

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #116 (2008-2009)

November 10, 2008

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FISCAL YEAR 2009-2010 FINANCIAL PLANNING

ASD Goals: Ensure public accountability through continued preparation and publication of budget basics, and budget; and effective communications with students, staff, parents, community and government at all levels.

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to prepare the Anchorage School District's FY 2009-2010 Preliminary Financial Plan in accordance with the financial projections set forth in this memorandum. Specifically, the budget for FY 2009-2010 is to be established for planning purposes with projected revenues and use of fund balance not-to-exceed \$758,422,340. This includes individual fund budgets currently projected as follows:

	<u>FY 2009-2010 Financial Plan</u>
General Fund	\$ 595,996,888
Food Service Fund	16,679,000
Debt Service Fund	83,546,452
Local/State/Federal Grants Fund	<u>62,200,000</u>
Total - All Funds	<u>\$ 758,422,340</u>

It is further recommended that the School Board authorize the Superintendent to adjust the budget expenditure ceiling indicated above in accordance with any negotiated contract adjustments and other associated cost increases; School Board requests; further review of the fee structure; and administration, community, staff, and student recommendations as implemented by the Superintendent. In addition, flexibility is requested for adjustments if updated

information on any issues that affect the district's FY 2009-2010 Financial Plan come forward.

PERTINENT FACTS:

With direction of the school board at the work session on November 3, 2008, the administration is bringing forward the Pro-forma FY 2009-2010 Preliminary Financial Plan. The revenue projections will be based on the Governor and Legislature's adjustments to the Alaska School Public Funding formula approved during the Twenty-fifth Legislative session. The adjustments to the Alaska School Public Funding formula include an increase to the base student allocation in FY 2009-2010 from \$5,480 to \$5,580, an increase in the intensive needs student population (Level III) funding level from 9 times to 11 times, and a provision for an annual Consumer Price Index (CPI) adjustment to pupil transportation funding. The use of 3.1 percent for the CPI (also being used by the Municipality of Anchorage) means an estimated increase from \$384 in the current year to \$396 for FY 2009-2010. This amount will then be used to multiply the school district's ADM, less the ADM for the district's correspondence programs to calculate the pupil transportation revenues.

The administration will also continue to include in the projections the Teachers' Retirement System (TRS) and Public Employees' Retirement System (PERS) multi-employer cost-sharing plan. This plan provides the mechanism of allocating the annual payment by the state on behalf of the district for the unfunded past service and current normal cost rates in excess of levels specified in statute of 12.56 percent for TRS and 22.00 percent for PERS. The projections being presented assume the rate decreases to TRS and PERS adopted by the Alaska Retirement Management Board (ARMB) for 2010. The TRS rate will decrease from the current FY 2008-2009 rate of 44.17 percent to 39.53 percent; and for PERS from the current rate of 35.22 percent to 27.65 percent.

Based on guidelines from the school board to proceed with the use of a portion of the undesignated fund balance, the administration is using \$3.90 million of fund balance to reduce the projected fiscal gap from \$7.30 million to \$3.40 million.

Every budget cycle has to deal with many uncertainties. For FY 2009-2010, the projections are difficult to determine due to many uncertainties with potentially major budgetary implications. These uncertainties include final notifications from outside agencies pertaining to rate adjustments. **(A more detailed listing can be found on page 13 of this memorandum).**

This memorandum presents financial planning considerations that will be used in developing the FY 2009-2010 Preliminary Financial Plan. By taking the opportunity to review this memorandum, the school board will become familiar with financial issues to be addressed during the budget hearings in January.

THE BUDGETING PROCESS

The budget provides a blueprint for the Anchorage School District's educational goals. When developing the budget, the Anchorage School District has an obligation to its many stakeholders—the students, parents, employees, and community members—to consider each group's priorities and balance them with the district's stated mission of educating all students for success in life. The FY 2009-2010 budget projections reflect the district's on-going efforts to achieve this balance, maximize performance, and contain costs.

These initial projections for FY 2009-2010 are prepared using the most current information available. Existing funds and cost savings are directed to district programs to ensure that progress is made in achieving the current school board goals. The budget development process is mindful of the district's Six-Year Instructional Plan with the responsibility of designating financial and human resources within projected revenues.

The budget continues to realign the district's priorities, as budgeting is a progressive process. The balanced budget concept, Alaska Public School Funding, and the local property tax limitation necessitate early predictions of both revenues and expenditures. Schools and departments review their programs and responsibilities; assess what is being done during the current fiscal year and what progress is being made; begin making plans for next year and future years; and then prepare budget requests based on their program requirements and how they support the Goals and Mission of "educating all students for success in life." Input from community members, parents, students, and staff may result in change or elimination of existing programs or implementation of new ones. In spite of all the uncertainties the focus still remains on evaluating the need for additional staff, supplies, and other operating expenses. It may be determined that efficiencies can be achieved through better resource management or teaming with other agencies.

Federal, state or local mandates may necessitate the district to incorporate additional responsibilities and/or initiate new programs within the district. Various demographic and economic factors must be evaluated for their impact on the budget. Then, the total of all school and department budgets plus any

new facilities or change in program requirements are compared to anticipated revenues.

Student enrollment, revenues, and expenditures are projected on a preliminary basis. The following sections on Student Enrollment Projections, General Fund Revenues and Expenditures, and Other Funds summarize the principal financial planning factors involved in preparing these initial FY 2009-2010 projections. Major revenue and expenditure considerations and budget development criteria are also included.

STUDENT ENROLLMENT PROJECTIONS

Student Enrollment—The most significant factor in the budget development process is the number of students served. Enrollment projections are based on enrollment history, profile, and both demographic and economic considerations. The General Fund budget is developed using the FTE (full-time equivalent) student count, weighing half-day kindergarten at one-half and preschool students at one-half, one-quarter or three-quarters FTE, which is consistent with their programs.

In order to project student enrollment, district staff works closely with the municipality in utilizing the Municipality's Geographic Information System. The following schedule summarizes the actual and projected student enrollment information for FY 2006-2007 through FY 2009-2010 on both a full count and FTE basis.

	Actuals 2006-2007 <u>9/30/06</u>	Actuals 2007-2008 <u>9/30/07</u>	Actuals 2008-2009 <u>9/30/08</u>	Projected 2009-2010 <u>9/30/09</u>
Total Number	49,068	48,457	48,440	48,548
Change over previous year	(521)	(611)	(17)	108
FTE (Full-Time Equivalent)	48,816	48,211	48,169	48,280

Variable General Fund expenditures will be revised periodically for changes in enrollment projections. We will continue to review projected enrollment to determine if we need to make adjustments before the Preliminary Budget is submitted to the school board in January 2009.

GENERAL FUND

The General Fund, consisting of each school's and department's budgets, accounts for the majority of the district's operations and activities. Therefore, this memorandum and most of the subsequent discussion and decisions on

balancing the budget for next year will focus primarily on estimated revenues and expenditures of the General Fund.

Revenues

Alaska Public School Funding Program—The largest single revenue source to the district comes from the Alaska Public School Funding Program. The school board and the administration greatly appreciate the Governor's and Legislature's early actions to approve forward funding for education and to increase K-12 education funding. Support for higher fuel costs, insurance and other expenses affected by inflation, and funding to assist with meeting adequate yearly progress as defined by state and federal regulations requires legislative recognition and action. During this upcoming legislative session, the district will continue to advocate for all students in our communities. Early passage of additional educational funding will ensure solid education programs continue.

The Alaska Public School Funding Program is based on the average daily membership (ADM)—determined by the district's enrollment and special education intensive count—processed through a school size factor and special needs formula to establish the district's "basic need." The required local contribution and a percentage of the Federal Impact Aid funding that the district receives for Federally-connected students is then subtracted from the "basic need" to determine revenue. The Alaska Public School Funding formula defines the required local share as being the lesser of 45 percent of "basic need" or 4 mills times one-half of the annual increase in assessed valuation compared to the 1999 base year of total state assessed full and true valuation of local real estate, inventory and other taxed personal property for the second preceding year, added to the prior year's calculated assessed valuation. **An increase to the assessed valuation reduces the potential amount of Public School Funding revenue.** The Alaska Department of Community and Economic Development notified the district that the assessed valuation for Anchorage has increased from \$33.080 billion to \$34.912 billion.

This program is expected to provide approximately 56.1 percent of the district's General Fund revenues excluding the TRS and PERS projected \$66.8 million annual payment by the state on behalf of the district for the unfunded past service liability in excess of levels specified in statute.

Based on current enrollment projections, the estimated amount of funding from the Alaska Public School Funding Program for FY 2009-2010 is \$297.031 million, which is \$16.279 million more than current FY 2008-2009 budget. The following factors contribute to the \$16.279 million increase:

• \$100 increase to the Base Student Allocation (BSA) from \$5,480 to \$5,580	\$ 6.983 million
• Increase special education intensive factor from nine times to eleven times (including \$100 BSA increase) for the intensive needs student population (Level III) of 809	7.873 million
• Enrollment increase including Quality Schools (47,944 to 48,548)	5.459 million
• Increase from \$33.080 billion to \$34.912 billion in state assessed valuation	(3.663) million
• Federal Impact Aid	<u>(.373) million</u>
Alaska Public School Funding Increase	<u>\$16.279 million</u>

Local Property Taxes – The local property tax contribution is the district's second largest General Fund revenue source. **Projected local property tax revenue for FY 2009-2010 is based on requesting the full amount of taxes available under the local property tax limitation independent of the municipality's share of the tax cap.** The amount requested is \$4.588 million under the maximum allowable local contribution permitted by the Alaska Public School Funding Program.

The local property tax limitation provides for an annual adjustment for inflation, five-year Anchorage population change, operation and maintenance on new voter-approved facilities, and new construction.

The projected inflation rate used for planning purposes is 3.1 percent. This preliminary estimate is the rate being used by both the district and the municipality in the property tax limitation calculations. The official Consumer Price Index (CPI) will not be available until February 2009. As determined by the State Department of Commerce, Community and Economic Development, the five-year Anchorage municipal population change used for planning purposes is 1.10 percent, with the official percentage growth not available until January 2009. The projected combined rate of 4.20 percent for FY 2009-2010 is .80 percent more than the current rate of 3.40 percent for FY 2008-2009.

Included in the revenue projections are voter-approved taxes associated with the operation and maintenance costs for the re-opening of Clark Middle School.

It is anticipated that these increases—and increased taxes allowed on new construction or property improvement—will increase the amount of taxes available in the General Fund by approximately \$10.679 million. However, the Anchorage Assembly must first consider and approve the district's local property tax request.

Federal Impact Aid—The initial revenue projection for Federal Impact Aid has been projected at 100 percent of projected entitlement, an anticipated \$13.0 million. Uncertain at this time is any student enrollment adjustment as a result of the deployment of military personnel and the relocation of their families. The outcome of these military decisions will have an impact on future funding.

The amount of Federal Impact Aid revenue each year is uncertain because it is subject to pro-ration based on the annual funding appropriated by Congress. In addition, the percentage of the total number of federally-connected students to the total number of students for whom the state has direct responsibility—including military students and children educated at Mt. Edgecumbe—and potential formula changes, could result in fluctuations in Federal Impact Aid funding to the district. This coupled with the fluctuation from year-to-year in the number of students living on military land, which can partially result from on base/post housing renovations, adds to the uncertainty of Federal Impact Aid revenue during the budget process. We also do not know if the district will receive prior year adjustment payments during FY 2009-2010.

Federal Impact Aid is subject to annual Congressional appropriation and other uncertainties and will be monitored.

Fund Balance—The district's undesignated fund balance for the General Fund is a potential one-time source of revenue. Determining the appropriate level of fund balance required for a contingency reserve requires an exercise of judgment. Industry standards recommend a portion of the unreserved undesignated fund balance or contingency reserves remain between 3 to 5 percent of the budget. The undesignated fund balance needs to be maintained to protect against shortfalls in revenue collection, to allow for adequate cash flow management, and to provide the financial ability to meet emergencies.

At this time, based on guidance from the school board at the November 3rd Work Session, the administration has included \$3.90 million of the undesignated fund balance. The use of the \$3.90 million of fund balance will be used in the General Fund as a revenue source to reduce the projected fiscal gap. The school board recommended that the fund balance not be used for on-going expenses so that if the district needed to scale back or stop funding the program, it would not feel like there was a program cut or elimination.

Using \$3.90 million of fund balance will provide an undesignated fund balance of 3.45 percent of the FY 2009-2010 projected budget. In addition, the district has designated the amount to uphold the agreement with the municipality to maintain a fund balance in the General Fund at year end in an amount equal to

or greater than 8.25 percent of total revenues from local tax appropriations to enhance the municipality's bond rating.

Pupil Transportation Reimbursement—The preliminary FY 2009-2010 revenue projection for Pupil Transportation is based on the provision under HB 273 that allows an annual CPI adjustment to pupil transportation funding for FY 2009-2010. The use of 3.1 percent for the CPI (also being used by the municipality) means an estimated increase from \$384 in the current year to \$396 for FY 2009-2010. This amount will then be used to multiply the school district's ADM, less the ADM for the district's correspondence programs to calculate the pupil transportation revenues.

User Charges and Fees— Fees will continue to be assessed for musical instrument usage, ASD documents, high school and middle level student activity fees, high school parking fees, summer school, credit recovery course training fees, and rental fees. Further review and consideration will be given to all user fee rate adjustments before the Financial Plan is brought forward to the school board in January 2009.

The rates in this memorandum are those in place for FY 2008-2009 and are as follows:

Summer School	\$85 per course (Elementary and Middle)
Summer School	\$90 per course (High School)
Music Instrument Usage Fee	\$40 per instrument
Credit Recovery Course Fee	\$85 per course
Middle Level Activity Fees	\$80 per activity
High School Activity Fees	\$160 per activity
High School Parking Fees	\$50 per semester
Facility Rental Fees	\$575,000
Family Cap for Activity Fees	\$330

E-Rate—The district has not yet received the funding commitment letter from the Universal Service Administrative Company (USAC) for FY 2008-2009; however, the district has been working with the Program Integrity Assurance group of USAC and anticipates a funding commitment letter later this year. There are no significant program changes that would materially alter FY 2009-2010 revenue projections from those of FY 2008-2009. The district receives all eligible revenues based on all eligible expenditures.

Expenditures

Student and program needs and a commitment to use the funds economically drive expenditure projections. Over the next several weeks the recommendations

received from interested community members, staff, students, and the administration will be considered and incorporated into the budget where appropriate, and may change the following assumptions used for these projections. **Both revenue enhancements and expenditure reductions will be incorporated to bring the budget into balance.**

Salaries and Benefits—Employee salaries, wages, and benefits are projected to be approximately 87 percent of the operating cost of the district. The projections include consideration for contract negotiations for ACE (Anchorage Council of Education), TOTEM (Association of Educational Support Personnel), Local 959 (Bus Drivers and Attendants) and Exempt personnel. Compensation provisions for completed contracts and payroll tax adjustments known at this time are also included in the expenditure projections. The on-behalf payments by the state and the district’s contribution for mandatory for certificated retirement and classified retirement have been included.

Average Teacher Salary—Further review and analysis of the current teacher salaries will be made to assist in determining an average teacher salary to be used for FY 2009-2010. Contributing factors that will determine the average teacher salary include historical information, step increases, educational attainment, projected turnover, new positions, as well as delayed certification processing by the state. An analysis of the number of vacancies at any given time will also be considered.

Staffing—Staffing requirements have been adjusted based on the official projections set forth for September 30, 2009. Official projections are based on actual enrollment as of September 30, 2008.

Certificated Teaching Positions—Budgeted teaching staff is based on the FY 2008-2009 PTR (pupil to classroom teacher staff ratios). Adjustments have been included for staffing based on enrollment changes, program realignment, and for staff requirements based on rural-urban transitioning. Over 90 languages, other than English, are spoken in the Anchorage schools; further adjustments have been made to meet the challenges arising from this language diversity.

Kindergarten (FTE)	20.50 to 1
Grade 1	21.00 to 1
Grades 2-3	24.00 to 1
Grades 4-6	27.00 to 1
Grades 7-8	25.54 to 1
Grades 9-12	27.08 to 1
Special Education	Staffing is based upon demonstrated need and program (consistent with current year)

Indirect Cost—In addition to charging eligible grants, the administration plans to continue the practice of charging the Food Service Fund using the state-approved indirect cost rate. This practice more accurately reflects the cost of services provided to the Food Service Fund by various departments budgeted in the General Fund. It is anticipated that by early spring 2009 the district will be appraised of the approved indirect cost rate for FY 2009-2010.

Contracted Services—Where appropriate, an inflationary adjustment to contracts will occur. A very close review of actual contracted services will determine if inflationary increases are warranted. If other known rate increases are warranted, they will be included in the budget. What is more challenging for the future is the unpredictability of energy costs which can somewhat be attributable to the fluctuation of oil prices. Utilities are budgeted based on analysis of usage and cost saving measures being taken, and are then adjusted according to projected rate increases and/or decreases as recommended by the utility agencies. With rate adjustments occurring mid-year FY 2008-2009, following review of actual projected expenditures for this fiscal year, and with the recent announcement by the Regulatory Commission of Alaska (RCA) capping the amount Enstar may charge for gas, approximately 5 percent to 15 percent increases for the utilities are projected over the current year utility budgets.

Pupil Transportation—Expenditures for contracted pupil transportation routes for FY 2009-2010 include an estimated increase based on COLA of 3.1 percent as provided in the contract. At this time there are no anticipated route increases.

Major Maintenance—The administration recommends maintaining the funding level for major maintenance projects of \$2.483 million for some of the district's more than 95 schools and facilities. As our facilities continue to age, periodic maintenance must take place on a regular basis to keep the buildings in good repair for optimum safety and efficiency. The community has voiced strong support for prioritizing this use of funds.

Supplies—Some departments may show an adjustment in supplies based on departmental need to service the total district program requirements (i.e., fuel requirement to run district buses and vehicles and postage). The current projections include a 4 percent inflationary increase to the per pupil allocation for school supplies and equipment. Even with this 4 percent increase over the current year, the allocation is still less than the allocation for FY 1999-2000. In addition, the FY 2009-2010 supply and equipment allocation for Clark Middle School is four times the regular rate of existing middle schools to help offset some of the extra expenditures of re-opening a school.

Equipment—Replacement equipment purchases between \$5,000 and \$50,000 will be purchased from the Equipment Replacement Fund.

New School—Included in the expenditure projections are costs associated with the operation and maintenance costs for re-opening Clark Middle School.

Additional Programs/Enhancements—During the next several weeks, careful review and consideration of suggestions from students, parents, staff and community members will be reviewed by the administration. We will consider the feasibility of implementing their recommendations as we continue the budget preparation process. In addition, the Six-Year Instructional Plan will play a major role in the review of weeding out programs that are not working in order to provide funding for existing programs or enhancements to programs like summer school that the school board would like the administration to consider being included in the preliminary budget presented to the school board in January.

OTHER FUNDS

Food Service Fund— This fund is used to budget and account for operations of the Student Nutrition Program. The budget for this fund covers both the direct and indirect cost of providing meals to students. These costs include all payroll costs, including staff, food costs, the cost of support services, equipment repair and replacement costs, and overhead charges. Compensation provisions for completed contracts and upward movement in food costs have been included in the projections. The FY 2009-2010 budget has been increased from \$16,567,000 to \$16,679,000 or 0.68 percent as compared to FY 2008-2009.

The revenue sources for the Food Service Fund budget include revenue from meal sales and federal reimbursement for meals served. These projections also continue with the State's annual PERS payment on behalf of the district.

Use of undesignated fund balance is not expected to be required to support the FY 2009-2010 Food Service Budget as presented in this memorandum. No increase in elementary, middle, and high school breakfast and lunch full price meals is anticipated. This year's budget will be monitored through the month of December to determine if revenue projection variables support the level of the proposed budget and the meal pricing schedule. Adjustments, if needed, will be proposed and made before the Preliminary Financial Plan is presented in January. It is projected that no local tax support will be required for the Food Service Fund in FY 2009-2010.

Debt Service Fund—This fund is used to budget and account for principal and interest payments on existing school bonds as well as the revenues necessary to fund these expenditures. Some of the district’s bonds receive state debt reimbursement, which varies depending on the year in which the bond proposition was approved. Bond sales in progress, sales related to authorized unissued bonds, or future bond propositions for April 2009, have not been included in the projections.

Local / State / Federal Grants Fund—Expenditures in the Local/State/Federal Grants Fund are offset by matching revenues. The district continues to be successful in increasing grant funding from various state and federal agencies and other sources. Revenues available through grants for these projects include competitively awarded grant funds—most of which are subject to annual federal and state appropriations. It is projected that budgets for these grants for FY 2009-2010 may increase approximately \$6.49 million based on discussion with grant writers and current year grant awards. In addition, the projections include the State PERS/TRS reimbursement on behalf of the district. Ongoing monitoring of these grants will help determine if adjustments should be made when bringing the budget forward in January.

FISCAL YEAR BUDGET COMPARISON

The following schedule compares by fund the FY 2009-2010 projected revenues/expenditures with those currently approved for FY 2008-2009. The amount of the projected General Fund expenditure budget is \$3.403 million more than the amount of projected revenues. **Over the next couple of months the administration will evaluate all the programs in order to bring expenditures in balance with the available revenues.**

REVENUE/EXPENDITURE BUDGETS

	Revised Budget FY 2008-2009	Pro Forma Budget Revenues FY 2009-2010	Estimated Budget Expenditures FY 2009-2010	Budget Shortfall FY 2009-2010
General Fund	\$580,915,706	\$595,996,888	\$599,400,000	(\$3,403,112)
Food Service	16,567,000	16,679,000	16,679,000	-0-
Debt Service	84,326,284	83,546,452	83,546,452	-0-
L/S/F Projects	55,710,000	62,200,000	62,200,000	-0-
All Funds	<u>\$737,518,990</u>	<u>\$758,422,340</u>	<u>\$761,825,452</u>	<u>(\$3,403,112)</u>

TAXES	Revised	Pro Forma	
	<u>FY 2008-2009</u>	<u>Taxes</u>	<u>Increase</u>
		<u>FY 2009-2010</u>	
General Fund	\$178,556,242	\$189,235,404	\$10,679,162
Debt Service	<u>39,415,466</u>	<u>40,162,123</u>	<u>746,657</u>
All Funds	<u>\$217,971,708</u>	<u>\$229,397,527</u>	<u>\$11,425,819</u>

STUDENT ENROLLMENT PROJECTIONS

	FY 2008-2009	FY 2009-2010	Change
	Actuals	Projected	Over Prior
	<u>Sept. 30, 2008</u>	<u>Sept. 30, 2009</u>	<u>Year's Actual</u>
Enrollment	48,440	48,548	108
Full Time Equivalent (FTE)	48,169	48,280	111

In preparing the FY 2009-2010 Preliminary Financial Plan, many budget development uncertainties face the district.

- Legislative action
- School Board areas of interest
- Projected enrollment
- Contract negotiations for Local 959 (Bus Drivers and Attendants), ACE (Anchorage Council of Education), TOTEM (Association of Educational Support Personnel) and consideration for Exempt
- PreK-12 graduation/dropout reduction plan
- Rate increase notifications from outside agencies
- ESEA-No Child Left Behind requirements
- Further evaluation of current/new fees
- Six-Year Instructional Plan
- Assessment/Testing Impact
- Deployment of military personnel and the relocation of their families
- CPI and 5-year average population growth used for local tax limitation not finalized until January/February 2009
- New construction amount used for the local tax limitation and the assessed valuation used in setting the mill levy will not finalized until March/ April 2009
- Federal Impact Aid subject to annual appropriation
- Continuation of purchasing co-op with municipality
- Housing for charter schools
- Fluctuation of oil prices

SUMMARY

The next couple of months will be a tremendous challenge to the administration to evaluate all the programs to ensure that the overall goals of the school district are met. Our assumptions in preparing these initial FY 2009-2010 projections are based on, but not limited to, the following criteria:

- Alaska Public School Funding Program – BSA from \$5,480 to \$5,580, increase in the special education intensive needs factor from nine times to eleven times
- Quality Schools Grant – no increase to per pupil amount of \$16
- Pupil transportation funding to include CPI adjustment - \$384 to \$396
- State reimbursement funding for the ARMB approved percentage rates to the Certificated (between 12.56% and 39.53%) and Classified (between 22% and 27.65%) Retirement Systems
- Balanced budget for presentation to the Anchorage Assembly – expenditures equal revenues
- Local Property Taxes – full amount available under the property tax limitation
- Use of Fund Balance as a revenue source – using \$3.90 million of undesignated fund balance to reduce the fiscal gap (from \$7.30 million down to \$3.40 million) will bring the undesignated fund balance to 3.45 percent
- Potential adoption or expansion of programs must be funded within existing resources

Attachments

CC/JS/MSL

Prepared by: Marie S. Laule, Budget Director
Approved by: Janet Stokesbary, Chief Financial Officer

Anchorage School District
Fiscal Year 2009-2010

PROJECTED REVENUES AND EXPENDITURES SUMMARY

Fund	Revenues and Fund Balance				2009-2010 Revenue/Source Projections	2009-2010 Expenditure Projections	2009-2010 Fiscal Gap Projections
	Taxes	Local	Other	State			
General	\$ 189,235,404	\$ 9,931,000	\$ 383,050,484	\$ 13,780,000	\$ 595,996,888	\$ 599,400,000	\$ (3,403,112)
Food Service			5,607,803	720,000	10,351,197	16,679,000	
Debt Service	<u>40,162,123</u>		<u>43,384,329</u>		<u>83,546,452</u>	<u>83,546,452</u>	
	229,397,527	15,538,803	427,154,813	24,131,197	696,222,340	699,625,452	(3,403,112)
Local, State and Federal Grants			<u>1,000,000</u>	<u>8,200,000</u>	<u>53,000,000</u>	<u>62,200,000</u>	
TOTAL	<u>\$ 229,397,527</u>	<u>\$ 16,538,803</u>	<u>\$ 435,354,813</u>	<u>\$ 77,131,197</u>	<u>\$ 758,422,340</u>	<u>\$ 761,825,452</u>	<u>\$ (3,403,112)</u>
Percentage of Revenue Sources to Total Revenue Projections	30.25%	2.18%	57.40%	10.17%	100.00%		

**Computation of Total Taxes
for Calendar Year 2009**

		<u>General Fund</u>	<u>Debt Service Fund</u>
Amount required to fund second half of Adopted FY 2008-2009 Budget: January 1, 2009/June 30, 2009	\$217,971,708 x 50% =	89,278,121	19,707,733
Amount required to fund first half of Adopted FY 2009-2010 Budget: July 1, 2009/December 31, 2009	\$229,397,527 x 50% =	<u>\$ 94,617,702</u>	<u>\$ 20,081,062</u>
TOTAL Taxes for Calendar Year 2009		<u>\$ 183,895,823</u>	<u>\$ 39,788,795</u>
Total Taxes for Calendar Year 2009			
1) <u>Total Taxes 2009</u> \$ 223,684,618	=7.31 mills	<u>\$ 183,895,823</u>	<u>\$ 39,788,795</u>
Assessed Valuation \$ \$30,581,652,424		<u>\$ 30,581,652,424</u>	<u>\$ 30,581,652,424</u>
		<u>6.01 mills</u>	<u>1.30 mills</u>

1) The preliminary 2009 mill rate is based on a assessed valuation provided by the Municipality of Anchorage Office of Management and Budget. (April 2008) The final assessed valuation will not be available until April 2009.

Anchorage School District
Fiscal Year 2009-2010

SCHEDULE OF GENERAL FUND REVENUES FROM LOCAL SOURCES/FUND BALANCE

Local Sources	FY 2007-2008	FY 2007-2008	FY 2008-2009	FY 2009-2010
	Audited Actual	Revised	Revised	Projections
Municipality of Anchorage Appropriation of Taxes	\$ 169,197,819	\$ 169,197,819	\$ 178,556,242	\$ 189,235,404
Other Local				
Career Center Instructional Projects	62,319	81,000	76,000	71,000
Facilities Rentals (A)	849,453	652,000	629,000	575,000
Nonresident Tuition	42,847	1,000	2,500	15,000
Credit Recovery Fees (B)	48,911	10,000	10,000	50,000
Summer School - Elementary (C)	24,281	33,000	26,500	25,000
Summer School -Special Education (C)		1,500		
Summer School - Middle Level (C)	37,457	43,000	40,000	39,500
Summer School - Secondary (D)	254,796	220,000	265,000	250,000
Musical Instrument Usage Fee (E)	23,516	26,600	25,000	25,000
Middle School Activity Fees (F)	230,388	225,000	232,000	235,000
High School Activity Fees (G)	708,856	1,042,525	750,000	715,000
High School Parking Fees (H)	203,461	215,000	197,000	199,000
Other Fees (Training Fees, Documents) (I)	137,440	81,500	81,500	85,000
Property Sales, Insurance Proceeds, and Miscellaneous	203,785	355,000	245,000	246,500
Interest Earnings	4,115,914	2,235,000	3,800,000	2,500,000
E-rate (J)	2,044,567	900,000	900,000	1,000,000
Fund Balance			3,959,000	3,900,000
	<u>8,987,991</u>	<u>6,122,125</u>	<u>11,238,500</u>	<u>9,931,000</u>
TOTAL	<u>\$ 178,185,810</u>	<u>\$ 175,319,944</u>	<u>\$ 189,794,742</u>	<u>\$ 199,166,404</u>

(A) Facilities Rentals-projections reflect reduction of one-time usage

(B) Credit Recovery Course Fee - \$85/course

(C) Summer School - \$85 with continuation in FY 2009-2010

(D) Summer School - \$90 with continuation in FY 2009-2010

(E) Musical Instrument Usage Fee - \$40 with continuation in FY 2009-2010

(F) Middle Level Activity Fees - \$80 with continuation in FY 2009-2010, Family Cap \$330 (Middle and High combined)

(G) High School Activity Fees - \$160 with continuation in FY 2009-2010, Fam Cap \$330 (Middle & High combined)

(H) High School Parking Fees - \$50/semester

(I) Training Fees - \$25 per course with continuation for FY 2009-2010

(J) E-rate established by Congress to provide funding to K-12 schools for telecommunications, Internet access and internal connections (Network Infrastructure).

Anchorage School District
Fiscal Year 2009-2010

COMPUTATION OF MUNICIPAL TAX LIMITATION

		November 10, 2008
Taxes Projected—Anchorage School District FY 2008-2009		\$ 217,971,708
Less: Prior Year Taxes Required for Debt Service		<u>39,415,466</u>
Net Taxes Approved for General Fund		178,556,242
Adjustment Factors		
Population 5 year Average	1.10 %	
CPI—Anchorage Urban	<u>3.10</u>	
	4.20 %	<u>7,499,362</u>
Basic Tax Limitation		186,055,604
<u>Plus Exclusions:</u> Taxes for Operations and Maintenance on New Voter Approved Facilities (1)		425,000
Taxes Requested on New Construction/Property Improvements (2)		<u>2,754,800</u>
Tax Limitation—General Fund		189,235,404
Taxes Requested for Debt Service		<u>40,162,123</u>
TAX LIMITATION FY 2009-2010		229,397,527
General Fund	189,235,404	
Debt Service Fund	<u>40,162,123</u>	
TAXES PROJECTED IN FINANCIAL PLAN—FY 2008-2009		<u>229,397,527</u>
AMOUNT (OVER) LESS THAN TAX LIMITATION (3)		<u><u>\$ 0</u></u>

- Note:
- (1) The taxes approved for debt service are for sold bonds approved by the qualified voters.
 - (2) Taxes on new construction or property improvements, excluded from the limitation the first year, are computed as follows: 6.94 mills x \$396,945,272 (2008 new construction/property improvement value verified by the Municipality of Anchorage's Office of Management and Budget, Fall 2008) = \$2,754,800.
 - (3) The Anchorage Assembly may approve more or less taxes than this within the combined total of the tax limitations for the Municipality of Anchorage and the Anchorage School District.

Anchorage School District
Fiscal Year 2009-2010

SCHEDULE OF GENERAL FUND REVENUES FROM STATE SOURCES

State Sources		FY 2007-2008 Audited Actual	FY 2007-2008 Revised 6/24/2008	FY 2008-2009 Revised	FY 2009-2010 Projections
Alaska Public School Funding Program (A)	\$	264,718,682	\$ 266,023,500	\$ 280,751,745	\$ 297,031,000
School Improvement Grant - One Time Revenues (B)		7,890,604	7,890,604		
Pupil Transportation (C)		17,044,496	17,064,000	18,005,000	18,796,000
Transfer to Debt Service Fund		(167,000)	(167,000)	(167,000)	
Transfer to Internal Service Fund (D)					
<u>Supplemental State Funding and Grants:</u>					
On-Base Schools (E)		408,484	408,484	408,484	408,484
McLaughlin Youth Detention Grant (F)		393,287	388,558		
Providence Heights Grant (F)		145,000	145,000		
Retirement System Employer Relief - TRS (G)		81,021,479	81,590,074	69,137,387	62,483,000
Retirement System Employer Relief - PERS (G)		7,451,730	7,109,064	9,810,348	4,332,000
Energy Relief Funding (H)		6,656,602	6,656,602		
TOTAL	\$	<u>385,563,364 (H)</u>	<u>387,108,886 (H)</u>	<u>377,945,964</u>	<u>383,050,484</u>

Notes:

(A) Alaska Public School Funding Program - FY 2009-2010

Basic Need Equals 72,212.81 Adjusted ADM x \$5,580 Student Allocation and 11 times for Level III	\$	402,947,480
Minus 4 Mills x Foundation Defined Anchorage Assessed Valuation of \$25.286 billion		(101,145,807)
Minus Deductible Portion of Federal Impact Aid		(5,926,078)
Add \$16/ adjusted ADM for Quality Schools		1,155,405
Total Alaska Public School Funding Program Aid	\$	<u>297,031,000</u>

- (B) School Improvement Grant (House Bill 13) - Originally approved as one time revenues by the Legislature and Governor, May 2006. No projected amount for FY 2008-2009 based on summer 2007 Legislative discussions. The FY 2007-2008 amount is two times the FY 2006-2007 actual revenue received based on actual ADM enrollment, as approved by the Governor and Legislature, May 2007
- (C) Pupil Transportation - Using the amended JLETF recommendation, the reimbursement is estimated based on FY 2006-2007 actual expenditures/number of FY 2006-2007 actual ADM less Correspondence Programs times the estimated ADM less Correspondence Programs for FY 2008-2009. The \$167,000 transfer to the Debt Service Fund is authorized 2002 and 2003 bond propositions approving the purchase of 20 buses as presented through FY 2008-2009.
- (D) Transfer to the Equipment Replacement Fund to bring the fund into balance with the June 30, 2007 book value of the District's assets with the General Fund.
- (E) State of Alaska supplemental grant to partially fund this program.
- (F) State of Alaska supplemental grant funding transferred to the Local/State/Federal Grants Program.
- (G) Supplemental State funding for the Certificated and Classified Retirement Systems rate increases.
- (H) One-time energy relief funding approved by the State Legislature and Governor in April, 2008.

Anchorage School District
Fiscal Year 2009-2010

SCHEDULE OF GENERAL FUND REVENUES FROM FEDERAL SOURCES

	FY 2007-2008			
<u>Federal Sources</u>	<u>Audited</u> <u>Actual</u>	<u>FY 2007-2008</u> <u>Revised</u>	<u>FY 2008-2009</u> <u>Revised</u>	<u>FY 2009-2010</u> <u>Projections</u>
Federal Impact Aid (A)	\$ 13,668,868	\$ 12,000,000	\$ 12,500,000	\$ 13,000,000
Medicaid (B)	1,317,328	1,000,000		
R.O.T.C. (C)	<u>695,831</u>	<u>700,000</u>	<u>675,000</u>	<u>780,000</u>
TOTAL	\$ <u><u>15,682,027</u></u>	\$ <u><u>13,700,000</u></u>	\$ <u><u>13,175,000</u></u>	\$ <u><u>13,780,000</u></u>

(A) Federal Impact Aid revenue is received for students living on military land and for other federally-connected students and reflect trend data of revenue receipts.

(B) The Department of Health and Human Services (Centers for Medicare and Medicaid Services) ruled to eliminate the Medicaid reimbursement for school-based administrative costs.

(C) Revenues for FY 2009-2010 reflect trend data of revenue receipts.