LAFAYETTE PARISH SCHOOL SYSTEM

Jules A. Gaudin, MBA, CPA
Deputy Superintendent and Chief Financial Officer

Business Services Division
Accounting * Finance * Payroll * Budget * Child Nutrition
Sales Tax * Warehouse * Accounts Payable * Purchasing

E-mail: jgaudin@lpssonline.com
Jacqueline B. Snow, Assistant to Jules Gaudin *E-mail:* jbsnow@lpssonline.com

LAFAYETTE PARISH SCHOOL SYSTEM

113 Chaplin Drive, Lafayette LA 70508 • P. O. Drawer 2158, Lafayette LA 70502-2158
Phone: (337) 236-8509 (Ext. 328)- Fax: (337) 236-6962

September 28, 2005

James H. Easton, Ed.D.
Superintendent
Lafayette Parish School Board
113 Chaplin Drive
Lafayette, LA 70508

Dear Dr. Easton,

The proposed budget for fiscal year (FY) 2005-2006 is presented in accordance with the applicable laws and regulations of the state of Louisiana. The budget for the General Fund and all other significant funds are presented in balance with revenues and resource levels equal to expenditures and other resource allocations. We wish that more funds were available so that we could adequately budget for various system areas. Many areas involve costs, which cannot be controlled or predicted.

There have been many challenges in developing the FY 2005-2006 budget. One of the more difficult challenges has been to cope with resource demands associated with our many operational needs.

Enrollment

The system's enrollment peaked in FY 1995-1996. At that time our official enrollment was 30,857 students. Since then our enrollment has been declining. Several factors probably contribute to the decline in enrollment:

1) Federal census information indicates that many families are leaving the state of Louisiana.
2) The State Department of Education data states that non-public school enrollment has increased significantly in recent years.
3) Many students are participating in the at-home schooling program.
4) The birth rate is less now than in earlier years.

If the decline in enrollment continues, it will pose two serious problems for us. First, approximately half of our revenue is based upon student enrollment. That is, state MFP revenues can be expected to decline proportionately with student enrollment. Second, as fewer children are involved in public instruction, our connection to the community will be weakened.

Health Care

Our Group Insurance Fund accounts for the costs of health care for our staff, retirees, and their families. In recent years, the cost of the health care program has increased dramatically. The health care costs have increased at least 90% in the last ten years. These large annual increases, which are far in excess of the economy's inflation rate, will undermine compensation adjustments. These cost increases are largely due to inflation in the health care industry but also are due in part to higher utilization by plan participants. Eventually we will have to make serious adjustments in either the quality of our health car program or in the funding of the program. This issue is at a crisis proportion, and it must be addressed soon.

Property Taxes

The system's property tax millage rates have declined steadily in recent years. Property values have increased each year due to rising values as well as new properties.

Debt Service

Annual debt service will be approximately $11,824,541 in FY 2005-2006. In recent years we have been financing busses, computers, portable buildings, and roof repairs. Financing such needs is not preferable. Many such items should be addressed on a pay-as-you-go basis if our overall spending plan is properly balanced in terms of our operational needs and priorities.

Fund Balance

Our fund balance peaked in FY 1997-1998 with a balance of $22,727,711. Since then our fund balance has fallen each year because we have been experiencing annual operating deficits. We expect our fund balance to be about $10,000,000 at the end of FY 2004-2005, as a result of a deficit that year of approximately $3,000,000. Much of the fund balance is committed to accounting or operational reserves and designations. Only about $5,000,000 is uncommitted or undesignated and available for emergency purposes.

The School Board has a policy which requires a free fund balance of 8% of budgeted operating expenses. Therefore, the policy requires a free fund balance of approximately $13.2 million, but we only have $5,000,000 million available. In such cases the policy requires us to set aside $500,000 annually in order to comply with the policy. We have complied with this policy requirement.

Additionally, because of the lower fund balance we will need to borrow money for working capital. We have borrowed $5 million in October 2004, which we will repay by April 2005 as we receive our property tax revenues. We plan to borrow $10,000,000 in October 2005, which we will repay by April 2006 as we receive our property tax revenues.

Subsidizing Grants

The Pre-K Grant is being subsidized by the General Fund. The Truman facilities, utilities, several staff and numerous bus routes are being paid for by the General Fund at a cost of over $1,000,000.

The K-12 Reading Grant has been reduced steadily in recent years. Both the General Fund and the Title I program have picked up staff of this program as the grant was reduced. Currently, the General Fund is carrying 10 reading facilitators at a cost of $444,334.

2002 Teacher Tax Fund

The 2002 Teacher Tax is fully utilized. The 2002 Teacher Tax Fund is providing the 11.3% raise as planned for approximately 2,069 teachers. It is also fully funding approximately 119 teaching/counseling positions. It will have a reserve of approximately $5.6 million at the end of FY 2005-2006.

New Loan for Non-Recurring Items

Capital and Construction funds are minimal. We will have to borrow approximately $4.7 million to provide for our capital needs. In recent years we have borrowed for portables, busses, roof repairs and a mainframe computer. Such items were funded from current revenues several years ago. Our need for debt to operate is becoming essential.

Acknowledgements

Development of the FY 2005-2006 budget document was a challenging task which required the collaboration of many staff members. Although we have very limited staff and resources available, we have fashioned a new budget document which should prove very informative to interested persons.

I would like to acknowledge my sincere appreciation to everyone in the school system for their assistance in completing this task. I would like to personally acknowledge and thank several key staff members. Without their tireless and determined efforts, this budget document would not be possible. They are:

Ronnie Bertrand	Stephanie Richard	Yvonne Menard	Bob Simpson
John Domingue	Jacqueline Snow	Jennifer Nestor	Shaun Leger
Matt Dugas	Carl Meche	Mona Bernard	Mark Sibille
Carol Gaines	Lisa Haydon	Lisa Russell	Amy Burns

Additionally, I would like to thank my colleagues on the School Support Team for their assistance and cooperation in gathering data and facilitating efforts in balancing and re-balancing the budget prior to its formal presentation.

Finally, I would like to thank the Superintendent and the members of the School Board for their leadership and support in the budget process.

Sincerely,

Jules A. Gaudin, MBA, CPA
Deputy Superintendent & Chief Financial Officer

lrh

Lafayette Parish School Board

Principal Officials

School Board Members

(All Board Members are in Office for the Same Four-Year Term
January 1, 2003 through December 31, 2006)

John Earl Guidry, President, District 1
Carl LaCombe, District 2
Rickey Hardy, District 3
Edward J. Sam, Vice President, District 4
Michael Hefner, District 5
Beverly Wilson, District 6
David Thibodaux, District 7
Judy Cox, District 8
Kay Gibson, District 9

Administrative Officials

James H. Easton, Ed.D.
Superintendent and Board Secretary-Treasurer

Jules A. Gaudin, MBA, CPA
Deputy Superintendent and Chief Financial Officer

Burnell Lemoine
Deputy Superintendent and Chief Academic Officer