

OAK PARK AND RIVER FOREST HIGH SCHOOL FISCAL YEAR 2012– 2013 PRELIMINARY BUDGET MANAGEMENT DISCUSSION AND ANALYSIS

As required by the School Code of Illinois, the Preliminary Budget is presented for the consideration of the Board of Education and the communities of Oak Park and River Forest. This budget is in preliminary format and, therefore, summarized. The Tentative Budget will be reviewed at the August 23, 2012, Board of Education Meeting. The Tentative Budget will have updated information and be presented in a detailed format. The Tentative Budget will be put on display in the Business Office for 30 days beginning August 24, 2012. The Tentative Budget will be reviewed again at the first Board of Education Meeting in September, and the Board of Education will approve a Final Budget at the Second Board of Education Meeting in September.

This Preliminary Budget contains several estimates based on the information currently available. These estimates relate to the cost of salaries and benefits for future staff members yet to be hired. This budget also includes estimated amounts of State Foundation Aid and categorical state aid. Revenue and expenditures for State and Federal grants that have not been finalized and approved are omitted and will be added later.

ALIGNMENT WITH BOARD GOALS

The District continues its commitment to narrow the achievement gap and to meet the needs of special education students. The financial resources required to address these issues are significant. In accordance with Board Goal #4, the District embarked on a complete overhaul of the budgeting process. As a part of this model, the Finance Advisory Committee was formed. This committee recommended several changes to the budgeting process. The FY 2012-2013 budget is the first budget year of the new process. This new process included Cost Containment Working Groups, Quality Review Committees (QRC) and an Advisory Leadership Team (ALT). The FY 2013 budget parameters are in alignment with the total expenditures as recommended by the ALT.

During this budget year the District will begin a strategic planning process. A budget of \$65,000 has been established for this purpose. The District will also continue its work on the policy manual and will begin work on an administrative procedures manual.

This school year the District will continue to address the concerns of student safety by sustaining the modified closed campus for lunch. Only junior and senior students will have the privilege to leave campus for lunch. The budget contains amounts to provide furniture in the student center and on the mall for student use.

New programming will include the Alternative Learning Program which will provide in-house resources for students with specific learning needs. Its components and resources will include In-School Credit Recovery (ISCR), Social Emotional, Academic Learning (SEAL) and Motivational Mentoring. Other programming will include Literacy coaching and the Extended Algebra Ninth Grade Acceleration Program.

The staff development budget for FY 2013 reflects a move toward increasing our internal capacity to provide on-going certified staff development. In addition to the Institute days and periodic staff development days, it provides for the development of Learning Strands. The Teacher Collaboration Teams will also continue. Courageous Conversations about Race will be expanded to a larger group and be a part of the staff development learning strands. In addition, the District will continue the services of the Pacific Education Group.

The Board of Education has reviewed and approved a technology plan. The second phase of that plan is an enhancement to the District webpage, continued upgrades to the wireless access and the installation of Voice over IP.

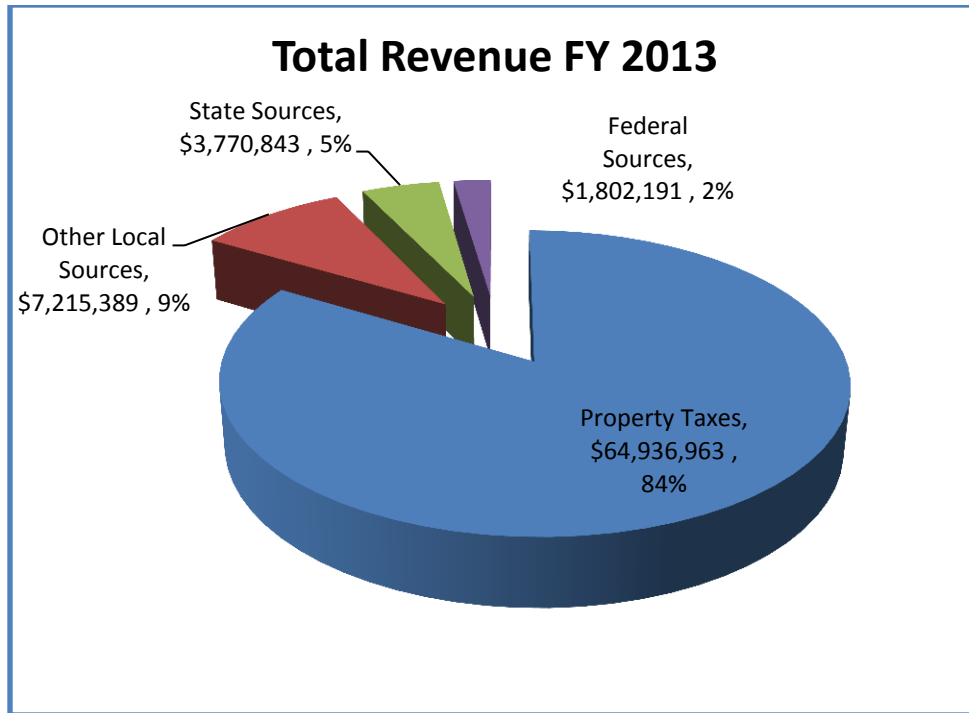
The Facility Committee has developed a long range facility plan for Life Safety, energy efficiency and instructional space upgrades. To this end, the District continues to reduce its overall costs related to utilities, recycles all construction materials, has reduced its use of paper by implementing paperless processes and has transitioned to the use of green cleaning products. During FY 2013 the District will convene a newly formed Long Term Facility Planning Committee and will be creating a master plan for the entire building.

During the FY 2013 budgeting process, working groups discussed and recommended several cost containment strategies. The District Leadership Team reviewed the suggestions and implemented a list of cost savings initiative totaling \$201,203. A partial list of the savings includes:

- Reduction in the rate paid to substitute clerical workers.
- Bidding the purchase of textbooks as a block purchase in the winter rather than the summer.
- Reduction in the printing of publications.
- Reduction in the number of copiers and lease payments.
- Reduction in department travel to conferences by 10%.
- Eliminate the use of contract services for unemployment claims.
- Purchase of fuel efficient cars for drivers education.

REVENUE

Oak Park and River Forest High School receives most of its funding from Local Property Taxes and other local sources such as Corporate Personal Property Taxes, Investment Income, Tax Increment Financing Distributions and Student Fees.



In FY 2012 and in FY 2013, 5% of total revenue is provided by the State of Illinois for General State Aid, Categorical aids, Food Service, Transportation and Special Education. The Federal government provided 2% of total revenue for Title grants and for Special Education.

For FY 2012, the District will experience an increase in total revenue of approximately \$1.3 million dollars.

Fiscal years 2012 and 2013 total revenue by source for all funds

Type of Revenue	FY 2012	FY 2013	Change	Percent Change
	Amended Budget	Preliminary Budget		
Property Taxes	\$ 63,031,810	\$ 64,936,963	\$ 1,905,153	3.02%
Other Local Sources	\$ 5,694,799	\$ 5,915,389	\$ 220,590	3.87%
State Sources	\$ 3,716,623	\$ 3,770,843	\$ 54,220	1.46%
Federal Sources	\$ 1,786,547	\$ 1,802,191	\$ 15,644	0.88%
TIF Rebate	\$ 2,200,000	\$ 1,300,000	\$ (900,000)	-40.91%
Total	\$ 76,429,779	\$ 77,725,386	\$ 1,295,607	1.70%

In FY 2013, Property Taxes, Other Local Sources and TIF will account for 93% of the total revenue.

Property Taxes

Since the District is a tax-capped district, property tax receipts will be limited to the December 31, 2011 Consumer Price Index of 3.0% for the 2011 Levy. The 2011 levy is

paid in two installments; one received in March/April of 2012 and the other will be received in the fall of 2012. The District expects a rather large addition of new property to be added to the tax base due to the purchase of West Suburban Hospital by a for-profit organization. The total levy has been distributed to the individual funds within legal limitations in order to meet current obligations.

Other Local Revenue

Other Local Revenue consists of Corporate Personal Property Replacement Taxes (CPPRT), interest income, TIF surplus distributions and student fees. We anticipate CPPRT to remain the same as the current school year. Interest income will decline as older, longer-term investments mature. These older long-term investments carry a higher interest rate and, as they mature, the District is not able to reinvest at the same interest rate.

The District has completed negotiations with the Village of Oak Park regarding the 2003 Downtown TIF Intergovernmental Agreement. The parties have agreed to discontinue “carve out” of EAV. Future payments will be received as surplus distributions from the TIF proceeds and will be recorded as Other Local Revenue. In FY 2012, the Village of Oak Park remitted delinquent payments for TIF surplus distributions. We expect the Village of Oak Park to remit payments on time in the future.

State Funding

The State of Illinois has been having financial difficulties. Conversations concerning future funding for public school districts continue and are not finalized at this point. The State recently restructured the State employee pension plans. Conversations continue on the long-term funding for the TRS pension plan.

We have determined that the best course of action at this point is to estimate next year’s State revenue based on the information we have at the moment. For General State Aid we are assuming that the funding will remain the same as FY 2011. We expect to receive no funding for the Early Childhood Grant. We expect the Special Education Personnel and Extraordinary reimbursements to increase slightly and the Drivers Education Categorical aid to increase slightly. Below is a chart of the estimated State Revenue for FY 2012 compared to the FY 2011 budget.

State Revenue

<i>Type of Revenue</i>	<i>FY 2012</i>	<i>FY 2013</i>	<i>Change</i>
<i>Education Fund</i>			
General State Aid	\$ 1,333,593	\$ 1,405,693	\$ 72,100
Categorical Aid	<u>\$ 1,620,144</u>	<u>\$ 1,601,464</u>	<u>\$ (18,680)</u>
Sub-Total Education Fund	\$2,953,737	\$3,007,157	\$ 53,420
<i>Food Service Fund</i>			
Free Lunch	\$ 14,686	\$ 18,686	\$ 4,000
<i>Transportation Fund</i>			
Special Ed Transportation	\$ 748,200	\$ 745,000	\$ (3,200)
Total	\$3,716,623	\$3,770,843	\$ 54,220
Net increase in anticipated State revenue			

Federal Funding

Federal Sources of Revenue is expected to increase slightly. The majority of the increase will be received as part of the Federal Breakfast Program.

EDUCATION FUND

Revenue

Property taxes in the Education Fund will increase 4.05%. The District anticipates an increase in tax revenue due to the West Suburban Hospital addition to the tax rolls. Carve-outs of property from the Downtown TIF agreement will cease according to a new settlement agreement. Future payments will be in the form of surplus distributions from the TIF and will be recorded in the Education Fund as Other Local Sources of Revenue.

Other Local Sources of Revenue will decline by 25.33%. During FY 2012 the Village of Oak Park declared surplus distributions from the Downtown TIF in order to catch-up on amounts due from previous EAV carve-outs. Interest income is anticipated to increase by approximately \$18,000. Student fees are expected to be the same as last year reflective of the consistent student population.

Expenditures

Total expenditures in the Education Fund will increase approximately 4.55% over FY 2012. General Instructional, Special Education, Interscholastic Program, Drivers Education, Pupil Support, Other Instructional and Administrative Support expenditures will increase as expenditures in Summer School, and Vocational Programs decrease.

	FY 13	FY 12	Difference	% Change
Salaries	\$ 33,696,695	\$ 33,072,807.00	\$ 623,888.00	1.89%
Benefits	\$ 6,437,794	\$ 5,723,254.00	\$ 714,540.00	12.48%
Purchased Services	\$ 2,934,732	\$ 2,798,146.00	\$ 136,586.00	4.88%
Supplies & Materials	\$ 878,842	\$ 1,051,421.00	\$ (172,579.00)	-16.41%
Furniture and Equipment	\$ 1,404,887	\$ 866,792.00	\$ 538,095.00	62.08%
Other	\$ 3,356,490	\$ 3,075,239.00	\$ 281,251.00	9.15%
	<u>\$ 48,709,440</u>	<u>\$ 46,587,659</u>	<u>\$ 2,121,781</u>	<u>4.55%</u>

The majority of the increases in total expenditures is in the salary and benefit categories. The salaries and benefits reflect the results of contract negotiations with all bargaining units. The District recently negotiated the contract with the Faculty Senate. The two year agreement provides for a hard freeze (no movement on the steps and no increase in the base) in the first year of the contract and a soft freeze (one step movement on the salary schedule and no increase in the base) in the second year. The agreement also provides for additional supervisory opportunities, the removal of the bell schedule from the contract and an 403(b) match increase of 1.75%.

The Service Employees International Union Local 73 for the Classified Personnel contract will expire on June 30, 2013. The new contract eliminates automatic step increases and creates a two tier pay system. The clerical personnel now use an electronic timekeeping system. Salary increases are 4% for each of four years.

FY 2013 will be the fourth year of a five year contract with the Service Employees International Union Local 73, Safety and Support Team. The contract provides 2% increases each of the five years of the contract. The Safety and Support personnel now use the electronic time keeping system.

The contract with the Service Employees International Union, Local 73, Buildings and Grounds Custodial and Maintenance staff is a four year contract expiring on June 30, 2012. The contract introduces a two tier pay system, an electronic timekeeping system and provides annual increases of 1.5% each year of the contract. Contract negotiations will commence sometime in the summer of 2012.

Student enrollment is expected to remain the same as last school year. Therefore, faculty staffing is also expected to remain the same although the deployment of services will be slightly different than last year. Three positions previously reflected in the Faculty

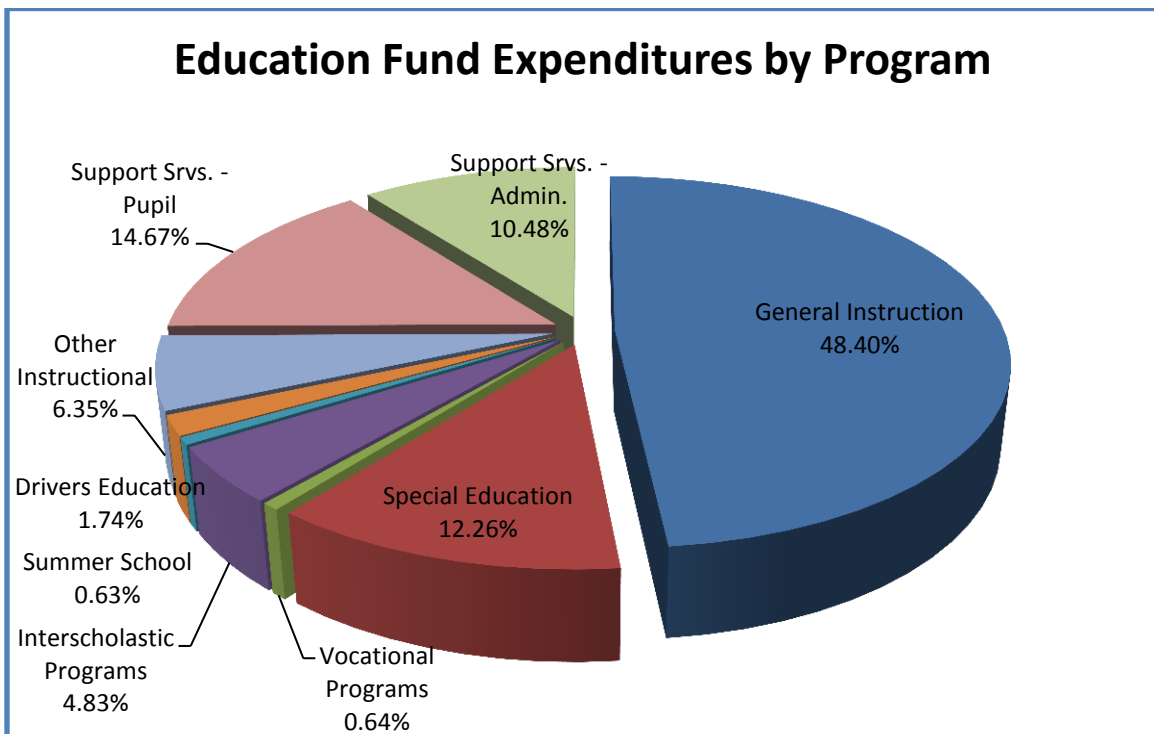
staffing will be transferred to Building Administration as the position of Dean has been eliminated and the new position of Student Interventionist is newly created. The newly created position of Director of Special Education will also be serving on the Building Leadership team and one of the Special Education Program chair positions has been eliminated. The incoming freshman class has a greater number of students placed off-campus by the feeder district than previous classes and an increase in tuition is reflective of those placements.

Building Leadership Tem will decrease by 1.0 FTE as the Asst. Principal for Student Activity position is eliminated.

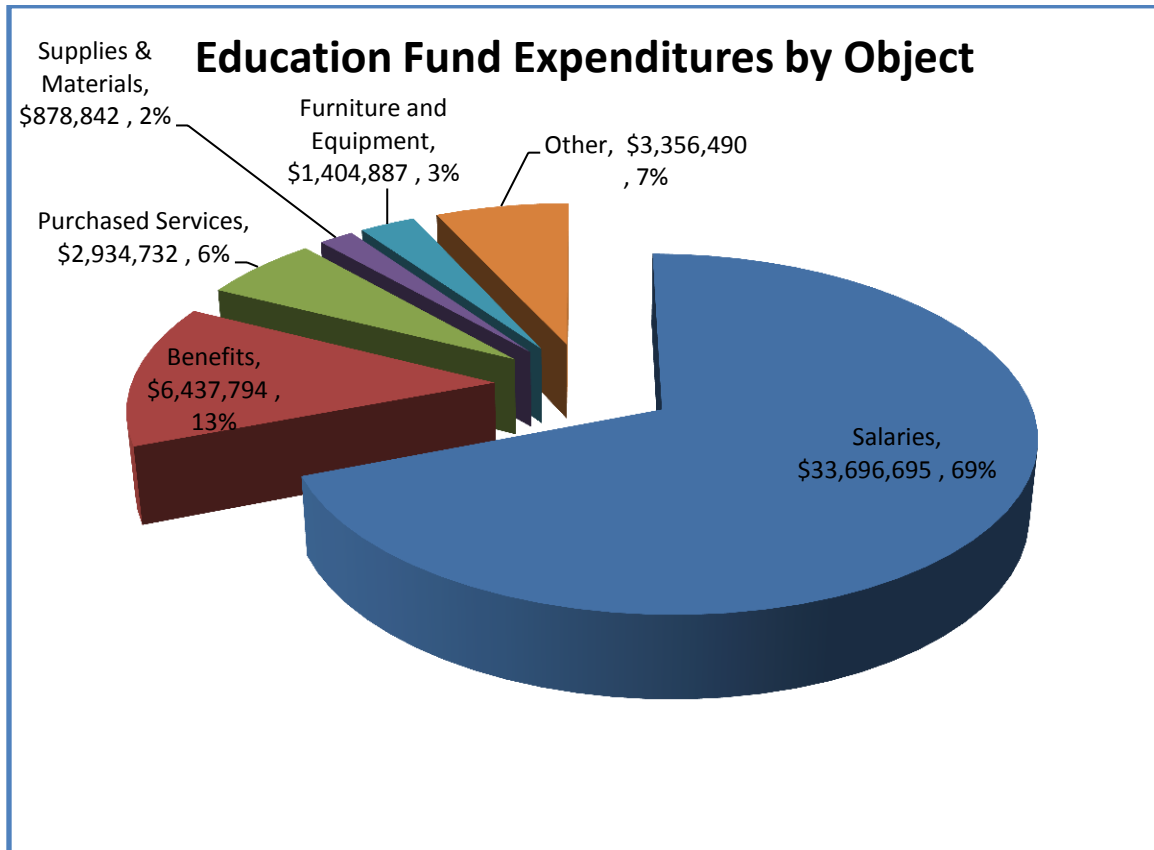
Non-affiliated FTE will increase by the 1 administrative FTE as the position of Asst. Director of Student Activities is transferred from the Building Leadership Team and an additional FTE for the new position of Alternative Learning Program Coordinator.

In FY 2011, the Special Education Department, Student Support Services and the Administration carefully reviewed the number of students placed off campus and created a transitional program, with the goal of successfully transitioning students back to campus. The program has expected offered a greater level of success for students. The budget for off-campus special education placements will be \$3.0 million compared to \$2.7 million in FY 2012; this amount is reflected in Other Instructional Programs.

The large increase is Furniture and Equipment is for technology upgrades to the webpage and installation of Voice over IP. The total increase in technology spending is \$320,000. An additional \$100,000 is allocated for the reconfiguration of the second floor library for the new credit recovery program and tutoring center.



General Instruction, Special Education, Applied Arts, Drivers Education, and Other Instructional costs are estimated to be approximately 69.39% of the Education Fund expenditures, compared to 68.95% in FY 2012 and 68.55% in FY 11. The Pupil Support category includes tuition for students placed out of the district.



In FY 2013, salaries will be 69% of the budget, down from 71% in FY 2012 and FY 2011. Benefits will be 13% of the budget consistent with FY 2012 and compared to 12% in FY 2011. Special Education tuition is part of the expenditures titled Other Objects and will be 6.2% of the Education Fund budget compared to 5.4% in FY 2012 a 9% increase. Purchased Services will be 6%, which is consistent with FY 2012 and compared to 5% in FY 2011.

BOOKSTORE FUND

The Illinois State Board of Education Textbook Loan Program has been discontinued. This program previously provided textbooks to the school district for free. The loss of funding had a significant impact on the textbook costs for families. After careful consideration and considerable debate, the Board of Education implemented an Instructional Materials Fee in the fall of 2011. Textbooks and instructional materials are now delivered to students in a rental format rather than a purchase format.

Fiscal Year 2013 will be the second year of the new program. The Bookstore experienced a loss in FY 2012 as the District purchased all of the books in order to

transition from a textbook purchasing program to an instructional materials fee and textbook rental program. The Instructional Materials Fee has been averaged over a five year horizon, which coincides with the textbook replacement cycle. By the end of the five year cycle the initial investment in textbooks will be recouped. Therefore, FY 2013 reflects a surplus as the District recoups a portion of the original investment in materials.

FOOD SERVICE FUND

The budget reflects a decrease in revenue and expenditures. Opportunities to provide catering and concessions services for events continue to decline and therefore the budget has been adjusted accordingly. The District will receive an additional \$0.06 per meal from the National School Lunch Program. Student food prices have not been increased for FY 2013.

The District has successfully completed a fifth year of providing food service to District 97. Through this cooperative agreement, economies of scale are achieved, resulting in cost savings for both Districts as well as an increase in nutritional quality. There was no increase in food prices for next year.

The conference and travel budget has been reduced by 10% and the rental budget for catering services has been decreased.

OPERATIONS AND MAINTENANCE FUND

Beginning in FY 2011, the O & M Fund makes annual transfers to the Capital Projects Fund for construction projects. This is a new requirement of the ISBE account code structure. The *Five Year Plan* reflects annual transfers of \$2.5 million for construction purposes next year and then larger amounts after the Life Safety projects are complete. It will be important to sustain cost containment measures in the O & M Fund to support the necessary facility maintenance required to protect the District's and communities' valuable asset. It is important to maintain this objective due to the limited borrowing capacity of the District imposed by law. The District has limited capacity for borrowing until after FY 2018.

The District's contract with the Buildings and Grounds Custodial and Maintenance, Service Employees International Union, Local 73 will expire June 30, 2012. The District administration and union members will be attending bargaining training together this summer and then commence negotiations.

TORT IMMUNITY FUND

Expenditures for the Tort Immunity Fund include Property, Liability and Workers' Compensation insurance, health safety inspections, repairs, maintenance and purchase of safety related equipment, legal bills and settlement payments. The July 1, 2012 renewal for Property and Liability insurance was a 5.8% increase in premium and Workers' Compensation was a 13.2% increase.

There are planned expenditures to enhance the door locking system for \$160,000 and for athletic equipment safety inspections and replacement. The District maintains a contingency for possible emergency needs during the school year.

TRANSPORTATION FUND

The District currently owns two activity buses, two Special Education wheel-chair equipped mini-bus and two vans for transporting small groups of students for activities and Special Education programs. These vehicles have greatly reduced the cost of transportation for small groups of students. The District will replace one of the buses this fiscal year for a cost of approximately \$50,000. The fund balance is maintained in order to meet future vehicle replacement needs and unexpected increases in special education transportation costs.

The District recently issued a request for bids for transportation services and has contracted with Grand Prairie for Special Education and with R & D for activity and field trip transportation needs. The District has a three-year contract with provision for up to two additional one-year contract extensions. Total transportation costs will increase by \$125,000.

IMRF/ SOCIAL SECURITY FUND

The Illinois Municipal Retirement Fund is the pension fund for non-certified employees. This fund also records expenditures related to social security.

The increase in expenditures for this fund relate to an increase in the IMRF rate. The rate will increase to 12.29% on January 1, 2013. Historical rates effective on January 1, have been, 7.37% in 2004, 8.59% in 2005, 9.39% in 2006, 9.61% in 2007, 8.9% in 2008, 8.66% in 2009, 9.53% in 2010, 10.48% in 2011 and 12.29 in 2012. The IMRF rate is expected to continue to increase until the Fund has recouped losses from impaired assets due to the economic downturn. Based on current data, we expect the rate to peak around 13.5% and then level off for the foreseeable future.

WORKING CASH FUND

The District is re-establishing the fund balance in this fund in order to provide for cash flow purposes. The District's primary source of revenue is property tax revenue, which is received in installments twice per year. The fund balances help the District with cash flow needs between the payment dates. A six month reserve is desirable in order to meet financial obligations from the period of July through December when the next levy deposit is received. The time period of July to December is the largest expenditure period due to debt service obligations, construction projects, retirement obligations, and back-to-school purchases.

DENTAL AND MEDICAL SELF-INSURED FUNDS

The District is self-insured for the PPO low deductible and PPO VEBA high deductible medical plans and for the HMO and pharmacy plans. The January 1, 2012 renewal was a

3.2% increase and the January 1, 2013 budget reflects a trend increase of 10%. The Dental premium increased 1.2% on January 1, 2012 and the budget includes a trend increase of 10% for the January 1, 2013 renewal.

Certified retirees access the State TRIP insurance plan rather than the District insurance plan. A positive change in fund balance in the Medical Insurance Fund reflects a planned increase in the reserve for future claims.

WORKERS' COMPENSATION SELF-INSURED FUND

In July 2006, the District renewed the Workers' Compensation Insurance with the SELF cooperative pool, taking advantage of the high deductible partially self-insured option. In December of 2006, it became apparent that the SELF cooperative pool was experiencing significant structural instability due to districts with excessive losses. An attempt by the pool's executive board to help these districts migrate to a high risk insurance alternative was unsuccessful. In January of 2007, the Board of Education approved a resolution to withdraw from the pool and seek outside bids for insurance. As a part of that process, the District received and accepted an insurance bid from CLIC. The reserves in this Fund remain until all outstanding claims are resolved and the SELF fund releases excess Funds back to the District.

CAPITAL PROJECTS FUND

In summer 2012, the District will improve HVAC systems, tuck point the exterior of the building, improve electrical and plumbing, replace ceiling and flooring and upgrade lighting. The source of revenue will be transferred from the O & M Fund.

The District has convened a Long Term Facility Planning Committee. This committee will be discussing future direction of facility upgrades and making a recommendation to the Superintendent during the 2013 school year.

LIFE SAFETY FUND

The local sources of revenue in the Life Safety Fund will decline by \$283,000. During the summer of 2012, the District will continue projects that were approved in the Life Safety master plan. These projects include asbestos removal, HVAC repair and replacement and electrical and plumbing upgrades. A transfer of \$616,205 will be made to the Bond and Interest Fund in order to pay the debt for the previous roof replacement project.