



DUPAGE HIGH SCHOOL
DISTRICT 88

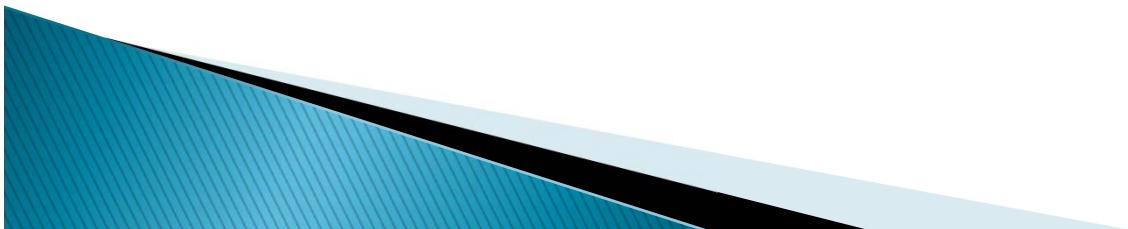
Building Futures
ADDISON TRAIL
WILLOWBROOK

The state of the State & The state of D88

May 13, 2019
Board of Educ. Mtg

State of the State

- ▶ New EBF Education Funding formula ~ year 2
 - Annually \$350 million for Education Formula
 - Better cash flow and timely
 - Improved reliability but still waiting on Categoricals
- ▶ Billions in deficit, continued pressure to balance the budget;
 - New Governor and control
 - Revenue generation is focus
 - Tax Structure proposal from flat to graduated
- ▶ Horizon:
 - Property Tax Freeze Legislation – heavy emphasis during elections – now ramping up with SB690
 - Exposure = \$1.3 million per year, cumulative \$3.9 million two years – permanent loss
- ▶ Pension cost shift discussions
 - Impact to us if pass ~ 1/2% = \$150,000



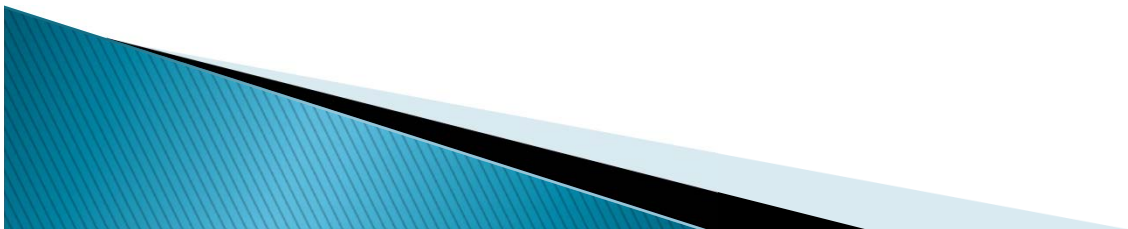
State of District 88

- ▶ Property tax continues as primary funding source ~ reliable and CPI recovering
- ▶ New EBF State Aid Funding formula in year 2
 - Received approximately \$5.2 million
 - Combined 5 programs, paid 2x per month
 - Better cash flow and timely
 - Improved reliability but still waiting on Categoricals
- ▶ Categorical State Aid (3 programs remain)
 - Collected 1 pmt. owed from FY2018 as of Sept but only 2 of 4 for this year as of April
 - Owe us 2 quarterly payments ~ \$380,000 each



Financial Health...

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



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%}

Cumulative 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%}

Cumulative Loss of Transportation State Aid

CUMMULATIVE STATE FUNDING LOSS - PRORATION

GRAND TOTAL LOSS OF REVENUE {combined} =

Levy Yr	2008	2009	2014	2015	2016	2017
Fiscal Year	2009-10	{2010-11}	{2015-16}	{2016-17}	{2017-18}	{2018-19}
CPI-U	4.10%	0.10%	1.50%	0.80%	0.70%	2.10%
		\$45,078				
		\$1,126,950				
		(\$1,081,872)	(\$1,199,048)	(\$1,208,641)	(\$1,217,101)	(\$1,242,660)
			(\$6,862,662)	(\$8,071,302)	(\$9,288,403)	(\$10,531,064)
	2015-16	2016-17	2017-18	2018-19		
	92%	100% Now EBF so no proration				
	\$3,601,110	\$3,626,656	\$3,626,656			
	(\$285,163)	\$0	\$0			
	\$0	n/a	n/a	n/a		
	(\$1,693,803)	(\$1,693,803)	(\$1,693,803)	(\$1,693,803)		
	100%/100%	74%/100%	70%/96%	71%/91%		
	(\$79,215)	(\$145,369)				
	\$0	n/a	n/a	n/a		
	(\$330,295)	(\$475,664)	(\$475,664)	(\$475,664)		
	(\$2,024,098)	(\$2,169,467)	(\$2,169,467)	(\$2,169,467)		
	(\$8,886,759)	(\$10,240,769)	(\$11,457,870)	(\$12,700,530)		

Cummulative loss



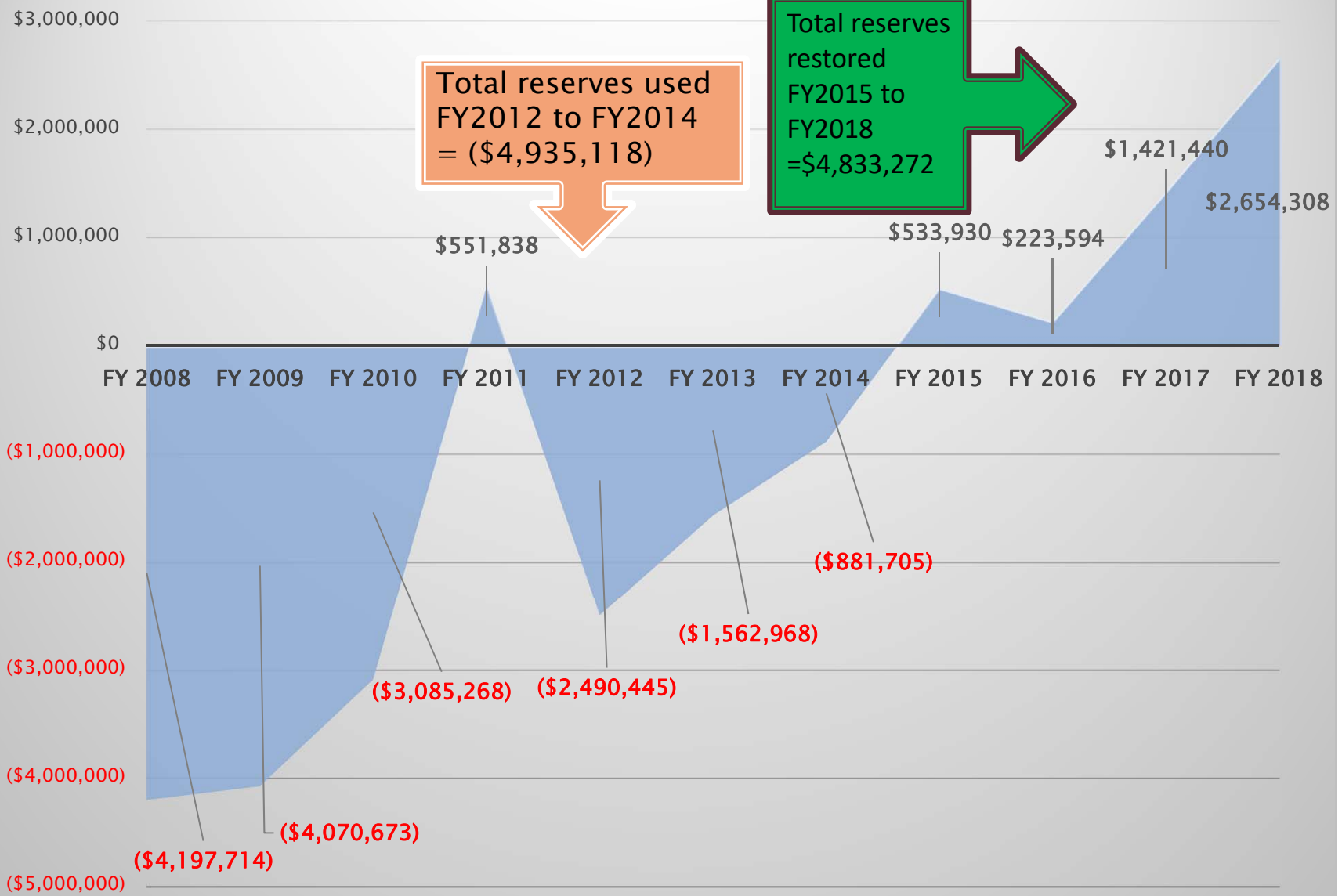
Financial Position

OPERATING FUNDS ONLY

ACCRUAL BASIS FUND BALANCES

	Total Operating Fund Balance (Ed, O&M, Trans, IMRF, WC)		Change \$
FT2018 Net Change	\$26,799,214		\$2,654,308
FT2017 Net Change	\$26,059,612		\$1,421,440
FY2016 Net Change	\$20,518,732		\$223,594
FY 2015	\$20,295,138		533,930
FY 2014	\$19,761,208		(881,705)
FY 2013	\$20,642,913		(1,562,968)
FY 2012	\$22,205,881		(2,490,445)
FY 2011	\$24,696,326		551,838
FY 2010	\$24,144,488		(3,085,268)
FY 2009	\$27,229,756		(4,070,673)
FY 2008	\$31,300,429		

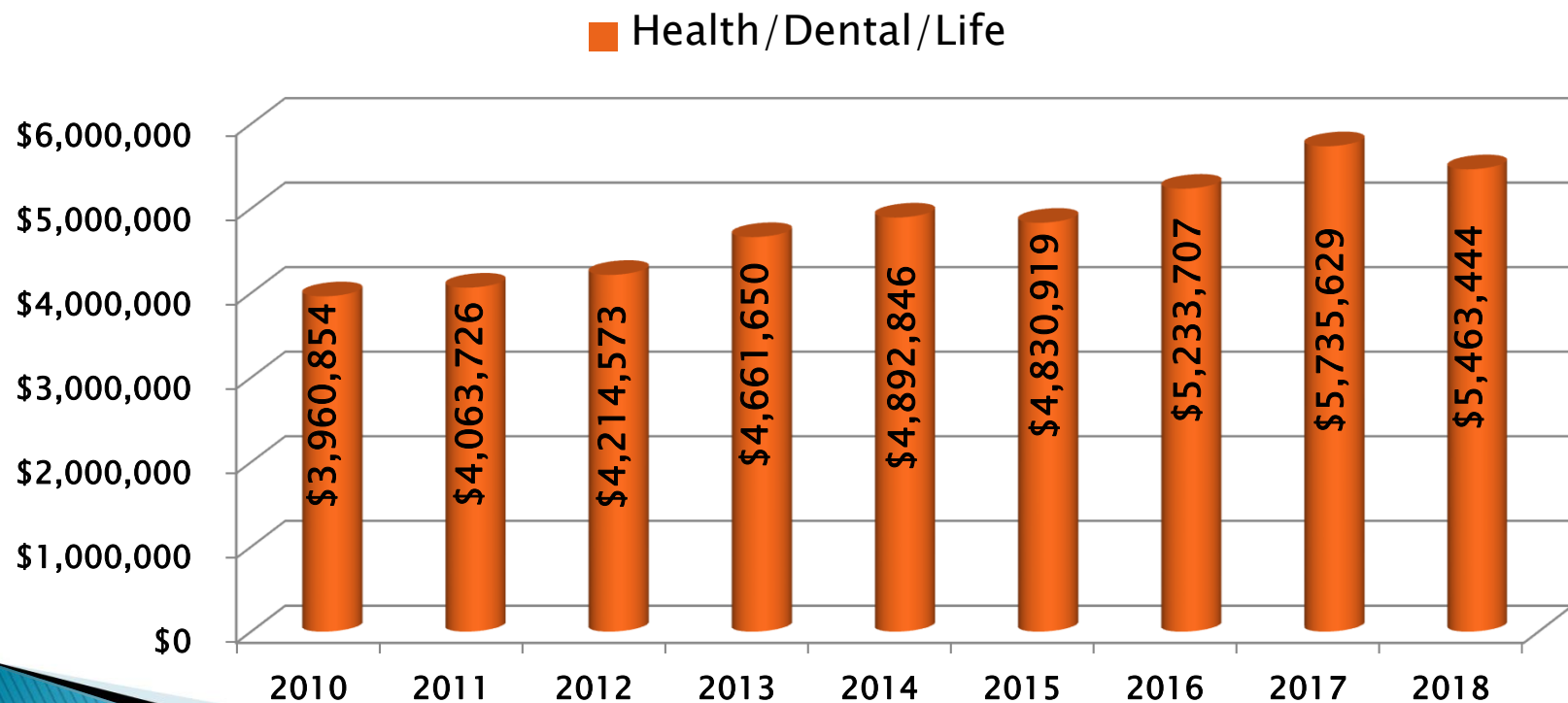
Total Accrual Fund Balance Change – Operating Funds Only



Expense Drivers

- ▶ Employee insurance – past four years
 - Average cost \$5.3M p/yr.
 - Trending increase 2.98% p/yr.

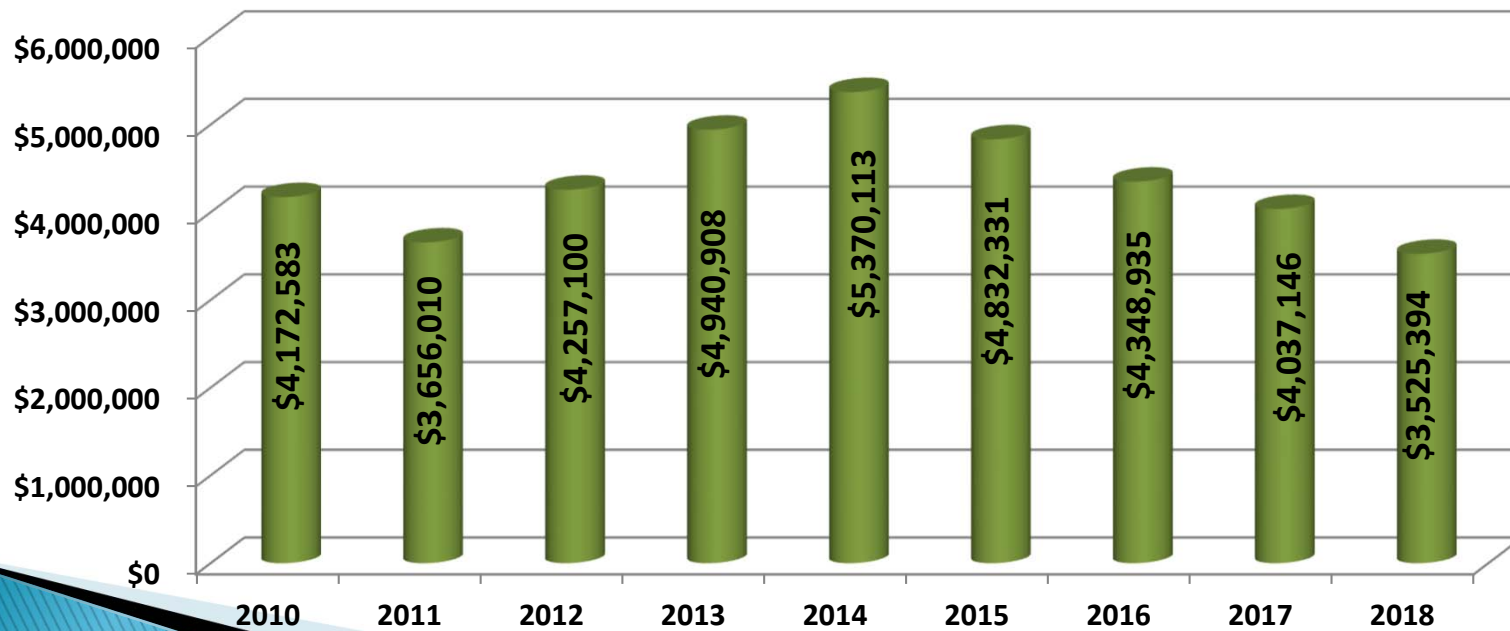
EMPLOYEE INSURANCE COST



Expense Drivers

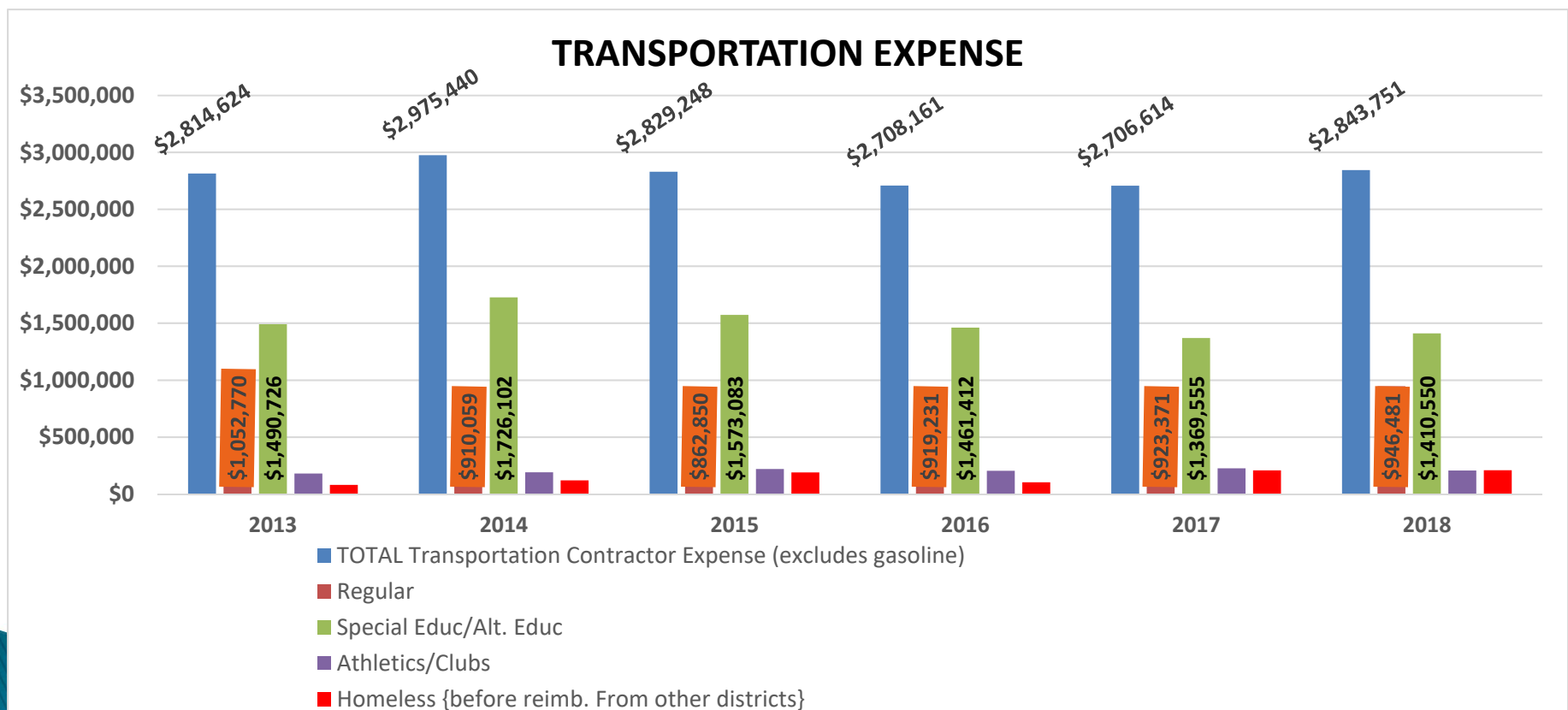
- ▶ Outplacement Tuition – past 4 years {Spec. Ed., Alternative and Vocational }
 - Average \$4.2M p/yr.
 - Trending down – reversal from 31% increase {2012–2015}

Cumulative 39.9% reduction past 4 yrs. = (\$1,844,719)



Expense Drivers

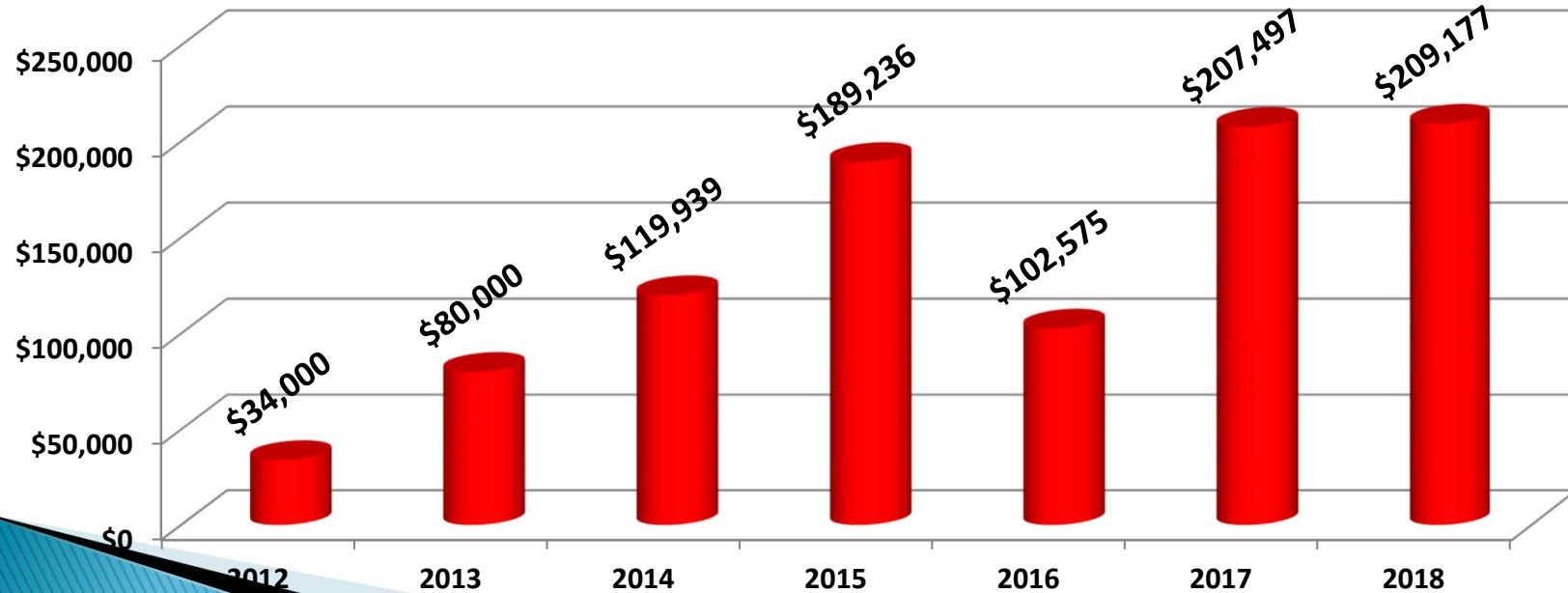
- ▶ Total expense increase of only 1% from 2013 to 2018



Expense Drivers

- ▶ Homeless transportation
 - Average \$177,000 p/yr. since FY2015
 - Total \$942,000 since 2012
 - Some recovered via billing other districts

Homeless Transportation



Where have we been?

Revenue Enhancement Archive – since FY2015 ...

- 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
 - Received \$179,000 for five years ending FY2019
 - Renewed through FY2024 ~ \$267,000
 - No expenses with this program
- Energy Grants (ongoing) – secured \$140,000 over multiple years for upgrades to energy efficient fixture/lighting at both schools

Where have we been?

During fiscal years when Board of Educ. allowed use of financial reserves (deficit spending) FY2012 to FY2014;

Budget containment initiatives implemented:

- ▶ Staffing / Salaries
- ▶ Contractual services & utilities
- ▶ Supplies and Capital
- ▶ Facility improvement projects
- ▶ Bus fleet replacement & transportation routes

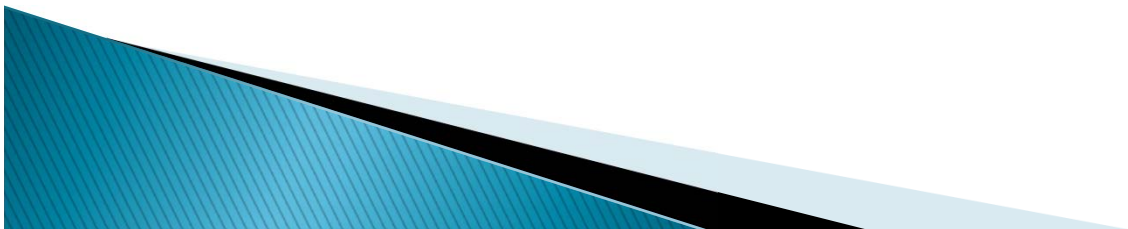


Budget Containment

Expenditures:

▶ Staff Changes:

- Student Assessment contract cancelled (\$86,000)
- Director Curric./Instruction & Assessment
- Director of Student Services
- Reduced one Assistant Principal each school
- Reduced IEP Coordinator Position (–1.0) (\$70,000 salary)
- Reduced clerical positions (–2.0) (\$100,000 salary)
- Reduced tech support/mentoring (–0.80)
- Staffing within same pupil to teacher ratio to FY2018
- Staff attrition through retirements



Budget Containment

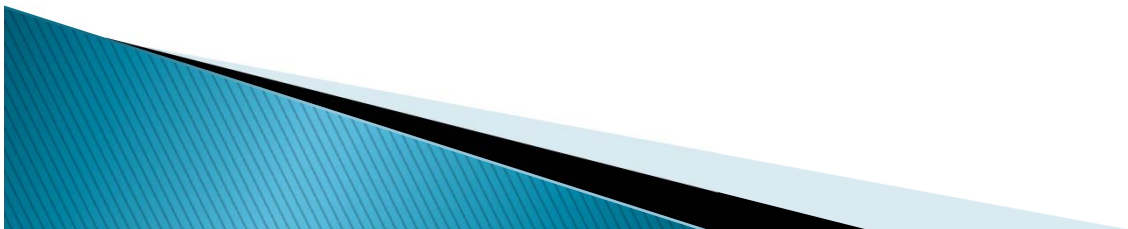
Expenditures – All Other

- Reduced 16 transportation routes FY2015 save approx. \$50,000 per year
- Bidding / negotiating contracts for: transportation, food services, architect/engineering
- Bidding for supplies, electricity service, capital purchases
- Maximizing grant allocations
- Annual bus replacement – ceased as of FY2012 and not resumed until FY2018 – financed from external borrowing until FY2023 **then resumes from Operating Reserves**
- Annual facility improvement projects:
 - None in FY2015–16
 - Shifted to Capital Projects Fund (Non–Operating Fund) and financed from external borrowing {bond issuance} as of FY2017; only enough through FY2022 **then resumes from Operating Reserves**

Budget Containment

Expenditures – All Other

- Dept. Commerce and Economic Opportunity (DCEO) retro-commissioning project FY2017, identified HVAC System operating efficiencies, high ROI projects
- Implemented recommendations – final report documents estimated annual operational savings \$40,000 as of January 2017



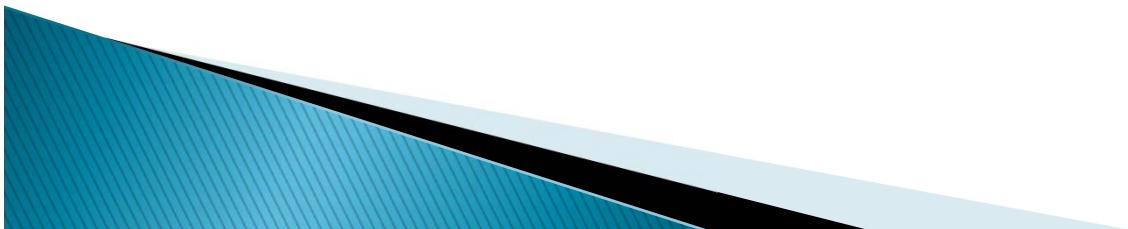
Funding Sources for Facility Improvements and Equipment

- ▶ 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”
- ▶ Debt issuance allowed for facility improvements, health/life safety projects & capital equipment



Where have we been?

- ▶ Debt refinancing & issuance:
 - December 2015 refinanced Series 2005 \$8.7M bonds and borrowed \$4.0 million 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
 - Borrowed additional \$4.0 million fall 2018
- ▶ ** Required to spend down within 3 years*
- ▶ Borrowing capacity remaining is very limited until outstanding bonds paid down



Where are we Now?

- ▶ Economy improving – property values up, CPI holding around 2%
- ▶ State funding = New EBF Formula offset by CPPRT reduction of 24% first yr.
 - Permanent loss of (\$418,000)
- ▶ Expenditure control helping to balance budget past four years {prior 3 exceeded revenue}
 - Deficit (use of reserves) from FY2012 to FY2014 total (\$4.9 million)
 - Surplus from FY2015 through FY2018 total \$4.8 million

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

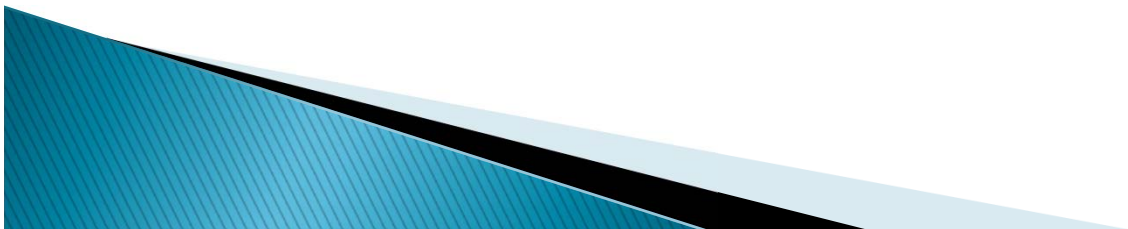
Where are we now?

- ▶ Financial Reserves, net of advance “early” taxes are at \$24.8 million as of June 30, 2018
{38% of expenditures}
- ▶ Annual Operating Fund expenditures 2019 budget=\$69.3 million
- ▶ Budget FY2019 Operating Funds = (\$1.2 million) deficit (cash basis)
 - Property tax limited to **CPI = 2.1% plus new property**
 - Expecting 100% State Aid funding \$5.3 million
 - **Includes shifted Capital Improvements \$800,000 to non-operating fund which “temporarily” takes pressure off Operating Budget**



Where are we now?

- Employee contracts closely linked to CPI
- Relatively stable student enrollment and staffing
- Health insurance increase favorable FY2019 ~ 1.0% and 5% for FY2020
- Tuition for outplacements budget down (\$600,000) but now beginning to rise FY2019
- Supplies/petroleum & utilities beginning to escalate
- Insurance for workers comp. declined by 45% through FY2018
- Insurance for property etc. budget is relatively stable
- Technology capital investment increasing with 1:1 Chromebook initiative and infrastructure updating



Where are we Heading?

Financial Projections

- ▶ Moody's financial rating of Aa1 affirmed 2018
- ▶ Financial profile score from ISBE has fluctuated from Highest Level of "Recognition" 2006 through 2011, to "Review" and then since 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 Update April 15, 2019

Prepared by:

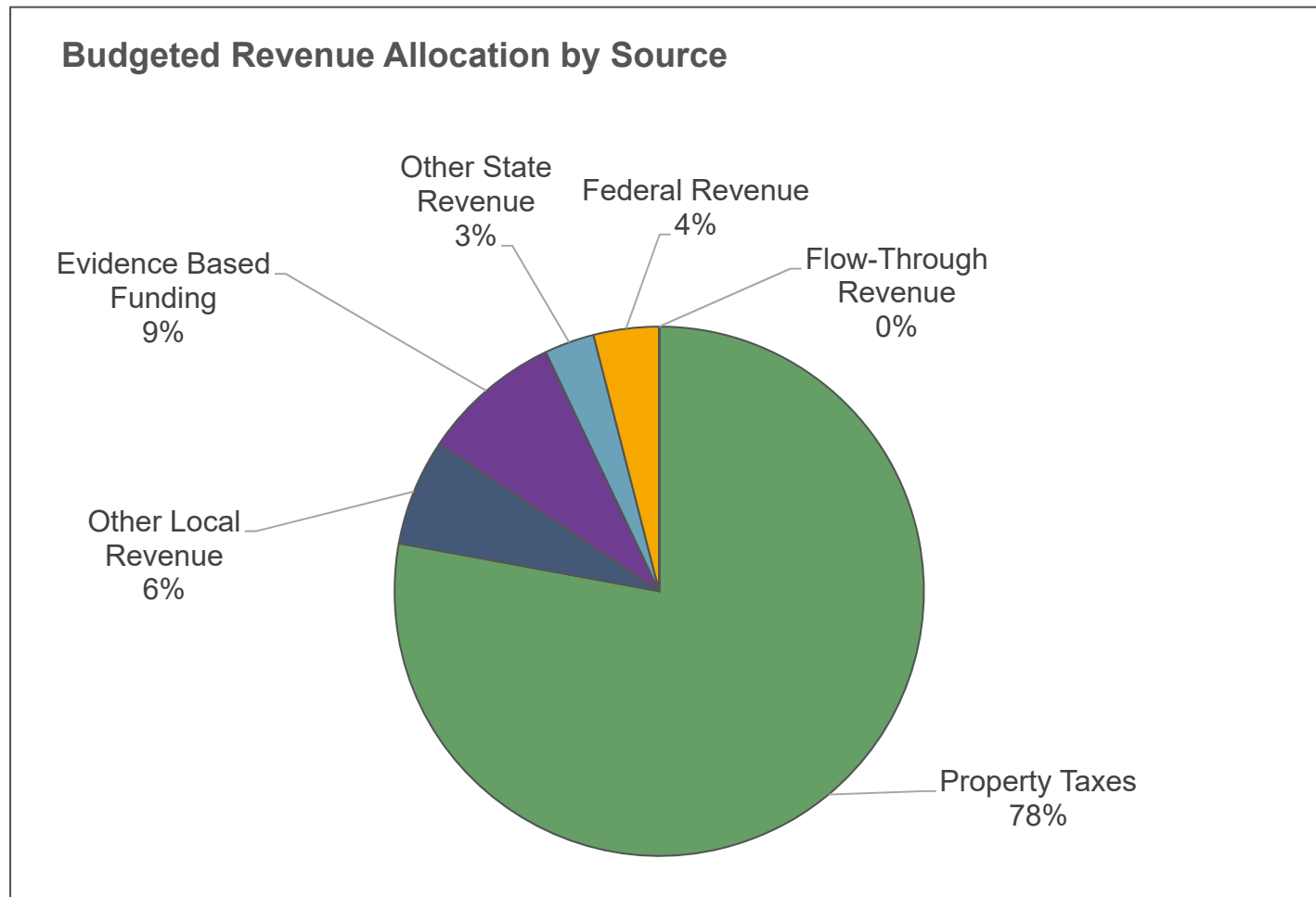
Jeff Eagan, Senior Analytics Advisor

Ed Hoster, Chief Financial Officer, DuPage HS District 88

April 15, 2019

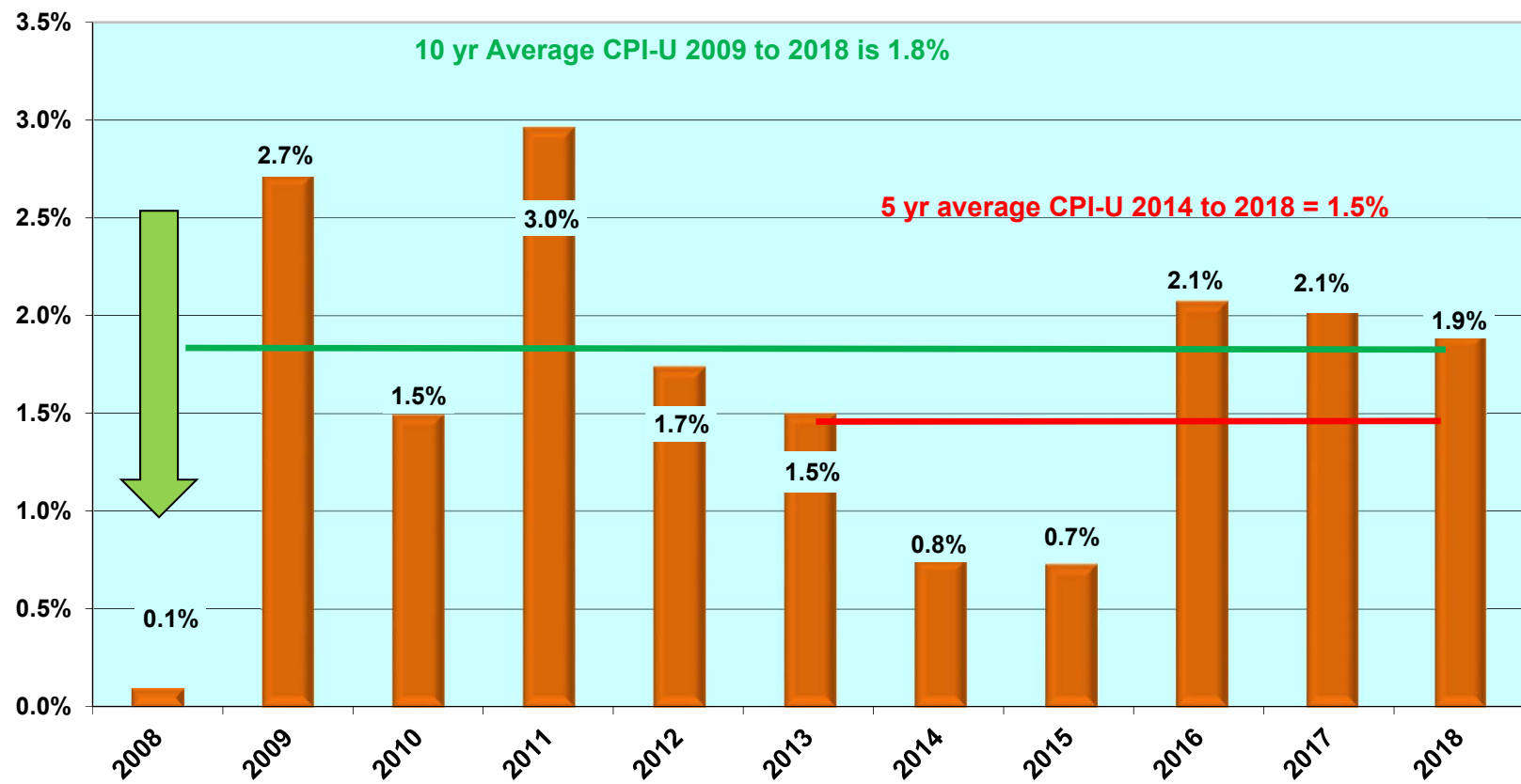


Operating Funds Budget FY2019 Total = \$67,652,706

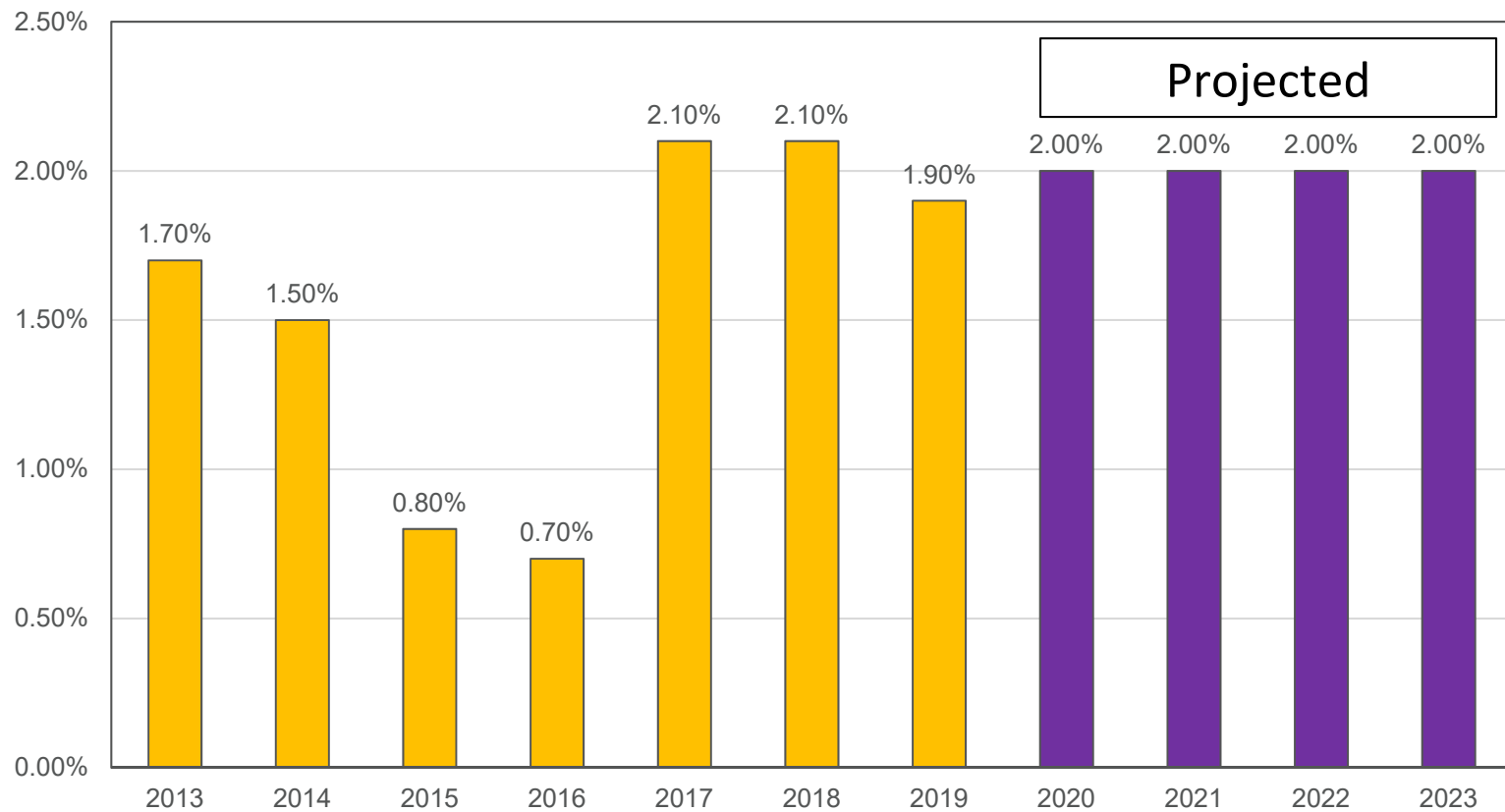


Operating Funds – Education, Operations & Maintenance, Transportation, Illinois Municipal Retirement Fund and Working Cash Funds

Percent of YOY Change in December CPI-U Since 2008



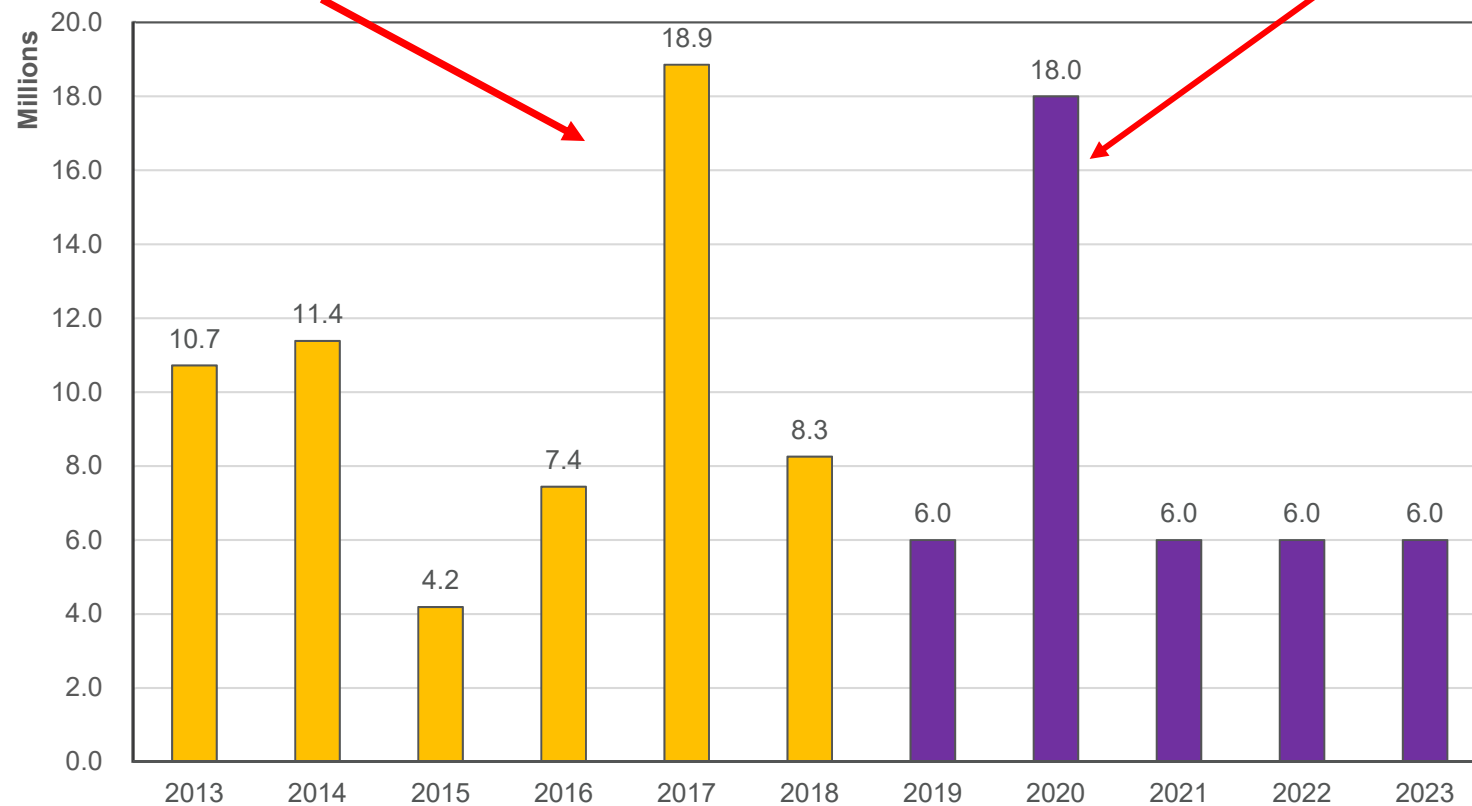
Consumer Price Index



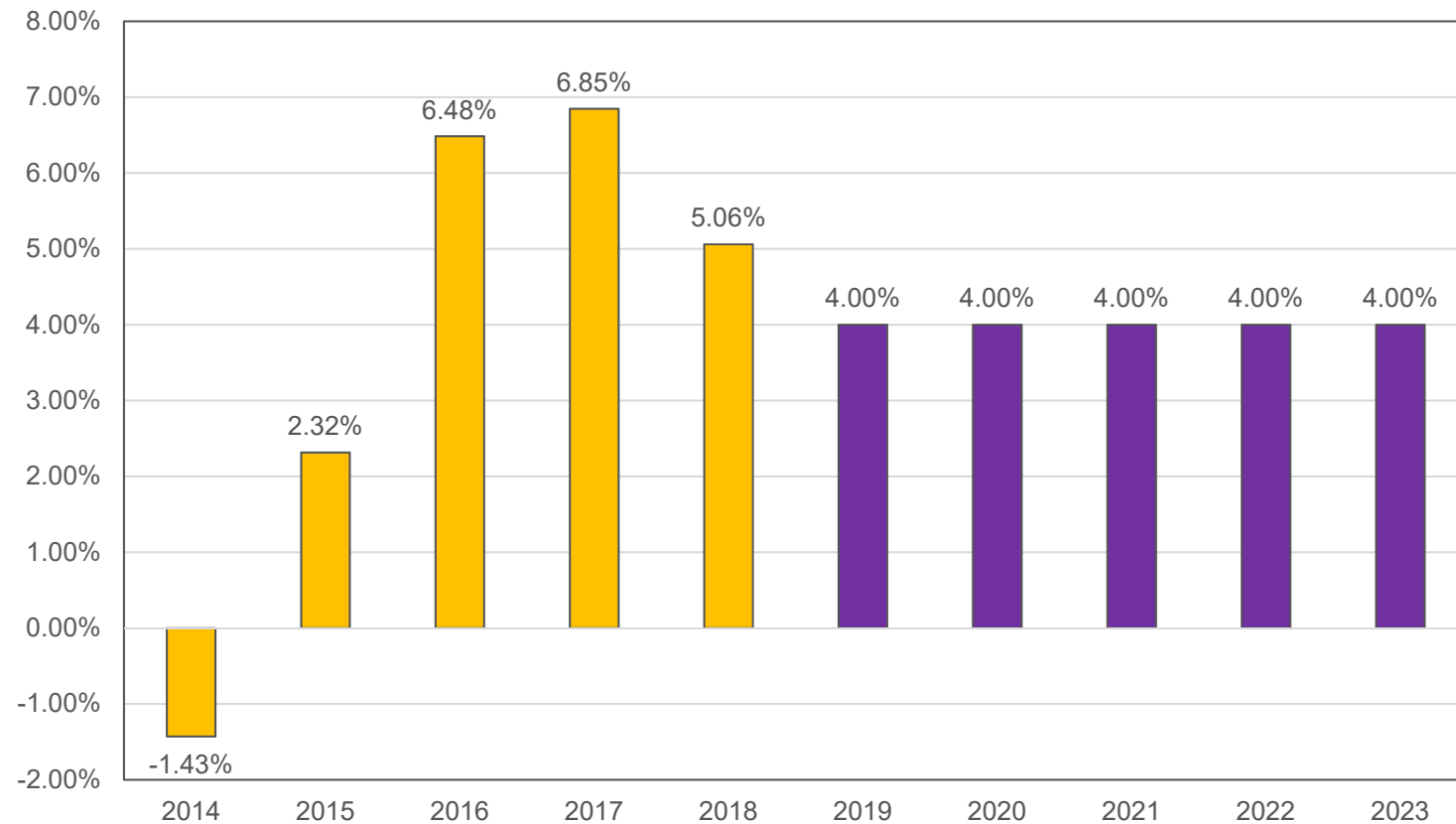
New EAV Growth

TIF (Michael Lane) Expired Village of Addison after 23 years

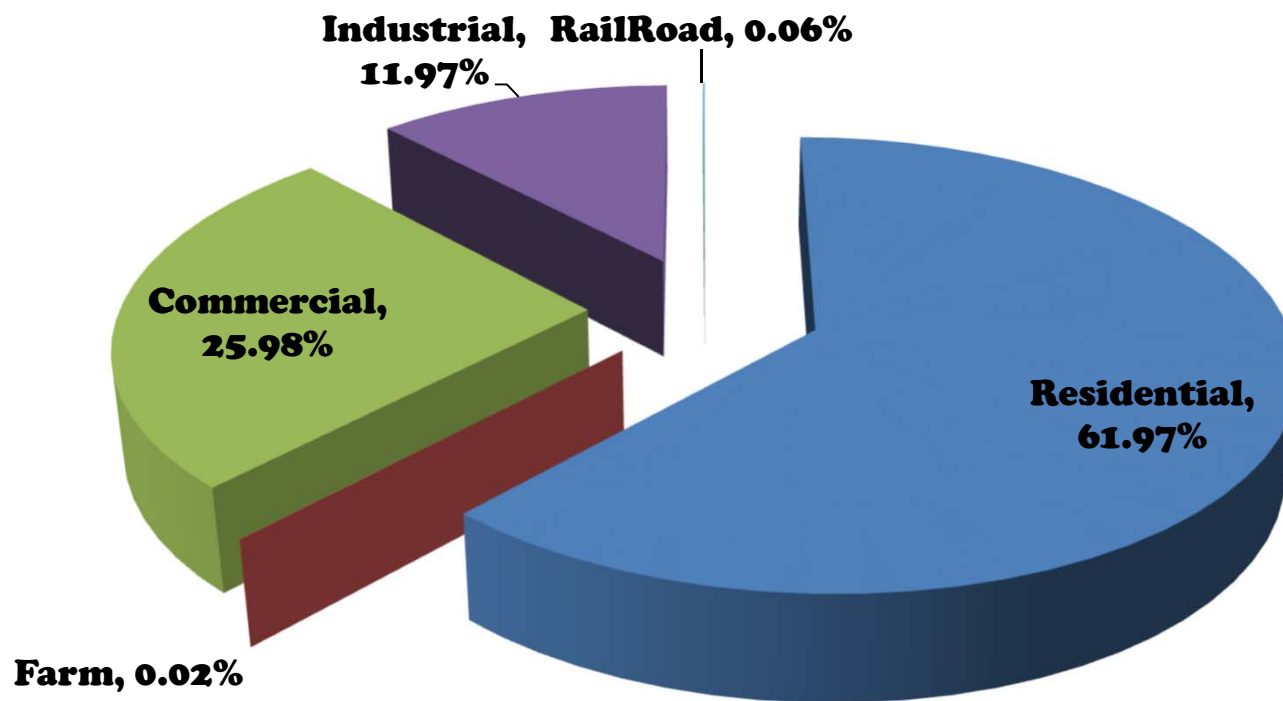
TIF {Ovaltine} Expiring Villa Park after 23 years



Existing EAV % Change



**EQUALIZED ASSESSED VALUE (EAV) OF PROPERTY BY TYPE - TAX
YEAR 2018**



TOTAL EAV = \$3,005,454,524



Tax Increment Financing (TIF)

- Tax revenue to district frozen up to 23 years
- Annual tax increase “increment” to Municipality
- Expiration = New Property for district, additional revenue

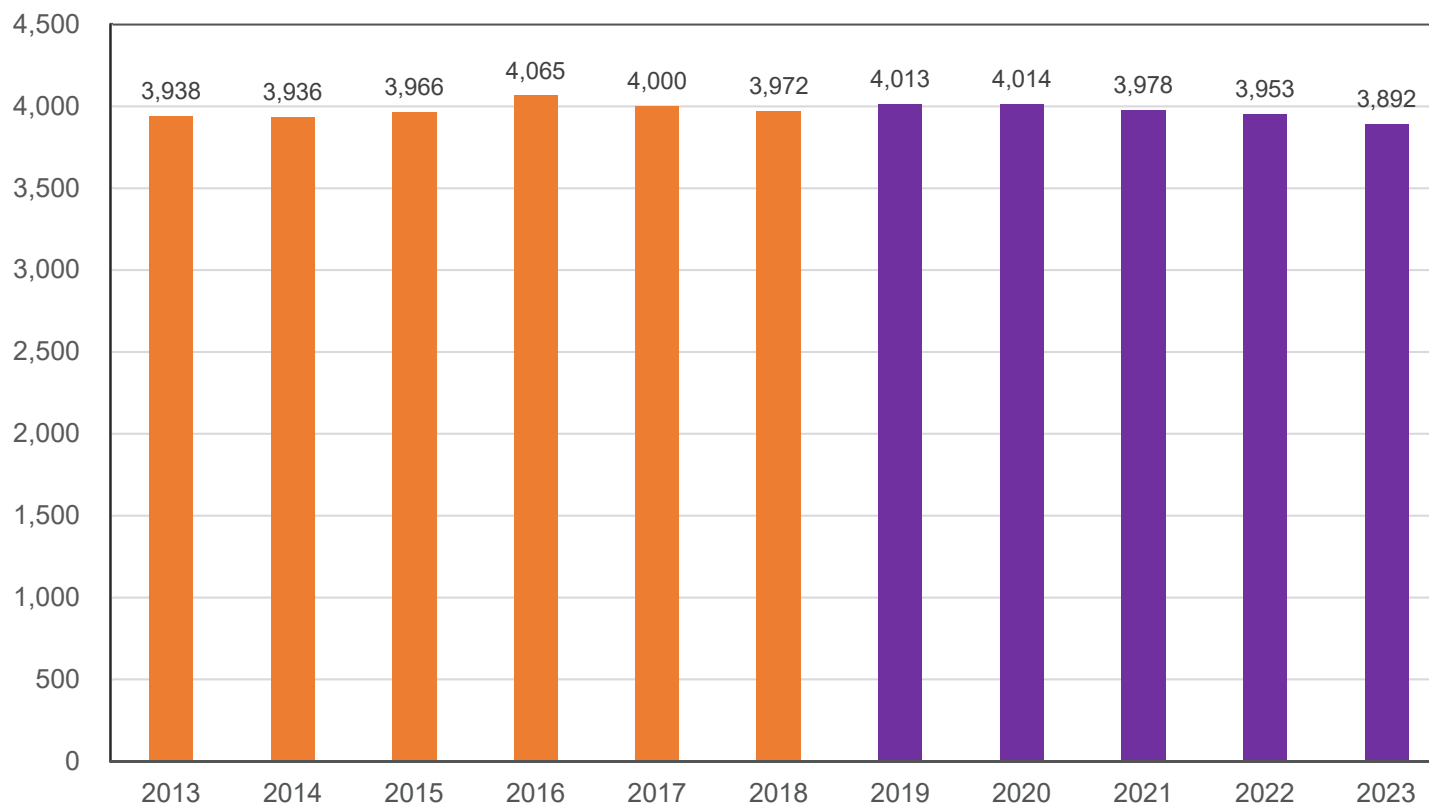
V. Park TIF 2 expire
2019 = \$275,000 to
D88 as of FY2022

Master Tax Increment Financing (TIF) Inventory

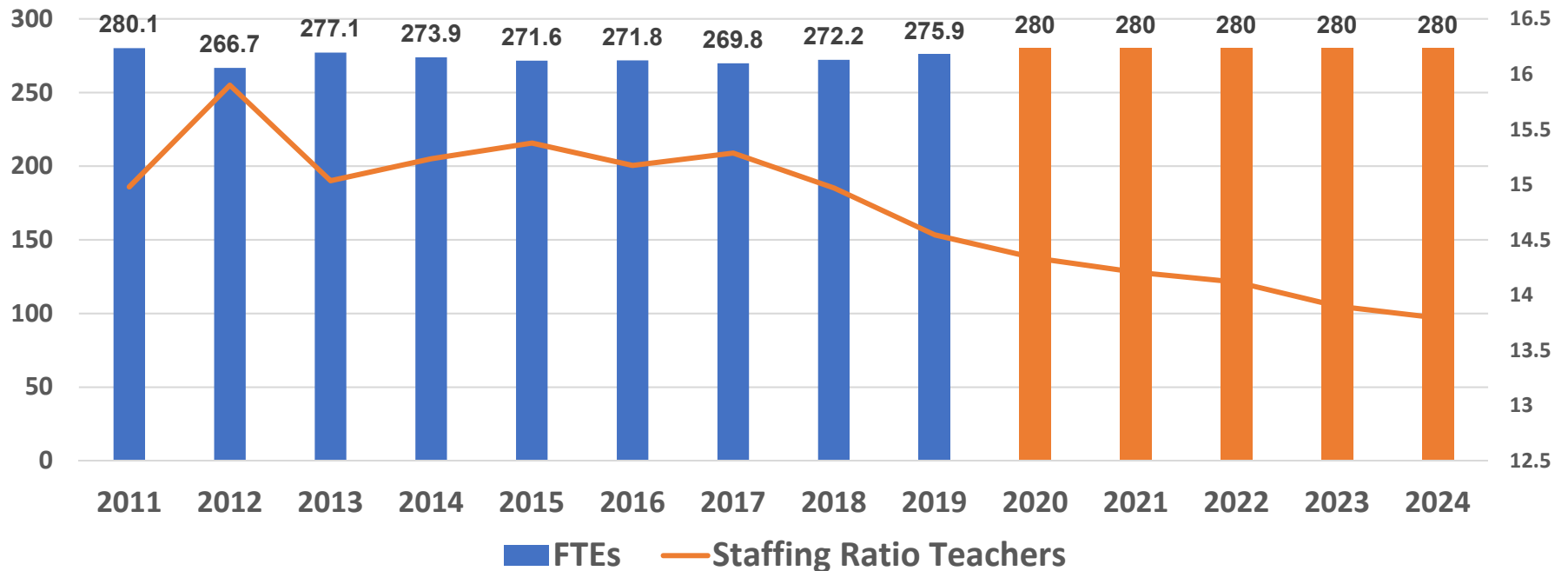
DISTRICT NAME	FROZEN YEAR	1ST LEVY YEAR	LAST LEVY YEAR	School District Levy Take Over	BASE "frozen" E.A.V.	2017 EAV	EAV Increase "new property"
ADDISON TIF 3	2005	2006	2028	2029	14,609,120	15,115,490	506,370
LOMBARD TIF 3	2003	2004	2026	2027	3,913,140	7,286,400	3,373,260
LOMBARD TIF 4	2017	2017	2040	2041	10,020,420	11,122,640	1,102,220
VILLA PARK TIF 2 <i>Update as of July 2017</i>	1995	1996	2048 2019	2049 2020	682,530	12,903,740	12,221,210
VILLA PARK TIF 3	2005	2006	2028	2029	34,164,130	38,719,140	4,555,010
VILLA PARK TIF 4	2008	2009	2031	2032	3,043,590	3,298,010	254,420
VILLA PARK TIF 5	2013	2014	2036	2037	4,658,240	5,486,620	828,380
VILLA PARK TIF 6	2013	2014	2036	2037	2,153,535	2,735,630	582,095
Source: DuPage County Clerk Office, Kathy King 10/22/2015							

- Local
 - Food sales, textbooks, athletic admissions, rental fees and investment income etc. all remain level
 - FY2019 Interest income is expected to exceed budget by approximately \$250,000 = Increased assumption for projections beginning FY2020
 - **Working Cash Bonds** – Series 2018 issue of \$4 million now reflected in draw down through FY2022 for Capital Projects and Transportation (buses) through FY2023
- State
 - Evidence Based Funding Model \$4.9 million remains level
 - Categoricals: Special Educ. & Transportation tied to expenditures
 - FY2020 and future years assumes 4 payments {2 due from prior yr.}
- Federal
 - Title Grants and Food Service remain level

Enrollment



Certified Staff FTE & Staffing Ratio

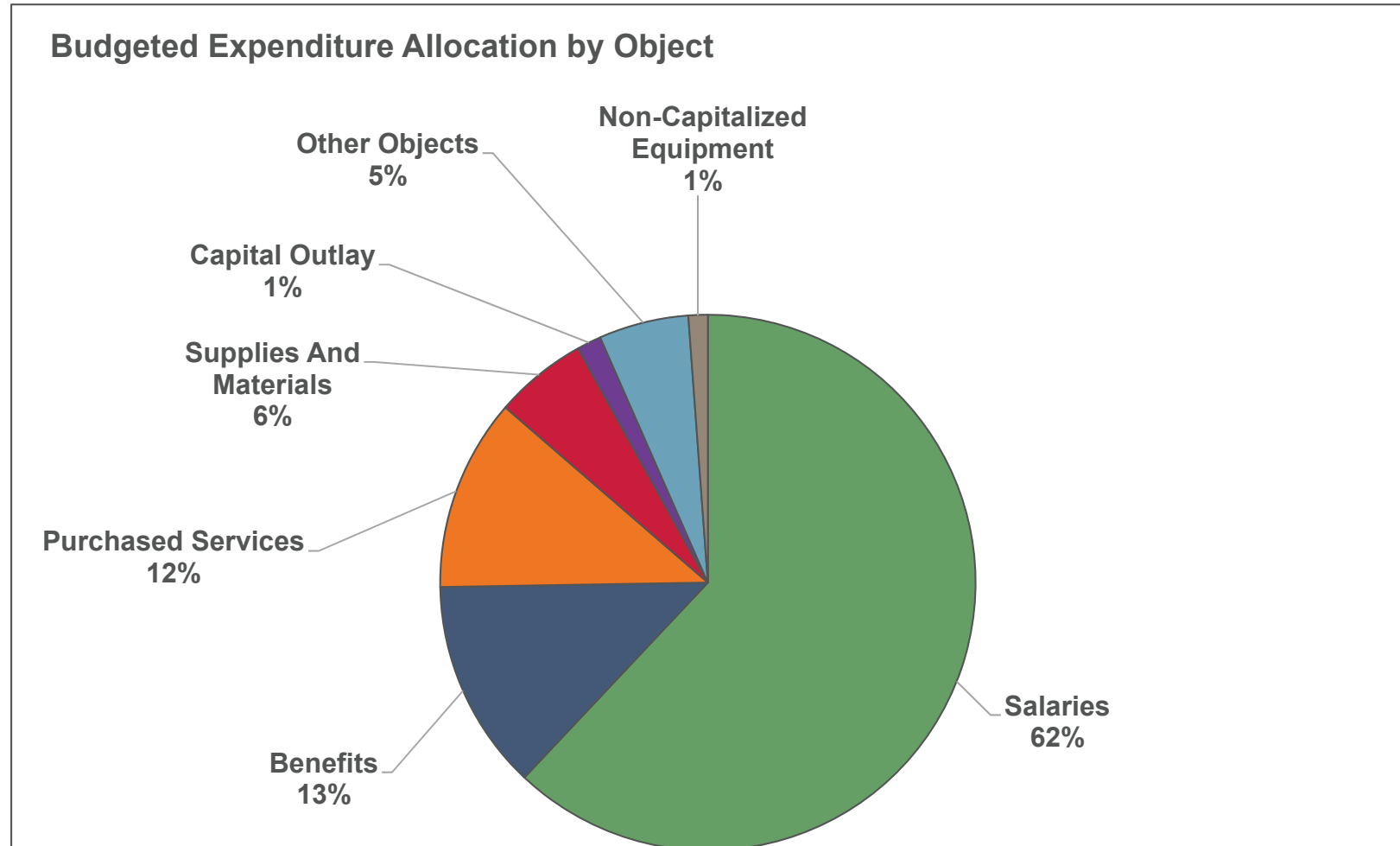


2020 adding 4.10 certified staff

2013 hired 10 certified staff

2012 reduction of 13 certified staff due to CPI of 0.1%

Operating Funds Budget FY2019 Total = \$68,896,905

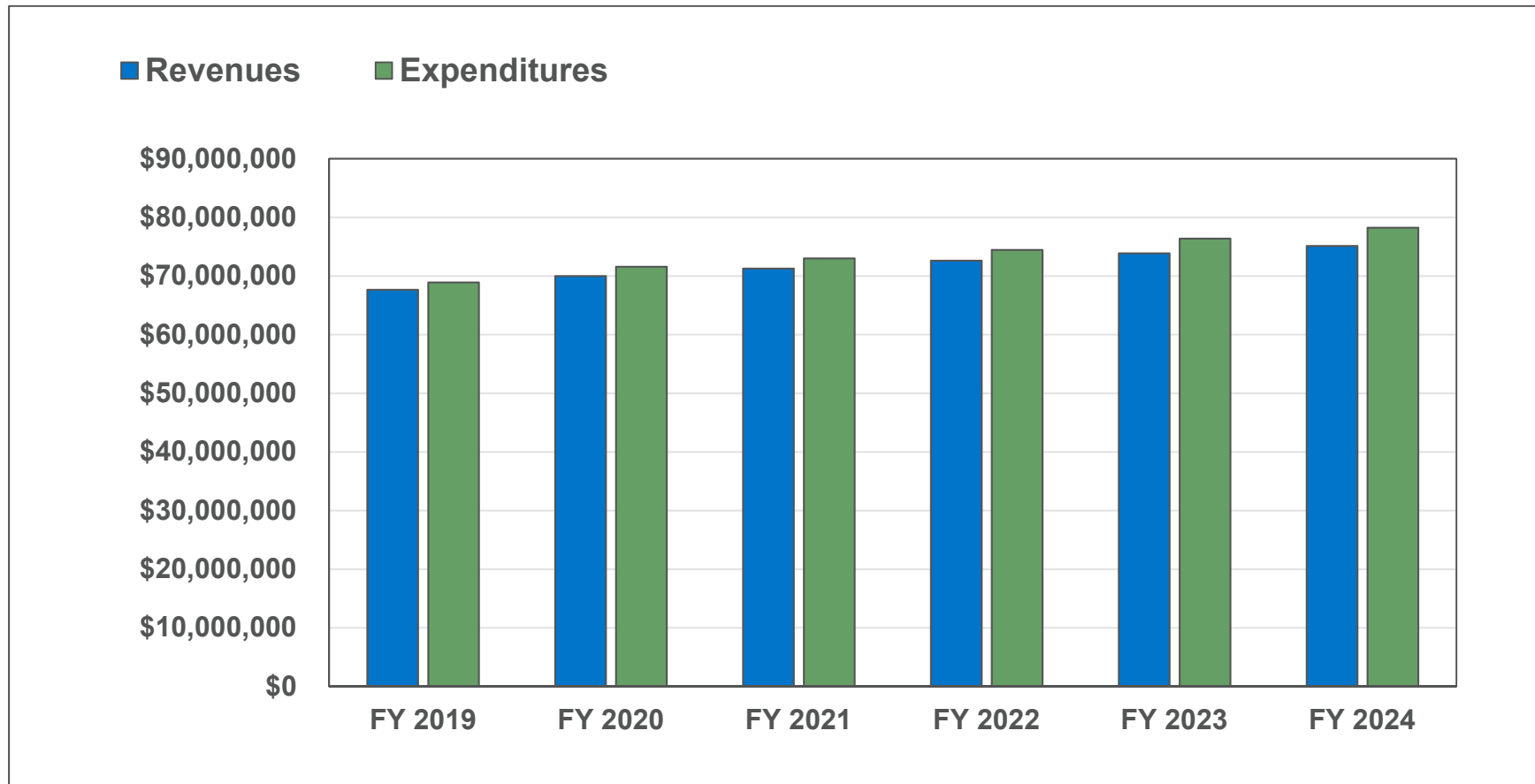


- Salaries
 - Certified staff contract through FY2020
 - Classified & Teacher Aide contracts through FY2020
 - Maintenance/Custodial contract through FY2022
 - Future years subject to negotiations
- Benefits
 - Health Benefits
 - FY2020 now 5% (was estimated 6%)
 - Estimate increase 6% per year

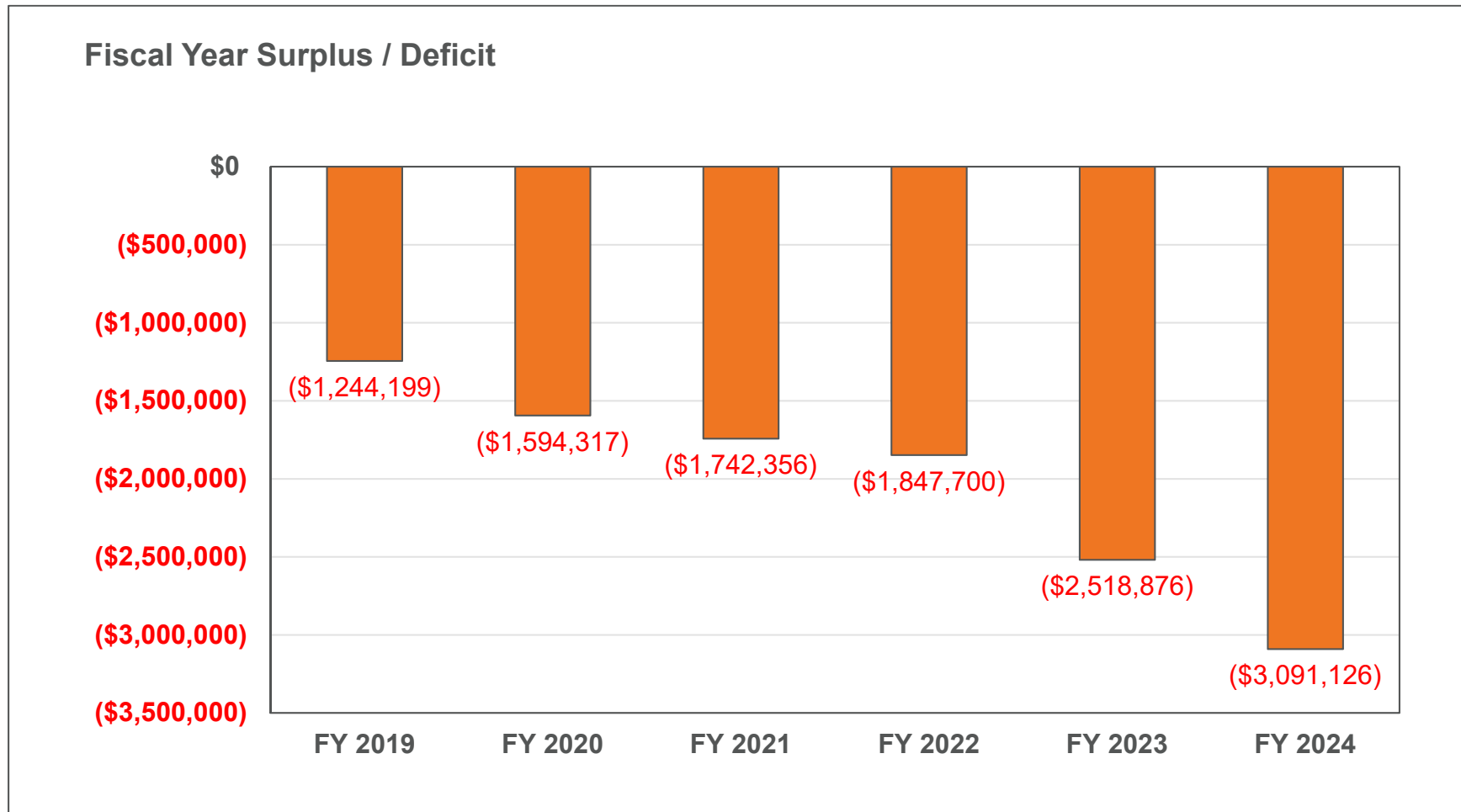
- Non-personnel related expenditures
 - Education Fund:
 - Purchase Service level
 - Supplies & Materials increase 2.0% FY2020 then level
 - Tuition for outside placements: increase \$300,000 FY2020 then 3% thereafter per yr.
 - Operation & Maintenance Fund:
 - Purchase Service increase 1.5%
 - Supplies & Materials 1.5%
 - Capital increase \$300,000 FY2020 to \$877,750 then back to \$577,750 thereafter to FY2022
 - FY2023 Capital/Bldg. Improvements increase to \$1.0 million ; bond proceeds exhausted
 - Transportation Fund:
 - Purchase Service increase 2.5%
 - Supplies & Materials remain level

- Non-personnel related expenditures (cont'd)
 - Capital Outlay for facility improvements funded through FY2022 by bond proceeds via Capital Projects Fund (Non-Operating)
 - Temporary relief to Operating Fund reserves to FY2022
 - As of FY2023 will impact Operating Fund Expense and Reserves by approx. \$450,000
 - Bond proceeds also to be used for four years of bus fleet updating through FY2023 at \$318,000 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

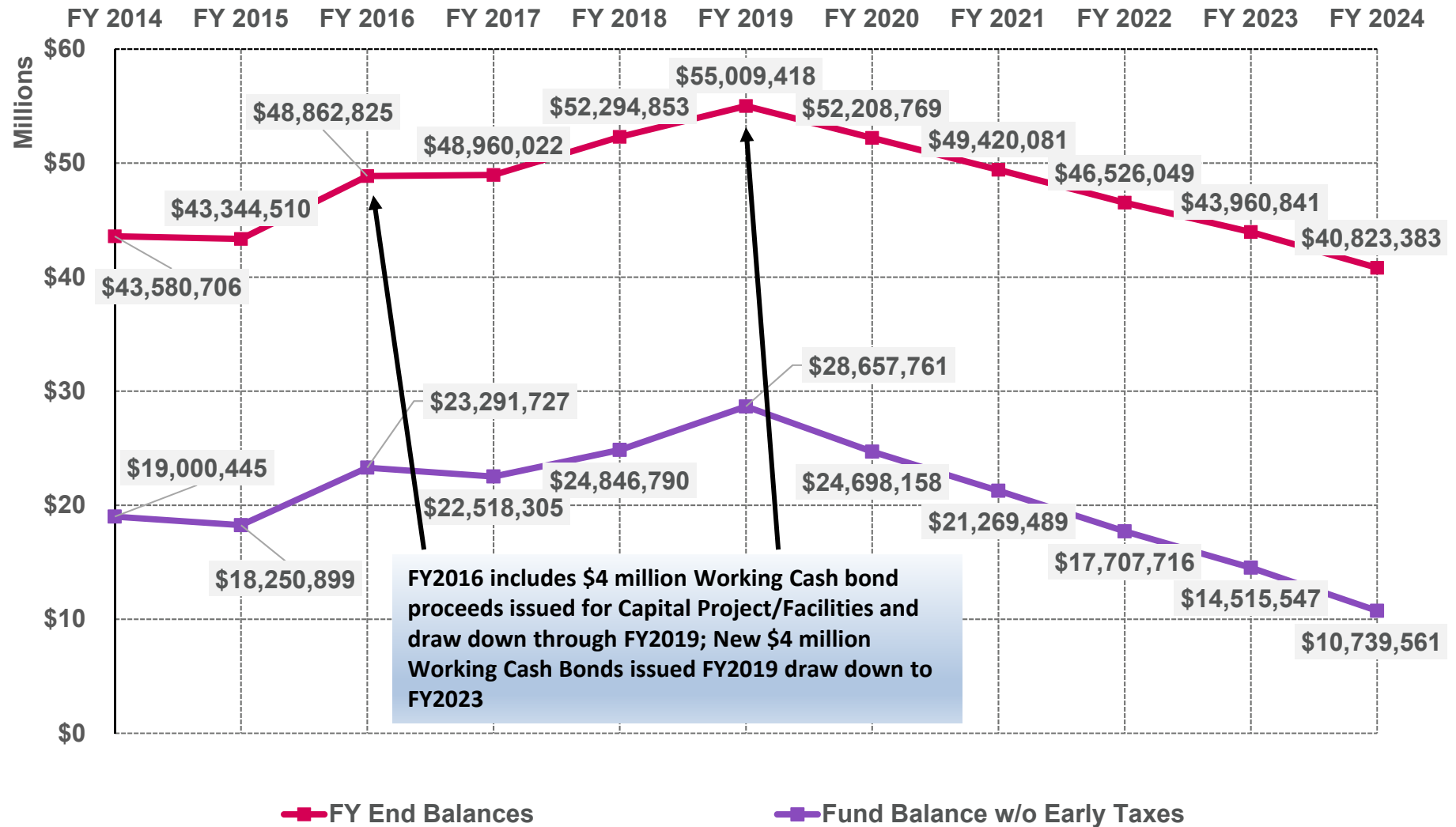


Operating Funds – Education, Operations & Maintenance, Transportation, Illinois Municipal Retirement Fund and Working Cash Funds

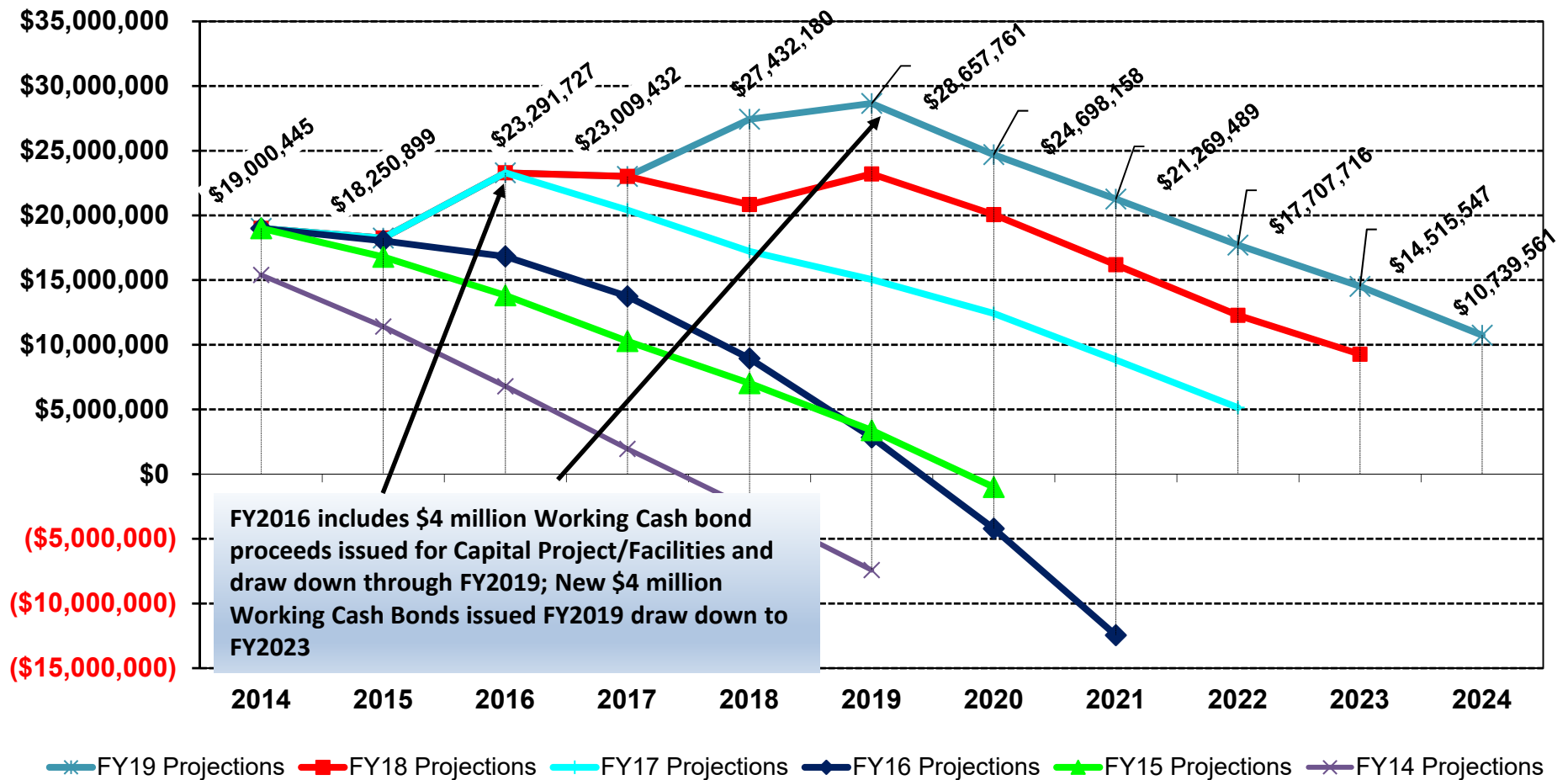


Operating Funds – Education, Operations & Maintenance, Transportation, Illinois Municipal Retirement Fund and Working Cash Funds

Historical & Projected Year-End Balances



Current & Previous Projections (Operating Funds) Without Early Property Tax \$

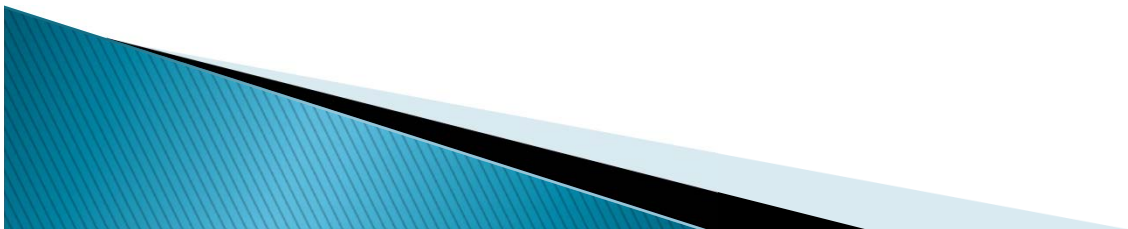


Operating Funds – Education, Operations & Maintenance, Transportation, Illinois Municipal Retirement Fund and Working Cash Funds

Where are we Heading?

Budgeting Strategies / Planning

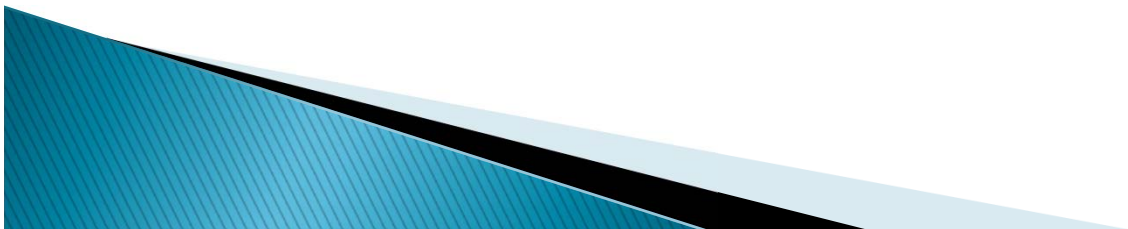
- ▶ Evaluate all programs, staffing, and resource allocation decisions
- ▶ Staffing adjustments = attrition/restructuring
- ▶ Align expenses to CPI whenever possible
- ▶ Maintaining supply budgets
- ▶ Capital improvement/bus replacement funded with debt borrowing through FY2022 and FY2023 respectively



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...Villa Park TIF #2 coming on tax levy 2020 for FY2022
- ▶ Continue to seek staff input – ideas/suggestions for operational efficiencies



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



► Q & A / Discussion

