



PROSPECT HEIGHTS DISTRICT 23 BOARD OF EDUCATION INFORMATION ITEM

Date: March 11, 2020

Title: 2020-21 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 2019, the Board of Education approved its 2019 property tax levy. Projected operating and working cash fund revenues for the 2019-20 budget are currently estimated at \$22,153,444. Projected operating and working cash fund expenditures for the 2019-20 budget are currently estimated at \$22,681,918.

The District continues to look at increasing efficiencies across all programs as to minimize the projected deficit. Projections as of January 31, 2020 show expenditures currently under budget by approximately \$470,000. While current local revenues appear to be coming a bit slower than anticipated, we will continue to keep the Board informed of the collection progression. These projections are preliminary and will be adjusted as data becomes available.

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 authorizes the development of the District's budget for the 2020-21 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 2020-21 budget:

REVENUE

- The Equalized Assessed Valuation (EAV) for 2018 was \$548,505,405. The EAV for 2017 was \$553,717,876. The EAV for 2016 was \$548,611,244. The EAV for 2015 was \$455,489,649.
- 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, 2019 is 2.3%.
- 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.
- Interest rates on investments continue to remain low. During 2020-21 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 2020-21. In alignment with historical collection rates, estimated collection rates for 2020-21 will be budgeted between 98% and 99%.
- Administration will continue to explore and review revenue options.

ENROLLMENT

- The three-year cohort survival enrollment projections will be used in calculations for enrollment related budget allocations. The enrollment report reflects flat growth from 2019-20 to 2020-21 with overall student enrollment remaining at 1,421. A slight enrollment increase is projected for 2021-22.

SALARIES

- Prospect Heights Education Association (PHEA) employees base salaries will increase based on the current agreement with salary increases of 3.5% for certified staff, not classified as long-term employees (LTE). LTE will receive an increase equal to 2.5% for the 2020-21 school year.
- Service Employees International Union - Local 73 (SEIU) employees and Administration are currently in negotiations.
- Administrator and supervisor employee salaries will be negotiated for a start date of July 1, 2020.

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 2020-21 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, 4 PHEA staff members will retire at the end of the 2020-21 school year.

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 2019-20 school year.

Educational Support Staffing

- Review and plan for reallocation, attrition, and efficiency of operations based on program needs and funding sources. At this time, 1 Educational Support staff member will retire at the end of the 2020-21 school year.

BENEFITS / INSURANCE

- For 2020-21, insurance markets are projected to remain challenging. We, therefore, are estimating an 8% - 10% increase in property and casualty costs, and health insurance costs. Insurance rules and regulations may be enacted which may cause potential changes to occur.

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 2020-21 Budget:
 - An increase of \$20,000 is being requested for additional Special Education program support.

- An additional allocation of \$20,000 is being requested for Technology to allow for ongoing network upgrades, replacements of staff devices, and the required support of instructional software.
- An additional allocation of \$10,000 is being requested for Curriculum and Instruction in order to appropriately budget for the upcoming adoption of the English Language Arts curriculum.
- The Per Pupil Allocation has been determined to be \$188.00/student. This amount represented the average of the cost per pupil for each building from 2019-20. Typically, approximately 30% of building budgets were remaining unencumbered and would carry over to the following fiscal year. In an effort to eliminate the practice of allowing for budgetary carryovers, an amount equal to 25% of the Cost Per Pupil (\$47/student) has been set aside in each building's 2020-21 budget, as a non-discretionary line item for furniture replacements. These non-discretionary funds total \$68,902. An additional allocation of \$50,000 is being requested for the District-wide Furniture Replacement Plan.

SPECIAL EDUCATION

- 2020-21 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 "SPED Contingency" account for unanticipated student outplacements and obligations.

CAPITAL PROJECTS

- Approved capital projects (Fund 60) for 2020-21 will be budgeted at \$800,000.
- Retrofits of the HVAC equipment (Bard unit replacements) will continue during the summer of 2020 at Ross and Sullivan.
- Substantial paving work will take place during the summer of 2020 at MacArthur.
- Fund 20 capital projects for 2020-21 will include the MacArthur stage and gymnasium floor refinishing, District-wide painting, MacArthur stage drapery recertification, miscellaneous sidewalk repairs and life safety work at Ross & Sullivan. Expenditures will be budgeted at approximately \$90,000.

TECHNOLOGY

- Technology Services is anticipating continued replacement and updates of equipment and applications during 2020-21. At this point, they are working to make network upgrades, replace staff devices, and support instructional software needs.

TRANSPORTATION

- The transportation contract with First Student has been re-negotiated and renewed, effective August 1, 2020 for an additional two year term.
- For 2020-21 increases in student transportation costs are estimated to be budgeted at a 4.5% increase based on current contracts, fuel costs and usage of taxi transportation for SPED and McKinneyVento students.
- At this time, we have not heard of transportation prorations. Transportation revenues continue to be a concern based on possible state transportation revenue pro-rations and reductions.
- Administration will continue to review options for student transportation cost containment through route refinements.

TRANSFERS, LOANS, AND ACCOUNTING RECOMMENDATIONS

- Transfer working cash interest income to other funds may be recommended to address cash flow needs.
- Transfer from Operations and Maintenance to Capital Project Fund for funding of future Capital Projects.
- Due to delayed and deferred property tax revenue and state and federal revenue, inter-fund loans may be recommended to address cash flow needs.

RECOMMENDED ACTION

That the Board of Education approves the proposed guidelines, assumptions and budget adjustments relative to the preparation of the 2020-21 fiscal year budget.