



ALEDO ISD BOARD MEETING TEMPLATE

MEETING DATE: December 17, 2018

AGENDA ITEM: Assignment of Maintenance and Operations Fund Balance for the Year Ending August 31, 2018

PRESENTER: Earl Husfeld, Chief Financial Officer

BACKGROUND INFORMATION:

- For many years, the Aledo ISD has been committed to sound financial management through prudent stewardship, integrity, planning, and accountability.
- The purpose of these guiding principles is to enable the District to achieve and maintain a stable long-term financial condition and provide guidelines for the day-to-day planning and operations of the District's financial affairs. The District's bond rating, School FIRST rating, and consistent tax rates exemplify these financial principles/guidelines.
- During the Budget Workshops this summer, as well as during the District Growth and Facilities Planning Workshop, we discussed the District's projected student enrollment growth and several of the items the District will face as we address this anticipated growth.
- Two of the items we discussed were the need for the District to consistently look for potential school sites and the possible need for additional portable classrooms.
- At this time, we do not definitively know the success we will have finding potential school sites, nor do we know the exact number of portable classrooms we may need in the future.
- To address the possibility of these two items from a financial standpoint, it would be prudent to "assign" some portion of the District's unassigned general operating fund balance for these potential costs. Assigning an amount of the unassigned general operating fund balance for this purpose is similar to designating a portion of an individual's savings account for the purchase of a new vehicle.
- As it relates to the amount of this assignment, the following factors were taken into consideration:
 - We are continuing to monitor student enrollment and review the utilization of the District's campuses. When an additional portable classroom is needed, the all-inclusive cost, including all installation and setup, is approximately \$90,000. This cost increases to approximately \$95,000 if it is determined the portable classroom is to include restrooms.
 - Regarding the purchase of potential school sites, we all understand the cost of land is increasing. The type of campus, as well as a number of other factors such as topography, availability of utilities, etc., influence the number

- of acres needed for a school site. However, the acreage needed will range anywhere from 12 to 100 acres with what we understand to be a current per-acre price range of \$25,000 to \$55,000.
- For the year ending August 31, 2018, it is anticipated the general operating fund balance will increase approximately \$4 million to a balance of approximately \$20.8 million. This increase is primarily attributable to increased current year and prior years property tax collections, greater than budgeted student average daily attendance (ADA), and end-of-year state revenue accruals. For example, current year tax collections were budgeted at a 98.5% collection rate while the actual collection rate ended up at 99.25%. In addition, the final ADA for 2017-2018 was 62 students more than budgeted. The District's Fund Balance Policy CE (LOCAL) states, "the District shall maintain a total general operating fund balance of at least 35 percent of the total annual general operating fund expenditures." Applying this 35 percent threshold to the 2018-2019 budgeted general operating fund expenditures yields approximately \$18 million.
- With all of these factors in mind, the District has the opportunity to assign a portion of its general operating fund balance. The Administration will likely assign from general operating fund balance approximately \$2.8 million for campus site acquisition/purchase of equipment. This amount will be reviewed annually to ensure it is appropriate for the District's situation at that time.
- Please keep in mind the District is not actually spending any amount at this time. Board of Trustee approval will be needed if, or when, a purchase is actually made.
- Additionally, we have discussed the need to include money in future bond programs for the purchase of school sites. If this were to occur, the District could "reimburse" the general operating fund balance for the purchase of school sites that utilized general operating funds. To do this, the District would need to complete a Statement Expressing Official Intent to Reimburse within 60 days after the District closed on the purchase of a school site. Additionally, the bonds must be issued not more than 18 months after the date the District closed on the purchase of the school site.
- With on-going school finance issues and continued student enrollment growth, the District must be prudent with the utilization of its general operating fund balance. However, this general operating fund balance assignment will allow the District to reflect in its financial statements how these two issues may be addressed by the District.

FISCAL INFORMATION:

Assignment of general operating fund balance for campus site acquisition/purchase of equipment in the approximate amount of \$2.8 million for the year ending August 31, 2018.

ATTACHMENTS:

None

ADMINISTRATIVE RECOMMENDATION:

None – Informational Report