



To: Dr. Andalib Khelghati, Superintendent of Schools;  
And Members of the Board of Education

From: Raphael Obafemi, Chief Financial Officer/CSBO

Date: Monday, March 23, 2026

RE: Five-Year Financial Projection Assumptions (FY2026-FY2031)

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This memo outlines the key assumptions used in developing the FY2026–FY2031 five-year financial projections. These projections are intended to serve as a long-range planning tool and are based on current known data, contractual obligations, and reasonable economic forecasts. They are not a budget, but rather a forward-looking model to assess financial sustainability.

#### **REVENUE ASSUMPTIONS**

1. **Property Taxes**  
Property tax revenue is projected to grow between approximately 2%–3% annually, consistent with recent Equalized Assessed Valuation (EAV) trends and the Property Tax Extension Limitation Law (PTELL).
2. **Evidence-Based Funding (EBF)**  
State Evidence-Based Funding is assumed to remain flat at \$106.5 million annually. No additional adequacy increases are assumed beyond current funding levels.
3. **Mandated State Categorical Revenues**  
Other state revenues are projected to remain stable with no growth assumed.
4. **Federal Revenue**  
Federal revenue is projected to remain level through FY2029, with a one-time increase in FY2030 based on anticipated funding adjustments. No new federal programs are assumed.
5. **Other Local Revenue**  
Other local revenue is projected to decline modestly each year (approximately 1–2%), reflecting conservative estimates of fees, interest earnings based on the Federal Reserve’s continued reduction of interest rates, and miscellaneous revenue sources

Overall projected revenue growth averages approximately 1.6% annually.

## **EXPENDITURE ASSUMPTIONS**

1. Salaries  
Salary increases are based on existing collective bargaining agreements and step-and-lane movement, averaging approximately 3%–3.7% annually.
2. Benefits  
Employee benefits are projected to increase approximately 9% annually, reflecting healthcare cost trends and current plan design assumptions. This is the fastest-growing expenditure category.
3. Purchased Services and Supplies  
These categories are projected to grow approximately 3%–4% annually, reflecting inflationary pressures.
4. Capital Outlay and Other Objects  
Capital and other operational costs are projected to grow approximately 5% annually in alignment with inflation and replacement cycles.
5. Staffing Levels  
The model assumes relatively stable staffing levels aligned with current enrollment projections. No major reductions or expansions are assumed.

Overall projected expenditure growth averages approximately 4.3% annually.

## **STRUCTURAL IMBALANCE**

Because expenditure growth (approximately 4.3%) significantly exceeds revenue growth (approximately 1.6%), the model reflects a structural deficit beginning in FY2027. If no corrective actions are taken, the projected annual deficit increases each year and results in the depletion of fund balance during FY2030.

## **LIMITATIONS OF THE PROJECTION**

These projections are sensitive to:

- Changes in enrollment
- State funding adjustments
- Healthcare cost trends
- Future collective bargaining outcomes
- Changes in Federal government education funding of K-12
- Legislative changes impacting property tax or pension funding

Any significant change in these variables will impact the long-term outlook.

## **CONCLUSION**

The purpose of presenting these assumptions is to provide transparency and to support proactive financial planning. Strategic decisions made within the next 12–24 months will materially influence the District’s long-term financial position.