

ANCHORAGE SCHOOL DISTRICT  
ANCHORAGE, ALASKA

ASD MEMORANDUM #222 (2010-2011)

January 19, 2011

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FISCAL YEAR FY 2011-2012 FINANCIAL PLANNING

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

PERTINENT FACTS:

The accompanying budget document contains the Anchorage School District's FY 2011-2012 Preliminary Financial Plan. The total budget recommended is \$811,910,568. This includes individual fund budgets currently projected as follows:

	<u>FY 2011-2012 Financial Plan</u>
General Fund	\$ 635,145,816
Food Service Fund	19,100,000
Debt Service Fund	87,664,752
Local/State/Federal Grants Fund	<u>70,000,000</u>
Total - All Funds	<u>\$ 811,910,568</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 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.

## **BUDGET DEVELOPMENT**

The budget continues to realign the district's priorities, as budgeting is a progressive process. The balanced budget concept, Alaska Public School Funding, and the local property tax limitation necessitate early predictions of both revenues and expenditures. Schools and departments review their programs and responsibilities; assess what is being done during the current fiscal year and what progress is being made; begin making plans for next year and future years; and then prepare budget requests based on their program requirements and how they support the Goals and Mission of "educating all students for success in life."

Input from community members, parents, students, and staff may result in change or elimination of existing programs or implementation of new ones. In spite of all the uncertainties the focus still remains on evaluating the need for 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.

On November 15, 2010, based on the guidelines given at the November 8, 2010 work session including discussion relative to the Anchorage Assembly's resolution on property taxes, the school board approved for planning purposes an upper limit spending authorization for the General, Food Service, Debt Service and Local/State/Federal Grants Funds of \$821,832,771, ASD Memorandum #158 (2010-2011). The school board further approved that the budget ceiling could be adjusted based on further review and for additional functions currently operated by the municipality that would qualify under the resolution approved by the Assembly.

On 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, the Anchorage Assembly approved AR NO. 2010-280(S) which allowed for \$196,307,312 in property tax revenue that includes \$3,091,454 in additional property tax revenue. Along with the increase in local taxes, the municipality is also requesting the district to pay for functions currently operated or funded by the Municipality. This includes the remaining half of payment of the School Resource Officers, the district's share of the cost for sending out tax billing/collection, a share of the uncollectible

portion of delinquent property taxes and football stadium, trail and shelter rental fees in the amount of \$1,994,453. These costs offset the additional allowable property tax revenue leaving a net expenditure increase of \$1,097,001.

During the past two months the administration has proceeded in preparing the FY 2011-2012 Preliminary Financial Plan. The closing of the district's budget gap and difficult decisions pertaining to the programs which were funded in the ARRA grant were assisted by the use of data gained from the new value based budget process which began this year. The new budget process has enabled the administration to reassess its existing programs and workload while undertaking reorganization within departments to gain efficiencies. By implementing these changes, the district has been able to achieve a balanced budget while minimizing the effect on its most effective programs and student outcomes as compared to the results of flat percentage reductions across all programs.

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		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 adjustments are required.

## 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 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 55.8 percent of the district's General Fund revenues not including the TRS and PERS projected \$79.1 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   | <u> (.816) million</u>    |
| Alaska Public School Funding Decrease  | <u> \$(2.294) million</u> |

**Local Property Taxes**—The local property tax contribution is the district's second largest General Fund revenue source. **Projected local property tax revenue for FY 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.** The Anchorage Assembly approved flat funding \$193,215,858 in property tax revenue (amount eligible under the tax cap limitation for FY 2010-2011 rather than for FY 2011-2012) and an additional amount of \$3,091,454 in additional property tax revenue for additional General Fund spending for functions currently operated or funded by the Municipality. Included in these projections are the second half of payment of the School Resource Officers, ASD's share of the cost for sending out tax billing/collection, the district's share of uncollectible portion of delinquent property taxes, and football stadium, trail and shelter rentals in the amount of \$1,994,453. The net effect of this increase in taxes and expenditures is a .57% increase in local taxes, or \$1.1 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.

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.

**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 15<sup>th</sup> school board meeting and approval of ASD Memorandum #158 (2011-2012), 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 to 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 (see chart below for the reduced rate at the middle school level based on intramural activities only), high school parking fees, summer school, credit recovery course training fees, and rental fees. The administration is recommending a slight increase in student activities fees at this time with an increase in the family cap as shown in the chart below. In addition, rental fees relating to the size of gyms and meeting rooms have been increased for non-profit and commercial users for the FY 2011-2012. A new fee for FY 2011-2012 is an on line fee for credit courses taken by non-district students.

The following rates are those in place for FY 2010-2011 and those that are recommended for FY 2011-2012 and are as follows:

	<u>FY 2010-2011</u>	<u>FY 2011-2012</u>
Summer School - Elem	\$85 per course	Program Eliminated
Summer School - Middle	\$85 per course	\$85 per course
Summer School - High School	\$90 per course	\$100 per course
On Line Fee Non ASD Students		\$400 per course
Music Instrument Usage Fee	\$40 per instrument	\$40 per instrument
Middle Level Activity Fees	\$85 per activity	\$45 per activity
High School Activity Fees	\$165 per activity	See chart 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	\$50 per semester	\$55 per semester
Facility Rental Fees	\$650,000	\$690,000
Family Cap for Activity Fees	\$335	\$390

**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 over 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. 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.

**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 2011-2012 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. **It must be noted that even though eighty-two (82 FTE) teacher positions were transferred to the Education Jobs Bill, there will not be an increase to class size, only a change in the funding source.**

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, inflationary or vendor rate adjustments to contracts have been incorporated. Very close reviews of actual contracted services determine if inflationary or vendor increases are warranted. If other known rate increases are warranted, they were included in the budget. What is more challenging for the future is the unpredictability of energy costs which can somewhat be attributable to the fluctuation of oil prices. Utilities are budgeted based on analysis of usage and cost saving measures being taken. They 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 expenditures and rate adjustments (occurring mid-year FY 2010-2011) in addition

to adding an energy conservation manager to oversee energy management to find efficiencies to lower utility expenditures throughout the district, the utility budgets are projected to be lower than the current year.

**Pupil Transportation**— Discussions for renewal/new contract of the contracted transportation are still ongoing and are not final at this time. Also included is funding 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.

**Maintenance and Major Maintenance Projects** – The administration recommends a funding level for maintenance leadership and maintenance projects of at least \$23.8 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 proposing a pilot outsourcing of snow removal in a small geographic area. Three (3.0 FTE) maintenance positions have been eliminated, and the anticipated lower cost of outsourcing will increase efficiency within the department. As a result of the RPF process, if the district does not realize sufficient efficiencies and level of service from the proposed outsourcing, the original three (3.0 FTE) maintenance positions will be restored.

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

**Equipment**— In order to bring expenditures in balance with projected revenues, the administration eliminated the technology refresh. The refresh funds are supporting the staff (transferred from ARRA funds) needed to keep the programs in place. This will slow down the ability to refresh technology across the district with an adequate number of computers in a consistent timeframe.

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

**Major Expenditure Reductions**— The major program reductions and positions that were required to be eliminated in the FY 2011-2012 budget in order to bring expenditures in balance with projected revenues are as follows. These difficult decisions were made in part with the information and insight gained from the new value based budget process and the relative effectiveness of individual programs and

their contribution to the enhancement of student outcomes. Information gathered through the community budget dialogues and e-mails from community, staff and students was also taken into consideration. It must be noted that even though 82 FTE teacher positions were transferred to the Education Jobs Bill, there will not be an increase to class size.

- Eliminate high school/alternative school assistant principal (1.0 FTE)
- Eliminate middle level assistant principal (1.0 FTE)
- Eliminate family resource coordinator at the elementary level (.6 FTE)
- Reduce library media aides at the elementary level (2.625 FTE; 6-3.5 hour positions)
- Reduce library media aides at middle school level (3.5 FTE; 4-7 hour positions)
- Reduce library media aides at high school level (6.125 FTE; 7-7 hour positions)
- Reduce districtwide music teacher (.8 FTE)
- Eliminate educational technology supervisor (1.0 FTE)
- Eliminate educational technology teacher (1.0 FTE)
- Eliminate addenda for SBA assessment at the elementary level
- Eliminate learning opportunity intervention funds at the elementary level
- Eliminate counselor at the middle level (1.0 FTE)
- Eliminate summer school at the elementary level
- Reduce summer school remediation program at the middle level from two sites to one site and/or limit the number of students served
- Reduce summer school (remedial/recovery only) at the high school level
- Reduce secretaries at the high school level (8 FTE)
- Eliminate graduation support coordinators (7.0 FTE)
- Eliminate NEP supervisor at South High (1.0 FTE)
- Eliminate Elitnaurvik Within East High supervisor (1.0 FTE)
- Eliminate social worker at middle level (1.0 FTE)
- Reduce in school suspension (ISS) teachers (2.0 FTE)
- Eliminate the student information systems manager (1.0 FTE)
- Eliminate IT project manager (1.0 FTE)
- Eliminate safe and drug free schools supervisor (.875 FTE)
- Eliminate safe and drug free schools grant technician (1.0 FTE)
- Eliminate an accountant (1.0 FTE)
- Eliminate an administrative assistant (1.0 FTE) Accounting
- Eliminate purchasing agent (1.0 FTE)
- Eliminate custodial supervisor (1.0 FTE)
- Eliminate executive secretary (1.0 FTE) at high school level
- Eliminate secretary (1.0 FTE) Community Resources
- Eliminate administrative assistant (.75 FTE) Human Resources
- Customer service receptionist/switchboard (1.0 FTE) Communications
- Eliminate maintenance positions (3.0 FTE)

- Eliminate microcomputer specialist (1.0 FTE) Maintenance
- Eliminate server administrator (1.0 FTE) partially funded by Facilities
- Reduce extra help, addenda, contracted services
- Reduce utilities projections resulting from rate reductions as well as conservation of energy
- Eliminate supply/equipment reserve for emergency requirements
- Eliminate technology computer refresh district wide

**Position Increases** – The following positions have been added:

**Classroom Support:**

- Language acquisition support teachers at middle level (2.0 FTE)
- Special service teacher for the ACE program (1.0 FTE)
- Language/cultural liaison (4.4 FTE; .6 FTE currently in the General Fund)

**Outside Direct Classroom Support:**

- Compliance director added to oversee district grant compliance (1.0 FTE)
- Energy conservation manager to oversee energy management to find efficiencies to lower utility expenditures throughout the district (1.0 FTE)
- Administrative assistant (1.0 FTE) for Purchasing

**Positions Transferred from ARRA** – The following positions have been transferred from the ARRA funds.

- Career guides at the middle level (10.0 FTE)
- IT technical support (19.5 FTE) to be housed in the schools for direct technology support
- Teacher, technology coordinators (3.0 FTE) to support the integration of technology into the curriculum
- Network analyst (1.0 FTE) to support and maintain ARRA funded network refurbishment
- Systems analyst (1.0 FTE) and programmer (1.0 FTE) to support the newly acquired ARRA funded IEP system implemented districtwide

**Functions Previously Funded and New Fees Charged by the Municipality**

- School Resource Officers (SRO) will be fully funded by ASD for FY 2011-2012  
*The total cost is split equally at 50 percent each for FY 2010-2011.*
- Football stadium new users fees
- Trail and shelter new users fees
- Share of the cost for sending out tax billing/collection
- Share of the uncollectible portion of delinquent property taxes
- Increase costs of APD overtime rate for ASD extracurricular activities

## 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. 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. For FY 2011-2012, \$1.0 million of debt service fund balance was used to provide tax relief to the taxpayer. Some of the district's bonds receive state debt reimbursement, which varies depending on the year in which the bond proposition was approved. Reduced construction activity at district sites resulted in staff reductions during fall 2010.

The projections included within this memorandum include debt service on a \$3.845 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 grant will provide one year’s funding that will be used to supplant 82 FTE classroom based teaching positions from General Fund. In addition, the projections include the State TRS/PERS reimbursement on behalf of the district. No funds from the \$67.4 (\$60 million ARRA, \$7.4 million state PERS/TRS on behalf funding) million two year stimulus funding program that ends in the fall of 2011, are 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. At this time, unknowns still remain such as contract negotiations and mandated services that may require funding.

<u>REVENUE/EXPENDITURE BUDGETS</u>			
	Revised Budget <u>FY 2010-2011</u>	Preliminary Budget <u>FY 2011-2012</u>	% Over /Under <u>Prior Year</u>
General Fund	\$ 617,010,000	\$ 635,145,816	2.94%
Food Service	17,809,900	19,100,000	7.24%
Debt Service	87,423,992	87,664,752	.28%
L/S/F Projects	67,200,000	62,360,438	(7.20)%
Jobs Bill	<u>-0-</u>	<u>7,639,562</u>	100%
All Funds	<u>\$ 789,443,892</u>	<u>\$ 811,910,568</u>	2.85%

No funds from the \$67.4 million (\$60 million ARRA, \$7.4 million state PERS/TRS on behalf funding) two year stimulus funding program (ARRA) that ends in the fall of 2011, are included in these projections.

**TAXES**

	Revised FY 2010-2011	Taxes FY 2011-2012	Increase
General Fund	\$ 191,994,683	\$ 194,312,859	\$ 2,318,176
Required for shared services	1,221,175	1,994,453	773,278
Debt Service	<u>41,544,114</u>	<u>41,280,133</u>	<u>(263,981)</u>
All Funds	<u>\$ 234,759,972</u>	<u>\$ 237,587,445</u>	<u>\$ 2,827,473</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 Year's Actual
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
- Binding 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/renegotiation 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

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
- Potential adoption or expansion of programs must be funded within existing resources

CC/CS/MSL

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