Presentation Purpose

- Why is this topic on the board agenda?
  - Do discuss the effects of enrollment decline related to building costs

- What are we asking the board to do with this information?
  - This is a part of the ongoing blueprint process to discuss current state of asset allocation

- How is this linked to the Strategic Plan, Vision, Mission, goals & core beliefs?
  - Aligning assets to promote student learning is an important part of the budget and long term capital planning process.
APS is Experiencing a 10 Year Declining Trend in Enrollment

While 2016-17 was the first year of negative enrollment growth, a declining trend in enrollment began in 2010-11.
Initial Responses to Enrollment Declines – Budget Reductions

*Initial Years of Decline (2015-16 and 2016-17):* Uncertain as to whether initial enrollment declines represented a blip or a long term trend, the district’s initial budget adjustments included:

• Avoid making instructional and school-based reductions until declining enrollment proved to be a longer term trend and prioritize administrative spending reductions instead. Administrative reductions totaled over $5 million.
• Spend down our “rainy day” unassigned fund balance cash reserves totaling about $17 million.

*Budget Redesign (2017-18 and beyond):* As declining enrollment trends continued and based on a projected 2017-18 budget gap of up to $31 million, APS conducted a public Budget Redesign process to make more broad budget reductions.

• This represented a true-up of all district staff and annual expenditures to the “new normal” of enrollment declines
• Recognition that the district had limited fund balance to protect against future enrollment declines
• Budget engagement included four community open houses and receiving feedback of over 700+ responses from the public.
Declining Enrollment’s Impact to Asset Allocation

- While Budget Redesign made significant adjustments to annual operating expenditures such as staff, we have not made any adjustments to our current building footprint.

- Our enrollment has decreased to 2007 levels while our square footage increased by over 1 million square feet in the same time frame.
Declining Enrollment’s Impact to Asset Utilization

- Most of the increased square footage has taken place in areas of construction, development, and growth.
- However, no reductions of square footage have taken place in areas of significant enrollment declines.
Costs of Enrollment Decline: Funding Schools With Low Capacity

Low underutilization of a school building can also add costs to a school building and contributes to the cost per pupil related to utilities, asset maintenance:

<table>
<thead>
<tr>
<th>Elementary Capacity Ranges:</th>
<th>Middle School Capacity Ranges:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Over 91%: 1 school</td>
<td>• Over 91%: 1 school</td>
</tr>
<tr>
<td>• 84%-91%: 4 schools</td>
<td>• 84%-91%: 1 schools</td>
</tr>
<tr>
<td>• 77%-83%: 5 schools</td>
<td>• 77%-83%: 0 schools</td>
</tr>
<tr>
<td>• 65%-76%: 12 schools</td>
<td>• 65%-76%: 5 schools</td>
</tr>
<tr>
<td>• Under 65%: 6 schools</td>
<td>• Under 65%: 0 schools</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>K8 Capacity Ranges:</th>
<th>High School Capacity Ranges:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Over 91%: 5 schools</td>
<td>• Over 91%: 3 schools</td>
</tr>
<tr>
<td>• 84%-91%: 1 schools</td>
<td>• 84%-91%: 1 school</td>
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</table>
Costs of Enrollment Decline: Enrollment and Capacity Combined

Considering both capacity and enrollment shows a more comprehensive picture of the cost of enrollment decline:

**Higher Enrollment, Higher Capacity:**
- 5 elementary schools
- 4 P-8 schools
- 2 middle schools

**Higher Enrollment, Low Capacity:**
- 10 elementary schools
- 5 middle schools

**Low Enrollment, Higher Capacity:**
- 1 elementary school
- 2 P-8 schools

**Low Enrollment, Low Capacity:**
- 10 elementary schools
Costs of Enrollment Decline: Funding Smaller Elementary Schools

Elementary Enrollment Ranges within APS: Sample Per Pupil Costs Within Each Range

- Over 500 students
  - 5 Schools, roughly 2,000 students ➢ A 500 kid school costs about $6,200/pupil
- 400-500 students
  - 14 schools, roughly 6,000 kids ➢ A 400 kid school costs about $6,750/pupil
- 300-400 students
  - 6 schools, roughly 2,000 kids ➢ A 300 kid school costs about $7,300/pupil
- Under 300 students
  - 4 schools, roughly 2,000 kids ➢ A 225 kid school costs about: $8,300/pupil
  - Projected to be 7 schools in 2019-20
Costs of Enrollment Decline: Funding Low Capacity Schools

As a building decreases in its capacity, the utilization of that building becomes more expensive on a per pupil basis.

Elementary capacity has significantly decreased:
• In 2017-18, 14 schools were above 84% 9 schools were below 65%.
• In 2019-20, 5 schools will be above 84% and 18 schools will be under 65%.

<table>
<thead>
<tr>
<th>Utilization</th>
<th>Elementary and K8 Schools</th>
<th>Middle and High Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>92% - 100%</td>
<td>0% (at capacity)</td>
<td>0% (at capacity)</td>
</tr>
<tr>
<td>84% - 91%</td>
<td>10% - 13%</td>
<td>1% - 3%</td>
</tr>
<tr>
<td>77% - 83%</td>
<td>12% - 15%</td>
<td>3% - 6%</td>
</tr>
<tr>
<td>65% - 76%</td>
<td>18% - 22%</td>
<td>6% - 8%</td>
</tr>
<tr>
<td>Under 65%</td>
<td>35% - 40%</td>
<td>8% - 10%</td>
</tr>
</tbody>
</table>

Utilization of Elementary Schools 2017-2020
Costs of Enrollment Decline: Enrollment and Capacity Combined

- The cost of maintaining the status quo is over $21 million considering *both* low size/enrollment *and* underutilization of school buildings.

- If enrollment trends continue, the cost of the status quo will increase by about $3.1m annually.
Questions?