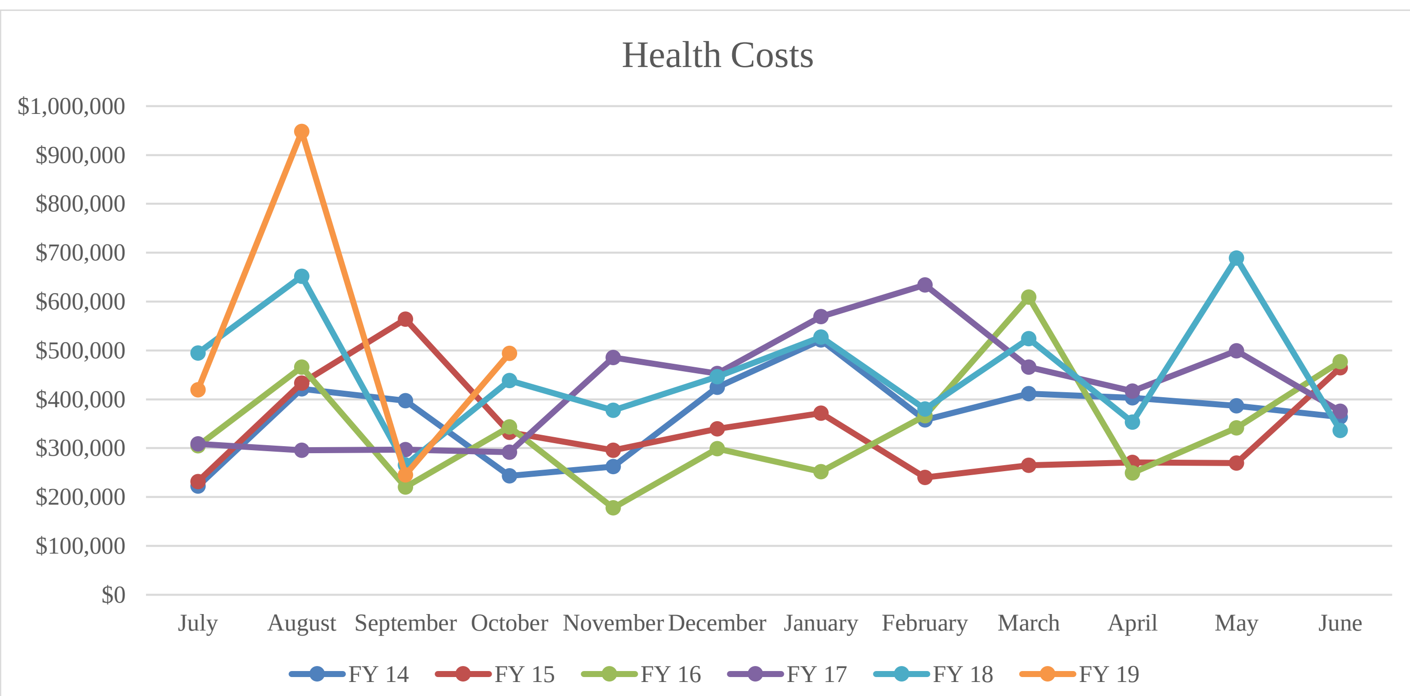
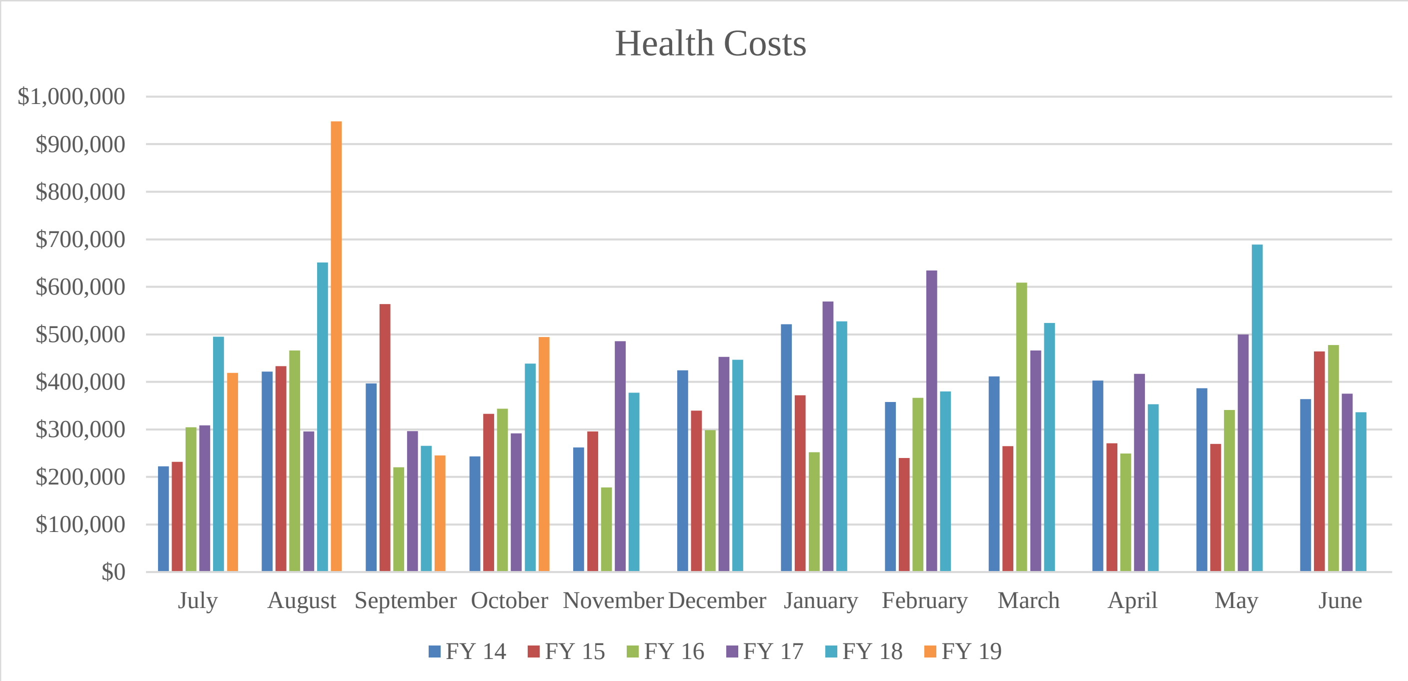
November 2018 Busine$$ Report

BY DAVE BLACKBURN

Health Claims – The October 2018 health claims of $494,083 was higher to the last five years' October costs. See the orange lines (FY 19) in the charts below. We have spent $256,266 more than last year at this time.

Health Insurance Claim Costs							**Difference**
	FY 14	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 18 v. FY 19**
July	$222,162	$231,894	$304,875	$308,581	$494,819	$419,087	($75,732)
August	$421,391	$432,872	$466,102	$295,643	$651,398	$947,930	$296,532
September	$397,066	$563,910	$220,212	$296,759	$265,806	$245,585	($20,221)
October	$243,165	$332,572	$343,562	$291,870	$438,396	$494,083	$55,687
November	$262,462	$296,013	$177,750	$485,458	$377,441		
December	$424,641	$339,803	$298,825	$452,775	$446,263		
January	$521,242	$371,855	$251,916	$569,301	$527,056		
February	$357,697	$240,010	$366,194	$634,151	$379,903		
March	$411,642	$264,983	$609,034	$465,978	$524,062		
April	$402,767	$270,826	$249,562	$416,898	$353,226		
May	$386,683	$269,454	$341,218	$499,554	$688,841		
June	$363,790	$464,321	$477,279	$375,392	$336,172		
Totals	$4,414,708	$4,078,512	$4,106,528	$5,092,359	$5,483,382	$2,106,685	$256,266





As has been 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).

County School Facility Tax – Dixon Public Schools' July sales tax amount was $121,787.41 (our 13th payment). Two months ago we began allocating $60,000/month to the Bond & Int. Fund - 30 to meet our future bond payment obligation. The remaining $61,787.41 will go in Capital Projects Fund – 60.

Countywide Sales Tax Revenues

		FY 18	FY 19
	July	$112,390.43	$121,787.41
	August	$114,519.33	
	September	$114,384.71	
	October	$110,898.10	
	November	$115,962.00	
	December	$123,609.44	
	January	$93,605.52	
	February	$88,089.56	
	March	$110,296.18	
	April	$104,551.20	
	May	$130,584.99	
	June	$131,214.25	
YTD		$1,350,105.71	$121,787.41

State of Illinois Mandated Categorical Payments – Transportation – On November 9, 2018 the Illinois State Board of Education has put in for disbursement $105,242.26 in Regular and Vocational Transportation and $268,894.64 in Special Education Transportation (Total currently owed by the State = $374,136.90) and it is awaiting processing by the Comptroller's Office.

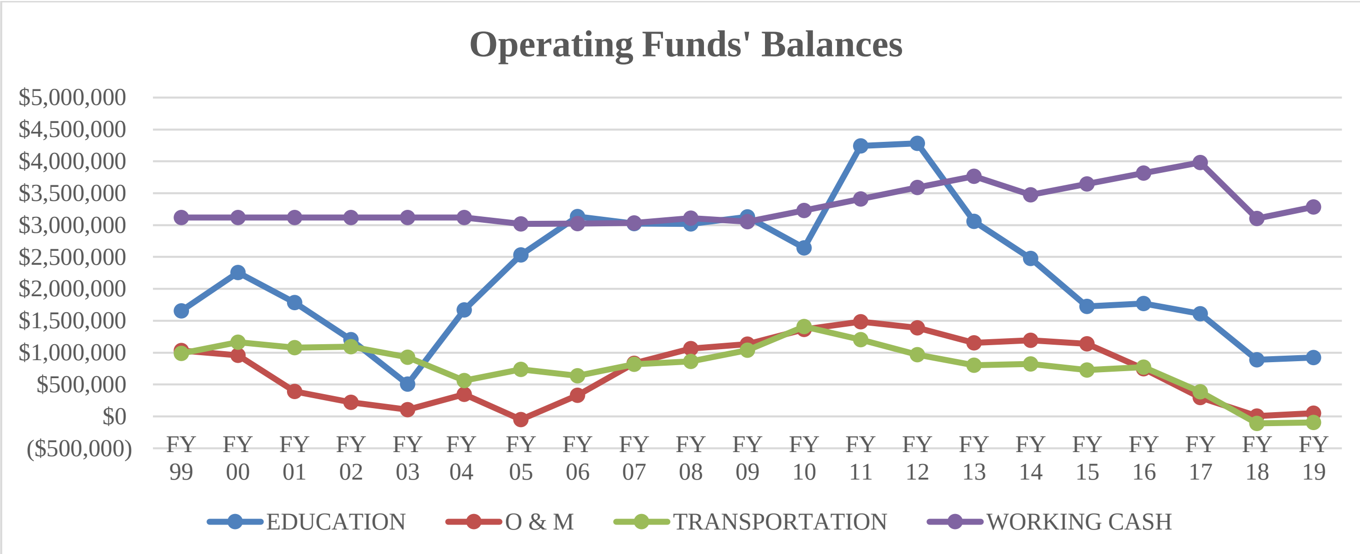
As of 10/31/18 the Transportation Fund had $728,341, including funds in investments, according to the Treasurer's Report. To date we have received $547,463 in local property taxes for the 2018-2019 school year. This is 76.25% of the $714,743 budgeted.

In April of 2017 the Board of Education authorized a loan in the amount of **$669,614.59** from the Working Cash Fund to our Transportation Fund due to the fact that we had not received any State of Illinois Mandated Categorical Transportation Funding. **That loan is still owed to the Working Cash Fund**. We will continue to monitor the situation and see how the timely the state makes the transportation payments during this fiscal year. We probably won't be able to repay the entire amount loaned from the Working Cash fund during this fiscal year, but we may be able to reduce the amount owed.

FY 18 Audit/Future – The District's FY 18 audit was presented by Wipfli's Matt Schueler at the October 17, 2018 meeting. A question arose after the presentation about the status of the Education Fund going forward.

FY 14	FY 15	FY 16	FY 17	FY 18	Estimated FY 19	FUND BALANCES ALL FUNDS
6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	
$2,476,815	$1,726,060	$1,769,984	$1,609,056	$890,128	$924,349	EDUCATION
$1,193,785	$1,137,199	$749,459	$295,020	$4,675	$51,663	O & M
$634,519	$637,670	$645,755	$604,899	$1,088,181	$1,601,075	BOND & INTEREST
$821,703	$727,139	$772,377	$384,502	($108,919)	($93,764)	TRANSPORTATION
$467,253	$519,581	$302,432	$386,102	$476,721	$440,723	IMRF/SS
$46,798	$46,920	$47,074	$47,255	$8,776,098	$8,192,144	CAPITAL PROJECTS
$3,474,447	$3,643,709	$3,813,777	$3,982,151	$3,105,768	$3,284,379	WORKING CASH
$253,172	$139,333	$70,720	$47,933	$171,413	$250,387	TORT FUND
$1,815,879	$422,788	$1,641,266	$21,184,475	$12,436,193	$1,007,552	FIRE PREVENTION & SAFETY
$11,184,371	$9,000,399	$9,812,844	$28,541,393	$26,840,258	$15,658,508	

FY 14	FY 15	FY 16	FY 17	FY 18	Estimated FY 19	OPERATING FUNDS
$2,476,815	$1,726,060	$1,769,984	$1,609,056	$890,128	$924,349	EDUCATION
$1,193,785	$1,137,199	$749,459	$295,020	$4,675	$51,663	O & M
$821,703	$727,139	$772,377	$384,502	($108,919)	($93,764)	TRANSPORTATION
$3,474,447	$3,643,709	$3,813,777	$3,982,151	$3,105,768	$3,284,379	WORKING CASH
$7,966,750	$7,234,107	$7,105,597	$6,270,729	$3,891,652	$4,166,627	



At this time last year, with the original FY 18 budget, we were looking at an Ed Fund deficit of ($589,351). This ultimately became a deficit of ($718,928), primarily due to elevated health care costs. Since the local EAV grew by 3.63% for the FY 19 school year and since the state increased their education funding commitment we are hoping that this year's budget in the Education Fund is balanced and slightly in the black. Once again we are subject to what actually happens with the health costs.

Although we are not expecting the EAV to increase nearly as much for next year we will have three certified staff retiring at the end of this school year which will afford some savings for the FY 20 school year. On a larger scale we also have ten certified teaching staff and two administrators retiring at the end of FY 20. Since two of those are in the MS +15 lane and eight are in the MS +30 lane and toward the bottom steps there will be sizable savings realized even if all of the positions are replaced. As current staff turns over to new staff there will either be less individuals covered by our health plan or if a staff member elects family coverage the family premiums will better offset the costs incurred.

2018 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 2019 and represents tax revenues that will be collected to operate the FY 20 (2019-2020) school year. It is important that the Board realizes that the assessed value figure for the 2018 tax year is a projection. We will not have actual 2018 Equalized Assessed Value figures until April or May of next year, but the District will not have the opportunity to amend the 2018 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 2018 EAV figures will not be available from either Lee or Ogle Counties for several months, estimates from the assessors' offices show a combined EAV remaining somewhat flat without taking into consideration appeals, exemptions or new construction.

Had we been experiencing higher property values or greater growth it would probably be advisable 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. Since we aren't seeing higher property values or greater growth I believe we can capture all that we are entitled to without exceeding the 5% threshold which won't require the Truth in Taxation hearing. This may not always be the case and needs to be revisited at this time each year.

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. 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 allowable rate)). We will stay under the 5% ask

Teacher's Retirement System Pension Obligation (State of Illinois) – The following was reported by Rich Miller on Capital Fax on Thursday, November 1, 2018:

The largest state-funded pension system said Wednesday it will need a 10 percent increase in its state contribution in next year's budget.

The Teachers' Retirement System said the state will have to kick in more than $4.8 billion for the next budget that will start July 1, 2019. That's ***an increase of about $400 million from the current budget****.*

"TRS investments had a good year, but we cannot invest our way out of this problem," TRS executive director Dick Ingram said in a statement. "The unfunded liability is too large and grows every year."

Years of underfunding of all five state-funded systems have left the state pension systems in debt to the tune of at least $130 billion. More than $73 billion of that is from TRS. Ingram said paying off that debt accounts for 76 percent of the state's annual contribution to the teacher retirement fund. Without those costs, the state would only have to pay $1.2 billion in the next budget.

This obligation is partially due to the reporting GASB rules changes we have discussed in the past and the built in "Edgar Ramp" repayment schedule previously adopted. Although it is not really unforeseen news and is somewhat predicable it can't be considered good news for Education when this obligation is coupled with the desired annual increase prescribed in new school funding formula.