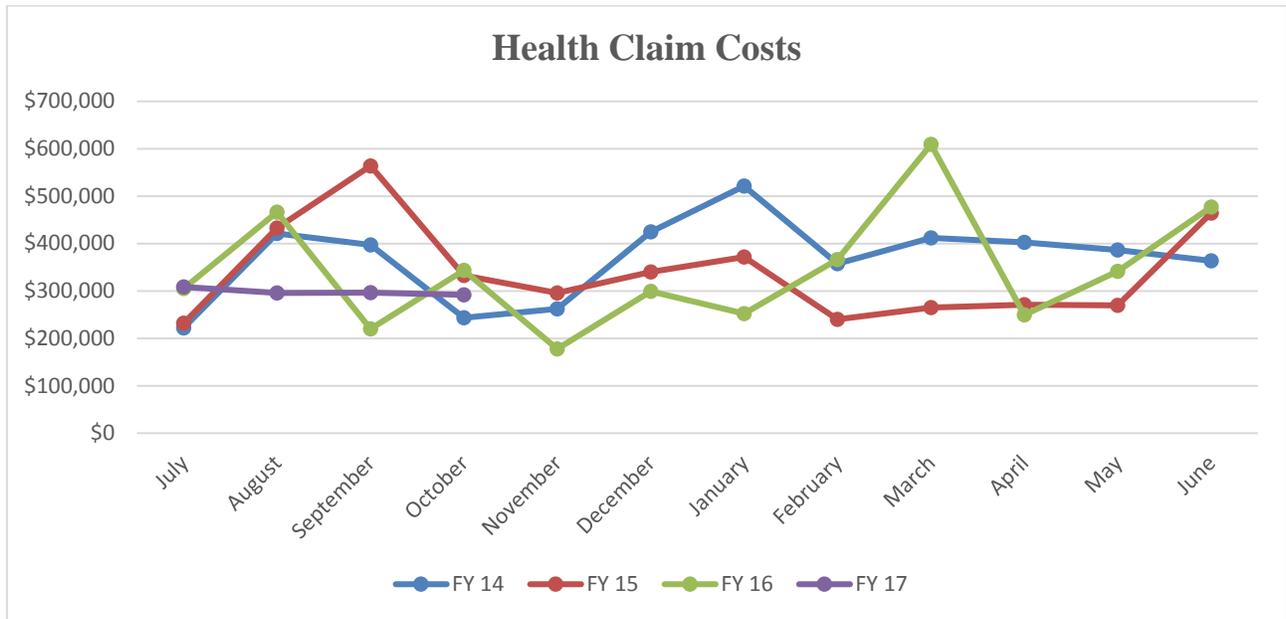


Health Claims – The October 2016 health claims (\$291,870) were remarkably similar to the first three months of this claim year. See the purple (FY 17) line in the chart below. These first four months of the new FY 17 fiscal year are trending better than FY 16. As we have seen in the past it does no good getting too excited since things can change very rapidly.

As is repeatedly mentioned 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. The October 2016 census had 84 employees with single coverage, 157 employees with family coverage (with an additional 393 dependents) meaning the District is currently providing health coverage for 634 individuals.

| | <u>Health Insurance Claim Costs</u> | | | | <u>Difference</u> |
|-----------|--|---------------------|---------------------|---------------------|------------------------------|
| | <u>FY 14</u> | <u>FY 15</u> | <u>FY 16</u> | <u>FY 17</u> | <u>FY 16 v. FY 17</u> |
| July | \$222,162 | \$231,894 | \$304,875 | \$308,581 | \$3,706 |
| August | \$421,391 | \$432,872 | \$466,102 | \$295,643 | (\$170,458) |
| September | \$397,066 | \$563,910 | \$220,212 | \$296,759 | \$76,547 |
| October | \$243,165 | \$332,572 | \$343,562 | \$291,870 | (\$51,692) |
| November | \$262,462 | \$296,013 | \$177,750 | | |
| December | \$424,641 | \$339,803 | \$298,825 | | |
| January | \$521,242 | \$371,855 | \$251,916 | | |
| February | \$357,697 | \$240,010 | \$366,194 | | |
| March | \$411,642 | \$264,983 | \$609,034 | | |
| April | \$402,767 | \$270,826 | \$249,562 | | |
| May | \$386,683 | \$269,454 | \$341,218 | | |
| June | <u>\$363,790</u> | <u>\$464,321</u> | <u>\$477,279</u> | | |
| Totals | \$4,414,708 | \$4,078,512 | \$4,106,528 | \$1,192,853 | (\$141,898) |



2016 Levy – The levy is the amount of money a school district certifies to be raised from property taxes. Our District’s levy process will begin in November and be completed at our December meeting. A tentative levy will be placed on file for a minimum of 20 days before the permanent levy is voted on by the Board of Education and filed with the county clerks (Lee and Ogle) by the last Tuesday in December.

This levy will be extended in the spring and summer of 2017 and represents tax revenues that will be collected to operate the FY 18 (2017-2018) school year. It is important that the Board realizes that the assessed value figure for the 2016 tax year is a projection. We will not have actual 2016 Equalized Assessed Value figures until April or May of next year, but the District will not have the opportunity to amend the 2016 tax levy at that time. Because of this time cycle, the tendency is to estimate the assessed value slightly on the high side. **A taxing body can and probably will get less, but it cannot get more than its levy.**

Although actual 2016 EAV figures will not be available from either Lee or Ogle Counties for several months, estimates from the assessors’ offices show a combined EAV slightly increasing without taking into consideration appeals, exemptions or new construction.

With the ongoing budget issues in Springfield, the uncertainty of what will happen with pending pension legislation and due to our revenue needs in the Education Fund it would be advisable to capture all of the funds we have access to (i.e., Education = \$2.95/\$100 EAV (maximum limit)).

That being the case it may be wise to hold a Truth in Taxation hearing at our December meeting. The Truth in Taxation is required if the current year’s levy request (excluding bond and interest) is more than 5% greater than the prior year’s extension. A notice must be published in the area newspaper no more than 14 and no less than 7 days before the date to of the public hearing. A public hearing must be held where the District explains the reasons for the levy and any increases and then must permit anyone wishing to speak the opportunity to do so.

Keep in mind that we will “Never get more than you are entitled to,” but will merely ensure that we don’t underestimate the District’s EAV.

State of Illinois Budget – The following article was written by James Nowlan in his syndicated column on October 28, 2016 regarding the fact that the State of Illinois does not have a full scale budget in place for the current fiscal year and unless something changes in the near future there isn’t a solution in site. Mr. Nowlan “is a former Illinois legislator and aide to three unindicted governors, and he is the lead author of “Illinois Politics: A Citizen’s Guide” (University of Illinois Press, 2010) and co-author of "Fixing Illinois" (University of Illinois Press, 2014).” Mr. Nowlan gave me permission to use the article in its entirety.

Spineless Lawmakers at Core of Budget Problem

I despair. Speculation is rife among the cognoscenti of Illinois politics that our state might not have a sensible full-year budget, nor an accompanying plan to establish long-term fiscal stability, until 2019! This would be after the November 2018 elections for governor and lawmakers.

If so, unbelievable, unforgivable.

As readers appreciate, enacting a budget is the fundamental action and responsibility of a public body. A budget allocates our values, you might say: more for education this year, less for parks, whatever.

The budget also signals to businesses and our universities what the future will look like, in terms of taxation and likely available resources. Without such helpful signals, business is hesitant to invest within a state, as companies crave predictability and stability.

Meanwhile, our universities and the hundreds of social service agencies that carry out the mission of state government are largely cast adrift without a budget, floundering, some even closing.

For the past nearly two years now, Illinois has operated without a budget blueprint.

As most readers know, Gov. Rauner and lawmakers, led by House Speaker Michael Madigan, have failed to come together on a budget.

Instead, federal and state courts have intervened, telling our state government it must keep spending for most people services, and at pre-2015 rates that are higher than probably would be put in place if governor and legislature could come together.

I talked with Ralph Martire, head of the Center for Tax and Budget Accountability in Chicago. CTBA is a left-leaning organization, yet its research is highly credible.

Here is his thumbnail sketch of where we are.

This fiscal year, our state's general funds are spending \$22 billion as a result of court-ordered outlays. Then, there is \$12 billion in "hard expenditures" we must pay for debt service, pensions and transfers to local governments and Medicaid accounts.

We can add to those totals another \$6 billion in unpaid bills. For example, the state is as much as 673 days late in reimbursing medical providers for employee health care services. By the way,

vendors who can do so are almost pleased to wait for payment, as they receive 12 percent penalty payments for doing so.

These expenditures total \$40 billion for the year, but we have only \$30 billion in revenue coming into the general funds to pay all these bills.

Of course, we say we must tighten our belts. And, of course, we always can do some of that, but less than you might imagine.

Annual state pension payments of \$7.2 billion are mostly debt service for underfunding pensions and sweetening them in years past, and the state high court has said we must pay them.

During the past decade or so, the state also has cut expenditures for schools, universities and social services significantly.

State employee numbers are down, from 89,000 in 2001 to 64,500 last year. For example, the 90 miles of state trails along the Hennepin Canal in central Illinois, where I enjoy walking, had 22 employees in 2008, yet now number just four.

All I am saying here is cutting "waste and corruption," the default budget-cutting option of the public, sure won't alone erase a \$10 billion budget shortfall.

Again, as many know, the governor and House speaker, from different parties and world views, never seriously tried at the beginning of Rauner's term in 2015 to craft a budget. Neither has ever seriously reached out to the other, and neither has blinked as to who will do so first. These men, awash in overweening pride, are both equally to blame, in my eyes.

To address the problem, my friend, Martire, would raise taxes much more than policymakers will ever do. He would boost the individual income tax to 5 percent while also broadening both that tax and the sales tax.

Whatever the ultimate compromise, every day of delay on a compromise budget plan only deepens our budget deficit.

The state of Illinois and its 13 million residents are being held hostage. Universities crumble and businesses flee or withhold investment, even though the state has incomparable strengths in transportation infrastructure, location, water and more.

This past year, our state's newspapers came together. On a single day, they emblazoned their front pages with the simple cry from the heart: "Enough!" the headlines read.

The editors called for budget action — and alarmed policymakers responded, at least with a partial short-term budget to get them through the November elections.

It's time for another such exhortation.

If — and I hope I'm proved wrong — the state goes until 2019 without a real budget, Gov. Rauner will go down as the worst governor in the history of our fine state. And our lawmakers will be viewed into posterity for having been as spineless as amoeba for failing to rise up and demand that governor and speaker lead the state to a better future.

State of Illinois Pension – Yvette Shields in the Bond Buyer wrote the following on November 8, 2016 regarding the Illinois Pension situation:

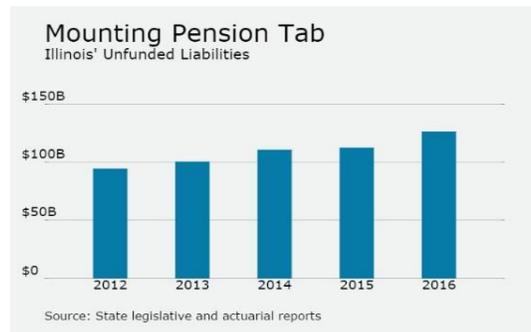
“The picture for Illinois’ state employee pensions has become bleaker, with a \$12 billion increase in unfunded liabilities that already top the \$100 billion mark and **a \$1 billion increase in the state’s scheduled contributions next year.**

The updated data comes from fiscal 2016 draft actuarial reports released by the state’s five retirement funds and its preliminary contribution requests for fiscal 2018, which were approved by the system’s boards at recent meetings.

The cash-strapped state tentatively will owe \$8.8 billion to the state’s five funds in fiscal 2018. That’s up 12.7% from the \$7.8 billion the state is paying in fiscal 2017, which began July 1.

The state’s unfunded liabilities, meanwhile, rose to \$126.5 billion in fiscal 2016 from \$112.9 billion a year earlier and the funded ratio deteriorated to 39.2% from 40.9%.

The funds must submit a preliminary contribution amount by a Nov. 1 state deadline.”



Below is a breakdown by fund.

| State of Illinois Statutorily Required Pension Contributions: FY2017-FY2018 (in \$ thousands) | | | | |
|--|--------------------------|----------------------------|---------------------|---------------------|
| | FY2017 Actual | FY2018 Proposed | \$ Change | % Change |
| Teachers | \$3,986,583.4 | \$ 4,564,952.7 | \$ 578,369.3 | 14.5% |
| State Employees | \$2,014,461.0 | \$ 2,327,649.0 | \$ 313,188.0 | 15.5% |
| Universities | \$1,671,426.0 | \$ 1,753,873.0 | \$ 82,447.0 | 4.9% |
| Judges | \$ 131,334.0 | \$ 146,766.0 | \$ 15,432.0 | 11.8% |
| General Assembly | \$ 21,721.0 | \$ 26,679.0 | \$ 4,958.0 | 22.8% |
| Total | \$7,825,525.4 | \$ 8,819,919.7 | \$ 994,394.3 | 12.7% |

Source: Teachers' Retirement System of the State of Illinois, *Preliminary Actuarial Valuation and Review of Pension Benefits as of June 30, 2016*, October 19, 2016, p. 4; State Employees' Retirement System of Illinois, *Draft Annual Actuarial Valuation as of June 30, 2016*, October 21, 2016, p. 4; State Universities Retirement System of Illinois, *Actuarial Certification of Required State Contribution for State Fiscal Year 2018*, October 21, 2016; Judges' Retirement System of Illinois, *Draft Annual Actuarial Valuation as of June 30, 2016*, October 21, 2016, p. 3; General Assembly Retirement System of Illinois, *Draft Annual Actuarial Valuation as of June 30, 2016*, October 21, 2016, p. 3; Commission on Government Forecasting and Accountability, *Illinois State Retirement Systems Financial Condition as of June 30, 2015*, March 2016, p. 126.