

School District U-46
Elgin, Illinois
May 21, 2018

The Finance Committee of the Board of Education met at 4:00 p.m. in Room 140 of the Educational Services Center, 355 East Chicago Street, Elgin, Illinois, to review the Fiscal Year 2019 Tentative Budget. In attendance were Board members Phil Costello, Sue Kerr and Melissa Owens. Also in attendance were Tony Sanders, Chief Executive Officer, Dr. Jeff King, Chief Operations Officer/Chief School Business Official, Dale Burnidge, Director of Financial Operations, and Mily Cruz, Information Services.

1. Open Meeting and Introduction

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

2. Presentation and Discussion of the Fiscal Year 2019 Tentative Budget

Mr. Burnidge began the presentation by going through the Fiscal Year 2019 Tentative Budget. Mr. Burnidge noted we are between the March deadline for the RIFs and waiting for the July/August time period to have better idea of known revenue. He noted updated budget will be presented to the Board in August and up for approval in September.

Ms. Kerr asked whether categoricals had been moved to other places. Mr. Burnidge responded that last year's categoricals have changed due to the fact evidence-based model passed. For the current year, the categoricals have been moved leaving zeros in some places for lines such as Special Education.

Mr. Burnidge indicated there is currently no state budget agreement and there is possible tax freeze legislation. Mr. Burnidge stated Evidence-Based Funding (EBF) consolidates and replaces five grant programs (General State Aid, Special Education Personnel, Special Education Funding for Children Requiring Services, Special Education Summer School and English Learner Education). More will be known pertaining to the Evidence-Based Funding towards the end of July.

Mr. Burnidge indicated budget includes four quarterly payments for fiscal year 2019. Third quarter/March payments have not been received. Mr. Burnidge stated it is possible a shift will occur regarding pension reform making the District pay the current state share, costing the District \$24 million per year. Mr. Costello asked if most of this figure was an assumption and whether Mr. Burnidge thought the District would have more direction by July. Mr. Burnidge responded absolutely and stated the cost shift for pensions and tax freeze are things the District has been watching for several years.

Mr. Sanders stated for the evidence-based funding, if another \$350 million was funded the District will get the \$24 million received this year on top of historical amounts plus the additional \$24 million next year. That is an increase in total revenue of \$50 million compared to the past. If funding goes up to \$400 million, \$50 million of that is marked for property tax relief. A petition could be filed with the state to get a reduction in

property taxes locally to put on behalf of tax payers. Mr. Sanders stated the belief is that there would be a budget passed by May 31st. Ms. Kerr asked if they do adjust the pensions, would it be in the coming year or retro. Mr. Sanders replied it would be hard to do retro but stated the District has passed a Tier III pension system so it is hard to say at this point. The benefit is they are doing this at a time that the District is getting additional funds from the state which gives the District a better way to absorb costs.

Mr. Burnidge spoke of the property tax payment cycle. Indicated payments received in 2018 are split between two fiscal years. Mr. Burnidge stated Kane and DuPage estimate the Cook property valuation, and adjust to actuals in the following year which accounts for the swings in property tax revenue beyond what the District could levy. Ms. Kerr asked if these numbers included abatement. Mr. Burnidge responded yes. Mr. Burnidge stated the property tax levy increase for tax year 2018 was 2.1% which is payable in 2019.

Mr. Burnidge discussed how last years budget compared to the fiscal year 2019 budget regarding all funds revenues. Mr. Burnidge stated Evidence-Based Funding had a large increase due to a number of the categoricals that were moved. Therefore, the categoricals are offset by those numbers which went into the Evidence-Based Funding. Mr. Sanders indicated most roll into Evidence-Based Funding with the exception of early childhood and transportation. Mr. Burnidge and Dr. King confirmed.

Ms. Kerr asked if these are the taxes for both levy and upcoming levies. Mr. Burnidge responded the levies that have already passed 50% and the levies coming forward would receive the other 50%. Ms. Kerr asked if this would include the things we don't levy. Mr. Burnidge responded that is netted out.

Mr. Burnidge went over all fund expenditures and stated the majority of the increase is in the salary line. Mr. Burnidge stated for the current year, we are under budget for the benefits. Ms. Owens questioned the salary numbers. Mr. Burnidge responded by stating a number of contracts are still being negotiated. Mr. Burnidge came up with the figures by projecting the actuals through the end of March and stated a few FTE's have been added. Overall across all of the funds, we have revenue of \$546.6 million and expenses of \$534.6 million so that is about a \$12 million surplus for the year. Looking at the operating funds, you can see that each fund has an increase for the year so in total there is a \$10.2 million increase. Specifically, the transportation fund may have a positive balance for FY18 for the first time in at least 10 years.

Mr. Burnidge stated in summary this is the first draft. There are many unknowns. Looking for guidance from the Board on how to spend new evidence-based funds. Increase of \$22.3 million that came in this current school year and how to best align with the District's Strategic Plan. Have added the bus purchase of \$5.7 million compared to not having purchased in FY18. Capital projects are all being funded out of current revenue.

Mr. Burnidge stated next steps would be to monitor the May legislative session for

impact on next year's budget; review all of the budget and all expenditures not just salary and benefits. A tentative budget along with the resolution will be presented at the June 18th Board meeting.

Mr. Costello asked how the charter school numbers are going to start factoring in. Mr. Burnidge responded their numbers would hit our enrollment count the following year as the enrollment count used to calculate next year's money is this year's money. Mr. Costello asked if there will be a line item stating the revenues are not going directly to the District. Mr. Burnidge responded you will not see them as the State Charter Commission approved the charter, the money will go directly to the charter school. The only impact it will have on the District is if the enrollment numbers decline, it will be factored into the funding amount. Mr. Costello stated that would be a legitimate assumption that the enrollment will take a hit. Mr. Burnidge responded next year's enrollment will be the first time enrollment would be reduced which will be factored into the 2020 budget.

Ms. Kerr stated the fund balances have not risen a lot in the last few years. Mr. Burnidge stated he believes last year was around 25%. Mr. Sanders indicated Board policy states 20%. Ms. Kerr stated this year there was a projected deficit. Mr. Burnidge confirmed and stated with new money coming in the District will have a surplus and it will increase the balances.

Mr. Sanders stated no matter what is done with the \$24 million, the public should be made aware the District received the revenue so late in the year to explain why the District would have a budget that has a deficit for a couple years should the Board direct the District to spend it down.

Ms. Kerr stated prior to this year, the District had excess revenue. Mr. Burnidge stated 2015 is when the District had the bond issue. That is why 2015 was so big. Dr. King would like further discussions or another committee meeting for further conversation once the Board and CEO have looked at the numbers regarding how to invest into schools. Administration has some ideas. Dr. King requests the Board's input regarding what they would like to see happen. Dr. King further stated the information would be needed in June at the latest in order to start costing out. The only way to spend down is to create a deficit budget. Mr. Sanders stated originally the District was planning on Every Child Succeeds Act and the Evidence-Based Funding Overview as the Board discusses its Strategic Plan but time is quickly running out. Mr. Sanders stated another committee meeting would be beneficial.

Mr. Sanders discussed the breakdown of the training document which is a model of what goes into Evidence-Based Funding model. The model uses enrollment in K-3 for low-income versus non-low income to show how the District should be staffing its schools, for example. Research suggests a difference is made when low-income students in grades K-3 are in class sizes of 15 students which would be 439.12 FTEs and 20 students per classroom for non-low income students which would be 210.56 FTEs meaning the District should have roughly 649 FTEs. Currently, we have 496. We do not have space

in the buildings. The document gives a breakdown of what we are currently doing and what research suggests. This type of document can help guide the Board's discussion to talk about where the biggest gaps are and how to fill them expeditiously. Mr. Sanders stated the law provides the Board with authority to make decisions on how to invest new dollars. Springfield will likely inquire where investments were made. Mr. Sanders stated he needed to redo the math as this is the first draft. Ms. Owens inquired as to the number of supervisory aides. Mr. Sanders stated he needed to see how titles are defined at the state level and by statute.

Ms. Kerr asked if there is any idea what other schools are getting allotted under this model. Are they looking at class sizes of 15-20? Mr. Sanders responded not right away although it could be different for some districts; could be closer to that. Would like this year's budget being more lenient on low-income students to make sure kindergarten classes are not at 28. Mr. Sanders believes some targeted class reduction is necessary. Likely not within this next budget year. It would be more of a long term proposition. The boundaries need to be looked at and how to reorganize in order to lower class sizes.

Ms. Owens would be interested to see how other high-need districts are dealing with space. Mr. Sanders stated his dream would be to set aside money for capital to make adjustments to older buildings. Mr. Sanders would like to have the public see the older buildings to try and address those needs. He believes there is money to make it happen without asking taxpayers for a property tax increase.

Dr. King mentioned an alternative would be to push 6th grade into middle school if we could convert bigger elementary schools to middle schools. It would open space and lower class size. We could use bigger elementary schools that are low attended and convert to middle schools. The District potentially could pick up enough seats to make conversion possible. Ms. Owens stated there is a big interest across the District for this. Ms. Kerr stated St. Charles currently does it. Mr. Burnidge believes District 300 does as well. Mr. Sanders stated curriculum is written that way.

Mr. Costello stated he would like guidance from the District in presenting the Board with prioritized options and the Board can then deliberate. Ms. Kerr would like options given with dollar amounts. Mr. Sanders stated if the Board changes vision for Strategic Plan it will change District's conversations to be able to bring back a budget that aligns to the Board's vision.

Ms. Kerr asked what pressures there were from ESSA. Mr. Sanders responded it is really about engaging career and college readiness, career pathways and chronic truancy. Everything is defaulting to chronic truancy. Mr. Sanders stated secondary doesn't have any good measures for chronic truancy. The definition has not been changed to eliminate college visits, internships and job shadowing which we get ESSA credit for yet still count as an absence from school. Mr. Costello stated that is tragic as we are trying to help the students find success. Mr. Sanders stated he would rather rely on holding ourselves accountable rather than rely on ESSA.

Mr. Sanders stated he could provide the Board with a vision of how to utilize resources should they desire it. Mr. Sanders would like at least \$15 million a year set aside for capital which would ensure not needing a request for additional funding. He said we will update and bring forward the technology plan, career pathways and some of the visionary work for moving 6th grade up. Dr. King suggested possibly using Prairieview or Wayne or pushing east side Elgin kids out to Eastview potentially. Ellis and Larsen hold 850 students. All boundaries would need to change to make it work. Mr. Sanders added CAC would need to be involved.

Mr. Costello asked about designating for classifications of fund balances from one year to the next. Dr. King asked if he meant restricting funds. Mr. Costello yes and stated he would like the Finance Department to discuss to see if worth contemplating.

Mr. Sanders stated if there was a gap to fill it would be instructional coaches but how to categorize them. Core intervention teachers and instructional facilitators help bring down the ratio of instructors to students and also help support teachers.

Mr. Sanders thanked Dr. King and Mr. Burnidge for the time put into preparing the tentative budget.

3. Public Participation

There were no public comments.

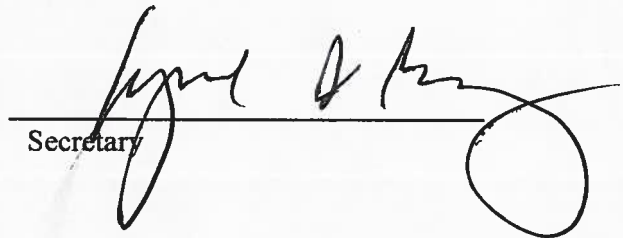
4. Adjournment

Ms. Kerr adjourned the meeting.

Approved this 4th day of June 2018.



President



Secretary