



**Bloomington
School District 13**
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To: Board of Education
Dr. Jon Bartelt
From: Mr. John T. Reiniche 
Re: Tentative FY2019-20 Budget
Date: June 19, 2019

Background:

Each year at this time, the Board of Education has an opportunity to presented a tentative budget. This year is unique in that the District's largest expense, teacher salaries, is still unknown amount. As better information becomes available the budget will reflect

Situation:

At tonight's meeting, the Board of Education will be presented with a tentative budget document for the fiscal year 2019-2020. Contained in the budget document will be assumptions for both revenues and expenditures and budget summary by fund. Please keep in mind, this is only a discussion item (no action), more of information style presentation. As a prelude to our meeting, please know that the tentative budget is indicating that we will have a "Unbalanced Operating" budget for the Fiscal Year 2019-2020. Finally, please keep in mind that the budget was developed based upon the best available data at the time of this report was prepared.

Recommendation:

There is no recommendation to the Board of Education as the Administration is presenting this information for discussion purposes only.

Key Assumptions

(Note): No provisions were made relative to potential legislative changes to public pension systems or the property tax freeze, but both will need to be considered when making long-term financial decision.

Revenues:

Revenue budgets reflect a higher confidence level of certainty, when compared to past years. To establish revenue budgets, the District relies on historical activity as well as the ongoing monitoring of legislative activities.

Property Tax: Assumptions are based on estimates developed as part of the levy adoption process and assumes receipt of taxes at a collection rate of 98.5%. Because the levy is based on a calendar year and our budget is on a fiscal year, the budget requires us to consider a portion of two levy years (2018 and 2019). A portion of this budget will be developed from the 2018 levy and a CPI of 2.1%. For the 2019 levy this budget will use 1.9% CPI. We continue to monitor on a monthly basis the Consumer Price Index (CPI). At the time of this report, new property is an unknown quantity and budget assumes this amount to remain flat. New property is important to consider as with the extension it is outside the “tax cap” (PTELL) calculation. Another factor to consider with this year’s budget is the new income tax reform changes, homeowners attempted to take advantage of the property tax deduction and could skew this year’s property tax collection percentage.

Corporate Personal Property Replacement Tax (CPPRT): Revenues collected by the State of Illinois are paid to local governments to replace money that was lost by local governments when their powers to impose personal property taxes on corporations, partnerships, and other business entities were taken away. Our budget assumption is based on estimates provided by the Illinois Dept. of Revenue (IDOR). Current assumption is that CPPRT will remain flat. This is a direct result of a calculation error made by IDOR in the prior years.

Interest: With interest rates increasing and based upon our investment strategies, the budget will assume that interest income will have an increase. The District is projecting approximately a 278% increase from two years ago.

Other Local Revenue: Mainly consist of registration fees, facility rental income and developer contributions.

State: The State of Illinois passed a budget and with the new evidenced based funding model, we will need to continue to evaluate how this will impact the budget. Remain cautiously optimistic that there will not be a negative impact on Bloomingdale 13.

Federal: Federal grant funding payment processes moved to an expenditure reimbursement model effective during fiscal year 2011-12. Federal grant dollars are assumed to be relatively flat, although final allocations won't be known until fall, 2019.

Key Assumptions (continued)

Expenditures:

Salaries: Salary budgets reflect staffing for the 2018-2019 fiscal year. Salaries are typically budgeted based on contracted and negotiated agreements for existing staff and assumed contract amounts for new positions based upon projected enrollment. Because there is no negotiated agreement in place the salary budgets will assume a 1.9% increase in said line items. This assumption does not represent any position of the Board of Education or Administration; it's basis is mere use the CPI for the 2019 levy

Benefits: The budget assumes an overall 0% to the District's health insurance plans (HMO, PPO and dental). Health insurance is the District largest benefit expense. The District's Employee Insurance Committee will continue to work diligently to educate staff on the importance of wellness and consumerism.

Purchase Services: This budget assumes there will be a commitment to professional development, and enhancing technology for the 21st century student learning.

Supplies and Materials: The budget assumes a supplies and materials to be relatively flat.

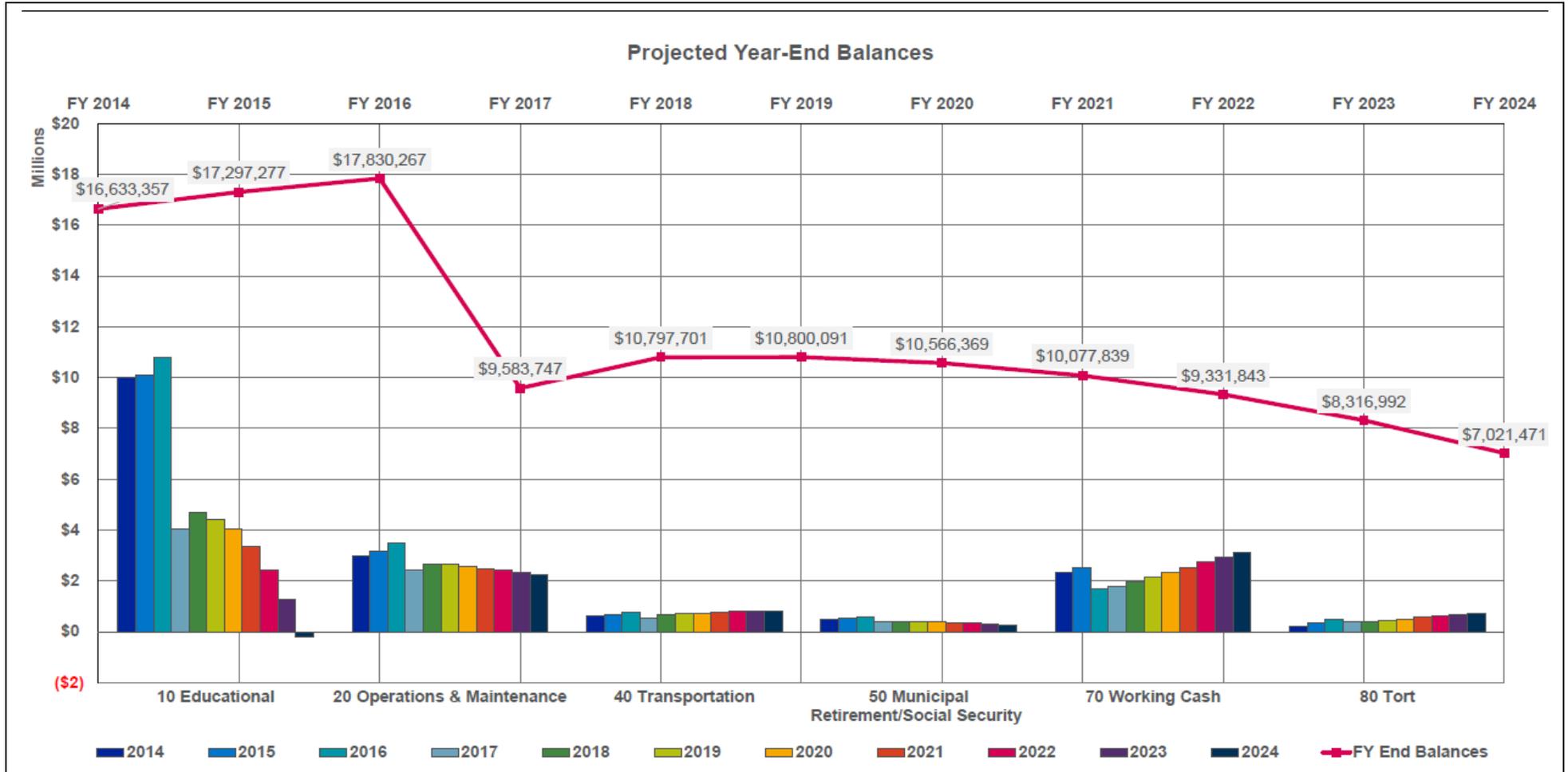
Capital Outlay/Non-Capital: Assumes an increase for providing a safe learning environment for the students primarily through buildings and grounds. In addition, this year we are attempting to incorporate a long-term strategy for purchasing Chromebooks and technology infrastructure items.

Dues and Other: The budget assumes a 20% increase in this line item, which primarily includes the delivery of special education students via NDSEC.

Tentative Budget Summary Page

	% of Budget	Total Operating	Operating Fund						Non-Oper Debt Service	Capital Projects
			Education	Operation & Maintenance	Trans- portation	IMRF	Working Cash	Tort		
Beginning Fund Balances		10,165,095	4,108,330	2,637,087	641,750	385,840	1,985,136	406,952	134,840	0
REVENUES										
Property Tax	87.1%	17,099,178	13,377,999	2,172,439	651,912	558,267	183,087	155,474	405,194	0
CPPRT	0.2%	34,000	20,000	0	0	14,000	0	0	0	0
Interest	0.9%	184,800	110,000	33,000	13,000	6,000	19,000	3,800	2,200	0
Other Local Revenue	3.2%	627,950	513,350	96,600	18,000	0	0	0	0	0
State Programs	5.8%	1,147,660	942,660	0	205,000	0	0	0	0	0
Federal Programs	2.7%	538,033	494,033	44,000	0	0	0	0	0	0
Total	100.0%	19,631,621	15,458,042	2,346,039	887,912	578,267	202,087	159,274	407,394	0
EXPENDITURES										
Salaries	54.8%	10,933,039	10,114,814	808,075	10,151	0	0	0	0	0
Benefits	14.7%	2,942,590	2,217,996	158,511	4,688	561,395	0	0	0	0
Purchase Services	10.9%	2,171,483	696,535	486,200	878,300	0	0	110,448	500	300,000
Supplies and Materials	4.3%	860,350	505,250	355,100	0	0	0	0	0	0
Capital/Non-Capital	2.4%	478,000	175,000	303,000	0	0	0	0	0	2,550,000
Dues and Other	12.9%	2,583,000	2,583,000	0	0	0	0	0	423,581	0
Total	100.0%	19,968,462	16,292,594	2,110,886	893,139	561,395	0	110,448	424,081	2,850,000
Surplus/(Deficit)		(336,842)	(834,552)	235,153	(5,227)	16,871	202,087	48,826	(16,687)	(2,850,000)
Transfer Sources (Uses)		(1,772,600)	177,400	(1,950,000)	0	0	0	0	22,600	2,850,000
Ending Fund Balances	40%	8,055,653	3,451,178	922,240	636,523	402,711	2,187,223	455,778	140,753	0

Fund Balance History and Projection



The above chart contains a history of each fund balance, a projection of fund balances, and the red line provides an overall trend of fund balances combined. What the chart reveals:

1. FY 2016 to FY 2017 reveals the District converting from cash to accrual accounting.
2. The Education Fund Balances are projected to be depleted by 2024.
3. The surpluses from mainly Working Cash and Operation Maintenance Fund are supporting the Education Fund.
4. The Overall trend line shows the District will be in a structural operating deficit by 2019-2020 budget.

Operating Funds

The Operating Funds are made up of combining the Education Fund, Operation and Maintenance Fund, Transportation Fund, IMRF, Tort, and Working Cash Fund. Overall, it appears the District will have an unbalanced budget.

<u>Revenues</u>	<u>Amount</u>	<u>Expenditures</u>	<u>Amount</u>
Property Tax	17,099,178	Salaries	10,933,039
CPPRT	34,000	Benefits	2,942,590
Interest	184,800	Services	2,171,335
Other Local Revenue	627,950	Supplies and Materials	860,350
State Programs	1,147,660	Capital/Non-Capital	478,000
Federal Programs	538,033	Dues and Other	2,583,000
Total Revenue	<u>19,631,621</u>	Total Expenditures	<u>19,968,314</u>

Projected Fund Balance at 07/01/19	10,165,095
Surplus / (Deficit)	(336,694)
Transfers (uses)	(4,172,600)
Transfers (sources)	<u>2,400,000</u>
Projected Fund Balance at 06/30/20	<u>8,055,801</u>

Education Fund

The Education Fund is a major fund of Bloomingdale School District 13 and supports all of the educational programs. As mentioned in the previous section, the Education Fund is the District's largest fund. It contains approximately 80% of the District's financial activity. The Education Fund is now trending in a deficit structure. The primary reasons for this position are:

- Rising student enrollment has caused an increase in staffing;
- Salary increase of 26% over six years;
- An Increase of 20% of Special Education costs and;
- Technology expenditures now have a 4-year cycle plan for the Chromebook.

Revenues	Amount	Expenditures	Amount
Property Tax	13,377,999	Salaries	10,114,814
CPPRT	20,000	Benefits	2,217,996
Interest	110,000	Purchase Services	696,535
Other Local Revenue	513,350	Supplies and Materials	505,250
State Programs	942,660	Capital/Non-Capital	175,000
Federal Programs	494,033	Dues and Other	2,583,000
Total Revenue	15,458,042	Total Expenditures	16,292,594

Projected Fund Balance at 07/01/19	4,108,330
Surplus / (Deficit)	(834,552)
Transfers (uses)	(22,600)
Transfers (sources)	200,000
Projected Fund Balance at 06/30/20	3,451,178

Education Fund Budget Highlights

Salaries: Reflects a 1.9% increase in this line item.

Benefits: 0% has been used as an estimate, based upon the recent renewal.

Transfers: HB5529 allows for school districts to complete inter-transfers. It is estimated that \$200,000 will be needed to transfer from the Operations and Maintenance Fund.

Chromebooks – As part of the technology plan, 1st and 5th graders are given a new Chromebook, along with teachers. This budget assumes that we will need 340 Chromebooks.

Maintenance – In order to properly maintain the aging Chromebooks a maintenance agreement plan has been implemented to extend the life of these assets.

Operations and Maintenance Fund

The Operations and Maintenance Fund (O&M) the District's second largest operating fund. It contains approximately 11% of the District's financial activity. The fund supports the daily operations of both facilities. Expenditure items include daily cleaning, repairs, custodial salaries, utilities and capital projects. This fund will support the District's major capital projects, which have been outlined on the following page of this document.

Revenues	Amount	Expenditures	Amount
Property Tax	2,172,439	Salaries	808,075
CPPRT	0	Benefits	158,511
Interest	33,000	Purchase Services	486,200
Other Local Revenue	96,600	Supplies and Materials	355,100
State Programs	0	Capital/Non-Capital	303,000
Federal Programs	44,000	Dues and Other	0
Total Revenue	2,346,039	Total Expenditures	2,110,886

Projected Fund Balance at 07/01/19	2,637,087
Surplus / (Deficit)	235,153
Transfers (uses)	(3,050,000)
Transfers (sources)	1,100,000
Projected Fund Balance at 06/30/20	922,240

Operations and Maintenance Fund

Budget Highlights

Salaries: Reflects a 1.9% increase in this line item.

Benefits: 0% change has been used as an estimate

Capital Improvements: The District will be upgrading its wireless infrastructure. In working with the technology department, a plan was submitted to seek 60% reimbursement from the E-Rate program. The estimated cost for this project is approximately \$150,000.

Transfers: There will be a series of transfers for this fund. First, there will be a \$1,100,000 transfer in from the refinancing of bonds. Then this fund will transfer \$2,850,000 out to support the capital projects fund. In addition, there will be a \$200,00 transfer out to the Education fund.

Debt Service Fund

The Debt Service Fund (formerly known as the Bond and Interest) allocates revenue and expenditures to handle the District's debt. The debt is usually in the form of principal and interest payments for prior bond issuances. The bonds are in the form of working cash, life safety, capital improvement, or building bonds. The District also pays its capital lease for the copiers from this fund. Even though the District will refinance its debt, there will not be any material changes to the budget.

Revenues	Amount	Expenditures	Amount
Property Tax	405,194	Salaries	0
CPPRT	0	Benefits	0
Interest	2,200	Purchase Services	500
Other Local Revenue	0	Supplies and Materials	0
State Programs	0	Capital/Non-Capital	0
Federal Programs	0	Bond Payments	423,581
Total Revenue	407,394	Total Expenditures	424,081

Projected Fund Balance at 07/01/19	134,840
Surplus / (Deficit)	(16,687)
Transfers (uses)	0
Transfers (sources)	22,600
Projected Fund Balance at 06/30/20	140,753

Transportation Fund

The Transportation Fund supports the student transportation program. Revenue from the fund is received via property taxes and general state aid for transportation. Over the years, Transportation state funding has decreased. The decrease is a direct result of the Governor in 2012 vetoing the line item to return funding back to the prior year amounts. As result of this action, transportation funding has never recovered to past levels and has seen over a 40% reduction.

Services: This mainly is comprised of our outside bus service. This line item has been projected at 2.5% increase.

Revenues	Amount	Expenditures	Amount
Property Tax	651,912	Salaries	10,151
CPPRT	0	Benefits	4,688
Interest	13,000	Purchase Services	878,300
Other Local Revenue	18,000	Supplies and Materials	0
State Programs	205,000	Capital/Non-Capital	0
Federal Programs	0	Dues and Other	0
	887,912		893,139
Total Revenue	887,912	Total Expenditures	893,139

Projected Fund Balance at 07/01/19	641,750
Surplus / (Deficit)	(5,227)
Transfers (uses)	0
Transfers (sources)	0
Projected Fund Balance at 06/30/20	636,523

Retirement Fund

There are two components of the Retirement Fund for Bloomingdale School District 13. They are the Illinois Municipal Retirement Fund and F.I.C.A./Medicare Fund.

Illinois Municipal Retirement Fund

This fund supports the pension program for the non-certified employees. The District is required to contribute to this program if an employee works over 600 hours per year. Each year the contribution rate is set based on experience. It is funded by the tax levy and a percentage set by law of Corporate Personal Property Replacement Taxes.

F.I.C.A. and Medicare Fund

The District has to pay a Social Security rate of 6.2% for non-certified salaries from this fund. The District, for the most part, pays a Medicare rate of 1.45% for both certified and non-certified staff.

- *Benefits:* Is the largest line item in this fund. The assumption for this fund is to use an employer IMRF rate of 12.45%. All other benefits were increase proportionally to their respective salary associated accounts.

Revenues	Amount	Expenditures	Amount
Property Tax	558,267	Salaries	0
CPPRT	14,000	Benefits	561,395
Interest	6,000	Purchase Services	0
Other Local Revenue	0	Supplies and Materials	0
State Programs	0	Capital/Non-Capital	0
Federal Programs	0	Dues and Other	0
Total Revenue	578,267	Total Expenditures	561,395

Projected Fund Balance at 07/01/19	385,840
Surplus / (Deficit)	16,871
Transfers (uses)	0
Transfers (sources)	0
Projected Fund Balance at 06/30/20	402,711

Working Cash Fund

The Working Cash Fund can be used for internal borrowing. Internal borrowing usually occurs because of late property tax collections and/or low fund balances. It is also permissible to abate or permanently transfer funds from the Working Cash Fund to the fund most in need. The District can use this fund for cash flow purposes. This fund can act like the District's "savings" account. This year there will be a sale of bonds that will pass through this fund, in order to fund the large capital projects.

Revenues	Amount	Expenditures	Amount
Property Tax	183,087	Salaries	0
CPPRT	0	Benefits	0
Interest	19,000	Purchase Services	0
Other Local Revenue	0	Supplies and Materials	0
State Programs	0	Capital/Non-Capital	0
Federal Programs	0	Dues and Other	0
Total Revenue	202,087	Total Expenditures	0

Projected Fund Balance at 07/01/19	1,985,136
Surplus / (Deficit)	202,087
Transfers (uses)	(1,100,000)
Transfers (sources)	1,100,000
Projected Fund Balance at 06/30/20	2,187,223

Tort Immunity Fund

The Tort Immunity Fund supports all risk management activities in District 13. The only expenditures are our premiums for the commercial insurance package and workers' compensation.

- *Services:* This line item is made up of our commercial and workers' compensation insurance premiums.

Revenues	Amount	Expenditures	Amount
Property Tax	155,474	Salaries	0
CPPRT	0	Benefits	0
Interest	3,800	Purchase Services	110,300
Other Local Revenue	0	Supplies and Materials	0
State Programs	0	Capital/Non-Capital	0
Federal Programs	0	Dues and Other	0
Total Revenue	159,274	Total Expenditures	110,300

Projected Fund Balance at 07/01/19	406,952
Surplus / (Deficit)	48,974
Transfers (uses)	0
Transfers (sources)	0
Projected Fund Balance at 06/30/20	455,926

Capital Projects Fund

Expenditures which would ordinarily be charged to the Operations and Maintenance Fund, but which may be charged to the Capital Projects Fund (unless paid before the fund is created), include the actual construction costs, builder's risk insurance, purchase of land and other site costs, landscaping, parking lots, sidewalks, utility connections, etc., and other items directly related to the construction project.

Revenues	Amount	Expenditures	Amount
Property Tax	0	Salaries	0
CPPRT	0	Benefits	0
Interest	0	Purchase Services	300,000
Other Local Revenue	0	Supplies and Materials	0
State Programs	0	Capital/Non-Capital	2,550,000
Federal Programs	0	Dues and Other	0
Total Revenue	0	Total Expenditures	2,850,000

Projected Fund Balance at 07/01/19	0
Surplus / (Deficit)	(2,850,000)
Transfers (uses)	0
Transfers (sources)	2,850,000
Projected Fund Balance at 06/30/20	0