

EUGENE PUBLIC SCHOOLS  
School District No. 4J, Lane County  
January 7, 2010

MEMORANDUM

To: Budget Committee Members

From: George Russell  
Superintendent

Re: January 11, 2010 Budget Committee Meeting

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

**I. Roll Call**

**II. 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.

**III. Items for Information and Discussion**

**A. Review Enrollment Projections**

District enrollment projections will be provided at the meeting. Instruction staff will review the projections.

**B. Review 2009-10 Financial Summary**

Included in your packet is the 2009-10 financial summary. Finance staff will review the information.

**C. Review Proposed Public Input Process**

Barb Bellamy, Chief of Staff, will share a proposed public input process and timeline with the committee. The proposed process and timeline are included in your packet.

**D. Respond to Budget Committee Member Information Requests**

At the November 16, 2009 Budget Committee meeting, budget committee members were given the opportunity to request information they might need to make informed decisions during the budget process. Staff will provide responses to several requests.

**IV. Items for Action at This Meeting**

**A. Review Draft of District Financial Forecast and Provide Direction for Balancing the 2010-11 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 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

The nationwide economic upheaval over the last several months continues to cast a shadow of uncertainty on the district's revenue outlook. While most economists agree that in technical terms the Great Recession has ended, it will be several years before the economy recovers to pre-recession levels. One of the last economic indicators to typically recover is employment, and both the state and the nation continue to struggle with high unemployment rates. The State School Fund (SSF) which relies heavily on income tax revenue provides approximately 87% (\$123 million) of the district's general fund revenues. The SSF is also reliant on property tax revenues which have faltered due to declining real market values and foreclosures. For three fiscal years starting in 2008-09, state fiscal stabilization funds provided as part of the American Recovery and Reinvestment Act have been used to boost SSF revenues. The district's local option levy is based on real market values exceeding assessed market values and provides approximately 9.5% (\$13.5 million) of general fund revenues.

Due to the economic uncertainty, financial services staff has prepared three forecasts - a base forecast using state funding at the legislatively adopted 2009-11 K-12 funding level, a forecast that excludes revenue from Measures 66 and 67, and a forecast that excludes the release of \$200 million in state reserves for K-12 funding in addition to revenue from Measures 66 and 67. On the expenditure side, all forecasts assume the current service level less expenditures that were only funded through 2009-10. A list of the expenditures removed is included in your packet. The forecasts also include an increase in PERS rates in both the 2011-13 and 2013-15 biennia when the composite PERS rate is expected to rise by seven percentage points and three percentage points, respectively. Rates for the 2011-13 biennium will be set based on the December 2009 PERS fund valuation. The forecast includes reserving a portion of the savings generated from the 2009-11 PERS rate decrease to offset anticipated rate increases in the 2011-13 biennium.

Projected operating performance is presented below. As the chart shows, operating deficits are projected in every year.

**Annual Deficit—General Fund**  
If Corrective Action Taken

<i>(Millions of \$)</i>	<b>10-11</b>	<b>11-12</b>	<b>12-13</b>	<b>13-14</b>	<b>14-15</b>
<b>Base Forecast</b>	<b>(2,278)</b>	<b>(11,738)</b>	<b>(1,795)</b>	<b>(4,876)</b>	<b>(572)</b>
Excluding Measures 66 and 67	(10,033)	(9,762)	(1,717)	(4,985)	(675)
Excluding Measures 66, 67 and state reserves	(15,443)	(7,387)	(1,614)	(5,040)	(727)

Capital Forecast

Financial and Facilities staff will update the capital forecast and share the information at a future budget committee meeting.

Superintendent's Recommendation for 2010-11 Budget

I recommend that the Budget Committee direct the Superintendent to propose a balanced budget for 2010-11 that:

- Is guided by the district's mission, core values, board goals and key results,

- Retains sufficient reserves to meet cash flow needs, maintain the district's bond rating and achieve board targets for contingency and reserves,
- Sets aside funding to offset anticipated future PERS rate increases,
- Takes into consideration stakeholder feedback,
- Positions the district to implement sustainable budgeting practices, and
- Addresses the shortfall by making service or cost reductions, using the following criteria:
  - Focus on the instructional core, keeping board goals and key results at the forefront of decisions;
  - Retain sufficient funds to manage the required human resource, financial, information technology, leadership and facility maintenance activities of the district;
  - Minimizes layoffs to the extent possible;
  - Be mindful of the long-term, avoiding short-term solutions that may have harmful long-term consequences.

**B. Set Date for Next Budget Committee Meeting**

I recommend that the Budget Committee set the next meeting for Monday, February 8, 2010 to discuss the impact of the January 26<sup>th</sup> election and budget reduction strategies. I also request that the Budget Committee reserve February 22, 2010 for continued discussions on budget reduction strategies, if necessary, and March 8 and 15, 2010 to discuss the responses from the public input process and the state's March forecast.

I propose that Monday, May 10, 2010 be set to receive the budget message and proposed 2010-11 budget. In case additional meetings are necessary to review the budget, I would recommend reserving May 17, 2010.

**V. 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**

**GENERAL FUND**  
**2009-10 Financial Summary**  
**January 2010**

	2009-10 Adopted Budget	2009-10 Projected	Over/(Under) Budget	Comments
(in thousands of dollars)				
<b>BEGINNING FUND BALANCE:</b>	\$13,836	\$13,991	\$155	(1)
<b>PLUS REVENUES:</b>				
State School Funding				
Current Year Taxes	\$50,458	\$54,013	\$3,555	(2)
Prior Year Taxes	1,105	\$1,087	(18)	(3)
State Support	62,353	\$59,876	(2,477)	(4)
State Fiscal Stabilization Fund		\$4,562	4,562	(4)
Other Revenues	<u>2,854</u>	<u>\$3,628</u>	<u>774</u>	(5)
SSF Sub-total	\$116,770	\$123,166	\$6,396	
Current Year Local Option Taxes	12,796	13,321	525	(2)
Prior Year Local Option Taxes	278	278	0	(3)
Interfund Transfers	969	969	0	(6)
Other Sources	<u>3,982</u>	<u>3,618</u>	<u>(364)</u>	(7)
<b>Total Revenues</b>	\$134,795	\$141,351	\$6,556	
<b>TOTAL RESOURCES</b>	\$148,631	\$155,342	\$6,711	
<b>LESS EXPENDITURES:</b>				
Salaries	\$78,482	\$79,750	1,268	(8)
Employee Benefits	44,406	\$43,236	(1,170)	(8)(9)
Services & Supplies	18,790	\$17,640	(1,150)	(10)
Capital Outlay	57	57	(0)	(10)
Other Expenditures	767	761	(6)	(10)
Transfers	1,318	2,318	1,000	(8)
Contingency	2,138	1,000	(1,138)	(8)
<b>Total Expenditures</b>	\$145,958	\$144,762	(\$1,196)	(10)
<b>ENDING FUND BALANCE:</b>	\$2,673	\$10,580	\$7,907	
Underspending	2,779			
<b>Projected Ending Fund Balance</b>	\$5,452	\$10,580	\$5,128	(8)
% Operating Revenues	4.0%	7.5%		(11)
<i>Projected Ending Fund Balance - Adopted 2009-10 Budget</i>		\$5,452		
<i>Over/(Under) Projected Ending Fund Balance</i>		\$5,128		

**NOTES AND ASSUMPTIONS:**

- (1) Reflects audited 2008-09 yearend results (Beginning Working Capital).
- (2) Assumes collection rate of 94.1%, the same as in 2008-09. Assessed value rose 4.3%, higher than 3.0% projected in budget. Includes \$2,535,000 in additional taxes and penalties, mostly from Hynix.
- (3) Assumes 25% collection of prior year taxes, lower than in previous years.
- (4) Based on \$6.0 billion state budget for K-12 education for 2009-11, or \$5,999 per ADMw as of July 2009 estimate. District budget assumed \$5.6 billion in state funding. Includes negative adjustment of \$200,000 from higher than projected tax receipts in 2008-09. State Fiscal Stabilization Funds represent \$231 per ADMw, or \$4.5 million.
- (5) Represents revenue from the County School Fund, Common School Fund and Federal Forest Fees. Federal Forest Fees are estimated at 90% of actual receipts in 2008-09. Includes higher than budgeted release of Common School Funds as estimated by the ODE.
- (6) Represents transfers of \$500,000 from the Capital Projects Fund, \$468,000 from employee group insurance reserves, and \$1,000 as a Retirement Fund placeholder.
- (7) Includes interest earnings, ESD resolution funding, rental income, reimbursements, tuition and fees. Interest earnings are projected to drop \$450,000 below budget.
- (8) When the budget was adopted, the board directed that state funding in excess of \$5.6 billion be used to restore contingency to 2% (\$700,000), reinstate \$1 million PERS reserve transfer, minimize layoffs and scheduling issues for teachers (up to \$500,000), and apply any remaining funds to reserves (\$3.4 million).
- (9) PERS debt service costs reduced by \$1 million from use of reserve in Debt Service Fund.
- (10) Reflects projected actual expenditures.
- (11) Targeted ending fund balance is 5% of operating revenues. 5% = \$7,068

**2010-11 Budget Process – Public Input Process**  
**Draft Revision - Jan. 8, 2010**

**Question:**

*When and how should the Budget Committee consult with stakeholders before providing direction on budget priorities and budget reduction strategies for 2009-10?*

**Objectives:**

- Increase understanding of the district's financial situation and the range of budget-balancing strategies that are available to the district.
- Hear perspectives from across our schools and community that will inform Budget Committee deliberations on the 2010-11 budget recommendation and have implications for the 2011-13 budgets.

**Staff recommendation:**

- 1) Conduct the budget input process in February and early March 2010, when our budget reduction target for 2010-11 will be known.
- 2) Utilize both a web survey and stakeholder forums to gather input on specific budget-balancing options.

**Web survey: February 9-16 (1 week – Tuesday-Tuesday)**

- Conduct web surveys to gain input from staff and community.
- Encourage greater participation among high school students.

**Stakeholder Forums: February 22-March 4 (2 weeks)**

- **Schedule 4 regional forums for invited site council representatives**  
Invite each school in the region to send 2 site council representatives. This allows participants as well as Budget Committee members to hear from all schools.

**Purpose of forums:**

Provide an opportunity to present information about the district's financial situation, share the web survey results, have dialogue, and test some possible scenarios that align with the survey results.

- **Schedule 2-3 additional forums or conversations with other community stakeholder groups**, such as a breakfast with business community members and a breakfast with some of our key communicators.
- **Seek similar input from existing district groups** such as the superintendent's high school student advisory panel and the Equity Committee.
- Assign two or more Budget Committee members to attend each forum to hear the conversation among participants.

## Budget Input Process Time line

January 8, 2010

- |                            |  |
|----------------------------|--|
| M January 11               | Budget Committee Meeting<br>Check in on process<br><i>Questions:</i><br>If the tax measures pass, do we still conduct the process?<br>If so do we adjust the budget-balancing options that are presented?<br><br><i>Follow-up:</i><br>Communication with principals regarding the public input plan<br>Develop a tentative schedule for stakeholder forums and conversations |
| T January 26               | Election   |
| M February 8               | Budget Committee Meeting<br>Final direction to proceed with web survey & workshops   |
| T-T February 9-16          | <b>Web Survey</b>  |
| February 19                | Email survey results to Budget Committee with February 22 agenda packet  |
| February 22                | Budget Committee Meeting<br>Discuss web survey results and plan for stakeholder forums & and conversations   |
| <b>February 26-March 5</b> | <b>Regional forums &amp; other conversations with stakeholders</b>   |
| March 8 ?                  | Budget Committee Meeting (instead of March 15)   |