

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #292 (2009-2010)

June 28, 2010

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: BUDGET ADJUSTMENTS AND BUDGET TRANSFERS
FY 2009-2010 FINANCIAL PLAN

ASD Goal: All ASD departments support the mission of the District and will be highly effective, efficient, and responsive to internal and external customers.

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to make the following budget adjustment for the FY 2009-2010 Financial Plan; to appropriate \$150,000 to the Food Service Fund and to reduce the appropriation to the Local/State/Federal Grants Fund by \$150,000. Since the overall budget adjustments will not exceed the approved upper limit of the budget, no approval from the Anchorage Assembly is required. The District's FY 2009-2010 revised budget by individual fund will be in the following amounts:

	<u>FY 2009-2010 Financial Plan</u>
General Fund	\$598,467,232
Food Service Fund	16,978,000
Debt Service Fund	85,907,658
Local/State/Federal Grants Fund	<u>129,487,190</u>
Total - All Funds	<u>\$830,840,080</u>

It is also recommended that the School Board authorize the Superintendent to approve budget transfers from unexpended accounts in the amount of \$417,200 into various accounts where unanticipated expenditures occurred and to process budget transfers in the amount of \$1,186,619 from unexpended accounts into various accounts for one-time expenditures needs. It is further recommended

that the School Board approve and authorize the Superintendent to prepay \$850,000 of the FY 2010-2011 ASD Education Center rent. The details of the requests are outlined below.

PERTINENT FACTS:

Anchorage Assembly Actions

On March 24, 2009 the Anchorage Assembly approved AO NO. 2009-17, to adopt and approve the Anchorage School District's FY 2009-2010 Financial Plan with an upper limit spending authority of \$762,833,890 and the amount of \$232,947,582 to be appropriated from local property taxes.

On August 11, 2009 the Anchorage Assembly approved AR NO. 2009-162(S) increasing the Food Service Fund by \$569,000 from \$16,259,000 to \$16,828,000 to reflect an anticipated increase in participation in the free and reduced breakfast and lunch program. In addition, the Local/State/Federal Grants Fund was increased from \$62,200,000 to \$129,637,190 to reflect the American Recovery and Reinvestment Act (ARRA) one time federal education funds. The Revised FY 2009-2010 Financial Plan provides for an upper limit spending authority of \$830,840,080 and local taxes in the amount of \$232,947,582.

BUDGET ADJUSTMENTS

Budget Adjustments to the Food Service and Grant Funds

Within the upper limit spending authority of \$830,840,080, the administration recommends that the school board make an appropriation increase of \$150,000 to the Food Service Fund and make an appropriation decrease to the Local/State/Federal Grants Fund by \$150,000.

Sufficient Food Service Fund revenue is available for the increase in the upper limit of the expenditure budget as a result of increased student meal participation in the free and reduced meal categories. The increase in participation in these categories has resulted in higher than anticipated federal reimbursement revenue.

Based on a review of the Food Service Fund, it is requested that the upper limit be increased by \$150,000 for critically identified equipment needs. This would adjust the upper limit for the Food Service Fund from \$16,828,000 to \$16,978,000. The Student Nutrition Department has made no significant equipment purchases for replacement of existing school site refrigeration and meal preparation equipment for the past three years. As a result, equipment repair costs required to maintain the safe and efficient operation of school site-related kitchen

equipment has increased significantly. Many equipment items currently located at school sites are more than 20 years old, requiring intensive preventive maintenance in order to provide adequate food safety and on-time delivery of school meals. In addition, older equipment is not as energy efficient as current models resulting in increased utility and operating cost. Many of the equipment items no longer have back-up temporary replacements at the Student Nutrition warehouse. The replaced items will continue to be utilized on a temporary, as-needed basis when other school equipment must undergo repair.

To allow for the \$150,000 appropriation to the Food Service Fund, the appropriation in the Local/State/Federal Grants Fund will be reduced by \$150,000, from \$129,637,190 to \$129,487,190. This is based on the total projected grant receipts as of June 30, 2010.

BUDGET TRANSFERS AND ONE-TIME EXPENDITURES

End-of-Year Budget Review

Budget transfers in excess of \$30,000 require school board approval. The budget transfers discussed in this memorandum fall within this category. The Business Management Division has reviewed and projected expenditures and encumbrances in the General Fund. Spending authorization for these budget transfer requests and corresponding expenditures is available in the General Fund due to lower fuel costs resulting in lower contracted transportation and district-operated routes; lower utility costs resulting from rate increases for part of the year not being as great as originally anticipated; the district's energy conservation program in the schools; and attrition and temporary vacancies being greater than anticipated due to inability to fill certain positions. The final amount will not be determined until after year-end when all revenues have been received, all expenditures have been recorded, and all accruals have been determined. **Only the most critical requirements will be funded if it is determined that there are insufficient funds to cover the one-time expenditures as described below.**

Fund Balance

The district's undesignated fund balance for the General Fund is another potential one-time source of revenue. Industry standards recommend undesignated fund balances or contingency reserves remain between 3 to 5 percent of the budget. The undesignated fund balance must 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 district also has an agreement with the Municipality of Anchorage for Municipal bond rating purposes that at year-end the district will maintain a

fund balance in the General Fund in an amount equal to or greater than 8.25 percent of revenues from local tax appropriations. At the FY 2010-2011 budget work session in November 2009, the school board indicated that the undesignated fund balance should be maintained at approximately 3.5 percent of the FY 2010-2011 projected budget in addition to honoring the agreement with the Municipality. Based upon the significant budget gap anticipated for FY 2011-2012, the administration is now recommending carrying forward a larger percentage of fund balance to provide further options in the budgeting process for FY 2011-2012. As of June 28, 2010, it is projected that the undesignated fund balance, including the expenditures indicated in this memorandum, will be approximately 4.3 percent of the FY 2010-2011 revised budget approved by the school board.

Budget Transfers for Unanticipated Expenditures

- **Consultant for FY 2011-2012 Budget Review Process – \$50,000**
During the FY 2010-2011 financial deliberations the school board directed the superintendent to identify and recommend by June 30, 2010 an amount and source of funds for development of a detailed valued-based budget reevaluation process. With ARRA funds expiring and relatively flat local, state and federal revenue resources, the administration anticipates a budget gap of over \$50 million if all current programs supported by the General Fund and ARRA funding remain in place. The funds requested will be used to hire an outside agency to assist the administration in developing and critiquing new budget processes that will provide for deeper analysis of program efficiency and their relationship to the district's mission. The General Fund, ARRA and other expiring grant funds will also be analyzed in this process. Additional funds for extra help may be needed to assist the Budget Department staff in the compilation of the FY 2011-2012 budget development plan. It should be noted that the district anticipated this loss of ARRA funds when we lobbied the legislature and former governor to accept the funds. The district does not expect the legislature to make up the loss of the ARRA funds.
- **High School Activity Trips – \$107,500**
Additional transportation funds for high school activities are necessary due to the increased frequency of activity trips and travel to the Dome throughout the year for specific events, inclement weather and bear-related reasons. In addition, teams are being transported to the district's turf fields for practices and games when possible.

- **Algebra II Adoption – \$164,700**
This adoption received school board approval on May 3, 2010. Funds to purchase these materials were originally part of the Curriculum Refresh component of the district’s ARRA initiative. Due to the delay of the Algebra II review process this funding was eliminated from the ARRA budget and redirected. Current textbooks are out of print and cannot be replaced; new materials must be purchased.
- **Liability Insurance – \$95,000**
A significant one-time claim settlement has caused a shortfall in this expenditure account.

Total Budget Transfers for Unanticipated Expenditures \$417,200

Funds will be added to:

<u>Account Name</u>	<u>Account Number</u>	<u>Amount</u>
Non-Department-Contracted Ser.	109901-3010	\$ 50,000
High School Activity/Fld.Trips	1XXX06-3130	107,500
Curriculum/Math Textbooks	103612-4020	164,700
Non-Departmental-Liability	109901-6070	<u>95,000</u>
		<u>\$417,200</u>

Funds will be subtracted from these accounts where savings were realized:

<u>Account Name</u>	<u>Account Number</u>	<u>Amount</u>
Bus Operations Fuel	108101-4100	\$ 50,000
Various Utility Accounts	Various/3000s	202,500
Various Salary/Benefits Accounts	1036XX/1000/2000	<u>164,700</u>
		<u>\$417,200</u>

Budget Transfers for One-Time Expenditures

Budget transfers of \$1,186,619 or two-tenths of one percent of the General Fund budget will also be made from balances remaining from unexpended accounts to fund various one-time expenditures listed below. The one-time expenditures are related to critical needs identified by the administration or where timing of purchase is an issue in order to have the textbooks and equipment available for next year. **Only the most critical requirements will be funded if it is determined that there are insufficient funds to cover the one-time expenditures identified in this memorandum.**

- **Mt. Iliamna Surveillance System – \$57,000**
Mt. Iliamna is requesting the installation of a closed circuit TV camera that will ensure student safety within their “safe rooms.” The “safe room” is a supervised and isolated time-out area that allows students the

opportunity to regain self-control when demonstrating behaviors that are deemed unsafe to them or may result in physical harm to others. This system would allow school personnel to directly monitor and record a student's actions and provide the documentation for the analysis of the intervention technique and the impact on student behavior. Similar use of the CCTV system has proven effective with other schools and with diligent use has often reduced the need for the intervention.

- **Special Education Algebra 1, Algebra A, and Algebra B Curriculum – \$50,000**

This Algebra curriculum is the existing curriculum used in the general education classes with modified instructional strategies to better meet the individual needs of the students who have an IEP with supports and services in math. Under normal circumstances, the purchase of these materials would have been covered by the general education budget in each school. However, the decision to utilize the general education curriculum in the self-contained special education Algebra 9-12 classes was made after the initial purchase of the newly adopted materials. The special education students and teachers were not accounted for in that initial purchase. Therefore, in an effort to provide continuity for students, secondary special education is planning to order these initial materials for the self-contained math classes.

- **Data Back-Up and Disaster Recovery Equipment – \$43,800**

These funds will allow the district to put disaster recovery infrastructure in place for the district records management system (ImageNow), to function at the ASD Education Center in case of a catastrophic system failure. The district has disaster recovery systems at the ASD Education Center for Zangle and IFAS. Over the last few years, ImageNow has grown exponentially and is critical for Payroll, HR, Special Education, Student Records and several other departments. ImageNow holds the largest amount of data by size of any system in the district. Currently, if the system fails and the district has to build new machines and recover from backup, it will take up to a week. Once the district has a disaster system in place, the recovery time will be shortened to a few hours and in turn, improving customer service and employee efficiency.

- **IFAS CDD Report Writing Support – \$40,000**

The 7i version update for IFAS brings with it web-based dashboards and the ability to write web forms and reports that can streamline processes that are still being done manually in numerous schools and departments. Using the requested resources, the district can contract SunGard to help write reports that will eliminate the need for manual spreadsheets. SunGard can also create web forms and work flows to streamline some of the district's current processes that are time consuming.

- **Rental System Replacement – \$115,000**

The current rentals system was written in-house 12 years ago. It is limited in the data it stores and the ability to do forecasting. At the time the system was written, commercial web-based applications were not readily available. The technology that it was written in is outdated and continued support of the system will require IT to rewrite the entire system in a newer technology. In the last few years, several large software manufacturers have entered the market and we believe we can purchase a system with more features for less money than it will take IT to rewrite the current system.

- **Custodial Supplies – \$155,000**

Additional custodial supplies are required in order to complete intensive summer floor and fixture cleaning efforts already underway. The proposed budget increase represents a small fraction of overall district spending on custodial supplies.

Additional bear-proof outdoor trash receptacles are required to ensure that schools are as unattractive to bears as possible. Sites for 20-30 additional bear-proof receptacles will be determined based on prioritization developed in coordination with Alaska Department of Fish & Game. Additionally, this will reduce the risk of non-compliance with local and state solid waste regulations.

- **Auditorium Equipment – \$67,400**

Funds are required to update the West High School (WHS) auditorium sound system as well as make several other safety and functionality improvements at other high school auditoriums. The WHS sound system is not fully functional. This reduces the utility of an important district and community resource. Currently, school users and facility renters are being impacted.

- **GPS System for Maintenance Vehicles – \$52,119**

GPS systems for approximately 100 daily use light-duty vehicles assigned to Maintenance Department personnel will identify opportunities for better dispatch and scheduling of maintenance staff. With such a large staff and a very large territory to cover, the district expects the information gleaned with this system will allow for more productive allocation of limited resources. The proposed spending will use the same system currently being used productively by other district departments including Purchasing/Warehouse and Student Transportation.

- **Replace Analog Audio Video Recording Devices With Digital Video Recorders – \$106,300**

The existing cameras and video recorders in 61 of the buses are more than 10 years old. The analog units use an eight hour VCR tape to record audio and video in the buses from a single camera and microphone in the front of the bus. The VCR records for eight hours then rewinds and begins recording again. These units are no longer reliable. The new technology uses digital video cameras (two in each bus) which record data on a hard drive. Up to 30 days of data can be stored on the hard drive. The units include a button in the driver compartment which bookmarks the date and time of an incident so that supervisors do not need to view all stored data to find an incident. The new cameras also include motion sensors which activate the cameras whenever someone enters the bus. This feature provides more security for buses when they are parked and unattended on the lot or during out-of-town trips.

- **Replace Four 1990 School Buses – \$500,000**

There are nine 1990 buses that have been in service for 20 years - the average mileage is more than 170,000 miles. At this time based on our available funding, the district is requesting funds for only four buses. If additional FY 2009-2010 funds are available, the administration would like to make additional purchases to replace the remaining five buses that have been in service for 20 years. These buses are no longer cost effective to maintain and repair parts are scarce or no longer available. New buses have updated safety standards and must meet the 2010 diesel emission standards which reduce emissions by 90 percent as compared to the 1990 buses. Several of the 1990 buses had to be removed from service during the winter due to the high cold start emissions. Residents in the neighborhoods near the Transportation Center complained about diesel fumes when these buses were started during cold weather.

Total Budget Transfers for One-Time Expenditures \$1,186,619

Funds will be added to:

<u>Account Name</u>	<u>Account Number</u>	<u>Amount</u>
Mt. Iliamna	106412-3080	\$ 57,000
Special Education Secondary	166502-4020	45,000
Whaley School	106101-5440	5,000
Technology/MIS	103911-5440	43,800
Business Management	100402-3010	40,000
Technology/MIS	103901-3010	115,000
Custodial Services	106101-4200	155,000
Rentals	106601-5410	67,400
Maintenance	106301-3010/5400	52,119

Bus Operations	108101-5410	<u>606,300</u>
		<u>\$1,186,619</u>

Funds will be subtracted from these accounts where savings were realized:

<u>Account Name</u>	<u>Account Number</u>	<u>Amount</u>
Various Utility Accounts	Various 3000's	\$ 222,000
Bus Operations Fuel	108101-4100	103,800
Various Salary/Benefits Accounts	Various 1000/2000	190,400
Rentals Contracted Srv. Grds.	106601-3070	32,000
Maintenance Contracted Srv. Bldg.	106401-3080	52,119
Bus Operations Contracted Trans.	108101-3120	106,300
Bus Operations Contracted Trans.	108101-3120	<u>480,000</u>
		<u>\$1,186,619</u>

ADDITIONAL INFORMATION

STEM

Initial development of a framework for a strategic plan combining the strands of Career and Technology Education, STEM (science, technology, engineering and math) and Career and College Readiness has been initiated. The STEM coordinator has been hired. A shift away from an isolated STEM plan, to one that merges with Career and Technology Education and College and Career Readiness has occurred. Additionally, there is intent to slowly build this program by focusing on a discrete number of areas of concentration. These two items have caused a reorientation in the needs and possibilities for funding sources for new STEM initiatives. Original forecasting for additional funds necessary to support the STEM initiative has been alleviated, at least for the first year.

Prepaid Expenses

Enstar

For the past couple of years, the district has negotiated with Enstar to prepay the heat utility invoices at a discount. The district will continue this practice in FY 2010-2011. This will allow next year's revenues that would have normally funded these utility payments to be used for other purposes or to be rolled into the fund balance for use in future years.

ASD Education Center

The district will also prepay \$850,000 of the FY 2010-2011 ASD Education Center rent in return for a two percent discount. The FY 2010-2011 budget does not currently have enough funds budgeted for the entire \$2.7 million contract. Based

upon recent notification from utility companies and the district's energy conservation program, the administration currently anticipates budget authorization to become available during FY 2010-2011 as utility costs and forecasted consumption are now anticipated to be lower. The administration will process a budget transfer to reduce utility budgets and increase rent authorization next year once specific accounts have been identified. Therefore, the upper limit of the FY 2010-2011 General Fund budget will not require an increase.

FISCAL YEAR BUDGET COMPARISON

Upon approval of this request, the administration will proceed with the budget adjustments to the Food Service and Local/State/Federal Grant Funds, budget transfers for the unanticipated expenditures and for the one-time expenditures as outlined in this memorandum. If it is determined that there are insufficient funds to cover the one-time expenditures when all revenues have been received, all expenditures have been recorded, and all accruals have been determined, only the most critical requirements will be funded.

The district's FY 2009-2010 Revised Financial Plan will remain at \$830,840,080 and is summarized as follows:

<u>REVENUE/EXPENDITURE BUDGETS</u>			
<u>Fund Description</u>	<u>Budget As of 8/11/09</u>	<u>Requested Revision</u>	<u>Revised Budget As of 6/28/10</u>
General	\$598,467,232	\$ - 0 -	\$598,467,232
Food Service	16,828,000	150,000	16,978,000
Debt Service	85,907,658	- 0-	85,907,658
Local/State/Federal Grants	<u>129,637,190</u>	<u>(150,000)</u>	<u>129,487,190</u>
All Funds	<u>\$830,840,080</u>	<u>\$ - 0 -</u>	<u>\$830,840,080</u>
 <u>Local Taxes</u>			
<u>Fund Description</u>	<u>Taxes As of 8/11/09</u>	<u>Requested Revision</u>	<u>Taxes As of 6/28/10</u>
General	\$191,913,748	\$ - 0 -	\$191,913,748
Debt Service	<u>41,033,834</u>	<u>- 0 -</u>	<u>41,033,834</u>
Total Local Tax Contribution	<u>\$232,947,582</u>	<u>\$ - 0 -</u>	<u>\$232,947,582</u>

CC/JS/MSL

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