

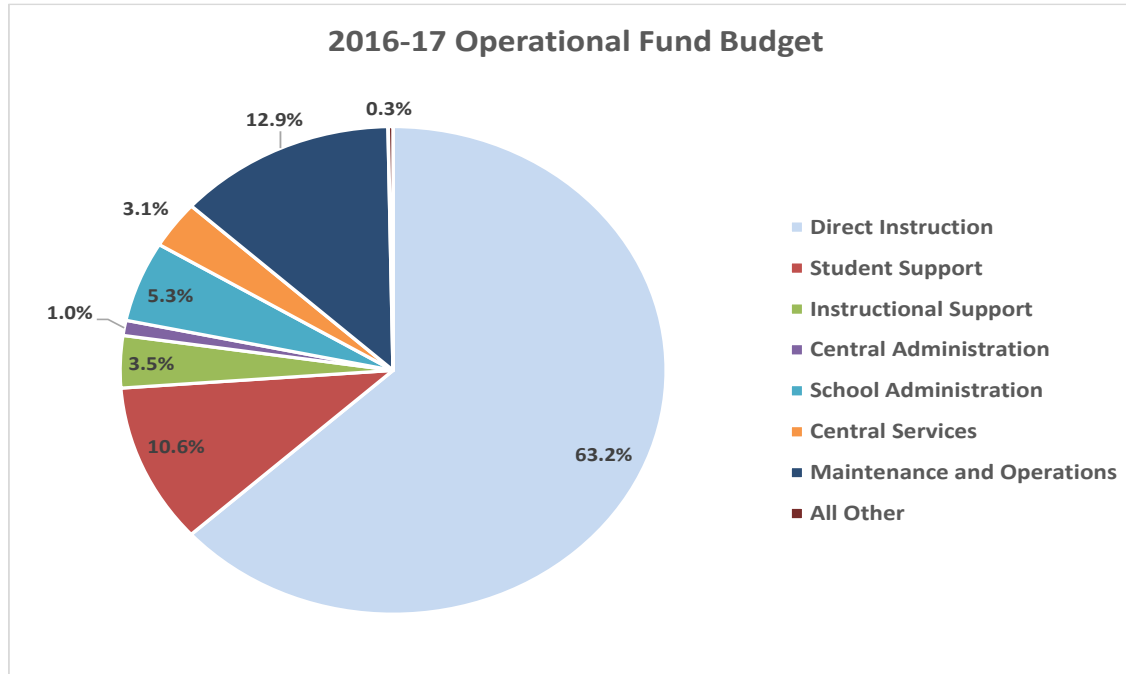
Albuquerque Public Schools

FY18 Budget Scenario Planning

Finance Committee Update

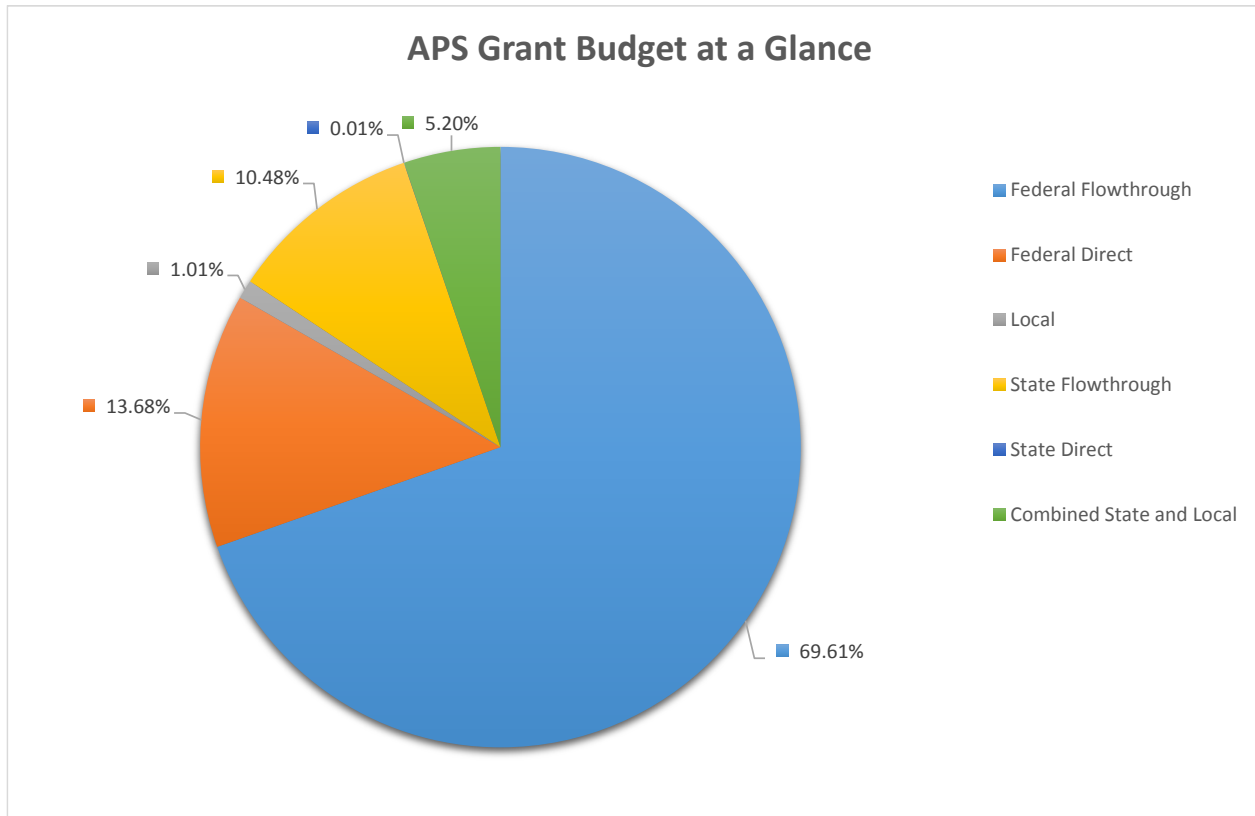
April 17, 2017

APS BUDGET AT A GLANCE



Breakdown of Operational Fund by Function:

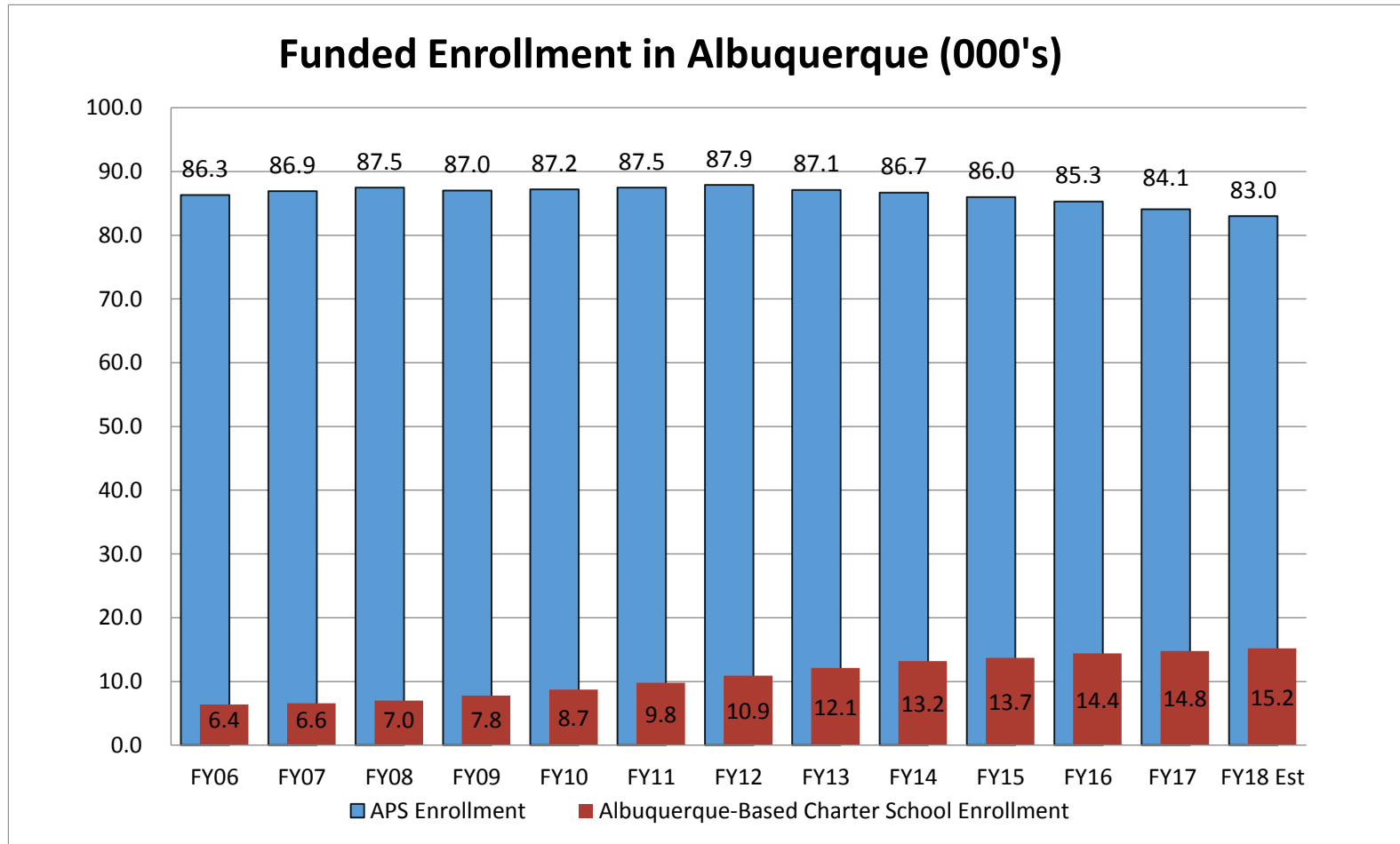
- **1000 - Direct Instruction:** Teachers, educational assistants and all other costs associated with instruction in the classroom including extra-curricular activities
- **2100 - Student Support:** Student Family & Community Supports Department including counselors, nurses, and health assistants. Special Ed. support staff including speech, occupational and physical therapists, psychological services
- **2200 - Instructional Support:** Librarians, media specialists, testing
- **2300 - Central Administration:** Superintendent, associate superintendents, APS Board of Education offices, support staff, Parent & Employee Service Center, bond elections
- **2400 - School Administration:** Principals, assistant principals, clerical staff and all other costs associated with administrative responsibilities in the school
- **2500 - Central Service:** Human resources, information technology, finance, grants management
- **2600 - Maintenance and Operations:** Building maintenance, utilities, upkeep of grounds and equipment



Breakdown of Grants by Type

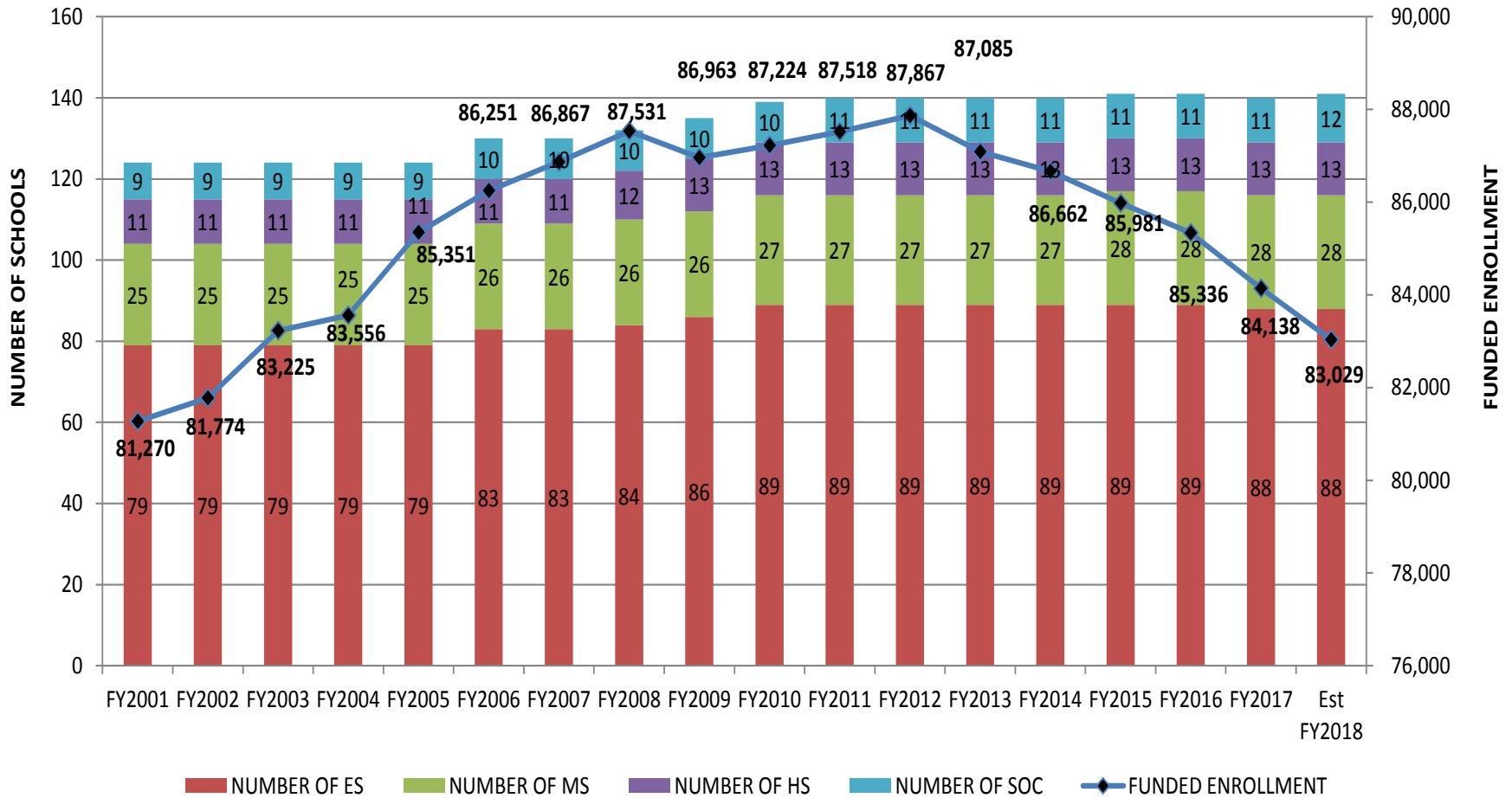
- ❖ **Federal Flowthrough-Grants awarded at the Federal Agency level which flow through the Public Education Department to APS**
- ❖ **Federal Direct-Grants awarded from the Federal Agency directly to APS**
- ❖ **Local-Grants awarded from Local Agencies and Businesses directly to APS**
- ❖ **State Flowthrough-Grants awarded at the State Agencies which flow through the Public Education Department to APS**
- ❖ **State Direct-Grants awarded from State Agencies directly to APS**
- ❖ **Combined State and Local-Grants awarded from agencies not captured in other areas which are awarded directly to APS**

Operational Funded Enrollment

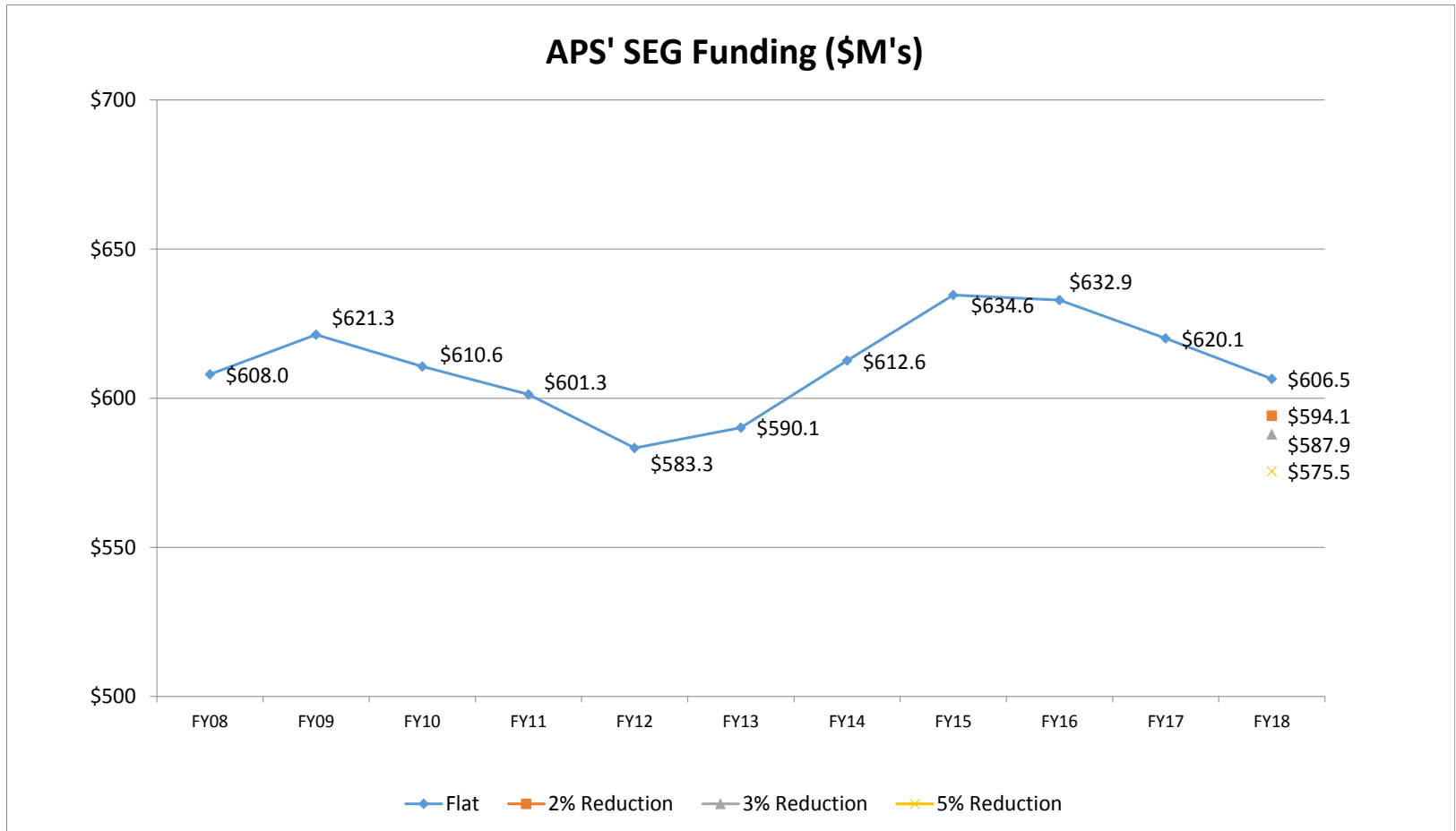


Funded Enrollment declined over 1,000 students in FY17 and is expected to decline an additional 1,000 students in FY18.

NUMBER OF SCHOOLS VS. FUNDED ENROLLMENT BY YEAR



Albuquerque SEG Funding



SEG Funding continues to decline due to State funding decreases and APS demographic changes.

90% of the Budget is Payroll

	1000 A Direct Instruction	1000 B Direct Instruction Athletics	2100 A Student Support Ancillary Staff	2100 B Student Support Other	2200 Instruc. Support	2300 Central Admin	2400 School Admin	2500 Central Services	2600 Maint & Operations	Other	Grand Total
FY17 Payroll (Salaries + Benefits) Budget											
Schools	\$251.8	\$6.2		\$1.2	\$9.6		\$32.4		\$19.4		\$320.6
Schools - Special Ed.	\$109.5		\$35.2								\$144.7
Schools - Fine Arts, Driver's Ed., ROTC Teachers	\$14.9			\$0.6					\$0.1		\$15.6
Athletics (School Athletic & Activity Directors, Dept. Ath. Coord.)		\$0.7		\$0.1							\$0.8
Home Hospital Teachers, Counselors, Nurses, Health Ed. Assts	\$0.3			\$22.1	\$0.1	\$0.2	\$0.1				\$22.8
School Police (Campus Ed. Assts., School Police Officers)									\$6.8		\$6.8
All Other District Functions	\$3.7			\$0.3	\$8.6	\$3.7	\$0.3	\$17.7	\$14.6	\$0.1	\$49.0
Grand Total	\$380.2	\$6.9	\$35.2	\$24.3	\$18.3	\$3.9	\$32.8	\$17.7	\$40.9	\$0.1	\$560.3
		\$422.3									

90% of the budget is payroll, the other 10% or \$60 million of non-payroll expenditures have already been cut this year or are “fixed costs” such as property & liability premiums, utilities, copiers, etc.

APS cannot absorb additional significant cuts without effecting payroll.

Total Operational Budget	\$620.0	M
90% is Operational Payroll	<u>\$560.3</u>	M
10% is Non-Payroll	\$59.7	M

If Direct Instruction & Special Ed. Support are Held Harmless

<i>Scenario II - Direct Instruction Held Harmless</i>											
	1000 A Direct Instruction	1000 B Direct Instruction Athletics	2100 A Student Support Ancillary Staff	2100 B Student Support Other	2200 Instruc. Support	2300 Central Admin	2400 School Admin	2500 Central Services	2600 Maint & Operations	Other	Grand Total
FY17 Payroll (Salaries + Benefits) Budget											
Schools				\$1.2	\$9.6		\$32.4		\$19.4		\$62.6
Schools - Special Ed.											\$0.0
Schools - Fine Arts, Driver's Ed., ROTC Teachers				\$0.6					\$0.1		\$0.7
Athletics (School Athletic & Activity Directors, Dept. Ath. Coord.)				\$0.1							\$0.1
Home Hospital Teachers, Counselors, Nurses, Health Ed. Assts				\$22.1	\$0.1	\$0.2	\$0.1				\$22.5
School Police (Campus Ed. Assts., School Police Officers)									\$6.8		\$6.8
All Other District Functions				\$0.3	\$8.6	\$3.7	\$0.3	\$17.7	\$14.6	\$0.1	\$45.3
Grand Total	\$0.0	\$0.0	\$0.0	\$24.3	\$18.3	\$3.9	\$32.8	\$17.7	\$40.9	\$0.1	\$138.0

If Function 1000, Direct Instruction and function 2100A, Special Education Student Support (ancillary services) were held harmless from cuts, \$138 million out of \$560.3 million of payroll would be subject to cuts.

Significant budget cuts in these areas alone would mean 13% - 36% reduction for these areas. This includes counselors, nurses, librarians, principals, administration, custodians, M&O workers and all other support functions.

90% is Operational Payroll	\$560.3	M
Direct Instr./Ancillary	\$422.3	M
Total	\$138.0	M

Budget Cuts Completed in FY17 (\$25M)

OPERATIONAL FUND Budget Adjustments to Meet Mid-Year Reduction:	FY17 PHASE 1 Target \$9.5M Reduction	FY17 PHASE 2A Target \$12.5M Reduction	Reduction Description
FY17 Budget Set Aside for Mid-Year Reduction	\$7,600,000		Amount set aside during FY17 budget process in case of a mid-year cut
Department Non-Salary Reduction	\$1,428,765		Non-personnel reduction completed by departments
1 Furlough Day for Executive Administration (Operational Fund portion only)	\$15,692		One furlough day implemented for Executive level employees
Reduce Substitute Sick Leave Salary Budget	\$336,043	\$250,000	Salary set aside to pay substitutes to cover classrooms
Eliminate Food Service Supplement	\$200,000		Subsidy paid from operational funds for student meals no longer needed
Reduce District Utility Budget		\$500,000	Electricity and Natural Gas savings
Fill Only Essential Department Positions for the Remainder of the Year		\$500,000	Maintain current approval process for screening department position advertisements
Shift Certain Maintenance Contracts to SB9 Fund		\$1,100,000	Shift certain maintenance contract expenditures to the SB9 Fund
Reduce School Non-Salary Budgets		\$1,500,000	Non-personnel reduction completed by schools
Reduce Property/Liability Premiums		\$1,000,000	Property/Liability reserves are currently sufficient
Reduce Contingency Balances		\$1,000,000	Reduce District contingency balances
Reduce Working Cash		\$6,650,000	Utilize working cash for about half of the required phase 2 reduction
TOTAL OPERATIONAL FUND REDUCTIONS	\$9,580,500	\$12,500,000	
CATEGORICAL REDUCTIONS (TRANS, IM)	\$3,100,000	\$0	
TOTAL OPERATIONAL AND CATEGORICAL REDUCTIONS	\$12,680,500	\$12,500,000	
TOTAL FY17 MID-YEAR REDUCTION		\$25,180,500	

Budget Planning Scenarios

Assumptions:

- Planning scenarios assume that SEG revenue is flat or will have a 2%, 3% or 5% reduction.
- Expenditures in FY18 will increase by at least \$6.7 million over the current year's budget, but are offset to a great extent by savings. These assumptions may change as additional information becomes available.
- Only minimal cuts are available for non-payroll expenditures because most of these expenditures are "fixed costs" or have already been reduced during the mid-year cut.

Implication:

- If direct instruction and special education student support are held harmless, all other groups outside the classroom would need to be cut by 13% - 36 % to meet the SEG scenarios.
- These cuts would impact groups such as counselors, nurses, librarians, principals, administration, custodians, M&O workers and all other support functions.

Budget Scenario Planning

FY 2018 OPERATIONAL BUDGET SCENARIO PLANNING				
GOOD NEWS/(BAD NEWS) to OPERATIONAL BUDGET				
	Flat SEG	2% SEG Cut	3% SEG Cut	5% SEG Cut
	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>	<u>Scenario 4</u>
Item # ESTIMATED SEG REVENUE CHANGES FY17 to FY18:				
1. SEG Unit Value Decrease	\$0.0	(\$12.4)	(\$18.6)	(\$31.0)
2. Enrollment Decrease (Based on 80/120-Day Prelim. Enrollment)	(\$7.0)	(\$7.0)	(\$7.0)	(\$7.0)
3. Special Ed Ancillary Unit Decrease	(\$3.6)	(\$3.6)	(\$3.6)	(\$3.6)
4. At-Risk Index Drop	(\$1.7)	(\$1.7)	(\$1.7)	(\$1.7)
5. Training & Experience Index Drop	(\$1.2)	(\$1.2)	(\$1.2)	(\$1.2)
6. All Other Unit Changes	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)
TOTAL SEG REVENUE CHANGES	(\$13.6)	(\$26.0)	(\$32.2)	(\$44.6)
EXPENDITURE CHANGES FY17 to FY18:				
7. Fewer Teachers Needed for 1,100 Enrollment Drop (~60 teachers)	\$3.6	\$3.6	\$3.6	\$3.6
8. Medicaid State Match No Longer Required	\$0.8	\$0.8	\$0.8	\$0.8
9. Expiration of Additional Compensation for RGHS Staff	\$0.4	\$0.4	\$0.4	\$0.4
10. Shift Waste Removal Contract to Other Funding Source	\$1.5	\$1.5	\$1.5	\$1.5
11. Summer School Savings	\$0.0	\$0.0	\$0.0	\$0.0
12. Worker's Compensation Premium Increase	(\$0.8)	(\$0.8)	(\$0.8)	(\$0.8)
13. Employer's Share of 5% Increase in Health/Medical (1/2 the Year)	(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)
14. New Coyote Willow Family School	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)
15. Supplement Transportation Operations	(\$0.5)	(\$0.5)	(\$0.5)	(\$0.5)
16. Supplement Instructional Materials (Pending Funding)	(\$3.0)	(\$3.0)	(\$3.0)	(\$3.0)
17. Utilities	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)
TOTAL EXPENDITURE CHANGES FY17 to FY18	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)
TOTAL PROJECTED BUDGET (SHORTFALL)	(\$14.0)	(\$26.4)	(\$32.6)	(\$45.0)

Budget Scenario Planning

	<u>Flat SEG</u> <u>Scenario 1</u>	<u>2% SEG Cut</u> <u>Scenario 2</u>	<u>3% SEG Cut</u> <u>Scenario 3</u>	<u>5% SEG Cut</u> <u>Scenario 4</u>
TOTAL PROJECTED BUDGET (SHORTFALL)	(\$14.0)	(\$26.4)	(\$32.6)	(\$45.0)
OPTIONS TO MEET PROJECTED SHORTFALL:				
Item # Non-Personnel:				
18. Reduce School Non-Salary Budgets 20% or ~\$10/student	\$1.0	\$1.0	\$1.0	\$1.0
Personnel Away From Schools:				
19. Calendar Reduction for 260-Day Employees (1, 3, 4 or 5 days)	\$0.3	\$0.9	\$1.2	\$1.5
20. City Center Department Reductions (8%, 10%, 12%, 15%)	\$4.0	\$5.0	\$6.0	\$7.5
21. Shift Teacher Mentorship Program to Other Funding Source	\$0.0	\$0.0	\$0.0	\$0.0
Sub-Total	\$4.3	\$5.9	\$7.2	\$9.0
Personnel at Schools:				
22. Calendar Reduction for 184-Day Employees (1, 3, 4, or 5 days)	\$1.5	\$4.2	\$5.4	\$6.6
23. Calendar Reduction for All Other Employees (1, 3, 4 or 5 days)	\$0.2	\$0.6	\$0.8	\$1.0
24 A. Increase Class Size Waiver from 5% to 7% (~30 teachers)	\$1.8	\$1.8	\$1.8	\$1.8
24 B. Increase Class Size Waiver from 7% to 10% (~50 teachers) See Below	\$0.0	\$0.0	\$0.0	\$0.0
25. Reduce Teacher Differentials (5%, 10%, 15%, 20%)	\$0.5	\$1.0	\$1.5	\$2.0
26. Reduce Athletic and Activity Differentials (5%, 10%, 15%, 20%)	\$0.2	\$0.3	\$0.5	\$0.6
27. Reorg Computer Technician Function at Schools	\$1.0	\$1.0	\$1.0	\$1.0
28. Reorg Gifted Education Program	\$1.0	\$1.0	\$1.0	\$1.0
29. Middle School Athletic Program	\$0.6	\$0.6	\$0.6	\$0.6
30. Athletic Directors-Decrease Allocation (.2 FTE)	\$0.2	\$0.2	\$0.2	\$0.2
31. Activity Directors-Decrease Allocation (.2 FTE)	\$0.2	\$0.2	\$0.2	\$0.2
32. Reduce School Discretionary Funds (10%, 20%, 30%, 40%)	\$0.9	\$1.8	\$2.7	\$3.6
33. HS Teachers teach 6/7 (\$3.0M - 3.5M)	\$3.0	\$3.0	\$3.0	\$3.0
Sub-Total	\$11.1	\$15.7	\$18.7	\$21.6
TOTAL REDUCTION OPTIONS	\$16.3	\$22.6	\$26.9	\$31.6
34. USE WORKING CASH	\$5.0	\$5.0	\$5.0	\$5.0
GRAND TOTAL ALL REDUCTIONS	\$21.3	\$27.6	\$31.9	\$36.6
FY18 PROJECTED BUDGET SURPLUS/(SHORTFALL)	\$7.3	\$1.2	(\$0.7)	(\$8.4)
24 B. Increase Class Size Waiver from 7% to 10% (~50 teachers)	\$3.1	\$3.1	\$3.1	\$3.1
NOTE:				
1) 184-Day Calendar reductions assumes compliance with minimum salary requirements				
2) 184-Day Calendar includes Bus Drivers				
3) Scenarios are for planning purposes only, some items are subject to negotiations				

Budget Scenario Planning

		Recommended 2% SEG Cut
		Scenario 2
TOTAL PROJECTED BUDGET (SHORTFALL)		(\$26.4)
Item #	OPTIONS TO MEET PROJECTED (SHORTFALL):	
34 A.	Calendar Reduction for 260-Day Employees (4 days), partial negotiatio	\$1.2
35.	Calendar Reduction for All Other Employees (4 days), partial negotiatio	\$0.8
36.	City Center Department Reductions at 10%*	\$4.2
37.	Reorg Teacher Mentorship Program	\$0.0
38.	Reorg Computer Technician Function at Schools	\$1.0
39.	Reorg Gifted Education Program	\$1.0
40.	Middle School Athletic Program	\$0.6
41.	Athletic Directors-Decrease Allocation (.2 FTE)	\$0.2
42.	Activity Directors-Decrease Allocation (.2 FTE)	\$0.2
43.	Reduce School Non-Salary Budgets 20% or ~\$10/student	\$1.0
44.	Reduce School Discretionary Funds	\$0.0
45.	Eliminate Allocation for PLC Time at HS (\$3.0M - 3.5M)	<u>\$3.0</u>
	Sub-Total	\$13.2
NEGOTIATED ITEMS:		
46.	Calendar Reduction for 183 and 184-Day Employees (3 days)	\$4.2
47 A.	Increase Class Size Waiver from 5% to 7% (~30 teachers)	\$1.8
48.	Reduce Teacher Differentials 10%	\$1.0
49.	Reduce Athletic and Activity Differentials 10%	<u>\$0.3</u>
	Sub-Total	\$7.3
TOTAL REDUCTION OPTIONS		\$20.5
50.	USE WORKING CASH	\$5.0
GRAND TOTAL ALL REDUCTIONS		\$25.5
FY18 PROJECTED BUDGET SURPLUS/(SHORTFALL)		(\$0.9)
	34 B. Calendar Reduction for 260-Day Employees (hold harmless employees earning < \$25K (4 days)	\$1.08
	47 B. Increase Class Size Waiver from 7% to 10%	\$3.1

Administration's Recommendation for 2% Scenario

		Recommended 2% SEG Cut
		Scenario 2
TOTAL PROJECTED BUDGET (SHORTFALL)		(\$26.4)
Item #	OPTIONS TO MEET PROJECTED (SHORTFALL):	
34.	Calendar Reduction for 260-Day Employees (4 days), partial negotiation	\$1.2
35.	Calendar Reduction for All Other Employees (4 days), partial negotiation	\$0.8
36.	City Center Department Reductions at 10%*	\$4.2
37.	Reorg Teacher Mentorship Program	\$0.0
38.	Reorg Computer Technician Function at Schools	\$1.0
39.	Reorg Gifted Education Program	\$1.0
40.	Middle School Athletic Program	\$0.6
41.	Athletic Directors-Decrease Allocation (.2 FTE)	\$0.2
42.	Activity Directors-Decrease Allocation (.2 FTE)	\$0.2
43.	Reduce School Non-Salary Budgets 20% or ~\$10/student	\$1.0
44.	Reduce School Discretionary Funds	\$0.0
45.	Eliminate Allocation for PLC Time at HS (\$3.0M - 3.5M)	\$3.0
Sub-Total		\$13.2
NEGOTIATED ITEMS:		
46.	Calendar Reduction for 183 and 184-Day Employees (3 days)	\$4.2
47 A.	Increase Class Size Waiver from 5% to 7% (~30 teachers)	\$1.8
48.	Reduce Teacher Differentials 10%	\$1.0
49.	Reduce Athletic and Activity Differentials 10%	<u>\$0.3</u>
Sub-Total		\$7.3
TOTAL REDUCTION OPTIONS		\$20.5
50.	USE WORKING CASH	\$5.0
GRAND TOTAL ALL REDUCTIONS		\$25.5
FY18 PROJECTED BUDGET SURPLUS/(SHORTFALL)		(\$0.9)
47 B. Increase Class Size Waiver from 7% to 10%		\$3.1

APS Working Cash

Working Cash Balance Position

Estimated Working Cash Balance on June 30,2016	\$ 54.8	
Additional Cash Balance	\$ 3.1	
Actual/Audited Working Cash Balance on June 30,2016	\$ 57.9	
Shore up WC account	\$ (5.0)	
Use for Phase 2a	\$ (6.7)	12.5 million Cash Sweep SB114 2017
Use for Phase 2b	\$ -	1% Sanding in June 2017 SB113 2017-vetoed
Estimated Working Cash Balance on June 30,2017	\$ 46.3	
Apply to FY 17/18 Budget	\$ (5.0)	
Estimated Working Cash Balance on June 30,2018	<u>\$ 41.3</u>	

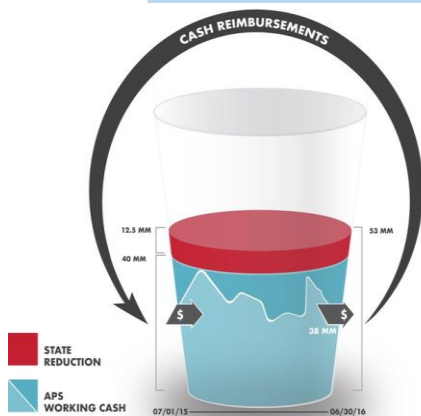
Note 1: Receivables on June 30, 2016 were \$38 million, and vary during the year.

Note 2: One month's of expenses is \$51.6 million (SEG \$620 million).

Note 3: One month's of expenses is \$50.6 million (flat SEG \$608 million).

Note 4: One month's of expenses is \$49 million (-2% SEG \$596 million).

Note 5: Bond Rating is excellent at this time...Moody's confirmed our current rating this month...no decrease.



Working cash (which is like a savings account) is currently \$57.9 million. The district will use \$5 million of this balance to increase our share of the worker's compensation premium, and another \$6.7 million to cover a portion of the 2017 mid-year cut.

In the 2017-18 fiscal year, we will utilize an additional \$5 million to help offset the anticipated shortfall in the budget.

District Efficiency Ideas

Make Improvements to Dual Language Program

Study Standardization of Alternative/Traditional Calendars

Review Employee Benefits & Leave Plans

Review Contracts for Duplication

Explore Outsourcing Options

Study Solar Panels for Roofs

Consolidation of Services and Materials

Reorg Instructional Departments and Learning Zones

Review Budget Process for Schools of Choice

School Size Efficiency

Review Sale of Property

Review Contract Days for Some Departmental Staff

Study District Take Home Vehicles