



FY18

Tentative Budget

Community Consolidated School District 65

Board Finance Committee Meeting

August 14, 2017

Presentation Overview

- I. Legal Requirements for Budget Adoption
- II. Overview of FY17 Actual Revenues and Expenditures
- III. Overview of FY18 Budget
- IV. Overview of FY18 Joint Agreement Park School Budget
- V. Financial Projections FY19-FY25
- VI. 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 FY17 Revenues and Expenditures

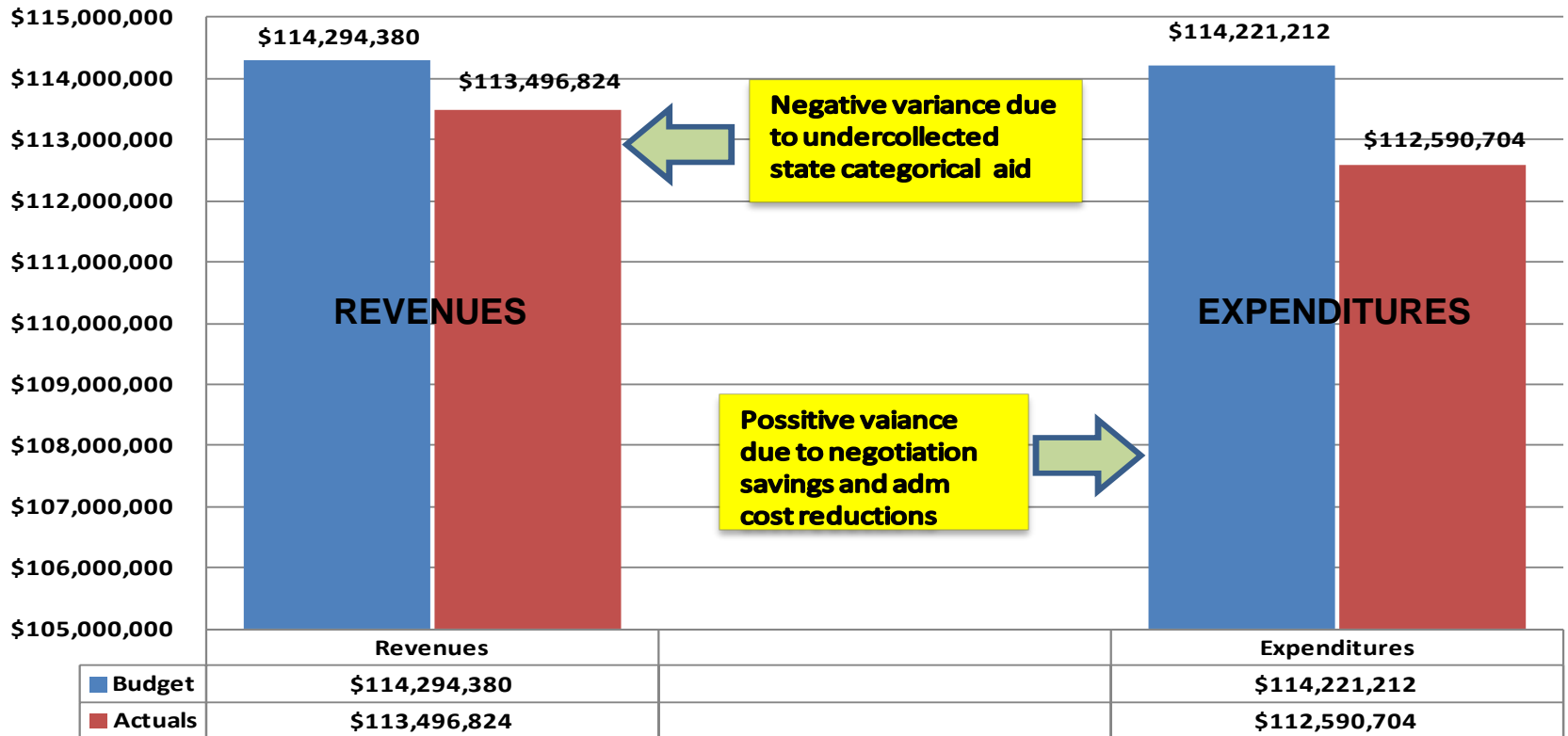


How did D65 do financially in FY17?

- ▶ 99% of FY17 Revenues were collected
- ▶ 99% FY17 Expenditures were spent
- ▶ FY17 ended with a \$906k operating surplus before audit adjustments), \$73k surplus was budgeted
- ▶ Approximately \$800k of the FY17 surplus was used to increase the size of the District's fund balance to avoid a downgrade by bond rating agencies

FY17 Budget Vs. Actuals (Operating)

BUDGET VS. UNAUDITED ACTUALS OPERATING REVENUES & EXPENDITURES 2016-17



Section III

Overview of the FY18 Budget





FY18 Budget Highlights

- FY18 Operating Budget is the District's 16th consecutive Balanced Budget, with revenues exceeding expenditures by \$14.7M
- Large budget deficits were alleviated by the successful operating rate referendum and savings from negotiations
- Spending is aligned with the District's priorities and strategic initiatives



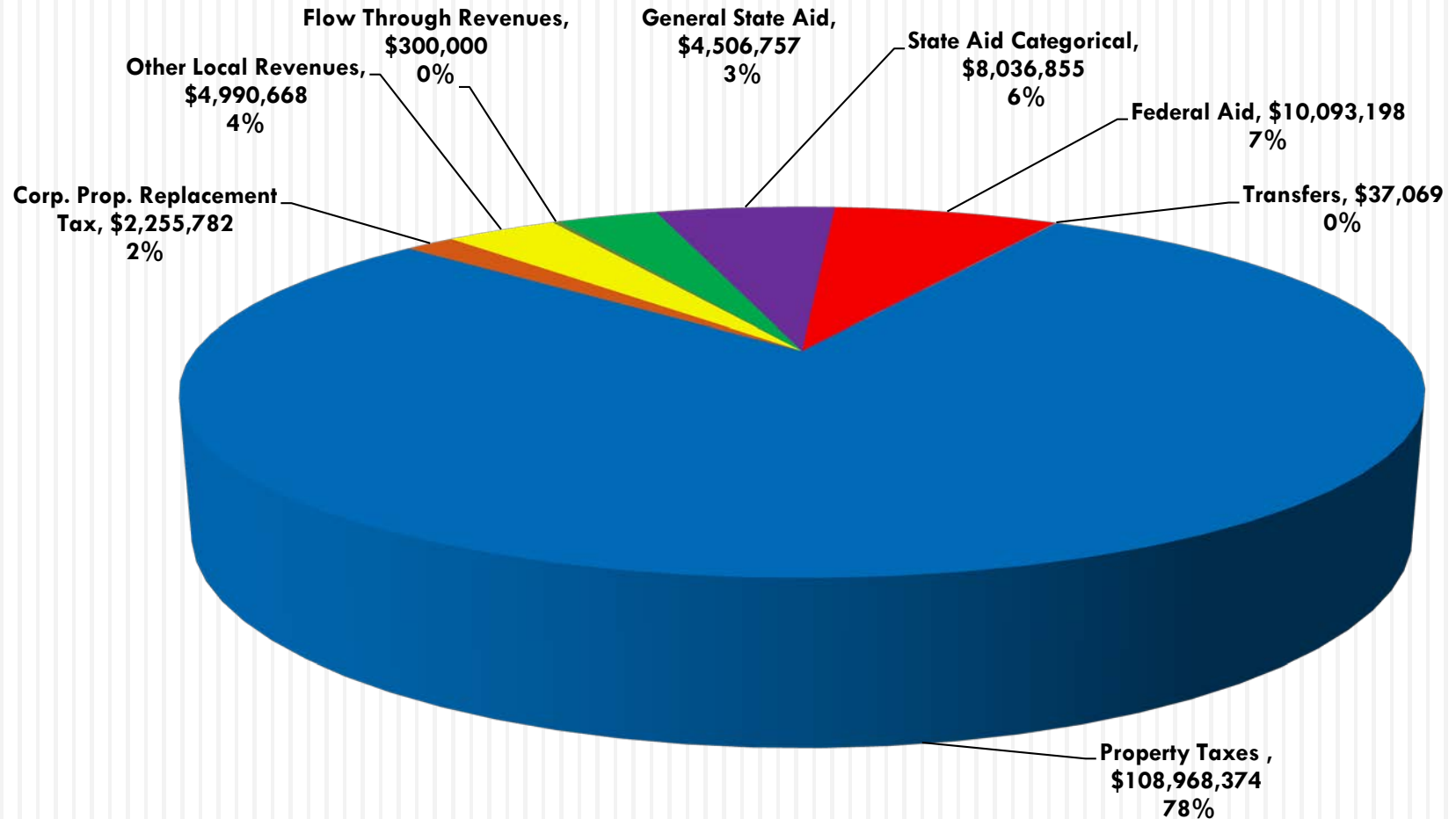
Overview of FY18 Revenues

- FY18 Operating Revenues are projected to increase by **23%** over FY17 actual revenues, due to referendum funding included in property taxes

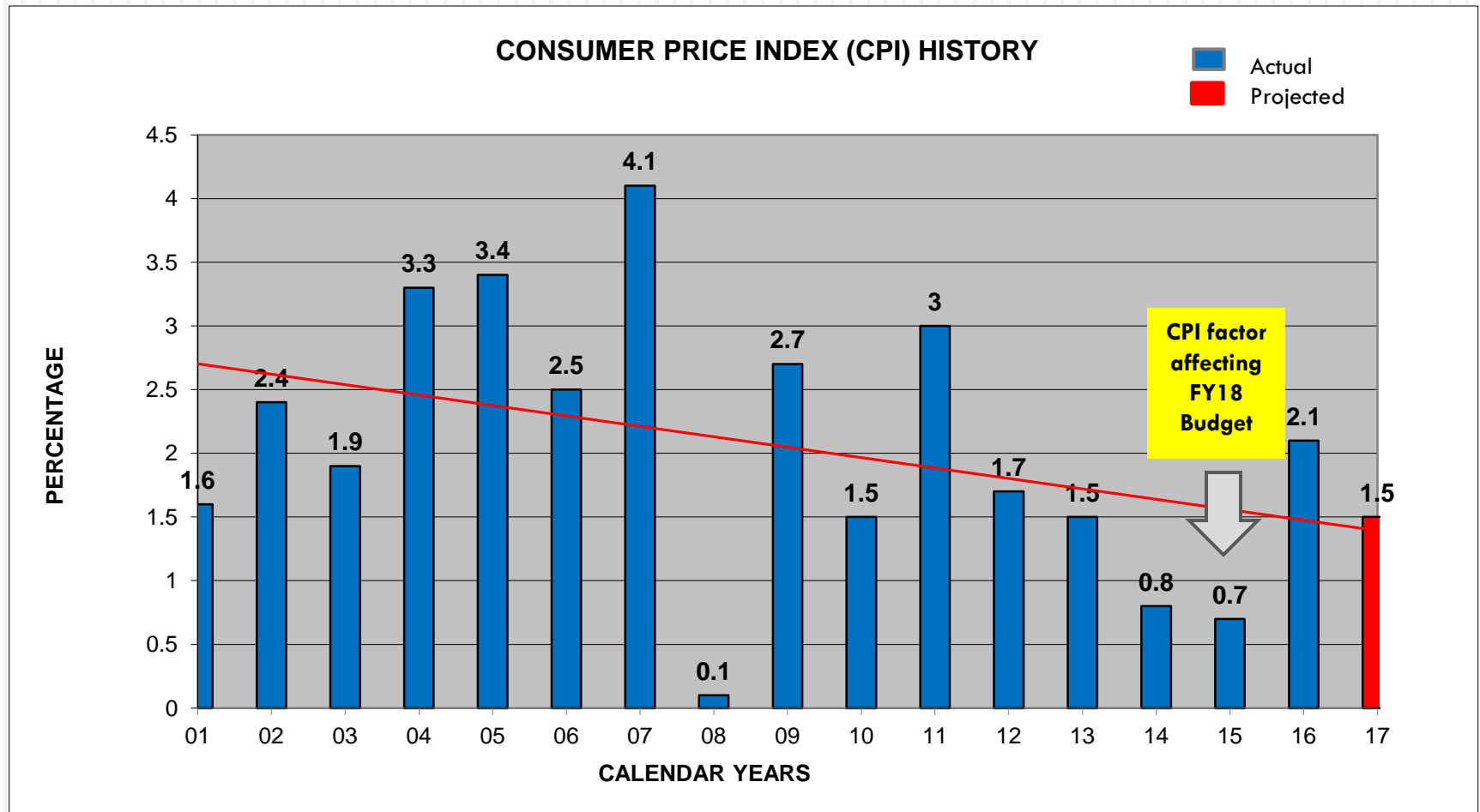
- Revenues are derived from the following sources:
 - Local
 - Flow Through
 - State
 - Federal
 - Transfers

FY18 Operating Revenue Sources

\$139.2 million



History of the CPI Factor



Comparison of FY18 Budget and FY17 Actuals

Operating Revenues



Overview of FY18 Expenditures

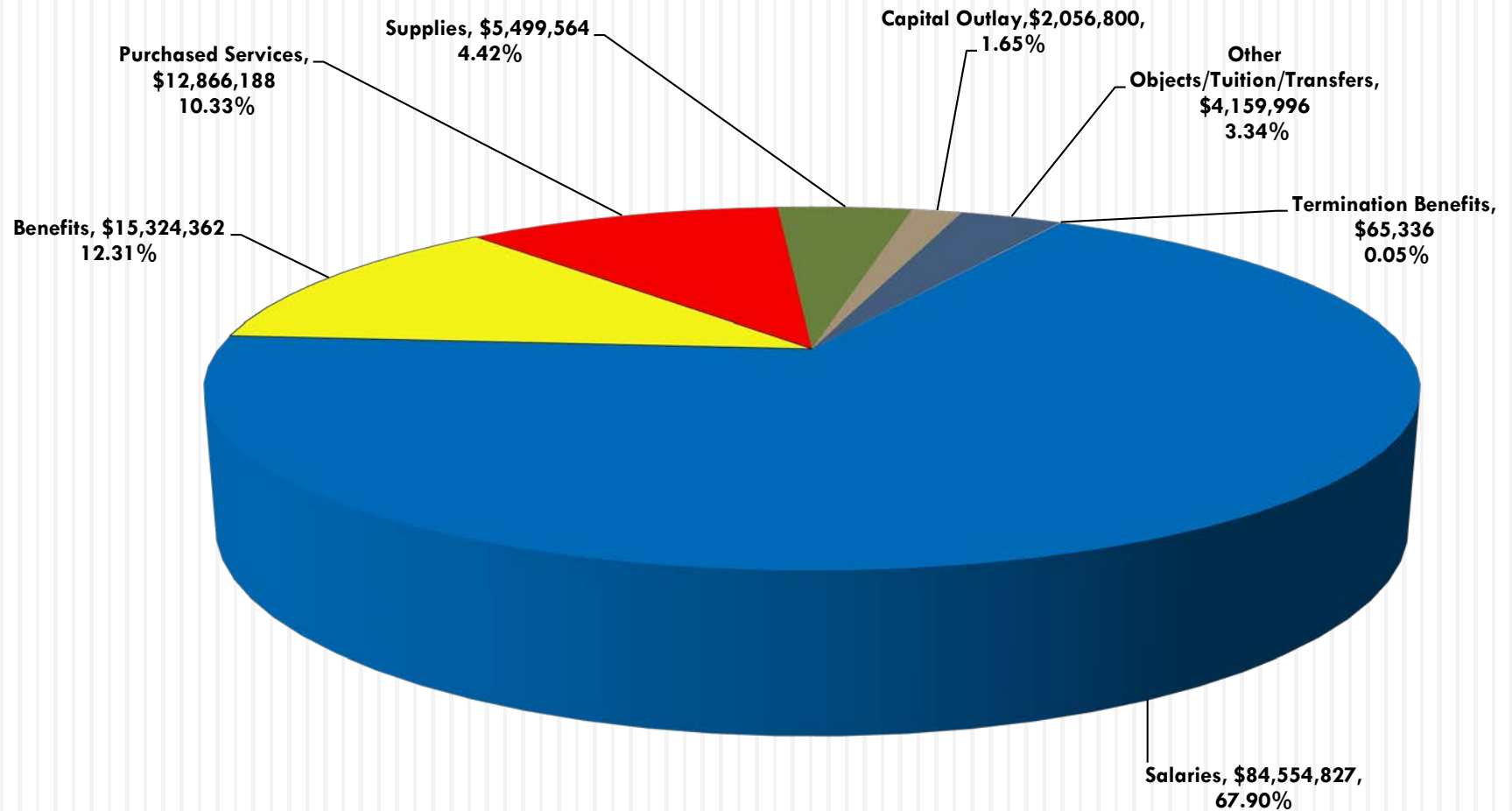
- FY18 Operating Expenditures are increasing by **11%** due to the following factors:
 - ▣ Staffing costs (salary increases due to new contracts and new staff)
 - ▣ Expenditures previously prepaid in FY16 surplus
 - ▣ Referendum funded initiatives
 - Resources to maintain class size
 - Reading Specialists at each school
 - Instructional Technology expenditures shifted to the operating budget and funded with referendum funds
 - Small capital projects funded with referendum
- Costs of Special Education tuition continue to rise

Overview of FY18 Expenditures

- FY18 salaries reflect new contractual agreements negotiated during FY17 as well as new positions due to enrollment and student needs
 - 1.5 FTEs advisory and coding teachers/social workers for planning time
 - 1.5 FTEs additional reading specialists
 - 2 bilingual teachers due to program needs
 - 2.5 middle school teachers due to enrollment and student needs
 - 2 elementary school teacher due to enrollment and student needs
 - 1 special education coach
 - 1 bilingual social worker
 - 2 special education teacher assistants due to student needs
 - 1 interpretive aide
 - 0.6 FTE McKinney-Vento staff to assist homeless students
- Pension Cost Shift costs are included (\$0.3 million)

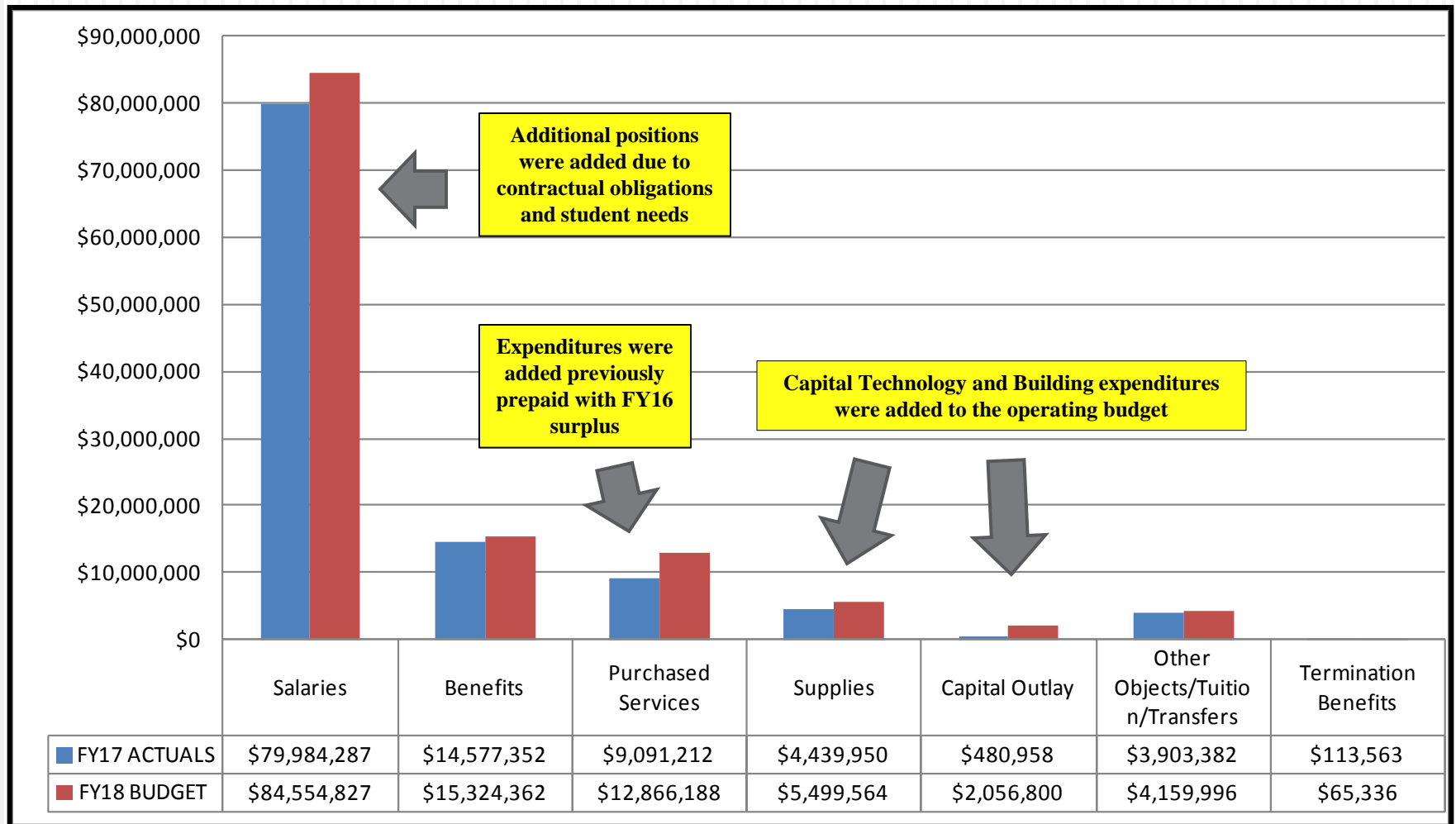
FY18 Operating Expenditures

\$124.5 million



Comparison of FY18 Budget and FY17 Actuals

Operating Expenditures



FY18 Budget Reductions & Efficiencies

CATEGORY OF REDUCTION	AMOUNT	DESCRIPTION
CENTRAL OFFICE EFFICIENCIES	\$100,000	RECLASSIFICATION OF FIVE SUPPORT POSITIONS, CABINET LEVEL EFFICIENCIES.
TRANSPORTATION SERVICES EFFICIENCIES	\$100,000	CONSOLIDATION OF BUS ROUTES AND STOPS.
MEDICAID REVENUES	\$200,000	IMPROVED MEDICAID FILING AND REPORTING PROCESS, WHICH SHOULD RESULT IN HIGHER MEDICAID REVENUES.
TOTAL	\$400,000	



Board Resolution Regarding Uses of Additional (Referendum)Tax Revenues – Unanimously approved April 24, 2017

The following guidelines articulate the Board's intentions regarding the allocation of the 2017 \$14.5 operating referendum to address the projected deficits for FY18-FY25.

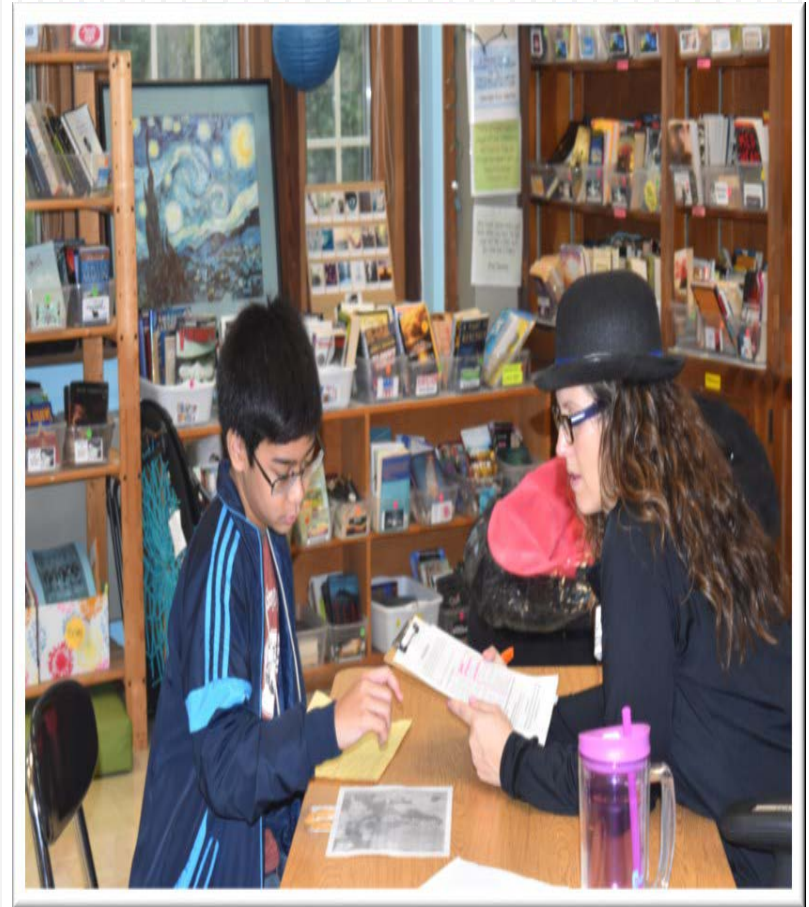
- Referendum funds were raised with the following intended uses and will be applied in accordance with the District's Racial and Educational Equity Statement and related policies:
 - To alleviate projected deficits through at least FY25
 - To fund at least \$500k per year for Districts wide capital improvements, with \$525k for additional capital needs
 - To maintain the District's fund balance with contributions of at least \$1M/year
 - To allow the District to discontinue the practice of funding short life cycle technology equipment with long term capital debt. These technology equipment expenditures will be funded with operating funds going forward.
 - To support critical District's strategies in the area of 1:1 instructional technology at middle schools and literacy interventions for struggling students including 1 FTE Reading Specialists at each elementary schools



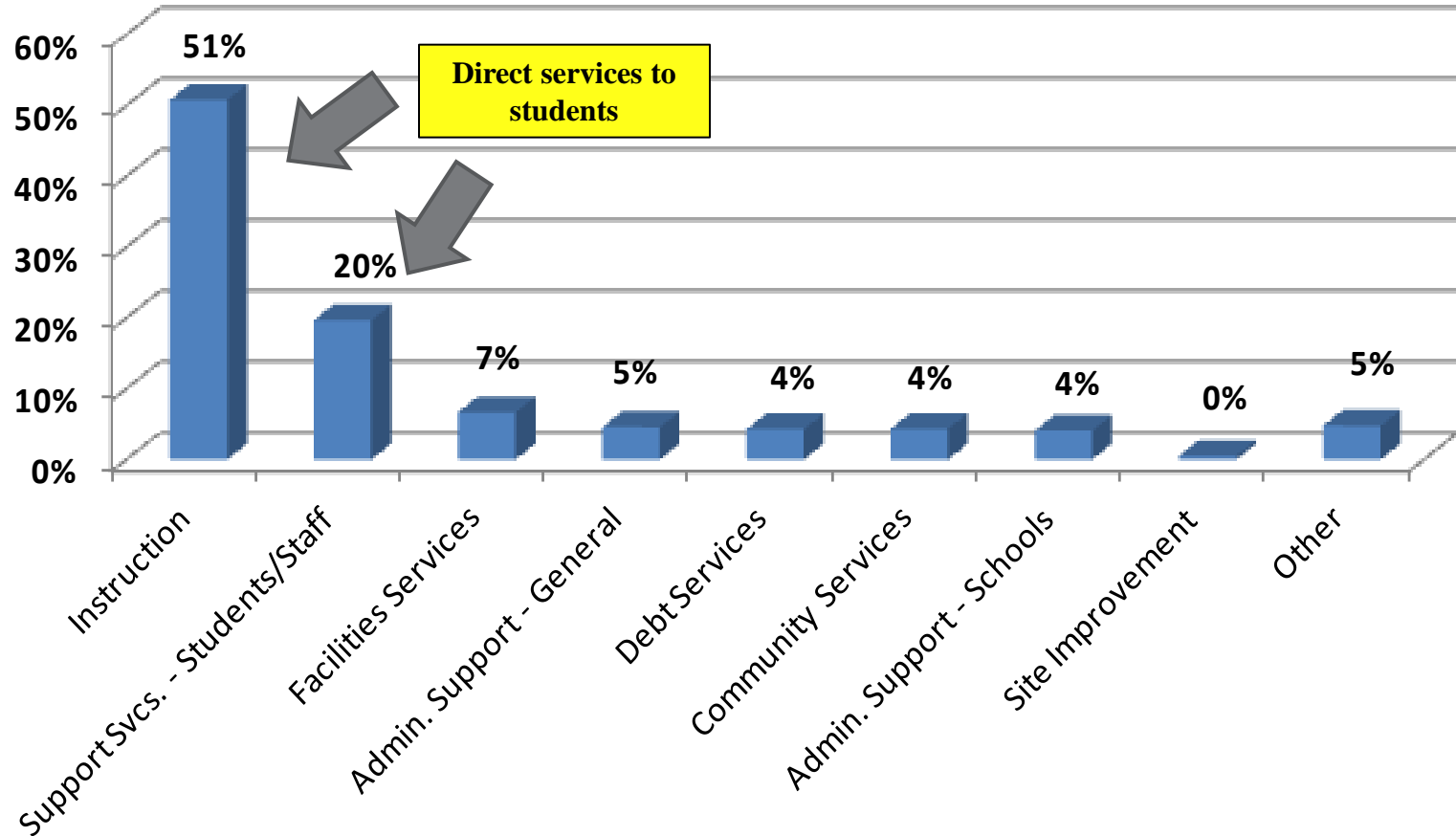
Board Resolution Regarding Uses of Additional (Referendum)Tax Revenues –Unanimously approved April 24, 2017 , cont.

To promote transparency with regard to referendum funds, the District will add the following to our annual budget reporting:

- ▣ A “referendum deficit management” budget line that will specify the funds being held to balance future deficits through at least FY25
- ▣ An estimate of how long the reserved funds will keep the District deficit-free”



FY18 Expenditures by Function



Section IV

Joint Agreement-Park School Tentative Budget FY18



FY18 Park Budget Highlights

- Park School will serve 69 students, including 12 paying out-of-district tuition students in FY18
- Park revenues will increase by 16% to \$2,092,136
- Park expenditures will increase by 3% to \$4,448,424
- D65 will contribute \$1.4 M, while D202 will contribute \$0.9 M to the operations of Park school

Section IV

Financial Projections FY19-FY25



UPDATED FINANCIAL PROJECTIONS

FY19-FY25

FISCAL YEAR →	TENT. BUDGET 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	\$139,188,703	\$134,318,688	\$139,347,030	\$140,471,829	\$142,549,096	\$145,486,259	\$147,792,187	\$150,409,007
TOTAL EXPENDITURES	\$124,527,073	\$128,799,796	\$133,254,219	\$138,321,287	\$143,284,049	\$148,461,278	\$153,864,634	\$159,556,584
REVENUES- EXPENDITURES	\$14,661,630	\$5,518,892	\$6,092,812	\$2,150,542	(\$734,953)	(\$2,975,019)	(\$6,072,447)	(\$9,147,577)
CONTRIBUTIONS TO FUND BALANCE INC. REPAYMENTS	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
REF. RESERVES SET ASIDE TO MANAGE FUTURE DEFICITS	\$13,500,000	\$4,400,000	\$4,900,000	\$1,000,000	\$0	\$0	\$0	\$0
REVENUES- EXPENDITURES AFTER SETTING ASIDE RESERVES	\$161,630	\$118,892	\$192,812	\$150,542	(\$1,734,953)	(\$3,975,019)	(\$7,072,447)	(\$10,147,577)
REF. RESERVES USED TO MANAGE FUTURE DEFICITS	\$0	\$0	\$0	\$0	\$1,734,953	\$3,975,019	\$7,072,447	\$10,147,577
REVENUES- EXPENDITURES WITH REFERENDUM RESERVES	\$161,630	\$118,892	\$192,812	\$150,542	\$0	\$0	\$0	\$0



REFERENDUM RESERVES BALANCE PROJECTIONS FY19-FY25

FISCAL YEAR →	TENT. BUDGET 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
AMOUNT OF REFERENDUM REVENUES <u>RECEIVED</u> ANNUALLY	\$22,040,000	\$14,500,000	\$14,500,000	\$14,500,000	\$14,500,000	\$14,500,000	\$14,500,000	\$14,500,000
AMOUNT OF REFERENDUM REVENUES <u>USED</u> TO COVER ANNUAL DEFICITS	\$8,378,370	\$9,981,108	\$9,407,188	\$13,349,458	\$16,234,953	\$18,475,019	\$21,572,447	\$24,647,577
AMOUNT OF REFERENDUM RESERVES <u>SET ASIDE/USED</u> ANNUALLY (FOR FUTURE DEFICITS)	\$13,500,000	\$4,400,000	\$4,900,000	\$1,000,000	(1,734,953)	(3,975,019)	(7,072,447)	(10,147,577)
CUMULATIVE BALANCE OF REFERENDUM RESERVES	\$13,500,000	\$17,900,000	\$22,800,000	\$23,800,000	\$22,065,047	\$18,090,028	\$11,017,582	\$870,005

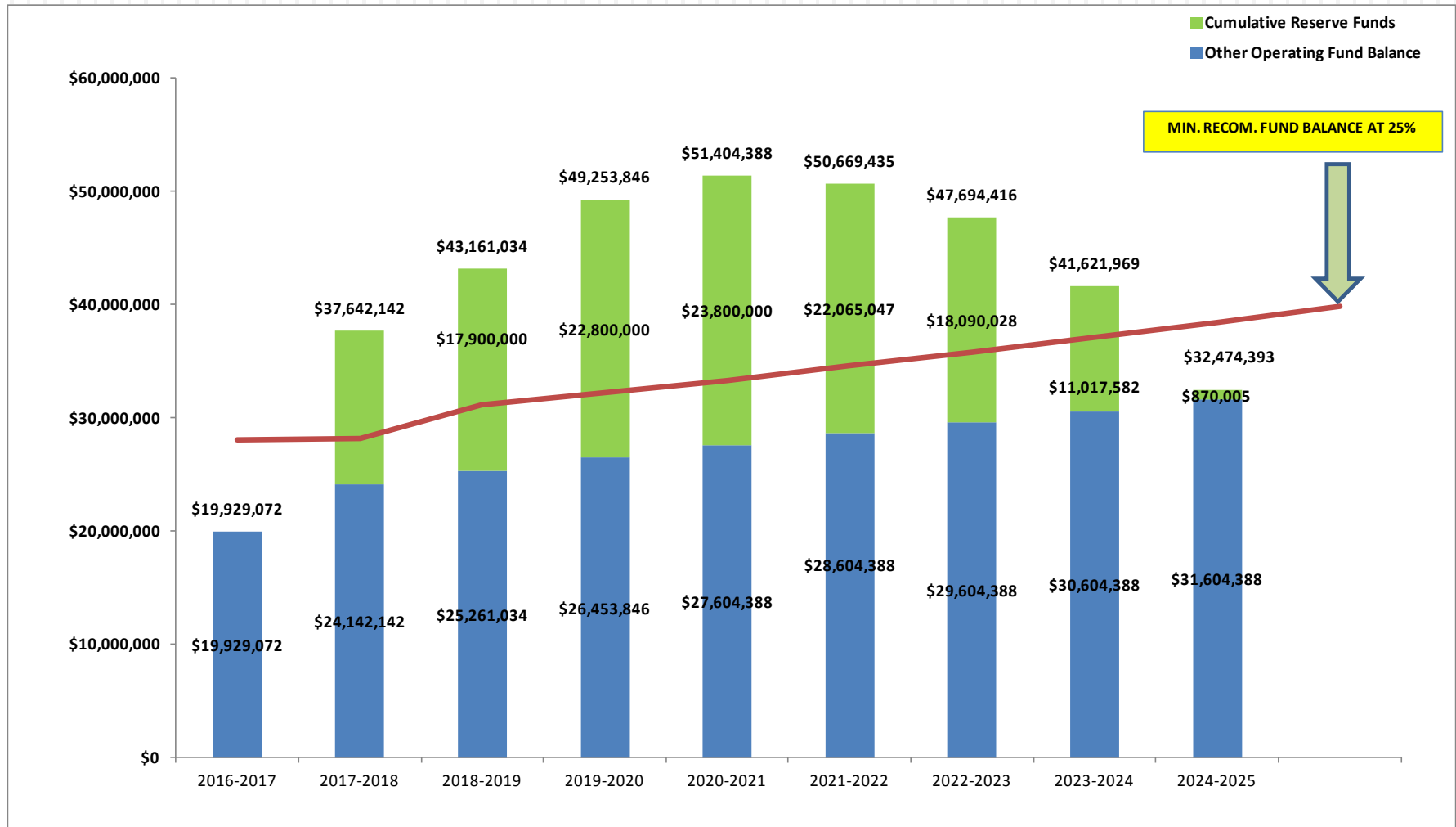
Saving Phase

Spending Phase

The District will begin using its
referendum reserves in FY22



Projections of D65 Operating Fund Balance



Section V

Budget Uncertainties



Uncertainties Affecting Future Budgets

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□ Other Assumptions

- Uncertainties related to potential state legislation affecting General State Aid formula and Property Tax Freeze.
- Projections make assumptions about the CPI factor, which is uncertain from FY20 and beyond
- Uncertainties about future labor contracts
- Uncertainties about future federal funding



State Financial Threats (Estimated)

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Fiscal Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
PENSION COST SHIFT (INC. IN FY18 BUDGET)*	\$332,591	\$692,058	\$1,066,057	\$1,469,887	\$1,520,027	\$1,571,887	\$1,625,527	\$1,681,008
EVIDENCE-BASED FUNDING MODEL SB1*	FY18-FY25 SIMILAR LEVEL OF FUNDING PROJECTED DUE TO HOLD HARMLESS PROVISION							
SENATE BILL 484, PROPERTY TAX FREEZE**	\$0	(\$3,280,551)	(\$4,637,560)	(\$3,871,130)	(\$3,938,877)	(\$4,007,956)	(\$4,078,005)	(\$4,149,305)
TOTAL	(\$332,591)	(\$3,972,609)	(\$5,703,617)	(\$5,341,017)	(\$5,458,904)	(\$5,579,843)	(\$5,703,532)	(\$5,830,313)

*included in the FY18 budget, will be taken out if legislation is not passed

**not included in the FY18 budget or projections

NEXT STEPS- BUDGET CALENDAR

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- August 14, 2017 – FY18 Tentative Budget Presentation
- September 25, 2017 – Public Hearing and Budget Adoption by Board
- October 25, 2017 – Budget filed with the County Clerk and the State Board of Education

Questions?

