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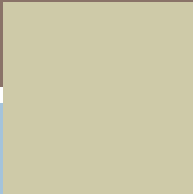
FY 2012 BUDGET DEVELOPMENT: “ALL STAFF COMMUNITY CONVERSATION ON THE BUDGET”

Austin Independent School District

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Staff Engagement

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- Listen to staff issues and concerns
- Answer budget-related questions
- Collect responses to Guiding Questions
- Gather input to help shape Preliminary Budget

Suggestions Already Received

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- Retirement Incentives
- Strategic support personnel cuts
- Cut administrative costs
- Implement mandatory retirement
- Prudent selection of textbooks and instructional materials (avoid waste)
- Make attendance at staff development optional
- Require employee contributions for health insurance

PRESENTATION OVERVIEW

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- Financial Landscape
 - The Budget Solution
 - Why Fund Balance Matters
 - FY2012 Budget Planning and Development
 - Responses and Feedback on Key Budget Questions
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Financial Landscape

Financial Landscape- *Bleak*

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□ Local Revenue

- Residential property values are declining despite relief efforts.
- Certified taxable values for 2010 represent a decline of 3.66% decline. The tax appraiser projects another 2.75% decline for 2011 with modest growth of less than one percent for 2012.

□ State Revenue

- State facing estimated \$21B -\$25B shortfall.
- State used Federal stimulus funds to offset State aid shortfall. AISD received (\$22.6M).
- Public Education accounts for \$35.2B of \$80.6B in state discretionary General Revenue (43.7%).
- Logic dictates that if the state bridges the budget deficit by cutting spending alone, education will be impacted substantially.

□ Federal Stimulus Funds

- \$74 million over 2 years, ends 2010/11.
 - Used to expand important programming, but what happens in 2011/12?
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AISD Austerity Planning in FY10 and FY11

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□ FY2010 Budget Reductions	\$14.6M
□ FY2011 Budget Reductions	<u>\$13.1M</u>
Total	\$27.7M

- FY2010 Budget Reductions eliminated 18 positions which saved just over \$700k.
 - FY2010 central office hiring freeze saved district over \$1.5M.
 - FY2011 Budget Reductions included the elimination of 117 central positions that saved the district an estimated \$5M.
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FY2012 Potential Budget Pressures

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2012 Pressure	Estimate
Baseline Deficit <i>(includes Loss of \$4.7M in State Pre-K Funding)</i>	\$21.9M
Early College HS & Early College Start @ LBJ and Reagan	\$ 0.7M
Expiring ARRA Programming (pre-k, AVID, dual language)	\$ 4.5M
Expiring ARRA for Special Ed Compliance	\$ 2.1M
Other New Requests	\$ 8.1M
Potential State Reductions	\$10-\$12M
Salary Increases for Teachers (3%)	\$ 9.7M
Salary Increase for Classifieds (2%)	\$ 2.8M
Salary Increase for All Others (2%)	\$ 0.9M
Total	\$60.7M- \$62.7M

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Budget Forecast Considerations

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- Uncertainty of economy and its impact on school finance
 - Funding cliff in 2011/12
 - ▣ Without new state aid, programs funded by the required ARRA spending will be in jeopardy
 - Managing fiscal health over next few years
 - ▣ Limit net expenditure growth by reducing costs
 - ▣ Limit use of fund balance to one-time not recurring expenses
 - ▣ Focus spending on strategic priorities
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Budget Pressures Beyond the Deficit

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- Addressing Board Goals and Priorities
 - Implementing the Strategic Plan
 - Unanticipated Membership Changes
 - Pay Parity/Employee Compensation
 - Affordable and Robust Healthcare
 - Inflationary Factors
 - Extent of Fund Balance Depletion
 - Strategic Use and Alignment of Resources
 - ✓ Tying investments to performance outcomes and program evaluation
 - ✓ Eliminating costly inefficiencies
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Reallocating for Greater Effectiveness

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- We must use the limited tools at our disposal to reallocate our finite resources to serve all our students better in a changing academic environment.
 - While recognizing that our resources are inadequate for the challenges we face, we must be willing to take on such issues as under-enrolled campuses and over-staffed schools and departments in order to use the resources we have more effectively and efficiently.
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The Budget Solution

Actions to Close the Gap

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- Addressing the Structural Imbalance
 - ▣ Reduce Expenditures
 - ▣ Limit Expenditure Increases
 - ▣ Reduce costly inefficiencies to generate savings
 - ▣ Increase and Maximize Revenue

 - Limit the Use of Fund Balance as an Option
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Types of Budget Reduction Actions

Cost savings – expenditures that can be reduced through current or future budgets

Cost avoidance – items that would normally increase in future budgets but growth can be reduced or eliminated

Operational efficiency – practices that could improve operations but may not have a direct budget impact

Revenue Solutions & Multi-Year Planning

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- Establish conditions and timeline for possible Tax Ratification Election (TRE).
 - When: June 2011 or Nov. 2011
 - How Much: Five cent minimum (\$15.5M), up to full nine
 - What: Determine priorities that will be supported by TRE
- Establish timeline for Bond Election:
 - City of Austin is going out for election in Nov 2010 (\$90M) and in Nov 2012 (\$880M).
- Establish a Resource Development Strategy
- Establish funding priorities and mechanisms for support to maximize and leverage outside

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Why Fund Balance Matters

Why Fund Balance Matters

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- AISD is one of a handful (7) of Districts with the highest rating in Texas.
- Affects our overall credit worthiness which determines borrowing costs
 - ▣ It is estimated we saved approx. \$10.5M in our most recent bond issue as a result of our increase in rating
- Maintains cash reserve to cover operating costs during low cash periods
 - ▣ Property tax collections lag until due date making it tougher to float payroll thru December
 - ▣ Maintaining a cash reserve helps AISD avert costs of issuing Tax Anticipation Notes (TANs)
- Bond rating reports indicated deficiency that continued drawdown on reserves would weaken districts financial position and credit quality

The Importance of Maintaining Adequate Reserves for School Districts

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- Maintaining adequate reserves has several internal and external benefits:
- Internal Benefits:
 - Reserves can provide for cash flow needs until major revenues are received, reducing or eliminating the need for short term borrowing which has excessive costs;
 - cover unforeseen expenditure needs, revenue shortfalls and emergencies;
 - provide funds to leverage state or federal grants; and,
 - meet new TEA Financial Accountability requirements and local School Board policies.
- External Benefits:
 - Reserves tend to be viewed favorably by investors, rating agencies, and local banks impacting ratings, investor confidence and ability to access to potential lines of credit; and,
- Demonstrates financial stability.

FY2012 Budget Planning and Development

FY 2011/12 Budget Development Process

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- One Goal -
 - Balance Limited Resources with Unlimited Needs
 - Budget Process
 - ▣ Transparent and open
 - ▣ Targets use of limited resources to specific goals
 - ▣ Considers short and long range fiscal implications
 - ▣ Evaluates the achievement of intended outcomes
 - Stakeholder Involvement
 - ▣ Administration and District staff
 - ▣ Citizens Budget Review Committee (CBRC)
 - Review of budget and financial reporting process
 - Evaluation of programs/initiatives to improve student achievement
 - Review of operational efficiency
 - ▣ Other groups – i.e.. DAC, Education Austin, Chamber of Commerce, AASPA
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Approach to FY2012 Budget Development

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- ① Establish Budget Parameters and Timeline (Sept-Oct)
- ② Analyze Deficit Condition (Sept- Dec)
 - ❑ Review assumptions
 - ❑ Analyze spend
 - ❑ Identify non-recurring expenses associated with Year 1 Mission Critical Strategic Plan investments; identify Year 2 needs
 - ❑ Set compensation goals
- ③ Develop Budget Reduction Alternatives (Aug-Feb)
 - ❑ MGT Efficiency Study & Facilities Master Plan Recommendations
 - ❑ Develop alternatives with Principals Focus Group
 - ❑ Stakeholder proposals: DAC/CBRC/Ed-Austin/AAPSA Proposals; on-line surveys
 - ❑ Analyze programmatic results
- ④ Implement (Dec)
 - ❑ Adjust staffing formulas
 - ❑ Determine need for Financial Exigency

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Principal Engagement in Budget Process

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- Lengthy discussion of Efficiency Study options at Oct Expanded Cabinet and review of detailed budget reports and comparative data.
- A staffing/budget focus group comprised of Principals and administrative staff met four times to develop and review alternatives related to the staffing formula.
- Level meetings were conducted during the week of Nov. 1
- A second round of level meetings will occur during the week of the 15th.

Staffing Formula Review Items

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- Increasing the level of Autonomy & Flexibility within the Staffing Formula.
- The impact of teacher workload changes at the secondary level – Savings: \$5.2-\$7.2M
- The impact of possibly eliminating one administrative period (Core & Non-Core)- Savings: \$12.7-\$17.4M
- The impact of increasing the subject area teacher allocation from 1:7 to 1:9, 8.5, 8- Savings: \$1.3-\$2.7M
- Possible Central Staffing Reductions- Savings:
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FY2012 Budget Development Calendar: Key Dates/Actions

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- Draft Budget Calendar has been developed with input from CBRC.
- It Includes key dates for:
 - Budget Parameters and Human Capital Strategy (Sept)
 - Budget Calendar (Oct)
 - Budget Assumptions/Staffing Formula & Guidelines (Nov)
 - Discussion on Compensation, Tax Rate and Out-year Planning (Dec)
 - Near-Final decisions on Staffing Formula & Guidelines (Dec)
 - Evaluation of Need for Declaration of Financial Exigency (Jan/Feb)
 - Program Evaluation Results (Jan)
 - Facilities Master Plan recommendations (Late Jan)
 - Community Conversations on the Budget (Nov/Mar)
 - Budget Adoption (June) with Tax Rate Adoption in Aug after July 25 certification of appraisal values
 - Tax Rate Adoption, May if June TRE is pursued; Aug for Nov TRE

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Feedback on Budget Questions

Your Responses and Feedback Is Needed on the Following Questions

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1. Would you consider an increase in employee contributions of \$70 - \$129 per month for healthcare, depending on your plan?
2. Please rate your level of support for possible consolidation of 2-3 elementary schools. 1- no support, 2-slight support, 3-neutral, 4-somewhat support, 5-completely support
3. Please rate your level of support for possible closure of one middle school. 1- no support, 2-slight support, 3-neutral, 4-somewhat support, 5-completely support
4. What other budget cuts should the District consider to address the budget deficit?
5. Would you consider a salary freeze?
6. Would you consider taking a furlough to jobs?
7. Would you consider taking a furlough to save programs ?
8. What other revenue sources should the District consider?

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