

EUGENE PUBLIC SCHOOLS
School District No. 4J, Lane County
January 9, 2012

MEMORANDUM

To: Budget Committee Members

From: Shelley Berman
Superintendent

Re: January 9, 2012 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. Election of Officers

III. 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.

IV. Items for Information and Discussion

A. Review Enrollment Projections

District enrollment projections are included in the packet. Instruction staff will review the projections.

B. Receive an Update on Open Enrollment for Out-of-District Students

Barb Bellamy, Chief of Staff, will describe the State's legislation that allows Districts to allow open enrollment across Districts. She will also share an update on the status of the District's evaluation of this bill and the potential impact of Open Enrollment on District total enrollment.

C. Receive a Report on the Status of the District's Capital Improvement Program

Jon Lauch, Director of Facilities Management, will present a report summarizing the current status of the District's capital improvement program.

D. Review updated End of Year 2011-12 General Fund Financial Projection

Finance staff will provide an update on the District's projected revenues and expenditures for the 2011-12 year. This is based on current enrollments, resulting revenues and the district's service levels for the 2011-12 year. Staff will also recap the implementation of the 2011-12 budget adjustments arrived at during the last budget process. Since this is a mid-year projection, it is possible that some items may change before the end of the fiscal year.

V. Items for Action at This Meeting

A. Review Draft of District Five-Year Financial Forecast and Provide Direction for Balancing the 2012-13 Budget

Review Draft of District Five-Year Financial Forecast

Staff will review the District's Draft Five-Year Financial Forecast and related assumptions.

The forecast is a summary document that provides the fullest picture of the district's financial future. It is a financial expression of the District's goals regarding: student achievement, staff capacity building, and stewardship of district resources. Presenting a multi-year budget ensures that we consider the future impact of today's decisions. The Forecast describes key underlying assumptions and factors that might cause the forecast to change. The Forecast serves as the basis for the budget committee's discussions and the Superintendent's recommendation on parameters for balancing the coming year's budget.

The Draft Forecast reflects the impact of several key factors. First, the district has been experiencing declining enrollment, which results in a reduction in funding and a reduction in staff.

Second, continued national economic challenges have resulted in declines in revenues from national, state, and local sources and make increases in the immediate future unlikely. The State School Fund (SSF), which represents approximately 90% of total annual general fund resources, relies on collections of income tax and property taxes. Income taxes are lower due to high unemployment levels and property tax collections are depressed by declines in property values. The District's local option levy is based on real market values in excess of assessed market values and has therefore also been depressed by declines in real market values. District staff has estimated SSF using the rates adopted by the state in their 2011-13 appropriations and estimated local option levy revenue using 2012 property values. District staff has estimated a \$0.5M decline in federal funds, which results in an increase in salaries and benefits of the general fund, where these costs would be absorbed.

Third, salaries and benefits, which represent approximately 85% of the District's costs, have been held lower in recent years through furlough days that reduce the school and work year (2010-11 – licensed and classified staff 7 days, administrative staff 9 days; 2011-12 – all staff 5 days, leadership 6 days). In the absence of employee contracts, the forecast has been prepared assuming that staff returns to a full year (restoring furlough days) and includes staff progress on salary steps that are defined by experience or number of years in a certain position. Capacity has been provided for inflationary increases in benefit costs plus a 3 percentage point increase in PERS rates for 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.

Four, two key district policies inform the forecast – contingency and fund balance. The Forecast assumes a minimum fund balance of 5% of operating revenues. It also assumes a spending contingency of 2% of operating expenditures.

The Oregon Education Investment Board (OEIB), which is overseeing a Governor directed effort to create a seamless, unified system for delivering and investing in public education, has priorities that focus on graduation rates and college and career readiness. As a result, we are placing an emphasis on improving our graduation rates above the 70% 4-year cohort rate or 78% 5-year cohort rate and beginning to fully schedule all high school students. Currently, only 31.7% of high school students have a full schedule and the average extent a student is scheduled is 85%. Achieving a 100% graduation rate and improving OAKS scores are also contained within the Board’s 2011-12 Goals.

Below, is a summary of annual deficits, given the above assumptions. More detail is contained in the budget committee packets.

Annual Deficit—General Fund

If Corrective Action Taken

<i>(Millions /\$000,000s)</i>	11-12 Proj.	12-13	13-14	14-15	15-16
Adjustments Necessary to Ensure Minimum Fund Balance of 5% (assumes adjustments made in respective years)	0	(11.202)	(3.211)	(0.056)	N/A
Ending Fund Balance	6.800	6.596	6.655	6.799	6.976
% Operating Expenditures	5.1%	5.0%	5.0%	5.0%	5.0%

Superintendent’s Recommendation for 2012-13 Budget

I recommend that the Budget Committee direct the Superintendent to propose a balanced budget for 2012-13 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,
- Allows a temporary reduction of the ending minimum fund balance to 4% of operating revenues and retains the contingency spending to 2% of operating expenditures,
- Takes into consideration stakeholder feedback including recommendations from the sustainable budget process undertaken throughout 2010-11, and
- Addresses the shortfall by making or continuing service or cost adjustments, using the following criteria:
 - Retaining cost reduction methodologies adopted in prior years;
 - Focusing on the instructional core, keeping board goals and key results at the forefront of decisions;
 - Retaining sufficient funds to manage the required human resource, financial, information technology, leadership and facility maintenance activities of the district;
 - Examining operational efficiencies that do not directly affect the instructional program;
 - Minimizing staff reductions, other than suggested by declining enrollment, to the extent possible; and
 - Being mindful of the long-term, avoiding short-term solutions that may have harmful long-term consequences.

Your discussion and feedback on the budget priorities and sustainable budget strategies will guide me as I work with staff to prepare a proposed budget for your consideration.

B. Approve Minutes from the May 5, and May 23, 2011 Budget Committee Meetings

C. Set Date for Next Budget Committee Meeting

I recommend that the Budget Committee set the next meeting for Monday, May 7, 2012 to receive the budget message and proposed 2012-13 budget. Should additional meetings be necessary to approve the budget, I would recommend reserving May 14, 2012 and May 21, 2012. If any of the core underlying assumptions change and an additional meeting be necessary, staff will poll committee members regarding an additional meeting date.

VI. 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. This time also provides Committee members with time to pose questions that may require further staff research.

VII. Adjournment