

CHESTERFIELD COUNTY PUBLIC SCHOOLS
CHESTERFIELD, VIRGINIA

CCPS MEMORANDUM #074-17

June 13, 2017

TO: School Board

FROM: Dr. James F. Lane
Superintendent

SUBJECT: April Financial Report for the FY2017 Annual Financial Plan and
Budget Review - Year-End 2016-2017

PERTINENT INFORMATION:

On May 10, 2016, the School Board adopted an annual financial plan totaling \$651,789,500 in all funds. The April Financial Report (Attachment A) reflects actual revenues and expenditures as of April 30, 2017 as well as a year-end projection for each fund.

Operating Fund

Based on trends and information currently available to staff, the ending balance for the operating fund is projected to be \$2.3M. The projected fund balance includes a net balance from operations of \$15.2 million. Staff is currently projecting a surplus in revenues of \$16 million, resulting primarily from the refinancing of debt. On the expense side, while staff is projecting savings in salaries and benefits, vehicle fuel, utilities, and fund balance, those savings are offset by the expenses associated with the sale and accounting for the refinancing of debt resulting in a projected balance of \$(.8 million). The excess revenue and deficit expenses net to the \$15.2 million projected available balance. That balance is then reduced by reserves necessary for other anticipated expenditures in subsequent years. The following chart provides further information regarding this projected balance:

(All dollars are in millions)

Projected Available Balance - Net expenditures and revenues	\$15.2
Debt Reserve	(2.9)
Additional SRP Payment based on Plan Document	(2.0)
Funding of Subsequent Budgets	(7.0)

School Bus Replacements	(1.0)
Remaining Balance (projected as of April 2017)	\$2.3
December 2016 Remaining Balance	5.2
January 2017 Remaining Balance	2.2
February 2017 Remaining Balance	2.2
March 2017 Remaining Balance	3.5

On February 22, 2017, The Board of Supervisors authorized debt refinancing not to exceed \$21M. The associated transactions resulted in a revenue of \$14,735,206 and a corresponding expense to the school division of \$14,773,511. Aside from the lack of appropriation, these transactions have a minimal impact on the division's fund balance.

In the past, these authorizations and resulting transactions have been accompanied by an appropriation for the total amount of the refinancing. A change in the process has eliminated the associated appropriation; consequently, the expenditure projection currently exceeds the debt service appropriation as reported in OneSolution (division's accounting system) and total expenditures may exceed total appropriation prior to year end. In changing the process for initiating debt refinancing, County staff held discussions with bond counsel, the financial advisor, and conducted research of selected AAA localities in Virginia. Based on that research, they found that a public hearing and appropriation are not necessary for expenses associated with establishing an escrow account associated with a debt refinancing. Localities did account for the expenses differently, but none increased the appropriation. In addition to their research, County staff provided the following from the Public Finance Act as the basis for their determination:

§ 15.2-2643. Authority for issuance; resolutions or ordinances.

The governing body of any locality is authorized to provide by resolution or ordinance for the issuance of bonds of the locality for the purpose of refunding any or all bonds of the locality now or hereafter outstanding, other than obligations issued in anticipation of the collection of the revenue of the locality for the then current year, and for the purpose of paying the cost of issuing the refunding bonds, whether the locality created the indebtedness or assumed or became liable for it and whether or not the indebtedness to be refunded has matured or is then subject to redemption.

This article shall without reference to any other sections of the Code or acts of the General Assembly be full authority for the issuance, sale, or exchange of bonds authorized under it, and no order, resolution or proceeding in respect of the issuance of the bonds shall be necessary except as required by this article. No approval of the authorization, sale, or exchange of bonds under this article shall be required by any official, court, board, or body and no publication of any notice, order, resolution, or proceeding relating to the issuance of refunding bonds shall be necessary, except as expressly required in this article. The authorization and issuance of refunding bonds shall not be subject to referendum.

Based on the actual expenses, OneSolution will show expenses greater than the FY17 debt appropriation and may show expenses greater than the full appropriation. However, based on guidance from the County, the reporting in the Comprehensive Annual Financial Report will not show expenses greater than the appropriation. The expenditure projection includes an additional unanticipated payments as follows: 1) \$742,900 to the Children Service's Act Fund and 2) \$3,000,000 to the Health Insurance Fund. These amounts are projections and may change based on further data supplied by the County.

Grants Fund

There are no significant items to report regarding the Grants Fund.

Food Services Fund

The Food Services Fund continues to show an operating surplus.

There are three schedules attached to this agenda item, all of which contain requests for action by the Board of Supervisors. **Schedule B** delineates required reserves for future budget years. All of these reserves have been identified either as part of the 5-year plan or other documents such as the SRP Plan Document. **Schedule C** contains reserve requests for FY2017 budgeted activities that will continue into FY2018. **Schedule A** is an accounting of year end revenue adjustments by fund (including one transfer request) and final appropriation changes to account for additional revenue above budget received prior to year end. While most of these requests are routine, one should be highlighted because it is related to a funding source for the FY2018 budget. Since the inception of the Medicaid reimbursement program, revenue and expenditures have been housed in the grants fund. With the expansion of the program, the FY2018 budget reflects the medicaid reimbursement program as part of the operating fund, with revenue to support the overall operating budget. This request is reflected in Schedule A as appropriation changes to account for the revenue received in excess of budget and as a transfer of the total amount of revenue remaining from the grants fund to the operating fund.

RECOMMENDED ACTIONS:

The Superintendent recommends that the School Board:

- 1) Approve the revenue adjustments/transfers and appropriation changes at Schedule A;

- 2) Approve the reserve requirements as shown at Schedule B and approve the reserve requests for FY2017 budgeted activities continuing into FY2018 as shown at Schedule C;
- 3) Request that any remaining ending balance based on the final FY17 audit be reserved for Future School Needs; and,
- 4) Approve the resolution to the Board of Supervisors at Attachment B and authorize the Superintendent to make other appropriation adjustments to the School Operating Fund, as may be necessary to implement the actions contained in this year-end budget review.

JFL/CAS/srn
Attachments

Schedule A	
Revenue Adjustments, Transfers and Final Appropriation Changes	
<u>FY2017 Revenue Adjustments:</u>	
Operating Fund	
State Aid	\$(223,635)
State (Medicaid revenue transferred from Grants)	2,305,300
Federal	(11,398)
Local	<u>(778,335)</u>
	\$1,291,932
Grants Fund	
FY16/FY17 Medicaid grant balances to Operating Fund	(2,305,300)
School Food Service	none
<u>FY2017 Final Appropriation Changes</u>	
Operating Fund	
Wellness	163,400
Grants Fund	
FY2016 Medicaid	37,458
FY2017 Medicaid	561,730
Headstart	250,000
Schedule B	
Required Reserves for Future Budget Years	
Debt Reserve	2,948,800
SRP payment based on Plan document (reappropriate to FY2018)	2,000,000
FY2018 replenishment of fund balance	3,400,000
FY2019 required fund balance funding source	3,646,000
bus replacements (reappropriate to FY2018)	<u>1,000,000</u>
	12,994,800
Schedule C	
Reserves for FY2017 budgeted activities continuing into FY2018	
Innovation funds allocated to schools	119,700
Textbooks	765,000
Wellness	257,400
local match to grants	879,300
algebra readiness state funding	645,000
Risk management (self insurance)	<u>200,000</u>

	2,866,400
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Memo #74-17
Attachment B

VIRGINIA: At a regularly scheduled meeting of the Chesterfield County School Board held Tuesday evening, June 13, 2017, at 6:30 pm in the Public Meeting Room at the Chesterfield County government complex

PRESENT: Javid Siddiqi, Chair
John Erbach, Vice-Chair
Carrie E. Coyner
Dianne H. Smith
Rob Thompson

RESOLUTION

WHEREAS, there is a need to make the revenue and expenditure adjustments and transfers as shown on Schedule A; and, **WHEREAS**, the ending balance for FY2017 is sufficient as currently projected to meet the reserve requirements (Schedule B) and the requested reserves for budgeted activities continuing into FY2018 identified in Schedule C; **NOW, THEREFORE, BE IT RESOLVED**, that on motion of John Erbach, seconded by Carrie Coyner, the School Board hereby requests the Board of Supervisors to 1) approve the revenue revisions and transfers and appropriation changes shown at Schedule A, 2) reserve and reappropriate the funds identified at Schedules B and C in the School Operating Fund, and 3) request any remaining ending balance in the school operating fund be reserved for Future School Needs. This request is dependent upon the final results of FY2017 operations, adjusted according to the county's financial audit.

Robert McDaniel, Clerk

James F. Lane, Superintendent