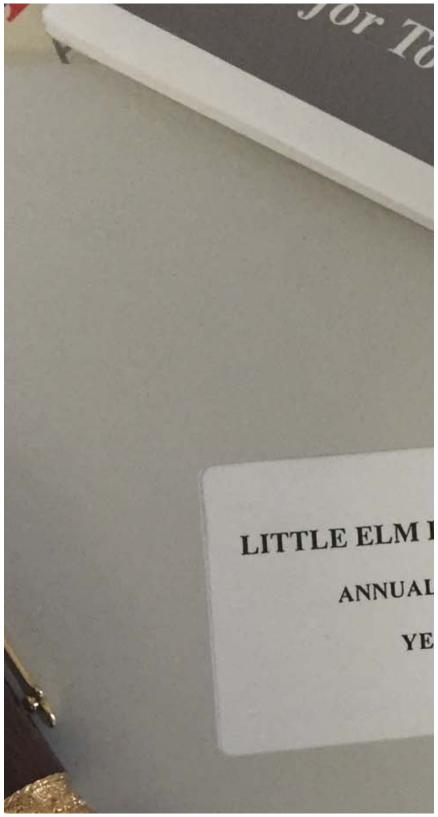
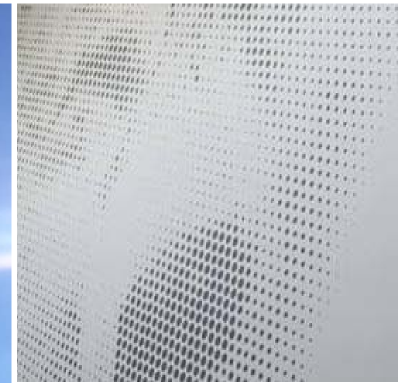
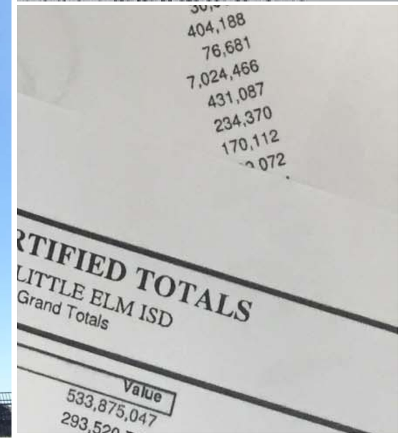


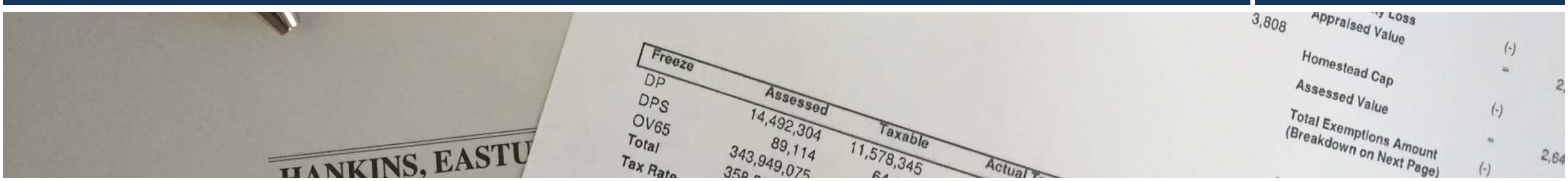




Little Elm ISD

2019-20 Budget Hearing

Grant Anderson, Associate Superintendent & Chief Financial Officer

Budget Workshop
August 19, 2019
6:00 pm



Tax Rate

- The 2019-20 proposed budget is based on a compressed Maintenance and Operations tax rate of $1.0683 and a Debt Service tax rate of $.47.
  - House Bill 3 (HB3) compressed LEISD's maintenance and operations tax rate from $1.17 to $1.0683. Total overall tax rate decreased $0.1017 from $1.64 to $1.5383.

Average Home Value of $285,642 property tax decreased $57

  - HB3 capped total future tax revenue at 2.5% growth year over year. The tax rate in future years will be further compressed based on certified taxable assessed values.


Impact of House Bill 3

- The 2019-20 proposed budget has been significantly impacted by the 86th Legislative Session and House Bill 3 (HB3) which was signed into law on June 11, 2019.
  - HB3 added approximately $5 million to LEISD’s General Fund Revenue. $1.9 million of the new revenue is contingent on LEISD remaining in the top quartile of enrollment growth in the state. Other revenues are contingent on future legislative rule.
  - HB3 added additional required spending in payroll, operations and instructional programs.
  - HB3 deferred to the commissioner to provide guidance in a number of programs; some of which will be determined after LEISD sets the 2019-20 initial budget.
  - The impact on LEISD’s 2019-20 budget process is a delay in appropriations related to HB3 and further guidance from TEA. The district will submit budget amendments when further guidance is made.

Impact of House Bill 3

- HB3 impacted local tax revenue, state revenue and certain district expenditure requirements.
    - HB3 increased state revenue mainly through an increase in basic allotment per average daily attendance, fast growth grant allotment and increase weight for special student populations. Some funds are short-term.

2019-20 Budget	Pre-HB3	Post-HB3	Change
M&O Tax Rate	$1.17	$1.0683	($0.1017)
Current Tax Revenue	$56 million	$52million	($4 million)
State Revenue	$10 million	$18 million	$8 million
Other Revenue	$6 million	$6 million	0.00
Recapture	($1.7 million)	0.00	$1.7 million
*Total Revenue	$71 million	$76 million	$5 million

*rounding

Impact of House Bill 3

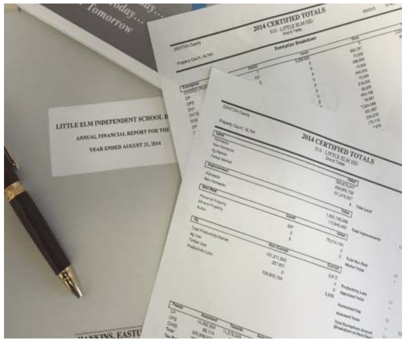
Estimated Additional Net Revenue	$4,989,558
Estimated Fast Growth Allotment	($1,849,500)
Estimated Other Spending Requirements	($2,000000)
Other Spending Requirements	To Be Determined from TEA
Estimated Discretionary Revenue	$1,140,058

Impact of House Bill 3

- HB 3 earmarked a portion of the additional funds for certain programs. This resulted in an increase in required spending.
  - Further guidance on spending requirements will be released by the Texas Education Agency and commissioner after September 1 will impact the 2019-20 budget.
    - Contingencies have been included in the 2019-20 budget to help fund additional HB3 spending requirements. This may include additional teaching staff.
    - The district budgeted $4.9 million transfer out to capital outlay fund as a contingency for short-term state funding and additional spending requirements.
    - The budget may be amended from the transfer account in order to comply with HB3 spending requirements.
    - Funds remaining may be transferred at the end of the fiscal year to the capital outlay funds.

Budget Facts

- The 2019-20 M&O proposed budget is a balanced budget. The overall budget reflects a .8% increase ($572 thousand) from 2018-19's initial board approved budget with a $4.9 million transfer.
- Little Elm ISD budgets to revenue
  - ✓ The state allocates funding based on a funding formula. This formula calculates how much state funding LEISD will receive.
  - ✓ LEISD is a fast growth school district and is under heavy budgetary pressures due to adding 200-300 new students each year. Over the past 5 years LEISD's student enrollment has increased over 800 students.
  - ✓ The proposed balanced budget is a product of ongoing instructional need assessment and prioritization.

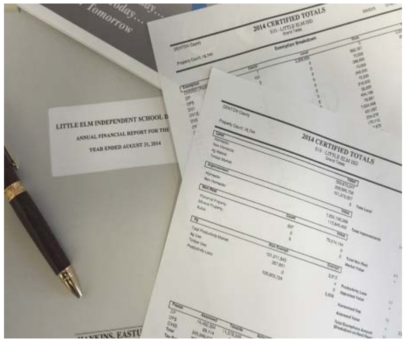


Budget Facts - Revenue

- 92% of LEISD's M&O revenue is generated from state funding formula and property tax collections.

Two major Revenue drivers:

Property Values 10% increase ($4.0 to $4.4 billion)	major factor – tax rate & collections
Enrollment 3.6% increase (7,748 to estimated 8,028 students)	major factor – state funding formula

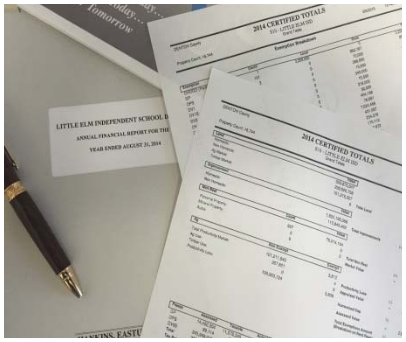


Budget Facts – Appropriations

- Appropriations percentages do not include transfer out.

Total Function Level Appropriations	$71,605,806
Transfer Out	$4,943,229
Total Budget	$76,549,035

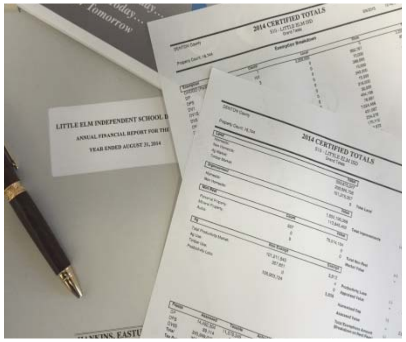
- 78.7% of LEISD's M&O appropriations are allocated for payroll costs.
- 79% of LEISD's M&O appropriations are budgeted at the school campus level.
- 15% of LEISD's M&O appropriations are budgeted in maintaining the schools, custodians, technology, and safety and security.
- 4.8% of LEISD's M&O appropriations are budgeted for administration services.
- General fund debt payments decreased $1.4 million and recapture decreased $1.1 million.



Budget Facts – Appropriations

Appropriations increase $572 thousand and $4.9 million transfer from 2018-19's initial budget to the 2019-20 proposed budget. This is mainly due to:

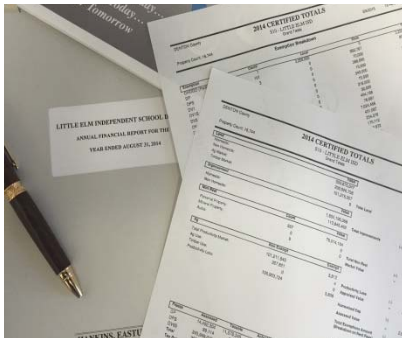
- Increase of $3.5 million for Payroll and payroll related costs after removal of prior year $1.4 million retention stipend.
- Decrease of $1.5 million for Non-payroll related costs.




Budget Facts – Appropriations

Other major changes in appropriations:

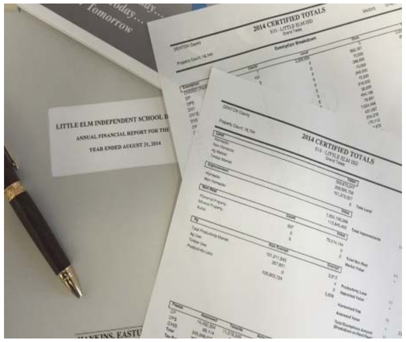
- Professional and Contracted Services budget decreased $369 thousand mainly due to decrease in Chapter 41 recapture.
- Supplies and Materials budget increased $165 thousand.
- Other Operating budget increased $118 thousand.
- Debt Payments decreased $1.4 million dollars after the payoff and refinancing of general fund debt.
- Capital Outlay remained flat with a $200 thousand budget.




2019-20 Additional Funding Recap from initial 2018-19 Budget

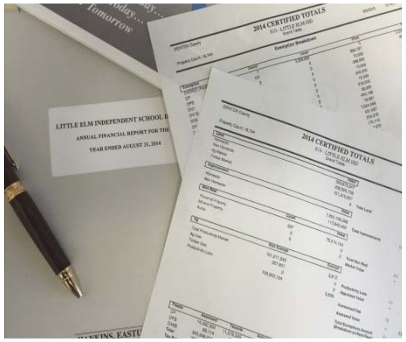
Major Increases in Payroll Budget	Major Costs	Total Change
Change in Payroll Budget		**$3,479,124**
15 new positions added	$798,000	
Teacher Raises	$1,313,000	
Health Care Benefits	$135,000	
Non Administration Raises	$284,000	
Campus/Central Administration Raises	$143,000	
Equity Adjustments	$179,000	
Instructional & Extracurricular Stipends	$113,000	
Increase Substitute & Campus Discretionary	$209,000	
Contingency & Other Net	$305,124	

Total change is net of prior year retention stipend



2019-20 Additional Funding Recap from initial 2018-19 Budget

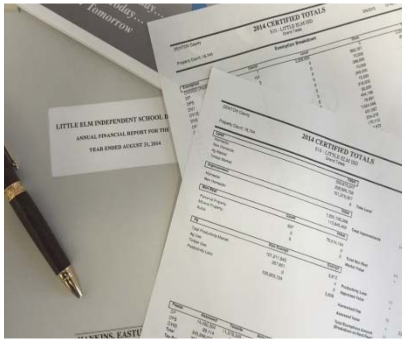
Major Changes in Non-Payroll Budget	Major Costs	Total Change
Change in Non-Payroll budget		**($1,491,850)**
Chapter 41 state recapture to equalize wealth	($1,100,000)	
Debt Service Payoff / Refinance)	($1,400,000)	
Denton County Appraisal District Costs	$133,000	
Curriculum Supplies	$143,000	
Technology (Process Automation)	$238,000	
Property & Casualty Insurance	$105,000	
Transportation	$180,000	
Utilities	$120,000	
Net Other Increase/Decease	$89,150	



Budget Facts – Major Key Indicators

Major Key Indicator: Payroll to major revenue ratio

- ✓ Major Revenue: Major Revenue is total tax collections (less delinquent taxes) and state revenue less recapture. Major Revenue makes up 92% of LEISD’s M&O revenue.
- ✓ Major Cost: 75% of LEISD’s major revenue appropriations are allocated for payroll costs.



Budget Facts – Budgeting to Revenue

Historical Key Indicator: LEISD's Payroll to Major Revenue.

	2015-16 Actual	2017-17 Actual	2017-18 Actual	2018-19 Budget	2019-20 Budget
Payroll to Major Revenue	76.02%	74.92%	76.94%	79.05%	*74.47%
Budgetary Surplus/(Deficit)	$3.8 million	$743 thousand	$1 million	-$0-	-$0-

*2019-20 Budget includes $4,943,229 transfer out to be allocated for additional costs related to HB3.

Budget Map

Board Approved Funds / Function

- General Operating Fund
- Debt Service Fund
- Child Nutrition Fund

Comparison to Prior Year's initial budget

Budget Presentation: Estimated Revenue & Appropriations

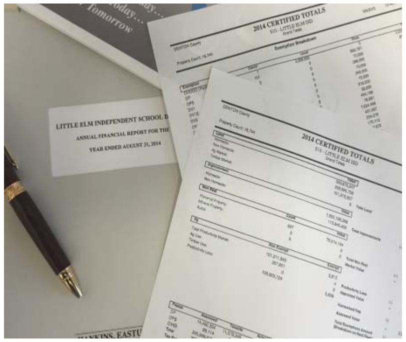
- Percentage change from prior year
- Percentage of Total Budget
- $ Amount per student

Presentation: Budget presented in millions and comparative data is to the initial 2017-18 budget


Board Approved Fund / Function

The following funds are required to be approved by the Board of Trustees at the function level (Section 44.0041 Education Code & Texas Education Agency Financial Accountability Resource Guide, Budgeting Legal Requirements 2.6):

- General Fund (1xx): to account for general operating proceeds and expenditures.
- Debt Service Fund (5xx): to account for the payment of general long-term debt.
- Child Nutrition Fund (240): to account for resources and expenditures for LEISD's federal child nutrition program.
- Function Level Expenditures: to classify and identify the purpose of the expenditure. (example: function 11 is to identify expenditures directly related to the instruction of a student)



General Operating Fund

Amounts in millions

Total Revenue, Expenditures, & Change in Fund Bal (FB)	2018-19 Initial Approved Budget	2019-20 Proposed Budget	Change from Prior Year's Initial Budget
Estimated Revenue	$71.0	$76.5	$5.5
Appropriations (Expenses & Transfer Out)	$71.0	$76.5	$5.5

Major reasons for changes from prior year:

Revenue increased $5.5 million from 2018-19 initial budget mainly due to the impact of HB3.

Appropriations increased mainly due to:

Increase in personnel costs and contingency for HB3 possible required spending.

Note: Change from Prior Year's final amended budget is nearly flat. Prior Year's final amended estimated revenue is $77 million.

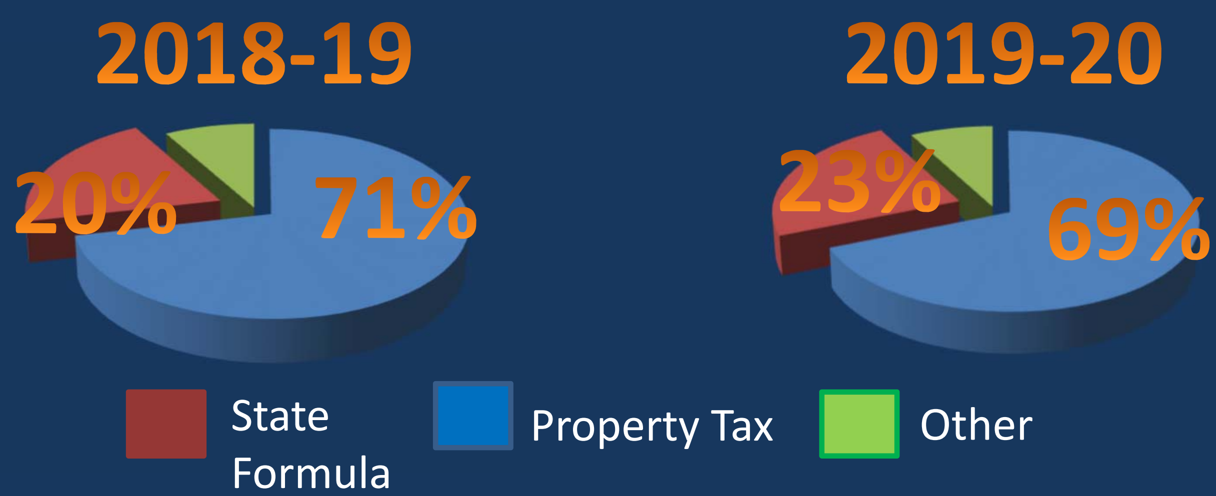
General fund revenue

Total Revenue by Source	2018-19 Initial Budget	%	*$ per Student 7,748	2019-20 Proposed Budget	%	$ per Student 8,028	% Chg
Local	$51.5	72.5%	$6,642	$53.3	69.7%	$6,645	3.7%
State	$18.3	25.8%	$2,364	$22.0	28.7%	$2,735	19.9%
Federal	$1.2	1.2%	$161	$1.2	1.6%	$154	0%
Total	$71.0	100%	$9,168	$76.5	100%	$9,535	7.8%

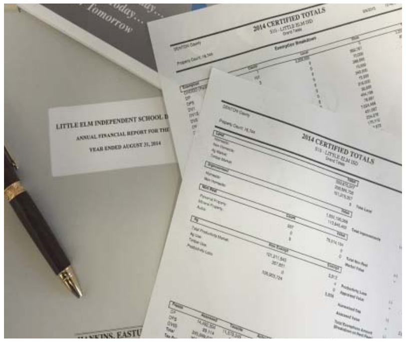
- Local revenue increased $1.8 million mainly from an increase in property tax revenue.
- State revenue increased 19.9% or $3.6 million from prior year's initial budget due to HB3 impact on the state funding formula.
- Federal revenue in the general fund remained flat.
- Overall revenue increased $5.5 million or 7.8% from PY's initial estimate of $71 million to 2019-20 proposed estimate of $76.5 million.

General fund revenue sources

Major Revenue	2018-19 Initial Approved Budget	2019-20 Proposed Budget	Change
State Formula	$14.5	$17.9	$3.4
Property Tax	$50.7	$52.6	$1.9
Other	$5.8	$6.0	$.2
Total Revenue	$71.0	$76.5	$5.5



Approximately 91-92% of LEISD’s general fund revenue is generated from Property Taxes and State funding formula.

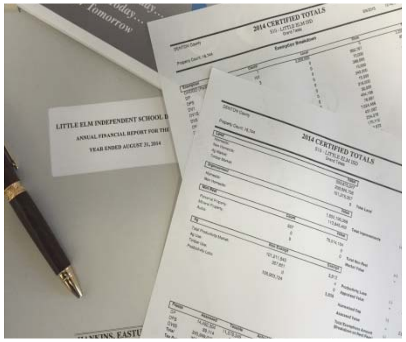


General Fund **Expenditures by Function** Category	2018-19 Initial Budget	%	$ per Student 7,748	2019-20 Proposed Budget	%	$ per Student 8,028	% Chg
1x Instructional	$42.0	59.0%	$5,370	$43.4	61%	$5,401	4.2%
2x School Leadership	$ 5.4	7.7%	$ 704	$ 5.7	8%	$ 709	4.4%
3x Student Services	$ 7.3	10.0%	$ 942	$ 7.7	10.3%	$ 961	5.6%
4x Admin Services	$ 3.1	4.4%	$ 405	$ 3.4	4.8%	$ 427	9.4%
5x Support Services	$10.3	14%	$1,337	$10.8	15.1%	$1,346	4.2%
6x Community Services	$ .05	-	$ 7	$ .04	-	$ 5	(18.2%)
7x Debt Services	$ 1.4	2%	$ 181	-	-	-	(100%)
8x Capital Outlay	$ .2	.3%	$ 25	$ .02	0%	$2	(92%)
9x Intergovernmental	$ 1.5	2.1%	$ 197	$ .6	.8%	$69	(64%)
Total Appropriations	$71	100%	$9,168	*$71.6	100%	$8,920	.8%

77%

79%

*2019-20 Column does not include transfer out of $4.9 million .

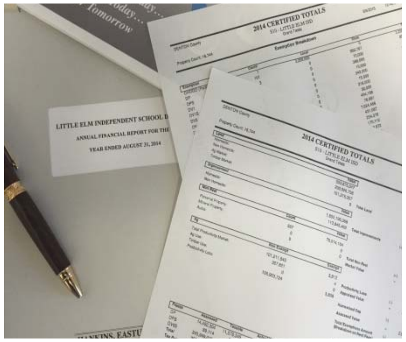



General Fund Expenditures by Object	2018-19 Initial Budget	%	$ per Student 7,748	2019-20 Proposed Budget	%	$ per Student 8,028	% Chg
61xx Payroll	$54.3	76.5%	$7,010	$56.4	78.7%	$7,023	3.8%
62xx Contracted Services	$10.4	14.7%	$1,346	$10.0	14.0%	$1,253	(3.5%)
63xx Supplies & Materials	$2.8	4%	$366	$3.0	4.2%	$374	5.8%
64xx Other Operating	$1.9	2.6%	$240	$2.0	2.8%	$246	6.4%
65xx Debt Payments	$1.4	2%	$181	$0.0	0%	$0	(100%)
66xx Capital Outlay	$.2	.3%	$26	$.2	.3%	$24	(1.3%)
Total Appropriations	$71	100%	$9,168	$71.6	100%	$8,920	.8%

Debt Service Fund

Debt Service Fund Revenue & Expenditures	2018-19 Initial Budget	$ per Student 7,748	2019-20 Proposed Budget	$ per Student 8,028	% Chg 3%
Total Revenue	$21.2	$2,740	$23.6	$2,948	12%
71 Debt Service Pmts	$21.1	$2,723	$23.3	$2,910	11%
Budgeted Surplus/(deficit)	$.1	-	$.3	-	-

- 2018-19 Outstanding principal debt: $304,824,189 = $39,342 per student
- 2019-20 Outstanding debt: $298,534,212 = $37,187 per student



Child Nutrition Fund

Child Nutrition Fund Revenue & Expenditures	2018-19 Initial Budget	$ per Student 7,748	2019-20 Proposed Budget	$ per Student 8,028	% Chg
Local Revenue	$1.6	$212	$1.6	$202	(1.2%)
State Revenue	$.02	$3	$.02	$2	(2.5%)
Federal Revenue	$2.2	$282	$2.3	$286	5.0%
35 CN Expenditures	$3.9	$497	$3.9	$491	2.3%
Budgeted Surplus/(deficit)	$0	-	$0	-	-

- 2018-19 Free & reduced student eligibility: 45% of 3,454 children
- 2019-20 Free & reduced student eligibility: 47% or 3,763 children

LITTLE ELM INDEPENDENT SCHOOL DISTRICT

2019-20 Board Proposed Budget

Combined Funds

		General Fund	Student Nutrition Fund	Debt Service Fund	Combined Total
Estimated Revenue					
5700	Local Revenue	53,342,876	1,624,685	23,663,987	78,631,548
5800	State Revenue	21,956,159	19,500	0	21,975,659
5900	Federal Revenue	1,250,000	2,295,942	0	3,545,942
	Total Revenue	76,549,035	3,940,127	23,663,987	104,153,149
Appropriations					
11	Instructional	40,645,107			40,645,107
12	Instructional Resources & Media Services	837,163			837,163
13	Curriculum & Instructional Staff Development	1,873,279			1,873,279
21	Instructional Leadership	1,246,344			1,246,344
23	School Leadership	4,448,208			4,448,208
31	Guidance, Counseling, & Evaluation Services	2,152,467			2,152,467
32	Social Work Services	33,300			33,300
33	Health Services	598,297			598,297
34	Student (Pupil) Transportation	2,571,825			2,571,825
35	Food Services	212,694	3,940,127		4,152,821
36	Cocurricular/Extracurricular Activities	2,144,289			2,144,289
41	General Administration	3,431,845			3,431,845
51	Plant Maintenance & Operations	7,820,652			7,820,652
52	Security and Monitoring Services	1,071,729			1,071,729
53	Data Processing Services	1,904,677			1,904,677
61	Community Services	43,839			43,839
71	Debt Services	0		23,363,029	23,363,029
81	Facilities Acquisition and Construction	15,091			15,091
91	Chapter 41 Recapture	0			0
95	Payments to JJAEP	[illegible]000			[illegible],000
99	CAD Appraisal Fees	515,000			515,000
	Total Appropriations	71,605,806	3,940,127	23,363,029	98,908,962
	Net Surplus/(Deficit)	4,943,229	0	300,958	5,244,187
00	Transfer Out	4,943,229	0	0	4,943,229
	Budgetary Fund Balance	0	0	300,958	300,958