

Budget Planning and Mill Levy Election

Board of Education Meeting
June 10, 2004

1

Background

- August 2003 through May 2004
 - Review of long-term financial forecasts (monthly)
 - Budget workshop (January 14th)
 - 2004-05 budget reduction of \$3.5 million (January 22nd)
 - Survey of community opinions (January 26th-28th)
 - Budget forums (April 14th and May 10th)
 - Discussions with community groups (on-going)
 - Community mailings (*Budget Matters*)

2

Financial Projections

Prior to Budget Reductions

	2004-05	2005-06	2006-07
Beginning Fund Balance (Reserves)	\$13,253,596	\$8,676,067	\$915,510
Revenue	108,209,827	110,504,363	113,193,960
Expenditures	112,787,355	118,264,921	122,536,079
Net Cash Provided (Used) by Operations	(4,577,528)	(7,760,557)	(9,342,119)
Net Cash Provided (Used) by Operations, net of one time expenditures	(3,522,428)	(7,319,672)	(9,342,119)
Ending Fund Balance (Reserves)	<u>\$8,676,067</u>	<u>\$915,510</u>	<u>(\$8,426,610)</u>

3

Financial Projections

After Budget Reductions

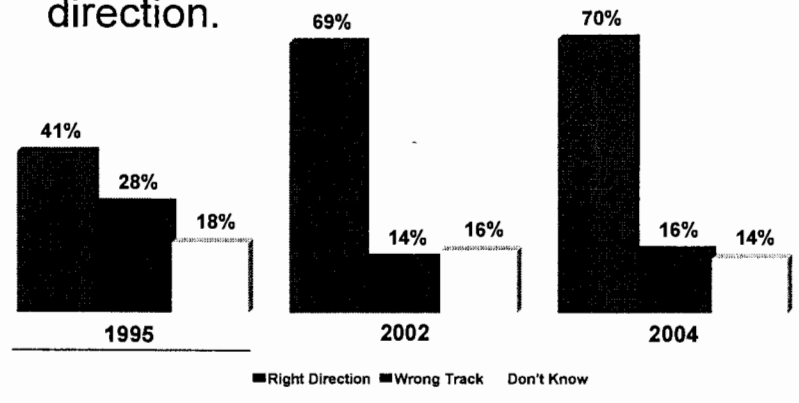
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Revenue	\$107,960,660	\$109,644,827	\$111,469,211	\$113,169,652	\$115,170,996
Expenditures	<u>\$107,960,660 *</u>	<u>\$113,020,836 *</u>	<u>\$116,615,524 *</u>	<u>\$120,386,405 *</u>	<u>\$124,406,705 *</u>
Surplus (Deficit)	\$0	(\$3,376,009)	(\$5,146,313)	(\$7,216,753)	(\$9,235,709)

*Net of one time, non-recurring costs.

4

[Summary Results of Public Opinion Poll]

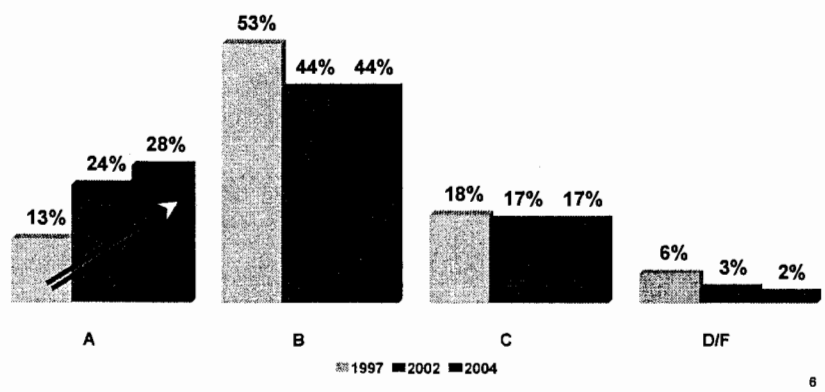
- 70% stated LPS was headed in right direction.



5

[Summary Results of Public Opinion Poll]

- 72% graded the quality of LPS an "A" or "B".



6

[Summary Results of Public Opinion Poll]

- 80% like schools' well-rounded curriculum and high academic standards.

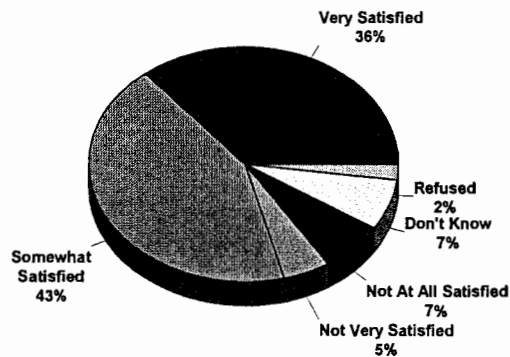
- Support measures to attract and retain teachers, low class sizes, art, music, and dropout prevention programs.

7

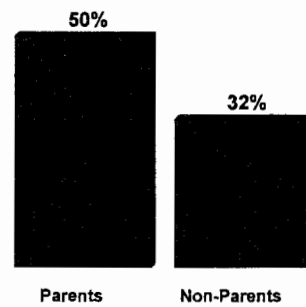
[Summary Results of Public Opinion Poll]

- 79% satisfied with amount of district communication.

Total Satisfied	79%
Total Not Satisfied	12%



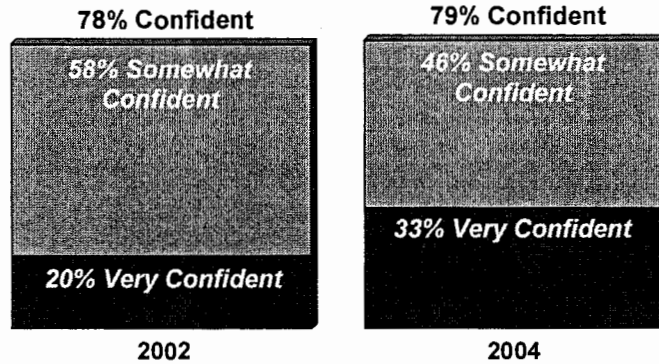
% Very Satisfied



8

Summary Results of Public Opinion Poll

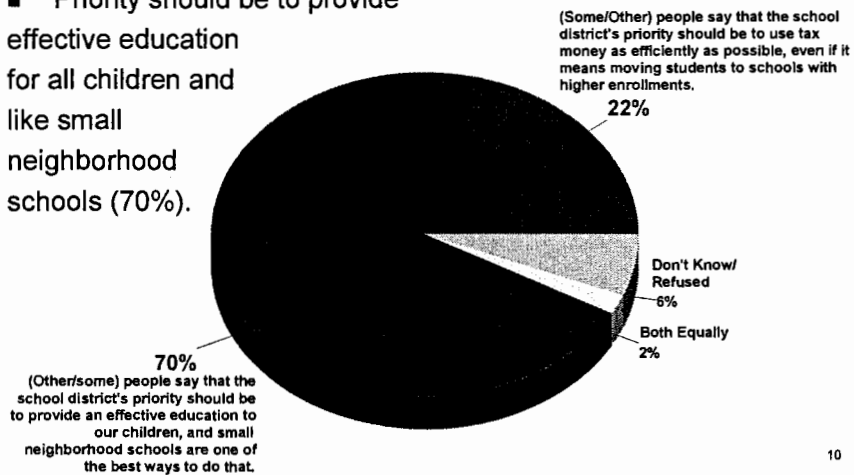
- Confidence that LPS handles taxpayer's money wisely (78%).



9

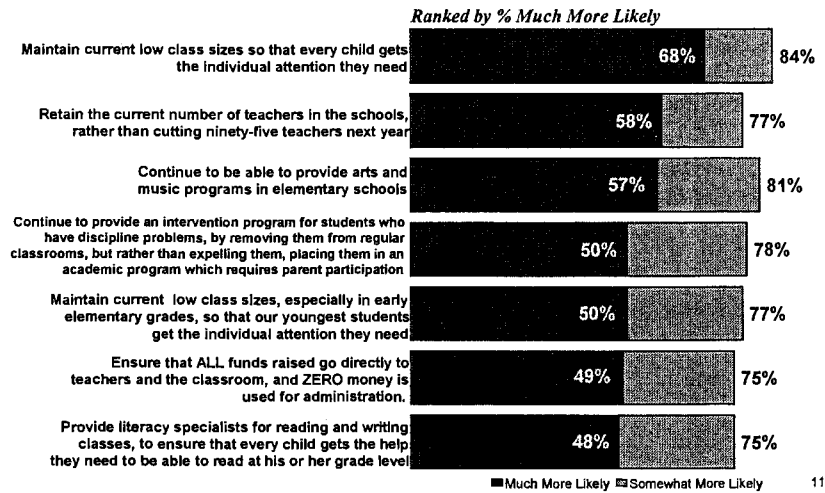
Summary Results of Public Opinion Poll

- Priority should be to provide effective education for all children and like small neighborhood schools (70%).



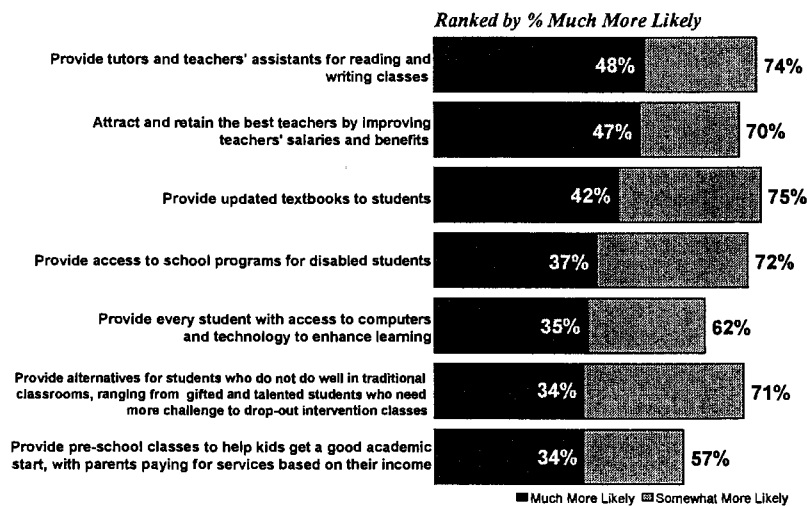
10

Summary Results of Public Opinion Poll



11

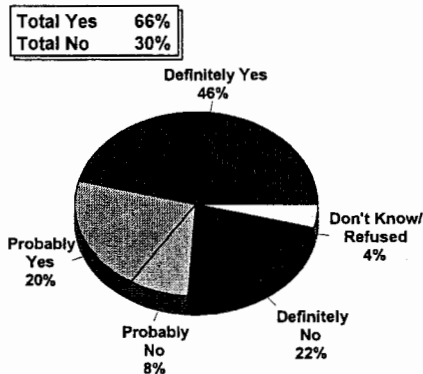
Summary Results of Public Opinion Poll



12

[Summary Results of Public Opinion Poll]

- Proposal to increase property taxes received solid support (66%).



13

[Summary Results of Public Opinion Poll]

- Two major reasons for opposing a tax increase:
 - Balance budget with what is taken in and be more efficient
 - General anti-tax sentiment

14

Community Comments from Budget Forums

- Can't count on state to resolve funding challenges
- Seek mill levy increase to keep quality of LPS
- Retain teachers vs. cut teachers
- Ensure class sizes remain small
- Continue with efficiencies
- Market district to attract students

15

Advisory Input

- Discussions with Financial Advisory Committee included financial forecasts and strategies for balancing the budget
- Recognized past district budget actions.
 - Prior budget cuts of \$12.5 million
 - Prior mill levy election in 1997 for \$5 million
- Committee recommends the Board of Education pursue a mill levy election in November 2004.

16

Examples of Prior Budget Actions

- **Mandatory, permanent furloughs**
 - Custodians, ESC staff
- **Wage freezes over 2-year period**
- **Wage reductions**
 - Cut custodial workforce by 20%, business office by 30%, warehouse by 40%, word processing by 40%
- **Benefit reductions**
 - Dental and vision
- **Administrative cuts**
 - ESC staff by 30%

17

Examples of Prior Budget Actions

- **Teacher and staffing reductions**
 - Increased class-size
 - Reduced art, music, PE, media services
- **Raised fees**
 - Athletic, parking
- **Closed North Elementary School**
 - Leased space
 - Created self-funding programs

18

State Issues

- Uncertainty of state's financial ability to fund K-12 education
- Potential state-wide ballot to modify TABOR and Amendment 23
- Modifications to the School Finance Act
 - Formula factors
 - Pupil count methodology

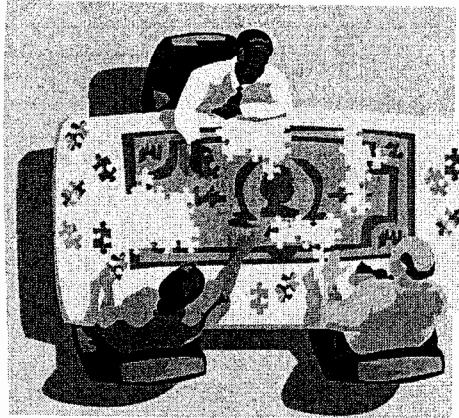
19

Alternatives

- Mill levy election in November 2004
- Establish a budget reduction/reallocation committee for future budget cuts

20

[Board of Education Guidance]



[How Much Would It Cost Taxpayers?]

<i>(a)</i> Mill Levy	<i>(b)</i> Assessed Valuation	<i>(c=a/b * 1,000)</i> Mills	<i>(d)</i> Home Value	<i>(e)</i> Assessment Rate	<i>(f=d*e)</i> Property Tax Assessment	<i>(g=f*c / 1,000)</i> Annual Cost to Taxpayer	<i>(h=g/12)</i> Monthly Cost to Taxpayer
\$5,000,000	\$1,115,826,511	4.48	\$250,000	7.96%	\$19,900	\$89.17	\$7.43
\$5,500,000	\$1,115,826,511	4.93	\$250,000	7.96%	\$19,900	\$98.09	\$8.17
\$6,000,000	\$1,115,826,511	5.38	\$250,000	7.96%	\$19,900	\$107.01	\$8.92
\$6,500,000	\$1,115,826,511	5.83	\$250,000	7.96%	\$19,900	\$115.92	\$9.66
\$7,000,000	\$1,115,826,511	6.27	\$250,000	7.96%	\$19,900	\$124.84	\$10.40
\$7,500,000	\$1,115,826,511	6.72	\$250,000	7.96%	\$19,900	\$133.76	\$11.15
\$8,000,000	\$1,115,826,511	7.17	\$250,000	7.96%	\$19,900	\$142.67	\$11.89
\$8,500,000	\$1,115,826,511	7.62	\$250,000	7.96%	\$19,900	\$151.59	\$12.63
\$9,000,000	\$1,115,826,511	8.07	\$250,000	7.96%	\$19,900	\$160.51	\$13.38

[How Long Would \$6 million Last?]

■ Variables

- Student enrollment
- Salary costs
- Health insurance costs
- School Finance Act
- Costs of raw materials, fuel, gas, etc.

23

[How Long Would \$6 million Last?]

■ 3 Scenarios

- Fixed assumptions:
 - School Finance Act will increase 2.1% annually
 - Salary costs will increase 2.1% annually
- Floating assumptions:
 - Student enrollment
 - Health insurance costs
 - Use of new money

24

Scenario A

■ Floating assumptions:

- Student enrollment will decline by 50 annually
- Health insurance costs increase 10%
- Use of new money:
 - \$1 million new recurring in 2005-06
 - \$500,000 new recurring annually thereafter
 - \$500,000 one-time expenditure in 2005-06

25

Scenario A~Financial Summary

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Beginning Fund Balance	\$13,814,915	\$17,959,815	\$19,488,950	\$20,095,474	\$19,237,273	\$16,261,904
Revenue	107,960,660	109,377,637	110,905,485	112,375,211	114,071,151	115,824,813
Expenditures	(107,960,660)	(111,119,502)	(114,088,961)	(117,147,412)	(120,331,520)	(123,606,945)
One-time Expenditures	(1,255,100)	(1,229,000)	(710,000)	(86,000)	(215,000)	0
Surplus (Deficit)	(1,255,100)	(2,970,865)	(3,893,476)	(4,858,201)	(6,475,369)	(7,782,132)
On-Going Surplus (Deficit)	0	(1,741,865)	(3,183,476)	(4,772,201)	(6,260,369)	(7,782,132)
Mill Levy Override Revenue	5,400,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Mill Levy Expenditures-one time		(500,000)	0	0	0	0
Mill Levy Expenditures-recurring	0	(1,000,000)	(1,500,000)	(2,000,000)	(2,500,000)	(3,000,000)
Surplus (Deficit)	4,144,900	1,529,135	606,524	(858,201)	(2,975,369)	(4,782,132)
On-Going Surplus (Deficit)	5,400,000	3,258,135	1,316,524	(772,201)	(2,760,369)	(4,782,132)
Ending Fund Balance	\$17,959,815	\$19,488,950	\$20,095,474	\$19,237,273	\$16,261,904	\$11,479,772
Designated	\$10,324,221	\$11,152,450	\$11,484,985	\$12,439,707	\$13,487,145	\$11,479,772
Undesignated	\$7,635,594	\$8,336,500	\$8,610,489	\$6,797,566	\$2,774,759	\$0

26

Scenario B

■ Floating assumptions:

- Student enrollment will decline by 50 annually
- Health insurance costs increase 10%
- Use of new money:
 - \$3 million new recurring in 2005-06
 - \$500,000 new recurring annually thereafter
 - \$500,000 one-time expenditure in 2005-06

27

Scenario B~Financial Summary

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Beginning Fund Balance	\$13,814,915	\$17,959,815	\$17,488,950	\$16,095,474	\$13,237,273	\$8,261,904
Revenue	107,960,660	109,377,637	110,905,485	112,375,211	114,071,151	115,824,813
Expenditures	(107,960,660)	(111,119,502)	(114,088,961)	(117,147,412)	(120,331,520)	(123,606,945)
One-time Expenditures	(1,255,100)	(1,229,000)	(710,000)	(86,000)	(215,000)	0
Surplus (Deficit)	(1,255,100)	(2,970,865)	(3,893,476)	(4,858,201)	(6,475,369)	(7,782,132)
On-Going Surplus (Deficit)	0	(1,741,865)	(3,183,476)	(4,772,201)	(6,260,369)	(7,782,132)
Mill Levy Override Revenue	5,400,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Mill Levy Expenditures-one time		(500,000)	0	0	0	0
Mill Levy Expenditures-recurring	0	(3,000,000)	(3,500,000)	(4,000,000)	(4,500,000)	(5,000,000)
Surplus (Deficit)	4,144,900	(470,865)	(1,393,476)	(2,858,201)	(4,975,369)	(6,782,132)
On-Going Surplus (Deficit)	5,400,000	1,258,135	(683,476)	(2,772,201)	(4,760,369)	(6,782,132)
Ending Fund Balance	\$17,959,815	\$17,488,950	\$16,095,474	\$13,237,273	\$8,261,904	\$1,479,772
Designated	\$10,324,221	\$10,652,450	\$10,984,985	\$11,939,707	\$8,261,904	\$1,479,772
Undesignated	\$7,635,594	\$6,836,500	\$5,110,489	\$1,297,566	\$0	\$0

28

Scenario C

- Floating assumptions:
 - Student enrollment will decline by 100 annually
 - Health insurance costs increase 15%
 - Use of new money:
 - \$3 million new recurring in 2005-06
 - \$1,000,000 new recurring annually thereafter
 - \$500,000 one-time expenditure in 2005-06

29

Scenario C~Financial Summary

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Beginning Fund Balance	\$13,814,915	\$17,959,815	\$17,246,089	\$14,719,799	\$9,690,598	\$1,307,072
Revenue	107,960,660	109,304,914	110,682,698	111,920,208	113,296,764	114,717,724
Expenditures	(107,960,660)	(111,289,640)	(114,498,988)	(117,863,409)	(121,465,290)	(125,247,156)
One-time Expenditures	(1,255,100)	(1,229,000)	(710,000)	(86,000)	(215,000)	0
Surplus (Deficit)	(1,255,100)	(3,213,726)	(4,526,290)	(6,029,201)	(8,383,526)	(10,529,432)
On-Going Surplus (Deficit)	0	(1,984,726)	(3,816,290)	(5,943,201)	(8,168,526)	(10,529,432)
Mill Levy Override Revenue	5,400,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Mill Levy Expenditures-one time		(500,000)	0	0	0	0
Mill Levy Expenditures-recurring	0	(3,000,000)	(4,000,000)	(5,000,000)	(6,000,000)	(6,000,000)
Surplus (Deficit)	4,144,900	(713,726)	(2,526,290)	(5,029,201)	(8,383,526)	(10,529,432)
On-Going Surplus (Deficit)	5,400,000	1,015,274	(1,816,290)	(4,943,201)	(8,168,526)	(10,529,432)
Ending Fund Balance	\$17,959,815	\$17,246,089	\$14,719,799	\$9,690,598	\$1,307,072	(\$9,222,360)
<i>Designated</i>	<i>\$10,324,221</i>	<i>\$10,650,269</i>	<i>\$10,978,302</i>	<i>\$9,690,598</i>	<i>\$1,307,072</i>	<i>(\$9,222,359)</i>
<i>Undesignated</i>	<i>\$7,635,594</i>	<i>\$6,595,820</i>	<i>\$3,741,497</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>

30

Fund Balance Summary of All Scenarios

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<i>Scenario A</i>						
Designated	\$10,324,221	\$11,152,450	\$11,484,985	\$12,439,707	\$13,487,145	\$11,479,772
Undesignated	\$7,635,594	\$8,336,500	\$8,610,489	\$6,797,566	\$2,774,759	\$0
<i>Scenario B</i>						
Designated	\$10,324,221	\$10,652,450	\$10,984,985	\$11,939,707	\$8,261,904	\$1,479,772
Undesignated	\$7,635,594	\$6,836,500	\$5,110,489	\$1,297,566	\$0	\$0
<i>Scenario C</i>						
Designated	\$10,324,221	\$10,650,269	\$10,978,302	\$9,690,598	\$1,307,072	(\$9,222,359)
Undesignated	\$7,635,594	\$6,595,820	\$3,741,497	\$0	\$0	\$0