COST OF LAND USE FISCAL ANALYSIS

LAKE COUNTY SCHOOLS

LAKE COUNTY SCHOOL BOARD, FLORIDA

DRAFT

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Prepared by

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COST OF LAND USE FISCAL ANALYSIS

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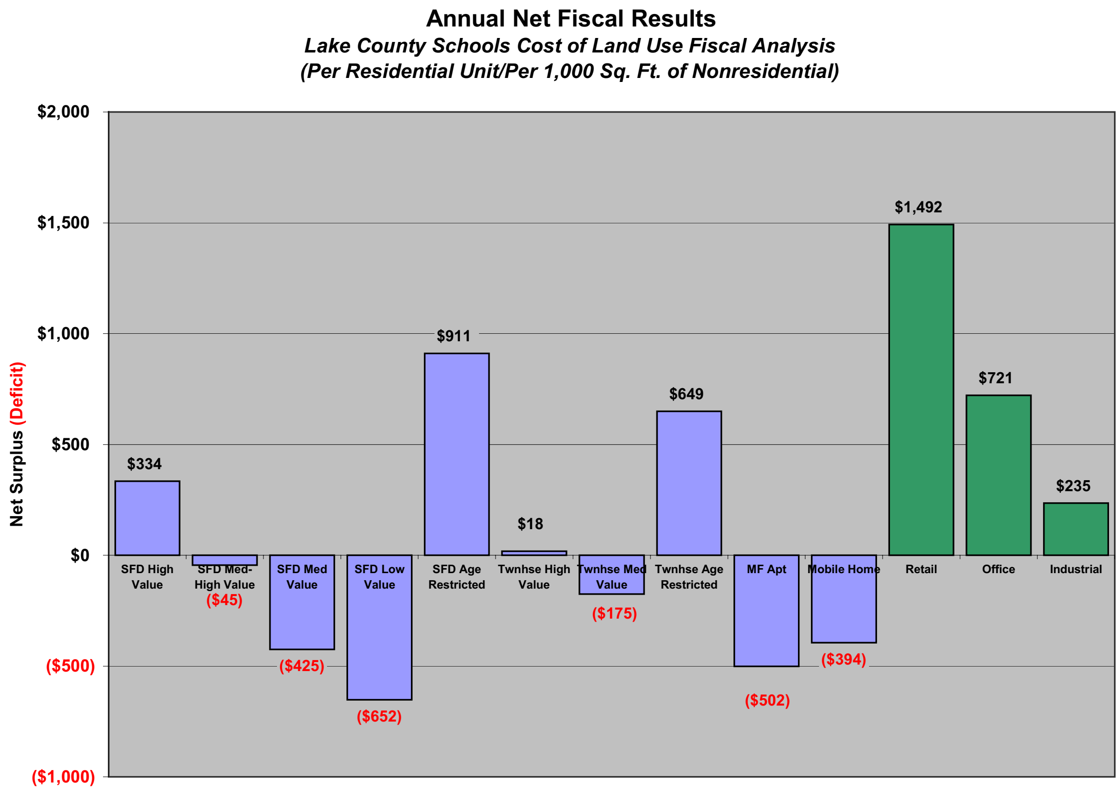
EXECUTIVE SUMMARY

Tischler & Associates, Inc. (TA), is under contract with the Lake County School Board to conduct a Growth Study for use in future school facility planning. As part of this study, TA conducted a *Cost of Land Use Analysis* for new residential and nonresidential development. A Cost of Land Use Analysis examines the fiscal impact of prototypical land uses anticipated to be developed in the County in the future. This analysis seeks to answer the question, "What type of growth pays for itself?"

TA evaluated a total of thirteen land use categories, ten residential and three nonresidential. The annual net fiscal results for both residential and nonresidential development in this analysis are shown below in Figure 1. Graph bars below the $0 line represent net deficits to the Schools; bars above the line reflect net surpluses. Results are shown per residential unit for residential land uses and per 1,000 square feet of floor area for nonresidential land uses in all figures. Both operating and capital funds and expenditures are included in this analysis.

Figure 1. Annual Net Fiscal Results (Operating and Capital): RESIDENTIAL & NONRESIDENTIAL



To provide further detail on the results, delineation between operating and capital revenues, expenditures, and net fiscal results is shown below in Figure 2 (residential) and Figure 3 (nonresidential). Capital results are further broken down to distinguish those capital revenues that are earmarked to serve new development and those to be used to support existing enrollment.

Figure 2. Detail on Operating and Capital Net Fiscal Results: RESIDENTIAL

Category	Residential (Per Unit)									
	SFD High Value	SFD Med-High Value	SFD Med Value	SFD Low Value	SFD Age Restricted	Twnhse High Value	Twnhse Med Value	Twnhse Age Restricted	MF Apt	Mobile Home
Operating										
Operating Revenues	$3,119	$2,835	$2,550	$2,380	$683	$1,787	$1,642	$487	$1,397	$721
Operating Expenditures	$2,972	$2,972	$2,972	$2,972	$0	$1,840	$1,840	$0	$1,840	$1,051
Operating Net Fiscal Results	***$148***	***($137)***	***($421)***	***($592)***	***$683***	***($52)***	***($197)***	***$487***	***($442)***	***($330)***
Capital: New Development										
Capital Revenues*	$353	$353	$353	$353	$0	$213	$213	$0	$213	$125
Capital Expenditures	$584	$584	$584	$584	$0	$353	$353	$0	$353	$207
Capital Net Results: New Dev.	*($231)*	*($231)*	*($231)*	*($231)*	*$0*	*($140)*	*($140)*	*$0*	*($140)*	*($82)*
Capital: Existing Development										
Capital Revenues**	$418	$323	$228	$171	$228	$211	$162	$162	$81	$17
Capital Expenditures	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Capital Net Results: Existing Dev.	*$418*	*$323*	*$228*	*$171*	*$228*	*$211*	*$162*	*$162*	*$81*	*$17*
Combined Capital Net Fiscal Results	***$187***	***$92***	***($3)***	***($60)***	***$228***	***$71***	***$22***	***$162***	***($60)***	***($65)***
Overall Net Fiscal Results	**$334**	**($45)**	**($425)**	**($652)**	**$911**	**$18**	**($175)**	**$649**	**($502)**	**($394)**

**Impact fees: Restricted to capacity expansions, ancillary facilities, and buses to serve new growth.*
***2 mill property tax: Earmarked for maintenance, renovations, and replacement of existing facilities and elimination of current deficiency.*
Note: ($45) indicates a net deficit

Figure 3. Detail on Operating and Capital Net Fiscal Results: NONRESIDENTIAL

Category	Nonresidential (Per 1,000 Square Feet)		
	Retail	Office	Industrial
Operating			
Operating Revenues	$444	$541	$176
Operating Expenditures	$0	$0	$0
Operating Net Fiscal Results	***$444***	***$541***	***$176***
Capital: New Development			
Capital Revenues	$0	$0	$0
Capital Expenditures	$0	$0	$0
Capital Net Results: New Dev.	*$0*	*$0*	*$0*
Capital: Existing Development			
Capital Revenues*	$1,048	$181	$59
Capital Expenditures	$0	$0	$0
Capital Net Results: Existing Dev.	*$1,048*	*$181*	*$59*
Combined Capital Net Fiscal Results	***$1,048***	***$181***	***$59***
Overall Net Fiscal Results	**$1,492**	**$721**	**$235**

**2 mill property tax and sales tax (retail only): Earmarked for maintenance, renovations, and replacement of existing facilities and elimination of current deficiency.*

FINDINGS

- As shown in Figure 1, all age-restricted units and two of the eight remaining residential prototype units (single family detached high value and townhouse high value) generate net surpluses. All nonresidential development produces net surpluses to the schools, with retail generating the highest surplus followed by office and industrial.

- Age-restricted units produce net surpluses because they do not generate any direct costs to the Schools but do generate revenue in the form of property taxes.

- The two non-age-restricted units that produce net surpluses do so because of property value. Because ad valorem tax revenue is the main growth-related revenue source for the School system, assessed values of the prototype units represent the primary determinant of the fiscal results.

- Townhouse[1] units of high value (non-age restricted) generate small net surpluses to the Schools. Although this unit generates less revenue than single family detached units of all values in this analysis, a townhouse unit has fewer students per household than single family detached units and therefore generates lower expenditures.

- A single family detached unit (non age-restricted) at a market value of $236,000 (assessed value of $201,000) represents the "breakeven" market value for the School System. In other words, the revenues generated from a single family detached unit at this market value (maintaining the assumptions outlined throughout this study and applying all earmarked capital revenues generated by this unit including impact fees and the 2 mill property tax) covers the expenditures generated by this unit.[2] For a townhouse unit, the breakeven market value is approximately $157,000 (assessed value of $133,450).[3]

- All nonresidential land uses produce net surpluses to the Schools due to revenue generated from property taxes for all prototypes, and from sales taxes

[1] Townhouse units in this analysis are assumed to be single family attached units. Per the impact fee study conducted for Lake County, single family attached units are considered multifamily units. ("Impact Fees for Educational Facilities in Lake County, Florida," Henderson, Young & Company, July 16, 2004.)

[2] If only capital revenues from impact fees are considered (assuming the 2 mill property tax will not be used for new growth capacity purposes), the breakeven market value would increase to $306,000 (assessed value of $260,000).

[3] For a townhouse/single family attached unit, the breakeven market value assuming only impact fees to support the new growth capacity needs would be $200,000 (assessed value of $170,000).

from retail uses, while at the same time not producing direct costs to the Schools.

- All non-age-restricted residential prototypes except detached high value units produce net deficits for *operations*. The results are based on the District's current level of service. As federal and state mandated requirements such as No Child Left Behind and Class Size Reduction continue to be implemented, levels of service are likely to be required to increase with a commensurate increase in operating costs and greater deficits.

- When evaluating capital revenues and expenses, two components need to be considered—funds reserved for new growth and funds for existing development. All non-age restricted residential units generate net deficits for capital needs to serve *new* development due to the lower adopted impact fee amount vis a vis the maximum supportable amount calculated for the County. Residential units also generate capital revenues from the 2 mill property tax, which is earmarked for improvements to serve existing enrollment. Taken together, the capital net results would produce *net surpluses or fiscally neutral results for four non-age restricted prototypes* (single family detached high and medium-high value and both townhouse prototypes).

- The overall net surpluses for capital purposes can be attributed to a number of aspects of the study:

    - The overall capital results reflect the net impact of capital expenditures to serve **new growth only.** By definition, this analysis does not include capital *costs* to provide adequate capacity for existing enrollment. In other words, the County's current backlog of construction projects and related costs are not included in the per unit results. However, new residential development *will generate revenues to be used for capital purposes to remedy this backlog* through the 2 mill property tax.

    - As noted above, even though capital revenues are dedicated to capital functions, there are limitations on the use of the funds. For example, impact fee revenue can only be used for capacity expansions to accommodate new development for facilities, land, and buses. By Board policy, the 2 mill property tax and sales tax from retail is earmarked to correct existing deficiencies.

    - Furthermore, because these revenues are required to be used for capital needs, a surplus for capital purposes does not provide assistance on the operating side.

- This analysis considers the fiscal impact of new typical development only to Lake County Schools, as opposed to other levels of government such as the County or municipalities within the City. Therefore, other major quality of life factors such as public safety and recreation are not reflected in this analysis.

- Local revenues for operating and capital are primarily dependent on ad valorem property taxes. For a single family detached unit of medium value, local growth-related operating revenues comprise approximately 30 percent of total operating with state revenues accounting for almost 60 percent. To the extent that non-local revenue decreases on a per pupil basis over time or does not keep pace with expenses brought about by mandated requirements such as class size reduction, the School Board will become increasingly reliant on ad valorem revenue.

- Capital revenues are from three major sources—impact fees, 2 mill ad valorem, and dedicated sales tax. All three sources are susceptible to fluctuations in the economy with the sales tax being the most volatile. To the extent the real estate market and/or consumer spending drops off, the School District will be affected. Other revenue sources will be required or a decrease in levels of service will result.

ASSIGNMENT

Tischler & Associates, Inc. (TA), is under contract with the Lake County School Board to conduct a Growth Study for use in future school facility planning. As part of this study, TA conducted a *Cost of Land Use Analysis* for new residential and nonresidential development. A Cost of Land Use Analysis examines the fiscal impact of prototypical land uses anticipated to be developed in the County in the future. In this type of analysis, a "snapshot" approach is used that determines the costs and revenues for various land use prototypes in order to understand the fiscal effect each land use has independently on the Lake County School Board's budget. In other words, it seeks to answer the question, "What type of growth pays for itself?"

TA evaluated a total of thirteen land use categories, ten residential and three nonresidential. The ten residential prototypes reflect types of housing units and average price points recently developed in the County:

1. Single Family Detached High Value;
2. Single Family Detached Medium-High Value;
3. Single Family Detached Medium Value;
4. Single Family Detached Low Value;
5. Single Family Detached Age Restricted;
6. Townhouse High Value;
7. Townhouse Medium Value;
8. Townhouse Age Restricted;
9. Multifamily Apartment; and
10. Mobile Home.

For age-restricted units, we assume the units are deed-restricted and therefore will have no school-age children in residence. For townhouse units, we assume they are single family attached structures and therefore are considered multifamily units per the impact fee study conducted for Lake County in July 2004.[4] It is also important to understand the impact of nonresidential development on the fiscal situation of the Schools. Therefore, three nonresidential prototypes were included as follows: (1) Retail, (2) Office, and (3) Industrial. The residential and nonresidential prototype land uses are described in more detail in the following section of this report.

Operating and capital costs as well as all funds were included in this analysis, including the General Fund and Special Revenue Funds. Since this analysis focuses on the fiscal

[4] "Impact Fees for Educational Facilities in Lake County, Florida," Henderson, Young & Company, July 16, 2004.

impact of selected residential and nonresidential prototypes without regard to geographic location, it relies on average costing. In some cases, the costs may be fixed such as for expenditures that have remained static in recent years. Limitations to this approach are the reliance on average costing, particularly for one-time capital costs, which have been amortized over 20 years.

PROTOTYPE ASSUMPTIONS

This analysis includes ten residential prototype units and three nonresidential prototypes. Key characteristics of the residential prototypes are shown in Figure 4. Average taxable value is used to calculate property tax revenues, which is a key revenue source for the schools. The figure below illustrates the relationship between market values and taxable values, on which School property taxes are based. The figure also shows average number of public school students per housing type in the last column, which is the main generator for variable costs and revenues in this analysis.

Figure 4. Residential Prototypes

Prototype	*Avg. (rounded) Market Value (1)*	*Avg. (rounded) Assessed Value (2)*	*Homestead Exemption (3)*	*Average Taxable Value (4)*	*Public School Students per Unit (5)*
Residential Prototypes (Per Unit)					
Single Family Detached: High Value	$288,000	$245,000	($25,000)	$220,000	0.410
Single Family Detached: Medium-High Value	$229,000	$195,000	($25,000)	$170,000	0.410
Single Family Detached: Medium Value	$171,000	$145,000	($25,000)	$120,000	0.410
Single Family Detached: Low Value	$135,000	$115,000	($25,000)	$90,000	0.410
Single Family Detached: Age-Restricted	$171,000	$145,000	($25,000)	$120,000	0
Townhouse: High Value	$160,000	$136,000	($25,000)	$111,000	0.254
Townhouse: Medium Value	$130,000	$110,500	($25,000)	$85,500	0.254
Townhouse: Age-Restricted	$130,000	$110,500	($25,000)	$85,500	0
Multi-Family Apartment	$50,000	$42,500	$0	$42,500	0.254
Mobile Home	$40,000	$34,000	($25,000)	$9,000	0.145

(1) Market value estimated based on the assumption that assessed values (column 2) are 85% of market value (per Lake Co. Property Appraiser Office)

(2) Source: TA analysis of Lake County Property Appraiser data provided by Lake County Dept. of Planning

(3) Assumes owner-occupied residential property eligible for $25,000 Florida Homestead Exemption per Lake County Property Appraiser Office

(4) Assessed value minus Homestead Exemption

(5) Total for all school levels; Henderson, Young & Co., "Impact Fees for Educational Facilities in Lake County, Florida," July 16, 2004

It should be noted that townhouse units in this analysis are assumed to be single family attached units. Per the impact fee study conducted for Lake County, single family attached units are considered multifamily units and therefore the student generation rate is less than that of a single family detached unit. ("Impact Fees for Educational Facilities in Lake County, Florida," Henderson, Young & Company, July 16, 2004.)

Average taxable values for nonresidential prototypes used in this analysis are shown below in Figure 5. TA worked with Lake County Economic Development and the Lake County Property Appraiser's Office to obtain data on recently developed retail, office, and industrial properties. Results of this analysis are shown in Figure 5.

Figure 5. Nonresidential Prototypes

Prototype	*Average Taxable Value (per SF)*
Nonresidential Prototypes (Per SF)	
Retail	$78
Office	$95
Industrial	$31

Source: Lake County Economic Development; Lake County Property Appraiser; TA.

COST AND REVENUE ASSUMPTIONS

For this analysis, net fiscal impacts for residential and nonresidential land use prototypes have been determined by subtracting the costs necessary to serve these land uses from the revenues generated by each land use. The cost and revenue factors are based on the fiscal year 2004-05 Lake County School Board budget and **current levels of service**. Current levels of service represent the School District's current level of spending for the students served—including all aspects of the Schools' current operations and capital requirements.[5] That is, assumptions made in the analysis are based on programs, services, requirements, and policies that are in place *today*.

The analysis includes the General Fund, Special Revenue Funds, Capital Revenues, and Capital Expenditures. Only those revenues and costs generated by new development were included in the analysis. This report provides detail on the various sources of revenue generated and costs incurred from new development as well as limitations on the use of certain types of revenues. For instance, capital revenues generated from the 2 mill ad valorem property tax are dedicated to correcting existing deficiencies per current School Board policy; therefore while revenue from this source will be generated from new development, it is shown separately to account for this restriction. Furthermore, only those revenues **directly attributed** to the land use are assumed. For example, the dedicated County sales tax for capital improvements, of which a third goes to the schools, is a **point of sale** revenue source from sales at County retail establishments. While local residents may be purchasing those goods and paying the sales tax, they have a choice of where to shop and may choose to do so outside of Lake County. Therefore the direct **generator** of the revenue is the retail establishment itself and the revenue is attributed to retail land use prototype in this analysis. Like the 2 mill revenue, sales tax revenue is earmarked for existing development's capital needs per current School Board policy.

To derive costs, revenues, and service levels, TA interviewed department staff and analyzed the current budget and other financial and demographic data. The analysis attributes direct revenues and costs to each type of land use to ultimately derive the net fiscal impact of different types of development. For example, (non-age-restricted) residential development will generate both costs and revenues to the School System; depending on the type and characteristics of residential development, the relationship between revenues generated and costs incurred varies. This analysis will illustrate the magnitude of the differences. The result of this assessment and the methodologies used to

[5] This analysis uses the latest state Unweighted Full-Time Equivalent (FTE) student count (35,568 from 12/7/04) to determine those costs and revenues that are variable per student. Actual maximum enrollment may vary by the end of the school year; however since this report is being prepared in the middle of the school year, the FTE count is used as a proxy for maximum enrollment.

determine costs and revenues are described throughout this document where appropriate.

FISCAL RESULTS

OVERALL FISCAL RESULTS

The following four figures show net fiscal results by type of land use for **residential** development and **nonresidential** development. Results are shown per residential unit for residential land uses and per 1,000 square feet of floor area for nonresidential land uses in all figures.

As shown in Figure 6 and Figure 7, four of the ten residential land uses generate annual net surpluses or fiscally neutral results while the remaining prototypes generate net deficits. (Graph bars below the $0 line represent net deficits to the Schools; bars above the line reflect net surpluses.) Of the residential land uses included in the analysis, net surpluses are generated from all types of age-restricted units (single family and townhouse) and non-age-restricted single family detached (SFD) units of high value. Townhouse units of high value generate results that are essentially fiscally neutral. All other non-age-restricted housing units included in this analysis generate net deficits to the School Board. These results reflect all types of funds as well as operating and capital expenditures. Results are discussed further in subsequent sections of the report.

Figure 6. Annual Net Fiscal Results Graph (All Funds): RESIDENTIAL

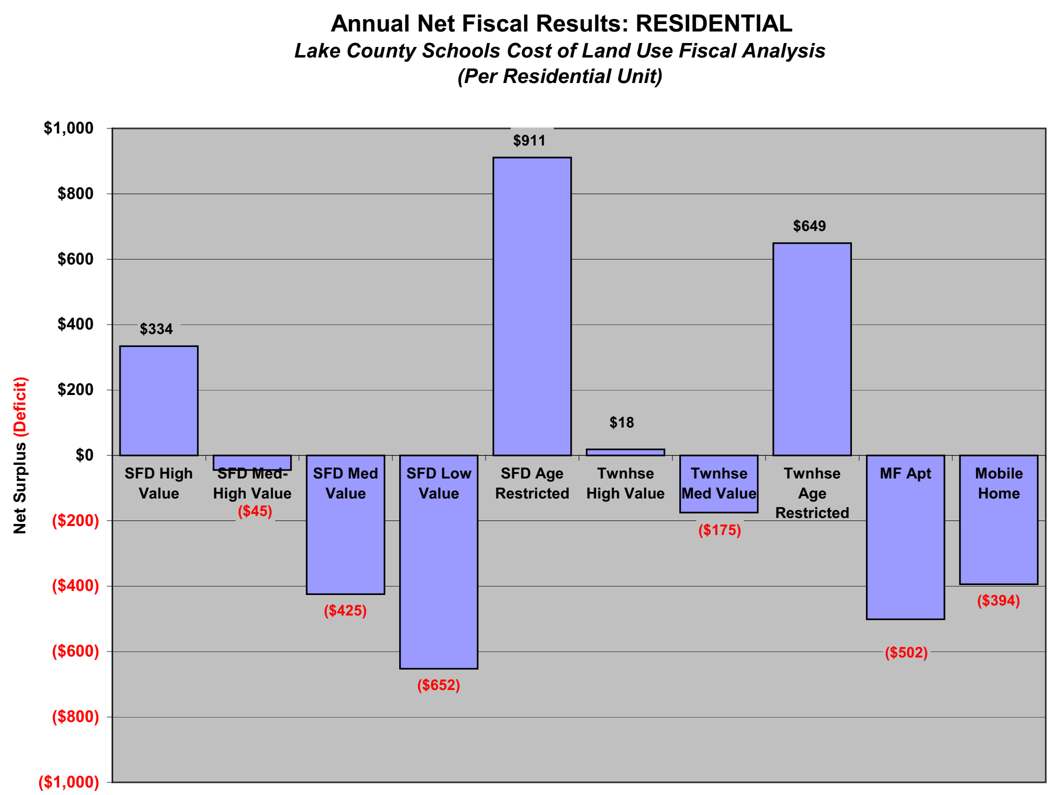


Figure 7. Annual Net Fiscal Results Table (All Funds): RESIDENTIAL

	Residential (Per Unit)									
Category	**SFD High Value**	**SFD Med-High Value**	**SFD Med Value**	**SFD Low Value**	**SFD Age Restricted**	**Twnhse High Value**	**Twnhse Med Value**	**Twnhse Age Restricted**	**MF Apt**	**Mobile Home**
Market Value (per unit)	*$288,000*	*$229,000*	*$171,000*	*$135,000*	*$171,000*	*$160,000*	*$130,000*	*$130,000*	*$50,000*	*$40,000*
All Funds										
Revenues	$3,890	$3,511	$3,131	$2,903	$911	$2,211	$2,018	$649	$1,691	$863
Expenditures	$3,556	$3,556	$3,556	$3,556	$0	$2,193	$2,193	$0	$2,193	$1,258
Net Fiscal Result	**$334**	**($45)**	**($425)**	**($652)**	**$911**	**$18**	**($175)**	**$649**	**($502)**	**($394)**

Of the eight non-age-restricted residential land uses, both high value single family detached and townhouse units generate net surpluses. For the single family detached unit, the results are primarily due to the market values assumed for this type of unit in this analysis, which generate property tax revenue from the District School Tax (for operating) and the District Local Capital Improvement Tax (2 mill property tax for capital). However, as discussed in further detail below, the 2 mill property tax is restricted by Board policy for expenditures to correct existing deficiencies and maintenance/renovations on existing facilities. Any unit above the market value assumed for the detached single family unit (see Figure 7 for assumed market values) would yield proportionally higher results. Expenditures are based on per student expenditure factors and student generation rates by type of unit as provided in the report, "Impact Fees for Educational Facilities in Lake County, Florida."[6] Per the Impact Fee report, it is assumed that single family detached units generate the same number of students on average regardless of housing value, therefore expenditures are the same for each type of single family detached unit in this analysis.

Townhouse prototype units of high value generate a minimal net surplus to the Schools. While the *revenue* generated by a townhouse high value unit is less than all types of single family detached units in the analysis, townhouse units generate lower *expenditures*. This is due to the lower student generation rate for townhouse units, assumed to be a single family attached unit, which is included in the multifamily category per the Impact Fee Report. .

Age-restricted units generate net surpluses to the School Board. These units only generate marginal revenues, such as property taxes, but not per student revenues. Likewise, no school expenditures are attributed to these units.

For nonresidential development, all prototype land uses generate net surpluses to the Schools. Results are shown in the two following figures, Figure 8 and Figure 9. While nonresidential land uses generate revenues from property and sales taxes, no direct expenditures are attributed to these uses.

[6] Henderson, Young & Company, July 16, 2004.

Figure 8. Annual Net Fiscal Results Graph (All Funds): NONRESIDENTIAL

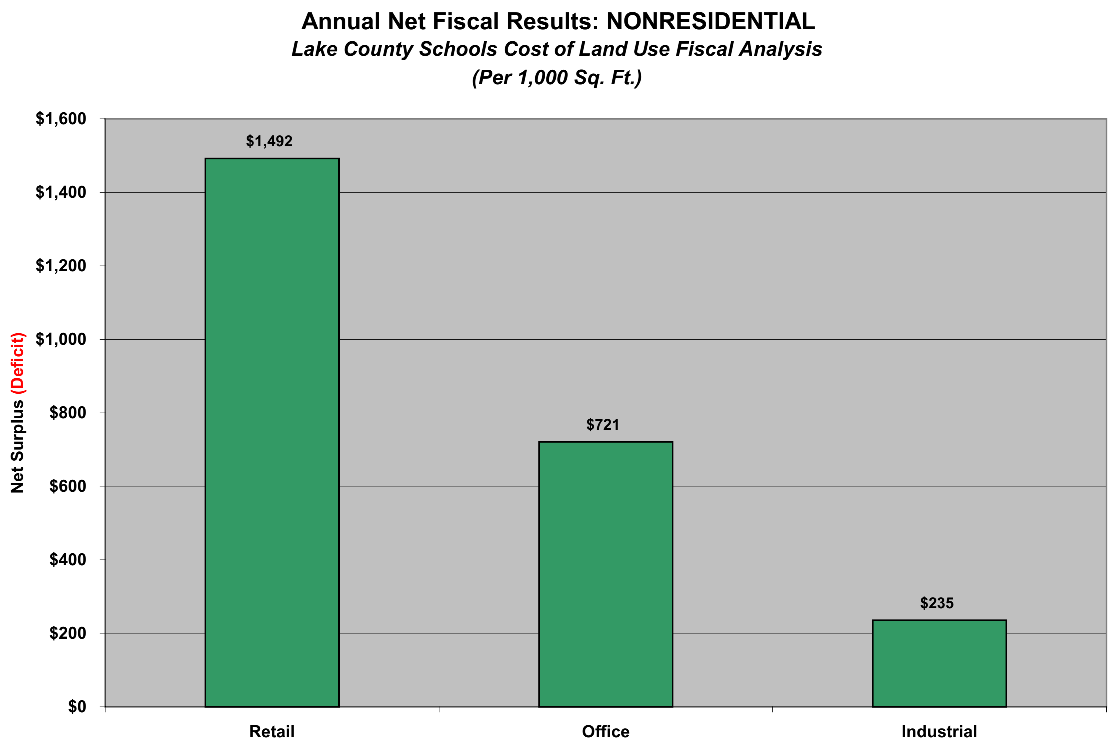


Figure 9. Annual Net Fiscal Results Table (All Funds): NONRESIDENTIAL

	Nonresidential (Per 1,000 Square Feet)		
Category	**Retail**	**Office**	**Industrial**
Market Values (per 1,000 SF)	*$78,000*	*$95,000*	*$31,000*
All Funds			
Revenues	$1,492	$721	$235
Expenditures	$0	$0	$0
Net Fiscal Result	**$1,492**	**$721**	**$235**

Retail uses generate the largest net surpluses to the School System due to the average assessed value of the prototype retail establishment and sales tax collections for school capital and bus needs. The results are shown per 1,000 square feet of floor area. Therefore, a 100,000 square foot retail establishment with the average assessed value and sales per square foot assumed for this analysis would generate annual revenue of approximately $150,000 to the Schools ($1,492 revenue per 1,000 SF x 100 SF). An office building of 25,000 square feet with the characteristics assumed for this analysis would generate approximately $18,000 and an industrial building of 50,000 would generate approximately $12,000 to Lake County Schools.

COMPARISON OF OPERATING AND CAPITAL RESULTS

TA also examined the fiscal impacts of growth on operating and capital uses separately. The operating budget includes the General Fund and two Special Revenue Funds—Food Service and Other Federal Grants. (Results by fund are discussed in the next section.) The capital portion reflects revenues dedicated for capital expenditures and annualized capital costs per unit. Overall results are shown below in Figure 10. Because some capital revenues generated by new growth are restricted to providing capital improvements to existing development, a further breakdown of the results is shown on the next page in Figure 11.

Figure 10. Operating and Capital Annual Net Fiscal Results: RESIDENTIAL

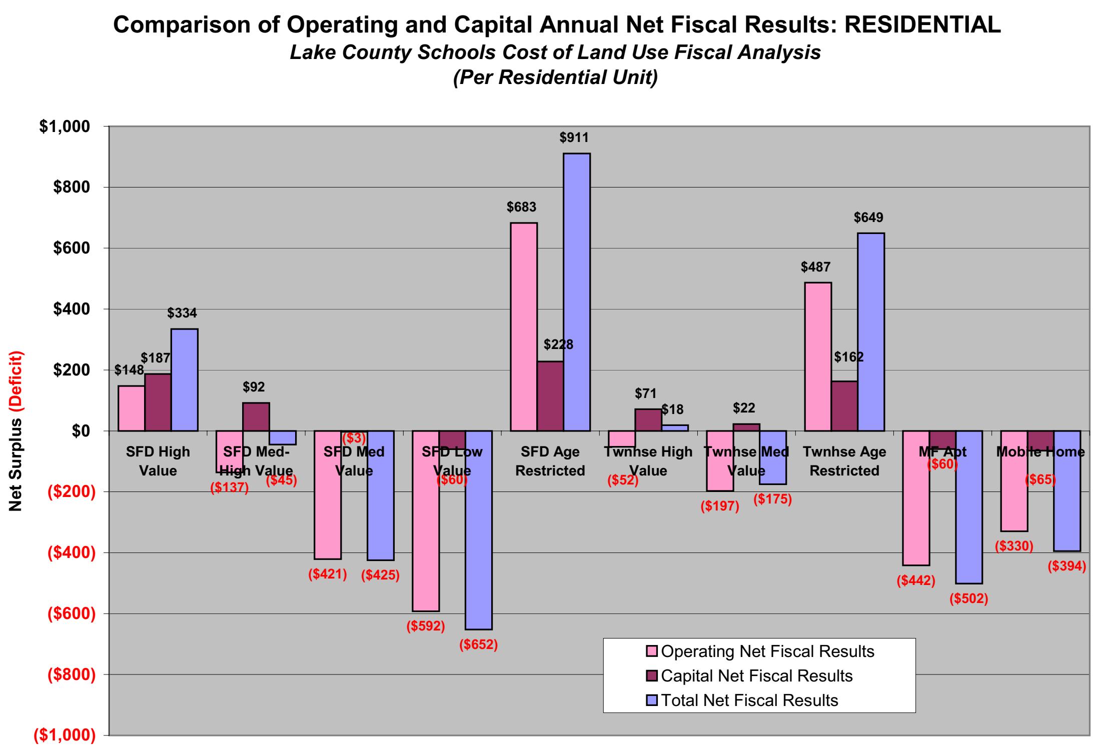


Figure 11. Breakdown of Operating and Capital Annual Net Fiscal Results: RESIDENTIAL

	Residential (Per Unit)									
Category	**SFD High Value**	**SFD Med-High Value**	**SFD Med Value**	**SFD Low Value**	**SFD Age Restricted**	**Twnhse High Value**	**Twnhse Med Value**	**Twnhse Age Restricted**	**MF Apt**	**Mobile Home**
Operating										
Operating Revenues	$3,119	$2,835	$2,550	$2,380	$683	$1,787	$1,642	$487	$1,397	$721
Operating Expenditures	$2,972	$2,972	$2,972	$2,972	$0	$1,840	$1,840	$0	$1,840	$1,051
Operating Net Fiscal Results	***$148***	***($137)***	***($421)***	***($592)***	***$683***	***($52)***	***($197)***	***$487***	***($442)***	***($330)***
Capital: New Development										
Capital Revenues*	$353	$353	$353	$353	$0	$213	$213	$0	$213	$125
Capital Expenditures	$584	$584	$584	$584	$0	$353	$353	$0	$353	$207
Capital Net Results: New Dev.	*($231)*	*($231)*	*($231)*	*($231)*	*$0*	*($140)*	*($140)*	*$0*	*($140)*	*($82)*
Capital: Existing Development										
Capital Revenues**	$418	$323	$228	$171	$228	$211	$162	$162	$81	$17
Capital Expenditures	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Capital Net Results: Existing Dev.	*$418*	*$323*	*$228*	*$171*	*$228*	*$211*	*$162*	*$162*	*$81*	*$17*
Combined Capital Net Fiscal Results	***$187***	***$92***	***($3)***	***($60)***	***$228***	***$71***	***$22***	***$162***	***($60)***	***($65)***
Overall Net Fiscal Results	**$334**	**($45)**	**($425)**	**($652)**	**$911**	**$18**	**($175)**	**$649**	**($502)**	**($394)**

**Impact fees: Restricted to capacity expansions, ancillary facilities, and buses to serve new growth.*
***2 mill property tax: Earmarked for maintenance, renovations, and replacement of existing facilities and elimination of current deficiency.*
Note: ($45) indicates a net deficit

As shown in Figure 10, more types of units generate net deficits from operating purposes than capital. All prototype units except single family high value and age-restricted units generate net operating deficits. Six prototype units generate an overall net capital surplus, with a seventh type of unit—single family medium value—producing essentially fiscally neutral results.

Several items should be noted regarding these results. This analysis considers the fiscal impact of new growth only and, by definition, does not consider any backlog of capital projects necessary to provide seats for existing enrollment. However, *new development* will generate revenues for capital purposes to help pay for replacement schools and new capacity to serve *existing development*. This is shown in Figure 11 under the heading, "Capital: Existing Development." Also as shown in Figure 11, the adopted impact fee per unit will not pay the full cost of capacity expansions to serve the demand from those units (revenues and expenditures have been annualized). This is due to the County's adoption of a fee that is lower than the maximum supportable amount. Furthermore, the revenues generated from the 2 mill ad valorem property tax are directed to capital needs of existing development, per School Board policy. Therefore, for those units generating overall net fiscal surpluses—taking all operating and capital revenues together—the results can be attributed to revenues from the 2 mill property tax.

Because the capital revenues generated by new development are restricted either by law, as is the case with impact fees, or by policy, for the 2 mill property tax, a net surplus in one area does not provide relief in another. Similarly, a surplus on the capital side does not provide relief for operating deficits.

Finally, this analysis assumes implementation of the impact fee amounts adopted by Lake County on December 21, 2004. *These fees are less than the maximum supportable impact fees as submitted to the School Board in July 2004.*[7] See Figure 12 for a comparison of the fees. At the lower fee amount, revenues from the impact fees do not fully cover the costs for capacity improvements to serve new growth; therefore an alternative source of funding will be required to serve new growth or a decrease in level of service will result.

Figure 12. Maximum Supportable and Adopted Lake County Schools' Impact Fees

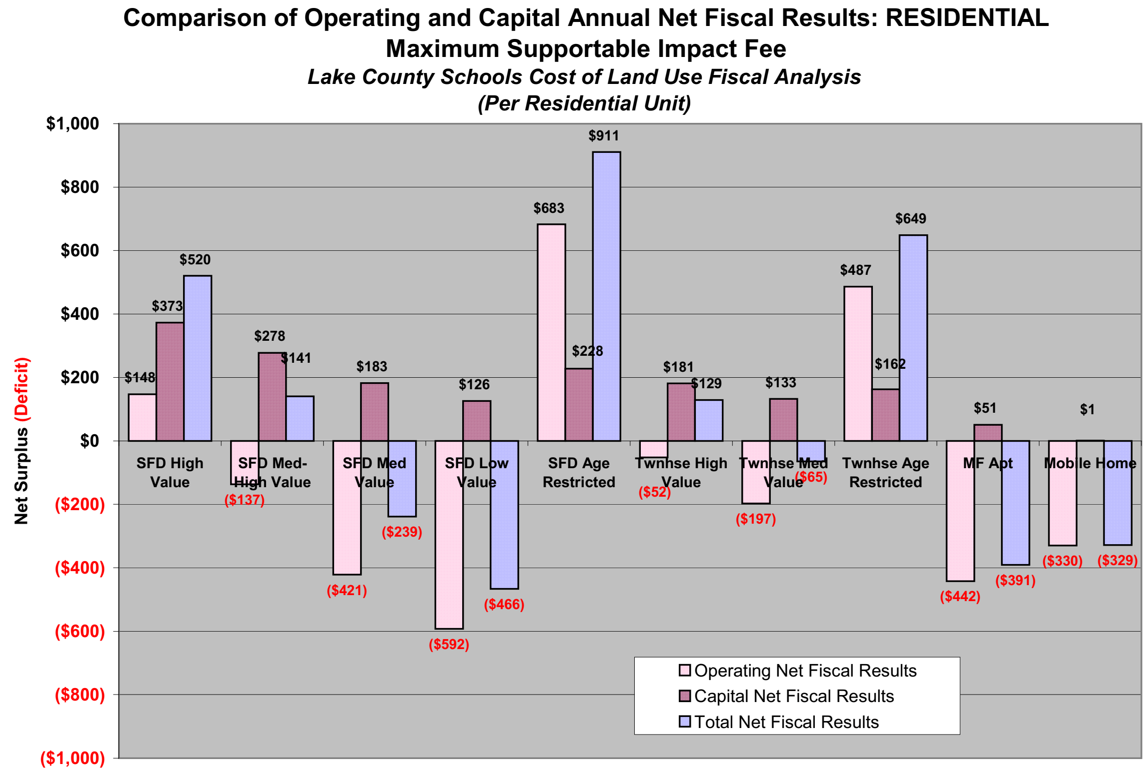
	*Maximum Supportable Impact Fees**	*Lake County Adopted Impact Fee Amounts***
(Per Unit)		
Single Family	$10,775	$7,055
Multi-Family	$6,474	$4,260
Mobile Home	$3,815	$2,497

** "Impact Fees for Educational Facilities in Lake County, FL," July 16, 2004.*
*** Approved December 21, 2004, Lake County.*

To show the effect of the lower impact fee amount, TA examined the fiscal results using the maximum supportable impact fee amount. Figure 13 shows the fiscal results if the impact fees were adopted at the higher amount and maintaining all other study assumptions. As shown in the results, none of the non-age-restricted units generate overall net deficits for capital purposes in contrast to four of eight non-age-restricted residential units at the reduced impact fee amount. Revenues from the maximum impact fees essentially cover the costs for capacity improvements to serve students from new development.

[7] Henderson, Young & Company, July 16, 2004.

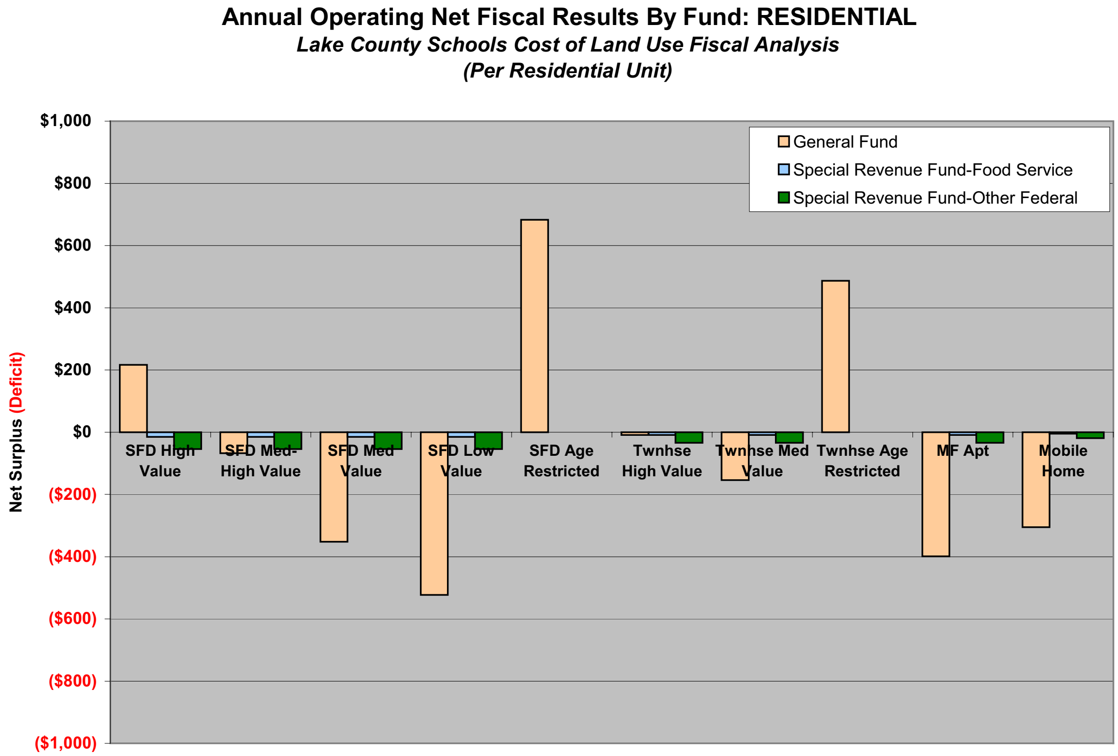
Figure 13. Annual Net Fiscal Results at Maximum Supportable Impact Fee Amounts



OPERATING RESULTS BY FUND

The operating results can be further broken down by type of fund to account for those revenues that have restricted uses. The School Board has three main operating funds: (1) General Fund, (2) Special Revenue Fund – Food Service, and (3) Special Revenue Fund – Other Federal Programs. The General Fund accounts for all unrestricted revenues and general operations. The Food Service Special Revenue Fund includes revenues received from the U.S. and Florida governments earmarked for food service purposes as well as income generated from on-site purchase of meals. Other Federal Programs' Special Revenue Fund primarily reflects Federal funding received directly from the Federal government or via the State. This fund includes such programs as: Individuals with Disabilities Education Act and Title I: Elementary and Secondary Education Act. Net fiscal results for these funds are shown in Figure 14.

Figure 14. Operating Annual Net Fiscal Results By Fund: RESIDENTIAL

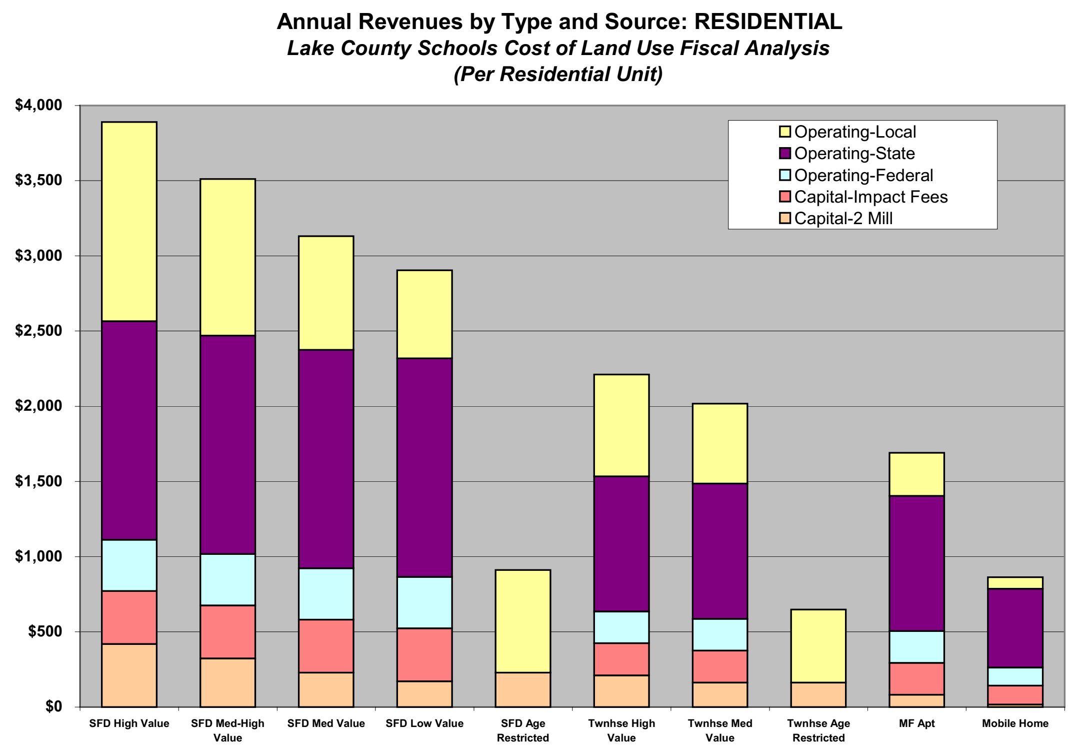


As shown above, the Special Revenue Funds are fiscally neutral or produce small net deficits for all types of units in the analysis except age-restricted units. Age-restricted units produce no impact on the special funds since these funds reflect variable costs and revenues based on student enrollment. For non-age-restricted units, the special funds are fiscally neutral or produce net deficits because the per student revenues received from non-local sources either equal or are insufficient to cover expenses generated by these units. For the General Fund, age-restricted units produce surpluses, as one would expect since revenue is generated from property taxes but no expenditures are attributed to these units. For non-age-restricted units, all units except the single family detached high value produce net deficits to the General Fund. High value detached units produce a net surplus due to the assessed value of the unit and the commensurate revenue generated from property taxes on that value.

REVENUE SUMMARY

The following figure, Figure 15, shows revenues for residential prototypes in the study. Residential revenues are shown per residential unit. Both operating and capital revenues are shown for all funds and from all sources.

Figure 15. Annual Revenues by Type and Source: RESIDENTIAL



As shown above, the single family detached unit of high value generates the highest amount of revenue for the residential prototypes. This is due to the assessed valuation of this unit and the higher number of students per household relative to multifamily units, which affects those revenues distributed based on students per unit. The contribution from the State accounts for the single highest revenue source for all types of non-age-restricted units. A major part of the State's contribution (just over three-quarters of total State revenue) is from the Florida Education Finance Program (FEFP), which is used for operating expenses. The overall importance of state funding increases as property values decrease. For example, for a single family detached unit of high value, the state's share is over a third of total revenues. For a single family detached unit of low value, the share of state funding increases to over 50 percent.

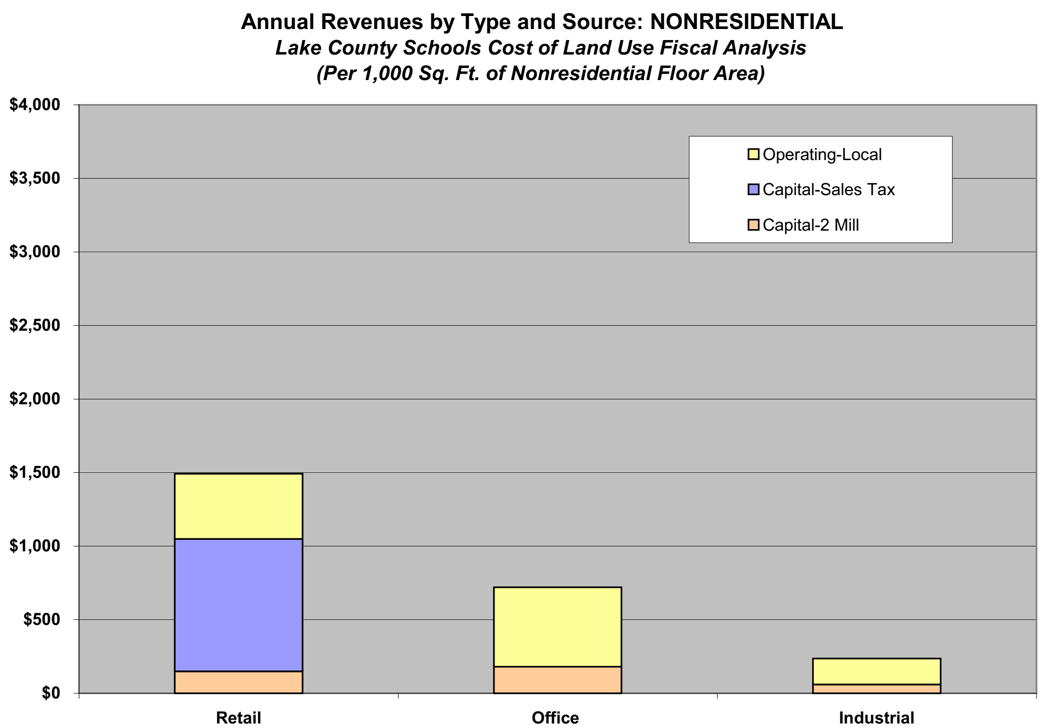
Regarding local revenues, in the fiscal year 2004-05 budget, revenues from local sources for operating purposes account for approximately one-third of total operating revenues. The main source of local revenue is ad valorem property taxes. Examining local share by type of unit reveals that for a high value single family detached unit, the share of local revenue out of total operating revenues is 42 percent. In contrast, local share of operating revenues for a single family detached unit of low value is 25 percent. As the proportion of local revenues decrease, other sources of funding become increasingly important.

Variable capital revenues generated from residential development include impact fees (on non-age-restricted residential units) and the District Capital Improvement Tax (2 mill ad valorem), both of which are local revenue sources. This analysis assumes implementation of the impact fee schedule as approved by the Lake County Commission in December 2004, which is less than the maximum supportable fees submitted to the School Board in July 2004. Since impact fees are one-time payments, fee revenue is amortized over twenty years to provide an annual revenue amount. The 2 mill ad valorem tax is based on property values and therefore reflects market values assumed in the analysis.

Age-restricted units generate the lowest amount of revenue due to the absence of revenues generated from student enrollment (e.g., operating revenues from the state and federal government) and capital revenues from impact fees. These units generate revenues from property taxes, both for operating from the District School Tax and for capital from the 2 mill District Capital Improvement Tax.

Figure 16 shows revenues for the nonresidential prototypes in the study. Nonresidential revenues are shown per 1,000 square feet of floor area. Both operating and capital revenues are shown for all funds and from all sources.

Figure 16. Annual Revenues by Type and Source: NONRESIDENTIAL



Of the nonresidential prototype developments, retail generates the largest amount of revenue per 1,000 square feet. This is due to the dedicated sales tax for capital improvements generated from retail establishments as well as from the property values for this land use. These results are shown per 1,000 square feet of floor area. Therefore, a 100,000 square feet retail establishment with the average assessed value and sales per square foot assumed for this analysis would generate approximately $150,000 to the School System ($1,492 per 1,000 SF x 100).

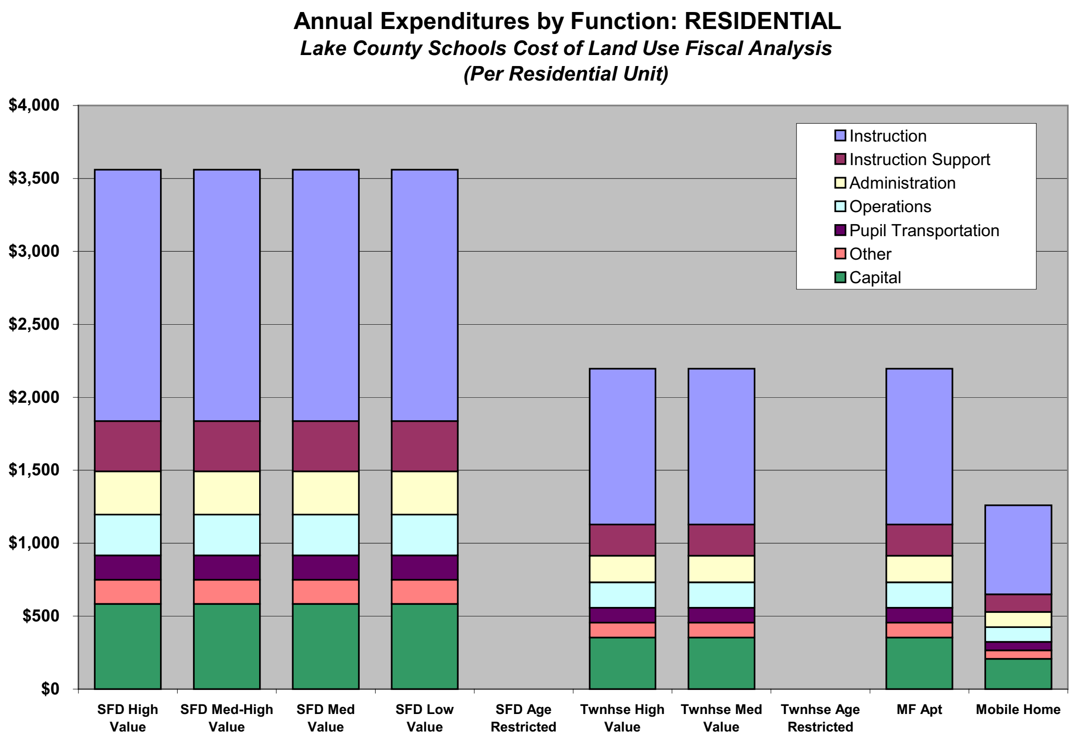
Revenues from nonresidential development are generated from ad valorem tax on personal as well as real property. For purposes of this analysis, tax revenue from real property only is included. Given the range of business types and vast differences in personal property values across those businesses, estimates of revenue from personal property taxes is not included. The overall fiscal impact of these land uses will not be affected as they produce net surpluses; rather the collection of personal property taxes will only increase the surpluses to the Schools.

The appendix provides further detail on revenues to Lake County Schools.

EXPENDITURE SUMMARY

Since School System expenditures are only brought about by residential development, results for residential prototype units only are shown and discussed in this section. Annual expenditures by type of unit are shown in Figure 17. Both operating and capital expenditures are shown; operating expenditures are allocated by function such as instruction, instruction support, etc.

Figure 17. Annual Expenditures By Function: RESIDENTIAL



Variable expenditures are driven by number of students per household. All single family detached units utilize the same average student generation rates and therefore generate the same costs per unit (approximately $3,500 per unit). Townhouse and multifamily apartments generate the same average students per household as well and therefore generate equal expenditures (approximately $2,200 per unit). For all land uses, instruction represents the largest share of the expenditures at almost 60 percent of operating expenditures and almost 50 percent when capital expenditures are included. When Instructional Support is added to Instruction expenditures, the percentages become almost 70 and 60 percent respectively. Capital expenditures represent the next largest share at 16 percent of total expenditures and are calculated using the costs and assumptions outlined in the 2004 Impact Fee Study.[8] Since these are one-time costs, they have been amortized over 20 years to reflect an annual cost. The capital costs include new student stations, land, ancillary facilities, buses, and interest costs. See the Appendix to this report for further detail on expenditures.

[8] Henderson, Young & Company, July 16, 2004.

DISCUSSION OF THE RESULTS

The following are the major findings of the Cost of Land Use Study:

- All age-restricted units and two of the eight regular residential units (high value single family detached and high value townhouse) generate net revenues to the Schools. The two age-restricted units produce net revenues because they do not generate any direct costs to the Schools but do generate revenue in the form of property taxes. The two non-age-restricted units that produce net surpluses do so because of property value. Because ad valorem tax revenue is the main growth-related revenue source for the School system, assessed values of the prototype units represent the primary determinant of the fiscal results.

- Results also reflect the effect of different student generation rates for different housing units. A main revenue source to the District, the Florida Education Finance Program (FEFP), is allocated on a per student basis. Therefore, a higher number of students per household (i.e., for single family detached units) will generate a larger amount of this revenue—and other revenues that are based on enrollment—than those units with lower student generation rates (i.e., multifamily and mobile homes). However, while per student revenues are greater for single family detached units, per student expenditures are also higher, essentially offsetting the revenue gains.

- Townhouse[9] units of high value (non-age restricted) generate a minimal net surplus to the Schools. Although this type of unit generates less revenue than single family detached units of all values in this analysis, a townhouse unit has fewer students per household than single family detached units and therefore generates lower expenditures.

- A single family detached unit (non-age restricted) at a market value of $236,000 (assessed value $201,000) represents the "breakeven" unit market value for the School System. In other words, the revenues generated from a new single family detached unit at this market value (maintaining the assumptions outlined throughout this study) and applying all earmarked capital revenues generated by this unit including impact fees and the 2 mill

[9] Townhouse units in this analysis are assumed to be single family attached units. Per the impact fee study conducted for Lake County, single family attached units are considered multifamily units. ("Impact Fees for Educational Facilities in Lake County, Florida," Henderson, Young & Company, July 16, 2004.)

property tax) covers the expenditures generated by this unit.[10] For a townhouse unit, the breakeven market value is approximately $157,000 (assessed value of $133,450).[11]

- All nonresidential land uses produce net surpluses to the Schools due to revenue generated from property taxes for all prototypes, and from sales taxes from retail uses, while at the same time not producing direct costs to the Schools.

- All non-age-restricted residential prototypes except detached high value units produce net deficits for *operations*. These results are based on the District's current level of service. As federal and state mandated requirements such as No Child Left Behind and Class Size Reduction continue to be implemented, levels of service are likely to be required to increase with a commensurate increase in costs.

- When evaluating capital revenues and expenses, two components need to be considered—funds to serve new growth and funds to serve existing development. All non-age restricted residential units generate net deficits for capital needs to serve *new* development due to the lower adopted impact fee amount vis a vis the maximum supportable amount calculated for the County. Residential units also generate capital revenues from the 2 mill property tax, which is earmarked for improvements to serve existing enrollment. Taken together, the capital net results would produce *net surpluses or fiscally neutral results for four non-age restricted prototypes* (single family detached high and medium-high value and both townhouse prototypes).

- The overall net surpluses for capital purposes for more prototype units than for operations can be attributed to a number of aspects of the study:

    - The analysis assumes implementation of the impact fee amounts adopted by Lake County on December 21, 2004. These fees are less than the maximum supportable impact fees submitted to the County in the Impact Fee Study of July 16, 2004.[12] In this analysis, the revenues generated from impact fees do not fully cover the costs to provide capacity for this new growth. Adoption of the lower impact fee amount will require the School Board to identify other funding sources to make up the shortfall for

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[10] If only capital revenues from impact fees are considered (assuming the 2 mill property tax will not be used for new growth capacity purposes), the breakeven market value would increase to $306,000 (assessed value of $260,000).
[11] For a townhouse/single family attached unit, the breakeven market value assuming only impact fees to support the new growth capacity needs would be $200,000 (assessed value of $170,000).
[12] "Impact Fees for Educational Facilities in Lake County, Florida," Henderson, Young & Company, July 16, 2004.

capacity improvements to serve new growth. Otherwise a decrease in levels of service will occur. While revenue from the 2 mill ad valorem property tax is dedicated to capital functions, it is earmarked by Board policy to correct existing deficiencies to serve current enrollment.

- o The overall capital results reflect the net impact of capital expenditures to serve **new growth only.** By definition, this analysis does not include capital *costs* to provide adequate capacity for existing enrollment. In other words, the County's current backlog of construction projects and related costs are not included in the per unit results. However, new residential development *will generate revenues to be used for capital purposes to remedy this backlog* through the 2 mill property tax.

- o As noted above, even though capital revenues are dedicated to capital functions, there are limitations on the use of the funds. For example, impact fee revenue can only be used for capacity expansions to accommodate new development for facilities (schools and ancillary), land, and buses. Other capital revenue generated, such as from the 2 mill ad valorem Capital Improvement Tax and retail sales tax, is earmarked to correct existing deficiencies by Board policy. Furthermore, the current School Board policy restricts the amount of the 2 mill property tax revenue source used to back debt for school construction. The current policy is to allow half of the full tax rate, or 1 mill, to be used to back debt for capital improvements with the other half to be used for pay-go expenditures.

- o Furthermore, because these revenues are required to be used for capital needs, a surplus for capital purposes does not provide assistance on the operating side.

- This analysis considers the fiscal impact of new typical development only to **Lake County Schools**, as opposed to other levels of government such as the County or municipalities within the County. Therefore, other major quality of life factors such as public safety and recreation are not reflected in this analysis.

- Local property taxes represent the main local growth-related revenue source. Local property tax revenues represent 27 percent of the School District's total operating budget for fiscal year 2004-05. For each type of unit, as property values decrease, a commensurate *increase* in the importance of non-local funds results. For example, for a single family detached unit of high value, non-local funds comprise 57 percent of operating revenues; for a single family detached unit of low value, the share increases to 76 percent. Therefore, as share of local revenues per unit decrease, other non-local sources of revenues are needed to make up the difference Those non-local sources by and large are not responsive to the local real estate development environment, but rather are dependent on enrollment. To the extent that non-local sources of funds such as the Florida Education Finance Program decrease on a per pupil basis over time or do not keep pace with expenses brought about by mandated requirements such as class size reduction, Lake County Schools will become increasingly reliant on ad valorem revenue or experience a decrease in levels of service.

- Capital revenues are from three major sources—impact fees, 2 mill ad valorem, and dedicated sales tax. All three sources are susceptible to fluctuations in the economy with the sales tax being the most volatile. To the extent the real estate market and/or consumer spending drops off, the School District will be affected. Other revenue sources will be required or a decrease in levels of service will result.

APPENDIX: REVENUE AND COST DETAIL

This section of the report provides further detail on the major revenues and costs included in the fiscal impact analysis conducted by Tischler & Associates for the Lake County School System.

REVENUES

OPERATING REVENUES

The sources of operating revenues for Lake County Schools in fiscal year 2004-05 are shown below in Figure A1. As shown, State funding makes up the largest single source of revenue to the school system at over half the operating budget.

Figure A1. Operating Revenues by Source FY 2004-05

Source	*FY04-05 Budget*	*Share of Total*
Local	$75,905,092	31%
State	$133,907,344	55%
Federal Direct	$1,607,093	1%
Federal Through State	$33,260,559	14%
Total Operating (All Funds)	$244,680,088	100%

Source: Lake County Schools FY 2004-05 Budget

Eighty-eight percent of local operating revenue is from property taxes ($67 million out of $76 million). This analysis utilizes the property values assumed for the prototypes to generate revenues from property taxes. The assumptions are shown below for local tax generation.

Figure A2. Ad Valorem Property Taxes by Residential and Nonresidential Prototype Land Uses: Operating

					Required Local Effort		Discretionary + Supplemental		TOTAL	
Prototype: New Development	*Average (rounded) Market Value (1)*	*Average (rounded) Assessed Value (2)*	*Homestead Exemption (3)*	*Average Taxable Value (4)*	*Tax Rate (per $1000)*	*Ad Valorem Taxes (5)*	*Tax Rate (per $1000)*	*Ad Valorem Taxes (5)*	*Tax Rate (per $1000)*	*Ad Valorem Taxes (5)*
Residential Prototypes (Per Unit)										
1 Single Family Detached: High Value	$288,000	$245,000	($25,000)	$220,000	5.3210	$1,112	0.6690	$140	**5.990**	**$1,252**
2 Single Family Detached: Medium-High Value	$229,000	$195,000	($25,000)	$170,000	5.3210	$859	0.6690	$108	**5.990**	**$967**
3 Single Family Detached: Medium Value	$171,000	$145,000	($25,000)	$120,000	5.3210	$607	0.6690	$76	**5.990**	**$683**
4 Single Family Detached: Low Value	$135,000	$115,000	($25,000)	$90,000	5.3210	$455	0.6690	$57	**5.990**	**$512**
5 Single Family Detached: Age-Restricted	$171,000	$145,000	($25,000)	$120,000	5.3210	$607	0.6690	$76	**5.990**	**$683**
6 Townhouse: High Value	$160,000	$136,000	($25,000)	$111,000	5.3210	$561	0.6690	$71	**5.990**	**$632**
7 Townhouse: Medium Value	$130,000	$110,500	($25,000)	$85,500	5.3210	$432	0.6690	$54	**5.990**	**$487**
8 Townhouse: Age-Restricted	$130,000	$110,500	($25,000)	$85,500	5.3210	$432	0.6690	$54	**5.990**	**$487**
9 Multi-Family Apartment	$50,000	$42,500		$42,500	5.3210	$215	0.6690	$27	**5.990**	**$242**
10 Mobile Home	$40,000	$34,000	($25,000)	$9,000	5.3210	$45	0.6690	$6	**5.990**	**$51**
Nonresidential Prototypes (Per 1,000 SF)										
1 Retail				$78,000	5.3210	$394	0.6690	$50	**5.990**	**$444**
2 Office				$95,000	5.3210	$480	0.6690	$60	**5.990**	**$541**
3 Industrial				$31,000	5.3210	$157	0.6690	$20	**5.990**	**$176**

(1) Market value estimated based the assumption that assessed values (see column 2) are 85% of market value (per Lake County Property Appraiser Office)
(2) Source: TA analysis of Lake County Property Appraiser data provided by Lake County Dept. of Planning
(3) Assumes owner-occupied residential property eligible for $25,000 Florida Homestead Exemption per Lake County Property Appraiser Office
(4) Assessed value minus Homestead Exemption
(5) Assumed at 95% of total amount to account for prepayment discounts (as required by Florida law).

As shown in Figure A2, the total combined fiscal year 2004-05 tax rate for operations for Lake County Schools is 5.99 per $1,000 in taxable value. For a single family detached house of medium value, property tax generated for operating purposes total $683 per unit, which assumes collection of 95 percent of total revenue required by State law due to early payment discounts. (Average taxable value divided by 1,000 multiplied by 5.99 multiplied by 95 percent = $120,000/$1,000 x $5.99 x 95% = $683.) Nonresidential prototype results are shown per 1,000 square feet of floor area.

The main component of state funding is from the Florida Education Finance Program (FEFP). Over 70 percent of state funding is FEFP (approximately $98 million out of $134 million). Other state funding programs include Class Size Reduction Operating Funds, Transportation Funds, and funding for Instructional Materials.

Federal funding includes entitlement programs such as Individuals with Disabilities Education Act (IDEA) and Elementary and Secondary Education Act, Title I.

CAPITAL REVENUES

Variable capital revenues generated from development include impact fees, the District Capital Improvement Tax (2 mill ad valorem), and the retail sales tax—all of which are local revenue sources. The Capital Improvement Tax is assessed on both residential and nonresidential development and collected yearly; impact fees are collected only from new non-age restricted residential development; and the retail sales tax is collected from retail establishments only. The Capital Improvement Tax and retail sales tax are earmarked by

Board policy for capital needs to serve existing development. Impact fees are to be used for capacity expansions (of schools, ancillary facilities, land, and buses) to serve new development only. The following tables show revenue generation from these sources by prototype used in this analysis.

Figure A3 shows revenues generated from the 2 mill ad valorem property tax. As with operating ad valorem property taxes discussed above, the School District is required by State law to budget assuming 95 percent of potential revenue to account for early payment discounts.

Figure A3. District Capital Improvement Tax: 2 Mill Ad Valorem Residential and Nonresidential Property Tax

Prototype: New Development	*Average (rounded) Market Value (1)*	*Average (rounded) Assessed Value (2)*	*Homestead Exemption (3)*	*Average Taxable Value (4)*	*Tax Rate (per $1000)*	*Ad Valorem Taxes (5)*
Residential Prototypes (Per Unit)						
1 Single Family Detached: High Value	$288,000	$245,000	($25,000)	$220,000	2.000	$418
2 Single Family Detached: Medium-High Value	$229,000	$195,000	($25,000)	$170,000	2.000	$323
3 Single Family Detached: Medium Value	$171,000	$145,000	($25,000)	$120,000	2.000	$228
4 Single Family Detached: Low Value	$135,000	$115,000	($25,000)	$90,000	2.000	$171
5 Single Family Detached: Age-Restricted	$171,000	$145,000	($25,000)	$120,000	2.000	$228
6 Townhouse: High Value	$160,000	$136,000	($25,000)	$111,000	2.000	$211
7 Townhouse: Medium Value	$130,000	$110,500	($25,000)	$85,500	2.000	$162
8 Townhouse: Age-Restricted	$130,000	$110,500	($25,000)	$85,500	2.000	$162
9 Multi-Family Apartment	$50,000	$42,500		$42,500	2.000	$81
10 Mobile Home	$40,000	$34,000	($25,000)	$9,000	2.000	$17
Nonresidential Prototypes (Per 1,000 SF)						
1 Retail				$78,000	2.000	$148
2 Office				$95,000	2.000	$181
3 Industrial				$31,000	2.000	$59

(1) Market value estimated based the assumption that assessed values (see column 2) are 85% of market value (per Lake County Property Appraiser Office)
(2) Source: TA analysis of Lake County Property Appraiser data provided by Lake County Dept. of Planning
(3) Assumes owner-occupied residential property eligible for $25,000 Florida Homestead Exemption per Lake County Property Appraiser Office
(4) Assessed value minus Homestead Exemption
(5) Assumed at 95% of total amount to account for prepayment discounts (as required by Florida law).

Figure A4 shows impact fee revenue per unit, annualized over twenty years to account for its nature as a one-time payment. Impact fee revenues are to be used for capacity projects for schools (including land), ancillary facilities, and buses. Fee amounts adopted by Lake County in December 2004 are $7,055 for a single family detached house, $4,260 for a multi-family unit, and $2,497 for a mobile home. Townhouse units in this analysis are assumed to be single family attached units. Per the impact fee study conducted for Lake County, single family attached units are considered multifamily units. ("Impact Fees for Educational Facilities in Lake County, Florida," Henderson, Young & Company, July 16, 2004.)

Figure A4. Annualized Impact Fee Revenue Per Prototype Unit

Prototype: New Development	Impact Fee Per Unit*	Annualized Revenue
Residential Prototypes (Per Unit)		
1 Single Family Detached: High Value	$7,055	$353
2 Single Family Detached: Medium-High Value	$7,055	$353
3 Single Family Detached: Medium Value	$7,055	$353
4 Single Family Detached: Low Value	$7,055	$353
5 Single Family Detached: Age-Restricted	$0	$0
6 Townhouse: High Value	$4,260	$213
7 Townhouse: Medium Value	$4,260	$213
8 Townhouse: Age-Restricted	$0	$0
9 Multi-Family Apartment	$4,260	$213
10 Mobile Home	$2,497	$125

** Adopted by Lake County Commissioners December 2004.*

Figure A5 shows the assumptions used for retail prototypes in this analysis. The School System receives a third of the one-cent sales tax levied in the County for capital improvements. The proceeds received by the School District are restricted to school capital improvements and bus purchases to serve existing enrollment.

Figure A5. Dedicated Sales Tax Revenue Calculation for Retail Prototype

Square Footage of Retail Prototype	Estimated Gross Leaseable Area*	Average Sales per SF**	Total Estimated Sales	Local Sales Tax Rate	School District Share***	School District Sales Tax Revenue per SF	School District Sales Tax Revenue for 100,000 SF
100,000 square feet	96,000	$269.98	$25,918,080	$0.01	$0.003	$0.90	$86,394

** Dollars and Cent of Shopping Centers , 2002 Edition, Urban Land Instituite. Data is for Community Shopping Centers in the South.*
*** 2003 NRB (National Research Bureau) Shopping Center Census, average sales per gross leasable square foot for shopping centers 100,001-200,000 SF in Florida.*
**** Lake County Schools receives 1/3 of 1 cent sales tax collected by Lake County.*

EXPENDITURES

OPERATING EXPENDITURES

Lake County Schools operating expenditures for fiscal year 2004-05 total $262 million in all funds including the General Fund and Special Revenue Funds for Food Service and Federal Grants. Of this total amount, almost 60 percent is for instruction. The allocation among types of expenditures in the FY04-05 budget is shown below in Figure A6.

Figure A6. Operating Expenditures By Category FY2004-05

Expenditure Category	*FY04-05 Budget**	*Share of Total*
Instruction	$153,842,023	59%
Instruction Support	$29,903,918	11%
Administration	$25,594,128	10%
Operations	$24,312,953	9%
Pupil Transportation	$14,098,773	5%
Other	$14,271,373	5%
Total	$262,023,168	100%

** Includes all funds (General and Special Revenue Funds)*

Source: Lake County Schools FY 2004-05 Budget

CAPITAL EXPENDITURES

Cost assumptions for capital expenditures for Lake County Schools are based on the Impact Fee report of July 2004. Those assumptions are summarized below in Figure A7. Because these are one-time costs, they are annualized for purposes of this analysis. The methodology is shown below in Figure A7.

Figure A7. Capital Costs by Grade Level

	Capital Cost Component	Elementary	Middle	High
1	State Cost per Student Station*	$13,515	$15,496	$20,506
2	Land Cost Per Student*	$244	$421	$318
3	Ancillary Facility Cost per Student*	$540	$540	$540
4	Total Capital Cost Per Student	$14,299	$16,457	$21,364
5	Percent Student Station Cost to be Debt Financed*	73.42%	82.48%	95.48%
6	Debt Financed Amount per Station*	$9,923	$12,781	$19,579
7	Annualized Cost per Student Station (Debt Finance) per Student**	$830	$1,070	$1,638
8	Remainder of Student Station Cost per Student***	$3,592	$2,715	$927
9	Annualized Remainder of Student Station Cost per Student****	$180	$136	$46
10	Annualized Land Cost per Student****	$12	$21	$16
11	Annualized Ancillary Facility Cost per Student****	$27	$27	$27
12	*Total Annualized Cost per Student*******	*$1,049*	*$1,253*	*$1,728*

** Impact Fee Study, July 16, 2004*

*** Debt assumptions from Impact Fee Study: 20 year term at 6% interest*

**** Line 6 minus Line 1*

***** Total cost divided by 20 years to get annualized cost*

****** Total of shaded lines (Lines 7, 9, 10, and 11)*