

Deer Valley Unified School District Budget Committee

January 8, 2018 – Identification of Budget Priorities

Topics

- Re-Review of School Finance 101
- Review of DVUSD Financial Overview
 - Annual Financial Report (AFR) Comparison Updated
- Existing Program Cost Information
- FY19 Budget Forecast
- Review of Previously Used Budget Guiding Principles
- Process for Determining Budget Priorities for Electronic Community Survey

Re-Review of School Finance 101 or, What We Know.....

- Amount of financial resources available to Deer Valley Unified School District is established by statutory formula
- Approximately 78% of funding is dependent on the number of students enrolled (Average Daily Membership or ADM)
- State-imposed funding reductions continue to be made
- Proposition 301 (Classroom Site Fund) and Proposition 123 are integral components to funding that have expiration dates
- Voters can provide additional local funding if approved by an election
- Other increases in funding can only come from increased students (ADM), Legislative action, and - now due to Prop. 123 - inflationary increases.

Review of DVUSD Financial Overview or, What We Know

- We compare positively among our peer groups, even better when compared to State
- Although DVUSD spends less dollars per student than our comparable group, peer group and the State average - the student achievement results are comparable or better than some districts that spent more money per student
- Our Administrative Costs are higher than our comparable districts, largely due to a retiree health insurance benefit that not all comparable districts offer
- Our Student Support and Instructional Support categories are lower than our comparable districts
- Our Employee Benefit Costs are higher than our comparable districts, although our Salary Costs are lower

Review of DVUSD Financial Overview or, What We Know (con't)

- A teacher shortage exists
- Proposition 206 is causing an increase to minimum wage that is causing salary compression (lowest hourly positions getting larger increases than positions above \$12/hour)
- We have varied student enrollment at our schools
- Any other learnings

Annual Financial Report (AFR) Comparison Updated

FY17 AFR Comparison of General Administration including all expenses paid for General Admin.

	<u>2300 - General Admin.</u>	
Chandler	2,483,229	1.0%
Gilbert ¹	1,388,137	0.7%
PV ³	1,874,294	1.0%
Peoria	4,018,964	1.9%
Scottsdale ^{2,3,4}	3,401,670	2.4%
Dysart ³	1,642,323	1.1%
DV	4,201,091	2.1%
5 Comparable District Average		1.4%

FY17 AFR Comparison of General Administration without \$3.1 M paid by DVUSD for Retiree Benefits

	<u>2300 - General Admin.</u>	
Chandler	2,483,229	1.0%
Gilbert ¹	1,388,137	0.7%
PV ³	1,874,294	1.0%
Peoria	4,018,964	1.9%
Scottsdale ^{2,3,4}	3,401,670	2.4%
Dysart ³	1,642,323	1.1%
DV	1,096,729	0.6%
5 Comparable District Average		1.4%

Request for Program Cost Information

- Deer Valley Online Learning Program (DVOLP): \$271,000 (does not include the potential loss of revenue if we do not have this program and students attend online courses elsewhere)
- International Baccalaureate (MYIB/IB): \$400,000 to \$510,000
- Mandarin Language Immersion: \$244,000 - \$354,000
- Renaissance Highly Gifted: \$460,000 to \$570,000
- Transition School to Work (TSW, formerly YTP): \$345,000

FY19 Budget Forecast

- Inflationary Increase
- Loss of Students (ADM)
- A need for fewer teachers (due to student reduction)
- A need for an increase to capital expenditures
- Less additional revenue from cash accounts
- Any Legislative changes

Review Previously Used Budget Guiding Principles

- The primary focus of the organization is service to students.
- Resources should be targeted toward Strategic Plan goals.
- Maintaining student-teacher ratios shall be a priority.
- All staff contributes to the objectives of the organization.
- Preserving jobs is a priority.

Budget Priorities

(possible suggestions, conversation starters...)

- Increase recruitment activities
- Increase the amount of time students are in school
- Add regularly scheduled, weekly professional development for teachers in the school calendar
- Address changing enrollment patterns by considering changing school boundaries, including repurposing a school(s)
- Provide staff salary increases
- Explore additional revenue sources, including allowable fees

Development of Budget Priorities

Goal is to develop a limited list of budget priorities that will create a forced-ranking electronic survey to be sent to all stakeholders.

Online tool to assist in development of budget priorities:

- <https://www.erstrategies.org/hold-em/>

Next Steps

- By January 12, 2018 - Create forced-ranking electronic survey to be sent to all stakeholders
- Through January 31, 2018 - Implement communication plan to solicit input of electronic survey
- By February 2, 2018 – Compile Results of Survey
- February 5, 2018 – Budget Committee Meeting - Finalize recommendation of budget priorities to share with Governing Board

FY17 Annual Financial Report (AFR)

M&O Expenses Per Student

	<u>Total M&O Expenses</u>		<u>Resident Students</u>		<u>Expense per Student</u>	
Chandler	259,647,235		43,306.365		\$ 5,995.59	-2.6%
Gilbert ¹	206,060,775		33,764.468		\$ 6,102.89	-0.8%
PV ³	196,076,135		31,269.986		\$ 6,270.43	1.9%
Peoria	211,097,445		35,149.999		\$ 6,005.62	-2.4%
Scottsdale ^{2,3,4}	144,567,319		22,628.202		\$ 6,388.81	3.8%
Dysart ³	144,399,087		23,857.174		\$ 6,052.65	-1.6%
DV	199,371,532		32,657.462		\$ 6,104.93	-0.8%
5 Comparable District Average					\$ 6,152.67	

FY17 (2016-17) was the first year DVUSD received a 15% M&O Override

FY17 Annual Financial Report (AFR)

M&O Salary and Benefit Expenses

	<u>Salaries - 6100</u>		<u>Benefits - 6200</u>		<u>Salaries & Benefits (adj. for 2 & 4)</u>	
Chandler	\$ 175,332,034	67.5%	\$ 52,465,238	20.2%	\$ 227,797,272	87.7%
Gilbert ¹	\$ 140,700,092	68.3%	\$ 42,400,800	20.6%	\$ 183,100,892	88.9%
PV ³	\$ 124,671,518	63.6%	\$ 38,971,777	19.9%	\$ 162,796,874	83.4%
Peoria	\$ 134,309,816	63.6%	\$ 47,415,980	22.5%	\$ 181,725,796	86.1%
Scottsdale ^{2,3,4}	\$ 92,952,731	64.3%	\$ 29,879,127	20.7%	\$ 112,491,629	83.8%
Dysart ³	\$ 87,286,495	60.4%	\$ 25,271,946	17.5%	\$ 112,558,441	77.9%
DV	\$ 127,434,366	63.9%	\$ 46,542,502	23.3%	\$ 173,976,868	87.3%
5 Comparable District Average		65.5%		20.8%		86.0%

Governing Board Policy DBD states (in part) - Competitive salaries and benefits will be a high priority to attract and retain highly qualified staff. The District will allocate a percent of the new budget, at least above the average of similar districts, to salary and benefits.

FY17 Annual Financial Report (AFR)

M&O Instruction & Special Education Expenses

	<u>Classroom - 100 & 200 1000</u>		<u>Special Education - All 200</u>	
Chandler	154,004,903	59.3%	38,812,236	14.9%
Gilbert ¹	122,932,955	59.7%	44,527,568	21.6%
PV ³	105,846,877	54.0%	47,215,826	24.1%
Peoria	113,750,563	53.9%	47,149,741	22.3%
Scottsdale ^{2,3,4}	69,370,137	48.0%	23,213,094	16.1%
Dysart ³	79,616,378	55.1%	30,151,444	20.9%
DV	119,150,579	59.8%	42,055,400	21.1%
5 Comparable District Average		55.0%		19.8%

FY17 Annual Financial Report (AFR)

M&O Administration Expenses

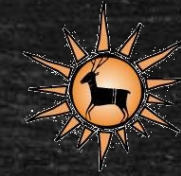
	<u>2300 - General Admin.</u>		<u>2400 School Admin.</u>		<u>2500 - Central Services</u>	
Chandler	2,483,229	1.0%	15,570,232	6.0%	7,604,005	2.9%
Gilbert ¹	1,388,137	0.7%	10,588,420	5.1%	6,424,425	3.1%
PV ³	1,874,294	1.0%	10,680,476	5.4%	6,084,718	3.1%
Peoria	4,018,964	1.9%	12,815,466	6.1%	6,865,015	3.3%
Scottsdale ^{2,3,4}	3,401,670	2.4%	9,728,840	6.7%	3,895,901	2.7%
Dysart ³	1,642,323	1.1%	8,160,134	5.7%	5,224,242	3.6%
DV	4,201,091	2.1%	11,508,967	5.8%	7,080,255	3.6%
5 Comparable District Average		1.4%		5.9%		3.0%

FY17 Annual Financial Report (AFR)

M&O Operational Function Expenses

	<u>Operations - 2600</u>		<u>Transportation - 2700</u>	
Chandler	31,822,760	12.3%	13,989,854	5.4%
Gilbert ¹	25,978,230	12.6%	10,320,968	5.0%
PV ³	28,744,950	14.7%	9,781,004	5.0%
Peoria	25,454,088	12.1%	9,352,785	4.4%
Scottsdale ^{2,3,4}	23,239,922	16.1%	6,851,741	4.7%
Dysart ³	19,643,136	13.6%	8,079,776	5.6%
DV	25,721,857	12.9%	9,896,319	5.0%
5 Comparable District Average		13.5%		4.9%

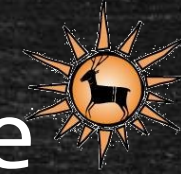
Auditor General District Spending (Classroom Dollar) Report Background



- Arizona Revised Statutes §41-1279.03 requires the Auditor General to determine the percentage of every dollar Arizona school districts spend in the classroom annually. *(excludes charter schools)*
- The report also analyzes nonclassroom spending, which includes administration, plant operations, food service, transportation, student support, and instruction support
- New for FY16 - Function 2350 (Administration) Retiree Health:
 - Payments made to provide retiree health benefits.

Data is
from
Latest
Available
Report,
from
2015-16

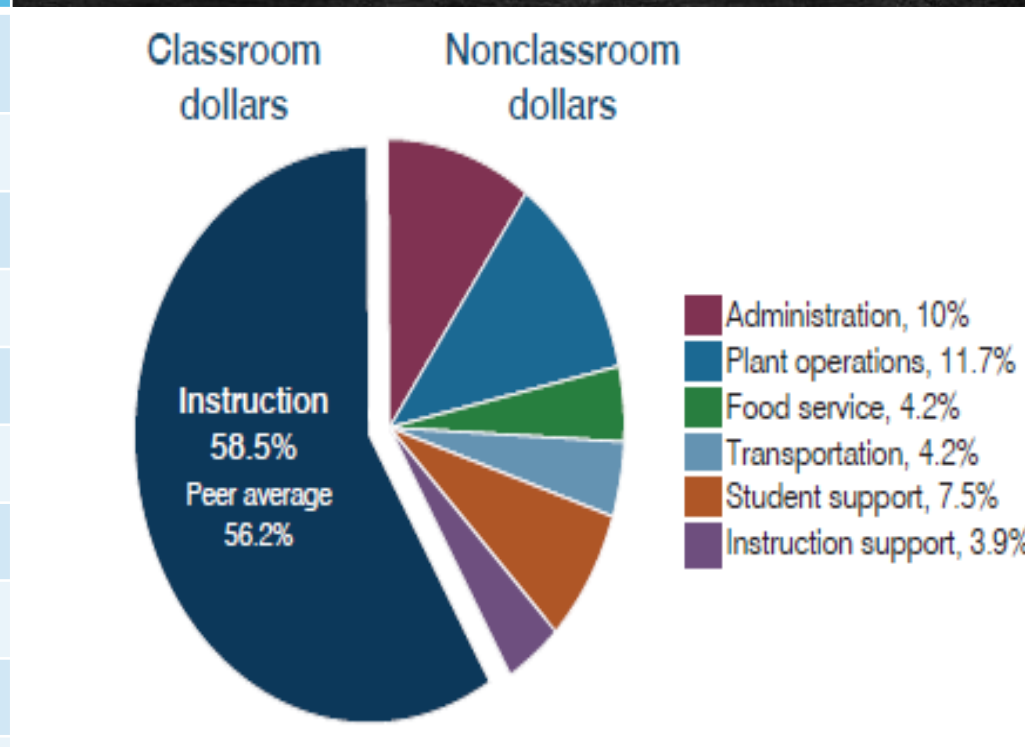
Classroom Dollar Percentage



Peer Group: Very large unified and

Statewide %	53.5%
<i>Peer Group %</i>	<i>56.2%</i>
Chandler USD	61.0%
Gilbert USD	60.7%
Deer Valley USD	58.5%
Mesa USD	56.7%
Paradise Valley USD	56.4%
Peoria USD	56.2%
Dysart USD	55.8%
Phoenix UHSD	54.0%
Scottsdale USD	53.6%
Tucson USD	48.8%

Deer Valley USD FY16



Student Achievement Results



District name	Percentage of students passing			
	Math	English Language Arts	Science	
Unified school districts with poverty rates of 10 to 17 percent in cities and suburbs	Peer group average	44%	44%	63%
	Queen Creek USD	57	53	74
	Chandler USD	55	55	72
	Scottsdale USD	50	52	68
	Deer Valley USD	48	50	71
	Prescott USD	43	47	69
	Paradise Valley USD	44	46	64
	Peoria USD	44	39	58
	Marana USD	36	41	59
	J. O. Combs USD	37	32	53
	Dysart USD	34	35	52
	Flagstaff USD	32	32	54

Auditor General District Spending Report

Basic District Information

	Chandler			Gilbert			Paradise Valley			Peoria			Scottsdale			Deer Valley		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Students Attending	40,038	41,028	41,930	36,150	35,465	34,347	31,072	31,359	31,348	35,383	35,315	35,400	24,167	23,274	23,051	32,359	32,593	32,889
Number of Schools	41	41	43	40	40	40	45	44	44	40	41	41	30	30	30	37	37	38
Number of Teachers																		
Student/Teacher Ratio	19.2	18.9	19	16.3	16.1	18.1	20.5	20.9	19.5	18.4	17.8	17.3	18.3	19.7	18.7	19	18.2	18
Average Teacher Salary	\$ 49,957	\$ 50,130	\$ 52,001	\$ 44,380	\$ 42,357	\$ 47,692	\$ 51,848	\$ 52,793	\$ 49,389	\$ 41,433	\$ 40,399	\$ 41,337	\$ 48,198	\$ 47,332	\$ 48,853	\$ 46,902	\$ 44,928	\$ 44,712
Average Years of Service	10.7	11	10.9	11.6	11.8	12.1	13.3	13.3	12.8	10	10.6	10.9	13.7	13.9	13.6	12.2	12.1	11.8

Auditor General District Spending Report

Percentages of Spending

	Chandler			Gilbert			Paradise Valley			Peoria			Scottsdale			Deer Valley		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Classroom Dollars	61.1%	61.1%	61.0%	61.2%	61.3%	60.7%	57.7%	57.2%	56.4%	57.9%	54.9%	56.2%	54.5%	53.9%	53.6%	58.3%	60.7%	58.5%
Non-Classroom Dollars																		
Administration	8.5%	8.3%	8.2%	7.8%	7.1%	7.7%	7.9%	8.3%	8.4%	9.1%	10.5%	10.5%	8.8%	8.6%	9.2%	9.1%	8.5%	10.0%
Plant Operations	10.5%	10.4%	10.4%	10.4%	10.9%	10.5%	12.6%	12.7%	13.2%	10.9%	11.3%	10.1%	13.0%	13.5%	13.5%	11.2%	10.2%	11.7%
Food Service	5.3%	5.3%	4.8%	3.9%	4.0%	4.0%	2.9%	2.9%	3.0%	4.7%	4.8%	4.6%	4.2%	4.2%	4.4%	4.4%	4.3%	4.2%
Transportation	3.9%	4.0%	4.6%	4.5%	4.5%	4.3%	4.2%	4.3%	4.1%	3.6%	3.6%	3.4%	4.7%	4.7%	4.5%	5.0%	4.4%	4.2%
Student Support	6.4%	6.6%	6.8%	9.1%	9.3%	9.4%	9.1%	9.3%	9.7%	8.9%	9.8%	10.2%	9.2%	9.3%	9.4%	7.1%	7.2%	7.5%
Instructional Support	4.3%	4.3%	4.2%	3.1%	2.9%	3.4%	5.6%	5.3%	5.2%	4.9%	5.1%	5.0%	5.6%	5.8%	5.4%	4.9%	4.7%	3.9%
Other	0.0%	0.0%		0.0%			0.0%			0.0%			0.0%			0.0%		
Classroom Support	71.8%	72.0%	72.0%	73.4%	73.5%	73.5%	72.4%	71.8%	71.3%	71.7%	69.8%	71.4%	69.3%	69.0%	68.4%	70.3%	72.6%	69.9%

Auditor General District Spending Report Per Pupil Spending

		Chandler			Gilbert			Paradise Valley			Peoria			Scottsdale			Deer Valley		
		2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Per Student		\$ 6,615	\$ 6,897	\$ 7,158	\$ 6,815	\$ 6,682	\$ 6,811	\$ 7,747	\$ 7,544	\$ 7,472	\$ 6,585	\$ 6,715	\$ 6,945	\$ 7,462	\$ 7,591	\$ 7,820	\$ 6,718	\$ 7,032	\$ 6,880
Classroom Dollars		\$ 4,042	\$ 4,211	\$ 4,366	\$ 4,171	\$ 4,094	\$ 4,135	\$ 4,471	\$ 4,318	\$ 4,214	\$ 3,814	\$ 3,685	\$ 3,904	\$ 4,070	\$ 4,094	\$ 4,194	\$ 3,919	\$ 4,268	\$ 4,022
Non-Classroom Dollars																			
	Administration	\$ 563	\$ 575	\$ 589	\$ 530	\$ 475	\$ 522	\$ 610	\$ 627	\$ 631	\$ 601	\$ 702	\$ 731	\$ 660	\$ 651	\$ 715	\$ 609	\$ 595	\$ 689
	Plant Operations	\$ 690	\$ 717	\$ 744	\$ 706	\$ 725	\$ 716	\$ 978	\$ 960	\$ 983	\$ 718	\$ 761	\$ 701	\$ 966	\$ 1,028	\$ 1,058	\$ 751	\$ 720	\$ 805
	Food Service	\$ 350	\$ 367	\$ 346	\$ 269	\$ 270	\$ 270	\$ 227	\$ 221	\$ 226	\$ 308	\$ 325	\$ 317	\$ 312	\$ 316	\$ 341	\$ 299	\$ 299	\$ 288
	Transportation	\$ 258	\$ 276	\$ 325	\$ 305	\$ 302	\$ 296	\$ 323	\$ 326	\$ 306	\$ 236	\$ 239	\$ 237	\$ 347	\$ 356	\$ 353	\$ 335	\$ 313	\$ 289
	Student Support	\$ 424	\$ 454	\$ 485	\$ 622	\$ 618	\$ 639	\$ 703	\$ 697	\$ 723	\$ 582	\$ 660	\$ 708	\$ 690	\$ 704	\$ 733	\$ 479	\$ 506	\$ 514
	Instructional Support	\$ 288	\$ 297	\$ 303	\$ 212	\$ 198	\$ 233	\$ 435	\$ 395	\$ 389	\$ 326	\$ 343	\$ 347	\$ 417	\$ 442	\$ 426	\$ 326	\$ 331	\$ 273
	Other																		
Non-Classroom Subtotal		\$ 2,573	\$ 2,686	\$ 2,792	\$ 2,644	\$ 2,588	\$ 2,676	\$ 3,276	\$ 3,226	\$ 3,258	\$ 2,771	\$ 3,030	\$ 3,041	\$ 3,392	\$ 3,497	\$ 3,626	\$ 2,799	\$ 2,764	\$ 2,858
	Classroom Support	\$ 4,754	\$ 4,962	\$ 5,154	\$ 5,005	\$ 4,910	\$ 5,007	\$ 5,609	\$ 5,410	\$ 5,326	\$ 4,722	\$ 4,688	\$ 4,959	\$ 5,177	\$ 5,240	\$ 5,353	\$ 4,724	\$ 5,105	\$ 4,809

Auditor General District Spending Report

Key Metrics

		Chandler			Gilbert			Paradise Valley			Peoria			Scottsdale			Deer Valley		
		2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Administration																			
	Cost Per Pupil	\$ 563	\$ 575	\$ 589	\$ 530	\$ 475	\$ 522	\$ 610	\$ 627	\$ 631	\$ 601	\$ 702	\$ 731	\$ 660	\$ 651	\$ 715	\$ 609	\$ 595	\$ 689
	Students per Admin	107	108	104	79	77	75	76	75	76	89	85	91	75	77	78	84	87	88
Plant Operations																			
	Cost Per Square Foot	\$ 6.29	\$ 6.69	\$ 6.64	\$ 5.30	\$ 5.32	\$ 5.08	\$ 6.10	\$ 5.94	\$ 6.06	\$ 5.54	\$ 5.71	\$ 5.27	\$ 5.53	\$ 5.66	\$ 5.75	\$ 5.46	\$ 5.28	\$ 5.82
	Square Foot Per Pupil	110	107	112	133	136	141	160	162	162	130	133	133	175	182	184	137	136	138
Food Service																			
	Cost Per Meal	\$ 3.11	\$ 3.30	\$ 3.12	\$ 2.37	\$ 2.52	\$ 2.52	\$ 2.44	\$ 2.45	\$ 2.55	\$ 2.84	\$ 2.95	\$ 3.00	\$ 2.61	\$ 2.40	\$ 2.64	\$ 2.51	\$ 2.49	\$ 2.41
Transportation																			
	Cost Per Mile	\$ 4.06	\$ 4.39	\$ 4.69	\$ 3.49	\$ 3.59	\$ 3.68	\$ 4.13	\$ 4.59	\$ 3.87	\$ 3.24	\$ 3.12	\$ 3.53	\$ 3.96	\$ 3.89	\$ 4.46	\$ 4.30	\$ 4.42	\$ 4.34
	Miles Per Rider	996	1,145	1,338	1,052	1,089	1,074	1,475	1,693	1,350	1,128	1,157	1,270	1,610	1,521	1,677	1,401	1,175	1,104

Financial Stress Assessment



Financial stress assessment

Overall financial stress level:

Low

Measure: 2014 through 2016

Assessment

Change in number of district students

Steady

Spending exceeded operating/capital budgets

No overspending

Spending increase election results

Voter-approved

Operating reserve percentage, Trend

2.3%, Varying

Years of capital reserve held

1 to 3 years

Current financial and internal control status

Compliant

Low

Moderate

High

Auditor General District Spending Report

Conclusions



- We compare positively among our peer groups, even better when compared to State
- Although DVUSD spent less dollars per student than our comparable group (4.3% or \$301), peer group (6.5% less, or \$451) and the State average (12.5% or \$866), the student achievement results are comparable or better than some districts that spent more money per student
- It appears from the data that there are efficiency opportunities in our Transportation efforts that need to be explored
(Note – Cost Per Rider improved from Comparable in FY15 to Low in FY16, Cost Per Mile is still Very High – although improving)
- Declining operating reserve is causing added financial stress