



EXECUTIVE SUMMARY:

Annually, the Board of Education is required by Illinois School Code to adopt a budget by the end of the first quarter of the fiscal year (September 30). In order to prepare a budget, assumptions are developed in an effort to create a financial plan within which to operate. Based on those assumptions, a tentative budget is presented to the Board for approval (August 14, 2019) and made available for public review. An official budget will then be presented to the Board for approval after a public hearing (September 18, 2019).

When the Board adopts its official budget, it will likely include changes from the tentative budget as administration attempts to present the most current information for official budget approval.

BACKGROUND AND RATIONALE:

Each fiscal year, the Board of Education is required to pass a tentative budget which must then be placed on public display for at least thirty days prior to the adoption of an official budget. The following reports have been included to assist the Board of Education with understanding the tentative budget:

- FY19 Actual Revenues & Expenses (Exhibit A) – Comparison of the unaudited June 30, 2019 actual revenues received and actual expenditures realized.
- FY20 Tentative Revenues and Expenses (Exhibit B) – Comparison of the tentative budgeted revenues and expenses for fiscal year ending June 30, 2020
- Tentative Budget Fund Balance Summary for year ending June 30, 2020 (Exhibit C) - Highlights the unaudited June 30, 2019 fund balances and projected June 30, 2020 fund balances based on tentative fiscal year 2020 revenues, expenditure, and transfers.
- FY19 Actual Revenue Compared to FY20 Tentative Revenue (Exhibit D) - Comparison of the fiscal year 2019 budget unaudited actuals and the tentative fiscal year 2020 budgeted revenues.
- FY19 Actual Expenditures Compared to FY20 Tentative Expenditures (Exhibit E) - Comparison of the fiscal year 2019 budget unaudited actuals and the tentative fiscal year 2020 budgeted expenses.
- Legal Notice (Exhibit F) – Per Illinois Statue (105 ILCS 5/17-1) public notice of the tentative budget’s availability for public inspection and the date and time of the budget Public Hearing must be published in a newspaper distributed in the district.

It should be noted that the prior year revenues and expenditures of the aforementioned reports are on a cash basis. Through a series of audit adjustments, amounts will be revised to reflect a modified accrued basis of accounting which recognizes revenues and expenditures when incurred rather than received or disbursed. A true comparison of budget to actual amounts will not be available until the final audit has been completed in the fall.



Listed below are key budget factors used in preparing the fiscal year 2020 budget. Again, it should be noted that changes will occur prior to the official budget as administration attempts to deliver the most current information possible.

Revenues

From a revenue perspective, the following items are of significant impact.

LOCAL SOURCES

- The Consumer Price Index (CPI) that corresponds to the 2018 levy and the fiscal year 2020 tax receipts is 2.1 percent. The extension for tax capped funds are anticipated to increase approximately 2.5 percent over the prior fiscal year based on CPI and new construction/growth of equalized assessed valuation (EAV) to the tax base. Cook County will alter districts' tax distributions with prior year(s) tax refunds, objections, and adjustments. For tax year 2017, tax receipts were reduced by more than \$147,000 for refunds, objections, and adjustments. Overall, revenues to be realized by local tax revenues for operating funds are estimated at \$14,750,363. This includes the remainder of the 2017 levy and 55% of the 2018 levy (adjusted to 97% of the levy taking into account FY20 refunds, objections and adjustments)

Local property taxes will also include monies from a Cook County imposed levy to cover the district's necessary debt service (principal and interest) obligations of its Series 2005 and Series 2016 General Obligation Bonds (*even though the Series 2005 G.O. Bonds have been paid off, we are still receiving the 2017 debt service levy funds for those bonds*). Taxes extended for these debt obligations are assumed at \$1,750,363.

- Corporate Personal Property Replacement Taxes (CPPRT) is a state imposed tax on a district's local corporations, partnerships, and other business entities to replace taxes lost by local governments when powers to impose personal property taxes were abolished in the 1970 Constitution. A major portion of CPPRT revenue is derived from corporate income tax which has a direct correlation to the strength of the local economy. For the 2020 tentative budget projections, no increase in CPPRT taxes from the fiscal year 2019 budget has been considered. An amount of \$88,000 is to be credited to the Retirement (i.e., IMRF) and Social Security Fund, while the remaining approximately \$410,000 will be budgeted in the Education Fund.
- Overall, interest earnings in fiscal year 2020 are budgeted slightly less than last year's numbers as the fund balances project to be slightly less (6%) due to the libraries capital project. Interest earnings for fiscal year 2020 are conservatively budgeted at \$303,950 compared to \$335,000 realized last year.
- Other local revenues (i.e., Bright Beginnings, registration, summer school, etc.) realized in fee payments are estimated based on the prior year collections. Fees for daily lunch are



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now collected by the district instead of the food service provider increasing revenues by \$155,000. This is due to changes in the National School Lunch Program procedures and these dollars will be paid back to the food service provider therefore also increasing the expenditures by \$155,000.

STATE SOURCES

- Most of the district's funding from the state for fiscal year 2020 will be based on an evidence-based funding (EBF) formula which incorporates general state aid, special education-personnel, special education-funding for children requiring special education services, special education-summer school, and English learner education grants into one. The fiscal year 2020 tentative budget anticipates \$531,500 from this grant, approximately the same amount received in fiscal year 2019.
- The fiscal year 2020 budget estimates transportation reimbursements from the state of \$231,452; however, will be updated after completion of the 2018-19 pupil transportation reimbursement claim in mid-August. The final number will not be known until October 2020.

FEDERAL SOURCES

- Title I–Low Income provides the programs and resources for disadvantaged students to meet state academic achievement standards. The fiscal year 2020 amount is based a preliminary allotment of \$42,778.
- Title II-Teacher Quality provides resources for hiring, retaining, recruiting, and training highly qualified teachers. The fiscal year 2020 amount is based a preliminary allotment of \$21,851.
- The Individuals with Disabilities Education Act (IDEA) is a law ensuring services to students with disabilities throughout the nation. Unlike past years, federal allocations for IDEA are required to be collected by the district. Based on the budget of LaGrange Area Department of Special Education (LADSE), the district will realize approximately \$161,153 (includes \$5,200 for preschool) of IDEA funding for fiscal year 2020.

Expenditures

The following are items which have a more significant impact on the fiscal year 2020 expenditure budget:

- A school district budget is largely driven by its personnel (staffing and benefits). Annually, the Board approves a staffing plan that is transformed into a personnel budget. The final budget will reflect all known adjustments to the staffing plan and related benefits as the school year begins.
- Salary increases for the education association staff are based on the contractual agreement currently in place through June 30, 2020. Salaries for administration and non-bargained



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educational support personnel (ESP) will reflect previously Board approved increases of 4%.

- The annual employer pension contribution rates for the Teachers' Retirement System (TRS) and Illinois Municipal Retirement Fund (IMRF) are subject to change. The most recent information estimates the employer TRS retirement contribution to be set at 0.58 percent and the Teachers' Health Insurance Security (THIS) payments at 0.92 percent. IMRF has set its employer contribution rate at 9.34 percent for calendar year 2019 and preliminarily at 10.89 percent for calendar year 2020.
- The district's cost for its various insurance programs for fiscal year 2020 are assumed based on the following comparison to fiscal year 2019 budgets:
 - Medical insurance – 1.8% increase for PPO plan and 5.3% increase for its HMO plan
 - Life insurance – no change
 - Disability insurance – no change
 - Workers' compensation insurance – \$999 increase
 - Property and liability insurance – \$2971 increase
- Special education costs include payments to special education cooperatives and other private facilities. Primarily this involves payments to LADSE for purchased service costs which are estimated based on known enrollments and is currently budgeted at \$582,326. The budget also will reflect tuition costs of \$230,000 to be paid to other private facilities. Because of changing needs of students and the chance of new students moving into the district, there is a reasonable possibility that tuition/services may exceed the proposed budget by year-end, as contingencies will not be budgeted.
- The district is currently in the process of updating the libraries at both the elementary and middle schools to be twenty first century learning environments. Expenditures associated with the Libraries project are accounted for through the Capital Projects Fund and is not considered to be part of the operating funds of the district. The project began in fiscal year 2019 and the remaining balance on the project for the budget ending fiscal year June 30, 2020 is \$1,431,214.
- The Operations & Maintenance (O&M) Fund budget is for costs of maintaining, improving, or repairing school buildings and property. Expenditures to cover service agreements include, but are not limited to, landscaping, snowplowing, HVAC (heating, ventilation, and air conditioning), architectural services, and sewer/water services. Additional expenditures in the O&M Fund include, but are not limited to, summer projects such as MS gym floor replacement, concrete and asphalt repair, RTU replacements, MS clock system replacement, tree trimming, painting, and miscellaneous repairs. Supply expenditures include, but are not limited to, electricity, natural gas, and custodial supplies.

Pleasantdale Elementary School
8100 School Street
La Grange, IL 60525
708.246.4700 Fax: 708.246.4625



Pleasantdale Middle School
7450 S. Wolf Road
Burr Ridge, IL 60527
708.246.3210 Fax: 708.352.0092

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- In addition to day custodians at each school, the district contracts custodial services through GCA Services Group an ABM Company. The cost associated with this contract has been set at \$218,631 for fiscal year 2020.
- Assuming similar 2018-19 ridership, the budget is approximately \$736,000 to cover costs for daily transportation routes and charters (i.e., athletics, field trips, safety drills, etc.). An additional \$85,000 is estimated for the individual transportation requirements of students with special needs.
- The district has partnered with Just A Dash Catering to oversee its food services program at both schools. The budget estimates program costs of \$186,506. This estimate includes the purchasing of approximately \$8,000 of new food service equipment including replacing an industrial refrigerator at the elementary school.
- Individual funding for schools has been allocated on a zero based budget strategy working off historical numbers, with the majority used to cover educational supplies and materials costs. Site-based allocations for fiscal year 2020 are currently set as follows:
 - Pleasantdale Elementary School-\$55,428
 - Pleasantdale Middle School-\$71,835

A Board approved tentative budget is only the first step in our cycle. At the September Board of Education meeting, the administration will present a finalized budget that reflects Board and community feedback. Pleasantdale School District remains in good financial standing and will continue to operate in a manner that maximizes programing with the lowest possible operating costs.

RECOMMENDATION:

That the Board of Education approve the fiscal year 2020 tentative budget for public display and set a public hearing for September 18, 2019.