



Edwardsville Community Schools

Focus On Finance

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Superintendent of Schools

Tuesday, August 9, 2016

Addressing the Long-Term Financial Stability of District 7



Report to the Board of Education Addressing the Long-Term Financial Stability of District 7

August 8, 2016

Historical Perspective:

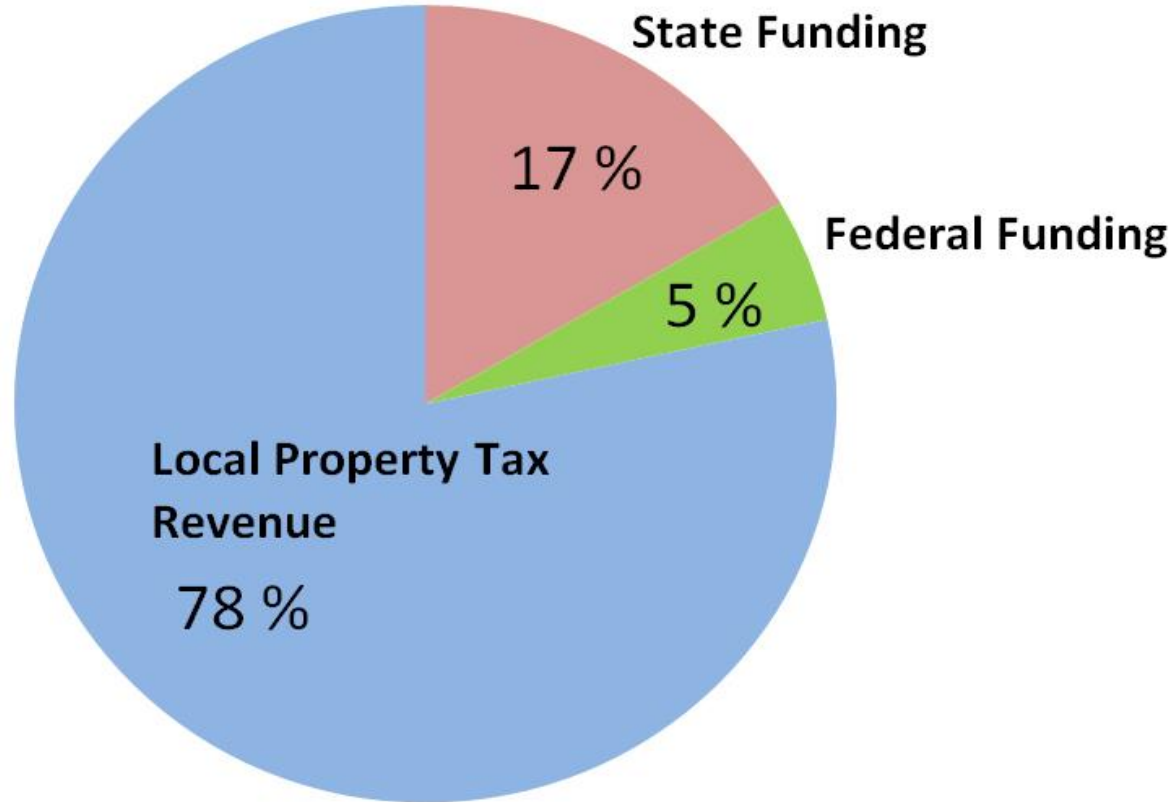
As has been the case for the past seven years, the District continues to face significant budget challenges due to the following:

- Declining revenue from the State due to continued proration of State funding in Transportation, Special Education, and General State Aid
- Stagnation of EAV (property tax revenues)
- Increases in employee salary and benefits
- Personnel needed to maintain class size

As a result, District 7 was placed on the State's Financial Watch List in 2009, a designation that remains today.

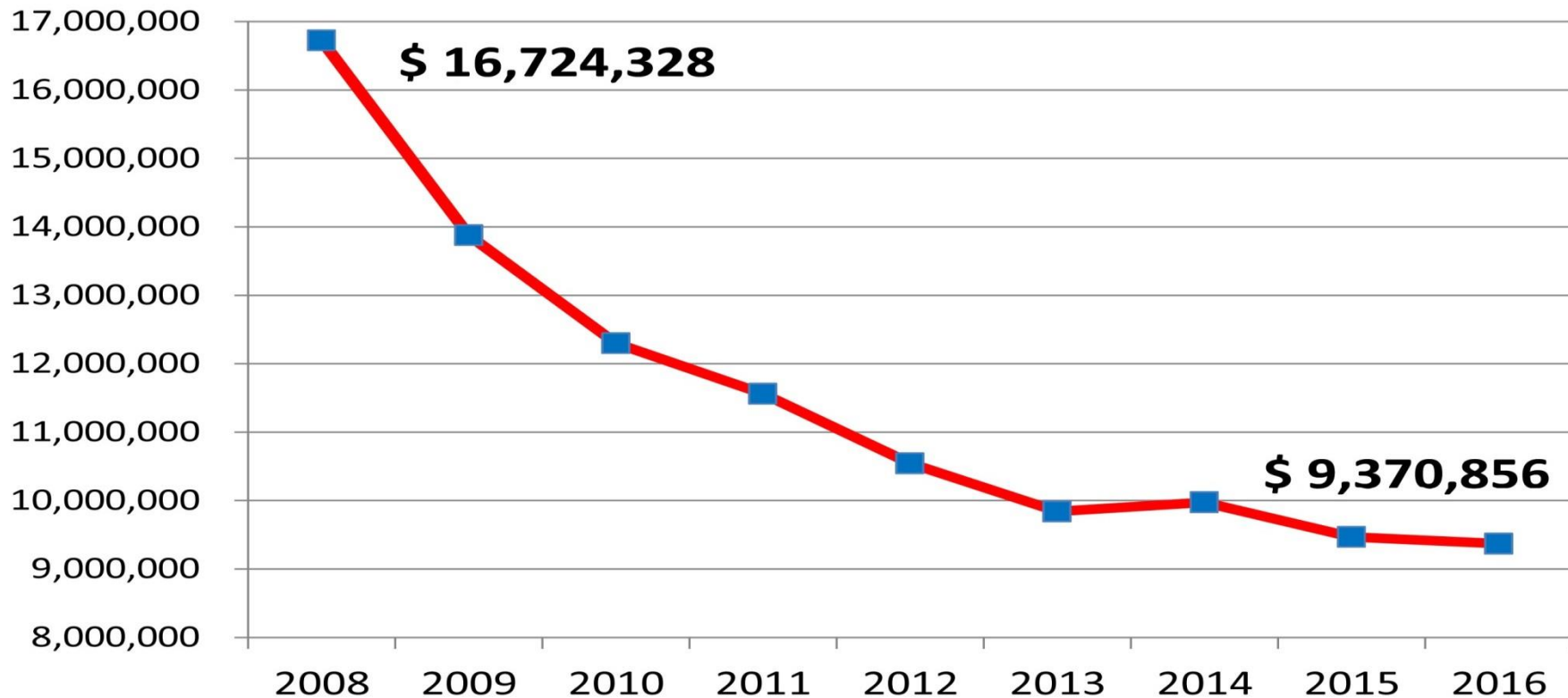


District 7 Sources of Revenue



District 7's Annual State Funding

FY 2008 to FY 2016



State Funding

Annual Loss FY 2016 vs FY 2008 **\$7.3 million**

Total Cumulative Loss since FY 2008 **\$46.8 million**

Updated August 8, 2016



District EAV - Property Taxes

- The largest revenue source for the District is local revenue, which comprises approximately 80% of the District's total funding support.
- The largest source of local revenue is property taxes.

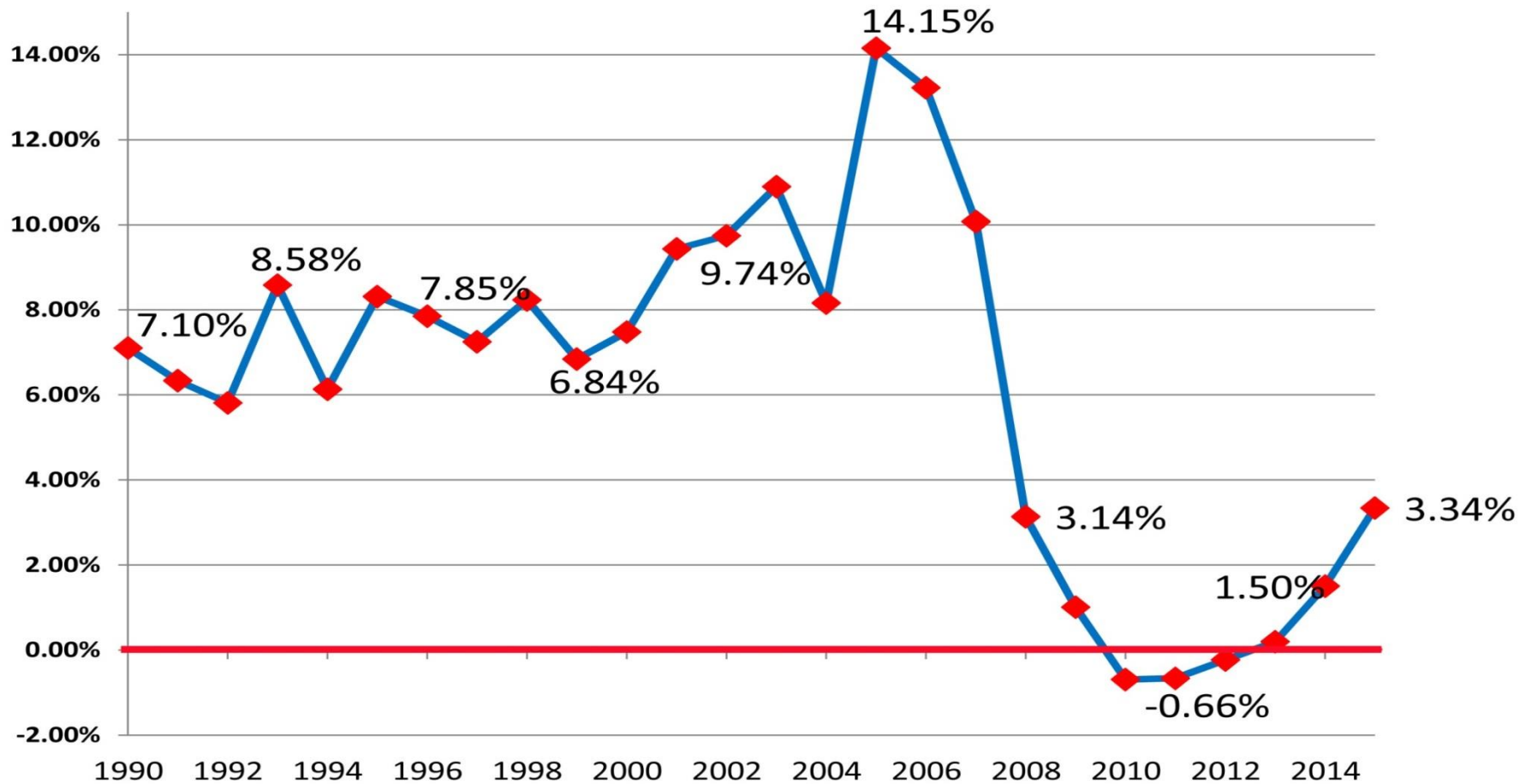


District 7 EAV

- Beginning in 2009 when the local housing market and state economy began to falter, the District's EAV growth came to a sudden stop.
- Property tax revenues collected for the Education Fund have been essentially unchanged since 2008, while State funding has declined by over \$7.3 million annually over the same period.



District 7's EAV Growth History



2014-2015 Federal Funding by School District Excluding Special Education

School District	Annual Federal Funding	Poverty	Total Student Population
Granite City	\$8,433,460	72%	6329
Collinsville	\$4,768,267	62%	6603
Alton	\$5,834,432	69%	6349
Edwardsville	\$2,228,077	21%	7611



Federal Funding

Even though these local districts have 1000-1300 fewer students, they receive between \$2.5 and \$6.2 million more each year in federal funds than District 7 due to their significantly higher poverty levels.



2015-2016 Financial Summary

Despite some improvement in the District's operating fund balances at the end of the 2015-2016 school year, the District still ended the year with a negative operating fund balance of close to \$4 million.

As projected, the District depleted its working cash reserves to finish the 2015-2016 school year, leaving no reserves to assist with the 2016-2017 budget.

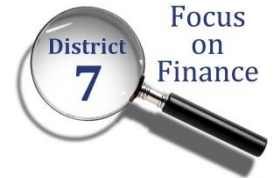


The District will remain on the Financial Watch List and will continue being monitored by the Illinois State Board of Education, which was initiated during the 2015-2016 school year as a result of the 2014-2015 year-end audit.



In addition, while the District was not recommended for certification of financial difficulty by the State Board last year, the District will be eligible for certification in 2017 as a result of ending the school year with negative operating fund balances in both 2014-2015 and 2015-2016.

Once “certified” by the ISBE, a school district may be subject to financial oversight by the State of Illinois – a solution that no one finds acceptable on any level.



2016-2017 Budget Summary

As the District enters the 2016-2017 school year, it will again be facing an Education Fund deficit of \$2.7 million despite approximately \$2 million in operating expenditure reductions and fee increases implemented for the upcoming school year.



As a result, the District is estimating that its negative operating fund balance in the Education Fund will be approximately \$6.7 million at the end of the 2016-2017 school year.

While the District was able to avoid borrowing in June to finish the 2015-2016 school year, it will borrow using Tax Anticipation Warrants to pay bills and salaries to complete the 2016-2017 school year.



What has the Board of Education done since 2008 to address the massive decline in state and local funding?



Steps Taken to Address Budget Challenges

- Reduced operating expenditures by over \$12 million
- Depleted cash reserves of \$9 million
- Refinanced a portion of the District's outstanding debt
- Froze salaries of all employees
- Approved the issuance of \$9 million in Working Cash bonds in December 2013
- Depleted cash reserves June 30, 2016, as projected



Impact on Staffing

Employee Groups	2008-2009	2015-2016
Classified (Cafeteria, Custodians, Grounds/Maintenance, Assistants, Monitors, SSOs)	322	298
Certified Staff (Teachers, Social Workers, Psychologists, Speech/Language Pathologists, Nurses)	549	476
Administrators	44	40
Total Student Enrollment	7599	7541



Despite reducing staff by 101 positions and reducing other operational expenditures in an effort to offset rapidly declining revenue since 2009, the Education Fund has continually run operating deficits ranging from \$2.2 million to \$4.7 million annually.



Other Areas Negatively Impacted by the Financial Crisis

Because of the financial crisis, the District has been unable to:

- Maintain the curriculum development cycle
- Upgrade and replace instructional materials and textbooks
- Upgrade building technology infrastructure to support student access to technology
- Maintain technology replacement cycle
- Upgrade school security systems
- Maintain necessary cash reserves



In December 2015, the Board and administration committed to focusing on a permanent, long-term solution to bring financial stability to District 7.



What is necessary to ensure the ongoing financial stability and academic excellence of the school district?

An Education Fund tax rate increase.





What does the

EDUCATION FUND

support?

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What is the cost of ensuring the long-term financial stability and academic excellence of District 7?

- **\$2.7 million annually** to ensure that Education Fund revenues equal Education Fund expenditures by June 2019, as required by the ISBE
- **\$1.7 million annually** to eliminate the expected June 2017 Education Fund operating debt of \$6.7 million by June 2021 and begin the process of building cash reserves in 2022



- **\$1.5 million annually** to allocate sufficient funding to address annual increases in operational expenditures, such as:
 - Personnel necessary to address enrollment
 - Contractual costs related to salaries and benefits
 - Inflationary cost increases in food, software, and instructional materials and supplies



- **\$1 million annually** to begin the process of addressing academic, technology, and security needs, including:
 - Replacing all textbooks in core academic areas
 - Restoring the curriculum review cycle
 - Upgrading building technology infrastructure to support student access to technology
 - Restoring the technology replacement cycle
 - Updating school security systems



Total cost to ensuring the long-term financial stability and academic excellence of District 7:

\$6.9 million annually

OR

**an increase of \$0.55 per \$100
of assessed valuation**



Current District 7 School Tax Rate: **\$ 4.22**

Estimated Tax Rate with Proposed Increase: **\$ 4.77**



Local School Year Tax Rates

SCHOOL DISTRICT	TOTAL SCHOOL TAX RATE
Belleville District 118 and Belleville District 201	\$5.7962
O'Fallon District 90 and O'Fallon District 203	\$5.3776
Bethalto	\$5.3221
Alton CUSD #11	\$5.0326
Highland CUSD #5	\$5.0170
Triad CUSD #2	\$4.9043
Collinsville CUSD #10	\$4.8627
Granite City CUSD #9	\$4.5833
Edwardsville CUSD #7	\$4.2167



Taxpayer Impact

Home Value	Monthly Cost
\$150,000	\$20.17
\$200,000	\$27.83
\$250,000	\$35.42
\$300,000	\$43.08

The average assessed valuation of a home throughout the entire District 7 community is between \$165,000 and \$175,000.



A tax rate increase is necessary to:

- Ensure that Education Fund revenues equal Education Fund expenditures by June 2019, as required by the ISBE
- Eliminate the expected June 2017 Education Fund operating debt of \$6.7 million by June 2021 and begin the process of building cash reserves in 2022
- Allocate sufficient funding to address annual increases in operational expenditures
- Begin the process of addressing academic, technology, and security needs



The District will continue to monitor expenditures and make reductions as needed to address variables that impact the budget:

- The continued unreliability of state funding
- Annual changes to Equalized Assessed Valuation
- Future growth in student enrollment





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