

FINANCIAL PROJECTIONS

Board of Education Meeting
February 8, 2010

Park Ridge-Niles
School District

64

164 South Prospect Avenue Park Ridge, IL 60068



WHAT GOOGLE SAYS ABOUT FINANCIAL PROJECTIONS

- ✖ *They are both an art & a science*
- ✖ *They are an essential element of planning*
- ✖ *They anticipate future financial performance*
 - + *No one can predict the future*

AGENDA

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

BACKGROUND

BACKGROUND

✕ What is 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

BACKGROUND

✕ Who is Lawrence Heidemann?

+ Employment History

- ✕ 31-year corporate career managing and leading
 - ✱ Strategic Planning, Operations Management, Capital Development & Personnel Management & Training

+ Retirement

- ✕ Consulting

+ School District Experience

- ✕ School Board Member (16 years) – Frankfort 157

Elizabeth Hennessey, William Blair & Company pointed the District in this direction

BACKGROUND

- ✗ Do other school districts use this model?
 - + Twelve collar county and suburban Cook County school districts
 - + Niles Township High School District 219
 - ✗ Working with Mr. Heidemann to develop a *Meritorious Budget Award* Model

BACKGROUND

- ✗ 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

✕ Why STRATPLAN?

+ Different view of financial information

✕ Current Base Case

- ✧ Status quo

✕ Strategic Staffing Case

- ✧ Adds undefined funding for possible program improvements for five-years

✕ Stagnation Case

- ✧ CPI-U is less than the current base case

✕ Rapid Recovery Case

- ✧ CPI-U is greater than the current base case

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

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
 - + Park Ridge Niles Community Consolidated School District 64
 - ✕ Budgets
 - ✕ Audits
 - ✕ Annual Statement of Publication

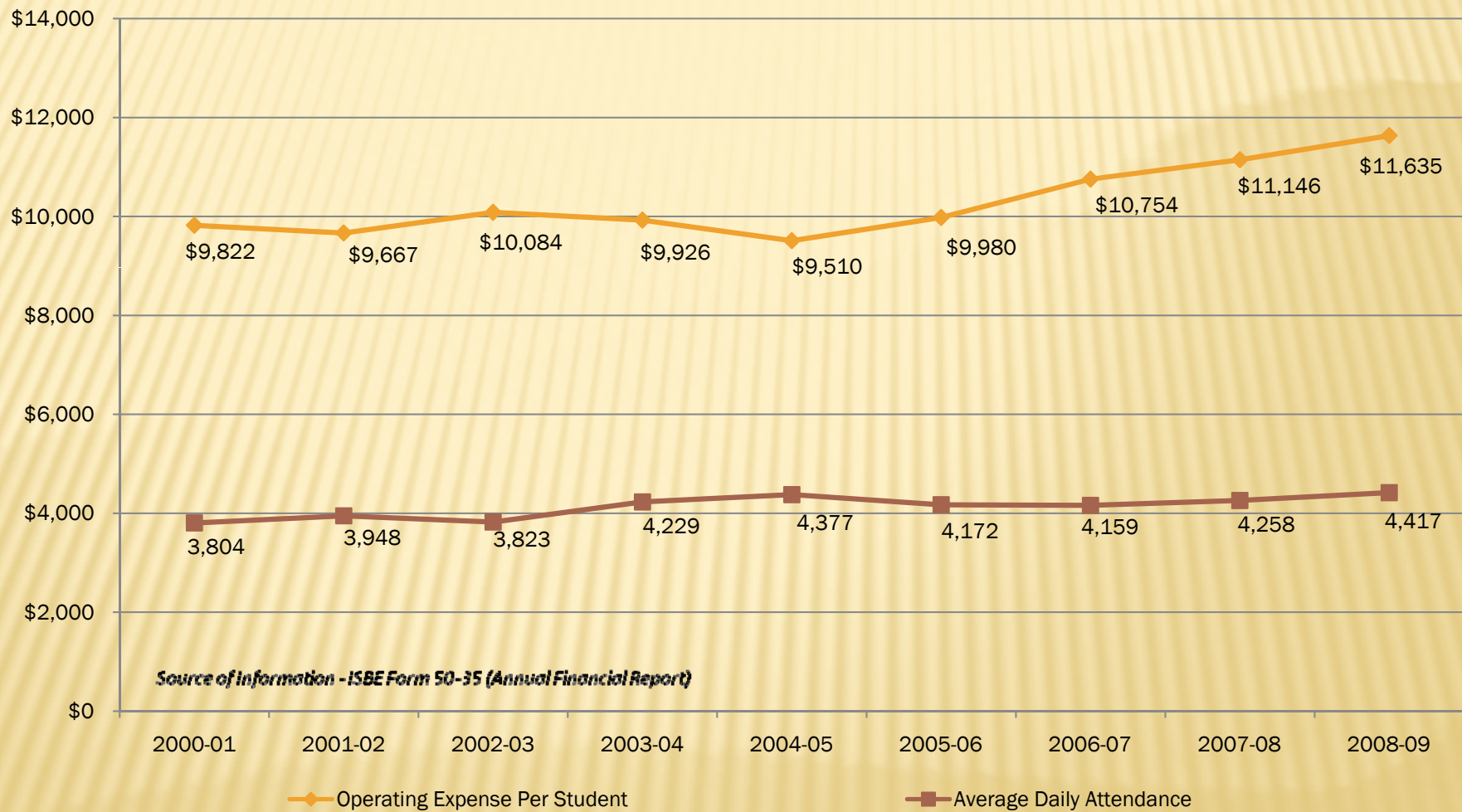
BACKGROUND

✕ *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*

OPERATING EXPENSE PER STUDENT

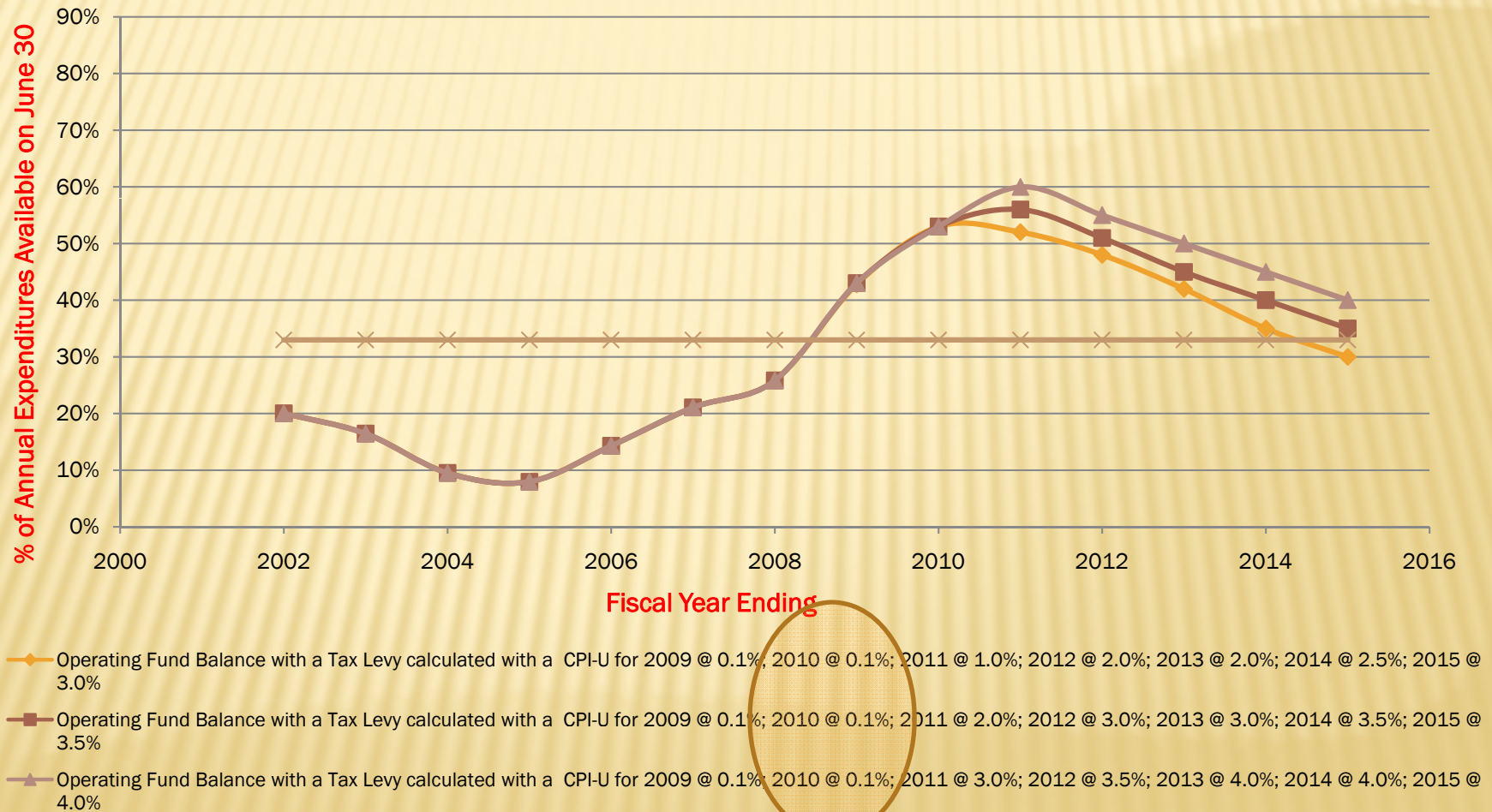


CPI-U HISTORY

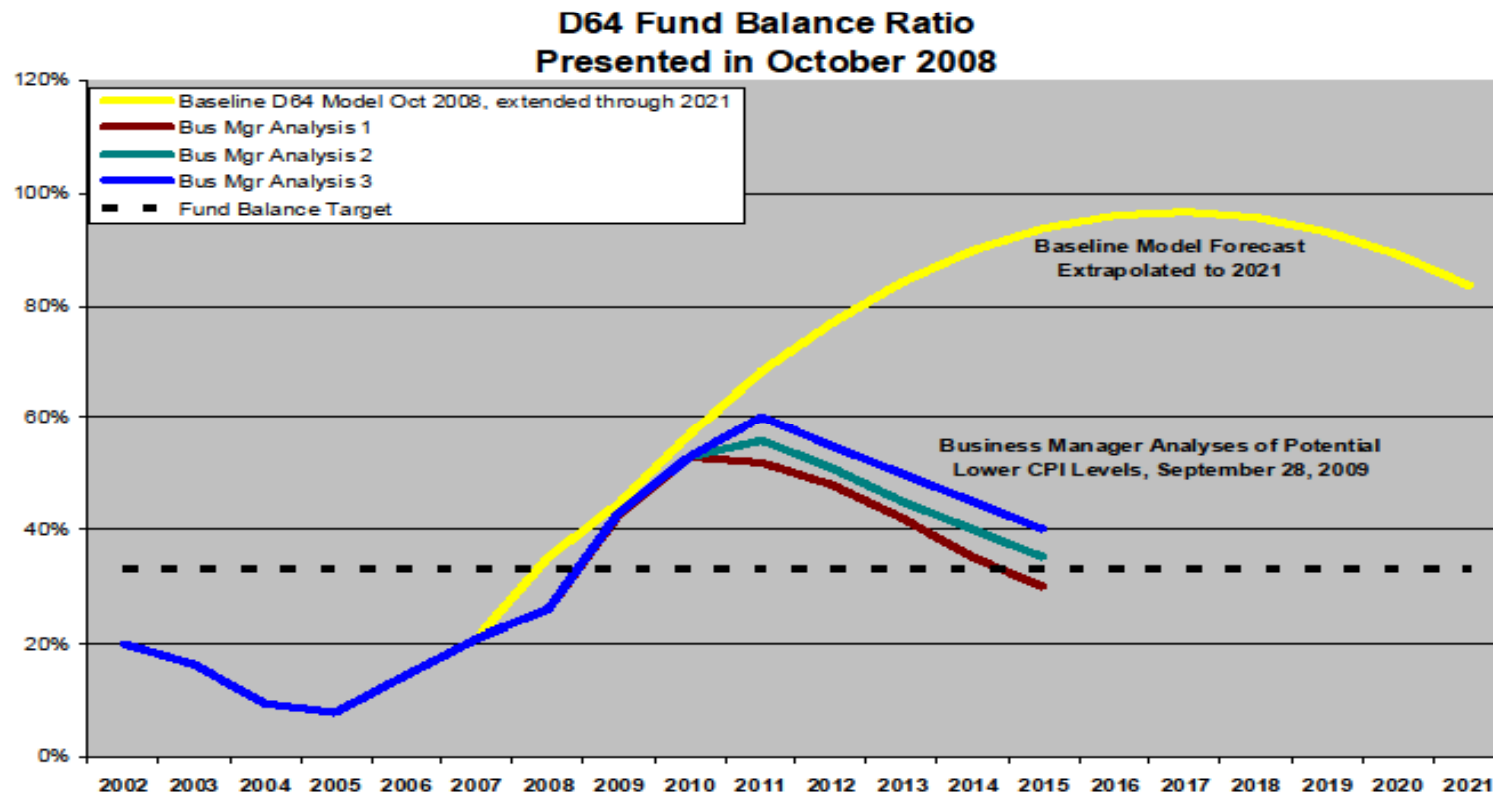
December XXXX CPI-U used in Tax Cap Formula (levy year)	CPI-U
1990	6.1%
1991	3.1%
2002	2.4%
2003	1.9%
2004	3.3%
2005	3.4%
2006	2.5%
2007	4.1%
2008	0.1%
2009	2.7%

FINANCIAL PROJECTIONS – SEPTEMBER 2009

Park Ridge - Niles School District 64



CFC FINANCIAL PROJECTIONS – NOVEMBER 2009

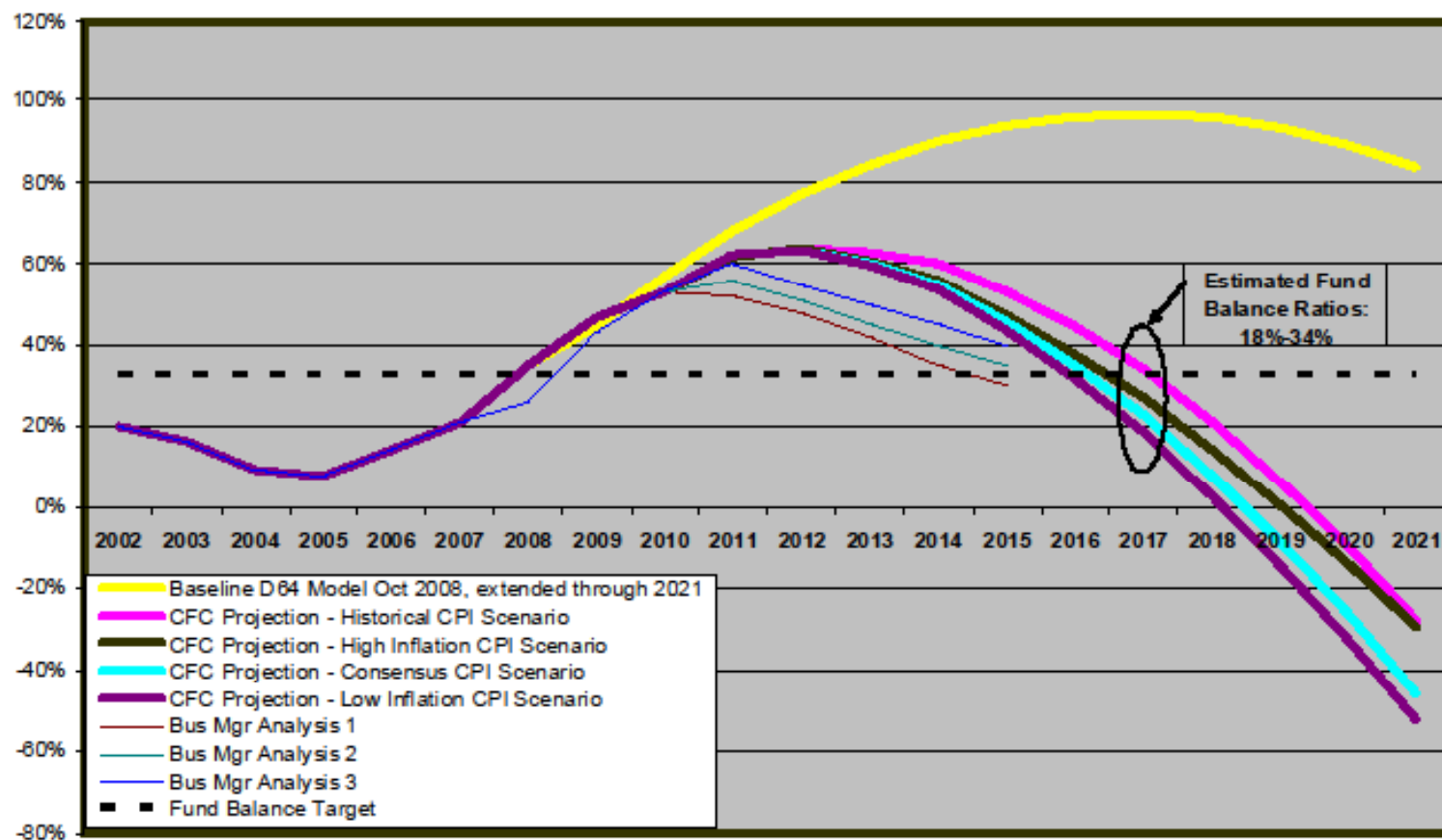


November 9, 2009

CFC SPREADSHEET INCORPORATED FOUR CPI SCENARIOS

	Spreadsheet Values 2011 - 2019	Source
D64 Model	3.0 % (October 2008)	
Historical Trend	2.5%	8-year average and median
Blue Chip Consensus	Range 1.9% to 2.7%	Congressional Budget Office & private forecasters polled by the FED
Low-Inflation	0.1%; 1.0%; 2.0%; 2.5%; Hold @ 3.0%	Discussion with Becky Allard
High-Inflation	2.5% Rising to 4.0% - 5.0%	First Trust Portfolios, Brian Wesbury

CFC Projected Fund Balance Ratios Under Various CPI Scenarios



November 9, 2009

SENSITIVITIES (TAB 8)

✖ 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

CPI-U COMPARISON

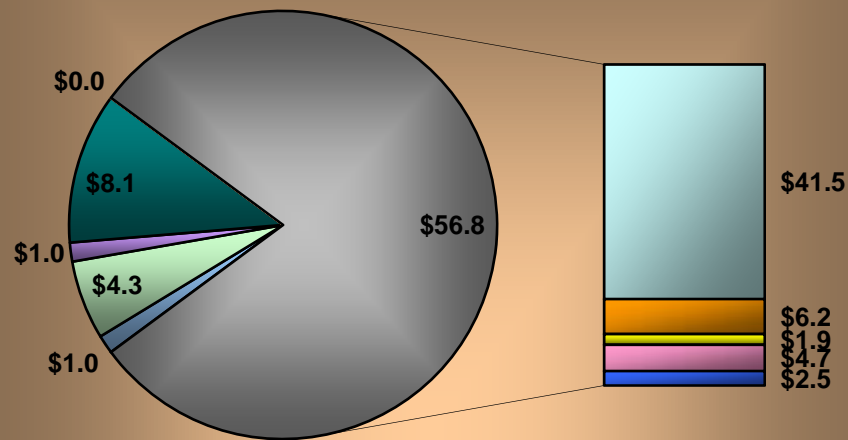
Levy Year	District (September 2009)	CFC (November 2009)	Current Base Case	Strategic Staffing Case	Stagnation Case	Rapid Recovery Case
2008	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
2009	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
2010	0.1%	1.0%	2.7%	2.7%	2.7%	2.7%
2011	2.0%	2.0%	1.0%	1.0%	0.0%	3.0%
2012	3.0%	2.5%	2.5%	2.5%	1.0%	3.5%
2013	3.0%	3.0%	2.5%	2.5%	1.5%	3.5%
2014	3.5%	3.0%	2.5%	2.5%	2.5%	3.5%
2015	3.5%	3.0%	2.5%	2.5%	2.5%	3.5%

WHAT DOES THE CHANGE IN CPI MEAN?

Levy Year	CPI	Revenue	Increase in Revenue
2010	0.1%	\$70,975,000	
2010	2.7%	\$73,645,000	\$2,670,000

2009-10 REVENUE BUDGET

Revenue - Million Dollars - by Source

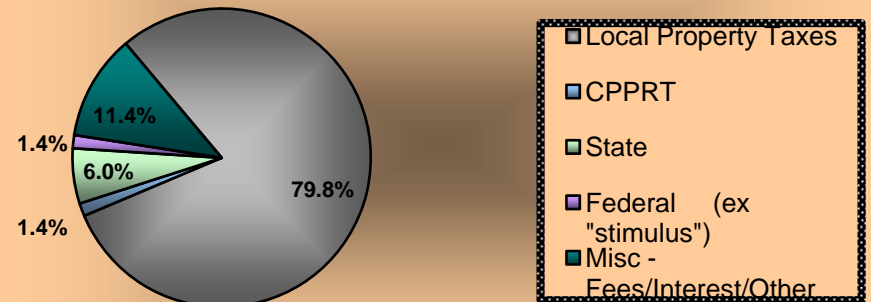


- Local Property Taxes
- CPPRT
- State
- Federal (ex "stimulus")
- Misc - Fees/Interest/Other

Property Tax Details

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

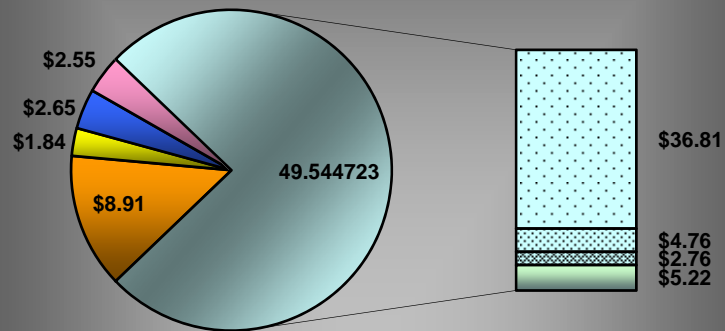
Revenues - by Source



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

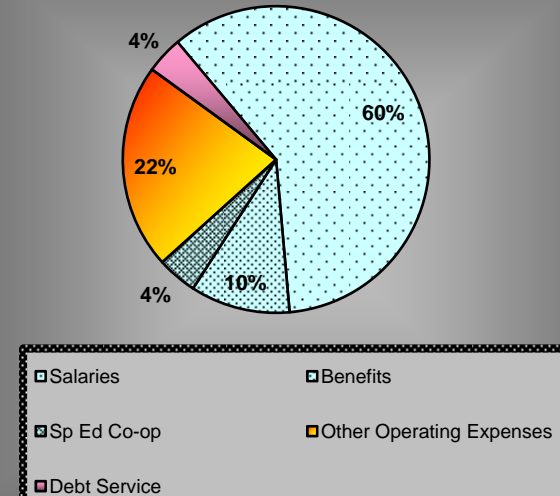
2009-10 EXPENDITURE BUDGET

Expenses - Million Dollars - By Fund

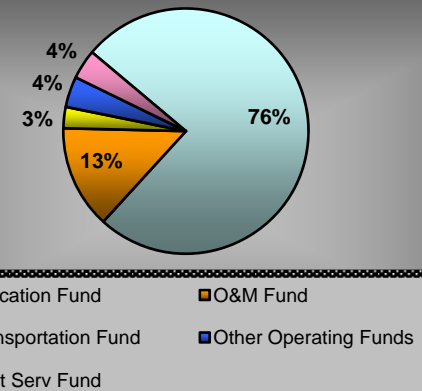


- Education Fund
- O&M Fund
- Transportation Fund
- Other Operating Funds
- Debt Service Fund
- Ed Fund Details
 - Ed Salaries
 - Ed Benefits
 - Sp Ed Co-Op
 - Ed Other

Expenses - Percent - by Object



Expenses - Percent - by Fund



CURRENT BASE CASE

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 – 1.0
- + 2012 Levy – 2.5%

★ continues at this level

× EAV

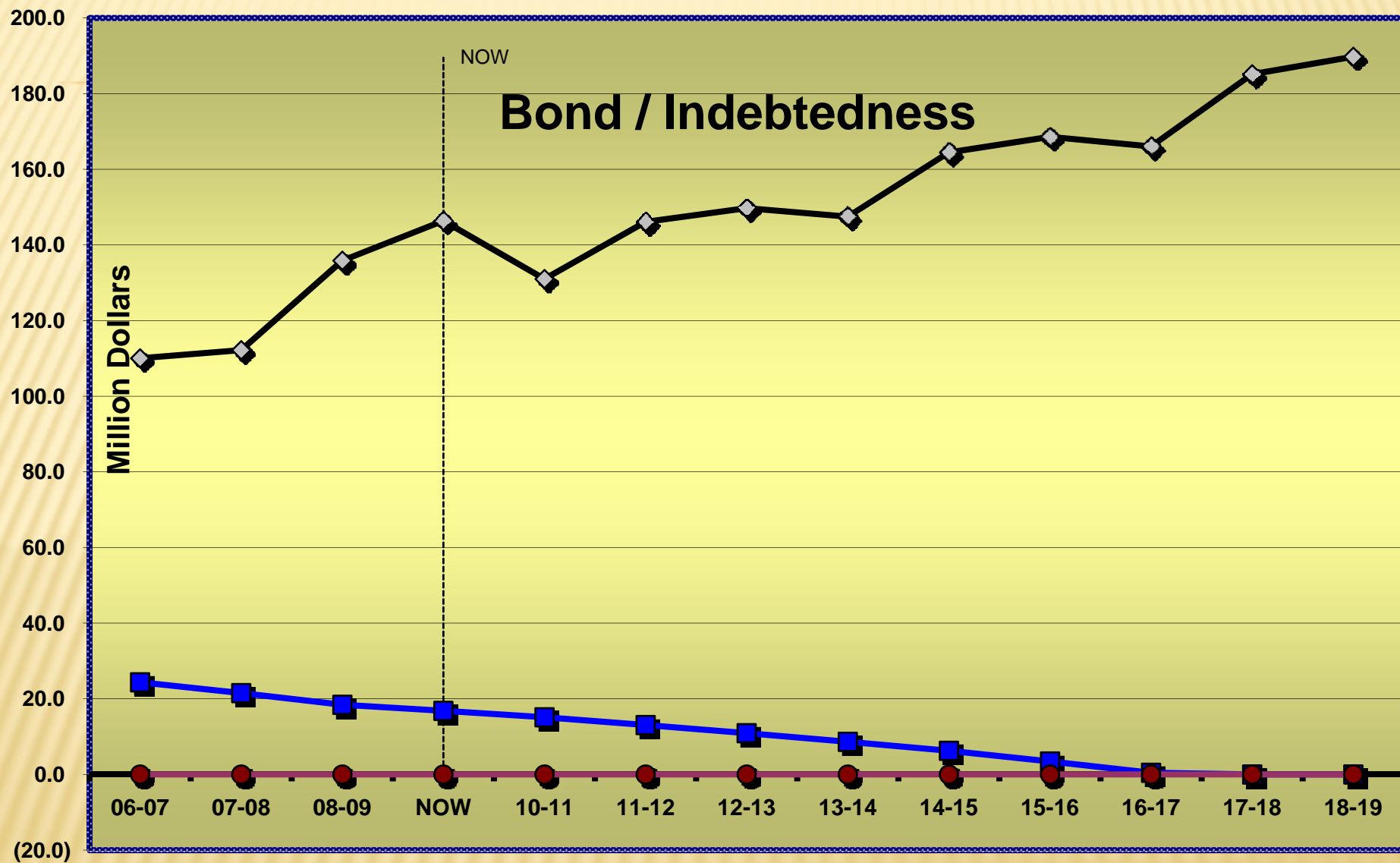
- + 2009 – decrease 12%

Triennial Assessment Pattern

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

EXPENDITURE ASSUMPTIONS

- ✖ Staffing reflects Kasarda “Series B” projection
 - + K – 8 average class size of 24
- ✖ Average base salary increase of 2.5% + step
- ✖ Benefits average 10%
 - + \$300,000 *for retirement incentives*
- ✖ All other expenses are increased by CPI
- ✖ Special Education Tuition average 10%
- ✖ Capital – FAA projects plus \$1 million per year



New Bond Issues

Other Proceeds

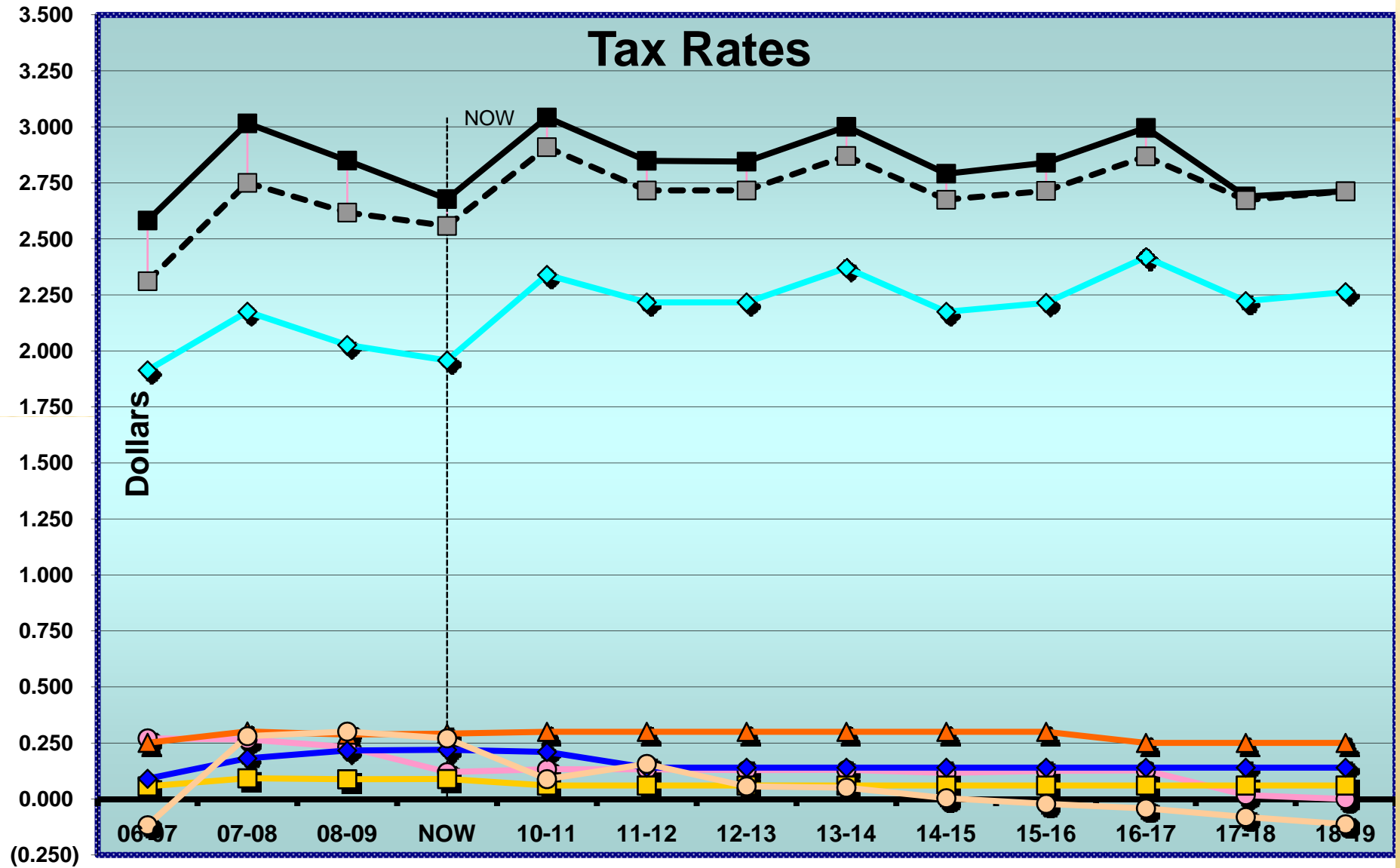
Legal Debt Capacity

Total Debt Outstanding

"New" Debt Outstanding

Sales, Impact Fees, Cap Surplus

Tax Rates



■ Total Tax Rate

● Debt Serv Fund

◆ Other Funds

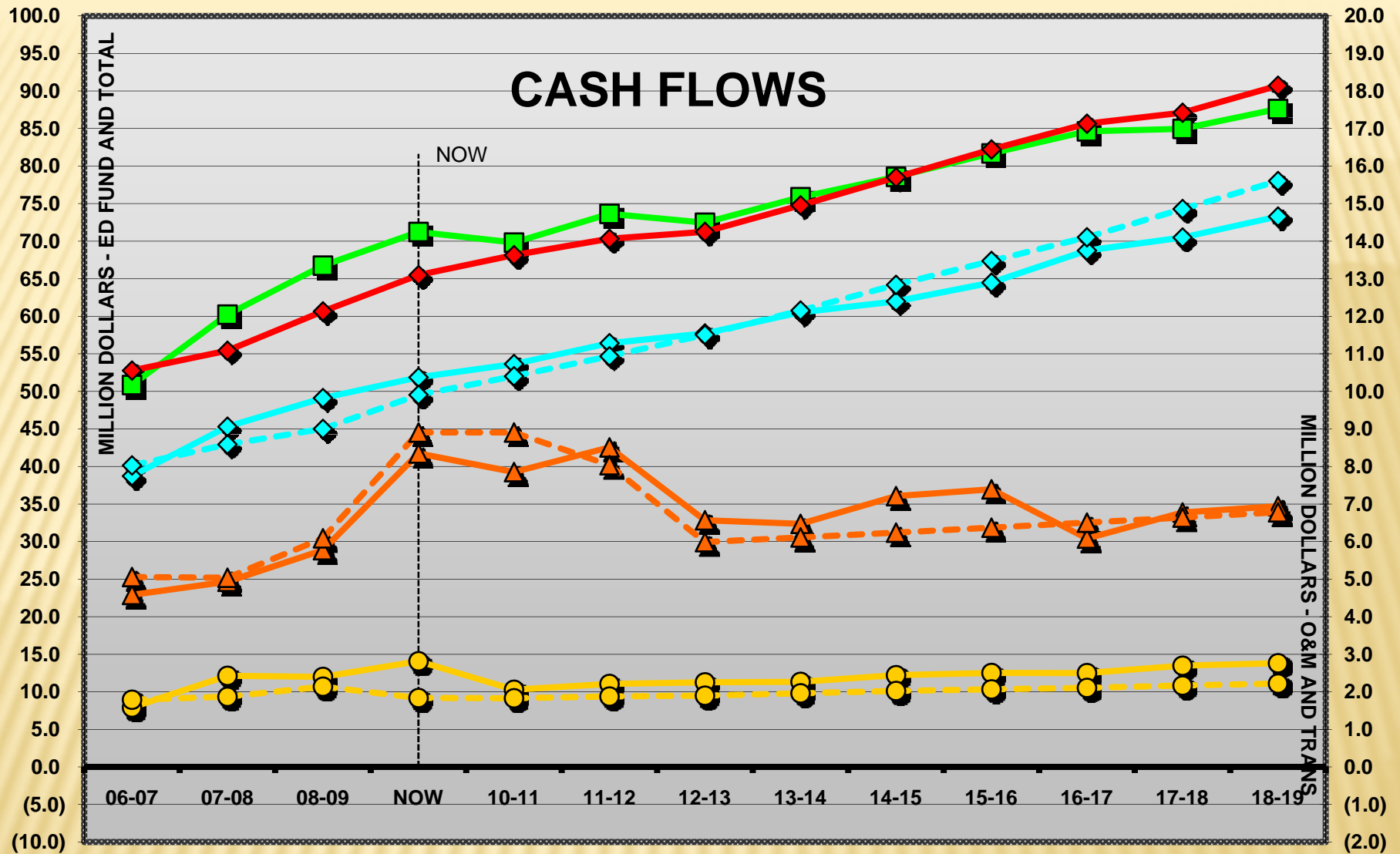
■ SubTotal - Capped Funds

▲ O&M Fund

○ Surplus/(Deficit) - equiv rate

◆ Education Fund

■ Transportation Fund



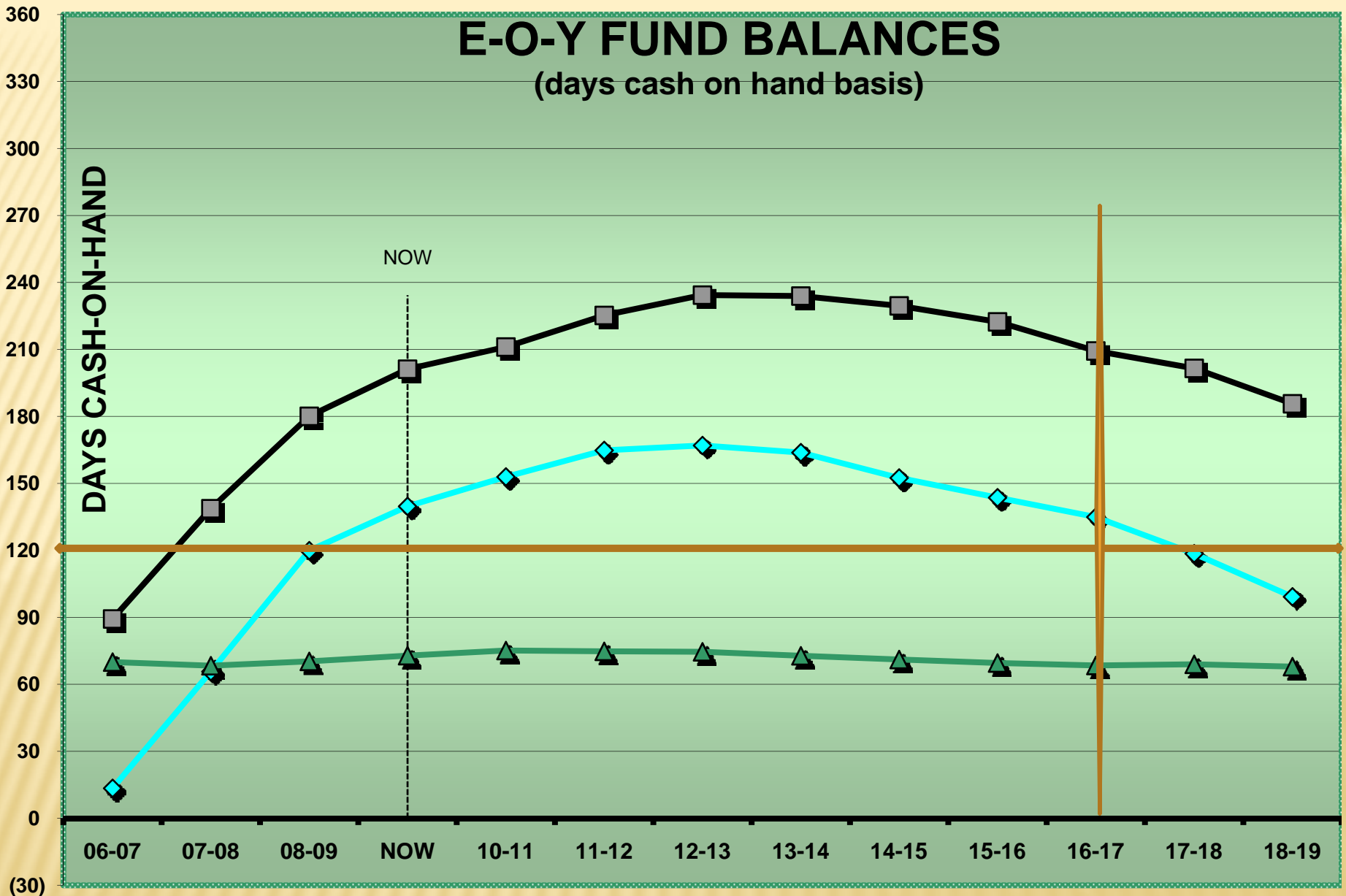
- | | |
|---|--|
| ■ Revenue - Total | ◆ Expenses - Total |
| ◇ Ed Fund Revenue | ◇ Ed Fund Expenses |
| ▲ O&M Fund Revenue | ▲ O&M Fund Expenses |
| ○ Transportation Fund Revenue | ○ Transportation Fund Expenses |

E-O-Y FUND BALANCES

(days cash on hand basis)

DAYS CASH-ON-HAND

NOW

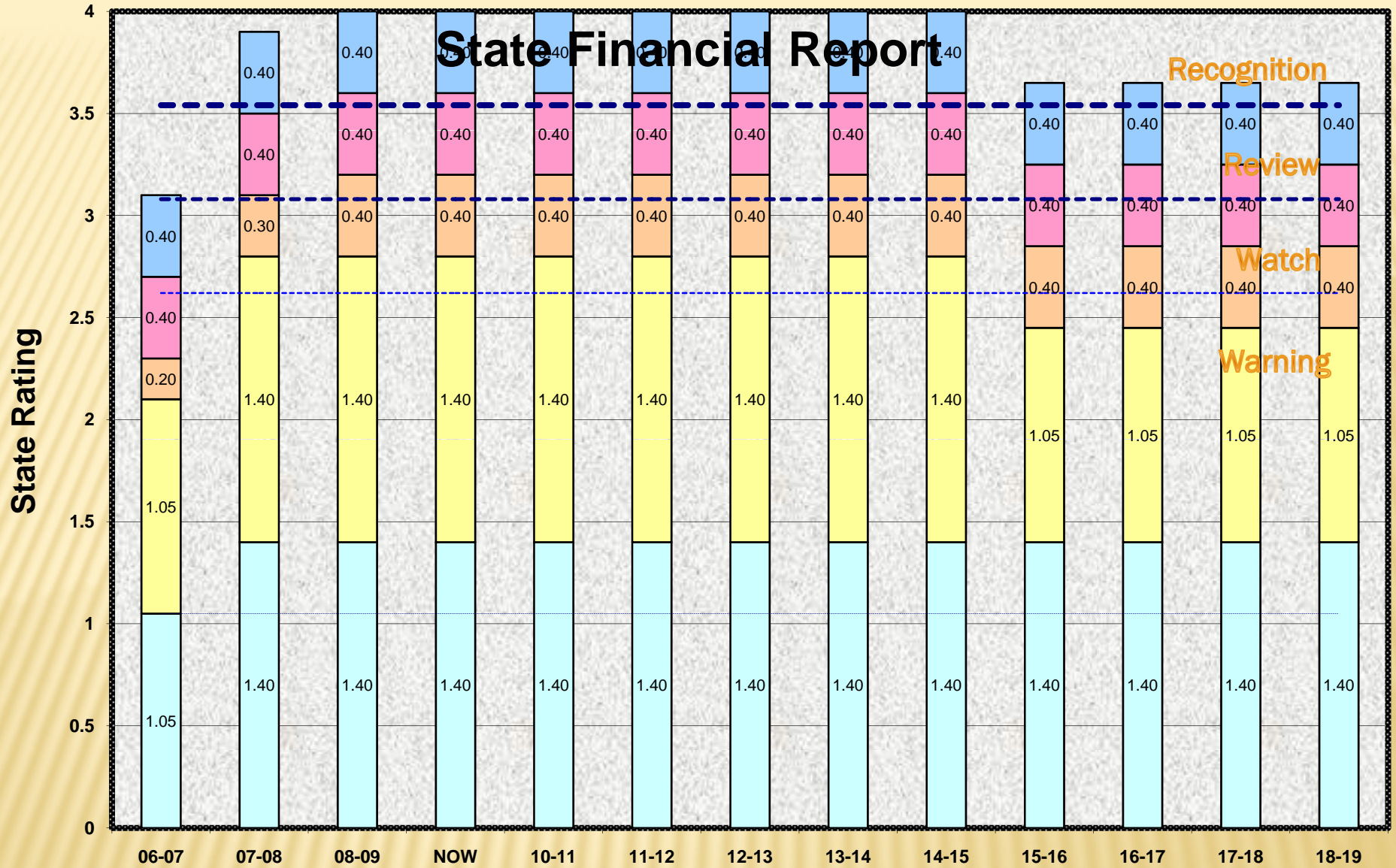


■ Total Funds (ex Impact)

◆ Education Fund

▲ Working Cash (for total expenses)

State Financial Report



Recognition

Review

Watch

Warning

Cash Basis

% Long Term Borrowing

% Short Term Borrowing

Days Cash on Hand

Expenditures to Revenue

Fund Balances to Revenue

Financial Recognition

Financial Review

Financial Watch

Financial Warning

STRATEGIC STAFFING CASE

WHAT DOES THE STRATEGIC STAFFING CASE REFLECT

- ✖ Adds \$500,000 per year for five years to support educational improvements
 - + These dollars are undefined but could include ideas stemming from the strategic plan

REVENUE ASSUMPTIONS

× CPI

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



- + 2011 Levy – 1.0
- + 2012 Levy – 2.5%

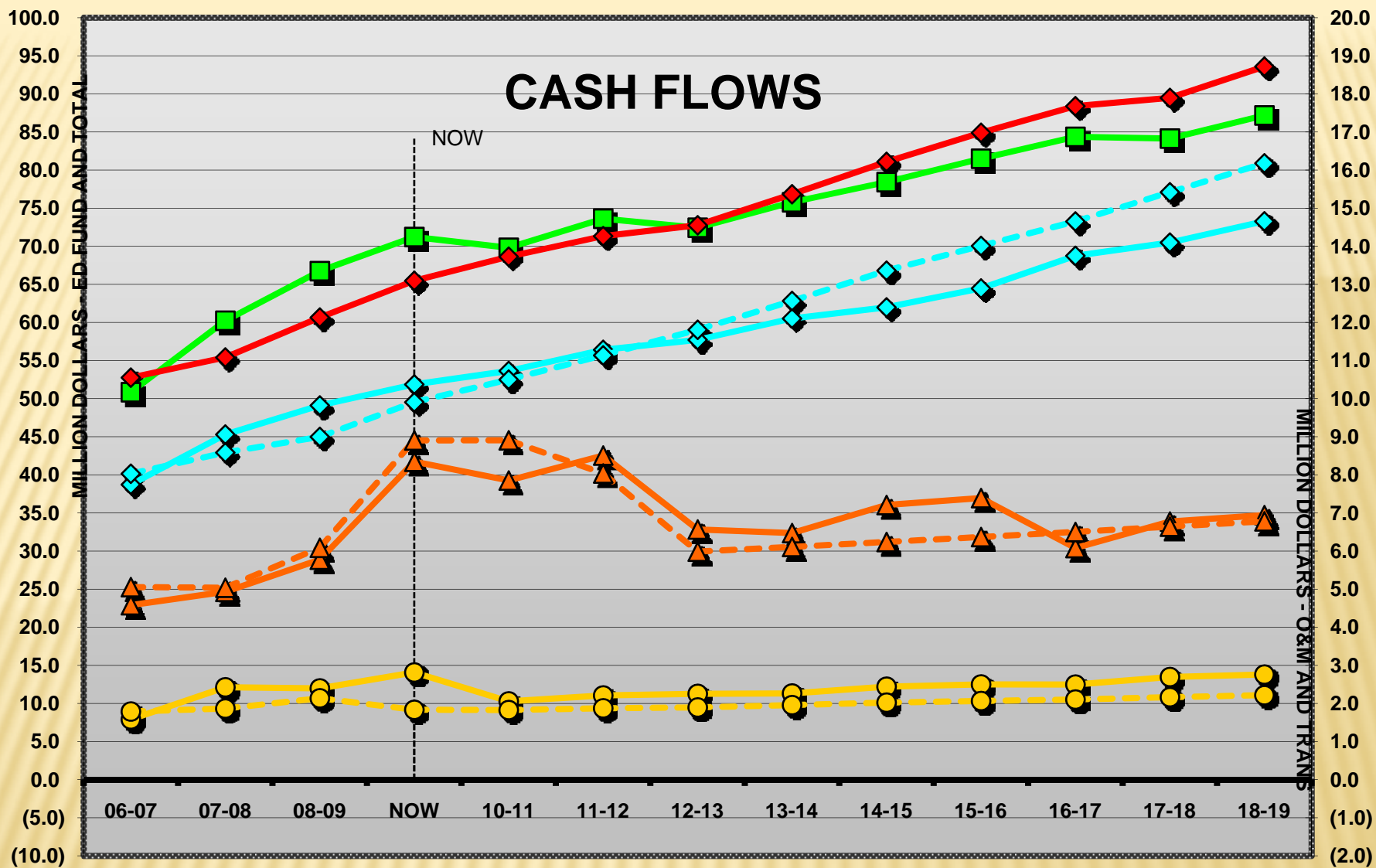
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× EAV

- + 2009 – decrease 12%

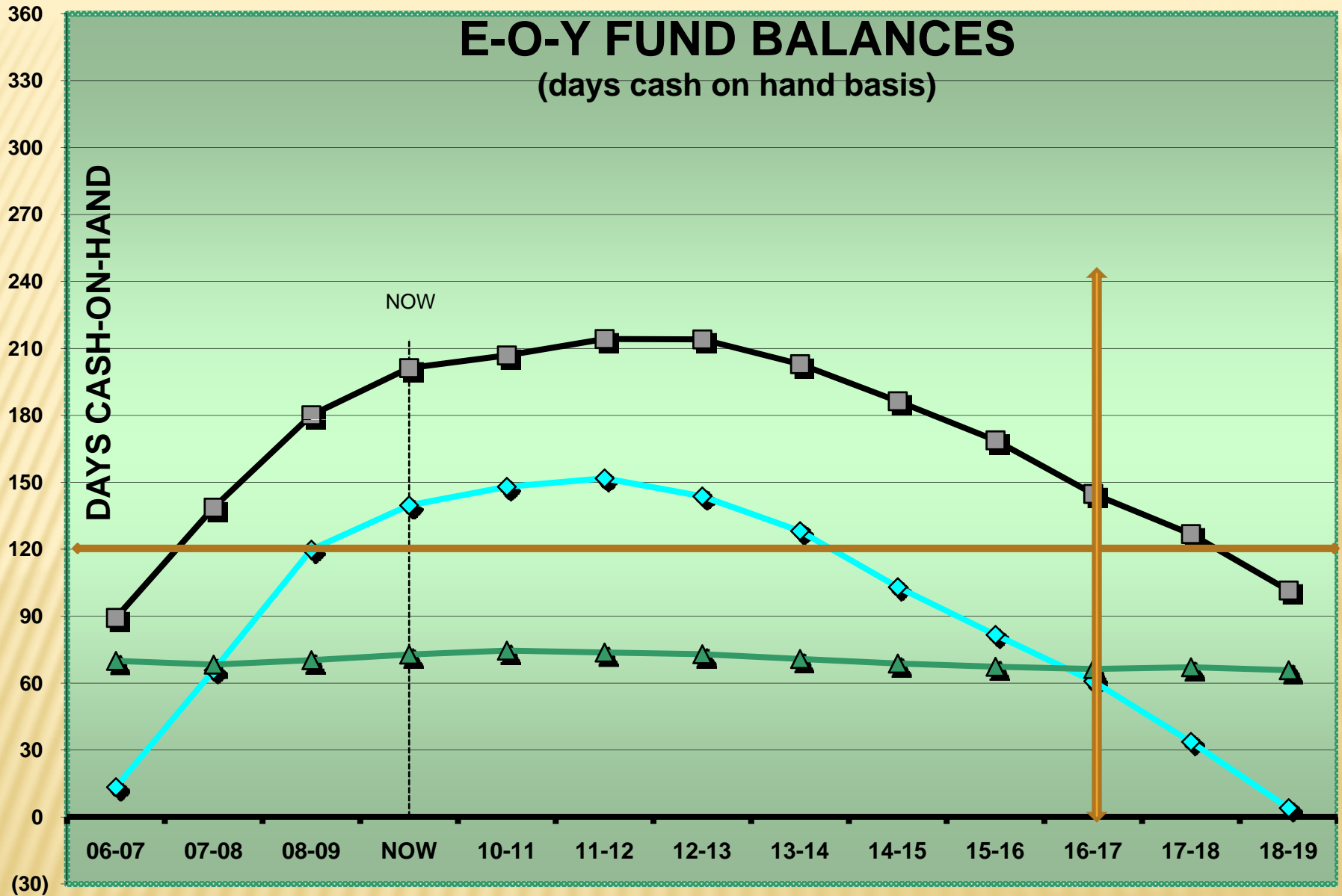
Triennial Assessment Pattern

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



E-O-Y FUND BALANCES

(days cash on hand basis)



■ Total Funds (ex Impact)

◆ Education Fund

▲ Working Cash (for total expenses)

STAGNATION CASE

REVENUE ASSUMPTIONS

× CPI

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



- + 2011 Levy – 0.0%
- + 2012 Levy – 1.0%
- + 2013 Levy – 1.5%
- + 2014 Levy – 2.5%

× EAV

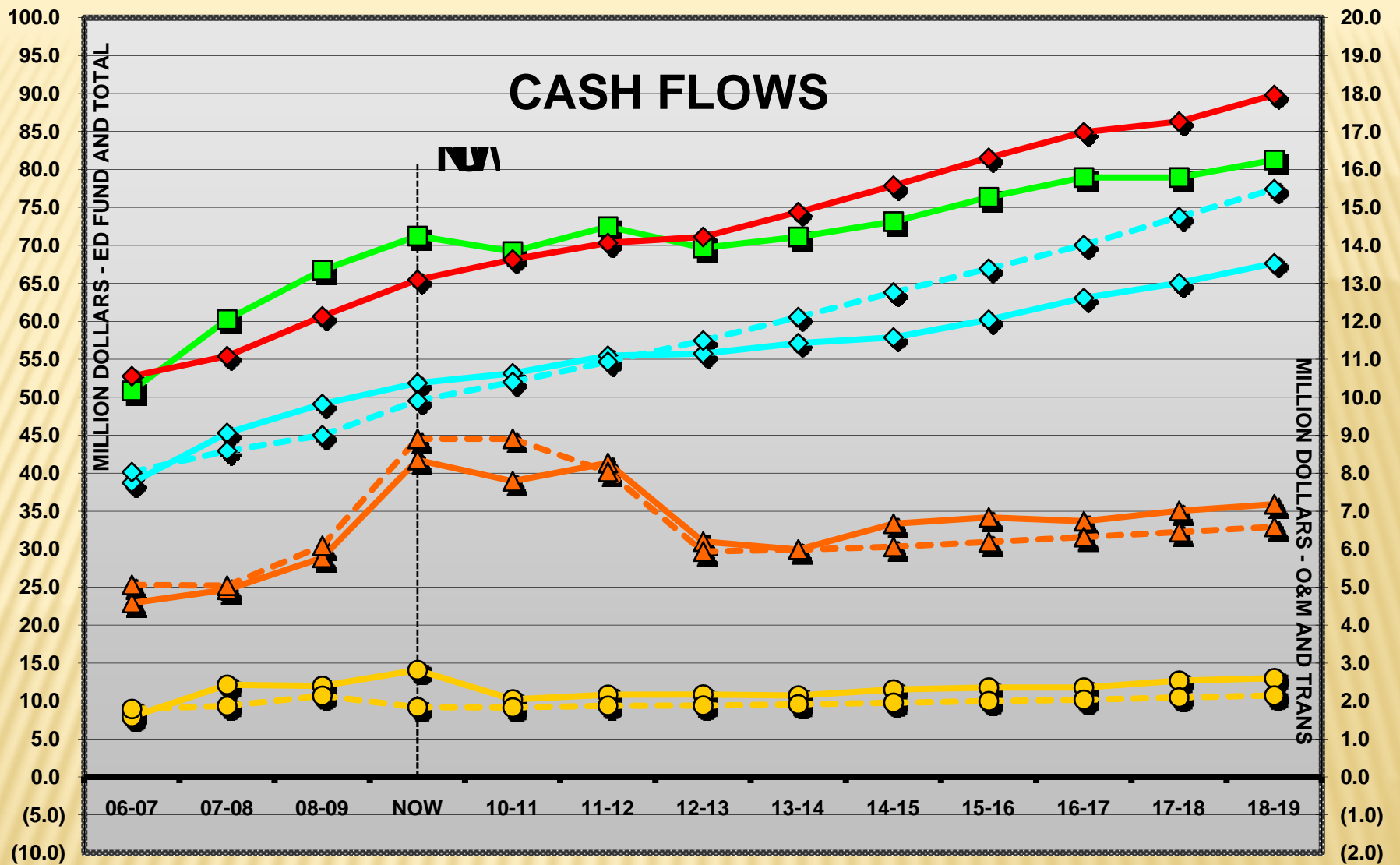
- + 2009 – decrease 12%

Following Three-Years

- + 2010 – increase 8%
- + 2011 – increase 0%
- + 2012 – decrease 4%

Triennial Assessment Pattern

- + 2013 – increase 10%
- + 2014 – increase 1%
- + 2015 – decrease 3%

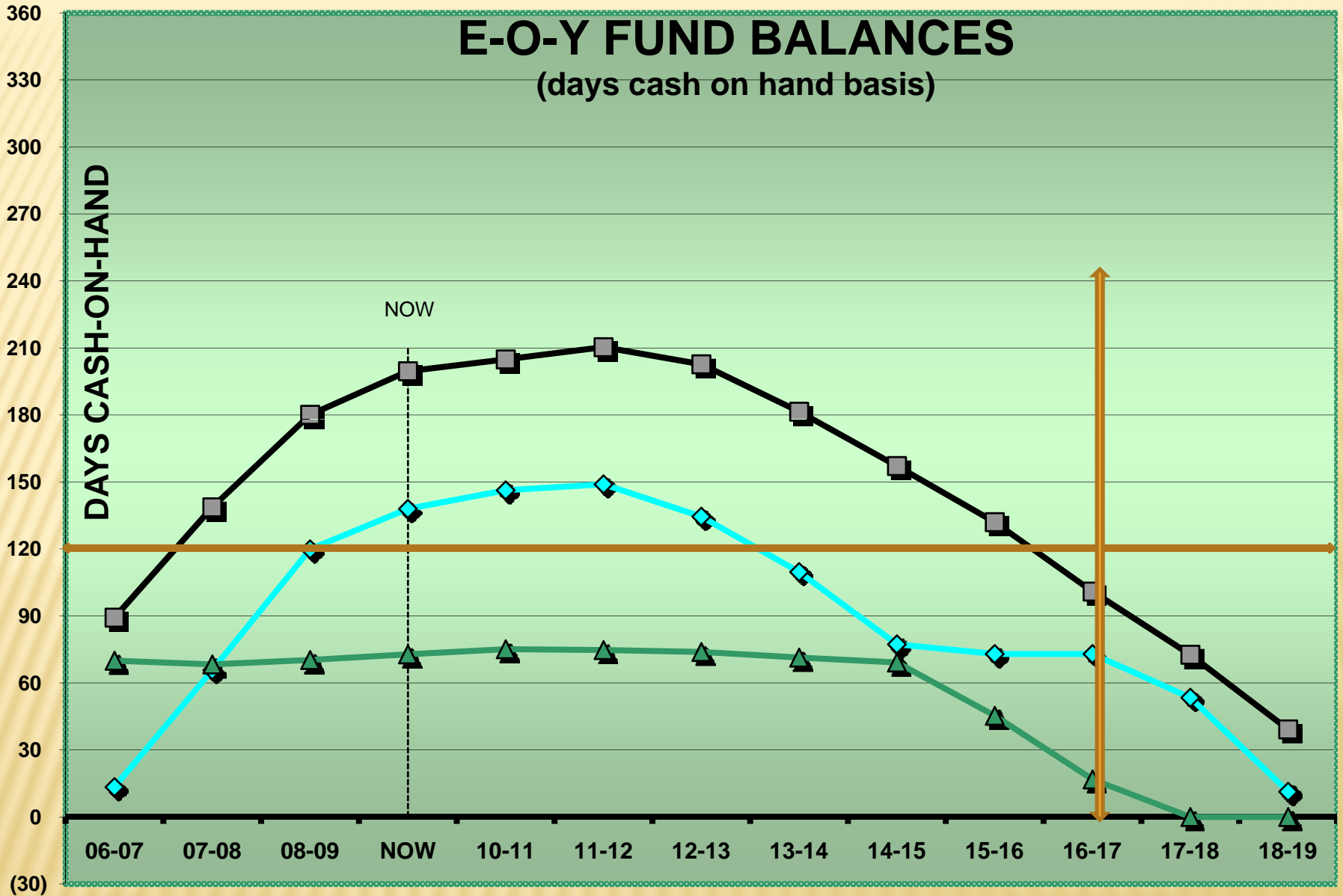


E-O-Y FUND BALANCES

(days cash on hand basis)

DAYS CASH-ON-HAND

NOW



■ Total Funds (ex Impact)

◆ Education Fund

▲ Working Cash (for total expenses)

RAPID RECOVERY CASE

REVENUE ASSUMPTIONS

× CPI

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



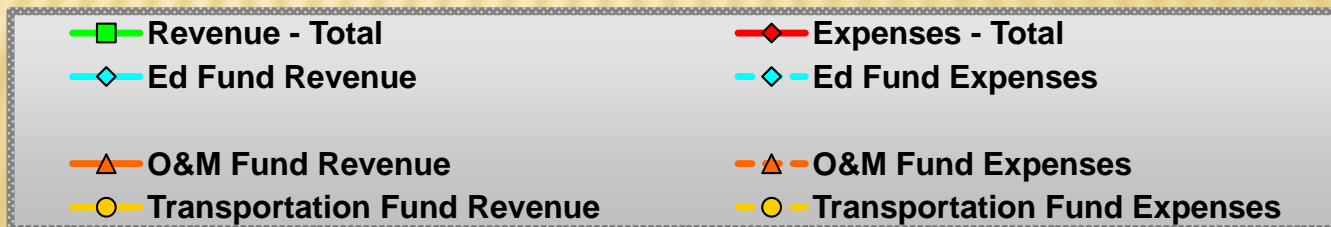
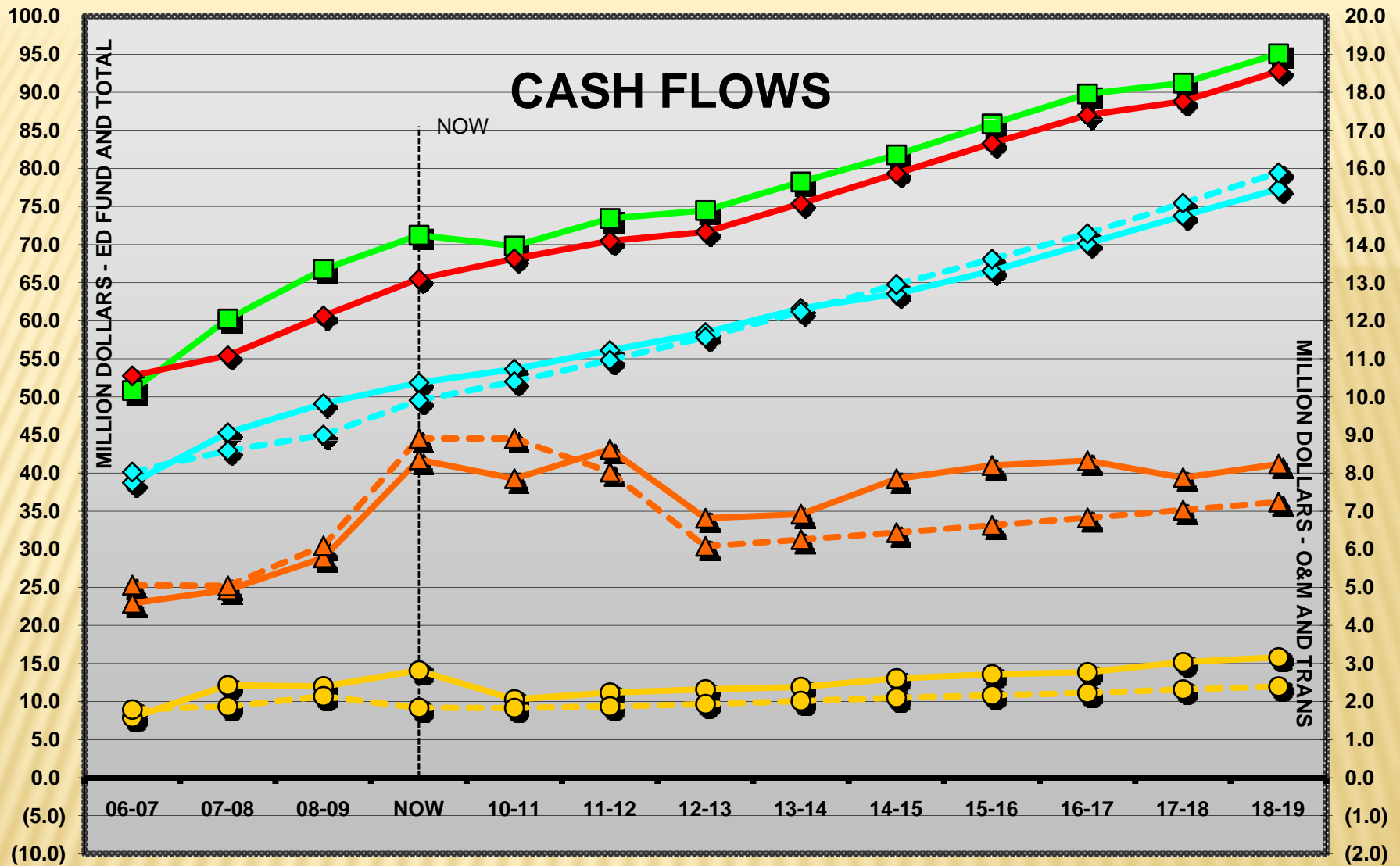
- + 2011 Levy – 3.0%
- + 2012 Levy – 3.5%

× EAV

- + 2009 – decrease 12%

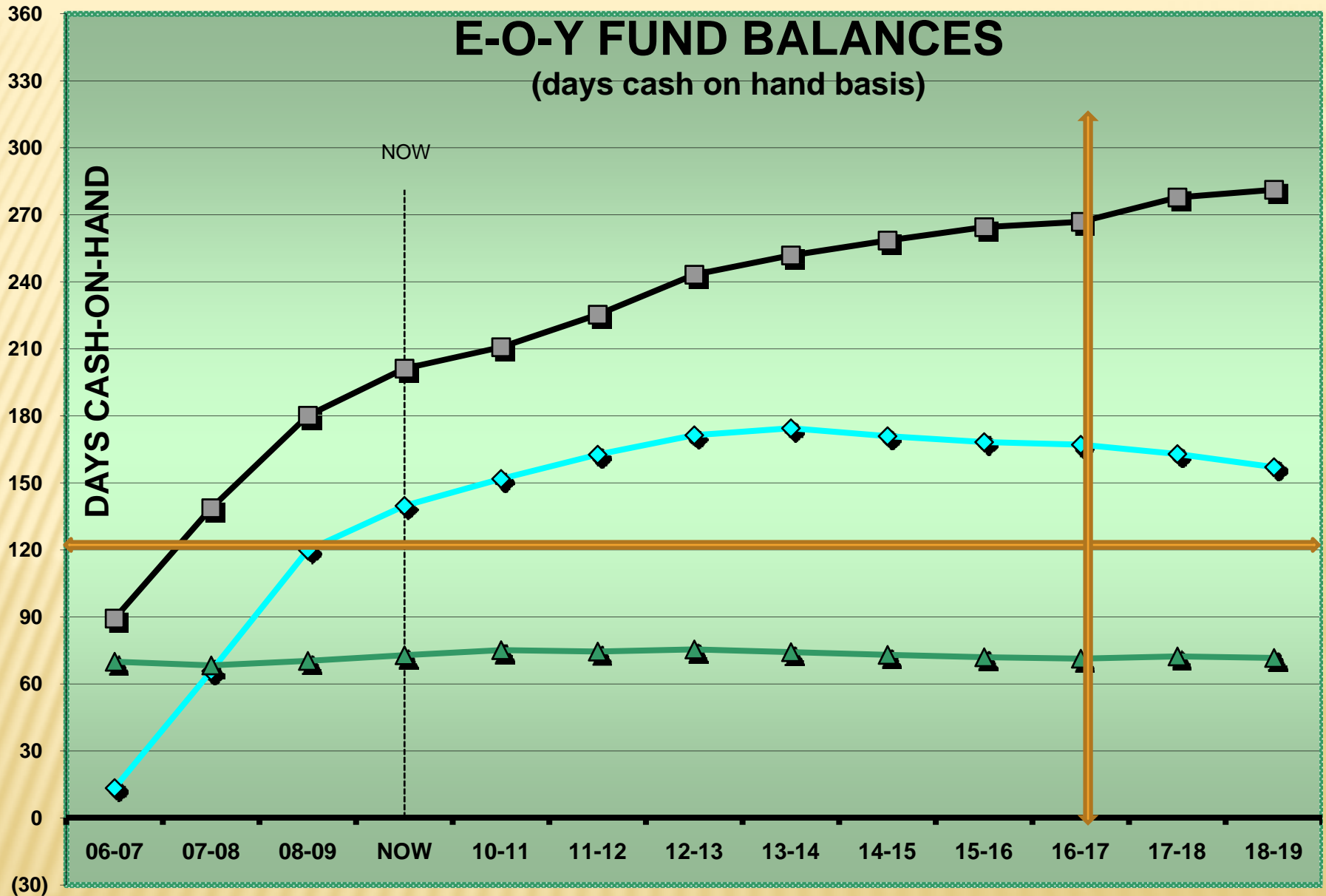
Triennial Assessment Pattern

- + 2010 – increase 12%
- + 2011 – increase 1%
- + 2012 – decrease 0%



E-O-Y FUND BALANCES

(days cash on hand basis)



■ Total Funds (ex Impact)

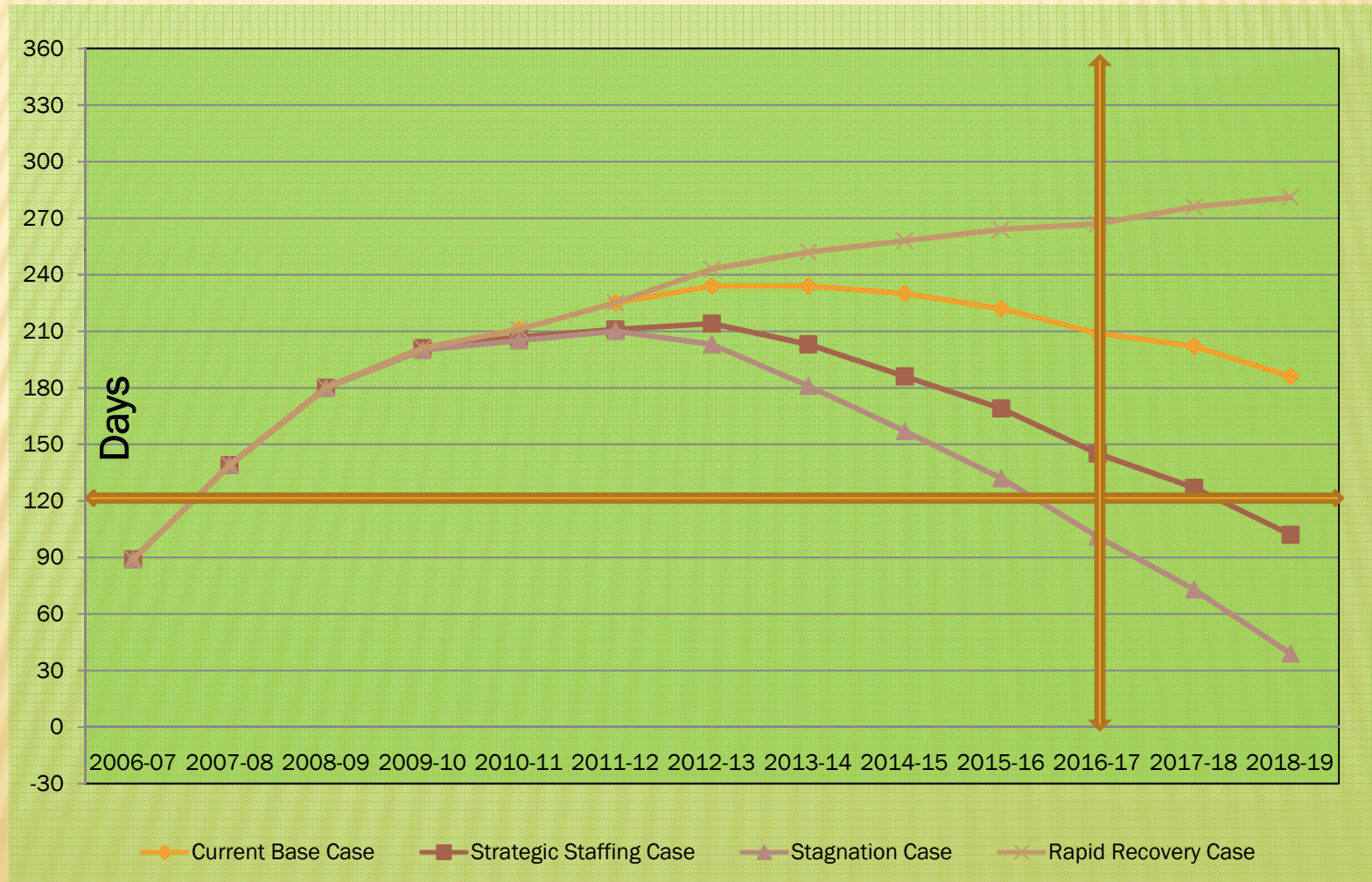
◆ Education Fund

▲ Working Cash (for total expenses)

CONCLUSION

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

DAYS CASH ON HAND – ALL CASES



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

*District 64 has now
positioned itself with solid
fund balances, positive cash
flows and considerable
flexibility and a bright future*

BOARD DISCUSSION
