ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #194 (2010-2011) January 19, 2010

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FISCAL YEAR 2010-2011 PRELIMINARY FINANCIAL PLAN

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.*

PERTINENT FACTS:

The accompanying budget document contains the Anchorage School District's FY 2010-2011 Preliminary Financial Plan. The total budget recommended is $788,443,892. This includes individual fund budgets currently projected as follows:

	FY 2010-2011 Financial Plan
General Fund	$ 616,010,000
Food Service Fund	17,809,900
Debt Service Fund	87,423,992
Local/State/Federal Grants Fund	67,200,000
Total – All Funds	$ 788,443,892

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 2010-2011 budget projections reflect the district's on-going efforts to achieve this balance, maximize performance, and contain costs.

These projections for FY 2010-2011 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 school board goals with the responsibility of designating financial and human resources within projected revenues.

BUDGET DEVELOPMENT

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 such as with ASD supporting the Municipality with the School Resource Officer expenditures.

Input from the Anchorage Assembly, community forums, community members, students, and staff resulted in a 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.

On November 2, 2009, a School Board FY 2010-2011 financial planning work session was held. The revenue projections were based on the Governor and Legislature forward funding the third and final year adjustments to the Alaska School Public Funding formula approved during the Twenty-fifth Legislative session. The administration continued to include in the projections employee relief provided by the state for the Teachers' Retirement System (TRS) and Public Employees' Retirement System (PERS) multi-employer cost-sharing plans. The

state on behalf of the district funds the portion of 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.

At the work session, the school board also gave guidance to use a portion of the undesignated fund balance as a revenue source while maintaining a balance in the undesignated fund balance of 3.5 percent of the FY 2010-2011 projected budget.

On October 27, 2009, the Anchorage Assembly approved AR NO. 2009-250(S), a resolution indicating the Anchorage Assembly anticipated approving up to $191,994,683 in property tax revenue and up to $4,799,867 in additional property tax revenue for additional General Fund spending for district-related functions currently operated or funded by the Municipality. At the time of the school board work session, discussions between the municipality and district included transferring half of the cost for the school resource officers to the district budget and providing additional property tax revenue to support the expenditures being transferred. The district continues to discuss with the municipality the feasibility for additional cost sharing expenditures.

On November 9, 2009, based on the guidelines given at the November 2, 2009 work session including discussion relative to the Anchorage Assembly's resolution on property taxes, the school board approved for planning purposes an upper limit spending authorization for the General, Food Service, Debt Service and Local/State/Federal Grants Funds of $789,146,316, ASD Memorandum #98 (2009-2010). The school board further approved that the budget ceiling could be adjusted based on further review and for additional functions currently operated by the municipality that would qualify under the resolution approved by the Assembly.

During the past two months as the administration proceeded forward in preparing a FY 2010-2011 Preliminary Financial Plan in which expenditures would equal revenues, the district's mission of educating all students for success in life was always at the forefront. It was also recognized that this could not be accomplished without support and maintenance departments. Review and reassessment of assumptions and parameters were made again. Updated and new information was incorporated. Assessment of workload and reorganization within departments to improve efficiencies were made.

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 2010-2011

projections. Major revenue and expenditure considerations and budget development criteria are also included together with further discussions that have occurred with the Anchorage Assembly and municipal administration and input from the community, employees, parents, and students.

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, which in the past two years has been far from the norm, housing 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 State Demographer, Municipal Department of Public Works, State Department of Labor and the State Bureau of Vital Statistics. The following schedule summarizes the actual and projected student enrollment information for FY 2007-2008 through FY 2010-2011 on both a full count and FTE basis.

	Actuals 2007-2008 9/30/07	Actuals 2008-2009 9/30/08	Actuals 2009-2010 9/30/09	Projected 2010-2011 9/30/10
Total Number	48,457	48,440	49,243	49,596
Change over previous year	(611)	(17)	803	353
FTE (Full-Time Equivalent)	48,211	48,169	49,049	49,338

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.

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. FY 2010-2011 will be the third year of the approved forward funding. Support for higher utility 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. This is especially important in light of the October 27, 2009 Assembly action approving AR NO. 2009-250(S) as amended, regarding the Municipality of Anchorage property tax contribution to the district's General Fund.

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 $34.912 billion to $35.129 billion.

This program is expected to provide approximately 56.89 percent of the district's General Fund revenues excluding the TRS and PERS projected $65.97 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 2010-2011 is $312.929 million, which is $15.898 million more than current FY 2009-2010 budget. The following factors contribute to the $15.898 million increase:

- $100 increase to the Base Student Allocation (BSA) from $5,580 to $5,680 — $ 7.221 million
- Increase special education Intensive Needs factor from Eleven times to thirteen times for current year budgeted Intensive Needs student population of 809 — 9.190 million

• Projected reduction of 84 Intensive Needs students for FY 2010-2011	(6.203) million
• Enrollment increase including Quality Schools (47,944 to 49,596)	6.457 million
• Increase from $34.912 billion to $35.129 billion in state assessed valuation	(.434) million
• Federal Impact Aid	(.333) million
Alaska Public School Funding Increase	$15.898 million

Local Property Taxes/Shared Services—The local property tax contribution is the district's second largest General Fund revenue source. In the past, the district maximum local property tax revenue has been based on the taxes available under the local property tax charter limitation independent of the municipality's share of the tax cap. The local property tax charter limitation provides for an annual adjustment for inflation, five-year Anchorage population change, operations and maintenance on new voter-approved facilities, and new construction.

For FY 2010-2011, this does not appear to be the case. The Anchorage Assembly has indicated that the projected local property tax revenue for FY 2010-2011 will be based on the October 27, 2009 approval by the Anchorage Assembly of AR NO. 2009-250(S), ***a resolution of the Anchorage Municipal Assembly regarding the annual operating budget of the Anchorage School District for its fiscal year 2010-2011.*** After a discussion which included clarifying amendments, AR NO. 2009-250(S) as amended was approved. The Anchorage Assembly anticipates approving flat funding $191,994,683 in property tax revenue (amount eligible under the tax cap limitation for FY 2009-2010 rather than for FY 2010-2011) and up to $4,799,867 in additional property tax revenue for additional General Fund spending for functions currently operated or funded by the Municipality. Included in these projections are half of the cost of the school resource officers and elimination of the discounted fare program passes ($6,600) for the homeless project for a total of $1,221,175 of additional allowable property tax revenue **along with the corresponding expenditures** leaving a balance of $3,578,692 to be used for cost sharing expenditures between the municipality and district. The district continues to discuss with the municipality the feasibility for additional cost sharing expenditures. **The amount of property taxes included in the FY 2010-2011 Preliminary Financial Plan is $4,574,493 less than allowed under the property tax charter limitation.**

Federal Impact Aid—The initial revenue projection for Federal Impact Aid has been projected at 100 percent of projected entitlement, an anticipated $13.5 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 2010-2011.

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.

In ASD Memorandum #98 Fiscal Year 2010-2011 Financial Planning, dated November 9, 2009, the administration included the use $1.875 million of undesignated fund balance which was anticipated to still maintain an undesignated fund balance of 3.5 percent of the FY 2010-2011 projected budget as directed by the school board at the November 2, 2009 work session. 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 a program, it would not feel like there was a program cut or elimination. Over the course of the past two months and after all the steps of review taken to balance the FY 2010-2011 Preliminary Financial Plan, the administration found it necessary to use $1.975 million of undesignated fund balance. The use of the fund balance is anticipated to maintain an undesignated fund balance of 3.5 percent of the FY 2010-2011 Preliminary Financial Plan. In addition, the district will designate 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 2010-2011 revenue projection for Pupil Transportation is based on the provision under HB 273 that allows an annual Consumer Price Index (CPI) adjustment to pupil transportation funding for FY 2010-2011. The use of 1.2 percent for the CPI means an estimated increase from $402 in the current year to $410 for FY 2010-2011. This amount will then be used to multiply the school district's ADM, less the ADM for the district's correspondence programs to calculate pupil transportation revenues. In addition, $180,000 is included to transport ASSDHH students living in the Matanuska-Susitna Borough. This amount has been included in the Governor's budget for next year.

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. The administration is recommending a slight increase in student activities fees at this time with an increase in the family cap as shown in the chart below. In addition, fees relating to rental revenues have been reviewed for possible rate increases for the FY 2010-2011. After careful analysis, a change in the rate structure is not recommended at this time due to a current decrease in rental revenues over the prior year. The administration will continue to monitor rental activity in order to determine the feasibility of bringing forward a recommendation for rental rate increases at a later date.

The following rates are those in place for FY 2009-2010 and those that are recommended for FY 2010-2011 and are as follows:

	FY 2009-2010	FY 2010-2011
Summer School – Elem./Middle	$85 per course	No change
Summer School – High School	$90 per course	No change
Music Instrument Usage Fee	$40 per instrument	No change
Middle Level Activity Fees	$80 per activity	$85 per activity
High School Activity Fees	$160 per activity	$165 per activity
High School Parking Fees	$50 per semester	No change
Facility Rental Fees	$635,000	Under Review
Family Cap for Activity Fees	$330	$335

E-Rate—The district has not yet received the funding commitment letter from the Universal Service Administrative Company (USAC) for FY 2009-2010; 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 2010-2011 revenue projections from those of FY 2009-2010. 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. Recommendations received from interested community members on the district's website and from the four community forums, staff, students, and the administration were considered and incorporated into the budget where appropriate, and always keeping in mind the district's core focus of providing educational services. All departments within the district were required to submit suggestions for a four percent reduction within their department. Based on evaluation of the various suggestions from the community, staff, students and administration, both revenue enhancements and expenditure reductions are incorporated to bring the budget into balance.

Salaries and Benefits—Employee salaries, wages, and benefits are projected to be approximately **89** percent of the operating cost of the district. The projections include consideration for contract negotiations for AEA (Anchorage Education Association) and Local 959 (Teamsters Warehouse & Maintenance-medical re-opener only). 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 certificated retirement and classified retirement have been included. The projections assume the rate decrease to TRS and the rate increase for PERS adopted by the Alaska Retirement Management Board (ARMB) for 2011. The TRS rate will decrease from the current FY 2009-2010 rate of 39.53 percent to 38.56 percent; and the PERS rate will increase from the current rate of 27.65 percent to 27.96 percent.

Staffing—Staffing requirements have been adjusted based on the official projections set forth for September 30, 2010. Official projections are based on actual enrollment as of September 30, 2009.

Certificated Teaching Positions—In order to bring expenditures in balance with projected revenues, it was necessary to increase class size in second through twelfth grades as shown below (reduction of 41 FTE teaching positions). 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	20.50 to 1
Grade 1	21.00 to 1	21.00 to 1
Grades 2-3	24.00 to 1	24.75 to 1

Grades 4-6	27.00 to 1	27.75 to 1
Grades 7-8	25.54 to 1	26.25 to 1
Grades 9-12	27.08 to 1	27.91 to 1
Special Education	Staffing based upon demonstrated need / program (consistent with current year)	

Indirect Cost—In addition to charging eligible grants and the grant programs generated through stimulus funds, 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. The amount of indirect cost is anticipated to increase from $2.45 million to $4.345 million. This is partly due to a rate increase from 3.82 percent to 4.92 percent and partly due to the second year expenditures for the two-year stimulus grants received from the American Recovery and Reinvestment Act (ARRA).

Contracted Services—Where appropriate, an inflationary or vendor rate adjustment to contracts have been incorporated. Very close reviews of actual contracted services determine if inflationary or vendor increases are warranted. If other known rate increases are warranted, they were 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. Review of last year's actual usage and expenditures with continued review of current year and rate adjustments (occurring mid-year FY 2009-2010); have resulted in projecting the utilities budgets being lower than the current year.

Pupil Transportation—Expenditures for contracted pupil transportation routes for FY 2010-2011 include an increase based on COLA of 1.2 percent as provided in the contract. Funding has been included to provide transportation for the increase in homeless students identified by the district. For the current year, the district has seen a 38 percent increase in the homeless student population. At this time there are no anticipated regular or special education route increases.

Major Maintenance Projects/Maintenance Department— In order to bring expenditures in balance with projected revenues, the administration cautiously reduced the major maintenance projects by $240,000 for FY 2010-2011. With the budgeted $2.193 million in major maintenance and $21.309 million in general maintenance included in the FY 2010-1011 General Fund, the $4.248 million in ARRA funding for building system renewals, and the building renewal projects funded by redirected bond and accrued interest, the administration feels confident that there is adequate funding to allow for this one-year reduction.

As our facilities continue to age, it is understood that periodic maintenance must take place on a regular basis to keep the buildings in good repair for optimum safety and efficiency.

Supplies—Some departments may show an adjustment in supplies based on departmental need to service the total district program requirements (i.e., fuel required to run district buses and vehicles and postage charges). The current projections do not include any inflationary increase to the per pupil allocation for school supplies and equipment over the current year.

Equipment—In order to bring expenditures in balance with projected revenues, the administration cautiously reduced technology refresh by $2.0 million, from $4.954 million to $2.954 million. This will slow down the ability to refresh technology across the district with an adequate number of computers in a consistent timeframe.

Replacement equipment purchases between $5,000 and $50,000 will be purchased from the Equipment Replacement Fund. However, the value range needs to be reviewed in the near future to determine if this is an appropriate range or that it should be increased.

Major Expenditure Reductions—The major program reductions and positions that were required to be eliminated in the FY 2010-2011 budget in order to bring expenditures in balance with projected revenues are as follows:

- Increase class size
  - K and 1st grade – no change
  - 2-6 grades – .75 FTE (19.0 FTE)
  - 7-8 grades– 1 FTE (8.0 FTE)
  - 9-12 grades – 1 FTE (14.0 FTE)
- Eliminate 1 high school/alternative school assistant principal
- Eliminate 1 elementary assistant principal
- Reduced technology computer refresh district wide
- Reduced curriculum and educational technology support in the schools
- Eliminate Creating Successful Futures II/SEL for 4-6th grades (2.0 FTE)
- Eliminate Literacy Teachers (4.0 FTE) at the elementary level who provided professional development
- Reduced Science and Math Coordinators (2.0 FTE) and created a Science Technology Math (STEM) Coordinator position (1.0 FTE)
- Reduce elementary addenda for SBA assessment preparation by 50 percent
- Reduce Learning Opportunity Intervention at the elementary level by 50 percent

- Reduced middle level school-based support for struggling student interventions
- Reduce summer school at the elementary by 50 percent
- Reduce summer school remediation program at the middle level from three sites to two and/or limit the number of students served
- Reduce summer school (remedial/recovery only) at the high school level
- Reduce Gifted Program staff (1.5 FTE teaching positions; .5 FTE kindergarten teacher assistant)
- Reduced Graduation Support Coordinators (2.0 FTE)
- Alternative programs secretarial support (1.0 FTE)

Other Expenditure Reductions—Other cost savings program reductions and positions that were eliminated in the FY 2010-2011 budget are as follows:

- Executive Secretary (1.0 FTE) Support Services
- Executive Secretary (1.0 FTE) Curriculum & Instructional Services
- Legal Fees
- Reduced extra help, addenda, meals and food, supplies, contracted services, staff travel and recruitment travel, memberships across the administration departments
- Utility projections resulting from rates reductions as well as conservation of energy
- One-time purchase of buses (5)

Position Increases—The following positions have been added outside of direct classroom support to provide better service.

- Project Manager (1.0 FTE) to support the implementation of the many projects, i.e. Time/Leave, IEP, Computer Refresh, IFAS 7.9, Data Warehouse
- Subject Matter Expert (2.0 FTE) to support IFAS 7.9 implementation and business process review requirements
- Maintenance Technician (.5 FTE) to support the maintenance of the added laptops entering the district through both the computer refresh and netbook initiative
- Purchasing Agent (1.0 FTE) to support the computer refresh buys and the increase in required technical RFI and RFP issuances
- Administrative Assistant for Curriculum and Instructional Services

Functions previously operated or funded by the Municipality

- School Resource Officers (SRO) will be funded by the Municipality of Anchorage and the Anchorage School District. The total cost is split equally at 50 percent each for FY 2010-2011.
- Eliminated discounted fare bus passes for students

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 2010-2011 budget has been increased from $16,828,000 to $17,809,900 or 5.8 percent as compared to FY 2009-2010.

The revenue sources for the Food Service Fund budget include revenue from meal sales and federal reimbursement for meals served. These projections also continue to include the employee relief provided by the state for the Public Employees' Retirement System (PERS) multi-employer cost-sharing plan. The projections being presented assume the rate increase for PERS adopted by the ARMB increasing from the current rate of 27.65 percent to 27.96 percent.

Use of $600,000 of undesignated fund balance is included in the FY 2010-2011 Food Service budget to support a several year delay in equipment purchases. The undesignated fund balance of June 30, 2009 was $1.074 million. Using $600,000 of fund balance will provide an undesignated fund balance of 2.7 percent of the FY 2010-2011 projected budget. These projections do not reflect any increase in elementary, middle, and high school breakfast and lunch full-price meals. It is projected that no local tax support will be required for the Food Service Fund in FY 2010-2011.

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. The debt service projections set forth in this memorandum include an anticipated $20 million bond sale of authorized unissued bonds. The Assembly's passage of AR NO. 2009-250(S) resolves to fully fund the district's property tax contribution for debt service.

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 2010-2011 may increase approximately $5.0 million based on discussion with grant writers and current year grant awards. In addition, the projections include the State TRS/PERS reimbursement on behalf of the district for salaries paid from grant funds. The district previously accepted and appropriated the full amount of the two-year ARRA grant funds in FY 2009-2010 and therefore they are not reflected in the FY 2010-2011 budget.

FISCAL YEAR BUDGET COMPARISON

The following schedule compares by fund the FY 2010-2011 projected revenues/expenditures with those currently approved for FY 2009-2010. At this time, unknowns still remain such as contract negotiations and mandated services that may require funding.

REVENUE/EXPENDITURE BUDGETS

Fund	Revised Budget FY 2009-2010	Preliminary Budget FY 2010-2011	% Over /(Under) Prior Year
General	$ 598,467,232	$ 616,010,000	2.93%
Food Service	16,828,000	17,809,900	5.83%
Debt Service	85,907,658	87,423,992	1.77%
L/S/F Grants	62,200,000	67,200,000	8.04%
Stimulus Funds	67,437,190	-0-	(100.0)%
All Funds	$ 830,840,080	$ 748,443,892	(5.10)%

TAXES

	Revised FY 2009-2010	Taxes FY 2010-2011	Increase
General Fund	$191,913,748	$191,994,683	$ 80,935 (a)
Allowable for shared services		1,221,175	1,221,175
Debt Service	41,033,834	41,544,114	510,277
All Funds	$232,947,582	$234,759,972	$1,812,387

(a) Includes an additional $80,935 of taxes per AO NO. 2009-250(S) as amended.

STUDENT ENROLLMENT PROJECTIONS

	FY 2009-2010 Actuals Sept. 30, 2009	FY 2010-2011 Projected Sept. 30, 2010	Change Over Prior Year's Actual
Enrollment	49,243	49,596	353
Full Time Equivalent (FTE)	49,049	49,338	289

In preparing the FY 2010-2011 Preliminary Financial Plan, many budget development uncertainties face the district.

- Legislative action
- Identifying possible shared services/and or functions currently operated or funded by the Municipality to increase ASD tax base
- School Board areas of interest
- Projected enrollment
- Contract negotiations for AEA (Anchorage Education Association), Local 959 (Teamsters Warehouse & Maintenance –medical re-opener)
- Rate increase notifications from outside agencies
- ESEA-No Child Left Behind requirements
- Further evaluation of current/new fees
- School Board Goals/Six-Year Instructional Plan
- Assessment/Testing Impact
- Deployment of military personnel and the relocation of their families
- The assessed valuation used in setting the mill levy will not finalized until March/April 2010
- Federal Impact Aid subject to annual appropriation
- Fluctuation of oil prices
- Further evaluation of current/new fees

SUMMARY

Our assumptions in preparing the FY 2010-2011 preliminary Financial Plan are based on, but not limited to, the following criteria:

- Alaska Public School Funding Program—BSA from $5,580 to $5,680, increase in the special education intensive needs factor from eleven times to thirteen times
- Quality Schools Grant—no increase to per pupil amount of $16
- Pupil transportation funding to include CPI adjustment – $402 to $410
- State reimbursement funding for the ARMB approved percentage rates to the Certificated (between 12.56% and 38.56%) and Classified (between 22% and 27.96%) Retirement Systems

- Balanced budget for presentation to the Anchorage Assembly—expenditures equal revenues
- Local Property Taxes—Assembly approval on October 27, 2009 of AR NO. 2009-250(S) as amended limiting tax amount
- Use of Undesignated Fund Balance as a revenue source—using $1.975 million of undesignated fund balance to reduce the fiscal gap will provide an undesignated fund balance of 3.5 percent
- Potential adoption or expansion of programs must be funded within existing resources

CC/JS/MSL

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