

Transportation Contract – I had reported a few months ago that we were in the final year a three year contract with Illinois Central School Bus providing transportation for the District's students. Although we had the ability to negotiate a renewal up to two years beyond the 2015-16 school year we had not been able to come to an agreement that worked for both parties. That being the case we thought that it might be time to let the market determine the cost rather than negotiate in the blind and with only one vendor.

Bids were opened on Friday, March 4, 2016, to provide transportation to Dixon Public Schools for a three year period beginning in August of 2016 for Fiscal Years 2016/2017, 2017/2018 and 2018/2019. Four firms were provided with bid specifications. Two vendors, Illinois Central School Bus and First Student, submitted bids. Durham School Services provided letters thanking us for the opportunity, but stating they were not submitting a bid at this time and in a follow up email after my inquiry STA/Positive Connections stated, "Due to the distance we chose not to submit."

The District last went out for bids seeking a three year contract in 2013 for the FY 14 school year and this resulted in a 13.75% increase in both regular and special education routes when compared to FY 13. That contract increased by 3% for both the second and third years. This time the low bidder, Illinois Central School Bus, had a regular education daily rate of \$215.00 for FY 17 compared to last year's rate of \$191.01 which was an increase of 12.56% and then 3% for both the second and third years. The FY 17 special education daily rate is \$221.00 compared to last year's rate of \$199.44 which is an increase of 12.56%. These percentage increases mirror the bid which took place three years ago. There are a number of factors impacting costs in the transportation industry and the labor market has a lot to do with pricing at the time of the bid. An ongoing problem is finding and retaining qualified drivers and that cost has increased over time as the local economy has improved.

It will be my recommendation that the Board award a three year transportation contract and accompanying lease for the period of July 1, 2016 through June 30, 2019, to Illinois Central School Bus at the March 16, 2016 meeting.

State of Illinois- School Funding – It seems that the current sentiment is that once the K-12 education funding was authorized in the FY 16 Illinois State Budget, the incentive for the both parties to negotiate was diminished and hence the continual stalemate we are enduring 8 ½ months into the current fiscal year. This could mean that there may be no similar type of carve-out for K-12 funding for FY 17 leaving local school districts in the same situation that the state's higher education institutions are now experiencing. If K-12 funding is not approved, it could mean there would be a scenario where schools are not receiving their state funding at the start of FY 17 when school resumes in August. While you would think neither party would want this, the level of entrenchment is such that some education associations are suggesting that districts plan and communicate for that possibility. State funding made up 27% of the FY 16 Education Fund revenues. There is a distinct possibility that we may not be receiving any of that state funding for

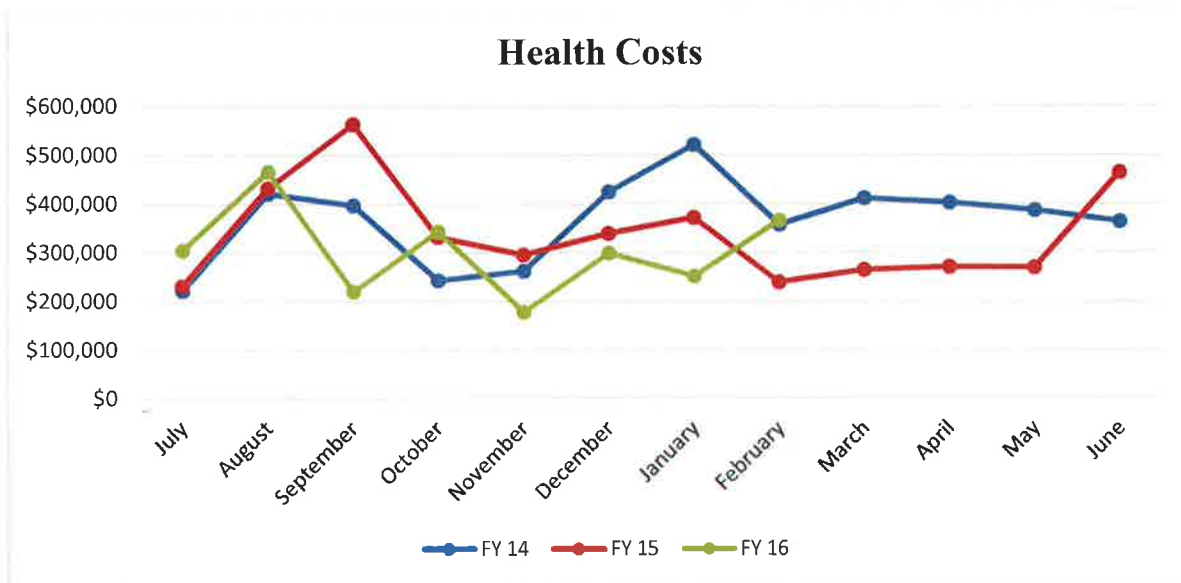
FY 17 until a state budget is crafted and there is speculation that nothing may even be attempted until after the November 2016 election which would be five months into the new fiscal year.

Health Claims – As has been mentioned repeatedly in the past Dixon USD #170 is and has been self-insured for over 25 years. That means that the District utilizes a third party administrator, in our case IPMG, to process and pay claims based on the District’s Health Plan and then purchases excess reimbursement coverage for claimants who exceed \$125,000 per year (there is also an additional aggregating specific of another \$112,000 obligation to the District for claims over the \$125,000 threshold).

Although being self-insured is a very cost effective method of providing health care it can create some budgeting issues in that it is almost essential to budget “worst case scenario.” In addition, we cannot be guaranteed any reimbursement from our excess loss carrier for claimants that exceed \$125,000. There were no excess reimbursements for the 2014-2015 Health Plan Year.

The claim costs first eight months of FY 16 (\$2,429,435) are trending lower than comparable months in FY 15 (\$2,808,929). To date the Board of Education has contributed \$1,850,000 or 83.64% and the employees have contributed \$285,114 or 12.93% of the revenues used to fund the health costs excluding the Flex portion. To date we have spent 64.53% of what was budgeted for health care benefits.

	<u>Health Insurance Claim Costs</u>			<u>Difference</u>
	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 15 v. FY 16</u>
July	\$222,162	\$231,894	\$304,875	(\$72,981)
August	\$421,391	\$432,872	\$466,102	(\$33,229)
September	\$397,066	\$563,910	\$220,212	\$343,697
October	\$243,165	\$332,572	\$343,562	(\$10,990)
November	\$262,462	\$296,013	\$177,750	\$118,263
December	\$424,641	\$339,803	\$298,825	\$40,978
January	\$521,242	\$371,855	\$251,916	\$119,939
February	\$357,697	\$240,010	\$366,194	(\$126,184)
March	\$411,642	\$264,983		
April	\$402,767	\$270,826		
May	\$386,683	\$269,454		
June	<u>\$363,790</u>	<u>\$464,321</u>		
Totals	\$4,414,708	\$4,078,512	\$2,429,435	\$379,494



Life Safety Bonds – As a result of last summer’s 10-Year Health/Life Safety Survey we are obligated to correct the violations identified in all of the District’s buildings. The Board of Education approved the survey in November of 2015 and the Illinois State Board of Education has now approved the submissions. Since a final decision has not been reached on the future of the current Dixon High School building we have worked with the Regional Office of Education and will be afforded more time before having to act on violations at that building.

Since the violations in the other buildings, Reagan, Madison, Jefferson and Washington, will need to be corrected we have begun the planning process. There were three levels identified:

A = Identified as “Urgent” violations that need to be completed within 12 months (ISBE has a narrow focus on these)

B = Identified violations that need to be completed within 5 Years (Most items fall in this category)

C = Identified violations that are recommended (May want to have on your radar going forward and site work (must have all other items corrected and then requires a special public hearing to use LS Funds)

The estimates to bring those four buildings into compliance is \$2,268,234 and since we only had \$246,523 available in the Life Safety Fund at the end of February we will need to sell bonds to fund the projects. I have spoken to the District’s financial advisor, Speer Financial, and bond counsel, Chapman and Cutler, and they have begun that process. We are tentatively looking at the sale of \$2.34 M of Life Safety Bonds (the amount needed plus the cost of issuance) and will publish a Bond Issue Notification Act Notice around the first of April and hold a BINA Hearing at our April Board of Education Meeting. The Bond Sale will take place in May with a closing around the first of June. This timetable allows us to proceed with “A” projects and meet our requirements in timely fashion.