SAN ANTONIO ISD

DEVELOPING A PLAN FOR EXCELLENCE, EQUITY, AND EFFICIENCY

COMMUNITY-BASED LONG RANGE FACILITIES COMMITTEE – PHASE 4

Meeting #1

March 25, 2009

On Wednesday, March 25, 2009, the community-based Long Range Facilities Committee held its first meeting of Phase 4 from 6:00 – 7:30 p.m. The agenda for the meeting is attached. Forty-two committee members made up of community and SAISD staff were in attendance.

Dr. Robert Durón welcomed the committee and thanked them for their service in the prior phases and for the work they will do in Phase 4. Dr. Durón reminded the group of the focus of the work – to create a plan that will provide the learning environment and resources that will allow teachers to empower students to create their own future. He emphasized the role of teachers in making that difference in the lives of students.

Kamal ElHabr, Associate Superintendent for Facilities Services, reviewed the factors leading to the work of the committee. He pointed out the decline in enrollment by over 20,000 students in the last thirty years. Kamal asked each committee member to introduce themselves, indicating their community involvement or role in the district.

Danny Modisette, Education Design Strategist with Cambridge Strategic Services, reviewed the charge of the committee for Phase 4 (attached). The role of the committee in Phase 4 will include oversight and guidance as scenarios are developed for implementation of the work of Phases 1, 2, and 3. The Findings and Directions from Phase 1 and the boundary recommendation from Phase 3, along with the financial analysis of the district will serve as the guiding information for Phase 4.

Kamal ElHabr and Mark Castillo presented the final work of Phase 3. Maps indicating high school, middle school, and elementary school boundaries were presented to the group. Additionally, feeder patterns were indicated. The committee accepted the work as representing their recommendations.

Danny Modisette reviewed the Findings and Directions and Facility Implications document from Phases 1 and 2. He asked each committee member to review these documents prior to the next meeting in order to be familiar with the standards established in that work.

Danny Modisette outlined the work process for Phase 4. Staff and consultants will produce scenarios for the implementation of the Findings & Directions and boundary recommendations. The committee will provide feedback and direction for adjustments to the scenarios. When the final draft of the Phase 4 plan is in place, the committee will integrate that with the Phase 3 boundary recommendation and present to the community in multiple community meetings. The committee will take input in these meetings, then, meet to finalize its recommendation considering the community feedback. Then, the

recommendation will be presented to the Board of Trustees for consideration. The Board has the final authority and responsibility to make decisions.

Julie Novak, Director of Planning & Budget, presented the financial analysis of the district. The report included the current status and projections for the operating budget. The scenario for the operating budget with no changes to current operations would deplete the district's reserves completely by the 2012 – 2013 budget years. Additionally, the report addressed the district's status in the Interest and Sinking or bond fund side. A copy of the presentation is attached.

The meeting adjourned at 7:30 p.m. The next meeting will be April 8 from 6:00 – 8:30 p.m. at Mission Academy.

SAN ANTONIO ISD

LONG RANGE FACILITIES COMMITTEE

PHASE 4

March 25, 2009

Agenda

1.	Welcome and Introductions	Kamal ElHabr
2.	Charge for Phase Four	Danny Modisette
3.	Review Proposal from Phase Three	Kamal ElHabr/Mark Castillo
4.	Review Phases One and Two	Danny Modisette
5.	Phase Four Process	Danny Modisette
6.	Financial Overview	Steve Bassett

7. Next Meeting:
    - Wednesday, April 8 *(tentative),* 6:00 – 8:30
    - Arrive at 5:30 for light dinner

SAISD Financial Update March 25, 2009

Presentation for:
Long Range Facilities Committee – Phase IV

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Financial Update Agenda

- Cost Containment Committee Update
- Financial Projections
- Options to Close the Gap
- Debt Service / Bond Update

Cost Containment Update

- Cost Containment Committee (CCC) consists of Cabinet members and 6 campus representatives
- Reviewing benchmark data of peer districts for spending per student for each function
- Goal is to identify ideas for:
  - Cost containment
  - Investments in technology and/or processes that can eventually save money
  - Revenue enhancement ideas

Source: SAISD Finance

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Cost Containment Update

Functions Reviewed to Date:

- 31 – Guidance
- 33 – Health Services
- 35 – School Nutrition
- 41 – General Administration
- 52 – Security

Functions Remaining:

- 13 – Curriculum
- 21 – Instructional Leadership
- 51 – Facility Maintenance
- 53 – Information Technology

Source: SAISD Finance

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Cost Containment Update

- Department heads within each function make presentations to CCC
- CCC is compiling tentative list of initiatives
- CCC to prioritize list for Board review based on projected impact to mission of the district
- Work to be complete by June 2009
- Presented to Board in budget study session

Source: SAISD Finance

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Financial Projections for 2008-09 and 2009-10

What information was used to update the 2008-09 budget projections?

- Updated Projections
  - Reviewed all expenditures from September to February and updated projections based on six-months actual data
  - Revised salary projections for the one-time salary supplement
  - Revised revenue projections for enrollment and ADA through fourth six-week period and decreased investment earnings due to lower interest rates

Source: SAISD Finance

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Projections for 2009-2010

- **Major Assumptions for 2009/10 Budget Projections**
  - District continues to operate with same number of campuses
  - Student-Teacher ratio remains the same
  - Maintenance & Operations tax rate remains the same
  - Enrollment and ADA decline by 0.9% = ($3.6M)
  - No salary increases or one-time supplements
  - 10% Increase in health insurance = ($2.5M)
  - 8% Increase in utilities = ($1.2M)
  - 5% Increase in other expenses, such as supplies = ($1.8M)

Source: SAISD Finance

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Tax Rate Information

Current Rates

Maintenance and Operations (M&O)	$1.0400 / $100
Interest and Sinking (I&S)	$0.2097 / $100

Maximum Allowable Rates Pending Voter Approval

Maintenance and Operations (M&O)	$1.17 / $100
Interest and Sinking (I&S)	$0.50 / $100

General Fund Fund Balance Projection

Salary Increases Not Included

$(000's)	2006-07 Actual	2007-08 Actual	2008-09 Revised Projection	2009-10 Preliminary Projection
Revenue:	$376,350	$390,372	$381,228	$375,890
Expenditures:	$369,871	$389,998	$382,835	$379,043
Surplus (Deficit)	$6,479	$374	($1,606)	($3,153)
Beginning Fund Balance	$45,894	$52,373	$52,747	$51,140
Ending Fund Balance	$52,373	$52,747	$51,140	$47,987

Remember: Fund Balance ≠ Cash Balance

Source: SAISD Finance

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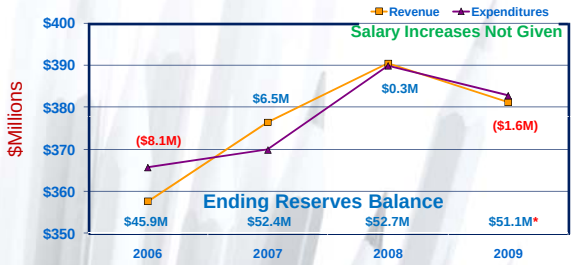
Current Financial Situation

2006 through 2009

Actual Results & Projections

Preliminary



*$51M is 1.6 months of expenditures: TEA recommends 2 months

Source: SAISD Finance

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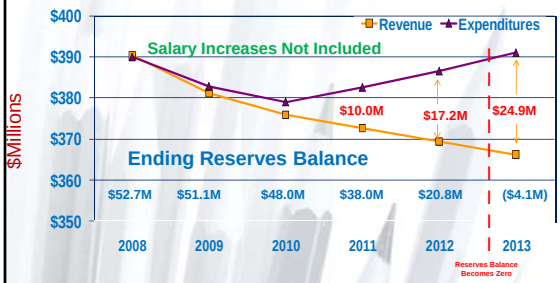
"Do Nothing" Scenario

2008 through 2013 projections

Preliminary



Revenue decline and inflation impacts are projected to be $7M per year

Source: SAISD Finance

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Material Uncertainty for Projections

- **Revenue**
  - **Head Start**
  - **ADA for remainder of year and into future**
  - **Regular enrollment decline**
  - **State Legislation**
- **Expenditures**
  - **Head Start**
  - **School Nutrition Fund deficit**
  - **Number and duration of vacancies**
  - **Actual spending vs. authorization to spend**
  - **Stimulus funds impact**

Source: SAISD Finance

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Options to Close the Gap

Looking Ahead: No Room For Error! Call to Action

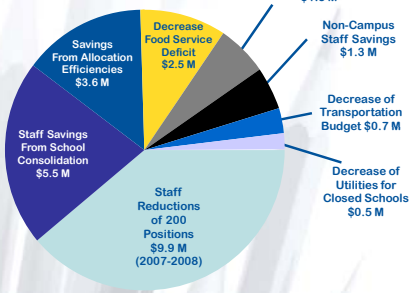
- Considerations Needed for 2009-10:
  - Aggressive cost containment strategies and/or a successful M&O tax rate election for increases in compensation
- Fund Balance Projections:
  - 2008-09 = $51.1M or 1.6 months of Average Monthly Expenditures
  - 2009-10 = $48.0M or 1.5 months of Average Monthly Expenditures

Source: SAISD Finance

Major Cost Reductions

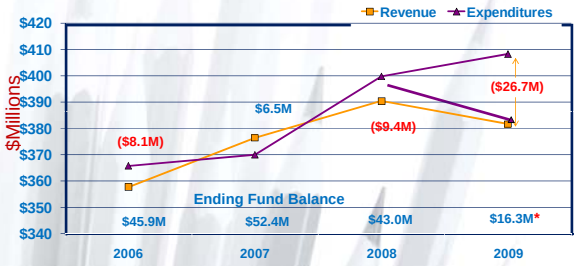
2007/2008 & 2008/2009

$26Million



Had We Done Nothing

Actual Results & Projections



* Borrowing required for payroll

* $16.3M is about ½ month of expenditures

Source: SAISD Finance

School Consolidations

- Consolidating an Elementary School results in an annual savings of $1.0 to $1.5 million
- Consolidating a Middle School results in an annual savings of $1.5 to $2.0 million
- Consolidating a High School results in an annual savings of $2.5 to $4.0 million

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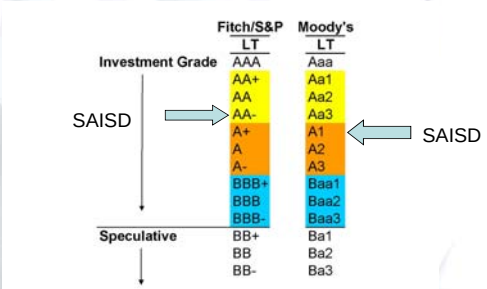
Debt Service Update

- Rating Agency Scales
- Current Market Conditions
- Bond Analysis
- Recommended District Actions

Ratings Agency Scales



Source : Rating Agencies

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Current Market Condition

- SAISD has used the AAA rated Permanent School Fund (PSF) guarantee for all currently outstanding Unlimited Tax Debt
- Cost of $2,300 per bond issue for the PSF guarantee
- PSF program halted until at least September 2009
- Market Value of assets in the (PSF) have decreased by 22% in last 6 months from $25 to $18 billion

Current Market Condition

<u>What does the loss of the PSF AAA guarantee mean for the District?</u>

- The District will be required to purchase bond insurance
- Bond insurance premium on a $100 million bond issue is estimated at $800,000
- Result in additional $6.7 million in debt service

Source: Estrada & Hinojosa

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Current Market Condition

- Issuers must have greater availability of information for potential investors
- Issuers must have flexibility in the timing of bond issues
- EDA (Existing Debt Allotment) and IFA (Instructional Facilities Allotment) funding levels have not been determined yet by the Texas Legislature
- Not enough details available for Build America bonds

Bond Analysis

- $100 million issue = 4-5 pennies increase
- $600 million issue = Rate at $0.50 cap

- Potential improvements to scenarios:
  - State Fiscal Stabilization Fund
  - Build America Bonds
  - PSF reinstated
  - Taxable values increase

Source: Kavoussi Associates

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Staff Recommendations

- Increase availability of District information
- Board Approval of a General Fund and Debt Service Fund Balance Policy
- Explore the opportunity to issue Variable Rate Demand Obligations
- Continue to pursue QZAB and Build America bonds to increase debt capacity