



FY20

Tentative Budget

Community Consolidated School

District 65

**Board Finance Committee
Meeting**

August 12, 2019

Presentation Overview

- I. Legal Requirements for Budget Adoption
- II. Overview of FY19 Actual Revenues and Expenditures
- III. Overview of FY20 Budget Revenues and Expenditures
- IV. Overview of FY20 Joint Agreement Park School Budget
- V. Financial Projections FY20-FY25
- VI. Structural Deficit
- VII. Budget Uncertainties

Section I

Legal Requirements for Budget Adoption



Legal Requirements for Budget Adoption

- School Districts must adopt a Budget by the end of the first quarter of the fiscal year
- Prior to adoption, a School Board must:
 1. Place the Tentative Budget on Public Display for at least 30 days
 2. Schedule a date and time for a Public Hearing on the Proposed Budget
 3. Publish a “Notice of Public Hearing” in a newspaper of general circulation within the District
 4. Conduct a Public Hearing on the date and at the time specified in the “Notice of Public Hearing”

Section II

Overview of FY19 Revenues and Expenditures

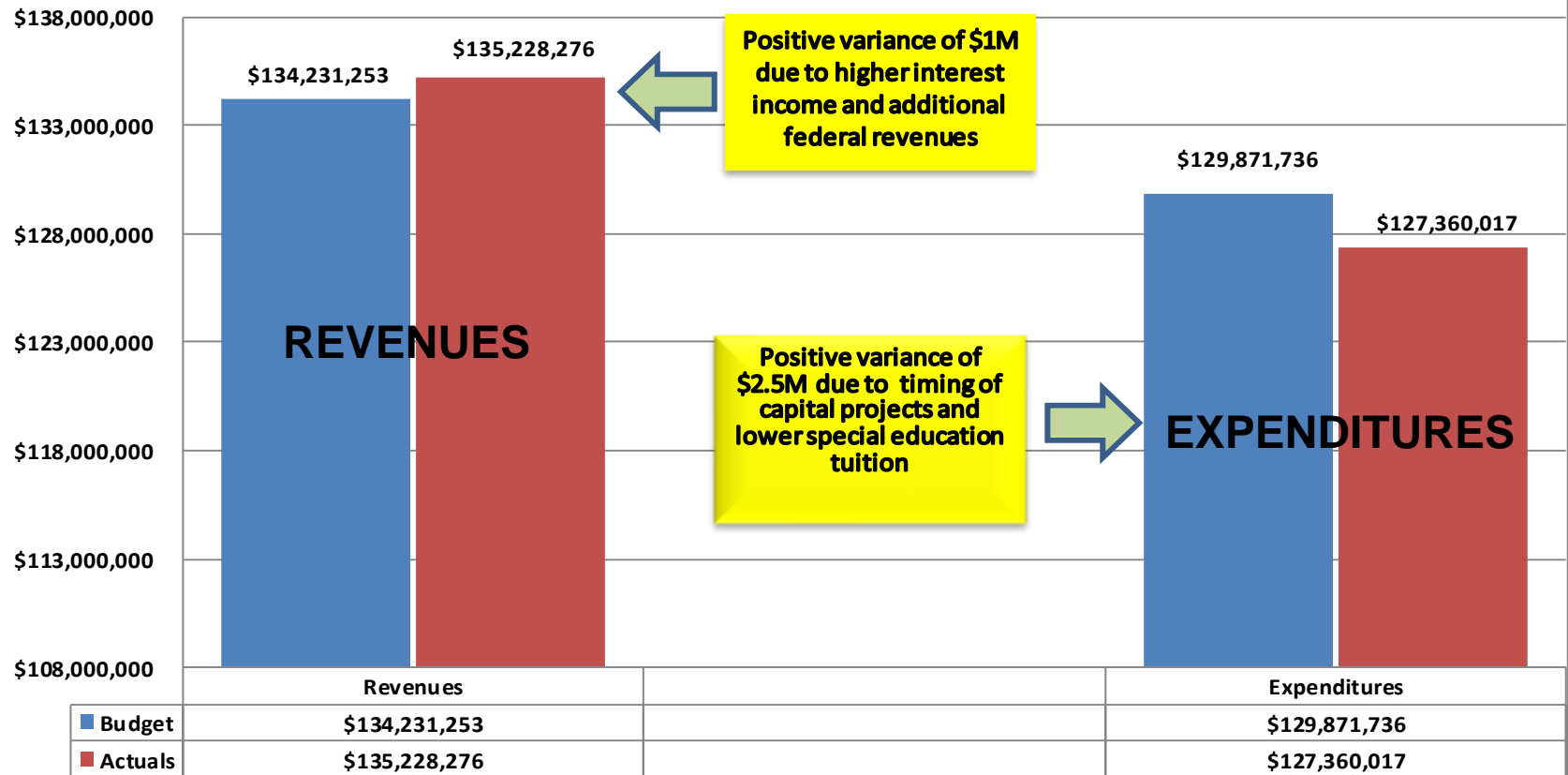


How did D65 do financially in FY19?

- ▶ 101% of FY19 Revenues were collected
- ▶ 98% FY19 Expenditures were spent
- ▶ FY19 ended with a \$7.9M operating surplus (before audit adjustments); \$4.4M surplus was budgeted
- ▶ \$1M of the FY19 surplus was used to increase the size of the District's fund balance; \$6.9M will be preserved in referendum reserves to balance future deficit budgets

FY19 Budget vs. Actuals (Operating)

BUDGET VS. UNAUDITED ACTUALS OPERATING REVENUES & EXPENDITURES 2018-19



Section III

Overview of the FY20 Budget



FY20 Budget Highlights

- FY20 Operating Budget is the District's 18th consecutive Balanced Budget, with revenues exceeding expenditures by \$5.9M
- The District's student enrollment is projected to increase by 131 students to 7,553
- District 65's ISBE financial rating improved from the *Financial Review* to **Financial Recognition**
- District 65 successfully negotiated five-year collective bargaining agreements with DEC and ETAA unions

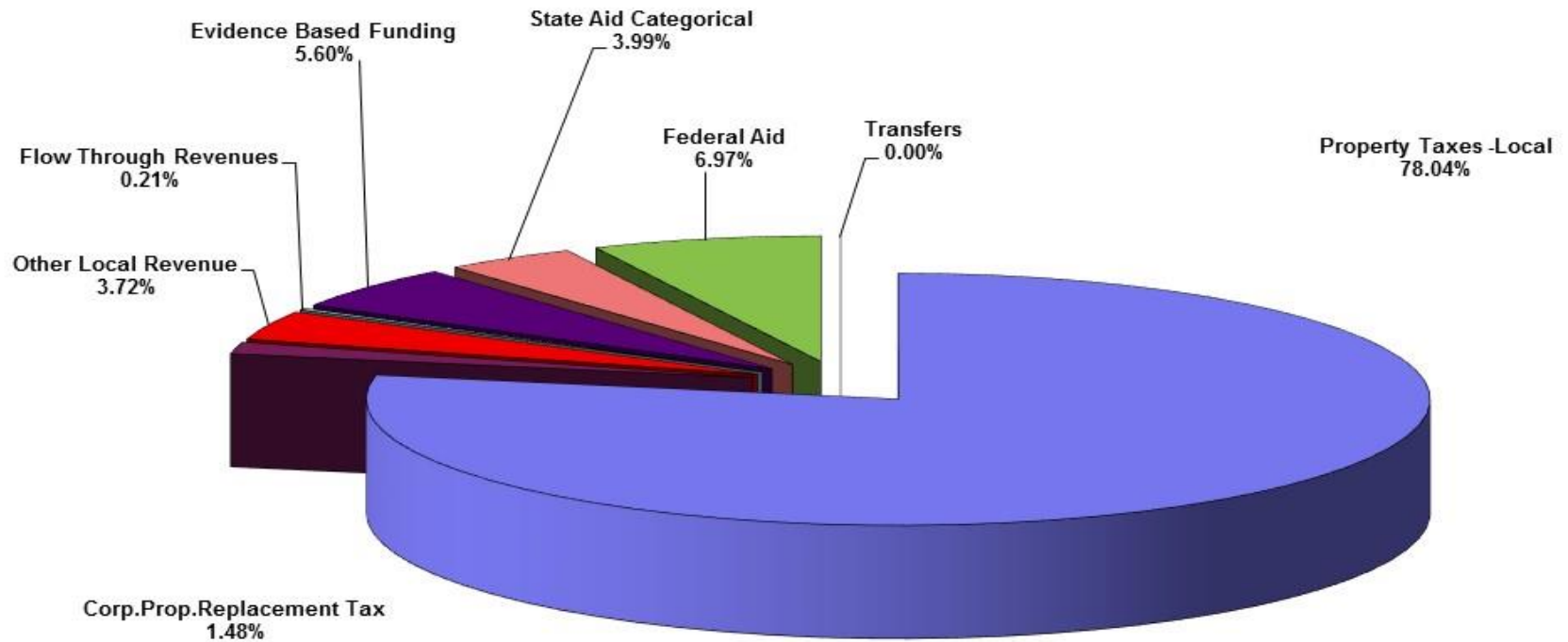
Overview of FY20 Revenues

- FY20 Operating Revenues are projected to increase by **4%** over FY19 actual revenues, **5%** from the FY19 budget, due to the expiration of Washington National TIF.
- Property taxes will grow by the **2.1%** CPI factor (2017)
- Investment income is growing due to increased rates of return
- Evidence Based Funding , which replaced General State Aid in 2017, is projected to stay flat. District 65 is a tier 4 district (highest category in terms of local wealth); chances of getting “new” funding are minimal at best

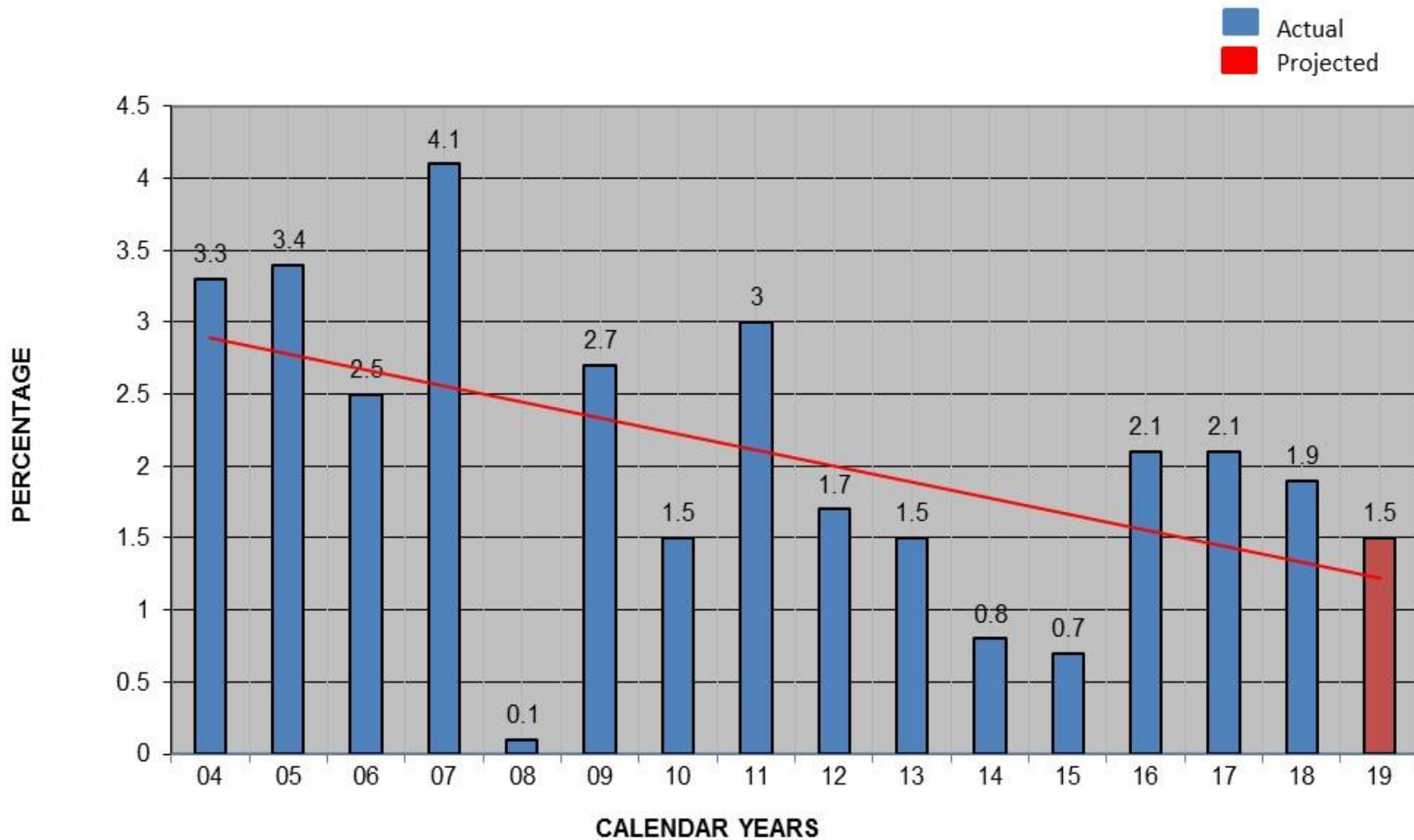
FY20 Operating Revenues

\$140.7 million

OPERATING FUND REVENUES BY SOURCE FISCAL YEAR 2019-20

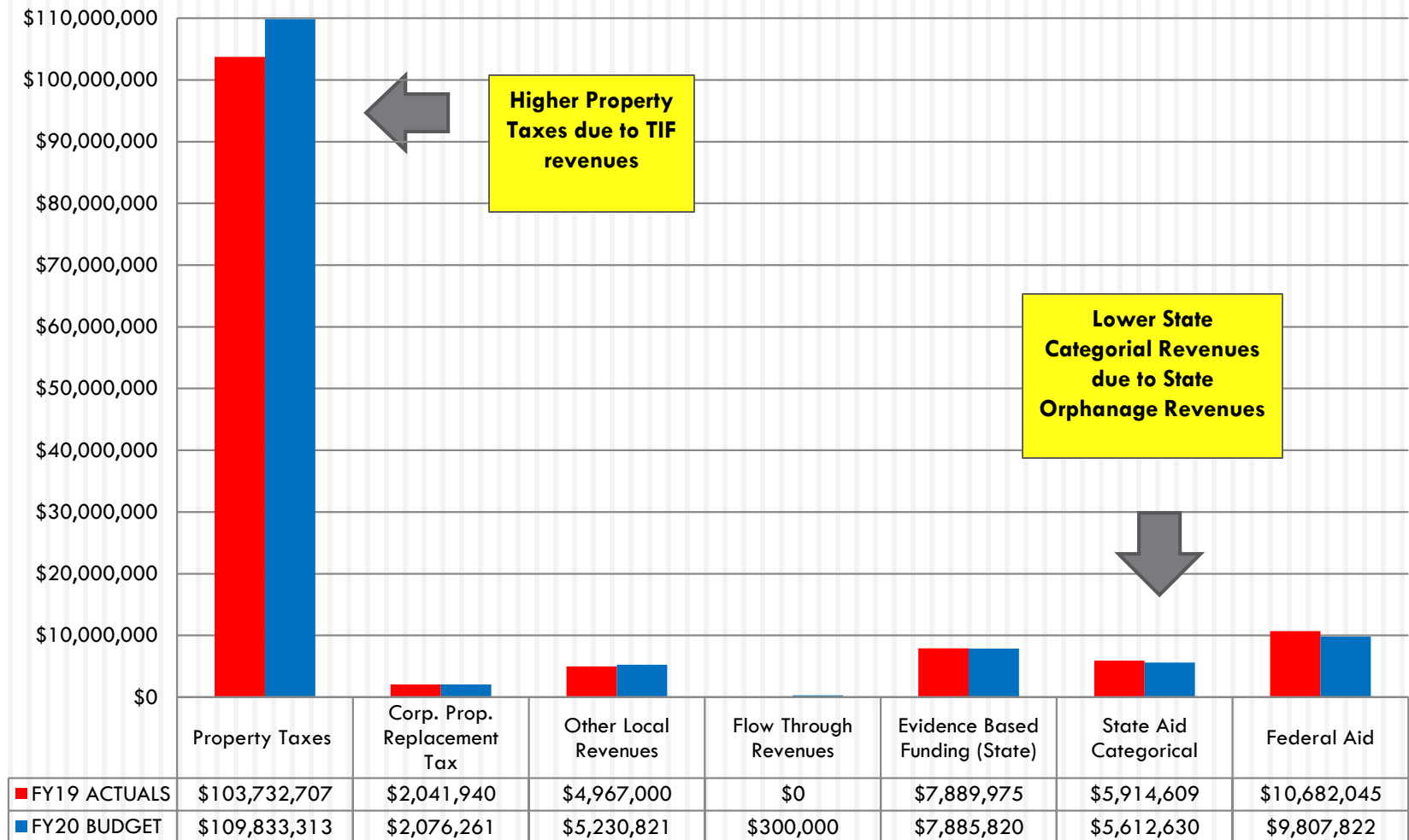


History of the CPI Factor



Comparison of FY20 Budget and FY19 Actuals

Operating Revenues



Overview of FY20 Expenditures

- FY20 Operating Expenditures are increasing by **6%** from the FY19 actuals, or **4%** from the FY19 budget, due to the following factors:
 - ▣ Staffing costs (salary increases due to contractual obligations and additional staff)
 - ▣ Unspent Capital Expenditures from FY19 funded with referendum dollars due to timing of capital projects
 - ▣ Higher Transportation Services due to increasing taxi cab costs
 - ▣ One time costs: new student data management system, security cameras at Middle Schools, science curriculum adoption, math and literacy materials
 - ▣ Additional Repair & Maintenance projects due to building needs
- A decrease in the next cost of Park School (Other Objects) is a result of prior year revenues allocated to the FY20 budget

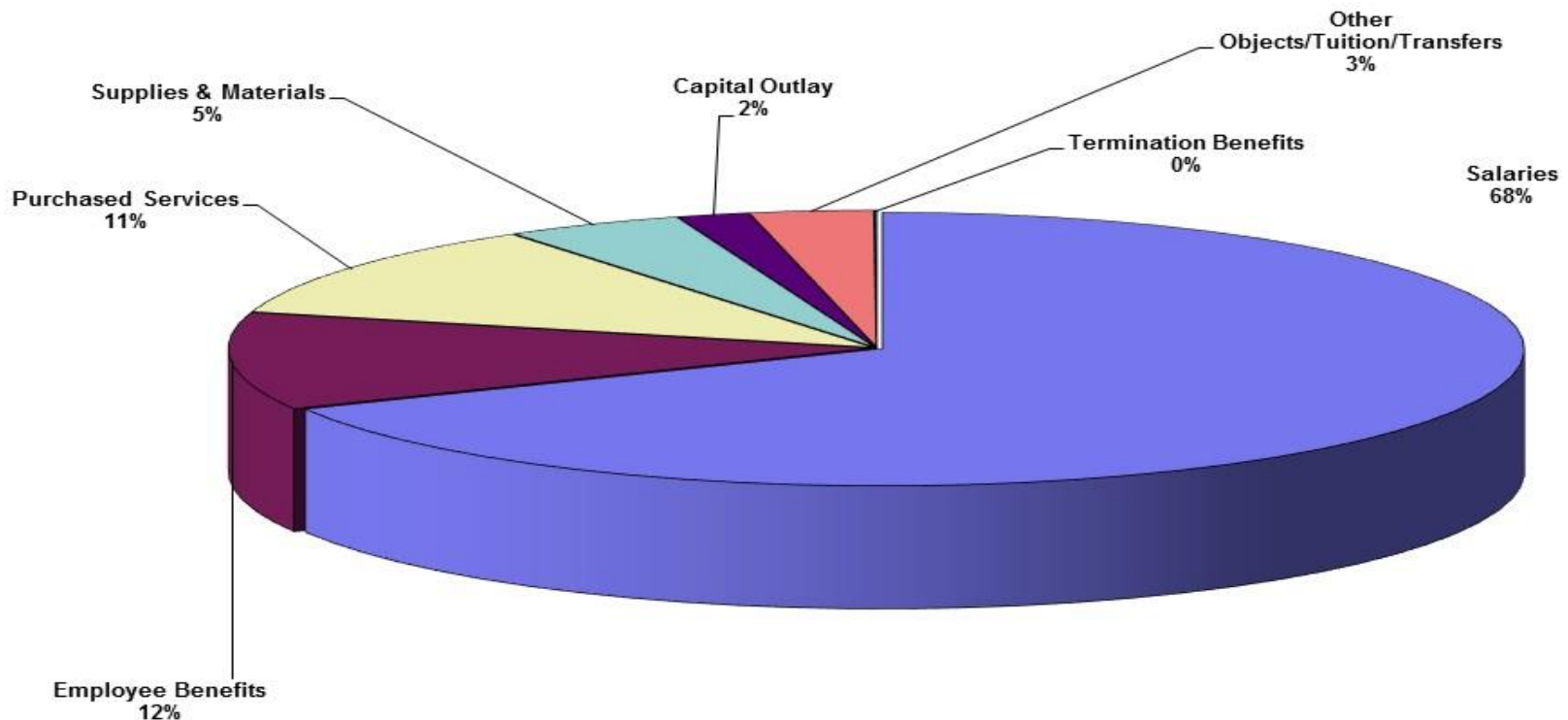
Overview of FY20 Expenditures

- FY20 salaries reflect labor agreements and additional staff:
 - ▣ Positions added due to enrollment/student needs:
 - 2 Special Education teachers due to student IEP needs
 - 2 Middle School teachers due to enrollment
 - 1 Elementary School teacher due to enrollment
 - 1 ESL teacher due to enrollment
 - 0.5 Psychologist due to student IEP needs
 - 1 Special Education teacher assistant due to student IEP needs
- Positions added to support the District's strategic priorities:
 - 3 Assistant Principals for SpEd and Restorative Practices (1 budget neutral)
 - 1 Restorative Practices Coach
- Positions added due to efficiencies/grants:
 - 1 Maintenance Generalist due to needs (budget neutral)
 - 0.5 EvanSTEM Project Specialist (grant funded)
 - 1.45 Child Development Lead Teacher (grant funded)
 - 1 Teacher Assistant (grant funded)

FY20 Operating Expenditures

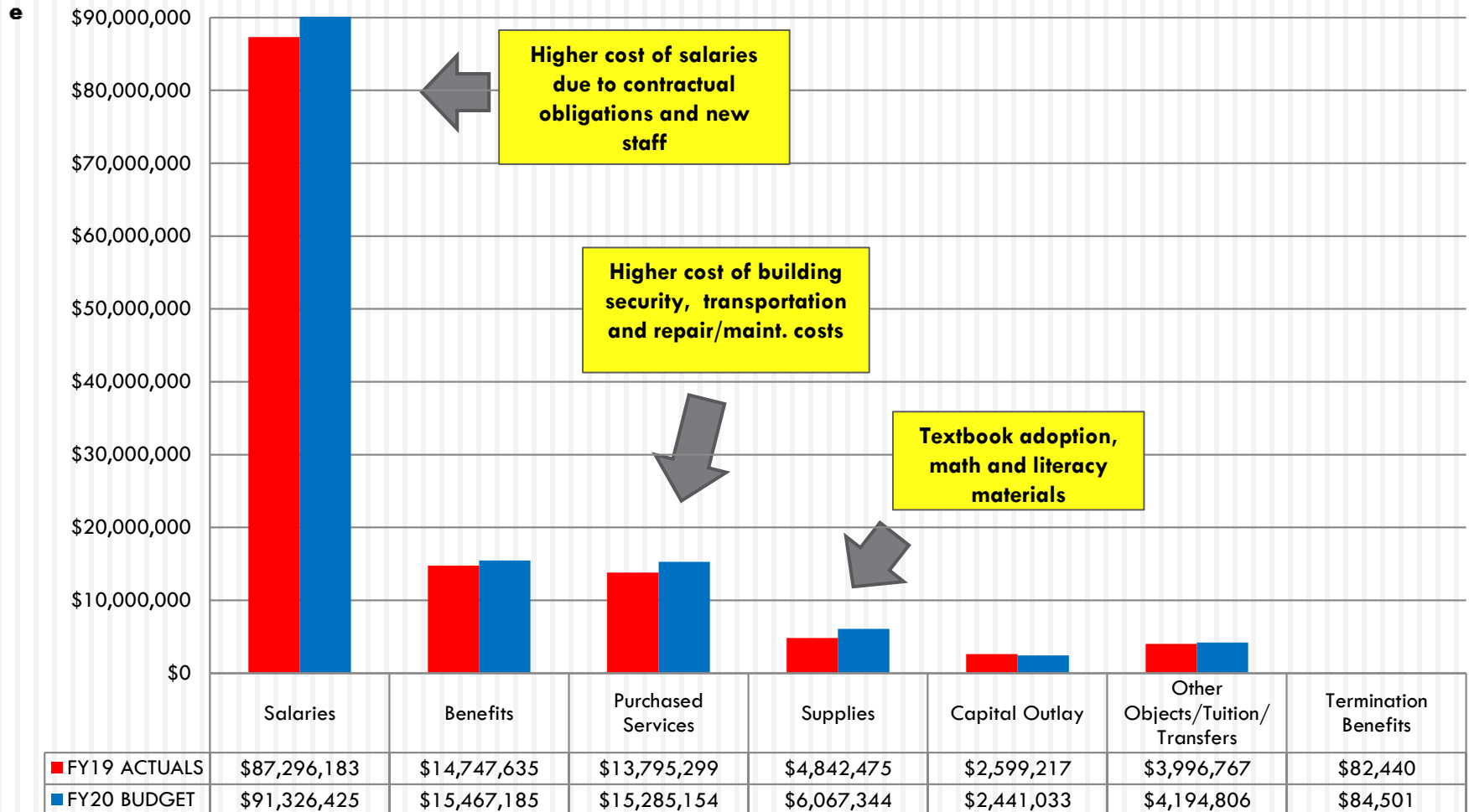
\$134.9 million

OPERATING FUND EXPENDITURES BY CATEGORY FISCAL YEAR 2019-20

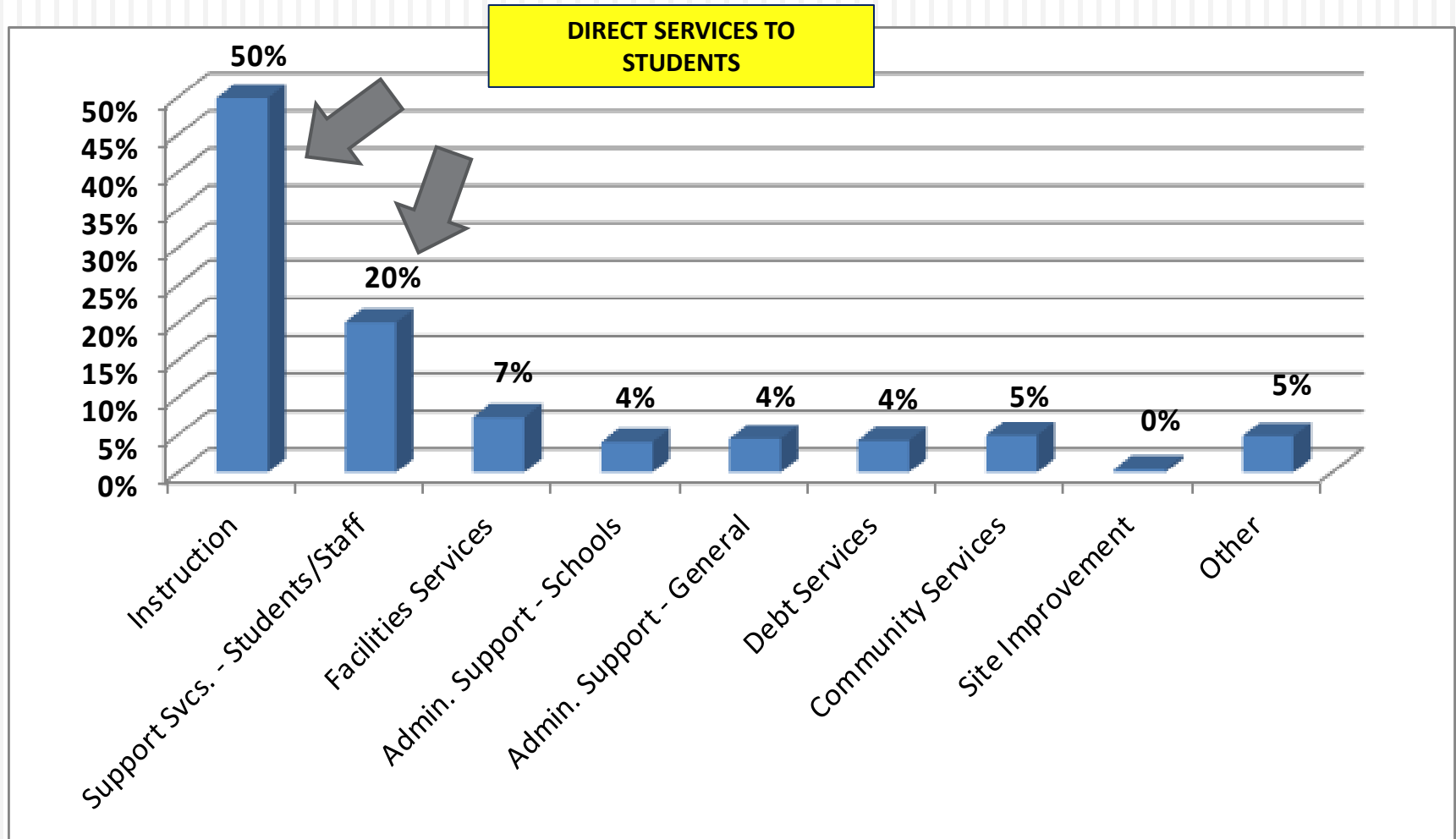


Comparison of FY20 Budget and FY19 Actuals

Operating Expenditures



FY20 Expenditures by Function



Section IV

Joint Agreement-Park School Tentative Budget FY20



FY20 Park Budget Highlights

- Park School will serve 72 students, including 18 out-of-district tuition students in FY20
- Park revenues are projected to increase by 21% to \$2.9M from FY19 budget due to prior year tuition from CPS (\$0.4M), which was received in August of 2019
- Park expenditures will increase by 5% to \$4.9M from FY19 budget
- The net cost of Park School is projected to decrease by 12% from the FY19 budget. D65 will contribute \$1.2M, while D202 will contribute \$0.8 M to the operations of Park school in FY20

Section V

Financial Projections FY20-FY25



Updated Financial Projections FY20-FY25

**LAST ANNUAL
BALANCED BUDGET**

| FISCAL YEAR → | ACTUALS 2018-19 | TENT. BUD 2019-20 | PROJ'D 2020-21 | PROJ'D 2021-22 | PROJ'D 2022-23 | PROJ'D 2023-24 | PROJ'D 2024-25 |
|--|--------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| TOTAL REVENUES | \$135,228,276 | \$140,746,667 | \$142,097,307 | \$144,323,432 | \$146,828,883 | \$149,325,887 | \$151,770,636 |
| TOTAL EXPENDITURES | \$127,360,016 | \$134,866,449 | \$139,046,378 | \$144,303,392 | \$149,386,790 | \$154,444,208 | \$159,826,426 |
| REVENUES-EXPENDITURES | \$7,868,260 | \$5,880,218 | \$3,050,929 | \$20,040 | (\$2,557,906) | (\$5,118,321) | (\$8,055,790) |
| CONTRIBUTIONS TO FUND BALANCE | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| RESERVES SET ASIDE TO MANAGE FUTURE DEFICITS | \$6,600,000 | \$4,600,000 | \$1,800,000 | \$0 | \$0 | \$0 | \$0 |
| REVENUES-EXPENDITURES | \$268,260 | \$280,218 | \$250,929 | (\$979,960) | (\$3,557,906) | (\$6,118,321) | (\$9,055,790) |
| REFERENDUM RESERVES USED TO BALANCE DEFICIT BUDGETS | \$0 | \$0 | \$0 | \$979,960 | \$3,557,906 | \$6,118,321 | \$9,055,790 |
| REVENUES -EXPENDITURES (W. REFERENDUM RESERVES) | \$268,260 | \$280,218 | \$250,929 | \$0 | \$0 | \$0 | \$0 |
| CUMULATIVE BALANCE OF REFERENDUM RESERVES | \$25,100,000 | \$29,700,000 | \$31,500,000 | \$30,520,040 | \$26,962,134 | \$20,843,813 | \$11,788,023 |

**BALANCED BUDGET
WITH REFERENDUM
RESERVES**

Financial Projections FY18-FY25*

(Presented in May of 2017 w. referendum revenues)

| FISCAL YEAR → | PROJ'D 2017-18 | PROJ'D 2018-19 | PROJ'D 2019-20 | PROJ'D 2020-21 | PROJ'D 2021-22 | PROJ'D 2022-23 | PROJ'D 2023-24 | PROJ'D 2024-25 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| TOTAL REVENUES | \$142,084,022 | \$133,783,241 | \$138,935,603 | \$140,006,815 | \$142,073,991 | \$144,835,783 | \$147,291,186 | \$149,891,615 |
| TOTAL EXPENDITURES | \$124,359,096 | \$128,247,930 | \$132,637,737 | \$137,609,712 | \$142,467,514 | \$147,535,447 | \$152,824,875 | \$158,397,945 |
| REVENUES- EXPENDITURES | \$17,724,926 | \$5,535,311 | \$6,297,866 | \$2,397,103 | (\$393,523) | (\$2,699,664) | (\$5,533,689) | (\$8,506,330) |
| CONTRIBUTIONS TO FUND BALANCE | \$3,150,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 | \$1,000,000 |
| RESERVES SET ASIDE TO MANAGE FUTURE DEFICITS | \$14,400,000 | \$4,200,000 | \$5,000,000 | \$1,100,000 | \$0 | \$0 | \$0 | \$0 |
| REVENUES- EXPENDITURES | \$174,926 | \$335,311 | \$297,866 | \$297,103 | (\$1,393,523) | (\$3,699,664) | (\$6,533,689) | (\$9,506,330) |
| RESERVES USED TO MANAGE FUTURE DEFICITS | \$0 | \$0 | \$0 | \$0 | \$1,393,523 | \$3,699,664 | \$6,533,689 | \$9,506,330 |
| REVENUES- EXPENDITURES | \$174,926 | \$335,311 | \$297,866 | \$297,103 | \$0 | \$0 | \$0 | \$0 |

*The scenario includes Pension Cost Shift.

FY18 Projections vs. Current Projections

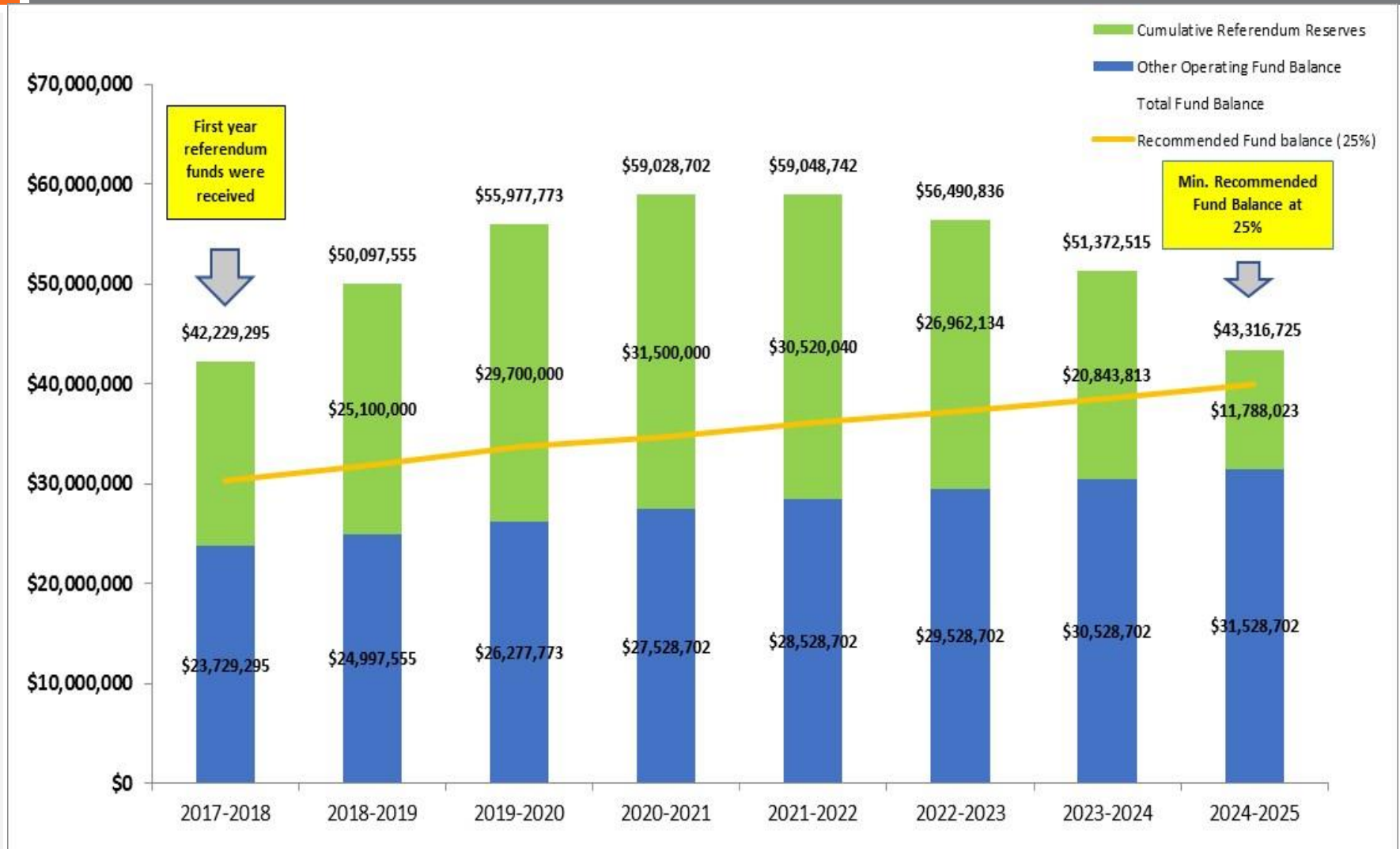
- Collection of referendum reserves is on track:
 - Current Projections: \$29,700,000 vs. \$24,100,000 saved by FY20, projected in FY18
 - The current projections include slightly higher revenues expenditures but similar annual surpluses and deficits
 - Previous projections forecasted deficit budgets starting in FY22; current projections balanced FY22 and a deficit budget in FY23
 - Updated projections include higher cost of salaries, due to new positions and contractual increases; higher costs of student transportation and repairs and maintenance

PROJECTED BALANCE OF REFERENDUM RESERVES AS OF 6/30/19

| Beginning Balance of Referendum Reserves as of 7/1/18 | <u>Budgeted</u> amount of Referendum Reserves to be added in 2018-19 | <u>Budgeted</u> amount of Referendum Reserves as of 6/30/19 | <u>Actual</u> amount of Referendum Reserves to be added in 2018-19 | <u>Actual</u> Balance of Referendum Reserves as of 6/30/19 | Additional/ (Deficit) amount of Referendum Reserves |
|--|---|--|---|---|--|
| \$18,500,000 | \$3,100,000 | \$21,600,000 | \$6,600,000 | \$25,100,000 | \$3,500,000 |

District is on track with referendum reserves.

Projections of D65 Operating Fund Balance



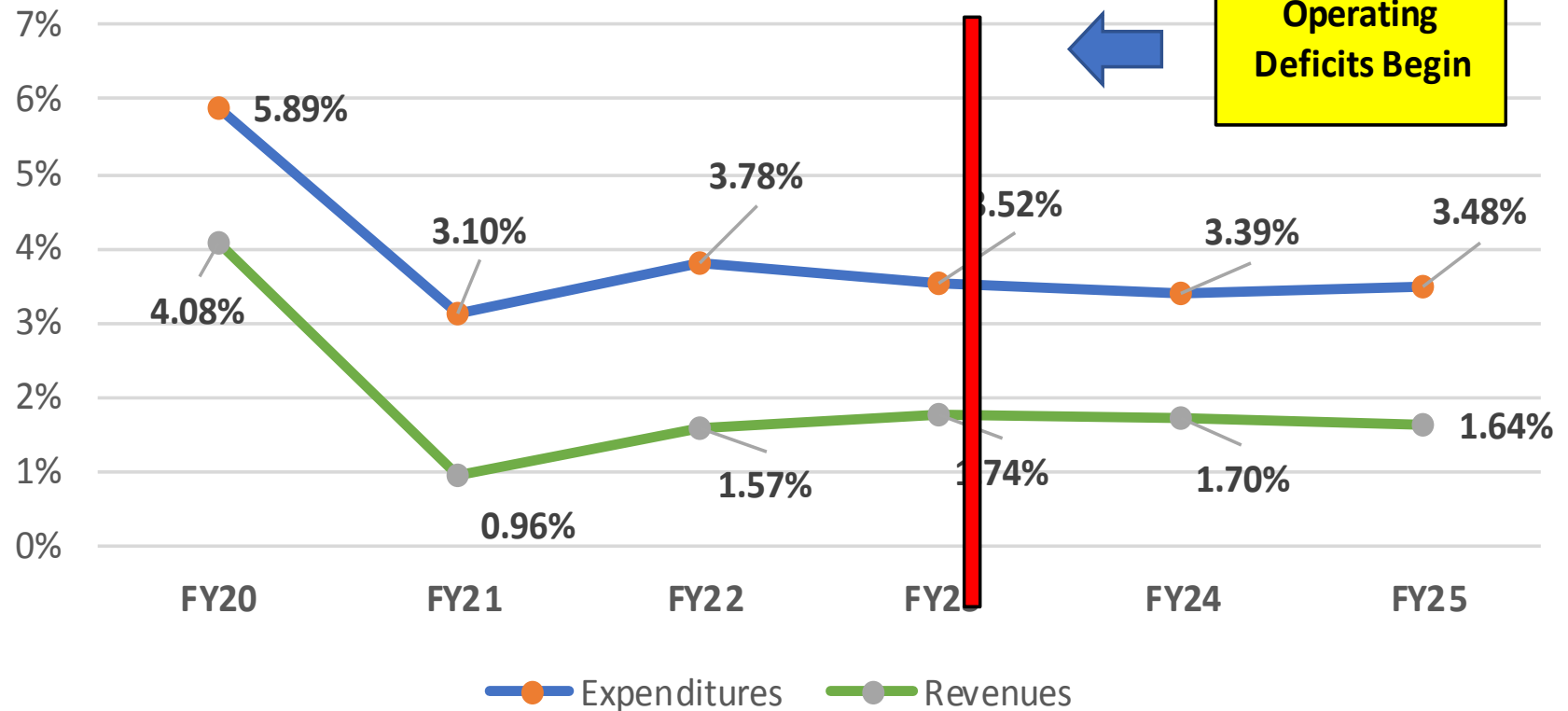
Section VI

Structural Deficit



Structural and Operating Deficits FY23-FY25

Rate of Growth in Operating Revenues and Expenditures FY20-FY25



Steps to eliminate Structural Deficit

GOAL:

RATE OF GROWTH IN REVENUES = RATE OF GROWTH IN EXPENDITURES

- Continue developing the budget using Zero Based Budgeting to ensure efficiencies and eliminate unnecessary spending
- Follow the Board April 24, 2017 resolution
- Continue aligning District's spending with its strategic and instructional priorities, with focus on equity
- Explore running programs in more efficient manner, use current resources vs. hiring new staff

Section VII

Budget Uncertainties



Uncertainties Affecting Future Budgets

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□ Other Assumptions

- Uncertainties related to potential future state legislation affecting the Pension Cost Shift and the Property Tax Freeze
- Projections make assumptions about the CPI factor, which is uncertain from FY22 and beyond
- Uncertainties about future federal funding

NEXT STEPS- BUDGET CALENDAR

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- August 22, 2019 – Publication of the Budget Hearing
- September 23, 2019 – Public Hearing and Budget Adoption by Board
- October 23, 2019 – Budget filed with the County Clerk and the State Board of Education

Questions?

