1. Background and Narrative of Budget Reductions:

Cost Containment Measures

FY 12

In FY 12, the Board of Education approved the following cost savings measures:

1. 7 teacher retirements:
    a. Did not replace a counselor
    b. Through attrition, did not replace a kindergarten section (Lincoln reduced from 4 sections to 3)
    c. Central School was reduced from 18 sections to 17

2. Reduction of Force of 7 Teaching Assistants
3. Reduction from 10 reading specialists to 9
4. Reduction of McKinley School 2nd grade section (from 4 to 3). Transfer to open positions in the district due to retirement.
5. Reduction of line items: Eliminate reading workbooks for a savings of $34,000
6. Elimination of VIP coordinator stipends $7,000
7. TRS penalty off of the books $90,000

The approximate savings was calculated at $875,000. By the end of the year, we had an unanticipated veteran teacher resignation and a nurse retirement that brought the total savings to approximately **$925,000**.

FY13

In FY13, the Board of Education approved the following cost savings measures:

1. With 4 teacher retirements, only 3 positions were replaced
2. Central School was reduced from 17 sections to 16. This was accomplished by rescheduling specialists throughout the district.
3. Administrative retirement = $31,618
4. Elimination of RtI Teaching Assistants (5 T.A.'s) = $132,500
5. Reduction of a second grade section at McKinley (from 4 to 3); transfer to another school. Classroom sizes raised to 25 for K and 1st; upper 20's to 30 in 2nd through 8th. Savings = $44,018
6. Eliminate District Printer position = $20,061
7. Eliminate District Data Coordinator Position = $55,226
8. Reduction of Line Items: Final payment of science texts $125,000
9. Elimination of planetarium $3,694

The approximate savings was totaled at **$662,473**

It is important to note that in February of 2013 the Board of Education and the OEEA held a negotiation and agreed to a new HCA (Health Care Account) format for our insurance. The estimated savings for FY14 was between $150,000 - $200,000. Due to Obamacare taxes that were imposed on January

1, 2014, we will see this estimated savings reduced by approximately $80,000 ($43 - $59 per family plan X 12 months; $20 per single plan X 12 months)

FY14

In FY14, the Board of Education approved the following cost savings measures:

1. Retirements. Do not replace one special education position through attrition. Do not recall one T.A. position: Potential savings approximately **$281,000**
2. Nurse Reconfiguration: **$20,000**
3. Eliminate Summer School: **$30,000**
4. Eliminate Ball Game Stipends **$12,862**
5. Eliminate CCAT Positions: **$6,250**
6. Eliminate Attorney at Board Meetings: **$3,300**

Approximate total savings = **$353,412**

FY15

In FY15, the Board of Education approved the following cost savings measures:

1. Eliminate 2 elementary technology positions = $94,114
2. Reduction in Force of one counselor = $71,203
3. 9 retirements at an estimated savings = $341,771
4. Did not replace 2 open teacher positions at Shepherd (1 retirement/1 resignation) = $90,000
5. Reduction of a 4th section of 1st grade at McKinley; transferred individual to an open position in kindergarten due to a resignation = $74,000

Approximate total savings = **$673,088**

FY16

In FY16, the Board of Education approved the following cost savings measures:

1. Reduce One Dean position; share on dean between Central and Shepherd Schools = $75,000
2. Eliminate 3 regular classroom instructional support paraprofessionals = $74,000
3. Do not replace 2 custodian retirements = $100,000
4. Do not replace 1 retiring cook position = $31,000
5. Do not replace 1 retiring technology assistant position = $48,000

6. Retirements = $78,000

Approximate total savings = **$406,000**

FY12 = $925,000
FY13 = $662,473
FY14 = $353,412
FY15 = $673,088
FY16 = $406,000

Total = $3,017,973

FY17
More retirements are anticipated than usual
We will not replace at least one retiring position
We will be reconfiguring our schedules to accommodate the anticipated attrition

2. Assumptions used in the deficit reduction plan:

Currently, we project a $1.75 million deficit for FY17. This is $400,000 less than FY16. Our Ed Fund projects to be $1.2 million, our best number in years. However, it now looks like we will receive a total of 3 categoricals this year. Obviously, this makes budgeting a lot of guesswork. Our retirements this year will bring a significant savings so we do not anticipate any more cuts other than the one attrition. As we look to FY18, we have some reason for cautious optimism. I will elaborate in the upcoming topics.

Foundation Levels for General State Aid:

General State Aid is 100% this year. We anticipate approximately $175,000 more in revenues from GSA than FY16. In speaking to Senator Barickman, a member of the governor's task force for education funding reform, he stated that we should anticipate GSA in FY17. So we will assume 100% GSA in FY18.

Equal Assessed Valuation and Tax Rates:
The EAV is approximated to increase by 4.5% next year. The tax rate went up last year due to 1). Two year working cash bond 2). Raised the Tort levy

We are encouraged by the anticipated increase in local EAV to the 2012-13 levels. We were not expecting this high of an increase. Even though GSA would go down, if it is funded at 100% we should have our highest levels of revenues in FY18 than we have had in quite a few years.

3 years ago we had to pay our hospitals $378,000 out of our extension because

they were able to claim an exemption. Last year, Champaign challenged this type of exemption in court and won. The case is now with the Illinois Supreme Court. If this decides in our favor, we will not only be entitled to the $378,000, but also the taxes lost since the exemption. This would also be good news for our district.

EAV 2007-08: $272,498,095	Tax Rate: 3.6657
EAV 2008-09: $298,306,827	Tax Rate: 3.6282
EAV 2009-10: $317,148,209	Tax Rate: 3.6003
EAV 2010-11: $318,641,713	Tax Rate: 3.6128
EAV 2011-12: $308,553,195	Tax Rate: 3.8400
EAV 2012-13: $292,853,750	Tax Rate: 3.95395
EAV 2012-13: $280,482,728	Tax Rate: 4.01376
EAV 2013-14: $264,009,458	Tax Rate: 3.98246
EAV 2014-15: $261,133,987	Tax Rate: 4.05945
EAV 2015-16: $266,031,067	Tax Rate: 4.43785

Approximate 2016-17:
EAV 2016-17 $279,000,000 Tax Rate: 4.43

Employee Salaries and Benefits:

The current bargaining agreement with the Teachers was be negotiated during the spring of 2014. A four year contract was agreed upon with increases to the base salary of 0.5%, 0.5%, 1.0% and 1.25% for a total of 3.25% over 4 years. This is one of the lowest, if not the lowest, contracts agreed in our district's history. However, we have been experiencing an increase in health insurance costs. We are currently working with the district insurance committee to explore alternatives, including a clinic to meet basic needs while saving money. Our CBA expires next year so we know that if there is no progress made this year or next, it will be a significant topic during negotiations.

Short and Long Term Borrowing:

We issued $4.87 million in working cash bonds in December of 2016 with a 2 year pay back. Normally, we schedule our bonds for 3 years, but the deficits last year had risen to proportions that necessitated a 2 year issuance. This was a short term plan.

We currently have a building bond that expires in 2026 and a life safety bond that expires in 2026. If our deficits remain as projected for FY17 and FY18, there should be a little over $1,000,000 of working cash in the final balance for FY18. Since the bond will be paid in its entirety in December of 2017, that money will be a reserve. We will have to issue working cash again next year and will plan on going back to the 3 year cycle of $4.8 million due to 1. The anticipated balance at the end of FY18 of $1,000,000+ This will be in addition to our next WC bond issue. 2. Our rising EAV 3. GSA at 100% 4. Due to our new 10 L/S survey, we anticipate another $1.5 million L/S bond in the next 3 – 5 years. 5. Our 5 year defeasance of $1.5 million building bond monies will expire in 2 years, bringing the tax rate up 11 cents. 6. Possibly a new funding formula with an increase in revenues. We do not want to continue to issue bonds in 2 year cycles. We will consider more programming cuts to maintain this, but at this time we see a couple of factors (EAV and 100% GSA) that lead us to be cautiously optimistic that more revenues will be collected. This is our long term plan at this time.

Educational Impact:

The school district has reduced the number of class sections, increased class sizes, have had retirement positions that were not filled, eliminated the district printer position, eliminated a counselor, reduced the number of reading teachers, eliminated the data coordinator position, RIF'd staff, reduced paper and copy usage, cut ballgame stipends, and cut building budgets to reduce costs. The list of cost saving measures is extensive but has been made in an attempt to save money while maintaining quality programming. Despite the cost savings measures enacted over the last 5 years, we are still offering a strong overall educational program.

Other Assumptions:

We anticipate some kind of change to the funding formula over the next 2 years that could have a positive impact on our budget.

Has the district considered shared services or outsourcing (Ex. Transportation, Insurance). If yes, explain.

Our biggest shared service this year is the Dean position serving 2 school buildings. Previously, we had one dean at each building. This has obviously put additional strain on the administrators of 2 of our largest buildings based on student population. We have investigated outsourcing transportation, but saved significant $ providing our own transportation rather than outsourcing. We looked at a co-op liability insurance, but due to FEMA regulations in the aftermath of the Central flood, we are required to carry an additional $14,000,000 in flood insurance for the new building. Therefore, we have had to maintain our insurance with our longtime carrier. Health insurance is bargained and we would have a difficult time convincing all of the bargaining units to convert with contract language in place. We cannot share a position with the high school such as curriculum director because these positions have had additional duties outside of their job description added to their daily regimen. This means there isn't enough time in the day for one person to fulfill duties between 2 schools. The different bell schedules are also a problem. We also share specialists between schools within our district (art, music, pe, technology teachers), reading teachers, speech pathologists, nurses, teaching assistants, custodians, technology department, and maintenance.

Ottawa Elementary School District 141

Deficit Reduction Plan-Background/Assumptions

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