

Regular Board Meeting – November 17, 2009

**SUBJECT: FINANCIAL PROJECTIONS**

Five-year financial projections are prepared each year to assist the Board of Education and Administration as we plan for the future of the educational program and work to provide operational stability for the District. The projections are based on recent trends and the latest available information. They are intended to represent a conservative mid-point of likely revenues and expenditures. It should be noted that small changes in revenue or expenditure patterns can have a dramatic impact when projected out over a five year period. Given the reliance of the District on property taxes, it is also important to note that the revenue projections rely heavily on assumptions about future unknown factors related to the tax base including new property growth and the tax cap.

Assumptions underlying the revenue and expenditure projections are described below.

Revenue Assumptions

- Tax revenues are projected within the constraints of maximum tax rates in each fund, the tax cap, and factor in estimates of new growth and tax appeals
  - The tax cap is projected at 0.0% for 2010 based on projected CPI for 2009, future years are projected at 2.0% (average of last five years)
  - Equalized Assessed Valuation (EAV) of the District is projected to increase due to new property growth (based on information on new projects) and reassessment increases of 7% in triennial years 2010 and 2013, 3% in non-triennial years
- CPPTRR is projected to decrease at a rate of 5% based on economic conditions
- Interest revenue is projected at a 3% rate of return on invested reserves
- Student fee revenue is projected to remain constant with fee increases offset by increases in low income waivers
- Lunch fees and other local revenue are projected to increase 2% per year
- State aid is projected to remain constant at the reduced level budgeted this year; federal aid projections include ARRA funding through 2010-11, other federal funding projected to increase 3% with additional low-income related revenues and projected federal appropriations for school programs
- Working Cash Bonds are issued as previous bonds are retired, with the proceeds transferred to the Education Fund each year to cover the gap between revenues and expenditures

### Expenditure Assumptions

- Enrollment and staffing are projected to remain constant at the 2009-10 level, except for increases in staffing related to program changes
- Total salary costs are projected to increase 4% to 5% per year including savings from ongoing turnover
- Benefit costs are expected to increase 9% per year
- Cost increases for services, materials, utilities and equipment are estimated at 5% per year
- Special education tuition costs are projected to increase 10% per year
- Expenditure projections exclude contingency amounts and estimated unspent budget in each fund

### Key Unknowns

- The economy
  - Tax revenue uncertainty
    - Future assessment levels of commercial and residential property
    - Property tax collection rates
    - Limited new construction in the District
    - Future tax cap levels
  - State budget crisis
    - Ability to fund categoricals and general state aid with current revenue shortfall
    - Additional gap created when ARRA funding ends
    - Underfunding of pension plans
- Possible changes in legislation that may impact future ability to sell Working Cash Bonds
- Possible school finance reform which may include a “tax swap”
- Future enrollment and corresponding impact on staffing levels
- Impact of increases in low-income student population
- Impact of program changes and any resulting staffing increases

The projections reflect the positive impact of new property growth in the District as well as the bond sale strategy approved by the Board. Continuing long-range planning and prudent management of expenditures are critical to the financial stability of the District.