


TO: Board of Education  
Philip Bender, Superintendent

FROM: Rebecca J. Allard, Business Manager 

DATE: September 26, 2011

RE: Follow-up to Discussion on \$500,000 Reserve Proposal - revised

The following is an addendum to the memorandum dated September 19, 2011, 2011-12 Tentative Budget Draft #3 - \$500,000 Reserve Proposal. The following is intended to clarify the administration's commitment to maintaining a \$500,000 reserve fund (Education and Operations & Maintenance Fund combined) in the budget categories of purchased services, supplies & materials and capital outlay:

- Budget line items will be tagged to monitor the ninety percent (90%) spending limits. The 90% is calculated in the aggregate of the account which allows the administration to over-spend one account and to under-spend in another account.
- The administration will seek Board approval prior to spending dollars that will reduce the \$500,000 reserve fund.
- The monthly financial reports will now contain an aggregate summary report identify the aggregate spending patterns of the affected accounts. A sample aggregate report is attached.



TO: Board of Education

FROM: Dr. Philip Bender, Superintendent  
ESC Administrative Team

DATE: September 19, 2011

RE: 2011-12 Tentative Budget Draft #3 - \$500,000 Reserve Proposal

Tentative Budget Draft #3 was presented to the Board at the September 12 Committee-of-the-Whole Finance meeting. At that time, the Board of Education requested administration to review the possibility of placing \$500,000 in "reserve" from the budgeted expenditures in the Education Fund and the Operations & Maintenance (O&M) Fund for purchased services, supplies and capital outlay. This memo is intended to respond to that proposal.

### **Background**

The budget planning process for District 64 began January 24 with the Board's approval to prepare the budget for 2011-12 and approve the budget calendar. The District's long-range financial projections were reviewed on February 14; the Board also approved the staffing plan for 2011-12 at that time.

The Board's first review of the budget was on May 9, when tentative budget draft #1 was publicly presented and discussed; it was also posted to the financial data page of the District's website. Budget development continued as additional information was received and incorporated into tentative budget draft #2. The Board officially adopted this draft as the District's tentative budget on July 11 and set the public hearing date of September 26. Copies of this draft also were placed on display for 30 days prior to the public hearing; it was also posted to the financial data page of the website.

Through the summer, modifications were made to the budget as: new information was obtained on revenues from Cook County, the Illinois State Board of Education (ISBE), and the Illinois Department of Commerce & Economic Opportunity (DECO) for a lighting grant award; the District's fiscal year 2010-11 closing data (unaudited) became available; and staff hirings to accommodate enrollments in August were confirmed. These updates were included in tentative budget draft #3 presented on September 12; a complete list of modifications was included as Tab 1 of that budget. That budget draft also was posted to the District 64 website.

### **Spend Management in 2011-12 Budget**

As acknowledged by Board members on September 12, District 64's culture of savings is in evidence in the many steps taken to reduce the growth of expenditures by either

eliminating expenditures or holding down cost increases. This is true on an ongoing basis and specifically for the 2011-12 budget.

From the outset, all District 64 budget makers were directed when the process began in January to hold or reduce expenditures from the prior year level.

In addition, administration has further delivered direct savings for the 2011-12 budget through rigorous spend management practices. Among those are:

- Elimination of one full-time administrator from the central office (\$185,085)
- Reduction in transportation costs for busing of regular education students through competitive bidding (\$306,578)
- Reduction in growth of employee insurance benefit costs through transfer to Northern Illinois Health Insurance Plan (NIHIP) (\$127,000)
- Reduction in growth of various insurance costs through transfer to Collective Liability Insurance Cooperative (CLIC) (\$74,291)
- Reduction of electricity costs through direct purchase agreement (\$135,499)
- Reduction of Strategic Plan year two budget request (\$75,000 reallocation, \$25,990 reduction)
- Pacing of facility master plan activities over two years and negotiation of architect fees (\$100,000)

### **\$500,000 Reserve Proposal**

Administration believes that we have carefully prepared a budget for 2011-12 that is consistent with our commitment to spend management, as evidenced by the specific actions noted above. However, it also reflects the administration's dedication to maintaining the high quality of the educational program and services provided to the 4,300 students of District 64, and to continuous improvement in meeting our student learning goals. The challenge as always is to fulfill our educational mission while being responsible stewards of the community's financial resources.

The current proposal is directed at specific expenditure categories in two funds:

- In the Education Fund:
  - "purchased services" category pays for staff development, the food service contract, and legal fees
  - "supplies" and "capital outlay" categories pay for all instructional supplies and materials, which includes technology
- In the O&M Fund:
  - "purchased services" pays for repair and maintenance of equipment, telephones, water fees, school crossing guards, and architect and other engineering fees
  - "supplies" covers items such as natural gas, electricity, and custodial and maintenance supplies
  - "capital outlay" covers the anticipated lighting replacement program and the summer 2011 capital projects at Franklin and Carpenter schools

The administrative team met following the September 12 Board meeting to review planned expenditures in these categories and discuss the impact of reducing spending from the levels requested in the budget. Based on this review, administration believes that it would be possible to achieve an overall savings of \$500,000 from these accounts for 2011-12 using the guidelines noted below.

Once approved, the budget provides a spending plan for the year. As always, administration intends to follow the plan as closely as possible and to take these additional steps:

- Consult with individuals responsible for line items within the identified categories of the two funds to further review budgeted areas for potential savings.
- Monitor quarterly, or more frequently as needed, the line-item expenditures within the identified categories.
- Work together as an administrative team to adjust spending in these areas as required to produce the targeted savings of \$500,000 during the 2011-12 fiscal year.

In addition, administration will put in place these accountability measures:

- If unforeseen circumstances occur that prevent this goal from being reached, administration will promptly inform the Board of the specific need and the likely impact.
- Provide the Board in May/June 2012 with a breakdown of how the \$500,000 targeted savings has been achieved.

We believe these guidelines will meet the Board's objective to reduce spending by \$500,000, while providing administration with flexibility to find opportunities for savings based on real-time needs as the school year unfolds. We believe this approach also would allow administration to buffer the impact of these reductions as far as possible from student learning and critical maintenance needs at the schools.

Thank you for giving us the opportunity to provide thoughtful input into the Board's proposal.

Please feel free to contact Dr. Bender with questions prior to the special Board meeting.

