

2017-18 Budget Development

*March 6, 2017 Board Meeting*

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2017 - 18  
BUDGET

FBISD 2017 - 18  
BUDGET

## Overview

- Debt Service Fund
- Tax Ratification Election
- Proposed compensation adjustments
  - General pay increase
  - Equity adjustments
  - Stipend changes
  - Duty days
- Campus staffing
- Assumptions and budgetary impact of recommendations

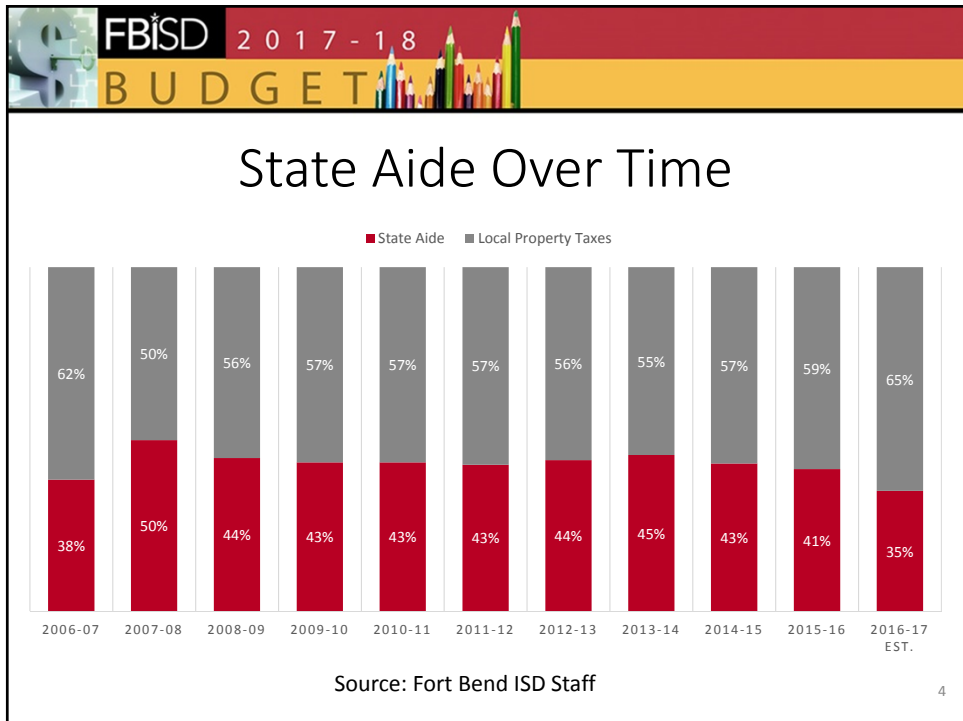
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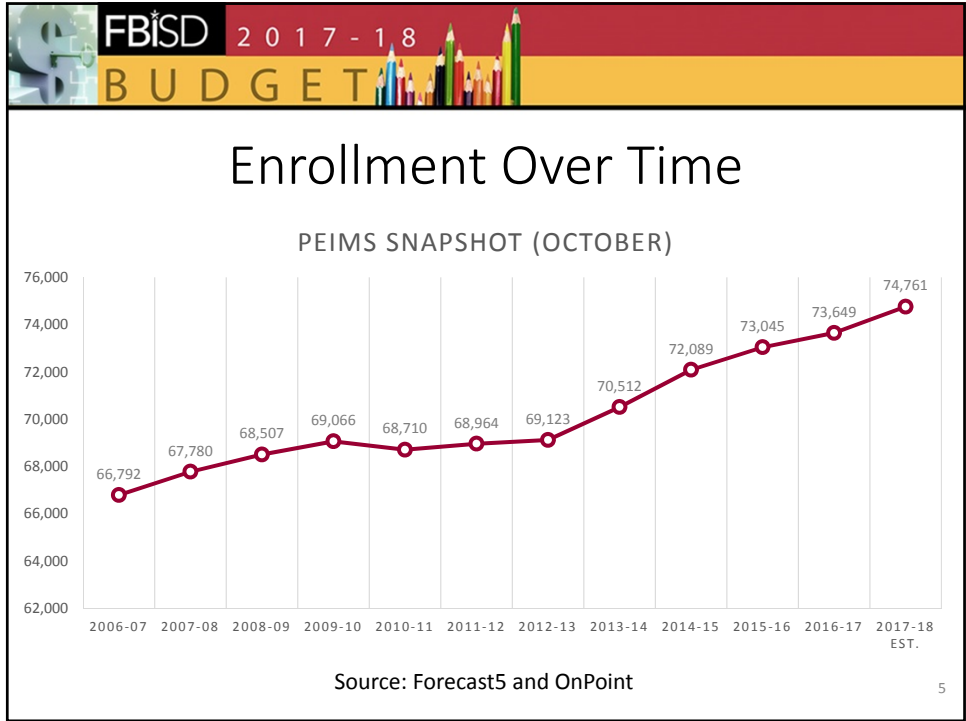
**FBISD 2017-18 BUDGET**

## Background

- Flawed state funding formula means state funding share has decreased over time
- Need recurring revenue stream to ensure we are able to:
  - Maintain investments made in new teachers and compensation adjustments
  - Sustain staffing additions for three new elementary campuses in 2017-18; a new Middle School and CTE center in 2018-19; additional student growth
- Higher property values and active debt management have created capacity within the Debt Service Fund
- Tax ratification election provides a means to generate sustainable recurring revenue and hedge against uncertainty of legislative actions this session

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**DEBT SERVICE FUND**

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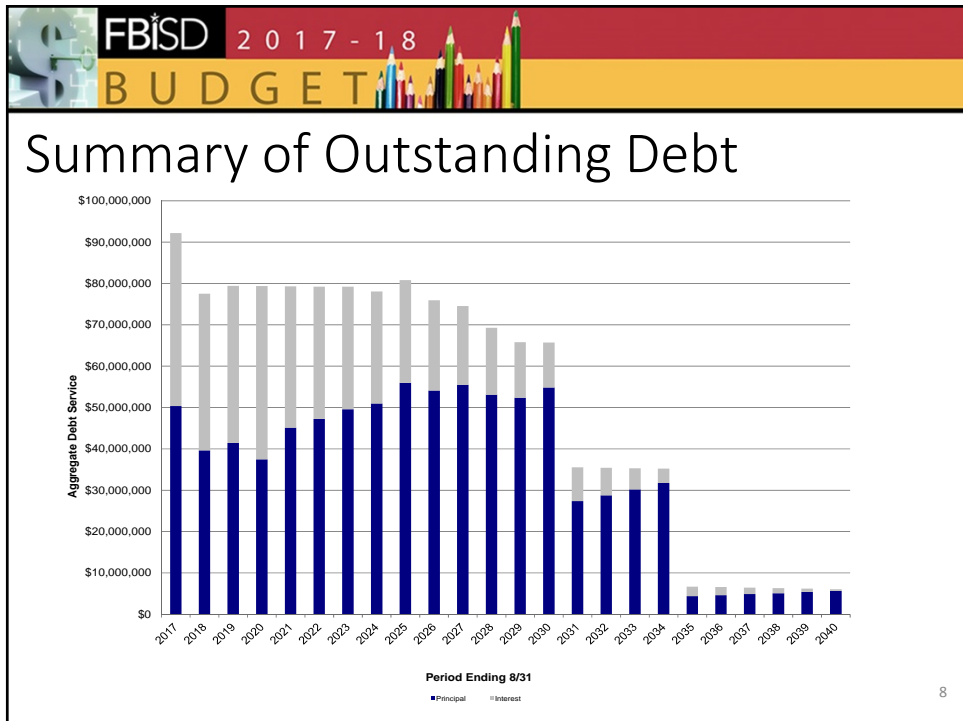
2017-18

BUDGET

## 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 \$59.0 M
- Fund must be able to absorb additional \$300M long term debt (authorized but not issued by end of 2017)

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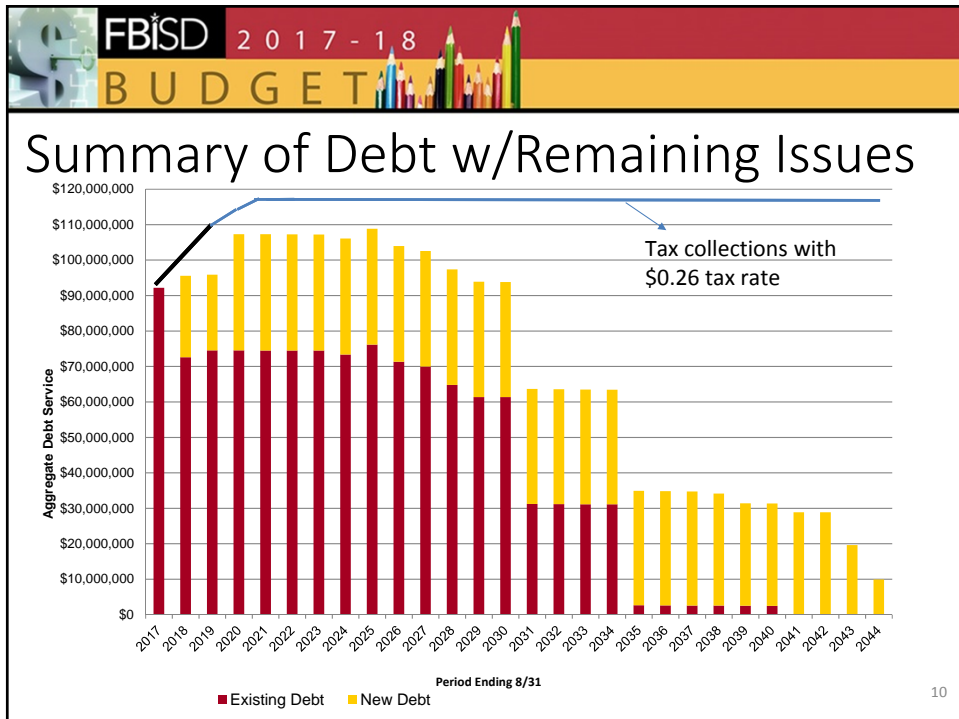
2017 - 18


BUDGET

## Debt Service Tax Rate Reduction

- Create tax analysis model
- Assume \$150M issued in 2018 and \$150M issued in 2019 assuming fixed rate issues
- Assume property value increases of:
  - 2017: 10.0%
  - 2018: 8.25%
  - 2019: 5.00%
  - 2020 & 2021: 3.00% (no growth in future years)
- Conservative model shows a total decrease of 4¢ is sustainable

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## Strategies to Maintain Debt Service Tax Rate Reduction

- Maintain debt management strategy
  - Continue commercial paper program
  - Refunding of bonds (2008 series & beyond)
  - Continue variable rate debt program (currently well below 25% limit)
- Utilize debt service fund balance if needed
- Extend maturities beyond 25 years if needed

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## 2014 Bond Weighted Average Analysis

Debt:

Weighted Average Maturity	13.13 years
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Assets:

Weighted Average Useful Life	28.35 years
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Even if longer maturities are needed, we will be in compliance with 2014 Bond Resolution

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## TAX RATIFICATION ELECTION (TRE) DISCUSSION

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## Property Tax Rate 101

- Compressed rate
  - Enacted by state legislature in 2005 for property tax relief
  - Legislature guaranteed school districts would be held harmless
  - For FBISD, compressed rate = \$1.00
- Golden pennies
  - First six cents of tax effort over the compressed rate of \$1.00
  - Generates the highest level of funding (based on Austin Yield)
  - Not subject to recapture
  - FBISD currently has four golden pennies in its M&O rate and can add two additional golden pennies with tax ratification election
    - Two pennies projected to be worth \$11.1m in additional State revenue
- Copper pennies
  - Any tax effort over \$1.06
  - Generates lower level of supplemental funding
  - Subject to recapture

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**FBISD 2017-18 BUDGET**


### Tax Ratification Election – Benefits

- Overall decrease in tax rate
- Maximizes state revenues
- Increases recurring revenues for General Fund
- Provides financial capacity to meet the investments needed for classroom staffing and compensation adjustments to maintain a highly qualified workforce

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**FBISD 2017-18 BUDGET**


### Tax Ratification Election – Financial Impact



State \$11.1M  
Local \$7.5M

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## Tax Ratification and Reduction

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


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## Tax Ratification Election – Risks

- Voters may not authorize the increase in M&O pennies
- May have to reduce Debt Service tax rate regardless of outcome
- Anticipated change in corporate tax rates are likely to increase the costs of future debt issuance


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## Actions if TRE is Not Approved

- Rely on fund balance and cost reduction strategies to stay within fund balance policy
- Have additional TRE in 2018 to absorb costs of new middle school and CTE center

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## General Fund – Fund Balance

	YE2016	YE2017
Non-spendable	\$1,741,180	\$4,839,981
Major maintenance	6,400,000	6,400,000
<b><i>Instructional materials</i></b>	<b><i>2,700,000</i></b>	<b><i>2,700,000</i></b>
<b><i>Transportation</i></b>	<b><i>1,500,000</i></b>	<b><i>1,500,000</i></b>
<b><i>New instructional facilities</i></b>	<b><i>4,500,000</i></b>	<b><i>4,500,000</i></b>
<b><i>Economic Stabilization</i></b>	<b><i>7,500,000</i></b>	<b><i>7,500,000</i></b>
Assigned fund balance	3,938,733	3,938,733
<b>Total Committed &amp; Assigned FB</b>	<b>\$28,279,913</b>	<b>\$31,378,714</b>

### Discretionary Fund Balance: \$16.2M


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## Tax Ratification Election (TRE)


- Two options to enact TRE
  - Early adoption
  - Late adoption

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## Tax Ratification Process – Early Adoption

- Trigger for early adoption process is receipt of the certified estimate from the CAD on April 30
- Election must be held between 30 and 90 days of tax rate adoption
- Last date to hold election using early adoption process is August 26 based on state statutes and county availability
- All dates between April 30 and August 26 are based on meeting state publication/hearing requirements for budget and tax rate adoption



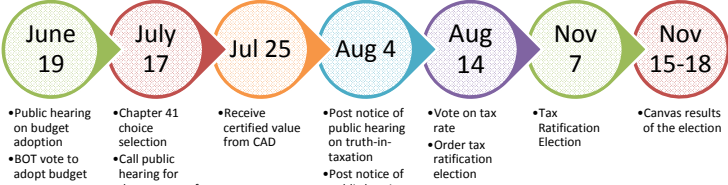
Apr 30	May 8	May 11	May 15	Jun 5	Jun 9	Jun 19	Aug 26
• Receive certified estimate from CAD	• Call public hearing on tax rate	• Publish truth-in-taxation legal notice	• Call budget adoption hearing • Chapter 41 choice selection action	• <i>Special Meeting:</i> • Public hearing and Tax rate adoption • Call tax ratification election	• Publish budget adoption public hearing	• Public hearing on budget adoption • BOT vote to adopt budget	• Tax ratification election

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## Tax Ratification Process – Late Adoption

- Budget adoption in June
- Use certified values received in July from CAD
- Must receive approval of Commissioner for Chapter 41 Choice Selection
- Publish Truth-in-Taxation notice for tax rate adoption hearing
- Tax rate adoption hearing
- Tax ratification election ordered at least 78 days out
- Election can be in October or November general date



June 19	July 17	Jul 25	Aug 4	Aug 14	Nov 7	Nov 15-18
<ul style="list-style-type: none"> <li>• Public hearing on budget adoption</li> <li>• BOT vote to adopt budget</li> </ul>	<ul style="list-style-type: none"> <li>• Chapter 41 choice selection</li> <li>• Call public hearing for the purpose of discussing tax rate</li> </ul>	<ul style="list-style-type: none"> <li>• Receive certified value from CAD</li> </ul>	<ul style="list-style-type: none"> <li>• Post notice of public hearing on truth-in-taxation</li> <li>• Post notice of public hearing on tax rate</li> </ul>	<ul style="list-style-type: none"> <li>• Vote on tax rate</li> <li>• Order tax ratification election</li> </ul>	<ul style="list-style-type: none"> <li>• Tax Ratification Election</li> </ul>	<ul style="list-style-type: none"> <li>• Canvas results of the election</li> </ul>


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## Tax Ratification Election – Other Factors

- Election costs (\$150K) would be paid by FBISD if non-uniform election date is used (with early adoption)
- Property tax revenue payments will be held in escrow by Fort Bend County until election is officially canvassed, delaying receipt of tax revenues (with late adoption)
- Additional costs would be incurred for remailing tax bills if election is unsuccessful (estimated at \$500K with late adoption)

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## Tax Ratification Election Sample Ballot


Place an "X" in the square beside the statement indicating the way you wish to vote.

FOR DRAFT

AGAINST

Approving the ad valorem tax rate of **\$1.06** per \$100 valuation in Fort Bend ISD for the current year, a rate that is **\$0.02** higher per \$100 valuation than the school district rollback tax rate, for the purpose of **maximizing state revenue**.


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## Recommendations

- Recommend: TRE - November general election date
  - More time for voter and community engagement
  - Higher level of transparency
  - Better chance for higher voter turnoutIf tax rate election is not successful, provides less time to make expenditure adjustments
- Recommend additional 2¢ reduction to Debt Service tax rate
  - Results in tax bill reduction of \$48.19 based on 2016 average residential value of \$240,962


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## Community Engagement Efforts

- Employee information meetings
- Public meetings at high schools similar to Bond 2014
- Social media
- Website for election information
- E-newsletters
- Direct mailings

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## ***“Tax Swap & Drop”***

### DEBT SERVICE AND TAX RATIFICATION ELECTION QUESTIONS?


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## PROPOSED COMPENSATION ADJUSTMENTS

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### General Rate Increase

- **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:** Recommend general rate increase of 4%

**Estimated cost: \$4.01M**

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## Stipend Adjustments

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

**Estimated cost: \$0.98M**

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## Market and Equity Adjustments

- 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 realign of pay structure in 2014-15

**Estimated cost: \$1.98M**

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## Calendar Adjustment

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

**Estimated cost: \$1.97M**

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## Reclassifications

- 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**

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### 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>


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## PROPOSED CAMPUS STAFFING ADJUSTMENTS


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## Basis for Staffing

- 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


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## Staffing Recommendations – Totals

	FTEs	Estimated Cost
Teachers – Elementary	45.5	\$3.11 M
Teachers – Middle School	14.0	\$0.95 M
Teachers – High School	-6.0	-\$0.41 M
Teachers – SPED	44.0	\$3.01 M
Teachers – Unassigned	17.0	\$1.16 M
<b>Total Teachers</b>	<b>114.5</b>	<b>\$7.84 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>\$8.84 M</b>


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## BUDGET OUTLOOK


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## 2017-18 Budget Assumptions

Average daily membership:	75,354 (moderate growth)
Average daily attendance:	96.5%
Property value growth:	10% CAD / 9.65% CPTD (\$2.2 M)
<b>Increase in Austin yield:</b>	<b>\$77.53 to \$95 (\$9.4 M)</b>
New school start up:	\$3.4 M (3 elementary campuses)
Staffing ratios:	PK-4 22:1; 5th 25:1
Teacher/Principal compensation adjustments:	\$14.8 M
Benefits cost adjustments:	\$4.0 M
<b>Campus staffing additions:</b>	<b>\$8.84 M (134.84 FTEs)</b>
<b>Other compensation adjustments:</b>	<b>\$9.17 M</b>

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## 2017-18 Initial Budget

(\$000s)	2016-17 Estimate	2017-18 Estimate (no TRE)	2017-18 Estimate (with TRE)
Revenue	\$ 594,389	\$ 609,098	\$ 627,726
Operating Expenditures	594,305	632,549	632,549
Other Sources	1,500	1,500	1,500
Other Uses	(816)	-	-
<b>Projected Surplus/(Shortage)</b>	<b>768</b>	<b>(21,951)</b>	<b>(3,323)</b>
Fund Balance - Beginning	182,463	183,231	183,231
Fund Balance - Ending	<u>\$ 183,231</u>	<u>\$ 161,280</u>	<u>\$ 179,908</u>

Fund Balance ≠ Cash Balance

+1,204 enrollment  
CPTD: 9.65%  
CAD: 10.00%

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## Budget Development Timeline

March	April/May	June
<ul style="list-style-type: none"> <li>Budget Development/ Legislative Update</li> <li>Compensation Recommendations and Approval</li> <li>Campus Staffing Approval</li> <li>Tax Ratification Election Discussion</li> <li>Debt Service Update</li> </ul>	<ul style="list-style-type: none"> <li>Talent Draft – 4/1</li> <li>Budget Briefing</li> <li>Non-Campus Staffing Approval</li> <li>Renewal/Non-Renewal Approvals</li> <li>Preliminary CAD Values</li> <li>Chapter 41 Choice Selection</li> <li>Call Date for Budget Hearing</li> </ul>	<ul style="list-style-type: none"> <li>Budget Hearing</li> <li>Final Amendment</li> <li>Budget Adoption</li> </ul>

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**FBISD 2017-18**  
**BUDGET**

## Questions



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