Budget Sustainability Notes
November 28, 2017

What is our goal?

The goal is to eventually create a structural budget that eliminates the $1.2M deficit. This should occur through manageable and responsible funding plans and appropriate and required expenses in the Education Fund (Fund 10). Further study and planning moving forward may also be necessary in the Transportation Fund.

What are our options?

On the ***Revenue*** side,

We know that we can issue $4M in Working Cash Fund bonds that may be repaid over a 4-5 year period. This has property tax implications, though will slide in behind a final year of Working Cash Fund bonds repayment. We would also be sure that we continue to levy the $0.05/$100 Working Cash levy, which currently generates roughly $180,000. This levy would be the offset for marketing strategies that the District should implement for items such as stipends for National Board Certified Teachers, advances in technology, etc.

We also may have some small leverage of Interfund Transfers to the Education Fund. Following the ProjectLEAF work, the Operations and Building Maintenance Fund (Fund 20) may have some short-term balance to make transfers, however the sustainability of this type of method is suspect.

We can also raise Registration Fees from the roughly $100 we charge per year. Through conversations this past autumn, this is very highly valued by community members who no longer have children in the district and believe that their property tax contributions are sufficient and that “users” of educational services should bear any additional burden. Additionally, we could exact “User Taxes”, or participation fees for all activities. Our recommendation is that we initiate these User Taxes without any type of individual or family “caps” to be able to gather feedback as to the impact. Most likely we would begin with a $50 User Tax per activity and this would be applied to all arts, athletic and club activities at the Middle School and High School. We believe that this would generate roughly $25,000 in new revenues from registration fees and $50,000 in user taxes for a total increase of $75,000 from these local sources.

We have been able to project that the increases in the Education Fund levy, while existing on the low Education Fund Tax Rate of $2.35/$100, has offset any negotiated or Board-approved salary increases. Perhaps this is not logically a sustainable variable, and at some point the property values in our school district geography may decrease, but we have yet to see evidence of that.

On the ***Expense*** side,

We will work towards projecting licensed teaching staffing that adjusts for the attrition caused by retirements, and in as many cases as possible, attrition caused by teachers leaving our district for other work or family-related reasons. For example, at the end of the 2017-18 school year we have 4 teachers retiring. It may not mean that we do not replace those positions, but rather the district may release other teachers and leave those positions vacant. At the end of this year we have a HS PE teacher, a HS Social Studies, an elementary teacher and an elementary music teacher. The savings by not replacing here is estimated at $300,000. This is a minimum of FTE reductions the Board should consider in 2018-19, and projecting to the retirements in 2019-20 and, the 3 year result would be a reduction in FTE of 13 fewer faculty members. This is distributed by 4 retiring in 2017-18, 3 retiring in 2018-19 and 6 retiring in 2018-19. Again, keep in mind this is predicated upon the unwillingness to change the long-term viability of local Education Fund revenues through an increase in the Education Fund Tax Rate.

Changing superintendents and allowing for modest administrative salary raises should result in a net savings of roughly $60,000.

We believe over time we will be able to comfortably shift $250,000 of Education Fund salaries to the Tort Fund.

<u>Bottom Line</u>

At the end of the three years, we would be operating under the following assumptions:

1. We will not see any net increase in revenues from the State of Illinois due to the Evidence-Based Funding Model.
2. We will realize roughly $400,000 in consistent savings through reduced salaries, and Tort salary shifting. This does not carry forward any administrative salary savings, though in years 2 and/or 3 the Board may certainly consider the implications of reducing one administrator.
3. We believe that without the courage and/or will to commit to an increase from a successful referendum to increase the Education Fund property tax rate, the District will plan on issuing up to $4M in Working Cash Bonds every 4-5 years and allocating whatever percentage of that necessary to offset the remaining deficit spending annually.
4. The issues present in SB 851 related to additional exemptions for property values, whether the general or the senior freeze, and the possibility of a state-imposed property tax freeze will be devastating to many districts; but in particular, districts like ours.

Geneseo 228						
Exemptions	**# 0f Homeowner Exemptions**	**Current Exemption Rate**	**EAV Impact**	**Future Exemptions**	**SB 851 Exemption Rate**	**SB 851 EAV Impact**
Homeowner Exemptions	5265	$6,000	$31,590,000	5265	$10,000	$52,650,000
Homestead Exemptions	1609	$5,000	$8,045,000	1609	$8,000	$12,872,000
			$39,635,000			**$65,522,000**
			$396,350			$655,220
	Current Tax Rate	4.19	**$1,660,707**	Estimated Tax Rate	4.19	**$2,745,372**
Additional Loss of Tax Revenue Under SB 851			**$1,084,665**			