



PROSPECT HEIGHTS DISTRICT 23 BOARD OF EDUCATION INFORMATION ITEM

Date: March 9, 2022

Title: 2022-23 Preliminary Budget Guidelines and Assumptions

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BACKGROUND INFORMATION

Budgets are estimates of projected revenues and projected expenditures for a specified period of time. For school districts this is a one-year period (fiscal year), which runs from July 1 through June 30.

In December 2021, the Board of Education approved its 2021 Property Tax Levy having made the following adjustments in order to maximize funding to the Education Fund:

- Slightly Reduced the Extension to Working Cash
- Continued to Reduce the Extension to Transportation
- Reduced the Extension to Tort - This reduction alone will add approximately \$140,000. to the Education Fund.

The District continues to look at increasing efficiencies across all programs. Currently, budgeted Operating (10, 20, 40, 50, 80) and Working Cash (70) fund revenues for FY22 are estimated at \$27,492,727. Budgeted Operating and Working Cash fund expenditures for FY22 are estimated at \$27,329,093.

Projections as of January 31, 2021 show expenditures currently under budget by approximately \$826,786. Unfortunately, current revenue receipts are also under budget by \$1,375,213. This is largely due to the Federal food service expenses and revenues being significantly under budget due to the shift in meal provisioning for remote learners. Other revenues are coming in as projected and spending is on track with prior years. We will continue to keep the Board informed of the progression of revenue receipts.

With ongoing uncertainty in the Illinois State Budget and federal funding, the District 23 budget may face necessary adjustments and/or reductions during preparation. As financial data is updated, we will adjust the District 23 budget accordingly.

ADMINISTRATIVE CONSIDERATIONS

The Board of Education has authorized the development of the District's budget for the 2022-23 fiscal year.

Based on changes in economic conditions at the local, state, and federal level, these estimates are subject to change since many factors that impact the new budget are unknown during the early stages of its development.

Listed below are the guidelines, assumptions, and parameters that will be used in developing the 2022-23 budget:

REVENUE

- State funding for the 2022-23 school year is projected to increase slightly. This will continue to be manageable for District operations.
- We continue to receive quarterly payments from our available funding under the Elementary and Secondary School Emergency Relief Fund (ESSER Fund). Funds are allocated in our approved ESSER II and ESSER III grant, spent from budgeted accounts and reimbursed to the District. As was the case with FY22, we will allow for the rollover of unused grant funds to continue to be spent in FY23.
- The Equalized Assessed Valuation (EAV) for 2020 was \$606,125,712. The EAV for 2019 was \$607,532,209. The EAV for 2018 was \$548,505,405. The EAV for 2017 was \$553,717,876.
- Next year's overall tax receipts are based on the Consumer Price Index (CPI), the estimated new growth to the tax base, the impact of tax caps, and refunds.
- The Consumer Price Index (CPI) reported as of December 31, 2021 is 7%. As we are subject to the Property Tax Limitation Law, our property tax revenue increase due to CPI will be capped at 5%.
- Evidence-Based Funding (EBF) consolidates and replaces five grant programs: General State Aid, Special Education Personnel, Special Education Funding for Children Requiring Services, Special Education Summer School, and English Learner Education. EBF distributes these funds through a single grant, called the Base Funding Minimum. EBF funding for the 2022-23 school year is expected to reflect minor increases.
- Interest rates on investments continue to remain low. During 2022-23 it is anticipated that rates will increase incrementally. District 23 continues to receive less interest income based on deferred and delayed state and local revenues.
- Property taxes are the District's largest source of revenue for 2022-23. In alignment with historical collection rates of 99% - 102% (prior years' collections), estimated collection rates for 2022-23 will be budgeted between 98% and 99%.

- Administration has continued to explore and review revenue options and will be moving forward with the acceleration of the \$2M Working Cash Bond issuance in May resulting in additional funding for Capital Projects being deposited in June, 2023.
- Rental revenues continue to rise and 2022-23 should realize additional revenues from renters that had previously scaled back their offerings and operations during the pandemic.
- The renegotiated contract with Township High School District 214 has resulted in an additional \$30,000/year which will be partially allocated towards projects at MacArthur.

ENROLLMENT

- The three-year cohort survival enrollment projections will be used in calculations for enrollment related budget allocations. The enrollment report shared at the February Board of Education meeting reflected a slight decrease from 2021-22 to 2022-23 with overall student enrollment dropping from 1,408 to 1,388 (not including Early Childhood).

SALARIES

- Prospect Heights Education Association (PHEA) employees' base salaries will increase based on the current agreement with salary increases of 3.75% for certified staff, not classified as long-term employees (LTE). LTE will receive an increase equal to 2.00% for the 2022-23 school year.
- Service Employees International Union - Local 73 (SEIU) employees' base salaries will increase based on the current agreement with salary increases of 3.75%.
- Administrator and director salaries will be negotiated for a start date of July 1, 2022.
- As 2022-23 will be the final year of the current negotiated agreements for both PHEA and SEIU, we anticipate negotiations starting in the fall for a July 1, 2023 start date.

STAFFING

Education Association (PHEA) Staffing

- The staffing calendar identifies the dates that staffing decisions are scheduled. As specific staffing decisions are made, adjustments will be incorporated in the budget.
- For the purposes of the development of the preliminary 2022-23 budget, staffing will be determined based on estimated student enrollment, program needs, and funding sources.
- Preliminary staffing recommendations will be determined during the staffing process. Recommendations on staffing adjustments will be made at that time.
- Review and plan for reallocation, attrition, and efficiency of operations based on program needs and funding sources. At this time, 2 PHEA staff members will retire at the end of the 2021-22 school year.

- As discussed with the Board at the February 9th Board meeting, the following staffing changes have been proposed for the 2022-23 school year:
 - Increase in 1 FTE Core Teacher at Eisenhower (1st Grade)
 - Increase 1 FTE TIS/Instructional Coach
 - Increase 1 FYE - Level 1 Technician
 - Decrease 1 FTE - Special Education Teacher (MacArthur)
 - Increase 1 FTE - Special Education Specialist
 - Retirements and Replacements of 2 Certified Staff Members
 - Total Change in FTE: + 3.0 FTE
 - Total Impact to Budget: Approximately \$100,000
- Dedicated Buildings Subs - Administration is recommending continuing to fund these 4 FTE from ESSERs grant funds for one more year and budget long term for these to transition into the staffing plan.

SEIU Custodial Association (SEIU) Staffing

- Review and plan for reallocation, attrition, and efficiency of operations based on program needs and funding sources. At this time, there are no projected custodial retirements through the end of the 2021-22 school year.

Educational Support Staffing

- Review and plan for reallocation, attrition, and efficiency of operations based on program needs and funding sources.

BENEFITS / INSURANCE

- For 2022-23, insurance markets are projected to remain challenging. We are estimating only a 2.5% increase in property and casualty costs through SSCIP, following a pool contribution. SSCIP is also projecting an increase in our cyber-liability coverage of approximately \$11,000. While significant, this is still far lower than we are seeing across the market. The Educational Benefits Cooperative (EBC) is currently projecting a 7.9% increase in health insurance costs. We are again anticipating a contribution from EBC's working cash reserves that would lower the impact to school districts.

BUDGET ADJUSTMENTS

- In general, line items for purchased services, supplies, and equipment will be frozen. Some line items may be increased based on current economic conditions such as utilities, gas, and postage.
- To support programmatic needs, the following adjustments will be made to the 2022-23 Budget:
 - An additional salary allocation of approximately \$100,000 will cover the additional 3.0 FTE as proposed in the Preliminary Staffing Plan.

- As has been discussed with the Board, an additional allocation of \$15,000 will be requested for the Debt Service Fund to allow for the implementation of the Managed Print and Copier Service Contract with IMPACT.
- The Per Pupil Allocation will be held at \$188.00/student for the 2022-23 school year. This amount has been held since the 2019-20 school year. We have eliminated the practice of allowing for budgetary carryovers. Principals have been encouraged to spend their budgets thoughtfully and within the appropriate school year. We will continue the non-discretionary set aside amount equal to 25% of the Cost Per Pupil (\$47/student) for furniture replacements. These non-discretionary funds total \$67,938. We will continue to budget an additional non-discretionary allocation of \$50,000 for the District-wide Furniture Replacement Plan to be split between the buildings based on a per-pupil basis.
- Funding for a General Education Summer School in FY23 may be dependent on an additional round of Federal funding.
- Annual allocation of funding for the purchase of VIM equipment in an amount not to exceed \$7,500.
- An allocation of \$50,000 to cover FY23's remaining expenses for the Early Learning Expansion Team

SPECIAL EDUCATION

- 2022-23 NSSEO tuition costs and programs are being reviewed by NSSEO. Final NSSEO program costs will reflect necessary changes.
- Administration will continue to budget for the needs of its current Special Education population. Additional funds will be allocated in the Special Education functions for unanticipated student outplacements and obligations.

CAPITAL PROJECTS

- Approved capital projects will continue to be funded largely by the 2021 Working Cash Bond proceeds. Total Fund 60 work for 2022-23 will be budgeted at \$1,485,820.
- Retrofits of the HVAC equipment will continue during the summer of 2022 at MacArthur in FY23 and be funded in part by the settlement proceeds from our HVAC litigation in 2021.
- Substantial roofing work will take place during the summer of 2022 at Sullivan and MacArthur.
- Fund 20 projects for 2022-23 will include ongoing facility maintenance and repair work including necessary Life Safety items.

TECHNOLOGY

- Technology Services is anticipating continued replacement and updates of equipment and applications during 2022-23. At this point, they continue to work on a schedule of projector replacements at Ross and Sullivan. Ongoing network upgrades, replacement

of staff and student devices, and continued support of instructional software needs remains a priority.

- The Board approved a new 5-year agreement with IMPACT for 42 new printers and copiers throughout the District. While the average of these devices was over 7 years old, several of them were more than 15 years old. This agreement replaces ALL of the current printers and copiers at a net increase of approximately \$15,000/year. As is the case in our current lease arrangement, funds will be budgeted for the lease payments from the Debt Services Fund 30, with any overage charges coming for the Technology Department Supply account.

TRANSPORTATION

- The transportation contract with First Student was re-negotiated for an additional one-year term, effective August 1, 2022.
- For 2022-23 increases in student transportation costs are estimated to be budgeted at a 5% increase based on our current contract, fuel costs and usage of taxi transportation for SPED and McKinney-Vento students.
- While transportation revenues continue to be a concern based on possible State transportation revenue pro-rations and reductions, we have not yet received word of any planned reduction for the 2022-23 school year.
- Administration will continue to review options for student transportation cost containment through route refinements and work towards the issuance of a bid towards the middle of the year if necessary.

TRANSFERS, LOANS, AND ACCOUNTING RECOMMENDATIONS

- The transfer of Working Cash interest income to other funds may be recommended to address cash flow needs.
- The transfer from Operations and Maintenance to the Capital Projects Fund may be recommended for the funding of future capital projects.
- The State of Illinois makes employer pension contributions directly to Teachers' Retirement System (TRS) on behalf of the District. Since the District has no responsibility in oversight of the process and the net effect on the annual budget is \$0, the District will not include an estimate for these "on-behalf" receipts and disbursements in its budget.

RECOMMENDED ACTION

That the Board of Education approves the proposed guidelines, assumptions and budget adjustments relative to the preparation of the 2022-23 fiscal year budget.