

To: The HUUSD Board and Brigid Nease, Superintendent
From: Michelle Baker, Director of Finance & Operations
Date: June 23, 2017
RE: Report from Director of Finance for June 28th HUUSD Board Meeting

FY2018 Budget and Healthcare

We are certainly facing a new challenge with the recent legislative action to reduce statewide FY2018 school district budgets approved by voters. We don't yet know how the funding reductions will be calculated and the specific amount for HUUSD. I will follow up in a written report on the details when more information is available. The Agency of Education stated yesterday they need time to read and understand the legislation and to "figure things out".

Propane Bid

A bid for propane for FY2018, used by Fayston Elementary School for heating, was received from Gillespie Fuels & Propane for \$1.19/gallon on June 22nd. The annual propane usage is approximately 12,500 gallons, for a total anticipated cost of \$14,875 at the bid price. The FY2018 budget for propane is \$22,500, the bid results in a savings of \$7,625 from budget. Gillespie's is the only company who submitted a bid.

Recommended Action: Accept the bid from Gillespie Fuels & Propane at \$1.19 per gallon for FY2018.

Paper Bid

The annual bid for paper, used by all schools and the central office, was received on June 22nd. Three bids were received from Central Paper Products, WB Mason and Contract Paper Group, Inc. The low bid is WB Mason for a total annual estimated cost of \$17,237.58 for paper, lower than budget and last year.

Recommended Action: Accept the bid from WB Mason for paper for FY2018.

Technology Lease(s) for equipment to be purchased for the 2017-2018 school year are still being worked out, and information will be presented at the board meeting.

Non-unionized, Non-licensed staff – FY2018 Salary Increase & Health Insurance Benefits

As you are aware a settlement was reached with the support staff for a three-year agreement. The recommendation is that non-unionized, non-licensed support staff receive the equivalent salary increase and health insurance benefit negotiated for the unionized support staff for FY2018. Traditionally, non-unionized support staff has received the equivalent salary increase of the unionized support staff. There are currently no policies or procedures for performance or pay increases based on another metric. This group of employees includes administrative assistants, food service directors, maintenance directors, central office staff and technology staff. The FY2018 salary increase for support staff is 3.25%.

The non-unionized benefit and leave plan adopted by the board in March 2017 can be accessed [here](#) for reference.

The health insurance benefit negotiated for unionized support staff is 85% District/15% Employee, premium cost share based on the value of the Gold-CDHP plan. In addition, an HRA provided by the district in the amount of 95% of the CDHP-Gold plan out-of-pocket costs was agreed to; employees are responsible for the first 5% of out-of-pocket costs. The district will contribute to an HRA up to \$4,750 for family and two person plans, and up to \$2,375 for a single plan, to be used for deductible expenses, co-insurance expenses and medications. Residual HRA funds, unused at the end of each year, revert back to the district. An HSA option was not included in the unionized agreement.

Based on an evaluation of actual claims expense for employees over the past two years, the maximum HRA amount is unlikely to be utilized by employees which will result in savings to the district.

The recommendation is to offer the non-unionized support staff the 85% District/15% Employee premium share based on the value of the CDHP-Gold plan, with the option of the HSA per the original proposal (\$3,375 Family/2P, \$1,700 single) or an HRA at the same level as the unionized support staff (\$4,750 Family/2P, \$2,375 Single).

This will result in an additional cost of approximately \$17,000 to the district only if every non-unionized staff chooses the HSA, whereby the funds are the employees. If some staff choose the HRA option and the full amount of HRA funds set aside are not spent, likely given more than 50% of employees have less than \$1,500 in claims in any given year, the additional cost will be offset by HRA funds unspent at the end of the plan year.

The benefits for administrators remain as approved by the board in March, and the recommendation is to re- look at these benefits once teacher negotiations for FY2018 have concluded.

For information, the target plan adopted by the legislature from the VSA report issued this week is as follows.

The “target plan” applies to all categories of school employees (teachers, support staff, and administrators), and includes several elements, clearly defined in the law as:

- Premium Contribution - An employer contribution of 80 percent of the premium for the VEHI Gold CDHP, with school employees responsible for the balance of the premium for the VEHI plan they select.
- Out-of-Pocket Costs - The target plan includes employer contributions toward school employees’ out-of-pocket expenses in the amounts of \$2,100.00 per individual plan, \$4,200.00 per two-person or parent-child plan, and \$3,800.00 per family plan in a health reimbursement arrangement (HRA) or health savings account (HSA). If using an HRA, school

employees pay the full first dollar of their out-of-pocket expenses before the employer's contribution kicks in.

- HRA vs HSA – The target plan assumes 75% of employees will enroll in an HRA and 25% will enroll in an HSA.

Summer Board Orders, transition to HUUSD, etc.

We are rapidly approaching June 30th and are working on the finalization of all school district financial reports and establishing the financial accounting system for HUUSD. The first FY2018 HUUSD financial statement will be issued in late August/early September.

School Districts, and WWSU, will not be issuing checks after June 30th and the accounts payable liability for each school district for expenses incurred prior to June 30, but paid after June 30, will be paid by HUUSD. Therefore, there will be no further local board orders after June 30th. There will be a final board order to transfer the audited cash balance in each district to HUUSD after the financial audit(s) are completed, which is estimated to be by early October.

Given the volume of payments associated with all schools, we are planning to issue weekly checks and, therefore, have a weekly board order for HUUSD. I will be providing more information about the HUUSD proposed board order process at the board meeting.

Look forward to seeing you on the 28th.