

## **SECTION III JUSTIFICATION & RECOMMENDATIONS**

### **BACKGROUND**

Aledo C.U.S.D. #201 and Westmer C.U.S.D. #203 Boards of Education commissioned this study to look at the position of each district at this moment in terms of curriculum, finances, extra-curricular, buildings, enrollment, staffing and any other facet that helps to establish the position of each district today. Section I and Section II of this report are the results of this request.

Beyond the look at current conditions, the superintendents and boards asked the consultants to look at the feasibility of some type of reorganization with the two districts. Section III will begin with background on some of the options available to the two districts in terms of reorganization. It will then look at what it would look like if the two districts joined into one district.

**REORGANIZATION** – A question that must be addressed by the school districts is the type of reorganization that would occur between districts. This is not a question that the consultants can or should decide. However, several points can be made by the consultants.

Conversion is an alternative that could be considered for these districts. The first conversion in the State will begin operation on July 1, 2007. The process involves the participating unit districts becoming PreK-8 districts and the creation of a new high school district.

The conversion process is as yet untried but many of the savings from a consolidation or annexation would not be present. In a conversion, two districts become three districts. The result

is three districts with three boards, three administrations, three insurance packages, and so on. Curriculum wise, it would seem to be equal to the advantages of consolidation or annexation at the high school level but would have no elementary curriculum benefits. In fact, insuring that all students feeding into the high school district have the same background and curriculum becomes much more difficult. State financial incentives are also less than for other reorganization methods. Conversion is perhaps the most difficult and involved of all of the reorganization methods. Because of the unknowns, the lack of a request to consider the method, and the apparent lack of a way to realize many of the savings from other methods, the consultants have chosen not to use conversion as a method to be described in depth. More information on conversion is found in Article 5/11E of the School Code.

Cooperative high schools are also possible. Under this method, the districts would remain as K-12s but would form a cooperative high school. All students from the participating districts would form into a single high school with representatives from the boards of both participating districts sitting on a “Cooperative Attendance Center Advisory Board” to operate the high school. Districts must agree to participate in the cooperative high school for at least five years. This type of reorganization is complicated to form and to operate because of the number of powers that remain with the originating districts.

Another option is ‘Deactivation’ in which a board simply closes a district’s high school and sends the students to one or more other school districts. The receiving board or boards must agree to accept students sent to them and a tuition amount per student must be agreed upon. Voters can vote to deactivate a high school and at a later date may vote to reactivate the high school.

Consolidation or annexation are the two alternatives remaining. State incentives are the same for either method. Consolidation results in a reformation of the two or more districts into a totally new entity. A new board is elected, new rates are set, and decisions are made on all of the other items such as name, team colors, and so on. A major advantage of this method is that new tax rates can be set to meet current needs. A new board will have the complete authority to make all decisions involving the new district. Plus, all of the participants start out equal in the new configuration and everyone loses their district name, mascot, and so on.

The disadvantage of consolidation is that it is a more involved process in terms of decisions that have to be made: such as ballot language, school colors, school attorney, how boards are elected, and a multitude of other decisions. What all of these decisions might be are an unknown at the time the vote on whether to consolidate occurs.

Annexation is an easier, less work/decision intensive procedure. The ballot simply states that the two districts will be joining together. No tax rates are on the ballot and no board elections occur. Unless otherwise agreed, all of the attributes of the receiving district remain. That means that the annexed district loses its name, it's board, and in effect it's identity. It is a good method where smaller districts are joining larger districts, and it allows the receiving district to make commitments that can be enacted by the same board that made the commitment because no new election occurs.

Both consolidation and annexation have pluses and minuses. It is for the communities involved to decide which of the two make sense in their particular situation. In the case of these two districts, no one has indicated a need or willingness to use annexation as the reorganization method. The new district would include all of the territory currently in the Aledo and Westmer

districts. For this discussion, only the consolidation approach will be covered. As stated previously, other methods can be used if the respective boards feel it is appropriate.

**COMMUNITY OPINIONS** – In order to gain an insight into how the community felt about a joining of these two districts, the Consultants prepared surveys for distribution in the two districts. Three different surveys were constructed for each district. Each district had an individual survey form for Students, for Staff, and for Community Members. District administrators were asked to distribute the surveys, making sure that a good cross section of students and community members were included. They were asked to give a survey to all staff members, certified and support.

The results of those surveys were compiled and used to help the consultants understand the communities' outlook on reorganization. The results were candid and informative. A tabulation of the results and the responses is found in Appendix A.

Survey respondents were given an opportunity to indicate whether they thought a merging of districts had advantages or disadvantages. They were allowed to give reasons for their answers. They were also asked to select other school districts that they thought would be good partners, and to add written comments.

Both districts were surveyed to discover their opinions. The three groups surveyed were: 1) staff, 2) students, and 3) community. Each of the schools had a good return on each sub group that was polled. In Aledo, 450 students, 47 staff members, and 254 community members completed the survey. For Westmer, 178 students, 43 staff members and 126 community members completed surveys. The statistics that follow reflect the opinions of 1,098 adults and students from the two school districts.

Each survey asked the respondent for an opinion for or against consolidating the two districts. Respondents were asked to give reasons for or against that reorganization. Next each respondent was given the opportunity to select a different district (other than one of the two in the study). Once again they were asked to give reasons for or against the alternate district choice. Lastly, each respondent was given an opportunity to make general comments about reorganization.

When asked if they were in favor of consolidating with another district, staff members were the strongest supporters of joining together. The two-district average for staff was 75% in favor (Westmer 67% and Aledo 83%) Community opinions averaged 56.5% in favor (Westmer 40% and Aledo 73%). Students were not in favor of consolidation in either case. Just 40% of Westmer students and 37% of Aledo students were in favor of consolidation with the other district. In surveys conducted by these consultants, the student percentages in favor of reorganization have almost always been the lowest of the three groups.

Looking at each district with all three groups considered, the average in favor of consolidating with Aledo from the Westmer surveys was 49%. For Aledo, the percent of the three groups in favor of consolidating was a significantly higher 64.3%. Both of these calculations use the average of each of the three groups to find the district average. If each individual were counted in each district, the number in favor would come down in both districts because of the large number of students voting. The percentage approach is done in order to avoid one group in each district with a large number of respondents dominating the percentages.

Those voting in favor of the two district merger listed reasons, such as: expanded course offerings, financial stability, better extra-curricular activities, more opportunities for the arts, more college placement courses, larger tax base, and the travel distances would be good. Those

opposing the merger, cited: students will not get along, bussing distance too great, some staff members may lose jobs, too much emphasis on sports, Aledo's debts, and Westmer's poor facilities.

Both districts and all groups were asked if they favored a different consolidation. For both districts, Rockridge was the most mentioned district with Sherrard second. The percentage in favor of a district other than Aledo or Westmer was low in both districts. In Aledo, the average among the three groups was 23%. In Westmer, the average among the three groups was slightly higher at 27%. Many of these same respondents also favored the Aledo/Westmer consolidation.

Looking at the survey results as a whole, it appears that there is already strong support for a merger by staff in both districts. Community members are also open to a merger. However, the percentage in Westmer is lower than in Aledo. Among students, there is much more reluctance, with neither student group favoring a consolidation with anyone. One thing is consistent across both districts and all groups – Westmer is the top choice in Aledo, and Aledo is the top choice in Westmer.

## **CURRICULUM**

### **PROPOSED CURRICULUM**

The courses that are currently offered at Aledo High School and Westmer High School are similar in number and in course content with some variations. Both school districts offer a variety of curriculum choices and have made every effort to meet the academic needs of their students.

However, the consultants recognize areas of concern with the curriculum offerings that are directly attributable to student enrollment. A reorganized school district would be better able to increase curriculum choices at the high school level in the areas of Agriculture, Business, English, Industrial Technology, Art and Science. Aledo High School currently offers 11 courses that are not being offered at Westmer, and Westmer High School currently offers 9 courses that are not being offered at Aledo. The courses are:

Aledo High School

Ag. Machine and Power  
 Ag. Construction  
 Ag. Resource Conservation  
 Ag. Resource Management  
 Business Technology  
 Speech  
 Journalism  
 2 – D Design  
 Multi-Media Art  
 Robotics  
 World Government

Westmer High School

Creative Writing  
 Theatre  
 Restaurant Management  
 Wood Working  
 Advanced Wood Working  
 Welding  
 Trigonometry  
 Zoology  
 Psychology

In addition, both school districts are currently unable to implement, on an annual basis, the full contingent of courses that are offered in their Course Guide Handbooks. Aledo High School implements 69% of their courses and Westmer High School implements 82% of their courses. Some of the courses listed in the Course Guide Handbooks have notations, which indicate that the course can only be offered on an alternating yearly schedule. Alternating yearly offerings is a creative method of providing an enriched curriculum, but can also be recognition of the difficulties that arise within the framework of small or declining enrollment.

By engaging in reorganization, both school districts could also experience an increase in staff efficiency and create the potential for increasing classroom dynamics in those classrooms in which class size is detrimentally small. As noted in “Section I – Course Comparisons”, 37 of Aledo’s course offerings (51%) are only offered once per semester, while 45 of Westmer’s

courses (72%) are only offered once each semester. In addition, 16 percent of the courses offered at Aledo High School have 11 or fewer students. Aledo's secondary pupil-teacher ratio as reported on the 2006 Illinois District Report Card is 13.4 students to 1 teacher. Thirty-two percent of the courses offered at Westmer High School have 11 or fewer students. Westmer's secondary pupil-teacher ratio is 9.5 students to 1 teacher. The average State pupil-teacher ratio is 18.9 pupils to 1 teacher. When class sizes become too small there are negative impacts. A large percentage of small classes results in an economically inefficient use of teaching staff; stretches the abilities and the competencies of the teaching staff's credentials by requiring multiple preparations for the teacher; impedes upon a lively classroom interchange of ideas; and threatens to undermine the No Child Left Behind mandate, which requires that students be taught by a "highly qualified" staff. Both districts have a dedicated, hard-working teaching staff, but reorganization could be a method of improving teaching staff efficiency while allowing opportunities to create a fuller curriculum.

As of the end of April 2007, the student population at Aledo High School was 302 and the Westmer High School student population was 163. If the reorganized school district were open at this time, it would have 1,411 students with a high school student population of 465.

The curriculum proposed for the reorganization of the Aledo and Westmer school districts is a blending of both curriculums. Specifically, reorganization would:

- increase participation in the area of fine arts,
- reinforce the vitality of all courses,
- augment the efficiency of classroom instruction by reducing multiple preparations,
- increase financial efficiency of the staff,
- allow multiple sections of courses, which would reduce the number of scheduling conflicts that can prevent a student from gaining access to desired courses, and
- increase course offerings in the areas of Agriculture, Business, English, Industrial Technology, Art and Science.

## **ENROLLMENT**

The enrollment projections used in this study are from the Illinois Institute for Rural Affairs, based on the campus at Western Illinois University. The kindergarten enrollments in 07-08 and beyond are based on birth statistics by county of residence, in this case Mercer County, as supplied by the Illinois Department of Public Health. These class sizes are subject to changes within the community populations as a whole in this time of factory closings, tight economic news, and new employers in the area.

In April of 2007, the two districts enrolled 1,411 students in Kindergarten through 12<sup>th</sup> grade. Nine years earlier, in 1997-98, there would have been 1,736 students. This is a drop of 325 students or just under 19% of the total enrollment, which is 2% per year. For both districts, but particularly for Westmer, this drop is projected to slow. The decrease over the next five years is projected at just over one percent per year for the combined district (5.24% over 5 years). These figures suggest that the long-term drop in student enrollment has slowed and may be turning around. It should be noted that the total enrollment would still be down 399 students from the fall 1997 enrollment. Given the economic conditions in the area, these projections can at best be seen as a possible indicator that barring future closures of large employers in the area, this new district should see a leveling off of enrollment.

Assuming a possible merging of the districts is the fall of 2009, the high school would average 106 students per grade, with a total of 425 in the high school. As a comparison, the four lowest grades (Kindergarten through 3<sup>rd</sup> grade) would average 99 students each. This lower number in the primary grades is a concern. It could possibly mean that more drops in enrollment could continue after the merger. While these numbers are the least accurate of any part of the

enrollments because they are based solely on IDPH birth statistics, they still are not a positive for seeing any growth in the new district or perhaps even a steady enrollment.

**Reorganization: Aledo & Westmer**

Grade	Enroll 97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	Project 07-08	Enroll 08-09	09-10	10-11	11-12
K	133	106	115	118	92	122	120	107	96	117	96	98	84	84	84
1	120	132	110	109	120	91	120	116	111	96	114	93	95	82	82
2	125	114	128	112	106	119	89	113	116	98	97	115	94	96	83
3	137	131	113	125	114	110	118	91	113	116	105	105	123	101	103
4	118	139	132	118	121	112	106	113	90	118	113	102	101	120	98
5	127	124	144	130	119	129	104	106	119	88	121	116	105	104	124
6	118	124	123	136	136	125	128	109	103	108	95	132	124	114	114
7	142	126	127	133	134	130	113	123	106	104	105	93	129	121	111
8	144	149	128	121	128	129	129	117	124	101	101	103	90	125	118
9	142	140	146	128	119	142	146	131	123	126	105	104	107	94	129
10	151	139	145	140	118	114	125	130	124	113	122	102	102	104	91
11	130	152	134	132	130	109	104	106	124	116	110	117	98	100	99
12	149	122	147	128	128	132	111	106	107	110	116	110	118	98	100
Sum	1,736	1,698	1,692	1,630	1,565	1,564	1,513	1,468	1,456	1,411	1,401	1,391	1,372	1,344	1,337
Change		(38)	(6)	(62)	(65)	(1)	(51)	(45)	(12)	(45)	(10)	(11)	(18)	(29)	(7)

## DEMOGRAPHICS

The Aledo School District and the Westmer School District share demographic similarities. As noted in Section I of this report the distinguishing differences are found in the following categories:

<u>Low Income Students</u>		<u>High School Drop Out Rate</u>	
Aledo	23.2%	Aledo	0.0%
Westmer	35.2%	Westmer	1.2%
<u>Truant Rate</u>		<u>Student Mobility Rate</u>	
Aledo	0.3%	Aledo	7.4%
Westmer	3.5%	Westmer	14.1%
<u>Average Teaching Years</u>		<u>H.S. Teacher-Student Ratio</u>	
Aledo	18.1	Aledo	13.4
Westmer	13.0	Westmer	9.5
<u>Student-Administrator Ratio</u>		<u>FTE Teachers</u>	
Aledo	240.8	Aledo	70
Westmer	186.3	Westmer	46
<u>Total Student Enrollment</u>		<u>Average Teacher Salary</u>	
Aledo	963	Aledo	\$40,726
Westmer	559	Westmer	\$38,903
<u>Instructional Expenditure Per Pupil</u>			
Aledo	\$4,238		
Westmer	\$4,904		

Despite the differences listed above, the consultants believe that the Aledo School District and the Westmer School District would be comfortable joining into a reorganized school district due to cultural similarities and other shared experiences. The consultants do recognize that a significant change would occur in student population with a reorganized district. Currently, Aledo's student population is 892 and Westmer's student population is 519. A reorganized school district would have a student population of 1,411 with a high school enrollment of 465 students. A reorganized high school with 465

students would be 54% larger than Aledo's current high school population and well over twice as large as Westmer's current high school population. A similar situation would exist at the new reorganized middle school. However, the consultants believe that the students would have little or no difficulty in adjusting to such a change. The consultants believe that such a change would provide opportunities for increased interaction and student growth. Because the reorganized school district would be 97% white, the consultants recommend that intellectual and cultural diversity continue to be addressed through curriculum offerings and extra curriculum activities.

In summary, the two school districts are more alike and have more in common with each other than they do with the demographics of the State as a whole. There would be no difficulty in reorganizing the two districts into one district and such reorganization would prove beneficial.

## **EXTRA CURRICULUM SUMMARY**

Aledo currently offers 23 extra curriculum activities at the high school level and 10 extra curriculum activities at the junior high level. Westmer offers 19 extra curriculum activities at the high school level and 8 extra curriculum activities at the junior high level. Aledo offers 6 additional high school sports activities that are not offered at Westmer, and Westmer offers one additional high school sports activity that is not offered at Aledo.

A reorganized school district would have a high school student population of 465 as compared to the current student populations of 302 for Aledo and 163 for Westmer. The middle school student population of a reorganized school district would be 313. In a reorganized school district, it would be possible to offer the entire extra curriculum

activities that currently exist in the two separate districts. In addition, all of the extra curriculum activities would see a boost in student numbers. Listed below are extra curriculum activities that are currently offered in one school district but not in the other:

Aledo

Baseball  
Boys Golf  
Wrestling  
Softball  
Girls Golf  
Girls Track  
Jr. High Swing Choir  
Jr. High Wrestling

Westmer

Student Senate  
Cross Country

It is the recommendation of the consultants that the two school districts meld their activities, staff, equipment and facilities together under the operation of the newly reorganized school district. Such a melding would result in savings in the areas of extra curriculum coaching and sponsor stipends and would enrich the extra curriculum program by providing new opportunities for students.

## **OPERATIONAL AREAS**

The two districts currently employ 122 certified teachers. In addition, the two districts employ seven administrators. A reorganized district could offer all courses currently taught and do so with a reduced number of teaching and administrative staff.

### **STAFFING**

Certified Teachers – In developing a recommendation that addresses the issue of retention and reduction of certified teaching assignments, the consultants examined the current number of staff members in the two school districts, the high school and middle

school curriculums, current enrollment figures, and projected enrollment figures. An examination of those factors provided the following results:

### **Student Enrollment for a Reorganized School District**

<u><b>2006-2007</b></u>	<u><b>2009-2010</b></u>
465 high school students 9-12	425 high school students 9-12
205 jr. high students 7-8	220 jr. high students 7-8
741 elementary students K-6	730 elementary students K-6
1411 students total	1375 students total

### **Sample of Calculated Class Averages – 06-07 Reorganized High School**

<u><b>Discipline</b></u>	<u><b>Current Semester Sections</b></u>	<u><b># Of Students</b></u>	<u><b>Average # Per Section</b></u>
Agriculture	32	387	12.1
Business	15	155	10.3
English	30	481	16.0
Family/Consumer	12	145	12.1
Math	28	447	15.9
P.E.	22	413	18.7
Science	28	421	14.0
Social Studies	36	504	12.9

### **Elementary Class Sizes for Reorganized District 2006-2007**

<u><b>Class</b></u>	<u><b>Average Class Size</b></u>
Pre-K	3 sections of 19
K	6 sections of 20
1 <sup>st</sup>	6 sections of 16
2 <sup>nd</sup>	5 sections of 20
3 <sup>rd</sup>	5 sections of 23
4 <sup>th</sup>	6 sections of 20
5 <sup>th</sup>	4 sections of 22

**High School** – The consultants recommend a reduction of 6 teaching positions at the high school level. The consultants believe that a total of 7 teaching positions could be reduced within the following disciplines: Agriculture, Business, English, Family and Consumer Science, Math, Science, Band, Librarian, and Technology Support. Some of the reductions would be full-time teaching position and some of the reductions would be part-time positions. Although the consultants believe that 7 teaching positions could be reduced, at this time the recommendation is a reduction of 6 full time positions until a more methodical examination of the reductions occurs during the process of reorganization to determine if more than 6 positions are feasible.

**Middle or Junior High** – The consultants recommend no reductions in the teaching staff at the middle school level at this time. However, the consultants do recommend that a continued examination of middle school staffing be done in a reorganized district. As student numbers fluctuate in the next three years, the consultants believe there may be an opportunity to make one or more reductions at the middle school level.

**Elementary** – The consultants recommend no reduction in the teaching staff at the elementary school level. However, the consultants do recommend further examination of student- teacher ratios over the next three years before the reorganized school district begins, with the purpose of possible teaching staff reductions.

**Certified Teaching Staff Reductions** – The staff reductions are made with the goal of a 2009-2010 school year reorganization date. The reductions would be done on a position-by-position basis and in accordance with seniority and certification in both school districts. The estimated savings that would occur are based upon the cost of a second

year teaching position at the BA salary level with fringe benefits. The cost savings per position is approximately \$35,000. Six positions are being recommended for reduction, which results in a \$210,000 savings for the new school district.

**Administrative Assignments** – The consultants recommend the reduction of one superintendent position and recommend that one of the current building principal positions become a high school assistant principal position. The resulted administrative savings would be approximately \$110,000.

**Support Staff** – The consultants recommend the reduction of one and one-half secretarial positions at the reorganized unit office and one and one-half secretarial positions at the reorganized high school. The consultants also recommend the reduction of 2 cooks in the reorganized school district. The resulted savings would be approximately \$100,000.

Reductions in custodians are a part of O & M Fund reductions. Aide positions should be reevaluated at the time of district reorganization.

**Extra Curriculum Staffing** – The consultants believe that reorganization would result in a shifting of and elimination of duplicate coaching and activity sponsorships. The resulted savings for the reorganized district would be a minimum of \$30,000.

**TOTAL ESTIMATED STAFF REDUCTION SAVINGS: \$450,000**

## **SALARIES**

Salaries are somewhat difficult to project for the purposes of this report. With the assumption that no reorganization could occur before the 2009-2010 school year, Aledo will have negotiated a new contract and both districts will have new salary schedules.

Using current salary schedules, it is clear that the differences in salary between the two

districts will vary significantly depending mostly on the experience of the teacher. It is only the very top salary column (a column that does not appear on the Aledo schedule), where Westmer has a significant advantage and where the salary schedules appear to differ a great deal (\$5,889). The beginning and ending salaries in all of the other columns are within \$1,300 of each other. However, those figures are somewhat misleading.

The biggest differences for the teachers will occur in the middle of the schedules, where Westmer teachers make more because they take fewer years to get to the maximum wage for their educational level. At around 16 years of experience, Westmer teachers will make from \$5,100 to \$13,300 more than their counterparts in Aledo. However, very few of the Westmer teachers are in this “Middle” area. When the Westmer teachers are put in the current spreadsheet, it appears that only 12 teachers will get over a \$3,000 raise. The rest of the teachers will gain an extra \$79 to \$2,932, with most of them getting under \$2,000 in raises, assuming the Westmer schedule is used. It would be considered “normal” in any reorganization for the highest salary schedule to become the basis for the new contract in the new district. The salary schedule will obviously be addressed carefully in any negotiations.

The average Aledo teacher has 18.1 years of experience as opposed to 13.0 in Westmer. Aledo teachers average over 5 years more experience. Both districts are far below the State average for teachers with Master’s Degrees. Only 12.1% of Aledo teachers have a Masters and only, 10.9% of the Westmer teachers have a Masters. The State average for teachers with Masters is 50.6%.

Using the 2006 State compilation of average teacher salaries, Aledo pays the most per teacher (\$40,726). Westmer’s average salary is \$38,903 or \$1,823 less than the

average Aledo salary. However, this is very misleading. When the teachers are put on an actual salary schedule, it is the Aledo teachers that make less because of the quicker speed of getting to the maximum for the Westmer schedule. Also, much of the difference occurs because of the significantly higher seniority of Aledo teachers. In the State calculation, the incentive is \$83,858 because Westmer teachers get increases. When the actual teachers are put on the salary schedule, it is the reverse; the Aledo teachers get the raises for a total of approximately \$88,992. So, in the end, the State incentive is almost the same total dollars, but the teachers in the opposite district get the raises.

Knowing these differences exist, it is unlikely that the State's estimate of a difference of \$83,858 per year for a total of \$335,432 is going to be accurate. ISBE staff specifically state that this figure will not be used for the actual incentive payment. Unfortunately, only the final salary schedules and the staff actually in the new district would allow an exact estimate of the total increase in salary cost. This number also ignores the fact that some staff reductions are likely. But, because the alternate method of placing teachers in the current salary schedules and comparing with the State figures results in a figure that is very much alike, the \$335,432 total incentive for salary differences as provided by the State will be used in incentive calculations.

For support staff, the picture is less clear. Generally, the districts pay comparable wages. Because of differences in days worked per year, fringe benefits, categories within given work classifications, and hourly wages, an exact comparison is not possible. Differences that do occur seem in many cases to be less than one dollar per hour. Only in a couple of areas does the gap become wider, with most of the difference being because of years of seniority. Only an in depth study done on an individual employee-by-

employee basis could produce a number that would be accurate. For purposes of this study, it will be assumed that the average support staff in Westmer make about the same per hour as the same position at Aledo, thus no savings or extra costs are calculated.

The salary increases to staff - support and certified – that occur in almost any reorganization are wonderful for staff. However, they can significantly increase the cost of salaries for the new district. In the case of Aledo and Westmer, the salaries paid are very similar. The increases in salary as a part of the entire expenditures of the new district are relatively small. The fact that certified salaries are close means that after four years, when the incentives are gone, the District will have little problem in adjusting to paying the full salary costs. It is almost certain that the reductions in staff would exceed the additional cost for increased salaries by a large margin.

## **TRANSPORTATION**

Transportation in this new district of 378.8 square miles (Aledo 168.5 square miles and Westmer 209.1 square miles) can be accomplished in an economical and efficient manner. However, this will be a large district and there will need to be careful planning. The new transportation system would utilize some of the current routes but would see changes where overlapping areas could allow shorter riding time for some students. As the new district has a chance to become fully operational, it should be possible to change some of the routing to reduce the time middle and high school students will have to spend on the bus. Purchase of a routing software program will help with more efficient use of buses and reduction of the time on the bus.

Bringing students into their current high schools and then shuttling them to their final destination may be necessary for some students. For instance, bringing some of the Westmer students to Joy and then shuttling them to New Boston or Aledo would save bus miles and student time on the bus. The north end of the Westmer district creates the probable tough areas to transport without long times on the bus. It may be necessary to double route or at least add an extra route in this area (possibly sending a mini bus to this area). Busses moving through much of the new district will never be very full. Square miles and length of run will be the determining factor in most busing decisions, not number of students on the bus. The new district needs to understand this fact when they begin planning for numbers of busses and costs for transportation. A software package can make it much easier to construct routes that are most efficient in terms of student riding time and district costs.

Combining the two districts should result in savings on transportation compared to the costs of the two current districts. There could be savings by having many repairs and much of the general maintenance done by the bus personnel. Presently, Westmer #203 has a transportation director/mechanic who is doing much of the major repair work on the bus fleet. In addition, the total fleet size could be reduced because the number of spare buses needed would be lower. However, new shuttle routes are likely to be added for regular transportation during the day.

The present bus fleet at Westmer consists of 12 busses and 3 mini busses, all owned by the school district. Aledo Unit #201 contracts with Jason Johannes for almost all transportation of students. The district does own 3 mini busses for some activity trips.

The consultants recommend that the combined district use the contract carrier for Aledo's regular transportation for the first year. But, that district owned busses handle all Westmer's regular routes, all shuttle routes, all special education routes and all non-reimbursable trips in the first year. The district would begin transporting all students during the second year. This would give the new district a year to plan the regular daily routes for the combined school district

It is recommended that all busses be stored in Joy. The present bus barn could be used as well as converting the present Industrial Arts/Ag facility into the main repair area as well as storage. This should allow approximately 14 busses to be stored inside these two facilities. These facilities could be expanded at a later date to house all busses or a storage facility could be obtained in Aledo for part of the busses.

The recommendation for district owned vehicles comes because the 2006 per mile cost of transportation for Aledo was \$2.30. For Westmer, the per mile cost was \$1.53. The 77¢ difference times the 186,645 miles driven by Aledo would equal \$143,717. Realistically, this total savings is probably not possible because of some of the overhead costs. However, the biggest share of it could be saved (very close with the other savings that will occur from the merger).

Savings and improvements could be in the following areas:

- 1) eliminating higher per mile costs of contracted services
- 2) standardizing all bus purchases and all equipment purchases
- 3) centralizing all radio transmission and all radio services
- 4) large fleet insurance by one carrier
- 5) a bus director to handle all bus routing and bus personnel

- 6) a full-time mechanic
- 7) combined Special Education routes
- 8) reducing the number of “spare” buses

## **FACILITIES**

**ELEMENTARY** -The recommendation for facility utilization at the elementary level is to utilize the elementary buildings currently in use in the two districts. Pre-K through 5<sup>th</sup> grade students would continue to be housed in the elementary buildings located in the two current districts. Busing elementary students long distances would not be necessary. The consultants also recommend that the 6<sup>th</sup> grade students from each of the two districts be moved into their respective elementary buildings. This will be a tight fit in Westmer Elementary School, but it can be accomplished without additional construction.

Using the current elementary schools to house all elementary students would make use of the best buildings in terms of age and in using the buildings that are designed for elementary students. Both elementary schools are in excellent condition and are ‘student friendly’ facilities. Maintenance will be needed for some of the systems in the coming years, but the costs are not prohibitive. These buildings have many years of service in front of them.

**JUNIOR HIGH SCHOOL** - The consultants feel that the best recommendation is to house all of the 7<sup>th</sup> and 8<sup>th</sup> grade students at Aledo Junior High School. This means moving the sixth grade students from Aledo into Apollo Elementary School.

Aledo Junior High School has the rooms necessary to handle the seventh and eighth grade students without crowding. This is a fine facility with advanced technology and rooms designed for junior high students. The advantages of keeping all students together include: flexibility of staff, cost savings, and athletic teams at one location. Aledo Middle School is a wonderful facility and will be a key part of the new district.

**HIGH SCHOOL** -To best serve all of the high school students of the new district, the consultants recommend that Aledo High School be used for all high school students. The building has the size necessary to house all students with no significant remodeling. The building is in good repair. Vocational labs, computer labs, and the variety of classrooms available are strong points of this facility. Life/Safety and other repairs appear to be less costly than at Joy. The biggest problem at either high school is handicapped accessibility. It may be somewhat easier to do in Aledo but will still be expensive; it should be done as a part of reorganization. Aledo High School will make an excellent high school with many years of service for the new district.

**ALTERNATE FACILITY USE** – If the two communities feel the above configuration is not the best solution, the consultants would offer the following as an alternative. Moving all 5<sup>th</sup> and 6<sup>th</sup> grade students to the current Westmer Jr./Sr. High School would allow a more even division of school grades between the two current districts. Moving all 5<sup>th</sup> and 6<sup>th</sup> to Joy will alleviate any crowding that may occur from adding 6<sup>th</sup> grade to the two elementary schools. Room would be available for any extra classes that might be needed by the district, for example – alternative school and self-contained special education. Perhaps as much as a third of the building could be closed and the rest used, which would save some of the operational costs.

The down side to this configuration is that a large expensive building will be kept in use. More busing will be required than in the recommended structure. Two grades of Aledo students (5<sup>th</sup> and 6<sup>th</sup>) will be bused to Joy, where in the other configuration all of those students stay in their current communities. This configuration will require an extra administrator. It will also be very expensive in terms of life safety work needed on the Joy building, extra custodial services that will be required, plus extra heating, electricity, and utilities. It is an option, but an expensive one.

**COST SAVINGS** – Under the preferred building configuration, forming one large district from the two existing districts will save significant facility dollars. Closing Westmer Junior/Senior High School will save costs of utilities, maintenance and custodial personnel, building supplies and routine upkeep, and current and future repair and remodeling of the facility.

In order to estimate the savings brought about by the closing of the one high school, the consultants have chosen to use a square footage operating cost for current buildings. The total square footage of Westmer's buildings (103,898) is divided by the average of the total dollars spent in the O & M Fund of the district in the budget for the five years – FY2003 through FY2007 = \$341,005 average. The resulting cost per square foot per year (\$3.28) is taken times the number of square feet in the building being closed ( $\$3.28 \times 73,556 = \$241,419$ ). The proposed reduction in cost (\$181,000) is 75% of that number. The 75% figure is used because some costs, such as: insurance, maintenance staff, and cost of utilities are not a 1 to 1 correlation by square foot. The following chart shows the breakdown used for the calculations.

**CALCULATIONS FOR OPERATING FUND SAVINGS  
ALEDO & WESTMER COMBINED**

	<u>ALEDO</u>	<u>WESTMER</u>
HIGH SCHOOL-Sq. Ft.	62,428	73,556
MIDDLE SCHOOL - Sq. Ft.	51,212	0
ELEMENTARY - Sq. Ft.	50,008	30,342
TOTAL SQ. FOOTAGE	163,648	103,898
CLOSED BLDG. FOOTAGE		73,556
AFTER CLOSED BLDG.Sq.Ft.	163,648	30,342
O & M FUND EXPEND. USING 5 YEAR AVERAGE	\$474,736	\$341,005
CURRENT BLDG. COSTS	\$2.90	\$3.28
BLDG. SQ. FT. TOTAL	267,546	
BLDG. TOTAL LEFT AFTER CLOSING 1 BLDG.	193,990	

SAVINGS BY CLOSING WESTMER JUNIOR SENIOR HIGH SCHOOL

SAVINGS AT \$3.28 PER FT      \$241,419.12

SAVINGS AT 75% OF COST      \$181,064.34

**RATE SETTING FOR THE OPERATIONS & MAINTENANCE FUND**

CURRENT TOTAL O & M FUND EXPENSE	\$815,741		
LESS YEARLY SAVINGS	<b>\$181,064</b>		
NEW COST TOTAL	\$634,677		
		RATE TO COVER ENTIRE COST BASED ON EAV OF CALENDAR YR.09	\$104,924,682
PROJECTED COST IN 2010 USING 3% YEARLY INCREASES	\$693,528		
		BREAKEVEN W/O USING GSA OR CPPRT	\$0.67
		RECOMMENDED RATE	<b>\$0.70</b>

THESE RATES ARE DESIGNED TOO ALLOW OPERATION WITHOUT THE USE OF STATE AID OR CORPORATE PERSONAL PROPERTY REPLACEMENT TAX & WITH ALL CUSTODIANS AND UTILITY COSTS PAID FROM THE O & M FUND.

In addition, Westmer would avoid spending the \$435,000 in Life Safety Funds that are listed as required in the 2006 Resurvey of the Westmer buildings. Closing the building will also avoid the expenditures of many other one-time expenses for repairs and improvements on the building over the next decade. The savings for closing this building are considerable when one-time expenditures and yearly operational savings are combined.

## **FINANCES**

### **LOCAL FUNDING**

The combined Operating Fund Carryover Balance of the two districts at the end of the current year (FY2007) is projected at over \$3,320,573. This is \$776,000 dollars higher than at the end of FY2003. The \$3.3 million dollars does not include any early tax distributions and is therefore an accurate account of dollars available for district use. Operating Fund expenditures are projected at \$11,333,036 for the year. At this expenditure rate, the current carryover would allow the district to operate for three and one-half months without new revenue. Another positive part of this analysis is that unlike many districts, no borrowed dollars are included in these fund balances and no Working Cash Bonds are outstanding. This is a good starting position for a new district. The following table is a look at the combined revenues, expenditures and fund balances for the four operating funds with the two districts combined into one district.

<b>5 YEAR HISTORY OF THE OPERATING FUND RECEIPTS &amp; DISBURSEMENTS</b>					
<b>Combined Aledo &amp; Westmer – Education Fund</b>					
	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>Budget FY2007</b>
<b>Receipts:</b>					
<b>Local Taxes</b>					
Ed. Fund Levy	\$2,555,415	\$2,543,328	\$2,476,459	\$2,374,961	\$2,404,884
Other Spec. Levy	\$128,637	\$182,496	\$287,701	\$414,869	\$309,387
Other Local	\$786,375	\$905,271	\$710,433	\$816,358	\$851,237
<b>Total Local</b>	<b>\$3,470,427</b>	<b>\$3,631,095</b>	<b>\$3,474,593</b>	<b>\$3,606,188</b>	<b>\$3,565,508</b>
<b>State Aid</b>					
GSA	\$3,662,748	\$3,879,290	\$4,094,626	\$4,345,279	\$4,458,832
Hold Harmless	\$18,684	\$0	\$0	\$0	\$0
Other State	\$683,175	\$732,966	\$634,094	\$661,307	\$706,598
<b>Total State</b>	<b>\$4,364,607</b>	<b>\$4,612,256</b>	<b>\$4,728,720</b>	<b>\$5,006,586</b>	<b>\$5,165,430</b>
<b>Federal</b>					
All	\$860,018	\$1,017,927	\$861,928	\$833,189	\$889,660
<b>Total Receipts</b>	<b>\$8,695,052</b>	<b>\$9,261,278</b>	<b>\$9,065,241</b>	<b>\$9,445,963</b>	<b>\$9,620,598</b>
<b>Expenditures:</b>					
Personnel	7,323,931	\$7,605,934	\$7,673,069	\$7,578,280	\$7,866,856
Other	\$1,669,121	\$1,506,558	\$1,405,154	\$1,549,874	\$1,771,023
<b>Total Expenditures</b>	<b>\$8,993,052</b>	<b>\$9,112,492</b>	<b>\$9,078,223</b>	<b>\$9,128,154</b>	<b>\$9,637,879</b>
Other Income	\$3,161	\$8,816	\$66,000	\$55,293	\$30,000
Plus/(Minus)	(\$294,839)	\$157,602	\$53,018	\$373,102	\$12,719
<b>Fund Balance</b>	<b>\$1,025,086</b>	<b>\$1,182,688</b>	<b>\$1,235,706</b>	<b>\$1,608,808</b>	<b>\$1,621,580</b>
<b>Combined Aledo &amp; Westmer – Operations &amp; Maintenance Fund</b>					
<b>Receipts:</b>					
Local Tax Receipts	\$507,817	\$512,423	\$509,416	\$455,961	\$462,738
Other Income	\$149,917	\$91,497	\$371,532	\$361,673	\$447,925
<b>Total Income</b>	<b>\$657,734</b>	<b>\$603,920</b>	<b>\$880,948</b>	<b>\$817,634</b>	<b>\$910,663</b>
<b>Expenditures:</b>					
<b>Total Expenditures</b>	<b>\$812,356</b>	<b>\$747,242</b>	<b>\$808,115</b>	<b>\$805,217</b>	<b>\$905,775</b>
Plus/Minus	(\$154,622)	(\$143,322)	\$72,833	\$12,417	\$4,888
Transfer/Asset Sale	\$9,500	\$0	\$0	\$0	\$0
<b>Fund Balance</b>	<b>\$377,898</b>	<b>\$234,576</b>	<b>\$307,409</b>	<b>\$319,826</b>	<b>\$324,714</b>

<b>Combined Aledo &amp; Westmer – Transportation Fund</b>					
<b>Receipts:</b>					
Local Receipts	\$273,345	\$206,972	\$201,456	\$198,995	\$199,928
State Receipts	\$470,937	\$589,568	\$576,783	\$445,156	\$621,532
Total Receipts	\$762,566	\$796,540	\$778,239	\$644,151	\$821,460
<b>Expenditures:</b>					
<b>Total Expenditures</b>	\$771,863	\$648,526	\$690,724	\$740,183	\$789,382
Other Income/Trans	\$0	\$0	(\$57,000)	\$0	\$51,000
Plus/Minus	(\$9,297)	\$148,014	\$30,515	(\$96,032)	\$83,078
<b>Fund Balance</b>	\$353,210	\$501,224	\$531,739	\$435,707	\$526,277
<b>Combined Aledo &amp; Westmer – Working Cash Fund</b>					
<b>Fund Balance</b>	\$788,554	\$810,247	\$833,551	\$824,065	\$848,002
<b>Combined Aledo &amp; Westmer – Operating Funds</b>					
<b>Combined Balance</b>	\$2,544,748	\$2,728,735	\$2,908,405	\$3,188,406	\$3,313,028

Budgeted (FY2007) expenditures in the Operating Funds for the two districts are \$11,333,036. Revenues for the current year are estimated at \$11,457,658. Income in the budget exceeds expenditures by just over 1% (\$124,622). However, the districts should do a little better than this estimate, because revenues have historically been underestimated on budgets and expenditures overestimated, it is reasonable to assume that the two districts joined would be balanced across the Operating Funds at a little higher level than the estimate from the budgets. Last year the income and expenditure balanced and showed a surplus of \$280,000. The positive balance was still only a little over 2%, but it was a positive. This is a very small cushion and would be eroded quickly with any significant increase in expenditures or decrease in revenue.

Neither district has been able to support the Operations and Maintenance Fund from local tax dollars. Aledo has a very low 37.5¢ O & M Fund rate, while Westmer has

a more realistic 75¢ rate. Westmer puts in an additional \$100,000 of General State Aid (GSA), and Aledo puts in about \$250,000 worth of Corporate Personal Property Replacement Tax (CPPRT) to balance the O & M Fund. Requiring additional revenue from outside of the local tax levy is not likely to change if the districts continue to operate alone. Costs of heating fuel, the huge increases in electricity rates, employee increases in salary, and inflation of supplies will probably exceed the percentage increase in EAV for the local tax levy, which is the only large dedicated source of revenue for the fund. The O & M Fund for the two districts standing alone is likely to need increasing amounts of General State Aid or CPPRT dollars to balance the budget with the two districts if no consolidation occurs (the current budget shows an increase for each of these). However, if the districts join, closing part or all of a building will make great progress toward balancing the fund. For the O & M Fund, a consolidation will allow the district to come much closer to paying the total cost of operating the buildings from the local tax levy without a huge increase in the levy rate.

For the Transportation Fund, both districts currently have a 20¢ rate. Combined, the two are projecting a carryover of \$83,078 for the current year. Most of this surplus is from a one-time income from Westmer's sale of five buses. The savings from the consolidation, even with the extra cost of shuttles, should provide a yearly positive balance in the Transportation Fund. Going to all district run transportation should make the situation even more positive.

## **FEDERAL FUNDING**

Federal funding for the current year (FY2007) is projected at \$889,660. While Federal revenue has gone up and down over the last five years, the end result is virtually unchanged from the revenue five years ago (FY2003). Because Federal revenue is unchanged and other revenues have increased significantly, the percentage of the districts' revenue from Federal sources has dropped over the last five years. Currently, Federal revenue is 7.7% of the total revenue for the four operating funds. The vast majority of this money comes from the School Lunch Program and Title I. Federal funding has dropped in most categories over the last several years; led by cuts in the Title I program, where more funding is going to large metropolitan areas with low-income population. These two districts are fortunate to have been able to maintain previous levels of Federal funding. There is little chance that the increased size of the district would make it eligible for more Federal dollars. Overall, whether combined or individual, Federal funding is not likely to change to any large degree in the near future for these districts.

## **STATE FUNDING**

It is impossible to project what the State Foundation level might be in two to five years, or for that matter, in August of this year. The assumption is made that it will continue a slow upward movement. The two districts received a total of \$4,432,779 in General State Aid (GSA) in FY2006. All but \$87,500 of those dollars were placed in the Education Fund. The projections for FY2007 are for a \$150,000 GSA increase in the

combined district. Westmer is increasing the GSA dollars going into the O & M Fund from \$87,500 to \$122,575. Therefore, only \$114,925 remains for the Education Fund.

The GSA increase of 3.35% is smaller than the overall State average, primarily because of dropping student numbers. If General State Aid were to increase by 4.5% as requested this year and then continue to grow at a conservative 3% per year for the next three years, the two districts might well see nice increases. There are two other factors that must be considered in GSA calculation: EAV per child and Average Daily Attendance (ADA) of students. The EAV being used will be showing a relatively small overall change. The per student 2005 EAV being used for next year may well show an increase of as little as one percent which will not make a big impact on GSA. However, the three-year rolling average of ADA will show an average loss of attendance of around 34 students, which could result in losses of between \$180,000 and \$190,000 of GSA. The 4 1/2% increase in GSA brings about \$206,000, but the loss of pupil attendance will may take away all but about \$20,000 of that amount.

However, because of the way State Aid is figured on all districts of the State, a projected gain of at least \$50,000 is more realistic. What will actually be gained will not be known until after all of the current year legislation is passed and the dollars are allocated to the various funds. The coming years will bring significantly lower losses of students each year, which will result in significantly more dollars from any increase in the GSA foundation Level. If the significantly higher Foundation Level from the Governor is approved, the dollars received next year, and each year beyond would increase dramatically. Therefore, GSA for the combined districts would increase at a faster rate.

All of these parts combine to give the new district its actual GSA allotment. For purposes of this study, the increase for next year will be figured at 1% and for the four years following that at 2%. This is a very conservative estimate and should be easily attainable and hopefully, exceeded.

**GSA FY2006-FY2011**

	ALEDO GSA	WESTMER GSA	TOTAL
FY2006	\$2,629,770	\$1,803,009	\$4,432,779
FY2007	\$2,700,169	\$1,881,238	\$4,581,407
FY2008	\$2,727,171	\$1,900,050	\$4,627,221
FY2009	\$2,781,714	\$1,938,051	\$4,719,765
FY2010	\$2,837,348	\$1,976,812	\$4,814,161
FY2011	\$2,894,095	\$2,016,349	\$4,910,444

The reorganized district would have access to four different incentive programs from the State. The State Aid reorganization incentive is designed to guarantee no loss in General State Aid because of reorganization for four years. The incentive guarantee calculation, given current district information, allots the new district \$15,481 per year in GSA makeup dollars for four years. The new district is projected to receive a total of \$61,924 in GSA replacement incentive money over four years. This amount will be recalculated based on the actual GSA eligibility in the first four years of reorganization.

Individual grant programs and categorical funding will experience no significant changes because of the reorganization. The reorganization will not significantly harm or help the current financial funding from the State, with the exception of the reorganization incentives, which will be explored later in the report.

## **LOCAL FUNDING**

The need to determine new tax rates is part of the consolidation process. The following analysis will use current rates as a base but will outline any deviations that should be considered.

Because Federal funding is not projected to improve, and State funding is not projected to improve significantly in the next few years, any yearly deficit when the new district begins operation will have to be corrected with local funding. Local tax levies have a huge effect on long range financial health should the two districts combine.

The following analysis starts with the “As needed” funds, which allow the districts to levy whatever amount the district needs for the specific purpose of a given “As Needed” fund. The next group analyzed is the smaller fixed funds, which are for special purposes, such as Special Education. The final group examined will be the “Operating Funds” which have been analyzed in Section II and III of this report. Future Property Tax Rates use the audited 2005 Tax Levies, as distributed to the districts in June and September of 2006, as a base. The following chart summarizes current levies and expenditures.

The EAV for the last calendar year (2006) for the two districts combined is currently estimated at \$97,559,917. This is the amount that will be used for tax levies in FY2007 (current taxes being levied). Projections are based on an Equalized Assessed Valuation of \$104,924,682 for the first year the new district would possibly operate (FY2010). This EAV takes the current EAV's of the two districts and increases them by the amount the assessor estimated as of May 21, 2007 (\$97,559,917) plus 2% increases for Westmer and 4% increases for Aledo each of the following two years. The table below shows the levies and the income from levies based on the audit conducted after the June 30, 2006 end of the fiscal year.

**FY 2006 = FUND RATES, LEVY REVENUES, EXPENDITURES**

<b>FUND RATES &amp; REVENUES</b>						<b>COMBINED</b>
	<b>ALEDO CUSD #201</b>		<b>WESTMER CUSD # 20</b>	<b>COMBINED</b>		<b>FUND</b>
	<b>LEVY RATE</b>	<b>REVENUE</b>	<b>LEVY RATE</b>	<b>REVENUE</b>	<b>TOTALS</b>	<b>BALANCE</b>
<b><u>AS NEEDED FUNDS</u></b>						
IMRF/SS/Medicare	0.3266	\$75,849	0.3358	\$105,022	\$180,871	\$177,
Tort	0.2296	\$214,577	0.4029	\$126,007	\$340,584	
<b><u>SPECIAL "FIXED RATE" FUNDS</u></b>						
Special Ed.	0.0396	\$24,113	0.0400	\$12,510	\$36,623	Tort No in Total
Lease	0.0495	\$30,127	0.0500	\$15,638	\$45,765	With ED
Life/Safety	0.0495	\$30,142	0.0500	\$15,637	\$45,779	With Ed./C
<b><u>OPERATING FUNDS</u></b>						
Education	2.7203	\$1,657,741	2.3400	\$731,837	\$2,389,578	\$1,608,
O & M	0.3710	\$226,056	0.7500	\$234,563	\$460,619	\$319,
Transportation	0.1979	\$120,563	0.2000	\$62,550	\$183,113	\$435,
Working Cash	0.0000	\$5	0.0500	\$15,638	\$15,643	\$824,
<b><u>BOND &amp; INTEREST</u></b>						
Current Year	0.3218	\$193,642	0.0000	\$0	\$193,642	\$15,
<b><u>TOTAL LEVY RATE &amp; LEVY REVENUE</u></b>						
<b>Totals</b>	<b>4.3058</b>	<b>\$2,572,815</b>	<b>4.2187</b>	<b>\$1,319,402</b>	<b>\$3,892,217</b>	<b>\$3,623,</b>

<b>EXPENDITURES FOR FY 2006</b>			
	<b>ALEDO CUSD #201</b>	<b>WESTMER CUSD # 203</b>	
	<b>ALL SOURCES</b>	<b>ALL SOURCES</b>	
<b><u>AS NEEDED FUNDS</u></b>			
IMRF/Soc.Sec/Medicare	\$165,779	\$119,541	\$285,320
Tort	*Distributed	*Distributed	
<b><u>SPECIAL "FIXED RATE" FUNDS</u></b>			
Special Ed.	*With Ed. Fund	*With Ed. Fund	
Lease	With Ed. Fund	With Ed. Fund	
Life/Safety	\$5	\$16,058	\$16,063
<b><u>OPERATING FUNDS</u></b>			
Education	\$5,892,193	\$3,482,104	\$9,374,297
O & M	\$459,308	\$345,909	\$805,217
Transportation	\$437,132	\$303,051	\$740,183
Working Cash	\$0	\$0	\$0
<b><u>BOND &amp; INTEREST</u></b>			
Current Year	\$232,768	\$0	\$232,768
<b><u>TOTAL LEVY RATE &amp; LEVY REVENUE</u></b>			
<b>Totals</b>	<b>\$7,187,185</b>	<b>\$4,266,663</b>	<b>\$11,453,848</b>

**“As needed” Levies** – The combined **Illinois Municipal Retirement Fund/Social Security** expenditures for FY2006 were \$285,320. The fund balance for the two districts at the end of FY2006 was \$177,977. This carryover equals over six months of expenditures. With the districts combined, no further building of a reserve would be needed, and future years will require levying only the amount needed to cover the bulk of the expenditures for a given year. Assuming a combined EAV of \$103,531,364 and a four-year increase of 5% per year in expenditures, the rate required in FY2010 would be 33.5¢ to equal the expenditures projected for the year. Adding required CPPRT and Federal grant incomes to the fund, the suggested **IMRF/Social Security levy would drop to 32¢**, which is slightly less than the current year.

The **Bond & Interest Fund** is not included in the following calculations because bonds remain the debt of the original districts. The original district that voted for a bond would continue to make the bond payments as already issued by that original district. The bond rate needed to retire the bonds for Aledo will drop slightly from the level they currently pay because of increases in the EAV. Aledo has \$1,995,000 in debt at the end of FY2007. These are in Building Bonds (paid off in FY2020). Westmer currently has no outstanding bonds and would not be responsible for the Aledo Building Bonds.

From the FY2006 audit, **Tort expenditures** for the two districts were: Aledo = \$125,763 and Westmer = \$94,568. Total expenditures for the two districts were \$220,331. Revenue for each district in FY2006 was: Aledo = \$214,577 and Westmer = \$126,007. Total revenue was \$340,584. The revenue and expenditures for the two districts was a surplus for the fiscal year (\$120,253). At the end of FY2006, the combined tort balance of the two districts was \$319,659. The dollars available equaled

almost one and one-half years of expenditures at the end of FY2006 and the balance should increase this year.

Tort expenditures for the combined district should be substantially lower than the total of the two districts. The main tort savings are in insurance because only one entity is insured, not two, i.e. one board and one umbrella policy. Savings should also accrue because there will only be one set of legal fees and with less combined staff, unemployment and workers' compensation insurance should be lower. The reduction of one building will save insurance dollars. The exact insurance savings are difficult to estimate. Only a bid at the time of the merger would guarantee an accurate number.

The assumption is made that significant savings will occur from covering only one district. Even with four more years of inflation, the estimate is that the total expenditures for tort will be less than the current level. Costs are figured with 4% increases in costs over the next four years but with a 20% savings from combining the two districts. This results in an estimate of \$210,000 in tort expenditures. Because the districts currently have a large surplus on hand, the new rate is calculated to equal the expected expenditures less a small amount to spend down some of the current surplus. The necessary **tort rate would be 18¢**.

**Special 'fixed rate' Levies** – The Special Education levy helps lower the costs for special education that have to be financed by the Education Fund. The Lease levy is usually used to help with the purchase of technology for the district. This takes pressure off of the Education Fund. The Life/Safety levy is used to maintain the condition of the buildings. It can only be used as approved by the State. **The Special Education levy at**

**4¢; the Lease levy at 5¢; and the Life/Safety levy at 5¢ are used by both districts and would be maintained at current tax rate levels.**

**Operating Funds** – These funds are the primary sources of revenue and expenditures that allow the district to educate children. They will be discussed in reverse order of their revenue.

The **Working Cash Fund** is used as a reserve for the district. If any other operating fund falls short of the money needed to operate for a given year, Working Cash monies are loaned to that fund. The Working Cash Fund balances for the two districts at the end of FY2006, as shown on the audit, were: Aledo = \$585,520, and Westmer = \$238,545. The two districts' total Working Cash Fund balance was \$824,065 at the end of FY2006. In a consolidation, the combined district would use the 5¢ levy as a loan resource and would continue to levy the **5¢ rate in Working Cash.**

The **Transportation Fund** pays for all of the costs of transporting students to regular classes, special education classes, vocational education classes, extra-curriculum activities, field trips and other educational trips. Both districts have levied a 20¢ rate as allowed by law. As of the end of June 2007, the estimate for the combined district is that they will spend \$83,078 less than they receive. At the end of FY2007, the combined Transportation Fund balance for the districts should be over \$525,000. Combining the two districts will bring cost savings but will add extra costs for transporting students to school. Small savings such as bulk buying, fewer spare buses, and some savings on management will help the fund stay balanced. In addition, moving to an all-local busing program, rather than partially contracted, should save significant dollars. These savings, along with continued State support and a healthy fund balance, lead the consultants to

feel that the new district can continue to operate with the current rate. This is made even more likely with the continued State reimbursement of 80% of costs. The **20¢ levy in the Transportation Fund** is recommended as the district rate.

The **Operations and Maintenance Fund (O & M)** is used to operate all of the districts' buildings on a day-to-day basis. The two districts spent a total of \$805,217 in the O & M Fund in FY06 and project expenditures of \$905,775 in the current year. The local O & M levy revenue, which would normally have to support this fund, was well under the level needed for operation in FY2006. However, the additional revenue of \$87,500 of General State Aid funds and another \$259,647 in CPPRT taxes brought the revenue up to \$806,634 and allowed a small surplus of \$12,417. The FY2007 surplus is projected to be under \$5,000 and this is with \$122,575 from GSA and \$313,000 from CPPRT. The revenue from local taxes has not been close to the levels needed to support the O & M Fund. The fund balance will be under \$325,000 by the end of FY2007. The O & M Fund needs help in the near future.

The O & M dollars needed for the new district were calculated using yearly inflation figured at 3% expenditure increases per year and 2% increases, per year, in EAV. With the combination of the two districts there are significant savings. The recommendation to close Westmer Junior Senior High School will bring significant savings to the new district. Closing the building will bring savings in electricity, gas, custodial supplies, custodians, and general building upkeep costs. The savings calculated for the closing of the high school was \$181,064 per year. This is a very conservative estimate at 75% of the cost per foot of maintaining buildings in the Westmer. In addition, future costs of repair and upgrading of this aging building, including over \$435,000 in

current Life Safety funds, are not counted in the savings. The background on these savings can be found in a chart earlier in the report (Page 91).

The current rate in Aledo is 37.5¢, while Westmer has a significantly higher 75¢ rate. Figuring the current rates with the current EAV and extrapolating that number to the new rate needed for a combined district is difficult because of the volatility of natural gas and electricity plus the unknowns of future EAVs for the district. The estimate is very difficult and will be subject to change because of the potential variance in the EAV. With those problems in mind, the expenditures for the O & M Fund are calculated at a conservative \$693,528 by FY2010. This figure reflects adding 3% increases in costs each of the next three years but figures yearly savings of \$181,000 from consolidation.

The levy rate required for a very tight budget is 66¢. However, this rate allows for no spikes in utility cost or general maintenance costs. In order to provide a small leeway in the needs of the fund, the recommended **Operations & Maintenance Fund tax levy rate is 70¢**. This rate would allow the O & M Fund to operate without taking dollars from GSA and CPPRT. Those dollars will be deposited in the Education Fund, which will lower the rate needed for that fund.

The **Education Fund** pays for the bulk of the expenses directly related to children. These include most staff salaries, educational supplies, and capital equipment purchases. The Education Fund receives all of the funding from Federal sources, all reimbursement from State sources (except for Transportation Aid and GSA that Westmer deposits in O & M), and over half of all of the money received from local sources.

For the Education Fund, Aledo has a \$2.75 rate. Westmer is significantly lower at \$2.34. The total Education Fund receipts for FY2006 for the two districts were

\$9,445,963 with an additional \$55,293 of one-time income. Expenditures were \$9,128,154. For the year, revenue exceeded expenditures by \$373,102 (4% overage).

In the FY2007 Budgets, the total Education Fund receipts projected for the two districts were \$9,620,598, plus extra income of \$30,000 for a total of \$9,650,976. Expenditures are projected at \$9,637,879. The revenues exceeded expenditures by just \$12,719. If it is assumed that revenue will exceed expectations and expenditures will be under projections as in most years for both these districts, it can be assumed that FY2007 will end with a small surplus in the Education Fund.

Projecting into the future of this very complex fund is a difficult task, but by reviewing some of the past records for these districts, it was decided that a reasonable expectation is for Revenues to increase by 3% and Expenditures to increase by 4%. Using those factors and starting with the FY2006 audit, the yearly deficit in FY2010 would be -\$413,000. However, the rate calculated for the O & M Fund will allow the dollars that are currently being deposited from the GSA and CPPRT to stay in the Education Fund. This extra \$435,000 in revenue will allow the Education Fund to breakeven. Adding in funds from the Tort, Special Education, and Lease levies will add another \$300,000 plus, leaving a surplus of approximately 3%. Over a four-year period, this is not a huge carryover and with a single year of doubling the revenue increase, the surplus would be much larger and vice versus, if the expenditures doubled one of the early years the surplus would disappear. With the budget this close to balanced in FY2006, it is unrealistic to project a large change in a positive or negative direction over the next few years.

There will be savings by combining the two districts into one. The cost of supplies, equipment, and numerous small items will decrease. An example of savings is that the number of labs may drop to two, not the four that are currently available in the two high schools. These types of savings on equipment and supplies are multiplied throughout the district. Please be aware that some of these areas may actually go up dramatically for one year. For instance putting all high school students in the same textbook could mean tens of thousands of dollars in new and used textbooks the first year the districts are joined. This is where incentive dollars might be utilized.

The consultants also project savings of \$450,000 in reductions from current certified and support staff. This is a good savings, but a portion of the savings is expected to be consumed by the increase in salaries to bring all teachers onto one salary schedule. According to the Illinois State Board of Education (ISBE) calculation of the “Salary Difference Incentive,” the new district would receive \$83,858 per year for four years. The recommendations are for reductions of seven certified positions (six teaching + one administrative). This should lower the actual dollars to bring all staff to the same schedule to around \$80,000. With this drop, \$350,000 will be used as the savings from staff reductions with salary increases factored into the equation.

While this \$80,000 may seem to be a negative for the new district, it is actually a positive because it is actually a very small percentage of the total salaries. This number means that the new district will need less money to equalize teacher salaries after the four-year incentive is removed. In addition, at least eight current teachers are at 30 or more years of experience and will probably retire over the next five years. These retirements mean that very experienced teachers will be replaced with much less

experienced and less expensive teachers. The downside to this loss to retirement is the experience and training that leaves with these excellent teachers, so the educational cost may be significant. But, there are financial savings.

Other savings, such as: fewer supplies (fewer teachers), savings on equipment (1 physics lab – not 2), savings on software and computers (1 system – not 2) should save the district in excess of \$50,000. Adding the miscellaneous savings of \$50,000 to the \$350,000, as outlined above should total approximately \$400,000. With these dollars, the Education Fund should show a surplus of almost \$700,000 using current needs. For practical purposes, this means that the combined district would have a balanced Education Fund budget with a small surplus to allow needed additions and to carry through times when income does not increase at a good rate.

To maintain this balance, the Education Fund Levy will have to continue at a rate that will allow the district to operate at the current level of services. The 2007 Education fund levy was increased by 3% for each of the three coming years. The projected EAV for FY2010 was used to calculate the rate needed to raise the levy dollars required. The consultants recommend that the rate be set at not less than \$2.55 to allow for future changes in financial support and expenses. The \$2.55 rate is an increase of 21¢ for Westmer and a drop of 20¢ for Aledo.

The consultants **recommended rate for the Education Fund is \$2.55 per hundred dollars of EAV**. This should allow for some latitude for unexpected increases in expenses or decreases in revenue.

## **RATES**

The recommended rates are as follows:

Education Fund	\$2.55	IMRF/Social Security	\$.32
O & M Fund	\$ .70	Tort Fund	\$.18
Transportation	\$ .20		
Working Cash	\$ .05	Special Educ. Fund	\$.04
Lease	\$ .05	Life/Safety	\$.05

Total Tax Rate without Bonds = \$4.14.

Total Rate with Bonds is: Aledo = \$4.46, and Westmer = \$4.14.

For the citizens of Aledo, the \$4.46 recommended rate is an increase of 15.42¢ compared to the levy adopted in December of 2005. For the citizens of Westmer, the \$4.14 recommended rate is a decrease of 7.87¢ compared to the levy adopted in December of 2005. The recommended rates should give the new district a long period of settled rates and balanced budgets.

## **STATE REORGANIZATION INCENTIVES**

The first supplementary incentive is the guarantee of General State Aid for four years. This incentive guarantees that bringing the two districts together will not result in less State Aid than the two districts would have received if not joined together. A new hold harmless amount is set and the district moves forward at the same rate it would have without the reorganization. For this reorganization, the estimate from the Illinois State Board of Education is for a General State Aid incentive of \$15,481 per year for four years. The total incentive equals \$61,924. Compared to the total GSA revenue of almost \$4,500,000 being collected this year (2006) by the two districts, this amount is an insignificant incentive (3 tenths of 1 percent). This is good news because it indicates that

the merger will not negatively impact total State Aid receipts, even after the four years of incentives expire.

The second incentive is the payment of the difference in the deficit fund balances of the two districts. Neither district has a deficit balance; therefore, no dollars will be received from this incentive.

The third incentive is payment of the differences in salaries earned by certified staff in the first year of the new district as compared to what teachers would have been paid on their prior salary schedule. This payment is made for four years, and according to current estimates from ISBE should equal \$83,858 per year. The four-year total is \$335,432. However, the exact amount depends on the actual staff members from the lower pay scale district, who are moved to the new schedule. As discussed earlier in the report, the consultants think the actual number might be slightly larger. With the reduction in force lowering the amount calculated by the consultants using current staff, the State figure will be used for this incentive. This incentive is good for the new district and will help the district assimilate the divergent salary schedules into one schedule without an immediate impact on the new district.

The fourth incentive is by far the largest one for the new district. It pays the new district \$4,000 for each certified employee who is employed full-time for the school year. The ISBE projection for the new district is \$492,000 per year. The ISBE staff estimates that with current conditions, the \$4,000 incentive would continue for three years. The total for the incentive would be \$1,476,000. Reductions in staff are likely to drop the incentive by about \$28,000 per year for a total decrease of \$84,000 in the three years of this incentive. The exact final figure is unknown, but the revised figure of \$464,000 per

year for three years is the consultant’s estimate used for the chart below. The three-year estimate of \$1,392,000 is used in the following table.

The total of the four State incentives estimate is:

General State Aid Makeup	\$15,481	Per year	\$61,924	Total
Deficit Reduction	\$0	Per year	\$0	Total
Salary Difference Makeup	\$83,858	Per year	\$335,432	Total
4,000 per Certified Staff	\$464,000	Per year	\$1,392,000	Total
<b>TOTAL OF ALL INCENTIVES</b>			\$1,789,356	

### **SUMMARY OF RECOMMENDATIONS**

1. The Boards of Education of the two districts should conduct discussions about the feasibility of coming together as one district. Using the two Boards of Education to institute and guide this discussion would provide a stable base to gauge community acceptance and future possibilities for a merger. If the response indicates a serious desire to take the concept of consolidation to the community, the Boards of Education could turn the process over to a Committee of Ten.
2. The curriculum would be enhanced for all the students of a new district. The curriculum proposed, as a beginning point, is the combination of the current courses offered in either of the districts. The consultants suggest that the two staffs have joint meetings to look at possible areas of expansion of the curriculum that go beyond what is currently offered in either district. This should be possible due to the increased numbers of students in the high school. This staff cooperation could provide the boards and the Committee of Ten with a better view of what the curricular advantages might be for all students.

3. Extracurricular sports and activities would be enhanced for all students. A starting point would be to offer all activities currently in either of the districts. This brings new sports and/or new activities to all students.
4. Staffing could be reduced for significant savings for the new district. Recommended reductions include 6 teachers, one administrator, and seven support positions (not counting custodians). The reductions of positions should save the new district, approximately \$450,000.
5. The new district would be 379 square miles. It is recommended that the district operate its own transportation system. Because of the large size and the low density of students, it is suggested that a software program be purchased to help plan and implement the new routing that will be required. A full-time transportation director and a full-time mechanic should be employed.
6. It is recommended that all High School students be housed at Aledo High School. The facility has more overall space, is easier to make handicapped accessible, is closer to more students, and is in generally good condition.
7. It is recommended that 7<sup>th</sup> and 8<sup>th</sup> grade students be housed at Aledo Junior High School. This new facility, which was built for Junior High students, offers the technology and space, while at the same time being a new building that will require virtually no repair or updating for many years.
8. It is recommended that Pre-K through 6<sup>th</sup> grade students be housed in the current elementary schools. This will provide shorter bus routes for younger children.

9. The recommended rates are as follows:

Education Fund	\$2.55	IMRF/Social Security	\$.32
O & M Fund	\$.70	Tort Fund	\$.18
Transportation	\$.20		
Working Cash	\$.05	Special Educ. Fund	\$.04
Lease	\$.05	Life/Safety	\$.05

Total Tax Rate without Bonds = \$4.14

10. It is recommended that the new district take advantage of the State reorganization incentives. If a consolidation were to occur, the new district would receive approximately \$1,789,356 in State incentives. The consultant's further recommend that these monies not be used for general operational costs. These funds can provide a cushion for the future and provide investment earnings and a portion of the one-time costs of a merger.
11. It is recommended that the two boards of education meet as soon as possible to see if there is a strong interest in exploring this consolidation. The taxpayers, staff, and students need to be involved in discussions of such a merger. In the long term the gains are significant for all those involved. Open discussion of the problems and benefits should be instituted in the near future. The earliest possible reorganization date for the two districts would appear to be July 1, 2009.

Best wishes in your endeavors to better the education opportunities for your children.

Harold Ford

Tom Steele

Bill Schehl