

REVISED

Board of Education
Community Consolidated School District 64

Committee-of-the-Whole: Finance


Monday, February 10, 2014
7:00 p.m.

Field School – North Gym
707 Wisner Avenue
Park Ridge, IL 60068

AGENDA

1. CALL TO ORDER AND ROLL CALL
2. ANNUAL FINANCIAL PROJECTIONS UPDATE
3. PUBLIC COMMENTS
4. ADJOURNMENT

To: Board of Education
Philip Bender, Superintendent

From: Rebecca Allard, Business Manager 

Date: February 10, 2014

Subject: Financial Projections

The 2014 financial projections have been developed using a model developed and supported by PMA Financial Network, Inc. PMA is the entity that manages the Illinois School District Liquid Asset Fund (ISDLAF) on behalf of School Board Association. The PMA model is used by many local districts. A sampling of those districts includes Maine 207, East Maine 63 and Skokie 68. The attached report, prepared by PMA, is for Board review in preparation for the February 10, 2014, Committee of the Whole (COW) meeting and projects the financial health of District 64 through 2021.

More than ever the creditability of a schools financial condition is subject to public scrutiny. The current economic times demand that a school district analyze future spending plans under various assumptions to determine if spending patterns need to be altered in the short-term to support the stability of the District's financial future.

The assumptions built into the financial projections were developed based on previous Board discussions and the CPI-U factor that will be used in 2014 and future tax extensions. While the decrease in the December 2013 CPI-U is one-half percent lower than used in the prior year projections, the Board should remember financial projections are a snapshot of a date in time and will change, up and down, as economic conditions change.

The PMA model will provide the District with a level of comfort only if the assumptions used to develop the base case are realistic from the perspective of the Board of Education. There is flexibility built into the model so the District can build additional cases, as it deems necessary.

On Monday, February 10, during the COW, both District staff and a representative from PMA and will provide an overview of the assumptions built into the financial projections. The discussion with the Board will also include how we can change the path of District 64 spending to ensure that D64 maintains the current Board's commitment to extend the referendum commitment to the 2020-21 school year.



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Park Ridge CCSD 64

PMA Financial Planning Program
Presented by
Howard Crouse, Vice President
PMA Financial Network, Inc.
February 10, 2014

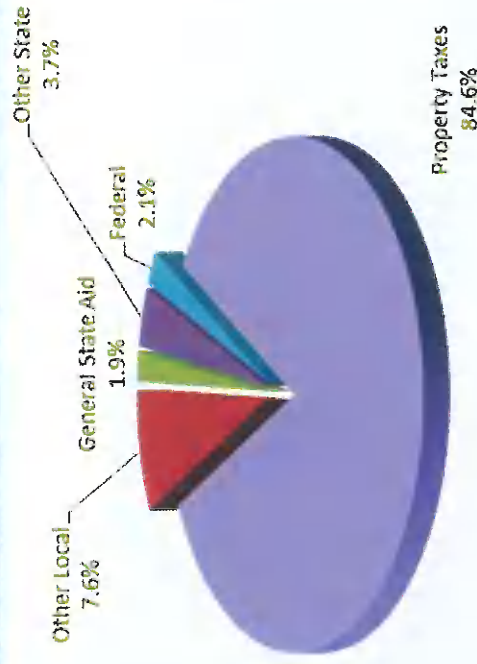
Financial Planning Program

Data Elements

- Five Years of Audited Annual Financial Reports
- FY2014 Budget
- Tax Levy / Extensions / Tax Rates/Distributions
- Equalized Assessed Valuation
- Enrollment
- Staffing Ratios
- Compensation and Benefits Provided
- District Assumptions

FY 2014 Budget Revenue by Source – Operating Funds (\$70,984,559)

REVENUE BY SOURCE DETAIL - FY 2014



Key Revenue Assumptions

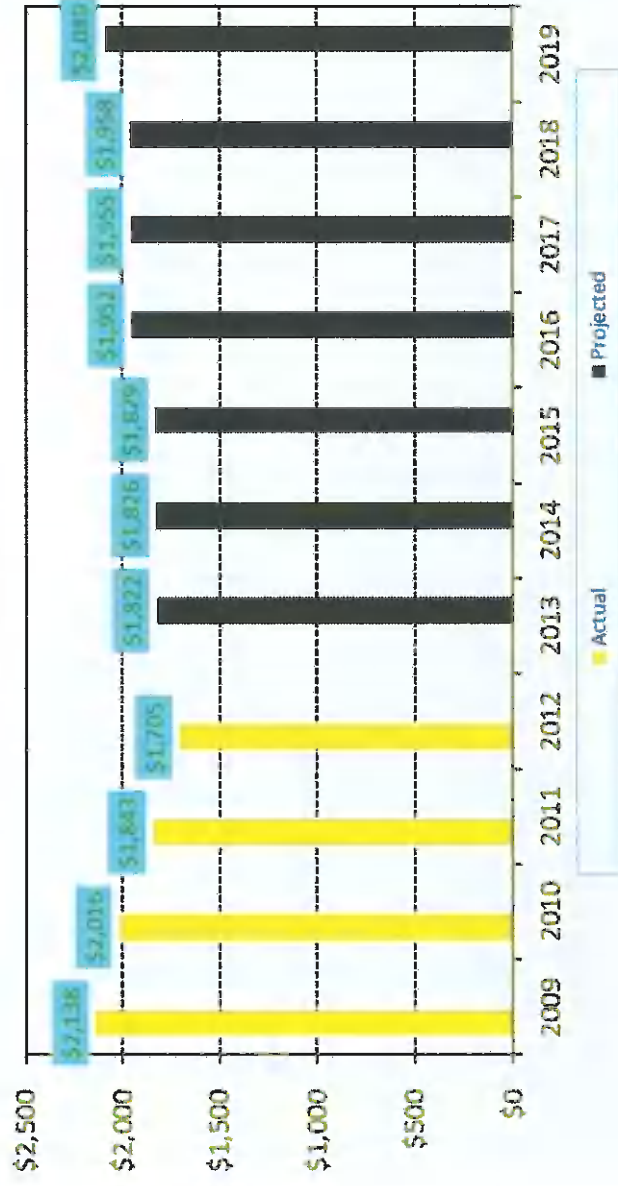
- Local Revenue
 - Levies 2013 – 2019
 - 1.7% CPI for Levy Year 2013, 1.5% for Levy Year 2014; CPI will average 1.9% between LY2015 and LY2019
 - Each .1% CPI increases or decreases operating fund tax revenues by approximately \$60,000
 - Existing EAV projected to increase 6.6% this year, then be flat for two years, repeating the cycle in LY2016 and LY2019
 - This change only impacts the tax rate, not the revenue from existing EAV
 - New property estimates: \$3.3 million this year, then \$4.3 million in LY2014; in subsequent years, the assumption is \$3.3 million per year
 - Each \$1 million of new construction generates approximately \$32,000 for the operating funds

Key Revenue Assumptions

- State Revenue
 - General State Aid
 - The District is in the Alternate Formula for General State Aid
 - Foundation level projected to stay flat, but prorated at 89% each year
 - Each 1% proration equates to approximately \$15,000
 - GSA stays relatively flat under these assumptions
- Federal Revenue:
 - No increases projected

Equalized Assessed Valuation

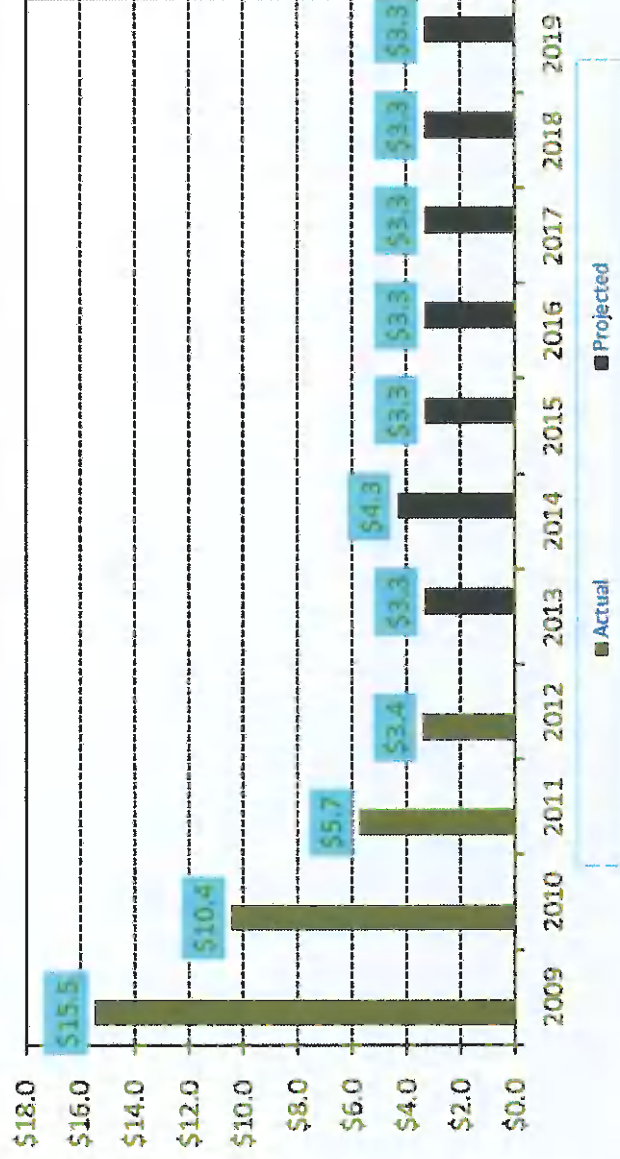
Total EAV Analysis (In Millions)



Source: District Projections

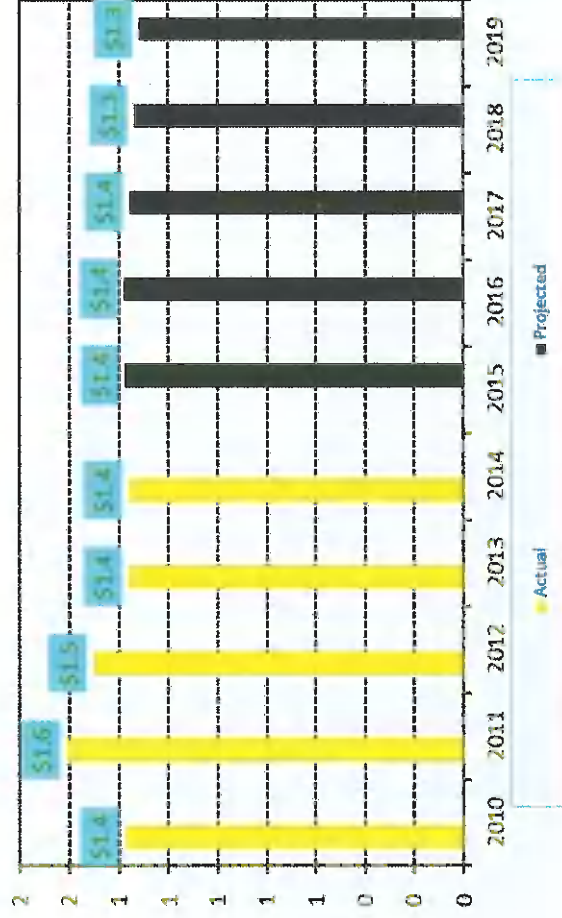
New Growth

New EAV Growth (In Millions)



State Revenue: General State Aid

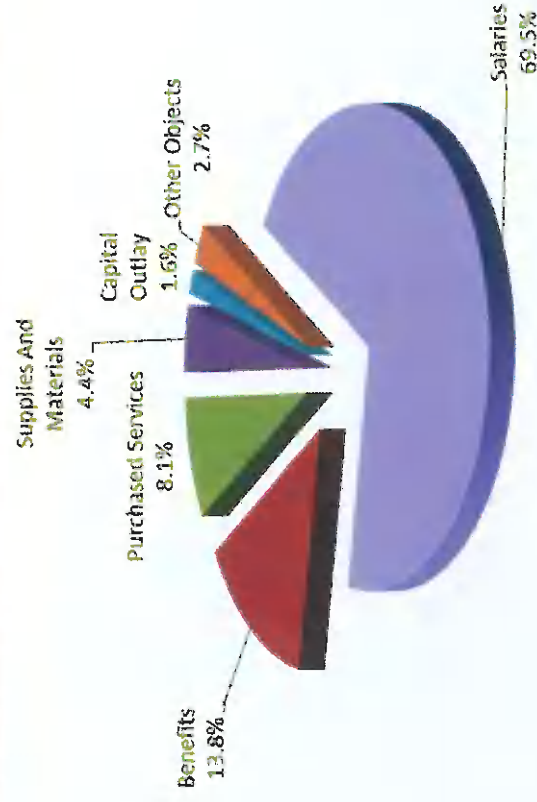
General State Aid Revenue (in Millions)



FY14 Budget

Expenditures by Object – Operating Funds (\$67,932,089)

FY 2014 EXPENDITURES BY OBJECT



Operating Funds – Education, Operations & Maintenance, Transportation, Illinois Municipal Retirement, Working Cash and Tort Funds

Data & Assumptions provided by District

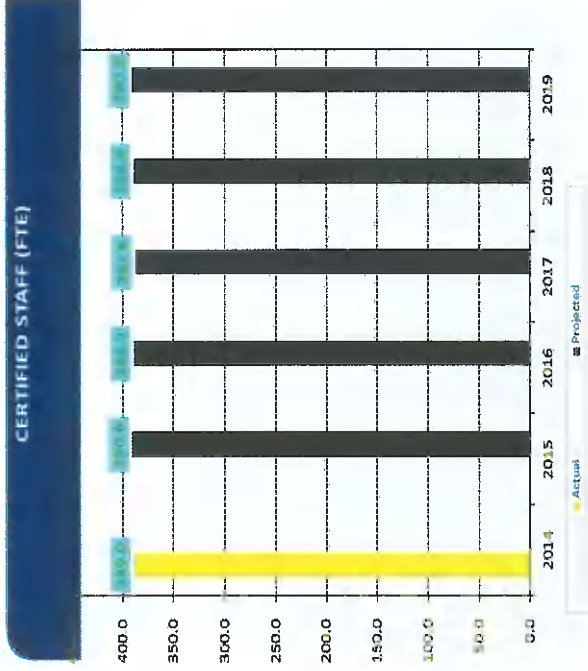
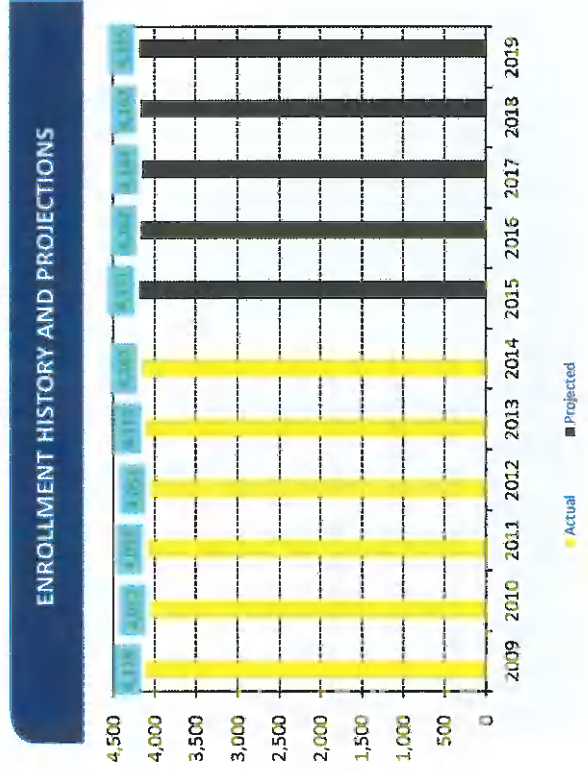
Key Expenditure Assumptions

- Education Fund Purchased Services, Supplies & Materials, Capital Outlay, Tuition
 - Increases reflect Consumer Price Index increases
 - Tuition increases are 3.5% annually
- Operations and Maintenance
 - In the base model, O&M Fund Capital Outlay for facilities maintenance is increased to \$1 million annually beginning in FY15
 - In the other two scenarios presented, that O&M Fund Capital Outlay remains at \$500,000 annually
- Transportation Fund
 - The cost of the transportation contract is expected to increase significantly next year, then increase at CPI

Key Expenditure Assumptions

- Salaries
 - Teachers
 - Current contract through FY2016
 - Future years to be negotiated
- Health Benefits
 - FY15-19 7% annual increases for health insurance, 3% for dental insurance

Enrollment and Staffing Are Stable



Base Model Aggregate Projections

(Operating Funds include Educational, O&M, Transportation, IMRF, Working Cash and Tort Funds)

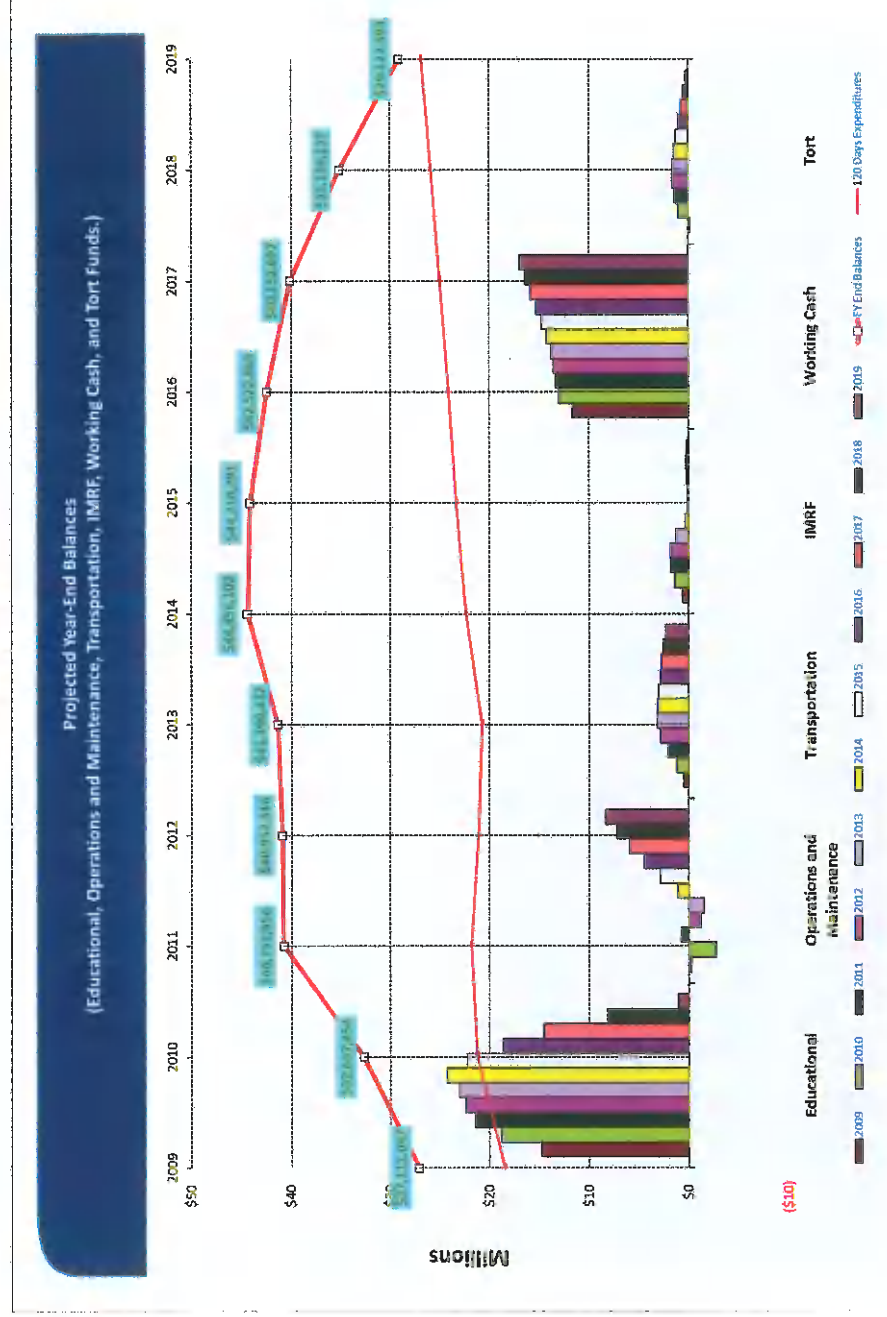
Aggregate - Projection Summary

BUDGET		REVENUE / EXPENDITURE PROJECTIONS									
		FY 2014	FY 2015	% chg	FY 2016	% chg	FY 2017	% chg	FY 2018	% chg	FY 2019
REVENUE											
Local	\$65,469,494	\$65,151,554	-0.49%	\$66,097,849	1.45%	\$68,029,713	2.97%	\$68,210,199	0.27%	\$70,095,830	2.76%
State	\$3,990,232	\$4,016,685	0.66%	\$4,079,142	1.55%	\$4,070,203	-0.22%	\$4,062,930	0.18%	\$4,057,258	-0.14%
Federal	\$1,524,833	\$1,524,833	0.00%	\$1,524,833	0.00%	\$1,524,833	0.00%	\$1,524,833	0.00%	\$1,524,833	0.00%
Other	\$0	\$0		\$0		\$0		\$0		\$0	
TOTAL REVENUE	\$70,984,559	\$70,693,072	-0.41%	\$71,701,824	1.43%	\$73,624,750	2.68%	\$73,797,962	0.24%	\$75,677,921	2.55%
EXPENDITURES											
Salary and Benefit Costs	\$56,559,258	\$58,700,585	3.79%	\$60,916,536	3.78%	\$63,263,404	3.85%	\$65,834,424	4.06%	\$68,446,394	3.97%
Other	\$11,372,831	\$12,238,298	7.61%	\$12,472,716	1.97%	\$12,731,512	2.07%	\$12,977,097	1.93%	\$13,248,071	2.09%
TOTAL EXPENDITURES	\$67,932,089	\$70,938,883	4.43%	\$73,389,252	3.45%	\$75,994,916	3.55%	\$78,811,522	3.71%	\$81,694,465	3.66%
SURPLUS / DEFICIT											
	\$3,052,470	(\$245,811)		(\$1,687,428)		(\$2,370,166)		(\$5,013,560)		(\$6,016,544)	
OTHER FINANCING SOURCES/USES											
Transfer Among Funds (Net)	\$13,200	\$0		\$0		\$0		\$0		\$0	
Sale of Bonds	\$0	\$0		\$0		\$0		\$0		\$0	
Other Financing Sources	\$0	\$0		\$0		\$0		\$0		\$0	
Other Financing Uses	\$0	\$0		\$0		\$0		\$0		\$0	
TOTAL OTHER FIN. SOURCES/USES	\$13,200	\$0		\$0		\$0		\$0		\$0	
SURPLUS / DEFICIT INCL. OTHER FIN. SOURCES											
	\$3,065,670	(\$245,811)		(\$1,687,428)		(\$2,370,166)		(\$5,013,560)		(\$6,016,544)	
BEGINNING FUND BALANCE											
	\$41,390,432	\$44,456,102		\$44,210,291		\$42,522,863		\$40,152,697		\$35,139,137	
PROJECTED YEAR END BALANCE											
	\$44,456,102	\$44,210,291		\$42,522,863		\$40,152,697		\$35,139,137		\$29,122,593	
FUND BALANCE AS % OF EXPENDITURES											
	65.44%	62.32%		57.94%		52.84%		44.59%		35.65%	
FUND BALANCE AS % OF DAYS OF EXPEND.											
	238.86	227.47		211.49		192.85		162.74		130.12	

120 Days Cash on Hand and Extrapolation to FY2021

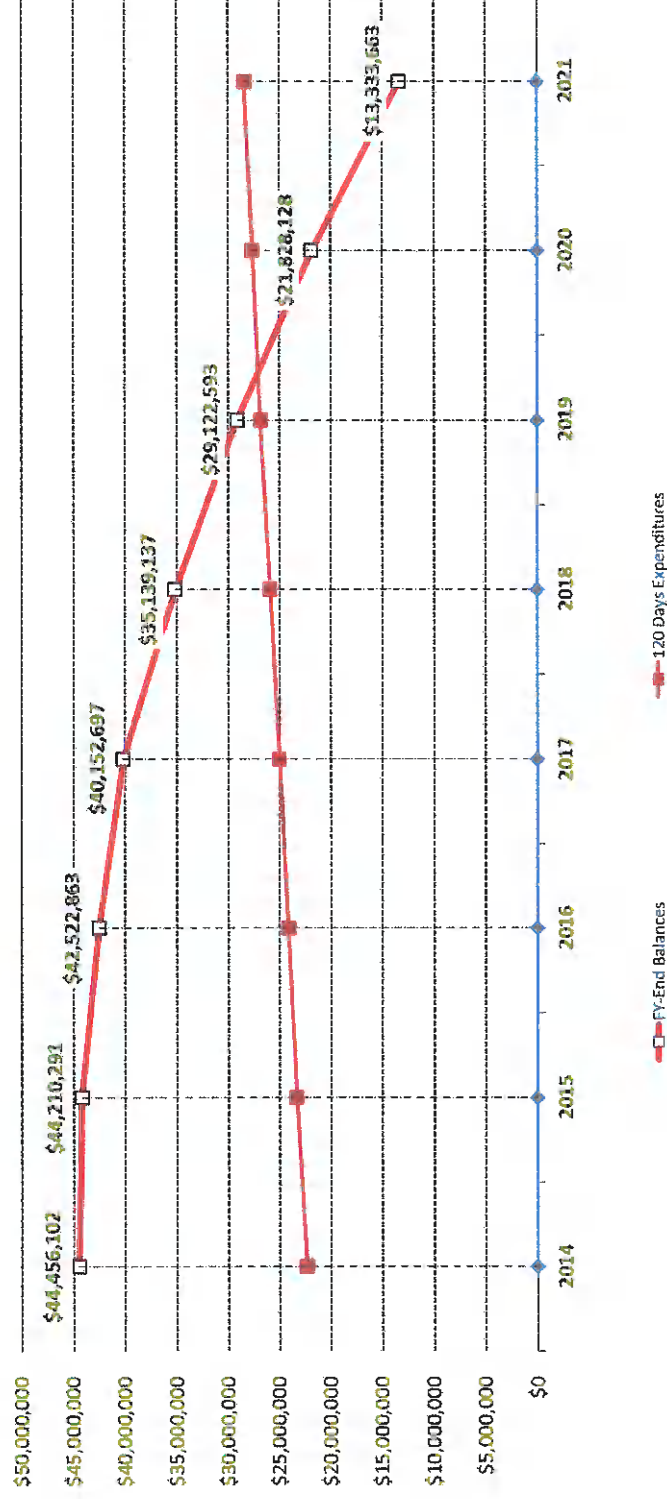
- The District has adopted a Board Policy of having a minimum of 120 days of expenditures in cash on hand (in relation to expenditures) as measured on June 30 of each fiscal year
- The District has stated its goal of maintaining that minimum balance through FY2021

Base Model Eleven Year Summary with 120 Days Cash Metric



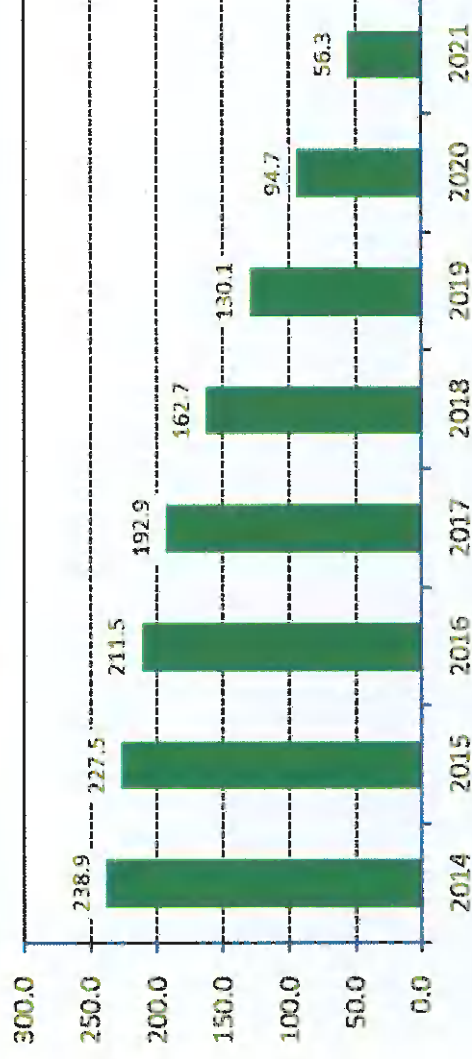
Base Model Future Projection Summary through FY2021

Aggregate View - Projection Summary



Base Model – Days Cash on Hand

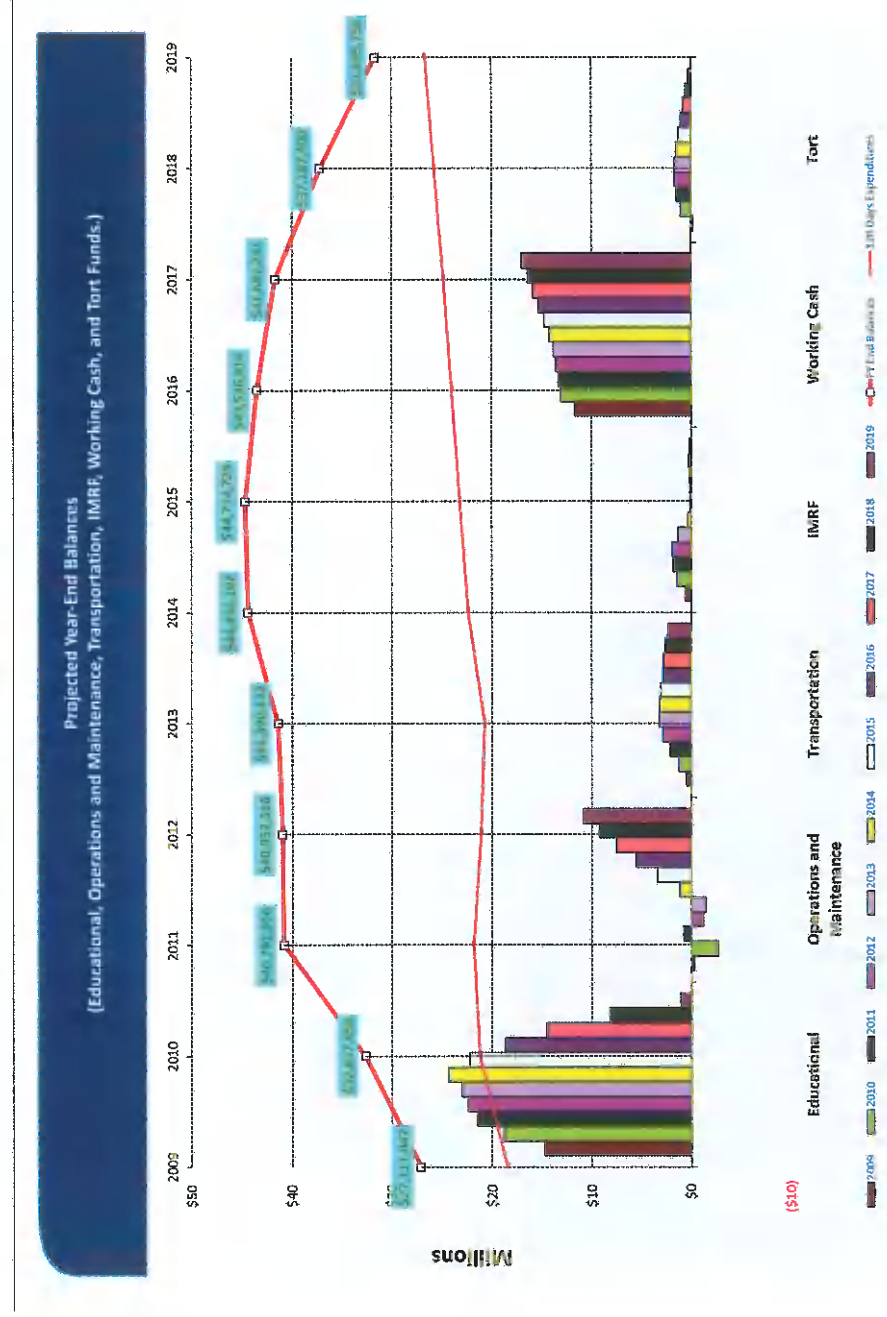
Days Cash on Hand (to Expenditures)



Alternate Scenarios

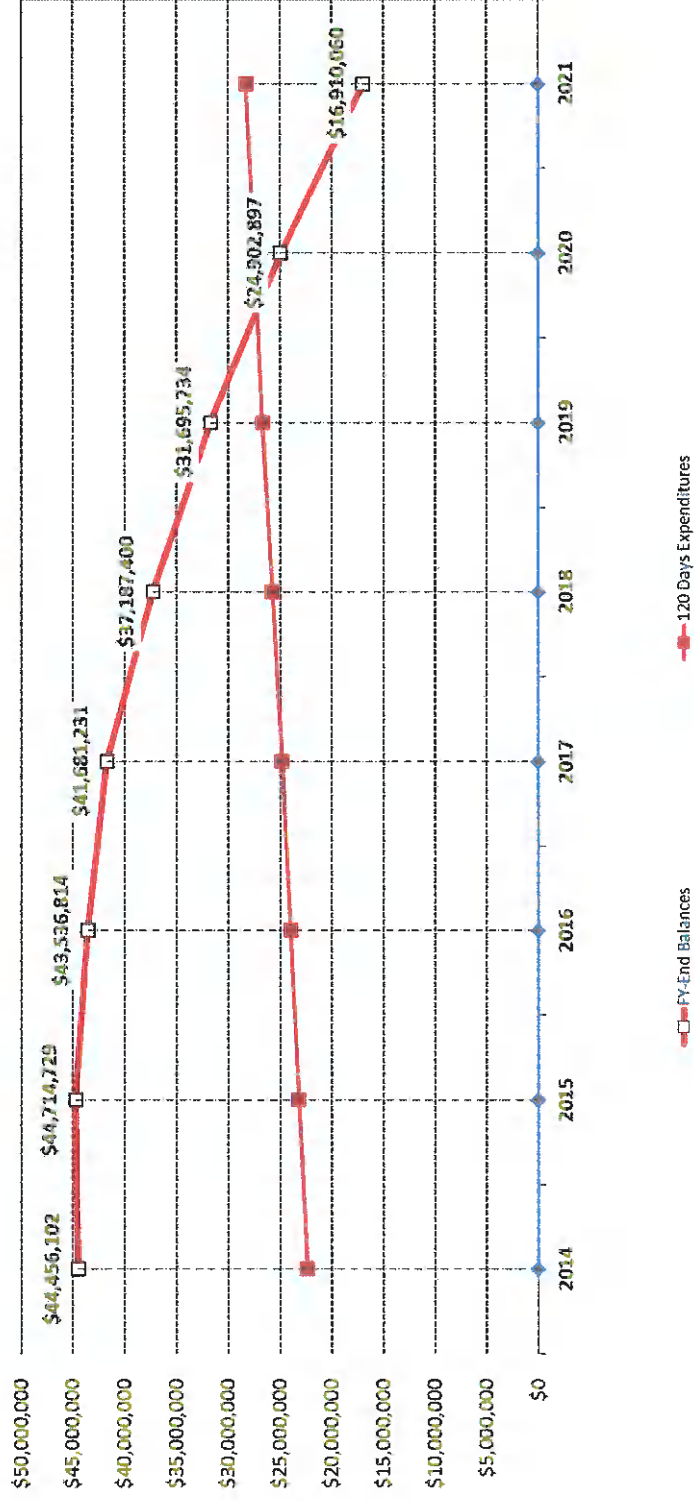
- Scenario 1
 - Maintain O&M Capital Outlay at current \$500,000
 - No other changes

Scenario 1 (Capital Outlay \$500,000) Summary with 120 Days Cash Metric



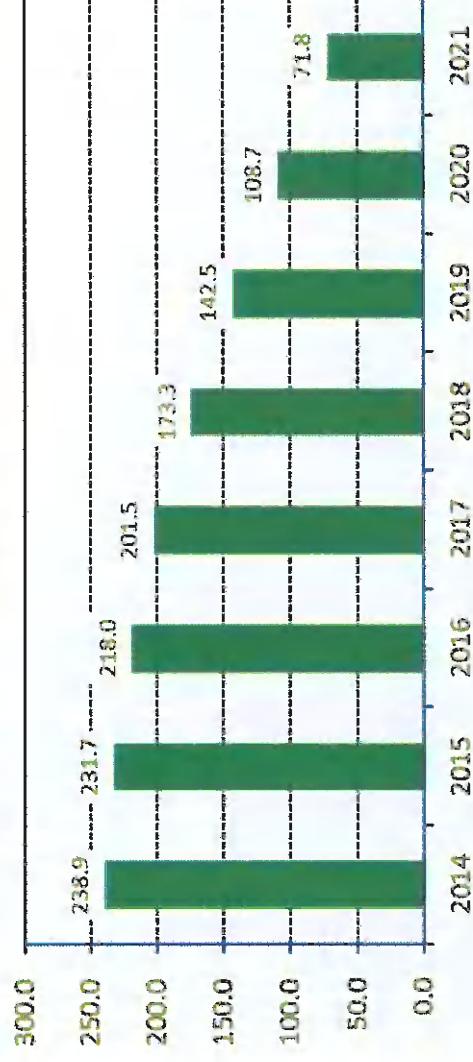
Scenario 1 Future Projection Summary through FY2021

Aggregate View - Projection Summary



Scenario 1 - Days Cash on Hand

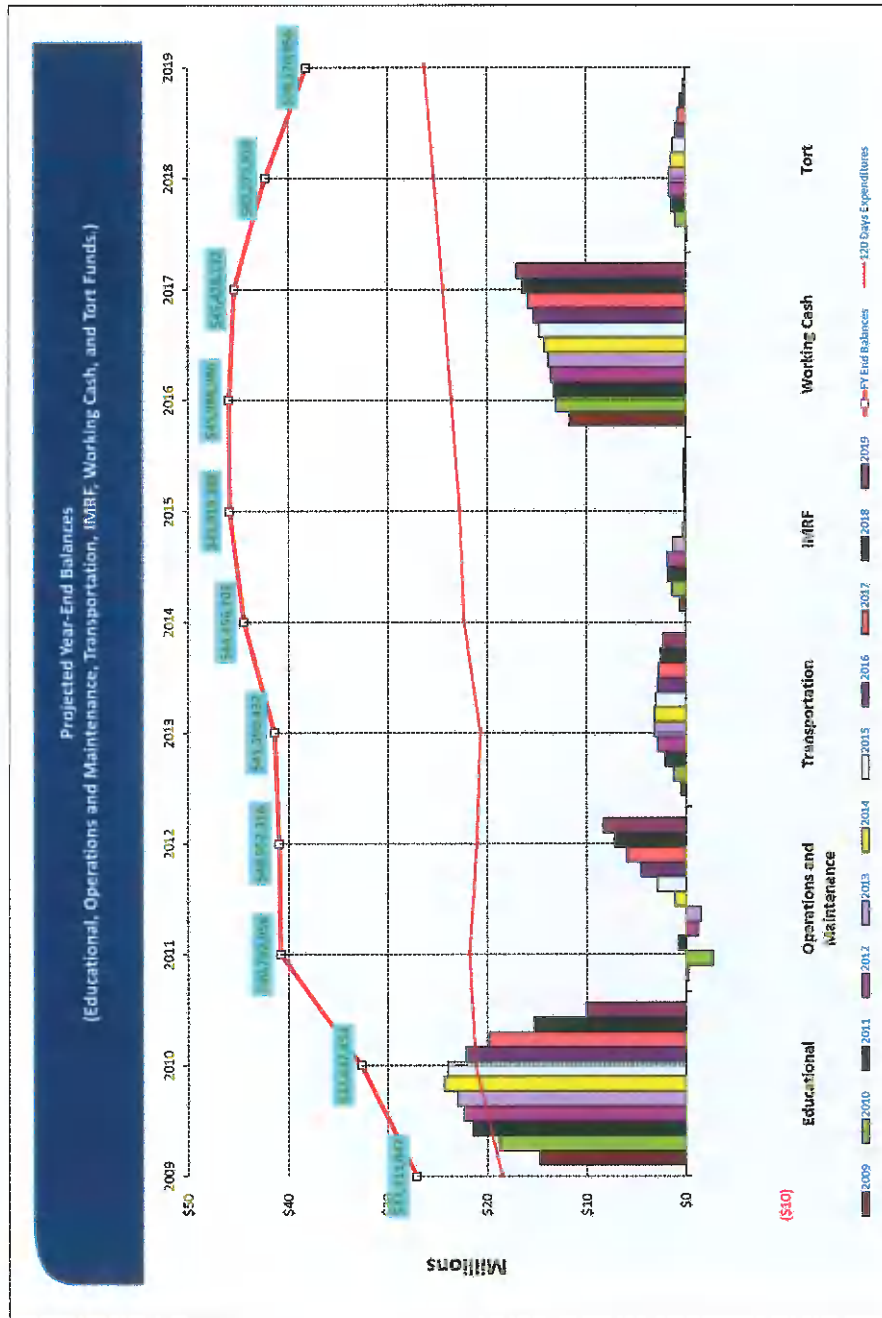
Days Cash on Hand (to Expenditures)



Scenario 2: What Does It Take to Meet Both Goals

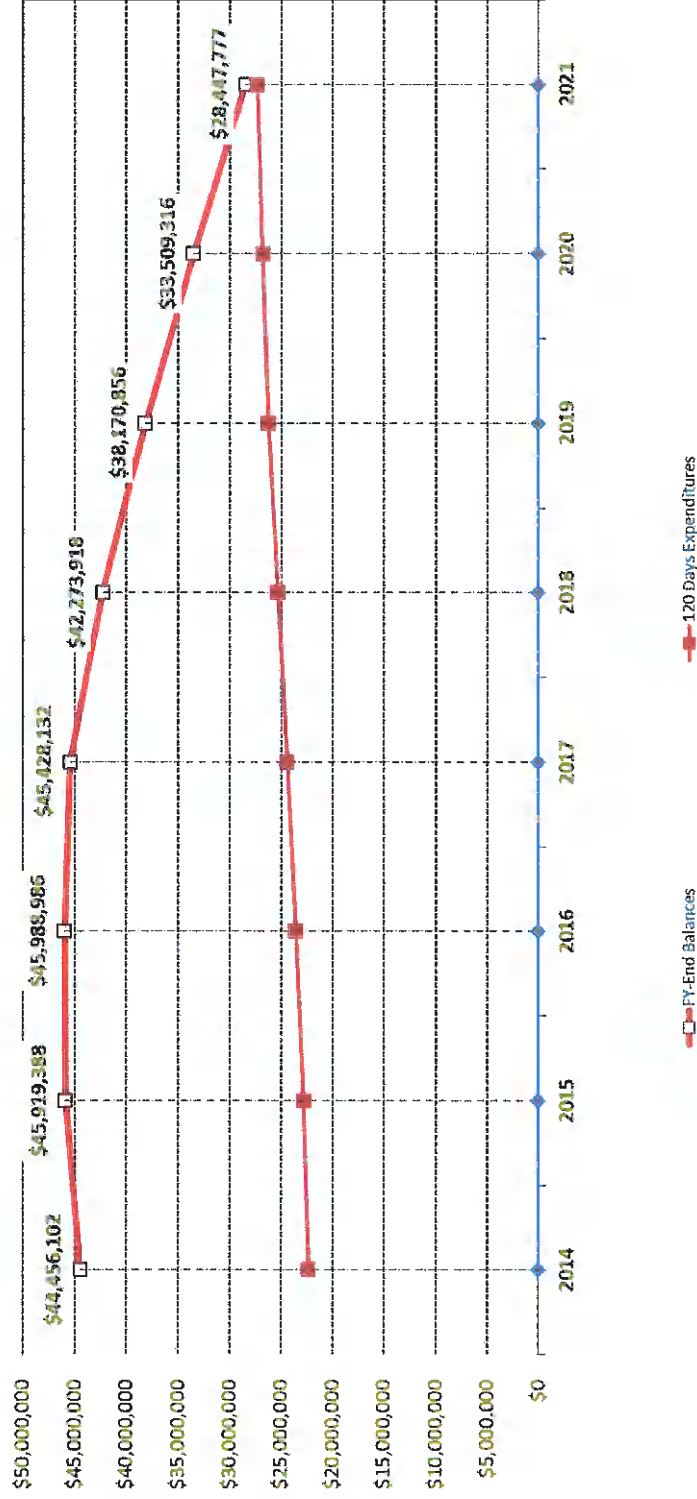
- Maintain O&M Capital Outlay at \$500,000
- Reduce FY15 expenditures by \$1.2 million, and maintain that reduction

Scenario 2



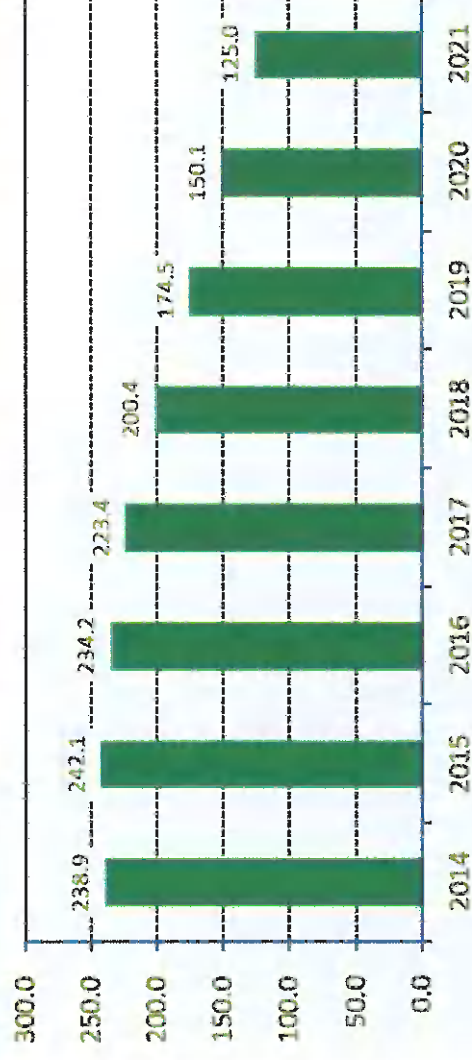
Scenario 2

Aggregate View - Projection Summary



Scenario 2 – Days Cash on Hand

Days Cash on Hand (to Expenditures)



Pension Reform

- Pension reform now in the courts
 - Cost shift from State to local school districts is NOT currently part of that reform
 - Could resurface, particularly if any part of the pension reform legislation is found unconstitutional
 - Not included in current projections
 - Smallest shift discussed was .5% per year increase (from .58% to 1.08% to 1.58%, up to some undetermined percent around 8%)
 - Largest shift is 1% per year increase

PMA Financial Planning Program | Park Ridge CCSD 64 February 10, 2014



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