

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #158 (2010-2011)

November 15, 2010

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: UPPER LIMIT FOR FINANCIAL PLANNING FY 2011-2012

ASD Goal: *ASD will manage effectively and efficiently all financial and human resources.*

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to prepare the Anchorage School District's FY 2011-2012 Preliminary Financial Plan in accordance with the financial projections set forth in this memorandum. Specifically, the budget for FY 2011-2012 is to be established for planning purposes with projected revenues and use of fund balance not-to-exceed \$821,832,771. This includes individual fund budgets currently projected as follows:

	<u>FY 2011-2012 Financial Plan</u>
General Fund	\$ 636,706,566
Food Service Fund	19,100,000
Debt Service Fund	90,526,205
Local/State/Federal Grants Fund	<u>75,500,000</u>
Total - All Funds	<u>\$ 821,832,771</u>

It is further recommended that the School Board authorize the Superintendent to adjust the budget revenue/expenditure ceiling indicated above for any negotiated contract adjustments and other associated cost increases; School Board requests; further review of potential adjustments to all revenues in particular state educational funding that may be included in the Governor's budget to be released mid-December, the current fee structure, rental rates and additional use of undesignated fund balance; and administration, community, staff, and student recommendations as implemented by the Superintendent. In addition, flexibility is requested to allow for adjustments in accordance with Assembly Resolution AR NO. 2010-280(S) as amended and approved in which

the district shall receive a local property tax contribution in the amount of \$196,307,312 which represents an effective increase of 0.73% in excess of functions currently operated by the municipality. As updated information becomes available, flexibility is requested to make the necessary changes that affect the district's FY 2011-2012 Financial Plan.

PERTINENT FACTS:

With direction of the school board at the work session on November 8, 2010, the administration is bringing forward the Pro-forma FY 2011-2012 Preliminary Financial Plan. Every budget cycle has to deal with many uncertainties. For FY 2011-2012, 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 pages 12 -13 of this memorandum).

This memorandum presents financial planning considerations that will be used in developing the FY 2011-2012 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 revenue projections will reflect any adjustments included in the Governor's budget proposal for Fiscal Year 2012 when it is released in mid-December. There are currently no projected adjustments to the FY 2011-2012 base student allocation used in the Alaska School Public Funding formula. Pupil Transportation revenue increases from \$407 per adjusted average daily membership in the current year to \$417. This is based on the use of 2.5 percent for the Consumer Price Index for Anchorage, as allowed by statute.

On Tuesday October 26, AR NO. 2010-280(S), a resolution of the Anchorage Municipal Assembly regarding the annual operating budget of the Anchorage School District for its fiscal year 2011-2012 was submitted. After a discussion which included clarifying amendments, AR NO. 2010-280(S) was approved; the Anchorage Assembly anticipates approving \$196,307,312 in property tax revenue that includes \$1,684,853 in additional property tax revenue for additional General Fund spending for functions currently operated or funded by the Municipality. Included in these preliminary projections, School Resource Officers and tax billing/collection funds in the amount of \$1,684,853 are offset by this additional allowable property tax revenue **along with the corresponding expenditures** leaving a net increase of \$1,406,601.

The administration will also continue 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. The projections being presented include rate increases to TRS and PERS as adopted by the Alaska Retirement Management Board (ARMB) for FY 2012. The TRS rate will increase from the current FY 2010-2011 rate of 38.56 percent to 42.61 percent; and the PERS rate will increase from the current rate of 27.96 percent to 30.76 percent.

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 2011-2012 budget projections reflect the district's on-going efforts to achieve this balance, maximize performance, and contain costs.

These initial projections for FY 2011-2012 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.

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 staff, supplies, and other operating expenses while looking for efficiencies that can be achieved through better resource management or teaming with other agencies such as ASD's current support of the Municipality with the School Resource Officer expenditures.

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. The total of all school and department budgets plus any new facilities or change in program requirements are then 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 2011-2012 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, 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, MOA 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 2008-2009 through FY 2011-2012 on both a full count and FTE basis.

	Actuals 2008-2009 <u>9/30/08</u>	Actuals 2009-2010 <u>9/30/09</u>	Actuals 2010-2011 <u>9/30/10</u>	Projected 2011-2012 <u>9/30/11</u>
Total Number	48,440	49,243	49,091	49,196
Change over previous year	(17)	803	(152)	105
FTE (Full-Time Equivalent)	48,169	49,049	48,972	48,923

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 2011.

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 are very hopeful that the Governor and Legislature will continue recognition of the need for increased K-12 education funding. Hopefully, during this upcoming legislative session, the Legislature will continue to advocate for the students in our communities with early approval of an educational funding package and additional increases in revenues supporting public education so as to ensure the continuation of high performing education programs which are very important in increasing student achievement and performance. This is especially important in light of the October 26, 2010 Assembly action approving AR NO. 2010-280(S) as amended and approved, regarding the Municipality of Anchorage property tax contribution to the ASD 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 \$35.13 billion to \$35.30 billion.

This program is expected to provide approximately 48.7 percent of the district's General Fund revenues not including the TRS and PERS projected \$81.1 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 of 49,196, which reflects a decrease of 400 students from the current year projections of 49,596, the estimated amount of funding from the Alaska Public School Funding Program for FY 2011-2012 is \$310.134 million, which is \$2.294 million less than current FY 2010-2011 budget. The following factors contribute to the \$2.294 million decrease:

- Increased identification of Intensive Needs students from 725 to 741 \$ 1.181 million
- Enrollment decrease including Quality Schools (2.318) million
- Increase from \$35.129 billion to \$35.300 billion in state assessed valuation (.341) million
- Federal Impact Aid (.816) million
Alaska Public School Funding Decrease \$(2.294) million

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 2011-2012 is based on the October 26, 2010 approval by the Anchorage Assembly of AR NO. 2010-280(S) as amended, a resolution of the Anchorage Municipal Assembly regarding the annual operating budget for the Anchorage School District for its fiscal year 2011-2012.** While not binding, the Assembly resolution indicates support for a 1.6 percent increase in local taxes over the current fiscal year. Additional unknown factors related to local tax revenue include the assumption of expenditures for School Resource Officers, and other expenditures previously paid by the Municipality but excluded from Mayor Sullivan’s proposed budget. The net effect of this increase in taxes and expenditures is a .73% increase in local taxes, or \$1.4 million.

Federal Impact Aid—The initial revenue projection for Federal Impact Aid has been projected at 100 percent of projected entitlement, an anticipated \$17.0 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 2011-2012.

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.

Accumulated resources such as fund balance are however available for use to help balance an otherwise unbalanced budget and to provide funding for critical program enhancements. Wise financial management does include options that make use of fund balance occasionally in order to maximize results, and minimize effects from outside influences, such as flat funding.

Resources such as fund balance are built up over time in order to be used during tighter budget cycles in order to maintain a more consistent delivery of instruction. Given two years of relatively flat local funding, anticipated flat state funding, and sufficient fund balance levels, the FY 2011-2012 budget cycle may be an opportunity to take advantage of fund balance in order to reduce otherwise necessary budget and program cuts.

At this time, based on guidance from the school board at the November 8th school board meeting, the administration has included \$3 million of the undesignated fund balance. The use of the \$3 million of fund balance will be used in the General Fund as a revenue source to reduce the projected fiscal gap. Historically, the school board has recommended a sustained level of undesignated fund balance between 3.25 and 3.5 percent after allocation of fund balance to be used in subsequent budget cycles.

Given the use of \$3 million, the anticipated percent of undesignated fund balance as of June 30, 2011 is estimated be between 3.8 and 4.6 percent, which is above the historically recommended level. Additionally, anticipating fund balance use for the following fiscal year, if the district uses \$3 million to help

balance the FY 2011-2012 budget, and as much as \$7 million to help balance the following years budget, FY 2012-2013, the undesignated fund balance would be projected to be between 3.3 and 3.5 percent as of June 30, 2012.

If the state legislature does provide additional funding during the legislative session, the administration would anticipate a recommendation to the school board to remove the use of fund balance from the FY 2011-2012 budget. In absence of additional funds, the administration would recommend consideration of up to \$5 million in fund balance to be used to balance the FY 2011-2012 budget. The use of \$5 million would result in an undesignated fund balance percent approximately between 3.5 and 4.3 percent as of June 30, 2011.

Pupil Transportation Reimbursement—The preliminary FY 2011-2012 revenue projection for Pupil Transportation is based on the provision under HB 273 that allows an annual CPI adjustment to pupil transportation funding. The use of 2.5 percent for the CPI means an estimated increase from \$407 in the current year to \$417 for FY 2011-2012. 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.

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 2011.

E-Rate—The district has not yet received the funding commitment letter from the Universal Service Administrative Company (USAC) for FY 2010-2011; 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 2011-2012 revenue projections from those of FY 2010-2011. 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 on the district's website and from the three community budget dialogues, the student budget dialogue, 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 and benefits are projected to be approximately 89 percent of the operating cost of the district. The projections include consideration for contract negotiations for APA (Anchorage Principals’ Association) and Local 959 (Teamsters Warehouse & Maintenance Employees). 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.

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 2011-2012. Contributing factors that will determine the average teacher salary include historical information, step increases, educational attainment, projected turnover, new positions, class size PTR adjustment, 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, 2011. Official projections are based on actual enrollment as of September 30, 2010.

Certificated Teaching Positions—Budgeted teaching staff is based on the FY 2010-2011 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	24.25 to 1
Grades 4-6	27.75 to 1
Grades 7-8	26.25 to 1
Grades 9-12	27.91 to 1
Special Education	Staffing is based upon demonstrated need and 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 and grants by various departments budgeted in the General Fund. It is anticipated that by early spring 2011 the district will be appraised of the approved indirect cost rate for FY 2011-2012. Without the charge of indirect costs, the General Fund would bear the administrative costs of the Food Service Fund and all the District grants.

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. Review of last year's actual usage and expenditures with continued review of current year and rate adjustments (occurring mid-year FY 2010-2011); have resulted in projecting that the utilities will increase up to 10 percent.

Pupil Transportation— It is anticipated that discussions for renewal of the contracted transportation contract will not begin until after the first of the year; however, in keeping with the current contract increased funding for COLA has been included. Funding has also been included to provide transportation for the homeless students identified by the district. At this time there are no anticipated regular or special education ASD route increases.

Major Maintenance— The administration recommends maintaining the funding level for maintenance leadership and maintenance projects of at least the current level of \$23.5 million for some of the district's more than 100 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 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—Replacement equipment purchases between \$5,000 and \$50,000 will be purchased from the Equipment Replacement Fund.

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 school board goals will play a major role in the review of programs that are not working in order to provide funding for existing programs or enhancements to programs. In addition, assessment of the programs initiated from the use of stimulus funds will be on-going to provide insight to determine the effectiveness of these programs and if future funding by the district would be beneficial when the stimulus funds end in the fall of 2011.

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 2011-2012 budget has been increased from \$17,809,900 to \$19,100,000 or 7.24 percent as compared to FY 2010-2011.

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 \$600,000 of undesignated fund balance is expected to be used to support a several year delay in equipment purchases and begin a remodel and upgrade program for school cafeterias and lunchrooms in the FY 2011-2012 Food Service budget as presented in this memorandum. The undesignated fund balance of June 30, 2010 was \$1.679 million. Using \$600,000 of fund balance will provide an undesignated fund balance of 5.65 percent of the FY 2011-2012 projected budget. 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 2011-2012.

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 projections included within this memorandum include debt service on a \$10 million sale of authorized unsold bonds; the projections do not include debt service on any possible future bond propositions in FY 2011-2012. The Assembly's passage of AR NO. 2010-280(S) resolves to fully fund the ASD 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. The federal Education Jobs Bill is included and is assumed to provide \$7.6 million in additional grant revenue. This funding is anticipated to provide one year's funding that can be used to supplant General Fund school level activity. In addition, the projections include the State TRS/PERS reimbursement on behalf of the district. Ongoing monitoring of these grants will help determine if adjustments should be made before bringing the budget forward in January. No funds from the \$67.4 million two year stimulus funding program that ends in the fall of 2011, is included in these projections.

FISCAL YEAR BUDGET COMPARISON

The following schedule compares by fund the FY 2011-2012 projected revenues/expenditures with those currently approved for FY 2010-2011. The amount of the projected General Fund expenditure budget is \$11.9 million more than the amount of projected revenues including use of fund balance and the use of the Federal Education Jobs Bill to supplant General Fund school level activity. **Over the next couple of months the administration will be valuating all the programs in order to bring expenditures in balance with the available revenues.**

REVENUE/EXPENDITURE BUDGETS

	Revised Revenues <u>FY 2010-2011</u>	Pro Forma Budget Revenues <u>FY 2011-2012</u>	Estimated Budget Expenditures <u>FY 2011-2012</u>	Jobs Bill Budget Classroom Expenditures	Budget Shortfall
General Fund (\$11,853,872)	\$617,010,000	\$636,706,566	\$656,200,000	(\$7,639,562)	
Food Service	17,809,900	19,100,000	19,100,000	-0-	-0-
Debt Service	87,423,992	90,526,205	90,526,205	-0-	-0-
L/S/F Projects	67,200,000	67,860,438	67,860,438	-0-	-0-
Jobs Bill	<u>-0-</u>	<u>7,639,562</u>	<u>-0-</u>	<u>7,639,562</u>	<u>-0-</u>
All Funds <u>\$11,853,872</u>	<u>\$789,443,892</u>	<u>\$821,832,771</u>	<u>\$833,686,643</u>	<u>(\$)-0-</u>	

TAXES

	Revised <u>FY 2010-2011</u>	Pro Forma Taxes <u>FY 2011-2012</u>	Increase
General Fund	\$193,215,858	\$196,307,312	\$3,091,454
Debt Service	<u>41,544,114</u>	<u>43,515,552</u>	<u>1,971,438</u>
All Funds	<u>\$234,759,972</u>	<u>\$239,822,864</u>	<u>\$5,062,892</u>

STUDENT ENROLLMENT PROJECTIONS

	FY 2010-2011 Actuals <u>Sept. 30, 2010</u>	FY 2011-2012 Projected <u>Sept. 30, 2011</u>	Change Over Prior <u>Year's Actual</u>
Enrollment	49,091	49,196	105
Full Time Equivalent (FTE)	48,972	48,923	(49)

In preparing the FY 2011-2012 Preliminary Financial Plan, many budget development uncertainties face the district.

- Legislative action
- MOA Assembly action to increase ASD tax base
- School Board areas of interest
- Projected enrollment
- Contract negotiations for APA (Anchorage Principals' Association), Local 959 (Teamsters Warehouse & Maintenance)
- Rate increase notifications from outside agencies
- Further evaluation of current/new fees
- School Board Goals/Six-Year Instructional Plan

- Renewal of contracted transportation contract
- The assessed valuation used in setting the mill levy will not be finalized until March/April 2011
- Federal Impact Aid subject to annual appropriation
- Fluctuation of oil prices

SUMMARY

The next few months will be a tremendous challenge for the administration to evaluate all programs to ensure continued alignment with the overall goals of the school district. Our assumptions in preparing these initial FY 2011-2012 projections are based on, but not limited to, the following criteria:

- Alaska Public School Funding Program – No change in the base student allocation of \$5,680 or the 20 percent special needs funding factor
- Quality Schools Grant – no increase to per pupil amount of \$16
- Pupil transportation funding to include CPI adjustment – \$412 to \$417
- State reimbursement funding for the ARMB approved rates to the Certificated and Classified Retirement Systems
- Balanced budget for presentation to the Anchorage Assembly – expenditures equal revenues
- Local Property Taxes – Assembly approval on October 26, 2010 of AR NO. 2010-280(S) as amended limiting tax amount
- Use of Fund Balance as a revenue source – using \$3.0 million of undesignated fund balance to reduce the fiscal gap (from \$14.9 million down to \$11.9 million) will provide the fund balance to be between 3.8 and 4.6 percent
- Potential adoption or expansion of programs must be funded within existing resources

Attachments

CC/CS/MSL

Prepared by: Marie S. Laule, Budget Director
 Approved by: Chad Stiteler, Chief Financial Officer

Anchorage School District
Fiscal Year 2011-2012

PROJECTED REVENUES AND EXPENDITURES SUMMARY

Fund	Revenues and Fund Balance				2011-2012 Revenue/Source Projections	2011-2012 Expenditure Projections	2011-2012 Fiscal Gap Projections
	Taxes	Local	State	Federal			
General	\$ 196,307,312	\$ 9,891,500	\$ 411,707,754	\$ 18,800,000	\$ 636,706,566	\$ 648,560,438	\$ (11,853,872)
Food Service			450,000	13,359,273	19,100,000	19,100,000	
Debt Service	<u>43,515,552</u>		<u>47,010,653</u>		<u>90,526,205</u>	<u>90,526,205</u>	
	239,822,864	15,182,227	459,168,407	32,159,273	746,332,771	758,186,643	(11,853,872)
Local, State and Federal Grants		<u>2,000,000</u>	<u>8,000,000</u>	<u>65,500,000</u>	<u>75,500,000</u>	<u>75,500,000</u>	
TOTAL	<u>\$ 239,822,864</u>	<u>\$ 17,182,227</u>	<u>\$ 467,168,407</u>	<u>\$ 97,659,273</u>	<u>\$ 821,832,771</u>	<u>\$ 833,686,643</u>	<u>\$ (11,853,872)</u>
Percentage of Revenue Sources to Total Revenue Projections	29.18%	2.09%	56.85%	11.88%	100.00%		

Computation of Total Taxes
for Calendar Year 2011

		General Fund	Debt Service Fund
Amount required to fund second half of Adopted FY 2010-2011 Budget: January 1, 2011/June 30, 2011	\$ 234,759,972	\$ 96,607,929	\$ 20,772,057
Amount required to fund first half of Adopted FY 2011-2012 Budget: July 1, 2011/December 31, 2011	\$ 239,822,864	<u>98,153,656</u>	<u>21,757,776</u>
TOTAL Taxes for Calendar Year 2011		<u>\$ 194,761,585</u>	<u>\$ 42,529,833</u>
Total Taxes for Calendar Year 2011			
1) <u>Total Taxes 2011</u> \$ <u>237,291,418</u> =7.49 mills		<u>\$ 194,761,585</u>	<u>\$ 42,529,833</u>
Assessed Valuation \$ 31,650,945,521		<u>\$ 31,650,945,521</u>	<u>\$ 31,650,945,521</u>
		<u>6.15 mills</u>	<u>1.34 mills</u>

1) The preliminary 2011 mill rate is based on a assessed valuation provided by the Municipality of Anchorage Office of Management and Budget. (September 2010) The final assessed valuation will not be available until April 2011.

Anchorage School District
Fiscal Year 2011-2012

SCHEDULE OF GENERAL FUND REVENUES FROM LOCAL SOURCES/FUND BALANCE

Local Sources	FY 2009-2010	FY 2009-2010	FY 2010-2011	FY 2011-2012
	Audited Actual			
Municipality of Anchorage Appropriation of Taxes	\$ 191,913,748	\$ 191,913,748	\$ 191,994,683	\$ 194,622,459
Additional tax appropriation allowable for shared services between the Municipality of Anchorage and the ASD (A)			1,221,175	1,684,853
Other Local				
Career Center Instructional Projects	67,006	71,000	71,000	73,000
Facilities Rentals	658,036	635,000	650,000	662,000
Nonresident Tuition	32,904	15,000	15,000	35,000
Credit Recovery Fees (B)	36,283	50,000	60,000	45,000
Summer School - Elementary (C)	26,347	25,000	25,000	25,000
Summer School - Middle Level (C)	13,855	39,500	25,000	25,000
Summer School - Secondary (D)	214,475	250,000	256,000	234,000
Musical Instrument Usage Fee (E)	27,188	25,000	26,000	27,000
Middle School Activity Fees (F)	227,262	235,000	250,500	240,000
High School Activity Fees (G)	709,668	715,000	742,500	725,000
High School Parking Fees (H)	192,125	199,000	192,500	192,500
Other Fees (Training Fees, Documents) (I)	80,316	85,000	85,000	84,000
Property Sales, Insurance Proceeds, and Miscellaneous	106,949	246,500	175,500	124,000
Interest Earnings	4,702,877	2,215,000	2,600,000	2,800,000
E-rate (J)	1,634,729	1,000,000	1,000,000	1,600,000
Fund Balance		3,900,000	1,975,000	3,000,000
	<u>8,730,020</u>	<u>9,706,000</u>	<u>8,149,000</u>	<u>9,891,500</u>
TOTAL	\$ 200,643,768	\$ 201,619,748	\$ 201,364,858	\$ 206,198,812

- (A) Municipality of Anchorage (AR NO. 2009-250(S)) School Resource Officers and discontinued discounted fare bus passes.
Municipality of Anchorage (AR NO. 2010-280(S)) School Resource Officers and ASD charge for cost of sending out tax bills and collections.
- (B) Credit Recovery Course Fee - \$85/course
- (C) Summer School - \$85 with continuation in FY 2011-2012
- (D) Summer School - \$90 with continuation in FY 2011-2012
- (E) Musical Instrument Usage Fee - \$40 with continuation in FY 2011-2012
- (F) Middle Level Activity Fees - \$85 in FY 2011-2012, \$85 in FY 2010-2011, Family Cap \$335 (Middle and High combined)
- (G) High School Activity Fees - \$165 in FY 2011-2012, \$165 in FY 2010-2011, Family Cap \$335 (Middle and High combined)
- (H) High School Parking Fees - \$50/semester with continuation for FY 2011-2012
- (I) Training Fees - \$25 per course with continuation for FY 2011-2012
- (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 2011-2012

COMPUTATION OF MUNICIPAL PROPERTY TAX LIMITATION
Taxes Allowable under the Charter Limit vs. Limited Funding and Transferred Services

		<u>Charter Limit</u>	<u>Limited Funding & Transferred Services</u>
Taxes Projected—Anchorage School District FY 2010-11		\$ 234,759,972	\$ 234,759,972
Less: Prior Year Taxes Required for Debt Service		<u>41,544,114</u>	<u>41,544,114</u>
Net Taxes Approved for General Fund		193,215,858	193,215,858
<u>Allowable Growth Factors</u>			
Population— 5 year Average	0.9 as of 10/26/2010		
CPI—5 average year Anchorage Urban	<u>2.9 as of 10/26/2010</u>		
	3.8%		
Additional funds above transferred services allocation	0.73% (1)	<u>7,342,203</u>	<u>1,406,601 (1)</u>
Basic Tax Limitation		200,558,061	194,622,459
<u>Plus Exclusions:</u>			
Judgments/Legal Settlements		-	
Taxes for Operations and Maintenance on New Voter Approved Facilities		-	No O & M
Taxes Requested on New Construction/Property Improvements (2)		1,505,720	No Adjustment Factor
<u>Plus Expenditures Transferred from the Municipality (AR NO. 2010-280(S): (1)</u>			
School Resource Officers (second 50% to offset 100% expenditures)			1,434,853
ASD portion of cost of sending out tax bills and collections			<u>250,000</u>
Tax Limitation—General Fund		<u>202,063,781</u>	<u>196,307,312</u>
Taxes Requested for Debt Service		<u>43,515,552</u>	<u>43,515,552</u>
TAX LIMITATION FY 2011-2012		245,579,333	239,822,864
General Fund	\$ 196,307,312		
Debt Service Fund (3)	<u>43,515,552</u>		
TAXES PROJECTED IN FINANCIAL PLAN—FY 2011-2012		<u>245,579,333</u>	<u>239,822,864</u>
AMOUNT OVER (UNDER) as allowed by the Property Tax Cap Limitation under the MOA Charter		<u>\$ 0</u>	<u>\$ (5,756,469)</u>

- Notes: (1) A resolution of the Anchorage Municipal Assembly (AR NO 2010-280(S)) regarding the annual operating budget of the Anchorage School District for its fiscal year 2011-2012 (specifically property tax revenue); balance remaining after funding set aside for transferred services \$3,091,454 - \$1,684,853 = \$1,406,601.
- (2) Taxes on new construction or property improvements, excluded from the limitation the first year, are computed as follows: 7.44 mills x \$202,381,783 (2010 preliminary new construction/property improvement value was verified by the Municipality of Anchorage's Office of Management and Budget, September, 2010) = \$1,505,720.
- (3) The taxes approved for debt service are for sold bonds approved by the qualified voters. These projections include an anticipated \$10 M bond sale of authorized unissued bonds.

Anchorage School District
Fiscal Year 2011-2012

SCHEDULE OF GENERAL FUND REVENUES FROM STATE SOURCES

<u>State Sources</u>		<u>FY 2009-2010 Audited Actual</u>	<u>FY 2009-2010 Revised</u>	<u>FY 2010-2011 Projections</u>	<u>FY 2011-2012 Projections</u>
Alaska Public School Funding Program (A)	\$	295,483,681	297,031,000	312,428,682	310,134,270
Pupil Transportation (B)		19,530,379	19,081,000	20,059,326	20,065,000
<u>Supplemental State Funding:</u>					
On-Base Schools (C)		408,484	408,484	408,484	408,484
Retirement System Employer Relief - TRS (D)		54,249,109	62,183,000	61,092,650	73,700,000
Retirement System Employer Relief - PERS (D)		4,357,749	4,364,000	4,876,000	7,400,000
TOTAL	\$	<u>374,029,402</u>	<u>383,067,484</u>	<u>398,865,142</u>	<u>411,707,754</u>

Notes:

(A) Alaska Public School Funding Program - FY 2011-2012

Basic Need Equals 73,671.38 Adjusted ADM x \$5,680 Student Allocation and 13 times for intensive students	\$ 418,453,438
Minus 4 Mills x Foundation Defined Anchorage Assessed Valuation of \$25.480 billion	(101,921,045)
Minus Deductible Portion of Federal Impact Aid	(7,576,865)
Add \$16/ adjusted ADM for Quality Schools	1,178,742
Total Alaska Public School Funding Program Aid	<u>\$ 310,134,270</u>

(B) Pupil Transportation - District operated and contracted transportation reimbursement annual CPI (used 2.5 percent/\$417).

This amount is then multiplied by the school district's ADM, less the ADM for the district's correspondence program.

(C) State of Alaska supplemental grant to partially fund this program.

(D) Supplemental State funding for the Teachers and Public Employees Retirement Systems rate increases.

Anchorage School District
Fiscal Year 2011-2012

SCHEDULE OF GENERAL FUND REVENUES FROM FEDERAL SOURCES

<u>Federal Sources</u>	FY 2009-2010 Audited Actual	FY 2009-2010 Revised	FY 2010-2011 Revised	FY 2011-2012 Projections
Federal Impact Aid (A)	\$ 17,492,274	\$ 13,000,000	\$ 15,000,000	\$ 17,000,000
Medicaid (B)	234,978		1,000,000	1,000,000
R.O.T.C. (C)	<u>678,151</u>	<u>780,000</u>	<u>780,000</u>	<u>800,000</u>
TOTAL	\$ <u>18,405,403</u>	\$ <u>13,780,000</u>	\$ <u>16,780,000</u>	\$ <u>18,800,000</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) reinstated the Medicaid reimbursement for school-based administrative costs.

(C) Revenues for FY 2011-2012 reflect trend data of revenue receipts.

AMENDED AND APPROVEDDate: 10-26-10Submitted by: ASSEMBLY MEMBERS JOHNSTON, STARR
and HALL

Prepared by: Assembly Counsel's Office

AO 2010-280 Introduction: October 12, 2010

AO 2010-280(S) Reading: October 26, 2010

**ANCHORAGE, ALASKA
AR NO. 2010-280(S)****A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY REGARDING THE
ANNUAL OPERATING BUDGET OF THE ANCHORAGE SCHOOL DISTRICT FOR ITS
FISCAL YEAR 2011-2012.**

WHEREAS, the Anchorage School Board will commence development of the Anchorage School District Fiscal Year 2011-2012 budget in November 2010 for presentation to the Anchorage Assembly in late February or early March, 2011; and

WHEREAS, the Anchorage Assembly is responsible for approving the School District's budget and for setting the mill levy necessary to fund budgets for both the Municipality of Anchorage and the School District; and

WHEREAS, for the School District's Fiscal Year 2010-2011 budget, the Anchorage Assembly provided guidance as to the level of local tax funding that would be available to fund the School District's budget; and

WHEREAS, the Anchorage School Board has requested similar guidance for the School District's Fiscal Year 2011-2012 budget; and

WHEREAS, Anchorage real property taxes have increased over time; and

WHEREAS, new residential and commercial construction is down; and

WHEREAS, the total number of students enrolled in the Anchorage School District has remained relatively constant over the last ten years; and

WHEREAS, the current number of students enrolled in the Anchorage School is over 500 fewer students than what was presented to the Anchorage Assembly in the School District's 2010-2011 Projections; and

WHEREAS, in community forums, including the Anchorage Community Conversations conducted throughout the municipality in August 2010, Anchorage citizens emphasized efficiency and are opposed to an increase in local taxes until efficiencies are realized; and

WHEREAS, the Municipality of Anchorage has in the past provided funding for certain programs and administrative functions of benefit to the School District, including the School Resource Officer (SRO) program ~~and, Parks and Recreation services,~~ administration of local property tax billings and collections, and it is appropriate for the School District to cover the full cost of these programs; and

WHEREAS, the Municipality of Anchorage and the Anchorage School District must develop sustainable balanced budgets that will be affordable to the tax base; and

1 WHEREAS, the Anchorage Municipal Charter § 6.05 requires the Anchorage School
2 District Superintendent to submit to the School Board a "proposed six-year program for capital
3 improvements and fiscal policies"; and a similar Charter requirement is imposed on the
4 Municipality in Charter §13.02; and
5

6 WHEREAS, the Municipality has prepared and updated such a plan which
7 demonstrates how the Municipal budget will be balanced over time; and
8

9 WHEREAS, the Anchorage School District has not prepared such a plan, but instead
10 has submitted "Projections" of income and expenses through the 2012-2013 budget year; and
11

12 WHEREAS, the "Projections" presented by the School District show budget deficits of
13 \$21,030,310.00 and \$46,629,499.00 for fiscal years 2011-2012 and 2012-2013 respectively;
14

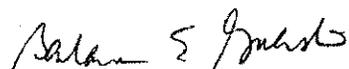
15 NOW, THEREFORE, the Anchorage Assembly resolves:
16

- 17 1. The total local taxes collected for the Anchorage School District from the
18 Anchorage taxpayers for fiscal year 2011-2012 shall not exceed the total local
19 taxes collected for fiscal year 2010-2011 by more than \$3,091,454.00
20 ~~\$1,459,295.00~~, which represents an increase of 1.6% ~~.6%~~ over the \$193,215,858
21 collected in local taxes for the School District's 2010-2011 fiscal year. The total
22 amount in local taxes for the School District's fiscal Year 2011-2012 shall not
23 exceed \$196,307,312.00 ~~\$194,375,153.00~~.
24
- 25 2. Concurrent with the School District's submittal of its 2011-2012 proposed budget to
26 the Anchorage Assembly, the School District shall comply with Municipal Charter
27 § 6.05 requiring a six-year fiscal plan. The School District's six-year fiscal plan
28 shall be for the fiscal years 2011-2012 through 2016-2017. As is the case with the
29 Municipality's six-year fiscal plan, the School District's six-year fiscal shall include a
30 detailed analysis of the District's fiscal condition and how the School District
31 intends to balance its revenue and expenditures to achieve balanced budgets over
32 the six-year period of the plan.
33
- 34 3. The School District's Fiscal Year 2011-2012 budget shall provide for payments to
35 the Municipality of Anchorage for ~~Parks and Recreation fees of \$79,000.00 and for~~
36 the School District's share of tax billing and collections of \$250,000.00.
37

38 PASSED AND APPROVED by the Anchorage Assembly this 26th day of
39 October, 2010.
40

41 
42 _____
43 Chair

44 ATTEST:

45
46 
47 _____
48 Municipal Clerk