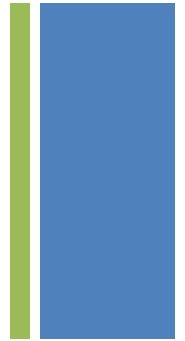


Rich Township
High School District 227

Financial Analysis
March 3, 2011

+ **Outline of Presentation**

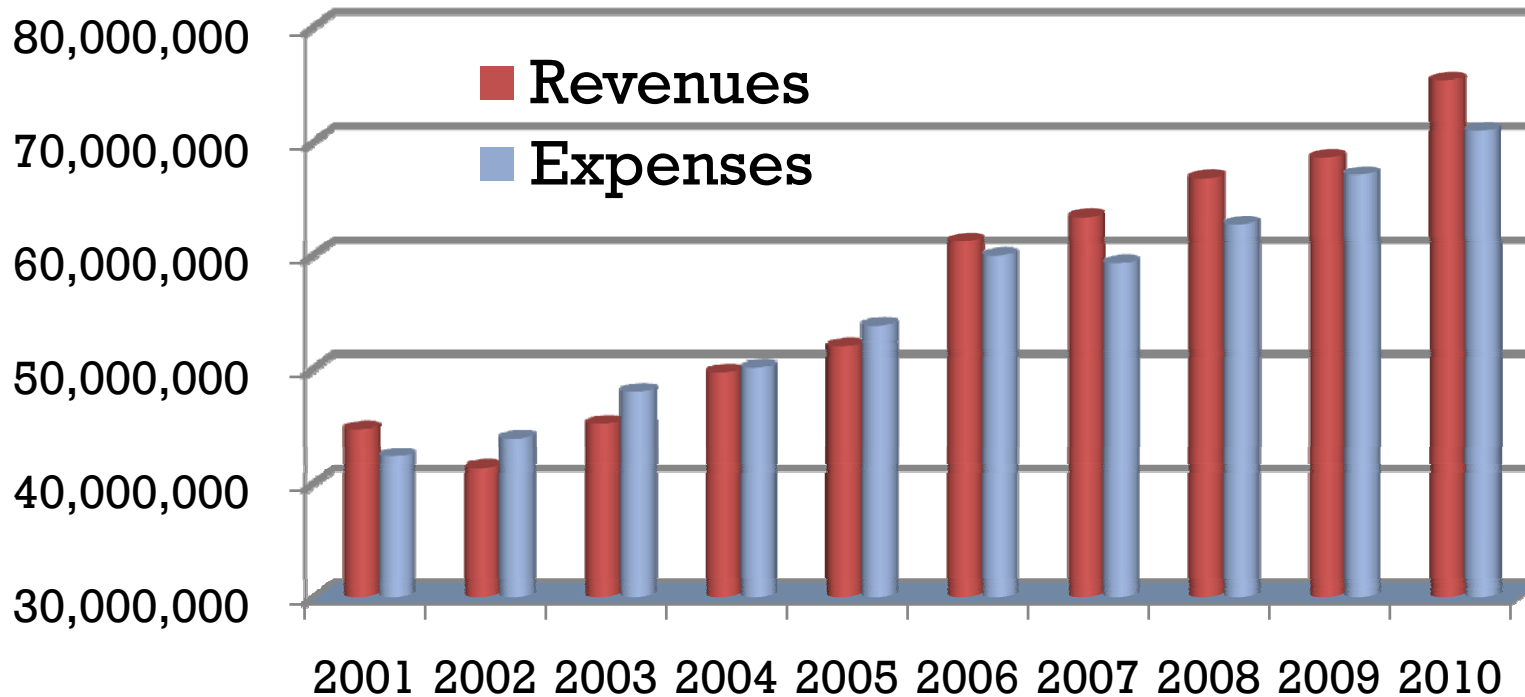


- **Historical Financial Review (2001-2010)**
- **Summary of 2010 Fiscal Year**
- **Financial Threats to District**
- **Financial Projections (2011-2015)**
- **Recommendations**



Historical Financial Review

(Excluding Activity Related to Major Capital Projects)



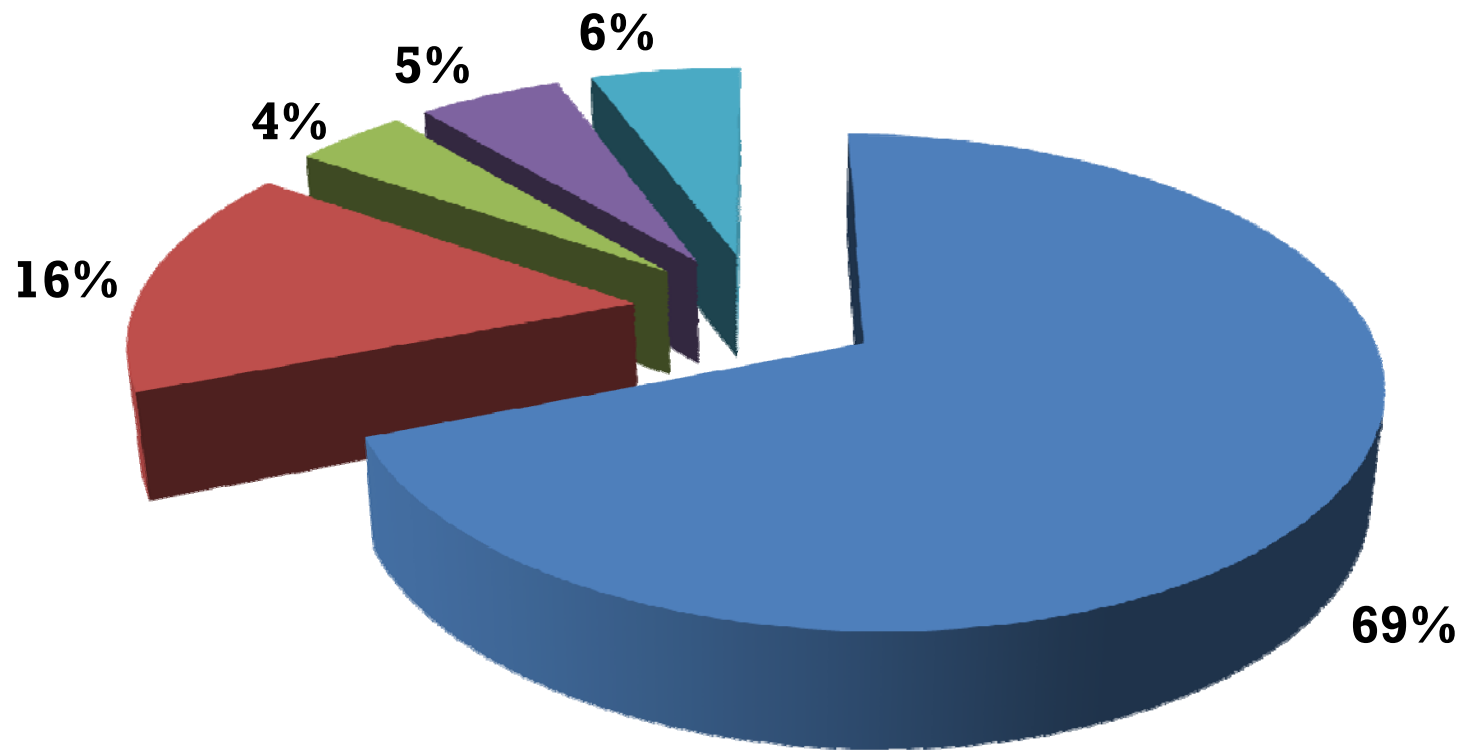
- Since FY 2006, the District has realized annual surpluses.
- Over the past ten years, total revenues have increased 6.0% annually.
- Over past ten years, total expenses have grown 5.9% annually.

+ Summary of 2010 Fiscal Year

Major Events

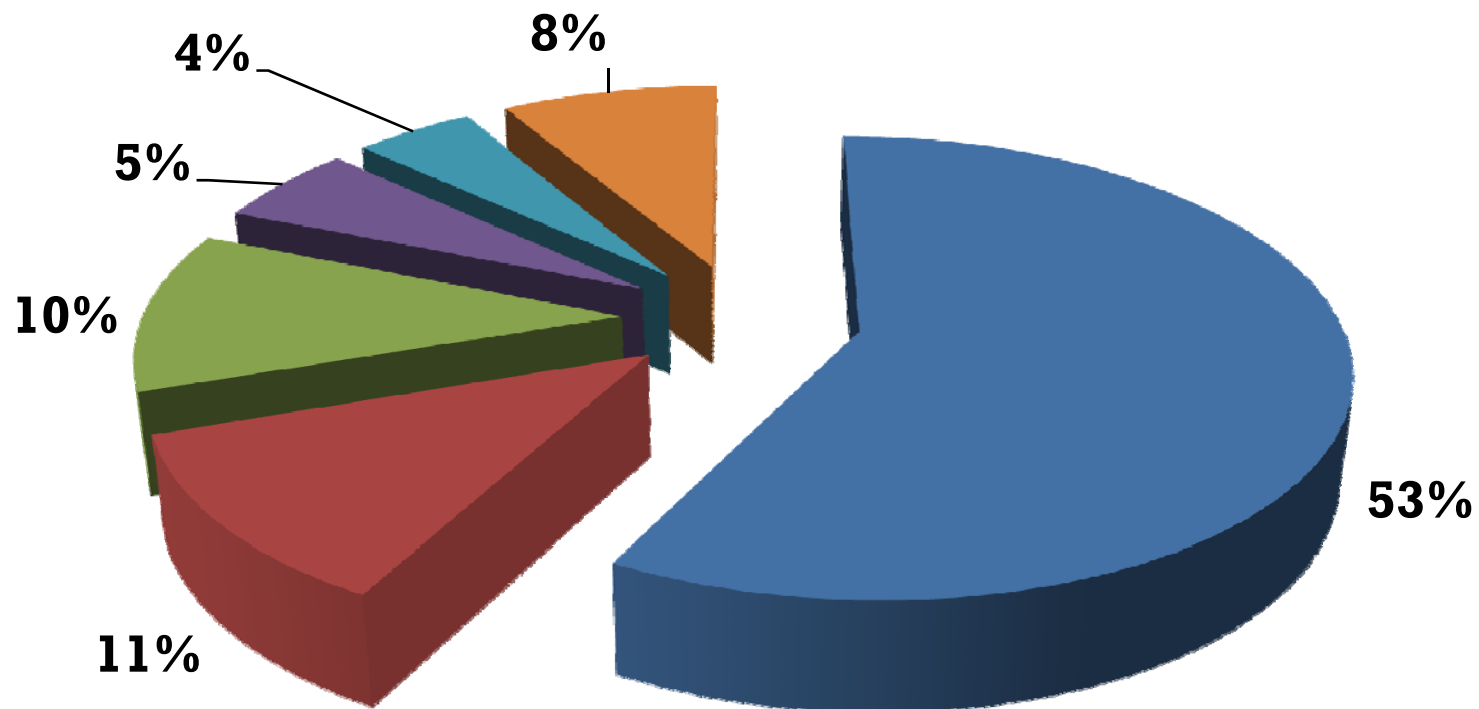
- **R/E taxes increased 14.9%, partially due to change in Cook County law that accelerated \$2.3 million of taxes due in FY 2011 into FY 2010.**
- **General State-aid grew at its lowest rate in five years, due to modest increase in funding levels and a decrease in attendance.**
- **The District received \$1.1 million in one-time Federal stimulus grants.**
- **Excluding capital expenditures, total expenses grew 2.6% versus the previous year.**

+ Breakdown of Revenues - 2010



- Real Estate Taxes
- General State-Aid
- State Grants
- Federal Grants
- Other Local

+ Breakdown of Expenses - 2010

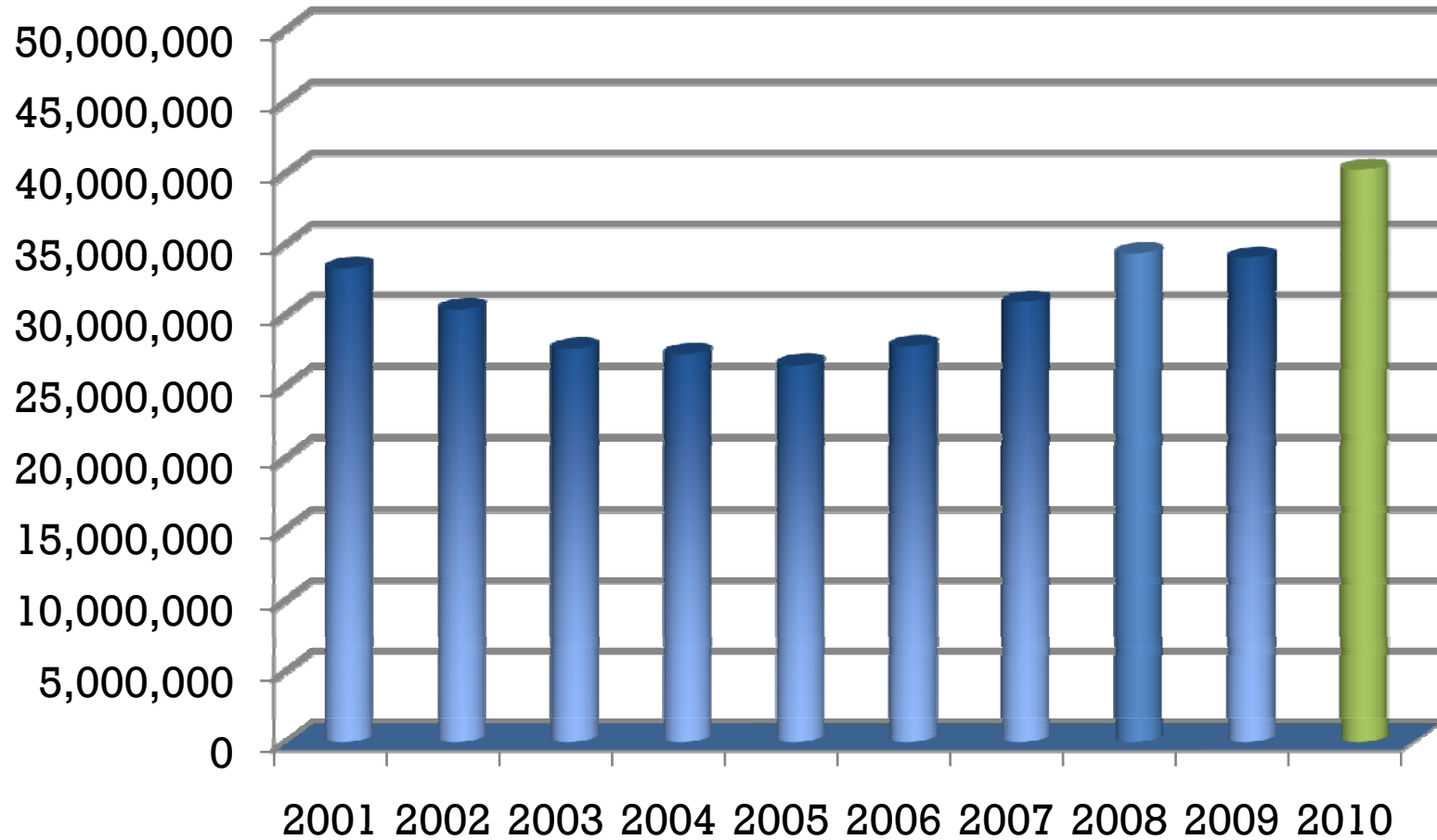


- Salaries
- Benefits
- Purchased Services
- Supplies
- Major Capital
- Out of District Tuition



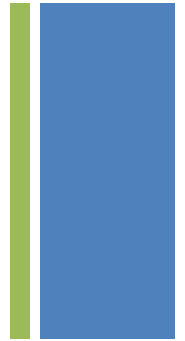
Fund Balances

Adjusted for Capital Reserve



+ Threats to State Revenue Growth

Impact of State Financial Crisis



STATE'S ERODING FINANCIAL CONDITION

- State funding has been delayed in excess of 200 days. On June 30, 2010, the State owed the District in excess of \$2.4 million. This puts a strain on fund balance reserves.
- With the State having in excess of \$8 billion in unpaid obligations, it will be difficult to maintain the current funding levels. The State had to rely on \$1 billion in Federal aid in each of the past two years to make State-aid payments. This aid from the Federal government no longer exists.
- When passing the State income tax increase, the State also adopted legislation to cap future expenditure growth to 2% over the entire State budget. This will affect future revenue growth.

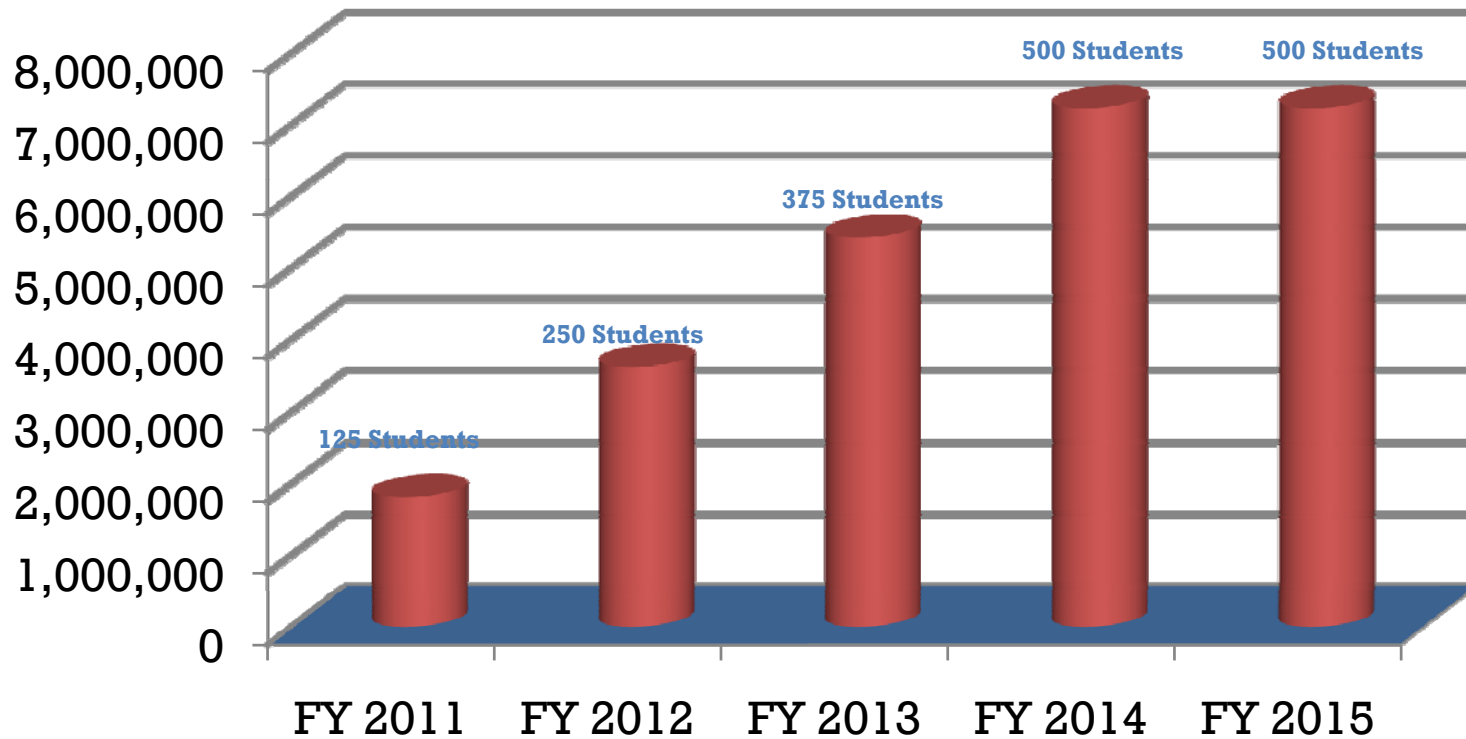
+ Threats to Real Estate Tax Revenues

Impact of Economic Crisis

- Although the District has not seen a significant impact on tax collections due to foreclosures, an extended economic crisis may begin to impact tax revenues. Each 1% drop results in a loss of revenues of approximately \$500,000.
- Many economists are projecting that the slow economy will cause **inflation to be near zero**. Since tax caps restrict the growth of real estate taxes to the level of inflation, there may be little natural growth in tax revenues.

+ District Specific Threats

Impact of Charter School – Annual Cost to District

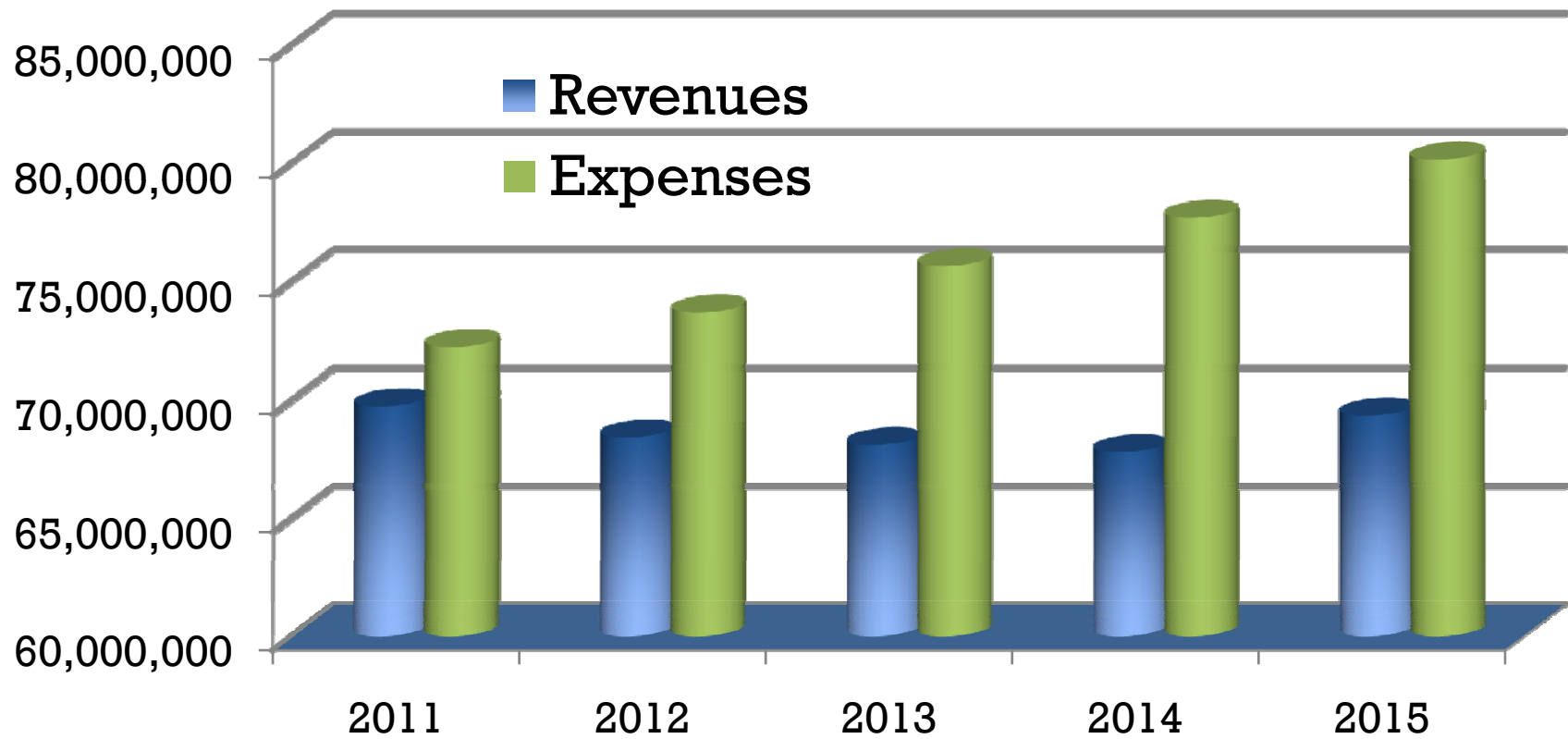
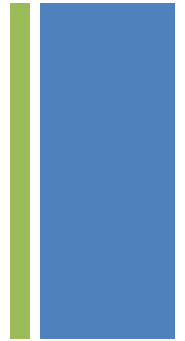


The District must pay the Charter School approximately \$14,560 for every student enrolled in the Charter School.



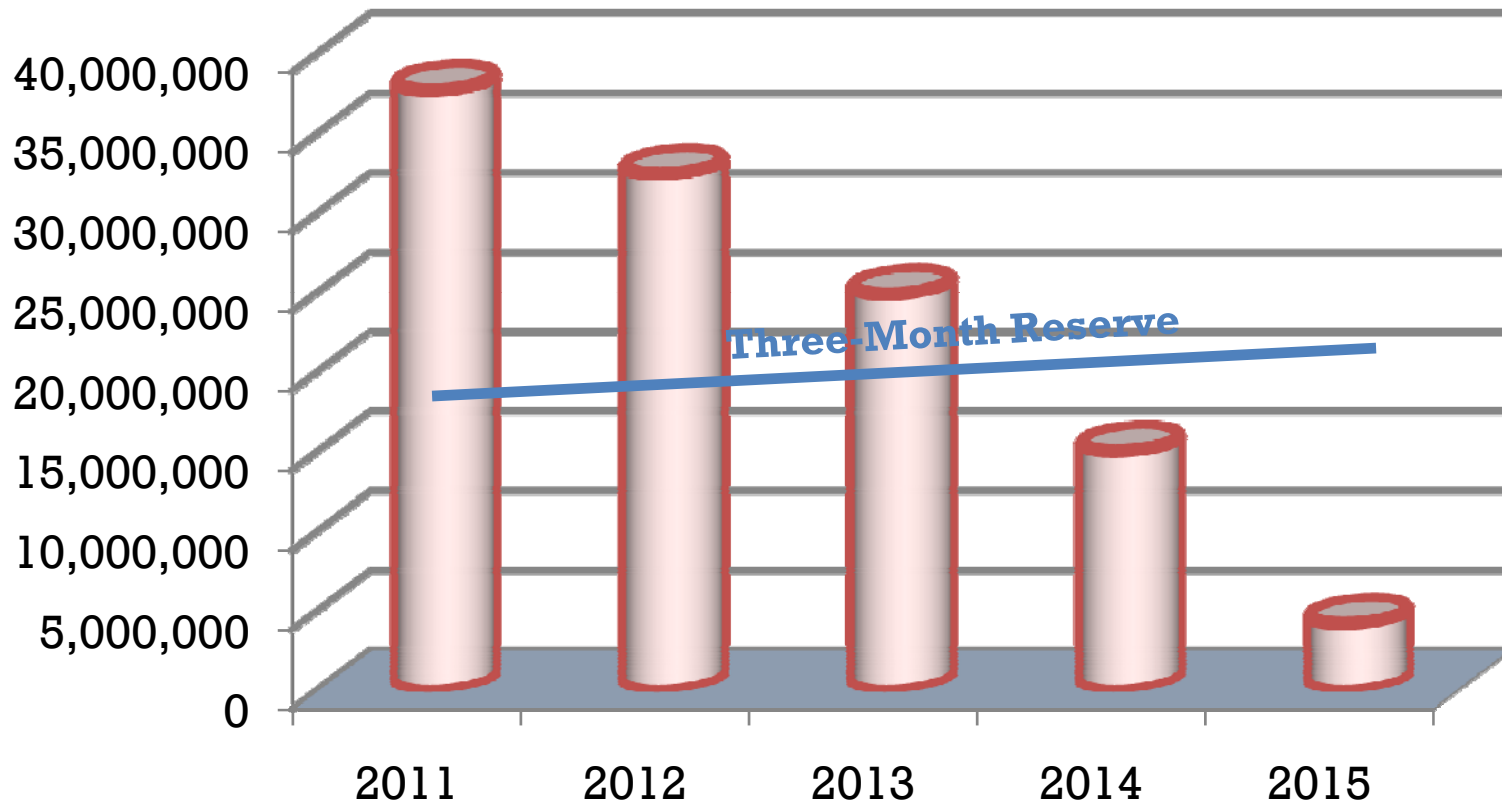
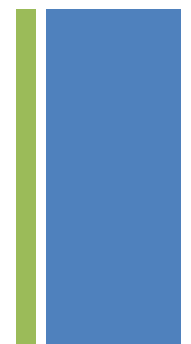
Projected Financial Condition

(Total revenues reduced by Charter School payments)





Projected Fund Balances



The District is projected to be below its three-month reserve by the Fall of 2013.

+ Summary of Financial Projections

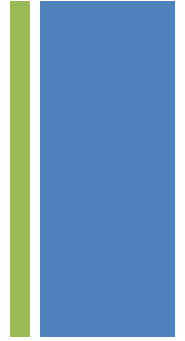
- **Total revenues are projected to decrease over the next five years as payments to the Charter School, low inflation and the State's economic crisis weigh heavily on net revenues to the District.**
- **Although the District is projected to be able to reduce staff size and consequently salary and benefit costs due to the exodus of students to the Charter School, the District is still projecting modest expenditure growth of 2.4%.**
- **Fund balances are projected to decrease from \$40.2 million on June 30, 2010 to \$4.2 million on June 30, 2015. Over \$25 million of the decrease is due to Charter School payments.**
- **Annual deficits (revenues versus expenses) are projected to increase to over \$10 million by FY 2015 (73% of deficit due to the implementation of the Charter School).**

+ Recommendations

- **All stakeholders must recognize the magnitude of the District's pending economic crisis. It is real.**
- **The District should consider legislative action as a way to prevent this crisis.**
- **The District must develop an expenditure reduction plan that reduces total expenses by \$10 million of which \$7.2 million is a result of the Charter School.**
- **The District must make all future financial decisions, such as collective bargaining agreements and capital project expenses, with strong consideration of this pending crisis.**

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**Rich Township
High School District 227**



**Questions and
Comments**