

HUUSD Budget Update at January 11, 2017

Expenditures

All level service expenditures have been reviewed, specifically employee salaries and benefits, to reflect any recent staff turnover and changes in benefits that have occurred since the original expenditure estimates in November.

In addition, the level service expenditures reflect the retirement notifications received from a Thatcher Brook classroom teacher, a Thatcher Brook special educator and a Harwood Union math teacher.

This is a summary of the changes in level service budget from the November presentation. Level Service declines to 1.5% from the previous estimate of 1.6%. Details for each school are posted on the WWSU website.

	FY2018 Expenditures v1	FY2018 Expenditures v2 (1/11/2017)
Duxbury	\$ 15,405	\$ 15,405
Fayston	\$ 1,572,841	\$ 1,579,313
Moretown	\$ 1,755,795	\$ 1,759,296
Waitsfield	\$ 1,913,713	\$ 1,916,781
Warren	\$ 2,178,575	\$ 2,180,993
Waterbury-Duxbury	\$ 9,587,565	\$ 9,598,551
HUHS	\$10,622,526	\$ 10,560,184
District Special Education	\$ 5,467,408	\$ 5,474,886
Central Office	\$ 1,463,176	\$ 1,466,535
District Transportation	\$ 1,178,611	\$ 1,178,611
Total HUUSD Expenditures	\$35,755,615	\$35,730,555

In addition, the e-911 grant was received in the amount of \$1,200 each for Fayston, Moretown, Waitsfield and Warren elementary schools. The grant is for this fiscal year, so these schools will need to identify \$1,200 from their current budgets to be used for the required match. The \$4,800 proposal for this is moved out of the FY2018 request.

Revenues

We received updated transportation reimbursement revenues from the AOE, which reduced the estimate provided last week by approximately \$6,000. Revenues are estimated at \$5,780,280, 4% over FY2017.

In regards to the FY2016 Fund Balance from member districts, see the attached communication from attorney Paul Giuliani providing further details for discussion.

Fund Balance

The recommendation from administration is that the \$533,959 FY2016 combined fund balance from member districts be contributed to an HUUSD maintenance reserve. Justification for this recommendation is as follows:

- This action establishes an HUUSD reserve for anticipated and unanticipated capital needs. The HUUSD board will decide what is funded from the maintenance reserve fund. Capital needs identified in earlier budget meetings for Waitsfield and Warren have not been built into the FY2018 expenditure budget and could be funded from the maintenance reserve fund.
- Contribution of the available FY2016 fund balances to a reserve fund has no effect on education spending, therefore the tax rate, as the expense is offset by the available fund balances as revenue. This treats all available FY2016 fund balances from member districts the same and establishes an HUUSD reserve which seems prudent given the number of school buildings and related facilities.
- Funds in the reserve not spent remain in the reserve and can be carried over from year to year for capital improvements.
- Given the one time decline in debt service, FY2018 seems an opportune time to fund the reserve at this level without a significant expenditure increase over last year. In future years if any new debt was approved by voters, the cost of the debt could potentially be offset with a reduction of the reserve expenditure, avoiding a budget expenditure increase associated with any new debt.

Attachments:

- E-mail Communication from attorney Paul Giuliani in regards to FY2016 Fund Balances
- Proposed Expenditures, Education Spending per Equalized Pupil and Estimated Tax Rates
- Estimated Revenue Detail
- FY2016 Audited Fund Balances
- Maintenance Proposal presented at the December 7, 2016 Meeting



Michelle Baker <mbaker@wwsu.org>

FY2016 Audited Fund Balances

Paul Giuliani <pgiuliani@primmer.com>
To: Michelle Baker <mbaker@wwsu.org>
Cc: Brigid Scheffert <bscheffert@wwsu.org>

Tue, Jan 10, 2017 at 9:33 AM

Hi Michelle –

If the voters take no action with regards to a fund balance, by default it is transferred “into the next year as revenue.” That’s ok, except that there is no “next year” after June 30, 2017. The forming town and union districts cease to exist on July 1, thus there are no budgets to which the fund balances can be ascribed. That reality has been addressed and resolved in the HUUSD Articles of Agreement. Article 5(B) provides that “any and all operating deficits, surpluses, and fund balances that may exist at the close of business on June 30 2017” shall be assumed by HUUSD. That transfer and assumption occurs as a matter of law; no formal assignment, deed, etc., is needed. Nothing else need to be done by any of the forming districts in order for the fund balances (and deficits) to come under the control of the HUUSD Board on July 1.

Up to July 1, 2017, the HUUSD Board has, at best, an equitable interest or expectancy in the fund balances of the forming town and union school districts. I do not believe the HUUSD has the ability to encumber, dedicate or expend any part of these balances before July 1, 2017.

We’re kind of begging the question when we talk about fund balances on June 30, 2017. Although the Articles which were subscribed to by all the forming districts evidence a commitment to see that fund balances are transferred to HUUSD, I suppose one could argue that until June 30, 2017 individual district fund balances are “fair game” in the sense that the voters could depart from the default by authorizing the deposit of the fund balance in a reserve fund or dedicate the balance “for a specific purpose.” In other words, diverting the fund balance from the default position has the effect of eradicating the balance.

Implicit in the Articles of Agreement is a duty to act in good faith. One of the inducements for unification generally and the Articles of Agreement specifically is a representation on the part of all forming districts that they will not take action that would diminish or impair any of the elements upon which the unified union district is to be created. For instance, although not stated explicitly in the Agreement, the forming districts covenanted and agreed that their existing school buildings would be transferred to the new unified union district. A district selling its school buildings before June 30 would frustrate the intent of the parties to form a unified union district into which all of the operating assets of the forming districts would be placed.

I think the same analysis applies in the case of fund balances. In my mind, it’s an open question whether there is any validity to a positive vote to transfer a fund balance to a reserve fund or to commit it to “a specific purpose”. While the HUUSD Board may have a questionable claim over some beneficial interest in these fund balances prior to June 30, the same cannot be said of the forming districts. Based on an application of equitable principles, I think a case can be made that these fund balances, although unquantified at the time of the Agreement vote and subject to audit verification, are impressed with a charge or encumbrance for the benefit of each forming district. Put another way,

the argument would be that an individual forming district can justifiably rely on the undertaking and representations of all forming districts that they will bring into this "marriage" the dowry that's been promised in the Articles. One forming district failing to honor its commitment works an economic injury on HUUSD and, by extension, the other forming districts.

I will concede that, following the statute literally, the voters in an individual forming district could vote to divert the fund balance to a reserve fund or to "a specific purpose." I am far less certain of the efficacy of such a vote because it frustrates implementation of an Agreement to which there are multiple parties.

I also am far from certain whether the Board of a forming district can accept a petition calling for the consideration of a proposition to divert a fund balance. In approving the Agreement, the voters have already chosen how the fund balance is to be disposed of. There is nothing in the Agreement to suggest that until June 30 an alternate disposition may be considered. I would view a petitioned proposition to divert the fund balance as a disguised attempt to reconsider or rescind the vote approving the Agreement. The reconsideration/rescission window has long since closed.

Sorry to go on at length, but as I'm sure you are aware, this subject doesn't lend itself to a conclusive and decisive resolution.

P

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From: Michelle Baker [mailto:mbaker@wwsu.org]

Sent: Friday, January 06, 2017 3:10 PM

To: Paul Giuliani; Bridgid Scheffert

Subject: FY2016 Audited Fund Balances

[Quoted text hidden]

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HUUSD Summary of Expenditures for January 11, 2017 Board Discussion

FY2017 Combined Expenditure Budgets	\$ 35,180,193	
FY2018 Level Service Expenses*	\$ 35,730,555	1.5%

Changes Proposed by Administration from Level Service	\$	%
Granville Bus-daily am/pm route	\$ 57,000	0.2%
Gateway Science Curriculum Year #1 Implementation	\$ 115,150	0.3%
Technology - Warren Elementary School	\$ 7,500	0.0%
Reduction of .05 FTE each in Warren Art & Music	\$ (7,000)	0.0%
Increase of .10 FTE Warren School Nurse	\$ 7,000	0.0%
1.0 FTE HUHS Grounds Maintenance Position	\$ 37,500	0.1%
.37 FTE Increase in Maintenance Support Staff-sharing 2 full time FTE in four valley elementary schools	\$ 20,000	0.1%
Maintenance Monies budgeted per December 7th presentation	\$ 24,500	0.1%
Reduction of 2.0 FTE Elementary Teachers	\$ (150,000)	-0.4%
Contribution to HUUSD Maintenance Reserve to be established. (Contribution to reserve equal to FY2016 combined member fund balances of \$533,969. This is Level Service contribution of \$231,851 with an additional contribution of \$302,108 over level service)		
	\$ 302,108	0.9%

FY2018 Total Expenditures proposed by Administration \$ 36,144,313 2.7%

FY2018 Offsetting Revenues \$ (5,780,280)

Education Spending (Expenditures less Revenues) \$ 30,364,033

Estimated Equalized Pupils 1,829.76
 Education Spending per Equalized Pupil \$ 16,595 \$ 16,093
 -0.6% FY17 Combined
 3%

Estimated Yield (to be determined by the legislature) \$ 10,076

Estimated Equalized Homestead Tax Rate \$ 1.65
 Less Year #1 Act 46 Incentive \$ (0.10)

			Duxbury	Fayston	Moretown	Waitsfield	Warren	Waterbury
Estimated Equalized Homestead Tax Rate less year #1 incentive	\$ 1.55	FY2017	1.66	1.67	1.79	1.67	1.57	1.64
		% Change	-6.8%	-7.4%	-13.6%	-7.4%	-1.5%	-5.7%
2017 CLA by Town			99.71%	105.21%	98.52%	100.44%	98.66%	100.18%
Estimated Actual 2017 Homestead Tax Rate by Town								
HUUSD Equalized Rate divided by the Town's CLA)		FY2018	\$ 1.55	\$ 1.47	\$ 1.57	\$ 1.54	\$ 1.57	\$ 1.54
Actual FY2016 Homestead Tax Rate by Town		FY2017	\$ 1.65	\$ 1.59	\$ 1.73	\$ 1.61	\$ 1.56	\$ 1.65
		% Change	-5.8%	-7.3%	-9.4%	-4.6%	0.2%	-6.30%
Change on \$200,000 Homestead without income sensitivity			\$ (192)	\$ (232)	\$ (324)	\$ (148)	\$ 6	\$ (208)

Estimated FY2017 non-residential tax rate by town based on \$1.55 recommendation of VT Tax Commissioner													
	FY2018	\$	1.55	\$	1.47	\$	1.57	\$	1.54	\$	1.57	\$	1.55
Actual 2016 non-residential tax rate by town	FY2017	\$	1.52	\$	1.46	\$	1.49	\$	1.48	\$	1.53	\$	1.54
	% Change		2.1%		1.0%		5.9%		4.0%		2.7%		0.3%

* Includes shifting of WDSO expenses to 1.0 FTE Crossett Brook Literacy Interventionist at no additional FTI

	FY2017										FY2018
Estimated Revenues	Duxbury	Fayston	Moretown	Waitsfield	Warren	WDSD	Waterbury	HUHS	FY2017 Actual Combined		
<u>Local</u>											
PK Tuition Income					\$ 15,460				\$ 15,460	\$	30,920
K-12 Tuition Income				\$ 15,600	\$ 100,000			\$ 96,000	\$ 211,600	\$	280,000
Interest Income	\$ 8,500		\$ 10,000	\$ 3,500	\$ 7,500	\$ 20,000		\$ 50,000	\$ 99,500	\$	99,500
Bus Barn Rental/Facility Use Fees	\$ -							\$ 22,328	\$ 22,328	\$	22,328
Town Rental Income	\$ 40,000			\$ 56,000	\$ 57,630				\$ 153,630	\$	-
Co-Curricular/Admission Fees						\$ 5,000		\$ 27,000	\$ 32,000	\$	14,000
Grants						\$ 54,000		\$ 10,000	\$ 64,000	\$	64,000
MECA			\$ 178,847						\$ 178,847	\$	178,847
<u>State</u>											
Special Education Reimbursement	\$ 71,831	\$ 209,934	\$ 120,022	\$ 128,863	\$ 729,999		\$ 1,167,325	\$ 2,427,974	\$ 2,374,081	\$	2,374,081
Extra Ordinary Reimbursement	\$ -	\$ 14,435			\$ 41,456		\$ 310,122	\$ 366,013	\$ 450,000	\$	450,000
Special Education Mainstream Block Grant	\$ 34,631	\$ 37,725	\$ 48,626	\$ 52,511	\$ 235,009		\$ 241,631	\$ 650,133	\$ 688,255	\$	688,255
Essential Early Education Grant	\$ 7,351	\$ 14,435	\$ 12,207	\$ 14,362	\$ 54,397			\$ 102,752	\$ 144,347	\$	144,347
Transportation Reimbursement	\$ 19,544	\$ 25,530	\$ 31,366	\$ 43,794	\$ 139,555		\$ 200,025	\$ 459,814	\$ 460,847	\$	460,847
Vocational Education Transportation Reimbursement							\$ 39,000	\$ 39,000	\$ 40,000	\$	40,000
Drivers Education	\$ -						\$ 5,000	\$ 5,000	\$ 5,000	\$	5,000
Small Schools Grant	\$ 62,841	\$ 26,046						\$ 88,887	\$ 89,196	\$	89,196
Capital Debt Reimbursement					\$ 5,102			\$ 5,102	\$ 5,000	\$	5,000
<u>Federal</u>											
CFG/Schoolwide/School Improvement					\$ 33,800	\$ 200,000		\$ 50,000	\$ 283,800	\$	290,000
Federal Forrest Revenue					\$ 15,000			\$ 15,000	\$ 10,000	\$	10,000
Prior Year Fund Balance	\$ 56,564	\$ 47,792				\$ 215,204		\$ 319,560	\$ 533,959	\$	533,959
Contingency Fund Balance	\$ 20,000							\$ 20,000	\$ -	\$	-
Total Local, State & Federal Revenue	\$ -	\$ 321,262	\$ 564,744	\$ 287,321	\$ 474,022	\$ 1,694,620	\$ 2,218,431	\$ 5,560,400	\$ 5,780,280		4.0%

Exhibit I - Overview - Ending Fiscal Year General Fund Balance and Contributions to General Fund Budgets -December 14, 2016

	Fayston	Moretown	Waitsfield	Warren	Waterbury- Duxbury	HUHS	WWSU	Total	% FY2016 Total Budget
FY2013 Fund Balance Contributed towards FY2015 Budget	\$ 38,026	\$ 28,832	\$ -	\$ 3,167	\$ 183,542	\$ -	\$ 10,878	\$ 264,445	
FY2014 Fund Balance Contributed towards FY2016 Budget	\$ 51,171	\$ 10,304	\$ -	\$ 16,951	\$ 156,897	\$ 127,688	\$ 8,879	\$ 371,890	
FY2015 Fund Balance Contributed towards FY2017 Budget	\$ 56,564	\$ 47,792	\$ -	\$ -	\$ 215,204	\$ -	\$ 10,878	\$ 330,438	
FY2016 Fund Balance Available for FY18 Budget (Audited)	\$ 43,364	\$ (68,459)	\$ 55,704	\$ (172,491)	\$ 391,204	\$ 249,270	\$ 35,367	\$ 533,959	1.5%
Warren Current Expense Note to fund deficit				\$ 200,000					

	FY2017/ FY18 LS Budget	FY2018 Recommended	Difference
<u>Fayston</u>			
Equipment Repair/Maintenance	\$ 25,000	\$ 25,000	
Short Term Maintenance	\$ 6,500	\$ 10,000	
<u>Harwood Union H.S.</u>			
Equipment Repair/Maintenance	\$ 110,750	\$ 110,750	
Short/Term Maintenance	\$ 36,000	\$ 36,000	
<u>Moretown</u>			
Equipment Repair/Maintenance	\$ 25,000	\$ 25,000	
Short Term Maintenance	\$ -	\$ 10,000	
<u>Waitsfield</u>			
Equipment Repair/Maintenance	\$ 14,000	\$ 25,000	
Short Term Maintenance	\$ -	\$ 10,000	
<u>Warren</u>			
Equipment Repair/Maintenance	\$ 45,000	\$ 25,000	
Short Term Maintenance	\$ -	\$ 10,000	
<u>Thatcher Brook</u>			
Equipment Repair/Maintenance	\$ 26,000	\$ 26,000	
Short Term Maintenance	\$ 29,112	\$ 29,112	
<u>Crossett Brook</u>			
Equipment Repair/Maintenance	\$ 22,000	\$ 22,000	
Short Term Maintenance	\$ 29,112	\$ 29,112	
<u>Total</u>			
Equipment Repair/Maintenance	\$ 267,750	\$ 258,750	\$ (9,000)
Short Term Maintenance	\$ 100,724	\$ 134,224	\$ 33,500
Net Budget Change			\$ 24,500

Definitions

Included in Annual Budget:

Equipment/Repair Maintenance- Budget line item covering recurring annual maintenance costs including inspections, HVAC contracts, regular repairs, etc.

Short Term Maintenance-Budget line to cover unanticipated maintenance as well as regular improvements such as carpet replacement, blinds, etc.

As funded by Budget and/or Special Articles:

Maintenance Reserve Contribution-Contribution to proposed HUUSD Maintenance Reserve Fund to cover Capital Improvements for all facilities-funds not used remain in the reserve to use for future capital improvements.