

Year-End Spending When Approaching a Budget Surplus/Deficit

POLL LINK

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Introductions

Name: Diana McCluskey (Moderator)

- Asst. Supt. for Business Services; La Grange SD 102



Name: Seth Chapman, Ed.D. (Speaker)

- *Assistant Superintendent / CFO, St. Charles CUSD 303*



Name: Mike Duback, CSBO (Speaker)

- *Director of Operations/CSBO, LaGrange Highlands SD 106*



Name: Nicole Stuckert, CSBO (Speaker)

- *CFO/CSBO, Sycamore CUSD 427*



Sycamore Community
School District 427

Agenda - Case Study Review

- I. Opening & Discussion of Poll Results
- II. School District Overview
 - A. Demographics
 - B. Fund Balances
 - C. Policy
- III. Breakout Sessions and Discussion
 - A. Split room based on Surplus/Deficit
 - B. Case Study - Detail
 - 1. Sycamore, St. Charles, LaGrange
- IV. Process (Include this in the Case Study?)
- V. Lessons Learned

Poll Results & Discussion

Year-End Spending Poll

To complete the survey, go to **PollEv.com/mduback428**

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0 surveys done

↻ 2 surveys underway

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Sycamore CUSD 427

- Background:
 - 7 schools
 - 5 K-5
 - 1 Middle School 6-8
 - 1 High School
 - 1 PreK
 - DeKalb County
 - Enrollment : 3,700
 - Annual Budget: \$ 50 Million

St. Charles CUSD 303

- Kane County: 54 square miles (4 municipalities)
- Enrollment : 12,200 (PreK - 12th grade)
- Annual Budget: \$ 180 Million (Operating Funds)



LaGrange Highlands District 106

- Background:
 - 2 schools
 - 1 Elementary School (K-4)
 - Early Childhood (PK) Uses District Space
 - 1 Middle School (5-8)
 - Wing of MS Rented to Day Care
 - Cook County
 - Enrollment : 940
 - Annual Budget: \$13 Million (Operating Funds)

Breakout/Discussion

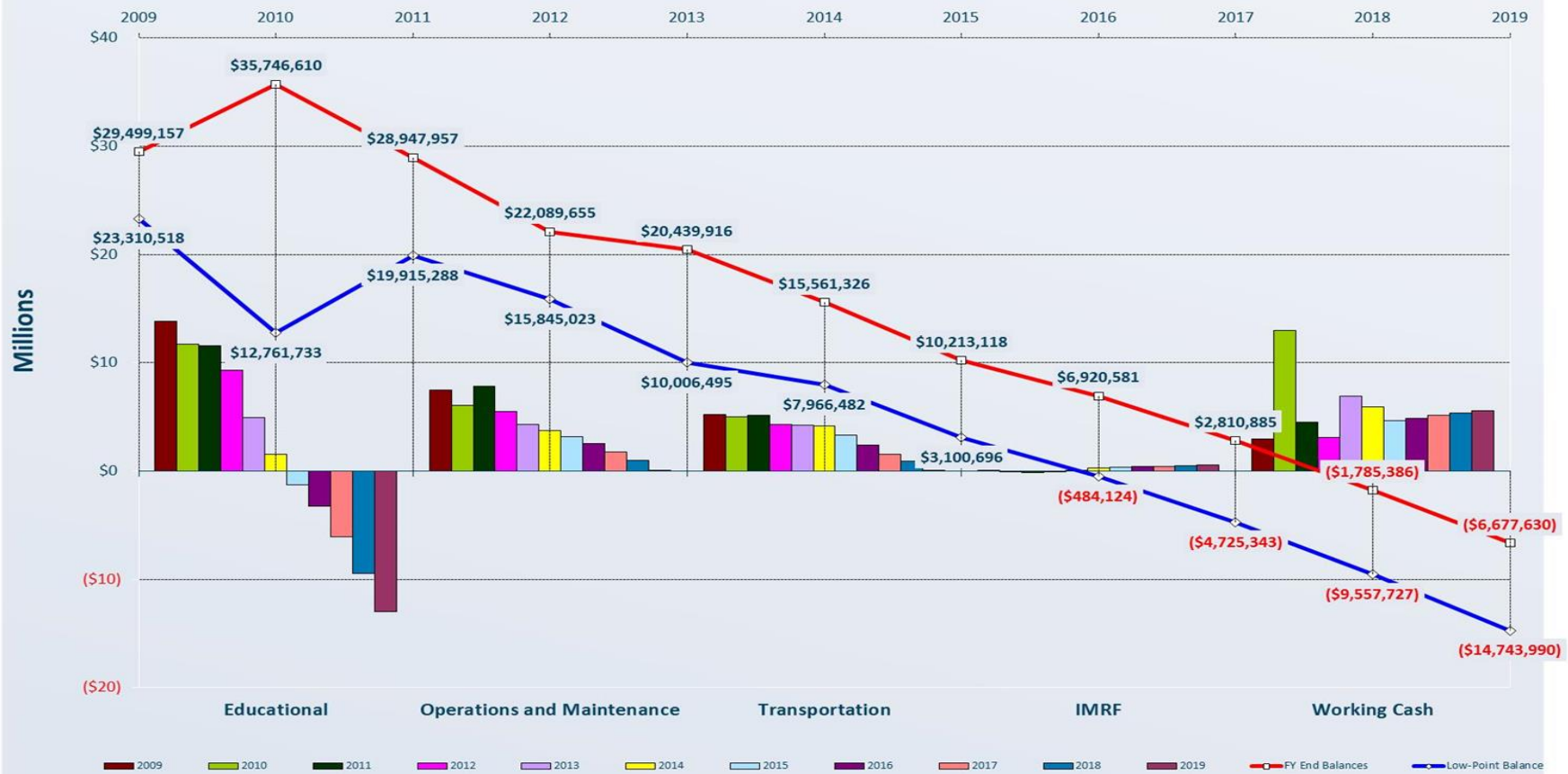
Pick one of the following groups or topics:

1. Deficit Spending Concerns
2. Surplus Concerns
3. Transitions, Mindsets, Process

Sycamore Deficit Reduction Plan

Projected Year-End Balances

(Educational, Operations and Maintenance, Transportation, IMRF, and Working Cash Funds.)



Sycamore Deficit Reduction Plan-Timeline

- January
 - Meet with association leadership regarding preliminary budget proposals
- February
 - Follow-up meetings with association leadership if requested
 - Resource Allocation Presentations to the BOE
- March
 - Necessary personnel actions by BOE regarding certified staff
- April
 - Necessary personnel actions by BOE regarding classified staff

Sycamore Deficit Reduction Plan-Fund Balance Policy

The Board considers a projected June 30 combined Education, Operations and Maintenance, and Transportation Funds balance of:

- 50% of the combined Education, Operations and Maintenance, and Transportation Funds anticipated expenses to be financially healthy, excluding restricted fund reserves.
- 25% of the Education, Operations and Maintenance, and Transportation Funds anticipated expenses to be the minimum reserve for sound financial planning. If reserves approach such level, the Administration must present alternatives to stabilize and restore future fund balances to a more financially healthy state.
- No proposed budget shall reduce the combined Education, Operations and Maintenance, and Transportation Funds fund balance by more than ten percent (10%) unless such a proposed budget is accompanied by a plan to restore future budgets to a balanced state.

Sycamore Deficit Reduction Plan

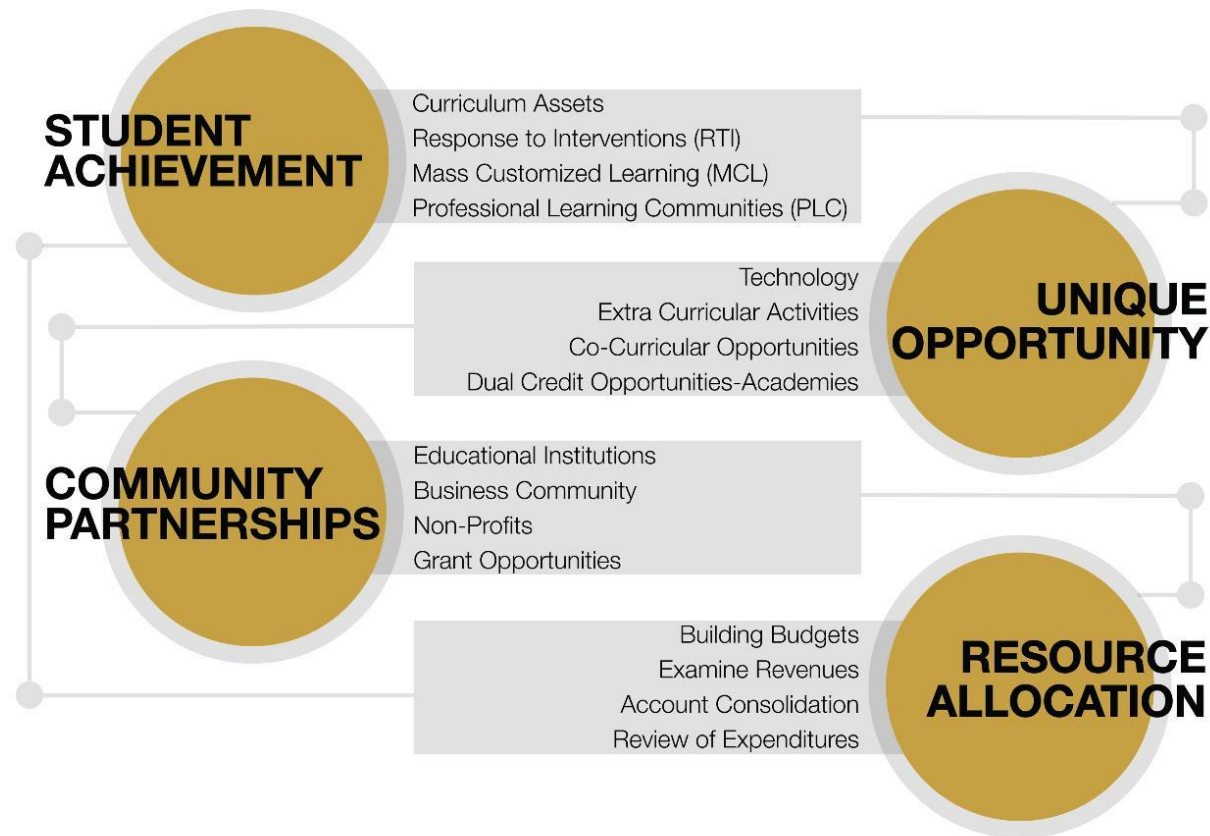
Aggregate - Projection Summary

	BUDGET FY 2014	REVENUE / EXPENDITURE PROJECTIONS									
		FY 2015	% chg	FY 2016	% chg	FY 2017	% chg	FY 2018	% chg	FY 2019	% chg
REVENUE											
Local	\$28,940,815	\$29,024,440	0.29%	\$29,888,507	2.98%	\$30,785,647	3.00%	\$31,718,974	3.03%	\$32,694,577	3.08%
State	\$8,220,460	\$9,392,235	14.25%	\$10,296,244	9.63%	\$10,289,559	-0.06%	\$10,063,094	-2.20%	\$9,815,835	-2.46%
Federal	\$2,067,016	\$2,069,483	0.12%	\$2,071,975	0.12%	\$2,074,491	0.12%	\$2,077,033	0.12%	\$2,079,600	0.12%
Other	\$0	\$0		\$0		\$0		\$0		\$0	
TOTAL REVENUE	\$39,228,291	\$40,486,158	3.21%	\$42,256,726	4.37%	\$43,149,697	2.11%	\$43,859,101	1.64%	\$44,590,012	1.67%
EXPENDITURES											
Salary and Benefit Costs	\$32,419,587	\$33,089,067	2.07%	\$33,981,520	2.70%	\$35,356,571	4.05%	\$36,207,947	2.41%	\$36,866,931	1.82%
Other	\$11,101,396	\$11,161,863	0.54%	\$11,484,776	2.89%	\$11,819,567	2.92%	\$12,166,702	2.94%	\$12,526,664	2.96%
TOTAL EXPENDITURES	\$43,520,983	\$44,250,930	1.68%	\$45,466,296	2.75%	\$47,176,139	3.76%	\$48,374,649	2.54%	\$49,393,595	2.11%
SURPLUS / DEFICIT	(\$4,292,692)	(\$3,764,773)		(\$3,209,570)		(\$4,026,441)		(\$4,515,548)		(\$4,803,583)	
OTHER FINANCING SOURCES/USES											
Transfer Among Funds (Net)	(\$1,485,898)	(\$1,863,436)		(\$362,967)		(\$363,254)		(\$360,723)		(\$368,661)	
Sale of Bonds	\$900,000	\$280,000		\$280,000		\$280,000		\$280,000		\$280,000	
Other Financing Sources	\$0	\$0		\$0		\$0		\$0		\$0	
Other Financing Uses	\$0	\$0		\$0		\$0		\$0		\$0	
TOTAL OTHER FIN. SOURCES/USES	(\$585,898)	(\$1,583,436)		(\$82,967)		(\$83,254)		(\$80,723)		(\$88,661)	
SURPLUS / DEFICIT INCL. OTHER FIN. SOURCE	(\$4,878,590)	(\$5,348,208)		(\$3,292,537)		(\$4,109,695)		(\$4,596,271)		(\$4,892,244)	
BEGINNING FUND BALANCES	\$20,439,916	\$15,561,326		\$10,213,118		\$6,920,581		\$2,810,885		(\$1,785,386)	
PROJECTED YEAR END BALANCES	\$15,561,326	\$10,213,118		\$6,920,581		\$2,810,885		(\$1,785,386)		(\$6,677,630)	
FUND BALANCE AS % OF EXPENDITURES	35.76%	23.08%		15.22%		5.96%		-3.69%		-13.52%	
FUND BALANCE AS # OF MONTHS OF EXPEND.	4.29	2.77		1.83		0.71		(0.44)		(1.62)	

Sycamore Deficit Reduction Plan

Strategic Design

Empowering all Learners to Succeed in their World



Sycamore Deficit Reduction Plan

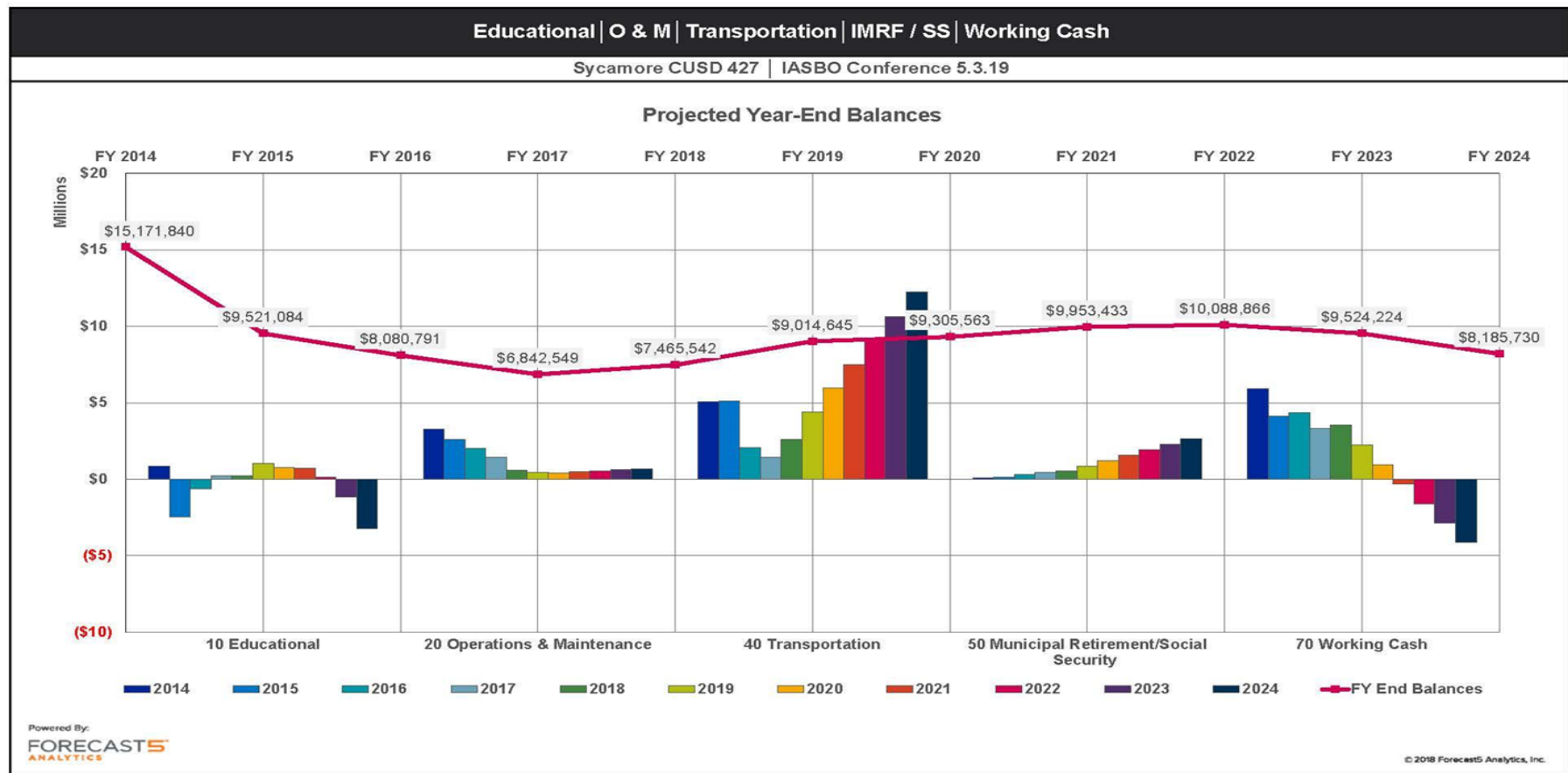
How did we get there?

- Is the expenditure mandated?
- What is the alignment to Strategic Design?
- What is the alignment to the District Vision?
- What is the alignment to the current District goals?
- What is the impact on students?
- What is the impact on the overall organization?
- What is the impact on the culture?
- Can this be accomplished another way?
- What data is there to back up the recommendation?
- What is the actual cost?

Sycamore Deficit Reduction Plan-Results

- Reduction of 120 FTE
- Account consolidations
- Restructuring of staff PD
- Deferred purchase of new buses
- Deferred maintenance on buildings
- Eliminated transportation to HS zero hour

Sycamore - Deficit Reduction Plan-Results



Sycamore Deficit Reduction Plan- Future Years

- Input from Staff, Board of Education, and Administration
- Review of impact on students opportunities
- Review of impact on student achievement
- Maintain balanced budget
- Strengthen the Fund Balance per Board Policy - 25 %

District 303 - Approaching a Surplus

Board Objective:

→ **Align Fund Balance with Board Policy**

Unanticipated Revenue

- ISBE: 100% EBF paid
- Land Cash
- Interest Earnings



Purposeful Spending

Our Approach

1. Buses
2. Technology
3. Cash Flow



Safe & Cost Effective Bus Fleet - Replacement Cycle



Keeping Pace with Demand

Technology - Device Creep



- Chromebook Rotation
- Projectors
- Wireless Access Points
- Backup Servers
- Fiber Upgrade

Creative Cash Flow Opportunity

IMRF Unfunded Accrued Actuarial Liability				
			\$0	\$3,000,000
			12/31/2017	Payment
Unfunded Liability			\$ 14,910,263.00	\$ 14,910,263.00
Payment			0	\$3,000,000
Adjusted Unfunded			\$ 14,910,263.00	\$ 11,910,263.00
Multiply by 10 Yr Amortization			0.067348	0.067348
Required Annual Contribution			\$ 1,004,176	\$ 802,132
Divided by Estimated Payroll			\$ 20,493,454.00	\$ 20,493,454.00
Unfunded Rate			4.90%	3.91%
			2018	2018
Normal Rate			5.67%	5.67%
Unfunded Rate			4.90%	3.91%
Disability Rate			0.11%	0.11%
Death Rate			0.08%	0.08%
Supplemental Rate			0.62%	0.62%
ERI Rate			0.00%	0.00%
Total Rate			11.38%	10.39%
Value of \$3M payment				0.99%

LaGrange Highlands - Deficit/Surplus Transition

Imagine the following scenario:

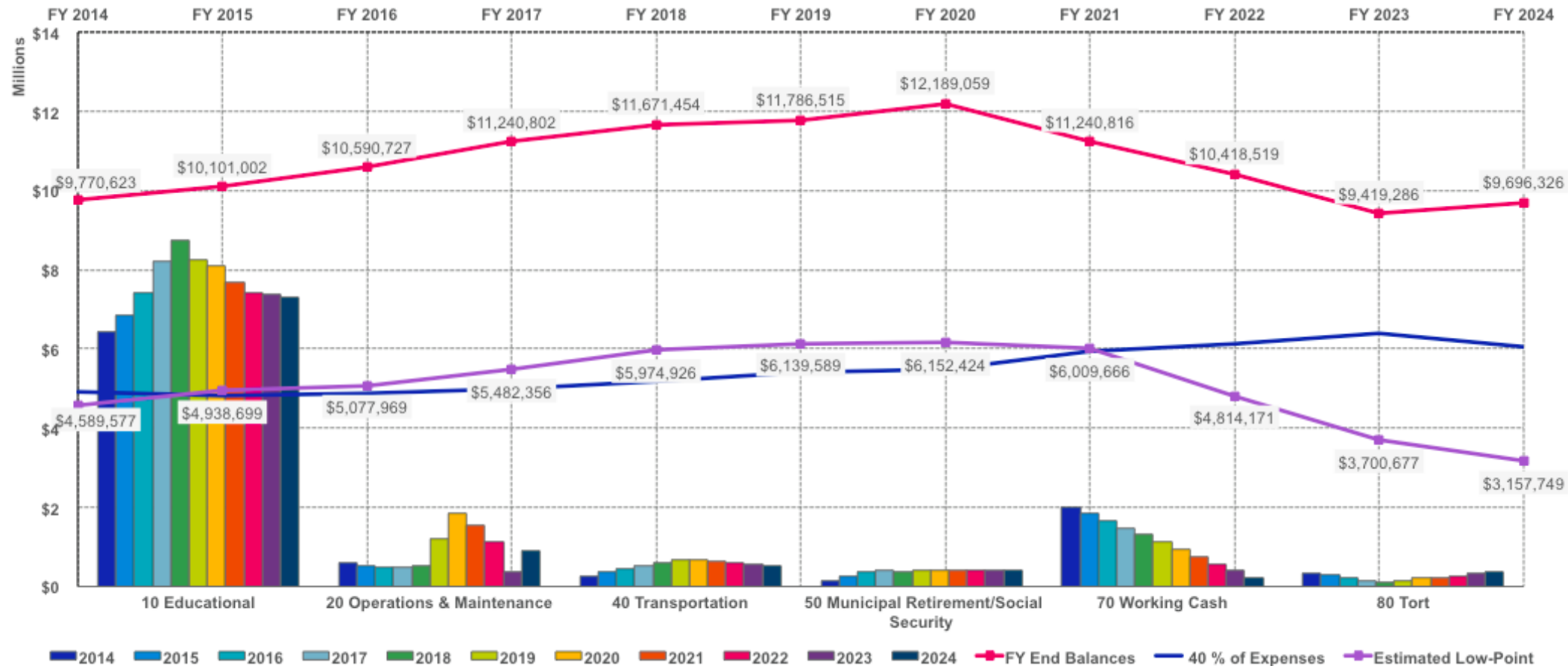
1. It's March, and it's your first year as CSBO in a new district.
1. In your prior district, potential cuts were often discussed.
1. Your revenues are down. Your expenditures are up. BUT...
2. Your district ended with notable surpluses for the last 4 years.
3. Your central admin team does not seem overly concerned.

LaGrange Highlands - Deficit/Surplus Transition

What should you consider?

1. Timing of revenues in your new community
2. Fund balances (or absence thereof)
3. Timing of summer expenses (e.g., tech, buildings & grounds)
4. Communications with your Board (what, when, how)
5. What to say to - and how to work with - your leadership team

LaGrange Highlands



LaGrange Highlands

SCHOOL DISTRICT NUMBER 106 GO LIMITED TAX REFUNDING BOND, SERIES 2011

Invoice for Debt Service Payment on 2/1/2018

	Maturity Date	Accrual Start Date	Accrual End Date	No. of Days	Principal Balance	Interest Rate	Interest	Principal	Premium/Discount
	2/1/2018	8/1/2017	1/31/2018	180	\$570,000.00	3.25%	\$9,262.50	\$570,000.00	
	2/1/2019	8/1/2017	1/31/2018	180	\$580,000.00	3.50%	\$10,150.00		
	2/1/2020	8/1/2017	1/31/2018	180	\$605,000.00	3.75%	\$11,343.75		
	2/1/2021	8/1/2017	1/31/2018	180	\$45,000.00	4.00%	\$900.00		
					\$1,800,000.00		\$31,656.25	\$570,000.00	

Interest Due:	\$31,656.25
Principal Due:	+ \$570,000.00
Principal Deposit Due:	
Net Due:	<u>\$601,656.25</u>

LaGrange Highlands

O & M PROJECTS	18-19	19-20	20-21	21-22	22-23
REPLACE 2 OF 2 BOILERS, MS BOILER ROOM	\$130,000.00	\$0.00	\$0.00	\$0.00	\$0.00
RETRO-FIT CLASSROOM SPACES	\$80,000.00	\$0.00	\$0.00	\$0.00	\$0.00
PHASE 2 of 4 - HVAC CONTROLS UPDATES	\$58,900.00	\$0.00	\$0.00	\$0.00	\$0.00
REPLACEMENT OF PA SYSTEM	\$45,000.00	\$0.00	\$0.00	\$0.00	\$0.00
PHASE 3 of 4 - HVAC CONTROLS UPDATES	\$0.00	\$67,000.00	\$0.00	\$0.00	\$0.00
REPLACE ROOF TOP HVAC UNIT, TECH OFFICE & room 240	\$0.00	\$35,000.00	\$0.00	\$0.00	\$0.00
SIDEWALK- WOLF TO SCHOOL	\$0.00	\$0.00	\$150,000.00	\$0.00	\$0.00
ROOFING - 5TH GRADE & "65"- 2 STORY (installed-1991, replace-summer 2020)	\$0.00	\$0.00	\$675,000.00	\$0.00	\$0.00
ROOFING - 1992 BUILDING (installed-1992, replace-summer of 2021)	\$0.00	\$0.00	\$348,000.00	\$0.00	\$0.00
REPLACE 2 BOILERS, ES BOILER ROOM, (installed-1976, replace-summer 2020)	\$0.00	\$0.00	\$350,000.00	\$0.00	\$0.00
PHASE 4 of 4 - HVAC CONTROLS UPDATES	\$0.00	\$0.00	\$40,000.00	\$0.00	\$0.00
REPLACE 1992 BUILDING UNIVENTS	\$0.00	\$0.00	\$0.00	\$90,000.00	\$0.00
REPLACEMENT OF CABINETS IN 1992- 2- K & 3 2ND GRADE CLASSROOMS	\$0.00	\$0.00	\$0.00	\$75,000.00	\$0.00
CLASSROOM & INSTRUCTIONAL SPACE UTILIZATION	\$0.00	\$0.00	\$0.00	\$750,000.00	\$750,000.00
ROOFING ON MS WEST WING, FOYER, GYM, (installed-1993, replace summer 2022)	\$0.00	\$0.00	\$0.00	\$0.00	\$788,000.00
MS GYM SIDING (completed with roofing replacement)	\$0.00	\$0.00	\$0.00	\$0.00	\$90,000.00
MSL RTU's (2-HVAC units)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NEW ES PARKING LOT- REAR LOT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
REPLACEMENT OF ES 1992 BUILDING WINDOWS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
REPLACE FLOORING IN 1ST GRADE CLASSROOMS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ROOFING ON MS MAIN ACADEMIC WING, (installed-1993, replace summer 2024)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1949/1953 BUILDING TUCK POINTING	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ELEMENTARY SCHOOL SPRINKLERS, "65" & "92"	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTALS	\$313,900.00	\$102,000.00	\$1,563,000.00	\$915,000.00	\$1,628,000.00

LaGrange Highlands

Fund Balances

Appropriate financial planning is necessary to operate district facilities and to provide the highest quality educational programs possible, consistent with the financial resources available. It is the responsibility of the Superintendent or designee to maintain fund balances adequate to ensure the district's ability to maintain its levels of services and to pay its obligations in a prompt manner, in spite of unforeseen events or unexpected changes to expenses and revenues.

Therefore, the Board should target an *aggregate operating fund balance percentage* of not less than 40%. The date of measurement shall be June 30 of each fiscal year, and the measurement shall be consistent with that reported in the district's Annual Financial Report (AFR) filed with the Illinois State Board of Education (ISBE).

If the aggregate operating fund balance falls below the minimum percentage, the Board shall budget an annual surplus to restore the fund balance percentage to not less than the minimum.

Additionally, each individual fund balance ensures that district reserves are allocated appropriately to their function (e.g., Operations & Maintenance fund balance reserves allocated to O&M expenses). Therefore, the Board should target an *individual operating fund balance percentage* of not less than 30% for the Education, Operations & Maintenance, Transportation, IMRF/FICA, and Working Cash funds. If the individual operating fund balance in one or more of these funds falls below the minimum percentage, the Board shall budget an annual surplus to the fund(s) to restore the fund balance percentage to not less than the minimum.

LaGrange Highlands - Deficit/Surplus Transition

What happened?

1. It's June, and it's your first year as CSBO in a new district.
2. You have spent the last 3 months asking your central admin team to watch their spending.
 - “Revenues are lagging. Expenditures are ahead.”
3. Revenues caught up. Your team listened to you and held off on several purchases.
4. You now worry about ending with a **too much** of a **surplus**.

Lessons Learned

1. Timing of revenues and “big ticket” expenses.
2. Communications with your Board (what, when, how).
3. What to say to - and how to work with - your leadership team.
4. Don't forget to allow time to amend your budget (if applicable).

Lessons Learned

5. Consider how late-year spending impacts future-year budgets (e.g., one-time vs. recurring costs).
6. **Steady wins the race. Plan and prepare. Analyze the data, but stay calm. Stay open-minded and listen.**
7. **Use past experiences to inform you, but not to constrain you.**

Questions and Answers

We thank you for your time!

Presenters:

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