Crete-Monee School District FY13 Tentative Budget August 8, 2012

Top Level Summary

Presented to the CM201U Finance Committee by Robert Groos, Assistant Superintendent of Business

Legal Budget Hearing and vote must take place on Wednesday, Sept 26, 2012 so that the District can comply with the requirement to have the tentative budget on display for no less than 30 days prior to adoption. The Board must adopt and approve a tentative budget at the August 20th Board meeting.

FY13 Tentative Budget Deficit = \$4.3M (subject to change between now and Legal Budget)

(final revenue and staff roster details not available until late August)

FY13 Budget Forecast PMA = \$4.9M (presented May 2012)

FY13 Tentative Budget being presented is \$.6M better than the forecast discussed in May and June 2012. Primary reason is that GSA will most likely only be prorated 89% (not 85%, saves \$548K). All other data has come in or is coming in just as expected.

Recommended budget reductions still needed = \$.6M. This would bring the deficit to \$3.7M which was the deficit level when all the budget reduction recommendations from May 2012 were implemented. A deficit of \$3.7M in FY13 puts CM201U well on path to financial stability (see "Forecasting Illinois School District Finances" presented in May and June of 2012). The majority of the \$.6M can come from offsetting \$.5M of O&M capital with CDB grant funds (if and when received). Other options were also recommended and presented in May and June 2012.

If the Board wants to have a FY13 deficit of less than \$3.7M, we need to identify other reductions by early September. I have provided the Board with a line item detail of every expenditure in the District for their review. Please be sure to review "Forecasting Illinois School District Finances" presented in May and June of 2012 before deciding on how much more to cut from the FY13 budget.

Education Fund and Transportation fund actual results were much better than budget for FY12. Reasons for these variances are itemized in the presentation.

FY12's deficit was about \$1.5M. FY13's deficit is about \$4.3M. The reason for the \$2.7M change is mostly attributed to GSA being prorated at 89% instead of \$95% (\$1.3M) loss, and \$1.5M of union contractual raises and benefit increases not offset by any other significant revenue growth or other net savings. Fifteen teachers did retire at the end of the year, which saved the District about \$1M, however, those savings were offset by staff additions (\$500K), increases such as the need for a new Math series (\$300K), and increased union retirement incentives and payouts (\$100K).

The FY13 budget currently has \$355K of staff contingency built into it. Some of this can be eliminated if the District is able to commit to offsetting all unexpected additions with other reductions for FY13.

The line by line detail for all budgets has been included and I am available to answer any questions you may have. All budgets were zero based, created line by line, justified, and compiled over the last 5 months.

CM201U FY13 Tentative Budget Presented August 2012

Line Item Detail Cover Sheet

Non-Personnel Costs (excludes any related salaries or benefits)

Special Education - PPS	3,145,500		5.32%
Food Service	1,483,395		2.51%
Curriculum	1,356,850		2.29%
Miscellaneous	921,917		1.56%
Tech Department	749,976		1.27%
Superintendant's Office	300,000		0.51%
High School	243,041		0.41%
Business Office	231,401		0.39%
Athletics	143,350		0.24%
Title !	142,946		0.24%
IDEA Grant A - Special Ed	135,606		0.23%
Middle School	94,916		0.16%
Title II	94,177		0.16%
Human Resources	75,000		0.13%
Pre-School For All	71,891		0.12%
Perkins	58,400		0.10%
Interscholastic	53,475		0.09%
Monee	50,500		0.09%
Student Affairs	48,350		0.08%
Balmoral	44,474		0.08%
Talala	40,360		0.07%
Communication	36,782		0.06%
CSK	34,069		0.06%
Other small grants	33,374		0.06%
Sixth Grade Center	28,985		0.05%
Crete	28,938		0.05%
High Schools That Work	6,743		0.01%
21st Century	4,372		0.01%
McKinney-Vento Homeless	3,009		0.01%
Career Tech Ed	564		0.00%
Total Education Fund	9,662,360	-	16.34%
Operations & Maintenance	2,770,000	-	4.68%
Transportation	4,182,000		7.07%
Transportation	1,202,000		,,,,,,
Non-Personnel Costs Total	16,614,360		28.09%
Personnel Salary	32,782,760		55.43%
. a.romina aanat y	,,,		33.1370
Personnel Benefits	9,750,620		16.49%
District Budget	59,147,740		100.00%

^{**} Debt Service = \$10,542,194

^{**} Capital Projects = \$212,281

^{**} Life Safety = \$250,000

CM201U FY13 Tentative Budget Presented August 2012

Line Item Detail Cover Sheet

Personnel	Costs
-----------	-------

Poster Category	Salary	Benefits	Total	%
Roster Category Teacher	15,776,310	3,842,316	19,618,626	46.1%
Instructional Support	4,779,750	1,663,000	6,442,750	15.1%
Administrators	3,608,035	1,160,589	4,768,625	11.2%
Administrative Support	1,904,705	710,113	2,614,819	6.1%
O&M	1,839,193	739,553	2,578,746	6.1%
Non-Instructional Support	782,979	290,429	1,073,408	2.5%
Food Service	645,394	272,986	918,380	2.2%
District Roster Total	29,336,368	8,678,987	38,015,354	89.4%
District noster Total	29,330,300	0,070,907	36,015,354	03.4%
	_	_ = =		
Non-Roster Category	Salary	Benefits	Total	%
Substitute Teachers	702,396	85,738	788,133	1.9%
Student Supervision	405,730	49,517	455,248	1.1%
Clubs	391,584	47,791	439,375	1.0%
Athletics	341,662	41,698	383,360	0.9%
Stipends/Assignments	289,647	23,254	312,901	0.7%
Summer/Sub/Extra/OT O&M	200,000	37,300	237,300	0.6%
HS Sixth Assignments	191,558	21,071	212,630	0.5%
Retirement Incentive Payments	•	174,000	174,000	0.4%
Planned Contingency	150,000	18,310	168,310	0.4%
TRS Retirement Costs	= 0-0	158,340	158,340	0.4%
Vacation Cash Outs	100,000	12,207	112,207	0.3%
Horizontal Movement	100,000	12,207	112,207	0.3%
PPS Sixth Assignments	96,643	10,631	107,274	0.3%
Retiree Sick Day Cash Outs		103,970	103,970	0.2%
Overtime Allocation	90,000	10,986	100,986	0.2%
Registration Staff	82,330	10,050	92,380	0.2%
Substitute Teacher Aides	75,763	9,248	85,011	0.2%
Food Service Floaters	65,000	12,123	77,123	0.2%
Substitute Secretaries	54,926	6,705	61,631	0.1%
MS Sixth Assignments	51,087	5,620	56,707	0.1%
Internal Substitution	34,553	4,218	38,770	0.1%
Substitute Administrators	23,512	2,870	26,382	0.1%
Employee Assistance Program		13,855	13,855	0.0%
Claims to exceed premiums	-	200,000	200,000	0.5%
Other	-	(73)	(73)	0.0%
District Non-Roster Total	3,446,392	1,071,633	4,518,025	10.6%
	(0)	0	-	
District Crand Tate!	20 700 700	0.750.000	40 500 000	1000/
District Grand Total	32,782,760	9,750,620	42,533,380	100%
PMA FORECAST (May 2012)	32,708,682	9,663,809	42,372,491	
Difference	74,078	86,811	160,889	
%	0.2%	0.9%	0.4%	

Crete-Monee School District 201-U FY13 Tentative Budget Top Level History

	2006	2007	2008	2009	2010	2011	2012	2013
Education	1,404,114	1,774,473	(2,277,608)	(5,039,382)	(3,638,107)	1.794,820	(1,159,698)	(3,784,918)
O&M	(906,423)	146,271	(1,254,809)	(1,541,943)		· ·		
Transportation	(28,031)	164,866	(472,861)	310,652	(1,056,779)	, , ,	228,816	(60,832)
IMRF/SS/FICA	33,913	(28,002)	(385,305)			531,497	(15,730)	(211,712)
Working Cash	255,403	401,719	306,132	30,802	28,235	30,117	9,560	192,588
Annual Net	758,976	2,459,327	(4,084,451)	(6,666,321)			(1,501,222)	(4,279,493)
Other Source	11,432	1,703,541	289,214	73,238	11,327,095	5,000,000	(1,001,000)	(4,270,400)
Fund Balance	10,764,433	14,927,301	11,132,064	4,538,981	10,105,631	16,455,612	14,954,390	10,674,897

1

FY 2013 Tentative Budget Crete-Monee School District 201U							
OPERATING FUNDS	Fund Balance 07/01/12	REV	EXP	Surplus (Deficit)	Other Funding Sources/ Transfers	Fund Balance 6/30/13	
Education	2,894,846	43,752,773	47,629,693	(3,876,920)	1,750,000	767,926	
Health Fund Cash (Ed Fund)	1,384,088	2,000	200,000	(198,000)		1,186,088	
Operations & Maintenance	376,799	5,021,428	5,236,046	(214,618)	250,000	412,181	
Transportation	2,910,444	4,121,168	4,182,000	(60,832)	(2,000,000)	849,612	
I.M.R.F./S.S./Medicare	693,229	1,778,290	1,900,000	(121,710)	-	571,519	
Working Cash	6,655,938	192,588	0	192,588	-	6,848,526	
Operating Budget	14,915,343	54,868,247	59,147,740	(4,279,493)		10,635,850	
	_	•	•	101		18%	

FY 2013 PMA Forecast (May 2012) Crete-Monee School District 201U							
OPERATING FUNDS	Fund Balance 07/01/12	REV	EXP	Surplus (Deficit)	Other Funding Sources/ Transfers	Fund Balance 6/30/13	
Education	2,549,531	43,204,650	47,811,876	(4,607,226)	1,750,000	(307,696)	
Health Fund Cash	1,384,088	2,000	100,000	(98,000)	-	1,286,088	
Operations & Maintenance	(5,031)	5,036,032	5,254,917	(218,885)	250,000	26,084	
Transportation	2,897,148	4,081,459	4,182,000	(100,541)	(2,000,000)	796,607	
I.M.R.F./S.S./Medicare	1,058,186	1,844,821	1,933,194	(88,373)		969,813	
Working Cash	7,408,930	224,707	0	224,707	-	7,633,637	
Operating Budget	15.292.851	54,393,669	59,281,987	(4.888,318)		10,404,533	

18%

FY13	Tentative	Budget vs	s FY13	PMA	Forecast	May 2013
	Cret	e-Monee	School	Distri	ct 201U	

Crete Widnes Sentor Dibatet 2010							
OPERATING FUNDS	Beginning Fund Balance	REV	EXP	Surplus (Deficit)	Other Funding Sources/ Transfers	EndingFund Balance	
Education	345,315	548,123	(182,183)	730,306		1,075,621	
Health Fund Cash	0		100,000	(100,000)		(100,000)	
Operations & Maintenance	381,830	(14,604)	(18,871)	4,267		386,097	
Transportation	13,296	39,709	0	39,709		53,005	
I.M.R.F./S.S./Medicare	(364,957)	(66,531)	(33,194)	(33,337)		(398,294)	
Working Cash	(752,992)	(32,119)	0	(32,119)		(785,111)	
TOTAL	(377,508)	474,578	(134,247)	608,825		231,317	

Ed Beg FB + \$345,315	Good	FY12 Salaries and benefits to come in lower that projected
Ed Rev + \$548,123	Good	Now using GSA proration of 89% instead of 85%
Ed Exp -\$182,183	Good	Legal expenses \$100K lower, Curriculum \$60K lower, Grants \$50K+ lower
Health Exp - \$100,000	Bad	Based on FY12 activity, this estimate has been updated
O&M Beg FB +\$381,830	Good	Additional \$670K WC transferred in netted against \$288K higher deficit
IMRF Beg FB -\$364,957	Bad	Levy re-allocation to other funds for FY12/FY13
WC Beg FB -\$752,992	Bad	District transferred \$800K to O&M in June 2012

FY 2013 Tentative Budget Crete-Monee School District 201U							
OPERATING FUNDS	Fund Balance 07/01/12	REV	EXP	Surplus (Deficit)	Other Funding Sources/ Transfers	Fund Balance 6/30/13	
Education	2,894,846	43,752,773	47,629,693	(3,876,920)	1,750,000	767,926	
Health Fund Cash (Ed Fund)	1,384,088	2,000	200,000	(198,000)		1,186,088	
Operations & Maintenance	376,799	5,021,428	5,236,046	(214,618)	250,000	412,181	
Transportation	2,910,444	4,121,168	4,182,000	(60,832)	(2,000,000)	849,612	
I.M.R.F./S.S./Medicare	693,229	1,778,290	1,900,000	(121,710)		571,519	
Working Cash	6,655,938	192,588	0	192,588		6,848,526	
Operating Budget	14,915,343	54,868,247	59,147,740	(4,279,493)		10,635,850	
		•	-			18%	

FY 2012 Actual* Results Crete-Monee School District 201U							
OPERATING FUNDS	Fund Balance 07/01/11	REV	EXP	Surplus (Deficit)	Other Funding Sources/ Transfers	Fund Balance 6/30/12	
Education	3,805,679	45,073,237	45,984,071	(910,833)	•	2,894,846	
Health Fund Cash	1,632,952	1,928	250,792	(248,864)		1,384,088	
Operations & Maintenance	140,969	4,623,568	5,187,737	(564,170)	800,000	376,799	
Transportation	2,681,628	4,302,222	4,073,406	228,816		2,910,444	
I.M.R.F./S.S./Medicare	708,959	1,749,832	1,765,562	(15,730)	-	693,229	
Working Cash	7,485,426	(29,488)	0	(29,488)	(800,000)	6,655,938	
Operating Budget	16,455,613	55,721,298	57,261,568	(1,540,270)		14,915,343	

^{*}Unaudited, projected final results

Audit due November 15, 2012

FY13 Tentative Budget vs FY12 Actual R	esults
Crete Monee School District 20111	

OPERATING FUNDS	Beginning Fund Balance	REV	EXP	Surplus (Deficit)	Other Funding Sources/ Transfers	EndingFund Balance
Education	(910,833)	(1,320,464)	1,645,623	(2,966,087)	1,750,000	(2,126,920)
Health Fund Cash	(248,864)	72	(50,792)	50,864		(198,000)
Operations & Maintenance	235,830	397,860	48,309	349,552	(550,000)	35,382
Transportation	228,816	(181,054)	108,594	(289,648)	(2,000,000)	(2,060,832)
I.M.R.F./S.S./Medicare	(15,730)	28,458	134,438	(105,980)		(121,710)
Working Cash	(829,488)	222,076	0	222,076	800,000	192,588
TOTAL	(1,540,270)	(853,051)	1,886,172	(2,739,223)		(4,279,493)

Ed Rev - \$1,320,464	Bad	GSA at 89% (CUT \$1.4M), Ppt Taxes +\$.2M*, Orph. back down \$125K (FY12 high)
Ed Exp +\$1,645,623	Bad	See List
O&M Rev +\$397,860	Good	Levy re-allocation for 2012 levy
O&M Exp +\$48,309	Bad	\$50K in raises
Transp. Rev -\$181,054	Bad	FY13 rev based on FY12 lower spend. FY12 rev based on FY11 higher spend.
Transp. Exp +\$108,594	Bad	Accounting for approximate 2% rate increases
IMRF Exp +\$134,438	Bad	IMRF rate increases about 10% every year. Payroll goes up every year
Working Cash Rev +\$222,076	Good	Levy re-allocation out of Ed Fund

^{*}Note: For tax rate limit purposes, \$400K total of Property Tax revenue is being diverted to WC and FP&S.

List		
CMEA 4.55% Raise	798,655	
ACME 5% Raise	263,250	
Non-Union 3% raise pool	256,332	
Health Insurance Increases	300,000	\$300K rate increase
Additional Retirement Incentives	72,000	
Additional Sick Day payouts	59,000	
Extra Duty and Sixth Assign Raises	100,000	
Planned staff additions	502,384	
Additional Contingency	150,000	
FY13 Non-Union Retiree Savings	(118,000)	
1.5 FTE decrease for enrolment	(66,000)	
15 Teachers retired	(979,000)	
Non-Compensation increase	307,002	3% total increase: Fo

3% total increase: Food Service +\$200K anticipating drought increases, Curriculum +300K for Math series, Supt legal -\$100K (CLIC savings), Other net savings across the 30+ cost centers.

TOTAL 1,645,623

26%

24

	Cı		Legal Budget chool District 2	201 U		
OPERATING FUNDS	Fund Balance 07/01/11	REV	EXP	Surplus (Deficit)	Other Funding Sources/ Transfers	Fund Balance 6/30/12
Education	3,681,482	44,885,477	46,371,408	(1,485,931)	-	2,195,551
Health Fund Cash (Ed Fund)	1,248,766	2,027	325,000	(322,973)	-	925,793
Operations & Maintenance	147,489	4,795,591	5,071,591	(276,000)	130,000	1,489
Transportation	2,681,628	4,008,965	4,319,564	(310,599)	-	2,371,029
I.M.R.F./S.S./Medicare	708,960	2,100,696	1,751,469	349,227	-	1,058,187
Working Cash	7,434,084	53,504	0	53,504	(130,000)	7,357,588
Operating Budget	15,902,409	55,846,260	57,839,032	(1,992,772)		13,909,637
	-	= = =		0	·	24%

	Cı	FY 2012 Acrete-Monee Sc	ctual* Results			
OPERATING FUNDS	Fund Balance 07/01/11	REV	EXP	Surplus (Deficit)	Other Funding Sources/ Transfers	Fund Balance 6/30/12
Education	3,805,679	45,073,237	45,984,071	(910,833)	-	2,894,846
Health Fund Cash	1,632,952	1,928	250,792	(248,864)	-	1,384,088
Operations & Maintenance	140,969	4,623,568	5,187,737	(564,170)	800,000	376,799
Transportation	2,681,628	4,302,222	4,073,406	228,816	-	2,910,444
I.M.R.F./S.S./Medicare	708,959	1,749,832	1,765,562	(15,730)	-	693,229
Working Cash	7,485,426	(29,488)	0	(29,488)	(800,000)	6,655,938
Operating Budget	16,455,613	55,721,298	57,261,568	(1,540,270)		14,915,343

*Unaudited, projected final results - - - - 26%
Audit due November 15, 2012

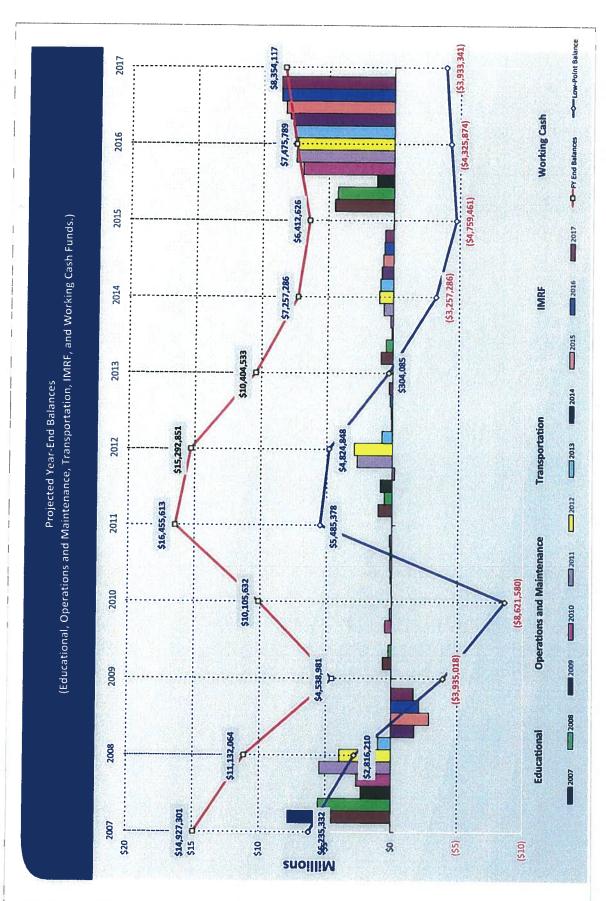
FY12 Actual* Results vs FY12 Legal Budget Crete-Monee School District 201U

OPERATING FUNDS	Beginning Fund Balance	REV	EXP	Surplus (Deficit)	Other Funding Sources/ Transfers	EndingFund Balance
Education	124,197	187,760	(387,337)	575,098		699,295
Health Fund Cash	384,186	(99)	(74,208)	74,109		458,295
Operations & Maintenance	(6,520)	(172,023)	116,146	(288,170)	670,000	375,310
Transportation	0	293,257	(246,158)	539,415		539,415
I.M.R.F./S.S./Medicare	(1)	(350,864)	14,093	(364,957)		(364,958)
Working Cash	51,342	(82,992)	0	(82,992)	(670,000)	(701,650)
TOTAL	553,204	(124,962)	(577,464)	452,502		1,005,706

Ed Beg FB + \$124,197	Good	Additional revenue recognized as part of FY11 audit (accruals) after budget was complete
Ed Rev + \$187,760	Good	Orphanage Reimb + \$140K, FS collected +\$30K. Reg. collected +\$25K
Ed Exp -\$387,337	Good	See list below
Health Beg FB + \$384,186	Good	Claims incurred but not yet paid only a Government Wide FS entry. Did not need to account for
Health Exp - \$74,208	Good	Health claims exceeded premiums collected by less than budgeted for (see Ed fund analysis
O&M Rev -\$172,023	Bad	Levy re-allocation to Ed Fund for FY12/FY13
O&M Exp +\$116,146	Bad	Essentially, a high level of repairs and contracted out work during FY12. See Daniel
Transp. Rev + \$293,257	Good	FY12 prorations not has harsh as budgeted for
Transp. Exp -\$246,158	Good	ELC - \$80K, Prairie State - \$60K, SPED - \$100K. All savings from new contract rates
IMRF Rev -\$350,864	Bad	Levy re-allocation to other funds for FY12/FY13
List	(695,270) \$200K 1/2% est. var, \$150K cont. not used, HZ Mvmt \$100K lower, \$200K non-roster var
\$387,337 + \$74, 208 = \$461,545	(218,941	L) \$150K lower TRS (lower salary and est var) (Claims were \$75K less than budgeted)
	55,391	Unemployment higher (extended benefits)
	(238,474) \$125K Grant carryover into FY13, \$100K+ cumulative under spend on budgets
	1,766	0
	337,705	Special Ed Tuition rates increased dramatically this year
	296,278	IT summer pre-buy strategy
	(461 545	

(461,545)

		FY 2013 Tenta e-Monee Scho	ative Budget ool District 201	U		
Non-Operating Funds	Fund Balance 07/01/12	REV	EXP	Surplus (Deficit)	Other Funding Sources/ Transfers	Fund Balance 6/30/13
Debt Service	4,519,169	10,788,496	10,542,194	246,302		4,765,471
S&C	470,187	15,450	212,281	(196,831)		273,356
FP&S	315,593	250,510	250,000	510		316,103
Operating Budget	5,304,949	11,054,456	11,004,475	49,981		5,354,930



Page: 1 05/02/12 - 3:23 PM

All Assumptions have been provided by the District.



Crete-Monee SD 201U Scenario 1

Aggregate - Projection Summary

	The second district of the second sec											
	BUDGET				REVENU	REVENUE / EXPENDITURE PROJECTIONS	E PROJECTI	SNS				
	FY 2012	FY 2013	% chg	FY 2014	% chg	FY 2015	% chg	FY 2016	% che	FV 7017	, ,	
REVENUE							,		9	1707	/3 L1 6/	
Local	\$36,625,497	\$37,077,181	1.23%	\$38,033,017	2.58%	\$39.255.744	3 21%	\$40 504 020	2416	442 242 242	4	
State	\$15,122,043	\$12,931,496	14.49%	\$14,720,193	13.83%	\$16.947.292	15 13%	\$10,334,320	0.4T%	\$42,278,258	4.15%	
Federal	\$4,335,275	\$4,384,992	15%	\$4 437 092	1 10%	207/11/074	10.11.01	510,403,004	8.03%	>18,580,897	0.93%	
Other	0\$	\$0		300,107,77	0/67.7	54,43 0 ,900	0.45%	54,477,038	0.45%	\$4,497,311	0.45%	
TOTAL REVENUE	\$56.082.815	\$54 393 669	-3 01%	\$57 190 202	E 1 40/	000000		20		20		
		cooleration	0.40	אחפיחפדי וכל	0.14%	200,000,005	6.07%	\$63,481,042	4.65%	\$65,356,466	2.95%	
EXPENDITURES												
Salary and Benefit Costs	\$40,880,512	\$42,372,491	3.65%	\$43,569,961	2.83%	\$44,117,987	1.26%	\$45,001,110	2 00%	\$46 776 003	700.00	
Other	\$16,365,065	\$16,909,496	3.33%	\$16,767,589	-0.84%	\$17,386,675	3.69%	\$17,416,770	0.17%	\$46,726,002	3.65%	
TOTAL EXPENDITURES	\$57,245,577	\$59,281,987	3.56%	\$60,337,550	1.78%	\$61,504,662	1.93%	\$62,417,879	1.48%	\$64,478,138	3.30%	
F												
SURPLUS / DEFICIT	(\$1,162,762)	(\$4,888,318)		(\$3,147,247)		(\$844,659)		\$1,063,163		\$878,328		4
OTHER FINANCING SOURCES/USES												
Transfer Among Funds (Net)	\$0	\$0		\$0		Ç		Ş		Q t		
Sale of Bonds	\$0	\$0		. 55		Ş		3 5		ο _κ ς		
Other Financing Sources	\$0	\$0		\$0		\$ -55 -55		R 5		S 5		
Other Financing Uses	\$	\$0		\$0		20		\$ \$? 5		
TOTAL OTHER FIN. SOURCES/USES	0\$	\$0		\$0		\$0		0\$		\$0		8
SURPLUS / DEFICIT INCL. OTHER FIN. SOURCES	(\$1,162,762)	(\$4,888,318)		(\$3,147,247)		(\$844.659)		\$1.063.163		6070 330		
								cor/coof-+		9010,320		A+0
BEGINNING FUND BALANCE	\$16,455,613	\$15,292,851		\$10,404,533		\$7,257,286		\$6,412,626		\$7,475,789		
PROJECTED YEAR END BALANCE	\$15,292,851	\$10,404,533		\$7,257,286		\$6,412,626		\$7,475,789		\$8,354,117		
FUND BALANCE AS % OF REVENUES	27.27%	19.13%		12.69%		10.57%		11.78%		12 78%		
FUND BALANCE AS # OF MONTHS OF EXPEND.	3.21	2.11		1.44		1.25		1.44		1.55		



CRETE-MONEE SCHOOL DISTRICT 201U

Financial Forecast

Forecasting Illinois School District Finances:

Expenditures:

School district expenditures are predictable and controllable. Over 70% of the operating budget is made up of salaries and benefits. CM201U maintains a staff roster that itemizes all associated salary and benefit costs. Based on contractual agreements and market trends, salaries and benefits can be reasonably estimated well into the future.

The other 30% of the operating budget is made up of predictable expenditures as well. These items include Transportation, Operations and Maintenance, IMRF/Social Security Benefits, and the District cost centers budgets.

Although many individual items may fluctuate from year to year, the net effect tends to be cost neutral. There are some volatile fluctuations in line items like special education tuition, energy costs, and large one time investments like textbook rotations.

The District accounts for unexpected fluctuations and usually builds a contingency into forecasts to properly plan for likely increases.

Revenues:

School district revenues used to be very easy to predict. Taxes always went up by CPI, General State Aide always increased by a certain percentage, other State and Federal funding usually went up by 2% each year. A Business Manager could conceivably take the current year's revenue and simply increase it by a set percentage each year into the future.

In today's harsh economic times, school district revenues have become increasingly difficult to predict and the objective now is to estimate how severe funding will be reduced each year. The State of Illinois, since fiscal year 2009, has reduced funding to CM201U in the following ways:

- State Block Grants have all been eliminated = \$231,000
- Alternative Education Funding has all but been eliminated = \$400,000
- Regular Transportation Funding has been reduced = \$725,000
- The Foundation level has been frozen since 2010 = \$927,000
- GSA is prorated at 95% for FY12 = \$450,000

Through FY 2012, CM201U has lost \$2,733,000 from its annual structural revenue.

Additional State cuts built into the FY13 forecast include:

- Another year of the Foundation level frozen at \$6,119 = \$445,900
- GSA planned to be prorated at 85% for FY13 = \$1,198,360

Through FY 2013, CM201U will have has lost \$4,377,260 from its annual structural revenue.



CRETE-MONEE SCHOOL DISTRICT 201U

Financial Forecast

The FY13 Forecast estimates a total operating deficit of \$4,888,318. The previously discussed State cuts account for 90% of this deficit. The other 10% of the deficit is attributed to annual expenditures growing at a faster rate than non-state revenues. Collective bargaining agreement increases and the cost of health insurance have grown each year by much more than any other revenue source.

Illinois is in the worst financial condition of any state in the country. The District can not assume that these cuts are temporary. These cuts have established the new baseline for all future State revenue.

The FY14 Forecast is improved by \$1.8M as compared to FY13. This is primarily attributed to:

- Stabilized compensation growth now able to be paid with Property Tax revenue growth
- GSA proration reduced from 85% to 90% (\$0.5M)
- Increased poverty rate causing Poverty Grant to increase (\$0.3M)
- 2011 EAV decrease of 8% increases GSA (\$1.6M)
- Enrollment decrease causes 3 year average ADA to drop 60 students (\$.4M loss)

The FY15 Forecast is improved by \$2.3M as compared to FY14. This is primarily attributed to:

- Stabilized compensation growth now able to be paid with Property Tax revenue growth
- GSA proration reduced from 90% to 95% (\$0.5M)
- Poverty Grant remains at FY14 levels
- 2012 EAV decrease of 10% increases GSA (\$1.9M)
- Enrollment decrease causes the 3 year average ADA to drop 57 students (\$.3M loss)

The FY16 Forecast is improved by \$1.9M as compared to FY15. This is primarily attributed to:

- Stabilized compensation growth now able to be paid with Property Tax revenue growth
- GSA proration reduced from 95% to 100% (\$0.6M)
- Poverty Grant begins to decrease due to Enrollment decrease (\$0.2M loss)
- 2013 EAV decrease of 8% increases GSA (\$1.4M)
- Enrollment decrease causes the 3 year average ADA to drop 46 students (\$.2M loss)

The FY17 Forecast stabilizes at FY16 levels, however, loses some ground due to increased raises.

The significant structural deficits of FY13 and FY14 are eliminated over time by:

- Stabilized compensation growth beginning FY14
- Consistent property tax revenue growth fueled by an assumed CPI increases
- Significant DHS poverty count increase just reported in May 2012 (from 2,540 to 2,842)
- District EAV falling 37% between 2010 and 2015 (increases GSA)
- Phasing out GSA proration from 85% back to 100% by 2016

Although the structural budget is balanced by 2016, \$9M of CM201U's fund balance is eliminated during the time it takes for the budget to stabilize.



CRETE-MONEE SCHOOL DISTRICT 201U

Financial Forecast

Expenditure reductions needed for the FY13-FY15 forecast assumptions:

There are several likely risks that threaten the financial health of CM201U. None of these risks are certain at this point, however, it is very likely that at least some of these risks will become a reality. When they do, immediate cuts will need to be made to offset the losses. The reason that immediate cuts will be needed is because the District's fund balances will no longer be healthy enough to absorb the losses for more than a year or two. These risks include:

- Legislation freezing the CPI at 0% (\$5M-\$7M annual loss)
- TRS legislation increasing the employer rate (\$2M annual loss)
- Further Transportation Cuts (\$1M annual loss)
- Reduced Federal and State Special Education Funding (\$0.6M annual loss) 0
- Healthcare Legislation (\$0.4M annual loss)
- No payment of CDB Funds (\$0.5M annual loss)
- Not fully stabilizing compensation growth (\$0.5M annual loss)

Line item detail of the FY13 and FY14 forecast are enclosed. It is recommended that the Board review this line item detail and identify at least \$2M of forecast reductions by FY14. I have provided a recommended forecast reduction plan. Please understand that a forecast reduction does mean cutting any current expenditure. Forecast reduction means not increasing future spending by as much as the current forecast is accounting for.

It is also recommended that the Board develop a contingency plan in case one or more of the above risks become a reality. This plan should include further additional identified cuts and debt issuance scenarios to consider.

Finally, please review the enclosed projected tax rates. When EAV is projected to fall 37% over a 5 year time period, the tax rate is going to dramatically increase. Assuming a homeowner's EAV also falls the same 37%, the tax burden on that homeowner will not increase much more than CPI. However, if some neighborhoods or homes do not have EAV decrease as much as the overall District average of 37%, their tax burden may dramatically increase with the significantly increased tax rates. Please remember, the tax rate is simply the product of the ratio between EAV and the District's statutory levy limits as determined by State law. The District does not set or control the tax rate. The tax rate is a variable in the State tax law formula ensuring the District receives its annual CPI increase regardless of what property values are.

It is critical that the Board reviews, understands, and agrees with the forecast assumptions that decisions are based on. It is very difficult to predict future property values, pending legislation, inflation rates, Enrollment, attendance, and poverty rates. Each one of these variables can significantly impact the forecast.