Board Meeting Statement:

The Coleman Board of Education has a responsibility to spend taxpayer dollars wisely with a long-term view toward students' success. The Board is elected and charged with the responsibility of ensuring the school district remains fiscally responsible and financially stable. It is more prudent to work with a fund balance than from a deficit and a 15% fund equity is approximately 2 months of the district expenditures. Personnel cost is 84% of expenditure. This does not provide much leeway, particularly when we do not know our revenues from the State until October, a third of the way into your fiscal year.

"As a general rule, Michigan School Board Organization recommends that districts have a fund balance of 15 to 20 percent of their total expenditures and operating transfers budget... Additionally, it is important to have a sufficient fund balance to allow a school district to absorb cuts in state funding such as those that have occurred in recent years, and may occur again next year. Having a financial cushion allows a district to avoid drastic changes in educational programs and/or employee layoffs during the school year."

The quality of education in a community is a key factor in its economic stability/growth and keeping Coleman a preferred district for our students. The district must live within its means and protect its future financial stability through responsible budget decisions. We are confident that with all information that has been shared, we can come to an equitable and financially sound resolution together.

Coleman Board of Education Information as of 7.17.2017

District fund balance (see attached MSBO definition) has shown a decline from 27% in 2015-16 fund balance to 22% in 2016-17 ($276,000 spent), and anticipated 16-17% (2017-18 Aug. audit) or approximately $413,000 spent from fund balance. This paragraph has the same information as sent out on 7.17.2017 but has been written to clarify community questions.

Enrollment has decline 27 students (1998-99 to current); decline 24 student (2004-05 to 2014-15). For 2016-17, there was a 35 student drop totaling a loss revenue of $262,885; fall count was 655 students. We have projected a 25 student loss (630 fall count) for 2017-18 ($190,800 loss of revenues).

Significant reductions in revenue for the coming year also include possible borrowing interest charges, Midland County ESA costs and potential reduction in taxes.

Reductions in expenditures are non-replacement of 3 teachers and 1 paraprofessional (based on numbers of students); 1 of these is on leave and may return in a year.

Insurance costs continue to rise. The district currently pays $637,341 for Coleman Education Association (CEA)/Coleman Educational Support Personnel Association (CESPA) inclusive of MESSA ABC Plan 1 & dental/vision. 2017-18 is a 3.3% increase in employer cap contribution and would result in additional costs for the district and staff members. MESSA Blue Cross/Blue Shield increased 7% for coming year. Administration informed association boards it would be quoting options for insurance. Any and all members of both unions were invited to hear the information; members of both union boards and administration attended the committee meetings. Kapnick and MESSA representatives both presented. Insurance and salaries for association members are 84% of the district general fund budget. The CEA/ CESPA were previously offered 4 options: a MESSA 100% Blue Cross/Blue Shield option (currently in contract) along with 3 other proposal options all involving Blue Cross/ Blue Shield (non MESSA). The non-MESSA options are still within the same network and would not require changes in doctors. The Blue Cross/ Blue Shield (non MESSA) options would provide overall savings to the district (see attached) of $80,000-$143,000, a portion of which was offered back to the staff in various forms regardless of plan chosen. See below.

- MESSA Blue Cross/ Blue Shield Option 1: Additional cost to district of 2017-18 State hard cap; off schedule .5% to CESPA
- Blue Cross/Blue Shield (non-MESSA)- 3 options given: 80/20 Option 2; 100% & 80/20 Option 3; 100% Option 4:
    - Each BC/BC option would offer between $35,457 to staff (total both unions) and $77,482 to staff (total both unions) in savings/ raises through a variety of formats (e.g. stipend, off schedule %ages, steps/ longevity, etc.)
    - Employees would have no additional premium/ HSA cost and includes 2017-2018 State hard cap
    - If fund balance for is higher than anticipated for 2016-17 audit, an off-schedule increase will be given
    - All above options, employee would continue to pay 20% of dental/ vision; should insurance rates increase by 7% or more, we would quote companies again
    - Year 2 BC/BS All Options- additional increases would be given if student loss is less than anticipated

CEA emphasized its members #1 priority is MESSA Blue Cross/ Blue Shield insurance. Therefore, after sharing the BC/BS (non-MESSA) on more than one occasion, only information pertaining to MESSA was shared in the most recent offer. MESSA options will create additional costs to staff members and the district, further drawing down our fund balance. All information shared above, including 4 non-replaced staff members, is part of the projected fund balance (2016-17) and budget (2017-18) adopted and taken into consideration when determining negotiations offers. Any additional spending will decrease the fund balance at an even greater rate than the approximately 5%/year; within 4 years the district will likely be below 10% absent stable enrollment or significant increase in State Aid.

Most recent proposals are on back.

As of the last CEA negotiations meeting on 7.12.2017, the CEA Union Board and Board of Education (BOE) will move to Mediation.

2016-2017 Contract CEA (expired 6.30.2017)	Last CEA Union Proposal	Last Board Proposal to CEA with additional potential increase/ decrease in fund balance
• 2-year contract • MESSA 100% insurance • District pays to 2016-17 hard cap • Employee pays 20% of dental/ vision • HSA pre-funded for year in Jan. w/ employee paying back throughout year • Steps, lanes, longevity • Language	• 2- year contract • MESSA ABC Plan 1 insurance • District to pay maximum State hard cap • Employee pays 20% of dental/ vision • Steps, lanes, longevity • .5% increase if Aug. 2017 audit fund balance is 19% or greater • .5% increase if student enrollment is 655 • Open house language and calendar as previously discussed • To discuss prohibited subjects removal with district attorney • Other proposed changes- leave "as is" deduct days, early retirement special pay, Schedule B TBDs, all remaining contract lang. not addressed	• 1-year contract package proposal • MESSA ABC Plan 1 insurance • District to pay to 2017-18 State hard cap ($11,000 district cost) • Employee pays 20% of dental/ vision • Employee to pay HSA/ no pre-fund per IRS liability information • Lanes • No Steps/ Longevity ($52,000 cost) • .5% increase if Aug. 2017 audit fund balance is 19% or greater ($14,524) • .5% increase if student enrollment is 655 ($14,524) • Open house language and calendar as discussed previously • Removal of prohibited subjects- willing to discuss specific questions • Other language- Schedule B as previously discussed; removal of Deduct Days from contract; teaching hours; early retirement lump sum not reportable to ORS

As of the last CESPA negotiations meeting on 7.13.2017, the CESPA Union Board and BOE have a meeting scheduled for 7.24.2017.

2016-2017 Contract CESPA (expired 6.30.2017)	Last CESPA Union Proposal	Last Board Proposal to CESPA additional potential increase/ decrease in fund balance
• 2-year contract • MESSA 100% insurance • District pays to 2016-17 hard cap • Employee pays 20% of dental/ vision • HSA pre-funded for year in Jan. w/ employee paying back throughout year • Steps, lanes, longevity • Language	• 2-year contract • MESSA ABC Plan 1 insurance • District pays premium share & HSA to 2017-2018 State hard cap; employee pays anything above • Employee pays 20% of dental/vision • $.50/ hour per year for 2 years • Discuss additional compensation for CTE & Special Education to ESA runs • Language- some items Tentative Agreement; others still to be determined	• 1-year contract package proposal • MESSA ABC Plan 1 insurance • District pays to 2017-18 State hard cap ($5838 district cost) • Employee pays 20% of dental/ vision • Employee to pay HSA/ no pre-fund per IRS liability information • $.10/ hour ($5400 district cost) • Discuss CTE/SE language (additional cost) • Language- willing to do Tentative Agreement on much of agreement

Fund Balance and Related Issues

This is to inform you of the Michigan School Business Officials (MSBO) recommendations and position on the establishment and use of what is commonly referred to as a "fund balance" or fund equity. Fund balance is commonly mistaken to be 100 percent spendable cash, when in fact this is an accounting term that indicates the difference between total assets and total liabilities.

One must be careful in generalizing about fund balances because, although there are some commonalities, circumstances vary from district to district that may affect what a fund balance represents and/or how much of a fund balance is necessary for the financial stability of a school district.

A typical fund balance in a school district is composed of three components:

1) Cash on hand – these funds may be in short term, highly liquid investments or in a checking or savings account. These funds are available for district use.

2) Accounts receivable – because of a timing difference between a school district's fiscal year (which ends June 30) and the state's fiscal year (which ends September 30) there are two payments out of the eleven state aid payments that are actually received after the district's fiscal year has ended. Using accrual accounting, the payments are "booked" at the end of the school district's fiscal year and included in calculating fund balance. These funds are not available to the school district until they are actually received in July and August.

3) Inventory and pre-paid assets – includes teaching, custodial and office supplies, and fuel in storage tanks. These are typically modest amounts and are obviously not available to expend.

Other considerations in discussing fund balance include:

A. **The level of non-homestead tax base in the district.** The 18-mill levy is only on non-homestead property. Since the main sources of funding for a district come from local property taxes and state aid, the level of non-homestead property in the district determines the amount received locally. If the district has a low non-homestead tax base, it will result in greater funds received from the state, which means the district will probably have to borrow funds to operate if their fund balance isn't sufficient.

B. **The tax collection practice of the school district.** A 100% summer collection allows a district to receive the local share of its funding up front with the July tax levy. If a 50/50 collection exists they will receive half in the summer and half in the winter collection. A 100% winter collection means the local taxes are collected during the winter only.

C. **The trend of the fund balance level.** Districts spending more than they receive can create a structural deficit, which eventually has to be addressed. The reason for the deficit will determine the level of concern necessary. For example if fund balance is used to purchase a capital asset (buses, technology), that is preferable to spending the fund balance on recurring costs (employee costs).

D. **Future obligations.** Some obligations are large enough to require a greater level of spending such as opening a new building. Districts can build up their fund balance in order to meet the increased obligations of a larger operation.

E. **Declining enrollment presents a myriad of problems for a school district.** The presence of a fund balance allows the district to better manage the decline.

F. **The absence of sufficient fund balance will likely result in borrowing to meet cash flow needs.** If a district borrows money it will pay a related interest cost and closing fees, which is charged to the general operating budget.

G. **Bond practices**. The presence of a reasonable fund balance along with a stable trend in the level of fund balance is viewed favorably by the bond rating agencies. This benefits local taxpayers with lower interest costs on bonds that are issued.

Probably the most important reason in our current climate is that a fund balance provides flexibility in dealing with unanticipated emergencies such as mid-year reductions in state funding.

As a general rule, MSBO recommends that districts have a fund balance of 15 to 20 percent of their total expenditures and operating transfers budget. We selected that amount based on the above listed considerations. In simple terms this level of fund balance is necessary to avoid borrowing during the four-month period between July 1 and October State Aid payment on Oct. 20. Additionally it is important to have a sufficient fund balance to allow a school district to absorb cuts in state funding such as those that have occurred in recent years, and may occur again next year. Having a financial cushion allows a district to avoid drastic changes in educational programs and/or employee layoffs during the school year.

3rd quarter rates
5.16.2017

Medical Options - Coleman Community Schools

Period: 07/01/2017 -06/30/2018

	Current	Option 1	Option 2
CARRIER	Public Act 152 2017	Blue Cross Blue Shield	Blue Cross Blue Shield
Benefit Plan		Simply Blue HSA 1250 100%	Simply Blue HSA 1250 20%
Plan Type/Network			
Deductible		*Aggregate*	*Aggregate*
In-Network	**2017 State Hard Caps**	$1300/2600	$1300/2600
Out-of-Network		$2600/5200	$2600/5200
Coinsurance	**Single: $6,344.80**		
In-Network	**Double: $13,326.93**	100%	**80/20%**
Out-of-Network	**Fmaily: $17,304.02**	80/20%	**60/40%**
Coinsurance Maximum			
In-Network		N/A	N/A
Out-of-Network		N/A	N/A
Out-of-Pocket Maximum		*Aggregate*	*Aggregate*
In-Network		**$2250/4500**	**$2250/4500**
Out-of-Network		**$4500/9000**	**$4500/9000**
Office Visit Copay		Subject to deductible	Subject to deductible
Specialist Office Visit Copay		Subject to deductible	Subject to deductible
Chiropractic Copay		Subject to deductible 12 visits max.	Subject to deductible 12 visits max.
Urgent Care Copay		Subject to deductible	Subject to deductible
Emergency Room Copay		Subject to deductible	Subject to deductible
Prescription Drugs		**Subject to deductible, then: $10 Generic $40 Preferred Brand $80 Nonpreferred Brand Mail Order 2x**	**Subject to deductible, then: $10 Generic $40 Preferred Brand $80 Nonpreferred Brand Mail Order 2x**
Employer Required Contribution:			
Participation		Minimum 2 enrolled	Minimum 2 enrolled
A.M. Best Rating		A- (Excellent)	A- (Excellent)
Rate	Monthly Cap		
	Single 7 $528.73	Single 7 $431.97	Single 7 $394.48
	Two-Party 9 $1,105.74	Two-Party 9 $1,036.73	Two-Party 9 $946.75
	Family 37 $1,442.00	Family 37 $1,295.92	Family 37 $1,183.44
Monthly Premium	53 $67,006.77	53 $60,303.25	53 $55,069.37
Estimated Taxes & Fees		Included in Rates	Included in Rates
Total Monthly Cost	$67,006.77	$60,303.25	$55,069.37
Total Annual Cost	$804,081.24	$723,638.99	$660,832.39
Difference		*-$80,442.25*	*-$143,248.85*
% Difference			

Option Tier Level Rates shown include Michigan claim taxes and mandatory fees/taxes due to the Patient Protection and Affordable Care Act (PPACA)

Medical Options - Coleman Community Schools

Period: 07/01/2017 -06/30/2018

	Current		Option 1				Option 2			
CARRIER	Public Act 152 2017		Blue Cross Blue Shield		Blue Cross Blue Shield		Blue Cross Blue Shield		Blue Cross Blue Shield	
Benefit Plan			Simply Blue HSA 1250 100%		Simply Blue HSA 1250 20%		Simply Blue HSA 1250 100%		Simply Blue HSA 1250 20%	
Plan Type/Network										
Deductible			*Aggregate*		*Aggregate*		*Aggregate*		*Aggregate*	
In-Network	**2017 State Hard Caps**		$1300/2600		$1300/2600		$1300/2600		$1300/2600	
Out-of-Network			$2600/5200		$2600/5200		$2600/5200		$2600/5200	
Coinsurance	**Single: $6,344.80**									
In-Network	**Double: $13,326.93**		100%		**80/20%**		100%		**80/20%**	
Out-of-Network	**Fmaily: $17,304.02**		80/20%		**60/40%**		80/20%		**60/40%**	
Coinsurance Maximum										
In-Network			N/A		N/A		N/A		N/A	
Out-of-Network			N/A		N/A		N/A		N/A	
Out-of-Pocket Maximum			*Aggregate*		*Aggregate*		*Aggregate*		*Aggregate*	
In-Network			**$2250/4500**		**$2250/4500**		**$2250/4500**		**$2250/4500**	
Out-of-Network			**$4500/9000**		**$4500/9000**		**$4500/9000**		**$4500/9000**	
Office Visit Copay			Subject to deductible		Subject to deductible		Subject to deductible		Subject to deductible	
Specialist Office Visit Copay			Subject to deductible		Subject to deductible		Subject to deductible		Subject to deductible	
Chiropractic Copay			Subject to deductible **12** visits max.		Subject to deductible **12** visits max.		Subject to deductible **12** visits max.		Subject to deductible **12** visits max.	
Urgent Care Copay			Subject to deductible		Subject to deductible		Subject to deductible		Subject to deductible	
Emergency Room Copay			Subject to deductible		Subject to deductible		Subject to deductible		Subject to deductible	
Prescription Drugs			**Subject to deductible, then: $10 Generic $40 Preferred Brand $80 Nonpreferred Brand Mail Order 2x**		**Subject to deductible, then: $10 Generic $40 Preferred Brand $80 Nonpreferred Brand Mail Order 2x**		**Subject to deductible, then: $10 Generic $40 Preferred Brand $80 Nonpreferred Brand Mail Order 2x**		**Subject to deductible, then: $10 Generic $40 Preferred Brand $80 Nonpreferred Brand Mail Order 2x**	
Employer Required Contribution:										
Participation			Minimum 2 enrolled		Minimum 2 enrolled		Minimum 2 enrolled		Minimum 2 enrolled	
A.M. Best Rating			A- (Excellent)		A- (Excellent)		A- (Excellent)		A- (Excellent)	
Rate		Renewal Rate								
Single	7	$528.73	2	$431.97	5	$394.48	4	$431.97	4	$394.48
Two-Party	9	$1,105.74	3	$1,036.73	6	$946.75	5	$1,036.73	5	$946.75
Family	37	$1,442.00	11	$1,295.92	26	$1,183.44	19	$1,295.92	19	$1,183.44
Monthly Premium	53	$67,006.77	16	$18,090.97	37	$38,548.56	27	$30,151.62	27	$27,534.68
Estimated Taxes & Fees		Included in Rates		Included in Rates		Included in Rates		Included in Rates		Included in Rates
Monthly Cost		$67,006.77		$18,090.97		$38,548.56		$30,151.62		$27,534.68
Annual Cost		$804,081.24		$217,091.70		$462,582.68		$361,819.50		$330,416.20
Total Monthly Cost		$67,006.77				$56,639.53				$57,686.31
Total Annual Cost		$804,081.24				$679,674.37				$692,235.69
Difference						*-$124,406.87*				*-$111,845.55*
% Difference										

Option Tier Level Rates shown include Michigan claim taxes and mandatory fees/taxes due to the Patient Protection and Affordable Care Act (PPACA)

KAPNICK INSURANCE GROUP