Pleasantdale Elementary School
8100 School Street
La Grange, IL 60525
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PSD 107 PLEASANTDALE SCHOOL DISTRICT

Pleasantdale Middle School
7450 S. Wolf Road
Burr Ridge, IL 60527
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Pleasantdale School District 107 | 7450 S. Wolf Road | Burr Ridge, IL 60527 | 708.784.2013 | Fax: 708.246.0161 | www.d107.org

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.

Since last year, the District moved to using 5Cast for its financial projections. Revenue and expenses for the past year FY2017 as well as data from the FY2018 Budget and FY2017 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 three of a five-year contract. The salary increases for FY19 and FY20 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 $15,000 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 2018 numbers. Finally, due to anticipated increases in staffing, the district will be assuming increases in salary and benefits

Salary Increases: FY19 – 3.25% (CBA); FY20 – 4% (CBA)
Assumptions for FY21 through FY23 – 4% each year

Lane change: $20,000 each year

Health Insurance – 5.5% increase for all years; Dental Insurance – 6% increase for all years

IMRF Employer percentage: FY19 - 10.55%; FY20 - FY23 - 11%

Adjustments to personnel:
An increase of 1 FTE of certified staff at an average of $55,187 (inclusive of TRS) for FY19; no changes for years after
An increase of 2 FTE of support staff at an average base salary of $18,000 for FY19; no changes for years after

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 2.0% for 2018. While it is nearly impossible to predict CPI for the next five years, we are using the same percentage - 1.8% - 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): 2.1% for levy year 2017; 2% for 2018; 1.8% for levy years 2019-2022

Change in existing EAV:
Levy year 2017 – 4%; Levy year 2018 – 1%; Levy year 2019 – 0%; Levy Year 2020 - 2022 – 1%

New EAV of $5,000,000 for levy year 2017; $8,000,000 for levy year 2018 and 2019; $5,000,000 for levy years 2020 - 2022

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. Additionally, our facilities advisory team has helped set our facilities improvement and technology costs for the next five years.

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

Facilities Costs as discussed by Facilities Advisory Team:
FY19 - $345,308; FY20 - $142,100; FY21 - $24,000; FY22 - $25,500; FY23 - $25,500

Technology Costs per Technology Team:
FY19 - $164640; Assumed the same amount for years FY20 - FY23

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 2023 is very close to the 50% of projected 2023 expenditures. The graph on the next page shows the projected fund balances:

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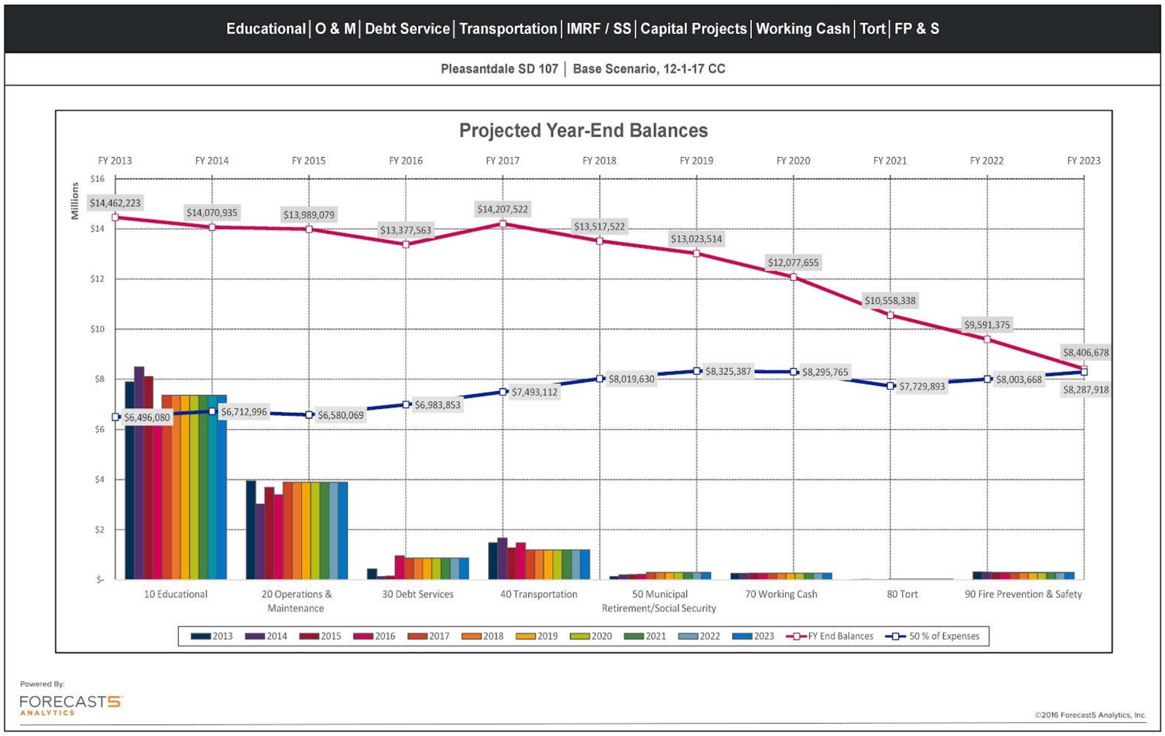

The following graphs show the projected revenue vs expenditures and the fiscal year surplus/deficits as well as the year-end fund balances:

The Finance Advisory team has recommended to lowering our residents' tax burden by abating $750,000 of the tax levied for Debt Service for levy year 2017. Including this factor in the assumptions, the District's fund balances will be as shown below: