



Executive Summary Finance Committee Meeting

DATE: July 23, 2020

TOPIC: Tentative Budget for Fiscal Year 2021

PREPARED BY: Courtney Whited

Recommended for:

- ☒ Action
- ☒ Discussion
- ☒ Information

Purpose

Annually, the Board of Education must approve the School District Budget. The Tentative FY21 Budget will be presented at the August 6, 2020 Board of Education meeting followed by a September 3, 2020 formal adoption at the Public Hearing held during the Board of Education meeting.

Background

Revenues: \$26,026,407

Property taxes account for 84% of total revenue. The District may receive approximately \$22,613,428 from local property taxes due October 1, 2020 (normally August 1) and March 1, 2021. However, a \$727,040 reduction was applied after observing appeals and refunds in recent years.

Other local revenues account for 7% of total revenue. The District anticipates receiving approximately \$1,814,484 in local revenue. In FY20, a resolution transferred \$75,000 of Ed Fund (10) interest to the Tort Fund (80). In FY21, a \$35,000 interest transfer by resolution from Fund 10 to Fund 80 is planned. To address the dwindling Social Security/Medicare (Fund 52) balance, \$60,000 of Fund 10's Corporate Personal Property Replacement Tax is scheduled to be allocated to Fund 52.

State revenues count for 6% of total revenue. This \$1.55M derives from the Evidence Based Funding formula, the Transportation Claim, and the School Maintenance Project Grant.

Federal revenues of \$775,525 account for 3% of total revenue which is more than the typical 1% in recent history. This is primarily due to the COVID-19-related Elementary and Secondary School Emergency Relief Grant for \$196,175.

Expenditures: \$29,891,442

Salaries & Benefits

Overall, salaries and benefits are expected to increase by \$687,284 compared to last year's budget. The Business Office conducted an in depth review of all salaries. The prominent factors influencing this estimate are teachers' salary schedule level advancements, the 3.0% raises for returning LSSU members, +4.5 FTE in new positions, -2.5 FTE in recent retirements, and anticipated salary schedule class advancements due to coursework completion.

As for benefits, PPO medical insurance increased by 2.7%; HMO medical increased by 6.3%; dental increased by 1.3%; and life insurance decreased by 8.7%. Long-term disability, vision coverage, and flexible spending account fees remain unchanged. Percentages related to the Board's share of TRS, THIS, Medicare and Social Security will also remain stable. However, the Board's share of IMRF will decrease in January 2021 from 13.7% to 12.2%.

The breakout of the \$687,284 increase is as follows:

\$323,803 for Existing Positions' Raises & Reductions due to staff members exits

(Note: \$65,207 is for potential salary schedule class advancements due to coursework completion which may or may not happen on September 1 or February 1)

\$113,055 for 4.5 FTE New Aides

\$16,135 for Supplemental Positions (substitutes, overtime, supervision, team leaders, coaches)

\$234,291 for Benefits

Purchased Services

The approximate 1% decrease in purchased services corresponds to moving capital projects that were once placed in purchased services over to capital outlay.

Supplies & Materials

Expenditures are projected to increase \$127,405 or 9.4% which is due to budgeting \$172,650 for supplies that qualify for the Elementary and Secondary School Emergency Relief Grant (ESSER). This grant is associated with the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The District should be reimbursed by this federal grant.

Capital Outlay

Due to the \$1.65M in planned facilities projects, the FY21 budget is anticipated to be 75.9% or \$1,127,800 more than the FY20 budget. Note: \$112,500 is the combined contingency on four of these projects.

Other/Dues & Fees/Transfers/Debt Payments

The 9.5% increase is partially connected to the FY21 principal and interest payments for the 2015, 2016 and 2018 series bonds. On December 1, 2020 and June 1, 2021, the District will pay \$336,200 more than it paid in FY20. In addition, there will be a change on the Niles Township District for Special Education #807 invoice which affects this expenditure object. Next year, instead of receiving the estimated \$255,000 IDEA Part B Flow-Through credit on the NTDSE invoice, SD74 will pay that portion of the bill in full and will then expect the IDEA revenue to arrive directly from the federal grant.

Non-Capitalized Equipment

Although there is a 2.7% decrease when comparing the FY21 Tentative Budget to the FY20 Budget, there is a 63.4% increase when compared to the FY20 actual expenditures. COVID-19 impacted the actual expenditures since on-campus attendance ceased from March 16, 2020 through the end of the school year.

Termination Benefits

This 9.4% increase derives from \$489,000 budgeted in FY21 versus \$447,100 budgeted in FY20. The actual FY20 expenditures were \$453,449 which reduces the difference to 7.8%.

The breakout for this \$41,900 increase is as follows:

\$16,278 more for Service Recognition Benefits

\$2,900 more for Medical, Dental and Life Insurance on the EBC invoices

\$13,000 more for TRS retirees' Medical coverage as stated on the monthly THIS remittance bills

This figure may drop to -\$1,204 depending on the new plan added to FY21 bills

\$9,722 more in case of TRS fees/penalties

Fund Balance

As of June 30, 2020 the unaudited fund balance was \$20,882,075. The projected fund balance for June 30, 2021 is \$17,017,040 which is \$3,865,035 less. Therefore, Lincolnwood School District 74 would be running a deficit budget but the District will not be required to file a deficit reduction plan with the Illinois State Board of Education.

General Comments

The legal process to adopt a budget requires public notice to the general public. Such notice shall be published July 30, 2020 for the September 3, 2020 Public Hearing. Any changes to the Tentative Budget will need to be made before posting the document online on August 4. Otherwise, an amendment or special Board meeting on a later date in September will be necessary.

Fiscal Impact

\$20,882,075 Beginning Fund Balance July 1, 2020

+\$26,026,407 Budgeted Revenues

-\$29,891,442 Budgeted Expenditures

\$17,017,040 Anticipated Ending Fund Balance on June 30, 2021

Please see the attached FY21 Preliminary Budget presentation for further details.

Recommendation:

It is the Administrative recommendation that the Finance Committee supports the presentation of the Tentative Fiscal Year 2021 Budget to the Board of Education on August 6, 2020 and the publication of the attached legal notice on July 30, 2020.