

2024 Five-Year Financial Forecast

Fiscal years 2024 through 2028

November 17, 2022

Section 1: Background

1.1 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 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 allocation and alignment of resources to the [District's strategic plan](#).

1.2 Key Assumptions

- Level state funding on average (Section 4.4)
- Local property taxes: annual EAV 3% based on historical 3-year average; CPI at 5.0% in 2023 and 2024 and then 2.0% in subsequent years reflecting historical 10-year average; and new construction of \$5.5 M based on historical trends (Section 4.1)
- Increasing commitment to capital projects 15% annually (Section 5.5)
- Medical insurance increasing at 3% annual average (Section 5.2)
- Salaries increasing annually at: 5% for teachers (BEA) in 2024 and 2025 and tapering to 3%; 4.5% for support staff (BESPA) members until contract end in 2025, then 4.0%; anticipated CPI for exempt and administrative staff (Section 5.1)

1.3 Factors Bearing on the District's Future

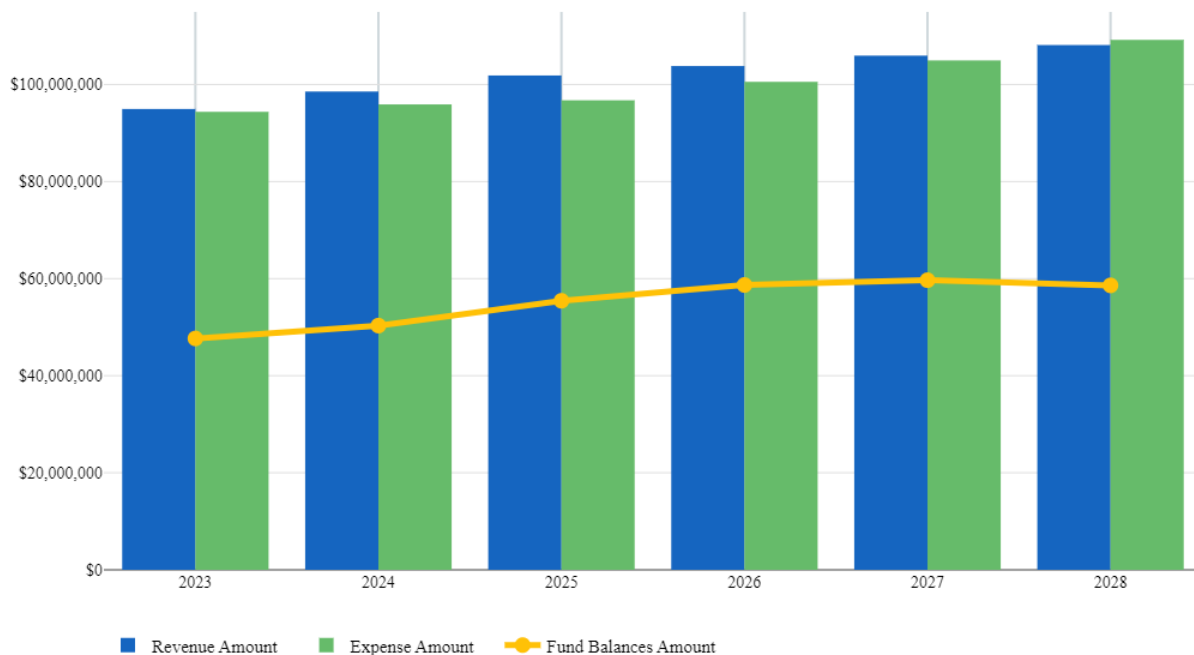
- Lower birth rates will likely continue to drive a [~2% annual enrollment decline](#) for the foreseeable future.
- At Tier 4 on the state's Evidence Based Formula, unrestricted state funding is expected to remain level for the foreseeable future.
- The current collective bargaining contract for teachers (BEA) ends in 2023 and for support staff (BESPA) ends in 2025.
- The District will pay off of all outstanding bond debt in 2026.

Section 2: Summary

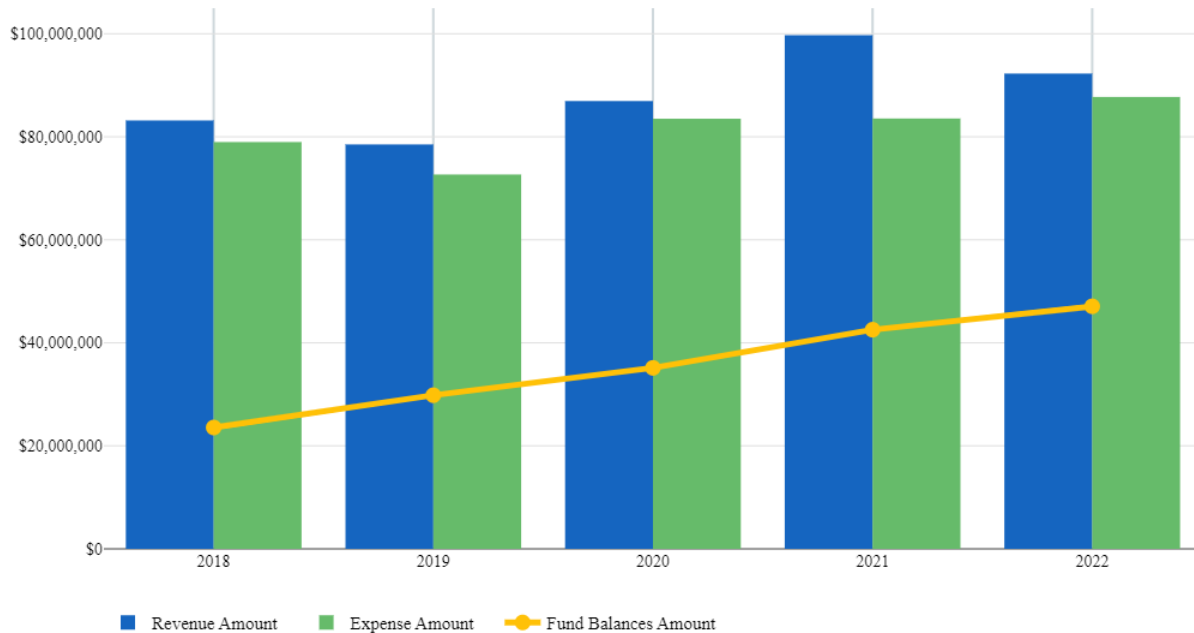
2.1 Key Facts

- This forecast contemplates only the District's operating funds, which consist of the Education, Operations & Maintenance, Transportation, Municipal Retirement, and Working Cash funds.
- For the current fiscal year (2023), a favorable surplus condition is expected with revenues exceeding expenses by \$0.5 million. **Based on current conditions and assumptions, this favorable condition will likely reverse itself with a recognized deficit of -\$1.0 million in 2028.**
- Based on the assumptions for the forecasted periods (2024–2028), total revenues are expected to increase consistently with an average yearly increase of 2.6%. Over the same period total expenses are expected to increase by 3.0% per year on average.
- For the historical periods (2018–2022), total revenues increased by 2.6% per year on average, with significant variability year to year including an increase of 14.7% in 2021, and a decrease of -7.5% in 2022. Total expenses increased by 2.7% per year on average, with some variability year to year including an increase of 14.9% in 2020, and a decrease of -8.0% in 2019.

2.2 Projected Financial Summary



2.3 Historical Financial Summary



Section 3: Outlook and Recommendation

3.1 Financial Outlook

The District's financial outlook continues to be stable:

- The District may continue to expect balanced budgets in fiscal years 2024-2027 if finances are prudently managed and staffing is reduced proportional to [anticipated enrollment declines](#).
- While necessary to properly maintain school facilities, increasing allocations for capital projects each year by 15% does not appear to be sustainable beyond 2027.
- The District is likely to encounter a small deficit in 2028 if current trajectories continue.

3.3 Recommendation

The Resource Responsibility Advisory Council recommends that the Board:

- Proportionately manage staffing relative to student enrollment declines. To maintain a balanced budget each year, teaching staff must be reduced by an average of 3.0 full time equivalents (FTE) annually.

- Given the condition of the District's schools, as presented in the recent [Building Our Future Together Report](#), the Board should continue to increase allocations for capital projects by 15% annually, as assumed in this forecast.

Section 4: Revenues

4.1 Ad Valorem Taxes

Ad Valorem Taxes include property taxes collected from local sources.

- The current year (2023) plan amount for Ad Valorem Taxes is \$75,834,154, a 3.3% increase over the prior year.
- Over the next 5 years (2024–2028) this amount is projected to increase by 3.4% per year on average including an increase of 6.1% in 2024 caused by a jump in 1110 Educational Levy (+6.2%).
- Over the past historical periods (2018–2022) Ad Valorem Taxes increased by 2.3% per year on average, with significant variability year to year including an increase of 16.1% in 2021, and a decrease of -9.5% in 2022.

4.2 Earnings on Investments

Earnings on Investments is interest received from the investment of cash assets.

- The current year plan amount for Earnings on Investments is \$138,500, a 129.3% increase over the prior year.
- Over the next 5 years this amount is projected to increase by 2.4% per year on average, with significant variability year to year including a decrease of -50.0% in 2026 caused by a drop in 1510 Interest On Investments (-50.0%), as well as an increase of 50.0% in 2024. The 2025 amount of \$311,625 is noticeably larger compared to the remaining projections, with the difference caused by a jump in 1510 Interest On Investments.
- Over the past historical periods Earnings on Investments varied between the minimum amount of \$39,460 in 2021 and the maximum amount of \$584,216 in 2019.

4.3 Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid consists of grants provided by the State for any legal purpose by the District without restriction (e.g., General State Aid, Evidence Based Funding).

- The current year plan amount for Unrestricted Grants-in-Aid is \$5,541,021, a 0.3% increase over the prior year.
- Over the next 5 years this amount is projected to stay unchanged.

- Over the past historical periods Unrestricted Grants-in-Aid increased by 2.6% per year on average..

4.4 Restricted Grants-in-Aid

Restricted Grants-in-Aid consists of grants by the State which must be used for a categorical or specific purpose (e.g., transportation, special education, food service).

- The current year plan amount for Restricted Grants-in-Aid is \$3,118,558, a 5.7% increase over the prior year.
- Over the next 5 years this amount is projected to increase by 2.0% each year.
- Over the past historical periods Restricted Grants-in-Aid decreased by -7.9% per year on average, with some variability year to year including a decrease of -17.9% in 2019 due to implementation of EBF, as well as a decrease of -1.5% in 2020. The 2018 amount of \$4,106,064 was noticeably larger compared to the remaining historical periods, with the difference attributed mostly to special education personnel and transportation funding.

4.5 Food Services

Food Services revenue are monies collected from students and staff for meals.

- The current year plan amount for Food Services is \$1,037,366, a 13.2% increase over the prior year.
- Over the next 5 years this amount is projected to increase by 2.0% each year.
- Over the past historical periods Food Services varied between the minimum amount of \$15,094 in 2021 and the maximum amount of \$1,011,977 in 2019.

4.6 Tuition, Fees, Other

Tuition, Fees, Other consists of tuition paid by other government agencies, student fees, supplies, and activities, and other income not otherwise classified, including TIF surpluses and building rentals.

- The current year plan amount for Tuition, Fees, Other is \$5,475,850, a -1.6% decrease over the prior year.
- Over the next 5 years this amount is projected to decrease by 0% each year except for a decrease of -17.2% in 2024 caused by a drop in Corporate Replacement Taxes (-50.0%).
- Over the past historical periods Tuition, Fees, Other increased by 18.0% per year on average, with significant variability year to year including a decrease of -37.5% in 2021, and an increase of 119.9% in 2022.

4.7 Federal Aid

Federal Aid includes restricted grants from the U.S. government for low-income/ at risk populations (Title I), limited English language instruction (Title III), teacher quality (Title II), vocational education, and special education (IDEA).

- The current year plan amount for Federal Aid is \$3,807,818, a -1.9% decrease over the prior year.
- Over the next 5 years this amount is projected to increase by 2.0% each year except for a decrease of -6.8% in 2024 caused by a drop in 4998 -- (-100.0%).
- Over the past historical periods Federal Aid increased by 6.1% per year on average, with significant variability year to year including an increase of 164.2% in 2021, and a decrease of -46.8% in 2022. The 2021 amount of \$7,300,410 was noticeably larger compared to the remaining historical periods, with the difference attributed mostly to a jump in 4225 --.

Section 5: Expenditures

5.1 Salaries

Salaries include amounts paid to permanent, temporary, or substitute employees on the District's payroll.

- The current year (2023) plan amount for Salaries is \$50,076,886, a 4.4% increase over the prior year.
- Over the next 5 years (2024–2028) this amount is projected to increase consistently with average yearly increase of 4.5%.
- Over the past historical periods (2018–2022) Salaries increased by 1.8% per year on average, with significant variability year to year including an increase of 17.4% in 2020, and a decrease of -11.7% in 2019.

5.2 Benefits

Benefits include amounts paid by the District on behalf of employees that are not included in gross salary, including medical insurance, pension contributions, and income taxes.

- The current year plan amount for Benefits is \$12,744,701, a -1.5% decrease over the prior year.
- Over the next 5 years this amount is projected to increase consistently with an average yearly increase of 3.3%.
- Over the past historical periods Benefits increased by 2.8% per year on average, with significant variability year to year including an increase of 24.9% in 2020, and a decrease of -9.5% in 2021 due to timing of HSA contributions.

5.3 Purchased Services

Purchased Services include amounts paid for services provided by companies or rendered by individuals who are not on the District's payroll.

- The current year plan amount for Purchased Services is \$12,571,532, a 4.7% increase over the prior year.
- Over the next 5 years this amount is projected to increase by 1.4% per year on average.
- Over the past historical periods Purchased Services increased by 3.7% per year on average, with some variability year to year including a decrease of -4.6% in 2020, and an increase of 9.8% in 2022. The 2022 amount of \$12,002,382 was noticeably larger compared to the remaining historical periods, with the difference attributed mostly to jumps in 316 Data Processing Services, 331 Pupil Transportation, and 310 Professional Services.

5.4 Supplies

Supplies include amounts paid for material items of an expendable nature that are consumed, worn out, or deteriorated in use.

- The current year plan amount for Supplies is \$4,133,557, a -1.3% decrease over the prior year.
- Over the next 5 years this amount is projected to decrease by -2.4% per year on average, with some variability year to year including a decrease of -10.7% in 2025, and an increase of 2.0% in 2026.
- Over the past historical periods Supplies increased by 12.6% per year on average, with significant variability year to year including a decrease of -31.9% in 2021, and an increase of 63.7% in 2022.

5.5 Capital Outlay

Capital Outlay includes acquisition, maintenance, or repair of capital assets that exceed \$5,000 and are expected to be in use longer than 12 months. Note: Transfers to other funds for Capital Outlay included in Transfers 5.7.

- The current year plan amount for Capital Outlay is \$929,010, a 32.5% increase over the prior year.
- Over the next 5 years this amount is projected to decrease by -4.1% per year on average, with some variability year to year including a decrease of -15.3% in 2025, and an increase of 2.0% in 2028. The 2024 amount of \$838,487 is noticeably larger compared to the remaining projections, with the difference attributed mostly to a jump in 540 Site Improvements.

- Over the past historical periods Capital Outlay decreased by -11.7% per year on average, with significant variability year to year including an increase of 113.0% in 2021 caused by a jump in 550 Capitalized Equipment (+340.6%), as well as a decrease of -48.8% in 2022.

5.6 Other Objects

Other Objects include debt payments, dues and fees, tuition, contingency, and other expenses not otherwise classified.

- The current year plan amount for Other Objects is \$7,110,136, a -2.8% decrease over the prior year.
- Over the next 5 years this amount is projected to increase by 2.7% per year on average including an increase of 4.8% in 2024 attributed mostly to a jump in 670 Tuition (+5.0%).
- Over the past historical periods Other Objects increased by 2.5% per year on average, with significant variability year to year including a decrease of -10.5% in 2019, and an increase of 14.7% in 2021.

5.7 Transfers

Transfers include movement of money between funds for Capital Outlay or repayment of debt.

- The current year plan amount for Transfers is \$6,806,000, a 159.0% increase over the prior year.
- Over the next 5 years this amount is projected to decrease by -3.7% per year on average, with significant variability year to year including a decrease of -29.0% in 2025, and an increase of 15.0% in 2027.
- Over the past historical periods Transfers increased by 6.5% per year on average, with some variability year to year including an increase of 13.7% in 2021, and an increase of 0.3% in 2022.