1200 word version

School District 200 by the Numbers:

The 2002 Tax Increase Wasn't Used – and The Proposed 2012 Increase Isn't Needed

The Board of School District 200 (the Oak Park River Forest High School) is deliberating a property tax levy increase to fund the local high school, one of the most lavishly funded and financially viable schools in the state. A final vote is set for December 20th.

A simple review of the District's own audited financial statements over the past ten years, coupled with an analysis of the District's recently revealed projections for the next five to ten years, shows that the funds extracted from taxpayers following the 2002 levy increase were essentially *never used* for the purposes for which they were purportedly needed, and indeed have mostly sat idle and earning essentially no return as they have accumulated over the decade. The projections show, even with worst-case assumptions added for the sake of conservatism, no need for another increase for many years into the future. Asking taxpayers to further feed the enormous cash hoard held by the District, particularly during this period of economic stress and strain for many local property owners, is clearly unwarranted – if the District's own numbers are to be believed.

The ever-increasing cache of cash. Over the past ten years, thanks in part to the additional property taxes imposed in 2002 (and phased in through 2005), the District's cash and temporary investments have grown from about $23 million, at June 30, 2003, to over $123 million at the latest fiscal year-end. This remarkable accumulation of unused wealth strongly implies that the claimed need for the 2002 tax levy increase was, most charitably stated, ill-considered. Indeed, this fact alone would serve to argue for a tax *decrease* in 2012, rather than yet another increase, which is what the Board is seeking.

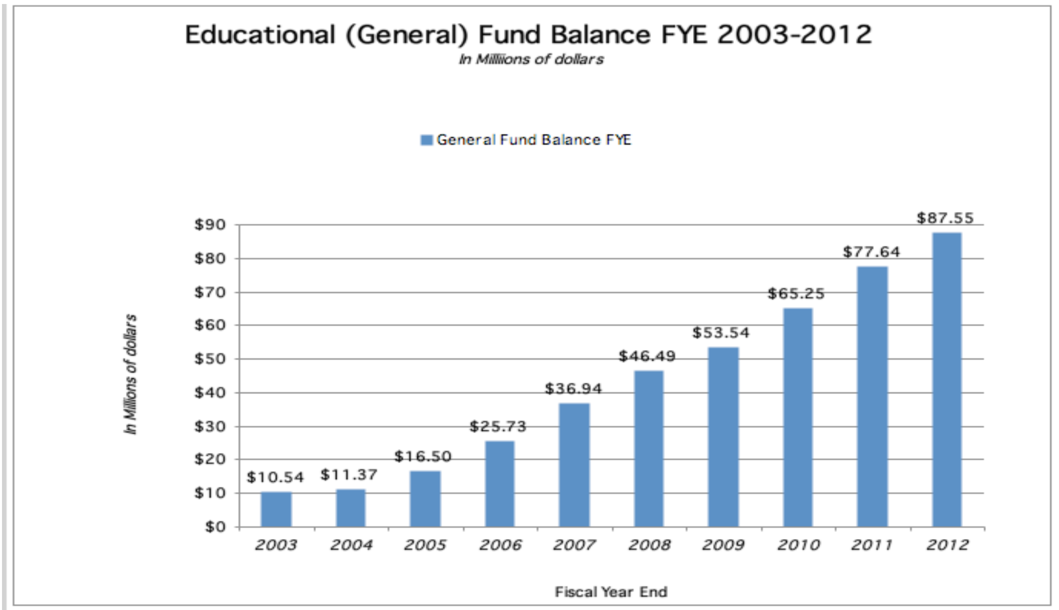
Equally disturbing is the fact that this accumulation of cash has seemingly not been well-managed by the stewards of these publicly-provided funds. For example, the Board's 2012 comprehensive annual financial report shows only $459,000 in earnings on what was an average of over $110 million in investable funds, for a return of less than one-half of one percent. Even in today's low-interest rate environment, this is incomprehensible – adding insult to injury for the taxpayers who provided these apparently unneeded funds.

One gauge of the size of this cash hoard can be gleaned from the fact that the District's bonded debt obligations at June 30, 2012, total to about $18.4 million, and that the *unfunded* pension obligations to professional staff (currently the responsibility of the State, but potentially at risk of being forced back on the District) are $6.9 million. If these two obligations, totaling $25.3 million, somehow had to be settled – in cash, right now – it would still leave the Board with about *$100 million* of available cash to fund future operations. As it happens, however, that cash would not soon be needed – because the District runs surpluses every year, never (in over a decade, and according to its own forecasts, not for many years into the future) having to draw down this stockpile of cash.

Cash and short-term investments have grown four-fold over ten years, now sit idle and apparently unneeded, while the Board proclaims a need for a tax levy increase. This glaringly contradictory juxtaposition of facts and claims has yet to be explained to the taxpayers.

A profitable not-for-profit operation. As with all municipalities, the long-term expectation is that operations will produce zero surplus – i.e., no profits and no losses – after all revenues and other inflows, and all expenditures and other outflows, are tallied up. District 200 has operated, for each of the past ten years, with surpluses (whether the largest of its funds, the

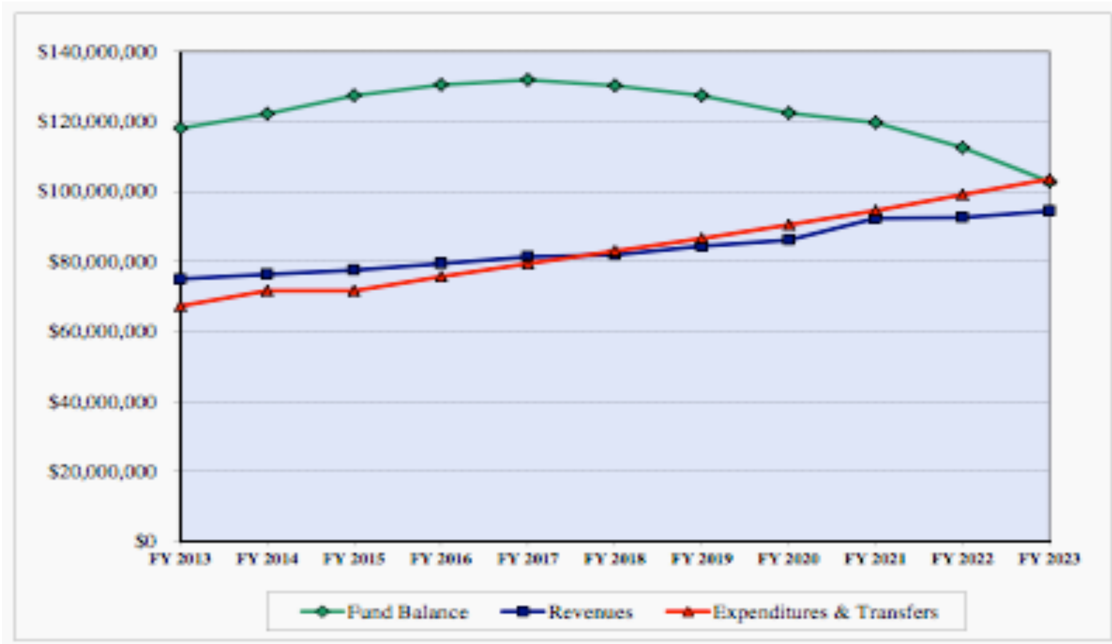
Educational (or General) Fund is viewed alone, or whether all its funds are considered together). As a result, the District's consolidated *unrestricted* net assets have grown from $4.5 million, at June 30, 2002, to $99.8 million in 2012. If *restricted* (mostly for Board-designated purposes, not to comply with statutes) net assets are included, net assets at the latest fiscal year-end sum to $120 million. The growth in the Educational (General) Fund's accumulated surplus is shown in the below graphic (a very similar picture is painted for the overall District surplus, including all funds).



To put this remarkable aggregation of surpluses into perspective, consider that the District's total expenditures for the last fiscal year equaled about $53 million. Thus, the District's current accumulated surplus could carry it for two additional years in the absence of *any* revenue whatsoever! In short, the District's financial position is very strong, surely the envy of many other school districts, most other municipalities, and the State of Illinois itself!

The Educational Fund surplus has grown at almost a 30% annual rate, and the District's funds' total surplus has grown at over 20% annually, over the past decade. Apparently, this remarkable performance record is not good enough, however, as the Board wants to impose yet-heavier taxes. To fund what? -- must be the question for the Board to answer.

The Board's latest projections do not support the present need for a tax increase. Five year financial projections recently made public purport to make the case for higher taxes, but fail abjectly in doing so. Even taking these on face value (and thus ignoring the projected needs called upon to justify the 2002 increases), these show, on a consolidated basis, that further surpluses will be generated by District 200 through 2017. As shown in the graphic below, even if the out-year annual deficits being forecast actually do develop, the available accumulated surplus will allow the District to carry on operations and remain solvent through about 2033, if year 2023's projected deficit continued indefinitely.



The Board's conservative fiscal management can be applauded, although its poor ability to forecast its funding needs, and its failure to at least earn a decent rate of return on the unneeded cash accumulations of the past decade, can and should be questioned. But these are not the most urgent issues.

Instead, the issue is whether a tax levy increase should be endorsed this month. The numbers show this is clearly not needed. However, if the Board believes it needs this tax increase to build a war chest, it should tell the taxpayers what war it is expecting to fight, and when. If the proceeds from the tax levy are intended to build a rainy day fund, it needs to explain what rain – and what resulting flood, which would have to be of Biblical proportions – it has forecast, and why that forecast should be given credence. In any event, the Board's powers of prognostication have been shown so deeply flawed that at the minimum any consideration of an increase should be postponed for at least several years. The current cash hoard of over $123 million, and the unrestricted surplus of almost $100 million (both as of June 30, 2012), are more than adequate to carry the District for perhaps as long as another fifteen years.

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