Iowa City Community School District
Fiscal Year 2015-2016 Preliminary Budget Assumptions
Prepared for the Board of Education January 2015

The Iowa City Community School District is committed to focusing available resources in support of our mission; "Child - Centered: Future – Focused". To help guide our budgeting process the following assumption discussion is presented.

Introduction:
The Certified Budget of the District serves two purposes:
1. Establishes a maximum tax rate or "ceiling".
2. Establishes an estimate for budget year expenditures.

Process:
The Fiscal 2016 Certified Budget Process has seven steps:
1. Introduce budget assumptions to the BoE – January 27, 2015.
2. Budget assumptions and preliminary certified budget update report to the BoE – February 24, 2015.
3. Superintendent's recommendation and establishment of proposed budget hearing – March 10, 2015.
4. Publish tax rates and expenditure estimates in the Press Citizen – March 27, 2015.
5. Hold a public hearing on the proposed budget – April 14, 2015.
6. The Board's adoption of the certified budget – April 14, 2015.
7. File the budget with the Iowa Department of Management on or before April 15, 2015.

<u>District Wide Budget – All Funds</u>
Local Property Taxes
Assumption 1: The Board will be mindful of the property tax rate and the amount of tax support being asked from our community patrons to support our District programming.

The levy rate remained stable between FY2014 at $13.69 / $1,000 assessed valuation and FY2015 at $13.70 / $1,000 assessed valuation. Statewide, the highest district rate for FY2015 is $23.05 and the lowest is $7.49 with an average tax rate for 337 Iowa schools in FY2015 of $14.55.

ICCSD is only 1 of 7 taxing entities that make up the total tax bill our patrons see each year. For FY2015 the District's share of the total tax bill is 35.6 cents of every property tax dollar while the City of Iowa City is asking for 43.4 cents. As a point of context reaching back over 30 years to 1982-83 the District was asking of the community for 42 cents and the City was at 33 cents of every $1.00 in the tax bill.

The taxation objective, when possible, is to keep the rates stable for community patrons.

Tax base Growth
Assumption 2: In the near term the District's property tax base growth may slow, but growth is still occurring.

Changes in the FY2016 budget tax base will be based from the January 2014 valuations. The growth in the District's tax base for FY2016 is 2.40%. This compares to the 12 year running average annual growth rate of 4.62%. The growth of the tax base continues to be strong. An expanding tax base is positive and welcome as it allows the District to maintain stable to lower tax rates and still provide the required services.

Budget Year	Assessed Valuation	Tax Increment Fin.	Total Value
FY2015	$ 4,993,657,947	$ 477,348,344	$ 5,471,006,291
FY2016	$ 5,113,698,060	$ 491,333,540	$ 5,605,031,600

General Fund Regular Program Growth
Assumption 3: State Percent of Growth (formerly called allowable growth) is legislatively set each year and is the primary resource revenue the District requires to deliver the educational program.

Growth in the District Regular Program Cost, which is a function of student growth and state "Percent of Growth", is a significant funding stream within the General Fund. This amount is to be legislatively set each January / February for the year following the current budget construction year. During the FY2014 legislative session the state Percent of Growth rate was not set for the FY2016 as Iowa law requires. During the 2015 January / February session the Iowa legislators report they will set the additional supplemental aid for both FY2016 and FY2017. State net general fund revenue, as determined by the Revenue Estimating Committee on December 12, 2014, is running 5.7% above the prior year. The December estimates of the Iowa Revenue Estimating Committee are to be used by the legislature in setting the FY2017 growth for school funding.

The District's certified enrollment grew by 168.17 students in the October 2014 official count which is used to fund the FY2016 budget. Based on this student increase and the allowable growth rate, the following increase can be projected in the Regular Program District Cost as follows:

State Percent of Growth Rate	ICCSD Growth (%)	ICCSD Growth ($)
0.00%	1.28%	$1,072,982
1.00%	2.29%	$1,925,974
2.00%	3.29%	$2,765,638
3.00%	4.31%	$3,618,630
4.00%	5.32%	$4,471,622

For the purpose of projecting the 5 year revenue and expenditure General Fund Budget parameters the following assumptions are proposed:

Fiscal Year	2016	2017	2018	2019	2020
State Percent of Growth Rate	1.25%	2.45%	2.0%	2.0%	2.0%

Enrollment
Assumption 4: The Iowa school aid formula for K-12 schools is primarily pupil driven. As a result, accurate annual enrollment projects are vital to the budgeting process.

This table provides a projected certified enrollment modified to reflect the lower enrollment count taken on October 1, 2014. The district is waiting on an updated enrollment report to be provided by the District demographer DeJong Richter that will be used for the FY2017-2020 budget years.

Budget Fiscal Year	2016 Actual	2017	2018	2019	2020
Certified Enrollment	13,328	13,605	13,919	14,191	14,444

Cash Reserve Levy
Assumption 5: The cash reserve levy will be used to provide continued gradual return of General Fund cash reserves to equal or exceed policy targets set by the Board of Education while remaining sensitive to any impact upon the property tax rate.

Unfunded or under-funded state and federal mandated programs, delinquent property taxes, mid-year state aid cuts, and initial costs reflected in opening new buildings are all examples of why the cash reserve is needed.

Two measures used to monitor the health of the ending fund balance position for the General Fund are the Financial Solvency Ratio and the Day's Net Cash Ratio. They are as follows:

Reserve Indicator	6-30-2010	6-30-2011	6-30-2012	6-30-2013	6-30-2014
Financial Solvency	4.66%	8.22%	12.97%	11.21%	7.96%
Day's Net Cash	47	63	83	82	64

Best practice would suggest that performance measures target are: the Financial Solvency Ratio greater than 10% and the DNCR greater than 90 days.

Fiscal Year	2011	2010	2013	2014	2015
Cash Reserve Levy Amount	$10,424,601	$11,214,611	$8,377,780	$7,000,000	$8,000,000

Setting the cash reserve levy rate for FY2016 will require the District to factor in the current General Fund Balance plus anticipated delinquent taxes and mandatory state aid reductions. Based on the District's slight decline in financial condition on 6/30/14 the cash reserve levy may need to increase for budget year FY2016. The exact amount of the levy will be determined during the overall budgeting process and projected cash flow analysis. Higher use of the cash reserve levy in the past two years has been the result of increasing needs experienced within the special education and ELL programs.

IPERS
Assumption 6: Increase in IPERS contributions rates will be significant and will provide additional budgetary challenges.

IPERS has the legal authority to increase rates up to 1% per year without additional legislative approval. The "mix" between the employer and employee contributions to IPERS has remained constant at 60% and 40% respectively. IPERS has released information that rates will not be adjusted and will remain the same for the 2016 fiscal year. The Employer IPERS contribution will be 8.93% with the employee contribution at 5.95%. The total FY2016 combined rate is 14.88%.

Fiscal Year	2012	2013	2014	2015	2016
Employer Rate	8.07%	8.67%	8.93%	8.93%	8.93%
Employee Rate	5.38%	5.78%	5.95%	5.95%	5.95%
Total Rate	13.45%	14.45%	14.88%	14.88%	14.88%

Medical Insurance Premiums
Assumption 7: Due to the magnitude of this single cost category any increase in medical insurance premium rates will be significant and will provide additional budgetary challenges.

The District aggressively manages employee health insurance benefits on several fronts. An insurance committee meets several times each year to keep staff informed and seek input on wise purchase decisions. Consulting firm RJ Lee helps the District to manage the self-funded medical plan and assists in negotiating better contract rates with insurance companies when third party administration is reviewed. Plan rates are typically finalized in February each year but it is anticipated there will be the need to look at a small increase in medical premium rates for FY2016 as current medical costs are 6 to 10 percent higher than the prior year.

The table below illustrates the District's five year medical premium costs for all funds:

Fiscal Year	2011	2012	2013	2014	2015 Bud
Total Premiums	$7,794,589	$7,866,002	$8,715,537	$9,368,260	$10,631,245
Rate Increase	0.00%	0.00%	0.00%	0.00%	0.00%

General Fund Revenue / Expenditures
Assumption 8: Revenue / Expenditures categories within the General Fund are influenced by many factors including student growth pressure and market basket inflationary trends.

The district engaged in an extensive FY2015 budget reduction process of $3.6M to correct the two year trend of overspending reoccurring revenues. Looking ahead to FY2016 the largest single cost center to be controlled is wage adjustments for returning personnel. As noted above, the certified enrollment came in below what was projected. This will decrease revenue for the FY2016 budget under the school aid formula from previous projections. Miscellaneous revenue is expected to increase significantly by the infusion of the TLC grant monies for FY2016. This amount of this grant is estimated to be $4,116,000 for one year only with TLC funding for subsequent years rolled into the school aid formula.

The following chart gives the anticipated / recommended cost increase assumptions to each expenditure group:

Category	100 Wages	200 Benefits	300 Contract Services	400 Purchased Services	500 Tuition	600 Supplies	700 Equip.
Increase	3%	3%	3%	3%	3%	3%	3%

Staffing
Assumption 9: A review of District staff allocations supported by the General Fund monies is conducted each year in response to enrollment growth and current economic realities.

Certified staff member numbers for FY2015 are 941.45 (full time equivalency) representing teachers, counselors, nurses, and categorical funded instruction. The administrative team's prioritization of staffing needs will make the best use of available resources and maintain class sizes within the Board of Education's Superintendent's directives.

Union and Non-union Wage and Benefits Considerations
Assumption 10: The District will make every effort to arrive at fair and equitable settlements that reflect current economic realities.

As in all prior years, compensation increases in relationship to revenue growth plays a key role in the construction of a balanced budget. Approximately 82% of the General Fund is comprised of wages and benefits. Over the long-term, total compensation that consistently matches the District's budget growth, results in a balanced and sustainable expenditure levels. Contracts and agreements for all union and meet and confer groups are open in both language and monetary discussions for FY2016. The District Regular Program budget growth was 7.13% for FY2015. A summary of FY2015 compensation levels by group are provided below:

Employee Group	Total Wage and Benefit Cost Increase	Employee Group	Total Wage and Benefit Cost Increase
Nutrition Services	2.66%	Supervisors	4.13%
Nutrition Managers	4.11%	Building Secretaries	3.58%
Para Educators	3.41%	Teachers	4.50%
Off Schedule	4.13%	Physical Plant	4.60%
Grants	4.13%	Administrators*	2.66%

*Executive administrators received no pay increase for FY2015

Other District Tax Supported Funds

Physical Plant and Equipment Levy, (PPEL)

The voted PPEL extension will allow the $1.34 property tax levy to be applied through the budget year ending June 30, 2025.

It is estimated with the current assessed valuation, the total combined voter and Board approved levies of $1.67 will generate $9.3M in FY2016. It is projected that 16% of this total will be used for the transportation lease, 2.8% for operational leases, and 12.7% for projects within the Facility Master Plan. This leaves an estimated 68.5% to be used to take care of our building life-cycle needs. These include but are not limited to: Repairs and improvements to District buildings, comprehensive roofing program, playground equipment and surfacing, parking lots, sidewalks, heating, cooling, electrical wiring, plumbing, district service vehicles, maintenance equipment, etc.

The district issued $9.4M in general obligation capital loan notes during FY2015. These funds will be used to implement certain projects within the Facility Master Plan. This debt principal and interest will be repaid from PPEL tax funds already collected annually ranging from $800,000 - $945,000.

Sales Tax Fund

Based on the District's current certified enrollment of 13,328 and a Legislative Service Agency estimate of $915 per student, the projected revenue for FY2016 is $12.2M. The proceeds of the SAVE funds are committed to educational technology improvements, the Family Resource Center, and projects identified in the ten-year Facility Master Plan. The Facility Master Plan calls for issuing $58M in tax anticipation revenue notes in FY2016 to primarily fund the construction of Liberty High School.

Debt Service Fund

As of June 30, 2014 the District had $12,280,000 of general obligation bond debt. It is projected for FY2016 the District will need $3,282,550 in debt service taxes to service this amount. The tax rate in FY2015 was $0.59381/$1,000. It is projected this amount will decrease slightly for FY2016. Current debt maturity schedules will reduce the District's G.O. debt to zero on June 30, 2018.

Management Fund

The District uses this Fund to pay for workers compensation, unemployment compensation, property / liability & equipment breakdown coverage as well as the self-insured deductible required under these policies. It is anticipated that these costs will increase for the budget year. The District continues to offer the early retirement program in FY2015 but the total liability is yet to be fully determined. The property tax rate required for the Management Fund for the budget year will be primary dependent on the changes in property and liability insurance premium coverage. The tax rate for FY2015 was $0.82104/$1,000.