Diamond Lake School District 76
Long Term Financial Forecast
September 26, 2017

Introduction

This report presents actual revenues and expenditures for fiscal year 2016-17 and projections of the financial performance for the next several years (2017-18 to 2021-22). The assumptions used in this forecast are estimates based on historical trends and current financial information available at the time this report was compiled.

This forecast is designed to outline in broad terms the general financial direction of the District.

The assumptions used in preparing the multi-year forecast are conservative in nature. Taking such an approach allows for flexibility when unexpected situations arise.

As with any financial projection, estimates tend to be less accurate the further out they are forecasted. The projections will be reviewed and revised on a periodic basis for material changes.

Assumptions at a Glance (9/26/2017)

Fiscal Year Ending	**15-16**	**16-17**	**17-18**	**18-19**	**19-20**	**20-21**	**21-22**
CPI	1.5%	0.8%	.7%	2.1%	1.5%	1.5%	1.5%
Revenue:							
New Construction	1.78%	0.82%	0.91%	.37%	.35%	.34%	.34%
Existing EAVs	-5%	1.3%	4.9%	3.5%	2.5%	2.0%	2.0%
Fiscal Year	**15-16**	**16-17**	**17-18**	**18-19**	**19-20**	**20-21**	**21-22**
Enrollment	1,045	1,024	1,035	1,040	1,044	1,044	1,044
Revenue:							
General State Funding	0%	0%	0%	0%	0%	0%	0%
State Aid							
Federal Funding	0%	0%	0%	0%	0%	0%	0%
Expenses:							
Compensation							
Salaries	3.38%	4.95%	3.4%	4.6%	2%	2%	2%
Benefits (medical)	11%	0%	10%	10%	10%	10%	10%
ERO	NA	$186k	NA	NA	NA	NA	NA
Purchased Services							
Education	2%	2%	2%	2%	2%	2%	2%
O & M	2%	2%	2%	2%	2%	2%	2%
Transportation	2.5%	3%	3%	3%	3%	3%	3%
Supplies and Materials							
Education	0%	0%	0%	0%	0%	0%	0%
O & M	2%	2%	2%	2%	2%	2%	2%
Transportation	10%	10%	10%	10%	10%	10%	10%
Capital Outlay							
Education	$50k	$50k	$72k	$52k	$52k	$52k	$52k
O & M	$400k	$300k	$615k	$321k	$328k	$284k	$240k
Debt							
Other Objects/Tuition							
Education	7%	7%	7%	7%	7%	7%	7%
O & M	2%	2%	2%	2%	2%	2%	2%
Contingency	147,000	182,000	138,000	138,000	138,000	138,000	138,000

Contract Expiration Timeline

Teacher's Contracts…………………………………..expired 8/2019

Custodial Services……………………………………expires 5/31/2020

Transportation Services…………………………….expires 6/30/2018 (Spec Educ. Transp)

Transportation Services…………………………….expires 6/30/2018 (Regular Transp.)

Food Service Contracts……………………………expires 7/2018

Auditor Contract……………………………………..expires 6/30/2018

Administration Contracts………………………..expires 6/30/2018

Superintendent's Contract……………………...expires 6/30/2022

Rules of Thumb

Revenue	
Change in CPI	A 1% change in CPI equals approximately $121,000 change in revenue
New Construction	A $100,000 change in new construction equates to approximately $4,500 change in revenue
Increases to EAV (Equalized Assessed Valuation)	A $100,000 change in EAV results in approximately $1,700 change in revenue
Expenses	
Salaries	A 1% change in compensation can impact the budget by approximately $84,000
Employee Benefits	A 1% change in the cost of benefits can impact the budget by approximately $14,180

Identification of Budget Risks and Opportunities

Risk	Description of Risk
1. Changes to the Consumer Price Index (CPI) and EAV	• Changes to the CPI are a major factor in determining the amount of property taxes that can be levied in any one year. The CPI is calculated on an annual basis. • A 1% change in the CPI is equivalent to a $121,000 change in revenue. • Continued decline in EAV – will result in maximum tax rate limits being reached
2. Compensation	• Compensation is the largest expense of the district, representing 66% of the District's total operating budget. A 1% change in compensation can impact the budget by approximately $84,000.
3. Employee Benefits	• Employee benefit costs represent approximately 11% of the District's total operating budget. A 1% change in the cost of benefits can impact the budget by approximately $14,180. • Pension Reform – Cost shift of TRS expenditures to districts.
4. Additional students placed in SEDOL or private facilities	• The average cost per student in SEDOL/private facility is $35,831. This is more than three times the District's expenditure per pupil.
5. New State Funding Formula	• State funding represents 12% of our total revenues. Even with the passing of Senate Bill 1947, there exists some uncertainty with the future of the state payments. The assumption is payments will be made on time and our current funding levels will not decrease, but we are not sure at this time how the adequacy formula will impact our long term state revenue.

6. Legislative Changes	• Unknown federal and state legislative changes surrounding pension costs, transportation funding, property tax freezes and no State budget.

Opportunities	Description of Opportunity
1. Student Enrollment	• Explore the opportunities to share services with other school districts in the areas of staffing and other areas.
2. Shared Services	• Explore the opportunities to share services with other school districts in the areas of contractual services. • The District is in the process of doing shared services with Fremont District #79 and Mundelein District #75 for special education transportation. The district is currently only using Fremont #79 for mid-day routes, but is sharing routes with Mundelein #75 for all other special education bussing. Future possible opportunities include shared cab services with Mundelein #75. • Shared custodial contract with Mundelein High School and Mundelein #75 was explored but the lack of cost savings and logistics made it not economically viable. • Shared buildings and grounds department with Mundelein #75 is still being researched and evaluated.
3. SEDOL/Bi-Lingual Programs	• Evaluate SEDOL/Bi-Lingual programs to determine cost effectiveness, including bringing more special education programs in-house. More in house evaluations is being tested this year.
4. Contracts	• Evaluate purchased service contracts, including identifying multi-district contract opportunities. The district is exploring bringing the technology department, which is mostly outsourced, in-house in a multi-year phased approach.

General Assumptions

- CPI – Inflation, as measured by the government's Consumer Price Index (CPI) is the **primary revenue driver** in a tax-capped district. For the four fiscal years (2009-10 to 2012-13), the district was subject to a tax referendum, which held the operating tax rate fixed, therefore not subject to the CPI. Starting in fiscal year 2013-14, the district again became subject to the CPI, allowing for increases in tax revenue. The published CPI for fiscal year FY15 is 1.7%, for FY16 it is 1.5%, for FY17 it is .8%, for FY18 it is 0.7%, however, for FY19 it rose to 2.1% leading to some more economic optimism. It is projected at 1.5% for all future years.

- Enrollment – Enrollment has been fairly stable with slight decreases and increases year to year. According to the Kasarda Enrollment Projections, student enrollment is projected to be stable. Enrollment numbers are used for projecting future General State Aid reimbursements.

Revenue Assumptions:

Property tax:

- CPI – As noted above, the CPI of 1.5% is held constant throughout the forecasted years starting with fiscal year 2019-20, however for the 2017-18 fiscal year, for which the CPI is 2.1%. *A 1% change in the CPI results in approximately $121,000 change in revenue.*

- New Construction EAVs (Equalized Assessed Valuation – representing 1/3 the fair market value) – for the 2016 levy year, new construction came in at an increase of .91% over the prior year. We are anticipating 0.37% increase for the 2017 levy year. For the 2018-2022 levy years, a flat increase is assumed. *A $100,000 change in new construction results in approximately $4,500 change in revenue.*

- Existing EAVs – 2016 levy year is forecasted at 4.9% increase from prior year and 3.5% for the 2017 levy year, and 2.5% for the 2018 levy year. For districts subject to the tax cap formula, the change in property tax revenue from one year to the next is limited by the CPI. When property values go down the operating tax rates go up or when property values go up, the operating tax rates go down. This part of the formula results in districts receiving the additional revenue generated by the CPI increase only. *A $100,000 change in EAV results in approximately a $1,700 change of revenue*.

- Current proposed legislation has property tax levels frozen for 2 years.

State Funding:

- State Funding –
  - The Education Fund, comprised of special education personnel and pupil reimbursement, is projected to be flat (0% increase) throughout the forecasted years based on the funding projected for the 2017-18 fiscal year.

  - The Transportation Fund, comprised of regular and special education transportation, is projected to be flat beginning in fiscal year 2017-18 from the prior year due to ISBE's estimates that the regular transportation reimbursement will be reimbursed at a 76% level which is the same as the current year. The 80% funding level for special education transportation is anticipated to remain the same.

- State Aid – General State Aid is calculated in the forecasted years based on projected EAVs and student attendance. Student attendance for the 2016-17 is based on a 3-year rolling average beginning with the fiscal year 2013-14 school year. For the 2017-18 school year, State Aid is anticipated to be pro-rated at 92% reimbursement level.

- Senate Bill 1947 – Overhaul of the State's current funding system to a completely new model using a weighted student formula that is equalized to account for district property wealth. Early projections showed approximately $75,000 increase in State funding.

Federal Funding:

- Federal funding, which includes federal NCLB grants (No Child Left Behind - Title 1, Title 2, Title 3, and Title 4) and Medicaid reimbursements, is projected to remain flat throughout the forecasted years.

Expense Assumptions:

All expense increases are based on the projected fiscal year 2017-18 budgeted amounts.

Salaries and Benefits:

- New teacher's contract is tied to CPI. Salary increases after this contract expires are projected at 2% for purposes of planning.

- Medical benefits are projected to increase by 10% per year throughout the forecasted period.

Purchased Services:

- The Education Fund, comprised of SEDOL special education contractual services and liability insurance costs, is projected to increase 2% per year throughout the forecasted period.
- The Operations and Maintenance Fund, comprised of building repairs, maintenance and custodial services, is projected to increase 2% per year throughout the forecasted period.
- The Transportation Fund, comprised of student transportation services, is projected to increase 2.5% per year throughout the forecasted period. The district currently is in a 3 year contract with 3% increases each year.

Supplies and Materials:

- The Education Fund, comprised of classroom supplies, books, consumable supplies (paper, etc.), is projected to increase zero (0%) per year throughout the forecasted period. Curriculum/Instructional supplies are primarily budgeted to be funded with Title 1 for new curricular materials. New gifted program supplies budgeted around $20K.

- The Operations and Maintenance Fund, comprised of custodial supplies and electric and gas, is projected to increase 2% per year throughout the forecasted period.

- The Transportation Fund, a majority of which is diesel fuel costs, is projected to increase 10% per year throughout the forecasted period.

Capital Outlay:

- The Education Fund, comprised of capital outlay for new or replacement technology equipment, is projected at $72k per year for FY17 and $52K throughout the forecasted period.

- The Operations and Maintenance Fund, comprised of capital equipment purchases. Future years are projected to be at $50,000 for the next 3 years for the technology infrastructure project throughout the forecasted period. The District recently had a Master Facility Plan and a 10-year Life Safety Study completed. Current projections include approximately $300,000 budgeted annually beginning in FY18 for facility maintenance/repairs.

Debt:

- Debt retirement is modeled according to the currently scheduled commitments, at payments ranging from $800,000 - $900,000 per year. The current debt is scheduled to be retired in June of 2019. After that, the recently passed referendum will have debt payments at around $870,000 per year until 2035. Also include in debt service payments are teacher MacBooks which will cost roughly $35,000 per year for 4 years. This does not include the roughly $40,000 in revenue the District will receive for selling the old teacher devices. Last, the district will enter into a 3 year lease for student Chromebooks at a cost of around $88,000 per year.

Other Objects:

- The Education Fund, comprised of primarily special education tuition, is projected to increase by 7% per year throughout the forecasted period. This expense changes significantly from year to year based on the number of students enrolled in special education private facilities or in SEDOL programs.

- The Operations and Maintenance Fund, comprised of the SEDOL special education building assessment, is projected to increase by 2% per year throughout the forecasted period.

- Contingencies, comprised of un-forecasted expenses for all funds, totaling $138,000, are budgeted for all the years forecasted.