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2007 Referendum and Continuing Spend Management
Help School District 64 Weather Current Economy

Park Ridge-Niles School District 64 is weathering the current economy, although maintaining its financial health in the last half of the new decade will require continued spend management and watchfulness, Superintendent Sally Pryor told the Board of Education at its November 9 meeting. The Board received an update on several indicators of its financial health, including a study group report from its Community Finance Committee (CFC), before adopting its tentative 2009 tax levy.

Dr. Pryor pointed out that the referendum in 2007 coupled with a commitment to spend management had helped strengthen District 64's financial position in several ways.

The District now has sufficient cash on hand to fulfill its financial obligations this fall despite the extremely late due date on Cook County property tax bills. The District receives tax receipts twice a year, and must carefully manage its cash flow between those dates. Property taxes account for more than 80% of the District's revenues. Just two years ago before the referendum impact was fully felt, the District was forced to issue Tax Anticipation Warrants to provide money to pay bills when fall tax receipts were delayed.

"In hindsight, the 2007 referendum was very well timed to help bolster the District's operating fund balance before the recession hit," Dr. Pryor said. "Thanks to the support of local taxpayers, our District has been able to weather the lengthy delay in receiving property tax revenues this fall, and we are better positioned to navigate through this unforeseen, dramatic downturn in the economy," she stated.

Dr. Pryor also credited the District's current stronger financial position to a culture of spend management that has become ingrained in the District's operations. Dr. Pryor pointed out the District's rigorous energy conservation efforts, efficient purchasing strategies, and frequent bidding of service contracts, such as this year's planned bus transportation request for proposals, as examples of this approach. She also noted the ongoing close cooperation with the Community Finance Committee's Spend Management Study Group, which last year collaborated with the District on an extensive review of student fees charged to parents and a survey of comparable districts.

"Together, our spend management practices and the additional referendum funding mean District 64 was able to boost its operating fund balance to about 47% when it closed its 2008-09 financial year on June 30," Dr. Pryor added. It was the first time the District had met the Board's policy of having four months of operating expenditures on hand, or about 33%, at the end of its fiscal year. The District also expects a surplus in the current year budget as well, which will help strengthen the fund balance further.

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"This fund balance will be critical in carrying us into leaner revenue years just ahead when our annual budgets will begin to show little or no surplus," Dr. Pryor stated. The District's revenues are subject to a tax cap, which is tied to the growth in the Consumer Price Index (CPI). The CPI for 2008 was just 0.1%, the lowest in more than 50 years. That number is used to calculate the increase in the District's property tax revenues it will be allowed through its 2009 levy.

At the November 9 meeting, the Board adopted a tentative levy of 4.92%. Because the levy is under a 5% increase, a hearing is not required. But the Board decided to formally offer an opportunity for comment at a public hearing on the levy at 7:20 p.m. on Monday, December 14 at Washington School, before final adoption that evening.

Community Finance Committee Report Offers Range of Scenarios

Reporting at the November 9 Committee-of-the-Whole on Finance meeting, the District 64 Community Finance Committee (CFC) delivered a new analysis of the District's long-range finances. Using the District's financial model, the CFC's Financial Structure Study Group altered various assumptions embedded in the model to gauge the impact on the District's future fund balances.

"We are very thankful to the CFC for its ongoing commitment to advising the Board and providing an independent view of the District's financial situation and outlook," Board President John Heyde stated. CFC study group members included: Kent Bergren, Mike Calahan, Philip Eichman, Craig Elderkin, and Jun Lim.

In particular, the CFC developed a range of scenarios adjusting for differing inflation rates, changes in District staffing, and the "historically severe economic contraction," the study group reported. The CFC scenarios were then contrasted against the model. In general, the CFC 10-year outlook is doubly conservative by using higher expense growth combined with a lower revenue starting point than the baseline model.

At the time of the referendum in 2007, the District had anticipated being able to maintain its operating fund balance target of 33% for 10 years without returning to voters again for a tax revenue increase. The CFC study group scenarios for 2017 now show that the fund balance objective is still reachable in the best case or may begin falling below the target a year early in the worst.

"This fund balance study gives us an excellent tool to help us take a longer view about the impact of changes to the economy and in the District's budgeting decisions going forward," Dr. Pryor added. "The study points out that the District is still in a sound position financially to meet our educational goals for students and fulfill the expectations of local taxpayers," she noted. "The District will have to continue its spend management and be watchful about the impact of the economy, but we can be very deliberate about any adjustments that may be needed in the future. We will turn to this study tool many times to help measure those impacts and weigh any adjustments as we move into the new decade," she concluded.

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