November 28, 2016

The Board of Education, Downers Grove Grade School District 58, DuPage County, Illinois met in a financial workshop/School Board candidate orientation on Monday, November 28, 2016, at Longfellow Center.

1. CALL TO ORDER/ROLL CALL

The President called the meeting to order at 7:05 p.m. Members present: President John D. Cooper; Vice President Doug Purcell; and Members Diehl, Heppner, Miller, and Sigale. Member absent: Lupescu. Also in attendance were Kari Cremascoli, Superintendent; Jayne Yudzentis, Assistant Superintendent for Personnel; Jessica Stewart, Assistant Superintendent for Special Services; Matthew Rich, 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; Megan Hewitt, Coordinator of Community Relations; and Pamela A. Osika, Board Secretary. Attending this meeting were at least 14 visitors.

President Cooper opened the financial workshop by explaining the new format for the extended opportunity for Board and community communication.

Dr. Kari Cremascoli, Superintendent, announced that the Meet and Confer Strategic Plan Committee is moving forward and will meet on December 6, 2016 at 7:00 a.m. Parents have expressed interest in that committee and other committees as well; the District will reach out to those parents. Consideration is being given to forming a Superintendent advisory group, Dr. Cremascoli will reach out to individuals that have expressed interest in getting more involved regarding this opportunity. Dr. Cremascoli also noted that the spotlights schedule for 2016-2017 has been revised with the Education Foundation Grants presentation moved to December, a website update review in January, and "Promoting Student Ownership in Learning Through Student Goal Setting" moved to May.

2. FINANCIAL WORKSHOP

A. Financial Projections

David Bein, Assistant Superintendent for Business/CSBO, shared with the Board background information relative to financial planning for District 58. The majority of revenue comes from local property taxes and the majority of expenses are for salaries and benefits. Financial stability is defined as having revenues and expenditures in alignment, when expenses grow at the same rate as revenues. While the District carefully manages finances, there are many factors that cause pressure on budgeting and planning. In many school districts throughout the state of Illinois, expenses grow faster than revenues. District 58 faces restrictions under the Property Tax Extension Limitation Law (PTELL), which limits property tax growth to the Consumer Price Index (CPI) or 5%, whichever is less, plus any new construction that may have occurred during the past year. Over the past ten years, CPI has averaged 1.9%. The 2016 CPI is anticipated to come in at 1.5% to 2.2%. Forecasting is dependent on underlying assumptions and forecasts are useful guides to future decision making. Mr. Bein emphasized that the State's financial condition continues to be challenging. In preparing District 58 forecasts, overall State funding is assumed to be flat and no pension cost shift is assumed to be implemented.

KEY ASSUMPTIONS

- EAV ~ Slight increase. New growth steady at $20 million per year.
- CPI ~ 1.5% for 2016 then 2.0%.
- State Aid ~ Flat.
- Federal Revenue ~ Flat.
- Corporate Personal Property Replacement Tax (CPPRT) ~ Increasing for FY18 then relatively flat.
- Interest Earnings ~ Flat.
- Salaries ~ Based on settled agreements then tied to CPI.
- Staffing ~ Relatively flat, 3.0 Full-Time Equivalent (FTE) increase over next two years, any other FTE increases funded through offsetting cost reductions.
- Certified Retirees ~ 13 in FY17; 9 in FY 18; 3 in FY19.
- Benefits ~ Rising faster than inflation, but plan management moderates actual increases.
- Transportation ~ Bidding does not materially impact costs, State reimbursement declines then flat.
- Pension/Property Taxes ~ No pension cost shift and no property tax freeze.

OVERALL FUND BALANCES

Overall fund balances are forecast to increase by the end of FY20. Mr. Bein pointed out that while fund balances are forecast to increase over that time, anticipated curriculum, technology, and facility initiatives are not fully incorporated into the forecast and will reduce overall fund balances.

Following are general highlights for individual funds:

EDUCATION FUND

Mr. Bein reviewed revenue and expenditure forecasts for the Education Fund. It was noted that the operating balance in the Education Fund has been in negative territory for some years and appears to level off by FY20, bringing expenditures in line with revenues. However, it was noted that some costs for curriculum adoptions and technology refresh are not fully incorporated into the Education Fund forecast and when added, the trend of a negative operating fund balance is expected to continue.

MEDICAL RESERVE FUND

The District does not budget separately for the Medical Reserve Fund. The Fund is only used for account revenue and expenditure tracking. Revenue comes into the fund from Board contributions, employee contributions, and stop loss insurance reimbursements. Expenditures include claims activity, the cost of stop loss insurance, and Aetna/Delta Dental administrative costs. It was noted that in FY08 the Medical Reserve had revenues of $6,747,204 and expenditures of $6,810,750. Since that time industry-wide medical trend increases alone have been 9% annually. The Medical Reserve expenditures in FY16 were $6,952,453. For FY17, a medical premium increase of 5.5% was budgeted. A switch to Aetna as the District's insurance administrator went into effect January 1, 2016, which resulted in cost savings. The Medical Reserve Fund is projected to remain fairly stable over the next few years with a fund balance estimated to hover near $2.0 to $2.1 million.

O & M FUND

The O&M Fund benefited financially from a number of retirements in FY16. Transfers are annually made from the O&M Fund to the Capital Projects Fund to cover the cost of facility projects. Adjusting the O&M Fund levy downward in future years may be considered, which would allow for an increase to the Education Fund levy.

SINKING FUND/CAPITAL PROJECTS

The Capital Projects Fund is a separate fund, whereas the Sinking Fund is a sub-fund of the O&M Fund. The Sinking Fund will receive interest transfers and impact fees as its main sources of revenue. As noted, funds will be transferred annually as needed from the O&M Fund to the Capital Projects Fund.

TRANSPORTATION FUND

The Transportation Fund ended FY16 with a balance of (negative) -$113,442. The Transportation Fund levy was adjusted to increase allocations from property taxes. Assumptions do not include the bidding of transportation services. Adjusting the Transportation Fund levy downward in future years may be considered, which would allow for an increase to the IMRF/Social Security Fund levy.

IMRF/SOCIAL SECURITY (SS) FUND

The forecast does not include an assumption for an increase in employer contribution rate to IMRF (Illinois Municipal Retirement Fund). The employer contribution rate is recalculated annually by IMRF based on an actuarial analysis of retirement benefits related to District 58 employees. An adjustment to the IMRF/SS Fund levy may be considered in future years.

WORKING CASH FUND

A minimal amount will be levied annually for the Working Cash Fund with interest to be transferred to the Sinking Fund. Loans are made from the Working Cash Fund to others funds as needed.

DEBT SERVICE FUND

Debt Service revenues and expenditures will remain stable.

ADDITIONAL CONSIDERATIONS

- 1:1 technology refresh.
  - $400,000 in FY18
  - $1.8 million in FY19
  - Lease payments for the FY19 equipment will be $500,000 - $600,000 per year.
- English-Language Arts (ELA) curriculum adoption.
  - $100,000 in FY18
  - $350,000 in FY19
- Science curriculum adoption.
  - FY19 or FY20, costs unknown at this time.
- Phone system
  - Estimated $300,000, some of which may be deferred from FY17.
- Lester School
  - Evaluation of student needs and building capacity is ongoing and may result in a cost recommendation.

While no significant maintenance projects are anticipated in the forecast period, a current analysis of facilities shows significant work is needed thereafter. Looking to the future, some big ticket items the District will be considering are window replacements, electrical upgrades, plumbing repairs, and carpet replacement/abatement. Beginning in 2025, in addition to ongoing maintenance and repair projects, costly roof replacements are anticipated. The District may consider issuing bonds to restructure debt and help offset these future costs.

It was emphasized that the Illinois legislature is still considering pension reform, a change in State funding, and property tax freezes. These changes would cause additional strain on District finances. Board members were given a chance to make comments and ask questions.

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

Chris Hanley, Henry Puffer/Herrick parent, asked for further explanation in regard to projections showing decreases in the IMRF Fund balances and increases in the Transportation Fund balances referred to during the financial presentation.

A brief recess was taken at this time.

5. SCHOOL BOARD CANDIDATE ORIENTATION

Board members conducted an orientation for potential School Board candidates. Topics covered included information on the School Board election process, Board member expectations and responsibilities, School Board organization, School Board meetings, school finances, and School Board governance. At least 12 community members were in attendance at the orientation.

6. ADJOURNMENT

Member Diehl moved and Member Miller seconded the motion to adjourn the meeting.

VOICE VOTE — Motion carried

The meeting was adjourned at 9:05 p.m.

______________________________ ______________________________

John D. Cooper, President — Pamela A. Osika, Secretary