



MOODY'S RATING PRESENTATION

**JAMES COLBERT JR.,
SUPERINTENDENT**

DR. JESUS AMEZCUA, CPA, RTSBA

ASST SUPT FOR BUSINESS

AGENDA & HCDE INFORMATION

- I. About HCDE – Star Reimagined
 - Business Segments
 - Special Schools
 - School-Based Therapy
 - Choice Partners Coop.
 - Head Start; Adult Ed; & CASE
- II. Our Finances
 - Business Model & strong internal controls
 - Tax Base
 - Fund Balance & Projections
 - Cost Savings Report
- III. Capital Improvement Plan
 - Proposed Projects
- IV. Credit and Financial Indicators
- V. Summary



SEPTEMBER 17, 2020



Information Addressed on the following slides:

Administrative

- [Rating Projected by October 5, 2020](#)

Economy/Tax Base

- What are your expectations for the tax base going forward? What growth assumptions do you use when budgeting? [Reference Slide # 24](#) *1% to 3% annual growth assumed with a 6% actual growth.*

Finance

- Please provide year-end financial information for fiscal 2020 such as a recent board report. Overall, how did the year go for the district? [Reference Slide # 25](#) *Resulting in est. \$1M in excess funds. All financial statements are posted on our website at www.hcde-texas.org*
- Please provide your fiscal 2021 budget. What are your expectations for year-end results? [Reference Slide # 22](#) *HCDE projects to meet budget and issue the debt as projected. Reserves have been committed to support the bond issue in the debt service fund and the capital project fund.*
- Did you make any significant changes to the budget compared to the previous year?
- [Reference Slide # 27](#) *- Yes, HCDE Budget includes the values growth, address \$13.5 minimum wage, support the bond issue with project reserves, Head Start expansion and continuing commitment of special schools and therapy contracts. HCDE implemented Star Reimagined Program to improve systems and programs.*

PART (1)

QUESTIONS

Information Addressed on the following slides:

Finance

- Please provide a summary of the impact of coronavirus on your operations. Have there been any significant costs? Do you anticipate a financial impact going forward?
- [Reference Slide # 26](#) *The Department allocated \$1.5M from reserves. We have used \$567,748 YTD in general fund, and we have a reserve of \$932,252 for FY 20-21. We also received a \$1M COVID-19 grant from HHS for the Head Start Program. CASE after school programs were extended and allowed to carry forward and continue charging costs. Adult Education program costs continued to be charged. HCDE received a renewal of grant totaling \$4.5M grant. HCDE has been able to adapt and deliver services virtually as well as face-to-face.*
- How do you expect your fund balance to change over the next several years? Any significant draws for capital items or other needs expected in future?
- [Reference Slide # 21](#) *HCDE fund balance is \$32M. We are proposing to gradually utilize part of the fund balance to reduce to 25% of expenditures or about \$20M. We anticipate using available fund balance for one-time capital expenditures and debt reduction.*
- What is your fund balance policy? Do you have an informal target?
[Reference Slide # 21](#) *Our fund balance policy is to maintain a fund balance between 15% of expenditures or two months (Policy CE (Local)) . We are projecting to have a fund balance of approximately 25% in order to maintain adequate reserves for debt reduction.*

PART

(2)

QUESTIONS

Information Addressed on the following slides:

Debt/Other Liabilities

- Please describe the projects to be funded with these debt issuances.
[Reference Slide # 13](#) We have four major projects to be funded with these debt issuances: Academic Behavior (AB) School East, Highpoint (Alternative) School East, Adult Education Center and Reagan (Irvington) administration building renovation.
- Any anticipated changes to the tax rate?
[Reference Slide # 28](#) HCDE has targeted to maintain the use of the effective tax rate in the past (No called No new revenue rate). HCDE is committed to maintain the rate below the Voter Approval Rate . No major shifts in the rate are anticipated.
- What are your future debt plans?
HCDE does not have project additional future debt issuance - [Reference Slide # 15](#) We will have pay-as-you-go programs of \$4.5M.
- Do you have any litigation currently ongoing that could have a material impact on your finances?
HCDE does not have any current pending litigation that could materially impact its finances.
- Please provide the legal documents (indenture, lease agreement, etc) associated with the lease revenue sale. What assets are included in the lease?
Assets include a security interest in the lease and all of the improvements but not the sites/land. The land is currently owned by the Department, and therefore, the Department is leasing the land to the Public Facilities Corporation (PFC). The lease will match or exceed the amortization period of the Lease Revenue Bonds.

PART (3) QUESTIONS

- HCDE is a local governmental entity that operates under former Texas Education Code Chapters 17 & 18 pursuant to Tex. Educ. Code § 11.301
- Mission: Improving the educational opportunities in Harris County
- Taxing Authority is \$.01 over Harris County
- 7-member Board & County Superintendent
- Tax Exempt – Federal, State, and Local
- Serving 25 in-county independent school districts
- TEA LEA # 101-000



About Us

HCDE – RE-Imagined



Financial

- \$Revenues not realized – Projected
- \$Projected Fund Balance Use
- Contingency Plan to reduce costs and maximize revenues – Resulting in NEW Projections – Net Excess Rev over Expenses



COVID 19 Impact

HCDE – Reimagined



Operational

- 6 months of Home Engagement & Star Reimagined
- Service Delivery via distance communication
 - Special Schools – Committed and billed semiannually
 - School-Based Therapy – Online service delivery
 - Choice Partners – Online service delivery
 - Records – Scanning and online service delivery
 - Grants – Online service delivery – Head Start; CASE; Adult Ed.





ADULT EDUCATION



CASE FOR KIDS



HEAD START



SPECIAL SCHOOLS



THERAPY SERVICES

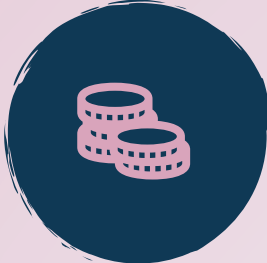


The HCDE Story

The Market



Our market is primarily the 25 independent school districts in Harris County. 95% of activity in-county. Secondary markets include out of county districts, universities, and local governments.



Financial

Budget: \$175 Million
CIP Program: \$50 Million
Annual Debt Service: \$3,100,000
Grants Totaling \$36M
Fund Balance of \$32M

Trust



HCDE is a leader in the region providing special school services, school-based therapy services, adult ed classes, after-school programs and other services

Business Model



Cost Savings Model

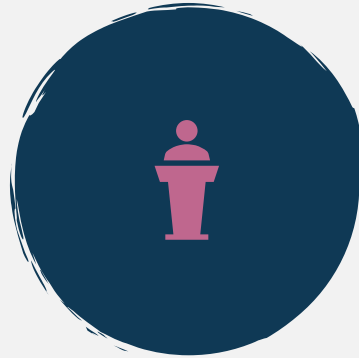
HCDE leverages .005 (half a penny) to generate over \$126.96 M in economic activity

Results in \$3.2M in excess funds in 2019 and \$1M in 2020, which are used to lower costs for school districts and invest in program expansion.



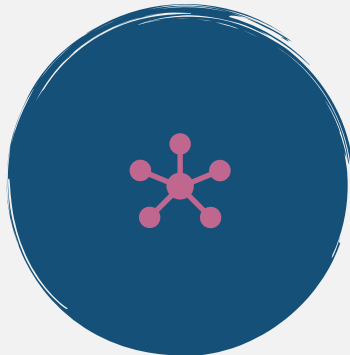
Unique

HCDE is the only county school district in Texas – A successful unicorn



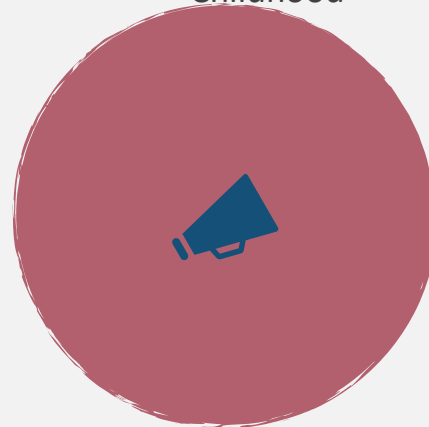
Filling Gap Market

Focused on filling-in the gap in education, Special Schools, Therapy, After School, and Early Childhood



Established

Over 131 years in existence



Authentic

Quality and transparent services



HCDE Brand



HCDE CIP

III. Capital Improvement
Plan (CIP)

\$51 Million

Proposed Projects



Capital Improvement Plan



The Capital Improvement Plan – Proposal

\$51 Million

AB East
Special
School

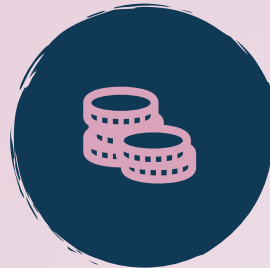


A new ABS East campus to complement the new ABS West campus.

ABS East has exceeded its capacity, and a larger facility is needed – 40,000 sq. ft.

To provide enhanced facilities

HP East
Middle
School Wing



A new Highpoint East campus to provide adequate facility for middle school students.

Facility needed is 13,750 sq. ft.

New Adult Ed
Center and
Renovations



A new Adult Education Center for adult ed classes and workforce development is needed – 40,500 sq. ft.

Reagan -
Irvington
Renovations



Remodeling of the Irvington administration building.

Over 60,000 sq. ft. to modernize and reimagine HCDE.

Capital Improvement Plan – Phase one **\$50,946,770**

	Sq Footage	PFC	\$ 5,740,000 HCDE Contribution	2 yrs Interest Earnings	Maint Tax Notes
Highpoint East	13,750	4,909,645	1,870,000	47,500	1,089,500
AB East Addition	43,605	12,943,640	2,000,000	103,235	2,159,000
Adult Ed NEW Building	40,500	12,728,598	1,870,000	101,153	2,159,000
Admin Bdlg - Renovation	60,000				8,365,500
AB East Playground Addition (ADA)					600,000
Subtotal		30,581,882	5,740,000	251,888	14,373,000
Total		50,946,770			



Capital Projects funding Structure

2020 Maintenance Notes

2020 PFC Lease Revenue Bonds

No other future debt plans.

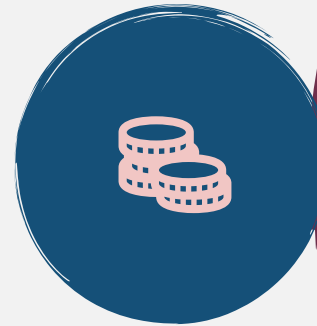
\$4.5M in capital projects

will be pay-as-you-go plans.

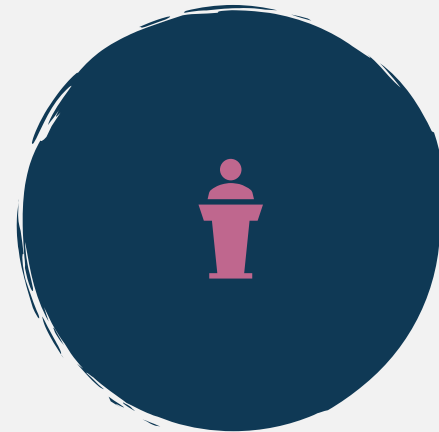
Public Facility Corporation Revenue Bonds

\$30.5 M

No I&S Rate
– Funded from current revenues and taxes



issued for new projects as well as other maintenance needs. However, the maturity can be extended beyond 20 years. This type of financing is guaranteed by current revenues (i.e. fee-for-service revenues, such as Special Schools, Therapy services, Records Management, and others.) Taxes can be used for any legal purpose of the Department's operations to include debt payments.



Maintenance Notes

\$14.3 M



designed to be paid from local taxes and subject to a 20-yr. max.

Maintenance notes are also used to purchase equipment, furniture, improvements, renovations, and services associated with operating expenses.

HCDE FINANCES

- II. Our Finances
 - Business Model
 - Tax Base
 - Fund Balance & Projections
 - Cost Savings Report

INTERIM FINANCIAL REPORT (unaudited)

GENERAL FUND

Balance Sheet as of August 31, 2020

Efficient Leverage Indicator

Percent of Fund Balance to G/F

Expenditures Ratio

What is the percent of rainy fund balance?

Unassigned Fund Balance \$ 20,407,937

Total G/F Expenditures \$ 50,235,606

Goal : > 30% of G/F Exp.
 Benchmark: 10% to 29%
 Danger: Under 10%

41% FY20

38% FY19

Financial Strength Indicator

Working Capital Ratio

What is the cash flow availability for the organization?

Total Current Assets Less Total Current Liabilities

\$36,154,180 – \$2,561,435 = \$33,592,745

Goal : >\$15,000,000
 Benchmark : \$10M to \$15M
 Danger : Under < \$10M

\$34M FY20

\$36M FY19

Note: Strong 41% of expenditures in fund balance and high working capital at \$33M.

HARRIS COUNTY DEPARTMENT OF EDUCATION

Schedule 1

INTERIM FINANCIAL REPORTS (Unaudited)

GENERAL FUNDS 100-199 BALANCE SHEET

Fiscal year to date: August 31, 2020

	ACTUAL
ASSETS	
Cash and Temporary Investments	\$ 34,196,981
Property Taxes-Delinquent at September 1, 2019	817,041
Less: Allowances for Uncollectible Taxes	(16,341)
Due from Federal Agencies	-
Other Receivables	987,878
Inventories	132,362
Deferred Expenditures	-
Other Prepaid Items	36,259
TOTAL ASSETS:	\$ 36,154,180
LIABILITIES	
Accounts Payable	469,902
Bond Interest Payable	-
Due to Other Funds	-
Accrued Wages	-
Payroll Deductions	1,276,631
Due to Other Governments	4,771
Deferred Revenue	810,131
TOTAL LIABILITIES:	\$ 2,561,435
FUND EQUITY	
Unassigned Fund Balance	20,407,937
Non-Spendable Fund Balance	169,805
Restricted Fund Balance	-
Committed Fund Balance	2,014,976
Assigned Fund Balance	9,499,397
Excess(Deficiency) of Revenues & Other Resources	978,340
Over(Under) Expenditures & Other Uses	-
TOTAL FUND EQUITY:	\$ 33,070,455
Fund Balance Appropriated Year-To-Date	522,290
TOTAL LIABILITIES, FUND EQUITY, AND FUND BALANCE APPROPRIATED TO DATE:	\$ 36,154,180

INTERIM FINANCIAL REPORT (unaudited)

GENERAL FUND

Statement of Revenues and Expenditures and changes in fund balance
as of August 31, 2020

Efficient Leverage Indicator		Efficient Leverage Indicator	
Unassigned Fund Balance Ratio		Debt to Income Ratio	
How much is available in reserves?		What is the ability of HCDE to cover its debt payments?	
Unassigned Fund Balance	\$ 20,407,937	Annual Principal and Interest Payments on Term Debt and Capital Leases	\$2,917,610
-----		G/F Revenue Less Facility Charges	\$51,213,946 – 4,829,039
Total Fund Balance	\$ 33,592,745		
Goal :	> 75%	Goal :	<25% of annual revenue
Benchmark:	50% to 75%	Benchmark :	25% to <49%
Danger:	<50%	Danger :	Over > 50%
61% FY20	49% FY19	6% FY20	7% FY19

HARRIS COUNTY DEPARTMENT OF EDUCATION
INTERIM FINANCIAL REPORTS (Unaudited)
GENERAL FUNDS 100-199 BUDGET SUMMARY REPORT
Fiscal year to date: August 31, 2020

Schedule 3

	BUDGET	YTD REVENUES	VARIANCE	FY 19-20 % BUDGET REALIZED	FY 18-19 % BUDGET REALIZED
REVENUES & OTHER RESOURCES					
Revenues					
Local Customer Fees/Charges	\$ 23,421,627	\$ 21,266,222	\$(2,155,405)	91%	94%
Local Property Tax Rev-Current	24,552,312	23,491,431	(1,060,881)	96%	98%
Local Property Tax Rev-Del. P&I	150,000	216,401	66,401	144%	114%
Local Investment Earnings	453,590	370,033	(83,557)	82%	224%
Local Grants Indirect Cost Rev	727	-	(727)	0%	0%
Local Grants	-	-	-	0%	0%
Local Miscellaneous Revenue	98,000	150,649	52,649	154%	114%
Total Local:	48,676,256	45,494,736	(3,181,520)	93%	97%
State FSP-Compensation	300,000	181,043	(118,957)	60%	76%
State TEA-State Health Insurance	-	367,573	367,573	0%	80%
State Indirect Cost	33,072	-	(33,072)	0%	0%
Total State:	333,072	548,616	215,544	165%	77%
Federal Grants Indirect Cost	1,748,308	1,670,970	(77,338)	96%	111%
Total Revenues:	50,757,636	47,714,322	(3,043,314)	94%	97%
Other Resources					
Insurance Recovery	-	-	-	0%	0%
Local HCTO Tax Collection Fees	-	-	-	0%	0%
State TRS Matching	2,750,000	-	(2,750,000)	0%	100%
Transfers In-Choice Partners	2,375,224	3,493,130	1,117,906	147%	279%
Total Other Resources:	5,125,224	3,493,130	(1,632,094)	68%	182%
Total Revenues & Other Resources:	55,882,860	51,213,946	(4,668,914)	92%	104%

Note: 61% fund balance is unassigned and low debt burden at 6%

INTERIM FINANCIAL REPORT (unaudited)

GENERAL FUND

Statement of Revenues and Expenditures and changes in fund balance as of August 31, 2020

Tax Revenue to Total Revenue Ratio

How Efficient is HCDE at leveraging local Taxes? (Current)

Current Tax Revenue \$ 23,491,431

Total Revenue \$ 92,162,801

Goal : <20% of revenue
Benchmark: 20% to 30%
Danger: Over > 30%

26% FY20

24% FY19

Indirect Cost to Tax Ratio

How much dependency on indirect cost from grants?

Indirect Cost General Fund \$ 1,670,970

Total General Fund Revenues \$51,207,452

Goal : > 5%
Benchmark: 2% to 5%
Danger: Under < 2%

3% FY20

3% FY19

HARRIS COUNTY DEPARTMENT OF EDUCATION

INTERIM FINANCIAL REPORTS (Unaudited)

GENERAL FUNDS 100-199 BUDGET SUMMARY REPORT

Fiscal year to date: August 31, 2020

	BUDGET	YTD EXPENDITURE	ENCUMBRANCES	VARIANCE	FY 19-20 % BUDGET USED	FY 18-19 % BUDGET USED
EXPENDITURES & OTHER USES						
Expenditures						
Special Schools & Services						
Academic and Behavior School East	4,388,333	3,759,464	17,111	611,758	86%	84%
Academic and Behavior School West	3,925,701	3,453,931	9,984	461,766	88%	91%
Fortis Academy	1,238,859	1,100,520	12,948	125,390	90%	88%
Highpoint East School	3,370,344	3,105,844	32,388	232,111	93%	90%
Special Schools Administration	922,552	738,716	-	183,836	80%	91%
Superintendent's Office	623,539	557,349	205	65,985	89%	90%
State TEA Employee Portion Health Ins	-	-	-	-	0%	82%
State TRS On Behalf Payments	2,750,000	-	-	2,750,000	0%	100%
Technology						
Chief Communications Officer	197,545	188,053	-	9,492	95%	97%
Technology Support Services	3,845,351	3,158,721	361,708	324,923	92%	91%
School Based Therapy Services	12,075,481	11,127,717	3,967	943,797	92%	92%
Total Expenditures:	53,962,275	44,462,840	1,067,971	8,431,464	84%	91%
Other Uses						
Transfers Out-Special Revenue Funds	550,787	550,787	-	-	100%	100%
Transfers Out-Head Start Fund 205	850,000	126,227	-	723,773	15%	19%
Transfers Out-Head Start Fund 289	250,000	250,000	-	-	100%	0%
Transfers Out-Debt Service	2,917,611	2,917,610	-	1	100%	100%
Transfers Out-Department Wide	3,796,869	1,573,912	-	2,222,957	41%	100%
Transfers Out-COVID-19	1,500,000	354,230	-	1,145,770	24%	0%
Total Other Uses:	9,865,267	5,772,766	-	4,092,501	59%	91%
Total Expenditures & Other Uses:	63,827,542	50,235,606	1,067,971	12,523,965	80%	91%
Excess/(Deficiency) Estimated Revenues						
Over/(Under) Expenditures:	(7,944,682)	978,340				
Beginning Fund Balance-September 1st:	32,614,360	32,614,360				
Estimated Fund Balance:	\$ 24,669,678	\$ 33,592,700				

Note: Strong tax revenues and indirect cost due to continuation of grants over \$36M.

INTERIM FINANCIAL REPORT (unaudited)

GENERAL FUND

Fee for Services Report as of August 31, 2020

Revenue Growth Indicator

How are revenues spread across All Funds?

Total Fee for Service Revenues (G/F) **\$21,266,222**

Total Revenues **\$92,162,801**

Goal : >30% of annual revenue
Benchmark: 10% to 29%
Danger: Under 10%

Fee for Service Revenue Growth Ratio

What is the market growth for fee on services?

Fee for Services Current Year Less Fee for Services Last Year (Not including Choice)

\$21,266,222 – 21,404,878

Fees for Service Last Year **\$21,404,878**

Goal : >3% + growth
Benchmark: 0% to 3%
Danger : Under < 0%

23% FY20

21% FY19

-0.6% FY20

4% FY19

HARRIS COUNTY DEPARTMENT OF EDUCATION

INTERIM FINANCIAL REPORTS (Unaudited)

REVENUES UPDATE - FY 2020 CUSTOMER FEES/CHARGES

Fiscal year to date: August 31, 2020

Schedule 14

	(a) BUDGET	(b) YTD ACTUAL	% REALIZED (b)/(a)
REVENUES-CUSTOMER FEES & CHARGES			
Educator Certification & Advancement	391,810	107,987	28%
Business Support Services	225,000	231,973	103%
Center for Safe & Secure Schools	572,750	270,942	47%
Ctr A/S Summ & Exp Learn	86,700	83,560	96%
Department-Wide	69,000	-	0%
Facilities			
Records Management Services	1,826,425	1,802,883	99%
The Teaching and Learning Center			
Bilingual Education	85,000	34,955	41%
Digital Education and Innovation	483,919	436,676	90%
Early Childhood Winter Conference	100,000	89,755	90%
English Language Arts	155,000	111,032	72%
Math	186,150	66,435	36%
Professional Development	-	11,382	N/A
Science	91,000	11,255	12%
Social Studies	47,900	2,300	5%
Speaker Series	143,970	30,790	21%
Special Education	69,000	18,988	28%
Research & Evaluation Institute	106,688	79,500	75%
Texas Center for Grants Development	1,000	1,515	152%
Scholastic Arts	10,000	19,287	193%
Special Schools & Services			
Academic and Behavior School East	3,469,001	3,715,695	107%
Academic and Behavior School West	3,193,600	3,123,328	98%
Fortis Academy	196,250	275,000	140%
Highpoint East School	2,094,473	2,162,008	103%
Technology			
Technology Support Services	18,203	-	0%
School Based Therapy Services	9,798,788	8,578,977	88%
Total Revenues-Customer Fees & Charges:	\$ 23,421,627	\$ 21,266,222	91%

Note: FY 20 had a .6% Reduction in revenues, but we also saw a reduction in expenditures to compensate; thus the end-result will be a positive increase in fund balance. HCDE adapted to a changing environment.

INTERIM FINANCIAL REPORT (unaudited)

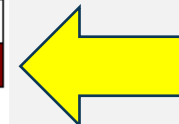
ASST. SUPERINTENDENT FOR BUSINESS SERVICES' MESSAGE

As of August 31, 2020

In an effort to provide adequate cash flow for HCDE operations, the Department shall maintain an unassigned fund balance equal to a minimum of two months of operations costs.

The **ESTIMATED** General Fund balance at 08/31/2020 is \$32,092,070 after current appropriations.

Description	Audited (Per CAFR) 9/1/2019	Appropriated YTD	Estimated Balance at Month End	Estimated Balance at Month End
Non-Spendable	\$ 169,805	\$ -	\$ 169,805	\$ 169,805
Restricted	-	-	-	-
Committed	2,014,976	-	2,014,976	2,014,976
Assigned	9,499,397	-	9,499,397	9,499,397
Unassigned	20,930,182	522,290	20,407,892	20,407,892
Total Fund Balance	\$ 32,614,360	\$ 522,290	\$32,092,070	\$ 32,092,070



Excess (Deficiency) of CURRENT Revenues and Other Resources (From 9/1/2019 to Date) \$ 978,340

This Excess represents the cash flow received YTD resulting from the Difference in INFLOWS and OUTFLOWS

Fund Equity - Per Estimated Balance Sheet as of the end of the Month to Date \$ 33,070,455



Harris County Department of Education

FY 20-21

Adopted Budget



	Governmental				Proprietary		Total
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Internal Service Fund	Enterprise Fund	
Estimated Revenues	\$ 57,484,758	\$ 36,444,267	\$ 6,169,043	\$ 50,946,770	\$ 6,128,990	\$ 5,228,380	\$ 162,402,208
Appropriations	55,214,929	36,444,267	6,169,043	50,946,770	6,128,990	2,801,140	157,705,139
Transfers Out	13,858,593	-	-	-	-	2,927,240	16,785,833
Total Appropriations and Other Uses	69,073,522	36,444,267	6,169,043	50,946,770	6,128,990	5,728,380	174,490,972
Appropriations from Fund Balance:	(11,588,764)	-	-	-	-	(500,000)	(12,088,764)
Projected Fund Balance Beg.	27,163,427	-	-	2,472,835	1,461,822	1,000,000	32,098,084
Projected Fund Balance End.	\$ 15,574,663	\$ -	\$ -	\$ 2,472,835	\$ 1,461,822	\$ 500,000	\$ 20,009,320

Grants

Other Governmental Uses

Transfers Out-

Fund 288-CASE (Local Match for HGAC Funds)	\$	550,787
Fund 205-Head Start (Incl. New \$13.5 Plan)		750,000
Fund 400 -Star Reimagined		648,764
Fund 599-Debt Service-Current PFC Bonds		2,919,042
Fund 599-Debt Service-NEW BONDS		3,250,000
Fund 697-Capital Projects		5,740,000

Total Other Uses: **\$ 13,858,593**

Budgeting Assumptions

\$511 Billion in Values - Had projected a 3% growth – HCDE had 6% increase in property values

1% to 3% growth in contracts and other revenues

PROJECTIONS AS OF AUGUST 2020

Beginning Fund Balance		32,614,360		32,614,360		32,614,360	
GENERAL FUND - Projections -		WORST CASE SCENARIO	AS OF 8/31/2020	MOST LIKELY PROJECTED 8/31/2020	BEST CASE SCENARIO		
Revenues		51,213,946	51,213,946	51,213,946	51,213,946	Projected Collections	
	Budget	YTD				Accruals and adjustment pending	
Taxes	24,300,312	23,491,431					
Records	1,826,425	1,802,883					
AB East	3,469,001	3,715,695					
AB West	3,193,600	3,123,328					
Therapy	10,033,388	8,578,977					
Choice	2,375,224	3,495,130					
Total Revenues					51,213,946	51,213,946	
Budget is = \$55,882,860							
Expenditures		40,596,930	44,287,560	52,755,958	44,462,840	44,462,840	
Transfers		6,068,398	6,068,398	6,068,398	6,068,398	6,068,398	
Total Expenditures			50,355,958		50,531,238	50,531,238	
Budget = \$63,583,267			(1,100,000)	Encumbrances		(1,100,000)	
Encumbrance			(1,300,000)				
Other YE Adjustment			(1,542,012)				
Excess					(417,292)	682,708	
Projected Ending Fund Balance			52,755,958			33,297,068	
			31,072,348		32,197,068	33,297,068	

\$1,500,000 set as reserve for Covid19

Total Spent YTD for COVID 19 from all sources **\$1,003,024** in **FY 19-20 (Incl. encumbrances)**

- General Fund Spent \$452,427 sneeze guards, PPE, signs, masks, and (80) laptops
- Adult Ed Grant Spent \$208,847 (130) laptops and accessories **(Additional needs are available from grant)**
- Head Start Spent \$341,750 (Because We care Packages) for head start families & (50) Laptops
- CASE Grant Spent \$250,000 from Head Start used as match to leverage federal funds **(Additional needs are available from grant)**
- Head Start received award for \$1,091,000 + \$87,000 in Early Head Start (\$341,750 spent), Remaining **\$836,250** as contingency for Head Start Grant.

In FY 20-21, General Fund has committed **\$115,321** for (100) laptops for special schools and PPE. We will set aside the remaining **\$932,252** as contingency.

26. REMARKS (Continued from previous page)

This grant action awards one-time funds under Common Accounting Number 0900 to prevent, prepare for and respond to coronavirus disease 2019 (COVID-19). COVID-19 funds can be used for costs incurred from January 20, 2020 in response to the public health emergency.

What is included in the budget?

FY 2020-2021



REVENUES:

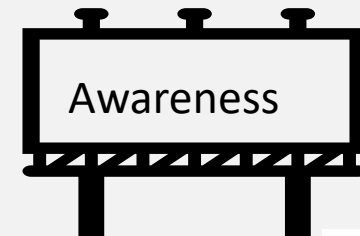
- Increase in contract revenues
- Increase in tax revenues – values adjustment
- Additional grants
- COVID-19 Grant

EXPENDITURES

- Increase in \$13.50 minimum salary
- 4% for teachers
- 2% for administration
- Equity for teachers
- Health Benefits match due to TRS increase

EXPENDITURES

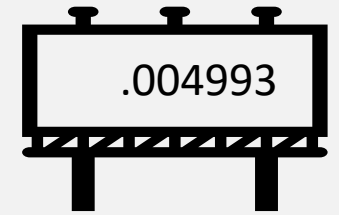
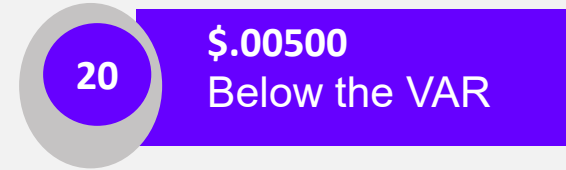
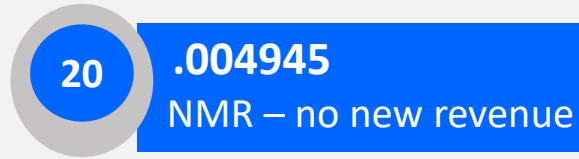
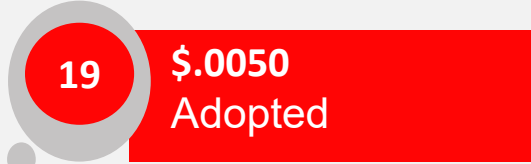
- Awareness campaign \$1,000,000
- 6.17 new positions
- Star Reimagined
- Capital Improvement Plan
- Debt Service Debt Repayment



Property Tax Rate \$.01 Maximum

Utilizing only half of authority.. Potential use to cover expenses and payments in excess of \$25M as needed

New rate language



Variables that will impact the final rate:

1. HCDE is a Special Unit (limit of 8% cap above VAR instead of 3.5%)
2. Values – \$511 Billion
3. Collection Rate – currently at 98% - Projected at 98%

HCDE Business Model

HCDE has a unique business model designed to maximize and leverage resources to deliver high quality services to school districts, education agencies and local governments.

23% Taxes



23% of the operating budget at **\$25.M**

HCDE taxes **.0050 cents** to over **\$511 Billion** in property values in Harris County

98.27% collection rate

33% Grants

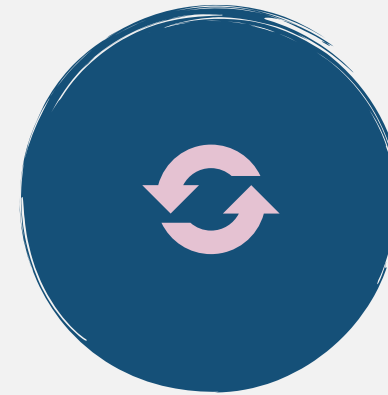


Grants are used as leverage to attract a 5.51 to 1 ratio of economic activity.

Grants include HHS Head Start, CASE After-School, and Adult Ed.

\$36.4 M in grants

26% Fees for Services



\$28.8 M

Includes Choice Partners \$5.8M of all revenues

HCDE's Market Captured

Amount of Fees For Service Contracts FY 20-21 (9-15-20)



**\$10.2 in
School
Based
Therapy**

Billing based on face to face or distance (zoom) service delivery – based on Interlocal contract

School Based Therapy Services			
Contract	Dollar Amount		
Cypress-Fairbanks ISD	\$2,823,598.00		
Katy ISD	\$2,484,246.00		
Houston ISD (IDEA)	\$2,375,575.00		
Spring ISD	\$999,658.00		
Spring Branch ISD	\$401,144.50	\$9,084,221.50	93.0%
Barbers Hill ISD (Out of Co.) Amended	\$88,844.00	\$499,980.50	5%
Spring ISD Compensatory Service Contract	\$84,922.00		
Dayton ISD	\$72,782.00		
Pearland ISD	\$53,502.00		
Angleton ISD (Out of Co.)	\$42,560.00		
Kipp Texas Public Schools-Houston	\$39,320.00		
Tomball ISD	\$36,150.00		
Deer Park ISD	\$35,668.00		
Greater Gulf Coast Cooperative (Out of Co.) Amended	\$23,940.00		
Academic & Behavior Center to Academic and Behavior School East	\$22,292.50		
Hempstead ISD (Out of Co.)	\$19,152.00	\$187,075.50	2%
Humble ISD	\$18,316.00		
Pasadena ISD	\$17,834.00		
Stafford MSD	\$16,870.00		
Columbia-Brazoria (Out of Co.)	\$15,960.00		
Yes Prep Public Schools	\$14,460.00		
Brazos ISD (Out of Co.)	\$13,920.00		
Royal ISD	\$12,768.00		
Academic & Behavior Center to Academic and Behavior School West	\$11,568.00		
Avondale House	\$10,622.00		
Anahuac ISD Amended (Out of Co.)	\$7,980.00		
Sweeny ISD (Out of Co.)	\$7,980.00		
Sam Houston State University Charter	\$7,304.00		
Varnett Charter Schools	\$5,181.50		
Houston ISD (504)	\$4,750.00		
Galena Park ISD	\$2,410.00		
Total	\$9,771,277.50		
*Amended Contract Expected for HISD	\$442,550		
Total with addition to HISD Contract	\$10,213,827.50		

HCDE's Market Captured

Amount of Fees For Service Contracts FY 20-21

as of 9/15/2020



**\$7.6 in
Special
Schools**

AB East	163c	\$3,472,295
AB West	114c	\$2,485,386
HP East	151c	\$1,522,474
Fortis Academy	30c	\$187,500

Guaranteed billing twice a year –
based on Interlocal contract

Billing based on face to face or
distance (zoom) service delivery –
based on Interlocal contract

c = Contracts

HCDE's Market Captured

Amount of Fees For Service Contracts FY 20-21



Total contracts for bond coverage **\$17,881,482 /**

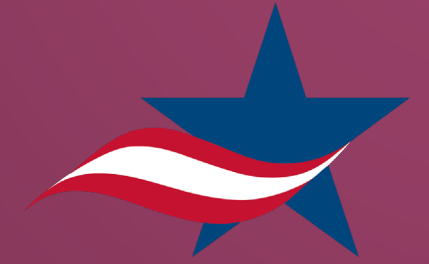
Annual Projected Debt Service

\$3,100,000

= 5.77 X

Closing Comments

- Positive Business Model
- Reduction in tax rate to .004993 or less than half of authority
- Expanding Contracts for Special Schools and Therapy Services
- Guaranteed contracts and proven delivery methods during COVID-19
- Expanding Choice Partners Projects \$5.8m
- Agile to adjust expenditures as needed



Summary

Jesus J. Amezcua, PhD, CPA, RTSBA

713-696-1371

jamezcua@hcde-texas.org

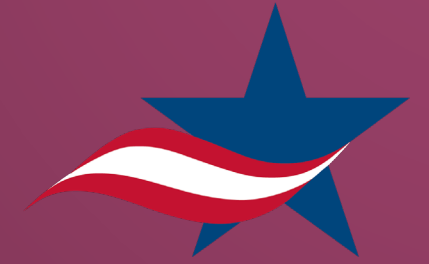
www.hcde-texas.org



Closing Comments



- COVID-19 grants awarded from Health and Human Services
- Reinvesting in infrastructure to provide state of the art facilities
- 5x bond coverage
- Strong Fund Balance
- Strong Property Value Expansion - \$511B in 2020
- Strong Fund Balance Policies 20-25% target
- \$5.51 to \$1 economic impact to ISDs
- Strong Governance and Administration
- Award-winning Business Office and No Letter to Management Comments



Summary

Jesus J. Amezcua, PhD, CPA, RTSBA

713-696-1371

jamezcua@hcde-texas.org

www.hcde-texas.org

