



# Financial Talking Points

Arbor Park School District 145

March 2009



# Talking Points

- ◆ District Accomplishments
- ◆ Referendum History
- ◆ Fiscal Responsibility
- ◆ Financial Crisis
  - Four Areas of Concern
- ◆ Current Status
- ◆ Next Step



# District Accomplishments

- ◆ Some of the district's accomplishments include:
  - Construction of a new middle school
    - On time and on budget
  - Student data base & parent notification system in place
  - Currently addressing the challenges of RTI (Response To Intervention)



# District Accomplishments

- ◆ Made AYP (Annual Yearly Progress)
  - U.S. News and World Report names Oak Forest High School one of the country's top high school. (1/3 of Oak Forest H.S. is District 145)
  - North Central Accreditation names Tinley Park High School the best kept secret in the south suburbs. (1/4 of Tinley Park H.S. is District 145)
  - Arbor Park Middle School received state recognition in 2006



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# Referendum History

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- ◆ The last tax rate increase was Spring of 1995 (14 years ago)
- ◆ The construction bond referendum was Spring of 2004 (5 years ago)
  - The referendum allowed our district access to 13 million dollars from the state
  - Old Arbor Park constructed in 1928 had seven additions and was scheduled to receive millions of dollars in needed life safety work



# Fiscal Responsibility

- ◆ Conservative financial strategies include:
  - Many programs funded through state and federal grants
  - District office has reorganized eliminating one position
  - Abated local tax dollars (2.6 million) due to the construction referendum. (\$800,000 remaining)



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# Fiscal Responsibility (continued)

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- Grade level centers created to help class size and direct teaching resources
- Delayed textbook adoptions and technology updates
  - Waited more than 10 years between adoptions
- Buildings share support staff
- District utilized furniture and equipment from old Arbor Park



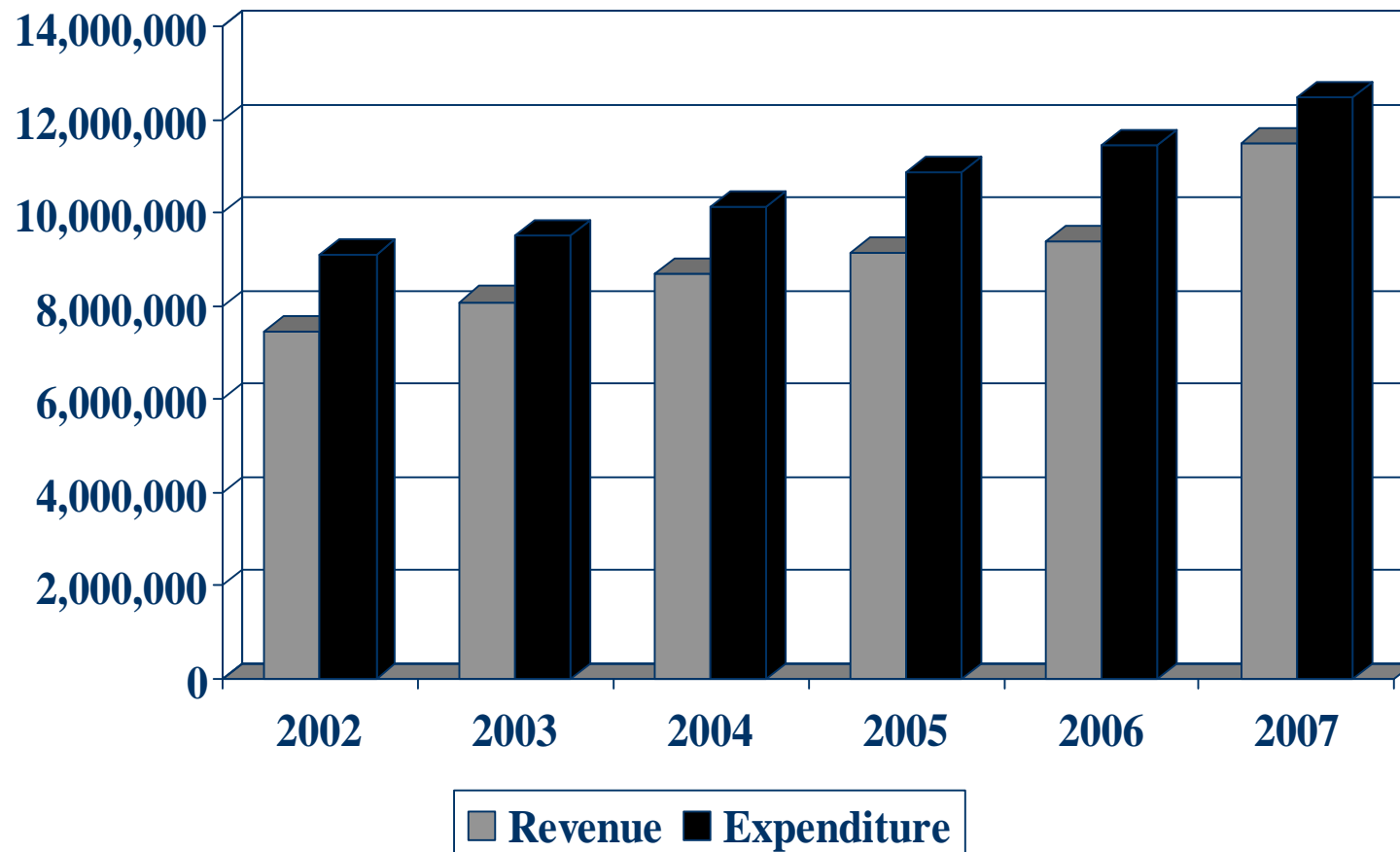
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# Fiscal Responsibility (continued)

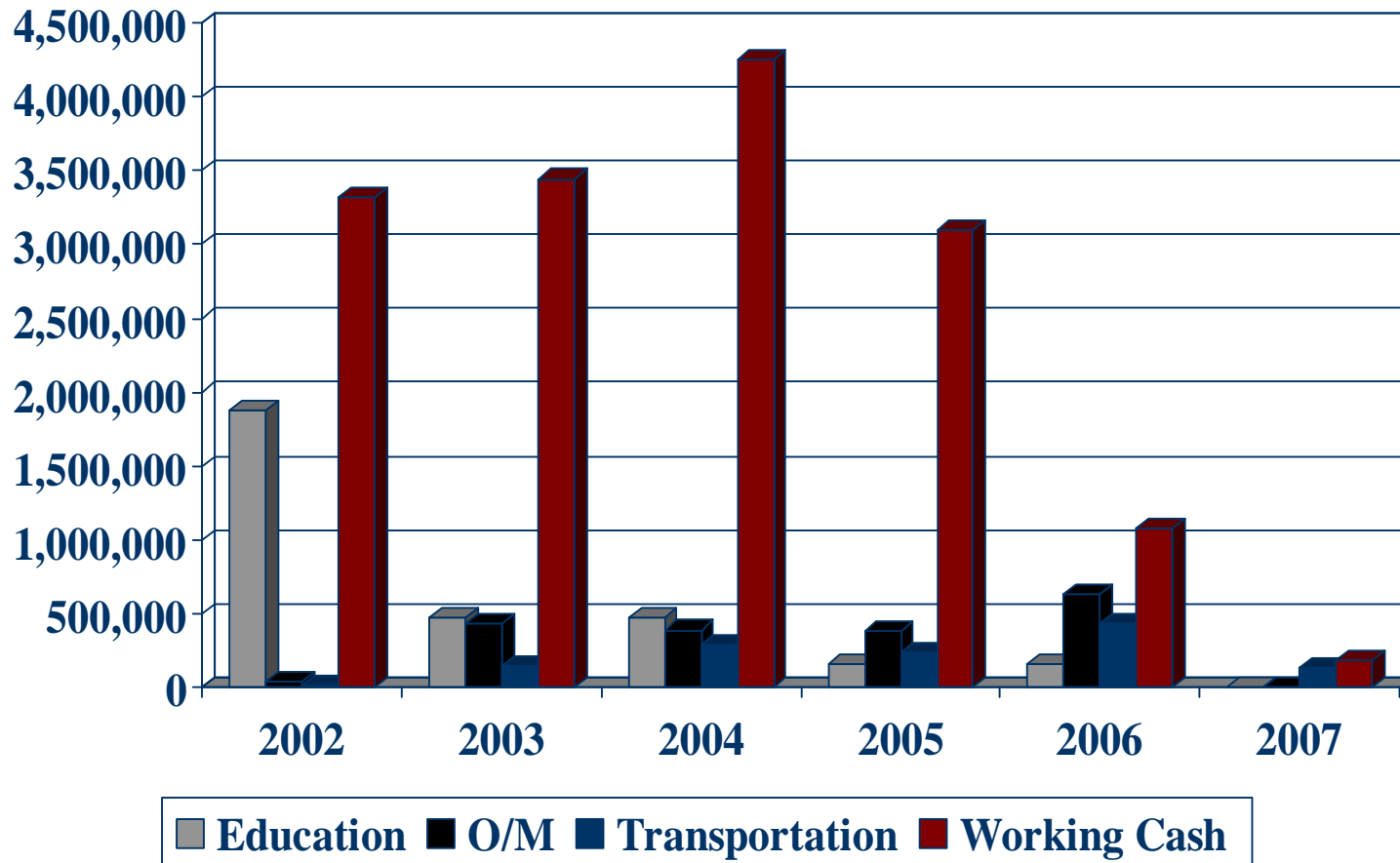
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- ◆ Grants continue to supplement local tax dollars
  - Most grants don't cover everything
  - Grants decrease or are eliminated
- ◆ The district has used working cash for years to fund the deficit between revenues and expenditures

# Education Fund



# Fund Balances





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# Financial Crisis

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Four areas have created our financial crisis

- #1 Expenditures have increased at a rate greater than revenues can be captured through limited sources
- #2 Bonding power no longer available due to State Statutes and PTELL (Property Tax Extension Law Limit)
- #3 Local Geography and Economic Factors
- #4 Mandates from both the state and federal levels continue to demand program enhancements without providing additional funding



# Financial Crisis #1

Expenditures have increased at a rate greater than revenues can be captured through limited sources

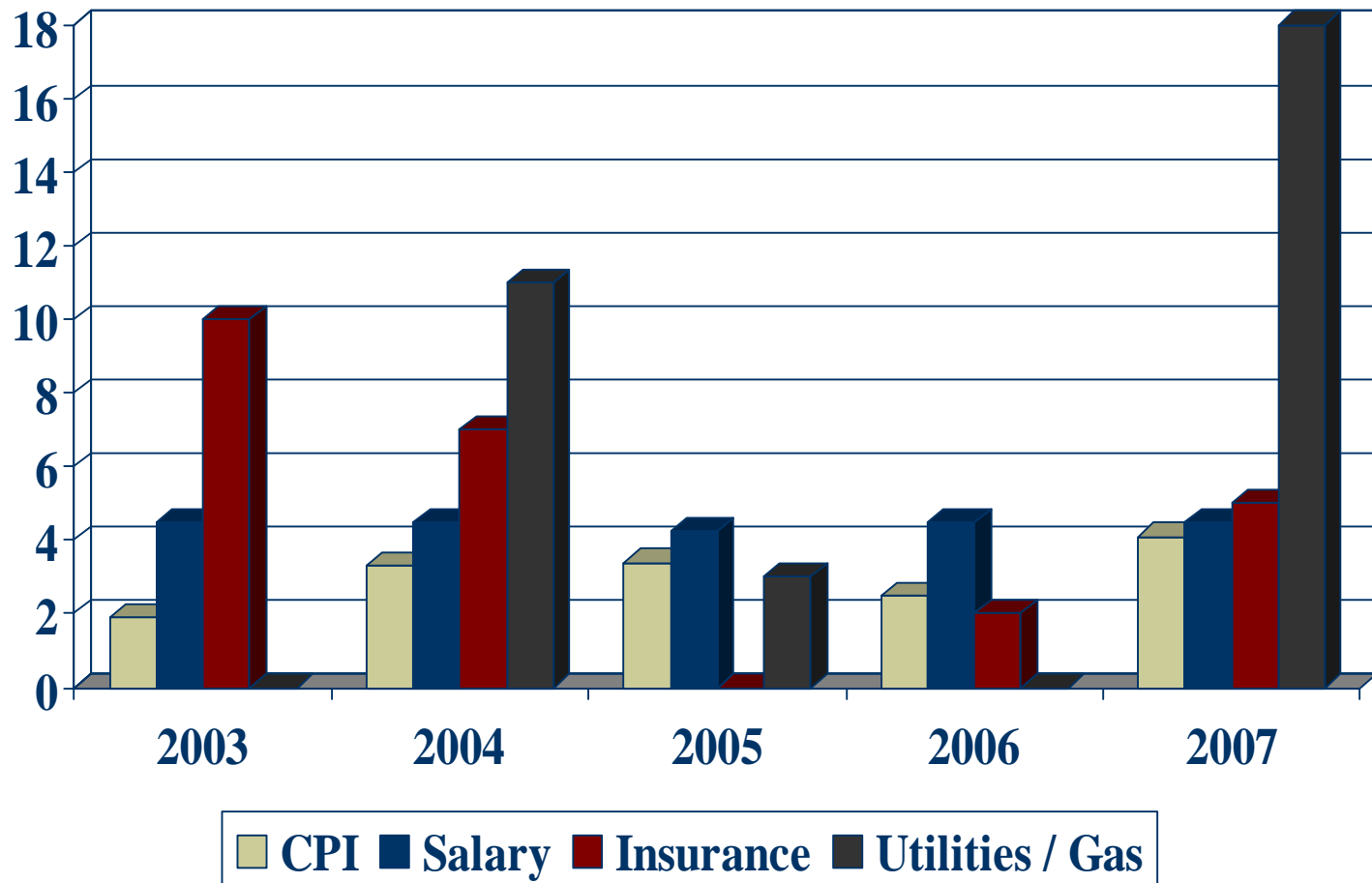
- Tax Caps / CPI (Consumer Price Index) doesn't allow revenue to keep pace with district expenses
- Insurance, Utilities, Contracts & Mandates, typically go beyond CPI (Consumer Price Index) increases

# Financial Crisis #1

## Consumer Price Index 1998-2008

	<u>YEAR</u>	<u>CPI</u>
	2008	0.1%
	2007	4.1%
	2006	2.5%
	2005	3.4%
	2004	3.3%
	2003	1.9%
	2002	2.4%
	2001	1.6%
	2000	3.4%
	1999	2.7%
	1998	1.6%
<b>CPI Average Consumer Price Index 2.45%</b>		

# CPI Impact





# Financial Crisis #2

- ◆ Bonding Power limited due to State Statutes and PTELL (Property Tax Extension Law Limit)
  - Debt Service Extension Base limits have been reached through 2020
  - By utilizing the Debt Service Extension state aid has not been compromised

# History of Arbor Park District #145 Financings



- The District has consistently infused operational dollars into the budget through the issuance of working cash and funding bonds.

Issue	Issue Date	Par Amount Issued	
		Working Cash and/or Funding	Capital Improvements*
Series 1987	12/15/87	\$1,660,000	
Series 1991	11/01/91	\$1,000,000	\$1,970,000
Series 1992	11/01/92	\$1,000,000	
Series 1994	11/01/94	\$5,915,000	
Series 1999	02/01/99	\$3,840,000	
Series 2001	07/17/01	\$1,999,972	
Series 2003	01/08/04	\$2,309,930	
Series 2004	05/01/04		\$13,000,000
Series 2006	04/26/06	\$3,512,139	
<b>Total</b>		<b>\$21,237,041</b>	<b>\$14,970,000</b>

\* Includes Life Safety Bonds and Referendum Bonds

# Financial Crisis #3

## Local Geography and Economic Factors

- ◆ 40% of our district's total area is forest preserves
- ◆ Areas earmarked for the redevelopment so vital to our community's prosperity freeze taxes payable to other taxing bodies at pre-TIF (Tax Increment Financing) rates
- ◆ Lack of commercial/industrial development reduces the District's total property value
- ◆ Relatively low poverty rate results in reduced State assistance

# Financial Crisis #4

State and federal mandates continue to demand program enhancements without providing additional funding

- ◆ NCLB (No Child Left Behind)
  - Staff Training, Student Testing & Consequences
- ◆ Life Safety
  - 10 year Life Safety Evaluation Violations
- ◆ Personnel
  - ELL (English Language Learners), Special Education, Retirement Portion, etc.
- ◆ RTI (Response To Intervention)
  - Intervention Strategies, Staff Needs



# Current Status

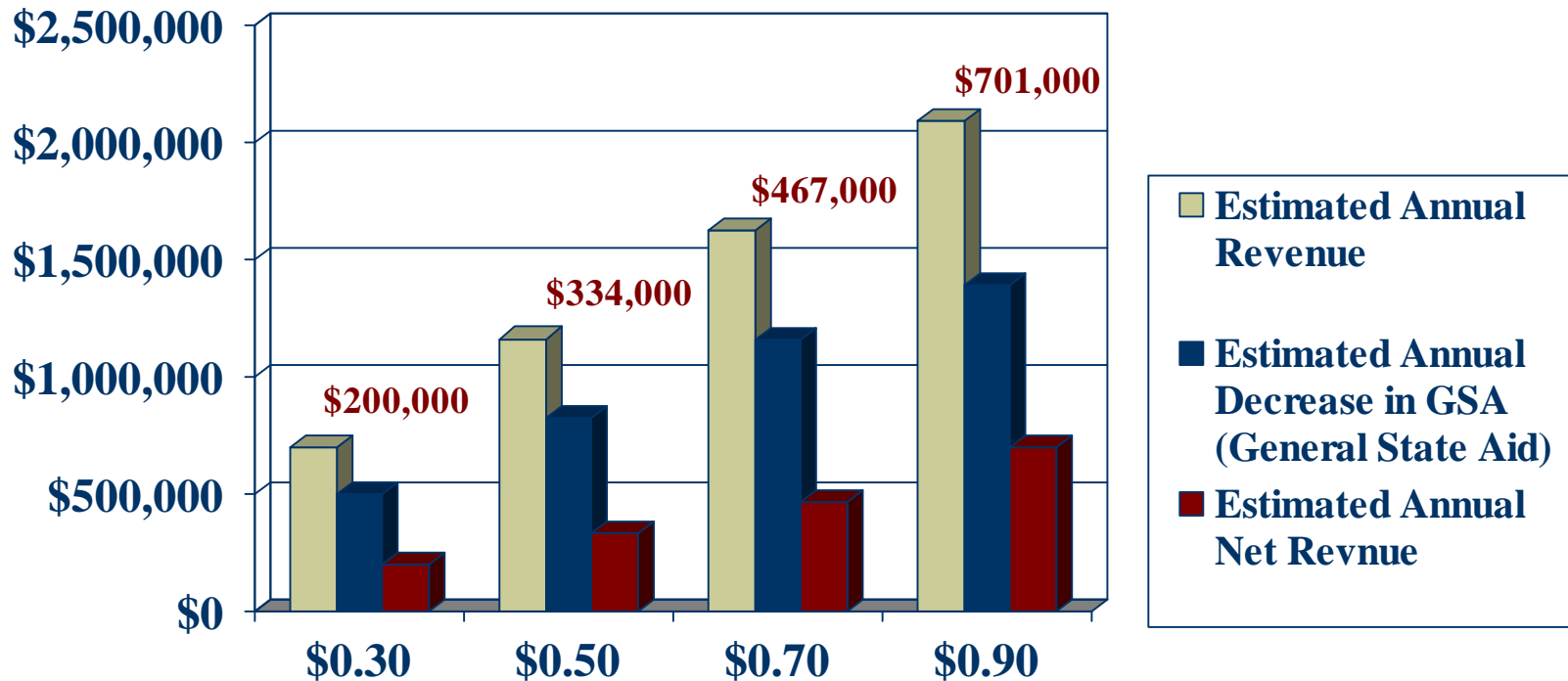
- ◆ Sources of district revenue
  - 58% Local, 38% State, and 4% Federal
- ◆ District is currently deficit spending approximately \$2 million
- ◆ District is currently using TAW (Tax Anticipation Warrants) to offset the revenue cash flow shortage. This is a very short term solution.
- ◆ No significant bonding power available beyond this year



# Next Step

- ◆ Need to cut expenditures regardless of the referendum
  - Reduced expenditures helps reduce the tax rate increase
- ◆ Resolve the legislative concerns
  - When a school district passes a tax rate increase
    - The state recalculates their portion and pays less in state aid
    - More of the burden is shifted to the local tax payer
    - We could lose \$.70 in state aid for every \$1.00 we gain through local referendum

# Analysis of Tax Rate Increase





## Next Step (continued)

- Help with the passage of SB2051 (145 Bill)
- SB2051 insures the state will continue to fund school districts at the rate prior to a referendum
- Our Board of Education will not accept the tax rate increase if SB 2051 doesn't pass
- The second year is designed to give the district time to pass SB 2051 and amend our levy
- By refusing to accept the tax rate increase the focus is shifted back to the state



## Next Step (continued)

- ◆ Three Areas We Need to Address
  - Expenditures need to take place
  - Revenues need to increase
  - Changes in the funding formula that penalizes local communities when a tax rate increase is approved