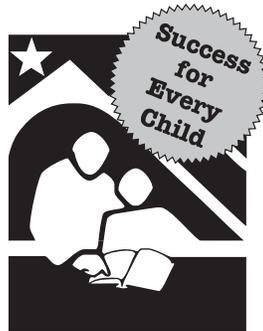


ANCHORAGE SCHOOL DISTRICT
Anchorage, Alaska



Anchorage School District

Educating All Students for Success in Life

**PRELIMINARY
FINANCIAL PLANNING
WORK SESSION
FY 2005-2006**

November 8, 2004

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

MEMORANDUM

November 8, 2004

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FY 2005-2006 FINANCIAL PLANNING WORK SESSION

Attached is an information packet, which provides schedules that will be discussed at the FY 2005-2006 Financial Planning Work Session. The packet includes preliminary revenue and expenditure projections based on current information without the Governor's recently announced proposal along with the assumptions that were used to formulate the preliminary projections being presented. Also included is a list of unknown variables as well as variables that are subject to change. The scenario of revenue and expenditure projections for FY 2005-2006 result in a projected budget shortfall - estimated expenditures exceeding estimated revenues. The fiscal gap is \$29 million without the Governor's proposal.

The Anchorage School District appreciates the Governor's recognition of the need for increased K-12 education funding, and the additional need to mitigate the extraordinary increase in Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) employer contributions. While each Alaska school board must evaluate the details of the Governor's proposal, to determine its sufficiency to meet the needs of that board's district, we appreciate the prominent placement of early and increased K-12 education funding on the Governor's legislative agenda. Included is a preliminary financial projection based on the same expenditure parameters but supported by the Governor's revenue proposal. The District still faces a \$10 million fiscal gap even with the additional funding for PERS and TRS and some day-to-day cost increases, as the Alaska School Public Funding formula has not kept up with all the cost of services.

These projections are the beginning of the budget development process prior to budget reductions and/or revenue enhancements that will be made to the FY 2005-2006 Financial Plan to bring it into balance. During the discussions with the School Board at this work session, we would like to receive suggestions and changes that may impact the revenue and expenditure pro forma budget that

will be brought forward to the School Board on November 15, 2004 for action. (For example, the use of the undesignated fund balance as a revenue source for one-time expenditures.) On November 15, the School Board will be establishing the budget cost ceiling by setting spending limits and assumptions for the FY 2005-2006 budget preparation process. Multi-year projections are not included based on insufficient information regarding the extensive reductions required to be made in FY 2005-2006 and/or possible revenue alternatives that may be adopted locally or statewide in the future.

This year the budget development process will provide the general public the opportunity to attend town meetings in regard to the FY 2005-2006 financial plan. The town meetings begin at 7:00 p.m. on November 9 at Chugiak High School and continue on November 10 at Wendler Middle School, and December 2 at Girdwood Elementary School. In addition to the town meetings, opportunities for budgetary input are accessible through the District Web site and suggestion forms available from schools and at Assembly and School Board hearings. Input will also be solicited from the Minority Education Concerns Committee (MECC), the student advisory board and employee union groups. The administration will also review the Budget Review Team recommendations from last year. We will consider the feasibility of implementing these recommendations as we continue the budget preparation.

It would also be beneficial for the Administration to hear at the work session of budget expenditures and/or revenue adjustments that the School Board would like the Administration to investigate further.

CC/JS/MSL
Attachments

Prepared by: Marie S. Laule, Budget Director
Approved by: Janet Stokesbary, Chief Financial Officer

ANCHORAGE SCHOOL DISTRICT
 Anchorage, Alaska
 FY 2005-2006
 PRELIMINARY FINANCIAL PLANNING WORK SESSION
 November 8, 2004

REVENUES WITHOUT GOVERNOR'S PROPOSAL & EXPENDITURES				
All Funds				
	FY 2004-2005 Revised	FY 2005-2006 Pro Forma Revenues	FY 2005-2006 Pro Forma Expenditures	FY 2005-2006 Budget Shortfall
FUND				
General	\$398,712,237	\$403,565,000	\$432,600,000	(29,035,000)
Food Service	13,785,312	14,525,583	14,525,583	0
Debt Service	70,463,617	77,854,781	77,854,781	0
L/S/F Projects	43,000,000	45,000,000	45,000,000	0
All Funds	<u>\$525,961,166</u>	<u>\$540,945,364</u>	<u>\$569,980,364</u>	<u>(29,035,000)</u>
Local Taxes				Increase
General	\$133,412,722	\$144,169,454		10,756,732
Debt Service	30,090,600	33,849,499		3,758,899
Total	<u>\$163,503,322</u>	<u>\$178,018,953</u>		<u>14,515,631</u>
Projected Enrollment - Sept. 30	49,499	49,289 *		
Actual Enrollment - Sept. 30	49,454			
Actual Enrollment FTE - Sept. 30	49,239			
* Adjustments may occur with approval of additional charter schools				

REVENUES INCLUDING GOVERNOR'S PROPOSAL & EXPENDITURES				
All Funds				
	FY 2004-2005 Revised	FY 2005-2006 Pro Forma Revenues	FY 2005-2006 Pro Forma Expenditures	FY 2005-2006 Budget Shortfall
FUND				
General	\$398,712,237	\$423,040,000	\$433,075,000	(10,035,000)
Food Service	13,785,312	14,525,583	14,525,583	0
Debt Service	70,463,617	77,854,781	77,854,781	0
L/S/F Projects	43,000,000	45,000,000	45,000,000	0
All Funds	<u>\$525,961,166</u>	<u>\$560,420,364</u>	<u>\$570,455,364</u>	<u>(10,035,000)</u>
Local Taxes				Increase
General	\$133,412,722	\$144,169,454		10,756,732
Debt Service	30,090,600	33,849,499		3,758,899
Total	<u>\$163,503,322</u>	<u>\$178,018,953</u>		<u>14,515,631</u>
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* Adjustments may occur with approval of additional charter schools				

REVENUES		
General Fund		
		FY 2005-2006 Pro Forma
LOCAL		
Taxes		\$ 144,169,454
Assume full amount of taxes allowed under local tax cap calculation for		
District's calculated share of the formula (Using same criteria as the Municipality of Anchorage, October 2004)		
-Population - 5-year average 1.16%	1,541,788	
-CPI - Anchorage 2.80%	3,721,556	
-Operations and Maintenance:	2,260,342	
Eagle River High School		
Service High School		
-New Construction \$514.98M	3,733,046	
-See Computation of Property Tax Limitation (See page 6)		
Other Local		3,436,000
-Based on prior years revenue trend		
-No increased user fees		
-Current family cap for activity fees		
Interest Earnings		600,000
-Based on prior receipts and future outlook		
Fund Balance		0
(Undesignated fund balance at 6/30/04 = \$27.989 million)		
-Percentage of remaining Fund Balance with and without usage and corresponding Fiscal Gap		
	<u>Revenues</u>	<u>Fiscal Gap</u>
No Usage	6.93%	\$29.035 M } }
Use \$7M	5.11%	22.035 M } }
Use \$8M	4.85%	21.035 M } }
		Without Governor's Proposal announced on 11/05/04
		\$ 148,205,454
STATE		
Foundation Program Does not include the Governor's Proposal announced on 11/05/04		\$ 221,895,370
-Impact of increased assessed valuation, decreased enrollment, and Federal Impact Aid		
-49,070 ADM including correspondence equates to 66,464.41 adjusted ADM		
-Level III funding under the school funding formula reduced based on new state regulations for classifying intensive Level III students; this equates to an estimated revenue loss of \$2.974 million		
Quality Grant		1,063,431
-No increase - \$16 per Adjusted ADM		
Pupil Transportation		17,009,086
-District-Operated and contracted Transportation State reimbursement estimate based on FY 2003-2004 actuals adjusted for CIP times FY 2005-2006 estimated ADM less Correspondence Programs		
Less Fund Transfer to Debt Service Fund for principal amount to be funded by State Pupil		
Transportation revenues for 20 buses funded by April 2002 and April 2003 Bonds		
Supplemental Funding and Grants		
-On-Base Schools		408,484
-McLaughlin Youth Center		413,503
-Providence Heights		130,000
-State Medicaid		1,100,000
		\$ 242,019,874
FEDERAL		
Federal Impact Aid		\$ 12,750,000
-Assumes same level of funding as in FY 2004-2005		
JROTC		590,000
-Based on prior year revenue trend		
		\$ 13,340,000
-Rounding		(328)
		\$ 403,565,000
Total General Fund		

REVENUES	
Food Service Fund	
	FY 2005-2006 Pro Forma
Local Sources	\$ 6,556,208
Federal Sources	7,599,962
Fund Balance	369,413
Total Food Service Fund	\$ 14,525,583
<p>Note: Estimated 5.4% increase based on estimated program requirements - \$.20/paid meal price increase and the opening of Eagle River High School is included. (Undesignated fund balance at 6/30/04 = \$1.278 M. Use of \$.369M results in 6.25% of the FY 2005-2006 estimated budget.)</p>	

Debt Service Fund	
	FY 2005-2006 Pro Forma
Local Sources (Taxes)	\$ 33,849,499
State Sources	40,326,872
Fund Transfer	208,750
Fund Balance	3,469,660
Total Debt Service Fund	\$ 77,854,781
<p>Note: Does not include debt service on any proposed future propositions. Includes the October 2004 bond sale and the anticipated bond sale in January 2005 for a portion of the November 2, 2004 ballots. Fund Transfer from General Fund is for the principal amount to be funded by State Pupil Transportation revenues for 20 buses funded by April 2002 and April 2003 Bonds.</p>	

Local, State and Federal Projects Fund	
	FY 2005-2006 Pro Forma
Local Special Projects	\$ 775,000
State Special Projects	1,350,000
Federal Special Projects	42,875,000
Total Local, State and Federal Projects Fund	\$ 45,000,000
<p>Note: FY 2005-2006 still under further review with grant writers and federal legislation.</p>	

FY 2005-2006 EXPENDITURES	
GENERAL FUND	
UNKNOWN	ASSUMPTIONS
<p>Contracts Pending FY 2004-2005 -APA (Anchorage Principals Association)</p> <p>FY 2005-2006 -AEA (Anchorage Education Association) -Maintenance -Exempt Employees -APA (Anchorage Principals Association)</p> <p>Charter Schools -Two new Charter Schools proposals under administrative review -Future housing for Charter Schools</p> <p>Transportation -NCLB Adequate yearly progress transportation concerns</p> <p>Impact of State of Alaska Quality Schools Initiative -Graduation exit exam -Benchmark exams -Comprehensive system of student assessment</p> <p>Impact of Federal Mandates -ESEA - No Child Left Behind Requirements</p> <p>Six-Year Instructional Plan</p> <p>Assessment/Testing Impact</p> <p>Fiscal Gap Budget recommendations for reductions necessary: -Community, staff and student recommendations -Recommendations from previous Budget Review Teams -Administration -School Board</p> <p>Future Bond Issues</p>	<p>Staffing Adjustments -Adjustments made for staffing based on enrollment changes and rural-urban transitioning and immigration from other countries (93 languages other than English)</p> <p>PTR - Pupil to Classroom Teacher Staff -Continue with same staffing ratio Kindergarten: 20.50 to 1 Grade 1: 21.00 to 1 Grade 2-3: 24.00 to 1 Grade 4-6: 27.00 to 1 Grade 7-8: 25.54 to 1 Grade 9-12: 27.08 to 1 Special Education - Staffing is based upon demonstrated need and program (consistent with current year).</p> <p>Settled Contracts FY 2005-2006 -ACE (Anchorage Council of Education) -BUS DRIVERS & ATTENDANTS -TOTEM (Education Support Personnel) -LOCAL 71 (Custodians)</p> <p>Average Teacher Salary -Volume of new hires, attrition and the level of educational attainment in FY 2004-2005 will impact average teacher salary calculation</p> <p>Medical -Based on settled bargaining unit contracts.</p> <p>TRS -Retirement rate increase from 16% to 21% - Estimated increase of \$9M</p> <p>PERS -Retirement rate increase from 14.25% to 19.25% - Estimated increase of \$3 M</p>

FY 2005-2006 EXPENDITURES GENERAL FUND	
UNKNOWN	ASSUMPTIONS
	<p>Other Benefits -Other mandatory benefit adjustments included</p> <p>Major Maintenance Projects -Maintaining current level of funding for major maintenance projects for some of the District's more than 92 school facilities</p> <p>Transportation -Estimated increase based on 2.8% COLA for contracted transportation</p> <p>Other Purchased Contractual Services -Adjustments made for known cost increases</p> <p>Utilities -Utilities based on estimated rate increases provided by utility companies, and weather forecasts. Increases range from 3% to 10%.</p> <p>Supplies -Adjustments made for student enrollment -Continuing same per pupil allocation as FY 2004-2005 -Elementary - \$90 -Middle Level - \$96 -High School - \$100 -One time only triple allocation for Eagle River High School -Emergency Preparedness - same level</p> <p>Equipment -Equipment between \$5,000-\$50,000 to be purchased from Equipment Replacement Fund</p> <p>Charter Schools -Continue five School Board approved Charter Schools. Assumes Correspondence categorization for Family Partnership and Frontier. Assumes state approval of Eagle Academy and included in the FY 2005-2006 projections.</p> <p>2004-2005 One Time Expenditures Not Included - \$1.6M - Return funds to Municipality of Anchorage - Bridging funding for Community Schools - Apple Software Upgrades - South Anchorage High School Textbooks - Elementary Supplies "Bullying Stops Here" Curriculum - Assessment of Implementing IFAS 7i - Human Resources Contracted Services for Scanning - One Time Equipment Expenditures</p>

Anchorage School District
Fiscal Year 2005-2006

COMPUTATION OF MUNICIPAL TAX LIMITATION

Taxes Projected—Anchorage School District FY 2004-2005		\$	163,503,322
Less: Taxes accessed in calendar year 2004 and returned to the Municipality			500,000
Less: Prior Year Taxes Required for Debt Service			<u>30,090,600</u>
Net Taxes Approved for General Fund			132,912,722
Adjustment Factors			
Population 5 year Average	1.16 %		
CPI—Anchorage Urban	<u>2.80</u>		
	3.96 %		<u>5,263,344</u>
Basic Tax Limitation			138,176,066
<u>Plus Exclusions:</u> Taxes for Operations and Maintenance on New Voter Approved Facilities (1)			2,260,342
Taxes Requested on New Construction/Property Improvements (2)			<u>3,733,046</u>
Tax Limitation—General Fund			144,169,454
Taxes Requested for Debt Service			<u>33,849,499</u>
TAX LIMITATION FY 2005-2006			178,018,953
General Fund	144,169,454		
Debt Service Fund	<u>33,849,499</u>		
TAXES PROJECTED IN FINANCIAL PLAN—FY 2005-2006			<u>178,018,953</u>
AMOUNT (OVER) LESS THAN TAX LIMITATION		\$	<u><u>0</u></u>

- Note:
- (1) The taxes approved for debt service are for sold bonds approved by the qualified voters.
 - (2) Taxes on new construction or property improvements, excluded from the limitation the first year, are computed as follows: 7.25 mills x \$514,902,935 (estimated 2004 new construction/property improvement value verified by the Municipality of Anchorage's Office of Management and Budget) = \$3,733,046.
 - (3) The Anchorage Assembly may approve more or less taxes than this within the combined total of the tax limitations for the Municipality of Anchorage and the Anchorage School District.

POTENTIAL CONSIDERATION CHANGES TO CRITERIA USED FOR FY 2005-2006 PRO FORMA BUDGET	
	Interest by Board Members
Balanced budget (current assumption - revenues equal to expenditures)	
<u>Revenues:</u>	
Local Property Taxes (current assumption - maximum allowed under local tax cap limitation)	
<ul style="list-style-type: none"> • No increase under local tax cap limitation • Request additional funding under local tax cap limitation 	
Fund Balance as revenue source (current assumption - no use of fund balance)	
<ul style="list-style-type: none"> • One-time expenditures • Recurring expenditures • Bring revenues equal to expenditures 	
User Fees (current assumption - no change)	
<ul style="list-style-type: none"> • Increases to current fees • New fees • Remove family cap 	
State Public School Funding	
<ul style="list-style-type: none"> • Foundation (current assumption - no formula change and no increase to per pupil allocation of \$4,576) • Quality Schools Grant (current assumption - no increase to per pupil amount of \$16) • Implement the Governor's proposed per pupil allocation of \$4,869 prior to Legislative approval 	
State Transportation (current assumption - no proration)	
Community, staff and student recommendations	
<u>Expenditures:</u>	
Maintenance, adoption, or expansion of programs (current assumption - no change)	
<ul style="list-style-type: none"> • Six-Year Instructional Plan • ESEA-No Child Left Behind Act (Jan. 2002) • Quality Schools Initiative • Implementation of the Technology Plan (lease or purchase classroom computers) • Textbook Adoptions • Community, staff and student recommendations • Additional positions other than required by class size reduction • Summer School <ul style="list-style-type: none"> • Elementary • Middle Level • High School • Special Education 	
Recommendations from previous Budget Review Teams	
Pupil to classroom teacher staff ratio (current assumption - no change)	
Student supply/equipment allocation (current assumption - no change)	

POTENTIAL CONSIDERATION CHANGES TO CRITERIA USED FOR FY 2005-2006 PRO FORMA BUDGET (continued)

	Interest by Board Members
Charter school housing (current assumption - no change)	
Supply Purchases	
<ul style="list-style-type: none">• Emergency Preparedness (current assumption - no change in funding to supply schools with emergency shelters)	
Equipment purchases (current assumption -no equipment purchases above \$5,000 unless from student supply/equipment allocation at the school level)	
<ul style="list-style-type: none">• Other (under review- maintenance equipment above \$50,000 - General Fund vs. Bonding)	
Major maintenance projects (current assumption - maintain \$2.491 million)	
Future bond issues (current assumption - under review)	
Computer Equipment Replacement Fund	