

EUGENE PUBLIC SCHOOLS
School District No. 4J, Lane County
December 10, 2007

MEMORANDUM

To: Budget Committee Members

From: George Russell
Superintendent

Re: December 10, 2007 Budget Committee Meeting

This memo is intended to give you an overview of the meeting and describe the materials in your packet.

I. Introduction of New Members

II. Roll Call

III. Election of Officers

It is my recommendation that the Budget Committee elect a chair and vice-chair for the year.

IV. Items Raised by the Audience

Public testimony is welcomed at budget committee meetings and time is set aside at each meeting to hear comments from the audience.

V. Items for Information and Discussion

A. Review Enrollment Projections

A copy of district enrollment projections is included in your packet. Staff will review the projections.

B. Update on School Improvement Fund Grant Process

The district's School Improvement Fund grant application was submitted in October and is included in your packet. Staff will discuss the application and the grant process.

C. Update on Shaping 4J's Future

The district's strategic planning process is nearing completion of Phase III, Assess Community Preferences for Future Possibilities, which culminates in a report to the Board on December 19, 2007. Staff will provide a brief update on activities and future timeline.

D. Review Budget Committee Priorities from 2007-08 Budget Process

Included in your packet is the summary of Budget Committee priorities identified at the January 19, 2007 Budget Committee meeting. Staff will review the highest priorities with the committee.

VI. Items for Action at This Meeting

A. Approve Minutes from the April 30 and May 7, 2007 Budget Committee Meetings

The Superintendent recommends approval of minutes.

B. Review Draft of District Financial Forecast and Provide Direction for Balancing the 2008-09 Budget

This financial forecast has been prepared in response to the district's adopted management goal of maintaining long-term financial stability and its adopted policies related to preparation of an annual five-year forecast. The forecast establishes key assumptions underlying the projections and identifies variables that may cause the projections to change. Its purpose is to provide the fullest picture of the district's financial future so that decision-making today can support high quality and innovative educational programs tomorrow. The draft forecast serves as a basis for the Superintendent's recommendation on parameters for balancing the coming year's budget.

General Fund Forecast

Strong state income tax revenue and local property tax collections significantly improved the prospects for education funding in Oregon. For District 4J, the effects of a strong economy allowed the district to absorb the loss of funding from the City of Eugene local option levy in 2007-08 and produced reserves above board target allowing for one-time investments to improve district schools and assist in reducing the achievement gap. Revenue growth is expected to slow throughout the forecast period due to the softening economy. Operating losses are projected mainly due to declining enrollment and higher than previously projected salary and benefit costs.

This forecast bases State School Fund per pupil revenue on the November 2007 estimate from the Oregon Department of Education (ODE), for funding in the 2007-09 biennium. In the 2009-11 biennium, a 3% increase in State School Fund is projected. Throughout the forecast period local option revenue is expected to grow more slowly than in prior years.

On the expenditure side, the forecast assumes the current service level less expenditures that were only funded through 2007-08. A list of the expenditures removed is included in your packet. The annual savings from issuance of pension bonds in 2003-04 is included as an ongoing resource.

Projected operating performance is presented below. As the chart shows, operating deficits are projected to be covered almost entirely by reserves in the first three years of the forecast. If revenue and expenditure assumptions hold, reserves will be at the board target of 5% in 2009-10 and services will need to be reduced by approximately \$800,000.

Annual Operating Surplus (Deficit)				
2008-09	2009-10	2010-11	2011-12	2012-13
(\$2,555)	(\$4,761)	(\$3,149)	(\$3,552)	(\$3,973)
Reductions Required, Assuming Use of Reserves:				
\$0	\$0	\$792	\$2,742	\$436

In April 2007, the district presented an update to the December 2006 forecast. At that time, small operating deficits were projected for most years in the forecast period; however, employee agreements had not been finalized. Negotiated agreements were higher than projected and included over \$2.1 million in costs for additional teacher and classified days. Costs were partially offset by transfers from the insurance reserve fund which is not considered operating revenue.

Capital Forecast

The capital forecast reflects the spend down of the \$116 million bond measure approved by district voters in May 2002 and potential revenue from a second bond election in 2009, as part of the district's Long-range Facilities Plan.

The outcome of *Shaping 4J's Future* planning process will shape the vision of the facilities required to support the district's instructional mission. The current schedule calls for board action on the strategic plan in the spring of 2008. This plan, along with a facilities condition report, will serve as a blueprint for determining the nature of the projects to be included in the second bond. The information will also determine the timing for that bond.

Superintendent's Recommendation for 2008-09 Budget

I recommend that the Budget Committee direct the Superintendent to propose a balanced budget for 2008-09 that:

- Is guided by the district's mission, values, board goals, and budget committee priorities,
- Uses excess reserves for strategies to increase achievement for all students,
- Sets aside funding to implement *Shaping 4J's Future* recommendations, and
- Retains sufficient reserves to meet cash flow needs, retain the district's bond rating and achieve board targets for contingency and reserves.

C. Set Date for Next Budget Committee Meeting

I recommend that the Budget Committee reserve a date to discuss renewal of the local option levy and *Shaping 4J's Future* recommendations. Possible dates are February 25 and March 10, 2008.

I also recommend that the Budget Committee meet on Monday, April 28, 2008 to receive the budget message and proposed 2008-09 budget. If additional meetings are necessary to review the budget, I would recommend reserving May 5 and 12, 2008 as possible meeting dates.

VII. Items Raised by Members of the Budget Committee

Budget Committee members will have an opportunity to raise issues that are not included on the agenda.

VIII. Adjournment