



# Financial Projections

**Board of Education  
Committee of the Whole  
February 13, 2012**



## **Financial Projections Are:**

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

## Agenda

- Background Information
- Current Base Case
- Strategic Staffing Case
- Stagnation Case w/Technology Coaches
- Rapid Recovery Case w/Technology Coaches
- Conclusion
- Board Discussion

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## BACKGROUND

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## Background

- StratPlan
  - 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.

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## Background

- Why Financial Projections?
  - Public scrutiny of financial position
  - Current economic conditions demand
    - Schools analyze future spending plans under various assumptions so they can...
      - ***Fiscal Sustainability***
      - Determine if spending patterns need to change to support the long-term financial strength of the district

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## Background

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

- **Why StratPlan?**
  - Different view of financial information
    - Current Base Case
      - Status quo
    - Strategic Staffing Case
      - All other cases are plus or minus
      - Includes funding for additional technology coaches
        - (Pending Board approval)
    - Stagnation Case w/Technology Coaches
      - CPI-U decreased by 1.0%
    - Rapid Recovery Case w/Technology Coaches
      - CPI-U is increased by 1.0%

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## Background

- **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
  - District 64
    - Budgets
    - Audits
    - Annual Statement of Publication

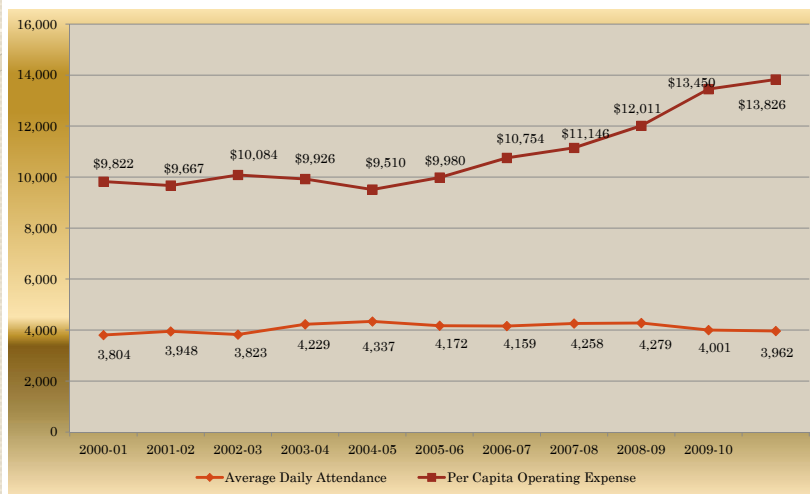
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## Background

- **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**

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## Operating Expense Per Student



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## History of CPI-U

December XXXX CPI-U Used in PTELL Formula	Levy Year	CPI-U
1990		6.1%
1991		3.1%
2003		1.9%
2004		3.3%
2005		3.4%
2006	2007	2.5%
2007	2008	4.1%
2008	2009	0.1%
2009	2010	2.7%
2010	2011	1.5%
2011	2012	3.0%

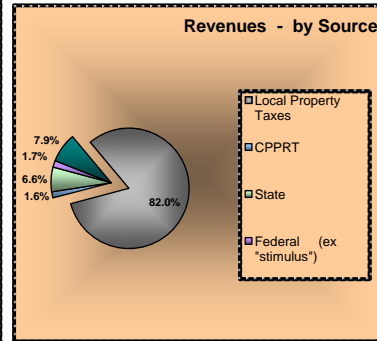
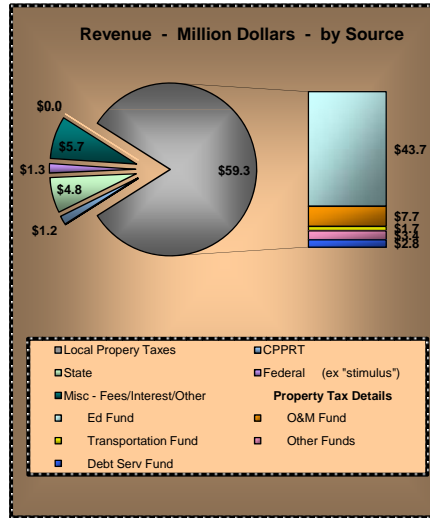
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## Sensitivities

- One million in added expense
  - 8 less days cash on hand in year 2012-13
- 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

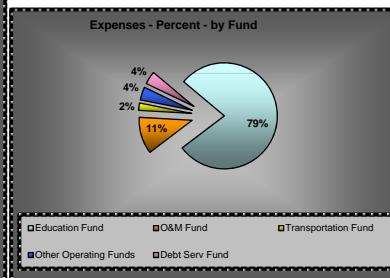
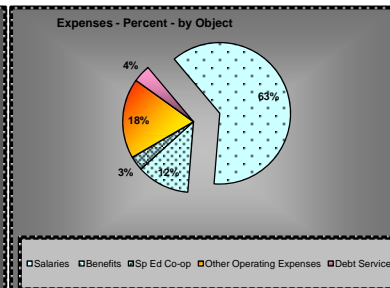
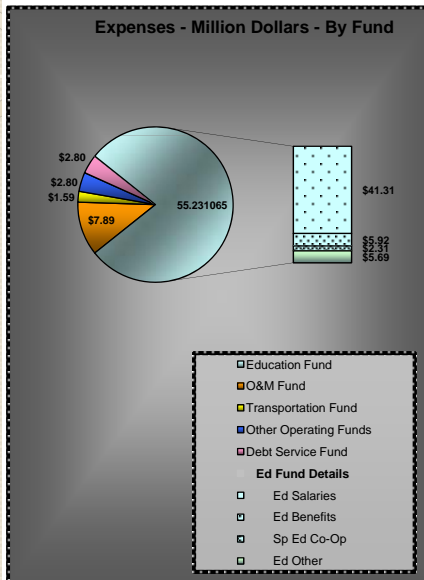
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# 2011-12 Revenue Budget



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# 2011-12 Expenditure Budget



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## CURRENT BASE CASE

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What does the current base case reflect?

- Current conditions – Status Quo

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## Revenue Assumptions

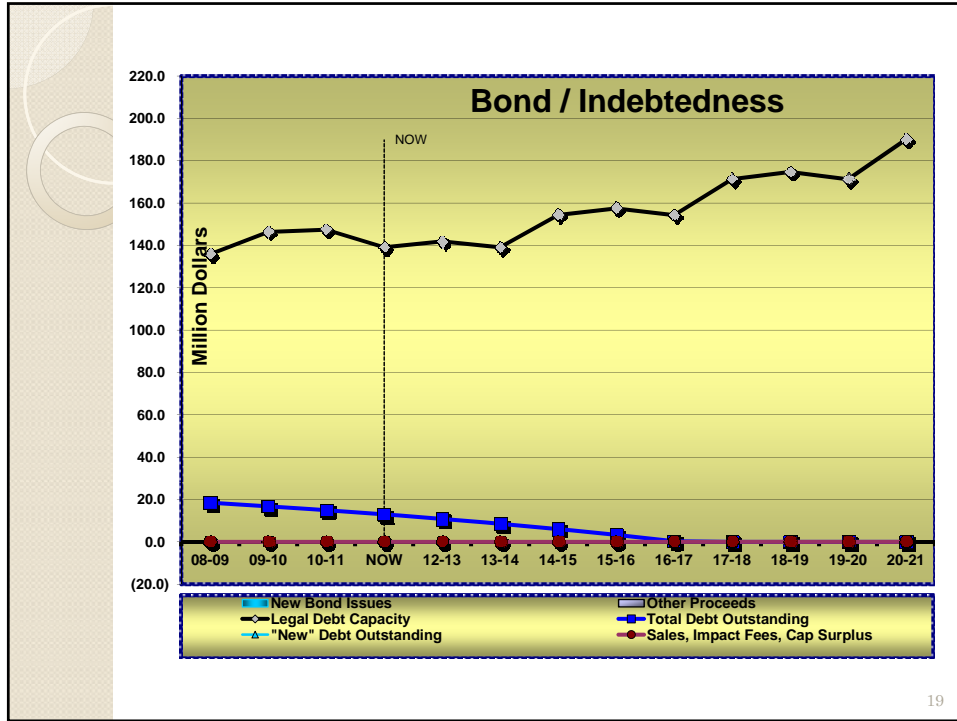
- CPI
  - 2008 Levy – 4.1%
  - 2009 Levy – 0.1%
  - 2010 Levy – 2.7%
  - 2011 Levy – 1.5%
  - 2012 Levy – 3.0%
- EAV
  - 2009 – increase 0.73%
  - 2010 – decrease 5.64%
- Triennial Assessment Pattern
  - 2011 – increase 1%
  - 2012 – decrease 3%
  - 2013 – increase 10%
- 2013 Levy – 2.0%
- 2014 Levy – 2.5%
- 2015 Levy – 2.0%
- 2016 Levy – 2.5%

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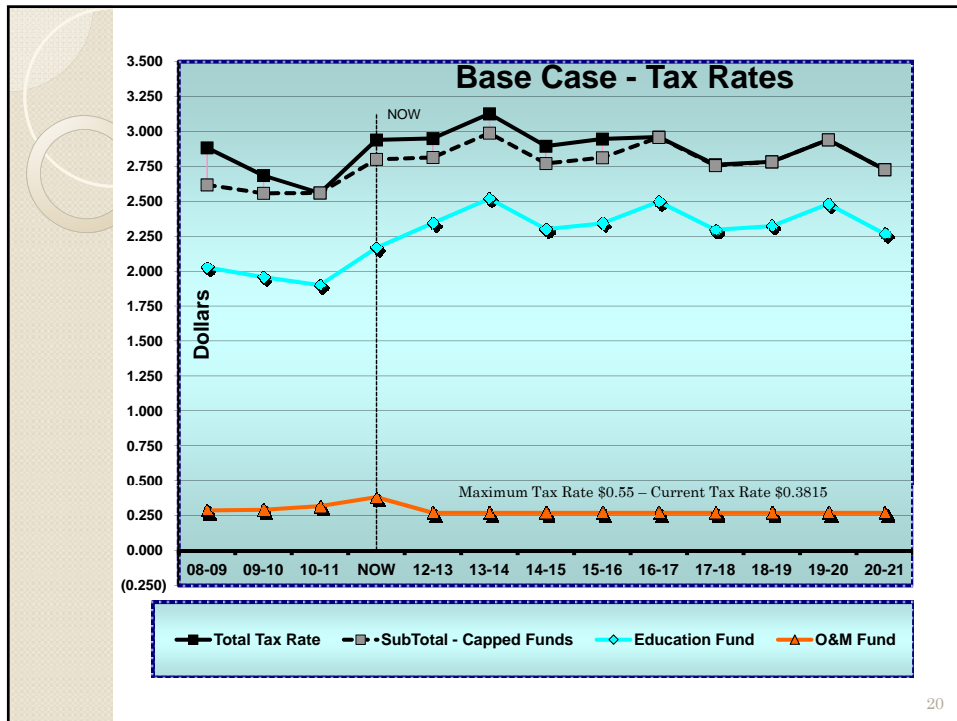
## Expenditure Assumptions

- Staffing reflects Kasarda “Series B” projection
  - K – 8 average class size of 24
- Salaries reflect current contractual agreements
- Benefits average 5.0%
  - *Retirement incentives*
- All other expenses are increased by CPI
- Special Education Tuition average 5.0%
- Capital Projects - \$2.8 million per year

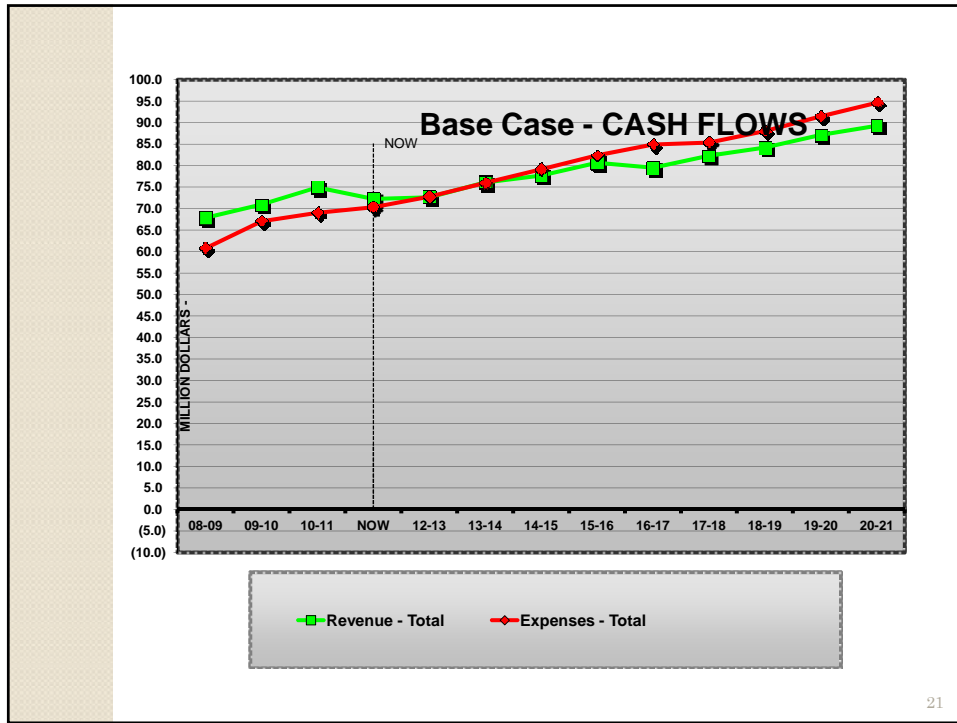
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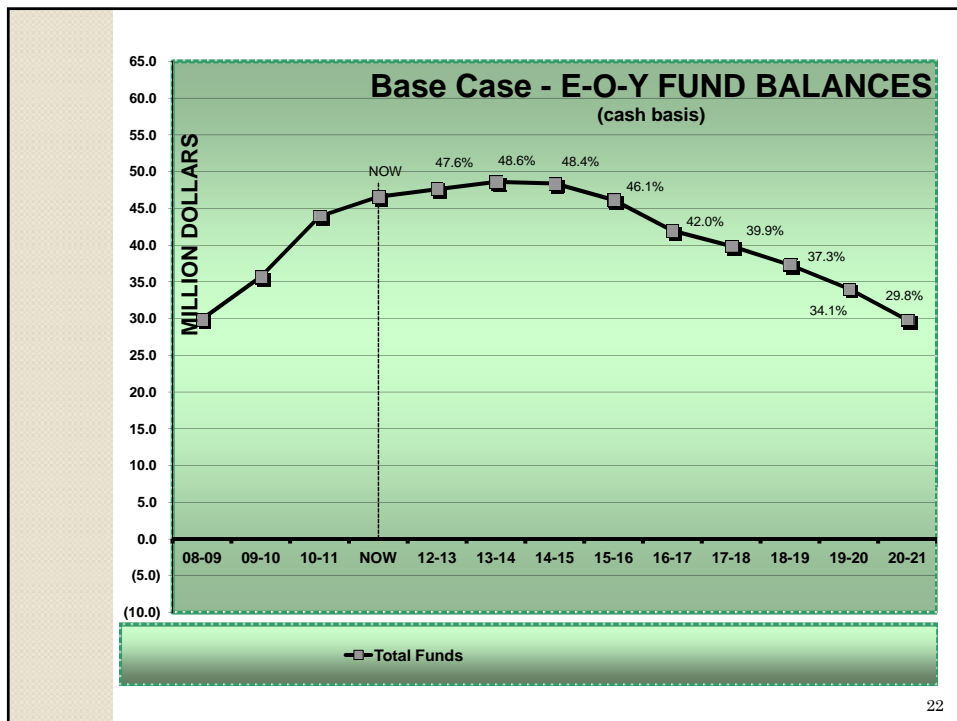
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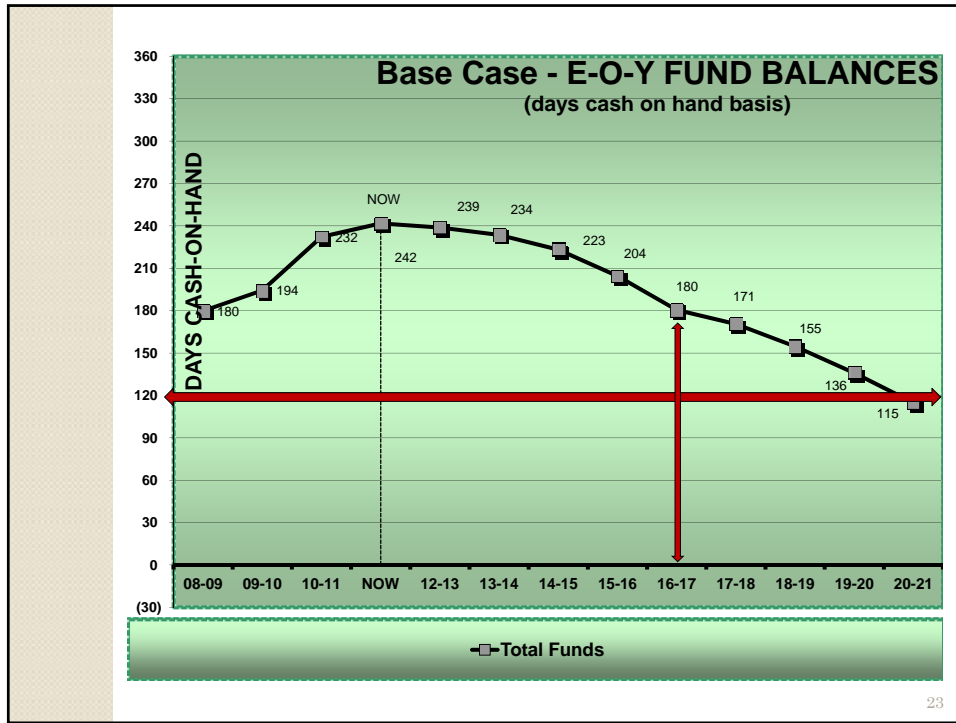
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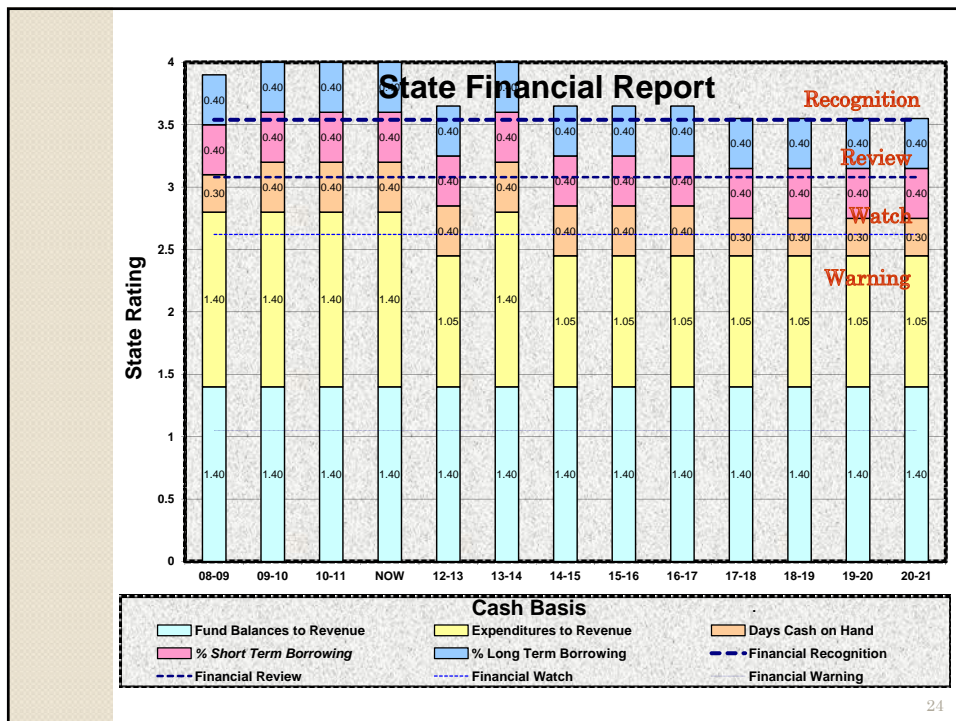
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## STRATEGIC PLAN STAFFING CASE

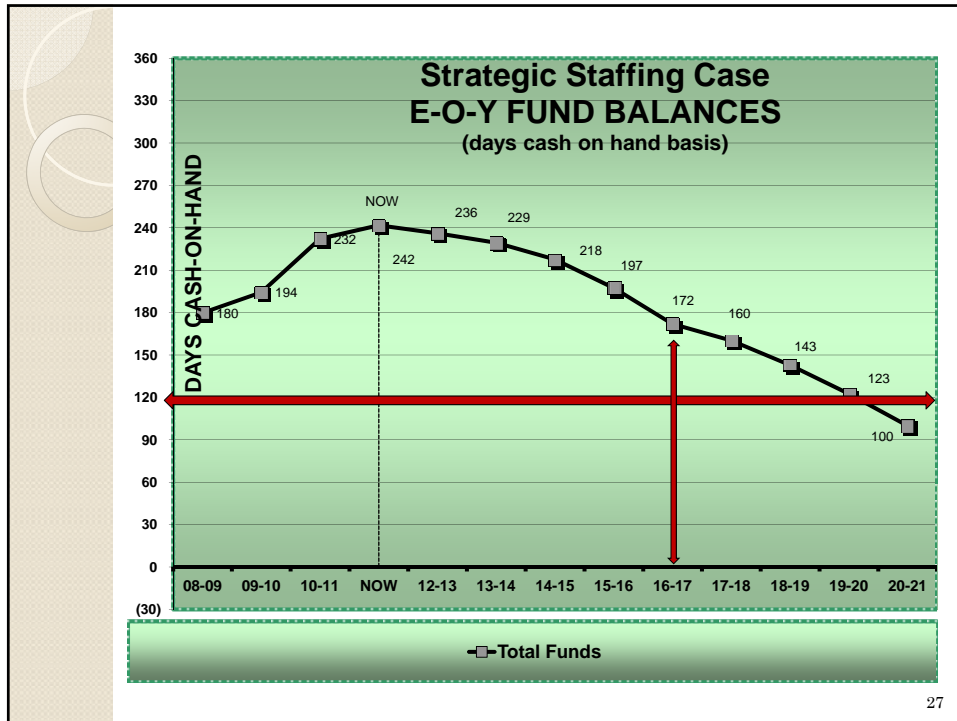
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### What Does The Strategic Staffing Case Reflect?

- Includes funding (salary & benefits) for four (4) additional technology coaches.
  - Salary – average \$65,000 per position
  - Benefits – plus 20% for each position

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## STAGNATION CASE

(INCLUDES ADDITIONAL TECHNOLOGY COACHES)

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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 – 3.0%



- 2013 Levy – 1.0%
- 2014 Levy – 1.5%

- Pattern continues

- **EAV**

- 2009 – increase 0.73%
- 2010 – decrease 5.64%

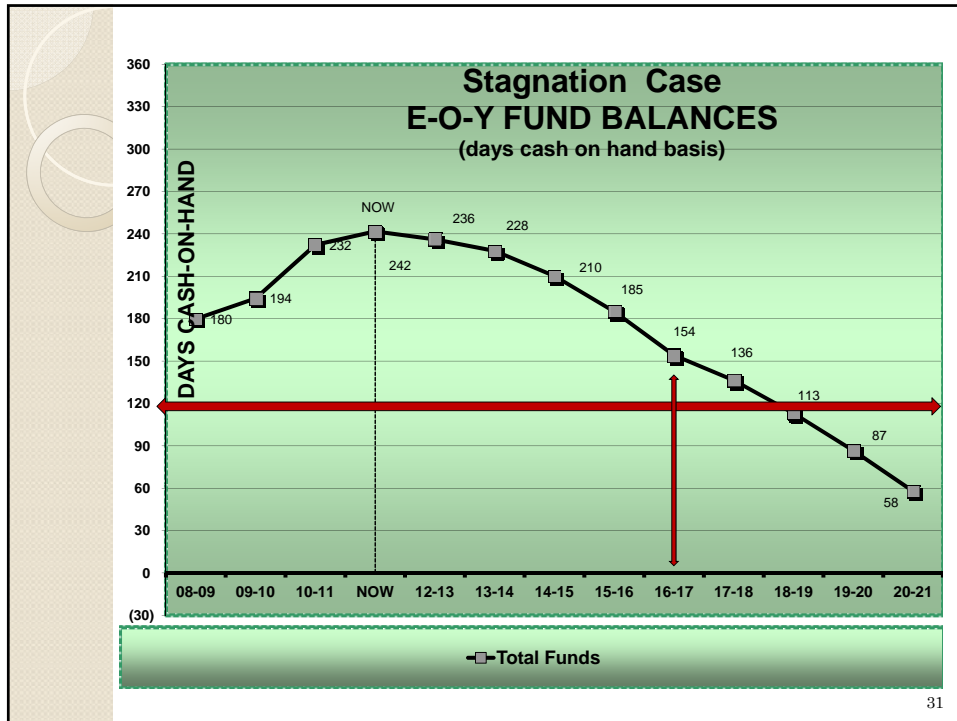
**Triennial Assessment  
Pattern**

- 2011 – increase 1%
- 2012 – decrease 3%
- 2013 – increase 10%

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## Stagnation Case Maintains Technology Coaches

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## RAPID RECOVERY CASE

(INCLUDES ADDITIONAL TECHNOLOGY COACHES)

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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 – 3.0%



- 2013 Levy – 3.0%
- 2014 Levy – 3.5%

• *Pattern continues*

- **EAV**

- 2009 – **increase** 0.73%
- 2010 – **decrease** 5.64%

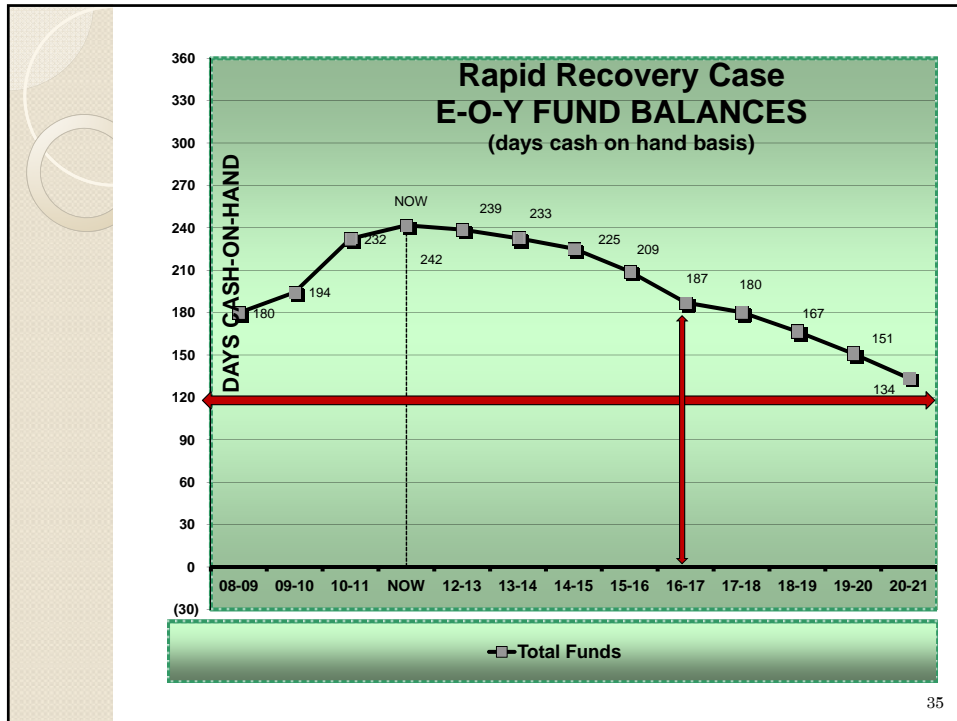
• **Triennial Assessment Pattern**

- 2011 – **increase** 1%
- 2012 – **decrease** 3%
- 2013 – **increase** 10%

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## Rapid Recovery Case Maintains Technology Coaches

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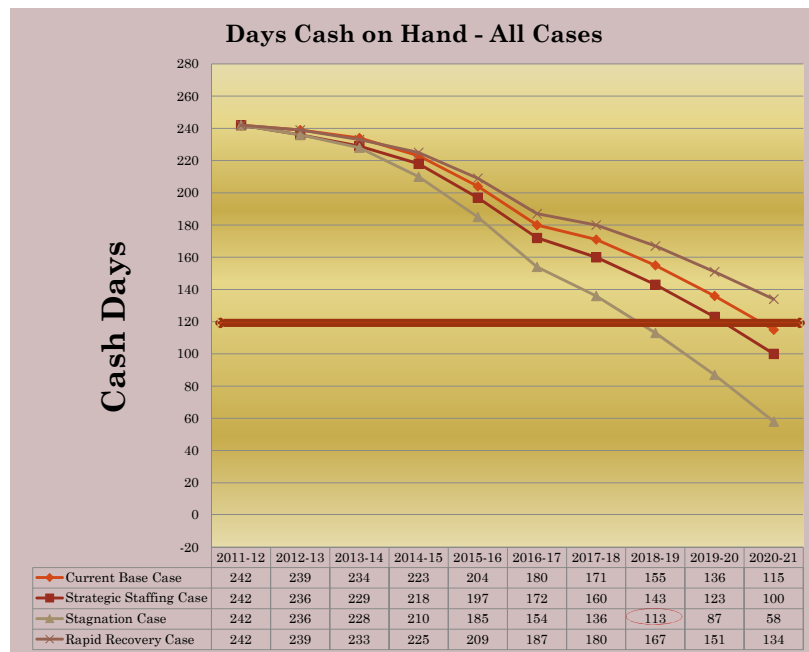


CONCLUSION

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

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*District 64 has positioned itself with **solid fund balances**, positive cash flows with considerable flexibility to maintain a bright future.*

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

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