

ALLOCATION of OPERATING FUND BALANCES

(TO CAPITAL PROJECTS or OTHER RESTRICTED FUNDS)

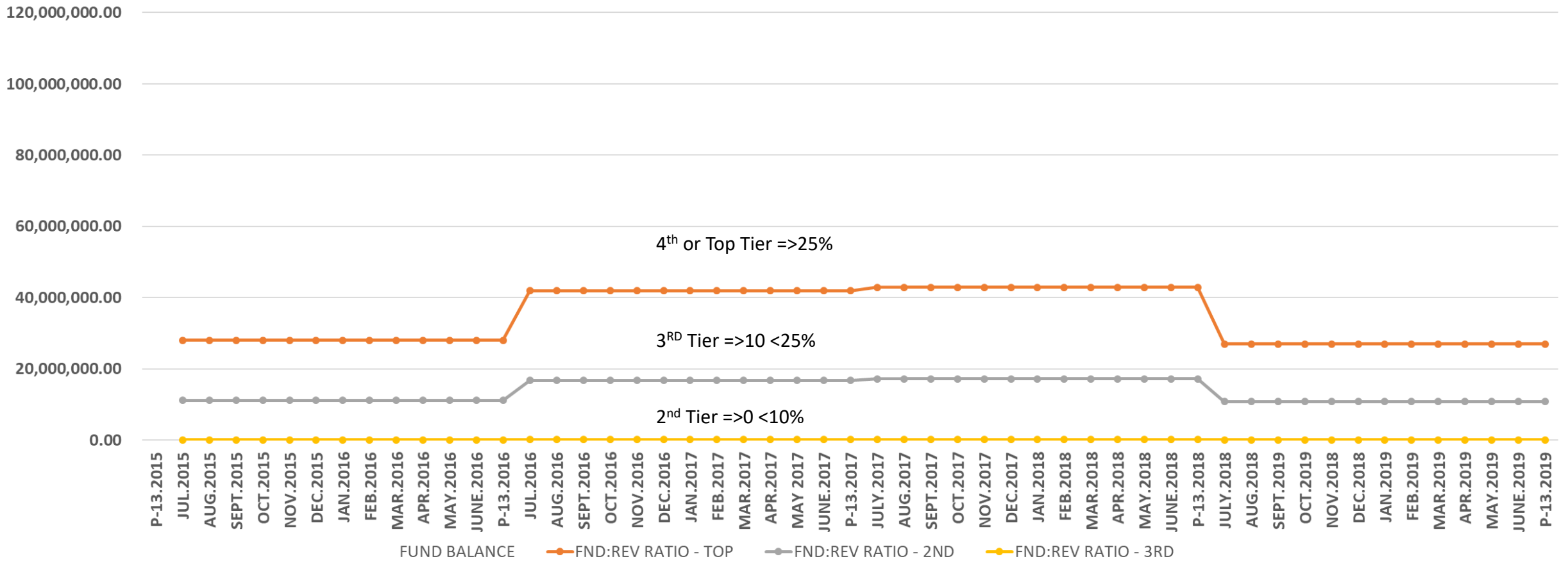
**IMPLICATIONS: BOE POLICY / ISBE PROFILE SCORE
SPECTRUM EXTREMES**

BACKGROUND INFORMATION

- WITH THE 2016 REFERENDUM AND SUBSEQUENT SALE OF THE SERIES 2017 CONSTRUCTION BONDS, THE BOE COMMITTED TO REALLOCATE \$25,000,000 IN OPERATING RESERVES TO CAPITAL PROJECTS
- SUBSEQUENTLY THE DISTRICT HAS SEEN ESCALATING PROJECT COSTS/COST OVERRUNS (UNFORESEEN/INCR. CONSTRUCTION COSTS), WISHES TO SET ASIDE DOLLARS TO MAINTAIN A TWENTY YEAR FACILITY PLAN OF ON-GOING CAPITAL REPLACEMENT NEEDS AND/OR TO FUND NEW PROJECTS
- THE BOE HAS ESTABLISHED A POLICY OF DESIRED “FUND BALANCE TO EXPENDITURE” LEVELS
- ISBE GRADES EACH DISTRICT AS TO ITS FINANCIAL HEALTH ON THREE (OF 5) GERMAIN MEASURES
- A DISTRICT’S FINANCIAL HEALTH EFFECTS, AMONG OTHER THINGS, ITS CREDIT RATING ON BONDS

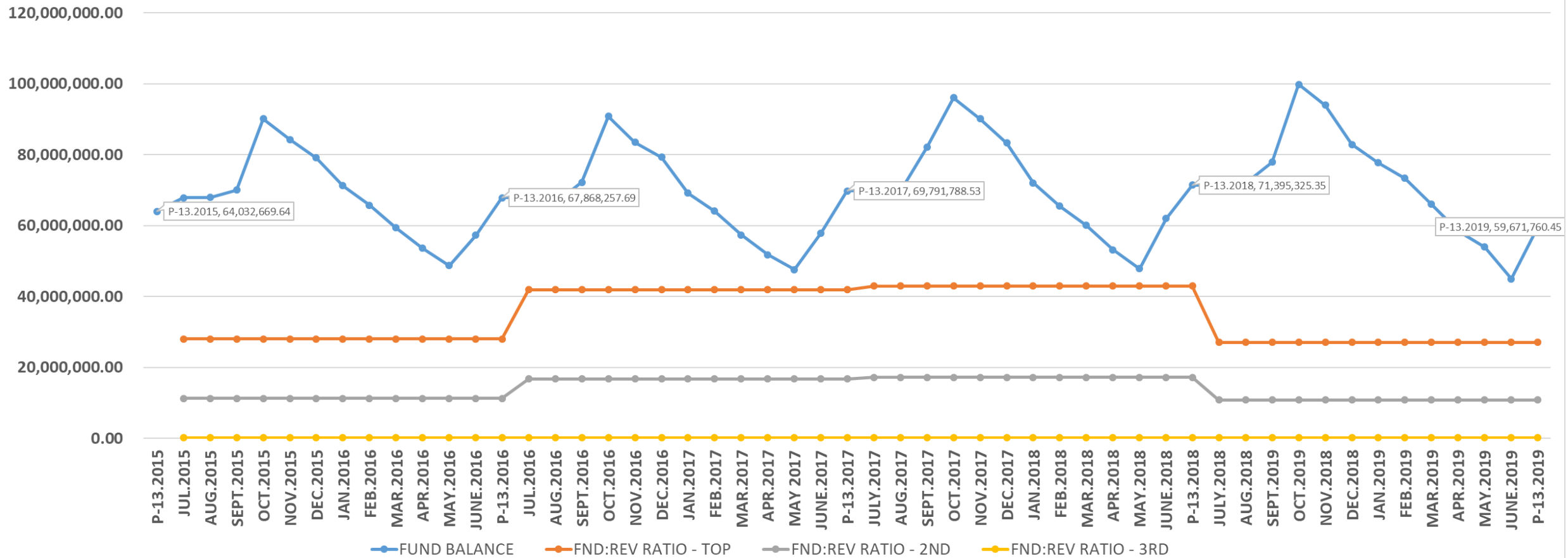
ISBE PROFILE BALANCE:REVENUE RATIO (TRANSLATED) EVALUATION THRESHOLDS

FUND BALANCE ANALYSIS (BALANCE TO REVENUE TRANSLATED):
HISTORICAL ACTUAL VS ISBE PROFILE TOP TIER, 2ND TIER & 3RD TIER



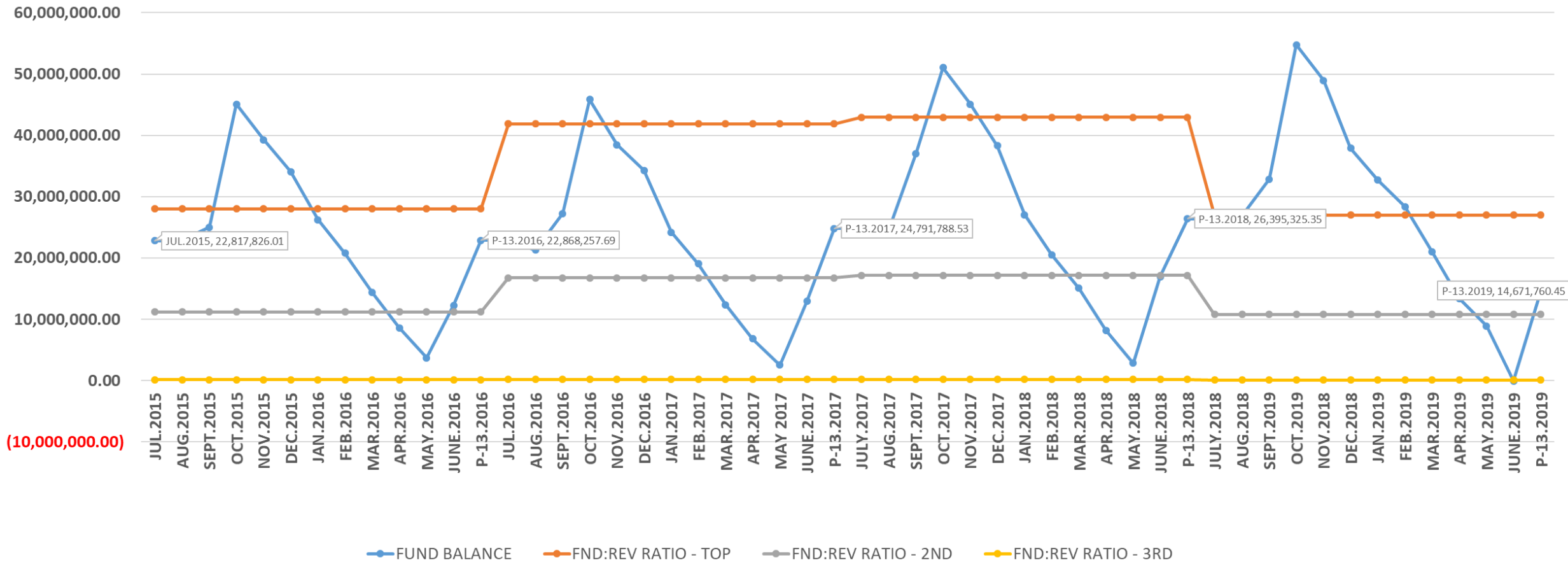
ISBE PROFILE BALANCE:REVENUE RATIO (TRANSLATED) HISTORICAL ACTUAL COMPARED TO ISBE PROFILE

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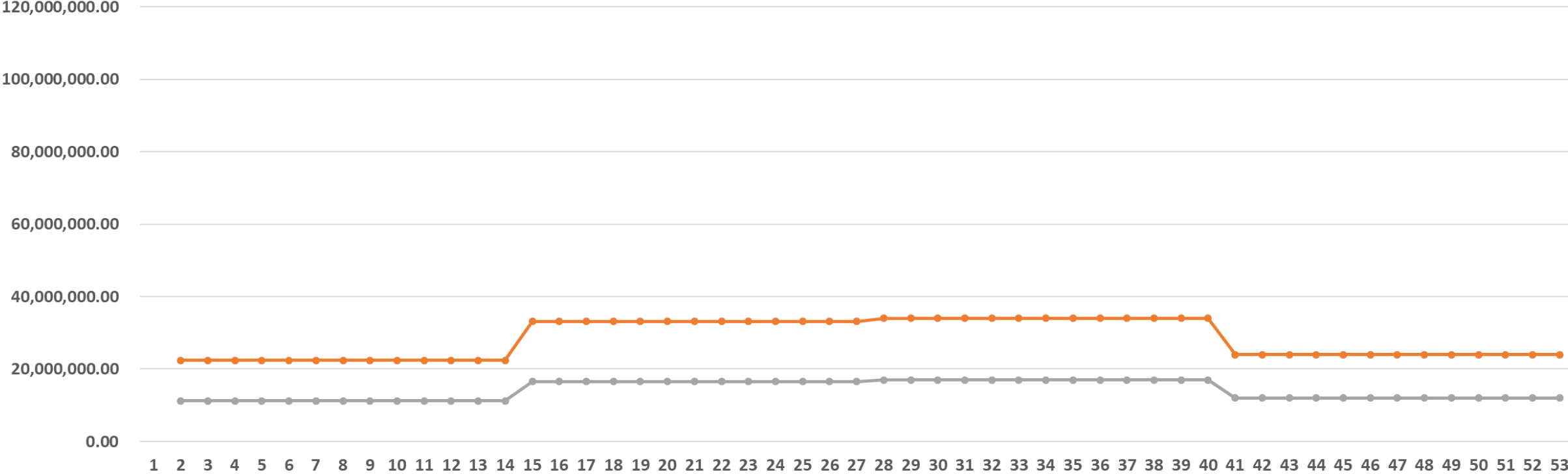
ISBE PROFILE BALANCE:REVENUE RATIO (TRANSLATED) HISTORICAL *ADJUSTED* (LESS \$45M) COMPARED TO ISBE PROFILE

FUND BALANCE ANALYSIS (BALANCE TO *REVENUE* TRANSLATED):
ADJUSTED HISTORICAL ACTUAL VS ISBE PROFILE TOP TIER, 2ND TIER & 3RD TIER



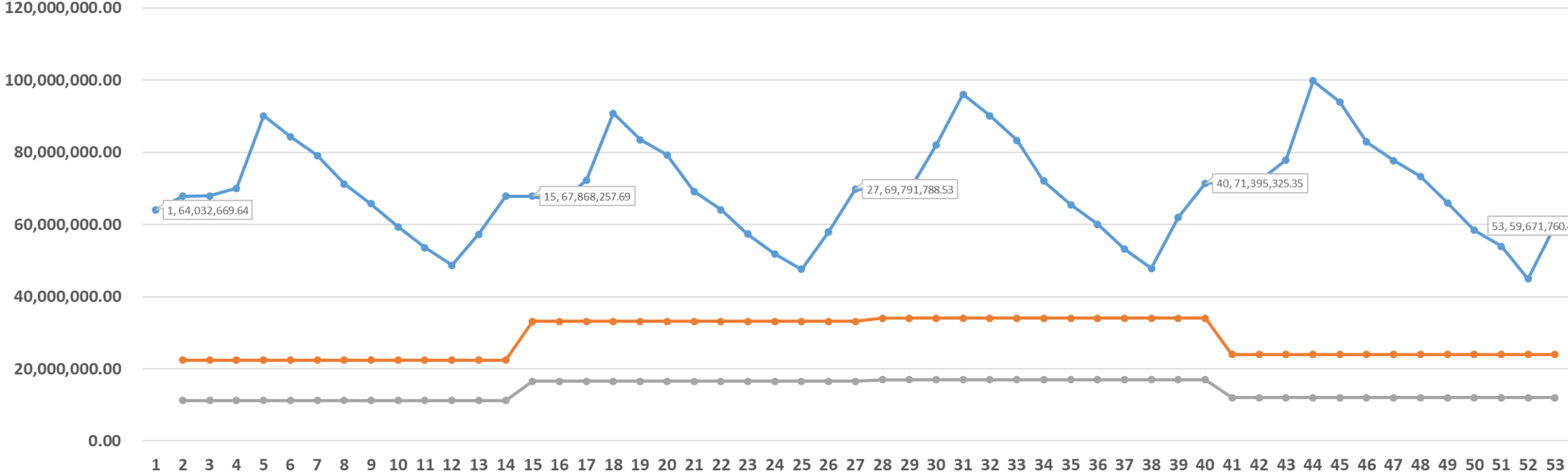
BOE POLICY BALANCE:EXPENDITURE RATIO (TRANSLATED) EVALUATION THRESHOLDS

**FUND BALANCE ANALYSIS (BALANCE TO EXPENDITURE TRANSLATED):
HISTORICAL ACTUAL VS BOE POLICY TOP & LOWER TIER**



BOE POLICY BALANCE:EXPENDITURE RATIO (TRANSLATED) HISTORICAL ACTUAL COMPARED TO BOE POLICY

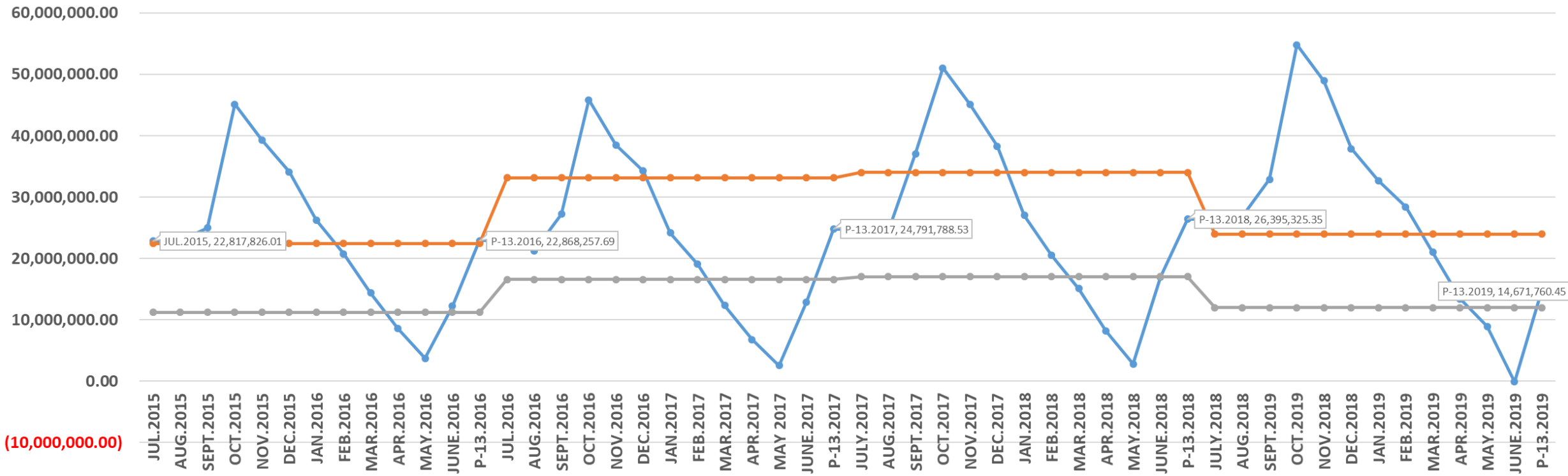
FUND BALANCE ANALYSIS (BALANCE TO EXPENDITURE TRANSLATED):
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BOE POLICY BALANCE:EXPENDITURE RATIO (TRANSLATED)

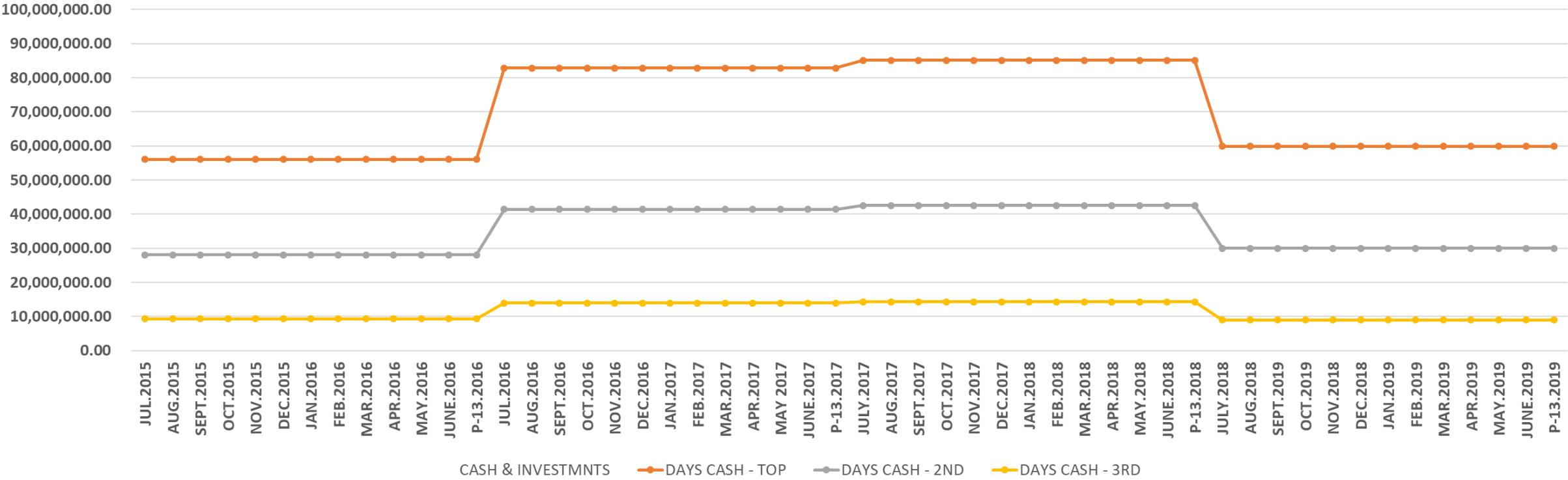
HISTORICAL *ADJUSTED* (LESS \$45M) COMPARED TO BOE POLICY

FUND BALANCE ANALYSIS (BALANCE TO EXPENDITURE TRANSLATED):
 ADJUSTED HISTORICAL ACTUAL VS BOE POLICY TOP & LOWER TIER



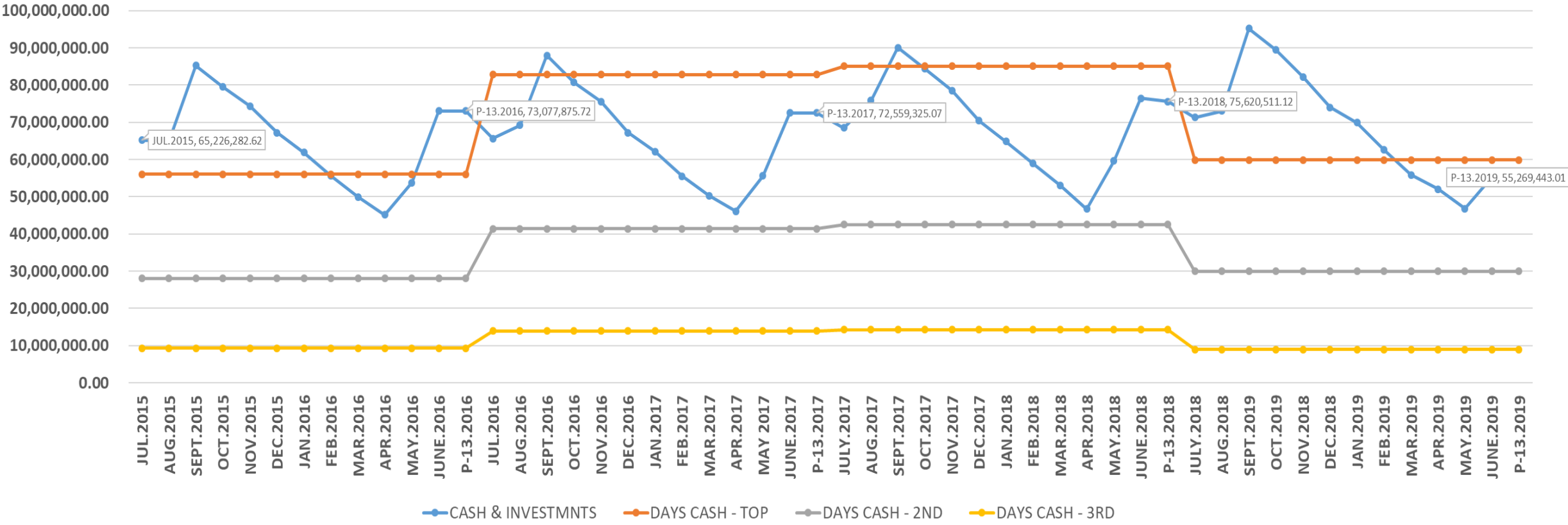
ISBE PROFILE DAYS CASH ON HAND (TRANSLATED) EVALUATION THRESHOLDS

CASH FLOW ANALYSIS (DAYS CASH ON HAND TRANSLATED):
HISTORICAL ACTUAL VS ISBE PROFILE TOP TIER, 2ND TIER & 3RD TIER



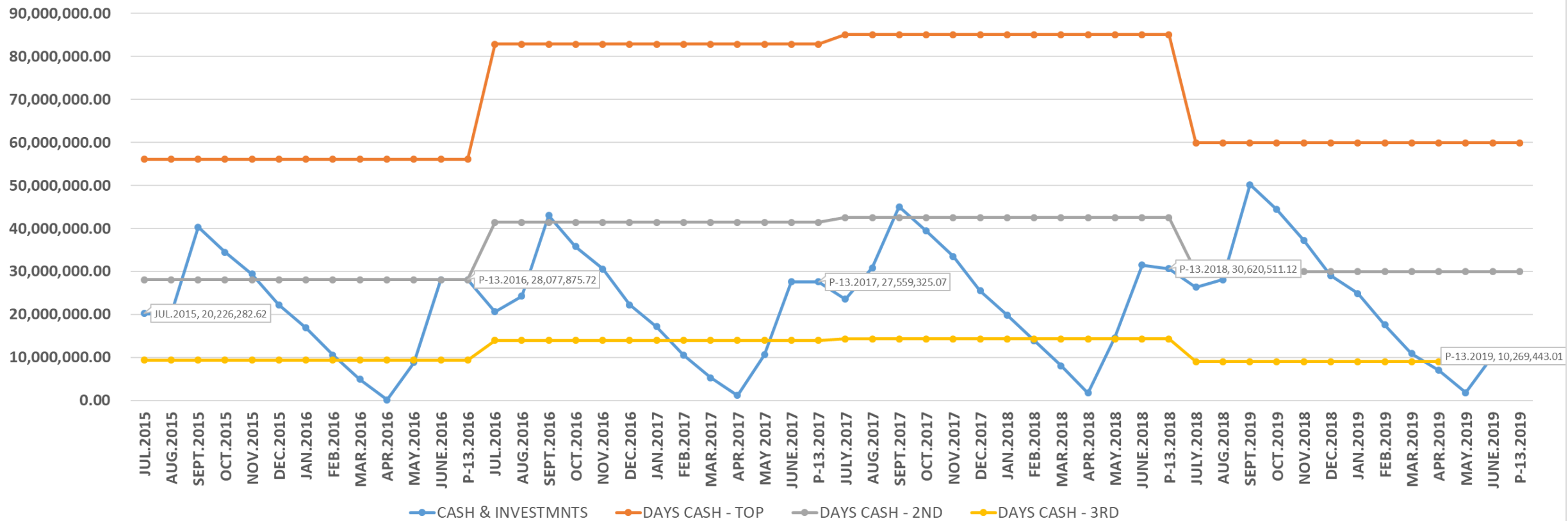
ISBE PROFILE DAYS CASH ON HAND (TRANSLATED) HISTORICAL ACTUAL COMPARED TO ISBE PROFILE

CASH FLOW ANALYSIS (DAYS CASH ON HAND TRANSLATED):
HISTORICAL ACTUAL VS ISBE PROFILE TOP TIER, 2ND TIER & 3RD TIER



ISBE PROFILE DAYS CASH ON HAND (TRANSLATED) HISTORICAL *ADJUSTED* (LESS \$45M) COMPARED TO ISBE PROFILE

CASH FLOW ANALYSIS (DAYS CASH ON HAND TRANSLATED):
ADJUSTED HISTORICAL ACTUAL VS ISBE PROFILE TOP TIER, 2ND TIER & 3RD TIER



ISBE PROFILE SCORE IMPLICATIONS

Top 4th Tier (4.00) = Recognition; 3rd Tier (3.00) = Review; 2nd Tier (2.00) = Warning; 1st Tier (1.00) = Watch

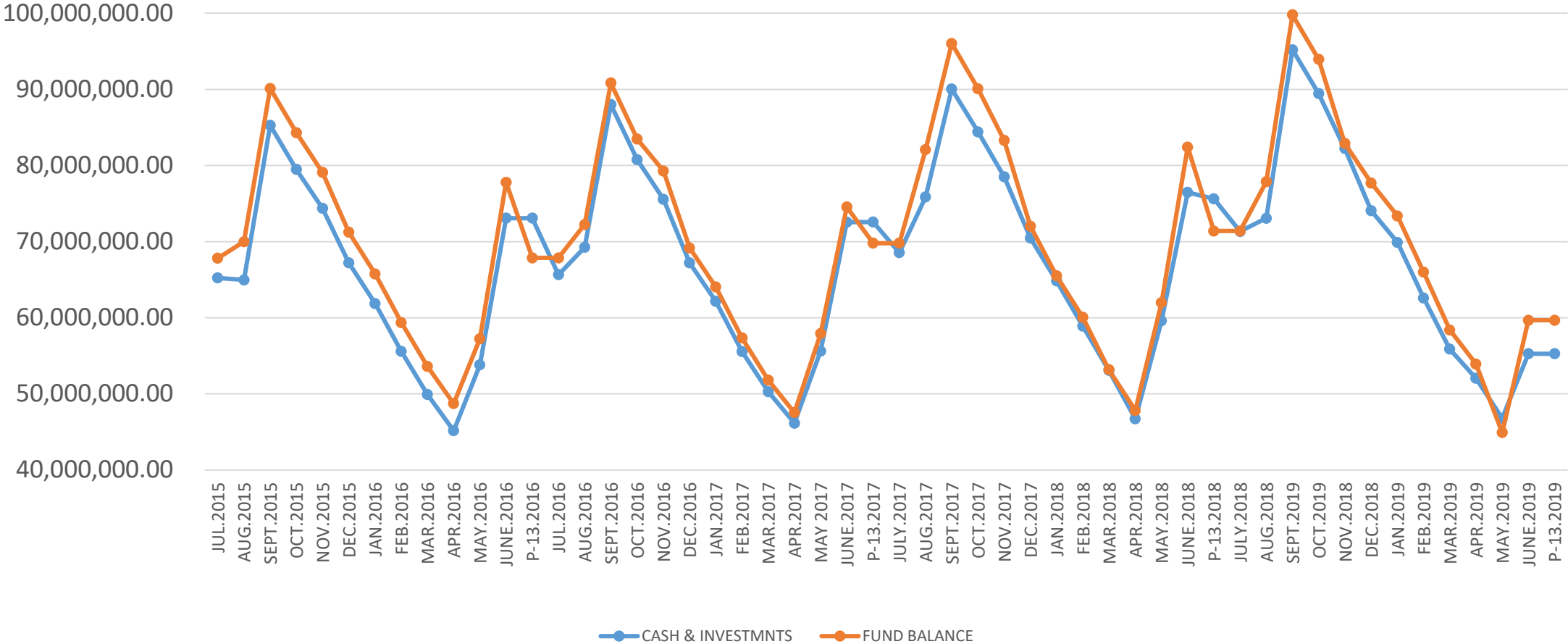
ACTUAL - NO CHANGE TO CASH/FUND BALANCES				
COMPONENT	2016	2017	2018	2019
	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value
FUND BALANCE TO	4.00	4.00	4.00	4.00
REVENUE RATIO	0.35	0.35	0.35	0.35
	1.40	1.40	1.40	1.40
	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value
EXPENDITURE TO	3.00	4.00	4.00	2.00
REVENUE RATIO	0.35	0.35	0.35	0.35
	1.05	1.40	1.40	0.70
	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value
DAYS CASH	4.00	3.00	3.00	3.00
ON HAND	0.10	0.10	0.10	0.10
	0.40	0.30	0.30	0.30
	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value
% SHORT-TERM	4.00	4.00	4.00	4.00
BORROWING MAX	0.10	0.10	0.10	0.10
REMAINING	0.40	0.40	0.40	0.40
	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value
% LONG-TERM	3.00	3.00	2.00	2.00
DEBT MARGIN	0.10	0.10	0.10	0.10
REMAINING	0.30	0.30	0.20	0.20
TOTAL SCORE	3.55	3.80	3.70	3.00
DESIGNATION	RECOGNITION	RECOGNITION	RECOGNITION	WARNING

ADJUSTED - RE-ALLOCATION OF UP TO \$45,000,000				
COMPONENT	2016	2017	2018	2019
	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value
FUND BALANCE TO	3.00	3.00	3.00	3.00
REVENUE RATIO	0.35	0.35	0.35	0.35
	1.05	1.05	1.05	1.05
	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value
EXPENDITURE TO	3.00	4.00	4.00	2.00
REVENUE RATIO	0.35	0.35	0.35	0.35
	1.05	1.40	1.40	0.70
	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value
DAYS CASH	4.00	3.00	3.00	3.00
ON HAND	0.10	0.10	0.10	0.10
	0.40	0.30	0.30	0.30
	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value
% SHORT-TERM	4.00	4.00	4.00	4.00
BORROWING MAX	0.10	0.10	0.10	0.10
REMAINING	0.40	0.40	0.40	0.40
	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value	Score/Wght/Value
% LONG-TERM	3.00	3.00	2.00	2.00
DEBT MARGIN	0.10	0.10	0.10	0.10
REMAINING	0.30	0.30	0.20	0.20
TOTAL SCORE	3.20	3.45	3.35	2.65
DESIGNATION	REVIEW	REVIEW	REVIEW	WARNING

OTHER CONSIDERATION(S)

CASH BALANCES GENERALLY LESS THAN FUND BALANCES DUE TO ACCRUALS

OPERATING FUNDS: CASH (REAL TIME) VS FUND BALANCES (ACCRUALS)



OTHER CONSIDERATION(S) (CON'T.)

INVESTMENT INCOME TO OPERATING FUNDS

OPERATING FUNDS - HISTORICAL INTEREST INCOME				
<u>FUND</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
10	126,510	203,606	304,733	1,386,354
20	8,390	10,052	22,139	0
40	8,365	5,269	323	6,756
<u>70</u>	<u>40,733</u>	<u>64,178</u>	<u>100,817</u>	<u>357,965</u>
TOTAL	183,998	283,105	428,012	1,751,074

RECOMMENDATIONS

- Add three additional policies paralleling the ISBE Profile Score criteria, including above discussed “Days Cash on Hand” and “Fund Balance to Revenue” plus that not discussed “Expenditure to Revenues.”
- Allocate a portion of any interest earning from re-allocated fund balances back to the operating funds in an amount not less than the average earnings from at least three of the last four fiscal years 2016-2019.
- Utilize Days Cash on Hand as the threshold number in backing into the amount of Fund Balance potentially available for re-allocation, so as to avoid ever running a cash deficit requiring external borrowing.
- Remain vigilant in identifying budget pressures from external forces including State “pension push-down”, Federal “minimum wage” mandates, PTELL-like or other restrictions on taxing authority and the like.
- In Fiscal Year 2020 re-allocate the already obligated \$25,000,000 in operating reserves to the Capital Projects Fund; beginning in Fiscal 2021 and continuing through Fiscal 2023 re-allocate \$5,000,000 each year in additional operating reserves, as the balances would warrant and allow.
- Restore a portion of re-allocated reserves by establishing annual budgetary parameters for “expenditures to revenues” or acceptable surplus budgets to keep reserves, at a minimum, constant with inflation.