

GLENBROOK HIGH SCHOOLS
Office of the Assistant Superintendent for Business Affairs
Regular Meeting – Monday, August 31, 2009

TO: Dr. Michael Riggle

FROM: Hillarie Siena

DATE: August 31, 2009

RE: Budget Documents for Budget Hearing

Following are documents from Section 1 of the FY2009/2010 Tentative Budget that was adopted on July 27, 2009. Also included in the packet is the summary memo from the Finance Committee Meeting on July 20, 2009. These documents are contained in the FY2009/2010 Tentative Budget binders that were included in the Board packet for the July 27, 2009 meeting and are being provided here for purposes of reference during the budget hearing. These documents were discussed at length at the July 27th meeting as part of the budget presentation.

HS/hjs
Attachment(s)



Tentative Budget 2009-2010

**NORTHFIELD TOWNSHIP
HIGH SCHOOL DISTRICT NUMBER 225**

Hillarie Siena, Assistant Superintendent for Business Affairs
Kimberly Ptak, Director of Purchasing and Operations

July 27, 2009

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Working Cash**

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SUMMARY – Overview of the 2009/10 Budget

Northfield Township High School District Number 225

The 2009/10 Tentative Budget, which is being presented, reflects input from staff, administration and the Board of Education. The budget process begins in October , with an update of budget projections, enrollment, educational planning materials, staffing, facilities and technology.

The 2009/10 estimated ending fund balance in the operating funds is projected to be 49.5%, as compared to a 2006 projection of 48.0%, an increase of 1.5%. The 2009 and 2010 fund balances are affected by a number of factors:

- 23 certified staff exercised their 2005 option to defer retirement to a later date. In FY2008, six staff retired, with seventeen retired on June 30, 2009. The estimated financial impact of this option is approximately \$1M in deferred expense. Of this deferred expense, \$200K was paid in 2009, with approximately \$800K deferred into 2010.
- As outlined in pre-referendum planning, FY2009/10 expenses for purchased service and capital outlay include the technology plan.
- FY2010 operations and maintenance expenses include a \$3.2M transfer to non-operating funds. This is required under new accounting regulations relative to debt service and capital project funding.

It should be noted that included in the budget (in accordance with board policy) are contingencies in each of the operating funds. These contingencies are as follows:

Education Fund	\$500,000
Operations & Maintenance Fund	50,000
Transportation Fund	50,000
IMRF Fund	25,000
FICA/MED Fund	25,000

Revenue Summary - Operating Funds

Northfield Township High School District 225

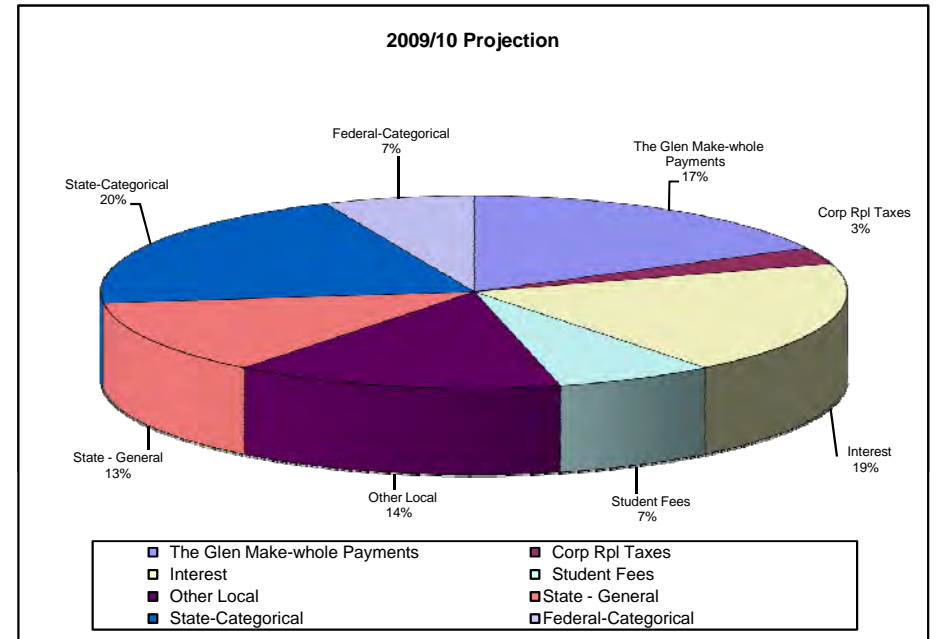
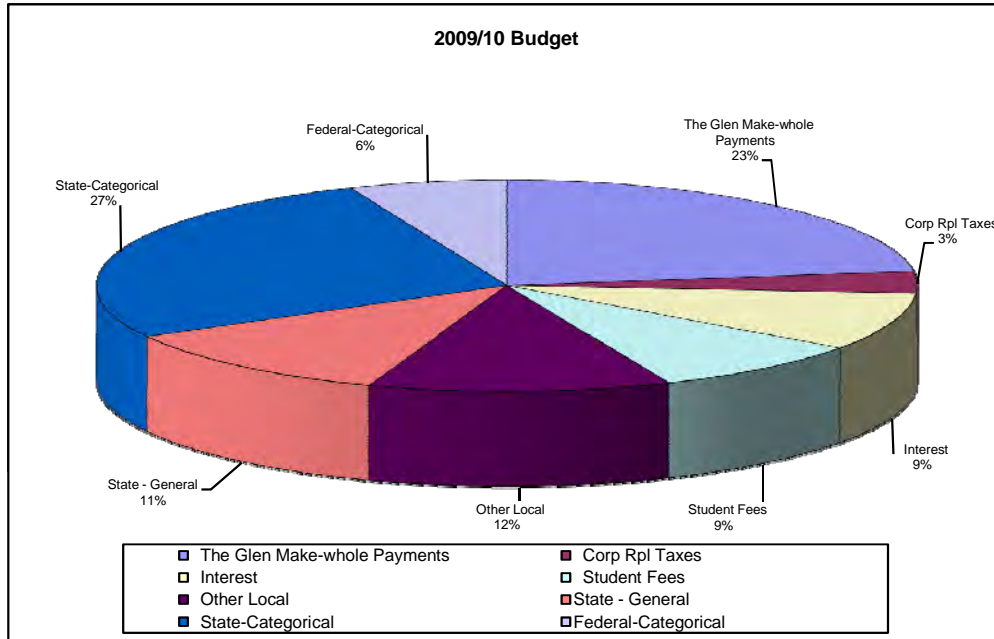
Est Actual 2009	2010 Budget	Actual vs Budget		Revenue Sources	Footnote	2010 Budget	2006 Projection	Budget vs Projection	
		\$	%					\$	%
				Local					
\$ 80,939,824	\$ 82,361,830	(1,422,006)	(1.8)	Property Taxes	r1	\$ 82,361,830	\$ 83,887,958	(1,526,128)	(1.9)
(817,862)	(1,276,000)	458,138	(56.0)	Less: Prior Year Refunds	r1	(1,276,000)	(807,059)	(468,941)	36.8
2,125,335	2,200,000	(74,665)	-	The Glen Make-whole Payments	r2	2,200,000	1,989,426	210,574	-
224,000	320,000	(96,000)	(42.9)	Corp Rpl Taxes	r3	320,000	320,000	-	-
1,435,013	853,409	581,604	40.5	Interest	r4	853,409	2,172,338	(1,318,929)	(154.5)
835,789	822,000	13,789	1.6	Student Fees	r5	822,000	783,156	38,844	4.7
1,283,040	1,143,000	140,040	10.9	Other Local	r6	1,143,000	1,619,329	(476,329)	(41.7)
1,182,966	1,110,142	72,824	6.2	State - General	r7	1,110,142	1,431,252	(321,110)	(28.9)
2,151,510	2,578,574	(427,064)	(19.8)	State-Categorical	r8	2,578,574	2,312,393	266,181	10.3
1,185,522	600,464	585,058	49.4	Federal-Categorical	r9	600,464	742,564	(142,100)	(23.7)
90,000	60,000	30,000	33.3	Transfers	r10	60,000	-	60,000	100.0
\$ 90,635,137	\$ 90,773,419	\$ (138,282)	(0.2)	Sub-total		\$ 90,773,419	\$ 94,451,357	\$ (3,677,938)	(4.1)

Operating Funds are defined as the Education, Operations & Maintenance, Transportation, IMRF and Working Cash Funds exclusive of one-time facilities improvements.

Revenue Comparison - Operating Funds

Northfield Township High School District 225

2009/10 Budget versus 2009/10 Projection - Revenue Categories Exclusive of Property Taxes



FOOTNOTES TO REVENUE SUMMARY

Northfield Township High School District Number 225

(r1) – Property Taxes

Property taxes are levied each year and are limited by the Property Tax Extension Limit Act (PTELA) to no more than five percent (5%) or the Consumer Price Index (CPI), whichever is less. In addition to CPI increases, the district also receives additional property tax revenue for new construction within the district. The CPI which will be used for the 2009 – 2010 budget is 4.1%.

(r2) – Tax Increment Financing District (TIF)

The Glen (Make Whole Payments): The Glen is a multi-use development created out of the old Glenview Naval Air Station plus an additional 200 acres. The Glen is under a TIF agreement for a period not to exceed 23 years. As such, the district receives no property tax revenue from this area. The district does, however, receive “make whole payments” based on the number of students enrolled at Glenbrook South High School living in the The Glen and new Navy housing.

(r3) – Corporate Personal Property Replacement Taxes

Corporate Personal Property Replacement Taxes are paid by corporations within the district. These taxes make up lost revenue as a result of the elimination of the personal property tax on business in 1978.

(r4) – Interest

Interest income from investments.

FOOTNOTES TO REVENUE SUMMARY (continued)

Northfield Township High School District Number 225

(r5) – Student Fees

Includes transportation, parking, driver's education, evening high school and the GBS swim program.

(r6) – Other Local

Includes tuition, athletic admissions and other local fees.

(r7) – State - General

State aid provided to the district. This aid is usually unrestricted revenue and can be utilized in any fund. Currently, general state aid is being paid through federal stimulus funding, with certain temporary restrictions.

(r8) – State - Categorical

Revenues that are restricted. These revenues emanate from bilingual education, driver's education, special education, vocational education, etc. Currently, these revenues are being paid through federal stimulus funding, with additional restrictions.

(r9) – Federal - Categorical

Revenues which are restricted. These revenues include grants for IDEA, vocational education, Medicaid, etc.

(r10)- Transfers

Transfers from other operating funds.

Expenditure Summary - Operating Funds

Northfield Township High School District 225

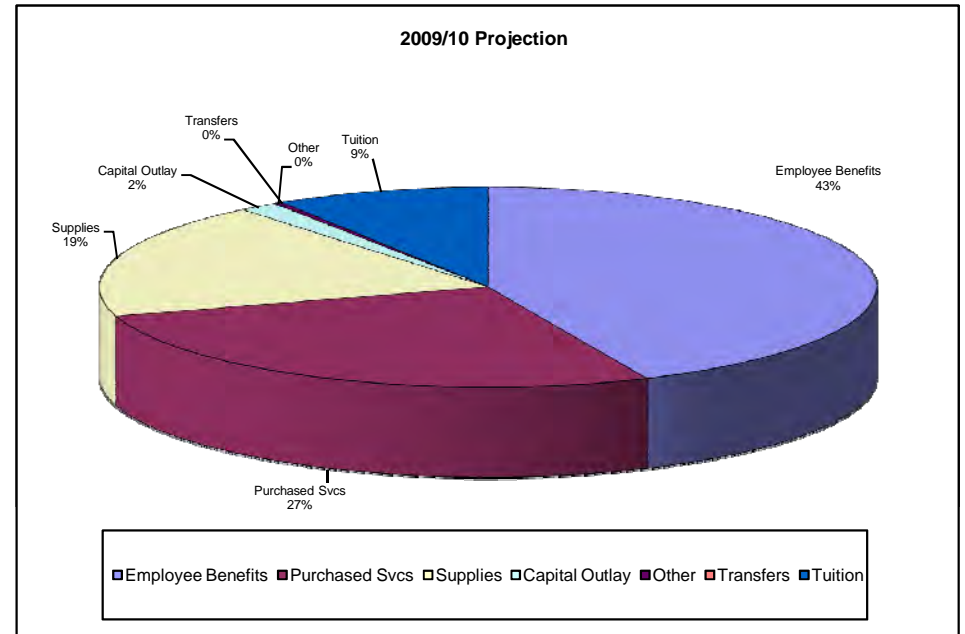
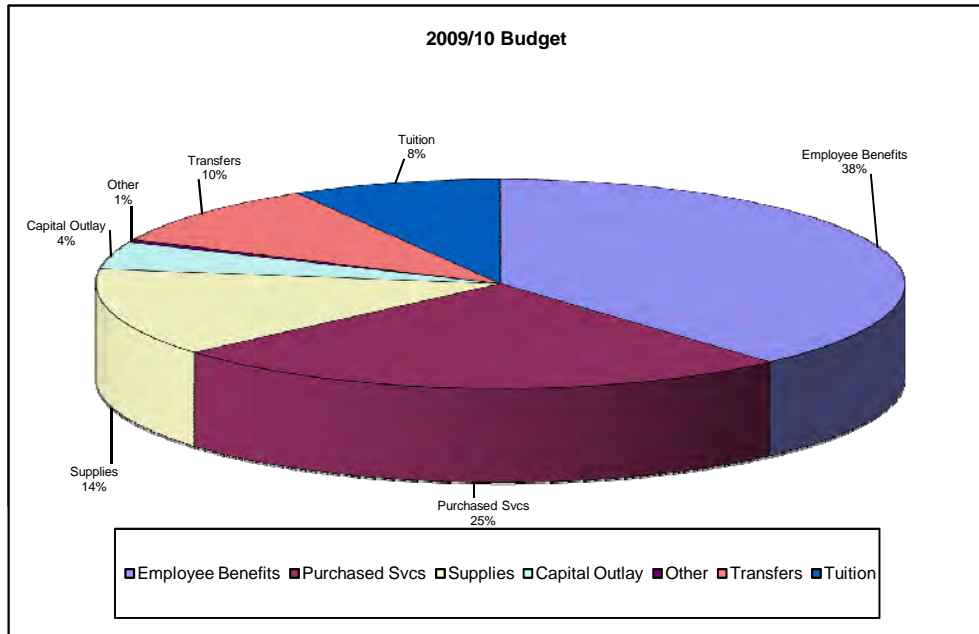
Est Actual 2009	2010 Budget	Actual vs Budget		Expenditure Categories	Footnote	2010 Budget	2006 Projection	Budget vs Projection	
		\$	%					\$	%
56,534,394	59,484,563	(2,950,169)	(5.2)	Salaries	e1	59,484,563	61,401,972	(1,917,409)	(3.2)
11,700,404	12,944,405	(1,244,001)	(10.6)	Employee Benefits	e2	12,944,405	14,185,836	(1,241,431)	(9.6)
7,964,610	8,473,571	(508,961)	(6.4)	Purchased Svcs	e3	8,473,571	8,841,444	(367,873)	(4.3)
4,717,568	4,586,360	131,208	2.8	Supplies	e4	4,586,360	6,155,276	(1,568,916)	(34.2)
1,720,600	1,431,146	289,454	16.8	Capital Outlay	e5	1,431,146	529,530	901,616	63.0
131,470	156,925	(25,455)	(19.4)	Other	e6	156,925	118,523	38,402	24.5
2,000,000	3,260,630	(1,260,630)	-	Transfers	e7	3,260,630	-	3,260,630	100.0
2,908,906	2,816,140	92,766	3.2	Tuition	e8	2,816,140	2,926,211	(110,071)	(3.9)
\$ 87,677,952	\$ 93,153,740	\$ (5,475,788)	(6.2)	Sub-total		\$ 93,153,740	\$ 94,158,792	\$ (1,005,052)	(1.1)

Operating Funds are defined as the Education, Operations & Maintenance, Transportation, IMRF and Working Cash Funds exclusive of one-time facilities improvements. Contingencies are excluded from the budget for comparability purposes.

Expenditure Comparison - Operating Funds

Northfield Township High School District 225

2009/10 Budget versus 2009/10 Projection - Expenditure Categories Exclusive of Salaries



FOOTNOTES TO EXPENDITURE SUMMARY

Northfield Township High School District Number 225

(e1) - Salaries

Certified staffing falls into three general categories: administrative, regular teaching staff and special education program staff. General certified staff are allocated to each building based on the number of class registrations at each school. This number is adjusted by the projected enrollment. In addition to general staffing, each school has a number of full-time staff who are special allocation. Examples of special allocation include: Team, Academy, etc. Also included in this category are the salary costs for all educational support staff.

(e2) – Employee Benefits

This line represents the sum total of all employee benefits, such as health, dental, disability, life insurance and all pension costs.

(e3) – Purchased Services

This figure represents the sum total of all purchased services, such as consultants.

(e4) – Supplies

This is a general category for all supplies within the district. Included under this heading are utilities, consumable as well as non-consumable supplies.

(e5) – Capital Outlay

This is the category for general capital outlay purchases.

FOOTNOTES TO EXPENDITURE SUMMARY (continued)

Northfield Township High School District Number 225

(e6) - Other

This figure includes contingencies, dues and fees.

(e7) – Transfers

Transfers to other funds.

(e8) – Tuition

This line represents the district's total payment to outside agencies for special education tuition. Outside agencies can include both public schools as well as private day and/or residential facilities.

Summary - Operating Funds

Northfield Township High School District 225

	Actual 2009	2010 Budget	Actual vs Budget	Change in Financial Status		2010 Budget	2006 Projection	Budget vs Projection
\$	2,957,185	\$ (2,380,321)	\$ 5,337,506	Budget Surplus/Shortfall	c1	\$ (2,380,321)	\$ 292,565	\$ (2,672,886)
	51,006,062	48,625,741	2,380,321	Estimate Ending Balance	c2	48,625,741	47,162,063	1,463,678
	54.8%	49.5%	5.2%	% of Next Year's Expenditures	c3	49.5%	48.0%	1.5%
	30.9%	29.4%	1.5%	FY06 Benchmark	c4	29.4%	29.4%	0.0%
	23.9%	20.1%	3.7%	Difference	c5	20.1%	18.6%	1.5%

FOOTNOTES TO OPERATING FUND SUMMARY

Northfield Township High School District Number 225

(c1) – Budget Surplus/Shortfall

This line indicates whether or not the district spent or is projecting to spend more money than it receives in revenues in a given year.

(c2) – Estimate Ending Balance

This figure represents the total of reserves for the operating funds (education, operations and maintenance, IMRF, transportation and working cash) at the end of each fiscal year.

(c3) - % of Next Year's Expenditures

The figure shown is the percentage of reserves against next year's expenditure budget.

(c4) – FY06 Benchmark

This figure shows the FY06 projected benchmark.

(c5) - Difference

This figure shows the difference between the percentage of reserves against next year's expenditure budget and the FY06 benchmark percentage.

SUMMARY - Comments on Revenue

Northfield Township High School District Number 225

PROPERTY TAXES

Over 93% of the district's revenue is derived from local resources. Of this percentage, the largest revenue source is property taxes. It is important for the Board of Education to understand that within the 2009/10 budget, property tax revenues have been offset by anticipated PTAB and tax court granted refunds. FY2009/10 budgeted property tax revenue in the operating funds has been reduced by approximately \$1.3M.

THE GLEN

Make-whole payments from the Glen redevelopment project are based upon FY2009 enrollment data. No adjustment has been made resulting from any changes to naval housing.

INTEREST INCOME

With interest rates at historic lows, budgeted interest for FY2009/10, is conservatively estimated at approximately \$850K in the operating funds, as well as projected interest income of \$150K in non-operating funds.

SUMMARY - Comments on Revenue (continued)

Northfield Township High School District Number 225

STUDENT FEES

With the exception of Parking and Transportation, student fees will not increase. For FY2009/10, the Board of Education has temporarily waived certain fees in response to economic conditions.

BOOKSTORE

In an effort to further increase efficiencies and reduce costs, the district outsourced its bookstore to Follett Higher Education Group. Follett manages the majority of college bookstores and private high school bookstores in the area. FY2009/10 budget line items relative to bookstore operations reflect the impact of this outsourcing.

FOOD SERVICE

A rent-based agreement is in effect with Quest Food Management Service. Under this agreement, Quest will pay the district a percentage of sales. Budgeted FY2009/10 net income generated from this agreement is \$200K.

SUMMARY - Comments on Expenditures

Northfield Township High School District Number 225

SALARIES

Approximately 80% of the district's operating expenditure budget is comprised of salaries and benefits. The FY2009/10 budget includes salary increases based on the teachers' contract at 6.1%. FY2009/10 is the second year of a five-year negotiated agreement with the Glenbrook Educational Association.

BENEFITS

The FY2009/10 budget reflects a benefit increase of 4% over actual FY2008/089expenses.

PENSIONS

IMRF costs reflect an increase of approximately 24.71% over actual FY2008/09 expenses. This significant increase is due to IMRF investment losses resulting in a severe decline in fund balance with IMRF. IMRF has implemented a rolling 30-year rate increase amortization that will have a long term impact upon the District.

RETIREMENTS

Retirement benefits are included for those staff who declared their intent to retire in 2010. In addition, funds are budgeted assuming that an additional 5 certified and educational support staff will declare their intent to retire in 2009/10.

SUMMARY – Comments Regarding the 2008/09 Budget

Northfield Township High School District Number 225

Overall, the district received 100% of its budgeted revenues and spent 97% of its budgeted expenditures in operating funds. The net effect was that the district ended the year with an actual surplus of \$2.9M as compared to a budgeted surplus of \$850K.

With regards to expenditures, the education fund was under spent by approximately \$2.9M. Most of this difference can be accounted for as follows:

	<u>Under Budget</u>	<u>Over Budget</u>
Salaries (Includes deferred retirement costs)	\$ 615,000	
Employee Benefits	\$ 325,000	
• Medical, Dental, Life and Disability Insurance		
• TRS Health Insurance and TRS 2.2 Benefit Formula		
• IMRF, Social Security and Medicare pensions		
• All Employee Fringe Benefits		
Purchased Services (includes Food Service)	\$ 995,000	
Supplies	\$ 635,000	
Equipment		\$ 37,500
Other (includes Dues & Fees)	\$ 475,000	
Special Education Tuition		\$ 125,000

2008/09 - Actual versus Budget Summary

Northfield Township High School District 225

Categories	Actual	Budget	Difference	%	
Revenue					FY2009 Adj Budget - Revenues
Education	79,355,042	79,014,712	340,331	100%	90,279,087 Budget (adopted 9/24/07)
Operations & Maintenance	4,218,327	4,364,094	(145,767)	97%	781,128 Budget transfers for approved grant budgets
Transportation	2,633,931	3,027,325	(393,394)	87%	
IMRF	3,098,818	3,158,029	(59,211)	98%	
Working Cash	1,329,018	1,496,055	(167,037)	89%	
Sub-total:	<u>90,635,137</u>	<u>91,060,215</u>	<u>(425,078)</u>	100%	<u>91,060,215</u>
Expenditures					FY2009 Adj Budget - Expenditures
Education	74,898,030	77,294,177	(2,396,147)	97%	90,077,847 Budget (adopted 9/24/07)
Operations & Maintenance	8,123,404	8,188,712	(65,308)	99%	(650,000) Less Contingencies
Transportation	2,226,413	2,211,086	15,327	101%	781,128 Budget transfers for approved grant budgets
IMRF	2,430,105	2,515,000	(84,895)	97%	
Working Cash	-	-	-	0%	
Sub-total:	<u>87,677,952</u>	<u>90,208,975</u>	<u>(2,531,023)</u>	97%	<u>90,208,975</u>
Rev (+/-) Exp	<u>2,957,185</u>	<u>851,240</u>	<u>2,105,945</u>		

Operating Funds are defined as the Education, Operations & Maintenance, Transportation, IMRF and Working Cash Funds exclusive of one-time facilities

Memo

To: Members of the Finance Committee
From: Hillarie Siena
CC: Dr. Michael Riggle
Date: 7/22/09
Re: Tentative Budget Discussion (REVISED)

1. Why did the district end FY2008/09 with a \$2.9M operating surplus? (Note: Operating funds include the Education, Operations & Maintenance, IMRF/SS and Working Cash funds)
 - On the revenue side:
 - Slightly higher property tax collections than budgeted
 - Lower property tax refunds than anticipated
 - Offset by less interest earned
 - Offset by deferred state/federal revenue
 - **Overall, effect was 100% of budgeted revenues received across all operating funds**
 - On the expense side:
 - Salaries less than budget due to unfilled positions and deferred retirement costs
 - Employee benefits, including pension costs slightly less than budget
 - Purchased service costs less than budget, mainly sped, legal & student transportation
 - Supplies less than budget, mainly costs for software
 - Other category represents unspent contingency budget
 - Special education costs slightly higher than budget
 - **Overall, effect was 97% of budget expended across all operating funds**
2. Why is there a projected \$2.4M operating deficit for FY2009/10?
 - One-time, non-recurring costs:
 - Approximately \$800K in deferred retirement costs due in FY2010
 - Approximately \$1.3M transfer for the North Shore Academy building project
 - Other factors impacting revenue:
 - Interest income reduced by approximately 40% across all operating funds
 - **Overall balanced budget net of non-recurring costs**
3. FY2009/10 Budget parameters/assumptions:
 - % of collection is historically 96%- 98% of property taxes levied. FY10 budget is within this range.
 - Investment interest rate of return is currently at less than 1%. FY10 budget is conservative.
 - FY10 projected ending operating fund balance decreases by 5.2%. This is consistent with post-referendum projections, including non-recurring costs.
 - FY10 projected ending operating fund balance of 49.5% is slightly higher than post-referendum projection by 1.5%, reflecting conservative spending and ongoing efficiencies.
 - The aggregate salary increase across all employee groups is approx 6% including step. This is consistent with the CPI formula historically used for all contractual agreements.
 - IMRF rate increase results in a 24.79% increase over prior year (~\$160K in cost).
 - Health insurance cost increase is at 4%. This is consistently lower than industry standards.
 - TRS employer costs remain stable.
 - FY2009/10 is the final year for 20/20 early retirement penalties (~\$800K in cost).