

Public Hearing on Proposed Budget and Tax Rate

2022-2023 Fiscal Year Budget

Date: June 9, 2022
Presenter: Finance



Agenda

- Property Values
- General Fund Budget
 - Budget Assumptions
 - Revenues and Appropriations
 - Fund Balance
 - Long-Term Fiscal Sustainability
- Budgets for Other Funds
 - Debt Service Fund
 - Nutrition Services Fund

Property Values

Tax Year 2022 Property Values

Major Property Category	2021 Taxable Value	Percent Change	Projected 2022 Taxable Value
Residential & Rural Improved	89,022,208,244	7.91%	96,063,034,339
Apartments	28,955,163,670	12.95%	32,706,135,157
Commercial	56,857,610,421	7.90%	61,348,019,805
Vacant Land	5,486,526,907	4.47%	5,731,684,900
Industrial	4,145,009,921	5.32%	4,365,475,745
Utility	2,030,326,944	5.25%	2,136,825,714
Commercial Personal	10,151,306,190	-2.72%	9,875,190,662
Industrial Personal	5,377,981,483	-3.96%	5,165,185,512
All Other Property	139,190,653	-2.73%	135,396,316

Projected 2022 Taxable Value	202,165,324,433	7.60%	217,526,948,148
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Projected 2022 Taxable Value Range

Accuracy +/- 5%	206,650,600,741	To	228,403,295,555
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Tax Year 2022 Property Values

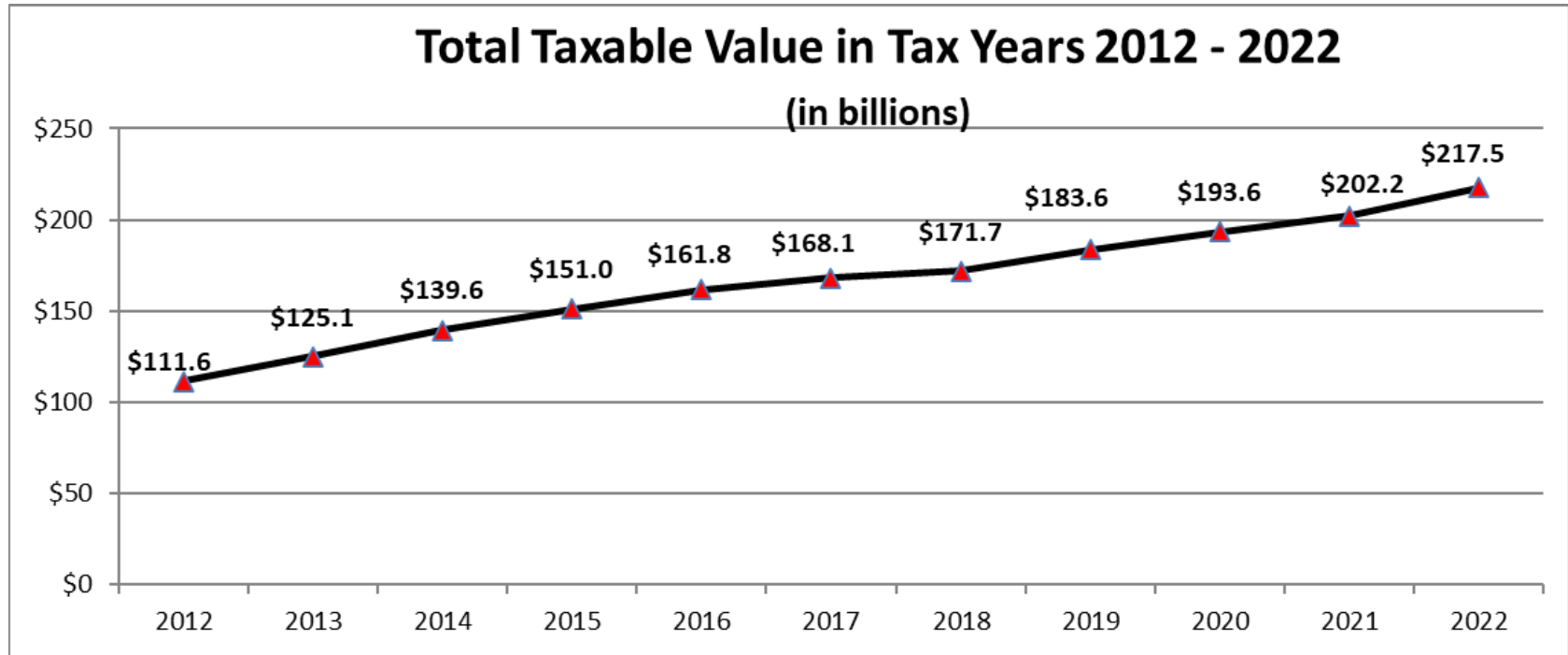
	2021	2022
Average Market Value of Residences:	\$329,093	\$368,270
Average Taxable Value of Residences:	\$252,920	\$270,094

Total Appraised Value of All Property:	\$259,331,614,123	\$283,018,234,309
Total Appraised Value of New Property:	\$5,818,118,753	\$5,965,564,353
Total Taxable Value of All Property:	\$202,165,324,433	\$217,526,948,148
Total Taxable Value of New Property:	\$4,535,589,960	\$4,650,533,090

Total Market Value of All Property:	\$262,427,849,435	\$286,397,271,045
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Last Year Losses Due To Substantial Error Corrections	\$18,801,599
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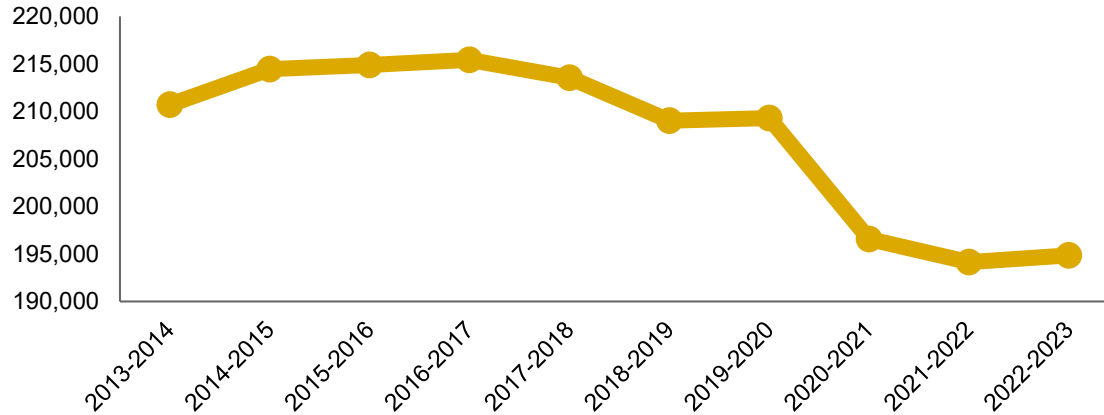
Taxable Value History



General Fund Budget Assumptions

Historical Student Enrollment

**Enrollment Trend
Year-Over-Year Comparison**



School Year	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Enrollment	210,716	214,462	214,891	215,408	213,528	209,040	209,309	196,550	194,141	194,852
% Change		1.8%	0.2%	0.2%	-0.9%	-2.1%	0.1%	-6.1%	-1.2%	0.4%

2022-2023 Assumptions

- Enrollment and Attendance:
 - 2022-2023 Projected Enrollment 194,852
 - Implied Average Daily Attendance 173,418
- Property Value Increase
 - Taxable values of \$217 billion (7.6% increase)
 - Collection rate of 97.73%
 - Certified estimates are based on January 2022 value

2022-2023 Assumptions

- Maintenance & Operations (M&O) tax rate
 - 2021-2022 current rate is \$0.9277
 - 2022-2023 based on \$0.8952 (reduced due to increase in value). This is the maximum M&O tax rate HISD is expected to be assigned.
 - TEA will notify districts of their maximum tax rate in late summer 2022 based on certified values and surveys of districts.
- Interest & Sinking (I&S) tax rate
 - 2021-2022 current rate is \$0.1667
 - 2022-2023 is \$0.1667
- Total tax rate \$1.0619 compared to \$1.0944. **A decrease of \$0.0325.**

General Fund Budget

General Fund Budget 2022-2023

	<u>2022-2023 ⁽¹⁾</u> <u>(In Millions)</u>	
Revenue and Resources		
5700-Local Sources	\$ 1,900.66	
5800-State Sources	190.73	
5900-Federal Sources	71.91	
7900-Other Sources	<u>20.00</u>	
Total Revenues	\$ <u>2,183.29</u>	
2021-2022 Beginning Appropriations	\$ <u>2,205.57</u>	
Changes in Appropriations		
Change in recapture payment	\$ <u>34.17</u>	
Salaries & Benefits		
Employees on pay scale tables amended in 2021-2022	\$ 33.47	
Compensation Package - All employees	<u>132.95</u>	
Total Salaries & Benefits	\$ <u>166.42</u>	
Transfer of salaries to ESSER	\$ <u>(52.05)</u>	

Temporary Funds in the Budget	
Federal ESSER Indirect Costs	\$ 50.00
Transfer of Salaries to ESSER	<u>52.05</u>
	\$ <u>102.05</u>

General Fund Budget 2022-2023

		2022-2023 ⁽¹⁾
		<u>(In Millions)</u>
Other Appropriation Increases		
ESSER Support Positions	\$	1.43
Performance contract schools		19.49
Transfers Out		0.01
Contract Management System		0.77
Verizon Innovative Learning Support		0.56
Move of Bond Positions		0.78
Total Other Appropriation Increases	\$	<u>23.05</u>
Appropriation Decreases		
Capital lease recognition	\$	(22.37)
Campus Resource Allocation		(2.03)
Tax Increment Reinvestment Zones		(0.48)
Device maintenance from COVID device purchases		(4.57)
Districtwide		(3.65)
Department cuts		(60.00)
Total decreases to appropriations	\$	<u>(93.10)</u>

General Fund Budget 2022-2023

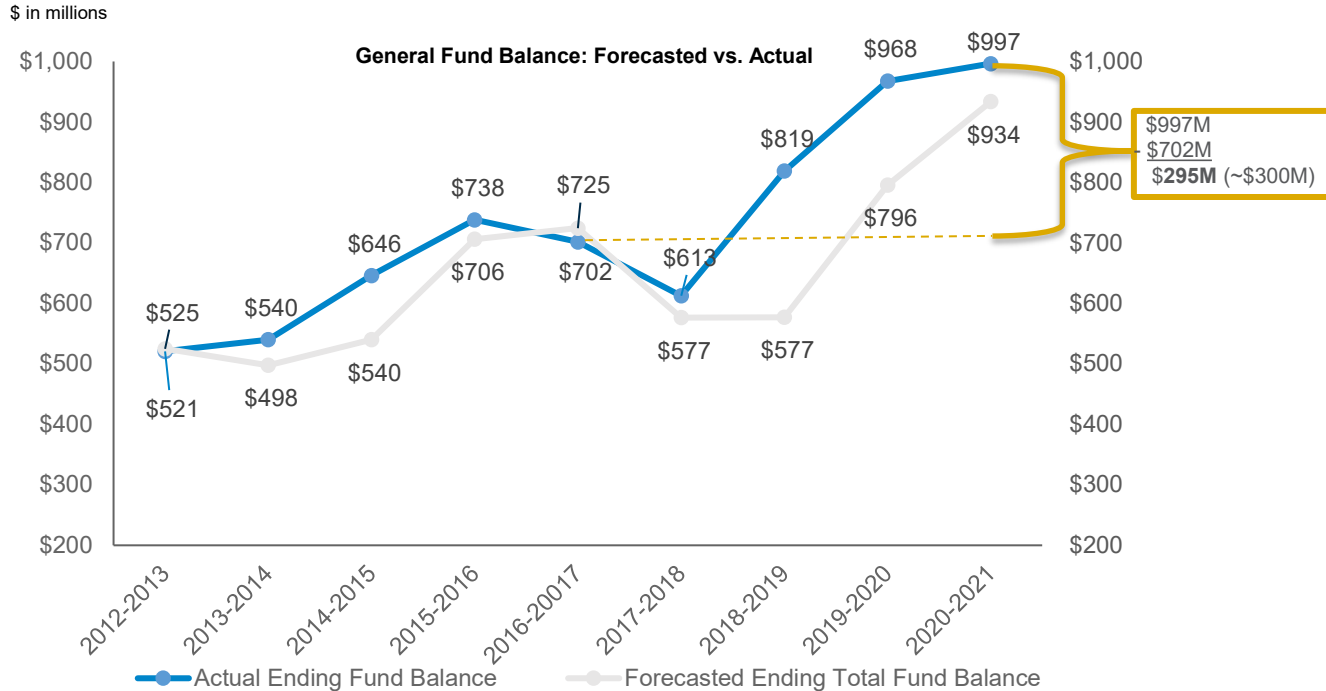
		<u>2022-2023 ⁽¹⁾ (In Millions)</u>
2022-2023 Appropriations	\$	<u>2,284.06</u>
Surplus / (Deficit)	\$	<u><u>(100.77)</u></u>
Anticipated fallout		70.00
Surplus / (Deficit) after fallout	\$	<u><u>(30.77)</u></u>

Use of One-Time Funds in FY23 GF Budget

<i>\$ in millions</i>	2022-2023 (in Millions)	Note
Total General Fund Revenues	2,133	Excludes \$50M in Indirect ESSER Costs as Federal Revenue
Estimated Appropriations	(2,336)	Includes \$52.02M in Salaries which will be transferred to ESSER
Fallout Adjustment	70	
Assigned Fund Balance - Carryover	-	
Total Estimated Expenditures Adjusted for Fallout	(2,266)	
Operating Surplus (Deficit)	\$ (133)	Operating deficit (before use of one-time funds)
Use of ESSER Indirect Costs	50	<u>General fund is supported by a total of \$102M in one-time funds</u>
Federal Fund Support for Compensation	52	
Net Operating Surplus (Deficit)	\$ (31)	The deficit is reduced to \$31M

GENERAL FUND FUND BALANCE

Fund Balance History (change in Surplus explained)



- HISD has seen fund balance changes with more variance in recent years. The fund balance growth has been driven by:

18-19:

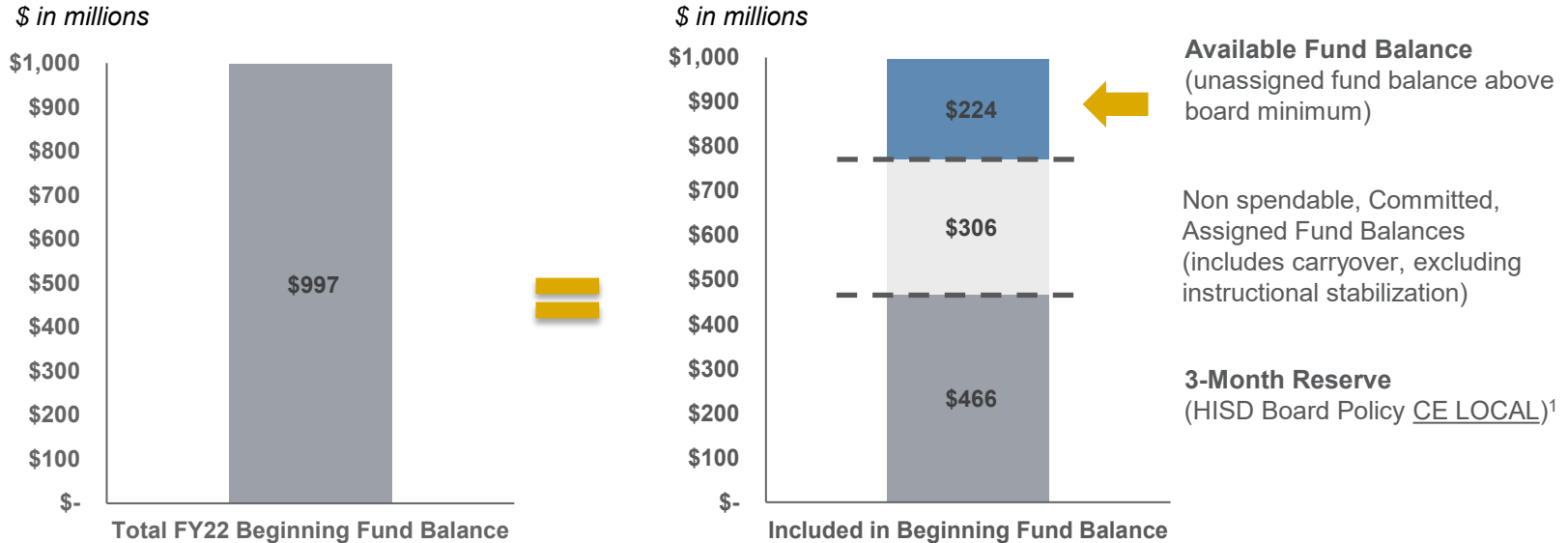
- \$133M in unexpected (Hurricane Harvey Funds from the State)
- Increase in State per-capita revenue
- Vacancies/hiring freeze

19-20 & 20-21:

- Cost savings resulting from COVID-19 pandemic
- High position vacancy rates
- Cost savings initiatives

Starting Fund Balance 2021-2022

2021-2022 BEGINNING FUND BALANCE COMPONENTS OF FUND BALANCE



1) Example demonstrates FY22 Beginning Available Fund Balance – total amount will adjust over time based on growth in appropriations relative to 3-month reserve requirement

Fund Balance 2021-2022 into 2022-2023

	2021-2022	2022-2023
Beginning fund balances available	\$ 224	293
Anticipated change of fund balance	90	(31)
Increase in board policy minimum fund balance	<u>(21)</u>	<u>(19)</u>
Ending fund balances available	<u>\$ 293</u>	<u>243</u>

Debt Service Fund

Debt Service Fund

- 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 - \$2,186,554,618

2022-2023 Recommended Debt Service Fund Statement of Revenues and Expenditures

	Debt Service (In Millions)
REVENUES	
Property taxes	\$ 346.49
Earnings on investments	2.82
State sources	3.26
Total revenues	<u>\$ 352.57</u>
APPROPRIATIONS	
Debt service	
71 Principal	\$ 263.20
71 Interest and fiscal charges	111.52
Total expenditures	<u>\$ 374.72</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (22.16)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	22.16
Total other financing sources (uses)	<u>\$ 22.16</u>
Net change in fund balances	0.00
Estimated fund balances—beginning ⁽¹⁾	117.53
Estimated Fund balances—ending	<u><u>\$ 117.53</u></u>

Nutrition Services Fund

Nutrition Services Fund

- 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 36,000,000 meals in 2022-2023
- All meals served at no charge through USDA Community Eligibility Program (CEP) to most campuses.
- Includes reimbursement programs for dinner and summer site-based feeding

2022-2023 Recommended Nutrition Services Fund Statement of Revenues and Expenditures

	Nutrition Services (In Millions)
REVENUES	
Earnings on investments	\$ 0.30
Miscellaneous local sources	3.62
State sources	0.54
Federal sources	129
Total revenues	<u>\$ 133.47</u>
APPROPRIATIONS	
35 Food services	124.57
51 Facilities maintenance and operations	1.22
Total expenditures	<u>\$ 125.80</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 7.68</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	-
Total other financing sources (uses)	<u>\$ -</u>
Net change in fund balances	7.68
Estimated fund balances—beginning ⁽¹⁾	13.46
Estimated Fund balances—ending	<u><u>\$ 21.14</u></u>

Strategic Pillars

01

Building Trust and
Reliability for Our
Families and
Community

02

Providing
Equitable
Opportunities
and Resources
at Every School

03

Ensuring Great
Schools and
Programs in
Every
Community

04

Promoting High-
Quality Teaching
and Learning

05

Delivering
Effective Services
and Supports to
Students with
Exceptional
Needs

06

Cultivating
World-Class
Talent at
All-Levels

Thank You

