

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #161 (2004-2005)

January 18, 2005

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FY 2005-2006 PRELIMINARY FINANCIAL PLANNING

PERTINENT FACTS:

The accompanying budget document contains the Anchorage School District's FY 2005-2006 Preliminary Financial Plan. The total budget recommended is \$569,358,928. This includes individual fund budgets currently projected as follows:

| | <u>FY 2005-2006 Financial Plan</u> |
|-----------------------------------|--|
| General Fund | \$ 429,469,000 |
| Food Service Fund | 14,515,771 |
| Debt Service Fund | 77,374,157 |
| Local/State/Federal Projects Fund | <u>48,000,000</u> |
| Total - All Funds | <u>\$ 569,358,928</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 2005-2006 budget projections reflect the District's on-going efforts to achieve this balance, maximize performance and contain costs.

These projections for FY 2005-2006 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 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 necessitate the District to incorporate additional responsibilities and/or initiate new programs within the District. Various demographic and economic factors must be evaluated for their impact on the budget. Then, the total of all 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 Goals and Mission of "educating all students for success in life."

Input from prior year budget review teams' recommendations, community members, students and staff members 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 8, 2004, a School Board FY 2005-2006 financial planning work session was held. A pro forma revenue and expenditure budget was presented based on the information known then. At that time the Administration projected that the District faced a \$29 million fiscal gap for FY 2005-2006. 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 the staff and community members. At the work session the School Board provided guidance to the Administration to proceed with the Governor's educational funding plan which adjusted the base student allocation from \$4,576 to \$4,869, an increase of \$293. In addition, the

School Board gave direction to include \$6.5 million of the undesignated fund balance as a funding source, while maintaining a five percent undesignated fund balance to cover unforeseen contingencies.

On November 15, 2004, the School Board authorized the Superintendent to prepare the Anchorage School District's FY 2005-2006 Preliminary Financial Plan. Guidance was given that directed the Administration to build a budget in accordance with the financial projections set forth at that time using the Governor's proposed funding level. In addition, authorization was given for the use of \$6.5 million from the fund balance for one-time expenditures outside the ordinary annual budget. Authority was also given to adjust the budget expenditure ceiling in accordance with any negotiated contract adjustments and other associated cost increases, School Board requests, and Administration, community, staff and students' budget review recommendations given to the Superintendent. In addition, flexibility was given to allow for adjustments based on updated demographics and/or economic information, as well as staffing based on review of student enrollment projections. The total of all department budgets plus any new facilities or change in program requirements were compared to anticipated revenues. At that time it was projected that expenditures would exceed projected revenues by approximately \$10.0 million.

During this past two months as the Administration proceeded forward in preparing a FY 2005-2006 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 reorganizations within departments to improve efficiencies were made. 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 2005-2006 Preliminary Financial Plan totaling \$569,358,928. Expenditures have been brought into balance with revenues by making reductions. Some reductions were made as a result of efficiencies through better resource management, but eliminating the fiscal gap was not accomplished without directly impacting instructional programs. As the Administration presents the budget to the School Board on January 18 and 20, program reductions and realignments will be identified.**

Student enrollments, 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 2005-2006 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 both half-day kindergarten and preschool students at one-half, 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 or projected student enrollment information for FY 2002-2003 through FY 2005-2006 on both a full count and FTE basis.

| | Actuals 2002-2003 <u>9/30/02</u> | Actuals 2003-2004 <u>9/30/03</u> | Actuals 2004-2005 <u>9/30/04</u> | Projected 2005-2006 <u>9/30/05</u> |
|----------------------------|--|--|--|--|
| Total Number | 50,029 | 49,663 | 49,454 | 49,289 |
| Change over previous year | | (366) | (209) | (165) |
| FTE (Full-Time Equivalent) | 49,791 | 49,431 | 49,239 | 49,071 |

Variable General Fund expenditures will be revised periodically for changes in enrollment projections. We will review projected enrollment to determine if we need to make adjustments in light of the recent closing of Village Charter School and the possible opening in September of the Winter City Charter School (Waldorf inspired).

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. Since the

announcement of the Governor's educational funding plan on November 5, 2004, and the inclusion of this plan in preparing the District's FY 2005-2006 Preliminary Financial Plan, the District's fiscal gap was reduced by over \$25 million. The School Board and the Administration appreciate the Governor's recognition of the need for increased K-12 education funding, and the additional need to mitigate the extraordinary increases in Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) employer contributions. The District appreciates the prominent placement of early and increased K-12 education funding on the Governor's legislative agenda. Hopefully, during this upcoming legislative session, the Legislature will continue to advocate for all of the students in our communities with early approval of the Governor's educational funding package and also advocate for additional increases in revenues supporting public education to ensure solid education programs continue which are very important in increasing student achievement and performance.

This Program is expected to provide approximately 56 percent of the District's General Fund revenues. The Governor's educational funding proposal to increase the base student allocation amount to \$4,869 (an increase of \$293 over FY 2004-2005) and continuation of the Quality School Grant at \$16 per pupil, provides for more State revenues for FY 2005-2006. Based on current enrollment projections, the amount of funding for FY 2005-2006 is \$242.433 million, which is \$12.452 million more than the current FY 2004-2005 budget. Three other factors also impact the projected level of funding: (1) lower anticipated enrollment, (49,499 budgeted for FY 2004-2005 and 49,289 projected for FY 2005-2006); (2) a change in the State regulations of identifying Level III intensive special needs students results in a \$3.165 million loss of revenue; and (3) the \$1.4 billion increase in State assessed property valuation for the Municipality. This increase in assessed valuation results in larger required deductions causing a loss of approximately \$3.1 million in the Alaska Public School Funding formula calculation.

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 share 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 \$21.215 billion to \$22.651 billion.

Local Property Taxes—Local property tax contribution is the District's second largest General Fund revenue source. **Projected local property tax revenue for FY 2005-2006 is based on requesting the full amount of taxes available under the local property tax limitation.** 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 2.80 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 will not be available until February 2005. As determined by the State Department of Community and Regional Affairs, the five-year Anchorage municipal population change used for planning purposes is 1.16 percent, with the official percentage growth not available until late January 2005. The projected combined rate of 3.96 percent for FY 2005-2006 is .10 percent more than the current rate of 3.86 percent for FY 2004-2005.

Included in the revenue projections are taxes associated with the opening of Eagle River High School, and the completion of Phase 2A—West Classroom Wing, Renovation/Addition at Service High School and, renovation to Chugach Optional Elementary School.

It is anticipated that these increases—and increased taxes allowed on new construction or property improvement—will increase the amount of taxes available in the General Fund by approximately \$10.76 million. However, the Anchorage Assembly must first consider and approve the District's local property tax request.

Federal Impact Aid—The revenue projection for Federal Impact Aid has been projected at 100 percent of projected entitlement, an anticipated \$12.75 million. Uncertain at this time is the scheduling of the movement of the Stryker Brigade, the formation of the new Alaska Airborne Brigade, and 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 should be monitored. We do not know, for example, if the District will receive prior year adjustment payments during FY 2005-2006.

Fund Balance—The District's undesignated fund balance for the General Fund is a potential one-time source of revenue. Deciding 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. As of June 30, 2004, the undesignated fund balance was approximately \$27.989 million.

At this time, based on guidance from the School Board in November, the Administration has included \$6.5 million of fund balance as a funding source to cover one-time expenditures to enhance programs and to increase major maintenance projects. Attachment A provides a detailed expenditure list using the \$6.5 million. Using \$6.5 million of fund balance will provide an undesignated fund balance of \$21.489 million or 5 percent of the FY 2005-2006 projected General Fund budget of \$429.469 million.

Pupil Transportation Reimbursement—The proposed FY 2005-2006 revenue projection for Pupil Transportation is based on full funding for the District using the current formula for State funding of pupil transportation including a provision for COLA.

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 course training fees, and rental fees. Based on further review of the rate adjustments, the music

instrument usage fee was the only current fee that was adjusted from \$15 to \$25 per instrument. Included for FY 2005-2006 are increased fees for copying certain payroll items (i.e., W2 Forms). A new fee for court ordered wage processing (i.e. child support) will also be instituted. The following schedule shows the FY 2005-2006 proposal as compared to FY 2004-2005:

| | <u>FY 2004-2005</u> | <u>FY 2005-2006</u> |
|--|---------------------|---------------------|
| Graduation Support Services | \$75 per course | No Rate Change |
| Summer School | \$75 per course | No Rate Change |
| Music Instrument Usage Fee | \$15 per instrument | \$25 per instrument |
| Middle Level Activity Fees | \$75 per activity | No Rate Change |
| High School Activity Fees | \$125 per activity | No Rate Change |
| High School Parking Fees | \$50 per semester | No Rate Change |
| Facility Rental Fees | \$552,500 | No Rate Change |
| Family Cap for Activity Fees | \$300 | No Cap Change |
| Court Ordered Wage Processing Fees | -0- | \$5.00/request |
| Special Services to Employees (Payroll Related) | -0- | \$15.00/request |

Later this spring the Administration will be establishing a Rentals Budget Review Team. This review team will gather pertinent information that will help analyze how to better structure the fee schedule in order to optimize revenues for community usage of District facilities.

Medicaid – Based on FY 2003-2004 actual revenues and current year projections, it is estimated that the District will receive approximately \$1,100,000 in Medicaid funding based on information from the Alaska Department of Education and Early Development (DEED).

E-Rate – The United States Senate passed a bill (H.R. 5419) to grant the Universal Service Fund a one year exemption (through December 31, 2005) from the accounting provisions of the Anti-Deficiency Act. This has resulted in the reinstatement of Funding Commitment Decision Letters for the 2004-2005 fiscal year. The Schools and Library Division of the Universal Service Administrative Company has notified the District that a Funding Commitment Letter was issued and that Anchorage School District will receive over \$1.1 million in discounts for Internet Access and Telecommunications Services for FY 2004-2005. No other significant program changes have occurred that would alter FY 2005-2006 revenue projections from the FY 2004-2005 anticipated funding level.

Expenditures

Student and program needs and a commitment to use the funds economically drive expenditure projections. Recommendations submitted from the budget

review teams last year, and the suggestions received from interested community members, staff, students, and the administration through community forums and the ASD website, were 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.**

Additional Programs/Enhancements—At the School Board Work Session in November the School Board requested the Administration look at using \$6.5 million of fund balance for one-time expenditures such as critical need maintenance projects, District-wide technology and classroom technology enhancements. Attachment A provides a description of \$6.5 million of one-time expenditures that will enhance departments across the District.

Salaries and Benefits—Employee salaries, wages, and benefits are projected to be approximately 85 percent of the operating cost of the District. The projections include consideration for contract negotiations for Maintenance (Teamsters Local 959), Anchorage Education Association (AEA), and compensation consideration for Exempt personnel. Depending upon the settlement parameters defined by the School Board for collective bargaining for these contracts, the total revenue needed to support the programmatic assumptions discussed herein may be revised. Compensation provisions for settled contracts have been included in the projections. Funding for mandatory retirement increases for certificated retirement (16 percent to 21 percent) and classified retirement (14.25 percent to 19.25 percent), and payroll tax adjustments known at this time are also included in the expenditure projections.

Average Teacher Salary—Contributing factors that determined the average teacher salary used included projections of current staff step increases, historical information of educational attainment, employee layoffs, projected turnover and vacancies at any given time.

Staffing—Staffing requirements have been adjusted based on the official projections set forth for September 30, 2005. Official projections are based on actual enrollment as of September 30, 2004.

Certificated Teaching Positions—In order to bring expenditures in balance with projected revenues, it was necessary to increase class size by .25 PTR (pupil to classroom teacher staff ratio) in all grade levels (reduction of 20 FTE teaching positions). Adjustments have been included for staffing based on enrollment

changes (reduction of 21.5 FTE teaching positions), program realignment, and for staff requirements based on rural-urban transitioning and immigration from other countries that provides the District with a wealth of opportunities with 94 languages spoken in the Anchorage Schools other than English.

| | <u>FY 2004-2005</u> | <u>FY 2005-2006</u> |
|--------------------|--|---|
| Kindergarten (FTE) | 20.5 to 1 | 20.75 to 1 |
| Grade 1 | 21 to 1 | 21.25 to 1 |
| Grades 2-3 | 24 to 1 | 24.25 to 1 |
| Grades 4-6 | 27 to 1 | 27.25 to 1 |
| Grades 7-8 | 25.54 to 1 | 25.79 to 1 |
| Grades 9-12 | 27.08 to 1 | 27.33 to 1 |
| Special Education | Staffing is based upon demonstrated need and program | 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 at 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. The indirect cost rate is anticipated to change from 4.38 to 4.87 percent. It is anticipated that by early spring 2005 the District will be appraised of the approved indirect cost rate for FY 2005-2006.

Contracted Services—Where appropriate, an inflationary adjustment to contracts will occur. A very close review of actual contracted services determined if inflationary increases were warranted. If other known rate increases were 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 announced by the utility agencies. With rate adjustments and review of actual expenditures, 3 percent to 10 percent increases for the utilities were projected. The utility increases also include the opening of the Eagle River High School.

Other increases to contracted services include items on the \$6.5 million one-time expenditure list. Major items are the upgrade of IFAS to the 7i version (\$1.0 million), a new student records management system (\$1.2 million) and a document management system (\$825,000). See Attachment A for the complete listing.

Pupil Transportation—Contracted pupil transportation routes for FY 2005-2006 include an estimated increase based on COLA of 2.8 percent.

Major Maintenance—The Administration recommends maintaining the funding level for major maintenance projects of \$2.491 million for some of the District's more than 93 school facilities. In addition to maintaining the current funding level, an additional \$407,785 is included on the one-time identification list using the \$6.5 million of fund balance. (See Attachment A for projects.) 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—In general, the supply budgets have been reduced. **Most departments reduced their supply budgets by a minimum of 10 percent.** Some departments, however, 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). **The current projections also include a 10 percent reduction to the school supply and equipment per pupil allocation compared to the current year.** For the first year of opening, Eagle River High School was given a triple allocation to support start-up costs that are not eligible to be charged to the construction funds.

Out of the \$6.5 million one-time expenditure funds, \$1,142,514 has been earmarked for supplies such as Calculus books, 7th and 8th grade Social Studies textbooks and materials, testing materials and other various supplies. See Attachment A for the complete listing.

Equipment—Included in these projections are equipment (\$499,990) and vehicle (\$535,000) items listed on the one-time identification list using the \$6.5 million of fund balance. (See Attachment A for equipment and vehicle items.) In general however, replacement equipment purchases between \$5,000 and \$50,000 will be purchased from the Equipment Replacement Fund.

New School and Additions—Included in our expenditure projections are costs associated with the opening of Eagle River High School and completion of Phase 2A—West Classroom Wing, Renovation/Addition at Service High School, and renovation of Chugach Optional Elementary School.

Charter Schools—Two applications for new charter schools, Winter City Charter School (Waldorf inspired) and The Master's Preparatory Leadership Academy Charter School, were brought before the School Board for consideration. The School Board approved the Winter City Charter School and it is now under consideration by the State at its March meeting. If approved, we will make adjustments accordingly. Village Charter School is not included in the projections due to closure on January 15, 2005. Included however, for FY 2005-2006 is the recently State approved Eagle Academy Charter School.

Major Expenditure Reductions—The major program reductions/eliminations and the positions that were required to be eliminated in the FY 2005-2006 budget in order to bring expenditures in balance with projected revenues are as follows:

- Increase class size by .25 students in all grade levels (20 FTE)
- Eliminate 1 high school/ alternative school Assistant Principal (\$85,000)
- Eliminate 2 elementary level Assistant Principals (\$168,400)
- Eliminate 1 Director position (\$97,700)
- Reduce departmental supply accounts by a minimum of ten percent and the per pupil supply/equipment allocation by ten percent
- Reduce high school pupil activity expenses (\$29,000)
- Reduce funding for Paideia program (\$40,000)
- Reduce funding for Schools of Choice (\$25,000)
- Reduce funding for Graduation Support Services (\$59,200)
- Eliminate Drug/ Alcohol Case Manager (\$18,800)
- Reduce discretionary schools grants to elementary schools

Other Expenditure Reductions—Other cost saving program reductions and positions that were eliminated in the FY 2005-2006 budget are as follows:

- Alaska Studies Textbooks (\$380,000) (Books have been purchased)
- Emergency Shelter Supplies (\$338,500) (Prior funding sufficient to cover shelter supplies)
- R.O.T.C. Instructors (\$132,800) (The student participation level in the program does not require staff)

Position Increases—The following positions have been added outside of direct classroom support and those that were added due to the opening of Eagle River High School and the addition/renovation to Service High and Chugach Optional Schools, to provide better service to the community:

- School Board Clerk .625 FTE (\$38,800)
- Customer Service Desk Clerk 1 FTE at Boniface Center (\$38,100)
- Discretionary Grant Coordinator 1 FTE (\$83,200)
- Testing Coordinator 1 FTE (\$91,000)

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 increased hours for staff, food costs, the cost of support services, equipment repair and replacement costs, and overhead charges. The FY 2005-2006 budget has been increased from \$13.785 to \$14.516 million to accommodate the opening of Eagle River High School, employee negotiated contracts, the mandated classified retirement increase from 14.25 percent to 19.25 percent, and upward movement in food costs.

The revenue sources for the Food Service Fund budget include revenue from meal sales, Federal reimbursement for meals served, and the undesignated fund balance. This budget projects increases in meal sales and reimbursement revenue.

The Administration is recommending the use of the Food Service Fund fund balance for the FY 2005-2006 Food Service Fund budget. The undesignated fund balance for the Food Service Fund as of June 30, 2004 was approximately \$1.278 million. Use of the undesignated fund balance of \$369,413 is being recommended to support the FY 2005-2006 Food Service budget. This will leave an approximate amount of \$908,000, which is 6.26 percent of the FY 2005-2006 Food Service Fund budget as presented in this memorandum. **These projections reflect a 10-cent 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 2005-2006.

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, refinancing outstanding bonds, and receiving additional State revenues in the current year, the District is able to use accumulated fund balance as a revenue source, thereby reducing the amount being requested for local taxes. Included in these projections is a proposed future bond sale in March 2005, of \$63.850 million of authorized unsold bonds.

The spring 2005 Municipal Election will not include any District bond proposals.

Local / State / Federal Projects Fund—Expenditures in the Local/State/Federal Projects 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 federal and

State annual appropriations. It is projected that budgets for FY 2005-2006 grants may increase approximately \$5.0 million based on current year receipts and further discussion with grant writers.

FISCAL YEAR BUDGET COMPARISON

The following schedule compares by fund the FY 2005-2006 projected revenue/expenditures with those currently approved for FY 2004-2005. At this time, unknowns still remain such as contract negotiations and mandated services that may require funding.

| <u>REVENUE/EXPENDITURE BUDGETS</u> | | | |
|------------------------------------|--|--|---|
| <u>Fund</u> | <u>Revised Budget FY 2004-2005</u> | <u>Preliminary Budget FY 2005-2006</u> | <u>% Over /(Under) Prior Year</u> |
| General | \$ 398,712,237 | \$ 429,469,000 | 7.71% |
| Food Service | 13,785,312 | 14,515,771 | 5.30% |
| Debt Service | 70,463,617 | 77,374,157 | 9.81% |
| Local/State/Federal Projects | <u>43,000,000</u> | <u>48,000,000</u> | 11.63% |
| All Funds | <u>\$525,961,166</u> | <u>\$ 569,358,928</u> | 8.25% |
| TAXES | | | |
| | <u>Revised FY 2004-2005</u> | <u>Preliminary Budget FY 2005-2006</u> | <u>Increase</u> |
| General Fund | \$133,412,722 | \$144,169,454 | \$10,756,732 |
| Debt Service | <u>30,090,600</u> | <u>34,970,803</u> | <u>4,880,203</u> |
| All Funds | <u>\$163,503,322</u> | <u>\$179,140,257</u> | <u>\$15,636,935</u> |

STUDENT ENROLLMENT PROJECTIONS

| | <u>FY 2004-2005 Actuals Sept. 30, 2004</u> | <u>FY 2005-2006 Projected Sept. 30, 2005</u> | <u>Change Over Prior Year's Actual</u> |
|----------------------------|--|--|--|
| Enrollment | 49,454 | 49,289 | (165) |
| Full Time Equivalent (FTE) | 49,239 | 49,071 | (168) |

In preparing the FY 2005-2006 Preliminary Financial Plan, many budget development uncertainties still face the District.

- School Board areas of interest
- Community, staff, and students recommendations including last year's budget review team recommendations
- Projected enrollment
- FY 2005-2006 – Contract negotiations for Maintenance (Teamsters Local 959), AEA (Anchorage Education Association) and consideration for Exempt personnel
- ESEA-No Child Left Behind requirements
- Further evaluation of current/new fees
- Six Year Instructional Plan
- Assessment/Testing Impact
- State of Alaska Quality Schools Initiative
- Implement Technology Plan
- Scheduling of the movement of the Stryker Brigade; formation of Alaska Airborne Brigade; deployment of military personnel
- CPI and 5-year average population growth used for local tax limitation not finalized until February 2005
- New construction and assessed valuation used for local tax limitation not finalized until March/April 2005
- Federal Impact Aid subject to annual appropriation
- Legislative action
- State approval of a new charter school

SUMMARY

Our assumptions in preparing the FY 2005-2006 Preliminary Financial Plan are based on, but not limited to, the following criteria:

- Alaska Public School Funding Program – Implemented the Governor's increase to base student allocation from \$4,576 to \$4,869, a \$293 increase
- Balanced budget for presentation to the Anchorage Assembly – Expenditures equal Revenues
- Local Property Taxes – Full amount available under the property tax limitation
- Use of Fund Balance \$6.5 million as a revenue source for one-time expenditures – the undesignated fund balance as of June 30, 2004 was \$27.989 million. Using \$6.5 million will bring the undesignated fund balance to \$21.489 or 5 percent of \$429.469 million

- Quality Schools Grant – no increase to per pupil amount of \$16
- State Pupil Transportation Reimbursement – Current State formula which includes a provision for COLA

Attachments

CC/JS/MSL

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Approved by: Janet Stokesbary, Chief Financial Officer