

School District U-46
Elgin, Illinois
May 17, 2021

The Finance Committee of the Board of Education met at 4:15 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 2022 Tentative Budget and to present and discuss refunding. In attendance were Board members John Devereux, and Melissa Owens. Also in attendance were Board Members Sue Kerr, and Dawn Martin as well as Tony Sanders, Superintendent, Dale Burnidge, Director of Financial Operations, Dr. Jeff King, Deputy Superintendent of Operations/Chief School Business Official, and Mr. Robert Lewis, III, Senior Vice President, Managing Director for PMA Securities, LLC.

1. Open Meeting and Introduction

Ms. Owens opened the meeting and stated everyone present.

2. Presentation and Discussion of Fiscal Year 2022 Tentative Budget

Mr. Burnidge presented the first draft of the Fiscal Year 2022 Tentative Budget and began with an overview of the tentative budget and the budget planning cycle. Mr. Burnidge stated the planning begins in November for the next fiscal year. Mr. Burnidge stated each year there are a number of things the district needs to estimate as the actual numbers are unknown. Mr. Burnidge stated there may be an increase this year in Evidence Based Funding (EBF), but the district will not know the actual amount until the end of July. Currently, the district is estimating no increase in the EBF funding. Mr. Burnidge stated the district has been receiving the state Categorical funding payments in the month following the end of the quarter this year, and we anticipated that trend to continue for next year.

Board Member Eva Porter joined the meeting at 4:19 p.m.

In response to Mr. Sanders, Mr. Burnidge stated Teachers' Retirement System (TRS) has been working on improving their internal reporting system to account for the Tier 3 employees. Those Tier 3 employees will be able to have their own 457 accounts with TRS to supplement their own pension as the pension portion for a Tier 3 employee is much smaller than that of the other Tiers. Mr. Burnidge stated the real test driver for the district is that instead of the state picking up a portion of the cost, those pension costs will be the responsibility of the district. Mr. Sanders stated it is likely the state legislation will need to address the Tier 3 pensions before long.

Mr. Burnidge discussed the district's revenue assumptions for Fiscal Year 2022. Mr. Burnidge stated regarding the property tax levy, the district is including an increase of 1.4% for tax year 2021, payable in 2022. The tax year 2020 revenue payable in 2021 was levied and abated for the increase on existing property. Mr. Burnidge stated for tax year 2021, the district will abate the same amount as tax year 2020, which was \$9.6 million.

Mr. Burnidge stated Evidence Based Funding will remain flat at the current level and the district is estimating four categorical payments in Fiscal Year 2022. The district will

receive additional Federal funds from the Elementary and Secondary School Emergency Relief (ESSER) Funds for Fiscal Year 2022.

Mr. Burnidge went on to give an ESSER Fund summary. Mr. Burnidge reviewed the ESSER I fund, which incorporates Coronavirus Aid, Relief, and Economical Security (CARES) Act, and stated the district received a total allocation of \$7.8 million. Mr. Burnidge stated the district received \$4.8 million in Fiscal Year 2020 and \$3.0 million in Fiscal Year 2021. The district used these funds to purchase Chromebooks, iPads, online curriculum licenses, and personal protective equipment. Regarding the ESSER II fund, which incorporates Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, 2021, the district's total allocation is \$29.3 million and those funds must be spent by September 30, 2023. Regarding the ESSER III funds which incorporates the American Rescue Plan (ARP) Act (passed in March of 2021), the district's total allocation is \$65.7 million and those funds must be spent by September 30, 2024. Mr. Burnidge stated in total from the ESSER II and ESSER III funds, the district should see \$95 million over the next three to four years.

Mr. Sanders stated the district is striving to make U-46 a district of choice and make families want to come to U-46 for all the district has to offer such as no instructional fees through Fiscal Year 2025, before and after school care, as well as summer program opportunities. Mr. Sanders stated these resources will be used to not only meet the needs of our students but also to be an attractive district for parents. In response to Mrs. Martin, Mr. Sanders stated the district will be tracking the success rates of these programs and opportunities in order to plan for future years provided the state is able to continue with its promise regarding its Evidence Based Funding allocations.

Mr. Burnidge stated the Operations and Maintenance fund is showing a 1% increase as the district has shifted some property tax and EBF revenue to this fund in order to continue to maintain buildings. Mr. Burnidge gave a summary of Revenues by Source comparing the Fiscal Year 2021 Budget to the Fiscal Year 2022 Budget and stated the largest increase is in Federal sources from 7% to 13% was due to the ESSER funds. Mr. Burnidge stated, due to the increase in Federal funds, the two largest areas are showing reduced percentages for property taxes from 53% to 50% and for EBF from 33% to 30%. In response to Ms. Kerr, Mr. Burnidge stated the reduction in Evidence Based Funding from Fiscal Year 2021 to Fiscal Year 2022 is due to a decrease in enrollment.

Mr. Burnidge stated the largest increase is in the Federal funds of \$39 million due to the ESSER funds. Categorical funds are increasing because the district only budgeted for three payments last year. Mr. Burnidge stated property taxes are also increasing due to the Consumer Price Index of about 1.7% or \$5.4 million and local funds are decreasing due to the waiver of school fees, and the decline in food sales to students. Mr. Burnidge stated the decline in EBF is due to the enrollment increasing at the charter school. Mr. Burnidge stated assuming the funding is flat; the charter school will get a larger portion due to the increase in their enrollment.

Board Member Kate Thommes joined the meeting at 4:42 p.m.

Mr. Burnidge stated the summary of all funds, reflected the total revenue for all funds of \$648.1 million, with a total expense of \$646.5 million, with a \$1.6 million surplus.

Mr. Burnidge stated the next steps will include monitoring the May legislative session for impact on next year's budget and continuing to review department budgets for non-salary and benefit expenditures. The district will also have the updated budget presented at the August 23, 2021 Board meeting with a finance committee meeting before the Board meeting to discuss the changes in more detail.

3. Presentation and Discussion of School District U-46 Refunding

Mr. Lewis began his presentation by discussing the debt service of the district by year reflecting the total of about \$34 million after the \$9.6 million annual abatement. Mr. Lewis stated if the district did the same abatement next year that would put the district's levy down again to \$34 million. The following years the amount would decline naturally to \$21 million. Mr. Lewis stated the district will see a \$13 million drop in 2022 for tax bills paid in 2023. Mr. Lewis went on to say after the decrease occurs, the \$9.6 million the district has been using as an abatement can then be used for other purposes as the levy will fall naturally.

Mr. Lewis stated the district may refund or restructure bonds on a taxable basis at any time, or it may issue tax-exempt current refunding bonds within 90 days of the call date and after. Mr. Lewis recommended the district wait for now on the 15 bonds to see what congress does. Mr. Lewis stated if congress does not do anything to help the district, his recommendation would be to try to reach the breakeven market movement down to something that is more reasonable. Mr. Lewis stated this can only be done with time, getting closer to your call date, and then perhaps for the district to consider doing a refinance of the 2009 bonds and the 2012b bonds as the call date on one bond is already here and on the other is imminent. Mr. Lewis stated bonds remain callable after the call date although the value of the call option declines as every day you pass the call date, you continue to pay interest at a higher interest rate. In response to Mr. Devereux, Mr. Lewis stated refunding or restructuring the bonds would not extend the terms of the bond. In response to Ms. Owens, Mr. Lewis stated the cost of issuance tend to be around .25% to 1.5% of the borrowing amount.


4. Public Participation

There were no public comments.

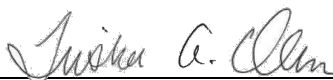
5. Adjournment

Ms. Owens adjourned the meeting.

Approved this 19th day of July 2021.



President



Secretary