

Final Budget 2013-2014

**Board of Education Meeting
August 20, 2013**

Strategic Plan Objectives and Parameters

- Ensure new and existing programs are consistent with the strategic plan and that benefits justify costs.
- Maintain an operating fund balance of at least 25%.
- Ensure the sustainability of the district's financial and human resources and their equitable distribution.

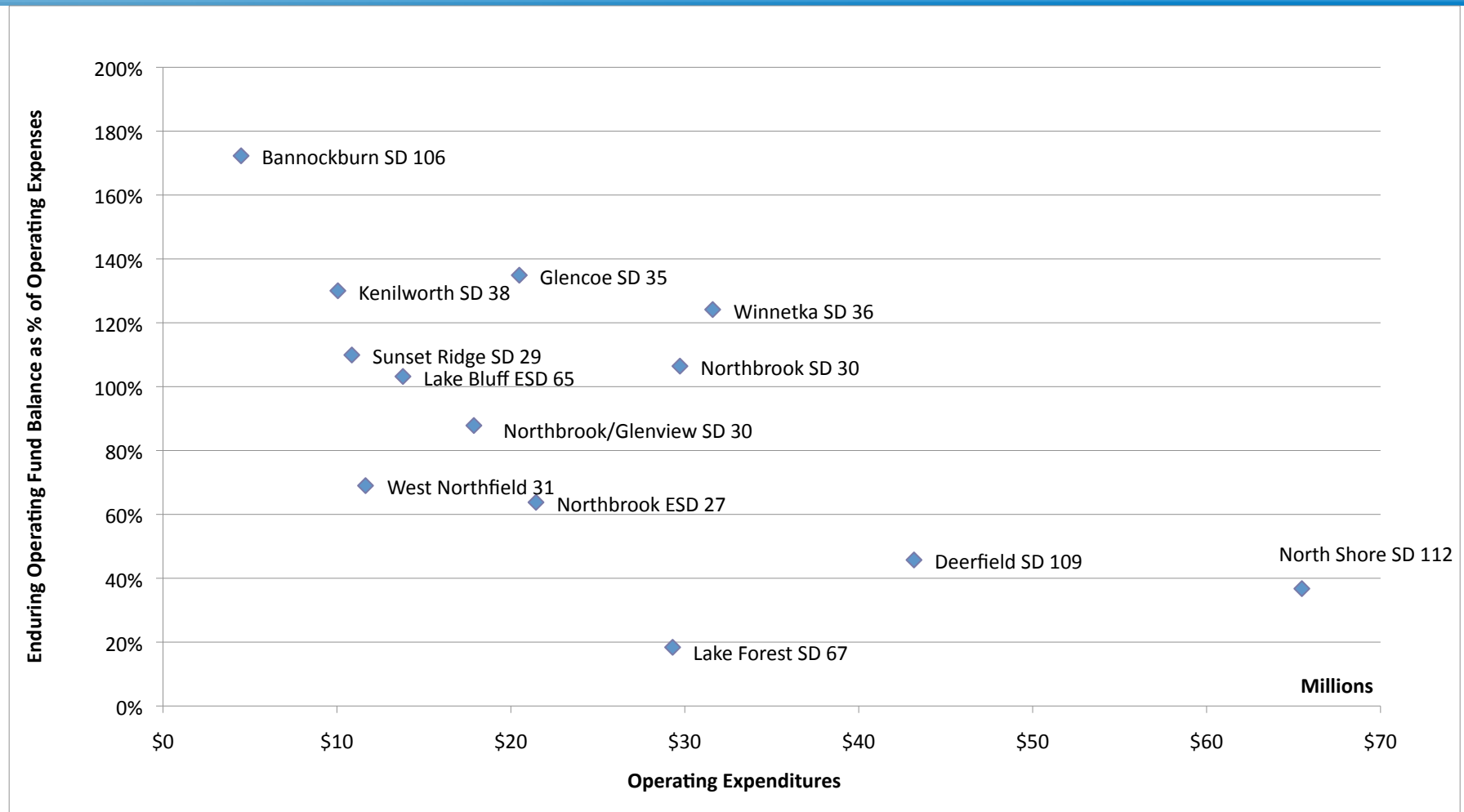
What Are the Long Term Financial Objectives

- Adhere to Strategic Plan.
- Eliminate Use of Short term non B&I debt to fund current operations.
- Expenditures should not exceed revenues.
- Interest Earnings should be assigned to fund balance and not used for current operations.
- The annual revenue budget should have sufficient cushion to absorb unexpected routine expenditures.
- Working Cash should be assigned to fund balance and not used for current operations.
- Modern / Functional infrastructure.

Financial Strengths

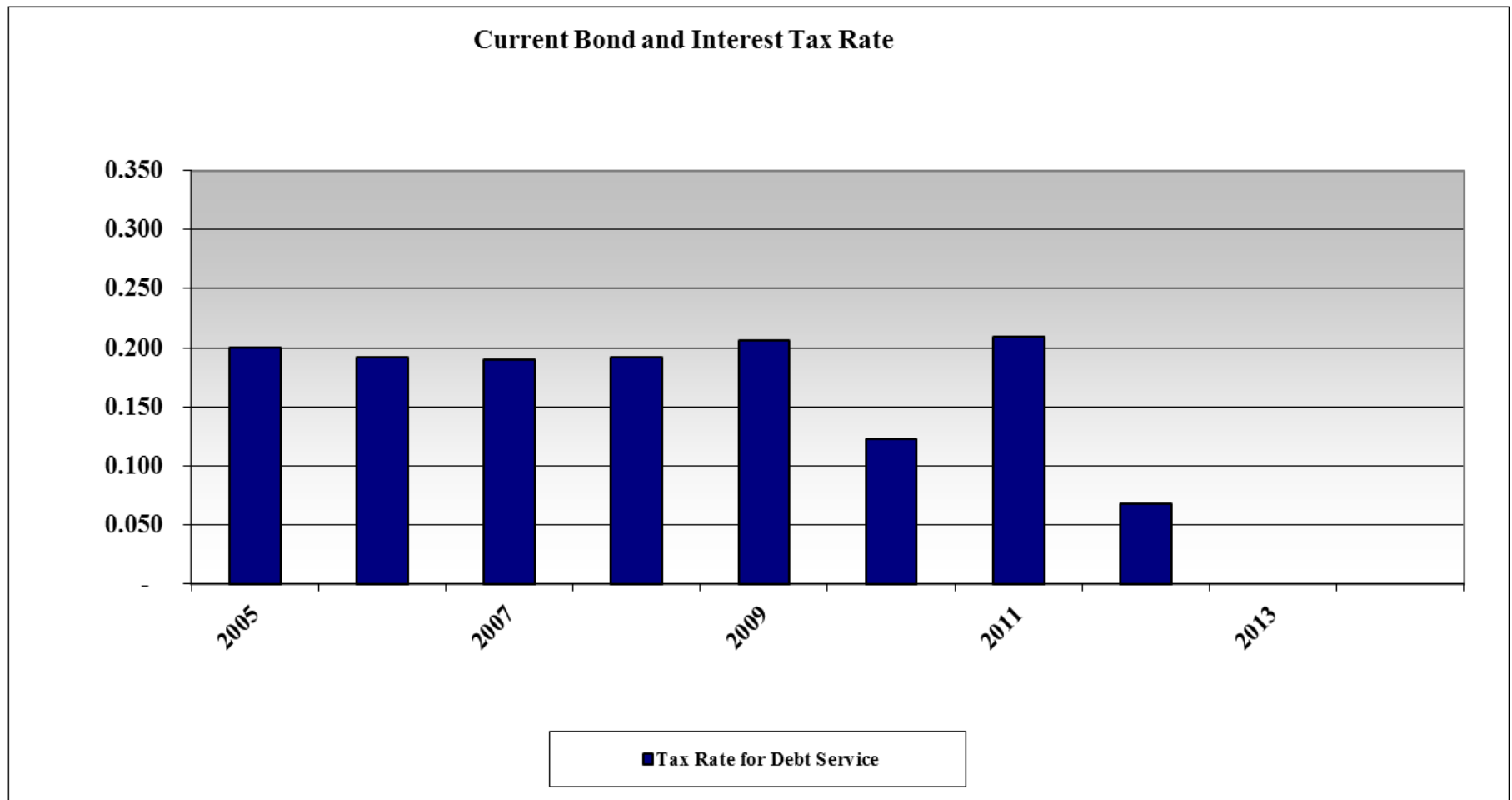
- Strong reserve balance
- Strong tax base
- Low debt level / Capacity for additional debt
- Valuable real estate assets
- Strong credit rating
- High tax collection rates
- High revenue per student
- Engaged community perceives high value

2011 – 2012 Operating Fund



Source: 2012 Annual Financial Reports, Financial Profile Information, ISBE

Current Situation





Summary of Debt Paid or In Process from Bond & Interest Fund

(The taxes for FY14 were collected in 2012 Levy)

Last updated: 8/6/12

Dated	April 1, 2004	July 1, 2002
Issue	G.O. BONDS	G.O. BONDS
Series	2004	2002
Original Par	\$8,835,000.00	\$20,900,000.00
Earliest Call	NON-CALLABLE	12/1/2012 @ 100
Maturity	December 1,	December 1,
Credit Ratings (Moody/S&P/Fitch)	Aa1/AAA/NR	Aa1/AAA/NR

Fiscal Year	Principal	Coupon	Interest	Debt Service	Principal	Coupon	Interest	Debt Service
2013					5,290,000	5.750%	226,218	5,516,218
2014					1,765,000	4.200%	37,065	1,802,065
2015								
2016								
2017								
2018								

Callable	\$0	\$1,765,000
Non-Callable	\$0	\$5,290,000
Total Outstanding	\$0	\$7,055,000

Purpose/ Notes	REFUNDING BONDS	REFUNDING BONDS
Senior Underwriter	Banc One Capital Markets	William Blair & Company
Bond Counsel	Chapman & Cutler	Chapman & Cutler



Summary of Outstanding Debt From Operating Funds

Last updated: 8/6/12

Dated
Issue
Series
Original Par
Earliest Call
Maturity
Credit Ratings (Moody/S&P/Fitch)

May 1, 2005	November 1, 2004
G.O. BONDS (Alternate Revenue Source)	G.O. DEBT CERTIFICATES
2005	2004
\$9,865,000.00	\$300,000.00
1/1/2015 @ 100	NON-CALLABLE
January 1,	January 1,
NR/AAA/NR	NR/NR/NR

Fiscal Year

2013
2014
2015
2016
2017
2018

Principal	Coupon	Interest	Debt Service	Principal	Coupon	Interest	Debt Service
1,130,000	4.000%	288,600	1,418,600	30,000	3.250%	3,250	33,250
1,145,000	4.000%	243,400	1,388,400	35,000	3.250%	2,275	37,275
1,205,000	4.000%	197,600	1,402,600	35,000	3.250%	1,138	36,138
1,300,000	4.000%	149,400	1,449,400				
1,405,000	4.000%	97,400	1,502,400				
1,030,000	4.000%	41,200	1,071,200				

Callable
Non-Callable
Total Outstanding

\$3,735,000	\$0
\$3,480,000	\$100,000
\$7,215,000	\$100,000

Purpose/ Notes

LIFE SAFETY	DEBT CERTIFICATES
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Senior Underwriter
Bond Counsel

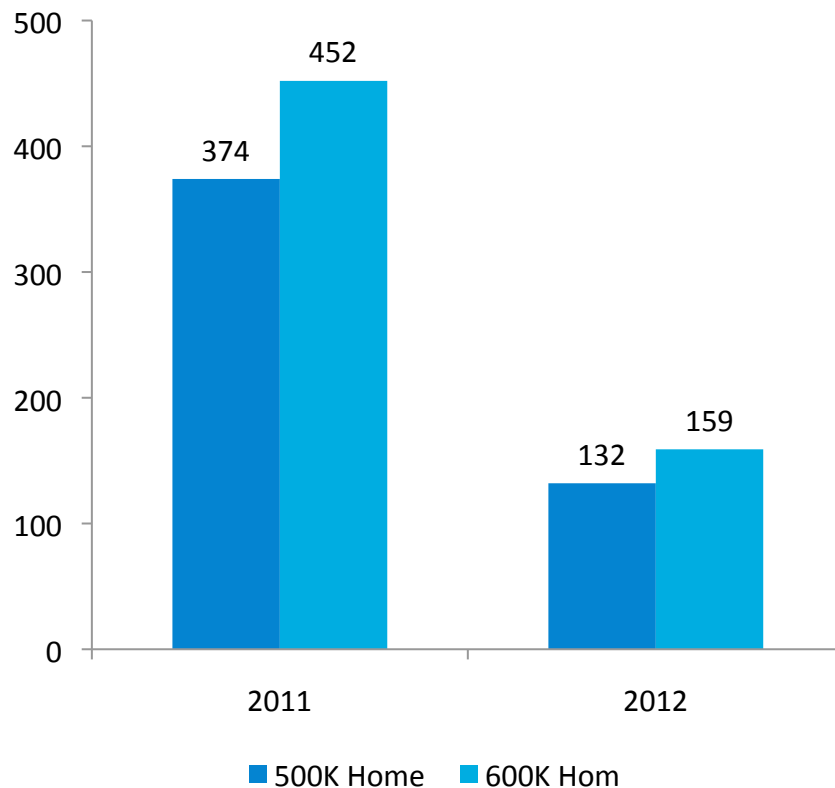
William Blair & Company	William Blair & Company
Chapman & Cutler	Chapman & Cutler

Callable Bonds

- Series 2005 Alternate Revenue Bonds
 - Issued for building purposes
 - \$6,085,000 of principal due January 1, 2014 through 2018
 - \$3,735,000 of this amount due January 1, 2016 through 2018
is callable January 1, 2015
 - Average interest rate of the callable bonds is 4.00%
 - Eligible for a tax-exempt refunding

Current District 112 Debt Situation

Property Tax Implications of 2004 Debt Service Retirement



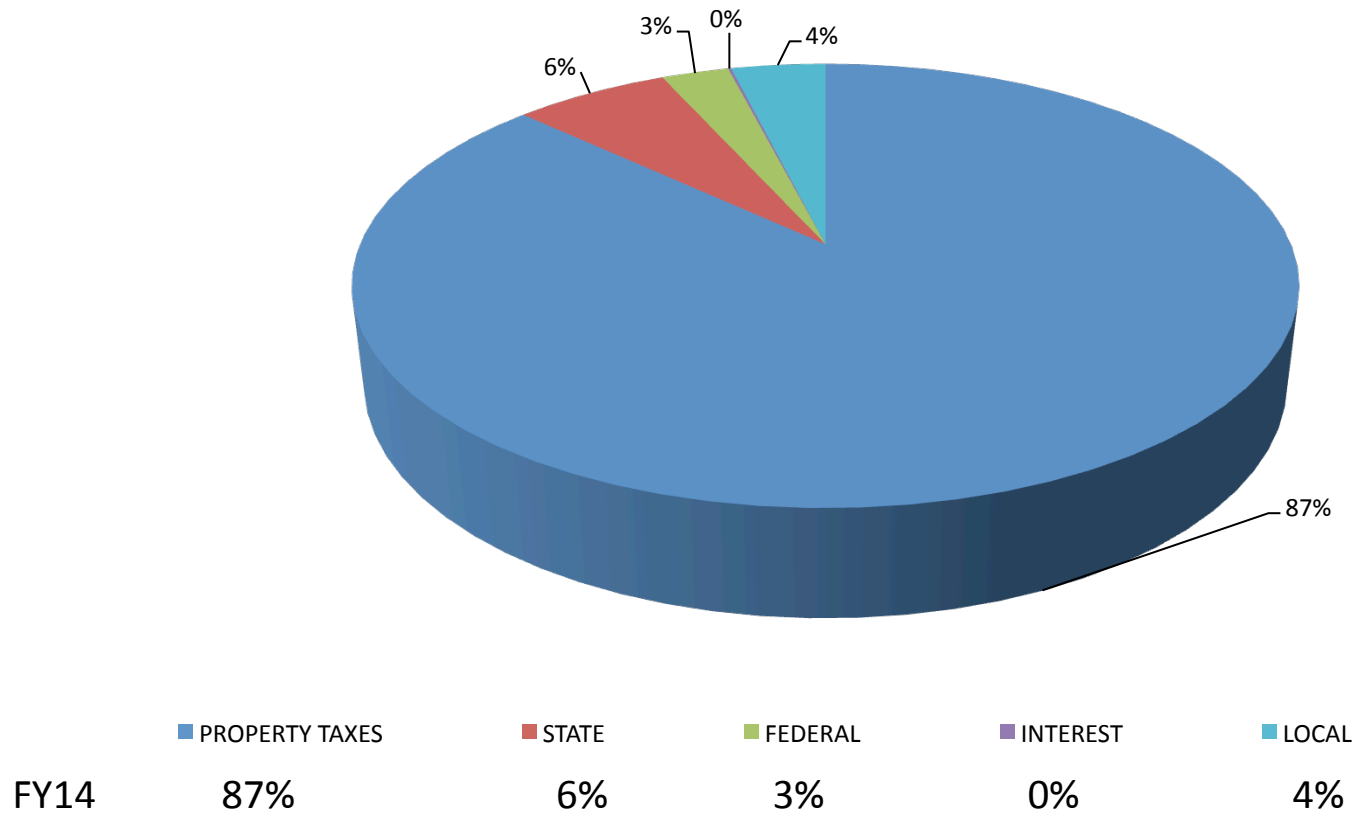
Current Situation

- Property taxes are currently being extended for one bond issue (Series 2004 Bonds) - Final maturity is on December 1, 2013
- Absent other factors (e.g. District 113 debt), tax payers will see a savings from the retirement of previous debt this year

Summary of Major Assumptions

- No Shift of Pension Obligation to the local Board of Education from the State of Illinois
- Pension Rate for Employer to stay at 0.58%
- THIS (TRS Health) Employer Rate 0.72%
- TRS Federal Fund pension rate 35.41%
- Health Insurance increase 1.6%
- Dental Insurance increase 0%
- Enrollment no significant change
- School District to receive Impact Aid and not High Impact Aid
- Retirees FY14 – 6, FY 15 – 10, FY 16 – 6, FY 17 - 8
- New hire replacement BA-Step 7 \$49,126

Typical Source of Revenue



NOTE - EXCLUDES: TRANSFERS AND ON-BEHALF PAYMENT TO TRS

Financial Challenges

Revenues not keeping pace with expenditures

- Historically low CPI
- Declining new construction
- Stagnant or declining federal/state aid
- Increase in salaries and benefits at a higher rate than CPI growth
- Rising special education costs
- Elimination of heavy impact aid

Facilities Needs

- Aging Buildings are Costly to Repair
- Small Buildings are Inefficient to Operate

Financial Factors

- CPI Increase
 - Calendar Year 2013 1.70%
 - Calendar Year 2012 will be used for the FY14 Budget 3.00%**
 - Calendar Year 2011 1.50%
 - Calendar Year 2010 2.70%
 - Average for 4 Years 2.23%
 - Average since Tax Cap Legislation 1992- 2013 = 2.50%
- Average New Construction, Last Three Years: 0.61%
 - **FY12 0.44% will be used for the FY14 Budget**
 - FY11 0.46%
 - FY10 0.94%
- 10 Year New Construction Average: 1.23%
- Investment Earnings at Historic Lows 0.25%



Change in Revenue due to Change in CPI

2012 Tax Extension:	\$ 65,754,089
Debt Service Extension (Bonds):	<u>\$ (1,823,414)</u>
Total Extension Subject to CPI limit:	<u><u>\$ 63,930,675</u></u>

New Money at Different Growth Rates

1.00%	\$639,307
1.70%	\$1,086,821
2.00%	\$1,278,614
2.25%	\$1,438,440
2.50%	\$1,598,267
3.00%	\$1,917,920

Difference in new money between 3% and 1.7%

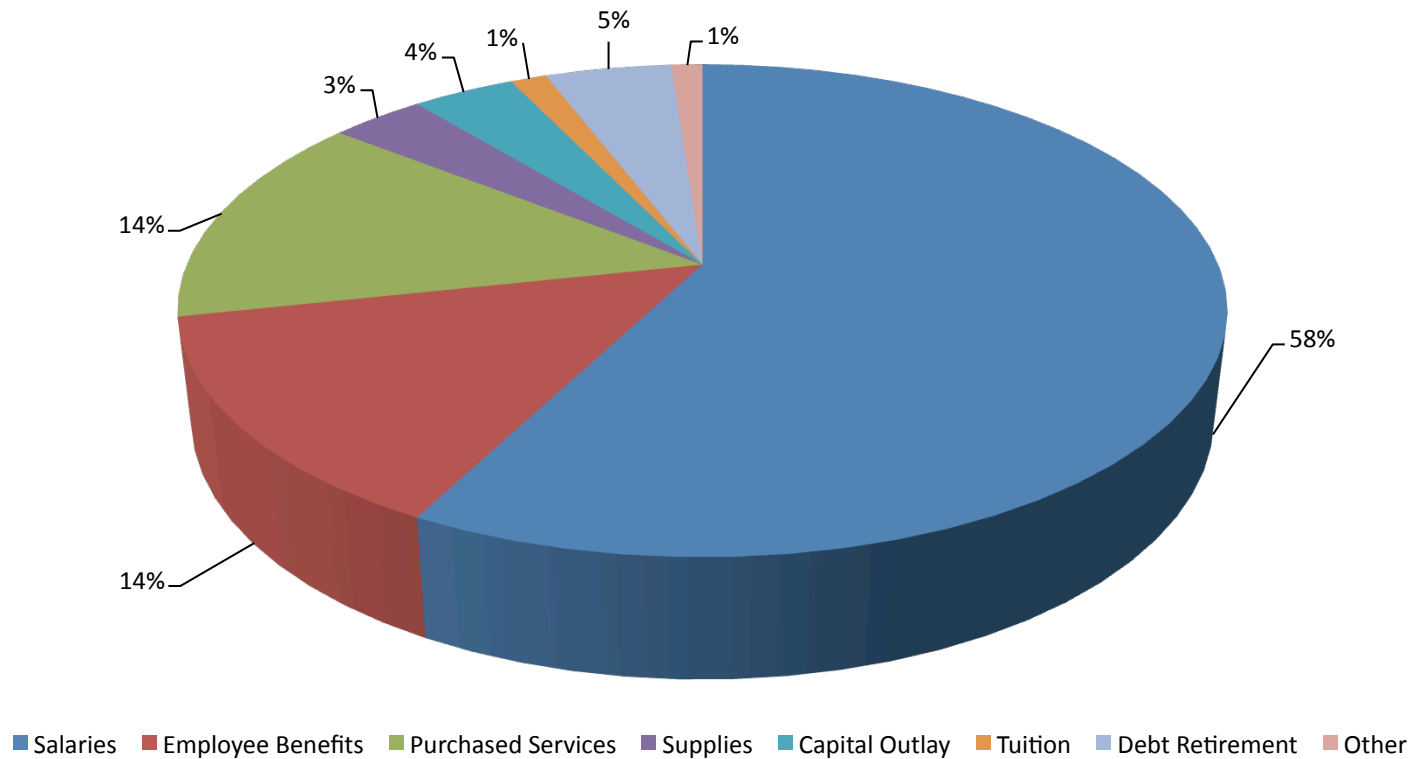
3.00%	\$1,917,920
-	-
1.70%	<u>\$1,086,821</u>
	<u><u>\$831,099</u></u>

Change in Revenue due to New Construction

New Money at Different Growth Rates of New Construction

0.30 %	\$ 191,792
0.40%	\$ 255,723
0.50%	\$ 319,653

Typical Types of Expenditures



NOTE - EXCLUDES: TRANSFERS AND ON-BEHALF PAYMENT TO TRS



Change in Expenditures Based on Various Assumptions

Change in Salary At Different Growth Rates based on FY '14 of \$43,058,045

1.00%	\$430,580
2.00%	\$861,161
3.00%	\$1,291,741

Change in Medical Insurance at Different Growth Rates FY '14: \$6,962,094*

* net employee contribution

7.00%	\$487,347
8.00%	\$556,968
9.00%	\$626,588

Change in Benefits FY '14: \$3,492,331

2.50%	\$87,308
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Change in Purchase Services FY '14: \$10,439,714

2.50%	\$260,993
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Change in Expenditures Based on Various Assumptions

Change in Supplies FY '14: \$2,581,528

2.50% \$64,538

Change in Special Ed Tuition FY '14: \$1,861,705

6.00% \$111,702

Fixed Costs Capital Outlet FY '14: \$2,830,190

Total Costs FY '14: \$71,225,607



Revenue and Expenditure Growth Trends

Revenue Growth

CPI at 2%-2.5%: \$1,300,000 - \$1,600,000

New Construction:	0.40%	\$256,000
	0.50%	\$320,000
	1.00%	\$640,000

Expenditures

Salaries:	3.00%	\$1,292,000
	4.00%	\$1,722,000

Medical:	6.00%	\$418,000
	7.00%	\$487,000
	8.00%	\$557,000
	9.00%	\$627,000

All other (Benefits, Purchase Services, Supplies) at 2.5%:
\$413,000

Special Education Tuition:	6.00%	\$112,000
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Capital Outlay	?	?
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Insurance – Medical Expense

	2010-2011 MEDICAL EXPENSE	2011-2012 MEDICAL EXPENSE	2012-2013 MEDICAL EXPENSE
JULY	\$ 519,866.24	\$ 505,036.13	\$ 700,094.62
AUGUST	\$ 502,523.84	\$ 627,393.68	\$ 652,011.47
SEPT	\$ 472,148.53	\$ 449,490.98	\$ 382,321.80
OCT	\$ 412,379.13	\$ 461,044.88	\$ 486,187.91
NOV	\$ 469,626.38	\$ 474,008.11	\$ 538,274.56
DEC	\$ 527,908.81	\$ 789,854.40	\$ 548,566.24
JAN	\$ 425,054.51	\$ 702,642.10	\$ 477,624.15
FEB	\$ 388,605.54	\$ 551,713.36	\$ 544,534.13
MAR	\$ 481,924.99	\$ 504,862.23	\$ 621,853.39
APR	\$ 568,460.09	\$ 463,663.54	\$ 672,080.24
MAY	\$ 419,088.93	\$ 544,400.99	\$ 656,463.91
JUN	\$ 457,439.91	\$ 588,515.89	\$ 492,986.70
SUB-TOTAL EXPENSE (BCBS & SUN LIFE)	\$ 5,645,026.90	\$ 6,662,626.29	\$ 6,772,999.12
OTHER MEDICAL EXPENSES		\$ -	\$ 57,931.15
LESS: PREVIOUS YEAR IBNR		\$ (342,000.00)	\$ (468,527.00)
TOTAL EXPENSE (SKYWARD)	\$ 5,645,026.90	\$ 6,320,626.29	\$ 6,362,403.27
IBNR	\$ 342,000.00	\$ 468,527.00	\$ 400,000.00
TOTAL EXPENSE	\$ 5,987,026.90	\$ 6,789,153.29	\$ 6,762,403.27
BUDGET		\$ 6,260,029.97	\$ 6,406,235.50
OVER (UNDER) BUDGET		\$ (529,123.32)	\$ (356,167.77)
INSURANCE REVENUE			
EMPLOYEE CONTRIBUTIONS-ACTUAL		\$ 1,008,194.88	\$ 937,391.95
BUDGETED REVENUE		\$ 670,000.00	\$ 960,000.00
OVER (UNDER) BUDGET		\$ 338,194.88	\$ (22,608.05)
NET IMPACT ON THE BUDGET		\$ 867,318.20	\$ 333,559.72

Being under budget in revenues creates an adverse impact and being over budget on expenditures creates an adverse impact.
Being over budget in revenues creates a positive impact and being under budget in expenditures creates a positive impact.

Teachers Pension Shift Impact

Estimated Payroll Increase per Year: 3%

Year	Annual Shift	Aggregate Shift	Projected Payroll	Annual Impact	Aggregate Annual Impact
1	0.5%	0.50%	\$ 38,542,574	\$ 192,713	\$ 192,713
2	0.5%	1.00%	\$ 39,576,720	\$ 395,767	\$ 588,480
3	0.5%	1.50%	\$ 40,764,022	\$ 611,460	\$ 1,199,940
4	0.5%	2.00%	\$ 41,986,942	\$ 839,739	\$ 2,039,679
5	0.5%	2.50%	\$ 43,246,550	\$ 1,081,164	\$ 3,120,843
6	0.5%	3.00%	\$ 44,543,947	\$ 1,336,318	\$ 4,457,161
7	0.5%	3.50%	\$ 45,880,265	\$ 1,605,809	\$ 6,062,971
8	0.5%	4.00%	\$ 47,256,673	\$ 1,890,267	\$ 7,953,238
9	0.5%	4.50%	\$ 48,674,374	\$ 2,190,347	\$ 10,143,584
10	0.5%	5.00%	\$ 50,134,605	\$ 2,506,730	\$ 12,650,315
11	0.5%	5.50%	\$ 51,638,643	\$ 2,840,125	\$ 15,490,440
12	0.5%	6.00%	\$ 53,187,802	\$ 3,191,268	\$ 18,681,708
13	0.5%	6.50%	\$ 54,783,436	\$ 3,560,923	\$ 22,242,632

\$22,242,632



FY 2014 Proposed Budget – Operating Funds

	Education Fund	O&M Fund	Transportation Fund	IMRF/Soc Sec Fund	Working Cash Fund	Tort Fund	Total Budget
<u>REVENUE:</u>							
Real Estate Taxes	51,258,731	6,867,229	1,980,000	1,576,912	57,471	75,000	61,815,343
Replacement Taxes	-	25,000	100,000	400,000	-	-	525,000
State Aid	4,033,393	-	713,333	-	-	-	4,746,726
Federal Aid	2,061,436	-	-	-	-	-	2,061,436
Interest	49,122	9,893	1,508	3,334	18,438	-	82,295
Local	2,064,200	245,103	50,000	-	-	-	2,359,303
Transfers	-	-	-	-	-	-	-
On-Behalf	-	-	-	-	-	-	-
TOTAL	59,466,882	7,147,225	2,844,841	1,980,246	75,909	75,000	71,590,103
<u>EXPENDITURES:</u>							
Salaries	41,794,788	1,192,947	70,310	-	-	-	43,058,045
Employee Benefits	8,409,970	226,764	17,768	1,799,922	-	-	10,454,424
Purchased Services	4,276,485	2,982,111	2,680,752	-	-	500,366	10,439,714
Supplies	1,341,361	1,225,167	15,000	-	-	-	2,581,528
Capital Outlay	1,017,190	1,813,000	-	-	-	-	2,830,190
Tuition	1,861,705	-	-	-	-	-	1,861,705
Debt Retirement	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
On-Behalf	-	-	-	-	-	-	-
TOTAL	58,701,499	7,439,989	2,783,830	1,799,922	-	500,366	71,225,606
Excess (deficiency) of revenues over expenditures	765,383	(292,764)	61,011	180,324	75,909	(425,366)	364,497
Other Sources (Uses)							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	(251,938)	(37,276)	-	-	-	-	(289,214)
Capital Lease proceeds	-	-	-	-	-	-	-
Total Other financing sources (uses)	(251,938)	(37,276)	-	-	-	-	(289,214)
Net Change in Fund Balance	513,445	(330,040)	61,011	180,324	75,909	(425,366)	75,283
Fund balance, beginning of year (expected)	7,441,165	3,900,146	330,877	1,481,056	12,352,162	569,595	26,075,001
Fund balance, end of year	7,954,610	3,570,106	391,888	1,661,380	12,428,071	144,229	26,150,284



FY 2014 Proposed Budget – All Funds

	Education Fund	O&M Fund	Debt Service Fund	Transportation Fund	IMRF/Soc Sec Fund	Working Cash Fund	Tort Fund	Life Safety Fund	Total Budget
<u>REVENUE:</u>									
Real Estate Taxes	51,258,731	6,867,229	1,784,044	1,980,000	1,576,912	57,471	75,000	1,444,830	65,044,217
Replacement Taxes	-	25,000	-	100,000	400,000	-	-	-	525,000
State Aid	4,033,393	-	-	713,333	-	-	-	-	4,746,726
Federal Aid	2,061,436	-	-	-	-	-	-	-	2,061,436
Interest	49,122	9,893	6,827	1,508	3,334	18,438	-	1,156	90,278
Local	2,064,200	245,103	-	50,000	-	-	-	-	2,359,303
Transfers	-	-	-	-	-	-	-	-	-
On-Behalf	9,000,000	-	-	-	-	-	-	-	9,000,000
TOTAL	68,466,882	7,147,225	1,790,871	2,844,841	1,980,246	75,909	75,000	1,445,986	83,826,960
<u>EXPENDITURES:</u>									
Salaries	41,794,788	1,192,947	-	70,310	-	-	-	-	43,058,045
Employee Benefits	8,409,970	226,764	-	17,768	1,799,922	-	-	-	10,454,424
Purchased Services	4,276,485	2,982,111	-	2,680,752	-	-	500,366	-	10,439,714
Supplies	1,341,361	1,225,167	-	15,000	-	-	-	-	2,581,528
Capital Outlay	1,017,190	1,813,000	-	-	-	-	-	-	2,830,190
Tuition	1,861,705	-	-	-	-	-	-	-	1,861,705
Debt Retirement	-	-	3,479,769	-	-	-	-	-	3,479,769
Other	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
On-Behalf	9,000,000	-	-	-	-	-	-	-	9,000,000
TOTAL	67,701,499	7,439,989	3,479,769	2,783,830	1,799,922	-	500,366	-	83,705,375
Excess (deficiency) of revenues over expenditures	765,383	(292,764)	(1,688,898)	61,011	180,324	75,909	(425,366)	1,445,986	121,585
Other Sources (Uses)									
Transfers in	-	-	1,677,614	-	-	-	-	-	1,677,614
Transfers (out)	(251,938)	(37,276)	-	-	-	-	-	(1,388,400)	(1,677,614)
Capital Lease proceeds	-	-	-	-	-	-	-	-	-
Total Other financing sources (uses)	(251,938)	(37,276)	1,677,614	-	-	-	-	(1,388,400)	-
Net Change in Fund Balance	513,445	(330,040)	(11,284)	61,011	180,324	75,909	(425,366)	57,586	121,585
Fund balance, beginning of year (expected)	7,441,165	3,900,146	2,142,961	330,877	1,481,056	12,352,162	569,595	145,230	28,363,192
Fund balance, end of year	7,954,610	3,570,106	2,131,677	391,888	1,661,380	12,428,071	144,229	202,816	28,484,777

Comparisons of Cost Per Pupil of District 112 to Various Districts

School District	9 Month Average Daily Attendance (ADA)*	Total Expenditure/ ADA	Total Instructional, Support Service Pupil and Staff*/ADA	Total Executive Administration Services*/ADA	Total Support Service-Business*/ADA
North Shore SD 112	3,961	\$16,529	\$12,074	\$115	\$192
Bannockburn SD 106	160	\$28,005	\$14,666	\$1,699	\$531
Deerfield SD 109	2,871	\$15,038	\$10,454	\$239	\$215
Kenilworth SD 38	529	\$19,022	\$13,998	\$519	\$420
Lake Bluff ESD 65	834	\$16,534	\$11,165	\$228	\$437
Lake Forest SD 67	1,922	\$15,244	\$9,772	\$141	\$338
Northbrook/Glenview SD 30	1,050	\$17,019	\$11,768	\$527	\$454
Sunset Ridge SD 29	452	\$23,997	\$16,121	\$671	\$1,020
West Northfield 31	809	\$14,391	\$8,965	\$452	\$328
Winnetka SD 36	1,633	\$19,350	\$12,894	\$297	\$370

*Average Daily Attendance (ADA): The Illinois State Board of Education (ISBE) requires school districts to submit an annual financial report that uses ADA, not enrollment, to calculate per capita costs.

*Instructional, Support Service Pupil and Staff: The total cost for all instructional staff and support staff such as social worker, nurses, psychologist, and speech therapists that serve students.

*Executive Administration: The cost for the superintendent's office.

*Total Support Service-Business: The CFO as well as the staff in the business office.

Glencoe SD 35 AFR not available on ISBE, Northbrook SD 27 information inaccurate

Large School District Comparison by Enrollment and Number of Buildings

District	Number of Students	# of Schools	Avg. Elem.	Smallest Elem.	Largest Elem.	Average MS	Smallest MS	Largest MS
NSSD 112	4460	12*	344	260	501	496	410	607
DF 109	3124	6	515	494	558	532	529	534
DP 62	4679	11**	363	269	582	656	635	677
GV 34	4901	8	545***	485	582	817	800	834
HAW 73	3968	7	556	432	724	592	576	608
PR 64	4223	7	553	373	690	728	690	766
WI 39	2679	6	507****	403	560	826****	814	838

Selected comparison districts are nearby suburban K8 districts with enrollments between 3,000 and 5,000 students. Elementary buildings serve Pre-K or K-5 unless noted below. Middle schools serve 6-8 unless noted below.

*Includes 1 Pre-K building that serves 218 students and houses admin offices

**Includes one K-8 year-round school

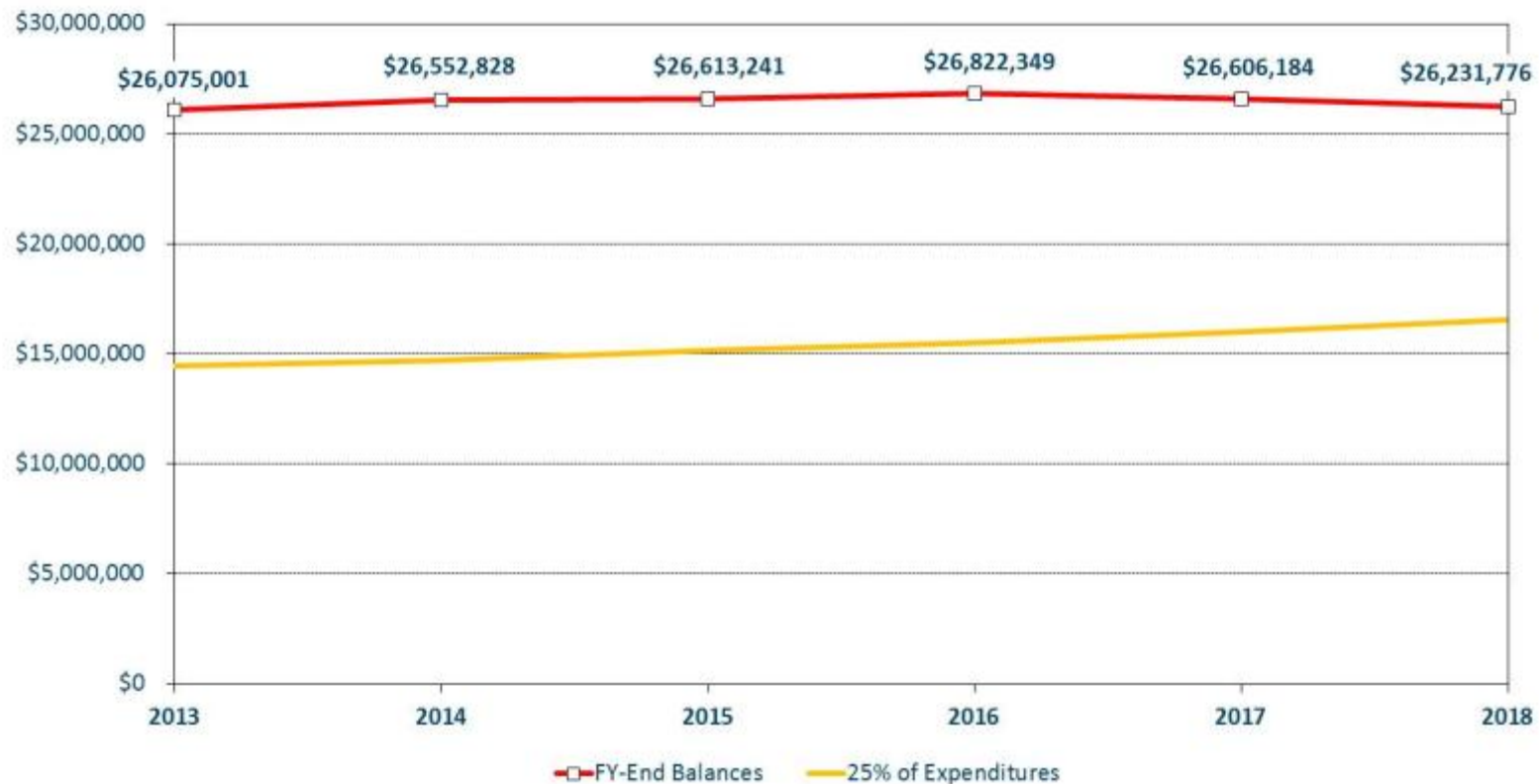
***Elementary schools include three schools serving grades Pre-K-2 and three schools serving grades 305

****Elementary schools serve Pre-K-4; one middle school serves grades 5-6 and one middle school serves grades 7-8

Operating Budget Balance with Baseline Capital Improvements (~2.8 million per year; 1.1 million in instructional technology and 1.7 million in O&M)

Aggregate View - Projection Summary

Using FY13 Budget



Operating Budget Balance with Baseline Capital Improvements (~ 5.8 million per year: 1.1 million instructional technology and 4.7 million in O&M)

Aggregate View - Projection Summary

Using FY13 Budget

