



SYSTEMS AND RESOURCES ...

We will improve efficiency (productivity, cost, etc.) while also making decisions (including resource allocations) that are grounded in a strategic academic direction and data.

FY2018 Budget Development

BFAC

October 20, 2016

Agenda



SYSTEMS AND RESOURCES ...

- Recap September Meeting (10 minutes)
- Homework Review (10 minutes)
- Since We Last Met (15 minutes)
- Budget Parameter Feedback (15 minutes)
- What's Next? (5 minutes)



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Recap September Meeting

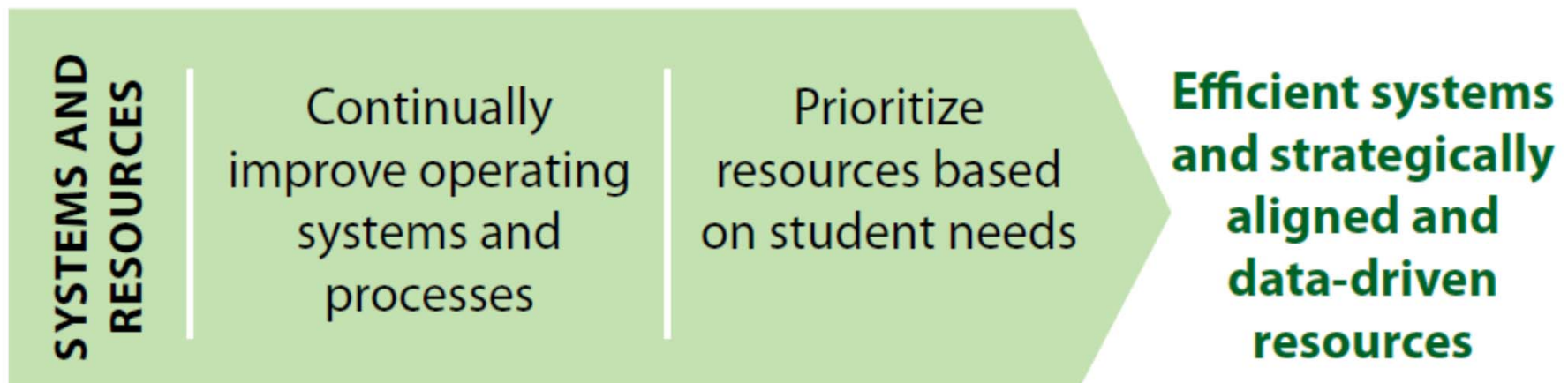
Purpose



SYSTEMS AND RESOURCES ...

- **Purpose of the Budget & Finance Advisory Committee**

- Review the parameters that guide budget development, including revenue assumptions, fund balance targets, and expenditure goals
- Identify process and presentation recommendations that provide transparency in linking goals, outcomes and district spending plans
- Develop monitoring procedures that hold the district accountable for executing the budget plan



Purpose Recap



SYSTEMS AND RESOURCES ...

- **Expectations of the Budget & Finance Advisory Committee**
 - Actionable items
 - Who is driving the discussion?
 - How can the BFAC proactively advise APS?



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Homework Review

Revenue Assumptions



SYSTEMS AND RESOURCES ...

- Revenue Assumptions

- State increase by 5% FY2018, 4% FY2019, 3% in FY2020, 2% in FY2021

- (Takes into account potential additional revenue from state formula revision— roughly \$3m/annually)

- Local increase by 3% FY2018, 5% FY2019, 5% in FY2020, 5% in FY2021

- (Includes millage shift from debt service and future IGA payments; projections are very tentative pending changes in Tax Assessors Office)

- \$10 million one-time intergovernmental agreement payment for FY2017 rolls off for FY2018. Flattening in “Other” from FY2019 through FY2021.

Expenditure Assumptions



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- Expenditure Assumptions

- Charter Schools: Growth through share of new revenue and scaling of existing charters
- Unfunded Pension: Continued growth according to actuarial chart
- Turnaround Strategy: Continued five-year investment through FY2021
- School Allotment Plan: Moderate growth for Special Program allotments including special education (MOE)
- Signature Programming: Increase as programming expands in clusters
- Compensation Strategy: Cost equivalent of 3% COLA for all employees
- General Administration Budgets: Flattening in all department budgets
- CRCT Remediation: Decline in expense as students graduate
- Continuation of activities funded from FY2017 fund balance



The Budget Gap

Revenue	FY2017 Adopted	FY2018 Proposed	Change, FY17 to FY18	Notes
State	\$192,807,017	\$202,447,367	\$9,640,350	
Local	\$516,261,145	\$531,748,979	\$15,487,834	
Other	\$23,223,069	\$13,223,069	(\$10,000,000)	
Total	\$732,291,231	\$747,419,416	\$15,128,185	
Expenditures	\$745,342,821	\$772,623,830	\$27,281,009	Projected changes, FY17 to FY18: - Charters: +\$6.4M (\$97M to \$103.4M) - Pension: +\$1.3M (\$52M to \$53.4M) - CRCT: -\$500K (\$4m to \$3.5m) - 3% COLA: +\$11.36M - Signature Programming: +\$7.7M (\$7M to \$14.7M)
Budget Gap	(\$14,878,813) <i>was covered by reserves</i>	(\$25,204,414)		* Includes \$13,051,590 in use and \$1,827,223 for share to charters

Strategies for closing expected FY18 gap:

- Administration will work on strategies and present recommendation

Closing the Gap Exercise



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Closing the Gap Exercise



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1. What can we stop?

- Centralize textbook purchase decisions (move to school level decision)
- Delaying decisions about <400 person school



2. What should we slow down?

- Turnaround strategy
- Pay growth



3. What can we do differently (more cost effectively)?

- Don't fill vacancies
- Look at under enrolled schools
- Look at all systems of support needed
- Give more information out to the community to improve understanding
- Pool/hold some positions at cluster level
- Consolidate small elementary schools



Potential Budget Balancing Strategies

A.	School Consolidation
B.	Raise Class Size Funding Level
C.	Delay Textbook Adoption
D.	Reduce Flex Funds
E.	Reduce Cluster Funds
F.	Revisit Turnaround
G.	Reduce School Allotment Guidelines (extended core, support staff, per pupil, etc.)
H.	Sun-setting Ineffective Programs (plus identify ineffective programs!)
I.	Spending Freezes and Mid-year Sweeps
J.	Vacancy Management
K.	Cut Contract Days for 240 and 242 Employees
L.	Review Service Models (push central office functions to schools)
M.	Substitute Management
N.	Contract Renegotiation / Cancellation
O.	No COLA/ No Step
P.	No Growth in Signature Programs
Q.	Leveling



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Since We Last Met

Budget Process Progress



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Since we last met:

- Expanded Cabinet – September 15th
- Board Meeting – October 10th
- Staff Meeting – October 12th
- Budget Commission Meeting – October 13th

Expanded Cabinet Survey Monkey Take-Aways



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Top three strategic recommendations

1. Vacancy Management
2. Delay Textbook Adoption
3. No Growth in Signature Programs

Top three recommendations for investments to achieve Full Transformation

1. Get APS ready by end of second grade with a reading recovery program (\$17.5M)
2. Early childhood options (\$54M annually + \$21M one-time capital)
3. Wrap-around support for kids and families where needed the most (\$17.3M)

Most mentioned considerations for sun-setting ineffective programs

- Content Specialist/Coordinators
- RTI/SELT Programs
- Turnaround

Most mentioned considerations in renegotiating district contracts

- Custodial Services
- Sodexo/Food Services



Staff Meeting Survey Results



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- Do you agree with the following cost cutting strategy?
- Strongly Agree (4) – Strongly Disagree (1)

Proposal	Average
Identify and sun-set ineffective programs	3.71
Renegotiate or cancel contracts	3.53
Reduce growth in Signature Programs	3.13
Delay the textbook adoption	3.09
Reduce the number of substitute days used	3.00
Don't fill or eliminate vacancies	2.99
Adjust the schools based on actual leveling numbers	2.93
Raise the class size by 1	2.71
Consolidate schools	2.67
Reduce cluster funds	2.56
Reduce the investment in the Turnaround Strategy	2.56
Reduce flex funds	2.40
Review service models (more central office functions to schools)	2.36
Give only a Step increase, and not a COLA	2.32
Make additional CLL cuts	2.16
Reduce contract days for 240 and 242 employees	2.13
Spending freezes or sweep a % of remaining budgets	1.75
Reduce the school allotments (school-based support staff)	1.70

Staff Meeting Survey Results



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- We should invest more in....

	Early childhood options	The arts and athletics	Critical wraparound supports for kids and families
Average	3.55	2.79	3.02
Highest Frequency	Strongly Support	Support	Strongly Support
% of Yes	84%	62%	68%
% of No	11%	33%	26%

	The redesign of summer school and summer enrichment	Strategies that prepare students for the workforce	The redesign of alternative programming
Average	2.12	3.28	2.68
Highest Frequency	Strongly Do Not Support	Strongly Support	Support
% of Yes	33%	83%	64%
% of No	65%	14%	29%

Resource Parameters

DRAFT



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1. The district will establish a millage rate consistent with the Board's mission and vision.
2. The district will maintain a fund balance between 7.5% and the statutory limit of 15% of projected expenditures.
3. The district will increase special revenue or redirect from general fund expenditures where possible.
4. The district will conduct a review of contracts and eliminate where appropriate.
5. The district will continue to identify grant generating opportunities through our Partnerships Office.
6. The district will sunset ineffective programs where possible.

Expenditure Parameters

DRAFT



SYSTEMS AND RESOURCES ...

1. The district will allocate resources pursuant the district's definition of equity.
2. The district will continue investing in the Turnaround Strategy, providing additional support and interventions for schools at risk of potential state take-over.
3. The district will make investments to ensure all students are reading by the end of 3rd grade.
4. The district will focus on whole-child development, including positive behavior supports programming and social emotional academic development.
5. The district will recruit, develop, retain, and promote high-quality staff by:
 - Developing and implementing a multi-year compensation model
 - Creating a comprehensive leadership development program
6. The district will continue implementing its charter system operating model and core components of signature programming, cluster funds, school flexibility dollars, and community engagement strategy.
7. The district will fund pension obligations in accordance with State statute and actuarial standards.



Activity Introduction

- Goals of the Activity:
 - To make informed decisions
 - To better understand the financial pressures of the district
 - To understand where the money comes from that funds the district
 - To better understand where the money goes and what it is used for
 - To better understand the various stakeholders involved in the budget process
 - To better understand the external pressures faced by the district
- Why the Activity
 - People learn in different ways
 - ▶ Listening
 - ▶ Reading
 - ▶ Tactile
 - ▶ Visual



Activity Introduction



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- We will build a visual representation of the APS budget process
- Individual Guides
 - Additional information about APS
 - Space for notes
 - Discussion questions for each section
 - Provide feedback
- Reader Script
 - Used to guide the exercise
- Assign Roles- Reader, Dealer, Time-Keeper, Engager



Activity Wrap-Up



SYSTEMS AND RESOURCES ...

- Many factors impact school finance decisions
 - External vs. Internal
- APS has varying levels of control over these factors
 - Reactive vs. Proactive
- Budget parameters have different degrees of flexibility
 - Mandatory vs. Initiatives



September Retreat Recap



SYSTEMS AND RESOURCES ...

- Plan to manage the budget development strategy
 - What's the storyline that people need to understand internally and externally
 - Key management milestones include:
 - ▶ Better understanding of what's inside FY2017 \$745 million budget, and what are we getting for it (October 13th Commission Meeting)
 - ▶ Define the strategy and the narrative
 - ▶ Which schools meet utilization, size, building condition, academic performance and proximity to other potential receiving schools and associated costs
 - ▶ Proactive communication strategy to all stakeholder groups including advisory group, feedback, and live streaming meetings
 - ▶ Midyear check-in on savings and reallocations and redistributions
 - ▶ Investment map of every cluster
 - ▶ What's in the revisions for QBE and any other key legislative impacts
 - ▶ Comfort with the detailed plans that back the numbers, especially big investments
 - ▶ Ensuring high quality leader in every school
- How do we get to a decision in June? Refine Theory of Action Commitment:
 - A detailed plan that fixes problems
 - Must be able to explain and defend that plan
 - Key stakeholders are self, colleagues, and public
 - What else?



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Budget Parameter Feedback

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Unfunded Components of Transformation

<u>Need</u>	<u>Solution</u>
If kids are not ready to start in APS,	Then we must invest in early childhood options.
If whole-child development is key to our mission,	Then we must invest in arts and athletics.
If our students face obstacles from intergenerational poverty,	Then we must invest in critical wraparound supports for kids and families.
If summer loss for students exacerbates learning gap,	Then we must invest in redesign of summer school and summer enrichment.
If career readiness is core to our mission,	Then we must invest in strategies that prepare students for workforce.
If students are being underserved in alternative programming,	Then we must select a new model and invest in the redesign.



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What's Next?

Next Steps



SYSTEMS AND RESOURCES ...

- Work through of district parameters
- What changes/recommendations should we take to the board?
 - November 7th vote



FY2018 Dates	Agenda
Thursday, September 15, 2016	TBD!
Thursday, October 20, 2016	TBD!
Thursday, November 17, 2016	TBD!
Thursday, December 15, 2016	TBD!
Thursday, January 19, 2017	TBD!
Thursday, February 16, 2017	TBD!
Thursday, March 16, 2017	TBD!
Thursday, April 20, 2017	TBD!

Upcoming Calendar



SYSTEMS AND RESOURCES ...

- Board Meeting
 - November 7th
- Budget Commission
 - November 17th
- BFAC: Next Meeting
 - November 17th