

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #105 (2007-2008)

November 12, 2007

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FISCAL YEAR 2008-2009 FINANCIAL PLANNING

ASD Goals: Ensure public accountability through continued preparation and publication of budget basics, and budget; and effective communications with students, staff, parents, community and government at all levels.

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to prepare the Anchorage School District's FY 2008-2009 Preliminary Financial Plan in accordance with the financial projections set forth in this memorandum. Specifically, the budget for FY 2008-2009 is to be established for planning purposes with projected revenues and use of fund balance not-to-exceed \$737,337,790. This includes individual fund budgets currently projected as follows:

	<u>FY 2008-2009 Financial Plan</u>
General Fund	\$ 581,340,756
Food Service Fund	16,277,000
Debt Service Fund	83,720,034
Local/State/Federal Grants Fund	<u>56,000,000</u>
Total - All Funds	<u>\$ 737,337,790</u>

It is further recommended that the School Board authorize the Superintendent to adjust the budget expenditure ceiling indicated above in accordance with any negotiated contract adjustments and other associated cost increases, School Board requests; further review of the fee structure; and Administration, community, staff, student and prior Budget Review Team recommendations as implemented by the Superintendent. In addition, flexibility is requested for adjustments if updated information on any issues that affect the District's FY 2008-2009 Financial Plan come forward.

PERTINENT FACTS:

With direction of the School Board at the work session on November 5, 2007, the Administration will be bringing forward in January, the FY 2008-2009 Preliminary Financial Plan with the Joint Legislative Education Task Force (JLETF) recommendations to increase the base student allocation in the Alaska School Public Funding formula from \$5,380 to \$5,480, increase in the special education intensive needs factor from five times to nine times, and to recalibrate the pupil transportation funding. The Administration will also include the PERS/TRS Cost Sharing intent found in Senate Bill 125 (SB 125) brought forward during the first session of the Twenty-fifth Alaska State Legislature which provides a mechanism allocating the annual payment by the State on behalf of the District for the unfunded past service liability in excess of levels specified in statute. For the District at the current time, this would mean the expenditure payment between 12.56 percent and 44.17 percent for TRS, and between 22.00 percent and 35.22 percent for PERS would be funded by the State.

Based on guidelines from the School Board to cautiously proceed with the use of a portion of the undesignated fund balance, the Administration is recommending using \$2.959 million of fund balance to eliminate the projected fiscal gap of \$1.618 million and \$1.341 million of fund balance to be used to cover the computer related unamortized depreciation for equipment currently in use. In addition, to establish a Computer Replacement Fund, seed money of \$1.0 million from the General Fund undesignated fund balance is being recommended to be transferred to an Internal Service Fund. The use of fund balance as seed money for a Computer Replacement Fund is in alignment with the School Board's interest in establishing a technology refresh. The intent of the Computer Replacement Fund is to accumulate sufficient funds to replace computers and printers when needed. The Administration intends to bring forward a memorandum to establish the Computer Replacement Fund for School Board approval under separate cover. The Technology Steering Committee is now in the process of developing guidelines for managing the Computer Replacement Fund.

Every budget cycle has to deal with many uncertainties. For FY 2008-2009, the projections are difficult to determine due to many looming uncertainties with major budgetary implications. These uncertainties include timing of Legislative action, and notifications from outside agencies pertaining to rate increases. Another major uncertainty involves funding for the ARMB approved certificated and classified retirement rates, and support of this funding at the State level. All of these uncertainties have **major impacts** on the FY 2008-2009 Financial Plan. (A more detailed listing can be found on page 14 of this memorandum).

This memorandum presents financial planning considerations that will be used in developing the FY 2008-2009 Preliminary Financial Plan, allowing the School Board the opportunity to review significant financial issues which will be addressed during the budget hearings in January.

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 2008-2009 budget projections reflect the District's on-going efforts to achieve this balance, maximize performance and contain costs.

These initial projections for FY 2008-2009 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.

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, staff members and prior year recommendations from the Budget Review Teams 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 additional staff, supplies, and other operating expenses. It may be determined that efficiencies can be achieved through better resource management or teaming with other agencies.

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 school and department budgets plus any new facilities or change in program requirements are compared to anticipated revenues.

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 2008-2009 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 half-day kindergarten at one-half and preschool students at one-half or one-quarter, 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 and projected student enrollment information for FY 2005-2006 through FY 2008-2009 on both a full count and FTE basis.

	Actuals 2005-2006 <u>9/30/05</u>	Actuals 2006-2007 <u>9/30/06</u>	Actuals 2007-2008 <u>9/30/07</u>	Projected 2008-2009 <u>9/30/08</u>
Total Number	49,589	49,068	48,457	47,944
Change over previous year	135	(521)	(611)	(513)
FTE (Full-Time Equivalent)	49,353	48,816	48,198	47,650

Variable General Fund expenditures will be revised periodically for changes in enrollment projections. We will continue to review projected enrollment to determine if we need to make adjustments before the Preliminary Budget is submitted to the School Board in January 2008.

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. The need to mitigate the employer contribution rate increases approved by the ARMB to the Teachers Retirement System (TRS) and Public Employees Retirement System (PERS), fuel costs, insurance and other expenses affected by inflation, and funding to assist with meeting adequate yearly progress as defined by state and federal regulations will require prompt legislative action. Hopefully, during this upcoming legislative session, the Legislature will continue to advocate for the students in our communities with early approval of an educational funding package and also advocate for additional increases in revenues supporting public education so as to ensure solid education programs continue.

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 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 has notified the District that the assessed valuation for Anchorage has increased from \$28.834 billion to \$33.080 billion.

This Program is expected to provide approximately 55.8 percent of the District's General Fund revenues excluding the TRS and PERS projected \$79.0 million annual payment by the State on behalf of the District for the unfunded past service liability in excess of levels specified in statute. This is based on the Joint Legislative Education Task Force (JLETF) recommendations to increase the base student allocation in the Alaska School Public Funding formula from \$5,380 to

\$5,480 and to increase the special education intensive needs factor from five times to nine times.

Based on current enrollment projections, the estimated amount of funding from the Alaska Public School Funding Program for FY 2008-2009 is \$280.752 million, which is \$14.728 million more than the current FY 2007-2008 budget. The following factors contribute to the \$14.728 increase:

• \$100 increase to the Base Student Allocation (BSA)	\$ 6.678 million
• Increase special education intensive factor from five times to nine times including the \$100 BSA increase for the intensive needs student population (Level III) of 680	14.906 million
• Increased identification of intensive needs students (680 to 832 students)	7.497 million
• Enrollment decline including Quality Schools (48,848 to 47,944)	(5.619) million
• Increase from \$28.834 billion to \$33.080 billion in State assessed valuation	(8.493) million
• Federal Impact Aid	<u>(.241) million</u>
Increase	<u>\$14.728 million</u>

School Improvement Grant—These projections do not include the FY 2007-2008 appropriation of \$7.890 million of one-time funding that was approved by the legislature through House Bill 13, as this funding was not included in the JLEFT recommendations.

Providence Heights and McLaughlin—The grant revenue and associated expenditures for these programs will be recorded and reported separate from the General Fund. Because of changes in State reporting requirements, the District will move these funds in FY 2008-2009 into the special revenue fund to comply with the State chart of accounts and reporting requirements.

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 2008-2009 is based on requesting the full amount of taxes available under the local property tax limitation independent of the Municipality's share of the tax cap.** The amount requested is \$5.730 million under the maximum allowable local contribution permitted by the Alaska Public School Funding Program.

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 2.9 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 (CPI) will not be available until February 2008. As determined by the State Department of Commerce, Community and Economic Development, the five-year Anchorage municipal population change used for planning purposes is 1.30 percent, with the official percentage growth not available until January 2008. The projected combined rate of 4.20 percent for FY 2008-2009 is .70 percent less than the current rate of 4.90 percent for FY 2007-2008.

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 \$10.569 million. However, the Anchorage Assembly must first consider and approve the District's local property tax request.

Federal Impact Aid—The initial revenue projection for Federal Impact Aid has been projected at 100 percent of projected entitlement, an anticipated \$12.5 million. Uncertain at this time is any student enrollment adjustment as a result of 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 will be monitored. We also do not know, for example, if the District will receive prior year adjustment payments during FY 2008-2009.

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 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.

The School Board directed the Administration to use the undesignated fund balance as a funding source and gave suggestions as to where they would like the Administration to review and consider for inclusion in the FY 2008-2009 Financial Plan. The School Board recommended that the fund balance not be used for on-going expenses so that if the District needed to scale back or stop funding the program, it would not feel like there was a program cut or elimination.

At this time, based on guidance from the School Board at the November 5th Work Session, the Administration has included \$2.959 million of the undesignated fund balance. In addition, the Administration will be recommending \$1.0 million as seed money to be used to create a Computer Replacement Fund, supporting the School Board's interest of establishing an on-going technology refresh. The use of the \$2.959 million of fund balance will be used in the General Fund as a revenue source to close the projected fiscal gap (\$1.618 million) and to cover the unamortized equipment depreciation for computer and printer equipment (\$1.341 million) not fully depreciated. Using \$3.959 million of fund balance will provide an undesignated fund balance of 3.5 percent of the FY 2008-2009 projected budget and still honor the agreement with the Municipality to maintain a fund balance in the General Fund at year end in an amount equal to or greater than 8.25 percent of total revenues from local tax appropriations to enhance the Municipality's bond rating.

Pupil Transportation Reimbursement—The preliminary FY 2008-2009 revenue projection for Pupil Transportation is based on the JLETF recommendation to recalibrate the Pupil Transportation funding using FY 2006-2007 actual audit costs as a base for the recalibration. This recalibration using the average daily membership less correspondence for FY 2006-2007, means an increase from \$357 to \$364 for an additional \$328,200 for FY 2008-2009.

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. Further review and consideration will be given to all user

fee rate adjustments before the Financial Plan is brought forward to the School Board in January 2008.

The rates in this memorandum are those in place for FY 2007-2008 and are as follows:

Summer School	\$85 per course (Elementary and Middle)
Summer School	\$90 per course (High School)
Music Instrument Usage Fee	\$40 per instrument
Middle Level Activity Fees	\$80 per activity
High School Activity Fees	\$160 per activity
High School Parking Fees	\$50 per semester
Facility Rental Fees	\$652,000
Family Cap for Activity Fees	\$330

Medicaid—Based on an assertive action plan by the District to ensure that the funding is obtained, it is estimated that the District will receive approximately \$1.1 million in Medicaid funding. The District is working closely with the Alaska Department of Health and Social Services (DHSS) to ensure that we obtain the maximum eligible funds for the District. The DHSS has established procedures that will make the process less cumbersome for districts. They have put the survey form on-line and have provided training to the District. The District has put guidelines in place to secure training for personnel randomly selected by DHSS and will monitor this closely to ensure that we maximize the amount of revenues the District is eligible to receive.

E-Rate—The District has not yet received the funding commitment letter from the Universal Service Administrative Company (USAC) for FY 2007-2008; 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 alter FY 2008-2009 revenue projections from the FY 2007-2008. 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 the prior years Budget Review Teams, interested community members, 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, wages, and benefits are projected to be approximately 87 percent of the operating cost of the District. The projections include consideration for contract negotiations for Local 959 (Teamsters Warehouse and Maintenance) and Exempt personnel. Compensation provisions for completed contracts and payroll tax adjustments known at this time are also included in the expenditure projections. Funding for mandatory retirement increases for certificated retirement (12.56 percent to 44.17 percent) and classified retirement (22.00 percent to 35.22 percent) have been included. If the support to fund the retirement programs is not supported at the State level, the District will face an additional deficit of approximately \$79 million.

Average Teacher Salary—Further review and analysis of the current teacher salaries will be made to assist in determining an average teacher salary to be used for FY 2008-2009. Contributing factors that will determine the average teacher salary to be used include historical information, step increases, educational attainment, projected turnover and new positions. An analysis of the number of vacancies at any given time will also be considered.

Staffing—Staffing requirements have been adjusted based on the official projections set forth for September 30, 2008. Official projections are based on actual enrollment as of September 28, 2007. An additional 24 FTE teachers for planning time at the elementary have been included.

Certificated Teaching Positions—Budgeted teaching staff is based on the FY 2007-2008 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 and immigration from other countries that provides the District with a wealth of challenging opportunities with over 90 languages spoken in the Anchorage Schools other than English.

Kindergarten (FTE)	20.50 to 1
Grade 1	21.00 to 1
Grades 2-3	24.00 to 1
Grades 4-6	27.00 to 1
Grades 7-8	25.54 to 1
Grades 9-12	27.08 to 1
Special Education	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 using 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. It is anticipated that by early spring 2008 the District will be appraised of the approved indirect cost rate for FY 2008-2009.

Contracted Services—Where appropriate, an inflationary adjustment to contracts will occur. A very close review of actual contracted services will determine if inflationary increases are warranted. If other known rate increases are warranted, they will be 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 recommended by the utility agencies. With rate adjustments occurring mid-year FY 2007-2008, following review of actual projected expenditures for this year, approximately 5 percent to 14 percent increases for the utilities are projected over the current year utility budgets.

Pupil Transportation—Expenditures for contracted pupil transportation routes for FY 2008-2009 include an estimated increase based on COLA of 2.9 percent. However, revenue funding to support the expenditures no longer provides for the COLA adjustment.

Major Maintenance—The Administration recommends maintaining the funding level for major maintenance projects of \$2.483 million for some of the District's more than 95 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.

Supplies—Some departments 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 and postage). The current projections continue the same per student allocation used for FY 2007-2008 which included an increase of \$8 per student.

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

Additional Programs/Enhancements—During the next several weeks, careful review and consideration of suggestions provided through the Community discussions on high schools of the 21st Century, students, parents, community and information obtained from the Budget Review Teams during prior years, especially the most current one from FY 2007-2008, will be reviewed by the Administration. We will consider the feasibility of implementing these recommendations as we continue the budget preparation process. In addition,

the Six-Year Instructional Plan will play a major role in the review of weeding out programs that are not working in order to provide funding for existing programs or enhancements to programs that the School Board would like the Administration to consider being included in the preliminary budget presented to the School Board in January.

OTHER FUNDS

Food Service Fund—This fund is used to budget and account for operations of the Student Nutrition Program. The FY 2008-2009 budget has been decreased from \$16,322,000 to \$16,277,000. 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. Compensation provisions for completed contracts, and upward movement in food costs have been included in the projections.

The revenue sources for the Food Service Fund budget include revenue from meal sales, Federal reimbursement for meals served, and from the State, the on behalf payment for mandatory retirement increases for classified retirement (the difference of 22.00 percent to 35.22 percent). Actual revenues for FY 2006-2007 were less than budgeted. This shortfall is reflected in the lower FY 2008-2009 projections. In addition the projections include the State PERS reimbursement on behalf of the District. Use of the undesignated fund balance is not recommended to support the FY 2008-2009 Food Service budget as presented in this memorandum. No increase in the price of elementary and middle level breakfasts and full price lunches is anticipated. This year's budget will be monitored through the middle of December to determine if revenue projection variables support the level of the proposed budget and the meal pricing schedule. Adjustments, if needed, will be proposed and made before the preliminary budget is presented in January. It is projected that no local tax support will be required for the Food Service Fund in FY 2008-2009.

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 and refinancing outstanding bonds, the District is able to use \$1.0 million of fund balance as a revenue source. Potential bond sales or bond propositions for April 2008 have not been included in the projections.

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. It is projected that budgets for these grants for FY 2008-2009 may increase approximately \$1.0 million based on discussion with grant writers. In addition, the projections include the State PERS/TRS reimbursement on behalf of the District. Ongoing monitoring of these grants will help determine if adjustments should be made when bringing the budget forward in January.

FISCAL YEAR BUDGET COMPARISON

The following schedule compares by fund the FY 2008-2009 projected revenue/expenditures with those currently approved for FY 2007-2008. 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 2007-2008</u>	Pro Forma Budget Revenues <u>FY 2008-2009</u>	Pro Forma Budget Expenditures <u>FY 2008-2009</u>
General Fund	\$546,162,511	\$581,340,756	\$581,340,756
Food Service Fund	16,322,000	16,277,000	16,277,000
Debt Service	80,435,739	83,720,034	83,720,034
Local/State/Federal Grants	<u>55,735,000</u>	<u>56,000,000</u>	<u>56,000,000</u>
All Funds	<u>\$698,655,250</u>	<u>\$737,337,790</u>	<u>\$737,337,790</u>
TAXES	Revised Taxes <u>FY 2007-2008</u>	Pro Forma Taxes <u>FY 2008-2009</u>	<u>Increase</u>
General Fund	\$169,197,819	\$179,767,027	\$10,569,208
Debt Service	<u>37,162,042</u>	<u>39,190,341</u>	<u>2,028,299</u>
All Funds	<u>\$206,359,861</u>	<u>\$218,957,368</u>	<u>\$12,597,507</u>

STUDENT ENROLLMENT PROJECTIONS

	FY 2007-2008 Actuals <u>Sept. 28, 2007</u>	FY 2008-2009 Projected <u>Sept. 30, 2008</u>	Change Over Prior <u>Year's Actual</u>
Enrollment	48,457	47,944	(513)
Full Time Equivalent (FTE)	48,198	47,650	(548)

In preparing the FY 2008-2009 Preliminary Financial Plan, many budget development uncertainties face the District.

- Legislative action
- Funding for the ARMB approved rate to the Certificated and Classified Retirement Systems above 12.56 percent and 22.0 percent, respectively
- JLETF recommendations— Adjustment to Base Student Allocation— \$5,480; increase in the special education intensive needs factor from five times to nine times; recalibration of pupil transportation funding
- School Board areas of interest
- Community Forums on 21st Century High Schools, community, staff, and students recommendations
- Projected enrollment
- Contract negotiations for Local 959 (Teamsters Warehouse and Maintenance) and consideration for Exempt personnel
- Sustainability of student activity sports program
- Rate increase notifications from outside agencies
- ESEA-No Child Left Behind requirements
- Further evaluation of current/new fees
- Six-Year Instructional Plan
- Sixth hour swim classes
- Assessment/Testing Impact
- State of Alaska Quality Schools Initiative
- Implement Technology Plan
- Deployment of military personnel and the relocation of their families
- CPI and 5-year average population growth used for local tax limitation not finalized until February 2008
- New construction and assessed valuation used for local tax limitation not finalized until March/ April 2008
- Federal Impact Aid subject to annual appropriation
- New 403(b) regulations-tax shelter annuity program
- Computer Replacement Fund
- Continuation of purchasing co-op with Municipality

SUMMARY

The next couple of months will be a tremendous challenge to the Administration to evaluate all the programs to ensure that the overall goals of the School District are met. Our assumptions in preparing these initial FY 2008-2009 projections are based on, but not limited to, the following criteria:

- Alaska Public School Funding Program- JLETF recommendation for the base student allocation from \$5,380 to \$5,480, and the increase in the special education intensive needs factor from five times to nine times
- Quality Schools Grant - no increase to per pupil amount of \$16
- Recalibration of the pupil transportation funding - \$357 to \$364
- State reimbursement funding for the ARMB approved percentage rates to the Certificated (between 12.56% to 44.17%) and Classified Retirement (between 22% to 35.22%) Systems
- 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 as a revenue source – Using \$2.959 million to close the fiscal gap (\$1.618 million) and to cover computer related unamortized depreciation for equipment not fully depreciated (\$1.341 million) will bring the undesignated fund balance to 3.68 percent of the \$581.340 million FY 2008-2009 Financial Plan. If an additional \$1.0 million is used for seed money for the Computer Replacement Fund, total use of the undesignated fund balance of \$3.959 million will bring the undesignated fund balance to 3.5 percent and still honor the agreement with the Municipality to maintain a fund balance at year end in an amount equal to or greater than 8.25 percent of total revenues from local tax appropriations to enhance the Municipality's bond rating.
- Potential adoption or expansion of programs must be funded within existing resources
- School Improvement Grant – Did not carry forward the one-time \$7.890 million

Attachments

CC/JS/MSL

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

Anchorage School District
Fiscal Year 2008-2009

PRELIMINARY PROJECTED REVENUES AND EXPENDITURES SUMMARY

Fund	Revenues and Fund Balance				FY 2008-2009 Revenue/Source Projections	FY 2008-2009 Expenditure Projections
	Local		State	Federal		
	Taxes	Other				
General	\$ 179,767,027	\$ 10,238,660	\$ 377,060,069	\$ 14,275,000	\$ 581,340,756	\$ 581,340,756
Food Service		5,390,000	822,000	10,065,000	16,277,000	16,277,000
Debt Service	<u>39,190,341</u>	<u>1,167,000</u>	<u>43,362,693</u>	<u>0</u>	<u>83,720,034</u>	<u>83,720,034</u>
	218,957,368	16,795,660	421,244,762	24,340,000	681,337,790	681,337,790
Local, State and Federal Grants		<u>700,000</u>	<u>12,000,000</u>	<u>43,300,000</u>	<u>56,000,000</u>	<u>56,000,000</u>
TOTAL	<u>\$ 218,957,368</u>	<u>\$ 17,495,660</u>	<u>\$ 433,244,762</u>	<u>\$ 67,640,000</u>	<u>\$ 737,337,790</u>	<u>\$ 737,337,790</u>
Percentage of Revenue Sources to Total Revenue Projections	29.70%	2.37%	58.76%	9.17%	100.00%	

**Computation of Total Taxes
for Calendar Year 2008**

			<u>General Fund</u>	<u>Debt Service Fund</u>
Amount required to fund second half of Adopted FY 2007-2008 Budget:		\$206,359,861 x 50% =	84,598,910	18,581,021
Amount required to fund first half of Adopted FY 2008-2009 Budget: July 1, 2007/December 31, 2007		\$218,957,368 x 50%	<u>\$ 89,883,513</u>	<u>\$ 19,595,171</u>
TOTAL Taxes for Calendar Year 2008			<u>\$ 174,482,423</u>	<u>\$ 38,176,192</u>
Total Taxes for Calendar Year 2008				
1) <u>Total Taxes 2008</u>	\$ <u>212,658,615</u>	=6.83 mills	\$ <u>174,482,423</u>	\$ <u>38,176,192</u>
Assessed Valuation	\$ 31,136,342,449		\$ 31,136,342,449	\$ 31,136,342,449
			<u>5.60 mills</u>	<u>1.23 mills</u>

1) The 2008 mill rate is based on a assessed valuation provided by the Municipality of Anchorage Office of Management and Budget. The number is preliminary and is subject to change in spring 2008. (10/22/2008)

Anchorage School District
Fiscal Year 2008-2009

SCHEDULE OF GENERAL FUND REVENUES FROM LOCAL SOURCES/FUND BALANCE

Local Sources	FY 2006-2007 Audited Actual	FY 2006-2007 Revised	FY 2007-2008 Revised	FY 2008-2009 Projections
Municipality of Anchorage Appropriation of Taxes	\$ 155,257,376	155,257,376	\$ 169,197,819	\$ 179,767,027
Other Local				
Career Center Instructional Projects	66,195	81,200	81,000	76,000
Facilities Rentals (A)	568,108	548,000	652,000	629,000
Nonresident Tuition	5,316	1,000	1,000	2,500
Credit Recovery Fees (B)	39,288	25,000	10,000	10,000
Summer School - Elementary (C)	23,295	32,000	33,000	26,500
Summer School -Special Education (C)		1,500	1,500	
Summer School - Middle Level (C)	13,895	36,000	43,000	40,000
Summer School - Secondary (D)	252,468	185,000	220,000	265,000
Musical Instrument Usage Fee (E)	20,628	26,600	26,600	25,000
Middle School Activity Fees (F)	221,625	205,000	225,000	232,000
High School Activity Fees (G)	608,109	640,000	1,042,525	750,000
High School Parking Fees (H)	199,220	225,000	215,000	197,000
Other Fees (Training Fees, Documents) (I)	72,176	81,500	81,500	81,500
Property Sales, Insurance Proceeds, and Miscellaneous	189,629	355,000	355,000	245,000
Interest Earnings	3,812,259	1,500,000	2,235,000	3,800,000
E-rate (J)	362,468	900,000	900,000	900,000
Fund Balance	<u>6,454,679</u>	<u>4,842,800</u>	<u>6,122,125</u>	<u>2,959,160</u>
TOTAL	<u>\$ 161,712,055</u>	<u>\$ 160,100,176</u>	<u>\$ 175,319,944</u>	<u>\$ 190,005,687</u>

- (A) Facilities Rentals-projections reflect more usage, increase users and the opening of Begich Middle School.
- (B) Credit Recovery Course Fee - \$75/course.
- (C) Summer School - \$85 in FY 2008-2009; \$85 in FY 2007-2008; \$80 in FY 2006-2007.
- (D) Summer School - \$90 in FY 2008-2009; \$90 in FY 2007-2008; \$85 in FY 2006-2007.
- (E) Musical Instrument Usage Fee - \$40 in FY 2008-2009; \$40 in FY 2007-2008; \$40 in FY 2006-2007.
- (F) Middle School Activity Fees - \$80 in FY 2008-2009, Family Cap \$330; \$80 in FY 2007-2008, Family Cap of \$330 (Middle and High Schools combined).
- (G) H. S. Act. Fees - \$160 in FY 2008-2009, Fam Cap \$330; \$160 in FY 2007-2008, Fam Cap \$330; \$130 in FY 2006-2007, Fam Cap of \$325(Middle & High combined).
- (H) High School Parking Fees - \$50/semester .
- (I) Training Fees - \$25 per course with continuation for FY 2008-2009.
- (J) E-rate established by Congress to provide funding to K-12 schools for telecommunications, Internet access and internal connections (Network Infrastructure).

Anchorage School District
Fiscal Year 2008-2009

COMPUTATION OF MUNICIPAL TAX LIMITATION

Taxes Projected—Anchorage School District FY 2007-2008		\$	206,359,861
Less: Prior Year Taxes Required for Debt Service			<u>37,162,042</u>
Net Taxes Approved for General Fund			169,197,819
Adjustment Factors			
Population 5 year Average	1.30 %		
CPI—Anchorage Urban	<u>2.90</u>		
	4.20 %		<u>7,106,308</u>
Basic Tax Limitation			176,304,127
<u>Plus Exclusions:</u> Taxes for Operations and Maintenance on New Voter Approved Facilities (1)			
Taxes Requested on New Construction/Property Improvements		(2)	<u>3,462,900</u>
Tax Limitation—General Fund			179,767,027
Taxes Requested for Debt Service			<u>39,190,341</u>
TAX LIMITATION FY 2008-2009			218,957,368
General Fund	179,767,027		
Debt Service Fund	<u>39,190,341</u>		
TAXES PROJECTED IN FINANCIAL PLAN—FY 2008-2009		\$	<u>218,957,368</u>
AMOUNT (OVER) LESS THAN TAX LIMITATION (3)		\$	<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: 6.79 mills x \$510,00,000 (2007 new construction/property improvement value **verified by the Municipality of Anchorage's Office of Management and Budget on 10/22/07**) = \$3,462,900
 - (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.

Anchorage School District
Fiscal Year 2008-2009

SCHEDULE OF GENERAL FUND REVENUES FROM STATE SOURCES

State Sources		FY 2006-2007 Audited Actual	FY 2006-2007 Revised	FY 2007-2008 Revised	FY 2008-2009 Projections
Alaska Public School Funding Program (A)	\$	273,377,337	\$ 276,180,359	\$ 266,023,500	\$ 280,751,585
School Improvement Grant - One Time Revenues (B)		3,945,302	3,993,800	7,890,604	
Pupil Transportation (C)		17,082,693	17,101,270	17,064,000	17,067,000
Fund Transfer to Debt Service		(167,000)	(167,000)	(167,000)	(167,000)
<u>Supplemental State Funding and Grants:</u>					
On-Base Schools (D)		408,484	408,484	408,484	408,484
McLaughlin Youth Detention Grant (E)		385,897	388,558	388,558	
Providence Heights Grant (E)		135,078	145,000	145,000	
PERS/TRS (F)				65,389,421	79,000,000
TOTAL	\$	<u>295,167,791</u>	<u>298,050,471</u>	<u>357,142,567</u>	<u>377,060,069</u>

Notes:

(A) Alaska Public School Funding Program - FY 2008-2009

Basic Need Equals 69,830.28 Adjusted ADM x \$5,480 Student Allocation and 9 times for Level III	\$ 382,669,932
Minus 4 Mills x Foundation Defined Anchorage Assessed Valuation of \$24.371 billion	(97,482,455)
Minus Deductible Portion of Federal Impact Aid	(5,553,176)
Add \$16/ adjusted ADM for Quality Schools	1,117,284
Total Alaska Public School Funding Program Aid	<u>\$ 280,751,585</u>

(B) School Improvement Grant (House Bill 13) - Originally approved as one time revenues by the Legislature and Governor, May 2006. No projected amount for FY 2008-2009 based on summer 2007 Legislative discussions. The FY 2007-2008 amount is two times the FY 2006-2007 actual revenue received based on actual ADM enrollment, as approved by the Governor and Legislature, May 2008.

(C) Pupil Transportation - Reimbursement estimated based on FY 2006-2007 actual expenditures/number of FY 2006-2007 actual ADM less Correspondence Programs times the estimated ADM less Correspondence Programs for FY 2008-2009. The \$167,000 transfer to the Debt Service Fund is authorized 2002 and 2003 bond propositions approving the purchase of 20 buses as presented through FY 2008/2009.

(D) State of Alaska supplemental grant to partially fund this program.

(E) State of Alaska supplemental grant funding transferred to the Local/State/Federal Grants Program.

(F) Supplemental State Funding for the Classified and Certificated Retirement Systems rate increases.

Anchorage School District
Fiscal Year 2008-2009

SCHEDULE OF GENERAL FUND REVENUES FROM FEDERAL SOURCES

<u>Federal Sources</u>	FY 2006-2007 <u>Audited Actual</u>	FY 2006-2007 <u>Revised</u>	FY 2007-2008 <u>Revised</u>	FY 2008-2009 <u>Projections</u>
Federal Impact Aid (A)	\$ 12,675,893	\$ 13,500,000	\$ 12,000,000	\$ 12,500,000
Medicaid (B)	1,261,957	1,000,000	1,000,000	1,100,000
R.O.T.C. (C)	<u>626,276</u>	<u>615,000</u>	<u>700,000</u>	<u>675,000</u>
TOTAL	\$ <u>14,564,126</u>	\$ <u>15,115,000</u>	\$ <u>13,700,000</u>	\$ <u>14,275,000</u>

(A) Federal Impact Aid revenue is received for students living on military land and for other federally-connected students.

(B) Medicaid is for indirect health services to students who are Medicaid eligible in the schools.

(C) Revenues for FY 2008-2009 were adjusted to reflect actual prior year receipt of revenues.