Pleasantdale School District 107

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The purpose of formulating a five-year financial projection is to predict what the district can expect in terms of revenues and expenditures, with the help of the assumptions made on potential costs, market size, prices, market conditions and so on. This process requires us to make predictions about the economical and financial status both locally and nationally. A five-year financial projection is a tool that the district can use to make decisions about expenditures and allows us to prioritize how we spend each dollar. Financial projections are essential for achieving the long goal terms. A good and properly prepared financial projection helps in taking the district down a successful path. It also helps to predict any pitfalls that we may be heading toward in the future. Sound projections helps the district to correct a potential negative path before it is too late.

For the past nine years, the District created five-year projections using a StratPlan Modeling and Projections tool created by Lawrence Heidemann of StratPlan Consulting based in Frankfort, IL. Mr. Heidemann was one of two consultants providing financial projection services to local schools at the time when the District looked into using a more sophisticated method of doing financial projections. This year, the District moved to using 5Cast for its financial projections. 5Cast comes together with 5Sight and is a web-based database that provides us with real-time access to our financial data. 5Sight allows us to better make decisions based on data from our comparable districts. 5Cast is nimble enough to allow us to create multiple "what-if" scenarios which is critical to sound projections. It also allows us to make detailed "what-if" in addition to categorical "what-if" scenarios. For example, we are able to separate health insurance increases from dental/vision insurance increases. Additionally, 5Cast allows us to run reports and graphics that help us to better tell our financial story to our public.

Revenue and expenses for the past 5 years (FY2012 – FY2016) as well as data from the FY2017 Budget and FY2016 Annual Financial Report were uploaded to 5Cast. As with any sound financial projection, certain assumptions must be made regarding revenues and expenditures. The district follows best practice as outlined by the Illinois Association of School Business Officials (IASBO) when creating these assumptions. The following assumptions were used for the 5-year financial projections:

Salary and Benefits: The district is currently in year two of a five-year contract. The salary increases for FY18, 19, and 20 are outlined in this contract. Historically salary increases have ranged from 3 to 4.5%. As teachers expand their knowledge by taking additional college classes they may qualify for lane changes. These lane changes have cost the district between $10,000 and $25,000 per year. Assumptions made regarding changes to the premium increases to health insurance are determined by past historical performance. School districts in Illinois are also required to pay a portion of their non-teaching employees retirement benefits through the Illinois Municipal Retirement Fund (IMRF). This assumption is based on 2017 numbers. Finally, due to retirements and changes in staffing the district is able to assume a slight savings.

Salary Increases: FY18 – 3% (CBA); FY19 – 3.25% (CBA); FY20 – 4% (CBA)
Assumptions for FY21 and FY22 – 4% each year

Lane change: $20,000 each year

Health Insurance – 5.5% increase; Dental Insurance – 7% increase

IMRF Employer percentage at 11%

Adjustments to personnel:
Retirement of School Secretary – savings of $30,000
Retirement of Principal – savings of $35,000
A decrease of 2 FTE of Certified staff at average base salary of $37,000 each

Revenue: The district is able to raise revenue through an annual tax levy. A tax levy is implemented each year and is based on the Equalized Assessed Valuation of all real property within the district's boundaries. This levy is based on the consumer price index (CPI). For the past several years, CPI has been very low which has limited the district's ability to raise revenue. Based on current financial data, it is projected that CPI will increase. The projection for next year is upwards of 2%. Due to extreme volatility of the consumer price index, it is best practice to forecast conservatively and therefore we have used 1.7% for 2017. While it is nearly impossible to predict CPI for the next five years, as in past practice, we are using the same percentage - 1.7% - for the years following. Additionally, the district is able to capitalize on new growth to the district. To calculate our assumption of new growth we determined the average new growth for the past three years.

CPI (Consumer Price Index): .7% for levy year 2016; 1.7% for levy years 2017-2020

Change in existing EAV:
Levy year 2016 – -2%; Levy year 2017 – +1%; Levy Year 2018 & 2019 – 0%; Levy Year 2020 – +1%

New EAV of $5,000,000 each year

State and Federal Funds remain constant

Expenses: While the district is able to raise funds based on CPI, expenditures often outpace this level. To create our five-year projection we included some of the factors we know to be true and made some assumptions on others. The Board of Education has committed to lowering our residents' tax burden by abating $750,000 of the tax levied for Debt Service for levy year 2016. Additionally, we know the increases we will incur for contract services and casualty insurance. Finally, our facilities advisory team has helped set our facilities improvement and technology costs for the next five years.

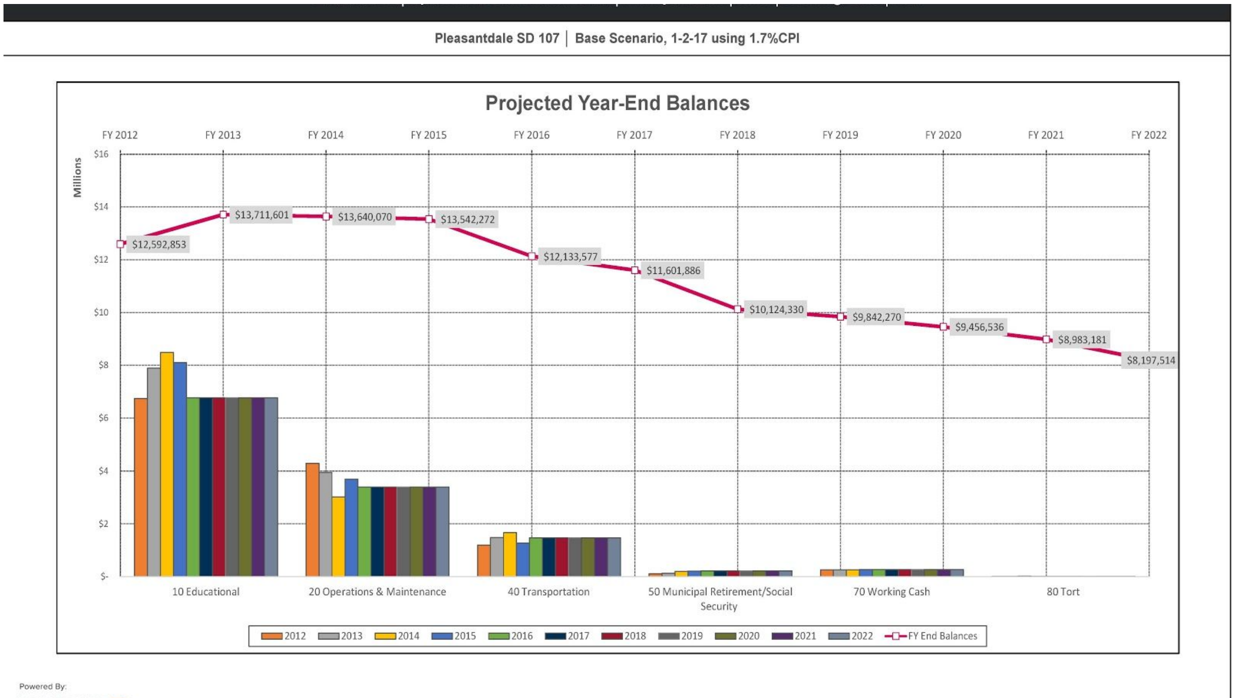
Abatement of bonds of $750,000 for levy year 2016

Contract services increase of 3%; Property & Casualty Insurance increase of 5%

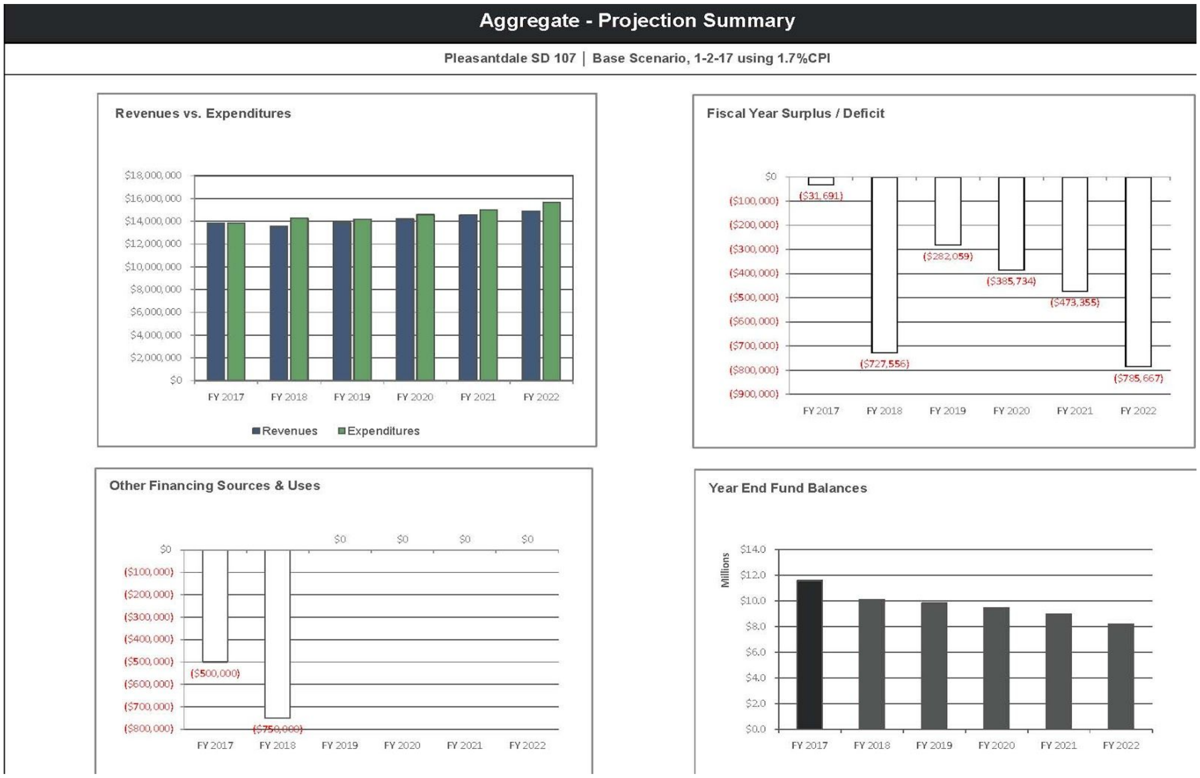
Facilities Costs as discussed by Facilities Advisory Team:
FY18 - $598,319; FY19 - $165,033; FY20 - $120,000; FY21 - $30,000; FY22 - $120,000

Technology Costs as discussed by Facilities Advisory Team:
FY18 - $145,110; FY19 – $46,000
Added estimate of $30,000 each year FY20 –FY22 for replacement technology

Board Policy 4:20 *Fund Balance* requires the district to maintain an overall 50% fund balance. With the above assumptions, the projected fund balance at the end of 2022 is slightly above 50% of projected 2022 expenditures. The graph below shows the projected fund balances:



The following graphs show the projected revenue vs expenditures and the fiscal year surplus/deficits as well as the bond abatements and year-end fund balances:



There has been talk of a property tax freeze and SB 1110, if passed, would establish a property tax extension limitation of 0% for all counties for both the 2017 and the 2018 levy years. Assuming a 0% CPI for levy year 2017 onwards, the District's fund balances will be as shown below:

Pleasantdale SD 107 | Base Scenario, 1-2-17 with Property Tax Freeze from LY2017