

NEW TRIER TOWNSHIP HIGH SCHOOL DISTRICT 203



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TO: Board of Education
FROM: Chris Johnson
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DATE: July 2, 2019
SUBJECT: Tentative Budget – Fiscal Year 2020

Introduction

Each year, the Board of Education is required to adopt a budget by the conclusion of the first quarter of the fiscal year. Over the past several months, the Administration has prepared a Tentative Budget for review and approval. The Tentative Budget is based on the expectations for revenues and expenditures for fiscal year 2020.

This analysis includes the use of historical data, the evaluation of legislative changes to allocations, future enrollment trends, required staffing levels, the Consumer Price Index (CPI) increases, and property values. The analysis also includes staff hired to date, with the remaining vacancies projected at the targeted hiring rate and benefits package for new employees. Finally, the tentative budget reflects expected capital expenditures based on current approvals; a summary of the capital expenditures in excess of \$50,000 was presented and approved by the Board of Education in March 2019.

The Tentative Budget shows a projected deficit of \$1,873,356 due to two one-time uses of funds: a \$1,448,202 pay down of the District's Illinois Municipal Retirement Fund (IMRF) Unfunded Actuarial Accrued Liability (UAAL) and a transfer of \$2,000,000 of the projected surplus from FY 2019 to the capital projects fund for future facilities work. We look forward to discussing these proposed payments with the Finance Committee before the Tentative Budget is finalized.

Exclusive of these two items, the budget is balanced, with revenues exceeding expenditures by \$126,644 in Operating Funds. The Administration is presenting the 2019-20 Tentative Budget with a recommendation that the budget document be approved, and that a Public Hearing on the Final Budget be held at the regularly scheduled Board of Education Meeting on September 16, 2019.

Fiscal Year	2019 (Amended Budget)	2020 (Tentative Budget)
Revenues	\$110,690,290	\$113,187,903
Expenditures	\$106,704,996	\$110,223,959
Transfers From Current Fiscal Year	(\$3,392,513) ¹	(\$2,837,300) ²
2019-20 Operating Funds Surplus/Def	\$592,781	\$126,644
Transfers From Fund Balances		(\$2,000,000)
Net Operating Funds Bal. Change	\$592,781	(\$1,873,356)

¹ Includes \$2,361,443 transferred for summer maintenance, health/life safety and renovation projects, \$659,654 for proceeds of premium holiday, and \$371,416 for debt services funded from operations.

² Includes 2,000,000 transferred for capital projects from the FY 20 budget, \$650,000 for proceeds of healthcare premium holiday, and \$187,300 for debt service paid from operations.

This document summarizes Operating Funds, which include Education, Operations and Maintenance, Transportation, Municipal Retirement/SS, which are used to run the day-to-day operations of the District. Other funds include the Capital Projects, the Winnetka Campus Project, Working Cash, and the Health/Life Safety, which are included on the state budget form and will be discussed in detail in the Final Budget.

Process

The process for compiling the Tentative Budget was developed over the past several years with the implementation of Skyward and the use of the Forecast 5 financial projection system. The utilization of these systems, combined with a line-by-line review of 4,000 revenue and expenditure accounts has allowed the Administration to compile a Tentative Budget based on actual expenditures last year that reflects the in-depth discussion with our departments and the cost containment work that occurred during the year. Further, areas that have been historically underspent and led to unexpected operating fund year-end surpluses have been reduced. Account balances have been individually calculated by the budgeting software or based on a review, rather than being increased by a set percentage.

The Skyward system tracks salaries and benefits for positions and stipends. All positions are managed in the Position Control module of the software, and employees are assigned to those positions, which range from full time teaching assignments to support staff assignments and stipends. The system calculates the exact salary and benefit amounts for all assignments, and allocates the budget to the proper accounts by department and campus, allowing us to have more precision in our salary budgeting. The salary portion of

the budget includes the placement of all employees at their proper salary with the current collective bargaining agreements.

The improved Forecast 5 long range planning system allows the District to upload the Tentative Budget from Skyward, and complete an analysis of that budget compared to the previous budget year. This document compares the *FY 2019 Amended Budget* to the *FY 2020 Tentative Budget*. Although the actual expenditures from 2019 strongly influenced the building of this budget, some expenses from FY 19 are still being paid via the accrual process, and audit entries for the FY 19 year have not been completed.

Revenues

1. Property Taxes

In June 2019, the District received the final 2019 tax extension information, which is based on the 2018 levy. The collection of local property taxes is projected to increase from \$101,021,475 to \$103,423,635. This reflects an increase to our levy of 2.1% (based on CPI) and new property of \$57,001,958, which was higher than our assumption of \$25,000,000, generating additional revenue of \$1,137,795 in FY20. Property taxes make up 91% of the district's revenue.

2. Other Local Revenue

Other Local Revenue has decreased by \$17,000 compared to FY 19 to \$4,756,000 or 0.36%. Other Local Revenue comprises 4% of revenues and includes items such as fees, rental income and interest.

3. Evidence-Based Funding and Categorical

This category is expected to total \$2,969,847 for FY 20, an increase of 1.73% from the previous year. The Evidence-Based Funding (EBF) formula went into effect in 2017-18, replacing the former General State Aid allocations. The EBF consolidated the GSA and four other grants into one formula. EBF and Categoricals comprise 3% of revenues.

4. Federal

Federal revenue is expected to be \$2,038,421, a 3.13% increase from FY 19 that comprises 2% of revenues and is tied in large part to the reimbursements the district receives from Special Education expenditures.

Expenditures

1. Salaries

The majority of salary expenses are the collectively bargained agreements with the District's three employee associations: teachers, support staff, and physical plant services staff. Salaries also include management, exempt, and administrative employees. Staff that are employed for occasional hourly work, per diem extra duty assignments such as testing and athletic events, student workers, and substitute

teachers are also included in this category. Salaries are 66.2% of the budget, totaling \$73,002,099.

a. Certified staff

Certified staff will increase by 5.75 FTE (3.75 over the planned increase) due to several factors previously discussed with the Board and Finance Committee. First, we have made strategic increases in Special Education staffing to better serve those students and families. Second, current enrollments show an increase of at least 30 students next year. Finally, we have a target of decreasing class size as discussed both with the Board as part of last October's Class Size Report, as well as with the teachers in contract negotiations. These three factors increased certified staff FTE, but with cuts in other expenditures, the budget is still balanced.

b. Non-Certified staff

Non-certified staff is projected to drop by 2.0 FTE.

Total salary expense has increased 2.32% from the FY 19 budget. A report on actual year over year salary and benefit expenses and a long term staffing plan for the next five years will be reviewed with the Finance Committee this fall.

2. *Employee Benefits*

Employee benefits include health insurance, 403b contributions, and district contributions to employee retirement systems. This year, the employee benefit budget includes a one-time IMRF UAAL pay down of \$1,448,202. Exclusive of this payment, benefit costs will rise from \$12,541,507 to \$13,038,716 representing a 4% increase. Employee benefits are 13.1% of the budget (including the IMRF UAAL pay down).

a. Health Insurance

The spring 2019 budget update included an estimated 6% increase for all employee health and dental insurance benefits in the Operating Funds. The largest portion of this category is the BCBS health insurance renewal through the Northern Illinois Health Insurance Program (NIHIP) Cooperative. The District received an extremely favorable health insurance renewal with a increase of 0.6% for FY 20, which was significantly lower than the projection of 6% in the budget. The health insurance portion of the budget also incorporates a \$659,654 reduction in expenditures (approximately 1/12 of the employer portion of health insurance), which is the cost of the fourth year of the health insurance premium holiday. These funds are listed in the "other financing sources and uses" section of the budget, and are transferred to Fund 60 to be used for campus security facilities improvements.

b. IMRF Rate

District IMRF contribution rates will increase from 5.96% for calendar year 2019 to 6.89% for calendar year 2020. If the District proceeds with the UAAL pay down, the rate will be 6.13%.

Employee benefit costs are projected to increase by 3.96% (excluding the IMRF UAAL pay down). This increase is larger than recent years due to an allowance for health insurance plan changes. This year, there are major changes in employee health plans as a result of the faculty negotiations which impact all employees. Although it is expected that we will reduce costs in the long term, open enrollment is not yet complete and a larger than typical allowance is reserved for plan changes.

3. *Purchased Services*

The Purchased Services category includes professional development, printing, postage, copier maintenance, legal fees, busing, parking lease agreements, maintenance services, judging, and testing. Purchased Services are 7.6% of the budget, totaling \$8,417,466.

- a. Purchased Services are expected to increase 3.89% over the previous year. While most of this category has increase in line with CPI, several areas have larger increases, including student transportation, which is up 4% based on the recent bus renewal.

4. *Supplies and Materials*

The Supplies and Materials category includes utilities, general office supplies, instructional supplies, supplies for vehicles, meeting expenses, district-purchased books, A/V materials, periodicals, utilities, and software. Supplies and Materials are 4.3% of the budget, totaling \$4,754,254.

- a. This category is expected to rise 0.77% over the previous year, a smaller than typical increase due to cost containment.

5. *Capital Outlay*

The Capital Outlay category includes expenses related to the purchase of capital equipment (typically related to facilities and technology), the purchase of vehicles, and building and site improvement. Capital Outlay is 4.3% of the operating budget. In addition, funds detailed in the "other sources/uses" section below have been transferred to other funds for capital purposes. Starting in FY 18, a larger share of the capital work was recorded in Fund 60 which presents a more accurate reflection of operating costs for the district.

- a. This category is projected to decrease from \$4,101,375 to \$3,478,845.

6. *Other*

The Other category includes Special Education tuition and room and board as well as contingency. Other is 5% of the budget totaling \$5,461,658.

- a. This category is expected to increase by 2.8%.

Other Sources/Uses

This Tentative Budget includes Other/Sources and Uses. These are transfers between funds. This year, the transfers are occurring from the operating budget to other funds. The transfers include the following:

Source Fund	Destination Fund	Amount of Transfer	Purpose
10	60	\$4,000,000	Funding for capital projects, pending BOE approval.
10	60	\$650,000	Proceeds of 4th portion of the premium holiday for Capital Projects
20	30	\$187,300	Debt service for 2008 bond issue funded from operations
	<i>Total</i>	\$4,837,300	

Conclusion

The Fiscal Year 2020 budget operating revenues exceed expenditures by \$126,644 excluding one-time transfers described above. The Administration will continue to review the budget and prepare a Final Budget for presentation and adoption in September.

It is recommended that the Fiscal Year 2020 Tentative Budget be approved and that a Public Hearing date be set for September 16, 2019. It is further recommended that the FY 2020 Tentative Budget be placed on public display from July 16th through September 16th, 2019.

Operating Funds: Revenue and Expenditures

	Amended Budget	Tentative Budget	% Δ
	FY 2019	FY 2020	
REVENUE			
Local	\$105,794,475	\$108,179,635	2.25%
State	\$2,919,212	\$2,969,847	1.73%
Federal	\$1,976,603	\$2,038,421	3.13%
Other	\$0	\$0	
TOTAL REVENUE	\$110,690,290	\$113,187,903	2.26%
EXPENDITURES			
Salary and Benefit Costs	\$83,886,454	\$87,489,017	4.29%
Other	\$22,818,542	\$22,734,942	-0.37%
TOTAL EXPENDITURES	\$106,704,996	\$110,223,959	3.30%
SURPLUS / DEFICIT	\$3,985,294	\$2,963,944	
OTHER FINANCING SOURCES / USES			
Other Financing Sources	\$3,021,097	\$4,150,000	
Other Financing Uses	(\$6,413,610)	(\$8,987,300)	
TOTAL OTHER FIN. SOURCES / USES	(\$3,392,513)	(\$4,837,300)	
SURPLUS / DEFICIT INCL. OTHER FIN. SOURCES	\$592,781	(\$1,873,356)	
BEGINNING FUND BALANCE	\$83,142,596	\$83,735,377	
AUDIT ADJUSTMENTS TO FUND BALANCE	\$0	\$0	
PROJECTED YEAR END BALANCE	\$83,735,377	\$81,862,021	
FUND BALANCE AS % OF EXPENDITURES	78.47%	74.27%	
FUND BALANCE AS # OF MONTHS OF EXPEND.	9.42	8.91	

Operating Summary: Revenue

	BUDGET		% Δ
	FY 2019	FY 2020	
LOCAL			
Property Taxes	\$101,021,475	\$103,423,635	2.38%
Other Local Revenue	\$4,773,000	\$4,756,000	-0.36%
TOTAL LOCAL REVENUE	\$105,794,475	\$108,179,635	2.25%
STATE			
Evidence Based Funding	\$2,400,000	\$2,400,000	0.00%
Other State Revenue	\$519,212	\$569,847	9.75%
TOTAL STATE REVENUE	\$2,919,212	\$2,969,847	1.73%
TOTAL FEDERAL REVENUE	\$1,976,603	\$2,038,421	3.13%
FLOW-THROUGH REVENUE	\$0	\$0	
TOTAL REVENUE	\$110,690,290	\$113,187,903	2.26%

Operating Summary: Expenditures

	BUDGET		% Δ
	FY 2019	FY 2020	
Salaries	\$71,344,947	\$73,002,099	2.32%
Benefits	\$12,541,507	\$14,486,918	15.51%
TOTAL SALARIES & BENEFITS	\$83,886,454	\$87,489,017	4.29%
Purchased Services	\$8,103,362	\$8,418,466	3.89%
Supplies And Materials	\$4,718,054	\$4,754,254	0.77%
Capital Outlay	\$4,101,375	\$3,478,845	-15.18%
Other Objects	\$5,314,167	\$5,461,658	2.78%
Non-Capitalized Equipment	\$0	\$24,400	
Termination Benefits	\$0	\$0	
Provision For Contingencies	\$581,584	\$597,319	2.71%
TOTAL ALL OTHER	\$22,818,542	\$22,734,942	-0.37%
TOTAL EXPENDITURES	\$106,704,996	\$110,223,959	3.30%