

FY 2017 Preliminary Budget

Board Work Session

Thomas Harper, CFO



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WHAT IS THE BOARD ADOPTING



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Proposed Budget Summary

	Budget 2017	Re-estimated 2016	Actual 2015
Total Resources	684,112,146	710,780,857	726,518,759

	Budget 2017	Re-estimated 2016	Actual 2015
Total Requirements	684,112,146	710,780,857	726,518,759

	Budget 2017
Proposed Property Tax Rate (per \$1,000 taxable valuation)	18.42809

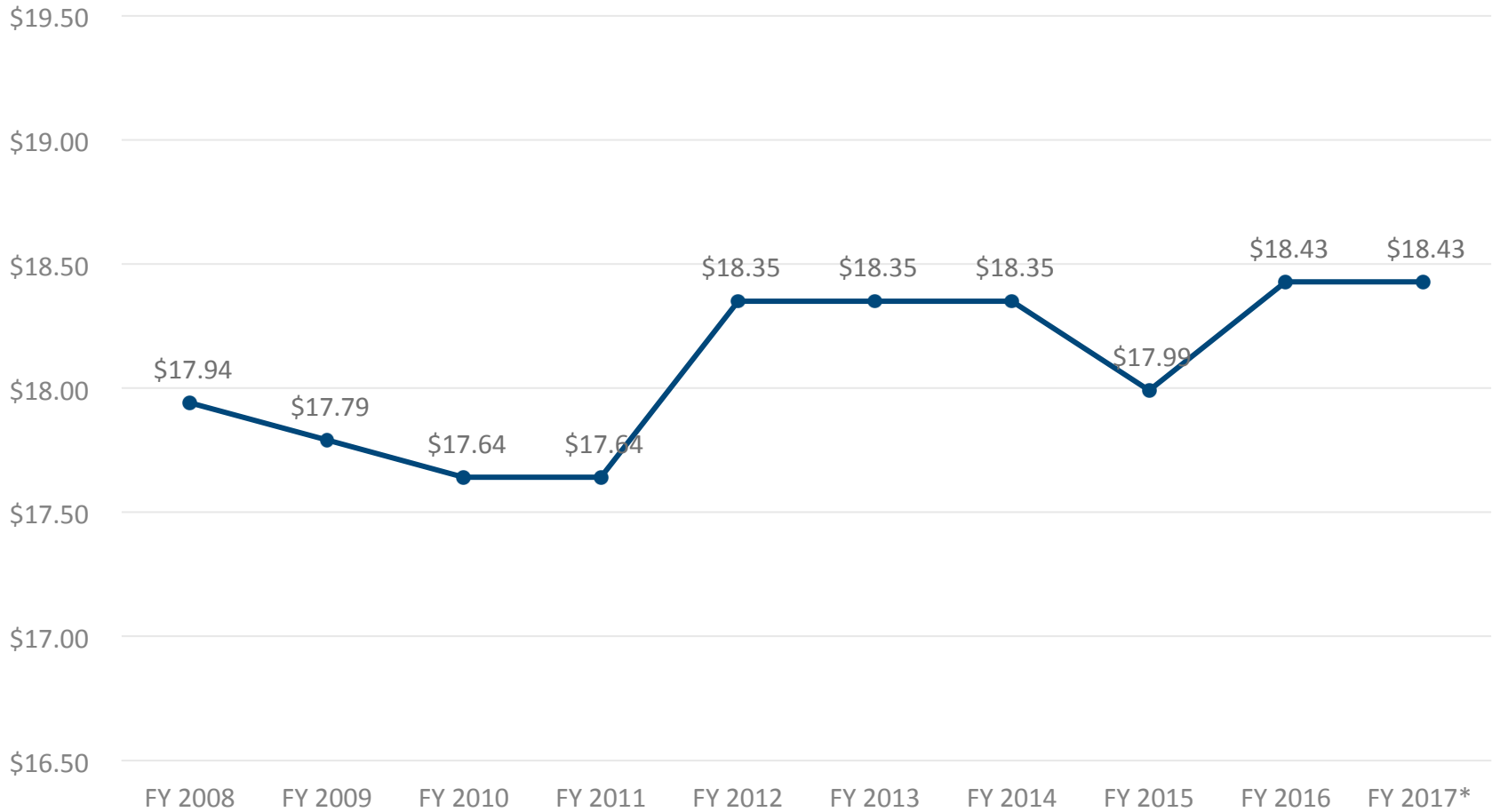
Proposed Budget Summary - Resources

		Budget 2017	Re-estimated 2016	Actual 2015	Avg % 15-17
Taxes Levied on Property	1	122,628,891	113,196,706	114,466,430	3.5%
Utility Replacement Excise Tax	2	4,195,020	3,904,072	4,252,035	-0.7%
Income Surtaxes	3	0	0	0	
Tuition/Transportation Received	4	7,890,000	7,250,000	7,182,924	
Earnings on Investments	5	409,421	410,186	530,448	
Nutrition Program Sales	6	2,085,047	2,084,165	2,050,433	
Student Activities and Sales	7	3,302,511	3,146,200	2,310,649	
Other Revenues from Local Sources	8	19,792,606	19,426,834	20,685,880	
Revenue from Intermediary Sources:	9	705,000	717,800	2,400	
State Foundation Aid	10	253,601,699	238,148,066	235,845,353	
Instructional Support State Aid	11	0	0	0	
Other State Sources	12	34,648,292	49,528,424	35,108,460	
Commercial & Industrial State Replacemen	13	4,331,089	4,699,497	2,999,740	
Title 1 Grants	14	11,300,000	11,591,605	11,948,791	
IDEA & Other Federal Sources	15	38,455,606	38,798,624	38,171,243	
Total Revenues	16	503,345,182	492,902,179	475,554,786	
General Long-Term Debt Proceeds	17	0	0	0	
Transfers In	18	18,375,170	18,498,820	18,659,732	
Proceeds of Fixed Asset Dispositions:	19	15,000	15,000	86,867	
Total Revenues & Other Sources	20	521,735,352	511,415,999	494,301,385	
Beginning Fund Balance	21	162,376,794	199,364,858	232,217,374	
Total Resources	22	684,112,146	710,780,857	726,518,759	

Proposed Budget Summary - Requirements

*Instruction	23	274,464,121	272,488,162	265,410,524	1.7%
Student Support Services	24	23,651,363	23,429,486	22,950,695	
Instructional Staff Support Services	25	25,579,608	25,356,249	16,397,592	
General Administrator	26	7,788,000	7,674,841	7,252,884	
School/Building Administrator	27	22,311,709	22,250,052	22,016,655	
Business & Central Administrator	28	16,227,000	15,908,740	16,252,302	
Plant Operation and Maintenance	29	39,522,000	39,708,676	39,623,824	
Student Transportation	30	12,299,000	12,139,166	12,597,623	
This row is intentionally left blank	31	0	0	0	
*Total Support Services (lines 24-31)	31A	147,378,680	146,467,210	137,091,575	3.7%
*Noninstructional Programs	32	26,166,187	26,061,106	22,991,343	6.7%
Facilities Acquisition and Construction	33	39,012,398	52,414,949	44,741,909	
Debt Service	34	18,375,170	18,498,820	18,685,580	
AEA Support - Direct to AEA	35	15,221,080	13,974,996	13,829,063	
*Total Other Expenditures (lines 33-35)	35A	72,608,648	84,888,765	77,256,552	-3.1%
Total Expenditures	36	520,617,636	529,905,243	502,749,994	
Transfers Out	37	18,375,170	18,498,820	24,434,810	
Total Expenditures & Other Uses	38	538,992,806	548,404,063	527,184,804	
Ending Fund Balance	39	145,119,340	162,376,794	199,333,955	
Total Requirements	40	684,112,146	710,780,857	726,518,759	
Proposed Property Tax Rate (per \$1,000 taxable valuation)			18.42809		

Proposed Property Tax



Property Tax Components

	FY 2015	FY 2016
GENERAL		
Regular	9.69279	9.50611
Instructional Support	1.81722	1.76505
Dropout Prevention	1.60759	1.56585
Cash Reserve Levy	2.96548	3.24608
MANAGEMENT	1.25000	1.25000
PPEL		
Regular	0.33000	0.33000
Voted	0.63000	0.63000
PERL	0.13500	0.13500
DEBT SERVICE	<u>0.00000</u>	<u>0.00000</u>
TOTAL	18.42809	18.42809
Change From Prior Year	\$0.43332	no change

HOW MANAGEMENT BUILT THE PROPOSED BUDGET

Management Limitations, Budget Parameters, Key Financial
Indicators, Assumptions



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Financial Limitations

Management Limitation 2.5 –Financial Planning/Budgeting

Financial planning for any fiscal year or the remaining part of any fiscal year may not deviate materially from the Board's Student Expectations Policy or risk financial jeopardy.

Accordingly, the Superintendent shall not present a budget that:

- Falls below a 15% solvency ratio for the General Fund.
- Falls below a 15% unspent spending ratio for the General Fund.
- Creates a situation or condition described as unacceptable in the “Financial Conditions and Activities.”
- Omits credible projections of revenues and expenses and disclosure of planning assumptions.
- Plans the expenditure of more funds than are projected to be received in any fiscal year.





FY 2017 Budget Parameters

- Meet and stay within Board Management Limitations.
- Maintain financial health; provide a balanced budget.
- Keep District Student Expectations and Board Beliefs at the forefront.
- Review status of all levies; make strategic adjustments as needed.
- Seek input from the Citizens' Budget Advisory Committee (CBAC) on budget issues.
- Seek input from the Employees' Budget Advisory Committee (EBAC) on budget issues.



FY 2017 Budget Parameters, cont.

- Continue to seek operational efficiencies and improve operational effectiveness.
- Continue to focus on drop-out prevention and graduation rate improvement strategies.
- Focus on strategies to close the achievement gap.
- Improve English Language Learners (ELL) programming.
- Continue to assess needs and evaluate programming to:
 - Create innovative programs to meet unmet needs.
 - Maintain or grow programs that are demonstrating success.
 - Strategically abandon programs that do not demonstrate value.
 - Assess and address curriculum needs and program delivery as needed to stay ahead of advances in technology and digital content.
- Improve Parent and Student Engagement

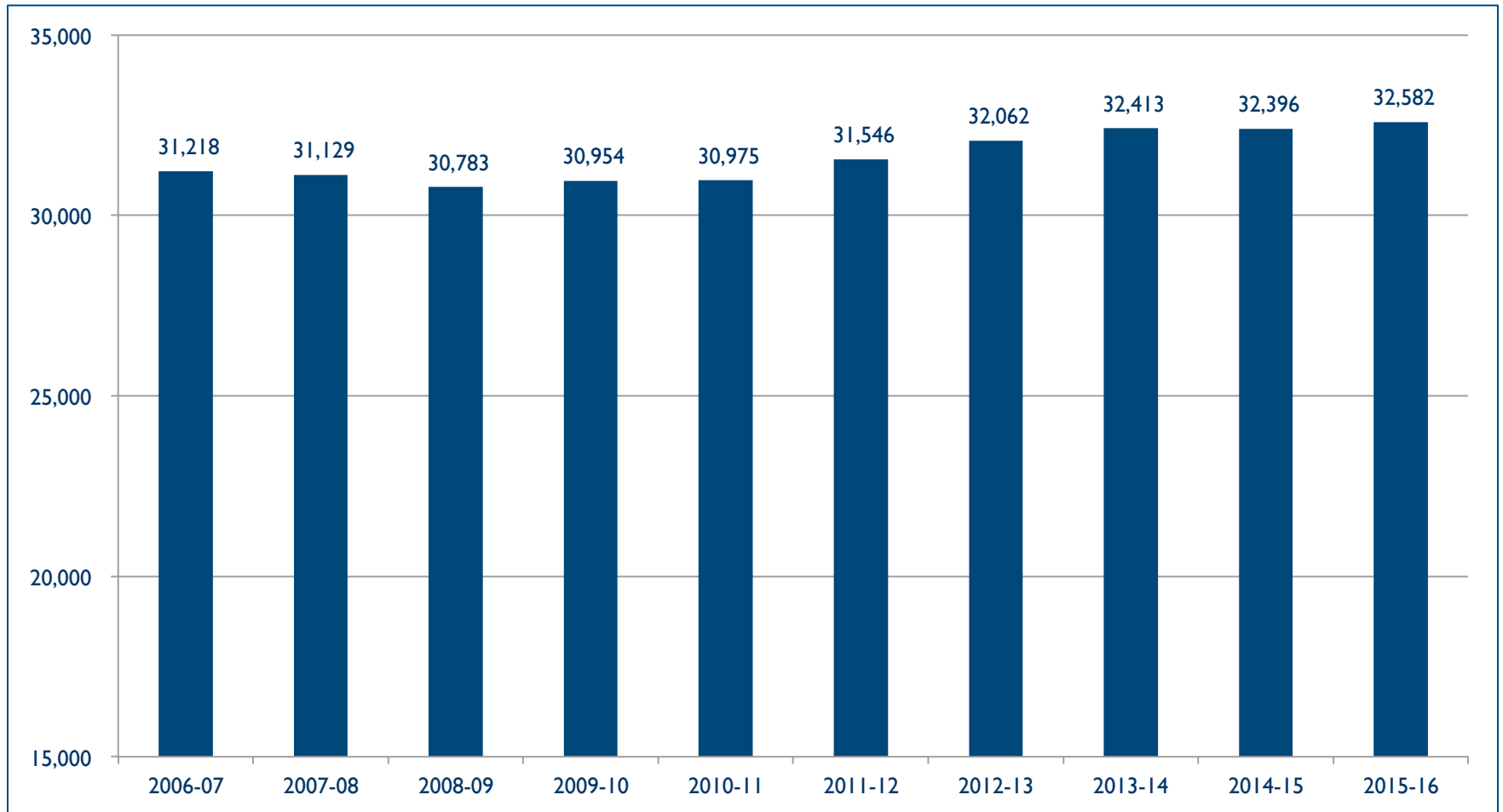
Key Financial Indicators

Key Measure	Objective	Question(s) to be Answered	Status
Certified Enrollment	Stable or growing	Will our enrollment allow us to continue to be a viable district, educationally and financially?	
Unspent Authorized Budget (Long-term)	15%, not to exceed 25%	Are we within level minimums? What do trends tell us? Required SBRC workout plan if negative.	
Unspent Spending Authority (Current year)	In conjunction with UAB, maintain or build	Are we spending our USA generated for a given year? Are we using prior years spending authority? Are levels too high?	
Solvency Ratio (General Fund)	15%, not to exceed 25%	Can we manage short- and long-term unexpected demands on cash?	

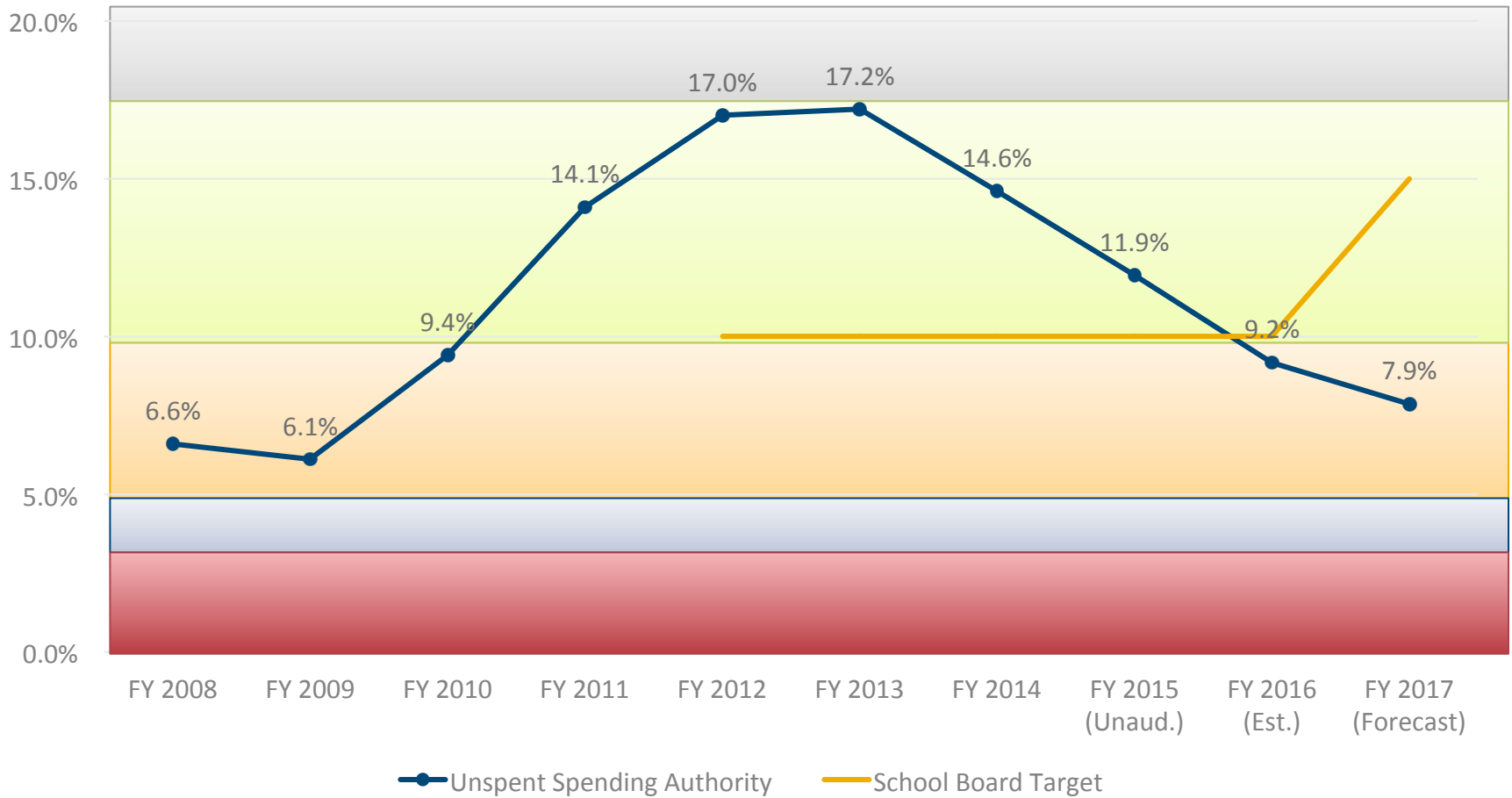
Key Financial Indicators, continued

Key Measure	Objective	Question(s) to be Answered	Status
Salaries & Benefits	75% by 2023	Are salaries & benefits at levels we can sustain?	
New money % vs. Settlement % vs. Change in Salaries / Benefits %	Less than or equal to District Allowable Growth and/or at state average	Are salaries at levels we can sustain? Are we competitive? Are our trends reasonable? Can differences be explained?	

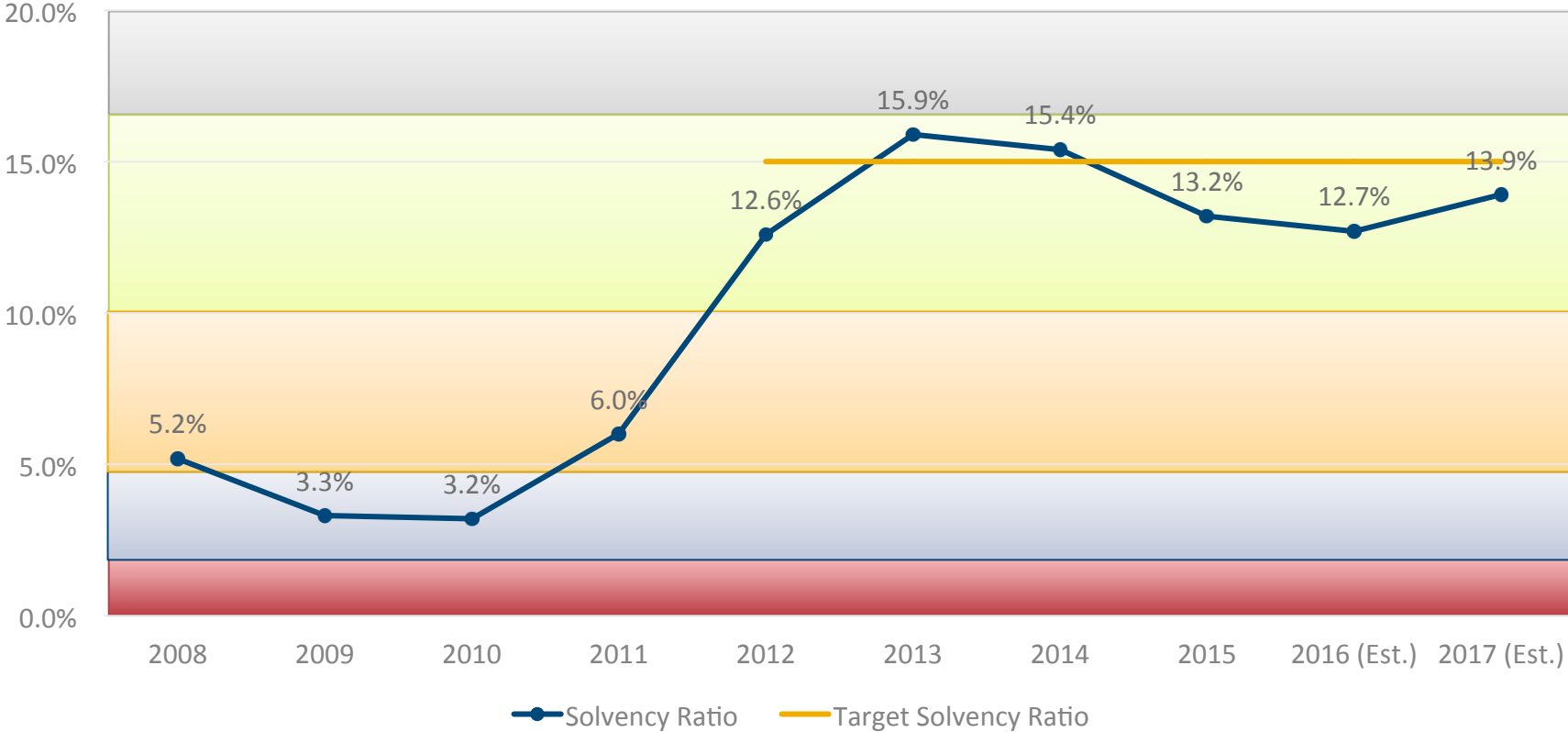
Enrollment



Spending Authority Ratio



Solvency Ratio

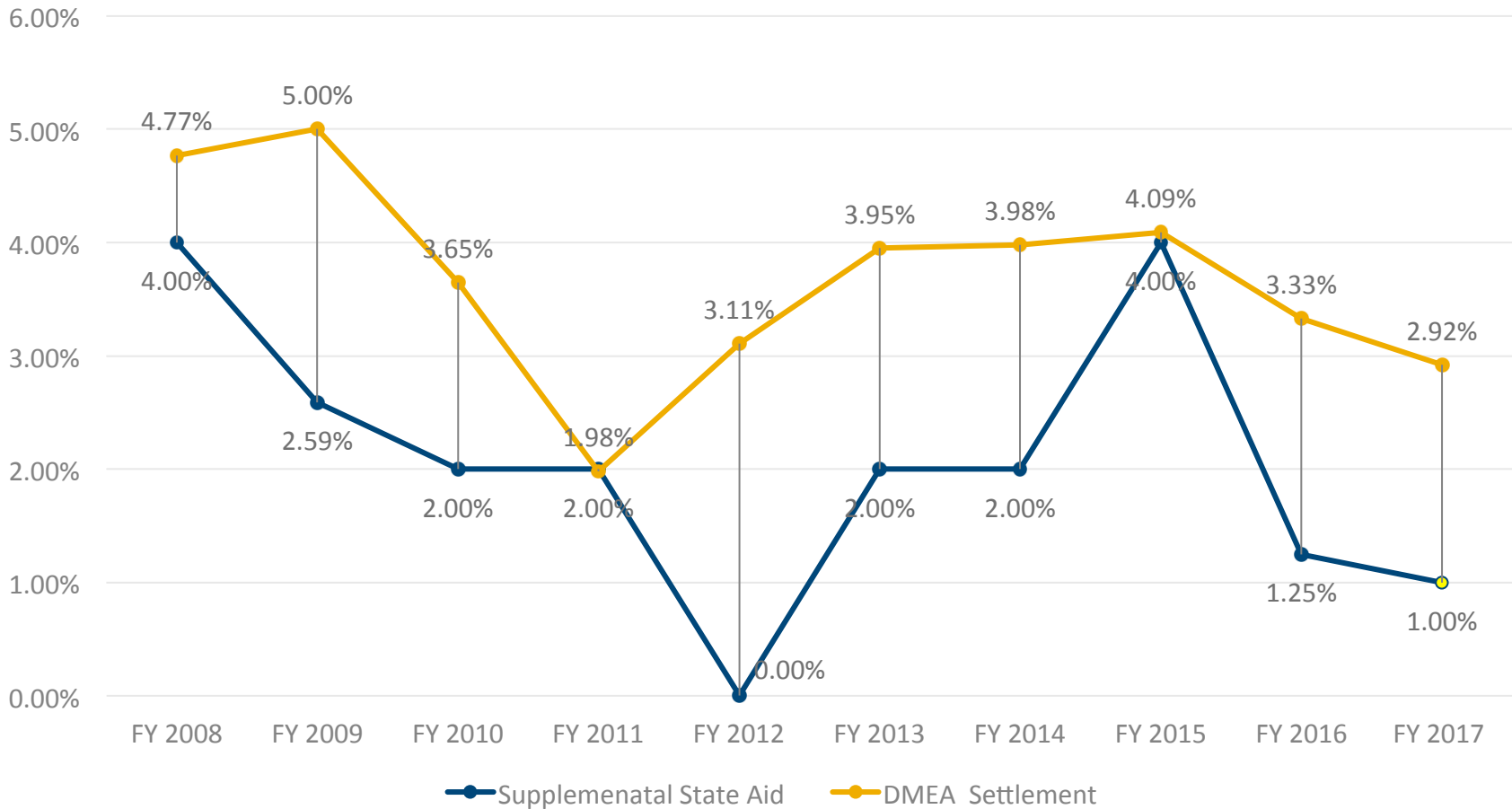


Salaries & Benefits

- Currently at 82.5% of total General Fund expenses
- Goal: Reduce compensation seven percentage points over eight years to reduce to 75%

FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
82%	81%	80%	79%	78%	77%	76%	75%

SSA v. Settlement



Assumptions

Topic	Assumption for FY 2017
Law; Policy governance; Board budget parameters	Will follow budget law, policy governance management limitations, and board budget parameters.
Generally Accepted Accounting Principles	Budget will be in accordance with Generally Accepted Accounting Principles.
State Supplemental Aid (Allowable Growth)	
Scenario A:	1.00%
Scenario B:	2.00%
Scenario C:	2.45%
Certified Enrollment	32,581.93; 185.83 more students, which is a 0.6% increase over the prior year.
Cost per Student	
Scenario A:	\$6,578 – a 1.00% increase over the prior year and fully funded.
Scenario B:	\$6,692 – a 2.00% increase over the prior year and fully funded.
Scenario C:	\$6,787 – a 2.45% increase over the prior year and fully funded.
Property valuations	Estimates indicate general taxable property valuations will increase 4.5% and total valuations will increase 4.3%; final valuations not available until June 2016.
State property tax relief	Will continue to receive increased state aid to replace property taxes and thereby reduce property taxes applicable to the district, per state law.
Cash Reserve Levy	Recommend increasing the levy to the prior period amounts.
Statewide Penny	Will parallel modeling and Department of Revenue projections. The district is monitoring closely proposed changes to the law.
Short-term investment rates	Forecasted to be less than 1% in FY17.

Assumptions, continued

State Aid - Certified Budget	
Scenario A:	Based on receipt of full funding of each student at a district cost per student of \$6,578 , a 1.00% increase.
Scenario B:	Based on receipt of full funding of each student at a district cost per student of \$6,692 , a 2.00% increase.
Scenario C:	Based on receipt of full funding of each student at a district cost per student of \$6,787 , a 2.45% increase.
Weighted funding	Funding is based on weighting factors as defined by law for Home School, ELL, SPED, At Risk programming, and Regional programming. It does not include Preschool.
Certain State grants	Funding for state grants is same as the current year.
Compensation	Includes a conservative estimate of the possible results of collective bargaining. Health insurance premiums will increase 4% (Alliance Select) and 2.68% (Blue Access). Compensation—salaries and benefits—in the General Fund represents 82.5% of overall expenditures. Impact of transitional fees associated with the Affordable Health Care cost.
Utilities costs	Energy conservation efforts will continue to offset increased utility costs; however, cannot allow for unknown weather factors.
Early retirements	100 early retirement slots were opened, 99 filled for FY 2014 and an additional 100 slots were opened for FY 2015. Initially, a cap of \$1M in expenditure was implemented in FY2016. Recently, the district revisited the cap and settled with DMEA; as a result of the settlement a total of 71 retirees were eligible for the early retirement program for FY 2016. The Board will continue to evaluate the early retirement plan going forward.
Balanced budget	Resources will cover expenditures, as required by law.

Budget Scenario A - 1.00% SSA

Calculation/ Component	Description	Budget @ 1.00% SSA
District Cost Per Student	Amount set by the state sets the cost per student at prior year + allowable growth	\$6,578
x Enrollment	District enrollment on October 1, 2015; 185.83 more students	32,581.93
= FY 2017 District Combined Cost	Equal to cost per student x enrollment	214,328,300
- FY 2016 District Combined Cost	Prior year's cost per student x prior year enrollment	-211,028,195
= Increase in District Combined Cost	Assumes full funding of the proposed allowable growth.	3,300,104
- Funds for Special Programs	Some state educational programs require state funding be matched with state foundation aid – ex. SPED; ELL; Gifted and Talented. Note Special Education Funding decreases in FY 2016	-41,748
= Increase (Decrease) in Regular Program funding	Also commonly referred to as “New Money” or (Reduction in New Money)	3,258,357
+ Built in Revenue changes	Increased tax revenue due to valuation changes; and adjustments to the cash reserve levy, adjusted for tax relief built into state foundation aid formula	5,112,509
- Built in Expenditure changes	Compensation increases, inflation for utilities, supplies, equipment, etc.	-2,337,116
= Revenues in excess of Expenditures	Expenditures do not exceed revenues	6,033,750
- Additional Expenditures & Unspent Budget	Anticipated district-recommended expenditures and Unspent Budget Authority	-6,033,750
= A Balanced Budget	Expenditures = Revenues	\$0

Budget Scenario B – 2.00% SSA

Calculation/ Component	Description	Budget @ 2.00% SSA
District Cost Per Student	Amount set by the state sets the cost per student at prior year + allowable growth	\$6,643
x Enrollment	District enrollment on October 1, 2015; 185.83 more students	32,581.93
= FY 2017 District Combined Cost	Equal to cost per student x enrollment	216,441,562
- FY 2016 District Combined Cost	Prior year's cost per student x prior year enrollment	-211,028,195
= Increase in District Combined Cost	Assumes full funding of the proposed allowable growth.	7,017,047
- Funds for Special Programs	Some state educational programs require state funding be matched with state foundation aid – ex. SPED; ELL; Gifted and Talented. Note Special Education Funding decreases in FY 2016	-83,495
= Increase (Decrease) in Regular Program funding	Also commonly referred to as “New Money” or (Reduction in New Money)	6,933,552
+ Built in Revenue changes	Increased tax revenue due to valuation changes; and adjustments to the cash reserve levy, adjusted for tax relief built into state foundation aid formula	5,112,509
- Built in Expenditure changes	Compensation increases, inflation for utilities, supplies, equipment, etc.	-2,322,116
= Revenues in excess of Expenditures	Expenditures do not exceed revenues	8,120,264
- Additional Expenditures & Unspent Budget	Anticipated district-recommended expenditures and Unspent Budget Authority	-8,120,264
= A Balanced Budget	Expenditures = Revenues	\$0

Budget Scenario C – 2.45% SSA

Calculation/ Component	Description	Budget @ 2.45% SSA
District Cost Per Student	Amount set by the state sets the cost per student at prior year + allowable growth	\$6,672
x Enrollment	District enrollment on October 1, 2015; 185.83 more students	32,581.93
= FY 2017 District Combined Cost	Equal to cost per student x enrollment	217,386,437
- FY 2016 District Combined Cost	Prior year's cost per student x prior year enrollment	-211,028,195
= Increase in District Combined Cost	Assumes full funding of the proposed allowable growth.	10,115,342
- Funds for Special Programs	Some state educational programs require state funding be matched with state foundation aid – ex. SPED; ELL; Gifted and Talented. Note Special Education Funding decreases in FY 2016	-102,282
= Increase (Decrease) in Regular Program funding	Also commonly referred to as “New Money” or (Reduction in New Money)	10,013,060
+ Built in Revenue changes	Increased tax revenue due to valuation changes; and adjustments to the cash reserve levy, adjusted for tax relief built into state foundation aid formula	5,112,509
- Built in Expenditure changes	Compensation increases, inflation for utilities, supplies, equipment, etc.	-2,322,116
= Revenues in excess of Expenditures	Expenditures do not exceed revenues	9,046,353
- Additional Expenditures & Unspent Budget	Anticipated district-recommended expenditures and Unspent Budget Authority	-9,046,353
= A Balanced Budget	Expenditures = Revenues	\$0

Budget Forecast

DES MOINES PUBLIC SCHOOLS
FISCAL YEARS 2013 - 2021
GENERAL FUND FORECAST

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Re-estimated	FY 2017 Budget <i>Assume 1.0% Supplemental State Aid</i>	FY 2018 Projected <i>Assume 2.5% Supplemental State Aid</i>	FY 2019 Projected <i>Assume 3% Supplemental State Aid</i>	FY 2020 Projected <i>Assume 2.5% Supplemental State Aid</i>	FY 20201 Projected <i>Assume 3% Supplemental State Aid</i>
Revenues									
Property Taxes	100,350,125	103,598,448	98,912,899	105,627,067	110,250,000	113,006,250	116,396,438	119,306,348	122,885,539
State Foundation Aid	199,923,760	212,978,066	222,000,961	224,197,382	227,767,000	233,461,175	240,465,010	246,476,636	253,870,935
AEA Flow Through	12,235,407	13,086,762	13,829,063	13,974,996	14,115,000	14,467,875	14,901,911	15,274,459	15,732,693
Teacher Leadership	-	-	-	10,129,613	10,231,000	10,486,775	10,801,378	11,071,413	11,403,555
Other State Sources	1,804,032	3,066,059	6,020,206	6,242,414	7,469,000	7,655,725	7,885,397	8,082,532	8,325,008
Federal Sources	37,849,266	29,992,827	33,090,152	32,846,000	31,178,000	31,957,450	32,916,174	33,739,078	34,751,250
Other Local Sources	18,809,590	20,766,660	21,943,956	22,088,000	22,040,000	22,591,000	23,268,730	23,850,448	24,565,962
Intermediate & Other Sources	554,648	708,970	887,536	900,000	705,000	722,625	744,304	762,911	785,799
Total Revenues	371,526,828	384,197,792	396,684,772	416,005,472	423,755,000	434,348,875	447,379,341	458,563,825	472,320,740
Expenditures									
Instruction	241,179,221	250,737,832	260,332,804	263,919,886	264,228,570	265,877,977	273,854,316	282,069,945	290,532,044
Student Support Services	20,309,171	21,330,587	22,474,496	22,779,114	23,018,363	23,557,212	24,263,929	24,991,847	25,741,602
Instructional Staff Support	12,199,079	13,493,103	14,958,745	25,356,249	25,579,608	26,193,214	26,979,010	27,788,381	28,622,032
General Administration	4,411,926	5,608,501	6,664,999	6,798,299	6,934,000	7,073,000	7,285,190	7,503,746	7,728,858
School Administration	18,767,628	19,109,637	21,142,500	21,935,069	22,004,709	22,577,597	23,254,925	23,952,573	24,671,150
Business & Central Administration	9,148,792	12,097,062	15,629,072	15,908,740	16,227,000	16,552,000	17,048,560	17,560,017	18,086,817
Plant Operation & Maintenance	30,961,440	34,985,860	33,343,029	34,188,818	34,873,000	35,570,000	36,637,100	37,736,213	38,868,299
Student Transportation	9,324,703	10,058,262	9,712,461	9,699,844	9,894,000	10,092,000	10,394,760	10,706,603	11,027,801
Total Support Services	105,122,739	116,683,012	123,925,302	136,666,133	138,530,680	141,615,023	145,863,474	150,239,378	154,746,560
Non-Instructional Expenditures	501,879	619,413	819,105	838,119	847,000	855,000	864,000	873,000	882,000
AEA Support	12,235,407	13,086,762	13,829,063	13,974,996	14,115,000	14,256,000	14,399,000	14,543,000	14,688,000
Transfers Out	174,805	677,879	-	-	-	-	-	-	-
Total Expenditures & Other Uses	359,214,051	381,804,898	398,906,274	415,399,134	417,721,250	422,604,000	434,980,790	447,725,324	460,848,603
Excess Revenues over Expenditures	12,312,777	2,392,894	(2,221,502)	606,338	6,033,750	11,744,875	12,398,551	10,838,501	11,472,136

Budget Forecast

DES MOINES PUBLIC SCHOOLS
FISCAL YEARS 2012 - 2020
GENERAL FUND FORECAST

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Re-estimated	FY 2017 Budget	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2020I Projected
Beginning Fund Balance - Unassigned & Assigned	45,507,578	57,196,424	57,136,110	50,414,607	51,020,945	57,054,695	68,799,570	81,198,121	92,036,622
Transfers to (from) unassigned Fund Balance	-	-	(4,500,000)	-	-	-	-	-	-
Ending Fund Balance	57,196,424	57,136,110	50,414,607	51,020,945	57,054,695	68,799,570	81,198,121	92,036,622	103,508,758
Solvency Ratio	15.92%	15.4%	13.2%	12.7%	13.9%	16.4%	18.8%	20.8%	22.7%
Unspent Spending Authority Ratio	17.18%	14.6%	11.9%	9.2%	7.9%	7.6%	7.4%	7.0%	6.7%

Note: One time expenditures of \$1,685,000 will not recur beyond FY2017

Assumptions:

- 1.00% Supplemental State Aid(Allowable Growth) for FY 2017
- Enrollment increases approximately 100 students per year, 2017-2021
- 3.00% Salary Increases, 4.00% Health Insurance Increases
- Staffing based on November, 2015 levels; with 100 FTE positions eliminated in 2017 and 75 FTE positions 2018
- Self Insurance funding for Health Insurance ends after FY 2019
- Spending for technology, textbook adoptions, etc. will approximate FY 2015 levels
- Includes estimate for funding Drake MA program
- Includes estimate for funding 3rd grade summer school
- Includes estimate for funding technology replacement schedule

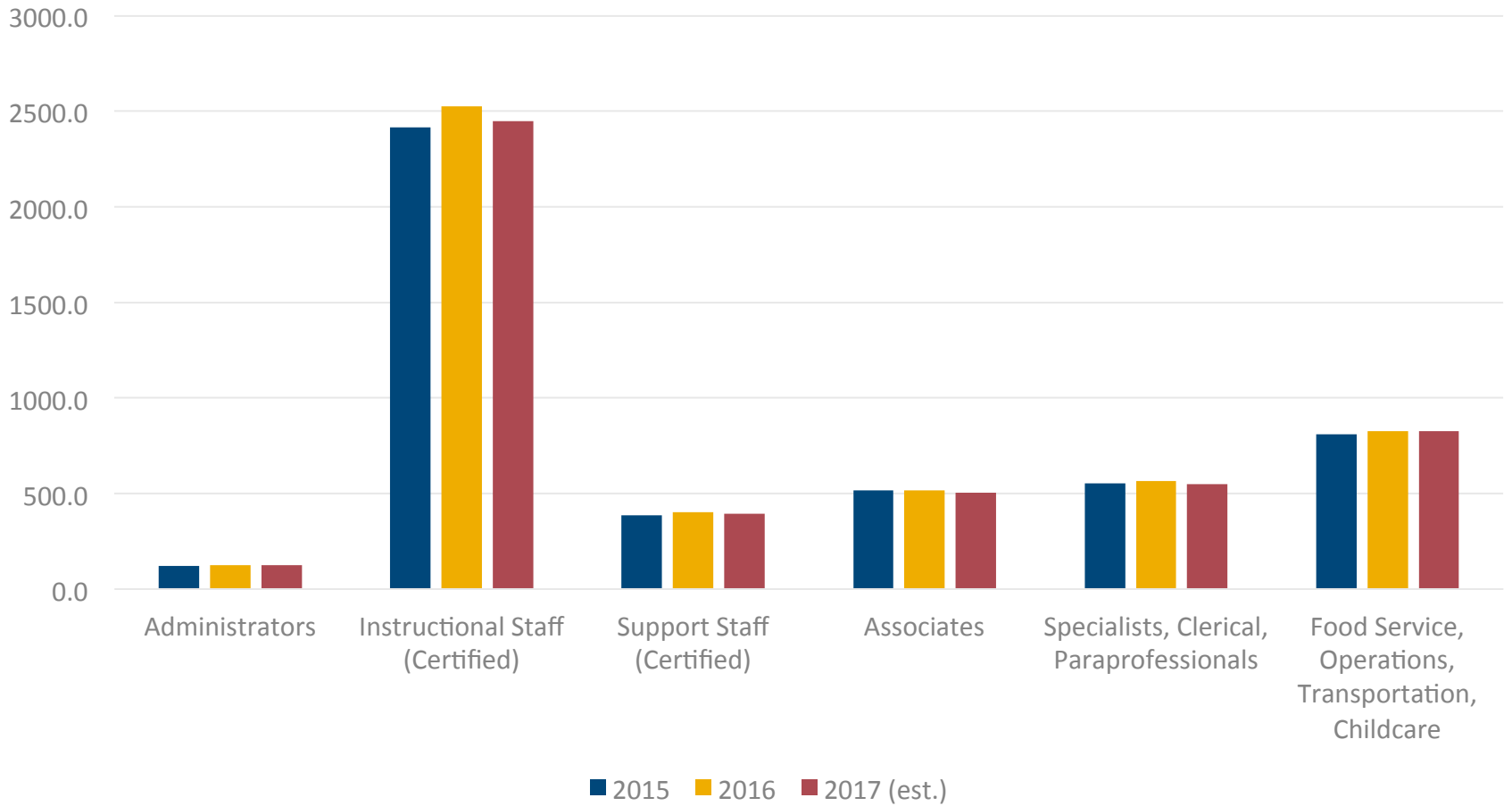
TOUGH DECISIONS



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Staffing



Key Initiatives

- Core Instruction
 - MTSS
 - Instructional Framework
 - Standards Referenced Grading
 - Cultural Proficiency
- Activities
- Wellness

QUESTIONS?



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