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COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64 Park Ridge-Niles

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## **District 64 Community Finance Committee Urges Increased Outreach, "Spend Management" Techniques, and a Referendum**

To restore its financial strength, District 64 should consider a tax rate referendum combined with "spend management" techniques to continue paring down non-staff expenses while maintaining its stepped up community outreach efforts, according to a trio of highly anticipated reports from the Community Finance Committee (CFC) delivered to the Board of Education at its September 11, 2006 meeting. The CFC is an independent advisory group of almost 30 members established in February 2004 to analyze and recommend strategies to maintain and improve the District's financial health.

"We are thankful to these dedicated volunteers from all segments of our community for offering their valuable expertise and fresh perspectives to help our Board better identify ways our school district can provide high quality educational programs and services for the children of our community while being fiscally responsible to the taxpayers who support us," said President Chris Mollet.

The District's financial strength has been eroding steadily in recent years. Business Manager Bruce Martin reported that in the 2005-06 fiscal year just ended, the District would have had a \$1.5 million deficit in its Operating Fund without the infusion of \$4.9 million in Working Cash bonds issued in October 2005. "Because of the bond sale, 2005-06 was the first year in the past five that revenues exceeded expenses in the Operating Fund," he noted.

Communications Subcommittee Chair Craig Elderkin led off the CFC reports, stating that the education finance communications program is well underway. The core of the outreach effort is a series of "State of the District" briefings for a wide variety of parent and community groups now being scheduled through the fall. More than two dozen talks already are planned.

"We're also tweaking the first round of our 'Fact Book' chapters on education finance topics, which will be live on the District 64 Web site by our October 10 launch," Elderkin noted. "And, we'll be adding more chapters to answer questions that come forward from the community meetings and via the Web site, publications, and surveys," he added.

Reporting on behalf of the CFC Spend Management Subcommittee, Chair Diana Stapleton noted that her group had scrutinized the \$17.3 million non-labor portion of the District's budget. "The District has done a good job controlling costs over the last five years," she noted. "Most non-salary costs have stayed relatively flat, other than benefits," she added.

To continue controlling costs and achieve additional savings, the subcommittee recommended that the District adopt a "spend management" process. "This ultimately may cut costs by reducing the number of suppliers and managing contracts more effectively," Stapleton noted.

## DISTRICT 64/ ADD ONE

The subcommittee also urged the Board to “select at least three savings opportunities to research” from its initial list ranging from exploring additional collaborative purchasing agreements to allowing parents to pay student fees on line. Finally, the subcommittee suggested that District 64 work with its Insurance Committee to better “understand current spend management practices within the benefits category,” and to benchmark the cooperative buying agreements it utilizes against those used by other districts.

Chair Phil Eichman reported on behalf of the CFC Financial Structure Subcommittee, which offered a comprehensive review of the District’s current and projected financial health. Based on bi-monthly meetings, two community brainstorming sessions, and briefings with District 64 administrators and outside experts, the subcommittee developed a “flexible and dynamic model to forecast the District’s financial picture through 2015,” Eichman told the Board.

“First, we identified eight categories that drive cost, like inflation, or affect revenues, such as growth in new property. Then we used them to look at three different sets of assumptions that we call ‘optimistic,’ ‘middle,’ and ‘pessimistic,’” he said. “The model also gives us a way to look at the impact of both budget cuts as well as revenue enhancements, like Working Cash bonds or a referendum,” he noted.

“Our analysis leads us to conclude that there is a chronic, structural imbalance of revenues and expenses, which will continue in District 64 given anticipated enrollment trends,” Eichman stated. “This means that annual deficits actually grow in the long run. We also believe the imbalance is due to the property tax cap, not lax management of District 64 finances,” Eichman reported.

“We do recommend creating a ‘culture of savings’ within District 64 – which is key for any district in any financial situation – which builds on the Spend Management Subcommittee’s work and on ideas from our group’s two community brainstorming sessions,” Eichman added. “But relying on savings alone – even if combined with potentially more drastic budget cuts – is not a sustainable long-term policy to allow a quality education experience in District 64 according to our analyses,” he announced.

In looking at ways to increase revenues, Eichman noted: “Our forecasting model showed us that Working Cash bonds could be a useful stop-gap tool, but are not a sustainable solution.” The subcommittee also concluded that tax anticipation warrants and other debt are not a good match for the long-term needs of the District.

“In the end, we concluded that a referendum appears to be a prudent method of rebuilding financial strength, and that District 64, like other districts, should expect to need to fix its finances on a cyclical basis every 5-10 years assuming current trends,” Eichman told the Board.

The subcommittee also advised the Board to consider going beyond a referendum “just to address the fundamental imbalance problem only, with no program enhancements.” Eichman suggested the Board also “think about a referendum at a higher level that would not only address the imbalance, but could also enhance program quality by restoring selected past cuts, implementing enhanced curricula or lowering class sizes.”

Going forward, the Board is expected to ask all three CFC Subcommittees to continue their tasks. In particular, the Financial Structure group is expected to further refine its model, develop other scenarios in response to Board questions, and begin analyzing the impact on the District and on taxpayers of different tax levy rate increases for discussion at the Board’s September 25 and upcoming meetings. At its October 10 meeting, the Board is expected to review the “Fact Book” chapters and other enhancements to the Web site as part of the District’s expanded communications outreach effort.