



Reynolds School District #7
Office of the Superintendent
1204 NE 210th Avenue
Fairview, Oregon 97024

May 5, 2016

2016-17 BUDGET MESSAGE

The budget presented in this document represents the financial plan for Reynolds School District. It contains estimates of the revenues and expenditures needed to support the program offerings of the district for a single fiscal year. This message provides background information on the budget process, budget development, and the assumptions and estimates used. In total it demonstrates the District's plan to serve the Reynolds School District students during the 2016-17 school year.

Statewide Revenue

Over the past two decades, several citizen initiatives have changed how Oregon funds public education starting with Measure 5 in 1990. The property tax limitations enacted under Measure 5 and the later Measures 47 and 50 shifted the primary burden of paying for K–12 education from local property taxpayers to the state General Fund. This shift led the Legislature in 1991 to establish a school funding equalization formula. That funding formula, largely based on student enrollment numbers and student demographics, determines how much money each school district will receive from the State School Fund to fill the gap between the district's local revenue (property taxes) and its equalization target under the formula. This shift affected how funds are provided to public schools, making them more dependent on the overall economy of Oregon. When the economy decreases and there is a high unemployment rate, public programs and services such as schools are directly impacted because the state's primary source of revenue is based on income taxes.

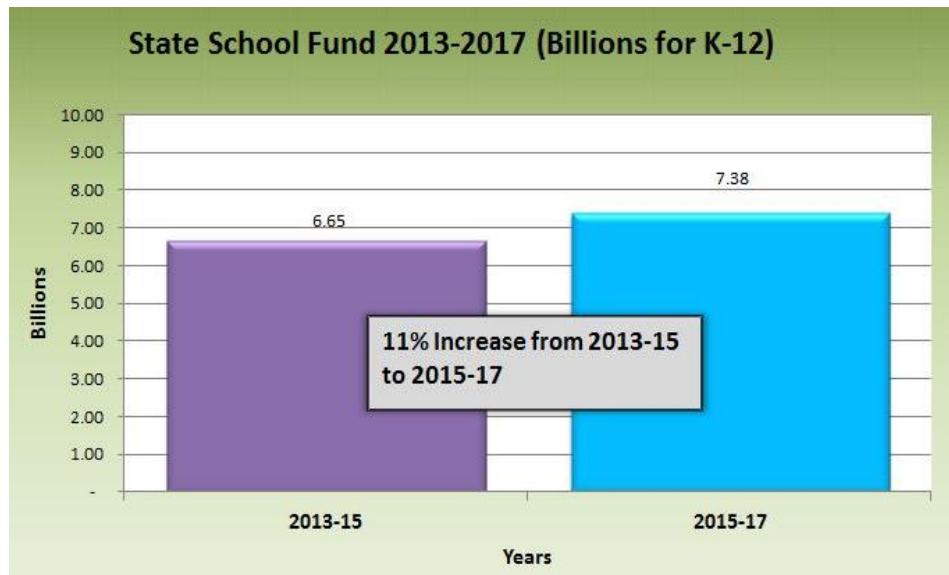
Since the economic downturn in 2008 and slow recovery, income tax and property tax collections have steadily increased. This has allowed for increased spending by the state on public programs; however, increased state spending on K-12 education does not necessarily translate to local revenue increases for school districts.

K-12 Revenue Picture

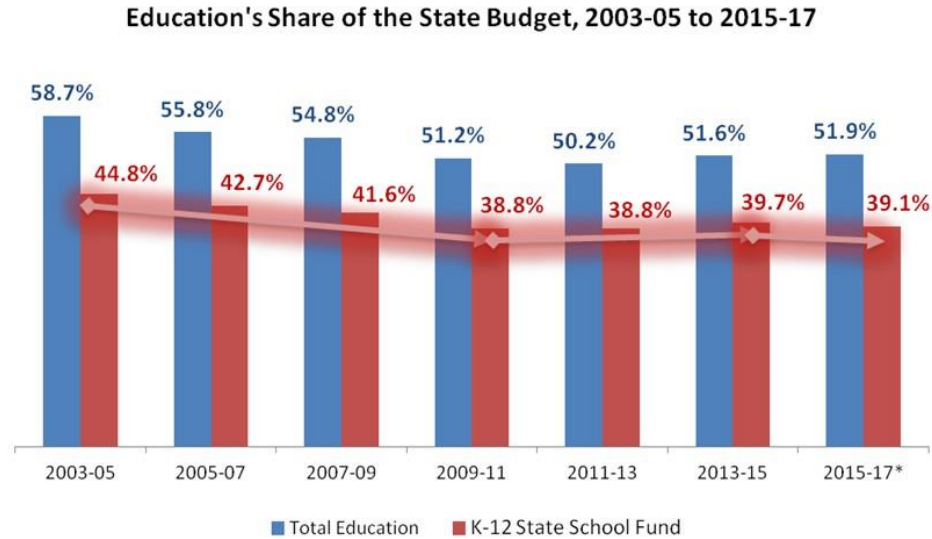
Education Budget versus the K-12 State School Fund Budget

Historically, the K-12 share of state total revenue had been declining steadily over the last 8 years since the 2003-2005 biennium. Between the 2003-05 and 2015-17 biennia, the K-12 State School Fund allocation dropped from 44.8% of the total state budget to 39.1% of the total state revenue, a decrease of 5.7%. The State adopted 2015-2017 budget promised increases in spending in education to the \$7.38 billion level, up from \$6.65 billion in 2013-15. Once the state adopted its budget, however, it included additional carve-outs in funding to be issued to specific programs and competitive grants during the biennium and therefore the actual increase in per pupil direct payments to Districts was not the same proportionate increase.

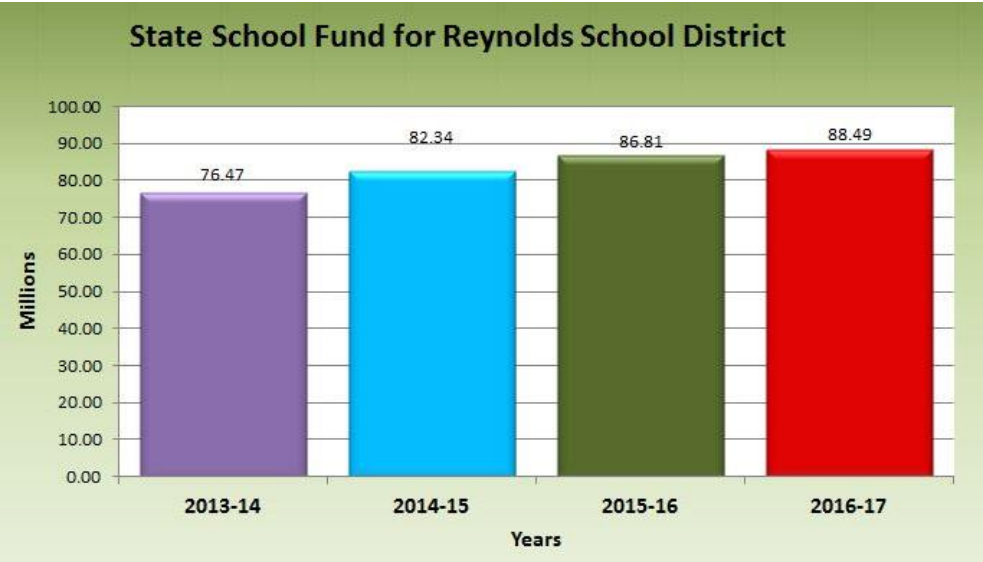
The state's 2015-17 budget, as it presently stands, increases spending on K-12 at the State level by 11% over the 2013-15 Biennium. At first glance, this was great news for K-12 schools.



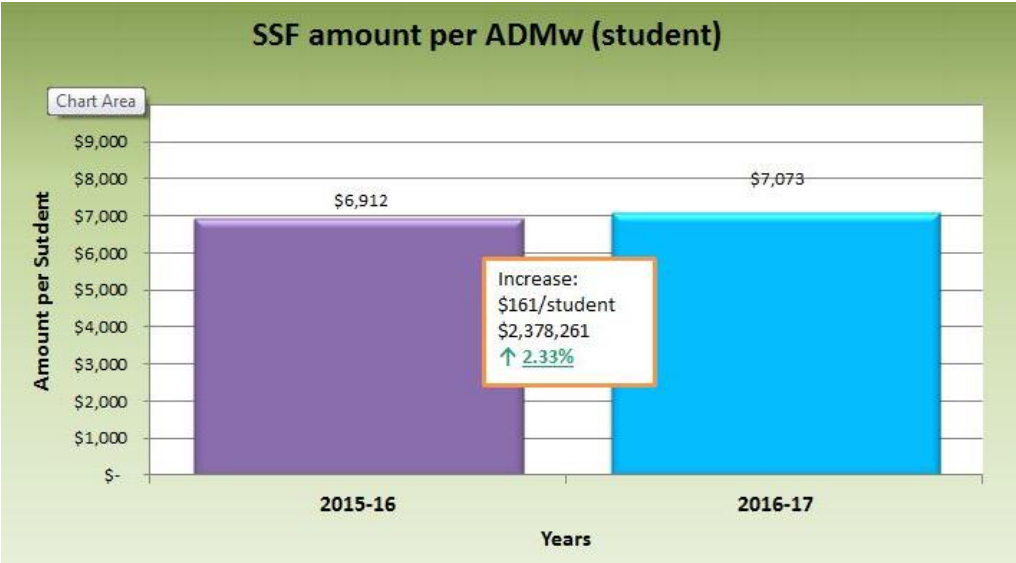
However, the state's overall 2015-17 budget decreased the K-12 share of the overall budget. The K-12 share of the budget is actually going down from 39.7% to 39.1%. This means that K-12 education is not receiving a proportionate share of the State's increased resources during the economic upturn.



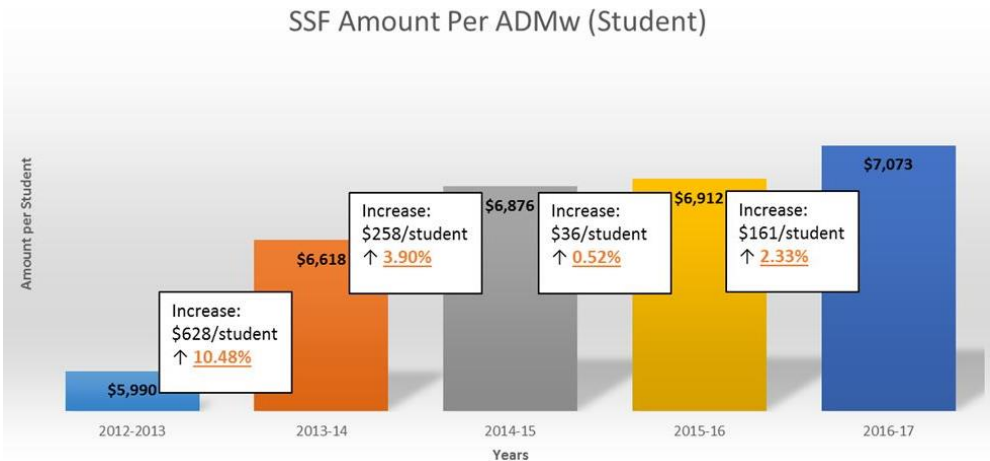
The state funding for the 2015-17 biennium did not follow the typical State School Fund allocation divided over the two years with 49% disbursed in the first year and 51% disbursed in the second year. The 49/51 methodology is in place to acknowledge that the second year costs to districts in a biennium are expected to be more than the first year due to labor contract cost and service and supply cost increases. The 2015-17 budget was disbursed at a 50%/50% level initially and later an additional \$118 million in state funding was added to the 2016-17 budget. The additional funding for the second year results in an increase in per student revenues; however, the revenue increase does not keep pace with the District’s increase in expense costs.



While the State School Fund (SSF) spending level increased by 11% over the 2013-15 Biennium, it includes increases in state carve-outs which result in only a 2.33% increase in per student revenue to Reynolds.



The February 2016 State Revenue Forecast showed that the State would have a reserve account balance of \$375.5 million, plus a projected General Fund ending balance of \$386.5 million. It further reported that the corporate tax revenues would be expected to exceed the 2% kicker threshold, generating a kicker of \$34.3 million and, according to statute, this amount would be dedicated to K-12 funding during the 2017-19 biennium. Perhaps education and the district will benefit from additional funding in 2017-19.



Poverty Formula Revenues

Beginning with the 2014-15 school year, legislation changed the funding formula for calculating poverty funding that resulted in a short-term positive impact on the Reynolds School District. The good news was that the outdated 2000 census data is no longer used to allocate funding for students in poverty and the District received poverty funding based upon a calculation method that attempted to measure individuals in poverty within our District boundary. Unfortunately, the new formula uses the December Small Area Income Poverty Estimate (SAIPE) as published each year by the US Census Bureau, which does not appear to count the number of homeless students who are transported from out of district to attend Reynolds while they reside in other districts. This then resulted in a decrease in poverty funding to Reynolds in 2015-16 which also impacts 2016-17 revenues.

Enrollment

Reynolds School District had experienced a steady growth in student average daily membership (ADM) and the corresponding revenues tied to enrollment since 2012-13. The 2015-16 school year marked the first year of the State paying for 1.0 ADM (full day kindergarten) for kindergarten students, previously paid at 0.50, or half of the rate of any other grade level. 2015-16 was to be a year of increased revenues for Reynolds as the district had already implemented full-day kindergarten, using existing resources to work toward improving student achievement. Unfortunately, due to nearly flat funding of the per student rate, the additional resources hoped for to implement additional programs was not realized. Additionally, enrollment in Reynolds programs (excluding charters) declined dramatically in 2015-16 and had an immediate impact on the District’s total State School Fund revenues as they are tied to enrollment.

The State School Fund model for funding stabilization was not reviewed and a system was not put in place to account for the change in ADM counts for full day kindergarten. The stabilization formula allows for districts to have relief the first year they experience enrollment declines by taking the higher of the two enrollment years, between the current year (with declined enrollment) and the last year. Typically this works well for districts and allows time to adjust staffing and budget expenditures to accommodate lower enrollment. However, this system failed Reynolds School District in 2015-16 because the look back year of 2014-15 only counted kindergarten enrollment at 0.50 or half, as compared to the 1.0 count in 2015-16. As a result, districts with declining enrollment lost a safety net and the impact on revenue was immediate.

Enrollment projections for 2016-17 are flat, projecting no enrollment increase from our current spring 2016 enrollment numbers.

Reynolds School Board Adopted Budget Goals

The Reynolds School Board set the following budget goals to guide the 2016-17 program delivery planning work completed by the District's Administrative Team. Once the plan was in place, the budget was prepared in such a way to fund the plan's implementation where resources allowed.

2016-2017 Board Budget Goals

Board Goal #1: Student Achievement

Budget Priorities:

- Support Board/Superintendent Action Plan
- Expect proficient readers by the end of 3rd grade
- Expand athletics and activities opportunities
- Design and actuate caring school communities initiative
- Optimize technology to meet the needs of digital learners
- Broaden extended learning and dropout prevention programs
- Continue investment in current textbook, e-text, and/or instructional materials in compliance with the state adoption cycle

Board Goal #2: Equity

Budget Priorities:

- Support Board/Superintendent Action Plan
- Enhance equity work to support district initiatives
- Align English Language Learner (ELL) Resources with ELL Services

Board Goal #3: Fiscal Responsibility

Budget Priorities:

- Support Board/Superintendent Action Plan
- Maintain a 5% unappropriated ending fund balance per board policy
- Provide safe, smart, and sustainable learning environments
- Design professional development opportunities

Board Goal #4: Communication

Budget Priorities:

- Support Board/Superintendent Action Plan
- Expand district academic partnerships

2015-2016 Superintendent and School Board Goals and Action Plan adopted October 2015

The District focus is described in four Target Areas in order to further define goals and action plans for completion of the work and the measurement of outcomes.

Student Achievement

- Academic Achievement
- Academic Growth
- Graduation

Fiscal Responsibility

- Sound Financial Plan
- Safe School Environment
- Long Range Facilities Plan

Communication

- District-wide Communication Plan
- Engagement Strategies

Equity

- Equity in
 - Human Resources
 - Teaching and Learning
 - Operations
 - Communications and
 - District Leadership

Formulation of the Budget Plan

Just like the last three years, the theme for the budget process for 2016-17 is to “budget a plan, not plan a budget.” This change in practice began in 2012-13 and created a tremendous opportunity to commence the budget work through meeting individually with staff and principals to gather feedback on requirements for their school and departments, such as staffing, supplies, technology, and facilities, and taking the budget process down to the student and building level. With a District of this size, the process is a long and detailed one but well worth the investment of time. Quality information continues to be gained about each building and its student population. With this knowledge and feedback, the plan of action for 2016-17 was summarized, and the work began by aligning budget funding for 2016-17 to the plan, specifically, toward attaining the District goals and the adopted Board Budget Goals.

Board Budget Goal:**Student Achievement**

Support the Board and Superintendent 2015-16 Action Plan

Expect Proficient Readers by the end of 3rd Grade

To Improve Academic Achievement, Academic Growth and Graduation Rates. The following items will continue to support the plan or they have been placed in the proposed budget as new items for consideration:

Curriculum and Instruction Budget:

- Maintain K-12 literacy framework and its components including a comprehensive assessment system and the professional development to ensure a high quality implementation through Title IA funded Instructional Coaching
- Committees at the elementary and secondary levels to
 - support the implementation of the literacy framework at secondary
 - support the implementation of the math framework at secondary
 - strengthen and continue systematic implementation of Response to Intervention
 - improve the structure and implementation of district-wide ELD programs
 - support the development and evaluation of K-12 multicultural curriculum
 - study additional materials for science curriculum adoption for Fall 2017
- Professional development in instructional techniques and specific program delivery, including ongoing project GLAD, SIOP, and Mathematical Practices trainings through Title-funded instructional coaching and the annual Pre Instructional Conference (PIC)
- Professional development in Common Core State Standards, and Scope and Sequence in the four content areas and in English Language Development (ELD) through Title III funding
- Enhancement and restructuring of the dual immersion bilingual program at Alder Elementary
- Continuation of Program TOSAs in the ELD Budget to provide professional development to teachers funded through Title III funding
- Recurring materials purchases
- Talented and Gifted (TAG) funding

Student Services Budget:

Support implementation of multi-tiered system of supports (MTSS) – Academically

- Support implementation of Response to Intervention procedures with IDEA grant funded Student Services TOSAs

- Provide coaching in the implementation of the special education continuum of services

Math and Reading Curriculum

- Support instruction using research-based curriculum in reading and math aligned with the Common Core State Standards in order to provide supplemental remedial instruction to students
- Continue embedded professional development and coaching in the implementation of the remedial curriculum

Life Skills Special Education Program

- Facilitate Life Skills work group to design research-based program
- Support the implementation of research-based alternative core curriculum in the areas of reading and math aligned to Common Core State Standards
- Embed professional development and coaching in the implementation of the alternative core curriculum

Technology Budget:

- Technology Plan implementation, continuing enhancements and redesigning technology and data collection, reporting staffing to improve efficiencies, and meeting the District's technology needs
- 2:1 student devices for K-6 classrooms together with the wireless systems where needed
- Teacher technology grant program to encourage technology enhancements in the classroom

Expand Athletics and Activities Opportunities

- Continue after-school programming
- Provide transportation to off campus practices to expand access to all students
- Maintain high school athletics and activities

Design and Actuate Caring School Communities Initiative

- Continue Assistant Principal positions at Alder and Glenfair Elementary Schools
- Continue School Improvement Grant Assistant Principal position at Margaret Scott Elementary School
- Continue partnership with Multnomah County and ODE for additional Social Worker and Counseling supports

- Maintain additional supervision on student buses to promote positive behaviors
- Continue trauma-informed practices workshops through Multnomah County Defending Childhood Initiative

Student Services Budget:

Support implementation of multi-tiered system of supports – Social / Emotional supports:

- Support implementation of Response to Intervention procedures and the special education continuum of services with IDEA grant funded Student Services TOSAs
- Support the implementation of building-wide Positive Behavior Interventions and Support Systems with an IDEA grant funded district-wide coach. (Green Zone)
- Support implementation of district response team to provide linkages to appropriate services and supports of high needs students (Red Zone)

Wrap Around Services

- Continue partnerships with ODE and Multnomah County to provide:
 - Mental Health Therapists
 - Behavioral Skills Trainers
 - Social Workers
 - Instructional staff for students living in homeless shelters
 - DHS worker housed at Glenfair to provide linkages
 - Insight classes to address student alcohol and drug use

Optimize Technology to Meet the Needs of Digital Learners

- Maintain 2:1 student to device ratio K-6
- Continue wireless system expansion for student and other devices through ERate grant funding

Broaden Extended Learning and Dropout Prevention Programs

To improve the graduation rate for each and every student, particularly within subgroups. The following will continue or has been placed in the proposed budget for consideration:

Curriculum and Instruction Budget:

- Opportunities in the Advancement Via Individual Determination (AVID) college readiness program
- Credit recovery and second opportunities to earn credit at the high school level through online and face to face instruction
- Coaching for GLAD Training
- Outdoor School for all 6th Grade students – 3 days in 2016-17
- 9th Grade Counts program
- 9th Grade Academy planning
- Expansion of secondary ELD Summer School through Title III funding
- Expulsion prevention program 6-12

Student Services Budget:

Multi-tiered System of Supports

- Support provision of services for student who are dually eligible for both Special Education and English Language Learner
- Continue to restructure High School Special Education programs and offerings to include:
 - Dually endorsed teachers offering core classes – (ie Special Education Math, English, etc.)
 - Structured Behavior Classes supporting special education students requiring additional behavioral supports
 - Transition Teacher facilitating special education transition services and goals to meet Post High School Outcomes
 - Research-based practices reducing suspensions and expulsions
 - Implementation of restorative practices reducing suspensions and expulsions

Continue Investment in Current Textbook, E-Text, and/or Instructional Materials in Compliance with State Adoption Cycle

- No adoption materials in the Proposed 2016-17 Budget

Board Budget Goal:

Equity

Support the Board and Superintendent 2015-16 Action Plan

- To Increase reading and Math Achievement
- To Increase Reading and Math Growth
- To Increase Graduation Rates

Enhance Equity Work to Support District Initiatives

- Grow Your Own Initiative – Bilingual Pathways Program & ELD Cohort with Partner Universities through Title III funding
- Culturally Responsive Training
- Equity Teams – School Building Initiatives
- Systems Development for Assessment and Accountability in Equity
- Continue the Reynolds Equity Conference

Align English Language Learner (ELL) Resources with ELL Services

- Expand FTE to support student counts
- Continue FTE to support newcomer programs
- Continue GLAD / SIOP Trainer of Trainer Capacity
- Continue GLAD implementation K-6 and expand sheltered instruction systems to secondary schools
- Align 96.4% of State School Fund ELL Funding to ELL Direct Supports and remaining 3.6% for ELL Indirect Supports

- Continue ELD TOSA for professional development of ELD teachers and School Administrators through Title III funding

Board Budget Goal:

Fiscal Responsibility

Support the Board and Superintendent 2015-16 Action Plan

Much of the work around fiscal responsibility, implementing best practices, and refining the overall process within budget preparation happens during the development of the detail and evaluation of labor placement, revenue, and expenditure estimates and cannot be pointed out in terms of budgeted expenditures. Specific expenditures within the proposed budget that demonstrate the continued work in fiscal responsibility are as follows:

- Enhance the 2012 ODE Chart of Accounts implementation within the proposed budget for compliance and to assist in more accurate reporting of revenue and expenditure data by subject, grade level, and school
- Research and align classroom and licensed support full-time equivalents (FTE) down to the sections taught to increase efficiencies
- Staff FTE to the minimum to operate each building based on projected enrollment, monitoring class sizes, and allow for a contingency budget to be used for FTE wherever required, following the first 10 days of school should student attendance exceed enrollment projections
- Allocate music and physical education (PE) FTE at the elementary level at a minimum fixed 0.50 FTE each to provide principals the opportunity to have their instructional needs drive their school schedule as opposed to days and times that music and PE teachers can spend time in the buildings, with an additional benefit of dealing with the licensed prep-time needs
- Allocate Portland Art Tax estimated funding to the four eligible Elementary Schools, Alder, Glenfair, Margaret Scott and Wilkes, and continue expanded music and art FTE at those sites
- Align classified staff FTE to locations based on measureable criteria, such as enrollment and student mobility rates, where applicable, and square footage of space to be cleaned or mowed
- Continue the work in facility maintenance and operations budgets to budget the plan for improvements and specific projects to be completed based on facility assessments and the facility master plan
- Continue the work of creating building allocation budgets on prioritized, expressed building needs for the year and not strictly on a per student basis
- Continue to fund furniture, fixtures, and equipment budgets to replace broken, dilapidated or non-repairable furniture in use in school classrooms and buildings to improve student ergonomics and learning experiences in classrooms

- Continue technology replacement for only devices that no longer function during the budget year
- Continue to acquire ERate approvals annually that result in 50%-90% reductions in the District's telephone and internet costs as well as network major equipment purchases
- Secure facility energy efficiency audits and qualify planned improvements for SB1149 funding for 2016-17

Maintain a 5% Unappropriated Ending Fund Balance per Board Policy

- Budget includes the required 5% unappropriated ending fund balance

Provide Safe, Smart, and Sustainable Learning Environments

- Bond Funded Project Work
 - Secure vestibule projects commencing in 2016-17, including security camera and monitoring
 - High School addition and renovation to be designed and construction services procured in 2016-17
 - Three elementary school replacement projects to be designed and construction services procured in 2016-17
- Loan Funded Project Work
 - Annual bus replacement cycle and transportation site improvements through loan fund proceeds with repayment from State Transportation Grant funding
 - Facility improvements including roof repair or restoration, HVAC system improvement and replacement using facility improvement QZAB zero interest loan proceeds
- Nutrition Fund Funded Project Work
 - Replacement of kitchen equipment at various sites
- General Fund Investments
 - District Safety Officer
 - Continuation of School Resource Officers at all of the District's secondary schools

Design Professional Development Opportunities

- Continue Instructional Coaching at grades K-8
- Continue GLAD, sheltered, and IRLA implementation through internal staff and grant funding

- Continue English for Speakers of other Languages (ESOL) Certification cohort through a partnership with Marylhurst University through staff tuition reimbursement benefits and Title III funding

Board Budget Goal:

Communication

Support the Board and Superintendent 2015-16 Action Plan

To refine and implement the district-wide communications plan for internal and external communication in order to promote the District as a professional, responsive, and well-managed organization dedicated to student achievement. The proposed budget includes the following:

- delivery of information
- regular communication with patrons
- positive image campaign
- media relations

To develop increased capacity and engagement in school and district activities for the purpose of meeting student needs and removing barriers to student success. The proposed budget includes Increase capacity for community engagement

Expand District Academic Partnerships

- Continue SUN program at Fairview, Hartley, Salish Ponds, Wilkes, and Woodland Elementary Schools, and Walt Morey and Reynolds Middle and High Schools
- Continue College Possible
- Continue Middle College with Mt. Hood Community College (Capped at 20 New Juniors)
- Continue Raider to Raider Tutoring through Title III funding
- Continue Project Lead the Way at HB Lee Middle School and Reynolds High School

Continue donated after school program services:

- SUN Program at Alder, Glenfair and Davis Elementary Schools and HB Lee Middle School
- Boys & Girls Club at Margaret Scott Elementary School

BUDGET DEVELOPMENT

Revenue Assumptions

General Fund

The District's 2016-17 service plan is based on a number of revenue assumptions. The largest source of District revenue comes from the State School Fund and is determined using projected student enrollment in the District and projected transportation expenditures. As of the date of this message, the District's estimate of revenue and resources that will be available for District use in 2016-17 is based upon the following revenue assumptions:

- The District Average Daily Membership Weighted (ADMw) for 2016-17 is projected to be 15,261.20, which represents flat enrollment and is identical to the current 2015-16 ADMw of 15,261.20.
- The estimated State School Fund (SSF) distribution is based upon the Biennial Budget of \$7.4 billion identified to support K-12 education statewide for the 2015-2017 biennium. Due to additional appropriations for 2016-17 from the State, the second year of funding will be paid out at 50.8% of the State School Fund budget. Based upon the District's projected enrollment and the State's projected funding level, the Reynolds School District estimates \$88.4 million in State School Fund revenues for 2016-17.
- The estimated property tax revenue to be collected by the District during 2016-17 is \$24.2 million and is based upon a 3.5% growth factor and a 95.1% collection rate as estimated by the Oregon Department of Revenue.
- The General Fund beginning fund balance, considered a resource in the budget process, is estimated to be \$8.29 million at July 1, 2016.
- The Multnomah Education Service District (MESD) pass through or "transit" dollars anticipated for 2016-2017 are based upon changes to the service plan selection.
- The District will utilize one-time loan proceeds of \$2 million in the General Fund to pay for transportation bus replacement and site and facility improvements in the transportation yard. Repayment of the \$2 million loan will commence in 2017-18 and will be paid from the state transportation grant reimbursement of 70% of the expenses amortized over time.

The weights applied to reach the 15,261.20 overall weighted membership number are noted on the chart below and are based on the weight distribution among the existing Reynolds' student population, the changes in the number of identified English language learners (ELLs), and the decreased number of special education students exiting with the Class of 2016 as compared to the projected incoming number of special education students for the 2016-17 school year.

2016-2017 Enrollment Projections							
	Weight	Reynolds Proper	MLA	RAA	ACE	KNOVA	Weighted Totals
ADMr (Students)	1.00	10,401.57	459.00	210.00	-	388.00	11,458.57
ESL	0.50	2,903.00	9.00	6.00	-	103.00	1,510.50
Pregnant/Parenting	1.00	12.00					12.00
IEPs Capped 11%	1.00	1,258.02					1,258.02
IEP Over 11% Cap	1.00	194.80					194.80
Unfunded IEP	-	292.18					-
Poverty	0.25	3,223.24					805.81
Foster Care	0.25	86.00					21.50
Totals							15,261.20

Despite the funding formula enrollment total, of the 15,261.20 the number of students projected to be served in 2016-17 is actually 11,458.57. That number is shown on the chart below as "ADMr" or Average Daily Membership Rate. There is no projected increase for 2016-17.

Recent Enrollment Data Including Charters					
	2013-2014 Weighted Actuals	2014-2015 Weighted Actuals	2015-2016 Weighted Estimates	2016-2017 Weighted Totals	Change in 2016-17
ADMr (Students)	11,028.79	11,019.69	11,468.01	11,458.57	(9.44)
ESL	1,320.13	1,394.70	1,524.92	1,510.50	(14.42)
Pregnant/Parenting	6.83	6.34	11.08	12.00	0.92
IEPs Capped 11%	1,213.01	1,211.45	1,261.48	1,258.02	(3.46)
IEP Over 11% Cap	229.60	206.10	194.80	194.80	-
Unfunded IEP	-	-	-	-	-
Poverty	573.16	818.78	779.41	805.81	26.40
Foster Care	24.50	14.25	21.50	21.50	-
Totals	14,396.02	14,671.31	15,261.20	15,261.20	(0.00)

Final reporting on weighted actuals are received during May the year after the enrollment year. For example, the final 2014-15 enrollment and funding reconciliation was received in May 2016.

Nutrition Service Fund

Revenues are based on projected enrollment with existing free and reduced lunch rates for the upcoming year. Proposed revenues will include a slight rate increase of an average of \$0.10 per meal for paid lunches as required to continue the work of bridging the gap between paid and federally-funded school lunches.

Federal Programs

Revenues are based on a projected budget decrease in Title, IDEA and School Improvement Grant programs. The budgets reflect projected 2016-17 grant revenues and expenses as well as projected carry-forward to be used from July 1 to September 30 due to the grants operating on a federal fiscal year of October 1 through September 30.

Bond Funds (Fund 415)

Resources are based on the projected roll forward of remaining bond proceeds from the August 2015 bond sale, as well as interest earnings projected during 2016-17. All but \$2 million of the \$125 million in authorized bonds have been sold thus far.

Capital School Improvements (Fund 417)

Revenues are based on an approved Qualified Zone Academy Bonds (QZAB) zero interest loan approved by the State of Oregon for educational facility improvements. The budget reflects the \$4 million in approved proceeds to be realized when the State of Oregon sells its bonds.

Expenditure Assumptions

General Fund

The District's 2016-2017 plan is based on a number of expenditure assumptions. As is the case with any educational entity, the largest expense of the District is labor. The proposed staffing framework is based upon a comprehensive evaluation of staffing across all labor groups, departments, and buildings to align to the 2016-2017 plan with emphasis on the Board and Superintendent Goals and overall Board Budget Goals. Additionally, the staffing level review created the basis for the staff position adjustments to align to the reduced enrollment for 2015-16 and projected to continue into 2016-17.

The District's anticipated expenditures are proposed to exceed the projected 2016-2017 revenues by \$817,337. This amount represents a decrease in the **budgeted** spend-down of the District's reserves by \$32,663. However, the total one-time expenditures in the proposed 2016-17 budget is \$2.7 million. This means that \$1.9 million of the current year revenues are being spent on one-time current year expenses, not on ongoing expenses.

It is important to note that the committed contingency amounts identified in the budget are to cover a variety of items, such as:

- FTE for enrollment in excess of projections;
- Carry-forward revenues for the second year of the biennium; and
- Uncommitted amounts for unforeseen expenses.

Reynolds School District is fortunate that it has additional resources to support the expenditure budget where the

current year's revenues fall short. The focus of any proposed spend-down beyond current year revenues has been on one-time expenditures or projects in curriculum and instruction, facility improvements, technology, and furniture, fixtures and equipment. As was the case the last two years, the 2016-17 Budget does **not** propose spending down reserves for ongoing expenditures such as labor.

As of the date of this message, the estimate of expenditures for 2016-17 is based upon the following assumptions:

- The salary schedules for administrative and confidential employees are based upon year two of the established 2015-2018 agreement and represents a 2.5% Cost of Living Allowance (COLA) increase along with a scheduled step increase.
- The salary schedule for classified staff is based upon year three of the negotiated 2014-2017 contract and represents a 2.5% COLA increase along with a scheduled step increase and an average of \$1,118 in monthly insurance caps depending on the length of year worked.
- The salary schedule for licensed staff is based upon year three of the negotiated 2014-2017 contract and represents a 2.5% COLA increase with a scheduled step increase that ranges from 1.04% to 1.956%.
- The Public Employees Retirement System (PERS) Board released contribution rates for the biennium beginning July 1, 2015.
 - Tier 1 and 2 Employer PERS Rate remains set at 6.51% - down from 9.71% in 2013-15
 - Oregon Public Service Retirement Plan (OSPRA) Employer PERS Rate remains set at 1.82% - down from 7.71% in 2013-15
- The Public Employees Retirement System (PERS) Unfunded Actuarial Liability (UAL) requires a 10.6% rate applied to PERS eligible payroll to cover the annual bond payments.
- Other employer labor costs are based on the assumption of 7.65% FICA, 1.7% - 6.83% rates for Workers' Compensation, and a self-funded unemployment rate of 0.25%.
- Proposed FTE cuts from reductions in both enrollment based revenues and grant funding are represented in the 2016-17 Proposed Budget. Vacancies created through retirements or resignations were used wherever possible to avoid reduction-in-force layoffs.
- The expenditure budget includes a full school year with no cut days or furlough days proposed.
- E-Rate savings are taken as a reduction in the District billing for telephone and Internet services. The District took full advantage of the E-Rate qualification process beginning again with the 2012-2013 school year, after sporadically collecting ERate funding for a number of years. In order to receive benefits for the 2015-2016 school year, the application and eligibility process was completed in the spring of 2016. These savings will represent 86% of what the District has historically spent on telephone and Internet services, and major network equipment purchases. Estimated savings for 2016-2017 is \$150,000.

Nutrition Service Fund

Expenditures are based on labor-rate changes as noted above, projected contract services, commodity-rate increases, and continuing capital improvements within the District's food service locations. 2016-17 is the second year in a five-year contract with a contracted management and commodity vendor.

Federal Programs

Expenditures are based on labor-rate changes as noted above, and adjusted to align with significantly reduced carry-forward resources for 2016-17. The 2016-17 budget reflects the second year of the three-year School Improvement Grant and the reduced carry-forward budget for resources and expenses as well as some reduction in grant awards. In all, the year to year change in budgets represents a budgeted decrease of 29.71% which includes a reduction in 8.12 FTE or a 9.83% reduction in FTE within the Federal Programs area.

Bond Funds (Fund 415)

Expenditures are based on the projected 2016-17 project work on District-wide Secure Vestibules, Reynolds High School Addition and Renovation, and the replacement of Fairview, Troutdale and Wilkes Elementary Schools.

Capital School Improvements (Fund 417)

Expenditures are based on approved Qualified Zone Academy Bonds (QZAB) projects to include major roof and HVAC system repairs at existing school buildings.

Proposed Changes to Contracted Services

In 2012-13, the District opted to offer Early Childhood Evaluation Services (ECE) using the Multnomah Education Service District pass through resolution funds. Beginning in 2016-17, the District proposed to contract the ECE services with David Douglas School District to improve cost efficiencies in program delivery.

OTHER BUDGET CONSIDERATIONS

Spending Down District General Fund Reserves

The District has been utilizing reserves to balance the annual budget for several years. The proposed 2016-2017 budget utilizes \$817,337 million in reserves to offset the expenditures proposed that exceed the current year's revenues. This represents a reduction in budgeted spend-down when compared to the \$850,000 budgeted in 2015-2016 as noted on the following table:

GENERAL FUND BUDGETED SPEND-DOWN OF RESERVES						
2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
3,065,032	3,926,000	6,654,722	1,941,539	860,537	850,000	817,337*

**Includes \$2 Million in One-Time Capital Loan Proceed Spending*

The reduction in proposed budgeted spend-down is a result of one-time loan proceeds to cover transportation capital equipment and site improvements for 2016-17, and a beginning fund balance that has already been reduced by the prior year actual spend-down. Therefore the District has essentially reached its limit to spend available fund balance and remain in compliance with the required 5% unappropriated ending fund balance per Board Policy.

The District continues to meet the goal of using current year revenues for current year and ongoing expenses, including \$1.9 million in one-time expenses from the current year's budget using mostly loan proceeds. The goal of the District continues to be the practice of only spending down fund balances on one-time expenditures such as capital and other non-labor costs.

Reconciling the Budget for Reduced Enrollment

In light of the reduction in enrollment in Reynolds (excluding charters), the proposed 2016-17 budget reflects an overall decrease in expenditures and staffing. Beyond enrollment adjustments, the budget also reflects the effort made to provide sustainable staffing levels for Special Education (SPED) within the same reduced budget. This necessitated deeper cuts into General Education, General Fund expenditures in order to fund the SPED services that cannot be supplemented through the IDEA federal grant and cannot be eliminated due to compliance with SPED guidelines. The State School Fund caps funding for SPED and does not provide the District revenues for 292 of the special needs students we will serve in 2016-17. This creates a \$2 million funding shortfall for required services in 2016-17.

The proposed budget includes the following changes in FTE

FTE Totals - All Funds						
	2015-16 Working	2016-17 Proposed				Change
		SPED	Student Srvcs	Other Gen Ed	Total	
Administrative	67.5	(1.10)	(0.90)	(2.00)	63.5	(4.0)
Licensed	674.1	(3.20)	0.50	(26.70)	644.7	(29.4)
Classified	458.5	(4.15)	4.75	(6.90)	452.2	(6.3)
	1,200.1	(8.45)	4.35	(35.60)	1,160.4	(39.7)

Staffing for 2015-16 was based on a projected Reynolds school (excluding charters) enrollment of 10,750 and the projected 2016-17 enrollment is 10,400. The reduction in the budget consists of a combination of capital and one-time expenses and FTE reductions away from the classroom where possible, and finally FTE reductions in the classrooms with the intent to reconcile with projected enrollment needs.

Reductions in FTE were made after thoughtful consideration and collaboration with building Principals and program leaders in an effort to maintain a balance of cuts throughout the entire budget.

There are no proposed new staffing positions within the proposed budget beyond those identified in Special Education and Student Services.

Student-Teacher Ratio Information

During the fall of 2012-2013 some class sizes were inordinately large, particularly at some elementary schools, where FTE had been cut based on a projected decrease in enrollment. The 2013-14 and 2014-15 budgets included additional staff to meet the demand of the realized and projected increased enrollment and allowed for the District to respond with additional FTE where enrollment numbers exceed the projections.

The 2016-17 reduction in FTE consists primarily of cuts outside the classroom. The proposed 2016-2017 budget includes staffing based on projected enrollment with an emphasis on smaller class sizes in grades K through 3. However, Principals have the authority in how FTE is actually used in order to support each building's particular needs. The following table outlines the projected student-to-teacher ratio by location:

Reynolds School District #7
Elementary School Student-Teacher Ratio
July 1, 2016 to June 30, 2017

School	Classroom Teachers	Students	Student-Teacher Ratio
Alder Elementary	20.0	472	23.60
Davis Elementary	19.0	461	24.26
Fairview Elementary	15.0	382	25.47
Glenfair Elementary	22.0	570	25.91
Hartley Elementary	20.0	502	25.10
Salish Ponds Elementary	19.0	477	25.11
Scott Elementary	19.0	475	25.00
Sweetbriar Elementary	16.0	424	26.50
Troutdale Elementary	16.0	422	26.38
Wilkes Elementary	18.0	457	25.39
Woodland Elementary	18.5	477	25.78
Total	202.5	5,119	
Average Student-Teacher Ratio			25.32

The average student-teacher ratio for RSD elementary schools: 25.32 : 1

Reynolds School District #7
Secondary School Student–Teacher Ratio
July 1, 2016 to June 30, 2017

School	Classroom Teachers	Students	Student-Teacher Ratio
HB Lee Middle School	26.5	785	29.62
Reynolds Middle School	26.5	925	34.91
Walt Morey Middle School	22.1	610	27.60
Reynolds Learning Academy (East & West)	13.8	242	17.54
Reynolds High School (All Programs)	87.5	2786	31.84
Total	176.4	5,348	
Average Student-Teacher Ratio			28.30

The average student–teacher ratio for RSD secondary schools: 28.3 : 1

CONCLUSION

This budget document reflects the conscientious effort to continue the practice of maintaining the beginning fund balance over the course of the last year for use on one-time purchases while adjusting staffing levels to match the projected decreasing enrollment. The 2016-17 budget document benefits from the reserve balance as well as a one-time infusion of loan funds for capital equipment and site needs, and it is essential to continue to utilize current year revenues for current year expenses and access the fund balance or reserve only for those one-time needs or to offset increased fixed costs in the short term.

The 2016-17 budget uses \$817,337 of the District's cash reserves, including \$1.9 million in one-time costs for transportation capital equipment and site improvements. The projected unappropriated ending fund balance of \$6.47 million represents 5.0% of the total 2016-2017 General Fund resources, including loan proceeds, which meets Board policy. Additionally, the proposed budget includes a contingency balance of \$1 million.

Even in a time of minimal state funding increases and a sustained decline in enrollment, this document supports the District's mission and goals for a quality educational program, a safe and secure learning environment for our students, and resources to continue to attract and maintain a quality workforce.

I would like to acknowledge the work of the entire Reynolds Leadership Team and the District's Finance staff in particular for their hours of work in planning, projecting, and compiling the 2016-17 budget document.

Respectfully submitted,



Dr. Linda L. Florence
Superintendent
Reynolds School District