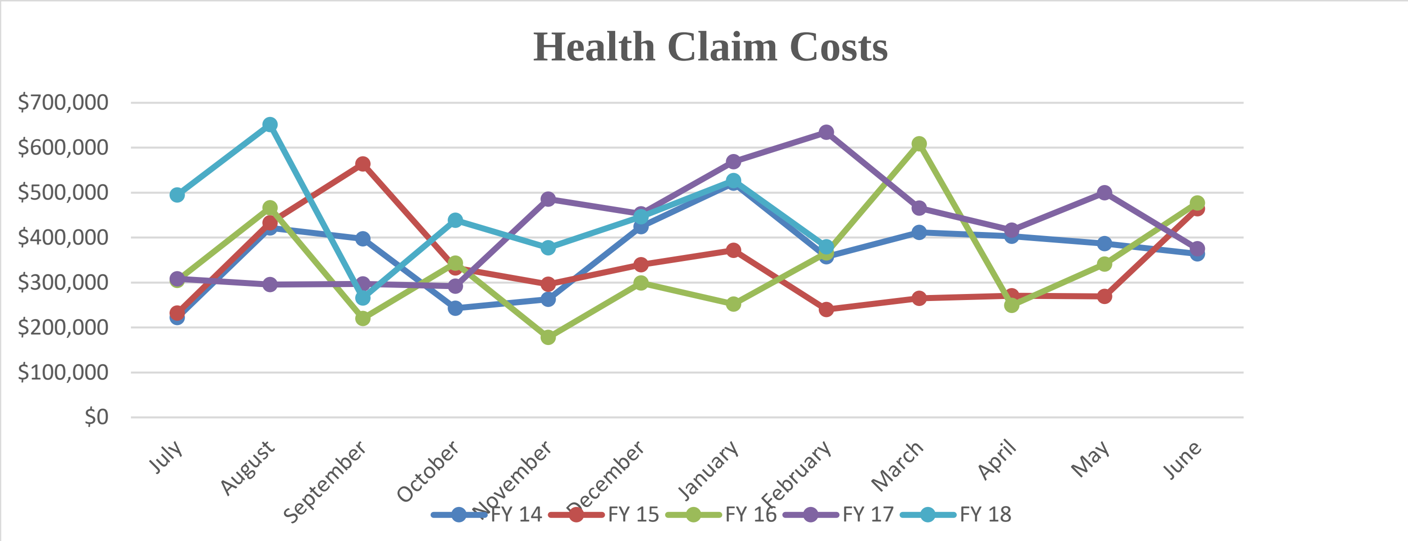
March 2018 Busine$$ Report

BY DAVE BLACKBURN

Health Claims – The February 2018 health claims of $379,903 were lower than last year's February costs. See the blue line (FY 18) in the line chart below. In the first eight months of the fiscal year the Board has provided $3,050,000 (84.02%) toward health claim costs while the employees have contributed $301,903 (8.32%) in premiums. We are currently exceeding last year's expenses by $246,544 over the first eight months of the fiscal year.

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). 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."

Health Insurance Claim Costs						**Difference**
	FY 14	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 17 v. FY 18**
July	$222,162	$231,894	$304,875	$308,581	$494,819	$186,239
August	$421,391	$432,872	$466,102	$295,643	$651,398	$355,755
September	$397,066	$563,910	$220,212	$296,759	$265,806	($30,953)
October	$243,165	$332,572	$343,562	$291,870	$438,396	$146,526
November	$262,462	$296,013	$177,750	$485,458	$377,441	($108,017)
December	$424,641	$339,803	$298,825	$452,775	$446,263	($6,512)
January	$521,242	$371,855	$251,916	$569,301	$527,056	($42,245)
February	$357,697	$240,010	$366,194	$634,151	$379,903	($254,249)
March	$411,642	$264,983	$609,034	$465,978		
April	$402,767	$270,826	$249,562	$416,898		
May	$386,683	$269,454	$341,218	$499,554		
June	$363,790	$464,321	$477,279	$375,392		
Totals	$4,414,708	$4,078,512	$4,106,528	$5,092,359	$3,581,082	$246,544



County School Facility Tax – Dixon Public Schools' November sales tax amount of $115,962 (our fifth payment) was mailed on March 5, 2018. The revenue will be once again placed in the Capital Projects – Fund 60 and can only be used for new facilities, additions & renovations, security, entrances, safety, disabled access, architectural planning, energy efficiency, parking lots, issuing bonds or retiring bonds. To date the District has spent $341,027 from this fund for architectural/mechanical design with Green Associates and Russell Construction for construction management services. All of this design work was necessary in advance of finalizing bid specifications and going out for the January, February and upcoming bid packages involving a portion of the geothermal at three buildings, secure vestibule at DHS and the elevators at two buildings.

Countywide Sales Tax Revenues

2017			
	July	$112,390.43	11.6.2017
	August	$114,519.33	12.6.2017
	September	$114,384.71	1.13.2018
	October	$110,898.10	2.6.2018
	November	$115,962.00	3.5.2018
	December		
2018			
	January		
	February		
	March		
	April		
	May		
	June		
FY 18		$568,154.57	

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State of Illinois Mandated Categorical Payments – Transportation – We are eight months into the fiscal year and **we finally received our first transportation categorical payments** from the State of Illinois on 2/13/18. **We received $113,918.65 for regular and vocational transportation and $172,861.71 for special education**. The second payment has been disbursed, but has not been processed by the Comptroller's Office. The Illinois State Board of Education's Financial Reimbursement Information System shows that we have been allotted $462,246.53 in Regular and Vocational Transportation and $700,156.02 in Special Education Transportation (Total State = $1,162,402.50).

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**. Prior to that loan we had relied on the fund balance in the Transportation Fund and the local property tax ($0.20 per $100 EAV) revenues levied for transportation purposes. We needed the loan in order to meet our transportation obligations. We then received our first transportation payment on 4/21/17 and our second on 6/21/17 prior to the end of the FY 17 Fiscal Year on 6/30/17. The third FY 17 payment arrived on 8/10/17 and the fourth, and final, on 10/23/17. All FY 17 state transportation funds were finally received four months into the new fiscal year, but that same late payment schedule seems to be unfolding again this fiscal year.

As of 2/28/18 the Transportation Fund had $662,770, including funds in investments, according to the Treasurer's Report. We have received $691,351 in local property taxes which is 99.76% of what was expected and there will be very little more to be received. Until we receive the remaining state transportation funding and have adequate funds to operate it seems pointless to repay the working cash loan.

Transportation - Regular and Vocational

Schedule Date		Amount	Status	Processed by Comp.
9/30/2017	$	113,918.65	Disbursed	2/3/2018
12/30/2017	$	116,109.29	Disbursed	
3/30/2018	$	116,109.29	Scheduled	
6/15/2018	$	116,109.29	Scheduled	
	$	462,246.52		

Transportation - Special Education

Schedule Date		Amount	Status	Processed by Comp.
9/30/2017	$	172,861.74	Disbursed	2/3/2018
12/30/2017	$	175,765.02	Disbursed	
3/30/2018	$	175,765.02	Scheduled	
6/15/2018	$	175,765.02	Scheduled	
	$	700,156.80		

Pension Cost Shift to Local School Districts – In his February 14, 2018, State of the State Address Governor Bruce Rauner proposed a nearly $700 million savings to the State of Illinois by shifting the employer portion of teachers' pension contributions over to local school districts. The state has traditionally paid that cost. His plan was for this to be phased in over the next four years which is considerably faster than any past pension shift proposals.

The governor's justification for the shift was that if pension costs were paid by the local governments, they'd have greater incentive to reduce that burden. He has promised to follow up with legislation giving schools "the tools they need to more than offset the costs." He has previously proposed restrictions on collective bargaining by local government employees, but legislation along those lines hasn't come close to the 60 votes needed in the House or 30 in the Senate. It is highly unlikely that he would support the ability of local school districts to levy for the required pension obligation since a property tax freeze has been one of the components of the Turnaround Agenda he has tried to promote over the course of his term.

This pension shift suggestion comes in advance of any Illinois school districts receiving any of the new funding provided by the Evidence Based Funding Model recently adopted for fiscal year 2017/2018. That new funding method requires upwards of $350M in new money each fiscal year for 10 years in order reach the adequacy target it is aiming at. The funding law prioritizes state money to needier districts. "For a man who seized upon school funding reform as his greatest accomplishment as governor, he certainly does not seem inclined to make sure the new formula is given a chance to work," said Democratic Sen. Andy Manar of Bunker Hill, who sponsored the funding overhaul.

The consensus is that by picking up these pension costs it would have devastating effects and make inequity far worse. Below is a cost shift estimate with Dixon Unit School District's current and estimated obligation in yellow

Pension Cost Shift Estimate - February 14, 2018 Proposal

		FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21	FY2021-22
Actual					Estimated	Estimated	Estimated	Estimated	Estimated
Earnings	**TRS Earnings**	$12,449,324	$12,530,080	$12,512,516	$12,550,000	$12,801,000	$12,501,000	$12,751,020	$13,006,040
	Y/Y % Change		0.65%	-0.14%	0.30%	2.00%	-2.34%	2.00%	2.00%
TRS Rates	**Employer Rate**	0.58%	0.58%	0.58%	0.58%	0.58%	0.58%	0.58%	0.58%
	Normal Cost	8.02%	9.36%	8.27%	10.10%	9.85%	9.85%	9.85%	9.85%
Prop. Shift	**Dist Responsibility**	0%	0%	0%	0%	25%	50%	75%	100%
	State Responsibility	100%	100%	100%	100%	75%	50%	25%	0%
	Dist Normal Cost %	0.00%	0.00%	0.00%	0.00%	2.46%	4.93%	7.39%	9.85%
	State Normal Cost %	8.02%	9.36%	8.27%	10.10%	7.39%	4.93%	2.46%	0.00%
	District Cost	$0	$0	$0	$0	$315,225	$615,674	$941,982	$1,281,095
	State Cost	$998,436	$1,172,815	$1,034,785	$1,267,550	$945,674	$615,674	$313,994	$0
						FY2018-19	**FY2019-20**	**FY2020-21**	**FY2021-22**

Since the Governor floated the idea Representative David McSweeney (R -52) has introduced HR 27 - EDUCATION PENSION COST SHIFT which declares "The opinion of the Illinois House of Representatives that the proposed educational pension cost shift from the State of Illinois to local school districts, community colleges, and institutions of higher education is financially wrong."

As of February 28, 2018 there were a total of 60 sponsors and/or co-sponsors: Rep. David McSweeney - Sam Yingling - Jerry Costello, II - Jay Hoffman - Mary E. Flowers, Norine K. Hammond, Allen Skillicorn, Bill Mitchell, Linda Chapa LaVia, Cynthia Soto, Stephanie A. Kifowit, Sara Wojcicki Jimenez, Katie Stuart, Terri Bryant, LaToya Greenwood, Sue Scherer, Deb Conroy, David B. Reis, Natalie A. Manley, John Cavaletto, C.D. Davidsmeyer, Charles Meier, Randy E. Frese, Michael Halpin, John Connor, Emanuel Chris Welch, Anna Moeller, Tony McCombie, Will Guzzardi, Litesa E. Wallace, Peter Breen, Carol Ammons, Monica Bristow, Natalie Phelps Finnie, Kelly M. Burke, John M. Cabello, Daniel

Swanson, Christine Winger, Luis Arroyo, Camille Y. Lilly, Mark Batinick, Jehan Gordon-Booth, Nick Sauer, Chad Hays, Lawrence Walsh, Jr., Steven A. Andersson, Thaddeus Jones, Barbara Wheeler, Jonathan Carroll, Steven Reick, David A. Welter, Joe Sosnowski, Dave Severin, Keith R. Wheeler, Lindsay Parkhurst, Brad Halbrook, Rita Mayfield, Arthur Turner, Marcus C. Evans, Jr. and Nicholas K Smith.

As of March 1, 2018 they were able to get 66 House members to sign on to the resolution in a show of force that effectively kills the governor's pension cost shift idea.

State of Illinois Pension Information – The Teachers' Retirement System (TRS) was established by the Illinois General Assembly in 1939 to provide for the retirement security, disability and survivor benefits for Illinois educators. This would be the version referred to as Tier I.

In 1996, legislators passed a law that increased their contributions each year to bring pensions up to the 90 percent required funding level. This is sometimes referred to as the "Edgar Ramp" since it was agreed upon during Governor Jim Edgar's second term. Legislators started making partial payments rather than the full payments the law required. For example, in 2011, Illinois owed TRS $2.4 billion. If the state had been paying the bill each year, a $715 million payment would have been required. Instead a total of $1.7 billion was needed to make up for what the state didn't pay each year. It is currently estimated that the state owes over $200 billion in its five state retirement funds (See chart below). And that amount is growing due to the ramp and previously mentioned shorted payments.

State of Illinois Funded Pensions	**Est. #**	**%**
Teacher Retirement (TRS)	386,837	51.59%
University Employees	212,903	28.39%
State Employees (SERS)	147,447	19.66%
Judicial	2,031	0.27%
General Assembly	676	0.09%
	749,894	100.00%

Since 1940, teachers and school districts have paid 100 percent of their required contributions every year, but the state has not paid their required contributions

Tier II - Public Act 96-0889, which was signed into law in the spring of 2010, added a new section to the Pension Code that applied different benefits to anyone who first contributed to TRS on or after Jan. 1, 2011 and did not have any previous service credit with a pension system that has reciprocal rights with TRS. These members are referred to as "Tier II" members. Changes from the "Tier I" pension law include raising the minimum eligibility to draw a retirement benefit to age 67 with 10 years of service, initiating a cap on the salaries used to calculate retirement benefits, and limiting cost-of-living annuity adjustments to the lesser of 3 percent or ½ of the annual increase in the Consumer Price Index, not compounded. The retirement formula is unchanged. The new pension law did not apply to anyone who has TRS service prior to Jan. 1, 2011. These members remain participants of Tier I, not Tier II.

Alternate Revenue Bonds Bond Issue Notification Act Hearing - We will begin the March 14, 2018 Board of Education meeting with a Bond Issue Notification Act (BINA) public hearing concerning the Board's intent to sell the bonds before adopting a resolution providing for the sale of the Bonds. The notification was published in the Sauk Valley Media February 27, 2018 edition. The Board previously authorized the sale of bonds in the amount not to exceed $15,000,000 for the purpose of altering, repairing and equipping school buildings and facilities and improving school sites. At the special meeting on January 31, 2018, the Board specified exactly which projects these bonds could be used for.

Those projects were:

1. Geothermal Climate Control and associated electrical and mechanical work which would provide heat and add air conditioning to buildings at Washington, Jefferson and Dixon High School,
2. Installation of an elevator, to reach all levels, in order to be compliant with the Americans with Disability Act (ADA) at Washington & Jefferson Elementary Schools,
3. For the safety of student, faculty, and staff at Dixon High School install a secure Vestibule Entrance,
4. Undertake renovation of the Cafeteria/Multi-Purpose Room at Jefferson Elementary School to provide additional space needed for instruction and establishment of an ADA compliant cafeteria; and
5. Interior renovations at Washington, Jefferson and Dixon High School.

At the Hearing the Board shall explain the reasons for the proposed bond issue and permit persons desiring to be heard an opportunity to present written or oral testimony within reasonable time limits. The Board shall not adopt a resolution selling the Bonds for a period of seven (7) days after the final adjournment of the Hearing.

We will continue to work with the District's financial advisor, Speer Financial, bond counsel, Chapman and Cutler, and underwriter, Stifel, Nicolaus and Co., on the ratings presentation, bond resolution, official statement and sale of the alternate revenue bonds tentatively scheduled for April 18, 2018 and a closing on May 1, 2018.

On another note, Speer and Stifel are in agreement that there could be a savings in refunding what is remaining of the 2008 Series General Obligation Bonds at this time in conjunction with this sale. The savings probably aren't great and may not merit doing it on its own because the amount of outstanding bonds is small, but makes sense since we are proceeding with the alternate revenue bond sale. If the savings are not sufficient, we will not proceed with that refunding.