# Community Update

AUGUST 13, 2018

# 2014 Bond Summary

- Voters approved the 2014 Bond that provided $41,134,586 in funding.
- The district worked through a process to identify and prioritize those projects to be included as part of the Bond and then worked with a construction manager to estimate the value of each project.
- As formal bids went out for each project and estimators continued to monitor and update projected costs on future projects it became clear with the trend of rising costs that adjustments were needed to the scope of work.
- The district re-prioritized and was able to reduce the scope of work by $975,000 in order to complete the projects of highest need.

# Completed Bond Projects

- Created a Safe and Secure Entrance in 5 Buildings
  (Emmons Lake Elementary, Early Childhood Center, Duncan Lake Middle School, Kraft Meadows Middle School, and the High School North Campus)

- Constructed the High School South Campus

- Various Paving Projects at 6 Locations
  (Emmons Lake Elementary, Paris Ridge Elementary, Duncan Lake Middle School, TMC, High School, and Calplex)

- Replaced Roofing (Caledonia Elementary)

- Other Miscellaneous Projects

# Final Phase of the Bond

- As we enter the final year of the Bond the balance remaining is approximately $1.5 million as a result of savings in certain projects over estimated cost, unused contingency funds and investment earnings.
- The list of unmet project needs is valued at $7.2 million.
- The district is working through the process again to re-prioritize these needs. Priority will be given to those projects that could be a safety and security issue.
- The Bond must be completed by summer of 2019.

# Maintenance/Operations Spending Overview

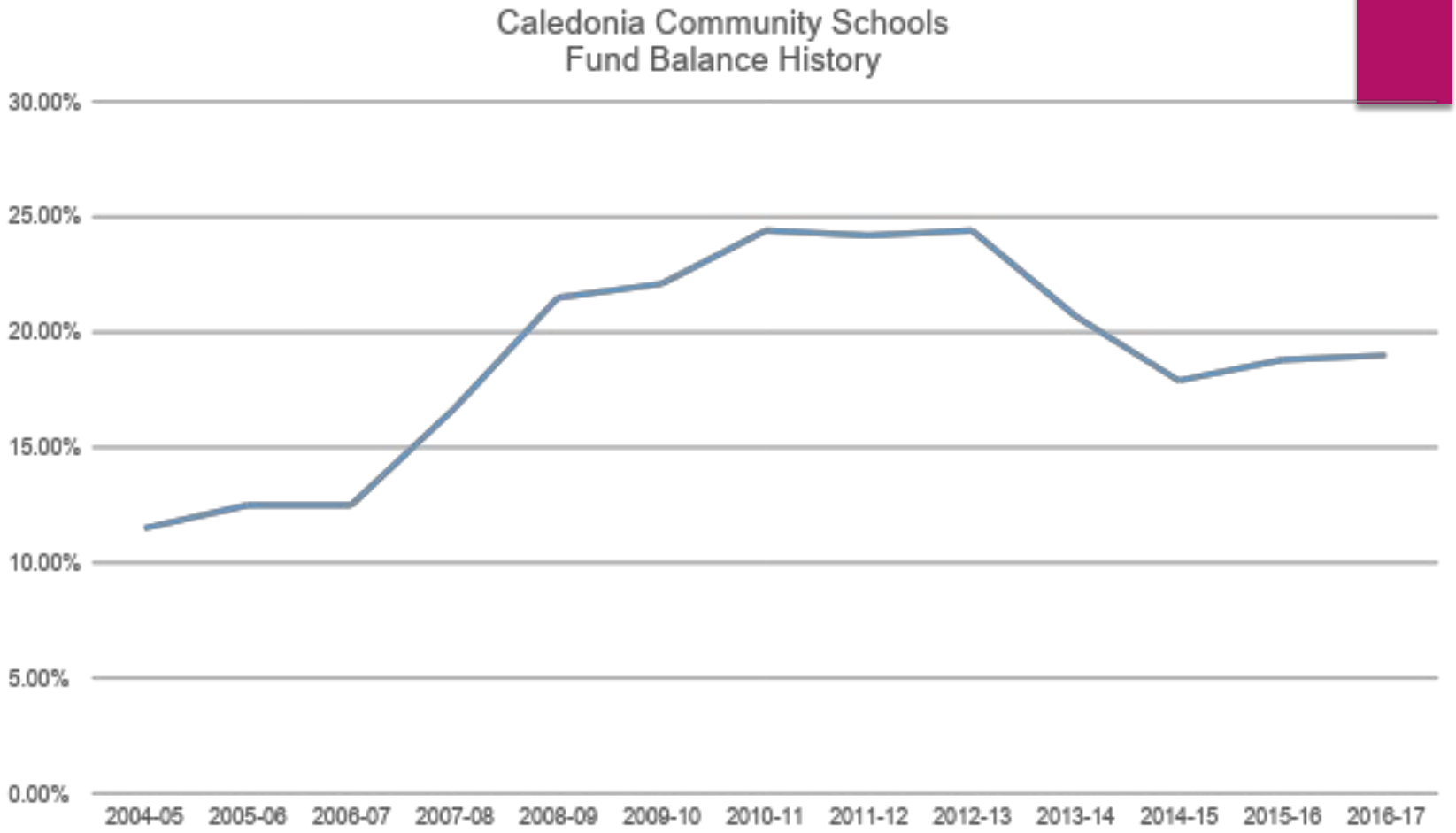
- Starting in 2005 - 2006 school year, as an effort to deal with serious financial challenges Caledonia Community Schools:
  - Reduced the Maintenance, Operations and Supplies budget by over 23%;
  - Overall spending on custodial, grounds and maintenance staffing was also reduced by 11% through a combination of financial concessions, reduction in staffing and shifting to part time staffing instead of full time staff positions;
  - Cleaning and maintenance schedules were scaled back accordingly;
  - Overall the maintenance & operations budget has been held below the 2005 – 2006 spending levels even to the present time.

# Operations Demand Driven by Growth

- Since the 2005 – 2006 school year, the district has added:
  - Brought Glenmor online (approx. 5,000 sq. ft.) – 2006
  - Brought Paris Ridge Elementary online (approx. 70,000 sq. ft. + 21 acres)
  - Brought on South Campus of Caledonia High School (120,000 sq. ft.)
  - Improved Cal Plex property & facilities – joint operations and maintenance

# Thinking Differently About Fund Balance & District Needs

- Over the years the district has been able to maintain financial health in regards to the Fund Balance.
- From 2005 to 2013 the district was able to grow the Fund Balance from 11.5% of our expenditures up to 24.4% of expenditures through budget reductions, restructuring staff, stimulus funding from the federal government and student growth to name a few.
- From 2013 to 2017 the district has gradually been reducing the Fund Balance from 24.4% of expenditures to 19% of expenditures while continuing to work on cost saving measures and budget reductions.


Caledonia Community Schools
Fund Balance History
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15
2015-16
2016-17

# Thinking Differently About Fund Balance & District Needs

- As a proactive means to better maintain district/community assets, the district seeks to begin the process to responsibly restore spending on operations needs over time. How will this be accomplished?
  - Development of Fund Balance Policy:
    - The Board is in the process of studying and adopting a Fund Balance Policy with a minimum threshold of 13%.
  - Development of Public Improvement Fund:
    - The Board has approved a transfer of $2.5 million from the general fund balance to create this special fund to help deal with deferred maintenance & operations items, as well as equipment to support basic operations.

# Thinking Differently About Fund Balance & District Needs

- Restructure overall budgeting by gradual increases to maintenance, operations, materials and supplies line items so that we have adequate resources to deal with various items.
  - This will allow the district to handle various large ticket items as oppose to the waiting for the next bond.
- Careful consideration of gradual staffing restoration.

# Schools of Choice Enrollment Process

- Based on enrollment trends and projections, we have grown to over 5,000 students this year.
- Very limited space for new students at the elementary level, particularly Kindergarten.
- Continuing S.O.C. enrollment while prioritizing spacing for in-district residents.
- Centralizing Enrollment & modifying schools of choice process

# Non-Homestead Millage

November 6, 2018

On Tuesday, November 6th 2018, voters will have the opportunity to vote on the Caledonia Community Schools Operation Millage Proposal.

So what should you know before you vote????

# How Schools Are Funded

- Public Schools are funding based on the number of students in attendance and have three primary funding sources:
  - State Revenue = approx. 60%
  - Local Revenue = approx. 30% (Homestead and Non-Homestead local taxes)
  - Federal Revenue = approx. 10%

- These revenue sources are used to support all staffing needs (approx. 85% of budget) and all district operations (approx. 15% for transportation, technology, materials, supplies, etc.)

# Non-Homestead Millage

- Public Schools **must levy 18 mills on non-homestead properties to receive full State Foundation Grant funding**.
- A non-homestead property is any property that is NOT a primary residence or qualified agricultural property, such as a:
  - Business
  - Investment property
  - Vacation home
  - Rental property
- The cost of 18 mills for the owner of a property valued at $100,000 is $1,800 per year.

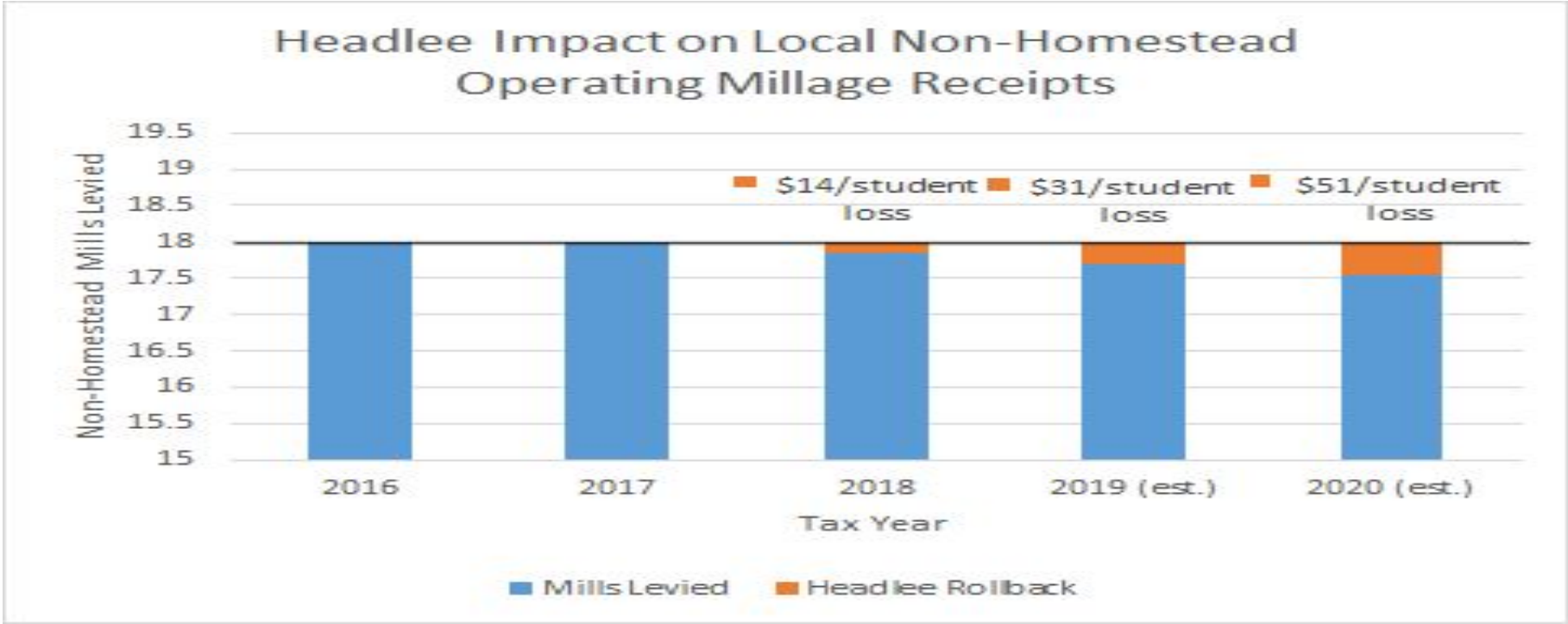
# Headlee Rollback

- When property values rise at a greater pace than the rate of inflation the non-homestead tax levy will be Headlee reduced, known as a Headlee Rollback.

- Currently the non-homestead tax levy for Caledonia has been Headlee reduced to 17.8452 mills. Therefore, the district is losing 0.1548 mills of non-homestead funding for the per-pupil foundation allowance. A savings of approx. $15 per $100,000 in property value for local business.

- Unfortunately this equates to a loss of approximately $71,300 in 2018-2019, or $14 per pupil for CCS. (i.e. 1 teacher or 4 custodial aides or 4 tech support positions)

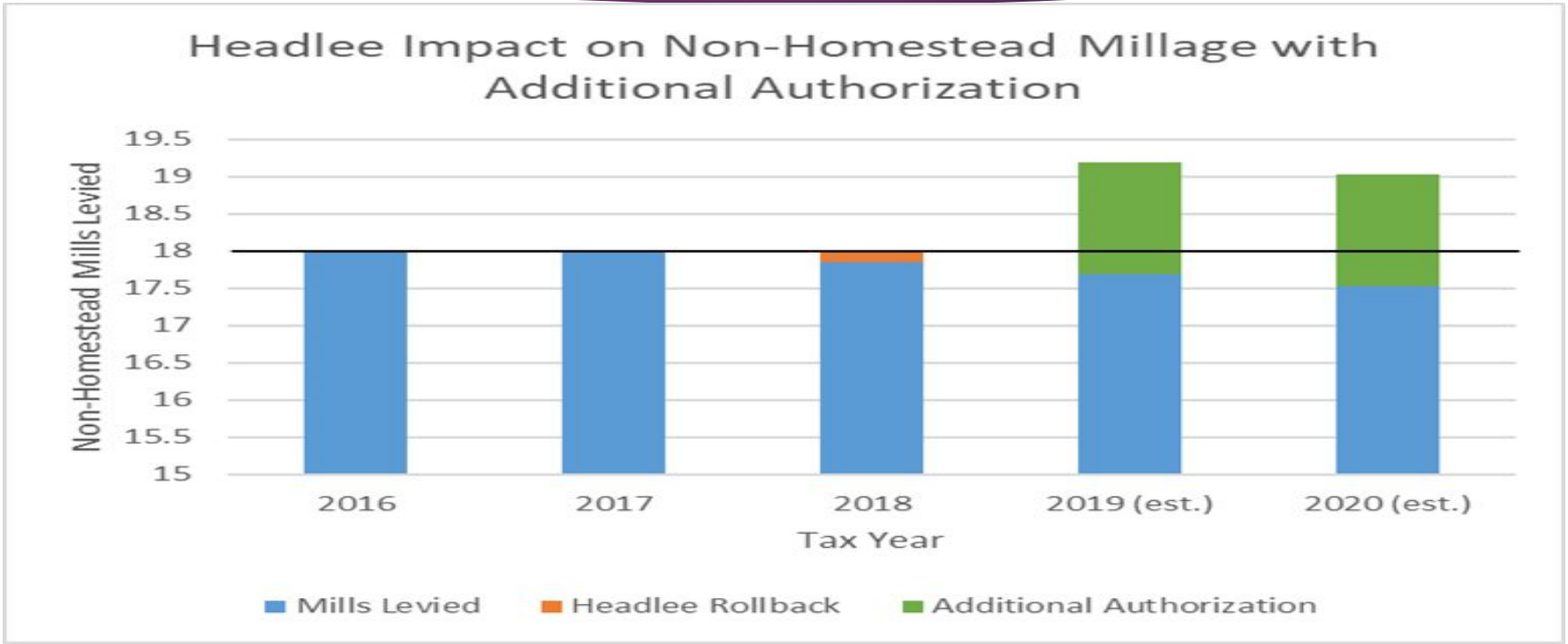
# Current Five-Year Authorization



# Headlee Rollback Next Steps

- With the Headlee rollback the district will continue to lose funds each year unless voters approve an additional millage to bring the district back up to the 18 mills.
- The Board of Education has approved the district to bring an operating millage proposal to the voters this November for a two-year period.
- The district will be asking voters for an additional 1.5 mills for Headlee restoration purposes. This will allow the restoration of lost funds as well as a buffer in the event future Headlee rollbacks continue to occur.
- 18 mills equates to $1,800 in non-homestead tax per $100,000 in taxable value.
- **At no point will more than 18 mills be levied on non-homestead properties.**

# With Additional Authorization



# Big Picture Overview

## WHY ARE SCHOOLS CONTINUING TO ASK FOR FUNDING?

# School Aid Funding History

Funding for School Aid has grown by 18% over the last 15 years, with over 70% of that growth driven by increases in state funding for public school retirement and federal funding for school food programs, special education, and other federal education programs.

Slide from House Fiscal Agency, August 2018

# Can You Guess How Much Inflation Has Grown Over This Same 15 Year Timeframe?

**26%** AS COMPARED TO **18%** INCREASE IN SCHOOL FUNDING WITH

(FIXED COSTS ITEMS ACCOUNTING FOR 70% OF THIS INCREASE)

# School Aid Erosion

**PA 158 of 2010 – Community Colleges**
Sec. 301. It is the intent of the legislature that the state school aid fund revenues appropriated under part 1 for community colleges for the fiscal year ending September 30, 2010 shall be considered a loan from the state school aid fund to the state general fund and shall be repaid from the state general fund to the state school aid fund over a period of 5 fiscal years beginning in the fiscal year ending September 30, 2012.

- $4.5 billion since 2010
- Started out as a loan
- Foundation still 2012 levels

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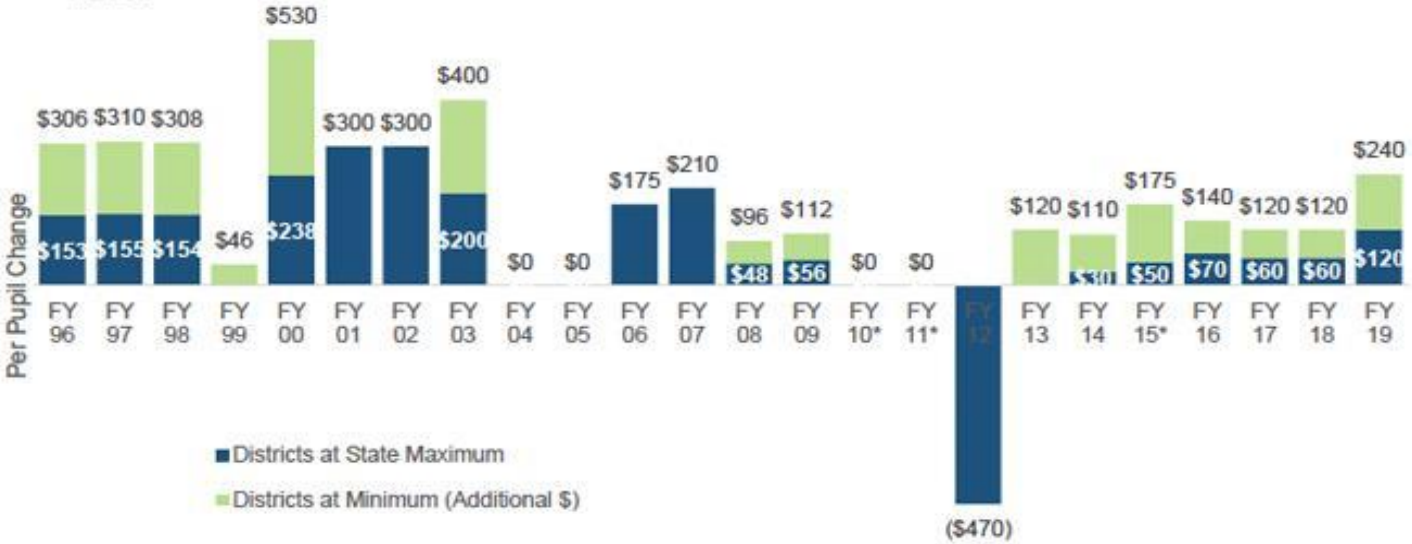
# Per Pupil Foundation Allowances Increases/Decreases

The 2x formula has been used in about half the years since Proposal A. In other years, either all districts received the same increase (or decrease), or equity payments were used to bring the districts at the Minimum up even more quickly than the 2x formula would have.

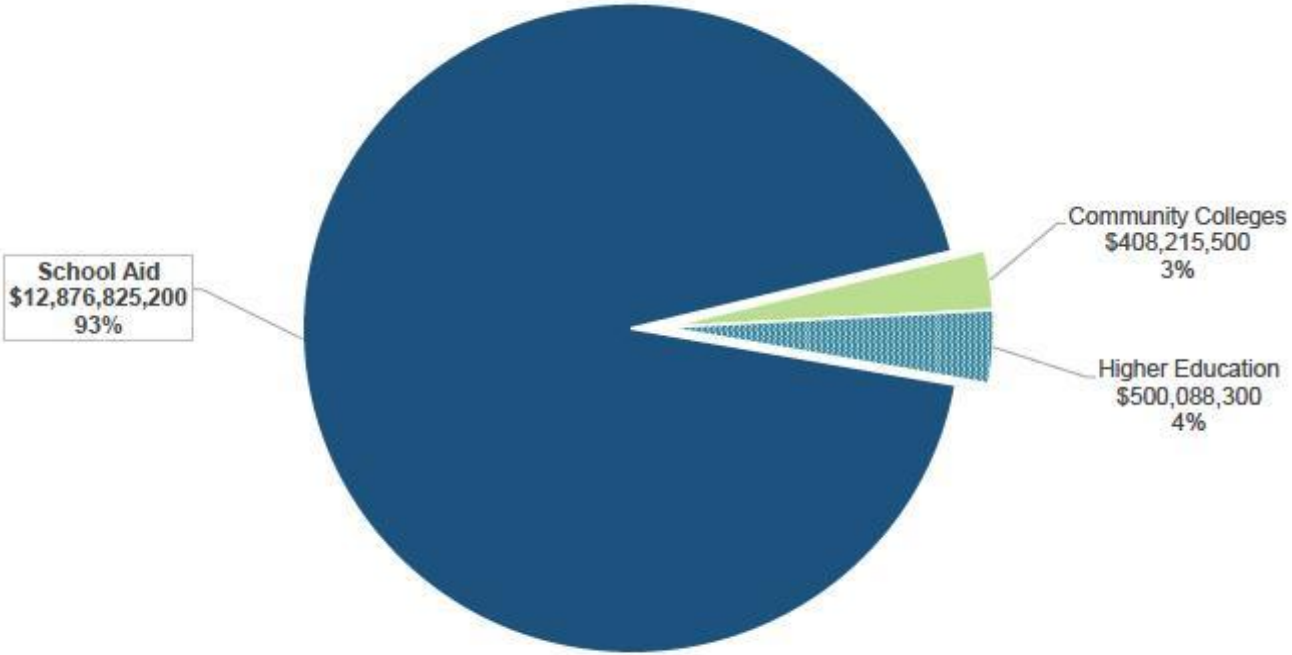



*Does not reflect one-time Section 11d per pupil reductions.

Slide from House Fiscal Agency, August 2018

# School Aid Budget Share of Total School Aid Fund (SAF) Appropriations

The School Aid budget represents 93% of the state's **$13.8 billion** SAF appropriations for FY 2018-19.




Slide from House Fiscal Agency, August 2018

Precollege Engineering Grants

Adolescent Health Centers

PILT Reimbursement

Juvenile Detention Facility

Durant - Debt Service

School Readiness - Competitive

Challenge Program

Renaissance Zone Costs

School Breakfast Program

School Bond Redemption Fund

Cash Flow Borrowing Costs

Bus Inspections

Hearing and Vision Screening

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# Know Before You Vote!

- Since our Operating Millages account for approx. 1/3 of our school revenue, our ability to maintain this annual funding source has a direct link to the services we can maintain and the basic operations of our district.

- This millage **does not apply to your primary residence** or **qualified agricultural property**.

- This millage **will ask Businesses** and **Owners of Investment Property, Vacation Homes and Rental Property** in Caledonia to **maintain the same millage rate that has been used since 1994** to support our schools.