



Dedicated to Excellence
Cherry Creek Schools

FY2015-16

Budget Development & Financial Planning

Projections through FY2017-18

Executive Briefing for the
Board of Education
December 11, 2014

Investing in Every Child's Future

Financial Planning

Overview

- ◆ Financial planning projections are prepared to:
 - Enhance the financial review and policy-making flexibility of the Board of Education.
 - Plan for adequate resources to sustain programs designed to ensure that **EVERY** child has a high quality educational experience.
 - Assist in planning for future financial needs, including planning for salary and benefit costs, classroom instruction, and capital needs.
 - Support the District in its objectives for student achievement by aligning resources with the educational goals of Cherry Creek Schools.



Colorado State Capitol

EXECUTIVE SUMMARY

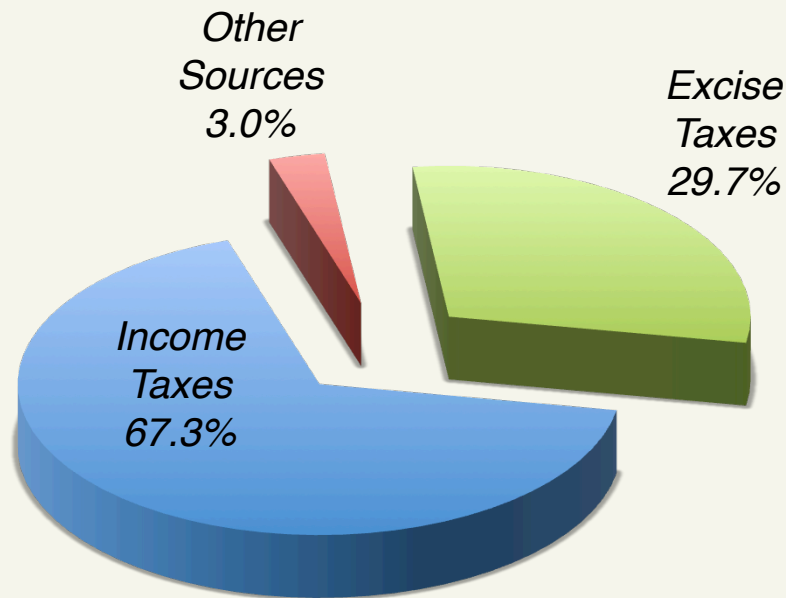
FY2014-15

STATE BUDGET AND
SCHOOL FINANCE LEGISLATION FUNDING

State General Fund Budget

FY2014-15

Revenue



State of Colorado Revenue Sources

REVENUE

\$ in Millions

INCOME TAXES

\$6,371.1

| | |
|--------------------------------|---------|
| • Net Individual Income Tax | 6,112.8 |
| • Net Corporate Income Tax | 774.9 |
| Less Amount: to State Ed. Fund | (516.6) |

EXCISE TAXES

\$2,814.4

| | |
|--------------------|---------|
| • Sales | 2,474.7 |
| • Use | 247.1 |
| • Liquor | 40.9 |
| • Cigarette | 34.6 |
| • Tobacco Products | 17.1 |

OTHER SOURCES

\$287.9

| | |
|----------------------|-------|
| • Insurance | 226.3 |
| • Interest Income | 25.3 |
| • Gaming/Pari-mutuel | 9.8 |
| • Court Receipts | 2.3 |
| • Other | 24.2 |

TOTAL REVENUE

\$9,473.4

State General Fund Budget

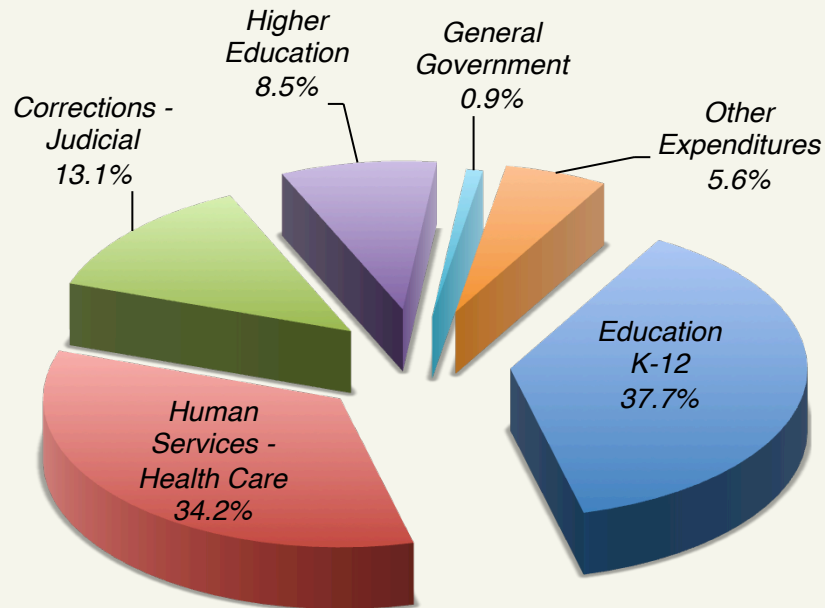
2013-14 to 2014-15 Revenue Comparison

| REVENUE (\$ IN MILLIONS) | 2013-14 | 2014-15 | Incr./.(Decr.) |
|--------------------------------|------------------|------------------|------------------|
| INCOME TAXES | \$5,588.5 | \$6,371.1 | \$782.6 |
| • Net Individual Income Tax | 5,380.6 | 6,112.8 | 732.2 |
| • Net Corporate Income Tax | 656.5 | 774.9 | 118.4 |
| Less Amount: to State Ed. Fund | (448.6) | (516.6) | (68.0) |
| EXCISE TAXES | \$2,597.4 | \$2,814.4 | \$217.0 |
| • Sales | 2,255.4 | 2,474.7 | 219.3 |
| • Use | 251.5 | 247.1 | (4.4) |
| • Liquor | 39.0 | 40.9 | 1.9 |
| • Cigarette | 33.1 | 34.6 | 1.5 |
| • Tobacco Products | 18.4 | 17.1 | (1.3) |
| OTHER SOURCES | \$263.5 | \$287.9 | \$24.4 |
| • Insurance | 209.4 | 226.3 | 16.9 |
| • Interest Income | 15.6 | 25.3 | 9.7 |
| • Gaming/Pari-mutuel | 13.6 | 9.8 | (3.8) |
| • Court Receipts | 0.3 | 2.3 | 2.0 |
| • Other | 24.6 | 24.2 | (0.4) |
| TOTAL REVENUE | \$8,449.4 | \$9,473.4 | \$1,024.0 |

State General Fund Budget

FY2014-15

Expenditures



State of Colorado
Expenditure Categories

EXPENDITURES

\$ in Millions

| | |
|--------------------------------------|------------------|
| EDUCATION K-12 | \$3,357.9 |
| HEALTH CARE-HUMAN SERVICES | \$3,046.5 |
| CORRECTIONS-JUDICIAL | \$1,164.5 |
| HIGHER EDUCATION | \$762.0 |
| GENERAL GOVERNMENT | \$82.1 |
| • Legislative | 40.9 |
| • Governor | 34.4 |
| • Personnel & Administration | 6.8 |
| TRANSPORTATION | \$0.7 |
| OTHER EXPENDITURES | \$502.3 |
| • Agriculture | 9.3 |
| • Law | 13.5 |
| • Local/Military/Veterans Affairs | 29.9 |
| • Natural Resources | 26.2 |
| • Public Health/Environment | 64.0 |
| • Public Safety/Maintenance | 133.7 |
| • Labor-Employ/Reg. Agencies/Revenue | 104.1 |
| • Treasury | 121.6 |
| TOTAL EXPENDITURES | \$8,916.0 |

State General Fund Budget

2013-14 to 2014-15 Expenditures Comparison

| EXPENDITURES (\$ IN MILLIONS) | 2013-14 | 2014-15 | Incr./((Decr.) | % Change |
|--------------------------------------|------------------|------------------|----------------|--------------|
| EDUCATION K-12 | \$3,100.5 | \$3,357.9 | \$257.4 | 8.3% |
| HUMAN SERVICES – HEALTH CARE | \$2,788.0 | \$3,046.5 | \$258.5 | 9.3% |
| CORRECTIONS - JUDICIAL | \$1,047.2 | \$1,164.5 | \$117.3 | 11.2% |
| HIGHER EDUCATION | \$659.1 | \$762.0 | \$102.9 | 15.6% |
| GENERAL GOVERNMENT | \$69.8 | \$82.1 | \$12.3 | 17.6% |
| • Legislative | 38.6 | 40.9 | 2.3 | |
| • Governor | 22.1 | 34.4 | 12.3 | |
| • Personnel & Administration | 9.1 | 6.8 | (2.3) | |
| TRANSPORTATION | - | \$0.7 | \$0.7 | - |
| OTHER EXPENDITURES | \$429.6 | \$502.3 | \$72.7 | 16.9% |
| • Agriculture | 7.7 | 9.3 | 1.6 | |
| • Law | 12.2 | 13.5 | 1.3 | |
| • Local/Military/Veterans Affairs | 25.1 | 29.9 | 4.8 | |
| • Natural Resources | 25.0 | 26.2 | 1.2 | |
| • Public Health/Environment | 53.4 | 64.0 | 10.6 | |
| • Public Safety/Maintenance | 120.4 | 133.7 | 13.3 | |
| • Labor-Employ/Reg. Agencies/Revenue | 79.6 | 104.1 | 24.5 | |
| • Treasury | 106.2 | 121.6 | 15.4 | |
| TOTAL EXPENDITURES | \$8,094.2 | \$8,916.0 | \$821.8 | 10.2% |

State General Fund Budget

2009-10 to 2014-15 Expenditures Comparison

| EXPENDITURES (\$ IN MILLIONS) | 2009-10 | 2014-15 | Incr./((Decr.) | % Change |
|--------------------------------------|------------------|------------------|------------------|--------------|
| EDUCATION K-12 | \$3,239.3 | \$3,357.9 | \$118.6 | 3.7% |
| HUMAN SERVICES – HEALTH CARE | \$1,802.9 | \$3,046.5 | \$1,243.6 | 69.0% |
| CORRECTIONS - JUDICIAL | \$889.4 | \$1,164.5 | \$275.1 | 30.9% |
| HIGHER EDUCATION | \$428.8 | \$762.0 | \$333.2 | 77.7% |
| GENERAL GOVERNMENT | \$54.6 | \$82.1 | \$27.5 | 50.4% |
| • Legislative | 35.1 | 40.9 | 5.8 | |
| • Governor | 13.9 | 34.4 | 20.5 | |
| • Personnel & Administration | 5.6 | 6.8 | 1.2 | |
| TRANSPORTATION | - | \$0.7 | \$0.7 | - |
| OTHER EXPENDITURES | \$244.3 | \$502.3 | \$258.0 | 105.6% |
| • Agriculture | 6.1 | 9.3 | 3.2 | |
| • Law | 9.2 | 13.5 | 4.3 | |
| • Local/Military/Veterans Affairs | 16.3 | 29.9 | 13.6 | |
| • Natural Resources | 26.6 | 26.2 | (0.4) | |
| • Public Health/Environment | 27.1 | 64.0 | 36.9 | |
| • Public Safety/Maintenance | 82.1 | 133.7 | 51.6 | |
| • Labor-Employ/Reg. Agencies/Revenue | 75.2 | 104.1 | 28.9 | |
| • Treasury | 1.7 | 121.6 | 119.9 | |
| TOTAL EXPENDITURES | \$6,659.3 | \$8,916.0 | \$2,256.7 | 33.9% |

Public School Finance Legislation

| | FY2013-14 | FY2014-15 |
|--|-----------|-----------|
| Number of Funded Pupils (FTE) | 828,045 | 845,136 |
| • Annual Percent Change | 1.3% | 1.7% |
| Colorado Preschool Program – number of children funded (1/2 day per child: 11,680 FTE included for funding)FY2013-14 (1/2 day per child: 14,180 FTE included for funding)FY2014-15 | 23,360 | 28,360 |
| Statewide Base per Pupil Funding | \$5,954 | \$6,121 |
| • Annual Percent Change | 1.9% | 2.8% |
| Estimated Statewide Average per Pupil Funding | \$6,652 | \$7,021 |
| • Annual Percent Change | 2.7% | 5.5% |

Source: Budget in Brief, Colorado General Assembly, Joint Budget Committee,
Fiscal Year 2014-15

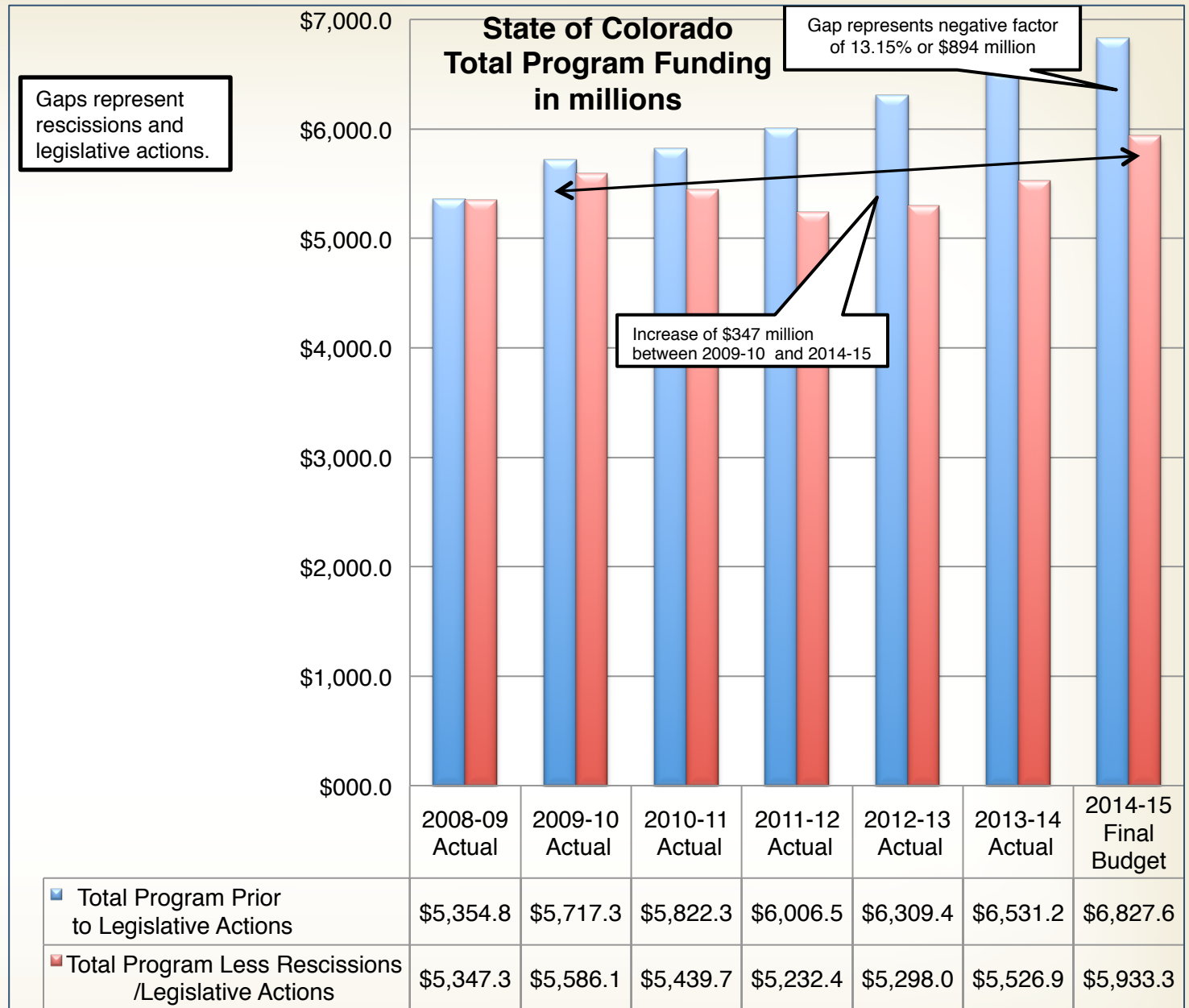
Public School Finance Legislation

| | FY2013-14 | FY2014-15 |
|--|-----------------|-----------------|
| Total State, Local, & Federal Funds Distributed Based on the School Finance Formula | \$5,508,386,124 | \$5,933,444,389 |
| • Annual Percent Change – Total Funds | 4.0% | 7.4% |
| • Annual Percent Change – State Funds | 4.5% | 10.2% |
| State Share of Total Program Funding | 64.1% | 66.6% |
| Local Share of Total Program Funding | 35.9% | 33.4% |
| Categorical Programs | | |
| • Appropriations – Total Funds | \$435,744,811 | \$445,476,354 |
| • Appropriations – State Funds | \$268,859,428 | \$278,290,670 |
| Annual Change in State Funding | 10.1% | 3.5% |

Source: Budget in Brief, Colorado General Assembly, Joint Budget Committee,
Fiscal Year 2014-15

State of Colorado Total Program Funding

The gaps in the bars represent the negative factor. For 2014-15 it is 13.15% or \$894 million.



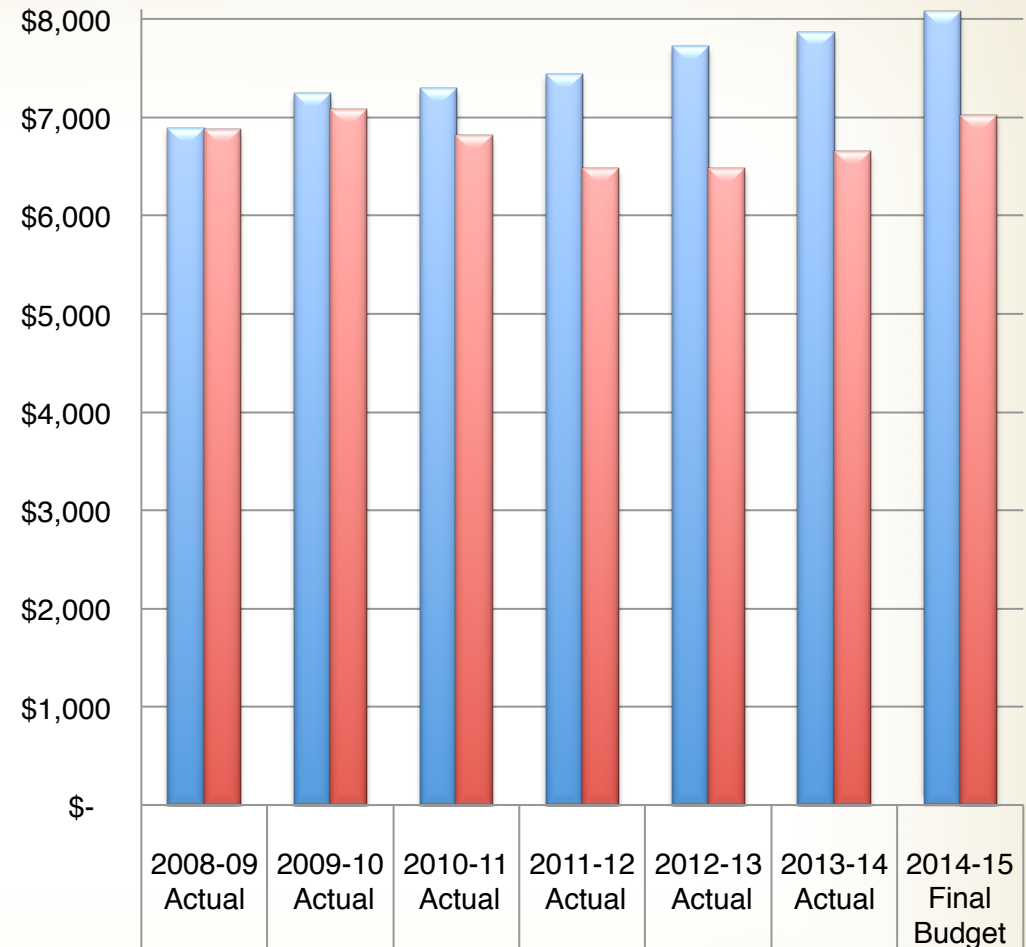
State of Colorado Average Per Pupil Funding

Similar to Total Program, the gaps in the bars represent the effect of the negative factor.

For 2014-15, the effect is \$1,058 in the statewide average per pupil funding.

Gaps represent rescissions and legislative actions.

State of Colorado Average Per Pupil Funding



| | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|
| <div></div> Average Per Pupil Funding Before Legislative Actions | \$6,882 | \$7,242 | \$7,291 | \$7,432 | \$7,717 | \$7,861 | \$8,079 |
| <div></div> Actual Average Per Pupil Funding | \$6,872 | \$7,076 | \$6,813 | \$6,475 | \$6,480 | \$6,652 | \$7,021 |

The Governor's
Office of State
Planning
and Budgeting

EXECUTIVE SUMMARY

FY2015-16

GOVERNOR'S STATE BUDGET REQUEST

Governor's State Budget Request

FY2015-16

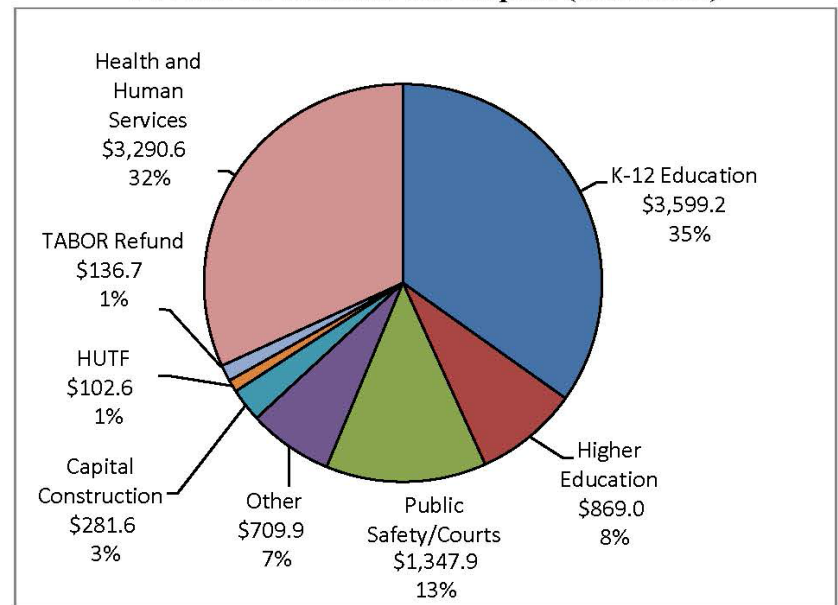
- ◆ Governor Hickenlooper submitted his FY2015-16 Budget Request on November 3, 2014. The *State General Fund Budget is proposed to increase to \$10.3 billion*, an increase of \$908.4 million, or 9.6%.
- ◆ The net *Total Program Funding for K-12 Education* (net of the Negative Factor) *in FY2015-16 is proposed to increase* from \$5,933,444,389 *to \$6,413,735,753*, an increase of \$480,291,364, or 8.1%.
- ◆ *K-12 Education represents 35% of the Proposed State General Fund Budget* as is shown in the pie chart on the following slide.

Governor's State Budget Request

FY2015-16

- ◆ The *chart on the right illustrates* the General Fund percentage allocation between Health/Human Services, K-12 and Higher Education, Public Safety, Capital Construction, Highway Users Tax Fund, and the TABOR Refund.
- ◆ The *Other* category includes Agriculture, Governor and Legislature, Labor and Employment, Local and Military Affairs, Regulatory Agencies, Treasury, Rebates, Interest, and Transfers to the State Education and Other Funds.

FY 2015-16 General Fund Request (In Millions)



Governor's State Budget Request

FY2015-16

Below is a Summary of Significant Areas in the General Fund State Budget Request.

| | FY2014-15 | FY2015-16 | Incr./(Decr.) | Incr./(Decr.)% |
|---|------------------|-------------------|----------------|----------------|
| Health Care Policy & Financing/ Human Services | \$3,046.4 | \$3,290.5 | \$244.1 | 8.0% |
| Higher Education | 761.9 | 869.0 | 107.1 | 14.1% |
| K-12 Education | 3,357.9 | 3,599.2 | 241.3 | 7.2% |
| Corrections | 720.4 | 749.3 | 28.9 | 4.0% |
| Judicial | 444.1 | 476.3 | 32.2 | 7.3% |
| Transfers to Capital Construction | 225.5 | 281.6 | 56.1 | 24.9% |
| Transfers to Highway Users Tax Fund | - | 102.6 | 102.6 | - |
| TABOR Refund | 30.5 | 136.7 | 106.2 | 348.2% |
| Other Obligations | 842.5 | 832.4 | (10.1) | (1.2%) |
| TOTAL STATEWIDE | \$9,429.2 | \$10,337.6 | \$908.4 | 9.6% |

Governor's State Budget Request

FY2015-16

- ◆ The K-12 Education funding is *supplemented by a one-time allocation of \$200 million from the State Education Fund.*
- ◆ The table on the following slide shows a FY2015-16 and FY2016-17 illustration in order *to clarify the one-time nature of the FY2015-16 increase vs. the flat increase of only 1.5% which covers enrollment growth only in FY2016-17.*
 - This results in per pupil funding in FY2016-17 being virtually the same as in FY2015-16.

Since 42% of the proposed increase in FY2015-16 is one-time in nature, budget increases will need to be structured carefully to avoid ongoing costs that would necessitate reversal in the FY2016-17 budget cycle.



Governor's State Budget Request

FY2015-16

SUMMARY OF PUBLIC SCHOOL FINANCE – TOTAL PROGRAM (NOVEMBER 3, 2014)

| | FY2014-15 | FY2015-16 | Difference | FY2016-17 | Difference |
|---|------------------------|------------------------|----------------------|------------------------|---------------------|
| Inflation Assumption | 2.80% | 2.80% | 0.00% | 2.60% | (0.20%) |
| Funded Pupil Assumption | 845,136 | 855,589 | 10,453 | 868,423 | 12,834 |
| Total Program Funding | \$6,827,646,456 | \$7,107,937,820 | \$280,291,364 | \$7,402,139,256 | \$294,201,436 |
| Negative Factor Adjust. | (894,202,067) | (694,202,067) | 200,000,000 | (894,202,067) | (200,000,000) |
| NET PROGRAM REQUESTED | \$5,933,444,389 | \$6,413,735,753 | \$480,291,364 | \$6,507,937,189 | \$94,201,436 |
| Negative Factor % | (13.1%) | (9.8%) | | (12.1%) | |
| Statewide Avg. Per Pupil Funding | \$7,021 | \$7,496 | \$475 | \$7,494 | (\$2) |

Governor's State Budget Request

FY2015-16

SUMMARY OF PUBLIC SCHOOL FINANCE – TOTAL PROGRAM (NOVEMBER 3, 2014)

| | FY2014-15 | FY2015-16 | Difference | FY2016-17 | Difference |
|------------------------------|------------------------|------------------------|----------------------|------------------------|---------------------|
| State Public School Fund | \$98,977,700 | \$94,910,156 | (\$4,067,544) | \$94,910,156 | \$0 |
| State Education Fund | 670,481,408 | 815,228,356 | 144,746,948 | 290,000,000 | (525,228,356) |
| General Fund * | 3,184,047,461 | 3,423,942,876 | 239,895,415 | 3,984,318,265 | 560,375,389 |
| Total State Share | \$3,953,506,569 | \$4,334,081,388 | \$380,574,819 | \$4,369,228,421 | \$35,147,033 |
| Total Local Share | 1,979,937,820 | 2,079,654,365 | 99,716,545 | 2,138,708,768 | 59,054,403 |
| NET PROGRAM REQUESTED | \$5,933,444,389 | \$6,413,735,753 | \$480,291,364 | \$6,507,937,189 | \$94,201,436 |

*CAUTIONARY NOTE:

Due to the substantial leveraging of State Education Fund monies in FY2015-16, approximately \$560.4 million of General Fund resources would be needed just to maintain the same funding per pupil in FY2016-17 as in FY2015-16.

Governor's State Budget Request

FY2015-16

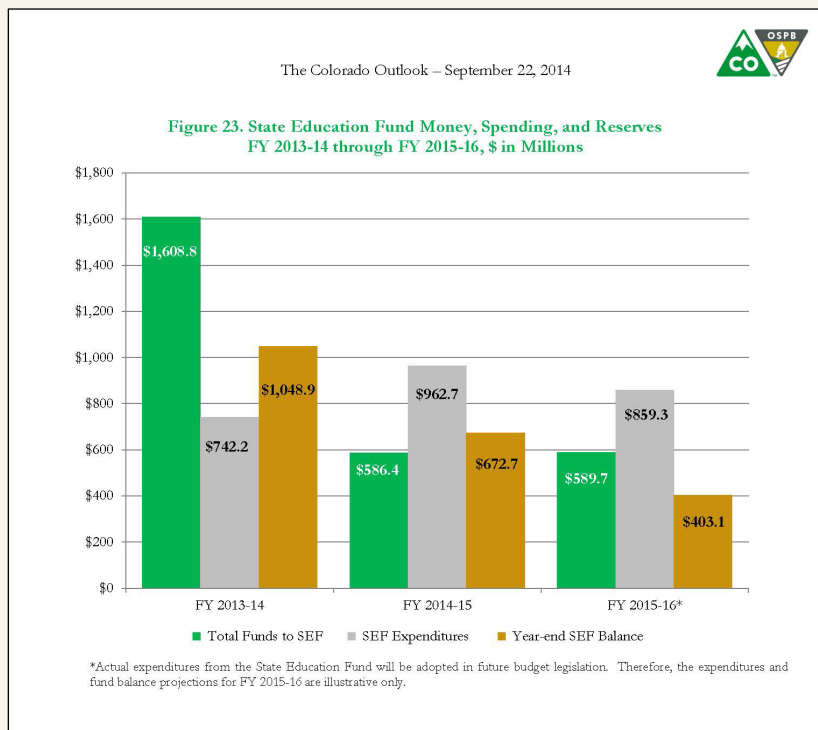
- ◆ The proposed allocation reduces the Statewide Negative Factor on a temporary basis from \$894 million to \$694 million in FY2015-16.
- ◆ The Negative Factor percentage proposed in FY2015-16 is a 9.8% Negative Factor, meaning that Total Program Funding prescribed by Amendment 23 would be reduced by 9.8%, subject to legislative approval.
- ◆ Since the \$200 million portion of funding in FY2015-16 is one-time in nature, the Statewide Negative Factor reverts back to \$894 million in FY2016-17, which increases the Negative Factor back to its FY2014-15 level of \$894 million, at a level of 12.1% below Total Program Funding prescribed by Amendment 23.

As the Governor's Budget Request is considered by the General Assembly, any changes would affect these assumptions, and present different scenarios. The final funding is subject to adoption of School Finance legislation at the end of the General Legislative Session on May 6, 2015.

State Education Fund Resources

Per Governor's Office of Planning & Budgeting*

A Visual Downward Trend



WHERE WILL OUR EDUCATION
FUNDING COME FROM?

What is our Future Outlook?

- ◆ The State Education Fund is supporting a larger share of education funding than it has historically, *which will draw down its fund balance*. Figure 23 on the left summarizes total State Education Fund revenue available, total spending, and balance levels from FY2013-14 through FY2015-16 based on the forecast.

* The Colorado Outlook – September 22, 2014

The Governor's Budget Request differs from the September 2014 Forecast by showing State Education Fund Expenditures for 2015-16 at \$1.1 Billion, resulting in a lower year-end fund balance of \$135.8 Million. This is primarily related to the \$200 Million one-time decrease in the Negative Factor.

Forecast of General Fund Revenue

By Source

Per Governor's Office of Planning & Budgeting

Table 3. General Fund – Revenue Estimates by Tax Category
(Accrual Basis, Dollar Amounts in Millions)

| Line No. | Category | Preliminary | | September 2014 Estimate by Fiscal Year | | | | | |
|----------|--------------------------------------|-------------|--------|--|-------|------------|-------|------------|-------|
| | | FY 2013-14 | % Chg | FY 2014-15 | % Chg | FY 2015-16 | % Chg | FY 2016-17 | % Chg |
| | Excise Taxes: | | | | | | | | |
| 1 | Sales | \$2,424.6 | 9.6% | \$2,581.7 | 6.5% | \$2,708.4 | 4.9% | \$2,840.6 | 4.9% |
| 2 | Use | \$241.5 | -0.5% | \$255.6 | 5.8% | \$271.3 | 6.2% | \$288.1 | 6.2% |
| 3 | Cigarette | \$36.6 | -4.5% | \$36.9 | 0.9% | \$34.6 | -6.2% | \$33.3 | -3.7% |
| 4 | Tobacco Products | \$16.9 | 8.4% | \$17.2 | 2.1% | \$17.6 | 2.0% | \$18.1 | 2.9% |
| 5 | Liquor | \$40.3 | 2.9% | \$42.9 | 6.4% | \$42.8 | -0.3% | \$43.7 | 2.2% |
| 6 | Total Excise | \$2,759.9 | 8.3% | \$2,934.3 | 6.3% | \$3,074.8 | 4.8% | \$3,223.9 | 4.8% |
| | Income Taxes: | | | | | | | | |
| 7 | Net Individual Income | \$5,696.1 | 1.8% | \$6,187.0 | 8.6% | \$6,626.7 | 7.1% | \$6,963.1 | 5.1% |
| 8 | Net Corporate Income | \$720.7 | 13.3% | \$757.6 | 5.1% | \$820.5 | 8.3% | \$891.8 | 8.7% |
| 9 | Total Income | \$6,416.8 | 3.0% | \$6,944.6 | 8.2% | \$7,447.2 | 7.2% | \$7,854.9 | 5.5% |
| 10 | Less: State Education Fund Diversion | \$478.8 | -1.6% | \$520.8 | 8.8% | \$558.5 | 7.2% | \$589.1 | 5.5% |
| 11 | Total Income to General Fund | \$5,938.0 | 3.3% | \$6,423.8 | 8.2% | \$6,888.6 | 7.2% | \$7,265.8 | 5.5% |
| | Other Revenue: | | | | | | | | |
| 12 | Insurance | \$239.1 | 13.6% | \$243.6 | 1.9% | \$250.5 | 2.8% | \$257.1 | 2.6% |
| 13 | Interest Income | \$12.9 | -26.1% | \$15.9 | 23.3% | \$18.9 | 19.0% | \$20.0 | 6.0% |
| 14 | Pari-Mutuel | \$0.6 | -8.8% | \$0.6 | -9.7% | \$0.5 | -5.0% | \$0.5 | -5.0% |
| 15 | Court Receipts | \$2.6 | 9.5% | \$2.7 | 3.9% | \$2.5 | -5.0% | \$2.4 | -5.0% |
| 16 | Other Income | \$21.3 | 17.9% | \$20.1 | -5.7% | \$21.4 | 6.4% | \$26.1 | 22.0% |
| 17 | Total Other | \$276.9 | 11.2% | \$282.9 | 2.2% | \$293.9 | 3.9% | \$306.2 | 4.2% |
| 18 | GROSS GENERAL FUND | \$8,974.8 | 5.1% | \$9,641.0 | 7.4% | \$10,257.3 | 6.4% | \$10,795.9 | 5.3% |

TABOR & Referendum C

Tax Limitations

TABLE 7 – SEPTEMBER 2014 ESTIMATE (DOLLAR AMOUNTS IN MILLIONS)

| TABOR Revenues: | | FY2015-16 |
|--|--|-------------------|
| General Fund | | \$10,207.6 |
| Percent Change from Prior Year | | 6.2% |
| Cash Funds | | \$2,791.3 |
| Percent Change from Prior Year | | 4.2% |
| TOTAL TABOR REVENUES | | \$12,999.0 |
| Percent Change from Prior Year | | 5.8% |
| Revenue Limit Calculation: | | |
| Previous calendar year population growth | | 1.5% |
| Previous calendar year inflation | | 2.8% |
| Allowable TABOR Growth Rate | | 4.3% |
| TABOR Limit | | \$10,381.7 |
| General Fund Exempt Revenue under Referendum C | | \$2,617.3 |
| REVENUE CAP UNDER REFERENDUM C | | \$12,865.9 |
| Amount Above/(Below) Cap | | \$133.1 |
| TABOR RESERVE REQUIREMENT | | \$386.0 |

* Source: Governor's Office of State Planning & Budgeting "The Colorado Outlook", September 22, 2014



EXECUTIVE SUMMARY

Trends

CHERRY CREEK'S BUDGET & PROJECTION – HISTORICAL FUNDING TRENDS

Per Pupil Funding – Budget Scenario *

FY2015-16

For Cherry Creek School District

| CHERRY CREEK | ESTIMATED FY2014-15 | PROJECTED FY2015-16** | NET INCREASE |
|----------------------------------|--------------------------------|----------------------------------|-------------------------|
| TOTAL PROGRAM FUNDING | \$412,075,647 | \$426,081,422 | \$14,005,775 |
| NEGATIVE FACTOR *** | (54,113,901) | (53,728,867) | 385,034 |
| NET TOTAL PROGRAM FUNDING | \$357,961,746 | \$372,352,555 | \$14,390,809 |
| TOTAL FUNDED PUPILS | 51,516.5 | 51,816.5 | 300 |
| FUNDING PER PUPIL | \$6,948 | \$7,186 | \$238 |

* Funding Assumption – Budget Scenario – 2.8% Inflation + Enrollment

** Figures are projected for FY2015-16 and are adjusted to reflect Cherry Creek's new budget projection for enrollment.

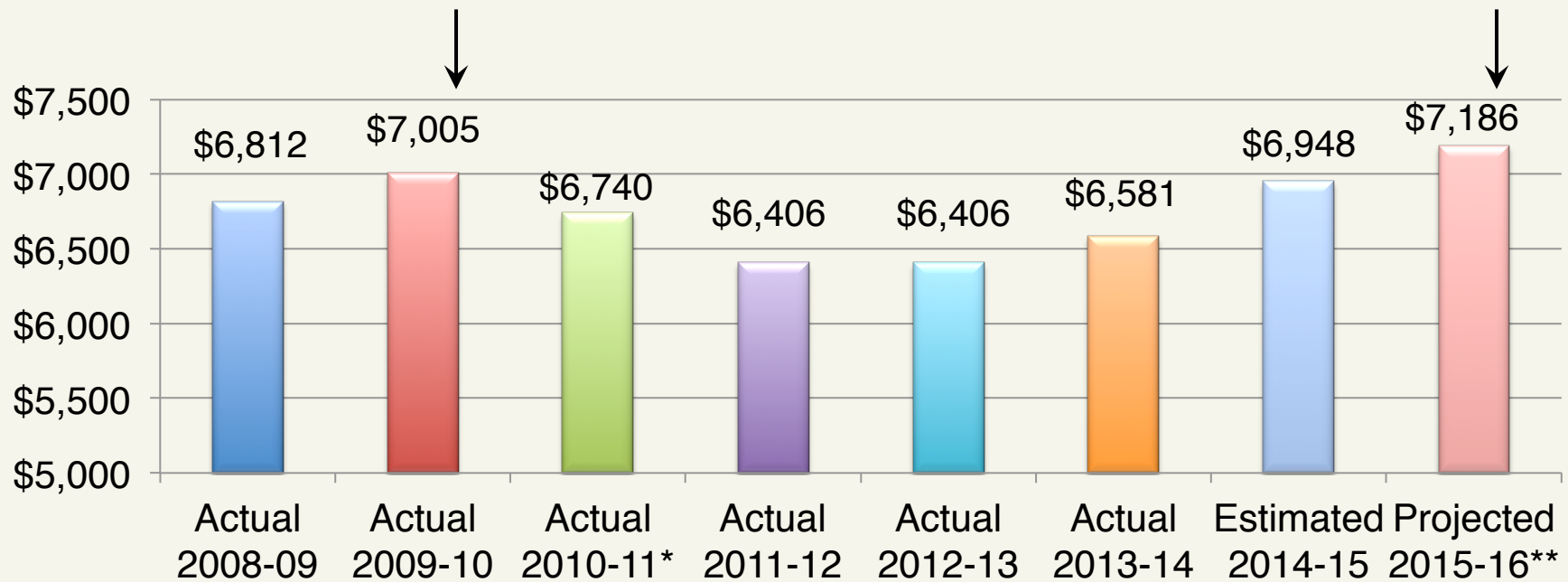
*** Negative Factor is -13.13% for FY2014-15 and -12.61% for FY2015-16.

Projected Per Pupil Funding

FY2015-16

For Cherry Creek School District

Total Net Program Funding per Pupil Comparison



* Includes one-time Federal funding for EDJOBS of \$9.7 million and SF/ARRA of \$3.7 million, for a total of \$13.4 million.

** 2015-16 funding level from the School Finance formula is estimated to be approximately \$181 more per pupil than that of 2009-10: projection assumes School Finance funding increase for inflation and enrollment.

Illustration of Revenue Loss by Year

FY2015-16

Impact on Cherry Creek

| (\$ Millions) | Actual 2011-12 | Actual 2012-13 | Actual 2013-14 | Estimated 2014-15 | Projected 2015-16 |
|--|-------------------|-------------------|-------------------|----------------------|----------------------|
| Total Program Funding – Amend. 23 | \$366.3 | \$385.1 | \$398.3 | \$412.1 | \$426.1 |
| Less: Effect of Rescission on Cherry Creek (Revenue Loss) | (47.4) | (62.0) | (61.4) | (54.1) | (53.7) |
| Net Program Funding | \$318.9 | \$323.1 | \$336.9 | \$358.0 | \$372.4 |

| | Actual 2011-12 | Actual 2012-13 | Actual 2013-14 | Estimated 2014-15 | Projected 2015-16 |
|--|-------------------|-------------------|-------------------|----------------------|----------------------|
| Funded Student Count | 49,788.0 | 50,435.3 | 51,197.5 | 51,516.5 | 51,816.5 |
| Total Program Funding per Pupil | \$7,357 | \$7,635 | \$7,781 | \$7,999 | \$8,223 |
| Less: Funding per pupil Reduction | (951) | (1,229) | (1,200) | (1,051) | (1,037) |
| Net Program Funding per Pupil | \$6,406 | \$6,406 | \$6,581 | \$6,948 | \$7,186 |

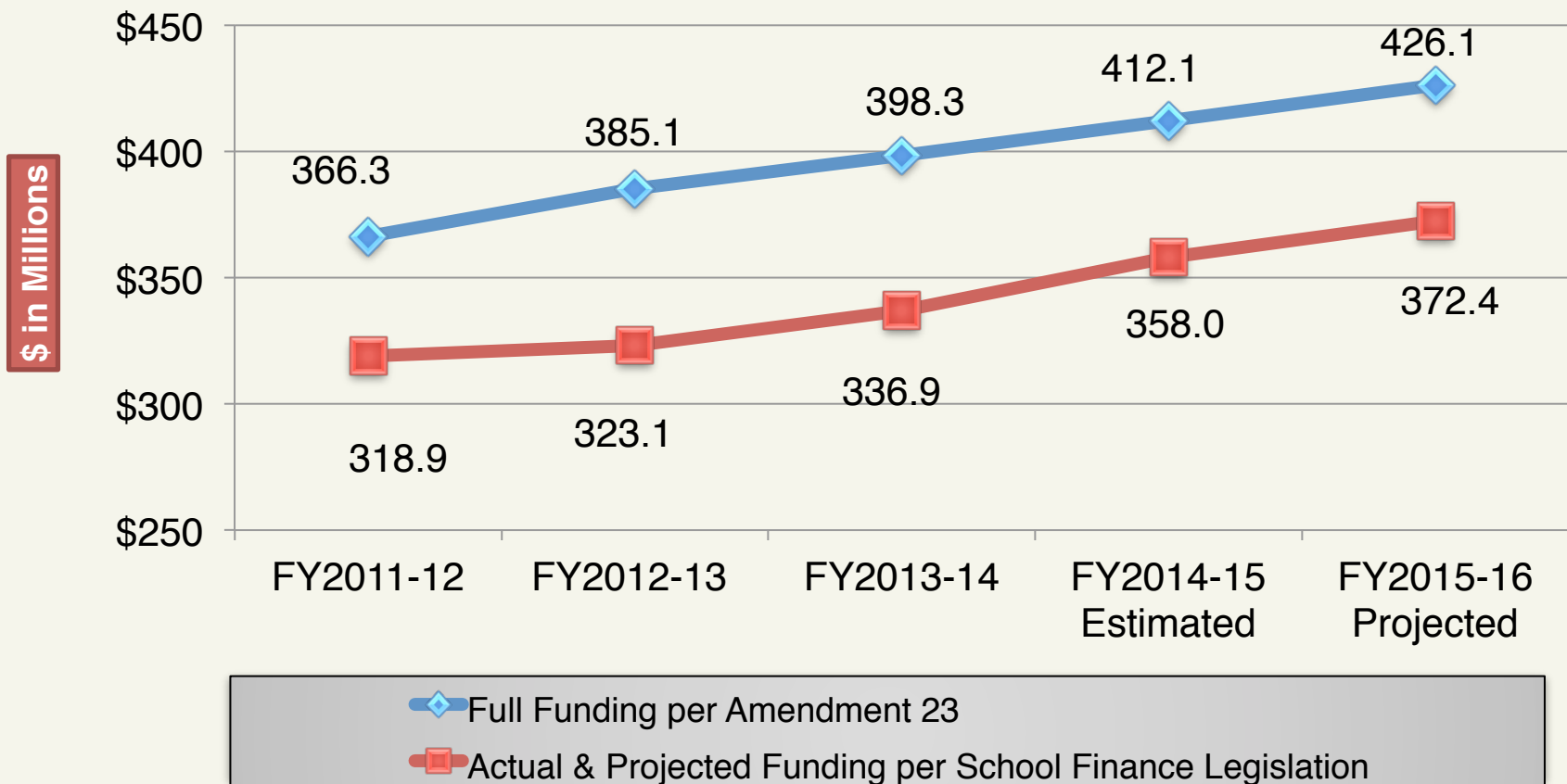
Revenue loss indicates difference between full funding of Amendment 23 and reduced funding level.

Full Funding vs. Actual Funding

FY2015-16

For Cherry Creek School District

Total Public School Finance Formula Funding





FINANCIAL PLANNING

FY2015-16

FOR CHERRY CREEK -
FY2014-15 THROUGH FY2015-16

Revenue & Expenditure Comparison

FY2014-15

For Cherry Creek School District

| DESCRIPTION (\$ IN MILLIONS) | FY2014-15 ADOPTED | FY2014-15 ESTIMATED | NET CHANGE IN REVENUE & EXPENDITURES |
|---|----------------------|------------------------|--|
| PROPERTY TAXES | \$199.29 | \$195.03 | (\$4.26) |
| SPECIFIC OWNERSHIP TAXES | 16.45 | 17.78 | 1.33 |
| STATE EQUALIZATION REVENUE | 238.11 | 235.41 | (2.70) |
| STATE ELL REVENUE – NON-CATEGORICAL | 1.21 | 1.43 | 0.22 |
| OTHER STATE REVENUE | 17.84 | 17.88 | 0.04 |
| OTHER LOCAL REVENUE | 3.87 | 3.77 | (0.10) |
| OTHER FEDERAL REVENUE | 1.45 | 1.46 | 0.01 |
| TRANSFERS IN | 1.31 | 1.31 | - |
| TOTAL REVENUE & TRANSFERS | \$479.53 | \$474.07 | (\$5.46) |
| TOTAL EXPENDITURES | 475.14 | 478.46 | \$3.32 |
| TRANSFERS OUT | 7.34 | 7.34 | - |
| TOTAL EXPENDITURES & TRANSFERS | \$482.48 | \$485.80 | \$3.32 |
| REVENUE OVER (UNDER) EXPENDITURES | (\$2.95) | (\$11.73) | (\$8.78) |

Revenue Planning

For Cherry Creek School District

FY2015-16

| PROJECTED REVENUE INCREASES (DECREASES) | AMOUNT (\$ IN MILLIONS) |
|---|----------------------------|
| Projected Enrollment Increase – 300 FTE | \$2.16 |
| Inflation CPI of 2.8% | 10.14 |
| Change in Negative Factor from -13.13% to -12.61% | 2.09 |
| NET TOTAL PROGRAM FUNDING INCREASE | \$14.39 |
| Increase in State Categorical Revenue – 2.8% | 0.38 |
| Increase in Specific Ownership Taxes | 0.18 |
| Increase in Property Tax Abatements and Collections | 3.30 |
| Increase in Other Local Revenue and Transfers | 0.05 |
| NET REVENUE INCREASE | \$18.30 |

BUDGET REVENUE SCENARIO IS BASED ON SCHOOL FINANCE FUNDING INCREASE FOR INFLATION AND ENROLLMENT.

Revenue & Expenditure Comparison

FY2015-16

For Cherry Creek School District

| DESCRIPTION (\$ IN MILLIONS) | FY2014-15 ESTIMATED | FY2015-16 PROJECTED | NET CHANGE IN REVENUE & EXPENDITURES |
|---|------------------------|------------------------|--|
| PROPERTY TAXES | \$195.03 | \$200.57 | \$5.54 |
| SPECIFIC OWNERSHIP TAXES | 17.78 | 17.96 | 0.18 |
| STATE EQUALIZATION REVENUE | 235.41 | 247.56 | 12.15 |
| STATE ELL REVENUE – NON-CATEGORICAL | 1.43 | 1.43 | - |
| OTHER STATE REVENUE | 17.88 | 18.26 | 0.38 |
| OTHER LOCAL REVENUE | 3.77 | 3.81 | 0.04 |
| OTHER FEDERAL REVENUE | 1.46 | 1.46 | - |
| TRANSFERS IN | 1.31 | 1.32 | 0.01 |
| TOTAL REVENUE & TRANSFERS | \$474.07 | \$492.37 | \$18.30 |
| TOTAL EXPENDITURES | 478.46 | 494.19 | \$15.73 |
| TRANSFERS OUT | 7.34 | 8.72 | 1.38 |
| TOTAL EXPENDITURES & TRANSFERS | \$485.80 | \$502.91 | \$17.11 |
| REVENUE OVER (UNDER) EXPENDITURES | (\$11.73) | (\$10.54) | \$1.19 |

Cost Assumptions

For Cherry Creek School District

FY2015-16

Assuming the School Finance legislation provides increases for inflation and enrollment, the following cost assumptions are shown to reflect a budget scenario.

- ◆ The compensation assumption for FY2015-16 is an estimate. The example used in these projections is for *“illustration purposes only.”*
- ◆ Teacher, Mental Health, and Nurse staff increases of 2.8% inflation on the salary schedule are assumed for cost projection purposes.
- ◆ Teacher, Mental Health, and Nurse staff increases for experience step and educational attainment are reflected for projection purposes.
 - An estimated compensation increase of \$2.0 million for non-teaching staff is included in projection based on 2.8% inflation estimate.

Cost Assumptions

For Cherry Creek School District

FY2015-16

- ◆ Statutory PERA contributions for employee pension plan benefits will increase from 18.35% in January 2015 to 19.15% in January 2016.
- ◆ Based on recent experience, cost decreases assumed include an estimate of (\$2.81) million for post-retirement employment option and savings for replacement positions.
- ◆ A decrease of (32.0) teaching positions, or (\$2.00) million is included to adjust the FY2015-16 budget for the approximate negative variance compared to projection of 500 students in schools for the 2014-15 school year.
- ◆ Teacher staffing budget is estimated to increase by 19.2 FTE, or \$1.20 million for a projected school enrollment increase of 300 students for the 2015-16 school year. This results in a combined total estimated net decrease in budget for enrollment staffing of (12.8) FTE, or (\$800,000).



Cost Assumptions

FY2015-16

For Cherry Creek School District

- ◆ An estimated 2.8% increase in decentralized school budgets for a total of \$200,000 is included.
- ◆ An increase in costs associated with the Affordable Care Act of \$850,000 is assumed for increase to a full-year effect in FY2015-16.
- ◆ A budget cost increase of \$700,000 is assumed for unemployment costs based on changes in enrollment and related teacher staffing.
- ◆ In order to provide funding for principal and interest payments on the Technology Capital Lease, an increase in transfer to the Capital Reserve Fund of \$440,000 is included.
- ◆ Also, an increase in transfer to the Capital Reserve Fund is anticipated of \$480,000 for the first year cost of the replacement plan financing for school buses.



Financial Planning

For Cherry Creek School District

FY2015-16

FY2014-15 GENERAL FUND EXPENDITURES AND TRANSFERS MODIFIED BUDGET \$485.80

| PROJECTED EXPENDITURE INCREASES (DECREASES) FOR FY2015-16 (IN MILLIONS) | INCREASE (DECREASE) | CATEGORY TOTALS |
|--|------------------------|--------------------|
|--|------------------------|--------------------|

ADJUSTMENTS TO BASE:

One-time costs to be removed from base –
Elementary Math Curriculum/Training

(3.32)

(3.32)

ESTIMATED COMPENSATION CHANGES:

Teaching, Mental Health, and Nursing Staff

- 2.8% Increase on Salary Schedule

6.68

- Salary Increase-Experience Step

4.91

- Salary Increase-Educational Attainment-15/16

1.45

Non-Teaching Staff

- Salary Increase 2.8%

2.00

PERA & Medicare Cost on Compensation Increases

3.04

Estimated 110 Option & Replacement Position Savings

(2.81)

15.27

PERA:

PERA Contribution Rate Increase from 18.35% to 19.15% per Statute

3.02

3.02

Financial Planning

For Cherry Creek School District

FY2015-16

PROJECTED EXPENDITURE INCREASES (DECREASES) FOR FY2015-16 (IN MILLIONS)

| | Incr./ (Decr.) | Cat. Totals |
|---|-------------------|-----------------|
| STAFFING FOR ENROLLMENT CHANGES: | | |
| 2015-16 Staffing for Enrollment projected increase for schools - 300 students -19.2 FTE (16.2 FTE for 18.5:1 ratio, plus 1.5 ELA and 1.5 SPED) | 1.20 | |
| 2014-15 Staffing Adjustment/schools – 500 under enrollment projection - (32.0) FTE (27.0) FTE reduction for 18.5:1 ratio, (2.5) ELA and (2.5) SPED | <u>(2.00)</u> | |
| | | <u>(0.80)</u> |
| SCHOOL EDUCATIONAL PROGRAM: | | |
| 2.8% increase in Decentralized Budget Funding Rate for Instructional Materials–Schools | <u>0.20</u> | |
| | | <u>0.20</u> |
| OTHER BUDGET ADJUSTMENTS: | | |
| Increase in Worker's Compensation Insurance | 0.27 | |
| Increase in Unemployment Cost – Enrollment Changes | 0.70 | |
| Affordable Care Act – Prelim. Cost Estimate – Annual Cost vs. ½ yr. Cost | 0.85 | |
| Increase GF Transfer to Capital Reserve/Technology Capital Lease Plan | 0.44 | |
| Increase GF Transfer to Capital Reserve/Bus Replacement Financing Plan | <u>0.48</u> | |
| | | <u>2.74</u> |
| ESTIMATED TOTAL EXPENDITURES & TRANSFERS INCREASES FOR FY2015-16 | | \$17.11 |
| FY2015-16 GENERAL FUND EXPENDITURES AND TRANSFERS – PRELIMINARY PROJECTION | | \$502.91 |

Possible Budget Reductions

FY2015-16

Funding for Inflation and Enrollment Only

| BUDGET BALANCING SCENARIO | (IN MILLIONS) |
|-------------------------------------|------------------|
| Revenue | \$492.37 |
| Expenditures | <u>\$502.91</u> |
| Funding Gap | <u>(\$10.54)</u> |
| Budget Reductions | (\$5.54) |
| Use of General Fund Reserves | (\$5.00) |

Possible Budget Reductions

Funding for Inflation and Enrollment Only

FY2015-16

| OPTION A (for illustration purposes only) | | AMOUNT | FTE |
|---|--|----------------------|---------------|
| Staffing Ratio Change from 18.5:1 to 19.0:1 | | | |
| Elementary | | (\$1,943,750) | (31.1) |
| Middle Schools | | (\$1,081,250) | (17.3) |
| High Schools | | <u>(\$1,406,250)</u> | <u>(22.5)</u> |
| Total Staffing Reduction | | (\$4,431,250) | (70.9) |
| Non-School Based Budget Reductions | | | |
| Educational and Administrative - 3% Non-Staffing Reductions | | (\$1,108,750) | |
| Total Possible Budget Reductions | | (\$5,540,000) | |
| OPTION B (for illustration purposes only) | | AMOUNT | FTE |
| Reduction of COLA Increase on Salary Schedule to 1.25%, instead of 2.80% | | | |
| Teachers, Mental Health, and Nurses | | (\$4,431,250) | |
| Non-School Based Budget Reductions | | | |
| Educational and Administrative - 3% Non-Staffing Reductions | | (\$1,108,750) | |
| Total Possible Budget Reductions | | (\$5,540,000) | |



FINANCIAL PROJECTIONS

Assumptions

FOR CHERRY CREEK –
FY2015-16 THROUGH FY2017-18

Financial Projections

Enrollment Through FY2017-18

Assumptions

- ◆ Revenue projections could be impacted negatively if State law is changed for averaging of enrollment counts for funding purposes.
- ◆ Enrollment projections have been modified by the District Planning Office, based on recent experience.



| | Actual 2013-14 | Estimated 2014-15 | Projected 2015-16 | Projected 2016-17 | Projected 2017-18 |
|--------------------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| Funded Enrollment – FTE | 51,198 | * 51,517 | 51,817 | 51,817 | 51,817 |
| Increase – Pupil FTE | 762 | 319 | 300 | - | - |
| Percent Increase | 1.5% | 0.6% | 0.6% | 0.0% | 0.0% |

* Estimate based on preliminary data submitted to CDE on November 7, 2014.

Financial Projections

Assumptions

Staffing

- ◆ Staffing Ratio
 - 18.5:1 staffing budgets for schools are to be *based on projected enrollment count as of October 2015.*



Dedicated to Excellence
Cherry Creek Schools



Financial Projections

Staffing and PERA Through FY2017-18

Assumptions

◆ Staffing

- Colorado Preschool Program (CPP) pupils are currently counted as ½ Full Time Equivalent (FTE). A total of 461 slots, or 230.5 FTE, are included in the funded student count for CPP in FY2014-15.
- Full-day kindergarten pupils are calculated using the supplemental FTE factor of 0.08 for FY2014-15, FY2015-16, FY2016-17, and FY2017-18. Funding for full-day kindergarten is subject to authorization by the State Legislature.
- Teachers are provided for Student Achievement Services, English Language Acquisition Programs, at-risk, and class size.

◆ Public Employee's Retirement Association (PERA)

- The current contribution of 18.35% will increase annually. PERA legislation has instituted major funding and benefit revisions that increase the rate annually up to 20.15% in FY2017-18.

| | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---------------------------------|----------------|----------------|----------------|----------------|
| Rate effective January 1 | 18.35% | 19.15% | 19.65% | 20.15% |
| Contribution (Millions) | \$58.81 | \$63.85 | \$68.27 | \$72.48 |

Financial Projections

School Finance Funding

Assumptions

Possible increases in the “Negative Factor” implemented through the School Finance Act legislation could lower per pupil funding and would offset inflation or enrollment growth funding.

| | Actual 2013-14 | Estimated 2014-15 | Projected 2015-16 | Projected 2016-17 | Projected 2017-18 |
|------------------------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| Inflation Formula | \$6.28 | \$9.75 | \$10.14 | \$9.68 | \$9.55 |
| Negative Factor | 2.55 | 9.06 | 2.09 | - | - |
| Enrollment | 5.01 | 2.22 | 2.16 | - | - |
| Previous Year | 323.09 | 336.93 | 357.96 | 372.35 | 382.03 |
| TOTAL | \$336.93 | \$357.96 | \$372.35 | \$382.03 | \$391.58 |
| Increase(Decrease) over Prior Year | \$13.84 | \$21.03 | \$14.39 | \$9.68 | \$9.55 |
| Per Pupil Funding | \$6,581 | \$6,948 | \$7,186 | \$7,373 | \$7,557 |
| PERCENT INCREASE(DECREASE) | 2.73% | 5.58% | 3.42% | 2.60% | 2.50% |
| NEGATIVE FACTOR ASSUMPTION | -15.42% | -13.13% | -12.61% | -12.61% | -12.61% |

2013-14 – Inflation formula funding is based on 1.9% inflation for CPI in 2012
 2014-15 – Inflation formula funding is based on 2.8% inflation for CPI in 2013
 2015-16 – Inflation formula funding is estimated to be 2.8% inflation for CPI in 2014
 2016-17 – Inflation formula funding is estimated to be 2.6% inflation for CPI in 2015
 2017-18 – Inflation formula funding is estimated to be 2.5% inflation for CPI in 2016

Financial Projections

Assumptions

Salary and Benefits

| TEACHERS, MENTAL HEALTH, & NURSES (FY2015-16 through FY2017-18 are Estimated) | | | | |
|--|--------------|--------------|--------------|--------------|
| (Percent Increase) | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
| Salary schedule | 2.80% | 2.80% | 2.60% | 2.50% |
| Step Advancement | 2.14 | 2.07 | 2.07 | 2.07 |
| Education Attainment | 0.53 | 0.62 | 0.62 | 0.62 |
| Estimated Average Compensation Increase | 5.47% | 5.49% | 5.29% | 5.19% |

- ◆ Salary and wage increases are estimated for illustration purposes for FY2015-16, FY2016-17, and FY2017-18.



- ◆ For FY2015-16, teachers, mental health, and nurse employees have an estimated salary increase of \$4.9 million for one step of compensation for additional year of service plus a PERA and Medicare cost of \$1.0 million.
- ◆ \$2.55 million is included in FY2014-15 through FY2017-18 for the annual early retirement funding and longevity payments for teachers and mental health employees.
- ◆ Included in the FY2015-16 projection is \$850,000 for anticipated costs associated with implementation of the Affordable Care Act provisions that take effect on January 1, 2015.

Financial Projections

Programs and Services

Assumptions

Additional funding provided for:

| (\$ Thousands) | Estimated 2014-15 | Adjustment 2014-15 | Projected 2015-16 | Projected 2016-17 | Projected 2017-18 |
|------------------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| Teachers for Enrollment * | \$2,590 | (\$1,680) | \$1,008 | \$- | \$- |
| - Teacher FTE | 39.9 | (27.0) | 16.2 | - | - |
| - Enrollment | 739 | (500) | 300 | - | - |
| Special Education | \$287 | (\$160) | \$96 | \$- | \$- |
| - Teacher FTE | 3.5 | (2.5) | 1.5 | - | - |
| English Language Acquisition | \$287 | (\$160) | \$96 | \$- | \$- |
| - Teacher FTE | 3.5 | (2.5) | 1.5 | - | - |

* In FY2015-16, an adjustment to teacher staffing budgets will be necessary as a result of school enrollment increase in FY2014-15 being 500 under projection of 739 FTE. This adjustment is a reduction of (32.0) FTE, (27.0) for the 18.5:1 ratio and (2.5) for ELA, and (2.5) for Special Education. The FY2015-16 enrollment growth projection of 300 students is anticipated, however for the following two years, no enrollment growth is projected.

Financial Projections

Assumptions

Programs and Services

2014-15 Targeted Achievement Areas

| STAFFING IN ADDITION TO 18.5:1 STAFFING RATIO | FTE | DOLLARS (THOUSANDS) |
|--|------|------------------------|
| ALLOCATIONS FOR GRADES K-3 CLASS SIZE RELIEF BUDGET | 57.7 | \$3,830 |
| TOTAL | 57.7 | \$3,830 |



Financial Projections

Programs and Services

Assumptions

2014-15 Targeted Achievement Areas

| STAFFING IN ADDITION TO 18.5:1 STAFFING RATIO | FTE | DOLLARS (THOUSANDS) |
|--|-------------|--------------------------------|
| MIDDLE GRADES | 11.0 | \$572 |
| READING | 10.5 | 858 |
| AT-RISK | 6.4 | 425 |
| 4-TRACK/YEAR ROUND | 6.8 | 454 |
| SAS TECHNOLOGY/INSTRUCTIONAL TECHNOLOGY | 11.5 | 760 |
| NORTH AREA | 8.4 | 558 |
| HIGH SCHOOL ACHIEVEMENT | 2.8 | 186 |
| AVID | - | 303 |
| PROGRAM ASSISTANTS | 11.8 | 959 |
| ADDITIONAL PROGRAMS AT PRAIRIE MS | 3.0 | 199 |
| TOTAL | 72.2 | \$5,274 |

Financial Projections

Assessed Taxable Valuation

Assumptions

Property values will be reassessed in 2015 for FY2015-16.

| (\$ Millions) | Actual 2013-14 | Estimated 2014-15 | Projected 2015-16 | Projected 2016-17 | Projected 2017-18 |
|---------------------------|-------------------|----------------------|----------------------|----------------------|----------------------|
| Assessed Valuation | \$4,421.53 | \$4,427.28 | \$4,515.82 | \$4,560.98 | \$4,652.20 |
| Change | \$133.14 | \$5.75 | \$88.54 | \$45.16 | \$91.22 |
| Percent Change | 3.10% | 0.13% | 2.00% | 1.00% | 2.00% |

- 2015 is a reassessment year based on property values during the 18-month period from January 2013 through June 2014. The assessed value in 2014 has increased 0.13%, with commercial assessed value decreasing 0.53%. Residential assessed value is up 1.19%.
- Residential assessed values are at 49.5% of total assessed value, while commercial assessed values are at 43.2% of total assessed value.





FINANCIAL PROJECTIONS

Considerations

DECISION FACTORS –
ALTERNATE BUDGET SCENARIO, POLICIES, AND ISSUES

Alternate Funding Scenario *

For Cherry Creek School District

FY2015-16

| CHERRY CREEK | ESTIMATED FY2014-15 | PROJECTED FY2015-16* | NET INCREASE |
|----------------------------------|--------------------------------|---------------------------------|-------------------------|
| TOTAL PROGRAM FUNDING | \$412,075,647 | \$426,081,422 | \$14,005,775 |
| NEGATIVE FACTOR ** | (54,113,901) | (41,670,763) | * 12,443,138 |
| NET TOTAL PROGRAM FUNDING | \$357,961,746 | \$384,410,659 | \$26,448,913 |
| TOTAL FUNDED PUPILS | 51,516.5 | 51,816.5 | 300 |
| FUNDING PER PUPIL | \$6,948 | \$7,419 | \$471 |

* Figures are projected for FY2015-16 and are adjusted to reflect Cherry Creek's new budget projection for enrollment and if Governor Hickenlooper's budget proposal were adopted by Legislature.

** Negative Factor is -13.13% for FY2014-15 and -9.78% for FY2015-16.

Revenue & Expenditure Comparison

FY2015-16

For Cherry Creek School District

| DESCRIPTION (\$ IN MILLIONS) | FY2014-15 ESTIMATED | * FY2015-16 PROJECTED | NET CHANGE IN REVENUE & EXPENDITURES |
|---|------------------------|--------------------------|--|
| PROPERTY TAXES | \$195.03 | \$200.57 | \$5.54 |
| SPECIFIC OWNERSHIP TAXES | 17.78 | 17.96 | 0.18 |
| STATE EQUALIZATION REVENUE | 235.41 | 259.62 | 24.21 |
| STATE ELL REVENUE – NON-CATEGORICAL | 1.43 | 1.43 | - |
| OTHER STATE REVENUE | 17.88 | 18.26 | 0.38 |
| OTHER LOCAL REVENUE | 3.77 | 3.81 | 0.04 |
| OTHER FEDERAL REVENUE | 1.46 | 1.46 | - |
| TRANSFERS IN | 1.31 | 1.32 | 0.01 |
| TOTAL REVENUE & TRANSFERS | \$474.07 | \$504.43 | \$30.36 |
| TOTAL EXPENDITURES | 478.46 | 494.19 | 15.73 |
| TRANSFERS OUT | 7.34 | 15.24 | 7.90 |
| TOTAL EXPENDITURES & TRANSFERS | \$485.80 | \$509.43 | \$23.63 |
| REVENUE OVER(UNDER) EXPENDITURES | (\$11.73) | (\$5.00) | \$6.73 |

If Governor's proposal reduces Negative Factor on a "one-time basis" for FY2015-16, certain "one-time" Capital Expenditures could be explored if funding would be confirmed through the enactment of School Finance legislation. The reduction of Negative Factor proposed by the Governor is \$200 million statewide. For Cherry Creek, this is approximately \$12 million on a one-time only basis.

* Alternate Budget Scenario if Governor's FY2015-16 proposal for K-12 education funding is adopted.

Financial Projections

Decision-making Considerations

Components

- ◆ Current *economic conditions* and *lingering effects of the State and national recession on revenue reflect a conservative approach* to planning for FY2015-16 through FY2017-18.
- ◆ As a result of *concerns over stability of enrollment funding and changing circumstances with School Finance Legislation funding*, future labor costs should be controlled and managed consistent with the changing revenue picture.

The “measured” use of General Fund reserves in FY2015-16, FY2016-17, and FY2017-18 will stabilize the budget outlook, however volatile use of reserves will not be conducive to fiscal strength.

Financial Projections

Decision-making Considerations

Components

- ◆ Budget expenditure reductions are expected to occur to balance the FY2015-16, FY2016-17, and/or FY2017-18 budgets.
 - If the *“Negative Factor”* in the School Finance formula *increases* or if *cost pressures* (i.e.; SB 09-228 Trigger, and/or Medicaid, and/or TABOR refunds) in the State General Fund Budget *result in K-12 education funding reductions*, other impacts to Cherry Creek budget and fiscal planning would result.

Financial Projections

Decision-making Considerations

Components

- ◆ The State Legislature has adopted the design changes to PERA's retirement benefit plans and contribution rates in order to achieve full funding of the unfunded accrued actuarial liability (UAAL) within the next 30 years.
- ◆ SB 10-001 currently implements a cap on the annual cost of living adjustments for all members' benefit payments and makes changes in eligibility, calculation of highest average salary and calculation of other benefits for all active and inactive PERA members.
- ◆ SB 10-001 also requires an annual increase to the amortization equalization disbursement (AED) and the supplemental amortization equalization disbursement (SAED).
 - Both AED and SAED will continue to increase until funding targets are met.

Financial Projections

Decision-making Considerations

Components

- ◆ The District is subject to the requirements of the Government Accounting Standards Board (GASB) with respect to issuance of its financial statements.
- ◆ In the *Government-wide financial statements*, the District, as a participant in a multiple-employer cost-sharing defined benefit plan (PERA), will be required to report in the Comprehensive Annual Financial Report for the year ended June 30, 2015, as a net pension liability, the unfunded obligation (actuarial valuation of accrued liability) related to the School Division of PERA, according to the District's proportionate share of total statewide School Division employer contributions.
- ◆ This *does not change* the existing statutory obligation for payments as based on the contribution percentages in current law and adopted in SB 10-001. Budget projections continue to be based on SB 10-001.
 - The *Fund Financial Statements* are not affected and remain as traditionally based on contributions percentages in place for Colorado school districts and specified in State statute as adopted by the Colorado Legislature.

Financial Projections

Decision-making Considerations

Components

| PERA School Division Rates (Current & Revised per SB 10-001) | | | | |
|---|--|------------|----------------|---|
| Start Date | Statutory Employer Contribution | AED | SAED ** | Total Contribution % for Calendar Year |
| Jan 2018 | 10.15% | 4.50% | 5.50% | 20.15% |
| Jan 2017 | 10.15% | 4.50% | 5.00% | 19.65% |
| Jan 2016 | 10.15% | 4.50% | 4.50% | 19.15% |
| Jan 2015 | 10.15% | 4.20% | 4.00% | 18.35% |
| Jan 2014 | 10.15% | 3.80% | 3.50% | 17.45% |
| Jan 2013 | 10.15% | 3.40% | 3.00% | 16.55% |
| Jan 2012 | 10.15% | 3.00% | 2.50% | 15.65% |
| Jan 2011 | 10.15% | 2.60% | 2.00% | 14.75% |
| Jan 2010 | 10.15% | 2.20% | 1.50% | 13.85% |

** The SAED is, to the extent permitted by law, to be funded by monies otherwise available for employee wage increases.



FINANCIAL PROJECTIONS

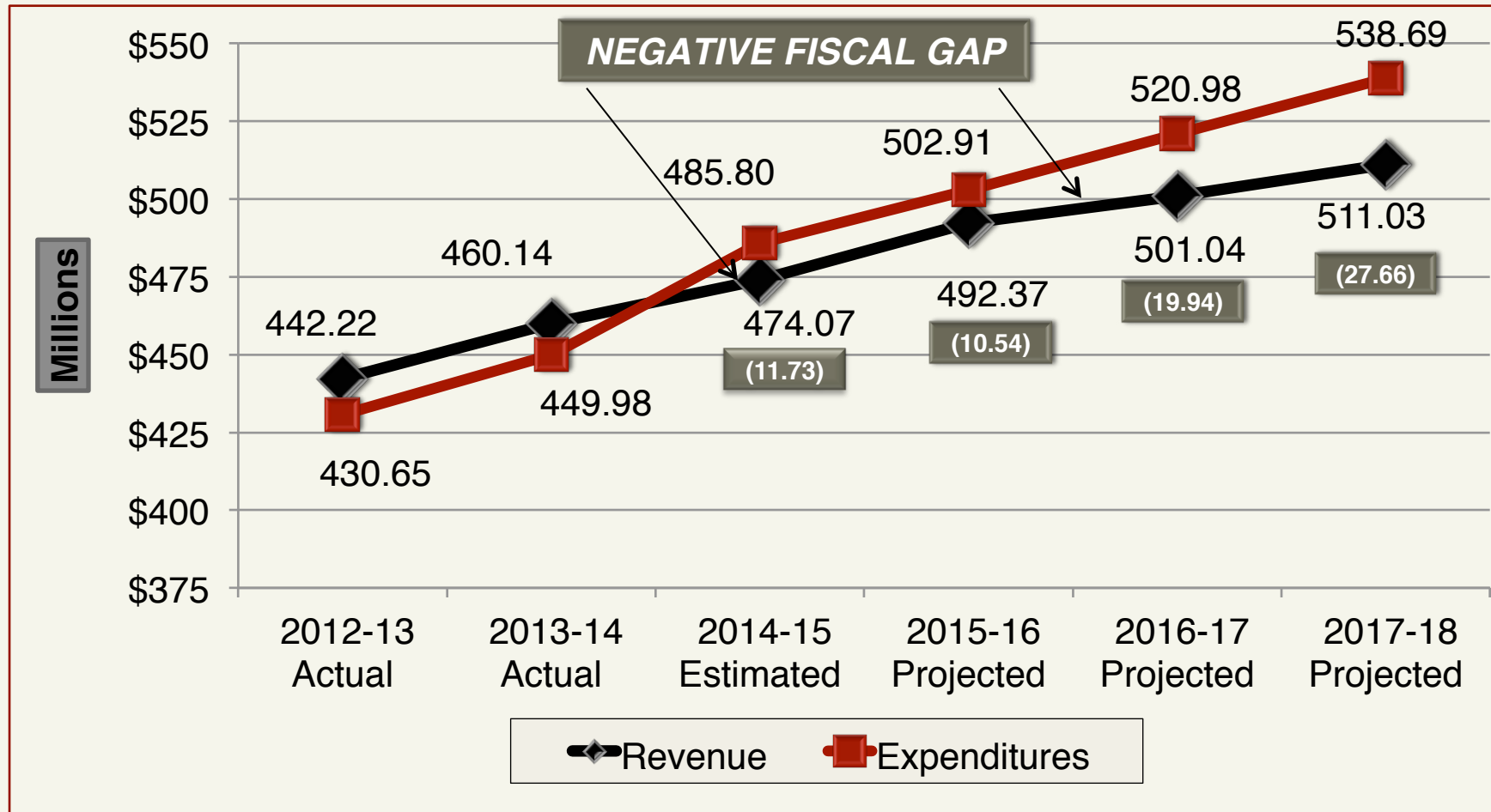
Three-Year Look

PROJECTED REVENUE AND EXPENDITURES
FY2015-16 THROUGH FY2017-18

Projected Revenue & Expenditures

FY2015-16 through FY2017-18

Fiscal Gap



Projected Expenditures

FY2015-16 through FY2017-18

Salaries/Benefits

| (\$ Millions) | Estimated 2014-15 | Projected 2015-16 | Projected 2016-17 | Projected 2017-18 |
|---|----------------------|----------------------|----------------------|----------------------|
| Previous Year Expenditures & Transfers | \$453.98 | \$485.80 | \$502.91 | \$520.98 |
| <u>Inflation and Other Cost Increases (Decreases)</u> | | | | |
| Teachers, Mental Health, and Nurse Employees | | | | |
| - Experience Step | 5.01 | 4.91 | 4.91 | 4.91 |
| - Salary Schedule - Inflation Increase | 6.63 | 6.68 | 6.20 | 5.96 |
| - Comp. for Add'l Credit Hrs. & Advanced Degree | 1.45 | 1.45 | 1.45 | 1.45 |
| Adjustment of Nurses to Teacher Salary Schedule | 1.13 | - | - | - |
| Non-teaching Staff Increase | 2.00 | 2.00 | 1.86 | 1.79 |
| PERA/Medicare - Comp. Increase | 3.14 | 3.04 | 3.38 | 3.80 |
| Post-Retirement/Replacement Position Cost Savings | (1.98) | (2.81) | (2.81) | (2.81) |
| PERA Rate Increase | 3.40 | 3.02 | 2.50 | 2.00 |
| Subtotal Salaries and Benefits | \$20.78 | \$18.29 | \$17.49 | \$17.10 |
| Schools and Departments | 1.35 | 1.36 | - | - |
| Total Inflation and Cost Increases | \$22.13 | \$19.65 | \$17.49 | \$17.10 |

Projected Expenditures

FY2015-16 through FY2017-18

Enrollment/Other

| (\$ Millions) | Estimated 2014-15 | Projected 2015-16 | Projected 2016-17 | Projected 2017-18 |
|---|----------------------|----------------------|----------------------|----------------------|
| <u>Enrollment Growth/Programs Increases (Decreases)</u> | | | | |
| - Salaries and Benefits | 4.40 | (0.80) | - | - |
| - Instructional Programs/Services | 1.35 | - | - | - |
| - Operating Costs of New Schools | 0.75 | - | - | - |
| - Other School and Program Allocations | 0.33 | 0.20 | 0.19 | 0.18 |
| Total Enrollment Growth/Programs | \$6.83 | (\$0.60) | \$0.19 | \$0.18 |
| Adjustments to Base – One-time Costs | (3.04) | - | - | - |
| One-time Costs – K-5 Math Curriculum/Training | 3.32 | (3.32) | - | - |
| Increase in Cap. Reserve Transfer | 2.58 | 1.38 | 0.39 | 0.43 |
| Total Expenditure Increases | \$31.82 | \$17.11 | \$18.07 | \$17.71 |
| Annual Increase | 31.82 | 17.11 | 18.07 | 17.71 |
| Total Expenditures & Transfers | \$485.80 | \$502.91 | \$520.98 | \$538.69 |
| Percent of Increase | 7.01% | 3.52% | 3.59% | 3.40% |

Revenue & Expenditure Summary

FY2015-16 through FY2017-18

| (\$ Millions) | Estimated 2014-15 | Projected 2015-16 | Projected 2016-17 | Projected 2017-18 |
|---|----------------------|----------------------|----------------------|----------------------|
| <u>Revenue</u> | | | | |
| Property Tax | \$195.03 | \$200.57 | \$201.84 | \$204.16 |
| Specific Ownership Tax | 17.78 | 17.96 | 18.14 | 18.32 |
| Other Local Revenue | 3.77 | 3.81 | 3.85 | 3.89 |
| State Equalization Aid | 235.41 | 247.56 | 255.83 | 262.92 |
| Other State Revenue | 19.31 | 19.69 | 20.04 | 20.39 |
| Build America Bonds | 1.46 | 1.46 | 1.46 | 1.46 |
| Total Revenue | \$472.76 | \$491.05 | \$499.70 | \$509.68 |
| Transfer from ECS Fund | 1.31 | 1.32 | 1.34 | 1.35 |
| Revenue & Transfers | \$474.07 | \$492.37 | \$501.04 | \$511.03 |
| <u>Expenditures</u> | | | | |
| Expenditures before Transfers | \$478.46 | \$494.19 | \$511.87 | \$529.15 |
| Transfer to Capital Reserve | 7.34 | 8.72 | 9.11 | 9.54 |
| Total Expenditures & Transfers | \$485.80 | \$502.91 | \$520.98 | \$538.69 |
| Funding Gap Revenue over (under) Expenditures | (\$11.73) | (\$10.54) | (\$19.94) | (\$27.66) |
| Expenditure Reductions Required | - | (\$5.54) | (\$14.94) | (\$22.66) |
| Use of General Fund Reserves | (\$11.73) | (\$5.00) | (\$5.00) | (\$5.00) |

General Fund Financial Projections

FY2015-16 through FY2017-18

| (in Millions) | Estimated 2014-15 | Projected 2015-16 | Projected 2016-17 | Projected 2017-18 |
|--|----------------------|----------------------|----------------------|----------------------|
| <u>General Fund Revenue & Transfers</u> | \$474.07 | \$492.37 | \$501.04 | \$511.03 |
| Other Sources | | | | |
| - Use of Reserves to Maintain Educational Programs | 11.73 | 5.00 | 5.00 | 5.00 |
| General Fund Revenue with Other Sources | 485.80 | 497.37 | 506.04 | 516.03 |
| General Fund Expenditures & Transfers | 485.80 | 502.91 | 515.44 | 523.75 |
| - Less: Budget Expenditure Reductions | - | (5.54) | (9.40) | (7.72) |
| Net General Fund Expenditures & Transfers | \$485.80 | \$497.37 | \$506.04 | \$516.03 |
| - Beginning GAAP Fund Balance | \$64.65 | \$52.92 | \$47.92 | \$42.92 |
| - Increase in Reserves | - | - | - | - |
| - Use of General Fund Reserves | (11.73) | (5.00) | (5.00) | (5.00) |
| Estimated Ending GAAP Fund Balance – June 30 | \$52.92 | \$47.92 | \$42.92 | \$37.92 |

Budget expenditure reductions are shown here to indicate that “measured” use of General Fund reserves is projected, but budget planning is necessary to align growth in expenditures with the growth in revenue.

GAAP fund balance is reduced in FY2014-15, FY2015-16, FY2016-17, and FY2017-18 as expenditures outpace revenue in the forecast.

GAAP Fund Balance

June 30, 2014 through June 30, 2018

| General Fund as of June 30 th (Millions) | Actual As of 6-30-14 | Estimated As of 6-30-15 | Projected As of 6-30-16 | Projected As of 6-30-17 | Projected As of 6-30-18 |
|--|----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Reserves</u> | | | | | |
| Restricted Emergency Reserve (TABOR) | \$13.38 | \$14.35 | \$14.66 | \$14.91 | \$15.19 |
| Nonspendable Reserve | 2.24 | 2.24 | 2.24 | 2.24 | 2.24 |
| Committed and Assigned Reserve | 7.51 | 1.24 | 1.24 | 1.24 | 1.24 |
| District Emergency Reserve - Unassigned Reserve | 41.52 | 35.09 | 29.78 | 24.53 | 19.25 |
| GAAP Fund Balance * | \$64.65 | \$52.92 | \$47.92 | \$42.92 | \$37.92 |
| <u>Expenditures & Transfers</u> | \$446.07 | \$485.80 | \$497.37 | \$506.04 | \$516.03 |
| Unassigned Reserves as a % of Expenditures & Transfers | 9.31% | 7.22% | 5.99% | 4.85% | 3.73% |
| Restricted Emergency Reserve as a % of Expenditures & Transfers | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |

NOTE: Unassigned reserves are reduced in FY2014-15, FY2015-16, FY2016-17, and FY2017-18 as expenditures outpace revenue in the forecast.

* Excludes Cherry Creek Academy



FUTURE CONSIDERATIONS FOR REVENUE

Projected Revenue & Expenditures

Introduction

An Emphasis on Financial Planning

Ensuring a Strong Financial Foundation



To Prepare EVERY Student for Future Success

- ◆ Financial Planning is purposeful with a focus on enabling the District to sustain educational programs within revenue available.
- ◆ Planning is strategic to maintain sufficient reserves and support the educational mission with a five-year perspective for having local elections.

Financial Projections

Property Tax Override Limitation

Assumptions

Maximum Allowable Override for School Finance Formula

| (\$ Millions) | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---|------------------------|------------------------|------------------------|------------------------|
| Total Program – Formula Funding | <u>\$412.08</u> | <u>\$426.08</u> | <u>\$437.16</u> | <u>\$448.09</u> |
| Greater of 25% of Total Program or \$200,000 | 103.02 | 106.52 | 109.29 | 112.02 |
| Plus FY2001-02 Cost of Living Adjustment | <u>1.00</u> | <u>1.00</u> | <u>1.00</u> | <u>1.00</u> |
| Allowable Tax Override | 104.02 | 107.52 | 110.29 | 113.02 |
| Less: Voter-approved Override Revenues | 84.60 | 84.60 | 84.60 | 84.60 |
| Estimated Additional Amount Available for Tax Override | \$19.42 | \$22.92 | \$25.69 | \$28.42 |

Financial Projections

Future Considerations for Revenue

Annual Tax Effect is calculated for a homeowner with an average home value of \$305,901. Mill Calculations are based on preliminary 2014 assessed valuation figure of \$4,427,278,325.

| LOCAL ELECTION LEVY OPTIONS | Mill Override Amount | Annual Tax Effect | Mills |
|--|----------------------------|----------------------|-------|
| <u>GENERAL FUND OVERRIDE LEVY</u> | | | |
| The most common levy utilized is the General Fund Override levy. A school district may authorize a levy under C.R.S. 22-54-108 (3) (b) (III) that would provide revenues that are available up to 25% above the base school funding formula. These funds are available on an annual basis. | \$19,000,000 | \$104.50 | 4.290 |
| | \$22,000,000 | \$121.00 | 4.970 |
| | \$25,000,000 | \$137.50 | 5.647 |
| | \$28,000,000 | \$154.00 | 6.320 |
| <u>TRANSPORTATION OVERRIDE LEVY</u> | | | |
| This levy is provided for under the C.R.S. 22-40-102 (1.7) in order for school districts to have funding to pay for home to school to home transportation costs each year. The levy would generate about \$14.6 million annually. These costs are currently paid for out of the General Fund budget. | \$14,600,000 | \$80.30 | 3.300 |

Financial Projections

Future Considerations for Revenue

Annual Tax Effect is calculated for a homeowner with an average home value of \$305,901. Mill Calculations are based on preliminary 2014 assessed valuation figure of \$4,427,278,325.

| LOCAL ELECTION LEVY OPTIONS | Mill Override Amount | Annual Tax Effect | Mills |
|---|---|-------------------|-------|
| <u>FULL-DAY KINDERGARTEN OVERRIDE LEVY</u> This levy is available under C.R.S. 22-54-108.5 to provide a funding alternative so that school districts may offer a full-day kindergarten program for students across the district and allows for operating expenses and costs of construction of kindergarten facilities to be paid for from this levy. (this levy may not be feasible due to lack of classroom space in school buildings) | \$10,590,000 (excludes construction costs) | \$58.24 | 2.390 |
| <u>SPECIAL BUILDING, MAINTENANCE & TECHNOLOGY LEVY</u> This levy is available under C.R.S. 22-45-102 (1.5) for the purpose of providing funds for a school district to upgrade school buildings, do preventative maintenance, and improve instructional and informational technology. The levy is permitted up to 10 mills annually for a 3-year period and may be renewed with a subsequent vote. A levy of 3 mills over a three-year period would provide about \$40 million, using current assessed value throughout the three-year period. | \$13,300,000 | \$73.15 | 3.000 |

Legal Issues



EXECUTIVE SUMMARY

SCHOOL FINANCE CONSTITUTIONAL AND
COLORADO LEGAL ISSUES

Senate Bill 09-228 Trigger

GF Transfers

- ◆ Under current law, Senate Bill 09-228 *triggers five consecutive years of certain General Fund transfers to the Highway Users Tax Fund and Capital Construction Fund when Colorado personal income growth* (not tax revenue growth) *reaches 5%.*
 - This trigger is *projected to occur for calendar year 2014*; it would *not be verified until spring of 2015* (on or about April 15).
 - Under the SB 09-228 scenario, *approximately \$127 million of new General Fund transfers would be required.* The amount of the projected transfers would have been \$254 million, but are expected to be reduced by estimated TABOR refunds.
 - The Legislative Council September 2014 Forecast indicated that the *first of the five consecutive annual transfers is likely to occur in FY2015-16.*

Denver District Court Lawsuit

Case No. 2014CV32543

Negative Factor

◆ Dwyer vs. State of Colorado

- On Friday, June 27, 2014, a lawsuit was filed against the State of Colorado by a group of school districts and parents who claim that the *“Negative Factor” is unconstitutional* as it relates to Amendment 23, which was passed by voters in 2000 to safeguard K-12 funding in both strong and weak economic states.
- A Defendant’s Motion to Dismiss the Plaintiff’s Complaint was filed on August 12, 2014.
- A response to the Motion to Dismiss was filed on September 29, 2014 on behalf of the Plaintiff.
- On November 12, 2014, Denver District Court Judge Herbert Stern rejected the State’s request to dismiss the lawsuit. His ruling stated that “as taxpayers, parents have a legally protected interest in determining whether the government’s implementation of the Negative Factor violates Amendment 23. Thus, they have standing.”

Denver District Court Lawsuit

Case No. 2014CV32543

Negative Factor

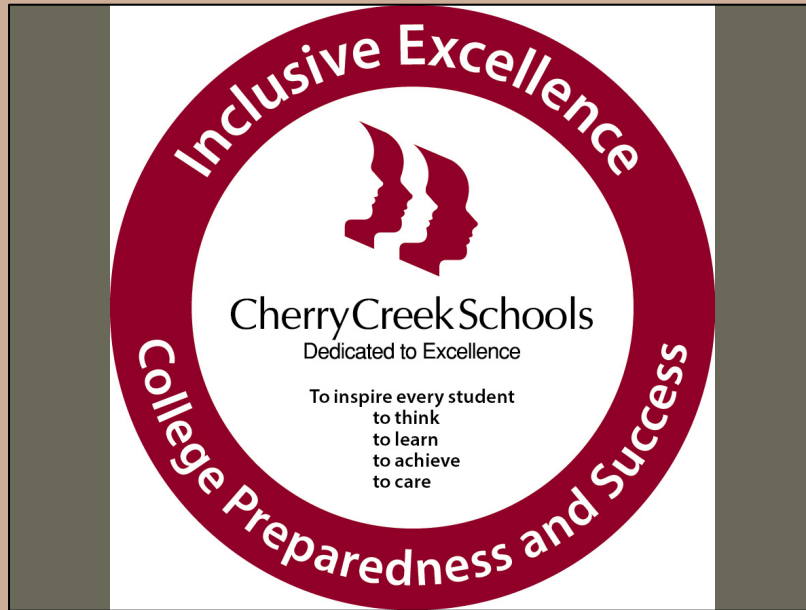
- ◆ At issue is *interpretation of Amendment 23*, the 2000 constitutional provision that requires annual K-12 spending increases based on inflation.
 - ◆ According to co-lead attorney on the case, Tim McDonald, the voters did not trust the State to maintain funding for K-12 education, so they passed a constitutional amendment to force the State to do so.
 - *All across the State, painful budget cuts have resulted in the loss of educational opportunities for students that are vital to preparing them for post-secondary education and the workforce.*
- As stated by co-lead attorney, Kathleen Gebhardt, the General Assembly's misinterpretation of Amendment 23 has resulted in drastic cuts in educational services and programs in direct contradiction of the voters' intent when they passed Amendment 23.
 - The cuts have caused great and lasting harm to schools and children around the State. Jobs have been lost, programs have been cut, and students have lost out on individual attention and critical interventions.

Colorado Supreme Court Case

COLA

(Case No. 12SC906)

- ◆ Justus vs. State of Colorado & PERA
 - On Monday, August 5, 2013, the Colorado Supreme Court granted certiorari in the *Justus vs. State of Colorado and PERA* case, meaning the Court would address the constitutionality of the reduction in the annual increase, or Cost of Living Adjustment (COLA), under Senate Bill 10-001.
 - The case involved two matters:
 - Whether PERA members have contractual rights to the COLA adjustment without change for life, and
 - Whether Senate Bill 10-001, which adjusted COLA to their current level of 2% compounded annually, was constitutional.
- ◆ On October 20, 2014, the Colorado Supreme Court ruled in favor of the State of Colorado and PERA, which upheld the reduction of the Cost of Living Adjustment (COLA) under Senate Bill 10-001.



INVESTING IN EVERY CHILD'S FUTURE

WITH THE DEDICATION OF OUR SUPPORTIVE COMMUNITY, THE CHERRY CREEK BOARD OF EDUCATION, DISTRICT LEADERSHIP TEAM, ADMINISTRATORS, EXCEPTIONAL EDUCATORS & OUR OUTSTANDING SUPPORT STAFF, WE KNOW WE CAN CONTINUE TO FULFILL OUR MISSION:

"TO INSPIRE EVERY STUDENT TO THINK, TO LEARN, TO ACHIEVE, TO CARE."