

The Board of Education, Downers Grove Grade School District 58, DuPage County, Illinois met for a financial workshop on Monday, November 27, 2017 at Highland School, 3935 Highland, Downers Grove, Illinois.

1. CALL TO ORDER/ROLL CALL

The President called the meeting to order at 7:05 p.m. Members present: President Doug Purcell; Vice President Elizabeth Sigale; and Members Greg Harris, Darren Hughes, John Miller, Jill Samonte and Beth Taylor. Also in attendance were Kari Cremascoli, Superintendent; Jayne Yudzentis, Assistant Superintendent for Personnel; Jessica Stewart, Assistant Superintendent for Special Services; Justin Sisul, Assistant Superintendent for Curriculum and Instruction; David Bein, Assistant Superintendent for Business/CSBO; Lorie Pilster, Director of Business Services; Ken Young, Director of Buildings and Grounds; James Eichmiller, Director of Innovative Technology and Learning; and Melissa Jerves, Board Secretary. Attending this meeting was at least one visitor. (Visitors' Roster attached to official minutes.)

2. FINANCIAL WORKSHOP

President Purcell introduced Assistant Superintendent for Business/CSBO David Bein.

Mr. Bein began his presentation with some background information. District 58 receives the majority of its revenue from local property taxes, and the majority of its expenses are for salaries and benefits. Like many Illinois school districts, District 58 faces expenses that grow faster than revenues. While expenses are not capped, tax cap laws restrict property tax growth to the Consumer Price Index (CPI) or 5%, whichever is lower (averaging 1.8% over the past ten years). The useful definition of financial stability is having revenues and expenditures in alignment, but if revenues grow at 1.8%, a budget cannot balance if expenses grow at 3%.

Forecasts are useful as a guide to future decision making, but are dependent on underlying assumptions. Mr. Bein presented the following key assumptions that formed the basis for his forecast:

- Equalized assessed value (EAV) is assumed to increase by 2.8%.
- CPI for 2017 is 2.1%, and thereafter assumed to be 1.8%.
- State aid, federal revenue, Corporate Personal Property Replacement Tax (CPPRT), and interest earnings are all presumed to be flat.
- Salaries are based on current settled agreements, then CPI plus 1%.
- Staffing is assumed to be flat, adjusting for enrollment.
- Retirees that the district is currently aware of: FY18: 9 certified, 2 administrative; FY19: 3 certified, 1 administrative; FY20: 6 certified, 1 administrative.

administrative; FY21: 6 certified, 1 administrative.

- Benefits increase at their trend rates: Health insurance – 8%, Dental insurance – 5%.
- Transportation costs are assumed to increase 3%.

The base model forecast does not include a proposed property tax freeze or pension cost shift. Based on the foregoing assumptions, the base model forecast reflects relatively stable, though slightly declining, fund balances.

For comparison purposes, Mr. Bein modeled several alternate scenarios:

- The addition of five full-time equivalent (FTE) staff results in a \$1.7M increase over time.
- The reduction of a health insurance cost increase from 8% to 5% means a \$2.5M savings.
- An additional 1% increase in salaries (to 3.8%) means a \$6.7M increase in expenses over five years.
- A two-year property tax freeze, as currently proposed by the Illinois legislature, would result in approximately an \$11M loss over five years.
- A pension cost shift, phased in at 1% per year, would result in approximately a \$3.3M loss over five years based on the phased in assumptions made for the model.

Additional considerations that could affect expenses in the future include a 1:1 technology refresh, curriculum adoption, increasing demand for nursing support, the cost of a Lester School addition, and projected facility needs.

Mr. Bein next addressed the Evidence Based Model (EBM), the school funding model recently enacted that changes how Illinois schools are funded. Core values of the legislation are recognizing individual student needs, accounting for differing levels of local resources, and closing the funding gaps in the neediest districts first. Each school district has a calculated adequacy target, which is the amount of funding that is needed to educate the specific students in that district. The adequacy target is calculated annually by the state based on 27 research-based parameters, such as enrollment, income status, diverse learner needs, and regional cost differences. Districts furthest away from adequate funding receive the most new funding, but no district loses state funding. All receive at least as much as they received the prior year.

Districts are assigned a tier based on their percent of adequacy, with Tier 1 the lowest. New funds will be distributed at the following levels:

- Tier 1: 50%
- Tiers 1 and 2: 49%
- Tier 3: 0.9%
- Tier 4: 0.1%

Consequently, Tiers 3 and 4 will not receive much new money, and will remain near their funding levels from FY2017.

To calculate how much a community can contribute to funding from local property taxes, the EBM uses a Local Capacity Target (LCT), which the state

calculates from local property taxes plus CPPRT.

Every district keeps the amount of state funding it received in FY2017, referred to as the initial Base Funding Minimum. Each new dollar a district receives from the state in Year 1 becomes a part of its Base Funding Minimum in year 2, and so on. If the state does not appropriate enough funds to cover the Base Funding Minimum, funds are first removed from the Base Funding Minimum for the most adequately funded districts. If that still isn't enough, then further reductions are on a per pupil basis for all districts. Such reductions would have a compounding effect on future funding, not only lowering funding in a single year, but also lowering the Base Funding Minimum for future years.

Additional provisions in the legislation allow voters in districts above 110% adequacy to initiate a referendum to lower property taxes allocated to education up to 10%. It also provides scholarships to students attending private schools and a 75% tax credit to individuals who contribute to a qualified not-for-profit organization. Finally, the legislation imposes new reporting requirements on school districts and adds some information to School Report Cards, such as adequacy percentage, local capacity, and receipts.

According to ISBE's preliminary estimate, District 58 is near 100% adequacy, which puts it into Tier 3. If in Tier 3, the district will share in 0.9% of new state funding, approximately \$3.15M split among all Tier 3 districts.

Mr. Bein concluded his presentation by noting that the EBM is not an ideal or targeted level of funding, but is a method of equitably distributing state aid. Many districts strive to provide more than adequate education of their students. The EBM does not include many of the budget items that districts include, such as early childhood education, low incidence special education, transportation, capital maintenance and new construction, 1:1 technology programs, extended/gifted education programs, co-curricular student activities, or class sizes less than 25 for grades 4-12.

Member Hughes asked whether the district has begun a search for other sources of revenue or cuts in expenditures should significant loss of funding occur. Mr. Bein responded that if a property tax freeze is enacted and is retroactive to 2017, the district will need to rely on reserves for a time. If a property tax freeze continues through 2018 or 2019, the district will need to have significant conversations with the administration, staff and community about spending choices.

Member Taylor asked whether Tax Increment Financing (TIF) areas have any effect on a property tax freeze. Mr. Bein noted that some local TIFs are due to expire in the near future, providing additional tax revenue that is defined as new construction. The district would capture that revenue in a larger levy, which would be helpful, but not enough to erase the effect of a property tax freeze.

3. RECEPTION OF VISITORS – with extended opportunity for Board of Education and Community Communications

Craig Young, Kingsley teacher and DGEEA representative, asked what percentage of the district's revenue comes from the state. Mr. Bein responded that the breakdown for District 58 is in the recent budget, but for districts in this area it is commonly about 80% of revenue from local property taxes, 8% from federal aid, and 12% from the State of Illinois.

4. ANNOUNCEMENTS

December 7 Meet & Confer Strategic Plan Committee
7:00 a.m Longfellow

December 11 Regular BOE Meeting
7:00 p.m. Downers Grove Village Hall

5. ADJOURNMENT

Member Harris moved and Member Hughes seconded the motion to adjourn the meeting.

VOICE VOTE

Motion carried

The meeting was adjourned at 8:30 p.m.

Doug Purcell, President

Melissa Jerves, Secretary