



2017-18 Budget Development

March 27, 2017 Board Meeting

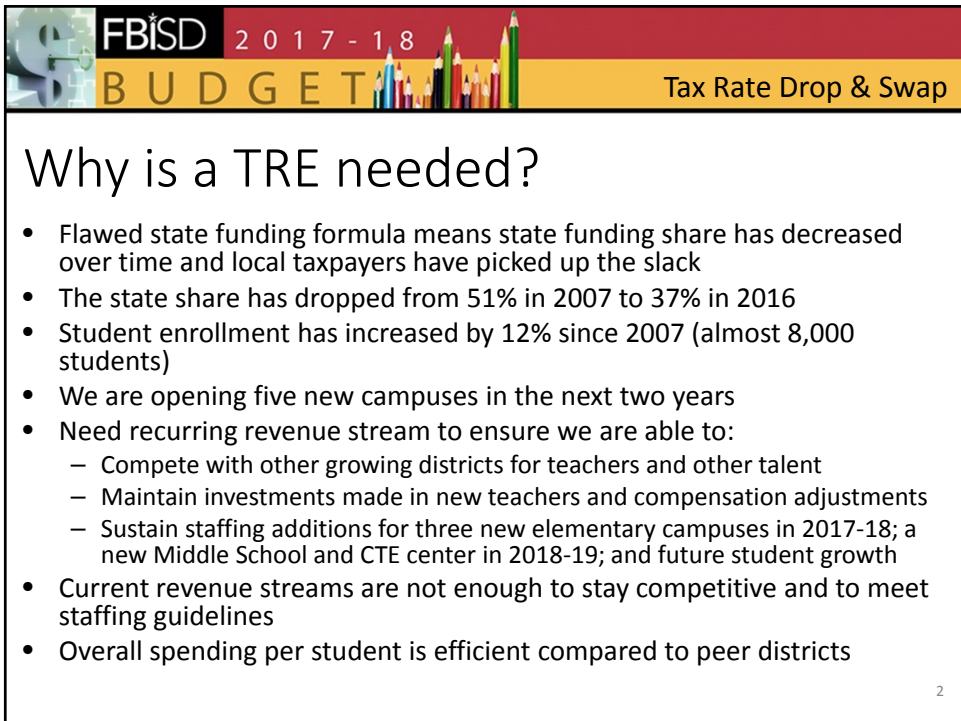
Tax Ratification Election (TRE) Discussion

INSPIRE
EQUIP
IMAGINE

FBISD
INSPIRE • EQUIP • IMAGINE

2017 - 18
BUDGET

The slide features a large, faint watermark of the words "INSPIRE EQUIP IMAGINE" in the background. On the right side, there is a vertical graphic with a dollar sign icon at the top, followed by the text "2017 - 18" and "BUDGET" in a yellow box. The FBISD logo is positioned in the bottom right corner of the slide area.




FBISD 2017 - 18
BUDGET Tax Rate Drop & Swap

Why is a TRE needed?

- Flawed state funding formula means state funding share has decreased over time and local taxpayers have picked up the slack
- The state share has dropped from 51% in 2007 to 37% in 2016
- Student enrollment has increased by 12% since 2007 (almost 8,000 students)
- We are opening five new campuses in the next two 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 and CTE center in 2018-19; 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

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The slide has a header bar with the FBISD logo, the year "2017 - 18", and the word "BUDGET" in large letters. To the right of "BUDGET" is the text "Tax Rate Drop & Swap". The main content area contains the question "Why is a TRE needed?" followed by a bulleted list of reasons. A small number "2" is in the bottom right corner of the slide.




How does the TRE produce more revenue

- 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)
 - 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**

How can we reduce the debt service tax rate?

- Higher property values and active debt management have created capacity within the Debt Service Fund

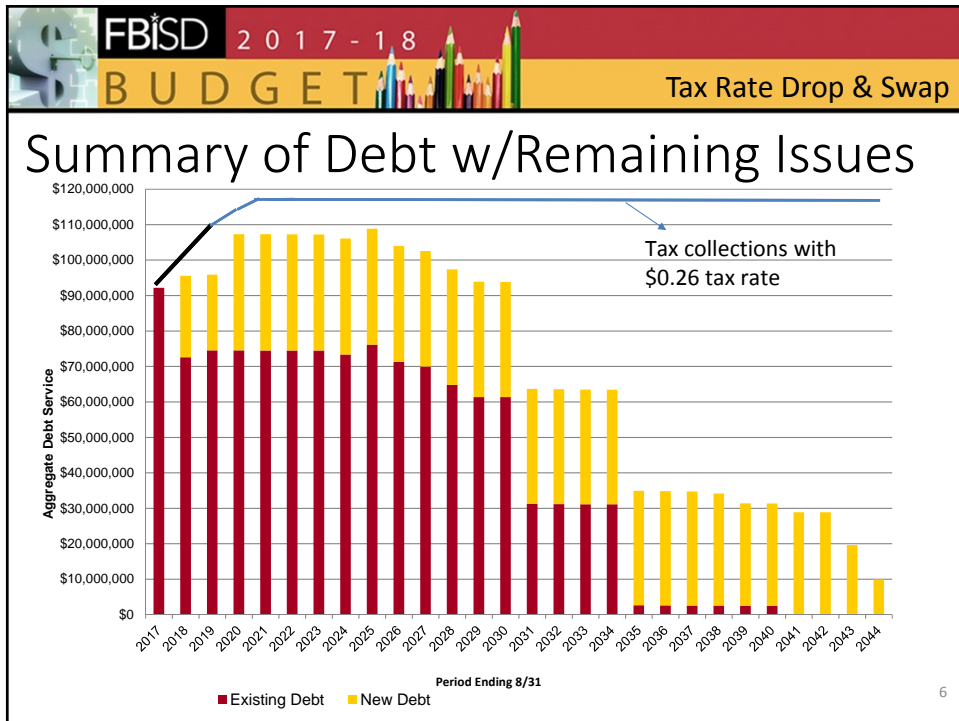
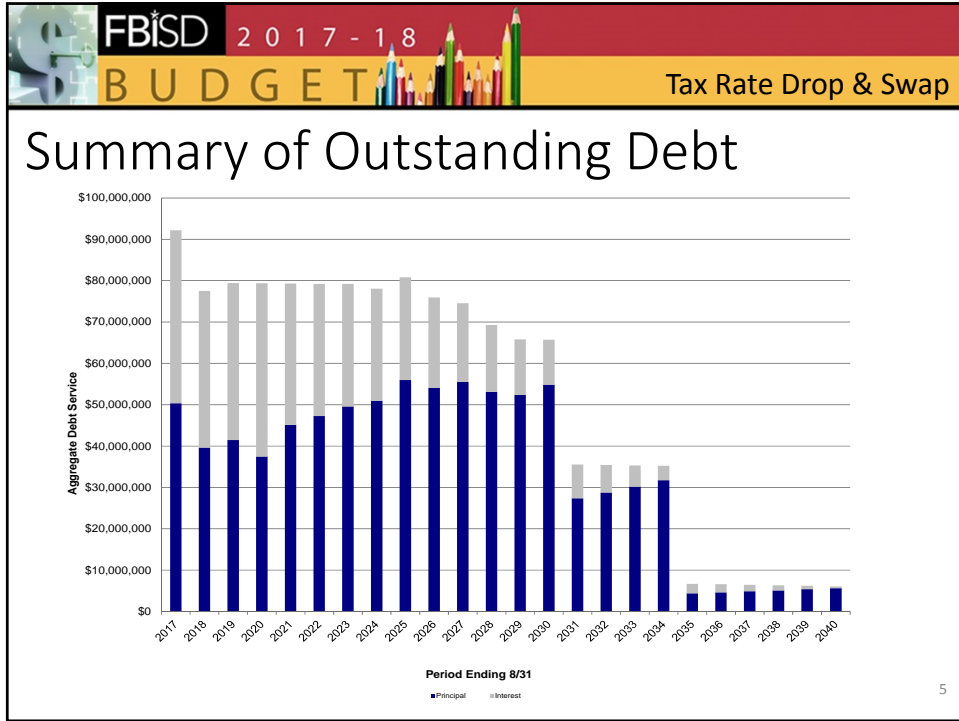
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Debt Service Tax Rate Reduction

- 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)
- Must also consider potential bond in 2018

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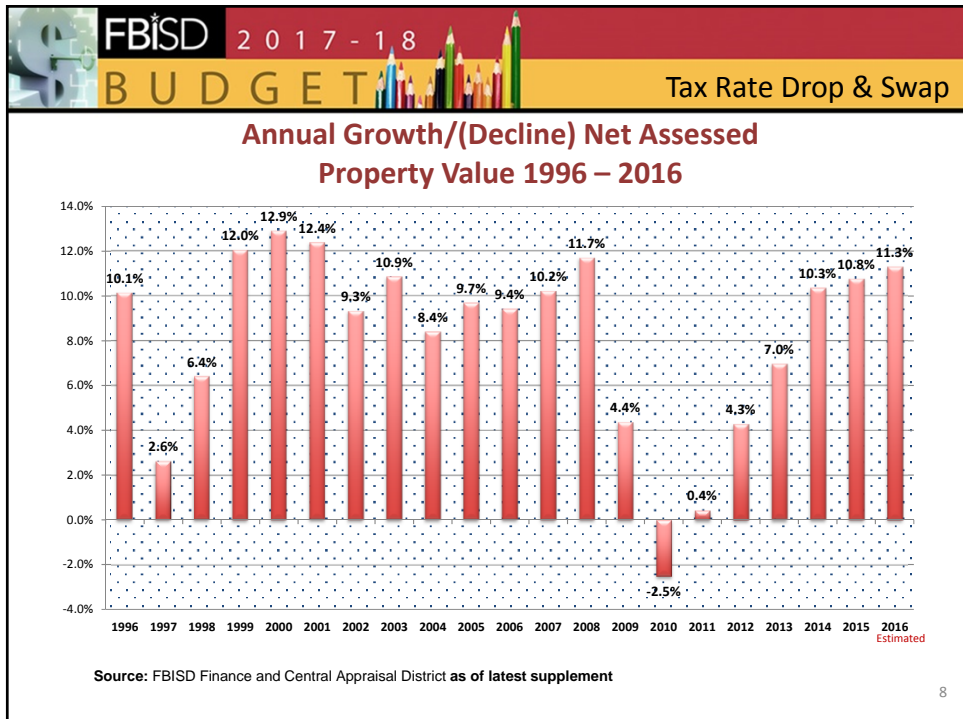


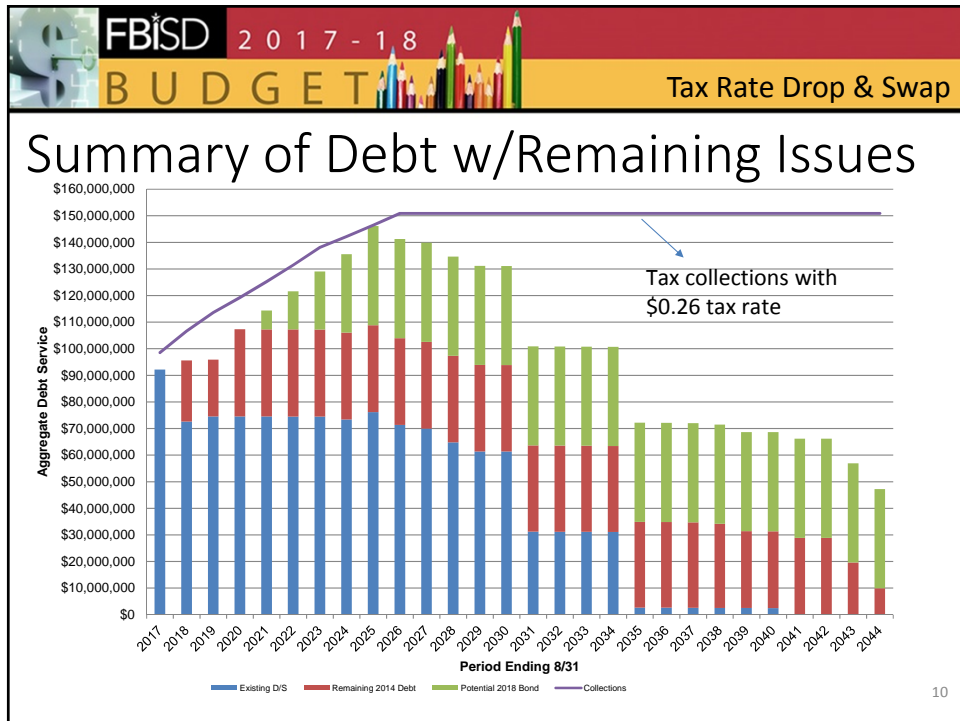
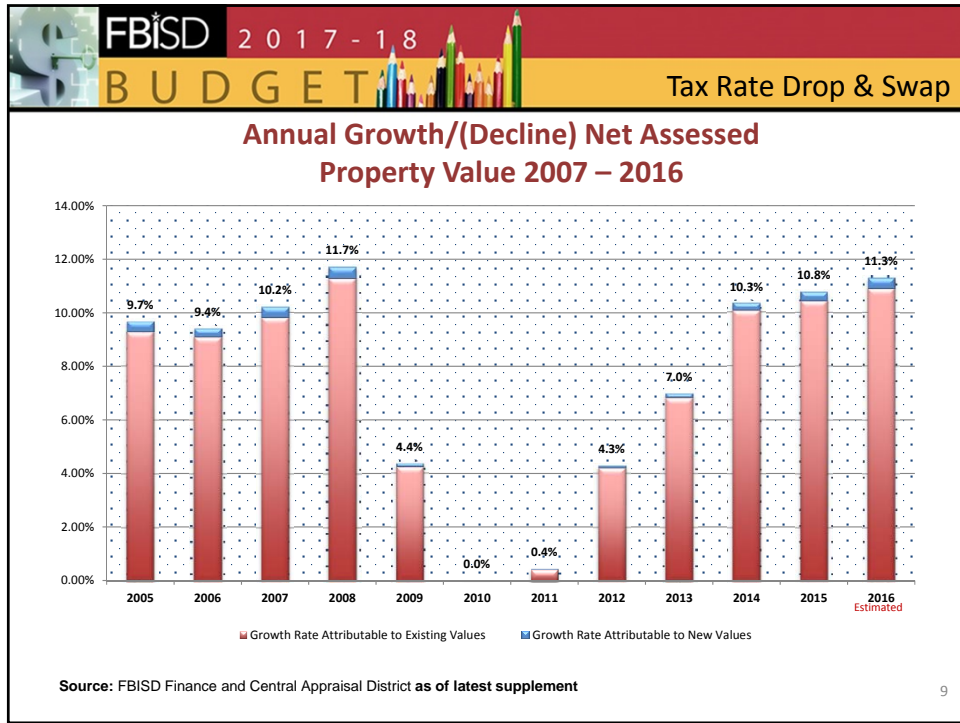
FBISD 2017 - 18 BUDGET Tax Rate Drop & Swap


Debt Service Tax Rate Reduction

- Create tax analysis model – using fixed rate issues only
- Assume \$150M issued in 2018 (4.5%) and \$150M issued in 2019 (4.75%) – this is the remaining authorized debt
- **Assume \$100M issued annually for potential Bond 2018: 2020-24, interest rates progressing from 5% in 2020 to 6% in 2024**
- Assume property value increases of:
 - 2017: 10.0%
 - 2018: 8.25%
 - 2019: 6.50%
 - 2020 through 2023 : 5.00%
 - 2024 & 2026: 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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What if the TRE is approved?

- Maximizes state revenues: (\$11.1M increase)*
- Increases recurring revenues for General Fund: (\$18.6M)*
- 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

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FBISD 2017-18 BUDGET Tax Rate Drop & Swap

What is the impact on the overall tax rate?

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


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FBISD 2017-18 BUDGET Tax Rate Drop & Swap

Tax Ratification Election – Financial Impact

State \$11.1M
Local \$7.5M

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FBISD 2017-18
BUDGET Tax Rate Drop & Swap

What happens if TRE is not approved?

- There will be \$18.6 million less for the general fund
 - The district will not receive \$11.1 million in additional state funding
 - The general fund will receive \$7.5 million less local revenue
- We must rely on fund balance and cost reduction strategies to maintain a balanced budget
- Will recommend additional TRE in 2018 to absorb costs of new middle school and CTE center

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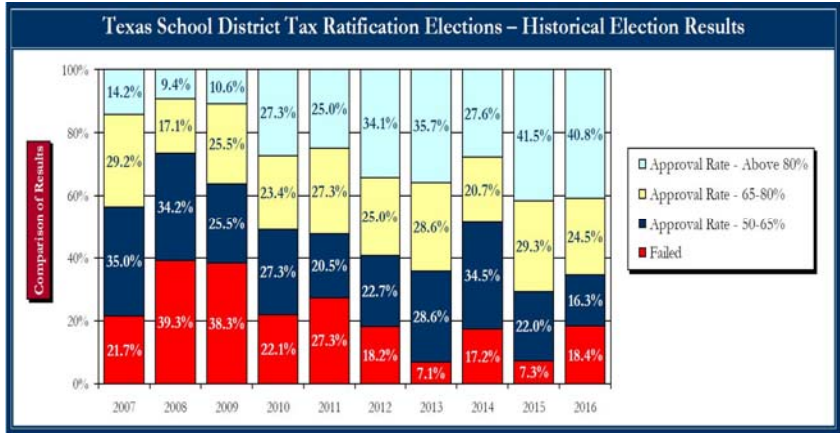
FBISD 2017-18
BUDGET Tax Rate Drop & Swap

Tax Ratification Election – Risks

- Voters may not authorize the increase in M&O pennies
 - Can be confusing concept for taxpayers
 - Ballot language restrictions can also cause confusion
- However;
 - Other TRE elections generally successful statewide
 - Other TRE elections have been for increases or swaps
 - FBISD TRE election would be for a net decrease in tax rate
- Anticipated change in corporate tax rates are likely to increase the costs of future debt issuance

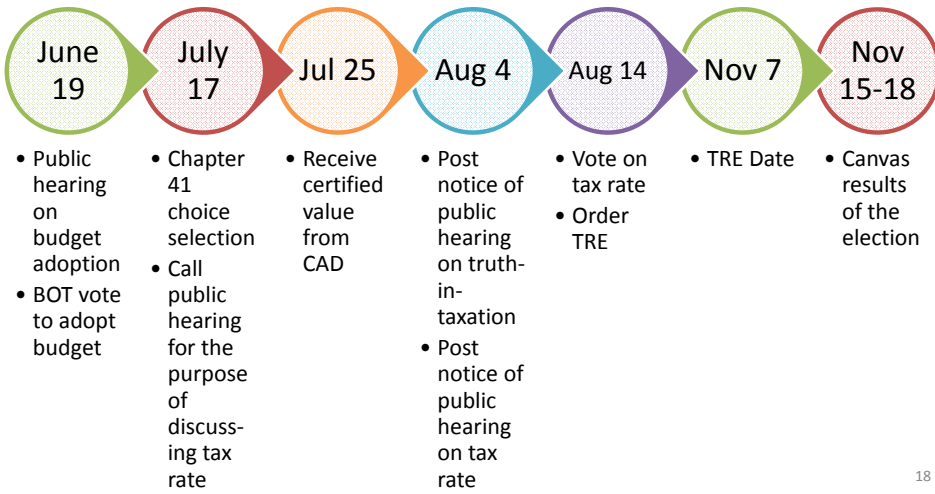
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TRE Statewide History




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What is the timeline for a TRE?



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How can we be successful?

- Be transparent
- Communicate the need for additional recurring revenue
- Communicate how the tax rate drop and swap works
- Communicate that State revenue would increase
- Communicate, Communicate, Communicate!
- Full scale community engagement


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Community Engagement Efforts

- Engage local business community – Economic Development Council, Chambers of Commerce, etc.
- Employee information meetings
- Public meetings at high schools
- Community Group Engagement – including service organizations such as Rotary and Exchange Clubs
- Social media
- Website for election information
- E-newsletters
- Direct mailings

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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)	-	-
Projected Surplus/(Shortage)	768	(21,951)	(3,323)
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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Recommend November Tax Ratification Election with:			
<ul style="list-style-type: none"> • (4¢) reduction to I&S tax rate • 2¢ increase of M&O tax rate • (2¢) net tax rate reduction results in tax bill decrease of \$48.19 based on 2016 average residential value of \$240,962 • August board action to call TRE 			
The TRE Drop & Swap allows us to:			
<ul style="list-style-type: none"> • Continue being good stewards and maximize our resources • Maintain our conservative approach to debt management • Offer relief to taxpayers (net reduction of 2¢) • Remain competitive with teacher/staff compensation • Increase the resources available to students 			

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FBISD 2017-18 BUDGET

Questions

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FBISD 2017-18 BUDGET Tax Rate Drop & Swap

What will the TRE ballot look like?

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 **\$1.32** per \$100 valuation in Fort Bend ISD for the current year, a rate that is **\$0.00** higher per \$100 valuation than the school district rollback tax rate, for the purpose **of generating additional state revenue for District maintenance and operations while decreasing the overall tax rate by (\$0.02).***

*Final language TBD

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