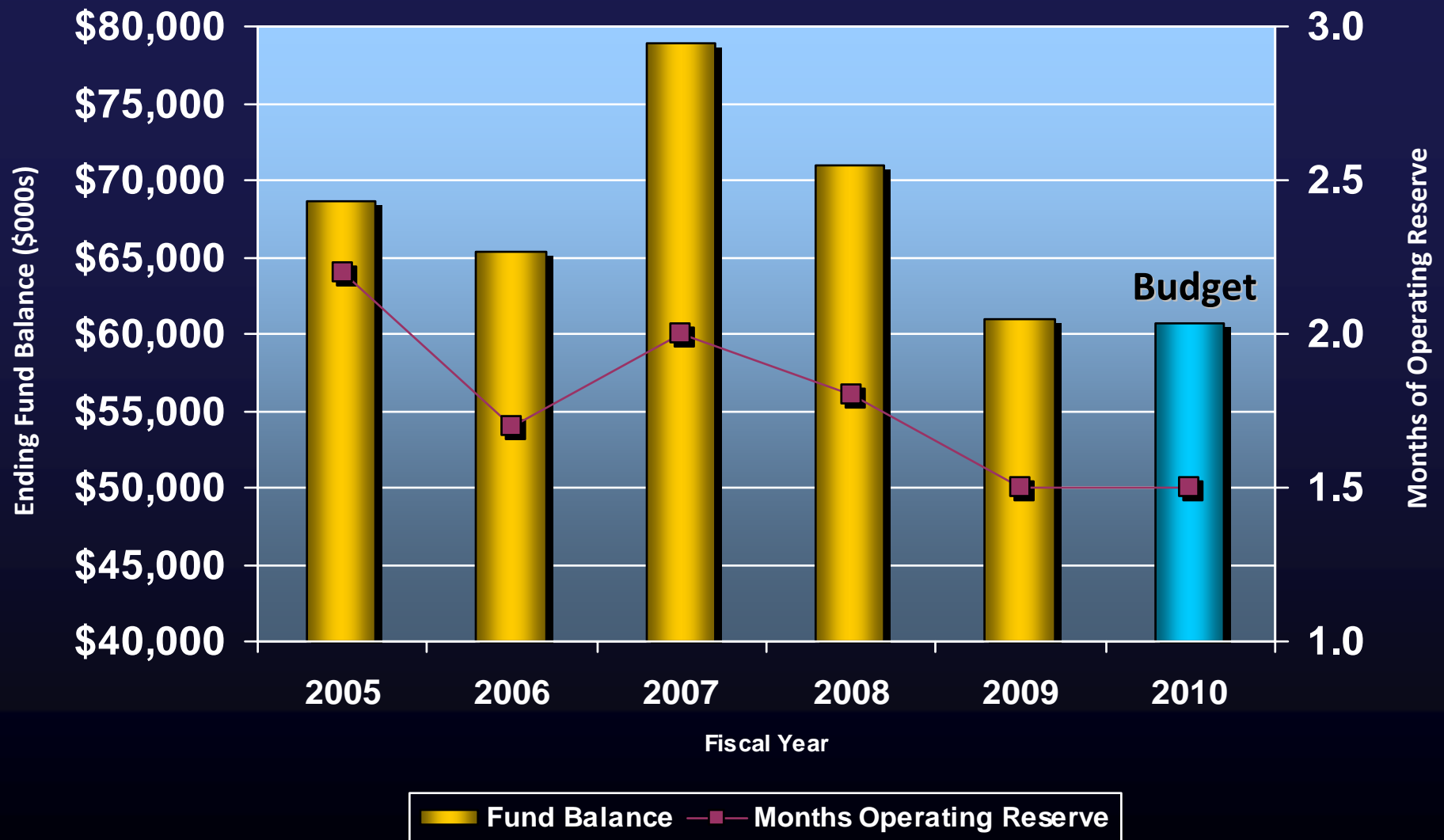


Our Current Situation

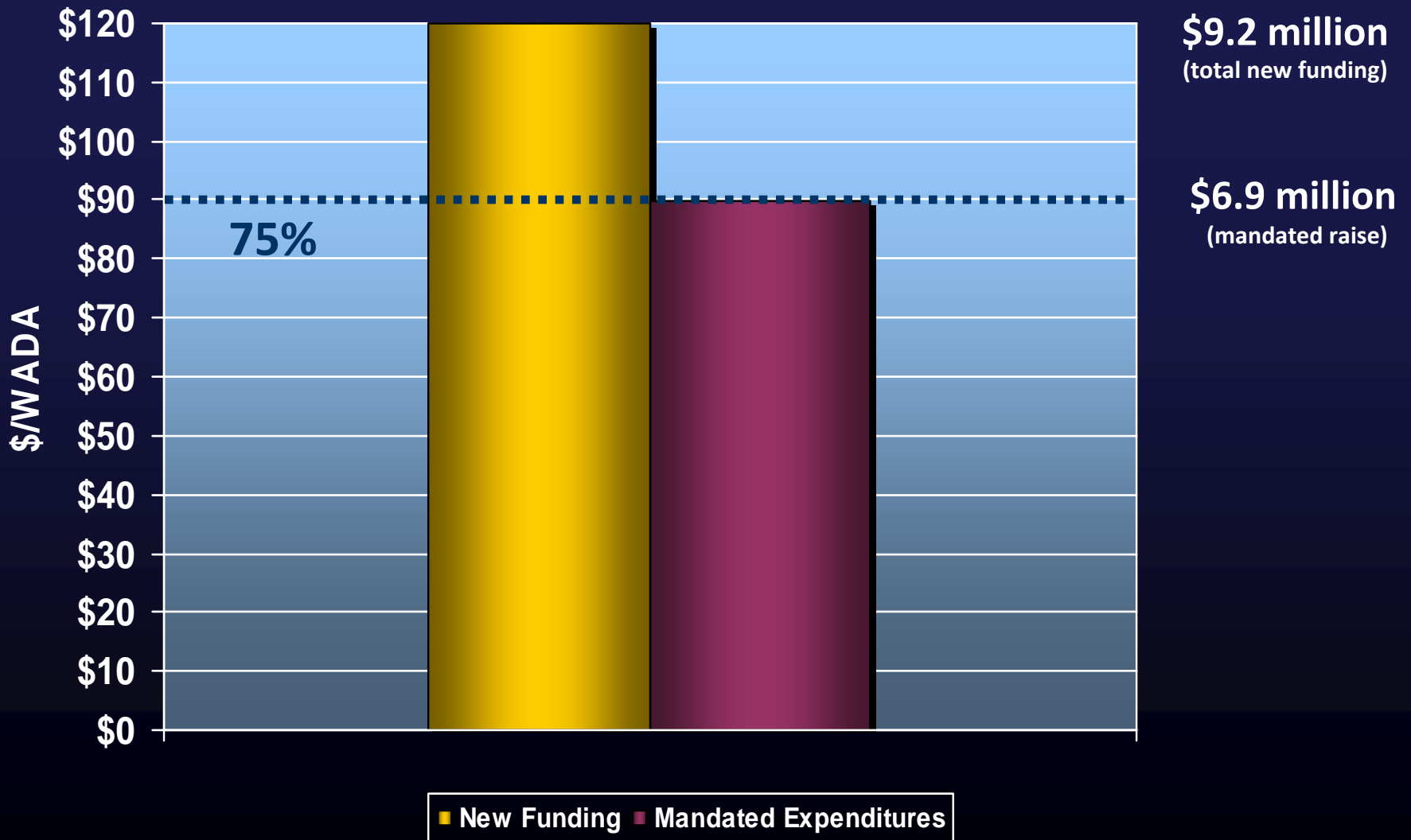
- **The District's ability to raise revenue without a tax rate election was removed by legislative action in 2005**
- **For three of the past four years, the District has utilized its fund balance to balance the budget (i.e., the District deficit spent)**
- **Neither the 2007 nor 2009 Legislative Sessions provided significant relief**
 - ✍ 75% of new funds in 2009 had a mandated use
- **The District implemented several cost saving measures for 2008-2009 & 2009-2010**
- **More reductions are needed to maintain financial health**

General Fund Balance

2005 - 2010 (\$000s)



2009-2010 Funding versus Mandates



2009 – 2013 Austerity Program

| | |
|--|--|
| Phase 1 FY 2008-09 | For the remainder of the 2008-2009 fiscal year, implement measures to reduce expenditures by at least \$2.0 million. |
| Phase 2 FY 2009-10 | For the 2009-2010 budget, continue the cost reductions and bring to the Board of Trustees a balanced budget. |
| Phase 3 FY 2010-11 to FY 2012-13 | For the 2010-2011 budget and forward, research broad operational changes that significantly improve District efficiency; determine the need for a property tax rate increase election. |

Austerity Program

Phase 1 Results

| Identified Savings Area | Jan-Jun 2008 | Jan-Jun 2009 | Savings | |
|--------------------------------|--------------------|--------------------|----------------------|----------------|
| Employee Travel | \$ 568,050 | \$ 431,645 | \$ (136,405) | (24.0%) |
| Overtime | 591,678 | 469,947 | (121,731) | (20.6%) |
| Temporary Labor | 366,823 | 201,769 | (165,054) | (45.0%) |
| Subs for Paraprofessionals | 96,288 | 67,940 | (28,348) | (29.4%) |
| Furniture | 1,701,272 | 608,421 | (1,092,851) | (64.2%) |
| Food & Drink | 103,131 | 58,618 | (44,513) | (43.2%) |
| Capital Outlay | 214,732 | 384,209 | 169,477 | 78.9% |
| Sub-Total | \$3,641,974 | \$2,222,549 | \$(1,419,425) | (39.0%) |
| Delayed Hiring | | | \$ (94,890) | |
| Reduced Energy Use | | | (573,933) | |
| Custodial Reorganization | | | (62,897) | |
| Total Estimated Savings | | | \$(2,151,145) | |

Austerity Program

Phase 2 Projected Savings

| Identified Savings Area | Projected Savings |
|---------------------------------------|-----------------------|
| Changes to Staffing Ratios | \$ (2,770,000) |
| Suspend Retirement Match | (3,400,000) |
| Reduce Retention Supplement | (750,000) |
| Reduce Campus/Department Budgets | (3,000,000) |
| Reduce Additional Allocation Requests | (1,550,000) |
| 2009-10 Budgeted Savings | \$(11,470,000) |

Austerity Program

Phase 3

- **Improving NEISD's fund balance**
 - ✍ Goal by June 30, 2013 --- Fund Balance equivalent to 25% of Operating Revenue (approximately 3 month's reserve)
- **Continue to avoid spending with a "business-as-usual" mindset**
 - ✍ To maintain excellence in programs and remain competitive in teacher compensation, teacher raises have averaged more than 4% over the last 10 years
 - ✍ NEISD is one of the last large school districts to maintain the A/B schedule
- **The State's potential funding cliff**
 - ✍ Despite a troubled economy, the State must find funding to replace the \$3.2 Billion void left by the expiring State Fiscal Stabilization Fund
 - ✍ NEISD receives \$18.4 Million per year for 2009-2010 & 2010-2011

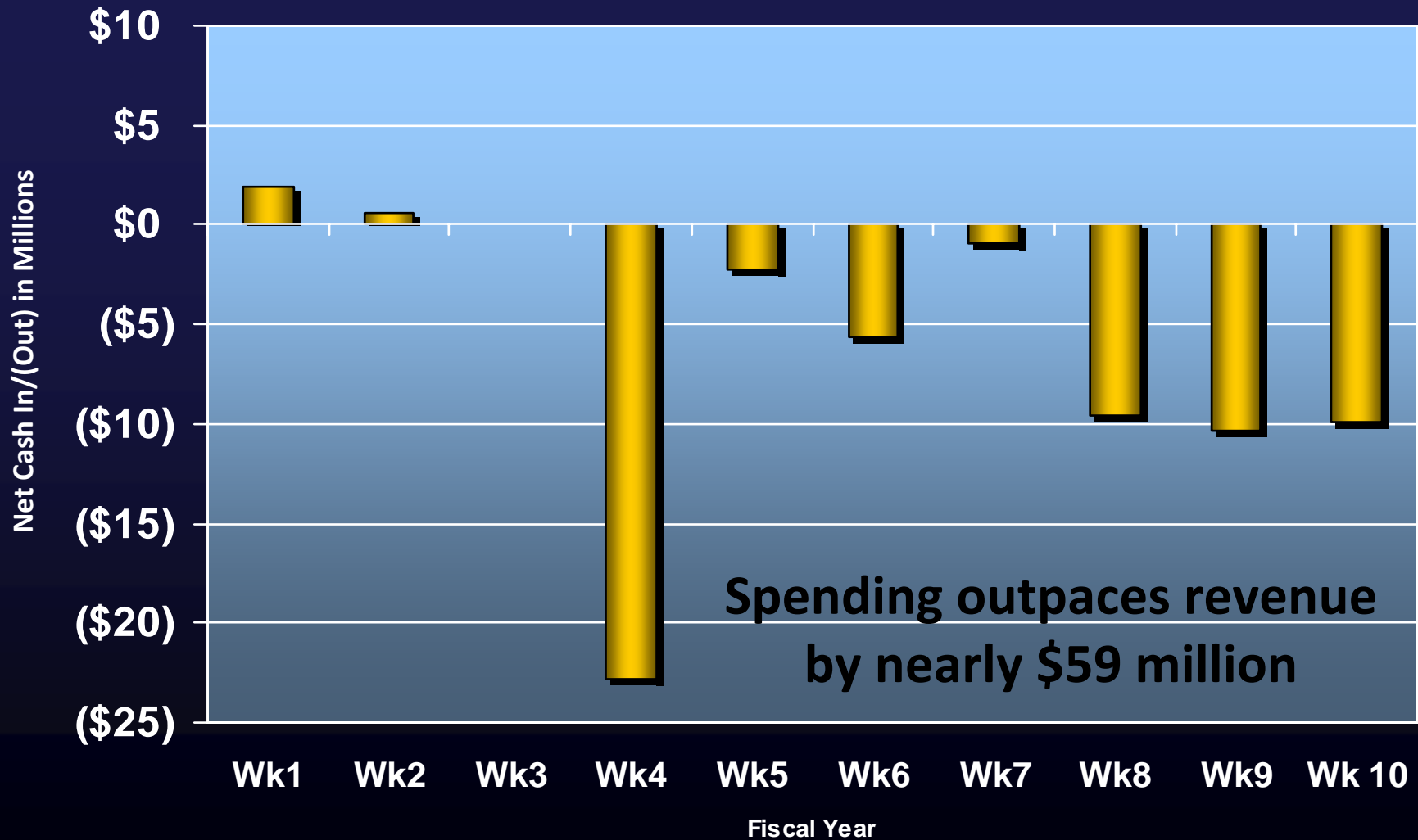
Austerity Program

Phase 3

- **Impact to General Fund if there are no future bond issues**
 - ✍ Bus purchases, roofing projects and technology upgrades are discontinued or absorbed by the General Fund
 - ✍ \$12 Million annually beginning in 2011-2012
- **Legislature mandates a step increase for teachers & librarians in 2010-2011**
 - ✍ Result of HB3646 – adds approximately \$2.4M to next year's budget
- **Tax rate election option**
 - ✍ Each remaining “golden penny” (up to \$1.06) is worth approximately \$4.5M (\$9.0M total)
 - ✍ Each penny above a total tax of \$1.06 is worth approximately \$2.4M
 - ✍ To raise tax revenue in an amount equivalent to the amount of proposed reductions might require an M&O rate increase of 10¢
 - ✓ This would raise the average homeowner's taxes \$162/year

Net Cash Flows

First 10 Weeks of Fiscal Year



Financial Projection

With No Changes to Historic Spending Patterns

| (In Thousands) | Projected 09-10 | Projected 10-11 | Projected 11-12 | Projected 12-13 |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| Local Revenue | \$294,071 | \$290,183 | \$286,114 | \$287,114 |
| State Revenue | 194,722 | 211,362 | 226,637 | 236,484 |
| Federal & Other Revenue | 3,607 | 1,488 | 1,488 | 1,488 |
| Total Revenue | \$492,400 | \$503,033 | \$514,239 | \$525,086 |
| Salaries & Benefits | \$425,224 | \$449,381 | \$472,746 | \$497,260 |
| Other Expenditures | 56,958 | 59,317 | 73,550 | 75,386 |
| Total Expenditures | \$482,182 | \$508,698 | \$546,296 | \$572,646 |
| Net Incr/(Decr) to Fund Balance | \$10,218 | \$(5,665) | \$(32,057) | \$(47,560) |
| Beginning Fund Balance (FB) | 60,915 | 71,133 | 65,468 | 33,411 |
| Ending Fund Balance (FB) | \$71,133 | \$65,468 | \$33,411 | \$(14,149) |
| FB as a % of Revenue | 14.4% | 13.0% | 6.5% | (2.7%) |
| FB in Operating Months | 1.8 | 1.5 | 0.7 | (0.3) |

Financial Projection

**With No Changes to Historic Spending Patterns
AND State Does Not Replace Lost Stabilization Funds**

| (In Thousands) | Projected 09-10 | Projected 10-11 | Projected 11-12 | Projected 12-13 |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| Local Revenue | \$294,071 | \$290,183 | \$286,114 | \$287,114 |
| State Revenue | 194,722 | 211,362 | 208,237 | 218,084 |
| Federal & Other Revenue | 3,607 | 1,488 | 1,488 | 1,488 |
| Total Revenue | \$492,400 | \$503,033 | \$495,839 | \$506,686 |
| Salaries & Benefits | \$425,224 | \$449,381 | \$472,746 | \$497,260 |
| Other Expenditures | 56,958 | 59,317 | 73,550 | 75,386 |
| Total Expenditures | \$482,182 | \$508,698 | \$546,296 | \$572,646 |
| Net Incr/(Decr) to Fund Balance | \$10,218 | \$(5,665) | \$(50,457) | \$(65,960) |
| Beginning Fund Balance (FB) | 60,915 | 71,133 | 65,468 | 15,011 |
| Ending Fund Balance (FB) | \$71,133 | \$65,468 | \$15,011 | \$(50,949) |
| FB as a % of Revenue | 14.4% | 13.0% | 3.0% | (10.1%) |
| FB in Operating Months | 1.8 | 1.5 | 0.3 | (1.1) |

Austerity Program

Phase 3 Cost-Cutting Goals

2010-2011 -- \$12,000,000

2011-2012 -- \$12,000,000

2012-2013 -- \$ 3,000,000

Cumulative Reductions over 3 years:

\$63,000,000

| | 2010-2011 | 2011-2012 | 2012-2013 | Total |
|---------------------------------------|------------------|------------------|------------------|--------------|
| Reductions Initiated 2010-2011 | \$12M | \$12M | \$12M | \$36M |
| Reductions Initiated 2011-2012 | N/A | \$12M | \$12M | \$24M |
| Reductions Initiated 2012-2013 | N/A | N/A | \$3M | \$3M |
| Total Annual Savings | \$12M | \$24M | \$27M | \$63M |

Financial Projection

With Actions Taken to Reduce Costs

| (In Thousands) | Projected 09-10 | Projected 10-11 | Projected 11-12 | Projected 12-13 |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| Local Revenue | \$294,071 | \$290,183 | \$286,114 | \$287,114 |
| State Revenue | 194,722 | 211,150 | 226,306 | 236,007 |
| Federal & Other Revenue | 3,607 | 1,488 | 1,488 | 1,488 |
| Total Revenue | \$492,400 | \$502,821 | \$513,908 | \$524,609 |
| Salaries & Benefits | \$425,224 | \$425,042 | \$430,025 | \$444,232 |
| Other Expenditures | 56,958 | 58,814 | 60,711 | 62,504 |
| Total Expenditures | \$482,182 | \$483,856 | \$490,736 | \$506,736 |
| Net Incr/(Decr) to Fund Balance | \$10,218 | \$18,965 | \$23,172 | \$17,873 |
| Beginning Fund Balance (FB) | 60,915 | 71,133 | 90,098 | 113,270 |
| Ending Fund Balance (FB) | \$71,133 | \$90,098 | \$113,270 | \$131,143 |
| FB as a % of Revenue | 14.4% | 17.9% | 22.0% | 25.0% |
| FB in Operating Months | 1.8 | 2.2 | 2.8 | 3.1 |

Financial Projection

With Actions Taken to Reduce Costs

BUT State Doesn't Replace Lost Stabilization Funds

| (In Thousands) | Projected 09-10 | Projected 10-11 | Projected 11-12 | Projected 12-13 |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| Local Revenue | \$294,071 | \$290,183 | \$286,114 | \$287,114 |
| State Revenue | 194,722 | 211,150 | 207,906 | 217,607 |
| Federal & Other Revenue | 3,607 | 1,488 | 1,488 | 1,488 |
| Total Revenue | \$492,400 | \$502,821 | \$495,508 | \$506,209 |
| Salaries & Benefits | \$425,224 | \$425,042 | \$430,025 | \$444,232 |
| Other Expenditures | 56,958 | 58,814 | 60,711 | 62,504 |
| Total Expenditures | \$482,182 | \$483,856 | \$490,736 | \$506,736 |
| Net Incr/(Decr) to Fund Balance | \$10,218 | \$18,965 | \$4,772 | \$(527) |
| Beginning Fund Balance (FB) | 60,915 | 71,133 | 90,098 | 94,870 |
| Ending Fund Balance (FB) | \$71,133 | \$90,098 | \$94,870 | \$94,343 |
| FB as a % of Revenue | 14.4% | 17.9% | 19.1% | 18.6% |
| FB in Operating Months | 1.8 | 2.2 | 2.3 | 2.2 |

