MEETING NOTES
FINANCE COMMITTEE
COMMUNITY UNIT SCHOOL DISTRICT 200
January 18, 2024

A meeting of the Finance Committee of the Board of Education of Community Unit School District 200, DuPage County, Illinois, was called to order at 4:00 PM on Thursday, January 18, 2024, at the School Service Center, 130 W Park Ave, Wheaton, IL.

PRESENT

Board Members:	Mr. Dave Long Mr. Erik Hjerpe
Staff:	Dr. Jeff Schuler, Superintendent Dr. Brian O'Keeffe, Asst. Superintendent for Business Operations Mr. Jordan Thorse, Comptroller/Treasurer

<u>Review and Discussion of 5-Year Forecast</u>

Dr. O'Keeffe reviewed the first iteration of the 5-Year Projections with the committee, both on a cash basis and an accrual basis fund balance, noting this is the first go-around and there are a lot of high-level assumptions in place.

This included information on the following:

- Accrual vs. cash basis side of projections as it relates to beginning cash/fund balance.
- The difference between the accrual side (looks at everything that has happened through June 30th, moves into July/Aug, and pulls any revenues/expenditures that should have been received/spent by Jun 30 back into June; and on the tax side - accrual looks at 50/50 split year-over-year). On the cash side (what happens at that moment in time through June 30th).
- The spreadsheets include the existing budget (FY24), projected for FY25 through FY29, and includes the following data points:
    - Revenues (Local, State, Federal, Other)
    - Expenditures (Salary and Benefits Cost, Other)
    - Surplus/Deficit
    - Other Financing Sources/Uses (Sherman Dergis, Architectural Fees, Playground Output)
    - Surplus/Deficit Including Other Financing Sources
    - Beginning Fund Balance
    - Audit Adjustments to Fund Balance
    - Projected Year-End Balance
    - Fund Balance As % of Revenues
    - Fund Balance As # of Months of Revenues
- Two key pieces - from a functionality and operating perspective - there is a balanced budget requirement in Board policy
- Any collections from a cash basis, work done vs. when paid out (which year).
- As you get into years two through five in the projections, probably not as close to being correct.
- Use part of your fund balance to pay for capital projects - Board policy.
- There are six months before the tentative budget is out. There is a lot that will happen between now and then.
- Drivers of what FY25 will look like - budgeted vs. actuals for this year.

- How to ensure you meet Board policy, meet spending through Sherman Dergis (SD), and still do capital projects.
- Template for the 5-year projections - Data points include Levy for 22 and EAV from LY22.
- Assumptions - % change in existing EAV, new construction (noted Naper Commons).
- Wheaton State of the City - a couple of significant developments downtown that will add to the new growth.
- We may see a second distribution out of TIF 3 in Wheaton.
- Noted the $2M abatement that the Board approved in December.
- The biggest variable as it relates to revenue - CPI year-over-year tax levy (operating side of things).
- CPI for LY24 is fixed at 3.4%.
- Levy assumptions built into 5-year projections as it relates to CPI - has 2.5% built-in for LY25 through 28.
- 3-year, 5-year, and 10-year averages of CPI.
- Collections - percent of levy collected by fiscal year-end (52.5%) and tax collection rate (99.8%).
- Major revenue assumptions include CPPRT (Corporate Personal Property Replacement Tax), Interest Income, EBF (Evidence-Based Funding), State MCAT (Mandated Categorical), Federal Grants.
- Major expenditure assumptions include Salaries (WWEA, CEA, Non-CEA Clerical/Admin), Lane Changes/Micro-Credentials, Retirement/Resignation Reductions, Medical/Dental, Purchased Services/Supplies (Ed Fund & O&M Fund), Purchased Services (Transportation Fund).
- Potential Future Revenues (not included in the model) - JUUL Settlement, Altria Settlement (JUUL Parent), Registration Fees (returning to 20-21 fee schedule), City of Wheaton TIF #3.
- EBF - 97.3% for this year; EBF has 27 different funding pieces of information that make up the calculation. Reminder D200 is in Tier 3.
- On the grant side, if we get more we are going to spend more.
- Restricted grants - after this fiscal year, ESSER III will fall off.
- Transportation fees (reimbursements) - includes state reimbursements for the previous year (SPED is 84%, regular ed is 83%); is not fully funded.
- Two huge things on the expenditure side drive operating expenses - salaries and benefits (77%); uncommitted salary dollars are made up of sub-costs and unfilled positions.
- Micro-credentials - locked into the contract.
- NIHIP (Insurance Cooperative) - had two bad years; the trend is changing in the current coverage year.
- Capital thresholds - $5,000 (District) vs. $500 (State) as it relates to location within the budget.
- Transportation - one clause regarding reimbursement to IL Central for diesel over a specified amount. D200 spent $500K on this last year.
- Overall philosophy - would rather be conservative on revenues and overestimate expenditures on the first iteration to see what the program looks like and then refine projections or look to minimize costs.

There was information and/or discussion on the following:

- Data point - how did we end the 2023 surplus/deficit? Cash basis - about $8M over ($4.5M is collection of early taxes, more CPPRT and Interest Income than budgeted).
- FY25-28 are close to what the numbers looked like last spring.
- Revenue side - being conservative.
- Nothing is built into the model for an increase in registration fees at this point.
- ADK - expected cost of ADK built in? Revenue for ADK - did not build in a ramp down; at this point, it is a wall.
- Projections for salaries for FY28 and 29 as the current contract ends in 2027 - have modeled a few different ways; the impact of CPI, supply and demand, and teacher shortage.

- Historically, where has the fund balance operated over time? (Policy states 25-40%; the District has been between 30-35%); this is good from a cash flow perspective.
- There are still going to be decisions that have to be made in future years. If you can correct FY25, it pushes through to all of those future years on the projections.
- There are too many unknowns to get too far down in the weeds for FY26 - FY28, especially as it relates to the largest financial lever on the revenue side - CPI.
- Being able to say we can close the gap in a specific fiscal year without touching (for example) staffing, activities, and connectivity for students.
- Operating and thinking in three different modes depending on which way the arrows are pointing - 1) the budget does not point to any specific deficit and we are covered, 2) on the other end, if we are looking at a significant cost reduction ($1M), what are we going to do without; 3) and in the middle road - tighten the belt, reduce headcount where we can, not going to take programs away from kids, but cautious when granting additional staffing. We can tighten without seeing student opportunities going away.
- Do not anticipate if we proceed with the middle school construction/project(s) that alleviates the Sherman Dergis amount in FY27-29. The need to adequately address the needs at the elementary and high school levels.
- For Sherman Dergis, what is the right number?

<u>Discussion of Funding Options and Timeline for Middle School Facilities Plan</u>

Dr. Schuler noted from the finance committee perspective, do not think this committee will have a lot to do until we are deeper into the design development process, refine the overall cost piece, and then look at the financing/funding options. Do not think it makes sense to look at the bonding scenarios now.

There was information and/or discussion on the following:

- Target the March/Spring to bring this back to the finance committee.
- Waiting a few months while working on plan development and cost updates before discussing funding with the finance committee. The work now sits largely with the facilities committee and community engagement for the next couple of months.

<u>Public Comment</u>

- NIHIP Insurance Coop – how the pool works

The meeting adjourned at 5:20 PM.