

Budget Work Session April 8, 2010







Agenda



- Board Goals
- Budget Calendar
- > Review of Budget Process
- Update on Title Funding
- > ISD Headlines in Texas
- Update on State Funding
- > Projections for Current Year
- > Five Year Forecast





Board Goals

- GOAL 1: CIVIC CAPACITY Improve district-community relations, communications, and customer service
- GOAL 2: FACILITIES Develop a facilities plan to meet the long-range needs of students and the district in the area of facilities, technology, safety, performance, and efficiency in operations
- GOAL 3: ACADEMICS Improve academic performance; achieve an Academically Acceptable Rating by 2010
- GOAL 4: FINANCE Improve the district's financial strength
- GOAL 5: GROWTH Increase student enrollment and attendance in the district





2010-11 Budget Calendar

| AISD | |
|-------------------------------|---|
| DATE | ACTIVITY |
| April 8, 2010 | Board Budget Work Session: 2009-10 Forecast and Preliminary 2010-11 |
| Thursday | Budget Projections; Budget Calendar; Budget Process; Bond/No Bond |
| | Scenarios; Federal/Title Funding; State Funding Forecast |
| May 24, 2010 | Board Budget Work Session: Updated 2009-10 Forecast and |
| Monday | Preliminary 2010-11 Budget Projections; Compensation Scenarios; |
| | Head Start Update; Health Insurance Update; Revenue Analysis |
| June 28, 2010 | Board Budget Work Session: Updated 2009-10 Forecast and |
| Monday | Preliminary 2010-11 Budget Projections; Budget Enhancement Recommendations; |
| | Debt Financing Options; Staffing Allocations |
| July 26, 2010 | Board Budget Work Session: Updated 2009-10 Forecast and |
| Monday | Preliminary 2010-11 Budget Projections; Final Staffing Allocations; |
| | Final Staff Compensation; Health Insurance Update |
| August 2, 2010 | Board Budget Work Session: Proposed 2010-11 Budget, if needed; |
| Monday | Follow-up to topics from July 26 meeting |
| August 13, 2010 (Friday) | Publish Notice of Public Hearing in Local Newspaper and Website |
| August 23, 2010 | Public Hearing to Discuss Budget and Proposed Tax Rate |
| Monday | Adoption of Budget for 2010-11 |
| | Adoption of Tax Rate for 2010-11 |
| | Approval Final Amended Budget for 2009-10 |
| September 1, 2010 (Wednesday) | Fiscal Year 2010-11 Officially Begins |
| October 25, 2010 | Board Budget Work Session: Budget Process; Ideas for Improvements to Budget |
| Monday | Process; Performance-Based Budgeting |



Budget Development Factors

- Student enrollment and average daily attendance (ADA) projections
- State revenue projections Based on ADA and property values; subject to Legislative changes
- Local revenue projections Based on property values and tax rate, tax collection rates, interest rates
- Campus and department staffing and non-staffing projections
- Budget enhancement requests
- Budget development and management is a yearround process





Student Enrollment and Average Daily Attendance (ADA) Projections

- Campus expenditures driven by enrollment numbers; example 22:1 student to teacher ratio in grades K-4
- State revenues dependent on ADA
- ➤ District attendance average for 2008-09 was 94.3%
- Accountability, Testing, and Research & Evaluation department prepares student enrollment projections; process begins in November
- Area Executive Directors and Principals review enrollment projections and make necessary adjustments in April

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State Revenue Projections

- State revenues are dependent on student ADA, property values, and legislative action
- Funding template available to school districts allows for data input to project revenue; template revised periodically
- ➤ For 2009-10 and 2010-11, state funding formula includes State Fiscal Stabilization Funds (SFSF), which are federal funds the Legislature used to balance the state budget
- Revenue projections for 2011-12 and 2012-13 should include possibility that school finance formula will not be fully funded, resulting in revenue proration
- 2009-10 state budgeted revenues, including SFSF, total \$264.9M and comprise 66% of general fund revenues

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Local Revenue Projections

- Local revenues comprised primarily of property tax collections
- ➤ Property tax revenues dependent on the maintenance and operations tax rate (currently \$1.04/\$100 valuation), the values assessed by the Bexar Appraisal District (BAD), and the tax collection rate
- Preliminary certified property values due from BAD on April 30th; final certified values due on July 25th
- ➤ Other types of local revenues include interest income, athletic revenues, rentals, donations, etc.
- 2009-10 local budgeted revenues total \$130.8M and comprise 33% of general fund revenues; this includes property tax revenues of \$126.7M
- Expecting a decline of 1.5% in property values next year

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Campus and Department Staffing and Non-Staffing Projections

Staffing:

- Campuses dependent on student enrollment projections and personnel allocation formulas
- Departments based on current allocations; reviewed in February

Non-Staffing:

- Campuses based on student enrollment; funds allocated for supplies, repairs, travel, etc.
- Departments submit Level 1 base budgets in April/May based on prior year allocation; includes objectives, initiatives and strategies, and intended outcomes based on measurable results





Budget Enhancements

- Budget enhancements are requests to increase the budget; may be one-time or recurring costs
- Departments submit Level 2 Budget Enhancements Action Plan requests in April/May; includes objectives, initiatives and strategies, and outcomes
- > Executive Team reviews all enhancement requests and finalizes recommendations to the Board

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Final Proposed Budget

- All staffing and non-staffing expenditure projections finalized and enhancements reviewed
- Revenue projections finalized
- Data input into budget module system; reports reviewed for accuracy
- Public hearing conducted prior to budget adoption
- Budget must be adopted prior to September 1 for the General Fund, Food Service Fund, and the Debt Service Fund

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Budget Development Looking Ahead

October 25, 2010 Discussion Items

- Budget Development Process
- Performance-based Budgeting
- Activity-based Budgeting
- Zero-based Budgeting





Title Funding Update

- Projected Entitlements Consistent with Prior Years
- Financial Pressure Caused By:
 - **❖** Loss of PK Expansion Grant: \$6.0M
 - ❖ Lapse of Reading First Grant: \$2.4M
 - Increase in SES (Supplemental Education Services)
 Withholding
 - Increases in SES Expenditures
- Potential Deficits for 2009 through 2011 Covered by Stimulus Funds
- Potential Deficit of \$5.6M in 2012 and \$8.9M in 2013

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2010 Title I Components

Staffing:

- PK Teachers & Assistants: \$8.7M
- Campus Instructional Coordinators: \$5.2M
- Academic Deans: \$3.5M
- Resource Media Assistants: \$2.4M
- Curriculum & Instruction Staff: \$1.8M

Non-Staffing Amounts:

- Allocation to Schools: \$12.0M
- Reservations (SES): \$10.5M
- Curriculum & Instruction: \$2.7M
- Non-Public & Neglected: \$0.7M





Title Funding

Addressing the Future Deficit

- Develop Scenarios
- Seek Feedback From Principals to Assess Impact for Campuses
- Report Back to Board This Summer





ISD Headlines in Texas

- FBISD must cut \$18 million for next budget. School district has had deficit budgeting for two years

 (Fort Bend Star © 02/04/2010)
- > Spring Branch ISD Superintendent talks hiring freeze at high schools (Houston Chronicle © 02/13/2010)
- Austin trustees weigh job cut options (Austin American-Statesman © 02/17/2010)
- ➤ How HISD might be facing a \$57 million shortfall next school year (Houston Press © 02/19/2010)
- Fort Worth school district declares financial exigency for 2nd year (Fort Worth Star-Telegram © 02/24/2010)
- ➤ NEISD to eliminate 138 positions
 (San Antonio KSAT (ABC) 12 © 03/02/2010)

Source: TASA Daily



ISD Headlines in Texas

- Pearland ISD Trustees tackle budget problems
 (Pearland Journal © 03/17/2010)
- ➤ 'Blood on the streets'?

 (Houston Chronicle © 03/24/2010)
- Cy-Fair ISD considers big changes
 (Houston KHOU (CBS) 11 © 03/26/2010)
- ➤ HISD could face \$25m shortfall, more cuts, Grier says (Bellaire Examiner © 03/31/2010)
- ➤ DISD needs \$125 million loan (Dallas Morning News © 03/31/2010)
- North East ISD eying plans to tighten its belt another notch (San Antonio Business Journal © 04/02-08/2010)

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State Funding Update

- State Used Stimulus Funds to Cover Salary Increase and Balance Budget
- Sales Tax Collections Lower than Expected
- Forecasted Deficit of \$10B to \$17B Depending on the Source for Next Biennium
- Moak Casey and Associates Discussing Proration Scenarios
- > TEA Deficit of \$1B Could Equate to \$7M for SAISD





Proration Questions

What is proration in current law?

- Effectively only a second-year (2011) issue
- > TEA has unlimited ability to borrow from the second year appropriation to postpone any shortfall (Rider 30)
- A shortfall in appropriations in the second year reduces state aid distributions according to the district share of state tax base (equal tax rate approach)
- Proration in 2011 becomes an entitlement in 2012 (TEC 42.253(h))





Proration Questions

What are legislative options for dealing with shortfalls?

- Appropriate funds in 2011 from economic stabilization fund or any other available source (TEC 42.253(h)) to avoid proration
- Re-instate payment delay for August 2011
- Reduce formulas for next biennium to lessen the impact of settle-up for the prorated amount
- Simply under-appropriate state aid (rolling proration)

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"Sense of Urgency" Is Vital



What keeps the CFO up at night?

- Gaps that must be addressed to fulfill mission:
 - Student Programs
 - Technology
 - Compensation
 - Facilities
- > Enrollment decline and decline in attendance
- Loss of PK Funding
- Reduction of Federal Funding
- Inability of State to sustain current funding

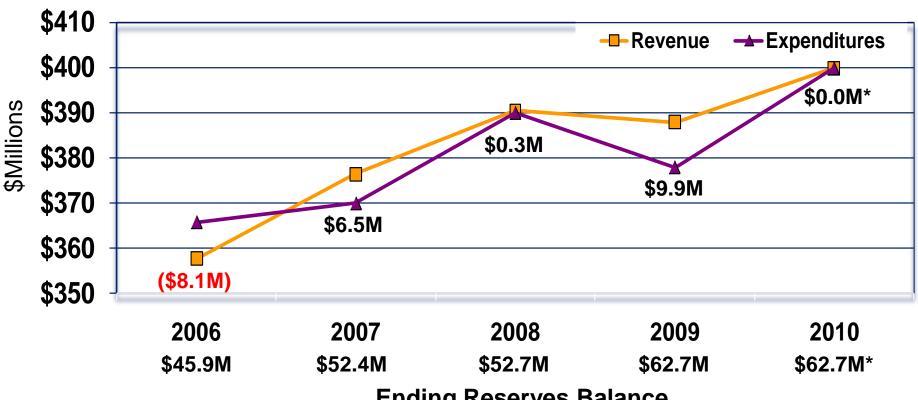




Current Financial Situation

2006 through 2010

Actual and Projected Results



Ending Reserves Balance

*2010 amounts are projections

*\$62.7M is 1.9 months of expenditures;
TEA recommends 2 months



Model Assumptions For Financial Scenarios



Model Assumptions:

- District continues to operate with same number of campuses
- Maintain same teacher to pupil ratio
- ADA continues to decline slightly each year
- No employee raises
- Health insurance increase of 10% annually
- Utility cost increase of 5% annually
- Other expenses increase of 2% annually

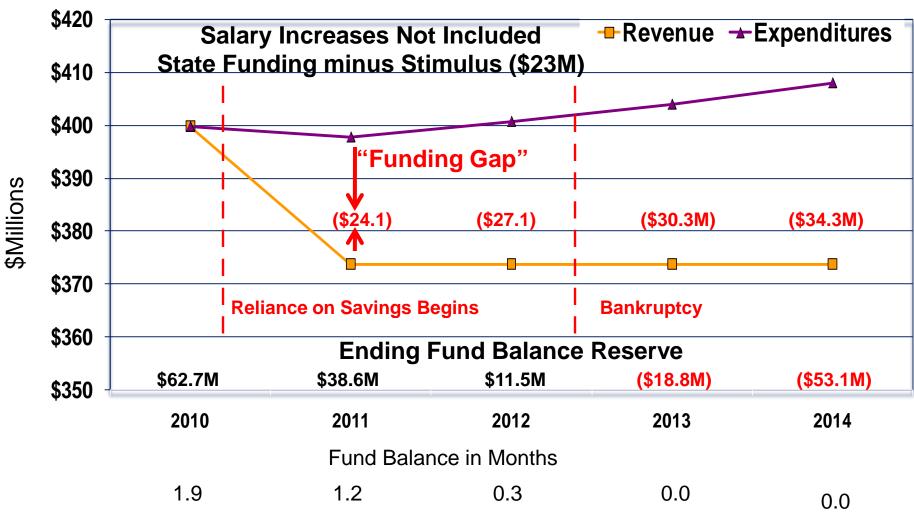






Drop in State Funding

Preliminary





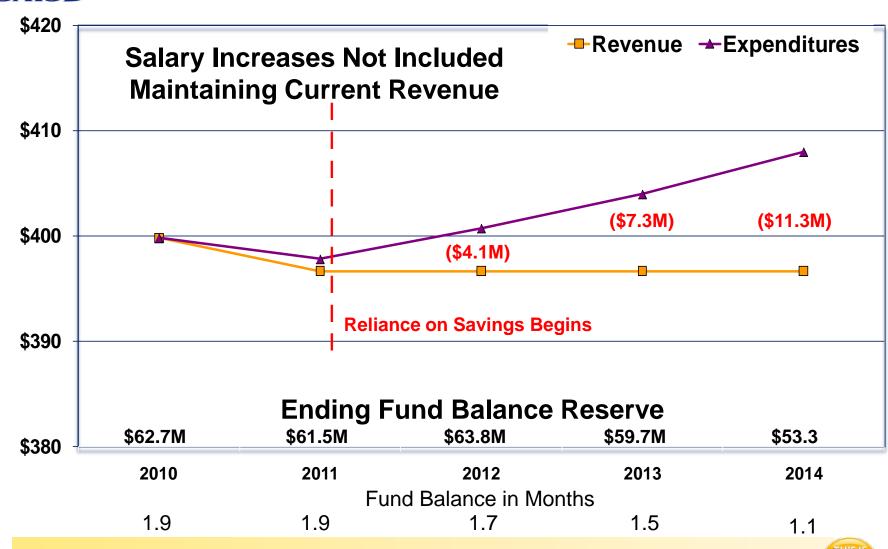


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Do Nothing Scenario

Preliminary



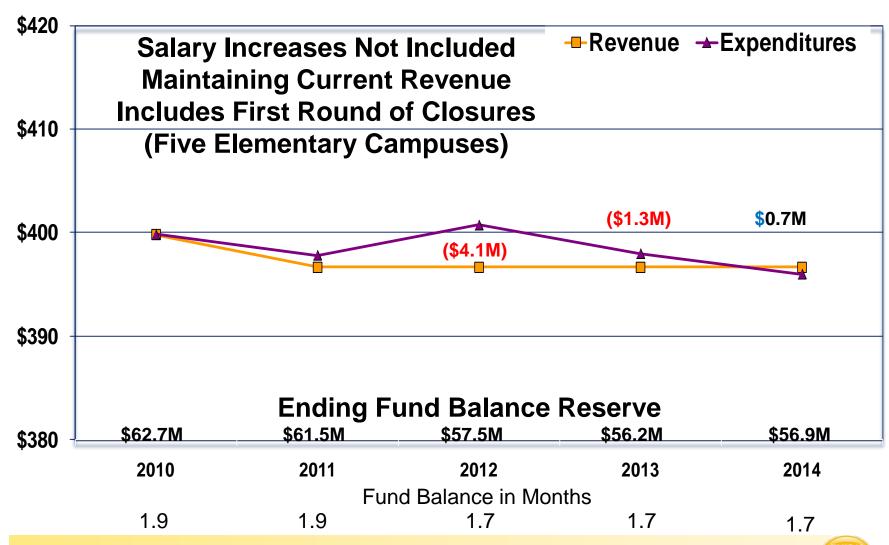


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Impact of Closures

Preliminary



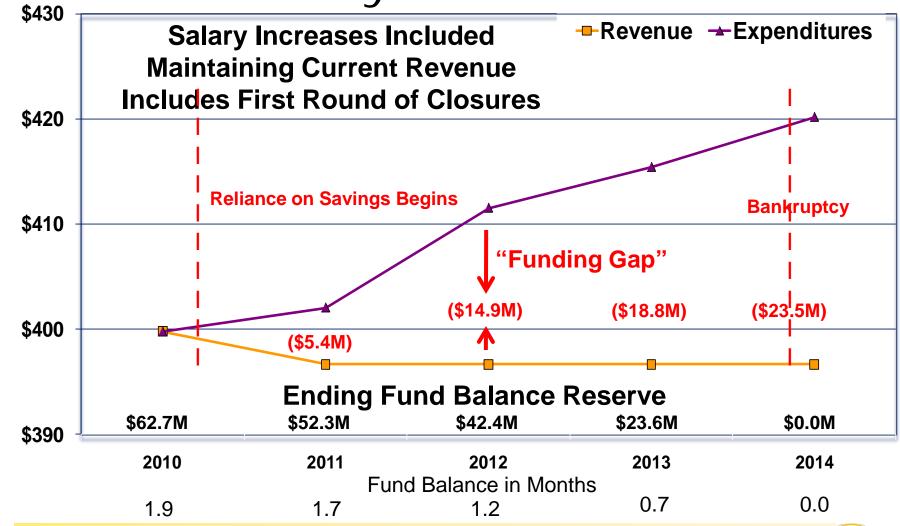


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Closures with Salary Increases

Preliminary







Closing Funding Gap

Need to close funding gap of \$15M for 2011-2012 Potential Initiatives:

- Attendance Monitoring & Incentives
- Review School Nutrition Allocations
- Energy Conservation Behavior Management
- Workers Compensation Safety Programs
- Time & Attendance Package
- Self-Funded Health Plan
- GPS Bus Monitoring
- ERP System Solution
- Consolidation of Central Support

Strategic Plan to be Reviewed This Summer

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Questions?

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