

School District U-46

Elgin, Illinois

April 27, 2020

The Finance Committee of the Board of Education met at 5:08 p.m. via Zoom and made available to the public in Room 140 of the Educational Services Center, 355 East Chicago Street, Elgin, Illinois, to present and discuss the Fiscal Year 2021 Tentative Budget. In attendance were Board members John Devereux and Melissa Owens. Also in attendance were Board Members Sue Kerr, Eva Porter, and Kate Thommes as well as Tony Sanders, Superintendent, Steve Burger, Assistant Superintendent for Elementary Schools Instruction and Equity, Dale Burnidge, Director of Financial Operations, Dr. Josh Carpenter, Assistant Superintendent for Teaching and Learning, Ann Chan, Assistant Superintendent of Human Resources, Robyn Cornelissen, Financial Controller, Mary Fergus, Director of School and Community Relations, Dr. Suzanne Johnson, Deputy Superintendent for Instruction, Dr. Jeff King, Deputy Superintendent of Operations/Chief School Business Official, Lela Majstorovic, Assistant Superintendent for Secondary Schools Instruction and Equity, Miguel Rodriguez, Chief Legal Officer, and Dr. Ushma Shah, Assistant Superintendent for Elementary Schools Instruction and Equity.

1. Open Meeting and Introduction

Ms. Owens opened the meeting and everyone present stated their name and title.

2. Presentation and Discussion of the Fiscal Year 2021 Tentative Budget

Mr. Burnidge began the presentation by reviewing the historical fund balances for the operating funds as well as the five-year revenue projection. Mr. Burnidge also reviewed the FY2021 budget assumptions as well as some contingency budget assumptions. Mr. Burnidge reviewed where the district was financially before the start of the last economic downturn.

Mr. Burnidge stated in 2007 the operating funds totaled right around zero and as revenues were cut and delayed, the balances declined for three years until the dramatic cuts in 2010. The district at that time did not have much in reserves and the operating funds went to a negative \$42 million. Mr. Burnidge stated since that time expenditures have carefully been added back into the budget to ensure the additions could be sustained. Mr. Burnidge stated that over the past two years, balances have increased further due to the Evidence Based Funding model. Mr. Burnidge stated Evidence Based Funding was passed after the beginning of FY2018. As a result, the additional \$20 million in funding was received in April, May, and June and was carried over to the following year. Mr. Burnidge stated at the end of FY2019, the operating fund balance totaled \$184 million or 38.7% of FY2019 expenditures.

Mr. Burnidge reviewed the five-year revenue assumptions. Mr. Burnidge stated the property tax levy increases 2% each year and that the Evidence Based Funding will remain at the current level of \$197 million. Mr. Burnidge stated in FY2024, the debt service payments will decrease by \$20 million, which will lower the district's property tax revenue. Mr. Burnidge stated the Board would need to consider whether or not to continue the \$9.6 million abatement from the Educational Fund. Mr. Burnidge stated the district, at this point, will have paid off the bond issues from 2000-2003 that paid for the eight schools that

were built in the early 2000s, such as Kenyon Woods Middle School and South Elgin High School. Mr. Burnidge stated even if the abatement was discontinued, the tax extension would still decline. In response to Ms. Kerr, Mr. Burnidge stated CPI would be 0% versus a negative percentage. Mr. Burnidge stated the district has never had a negative CPI percentage although the district came close in 2018. In response to Mr. Devereux, Mr. Burnidge stated CPI is determined every year and has a limitation of a single year. In response to Mr. Sanders, Mr. Burnidge stated a decision as to whether to continue with the abatement is not a decision that needs to be made immediately as there is time before the bonds roll off, but it is something that Administration will need Board feedback on.

Mr. Burnidge reviewed the FY2021 Revenue assumptions. Mr. Burnidge stated for the property tax levy, they are including an increase of 2.3% for tax year 2020, payable in 2021. Mr. Burnidge stated the tax year 2019 revenue payable in 2020 was levied and abated for the increase on existing property. Mr. Burnidge stated for tax year 2020 the same amount would be abated as tax year 2019, which was \$9.6 million. Mr. Burnidge stated the Evidence Based Funding will remain flat at the current level of \$197 million. Mr. Burnidge stated the district is estimating three categorical payments in FY2021 and also stated the district's investment income budget will be \$8 million less than last year, due to the major decline in interest rates. In response to Mr. Sanders, Mr. Burnidge stated at this point, Evidence Based Funding is being assumed flat as a few months ago, the Governor stated he would hold some of the funding back to see if the progressive tax passed or not. As such, Mr. Burnidge stated it is possible once the 6-month budget from the state is received the district could end up with a different amount of Evidence Based Funding the second half of the year. Mr. Burnidge stated typically the month of April is a big month for tax revenue but as the state pushed the deadline back 90 days into July, the district can expect our next categorical payment in July or August. Dr. King stated Administration is looking at two points where the district could see major impact on revenue. The first would be to see what legislative session and governor bring for revised budget and second after election if progressive income tax does not pass. Dr. King stated if the progress income tax does not pass, the district could see a significant decline in revenue again with a revised budget from the state. Dr. King stated the district is preparing to make somewhere between \$20 to \$30 million more in cuts out of the tentative budget that is being presented. Mr. Sanders stated there is a possibility that part of passing the progressive income tax, the General Assembly may ask to freeze property taxes to make up for the increased income tax. Dr. King agreed with Mr. Sanders and further stated the other piece is if the state needs to start moving obligations, the pension reform could come back again. In response to Ms. Owens, Mr. Burnidge stated any missed categorical payments would be made up by the state but the repayment could be delayed.

Mr. Burnidge reviewed the district's revenues by source comparing FY2020 to FY2021 and stated due to the reductions in investment income from other local and state categoricals, the property tax percentage increases from 51% last year to 54% for next year. Mr. Burnidge discussed the revenues from all funds comparing the FY20 Budget to the FY21 Budget and stated the largest increase is in property taxes, which are \$12.2 million. Mr. Burnidge stated the decline of \$10.8 million for local revenues is primarily the reduced investment interest, and we also a decline in categoricals of \$5.2 million, since we are assuming only three payments.

Mr. Burnidge stated the federal government CARES Act is not listed in the revenue assumptions. Mr. Burnidge stated for the federal government CARES Act, the district has a preliminary allocation of \$7.7 million and some of those expenditures will be incurred in the current year, but they will also carry over into FY21. Mr. Burnidge stated the district will also need to watch the potential impact on property values for 2021 if counties reassess and/or the state passes a property tax freeze. Mr. Burnidge stated Cook County has said they will reassess the entire county for 2021. In the past reassessment has occurred every third year.

Mr. Burnidge discussed expenditure assumptions and stated for salaries the district has the annual increases per the union agreements. For benefits, included is a 5% increase for health insurances, increased pension, Medicare, and Social Security equal to the salary percentage increases. Mr. Burnidge stated the district has reduced out of district travel and conferences and also the number of building projects. Mr. Burnidge stated when comparing expenditures by type for FY2020 versus FY2021, salaries are the largest portion of the district's expenses increasing from 51% to 53%, and that is due to the reduction in capital outlay, which goes from 8% to 6% of the total budget. When discussing a summary of all funds expenditures, Mr. Burnidge stated the largest increase is in the salaries section and the largest decrease is capital outlay.

Mr. Burnidge discussed items that there not in the expenditure assumptions which were not cuts, but are items that two months ago it looked like we could potentially add to the budget such as for high school pathways, 7th period teachers (10 positions), middle school and high school counselors (13 positions), middle school deans (8 positions), elementary assistant principals (15 positions), Elementary Health, Art, and Music teachers (10 positions), and capital projects including pathways updates for the high schools.

Mr. Burnidge stated the official amount of Evidence Based Funding will not be known until July which could change from last year if the progressive tax is not passed in the fall. Mr. Burnidge stated the state may do a six-month budget waiting for the results of that vote. Mr. Burnidge stated another unknown at this point is state categorical funding including transportation. Mr. Burnidge stated currently the district has received one quarter of categorical payments in FY2020. Mr. Burnidge stated the state may also resurrect the pension shift debate. Mr. Burnidge stated with so many unknowns, the district has looked at a couple of contingency scenarios if the Evidence Based Funding is reduced. Mr. Burnidge stated if the budget needed to be cut by \$10 million, the district would reduce capital outlay by \$5 million, supplies by \$2 million, and non-capitalized equipment by \$3 million, and the district could utilize reserves while we plan for FY2022.

Mr. Burnidge stated if the district needed to reduce the budget by \$20 million, the district would look to reduce capital outlay by \$8 million, supplies by \$4 million, and non-capitalized equipment by \$4 million. In addition, the district would look to its purchased services area, which includes professional services, repairs and maintenance, and contract

cleaning and reduce \$4 million from that section. We could also utilize our reserves while we plan for FY2022.

Mr. Burnidge stated the district will monitor the May legislative session for impact on next year's budget. We will review the department budgets for non-salary and benefit expenditures and will present an updated budget projection to the Board of Finance when possible.

In response to Ms. Kerr, Mr. Sanders stated if distance learning needed to continue into the fall, the district would purchase additional devices which would be covered under the CARES Act should the district need to continue distance learning or some sort of distance learning in the fall.

Mr. Devereux, Ms. Owens, Mrs. Porter, and Ms. Thommes stated they would like to keep the abatement for the 2020-2021 fiscal year as the economic hardship is being felt all around and they would not like to add to that.

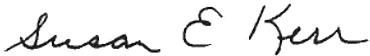
3. Public Participation

There were no public comments.

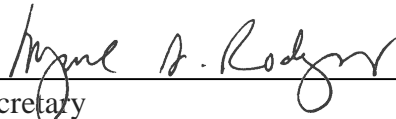
4. Adjournment

Ms. Owens adjourned the meeting.

Approved this 1st day of June, 2020.



President



Secretary