

EUGENE PUBLIC SCHOOLS
School District No. 4J, Lane County
January 20, 2011

MEMORANDUM

To: Budget Committee Members

From: George Russell
Superintendent

Re: January 24, 2011 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 are included in the packet. Instruction staff will review the projections.

IV. Items for Action at This Meeting

A. Review Draft of District General Fund Financial Forecast

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.

Extreme revenue insecurity combined with the sunset of federal stimulus money and employee agreements that expire at the end of the current fiscal year once again require that different forecast scenarios be developed so that the budget committee is provided information regarding potential fluctuations in the district's financial position. The nation and the state continue their struggle to emerge from the Great Recession. While certain sectors have shown modest signs of improvement, Oregon's recovery has been hampered by persistently high unemployment rates due to its strong reliance on income tax revenue which is one of the last economic indicators to recover. The State School Fund (SSF) relies heavily on those revenues and determines approximately 89% (\$120 million) of the district's current general fund revenues. The SSF is also dependent on property tax revenues which have faltered due to declining real market values. For the last three fiscal years, funds provided as part of the American Recovery and Reinvestment Act and Education Jobs bill 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 8.6% (\$11.6 million) of general fund revenues. Falling real market values have caused this revenue stream to decline significantly.

Earlier this month, a draft of Governor Kitzhaber's proposed budget was released which included a preliminary budget target for K-12 funding of \$5.3574 billion. This amount represents the 2009-11 Legislatively Approved General Fund and Lottery Fund budgets for the SSF after allotment cuts, but is almost \$400 million below the current funding level which includes federal stimulus funds. Based on the December 2010 state revenue forecast, the state's General Fund and Lottery Fund are expected to grow \$1.2 billion in the 2011-13 biennium. This growth is based on the assumption that personal income taxes will increase 15.4%. The governor is proposing to use any revenue growth as a reinvestment fund to transform state service delivery, but not prop up current programs. He is recommending that a council be appointed to review state agency investment opportunity requests. While it is probable that K-12 education will receive a portion of the reinvestment funds, the funds will likely be allocated late in the budget process after income tax revenue information is available and be distributed for targeted purposes. The amount that might be provided to support general fund expenditures is unknown.

Due to the uncertainty, financial services staff has prepared three general fund forecasts with different revenue assumptions - a base forecast using state funding at the Governor's proposed budget target plus \$150 million of the reinvestment fund being available to support current expenditures, a forecast that does not include any general fund reinvestment funds, and a forecast that assumes 40% of the reinvestment funds will be available for general fund expenditures. On the expenditure side, all forecasts assume the current service level restoring the furlough days which employee groups agreed to for 2010-11 only. In the absence of employee contracts, salary and benefits are assumed to increase based on the consumer price index as stated in the State December 2010 forecast, or 1.6% in 2011-12. The forecasts also include a 6.3 percentage point increase in PERS rates in the 2011-13 biennium and a 3 percentage point increase in the 2013-15 biennium. The forecasts assume exhausting the \$2.5 million PERS reserve fund by using half in each year of the 2011-13 biennium. Fund balance is assumed to be 5% of operating revenues, which is board policy.

Projected annual deficits are presented below. As the chart shows, if the 2011-12 budget is developed using sustainable budget reductions, the remaining forecast period is projected to be reasonably stable. The use of one-time resources or reductions to balance the 2011-12 budget will result in deficits in future years.

Annual Deficit—General Fund
If Corrective Action Taken

<i>(Millions of \$)</i>	11-12	12-13	13-14	14-15
Base Forecast	(26,053)	1,530	(2,723)	760
Governor's budget target	(28,063)	1,350	(2,764)	709
Including 40% of reinvestment fund for current general fund expenditures	(21,969)	1,896	(2,631)	839

Included in the packet is a summary of the forecast. Staff will review the forecast and related assumptions at the meeting.

Superintendent's Recommendation for 2011-12 Budget

As a result of last year's forecast which projected a significant deficit for 2011-12 and the board's goal to achieve a sustainable budget, over the last several months students, community members and staff have engaged in discussions regarding the district's financial outlook and options for achieving a sustainable budget. Community and district thought leader groups were convened, several public input sessions occurred, and the board and budget committee held work sessions to discuss budget reduction strategies that will guide the district toward a sustainable budget. The input received has been invaluable. As the district embarks on building the 2011-12 budget, I am requesting that the budget committee again directs me to propose a budget that:

- Is guided by the district's mission, core values, board goals and key results,
- Retains sufficient reserves to meet cash flow needs and maintain the district's bond rating,
- 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:
 - Focuses on the instructional core, keeping board goals and key results at the forefront of decisions;
 - Retains 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;
 - Is mindful of the long-term, avoiding short-term solutions that may have harmful long-term consequences.

B. Provide Feedback on Superintendent's Sustainable Budget Final Recommendations

On January 12, 2010, I presented my final sustainable budget recommendations to the Board, and a public input session was held January 19th. Due to the uncertainty surrounding the district's 2011-12 revenue outlook, the final recommendations include two strategies – one that assumes a \$22 million shortfall for 2011-12 and an alternate strategy that assumes a \$26 million shortfall. The Board will take action regarding the recommendations on February 2nd. While the recommendations are specifically intended for use in creating a long-term sustainable budget, they will be strongly considered as the district begins preparing the 2011-12 budget. As the budget is developed, it will be important to determine priorities for further reductions or additions given the district's revenue uncertainty. Your discussion and feedback on the sustainable budget strategies and budget priorities will guide me as I work with staff to prepare a proposed budget for your consideration. Included in the packet are the superintendent's final recommendations.

C. Set Date for Next Budget Committee Meeting

I recommend that the Budget Committee set the next meeting for Monday, May 9, 2011 to receive the budget message and proposed 2011-12 budget. In case additional meetings are necessary to review the budget, I would recommend reserving May 16, 2011. Should the district's revenue outlook change significantly, an additional meeting in March or April might be helpful. If necessary, staff will poll committee members regarding an additional meeting date.

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

ENROLLMENT PROJECTIONS

2011-2012

JANUARY 18, 2011

**Presented to the Budget Committee
January 19, 2010**

**Instruction Department
Eugene School District 4J
200 N. Monroe
Eugene, OR 97402**

PROJECTED ENROLLMENT FOR 2011-2012

GRADE	ACTUAL ENROLLMENT 10/01/10		PROJECTED ENROLLMENT 2011-2012	
K	1,123	(561.5 FTE*)	1,138	(569 FTE*)
1	1,179		1,197	
2	1,205		1,166	
3	1,189		1,218	
4	1,255		1,192	
5	1,265		1,253	
K-5 SUBTOTAL	7,216	(6,654.5 FTE)	7,164	(6,595 FTE*)
6	1,292		1,276	
7	1,216		1,294	
8	1,233		1,214	
6-8 SUBTOTAL	3,741		3,784	
9	1,356		1,332	
10	1,365		1,319	
11	1,276		1,359	
12	1,550		1,494	
9-12 SUBTOTAL	5,547		5,504	
K-12 SUBTOTAL	16,504	(15,942.5 FTE)	16,452	(15,883 FTE*)
POST-GRADS	26	26	27	27
GRAND TOTAL	16,530	(15,968.5 FTE)	16,479	(15,910 FTE*)

*FTE means Full Time Equivalent

Long Term Forecast

FIVE YEAR ENROLLMENT PROJECTIONS

LEVEL	10/01/10	2011-2012	(K=1)		2014-2015	2015-2016
			2012-2013	2013-2014		
K-5	7,216	7,164	7,166	7,220	7,223	7,159
6-8	3,741	3,784	3,833	3,740	3,695	3,622
9-12	5,547	5,504	5,470	5,441	5,448	5,477
Post Grad	26	27	27	27	27	27
TOTAL	16,530	16,479	16,496	16,428	16,393	16,285

LEVEL	10/01/10	2011-2012	(K=.5)		2014-2015	2015-2016
			2012-2013	2013-2014		
K-5	6,654.5	6,595	6,576.5	6,637	6,649.5	6,640.5
6-8	3,741	3,784	3,833	3,740	3,695	3,622
9-12	5,547	5,504	5,470	5,441	5,448	5,477
Post Grad	26	27	27	27	27	27
TOTAL	15,968.5	15,910	15,906.5	15,845	15,819.5	15,766.5

Summary of Long-Term Forecast – General Fund

This document provides in-depth information on the development of Lane County School District 4J's financial forecast. Results are summarized below. The accompanying pages are integral to understanding this summary information. The three revenue scenarios below demonstrate the impact on the district of different levels of state funding in the 2011-13 biennium as the state economic outlook remains uncertain. Significant deficits are projected at all levels of state funding in the first year. If on-going reductions are achieved in 2011-12, subsequent forecast years project reasonably stable operations. The base forecast below is used as the foundation for the rest of this document.

Forecast Scenario	Annual Deficit (assuming and previous year budget reductions are on-going) (in thousands)			
	2011-12	2012-13	2013-14	2014-15
Base: Governor's \$5.357 preliminary budget target plus \$160 million reinvestment funds available for general fund expenditures	(\$26,053)	\$1,530	(\$2,723)	\$760
Lower level: Governor's preliminary budget target	(\$28,063)	\$1,350	(\$2,764)	\$709
Higher level: Governor's preliminary budget target plus \$480 million (40%) reinvestment funds	(\$21,969)	\$1,896	(\$2,631)	\$839

Key Messages

- Base forecast revenues reflect the \$5.357 preliminary budget target proposed by Governor Kitzhaber, plus \$160 million reinvestment funds available for forecasted general fund expenditures.
- Revenue growth is expected to be sluggish over the forecast period in anticipation of a slow economic recovery in Oregon
- Federal stimulus funding which has supported district operations from 2008-09 through 2010-11 expires and is not projected to be renewed.
- 2011-13 PERS rates increase 6.3 percentage points and another 3 percentage points in 2013-15 due to low investment returns.
- Enrollment is expected to decline in regular district programs throughout the forecast period, however, at a much slower rate than in prior years.
- Employee compensation costs reflect restoration of the 2010-11 furlough days agreed to on a one-time basis and increase by the rate of inflation in the absence of employee contracts.
- Transfers to equipment and capital funds are restored after three years of elimination as a budget reduction strategy.
- Contingency and reserve levels reflect Board Policy targets 2% and 5%, respectively.



Superintendent's Final Recommendations

January 12, 2011

Overview

The Eugene School District is working to develop a sustainable budget in the face of decreasing revenues and increasing costs that have led to a staggering budget shortfall. The Eugene School Board's goal is to put 4J on a sustainable financial path and continue to provide all kids with a sound education.

Superintendent George Russell presented his preliminary recommendations for a balanced and sustainable budget in November 2010. After considering public input and other new information, the superintendent presented revised recommendations in December 2010. These final recommendations for a sustainable budget strategy, presented in January 2011, will be considered by the school board for action on February 2.

Strategy Goal

The target for budget reduction strategies is \$22 million-\$26 million for 2011-12. The target date for achieving a sustainable budget is 2014-15.

The goal in Year One (2011-12) is:

- **50% ongoing reductions: \$11 million or \$13 million**

These staff reductions and other changes would be continued in following years.

- **25% reserves/one-time funds: \$5.5 million or \$6.5 million**

Use reserves to help support operations in 2011-12 and 2012-13.

- **25% compensation-related: \$5.5 million or \$6.5 million**

Employees have stepped up as we've asked them to do more with less, and we'll be asking them sacrifice even more in order to preserve services into the future.

What's Next?

Final public hearing:

Wednesday, January 19, 2011, 6 p.m., Churchill High School cafeteria, 1850 Bailey Hill Road, Eugene

Speakers are asked to limit their comments to 2 minutes.

Recommendations discussed at school board meeting:

Tuesday, January 25, 2011, 7 p.m., 4J Education Center, 200 N. Monroe Street, Eugene

Board takes action at school board meeting:

Wednesday, February 2, 2011, 7 p.m., 4J Education Center, 200 N. Monroe Street, Eugene

All school board meetings and work sessions are open to the public and are broadcast live on KRVM 1280-AM.

Learn More

For more information about the process and 4J's financial situation, go to www.4j.lane.edu/sustainablebudget or contact the 4J Communications Office at 541-790-7737.



Superintendent's Final Recommendations

January 12, 2011

Reduce Staffing, Services and Programs

Final Recommendations — \$22 million strategy

2011–12

- Reduce administrative and classified staff by 7%, including restructuring and consolidation of central office – 43 FTE, \$2.6M
- Increase staffing ratio by 2 at elementary schools and 3 at middle and high school – 56 FTE, \$4.6M
- Eliminate or reduce teachers on special assignment and staff development specialists – 6 FTE, \$0.5M
- **Cost/Savings Target: \$7.7M ongoing**

2012–13

- TBD

2013–14

- TBD

Alternate Recommendations — \$26 million strategy

2011–12

- Reduce administrative and classified staff by 10%, including restructuring and consolidation of central office – 62 FTE, \$3.5M
- Increase staffing ratio by 3 – 65 FTE, \$5.4M
- Increase staffing ratio by 4 – 84 FTE, \$7M
- Eliminate or reduce teachers on special assignment and staff development specialists – 6 FTE, \$0.5M
- **Cost/Savings Target: \$9.4–\$11M ongoing**

2012–13

- TBD

2013–14

- TBD

Fewer School/Work Days

Final Recommendations — \$22 million strategy

2011–12

- 9–12 unpaid furlough days (6 fewer school days) — one per month based on work year (e.g. 9 or 10 days for school-based staff)
- **Cost/Savings Target: \$4M one-time**

2012–13

- Continue 9–12 furlough days (6 fewer school days) — one per month based on work year
- Consider 4-day work and school weeks if necessary
- **Cost/Savings Target: \$4M one-time**

2013–14

- Continue 9–12 furlough days (6 fewer school days) — one per month based on work year
- Continue 4-day work and school weeks if necessary
- **Cost/Savings Target: \$4M one-time**

Alternate Recommendations — \$26 million strategy

2011–12

- 10–13 unpaid furlough days (6 fewer school days), one per month based on work year plus one additional day (e.g. 10 or 11 days for school-based staff)
- **Cost/Savings Target: \$4.5M one-time**

2012–13

- 10–13 furlough days (6 fewer school days) — one per month based on work year plus one additional day (e.g. 10 or 11 days for school-based staff)
- Consider 4-day work and school weeks if necessary
- **Cost/Savings Target: \$4.5M one-time**

2013–14

- 10–13 furlough days (6 fewer school days) — one per month based on work year plus one additional day (e.g. 10 or 11 days for school-based staff)
- Continue 4-day work and school weeks if necessary
- **Cost/Savings Target: \$4.5M one-time**

School Closures and Consolidations

Final Recommendations — \$22 million strategy

2011–12

- Close Coburg Elementary in 2011, move students to Gilham
- Close Crest Drive in 2011, move students to Adams
- Close Parker in 2011, move students to Edgewood and Camas Ridge
- Close Meadowlark program in 2011, move students to Willagillespie
- Move Charlemagne K–5 program to Parker site, close Fox Hollow site
- This school consolidation plan may require some boundary changes
- **Cost/Savings Target: \$1M ongoing**

2012–13

- Close Twin Oaks in 2012
- If bond measure passes, increase capacity at McCornack to accommodate students from Twin Oaks
- **Cost/Savings Target: \$0.3M ongoing**

2013–14

- Non-language alternative schools: possible closure or merger with neighborhood schools
- **Cost/Savings Target: TBD**

Alternate school consolidation option, requested by school board members:

- *Close Coburg Elementary in 2011, move students to Gilham*
- *Close Meadowlark program in 2011, move students to Willagillespie*
- *Close Adams in 2011, move students to Chavez, ATA, Crest Drive, Parker and Camas Ridge*
- *Move Charlemagne K–5 program to Adams site, close Fox Hollow site*
- *Close Twin Oaks in 2012*
- *This school consolidation plan may require some boundary changes*
- ***Cost/Savings Target: \$0.5M — Requires an additional \$0.5 million in ongoing reductions to be made in staff, compensation or other areas due to lower savings from school closures.***

Alternate Recommendations — \$26 million strategy

— SAME AS \$22 MILLION STRATEGY —

Shared Services and Contracting Out

Final Recommendations — \$22 million strategy

2011–12

- Identify additional services that can be provided by Lane ESD
- Determine what current services can be transferred to Lane ESD
- **Cost/Savings Target: \$0.5M ongoing**

2012–13

- Explore service sharing options with other districts that could reduce costs
- Look at contracting out some services
- **Cost/Savings Target: TBD**

2013–14

- Contract out or consolidate some services with other school districts or provide through private sector
- **Cost/Savings Target: TBD**

Alternate Recommendations — \$26 million strategy

— SAME AS \$22 MILLION STRATEGY —

Materials, Supplies and Services

Final Recommendations — \$22 million strategy

2011–12

- 15% reduction in materials & supplies, contracted services budget
- Centralize purchasing of materials & supplies, equipment
- Reduce utilities and fuel expenses through increased efficiency
- **Cost/Savings Target: \$1.1M ongoing**

2012–13

- TBD

2013–14

- TBD

Alternate Recommendations — \$26 million strategy

2011–12

- 20% reduction in materials & supplies, contracted services budget
- Centralize purchasing of materials & supplies, equipment
- Reduce utilities and fuel expenses through increased efficiency
- **Cost/Savings Target: \$1.5M ongoing**

2012–13

- TBD

2013–14

- TBD

School and Instruction Redesign

Final Recommendations — \$22 million strategy

2011–12

- Stakeholder Task Force to recommend reconfiguration to Superintendent and Board for implementation 2012–13
- Redesign instructional delivery model for secondary schools to accommodate fewer students & less resources
- **Cost/Savings Target: TBD**

2012–13

- Revise school calendar
- Shorter summer breaks
- Consider 4-day school weeks
- Implementation of reconfiguration recommendations, if any
- **Cost/Savings Target: TBD**

2013–14

- TBD

Alternate Recommendations — \$26 million strategy

— SAME AS \$22 MILLION STRATEGY —

Non-Instructional and Student Support Programs

Final Recommendations — \$22 million strategy

2011–12

- Reduce General Fund support for athletics programs and other extracurricular offerings by 25%
- **Cost/Savings Target: \$0.5M ongoing**

2012–13

- TBD

2013–14

- TBD

Alternate Recommendations — \$26 million strategy

— SAME AS \$22 MILLION STRATEGY —

Reserves and One-Time Funds

Final Recommendations — \$22 million strategy

2011–12

- Use up to \$5.5M reserves/one-time funds to maintain and bridge to 2012–13
- **Cost/Savings Target: \$5.5M one-time**

2012–13

- Use up to \$3M from sales of surplus property or lease revenue
- **Cost/Savings Target: \$3M one-time**

2013–14

- General Fund Reserve and Contingency Fund = 90% of Board Targets
- **Cost/Savings Target: TBD**

2014–15

- General Fund Reserve and Contingency Fund = Board Targets

Alternate Recommendations — \$26 million strategy

2011–12

- Use up to \$6.5M reserves/one-time funds to maintain and bridge to 2012–13
- **Cost/Savings Target: \$6.5M one-time**

2012–13

- Use up to \$3M from sales of surplus property or lease revenue
- **Cost/Savings Target: \$3M one-time**

2013–14

- General Fund Reserve and Contingency Fund = 90% of Board Targets
- **Cost/Savings Target: TBD**

2014–15

- General Fund Reserve and Contingency Fund = Board Targets

Compensation and Benefits

Final Recommendations — \$22 million strategy

2011–12

- Negotiate pay freeze, including no step/column increase
- Negotiate no increased benefits costs
- **GF Cost/Savings Target: \$1.5M**

2012–13

- Negotiate contract adjustments that minimize and contain ongoing costs to district
- **GF Cost/Savings Target: TBD**

2013–14

- TBD

Alternate Recommendations — \$26 million strategy

2011–12

- Negotiate pay freeze, including no step/column increase
- Negotiate \$210,000 decrease in benefits costs or use insurance reserves
- **GF Cost/Savings Target: \$1.7M**

2012–13

- Negotiate contract adjustments that minimize and contain ongoing costs to district
- **GF Cost/Savings Target: TBD**

2013–14

- TBD

Note: These recommendations for compensation and benefits are in addition to the salary impacts of unpaid furlough days (above)

Revenue Enhancement

Final Recommendations — \$22 million strategy

2011–12

- \$130M bond measure on May 2011 ballot to address critical needs, upgrade or replace some aging school facilities, and shift some technology and equipment costs out of the operating budget (General Fund offload = \$1M)
- Increase community use fees by 20% (\$20K)
- Lease closed schools to charters/others (\$200K)
- **Revenue Target: \$1.2M GF ongoing**

2012–13

- Sell Civic, Willard, or other vacant facilities; 50% proceeds to General Fund Reserve (\$3M–\$5M)
- Local tax to support local schools beginning in 2012–13 (e.g. \$10M for 3 years) on November 2011 ballot
- **Revenue Target: TBD**

2013–14

- Implementation of any new revenue sources to mitigate reductions
- **Revenue Target: TBD**

Alternate Recommendations — \$26 million strategy

— SAME AS \$22 MILLION STRATEGY —

Other Options

Determine whether these options would result in actual cost-savings or more efficient operations:

- Consider early retirement incentives
- Adopt single-platform technology systems for centralized purchasing & technical support
- Minimize site-based decision making, increase centralized direction for staffing (e.g., program staffing for student support services)
- **GF Costs/Savings Target: TBD**

Learn More

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