

Budget Workshop

Date: 06/04/2020

Presenter: Office of Finance



Agenda

- Changes since last budget workshop
- Salary Proposal Changes
- Updated 2020-2021 Financial Analysis
- Capital, Internal Service and Proprietary Funds
- Special Revenue Planning Amounts
- Summary

2020-21 Budget

- Presenting a balanced budget for 2020-2021
- Taking a cautious approach to 2020-2021 due to COVID-19 and in preparation of 2021-2022
- Salary proposal reduced to
 - Employees on the Teacher Step Scale
 - Police Officers

Changes since last budget workshop

- CARES Act allocations released
 - Not new funding to the district
 - Will be used as the ADA hold harmless for school districts.
 - Districts will be funded for the first four-week periods ADA.
 - PEIMS ADA will then be adjusted downward for historical changes for the last two six week periods.
 - TEA will then adjust the Final ADA number by an amount equal to our CARES Act allocation, net of amounts for equitable services due to Private Non-Profits.

Changes since last budget workshop

- Concerns driving change in proposal
 - District will not have any CARES Act funding to fill in any needs for 2020-2021
 - PPE
 - Cleaning supplies and cleaning schedules
 - Student devices and hotspots
 - Other COVID-19 related costs
 - **NOT built into the current 2020-2021 budget.**
 - Potential for additional reduction in the district's taxable value and tax collection rate
 - Continued closing of businesses
 - Unemployment
 - How both could be impacted by another fall/winter spike in COVID-19 causing closures of businesses and the district again.

Changes since last budget workshop

- Funds reliant on sales
 - Nutrition Services
 - Hattie Mae's Cafeteria
 - Print Shop

Changes since last budget workshop

- Nutrition Services

- Funded primarily on meals served
- Also have revenues from ala carte items
- Significant meals served losses will exhaust Nutrition Services fund balance.
- Expected to lose over \$21 million in 2020-2021
- Meals served in brick and mortar, in classroom, or curbside. Expect that the number of meals served will decline in order respectively based on how meals are served.
- Options:
 - Continue to pay employees and supplement from the general fund any deficit.
 - Layoffs/furloughs
- **NOT built into the current 2020-2021 budget.**

Changes since last budget workshop

- Printshop and Hattie Mae's
 - Based on sales of products
 - The more days the district is closed these areas lose sales
 - Options:
 - Continue to pay employees and supplement from the general fund any deficit.
 - Layoff/furloughs
 - **NOT built into the current 2020-2021 budget.**

Changes since last budget workshop

- 2021-2022 and 2022-2023 budget
 - Potential decline in 2021 tax roll values
 - Potential for state budget cuts to public education (not currently being proposed by the state)
 - A 2020-2021 budget deficit of \$18 million means any cuts/layoffs needed for 2021-2022 will be \$18 million higher
 - Expect vacancy fallout to decline in 2021-2022 as schools and departments will cut vacancies first, therefore vacancies cannot be relied upon to cover a deficit in 2021-2022.

Budget Workshop

Salary Proposal Changes

2020-2021 Teacher-Other Job Titles

- Employees on the Teacher and Teacher Other step salary tables receive (\$6 million):
 - Step
 - Social Workers moved to Teacher Step Schedule

Teacher-Other Job Titles		
Chair-SPED	Librarian	Literacy Coach
Nurse	Dyslexia Interventionist	Coordinators
Teacher Specialist	Speech Therapist	Registrar
Social Workers (Added)		

2020-2021 Salary & Benefits Proposal

- Police Officers pay based on experience including Texas Commission on Law Enforcement (TCOLE) (\$3.5 million).
- Employer increase of \$9.3 million to employee health insurance from the General Fund
 - No Employee health insurance plan rate increases for 2021
 - Current employee contribution about \$30 million or 18% of the plan.
 - District has increased the employer portion by over \$40 million over the past 5 years; employees have declined about \$8 million.
 - Without the 2020-2021 employer contribution employee rates would increase by 30 percent.

Budget Workshop

2020-2021

2020-2021 Updated Assumptions

- Presenting a balanced budget
- Property Value Increase
 - Taxable value increase of 5%
 - Collection rate of 97%
 - Certified estimates are based on January 2020 value
- Maintenance & Operations (M&O) tax rate
 - 2019-2020 current rate is \$0.97
 - 2020-2021 based on \$0.9510 (includes the additional golden penny)
 - Generates about \$24 million, currently allocated to salary increases
 - Assumes unanimous vote of the additional golden penny in September/October 2020
 - TEA will notify districts of their maximum tax rate in late summer 2020 based on certified values and surveys of districts.

2020-2021 Updated Assumptions

- Originally projected enrollment of 209,309 – flat from 2019-2020 snapshot.
 - Updated to 207,809 (1,500 fewer students from 2019-2020 snapshot)
- First year of excess revenue (old recapture) under HB3 with these assumptions – approximately \$12 million
- \$170 increase over 2019-2020 in Per Unit Allocation (PUA) for average salary increase.
- No increase over 2019-2020 in student weights.

2020-2021 Additional Golden Penny

Reminder

“Golden Penny” – Pennies in the tax rate that are not subject to recapture and are guaranteed to yield at least \$98.56 per penny of tax effort. This generates our Tier II State Funding.

The 2021-2022 budget includes one “Golden Penny” that is accessible only in 2020-2021 by unanimous vote of the board when adopting the tax year 2020 tax rate in September / October 2020.

This additional “Golden Penny” can only be accessed in future years via a Tax Ratification Election (TRE)

If there isn't a unanimous vote of the board for the 2020 tax rate that includes the additional “Golden Penny” the district will have a \$24 million budget deficit.

2020-2021 Financial Changes

Changes since May 21, 2020 Workshop

2020-2021

Revenue Changes

Budget deficit May 21, 2020

\$ (18,951,601)

No change

\$ -

Decrease in revenues

\$ -

Appropriation Changes

Decrease in salary proposal

\$ 16,645,774

Decrease in budget for vacant positions

2,305,827

Decrease in appropriations

\$ 18,951,601

Operational budget deficit May 21, 2020

\$ -

2020-2021 Financial Analysis

	2020-2021 May 7, 2020	2020-2021 May 21, 2020
Revenues and Resources		
5700-Local Sources	\$ 1,785,542,493	\$ 1,785,542,493
5800-State Sources	166,787,686	166,787,686
5900-Federal Sources	19,724,182	19,724,182
7900-Other Sources	22,500,000	22,500,000
Total Revenues	\$ 1,994,554,361	\$ 1,994,554,361
Beginning Appropriations	\$ 1,963,877,171	\$ 1,963,877,171
Change in excess revenue payment	\$ 12,083,891	\$ 12,083,891
Teacher Step and Police Officers	26,236,534	9,590,760
District Health Insurance Contribution	9,300,000	9,300,000
Retention Stipends	(1,084,000)	(1,084,000)
Salary and Benefit Package	\$ 34,452,534	\$ 17,806,760

2020-2021 Financial Analysis

	2020-2021 May 7, 2020	2020-2021 May 21, 2020
Required Increases / Decreases		
Capital Lease Recognition	(15,089,788)	(15,089,788)
College, Career, Military Readiness (CCMR)	(1,056,471)	(1,056,471)
Transfers Out for Debt Service	(2,685,625)	(2,685,625)
IT Maintenance/Software Contracts	2,371,059	2,371,059
SAT reimbursement	189,000	189,000
CTE Certification reimbursement	367,028	367,028
Property, Liability, Auto Insurance	2,500,000	2,500,000
Self Insurance	1,000,000	1,000,000
Harris County Appraisal District (HCAD)	1,157,402	1,157,402
Charter School Enrollment Increase	5,700,000	5,700,000
Tax Increment Reinvestment Zone (TIRZ)	1,539,766	1,539,766
Campus Enrollment Increase	3,358,555	3,358,555
Career & Technology Allotment- Middle School	1,384,873	1,384,873
State Compensatory Education (SCE) compliance	7,049,422	7,049,422
Early Education Allotment compliance	24,300,000	24,300,000
Total Required Increases / Decreases	\$ 32,085,221	\$ 32,085,221

2020-2021 Financial Analysis

	2020-2021 May 7, 2020	2020-2021 May 21, 2020
Other Increases		
Verizon Innovative Learning Support	864,527	864,527
Liberty HS lease, maintenance, and custodial	455,922	455,922
Family & Community Engagement	387,762	387,762
Federal & State Compliance	472,368	472,368
Chief Audit Executive	229,021	229,021
Total Other Increases	\$ 2,409,600	\$ 2,409,600
Decreases		
Vacant Salaries	\$ (5,000,000)	\$ (7,305,827)
Utilities	(2,000,000)	(2,000,000)
LBB Recommendation 1	(412,078)	(412,078)
LBB Recommendation 39	(145,676)	(145,676)
Reduction in temporary assignment positions (vacancies)	(835,077)	(835,077)
District-wide Benefits (Medicare, Workers' Comp)	(1,000,000)	(1,000,000)
District-wide long-term subs (fallout)	(3,400,000)	(3,400,000)
Total Decreases	\$ (12,792,831)	\$ (15,098,658)

2020-2021 Financial Analysis

	2020-2021 May 7, 2020	2020-2021 May 21, 2020
One-Year Funding Items		
Compensation Study from 2019-2020	\$ (175,000)	\$ (175,000)
Total One-Year Funding Items	<u>\$ (175,000)</u>	<u>\$ (175,000)</u>
 Total Appropriations and Transfers Out Before COVID-19 Expenditures	 <u>\$ 2,031,940,587</u>	 <u>\$ 2,012,988,986</u>
 Budget Surplus/(Deficit)	 <u>\$ (37,386,226)</u>	 <u>\$ (18,434,625)</u>
 Use of assigned fund balance for North Forest construction	 18,434,625	 18,434,625
 Net Budget Surplus/(Deficit)	 <u>\$ (18,951,601)</u>	 <u>\$ -</u>

Budget Workshop

2020-2021 Budget Adoption Funds

2020-2021 Budget Adoption Funds

REVENUES

	General Fund	Debt Service	Nutrition Services
Property taxes	\$ 1,771,575,694	\$ 309,558,116	\$ -
Earnings on investments	5,000,000	400,000	112,500
Miscellaneous local sources	8,966,799	-	-
State sources	166,787,686	2,300,000	585,000
Federal sources	19,724,182	-	104,924,484
Total revenues	<u>\$ 1,972,054,361</u>	<u>\$ 312,258,116</u>	<u>\$ 105,621,984</u>

APPROPRIATIONS

11	Instruction	\$ 1,140,996,889	\$ -	\$ -
12	Instructional resources and media services	10,028,295	-	-
13	Curriculum development and instructional staff development	35,377,872	-	-
21	Instructional leadership	27,142,500	-	-
23	School leadership	150,421,575	-	-
31	Guidance, counseling, and evaluation services	63,661,678	-	-
32	Social work services	17,684,166	-	-
33	Health services	21,618,499	-	-
34	Student (pupil) transportation	61,874,862	-	-

2020-2021 Budget Adoption Funds

	General Fund	Debt Service	Nutrition Services
35 Food services	-	-	120,337,264
36 Co-curricular/extracurricular activities	13,016,782	-	-
41 General administration	39,414,051	-	-
51 Facilities maintenance and operations	199,280,849	-	762,110
52 Security and monitoring services	28,138,788	-	-
53 Data processing services	56,155,573	-	-
61 Community services	2,991,987	-	-
91 Contracted instructional services between public schools	12,083,891	-	-
95 Juvenile justice alternative education program	792,000	-	-
97 Payments to tax increment fund	63,066,742	-	-
99 Tax appraisal and collection	16,505,000	-	-
Debt service			
71 Principal	14,500,000	233,331,456	-
71 Interest and fiscal charges	750,000	127,126,590	-
81 Capital outlay	37,848	-	-
Total expenditures	1,975,539,846	360,458,046	121,099,374
Excess (deficiency) of revenues over (under) expenditures	(3,485,485)	(48,199,930)	(15,477,390)

2020-2021 Budget Adoption Funds

	General Fund	Debt Service	Nutrition Services
OTHER FINANCING SOURCES (USES)			
Transfers in	22,500,000	42,788,700	2,647,890
Capital Leases		-	-
Transfers out	(37,449,140)	-	-
Total other financing sources (uses)	<u>(14,949,140)</u>	<u>42,788,700</u>	<u>2,647,890</u>
Net change in fund balances	(18,434,625)	(5,411,230)	(12,829,500)
Estimated fund balances—beginning	878,463,630	110,385,975	13,318,691
Estimated Fund balances—ending	<u>\$ 860,029,005</u>	<u>\$ 104,974,745</u>	<u>\$ 489,191</u>

Note: \$18,434,625 of the General Fund net change in fund balances is from the planned use of the assigned fund balance for North Forest Construction Projects.

Budget Workshop

Capital, Internal Service and Enterprise Funds

2020-2021 Capital Projects Fund

REVENUES

Earnings on investments	\$ 3,449,578
Miscellaneous local sources	31,085,797
Total revenues	<u>34,535,375</u>

APPROPRIATIONS

81 Facilities acquisition and construction	176,835,375
Total expenditures	<u>176,835,375</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(142,300,000)</u>

OTHER FINANCING SOURCES (USES)

Transfers in	-
Transfers out	<u>(7,987,450)</u>
Total other financing sources (uses)	<u>(7,987,450)</u>
Net change in fund balances	<u>(150,287,450)</u>
Estimated fund balances-beginning	307,582,019
Estimated fund balances-ending	<u><u>\$ 157,294,569</u></u>

2020-2021 Internal Service Funds

	Health Insurance Fund	Workers' Compensatio n Fund	Print Shop Fund	UIL Fund	Athletics Fund	Alternative Certificatio n Fund	Shared Services Fund	Total Internal Service Fund Types
OPERATING REVENUES								
Charges for sales and services:								
Sales to Customers	\$ -	\$ -	\$ 8,931,232	\$ -	\$ -	\$ 327,847	\$ -	\$ 9,259,079
Charges to employees or other funds	163,004,368	6,246,663	60,000	1,022,144	6,536,827	424,043	7,127,318	184,421,363
Miscellaneous	9,354,000	140,000	1,600	-	-	27,470	-	9,523,070
Total operating revenues	<u>172,358,368</u>	<u>6,386,663</u>	<u>8,992,832</u>	<u>1,022,144</u>	<u>6,536,827</u>	<u>779,360</u>	<u>7,127,318</u>	<u>203,203,512</u>
OPERATING EXPENSES:								
Payroll	1,492,081	1,569,747	1,431,100	561,718	3,080,500	538,261	6,938,697	15,612,103
Contracted Services	172,536,046	6,347,702	6,747,675	165,000	1,399,400	1,700	501,699	187,699,222
Supplies and Materials	8,175	18,960	851,707	72,900	484,300	8,202	7,892	1,452,136
Other Operating	17,220	526,604	2,350	224,476	759,901	25,915	1,834	1,558,300
Depreciation	-	-	-	-	-	-	-	-
Total operating expenses	<u>174,053,522</u>	<u>8,463,012</u>	<u>9,032,832</u>	<u>1,024,094</u>	<u>5,724,101</u>	<u>574,078</u>	<u>7,450,121</u>	<u>206,321,761</u>
Operating income (loss)	<u>(1,695,154)</u>	<u>(2,076,349)</u>	<u>(40,000)</u>	<u>(1,950)</u>	<u>812,726</u>	<u>205,282</u>	<u>(322,803)</u>	<u>(3,118,249)</u>
NONOPERATING REVENUES:								
Earnings on investments	256,962	296,000	40,000	1,950	-	-	-	594,912
Total nonoperating revenue	<u>256,962</u>	<u>296,000</u>	<u>40,000</u>	<u>1,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>594,912</u>
Change in net position	<u>(1,438,192)</u>	<u>(1,780,349)</u>	<u>(0)</u>	<u>-</u>	<u>812,726</u>	<u>205,282</u>	<u>(322,803)</u>	<u>(2,523,337)</u>
Total net position—beginning	36,318,199	33,370,552	998,212	554,284	2,040,168	449,940	4,422,244	78,153,600
Total net position—ending	<u>\$ 34,880,007</u>	<u>\$ 31,590,203</u>	<u>\$ 998,212</u>	<u>\$ 554,284</u>	<u>\$ 2,852,894</u>	<u>\$ 655,222</u>	<u>\$ 4,099,440</u>	<u>\$ 75,630,263</u>

2020-2021 Proprietary Funds

	Medicaid Fund	The Marketplace	Total Other Enterprise Fund Types
OPERATING REVENUES:			
Charges for sales and services			
Sales to Customers	\$ -	\$ 414,871	\$ 414,871
Total operating revenues	<u>1,920,970</u>	<u>414,871</u>	<u>2,335,841</u>
OPERATING EXPENSES:			
Payroll	3,388,158	147,154	3,535,312
Contracted Services	3,887,850	7,425	3,895,275
Supplies and Materials	343,057	253,859	596,916
Other Operating	949,222	11,848	961,070
Depreciation	<u>50,666</u>	<u>-</u>	<u>50,666</u>
Total operating expenses	<u>8,618,953</u>	<u>420,286</u>	<u>9,039,239</u>
Operating income (loss)	<u>(6,697,983)</u>	<u>(5,415)</u>	<u>(6,703,398)</u>
NONOPERATING REVENUES (EXPENSES)			
Earnings on investments	50,000	5,415	55,415
School health services (SHARS)	<u>23,387,384</u>	<u>-</u>	<u>23,387,384</u>
Total nonoperating revenue	<u>23,437,384</u>	<u>5,415</u>	<u>23,442,799</u>
Income (loss) before transfers	<u>16,739,401</u>	<u>-</u>	<u>16,739,401</u>
Change in net assets	<u>(5,760,599)</u>	<u>-</u>	<u>(5,760,599)</u>
Fund balances, beginning	20,293,492	-	20,293,492
Fund balances, ending	<u>\$ 14,532,893</u>	<u>\$ -</u>	<u>\$ 14,532,893</u>

Special Revenue Schedule

2020-2021 Special Revenue Planning Amounts

	2020-2021
LOCAL	
Houston Endowment Inc.	\$ 3,690,000
Special Ed. Local*	3,206,791
The Super School Project	1,999,665
Total local	<u>8,896,456</u>
STATE	
Instructional Materials Allotment**	24,279,719
Special Ed. - State Programs*	1,849,206
Total state	<u>26,128,925</u>

2020-2021 Special Revenue Planning Amounts

FEDERAL	2020-2021
Title I - Part A	119,189,058
Special Education-IDEA B	40,382,002
Title II - Part A	10,054,490
Title III - Part A - LEP	6,520,550
TTIPS	463,602
Title IV- Part A	8,025,468
Special Ed. Shared Services*	278,282
Carl Perkins	2,959,640
21st Century	1,500,000
Title III - Immigrant	1,842,314
Title I - Migrant	224,331
Special Ed. - Preschool	546,779
Title I - Part D	117,592
Total federal	<u>192,104,108</u>
Total Planning Amounts	<u><u>\$ 227,129,489</u></u>

Summary

Summary

- Presenting a balanced budget for 2020-2021
- Taking a cautious approach to 2020-2021 due to COVID-19 and in preparation of 2021-2022
- Salary proposal reduced to
 - Employees on the Teacher Step Scale
 - Police Officers
- Additional “Golden Penny” requirements
- Budget Adoption Funds reviewed
- Capital, Internal Service and Proprietary Funds reviewed

***Public Hearing on
Budget and Tax Rate
and
Budget Adoption
June 11, 2020***

