Citizen's Finance Advisory Committee

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Financial Forecast Update

Presented to District 34 Board of Education

January 23, 2017

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Agenda

Introduction:

- C.F.A.C. Members
- C.F.A.C. Charge

Base Projections:

- Projection Results
- Key Assumptions and Sensitivities

Alternative Scenario:

- Property Tax Freeze
- State Aid Change
- Pension Cost Shift

Exhibits

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C.F.A.C. Members

Sam Ach, BOE Representative
Allen Albus, Forecast5 Representative
John Heggie, BOE Representative
Amy Kahhat, Resident & Parent
Jason Kaiz, Principal Springman School
Richard Kreutzfeldt, Resident & Parent
Eric Miller, Asst Supt for Business Services
Mark Miller, Resident & Parent
Griff Powell, Interim Superintendent
Kim Reome, Resident & Parent
Nan Ross-Meridith, GEA President
Venessa Zabski, Business Services

C.F.A.C. Charge

Primary Charge:

Based on key inputs and assumptions, the committee will present a five-year financial forecast to the Board of Education.

In addition to a base forecast, the committee will present an alternative scenario based on potential legislative action.

Secondary Charge:

Conduct a benchmarking analysis of key financial ratios/indicators.

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Observations

- **The projections cover <u>operating</u> funds only**:

  (Educational, Food Service, Maintenance, Transportation, IMRF/FICA, Tort, and Working Cash Funds)

- **The projections cover 2 scenarios**:
  - **1-Base**: extension of current economic trends
  - **2-Alternative Scenario**: adds potential impact of legislative actions to freeze property taxes, revised state aid formula, and shift pension cost obligations

- **These projections are intended to present likely outcomes <u>absent any actions by District leaders to counteract these effects</u>**

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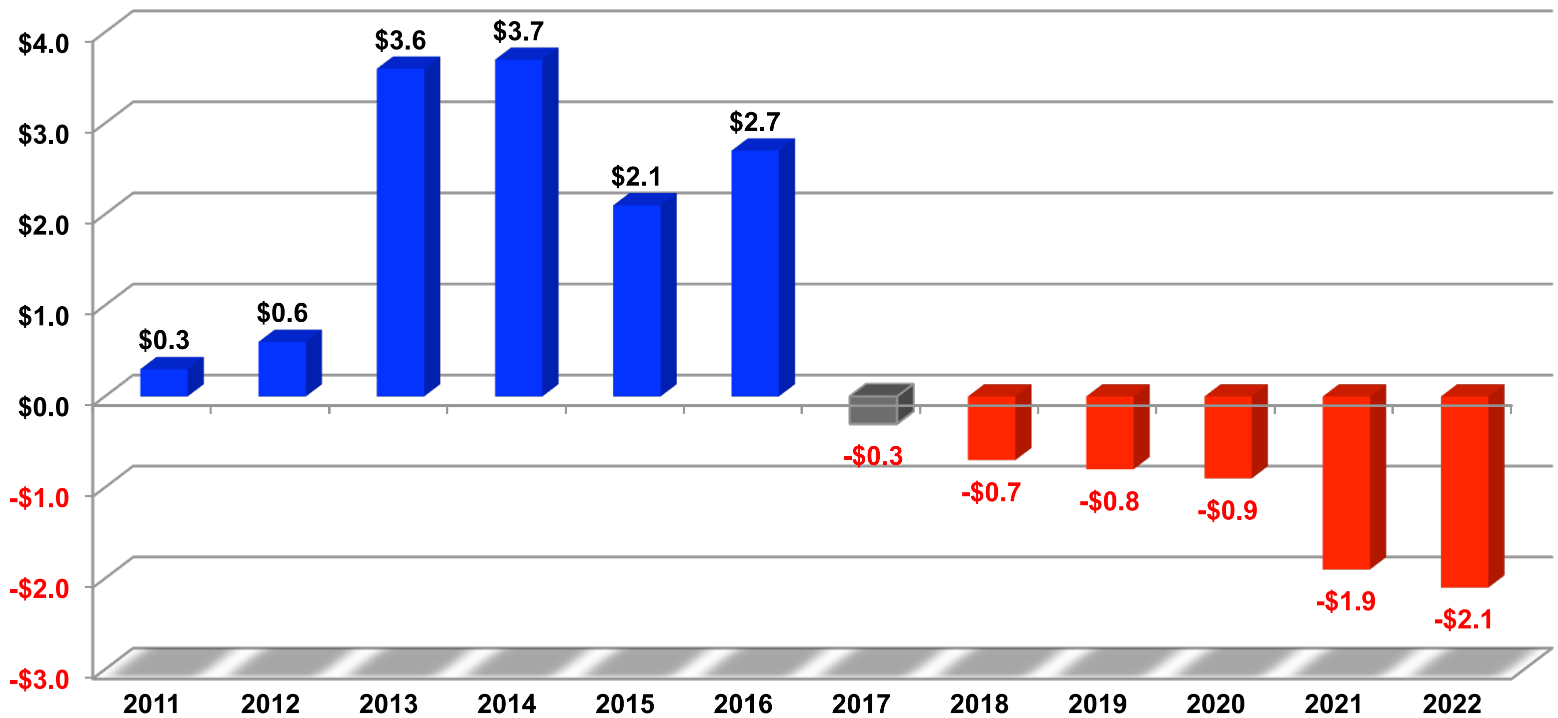
Base Financial Projections

Historical surpluses turn into growing deficits through the projection period



Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues	$62.0	$62.4	$63.9	$65.9	$64.5	$66.7	$66.7	$67.3	$68.1	$69.2	$70.4	$72.0
Expenditures	$61.7	$61.8	$60.3	$62.2	$62.4	$64	$67.0	$68.0	$68.9	$70.1	$72.3	$74.1
Surplus / Deficit	**$0.3**	**$0.6**	**$3.6**	**$3.7**	**$2.1**	**$2.7**	**-$0.3**	**-$0.7**	**-$0.8**	**-$0.9**	**-$1.9**	**-$2.1**

2011-2016 are actual results; 2017 is budget; 2018-2022 are projections.

Base Financial Projections: Recap of Key Estimates

Increases in Expenditures Outpace Increases in Revenues

FY18-FY22

Revenues FY17 = $66.1M	Average Annual Changes	Expenditures FY17 = $66.4M	Average Annual Changes
Property Taxes $47M	+3.2% = $1.6M • CPI = 2.0% • New construction = 1.2%	Salaries $41.9M	+1.3% = $0.5M • Contract = 2.0% • Retirements = -.7%
TIF Make Whole Payments $7.3M	(7%) = ($0.5M)	Benefits $8.8M	+6.6% = $0.6M • Majority of this is health care costs
State Aid $5.4M	(1.5%) = ($0.1M)	Other Costs $15.7M	+2% = $0.3M
Federal Aid, Fees, Other $6.3M	Basically flat		
Total Revenue	+1.7% = $1.1M	Total Expenditures	+2.2% = $1.5M

Projections show expenditures outpace revenues by ($400K) per year

- Since CPI affects both Revenue and Expense items; variances will have little <u>net</u> impact.
- The Glen TIF is a major factor in this gap; ends in TY 2021, affects part of FY 2024.

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Alternative Scenario

Base Forecast assumptions **plus:**

- **<u>2-Year Tax Freeze</u>** = no CPI-U increase in property tax extension for Cook County in 2017 & 2018 tax years (impacts 2019 & 2020 budget years)
  - Reduces the assumed 2.0% CPI increases in FY19 and FY20 to 0%
  - Reduces revenue by approx. $1.0M in each year
  - Effect is cumulative and permanent; revenue would be lower by approx. $2.0M in FY20.

- **<u>Revision of Funding Formula</u>** for state allocations - 25% reduction of all District 34 state revenues, each year, over 5 years (FY18-22)
  - Reduces state revenue by over $1.25M in FY18
  - By FY22 state revenue would be decreased by $3.7M

- **<u>Pension Cost Shift</u>** = 1% of the "normal" cost (8% of total certified payroll) phased in each year starting in FY18 of an 8-year phase in
  - Increases benefit costs by $0.3M in FY18
  - By FY22, benefit costs would be approx. $1.8M higher each year forward

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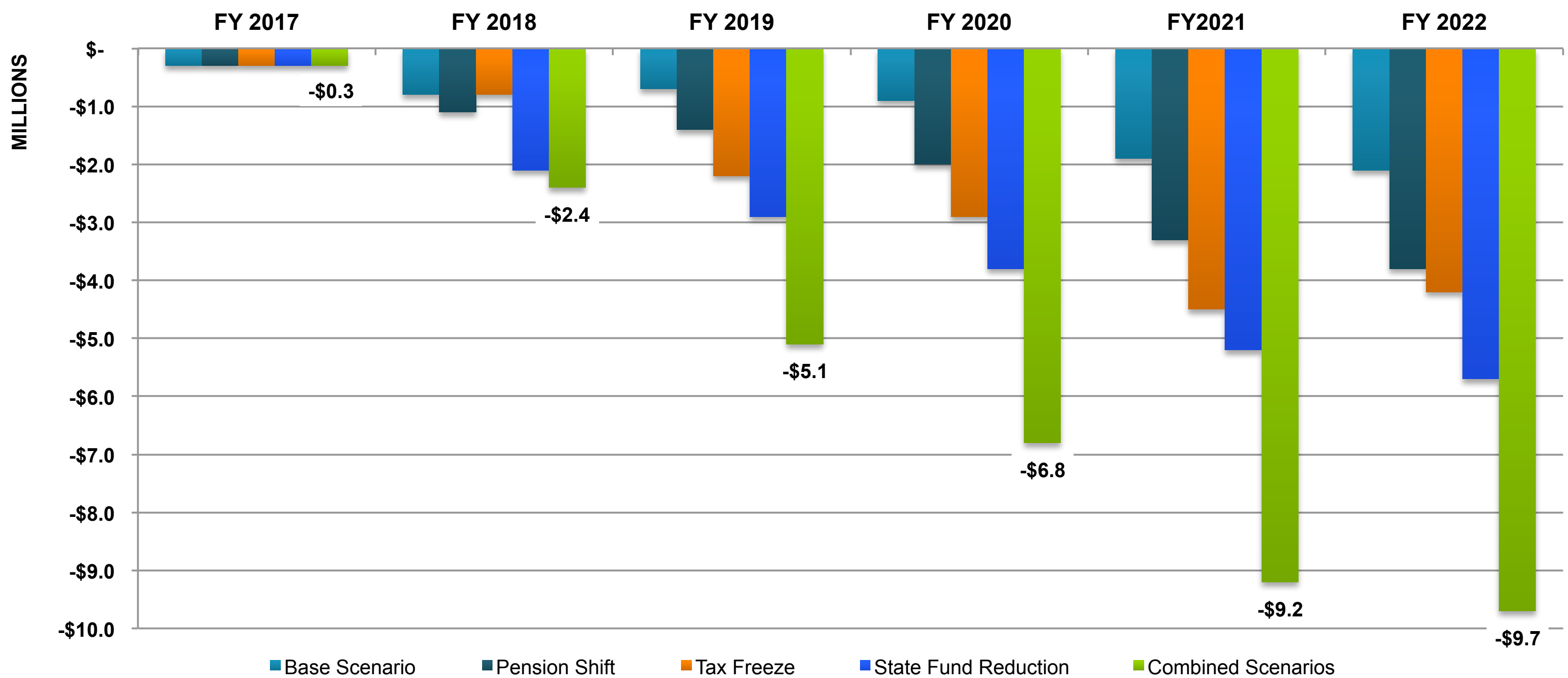
Annual Deficits/Surplus

Deficits are much higher under the combined alternative scenario



	BUDGET FY 2017	FY 2018	FY 2019	FY 2020	FY2021	FY 2022
Base Scenario	-$0.3M	-$0.8M	-$0.7M	-$0.9M	-$1.9M	-$2.1M
Pension Shift	-$0.3M	-$1.1M	-$1.4M	-$2.0M	-$3.3M	-$3.8M
Tax Freeze	-$0.3M	-$0.8M	-$2.2M	-$2.9M	-$4.5M	-$4.2M
State Fund Reduction	-$0.3M	-$2.1M	-$2.9M	-$3.8M	-$5.2M	-$5.7M
Combined Scenarios	-$0.3M	-$2.4M	-$5.1M	-$6.8M	-$9.2M	-$9.7M

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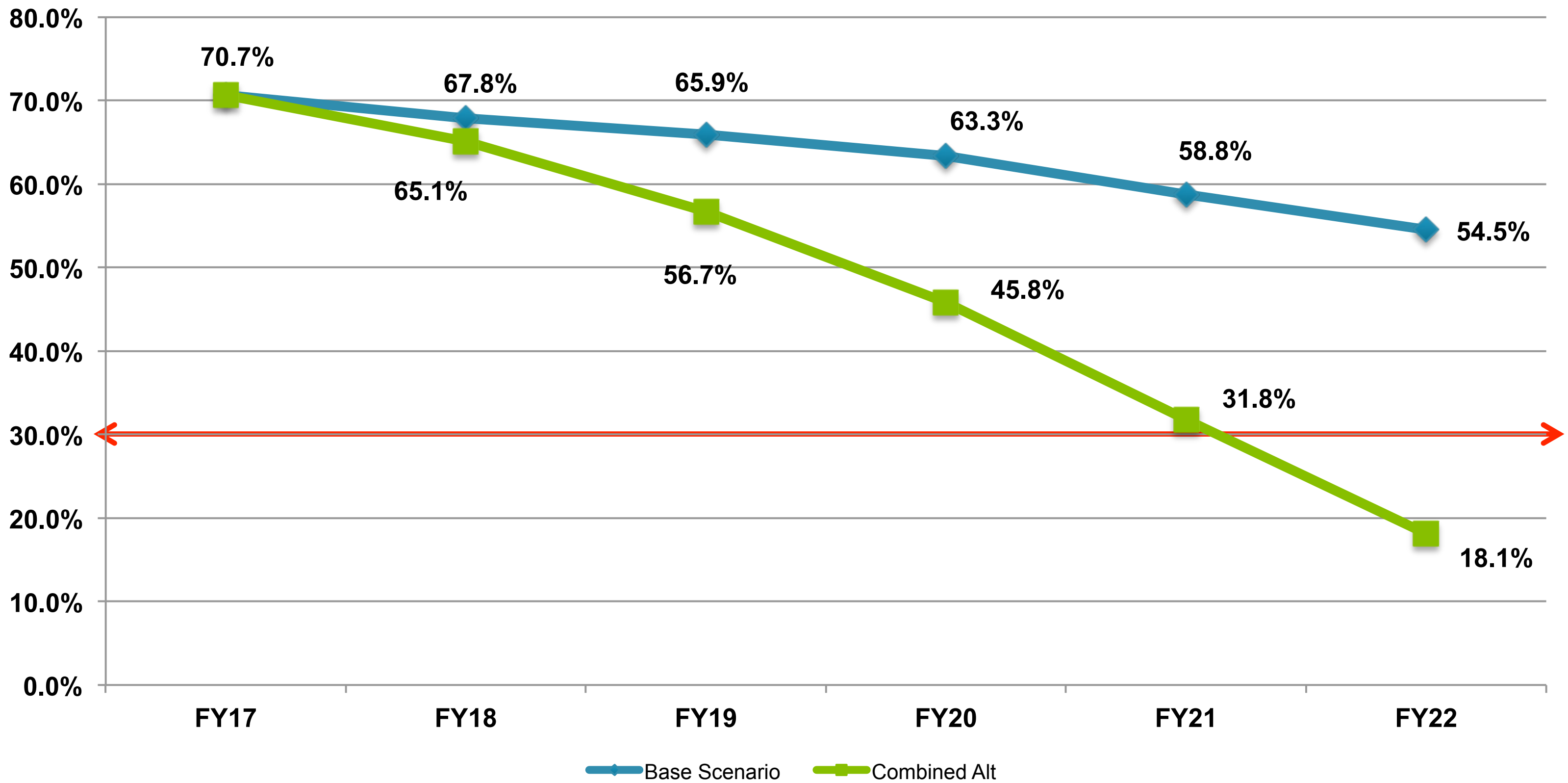
Fund Balance Percentages

Fund balances and % would drop precipitously over the period



Base Scenario	FY17	FY18	FY19	FY20	FY21	FY22
FYE Fund Balance	$47M	$46M	$45M	$44M	$42M	$40M
FB as % of Exp.	70.7%	67.8%	65.9%	63.3%	58.8%	54.5%
Combined Alt	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
FYE Fund Balance	$47M	$44.5M	$39M	$36M	$23M	$13.7M
FB as % of Exp.	70.7%	65.1%	56.7%	45.8%	31.8%	18.1%

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Discussion

- This presentation will complete the CFAC financial forecast charge for 2016-2017.

- CFAC will now take on the secondary charge with a full report/presentation in May of 2017.

Questions?

EXHIBITS

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