

ANCHORAGE SCHOOL DISTRICT  
ANCHORAGE, ALASKA

ASD MEMORANDUM #90 (2011-2012)

October 24, 2011

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FISCAL YEAR 2012-2013 PRO FORMA FINANCIAL PLANNING

ASD Core Value: *The district will be open, transparent and accountable to the public*

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to prepare the Anchorage School District's FY 2012-2013 Preliminary Financial Plan in accordance with the financial projections set forth in this memorandum. Specifically, the budget for FY 2012-2013 is to be established for planning purposes with projected revenues and use of fund balance not-to-exceed \$842,579,332. This includes individual fund budgets currently projected as follows:

<u>Fund</u>	FY 2012-2013 <u>Financial Plan</u>	<u>Percent of Funding</u>			
		<u>Local</u>		State	Federal
		Taxes	Other		
General	\$ 565,798,476	35	2	58	5
Food Service	18,116,350		27		73
Debt Service	86,157,856	47		53	
Grants	53,500,000		3	5	92
State Retirement Liability System	<u>119,006,650</u>			100	
Total - All Funds	<u>\$ 842,579,332</u>				
Percent of Revenue Sources to Total		28	2	59	11

It is further recommended that the School Board authorize the Superintendent with the flexibility 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 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 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 the anticipated Anchorage Assembly resolution setting the amount of property taxes available to the district for FY 2012-2013.

PERTINENT FACTS:

**Significant Changes**

**Fund Balance**—This memorandum presents financial planning considerations that will be used in developing the FY 2012-2013 Preliminary Financial Plan. In preparing the budget for the 2012-2013 fiscal year, the district begins with a financial analysis to determine if current service levels are maintained, what would the cost increases amount to, and what changes to our revenue are expected. Given this, the current analysis finds a financial gap of approximately \$27 million. However, the administration has included \$7 million of fund balance as a revenue source to reduce the deficit to approximately \$20 million. 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.

**State Retirement System Liability**—The administration is also recommending the addition of a new fund this year to better define the actual operating costs of the district. In the six previous years, the district has recorded the revenues and expenditures of the state retirement systems as provided by the state to fund the previously unfunded historical costs for the retirement systems. These funds have no direct relation to the current activity of the district, but must be recorded as actual revenues and expenditures and therefore have to be included in the upper spending limit according to the municipal code. Since the municipal budget does not include these funds, it has caused confusion over time. The administration believes this proposed format will provide a more clear understanding of the district's actual operating costs while maintaining compliance with the upper limit code specific to the school district. Please see the Other Funds section further in the memo for additional information regarding this fund.

**Flat Local Funding**—The local property tax revenue for FY 2012-2013 is unknown as the Anchorage Assembly has not submitted or approved a resolution regarding the local property tax contribution to the district. Therefore these projections assume flat funding until notification from the Anchorage Assembly has been received. Provided the Assembly approves a local property tax increase similar to the municipality, **the district's share of property taxes would increase approximately \$3.5 million.** Please see the Other Funds section further in the memo for additional information regarding this fund.

## 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 2012-2013 budget projections reflect the district's on-going efforts to achieve this balance, maximize performance, and contain costs.

These initial projections for FY 2012-2013 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 also 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 2012-2013 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 2009-2010 through FY 2012-2013 on both a full count and FTE basis.

	Actuals 2009-2010 <u>9/30/09</u>	Actuals 2010-2011 <u>9/30/10</u>	Actuals 2011-2012 <u>9/30/11</u>	Projected 2012-2013 <u>9/30/12</u>
Total Number	49,243	49,091	48,828	48,670
Change over previous year	803	(152)	(263)	(158)
FTE (Full-Time Equivalent)	49,049	48,972	48,566	48,417

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 2012.

## 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.

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 January 1, 2011 Alaska Department of Community and Economic Development assessed valuation increase for Anchorage is .95%, from \$35.30 billion to \$35.63 billion.

This program is expected to provide approximately 54.5 percent of the district's General Fund. Based on current enrollment projections of 48,670, which reflects a decrease of 526 students from the current year projections of 49,196, the estimated amount of funding from the Alaska Public School Funding Program for FY 2012-2013 is \$308.381 million, which is \$2.753 million less than current FY 2011-2012 budget. The following factors contribute to the \$2.753 million decrease:

- |  |                          |
|--|--------------------------|
| • Increased identification of Intensive Needs students from 741 to 746           | \$ .369 million          |
| • Enrollment decrease including Quality Schools                                  | (2.371) million          |
| • Increase from \$35.300 billion to \$35.511 billion in state assessed valuation | (.669) million           |
| • Federal Impact Aid and other changes   | <u>(.082) million</u>    |
| Alaska Public School Funding Decrease  | <u>\$(2.753) million</u> |

**Local Property Taxes**—The local property tax contribution is the district's second largest General Fund revenue source. The local property tax revenue for FY 2012-2013 is unknown as the Anchorage Assembly has not submitted or approved a resolution regarding the local property tax contribution to the district. For FY 2012-2013 the administration is incorporating flat funding. When the Anchorage Assembly submits and approves a resolution relating to the district's local property tax allocation, this information will be amended to the districts FY 2012-2013 financial projections. Historically, the property tax increase has roughly been similar between the

municipality and district. Given this trend, the district's share of property taxes would increase approximately \$3.5 million.

**Federal Impact Aid**—The initial revenue projection for Federal Impact Aid has been projected at 100 percent of projected entitlement, an anticipated \$26.0 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 and ongoing federal funding levels. 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.

**Fund Balance**—The district's unassigned 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 unassigned fund balance or contingency reserves remain between 3 to 5 percent of the budget. The unassigned fund balance should 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 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 three years of relatively flat local funding, anticipated flat state funding, and sufficient fund balance levels, the FY 2012-2013 budget cycle is an opportunity to take advantage of fund balance in order to reduce otherwise necessary budget and program cuts.

At this time, the administration has included \$7 million of the unassigned fund balance. The use of the \$7 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 unassigned fund balance between 3.25 and 3.5 percent after allocation of fund balance to be used in subsequent budget cycles.

Using \$7 million, the anticipated percent of unassigned fund balance as of June 30, 2012 is estimated be 3.7 percent, which remains above the historically recommended range.

Additionally, anticipating fund balance use of \$7 million for the following fiscal year, of FY 2013-2014, the unassigned fund balance is projected to increase to 3.8 percent as of June 30, 2013 based on the adjustment of moving the state retirement system liability funds out of the General Fund. The administration believes this use of fund balance provides a reasonable approach to balancing current needs and reserving appropriate levels of funds for emergencies, cash flows, and other unexpected shortfalls.

**Pupil Transportation Reimbursement**—The preliminary FY 2012-2013 revenue projection for Pupil Transportation does not include the provision under HB 273 that allowed an annual CPI adjustment to pupil transportation funding. This provision had a sunset clause ending June, 2011. The district is currently working with the Department of Education and Early Development (DEED) to determine if a COLA provision should be reinstated as pupil transportation costs are increasing across the state. Therefore, these preliminary FY 2012-2013 projections only include the current approved amount of \$407. This amount is multiplied by 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 2012. The following rates are those in place for FY 2011-2012 and will be used in calculating FY 2012-2013 revenues from fees:

Summer School - Elem	\$100 per course
Summer School - Middle	\$100 per course
Summer School - High School	\$100 per course
On Line Fee Non ASD Students	\$400 per course
Music Instrument Usage Fees	\$40 per instrument
Middle Level Activity Fees	\$100 per activity

High School Activity Fees	See below
Tennis, Cross Country Running, Cheerleading, Track and Field, Drama, Debate/Forensics	\$175 per Activity
Flag Football, Volleyball, Cross Country Skiing, Football, Wrestling, Basketball, Rifle, Soccer	\$185 per Activity
Gymnastics, Swimming and Diving, Hockey	\$195 per Activity
High School Parking Fees	\$55 per semester
Facility Rental Fees	\$775,000 <sup>1</sup>
Family Cap for Activity Fees	\$390

**E-Rate**—There are no significant program changes that would materially alter FY 2012-2013 revenue projections from those of FY 2011-2012. 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 upcoming months the recommendations received from interested community members on the district’s website, 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 almost 90 percent of the operating cost of the district. The projections include consideration for contract negotiations for ACE (Anchorage Council of Education) and Local 959 (Teamsters Warehouse & Maintenance Employees), TOTEM (Association of Educational Support Personnel), Bus Drivers and Attendants (Teamsters) and Exempt. Compensation provisions for completed contracts and payroll tax adjustments known at this time are also included in the expenditure projections.

**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 2012-2013. Contributing factors that will determine the average teacher salary include historical information, step increases, educational attainment, projected

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<sup>1</sup> Rental fees shown reflect the amount budgeted for gyms and meeting rooms for non-profit, commercial users and the Municipality of Anchorage for the FY 2012-2013.

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, 2012. Official projections are based on actual enrollment as of September 30, 2011. The projections also include the 82 FTE positions transferred to the one-year Jobs Bill funding during FY 2011-2012.

**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	27.25 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 2012 the district will be appraised of the approved indirect cost rate for FY 2012-2013. Without the charge of indirect costs, the General Fund would bear the administrative costs of the Food Service Fund and all 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 also be included. 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 2011-2012) will determine what will be brought forward for a final budget in

January. It is anticipated the district's overall energy consumption and expenditures will be reduced as a result of having a full time energy conservation person on staff to manage this program.

**Pupil Transportation**—Expenditures for contracted pupil transportation routes for FY 2012-2013 include an estimated increase based on COLA of 2.5 percent as provided in the contract. Included in the projections is a full year of the Joint Base Elmendorf Richardson (JBER) bus route as well as one additional special education bus route. Included also is increased funding for the bus transportation provided for the homeless children based on prior years' experience.

**Maintenance and Major Maintenance Projects** —The administration recommends a funding level for maintenance leadership and maintenance projects of at least \$24.1 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.

The administration is continuing with the pilot outsourcing of snow removal in a small geographic area. It is anticipated that the lower cost of outsourcing will continue to increase efficiency within the department.

**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 upcoming months, careful review and consideration of suggestions from students, parents, staff and community members will be reviewed by the administration. The administration will consider the feasibility of implementing the recommendations during 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.

## OTHER FUNDS

**Food Service**—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. The FY 2012-2013 budget has decreased from \$18,585,350 to \$18,116,350 or (2.6%) as compared to FY 2011-2012.

The revenue sources for the Food Service Fund budget include revenue from meal sales and Federal reimbursement for meals served. This budget projects a small increase in meal sales based upon historical increases in student meal participation and an estimated 2.1% increase in reimbursement revenue based upon the Federal Consumer Price Index for Meals Away From Home. Use of the unassigned fund balance in the amount of \$400,000 is recommended to support the FY 2012-2013 Food Service Budget as presented in this memorandum. It is anticipated that these funds will be utilized for a replacement delivery truck for the Student Nutrition warehouse and the anticipated increase cost of goods incurred as a result of the National School Lunch Program Reauthorization of 2010 and the associated changes required in existing meal patterns mandating more fruits and vegetables, increased use of whole grains, and reduced fat and sodium levels in student meals. An increase in elementary and middle school breakfast and lunch full price meals is anticipated after further review. This year's budget will be monitored through the month of January to determine if revenue projection variables support the level of the proposed budget and the meal pricing schedule. Adjustments, if needed or required by the Reauthorization Act of 2010, will be proposed and made before the Preliminary budget is presented. It is projected that no local tax support will be required for the Food Service Fund in FY 2012-2013.

**Debt Service**—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 \$12 million sale of authorized unsold bonds; the projections do not include debt service on any possible future bond propositions in FY 2012-2013.

**Grants**—Expenditures in the grants are offset by matching revenues. The revenues available through grants for these projects include competitively awarded grant funds—most of which are subject to annual federal and state appropriations. The district has been successful in increasing grant funding from various agencies and other sources; however, for FY 2012-2013 the administration is not anticipating an increase in the upper limit for grant funds. Ongoing monitoring of grant funding will help determine if adjustments should be made before bringing the budget forward in

January. No funds from the \$7.6 million one-year Jobs Bill funding program that ends in June of 2012, are included in these projections.

**State Retirement System Liability**—For FY 2012-2013, the administration will establish a separate fund for the state on-behalf retirement payments received from the State of Alaska. These “catch up” payments are to correct an error by an actuarial firm hired by the State of Alaska and changing medical costs, retiree population and other economic factors. In the past, the inclusion of this expenditure within the General, Food Service, and the Grant Funds have caused confusion and made interpreting the financial position of the district more complicated for the district’s stakeholders. By reporting this requirement separately, the district’s operating results and overall financial performance will be more transparent.

The administration’s projections include the on-behalf portion 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 recently adopted by the Alaska Retirement Management Board (ARMB) for FY 2012-2013. The TRS rate will increase from the current FY 2011-2012 rate of 44.55 percent to 52.67 percent; and the PERS rate will increase from the current rate of 33.49 percent to 35.84 percent.

## **FISCAL YEAR BUDGET COMPARISON**

The following schedule compares by fund the FY 2012-2013 projected revenues/expenditures with those currently approved for FY 2011-2012. The amount of the projected General Fund expenditure budget is \$19.9 million more than the amount of projected revenues including the use of \$7.0 million of unassigned fund balance. **Over the upcoming months the administration will be valuating all the programs in order to bring expenditures in balance with the available revenues.**

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 REVENUE/EXPENDITURE BUDGETS
 

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<u>Fund</u>	Revised Revenues FY 2011-2012	Pro Forma Budget Revenues FY 2012-2013	Estimated Budget Expenditures FY 2012-2013	Budget Shortfall
General	\$567,544,376	\$565,798,476	\$585,743,476	\$(19,945,000)
Food Service	18,585,350	18,116,350	18,116,350	-0-
Debt Service	87,664,752	86,157,856	86,157,856	-0-
Grants	59,271,555	53,500,000	53,500,000	-0-
State Retirement System Liability	<u>97,666,535</u>	<u>119,006,650</u>	<u>119,006,650</u>	<u>-0-</u>
All Funds	<u>\$830,732,568</u>	<u>\$842,579,332</u>	<u>\$862,524,332</u>	<u>\$(19,945,000)</u>

**TAXES**

	Revised FY 2011-2012	Pro Forma FY 2012-2013	Increase
General	\$196,307,312	\$196,307,312	\$ -0-
Debt Service	<u>41,280,133</u>	<u>40,061,780</u>	<u>\$(1,218,353)</u>
All Funds	<u>\$237,587,445</u>	<u>\$236,369,092</u>	<u>\$(1,218,353)</u>

**STUDENT ENROLLMENT PROJECTIONS**

	FY 2011-2012 Actuals <u>Sept. 30, 2011</u>	FY 2012-2013 Projected <u>Sept. 30, 2012</u>	Change Over Prior Year's Actual
Enrollment	48,828	48,670	(158)
Full Time Equivalent (FTE)	48,566	48,417	(149)

In preparing the FY 2012-2013 Preliminary Financial Plan, many budget development uncertainties face the district.

- School board goals and projects
- Legislative action
- MOA Assembly action to increase ASD tax base
- School board areas of interest
- Projected enrollment
- Contract negotiations for TOTEM, ACE, and Bus Drivers and Attendants, Local 959 (Teamsters Warehouse & Maintenance) and Exempt
- Rate increase notifications from outside agencies
- Further evaluation of current/new fees

- The assessed valuation used in setting the mill levy will not be finalized until March/ April 2012
- 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 and initiatives of the school district. Our assumptions in preparing these initial FY 2012-2013 projections are based on, but not limited to, the following criteria:

- Balanced budget for presentation to the Anchorage Assembly – expenditures equal revenues
- Local property taxes – no increase
- Alaska Public School Funding Program – no change in the base student allocation of \$5,680; 20 percent special needs funding factor; and 1 percent CTE funding
- Quality schools grant – no increase to per pupil amount of \$16
- State reimbursement funding for the ARMB approved rates to the Certificated and Classified Retirement Systems
- Use of fund balance as a revenue source – using \$7.0 million of unassigned fund balance to reduce the fiscal gap
- 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 2012-2013

PROJECTED REVENUES AND EXPENDITURES SUMMARY

Fund	Revenues and Fund Balance				2012-2013 Revenue/Source Projections	2012-2013 Expenditure Projections	2012-2013 Fiscal Gap Projection
	Local		State	Federal			
	Taxes	Other					
General	\$ 196,307,312	\$ 14,255,000	\$ 328,386,164	\$ 26,850,000	\$ 565,798,476	\$ 585,743,476	\$ (19,945,000)
Food Service		4,873,569	-	13,242,781	18,116,350	18,116,350	
Debt Service	40,061,780		45,818,664	277,412	86,157,856	86,157,856	
Local, State and Federal Grants		2,000,000	2,500,000	49,000,000	53,500,000	53,500,000	
State Retirement System Liability			119,006,650		119,006,650	119,006,650	
<b>TOTAL</b>	<b>\$ 236,369,092</b>	<b>\$ 21,128,569</b>	<b>\$ 495,711,478</b>	<b>\$ 89,370,193</b>	<b>\$ 842,579,332</b>	<b>\$ 862,524,332</b>	<b>\$ (19,945,000)</b>
Percentage of Revenue Sources to Total Revenue Projections	28.05%	2.51%	58.83%	10.61%	100.00%		

Computation of Total Taxes  
for Calendar Year 2012

		General Fund	Debt Service Fund
Amount required to fund second half of Adopted FY 2011-2012 Budget: January 1, 2012/June 30, 2012	\$ 237,587,445	\$ 98,153,656	\$ 20,640,067
Amount required to fund first half of Adopted FY 2012-2013 Budget: July 1, 2012/December 31, 2012	\$ 236,369,092	98,153,656	20,030,890
<b>TOTAL Taxes for Calendar Year 2012</b>		<b>\$ 196,307,312</b>	<b>\$ 40,670,957</b>
Total Taxes for Calendar Year 2012			
A) <u>Total Taxes 2012</u>	\$ 236,978,269 =7.50 mills	\$ 196,307,312	\$ 40,670,957
Assessed Valuation	\$ 31,623,793,667	\$ 31,623,793,667	\$ 31,623,793,667
		6.20 mills	1.30 mills

A) The 2012 preliminary mill rate is based on a assessed valuation provided by the Municipality of Anchorage Office of Management and Budget. (October 2011)

Anchorage School District  
Fiscal Year 2012-2013

**SCHEDULE OF GENERAL FUND REVENUES FROM LOCAL SOURCES/FUND BALANCE**

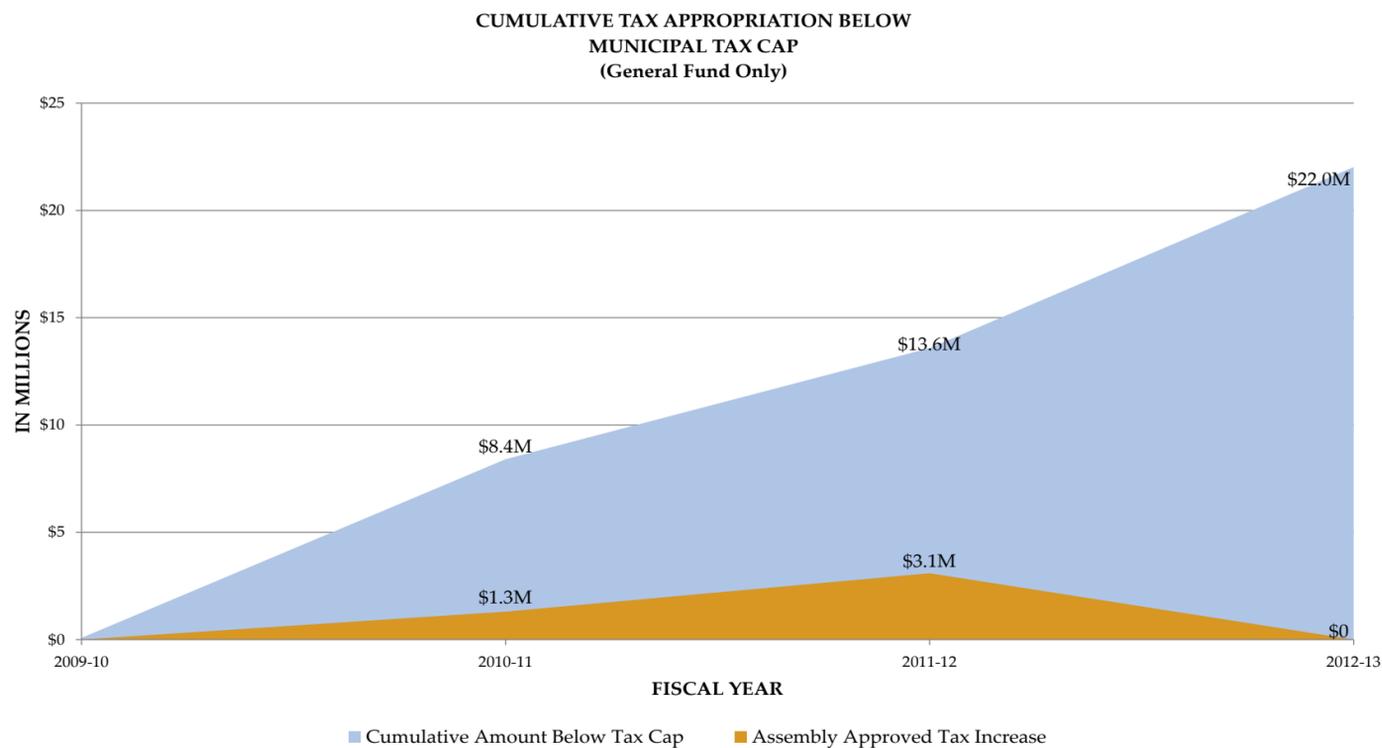
Local Sources	FY 2010-2011	FY 2010-2011	FY 2011-2012	FY 2012-2013
	Actual Unaudited	Revised	Projections	Projections
Municipality of Anchorage Appropriation of Taxes	\$ 191,994,683	\$ 191,994,683	\$ 195,210,311	\$ 195,210,311
Additional tax appropriation allowable for shared services between the Municipality of Anchorage and the ASD (A)	1,221,175	1,221,175	1,097,001	1,097,001
<b>Other Local</b>				
Career Center Instructional Projects	63,928	71,000	74,000	75,000
Facilities Rentals	770,435	650,000	690,000	775,000
Nonresident Tuition	56,262	15,000	50,000	50,000
Credit Recovery Fees (B)	16,884	60,000	45,000	15,000
On-line Fee for Non-ASD Student (C)			40,000	40,000
Summer School - Elementary (D)	30,800	25,000	50,000	36,000
Summer School - Middle Level (E)	11,855	25,000	29,160	25,000
Summer School - Secondary (F)	200,725	256,000	260,000	225,000
Musical Instrument Usage Fee (G)	29,308	26,000	28,000	30,000
Middle School Activity Fees (H)	247,583	250,500	267,400	260,000
High School Activity Fees (I)	733,813	742,500	850,000	825,000
Baseline Concussion Impact Fees				37,500
High School Parking Fees (K)	192,155	192,500	211,750	200,000
Other Fees (Training Fees, Documents) (L)	95,362	85,000	84,000	94,500
Property Sales, Insurance Proceeds, and Miscellaneous	477,843	175,500	125,000	117,000
Interest Earnings	1,930,596	2,600,000	2,800,000	2,800,000
E-rate (M)	1,631,940	1,000,000	1,600,000	1,650,000
<b>Fund Balance</b>		1,975,000	5,200,000	7,000,000
	<u>6,489,489</u>	<u>8,149,000</u>	<u>12,404,310</u>	<u>14,255,000</u>
<b>TOTAL</b>	<u>\$ 199,705,347</u>	<u>\$ 201,364,858</u>	<u>\$ 208,711,622</u>	<u>\$ 210,562,312</u>

- (A) School Resource Officers, ASD portion for cost of sending out tax bills and collections, as well as delinquent property taxes, football stadium, trail and facility fees
- (B) Credit Recovery Course Fee - \$90/ course
- (C) On-line Fees for Non-ASD Student - \$400/ course
- (D) Summer School - \$100 in FY 2012-2013; \$100 FY 2011-2012; \$85 FY 2010-2011
- (E) Summer School - \$100 FY 2012-2013 \$100 FY 2011-2012 (reduced to one site); \$85 FY 2010-2011
- (F) Summer School - \$100 in FY 2012-213; \$100 in FY 2011-2012; \$90 in FY 2010-2011
- (G) Musical Instrument Usage Fee - \$40 with continuation in FY 2011-2012
- (H) Middle Level Activity Fees - \$100 in FY 212-2013; \$100 in FY 2011-2012, \$85 in FY 2010-2011, Family Cap \$390 (Middle and High combined)
- (I) High School Activity Fees - Tiers ranging from \$175 to \$195 in FY 2012-2013 and FY 2011-2012, \$165 in FY 2010-2011, Family Cap \$390 (Middle and High combined)
- (J) Baseline Concussion Impact Fees
- (K) High School Parking Fees - \$55/ semester in FY 2012-2013 and FY 2011-2012, \$50 in FY 2010-2011
- (L) Training Fees - \$25 per course with continuation in FY 2012-2013
- (M) E-rate established by Congress to provide funding to K-12 schools for telecommunications, internet access and internal connections (Network Infrastructure).

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

		<u>Charter Limit</u>	<u>FY 2012-2013 No Funding Increase (A)</u>
Taxes Projected – Anchorage School District FY 2011-12		\$ 237,587,445	\$ 237,587,445
Less: Prior Year Taxes Required for Debt Service		<u>41,280,133</u>	<u>41,280,133</u>
Net Taxes Approved for General Fund		196,307,312 (A)	196,307,312 (A)
<u>Allowable Growth Factors</u>			
Population – 5 year Average	0.7 as of 10/6/2011		
CPI – 5 average year Anchorage Urban	2.5 as of 10/6/2011		
	<u>3.2%</u>		
(B) Potential increase provided the Assembly approves a local property tax increase similar to the municipality	1.80% \$ 3,533,532	<u>6,281,834</u>	<u>(B)</u>
Basic Tax Limitation		202,589,146	196,307,312
<u>Plus Exclusions:</u>			
Judgments/Legal Settlements			No funding
Taxes for Operations and Maintenance on New Voter Approved Facilities			No O & M
Taxes Requested on New Construction/Property Improvements (C)		<u>2,155,325</u>	No Adjustment Factor
Tax Limitation – General Fund		204,744,471	196,307,312
Taxes Requested for Debt Service		<u>40,061,780</u>	<u>40,061,780</u>
TAX LIMITATION FY 2012-2013		244,806,251	236,369,092
General Fund	\$ 196,307,312		
Debt Service Fund (D)	<u>40,061,780</u>		
TAXES PROJECTED IN FINANCIAL PLAN – FY 2012-2013		<u>244,806,251</u>	<u>236,369,092</u>
AMOUNT OVER (UNDER) as allowed by the Property Tax Cap Limitation under the MOA Charter		<u>\$ (8,437,159)</u>	<u>\$ 0</u>

- (A) Includes \$3,201,028 of revenues and expenditures previously included in the MOA financials. The expenditures transferred include School Resource Officers, football stadium rental, trails, park shelter rental, and portion of the cost of sending out municipal tax bills and collections, and uncollectible portion of delinquent property taxes.
- (B) The local property tax revenue for FY 2012-2013 is unknown as the Anchorage Assembly has not submitted or approved a resolution regarding the local property tax contribution to the district. Therefore these projections assume flat funding until notification from the Anchorage Assembly is received.
- (C) Taxes on new construction or property improvements, excluded from the limitation the first year, are computed as follows: 7.52 mills x \$286,612,342 (2010 construction/property was verified by the Municipality of Anchorage's Office of management and Budget as of October, 2011) = \$2,155,325.
- (D) The taxes approved for debt service are for sold bonds approved by the qualified voters. These projections include an anticipated \$12 M bond sale of authorized unissued bonds.



Anchorage School District  
Fiscal Year 2012-2013

**SCHEDULE OF GENERAL FUND REVENUES FROM STATE SOURCES**

State Sources		FY 2010-2011 Actual Unaudited	FY 2010-2011 Revised	FY 2011-2012 Projections	FY 2012-2013 Projections
Alaska Public School Funding Program (A)	\$	310,300,774	\$ 312,428,682	\$ 307,534,270	\$ 304,794,994
Career Technology Education (CTE)				3,600,000	3,586,034
Supplemental State Aid Grant (SSAG) (B)				6,100,000	
Pupil Transportation (C)		19,611,320	20,059,326	20,390,000	19,596,652
<u>Supplemental State Funding:</u>					
On-Base Schools (D)		408,484	408,484	408,484	408,484
State Retirement System Liability - TRS (E)		60,225,791	61,092,650	78,759,925	
State Retirement System Liability - PERS (E)		6,719,294	4,876,000	<u>9,388,283</u>	<u>                    </u>
<b>TOTAL</b>	<b>\$</b>	<b><u>397,265,663</u></b>	<b><u>\$ 398,865,142</u></b>	<b><u>\$ 426,180,962</u></b>	<b><u>\$ 328,386,164</u></b>

(A) Alaska Public School Funding Program - FY 2012-2013

Basic Need Equals 73,323.81 Adjusted ADM x \$5,680 Student Allocation and 13 times for intensive students	\$ 416,479,241
Career Technology Education factor of 1.01 equals 629.57 Adjusted ADM x \$5,680 Student Allocation	3,575,961
Minus 4 Mills x Foundation Defined Anchorage Assessed Valuation of \$25.647 billion	(102,589,817)
Minus Deductible Portion of Federal Impact Aid	(10,267,611)
Add \$16/ adjusted ADM for Quality Schools	1,183,254
<b>Total Alaska Public School Funding Program Aid</b>	<b><u>\$ 308,381,028</u></b>

(B) HB 108 provided one-time funding as a supplemental state aid grant to help cover inflationary cost increases based on high energy costs.

(C) Pupil Transportation - District operated and contracted transportation reimbursement (\$407).

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

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

(E) Supplemental State funding for the Teachers and Public Employees Retirement Systems rates. (Will be reported under a separate fund - *State Retirement System Liability* for FY 2012-2013.)

Anchorage School District  
Fiscal Year 2012-2013

**SCHEDULE OF GENERAL FUND REVENUES FROM FEDERAL SOURCES**

Federal Sources	FY 2010-2011 Actual Unaudited	FY 2010-2011 Revised	FY 2011-2012 Projections	FY 2012-2013 Projections
Federal Impact Aid (A)	\$ 23,986,094	\$ 15,000,000	\$ 20,000,000	\$ 26,000,000
Medicaid (B)	220,490	1,000,000		
R.O.T.C. (C)	<u>764,192</u>	<u>780,000</u>	<u>800,000</u>	<u>850,000</u>
TOTAL	<u>\$ 24,970,776</u>	<u>\$ 16,780,000</u>	<u>\$ 20,800,000</u>	<u>\$ 26,850,000</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) It is estimated that participation in this program costs more in lost opportunity than it nets in reimbursement. Therefore, the projected Medicare revenue for FY 2011-2012 of \$1.0 million was eliminated and the district will no longer participate in the program.

(C) Revenues for FY 2012-2013 reflect trend data of revenue receipts.