

To: Board of Education
Dr. Laurie Heinz, Superintendent
From: Luann Kolstad, Chief School Business Official
Date: February 4, 2019
Subject: Interim Update of Long-Range Financial Projections

As part of our annual financial cycle, once the Board has adopted the current year tax levy in December and the CPI-U for the next tax levy is released in mid-January, administration brings to the Board updated long-term financial projections which include a first pass at potential additional staff that the District will need for the following school year. (Attachment 1) Administration is bringing this version to the Board to provide an update on the the CPI-U and to share with the Board the effect on the projections if summer 2019 construction is paid for out of the fund balance.

Key Updates

In terms of revenue, the 2018 CPI-U is 1.9%, dropping slightly from 2.1% CPI-U in 2017. The 2018 CPI-U directly impacts funding during the 2019-20 and 2020-21 fiscal years.

On the expense side, all labor contracts have been incorporated into the salary and benefit projections. The three years beyond the current three labor contracts [Park Ridge Education Association (PREA), Park Ridge Teacher's Assistant Association (PRTAA), and the Support Staff Council (SSC)] and any employees not covered by a collective bargaining agreement (CBA) have raises set at an average of 3.0%. The 3.0% used mirrors the average increases that the labor contracts will all see in the 2019-20 raises, which all have a CPI-U component built into them.

In terms of 2019-20 staffing needs, administration will be presenting this information at the February 25, 2019 Board of Education meeting. Updated Financial Projections will be included as well to account for any increases in staffing recommended for 2019-20.

Summer 2019 construction costs -- a total of \$11 million -- have been added to the Working Cash and Operations & Maintenance budget, based on the Board's desire as expressed at the December 10, 2018 meeting to see the impact on fund balance if Working Cash Fund bonds are not issued as part of the Financial Framework.

Looking ahead, administration is working with architects Studio GC to determine the Health Life Safety (HLS) and critical infrastructure projects for summer 2020. As soon as a defined list is developed, administration will report to the Board proposed projects for summer 2020 for its consideration. The cost of summer 2020 construction will also be put into the Working Cash and Operations & Maintenance budgets in the Financial Projections for that meeting. Much of the summer 2020 HLS work will be at the Jefferson Early Childhood Center. Beyond the items

identified in the HLS report, this building will require extensive work including a new roof and new Heating Ventilating and Cooling (HVAC) system to replace the original boiler system and to add air conditioning to this facility. This will be the beginning of time-sensitive Board conversations regarding the future of Jefferson, since the Board will not want to complete HLS projects at Jefferson just to return in a short period to make further changes based on programming that would potentially result in wasted HLS dollars.

Other Assumptions

Prior to the 2020-21 fiscal year, the Board will have renegotiated the three labor contracts that are set to expire at the end of the 2019-20 school/fiscal year. In addition, the administration has budgeted future tax levies using a CPI-U of 2.0%; new construction has been estimated at \$8.9M for future years. Increases in the Equalized Assessed Valuation (EAV) of the District have also been set at 2.0% for future years. In addition, the District takes a conservative approach in our forecasting by including a possible pension cost shift from the State of Illinois; we continue to include a shift of 0.5% of certified salaries the first year, increasing 0.5% annually.

Interim Projections Summary

The 2018-19 Adopted Budget projects \$832K in surplus with an Operating Fund balance of 66.19% and 242 days of cash on hand. Including the key updates listed above, additional assumptions and summer 2019 constructions costs, the Operating Fund balance would still exceed Board policy (120 days or 33.3%). **Again, please note that these interim projections do not include summer 2020 construction estimates and additional staffing for the 2019-20 school year.**

While the interim projections are favorable, the District must remain vigilant in controlling costs and “living within our means” so that the Board can continue to push off a rate increase referendum even further into the future.

Interim Update Five-Year Financial Projections
1/24/19

		Unaudited Actuals 2017-18		Adopted Budget 2018-19		Projected Budget 2019-20		Projected Budget 2020-21		Projected Budget 2021-22	NOTES
REVENUES:											
Education Fund		\$ 62,312,075		\$ 63,413,668		\$ 66,819,532		\$ 69,717,015		\$ 68,023,124	
Operations & Maintenance Fund		6,480,873		6,055,775		5,489,104		5,218,317		6,993,477	
Transportation Fund		5,080,803		4,122,270		3,593,819		3,502,074		3,755,821	
IMRF Fund		1,079,673		981,233		877,096		948,043		948,043	
Social Security Fund		1,695,315		1,213,087		1,091,359		1,202,960		1,044,007	
Working Cash Fund		664,267		638,051		688,500		715,725		738,000	
Tort Fund		608,704		458,147		517,763		810,496		736,727	
TOTAL REVENUES		\$ 77,921,710	-1.3%	\$ 76,882,231	2.9%	\$ 79,077,173	3.8%	\$ 82,114,631		\$ 82,239,199	
EXPENDITURES:											
Education Fund		\$ 60,322,898		\$ 63,902,384		\$ 64,449,689		\$ 66,522,018		\$ 68,706,756	
Operations & Maintenance Fund		5,779,326		5,989,145		10,047,035		6,177,818		6,312,459	
Transportation Fund		3,232,797		3,331,591		3,456,413		3,542,993		3,631,746	
IMRF Fund		1,026,579		970,000		979,700		989,497		999,392	
Social Security Fund		1,209,447		1,302,000		1,315,020		1,328,170		1,341,452	
Working Cash Fund		-		-		7,000,000		-		-	
Tort Fund		652,612		554,650		571,290		588,428		606,081	
TOTAL EXPENDITURES		\$ 72,223,658	5.3%	\$ 76,049,770	15.5%	\$ 87,819,146	-9.9%	\$ 79,148,925		\$ 81,597,886	
EXCESS (DEFICIT) FOR YEAR		\$ 5,698,052		\$ 832,461		\$ (8,741,973)		\$ 2,965,706		\$ 641,313	
Fund Transfers/Loans											
Other Financing Sources(Uses)		- 1,037,509		- 1,033,427		- 949,320		- 897,631		- 897,631	
BALANCE, BEGINNING:		\$ 45,878,119		\$ 50,538,661		\$ 50,337,695		\$ 40,646,403		\$ 42,714,478	
BALANCE, END-OF-YEAR		\$ 50,538,661	-0.4%	\$ 50,337,695	-19.3%	\$ 40,646,403	5.1%	\$ 42,714,478		\$ 42,458,160	
OPERATING FUND BALANCE:		69.98%		66.19%		46.28%		53.97%		52.03%	FY 2019-20 Does not include summer 2020 construction
DAYS CASH ON HAND		255		242		169		197		190	

Park Ridge Niles School District 64
Interim Update Five-Year Financial Projections

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		Unaudited Actuals 2017-18		Adopted Budget 2018-19		Projected Budget 2019-20		Projected Budget 2020-21		Projected Budget 2021-22	NOTES
WORKING CASH FUND:											
REVENUES:											
Taxes, Ad Valorem		\$ 568,113		\$ 551,851		\$ 544,500		\$ 571,725		\$ 594,000	
Prior Year Refunds		(7,909)		(8,800)		(6,000)		(6,000)		(6,000)	
Interest		104,063		95,000		150,000		150,000		150,000	
Misc. Revenue											
Refund Prior Year Expenditures											
TOTAL REVENUE		\$ 664,267		\$ 638,051		\$ 688,500		\$ 715,725		\$ 738,000	
EXPENDITURES:		\$ -		\$ -		\$ 7,000,000				\$ -	Summer 2019 Construction
EXCESS(DEFICIT) FOR YEAR		\$ 664,267		\$ 638,051		\$ (6,311,500)		\$ 715,725		\$ 738,000	
Fund Sources											Removed \$9.5M Bond Issuance
Fund Transfers/Loans											
BALANCE, BEGINNING:		\$ 5,913,179		\$ 6,577,446		\$ 7,215,497		\$ 903,997		\$ 1,619,722	
BALANCE, END-OF-YEAR:		\$ 6,577,446	9.7%	\$ 7,215,497	-87.5%	\$ 903,997	79.2%	\$ 1,619,722		\$ 2,357,722	
TORT LIABILITY FUND:											
REVENUES:											
Taxes, Ad Valorem		\$ 603,856		\$ 456,547		\$ 517,263		\$ 809,996		\$ 736,227	
Prior Year Refunds		(12,303)		(6,400)		(8,000)		(8,000)		(8,000)	
Interest		9,988		8,000		8,500		8,500		8,500	
Misc. Revenue											
Refund Prior Year Expenditures		7,163		-							
TOTAL REVENUE		\$ 608,704		\$ 458,147		\$ 517,763		\$ 810,496		\$ 736,727	
EXPENDITURES:		\$ 652,612		\$ 554,650		\$ 571,290		\$ 588,428		\$ 606,081	
EXCESS(DEFICIT) FOR YEAR		\$ (43,908)		\$ (96,503)		\$ (53,526)		\$ 222,068		\$ 130,646	Deficit is ok, we don't want a FB here
Fund Transfers/Loans											
BALANCE, BEGINNING:		\$ 911,192		\$ 867,284		\$ 770,781		\$ 717,255		\$ 939,322	
BALANCE, END-OF-YEAR:		\$ 867,284	-11.1%	\$ 770,781	-6.9%	\$ 717,255	31.0%	\$ 939,322		\$ 1,069,968	