



# 2017-2018 Board Leadership Academy

December 5, 2017

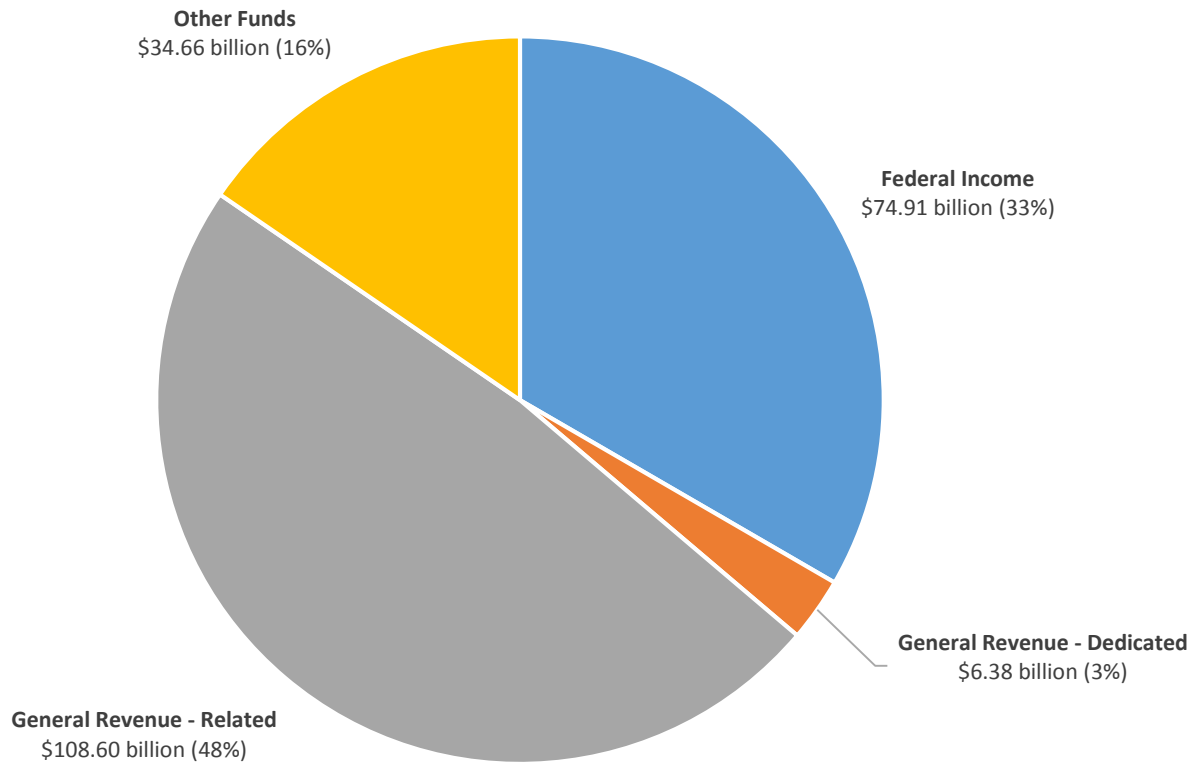
**INSPIREEQUIPIMAGINE**



- **The State of Texas**
  - Revenue & Sources
  - State Budget
  - Reliance on Property Taxes
  - Prior Lawsuits
- **District Revenue Analysis**
- **Tax Rate Drop & Swap**
- **District Budget & Expenditure Analysis**
- **Debt Service Fund**

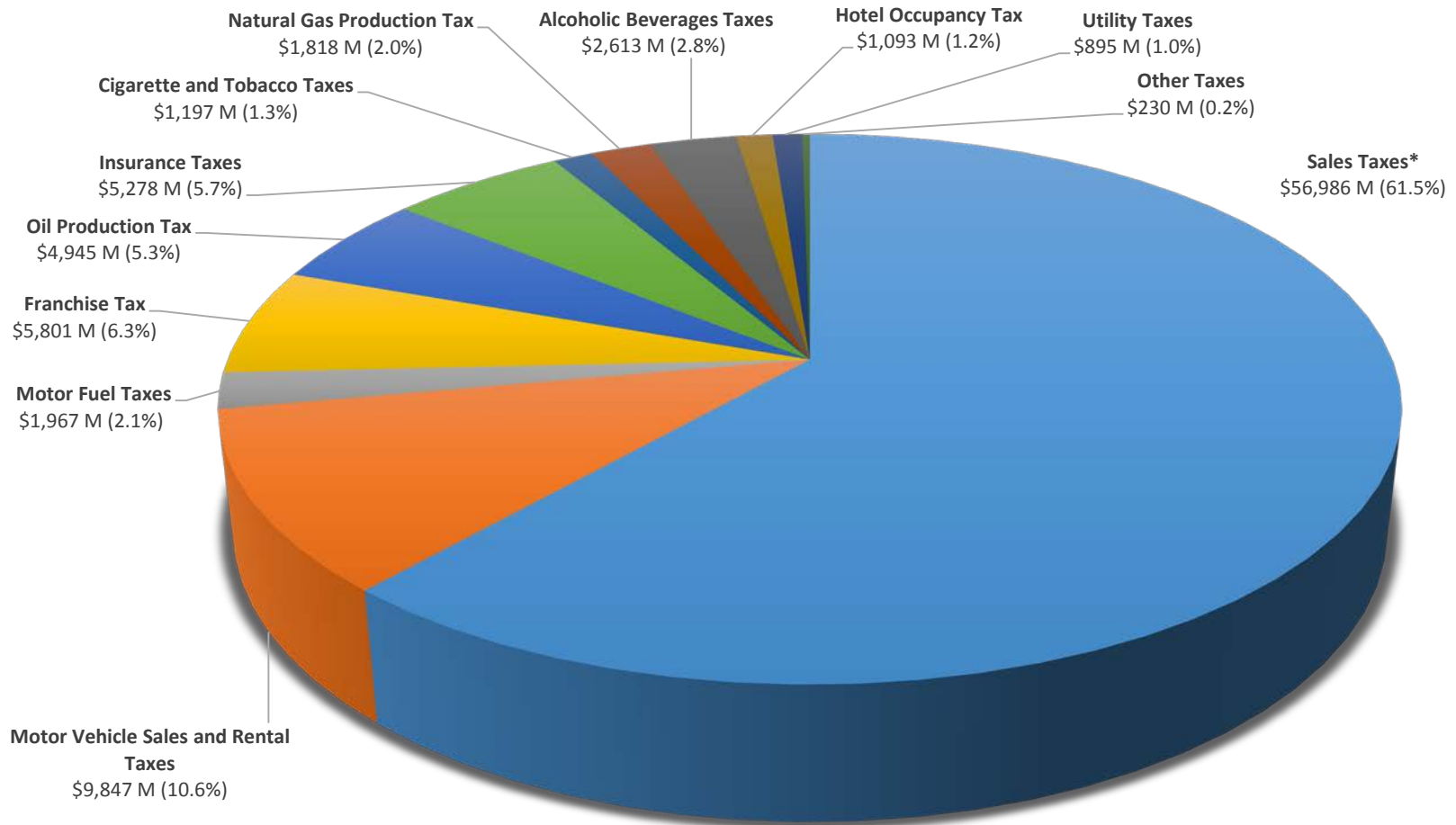
# State Revenue by Major Fund (2018-19 Biennium)

**Major Fund State Revenue Estimate (2018-19 Biennium)**  
**Total: \$224.6 billion**



# State Tax Collection Estimate (2018-19 Biennium)

## 2018-19 State Tax Collections Total: \$92.7 billion



# BIENNIAL REVENUE ESTIMATE A CLOSER LOOK

January 2017

The Biennial Revenue Estimate is issued by the Comptroller at the start of every legislative session before Texas legislators begin budgeting for the next biennium. The estimate tells lawmakers how much they can spend, which in turn affects every Texan.

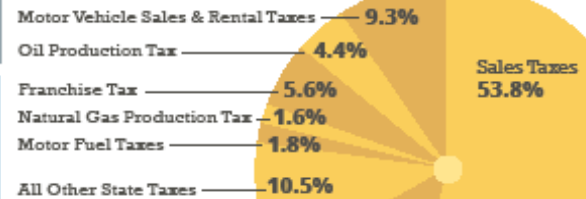
## Revenue Available for General Purpose Spending

	2016-17	2018-19	
General Revenue-Related (GR-R) Revenues from Sales Taxes (Before allocation to State Highway Fund)	+ \$56.83	\$61.97	In Billions of Dollars
Sales Taxes Allocated to State Highway Fund	- \$0.0	\$4.71	
<b>Net GR-R Revenues from Sales Taxes</b>	<b>= \$56.83</b>	<b>\$57.26</b>	SUBTOTAL
Other GR-R Revenues	+ \$45.61	\$49.21	
<b>Total GR-R Revenues</b>	<b>= \$102.45</b>	<b>\$106.47</b>	SUBTOTAL
Beginning Balance (Funds carried forward from 2016)	+ \$7.29	\$1.53	
<b>Total GR-R Revenue &amp; Fund Balances</b>	<b>= \$109.73</b>	<b>\$108.00</b>	SUBTOTAL
Revenue Reserved for Transfers to the Economic Stabilization and State Highway Funds	- \$2.0	\$3.13	
<b>Total Revenue Available for General-Purpose Spending</b>	<b>= \$107.73</b>	<b>\$104.87</b>	TOTAL

In 2015, voters approved Proposition 7, which requires the Comptroller to direct some tax revenues to the State Highway Fund starting in fiscal 2018.

## General Revenue-Related Revenues

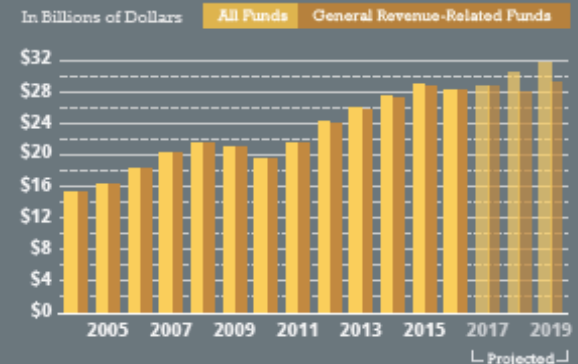
### STATE TAX REVENUES



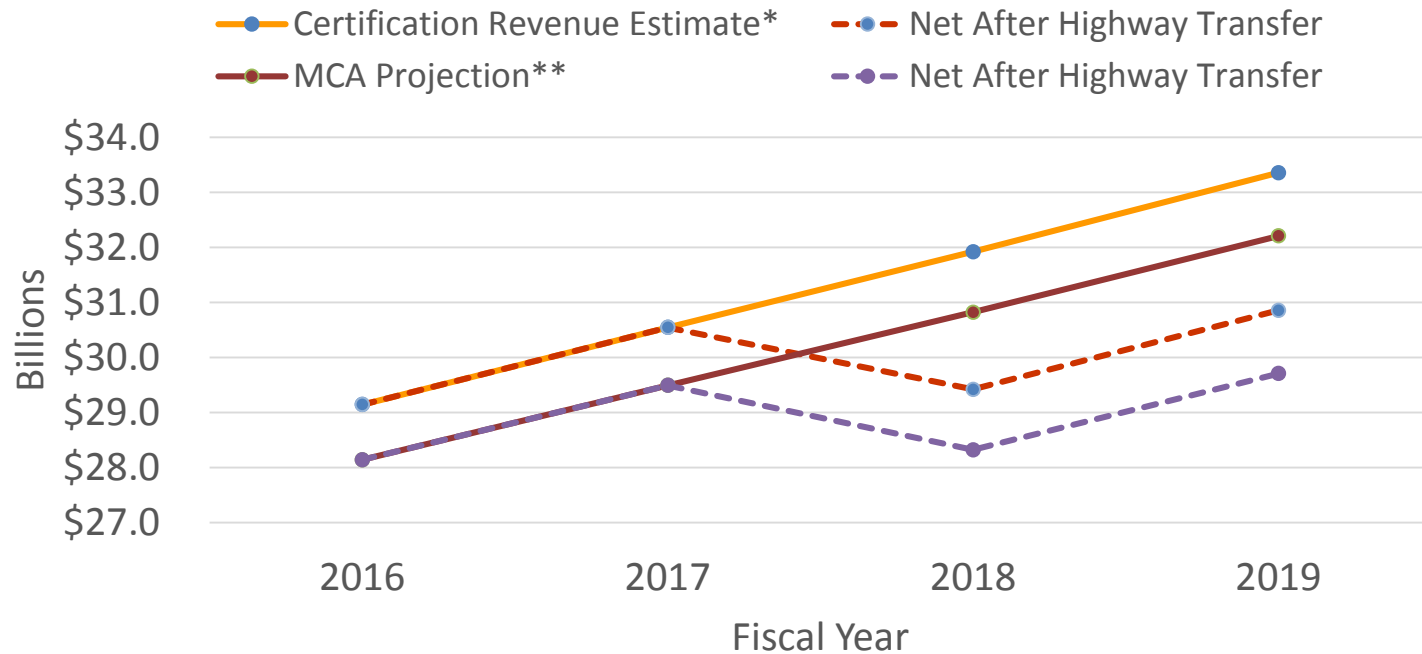
### OTHER REVENUES

Fees, Investments & Other Non-Tax Revenue — 13.0%

## Annual Net Sales Tax Collections



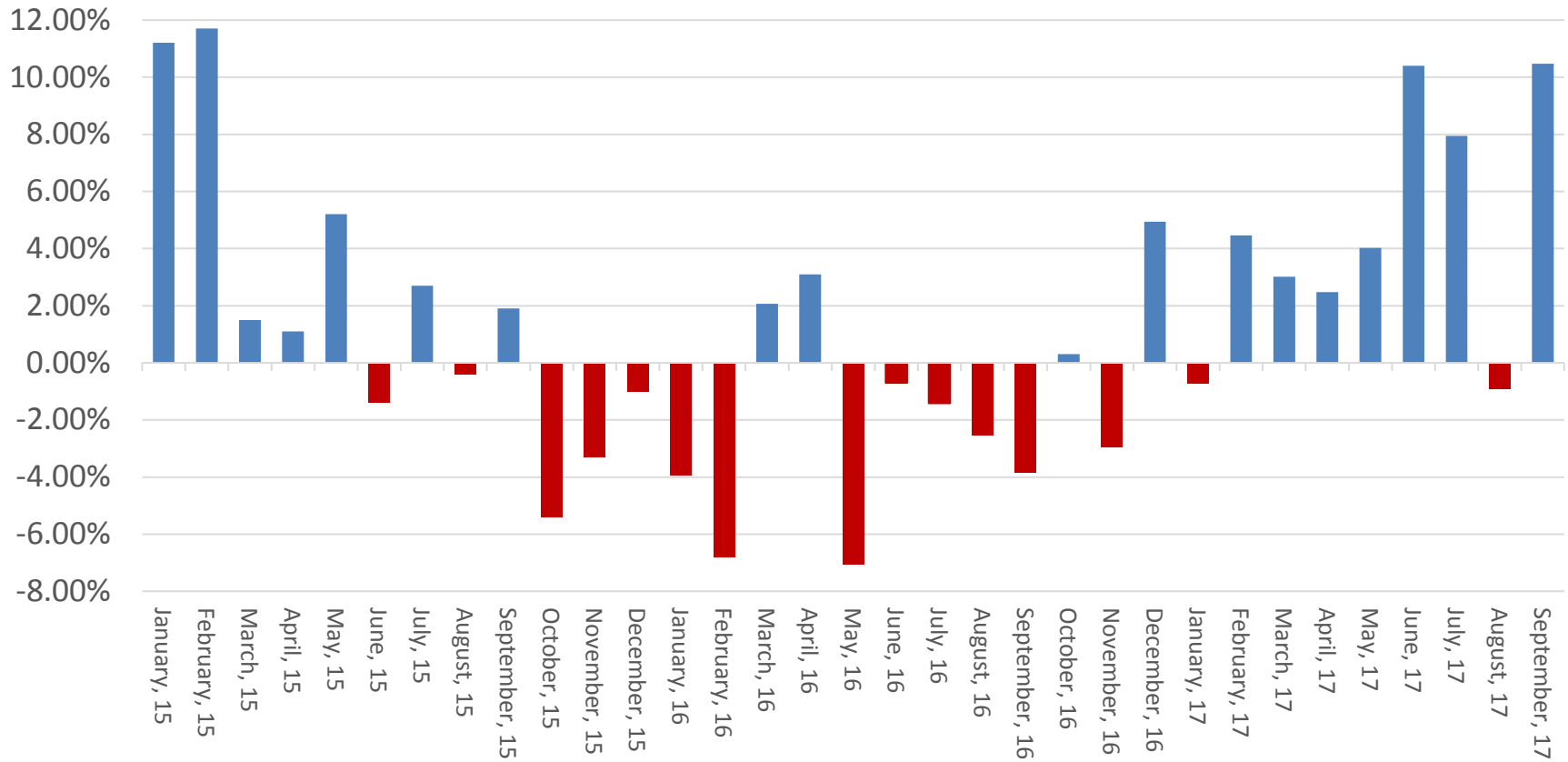
## Sales Tax Revenue



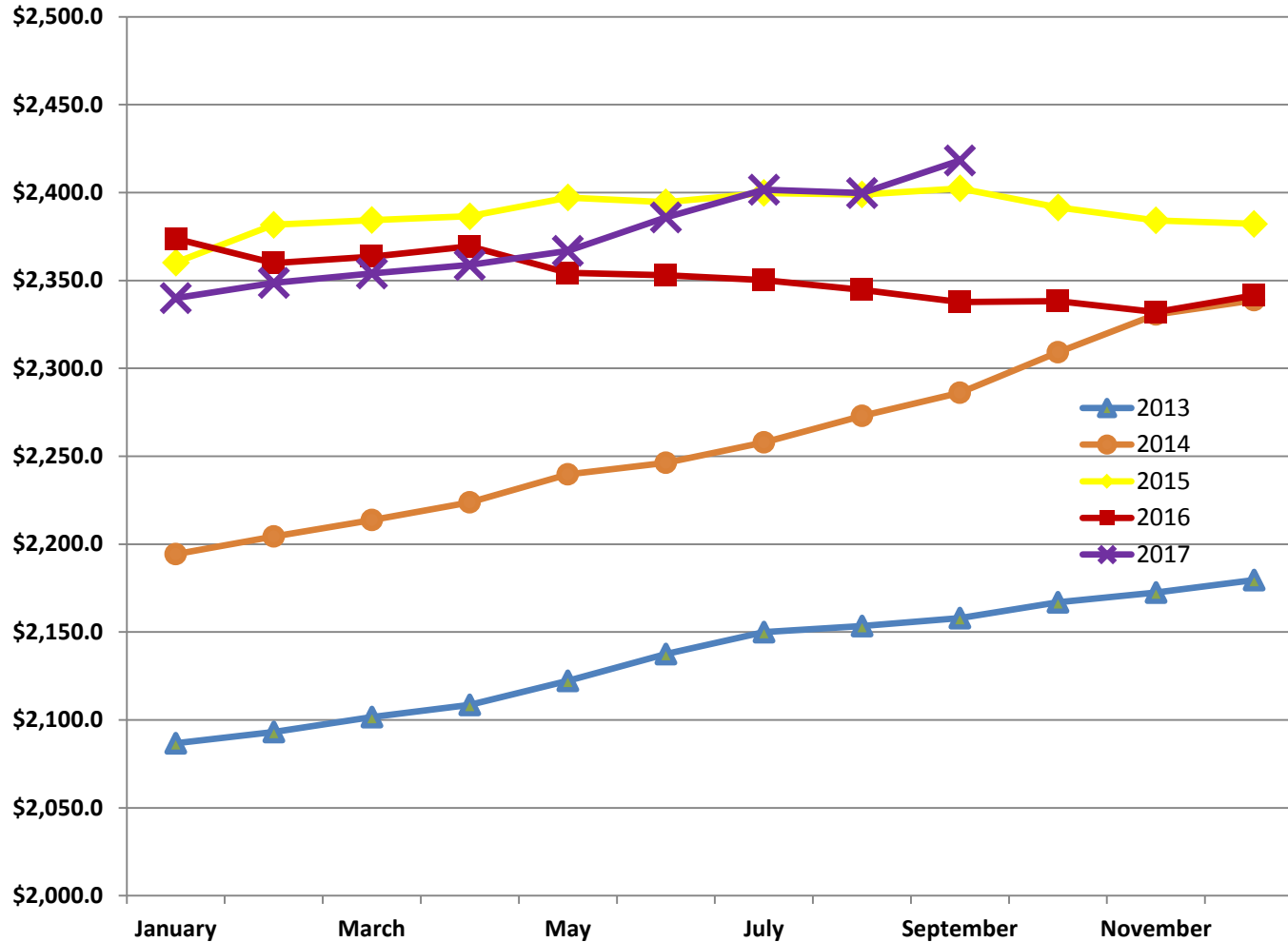
\* Reflects 2016 and 2017 certification estimates, plus 4.5% growth in each of 2018 and 2019

\*\* Reflects projected 2016, plus 2017 rate of growth in certification estimate and 4.5% in each of 2018 and 2019

Sales Tax Revenue Growth Last 33 Months

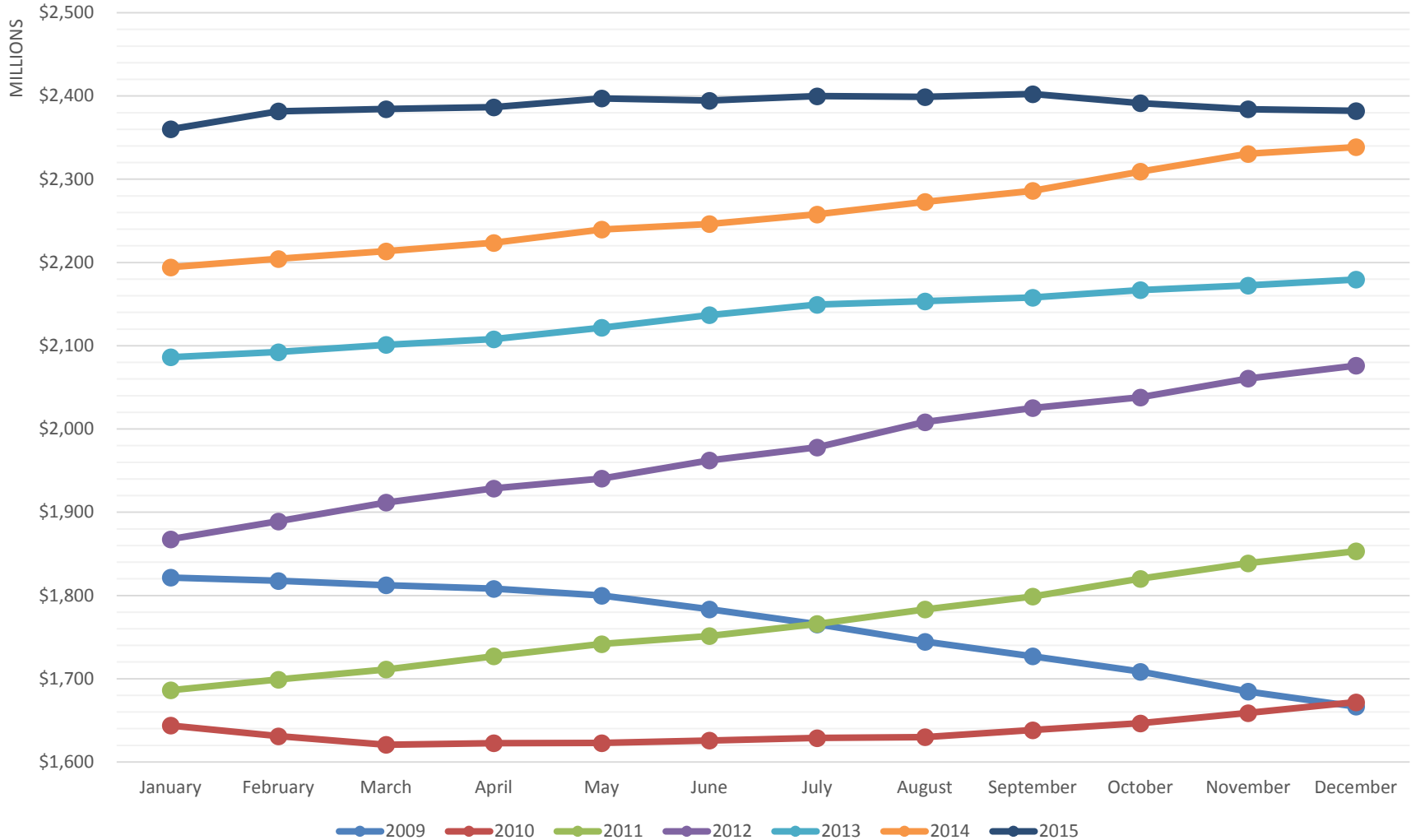


# One Year Moving Average Monthly Sales Tax Collections



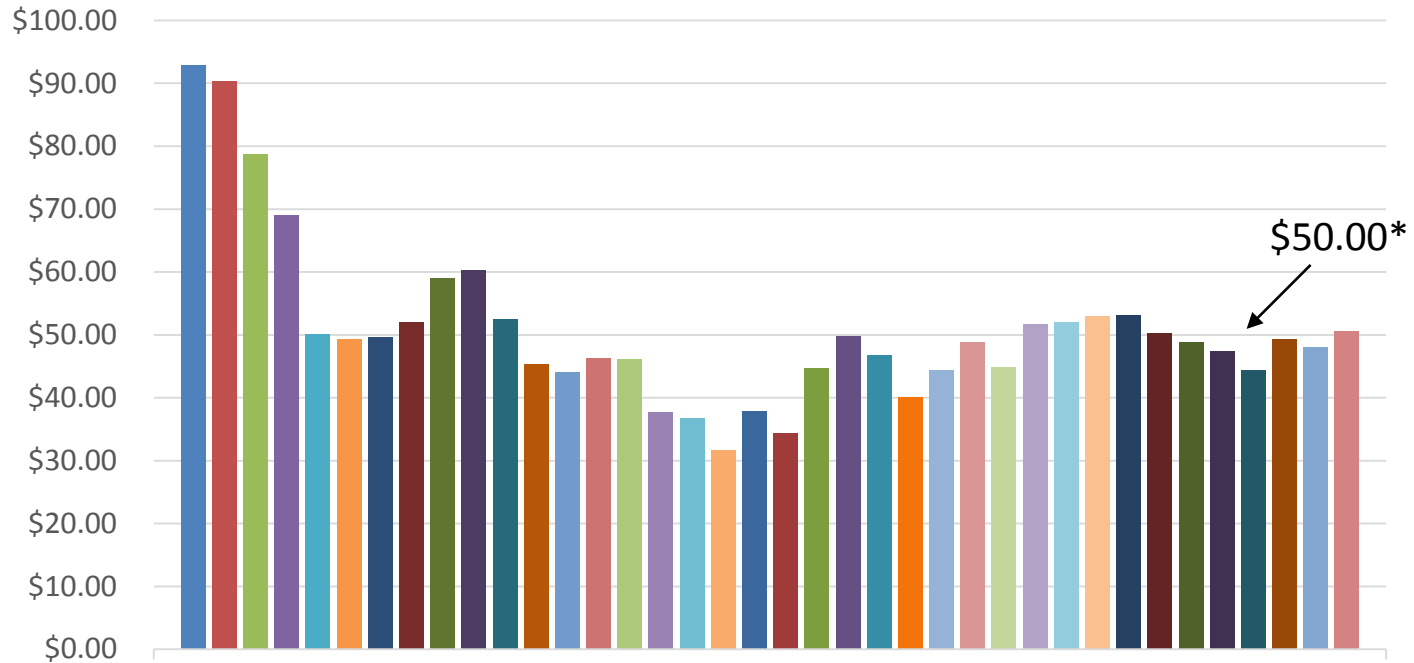


# One Year Moving Average State Sales Tax Collections



# Oil Prices Stabilizing

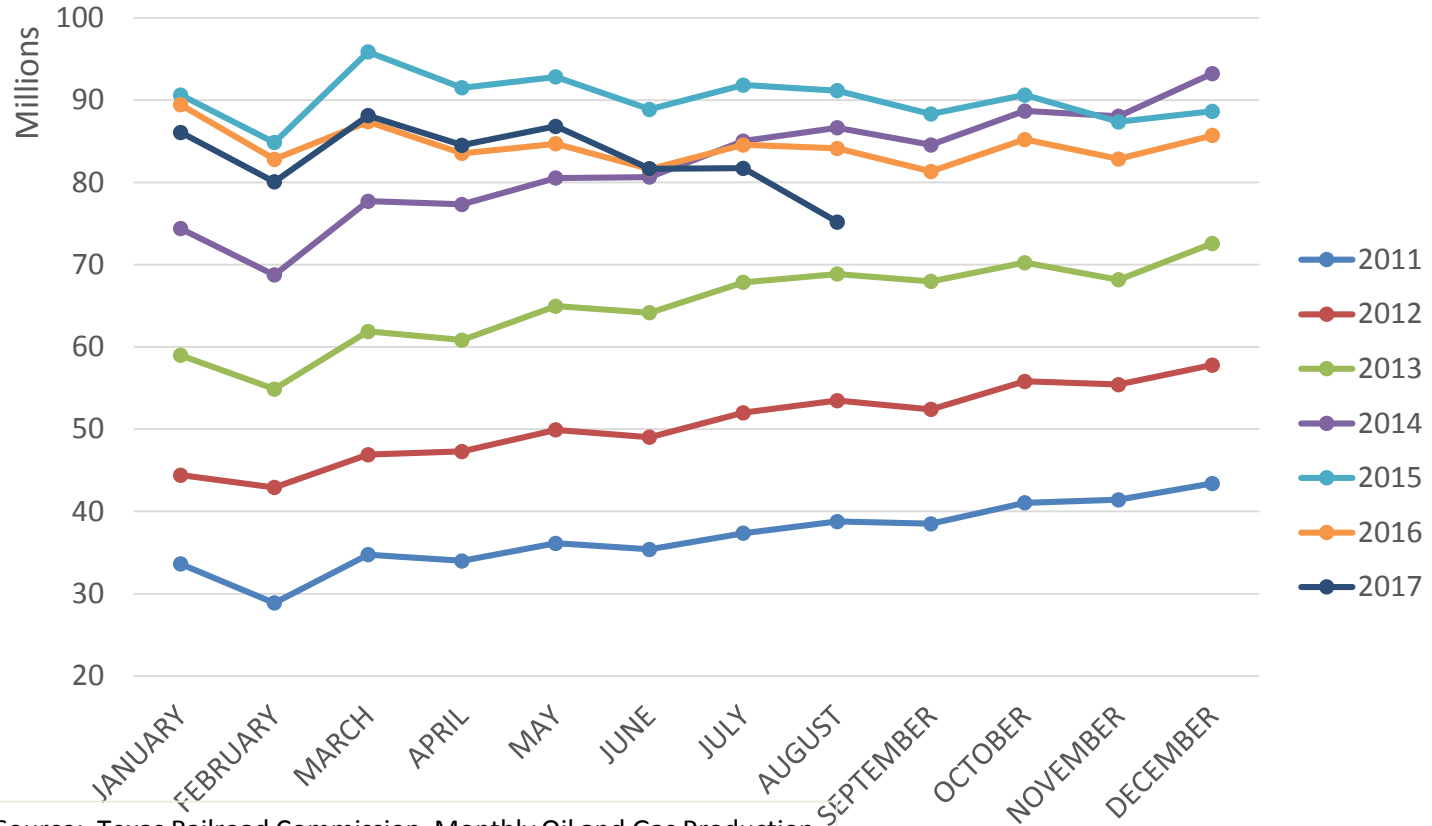
Price of Oil per Barrel - Last 38 Months



WTI on Monday of first full week of the month

\* Comptroller's estimate based on \$50 per barrel in 2018

## Texas Monthly Barrels of Crude Oil Production



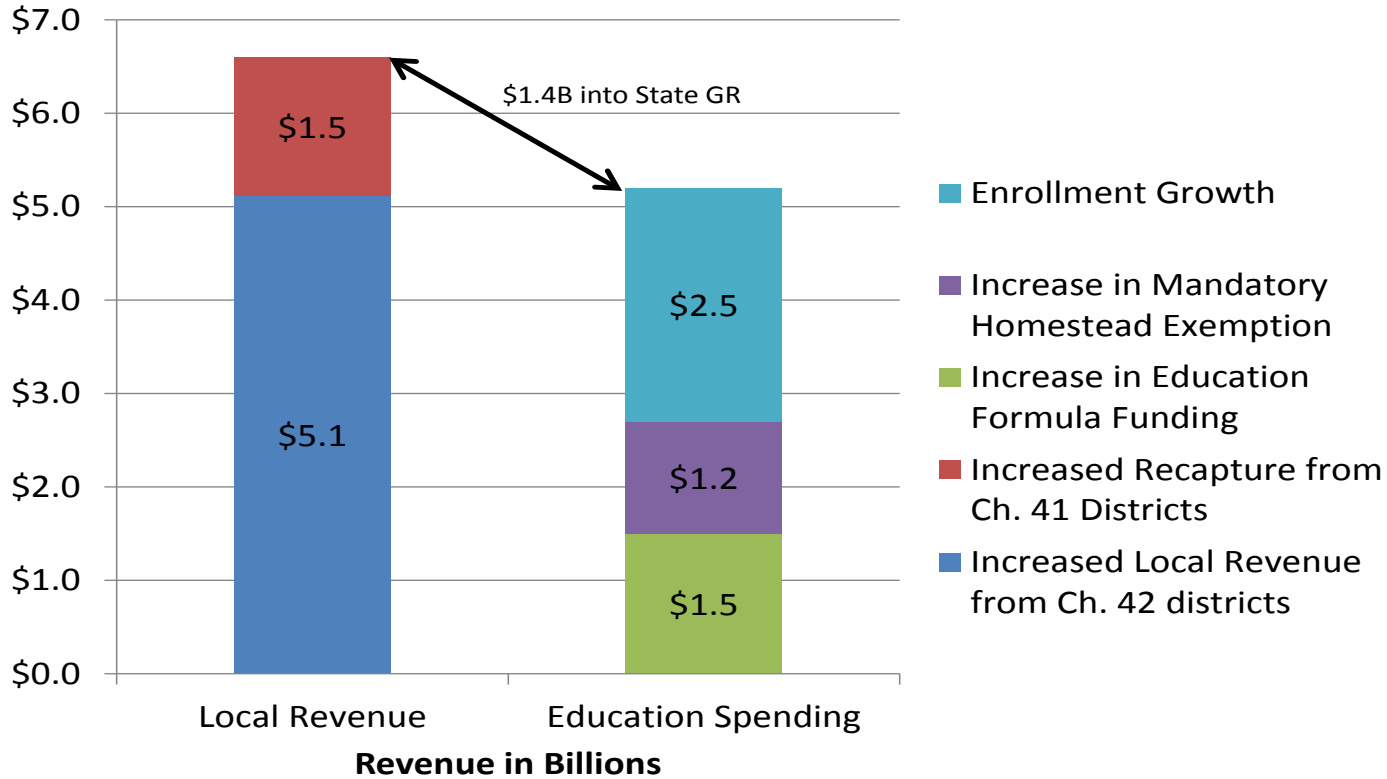
Source: Texas Railroad Commission, Monthly Oil and Gas Production

# Revenue Performance FY 2017- as of Year End

	Biennial Revenue Estimate Projected Growth*	Actual Growth
Sales Tax	1.99%	2.35%
Motor Vehicle Tax	2.02%	-1.79%
Franchise Tax	1.00%	-4.00%
Natural Gas Tax	31.75%	69.79%
Oil Production Tax	9.75%	23.65%
Alcoholic Beverage Tax	4.02%	2.97%
Cigarette and Tobacco	10.74%	11.21%
Motor Fuels Taxes	2.19%	2.22%

\* Growth rate needed to reach FY 2017 revenue projection

# State's Reliance on Local Property Taxes



- State GR for Public Education *declines* by \$1.2B
- *No* reduction in State GR for charter schools
- Assumes 7.04% *increase* in 2017 and 6.77% *increase* in 2018 in local property values
- Recapture *increases* from \$3.845B to \$4.57B - \$725.9B increase (By comparison, lottery is \$2.4B)
- Local school property value growth *saves* State \$3.6B

## State Share of FSP Still Declining

**FIGURE 30**

**ARTICLE III – EDUCATION, BY AGENCY OR GROUP, GENERAL REVENUE FUNDS**

(IN MILLIONS)

FUNCTION	ESTIMATED/BUDGETED 2016-17	CCR SB1 2018-19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Public Education				
Texas Education Agency	\$37,649.7	\$36,261.5	(\$1,388.2)	(3.7%)

## MCA Estimated State Share of FSP

2017: 45.1%

2018: 43.1%

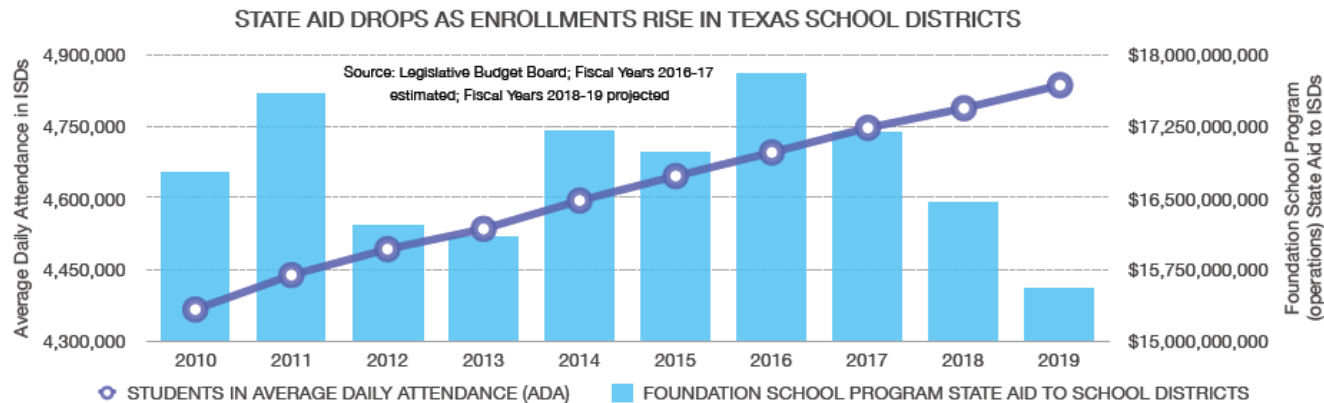
2019: 41.7%

# Declining State Share of Public Education

These charts shows the increase in student enrollments and drop in appropriations for the Foundation School Program state aid for school districts from Fiscal Year 2010 to Fiscal Year 2019.

Student Enrollment and State Aid for School Districts

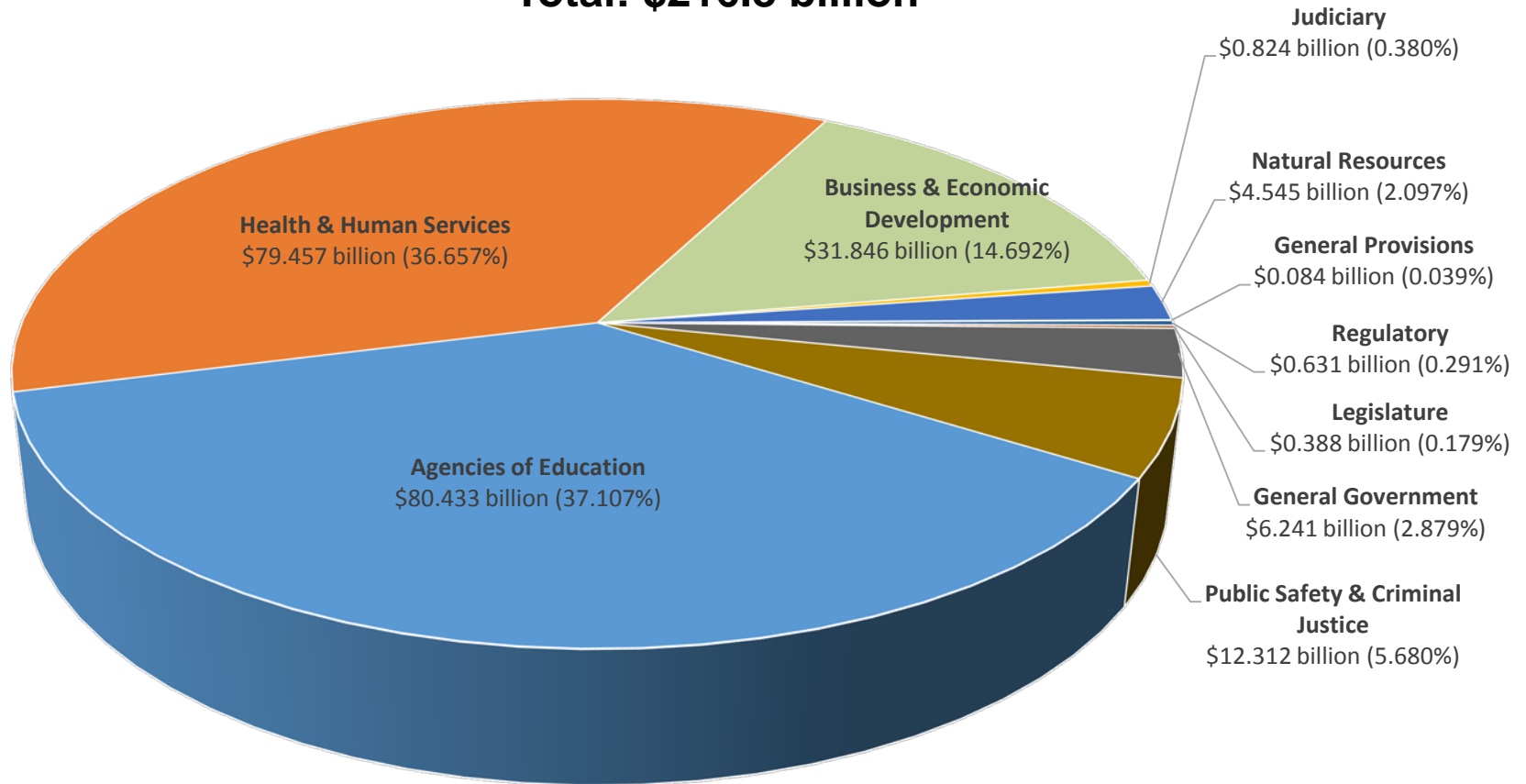
FY	ENROLLMENT (ADA)	FSP STATE AID
2010	4,366,743	\$16,770,367,399
2011	4,438,740	\$17,586,860,410
2012	4,493,101	\$16,215,699,085
2013	4,535,396	\$16,088,363,719
2014	4,594,786	\$17,211,307,679
2015	4,646,098	\$16,985,848,955
2016	4,695,524	\$17,804,413,277
2017	4,746,980	\$17,186,572,822
2018	4,788,015	\$16,453,483,064
2019	4,836,308	\$15,565,889,894





# State Budget (2018-19 Biennium)

**2018-19 All Funds**  
**Total: \$216.8 billion**



# School District Budget Requirements

School district budget requirements as established by Sections 44.002 through 44.006 of the Texas Education Code and the Texas Education Agency:

- The Superintendent is the budget officer for the district and causes the budget to be prepared.
- The district budget must be prepared each year by June 20 and adopted by June 30.
- The President of the Board of Trustees must call a public meeting of the Board of Trustees, giving at least 10 days public notice in the newspaper, for the adoption of the district budget. District taxpayers may be present and participate in the meeting.
- Concurrently with the publication of the meeting notice, the district must post a summary of the proposed budget to its website. The budget must include the elements outlined in Section 44.0041, TEC.
- The budget must be adopted before the adoption of the supporting tax rate.
- **Budgets for the General Fund, the Food Service Fund, and the Debt Service Fund must be included in the official district budget.** These budgets must be prepared and approved at least at the fund and function levels to comply with the state's legal level of control mandates.
- No funds may be expended which exceed the adopted functional categories until the Board of Trustees amends the budget appropriately.

<b>DISTRICT BUDGET TIMELINE</b>	
<b>November</b>	Preliminary student enrollment received
<b>December – January</b>	Preliminary revenue and expenditure estimates prepared
<b>February</b>	Staffing allocation for campuses completed; compensation plan adjustments calculated
<b>March – April</b>	Board consideration on new staff and compensation plan changes
<b>April</b>	Preliminary tax roll received
<b>June</b>	Board votes to approve budget
<b>July</b>	Certified tax roll received
<b>September</b>	Board votes to approve tax rate

## Common Revenue Questions

- What is happening with property values?
- How much is one penny worth?
- Why are revenues changing?
- What are our revenue sources by percentage?
- Why are revenue sources increasing at different rates?
- What is enrollment, and how will it change?
- What can we expect in the future?
- What do student absences cost us?

The **General Fund** budget is funded through local taxes, state and federal allocations, and local revenue.

**Adopted 2017-18 General Fund Budget - \$633.3M**

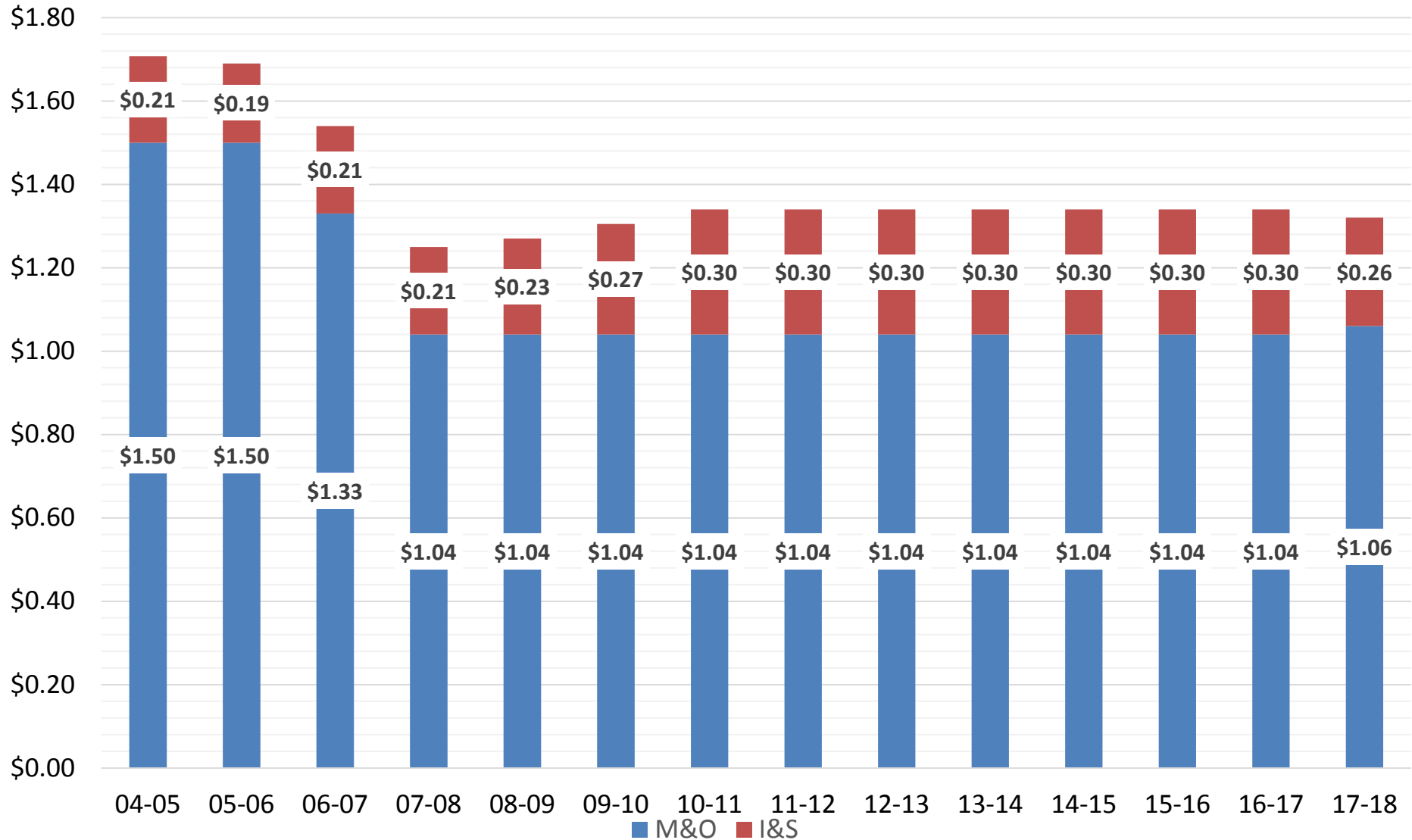
The **Debt Service** budget is funded through local taxes and state allocations, if a district qualifies.

**Adopted 2017-18 Debt Service Budget - \$86.5M**

## Current FBISD Tax Rates:

- **\$1.06 – for the Maintenance & Operations Fund**
- **\$0.26 – for the Debt Service Fund**

# FBISD Tax Rate History



# Tax Rate Comparison-Surrounding Districts

District	M&O Tax Rate	I&S Tax Rate	Total Tax Rate
Crosby	1.170	0.500	1.670
Galena Park	1.243	0.320	1.563
Deer Park	1.237	0.320	1.557
Needville	1.170	0.370	1.540
Humble	1.170	0.350	1.520
Katy	1.127	0.390	1.517
Spring	1.040	0.470	1.510
Pasadena	1.200	0.280	1.480
Sheldon	1.170	0.300	1.470
Cypress-Fairbanks	1.040	0.400	1.440
Goose Creek	1.170	0.261	1.431
Klein	1.040	0.390	1.430
Clear Creek	1.040	0.360	1.400
Huffman	1.040	0.360	1.400
Channelview	1.040	0.356	1.396
Spring Branch	1.090	0.305	1.395
Lamar	1.040	0.350	1.390
LaPorte	1.040	0.340	1.380
Aldine	1.130	0.240	1.370
Tomball	1.040	0.300	1.340
Alief	1.125	0.205	1.330
<b>Fort Bend</b>	<b>1.060</b>	<b>0.260</b>	<b>1.320</b>
Conroe	1.040	0.240	1.280
Stafford	1.040	0.190	1.230
Houston	1.030	0.167	1.197



# Property Taxes & School Funding 101

## Tax Rate Drop & Swap



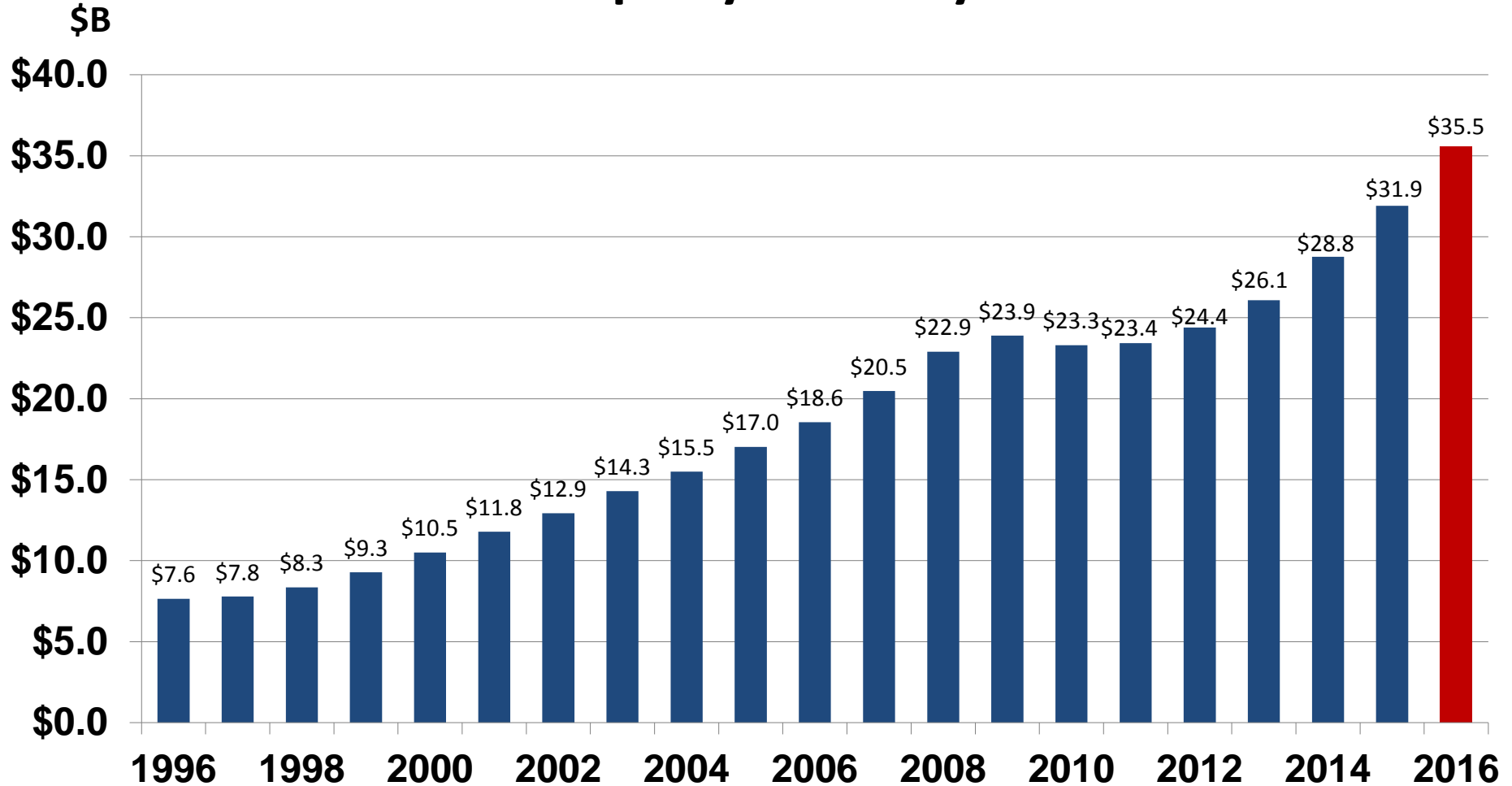
**Property taxes are a mechanism for the State to generate funding for the public school system.**

- **School property taxes are made up of two rates:**
  - **Maintenance & Operating Fund (M&O) – to fund the ongoing operations of the district (salaries, utilities)**
  - **Interest & Sinking Fund (I&S) – to fund the debt service costs for bonds issued for construction of new facilities and other capital eligible items (land, buses, renovations, etc.)**

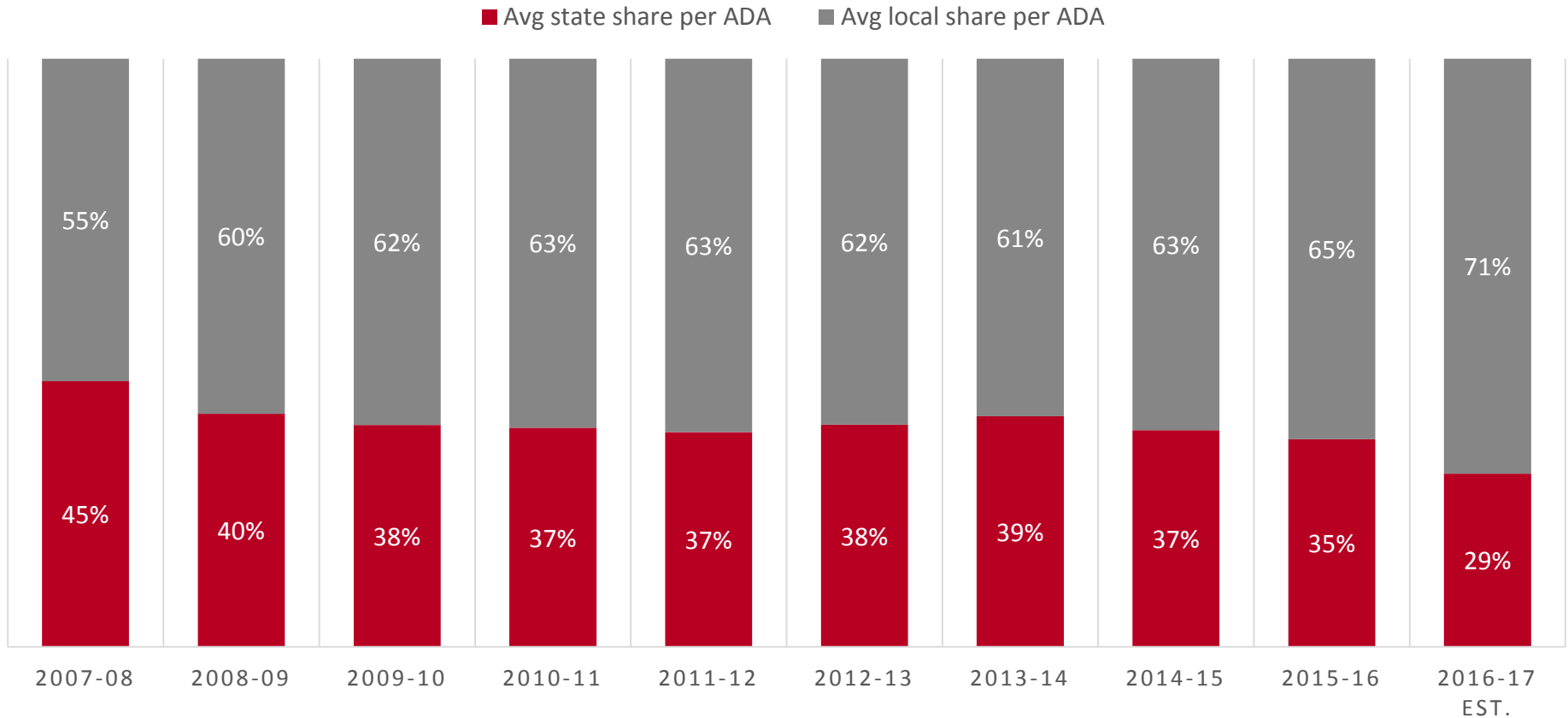
## Tax Comparison – Surrounding Districts

District	M&O Tax Rate	I&S Tax Rate	Total Tax Rate
Humble	\$ 1.17	\$ 0.35	\$ 1.52
Katy	\$ 1.13	\$ 0.39	\$ 1.52
Galena Park	\$ 1.24	\$ 0.27	\$ 1.51
Spring	\$ 1.04	\$ 0.43	\$ 1.47
Cypress-Fairbanks	\$ 1.04	\$ 0.40	\$ 1.44
Goose Creek	\$ 1.17	\$ 0.26	\$ 1.43
Klein	\$ 1.04	\$ 0.39	\$ 1.43
Clear Creek	\$ 1.04	\$ 0.36	\$ 1.40
Spring Branch	\$ 1.09	\$ 0.30	\$ 1.39
Lamar	\$ 1.04	\$ 0.35	\$ 1.39
Pasadena	\$ 1.07	\$ 0.28	\$ 1.35
<b>Fort Bend</b>	<b>\$ 1.04</b>	<b>\$ 0.30</b>	<b>\$ 1.34</b>
Aldine	\$ 1.13	\$ 0.19	\$ 1.32
Alief	\$ 1.13	\$ 0.18	\$ 1.31
Conroe	\$ 1.04	\$ 0.24	\$ 1.28
Houston	\$ 1.03	\$ 0.18	\$ 1.21

## FBISD Property Value By Year



## FBISD State Share Over Time (M&O and I&S)



## Can School Districts Lower Tax Rates?

- **M&O Tax Rate & Golden Pennies: Part of property tax relief state law in 2006**
  - First six cents of tax effort over the compressed rate of \$1.00
  - Generates the highest level of funding (based on Austin Yield)
  - Districts with tax rates above \$1.00 will lose State revenue if they lower their tax rate
  - One FBISD penny is worth \$3.6M in local taxes, and is projected to be worth \$5.8M more in additional State revenue
- **I&S Tax Rate: Districts will lose State aid if tax rate is lowered**
  - However: FBISD does not get State aid for I&S fund
  - Higher property values and active debt management can create capacity within the Debt Service Fund to lower the rate

## **FBISD Drop & Swap produces more revenue**

- Golden Pennies – Based on Austin ISD Yield
  - FBISD currently has four golden pennies in its M&O rate and can add two additional golden pennies
  - Two pennies projected to be worth \$11.6M in additional State revenue
- Higher property values and active debt management have created capacity within the Debt Service Fund

## What is the impact on the overall tax rate?

	<b>I&amp;S</b>		<b>M&amp;O</b>		<b>Tax Rate</b>
Existing Tax Rate	\$0.30	+	\$1.04	=	\$1.34
Tax Rate Drop and Swap	\$0.26	+	\$1.06	=	\$1.32
<b>Net Change</b>	<b>-\$0.04</b>		<b>\$0.02</b>	=	<b>-\$0.02</b>

## Tax Drop & Swap: M&O Financial Impact



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State \$11.6M

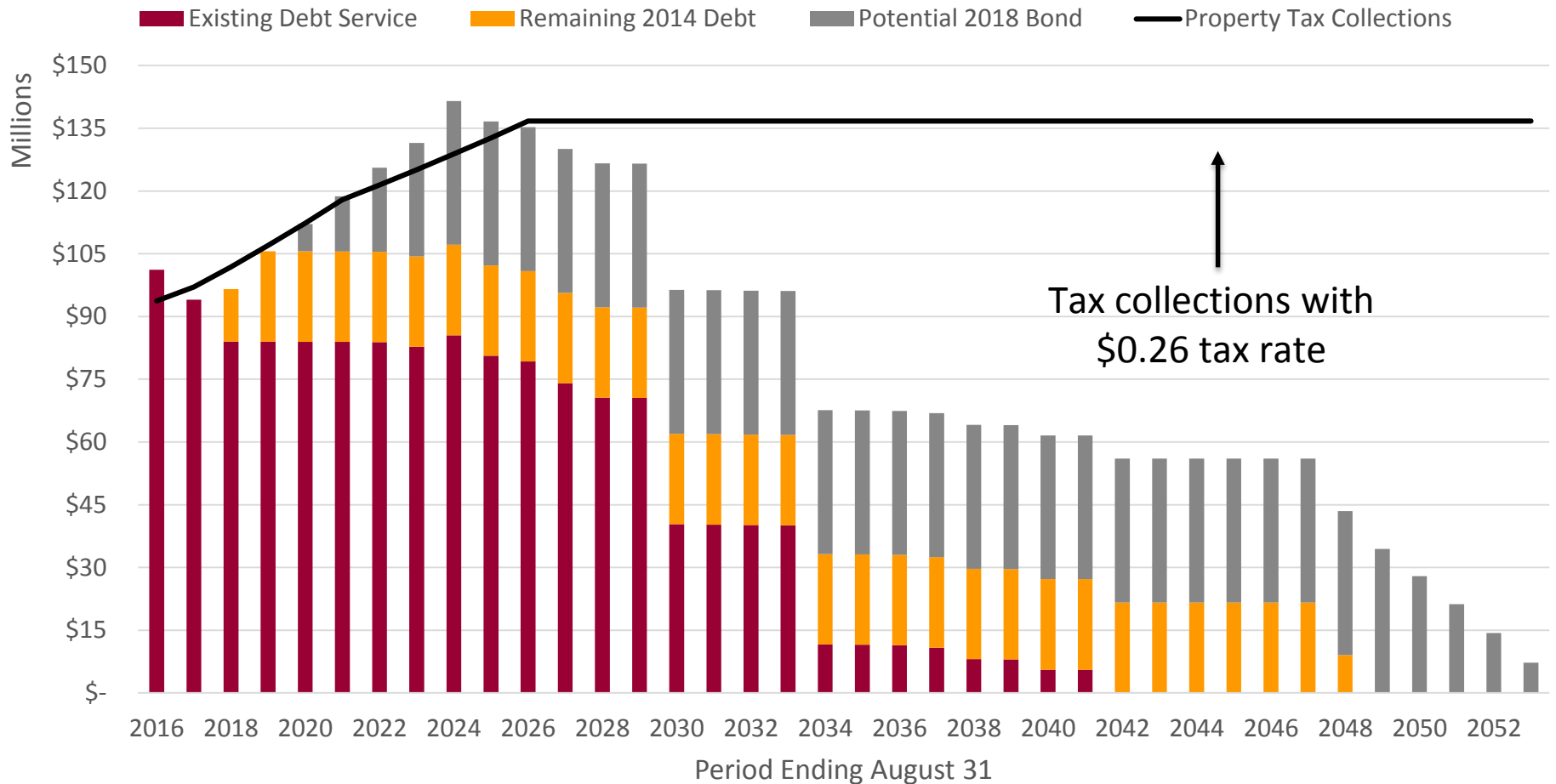
Local \$7.2M



## Debt Service Tax Rate Reduction

- Property values continue to increase
- Active debt management strategy
  - Commercial paper program
  - Refunding of bonds (2005 & 2006 series)
  - Implementation of variable rate debt program
- Debt Service has a fund balance of \$59.0M
- Fund must be able to absorb additional \$300M long term debt (authorized but not issued by end of 2017)
- Must also consider potential bond in 2018

## Summary of Debt with Remaining Issues

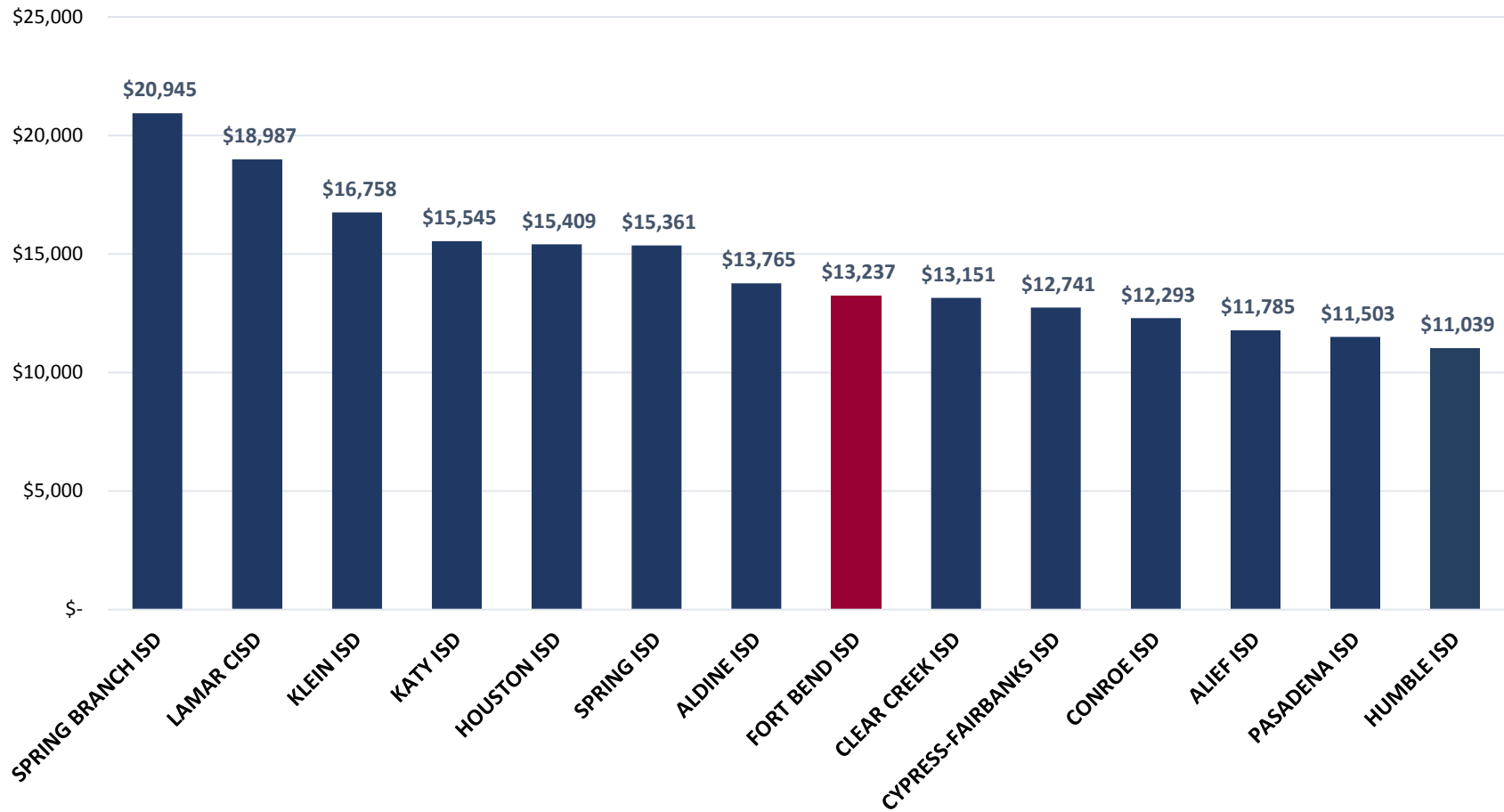


Source: FBIISD Finance & FSW

## Why not just reduce the tax rate?

- Student enrollment has increased by 12% since 2007 (almost 8,000 students)
- We are opening six new campuses in three years
- Need recurring revenue stream to ensure we are able to:
  - Compete with other growing districts for teachers and other talent
  - Maintain investments made in new teachers and compensation adjustments
  - Sustain staffing additions for three new elementary campuses in 2017-18; a new Middle School in 2018-19; and ES51 & CTE center in 2019-20; and future student growth
- Current revenue streams are not enough to stay competitive and to meet staffing guidelines
- Overall spending per student is efficient compared to peer districts

## Expenditures per Student Comparison (All Funds)



## Tax Rate Drop & Swap Benefits:

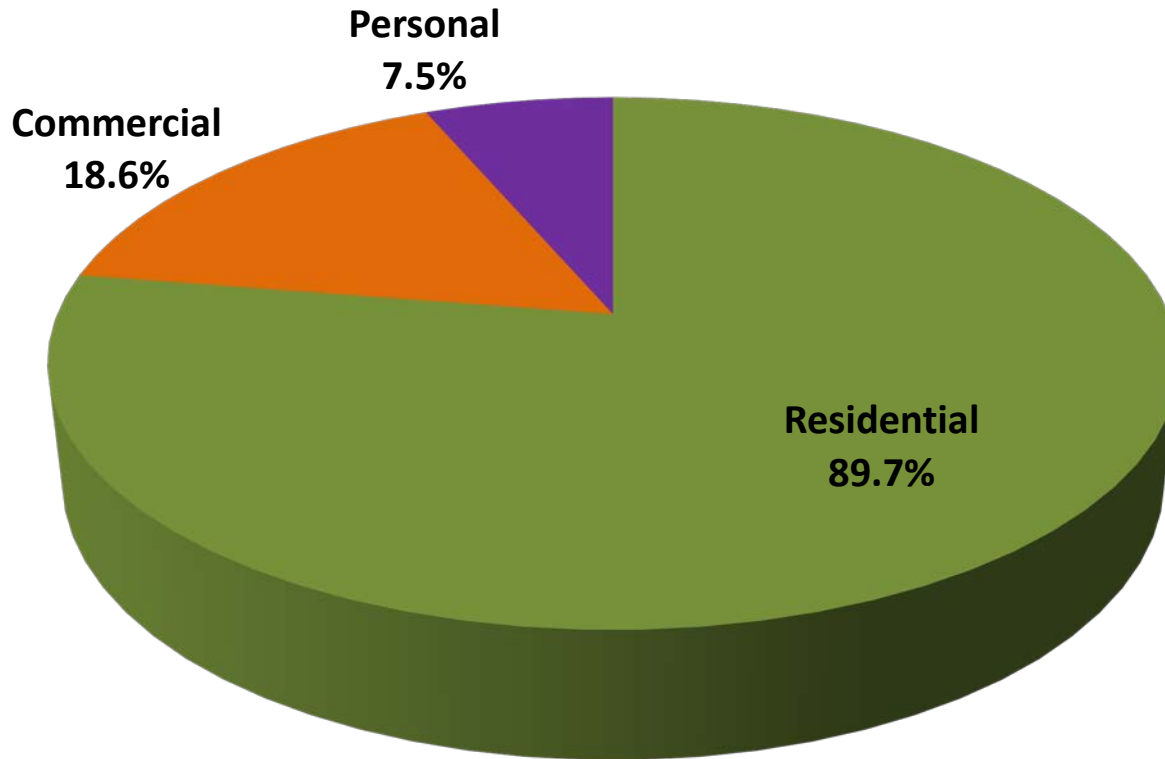
- Maximizes state revenues: (\$11.6M increase)\*
- Increases recurring revenues for General Fund: (\$18.8M)\*
- Provides financial capacity to meet the investments needed for classroom staffing and compensation adjustments to maintain a highly qualified workforce
- Provides a means to generate sustainable recurring revenue and hedge against uncertainty of legislative actions this session
- Provides an overall decrease in tax rate

\*based on current state projections

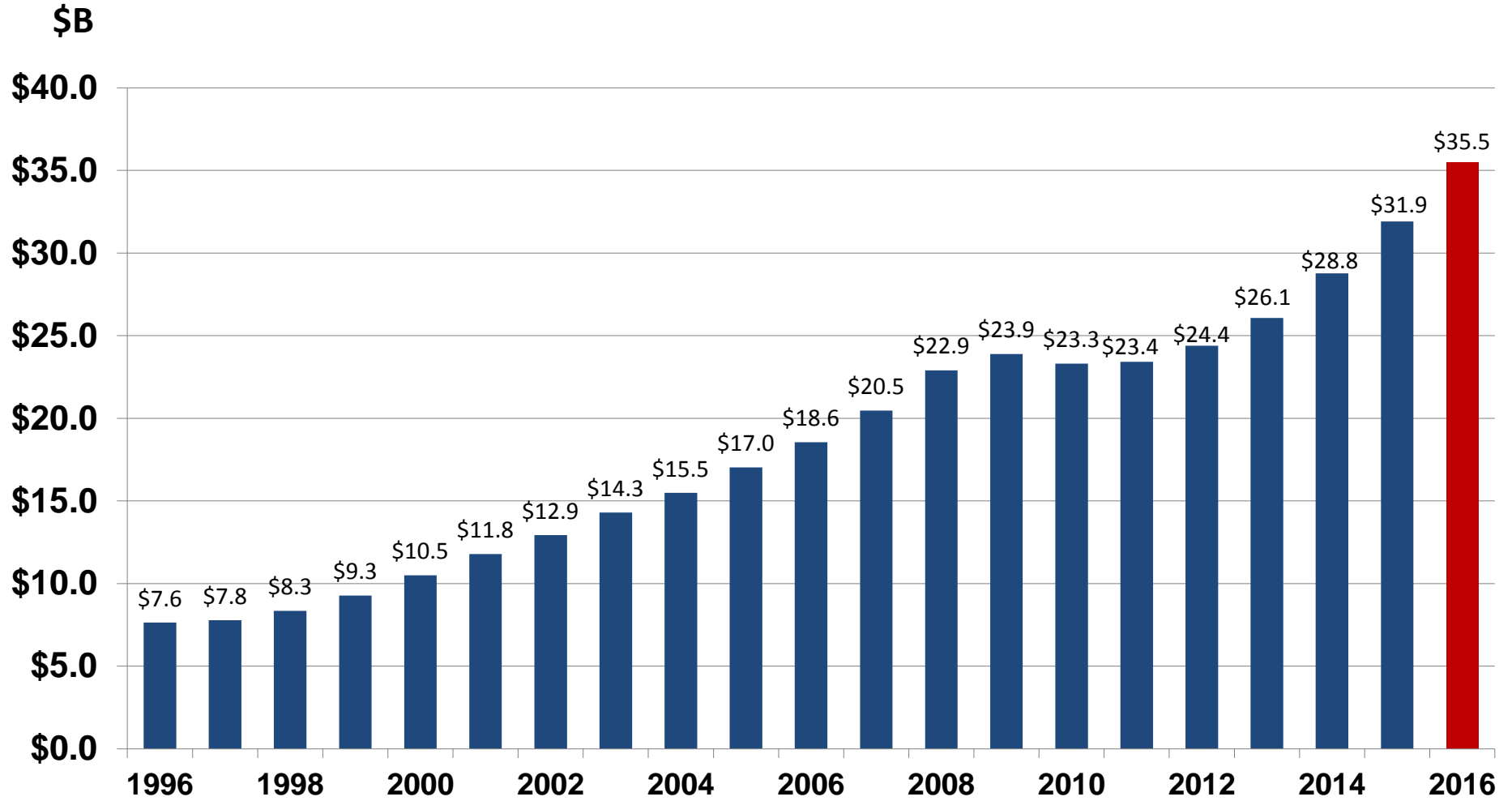


## Questions?

## General Fund Revenue FBISD Property Value



# Property Value By Year

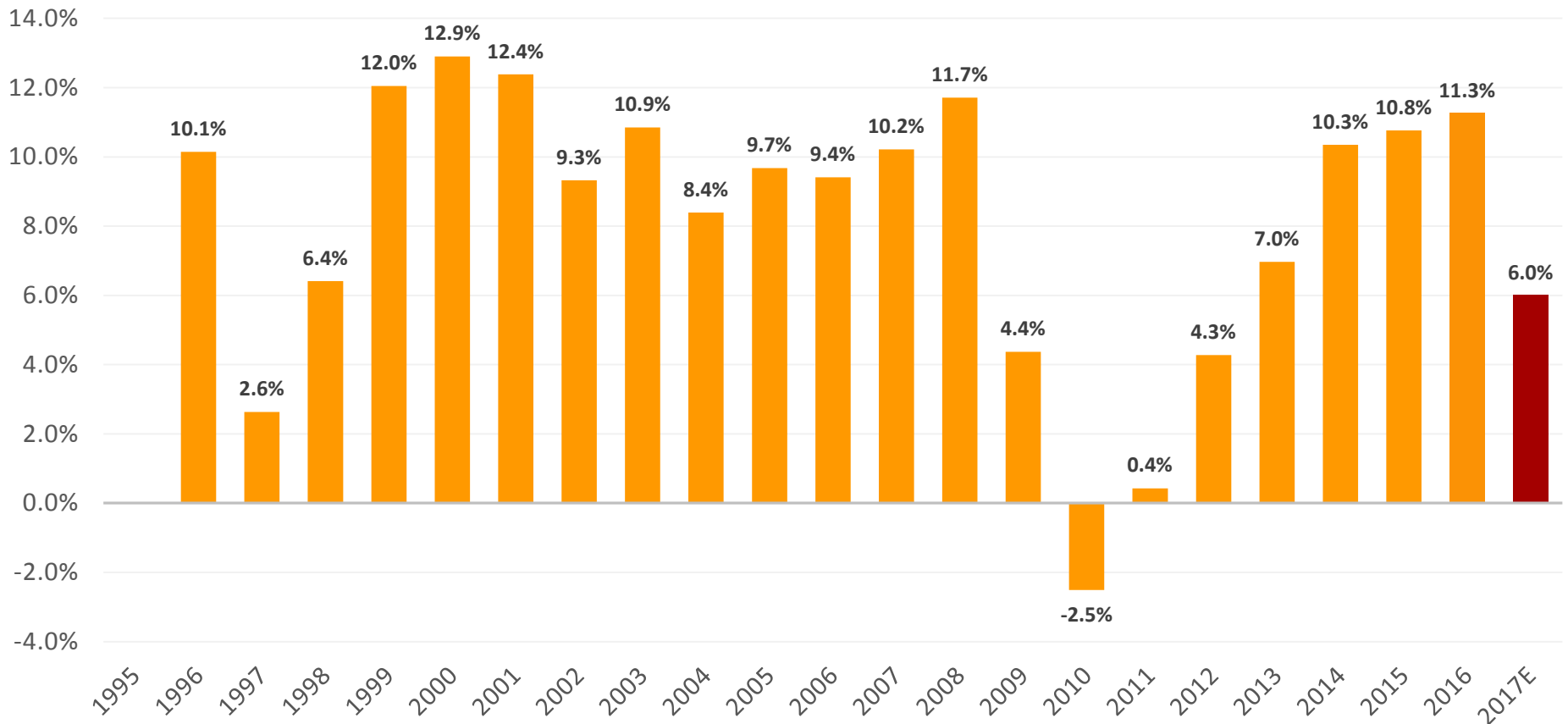




## Initial estimates based on historic trends

- Twenty year growth has averaged above 8 percent
- Last five years growth averaged 8.7 percent
- Last three years growth was above 10 percent
- Information in early spring from Chief Appraiser indicated 10 percent growth was reasonable assumption

## Annual Growth/(Decline) Net Assessed Property Value 1996 – 2017



## 2017-18 Fort Bend ISD Taxable Property Value

- **Approximate increase of 6.0% in taxable value vs. last year growth of 11.3%**
- **\$35,540,165,265 Taxable Value**
- **\$3,518,460 Local Revenue per Penny (99% Collection Rate)**

## Impact of 6.0% Property Value Increase on Tax Rate

	<b>Published 2016/2017</b>	<b>2017/2018</b>	<b>Change</b>
<b>As Proposed at <u>\$1.32</u></b>			
Avg Market/Assessed Value of Residences	\$274,247	\$282,959	3.17%
<b>Avg Taxable Value of Residences</b>	<b>\$241,568</b>	<b>\$253,912</b>	<b>5.10%</b>
M&O Rate	\$1.04	\$1.06	\$0.02
I&S Rate	\$0.30	\$0.26	-\$0.04
<b>Total Tax Rate</b>	<b>\$1.34</b>	<b>\$1.32</b>	<b>-\$0.02</b>
Annual Taxes on Average Residence	\$3,237.01	\$3,351.64	
Annual Increase in Taxes		\$114.63	
Monthly Increase in Taxes		\$9.55	
<b>% Change</b>		<b>3.5%</b>	

# Enrollment Growth

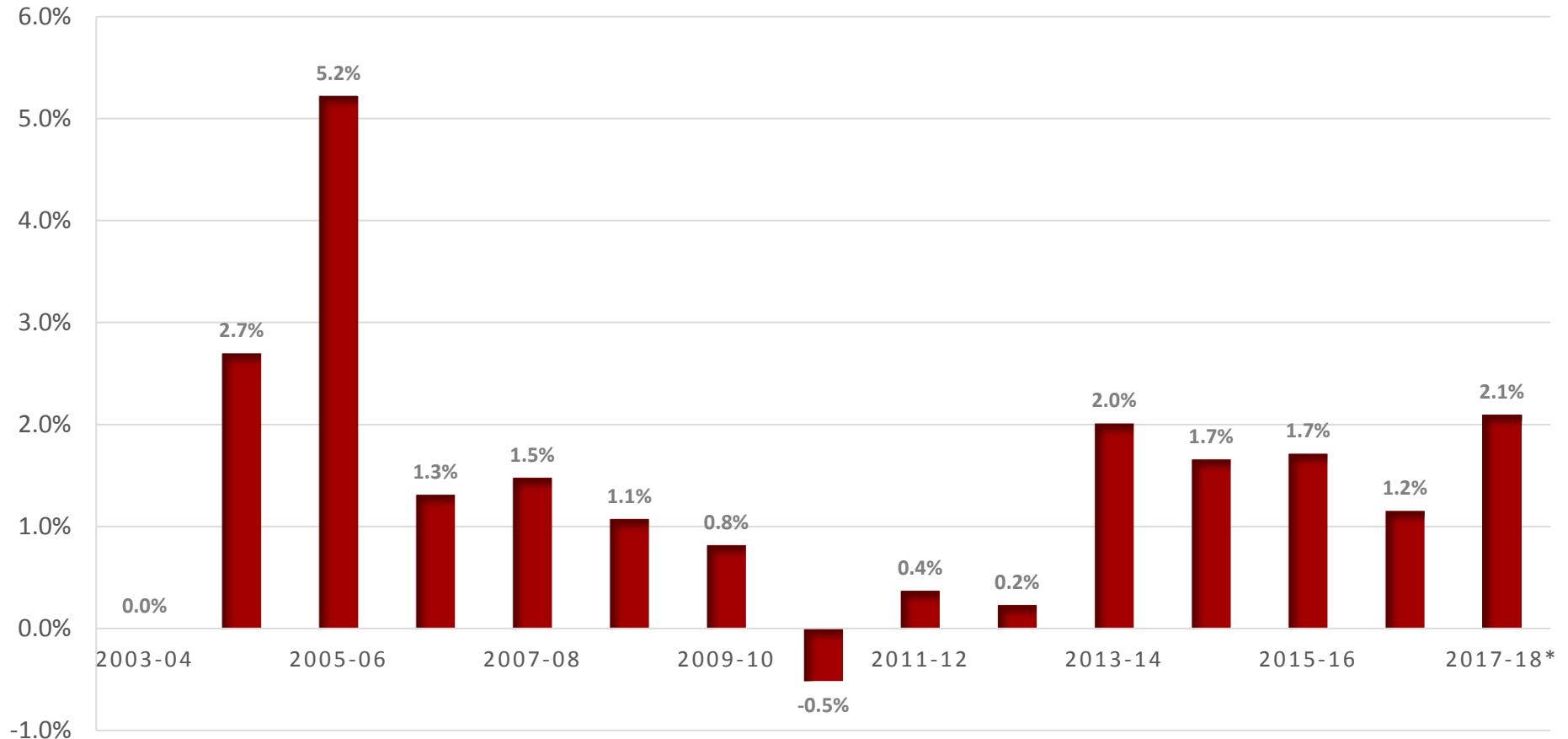
November 2017



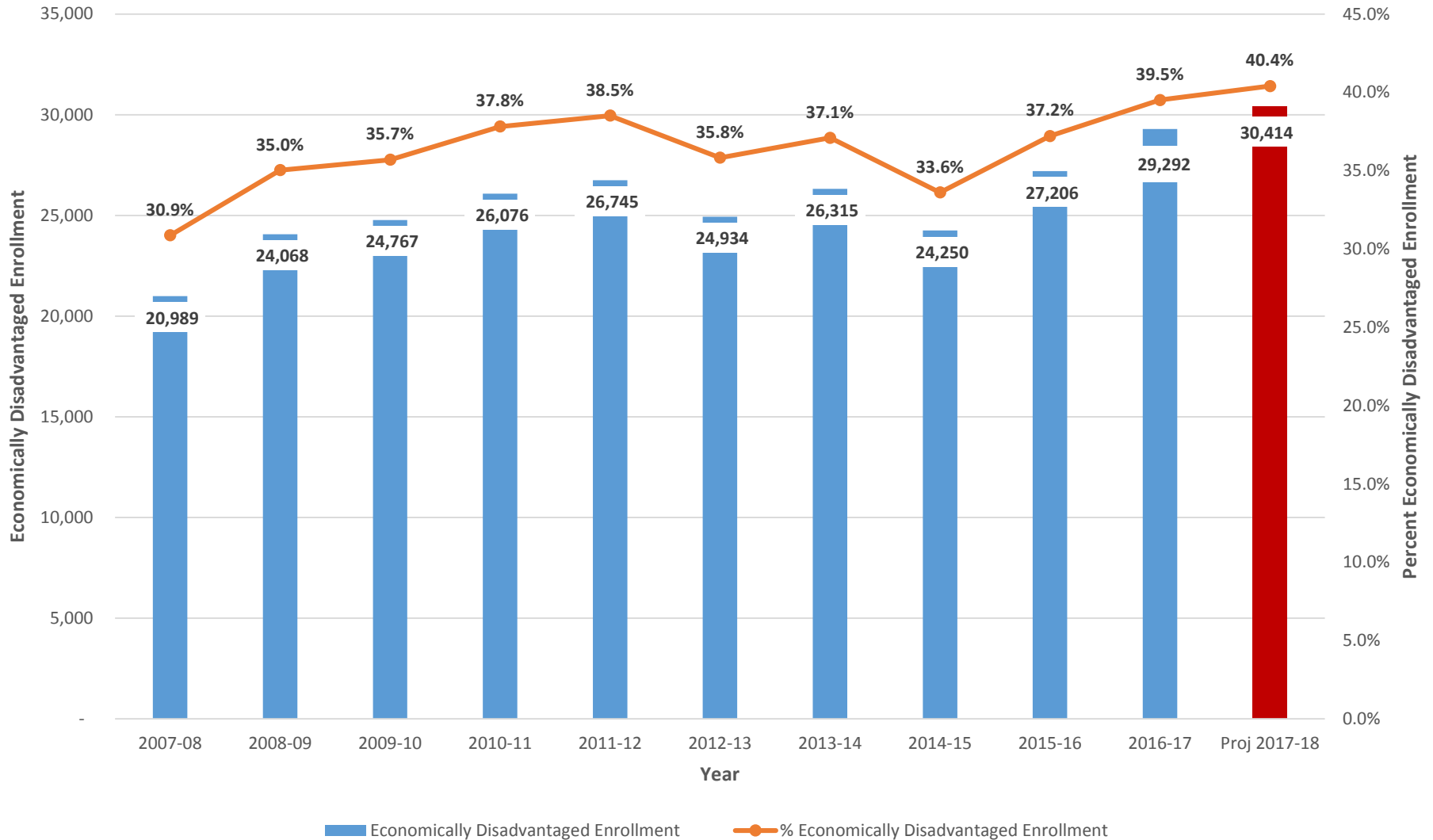
# Annual Change in Enrollment

## 2016/17 TO 2017/18

November 2017



# Economically Disadvantaged Student Enrollment (Historical 2008-2018)



# The Foundation School Program

**Maintenance & Operation (M&O)**  
Generally, the costs of running the school district



**Interest & Sinking (I&S)**  
To make bond payments

**Tier 1 Basic Instructional Program**

**Regular Program Allotment**

**9 Special Purpose Allotments**

- Special Education
- Compensatory Education
- Bilingual Education
- Career & Technology Education
- Transportation
- New Instructional Facility (NIFA)
- Public Education Grant
- High School Allotment
- Gifted & Talented

**Tier 2 Enrichment**

**Tier 2, Level 1 Golden Pennies**

*First 6 pennies of adopted M&O tax rate above the compressed tax rate; called "golden" because high funding level and no recapture*

**Tier 2, Level 2 Copper Pennies**

*All pennies of M&O tax rate above the golden pennies (at least 11); called "copper" because low funding level and recaptured*

**State Funding**

**Local Funding**

*Ad valorem or Property tax collections generated by a locally-adopted I&S tax rate*

*Instructional Facilities Allotment (IFA) & Existing Debt Allotment (EDA)*



## FBISD Tier 1 Funding 2017-18 Adopted Budget

	<u>Current Weights</u>	<u>Current FTEs</u>	<u>Tier 1 Revenue</u>
Regular Program ADA	1.0	67,412	\$ 385,864,571
Special Education	1.1 - 5.0	3,152	35,785,550
Career & Tech	1.35 - \$50	3,213	23,407,228
Bilingual	0.10	10,543	6,035,014
Gifted & Talented	0.12	3,592	2,456,060
Comp Ed	0.20	29,138	33,357,182
Comp Ed Pregnancy	2.41	7	94,908
Public Education Grant	0.10	50	28,620
Transportation Allotment			4,829,906
New Instructional Facilities	\$250	1,660	415,000
High School Allotment	\$275	23,028	6,332,598
			<u>\$ 498,606,637</u>

**Weighted ADA = 89,973**

- Known as Enrichment or “*Guaranteed Yield*” to Supplement Tier 1 Funding (Basic Allotment)
- Districts are authorized to tax above the compressed tax rate up to an additional \$0.06 upon Board discretion
- State equalizes revenue of each penny above the compressed rate
  - \$0.06 Guaranteed to receive the same value per WADA as Austin ISD (\$99.41) – Golden Pennies
  - \$0.11 Guaranteed at \$31.95 – Copper Pennies

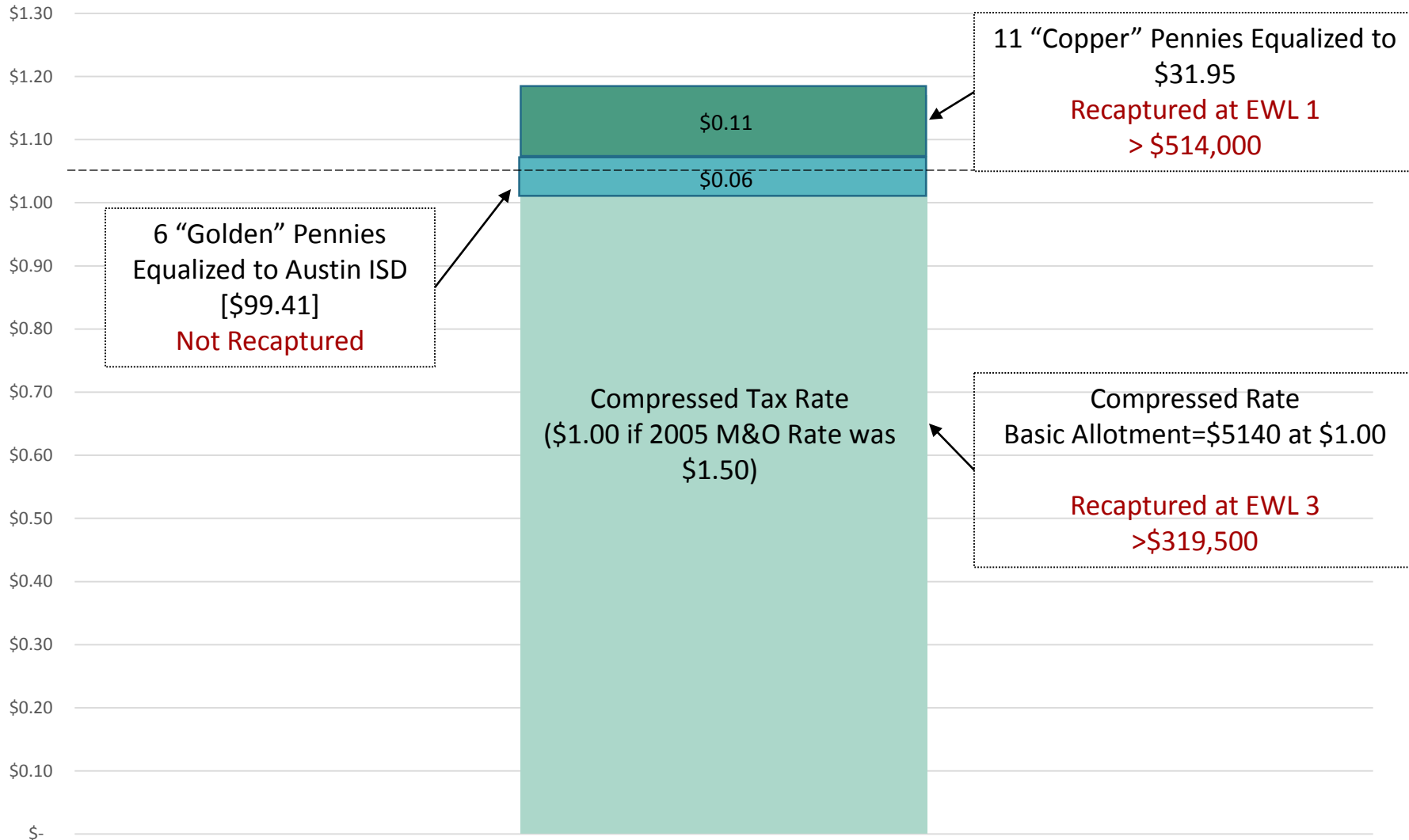
## Equalized Wealth Levels

- 3 Equalized Wealth Levels Established to Equalize Funding
- EWL 1 Applies to the Compressed Tax Rate
  - 2005 Adopted M&O Tax Rate x Compression Rate (66.67%)
  - Wealth per WADA over \$514,000
- EWL 2 applies to the first 6 pennies over the compressed tax rate
  - Guaranteed to raise as much funding as Austin ISD (\$99.41)
  - Wealth per WADA is not limited
    - **AKA:** Austin Yield, Guaranteed Yield, Golden Pennies
- EWL 3 applies to any tax effort that exceeds the CTR + 6 cents
  - Guaranteed to raise \$31.95 per WADA
  - Wealth per WADA over \$319,500
    - **AKA:** Copper Pennies

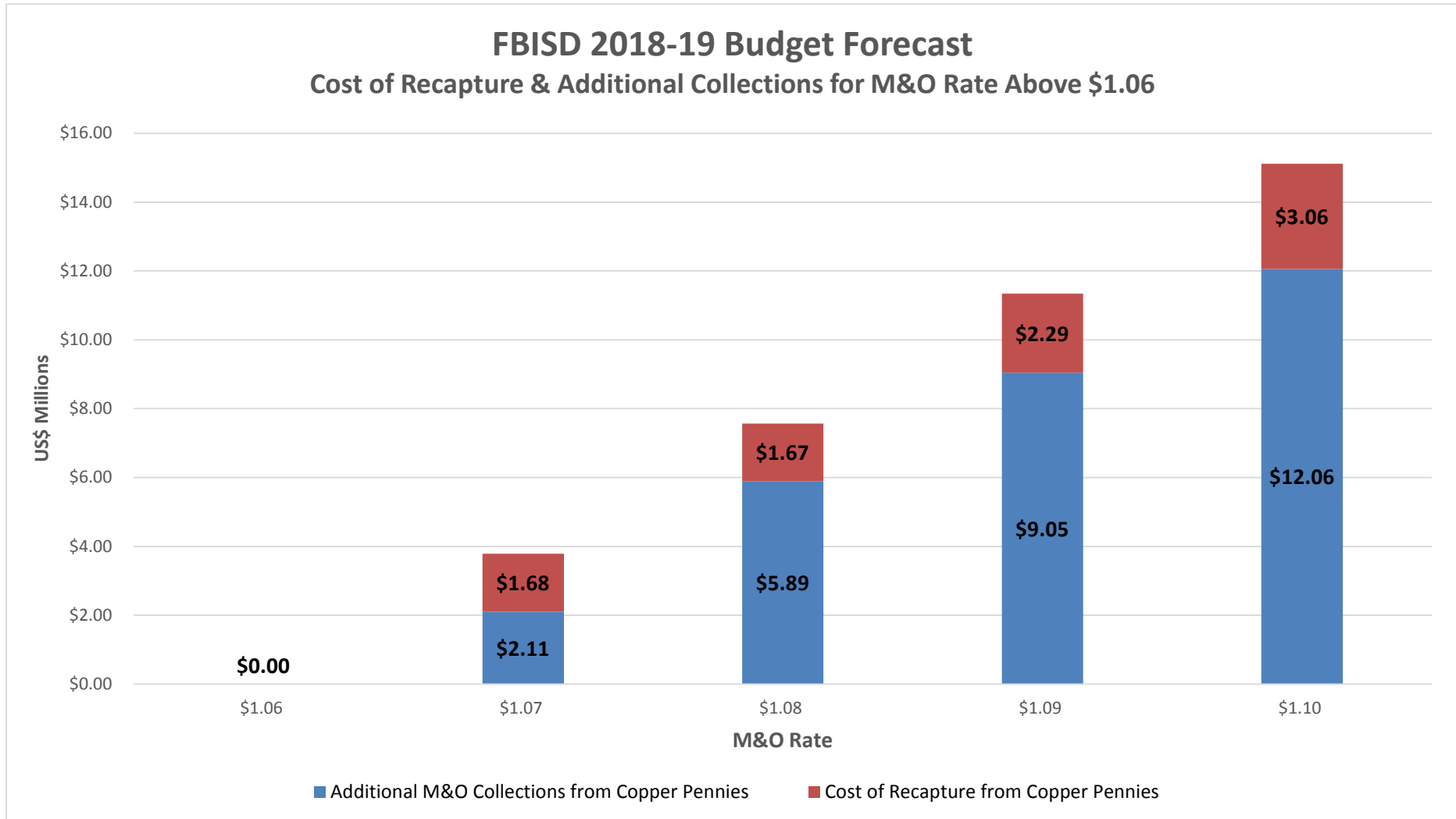
<u>Equalized Wealth Levels</u>	<u>Tax Effort</u>	<u>2017–18 Wealth per WADA</u>	<u>Subject to Recapture</u>
<b>1<sup>st</sup> EWL</b>	\$1.00	\$514,000	<b>Yes</b>
<b>2<sup>nd</sup> EWL</b>	\$0.06	Unlimited*	<b>No</b>
<b>3<sup>rd</sup> EWL</b>	\$0.11	\$319,500	<b>Yes</b>
<b>Total tax effort</b>	<b>\$1.17</b>		

*\*Requires legislature to fund guaranteed yield on equivalent tax rate at same yield as AISD*

## Equalized Wealth Levels (EWL)



# Additional Collection & Recapture for M&O Rate Above \$1.06



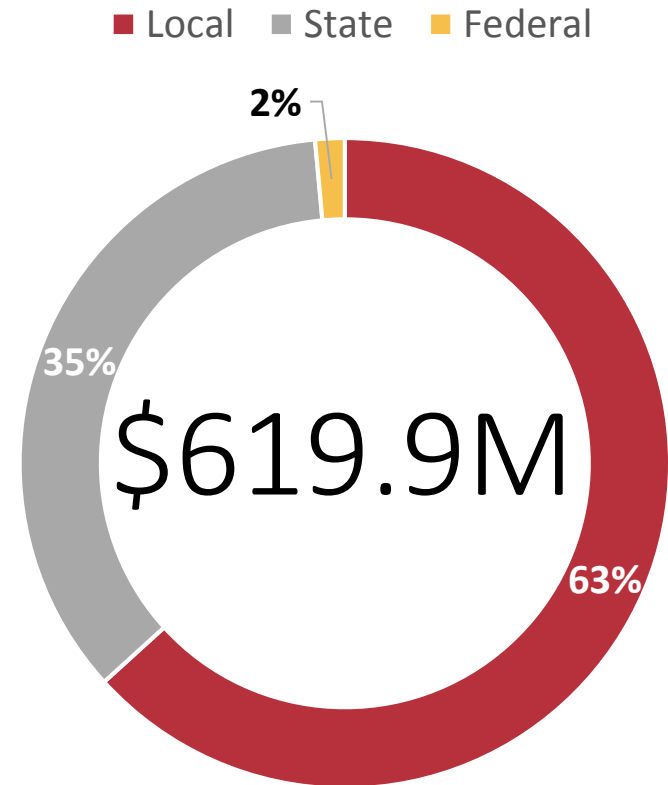
## State Funding Elements

## Adopted 2017-18 Budget

<b>Total Cost of Tier 1</b>	<b>\$ 498,606,637</b>
<b>Less: Local Fund Assignment</b>	<b><u>(\$ 345,796,281)</u></b>
<b>State Share of Tier 1</b>	<b>\$ 152,810,356</b>
<b>Tier II and Other Programs</b>	<b>\$ 36,709,296</b>
<b>TRS on Behalf</b>	<b>\$ 29,130,921</b>
<b>Total 2017-18 State Allocation</b>	<b>\$ 218,650,573</b>

# 2017-18 Proposed General Fund Revenue Sources

\$ Millions	
Local Revenues	\$392.2
State Revenues	218.7
Federal Revenues	9.0
<b>Total Revenues</b>	<b>\$619.9</b>

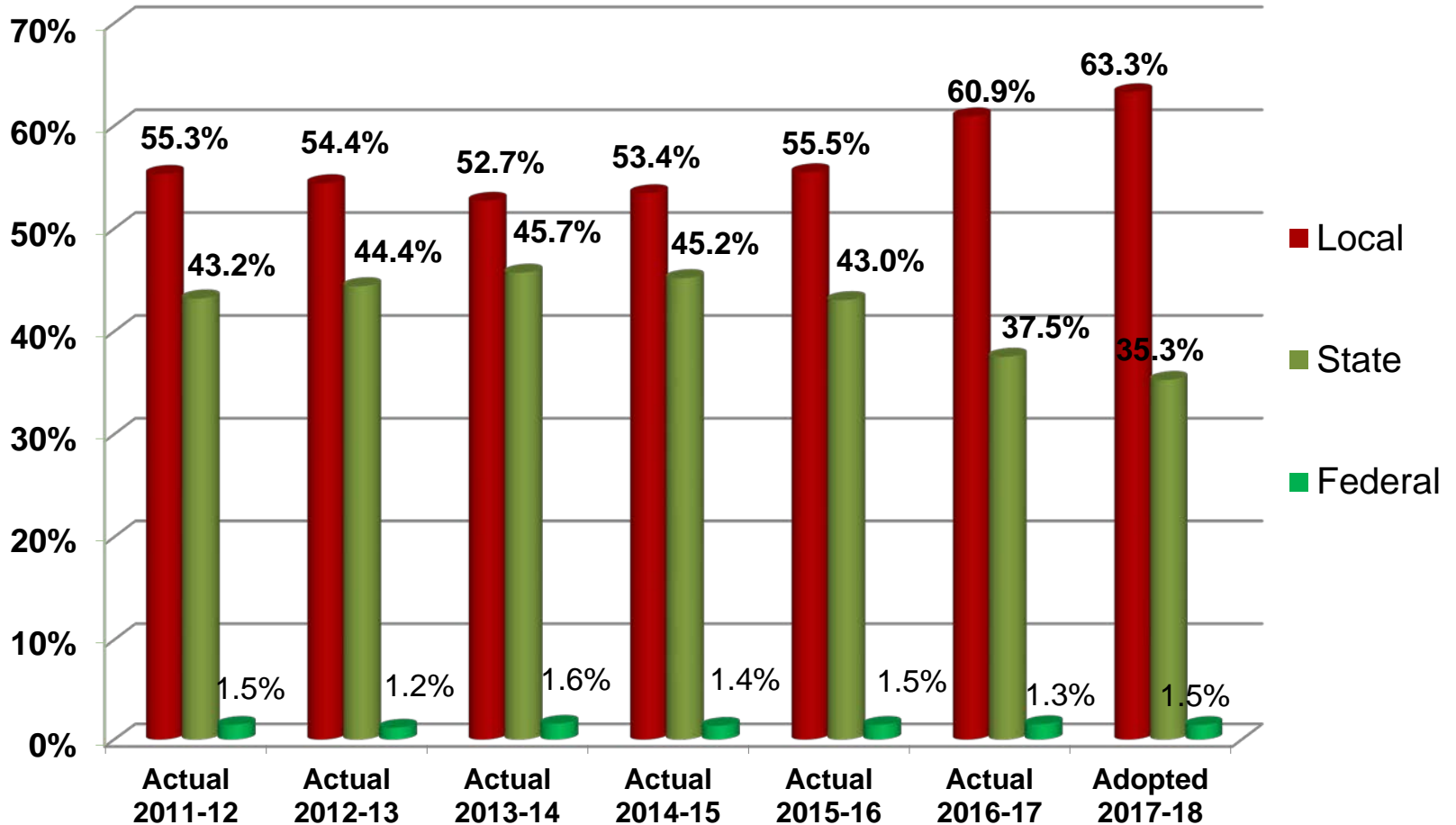




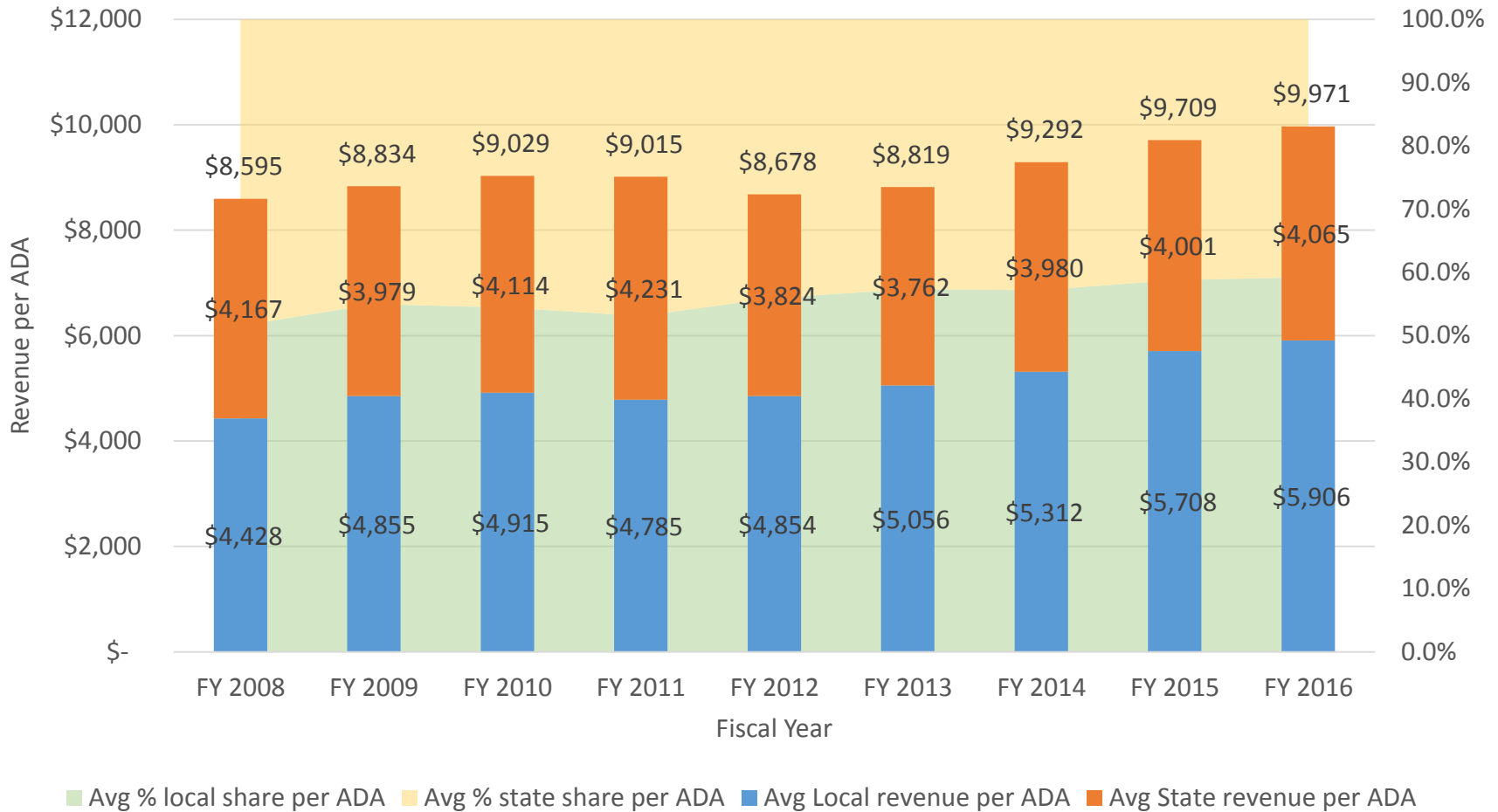
# General Fund Revenue Sources

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>(\$M's)</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Adopted</b>
<b>Local</b>	<b>\$ 298.1</b>	<b>\$ 329.9</b>	<b>\$ 363.6</b>	<b>\$ 392.2</b>
<b>State</b>	<b>\$ 252.0</b>	<b>\$ 255.9</b>	<b>\$ 224.0</b>	<b>\$ 218.7</b>
<b>Federal</b>	<b>\$ 7.7</b>	<b>\$ 8.8</b>	<b>\$ 9.2</b>	<b>\$ 9.1</b>
<b>Total</b>	<b>\$ 557.8</b>	<b>\$ 594.5</b>	<b>\$ 596.9</b>	<b>\$ 619.9</b>

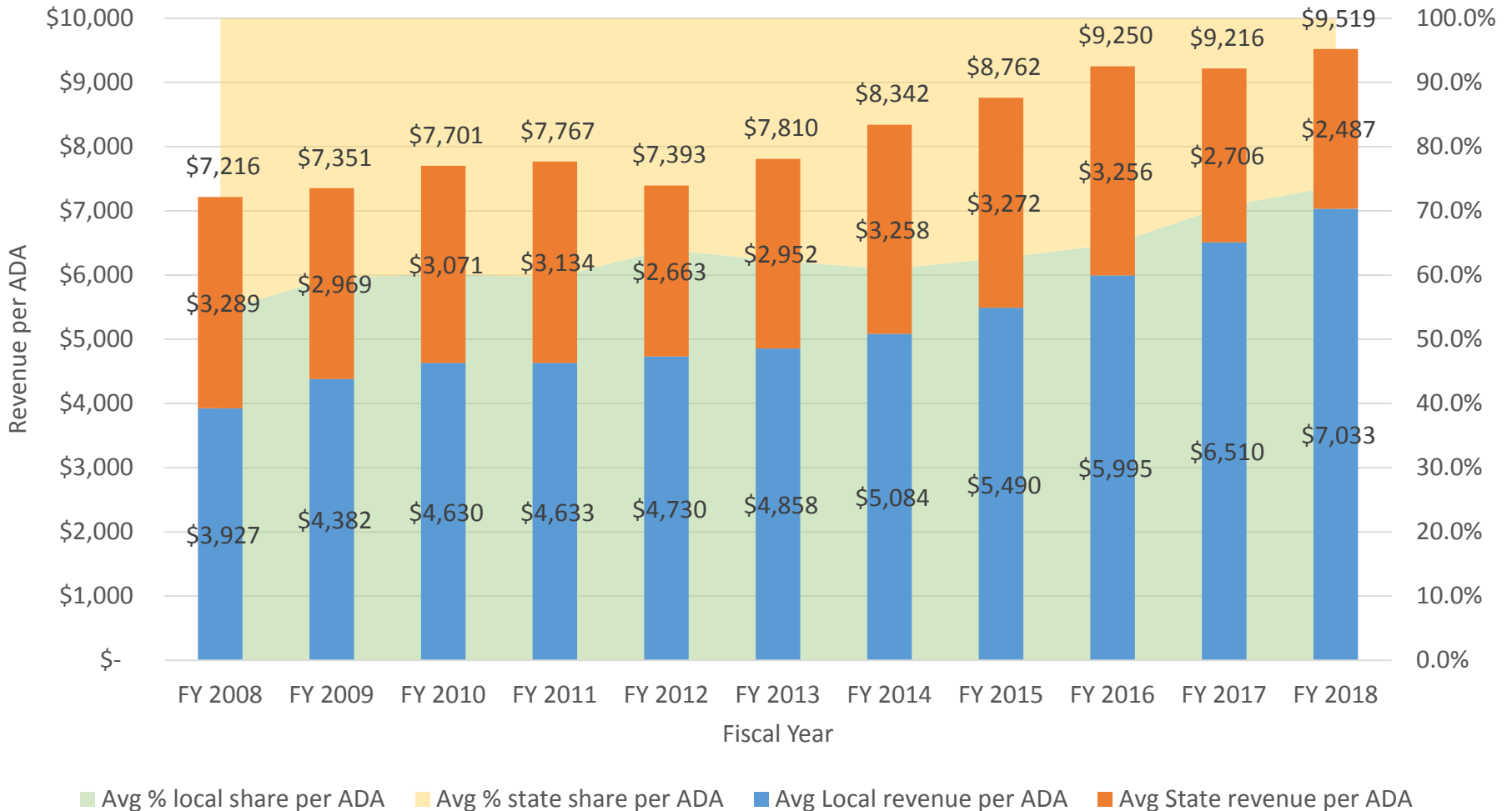
# General Fund Revenue Sources



# State-Wide M&O and I&S Contribution Only (Per ADA)

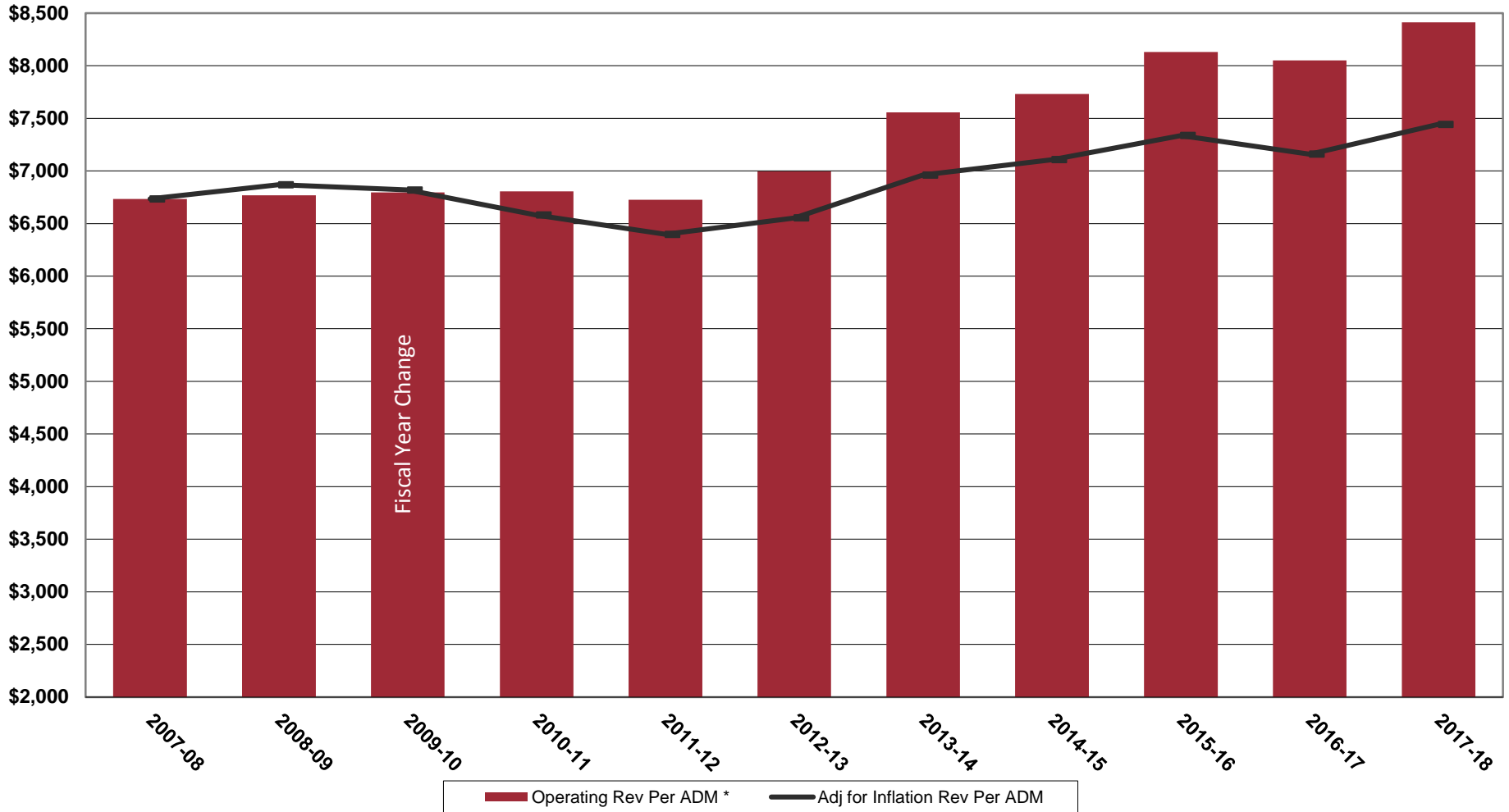


# Fort Bend M&O and I&S Contribution Only (Per ADA)



# General Fund - Revenue Per Student Adjusted for Inflation

Compound Annual Growth Rate 1.12% Over 10 Years (Adjusted for Inflation)



Source: AEIS / Consumer Price Index as of August – All Urban Consumers – All City Average – All Items

## State Aide Base Formula

<b>ADA Increase Analysis</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Unadjusted State Aid Per Student (Basic Allotment)	\$4,765	\$4,950	\$5,040	\$5,140	\$5,140	\$5,140
Value per day (178 days)	\$26.77	\$27.81	\$28.31	\$28.88	\$28.88	\$28.88

## State Aide Base Formula (\$ Millions)

ADA Increase Analysis	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Total Unadjusted State Aid	\$297.7	\$315.2	\$325.8	\$337.9	\$341.8	\$345.8
Additional Unadjusted State Aid due to 1% ADA Increase	\$3.0	\$3.2	\$3.3	\$3.4	\$3.5	\$3.5
# of Teachers @ Average Teacher Salary (TEA TAPR Report)	56.5	58.4	58.1	59.8	60.3	61.0

## Common Expenditure Questions

- Why are costs increasing?
- What are the major cost drivers?
- What is enrollment, and how will it change?
- How have staffing levels changed?
- What percentage of our budget is for staff?
- Object code view vs. Function code view
- What percent of our budget is for instruction?



## Collaborative Budget Process

- Budget & Compensation Committee
  - Nominated delegates
  - Participation from all campuses and departments
  - Document ideas and set priorities
- Principals & Directors
- Teacher Forum
- Benefits Committee

## Budget and Compensation Committee

### Purpose:

The purpose of the Budget and Compensation Committee (BCC) is to give input on the allocation of resources with a focus on the financial efficiency, operational efficiency, and student achievement within the District.



## Benefits and Wellness Committee

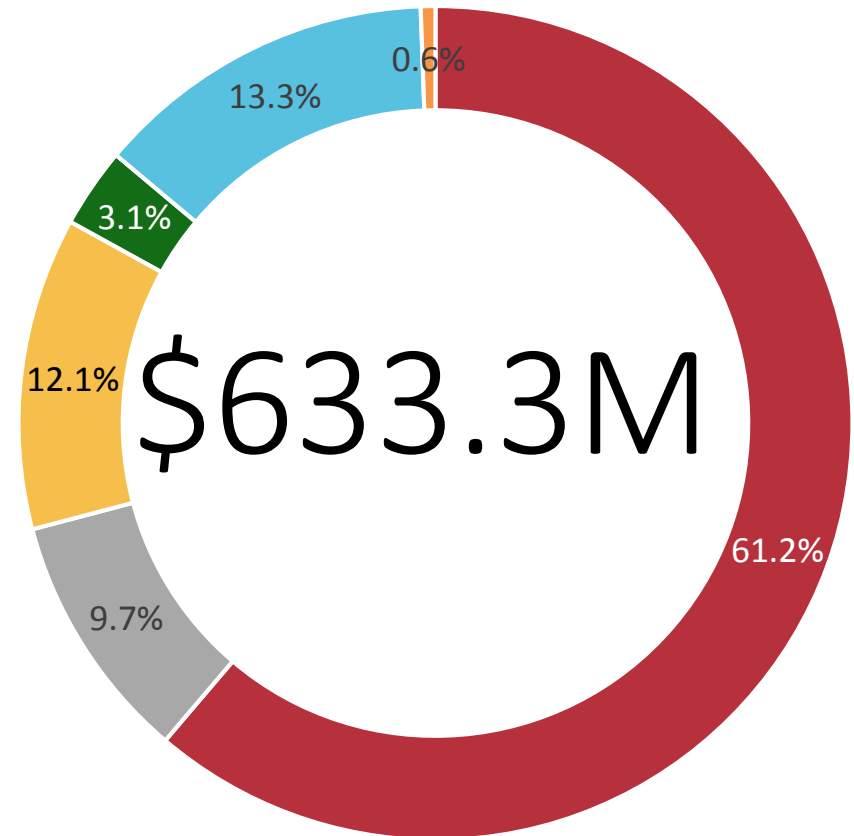


### **Purpose:**

The purpose of the Benefits and Wellness Committee is to educate employees on the self-funded aspect of our health plans to help control claims and overall healthcare costs for the District.

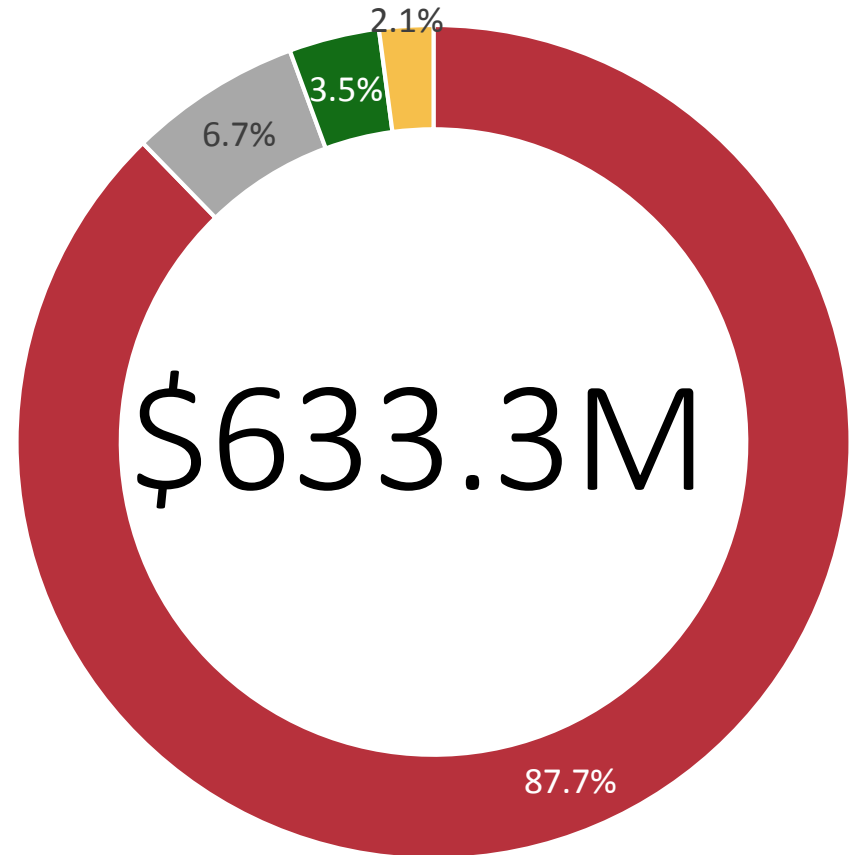
# 2017-18 Budget by Major Function

- 1X - Instruction & Instructional-Related Services
- 2X - Instructional & School Leadership
- 3X - Support Services - Student
- 4X - Administrative Support Services
- 5X - Support Services - Non-Student Based
- 8X - Intergovernmental/Other



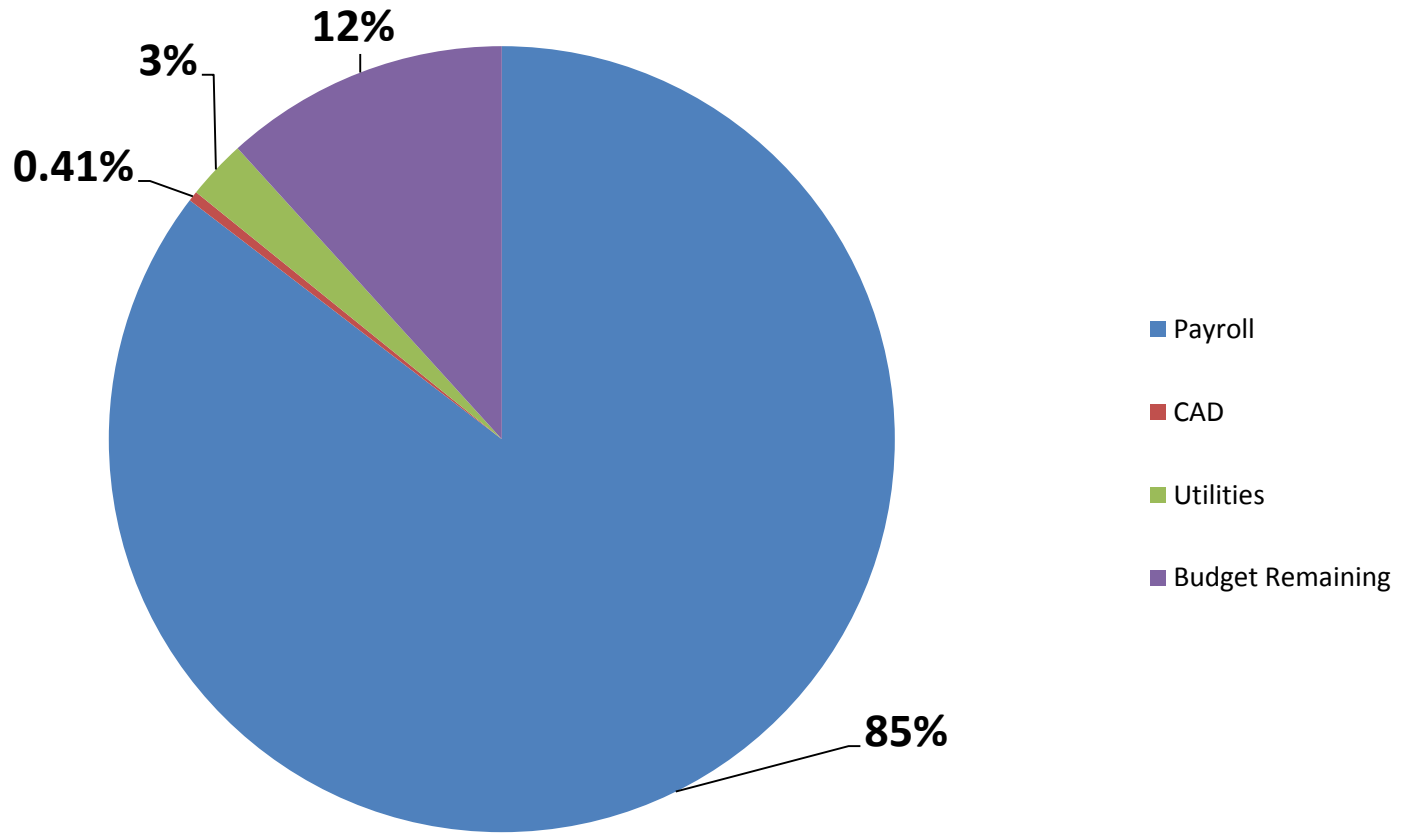
# 2017-18 Budget by Major Object

- 61 - Salary & Benefits
- 62 - Purchased & Contracted Services
- 63 - Supplies & Materials
- 64 - Other Operating Expenditures



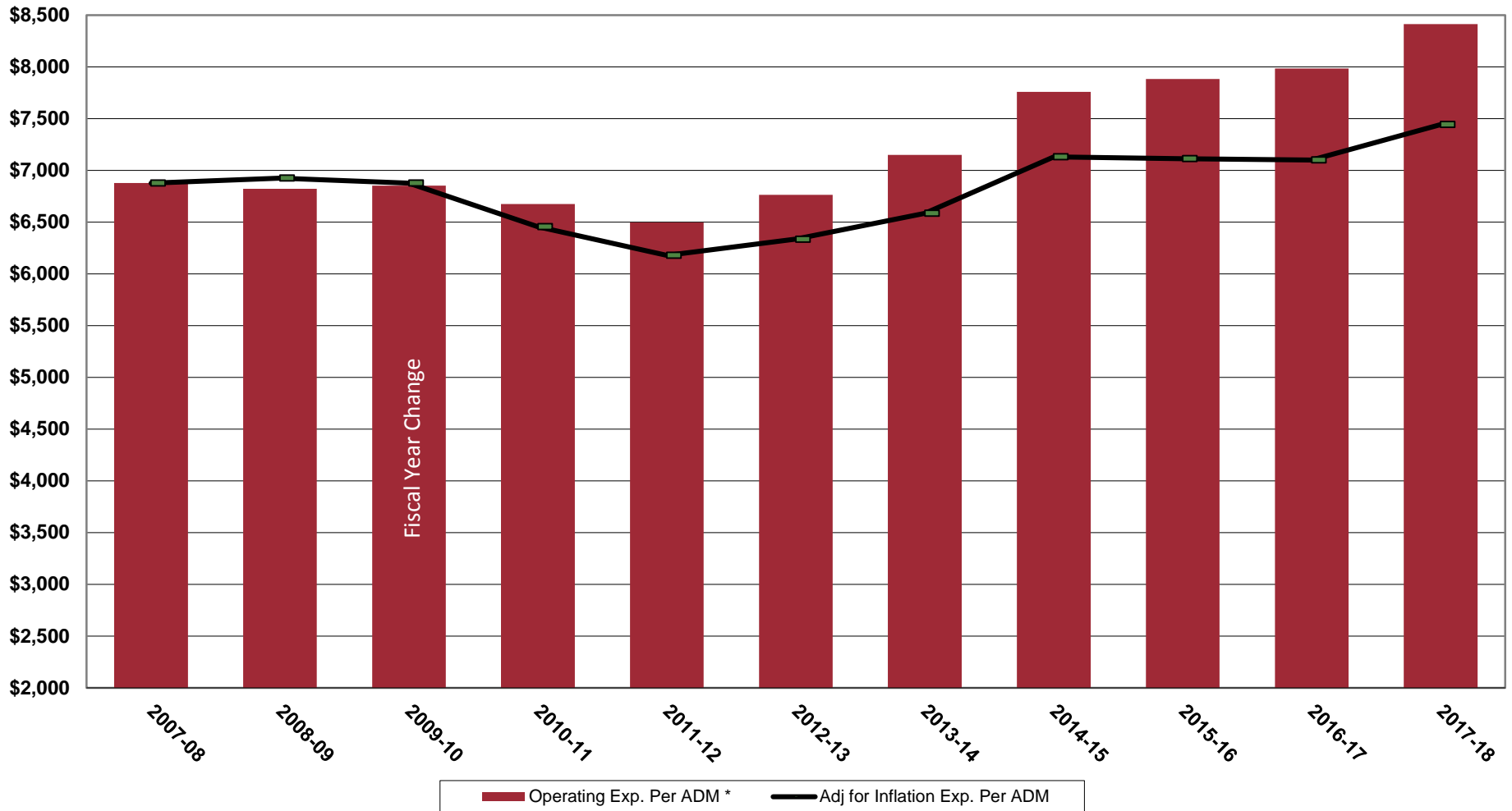
# 2017-18 Budget by Major Expense

**2017-18 Operating Budget  
After Payroll, Utilities & CAD Costs**



# General Fund Expenditures Per Student Adjusted for Inflation

**Compound Annual Growth Rate .88% Over 10 Years (Adjusted for Inflation)**



# 2017-18 COMPENSATION ADJUSTMENTS



## Background:

- **2014-15:** Increased starting pay to \$50,000
  - Started process of “smoothing” steps; \$500 difference between steps 1-14
  - Led the market in starting teacher pay
- **2015-16:** Included increase of \$500 to starting pay
  - Peer districts responded to FBISD increase
  - Continued process of “smoothing” steps 14-22
- **2016-17:** No adjustment to starting pay
  - Majority of peer districts implemented pay increases

## Market Analysis

- Teacher compensation now lags the market
- District ties for 10<sup>th</sup> place for starting teacher pay
- Recommend adjustment

Rank	District	Salary
1	Alief	\$52,800
2	Lamar	\$52,300
3	CyFair	\$52,025
4	Aldine	\$52,000
4	Pearland	\$52,000
5	Alvin	\$51,650
6	Klein	\$51,600
7	Houston	\$51,500
8	Pasadena	\$51,018
9	Fort Worth	\$51,000
10	Katy	\$50,500
<b>10</b>	<b>Fort Bend</b>	<b>\$50,500</b>
11	Austin	\$46,810

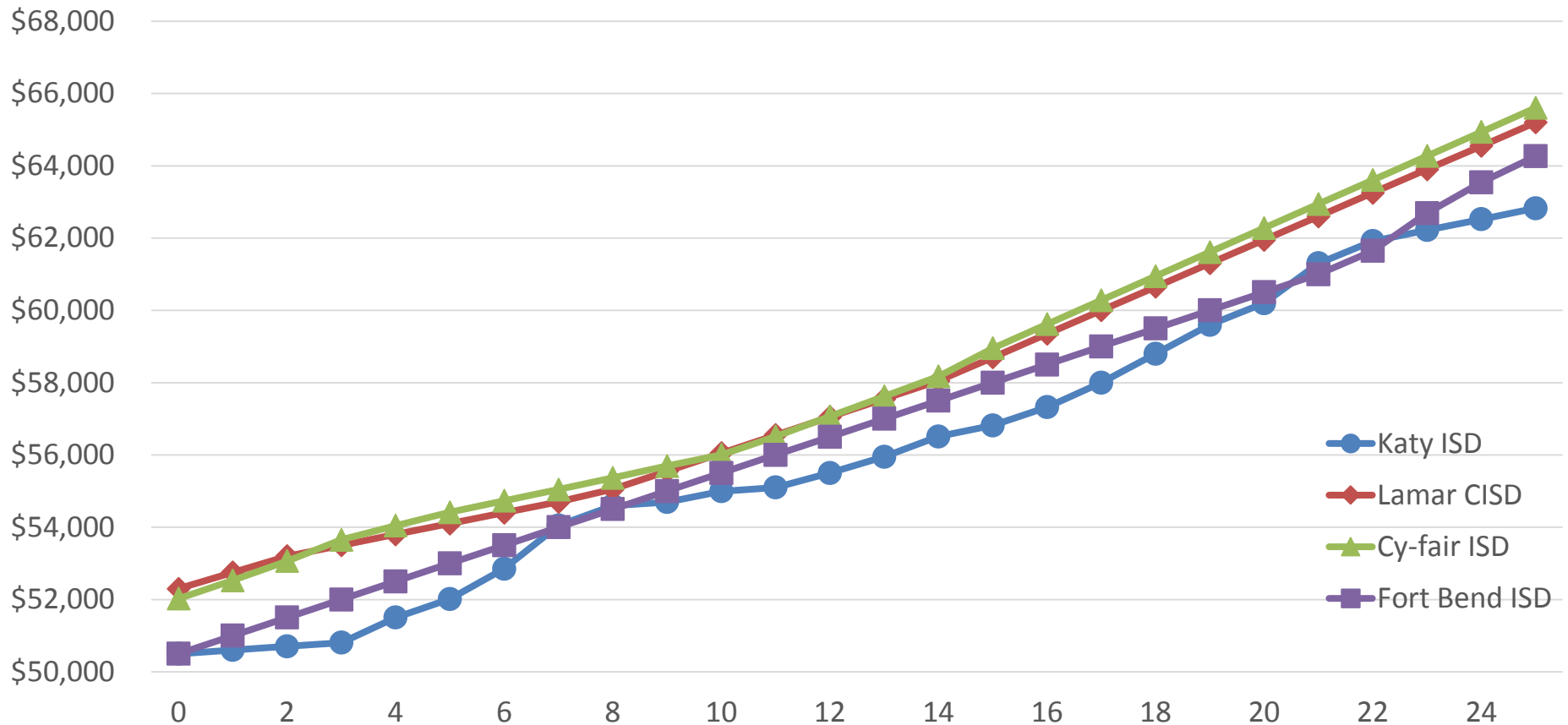
## Recommended Adjustments

- Past two years, competing districts have made adjustments
- Both LCISD and KISD opened new campuses in 2017-18
- To retain and attract talent, recommended adjusting starting salary by \$2,500
- Completed \$500 “smoothing” between steps 23-25
- Teachers over step 25 received \$2,500 adjustment

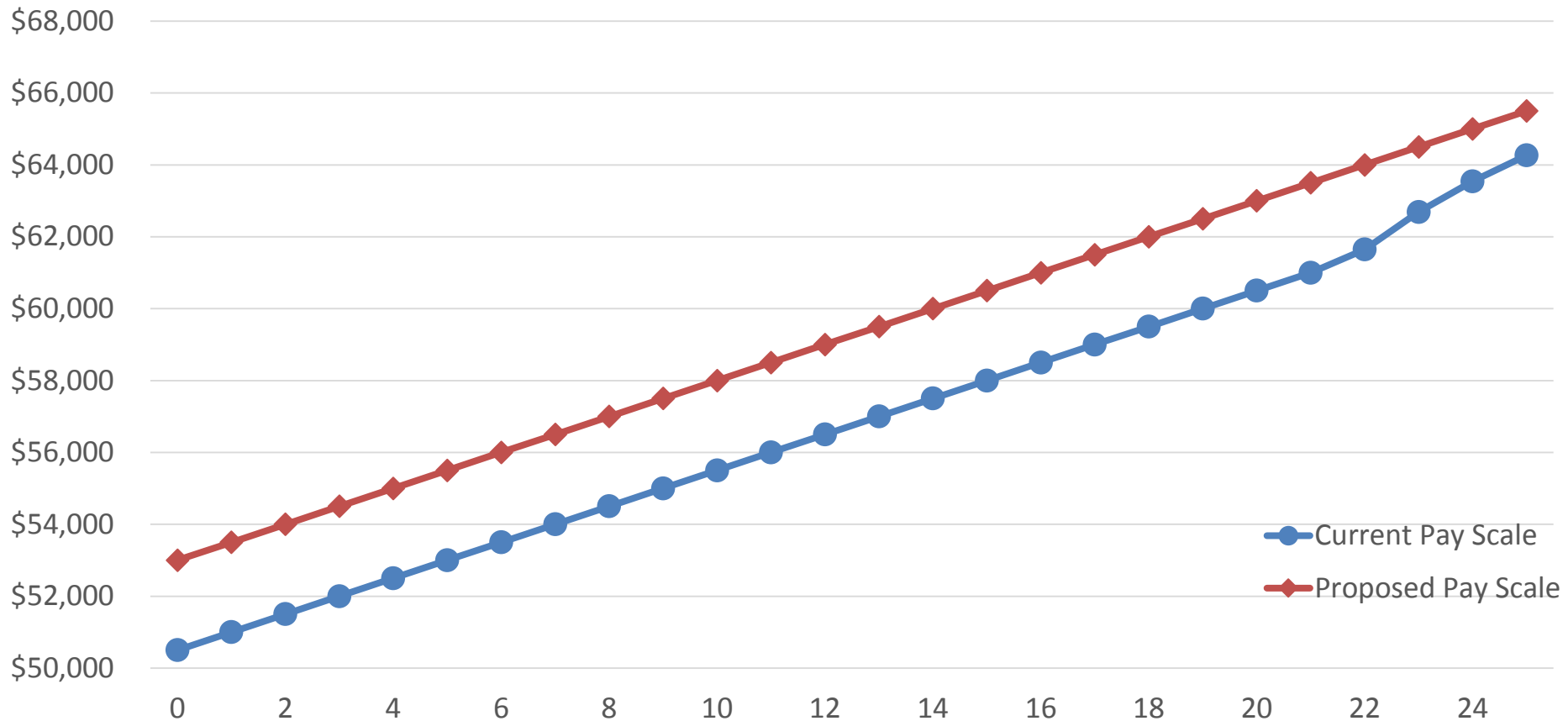
District	2015-16	2016-17
Aldine	\$ 1,000	\$ 1,000
Alief	\$ 2,000	\$ 800
Alvin	\$ 2,000	\$ 1,150
Austin	\$ 1,213	\$ 1,551
CyFair	\$ 1,475	\$ 525
<b>Fort Bend</b>	<b>\$ 500</b>	<b>\$ -</b>
Fort Worth	\$ 1,700	\$ 1,000
Houston	\$ 2,400	\$ -
Katy	\$ 500	\$ 1,000
Klein	\$ 1,000	\$ 600
Lamar	\$ 1,500	\$ 800
Pasadena	\$ 1,282	\$ 888
Pearland	\$ 1,000	\$ 1,000
<b>Average</b>	<b>\$ 1,352</b>	<b>\$ 938</b>

# Teacher Compensation

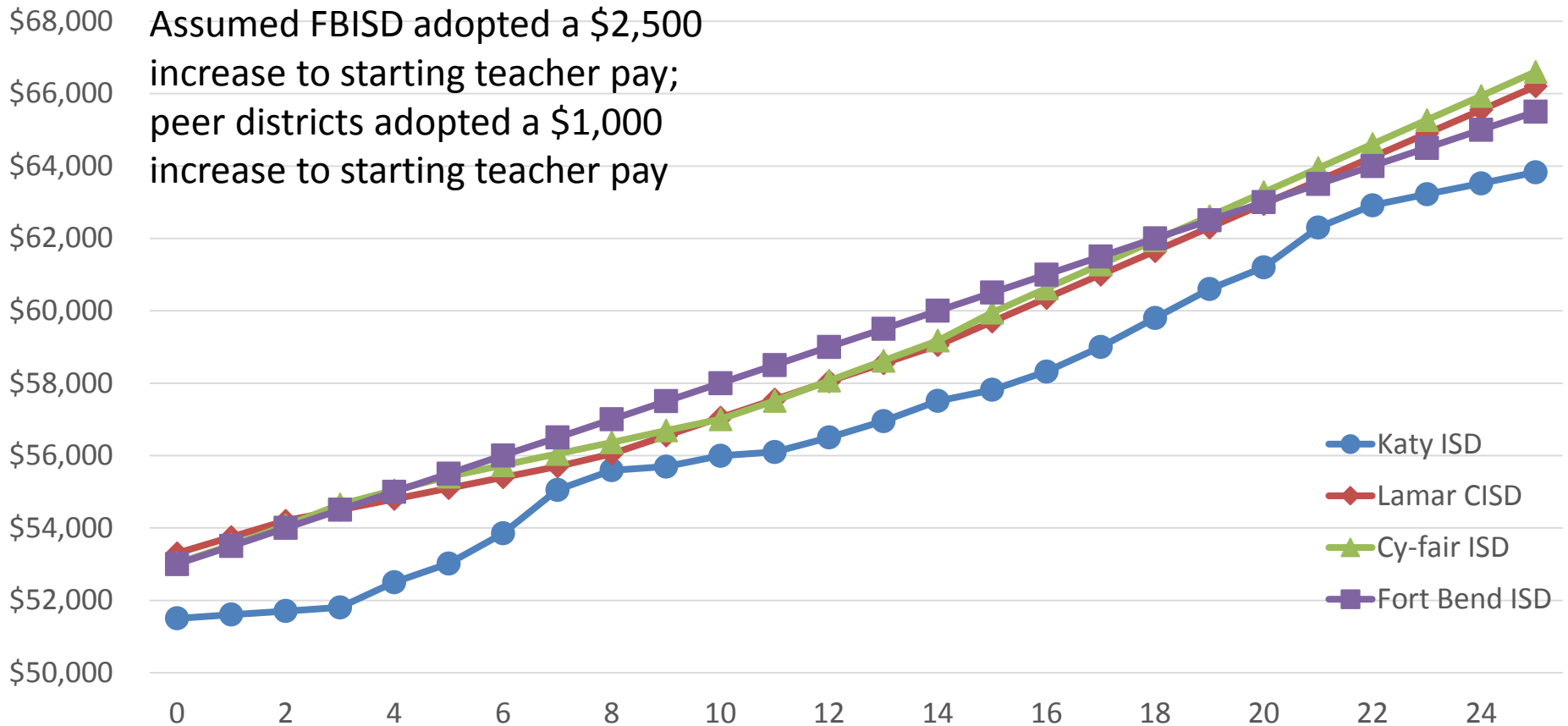
## 2016-17 Teacher Pay Compared to Peer Districts



## 2017-18 Approved Teacher Scale



## 2017-18 Teacher Pay Compared to Peer Districts



## Background

- Principals are key positions that support the Board of Trustees priority of leadership development
- High-quality campus leadership is critical to developing positive culture on campuses
- Provide campus leadership to staff and students
- Strong desire to retain existing staff

## Market Analysis

- Analysis found that FBISD was not a market leader in principal compensation
- Calendar days were a factor in market position
- Majority of districts had more than 226 duty days
- Combination of change to duty days and equity adjustments were recommended

District	Duty Days
Aldine	226
Alief	230
Alvin	225
Austin	230
CyFair	250
<b>Fort Bend</b>	<b>226</b>
Fort Worth	240
Houston	260
Katy	238
Klein	235
Lamar	230
Pasadena	240
Pearland	230



## Recommendation:

- Adjusted calendar duty days
  - 226 duty days to 238 duty days
- Market equity adjustment
  - 6.6 percent average

# Compensation Recommendation Totals

Group	Adjustment
Teacher Adjustments Increased Starting Rate by \$2,500 and Step increased (5.1% average for steps 1-25)	\$13.9 M
Principal Adjustments Increased calendar days from 226 to 238 Market equity adjustment (6.6% average)	\$0.9 M
<b>Compensation Adjustment Totals</b>	<b>\$14.8 M</b>

# 2017-18 COMPENSATION ADJUSTMENTS

- **2014-15:** General rate increase of 4%
- **2015-16:** General rate increase of 2%
- **2016-17:** No general rate increase
  - Retention supplement for non-teaching staff
    - \$500 for full-time employees
    - \$250 for part-time employees
- **2017-18:** Recommended general rate increase of 4%

**Estimated cost: \$4.01M**

- Board approved adjustment to stipends in 2016-17
- Market analysis indicated a need to adjust stipends for Fine Arts
- Recommended adjustments to stipends for teachers that sponsor student leadership clubs and organizations to align with Board priority of leadership development

**Estimated cost: \$0.98M**

- Benchmarked selected positions against other area districts
- Determined that adjustments are needed to maintain a competitive position and to attract and retain talent
- Some equity adjustments recommended based on realignment of pay structure in 2014-15

**Estimated cost: \$1.98M**

- Other area districts use 238 duty days as opposed to 226 calendar used in FBISD
- Recommended adopting a 238 calendar to better compete with other area districts
- 4% general increase included within calendar adjustment

**Estimated cost: \$1.97M**

- Reviewed 13 positions based on indication of increased responsibilities and job complexity
- Ten positions had substantial changes in duties resulting in need for job reclassifications

**Estimated cost: \$174,187**

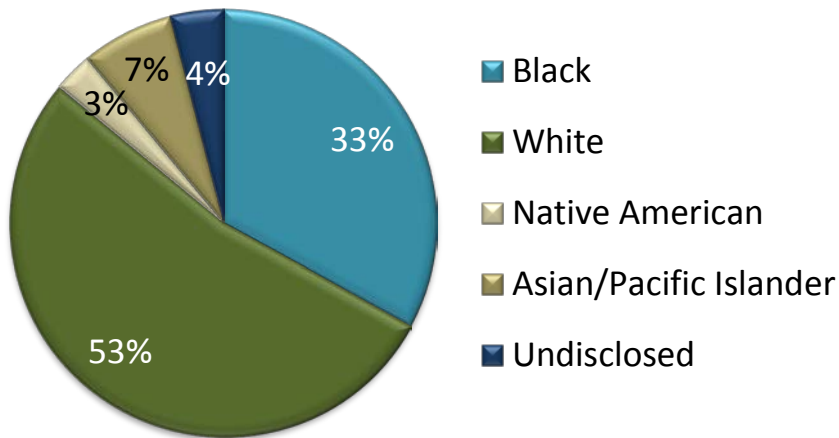


# Compensation Recommendations Totals

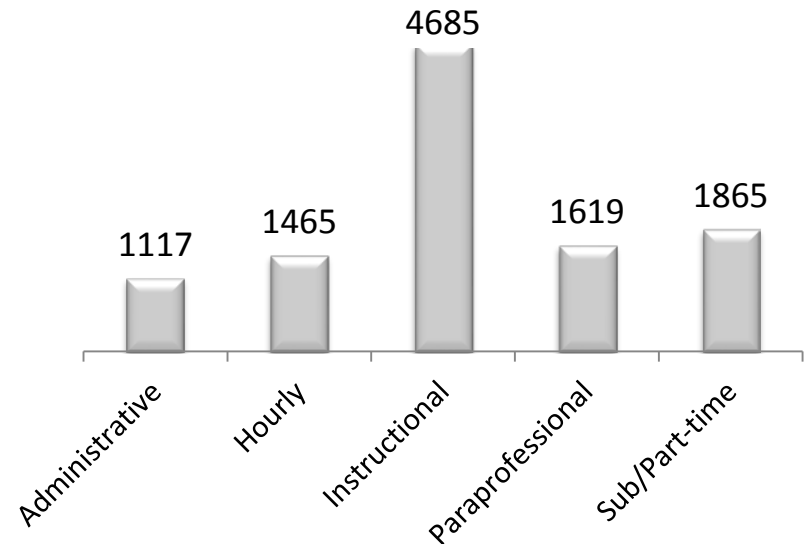
Group	Adjustment
General Pay Increase (4%)	\$4.01 M
Stipend Adjustments	\$0.98 M
Equity Adjustments	\$1.98 M
Calendar Adjustment (226 to 238 duty days)	\$1.97 M
Reclassifications	\$0.17 M
<b>Compensation Adjustment Totals</b>	<b>\$9.11 M</b>

Fort Bend ISD currently has **10,749** employees.

## FBISD Employees: Race



## Number of Employees by Pay Group



## FBISD Employees: Ethnicity



Population	
Job Titles	161
Total Teachers	4685

Gender		
Male	1012	22%
Female	3673	78%

Demographics	
Non-Hispanic	86.6%
Hispanic	13.4%
Black	29.5%
White	61.7%
Asian	6.4%
Other	2.4%

Education	
Bachelor's Degree	3245
Master's Degree	1370
Doctoral Degree	52

Retirement		
Current	438	9.3%
Next 5 years	636	13.6%

Attrition	
2011-2012	11.36%
2012-2013	14.89%
2013-2014	9.18%
2014-2015	17.40%

Leadership Roles	
Superintendent	1
Deputy Superintendent	1
Chief Officer	8
Senior Executive Director	1
Assistant Superintendent	5
Principal	75
Associate Principal	27
Executive Director	5
Director	36
Assistant Principal	128
Dean	4
General Counsel	1
<b>Grand Total</b>	<b>292</b>

Retirement	
All Leaders (Today)	14%
Campus Leaders (Next 5 years)	20%
Non Campus Leaders (Next 5 years)	24%

Gender (Principals)	
Male	24%
Female	76%

Years' Experience (Principals)	
Professional	11.3
District	17.7

Demographics (Principals)	
Non-Hispanic	86.7%
Hispanic	13.3%
Black	53.3%
White	41.3%
Asian	2.6%
Other	2.6%

Education (Principals)	
Bachelor's Degree	75
Master's Degree	69
Doctoral Degree	6

# **2017-18 NEW SCHOOL STAFFING**

- Three elementary schools opened Fall 2017
  - Leonetti, Neill, Patterson
- Non-teaching staff requested for hire
  - Principals, counselors, administrative staff, nurses, etc.
- Teaching positions were requested in March/April with other ratio-based requests

# New School Staffing

#	Campus	Position	Justification	FTEs Needed	Estimated Unit Cost	Benefits Cost	Total Estimated Cost
1	Elementary 48, 49, 50	Principal Elementary	New school start up	3.00	\$ 90,402	\$ 16,272	\$ 320,022
2	Elementary 48, 49, 50	Asst Principal Elementary	New school start up	3.00	73,716	13,269	260,955
3	Elementary 48, 49, 50	Counselor Elementary	New school start up	3.00	64,122	11,542	226,992
4	Elementary 48, 49, 50	Nurse	New school start up	3.00	57,069	10,272	202,023
5	Elementary 48, 49, 50	Aide District	New school start up	3.00	18,147	3,266	64,239
6	Elementary 48, 49, 50	Clerk IV Attendance	New school start up	3.00	32,666	5,880	115,638
7	Elementary 48, 49, 50	Executive Assistant II	New school start up	3.00	40,629	7,313	143,826
8	Elementary 48, 49, 50	Receptionist 210	New school start up	3.00	24,649	4,437	87,258
9	Elementary 48, 49, 50	Aide Kindergarten	New school start up	3.00	19,375	3,488	68,589
10	Elementary 48, 49, 50	Aide Nurse/Counselor/CCC	New school start up	3.00	23,419	4,215	82,902
11	Elementary 48, 49, 50	Educational Assistant	New school start up	3.00	28,008	5,041	99,147
12	Elementary 48, 49, 50	Coordinator Campus Compliance	New school start up	3.00	55,500	9,990	196,470
13	Elementary 48, 49, 50	Librarian	New school start up	3.00	55,500	9,990	196,470
14	Elementary 48, 49, 50	Specialist Math (0.5 FTE each)	New school start up	1.50	55,500	9,990	98,235
15	Elementary 48, 49, 50	Teacher EL Art	New school start up	3.00	55,500	9,990	196,470
16	Elementary 48, 49, 50	Teacher EL Music	New school start up	3.00	55,500	9,990	196,470
17	Elementary 48, 49, 50	Teacher EL Physical Ed	New school start up	3.00	55,500	9,990	196,470
18	Elementary 48, 49, 50	Teacher Literacy Intervntn	New school start up	3.00	55,500	9,990	196,470
19	Elementary 48, 49, 50	Custodian	New school start up	6.00	22,968	4,134	162,612
20	Elementary 48, 49, 50	Custodian Asst Lead Elem/Adm	New school start up	3.00	27,562	4,961	97,569
21	Elementary 48, 49, 50	Custodian Lead Elem	New school start up	3.00	33,032	5,946	116,934
22	Elementary 48, 49, 50	Crossing Guard	New school start up	12.00	6,100	1,098	86,376
				<u>76.50</u>		<u>\$ 171,064</u>	<u>\$ 3,412,137</u>

# **CAMPUS STAFFING ADJUSTMENTS**

**2017-18**



- Enrollment Data
  - Utilize data from District demographer to estimate classroom needs
  - Incorporate boundary changes approved in February
  
- Staffing Guidelines
  - Regular classrooms
    - 22:1 student to teacher ratio in grades K-4
    - 25:1 student to teacher ratio grade 5
  - Specialized classrooms
    - Special Education
    - Multilingual Services
    - Fine Arts
    - Career and Technology Education

# Staffing Recommendation Totals

	FTEs	Estimated Cost
Teachers – Elementary	45.5	\$3.11 M
Teachers – Middle School	14.0	\$0.96 M
Teachers – High School	-6.0	-\$0.41 M
Teachers – SPED	44.0	\$3.01 M
Teachers – Unassigned	17.0	\$0.82 M
<b>Total Teachers</b>	<b>114.5</b>	<b>\$7.49 M</b>
Other Campus Professionals	2.0	\$0.22 M
Para-professionals	18.3	\$0.79 M
<b>Grand Totals</b>	<b>134.8</b>	<b>\$8.50 M</b>

## Why is it difficult to compare actual to budget?

- **“Near Final or Actual” includes recorded expenditures**
  - ❖ Includes savings from turnover & lower salaries
  - ❖ Includes savings from budget manager stewardship
  
- **Budget is the legal authorization to spend money**
  - ❖ Assumes all positions are filled at all times
  - ❖ Salaries based on current personnel or position averages for unfilled positions
  - ❖ Managed accounts – assumes that all will be spent and none will be carried forward

	<b>2016-17</b>	<b>2017-18</b>
(\$000s)	<b><u>Actuals</u></b>	<b><u>Proposed</u></b>
Operating Revenues	\$ 596,914	\$ 619,888
Operating Expenditures	<u>595,008</u>	<u>633,347</u>
Other Sources	887	1,500
Use of Econ Stabilization (FB)	<u>0</u>	<u>11,958</u>
<b>Surplus/(Deficit)</b>	<b><u>2,792</u></b>	<b><u>0</u></b>
Fund Balance - Beginning	182,463	185,255
Use of Econ Stabilization (FB)	<u>0</u>	<u>(11,958)</u>
<b>Fund Balance - Ending</b>	<b><u><u>\$ 185,255</u></u></b>	<b><u><u>\$ 173,297</u></u></b>

- **Revenue Growth**

- 5% local and prior year CPTD growth
  - 1% change in CPTD =  $\pm$  \$7M
  - 1% increase in Local =  $\pm$  \$3.5M
- 1% change in ADA =  $\pm$  \$4.7M

- **Expenditure Growth**

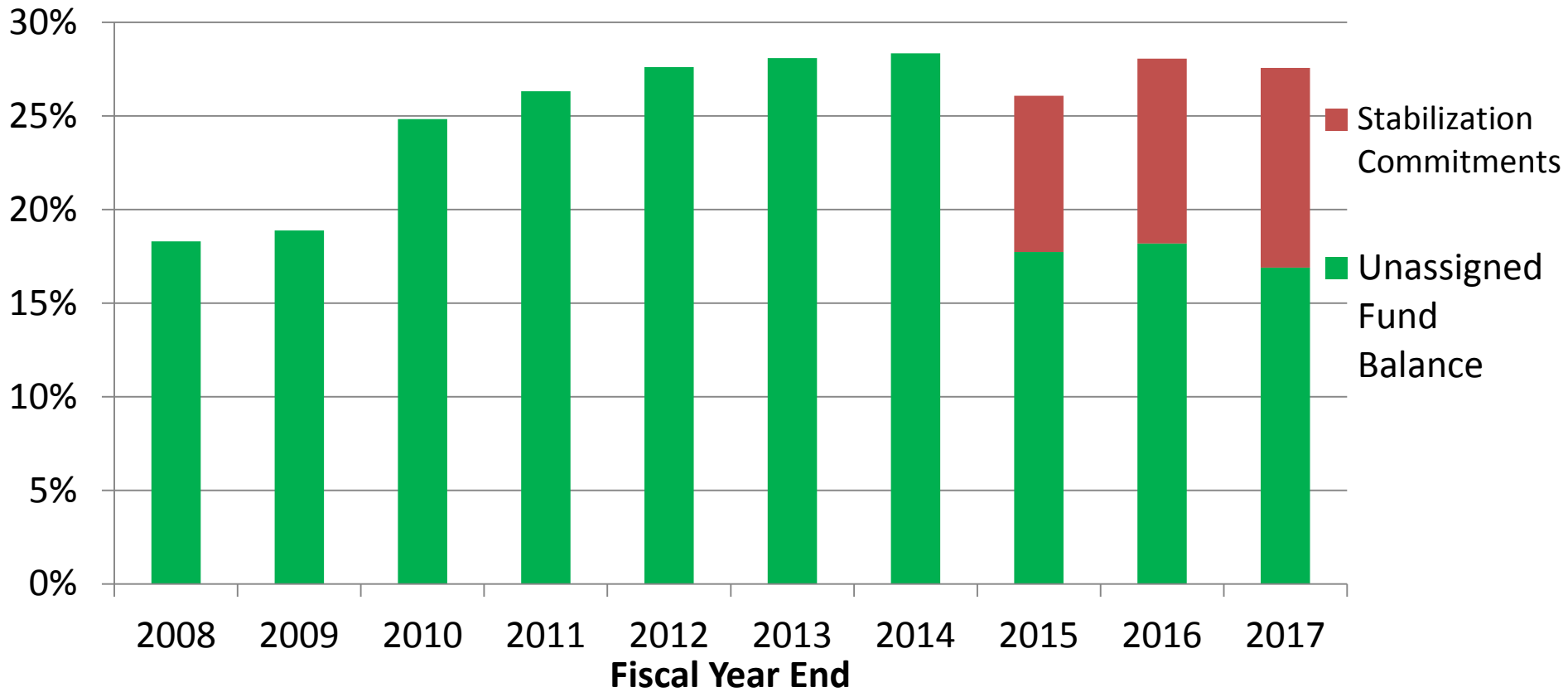
- CTE Center and Elementary 51
- No raises included (each 1% is \$5.6M)
- No other changes to M&O costs

	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
(\$000s)	<b>Estimate</b>	<b>Proposed</b>	<b>Projected</b>	<b>Projected</b>
Operating Revenues	\$ 597,819	\$ 619,888	\$ 626,615	\$ 631,583
Operating Expenditures	<u>596,972</u>	<u>633,347</u>	<u>639,594</u>	<u>646,054</u>
Other Sources	684	1,500	1,500	1,500
Use of Econ Stabilization (FB)	<u>0</u>	<u>11,958</u>	<u>-</u>	<u>-</u>
<b>Surplus/(Deficit)</b>	<b><u>1,531</u></b>	<b><u>0</u></b>	<b><u>(11,479)</u></b>	<b><u>(12,971)</u></b>
Fund Balance - Beginning	182,463	183,994	172,036	160,557
Use of Econ Stabilization (FB)	<u>-</u>	<u>(11,958)</u>	<u>0</u>	<u>0</u>
<b>Fund Balance - Ending</b>	<b><u>\$ 183,994</u></b>	<b><u>\$ 172,036</u></b>	<b><u>\$ 160,557</u></b>	<b><u>\$ 147,586</u></b>

- Cash management & working capital
- “AA+” bond ratings - lower interest rates on District bonds
- Unforeseen expenditures and/or disasters
- Unforeseen revenue shortfalls
- Ongoing support for educational programs (one-time)
- Best Practices
  - The Government Finance Officers Association (GFOA) recommends ...“no less than two months of...regular general revenue operating expenditures”
  - Fund balance need is greater for Districts with June 30<sup>th</sup> year end

# General Fund Balance

(as a percentage of General Fund expenditures)





# Fund Balance Strategies

	YE 2015-16	YE 2016-17	YE 2017-18
Non-spendable	\$1,741,180	\$2,962,901	\$2,962,901
Major maintenance	6,400,000	6,400,000	6,400,000
Instructional materials	2,700,000	2,700,000	1,042,374
Transportation	1,500,000	-	-
New instructional facilities	4,500,000	4,500,000	-
Economic stabilization	7,500,000	14,000,000	2,041,821
Assigned fund balance	3,938,733	4,724,855	4,724,855
<b>Committed &amp; Assigned</b>	<b>\$28,279,913</b>	<b>\$35,287,756</b>	<b>\$17,171,951</b>

<b>Allocation (\$000s)</b>	<b>YE2015-16</b>	<b>YE2016-17</b>	<b>YE2017-18</b>
Committed Fund Balance	\$20.78 M	\$21.29 M	\$15.13 M
Economic Stabilization	7.50 M	14.00 M	2.04 M
State Revenue Stabilization	49.39 M	49.40 M	49.40 M
Unassigned Fund Balance	104.80 M	100.57 M	106.72 M
<b>Total Fund Balance</b>	<b>\$182.46 M</b>	<b>\$185.26 M</b>	<b>\$173.30 M</b>
90 Day M&O Reserve	144.10 M	148.75 M	158.34 M
Unassigned FB as % of Expenses	26.7%	25.2%	24.65%
<b>FB in Days of Operating Expenses</b>	<b>98 Days</b>	<b>92 Days</b>	<b>90 Days</b>

## With FY15 - FY17 Actuals and FY18 Adopted

	2014-15	2015-16	2016-17	2017-18
(\$M's)	Actual	Actual	Actual	Adopted
Revenue	\$ 25.2	\$ 24.6	\$ 25.9	\$ 28.7
Expenditures	\$ 28.6	\$ 25.2	\$ 26.4	\$ 28.7
Surplus (deficit)	\$ (3.4)	\$ (0.6)	\$ (0.4)	\$ -
Beginning Fund Balance	\$ 8.6	\$ 5.2	\$ 4.6	\$ 4.2
Ending Fund Balance	\$ 5.2	\$ 4.6	\$ 4.2	\$ 4.2

Source: FBISD Finance

Note: -FY 2014-15 Projection includes \$2.5m in carryover from the renovation projects last year and not a part of net revenues this year

-Texas Department of Agriculture (TDA) specifies that the fund balance of a school nutrition program should not exceed 3 months average expenditures

According to GFOA's Implementing Performance Measurement Handbook, benchmarking is defined as a comparison between two data points, with one of the points designated as the benchmark.

- Comparison of District to Self  
(trends)
- Comparison of District to Others  
(peer groups, state averages, etc.)
- Comparison of District in Industry

## Selecting Peer Groups

- Size
- Geography
- Demographics

## Scatter Graph

- Used to compare two or more sets of related data
- Displays many points-each having a coordinate on a horizontal & a vertical axis
- Explores the relationship between the two metrics

## Trend Line

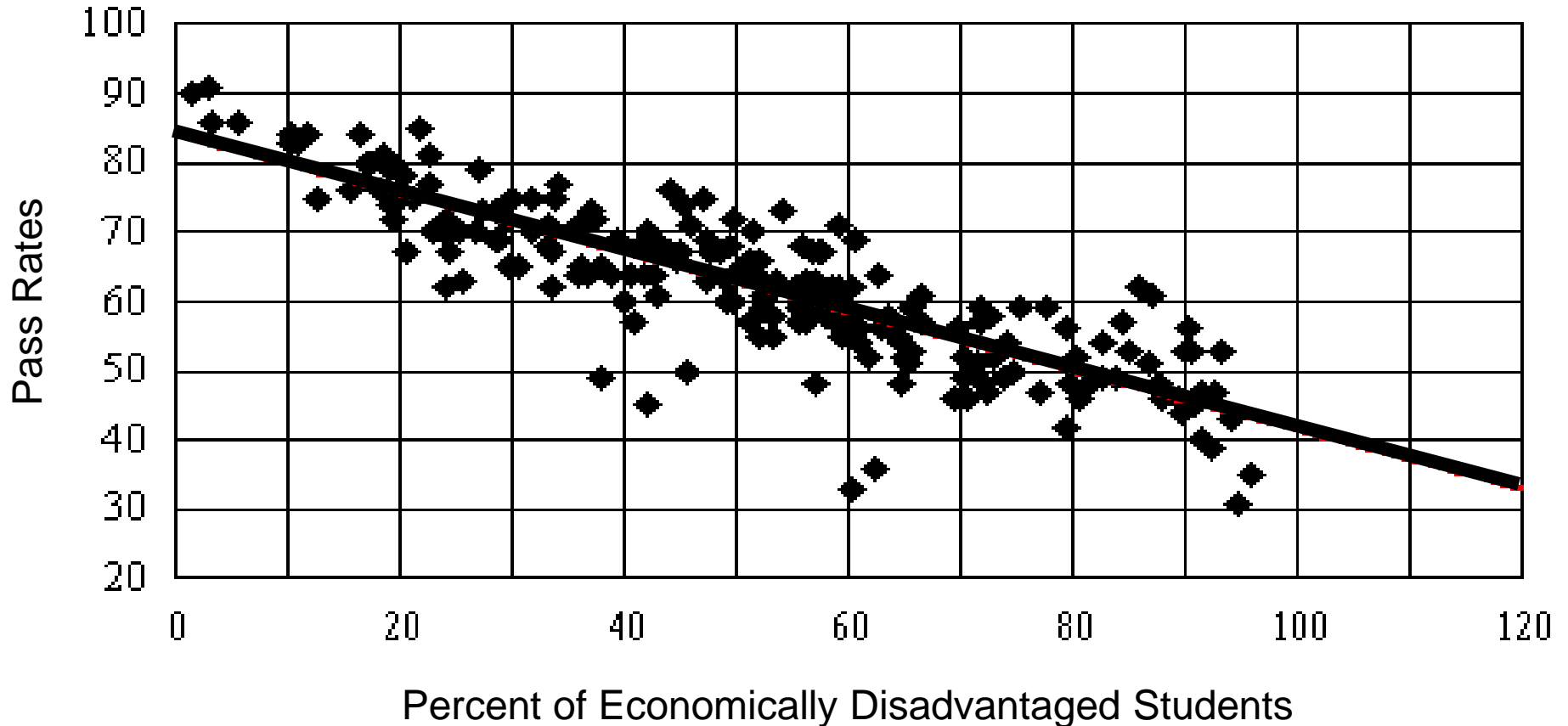
- Slope provides an indication of the relationship between the two metrics chosen

## R-Squared Value of Regression Analysis

- Identifies how the data points are dispersed around the trend line, which indicates the relationship between the two metrics
- If the data points are nested close to the trend line, this relationship becomes more valuable in predicting outcomes (values close to 1 indicate a strong relationship between the metrics)
- If the data points are widely dispersed, this relationship is less useful in predicting outcomes (values close to zero show little or no relationship)

## Correlation Between Pass Rates & Percentage of Economically Disadvantaged 2014-2015 Top 200

$$r^2 = .725$$





## State Peers

### Averages:

**Average Enrollment = 63,899**

**Average EDS% = 34.8%**

- Austin ISD
- Conroe ISD
- Frisco ISD
- Katy ISD
- Klein ISD
- Lewisville ISD
- North East ISD
- Plano ISD

EDS = Economically Disadvantaged Students

## Local Peers

### Averages:

**Avg Enrollment = 95,955**

**Avg EDS % = 53.1%**

- Aldine ISD
- Cy-Fair ISD
- Houston ISD
- Katy ISD
- Lamar CISD

### **FBISD 2017:**

**Enrollment = 74,146**

**EDS% = 37.2%**

## 10 Largest Peers

**Averages:**

**Average Enrollment = 105,236**

**Average EDS% = 59.3%**

- Austin ISD
- Cy-Fair ISD
- Aldine ISD
- Dallas ISD
- Fort Worth ISD
- Houston ISD
- Katy ISD
- North East ISD
- Northside ISD

## Greater Houston Area Peer Pool (TEA's Suburban Peer District List)

**Averages:**

**Average Enrollment = 44,908**

**Average EDS % = 55.6%**

- |                    |                     |
|--------------------|---------------------|
| ➤ Aldine ISD       | ➤ Klein ISD         |
| ➤ Alief ISD        | ➤ La Porte ISD      |
| ➤ Alvin ISD        | ➤ Lamar CISD        |
| ➤ Channelview ISD  | ➤ Pasadena ISD      |
| ➤ Clear Creek ISD  | ➤ Pearland ISD      |
| ➤ Crosby ISD       | ➤ Sheldon ISD       |
| ➤ Cy-Fair ISD      | ➤ Spring Branch ISD |
| ➤ Galena Park ISD  | ➤ Spring ISD        |
| ➤ Goose Creek CISD | ➤ Stafford MSD      |
| ➤ Houston ISD      | ➤ Tomball ISD       |
| ➤ Humble ISD       |                     |
| ➤ Katy ISD         |                     |

# 2015-16 Expenditures Per Student

## Fort Bend ISD

Spending per Student (Function 41 - General Fund)

School Year 2015-16

Local Peer Group

Rankings: Lowest # = Lowest Spending

District	Year	District Enrollment	Actual \$ per Student	Peer Group Ranking Spending per Student	\$ Difference in funds per Student
CYPRESS-FAIRBANKS ISD	2016	113,936	131.61	1	\$84.75
CONROE ISD	2016	58,239	131.63	2	\$84.73
CLEAR CREEK ISD	2016	41,225	147.71	3	\$68.65
KATY ISD	2016	72,947	150.79	4	\$65.57
HOUSTON ISD	2016	215,625	154.22	5	\$62.14
ALIEF ISD	2016	47,265	182.53	6	\$33.83
LAMAR CISD	2016	29,692	184.03	7	\$32.33
KLEIN ISD	2016	50,594	187.52	8	\$28.84
HUMBLE ISD	2016	40,543	198.21	9	\$18.15
PASADENA ISD	2016	56,018	209.27	10	\$7.09
ALDINE ISD	2016	70,417	211.18	11	\$5.18
<b>FORT BEND ISD</b>	<b>2016</b>	<b>73,115</b>	<b>216.36</b>	<b>12</b>	<b>\$0.00</b>
SPRING BRANCH ISD	2016	35,301	254.96	13	(\$38.60)
SPRING ISD	2016	36,888	351.08	14	(\$134.73)

State Peer Group - Districts with similar size and demographics

District	Year	District Enrollment	Actual \$ per Student	Peer Group Ranking Spending per Student	\$ Difference in funds per Student
NORTHSIDE ISD (BEXAR COUNTY)	2016	105,110	120.57	1	\$95.79
CYPRESS-FAIRBANKS ISD	2016	113,936	131.61	2	\$84.75
KATY ISD	2016	72,947	150.79	3	\$65.57
ROUND ROCK ISD	2016	47,827	155.68	4	\$60.68
LEWISVILLE ISD	2016	53,490	172.86	5	\$43.50
NORTH EAST ISD	2016	67,775	179.68	6	\$36.68
PLANO ISD	2016	54,565	181.64	7	\$34.72
KLEIN ISD	2016	50,594	187.52	8	\$28.84
HUMBLE ISD	2016	40,543	198.21	9	\$18.15
KILLEEN ISD	2016	43,257	208.08	10	\$8.28
<b>FORT BEND ISD</b>	<b>2016</b>	<b>73,115</b>	<b>216.36</b>	<b>11</b>	<b>\$0.00</b>

# 2015/16 Expenditures per Student

## Fort Bend ISD

Students per FTE (Functions 41/21/13/53 - General Fund)  
School Year 2015-16

Peer Group: State's 10 Largest School Districts

Rankings: Highest # = Highest number of students served per FTE

District	Year	District Enrollment	Students per FTE	Peer Group Ranking Students per FTE (GF)	Difference in Students per FTE
CYPRESS-FAIRBANKS ISD	2016	113,936	306.24	10	\$85.71
ALDINE ISD	2016	70,417	268.33	9	\$47.80
FORT BEND ISD	2016	73,115	220.53	8	\$0.00
FORT WORTH ISD	2016	87,077	207.58	7	(\$12.95)
KATY ISD	2016	72,947	203.58	6	(\$16.95)
NORTH EAST ISD	2016	67,775	198.92	5	(\$21.61)
DALLAS ISD	2016	158,604	173.24	4	(\$47.29)
AUSTIN ISD	2016	83,642	166.40	3	(\$54.13)
NORTHSIDE ISD (BEXAR COUNTY)	2016	105,110	156.72	2	(\$63.81)
HOUSTON ISD	2016	215,625	151.98	1	(\$68.55)

## Students per FTE (Functions 41/21/13/53 - All Funds)

District	Year	District Enrollment	Students per FTE	Peer Group Ranking Students per FTE (GF)	Difference in Students per FTE
ALDINE ISD	2016	70,417	239.57	10	\$35.73
CYPRESS-FAIRBANKS ISD	2016	113,936	235.56	9	\$31.72
FORT BEND ISD	2016	73,115	203.84	8	\$0.00
KATY ISD	2016	72,947	190.30	7	(\$13.54)
NORTH EAST ISD	2016	67,775	149.06	6	(\$54.78)
HOUSTON ISD	2016	215,625	143.97	5	(\$59.87)
NORTHSIDE ISD (BEXAR COUNTY)	2016	105,110	142.71	4	(\$61.13)
FORT WORTH ISD	2016	87,077	127.56	3	(\$76.28)
AUSTIN ISD	2016	83,642	124.28	2	(\$79.56)
DALLAS ISD	2016	158,604	106.86	1	(\$96.98)

## 2017-18 Adopted Debt Service Fund

	2014-15	2015-16	2016-17	2017-18
(\$M's)	Actual	Actual	Actual	Adopted
Revenue	\$ 85.1	\$ 96.2	\$ 105.7	\$ 97.7
Expenditures	\$ 69.7	\$ 101.2	\$ 92.7	\$ 86.5
Other sources/(uses)	\$ 0.0	\$ (1.7)	\$ (7.0)	\$ -
Surplus (deficit)	\$ 15.3	\$ (6.7)	\$ 6.0	\$ 11.2
Beginning Fund Balance	\$ 50.3	\$ 65.7	\$ 59.0	\$ 65.0
Ending Fund Balance	\$ 65.7	\$ 59.0	\$ 65.0	\$ 76.2

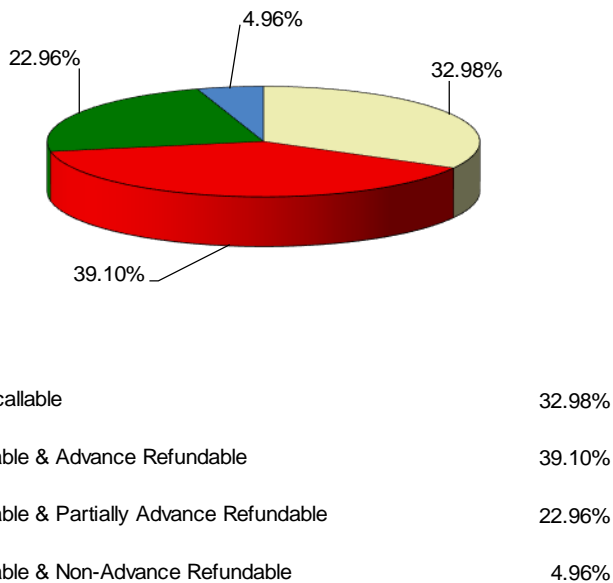
\* Tax Rate is set based on calendar year debt payments.

## Summary of Outstanding Debt (As of 10-31-2017)

### Summary Statistics

Total Outstanding Principal	\$ 944,361,940	
<i>Total Fixed Rate</i>	776,556,940	82.23%
<i>Total Variable Rate</i>	167,805,000	17.77%
Total Interest Payments	491,960,646	
Callable Principal (%)	67.02%	
Percent of Principal Retired		
w/in 5 years	23.91%	
w/in 10 years	54.13%	
w/in 15 years	80.71%	
w/in 20 years	93.32%	
w/in 25 years	100.00%	
Final Maturity	8/15/2042	

### Principal Composition



### Underlying Ratings

Fitch	AA+
S&P	AA+

### Voted Authorization

Date	Amount	Issued	Balance
11/6/2007	\$ 428,000,000	\$ 399,000,000	\$ 29,000,000
11/4/2014	\$ 484,000,000	\$ 260,000,000	\$ 224,000,000
	\$ 912,000,000	\$ 659,000,000	\$ 253,000,000

## Weighted Average Analysis

### 2014 Bond

#### Debt:

Weighted Average Maturity	13.13 years
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#### Assets:

Weighted Average Useful Life	30.17 years
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Per the Board Resolution adopted on 8/25/2014, the weighted average of maturity of the debt issued will not exceed the weighted average economic life of the assets by more than 120%.

- **07/01/2015 - \$50,000,000 2015A Bond Series Issued**
  - 1 years at .66% interest rate
- **07/01/2015 - \$49,420,000 2015B Bond Series Issued**
  - 2 years at 2% interest rate (with premium)
- **12/03/2015 - \$37,015,000 2015C Bond Series Issued**
  - Defeased 2005 Bond Series
  - \$3.6 million present value savings
- **6/16/2016 - \$70,550,000 Tax Refunding Bonds**
  - Defeased 2006 Bond Series
  - \$15 million present value savings



- **08/01/2016 - \$33,155,000 - 2015A Bond Series Remarketed**
  - 2 years at .90% interest rate
  
- **05/01/2017 - \$92,744,910 - 2017A & 2017B Series Bond Refunded**
  - First Refunding of Commercial Paper
  - Fixed rate with true interest rate of 3.37%
  - Included Green Bonds

# Tax-Exempt Commercial Paper

- Tax-Exempt Commercial Paper (“TECP”) is a short-term financial instrument (notes) with maturities from 1 to 270 days
- Often used to finance interim construction or for short-term capital needs
- Allows an issuer to match cash flow needs with project expenditures by issuing notes only as needed
- TECP maturities are flexible to meet the needs of the issuer and investors
- Requires liquidity support and a remarketing agent
- Only two school districts in Texas have a TECP Program: Austin ISD and San Antonio ISD; FirstSouthwest is the financial advisor to both issuers

# Tax Exempt Commercial Paper

- The District established a Commercial Paper Program on November 3, 2016
- Currently, the District has \$20 million outstanding in commercial paper; which when combined with the District’s outstanding variable rate bonds, represents approximately 25.64% of total debt outstanding
- The District’s current outstanding commercial paper notes are at rates ranging from 1.02% to 1.06%
- As of 11/01/17, the District has saved approximately \$3.65 million in interest expense

Interest Expense Comparison					
Period Ending	Commercial Paper Notes			Fixed Rate Issue - Total Interest Expense	Interest Expense Difference
	Series A	Series B	Total Interest Expense		
11/1/2017	\$ 447,615	\$ 16,932	\$ 464,547	\$ 4,114,912	\$(3,650,365)

- The District anticipates additional issuances of commercial paper notes in the next **twelve** months; therefore, the District will need to issue refunding bonds in order to restore the commercial paper program’s capacity in 2018

## Green Bonds – A First for Texas School Districts

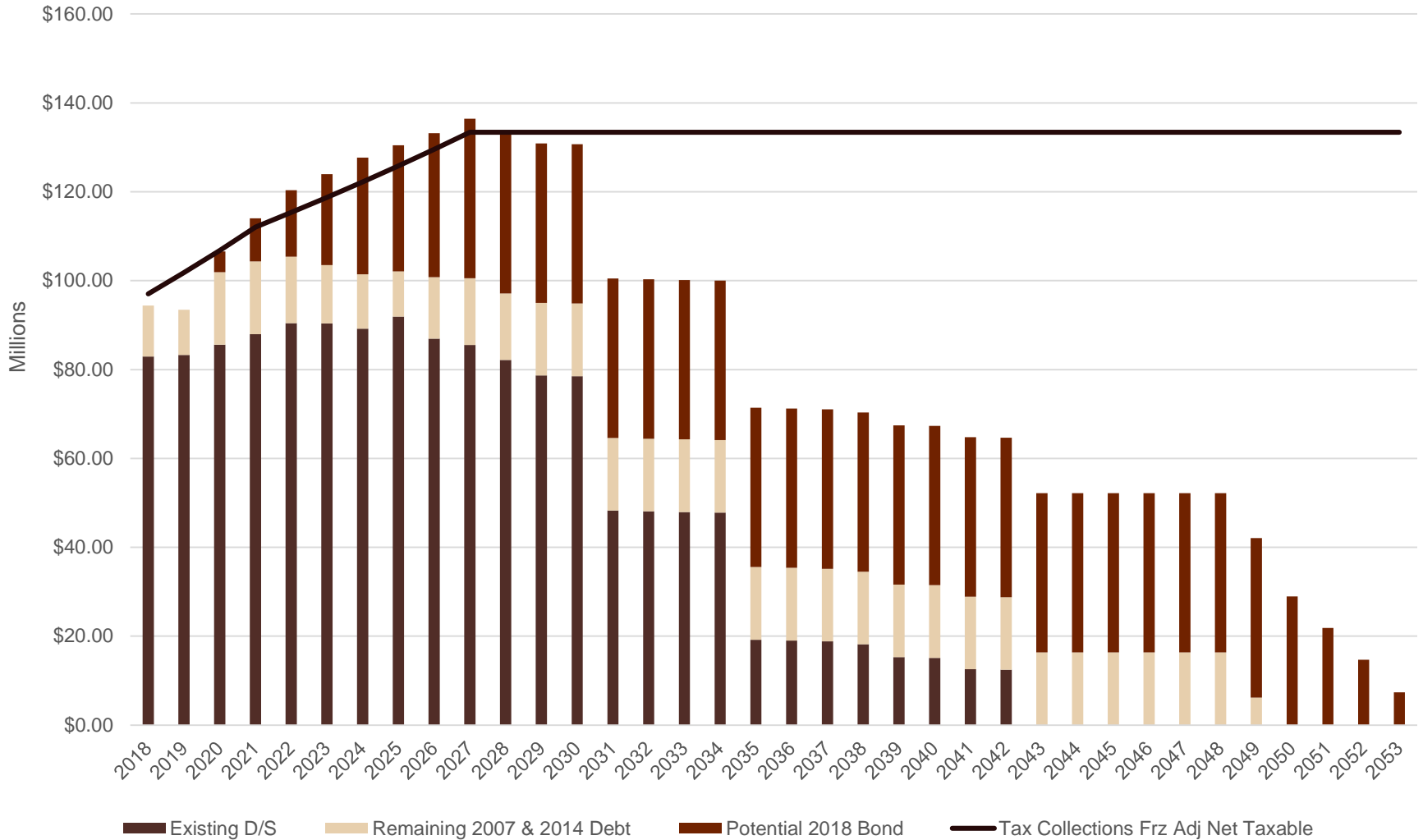
- Fixed income security whose proceeds finance environmentally friendly projects
- A global concept which saw \$93.4 billion in issuance in 2016, a 120% increase from 2015
- Issued by banks, corporations, and United States municipalities beginning in 2013
- Several universities have issued Green Bonds for LEED certified buildings including the University of Texas, MIT, Columbia University, Indiana University and the University of Cincinnati
- The goal is to attract more investors to invest in the District's bonds. Many investors and institutions want to limit their investments to Green projects
- More investor interest in FBISD Bonds helps to lower our costs of debt
- Offering Statement would define green bond project and reporting requirements

- **08/01/2017 - \$40,256,603 - 2015B Bond Series Remarketed**
  - 2 years at 1.35% interest rate
  
- **10/03/2017 - \$95,000,000 of Tax Refunding Bonds Issued**
  - Second refunding of Commercial Paper
  - \$45 million Green – 3 years at 1.35% interest rate
  - \$50 million – 4 years at 1.5% interest rate
  
- **10/26/2017 - \$104,680,000 of 2008 & 2009 Unlimited Tax School Building & Refunding Bonds Refunded**
  - Net present value savings of \$15.2 million & interest cost 1.94%
  - Negative arbitrage of \$461,986

- **Career Technical Center - \$60 million**
  - Taxable-Spring 2018
  
- **Refunding Commercial Paper - \$100 million**
  - April/May 2018
  
- **Current Refunding 2008 Bonds**
  - May/June 2018
  
- **Advanced Refunding 2009 Bonds**
  - May/June (depends on market)

- Assumes 5% property value growth for first three years, 3% for next six years and no growth thereafter
- Does not include potential savings from \$222.4 million of 2008 & 2009 bonds available to refund with a call date of August 2018 and 2019, respectively
- Includes remaining authorization (\$253 million) from Bonds 2014 & 2007, fixed-rate, 30 year basis with interest rates of 4.25% to 4.5%
- Includes \$500 million of debt for Bond 2018, fixed-rate, 30 year basis with interest rates of 4.75% to 5.75%

# Summary of Debt with 2018 Bond





# Summary of Outstanding Debt

The following table shows the District’s callable bonds as of November 1, 2017:

Bond Issue	Callable Principal	Call Date	Call Feature
Unlimited Tax School Building & Refunding Bonds, Series 2008	\$ 99,810,000	8/15/2018	100.000% Adv Refundable
Unlimited Tax Refunding Bonds, Series 2009	28,390,000	2/15/2019	77.471% Adv Refundable
Unlimited Tax School Building Bonds, Series 2009	121,860,000	8/15/2019	77.471% Adv Refundable
Unlimited Tax School Building & Refunding Bonds, Series 2010	66,580,000	8/15/2020	80.032% Adv Refundable
Unlimited Tax Refunding Bonds, Series 2012	46,870,000	8/15/2022	0.000% Adv Refundable
Unlimited Tax Refunding Bonds, Series 2014	46,145,000	8/15/2024	100.000% Adv Refundable
Variable Rate Unlimited Tax School Building Bonds, Series 2015A	32,410,000	8/1/2018	100.000% Adv Refundable
Variable Rate Unlimited Tax School Building Bonds, Series 2015B	40,395,000	2/1/2018	100.000% Adv Refundable
Unlimited Tax Refunding Bonds, Series 2016A	35,755,000	8/15/2024	100.000% Adv Refundable
Unlimited Tax Refunding Bonds, Series 2017A (Green Bonds)	36,525,000	8/15/2026	100.000% Adv Refundable
Unlimited Tax Refunding Bonds, Series 2017B	28,080,000	8/15/2026	100.000% Adv Refundable
Variable Rate Unlimited Tax Refunding Bonds, Series 2017C (Green Bonds)	45,000,000	8/1/2020	100.000% Adv Refundable
Variable Rate Unlimited Tax Refunding Bonds, Series 2017D	50,000,000	8/1/2021	100.000% Adv Refundable

- The District’s Unlimited Tax School Building and Refunding Bonds, Series 2008 are callable on August 15, 2018
- As we get closer to the August 15, 2018 call date, the refunding becomes more efficient as we limit the length of the escrow fund, which will mitigate negative arbitrage
- We will continue to monitor this and any other refinancing opportunity for the District

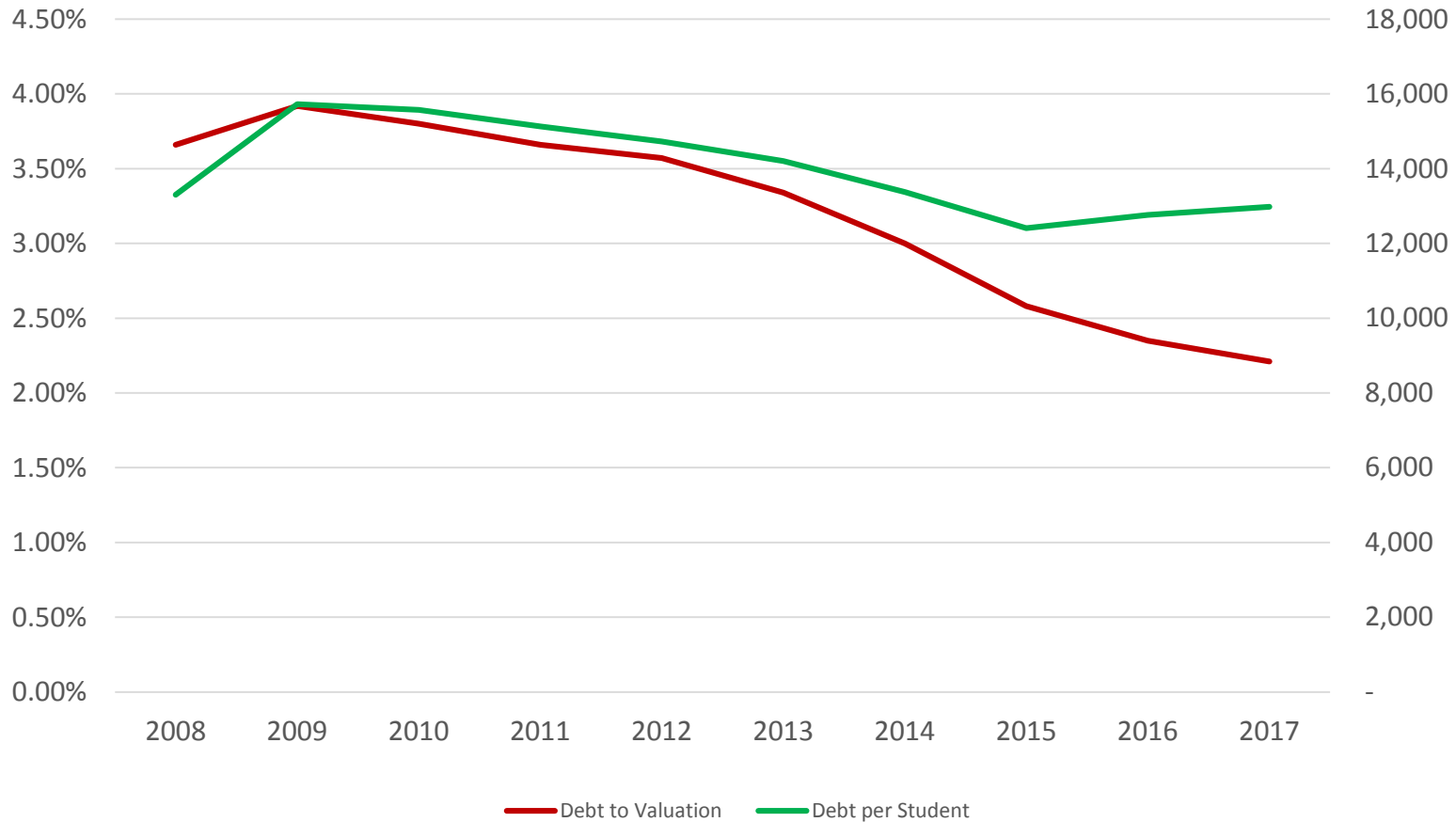
- Fund Balance in General Fund - three months
- Outstanding Debt & Ratio to Assessed Value
- Management changes
- Current year projections
  - Enrollment, property values
- Budget projections - future years
- Local/State economy trends
- Future bond plans
- Future debt issuance plans
- Variable debt outstanding
- Permanent Fund financial status
- New laws, regulations or compliance issues

# Texas K-12 Standard & Poor's Ratings AAA & AA+

School Districts	Standard and Poor's
Amarillo ISD	AA+
Austin ISD	AA+
Carroll ISD	AA+
Deer Park ISD	AA+
Eanes ISD	AA+
<b><i>Fort Bend ISD</i></b>	<b><i>AA+</i></b>
Frisco ISD	AA+
Houston ISD	AA+
Hurst-Euless-Bedford ISD	AA+
<b><i>Iraan Sheffield ISD</i></b>	<b><i>AAA</i></b>
Irving ISD	AA+
Lake Travis ISD	AA+
Lewisville ISD	AA+
Plano ISD	AA+
Richardson ISD	AA+
<b><i>Slidell ISD</i></b>	<b><i>AAA</i></b>

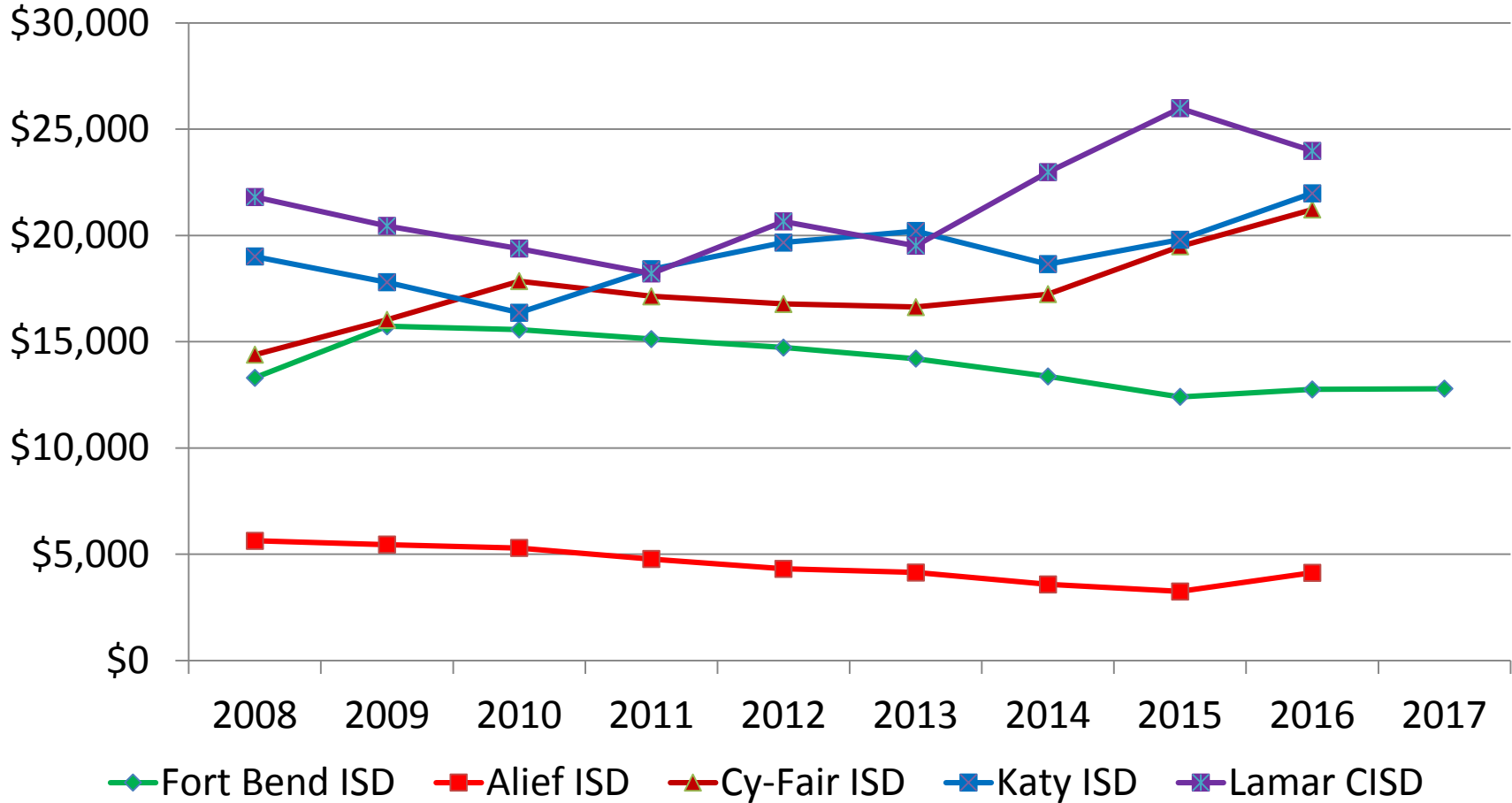
Standard & Poor's upgraded Fort Bend ISD from AA to AA+ during District review in anticipation of the bond refunding priced on May 14.

# Fort Bend ISD Debt Ratios

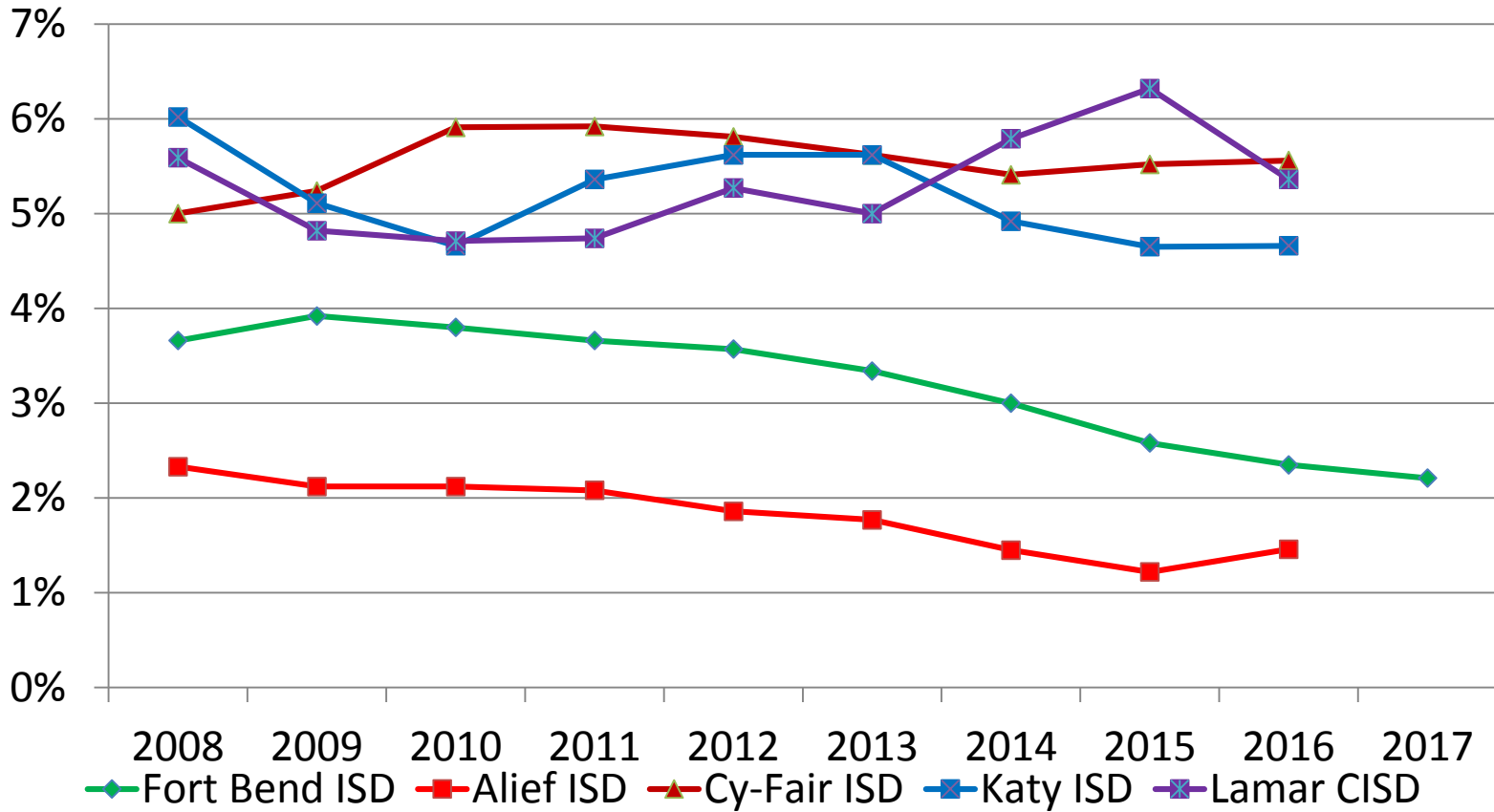


Source: Whitley Penn

# Debt Per Student Comparisons



# Debt to Valuation Comparisons



# Questions?

