement amount of \$25,696 per Support Unit. In FY 2017, this amount has been increased to \$25,696 per Support Unit. This is a 7.6% increase of \$1,821 per support unit or \$330,000. These funds are discretionary with no specific restrictions or implied usage regarding how they are to be spent.

Mr. Ogborn informed the board that the price of things today is not the same price like it was in 2009, so the legislature feel that they have fully funded education because they have reimbursed the discretionary funding back to what is was in 2009, but the purchasing power of that dollar amount today is much less now than it was in 2009, so in his opinion, the legislators have yet to get back to the same amount of purchasing power that they had.

The second source of State Revenue is Salary-based Apportionment. This calculation is based on the quantity of staff we employ. Administrative and classified staff are still reimbursed under the previous method, and the certified staff are now reimbursed through the career ladder method. This source of revenue uses the number of Support Units, applies an arbitrary factor for the number of “staff” the Support Unit needs multiplied by an arbitrary salary for each category of staff. The factor for the number and salary of the “staff” assigned to the Support Units are driven by Idaho Code. This is not what we pay our staff or how many staff we hire; it is just a way of equitably dividing the entire State Education Allotment to the Districts based on common criteria.

Administration and classified have their own calculations. In FY 2017, all certificated staff are reimbursed through the Career Ladder calculation discussed earlier. The base reimbursement rate for administration increased 3% from \$33,116 to \$34,109, or \$18,480 total revenue increase. Classified base reimbursement increased 3% from \$19,826 to \$20,421, or \$40,385 total revenue increase. The Career Ladder calculation increased revenue by approximately 3% depending on the placement of staff on the career ladder.

State Allocation Indexes		Budget	Actual
		FY 16-17	FY 15-16
State Distribution Factor (Entitlement)		25,696	23,868
SDE Base Reimbursement to District			
	Administrative	33,116	33,116
	Classified	20,421	19,826

Per Support Unit		State Allowance	State Allowance
	Certified	1.1	1.1
	Administrative	0.075	0.075
	Classified	0.375	0.375

Mr. Ogborn explained that we pay our certified more than what the state reimburses us so that we can be competitive with Boise and to keep our highly qualified teachers. He added that we hire more classified than what the state will reimburse us for because we need the people to clean and maintain the buildings, we need office staff, we need classroom staff, etc.; their numbers are fairly idealistic. He continued to explain that the state does not reimburse us for what it actually costs us to retain employees.

The third area of revenue from the State is for Transportation costs. Idaho Code mandates a cap for transportation reimbursement of 3% of the statewide average expense for either per rider or per mile. They disallow all expenses related to athletics and fieldtrips to leave only home-to-school expenses. They then reimburse 75% of those allowable costs. If the District exceeds the 3% state average in both per rider and per mile, we will not be reimbursed for anything due to us above the cap. We are reimbursed for the FY 2016 expenditures in FY 2017, so we are always running a year behind in reimbursement of our expenses. We are currently over the state average for cost per rider, but are under the State cost per mile. This is due to the large area of our District, but sparse population. We compete against all districts in being under the state average regardless of whether they are self-operated or like us, contracted. The State used to reimburse us 85% of allowable costs before the cutbacks in the last few years. This 10% holdback has still not been restored to Districts.

Mr. Ogborn explained that the state used to reimburse us 85% of the actual transportation cost, but that didn't include extracurricular activities or sports. He said that when the state had a financial emergency in 2008, the state reduced the reimbursement to 75%.

The final revenue stream from the State is Other Revenue. This is money earmarked for special things such as Leadership Payments, remediation, classroom technology, advanced opportunities, Limited English Proficiency (LEP), lottery, and Professional Development. Leadership Payments are in addition to the salary dollars paid to certificated employees in which the certificated staff members are eligible for by performing duties in a leadership capacity. These payments are made for specific purposes or reimbursements for restricted expenditures and are unavailable for General Discretionary use. The budget for other State support payments is listed below.

Other State Revenue

	Budget FY 2017	Budget FY 2016
Lottery	175,000	75,000
Differential pay / Leadership	180,000	205,000
Medicaid reimbursement	475,000	358,000
LEP	35,000	35,000
High School redesign math/science	63,900	65,000
Remediation	60,000	60,000
Professional Development	103,800	110,000
Idaho Reading Initiative	20,000	25,000
All Others	23,000	22,000
Total	1,135,700	955,000

Mr. Ogborn explained that other revenue from the state is tied to specific programs and cannot be used discretionally, such as the Lottery money can only be used for building maintenance and renovation, Leadership money can only be used to pay out Leadership stipends, etc.

Federal Revenue

The number of students with military connections drives the federal revenue. This can include students whose parents work at a non-military Federal property such as Gowen Field, post office, or at the bombing range. Students are categorized into three groups, "A" students are students whose parents live and work on a military installation; "B" students are students whose parents work on federal property, but live in a civilian location; Civilian students are children of non-military parents who work on federally owned "dirt" regardless of location. The District received approximately \$2,420 for each "A" student and \$484 for each "B" student for the 2014 fiscal year.

We also get reimbursed for civilians working on federal property on Impact Aid card day. These are parents who are civilian employees working on base, postal workers, National Forest, etc., who are working on federally owned (not leased) "dirt" on Impact Aid day. Although each civilian student has 5% of the financial value of a student whose parents live and work on the base, this group must be greater than 10% of enrollment or we are not allowed to count any of them. We did not have sufficient number of "C" students for FY 17. I am budgeting a loss of revenue for FY 17 over the FY 16 budget of \$375,000 due to the number of civilians not being sufficient to be counted.

For each student that moves from the base to town, we suffer a net revenue loss of about \$1,950. A history showing the number of military "A" students and federally connected "B" students is shown below. I am showing students by category budgeted for FY 2016 below.

Impact Aid has been a fluctuating source of funding over the past few years. The Impact Aid revenue has been as high as \$4,350,000 in FY 2005 to a low of \$1,186,550 in FY 2014. Some of the change is due to a decline in students; reduced Federal Program appropriations, privatized housing forcing staff to move off base, altered mission objectives, and reduced base staffing mix, have all contributed to the revenue decline.

Payments from Impact Aid are spread out over a number of years. As of this session, our last year of Impact Aid that has been finalized and closed is from FY 2014. The payments are delayed due to application appeals, audits, and corrections that have to be addressed before the last of the payments are sent out. The payment amounts are not known until we receive a voucher announcing the year, and amount of the payment. We are uncertain of when the payments will be sent and even if a year that has been finalized, may be reopened.

Impact Aid Fund 100 Membership	Weight	Budget	
		FY 2017	Oct-15
On-base military students	1.00		
Membership		415	433
Ave daily attend		393	418
wted support unit		393	418
Off-base military students	0.20		
Membership		560	605
Ave daily attend		531	584
wted support unit		106	117
Civilians working on base	0.05		
Membership		-	334
Ave daily attend		-	323
wted support unit		-	16
Civilians working off base	0.05		
Membership		-	57
Ave daily attend		-	55
wted support unit		-	3
Total 8003(b) military affiliation only		975	1,038
Non-military federal students		-	391
Total Impact Aid students rec funds		975	1,429

Mr. Ogborn reviewed the cliff notes and explained that he projected a revenue increase from the state of \$374,652 for salaries and \$330,868 for discretionary, he projected a decrease in revenue of \$375,000 from Impact Aid. Mr. Ogborn continued to review the cliff notes and he projected the expenses to increase to \$69,700 for classified salaries, \$260,000 for certified salaries, \$250,000 for school supplies due to the Joki law in which school district now have to pick up the cost of school supplies; he projected the medical insurance expense to be \$52,000, and other miscellaneous expenses of \$69,000 for supplies also due to the Joki lawsuit. He stated that he is projecting expenses in excess of revenues to be \$379,880.

Mr. Ogborn reminded that board that this budget is based on assumptions and predictions that probably won't hold up during the budgeting scrutiny's. He said that he has to start the budget by making assumptions from what has happened in the past and what he predicts would happen in the future. He then has to keep adjusting the budget to tighten the budget, to tighten the expenses in order to live within the assumed revenue that the District should be receiving. Mr. Ogborn informed the board that this budget does not include any contribution to the Fund Balance and the District's revenue keeps declining and has been declining for the last seven years.

Discussion continued about Impact Aid, the anticipation of zero dollars Impact Aid, justifying the need and qualification to receive Impact Aid, etc., as well as the District's need for a Fund Balance as required by the state and suggested by both IASA and the auditors; the District does not have an emergency fund should something happen financially.

Supplemental Levy

The citizens of Mtn. Home voted to allow us to levy a General Maintenance and Operations Levy for \$2,700,000. This levy has to be renewed every 2 years and passed by the patrons with a 50% approval rate. FY 2016 is the second year of the current levy authorization. This levy generates approximately 12% of our annual revenue. The District is deeply appreciative of the support from the community for this funding.

Emergency Levy

We are not anticipating asking for an Emergency Levy for FY 2016.

Other Revenue

Other revenue is money we receive from all the smaller grants, interest, etc., that the District is involved in. The largest of the other category is Medicaid. We are billing Medicaid for the special needs services that are partially reimbursable. These funds are restricted to providing services and supplies for the special needs students in our District. We also receive funds from specific State of Idaho allocations. Other revenue from the State of Idaho is

specifically allocated for and restricted for Leadership stipends, Math and Science curriculum, and Lottery funds. Another area of Other Revenue is interest income that we receive from our short-term investments in the State Investment Pool.

Staffing

Our salary scale for our administrative and classified staff is different in the rate we pay our employees and the number we employ than what the State uses to allocate funds to our District. We try to maintain staff in similar number to those generating the revenue, but our needs have historically outweighed the reimbursement. In FY 2016, our administrative staff was 13.20 FTEs (Full Time Equivalency) and the State allowance was 13.65 FTEs. This is based on the State allowance factor of .075 administrators per Support Unit. The certified staff (without Pupil Personnel Services – school psychologists and school counselors) was 181.89 FTEs and the State allowance was 185.76 FTEs based on the State allowance factor of 1.1 certified staff per Support Unit, and the classified staff was at 72.92 FTEs and the State allowance was 68.23 FTEs based on the State Allowance factor of .375 per Support Unit.

Mr. Ogborn said that Mr. Johnson's salary is 40% out of Title I funds and 50% out of DODEA, which are funds other than General Funds; Mr. Longhurst's salary is 98% out of Special Education Funds and 2% out of General Funds. We try to move as much administrative salaries into the programs in which they are the administrators, therefore reducing the amount coming out of General Funds.

In FY 2017, the State has implemented fully the Career Ladder concept for all certificated staff. We are trying to utilize the staff in the most efficient manner based on the new enrollment by grade level in FY 2017. Our salaries in aggregate by category are higher than the reimbursements from the State. The excess salaries and benefits are paid for from the Discretionary Funds or Impact Aid Funds previously discussed.

Salaries

Salaries for the Administrative team are not being increased except for the annual steps being a factor for increase. The Administrators increase 2% each year until they reach their frozen plateau.

Certified staffing will be budgeted close to the State allowance and be adjusted as enrollment dictates during fall enrollment. For each 1% on the base, salaries will increase \$112,700 including benefits. Certificated staff will increase if enrollment increases during fall registration. Vacant positions are always held open in anticipation of reduced enrollment and filled as enrollment dictates. This creates a scramble at times for qualified staff at the last minute.

Mr. Ogborn said that there is a 1% increase on the certified base, an increase in minimum salary, and an increase in steps and lanes.

Classified staff has an allowance factor of .375 FTEs per Support Unit. This is based on the number of hours they work divided by the State Department of Education full time hours of 1,380. We have several staff who work less than 1,380 hours per year. If a person works in excess of 1,380 hours, they cannot be counted as more than 1.0 FTE. For each 1% increase on the base of the classified salary scale costs the District \$30,400 including benefits.

Mr. Ogborn informed the board that there is 3% increase in classified salaries because the economy has improved and more opportunities for classified staff to leave for other jobs such as Marathon Cheese and WalMart, so for the District to be competitive with Marathon Cheese and WalMart, the classified salaries need to be at a more marketable and equitable salary. The District is looking at adding another lane (Lane 16) for classified positions such as HR, Payroll, and IT, to be aligned with the other Treasure Valley schools.

Benefits

The State reimburses the District for PERSI and FICA on the allowable salary based on Support Units. Any PERSI or FICA on wages paid above the allowance is not reimbursed. As we exceed the allowance, we receive no retirement reimbursement. Although there is no increase in the above rates, if the salaries continue to escalate above the State allowance, there is no reimbursement for the retirement benefits related to those excess salary dollars.

Health Insurance is increasing at approximately 3.1% for medical premiums this year. This is substantially less than the 18.7% increase in FY 2016, but this increase has to be paid for from the discretionary money from the State. The State does not specifically reimburse the District for any portion of our healthcare premiums. The General Fund portion of our premiums with the increase for FY 2017 is budgeted at \$2,063,500. This is approximately an increase of \$52,000 over FY 2016.

The District also pays for Workers Compensation, budgeted at \$128,000; Sick Leave Retirement, budgeted at

\$155,000; Recertification for certified staff is budgeted at \$9,000.

Other Services

Contracted services are comprised of services performed by outside agencies to do the services we cannot do within the District. There have been several increases in contracted services over the past several years. We have fulfilled our obligation with Cynergistic for the energy study contract for \$78,000 per year. This is offset by a reduction in energy saved, but we will not realize any net savings this year. The contract services for special needs students have been reduced substantially over the past year and a half. We are incurring contract services for special education needs through CPI and Contracted Therapists. We have been focused on how to provide the same required services for less. This focus will continue through next year but is subject to the federal Maintenance of Effort requirement of spending the same amount each year as was spent in the year before, either in aggregate or per pupil. Transportation is budgeted at \$1,052,000 for the pupil to school expenses. Utilities continue to increase and total utility expense is driven not only by cost but also by weather conditions. Total utilities are budgeted at \$263,750 for heat, power, and water for FY 2017.

Mr. Ogborn stated that Mr. Longhurst has done a great job of reducing the special education costs by several hundred-thousand dollars by finding alternative ways of providing services.

Contracted Services

	Budget FY 2017	Budget FY 2016	Actual 2015
Utilities	263,750	226,400	551,920
Transportation	1,118,000	1,052,000	1,137,259
Contracted Services	1,091,250	1,065,600	1,542,182
All Other	1,089,750	957,500	640,739
Total	3,562,750	3,301,500	3,872,100

Supplies

There are five main areas of supply expense. First, the maintenance has increased over the years as more of the building repairs have fallen on the General Fund to cover that, which was once covered by the Plant Facility Levy. I am budgeting a 7.8% increase over the FY 2015 actual costs in FY 2017. Fuel is for student transportation and district vehicles, which is dependent on the price of diesel and gas during the year. We are required to maintain bussing routes for safety issues and for students living outside a 1½-mile radius from their school. A portion of this is reimbursed and reflected in the revenue piece of the financials. Copier supplies are for paper used in the education process. All other category, is for other general usage supplies.

Mr. Ogborn explained that Building Supplies increased substantially due to the Joki Law in which schools must now purchase school supplies and parents and students no longer can be charged student fees.

Supply detail

	Budget FY 2017	Budget FY 2016	Actual FY 2015
Maintenance	118,250	135,500	163,891
Building supplies	204,200	68,250	132,952
Copier Supplies	55,000	55,950	48,020
Fuel	133,000	171,000	143,786
All other	285,800	64,800	39,592
Total	796,250	495,500	528,241

Liability Insurance

We ask our insurance broker to assess the market each year to get the carrier with the lowest premiums. Even with that effort, insurance keeps rising not because of our claims history, but the increase in risk caused by other companies' claims. We have raised our deductibles to \$5,000 to reduce premium costs. When we have a claim, some of the unreimbursed damages offsets the reduction in premiums obtained by raising the deductible. Liability insurance is budgeted at \$180,000 for FY 2017, a 2% increase over the FY 16 budget.

Transfers

Transfers were budgeted in FY 2017 for Food Service Benefits, which are required by law. We have to transfer revenue into the Food Service Fund for the FICA and PERSI benefits of our food service personnel. This is a federal requirement. The transfer shows as an expense in the General Fund of \$45,000.

Net Income

The above assumptions yield expenses in excess of revenues for FY 2017 of (\$379,880). This includes a 1% increase for certificated staff, 3% increase for classified staff, increase in insurance, \$250,000 for textbooks, and additional classroom supplies formally fees paid by students. Obviously we will need to adjust expenses to meet the net revenue increase for this fiscal year. We will ask for direction from the Board of how to prioritize this revenue.

When the independent auditor would present the final audit report, they recommended that we should have a reserve, or rainy day fund, of 6% of revenues. This reserve would be Board restricted for emergencies and released only through Board action. Unfortunately, since the funding fell out of the education system in 2009, this has been only a discussion. The goal of this District should be to commit to build a reserve and control expenses until that 6% figure has been achieved. This year, the goal of adding to the District Fund Balance is not feasible.

Converting to a career ladder is a negotiated transition that has not been proposed, discussed, or finalized for this upcoming year. Preliminary estimates indicate an additional expense of approximately \$123,000 for a conversion to a career ladder as we perceive it at this time. The State and the legislature have put money into salary disbursements in an attempt to raise the salaries of staff throughout the State. We have some amazing employees in our District and have to remain financially competitive with the surrounding school districts to attract and retain good staff. We currently exceed in salary expense what the State infers we receive in salary through the salary based apportionment calculation. The Career Ladder is a radically different way to calculate apportionment to the Districts and we will see how this plays out in the coming year.

Healthcare costs will increase an estimated 3.1 % or \$52,000 in the general fund. This is substantially less than last year and is based on a partial year claims experience. This expense increase is not specifically reimbursed by the State of Idaho as is the FICA and Medicaid liability of the allowable salaries. We are looking at offering a Health Savings Plan to our employees. This will not lower our premium cost, but may give employees a desirable choice in their healthcare utilization.

The levy to the community is projected to remain the same over the next two years. One main reason is the increase in the need for textbooks, increased student supplies caused by the Joki lawsuit against West Ada, and continually falling revenue from Impact Aid. We are still below the FY 2009 State funding level although the belief among the legislators is that we have fully recovered. We are still behind in transportation reimbursement and the inflated expenses today are way above those of the 2009 level. The District relies heavily on the levy revenue and the District is extremely grateful to have the community support for this revenue. Almost every District relies on supplemental levies which is an indication of how far the legislature needs to go to adequately fund education in the State.

Below is the current income statement for the District as it stands today. We will have to make severe drastic cuts in expenses to present a balanced Budget to the Board at the June hearing. Although the funding from the State has increased, a drop in budgeted Impact Aid has offset about 66% of the increase from the State. Revenue continues to be inadequate to fill all the goal and needs of the District. We are continuing to be frugal with the expenses and continue to look at reducing costs wherever possible.

That is the current situation based on the evidence and assumptions detailed above. I welcome any input and direction from the Board on refining any of the previous items.

General Fund

PRELIMINARY**Mtn Home School District #193****Income Statement****Fund 100****Revenues**

	Proposed Budget FY 2016-2017 6/30/2017	Prior years Budget FY 2015-2016 6/30/2016
Local Revenue	78,000	47,000
County Revenue	2,765,000	2,760,000
State Revenue (inc. rev in lieu of Taxes)	17,660,356	17,093,000
Other State Revenue	1,135,700	955,000
Federal Revenue	1,000,000	1,375,000
Earnings on Investments / other rev	8,000	8,000
Transfers	35,000	35,000
Total Revenue	22,682,056	22,273,000

Expenses

Salaries	13,480,459	13,466,000
Benefits	4,973,477	4,766,000
Purchased Services	3,562,750	3,307,000
Supplies	796,250	490,000
Capital	0	14,000
Other	204,000	176,000
Transfers	45,000	45,000
Total Expenses	23,061,936	22,264,000

Revenues over (under) expenses

(379,880)	9,000
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FY 14 audited Fund Balance	(494,645)
FY 15 budgeted net income	5,000
FY 15 est ending Fund Bal	(489,645)
FY 16 rev in excess of exp	(379,880)
Budget FY 16 Fund Bal	(869,525)

Mr. Ogborn stated that FY14 should read FY15 and Budget FY16 should read FY17 Fund Balance and explained that with the deficit of \$379,880 leaving a Fund Balance of – (\$869,525), the state will most likely want the District to submit a corrective action to eliminate the deficit, which could include a reduction in salaries, increase in the Supplemental Levy amount, etc.

Chairman Walborn stated that the auditor recommended a “rainy day” fund of about 6% of revenue, and wanted to know where the District was in that matter. Mr. Ogborn replied a negative 2%, but we look at short-term loans from banks to pay salaries in July. He explained how the timeframe that the state pays school districts.

Below is a description of the State and Federal programs other than the General Fund. Each fund is budgeted to break even and any revenues in excess of expenses must remain in the specific fund and cannot be used by the general Fund.

Special Revenue Funds

Below is a brief discussion of all of the Special Revenue Funds that are outside the scope of the General Fund as discussed above. These funds are either Board restricted or whose use is restricted by either State or Federal regulations

Federal Forest Funds

These are funds that we received through the Craig-Wyden Act in lieu of the funds we would have received had the logging restriction not been imposed. We also receive Department of Defense money that is placed in this fund. The Federal Forest Funding has been cut drastically. In FY 2014, we received \$213,000; in FY 2015, we received \$20,000.

The money from the Department of Defense was not appropriated one year, so it is a year-by-year option. This fund is restricted by the Board for technology purchases that include software, internet, and hardware replacement. We replaced half the computers in the school district one year at a cost of about \$480,000. The other half is scheduled for replacement in FY 2017.

Drivers Education

This fund received its funding from two sources. One source is student fees, and the other source is the State of Idaho. The State caps its reimbursement on the lesser of costs in excess of student fees, or \$125.00 per student. All funds are restricted to this fund for Drivers Education expenses only.

Vocational Education – State of Idaho

This fund receives money from the State of Idaho for the vocational classes at the high school and junior high. It is used to pay for salaries and benefits of the additional duties of the staff, as well as equipment used in class. These funds help with the welding and automotive classes. These funds are restricted for the vocational classes only for purchases above the normal classroom costs. We budget this to spend all the money received each year and be at zero at the end of the year.

Technology Fund

This fund is used to pay for some salaries and equipment. The State of Idaho makes payments to assist with technology in the classroom. The money can be used for several purposes, but it has to be technology driven. We are paid based on the number of Support Units in the District. We budget this to spend all the money received each year and be at zero at the end of the year.

Safe and Drug Free School fund

This fund is used for security purposes within the District. Vandalism has cost the District thousands of dollars of reimbursable damage. We are looking at purchasing an updated security system for the high school, but the payment each year will only pay for a fraction of the cost of the desired system. This fund is restricted for security purchases only.

Title I-Basic

This is a Federal Fund to assist children in the schools with reading improvement. The money can be used for salaries and benefits and other costs related to reading improvement in the schools. Restrictions apply as to how the funds can be used, how much any school is allotted, and whether a school is eligible to use the money. 10% of the money in one year can be carried over to the next year if needed, but any deficits must be reimbursed from the General Fund. We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$831,058.

Migrant Education

This is a Federal program with the money being restricted for the betterment of migrant children. We currently use this fund for staffing costs and training of staff that assists Hispanic children and their families. This fund is restricted for migrant education purposes only. We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$41,763.

Title I-D

This fund is a federally restricted fund and a part of the Title I Program described above. The money for this is administered by the District, but is restricted for use by the Sequel TSI Therapeutic Residential Treatment Center for adjudicated and non-adjudicated adolescent males, ages 10-18 years of age, with sexually maladaptive behavior that is located up on the hill for the betterment of their students. The District has to have administrative oversight as the public LEA in which the school resides. We work with Sequel and reimburse them for the expenses they incur within the Title I regulations for their students. This money is restricted for Sequel use by the Federal Program. We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$37,095.

IDEA School-age

This is a federally restricted program to reimburse the expenses above and beyond normal classroom expenditures for children with special needs. This fund is flexible in the category of expenses, but they must be above and beyond what is normally spent for a child. This fund is restricted for special needs staff and expenses only. This fund allows 15% of the money in one year to be carried over to the next year if needed, but any deficits must be reimbursed from the General Fund. We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$769,090.

IDEA Pre-school

This fund is a federally restricted fund for the purpose of identifying special needs students and providing services to them before they enter kindergarten. This fund is flexible in the category of expenses, but they must be used for special needs services for children younger than school age. This fund is restricted for special needs staff and expenses only. This fund allows 15% of the money in one year to be carried over to the next year if needed, but any deficits must be reimbursed from the General Fund. We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$40,903.

Title III Federal LEP Language Instruction

This is a federally restricted grant to provide services and reading improvement to English Language Learners (ELL). We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$15,986.

Teacher and Principal Quality

This is a federally restricted grant to provided Professional Development to staff. This grant allows 25% of the money in one year to be carried over to the next year if needed, but any deficits must be reimbursed from the General Fund. We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$167,333.

P-L 874 Fund

This fund gets its revenue from payments on the Impact Aid vouchers. The revenue for Special Needs students is placed in this fund and the salaries and benefits of the staff who educate these students are charged against this fund. All expenses are restricted for the services provided to special needs students.

Bond Fund

This fund is where the Bond Levy taxes from the County are placed to pay the Debt Service Payments on the Junior High School bonds. The Bonds will be paid off this June (2015). This fund is restricted for the payment of the interest and bonds that are the obligations of the District. The bonds for the construction of the Junior High School will be paid for this August (2015).

Plant Facility Fund

This fund is where the Plant Facility Levy taxes from the County were placed to pay the construction, renovation, and equipment needs of the District. This levy was not renewed by the patrons of Mountain Home. This fund is restricted for the purposes outlined in the levy ballot at each taxpayer approved levy election. I will be budgeting \$1,000,000 in the Plant Facility Fund for the levy vote anticipated in August 2015. If this amount is not budgeted and the levy is approved, we cannot levy the money this year. If the levy is not approved, I will amend the budget and remove this amount.

Mr. Ogborn summarized the proposed budget. Trustee Abrego asked for clarification on the 7.6% state revenue increase and what was Superintendent Ybarra's plan. Mr. Ogborn stated that the 7.6% was discretionary piece, but the salary increase part of it is 3%, and no increase in transportation; Miss Ybarra proposed a 7.4%, the Governor came back with a 7.6%, and the state only gave 7.3%.

Mr. Ogborn continued to explain that the Lottery monies use to go to school districts, but now the State took the Lottery money and claimed it was the State's part of their contribution to school districts and now it is restricted for building maintenance, so the State not only took credit for the Lottery money, but they are now attaching strings with the Lottery money.

Discussion regarding the loss of 44 elementary students and what the affects would be including staffing issues, address attendance and increase attendance, etc. Chairman Walborn added that he could foresee the community helping funding attendance incentives.

Mr. Gilbert explained that the state doesn't even have the financing schedules published yet, so there will be changes to this proposed budget between now and June, when the budget is set; school districts never know what their revenues are until late spring. He added that the District will start whittling down this budget.

Trustee Donahue stated that with Impact Aid, the money is floating and not guaranteed. Mr. Ogborn explained what we have to do to get Impact Aid and Washington, D.C., makes it more and more difficult every year; the government appropriates funds without funding the funds.

Discussion continued regarding the different aspects of the budget, especially regarding special education costs, to continue to reduce maintenance of effort for special education, to reduce the special education costs overall, especially the costs to the General Fund, etc. A lengthy discussion about the high percentage of special education students in the school district and how the District must pay/provide for services even if the services are in Boise. Mr. Gilbert informed the board that the budget would be adjusted between now and June.

Trustee Monasterio asked how the school district addresses facilities issues such as upgrades, renovations, repair, maintenance, etc. Mr. Gilbert responded that the Plant Facility pays for the facilities upgrades, renovations, etc., and that's why it was critical to get the Plant Facility passed and before it failed a few years ago, that is what kept up our facilities. Discussion continued regarding facilities.

Chairman Walborn directed Mr. Ogborn to calculate what a 1% increase in ADA would do financially for the district.

- II. School Board Trustee Continuous Improvement Plan Training** – The Board of Trustees continued training with regards to the Continuous Improvement Plan and began drafting out the plan. No motion needed.
- III. Adjourn** – All business of the Board having been completed, Chairman Walborn called for a motion to adjourn. A motion from Trustee Abrego to adjourn was seconded by Trustee Binion. Motion passed. Meeting adjourned at 9:12 p.m.

Chairman Walborn

Clerk Whitman