

ANCHORAGE SCHOOL DISTRICT  
ANCHORAGE, ALASKA

MEMORANDUM

November 3, 2003

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: FY 2004-2005 FINANCIAL PLANNING WORK SESSION

Attached is an information packet, which provides schedules that will be discussed at the FY 2004-2005 Financial Planning Work Session. The packet includes preliminary revenue and expenditure projections based on current information along with the assumptions that were used to formulate the preliminary projections being presented. Also included is a list of unknown variables as well as variables that are subject to change. The scenario of revenue projections for FY 2004-2005 is provided. The revenue scenario results in a projected budget shortfall - estimated expenditures exceeding estimated revenues.

These projections are the beginning of the budget development process prior to budget reductions and/or revenue enhancements that will be made to the FY 2004-2005 Financial Plan to bring it into balance. During the discussions with the School Board at this work session, we would like to receive suggestions and changes that may impact the revenue and expenditure pro forma budget that will be brought forward to the School Board on November 10, 2003 for action. (For example, the use of the undesignated fund balance as a revenue source for one-time expenditures.) On November 10, the School Board will be establishing the budget cost ceiling by setting spending limits and assumptions for the FY 2004-2005 budget preparation process. Multi-year projections are not included based on insufficient information regarding the extensive reductions required to be made in FY 2004-2005 and/or possible revenue alternatives that may be adopted locally or statewide in the future.

This year the budget development process involved public participation through the formation of Budget Review Teams. Each team reviewed one of four broad areas of the budget—General Administration, Instruction, Instructional Support and Support Services. The four teams were each composed of one community facilitator and approximately forty volunteers representing various advisory committees, business and labor organizations, community members, parents,

students and District employees. Each team was responsible for identifying reductions or revenue enhancements equal to 7 percent, economies and more effective program alternatives, duplication of efforts/services, and reviewing all funding sources. The process began with the kick off meeting September 16 and the teams worked over the next six weeks to complete their reports by October 24. The teams presented their recommendations at a public meeting October 30. In addition to the teams, opportunities for budgetary input are accessible through the District Web site and suggestion forms available from schools and at Assembly and School Board hearings. All District employees were asked for their suggestions. We will consider the feasibility of implementing these recommendations as we continue the budget preparation.

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

CC/JS/MSL  
Attachments

<b>REVENUES &amp; EXPENDITURES</b>				
<b>All Funds</b>				
	<b>FY 2003-2004 Revised</b>	<b>FY 2004-2005 Pro Forma Revenues</b>	<b>FY 2004-2005 Pro Forma Expenditures</b>	<b>FY 2004-2005 Budget Shortfall</b>
<b>FUND</b>				
General	\$367,595,037	\$371,120,000	\$397,350,000	(26,230,000)
Food Service	13,362,550	13,738,600	13,738,600	0
Debt Service	61,908,094	68,259,498	68,259,498	0
L/S/F Projects	40,000,000	40,000,000	40,000,000	0
Contingency	2,328,054			
All Funds	<u>\$485,193,735</u>	<u>\$493,118,098</u>	<u>\$519,348,098</u>	<u>(26,230,000)</u>
<b>Local Taxes</b>				<b>Increase</b>
General	\$121,490,634	\$133,880,295		12,389,661
Debt Service	23,493,024	33,508,155		10,015,131
Total	<u>\$144,983,658</u>	<u>\$167,388,450</u>		<u>22,404,792</u>
Projected Enrollment - Sept. 30	49,900	49,499 *		
Actual Enrollment - Sept. 30	49,663			
Actual Enrollment FTE - Sept. 30	49,431			
* Adjustments may occur with approval of additional charter schools				

<b>REVENUES</b>	
<b>General Fund</b>	
	<b>FY 2004-2005 Pro Forma</b>
<b>LOCAL</b>	
<b>Taxes</b>	\$ 133,880,295
Assume full amount of taxes allowed under local tax cap calculation for District's calculated share of the formula (Using same criteria as the Municipality of Anchorage, October 2003)	
-Population - 5-year average 1.1%                   1,336,397	
-CPI - Anchorage 2.29%                               2,782,135	
-Operations and Maintenance:                       3,150,152	
South Anchorage High School, Wendler, Ptarmigan	
-New Construction \$694.8M                         5,120,977	
-See Computation of Property Tax Limitation (See page 6)	
<b>Other Local</b>	
-Based on prior years revenue trend	2,691,300
-No increased user fees	
-Current family cap for activity fees	
<b>Interest Earnings</b>	1,375,000
-Based on prior receipts and future outlook	
<b>Fund Balance</b>	0
(Undesignated fund balance at 6/30/03 = \$26.665 or 7.19% of Estimated Revenues or 6.71% of Estimated Expenditures)	
	\$ 137,946,595
<b>STATE</b>	
<b>Foundation Program</b>	\$ 201,019,638
-Impact of increased assessed valuation, decreased enrollment, and Federal Impact Aid -49,197.8 ADM including correspondence equates to 67,138.16 adjusted ADM	
<b>Quality Grant</b>	1,074,211
-No increase - \$16 per Adjusted ADM	
<b>Pupil Transportation</b>	16,872,375
-District-Operated and contracted Transportation State reimbursement estimate based on FY 2002-2003 actual expenditure/number of FY 2002-2003 ADM less Correspondence Programs times FY 2004-2005 estimated ADM less Correspondence Programs	
<b>Supplemental Funding and Grants</b>	
-On-Base Schools	408,484
-McLaughlin Youth Center funding formulae change	413,503
-Providence Heights	90,000
-Alaska National Guard Youth Corps	50,000
-State Medicaid	1,000,000
	\$ 220,928,211
<b>FEDERAL</b>	
<b>Federal Impact Aid</b>	\$ 11,800,000
-Assumes same level of funding as in FY 2003-2004	
<b>JROTC</b>	445,000
-Based on prior year revenue trend	
	\$ 12,245,000
-Rounding	194
<b>Total General Fund</b>	\$ 371,120,000

<b>REVENUES</b>	
<b>Food Service Fund</b>	
	<b>FY 2004-2005 Pro Forma</b>
<b>Local Sources</b>	\$ 7,084,800
<b>Federal Sources</b>	6,428,800
<b>Fund Balance</b>	225,000
<b>Total Food Service Fund</b>	<b>\$ 13,738,600</b>

Note: Estimated 2.81% increase based on estimated program requirements - no price increase included

<b>Debt Service Fund</b>	
	<b>FY 2004-2005 Pro Forma</b>
<b>Local Sources (Taxes)</b>	\$ 33,508,155
<b>State Sources</b>	31,211,224
<b>Fund Transfer</b>	100,539
<b>Fund Balance</b>	3,439,580
<b>Total Debt Service Fund</b>	<b>\$ 68,259,498</b>

Note: Taxes reduced for local portion of savings from lower interest rates. Does not include debt service on any proposed propositions that may be on the April 2004 ballot or future sale on authorized unsold bonds. Fund Transfer from General Fund is for the principal amount to be funded by State Pupil Transportation revenues for 20 buses funded by April 2002 and April 2003 Bonds.

<b>Local, State and Federal Projects Fund</b>	
	<b>FY 2004-2005 Pro Forma</b>
<b>Local Special Projects</b>	\$ 700,000
<b>State Special Projects</b>	2,400,000
<b>Federal Special Projects</b>	36,900,000
<b>Total Local, State and Federal Projects Fund</b>	<b>\$ 40,000,000</b>

Note: Assumes \$0 increase for FY 2004-2005 until further review with grant writers and federal legislation.

<b>FY 2004-2005 EXPENDITURES</b>	
<b>GENERAL FUND</b>	
<b>UNKNOWNNS</b>	<b>ASSUMPTIONS</b>
<p><b>Contracts Pending</b>            FY 2004-2005            -AEA (Anchorage Education Association) Re-Opener            -APA (Anchorage Principals Association)            -Exempt Employees            -LOCAL 71 (Custodians)            -TOTEM (Education Support Personnel)</p> <p><b>Charter Schools</b>            -One new Charter School proposal under administrative review            -Future housing for Charter Schools</p> <p><b>Transportation</b>            -NCLB Adequate yearly progress transportation concerns</p> <p><b>Copier Contract</b>            -Current contract expires November 2003. Anticipated new contract award for 2004 through 2009 comes before the School Board on November 10.</p> <p><b>Impact of State of Alaska Quality Schools Initiative</b>            -Graduation exit exam            -Benchmark exams            -Comprehensive system of student assessment</p> <p><b>Impact of Federal Mandates</b>            -ESEA - No Child Left Behind Requirements</p> <p><b>Six-Year Educational Plan</b></p> <p><b>Assessment/Testing Impact</b></p> <p><b>Formation of the Fort Richardson Stryker Brigade</b></p> <p><b>Fiscal Gap</b>            Budget recommendations for reductions necessary:            -Community, staff and student recommendations            -Budget Review Teams            -Administration            -School Board</p> <p><b>Future Bond Issues</b></p>	<p><b>Staffing Adjustments</b>            -Adjustments made for staffing based on enrollment changes and rural-urban transitioning and immigration from other countries (92 languages other than English)</p> <p><b>PTR - Pupil to Classroom Teacher Staff</b>            -Continue with same staffing ratio            Kindergarten: 20.50 to 1            Grade 1: 21.00 to 1            Grade 2-3: 24.00 to 1            Grade 4-6: 27.00 to 1            Grade 7-8: 25.54 to 1            Grade 9-12: 27.08 to 1            Special Education - Staffing is based upon demonstrated need and program (consistent with current year).</p> <p><b>Settled Contracts</b>  <b>FY 2004-2005</b>            -ACE (Anchorage Council of Education)            -BUS DRIVERS &amp; ATTENDANTS            -MAINTENANCE</p> <p><b>Average Teacher Salary</b>            -Volume of new hires, attrition and the level of educational attainment in FY 2003-2004 will impact average teacher salary calculation</p> <p><b>Service Recognition Program</b>            -APA contract provides for an SRP for a maximum of ten principals in FY 2003-2004 which will impact future years</p> <p><b>Medical</b>            -Based on settled bargaining unit contracts.</p> <p><b>TRS</b>            -Retirement rate increase from 12% to 16%</p> <p><b>PERS</b>            -Retirement rate increase from 9.25% to 14.25%</p>

FY 2004-2005 EXPENDITURES GENERAL FUND	
UNKNOWN	ASSUMPTIONS
	<p><b>Other Benefits</b>            -Other mandatory benefit adjustments included</p> <p><b>Major Maintenance Projects</b>            -Maintaining current level of funding for major maintenance projects for some of the District's more than 91 school facilities</p> <p><b>Transportation</b>            -Estimated increase based on 2.29% COLA for contracted transportation</p> <p><b>Other Purchased Contractual Services</b>            -Adjustments made for known cost increases</p> <p><b>Copiers</b>            -Currently the copier contract is under review and is scheduled to go to the School Board for approval on November 10, 2003. Assumed current contract expenditures.</p> <p><b>Utilities</b>            -Utilities based on estimated rate increases provided by utility companies, and weather forecasts. Increases range from 2% to 10%.</p> <p><b>Supplies</b>            -Adjustments made for student enrollment.            -Continuing same per pupil allocation as FY 2003-2004              -Elementary - \$90              -Middle Level - \$96              -High School - \$100            -One time only triple allocation for new South Anchorage High School            -Emergency Preparedness - same level</p> <p><b>Equipment</b>            -Equipment between \$5,000-\$50,000 to be purchased from Equipment Replacement Fund</p> <p><b>Charter Schools</b>            -Continue five School Board approved Charter Schools. Assumes Correspondence categorization for Family Partnership and Frontier.</p>

Anchorage School District  
Fiscal Year 2003-2004

**COMPUTATION OF MUNICIPAL TAX LIMITATION**

Taxes Projected—Anchorage School District FY 2004-2005		\$ 144,983,658
Less: Prior Year Taxes Required for Debt Service		<u>23,493,024</u>
Net Taxes Approved for General Fund		121,490,634
Adjustment Factors		
Population 5 year Average	1.10 %	
CPI—Anchorage Urban	<u>2.29</u>	
	3.39 %	<u>4,118,532</u>
Basic Tax Limitation		125,609,166
<u>Plus Exclusions:</u> Taxes for Operations and Maintenance on New Voter Approved Facilities (1)		3,150,152
Taxes Requested on New Construction/Property Improvements (1)		<u>5,120,977</u>
Tax Limitation—General Fund		133,880,295
Taxes Requested for Debt Service (2)		<u>33,508,155</u>
TAX LIMITATION FY 2004-2005		167,388,450
General Fund	133,880,295	
Debt Service Fund	<u>33,508,155</u>	
TAXES PROJECTED IN FINANCIAL PLAN—FY 2004-2005		<u>167,388,450</u>
AMOUNT (OVER) LESS THAN TAX LIMITATION (3)		<u><u>\$ 0</u></u>

- Note:
- (1) Taxes on new construction or property improvements, excluded from the limitation the first year, are computed as follows: 7.37 mills x \$694,840,889 (estimated 2003 new construction/property improvement value received from the Municipality of Anchorage's Office of Management and Budget) = \$5,120,977
  - (2) The taxes approved for debt service are for sold bonds approved by the voters.
  - (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.

<b>POTENTIAL CONSIDERATION CHANGES TO CRITERIA USED FOR FY 2004-2005 PRO FORMA BUDGET</b>	
	<b>Interest by Board Members</b>
Balanced budget (current assumption - revenues equal to expenditures)	
<b><u>Revenues:</u></b>	
Local Property Taxes (current assumption - maximum allowed under local tax cap limitation)	
<ul style="list-style-type: none"> <li>• No increase under local tax cap limitation</li> </ul>	
Fund Balance as revenue source (current assumption - no use of fund balance)	
<ul style="list-style-type: none"> <li>• One-time expenditures</li> <li>• Recurring expenditures</li> <li>• Bring revenues equal to expenditures</li> </ul>	
User Fees (current assumption - no change)	
<ul style="list-style-type: none"> <li>• Increases to current fees</li> <li>• New fees</li> <li>• Remove family cap</li> </ul>	
State Public School Funding	
<ul style="list-style-type: none"> <li>• Foundation (current assumption - no formula change and no increase to per pupil allocation of \$4,169)</li> <li>• Quality Schools Grant (current assumption - no increase to per pupil amount of \$16)</li> </ul>	
State Transportation (current assumption - no proration)	
Budget Review Team Recommendations	
<b><u>Expenditures:</u></b>	
Maintain, adoption, or expansion of programs (current assumption - no change)	
<ul style="list-style-type: none"> <li>• ESEA-No Child Left Behind Act (Jan. 2002)</li> <li>• Quality Schools Initiative</li> <li>• Six-Year Educational Plan</li> <li>• Implementation of the Technology Plan (lease or purchase classroom computers)</li> <li>• Alaska Studies</li> <li>• Textbook Adoptions</li> <li>• Community, staff and student recommendations</li> <li>• Additional positions other than required by class size reduction</li> <li>• Summer School               <ul style="list-style-type: none"> <li>• Elementary</li> <li>• Middle Level</li> <li>• High School</li> </ul> </li> <li>• Community Schools</li> <li>• Data Warehouse</li> <li>• Budget Review Team Recommendations</li> </ul>	
Pupil to classroom teacher staff ratio (current assumption - no change)	
Student supply/equipment allocation (current assumption - no change)	

**POTENTIAL CONSIDERATION CHANGES TO CRITERIA USED FOR FY 2004-2005 PRO FORMA BUDGET (continued)**

	<b>Interest by Board Members</b>
Charter school housing (current assumption - no change)	
Supply Purchases	
<ul style="list-style-type: none"><li>Emergency Preparedness continue funding to supply schools with emergency shelters</li></ul>	
Equipment purchases (current assumption -no equipment purchases above \$5,000 unless from student supply/equipment allocation at the school level)	
<ul style="list-style-type: none"><li>Other (under review- maintenance equipment above \$50,000 - General Fund vs. Bonding)</li></ul>	
Major maintenance projects (current assumption - maintain \$2.670 million)	
Future bond issues (current assumption - under review)	