

**Ray-Pec School Board Update**  
**Budget Work Session**  
**May 29, 2012**

This is a summary of the Ray-Pec Board of Education work session on May 29, 2012. This is an unofficial record. The official minutes of each board meeting are posted on the district web site at:

<http://www.boarddocs.com/mo/rpsd/Board.nsf/Public>

**Information item – Budget work session**

The purpose of the work session was to discuss the district budget for 2012-2013. The board is required to adopt an annual budget on or before June 30, 2012. The new fiscal year begins July 1.

The budgeting process has been under way for months. Principals and department heads submit budget requests in January. The requests are reviewed during February, and information is gathered about increases to employee benefits and/or retirement. Historical data and information from the state and county is used to estimate revenue and expenses.

The work session provided an opportunity for board members to review some of the information used to develop the budget and to discuss board priorities for the budget. No action was taken about the budget.

Although still under development, the draft of the 2012-2013 budget shows the district spending into its reserve fund by \$1.1 million. At an earlier work session in February, the district had estimated spending up to \$1.3 million in reserve funds. Much of the discussion at the May work session focused on differing philosophies of budgeting.

Superintendent Dr. Jeff Kyle reminded the board that, historically, the district has not spent as much as was budgeted for expenditures, and that the district typically receives higher revenues than are budgeted. At the end of the year, he does not believe that the district will have spent \$1.1 million from the reserve fund. "We have a track record of coming in better than the budget," he said.

Board President Kim York said that she had an "ethical problem approving a budget to spend more than we have. I know that this is the best conservative guess, but for the last few years, revenues have come in higher and expenses lower."

She advocated the district presenting a balanced budget, and then, if needed during the school year, the district administration could ask the school board to approve a budget adjustment. For example, if state funding was less than estimated, the board could approve using funds from the reserve account to supplement the budget. York also shared a copy of her own fund balance projections through 2016-

2017. The projections showed that, without significant change to revenues or expenditures, the district would nearly deplete its reserve funds by 2016-2017. At several meetings, she has mentioned the need for the district to consider seeking a levy increase in the future.

Board Member Leo Anderson said he wants a balanced budget, and he wants the district to clearly define its wants and needs. Projections for the next several years show that revenues will not meet the district's expenditure needs. "How do we stop the bleeding?" Anderson asked. "Everyone in the community has a stake in this."

Board Member Joe Anthuis called York's projections "scary, but not realistic." He believes the administration and board would make changes to the budget before the reserve fund was allowed to decrease so far. But he said that it might be better to spend into the reserve fund for specific purposes or programs.

Board Member Dana Hille asked about the practices of other school districts. She wondered if many present a balanced budget. Dr. Kyle said that some districts have been spending into reserve balances rather than making the personnel cuts needed to balance a budget.

Board Member Ruth Johnson said she would like to see the district close the gap – so that the budget did not include spending \$1.1 million in the reserve fund. When Dr. Kyle asked with what dollar amount she would be comfortable, she said she was unsure.

York said that spending from the reserve fund is one thing, but that she does not favor doing it "all the time" as a routine practice.

Dr. Kyle reminded board members that at one time, the district had reserve balances of more than 40 percent. Spending into the reserve fund was planned. The board has indicated that it does not want the reserve fund to dip below 18 percent. Dr. Kyle suggested that the board approve the budget to be presented in June and when the reserve fund decreases to 18 percent, to begin discussing a tax levy. If a levy is needed and doesn't pass, the district will need to make tough decisions.

Anderson called the current and near future budget situation "an opportunity for innovation." He challenged the district staff to be creative in finding solutions, but also said that the community must also decide what it's willing to do to maintain the quality of education for children.

Anthuis said he was not sure which method positioned the district better for a future levy: Spending reserve funds now to provide the same level of education, or presenting balanced budgets that include cuts, while maintaining a larger reserve fund.

Here is a list of information that was reviewed and discussed:

## **Overview**

Dr. Kyle reviewed a packet of information prepared by Chief Financial Officer Kendra Hutsell. He reminded board members about the ongoing process to build the budget, which is intended to serve as a guide to direct the financial operations of the district. Revenue budget revisions will be made during the year to reflect final state funding revenues and local property tax collections. Expenditure budget revisions will be made during the budget year to reflect changes in programs and decisions of the administration and school board.

### **Debt Service**

The debt service fund includes amounts needed to pay principal, interest and fees on outstanding bond issues from 2005, 2007, 2008 and 2011. Board members reviewed a history of debt payments and a debt service payment schedule for 2012-2013.

### **Revenue**

Total operating preliminary revenue projections for 2012-2013 are \$50,727,558. Total preliminary revenue projections, including debt service, are \$56,675,530. The school district receives most of its revenue from property taxes, the state's foundation formula, the state Classroom Trust Fund, and sales tax. Additional funding comes from some other federal, state and local sources. There was a brief review about the state's methods for calculating funding for school districts.

### **Expenditures**

Total operating expenditure projections are \$51,849,695. Operating expenses include moving each employee on the salary schedule, increased pay for employees who earn additional education, and increased health insurance premiums. A 6 percent increase in transportation costs is projected. Overall costs are being projected to increase from 1 to 3 percent. Salaries and benefits account for 71.34 percent of the expenditures in the 2012-2013 budget.

### **Fund balances**

Board members did not review fund balances, because salary, benefit and other payments will continue to be made until June 30. Hutsell plans to include an estimate of this balance in the final budget document for board approval in June.

### **Assessed valuation**

The board reviewed the assessed valuation of the district from 2000, when the total grew by 6.65 percent, through 2011, when the total decreased by 0.53 percent. The district's assessed valuation for 2011 was \$454,165,363.