

Human Capital and Compensation

Presented Feb 27, 2012

FY2013 Preliminary Budget



Strengthening Human Capital

- AISD Salaries have been frozen for two years
- Gap between AISD and surrounding districts has widened
- District can temporarily even out disparity with two-year compensation strategy
- Proposed FY2013 Preliminary Budget includes costs to support a one-time payment for employees to provide the equivalent of a 3 percent raise for all employees, which would cost an estimated \$14,160,000
- The one-time payment would be funded out of district reserves
- If Austin voters chose to approve a tax rate increase through a Tax Ratification Election (TRE) in November 2012, the increase could become permanent

One/Two Year Compensation Strategy

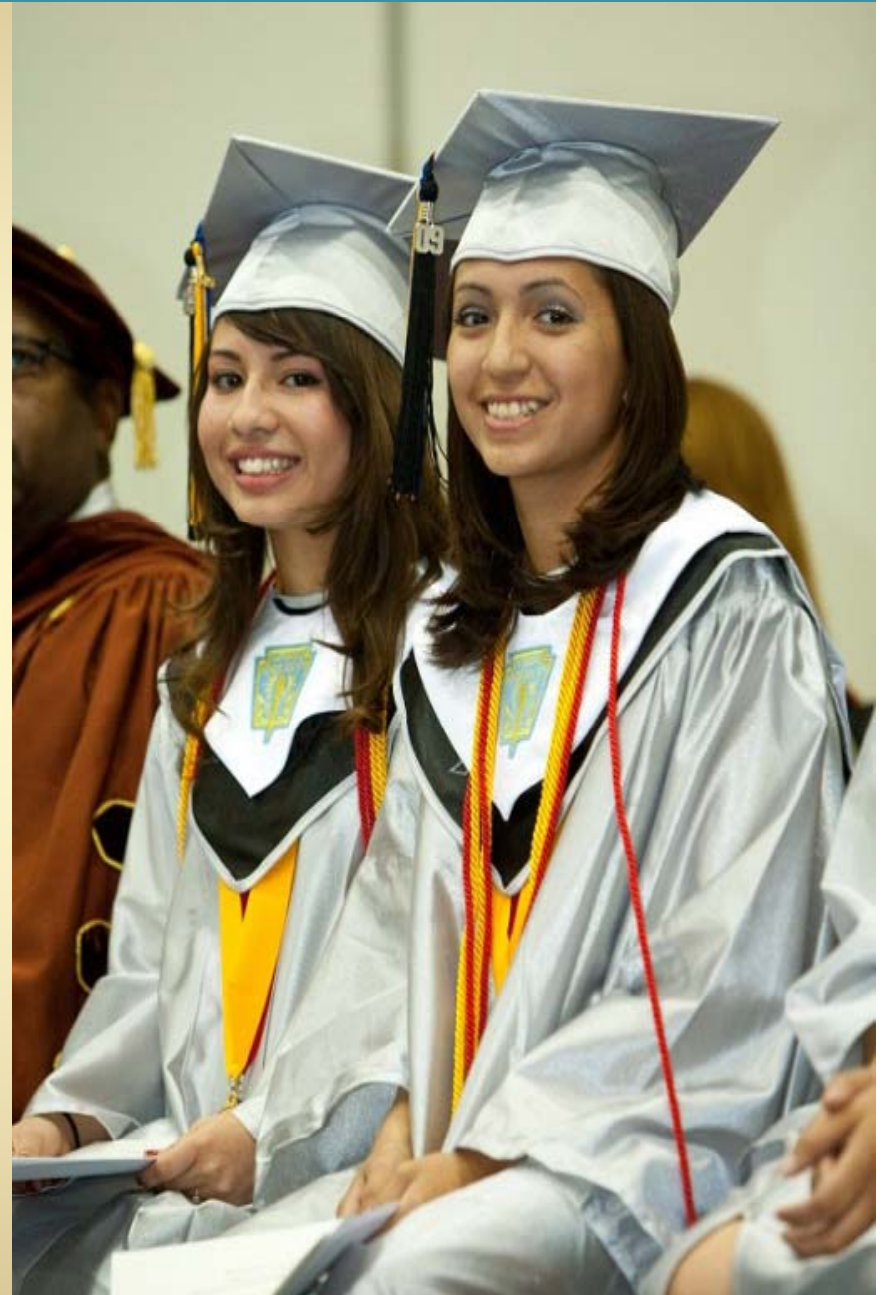
	FY2013	FY2014
One Year Strategy	<ul style="list-style-type: none"> •3% increase for all employees over FY2010 levels with ratification of TRE (<i>annualized cost of \$14.2M</i>), or •one-time payment equivalent from district reserves (\$14.2 M) 	<ul style="list-style-type: none"> •No add'l increase beyond FY2013 levels. •If TRE not ratified, a final, one-time payment from District reserves (\$14.6 M)
Two Year Strategy	<ul style="list-style-type: none"> •3% increase for all employees over FY2010 levels with ratification of TRE, or •one-time payment equivalent from district reserves (\$14.2 M) 	<ul style="list-style-type: none"> •6% increase for all employees over FY2010 levels (increase of 3% over FY2013 levels) (<i>annualized cost of \$28.8 M</i>) •Requires possible ratification of TRE at maximum tax rate

Tax Ratification Election

Projected Additional Revenue

	Scenario	Tax Rate	Local Revenue Generated (Above Status quo)	Net Revenue Retained (Above Status quo)	Estimated Average Taxpayer Impact (Annual Increase)
1	Status quo	1.079	n/a	n/a	n/a
2	Four-cent increase	1.119	\$23.2M	\$15.6M	\$ 98
3	Six-cent increase	1.139	\$34.9M	\$22.6M	\$147
4	Eight-cent increase	1.159	\$46.5M	\$29.7M	\$196
5	Nine-cent increase (maximum)	1.170	\$52.9M	\$33.6M	\$223

Financial Planning for the Future



FY2013 Preliminary Budget

An Uncertain Future

- Uncertainty in State funding for FY2014 and outyears
 - Cautious but optimistic forecast of State revenue from Legislators going into next legislative session.
 - SB1 contains language that calls for the elimination of ASATR by FY2018 but does not prescribe cuts beyond FY2013. Full elimination means a loss of nearly \$150 million which would mean that the district would need to cut nearly \$100 more out of its budget.
- Even though taxable values are expected to grow, AISD receives little benefit as a result of state funding formulas.
- ADA and WADA expected to trend moderately. It is estimated the district receives \$5.9 million in revenue for every 1% increase in attendance.

The Plan Going Forward

- Add at least \$25 million to reserves in FY2012 to mitigate against future State cuts to give the District some time to plan.
 - Continue to implement spending controls and exception hiring.
 - Save any excess revenue collections.
 - Launch wellness strategies and continue to contain health care costs.
- Secure \$30 million in external resources over the next three years to support Strategic Plan priorities.
- Educate stakeholders and plan for a possible TRE in November 2012.
- Develop Human Capital Strategy and resource requirements.
- Update Preliminary Budget with revised revenue projections and estimates for AAFRs for presentation of “FY2013 Revised Budget” in April.