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District 63 Financial Review

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The Financial Challenges Ahead

- After the 2004 referendum the District 63 fund balances increased for a time before beginning the anticipated drop due to growth in expenditures outpacing the growth in revenues.
- Fund balances will continue to drop and at an increasing rate until they are depleted, possibly as early as 2014-15.
- Well before that, the District will need to incur even more cost to borrow money on a short term basis to meet payroll and pay other expenses between property tax receipts (essentially payday loans).

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Previous forecasts showed District 63 in a time of declining fund balances

Spring 2009 Five Year Forecast
Educational, Op & Maint, Transportation, IMRF, and Working Cash Funds Projected Year End Balance

Year	Projected Balance
2003	15,000,000
2004	15,000,000
2005	15,000,000
2006	18,000,000
2007	20,000,000
2008	22,000,000
2009	21,000,000
2010	20,000,000
2011	18,000,000
2012	15,000,000
2013	12,000,000
2014	10,000,000

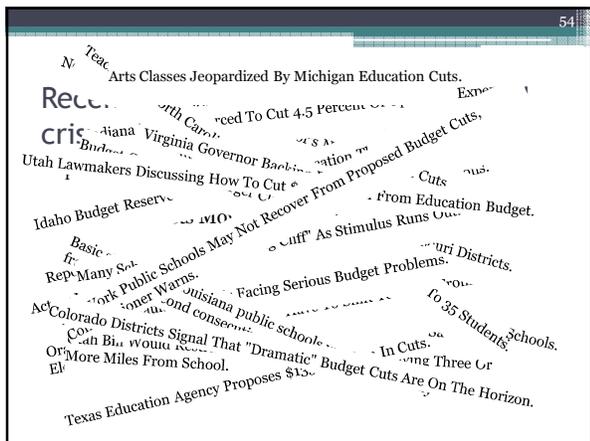
- The last forecast concluded:
 - In a five year horizon fund balances decline to levels that jeopardize the district's financial stability and could compromise the educational goals of the district.
 - Keeping in mind the strategic vision for the district, careful consideration to belt tightening measures should be considered during the next several years.
 - Based on the projections, the district should begin giving consideration to the need for a future referendum, possibly during 2012 or 2013.

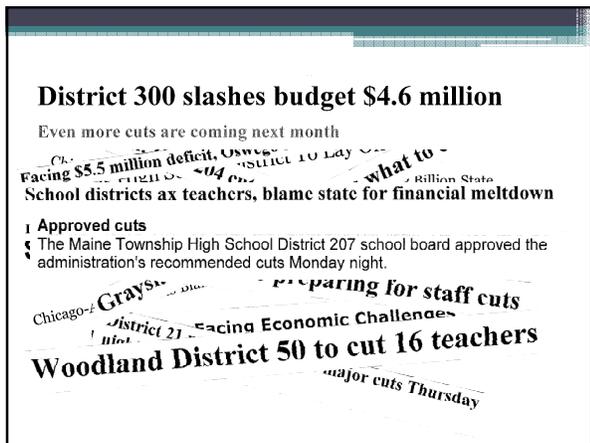
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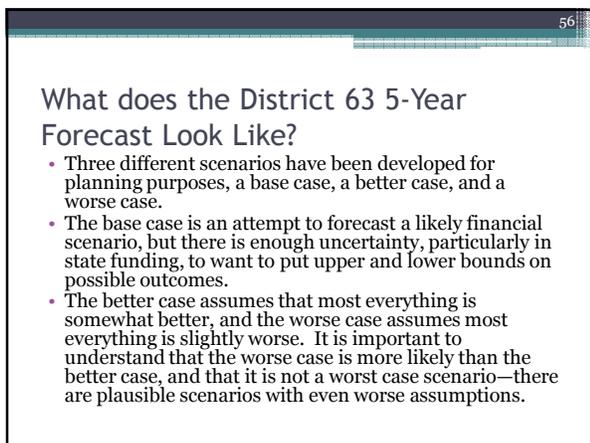
Current forecasts are particularly challenging...

- The economy has been weak and the timing of the recovery is uncertain (double dip?).
- Cook County has changed elements of its assessment process.
- State of Illinois finances are atrocious.

...and reactions to forecasts have been consistent.







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Other scenarios show a similar pattern to the base forecast only with timing changes.

**Spring 2010 Base, Better and Worse 5 Yr Forecasts
Educational, Op & Maint, Transportation, IMRF, and
Working Cash Funds Projected Year End Balance**

Year	Base Forecast (Green)	Better Forecast (Yellow)	Worse Forecast (Red)
2004	15,000,000	15,000,000	15,000,000
2005	15,000,000	15,000,000	15,000,000
2006	15,000,000	15,000,000	15,000,000
2007	18,000,000	18,000,000	18,000,000
2008	20,000,000	20,000,000	20,000,000
2009	22,000,000	22,000,000	22,000,000
2010	25,000,000	25,000,000	25,000,000
2011	20,000,000	20,000,000	20,000,000
2012	18,000,000	18,000,000	15,000,000
2013	15,000,000	15,000,000	10,000,000
2014	12,000,000	12,000,000	5,000,000
2015	12,000,000	12,000,000	12,000,000

- There is approximately a one year difference between when the District hits a \$12 million fund balance in each scenario.

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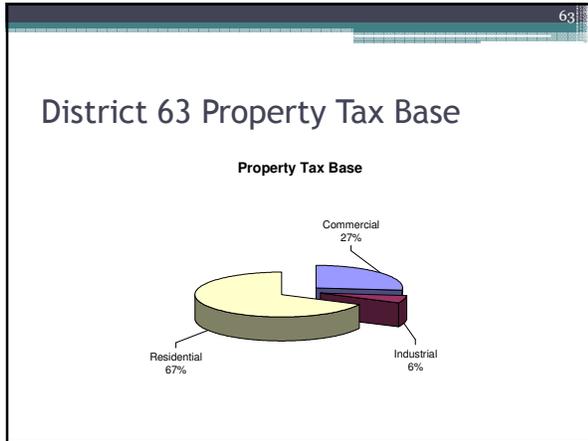
Other considerations may cause material changes in the projections.

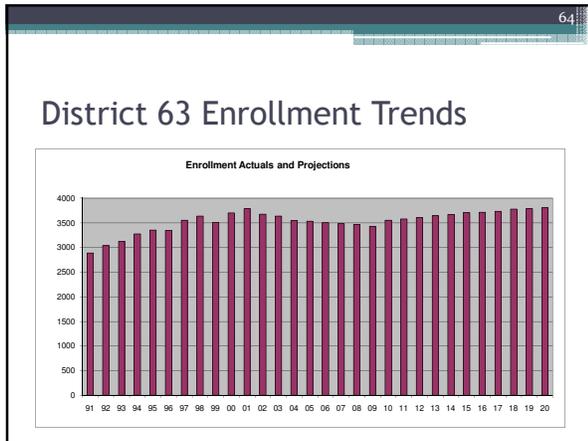
- Unanticipated curriculum changes or program additions may increase costs, and even small cost increases can have a significant impact on fund balances over five years—a \$200,000 cost increase next year can lower fund balances in the fifth year by over \$1 million.
- Capital projects, including facility expenditures for safety reasons, that are above and beyond historic spending levels and that are funded out of the operating budget can cause a significant reduction in fund balances and adversely change financial projections.
- Unfunded or underfunded State mandates may increase costs.
- Changes in enrollment projections will drive changes in staffing projections, potentially having a significant impact on overall financial projections.

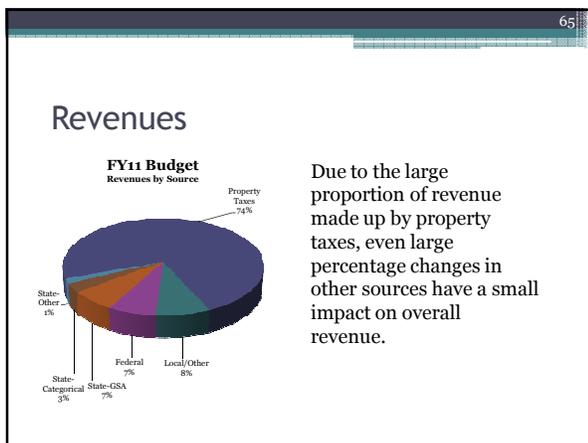
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What does the 2010-11 budget look like?

- The budget reflects approximately \$49 million in revenue.
- Expenditures will exceed revenues by approximately \$1.7 million.
- Employment of staff is always our largest cost. The estimated expenditure for staff salaries in 2010-2011 is \$26.2 million.
- The second year of ARRA funding is projected to contribute \$586K in revenue that will not recur in FY12. The positions and other expenditures supported by the ARRA funding will also not recur after this year.
- The Education Jobs Bill is expected to contribute \$283,000 in one time revenue.
- Bond principal and interest payments are based on outstanding debt service schedules.







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Cost Containment

- Over the past year the District has engaged in belt tightening measures. Some representative examples are:
 - Careful management of utilities has held spending on gas and electric at 2007-08 levels despite rising costs, saving an estimated \$179,000.
 - Rebid custodial supplies, saving \$20,000 annually.
 - Used electronic communication tools rather than paper and postage in many areas.
 - Eliminated recruiting trip for teaching staff.
 - A board approved technology integration position was not filled.
 - Online subscription products are closely examined before renewal to ensure they are worthwhile and are being used (for example, a recent decision to not renew a subscription will save \$5,000).

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On-going Cost Containment

- During the past year the superintendent, cabinet, and administrative team has had many discussions regarding cost savings.
- Recently the administrative team developed a list of 57 different cost saving ideas.
 - Three ideas were categorized as being not practical.
 - Thirteen ideas were categorized as being possible, but with a preference to not implement now (such as cutting teachers and increasing class size).
 - Forty-one ideas were categorized as either being implemented, to be implemented, or likely to be implemented with additional research and idea development.

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On-going Cost Containment

- Examples of on-going cost containment include:
 - Further reductions in paper use.
 - Elimination of most classroom printers in favor of using more cost effective copiers.
 - Reduction in summer custodial help.
 - Reduction in supplies and materials budgets.
- While all of the ideas are valuable and will serve to preserve fund balances, combined they will not come close to balancing the budget in coming years.

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Balanced Budgets...Conclusion

- To achieve a balanced budget there are two options:
 - Decrease expenditures.
 - Increase revenues.

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Task Force Timeline and Meetings

Date	Meeting Topic
September 13, 2010	Organizational meeting, initial financial review
October 4, 2010	Financial data and modeling, cost drivers
October 18, 2010	Program review
November 1, 2010	Community meeting
November 8, 2010	Review of data from community meeting
December 6, 2010	Recommendation development
January 10, 2011	Recommendation development
January 31, 2011	Recommendation development
February 21, 2011 (Tentative)	Board of Education Committee of the Whole presentation
March 2, 2011	Board of Education meeting

Will this schedule allow us to meet our charter?

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Wrap Up

- We shared a lot of background information tonight.
- Are there any remaining questions that can be answered at this time?
- Please complete the two Reflection and Anticipation questions.
