

# FINANCIAL PROJECTIONS

Board of Education Meeting  
February 14, 2011

Park Ridge-Niles  
School District

64

164 South Prospect Avenue Park Ridge, IL 60068



# FINANCIAL PROJECTIONS ARE

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- ✕ *Both an art & a science*
  - ✕ *An essential element of planning; and*
  - ✕ *They anticipate future financial performance*
- + *No one can predict the future*

# AGENDA

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- ✖ Background Information
- ✖ Current Base Case
- ✖ Strategic Staffing Case
- ✖ Stagnation Case
- ✖ Rapid Recovery Case
- ✖ Conclusion
- ✖ Board Discussion

# BACKGROUND

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# STRATPLAN BACKGROUND

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- + Financial Forecasting Model designed & developed by Lawrence Heidemann in the mid 90's
  - × Independent analysis
  - × Provides an *analytical focus* rather than just presenting numbers
  - × Highlights strategic issues, problems and opportunities
  - × Allows for a strategic view of the District's financial future
  - × Allows for optimization of a long term strategy

# BACKGROUND

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## ✕ Why Financial Projections?

- + Public scrutiny of financial position

- + Current economic conditions demand

- ✕ Schools analyze future spending plans under various assumptions so they can...

- ✕ Determine if spending patterns need to change to support the long-term financial strength of the district

# BACKGROUND

*Model is flexible enough to run multiple sensitivity analysis'.  
Each case projects the impact on the ending (aggregate) fund balances.*

## ✗ Why STRATPLAN?

### + Different view of financial information

#### ✗ Current Base Case

- ✗ Status quo
- ✗ All other cases are plus or minus

#### ✗ Strategic Staffing Case

- ✗ Adds undefined funding for possible program improvements for the next four-years

#### ✗ Stagnation Case

- ✗ CPI-U decreased by 0.5%
- ✗ Budget reductions in future years

#### ✗ Rapid Recovery Case

- ✗ CPI-U increased by 1.0%



# BACKGROUND

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- ✕ Information used in the STRATPLAN model can be found online at:
  - + Illinois State Board of Education
    - ✕ Annual Financial Reports
    - ✕ General State Aid
    - ✕ Housing & Enrollment
    - ✕ Financial Profile
  - + Cook County
    - ✕ Assessed Value
    - ✕ Tax Information
  - + Park Ridge Niles Community Consolidated School District 64
    - ✕ Budgets
    - ✕ Audits
    - ✕ Annual Statement of Publication



# BACKGROUND

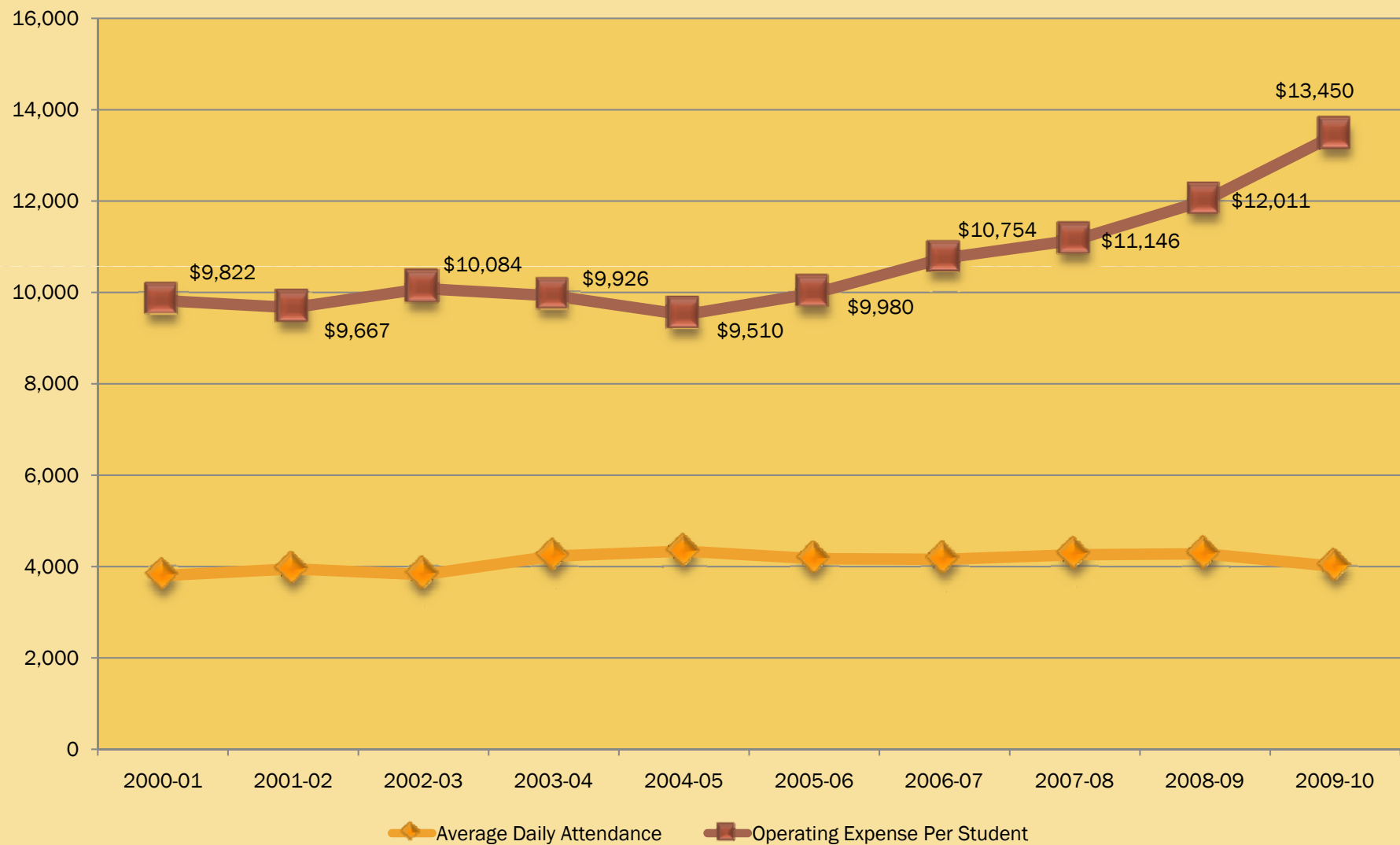
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## ✕ *Successful 2007 Referendum*

### + *Board of Education said...*

- ✕ **Absent any dire economic developments**
- ✕ Will not approach voters again before 2017
- ✕ Maintain fund balance
  - ★ 33 %
  - ★ *120 days of cash on hand*

# OPERATING EXPENSE PER STUDENT



# CPI-U HISTORY

December XXXX CPI-U used in Tax Cap Formula (levy year)	CPI-U
1990	6.1%
1991	3.1%
2002	2.4%
2003	1.9%
2004	3.3%
2005	3.4%
2006	2.5%
2007	4.1%
2008	0.1%
2009	2.7%
2010	1.5%



# CPI-U PROJECTIONS

December XXXX CPI-U used in Tax Cap Formula (levy year)	CPI-U Projection January 2010	CPI- U Projection January 2011
2011	2.50	1.50
2012	2.50	2.00
2013	2.50	1.50
2014	2.50	2.00
2015	2.50	1.50
2016	2.50	2.00
2017	2.50	1.50

# SENSITIVITIES

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## ✖ Rule of Thumb

- + One percent in CPI is roughly equivalent to:

  - ✖ 5¢ in tax rate

## ✖ Each 5¢ of tax rate is roughly equivalent to:

- + One million in annual revenues

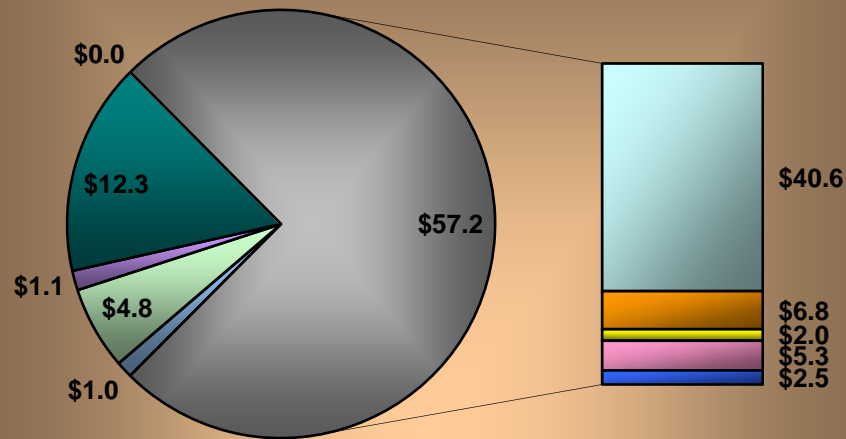
- + 2 – 3% in salary & benefit costs

- + Class size increment of + or – one

- + Additional 10 staff members

# 2010-11 REVENUE BUDGET

Revenue - Million Dollars - by Source

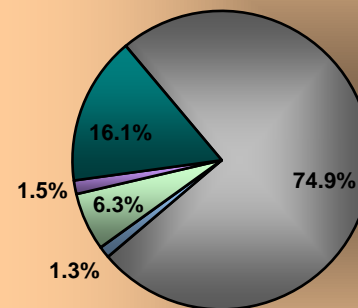


- Local Property Taxes
- CPPRT
- State
- Federal (ex "stimulus")
- Misc - Fees/Interest/Other

## Property Tax Details

- Ed Fund
- O&M Fund
- Transportation Fund
- Other Funds
- Debt Serv Fund

Revenues - by Source

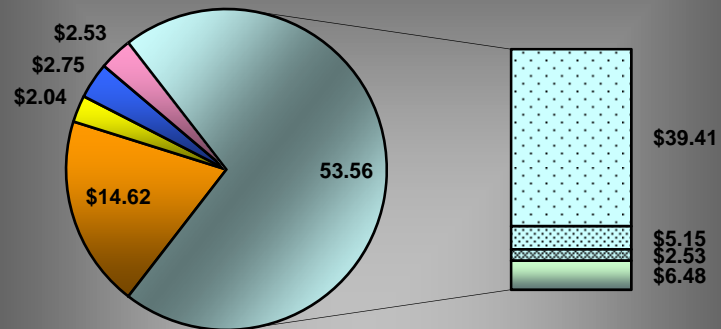


- Local Property Taxes
- CPPRT
- State
- Federal (ex "stimulus")
- Misc - Fees/Interest/Other



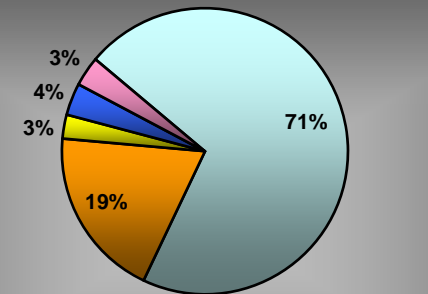
# 2010-11 EXPENDITURE BUDGET

Expenses - Million Dollars - By Fund



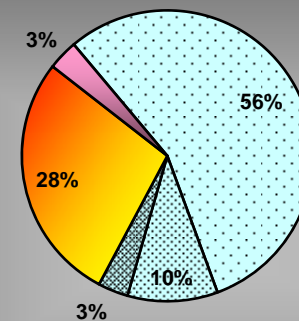
- Education Fund
- O&M Fund
- Transportation Fund
- Other Operating Funds
- Debt Service Fund
- Ed Fund Details**
  - Ed Salaries
  - Ed Benefits
  - Sp Ed Co-Op
  - Ed Other

Expenses - Percent - by Fund



- Education Fund
- O&M Fund
- Transportation Fund
- Other Operating Funds
- Debt Serv Fund

Expenses - Percent - by Object



- Salaries
- Benefits
- Sp Ed Co-op
- Other Operating Expenses
- Debt Service

# CURRENT BASE CASE

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# WHAT DOES THE CURRENT BASE CASE REFLECT

- ✗ Current conditions
  - + *Does not reflect additional costs associated with program improvements*
- ✗ All other cases add to or reduce the base case



# REVENUE ASSUMPTIONS

## × CPI

- + 2008 Levy – 4.1%
- + 2009 Levy – 0.1%
- + 2010 Levy – 2.7%
- + 2011 Levy – 1.5%
- + 2012 Levy – 1.5%
- + 2013 Levy – 2.0%
- + 2014 Levy – 1.5%

\* Pattern continues 2.0% - 1.5%...

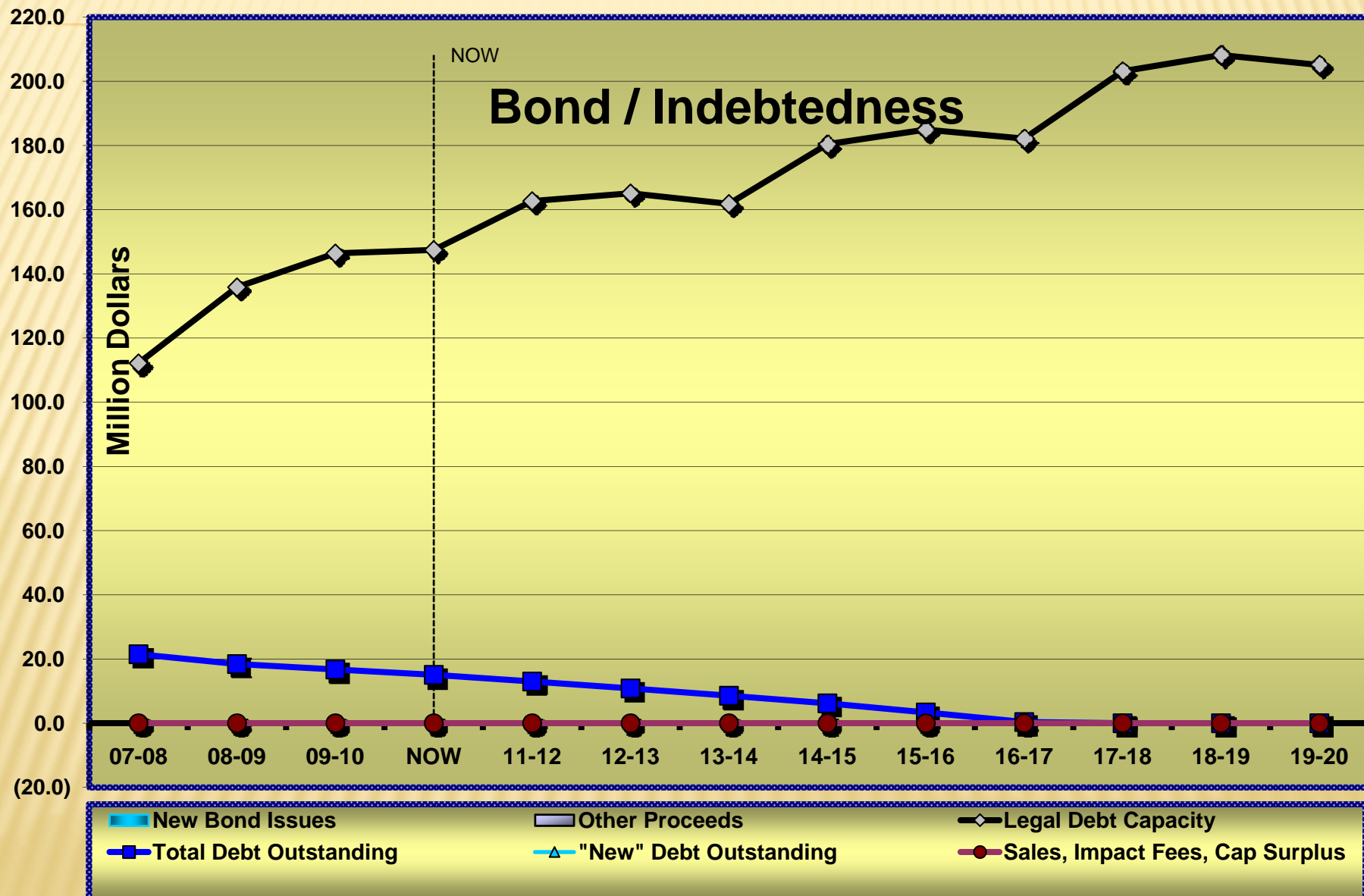
## Triennial Assessment Pattern

- + 2010 – increase 10%
- + 2011 – increase 1%
- + 2012 – decrease 3%

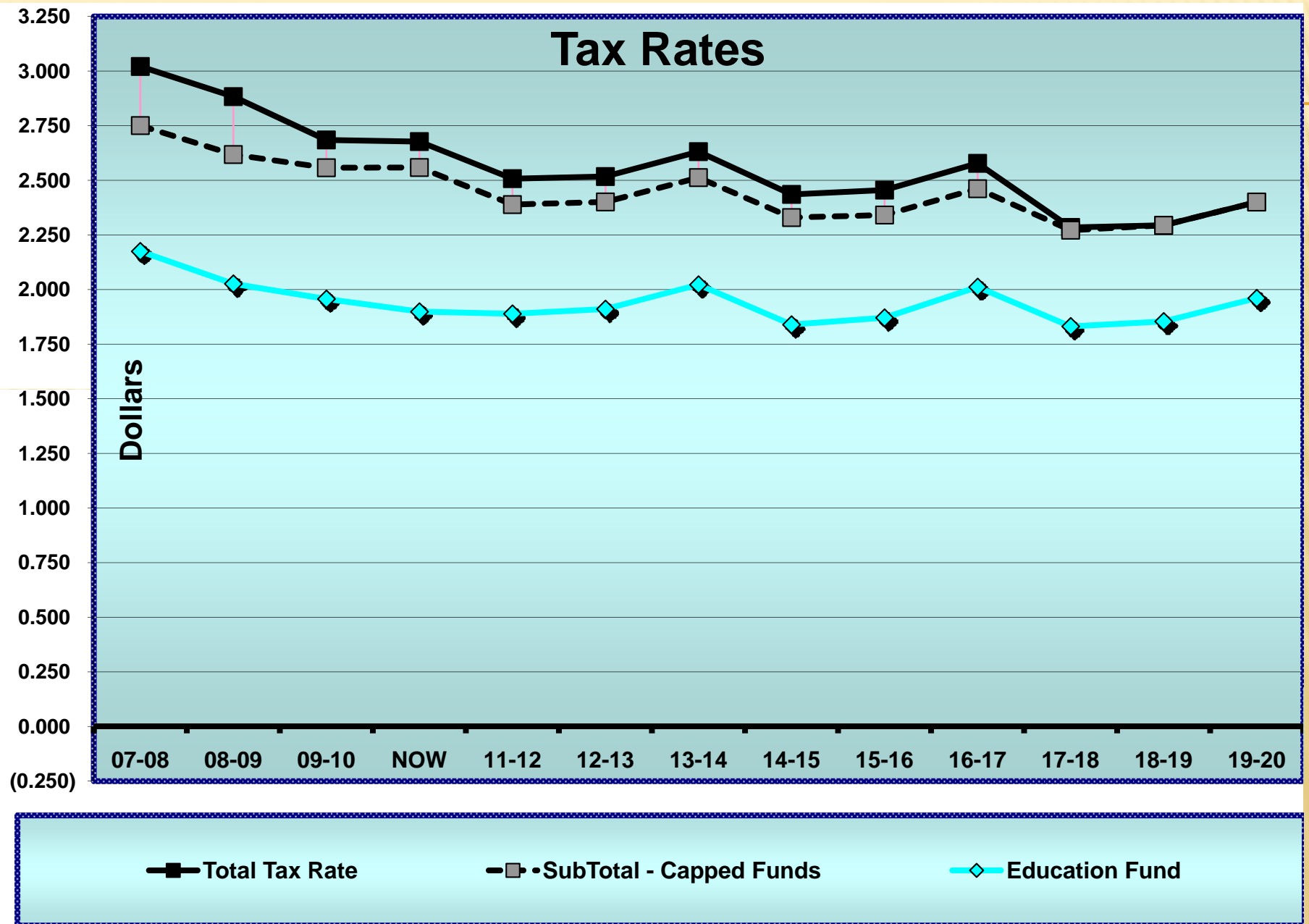
# EXPENDITURE ASSUMPTIONS

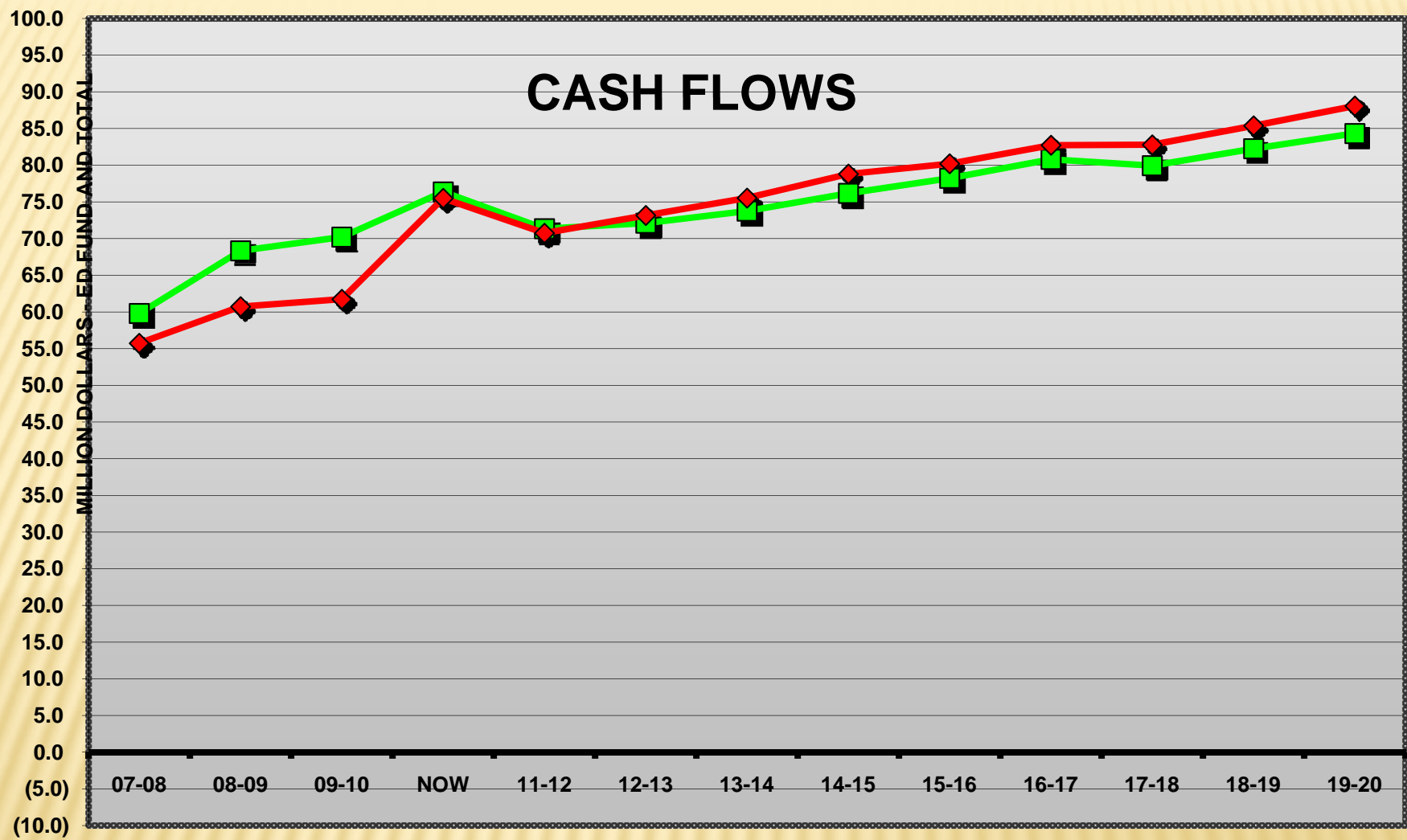
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- ✖ Staffing reflects a stable student enrollment
  - + K – 8 average class size of 24
- ✖ Average base salary increase of 2.5% + step
- ✖ Benefits average 5%
- ✖ All other expenses are increased by CPI
- ✖ Special Education Tuition average 5%
- ✖ Capital – \$1.5 million per year (2011-12 & 2013-13) ; thereafter \$1 million per year



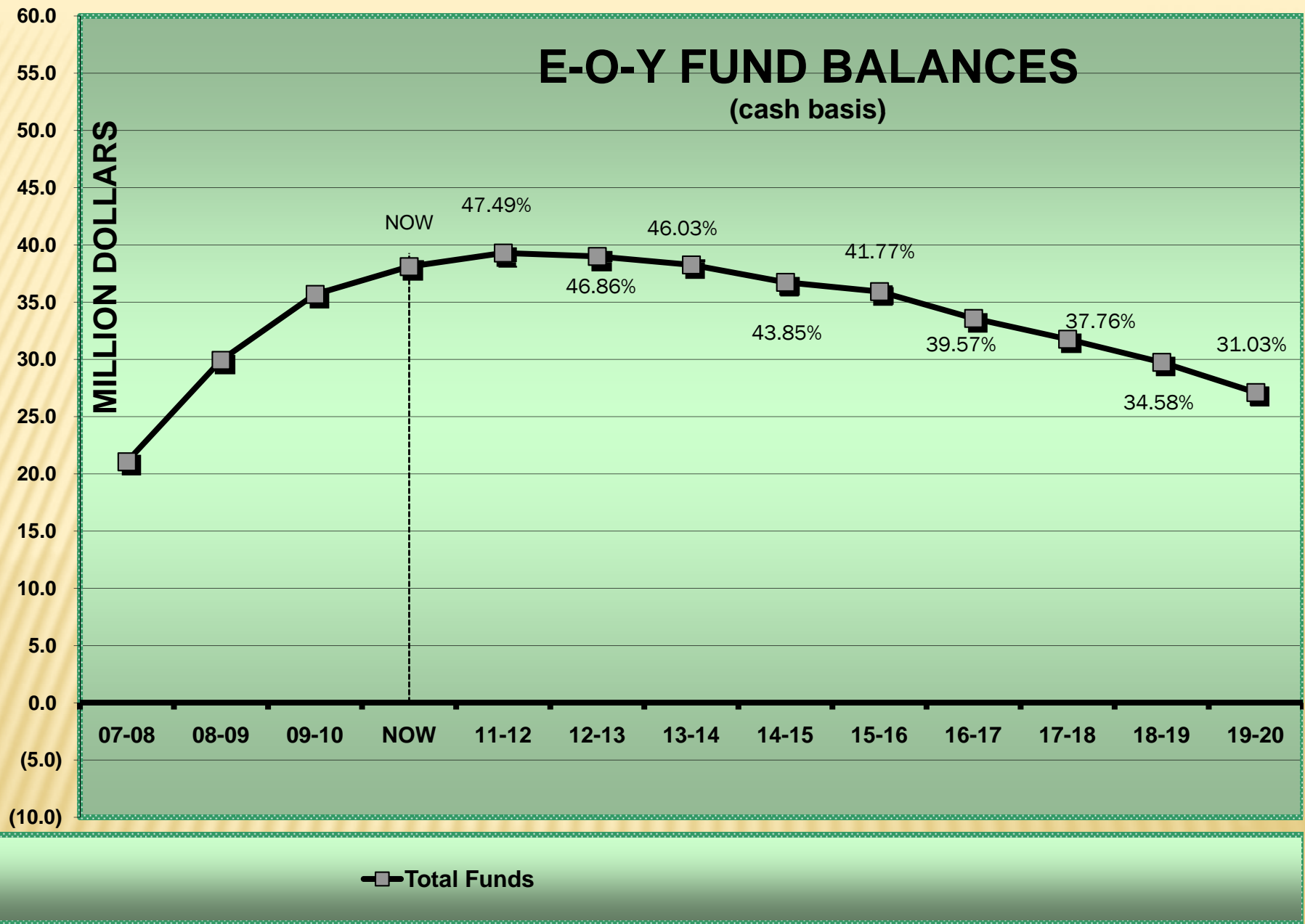






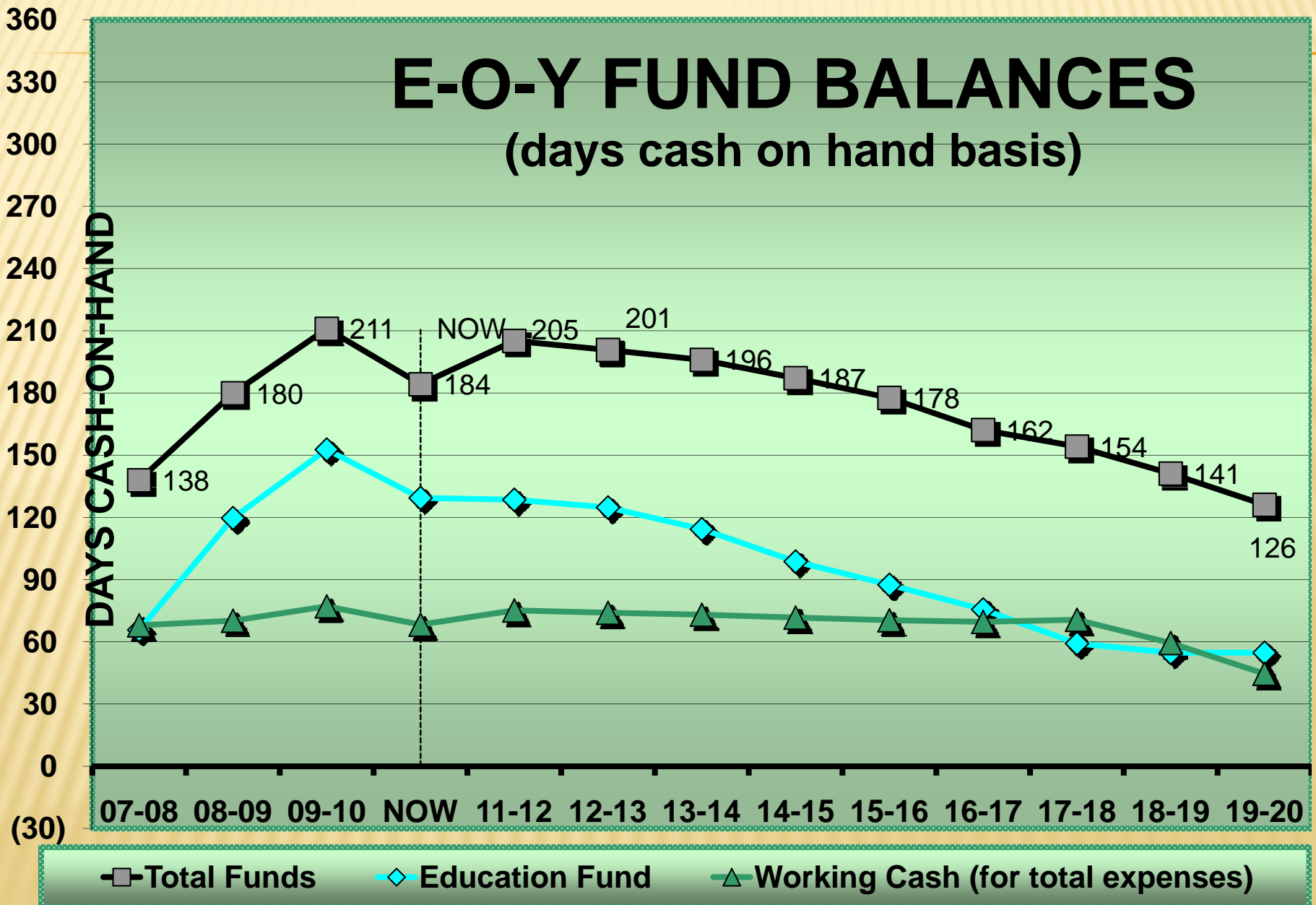
■ Revenue - Total

◆ Expenses - Total



# E-O-Y FUND BALANCES

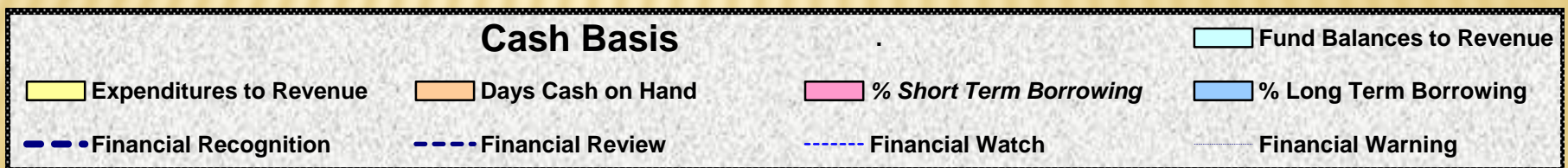
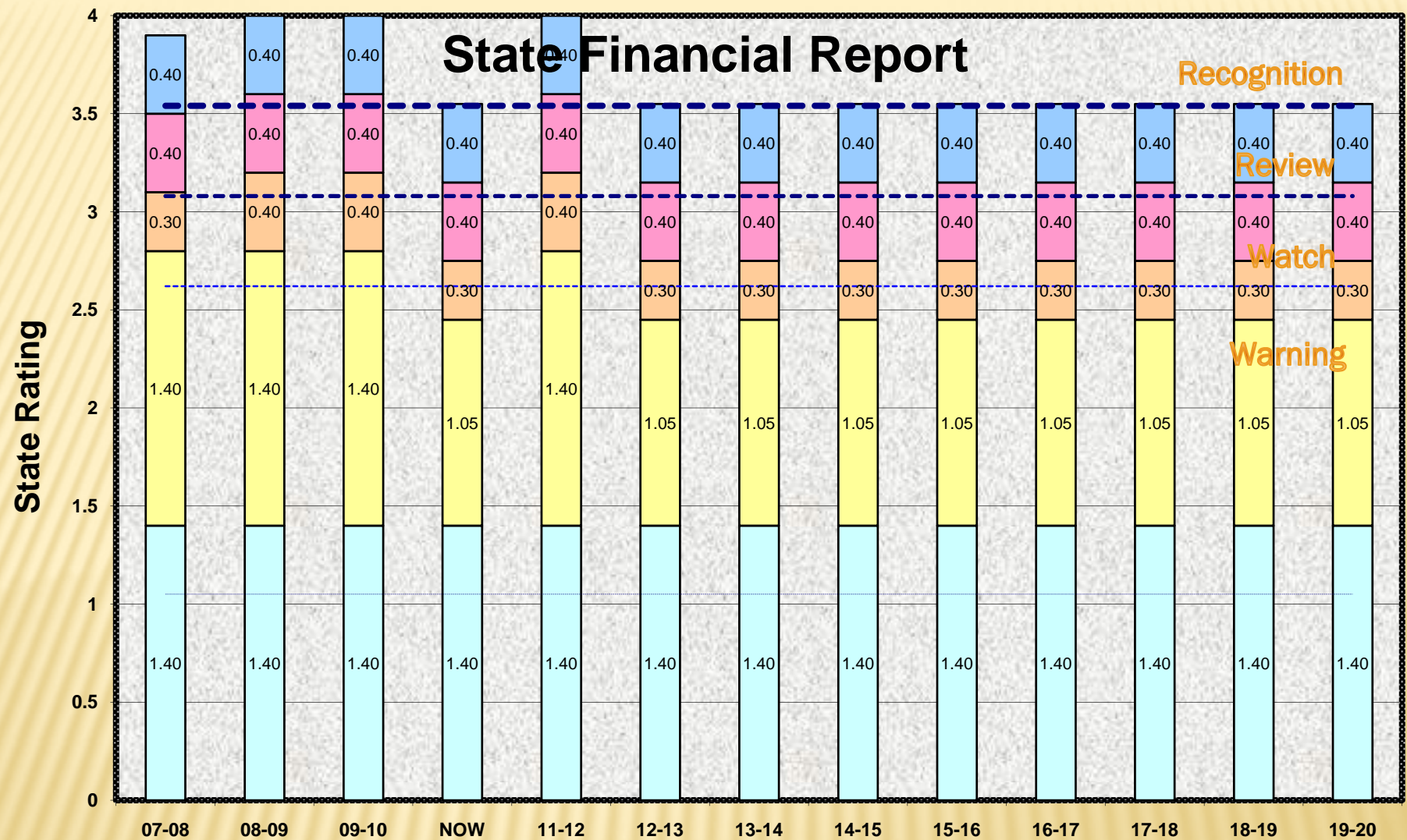
(days cash on hand basis)





# ADJUSTMENT TO DAYS CASH ON HAND

- ✖ Base Case Model – Capital Projects
  - + \$1.5 million through 2012-13; \$1 million thereafter
  - + Affect on Cash on Hand to maintain \$1.5 million
    - ✖ 2013-14      (4-days)
    - ✖ 2014-15      (6-days)
    - ✖ 2015-16      (8-days)
    - ✖ 2016-17      (10-days)



# STRATEGIC STAFFING CASE

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## WHAT DOES THE STRATEGIC STAFFING CASE REFLECT

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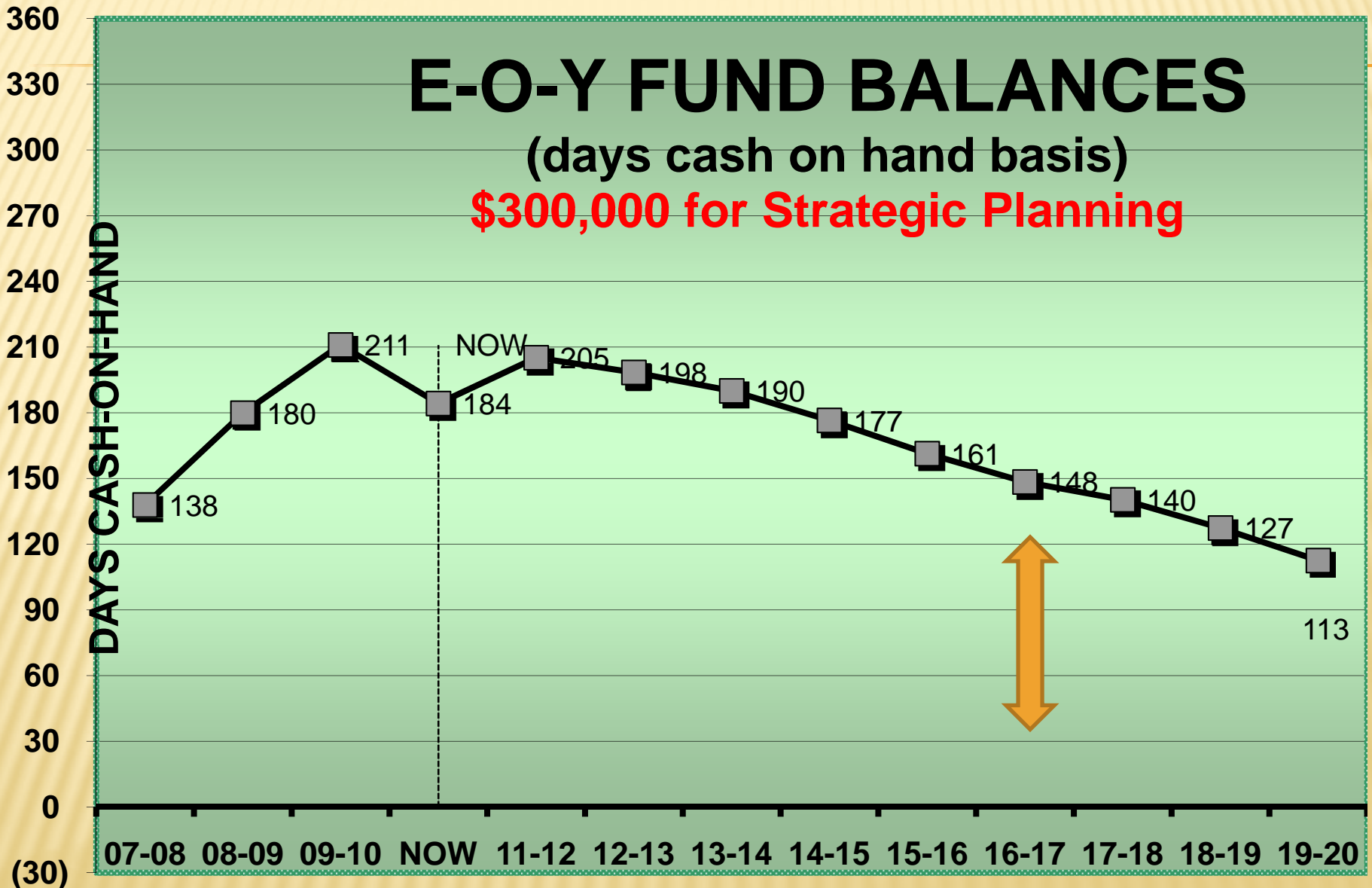
- ✖ Adds Expenses of \$300,000 or \$400,000 per year for four years to support educational improvements.



# E-O-Y FUND BALANCES

(days cash on hand basis)

**\$300,000 for Strategic Planning**

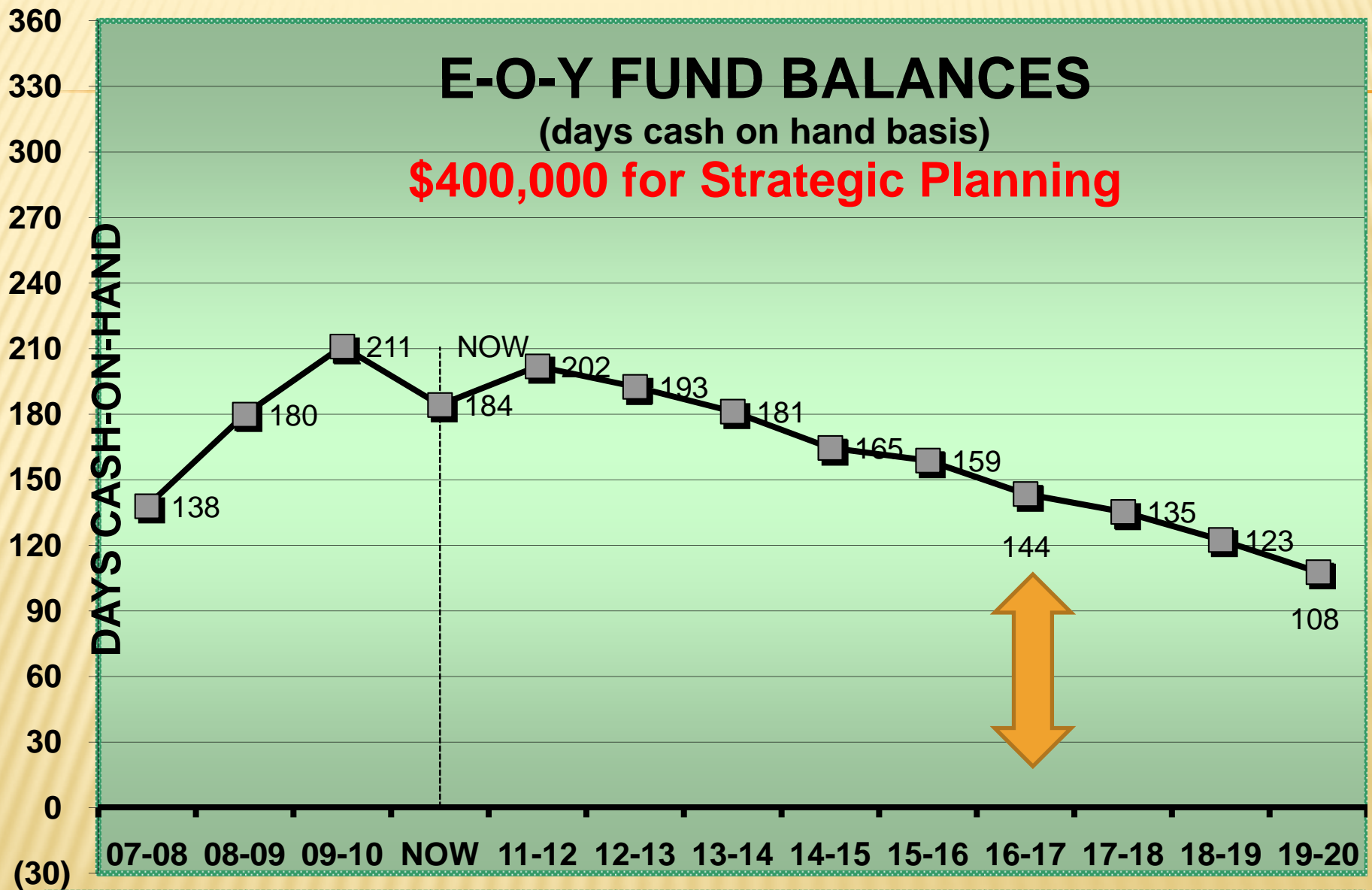


■ Total Funds

# E-O-Y FUND BALANCES

(days cash on hand basis)

**\$400,000 for Strategic Planning**



■ Total Funds

# STAGNATION CASE

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# REVENUE ASSUMPTIONS

## × CPI

- + 2008 Levy – 4.1%
- + 2009 Levy – 0.1%
- + 2010 Levy – 2.7%
- + 2011 Levy – 1.5%
- + 2012 Levy – 1.0%
- + 2013 Levy – 1.5%
- + 2014 Levy – 1.0%

\* Pattern continues 1.50% - 1.0%...

*Reduce CPI-U by 0.5%*

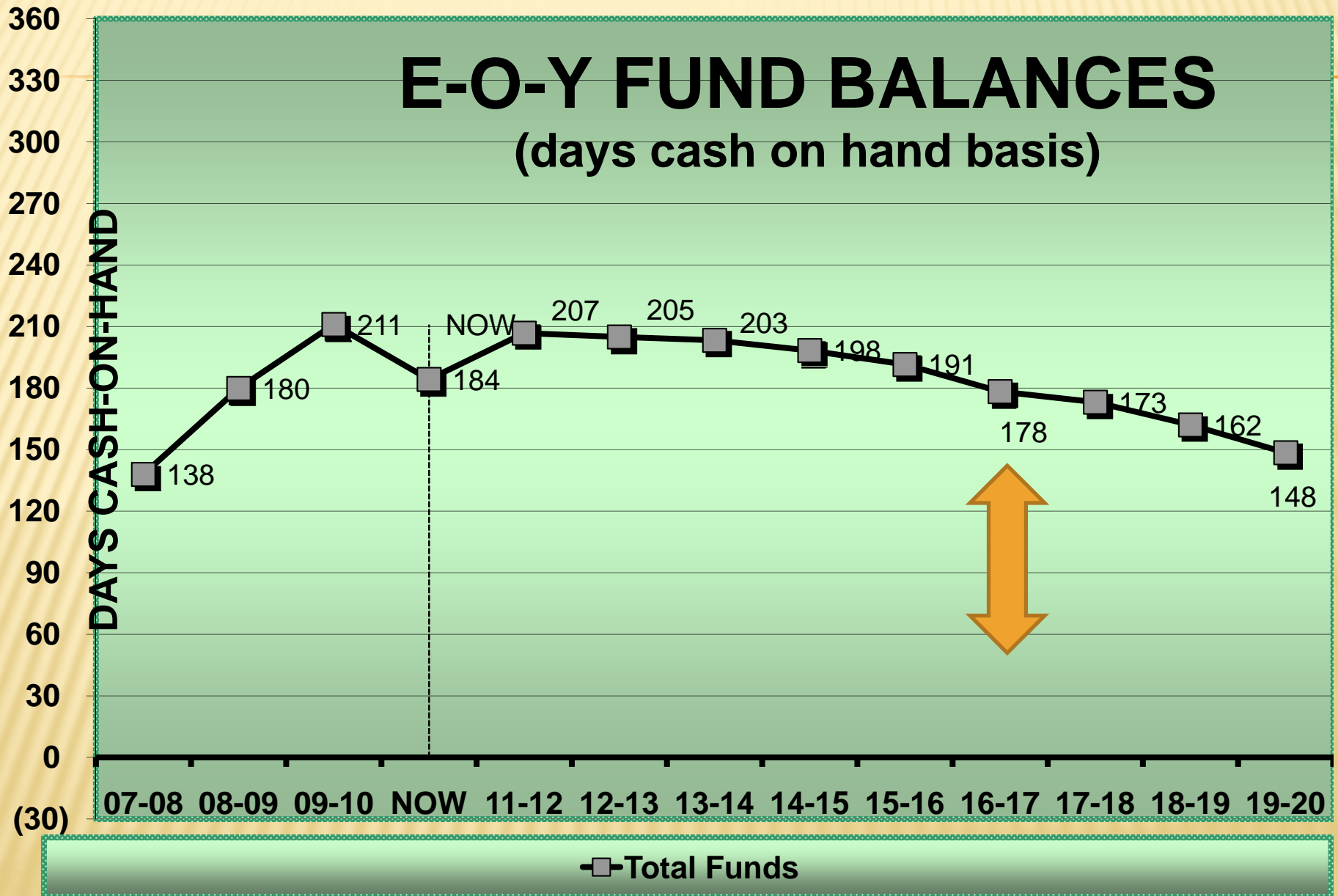
## × Permanent Reduction of Expenditures

- + 2012-13 - \$500,000
- + 2013-14 - \$250,000
- + 2014-15 - \$250,000



# E-O-Y FUND BALANCES

(days cash on hand basis)



# RAPID RECOVERY CASE

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# REVENUE ASSUMPTIONS

## × CPI

- + 2008 Levy – 4.1%
- + 2009 Levy – 0.1%
- + 2010 Levy – 2.7%
- + 2011 Levy – 1.5%



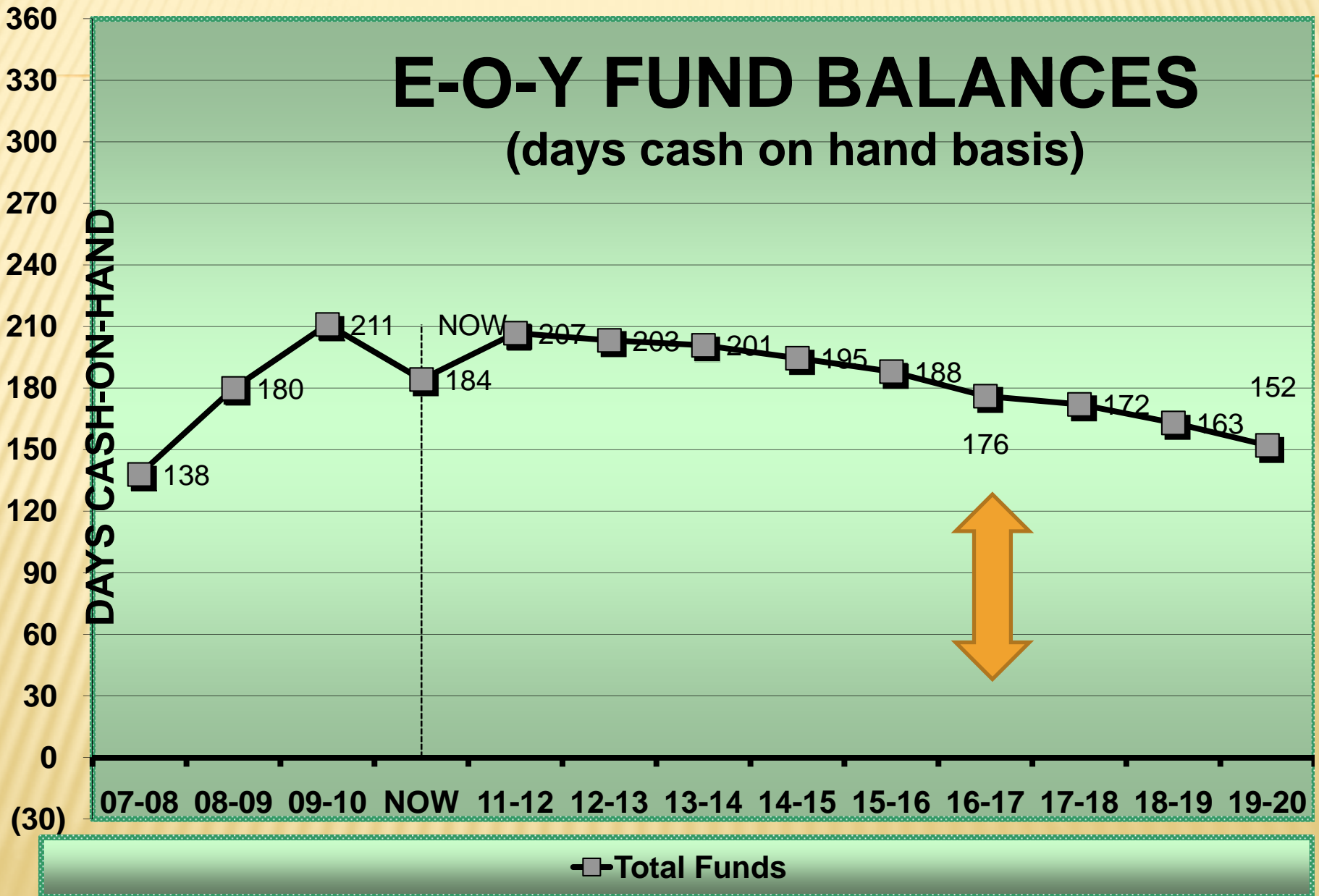
- + 2012 Levy – 2.5%
- + 2013 Levy – 3.0%
- + 2014 Levy – 2.5%

*Increase CPI-U by 1.0%*

*\* Pattern continues 3.0% - 2.5%...*

# E-O-Y FUND BALANCES

(days cash on hand basis)





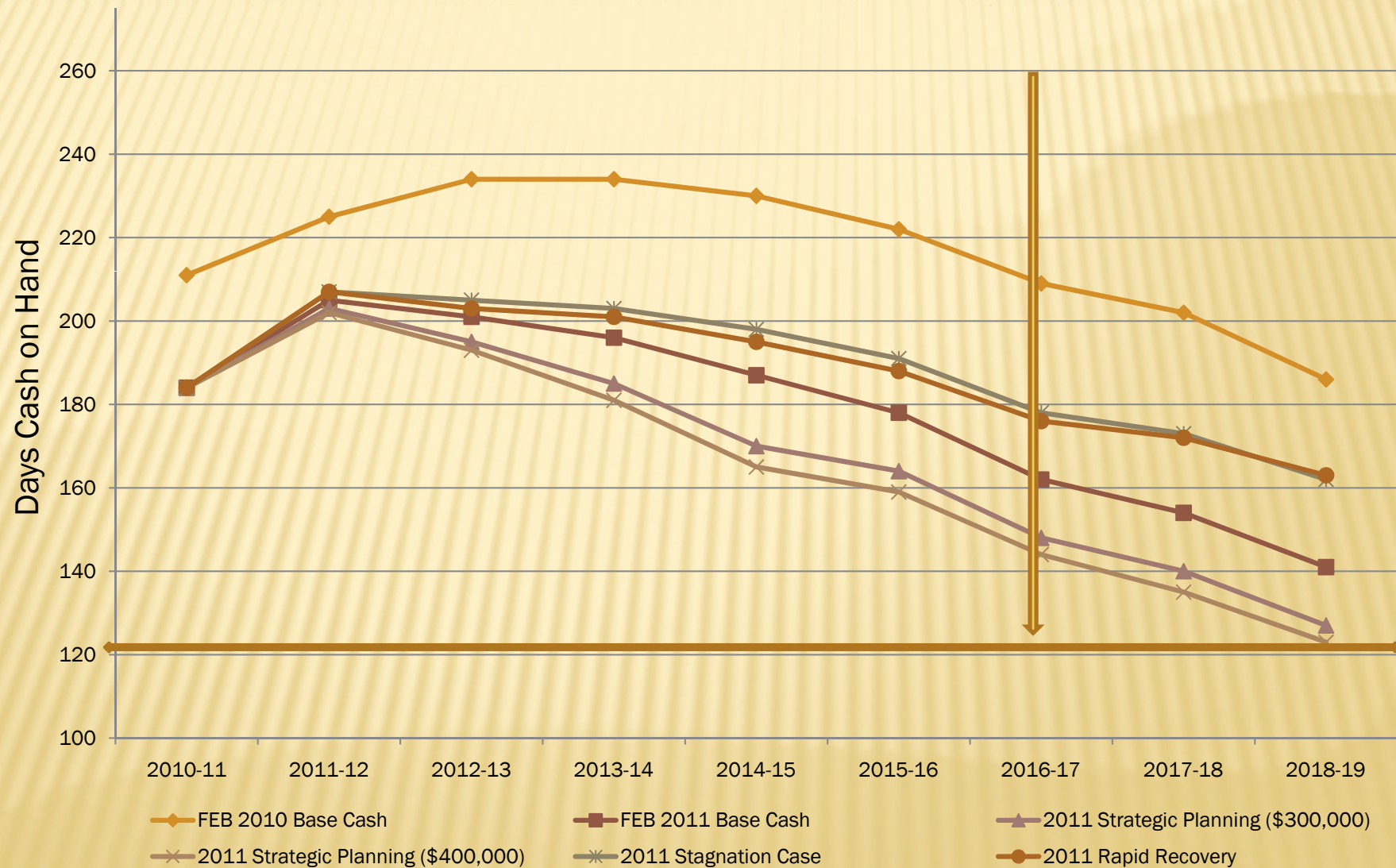
# CONCLUSION

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*The actual results will most likely be some combination of all four cases*

# DAYS CASH ON HAND – ALL CASES



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*Financial projections need to  
be updated as  
economic conditions change*



## *District 64*

*continues to positioned itself  
with solid fund balances,  
positive cash flows and  
considerable flexibility*

# BOARD DISCUSSION

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