Date: August 19, 2019
From: Eric Miller, Assistant Superintendent for Business Services
Re: FY20 Final Budget

Guiding Question: In addition to recommended staffing levels, what other assumptions are included in the FY20 Final Budget? What financial outlook is portrayed in the Final FY20 Budget?

Policy Reference: 4:08 - GOALS, OBJECTIVES, AND RESPONSIBILITIES
4:10 - FISCAL AND BUSINESS MANAGEMENT

Description
The calendar to establish the FY20 Budget and authorize the 2018 tax levy was presented to the Board of Education on December 8, 2018. The calendar identifies the various steps to be taken in the budget development and levy process and identifies a date for completion. Once adopted, the annual school district budget, when taken as a whole, represents the plan to accomplish the financial goals of the school board.

The Budget is designed to:
- Meet requirements imposed by Illinois law and applicable rules
- Provide expending and taxing authority
- Satisfy a minimum level of financial information

Illinois School Code (105 ILCS 5/17-1) annually requires the Board of Education to create and authorize a financial budget for the district. The Board is required by statute to place the budget in tentative form on public display for 30 days, hold a Public Hearing, give notice to the public of the Public Hearing and formally adopt the budget by September 30, 2019. The publication of the Tentative Budget must take place at least thirty days prior to the date of the public hearing. The Public Hearing will be held on September 23, 2019.

Structure of the Budget
The school district's accounting records, budgets and financial reports are organized and reported on a Fund basis. A Fund is established for specific activities and objectives and is operated in accordance with laws, regulations, restrictions or other designated purposes. Each Fund is a separate and independent accounting entity with its own assets, liabilities and Fund balance. The district operates and budgets on a cash basis of accounting.
### Education
Expenditures that must be charged to this Fund include the direct costs of instruction, health and attendance services, lunch programs, and costs of administration. Certain revenues that must be credited to this Fund include educational tax levies, tuition and textbook rentals. Is the most varied Fund; has the largest volume of transactions; also serves as the general Fund.

<table>
<thead>
<tr>
<th>Operations &amp; Maintenance</th>
<th>All costs of maintaining, improving, or repairing school buildings and property, renting buildings and property for school purposes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>Bonds are generally issued to finance the construction of buildings, but may also be issued for other purposes. Taxes are levied to provide cash to retire these bonds and to pay related interest. To protect the bondholders, these tax collections must be accounted for in the Debt Service Fund and maintained in separate bond and interest accounts for each bond issue.</td>
</tr>
<tr>
<td>Transportation</td>
<td>Costs of transportation, including the purchase of vehicles and insurance on buses, are to be paid from this Fund. Moneys received for transportation purposes from any source must be deposited into this Fund.</td>
</tr>
<tr>
<td>IMRF/FICA/Medicare</td>
<td>This Fund is created if a tax is levied for the school district’s share of retirement benefits for covered employees and for the purpose of providing resources for the district’s share of Social Security and/or Medicare only payments for covered employees.</td>
</tr>
<tr>
<td>Capital Project</td>
<td>All proceeds of each construction bond issue (other than Health Life/Safety) shall be placed in the Capital Projects Fund to separately identify these special Funds from operating Funds. Such moneys are to be spent for the purpose specified in the bond indenture.</td>
</tr>
<tr>
<td>Working Cash</td>
<td>Cash available in this Fund may be loaned to any Fund for which taxes are levied.</td>
</tr>
<tr>
<td>Tort</td>
<td>This Fund is created if taxes are levied or bonds are sold for tort immunity or tort judgment purposes.</td>
</tr>
<tr>
<td>Health/Life Safety</td>
<td>When a tax is levied or bonds issued for fire prevention, safety, energy conservation, disabled accessibility, school security and specified purposes, such proceeds shall be deposited and accounted for separately within the Health Life/Safety Fund.</td>
</tr>
</tbody>
</table>
Summary:

<table>
<thead>
<tr>
<th>FY 20 Final Budget Summary</th>
<th>Operating Funds</th>
<th>All Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$71,409,693</td>
<td>$75,516,693</td>
</tr>
<tr>
<td>Expenditures</td>
<td>$73,478,526</td>
<td>$84,228,526</td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>*(2,068,833)</td>
<td>*(8,711,833)</td>
</tr>
</tbody>
</table>

*Net referendum planning expenses of $1.8M: ($268K)

Over the past few years, the District continues to be challenged with financial projections that include expenditure growth outpacing revenue growth. While the District addressed these imbalances in a thoughtful way moving into FY19, controlling operating expenditures compared with revenues continues to be effortful. In terms of the operating revenues, the District continues to see increases in property tax extensions through inflationary increases in addition to new property estimates higher than anticipated. However, the District has seen an increase in approved property tax appeals, which then reduces current year property tax collections. In addition, the District is anticipating declining Make Whole Payments for FY20, which accounts for a considerable loss of local revenues. On the expense side, we continue to see increases in salary and benefit costs, however the salary increase is offset by a larger number of retiring teachers at the end of the 2018-2019 school year.

The FY20 Final Budget now includes updated salary and benefit expenses based on the recent settlement of the GEA Agreement and based on the recent Compensation Committee recommendation to the Board of Education for 2020 calendar year healthcare rates. In the areas of purchased services and other, we’ve assumed significant reductions based on changes in the way we service students with special needs. The following FY20 Final Budget is the result of thoughtful and responsible planning for the support of our academic and operational efforts for the 2019-2020 school year.

The Operating Funds include the following:

- Education
- Operations & Maintenance
- Transportation
- IMRF/FICA/Medicare
- Working Cash
- Tort
Budget Assumptions
The following summary is intended to provide information about the FY20 Final Budget and the assumptions on which it is based.

Revenue Assumptions by Source

Summary: Overall operating revenues in the FY20 Final Budget stand at $71,409,693, which is $2,217,977 or 3.2% higher than operating revenues in the FY19 Budget.

Compared to the FY19 Budget, local revenue increased by $1.8M, state revenue increased by $235K, and federal revenue increased by $141K. The increase in local revenue is mainly attributed to the increase in property tax revenue driven by CPI and new construction, which came in higher than anticipated from the 2018 tax year. Since the FY20 Tentative Budget was presented, local revenue increased by another $800K, $600K of which is attributable to final adjustments based on the spring tax installment in FY19 and final 2018 tax year extension information from the county (the new property component of the PTELL formula was estimated to be $10M but actual new property came in at $18.6M).

While the 2018 Calendar Year (CY) CPI was 1.9%, the working assumption is that the CPI for 2019 CY will be 2.3% and both CY tax extensions feed into the FY20 Budget. Also attributing to the increase in local revenues is the interest rate, which has been trending higher as of late. The state revenue increase is mainly attributed to an increase in the state’s regular and special education transportation reimbursement. The federal revenue increase is attributable to an increase to the district’s IDEA Flow Through Grant, as these funds no longer flow through the NSSED Special Education Cooperative.

While local property taxes are increasing, the Make Whole Payment is declining based on fewer students living in the Glen TIF boundary. The decline from the actual amount received in FY19 to the estimate in FY20 is $436K. This declining revenue stream continues to bring down the overall revenue growth desired to meet the increases in expenses as currently determined.
The primary revenue assumptions include the following:

Local Revenue:

- The 2019 property tax levy will be estimated and prepared and approved as specified by the Property Tax Extension Limitation Law (PTELL). The property tax levy request will be based on anticipated need and therefore, the District will levy what is required to fund the delivery of instructional programming. While new property has been declining for the past seven years, in 2018 TY new property came in at $18.6M.

<table>
<thead>
<tr>
<th>Property Tax Levy Year</th>
<th>CPI</th>
<th>New Property</th>
<th>Collection Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Actual Levy Extension</td>
<td>0.7%</td>
<td>$12.7M</td>
<td>98.80%</td>
</tr>
<tr>
<td>2017 Actual Levy Extension</td>
<td>2.1%</td>
<td>$20.7M</td>
<td>98.80%</td>
</tr>
<tr>
<td>2018 Actual Levy Extension</td>
<td>2.1%</td>
<td>$18.6M</td>
<td>98.80%</td>
</tr>
<tr>
<td>2019 Estimated Levy Extension</td>
<td>2.3%</td>
<td>$10.0M</td>
<td>98.80%</td>
</tr>
</tbody>
</table>

- The Glen TIF “Make Whole Payment” is estimated to be approx. $6.6M in FY20, per current District projections developed using the Cohort Survival method and census data from the Village of Glenview. Projections for FY20 still include a decrease in payment due to the decline in enrollment within the Glen TIF boundary.

- Board previously approved student fees are reflected in the budget, and include an increase of $50 per pupil if registered after May 28, 2019. This increased fee structure is intended to incentivize earlier student registration and allow for the District to be better prepared for students’ arrival in the fall.

- Corporate Personal Replacement Tax (CPPRT) is equal to FY19 budgeted figure of $600K.

State Revenue:

- The FY20 Final Budget has now combined General State Aid (GSA) and two state categorical revenue streams (Special Education Extraordinary and Special Education Personnel) into one budget line, based on the new Evidence Based Funding model (EBF). The state revenue increase is attributable to an increase in the state’s regular and Special Ed transportation reimbursement, almost $130K. The working assumption is that all allocated payments will be received during FY20. Total state revenue comprises 9.2% of total operating revenues.
Federal Revenue:

- Federal Funding is assumed to be relatively flat and similar to FY19 Budget levels with an estimated increase of $141K budget to budget. This $141K increase in revenue is attributed to a change in processes to the Federal IDEA Flow Through Grant. The grant is no longer passing through NSSED first. Total federal revenue comprises 4.5% of total operating revenues.

**Expenditure Assumptions by Fund**

**Summary:** Total operating fund expenses in FY20 budget stand at $73,478,526 up $4,121,521 or 5.9% higher than operating expenditures in the FY19 budget.

Salary and benefit costs make up the majority of operating expenses, and account for 78% of the total. Salary expenses increased in the FY20 Final Budget by $3.1M over the FY19 Budget and benefit expenses increased $1.1M over the FY19 Budget. Both increases are based on the new GEA contract and a number of new FTE approved by the Board of Education in February 2019 for FY20.

In the Education and Transportation Funds, under the categories of purchased services and other, the budget currently calls for a decrease in expenses compared to FY19 of $2M (19%) based on the service delivery model change for students with special needs. Supply expenses have increased by $375K (12%) and capital expenses have decreased by $140K (10%) in comparison to FY19's budget. In large part, estimated increases in expenditures are attributed to the negotiated GEA union salaries and the one time facility planning expense of $1.8M.

The GEA Union negotiation agreement alone increased salaries by $2.3M since the tentative was released. Along with the $1.8M for the Facilities Improvement Plan, FY20's budget increased by approximately $4.1M; however, with these rising expenditures, other costs such, as transportation contingent purchase services, were reduced to offset the rising expenditures since the tentative was released.
Goal areas:
- Expenditure decisions will reflect the educational programming identified in the District Strategic Plan
- The District will maintain a balanced budget as specified in School Code (105 ILCS 5/17-1) and Board Policy 4:08 and 4:10
- The budget will maintain appropriate Fund balance as specified in Board policy 4:10 and 4:20

**Education, Operations & Maintenance, Transportation Funds**

**Education Fund**

- The FY20 Budget is based on the staffing allocation recently approved by the Board of Education and on anticipated student enrollment and approved instructional programming.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified</td>
<td>431.9</td>
<td>433.9</td>
</tr>
<tr>
<td>Non-Certified</td>
<td>249.9</td>
<td>262.1</td>
</tr>
</tbody>
</table>

- Assumptions for salaries and benefit costs will reflect the terms of the current negotiated agreements and contracts. The collective bargaining agreement with the Glenview Educational Association (GEA) will expire June 30, 2023. The agreement with the Glenview Professionals Association (GPA) extends through June 30, 2020.

- Assumptions for benefit expenditures in the FY20 Final Budget call for a 7.2% increase across all PPO plans, a 4.4% increase for all HMO plans, and dental and vision have stayed flat for CY20.

- While most of the expenditure levels in the operating funds, specifically in the area of supplies and capital have stayed relatively flat, purchase service expenses in the Education Fund have decreased by 30%, approximately $1M, which is attributable to a decrease in the number of special education students outplaced.

- Continued technology investments including the support of 1:1 educational technology is reflected in the budget.

- Anticipated curriculum textbook expenses are reflected in the budget at a cost of over $200K.
O&M Fund
• This Fund’s budget is based on staffing and benefits expenses, as provided above, as well as the general maintenance of the District’s (9) nine buildings. The FY20 allocation has been increased by an additional $150K to assist in addressing the aging facilities pending further decisions on how to address the needs moving forward.

• Based on the ongoing long term facility planning effort and a possible referendum, The O&M Fund now carries $1.8M of estimated expenses for any pre-referendum planning expenses to be reimbursed if an increased tax measure if approved, and bonds are issued at a later date.

Debt Service Fund
• The FY20 Budget, as presented, includes expenditures for debt service based on the current debt schedule for principal and interest payments for the current debt structure. Debt payments scheduled for FY20 will increase by $50K over FY19.

Transportation Fund
• The estimated expenditures for student transportation reflect updated rates as specified in the District’s most recent one-year contract extension with Alltown Bus Co. at an increase of 5.5% for FY20. The fund also accounts for expenses for specialized transportation from Safeway Transportation Co. at a rate equal to budgeted figures for FY19.

IMRF/FICA/Medicare Fund
• The estimated expense is established based on the anticipated required employer contributions for IMRF, Social Security and Medicare. IMRF rates have increased from 8.2% for the 2019 calendar year to 9.9% for the 2020 calendar year. Social Security and Medicare rates have not changed and remain at 6.2% and 1.45% respectively.

Capital Projects Fund
• This fund accounts for anticipated expenses related to the non-health life safety construction work, some of which is to be completed over the summer 2019 and 2020. Based on the billing cycle that will affect the FY20 Final Budget, it is estimated that $7,000,000 will be expended toward these summer projects in the FY20 Budget.
Tort Fund
- The Tort Fund is budgeted to cover the anticipated renewal rates for workers’ compensation and property, casualty, and liability insurance premiums. The budgeted risk related expenses are expected to decrease by 17% in FY20, as budgeted figures were higher than necessary for FY19.

Health, Life Safety
- No HLS expenses are anticipated for FY20.

Summary
Given the assumptions for revenues and expenditures, the FY20 Final Budget for the Operating Funds reflects $71.4M in revenue and $73.5M in expenditures with an anticipated deficit of $2.1M. However, with a one-time allocation of $1.8M in facility planning expenses removed, we are showing an operating deficit of just $268K. Total revenue across all funds stand at $75.5M and expenses at $84.2M, resulting in an anticipated $8.7M deficit (of which $7M is for non operating construction costs).

Recommendation
It is recommended the Board approve the resolution for the FY20 Final Budget as presented, and hold a public hearing on September 23, 2019.