

Five-Year Financial Forecast

Fiscal Years 2021 through 2025

December 13, 2019

Table of Contents

Purpose	2
Outlook and Recommendations	2
Fund Balance	3
Assumptions	4
Enrollment	5
Staffing	6
Revenues	6
Expenditures	8

Purpose

The District maintains a five-year financial forecast to facilitate the effective and efficient application of financial resources to fluctuating enrollments and evolving needs. The purpose of this report is to model different financial scenarios so that the Board of Education and its stakeholders may anticipate, plan for, and meet the needs of students in the best way possible.

The information presented in this financial forecast is at the recommendation of the [Resource Responsibility Advisory Council](#), a collaborative group of stakeholders that monitors the alignment of resources to the [District's strategic plan](#).



Notice

This financial forecast contemplates **only the District's operating funds**, which are comprised of the education, operations and maintenance, transportation, municipal retirement/social security, and working cash funds; the debt service and capital projects funds (non-operating) are not included.

Money from operating funds used to pay for capital projects and short-term debt are shown herein as transfers (i.e., other uses of funds).

Outlook and Recommendations

The District's financial outlook is stable:

- The District can continue to expect balanced budgets if finances are prudently managed and staffing is held in check.
- Fund balances and days cash on hand have significantly improved in recent years; the District is no longer forced to issue tax anticipation warrants to maintain adequate cash flow.

Key factors that bear on the District's future are:

- Enrollment is projected to continue to decline by approximately 2% annually for the next five years.
- Supporting increasing special education and social emotional needs are changing staffing needs to properly support students.

- The Board’s contract with the Batavia Education Support Professionals Association (BESPA) expires in 2020 and will contend with the implementation of the new Illinois Minimum Wage Law.

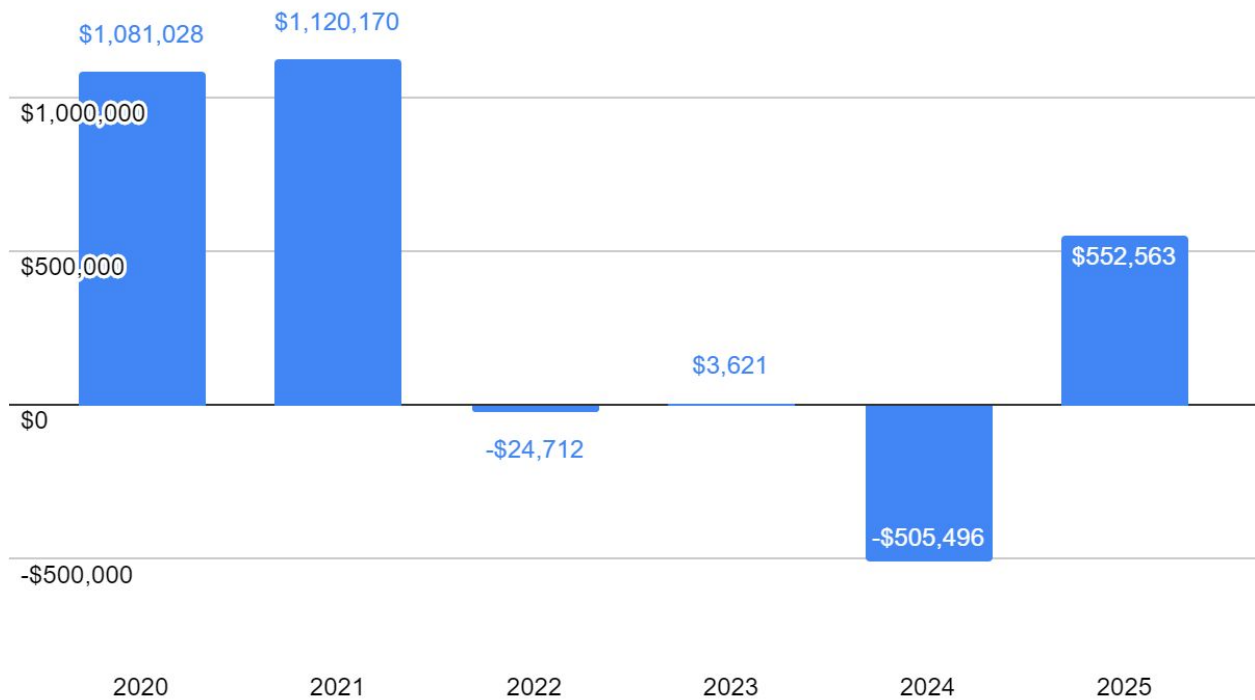
The Resource Responsibility Advisory Council recommends that the Board:

- Proportionately manage staffing relative to student enrollment declines.
- Carefully manage outsourced contracts for transportation, food service, and custodial services as a result of the new Illinois Minimum Wage Law is implemented, requiring that all positions pay at least \$15 per hour in 2025.

Fund Balance

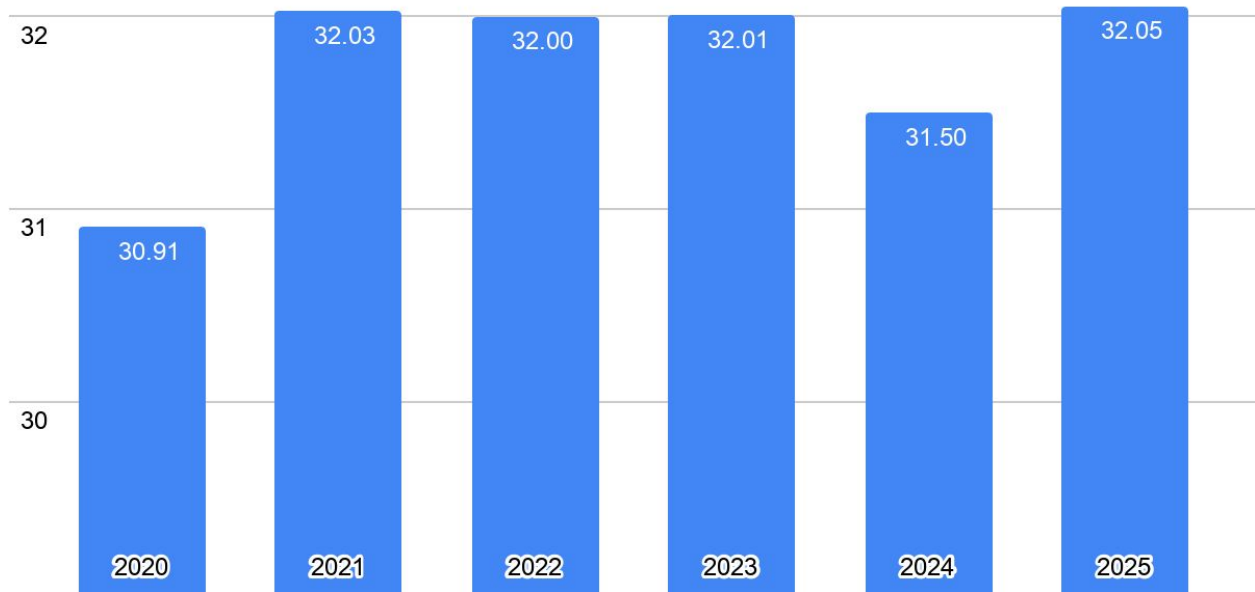
Surpluses in recent years have significantly improved the District’s fund balance and annual cash flow gap. Under the base scenario, net surpluses are expected in 2020 and 2021; narrowly balanced budgets in 2022 and 2023; a possible deficit in 2024; and with the expiration of BEA contract and Batavia TIF 1, a modest surplus in 2025.

Figure 1. Net Fund Balance



Ending fund balances are expected to hover around \$32M each year for the duration of the forecast.

Figure 2. Ending Fund Balance



Assumptions

The following key assumptions were used to develop this five-year financial forecast:

Figure 3. Base Scenario Assumptions by Year

Variable	2023-24	2025
Consumer Price Index (CPI)	1.8%	1.8%
Equalized Assessed Value (EAV)	3%	3%
New construction added to property tax rolls	\$5.5M	\$5.5M
Average salary increase, BEA	2.5%	1.8%
Average salary increase, BESPA	1.8%	1.8%
Average salary increase, exempt and admin	1.8%	1.8%

Medical insurance increase	5%	5%
Allocation for capital projects	\$2.0M	\$2.0M

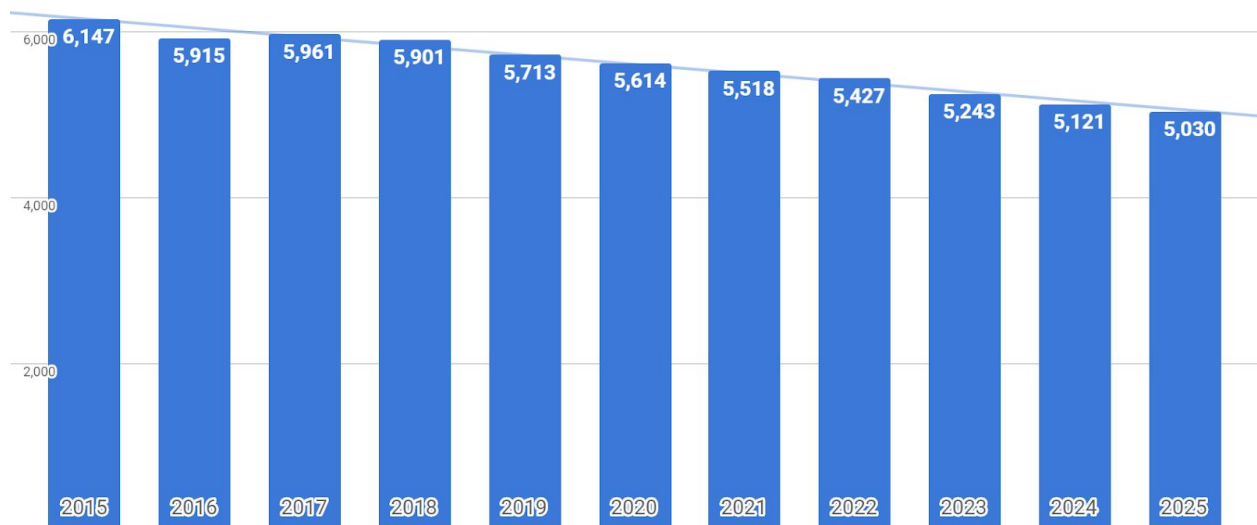
Key factors expected to occur during the duration of this forecast:

- The current BESPAs contract will expire in 2020.
- The current BEA contract will expire in 2024
- The district will complete the annual tax rebate for the expansion of the outlet mall in 2022, saving approximately \$750,000 in expenditures in 2023 and beyond.
- Batavia TIF 1 is due to expire in 2024 with approximately \$300,000 in increment taxes returning to the District in 2025
- The Illinois Minimum Wage Law will be phased in through 2024, increasing costs for BESPAs positions and for outsourced contracts (purchased services), particularly food service, transportation, custodial.

Enrollment

The District’s home school enrollment (official residents) of pre-kindergarten through 12th grade students declined by 94 students (-1.6%) to 5,619 in 2020, continuing an eight-year trend.

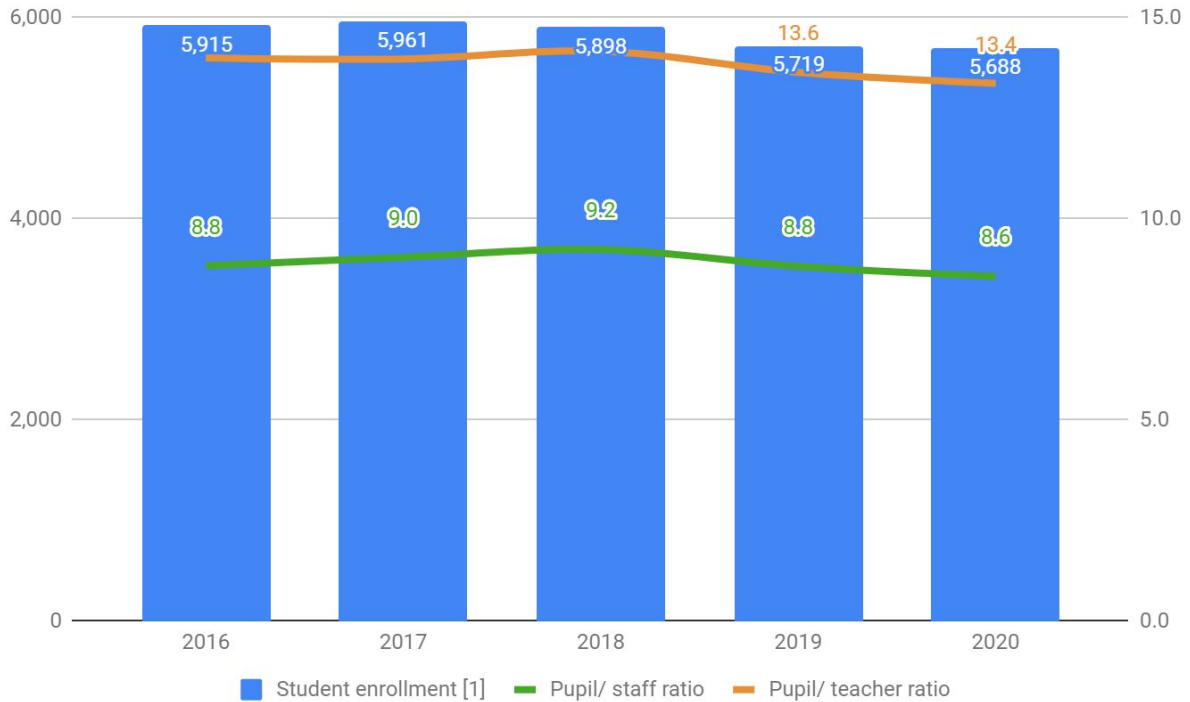
Figure 4. Historical and Projected Enrollment



Staffing

Despite staffing reductions as a result of enrollment declines, the ratio of staff to students has significantly improved in recent years.

Figure 5. Student Enrollment and Staffing Ratios



Revenues

Property Taxes

The District's equalized assessed value (EAV) is projected to increase by 2.53% for the 2019 property tax levy. Assuming that EAV will increase by 2.5 - 3.0% each year on average, property tax rates will decline and new revenue will be on par with economic inflation.

State Funding

In 2018, the General State Aid (GSA) formula was replaced with the Evidence-Based Funding (EBF) formula, which consolidated and simplified a number of historical funding streams. The formula conversion generated a one-time increase in 2018, and state funding is projected to remain stable despite enrollment declines.

Revenue Summary

On average, total revenues for operating funds are projected to keep pace with economic inflation with increases of approximately 2% annually. In practical terms, all new money will likely come from local sources, with state and federal sources remaining level due to enrollment declines.

Figure 6. Total Revenue (in millions)

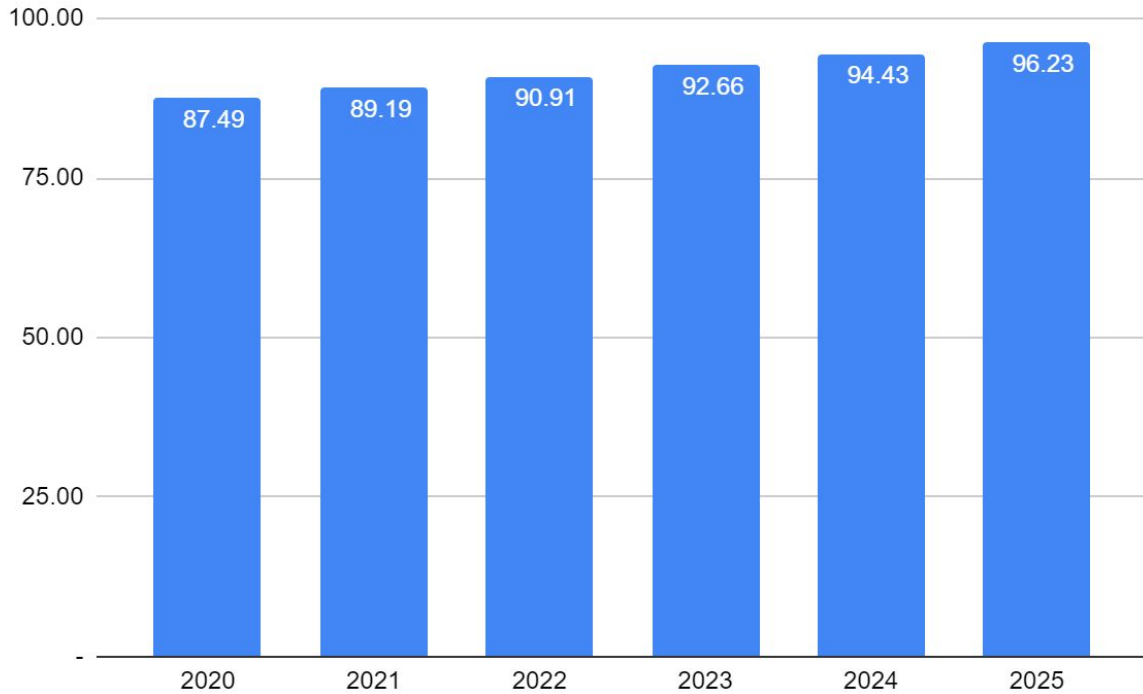


Figure 8. Revenue Summary (in millions)

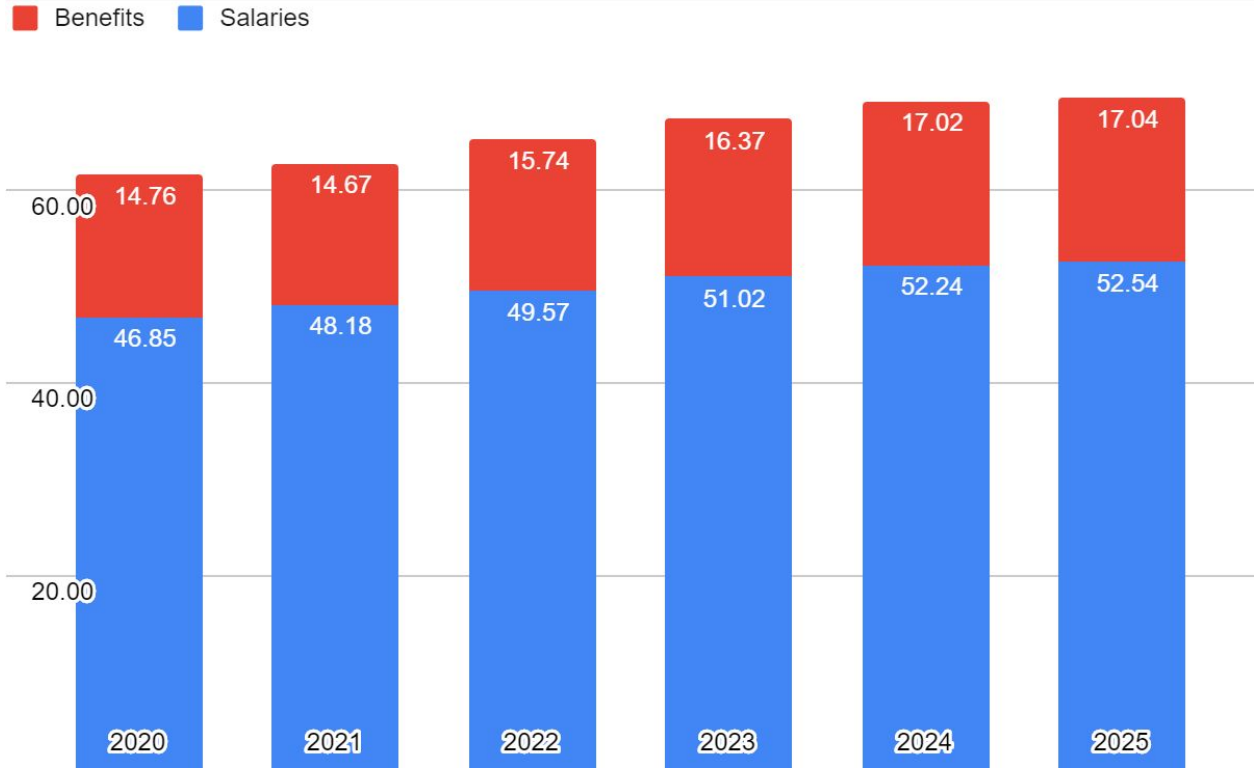
	2020	2021	2022	2023	2024	2025
LOCAL						
Property Taxes	68.96	70.49	72.05	73.63	75.24	76.87
Other Local Revenue	6.16	6.18	6.20	6.21	6.23	6.25
TOTAL LOCAL REVENUE	75.13	76.67	78.25	79.85	81.47	83.12
STATE						
Evidence Based Funding	5.44	5.59	5.74	5.89	6.04	6.19
Other State Revenue	3.28	3.28	3.28	3.28	3.28	3.28
TOTAL STATE REVENUE	8.72	8.87	9.02	9.17	9.32	9.47

TOTAL FEDERAL REVENUE	3.64	3.64	3.64	3.64	3.64	3.64
TOTAL REVENUE	87.49	89.19	90.91	92.66	94.43	96.23

Expenditures

Teacher salaries are projected to increase by an average of 2.5% each year through 2024, per the recently ratified BEA contract. It is assumed that average spending on all other salaries will increase relative to economic inflation, approximately 1.8% annually, and that medical insurance will increase at 5% each year.

Figure 9. Salaries and Benefits by Fiscal Year



On average, total expenditures for operating funds are projected to increase between 2.0 - 3.3% each year, likely outpacing economic inflation (1.8%, the ten-year average of CPI) and projected revenues.

Figure 10. Expenditures by Object

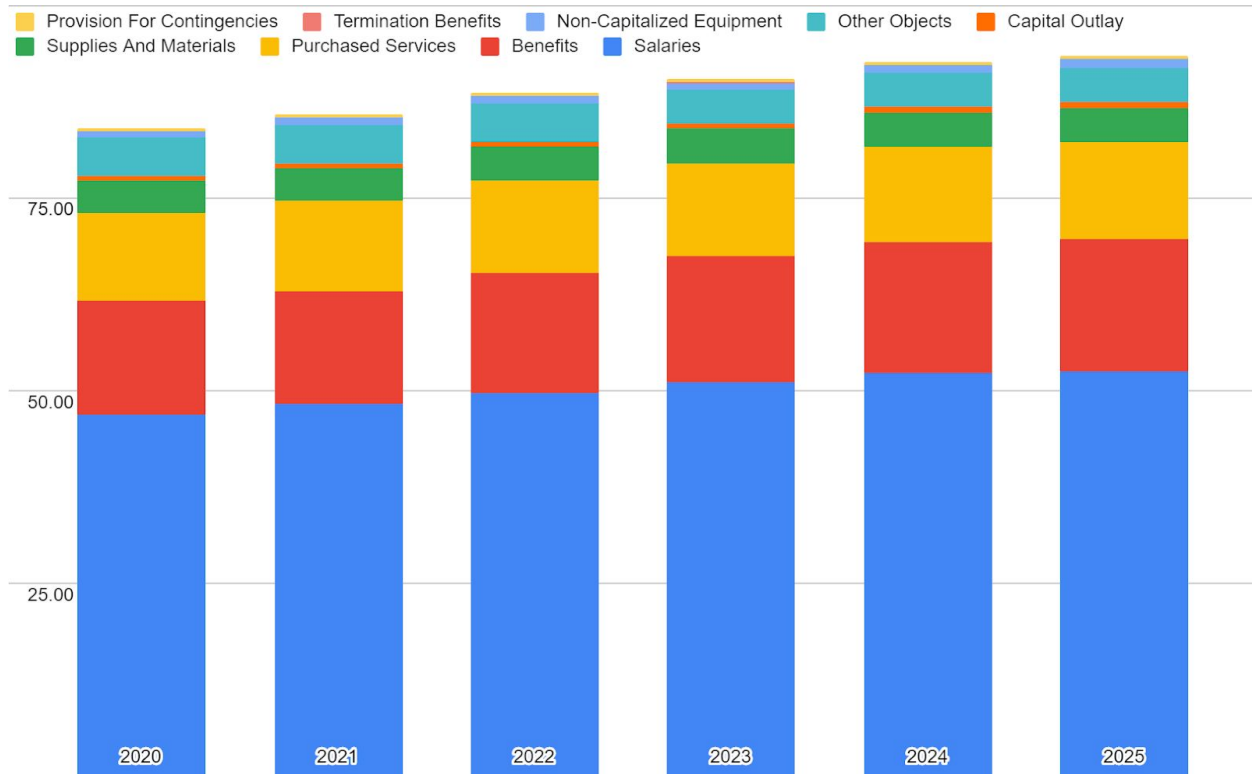


Figure 11. Expenditure Summary (in millions)

	2020	2021	2022	2023	2024	2025
Salaries	46.85	48.18	49.57	51.02	52.24	52.54
Benefits	14.76	14.67	15.74	16.37	17.02	17.04
Purchased Services	11.48	11.69	11.90	12.11	12.33	12.55
Supplies And Materials	4.19	4.26	4.34	4.42	4.50	4.58
Capital Outlay	0.58	0.59	0.60	0.61	0.63	0.64
Other Objects	4.89	4.98	5.07	4.38	4.46	4.54
Non-Capitalized Equipment	0.94	0.95	0.97	0.99	1.01	1.03
Termination Benefits	0.01	0.01	0.01	0.01	0.01	0.01
Provision For Contingencies	0.41	0.42	0.42	0.43	0.44	0.45
TOTAL EXPENDITURES	84.11	85.76	88.63	90.35	92.63	93.37