LANE COUNTY SCHOOL DISTRICT 4J
(EUGENE PUBLIC SCHOOLS)
LONG-TERM FINANCIAL FORECAST

2012–13 — 2016–17

December 2012

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Forecast Framework

This financial forecast has been prepared in response to the district's adopted management goal of maintaining long-term financial stability. The forecast establishes key assumptions underlying the projections and identifies variables which 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.

In Board Policy DA, the district's Financial Management Goals and Policies provide the framework for financial planning and decision-making by the school board, budget committee, and district staff.

1. *"The district will establish a financial base sufficient to support high quality and innovative educational programs which meet community needs."*

2. *"The district will follow prudent and professional financial management practices in order to achieve and maintain long-term financial stability."*

3. *"The district will demonstrate to the taxpayers of the district and the financial community that its schools are well managed."*

4. *"The district will provide cost effective services to citizens by cooperating with other educational, government, and non-profit agencies."*

5. *"The district will have an adequate capital improvement program that maintains existing district assets, provides for student and employee safety, maintains a quality instructional environment, and allows for enhancements that are necessary to meet changes in enrollment."*

6. *"The district will continually review and improve its formal budget document and other financial information so that it clearly and openly communicates its resources, expenditures, and financial position."*

7. *"The district will communicate, as permitted by law, with its employees and the community so that they understand the district's program requirements and financial status."*

Board Policy DI provides additional direction for the planning and allocation of resources:

1. *"The district estimates revenues, operating and capital expenditures, and debt service every year for the following five years. Annually, the superintendent will propose a financial forecast that is reviewed and potentially modified by the budget committee or board. This forecast serves as the basis for budget instructions to the superintendent for the following year and for other financial planning activities."*

GENERAL FUND FORECAST

Summary of Long-Term Financial Forecast – General Fund

This document provides in-depth information on the development of Lane County School District 4J's financial forecast. Results and key assumptions are summarized below. The accompanying pages are integral to understanding this summary information.

This forecast reflects the slow and steady progress of the state economy as it continues to recover from the Great Recession. District revenues are based on the $6.15 billion K-12 budget proposed by Governor Kitzhaber for the 2013-15 biennium. To boost education funding, the Governor also included $253 million in savings from Public Employees Retirement System (PERS) reforms in his budget. However, because of uncertainties related to the legislative process and the potential that offsetting cost increases may also be implemented, the forecast does not assume any reduction in PERS rates.

While the Long-term Financial Forecast predicts operating losses in each of the following four years, it also indicates that on-going corrective actions taken in 2013-14 may create a foundation for financial stability in future years. In each of the years of the forecast, the operating deficit is between $18 million and $19 million. The total deficit for 2013-14 reflects the need for an additional one-time correction of $2.8 million to restore reserves to the 5% board policy target. If the operating deficit in 2013-14 is addressed with on-going corrective actions, the district will be positioned to reach its sustainable budget goal. To the extent that time-limited solutions are employed to address the 2013-14 operating deficit, future years' deficits will be increased by the same amount.

Long-term Financial Forecast					
Based on Governor's Proposed 2013-15 Budget for K-12 Education - $6.15 Billion					
(thousands)	**2012–13**	**2013–14**	**2014–15**	**2015–16**	**2016-17**
Annual Operating Deficit	($9,860)	($18,618)	($18,142)	($19,128)	($18,435)
Annual Reductions Required, Assuming Use of Reserves and Annual Corrective Actions	-0-	($21,194)	$3,028	($907)	$700

Estimated Savings from Potential PERS Reform		*$3,406*	*$3,519*	*$3,546*	*$3,578*

Key Assumptions

- State funding in the 2013-15 biennium is based on the $6.15 billion K-12 budget proposed by Governor Kitzhaber on November 30, 2012. Also included in the Governor's budget is a shift of $120 million in Education Service District (ESD) funding to new regional service centers. Anticipating a corresponding reduction in services the district receives from Lane ESD, the forecast projects a $1.3 million annual increase in district costs.
- PERS rates, announced in the 2011 PERS Actuarial Valuation Report, increased 6.55 percentage points in 2013-15 and an additional 3.0 percentage points in 2015-16 primarily from low PERS investment returns. The cost to the general fund in 2013-14 is estimated at $4.9 million or $750,000 per percentage point. Savings from PERS reforms proposed by the Governor, estimated at $3.4 million per year, may be integrated into the budget once they have been approved by the State Legislature.
- Local option revenue will decline further in 2013-14 with additional contraction of the "tax gap," as real market values grow at a slower rate than assessed values. Positive growth in local option income is predicted to resume beginning in 2014-15 lagging the recovery of the housing market.
- One-time budget reductions employed to balance the 2012-13 budget are restored beginning in 2013-14. These include compensation strategies equivalent to the five furlough days negotiated with all employee groups, one percent of the general fund ending fund balance to draw reserves down below the 5% board target, certain transfers from the general fund to other funds, and the elimination of inflationary increases to budgets for supplies and materials. In addition, transfers from other funds have been discontinued.
- Enrollment declines are anticipated throughout the forecast period and result in further reductions in State funding. The forecast assumes that students new to the district in 2012-13 under Open Enrollment continue to attend district schools. No additional student enrollment from outside the district is included in projections.
- Licensed salaries reflect annual reductions in staff to track decreases in enrollment. Staffing levels reflect ratios applied to enrollment prior to staff added in 2012-13 to lower class size. Additional staffing costs are included to meet the State's mandate for full-day Kindergarten in 2014-15. The cost of step increases required under labor agreements is included for all employee groups.
- The 2012-13 Adopted Budget was balanced assuming an ending fund balance of 4%. The general fund reserve is forecasted to return to 5% beginning in 2013-14 and remain at that level through 2016-17. The operating contingency is forecasted at 2% of operating expenditures.

2013-14 Forecasted at Various Levels of State Funding

The forecast is built on the $6.15 billion funding level recommended by Governor Kitzhaber in his proposed K-12 budget for the 2013-15 biennium. The table below projects the impact of two higher funding scenarios. On the revenue side, only State School Fund amounts change. On the expenditure side, the current service level grows under the higher funding scenarios because charter school payments increase as state per pupil funding grows and contingency calculated at 2% of operating expenditures also increases.

Forecast Scenarios SSF with 49%/51% Biennial Distribution	**2013-14 $6.15 billion (Governor's Budget)**	**2013-14 $6.4 billion**	**2013-14 $6.895 billion (Quality Ed. Rec.)**
Total Resources	$138,871,000	$142,192,000	$148,739,000
Total Requirements	$160,065,000	$160,333,000	$160,860,000
Projected Deficit	**($21,194,000)**	**($18,141,000)**	**($12,121,000)**

Potential budget balancing strategies consistent with 2012-13 are identified below:

Potential Budget Balancing Strategies - Controllable			
Reduce transfer to Capital Equipment Fund	$1,200,000	$1,200,000	$1,200,000
Eliminate transfer to Capital Projects Fund	500,000	500,000	500,000
Eliminate inflationary increase to supply budgets	180,000	180,000	180,000
Draw down reserves to 4%	1,350,000	1,380,000	1,400,000
Transfer from Capital Projects Fund	$1,000,000	$1,000,000	$1,000,000
Total Potential Strategies	**$4,230,000**	**$4,260,000**	**$4,280,000**
Projected Deficit after Potential Strategies	**($16,964,000)**	**($13,881,000)**	**($7,841,000)**

The continuation of furlough days or other compensation concessions requires contract negotiations with employee groups. Also, in his proposed 2013-15 budget, the Governor also recommended PERS reforms totaling $253 million. As stated above, the forecast does not include these savings because of uncertainties related to the legislative process and the potential that offsetting cost increases may also be implemented. For the purpose of discussion and to demonstrate the value to the district should these reforms be approved by the legislature, estimated savings to the district in 2013-14 and the potential impact on the projected general fund deficit are shown below.

Potential Budget Balancing Strategies - Negotiated			
Negotiate the equivalent of five furlough days with employee groups	$2,250,000	$2,250,000	$2,250,000
Savings from Potential Legislative Action			
Governor's recommended PERS reforms	3,406,000	3,406,000	3,406,000
Cost reduction if ESD funding not shifted to regional centers	1,300,000	1,300,000	1,300,000
Projected Deficit after Possible Savings from Legislative Action	**($10,080,000)**	**($6,925,000)**	**($885,000)**
Deficit as % of Total Req.	**6.3%**	**4.3%**	**0.6%**

Summary Forecast

IMPACT ON OPERATIONS (in thousands)		2012-13	2013-14	2014-15	2015-16	2016-17
Total District Revenues	(1)	**$130,075**	**$134,711**	**$140,018**	**$143,081**	**$146,001**
Expenditures						
Operating Expenditures	(2)	**$140,069**	**$148,752**	**$153,486**	**$157,446**	**$159,590**
Transfers	(3)	608	3,566	3,630	3,692	3,761
Contingency	(4)	1,802	2,975	3,070	3,149	3,192
Subtotal		142,479	155,293	160,186	164,287	166,543
Projected Underspending	(5)	(2,544)	(1,964)	(2,026)	(2,078)	(2,107)
Total Expenditures		**139,935**	**$153,329**	**$158,160**	**$162,209**	**$164,436**
ANNUAL OPERATING DEFICIT		**($9,860)**	**($18,618)**	**($18,142)**	**($19,128)**	**($18,435)**
Use of Transfers from Reserves to Balance	(6)					
Transfer (to) / from General Fund Reserves		$4,222	($2,844)	($265)	($153)	($146)
Transfer (to) / from Capital Equipment Fund		1,600				
Transfer (to) / from PERS Reserve		1,257				
Transfer (to) / from Insurance Reserve		781	268	241	208	208
Transfer (to) / from Capital Projects Fund Reserve		2,000				
Total Transfers (to) / from Reserves		$9,860	($2,576)	($24)	$55	$62
Annual Deficit Assuming Use of Reserves	(7)	$0	($21,194)	($18,166)	($19,073)	($18,373)
Corrective Action Required	(8)	**$0**	**($21,194)**	**$3,028**	**($907)**	**$700**

RESERVES	(9)					
Beginning Fund Balance - General Fund		$8,114	$3,892	$6,736	$7,001	$7,154
Transfer to / (from) Reserves		(4,222)	2,844	265	153	146
Ending Fund Balance - General Fund		$3,892	$6,736	$7,001	$7,154	$7,300
5% of Total District Revenues (4%, 2012-13)		5,203	6,736	7,001	7,154	7,300
% of Total District Revenues		3.0%	5.0%	5.0%	5.0%	5.0%
Reserves Needed to Meet/(In Excess Of) EFB Target		1,311	-	-	-	-
Beginning Fund Balance - PERS Reserve	(10)	$1,257	$0	$0	$0	$0
Transfer to / (from) Reserves		(1,257)	-	-	-	-
Ending Fund Balance - PERS Reserve		$0	$0	$0	$0	$0
% Change in Revenues		-3.5%	3.6%	3.9%	2.2%	2.0%
% Change in Expenditures		2.4%	8.3%	3.1%	2.6%	1.4%

Note: Totals may differ due to rounding.

Summary Assumptions

(1) **Total revenues**

- Reflect average economic growth with a slow and steady recovery
- Include state funding for K-12 education of $6.15 billion in the 2013-15 biennium
- Track a decline in resident average daily membership (ADMr) of 690.4 from 2012-13 to 2016-17, as state funding is allocated on a per pupil basis
- Include average, annual growth of the district's operating levy of 3.25% per year over the forecast period
- Reflect a bottoming in local option tax revenue in 2013-14 as the tax gap is squeezed by continuing declines in real market property values (RMV) relative to assessed value (AV) growth
    - Expected to begin a slow recovery in 2014-15
- Include slow growth in interest earnings from prolonged low interest rates and reduced levels of reserves

(2) **Operating expenditures**

- Reflect the restoration of furlough days throughout the forecast period, negotiated as budget reductions in 2012-13
- Include reductions for decreases in licensed staffing resulting from declining enrollment
- Remove salaries for licensed staff added in 2012-13 to lower class size beginning in 2013-14
- Add staffing costs in response to the requirement to provide full-day Kindergarten as of 2014-15
- Assume that the district's composite PERS rate increases by 6.55 percentage points in 2013-15 and another 3.0 percentage points in 2015-16

(3) **Transfers**

- Capital projects transfer of $500,000 annually for projects that do not qualify for general obligation bond funding, increasing by the rate of the CPI
    - Eliminated 2008-09 through 2012-13, reinstated in 2013-14
- Equipment and textbooks transfer of $1.8 million in per pupil allocations to schools
    - Eliminated 2011-12 through 2012-13, reinstated in 2013-14, and district-wide critical equipment needs cut 2008-09 through 2012-13, reinstated in 2013-14
- Bus fleet transfer of $158,000 annually for bus purchases, increasing by the rate of the CPI
    - Eliminated 2008-09 through 2012-13, reinstated in 2013-14
- Insurance and risk reserve transfer of $1,108,000, as negotiated in employee compensation contracts, with annual costs increasing by the rate of the CPI
    - $875,000 in support to Risk and Benefit Management operations, which includes an increase of $500,000 beginning in 2013-14
    - $233,000 in social security cost savings from pre-tax flexible spending accounts to insurance reserve accounts, as negotiated with employee groups

(4) **Contingency**

- 2.0% of operating expenditures per board policy

Board Policy DI, Accounting and Financial Practices Policy 3: *"The targeted contingency for general fund is two percent of the operating budget."*

(5) **Projected Underspending**

- Assumes a portion of budgeted expenditures will not be spent in any given year; calculated as 66% of Contingency

(6) **Use of Transfers from Reserves to Balance**

- General Fund reserves, as a percentage of operating revenues, are restored to the 5% board policy target for the forecast period
- From 2013-14 through 2016-17, General Fund reserves are utilized to offset operating deficits. Employee insurance reserves are also transferred to the General Fund to offset the costs of employee compensation, as agreed in employee group negotiations.

(7) **Annual Deficit Assuming Use of Reserves over 5% (4% in 2012-13)**

- Difference between revenues and expenditures, net of transfers from reserves
- Projected financial shortfalls shown in brackets

(8) **Corrective Action Required**

- Board actions required to maintain a 5% ending fund balance during the forecast period
- Amounts of annual deficits assume board action taken to address any previous year deficit utilizing on-going expenditure reductions

(9) **General Fund Reserves or Ending Fund Balance**

- Projected to be at 5% of operating revenues throughout the forecast period

Board Policy DI, Accounting and Financial Practices Policy 4: "The targeted floor for the ending fund *balance will be at five percent of annual operating revenues. The annual financial forecast will project operating revenues and ending fund balance for the next five years."*

(10) **PERS Reserve**

- Savings between budgeted and actual PERS rates in 2003-04 and 2004-05 were retained to offset an increase in PERS rates effective July 1, 2011. This set-aside has been fully utilized in 2012-13.

Revenue Detail

GENERAL FUND REVENUES (in thousands)		2012-13	2013-14	2014-15	2015-16	2016-17
Property Tax Collections - Current Year	(1)	$54,354	$55,933	$58,001	$59,888	$61,838
Property Tax Collections - Prior Year	(2)	1,942	1,942	1,942	1,942	1,942
State School Fund Grants	(3)	59,428	63,676	65,058	64,010	62,626
SSF Local Revenues	(4)	2,716	1,796	1,528	1,528	1,528
Total SSF Formula Revenue		**$118,440**	**$123,347**	**$126,529**	**$127,368**	**$127,934**
Local Option Levy - Current Year	(5)	7,796	7,324	9,449	11,673	14,027
Local Option Levy - Prior Year		378	363	363	363	363
Other Revenues	(6)	3,461	3,677	3,677	3,677	3,677
TOTAL DISTRICT REVENUES		**$130,075**	**$134,711**	**$140,018**	**$143,081**	**$146,001**
STATE SCHOOL FUND (SSF) ALLOCATIONS						
Enrollment	(7)					
Enrollment(ADM) - Regular Ed.		15,238.6	15,082.5	14,884.8	14,641.7	14,466.4
Enrollment (ADM) - Charter Schools		664.6	699.9	731.6	746.4	746.4
Enrollment (ADM) - Alternative Ed. Programs		300.0	300.0	300.0	300.0	300.0
Total Enrollment (ADM)		16,203.2	16,082.4	15,916.4	15,688.1	15,512.8
Weighted ADM (ADMw) - Extended		**18,975.1**	**18,975.1**	**18,832.5**	**18,638.1**	**18,370.8**
State School Fund Grants	(3)					
SSF Grant per student (ADMw)		**$6,231**	**$6,495**	**$6,699**	**$6,813**	**$6,942**
% Change in Revenues		2.9%	4.2%	3.1%	1.7%	1.9%
SSF Formula Revenue (in thousands)		118,237	123,243	126,159	126,981	127,530
State Initiative Funding		-	-	-	-	-
High Cost Disability Grant		800	814	830	847	864
Adjustments (hide row)		(596)	(710)	(460)	(460)	(460)
Net SSF Grants (in thousands)		**118,440**	**123,347**	**126,529**	**127,368**	**127,934**
PROPERTY TAX COLLECTION	(1)					
Assessed Value (Operating Levy AV) (in thousands)		$12,338,548	$12,677,858	$13,058,194	$13,449,940	$13,853,438
Projected Annual Increase in Operating Levy AV		2.31%	2.75%	3.00%	3.00%	3.00%
Operating Levy (inside Measure 5 limit)	(1)					
Permanent Tax Rate per $1,000 of Operating Levy AV	**$4.7485**	$58,590	$60,201	$62,007	$63,867	$65,783
Compression Loss		(1,350)	(1,450)	(1,240)	(1,118)	(987)
Taxes Imposed		57,240	58,751	60,767	62,749	64,796
Collection Rate - operating levy		94.75%	95.00%	95.25%	95.25%	95.25%
Net Operating Levy		**$54,354**	**$55,933**	**$58,001**	**$59,888**	**$61,838**
Annual growth		1.7%	2.9%	3.7%	3.3%	3.3%
Local Option Levy (outside Measure 5 limit)						
Assessed Value (Local Option AV) (in thousands)		$12,516,805	$12,847,836	$13,226,775	$13,616,887	$14,025,394
Local Option Tax Rate per $1,000 of Local Option	**$1.5000**	$18,775	$19,272	$19,840	$20,425	$21,038
Compression Loss		(10,547)	(11,563)	(9,920)	(8,170)	(6,311)
Tax Gap		8,228	7,709	9,920	12,255	14,727
Measure 5 Limit - Proceeds Net of Uncollected Taxes		*7,796*	*7,324*	*9,449*	*11,673*	*14,027*
Limit of $1,000 (increasedy by 3% per year) per Extended ADMw		*21,357*	*21,997*	*21,832*	*21,607*	*21,297*
Limit of 20% of State Resources		*23,807*	*24,087*	*24,197*	*24,473*	*24,772*
Collection Rate - local option levy		94.75%	95.00%	95.25%	95.25%	95.25%
Net Local Option Levy		**$7,796**	**$7,324**	**$9,449**	**$11,673**	**$14,027**
Annual growth		-20.0%	-6.1%	29.0%	23.5%	20.2%

Revenue Assumptions

(1) **Property Tax Collections – Current Year**

- Average, annual tax growth of 3.25% per year over the forecast period based on slower than expected economic recovery
- Assessed property values (AV) projected to increase by 2.75% in 2013-14 (lower than the 3.0% required under Measure 50 because of limits due to real market values (RMV) caps) and 3.0% during the period from 2014-15 through 2016-17
- Compression losses expected to increase by $100,000 to $1.45 million in 2013-14, slowing growth of the district's operating levy, before beginning a slow decline in 2014-15, assuming real market property values (RMV) resume growing more rapidly than AV beginning in 2014-15
- Tax collection rates assumed to be 95% in 2013-14, and stabilizing at 95.25% from 2014-15 through 2016-17
- Included in the State School Fund formula

(2) **Property Tax Collections – Prior Year**

- Estimated collection rate of 30% of the outstanding balance of uncollected taxes paid in years after they were levied
- Projected to remain constant throughout the forecast period
- Included in the State School Fund formula

(3) **State School Fund (SSF) Grants**

State School Fund Grant

Total SSF Formula Revenue: Per Pupil Amount (SSF Grant per Pupil, adjusted for teacher experience and state funding ratio) X Enrollment (Extended ADMw) + Transportation Grant – SSF Local Revenues (Local Property Taxes, Federal Forest Fees, Common School Fund, County School Fund)

- Approximately 90% of District general fund revenues
- Assumes $6.15 billion in state funding for K-12 schools in the 2013-15 biennium, a 1.5% increase over the previous biennium
- Future increases in per pupil funding projected to grow by the rate of the Consumer Price Index (CPI) for US Urban Consumers, projected in the December 2012 State of Oregon Economic and Revenue Forecast
- Future growth in per pupil funding offset by projected decreases in enrollment over the life of the forecast. (See Note 7 below for additional detail)

High Cost Disability Grant

- Provided to partially offset the cost of educating students for whom costs exceed $30,000 per year
- Revenue based on 2012-13 projection plus annual growth at CPI

(4) **SSF Local Revenues**

- Includes Common School Funds and County School Funds
- Federal Forest Fees included in 2012-13 and removed as of 2013-14 when federal funding expires
- Included in the State School Fund formula

(5) **Local Option Levy**

- Five-year property tax levy of $1.50/$1,000 AV to support general operations, renewed November 2008 and extending through 2014-15. The Forecast assumes the current levy is renewed effective 2015-16.
- Projected to bottom out during 2013-14 as tax gap is squeezed by declines in real market property values (RMV) and slow growth in assessed values (AV)

- Compression losses expected to increase by an additional $1 million to $11.6 million in 2013-14 before rebounding in 2014-15, based on an assumed, steady recovery in the local real estate market
- Expected to remain substantially below statutory limits of $1,000 per ADMw and 20% of state resources over the forecast period
- Not included in the State School Fund formula

(6) **Other Revenues**

- Not included in the State School Fund formula
- Includes interest earnings, tuition and fees, e-rate income, funding and donations from outside groups, and building rental income
- Small increase projected in 2013-14, remaining flat thereafter
- Future increases in interest earnings limited by slow growth of interest rates and low growth in reserve levels

Board Policy DI, Revenue Policy 1: *"The district will strive to establish a stable revenue base for the operating budget for program needs through cooperation with its associations, legislators, and other districts. The district will make capital funding requests periodically to assure adequate safety and preservation of school buildings, district equipment, and other capital assets."* 2. *"The district may charge the service fees intended to recover the partial or full cost of non-district sponsored use of its facilities, services or equipment, if permitted by law…"*

(7) **Enrollment (ADM)**

- Average Daily Membership – Year-to-date average of daily student enrollment
  - ADMr – Resident ADM
  - ADMw – ADM weighted to reflect the number students receiving English Language Learner (ELL) services, assigned Individualized Education Programs (IEPs), enrolled in Pregnant and Parenting programs, living in poverty, or in foster care
  - Extended ADMw – Greater of the current year or prior year ADMw, used to calculate State School Fund grant
- Assumes a net decline of 690.4 ADMr, or 4.3%, in 2016-17 when compared to 2012-13
  - 772.2 ADMr decrease in regular district programs
  - 81.8 ADMr increase in charter school enrollment as existing charters reach their enrollment caps and Coburg Community Charter adds one grade to its enrollment each year
  - Alternative education enrollment projected to remain at the current level
- Assumes a decline of 604.3 extended ADMw, or 3.2%, compared to 2012-13

Expenditure Detail

(in thousands)		2012-13		2013-14		2014-15		2015-16		2016-17	
OPERATING EXPENDITURES											
Employee Compensation Expenditures	(1)										
Licensed Employees		2.7%	$46,837	1.6%	$47,571	3.7%	$49,355	0.4%	$49,534	0.7%	$49,886
Classified Employees		-3.7%	$16,481	3.7%	$17,098	2.4%	$17,508	1.5%	$17,771	1.5%	$18,037
Admin/Supervisors		2.6%	$7,003	4.4%	$7,311	2.4%	$7,488	1.5%	$7,603	1.5%	$7,719
Substitute/Temporary		22.3%	$3,481	-15.0%	$2,958	4.5%	$3,091	3.5%	$3,200	3.5%	$3,311
Staffing Pool		N/A	$181	-11.6%	$160	0.0%	$160	0.0%	$160	0.0%	$160
Total Salaries		2.2%	**$73,982**	1.5%	**$75,098**	3.3%	**$77,602**	0.9%	**$78,268**	1.1%	**$79,113**
Payroll Costs as % of Salary											
Licensed	34.27%		$16,121		$19,419		$20,147		$21,706		$21,860
Classified	34.71%		$5,744		$7,054		$7,223		$7,865		$7,982
Administrative	34.27%		$2,410		$2,984		$3,057		$3,332		$3,382
Substitute/Temporary	21.63%		$753		$639		$660		$676		$691
Insurance Benefits		3.1%	$19,065	-0.3%	$19,005	2.6%	$19,506	1.0%	$19,708	1.4%	$19,992
District Retirement Benefits		-32.0%	$1,700	47.1%	$2,500	-10.0%	$2,250	-11.1%	$2,000	-7.5%	$1,850
Other Benefits		3.9%	$1,502	1.3%	$1,521	0.8%	$1,533	0.8%	$1,546	1.2%	$1,565
Total Benefits		1.7%	$47,295	12.3%	$53,122	2.4%	$54,376	4.5%	$56,833	0.9%	$57,322
Total Employee Compensation		2.0%	**$121,277**	5.7%	**$128,220**	2.9%	**$131,978**	2.4%	**$135,101**	1.0%	**$136,435**
Non-Compensation Expenditures	(2)										
Purchased Services		7.3%	$10,737	10.8%	$11,892	1.8%	$12,106	1.7%	$12,312	1.9%	$12,546
Charter School Payments		10.0%	$3,712	5.0%	$3,898	9.7%	$4,275	5.7%	$4,518	3.8%	$4,689
Supplies		-0.1%	$3,462	3.0%	$3,564	1.8%	$3,628	1.7%	$3,690	1.9%	$3,760
Equipment		-7.7%	$53	0.6%	$53	1.9%	$54	1.9%	$55	1.8%	$56
Other		4.1%	$829	35.7%	$1,125	28.4%	$1,445	22.5%	$1,770	18.9%	$2,104
Total Non-Compensation Expenditures		6.2%	$18,791	9.3%	$20,532	4.8%	$21,508	3.9%	$22,345	3.6%	$23,155
TOTAL OPERATING EXPENDITURES		2.5%	**$140,069**	6.2%	**$148,752**	3.2%	**$153,486**	2.6%	**$157,446**	1.4%	**$159,590**
Transfers	(3)										
Capital (Non-bondable projects)			$0		$500		$509		$518		$528
Equipment			$0		$1,800		$1,832		$1,863		$1,898
Transportation			$0		$158		$161		$164		$167
Insurance Reserve		-4.6%	$608	82.2%	$1,108	1.8%	$1,128	1.7%	$1,147	1.8%	$1,168
Nutrition Services			$0		$0		$0		$0		$0
Total Transfers			**$608**		**$3,566**		**$3,630**		**$3,692**		**$3,761**
Contingency	(4)		**$1,802**		**$2,975**		**$3,070**		**$3,149**		**$3,192**
Contingency - Special Ed.			$0		$0		$0		$0		$0
TOTAL EXPENDITURES		3.2%	**$142,479**	9.0%	**$155,293**	3.2%	**$160,186**	2.6%	**$164,287**	1.4%	**$166,543**
Note: Totals may differ due to rounding.											
CPI (U.S. Urban Consumers), December 2012			*2.0%*		*1.3%*		*1.8%*		*1.7%*		*1.9%*

Expenditure Assumptions

(1) **Salaries and Benefits Expenditures**

Salaries

For 2013-14 through 2016-17,

- Assumes the restoration of furlough days beginning in 2013-14, and further assumes no cost-of-living increases to salaries throughout the forecast period
- Increased annually by the estimated cost of a step increase for all employee groups, in lieu of the finalization of contract negotiations with employee groups. Current employee agreements with the Eugene Education Association (EEA) and 4J Association (4JA) expire at the end of 2012-13. The agreement with the Oregon School Employees Association (OSEA) expires June 30, 2014.
- Licensed employee changes (i) track enrollment declines, (ii) revert to staffing ratios applied to enrollment before staff added in September 2012 to lower class size, and (iii) increase by 17.0 FTE in 2014-15 to meet mandated full-day kindergarten requirements. No changes have been made due to the adoption of a common schedule at middle and high schools or to fully schedule 10th grade students in 2013-14.
  - 2013-14 19.7 FTE reduction
  - 2014-15 10.2 FTE increase
  - 2015-16 8.8 FTE reduction
  - 2016-17 6.1 FTE reduction
- Any shifts from regular education programs to current charter schools are incorporated into district enrollment projections; any future increases would come from existing programs and result in further staff reductions

Benefits

- Payroll costs are calculated as a percentage of salary, and health insurance and other benefits
  - Insurance changes are subject to negotiations with employee groups. The forecast assumes that district contributions grow at the rate of the CPI over the forecast period.
- The district's composite PERS rate for 2013-15 is estimated to be 32.15%, an increase of 6.55 percentage points over 2011-13. The rate is projected to increase an additional 3.0 percentage points in 2015-16.
  - Does not include 6 percent PERS pick-up paid by the District
- Annual support for district early retirement benefits restored to $2.5 million in 2013-14, and marginally declining thereafter as members of the eligible group retire out of the plan

Board Policy DI, Organizational Policy 3: *"The compensation of employees will be competitive with that of comparable public and private sector employers in the relevant recruiting or market area. The criteria for reviewing employee wages and benefits will also include internal comparability for similar jobs, ability to pay and relevant federal or state requirements."*

(2) **Other Operating Expenditures**

- Purchased Services increase by $1.3 million beginning in 2013-14, principally reflecting the necessary increase in district services resulting from the loss of the services from Lane ESD (due to decreased state funding of the ESD). In futures years, costs increase at the rate of the CPI.
- Charter school payments represent the pass-through of state funding (80% or more of state funding received) and local option revenue on a per pupil basis

Board Policy DI, Organizational Policy 4: *"The district will, within available resources, maintain the productivity of staff through a supportive working environment which includes appropriate equipment, supplies, materials, and professional staff development."*

(3) **Transfers**

- Capital projects transfer of $500,000 annually for projects that do not qualify for general obligation bond funding, increasing by the rate of the CPI
    - Eliminated 2008-09 through 2012-13, reinstated in 2013-14
- Equipment and textbooks transfer of $1.8 million in per pupil allocations to schools
    - Eliminated 2011-12 through 2012-13, reinstated in 2013-14, and district-wide critical equipment needs cut 2008-09 through 2012-13, reinstated in 2013-14
- Bus fleet transfer of $158,000 annually for bus purchases, increasing by the rate of the CPI
    - Eliminated 2008-09 through 2012-13, reinstated in 2013-14
- Insurance and risk reserve transfer of $1,108,000, as negotiated in employee compensation contracts, with annual costs increasing by the rate of the CPI
    - $875,000 in support to Risk and Benefit Management operations, which includes an increase of $500,000 beginning in 2013-14
    - $233,000 in social security cost savings from pre-tax flexible spending accounts to insurance reserve accounts, as negotiated with employee groups

(4) **Contingency**

- General contingency maintained at 2% of operating expenditures (excluding transfers)

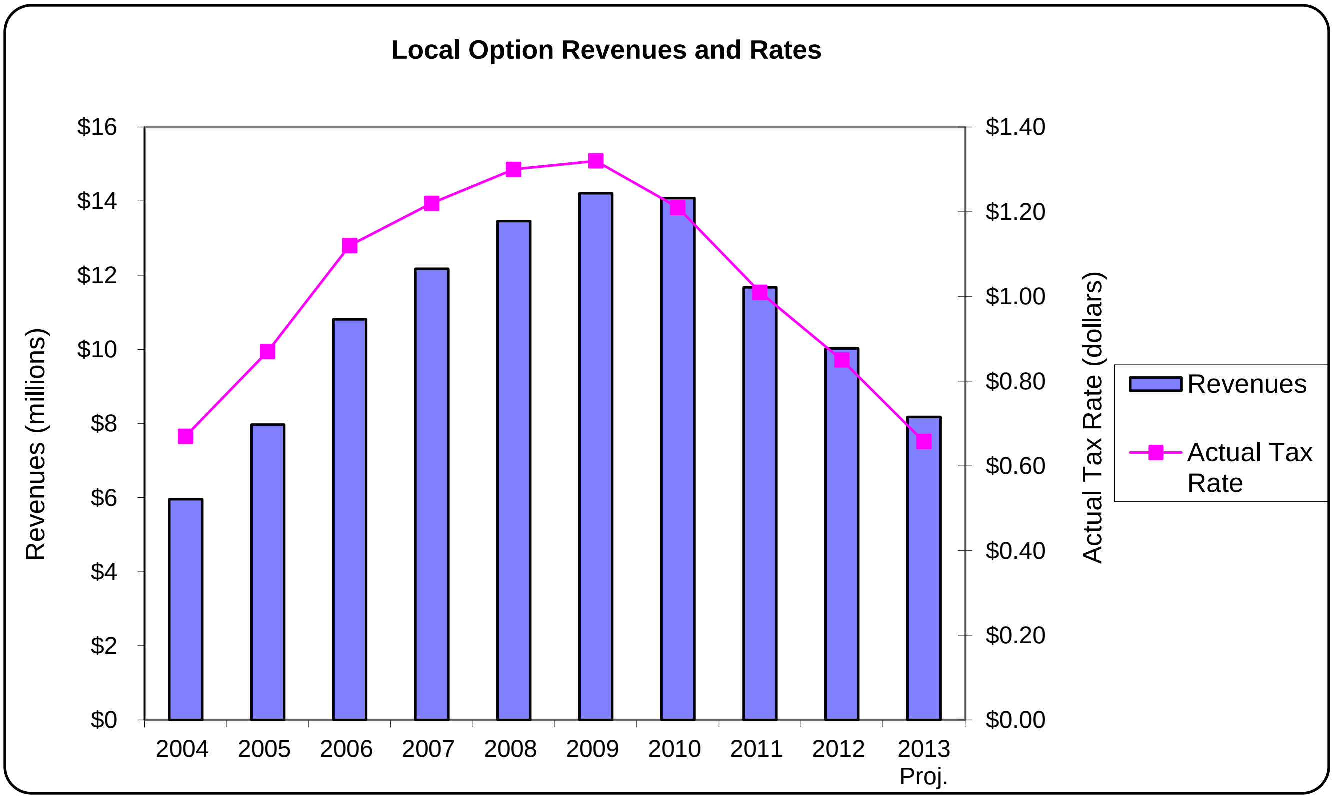
Board Policy DI, Accounting and Financial Practices Policy 3: *“The targeted contingency for the general fund is two percent of the operating budget.”*

2012-13 Service Level Changes/Budget Reductions

GENERAL FUND SERVICE LEVEL ADDITIONS / ENROLLMENT ADJUSTMENTS		
Adjustments Related to Enrollment	**$**	**FTE**
▫ Staff reductions related to decline in enrollment (17.0 FTE licensed)	(1,601,000)	(17.00)
Subtotal—Adjustments Related to Enrollment	***(1,601,000)***	***(17.00)***
Ongoing Additions Resulting from 2011-12 Supplemental Budget Action		
▫ Special Education staffing related to district-sponsored charter schools (.75 licensed FTE, 1.44 classified FTE)	125,000	2.19
▫ Lane Transit District (LTD) bus passes for high school students ($55,000 net of state transportation reimbursement)	120,000	
▫ Financial Services professional staff	105,000	1.00
▫ Talented and Gifted (TAG) professional development for licensed and administrative staff	70,000	
▫ Eugene Education Options custodial support	54,000	0.50
▫ Professional services contract with Lane Council of Governments	20,000	
Subtotal—Ongoing Additions Resulting from Supplemental Budget Action	**494,000**	**3.69**
Ongoing Additions		
▫ Licensed staff to fully schedule 9th grade	1,064,000	11.30
▫ Human Resources administrator (.45 FTE) and professional staff (1.0)	161,000	1.45
▫ Classified childcare staffing not included in 2011-12 budget	123,000	2.63
▫ Bus drivers and supplies for additional routes required by the closure of four elementary schools in 2011-12 (Net cost estimated to be $25,500 after state reimbursement of qualifying costs)	87,000	1.50
▫ Assistant principal position at Spencer Butte Middle School restored to full-time	60,000	0.50
▫ Transportation fuel budget increases in response to higher prices (Net cost estimated to be $18,000 after state reimbursement of qualifying costs)	59,000	
Subtotal—Ongoing Additions	**1,554,000**	**17.38**
One-time Service Level Additions		
▫ Funding for initiatives supporting student achievement	392,000	
Subtotal—One-time Additions	**392,000**	
Staffing Changes Resulting from the Conversion of Discretionary Funds and FTE		
▫ Computing and Information Services to restore 1.0 classified FTE		1.00
▫ Superintendent's Office to fund 0.16 professional FTE to coordinate mentoring partnerships for minority students		0.16
▫ Reallocations within Instruction programs to address instructional initiatives		(0.60)
▫ Instruction Department elimination of positions provided in 2011-12 with time-limited funding (0.23 licensed FTE and 0.48 classified FTE)		(0.71)
▫ Targeted funding converted to 13.34 licensed FTE, net of 22.94 FTE (7.32 licensed and 15.62 classified) included in 2011-12 adopted budget		(9.60)
Subtotal—Changes Resulting from the Conversion of Discretionary Funds and FTE		**(9.75)**
Total Service Level Additions	***2,440,000***	***11.32***

REVENUE STRATEGIES		
On-going Strategies	**$**	**FTE**
▫ Lane ESD funding to be received in lieu of technology services	100,000	
Subtotal—On-going Revenue Strategies	**100,000**	
BUDGET REDUCTIONS		
Ongoing Reduction Strategies	**$**	**FTE**
▫ Reduce budgets for licensed extended contract costs in excess of contractual requirements	(50,000)	
Subtotal—On-going Strategies	**(50,000)**	
One-time Strategies	**$**	**FTE**
▫ Five furlough days for licensed staff	(1,525,000)	
▫ Additional compensation strategies with employee groups	(875,000)	
▫ Eliminate inflationary increase for school and department budgets for supply and materials	(220,000)	
Subtotal—One-time Strategies	**(2,620,000)**	
Short-term Reserve Strategies	**$**	**FTE**
▫ Draw down General Fund reserves to 4% of operating revenues	(1,312,000)	
▫ Eliminate transfer to Capital Equipment Fund for textbooks and equipment needs (fourth year)	(1,706,000)	
▫ Eliminate transfer to Capital Equipment Fund for bus purchases (fourth year)	(158,000)	
▫ Eliminate transfer to Capital Projects Fund (fourth year)	(520,000)	
▫ Transfer from Capital Projects Fund	(2,000,000)	
▫ Transfer from Capital Equipment Fund	(700,000)	
▫ Postpone increase in General Fund transfer to support Risk Management operations	(500,000)	
▫ Reduce General Fund transfer for postemployment benefits	(800,000)	
▫ Use balance of PERS Reserve to partially offset PERS rate increase of 6.3%	(1,257,000)	
Subtotal—Short-term Reserve Strategies	**(8,953,000)**	
2012-13 ANNUAL ONE-TIME ADJUSTMENTS RELATED TO G.O. BOND		
$1.1 Million Shift to Bond Fund	**$**	**FTE**
▫ Facilities Management - $800,000 for materials and services, 12.0 classified FTE		
▫ Computing and Information Systems - 0.2 supervisor FTE and .5 classified FTE	(84,000)	(0.70)
Service Add-backs		
▫ Instruction - $100,000 for high school common schedules transition ($80,000), collaborative practice ($20,000)		
▫ Finance and Support Services - $100,000 for materials and services, .25 professional FTE		
▫ Human Resources - $100,000 for development of licensed and administrative staff evaluation models		
▫ $800,000 balance used as budget reduction strategy		
Subtotal—Adjustments Related to Bond Measure Approval	**(84,000)**	**(0.70)**
TOTAL PROPOSED BUDGET REDUCTIONS	***(11,807,000)***	***(0.70)***
TOTAL PROPOSED SERVICE LEVEL CHANGES/BUDGET REDUCTIONS	***(10,968,000)***	***(6.39)***

STATISTICAL INFORMATION



In May 2000, district voters approved a five-year local option levy of $1.50 / $1,000 of assessed property value. Since the passage of Measure 5 in 1990, this was the first opportunity for district voters to increase school operating funds above the state funding formula. Voters renewed the local option for another five years in November 2004 and again in 2008.

The stability of this revenue source is largely dependent on the real market value of each property in the district increasing by at least the same rate as the assessed value (which is limited to a 3% increase per year up to the real market value). In a slower economy, real market value may increase at a slower rate than assessed value or fall. This condition has been evident since 2011, as tax revenues have fallen from a high of $14.2 million in 2009 to $10.0 million in 2012 and are projected to be $8.2 million in 2013.

When the gap between real market value and assessed value is not sufficient to generate the full $1.50 tax rate, a property is said to be “in compression” and the taxes paid are only a part of the tax rate imposed. On one end, if assessed value and real market value is the same for a particular property, no taxes are due. On the other end, if the assessed value is well below the real market value, the full $1.50 rate is due. Most taxpayers are paying less than the full rate. Since 2004 the average “actual rate” received by the district has been as low as $0.67 in 2004 and as high as $1.32 in 2009. The falling real market values beginning in 2010 drove this actual rate down to $0.85 in 2012. It is projected to fall to $0.66 in 2013.

The local option calculation requires that compression be calculated for each property separately and is therefore difficult to predict the effect of compression on district revenue.

STUDENT AVERAGE DAILY MEMBERSHIP BY LEVEL
(Projections are in **Bold**)

Level	05-06	06-07	07-08	08-09	09-10	10-11	11-12	**12-13**	**13-14**	**14-15**	**15-16**	**16-17**
K-5	7,150	7,049	7,071	7,080	7,078	6,968	6,849	**6,843**	**6,748**	**6,720**	**6,669**	**6,618**
6-8	4,228	4,097	4,000	4,014	3,908	3,917	3,919	**3,995**	**4,026**	**3,929**	**3,832**	**3,700**
9-12	6,185	6,142	5,927	5,719	5,720	5,670	5,411	**5,365**	**5,308**	**5,267**	**5,187**	**5,195**
	17,563	17,288	16,998	16,813	16,706	16,555	16,179	**16,203**	**16,082**	**15,916**	**15,688**	**15,513**

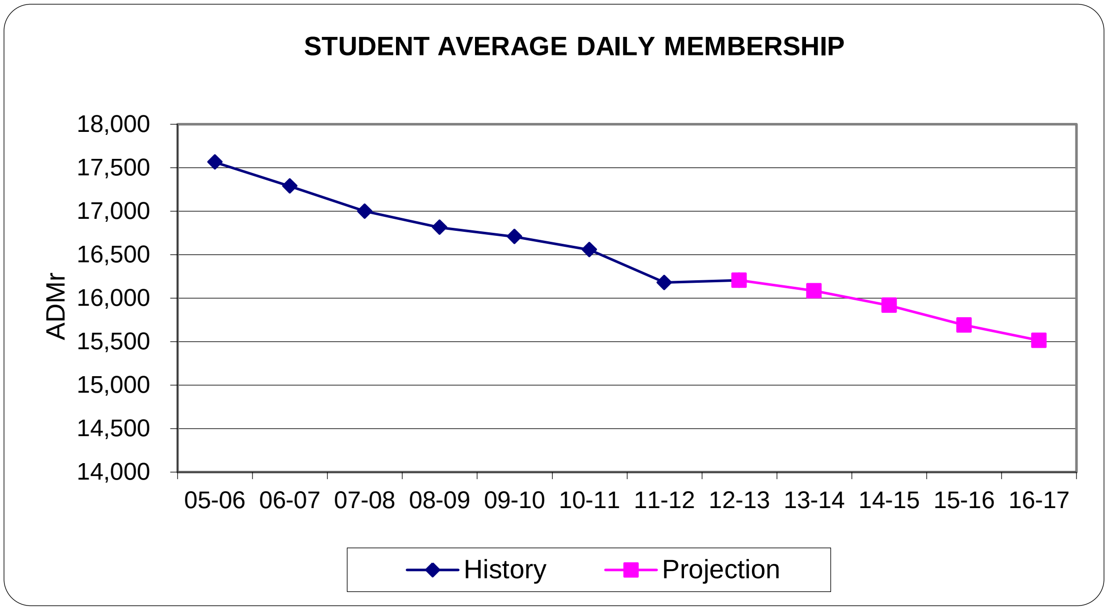
NOTE: The enrollment figures above do not include the estimated impact of Open Enrollment in future years.

Student enrollment is expressed as resident average daily membership (ADMr). It represents the average annual enrollment as of June 30 and counts kindergarten students at 0.5 ADM or half time. The state uses ADM as the basis for allocating funds under the State School Fund formula and provides additional weighting (ADMw) for special education, poverty, English Language Learners (ELL), and pregnant and parenting students. The district also receives funding for students placed in alternative education programs or enrolled in district-sponsored charter schools. The ADMr shown above includes students enrolled in all schools including charter schools and alternative education programs.

The table on the next page shows a history of changes in student ADMr over the past seven years and provides a forecast for the next five years. Student enrollment reached its highest point in the mid-1970's at approximately 22,000 students and declined to a low of 16,636 in 1984-85 before expanding again. During this period the district reduced staff and closed several elementary schools. Between 1985 and 1993, enrollment increased and two elementary schools were reopened. Total enrollment has consistently declined since 2002-03 when ADMr peaked at 17,979.

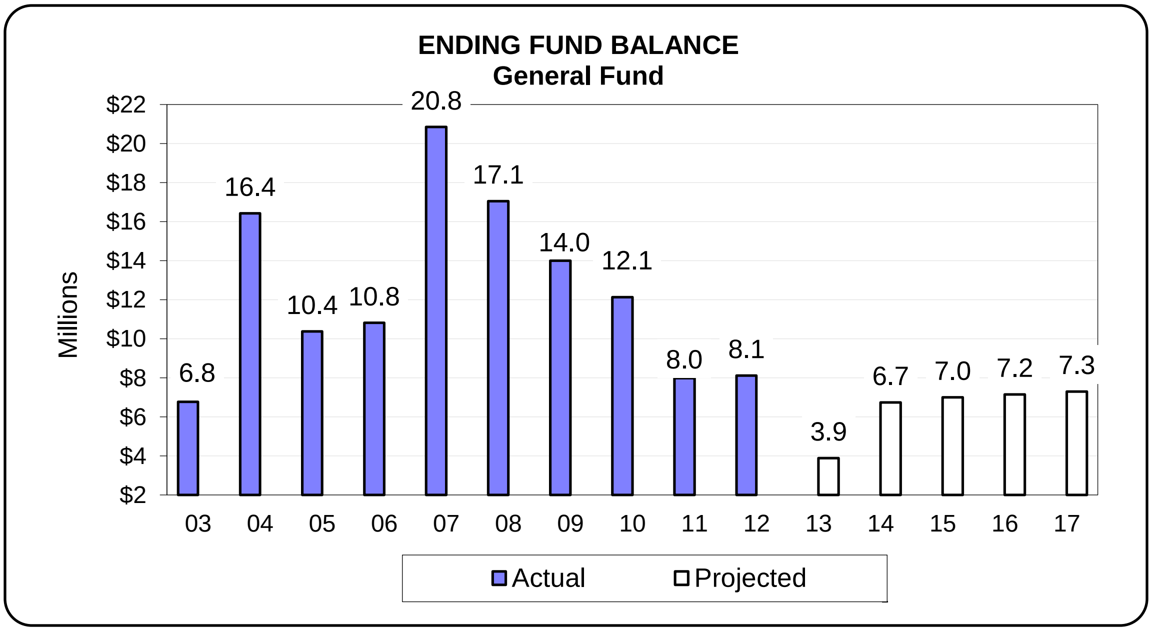
In 2010-11, district enrollment dropped below the 1984-85 level and the district closed four elementary schools due to excess building capacity district-wide and as a response to financial deficits. These closures bring the total number of elementary school closures to eight since 1999-00.

ADMr has declined an average of about 200 students in the last five years and the forecast projects a slight increase in ADMr in 2012-13 before continuing to decline. This increase is caused by several factors: open enrollment allowing students from other districts to attend school in the 4J district, new enrollment of 5th year seniors in the Lane Community College program sponsored by Eugene Education Options, and overall higher than anticipated enrollment. Enrollment is projected to decline another 690 during the next four years with an average loss of 173 students per year.


STUDENT AVERAGE DAILY MEMBERSHIP
ADMr
18,000
17,500
17,000
16,500
16,000
15,500
15,000
14,500
14,000
05-06
06-07
07-08
08-09
09-10
10-11
11-12
12-13
13-14
14-15
15-16
16-17
History
Projection

Ending Fund Balance

The graph below shows historical and projected ending fund balances in the general fund, representing cash reserves remaining at the end of the fiscal year. Balances reflect additional revenues collected during the year, unexpended budget appropriations, and planned savings held in the unappropriated ending fund balance (UEFB).



Board Policy DI, Accounting and Financial Policy 4. states: "*The district will maintain an ending fund balance in the general fund, in order to provide stable services and employment to offset cyclical variations in revenues and expenditures*. *The targeted floor for the ending fund balance will be at five percent of annual operating revenues. The annual financial forecast will project operating revenues and ending fund balance for the next five years. The board will allocate an appropriate portion of the projected ending fund balance to the unappropriated ending fund balance (UEFB) in the annual budget, taking into consideration revenue and expenditure volatility and other district needs. The UEFB may not be spent or appropriated during the fiscal year in which it is budgeted.*

Once the targeted five percent for the ending fund balance has been achieved, the superintendent will advise the board if at any time the ending fund balance falls below or is projected to fall below that amount. The superintendent will update the board on the financial condition of the district and present financial options for board consideration."

The $5.2 billion K-12 budget approved for the 2003-05 biennium was reduced to $4.9 billion in 2004 with the failure of Measure 30. Per pupil funding declined substantially and required the carry-over of reserves to maintain stable programs in 2004-05. The district reduced its state funding accrual by $2.1 million in 2004-05.

The 2005 legislature adopted a $5.24 billion K-12 budget plus $23 million if state revenues exceeded projections. Along with higher local property taxes, this resulted in an unexpected boost to district revenues and reserves in 2005-06 and 2006-07.

The 2007 legislature adopted a $5.985 billion K-12 budget plus another $260 million for a noncompetitive School Improvement Fund grant available for certain expenditures aimed at increasing student achievement. The combined $6.245 billion was $940 million over the previous biennium or 17.7%. During

November 2008, in light of falling state revenues, the Governor called for a 1.2% reduction in 2007-09 school funding. This resulted in a $2.1 million cut to district revenues.

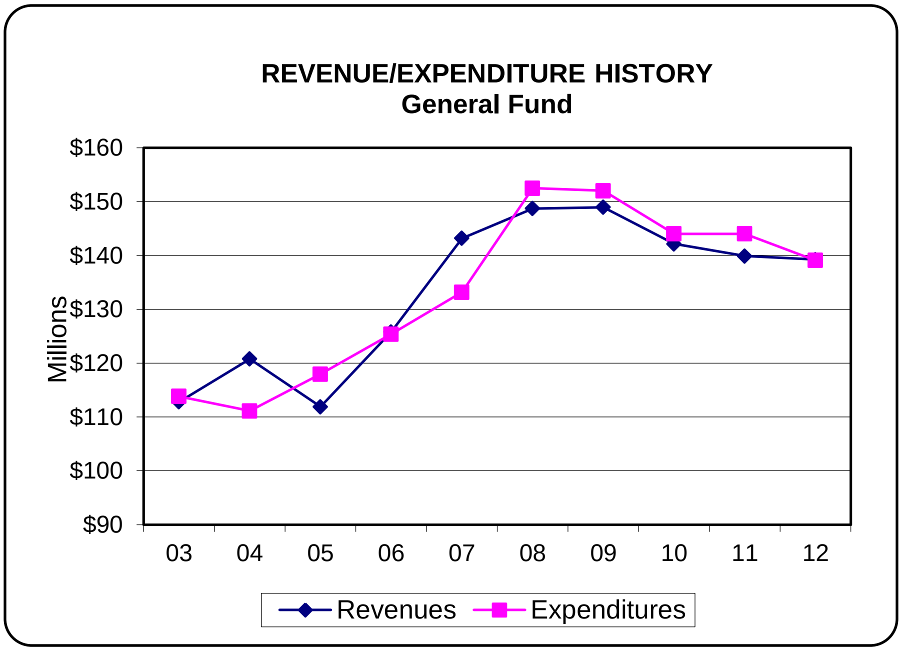
Although the 2009 legislature approved a $5.8 billion base budget and approved the release of an additional $200,000 in reserves for K-12 education, in May 2010, 9% across the board cuts were imposed for all state agencies as the Great Recession began to have its impact on local economies. Total biennial funding dropped to $5.74 billion, and state funding to the district was reduced by $6.8 million as a result.

For the 2011-13 biennium, the State approved $5.7 billion to fund K-12 schools, 3.4% lower than the 2009-11 appropriation. The total included $125 million in School Year Subaccount funds to lower class sizes and to increase the number of school days. The total was 8.7% lower than the $6.245 billion provided in the 2007-09 biennium.

Reserves are projected to be 3.0% in 2012-13, unless corrective actions are implemented in the current year, and forecast at 5.0% in future years.

Revenue/Expenditure History

Significant Revenue/Expenditure Variables



2002-03 State revenue shortfalls addressed in five special sessions and the failure of a state income tax measure resulted in major cuts to K-12 funding. Revenue includes $6.3 million in state funding received in July 2004, as permitted by the legislature.

2003-04 State funding was approved at a higher level than budgeted by 4J. PERS rates declined but costs were held to budgeted levels because of uncertainty around state funding and PERS rates. Expenditures include a $4 million PERS reserve.

2004-05 Revenues dropped sharply from the failure of Measure 30 and the resulting cut to state funding. Expenditures include a $4.5 million transfer to PERS reserves and use $6.0 million in general fund reserves to support operations.

2005-06 A strong economy generated higher levels of state funding and local option income. Cost were increased to reflect higher health insurance costs and PERS rates, additional special education staff, and 1-time funding to stabilize neighborhood schools and strengthen the school choice system. $2.3 million in general fund reserves and $3 million in PERS reserves were used to support operations.

2006-07 State funding was bolstered by "trigger revenue" and 1-time lottery funds. Local option revenue exceeded projections. Costs included continued efforts to stabilize neighborhood schools and 1-time initiatives to increase student achievement. PERS reserves of $3 million were used to support operating costs. Another $3 million was held in reserve to fund services when the City levy expired at the end of 2006-07.

2007-08 A strong economy once again generated higher levels of state and local revenues. Costs were increased due to the on-load of City Levy funded services and the addition of ongoing and one-time investments in the classroom.

2008-09 State funding was decreased in response to the global economic crisis, with district revenues cut almost $2 million. Further reductions were offset by the use of federal State Fiscal Stabilization Fund dollars. District spending was reduced by $4.3 million.

2009-10 Unprecedented uncertainty and a continued global economic crisis resulted in $11.7 million in budget reductions. Further cuts were avoided with funding provided under the American Recovery and Reinvestment Act (ARRA) as well as state funding from the Education Stability Fund and Rainy Day Fund.

2010-11 With renewal of the district's local option levy, passage of statewide tax initiatives, the Legislature's approval of $200 million in K-12 funding from state reserves, and additional ARRA funding, budget reductions were minimized at $7.2 million.

2011-12 In the wake of the Great Recession, breakeven operations were achieved by implementing over $21 million in budget reductions. Strategies included $5.8 million from an increase of 3.0 on the student: teacher ratio, $3.2 million in employee compensation adjustments, $5.0 million in reserves, $940,000 from school consolidations, cutting 10% of central office and school-based classified staff, and shifting $1.0 million in facilities costs to a g.o. bond.

Staffing History

The table below represents total actual licensed, classified, professional, administrative, and supervisory employees for the past nine fiscal years. Employee and Average Daily Membership (Resident) totals for fiscal year 2012-13 have been projected.

Licensed, Classified, and Administrative Full-Time Equivalent Employees
General Fund
(in FTE)

Year Ended June 30	Licensed	Classified & Prof. (4)	Admin. & Supervisory (5)	Total	Avg. Daily Membership (Resident) K-12 (3)	Licensed Staffing Ratio	Class. & Prof. Staffing Ratio	Admin. & Supervisory Staffing Ratio	Total Staff to Student Ratio
12-13 (1)	756.7	509.7	75.0	1,341.4	15,239	20.1	29.9	203.2	11.4
11-12	750.8	540.3	70.3	1,361.4	15,248	20.3	28.2	216.9	11.2
10-11	833.0	585.0	77.5	1,495.5	15,762	18.9	26.9	203.4	10.5
09-10	839.0	608.1	72.5	1,519.6	16,027	19.1	26.4	221.1	10.5
08-09	882.8	598.5	79.2	1,560.5	16,104	18.2	26.9	203.3	10.3
07-08 (2)	885.2	611.5	79.1	1,575.8	16,192	18.3	26.5	204.7	10.3
06-07	818.3	572.1	77.4	1,467.8	16,476	20.1	28.8	212.8	11.2
05-06	822.4	564.1	76.1	1,462.6	16,746	20.4	29.7	220.1	11.4
04-05	831.4	555.7	66.0	1,453.1	16,943	20.4	30.5	256.7	11.7
03-04	805.4	537.7	66.1	1,409.2	17,105	21.2	31.8	258.8	12.1

(1) Projected

(2) Increase reflects on-load of staff previously funded with City of Eugene Levy funds 2004-2007.

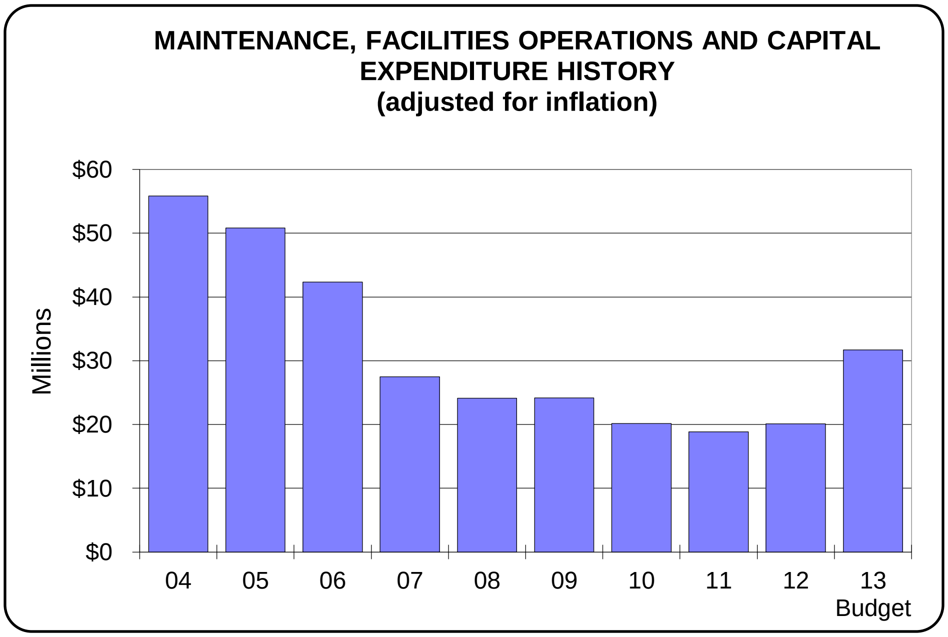
(3) Excludes District sponsored public charter schools and alternative education programs.

(4) Beginning 2006 includes Professional.

(5) Beginning 2006 includes Supervisors.

Note: FTE as of June

Maintenance & Capital Trends



Expenditure totals include general fund expenditures for repairs, maintenance, capital improvements, and building operations plus capital expenditures paid for from the capital projects fund. Actual dollar expenditures have been adjusted for inflation (U.S. CPI for Urban Consumers) to reflect a real dollar comparison in 2012 dollars.

2002 - 2008 Capital Improvement Program

In May 2002, voters approved $116 million in bonds to fund a six-year capital improvement plan. Spending in 2002-03 represented the first year of design and construction activity under that bond. Higher levels of spending in 2003-04 through 2005-06 primarily reflect the construction of two new elementary schools to replace four former elementary schools (opened in September 2004), the construction of two new middle schools (opened September 2005 and September 2006), and remodels in all four high schools. Amounts expended in 2006-07 include the final costs of constructing one new middle school, major remodeling at an elementary school and another middle school, plus upgrades to building systems such as electrical, heating and ventilation, and plumbing systems district-wide. Of the total bonds authorized, $70 million was issued in November 2002 and the remaining $46 million was issued August 2005. Bonds are scheduled to be repaid by 2025.

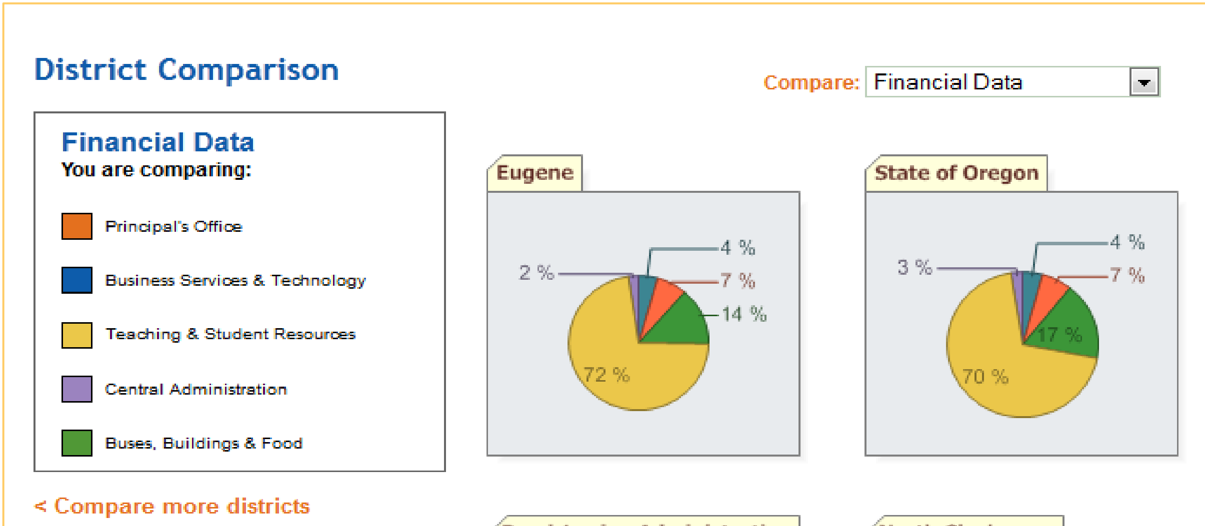
2011 Capital Improvement Program

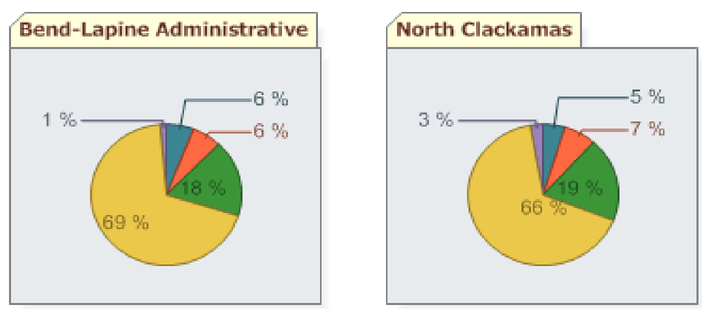
In May 2011, district voters approved a $70 million general obligation bond, funding the second phase of the district's Long-Range Facilities Plan. Also an element of the board's sustainable budget strategy, the bond was developed provide immediate relief to the general fund and take pressure off of limited capital reserves. Bond proceeds are being used to provide better instructional facilities for students and fund $1 million of annual building repairs which have been paid for from the general fund. Major capital improvement projects budgeted for 2012-13 include upgrades to technology infrastructure, replacement of roofs and pavement, restroom upgrades and additions, and remodels to cafeterias and kitchens. Spending projected for 2012-13 reflects full implementation of the bond funded program.

Open Books

The Open Books project was created to explain information about Oregon K-12 school spending in a simple, easy-to-understand format. Information is available on individual district spending, comparable districts spending and statewide averages.

Open Books, in an effort to provide information that is easy to understand, uses the five expenditure categories listed below.





Open Book$ Icons & Definitions

Teaching and Student Resources

Teachers, instructional assistants, special education, speech pathologists, attendance officers, school nurses, library services, counseling, community services, supplies, textbooks and equipment.

Principal's Office

Principals, vice-principals, secretaries, and the supplies and equipment they use to perform their jobs.

Buses, Buildings and Food

Student transportation, building maintenance, heat, light, custodians, cafeteria.

Business Services and Technology

Information technology, personnel, curriculum research and evaluation, printing educational materials.

Central Administration

Staff salaries, benefits and supplies in the superintendent's office, or for other education leaders not located at specific schools.

The chart above compares Eugene's 2010-11 spending in the five categories with the state average and the two districts closest in size to that of Eugene: North Clackamas and Bend-LaPine.

For more information visit the Open Books website: www.openbooksproject.org.

Breaking down the largest spending category, Teaching and Student Resources, shown in the chart to the right, the district is in line with statewide averages spending 88% on classroom teachers, 6% on counselors, and 3% on staff training.

Teaching & Student Resources

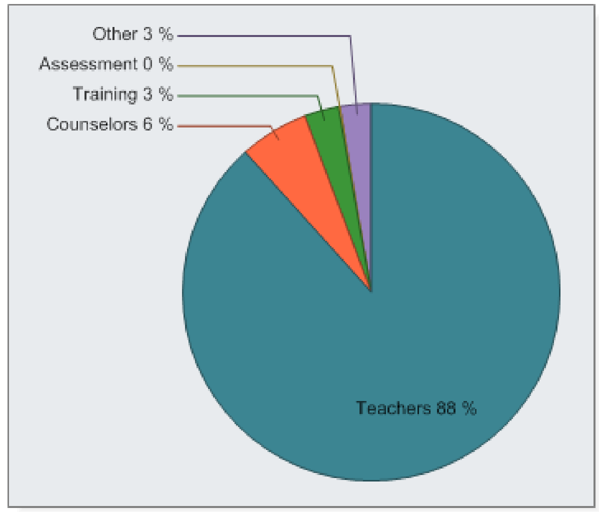
Classroom Teachers, Librarians and Materials: **$107,562,514**

Counselors and Health Services: **$6,892,040**

Staff Training: **$5,123,446**

Assessment and Testing: **$77,308**

Other Student Support Services: **$3,261,831**



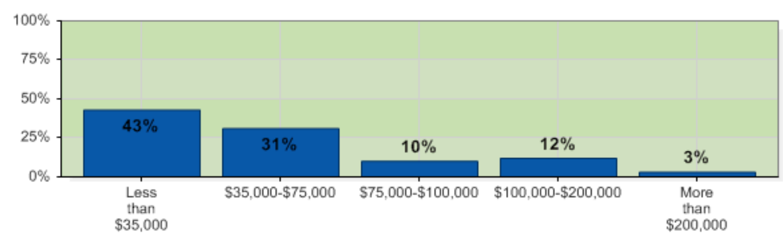
The charts to the right display select community data regarding household income, education level, and demographics. Household income $100,000 and below in Eugene is slightly higher than statewide averages. Eugene ranks 3% lower in the $100,000 to $200,000 category at 12% and is equal to the state average for the $200,000+ category at 3%. Eugene residents have also achieved higher education levels when compared to the rest of the state. With 18% of residents having a Master's Degree or better, this is almost double the state average of 10%. Percentages for other statewide numbers include 12% not completing high school, 26% having a high school diploma, 34% having some college, and 18% having a bachelor's degree. Demographic data is in line with statewide averages.

Data from the 2010 US Census.

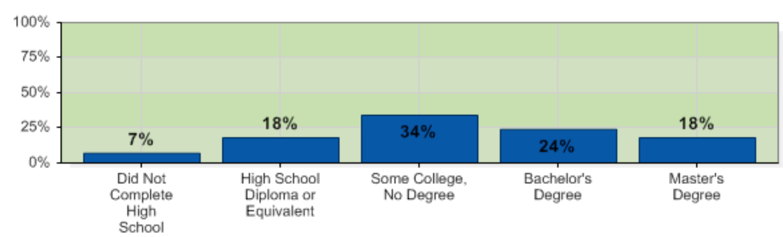
Community Data

Homes with School Age Children: 23%

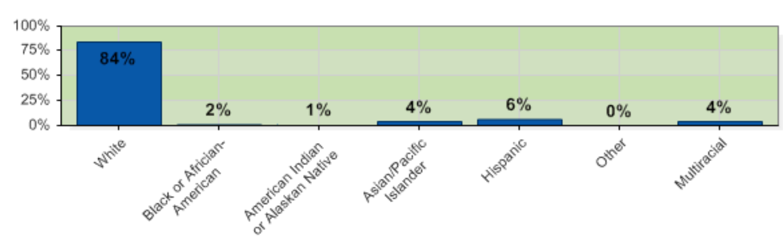
Household Income Distribution



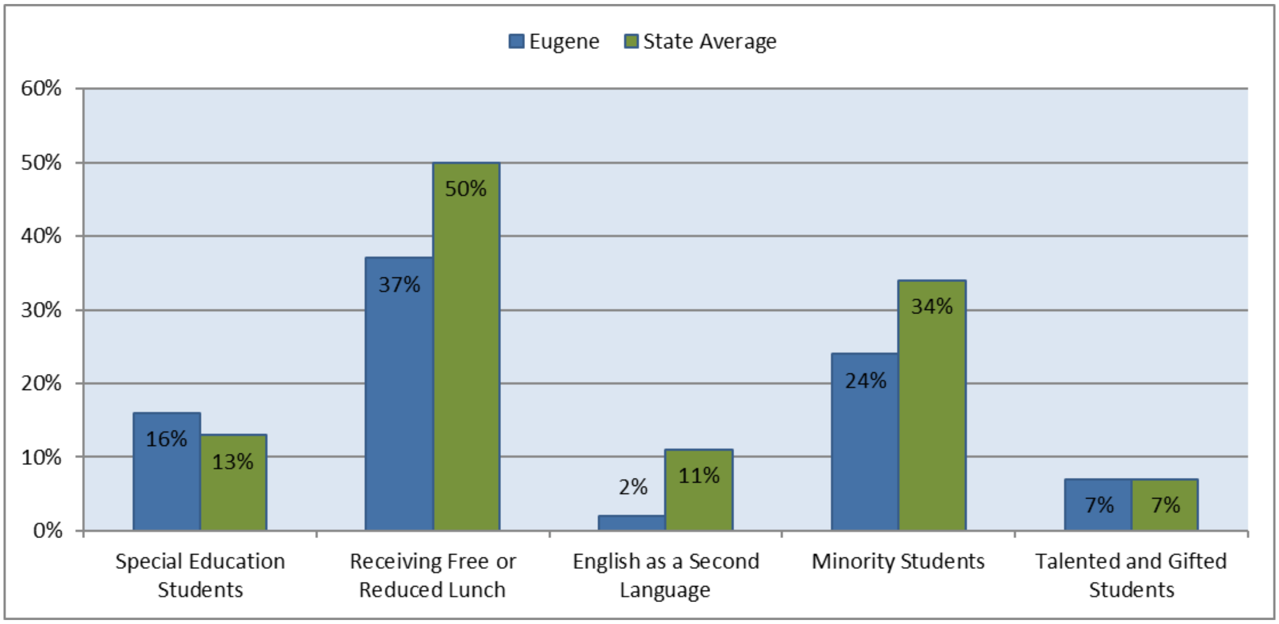
Education Level of Adults



Demographic Information



The graph below compares select student demographic data with statewide averages. Note Eugene's slightly higher population of special education students and lower population of English language learners, minority students, and students receiving free or reduced lunches. The difference from the state average in these four categories translates into less funding coming to Eugene through the state school funding formula. Information was provided by the Oregon Department of Education based on the 2010-11 school year.



Estimate of Membership and Revenues, 2013-14

Select	School Institution Identifier	DistInstID	Projected Property Tax	Projected ADM - Kindergarten	Projected ADM - Grades 1-8	Projected ADM - Grades 9-12	ErrCount
	2082	2082	57875000	612.4	10161.4	5308.6	0

Select District or School Eugene SD 4J...2082

1. Estimate of Selected Revenue Sources	Current Year 2012-13	Projected 2013-14
Property Tax (current, prior, penalty, interest) but exclude debt service fund	56296000	57875000
Federal Forest Fees	919935	0
County School Fund	200000	200000
State Managed Timber (Ch.530)	0	0
Monies Received in Lieu of Property Taxes (not offsets) (EWEB, Coos Bay Wagon Rd., etc.)	0	0
Excess ESD Revenue	0	0
Local Option Taxes	8174000	7687000

2. Estimate of Student Membership

A. Total District Resident Average Daily Membership (ADM), including Alternative and Attending in Another District.	Projected 2013-14
Kindergarten	612 . 4
Grades 1-8	10161 . 4
Grades 9-12	5308 . 6
Subtotal A :	**16082.4**

B. Participation in Selected Programs	
Number of students eligible for special education as a child with disability under ORS 343.035 (December count)	2300 . 0
ADM of pregnant and parenting students under ORS 336.640 and OAR 581-23-100(3)	36 . 0
ADM of students enrolled in an ESL program under ORS 336.079 and OAR 581-23-100(4)	300 . 0
Subtotal B :	**2636.0**

3. Estimate of Net Transportation Cost	Current Year 2012-13	Projected 2013-14
including bus/garage allowable depreciation and net of transportation receipts and non-reimbursable mileage	7213508	7423508

4. 2012-13 Estimate of High Cost Disability Claims

Number of High Cost Students for 2012-13				Additional Spent by District	Total Spent for High Cost Students
166	x	$30000	+	$ 1510954	$6490954

Submit Reset

EXCERPTS FROM

THE STATE OF OREGON

ECONOMIC AND REVENUE FORECAST SUMMARY

December 2012

State Economic & Revenue Forecast Summary

This section provides a summary of Oregon's Economic and Revenue Forecast. The forecast is produced quarterly by the State's Office of Economic Analysis. The December forecast may be viewed in its entirety at the following website:

http://www.oregon.gov/DAS/OEA/pages/index.aspx

Current Conditions

For most of 2012, Oregon has experienced a slow uneven economic expansion. It has slowed in recent months in the face of global economic uncertainty such as the sovereign debt crises in Europe, general weaknesses across trading partners, a Middle East oil supply disruption, and uncertainty regarding US federal policy. In particular, the manufacturing sector has slowed with a drop-off in the number of orders across a wide range of Oregon's products. This has been somewhat mitigated by a recovery in housing and an improvement in consumer sentiment to levels not seen since the start of the Great Recession.

The unemployment rate is declining slowly. Average wages are growing at just under 2.0 percent for all employees overall, which is still low compared with rates in the late 1990s or even mid-2000s when wage growth reached 4 percent per year.

Outlook

The outlook is for continued slow growth. In the near-term, concerns about the so-called fiscal cliff are causing concerns. Consumers and businesses may be delaying spending decisions and therefore slowing growth pending the resolution of this issue. The Forecast posits that, "should a deal in fact be reached by the middle of next year, the underlying economic conditions are primed for some acceleration in growth." Nonetheless, Oregon is not expected to recover all of the jobs that were lost in 2008 until the end of 2014.

Recent Trends

Employment grew approximately 1.5% in the first three quarters of 2012. Growth in the first quarter, though, was considerably higher than it has been over the last two quarters. This growth is focused in the private sector, particularly in professional and business services, leisure and hospitality, and retail trade. Public sector has continued to fall, albeit at a slower rate. The October unemployment rate of 8.6% is down from 9.3% a year ago and is 3.0% lower than recession highs.

Demographic Forecast

Oregon's population count as of the last decennial census on April 1, 2010, was 3,831,074. As a result of the recent economic downturn and sluggish recovery, Oregon's population is expected to continue a slow pace of growth in the near future. Any changes are driven by the economy. The forecast projects an increase in population to 4.25 million in the year 2020, with an annual growth rate of 1.03% between 2010 and 2020. This growth comes from net in-migration due to the low fertility rate.

The state's population will become older on average, as baby boomers age out of the workforce. The growth in K-12 population (aged 5-17) will remain low which will translate into slow growth in school enrollments. Indeed, the school-age population has declined in size in recent years and will grow in the future at well below the state average. The growth rate for children under the age of five will remain below zero percent in the near future and will see positive growth only after 2013. The forecast predicts that the demand for public services geared towards children and young adults will likely increase at a slower pace, whereas demand for elderly care and services will increase rapidly.

Revenue Forecast

The revenue forecast mirrors the general economic forecast. Slow growth is expected; however this is susceptible to the external risks to the economy. Personal income tax collections may increase as investors cash out investments to realize recent gains in stock prices and to take advantage of current lower interest rates. Corporate taxes have increased over prior years, representing strong profit margins early in the year; however, recent decreases in sales may have a negative effect on corporate taxes paid.

In the longer term, the aging population will put considerable downward pressure on the revenue picture. As the baby boom population cohort works less and spends less, traditional state tax instruments such as personal income taxes and general sales taxes will generate less state revenue. Revenue growth will fail to match the pace seen in the past.

TABLE A.1

Dec 2012 - Other Economic Indicators

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GDP (Bil of 2005 $),												
Chain Weight (in billions of $	12,758.0	13,063.0	13,299.1	13,574.6	13,819.5	14,226.9	14,704.5	15,128.1	15,528.3	15,906.6	16,295.7	16,703.4
% Ch	(3.1)	2.4	1.8	2.1	1.8	2.9	3.4	2.9	2.6	2.4	2.4	2.5
Price and Wage Indicators												
GDP Implicit Price Deflator,												
Chain Weight U.S., 2005=10	109.5	111.0	113.4	115.5	117.4	119.1	121.1	123.0	125.0	127.1	129.2	131.4
% Ch	0.9	1.3	2.1	1.9	1.6	1.5	1.6	1.6	1.6	1.7	1.7	1.7
Personal Consumption Deflator,												
Chain Weight U.S., 2005=10	109.0	111.1	113.8	115.8	117.1	118.8	120.7	122.9	125.1	127.4	129.7	132.1
% Ch	0.1	1.9	2.4	1.8	1.1	1.5	1.6	1.8	1.8	1.9	1.8	1.8
CPI, Urban Consumers,												
1982-84=100												
Portland-Salem, OR-WA	215.6	218.3	224.7	229.8	233.4	237.3	241.3	245.7	250.6	255.6	261.1	266.7
% Ch	0.1	1.3	2.9	2.3	1.6	1.6	1.7	1.8	2.0	2.0	2.1	2.1
U.S.	214.6	218.1	224.9	229.5	232.5	236.6	240.6	245.1	249.7	254.7	259.7	264.8
% Ch	(0.3)	1.6	3.1	2.0	1.3	1.8	1.7	1.9	1.9	2.0	2.0	1.9
Oregon Average Wage												
Rate (Thous $)	42.9	44.1	45.6	46.8	47.8	48.9	50.2	51.5	53.0	54.5	56.1	57.9
% Ch	0.7	2.7	3.4	2.6	2.1	2.4	2.7	2.6	2.8	2.8	3.1	3.1
U.S. Average Wage												
Wage Rate (Thous $)	47.9	49.3	50.7	51.8	53.1	54.5	56.0	57.5	59.1	60.9	62.9	64.8
% Ch	0.1	2.9	2.8	2.2	2.5	2.6	2.8	2.7	2.8	3.0	3.1	3.1
Housing Indicators												
FHFA Oregon Housing Price Index												
Housing Index 1987 Q1=100	405.7	378.6	353.4	347.8	350.1	345.4	354.3	360.4	371.4	382.2	393.0	405.1
% Ch	(8.1)	(6.7)	(6.6)	(1.6)	0.7	(1.4)	2.6	1.7	3.0	2.9	2.8	3.1
FHFA National Housing Price Index												
(1980Q1=100)	340.8	328.2	316.7	318.2	323.5	325.3	338.1	347.7	359.4	369.8	379.3	390.3
% Ch	(5.0)	(3.7)	(3.5)	0.5	1.7	0.6	3.9	2.8	3.4	2.9	2.6	2.9
Housing Starts												
Oregon (Thous)	7.6	7.6	8.1	10.2	11.4	14.6	20.1	22.7	24.5	25.1	25.3	25.2
% Ch	(40.8)	0.3	6.0	26.4	11.7	28.1	37.6	13.4	7.7	2.5	0.6	(0.4)
U.S. (Millions)	0.6	0.6	0.6	0.8	1.0	1.3	1.6	1.7	1.7	1.7	1.7	1.7
% Ch	(38.4)	5.7	4.5	22.6	26.8	34.1	24.3	6.5	1.4	(0.2)	(0.2)	(0.9)
Other Indicators												
Unemployment Rate (%)												
Oregon	11.1	10.6	9.5	8.6	8.1	7.5	7.0	6.7	6.7	6.8	6.2	5.7
Point Change	4.5	(0.4)	(1.2)	(0.8)	(0.5)	(0.6)	(0.5)	(0.3)	(0.0)	0.1	(0.5)	(0.6)
U.S.	9.3	9.6	8.9	8.2	8.0	7.6	6.9	6.4	6.2	6.1	6.0	5.9
Point Change	3.5	0.3	(0.7)	(0.7)	(0.2)	(0.4)	(0.7)	(0.5)	(0.3)	(0.1)	(0.1)	(0.1)
Industrial Production Index												
U.S, 2002 = 100	85.4	90.1	93.7	97.3	99.3	102.3	105.8	108.6	111.4	114.4	117.5	120.8
% Ch	(11.4)	5.4	4.1	3.8	2.0	3.1	3.4	2.7	2.6	2.6	2.7	2.8
Prime Rate (Percent)	3.3	3.3	3.3	3.2	3.2	3.2	3.7	5.7	7.0	7.0	7.0	7.0
% Ch	(36.1)	0.0	0.0	(0.0)	(0.0)	(0.0)	13.9	53.5	22.6	0.5	(0.0)	0.0
Population (Millions)												
Oregon	3.82	3.84	3.86	3.89	3.92	3.96	4.01	4.06	4.11	4.16	4.21	4.26
% Ch	0.8	0.6	0.6	0.7	0.9	1.0	1.1	1.2	1.2	1.2	1.2	1.2
U.S.	307.6	310.1	312.4	315.3	318.4	321.5	324.6	327.7	330.9	334.1	337.3	340.5
% Ch	0.9	0.8	0.7	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9
Timber Harvest (Mil Bd Ft)												
Oregon	2,820.0	3,210.0	3,390.0	3,589.8	3,933.5	4,131.9	4,234.4	4,251.1	4,314.9	4,390.4	4,463.5	4,497.8
% Ch	(18.0)	13.8	5.6	5.9	9.6	5.0	2.5	0.4	1.5	1.8	1.7	0.8