

Downers Grove Grade School District #58

Financial Workshop

November 27, 2017



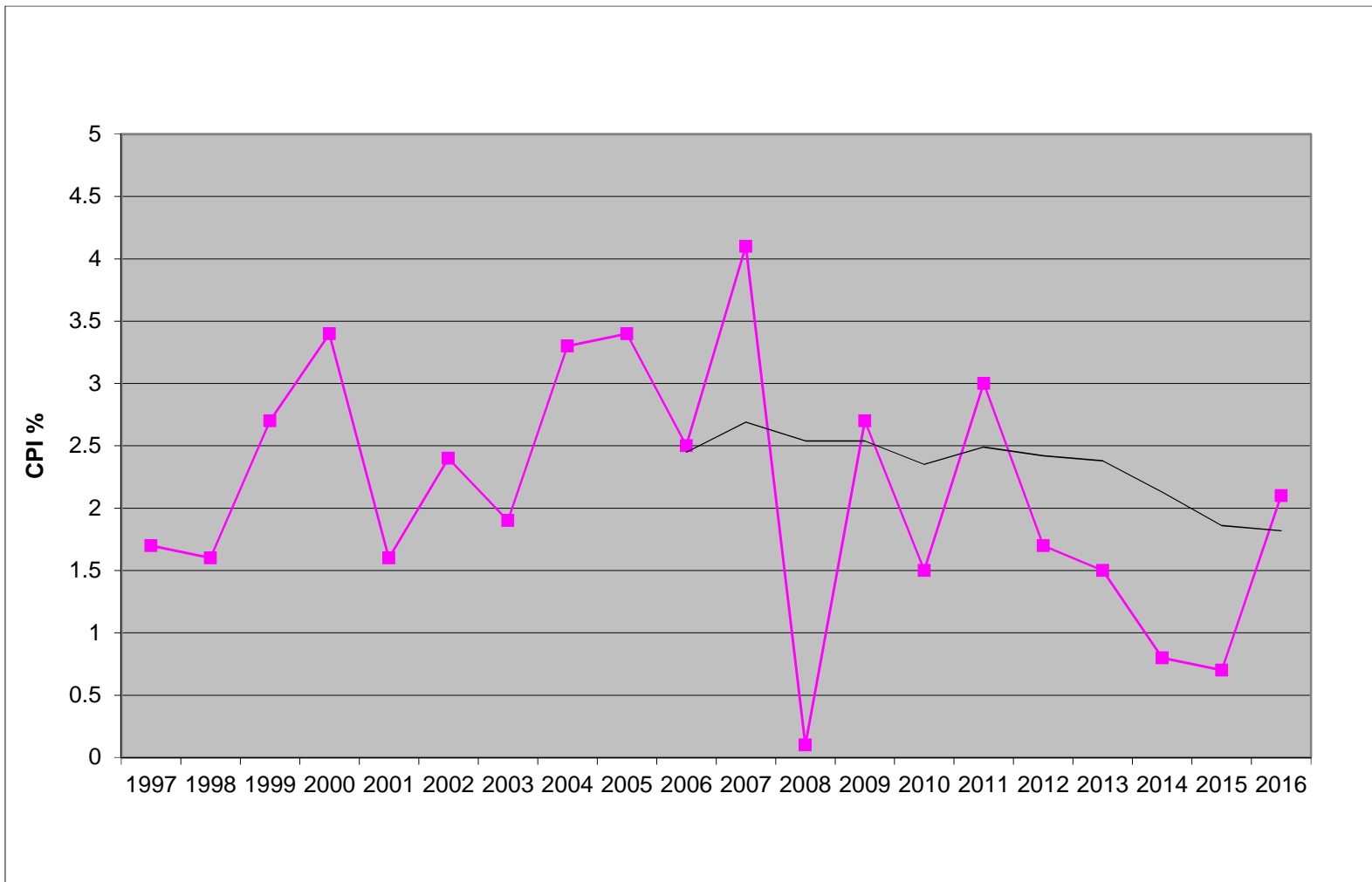
Downers Grove Grade School District 58
We Envision. We Seek. We Believe.

Budgets and Financial Stability

- As is common in the Chicagoland area, District 58 receives the majority of its revenue from local property taxes, and the majority of its expenses are for salaries and benefits.
- Like many school districts in Illinois, District 58 faces expenses that grow faster than revenues.
 - Tax cap laws restrict property tax growth to the Consumer Price Index (CPI) or 5%, whichever is less, averaging 1.8% over the past ten years.
 - Expenses are not capped.
 - The General Assembly is considering legislating a 0% increase in property tax revenue growth for two years.
- The useful definition of financial stability is having revenues and expenditures in alignment.
- If revenues grow at 1.8%, you can't perpetually balance a budget when expenses grow at, for example, 3%.
- While the District carefully manages finances, there are many things that cause pressure on budgeting and planning.



CPI and 10 Year Moving Average



District 58 Forecast Background

- Forecasting is dependent on underlying assumptions.
- Forecasts are useful as a guide to future decision making.
- State funding
 - The state's financial condition continues to be challenging.
 - Overall state funding is assumed to be flat.
 - Base model forecast does not include a property tax freeze nor a pension cost shift.
- Collective bargaining agreements expire during the forecast period.



Key Assumptions

Parameter	Assumption
EAV	2.8%. New growth steady at \$17 million per year to 2021, then \$20 million in 2022.
CPI	2.1% for 2017 then 1.8%.
State Aid	Flat.
Federal Revenue	Flat.
CPPRT	Flat.
Interest Earnings	Flat.
Salaries	Based on settled agreements then CPI plus 1% (2.8%).
Staffing	Flat, adjusting for enrollment in base scenario. 5 FTE addition in alternate scenario.
Retirees	FY18: 9 certified, 2 admin; FY19: 3 certified, 1 admin; FY20: 6 certified, 1 admin; FY21: 6 certified, 1 admin
Benefits	Health insurance: 8%; Dental insurance: 5%
Transportation	3%
Pension/Property Taxes	No pension cost shift and no property tax freeze in base scenario.



Base Model

- The base model reflects relatively stable although slightly declining fund balances.
- The charts reflect the following funds:
 - Educational
 - O&M
 - Transportation
 - IMRF/SS
 - Working Cash



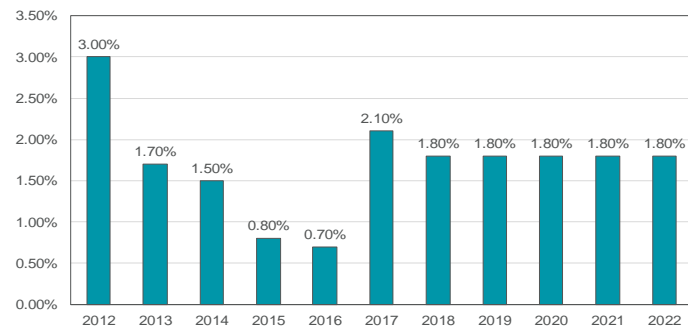
Base Model

Extension Analysis and Consumer Price Index Assumptions

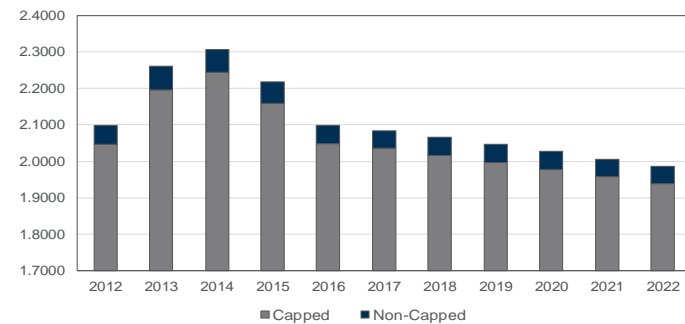
Downers Grove GSD 58 Base Scenario

	2016		2017		2018		2019		2020		2021		2022	
	Extension	Rate	Extension	Rate	Extension	Rate	Extension	Rate	Extension	Rate	Extension	Rate	Extension	Rate
Education Fund	43,229,594	1.6723	45,239,590	1.6916	46,898,672	1.6954	48,588,255	1.6984	49,748,769	1.6819	50,927,392	1.6656	52,173,955	1.6494
Leasing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Education	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Tax Levies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operations & Maintenance Fund	4,523,817	0.1750	4,394,786	0.1643	4,251,556	0.1537	4,103,957	0.1435	4,201,979	0.1421	4,301,530	0.1407	4,406,820	0.1393
Other Tax Levies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service Fund	1,274,424	0.0493	1,283,567	0.0480	1,420,886	0.0514	1,446,462	0.0506	1,472,498	0.0498	1,499,003	0.0490	1,525,985	0.0482
Transportation Fund	3,523,407	0.1363	2,895,939	0.1083	2,616,295	0.0946	2,329,310	0.0814	2,384,945	0.0806	2,441,448	0.0798	2,501,207	0.0791
Other Tax Levies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IMRF Fund	801,362	0.0310	899,076	0.0336	940,919	0.0340	983,582	0.0344	1,007,074	0.0340	1,030,933	0.0337	1,056,168	0.0334
IMRF Fund Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Security/Medicare Fund	801,362	0.0310	899,076	0.0336	940,919	0.0340	983,582	0.0344	1,007,074	0.0340	1,030,933	0.0337	1,056,168	0.0334
Other Tax Levies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Cash Fund	90,476	0.0035	99,896	0.0037	102,323	0.0037	104,787	0.0037	107,290	0.0036	109,832	0.0036	112,520	0.0036
Tort Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Prevention and Safety Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$54,244,442	2.0984	\$55,711,930	2.0831	\$57,171,569	2.0667	\$58,539,934	2.0463	\$59,929,629	2.0261	\$61,341,070	2.0061	\$62,832,823	1.9863
Tax-Capped Totals	\$52,970,018	2.0491	\$54,428,363	2.0351	\$55,750,683	2.0153	\$57,093,472	1.9957	\$58,457,131	1.9763	\$59,842,067	1.9571	\$61,306,838	1.9381

Consumer Price Index



Total Tax Rate



Base Model

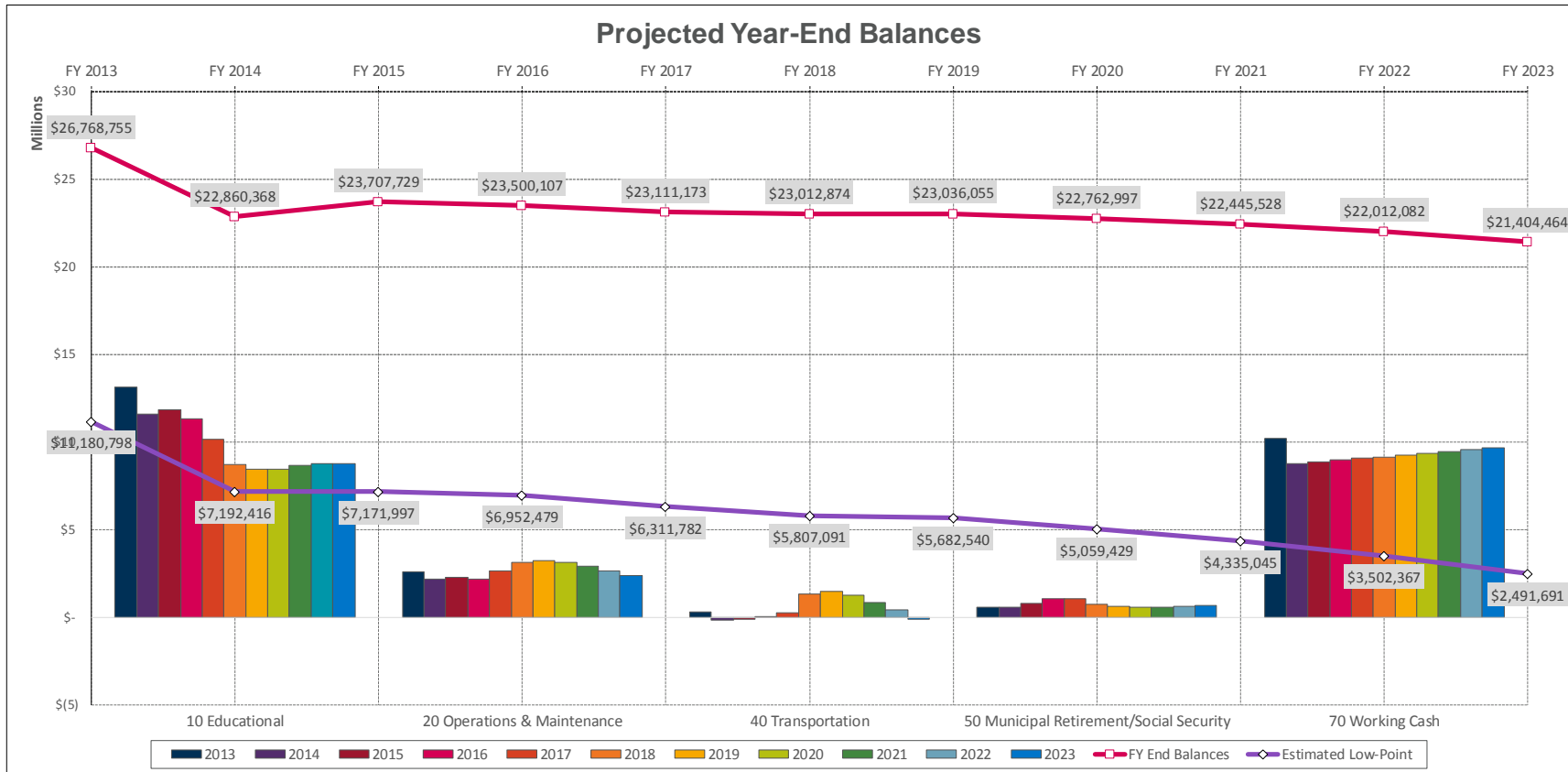
	BUDGET	REVENUE / EXPENDITURE PROJECTIONS									
	FY 2018	FY 2019	%	FY 2020	%	FY 2021	%	FY 2022	%	FY 2023	%
REVENUE											
Local	\$57,449,478	\$58,725,821	2.22%	\$60,055,712	2.26%	\$61,406,229	2.25%	\$62,777,777	2.23%	\$64,199,783	2.27%
State	\$4,993,020	\$4,993,020	0.00%	\$4,993,020	0.00%	\$4,993,020	0.00%	\$4,993,020	0.00%	\$4,993,020	0.00%
Federal	\$2,118,210	\$2,118,210	0.00%	\$2,118,210	0.00%	\$2,118,210	0.00%	\$2,118,210	0.00%	\$2,118,210	0.00%
Other	\$0	\$0		\$0		\$0		\$0		\$0	
TOTAL REVENUE	\$64,560,708	\$65,837,051	1.98%	\$67,166,942	2.02%	\$68,517,459	2.01%	\$69,889,007	2.00%	\$71,311,013	2.03%
EXPENDITURES											
Salary and Benefit Costs	\$49,659,819	\$50,723,482	2.14%	\$52,255,676	3.02%	\$53,553,850	2.48%	\$54,941,718	2.59%	\$56,435,249	2.72%
Other	\$14,777,878	\$14,869,078	0.62%	\$14,963,014	0.63%	\$15,059,768	0.65%	\$15,159,425	0.66%	\$15,262,071	0.68%
TOTAL EXPENDITURES	\$64,437,697	\$65,592,560	1.79%	\$67,218,690	2.48%	\$68,613,618	2.08%	\$70,101,143	2.17%	\$71,697,321	2.28%
SURPLUS / DEFICIT	\$123,011	\$244,491		(\$51,748)		(\$96,159)		(\$212,136)		(\$386,308)	
OTHER FINANCING SOURCES / USES											
Other Financing Sources	\$25,000	\$25,000		\$25,000		\$25,000		\$25,000		\$25,000	
Other Financing Uses	(\$246,310)	(\$246,310)		(\$246,310)		(\$246,310)		(\$246,310)		(\$246,310)	
TOTAL OTHER FIN. SOURCES / USES	(\$221,310)	(\$221,310)		(\$221,310)		(\$221,310)		(\$221,310)		(\$221,310)	
SURPLUS / DEFICIT INCL. OTHER FIN. SOURCES	(\$98,299)	\$23,181		(\$273,058)		(\$317,469)		(\$433,446)		(\$607,618)	
BEGINNING FUND BALANCE	\$23,111,173	\$23,012,874		\$23,036,055		\$22,762,997		\$22,445,528		\$22,012,082	
AUDIT ADJUSTMENTS TO FUND BALANCE	\$0	\$0		\$0		\$0		\$0		\$0	
PROJECTED YEAR END BALANCE	\$23,012,874	\$23,036,055		\$22,762,997		\$22,445,528		\$22,012,082		\$21,404,464	
FUND BALANCE AS % OF EXPENDITURES	35.71%	35.12%		33.86%		32.71%		31.40%		29.85%	
FUND BALANCE AS # OF MONTHS OF EXPEND.	4.29	4.21		4.06		3.93		3.77		3.58	



Base Model

Educational O & M Transportation IMRF / SS Working Cash

Downers Grove GSD 58 Base Scenario



Alternate Scenarios

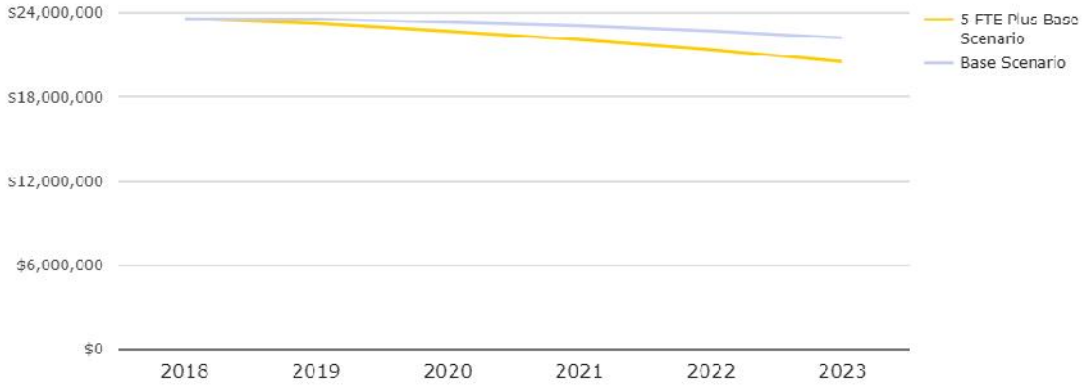
- Several alternate scenarios were modeled for comparison purposes.
- There may be a need for additional staffing in the future, so a model with 5 additional FTE added for next year was created.
- Sensitivity to health insurance increases was evaluated by changing the assumption from 8% increases to 5%.
- Sensitivity to salary increases was evaluated by changing the assumption from 2.8% to 3.8%.
- A legislatively established two year property tax freeze is being considered.
- A pension cost shift continues to be discussed, so a 1% per year shift was modeled.



Additional 5.0 FTE

Projected Fund Balances - All Funds

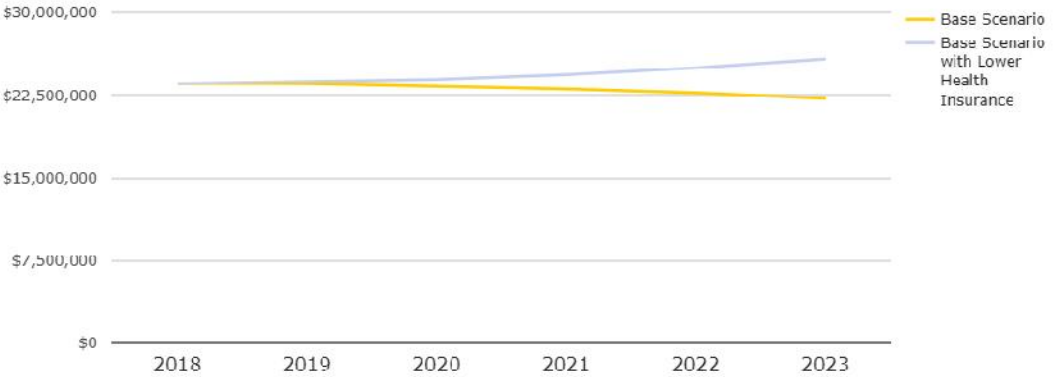
	2018	2019	2020	2021	2022	2023	Total
Total	\$23,573,374	\$23,234,048	\$22,668,375	\$22,072,135	\$21,373,673	\$20,514,683	
Total	\$23,573,374	\$23,550,262	\$23,312,196	\$23,055,473	\$22,708,992	\$22,215,028	



Lower Health Insurance

Projected Fund Balances - All Funds

	2018	2019	2020	2021	2022	2023	Total
Total	\$23,573,374	\$23,550,262	\$23,312,196	\$23,055,473	\$22,708,992	\$22,215,028	
Total	\$23,573,374	\$23,749,660	\$23,936,312	\$24,358,121	\$24,975,281	\$25,764,420	



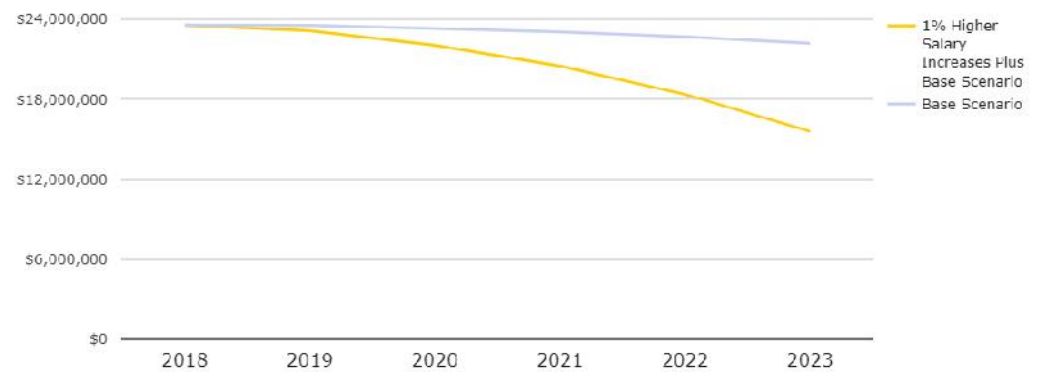
Lowering health insurance inflation from 8% to 5%.



Additional 1% Increase in Salaries

Projected Fund Balances - All Funds

	2018	2019	2020	2021	2022	2023	Total
Total	\$23,573,374	\$23,140,795	\$22,059,397	\$20,502,904	\$18,376,426	\$15,597,073	
Total	\$23,573,374	\$23,550,262	\$23,312,196	\$23,055,473	\$22,708,992	\$22,215,028	



Two Year Property Tax Freeze

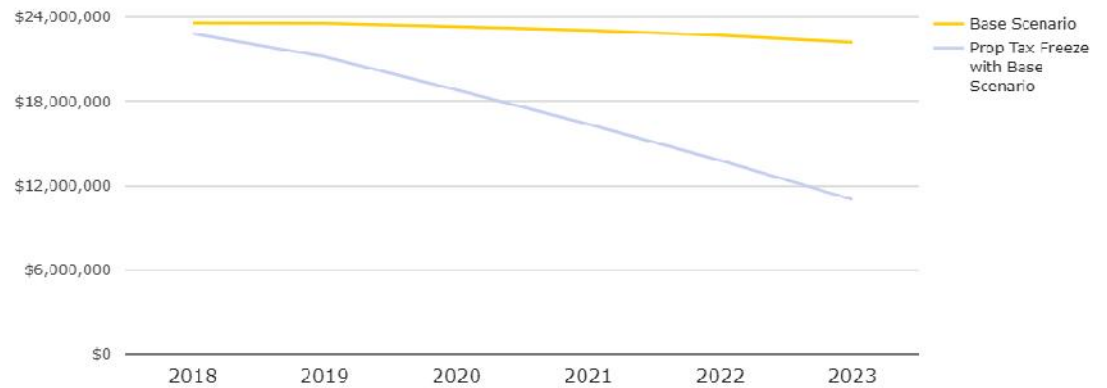
- A property tax freeze is being contemplated by the General Assembly.
- A 0% PTELL increase was modeled for the 2017 and 2018 levy years.
- This affects half of 2017-18 (Spring taxes), the whole 2018-19 year, and half of 2019-20 (Fall taxes).
- A delay in enacting a freeze would have a similar impact, but would shift it to later years.



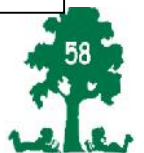
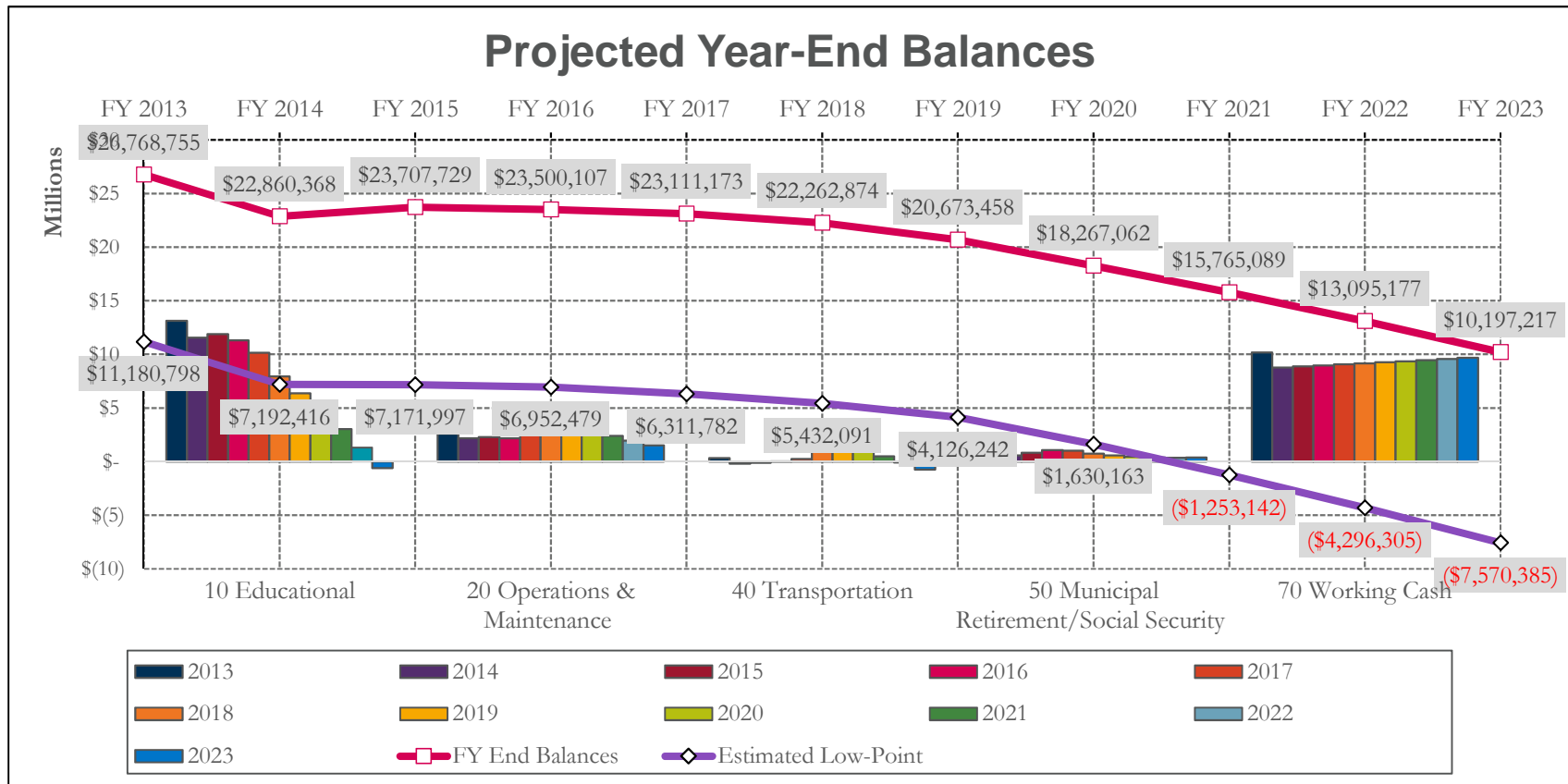
Two Year Property Tax Freeze

Projected Fund Balances - All Funds

	2018	2019	2020	2021	2022	2023	Total
Total	\$23,573,374	\$23,550,262	\$23,312,196	\$23,055,473	\$22,708,992	\$22,215,028	
Total	\$22,823,374	\$21,187,665	\$18,816,261	\$16,375,034	\$13,792,087	\$11,007,781	

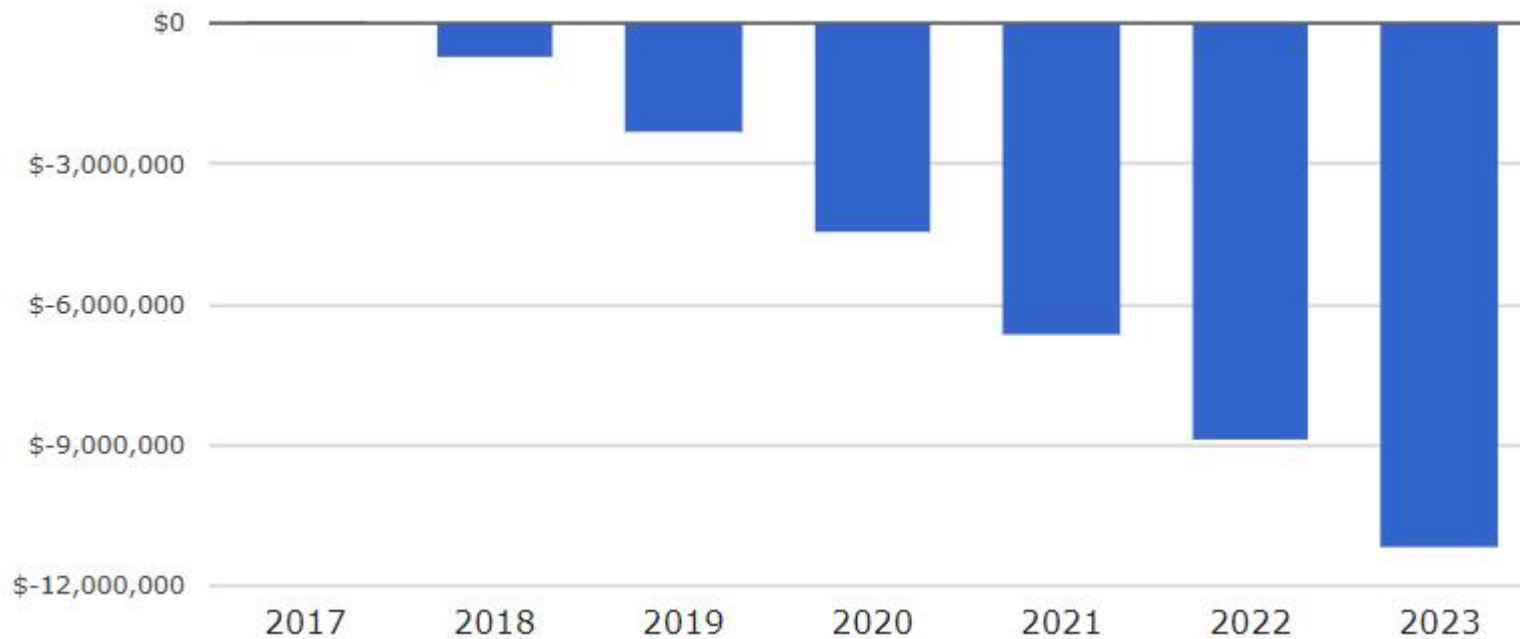


Two Year Property Tax Freeze



Two Year Property Tax Freeze

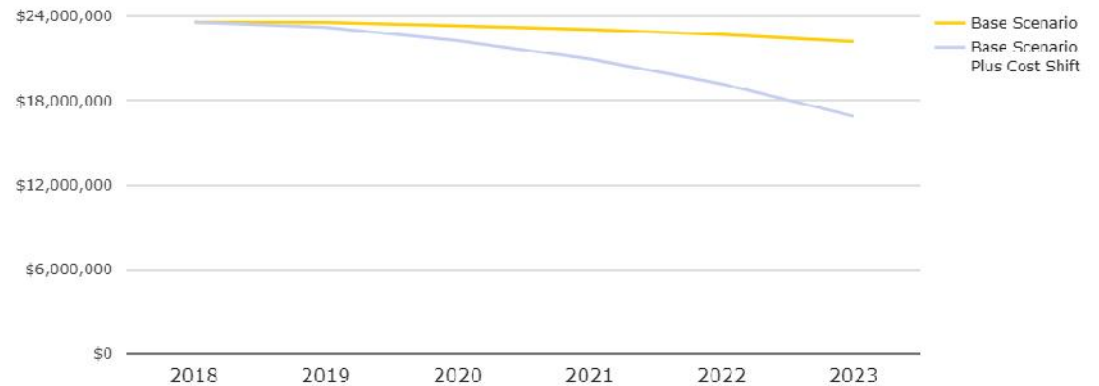
Cumulative Impact of a Two Year Property Tax Freeze



Pension Cost Shift

Projected Fund Balances - All Funds

	2018	2019	2020	2021	2022	2023	Total
Total	\$23,573,374	\$23,550,262	\$23,312,196	\$23,055,473	\$22,708,992	\$22,215,028	
Total	\$23,573,374	\$23,211,384	\$22,280,919	\$20,971,866	\$19,202,628	\$16,903,407	



1% per Year



Additional Considerations

- A 1:1 technology refresh.
 - Tech committee is reviewing K-7 refresh possibilities.
 - Additional lease payments for a refresh are assumed to be offset by student fees (this is a change from current practice).
- Curriculum adoption.
 - Current budgeted expenditures for curriculum are assumed to continue during the forecast horizon.
- Nursing support
 - Demand for nursing support continues to trend upward.
- Lester School
 - Not modeled.
 - An increase in costs to complete an addition is assumed to be offset by additional revenue through issuance of bonds.



Additional Facility Considerations

- Significant work is needed during the forecast horizon.
- Some work will be completed using the existing budget.
- Approximately \$6.2 million is needed through fiscal 2023 for known projects; these are being closely monitored to determine whether the scheduled date can be extended.
- An alternate source of funds will be needed to complete this work.



Other Factors May Cause Material Changes

- Property tax freezes are still being considered.
- Pension reform is still being considered.
- Other variances from assumptions may have a material impact on revenues, expenditures, and fund balances.





Evidence Based Funding Model

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Evidence Based Funding Model

- At the end of August, Senate Bill 1947 was enacted into law as Public Act 100-0089 with an immediate effective date.
- This historic legislation changes how Illinois funds education across the state.
- Core values of the legislation are:
 - Recognizing individual student needs
 - Accounting for differing levels of local resources
 - Closing funding gaps at the neediest districts first.



EBM Concept

- Each district has a calculated adequacy target—an amount of funding that is needed to educate the specific students at the district.
- Available funding is assessed to determine how close to adequate it is.
- Districts that are furthest away from adequate funding receive the most new funding.
- Each year adequacy is recalculated.
- No district loses state funding—each will get at least as much as was received in the prior year (unless the state reduces year over year funding to schools).



How is Adequacy Determined?

- Adequacy is determined on 27 research based parameters, including:
 - Enrollment
 - Income status
 - Diverse learner needs
 - Regional cost differences
- ISBE will annually calculate and communicate each district's adequacy target.

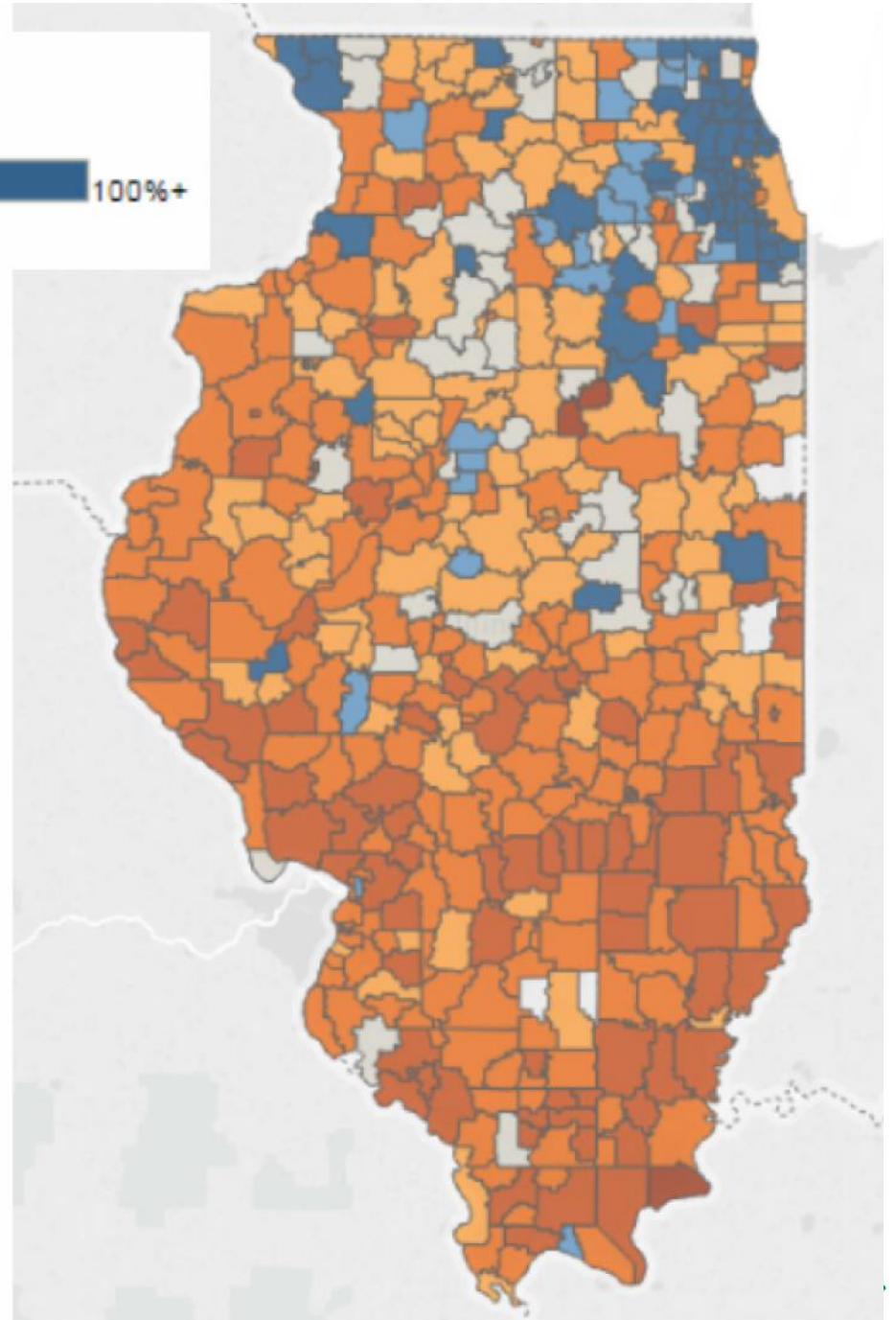
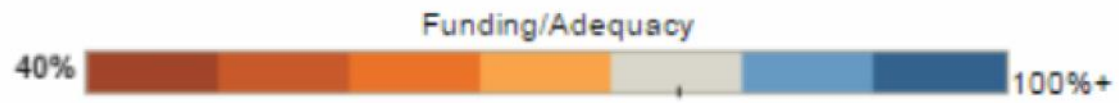


Local Capacity

- To calculate how much a community can contribute to funding from local property taxes the model uses a Local Capacity Target (LCT) plus a portion of real receipts above the LCT.
- The LCT is the dollar amount (that is, local property taxes plus CPPRT) a district would ideally contribute towards its Adequacy Target, based on a comparison of all districts in the state.
- The LCT is not a value that a district can calculate itself. It is intended to provide an ideal measure of effort that is equitable with other districts based on the relationship between the Adequacy Target and local wealth across the state.
- ISBE will utilize data from 852 districts and communicate the LCT to each district.



FUNDING COMPARED TO ADEQUACY



Funding

- Every district keeps the amount of state funding it received in FY17, referred to as the initial Base Funding Minimum.
- Going forward, no district will receive less state funding than it received the prior year.
- Each new dollar a district receives from the state in Year 1 becomes a part of its Base Funding Minimum in Year 2, and so on.
- If the state does not appropriate enough to cover the cost of the Base Funding Minimum:
 - Funds are first removed from the Base Funding Minimum from the most adequately funded districts.
 - If that still isn't enough, then further reductions are on a per pupil basis for all districts.



Base Funding Minimum (Replacing GSA)

- FY18 Base Funding Minimum includes:
 - Prior year GSA
 - MCATs
 - Special Ed Personnel Reimbursement
 - Special Ed Funding for Children Requiring Special Education Services
 - Special Ed Summer School
 - Bilingual (English Learners)
- FY19 Base Funding Minimum includes:
 - Prior year Base Funding Minimum plus prior year EBM distributions



Additional (New) Funds Distribution

- The percent of adequacy is calculated for each district.
 - Base Funding Minimum plus local capacity target divided by adequacy target.
 - May range from below 50% to over 150%.
- Districts are assigned a tier based on percent of adequacy.
 - Tier 1 are furthest from adequacy.
 - Tier 2 are from Tier 1 up to 90% of adequacy.
 - Tier 3 are from 90%-100% of adequacy.
 - Tier 4 are above 100% of adequacy.
- New funds distribution:
 - Tier 1: 50%
 - Tiers 1 & 2: 49%
 - Tier 3: 0.9%
 - Tier 4: 0.1%



Other Key Provisions

- Voter Initiated Referendum to Lower Levy
 - Allows 10% of voters in districts above 110% of adequacy to petition for a referendum to reduce taxes for educational purposes up to 10%.
 - Referendum is only in odd number years at the consolidated election in April.
 - May not be repeated until after two future consolidated elections (effectively once every 6 years).
- Tax Credit/Scholarship Program
 - Creates a 75% tax credit for individuals who contribute to a qualified not-for-profit organization.
 - Scholarships are for students attending private schools.



Reporting Requirements

- Annual Spending Plan
 - Submitted by the end of September as part of the annual budget process
 - Identify how funds will be allocated for:
 - Low Income
 - Special Education
 - English Learners
 - Funds from the BFM and EBM distribution for these three areas must be expended for these functions.
 - How funds will contribute to student growth (ESSA)
 - How funds will contribute to ISBE education goals
- School Report Card will show adequacy %, local capacity, and receipts.



Impact for District 58

- ISBE's preliminary estimate of adequacy for District 58 is near 100%.
- ISBE has not finalized the adequacy calculations yet, so this may change.
- If in Tier 3, the District will share in 0.9% of additional (new) money.
 - \$350 million for this year.
 - 0.9% is \$3.15 million.
 - This is split among all Tier 3 districts.
- There will be very little new state aid money.
- There will be new reporting requirements.



What the EBM is Not

- Many districts strive to provide more than adequate education to students.
- As a result, more than adequate funding is required.
- The EBM is not an ideal or targeted level of funding.
- The EBM does not include many budget items for districts, including
 - Early childhood
 - Low incidence (high cost) special education
 - Transportation
 - Capital maintenance and new construction
 - Class sizes less than 25 for grades 4-12
 - 1:1 instructional technology programs (2:1 is assumed)
 - Extended/gifted educational programs
 - Robust co-curricular and student activities.



Ed-Red

The State of Illinois' financial contribution to public education remains among the lowest in the United States, and the new Adequacy Model is not intended to provide all resources a community expects and demands from its local schools. As a result, excellence in education will continue to be the choice of local communities through voter-approved referenda and annual tax levy decisions by locally elected School Boards.



