

2018-19
**BUDGET
DEVELOPMENT**

May 14, 2018
Board Update



FBISD
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2018–19

BUDGET DEVELOPMENT



Agenda

- Property values update
- General Fund current budget proposal
- General Fund three year outlook
- Debt Service Fund
- Child Nutrition Fund

Background on Local Values

- Received “final” preliminary tax roll April 30
- Initial estimate for 2018 is \$36.8 billion
 - » No significant change from April presentation
 - » Growth of 2.9% over 2017 certified values
- Harvey impact estimated at \$97.7 million included
 - » Estimated lost revenue ~\$1.0 million
- Local growth is less than prior year CPTD growth, negatively impacting state collections

2018-19

BUDGET DEVELOPMENT

2018-19 Budget Assumptions

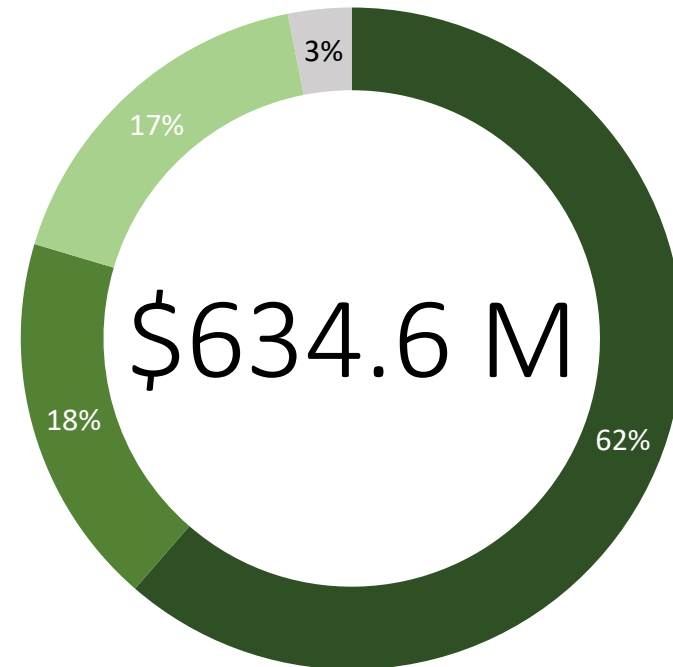
Average daily membership:	75,909
Average daily attendance:	96.5%
Property value growth:	3% CAD
CPTD value growth:	6.8% CPTD
WADA growth:	0.9%
Free and reduced count:	32,717 (43%)
Revenue adjustments:	\$2.90 M (SPED/Extended Day)
Teacher step increases:	\$2.6 M
Thornton MS staffing:	\$2.50 M (46 FTEs)
Other staffing needs:	\$10.51 M (168 FTEs)

Other Staffing Needs

Staffing	FTEs	Estimate
Special Education	85	4.33 M
Early Literacy Center	47	3.59 M
ELL Staffing	9	0.51 M
Fine Arts Teachers	5	0.34 M
Reese CTE Center Start up Staffing	7	0.71 M
Teacher Pool	15	1.03 M
Totals	168	\$10.51 M

2018-19 Proposed Budget by Functional Area

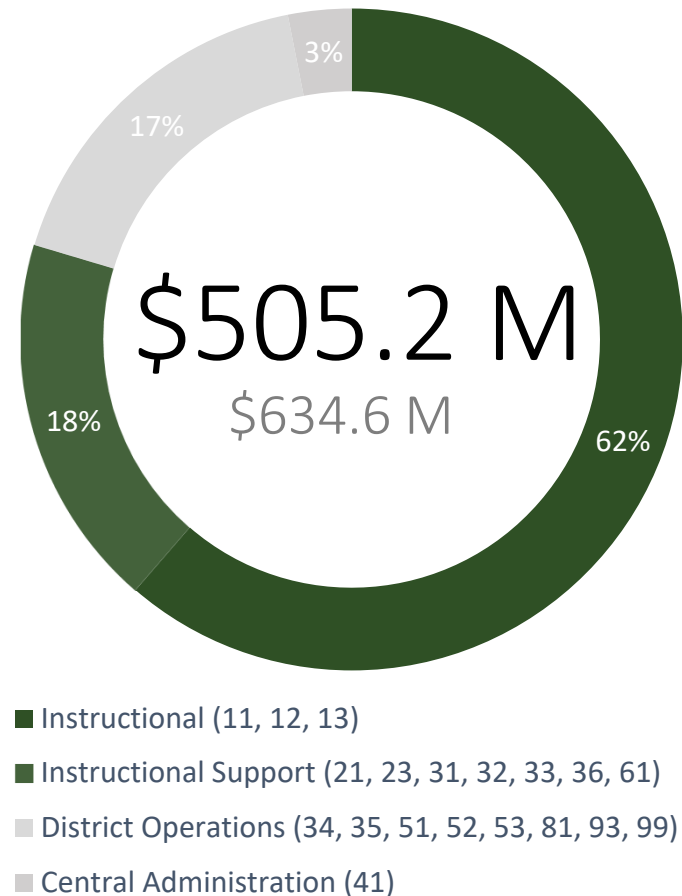
Functional Area	2018-19 Est.
Instructional	\$389.4 M
Instructional Support	115.8 M
District Operations	109.8 M
Central Admin	19.6 M
Total	\$634.6 M



- Instructional (11, 12, 13)
- Instructional Support (21, 23, 31, 32, 33, 36, 61)
- District Operations (34, 35, 51, 52, 53, 81, 93, 99)
- Central Administration (41)

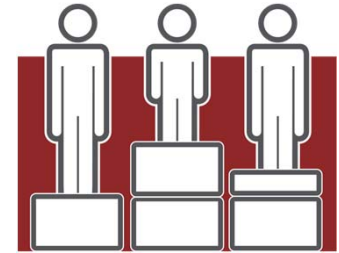
Core Business

- Instructional and Instructional Support
- Represents 80% of total budget at \$505.2 M
- Includes the following major functional areas:
 - » Instructional
 - Instruction (11)
 - Instructional Resources Media (12)
 - Curriculum Development (13)
 - » Instructional Support
 - Instructional Leadership (21)
 - School Leadership (23)
 - Guidance Counseling (31)
 - Social Work Services (32)
 - Health Services (38)
 - Co Curricular and Extra Curricular (36)
 - Community Services (61)



District Goal 1

Fort Bend ISD will provide an **equitable learning environment** that provides all students access to the FBISD curriculum.



Budgeted Expenditures	Amount
Classroom Teachers & Aides	\$220.47 M
School Leadership	\$48.49 M
Professional Learning Model	\$1.75 M
Curriculum Development	\$10.37 M
- Curriculum Development Staff	8.89 M
- Curriculum Writing	0.65 M
- Distance Learning (O-Labs)	0.83 M
Fine Arts	\$25.56 M
- Teaching Staff	23.60 M
- Clinicians/Instruments/Uniforms	1.96 M

Budgeted Expenditures	Amount
Instructional Programming	\$99.81 M
- Instructional Leadership Staff	13.09 M
- Early Literacy Center/EDGE	5.71 M
- SPED/Co-Teach	51.20 M
- GT/Academies	20.71 M
- Bilingual/ESL	9.10 M
Academic Intervention	\$7.20 M
- Summer School/SSI/EOC	1.20 M
- Interventionists/Specialists	5.99 M
Campus Budgets	\$9.65 M
Goal 1 Total	\$423.30 M

District Goal 2

Fort Bend ISD will ensure **students own** and are **responsible** for their learning, behavior, and progress through the FBISD curriculum.

Budgeted Expenditures	Amount
CCCs and CACs	5.75 M
Assessment framework	4.71 M
- Assessment/Accountability	1.48 M
- Renaissance 360	0.87 M
- Post Secondary Readiness	2.22 M
- CTE Certifications	0.14 M
Positive Behavior Int. Supp.	0.90 M
Goal 2 Total	\$11.36 M



District Goal 3

Fort Bend ISD will provide an **inclusive, collaborative, and fluid learning environment** with opportunities for both risk-taking and success.



Budgeted Expenditures	Amount
Blended Learning	\$16.65 M
- Career & Tech Education	14.50 M
- PLTW/Robotics/Coding	1.93 M
- Schoology	0.20 M

Budgeted Expenditures	Amount
Extra Curricular Activities	\$9.69 M
- Athletics/Fine Arts Stipends	4.60 M
- Student Travel & UIL Fees	1.62 M
- Athletics Equipment	1.27 M
- Athletics Game Officials	0.56 M
- Campus/Dept. Supplies	0.72 M
- Athletics Staffing	0.92 M
Goal 3 Total	\$26.34 M

District Goal 4

Fort Bend ISD will develop students’ social-emotional, academic, literacy, language, and life skills in a safe and secure Collaborative Community at every school.



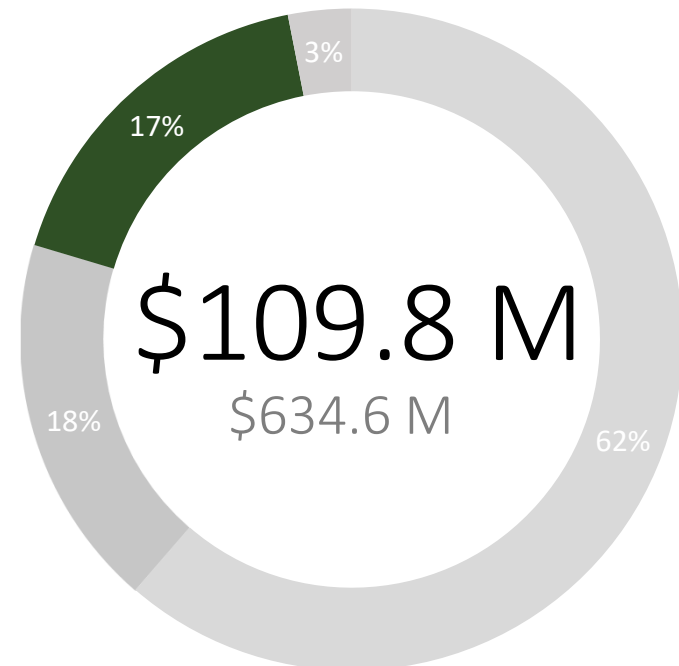
Budgeted Expenditures	Amount
Guidance Counseling	\$31.30 M
- Counseling Staff	29.84 M
- Naviance	0.23 M
- Supplies & Materials	1.23 M
Health Services	\$7.88 M
- Nurses and Aides	7.30 M
- Health Services Supplies	0.58 M

Budgeted Expenditures	Amount
Social Work Services	\$1.62 M
- Social Workers	1.39 M
- Fort Bend County Truancy	0.24 M
Collaborative Communities	\$0.47 M
LSSPs	\$2.78 M
ROPES	\$0.15 M
Goal 4 Total	\$44.20 M

District Operations

Almost 1/5 of the budget at \$109.8 million

- Utilities (electricity, water, natural gas, phone/ internet)
- Police services
- Building maintenance and repairs
- Lawn maintenance
- Information Technology and software services
 - » Student software systems
 - » Financial/HR applications
- Student transportation
- Property appraisal services

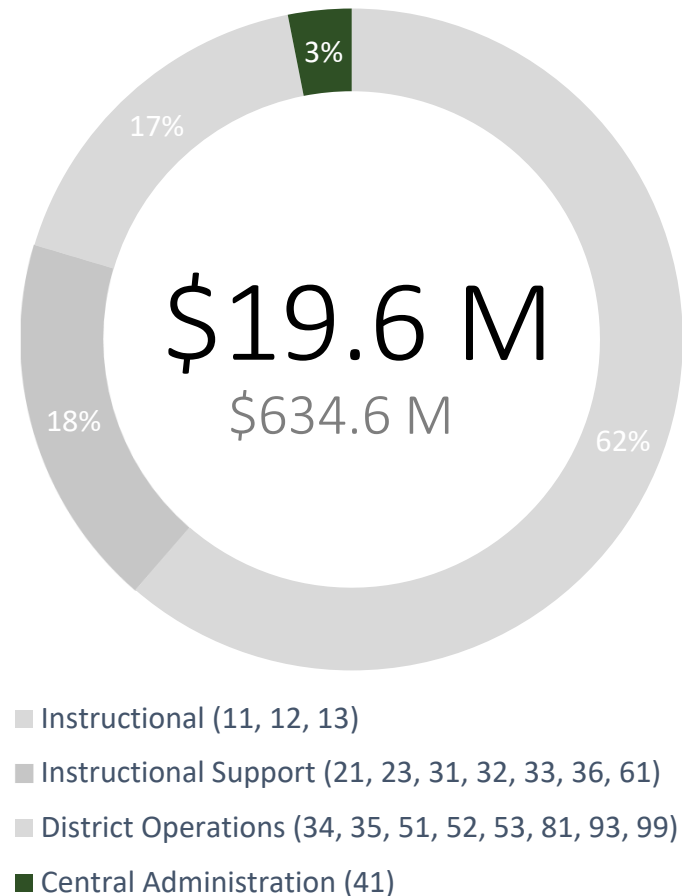


- Instructional (11, 12, 13)
- Instructional Support (21, 23, 31, 32, 33, 36, 61)
- District Operations (34, 35, 51, 52, 53, 81, 93, 99)
- Central Administration (41)

Central Administration

Approximately 3% of the budget at \$19.6 million

- District Leadership
- Accounting
- Accounts Payable
- Budget
- Purchasing
- Human Resources



Budget Reductions

- Utility savings - contractual & behavioral (\$2.6M)
- Targeted reduction of extra planning periods (\$2.7M)
- Bilingual/Pre-K Consolidation (\$1.3M)
- Central Office budget reductions (\$2.6M)
 - » Cut historic under-expended amounts (\$1.1M)
 - » Professional services (\$0.2M)
 - » Professional development (\$0.5M)
 - » Hiring review (\$0.8M)
- Centralize Educational Assistants (\$0.8M)
- Assistant Principal Interns back to classrooms (\$0.3M)

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2018-19 Proposed Budget

Goal/Functional Area	Proposed Amount
Goal 1	\$423.30 M
Goal 2	11.36 M
Goal 3	26.32 M
Goal 4	44.20 M
Sub-total	505.18 M
District Operations	109.80 M
Central Administration	19.65 M
Total Proposed Budget	\$634.63 M

2018-19

BUDGET DEVELOPMENT



2018-19 Proposed Budget

	2016-17	2017-18	2017-18	2018-19
(\$ Millions)	<u>Actuals</u>	<u>Budget</u>	<u>Estimate</u>	<u>Proposed</u>
Operating Revenues	\$ 596.91	\$ 619.89	\$ 636.30	\$ 626.77
Operating Expenditures	<u>595.01</u>	<u>633.35</u>	<u>639.47</u>	<u>634.63</u>
Other Sources/(Uses)	0.89	1.50	1.60	2.00
Use of Economic Stabilization	<u>-</u>	<u>11.96</u>	<u>1.56</u>	<u>5.86</u>
Surplus/(Deficit)	<u>2.79</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Fund Balance History

	YE 2016-17	YE 2017-18	YE 2018-19
Fund Balance – Beginning	\$182.46 M	185.26 M	\$183.69 M
Use of Econ Stabilization	0.00 M	-1.56 M	-5.86 M
Fund Balance – Ending	\$185.26 M	\$183.69 M	\$177.83 M
Committed Fund Balance	\$35.29 M	\$28.48 M	\$21.40 M
State Revenue Stabilization	49.40 M	52.80 M	52.90 M
Unassigned Fund Balance	100.57 M	102.41 M	103.53 M
Total Fund Balance	\$185.26 M	\$183.69 M	\$177.83 M
90 Day Reserve	148.16 M	158.40 M	156.40 M
Reserve as % of Expenses	25%	25%	25%
Reserve in Days of Exps	92 Days	90 Days	90 Days

Source: FBISD Finance

Three Year Outlook Assumptions

- Revenues
 - » Property value growth of 3% each year
 - » No assumed changes to state funding formulas
 - » No assumed state revenues for Harvey related expenditures
- Expenditures
 - » Opening of Reese CTE Center and Elementary 51 in Fall 2019
 - » New teaching staff based on projected enrollment growth
 - » Teacher step increases included each year
 - » General pay increase of 2% each year beginning in 2019-20

Three Year Outlook

	2018-19	2019-20	2020-21
(\$ Millions)	<u>Proposed</u>	<u>Forecast</u>	<u>Forecast</u>
Operating Revenues	\$ 626.77	\$ 628.59	\$ 636.19
Operating Expenditures	<u>634.63</u>	<u>653.67</u>	<u>670.54</u>
Other Sources/(Uses)	2.00	2.00	2.00
Use of Economic Stabilization	<u>5.86</u>	<u>-</u>	<u>-</u>
Surplus/(Deficit)	<u>-</u>	<u>(23.08)</u>	<u>(32.35)</u>
Fund Balance - Beginning	<u>183.69</u>	<u>177.83</u>	<u>154.75</u>
Fund Balance - Ending	<u>\$ 177.83</u>	<u>\$ 154.75</u>	<u>\$ 122.41</u>

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Debt Service Fund

Summary of Outstanding Debt (as of 5/31)

Total Outstanding Principal \$ 963,458,550

Total Fixed Rate 795,653,550 82.58%

Total Variable Rate 167,805,000 17.42%

Total Interest Payments 514,201,852

Callable Principal (%) 71.39%

Percent of Principal Retired

w/in 5 years 23.63%

w/in 10 years 53.65%

w/in 15 years 78.88%

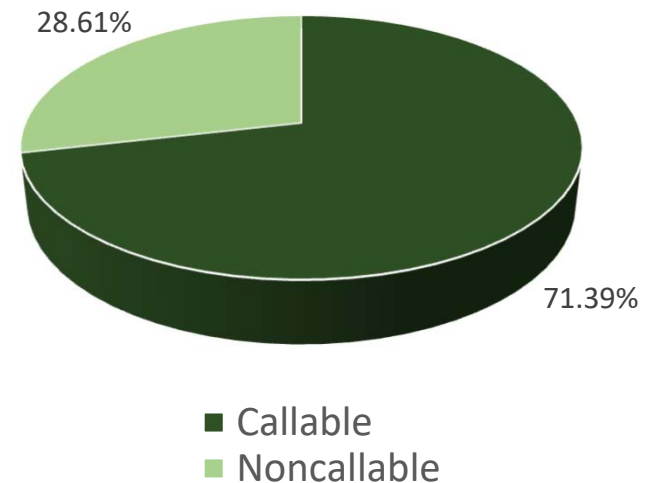
w/in 20 years 91.62%

w/in 25 years 99.64%

w/in 30 years 100.00%

Final Maturity 8/15/2043

Callable/Noncallable Principal



Underlying Ratings

Fitch	AA+
S&P	AA+

Voted Authorization

Date	Amount	Issued	Balance
11/6/2007	\$ 428,000,000	\$ 409,000,000	\$ 19,000,000
11/4/2014	\$ 484,000,000	\$ 310,000,000	\$ 174,000,000
	\$ 912,000,000	\$ 719,000,000	\$ 193,000,000

Recap of Debt Transactions

- 2018 Refunded Bonds – \$132,625,000 Refunding Transaction
 - » Priced 5/01/18 and will close 5/30/18
 - » Refunded \$99.8 million of 2008 Bonds and \$60 million of Commercial Paper
 - » Net Present Savings of \$15.6 million from transaction
- Series 2015A – \$32,410,000 (2014 Bond)
 - » Due 8/01/18-will be remarketed
- Taxable Bond – Career Technical Center \$60,000,000 – (2014 Bonds)
 - » Price in July 2018 and close in August 2018

Recap of Debt Transactions

- Series 2009 Bonds – \$162,650,000 total par
 - » \$40,790,000 eligible for refunding in November 2018 under current Board approved authorization
 - » \$121,860,000 eligible for refunding in May 2019
 - » Administration will monitor market conditions

Commercial Paper Program

- The District established a Commercial Paper Program on Nov. 3, 2016
- Currently, the District has \$6 million outstanding in commercial paper; which when combined with the District's outstanding variable rate bonds, represents approximately 18.04% of total debt outstanding
- The District's currently outstanding commercial paper notes are at rates ranging from 1.81% to 2.67%
- To date, the District has saved approximately \$5.7 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		
5/31/2018	\$ 773,977	\$ 26,206	\$ 800,183	\$ 6,528,687	\$(5,728,504)

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

Weighted Average Analysis

Debt:

Weighted Average Maturity 14.76 years

Assets:

Weighted Average Useful Life 21.13 years

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%.

Strategies to Manage Debt Service Tax Rate

- Maintain debt management strategy
 - » Continue commercial paper program
 - » Refunding of bonds (2009 series and beyond)
 - » Continue variable rate debt program
 - Variable Rate is 18% as of 5/31/2018
 - Limit is 25%
- Future issue structure flexibility
- Utilize debt service fund balance if needed
- Adjust plans based on market conditions

Proposed Debt Service Budget

	2016-17	2017-18	2017-18	2018-19
(\$ Millions)	Actuals	Budget	Estimate	Proposed
Operating Revenues	\$ 105.70	\$ 97.70	\$ 97.70	\$ 99.60
Operating Expenditures	<u>92.70</u>	<u>86.50</u>	<u>88.30</u>	<u>91.20</u>
Other Sources	33.20	149.60	239.50	-
Other Uses	<u>(40.20)</u>	<u>(150.10)</u>	<u>(249.60)</u>	<u>-</u>
Surplus/(Deficit)	<u>6.00</u>	<u>10.70</u>	<u>(0.70)</u>	<u>8.40</u>
Fund Balance - Beginning	59.00	65.00	65.00	64.30
Surplus/(Deficit)	<u>6.00</u>	<u>10.70</u>	<u>(0.70)</u>	<u>8.40</u> *
Fund Balance - Ending	<u>\$ 65.00</u>	<u>\$ 75.70</u>	<u>\$ 64.30</u>	<u>\$ 72.70</u>

* NOTE: The \$8.4 million surplus for 2018-19 will be utilized for the August 2018 debt payments leaving a \$19.3 million fund balance as of 8/31/2018.

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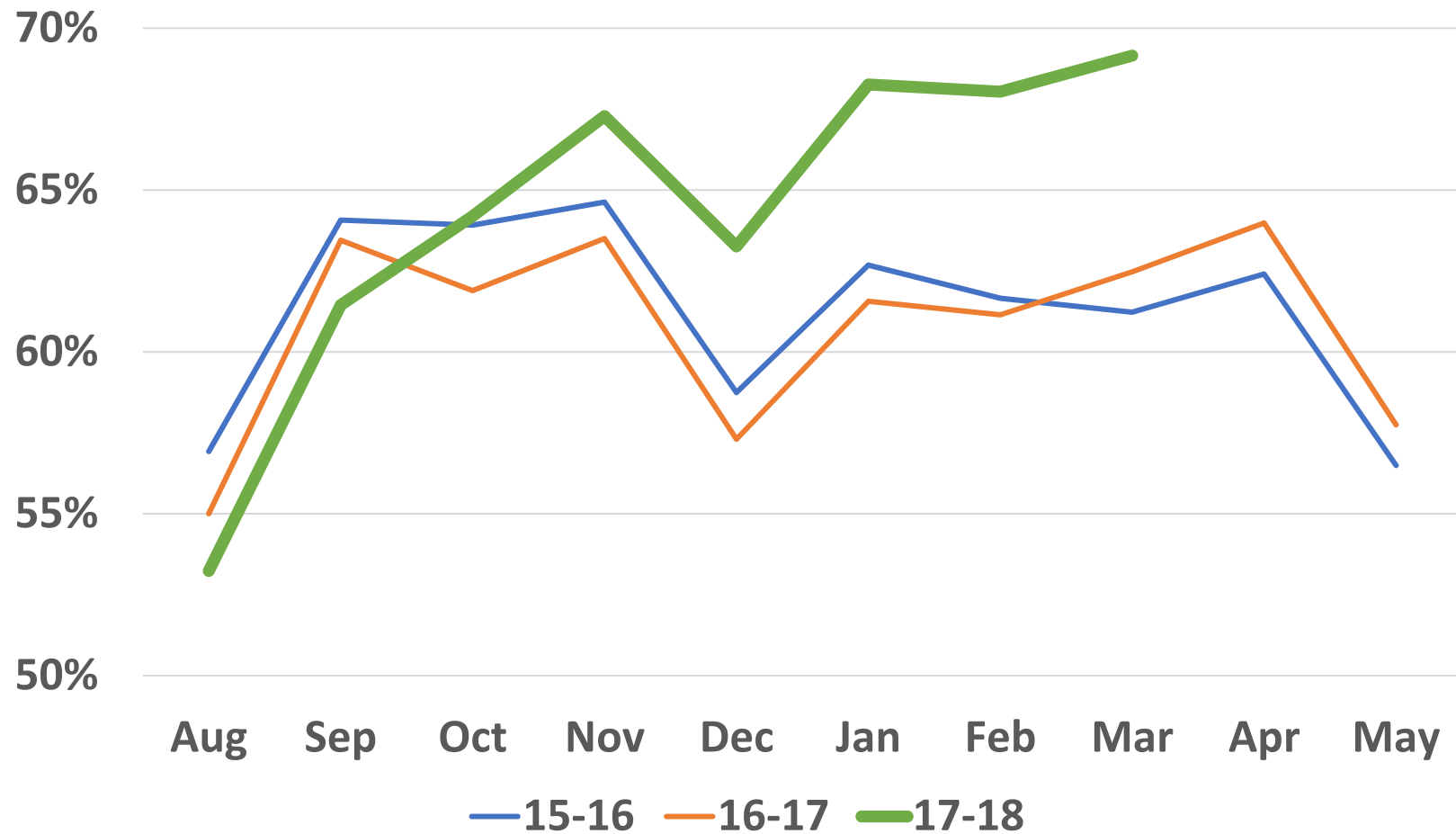


Child Nutrition

Exciting Spring 2018 Changes in Child Nutrition

- Increased Participation by 6.5% in the last three months
- Decreased labor cost by reducing overtime by 35%
- Student Involvement
 - » taste-testing at all grade levels
 - » collaborating with students on special projects
 - » increased involvement in SHAC
- Development of a CND Strategic Plan and handbook
- Analyzing and assessing technology advancements
- Gibson Audit to evaluate potential General Fund cost recovery

Monthly Participation Rates District-Wide



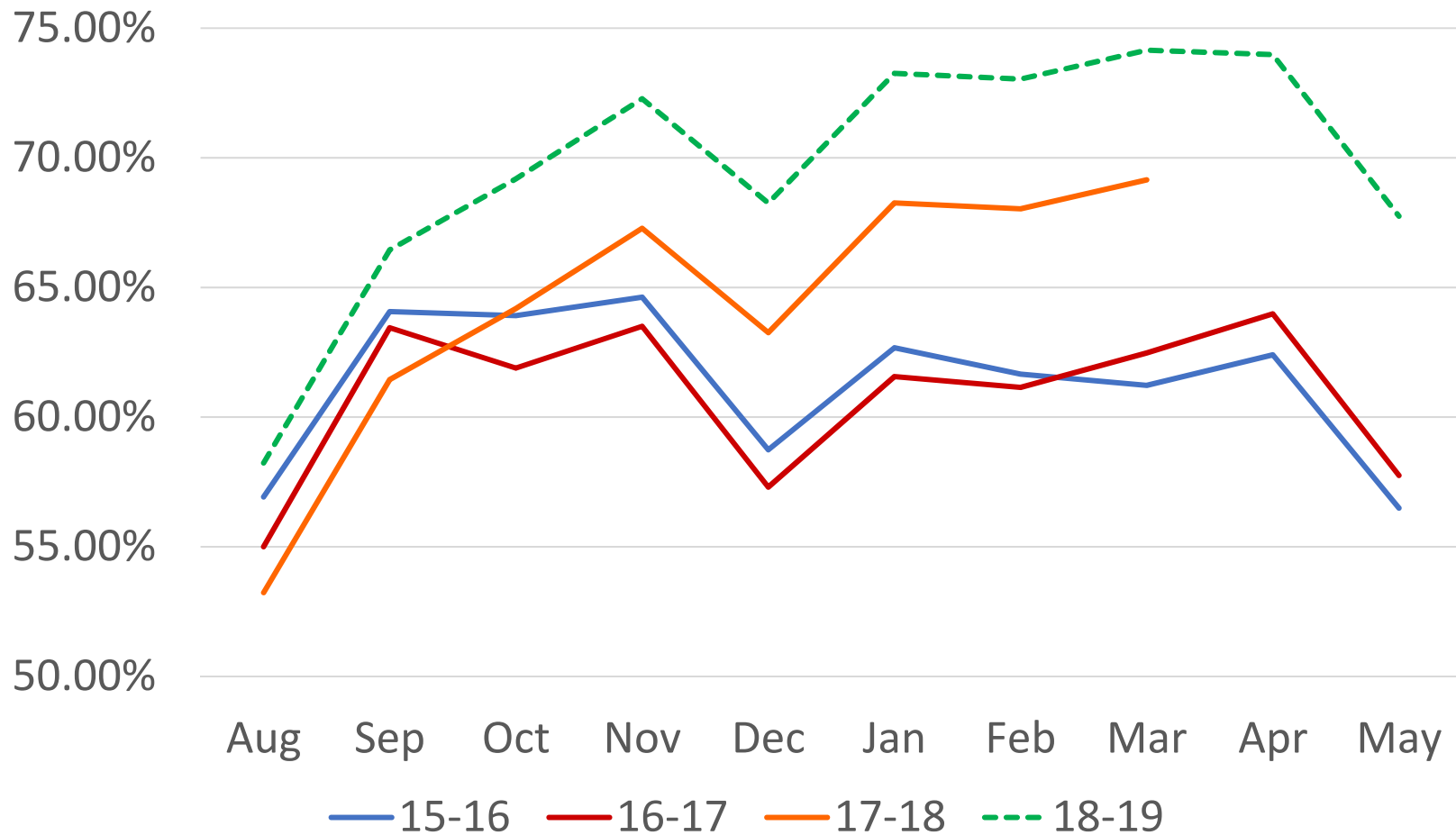
Strategies to Increase Participation

- Replacing paper menus with interactive menu app
 - » Availability of nutrition and allergy information
 - » Feedback from community
 - » Appeals to iGen/Gen Z students
- Quicker line service due to district bar code badge project and efficient line set ups
- Pilot Grab N Go breakfast at 10 universal free breakfast campuses

Strategies to Increase Participation

- Better customer service
- Meaningful student involvement:
 - » Taste testing for menu offerings
 - » Social media marketing
 - » Food trailer pilot
 - » Differentiation based on regional preferences
- New menu offerings, promotions, limited time offerings & faculty specials

Projected Participation Rates District-Wide



Strategies to Decrease Expenditures

- Reducing work calendars to align with industry standard
- Reducing overtime by allowing flexible work schedules
- Utilizing commodity dollars to process items that save labor
- Reducing paper goods costs through cross utilization
- Training staff on efficiency techniques
- Reducing printing costs by implementing digital menu app

Strategies to Improve Staff Recruitment & Retention

- Provide training and certification classes
- Host specialized job fairs
- Modifying pay for position
- Attendance incentives
- Performance competitions
- Customer service training
- Timely processing for position changes
- Routine employee and campus team recognition
- Investments in supplies

Future Outlook: 2019-20 and Beyond

- New Child Nutrition software
 - » Enhanced efficiencies in all department areas
 - » Reduced printing costs
 - » Improved inventory control
 - » Flexibility in menu planning
- Implement capital replacement schedules
- Expand food truck offerings
- Increase Child Nutrition sponsored nutrition education programs
- Improve marketing strategies
 - » Expand social media presence
 - » Partner with students for marketing purposes

Child Nutrition Fund Financial Data

(\$ millions)	2016-17	2017-18	2017-18	2018-19
	Actuals	Year-End Estimate	Year-End w/o Weather Losses	Proposed Budget
Revenues	\$ 25.93	\$ 24.70	\$ 26.20	\$ 29.10
Expenditures	26.35	25.10	25.75	28.10
Surplus/(Deficit)	\$ (0.42)	\$ (0.40)	\$ 0.45	\$ 1.00
Fund Balance - Beginning	4.64	4.22	4.22	3.82
Fund Balance - Ending	<u>\$ 4.22</u>	<u>\$ 3.82</u>	<u>\$ 4.67</u>	<u>\$ 4.82</u>

Lost 12 operating
Days due to weather
(~\$1.5M in revenues)

Free and reduced participation represents 43.9% of total enrollment as of 3/31/18

Upcoming Actions

May

- Renewal/non-renewal approvals
- Call date for budget hearing

June

- Budget adoption
- Final amendment
- Fund balance resolution

July/Aug

- Receive certified tax roll
- Chapter 41 choice selection

2018-19

BUDGET DEVELOPMENT



QUESTIONS?