

## 2019-2020 Katy ISD Official Budget

The Texas Education Code requires that every local education agency in Texas prepare and file a budget of anticipated revenues and expenditures with the Texas Education Agency. The State Board of Education requires that the budget be prepared no later than August 20 and adopted by August 31 by the Board of Trustees. The Superintendent is designated as the District's budget officer and is responsible for calling a Board meeting to adopt the official budget.

The attached budget is based on the guidelines as outlined in the Texas Education Code and Texas Education Agency Financial Accounting Guide. The budget includes total revenues of \$990,558,274, total expenditures of \$988,259,330 and net transfers in/out of (\$900,000). The budget consists of three fund types: General Fund, Special Revenue Fund, and Debt Service Fund.

The General Fund budget includes revenues of \$795,061,672, expenditures of \$786,596,103 and net transfers out of \$5,537,227. Revenues are composed of local revenues, including property taxes (55.2%), revenues received from the state (43.2%) and federal revenues (1.6%). Tax revenues are based on the current Maintenance and Operations tax rate of \$1.0402 and taxable values of \$41.4 billion. State revenues are based on a projected enrollment of 82,789 students. Major expenditure categories include payroll, contracted services, supplies, operating expenditures, and capital. Payroll expenditures, which comprise 88% of the General Fund budget, include the staffing plans and salary increases approved by the Board earlier in the year. Revenues exceed expenditures and transfers out resulting in a projected increase in fund balance of \$2,928,342.

The Special Revenue budget consists of anticipated revenues and expenditures pertaining to the District's food services operations. Food Service revenues and expenditures are projected to be \$33,092,233 and \$35,058,227 respectively, resulting in a projected decrease in fund balance of \$1,965,994.

The Interest & Sinking (I&S) expenditure budget is \$166,605,000 and is used to account for payment of principal and interest on the District's long-term debt. The primary revenue source is local property taxes of \$160,654,369 based on the current Debt Service tax rate of \$0.39. State funding of \$1,750,000 is budgeted as I&S Hold Harmless for the 2016 \$10,000 increase in Homestead exemption called Additional State Aid for Homestead Exemption (ASAHE). Other sources of revenue include Transfers In of \$1,600,000 of interest earnings on bond proceeds, and \$3,037,227 for interest subsidy, less sequestration, and earned on the District's Build America Bonds. Fund Balance is projected to increase \$436,596.

It is the intent of the District that the budgetary process result in the most effective mix of educational and financial resources available while attaining the goals and objectives of the District. This includes the identification and prioritization of both educational and educational support components. These components are initially identified and prioritized by the principals and department heads and are later reviewed by central administrators, a budget committee, and finally the Board of Trustees.

This priority budgeting approach allows the District to establish layers of expenditures that can be matched to the anticipated revenues and desired levels of fund balances. The ultimate decision of the level of funding and components to be funded is the responsibility of the Board.

As part of the budget development process the District's management has taken into consideration all the factors that drive school district budgets: enrollments, salary schedules, facility needs, property values, state funding, and the local economy.

The budget may be amended during the year to address unanticipated or changing needs of the District. Changes to functional expenditure categories, revenue objects, or other sources and uses accounts require Board approval.

Katy ISD continues to be one of the fastest growing school districts in the Houston metropolitan area, growing at an average of 3.7% from 2008 to 2018 with the 2019-20 enrollment projected to be 82,789 students. The District has also experienced significant growth in property values over the past ten years with assessed values increasing at an average of 9.2% annually; however, 2019-20 values are budgeted at 4.1% appraised value growth as the District continues to rebound from Harvey related reappraisals. Unemployment continues to remain low in all geographical areas of the District although caution was acknowledged in view of local and national oil and gas news.

Salary increases for teachers were approved at \$2,475 per teacher which is approximately a 4.0% average salary increase, and starting teacher pay was increased to \$55,200. Salaries increased 4% of mid-point salary ranges for all non-teaching staff. The budget also includes 1% to be distributed as a Lump Sum near December.

According to American Schools and Universities Magazine, Katy ISD is the 47<sup>th</sup> largest school district in the nation and is one of the fastest growing school districts. The District's latest

demographic report predicts that with the most likely growth projections, over 97,000 students will attend Katy ISD schools by the year 2028. There are many reasons for the District's growth but a community survey revealed that the primary reason new residents move to the Katy area is because of its schools.

It appears that the population of the District continues to grow and all indicators point to continued growth over the next decade. This growth makes it imperative for the District to continue to plan wisely for the future. A need for additional facilities continues to be a financial focal point of the District. The District maintains its Long Range Facilities Plan that projects and prioritizes facility needs over the next 5-10 years. From this plan the District was able to present needs to a bond committee of over 100 members who determined projects that should be included in a bond authorization. A successful Bond election was held in the fall of 2017 providing \$609.2 million for the future construction, renovation and equipping of facilities and the purchase of land and buses. With the schedule for opening new facilities and renovations, projected enrollments, and projected funding levels based on current law, the District develops budget priorities and short and long range plans.

The District's bonds are rated AAA by Standard & Poor's (S&P) and Aaa by Moody's Investor Service (Moody's) based on the guarantee of the Permanent School Fund of the State of Texas. The District's underlying ratings are AA by Standard & Poor's and Aa1 by Moody's Investor Service.

Katy ISD was awarded the Texas Comptroller of Public Accounts' [Transparency Stars Program](#) Star for Traditional Finances that spotlights local government financial transparency. The award recognizes districts that keep their books open to the public; provide clear, consistent pictures of spending; and share information in a user-friendly format that lets taxpayers easily access additional information.

For the sixteenth consecutive year, the District scored the highest possible rating of "Superior Achievement" for the Schools FIRST (Financial Integrity Rating System of Texas), a financial accountability system for Texas School Districts developed by the Texas Education Agency in response to Senate Bill 875 of the 76th Texas Legislature in 1999. The primary goal of Schools FIRST is to ensure quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school finance system.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended August 31, 2017, the thirty-fifth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

Additionally, the District was awarded the Certificate of Excellence in Financial Reporting by the Association of School Business Officials International (ASBO) for its Comprehensive Annual Financial Report for the year ended August 31, 2018. This award has been received for thirty-six consecutive years.

This budget narrative is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Katy I.S.D., 6301 South Stadium Lane, P.O. Box 159, Katy, Texas 77492.