



**Financial Futures Committee
February 4, 2014
6:30 pm, Mac Bernd Professional Development Center**

WELCOME & OPENING REMARKS FROM BOARD MEMBERS.....Dr. Aaron Reich
John Hibbs
Tony Pompa
AISD Board Community Engagement Committee

REMARKS FROM SUPERINTENDENT.....Marcelo Cavazos
AISD Superintendent

COMMITTEE INTRODUCTIONS.....Dan Malone
FFC Chairperson

CHARGE TO FINANCIAL FUTURES COMMITTEE.....Dan Malone

ACHIEVE TODAY. EXCEL TOMORROW. STRATEGIC PLAN.....Marcelo Cavazos

BUDGET PARAMETERS.....Cindy Powell
Chief Financial Officer

BUDGET OVERVIEW.....Cindy Powell

BUDGET FORECAST.....Cindy Powell



Financial Futures Committee
February 4, 2014



Opening Remarks

AISD Trustees
Dr. Aaron Reich
John Hibbs
Tony Pompa

Superintendent
Dr. Marcelo Cavazos



FFC Charge

- Gather external and internal data on issues relating to Texas public education, including school finance and accountability, to understand how those issues affect AISD's general operating budget.
- Review and discuss the *Achieve Today. Excel Tomorrow.* strategic plan to understand the impact that the plan may have on the budget.
- Review current staffing methods in relation to state education law and current administration protocol in order to fully assess the impact on the budget.



FFC Charge

- Review the current general operating budget to gain an understanding of cost drivers.
- Review the recommendations that the 2013-14 Capital Needs Steering Committee reported to the Board of Trustees to gain an understanding of financial impact the recommendations will have on property owners and the general operating budget.



FFC Charge

- Identify and prioritize any programs, departments or expenditures the committee can agree by majority vote that the Board of Trustees should consider adding to or reducing/deleting from the budget. Committee may recommend that identified programs, departments, or expenditures be: (1) deferred to a future year budget or possible future bond election, (2) eliminated, or (3) outsourced.



FFC Charge

- Report advisory, consensus recommendations to the administration and Board regarding the 2014-15 AISD budget at the Board meeting on April 17, 2014.



FFC Charge
Committee Member Attendance

- FFC members shall miss no more than two meetings to be eligible to vote on recommendations compiled by the Committee.
- A majority of the Committee membership must be present at scheduled meetings in order for the Committee to conduct business.



Strategic Plan
Achieve Today. Excel Tomorrow.
Dr. Marcelo Cavazos



AISD Vision

The vision of the Arlington Independent School District is to be globally acknowledged as a premier school district.



AISD Mission

The mission of the Arlington Independent School District is to empower and engage all students to be contributing, responsible citizens reaching their maximum potential through relevant, innovative and rigorous learning experiences.



Objectives

100 percent of students will:

- graduate on time and excel at their school or career of choice.
- reach their full academic potential.
- be actively involved in extracurricular and co-curricular activities.
- graduate as lifelong learners.
- graduate with a commitment to their community.



Framework for Success

Inspired Learners
Effective Leadership
Engaged Community



Inspired Learners

Year 2 Strategies

- The AISD will be a high performing, technology-rich school district with leading-edge learning experiences that promote engagement, creativity, critical thinking and achievement.
 - Implement Managed Performance Empowerment model
 - Implement an instructional model that promotes engagement, creativity, critical thinking and student achievement
 - Ensure appropriate guidance and academic support for every student
 - Implement a locally developed accountability system



Inspired Learners

Year 2 Strategies

- The AISD will prepare our graduates to excel in higher education or the career of their choice.
 - Every student will develop a CTHE individual plan for their future
 - Implement workforce development partnerships
 - Implement Higher Education partnerships
- The AISD will be the leader in the education marketplace by providing world-class facilities while being fiscally responsible.
 - Create a facilities vision
 - Develop a financial plan for implementing the facilities vision



Inspired Learners

Year 2 Strategies

- The AISD will provide a safe and secure environment.
 - Implement a plan to ensure positive student character and behavior
- The AISD will ensure all teachers are highly effective.
 - Provide continual professional development that yields teacher effectiveness
 - Provide teachers with all the tools and resources needed for excellence in the classroom



Effective Leadership

Year 2 Strategies

- The AISD will recruit and retain the most effective people by rewarding excellence and providing opportunities for continual growth.
 - Implement a competitive compensation plan
 - Create a comprehensive selection and retention process specific to job category
 - Develop a measurement tool for employee effectiveness that positively impacts student learning



Effective Leadership

Year 2 Strategies

- The AISD will foster a caring culture of respect, integrity, wellness and citizenship throughout the district.
 - Develop a customer service expectation
 - Promote a culture of integrity
- The AISD will cultivate an environment that builds great leaders
 - Develop teacher, student and administrator leadership training and opportunities



Engaged Community

Year 2 Strategies

- The AISD will actively engage and partner with parents in the educational experience
 - Increase parent involvement in schools
- The AISD will enhance educational excellence and workforce development through collaboration with community partners
 - Implement a plan to increase engagement with faith-based organizations, businesses, non-profits, governmental entities, higher education institutions, and volunteers



Engaged Community

Year 2 Strategies

- The AISD will utilize all the communications channels to maximize awareness and support of the district’s vision to be globally acknowledged as a premier school district.
 - Effectively communicate and engage stakeholders of staff, students, parents, and community in the district’s strategic planning process
 - Market and promote through effective public relations what sets the AISD apart from other educational institutions be they public or private
 - Engage our internal stakeholders as advocates for the district’s vision



Meeting Planner

Mtg.	Date	Topics
1	Feb. 5	Strategic Plan Budget Parameters Budget Overview School Finance System Budget Forecast School Finance Lawsuit
2	Feb. 18	Staffing Formulas & Class Size Curriculum & Instruction <ul style="list-style-type: none"> ▪ Graduation Requirements ▪ Curriculum Audit ▪ Instructional Model ▪ Early College High School ▪ Program Evaluations
3	Mar. 4	Capital Needs Steering Committee Recommendations Subcommittee Discussions
4	Mar. 18	Subcommittee Discussions
5	Apr. 1	Subcommittee Reports
6	Apr. 7	Finalize Recommendations



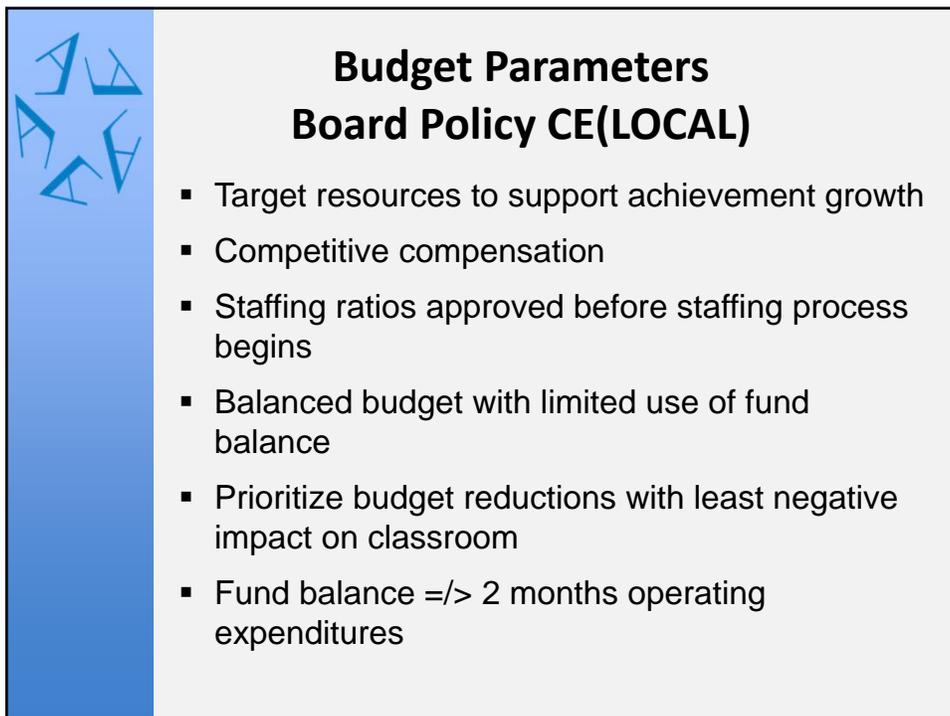
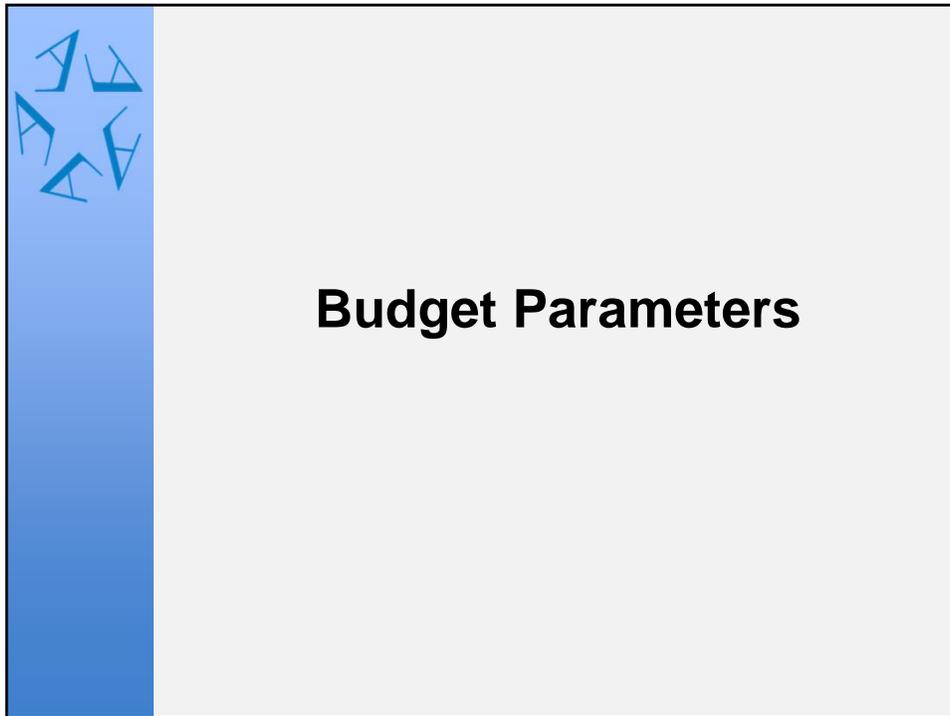
Budget Overview

Cindy Powell, Chief Financial Officer



Key Points

Revenues	<ul style="list-style-type: none">• Property taxes & state aid are main revenue sources; controlled by state formulas• Changes in property values affect revenue• M&O tax rate is \$1.04 & can only be raised with voter approval
Expenditures	<ul style="list-style-type: none">• Align with strategic plan• Payroll represents 87% of expenditures
Fund Balance	<ul style="list-style-type: none">• Savings account, measure of financial strength• Only use for one-time expenditures• Commitment for new elementary school





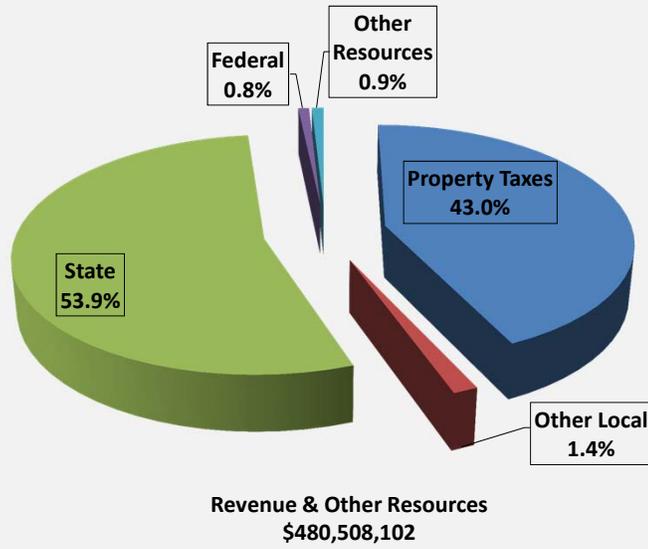
General Fund 2013-14 Adopted Budget (in millions)

	2013-14
Beginning Fund Balance	\$156.3
Revenues	\$480.5
Expenditures	<u>\$468.0</u>
Surplus/Deficit	\$12.5
Ending Fund Balance	\$168.8



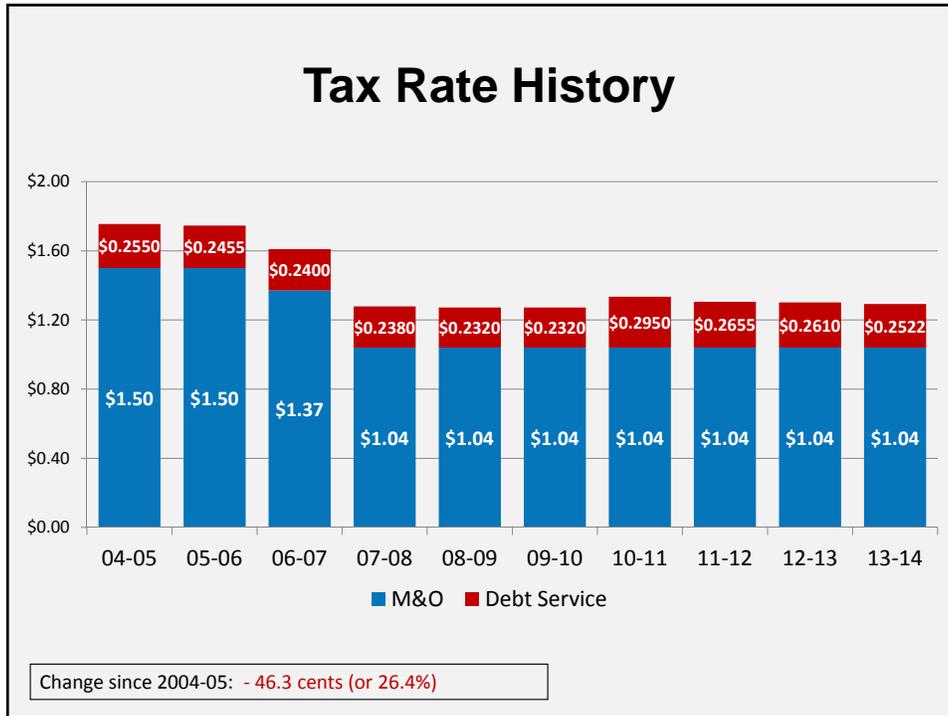
Revenues

2013-14 Revenue & Other Resources Budget



Tax Rate

	2013-14
Maintenance & Operations	\$1.04000
Debt Service	<u>\$0.25217</u>
Total Tax Rate	\$1.29217





State Funding System

- Two sources of revenue for all Texas school districts
 - Property Taxes
 - State Aid

- Property values help determine state aid
 - The higher your property values, the less state aid you receive and vice-versa



State Funding System

- State funding formulas – series of formulas that use:
 - Prior year property values
 - Current year tax rate & tax collections
 - Cost of Education Index
 - Average Daily Attendance
 - Special program participation (e.g., special education, career & technology, bilingual/esl, gifted/talented, high school allotment, state compensatory education)



State Funding System

- In 2006 state legislature mandated that all districts lower their M&O tax rates by 1/3rd
- State aid was increased to replace revenue lost when tax rates were lowered
 - Basic allotment was increased
- Each district was guaranteed to receive the same per student amount (property taxes & state aid) that they earned at the old tax rate
 - Known as “*target revenue*”
 - Targets were adjusted in 2009 legislative session



State Funding System

- If formulas produce an amount less than *target*, the state gives the district additional state aid to reach *target* (*i.e.*, a *hold harmless payment*)
- If formulas produce an amount greater than *target*, the district is considered to be “on formula”
 - AISD is a formula district
- Funding formulas do not adjust for inflation



School Finance System

- Changes in property values only impact total revenues of formula districts
 - AISD is a formula district
 - Increase in AISD property values will increase revenue
 - Decrease in AISD property values will decrease revenue



School Finance System

- Most districts have an M&O rate of \$1.04
- Any increase above \$1.04 (up to the \$1.17 max rate) must be approved by voters through a tax ratification election
- Legislature cut education funding by \$5.4 billion in 2011
- Legislature restored \$3.4 billion in 2013



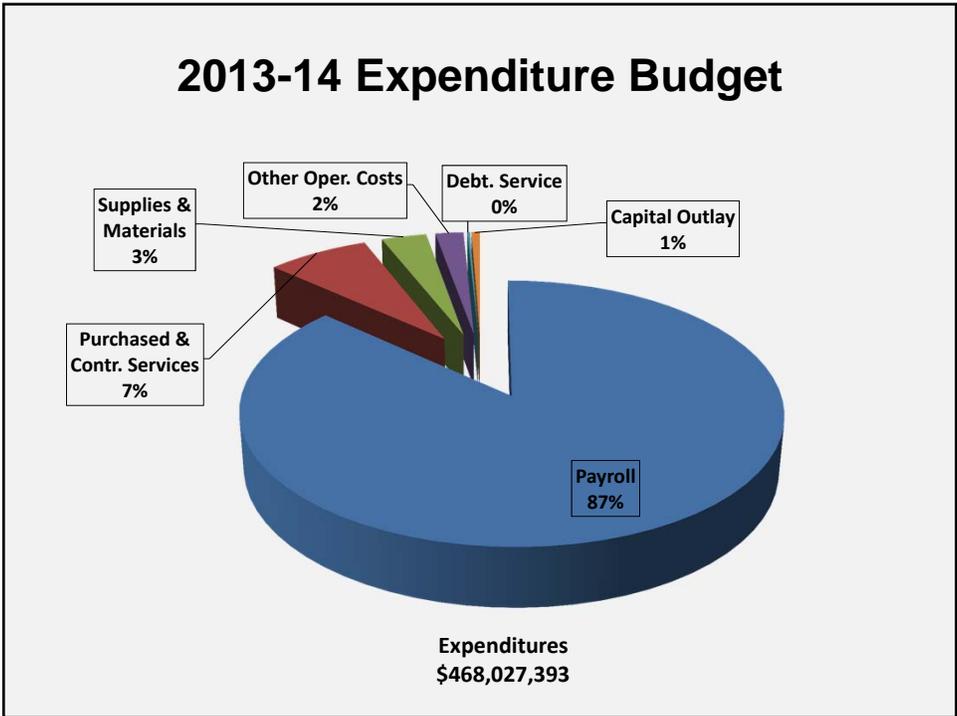
School Finance Lawsuit

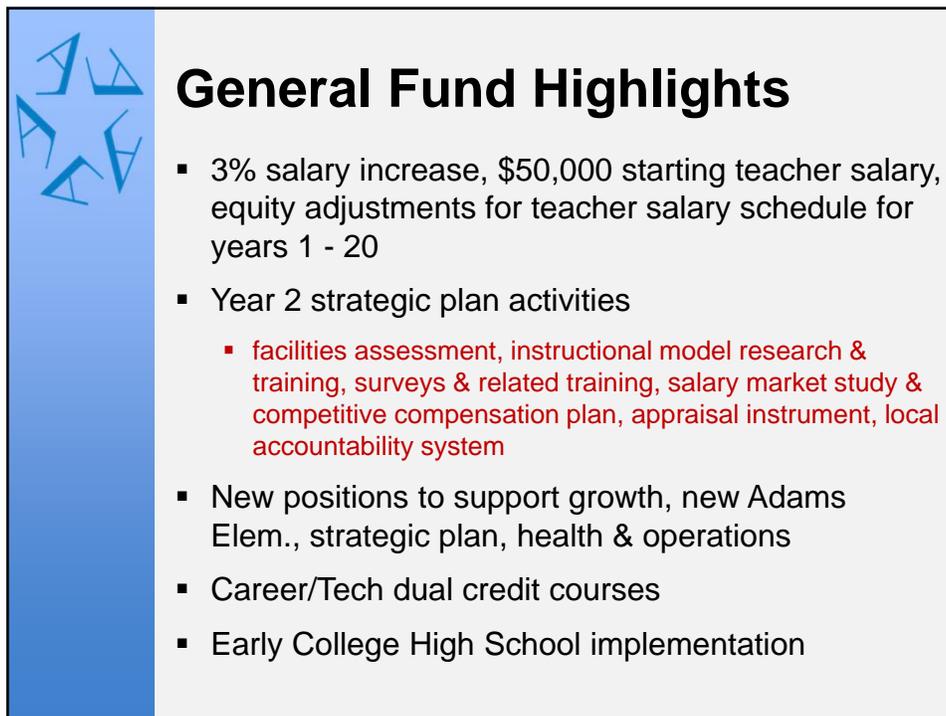
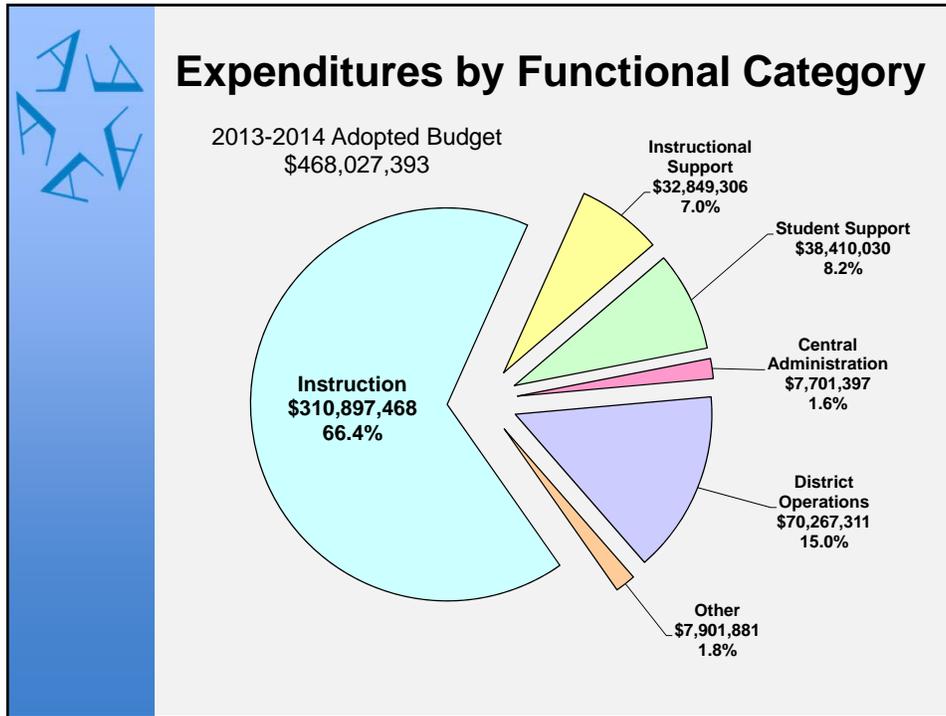
- Six plaintiff groups (representing more than 600 school districts) sued state
- AISD is part of the Texas Taxpayer & Student Fairness Coalition plaintiff group
- School finance system ruled unconstitutional in February 2013:
 - Inequitable & inefficient
 - Inadequate & unsuitable
 - De facto statewide property tax



School Finance Lawsuit

- Judge is holding hearings to determine if actions taken by the 83rd Legislature had an impact on the initial ruling
 - Hearings are expected to last 4 weeks
 - Ruling may be issued by April 1
- District court ruling will be appealed to Texas Supreme Court, regardless who prevails
 - Arguments likely will be heard in fall 2014
 - Final decision spring 2015
 - Implications for 2015 legislative session







General Fund Highlights

- FFC Recommendations
 - Intervention period for jr. high schools
 - Kindergarten TA's
 - PSAT/SAT/Accuplacer prep classes
 - AVID Elementary (Lamar network)
 - Afterschool programs to strengthen course sequence (UIL Academic competitions)
 - World language program for elementary schools
 - Ambassador's Club
 - Substitute pay increase & on-line training
 - Pre-K program expansion



2013-14 Adopted Budget (in millions)

	2013-14
Beginning Fund Balance	\$156.3
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Fund Balance

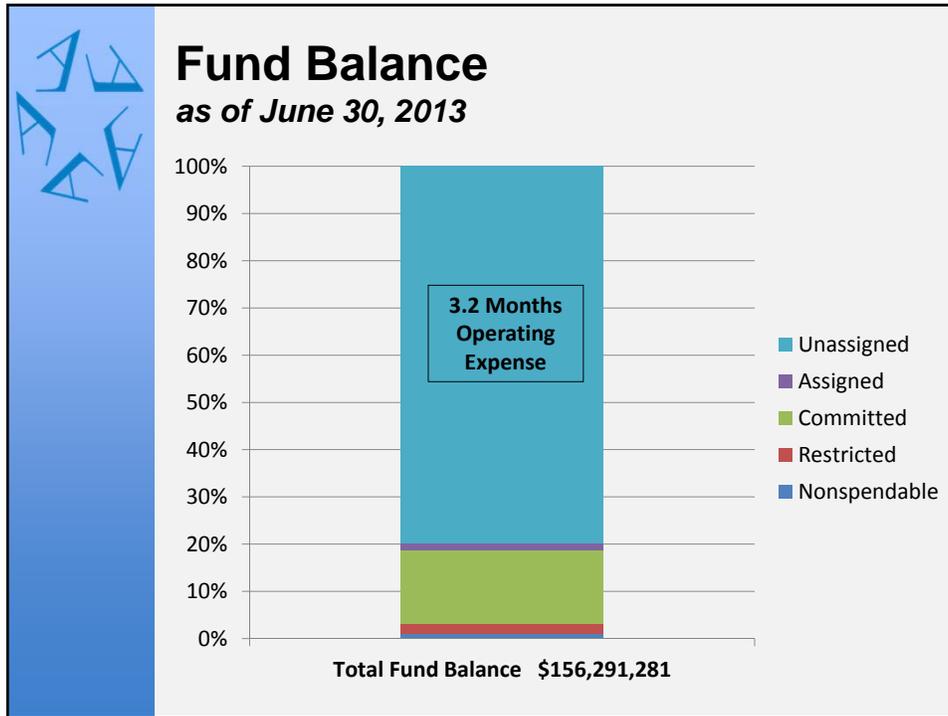
- Fund balance is similar to a savings account
- It is the cumulative sum of actual year-end surpluses and deficits over the years
- Fund balance provides cash during times when the district has deficit cash flow (e.g., in fall before tax collections begin)
- General rule of thumb – only use fund balance for one-time costs
- Credit rating agencies want an entity to have at least 2 months of operating expense in unassigned fund balance



Fund Balance

Categories	June 30, 2013
Non-Spendable:	
Inventories	\$1,134,843
Prepaid Items	\$ 493,445
Restricted:	
High School Allotment	\$3,340,521
Committed:	
Construction	\$24,295,514
Assigned:	
Encumbrances	\$2,279,066
Unassigned	<u>\$124,747,892</u>
Total Fund Balance	\$156,291,281

Source: Comprehensive Annual Financial Report as of June 30, 2013



Multi-Year Forecast (in millions)

	10-Mos. Actual 2011-12	Actual 2012-13	Adopted 2013-14	Projected 2013-14	Forecast 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18
Beg. Fund Bal.	88.4	139.3	156.3	156.3	170.4	161.3	168.4	174.7
Revenues/Oth. Res	426.7	441.2	480.5	472.2	483.0	480.4	481.7	482.5
Expend/Oth. Uses	<u>375.8</u>	<u>424.2</u>	<u>468.0</u>	<u>458.1</u>	<u>492.1</u>	<u>473.3</u>	<u>475.4</u>	<u>476.4</u>
Surplus/(Deficit)	50.9	17.0	12.5	14.1	(9.1)	7.1	6.3	6.1
Ending Fund Bal.	139.3	156.3	168.8	170.4	161.3	168.4	174.7	180.8

ASSUMPTIONS:

Property Value Growth: 1% / yr.	State Aid: CSSB 1 83 rd Reg. Session	Salary Increases : None after 2013-14
M&O Tax Rate: No change	New elem. Constructed in 14-15	New elem.'s open: 2015-16 & 2016-17
Enrollment Growth: approx. 250/yr.	Strategic Plan One-Time Costs: None after 13-14	



2014-15 Budget

- Strategic Plan
 - Year 3 strategies & year 2 strategies to be completed, including
 - Instructional model
 - Curriculum audit
- Enrollment projection
 - 64,688 - same as 2013-14 actual
- Construction of east Arlington elementary
 - Fund Balance
- Salary Market Study
- New graduation requirements



Questions?