



DUPAGE HIGH SCHOOL
DISTRICT 88

Building Futures
ADDISON TRAIL
WILLOWBROOK

The state of the state & The state of D88

May 2017

State of the state & District 88

- ▶ No Illinois Budget “Pass Illinois Budget”
- ▶ Categorical State Aid – State behind
 - Owe us currently \$1.4 million (quarterly payments)
 - Dec & March pending for all public schools
- ▶ Property Tax Freeze (2 years +)
 - Exposure = \$1.3 million per year, cumulative \$3.9 million two years – permanent loss
- ▶ Pension cost shift ($1 / 2\% = \$150,000$)
- ▶ “Grand Bargain”
 - Before May 31 = simple majority; after = 3/5 majority
- ▶ New State Funding Formula(s)
 - Redistribution models from past = (\$3.1 to \$3.9 million) loss
 - Evidence Based Model has some potential but must find additional financial resources



Financial Health...

- ▶ Where have we been?
- ▶ Where are we now?
- ▶ Where are we heading?



Where have we been?

- ▶ Economy impacting revenue funding past four years
- ▶ State funding = “roller-coaster”
- ▶ Expenditures exceeding revenue past 3 of 5 years
- ▶ Annual deficit – Average (\$339,000) {2012 – 2016}
Cash Basis
- ▶ Annual deficit – Average (\$836,000) {2012–2016}
(accrual basis)
 - Accrual basis is most accurate representation as it adjusts for “timing” differences as to revenue and expenditures
 - Common adjustments – delayed state and federal aid; prior year obligations paid for in different year



Cash vs Accrual Reporting

OPERATING FUNDS ONLY

<u>ACCRUAL BASIS FUND BALANCES</u>				<u>CASH BASIS FUND BALANCES</u>			
	Total Operating Fund Balance (Ed, O&M, Trans, IMRF, WC)	Change \$	Change %	Cash Basis Balances	Change \$	Cash Basis Balances - Net of Early Tax \$	Change \$
FY 2016	\$24,638,172	4,343,034	21.4%	\$48,793,641	5,449,131	\$23,222,544	4,971,645
Less Working Cash Bonds Issued Dec 2015 for Capital Projects/Equipment		(4,000,967)			(4,000,967)		
Less Capital Lease Proceeds(copiers)		(118,473)			-		
Net Change Fund Balance Operating Funds Only		\$223,594			\$1,448,164		
FY 2015	\$20,295,138	533,930	2.7%	\$43,344,510	(148,086)	\$18,250,898	(749,547)
FY 2014	\$19,761,208	(881,705)	-4.3%	\$43,492,596	2,106,098	\$19,000,445	145,768
FY 2013	\$20,642,913	(1,562,968)	-7.0%	\$41,386,499	(2,491,601)	\$18,854,677	(1,711,623)
				Source = Oper Funds Summary (Projections Documents)			
Accrual basis = excludes June "early" property tax collections & adjusts for timing of State Aid or other revenue such that only properly due are recognized in reports; measurable within 60-90 days adjustments							
for both Revenue and Expenditures - e.g. Categorical State Aid or Construction Expenses							

Where have we been?

- ▶ Fiscal year 2015 Operating Funds budget (\$1.8 million) deficit (cash basis) **CPI = 1.70%**
- ▶ Closed FY2015 Operating Funds:
 - Deficit of (\$148,000) cash basis
 - Surplus of \$534,000 accrual basis

How Achieved:

- ▶ Revenue on target +\$100,000
- ▶ Expense under (\$1,500,000)
 - Salary/Benefit & Contingency under (\$1.3M)
 - Student outside placement tuition under (\$200,000)
 - Utility/gasoline supply expense under (\$215,000) but offset by other Supply Exp. For net excess of \$133,000
 - **Deferred budgeted facility improvement projects**
\$150,000



Where have we been?

- ▶ Transportation route reduction FY2015 saving (\$50,000) per year
- ▶ Debt refinancing & issuance:
 - December 2015 refinanced Series 2005 \$8.7M bonds and borrowed \$4.0M for capital projects/equipment
 - Net borrowing cost \$67,000 over 10 years
 - December 2016 refinanced Series 2007 & 2008 total \$80M bonds saving taxpayers \$10.6M
- ▶ Borrowing capacity remaining is very limited until outstanding bonds paid down



Where have we been?

- ▶ Fiscal Year 2016 Operating Funds budget (\$1.8 million) deficit (cash basis) **CPI = 1.50%**

Budget included:

- ▶ Staff restructuring:
 - Asst. Principal (-2.0)/Directors(+2.0)
 - Student Assessment contract cancelled (\$86,000)
 - IEP Coordinator Position (-1.0) (\$70,000)
 - Reduced clerical positions (-2.0)
 - Reduced tech support/mentoring (-0.80)
 - Staffing within same pupil to teacher ratio
- ▶ Deferred capital investment:
 - Typically \$800,000 per year facility improvements
 - Minimal other than technology replacements
- ▶ Closed FY2016 Operating Funds:
 - Surplus of \$1.4M cash basis
 - Surplus of \$224,000 accrual basis

{both net of working cash bond proceeds of \$4.0M for capital projects and equipment}



Where have we been?

How Achieved:

- ▶ Property tax collections strong +\$460,000
- ▶ Categorical state aid +\$776,000
 - Received 4 payments after only 3 prior yr. as budgeted
- ▶ Tuition for outside placements down (\$486,000)
- ▶ Purchase Svc's under by (\$548,000)
 - Transportation, food services, architect/engineering etc.
 - Changes to grant budget allocations/expenditures
- ▶ Salaries & Benefits under by (\$475,000)
- ▶ Supplies (incl. petroleum) /Utilities under by (\$360,000)



Where are we now?

- ▶ Financial Reserves, net of advance “early” taxes are at \$20.5 million as of June 30, 2016 {30% of expenditures}
- ▶ Annual Operating Fund expenditures 2016=\$63.6 million
- ▶ Budget FY2017 Operating Funds = (\$984,000) deficit (cash basis)
 - Property tax limited to **CPI = 0.80% plus new property**
 - Expecting 100% General State Aid funding \$3.6M
 - Budgeted for 4 Categorical State Aid payments \$2.9M
 - Received 4 payments in FY2016 so used as new baseline. . .
 - Reduced state personal property tax (CPPRT) (\$337,000)
 - IDOR Formula error, recovery over 2 years (\$201,000)
 - Funding for Community College siphoned off CPPRT
 - Staff attrition and level student enrollment
 - **Shifted Capital Improvements \$800,000 to non-operating fund which “temporarily” takes pressure off Operating Budget**



Where are we now?

- Health insurance increase favorable @3.2% average
- Tuition for outplacements budget down (\$225,000)
- Supplies/petroleum & utilities level budget
- Insurance for workers comp./property etc. budget down \$50,000
- Technology capital investment level

Update – as of April 2017 State Aid/Categorical payments severely delayed – only received 2 of 4 payments budgeted

- 1 payment owed from FY2016 \$741,000 {received January 2017)
- 3 payments for the current year expected. . . Only 1 received April 24, 2017



Funding Sources for Facility Improvements and Equipment

- ▶ Traditionally from Operation & Maintenance Fund
 - This is one of 5 main Operating Funds
 - Constraints of Tax Cap and State funding = restriction in this area of spending “Survival Mode”
 - Smaller building level projects commonly planned and funded
 - Stadium sound system; detention area playing field, landscaping, technology improvements, culinary arts improvements etc.
- ▶ Debt issuance allowed for facility improvements, health/life safety projects
 - Limited borrowing capacity remains until prior outstanding bonds are paid down



What Happened?

compared to orig estimate of 2.5% for 2008 CPI funding 2010-11 we have lost an accumulated \$9.3M of property tax \$\$\$ as of FY2018 {2016 levy serves 2017-18}

"GAME CHANGER"

PROPERTY TAX REVENUE (80% OF ANNUAL FUNDING)

CPI-U Actual incr of 0.1% =

Revenue increase if Average CPI-U 2.50% =

Est. Loss of "normal" property tax revenue for operations = >>>>

Cummulative Loss of Property Tax Revenue =

STATE AID REVENUE

Proration Factor for General State Aid

Foundation Level =

GSA Full Entitlement - prior to proration

Loss of GSA Funding per formula

Additional Reduction March 2015 {2.25%}

Cummulative Loss of General State Aid

Proration Factor for Transportation State Aid-Reg./Voc./Spec. Educ.

Loss of Transp. Funding per formula

Additional Reduction March 2015 {2.25%}

Cummulative Loss of Transportation State Aid

CUMMULATIVE STATE FUNDING LOSS - PRORATION

GRAND TOTAL LOSS OF REVENUE {combined} =

Levy Yr	2008	2009	2013	2014	2015	2016
Fiscal Year	2009-10	{2010-11}	{2014-15}	{2015-16}	{2016-17}	{2017-18}
CPI-U	4.10%	0.10%	1.70%	1.50%	0.80%	0.70%
		\$45,078				
		\$1,126,950				
		(\$1,081,872)	(\$1,181,328)	(\$1,199,048)	(\$1,208,641)	(\$1,217,101)
			(\$5,663,613)	(\$6,862,662)	(\$8,071,302)	(\$9,288,403)
	2014-15	2015-16	2016-17	2017-18		
	89%	92%	100%			
	\$3,753,217	\$3,601,110				
	(\$409,242)	(\$285,110)				
	(\$152,077)					
	(\$1,408,640)	(\$1,693,803)	(\$1,693,803)	(\$1,693,803)		
	100%/100%	74%/100%	72%/97%	70%/96%	71%/91%	
			(\$80,000)	(\$79,215)	(145,369)	
			(\$31,640)	\$0		
			(\$251,080)	(\$330,295)	(\$475,664)	(\$330,295)
			(\$1,659,720)	(\$2,024,098)	(\$2,169,467)	(\$2,024,098)
			(\$7,323,333)	(\$8,886,759)	(\$10,240,769)	(\$11,312,501)

Cummulative loss

Where are we Now?

Financial Projections

- ▶ Moody's financial rating downgrade from Aaa to Aa1
- ▶ Financial profile score from ISBE has fluctuated from Highest Level of "Recognition" 2006 through 2011, to "Review" and then as of FY2016 "Recognition" again
 - Four key metric's evaluate "health" of district
 - Revenue to expenditures, reserves and debt outstanding
 - Balanced Budget Plan required if annual deficit $> 1/3$ of financial reserves
 - State now adjusting scoring for Delayed Categorical State \$\$

Financial Projection Modeling:

- ▶ Dynamic process
 - ▶ Assumptions and Updates
 - ▶ Adjustments along the way
- ▶ Goal = Long Term Sustainability





DuPage District 88 – Financial Forecast

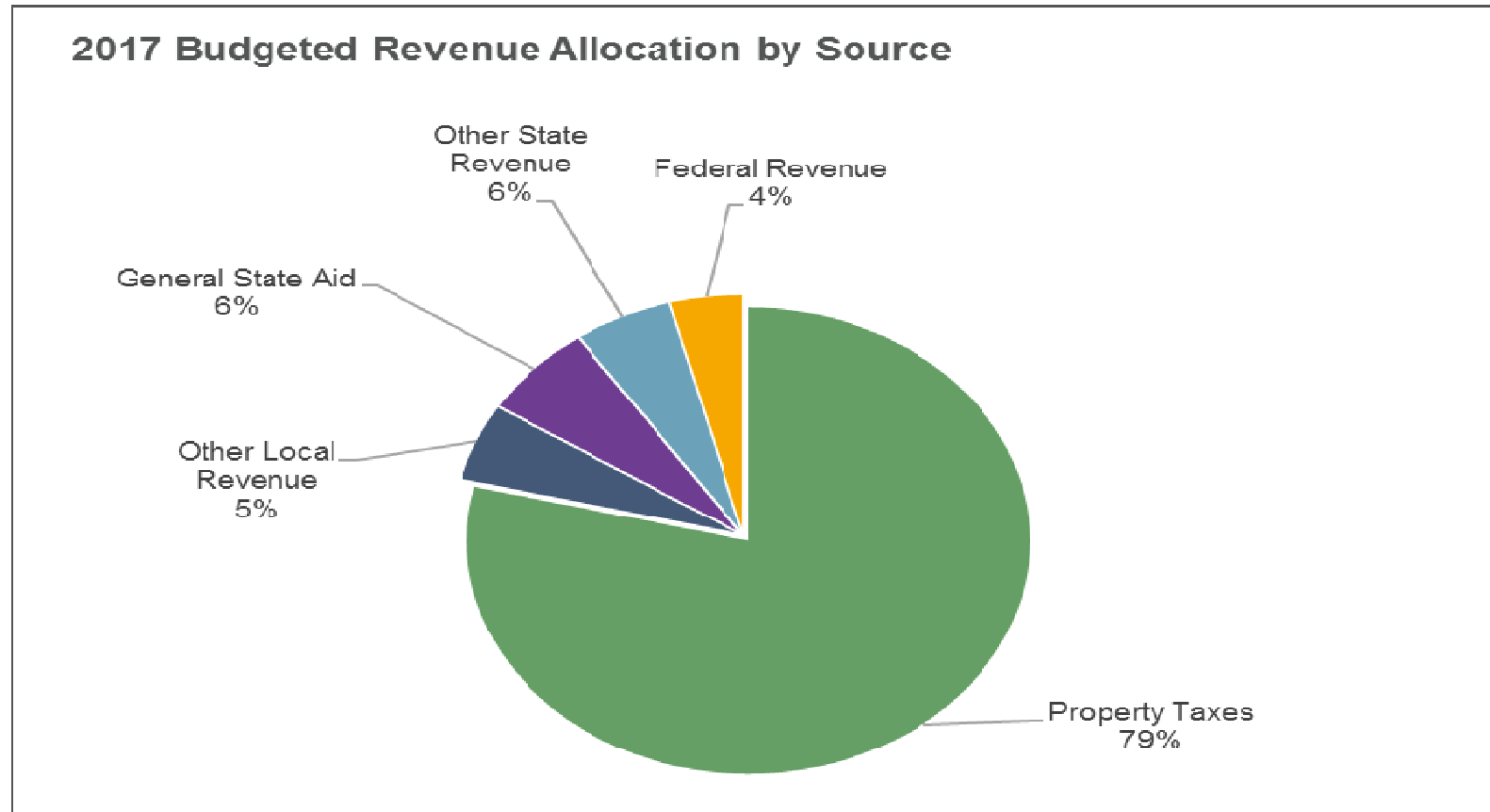
Prepared by:

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Ed Hoster, Chief Financial Officer, DuPage HS
District 88

April 24, 2017

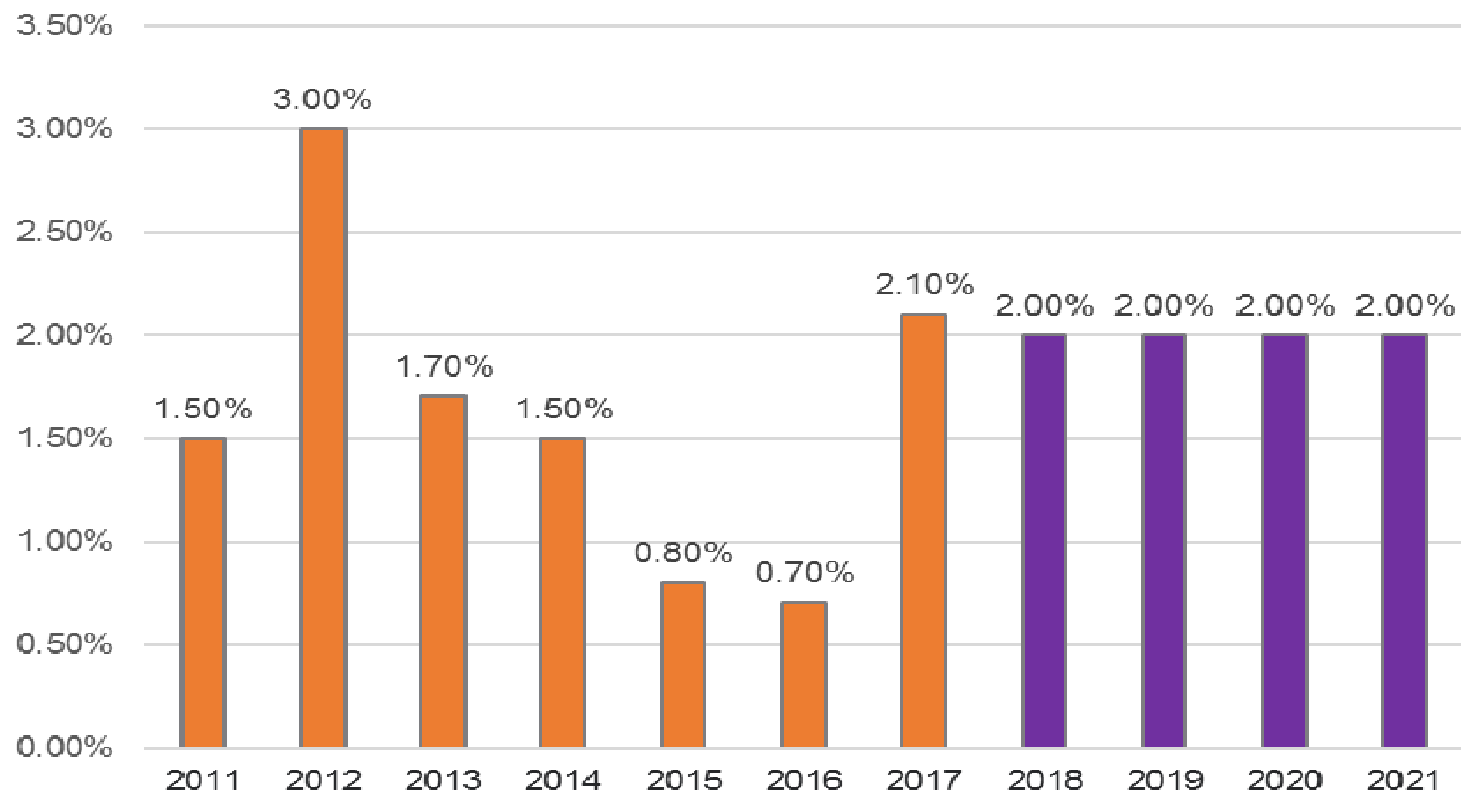


Operating Funds Budget Total = \$64,962,529

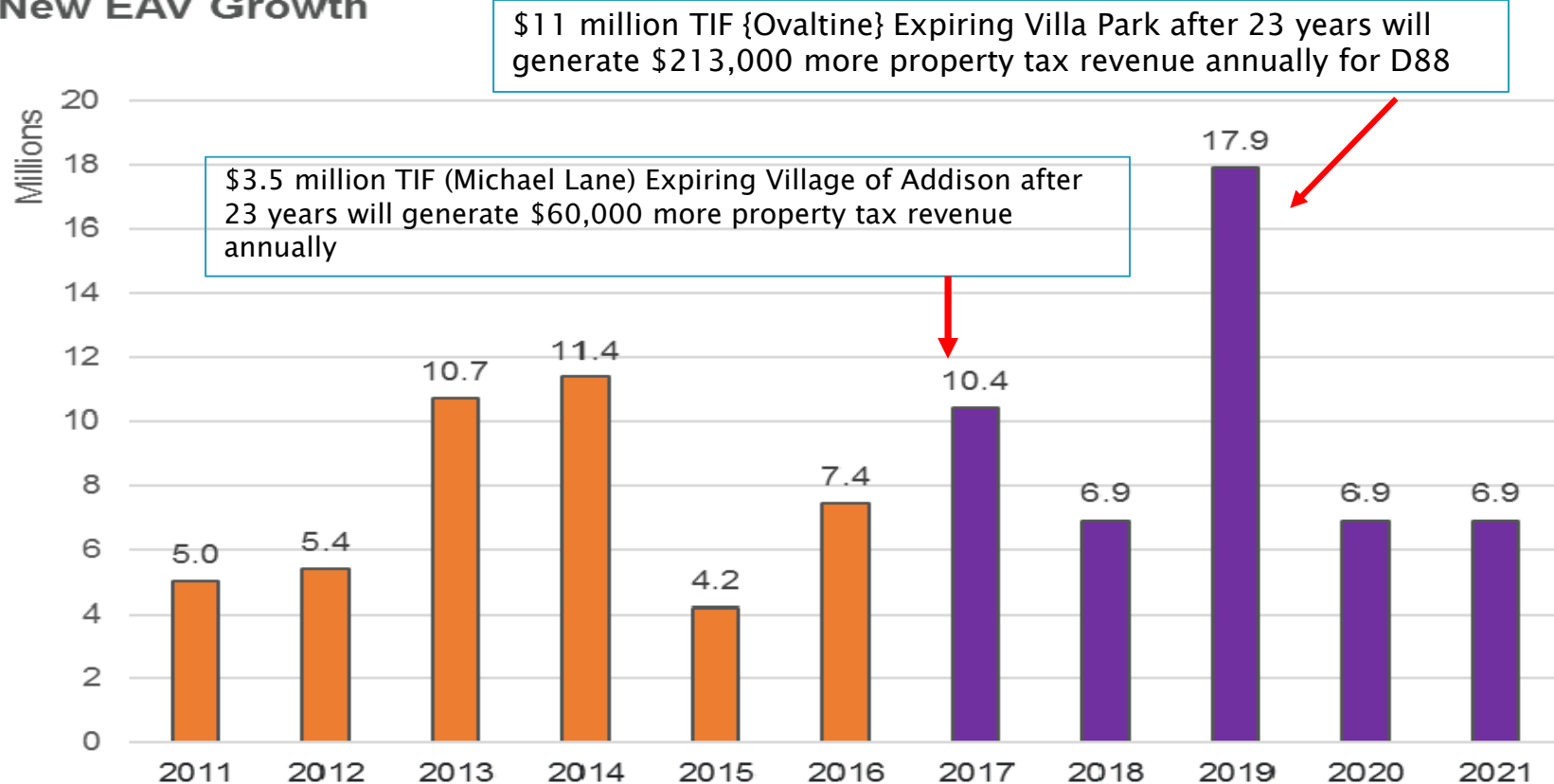


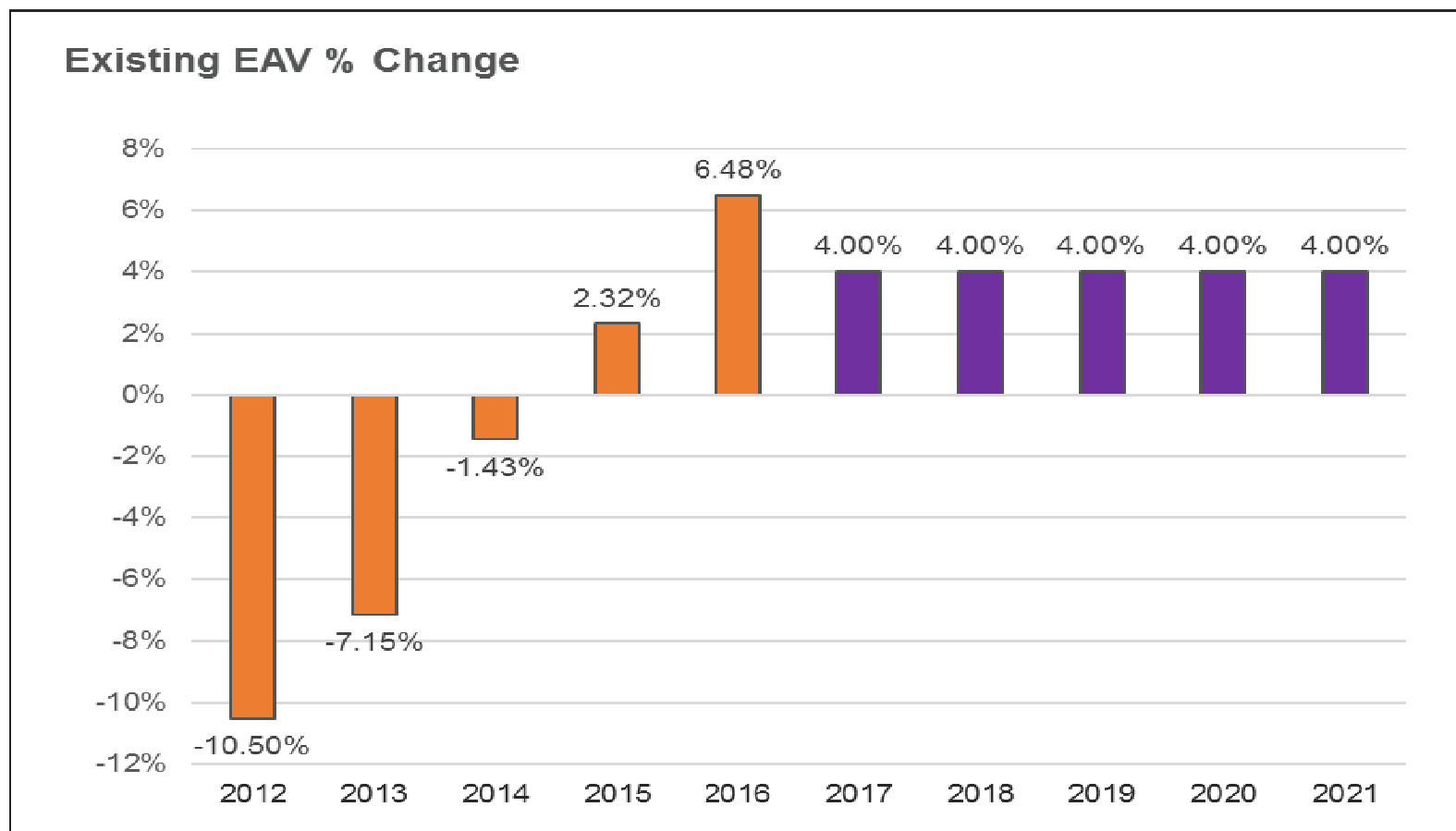
Operating Funds – Education, Operations & Maintenance, Transportation, Illinois Municipal Retirement Fund and Working Cash Funds

Consumer Price Index by Levy Year

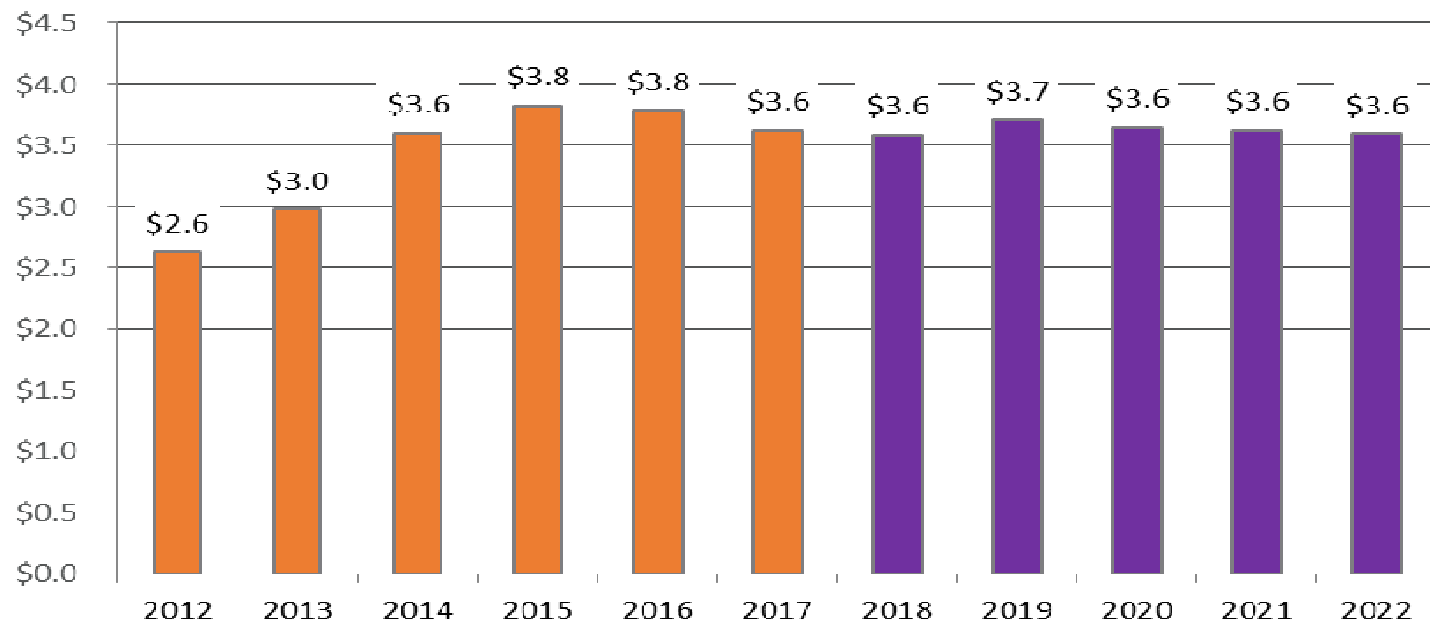


New EAV Growth



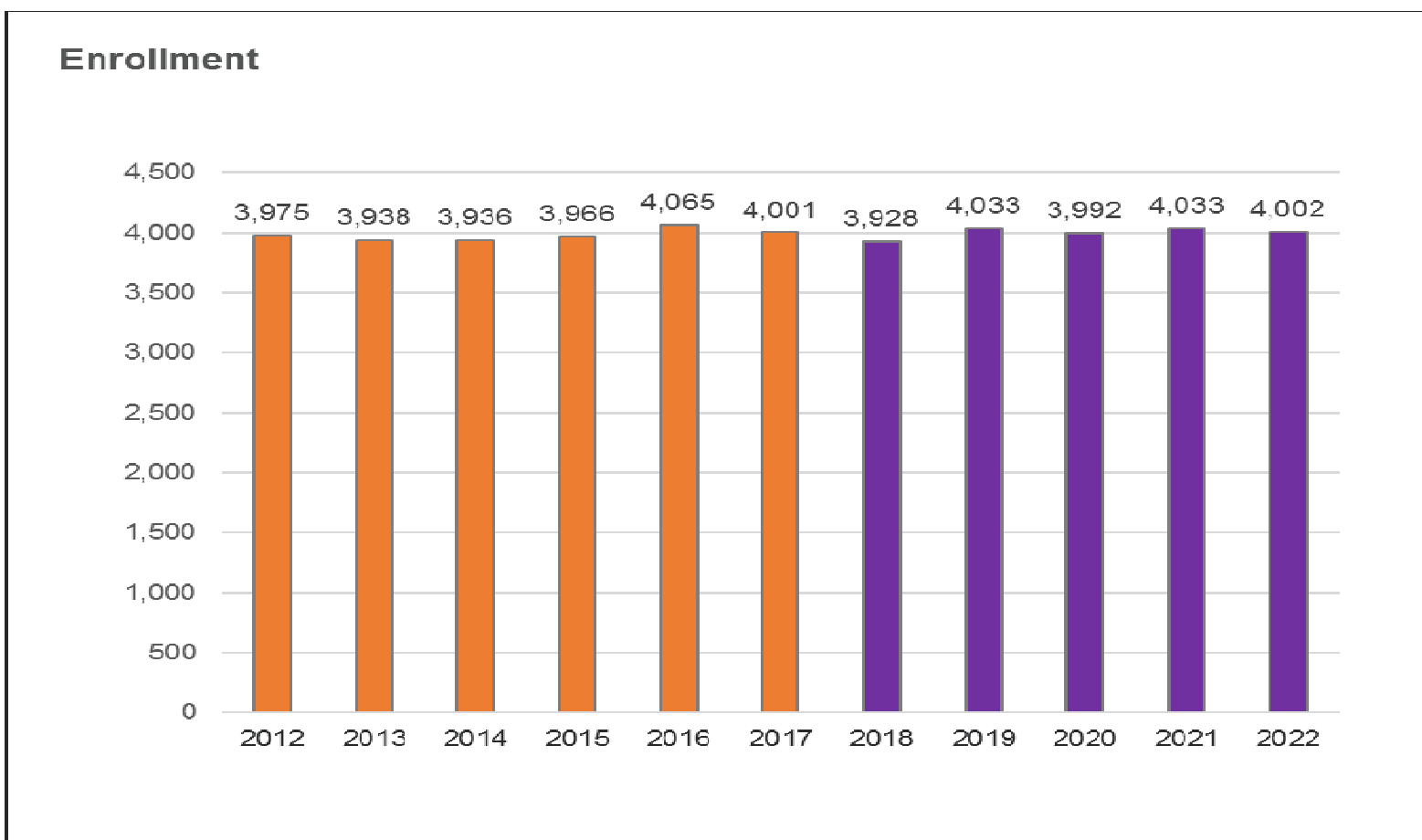


General State Aid Revenue

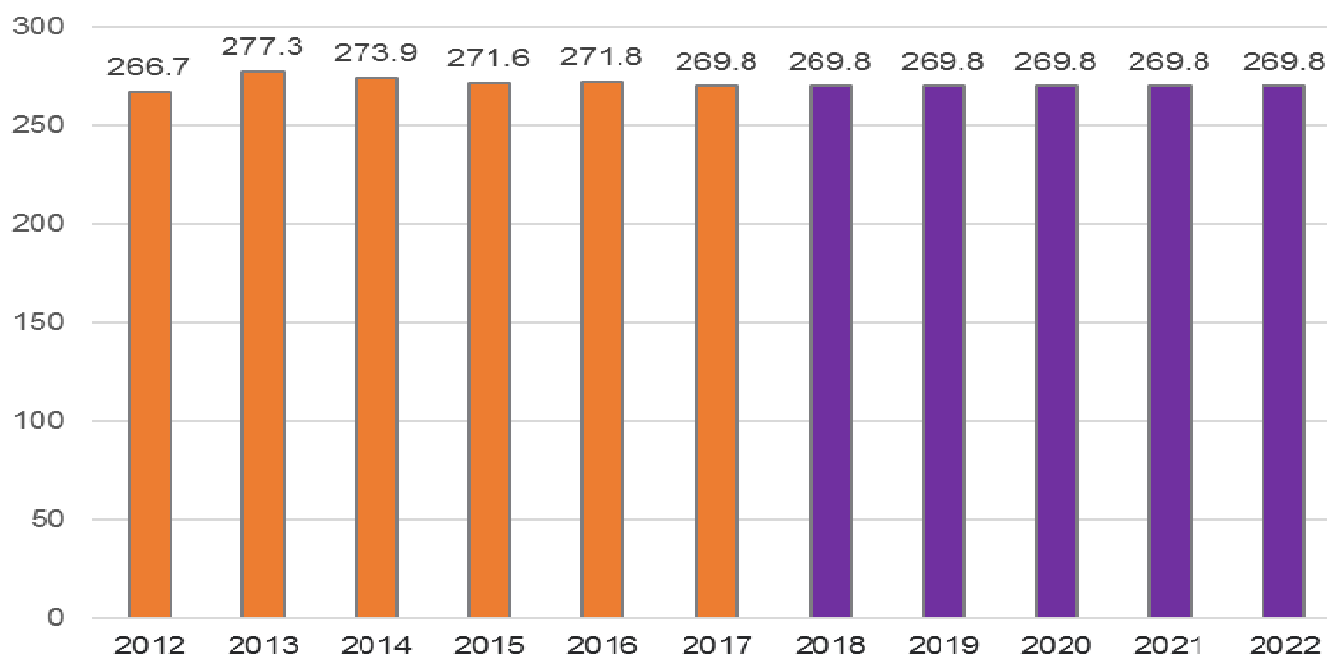


FY12 Entitlement Funded at 95%; FY13, FY14 & FY15 Funded at 89%; FY16 Funded at 92%; FY17 – FY22 Funded at 100%

- ▶ **Local**
 - Food sales, textbooks, athletic admissions, rental fees and investment income etc. all remain level
- ▶ **State**
 - General Aid based upon 100% full funding like FY17
 - Categoricals: Special Educ. & Transportation tied to expenditures
 - FY2017 includes 4 payments
 - Future years assume same 4 payments
- ▶ **Federal**
 - Title Grants and Food Service remain level

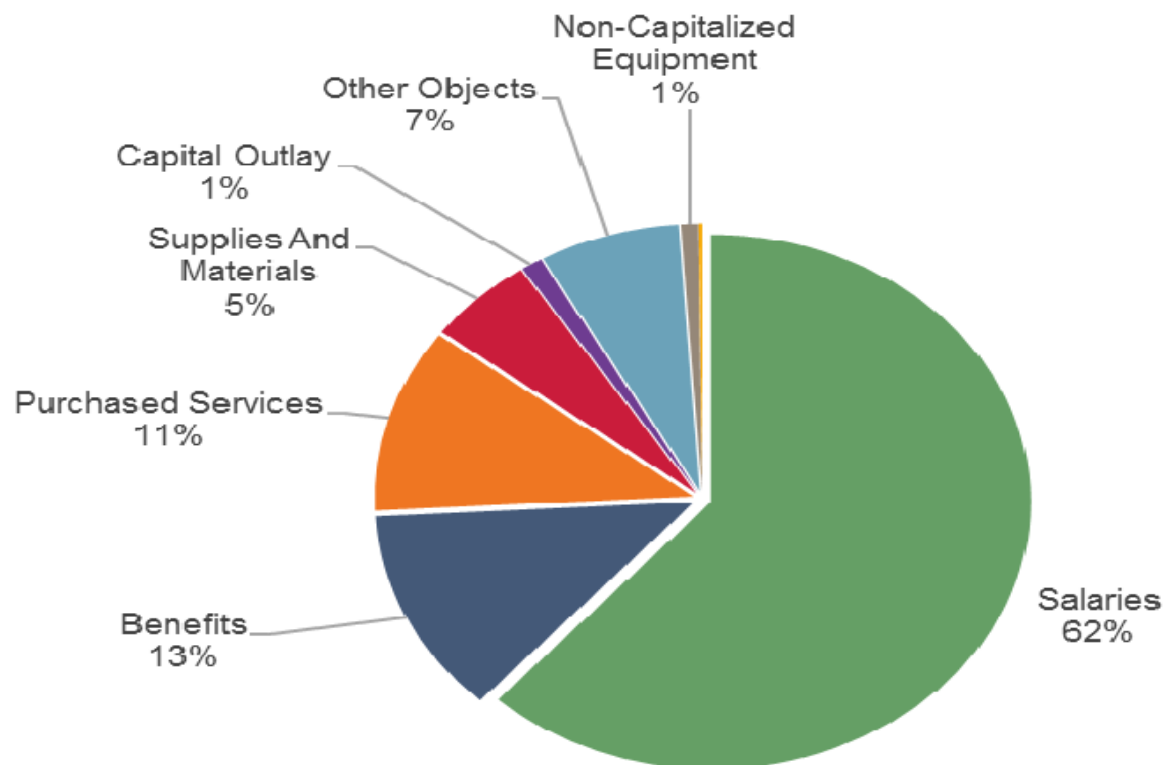


Certified Staff FTEs



Operating Funds Budget Total = \$66,245,985

2017 Budgeted Expenditure Allocation by Object



▶ Salaries

- Certified staff contract through FY18
- Maintenance/Custodial contract through FY18
- Classified & Teacher Aide contracts through FY17
- Future years subject to negotiations

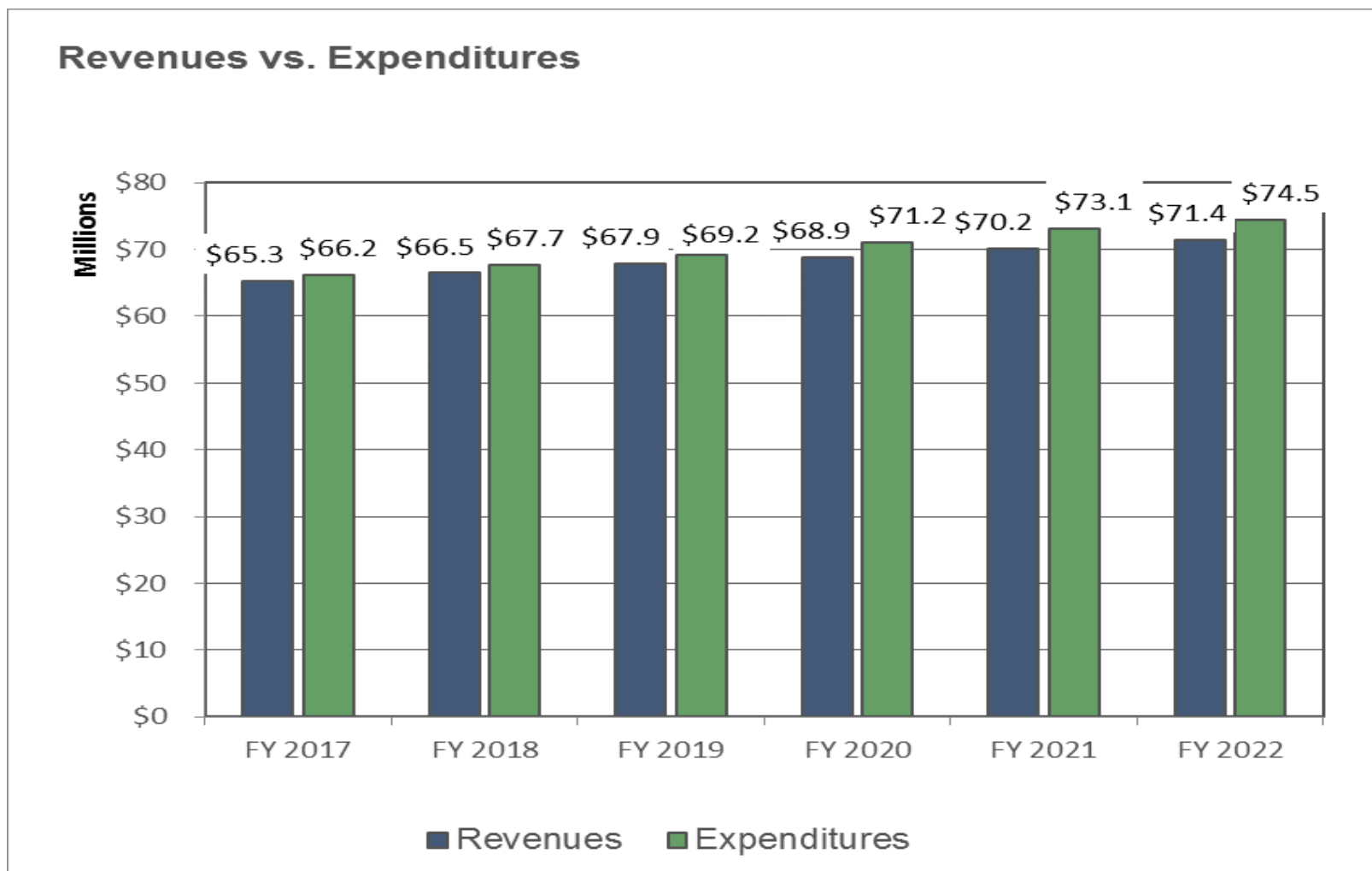
▶ Benefits

- Health Benefits
 - Estimated increase 6% per year

- ▶ Non-personnel related expenditures
 - Education Fund:
 - Purchase Service 1.0%
 - Supplies & Materials increase 1.0%
 - Out of District Tuition remain level
 - Oper. & Maintenance Fund:
 - Purchase Service increase 2.0%
 - Supplies & Materials remain level
 - Transportation Fund:
 - Purchase Service increase 3%
 - Supplies & Materials increase 1.5%

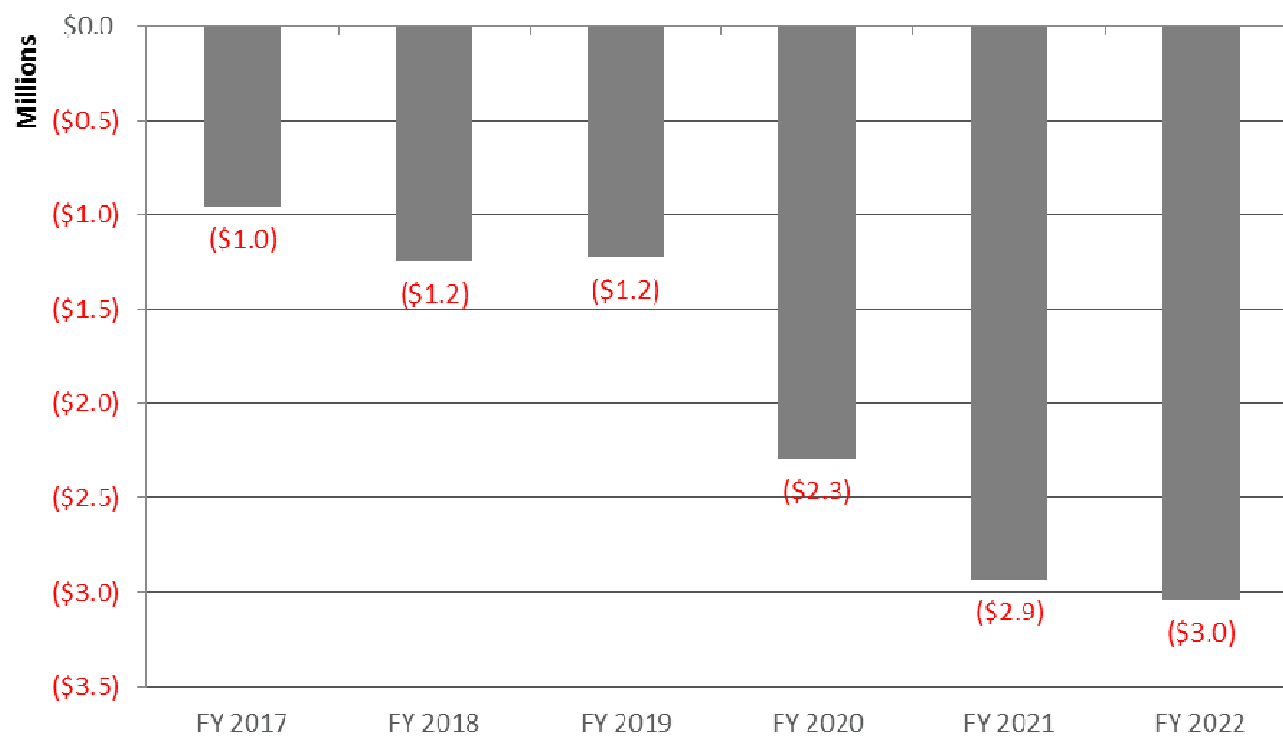
- ▶ Non-personnel related expenditures (cont'd)
 - Capital Outlay for facility improvements funded through FY2019 by \$4 million of bond proceeds and to Non-Operating Capital Projects Fund
 - FY2020 shifts back to Operation & Maintenance Fund by \$700,000 per year
 - Bond proceeds also to be used for three years of bus fleet updating through FY2019 at \$325,000 p/year

- ▶ District's budget is prepared on a cash basis, projections utilize cash basis as well – *District's audits are prepared on an accrual basis of accounting*
- ▶ Assumes no changes to state & federal funding formulas
- ▶ Assumes no changes to PTELL legislation
- ▶ Assumes no changes to District's pension contributions



Operating Funds – Education, Operations & Maintenance, Transportation, Illinois Municipal Retirement Fund and Working Cash Funds

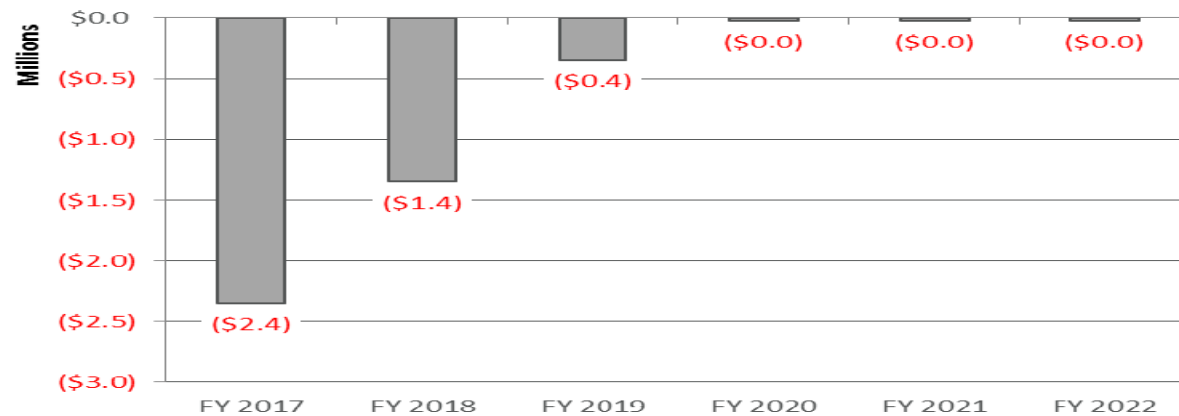
Fiscal Year Surplus/Deficit Before Other Sources & Uses



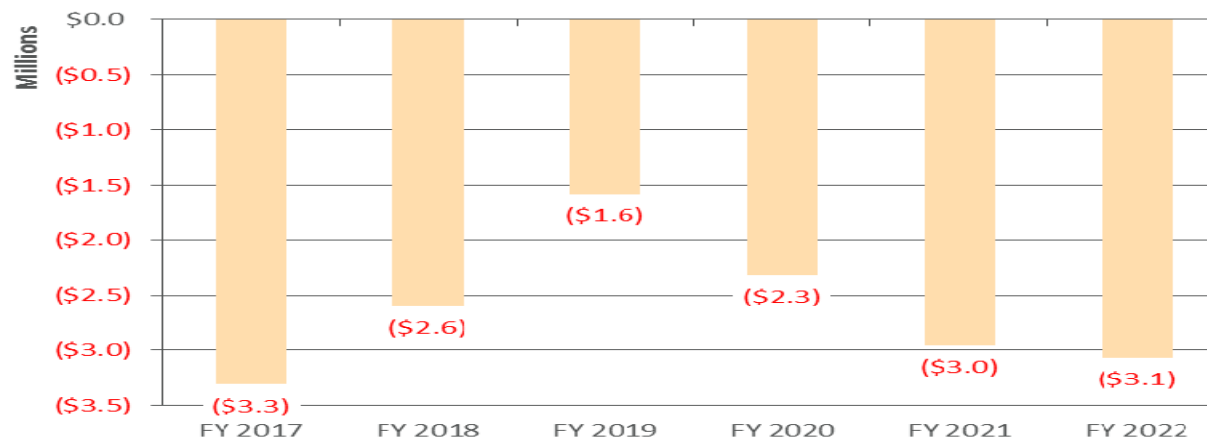
Operating Funds – Education, Operations & Maintenance, Transportation, Illinois Municipal Retirement Fund and Working Cash Funds

Revenue and Expenditure Projections

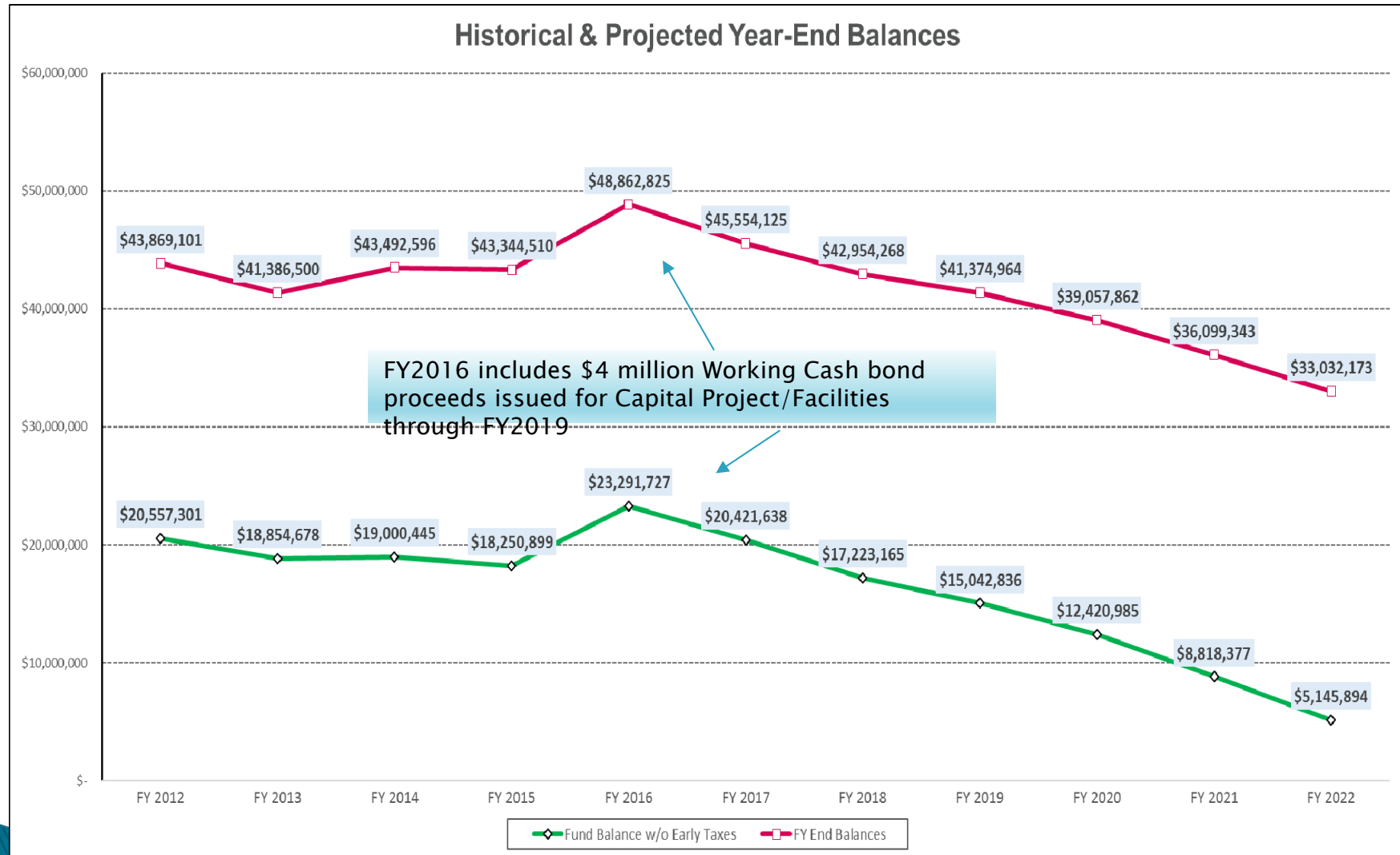
Other Financing Sources & Uses



Surplus/Deficit After Other Sources & Uses



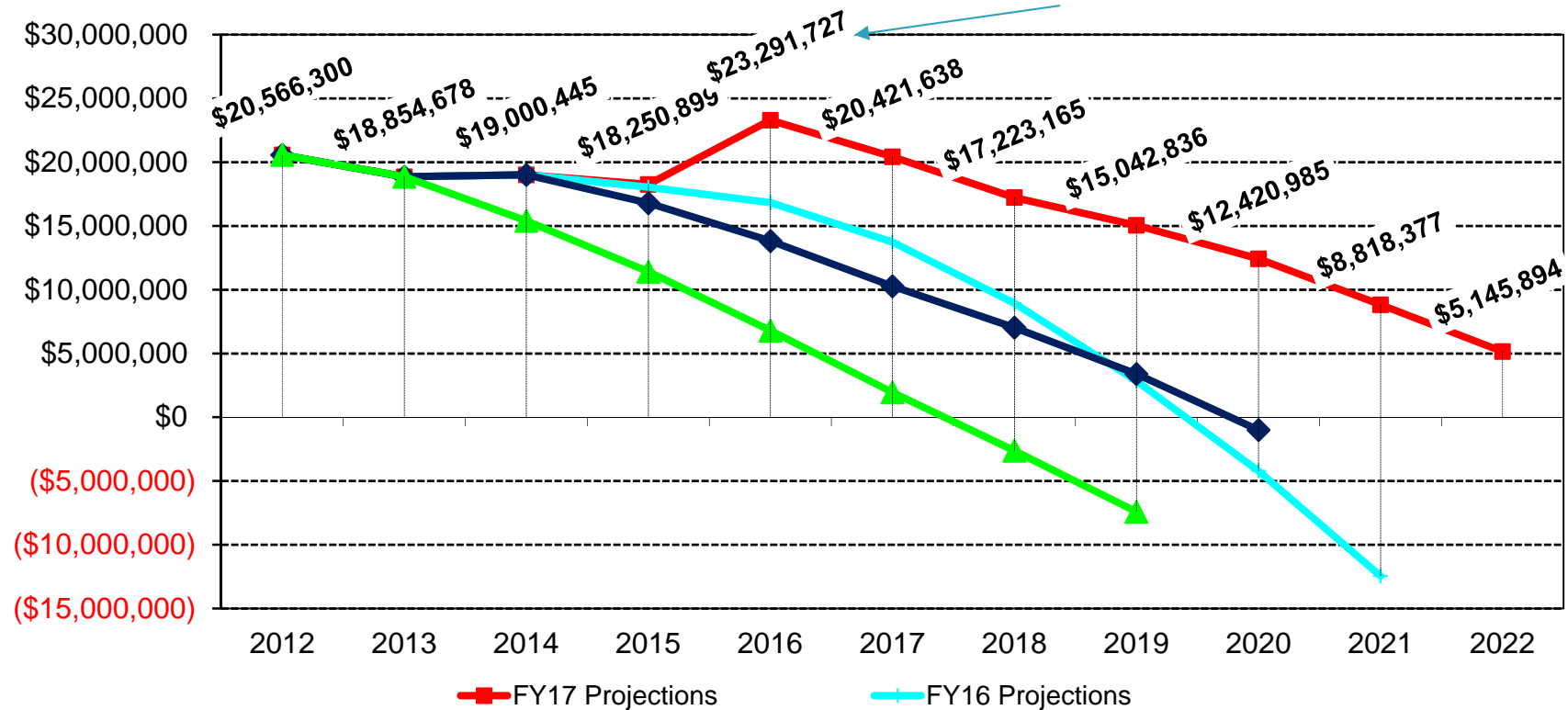
Operating Funds – Education, Operations & Maintenance, Transportation, Illinois Municipal Retirement Fund and Working Cash Funds



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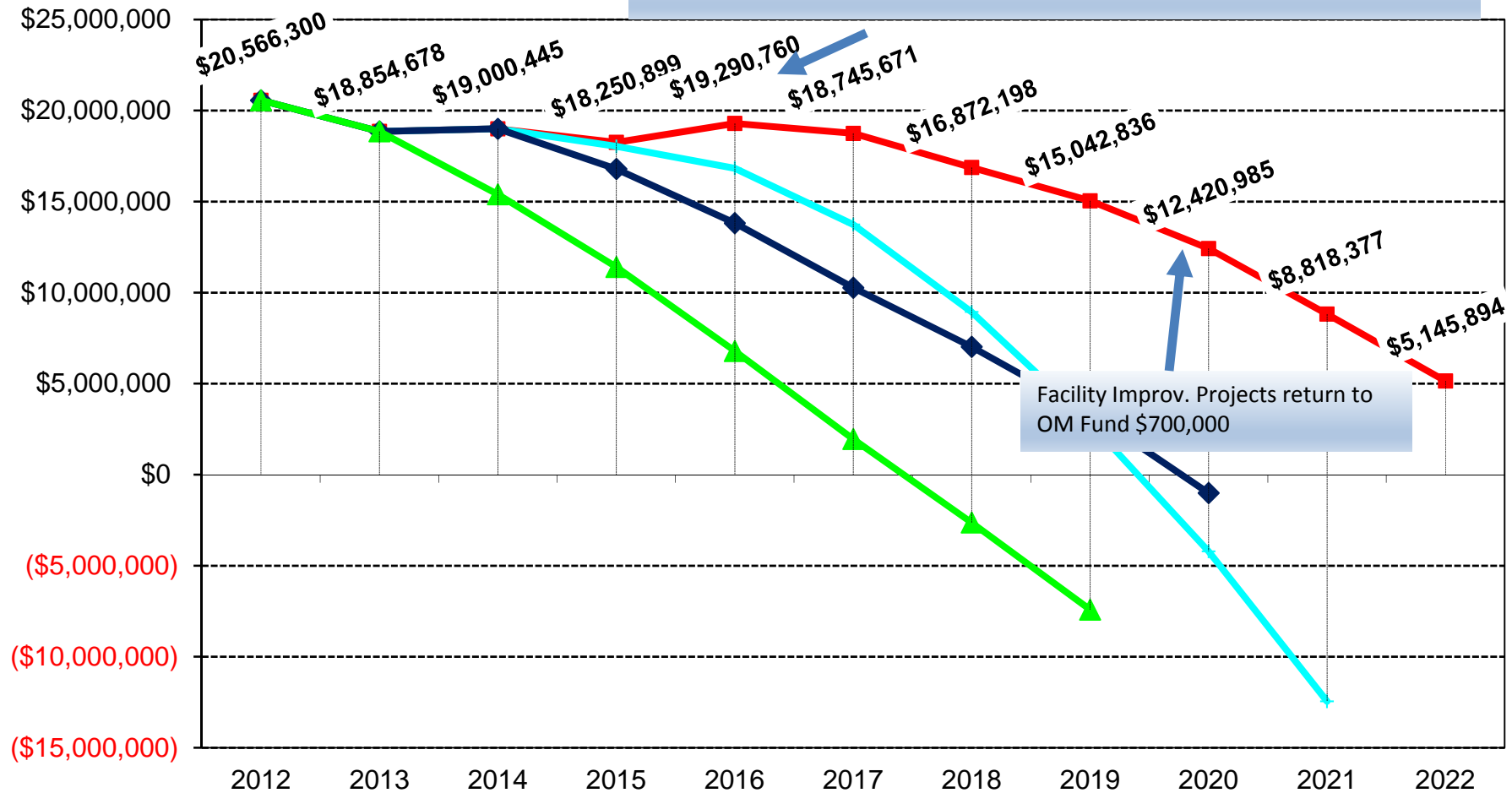
Current & Previous Projections *Without Early Taxes*

FY2016 includes \$4 million Working Cash bond proceeds issued for Capital Project/Facilities and draw down through FY2019



Current & Previous Projections Without Early Taxes

Excluding Working Cash Bond proceeds of \$4,000 000



■ FY17 Projections

+ FY16 Projections

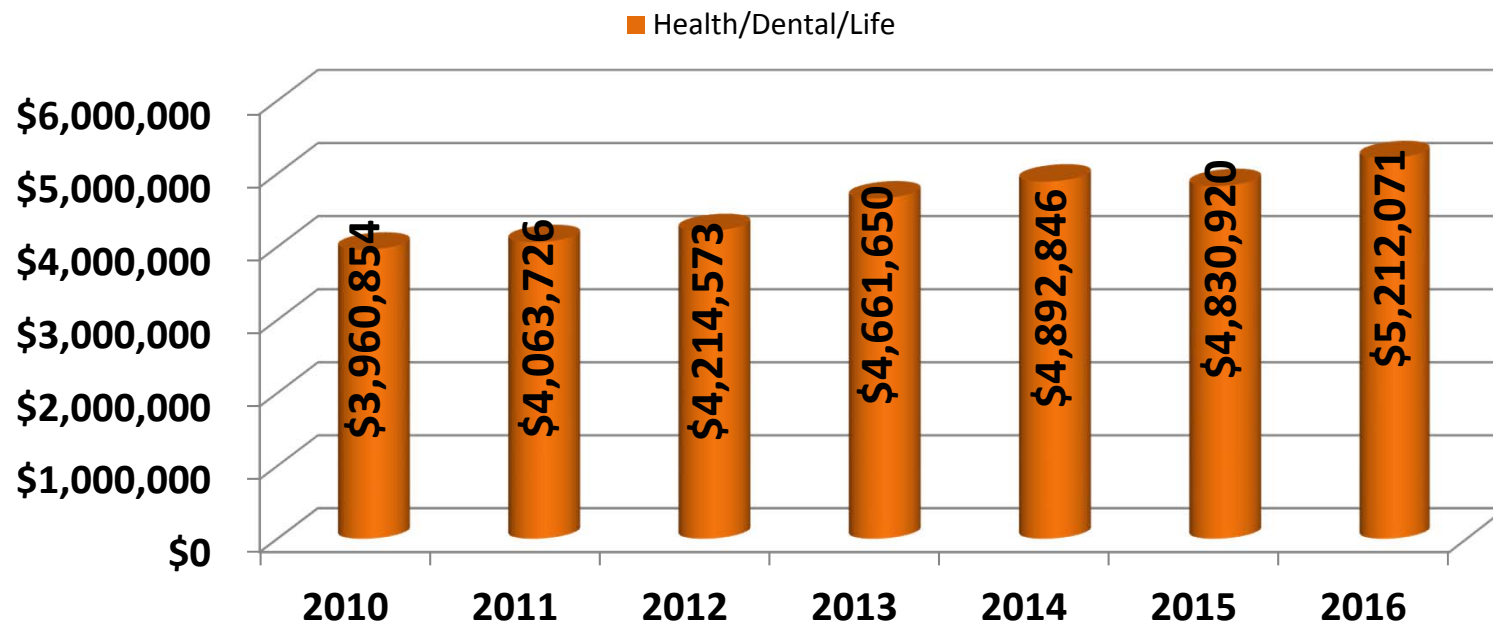
◆ FY15 Projections

▲ FY14 Projections

Expense Drivers

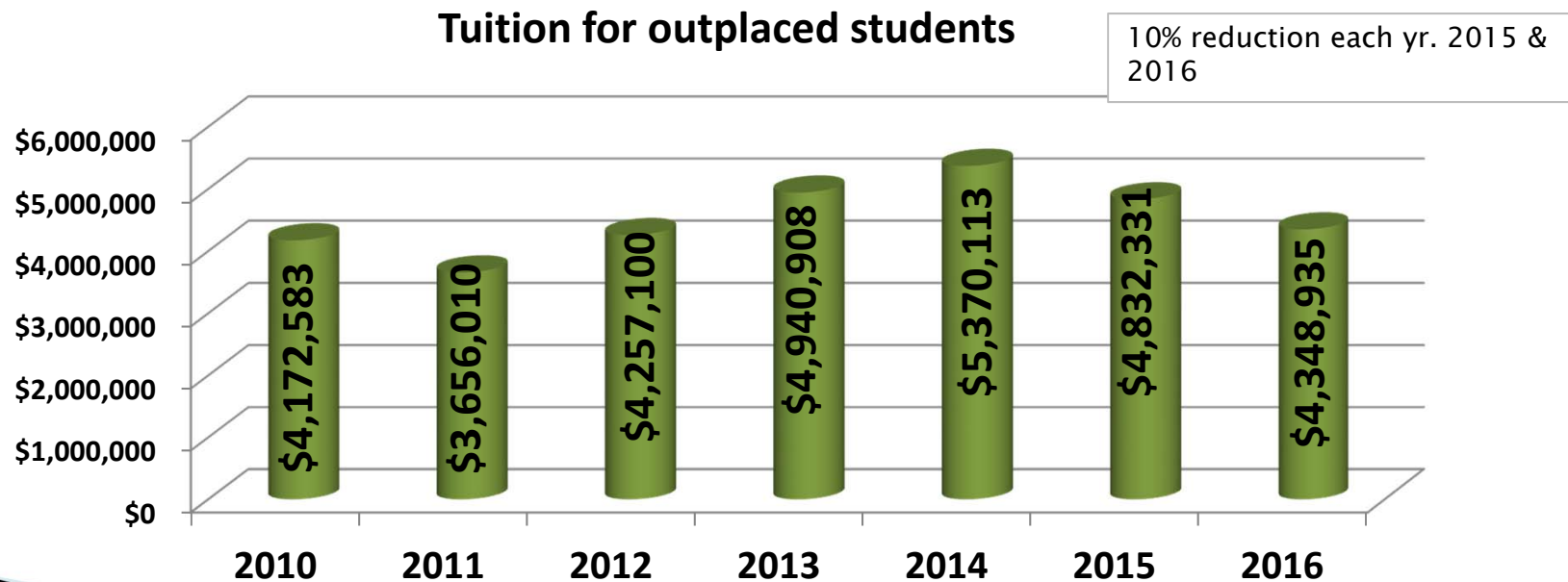
- ▶ Employee insurance – past four years
 - Average cost \$4.9M p/yr.
 - Trending increase 5.55% p/yr.

EMPLOYEE INSURANCE COST



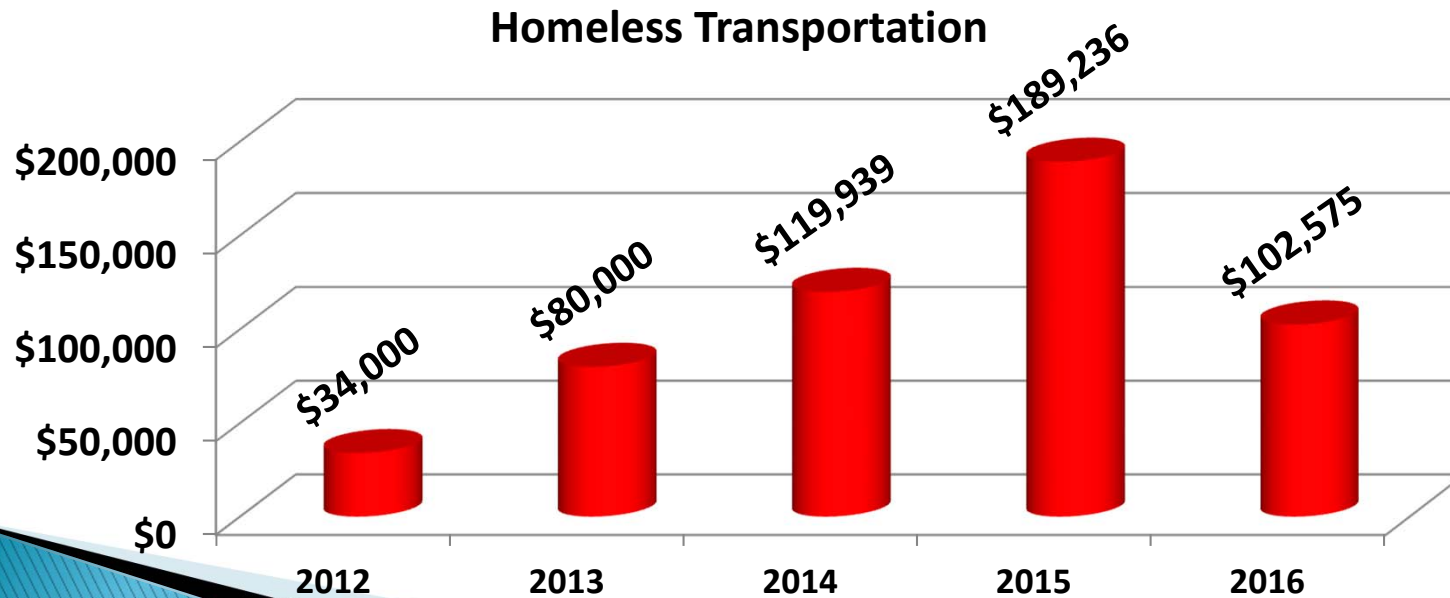
Expense Drivers

- ▶ Tuition – past 4 years {Spec. Ed., Alternative and Vocational }
 - Average \$4.9M p/yr.
 - Tending increase 1.18% p/yr.
 - down from Ave. 13.7% {2012–2015}



Expense Drivers

- ▶ Homeless transportation – past 4 years
 - Average \$123,000 p/yr.
 - Trending down again – some recovered via billing
 - Total \$492,000 since 2013



Where are we Heading?

Budgeting Strategies / Planning

- ▶ Actively monitoring state education funding
- ▶ Evaluate all programs, staffing, and resource allocation decisions
- ▶ Staffing adjustments = attrition/restructuring
- ▶ Maintaining supply budgets
- ▶ Capital improvement/bus replacement funded with debt borrowing



Where are we Heading?

Budgeting Strategies / Planning

- ▶ Actively manage all contracted services, pricing changes, competitive bidding etc.
- ▶ Bidding electricity supply longer term
- ▶ Pursue new revenue options and protect existing sources via tax levy/property values, TIF management... \$338,000 from Addison 2015 for early closing/surplus; Villa Park TIF #1 coming on tax roll Levy 2016 for FY2018
- ▶ Seek staff input – ideas/suggestions for operational efficiencies



Where are we Heading?

Budgeting Strategies / Planning

- ▶ Operating efficiencies – automation, work flow, digital solutions etc.
- ▶ Energy management – reduce operating cost, maximize building automation controls
 - DCEO & ICE State grants – 100% funded replacement lighting both schools \$100,000
 - DCEO retro-commissioning project, identified operating efficiencies, high ROI projects
 - Implemented recommendations – final report documents estimated annual operational savings \$40,000 as of January 2017



Revenue Enhancement Archive – since 2015 ...

- ▶ Student fee changes 2015 {parking, driver education, technology}
- ▶ ISBE Matching School Maintenance Grant 2015 = \$50,000 for roof repairs at WB
- ▶ IEMA Safety Grant 2015 = \$50,000
- ▶ ComEd Emergency Response Agreement– signed multi-year term to reduce electricity if called = approx. \$30,000 of revenue per year – “no expense”
- ▶ Energy Grants – secured \$140,000 for upgrades to energy efficient fixture/lighting at both schools



What now?

- ▶ Actively monitor legislation, changes to future funding
- ▶ Advocate with local legislators to protect education funding – seek long term stability
- ▶ Communicate with community and staff
- ▶ Budget resource evaluation, program offerings, long term planning
- ▶ Update financial projections November and Spring each year – actively monitor & prepare models to guide decision making



- ▶ Thank you for participating today and for all you do for the students of District 88!!!

