June 2017 BusineSS Report

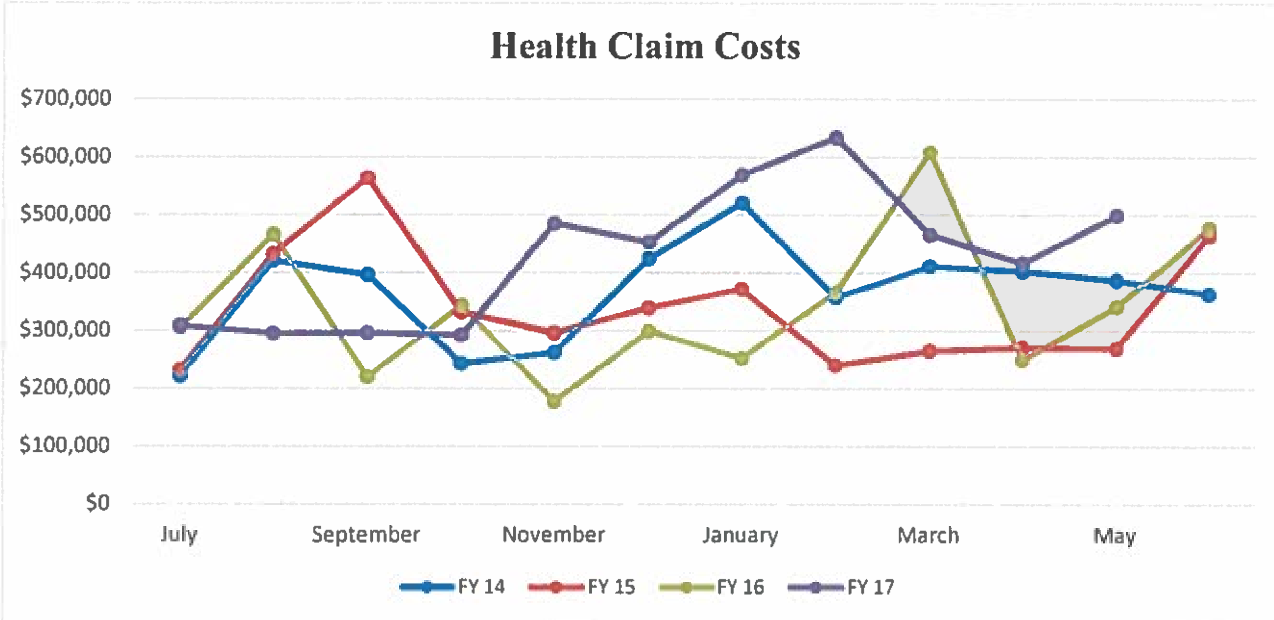
BY DAVE BLACKBURN

Health Claims – The June 2017 health claims ($499,554) were once again higher than the similar months in previous three claim years. See the purple (FY 17) line in the chart below. These first eleven months of the new FY 17 fiscal year are trending considerably higher than FY 16 and we are currently $1,087,717 higher than we were at this time last year.

As is repeatedly mentioned in the past, Dixon USD #170 is and has been self-insured for over 30 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). We have received $301,975 in excess reimbursement so far this fiscal year. Even with higher claim costs this year, being self-insured remains a very cost effective method of providing health coverage.

Health Insurance Claim Costs

	FY 14	FY 15	FY 16	FY 17	Difference FY 16 v. FY 17
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	$485,458	$307,709
December	$424,641	$339,803	$298,825	$452,775	$153,950
January	$521,242	$371,855	$251,916	$569,301	$317,384
February	$357,697	$240,010	$366,194	$634,151	$267,957
March	$411,642	$264,983	$609,034	$465,978	($143,056)
April	$402,767	$270,826	$249,562	$416,898	$167,335
May	$386,683	$269,454	$341,218	$499,554	$158,335
June	$363,790	$464,321	$477,279		
Totals	$4,414,708	$4,078,512	$4,106,528	$4,716,967	$1,087,717



State of Illinois Mandated Categorical Payments - As of June 8, 2017 we have not received our second categorical payments for Special Education: Private Facility Tuition, Funding for Children Requiring Sp. Ed. Services and Personnel or for Transportation: Reg./Voc. and Special Education. FRIS status shows that the second and third payments have been disbursed, but not yet processed by the Comptroller's Office while the fourth payment is scheduled.

		1st Payment 9/30/2016 Disbursed 9/28/2016 Processed 4/21/2017	2nd Payment 12/30/2016 Disbursed 12/27/2016	3rd Payment 3/30/2017 Disbursed 3/28/2017	4th Payment 6/20/2017 Scheduled	Total
Education Fund						
3100	Sp. Ed. Private Facility	$53,235	$52,812	$52,812	$52,812	$211,671
3105	Fund Child Require Sp. Ed.	$89,282	$89,282	$89,282	$89,282	$357,128
3110	Sp. Ed. Personnel	$108,300	$108,300	$108,300	$108,300	$433,200
		$250,817	$250,394	$250,394	$250,394	$1,001,999
Transportation Fund						
3500	Reg. & Voc.	$83,913	$82,971	$82,969	$82,970	$332,823
3510	Sp. Ed.	$140,742	$138,690	$140,330	$140,330	$560,092
		$224,655	$221,661	$223,299	$223,300	$892,915

Since we have already received 100% of our local property taxes from the 2015 levy extended in 2016, for the FY 17 school year there isn't much more revenue outstanding other than these categorical payments which are being severely delayed due to the state's backlog of owed payments.

We had a fund balance of $772,377 in the Transportation Fund as of 6/30/16 (the end of FY 16). Since we were short of cash in the Transportation Fund going into April a loan from the Working Cash Fund, the District's "In-house Bank," required board action at the April 19, 2017 Board of

Education meeting authorizing the Treasurer to transfer $669,614.39 from the Working Cash to the Transportation Fund. This was a loan which allowed us to meet our FY 17 Transportation obligations and afford us some time to determine if, or when, the State of Illinois processes the remaining three categorical payments owed. With that resolution we are obligated to repay the Working Cash Fund back the amount borrowed.

State of Illinois Budget – The regular legislative session ended on May 31, 2017 without a FY 18 State of Illinois budget. This is the third straight year without a full budget. The Senate had worked for months on bipartisan reforms, labeled the "Grand Bargain," with legislation consisting of: revamping the education funding formula, an increase in the state income tax, local government consolidation, worker's compensation, pension reform, a temporary property tax freeze and a number of other items. The negotiations were facilitated by Senate President John Cullerton and Minority Leader Christine Radogno and their assigned designees. Those talks seemed to have intentionally excluded both Governor Bruce Rauner and Speaker Michael Madigan. There seemed to be progress being made on some negotiated bills between Democrats and their Republican colleagues, but when it came time to vote on the bargain bills it appeared to a lot of those observing as if the Governor killed the talks by convincing Republican Senators to vote in opposition because he didn't get everything he wanted. Although the bills contained some of the provisions sought by the Republicans, including spending cuts and some reforms, Senate Democrats were forced to pass the bills by themselves (with only 30 votes required). Negative political robocalls aimed at certain Democrats began immediately after the vote signifying there is no longer any offseason for partisan campaigns.

Passing a bill in the house would have required 60 votes and apparently the Speaker was not willing to ask 60 members of his party to take that vote (without any Republican support) and be subjected to the partisan attacks leveled on the Senate Democrats. That is probably especially true in this hyper-political environment if the Speaker felt the Governor would just veto the legislation sent to him. The trust factor may be at an all-time low and that doesn't lend itself to any worthwhile communications or an agreement. Now that we are beyond the May 31st deadline, the rules require that anything they pass must get a super-majority. This means that any budget legislation passed will require participation by the Republicans to get 71 votes in the House. The Senate will now require 36 votes during the overtime session to pass legislation.

In ***Crain's Chicago Business***, ***Rich Miller***, Publisher of ***Capital Fax,*** wrote the following on June 2, 2017 his weekly syndicated column, "The governor could've accepted a two-year property tax freeze proposed by both Senate Democrats and Republicans as a down payment on reform. That freeze would've gotten him through the 2018 election and he could've warned voters that the Democrats would never pass another freeze if he was defeated. The Senate's freeze proposal even included provisions for local referendums in 2018 to let voters decide whether or not to keep their freezes. That would've helped the governor gin up turnout among his Republican base next year. But Rauner wouldn't compromise with the Senate and here we are with nothing.

He continued, "We as a state have starved our universities nearly to death, devastated the social safety net and, in the process, piled up billions of dollars in unpaid bills, **including the $1.1 billion currently owed to K-12 schools that the state has no way to pay anytime soon.** Rauner's reforms also won't do much of anything to ease the damage from the much-needed "cure." The longer Illinois waits, the higher the taxes will have to rise and the deeper the cuts will have to go."

Here is the part that Dixon #170 and all Illinois K-12 school districts need to be concerned about, "The only thing that literally everyone is deathly afraid of is a K-12 school shutdown. There's a reason why Gov. Rauner vetoed everything out of the budget passed in 2015 except K-12 funding. The same goes for including K-12 in the last-minute 2016 stopgap funding deal.

As long as they can "contain" the damage, the warring parties can continue their bizarre dispute. But a school shutdown would literally bring out the torches and pitchforks.

The governor has said repeatedly that he won't sign a partial budget without permanent property tax relief and term limits, which puts him in a horrible box. But a flip-flop would likely go mostly unnoticed if schools open on time.

Will the Democrats pass a partial budget for schools? I assume the House would. Speaker Madigan seems to prefer this war. The Senate Democrats might be another story. They could impose the terms of surrender during an extreme crisis because their chamber has already courageously approved those terms – a budget, revenues and reforms. They may have to step up again and refuse to do a stopgap and finally bring this thing to an end."

100th General Assembly

	Senate		House
# of Members	59		118
During Session Votes Needed	30		60
Overtime Session Super Majority	36		71
Democrats	**37**		***66**
Republicans	**22**		**51**

*The 85th House District is currently vacant. Rep. Emily McAsey (D-Joliet) resigned 6/2/17.

Without any FY 18 General State Aid support (GSA is typically 22 payments, twice per month beginning in August – 23 of the FY 17 payments were $205,765 and one was $187,763) from the State of Illinois the District would be forced to rely solely on local property taxes to initially fund the upcoming school year. Looking at when the District typically gets those tax payments from the Lee and Ogle County Treasurers we may be able to fund operations through the first semester, but it is doubtful that we would be able to operate the entire year. Below is the local property tax payment schedule from last year.

Lee County	Ed Fund	Local Property Taxes Ogle County	Ed Fund	Ed Fund Total	
		6/17/2016	$424,464	$424,464	June
7/13/2016	$2,969,819	7/14/2016	$89,617	$3,059,436	July
8/16/2016	$1,560,353	8/17/2016	$36,492	$1,596,845	August
9/27/2016	$2,535,193	9/16/2016	$289,200	$2,824,393	Sept
		10/20/2016	$22,566	$22,566	Oct
11/22/2016	$2,183,949	11/14/2016	$11,696	$2,195,644	Nov
		11/18/2016	$89	$89	Dec
1/23/2017	$2,460			$2,460	Jan
	$9,251,772		$874,124	$10,125,896	Total

Bond Issuance History – Looking back over the past 30 years I have put the information below together to show what the District has done in regard to borrowing to correct Health Life Safety violations and the addition to then Madison School which became Reagan Middle School.

	Life Safety Bonds	Building Bonds	Bond Repayment Through	Length of Bond Issuance	
1987	$7,370,000		2007	20	Sold to Correct Ten Year Life/Safety Survey Violations
1994		$6,700,000	2014	20	Sold to Construct the Reagan Middle School Addition
2008	$3,195,000		2022	14	Sold to Correct Ten Year Life/Safety Survey Violations
2014	$3,700,000		2024	10	Sold to Correct Ten Year Life/Safety Survey Violations Reagan/Madison Only
2016	$2,245,000		2028	12	Sold to Correct Ten Year Life/Safety Survey Violations Washington, Jefferson & Reagan/Madison Only
2017	$21,390,000		2037	20	Sold to Correct Ten Year Life/Safety Survey Violations Dixon High School

In addition, the District has periodically restructured the debt when the interest rates afforded the taxpayers a savings.

	Refunding Bonds	Bond Repayment Through	Length of Bond Issuance	Bonds Refunded (Defeased Debt)
1992	$5,470,000	2007	15	$5.346M 1987 Bonds
1996	$3,045,000	2014	18	$0.4M 1987 LS & $2.355M 1994 Building Bonds
2000	$3,775,000	2007	7	$3.655M 1992 Refunding Bonds
2002	$2,380,000	2010	8	$2.265M Retirement of Existing 1994 Debt
2003	$2,510,000	2014	11	$2.3905M Retirement of Existing 1996 Debt

The pattern for the past 30 years is to wrap the new debt around the existing in an attempt to figure out what is fair to the taxpayer and keep the tax rate relatively consistent without large spikes or dips. The smaller issuances ($2.2 – 3.7M) have ranged from 10 to 14 years and a few of the restructuring issuances ($2.38 – 3.775M) have been less. Since most of the life safety improvements/repairs have a longer useful life (i.e., roof = 20 years, bleachers = 20+ years, HVAC/mechanical = 20+ years, masonry repairs/tuck pointing = 20+ years, etc.) it is commonplace for school districts, with the consent of their financial advisors and bond counsel, to design the repayment of the bonds to extend out to 20 years to match the expected life of the improvements.