



***DRIPPING SPRINGS INDEPENDENT  
SCHOOL DISTRICT***

***Special Meeting***

***Monday, January 20, 2014  
6:30 PM***

**The Vision of Dripping Springs I.S.D.**

To inspire and equip students to be  
Life-long learners and positive contributors to the world.

**The Mission of Dripping Springs I.S.D.**

We partner with parents and the community  
to provide a superior education for every student.

# DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT

510 W. Mercer Street  
P.O. Box 479  
Dripping Springs, TX 78620-0479  
(512) 858-3000  
www.dsisd.txed.net



## BOARD OF TRUSTEES Special Meeting AGENDA

Monday, January 20, 2014  
510 West Mercer Street, Dripping Springs, Board Room  
6:30 PM

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*As authorized by the Texas Open Meetings Act, Texas Government Code Section 551.001 et seq., the Board during the course of the meeting covered by this notice may enter into closed or executive session to discuss personnel, legal and/or real estate matters.*

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- I. **MANAGEMENT OVERSIGHT WORKSHOP** (Call to Order and Determination of Quorum)  
**The Workshop will start at 6:30 pm or immediately following the Agenda Review Meeting.**
  - A. **MANAGEMENT OVERSIGHT WORKSHOP #2: DEPARTMENT OF BUSINESS SERVICES**  
Presenter: Assistant Superintendent for Business Services - Elaine Cogburn
    - 1. Overview of Departments under the Assistant Supt. for Business Services 3
    - 2. 2014-2015 Budget Parameters
    - 3. 3 Year Budget Projections
    - 4. Fund Balance Target / Policy 47
  - B. **ADJOURNMENT**

**Dripping Springs ISD**

# 2014 -2015 Budget Preparation





# Changes in the Process

- Campus Allocations
  - Projected Enrollment
  - Compliance Monitoring
- Department Requests
- 3 Year Budget Projections





# Projected Enrollment

- Demographer's Projections
  - Most Likely
  - High Growth
- Trend
- Cohort
- Cohort by Grade Level

5





# Projected Enrollment

## ■ Trend

- Enrollment is projected by grade by fitting a trend line to the historical data and using the trend to project future enrollment.

## ■ Cohort

- Enrollment is calculated by multiplying the enrollment in the previous grade by the Survival Rate. Survival Rates are calculated by dividing this year's enrollment for a grade by last year's enrollment in the previous grade. The survival rates for the three pairs of years are averaged to smooth out year-to-year variations

## ■ Cohort by Grade Level





# Projected Enrollment

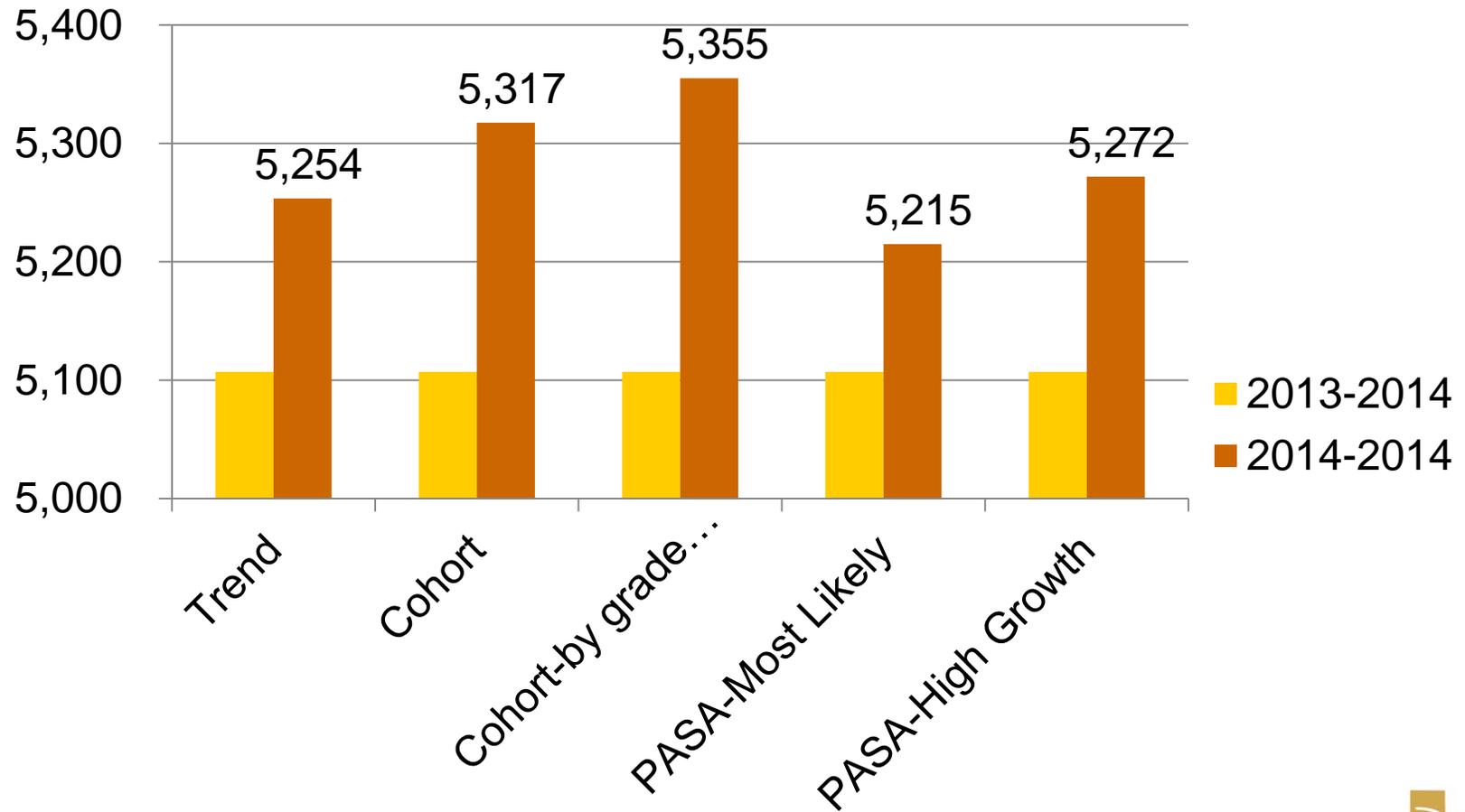
## ■ For 2014 – 2015

- Compared all numbers among various methods
- Using the highest number of students for
  - Staffing purposes
  - Campus allocation purposes
    - *Will adjust allocations after 1<sup>st</sup> 6 week attendance period*
- Using a median number for funding purposes
  - *Will adjust revenues when actual enrollment is known*





# Projected Enrollment





# Compliance Monitoring

- Texas Education Code Chapter 42
  - Programs financed under FSP Act (*comp ed, special ed, bilingual, career/tech, GT*)
  - Limits amounts spent on “indirect costs”
- June 30, 2013 Management Letter, Section B
  - Programs were underspent as follows:





# Compliance Monitoring

- Career/Tech \$189,000
- Comp Ed \$200,000
- Bilingual \$20,000
- TEA could reclaim funds
- Auditors recommended monitoring of allocations to ensure compliance





# Compliance Monitoring

2013-2014 Budget PEIMS						
UNALLOCATED						
	Funding	Spend	Spend	PEIMS	(Shortage)/	
	Earned*	Reqmt	Reqmt	Budget	Overage	
21	G/T	152,786	55%	84,032	119,592	35,560
22	C/T	1,412,551	58%	819,280	449,030	(370,250)
23	Spec Ed	2,623,468	52%	1,364,203	3,340,785	1,976,582
24	Comp Ed	754,775	52%	392,483	249,956	(142,527)
28	Comp Ed			-	103,236	103,236
25	ESL	108,536	52%	56,439	45,516	(10,923)
						} Combine
						(\$39,291)

*\*Based on SoF 01/06 using 2nd 6 week student #s*



# Compliance Monitoring

2013-2014 Budget PEIMS						
ALLOCATED						
	Funding	Spend	Spend	PEIMS	(Shortage)/	
	Earned*	Reqmt	Reqmt	Budget	Overage	
21	G/T	152,786	55%	84,032	147,202	63,170
22	C/T	1,412,551	58%	819,280	532,953	(286,327)
23/33	Spec Ed	2,623,468	52%	1,364,203	4,024,599	2,660,396
24/34	Comp Ed	754,775	52%	392,483	359,172	(33,311)
28	Comp Ed			-	134,941	134,941
						} Combine
						\$101,630
25/35	ESL	108,536	52%	56,439	98,621	42,182
						<b>payroll does not qualify</b>
						77,821 = PR

\*Based on SoF 01/06 using 2nd 6 week student #s

**Allocated takes all PIC 99 codes and allocates costs back to special PICS based on formula using PIC allocations for staff.**





# Compliance Monitoring

- To achieve compliance requires additional allocation of budget to the areas out of compliance
- Campuses will be allocated funds based on their special populations (*PEIMS Snapshot*)
- Budget changes decreasing these allocations will not be allowed



# Dripping Springs ISD

## 2014 -2015 Budget Parameters





# 2014 – 2015 Budget Parameters

- Budget will be drafted on these assumptions
- Board of Trustees to approve January 27<sup>th</sup>
- Will demonstrate long-term implications of these decisions





# 2014 – 2015 Budget Parameters

- As additional information becomes available, assumptions may be modified
  - *TASB Salary Study*
  - *Property Values*





# 2014 – 2015 Budget Parameters

2.5% Cost of Living Adjustment

16 New FTEs

3.56% Growth in Net Taxable Values

\$50 Increase to Premium Contribution

1.10% Inflation Factor





# 2014 – 2015 Budget Parameters

- For revenue purposes, using a lower enrollment of 5,254
- For staffing purposes, using a higher enrollment of 5,355
- For allocation purposes, using % of highest projected enrollment (*adjustment after 1<sup>st</sup> 6 weeks*)



# Dripping Springs ISD

## 3 Year Budget Projections



# 3 Year Budget Projection Parameters

	2014-2015	2015-2016	2016-2017
Enrollment <i>*For Funding Purposes</i>	5,254	5,493	5,789
Cost of Living Increase	2.5%	2.0%	2.0%
New Positions	16	15	17
Property Value Growth	3.56%	3.00%	3.50%
Inflation Factor	1.10%	1.10%	1.20%
Increase to District Contribution for Health Insurance	\$50/month	\$0	\$0





# Revenue Projections

- State Aid
- Property tax collections
- Other
  - Interest
  - Rent
  - Tuition
  - Participation fees
  - Donations





# Revenue Projections

- State Aid
  - Based on estimated student populations
  - Legislative session 2015
  - A.S.A.T.R. ends 2016-17 *(No ASATR in 2017-18)*
- Monitor current year revenues following each 6 week period





# Revenue Projections

- Property Tax Collections
  - Current year based on levy
  - Future years, used calculated property value estimates
  - Estimated values drive collections
  - Interesting trends

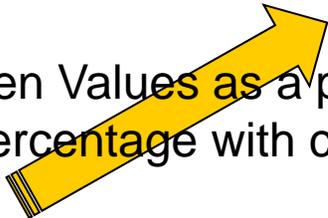




# Property Value Trends

	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
<b>LOCAL VALUES</b>						
<b>Net Taxable before Freeze</b>	2,391,876,868	2,498,865,461	2,501,572,420	2,594,246,710	2,709,394,113	2,846,660,116
<b>Freeze Values</b>	(209,020,988)	(244,890,029)	(267,303,187)	(302,973,464)	(339,415,374)	(373,161,271)
<b>Freeze Adj Net Taxable</b>	<b>2,182,855,880</b>	<b>2,253,975,432</b>	<b>2,234,269,233</b>	<b>2,291,273,246</b>	<b>2,369,978,739</b>	<b>2,473,498,845</b>
<b>Frozen values % of Net Taxable</b>	8.74%	9.80%	10.69%	11.68%	12.53%	13.11%

Look at Frozen Values as a percentage of Net Taxable Values.  
 Significant percentage with constant growth.



**JULY CERTIFIED VALUES** \*certified for Hays/supplemental for Travis





# Property Value Trends

	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>
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<b>Frozen values % of Net Taxable</b>	8.74%	9.80%	10.69%	11.68%	12.53%	13.11%
<b>Net Taxable Before Freeze Change</b>		<b>4.47%</b>	<b>0.11%</b>	<b>3.70%</b>	<b>4.44%</b>	<b>5.07%</b>
<b>Freeze Value Change</b>		<b>17.16%</b>	<b>9.15%</b>	<b>13.34%</b>	<b>12.03%</b>	<b>9.94%</b>
<b>Freeze Adj Net Taxable Change</b>		<b>3.26%</b>	<b>-0.87%</b>	<b>2.55%</b>	<b>3.44%</b>	<b>4.37%</b>

**JULY CERTIFIED VALUES** \*certified for Hays/supplemental for Travis





# Property Value Estimates

*Based on 5 yr avg for 14-15 then gradual increase*

## **ESTIMATES**

### **LOCAL VALUES**

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
<b>Net Taxable before Freeze</b>	2,947,949,027	3,036,387,498	3,142,661,061	3,268,367,503	3,399,102,203
<b>Freeze Values</b>	(419,155,473)	(466,765,531)	(504,106,774)	(539,394,248)	(571,757,903)
<b>Freeze Adj Net Taxable</b>	2,561,510,056	2,638,355,358	2,730,697,796	2,839,925,708	2,953,522,736
<b>Net Taxable change</b>	3.56%	3.00%	3.50%	4.00%	4.00%
<b>Freeze Value change</b>	12.33%	11.36%	8.00%	7.00%	6.00%





# Revenue Projections

## ■ Other Revenues

- Start with revenues to date for current year
- Estimate revenues for the year based on historical trends
- Adjust for known differences





# Expenditure Projections

- Payroll (80% of budget)
- Other Operating
- Capital Outlay





# Payroll Projections

- Estimated 2013-2014 total payroll via 2 methods
- Method 1
  - Compared Budget to Contracts for salaries
  - Looked at Historical spending for extra-duty/overtime





# Payroll Projections

	2013-14 Original Budget	2013-14 Revised Budget	Encumbered Amount	2013-14 Activity	2013-14 FYTD Unencumbered Bal	2013-14 Contracts	Budget vs. Contracts
199 E 11 6119 00 001 0 11 0 00 SALARIES TEACHERS OTHR PROF	2,949,930.00	2,706,192.00	-	875,745.74	1,830,446.26	<b>2,617,883.00</b>	88,309.00
199 E 11 6119 00 001 0 21 0 00 SALARIES TEACHERS OTHR PROF	1,000.00	1,000.00	-	-	1,000.00		1,000.00
199 E 11 6119 00 001 0 22 0 00 SALARIES TEACHERS OTHR PROF	205,864.00	344,338.00	-	144,000.82	200,337.18	<b>402,463.00</b>	(58,125.00)
199 E 11 6119 00 001 0 23 0 00 SALARIES TEACHERS OTHR PROF	303,949.00	303,949.00	-	95,021.26	208,927.74	<b>302,709.00</b>	1,240.00
199 E 11 6119 00 001 0 24 0 00 SALARIES TEACHERS OTHR PROF	9,916.00	9,916.00	-	(0.49)	9,916.49	-	9,916.00
199 E 11 6119 00 001 0 25 0 00 SALARIES TEACHERS OTHR PROF	-	-	-	-	-	-	-
199 E 11 6119 00 001 0 28 0 00 SALARIES TEACHERS OTHR PROF	61,977.00	61,977.00	-	19,708.12	42,268.88	<b>59,124.00</b>	2,853.00
199 E 11 6119 00 001 0 31 0 00 SALARIES TEACHERS OTHR PROF	227,605.00	332,869.00	-	110,983.39	221,885.61	<b>332,869.00</b>	-
199 E 11 6119 00 001 0 99 0 00 SALARIES TEACHERS OTHR PROF	-	-	-	-	-	-	-
199 E 11 6119 00 041 0 11 0 00 SALARIES TEACHERS OTHR PROF	2,644,484.00	2,494,484.00	-	847,827.26	1,646,656.74	<b>2,601,320.00</b>	(106,836.00)
199 E 11 6119 00 041 0 21 0 00 SALARIES TEACHERS OTHR PROF	60,123.00	37,123.00	-	12,314.49	24,808.51	<b>36,943.00</b>	180.00
199 E 11 6119 00 041 0 22 0 00 SALARIES TEACHERS OTHR PROF	-	-	-	-	-	-	-
199 E 11 6119 00 041 0 23 0 00 SALARIES TEACHERS OTHR PROF	345,582.00	345,582.00	-	116,152.91	229,429.09	<b>348,458.60</b>	(2,876.60)
199 E 11 6119 00 041 0 24 0 00 SALARIES TEACHERS OTHR PROF	17,954.00	102,316.00	-	-	102,316.00	-	102,316.00
199 E 11 6119 00 041 0 25 0 00 SALARIES TEACHERS OTHR PROF	-	-	-	37.37	(37.37)	-	-
199 E 11 6119 00 041 0 99 0 00 SALARIES TEACHERS OTHR PROF	-	-	-	-	-	-	-
199 E 11 6119 00 101 0 11 0 00 SALARIES TEACHERS OTHR PROF	2,241,177.00	2,218,293.00	-	741,366.11	1,476,926.89	<b>2,227,574.00</b>	(9,281.00)
199 E 11 6119 00 101 0 21 0 00 SALARIES TEACHERS OTHR PROF	19,008.00	19,008.00	-	12,263.60	6,744.40	<b>36,791.00</b>	(17,783.00)
199 E 11 6119 00 101 0 23 0 00 SALARIES TEACHERS OTHR PROF	331,472.00	270,151.00	-	88,872.33	181,278.67	<b>266,321.00</b>	3,830.00
199 E 11 6119 00 101 0 24 0 00 SALARIES TEACHERS OTHR PROF	24,724.00	24,724.00	-	9,504.84	15,219.16	<b>28,515.00</b>	(3,791.00)





# Payroll Projections

## ■ Method 2

- Took expenditures for July – December 2013, added expenditures from last year for January – June 2013
- Made adjustments to January – June costs for known differences





# Payroll Projections

32

	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	TOTAL	Adjustments	Projected Total	Budget	Variance
11 6112 SUBSTITUTE TEACHERS	4,280	(4,365)	2,803	28,860	36,575	42,430	22,560	34,480	47,988	33,261	42,309	63,793	354,974		354,974	429,025	74,051
11 6118 EXTRA DUTY PAY	88	7,457	4,121	2,921	3,242	81,567	5,677	5,740	7,920	5,180	8,990	12,712	145,615		145,615	41,783	(103,832)
11 6119 SALARIES TEACHERS OTHR PROF	32,902	9,414	2,277,342	1,742,520	1,232,530	1,123,596	1,327,397	1,390,875	1,077,813	1,529,412	1,493,093	270,423	13,507,316	979,928	14,487,244	14,146,149	(341,095)
11 6121 EXTRA DUTY PAY/OVERTIME	-	3,338	1,778	2,799	3,147	2,845	2,135	552	1,606	1,167	1,231	5,248	25,848		25,848	18,809	(7,039)
11 6122 SUBSTITUTES FOR SUPPORT STAFF	1,990	(1,805)	1,955	11,995	8,910	12,023	10,976	10,636	11,211	10,941	10,930	13,719	103,480		103,480	81,649	(21,831)
11 6129 SALARIES SUPPORT PERSONNEL	(904)	(1)	157,755	126,141	89,652	84,583	91,048	95,117	69,907	100,416	105,361	5,906	924,982	96,385	1,021,367	1,017,812	(3,555)
11 6131 CONTRACT BUYOUTS	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
11 6138 DISTRICT SUPPLEMENTAL INSURANC	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
11 6139 EMPLOYEE ALLOWANCES	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
11 6141 SOCIAL SECURITY/MEDICARE	(741)	(1,074)	33,867	26,110	18,253	17,858	20,987	20,294	15,929	22,680	22,535	3,402	200,100		200,100	235,098	34,998
11 6142 GROUP HEALTH & LIFE INSURANCE	2,925	3,345	52,998	52,880	52,888	52,556	53,074	52,624	53,299	53,074	53,230	147,868	630,761		630,761	686,975	56,214
11 6143 WORKER'S COMPENSATION	150	57	5,453	5,650	5,712	6,111	5,279	4,889	4,941	4,857	4,884	13,570	61,553		61,553	57,416	(4,137)
11 6144 TRS ON-BEHALF	68,404	65,706	76,381	76,967	82,367	83,762	81,032	82,387	82,394	81,937	82,239	126,041	989,617		989,617	862,369	(127,248)
11 6145 UNEMPLOYMENT COMPENSATION	38	15	1,246	1,165	1,172	1,253	1,286	1,188	1,201	1,180	1,186	3,409	14,339		14,339	13,810	(529)
11 6146 TEACHER RETIREMENT/TRS CARE	13,317	12,885	28,797	29,047	23,934	29,415	27,465	26,938	27,939	27,447	22,066	32,022	301,272		301,272	237,165	(64,107)
11 6149 EMPLOYEE BENEFITS	-	575	-	475	-	-	270	-	-	-	-	-	1,320		1,320	270	(1,050)
<b>Total Function 11</b>	<b>122,447</b>	<b>95,547</b>	<b>2,644,495</b>	<b>2,107,531</b>	<b>1,558,382</b>	<b>1,537,999</b>	<b>1,649,187</b>	<b>1,725,720</b>	<b>1,402,148</b>	<b>1,871,553</b>	<b>1,848,054</b>	<b>698,112</b>	<b>17,261,176</b>	<b>1,076,313</b>	<b>18,337,490</b>	<b>17,828,330</b>	<b>(509,160)</b>





# Payroll Projections

- Difference in total salaries between 2 methods = \$92,000
- Projections result in estimated payroll cost of \$334,570 more than budget
- Cost increases in areas of extra-duty and overtime
- Budget amendment in January





# Payroll Projections

- Using estimated 2013-2014 payroll costs to project payroll for future years
- Add anticipated COLAs
- Add additional FTEs needed
- Adjustments to health insurance premiums
- New TRS surcharge tax of 1.5% on salaries (*additional revenues for 2014-15*)
- TASB Salary Survey implications





# Other Operating Projections

- Estimating 2013-2014 costs in similar manner to payroll
- Start with expenditures for July – December 2013
- Drop in expenditures for January – June 2013
- Adjust January – June expenditures for known differences





# Other Operating Projections

- Using estimated 2013-2014 costs to project budgets for future years
- “Roll-forward” 2013-2014 costs
- Add an inflation factor to cover increases
- Add an amount for compliance issues
- Budgeting for 2 buses and 2 vehicles each year





# Putting it All Together

- All projections are tied to 2013-2014
- Will update 2013-2014 estimates monthly
- Goal for current expenditure projections to be high
- Look at the numbers thru 2016-2017



# Dripping Springs ISD

## Fund Balance Policy





# Fund Balance Policy

- 3 reasons to keep a healthy fund balance:
  - Provides liquidity
  - Can cover contingencies/emergencies
  - Considered a key indicator of financial health
    - Bond Rating Agencies
    - TEA
    - Financial Ratings





# Fund Balance Policy

- What is a reasonable level?
  - No legal requirement
  - GFOA guidance
  - TEA recommendation
    - Current vs. Historical
  - Not a “one-size fits all” issue





# Fund Balance Policy

## ■ GFOA

- A formal policy should be established
- Adequacy should be based on entity's own circumstances
- At a minimum, NO less than 2 months operating revenues or expenditures
- Basis (revenues/expenditures) on most predictable





# Fund Balance Policy

## ■ GFOA

- A formal policy should be established
- Adequacy should be based on entity's own circumstances
- At a minimum, NO less than 2 months operating revenues or expenditures
- Basis (revenues/expenditures) on most predictable



# Fund Balance History

FY	FINAL BUDGETED SURPLUS/(DEFICIT)	ACTUAL OPERATING RESULTS	DIFFERENCE	TRANSFERS IN/(OUT)	ENDING FUND BALANCE
2013-2014	\$ (167,298)	\$ -	n/a	\$ -	\$ 20,664,688
2012-2013	(161,833)	2,246,373	2,408,206	(58,811)	20,664,688
2011-2012	(1,634,122)	(155,748)	1,478,374	(30,971)	18,477,126
2010-2011	(3,885,529)	(2,073,165)	1,812,364	274,258	18,663,845
2009-2010	(2,153,590)	141,456	2,295,046	(28,120)	20,462,752
2008-2009	(667,641)	209,754	877,395	(40,639)	20,349,416
2007-2008	(1,828,397)	2,223,466	4,051,863	(28,812)	20,180,301
2006-2007	106,742	3,130,132	3,023,390	(53,222)	17,985,647
2005-2006	(718,229)	1,392,269	2,110,498	36,327	14,908,737
2004-2005	438,495	4,273,719	3,835,224	9,553	13,480,141
2003-2004	402,253	2,498,929	2,096,676	(2,925)	9,196,869
2002-2003			-		6,700,865



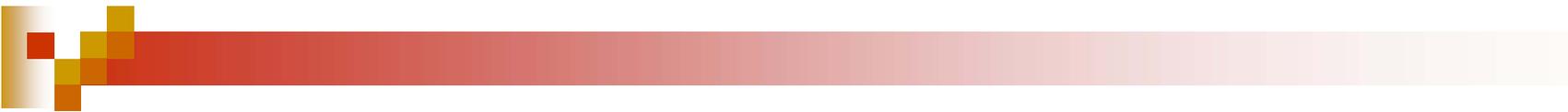


# Fund Balance Target Options

44

		TARGETED FUND BALANCE LEVEL					
		4 MONTHS OPERATING	5 MONTHS OPERATING	6 MONTHS OPERATING	25% EXPENDITURES	30% EXPENDITURES	40% EXPENDITURES
<b>Fund Balance as of June 30, 2013</b>	<b>\$ 20,664,688</b>						
<b>2013-2014 GF Expenditure Budget</b>	<b>\$ 34,558,024</b>	<b>\$ 11,519,341</b>	<b>\$ 14,399,177</b>	<b>\$ 17,279,012</b>	<b>\$ 8,639,506</b>	<b>\$ 10,367,407</b>	<b>\$ 13,823,210</b>
	<i>**Originally Adopted budget</i>						
<b>Fund Balance above Target</b>		<b>\$ 9,145,347</b>	<b>\$ 6,265,511</b>	<b>\$ 3,385,676</b>	<b>\$ 12,025,182</b>	<b>\$ 10,297,281</b>	<b>\$ 6,841,478</b>





# Fund Balance Target Options

- Another option is to set parameters for adopting an operating deficit budget
  - Deficit budget may not exceed XX factor
    - Recommending 2% of revenues
  - Controls amount of appropriations
  - Sets a limit on amount of deficit spending
  - Allows for one-time purchases





# Operating Deficit Threshold

		2% OF REVENUES	4% OF REVENUES	5% OF REVENUES
<b>Fund Balance as of June 30, 2013</b>	<b>\$ 20,664,688</b>			
<b>2013-2014 GF Revenue Budget</b>	<b>\$ 34,558,024</b>	<b>\$ 691,160</b>	<b>\$ 1,382,321</b>	<b>\$ 1,727,901</b>
<i>**Originally Adopted budget</i>				
<b>Fund Balance after Spending Deficit</b>		<b>\$ 19,973,528</b>	<b>\$ 19,282,367</b>	<b>\$ 18,936,787</b>

46



# **DRIPPING SPRINGS INDEPENDENT SCHOOL DISTRICT**

## **FISCAL STRATEGY: FUND BALANCE TARGET**

### ***WHAT IS FUND BALANCE?***

Fund balance is the difference between a fund's assets and its liabilities. The operating or general fund of the district is the largest fund and accounts for the operations of the district. Although often referred to as the district's savings, the total fund balance is not a depiction of the amount of cash in the bank or investments.

Fund balance is a function of the district's operations. Thus if revenues exceed expenditures, fund balance increases and vice versa. An accumulation occurs when there are several years of actual revenues exceeding actual expenditures

### ***WHY IS FUND BALANCE IMPORTANT?***

There are three key reasons to maintain a healthy fund balance. First, fund balance provides liquidity and the resources to fund expenditures when a steady resource stream is not available. Approximately 80% of the districts revenues consist of local revenues of which the majority of these resources are property tax collections. The taxes collected in December and January are used to fund expenditures year round.

Fund balance can also provide a resource for financial contingencies or emergency needs. Fund balance is commonly used to fund one-time expenditures or provide relief in years of budget cuts, revenue shortfalls, or emergency situations.

Finally, bond rating agencies consider a district's fund balance level as a key indicator of fiscal health. In addition, the adoption of a policy regarding the protection and use of fund balance is viewed as good management practice. Despite the AAA rating of the PSF (Permanent School Fund), investors today are looking more to the issuer's underlying rating. The higher the underlying rating, the lower borrowing costs are for the district.

### ***WHAT IS AN APPROPRIATE FUND BALANCE LEVEL?***

There is no requirement per se for a certain fund balance level and the level that should be maintained varies depending on the source. Traditionally, TEA recommended six months of operating costs as a healthy fund balance level. However, due to funding cuts in recent years and the unique needs for each district, this recommendation has been scaled back to some degree.

The Government Finance Officers Association (GFOA) offers guidance as to the appropriate fund balance level. In summary, the GFOA recommends that

- I. Governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund
- II. The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances

- III. At a minimum, and regardless of size, governments should maintain a general fund unrestricted fund balance of no less than two months of regular general fund operating revenues or expenditures
- IV. The choice of revenues or expenditures as a basis may be dictated by what is more predictable in a government’s particular circumstances

The Texas Association of School Business Officials (TASBO) also cites GFOA’s recommendation of a minimum of two months of revenues or expenditures but goes on to state **“Fund balance is not a one-size fits all school finance management issue for local school districts.”**

The Texas Education Agency’s (TEA) optimum fund balance calculation required school districts to add two months of cash disbursements to amounts needed to cover any cash flow deficits that may exist over the course of a year. This in effect results in a fund balance of 3-4 months of operating expenses. The optimum fund balance calculation is no longer required by TEA.

**IN SUMMARY**

While there is clear justification for the existence and maintenance of a healthy fund balance, there is no definitive guidance as to what constitutes a healthy fund balance. Therefore, each school district is to review its own operations, goals, and challenges in setting a policy that will serve as the entity’s financial road map. At a minimum, a district should hold 2 months of operating revenues or expenditures in fund balance. But beyond that amount, the district must decide what is adequate.

A summary of fund balance policies for area districts is shown below. Information is provided as to whether the fund balance target is an official Board policy or an administrative guideline.

<b>DISTRICT</b>	<b>BOARD POLICY</b>	<b>ADMINISTRATIVE GUIDELINE</b>	<b>POLICY</b>
Eanes ISD	No	No	In process of developing a policy
Lake Travis ISD	No	No	In process of developing a policy
Austin ISD	Yes		20% of General Fund expenditures
Hays CISD	Yes	No	25% of General Fund budgeted expenditures
Round Rock ISD	No	Yes	Greater of 90 days or 30% of operating expenditures
Pflugerville ISD	Yes	No	Unreserved funds of 45-60 days operations
Georgetown ISD	No	Yes	1.5 – 2 months operating expenditures
Leander ISD	Yes	No	Minimum of 2 months operating, goal of 3 months of operating

*Dripping Springs Independent School District  
Fiscal Strategy: Fund Balance*

Finally, the chart below shows the effect of several options for a fund balance target.

**DRIPPING SPRINGS ISD  
FUND BALANCE TARGET OPTIONS**

		TARGETED FUND BALANCE LEVEL					
		4 MONTHS OPERATING	5 MONTHS OPERATING	6 MONTHS OPERATING	25% EXPENDITURES	30% EXPENDITURES	40% EXPENDITURES
<b>Fund Balance as of June 30, 2013</b>	<b>\$ 20,664,688</b>						
<b>2013-2014 GF Expenditure Budget</b>	<b>\$ 34,558,024</b>	<b>\$ 11,519,341</b>	<b>\$ 14,399,177</b>	<b>\$ 17,279,012</b>	<b>\$ 8,639,506</b>	<b>\$ 10,367,407</b>	<b>\$ 13,823,210</b>
<i>**Originally Adopted budget</i>							
<b>Fund Balance above Target</b>		<b>\$ 9,145,347</b>	<b>\$ 6,265,511</b>	<b>\$ 3,385,676</b>	<b>\$ 12,025,182</b>	<b>\$ 10,297,281</b>	<b>\$ 6,841,478</b>

*Using General Fund Operating Expenditures as the benchmark, setting a Fund Balance Target would establish a limit in regards to the use of Fund Balance. Under this scenario, future budgets would be developed around this fund balance target. Therefore, one-time expenditures would be funded out of fund balance but only to the extent allowed under the established target.*

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<i>**Originally Adopted budget</i>				
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*Another approach is to use a hybrid of a Fund Balance Target and a budget limit. Under this system, one-time expenditures would be funded out of fund balance to the extent allowed under the established budget AND revenues would be used to set a limit on the development of a deficit budget. For example, if using the 2% rule, an operating budget deficit of \$691,160 would be allowed. This system provides for the use of fund balance to a limited extent for operations but preserves the majority of the fund balance for one-time needs. Again, fund balance would be preserved to the level established by the target.*

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Fiscal Strategy: Fund Balance*

The next few charts provide an analytical overview of the fund balance history and prior year revenues and expenditures as compared to budget.

**DRIPPING SPRINGS ISD  
FUND BALANCE HISTORICAL ANALYSIS  
FISCAL YEARS ENDING JUNE 30**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
FY	FINAL BUDGETED SURPLUS/(DEFICIT)	ACTUAL OPERATING RESULTS	DIFFERENCE	TRANSFERS IN/(OUT)	ENDING FUND BALANCE	TOTAL EXPD BUDGET	OPERATING RESULTS PERCENTAGE OF BUDGET	PERCENTAGE CHANGE IN FUND BALANCE	PERCENTAGE CHANGE IN BUDGET
2013-2014	\$ (167,298)	\$ -	n/a	\$ -	\$ 20,664,688	\$ 34,825,498	0.00%	0.00%	2.62%
2012-2013	(161,833)	2,246,373	2,408,206	(58,811)	20,664,688	33,936,733	6.62%	11.84%	-5.30%
2011-2012	(1,634,122)	(155,748)	1,478,374	(30,971)	18,477,126	35,834,487	-0.43%	-1.00%	-4.02%
2010-2011	(3,885,529)	(2,073,165)	1,812,364	274,258	18,663,845	37,335,505	-5.55%	-8.79%	9.43%
2009-2010	(2,153,590)	141,456	2,295,046	(28,120)	20,462,752	34,118,534	0.41%	0.56%	-1.18%
2008-2009	(667,641)	209,754	877,395	(40,639)	20,349,416	34,524,423	0.61%	0.84%	3.68%
2007-2008	(1,828,397)	2,223,466	4,051,863	(28,812)	20,180,301	33,299,621	6.68%	12.20%	12.11%
2006-2007	106,742	3,130,132	3,023,390	(53,222)	17,985,647	29,702,951	10.54%	20.64%	12.70%
2005-2006	(718,229)	1,392,269	2,110,498	36,327	14,908,737	26,354,935	5.28%	10.60%	16.93%
2004-2005	438,495	4,273,719	3,835,224	9,553	13,480,141	22,539,613	18.96%	46.57%	4.28%
2003-2004	402,253	2,498,929	2,096,676	(2,925)	9,196,869	21,613,620	11.56%	37.25%	#DIV/0!
2002-2003			-		6,700,865				

*This analysis demonstrates the difference between the final budget and the actual results from operations on an annual basis. Column (h) shows as a percentage the operating results compared to the expenditure budget. Ie, x% of the budget was added to/taken from fund balance. Column (i) shows the percentage increase/decrease to fund balance and Column (j) shows the percentage change in the expenditure budget from year to year.*

**DRIPPING SPRINGS ISD  
 FUND BALANCE HISTORICAL ANALYSIS  
 FISCAL YEARS ENDING JUNE 30**

	<b>BUDGETED REVENUES</b>	<b>ACTUAL REVENUES</b>	<b>DIFFERENCE</b>	<b>ACTUAL vs BUDGET</b>
<b>2013-2014</b>	34,658,200	**		
<b>2012-2013</b>	33,834,900	34,181,999	347,099	1.0%
<b>2011-2012</b>	34,260,365	34,977,294	716,929	2.1%
<b>2010-2011</b>	33,509,976	34,743,024	1,233,048	3.7%
<b>2009-2010</b>	32,024,944	32,287,872	262,928	0.8%
<b>2008-2009</b>	33,916,782	33,827,020	(89,762)	-0.3%
<b>2007-2008</b>	31,471,224	31,991,952	520,728	1.7%
<b>2006-2007</b>	29,809,693	30,887,675	1,077,982	3.6%
<b>2005-2006</b>	25,636,706	26,786,508	1,149,802	4.5%
<b>2004-2005</b>	22,978,108	25,265,134	2,287,026	10.0%
<b>2003-2004</b>	22,015,873	22,582,634	566,761	2.6%

\*\*As of December 12, 2013.

**In all years (other than 2008-2009), revenues exceeded budget estimates.**

	<b>BUDGETED EXPENDITURES</b>	<b>ACTUAL EXPENDITURES</b>	<b>DIFFERENCE</b>	<b>ACTUAL vs BUDGET</b>
<b>2013-2014</b>	34,825,498	**		
<b>2012-2013</b>	33,936,733	31,935,626	2,001,107	5.9%
<b>2011-2012</b>	35,834,487	35,133,042	701,445	2.0%
<b>2010-2011</b>	37,335,505	36,816,189	519,316	1.4%
<b>2009-2010</b>	34,118,534	32,146,416	1,972,118	5.8%
<b>2008-2009</b>	34,524,423	33,617,266	907,157	2.6%
<b>2007-2008</b>	33,299,621	29,768,486	3,531,135	10.6%
<b>2006-2007</b>	29,702,951	27,757,543	1,945,408	6.5%
<b>2005-2006</b>	26,354,935	25,394,239	960,696	3.6%
<b>2004-2005</b>	22,539,613	20,991,415	1,548,198	6.9%
<b>2003-2004</b>	21,613,620	20,083,705	1,529,915	7.1%

\*\*As of December 12, 2013.

**In all years expenditures were less than budget estimates. In 6 out of 10 years, the unspent budget exceeded \$1,000,000.**