



**Financial Futures Committee
February 3, 2015
6:30 pm, Mac Bernd Professional Development Center**

WELCOME & OPENING REMARKS FROM BOARD MEMBERS.....Peter Baron
 Dr. Aaron Reich
 Kecia Mays
 AISD Board Community Engagement Committee

COMMITTEE INTRODUCTIONS.....Tony Pompa
 FFC Chairperson

CHARGE TO FINANCIAL FUTURES COMMITTEE.....Tony Pompa

STRATEGIC PLANS.....Dr. Marcelo Cavazos
 Superintendent of Schools

BUDGET OVERVIEW.....Cindy Powell
 Chief Financial Officer

BUDGET PARAMETERS.....Cindy Powell

STATE FUNDING SYSTEM.....Cindy Powell


BUDGET FORECAST.....Cindy Powell

2015-16 BUDGET.....Cindy Powell


ENROLLMENT & SPECIAL POPULATION PROJECTIONS.....Tony Drollinger
 Executive Director of Finance

DISTRICT PROFILE & SELECT COMPARISON DATA.....Tony Drollinger

CLOSING THOUGHTS.....Tony Pompa



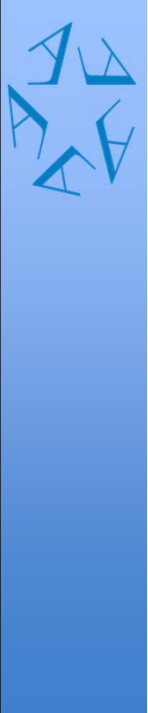
Financial Futures Committee
February 3, 2015



Opening Remarks

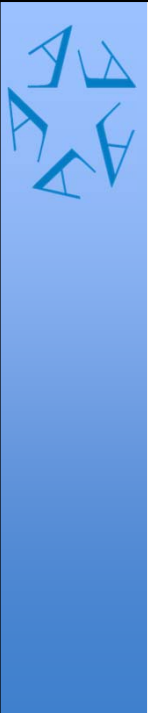
AISD Trustees
Peter Baron
Dr. Aaron Reich
Kecia Mays

Superintendent
Dr. Marcelo Cavazos



Charge to 2015-16 FFC

Tony Pompa, FFC Chairperson



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 the *Achieve Today. Excel Tomorrow.* strategic plan **and the development of the new 2015-2020 strategic plan** to understand the impact that the strategic plan may have on the general operating budget.
- Review the current general operating budget to gain an understanding of cost drivers.




FFC Charge

- Review each of the following in order to assess the impact that each item has on the 2015-16 general operating budget and provide input on each, as appropriate:
 - Academic Services priorities and operational efficiency priorities presented to the Committee by the District.
 - Current staffing methods in relation to state education law and current administration protocol
 - Compensation and benefits, including salary market studies, performance pay systems, health insurance and wellness plan
 - Operating costs associated with bond projects that will be completed prior to or during the 2015-16 fiscal year




FFC Charge

- Formalize recommendations for the 2015-16 budget, as appropriate, including possible additions, reductions or deletions to the budget. **Recommendations should be aligned with the strategic plan, priorities and budget considerations presented by Administration and should consider operational efficiencies.** Committee may recommend that budget items/initiatives 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 2015-16 AISD budget at the Board meeting on April 16, 2015.



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.



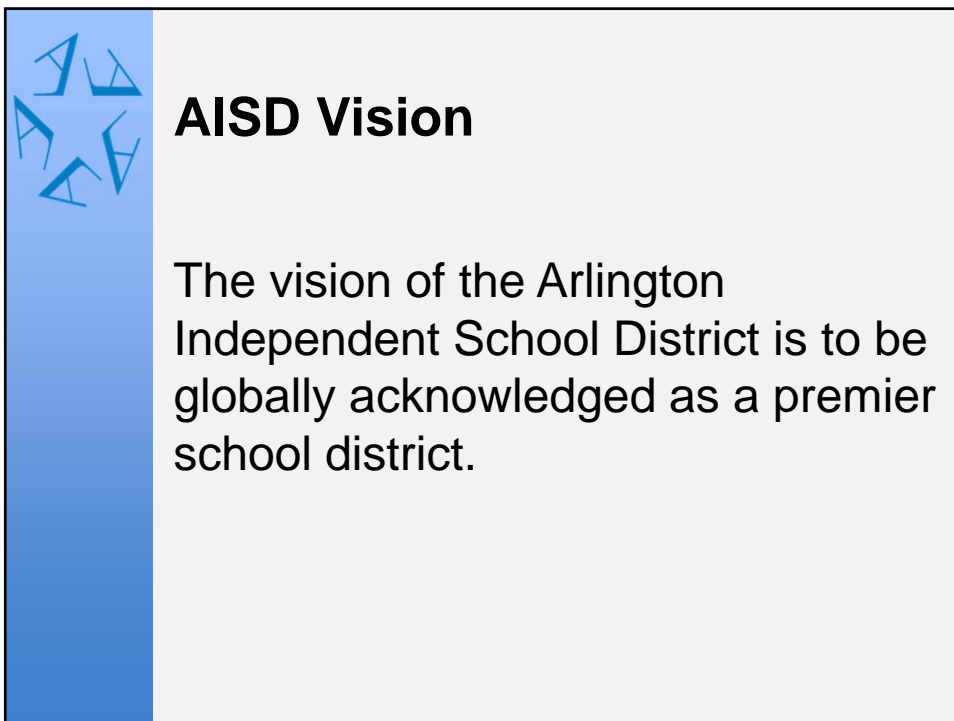
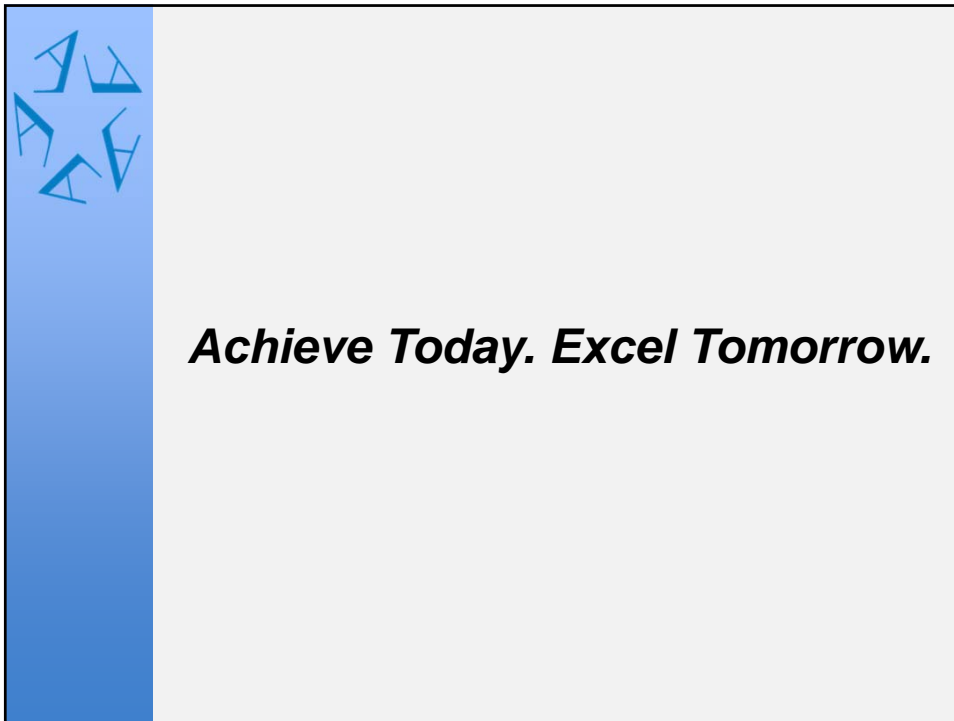
Strategic Plans

Dr. Marcelo Cavazos



Strategic Plans

- **Current strategic plan**
 - *Achieve Today. Excel Tomorrow.*
 - Three-year plan
 - 2012 – 2015
- **New strategic plan will be developed this spring**
 - Five-year plan
 - 2015 – 2020





AI SD 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

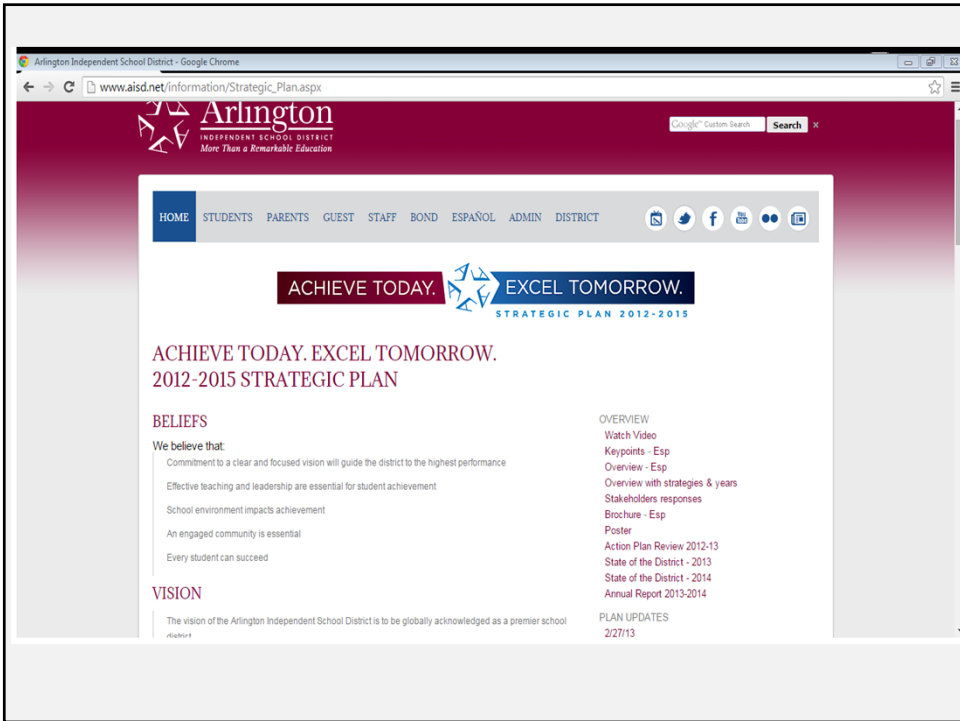
100 percent of students will:

- 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



Arlington Independent School District - Google Chrome
www.aisd.net/information/Strategic_Plan.aspx

Arlington
INDEPENDENT SCHOOL DISTRICT
More Than a Remarkable Education

HOME STUDENTS PARENTS GUEST STAFF BOND ESPAÑOL ADMIN DISTRICT

ACHIEVE TODAY. EXCEL TOMORROW.
STRATEGIC PLAN 2012-2015

ACHIEVE TODAY. EXCEL TOMORROW. 2012-2015 STRATEGIC PLAN

BELIEFS
We believe that:

- Commitment to a clear and focused vision will guide the district to the highest performance
- Effective teaching and leadership are essential for student achievement
- School environment impacts achievement
- An engaged community is essential
- Every student can succeed

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

OVERVIEW
Watch Video
Keypoints - Esp
Overview - Esp
Overview with strategies & years
Stakeholders responses
Brochure - Esp
Poster
Action Plan Review 2012-13
State of the District - 2013
State of the District - 2014
Annual Report 2013-2014

PLAN UPDATES
2/27/13



Budget Overview

Cindy Powell, Chief Financial Officer

Budget Preparation Timeline

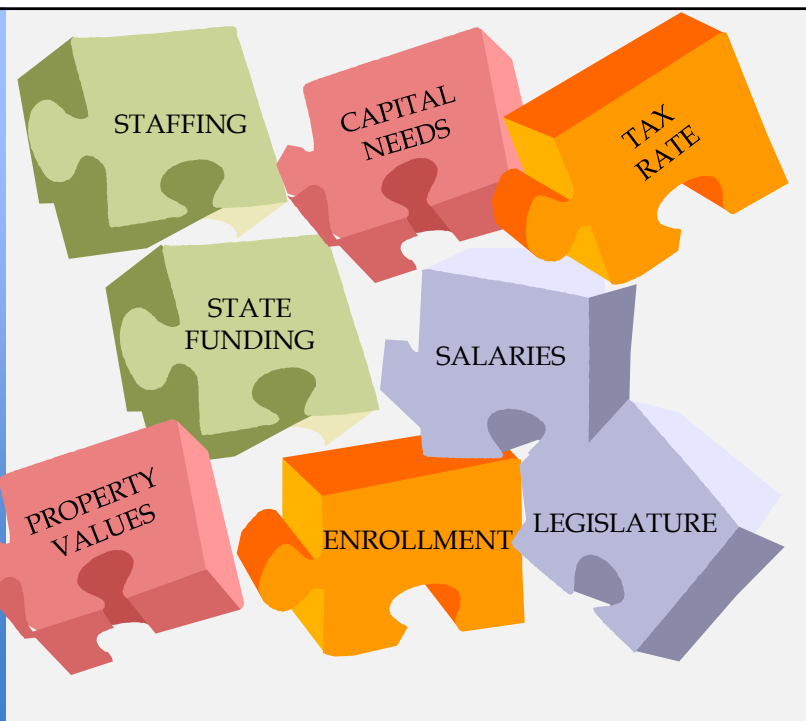

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Planning										
Enrollment Projections										
Legislative Session										
Budget Prep (Schools/Depts.)										
Staffing										
Financial Futures Committee										
Budget Reviews										
Payroll Budget Prep										
Revenue Estimates										
Board Discussion/Hearings/Action										
Receive Certified Prop Values										
Adopt Property Tax Rate										

AISD Fiscal Year: July 1 – June 30



Who's Involved

- Campuses
 - Teachers/Secretary/Principal
 - Site-Based Team
- Human Resources Department
- Department Administrators
 - Academic Services/Operations/Technology
- Accounting/Budget/Finance Administrators
- Superintendent & Executive Staff
- DIDC
- Financial Futures Committee (Citizens Committee)
- Public
- Board of Trustees



STAFFING

CAPITAL NEEDS

TAX RATE


STATE FUNDING

SALARIES

PROPERTY VALUES


ENROLLMENT

LEGISLATURE




Keys to Success

- Prioritize needs
- Return on investment
- Staffing
 - Set formulas & stick with them
 - Equity
- Community input
- Conservative estimates
- Operational efficiencies




Budget Parameters




Budget Parameters Board Policy CE(LOCAL)

- Target resources to support achievement growth
- Competitive compensation
- Staffing ratios approved before staffing process begins
- Balanced budget with limited use of fund balance
- Prioritize budget reductions with least negative impact on classroom




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 83% of expenditures
Fund Balance	<ul style="list-style-type: none">• Savings account, measure of financial strength• Use for one-time expenditures• Commitment for new elementary school




General Fund 2014-15 Adopted Budget (in millions)

	2014-15
Beginning Fund Balance	\$188.8
Revenues	\$487.6
Expenditures	<u>\$486.6</u>
Operating Surplus/Deficit	\$1.0

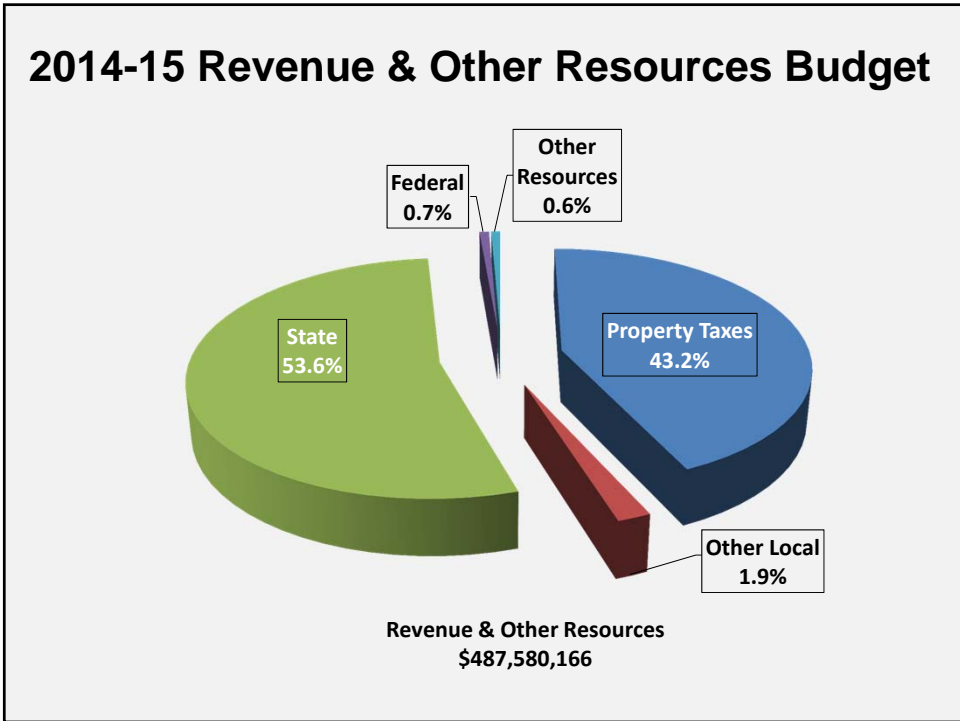



General Fund 2014-15 Adopted Budget (in millions)

	2014-15
Beginning Fund Balance	\$188.8
Revenues	\$487.6
Expenditures	<u>\$486.6</u>
Operating Surplus/Deficit	\$1.0
New Elementary School <i>(from surplus fund balance)</i>	\$21.8
Net Surplus/Deficit	(\$20.8)
Ending Fund Balance	\$168.0



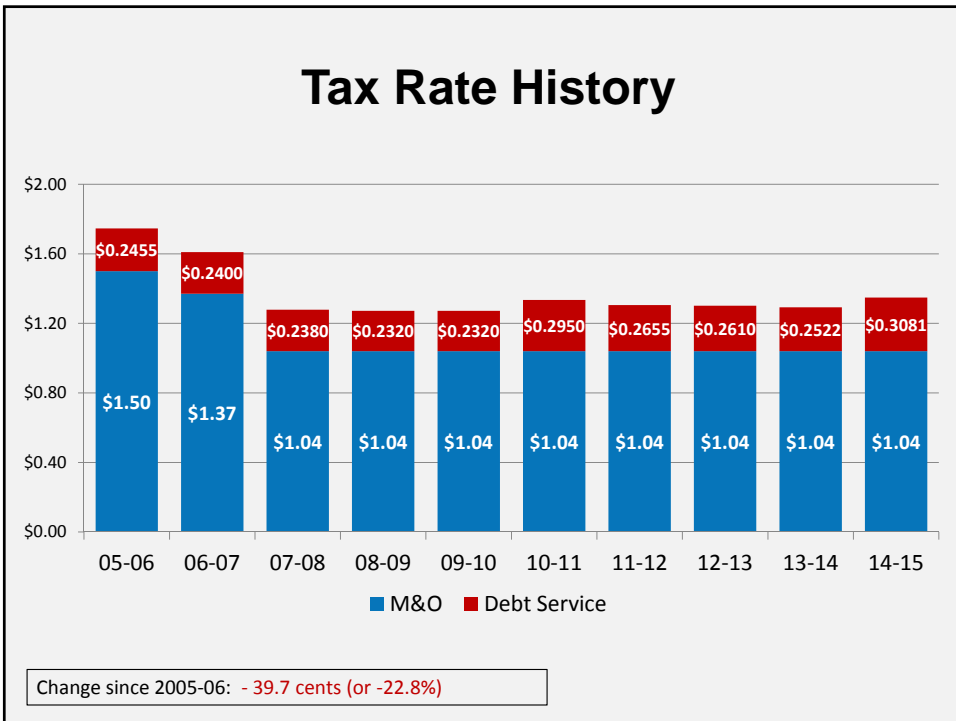
Revenues

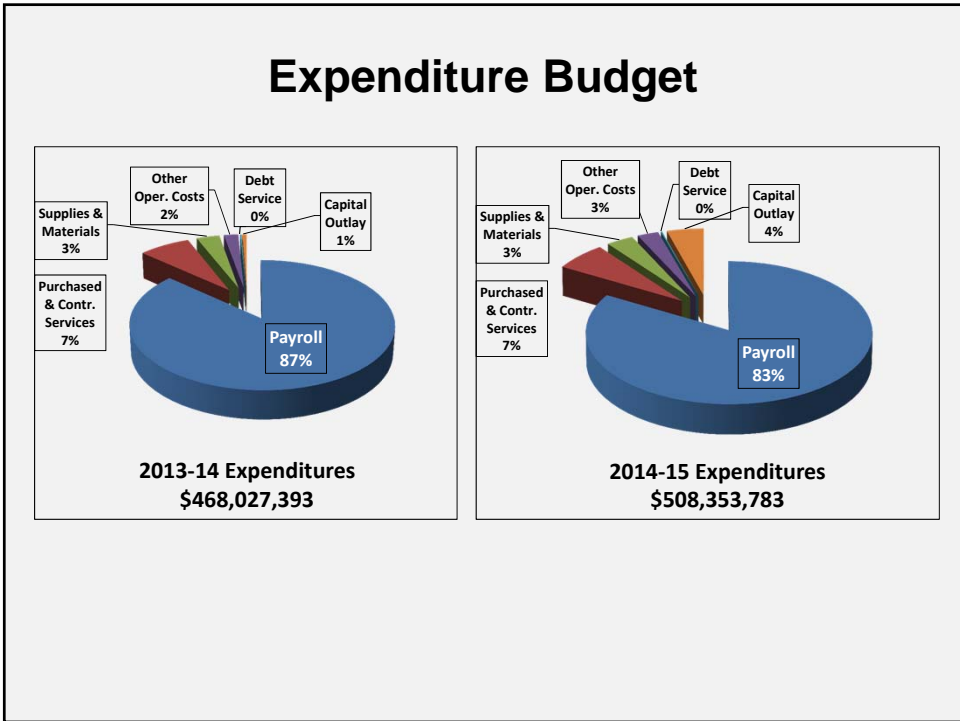
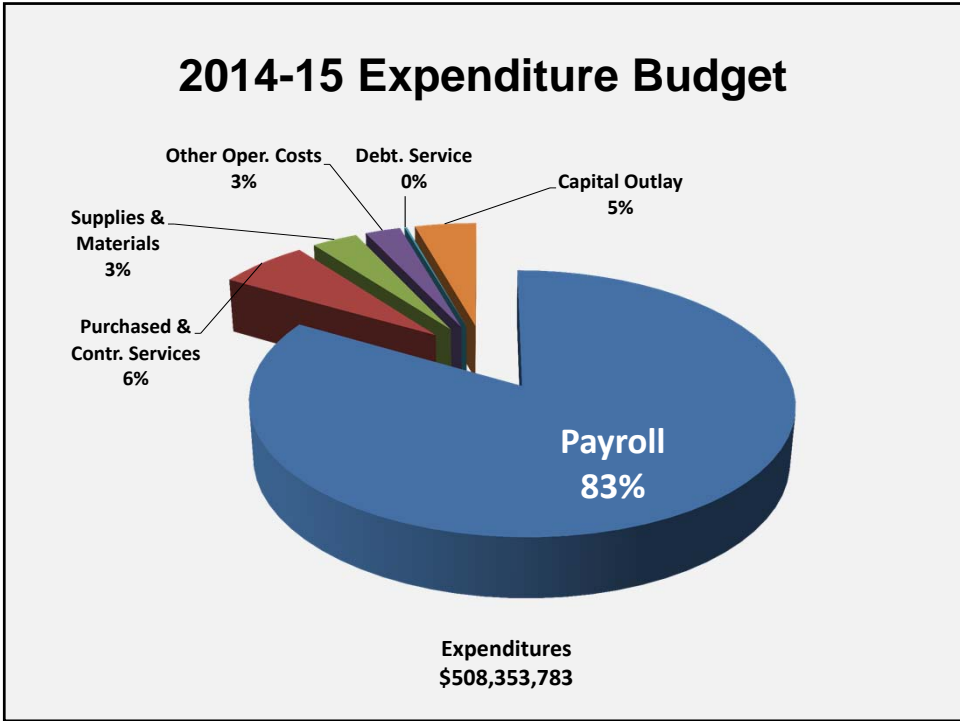


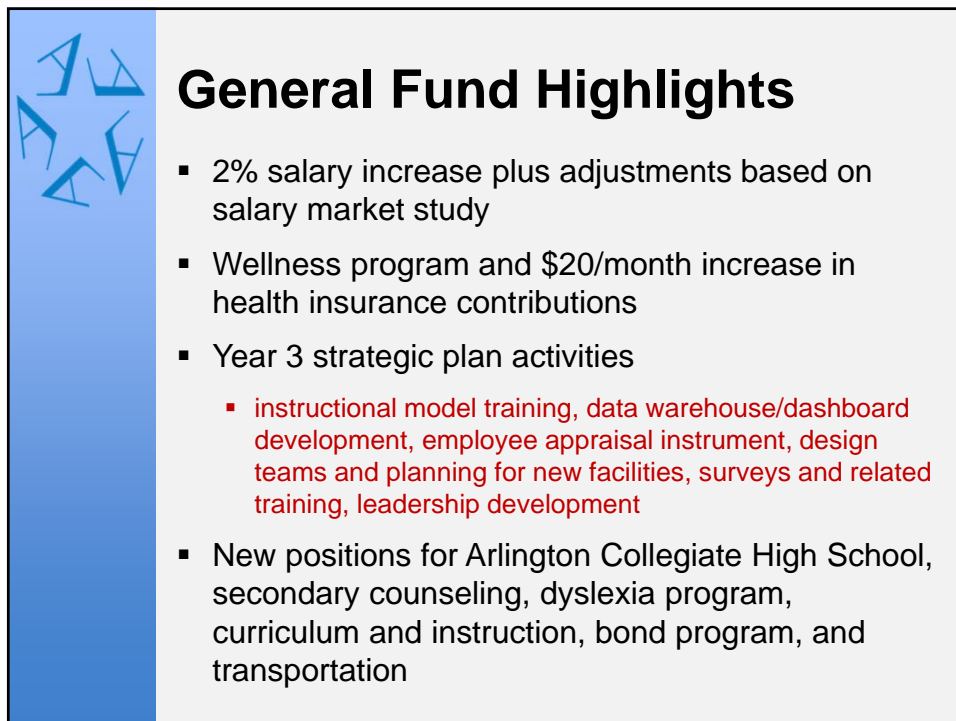
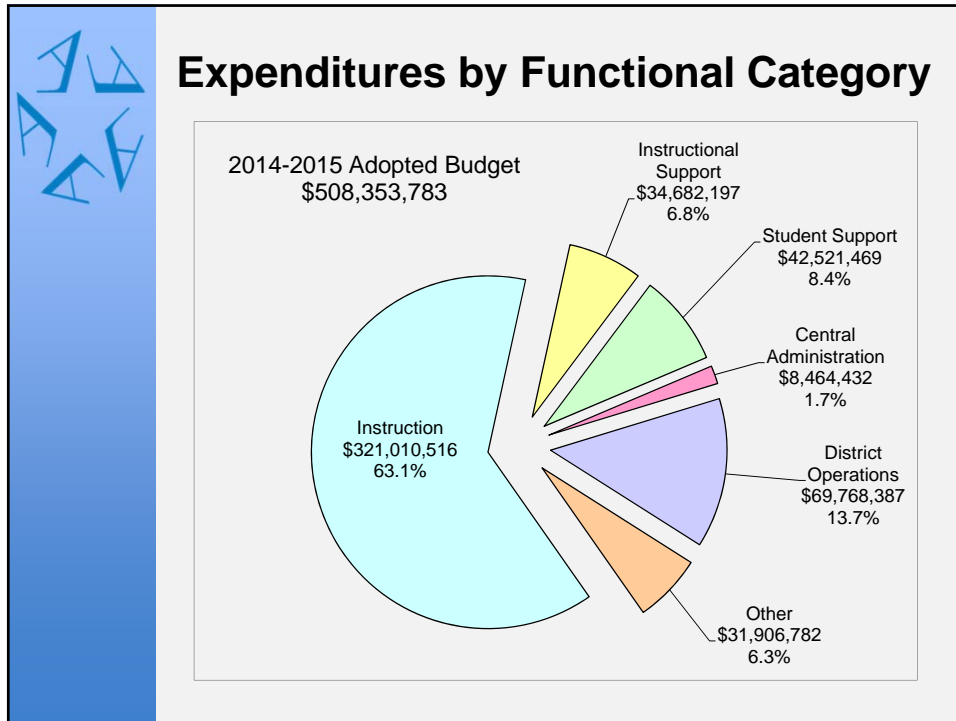



Tax Rate

	2014-15
Maintenance & Operations	\$1.04000
Debt Service	<u>\$0.30811</u>
Total Tax Rate	\$1.34811










General Fund Highlights

- New mandated TRS Supplemental Contribution (\$4 million)
- Funding for elementary school PLCs
- Learning management system for online learning and pre-packages on-line course content
- Jr. High Athletics expansion
- Reduced utility costs
- Energy retrofit projects
- Capital needs
- Construct new elementary school from surplus fund balance



General Fund 2014-15 Adopted Budget (in millions)

	2014-15
Beginning Fund Balance	\$188.8
Revenues	\$487.6
Expenditures	<u>\$486.6</u>
Operating Surplus/Deficit	\$1.0
New Elementary School <i>(from surplus fund balance)</i>	\$21.8
Net Surplus/Deficit	(\$20.8)
Ending Fund Balance	\$168.0



Fund Balance

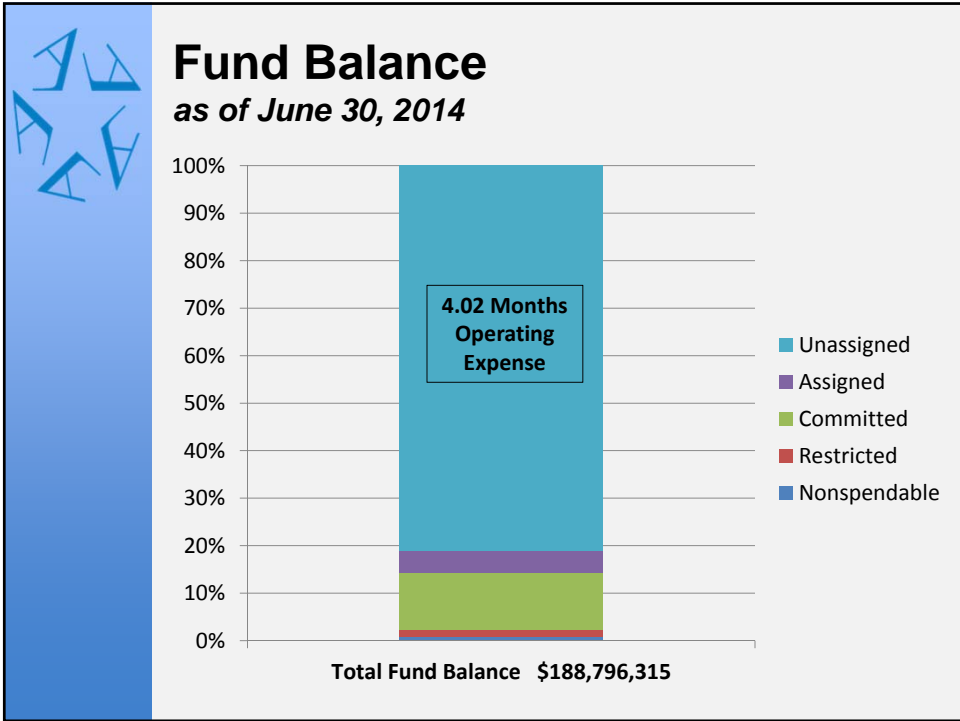
- Fund balance is similar to a savings account
- It is the cumulative sum of actual year-end surpluses and deficits over the years
- Fund balance provides cash during times when the district has deficit cash flow (e.g., in fall before tax collections begin)
- General rule of thumb – only use fund balance 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, 2014
Non-Spendable:	
Inventories	\$1,199,533
Prepaid Items	\$ 407,268
Restricted:	
High School Allotment	\$2,870,621
Committed:	
Construction	\$22,729,187
Assigned:	
Other Purposes (<i>Encumbrances</i>)	\$8,474,064
Unassigned	<u>\$153,115,642</u>
Total Fund Balance	\$188,796,315

Source: Comprehensive Annual Financial Report as of June 30, 2014



State Funding System



State Funding System

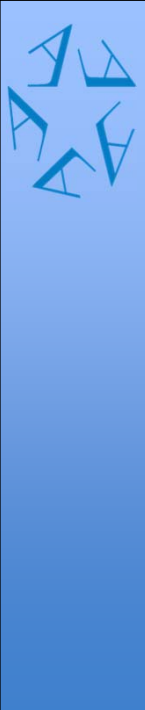
- Two sources of revenue for all Texas school districts
 - Property Taxes
 - State Aid

- 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)



School Finance System

- Changes in property values impact total revenues of formula districts only
 - 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



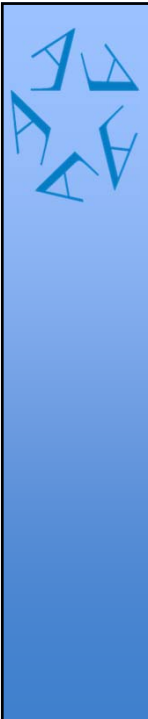
School Finance Lawsuit

- Five plaintiff groups (representing more than 600 school districts) & one intervener sued state
- School finance system ruled unconstitutional in February 2013:
 - Inequitable & inefficient
 - Inadequate & unsuitable
 - De facto statewide property tax



School Finance Lawsuit

- Judge held additional hearings in 2014 to determine if actions taken by the 83rd Legislature had an impact on the initial ruling
- Final District Court Ruling on Aug. 28th
 - School Funding System Unconstitutional:
 - Inadequate
 - Arbitrary
 - Unsuitable
 - Inequitable
 - Fails “meaningful discretion” test



School Finance Lawsuit

- State has appealed that ruling to the State Supreme Court
- Final ruling not expected until spring 2016
- Possible special session to address court ruling: summer 2016

Multi-Year Budget Forecast *(in millions)*

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Projected 2014-15	Forecast 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19
Beg. Fund Bal.	139.3	156.3	188.8	188.8	180.1	186.6	187.2	185.8
Revenues/Oth. Res	441.2	489.1	487.6	491.6	476.8	472.8	471.7	470.5
Expend/Oth. Uses	<u>424.2</u>	<u>456.6</u>	<u>508.4</u>	<u>500.4</u>	<u>470.3</u>	<u>472.2</u>	<u>473.1</u>	<u>474.4</u>
Surplus/(Deficit)	17.0	32.5	(20.8)*	(8.7)*	6.5	0.6	(1.4)	(3.9)
Ending Fund Bal.	156.3	188.8	168.0	180.1	186.6	187.2	185.8	181.9

ASSUMPTIONS:

Property Value Growth: 2.5% per year
M&O Tax Rate: No change
Grand Prairie TIF #2 ends 9.30.15
Enrollment: Approx .7% decrease/year
New TRS mandate beginning 2014-15 with state offset; no state offset after 2014-15

State Funding: No change in formulas after 2014-15
Salary Increases : None after 2014-15
Strategic Plan One-Time Costs: None after 14-15
Includes operating costs for new facilities at scheduled openings


*** 2014-15 deficit is result of constructing a new elementary school from surplus fund balance.**



2015-16 Budget






Legislative Year...



84th State Legislature

- Legislative session: Jan. 13 – Jun. 1
- Projected balance of Rainy Day Fund at end of 2014-15 fiscal year: \$8 billion
- State revenues had been trending higher than projected
- Increased state funding for schools had been expected
- But then....



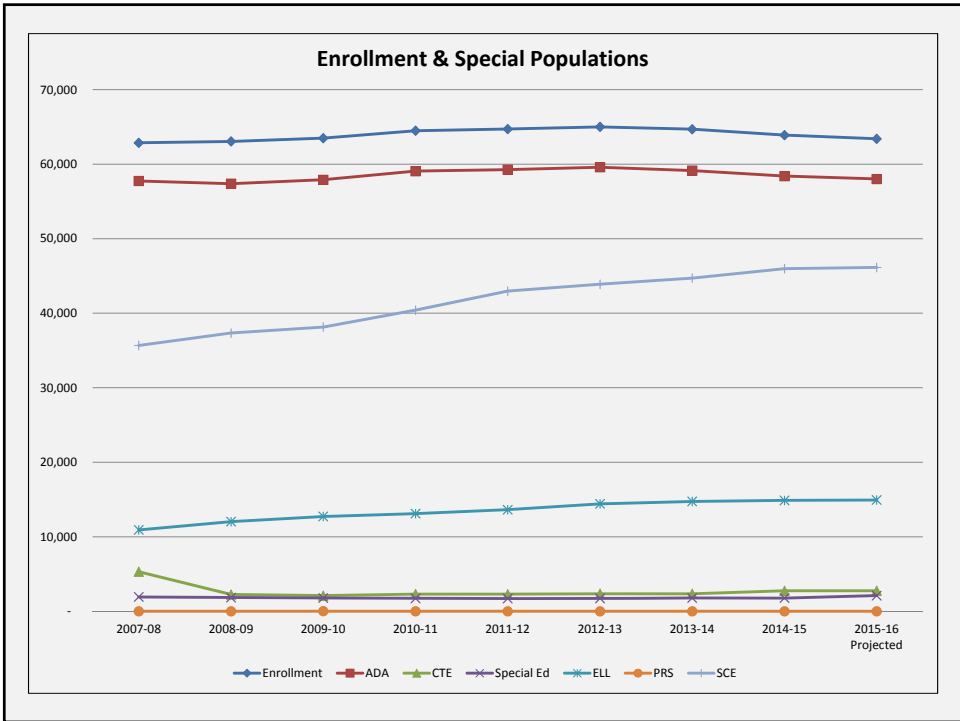
Gas Type	Price
UNLEADED	3.27 ⁹
MID-GRADE	3.37 ⁹
DIESEL	3.79 ⁹

Gas Type	Price
Regular Gasoline	179 ⁹ / ₁₀
Plus Gasoline	189 ⁹ / ₁₀
V-Power Gasoline	199 ⁹ / ₁₀
Diesel #2	259 ⁹ / ₁₀



2015-16 Budget Considerations

- New Strategic Plan
- Enrollment projection & special program participation
 - 63,401 – 492 less than 2014-15
- Academic Services Priorities
- Operating Costs for Bond Program
- Opening one new elementary school
- Smaller staffing ratios for 6th grade
- Competitive Compensation
- Legislative Mandates



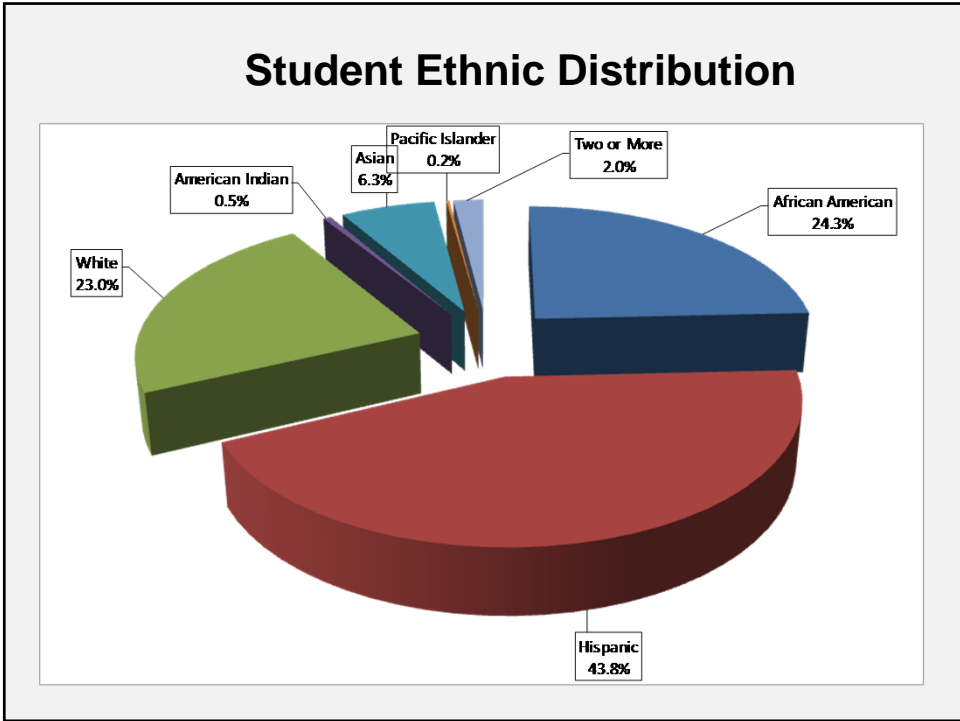


District Profile & Select Comparison Data

Student Data

	AISD	STATE
Total Students (membership)	64,629	5,135,880
Ethnic Distribution		
African American	24.3%	12.7%
Hispanic	43.8%	51.8%
White	23.0%	29.4%
American Indian	0.5%	0.4%
Asian	6.3%	3.7%
Pacific Islander	0.2%	0.1%
Two or More Races	2.0%	1.9%
Economically Disadvantaged	68.5%	60.2%
English Language Learners (ELL)	26.0%	17.5%
At-Risk	62.4%	49.9%


Source: 2013-14 Texas Academic Performance Report & Standard Reports published by TEA



Staff Data (all funds)

	AISD	STATE
Total Staff	8,055	656,541.4
Teachers	51.1%	51.0%
Professional Support	10.0%	9.3%
Campus Administration	2.5%	2.9%
Central Administration	0.5%	1.0%
Educational Aides	10.7%	9.4%
Auxiliary Staff	25.2%	26.3%
Students per Teacher	15.7	15.4
Avg. Years Experience of Teachers	11.4	11.2
Avg. Years Experience of Teacher w/District	8.8	7.6
Instructional Staff Percentage	67.1%	64.4%

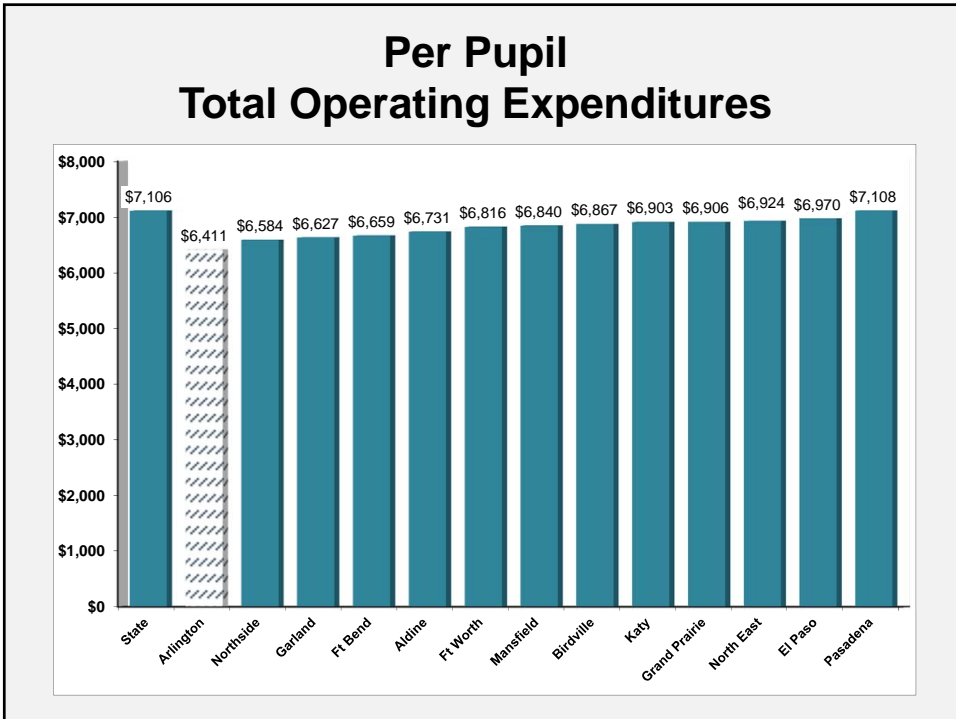
Source: 2013-14 Texas Academic Performance Report published by TEA



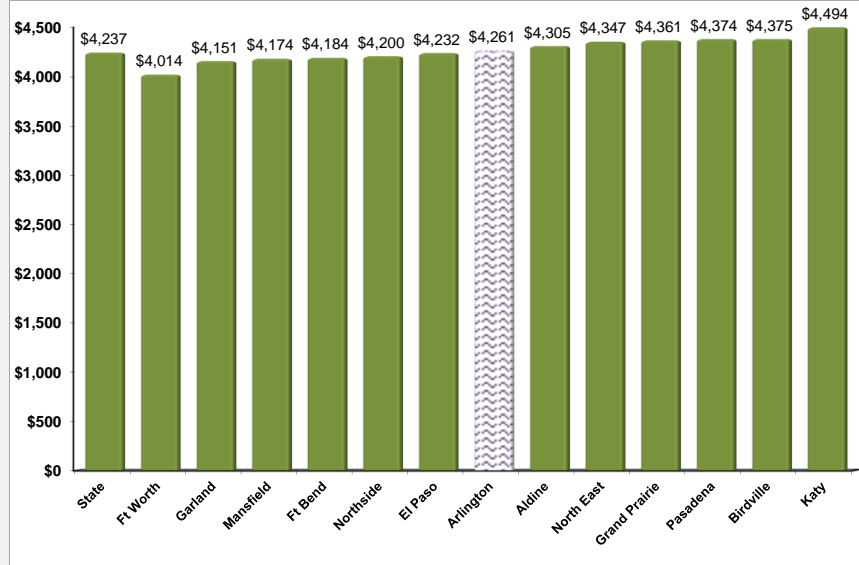
Class Size Information

Grade	AISD	State
Kindergarten	17.9	19.4
Grade 1	18.4	19.5
Grade 2	18.3	19.3
Grade 3	18.2	19.3
Grade 4	18.7	19.3
Grade 5	20.8	21.2
Grade 6	23.1	20.6

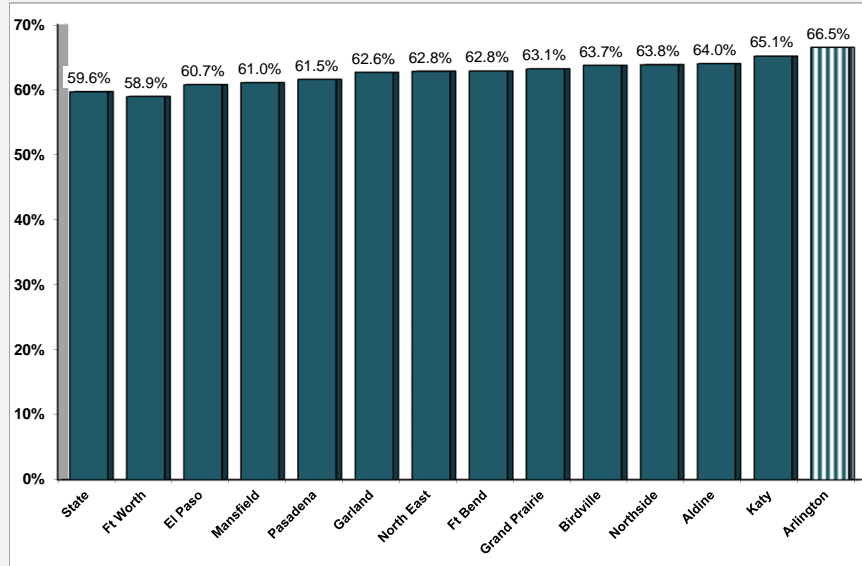
Source: 2013-14 Texas Academic Performance Report published by TEA

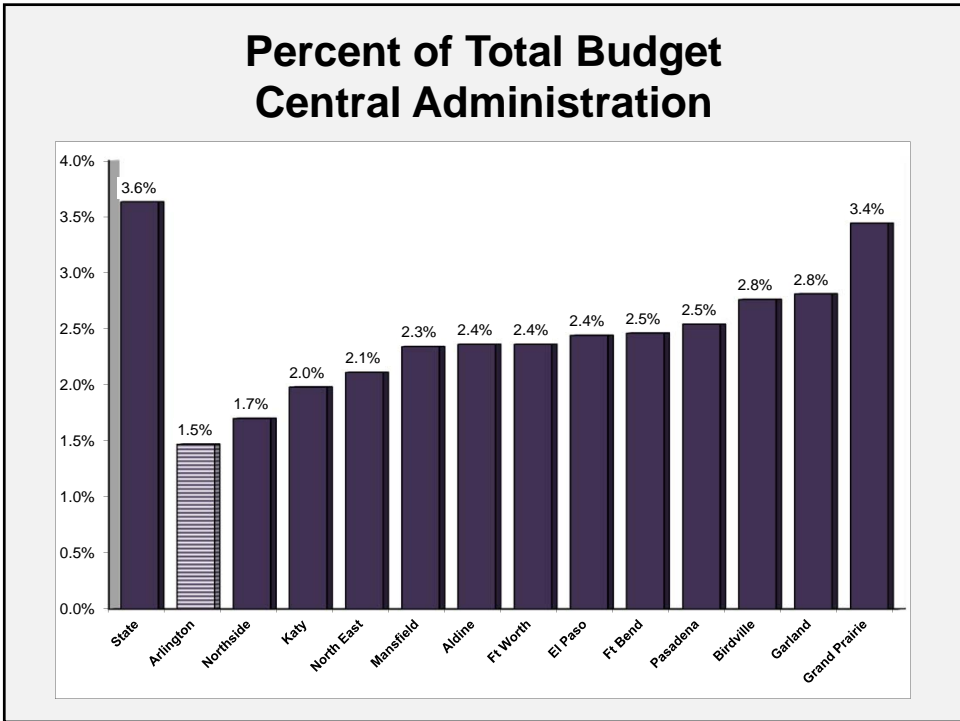
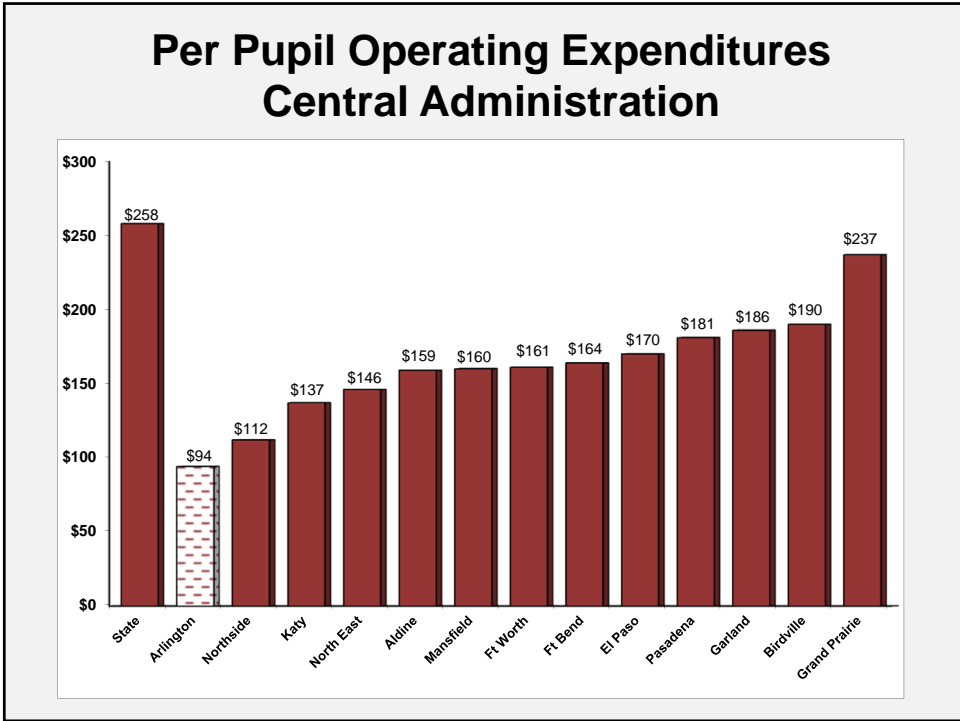


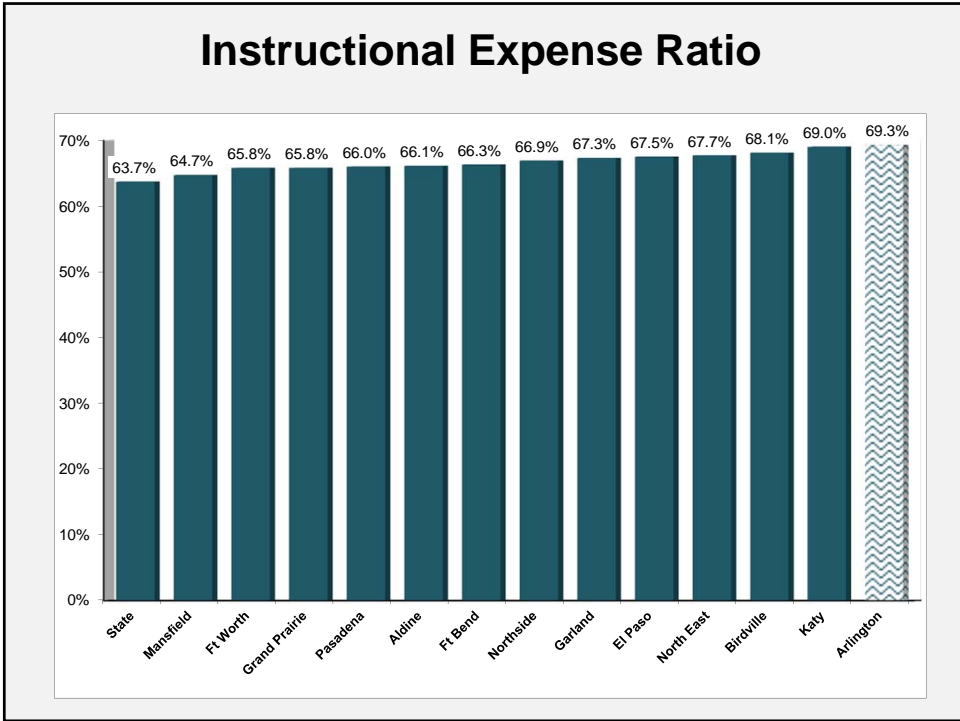
Per Pupil Operating Expenditures Instruction



Percent of Total Budget Instruction







Questions?