

# Budget Workshop #4

2021-2022

*Date: June 3, 2021*

*Presenter:*

*Glenn Reed*

*Chief Financial Officer*



# Agenda

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- Funds board must legally adopt
  - General Fund
  - Debt Service Fund
  - Nutrition Service Fund
- Other fund schedules
  - Health Insurance
  - Worker's Compensation and Unemployment
  - Printshop
  - UIL
  - Athletics
  - Alternative Certification Program
  - Special Education Shared Services
  - Medicaid
  - The Marketplace Fund

# 2021-2022 Assumptions

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- Projecting a budget deficit for 2021-2022
- Enrollments:
  - 2020-2021 budget based on – 207,809
  - 2021-2022 – May 19, 2021 – 197,937
- Property Values – received certified estimated values on April 30, 2021
  - 3.23 percent over current values (204B)
    - An increase in values increases recapture, does not provide any significant additional revenues
  - Collection rate 97.80%
    - An increase in collection rate increases recapture, does not provide any significant additional revenues
- Maintenance & Operations (M&O) tax rate
  - 2020-2021 current rate is 0.9664
  - Based on 0.9617 (reduced due to increase in values)
  - TEA will notify districts of their maximum tax rate in late summer 2021 based on certified values and surveys of districts.
- No COVID costs included in the general fund – expect ESSER to be able to cover these future costs.

# General Fund 2021-2022

## REVENUES

	General Fund
Property taxes	\$ 1,895,069,877
Earnings on investments	2,200,000
Miscellaneous local sources	9,453,620
State sources	157,174,069
Federal sources	17,230,000
Total revenues	<u>\$ 2,081,127,566</u>

## APPROPRIATIONS

11	Instruction	\$ 1,135,700,518
12	Instructional resources and media services	8,877,520
13	Curriculum development and instructional staff development	35,962,547
21	Instructional leadership	25,134,311
23	School leadership	148,669,010
31	Guidance, counseling, and evaluation services	65,403,532
32	Social work services	19,275,453
33	Health services	22,518,241
34	Student (pupil) transportation	59,893,990
35	Food services	-
36	Co-curricular/extracurricular activities	11,269,840
41	General administration	40,251,576
51	Facilities maintenance and operations	205,844,817
52	Security and monitoring services	28,026,356
53	Data processing services	62,405,029
61	Community services	2,794,599

# General Fund 2021-2022

91	Contracted instructional services between public schools	213,265,281
95	Juvenile justice alternative education program	792,000
97	Payments to tax increment fund	69,106,766
99	Tax appraisal and collection	16,108,790
	Debt service	
71	Principal	14,500,000
71	Interest and fiscal charges	750,000
81	Capital outlay	-
	Total expenditures	<u>2,186,550,176</u>
	Excess (deficiency) of revenues over (under) expenditures	<u>(105,422,610)</u>
	<b>OTHER FINANCING SOURCES (USES)</b>	
	Transfers in	20,000,000
	Capital Leases	22,366,685
	Transfers out	<u>(19,020,390)</u>
	Total other financing sources (uses)	<u>23,346,295</u>
	Net change in fund balances	(82,076,315)
	Estimated fund balance—beginning	769,293,013
	Estimated balance—ending	<u>\$ 687,216,698</u>

# General Fund Budget Distribution

Including Recapture				
Area	2019	2020	2021	2022
Schools	53%	60%	60%	53%
Departments	17%	21%	22%	21%
District-wide	16%	20%	18%	16%
Recapture	13%	0%	0%	10%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Excluding Recapture				
Area	2019	2020	2021	2022 <sup>(2)</sup>
Schools	61%	60%	60%	58%
Departments	20%	21%	22%	23%
District-wide	18%	20%	18%	18%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note 1: Department increase primarily due to the minimum hourly increase to \$14 per hour, return of transportation cut from FY2017, Special Education, Fine Arts, and Technology contracts.

Note 2: The increase in departments for FY2022 is due to the increases for Special Education, Custodial Services moving from a vendor to HISD staffing, device maintenance and support for COVID purchases, and Verizon Innovative Learning Support.

# General Fund Operational and Pupil Services

Chief	Operational	Pupil Services	Total
Schools	\$ -	\$ 1,162,999,564	\$ 1,162,999,564
Districtwide Services	149,958,525	213,508,687	363,467,213
Recapture	213,265,281	-	213,265,281
Chief Operating Officer	102,392,975	86,628,320	189,021,295
Chief Academic Officer	40,893,805	60,466,039	101,359,843
Chief Technology Information Officer	65,032,753	-	65,032,753
Chief Strategy and Innovation	23,513,362	23,074,854	46,588,216
Chief of Police	11,376,210	7,324,567	18,700,777
Chief Financial Officer	13,352,897	-	13,352,897
Chief Human Resources Officer	9,249,714	1,989,844	11,239,558
Area Offices	7,149,876	65,668	7,215,544
General Counsel	5,099,033	-	5,099,033
Chief Communications Officer	2,822,194	-	2,822,194
Chief Audit Executive	2,537,065	-	2,537,065
Chief of Staff	2,306,072	-	2,306,072
Superintendent	563,261	-	563,261
<b>Total</b>	<b>\$ 650,013,347</b>	<b>\$ 1,555,557,219</b>	<b>\$ 2,205,570,566</b>

# General Fund Operational and Pupil Services - Examples

Chief	Pupil Service Examples
Chief Operating Officer	<ul style="list-style-type: none"><li>• Custodians and custodial supplies</li><li>• Bus driver's transportation of students to and from school.</li></ul>
Chief Academic Officer	<ul style="list-style-type: none"><li>• Special Ed Positions not assigned to specific campuses</li><li>• Dyslexia not assigned to a specific campus</li><li>• Momentum Academy</li><li>• On-time Academy</li><li>• Vision Program</li><li>• Deaf Program</li><li>• Curriculum</li></ul>
Chief Strategy and Innovation	<ul style="list-style-type: none"><li>• College and Career Readiness Advisors and staff not assigned to a specific campus</li><li>• Wraparound Services</li><li>• CTE campus program supports</li></ul>
Chief of Police	<ul style="list-style-type: none"><li>• Police Officers assigned to campuses</li></ul>



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# Debt Service and Nutrition Services

# Debt Service Fund

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- Fund pays back the district's principal and interest on long-term, general debt obligations.
- Primary source of revenues – Property Taxes
- Proposed Interest & Sinking (I&S) tax rate - 0.1667
  - This is the same tax rate as prior year
- Current bond ratings:
  - Moody's: Aaa (highest possible rating)
  - Standard and Poor's: AA+
- Current total outstanding bonded debt - \$2,452,740,072

# Debt Service Fund

<b>REVENUES</b>		<b>Debt Service</b>
Property taxes		\$ 327,542,527
Earnings on investments		40,000
State sources		2,000,000
Total revenues		<u>\$ 329,582,527</u>
<b>APPROPRIATIONS</b>		
71 Principal		233,225,073
71 Interest and fiscal charges		122,750,925
81 Capital outlay		-
Total expenditures		<u>355,975,998</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(26,393,471)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in		<u>26,744,350</u>
Total other financing sources (uses)		<u>26,744,350</u>
Net change in fund balances		350,879
Estimated fund balances—beginning		113,274,634
Estimated Fund balances—ending		<u><u>\$ 113,625,513</u></u>

# Nutrition Services Fund

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- Accounts for the district's Child Nutrition Program costs.
- Primary sources of revenues – federal reimbursement and USDA commodities.
- Reimbursements administered through Texas Department of Agriculture
- Anticipated to serve over 40,000,000 meals in 2021-2022
- All meals served at no charge through USDA Community Eligibility Program (CEP)
- Includes reimbursement programs for dinner and summer site-based feeding

# Nutrition Services Fund

<b>REVENUES</b>		<b>Nutrition Services</b>
	Earnings on investments	15,000
	Miscellaneous local sources	16,009
	State sources	537,594
	Federal sources	137,631,368
	Total revenues	\$ 138,199,971
<b>APPROPRIATIONS</b>		
35	Food services	135,619,794
51	Facilities maintenance and operations	1,311,504
	Total expenditures	136,931,298
	Excess (deficiency) of revenues over (under) expenditures	1,268,673
<b>OTHER FINANCING SOURCES (USES)</b>		
	Transfers in	2,647,890
	Total other financing sources (uses)	2,647,890
	Net change in fund balances	3,916,563
	Estimated fund balances—beginning	-
	Estimated Fund balances—ending	\$ 3,916,563

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# Internal Service Funds

# Internal Service Fund Purposes

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- **Health Insurance Fund** is used to account for the health insurance plan administered by the district. The plan is a premium based plan requiring the district and its employees to share the cost.
- **Workers Compensation and Unemployment Fund** is used to account for risk financing activities related to the Workers' Compensation Program and for payment of unemployment claims.
- **Print Shop** is used to account for all mail services, printing, copying and distribution activities of the district's print shop.
- **UIL Fund** is used to account for UIL academic activities.

# Internal Service Fund Purposes

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- **Athletics Fund** is used to account for cost of the district's Athletic program which encompasses the educational, social, moral and athletic skills of the student athlete.
- **Alternative Certification Fund** is used to account for the recruiting, training, and supporting of qualified, degreed professional's costs for those that wish to earn their teacher certification through this alternative method.
- **Shared Services Fund** is used to account for school special education support services.



# Internal Service Fund Schedules

	Health Insurance Fund	Workers' Compensation & Unemployment Fund	Print Shop Fund	UIL Fund	Athletics Fund	Alternative Certification Fund	Shared Services Fund	Total Internal Service Fund Types
<b>OPERATING REVENUES</b>								
Charges for sales and services:								
Sales to Customers	\$ -	\$ -	\$ 9,440,740	\$ -	\$ -	\$ 352,640	\$ -	\$ 9,793,380
Charges to employees or other funds	170,495,000	8,336,060	-	980,304	6,019,080	506,625	7,195,318	193,532,387
Miscellaneous	13,512,000	-	70	-	22,690	4,810	-	13,539,570
Total operating revenues	<u>184,007,000</u>	<u>8,336,060</u>	<u>9,440,810</u>	<u>980,304</u>	<u>6,041,770</u>	<u>864,075</u>	<u>7,195,318</u>	<u>216,865,337</u>
<b>OPERATING EXPENSES:</b>								
Payroll	1,625,370	1,430,904	1,554,697	561,921	2,981,250	526,210	7,974,150	16,654,502
Contracted Services	190,172,090	5,552,480	5,837,895	170,000	1,328,900	200	-	203,061,565
Supplies and Materials	8,585	31,649	1,129,946	53,373	593,730	3,600	-	1,820,883
Other Operating	13,229	1,653,004	671,583	206,890	857,150	16,000	-	3,417,856
Depreciation	-	-	-	-	-	-	-	-
Total operating expenses	<u>191,819,274</u>	<u>8,668,037</u>	<u>9,194,121</u>	<u>992,184</u>	<u>5,761,030</u>	<u>546,010</u>	<u>7,974,150</u>	<u>224,954,806</u>
Operating income (loss)	<u>(7,812,274)</u>	<u>(331,977)</u>	<u>246,689</u>	<u>(11,880)</u>	<u>280,740</u>	<u>318,065</u>	<u>(778,832)</u>	<u>(8,089,469)</u>
<b>NONOPERATING REVENUES:</b>								
Earnings on investments	43,920	82,370	2,650	11,880	47,210	5,300	-	193,330
Total nonoperating revenue	<u>43,920</u>	<u>82,370</u>	<u>2,650</u>	<u>11,880</u>	<u>47,210</u>	<u>5,300</u>	<u>-</u>	<u>193,330</u>
Change in net position	<u>(7,768,354)</u>	<u>(249,607)</u>	<u>249,339</u>	<u>-</u>	<u>327,950</u>	<u>323,365</u>	<u>(778,832)</u>	<u>(7,896,139)</u>
Total net position—beginning	39,263,793	35,879,094	2,625,622	792,279	2,479,426	695,366	2,622,957	84,358,537
Total net position—ending	<u>\$ 31,495,439</u>	<u>\$ 35,629,487</u>	<u>\$ 2,874,961</u>	<u>\$ 792,279</u>	<u>\$ 2,807,376</u>	<u>\$ 1,018,731</u>	<u>\$ 1,844,125</u>	<u>\$ 76,462,398</u>

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# Enterprise Funds

# Enterprise Fund Descriptions

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- **Medicaid Fund** is used to account for the financial operation of special reimbursement programs(Medicaid) offered by the district and Medicaid financial advisory services offered to other school districts.
- **The Marketplace Fund** is used to account for the financial operation of the Hattie Mae White Educational Support Center Starbucks coffee shop and grab-n-go service.

# Enterprise Fund Schedules

	Medicaid Fund	The Marketplace	Total Other Enterprise Fund Types
<b>OPERATING REVENUES:</b>			
Sales to Customers	\$ -	\$ 97,617	\$ 97,617
Consulting services	2,275,000	-	2,275,000
Total operating revenues	<u>2,275,000</u>	<u>97,617</u>	<u>2,372,617</u>
<b>OPERATING EXPENSES:</b>			
Payroll	3,472,066	38,140	3,510,206
Contracted Services	3,887,850	544	3,888,394
Supplies and Materials	318,057	52,263	370,320
Other Operating	863,102	3,511	866,613
Depreciation	50,666	-	50,666
Total operating expenses	<u>8,591,741</u>	<u>94,458</u>	<u>8,686,199</u>
Operating income (loss)	<u>(6,316,741)</u>	<u>3,159</u>	<u>(6,313,582)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Earnings on investments	150,000	43	150,043
School health services (SHARS)	30,325,521	-	30,325,521
Total nonoperating revenue	<u>30,475,521</u>	<u>43</u>	<u>30,475,564</u>
Income (loss) before transfers	<u>24,158,780</u>	<u>3,202</u>	<u>24,161,982</u>
Transfers out	<u>(20,000,000)</u>	<u>-</u>	<u>(20,000,000)</u>
Change in net assets	<u>4,158,780</u>	<u>3,202</u>	<u>4,161,982</u>
Fund balances, beginning	30,174,537	-	30,174,537
Fund balances, ending	<u>\$ 34,333,317</u>	<u>\$ 3,202</u>	<u>\$ 34,336,519</u>

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# Wrap-up

# Workshop Wrap-up

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- District must publish the “Notice of Public Meeting to Discuss Budget and Proposed Tax Rate” in the newspaper no later than 30 days and no less than 10 days prior to the meeting.
  - This was published on May 28, 2021, in the Houston Chronicle
- District must also publish the “Web Posting” of the current proposed budget for 2021-2022 and the current budget for 2020-2021 on the district’s website.
  - This was also published on the district’s website on May 28, 2021 for the General Fund, Debt Service Fund and Nutrition Services Fund.
- Board must adopt the General Fund, Debt Service Fund, and Nutrition Services Fund by function no later than June 30<sup>th</sup> each year before funds may be spent on July 1<sup>st</sup> for the new fiscal year.
- Public Meeting to Discuss Budget and Proposed Tax Rate is at 4:00 p.m. on June 10, 2021.
- Budget adoption is at the regular board meeting at 5:00 p.m. on June 10, 2021

# Public Meeting and Budget Adoption June 10, 2021 Thank you

