

# **Final Budget 2012-2013**

**Board of Education Meeting  
August 21, 2012**

# 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.
- Modern / Functional infrastructure.
- Interest Earnings should be assigned to fund balance and not used for current operations.
- Working Cash 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.

# Summary of Major Expenditures 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 0.69%
- TRS Federal Fund pension rate 28.05%
- Health Insurance increase 10%
- Dental Insurance increase 6%
- Enrollment no significant change
- No significant change in Impact Aid
- Retirees FY13 – 5, FY14 – 6, FY 15 – 10, FY 16 – 4
- New hire replacement BA-Step 6 \$48,435

# Financial Challenges

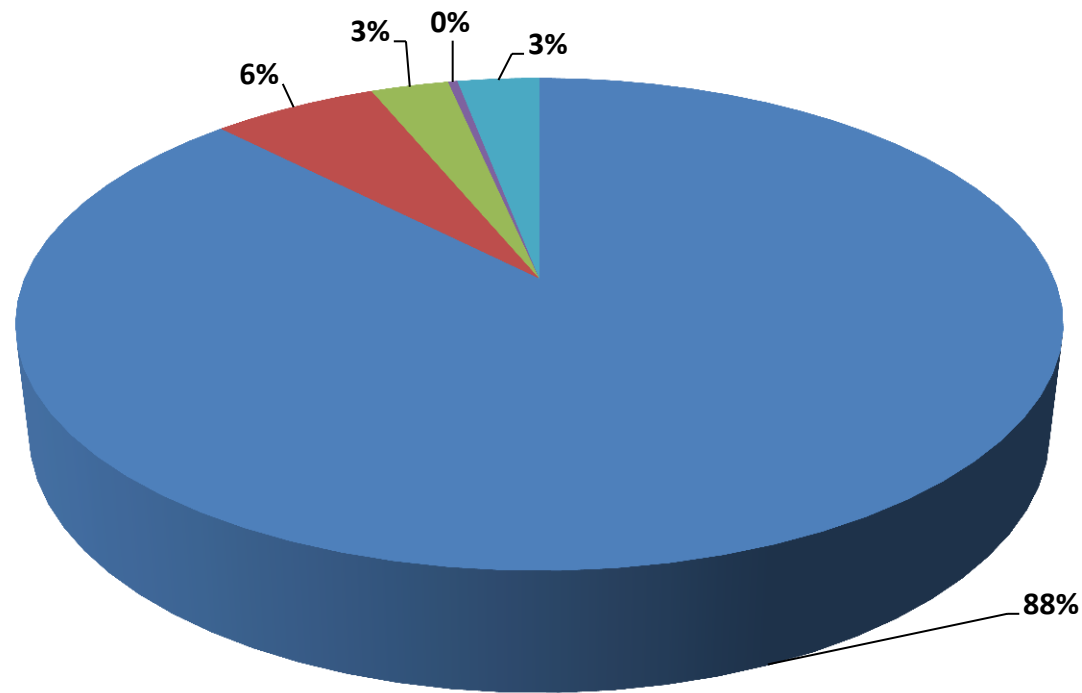
Revenues not keeping pace with expenditures

- Historically low CPI
- Declining new construction
- Stagnant or declining federal/state aid
- Rising personnel costs
- Rising special education costs
- Uncertainty of future military impact aid

Facilities Needs

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

# Typical Source of Revenue



■ PROPERTY TAXES

■ STATE

■ FEDERAL

■ INTEREST

■ LOCAL

FY13

88%

6%

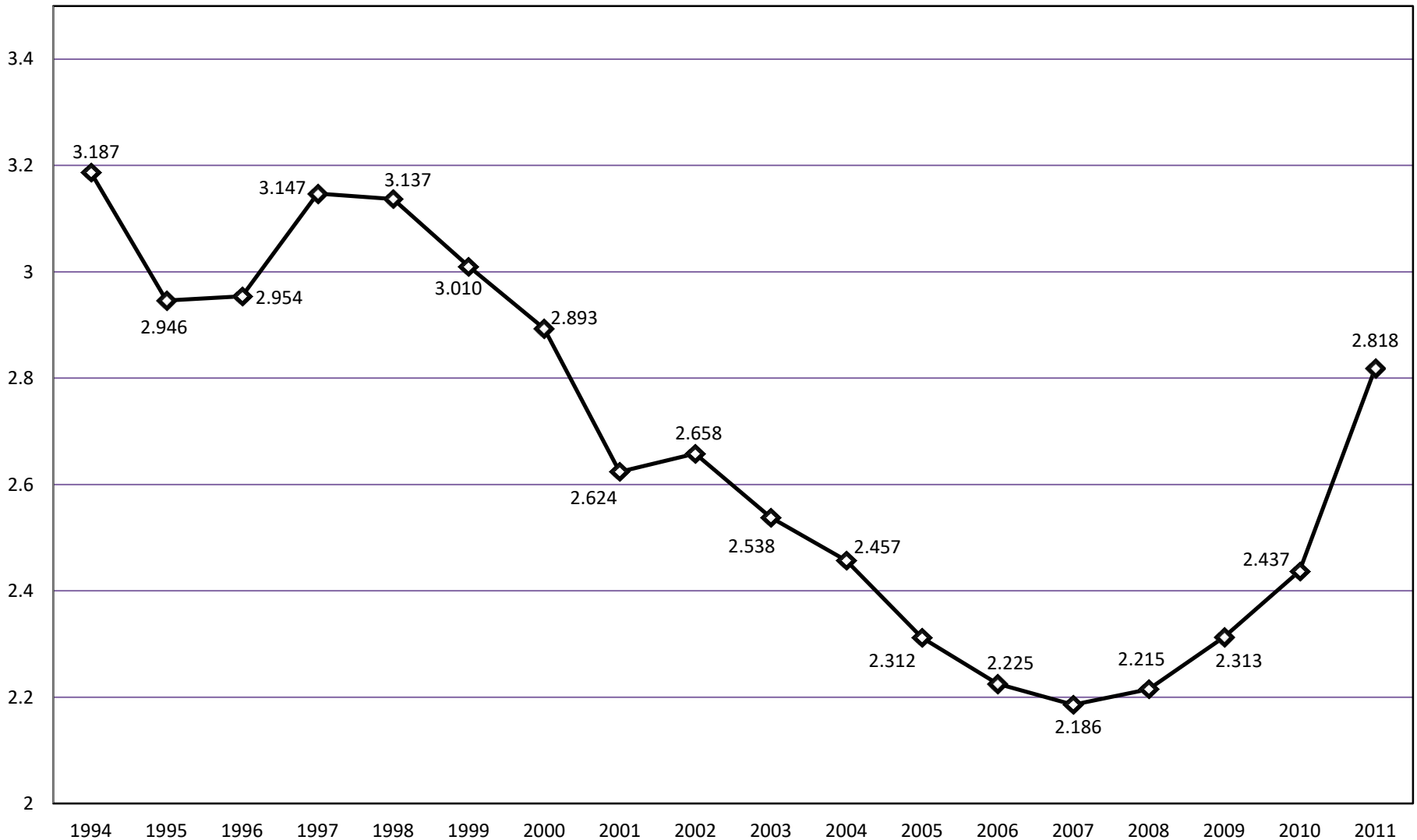
3%

0%

3%

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

# District 112 – Tax Rate History



# Financial Factors

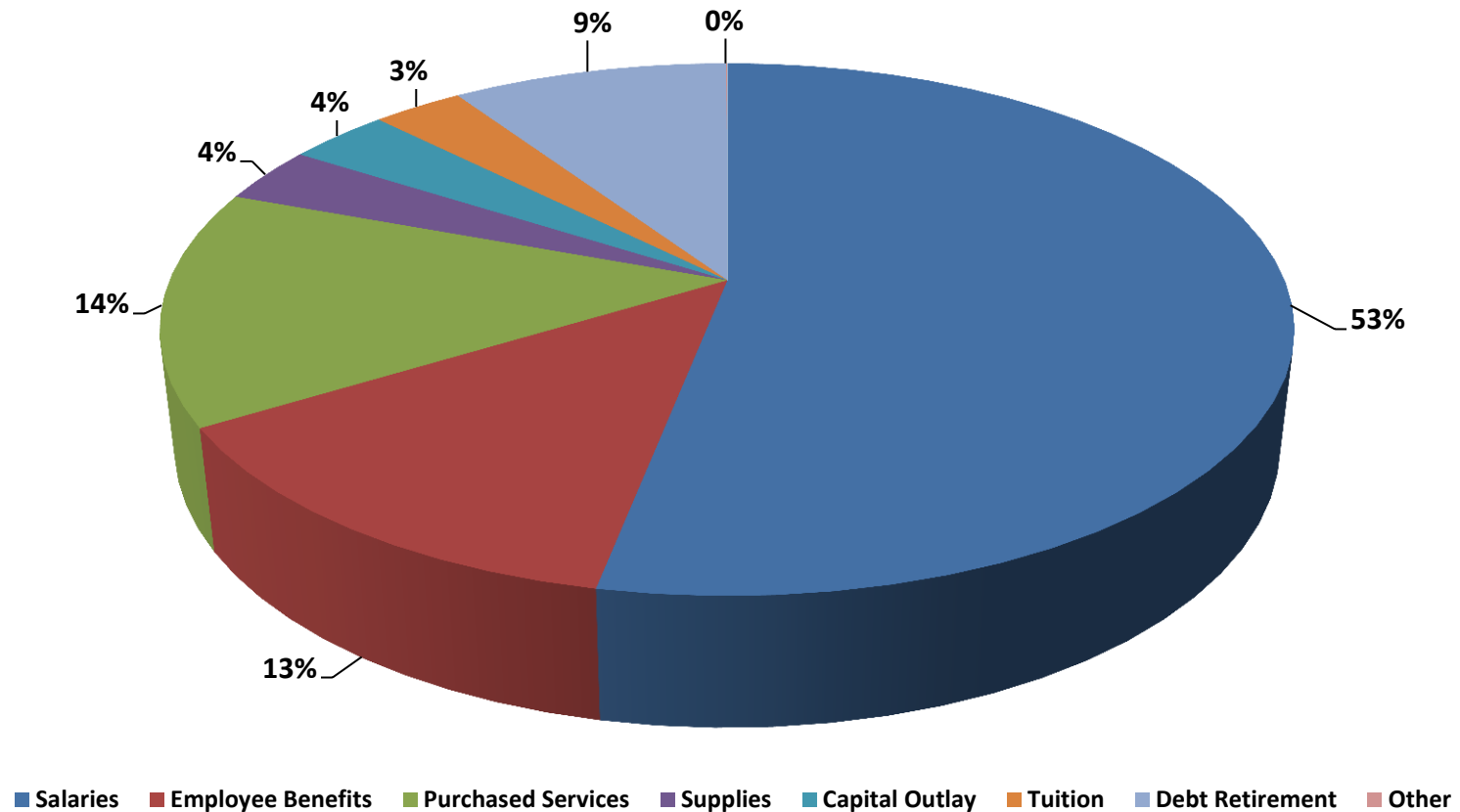
- CPI Increase
  - Calendar Year 2012 3.00%
  - Calendar Year 2011 will be used for the FY13 Budget 1.50%**
  - Calendar Year 2010 2.70%
  - Calendar Year 2009 0.10%
  - Average for 4 Years 1.83%
  - Average since Tax Cap Legislation 1992- 2012 = 2.53%
- Property Tax Refunds 5 yr avg  
(\$700,000; could increase)
- Average New Construction, Last Three Years: .93%
  - **FY12 0.46% will be used for the FY13 Budget**
  - FY11 0.94%
  - FY10 1.39%
- 10 Year New Construction Average: 1.43%
- Investment Earnings at Historic Lows 0.30%



# Factors Affecting Expenditures

- Salaries and benefits, exclusive of transfers and on-behalf payment by the State of Illinois to Teachers Retirement System account for close to 66% of budget
  - Salaries have risen by more than the rate of CPI
  - Medical insurance rates have risen at a double digit rate. The projected increase in benefit cost for the same plan design is 15.4%
- Unfunded government mandates
  - Special Ed Costs
  - Transportation costs
  - ELL, NCLB, Rtl
- Repair and Maintenance of Aging Facilities

# Typical Types of Expenditures

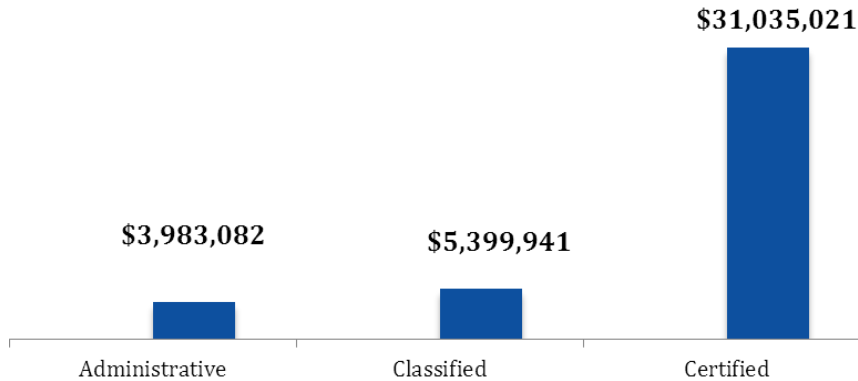


NOTE - EXCLUDES: TRANSFERS AND ON-BEHALF PAYMENT TO TRS

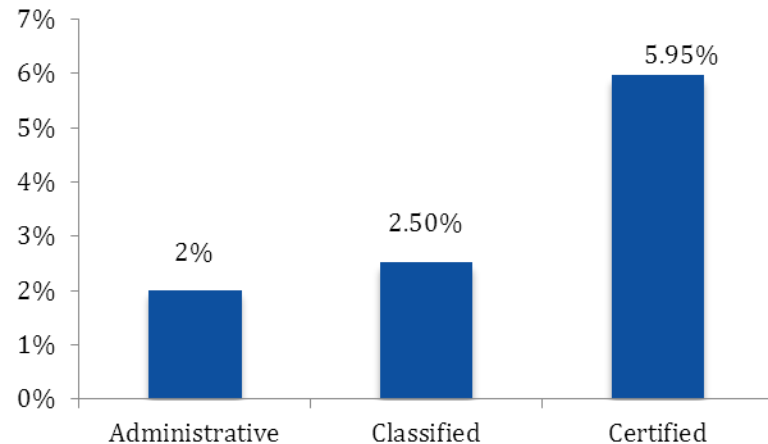
# Fiscal Year 2012

## History of Salaries by Staff Type

**Total Salary Pool**



**FY12  
Rate of Growth**



# Fiscal Year 2012

## Salaries

- Increase in base salary 1.55%
- Average step (with 0 base increase) 3%
- Number of columns 11
- Lowest Salary \$ 41,149
- Highest Salary \$ 110,446
- Ratio of lowest to highest 268%
- Total cost of teachers \$ 31,271,907
- Retirement incentive for teachers 6%
- Number of teachers on retirement incentive 30

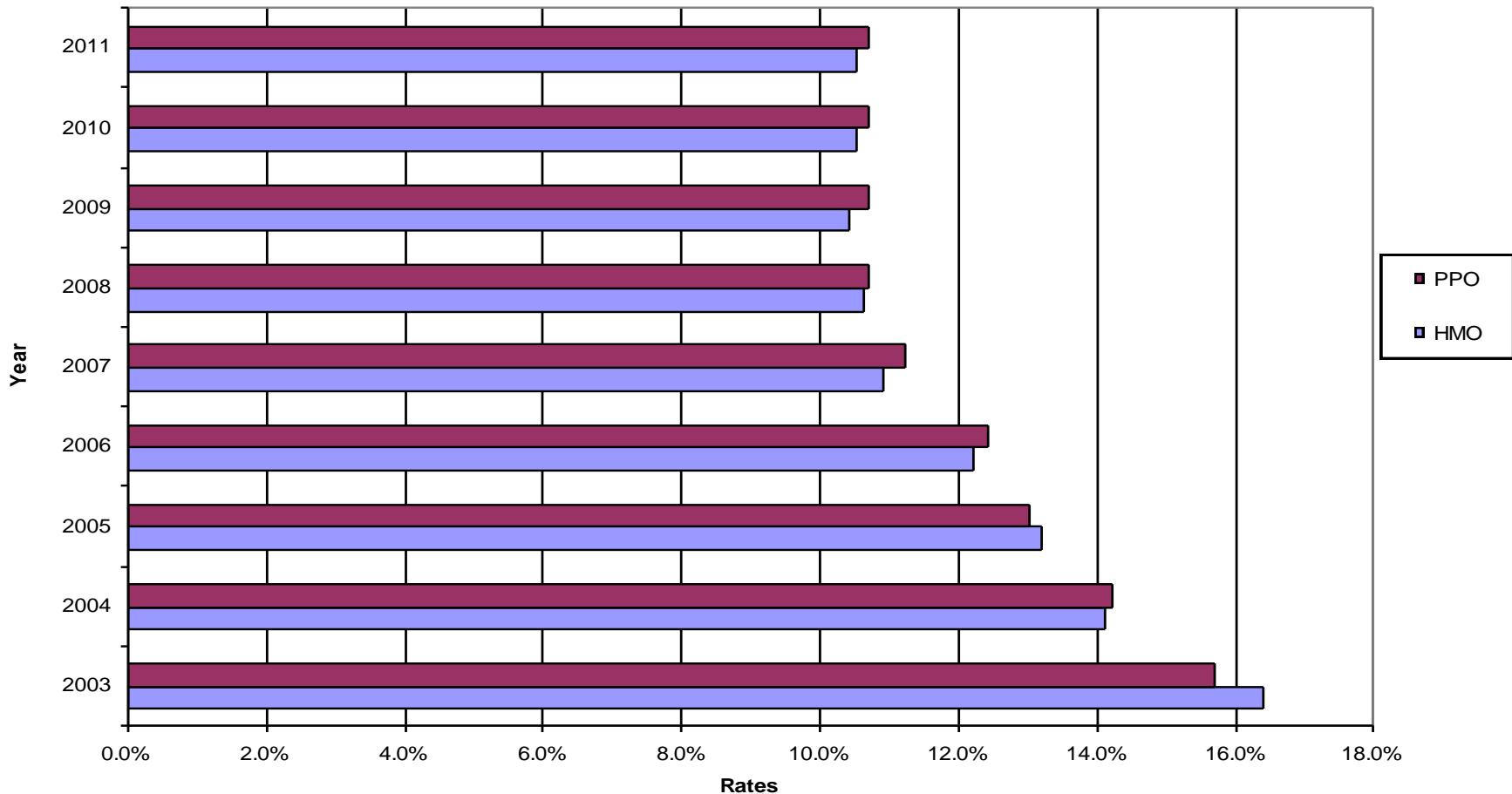
# Fiscal Year 2012

## Cost of Lane Changes

- Lane Change Cost in Dollar Amount \$435,564
- Lane Change Cost in Percentage for Teachers not on Retirement Schedule 1.57%
- Number of Employees Qualified in Lane Change on Salary 104
- Average increase for 104 employees who qualified for lane change on salary schedule 11.84%
- Range of Increase for Employees who Qualified for a Lane Change on Salary Schedule 8.13% to 23.8%

# Health Care Trend Rate History

Health Care Trend Rate History



Projected Increase in FY13 for our School District is 11.1%

# Statement of Revenues and Expenditures

## All Funds FY 10-11 through FY 12-13 Final Budget

	Adopted Budget 2010-11	Actual Amount 2010-11	Adopted Budget 2011-12	FINAL BUDGET 2012-13
<b><u>REVENUE:</u></b>				
Real Estate Taxes	\$63,503,289	\$63,984,815	\$63,217,000	\$66,653,978
Replacement Taxes	\$675,000	\$711,587	\$500,200	\$700,000
State Aid	\$4,766,428	\$4,652,462	\$4,663,662	\$4,701,923
Federal Aid	\$2,626,516	\$2,817,686	\$2,126,098	\$2,213,191
Interest	\$428,500	\$266,066	\$413,649	\$267,244
Local	\$2,233,440	\$2,270,452	\$2,203,000	\$2,316,089
Transfers	\$2,567,814	\$2,195,670	\$2,400,055	\$1,805,032
On-Behalf	8,411,000.00	8,210,912.00	8,915,700.00	\$8,915,700
<b>TOTAL</b>	<b>\$85,211,987</b>	<b>\$85,109,650</b>	<b>\$84,439,364</b>	<b>\$87,573,157</b>
<b><u>EXPENDITURES:</u></b>				
Salaries	\$41,107,396	\$40,354,379	\$41,881,136	\$40,786,425
Employee Benefits	\$9,714,120	\$8,870,709	\$9,709,954	\$10,149,339
Purchased Services	\$11,418,113	\$10,254,583	\$9,832,254	\$11,003,935
Supplies	\$2,366,128	\$2,396,759	\$2,324,275	\$2,625,744
Capital Outlay	\$1,550,102	\$3,505,221	\$2,909,529	\$2,647,691
Tuition	\$2,768,831	\$3,092,087	\$2,180,179	\$2,365,696
Debt Retirement	\$8,164,445	\$7,848,132	\$5,604,992	\$7,220,006
Other	\$23,911	\$23,412	\$27,475	\$30,742
Transfers	\$1,938,314	\$1,801,461	\$2,400,055	\$1,805,032
On-Behalf	8,411,000.00	8,210,912.00	8,915,700.00	\$8,915,700
<b>TOTAL</b>	<b>\$87,462,360</b>	<b>\$86,357,654</b>	<b>\$85,785,549</b>	<b>\$87,550,310</b>
Excess (deficit) Revenue over Expenditures	(\$2,250,373)	(\$1,248,003)	(\$1,346,185)	\$22,847

# SCFAC Recommendations

- District must address key cost drivers. Items the committee identified that are being addressed in the FY13 budget include:
  - Personnel
    - Consider further personnel reductions to obtain student/staff ratios that are more in line with district guidelines
    - Consider reviewing allocation guidelines for special education related personnel: teachers, social workers, speech therapists, classroom aides and paraprofessional staff
  - Compensation
    - Consider restructuring employee healthcare benefits.
    - Consider restructuring the salary model to include performance and merit-based pay.
    - Consider restructuring teacher lane advancement.



# Financial Strengths

(As Identified by SCFAC)

- Strong reserve balance
- Strong tax base
- Good financial management
- 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

# Compounding Effect of Expenditures Exceeding Revenues

Year	Revenues (2.5%)	Expenditures (4.5%)	Operating Deficit	Accumulated Deficit
1	84,000,000	84,000,000	0.00	0.00
2	86,100,000	87,780,000	(1,680,000)	(1,680,000)
3	88,252,500	91,730,100	(3,477,600)	(5,157,600)
4	90,458,813	95,857,955	(5,399,142)	(10,556,742)
5	92,720,283	100,171,562	(7,451,280)	(18,008,022)
6	95,038,290	104,679,283	(9,640,993)	(27,649,015)
7	97,414,247	109,389,850	(11,975,603)	(39,624,618)
8	99,849,603	114,312,394	(14,462,790)	(54,087,408)
9	102,345,843	119,456,451	(17,110,608)	(71,198,016)
10	104,904,489	124,831,992	(19,927,502)	(91,125,519)
11	107,527,102	130,449,431	(22,922,330)	(114,047,848)
12	110,215,279	136,319,656	(26,104,377)	(140,152,225)
13	112,970,661	142,454,040	(29,483,379)	(169,635,604)
14	115,794,928	148,864,472	(33,069,544)	(202,705,149)
15	118,689,801	155,563,373	(36,873,572)	(239,578,721)
16	121,657,046	162,563,725	(40,906,679)	(280,485,400)
17	124,698,472	169,879,093	(45,180,621)	(325,666,021)
18	127,815,934	177,523,652	(49,707,718)	(375,373,739)
19	131,011,332	185,512,216	(54,500,884)	(429,874,623)
20	134,286,616	193,860,266	(59,573,651)	(489,448,274)