

Budget Workshop No. 6

FY 2018-2019 Budget

Date: June 04, 2018
Presenter: Finance



Agenda

- Property Values & Enrollment
- General Fund Revenues and Appropriations
- Revenue Assumptions
- Budget Breakdown
- Department Cuts
- Budget Adoption
- Future Challenges

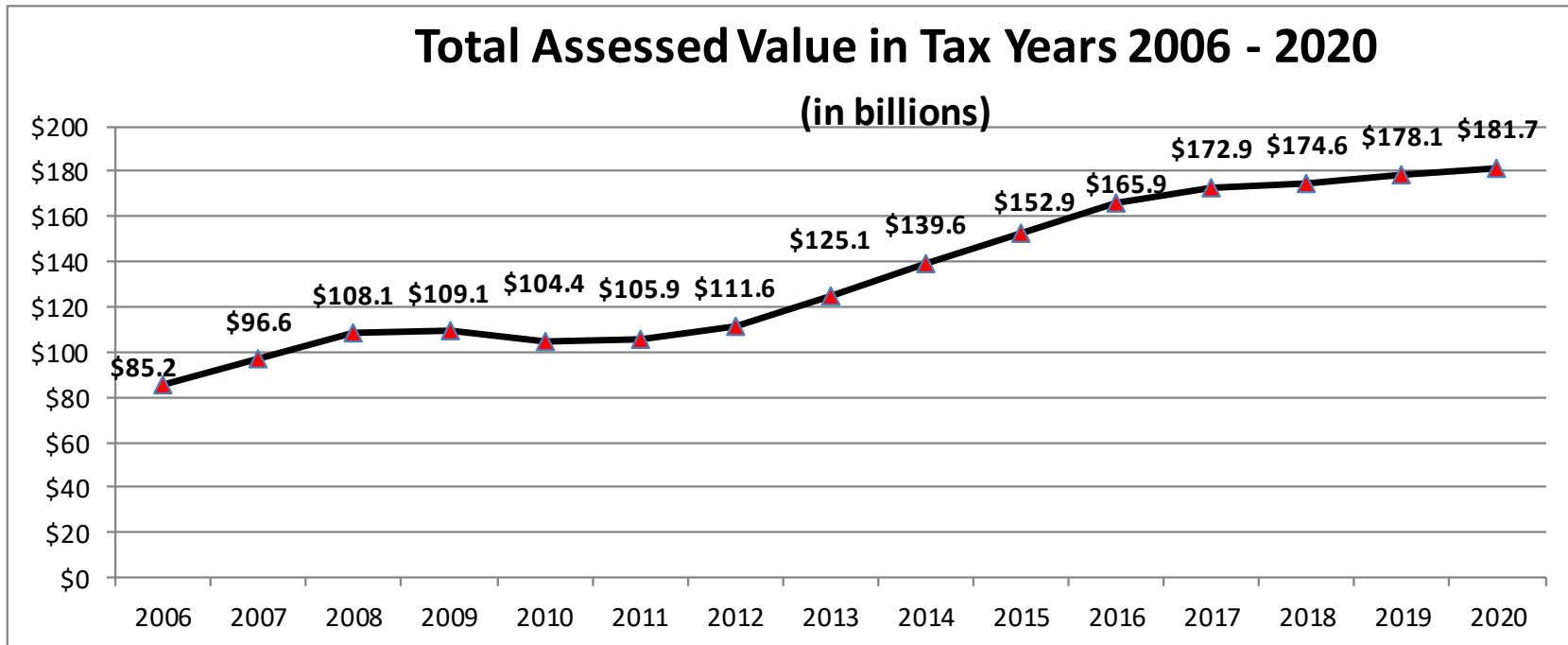
Property Values & Student Enrollment

Property Values

Major Property Category	Projected 2017 Taxable Value	Projected 2018 Taxable Value	Percent Change	2018 Percent of Total Values
Residential	73,299,757,848	75,541,068,635	3.06%	42.83%
Apartments	21,093,592,818	22,198,133,797	5.24%	12.59%
Commercial	51,731,179,417	51,571,775,123	-0.31%	29.24%
Vacant Land	4,810,589,844	4,649,873,585	-3.34%	2.64%
Industrial	3,782,827,906	3,966,766,022	4.86%	2.25%
Utility	1,711,656,308	1,721,575,356	0.58%	0.98%
Commercial Personal	10,329,971,221	10,855,146,958	5.08%	6.15%
Industrial Personal	6,079,563,290	5,762,157,566	-5.22%	3.27%
All Other Property	84,939,089	99,485,757	17.13%	0.06%
Total Taxable Value	172,924,077,741	176,365,982,799	1.99%	100.00%

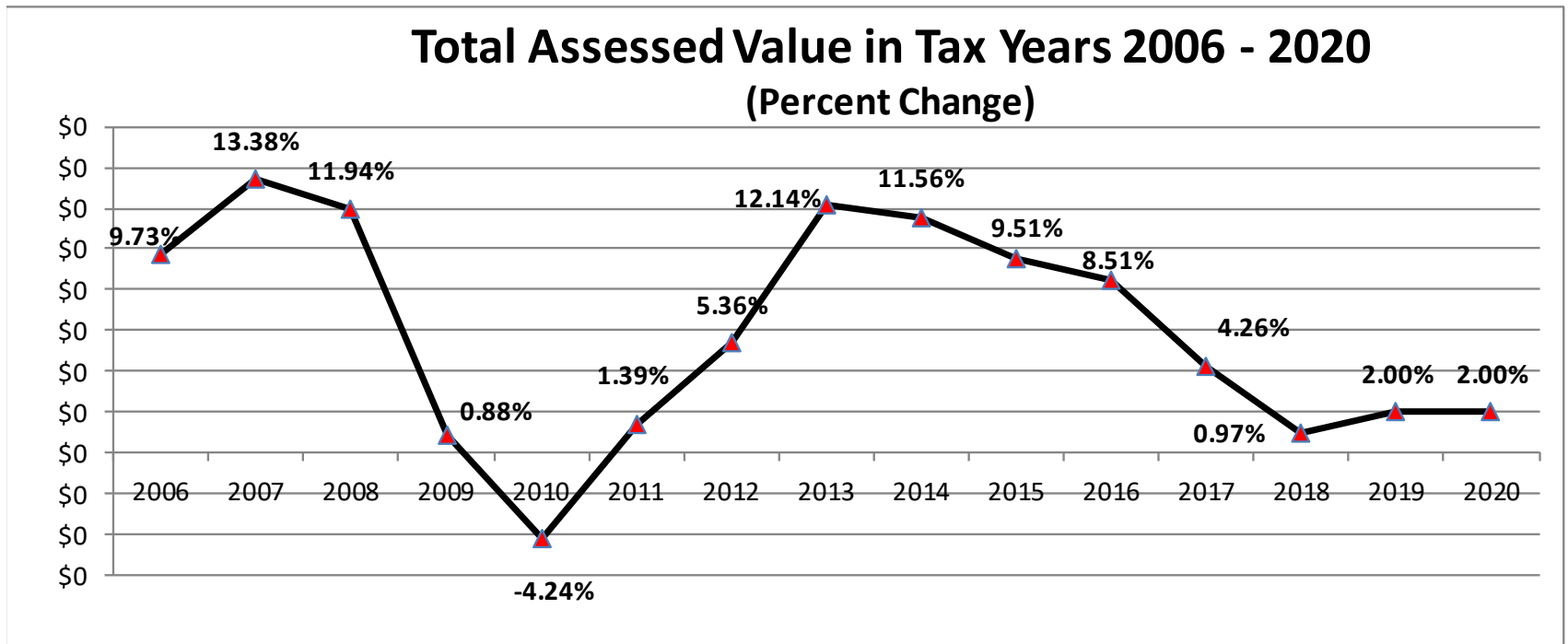
Market vs Taxable Value	2016	2017	Percent Change
Average Market Value of Residences	285,416	287,080	0.58%
Average Taxable Value of Residences	215,229	219,857	2.15%

Assessed Value History



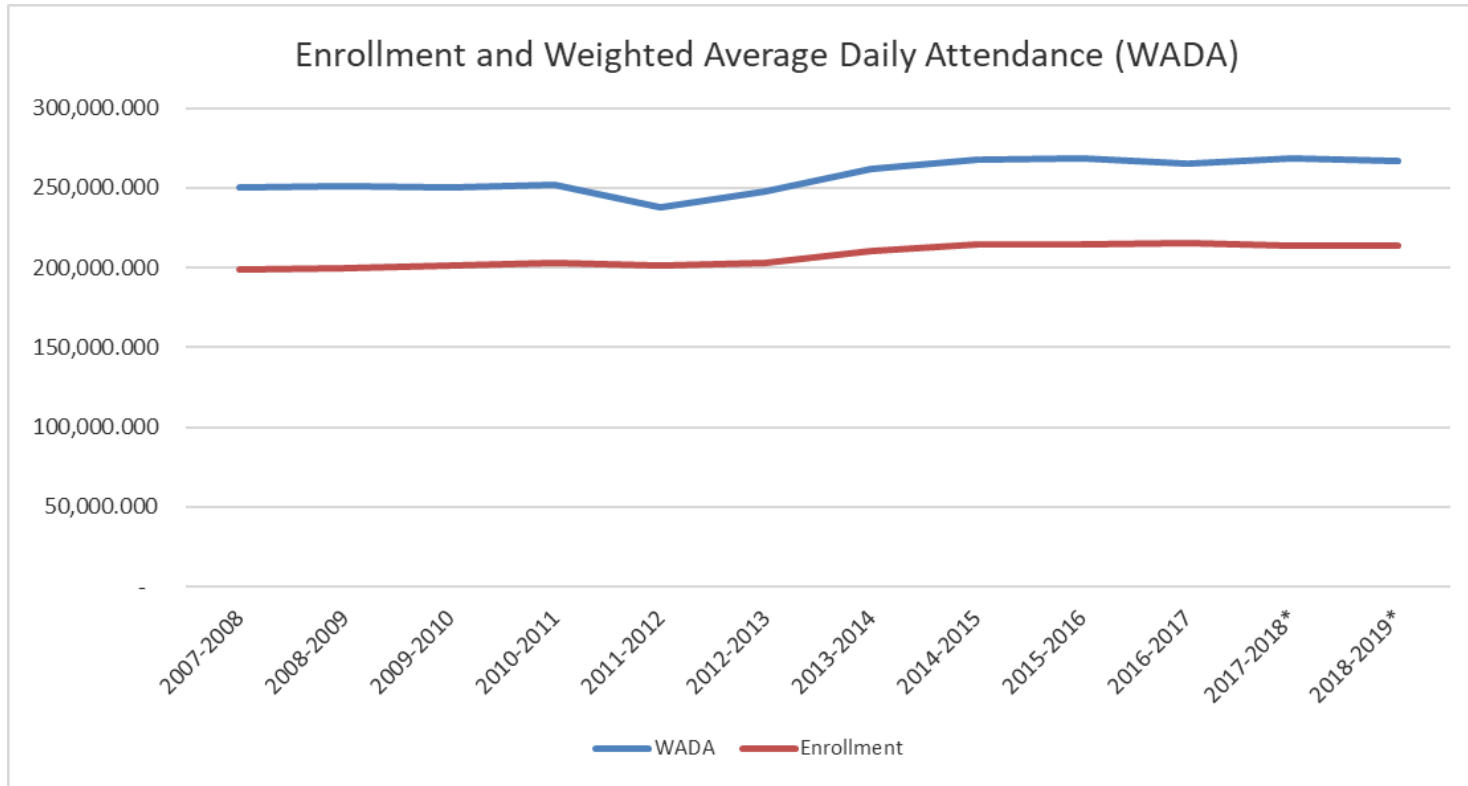
Source: Tax years 2004 - 2016 HISD CAFR, 2017 HCAD Certified Roll, 2018-2020 HISD Estimated

Assessed Value History



Source: Tax years 2004 - 2016 HISD CAFR, 2017 HCAD Certified Roll, 2018-2020 HISD Estimated

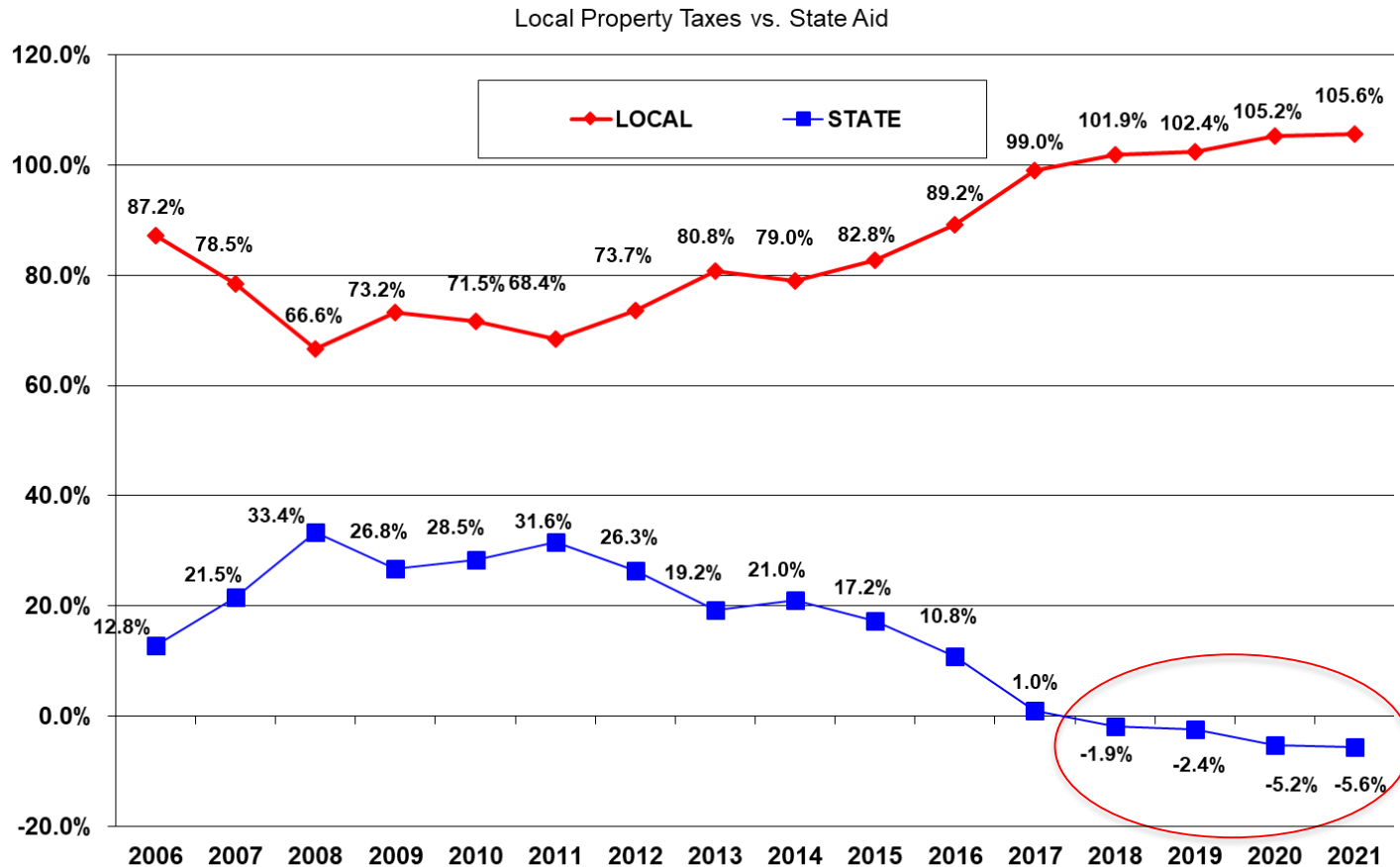
Enrollment and WADA



*Source: FY2007-FY2017 Texas Education Agency Summary of Finances, FY2018-FY2019 Projections Office of Budgeting and Financial Planning

Note: Decrease in WADA in 2011-2012 was due to how the state cut school funding. The enrollment increase in 2013-2014 was due to the annexation of the North Forest I.S.D.

Local Property Taxes vs. State Aid



State share is negative. Therefore, HISD sent / will send more than it receives in State Aid due to recapture (about \$69.6 million in 2017-2018 and \$98.5 million in 2018-2019).

GENERAL FUND APPROPRIATIONS

Revenue Assumptions

Local Roll Values	\$174.6 Billion (.97% Increase over tax year 2017 Certified Value of \$172.9 Billion)
Comptroller's Property Tax Value (CPTD)	\$174.2 Billion (2017 tax year certified value) – used to determine district wealth. There is a one year lag in the state's funding formula.
Proposed Local Tax Rate	<ul style="list-style-type: none"> • Maintenance & Operations (M&O) \$1.04 • Interest & Sinking (I&S) \$0.1667 • Total Tax Rate \$1.2067
State Aid Calculations	<ul style="list-style-type: none"> • Based on current law • Recognition of the Local Optional Homestead Exemption (LOHE)
Average Daily Attendance (ADA)	192,132.494
Weighted Average Daily Attendance (WADA)	267,010.725

2018-2019 General Fund Budget

LOHE Credit / M&O Tax Rate \$1.04

	2018-2019 Projected	2019-2020 Projected
Roll Growth	0.97%	2.00%
Roll Value	\$ 174,602,322,971	\$ 178,094,369,430
Estimated WADA	267,010.725	267,010.725
Estimated enrollment	213,528.000	213,528.000
Tax Rate-M&O	\$ 1.040	\$ 1.040
Formula Revenue per WADA (before recapture)	\$ 7,065	\$ 7,031
Formula Revenue per WADA (after recapture)	\$ 6,045	\$ 5,939
Estimated recapture payment	\$ 272,492,039	\$ 291,591,548
Estimated wealth per WADA	625,210	658,749
Revenues and Resources		
5700-Local Sources	\$ 1,749,167,264	\$ 1,786,419,114
5800-State Sources	215,146,388	166,713,129
5900-Federal Sources	13,031,351	13,031,351
7900-Other Sources	30,400,000	25,000,000
Total Revenues	\$ 2,007,745,003	\$ 1,991,163,594

2018-2019 General Fund Budget

LOHE Credit / M&O Tax Rate \$1.04

	2018-2019	2019-2020
Beginning Appropriations	\$ 2,096,294,796	\$ 2,044,845,624
Change in recapture payment	\$ <u>3,505,182</u>	\$ <u>19,099,509</u>
Increases / Decreases with Offsetting Revenue		
TIRZ	2,123,582	2,188,323
Nutrition Services Indirect Cost Positions	1,705,609	
TRS On-Behalf	<u>(9,000,000)</u>	<u>-</u>
Total Increases / Decreases with Offsetting Revenue	\$ <u>(5,170,809)</u>	\$ <u>2,188,323</u>
Mandatory Increases		
Health Insurance	\$ 10,000,000	\$ -
Transfers Out from sale of Maintenance Tax Notes	7,039,941	(1,188,632)
Property, Liability, Auto Insurance	<u>1,338,800</u>	<u>-</u>
Total Mandatory Increases	\$ <u>18,378,741</u>	\$ <u>(1,188,632)</u>
Other Increases		
Interventions / Dyslexia	\$ 7,996,656	\$ -
Special Education	5,516,390	-
Achieve 180	<u>3,200,000</u>	<u>-</u>
Total Other Increases	\$ <u>16,713,046</u>	\$ <u>-</u>

Note: Health insurance expenses continue to rise. Employee rates will not increase in plan year January 2019 to December 2019. However, it is expected that beginning in January 2020 going forward an increase to employee rates will be necessary.

No other increases have been anticipated in 2019-2020.

2018-2019 General Fund Budget

LOHE Credit / M&O Tax Rate \$1.04

	2018-2019	2019-2020
Decreases		
Campus PUA	\$ (33,791,358)	\$ -
Chief Operating Officer	(15,628,319)	-
Chief Academic Officer	(10,032,989)	-
Chief Information Technology Officer	(6,962,793)	-
Chief Student Support Officer	(4,891,664)	-
Camps	(4,525,270)	-
Chief Financial Officer	(2,119,261)	-
Chief Human Resources Officer	(1,778,514)	-
District-wide Operating	(930,946)	-
Chief Communications Officer	(779,217)	-
Deputy Superintendent	(522,757)	-
Chief of Staff	(289,060)	-
Chief Development Officer	(258,988)	-
General Counsel	(215,717)	-
Chief Governmental Relations Officer	(120,361)	-
Chief Audit Executive	(86,459)	-
Total Decreases	\$ (82,933,673)	\$ -
One-Year Funding Items		
Performance Audit	\$ 2,500,000	\$ (2,500,000)
HS Literacy Initiative for Classroom Libraries	(4,441,659)	-
Total One-Year Funding Items	\$ (1,941,659)	\$ (2,500,000)

2018-2019 General Fund Budget

LOHE Credit / M&O Tax Rate \$1.04

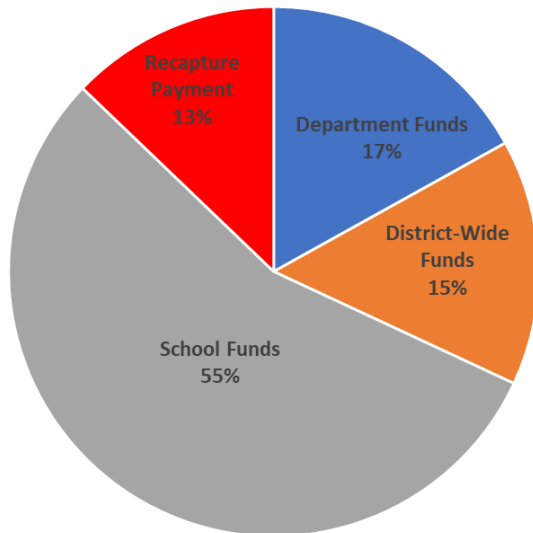
	2018-2019	2019-2020
Total Appropriations and Transfers Out	\$ <u>2,044,845,624</u>	\$ <u>2,062,444,824</u>
Budget Surplus/(Deficit)	\$ <u>(37,100,621)</u>	\$ <u>(71,281,231)</u>
Use of assigned fund balance for North Forest construction projects	18,436,625	18,437,000
Net Budget Surplus/(Deficit) (Use of unassigned fund balance)	\$ <u>(18,663,996)</u>	\$ <u>(52,844,231)</u>

Increases for Special Education, Dyslexia/Interventions, Achieve 180, and the Performance Audit are \$19.2 million of the deficit.

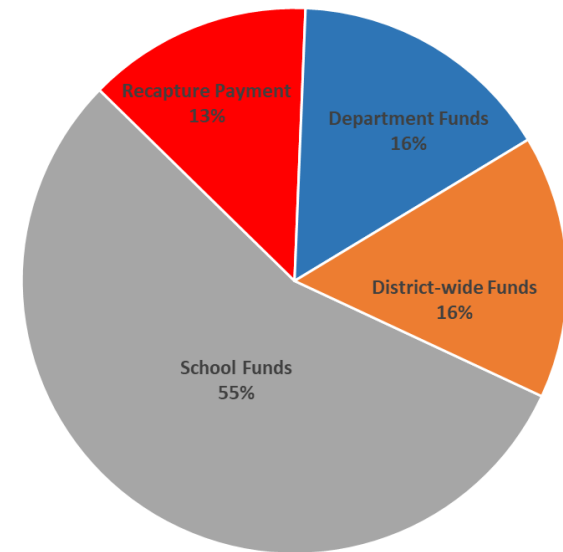
GENERAL FUND BUDGET BREAKDOWN

2018-2019 Original Budget Breakdown

2017-2018 Original Budget



2018-2019 Recommended Budget



Note: For 2017-2018 the district budgeted for no recognition of the Local Optional Homestead Exemption (LOHE); for 2018-2019 the district budgeted for recognition of the LOHE.

School Funds Examples

School Funds

PUA Funds	Magnet	HS Allotment	Special Education
Targeted Assistance	Achieve 180	Career Technical Education	Campus Capital Outlay

Department Fund Examples

Department Funds

Facilities & Custodial	Transportation	Information Technology	Academics
Accounting / Budgeting / Procurement	Communications / Media Services	Human Resources	School Support
Area Offices	Governmental Relations	Chief Of Staff	Internal Audit
General Counsel	Superintendent's Office	Development Office	

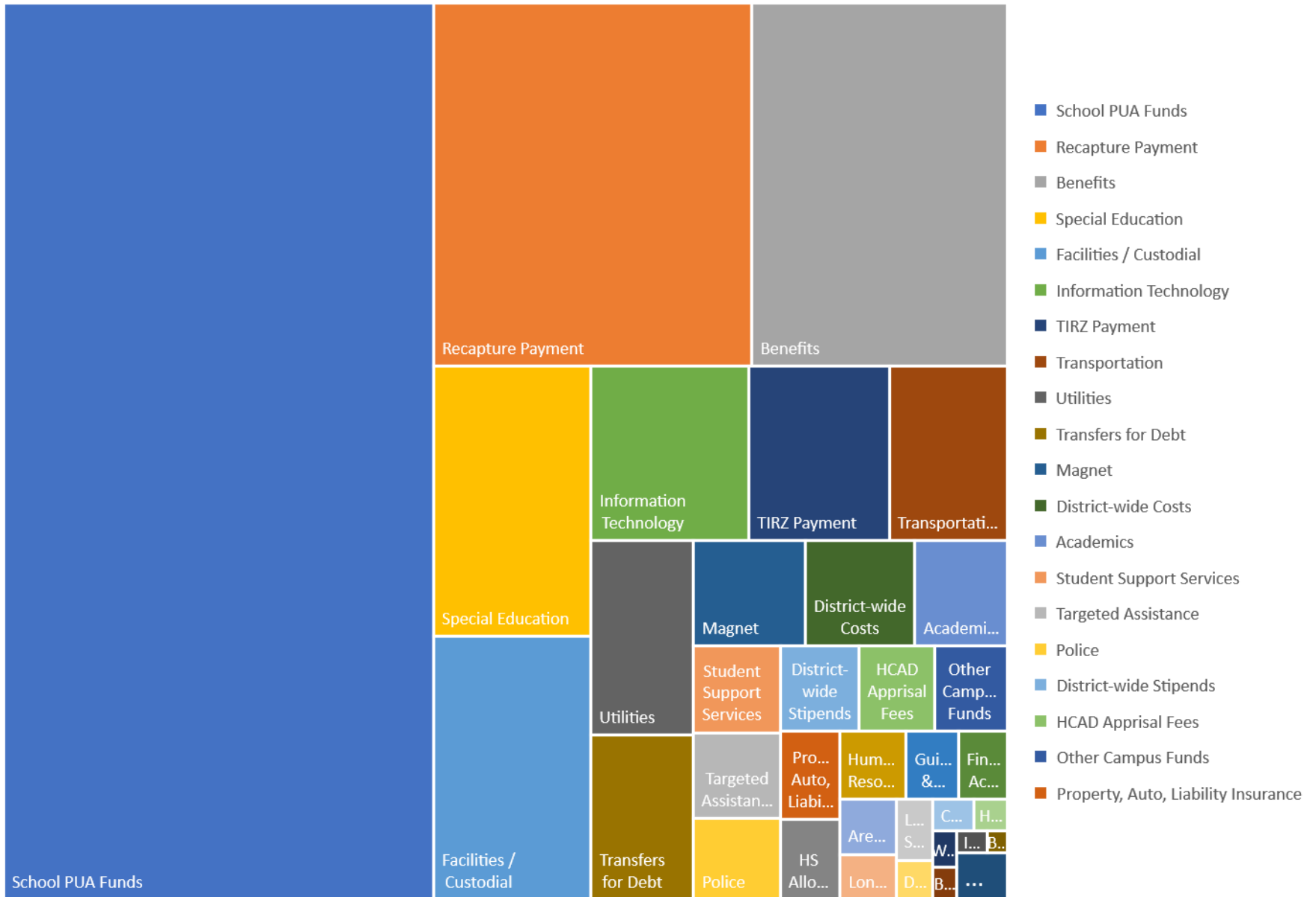
District-wide Fund Examples

District-wide Funds

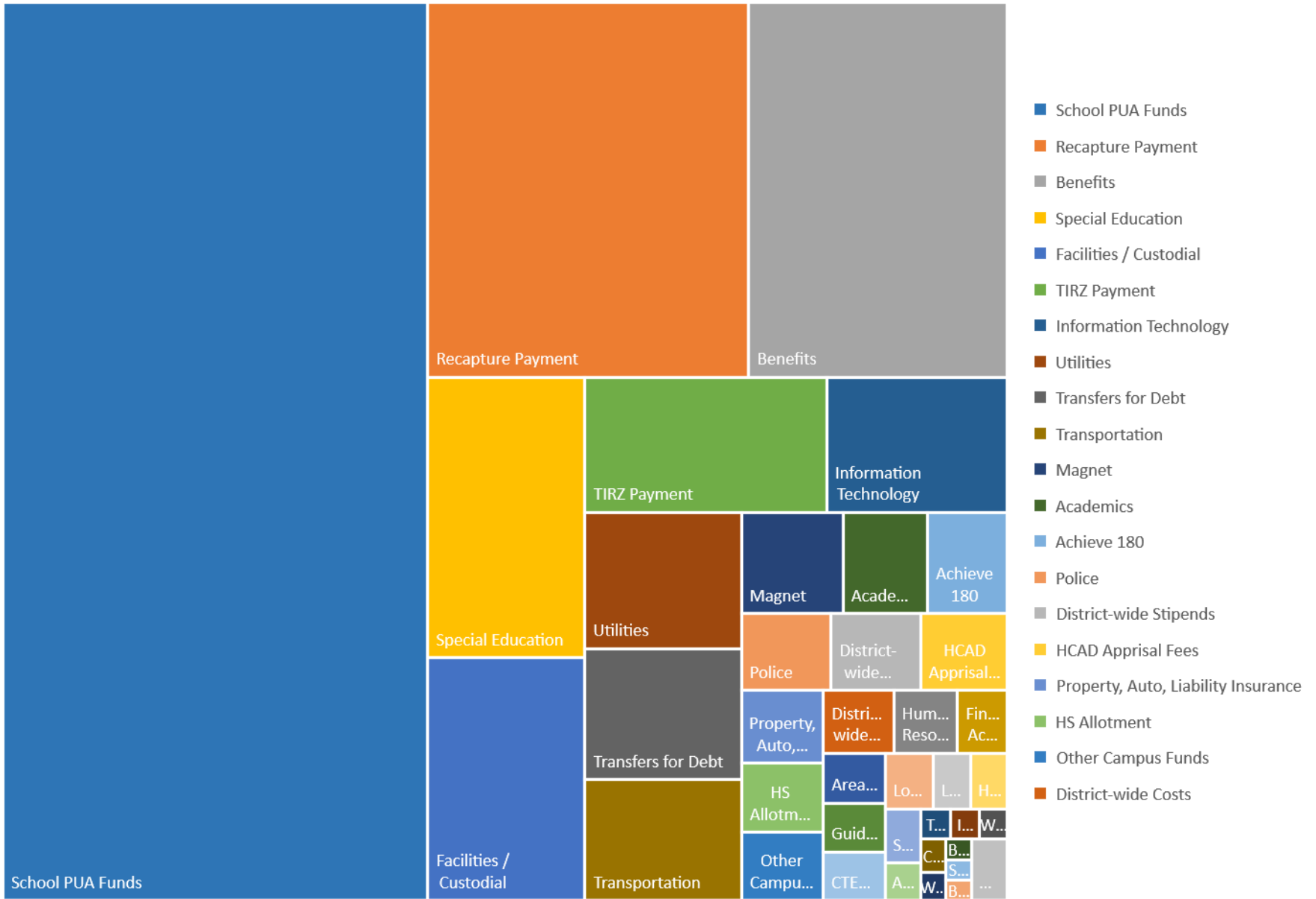
Teacher Retirement System (TRS)	Property, Auto, Liability Insurance	Harris County Appraisal District Fees	Tax Increment Reinvestment Zone
Special Education Stipends	Critical Shortage Teacher Stipends	Bilingual Teacher Stipends	Hard to Fill Campus Stipends
Long-Term Substitutes	Campus and District Utilities	Non-campus Capital Outlay	Transfers for Debt Payments

2018-2019 Original Budget Breakdown per Student

2017-2018 Original Budget per Student



2018-2019 Recommended Budget per Student



Department Cuts

CAO Departments' Budget Cuts

\$10,032,989

Department Budget Reductions		
CAO - \$188,140	Elementary C&D - \$1,320,154 <i>Includes Library, Fine Arts</i>	Multilingual Svc - \$ 135,463
Area Offices - \$1,901,565	Secondary C&D - \$1,347,776	Leadership - \$ 387,869
CCR (before ▲ to CSI) – \$2,218,138	Innovation/Adv Academics/Grants – \$ 507,911	Research - \$ 692,808
Student Assessment – \$ 791,569	Interventions/Virtual Instruction – \$ 541,596	Special Education – <i>Held Harmless</i>

Service and Operational Impacts:

- Service areas to schools from central Academic departments will not be eliminated; yet, ratio for department staff to school supports or work loads will increase
- Contracts re-negotiated to streamline costs
- Increase internally development of resources and training for teachers and administrators
- Alternate funding sources utilized to provide online and intervention resources
- Limited funding to purchase additional instructional and/or online resources as identified throughout the year that align to student achievement needs

Budget Reduction

(Summary of cuts across department budgets)

Considerations

Positions

- Thirteen net positions reduced; Consolidating departments (Innovations) for efficient alignment

Travel and fees

- Reducing outside travel to focus funds on internal talent training and support

Stipends

- Career Pathways Teacher Leader Stipends; Advanced Placement stipends for master teachers

General Supplies, Printing

Contracted Services

- Reduced BFK contract, yet still maintaining a base level of support needed; eliminate fund for EVAAS contract (not needed)

Extra-duty funds

- Reduction in funds to support teacher leadership development support

Training/Meeting space rental

- Transition to utilize old North Forest campus (HELC) once ready

Human Resources

Budget reduction: \$1,778,514

Central Office Personnel: 22 positions

Talent Acquisition \$867,111

Compensation/Hiring Personnel \$276,355

Business Services \$300,520

\$1,443,986

Non personnel reductions \$334,528

Human Resources:

Potential Impact to Services

TEACHER & LEADERSHIP RECRUITMENT

- Possible delay in candidate screening for teachers and administrators.
- Possible delay in approving candidates for teacher and school leader candidate hiring pools.

CERTIFICATION

- Possible delay in verifying teacher/school leader certification resulting in a delay in hiring and start date (24-48 hours now could move to 48-72 hour turn around time; especially if additional research needed.)

ONBOARDING

- Move to *bi-weekly* onboarding instead of weekly. (as we restructure, may pull from other areas during peak times)
- *Reduced* assistance from H.R. Dept. for the New Teacher Induction Academy.
- Reduction of the Paraprofessional Forum. Forum conducted twice a year; will now be once a year for 2018-2019
- Elimination of the Administrative Support Professionals Summit as separate professional development. For 2018-2019, will be combined with Paraprofessional Forum.

CUSTOMER SERVICE

- Possible delay in responding to customer service requests: service records, personnel records, employment verification, loan forgiveness, open records requests, etc.). In process of creating a website for self service to alleviate delays.
- Possible delay in responding to HR data requests from internal/external stakeholders (PEIMS request, Research & Accountability, Schools Office, etc.).

Business Operations

Budget Reductions -\$15,628,319

- All vacant 11-month custodians were cut
- Maintenance staff was reduced
- Warehouse staff was reduced
- Fleet mechanics were cut
- Police department support staff were eliminated
- Non-salary funding was reduced
- 208 positions were eliminated or closed

Held Harmless \$25,019,586

- Transportation budget is equal to current funding
- Emergency maintenance funding was not cut
- No campus-based police officer positions were eliminated

Business Operations

Service Level Effects

As a result of the cuts, departments and schools should expect changes to the service they receive:

- Reduced daytime cleaning at all district facilities
- Focused cleaning to occur only in the evening
- Reduced preventative maintenance work projects
- Extended response times to work orders
- Management of fire code violations affected due to limited staff
 - Multiple Maintenance Repairers and Helpers, Plumbers eliminated
 - Citations may be covered by campus budgets
- Delayed delivery of warehouse items

Technology Budget Cut Breakdown

Maintenance	\$1,914,003
Operating	\$2,295,345
Staff	\$2,753,445
Full Time Employee	
Full Time Contractor	
Total	\$6,962,793

Full Time Employees	8
Vacancies	6
Full Time Contractor	<u>14</u>
Total	28

Technology Budget Cut Breakdown

Funding Source	Allocation	Spend	Remaining
Capital	\$70,060,434	\$52,763,413	Returned to Fund Balance
Bond	\$100,000,000	\$45,152,469	\$54,847,531

Technology Budget Cut

Maintenance

Reduced systems maintenance and tools

Reduced system administration tools for email archiving, antivirus, system event monitoring, and hardware maintenance on servers.

Reduced network maintenance and tools

Reduced network software tools in wireless monitoring domain name resolution tools, collaboration sharing, and remote access.

Reduction of wireless monitoring software by 100%.

The elimination of wireless monitoring software maintenance will not be able to adopt next generation wireless and fixes for the software product.

Online Research Subscriptions

Access to technology research and advisory data, reports, tools and analysts.

Technology Budget Cut

Operating Budget

Elimination of department computer lifecycle replacement by 100%.

No new computers will be purchased centrally. All new computer requests and repair work will need to be covered by departments.

Contracted Maintenance

Consulting Services

Technology Budget Cut

Staffing

- **District Records Management**
 - Response time will increase from 5 to 10 business days for requests for assistance.
- **Operational support for single sign on access for teachers, students, administrative staff to external instructional and employee resources increases from 1 day to 15 business days.**
- **Operational support for security vulnerability assessments to 1,200+ datacenter server systems. The impact of not doing this is systems compromised, system downtime, and loss of data.**
- **Operational support for access to district applications for teachers, students and administrative staffs increases from 1 business day to 10 business days.**

Technology Budget Cut

Staffing (cont.)

- Resolution of OneSource (SAP) security and segregation of duty issues increase from 10 to 24 days.
- A4E Dashboard maintenance and new development will be prioritized by steering team with priority given to maintenance. New development/enhancements will be significantly reduced.
- Operational support of TADS will be absorbed by remaining Custom Application team. TADS system will be put into maintenance mode. Any significant enhancements for changes to system will require additional funding.
- Operational support to provide data for schools, School Offices and departments will be reduced. Ad-hoc requests will no longer be accepted.
- Beginning July 1st, any new IT project implementations will require supplemental resources and possibly future FTE for ongoing support.

CFO Departments' Budget Cuts

\$2,119,261

Department	Budget Reductions
Benefits - \$26,775	Budgeting - \$542,435
CFO - \$127,030	Controller - \$847,870
Procurement - \$575,151	

Service and Operational Impacts:

Benefits- possible increase in unemployment compensation claims due to few staff to meet the response deadline.

Budgeting

- Budget analysts will go from 18-20 campuses to 50-55.
- Budget analysts will go from 5-8 departments to 15-18.
- Eliminating travel to campuses to conserve time available in the office.
- Slower response times to requests. Currently 24-48 hours to 72-96 hours.
- Slower response times to open records, referrals, and report requests.
- Load times for grants and donations will increase.

Service and Operational Impacts

Procurement

- Increased lead times for Request for Proposal / Quote (RFP/Qs), bids; can be mitigated with increased use of cooperatives .
 - Current lead times 90-120 days, will increase to 150 plus.
- Increase time to issue Purchase Orders
 - Current time 3-5 days, will increase to 7-10.
- Reduced district training from 2 per month to 1 per month.
- Service tickets, vendor maintenance, other response times will be slower.
 - Currently 24-28 hours, will increase to 72 hours to 120 hours.

Controller's Office

- Slower reporting and account reconciliations.
- Check runs will be reduced to 2-3 times a week instead of daily.
- Treasury Customer Service desk will have reduced hours.
- Expenditure review frequency reduced.
- Reduced district training on Activity Funds, Accounts Payable, and Payroll.
- Vendor payments will take longer.
- Time to complete annual audits and Comprehensive Annual Financial Report (CAFR) preparation will take longer.
- Posting of revenues from activity funds and donations will take longer, delaying the use of the funds

BUDGET ADOPTION AND FUTURE CHALLENGES

Remaining Budget Calendar

DATE	FORMAT	WHAT
6/1/2018	Notice	TNT Notice run in Paper
6/4/2018	Board Workshop	Budget Workshop on 2018-2019 Budget
6/14/2018	Board Meeting	Public Hearing on Budget and Tax Rate
6/14/2018	Board Meeting	Recommended 2018-2019 Budget presented to the Board for adoption

Board Workshops
Legal Requirements

What happens for budget adoption on June 14th?

- Truth-in-Taxation (TNT) notice was run on June 1, 2018 for the “Public Hearing on Budget and Tax Rate” for June 14, 2018.
- Statutory web posting by function was posted to the district’s home page on June 1, 2018.
- June 14, 2018
 - Public Hearing at 4:00
 - Public Hearing adjourns after presentation and discussions. No action is taken during the hearing.
 - Regular Board meeting starts at 5:00 for the recommended budget item to be discussed and voted on.

Future Challenges

Future Challenges

- Budget deficit in 2019-2020
- Growing recapture – over \$300 million by 2021 at 2% roll value growth per year.
- No increase in the basic allotment by the State Legislature since 2015-2016 and no increase projected in future years.
- Teacher, Principal, and staff salary competitiveness and fixed cost increase restrictions due to recapture and no increase in the basic allotment
 - Increases will force internal cuts to cover costs.
- Rising medical costs which may require an employee contribution increase in January 2020.
- Rebuilding reserve for operations (“Rainy Day Fund”) and unassigned fund balance.

Thank you

Date: 06/04/2018

Presenter:

Finance

