

2018-19
**BUDGET
DEVELOPMENT**

March 26, 2018
Board Update



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2018–19

BUDGET DEVELOPMENT



Agenda

- Hurricane Harvey Recovery Status
- Interim Legislative Update
- Budget Forecast and Development

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A graphic featuring a red, stylized hurricane symbol on the left. To its right is a red rectangular box with a white border containing the word "HURRICANE" in white, bold, italicized capital letters. Below this box, the word "HARVEY" is written in large, light blue, bold, italicized capital letters. The background is a satellite-style map of the United States and surrounding oceans, with a blue grid overlay.

HURRICANE

HARVEY

Hurricane Harvey Recovery Update

- Current estimate of total losses = \$14.1M
- Recovery options (in order)
 - » Insurance
 - » FEMA
 - » State
 - » District



FEMA Categories & Common Eligible Work

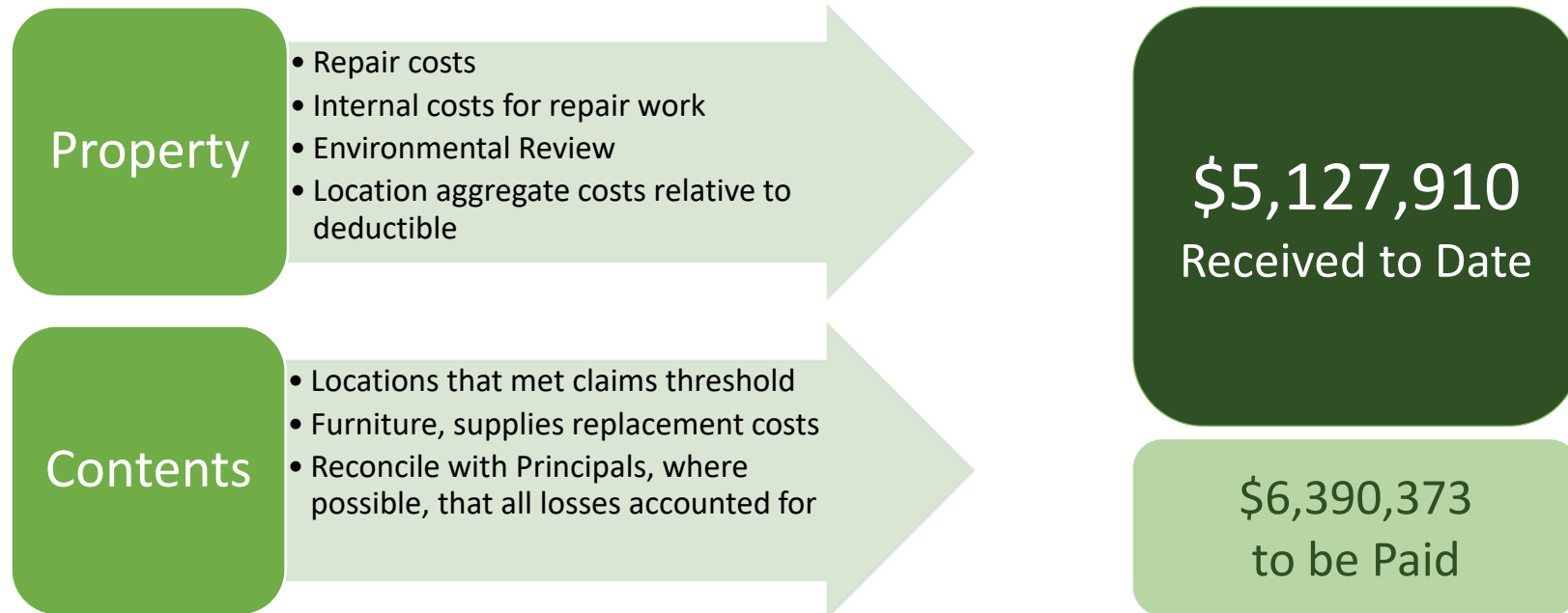
| A | B | C | D | E | F | G |
|----------------|--|-----------------|--|--|-----------|---|
| Debris Removal | Emergency Protective Measures | Roads & Bridges | Water Control Facilities | Buildings & Equipment | Utilities | Parks, Recreation, & Other |
| | <ul style="list-style-type: none"> • Search & Rescue • Security • Emergency Pumping • Sandbagging • Detour & Warning • Signs • EOC Activation • Emergency & Temporary Repairs • Overhead Power Lines • Emergency Medical Facilities • Emergency Evacuations • Activities undertaken before, during and following a disaster to save lives, protect improved property | | <ul style="list-style-type: none"> • Dams and Reservoirs • Levees • Engineered Drainage Channels • Canals • Aqueducts • Sediment Basins • Shore Protective Devices • Irrigation Facilities • Pumping Facilities | <ul style="list-style-type: none"> • Buildings • Structural Components • Interior Systems <ul style="list-style-type: none"> - Electrical - Mechanical - Contents <div data-bbox="1213 1117 1423 1328" style="border: 2px solid green; border-radius: 50%; width: 100px; height: 100px; display: flex; align-items: center; justify-content: center; margin: 20px auto;"> <p>194 Projects Submitted</p> </div> | | <ul style="list-style-type: none"> • Playground Equipment • Swimming Pools • Bath Houses • Tennis Courts • Bat Docks • Piers • Picnic Tables • Golf Courses • Fish Hatcheries • Mass Transit • Facilities <div data-bbox="1738 1117 1969 1328" style="border: 2px solid green; border-radius: 50%; width: 100px; height: 100px; display: flex; align-items: center; justify-content: center; margin: 20px auto;"> <p>Playgrounds</p> </div> <div data-bbox="1768 1383 1936 1442" style="text-align: right;"> </div> |

Estimated Losses & Expected Reimbursements

| | Losses | Insurance | FEMA |
|-----------------------------|---------------------|---------------------|--------------------|
| Cat B: Shelters KHS, MHS | 100,425 | 0 | 100,425 |
| Cat D: Mercer Bern | 724,900 | 518,583 | 206,317 |
| Cat E: Buildings & Contents | 12,975,100 | 11,000,000 | 1,975,100 |
| Cate G: Playgrounds | 300,000 | 0 | 300,000 |
| Totals | \$14,100,425 | \$11,518,583 | \$2,581,842 |

* Current Estimate

Insurance Recovery to Date



* Current Estimate

Hurricane Harvey – State Aid

- TEA application for disaster assistance
 - » Texas Education Code (TEC), §41.0931
 - » Texas Administrative Code (TAC) §61.1014
 - » Eligible districts can apply for aid to cover disaster costs paid by the district
 - » The disaster must have occurred within the current biennium
 - » Relief payments offset by aid from federal government, other state aid, or other sources
- ADA Hold Harmless (in place)
- Property Value Hold Harmless (TBD)

Property Reappraisals

- Met with Chief Appraiser February 20

| | Estimate |
|-------------------------|-----------------|
| Damaged Properties | 2,980 |
| Estimated Loss in Value | \$98.7 M |

* *Current Estimate*

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Interim Legislative Update

Year-To-Date in Numbers

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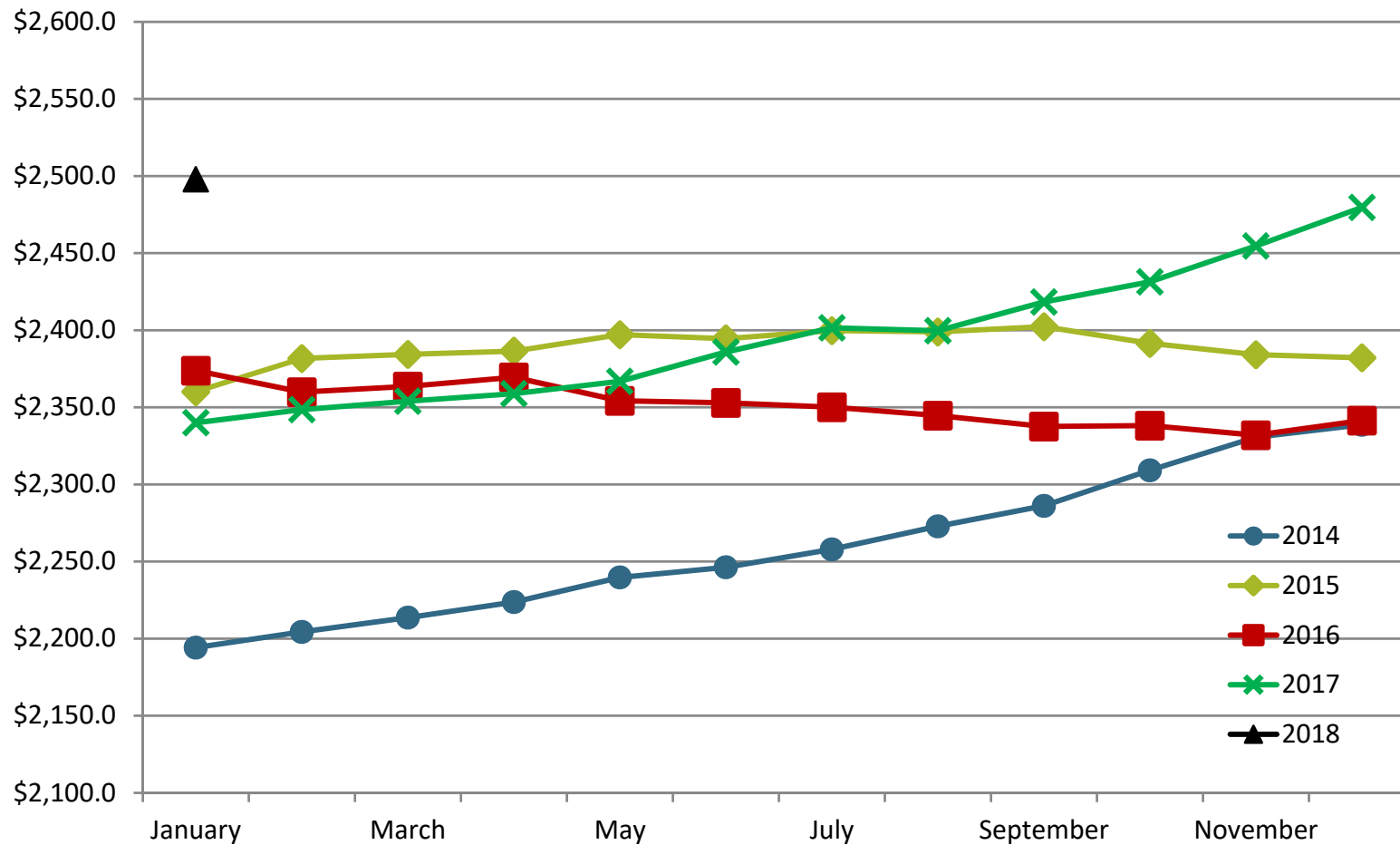
10%

SALES TAX REVENUE GROWTH

State Revenue Performance FY18

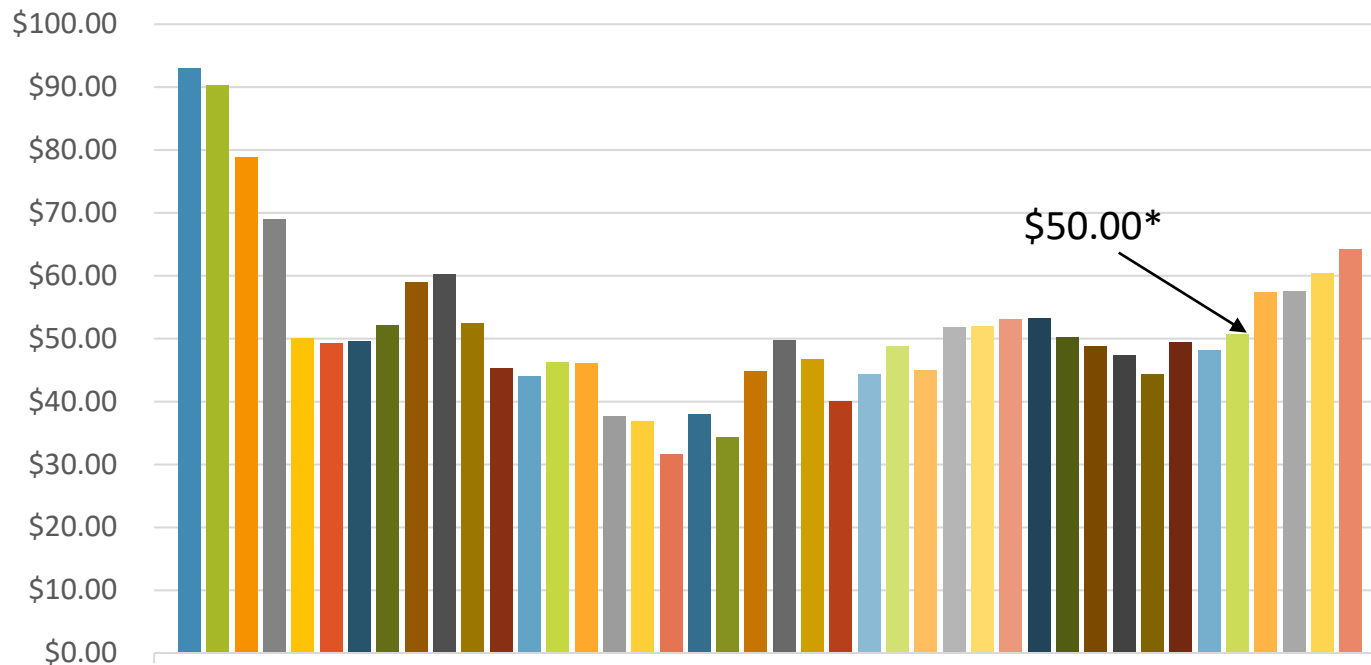
| | Biennial Revenue Estimate Projected Growth | Actual Growth to Date |
|------------------------|---|----------------------------------|
| Sales Tax | 5.50% | 10.00% |
| Motor Vehicle Tax | 10.27% | 8.05% |
| Natural Gas Tax | -9.53% | 55.59% |
| Oil Production Tax | 9.85% | 45.49% |
| Alcoholic Beverage Tax | 4.63% | 5.16% |
| Cigarette and Tobacco | -7.72% | -7.35% |
| Motor Fuels Taxes | 1.61% | 4.65% |

1-Year Moving Average Monthly Sales Tax Collections



Oil Prices Stabilizing

Price of Oil per Barrel - Last 42 Months



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\$7 billion

POTENTIAL BUDGET SHORTFALL
FOR 2020-21 BIENNIUM

State Budget Challenges

- \$2.5 billion shortfall for Medicaid
- Hurricane Harvey
- Sales tax diversion to Highway Fund
- Deferrals and repayments from last session
- Texas Tomorrow Fund shortfall
- Continued TRSCare issues

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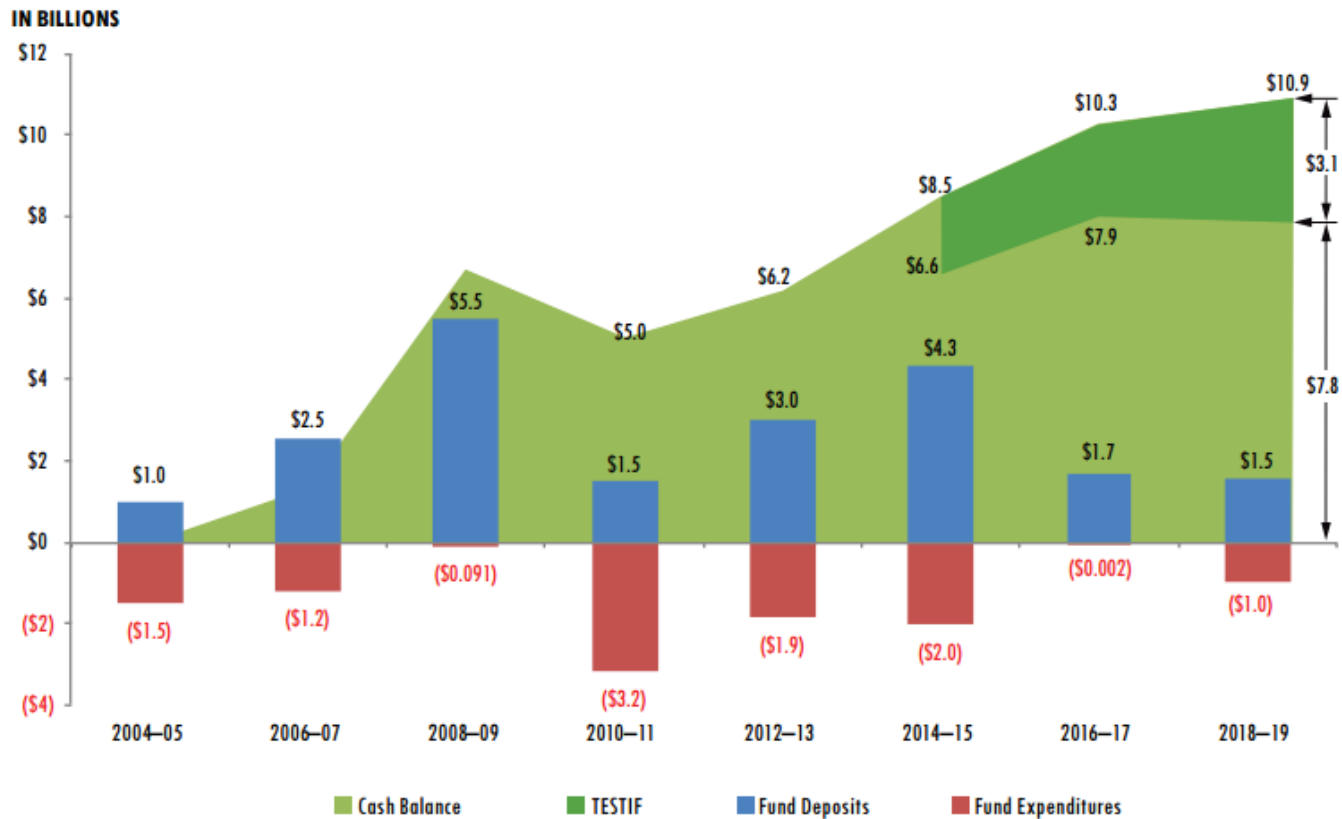


\$11+ billion

AMOUNT IN RAINY DAY FUND

State Rainy Day Fund

FIGURE 21
ECONOMIC STABILIZATION FUND BIENNIAL DEPOSITS, EXPENDITURES, INVESTMENTS AND FUND BALANCE
2004-05 TO 2018-19 BIENNIA



NOTE: Fiscal years 2017 to 2019 are projections based on the Comptroller of Public Accounts' 2017 Biennial Revenue Estimate.
SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

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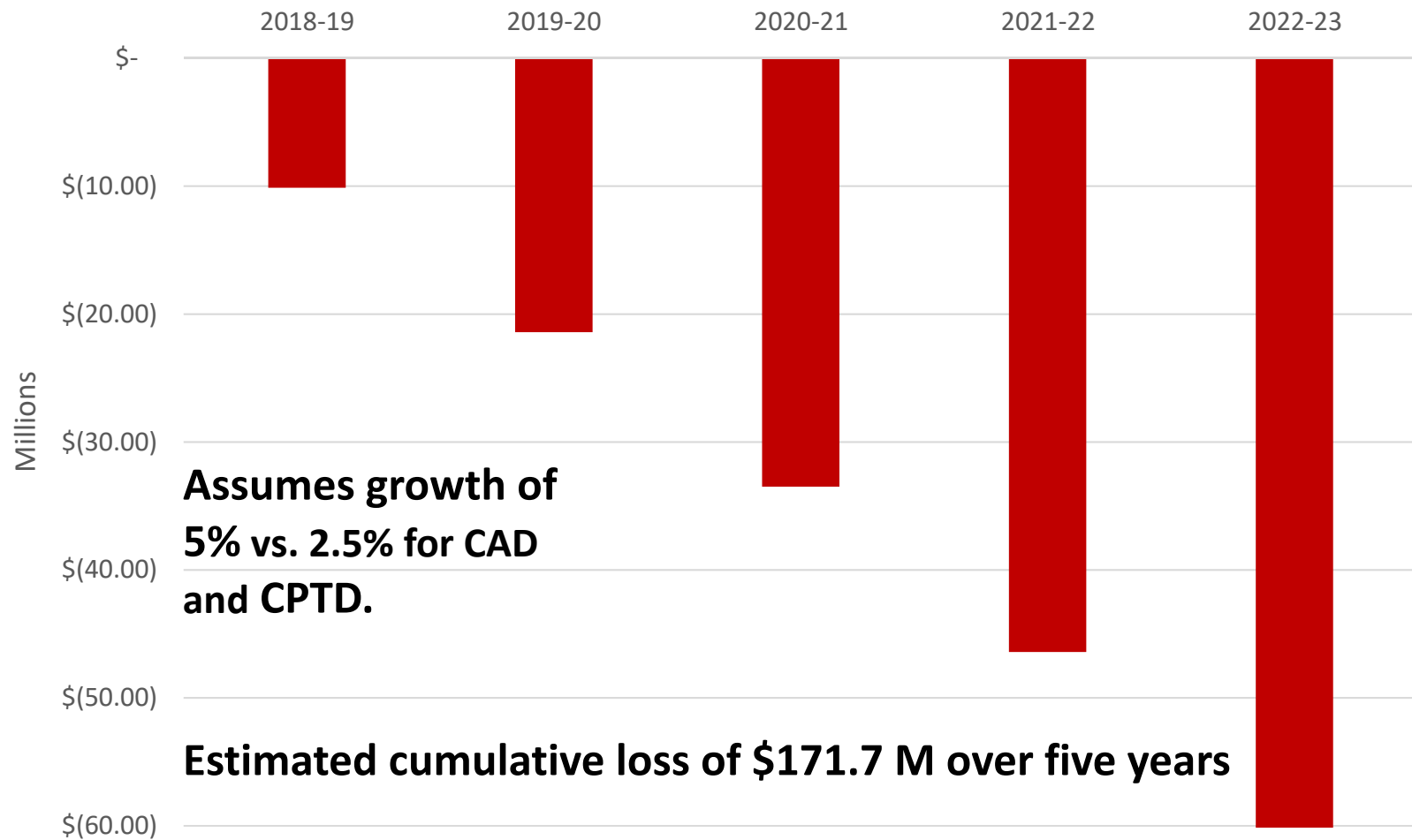
2.5%

GOV. ABBOTT'S PROPERTY
TAX RELIEF PLAN

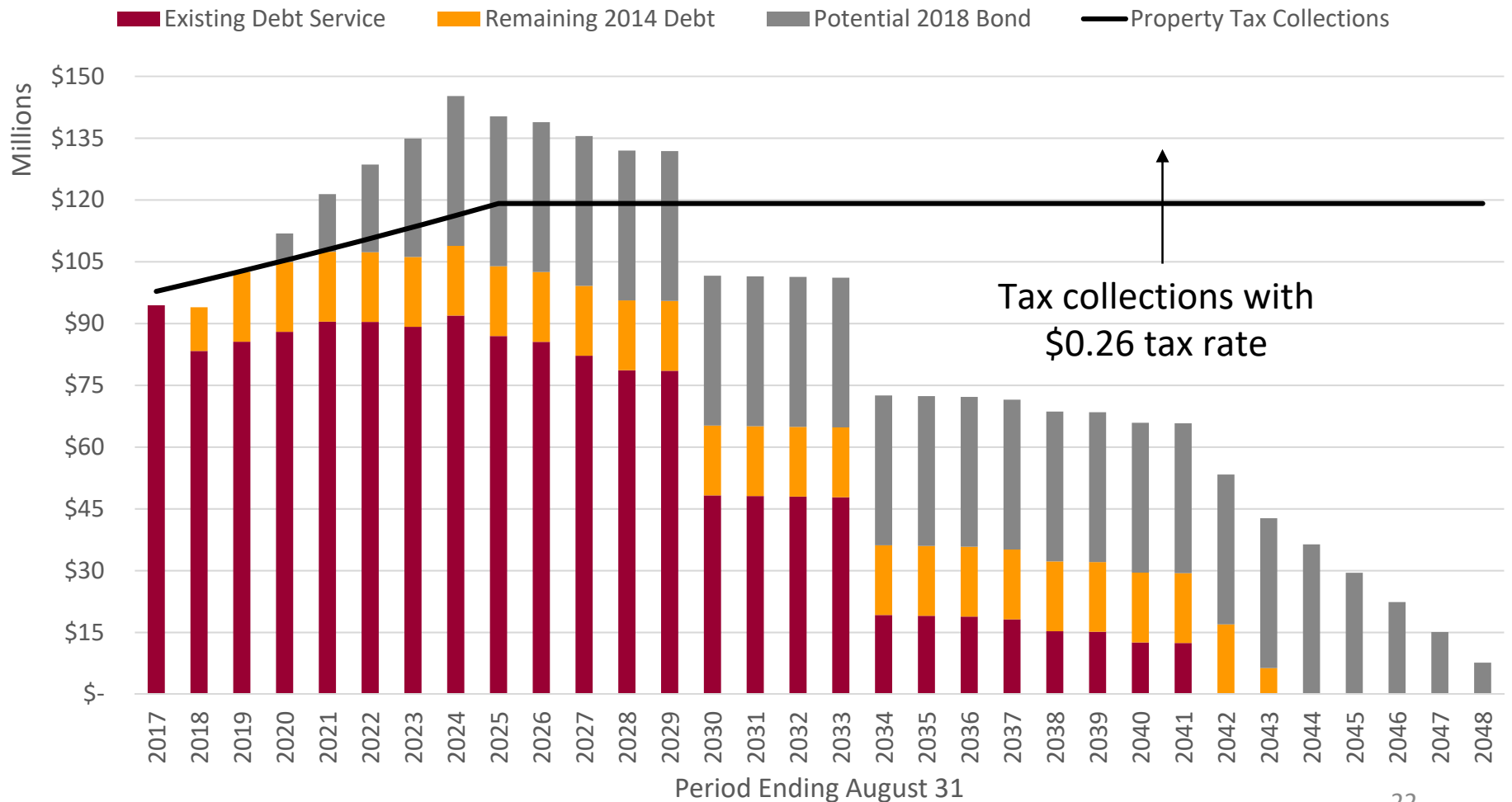
Governor Abbott's Tax Relief Plan

- Revenue cap of 2.5% per year for cities, counties, and school districts
 - » Voter approval required for any revenue increase above 2.5%
 - » Increases in excess of cap are also limited to specific purposes (compensation for teachers, instructional personnel, classrooms)
 - » 2/3rds vote required
 - » Even with voter approval, increases may not exceed statewide population and inflation growth
- Two-thirds supermajority to authorize new debt with 33% of qualified registered voters in the district voting

Potential Revenue Loss



Summary of Debt with Tax Cap



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13 members

Appointed to Texas Commission
on School Finance

Members of the Commission

- Commission composed of thirteen members
 - » Four members appointed by the Governor
 - » Four members appointed by the Lt. Governor
 - » Four members appointed by the Speaker of the House of Representatives
 - » One member appointed by the Chair of the SBOE

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Gov. Abbott's Goals

Letter to the Commission:

1. “Redesign a system” that prioritizes “spending that is proven to improve student outcomes”
2. “Create a system that fosters innovation” learn from successful schools and “replicate their success statewide”
3. “Explore alternatives to the burdensome and inefficient property tax”

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Recommendations issued from
2009 Select Committee

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289 days

FIRST DAY OF 86TH
LEGISLATIVE SESSION

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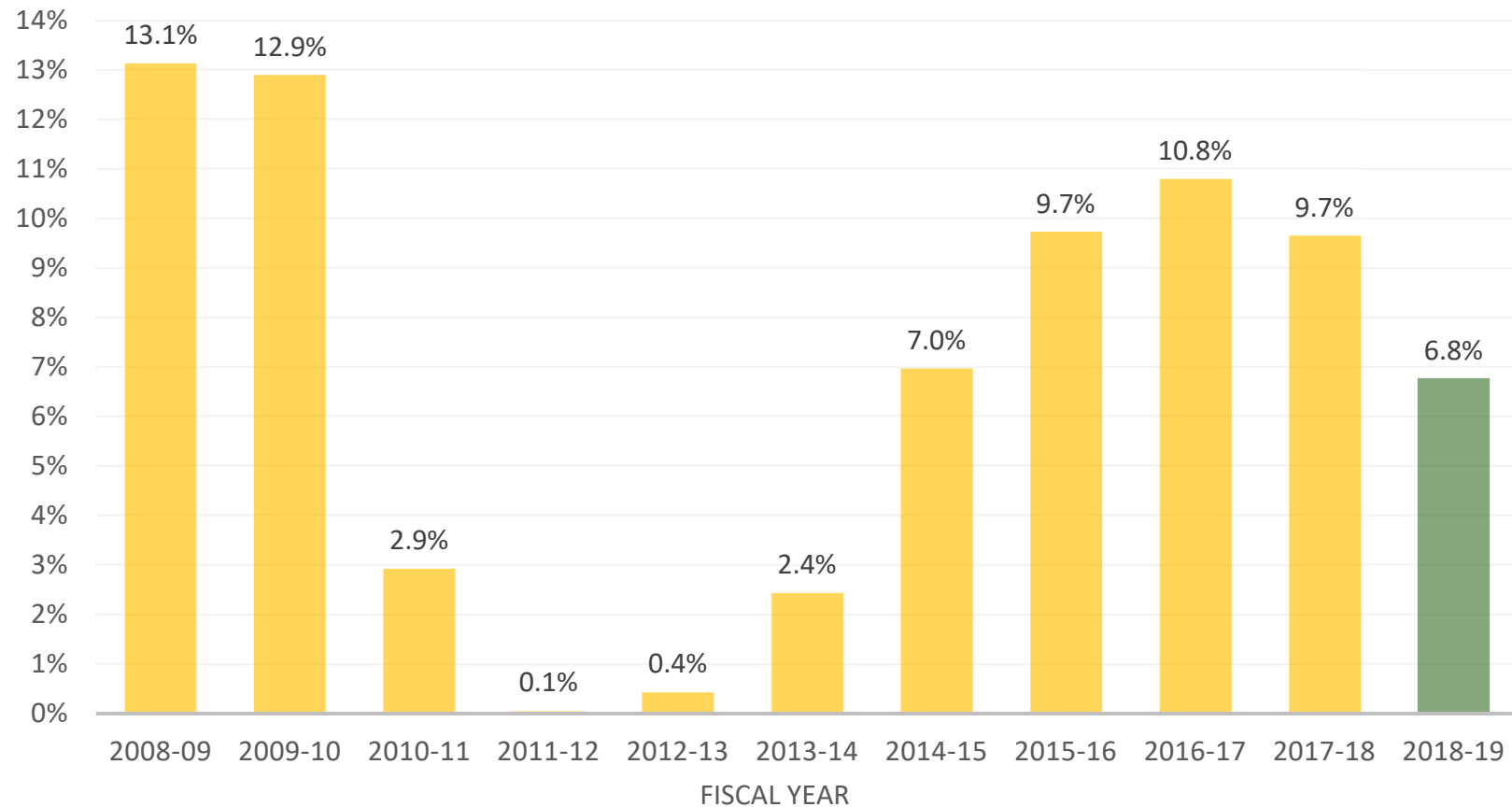


2018-19 Outlook

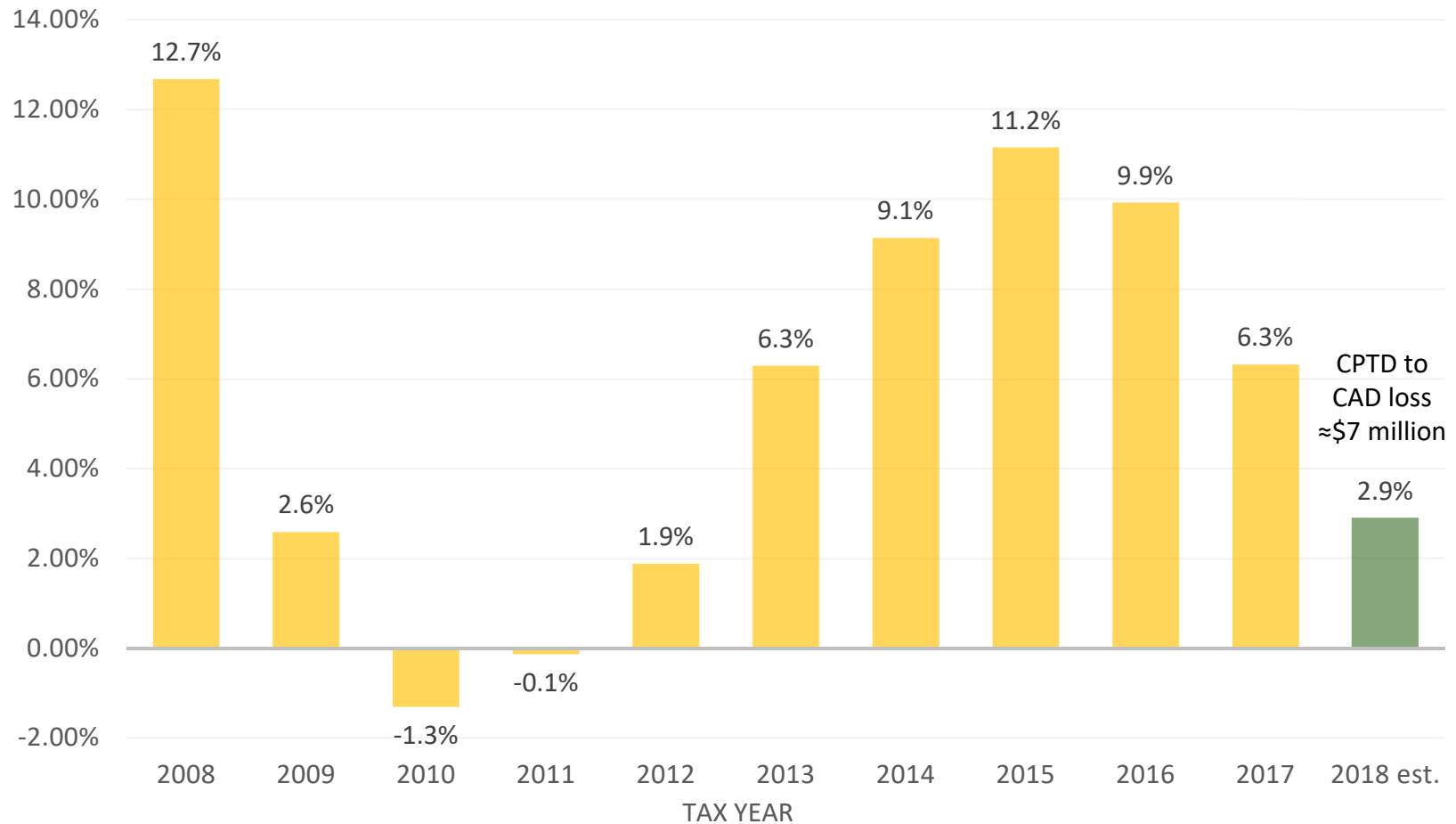
Background on Local Values

- Met with Chief Appraiser on February 20
- Received preliminary estimates for property values
 - » Harvey impact estimated at \$97.7 million
 - » Future new growth will be impacted by reconstruction
 - » Large number of exemptions expected prior to April
- Initial estimate for 2018 is \$36.8 billion
 - » Growth of 2.9% over 2017 certified values
- As expected, local growth is less than prior year CPTD growth, negatively impacting state collections

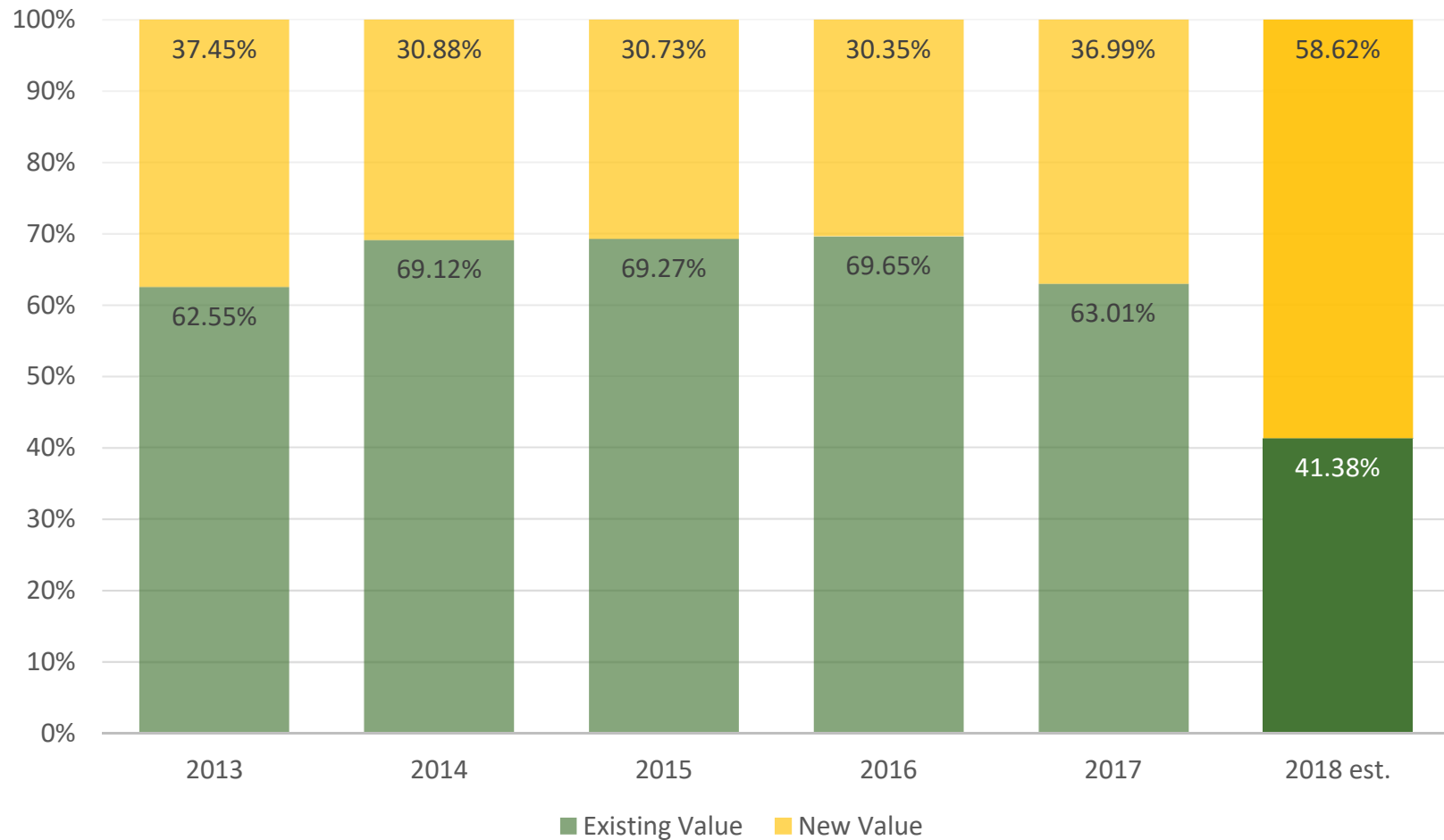
Change in CPTD Property Values



Change in Certified Net Taxable Value

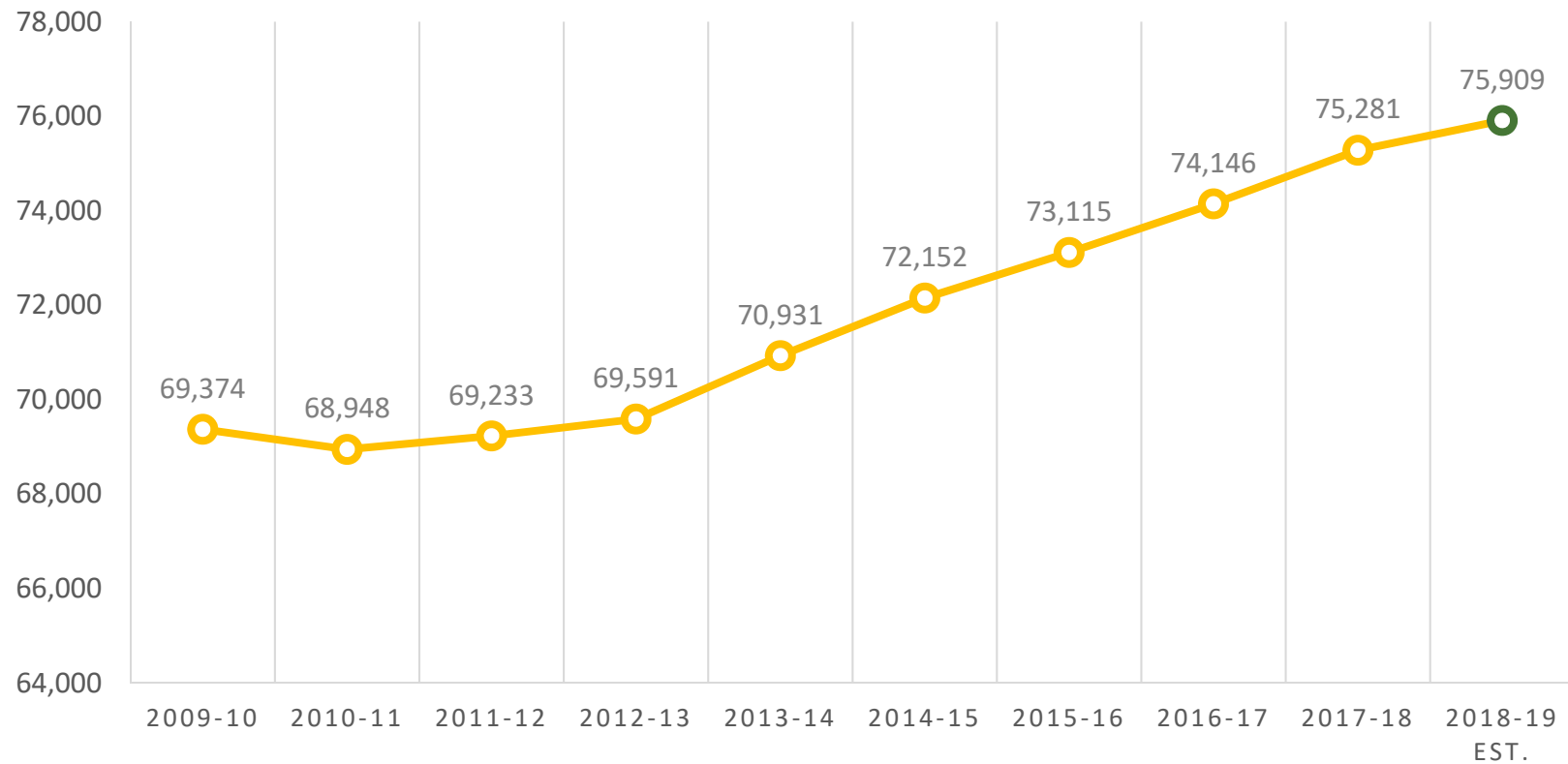


New Value from Growth



Enrollment Growth

PEIMS SNAPSHOT (OCTOBER)



Source: OnSuite and PASA

2017-18 Positive Revenue Developments

- Local Revenues
 - » Higher than anticipated interest earnings
 - Revenue estimated \$1.0 million higher than budgeted
 - Additional recurring revenue of \$1.0 million annually
- State Revenues
 - » CPTD Adjustment
 - One-time payment of \$1.0 million in 2017-18
 - » Weighted Average Daily Attendance: 90,658 (2.6% increase)
 - » Free & reduced: 39% of enrollment (1.4% increase over est.)
- SHARS
 - » Catch up payment of \$1.5 million in 2017-18
 - » Additional Recurring revenue of \$1.0 million annually

Expenditure Outlook

- Using forecasted numbers from 2017-18 forecast as starting point
- Strategic adjustments made based on work completed by BCC and Leadership Town Hall
- Includes key investments to:
 - » Attract and retain competitive teaching staff
 - » Create programs that advance board goals and objectives

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2018-19 Budget Assumptions

| | |
|---------------------------|---------------------|
| Average daily membership: | 75,909 |
| Average daily attendance: | 96.5% |
| Property value growth: | 3% CAD |
| CPTD value growth: | 6.8% CPTD |
| WADA growth: | 0.9% |
| Free and reduced count | 32,717 (43%) |
| New staffing: | \$9.86 M |

Anticipated Staffing Needs

| Staffing | FTEs | Estimate |
|---------------------------------------|------------|-----------------|
| Thornton Middle School (non-teaching) | 46 | \$2.50 M |
| Special Education | 82 | 4.23 M |
| ELL Teachers and Aides | 7 | 0.51 M |
| Fine Arts Teachers | 5 | 0.34 M |
| Facilities and Maintenance | 55 | 2.28 M |
| Total | 195 | \$9.86 M |

Budget Efficiencies Work

- Initiated in September 2017 with BCC and Leadership Town Hall
- Initial list of ideas developed
- Ideas shared organization-wide with feedback provided through “Let’s Talk”
- Assistant superintendent led task forces
 - » Campus staffing guidelines (elementary and secondary)
 - » Consolidation of bilingual and pre-k programs
- Potential to review other ideas on the list in 2018-19
 - » Possible consolidation and repurposing of campuses based on outcome of facilities master plan

Budget Efficiencies

| Efficiencies | Estimated Savings |
|---|--------------------------|
| Energy savings (rate change and behavior) | \$2,645,500 |
| Central Office budget reductions | 2,608,227 |
| Electronic report cards | 215,219 |
| Hiring review for central admin positions | 735,000 |
| Bilingual consolidation | 897,341 |
| Pre-K consolidation | 317,800 |
| Redirect AP interns to classrooms | 310,082 |
| Centralize educational assistants | 750,000 |
| Fee and program adjustments | 192,000 |
| Total Efficiencies | \$8,671,169 |

Other Identified Potential Savings

| Other Savings | Estimated Savings |
|--------------------------------------|--------------------------|
| Adjustment to extra planning periods | \$2,108,260 |
| Instructional materials allotment | 1,545,170 |
| Grandfathered bus routes | 306,000 |
| Telecom audit | 250,000 |
| Total Other Savings | 4,296,170 |
| Budget Efficiencies | 8,671,169 |
| Total Identified Savings | \$12,967,339 |

Key Investments

| Investment | Estimated Cost |
|---|-----------------------|
| Early literacy program (initial estimate) | \$2,921,509 |
| Teacher step increases | 2,658,736 |
| EDGE stipends | 186,376 |
| Campus budget adjustments | 123,554 |
| Portable moves (2019) | 1,600,000 |
| Health fund contribution (\$36 PEPM) | 3,000,000 |
| Compensation review (initial estimate) | 782,488 |
| Total Investments | \$11,190,459 |

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2018-19 Initial Outlook

| | 2016-17 | 2017-18 | 2017-18 | 2018-19 |
|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| (\$ Millions) | Actuals | Budget | Estimate | Initial |
| Operating Revenues | \$ 596.91 | \$ 619.89 | \$ 630.42 | \$ 621.71 |
| Operating Expenditures | 595.01 | 633.35 | 639.00 | 635.43 |
| Other Sources/(Uses) | 0.89 | 1.50 | 1.60 | 1.50 |
| Use of Economic Stabilization | - | 11.96 | 6.98 | 4.97 |
| Surplus/(Deficit) | <u>2.79</u> | <u>-</u> | <u>-</u> | <u>(7.25)</u> |
| Fund Balance - Beginning | 182.46 | 185.26 | 185.26 | 178.27 |
| Use of Economic Stabilization | - | (11.96) | (6.98) | (4.97) |
| Fund Balance - Ending | <u>\$ 185.26</u> | <u>\$ 173.30</u> | <u>\$ 178.27</u> | <u>\$ 166.05</u> |

Fund Balance History

| | YE 2016-17 | YE 2017-18 | YE 2018-19 |
|--------------------------------|-------------------|-------------------|-------------------|
| Committed Fund Balance | \$35.29 M | \$20.88 M | \$14.40 M |
| State Revenue Stabilization | 49.40 M | 52.80 M | 53.00 M |
| Unassigned Fund Balance | 100.57 M | 104.59 M | 98.65 M |
| Total Fund Balance | \$185.26 M | \$178.27 M | \$166.05 M |
| 90 Day Reserve | \$148.16 M | 158.40 M | \$158.90 M |
| Reserve as % of Expenses | 25% | 25% | 24% |
| Reserve in Days of Exps | 92 Days | 91 Days | 87 Days |

Upcoming Actions

March

- Budget development update
- New campus staffing approval

April/May

- Talent draft
- Budget update
- Non-campus staffing approval
- Renewal/non-renewal approvals
- Preliminary CAD values
- Call date for budget hearing

June

- Budget adoption
- Final amendment
- Fund balance resolution

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QUESTIONS?

Fund Balance Strategies

| | YE 2016-17 | YE 2017-18 | YE 2018-19 |
|-------------------------------|------------------|------------------|------------------|
| Non-spendable | \$2.96 M | \$2.96 M | \$3.00 M |
| Major maintenance | 6.40 M | 6.40 M | 6.40 M |
| Instructional materials | 2.70 M | - M | - M |
| New instructional facilities | 4.50 M | 4.50 M | 4.50 M |
| Economic stabilization | 14.00 M | 9.72 M | 4.75 M |
| Assigned fund balance | 4.72 M | 5.00 M | 5.00 M |
| Committed and Assigned | \$35.29 M | \$28.58 M | \$23.65 M |