Reasons for Preparing a Financial Forecast

- Provide the financial information necessary for organizational planning
- Align future spending with organizational goals and objectives
- “Run the District like a Business”
- Be proactive rather than reactive – improve credibility
- Prepare for a significant financial event – i.e. referendum, collective bargaining
- Required by ISBE Deficit Reduction Plan – PA 94-0234,
- Keep stakeholders informed
How do you Forecast Accurately?

- Focus on the variables that are key to your district
- Break it down into logical pieces by focusing on the big numbers – both on the revenue and expense sides.
- Use the most reliable sources for data
- Be conservative, but not too conservative
Elements of a Financial Forecast
Past – Present – Future

- **Historical Data**
  - Audited Revenues, Expenditures and Fund Balances (AFRs)
  - Enrollment
  - EAV, New Property EAV, Tax Rates, and Collection rates
  - Other Trends –capital spending, staffing, class-sizes, etc.

- **Current**
  - Budget – *the single most important piece*
  - Enrollment
  - Staffing Levels
  - EAV & New Property, Tax Rates
  - Economic Indicators
Elements of a Financial Forecast
Past – Present – Future

Future

- Assumptions
  - Trends
    - EAV & New Property Growth
    - Enrollment
  - Consumer Price Index
  - State Funding
    - Evidence-Based Funding
    - Categoricals (Other State Funds)
  - Salary Agreements
  - Employee Benefit Costs
  - Capital Outlay / Life Safety Survey (Building Needs)
Revenue by Source – 2019 Budget
All Funds

Revenue by Source

- Property Taxes: 80%
- Other Local Sources: 11%
- Evidence-Based Funding: 3%
- Other State Sources: 2%
- Federal Sources: 4%
Revenue Projections
Property Taxes

- Tax Capped – Key Variables:
  - Prior Year Extension
  - EAV trends
  - New Property EAV (incl. TIF expirations)
  - CPI
  - Levy Strategy
Revenue Projections
Evidence Based Funding

- Base Funding Minimum
- EBF Tier
- Additional money to the formula in ISBE Budget
- Property Tax Reduction Grant
Revenue Projections
Other State and Federal Aid

- Know your trends in the factors that impact grants:
  - Special Ed enrollment (Private-Facility)
  - Transportation expenditures (Transportation)
- Estimate proration levels and anticipated funding changes
Expenditures by Object – 2019 Budget
All Funds

Expenditures by Object

- Salaries: 57%
- Employee Benefits: 8%
- Purchased Services: 9%
- Supplies & Materials: 14%
- Capital Outlay: 7%
- Other Objects: 0%
- Termination Benefits: 5%
Expenditure Projections

Personnel Costs

- Break salaries into bargaining units
- Factor-in future salaries that are known from current, multi-year contracts
- Build scattergrams to project teachers and other groups with Lane/Step salary schedules
  - Incorporate expected staffing changes
    - Enrollment fluctuations
    - Program changes
  - Incorporate retirement costs/savings if significant
- Be as proactive as possible with benefit programs to control costs
Expenditure Projections
Non-Personnel Costs

- Contractual Services – Analyze big pieces:
  - Food Service contract
  - Custodial contract
  - Transportation contract
  - SPED professionals – Co-Op billings or individual Psych, Social Work, Speech Therapy costs

- Supplies – Usually a small piece relative to personnel
  - Look at utility trends
  - Textbook adoption schedules
Expenditure Projections
Non-Personnel Costs

- Capital Outlay
  - Utilize multi-year replacement plans
    - Technology
    - Equipment
    - Vehicles
  - Incorporate future facility needs
    - Life Safety Survey
- Tuition – Project on the high side
- Factor in multiyear agreements – Leases, other debt payments from Operating Funds, etc.
What Else to Consider:

- District Fiscal Policies
  - Cash Balance Requirements
  - Fund Balance Requirements
  - Expenditure Limits
  - Balanced Budget Requirements
- Audit Review Process
- Community Groups
- Bond Credit Ratings
What Else to Consider:

- Timing – When do we Update? Present?
  - Audit
  - Budget
  - Levy
  - Key variable dates
    - CPI
    - EBF Funding
Tips, Tricks and Traps

- Long range financial projections are just that – projections
- Projections are dynamic and are subject to constant change
- Results are fully dependent upon:
  - Quality of data entered into the projection
  - Assumptions coming to fruition
  - Understanding of changes outside the control of the District
  - Ability to control things within the District’s control – internal controls over hiring and spending