LAFAYETTE PARISH
SCHOOL SYSTEM

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August 21, 2002

James H. Easton, Ed.D.
Superintendent
Lafayette Parish School Board
P.O. Drawer 2158
Lafayette, LA 70502

Dear Dr. Easton,

The proposed budget for fiscal year 2002-2003 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 (or with an appropriate surplus) with revenues and resource levels equal to expenditures and other resource allocations.

There have been many challenges in developing the fiscal year 2002-2003 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 fiscal year 1995-1996. At that time our official enrollment was 30,857 students. Since then our enrollment has been declining. Our original projected enrollment of April 2002 for fiscal year 2002-2003 is 28,623 students. Our fifth-day student count was slightly better at 28,969 students but is still down significantly from prior years. Several factors probably contribute to the decline in enrollment. Federal census information indicates that many families are leaving the state of Louisiana. State Department of Education data states that non-public school enrollment has increased significantly in recent years. Additionally, many students are participating in the at-home schooling program. Finally, 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. Costs increased 12.2% last year and are expected to increase 14.5% this year. 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.

The health care costs have increased 90% in the last nine years. This year's increase is approximately $3 million, of which the General Fund is providing 66%. These large annual increases, which are far in excess of the economy's inflation rate, will undermine compensation adjustments. Eventually we will have to make serious adjustments in either the quality of our health care program or in the funding of the program. This issue is at 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. The largest component of our property tax millage rates is due to be renewed in 2004 or 2005 prior to its expiration. This tax is approximately 50% of the total property taxes. It is possible that the periodic state-wide re-assessment of property values may occur that year. The last re-assessment had to be repeated in fiscal year 2001-2002 because the state tax commission decided it was not properly conducted in fiscal year 2000-2001. This resulted in sharply higher re-assessments. While this increased total property taxes due, it also resulted in higher delinquency collection rates due to many protests filed by taxpayers.

## Debt Service

Debt Service has been increasing in absolute terms but has decreased slightly on a relative basis. Consider the following information:

| Fiscal Year | Total Debt Service | General Fund Revenues Available for Debt Service | Rates of Total Debt Service to General Fund Revenues Available |
|---|---|---|---|
| 1993 | $ 8,461,935 | $ 87,491,325 | 9.67% |
| 2002 | $ 10,672,321 | $ 132,032,978 | 8.08% |

Annual debt service will be approximately $11.4 million in fiscal year 2002-2003. 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 fiscal year 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 $14 million to $15 million at the end of fiscal year 2001-2002, as a result of a small deficit that year of approximately $1,000,000 to $1,500,000. Much of the fund balance is committed to accounting or operational reserves and designations. Only about $7-8 million is uncommitted or undesignated and available for emergency purposes.

The School Board has a policy which requires a fund balance of 8% of budgeted operating expenses. Therefore, the policy requires a fund balance of approximately $12 million, but we only have $7-8 million available. In such cases the policy requires us to set aside $500,000 annually in order to comply with the policy. We have not been able to comply with this policy requirement.

## Acknowledgements

Development of the fiscal year 2002-2003 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 | Brent Hebert | Stephen Woods |
| John Domingue | Stephanie Richard | Lisa Haydon |
| Matt Dugas | Jacqueline Snow | Melissa Green |
| Carol Gaines | Shaun Leger | Lisa Russell |

Additionally, I would like to thank my colleagues Burnell Lemoine and Lawrence Lilly for their assistance and cooperation in gathering data and facilitating efforts at 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
Assistant Superintendent of Finance

# Lafayette Parish School Board

## Principal Officials

### School Board Members

(All Board Members are in Office for the Same Four-Year Term
January 1, 1999 through December 31, 2002)

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

### Administrative Officials

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

Jules A. Gaudin, MBA, CPA
Assistant Superintendent of Finance

Burnell Lemoine
Assistant Superintendent of Instructional Services