

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #152 (2007-2008)

January 22, 2008

TO: SCHOOL BOARD
FROM: OFFICE OF THE SUPERINTENDENT
SUBJECT: FY 2008-2009 PRELIMINARY FINANCIAL PLAN

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

PERTINENT FACTS:

The accompanying budget document contains the Anchorage School District's FY 2008-2009 Preliminary Financial Plan. The total budget recommended is \$737,185,525. This includes individual fund budgets currently projected as follows:

	<u>FY 2008-2009 Financial Plan</u>
General Fund	\$ 581,188,491
Food Service Fund	16,277,000
Debt Service Fund	83,720,034
Local/State/Federal Grants Fund	<u>56,000,000</u>
Total – All Funds	<u>\$ 737,185,525</u>

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 2008-2009 Preliminary Financial Plan projections reflect the District's on-going efforts to achieve this balance, maximize performance, and contain costs.

These projections for FY 2008-2009 are prepared using the most current information available. Existing funds and cost savings are directed to District programs to ensure that progress is made in achieving the current School Board Goals. The budget development process is mindful of the District's Six-Year Instructional Plan and various local, state and federal mandates, with the responsibility of designating financial and human resources within projected revenues.

BUDGET DEVELOPMENT

The budget development process for the District is an ongoing process that encompasses over six months of gathering and analyzing information. 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. Federal, State or local mandates may require the District to incorporate additional responsibilities and/or initiate new programs within the District. Various demographic and economic factors must be evaluated for their impact on the budget. Then, the total of all school and department budgets plus any new facilities or change in program requirements are compared to anticipated revenues.

Departments and schools 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 School Board Goals and Mission of "educating all students for success in life."

Input from High School Forums, community members, students, staff members and prior year Education and Workforce Advisory Commission (EWAC) and Budget Review Teams' recommendations resulted in a change or elimination of existing programs and/or implementation of new ones. The focus still remains on evaluating the need for additional staff, supplies, and other operating expenses. Efficiencies were achieved through better resource management or teaming with other agencies.

On November 5, 2007, a School Board FY 2008-2009 financial planning work session was held. A proforma revenue and expenditure budget was presented based on current information with and without the Joint Legislative Education Task Force (JLETF) recommendations to increase the base student allocation in the Alaska School Funding formula from \$5,380 to \$5,480, increase the intensive needs student population (Level III) funding level from five times to nine times, and to recalibrate the Pupil Transportation funding using FY 2006-2007 actual

audit costs as a based for the recalibration. The recalibration using the average daily membership less correspondence for FY 2006-2007, meant an increase from \$357 to \$364 for FY 2008-2009. At that time using the JLETF's recommendation, the Administration still projected that the District faced a \$1.618 million fiscal gap for FY 2008-2009. Assumptions used for projection purposes were reviewed with the School Board. The Administration gathered suggestions and changes that the School Board members wanted the Administration to further investigate including any of the suggestions submitted by High School Forums, staff, community members and prior EWAC and Budget Review Teams.

Guidance was given that directed the Administration to build the FY 2008-2009 Financial Plan in accordance with the financial projections set forth at that time using the JLETF's proposed funding level. In addition, the School Board directed the Administration to use a portion of the undesignated fund balance as a funding source and still maintain an undesignated fund balance of approximately 3.5 percent of the FY 2008-2009 projected budget after honoring the required amount agreed to with the Municipality of Anchorage for bond rating purposes.

On November 12, 2007, the School Board authorized the Superintendent to prepare the Anchorage School District's FY 2008-2009 Preliminary Financial Plan. With direction from the School Board at the work session on November 5, 2007 to cautiously proceed with the use of a portion of the undesignated fund balance, the Administration recommended using \$1.618 million of fund balance to eliminate the fiscal gap and \$1.341 million of fund balance to be used to cover the computer related unamortized depreciation for equipment. In addition, the Administration was considering establishing a computer replacement fund with seed money of \$1.0 million from the General Fund undesignated fund balance. A transfer of \$1.0 million would be made from the General Fund to an Internal Service Fund. The use of the fund balance as seed money for a Computer Replacement Fund was in alignment with the School Board's interest in establishing a technology refresh.

Since the November 12 School Board meeting, the Governor has issued a proposed FY 09 budget including a three-year education funding plan. The Department of Education and Early Development has verified that the Governor has included in the proposed FY 09 budget the following items that impact the Anchorage School District's education funding - (a) increase the base student allocation from \$5,380 to \$5,580, \$100 more/adjusted ADM than the JLETF's recommendation; (b) increase the intensive needs student population (Level III) funding level from five times to nine times, (same recommendation as the JLETF); (c) recalibrate the Pupil Transportation funding plus an adjustment for the Consumer Price Index (CPI) (the CPI amount is more than the JLETF); and

(d) funding to continue to cover the classified employees' retirement system (PERS) and teachers' retirement system (TRS) employer retirement contribution above 22 percent and 12.56 percent respectively for fiscal year 2009 for all funds. In addition, funding is in the Governor's budget to pay down the certificated retirement unfunded liability for school districts to help keep rates down in the future. For the Anchorage School District this would mean that the retirement expenditure would decrease as well as the offset in revenues.

The Anchorage School District appreciates the Governor's support of education and will lobby the Legislature for early increased education funding supporting the Governor's three-year education plan. We realize that there will be much discussion occurring during the legislative session before a final decision is made regarding the State education funding for next year or the three-year education plan as presented by the Governor. **It is important to keep in mind that the budget process is a work in progress. The preliminary budget being presented by the Administration at this time will most likely change, particularly as the Legislature addresses bills related to school funding and information related to the local tax limitation is finalized. As more information becomes known at the State, federal and local level, we will make adjustments and refinements during the various upcoming stages of the budget development process between January and June 2008.**

The Administration has prepared the attached Anchorage School District's FY 2008-2009 Preliminary Financial Plan based on the JLETF's recommendation for education funding for FY 2008-2009. Therefore the financial plan presented includes using a base student allocation of \$5,480; increase in the intensive needs student population (Level III) funding level from five times to nine times, and the recalibration of Pupil Transportation resulting in an increase of \$7 from the current \$357 to \$364 for FY 2008-2009.

In addition, each of the District funds impacted by the retirement rate increases include an expenditure budget increase to reflect the ARMB approved Public Employees' Retirement System (PERS) rate increase from 22.0 percent to 35.21 percent and the Teachers' Retirement System (TRS) rate increase from 12.56 percent to 44.17 percent. In the Food Service Fund, the revenue and expenditure budgets have both been increased by the same amount; therefore, resulting in the budget remaining in balance. In the Local/State/Federal Grants Fund, a supplemental state PERS/TRS revenue amount has been added to equate to an amount that is estimated to cover the required retirement rate increases for that fund.

During the past two months as the Administration proceeded forward in preparing a FY 2008-2009 Preliminary Financial Plan in which expenditures would equal revenues, the District's mission of educating all students for success in life was always at the forefront. It was also recognized that this could not be

accomplished without support and maintenance departments. Review and reassessment of assumptions and parameters were made again. Updated and new information was incorporated. Assessment of workload and reorganization within departments to improve efficiencies were made. Prior Budget Review Teams and EWAC recommendations, and High School Forum, community, staff and student suggestions were considered and implemented where appropriate. **After a great deal of review, consideration and discussion, the Superintendent is presenting to the School Board a balanced FY 2008-2009 Preliminary Financial Plan totaling \$737,185,525. Expenditures have been brought into balance with revenues. Some reductions were made as a result of efficiencies through better resource management; some were made due to one-time expenditures in the current year, all of which kept in mind the Six-Year Instructional Plan and School Board Goals. As the Administration presents the budget to the School Board on January 22 and 23, adjustments, enhancements, and realignments will be identified.**

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 FY 2008-2009 projections. Major revenue and expenditure considerations and budget development criteria are also included.

STUDENT ENROLLMENT PROJECTIONS

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

In order to project student enrollment, District staff works closely with the Municipality of Anchorage in utilizing the Municipality's Geographic Information System. The following schedule summarizes the actual and projected student enrollment information for FY 2005-2006 through FY 2008-2009 on both a full count and FTE basis.

	Actual 2005-2006 <u>9/30/05</u>	Actual 2006-2007 <u>9/30/06</u>	Actual 2007-2008 <u>9/30/07</u>	Projected 2008-2009 <u>9/30/08</u>
Total Number	49,589	49,068	48,457	47,944
Change over previous year	135	(521)	(611)	(513)
FTE (Full-Time Equivalent)	49,353	48,816	48,198	47,650

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. Enrollment for one new charter school scheduled to begin in FY 2008-2009 has been included within the current projections, as the Administration believes the vast majority of their students will come from our existing schools.

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 the current legislative session, the Legislature will continue to advocate for the students in our communities with early approval of an educational funding package that assists with meeting adequate yearly progress as defined by state and federal regulations and also advocate for additional increases in revenues supporting public education so as to ensure solid education programs continue.

The Alaska Public School Funding Program is based on the average daily membership (ADM)—determined by the District's enrollment and special education intensive count—processed through a school size factor and special needs formulae 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

has notified the District that the assessed valuation for Anchorage has increased from \$28.834 billion to \$33.080 billion.

This Program is expected to provide approximately 55.9 percent of the District's General Fund revenues excluding the TRS and PERS projected \$78.9 million annual payment by the State on behalf of the District for the unfunded past service liability in excess of levels specified in statute. This is based on the Joint Legislative Education Task Force (JLETF) recommendations to increase the base student allocation in the Alaska School Public Funding formula from \$5,380 to \$5,480 and to increase the special education intensive needs factor from five times to nine times.

Based on current enrollment projections, the estimated amount of funding from the Alaska Public School Funding Program for FY 2008-2009 is \$280.752 million, which is \$14.728 million more than the current FY 2007-2008 budget. The following factors contribute to the \$14.728 increase:

• \$100 increase to the Base Student Allocation (BSA)	\$ 6.678 million
• Increase special education intensive factor from five times to nine times including the \$100 BSA increase for the intensive needs student population (Level III) of 680	14.906 million
• Increased identification of intensive needs students (680 to 832 students)	7.497 million
• Enrollment decline including Quality Schools (48,848 to 47,944)	(5.619) million
• Increase from \$28.834 billion to \$33.080 billion in State assessed valuation	(8.493) million
• Federal Impact Aid	<u>(.241) million</u>
Increase	<u>\$14.728 million</u>

School Improvement Grant—These projections do not include the FY 2007-2008 appropriation of \$7.890 million of one-time funding that was approved by the legislature through House Bill 13, as this funding was not included in the JLEFT recommendations and is not included in the Governor's 09 budget.

Providence Heights and McLaughlin—The grant revenue and associated expenditures for these programs will be recorded and reported separate from the General Fund. Because of changes in State reporting requirements, the District will move these funds in FY 2008-2009 into the special revenue fund to comply with the State chart of accounts and reporting requirements.

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 2008-2009 is based on requesting the full amount of taxes available under the local property tax limitation independent of the Municipality's share of the tax cap. The amount requested is \$5.730 million under the maximum allowable local contribution permitted by the Alaska Public School Funding Program.

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

The projected inflation rate used for planning purposes is 2.9 percent. This preliminary estimate is the rate being used by both the District and the Municipality of Anchorage in the property tax limitation calculations. The official Consumer Price Index (CPI) is typically not available until February. As determined by the State Department of Commerce, Community and Economic Development, the five-year Anchorage municipal population change used for planning purposes is 1.30 percent, with the official percentage growth not available until later this month. The projected combined rate of 4.20 percent for FY 2008-2009 is .70 percent less than the current rate of 4.90 percent for FY 2007-2008.

The U.S. Department of Labor recently released on its website that the CPI for Anchorage is 2.2 percent. We have contacted the Municipality to see if they are making any adjustment to their budget at this time. They have indicated that they are in the process of verifying the CPI and that since the five-year population change is not available at this time nor has the new construction amount been finalized, they are not making any adjustments to their property tax limitation amount at this time. If we receive sufficient information by the second reading of the budget on February 7, we will inform the School Board and make adjustments if necessary.

Approximately \$10.569 million of increased taxes is available in the General Fund at this time. Final numbers may not be available until April. However, the Anchorage Assembly must first consider and approve the District's local property tax request.

Federal Impact Aid—The initial revenue projection for Federal Impact Aid has been projected at 100 percent of projected entitlement, an anticipated \$12.5 million. Uncertain at this time is any student enrollment adjustment as a result of the deployment of military personnel and the relocation of their families. The outcome of these military decisions will have an impact on future funding.

The amount of Federal Impact Aid revenue each year is uncertain because it is subject to pro-ration based on the annual funding appropriated by Congress. In addition, the percentage of the total number of federally-connected students to the total number of students the State has direct responsibility for—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.

This Program is subject to annual Congressional appropriation and will be monitored. We do not know, for example, if the District will receive prior year adjustment payments during FY 2008-2009.

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 undesignated fund balances or contingency reserves remain between 3 to 5 percent of the budget. The undesignated fund balance needs to be maintained to protect against shortfalls in revenue collection, to allow for adequate cash flow management, and to provide the financial ability to meet emergencies.

At the Work Session on November 5, the School Board gave direction that a portion of the undesignated fund balance could be used as a revenue source to reduce the amount of expenditure reductions that would be necessary to bring budgeted expenditures in balance with budgeted revenues for FY 2008-2009. The School Board indicated that the undesignated fund balance needed to be maintained at approximately 3.5 percent of the FY 2008-2009 projected budget, in addition to honoring the agreement with the Municipality of Anchorage to maintain a fund balance in the General Fund at year end in an amount equal to or greater than 8.25 percent of total General Fund revenues from local tax appropriations for Municipality's bond rating purposes. In ASD Memorandum #105 - Fiscal Year 2007-2008 Financial Planning, dated November 12, 2007, the Administration indicated that \$3.959 million of fund balance could be used and still maintains the School Board specified 3.5 percent of the FY 2008-2009 projected budget.

During the last couple of months the Administration reviewed all expenditures and all available revenues for FY 2008-2009 without the use of fund balance and was able to bring them in balance. Therefore, at this time the Administration is recommending the total authorization of \$3.959 million of fund balance by the School Board be used to begin an established process of technology/computer

replacement across the District. After further review, the Administration is recommending replacing computers each year rather than establish a Computer Replacement Fund. Direct replacement of computers allows the District to address the growing need to replace computers originally bought using grant and capital project funds as well as the General Fund at a quicker pace.

Pupil Transportation Reimbursement—The preliminary FY 2008-2009 revenue projection for Pupil Transportation is based on the JLEFT recommendation to recalibrate the Pupil Transportation funding using FY 2006-2007 actual audit costs as a base for the recalibration. This recalibration using the average daily membership less correspondence for FY 2006-2007, means an increase from \$357 to \$364 for an additional \$328,000 for FY 2008-2009.

User Charges and Fees—Fees 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 course training fees, and rental fees. The following schedule shows the FY 2008-2009 rates. These rates are the same rates as in FY 2007-2008.

	<u>FY 2008-2009</u>
Summer School – Elem./Middle	\$85 per course
Summer School – High School	\$90 per course
Music Instrument Usage Fee	\$40 per instrument
Middle Level Activity Fees	\$80 per activity
High School Activity Fees	\$160 per activity
High School Parking Fees	\$50 per semester
Family Cap for Activity Fees	\$330
Facility Rental Fees	No fee structure change

Medicaid—After working assertively over the last couple of years to ensure the maximum amount of revenues the District was eligible to receive, the District was recently notified that the Department of Health and Human Services (Centers for Medicare and Medicaid Services) ruled to eliminate the Medicaid reimbursement beginning July 1, 2008. Federal Medicaid payments will no longer be available for administrative expenditures performed by school employees or anyone under the control of a public or private educational institution, and for transportation of school-age children from home to school. The decision was based on the determination that such expenditures are not necessary for the proper and efficient administration of the Medicaid State plan. The elimination of the Medicaid funding reimbursement results in a \$1.1 million loss of revenues for FY 2008-2009.

E-Rate—The District has not yet received the funding commitment letter from the Universal Service Administrative Company (USAC) for FY 2007-2008; 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 alter FY 2008-2009 revenue projections from the FY 2007-2008. The District receives all eligible revenues based on all eligible expenditures.

Expenditures

Student and program needs and a commitment to use the funds economically drive expenditure projections. Recommendations received from the High School Forums, prior Budget Review Teams, interested community members, staff, students, and the Administration have been considered and incorporated into the budget where appropriate always keeping in mind the District's core focus of providing educational services. **Both revenue enhancements and expenditure reductions were incorporated to bring the budget into balance.**

Salaries and Benefits— Employee salaries, wages, and benefits are projected to be approximately 87.3 percent of the operating cost of the District. The projections include consideration for contract negotiations for Local 959 (Teamsters Warehouse and Maintenance) and Exempt personnel. Compensation provisions for completed contracts and payroll tax adjustments known at this time are also included in the expenditure projections. Funding for mandatory retirement increases for certificated retirement (12.56 percent to 44.17 percent) and classified retirement (22.00 percent to 35.21 percent) have been included. If the current support to fund the retirement programs changes at the State level, the District will face an additional deficit of approximately \$78.9 million.

Staffing—Staffing requirements have been adjusted based on the official projections set forth for September 30, 2008. Official projections are based on actual enrollment as of September 30, 2007. An additional 24.8 FTE teachers for planning time at the elementary level including Polaris have been included.

Certificated Teaching Positions—Budgeted teaching staff is based on the FY 2007-2008 PTR (pupil to classroom teacher staff ratios). Adjustments have been included for staffing based on enrollment changes, program realignment, transfer of staff from grant funds due to shortfall in grant funding, and for staff requirements based on rural-urban transitioning and immigration from other countries that provides the District with a wealth of challenging opportunities with over 84 languages spoken in the Anchorage Schools other than English.

FY 2008-2009

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

Indirect Cost—In addition to charging eligible grants, the Administration plans to continue the practice put in place for charging the Food Service Fund using the State-approved indirect cost rate. This more accurately reflects the cost of services provided to the Food Service Fund by various departments budgeted in the General Fund. It is anticipated that by early spring 2008 the District will be appraised of the approved indirect cost rate for FY 2008-2009.

Contracted Services—Where appropriate, an inflationary or vendor rate adjustment to contracts has occurred. A very close review of actual contracted services determined if inflationary or vendor increases are warranted. If other known usage increases are warranted, they were included in the budget. Utilities are budgeted based on analysis of usage and cost saving measures being taken, and are then adjusted according to projected rate increases and/or decreases as recommended by the utility agencies. With rate adjustments occurring mid-year FY 2007-2008, following review of actual projected expenditures for this year, approximately five percent to twenty percent increases for the utilities are projected over the current year utility budgets.

Pupil Transportation—Expenditures for contracted pupil transportation routes for FY 2008-2009 include an estimated increase based on COLA of 2.9 percent. If there is a change in the COLA rate, this expenditure will be adjusted accordingly.

Major Maintenance—The Administration recommends maintaining the funding level for major maintenance projects of \$2.483 million for some of the District's more than 94 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 increase in supplies based on departmental need to service the total District program requirements (i.e., fuel requirement to run District buses and vehicles and postage). The current projections continue the same per student allocation used for FY 2007-2008 which included an increase of \$8 per student.

Equipment—The FY 2008-2009 Preliminary Financial Plan includes \$3.959 million to begin an established process of technology/computer replacement across the district. The computer replacement is supported by the use of fund balance in these projections; however, it is recommended being a standard budgetary item from year to year. Other replacement equipment purchases between \$5,000 and \$50,000 will be purchased from the Equipment Replacement Fund.

New School—Included in the expenditure projections are costs associated with the opening of Alaska Native Charter School. This school is projected to enroll 200 students. - \$1,729,232

Staffing Reductions based on Lower Enrollment—Staffing reductions at the Elementary, Middle and High School Levels due to declining enrollment and a higher projected enrollment in charter schools— 59 FTE (\$4,806,017)

Reduction of Major One-Time FY 2007-2008 Expenditures— Major one-time expenditures have been eliminated and are as follows:

- Emergency Radios - \$800,000
- World and U.S. History core textbooks and materials - \$660,000
- Math textbook adoption - \$485,000
- Applicant Tracking system - \$115,000
- Closed Circuit Television - \$80,000
- Handwriting skills instructional materials - \$55,300
- Bridges to Algebra software/materials - \$54,000
- AP statistics textbook adoption - \$42,000

Other Major Expenditure Reductions

- Student Information System – \$515,000
- Attrition Benefits - \$(200,000)
- Workers' Compensation rate decrease - \$192,600
- Property Insurance - \$111,000
- Providence Heights will be reported under grant funds - \$166,396
- Eliminated Youth Reception Center/Covenant House – \$50,000

Major Expenditure Enhancements—Program changes that will enhance the classroom, support departments across the district and the community are as follows. All positions include salary and the corresponding compensation package.

- Elementary planning time to include Polaris – 24.8 FTE Teachers - \$2,001,000
- Elementary and Middle Level Math Support – 4 FTE Teachers – \$318,622
- World Language Teachers at Middle Level – 2 FTE Teachers - \$163,258
- Newcomers’ Center at East High School – 1 FTE Teacher - \$81,200
- ESL at Service – 1 FTE Teacher - \$81,200
- Gifted Ignite Program .8 FTE Teacher - \$64,960
- Language and Cultural Liaison position – 1 FTE - \$38,600
- Microcomputer Specialist for the Special Education IEP program/High School Student Center support - \$64,000
- Secretary for 504 management - \$47,500
- Special Education Teacher Assistants – 38.875 FTE \$1,399,400
- Special Education Attendance Center – 14 FTE Teachers - \$1,136,900
- Web Content Technician - \$71,800
- Bus Drivers Extra Help - \$183,700
- 6th Hour Physical Education Swimming Classes - \$180,000
- Water safety instruction/lifeguard certification - \$28,750
- Recruitment Incentive - \$81,100
- Language Interpreter Center - \$25,000

Other Major Expenditures—Other program changes that will impact the departments across the district and community are as follows.

- Technology/Computer replacement - \$3,959,000
- Pending Negotiations - \$1,000,000
- Fuel - \$506,200
- Contracted Transportation - \$333,625
- Legal Fees - \$245,000
- Utilities - \$194,000
- 403B Program Compliance Consultation Fees - \$50,000

OTHER FUNDS

Food Service Fund— This fund is used to budget and account for operations of the Student Nutrition Program. The FY 2008-2009 budget has been decreased from \$16,322,000 to \$16,277,000. The budget for this fund covers both the direct and indirect cost of providing meals to students. These costs include all payroll costs, including increased hours for 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 revenue sources for the Food Service Fund budget include revenue from meal sales, Federal reimbursement for meals served, and from the State, the on behalf payment for mandatory retirement increases for classified retirement (the difference of 22.00 percent to 35.21 percent). Actual revenues for FY 2006-2007 were less than budgeted. This shortfall is reflected in the lower FY 2008-2009 projections. Use of the undesignated fund balance is not recommended to support the FY 2008-2009 Food Service budget as presented in this memorandum. **These projections do not reflect any increase in elementary and middle school breakfast and lunch full price meals.** It is projected that no local tax support will be required for the Food Service Fund in FY 2008-2009. As more analysis and information becomes available, the Administration will make adjustments and refinements during the various upcoming stages of the budget development process between January and June 2008.

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. Due to savings incurred from the sale of new bonds at lower than anticipated interest rates and refinancing outstanding bonds, the District is able to use \$1.0 million of fund balance as a revenue source. Potential bond sales or bond propositions for April 2008 have not been included in the projections.

Local / State / Federal Grants Fund—Expenditures in the Local/State/Federal Grants Fund are offset by matching revenues. The District continues to be successful in increasing grant funding from various State and Federal agencies and other sources. Revenues available through grants for these projects include competitively awarded grant funds—most of which are subject to annual federal and State appropriations. It is projected that budgets for FY 2008-2009 grants may have a slight increase of \$.265 million based on discussion with grant writers. In addition, the projections include the State PERS/TRS reimbursement on behalf of the District. Ongoing monitoring of these grants will help determine if any adjustments should be made now and June 2008.

FISCAL YEAR BUDGET COMPARISON

The following schedule compares by fund the FY 2008-2009 projected revenue/expenditures with those currently approved for FY 2007-2008. At this time, unknowns still remain such as contract negotiations and mandated services that may require funding.

REVENUE/EXPENDITURE BUDGETS

	Revised Budget <u>FY 2007-2008</u>	Preliminary Budget <u>FY 2008-2009</u>	% Over /(Under) <u>Prior Year</u>
General	\$ 546,162,511	\$ 581,188,491	6.41%
Food Service	16,322,000	16,277,000	(.28) %
Debt Service	80,435,739	83,720,034	4.08%
Local/State/Federal Grants	<u>55,735,000</u>	<u>56,000,000</u>	.48%
All Funds	<u>\$ 698,655,250</u>	<u>\$ 737,185,525</u>	5.51%

TAXES

	Revised <u>FY 2007-2008</u>	Preliminary Budget <u>FY 2008-2009</u>	<u>Increase</u>
General Fund	\$ 169,197,819	\$ 179,767,027	\$10,569,208
Debt Service	<u>37,162,042</u>	<u>39,190,341</u>	<u>2,028,299</u>
All Funds	<u>\$ 206,359,861</u>	<u>\$ 218,957,368</u>	<u>\$12,597,507</u>

STUDENT ENROLLMENT PROJECTIONS

	<u>FY 2007-2008 Actual Sept. 30, 2007</u>	<u>FY 2008-2009 Projected Sept. 30, 2008</u>	<u>Change Over Prior Year's Actual</u>
Enrollment	48,457	47,944	(513)
Full Time Equivalent (FTE)	48,198	47,650	(548)

In preparing the FY 2008-2009 Financial Plan, some of the budget development uncertainties still facing the District are:

- Legislative action
- Adoption of the Governor's three-year education funding plan
- Funding for the ARMB approved percent rates above 22 percent for classified and 12.56 for certificated retirement systems
- Adjustment to the Base Student Allocation—funding level used - \$5,480
- Elimination of the School Improvement Grant funding
- CPI and 5-year average population growth used for local tax limitation not finalized
- New construction and assessed valuation used for local tax limitation not finalized until March/April 2008
- Federal Impact Aid subject to annual appropriation

- Contract negotiations for General Teamsters Local 959 covering Warehouse and Maintenance Employees and consideration for Exempt personnel
- Rate increase notifications from outside agencies
- Projected enrollment
- Deployment of military personnel and the relocation of their families
- Further evaluation of current/new fees
- ESEA-No Child Left Behind requirements
- Assessment/Testing impact
- School Board areas of interest
- Six -Year Instructional Plan
- Continuation of State of Alaska Quality Schools Initiative
- Implementation of Technology Plan and Student Information System

SUMMARY

Our assumptions in preparing the FY 2008-2009 Preliminary Financial Plan are based on, but not limited to, the following criteria:

- Balanced budget for presentation to the Anchorage Assembly—Expenditures equal Revenues
- Alaska Public School Funding Program—Adjustment using the Joint Legislative Education Task Force (JLETF) in the base student allocation of \$5,480; intensive needs student population from five times to nine times
- State providing funding above the ARMB approved rates of 12.56 percent for certificated and 22 percent for classified retirement systems
- Quality Schools Grant—no increase to per pupil amount of \$16
- State Pupil Transportation Reimbursement—JLETF recommendation to recalibrate Pupil Transportation funding was used. Using the FY 2007-2008 actual audit costs as a base, provides an increase from \$357 to \$364 for FY 2008-2009
- Local Property Taxes—Full amount available under the property tax limitation
- Use of Fund Balance as a revenue source—Using \$3.959 million will bring the undesignated fund balance to 3.5 percent of the FY 2008-2009 Preliminary General Fund which still includes honoring the agreement with the Municipality to maintain a fund balance in the General Fund at year end in an amount equal to or greater than 8.25 percent of total General Fund revenues from local tax appropriations to enhance the Municipality's bond rating.

The budget development process is a work in progress and will be subject to change as the process moves along through June 2008. At this time the Administration has prepared the FY 2008-2009 Preliminary Financial Plan with

the most current information known at this time. As the Legislature addresses bills related to school funding and information related to the local tax limitation is finalized, adjustments and refinements will be made. We will continue to encourage the Legislature and Assembly to provide adequate funding so that all students receive an excellent education, which can only be achieved if we have adequate resources to continue and improve our programs and to attract and retain our quality employees.

Attachments

CC/JS/MSL

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