

CENTER GROVE COMMUNITY SCHOOL CORPORATION

2008 BUDGET PREPARATION SCHEDULE

Scheduled	Actual	
Feb. 1, 2007	02/07	Enrollment projections completed and reviewed by Cabinet
April 1, 2007	05/15	First draft of staffing decisions made by Cabinet
April 1, 2007	N/A	CPF Budget request forms and worksheets released to Building Principals, Program Directors and Coordinators
May 1, 2007	N/A	General Fund Budget request forms and worksheets released to Building Principals, Program Directors and Coordinators
June 10, 2007	N/A	All budget request forms and worksheets completed and returned to the Business Office
August 1, 2005	08/03	Business Office review of all budgets completed
August 6, 2007	08/13	First budget draft presented to Cabinet
August 20, 2007	08/23	Draft budget presented to the Board Finance Committee
August 29, 2007		Date of 1st publication of the proposed 2008 Budget, Bus Replacement Plan, and Capital Projects Fund Plan
September 5, 2007		Date of 2nd publication of the proposed 2008 Budget, Bus Replacement Plan, and Capital Projects Fund Plan
September 10, 2007		Date for the public hearing of the proposed 2008 Budget, Bus Replacement Plan, and Capital Projects Fund Plan
September 20, 2007		Proposed 2008 Budget, Bus Replacement Plan, and Capital Projects Fund Plan adopted by the Board at a special meeting
September 21, 2007		File adopted budget and tax levies with County Auditor
September 21, 2007		Publish Notice of Adoption of the Capital Projects Plan
September 21, 2007		Official ADM Enrollment Count
October 2007		State Board of Tax Commissioners hearing
November 2007		Auditor certifies 2008 Assessed Values
November 2007		Rates published by the County Auditor
January 2008		DLGF provides 1782 draft notice
February 2008		State Board of Tax Commissioners certification of Budgets/rates

Assessed Value History

Pay Year	Amount	Change	Comments
1997	\$298,800,670		
1998	\$314,456,610	5.24%	
1999	\$333,052,510	5.91%	
2000	\$362,445,820	8.83%	
2001	\$378,893,170	4.54%	
2002	\$1,206,194,110	X 3.18	Change to True Tax Value; should have multiplied by 3.
2003	\$2,001,044,580	65.90%	Re-assessment year
2004	\$2,059,118,680	2.90%	
2005	\$2,168,245,180	5.30%	
2006	\$2,295,503,980	5.87%	
2007	\$2,520,158,340	9.79%	Trending make-up year; inventory tax reduction of \$27,906,300

2008 BUDGET WORKSHEET

Fund	2007	2008	Change '07 to '08	Notes
General	\$39,716,017 \$0.6622	\$41,400,000 \$0.6746	+\$1,683,983 +\$0.0124	These numbers are mostly determined by the state funding formula.
CPF	\$7,660,225 \$0.2750	\$8,400,000 \$0.2730	+\$739,775 -\$0.0020	Rate is capped. Increased AV generates more revenue.
Transp.	\$2,422,973 \$0.0817	\$2,670,000 \$0.0860	+\$247,027 +\$0.0043	The State caps the levy with an increase of about 4% per year. We will request a levy appeal.
Bus Replace.	\$896,428 \$0.0302	\$1,016,000 \$0.0339	+\$119,572 +\$0.0037	We will be replacing 6 buses and buying 4 new buses.
Debt Service	\$11,202,207 \$0.4109	\$10,770,000 \$0.4109	-\$432,207 N/C	GO bonds from 2004 to purchase land will end. WRT government building will require cash. Board resolution to keep the rate constant.
Severance Bond Fund	\$1,053,304 \$0.0379	\$1,060,000 \$0.0361	+\$6,696 -\$0.0018	This fund pays for the SB 199 retirement bonds. Increased AV will slightly lower the rate.
Sp. Ed. Pre-Schl.	\$165,000 \$0.0019	\$209,000 \$0.0021	+\$44,000 +\$0.0002	This fund pays for pre-school expenses for special ed students. It has a capped tax rate.
Totals	\$63,116,154 \$1.4998	\$65,525,000 \$1.5166	+\$2,408,846 +\$0.0168	3.82% increase 1.12% increase

Note: The above figures reflect budgets and rates after adjustments for SB199 tax neutrality.

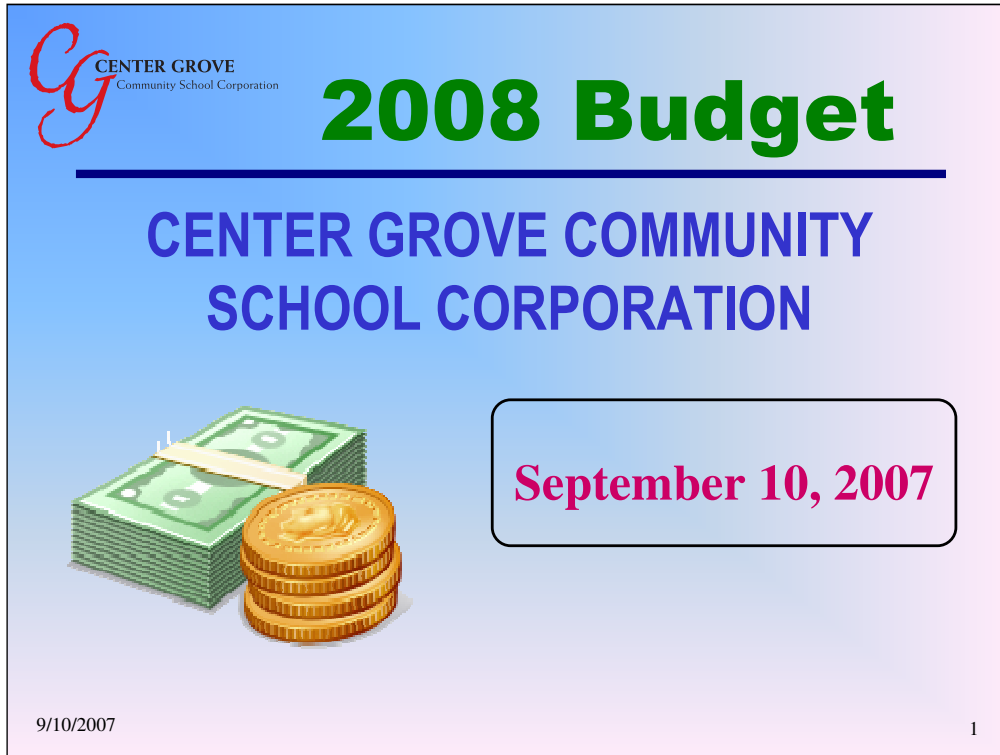
CENTER GROVE COMMUNITY SCHOOL CORPORATION **COMPARISON of ADVERTISED and APPROVED TAX RATES**

ADVERTISED

	2003	2004	2005	2006	2007
Assessed Valuation	\$1,206,194,110	\$2,101,096,809	\$2,001,044,580	\$2,275,319,597	\$2,341,414,060
TAX RATE					
General	1.0759	0.6647	0.7801	0.7674	0.7404
Debt Service	0.6200	0.4252	0.5216	0.3786	0.4527
Pension Debt		0.0603	0.0586	0.0429	0.0430
Capital Projects	0.4139	0.2993	0.3555	0.3093	0.3217
Transportation Operating	0.1311	0.0906	0.0951	0.0856	0.1092
Transportation Bus Replacement	0.0699	0.0851	0.0917	0.0786	0.0830
SpEd Pre-School	0.0087	0.0083	0.0111	0.0020	0.0024
ADVERTISED TOTAL TAX RATE	2.3195	1.6335	1.9137	1.6644	1.7524

APPROVED

	2003	2004	2005	2006	2007
Assessed Valuation	\$2,001,044,580	\$2,059,118,680	\$2,168,245,180	\$2,295,503,980	\$2,520,158,340
TAX RATE					
General	0.5633	0.6040	0.6534	0.6803	0.6622
Debt Service	0.3737	0.4252	0.3551	0.3166	0.4109
Pension Debt		0.0448	0.0428	0.0403	0.0379
Capital Projects	0.2324	0.2497	0.2651	0.2713	0.2750
Transportation Operating	0.0675	0.0687	0.0682	0.0686	0.0817
Transportation Bus Replacement	0.0386	0.0214	0.0243	0.0250	0.0302
SpEd Pre-School	0.0030	0.0020	0.0020	0.0020	0.0019
APPROVED TOTAL TAX RATE	1.2785	1.4158	1.4109	1.4041	1.4998
Advertised Rate	2.3195	1.6335	1.9137	1.6644	1.7524
Approved Rate	1.2785	1.4158	1.4109	1.4041	1.4998
Rate Change	-1.0410	-0.2177	-0.5028	-0.2603	-0.2526



This report includes a presentation of the 2008 Budget and proposed tax rates for the seven tax-rated funds.

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Budget Adoption Calendar

- ◆ **August 13, 2007** **First draft of budget complete**
- ◆ **August 20, 2007** **Review budget with finance committee**
- ◆ **August 29, 2007** **Budget Advertised**
- ◆ **September 10, 2007** **Budget Hearing
Bus Replacement Plan Hearing
Capital Projects Plan Hearing**
- ◆ **September 20, 2007** **Budget Adoption by the Board
Bus Replacement Plan Adoption
Capital Projects Plan Adoption**

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The 2008 Budget has been under development for some time. We have been gathering data from principals and unit heads throughout the spring and summer. On August 20th, we reviewed a draft of the budget with the Board Finance Committee. On August 29th, we advertised the budget as required by law. This evening is the first public presentation of the budget. We will be requesting the Board to officially adopt the Budget at a special meeting on September 20th.

Agenda

- 1 2008 Major Budget Issues**
- 2 2008 Budgets**
- 3 Summary and Conclusions**

This evening, our agenda will be in three parts: first, a discussion of major budget issues, then a review of the budgets themselves. I will conclude with a discussion and some summary information.

Major Budget Issues

- 1 Enrollment Changes**
- 2 Restructuring of Accounts**
- 3 Financial Impact of Negotiations**
- 4 General Fund Major Changes**

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Each year presents unique challenges and opportunities as we develop a budget that attempts to satisfy a variety of priorities. This year, four issues have developed as key factors in this budget.

This evening I'm going to talk about our enrollment projections and issues related to the restructuring of accounts. We also need to review the financial impact of negotiations and major changes that have occurred in the General Fund.

Major Issues: ① Enrollment Changes

Past Data and 2007-08 Projections

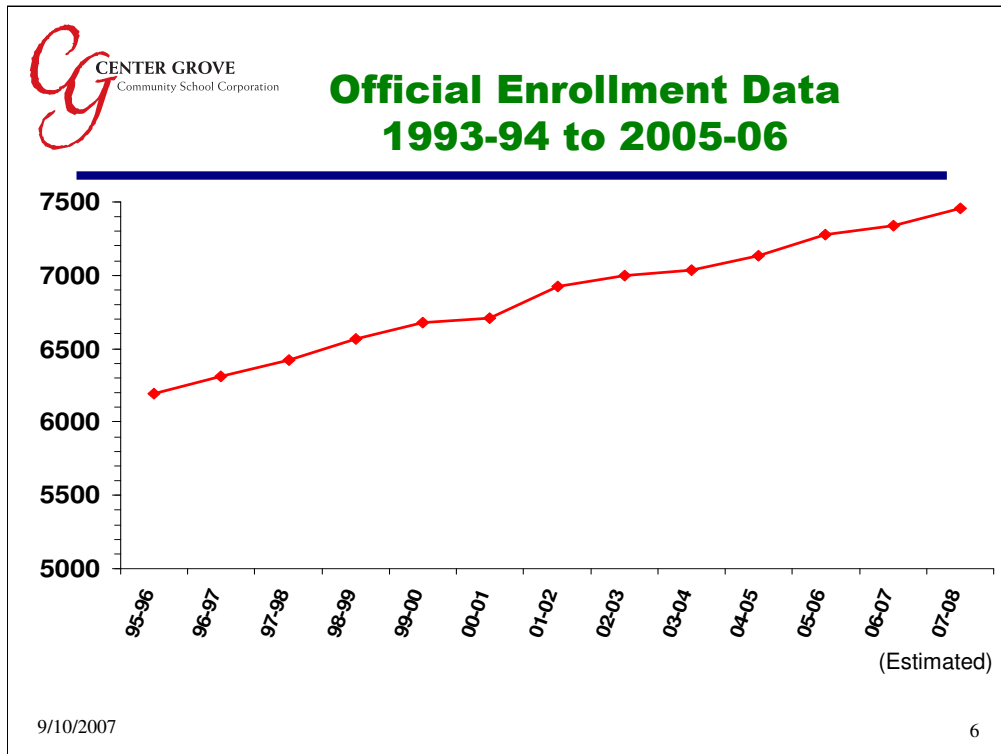
	2003-04	2004-05	2005-06	2006-07	2007-08 Projected
Enrollment	7,033	7,135	7,277	7,338	7,455
Change From Previous Year	+37	+102	+142	+61	+117

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The **first** major budget issue is enrollment. Because our revenue is now more than ever tied to our enrollment, it is important that we project accurately. This chart shows what has happened for the last few years, and what we have projected for next year. The demographic model that we use projects an increase of 117 students for next year. Based on early enrollment counts (currently 09-07-07), we expect to gain at least this many students, or more.

In past years, if we received a few students more or less, our revenue would only change by a few hundred dollars. Starting with the new funding formula for 2006, the change in revenue will be about \$5,000 per student. This creates the possibility of a significant change in revenue after we have our final enrollment numbers.



This chart gives a graphic picture of our official enrollment starting in 1995-96. During this 12-year period, we will have gained 1,260 students, for an average gain of 105 students per year.

Major Issues:

② Restructuring Accounts

✓ What:

- Effective 01-01-08, the State Board of Accounts requires all school districts to implement a new chart of accounts. Every account number for 2008 will be different from 2007.

✓ Why:

1. Reorganize account numbers for the first time in 30 years
2. Expand accounts, i.e., fund number changed from 3 digits to 4 digits, and new field called “department” added
3. Distribute benefits to programs/buildings instead of the central office

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The **second** major budget issue is the restructuring of accounts. Effective January 1st, the State Board of Accounts will require all school districts to implement a new chart of accounts. This means that every account number that we use in 2008 will be different from the ones we use in 2007.

This is obviously a major undertaking to make these changes. Why has the state decided to do this? I have listed here three reasons.

First, they are taking this opportunity to reorganize account numbers into a more logical sequence. This has not been done since at least the 1970's, and many new categories of accounts have been added since then.

Second, they are expanding the size of account numbers. For example, the state is running out of 3-digit fund numbers, so they are expanding to 4 digits. Also, they are adding a new part of the account number that can be used to identify a department with a building.

Third, and most important, they are distributing the expense of fringe benefits to the individual programs or buildings where staff work, rather than assigning these benefits to the central office.

This significant change is explained on the next slide.

Restructuring Accounts: Benefits

2007

- \$7 million in benefits assigned to ESB
- Example: FICA – 2 account numbers
- In total, about 12 accounts

2008

- All benefits allocated to schools/departments
- Example: FICA – 55 account numbers
- In total, about 200 accounts

This will align Indiana with other states in national comparisons

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In 2007, if you were to request a listing of expenses associated with this building, it would include over \$7 million in a category called “administration” for benefits for all Center Grove employees. This obviously overstates the expenses of administration and understates the expenses associated with instruction. This is creating difficulty comparing data from Indiana with data from other states. It also means we cannot properly account for the cost of operating an individual school, since no benefits are assigned to schools. Clearly, calls for increased accountability are driving the state to make these changes which will ultimately allow us to provide a more exact cost of operating each school.

As an example, we currently have 2 accounts for social security (FICA) – one for certified staff and one for classified staff. In 2008, we will have about 55 FICA accounts, one certified and one classified in each of the program areas.

In total, we currently have about 12 benefit accounts, and this number will increase to about 200 in the 2008 budget.

Note that these numbers reflect just the General Fund. This same restructuring is happening to a lesser extent in each of our funds.



Restructuring Accounts: Impact on CGCSC

1. Major new effort, now and at end-of-year
2. All computer accounting systems need revision
3. Accounts will have no history
4. Year-to-year comparisons will be difficult
5. Office staff will require training
6. Accounting for benefits will be a significant and permanent increase in the workload of the Business Office
7. More changes are coming!

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So what is the impact of these changes on Center Grove? I have listed 7 items:

1. Obviously, this has been a major effort to get a new 2008 budget prepared, and this is why it has been delayed. We anticipate another major effort at the end of the year as we move these changes forward into our billing systems.
2. Our computer system has had to be revised. This has been completed by our vendor, at no cost to us.
3. All 2008 accounts will have no history associated with them. We will have the ability to run reports with pre-2008 data, but any comparisons will have to be done manually.
4. Year-to-year comparisons will be difficult to interpret. You may refer to pages 2-23 and 2-24 in the budget materials to see examples of this.
5. All of our clerical and administrative staff that use accounting reports will need to be provided with professional development to explain the changes.
6. The business office is preparing for a permanent increase in our efforts to keep track of benefits.
7. And finally, the state has already passed into law additional changes in the accounting structure, which have been delayed until at least 2009.

Major Issues: ③ Financial Impact of Negotiations

- ✓ No settlement has been reached with UTACG
- ✓ No decision has been made regarding raises for support staff
- ✓ The General Fund budget as presented includes no increases for any salary or wage scales
- ✓ Teachers, custodians, and maintenance staff receive annual incremental raises (steps) which are included
- ✓ For teachers, this is a raise between 1.9% and 4.0%
- ✓ The cost for each 1% raise is approximately:
 - Administrators: \$18,200
 - Support Staff: \$66,700
 - Teachers: \$235,100
 - Total \$320,000

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The **third** issue is the impact that negotiations may have. While this is not the place to discuss the details of negotiations, it is important to understand how they may impact the district's financial picture.

At the time this information is being prepared, no settlement has been reached with UTACG, and no decisions have been made regarding raises for support staff. As a result, the General Fund budget as it is presented here includes no raises for any staff groups.

Keep in mind that teachers, custodians, and maintenance staff receive annual incremental raises, or "steps." These steps have been included in the General Fund budget. For teachers, this amounts to an increase of between 1.9% and 4.0% for all teachers with less than 21 years experience.

You see on this slide the approximate cost of providing a 1% raise for the various staff groups, in total about \$320,000.



Major Issues: ④ Gen. Fund Changes

Major Changes – Personnel Related

• Group Insurance	+\$186,883
• Certified Retirement (ISTRF)	+\$129,078
• Non-Certified Retirement (PERF)	+\$41,266
• Teacher Subs - Certified	+\$122,000
• Teacher Subs – Non-Certified	+\$37,500
• Maintenance/Custodial Overtime	+\$65,000
• ECA Stipends – Certified	+\$44,671

Major Changes – Other Accounts

• Payments to C-9 and Earlywood	+\$60,000
• High School Redesign Travel	+\$40,000
• Supplies - Maintenance	+32,000
• Supplies – All Other Accounts	+\$69,340
• Utilities – All Accounts	+\$1,677
• Property/Casualty Insurance	-\$68,217

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(This shows all non-salary accounts with changes greater than \$40,000)

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The **fourth** major budget issue deals with changes we have made in the General Fund, which are presented on this slide and the next one. This slide shows the changes in the non-salary accounts, and the next slide shows the impact of staffing changes. This analysis compares the original budget for 2007 to the new budget for 2008. I'll mention just a few of the items here.

The increase in group insurance is not due to an increase in rates, as we have been very fortunate with a small year-to-year increase in the premium of only 1.7%. This increase in the budget is because the 2007 budget was too small. Similarly for the substitute accounts, these increases are primarily because the original 2007 budget was too small. The increase in certified retirement is because the state requires us to pay a higher retirement for new hires, compared to those teachers who are retiring.

On the bottom half of this chart, you see changes in the non-personnel related accounts. I would like to mention that we do not think we need to increase our utility accounts, as the 2007 amounts will be sufficient. Also we are pleased that our recent bid of property/casualty insurance has decreased the rates.

Personnel Changes From 2006-07 to 2007-08

Teachers	Change	Non-Teachers	Change
Elementary-KG	+4.0	HS Asst. Prin.	+1.0
ENL Teacher	+2.0	Elem. Asst. Prin.	+1.0
Elem. Sp. Ed.	+1.0	Tech. Director	+0.5
Sec. Sp. Ed.	+1.0	Secretaries	+1.0
Alt. Ed. Teacher	+1.5	Alt. Ed. Inst. Asst.	+1.0
HS English/Math	+1.0	KG Inst. Asst.	+12.0
Tech. Trainers	+1.0	Sp. Ed. Inst. Asst.	-12.0
Elem. 1-5	-4.0	Prime time Asst.	-11.0
Total	+7.5	Total	-6.5

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This slide shows the staffing changes that affect the General Fund. Note that this includes positions that are new to the General Fund, because they have been moved from other funds such as Title 1 or CPF.

On the left-hand side, you see the 7.5 new teaching positions, of which 4 were moved here from other funds, and 3.5 are new for the 2007-08 school year.

In the non-teaching staff, we have added two assistant principals, 2 half-time secretaries, and one instructional assistant for the alternative program and 12 for kindergarten. The half of the technology director was moved from the Capital Projects Fund.

We have also eliminated 11 prime time assistants, and budgeted for a potential reduction of 12 special education assistants.



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Budgets for Tax-Rated Funds

- ◆ **General Fund**
- ◆ **Capital Projects Fund**
- ◆ **Transportation Fund**
- ◆ **Bus Replacement Fund**
- ◆ **Debt Service Fund**
- ◆ **Bond Severance Fund**
- ◆ **Special Education Pre-School Fund**

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In this next part of the presentation, I am going to review budgets for each fund. It is important to understand that we will be discussing only the funds for 2008 that are supported, at least in part, by local property taxes, which we call “tax-rated.” These funds make up about 85% of our total revenues and expenditures. The remaining portion, which we will NOT be discussing this evening, includes such things as special grants and federal funds like Title 1.

As I review each of these funds, you may wish to refer to the 2008 Budget Worksheet which summarizes all of the budgets and tax rates. It is on page 1-3.

General Fund -- Overview

- ◆ **Purpose:** General operational expenses
- ◆ **Budget**
 - 2007 \$39,716,017
 - 2008 \$41,400,000
 - Increase 4.2% +\$1,683,983
- ◆ **Expected tax rate of \$0.6746, an increase of \$0.0124 from the 2007 rate of \$0.6622**

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The first and largest fund is the General Fund, which supports our general operating cost for running the schools. This fund includes salaries, fringe benefits, utilities, and a variety of other operating costs. This fund has increased by \$1,684,000 or 4.2% for next year.

The General Fund will require a tax rate of \$0.6746 for every \$100 of assessed value in 2008, an increase of about 1.2 cents over the 2007 rate. It is important to note that it is the funding formula that has raised our tax rate in the General Fund. We have no control over what this rate will be. We will discuss all tax rates in more detail later in this report.



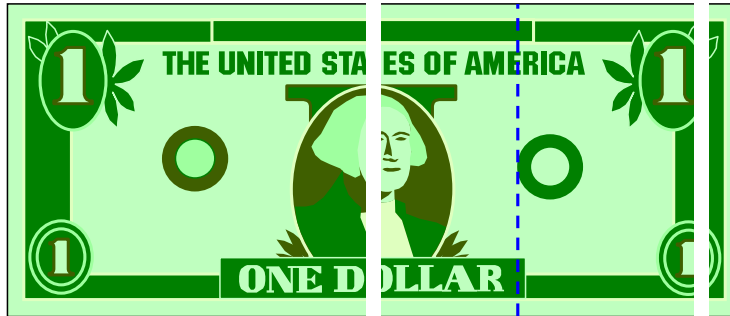
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2008 General Fund Revenues

48.1% State

49.5%
Local

2.4%
Other



Property Tax Replacement Credit will fund an additional 30% of the total revenue.

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This shows a picture of the three major categories of 2008 General Fund revenue. For 2008, state revenues will represent 48.1%, local revenues 49.5%, and miscellaneous resources 2.4%. That is the explanation you see at the top of this dollar bill, and we will in fact establish a tax rate high enough to collect this 49% locally. However, you will note it says at the bottom that the state has passed a property tax replacement credit equal to 60% of the General Fund local tax levy. This is roughly equal to an additional 30% of the General Fund that will actually come from the state (through this credit), not local property tax. So the final breakdown will include 78% of our revenue in the General Fund coming from the state.

General Fund Revenue for 2008

	2007 Projections (07/06)	2008 Projections (07/07)	Change	% Change
◆ Local: \$19,970,546 \$20,495,849 +525,303 +2.6 %				
Property, Excise, Financial				
◆ State: \$19,096,482 \$19,894,469 +\$797,987 +4.2 %				
Formula Support, Prime Time, Summer School, FDG, Others				
◆ Other: <u>\$667,000</u> <u>\$1,009,682</u> <u>\$342,682</u> +51.4 %				
Interest, Miscellaneous				
◆ TOTAL \$39,734,028 \$41,400,000 +1,665,072 +4.2 %				

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This chart represents our revenue estimates, not considering the replacement tax credit.

Local revenue is up by \$525,303. This represents the impact of the \$.012 General Fund tax increase.

State revenue is up \$797,987. Note that part of this increase is the state funding of full-day kindergarten.

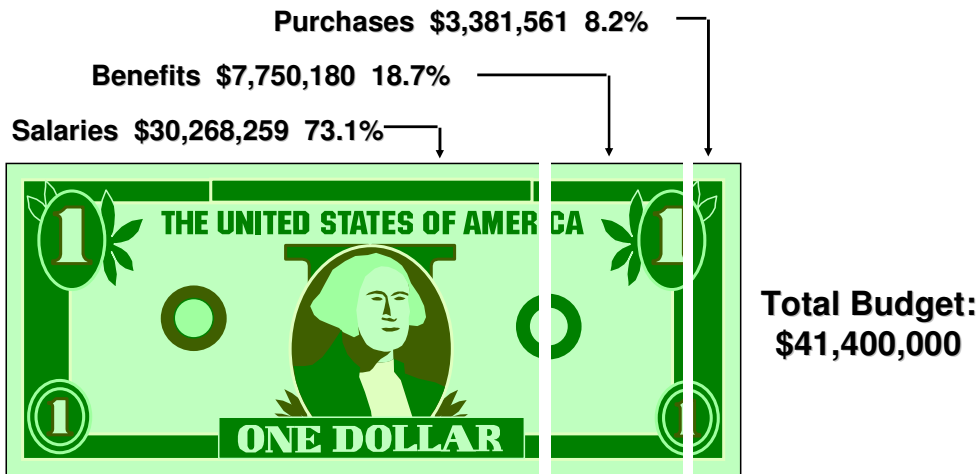
The **Other** revenue category has increased by \$342,682. This is almost entirely due to revenues received from parents for full-day kindergarten.

Please keep in mind that student enrollment and assessed value have a significant impact on revenue, and actual 2008 revenue may be different from what is shown above.



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2008 General Fund Expenses



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Turning now to General Fund expenses, this graphic shows that salaries and wages represent 73.1% of our 2008 Budget, and fringe benefits another 18.7%. Thus, for next year, 91.8% of our General Fund Budget will go toward the direct expenses of personnel.



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General Fund Expenses for 2008

	2007 Budget	2008 Budget	Change	% Change
◆ Salaries/Wages: Personnel, Summer School, Substitutes	\$29,285,810	\$30,268,259	+\$982,449	+3.4%
◆ Fringe Benefits: Health, FICA, PERF, ISTRF, Others	\$7,372,146	\$7,750,180	+\$378,034	+5.1%
◆ Purchases: Utilities, Insurance, Supplies, Others	<u>\$3,058,062</u>	<u>\$3,381,561</u>	<u>+\$323,499</u>	+10.6%
TOTAL	\$39,716,017	\$41,400,000	+\$1,683,983	+4.2%

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We typically describe our estimated expenses in these three categories.

The budget for salaries and wages is up \$982,449. This includes some new positions, as well as incremental raises (steps) for teachers, custodians, and maintenance.

The budget for fringe benefits is up \$378,034 or 5.1%. This includes increases in FICA and retirement which we pay to the state.

The budget for purchases has increased by \$323,499. The major increases here include travel for the high school redesign project, and supply accounts.

The total expense budget is up \$1,683,983, or 4.2%.

One important note is that this budget does not include raises for any employee groups. If we do subsequently adjust the budget to provide raises, this would increase the amount of the budget spent on wages.



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Capital Projects -- Overview

- ◆ **Purpose:** Construction, renovation, repair, equipment purchase, and maintenance
- ◆ **Budget**
 - 2007 \$7,660,225
 - 2008 \$8,400,000
 - Increase 9.6% +\$739,775
- ◆ **Revenue**
 - Revenue comes from local taxes
 - Tax rate limited by law
- ◆ **Summary of CPF:** Refer to next two slides
- ◆ **Expected tax rate of \$0.2730, a decrease of -\$0.0020 from the 2007 rate of \$0.2750**

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We move now to the Capital Projects Fund, which is used for building construction, renovation, and repair, as well as equipment purchase and maintenance. The CPF Budget for 2008 is increasing \$739,775 or 9.6%.

The tax rate for this fund is limited by law, and we are currently at the maximum. The legal maximum rate for 2008 will decrease slightly with an increase in the AV.

CPF Budget By Category

Category	Amount
Technology	\$2,909,470
Building Projects	\$1,554,987
Utilities	\$1,300,000
Equipment	\$1,131,290
Maintenance	\$626,500
Energy Savings Contract	\$407,753
Emergency	\$300,000
Professional Fees	\$170,000
Total	\$8,400,000

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This slide shows the breakdown of the \$8.4 million by category. The biggest single expense in CPF is \$2.9 million for technology. The next category of \$1.5 million in “Building Projects” is detailed on a coming slide. Utilities remain at \$1.3 million, the same amount that was budgeted last year. The state limits the amount of CPF dollars that may be spent on utilities.



Technology Expenses

Description	Amount
Staffing	\$682,270
Desktops/Laptops	\$900,000
Multi-Media Classrooms	\$200,000
Video On Demand Project	\$110,000
Purchase New Software	\$300,000
Other Equipment Purchases	\$152,000
Connectivity	\$144,000
Maintenance/Software Contracts	\$350,000
Miscellaneous	\$71,200
Total	\$2,909,470

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Above are the planned technology projects for the upcoming fiscal year. Staffing consists of director, network engineer, data integration specialist, desktop support specialists, help desk technician, and professional development technology integrators.

Center Grove Community School Corporation is on a four year life cycle replacement plan for all desktop computers as well as other hardware including network infrastructure.

The technology department plans to install additional multimedia classrooms, update the instructional video library to digital media, upgrade distance learning technology to video over IP, as well as identify software for enhancing instruction and/or improving processes.

CPF Building Projects

Project Description	Amount
Painting – district-wide	\$75,000
Carpeting – district-wide	\$140,987
Site projects – district-wide	\$160,000
Roofing – district-wide	\$850,000
Cooling tower at HS	\$250,000
Storage garage – MG	\$5,000
Intercom – NG	\$17,000
Intercom – SG	\$17,000
Phone System – SG	\$40,000
Total	\$1,554,987

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Next, you will see a list of the individual building projects scheduled for 2008. Refer to page 5-5 in the budget materials for a list of the projects that we weren't able to do in 2008 and have scheduled for the future.



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Transportation -- Overview

- ◆ **Purpose:** Operational expenses of the school transportation program
- ◆ **Budget**
 - 2007 \$2,422,973
 - 2008 \$2,670,000
 - Increase 10.2% +\$247,027
- ◆ **Revenue**
 - Revenue comes from local taxes only
 - Levy is limited by law
- ◆ **Expenses:** pays for operational costs of transporting students
- ◆ **Expected tax rate of \$0.0860, an increase of \$0.0043 from the 2007 rate of \$0.0817**

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The Transportation Fund provides for the operational expenses of the transportation program. The budget is increasing \$247,027 or 10.2%.

This increase is driven by two reasons. First, each year we are adding routes to accommodate new students. And second, we are anticipating increases in the cost and amount of fuel needed.

The tax rate for 2008 will go up slightly, just less than 1/2 cent.

Transportation Issues

- ✓ **We have budgeted for an increase of 2 drivers in 2007-08 and 3 more in 2008-09**
- ✓ **Increases in the cost per gallon and the number of miles is driving up our fuel budget significantly.**
 - **2004: \$175,000**
 - **2008: \$410,000**
- ✓ **We will request a levy appeal for 2008 in the amount of \$155,000.**

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Here are some concerns we currently have about the Transportation Fund.

First, our budget is based on the addition of 2 drivers this fall and 3 more for the fall of 2008. We will start this school year with 62 drivers.

Second we have seen significant increases in our budget for fuel. In 2004, we spent only \$175,000. In 2008, we anticipate spending about \$410,000.

Finally, for 2008 we plan to submit a levy appeal of \$155,000. This fund has a limit on the levy, which the state increases by about 4% per year. This appeal will permanently raise that limit by \$155,000, providing us with enough funds to pay all of our transportation expenses without any support from the General Fund.

Bus Replacement -- Overview

- ◆ **Purpose:** Provides money to replace the existing fleet of school buses
- ◆ **Budget**
 - 2007 \$896,428 (requested \$936,000)
 - 2008 \$1,016,000
 - Increase 13.3% +\$119,572
- ◆ **Revenue**
 - All revenue comes from local taxes
- ◆ **Expected tax rate of \$0.0339, an increase of \$.0037 from the 2007 rate of \$0.0302**

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The Bus Replacement Fund is used only for the purchase of yellow school buses. The budget for 2008 is increasing by \$119,000 or 13.3%.

The state recommends replacing 10% of the fleet each year. For 2008, we will be replacing 6 buses (out of a fleet of 76) and buying 4 new ones.

For 2007, the state cut our requested budget for replacements. Our original request was for \$936,000, so our 2008 request is only 8.5% more than we requested in 2007. We have assumed a 9% increase in bus prices to guard against revenue shortfalls.



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Debt Service -- Overview

- ◆ **Purpose:** This fund pays long-term principal and all interest on debt
- ◆ **Budget**

-2007	\$11,202,207
-2008	\$10,770,000
-Decrease -3.9%	-\$432,207
- ◆ **Revenue:** Comes from local taxes
- ◆ **Expenses:** Budget provides payments for temporary loan interest, repayment of bonds, and textbook rental losses.
- ◆ **Expected tax rate of \$0.4109, the same as in 2007**
- ◆ **Board resolution will limit the rate to \$0.4109**

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The purpose of the Debt Service Fund is to pay interest on all loans, and principal on long-term debt.

The budget for 2008 supports scheduled payments for temporary loan interest and also the repayment of all of our bonds. We are also required to collect money in this fund to make up for the lack of state support for free and reduced lunch students.

The tax rate for 2008 is expected to remain unchanged at \$.4109.

Part of the budget material that the Board will be asked to approve includes a resolution to keep the tax rate from increasing in this fund. This resolution will be explained in a few minutes.



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2008 Debt Service Expenses

- ✓ **Short Term Interest**
 - We are budgeting \$390,000 for interest on temporary loans to meet our cash flow needs.
- ✓ **Outstanding Bonds**
 - Refer to page 3-6 of the budget materials for a complete list.
 - New in 2008: first payment for C-9 building bonds - \$84,288
 - Bonds for Maple Grove (combined with other projects) will increase by \$562,000 for 2008
 - Payment for 2004 land purchase bonds will decrease by \$1,150,000 for 2008
- ✓ **Textbook Rental Shortages**
 - We will collect the \$30,595 that the state did not pay in 2007.

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This slide shows a breakdown of projected expenses for the Debt Service Fund.

Because we receive our tax revenues normally in June and December, we must borrow each year to meet our cash flow needs. We are budgeting \$390,000 for interest on temporary loans. This is slightly more than we actually paid in 2006.

Regarding our outstanding bonds, there is a chart showing all our bond payments on page 3-6 in the budget materials. The only new payment for 2008 is \$84,000 for the C-9 building project. The payment for the new Maple Grove, along with other projects including the Operations Center, locker room, and energy modifications, will also be an increased cost for this fund. However, these increases will be more than offset by the decrease in the 2004 bonds sold to purchase land.

Finally, the state requires us to collect in this fund the 2007 amount they did not pay for free textbooks. We will collect it here and transfer it to the Textbook Rental Fund. In 2007, they reimbursed only 70%.

Debt Service Cash Balance and WRT Building

- ✓ **Projected 2007 EOY cash balance:
\$5,600,000**
- ✓ **We anticipate using \$3,600,000 of cash
balance for the WRT building in 2007**
 - **\$2,800,000 to pay off building bonds**
 - **\$130,000 to pay off WRT equipment loans**
 - **\$670,000 for renovation and moving
phones/data**

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Time does not permit a complete discussion of the financing of the WRT building swap. However it is important that we understand its impact on the Debt Service Fund.

It has been our practice to always have a cash balance in Debt Service sufficient to pay the first six months of debt payments following the close of the year. In 2007, for example, we have enough to make the debt payments for the first 6 months of 2008. We are projecting a cash balance of about \$5,600,000 in Debt Service at the end of 2007.

At this time, we anticipate using \$3.6 million of this cash balance to finance the WRT transaction. You can see on this slide the approximate budget which we are anticipating: \$2,800,000 to pay off existing bonds on the WRT building; \$130,000 to pay off existing loans on the WRT equipment; and about \$670,000 for renovation and moving phones and data.



Debt Service Cash Balance

✓ Impact on the Debt Service tax rate:

- Replacing this cash balance would require an increase of about 14 cents on the tax rate
- The current (2007) tax rate is \$.4109
- The projected tax rate w/o the WRT building is \$.3213
- Recommendation: limit the tax rate in 2008 at the same amount as 2007 - \$.4109
- A rate of \$.4109 will replace about \$2,300,000 of the cash balance in 2008.

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What will happen to the Debt Service Fund if we take this \$3,600,000?

Replacing this cash balance all in 2008 would require a tax rate of about 14 cents.

Our projection is that the tax rate without the WRT transaction would fall from the 2007 rate of \$.4109 to about 32 cents. Our recommendation is to limit the 2008 tax rate in this fund to \$.4109, the same as it is in 2007. This rate would replace about \$2,300,000 of the cash balance in 2008. We would then anticipate replacing the rest of the cash balance in 2009. This would allow us to fund the WRT transaction without any increase in the Debt Service tax rate.



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Severance Bond Fund

- ◆ **Purpose:** This fund is used to pay back the severance bonds (SB 199)
- ◆ **Budget**

-2007	\$1,053,304
-2008	\$1,060,000
-Increase 0.6%	\$6,696
- ◆ **Revenue:** Comes from local taxes
- ◆ **Expenses:** This will be about \$1,060,000 through the year 2013.
- ◆ **Expected tax rate of \$0.0361, a decrease of \$0.0014 from the 2007 rate of \$0.0379**

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The purpose of the Severance Bond Fund is to pay back the bonds that were sold under the provisions of SB 199 to pay retirement benefits.

The budget for this fund will remain relatively constant through the year 2013, when the severance bonds are paid off.

The tax rate for 2008 is expected to be \$0.0361. It decreases slightly because of the increase in AV. The tax rate and budget in the Bus Replacement fund will be decreased by this amount so that these payments satisfy the “tax neutrality” provisions of SB 199.



Sp. Ed. Pre-School -- Overview

- ◆ **Purpose:** Provides services to pre-school special education students
- ◆ **Budget**
 - 2007 \$165,000
 - 2008 \$209,000
 - Increase 26.6% +\$44,000
- ◆ **Revenue**
 - Local property tax rate is fixed.
 - The state provides the balance to fund \$2,750 per student.
 - Will be using about \$30,000 of cash balance in this fund
- ◆ **Expected tax rate of \$0.0021, essentially the same as in 2007.**

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The last of the tax rated funds is the Special Education Pre-School Fund which is mandated by the State of Indiana to provide services to special education pre-school students.

The local property tax rate for this fund is fixed by law at \$0.0021. The state then provides whatever additional money is needed to bring the revenue up to \$2,750 per student.

The budget for 2008 has increased by \$44,000 to \$209,000. This program is offered through Johnson County Special Services, and they will be billing us an estimated \$170,000 in 2008. In addition, for the first time in 2008 we will be putting the cost of transporting these students in the Pre-School Fund. This accounts for \$38,000 of the increase in the budget.

At the beginning of 2008 we should have about \$190,000 in cash balance in this fund. We will use about \$30,000 of this to meet expenses in 2008.



Summary and Conclusions

- **Discussion of Tax Rates**
- **Projected General Fund Cash Balance**

That completes the review of the individual budgets. I will conclude this report with a discussion of projected tax rates and General Fund cash balance.



Budget Comparison 2007 - 2008 (after adjustments for SB199)

	2007 Budget	2008 Budget	Change	Percent
General Fund	\$39,716,017	\$41,400,000	+\$1,683,983	+4.2 %
Capital Proj.	\$7,660,225	\$8,400,000	+\$739,775	+9.6 %
Transportation	\$2,422,973	\$2,670,000	+\$247,027	+10.2 %
Bus Replace.	\$896,428	\$1,016,000	+\$119,572	+13.3 %
Debt Service	\$11,202,207	\$10,770,000	-\$432,207	-3.9 %
Bond Severance	\$1,053,304	\$1,060,000	+\$6,696	+0.6 %
Sp. Ed. Pre-Schl.	<u>\$165,000</u>	<u>\$209,000</u>	<u>+44,000</u>	+26.6 %
Total	\$63,116,154	\$65,525,000	+\$2,408,846	+3.8 %

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This slide summarizes the budgets for the seven tax rated funds. Note that the combined budget for these funds has increased \$2,408,846 or 3.8% for 2008.



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Comparison Tax Rates 2007-2008 (after adjustments for SB199)

	2007 Rate	2008 Rate	Change	Adver.
General Fund	\$0.6622	\$0.6746	+\$0.0124	\$0.7509
Capital Projects	\$0.2750	\$0.2730	-\$0.0020	\$0.2911
Transportation	\$0.0817	\$0.0860	+\$0.0043	\$0.0955
Bus Replacement	\$0.0302	\$0.0339	+\$0.0037	\$0.0746
Debt Service	\$0.4109	\$0.4109	N/C	\$0.4514
Bond Severance	\$0.0379	\$0.0361	-\$0.0018	\$0.0399
Sp. Ed. Pre-Schl.	<u>\$0.0019</u>	<u>\$0.0021</u>	<u>+\$0.0002</u>	<u>\$0.0039</u>
Total	\$1.4998	\$1.5166	+\$0.0168	\$1.7073

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This next part of the presentation discusses tax rates. This slide shows the tax rates for all seven tax-rated funds.

I would like to emphasize again that the increase in the total rate is almost all a result of the change in the General Fund. This change is driven entirely by the funding formula, and we have no control over it.

Note that the total tax rate for next year is now expected to be about \$1.5166 for every \$100 of assessed value, up 1.68 cents or about 1.1% over 2007. As we have said before, 2008 rates are only estimates at this time. Also, keep in mind that these rates have been developed with the assumption of a 4% increase in assessed value. A higher assessed value for 2008 would result in lower tax rates.

We also show here our “advertised” rates. While we don’t actually advertise a rate, we do advertise the tax levy that these rates would generate. We always advertise a higher than needed levy, to guard against errors in estimation or procedure in developing the advertisement. The final rate, we believe, will be very close to the projection of \$1.5166.



Impact -- Sample Homeowner



**Assume a \$300,000 home
2007 pay 2008**

Appraised Value: \$300,000
Taxable Value After Credits: \$262,000
Gross Tax Rate: \$1.5166
Net Tax Rate (after PTRC): \$0.9169
Tax bill: \$2,402/year
A \$.0168 rate increase represents \$44 of this bill

(Tax Rates and Bills reference school taxes only. For the "median" value home of \$177,000, the annual increase would be \$23.)

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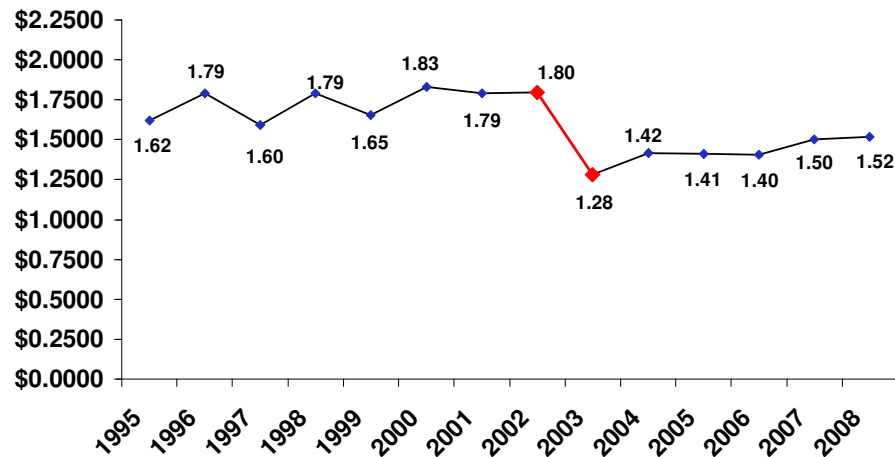
35

This slide shows the impact of the \$.0168 rate increase on a sample taxpayer. For this example of a \$300,000 home, the school tax bill for 2008 would be about \$2,402 per year. The proposed increase of 1.68 cents per \$100 of assessed value would account for \$44 of this bill.

The median home value in Johnson County is \$143,800 according to the 2000 US Census. Inflating this 3% per year yields a median value of \$177,000 in 2007. For a home of this value, the tax bill for 2008 would be \$1,274, and the 1.68 cent increase would account for \$23.

Keep in mind that this example deals with only the school portion of the tax bill. The remaining portion would vary based on other taxing districts where the home was located. Also note that the computation of tax bills is a complicated process; these are only estimates. As the saying goes "Actual mileage may vary."

Total School Tax Rates 1995 - 2008



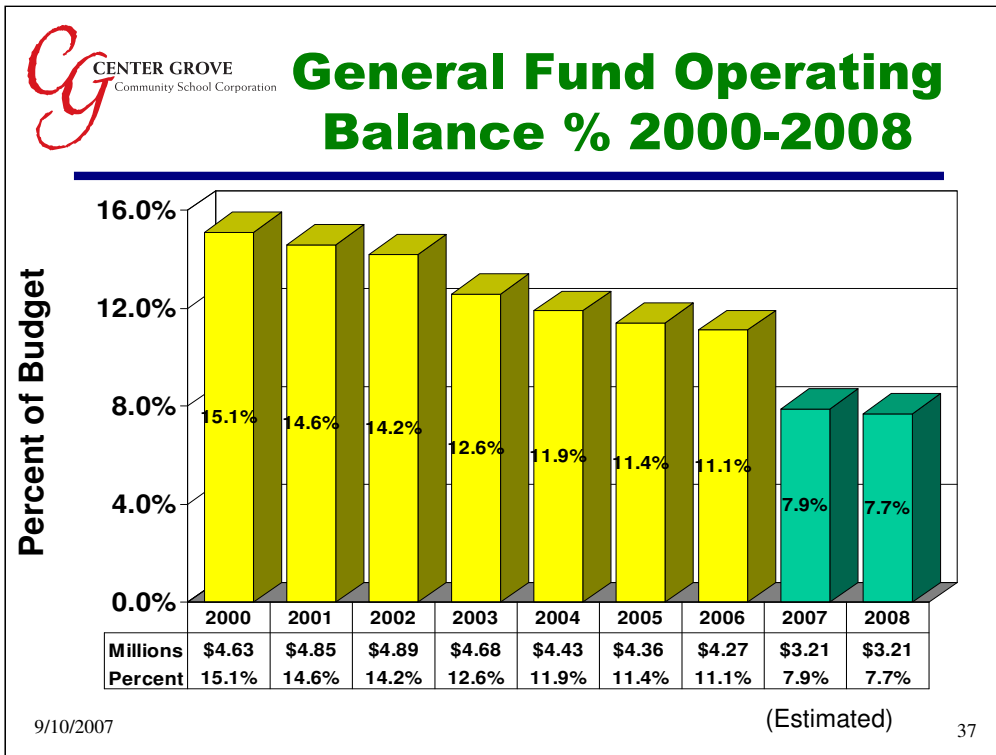
Tax rates for 1995 – 2001 have been divided by three to reflect the change to true tax value that took place in 2001.

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Here you see the graph showing what might happen to our tax rate in 2008. The red line from 2002 to 2003 represents the decrease due to reassessment. As a general rule, this represents a major change for which we cannot take credit or blame.

The final point on this graph shows the projected tax rate for 2008. The value of \$1.52 is our prediction, based on a 4% increase in AV for 2008.



This slide shows our current projections for the cash balance position of the district. We estimate our cash balance on the last day of the calendar year, December 31.

For 2007, our projection of cash balance was reduced significantly when we did the additional appropriation in May of this year.

Our current projection is that the cash balance will remain unchanged at \$3.21 million through 2008.

Budget Summary

- ✓ **The General Fund is up \$1,684,000 or 4.2%**
- ✓ **This is a balanced budget, with revenues equal to expenses**
- ✓ **All 7 funds are up in total \$2,408,846 or 3.8%**
- ✓ **The tax rate in the General Fund is up \$0.0124**
- ✓ **The total tax rate is up \$0.0168 or 1.1%**

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Here is a summary of some of the key points from this presentation:

- The General Fund budget has increased by \$1,684,000 or 4.2%.
- We are presenting a balanced budget, with revenues equal to expenses.
- The total budget in all seven funds in up \$2,408,846 or 3.8%
- The tax rate in the General Fund is up 1.2 cents. Remember that this is a function of the funding formula and there is nothing that we can do to affect this.
- The total tax rate is up 1.68 cents or 1.1%, almost entirely attributed to the increase in the General Fund. Obviously, we are quite pleased with a budget request that has such a small increase.

Future Activities

◆ Sept. 20 – Budget Approval



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That concludes this report. Let me take this opportunity to thank Bob Channel and the other staff in the Business Office for their efforts in putting this budget together.

Let me note again on September 20th, this board will be asked to officially adopt the 2008 Budgets, including proposed expenditures by category, proposed tax levies, and the included Board resolutions.

I would be happy to respond to any questions you may have.