Strategic Planning Financial Update

November 2012

District Finances—Shared Leadership and Transparency

A Finance Advisory Committee (FAC) was established in September 2009, as an outgrowth of the Board's 2009-2010 goals. One recommendation adopted by the Board was to establish an Advisory Leadership Team (ALT) to examine the financial projection model and recommend adjustments to the Superintendent.

The purpose of the ALT was to generate a financial-gap analysis and present suggested cost-containment recommendations to the Superintendent, with the expectation that the Superintendent would compile the findings for a presentation to the Board of Education.

Advisory Leadership Team Membership

Affiliation
3 Community Members
1 Division Head
2 Faculty Senate members
Asst. Principal of Instruction
1 Classified Personnel
Superintendent
1 Building and Grounds
1 Non-affiliated supervisory
Asst. Superintendent of Human Resources
Asst. Superintendent for Finance/Operations

Parameters

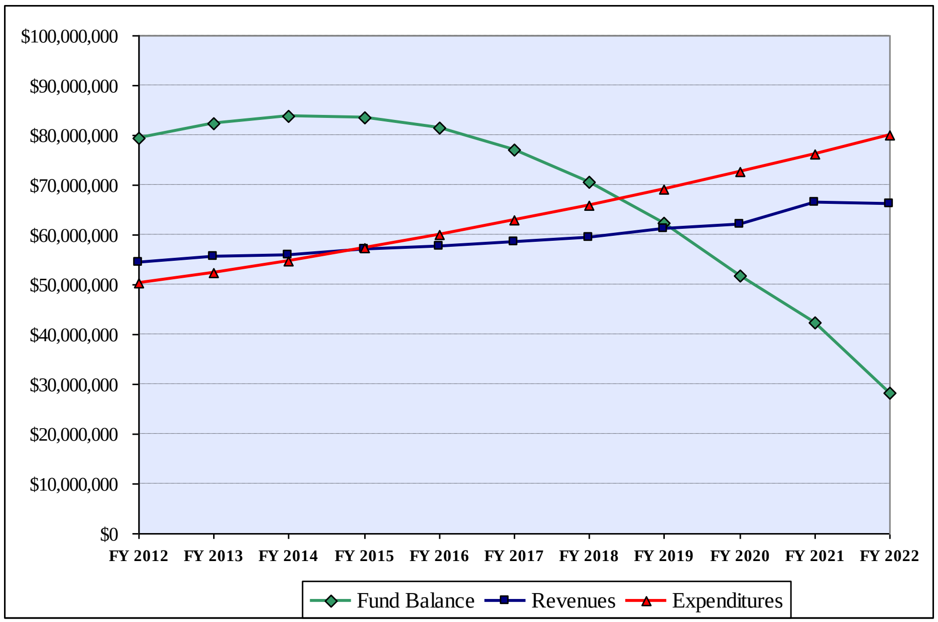
- The District should always pursue and maintain high school educational outcomes while seeking cost-savings initiatives.
- The District should have a long-term, strategic approach to cost containment and take advantage of opportunities that arise through retirement and attrition.
- The District should set a target rate of growth in annual increases in expenditures that more closely reflects its rate of growth in revenues.
- The ALT does not intend for this target rate of growth in expenditures to imply what the District's policy should be with regard to faculty and staff salary increases. In fact, the goal of maintaining and building excellence in staff is a separate, yet tightly connected and vitally important consideration. Managing overall expense growth may provide the District with greater degrees of freedom in future contractual discussions.
- The ALT does not intend for this target rate of growth in expenditures to imply that the Board will not recommend a future tax referendum as a matter of community priority. Again, this is an important but entirely separate consideration.

Fiscal Realities

- Enrollment is projected to increase significantly over the next decade.
- The District is dependent on local sources of revenue for more than 92.8% of the total budget, primarily property taxes. This source of revenue is capped at the greater of CPI-U or 5%, whichever is lower. The December 31, 2011 CPI-U was 3%.
- Increases in the cost of education do not mirror CPI increases and therefore a structural imbalance exists.
- Property taxes are received in two payments per year, and the District must maintain cash reserves for operating costs between payments.
- Property tax revenue does not increase with increased enrollment.
- The majority of expenditures are related to salaries and benefits, which comprise 82.4% of the Education Fund budget.
- The design of public education funding in the state of Illinois requires districts to periodically seek referendum increases.

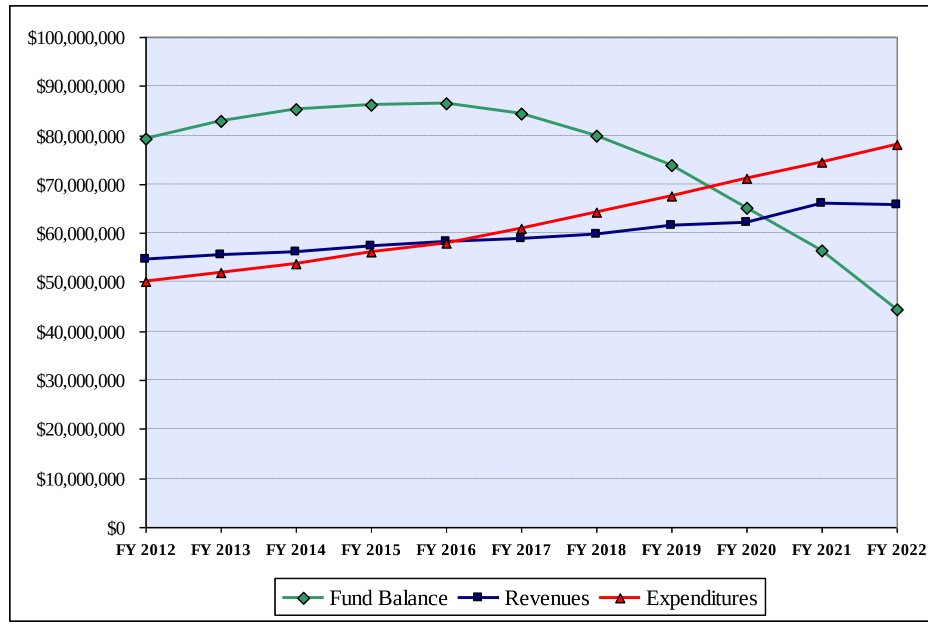
Impact of Adopting Proposed Recommendations

Fall 2011 Projection Model



2020 Reserve balance $29M

January 2012 Proposed Projection Model



2020 Reserve balance $45M

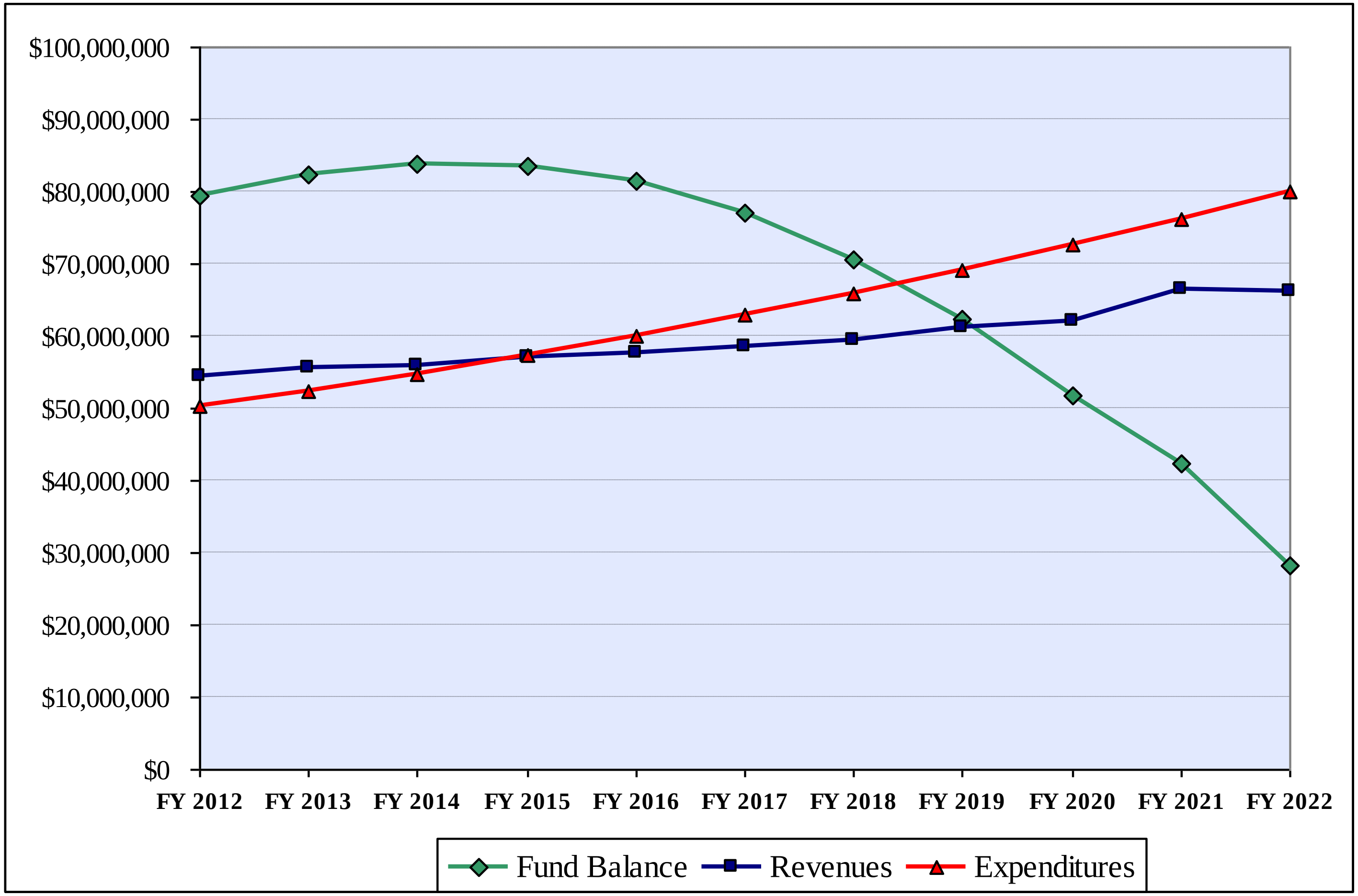
Targeted Annual Savings

	Targeted Savings		
Fiscal Year	Annual Percentage	Incremental Annual Savings	Cummulative Saving
2013	1.00%	(594,885)	(594,885)
2014	0.75%	(1,070,945)	(1,665,829)
2015	0.50%	(1,412,791)	(3,078,620)
2016	0.50%	(1,774,861)	(4,853,481)
2017	0.50%	(2,155,193)	(7,008,674)
2018	0.50%	(2,553,067)	(9,561,742)
2019	0.50%	(2,971,445)	(12,533,187)
2020	0.50%	(3,410,401)	(15,943,587)
2021	0.50%	(3,870,316)	(19,813,904)
2022	0.50%	(4,351,745)	(24,165,649)

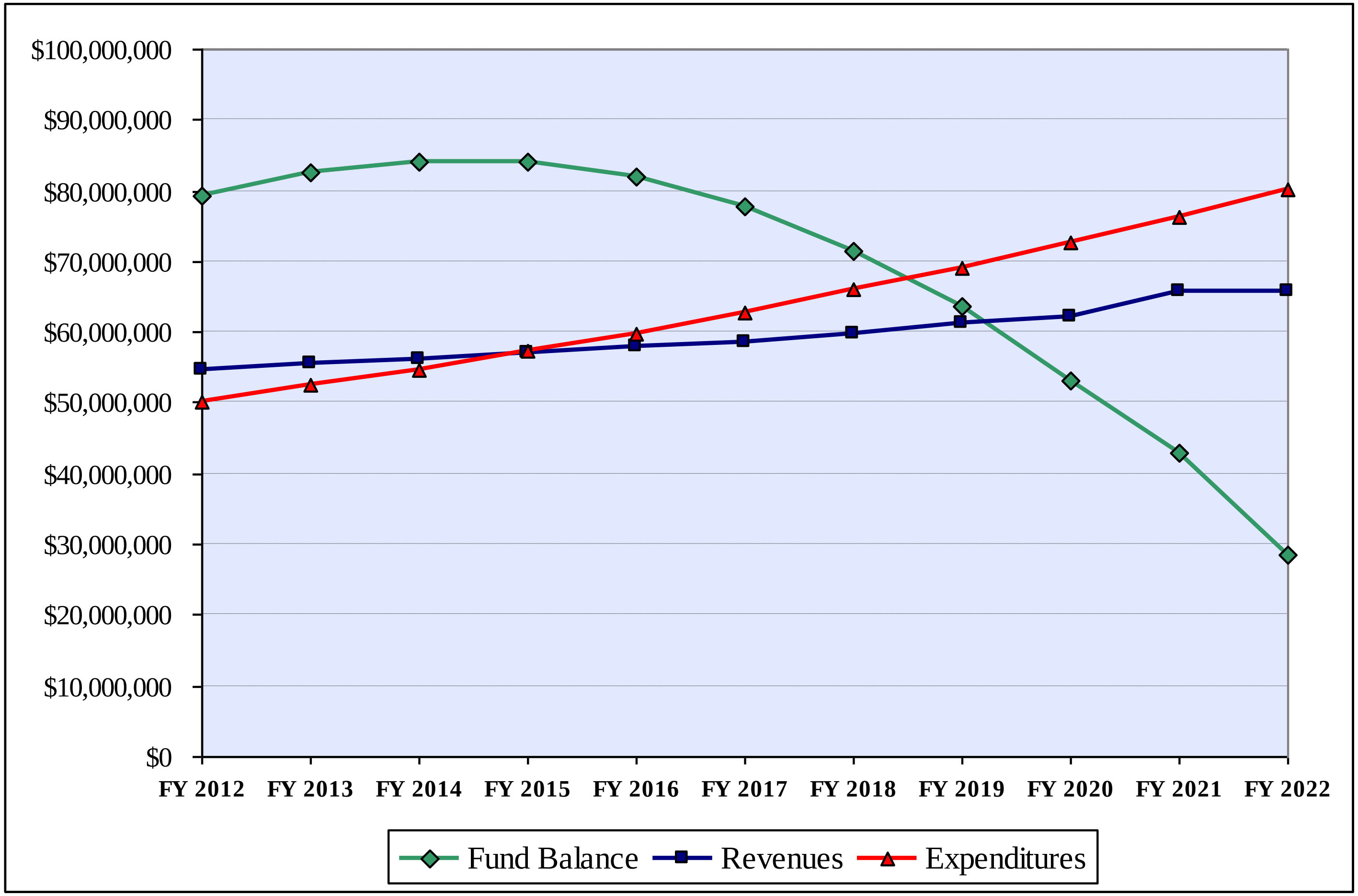
Critical Variables

- Enrollment
- Staffing
- Health care trends
- Pension reform
- Softer landing

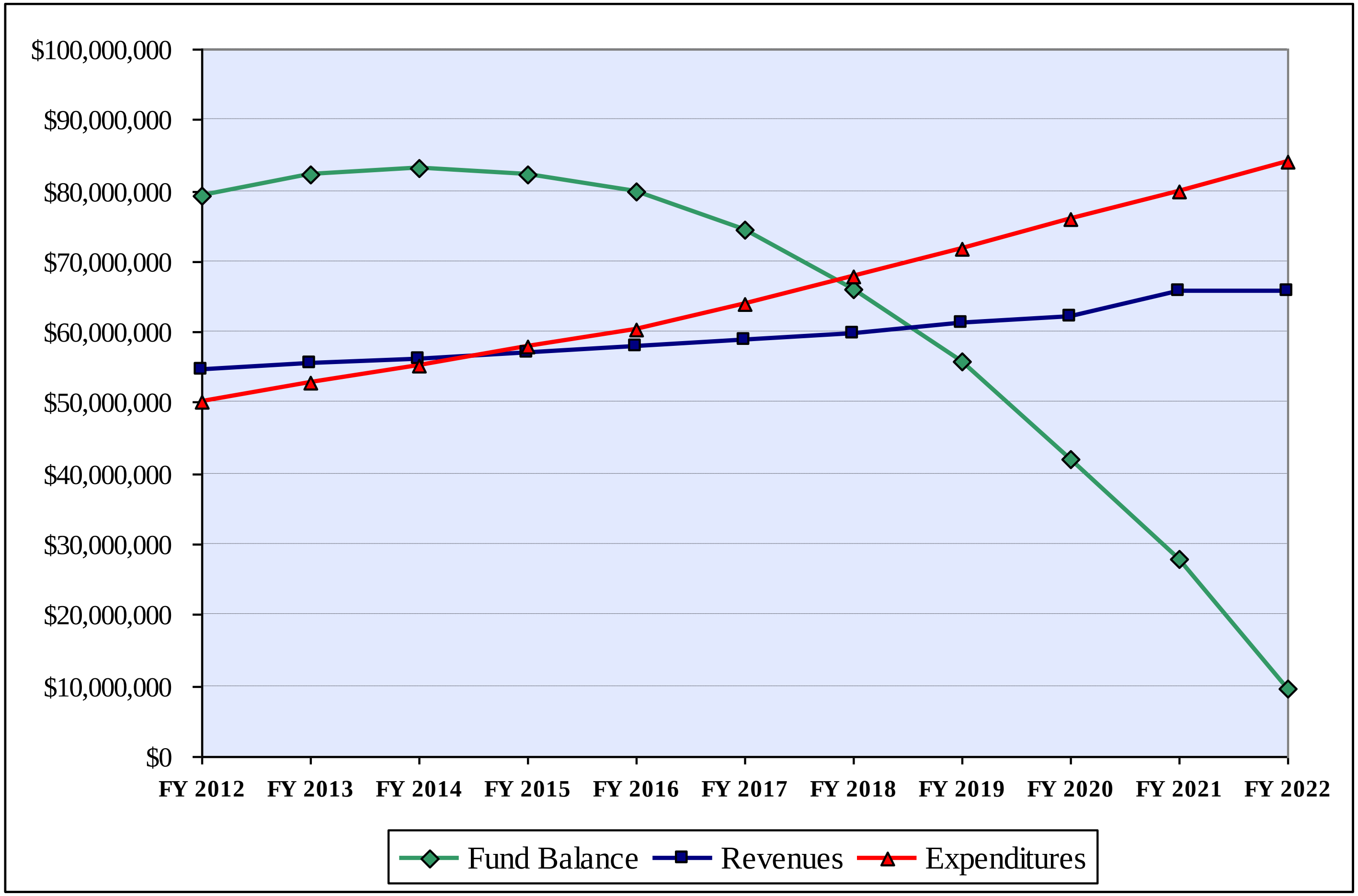
Fall 2011 Long-Range Projection Model—Original



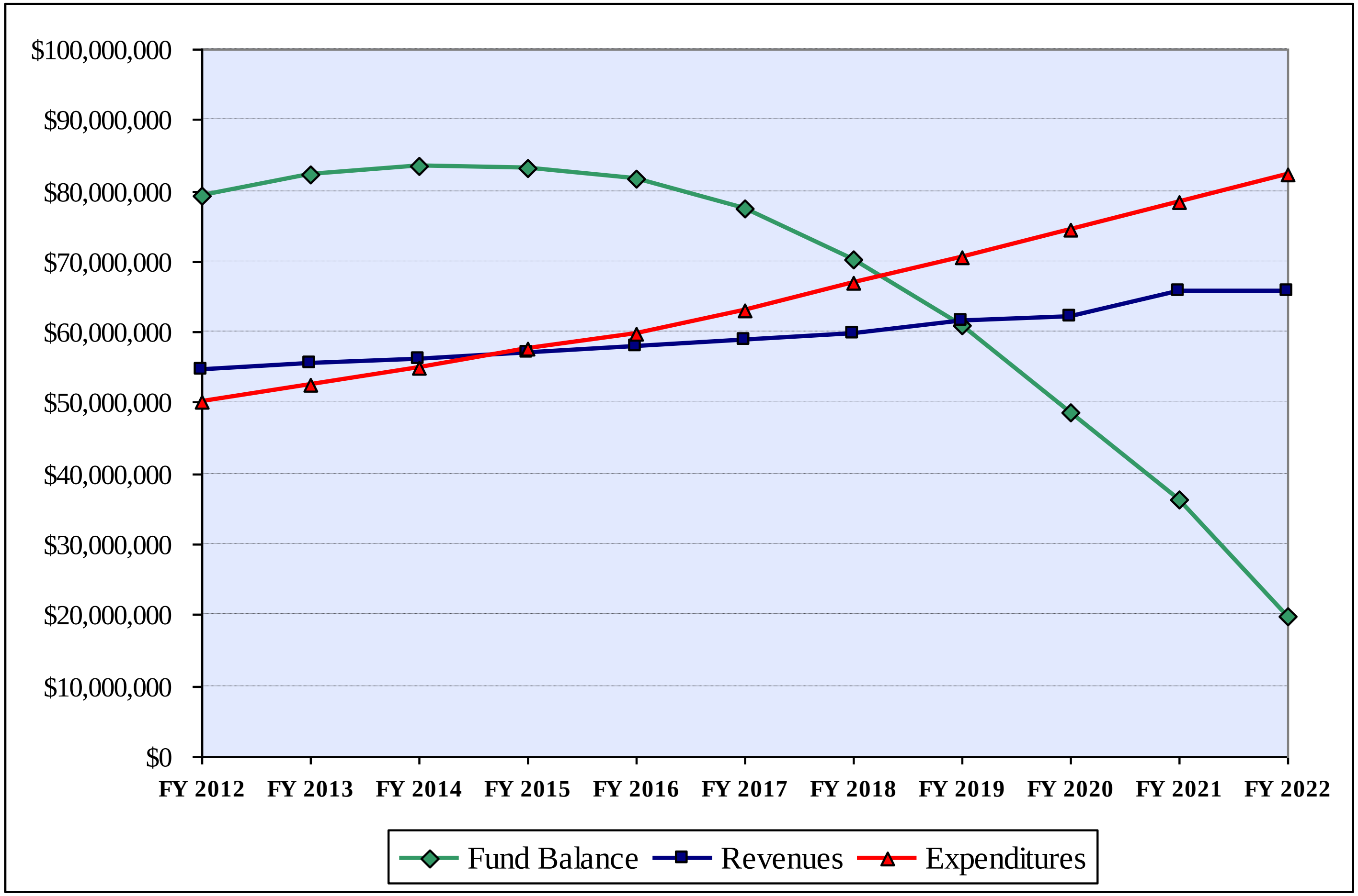
Original with Tax Levy



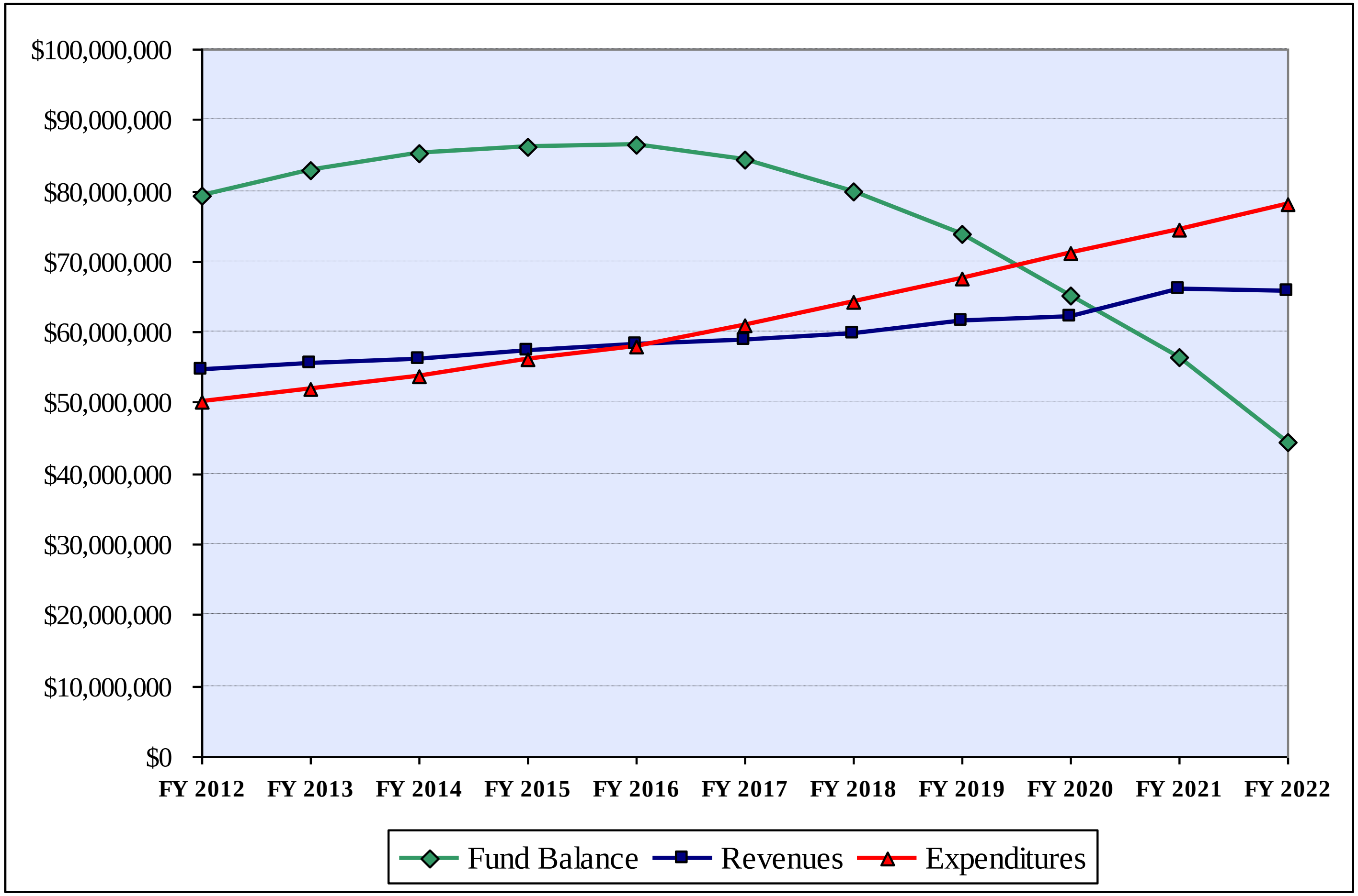
Original with Tax Levy and Enrollments



Original with Tax Levy, Enrollments, and Health Care



Original with Tax Levy, Enrollments, Health Care, and Annual Savings



January 2012 ALT Recommendations

- Incorporate the revised projection model with the new assumptions into the FY2013 budget.
- Continue to establish and support task forces (inclusive of strategic planning team) necessary to investigate cost-savings alternatives. The longer the District waits to implement the savings targets, the more difficult it will be to achieve success.
- The ALT will meet annually to review progress and to propose updates to the model, focusing heavily on the savings targets.

First-Year Results

- All of the proposed assumptions were incorporated into the FY 2013 budget.
- The District continued to support cost-containment task forces.
- The District began strategic planning.
- The FY 2013 budget met the spending parameters proposed by the ALT.

FY 2013 Budget Highlights

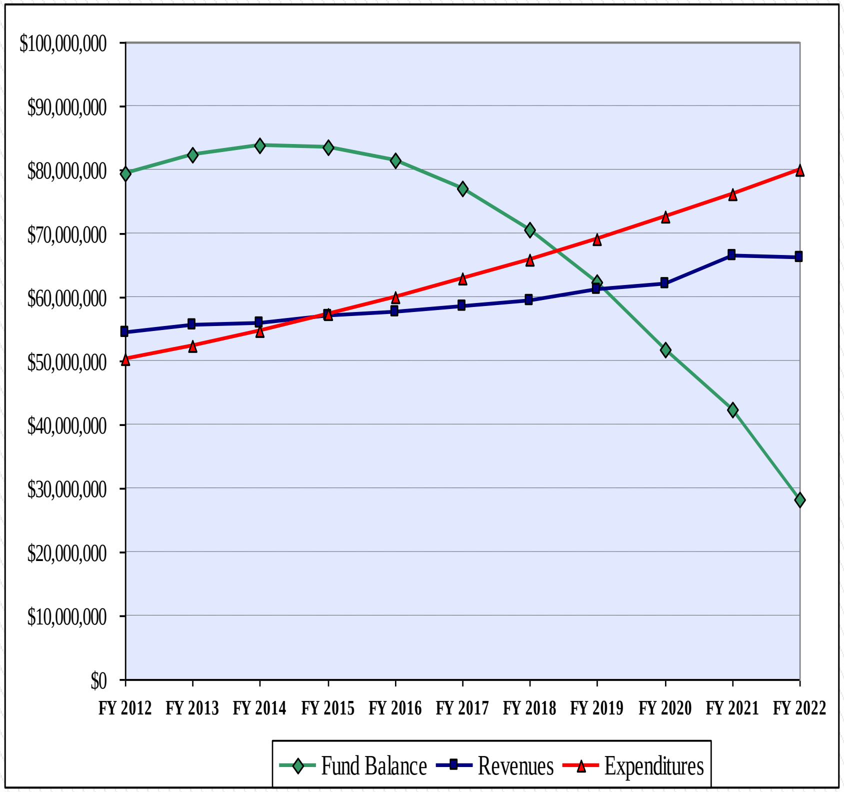
Savings

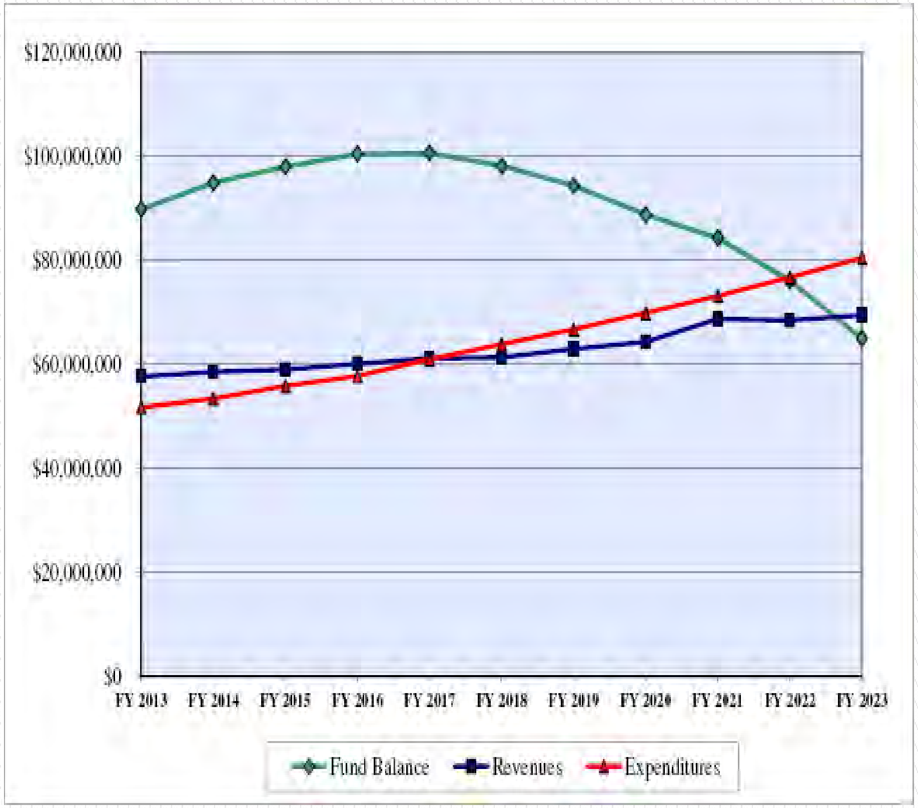
- Faculty two-year contract: First year hard freeze and second year soft freeze
- Health insurance renewal: 3.2%
- Cost savings implemented: $220,000

Investments

- Technology infusion
- Tutoring Center
- Modified Closed Campus
- In-School Credit Recovery
- SEAL
- Strategic planning
- Reading program

Sept. 2011 vs. Sept. 2012 Projection Model





Fall 2011 Projection Model

Fall 2012 Projection Model

Next Steps

- The ALT has been meeting this fall to discuss FY 2014 budget parameters.
- The District Leadership Team attended three all-day retreats to discuss the FY 2014 budget.
- The District working groups will meet this fall to discuss cost-savings ideas.