



THE JOSEPH SEARS SCHOOL

Office of the Superintendent/Chief School Business Official

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To: Kenilworth School District No. 38 Board of Education

From: Dr. Crystal LeRoy, Superintendent/Chief School Business Official

Date: August 21, 2017

Re: Proposed Fiscal Year 2018 Budget

Background

In order to abide by Truth in Taxation Statutes and adhere to a reasonable budget calendar, it is necessary for the Board of Education to consider the adoption of a tentative budget at this time. These laws require the Board of Education to approve a tentative budget for public display at least 30 days prior to adopting a final budget and also require a public budget hearing to be held prior to final adoption. Adopting the tentative budget this evening will allow ample time to display the budget and announce a September public hearing, as more than thirty days separate the regular August and September board meetings. The following outlines the FY18 Budget Calendar:

Budget Meeting Dates:

Topics of Discussion

August 15, 2017

FY18 Draft Tentative Budget Submitted to Building and Finance Subcommittee Chairs for Review

August 18, 2017

FY18 Draft Tentative Budget Submitted to Board of Education for Review

August 21, 2017

Review and Approval of Tentative FY18 Budget
Publish Notice of Budget for Public Display and Announcement of Public Hearing

September 25, 2017

Public Hearing for FY18 Budget
Approval of FY18 Budget

September 29, 2017

Filing Deadline for FY18 Budget

November 13, 2017

Estimate of 2017 Levy



Approval of 2017 Levy Public Hearing
Announcement

December 11, 2017

Presentation of FY17 Audit
Acceptance of FY17 Audit
Public Hearing for 2017 Levy
Approval of 2017 Levy
Five-Year Financial Projections

December 29, 2017

Last Day to File 2017 Levy

Fiscal Year 2017 Year End Budget

Fiscal year 2017 ended with an estimated surplus of \$1,208,884.40 instead of a budgeted deficit of \$2,365,868.63. This surplus is primarily due to a budget allotment of \$3,300,000 for future facility projects. The Building and Finance Subcommittee Chairs continue to research the most practical and cost efficient projects that will align with the instructional needs of the District. This allotment will be reestablished for fiscal year 2018. The following outlines the budget to actual variances:

	<u>2016-2017</u> <u>Budget</u>	<u>Budget</u> <u>Balance</u>	<u>2016-2017</u> <u>YTD</u>	<u>%</u> <u>Received</u>
Expenditures by Object				
Salaries	7,255,883.59	2,195.21	7,253,688.38	99.97%
Benefits	1,454,517.06	-43,584.34	1,498,101.40	103.00%
Purchased Services	1,073,559.37	-134,435.12	1,207,994.49	112.52%
Supplies	785,907.12	61,439.84	724,467.28	92.18%
Capital Outlay	3,522,556.59	3,283,129.01	239,427.58	6.80%
Other Expenses	1,472,110.28	174,043.57	1,298,066.71	88.18%
Total Expenditures - All Funds	15,564,534.00	3,342,788.16	12,221,745.84	78.52%

- Salaries (Surplus of \$2,195.21)
 - Salaries expenditures are within .03% of budget
- Benefits (Deficit of \$43,584.34)



- Medicare, Social Security and TRS were under budgeted by 3.0%. More experience and familiarity with the nuances of the new financial system will help prevent this in the future.
- Purchased Services (Deficit of \$134,435.12)
 - *Purchased Services* and *Supplies* and often used interchangeably. While there has been improvement, education clarifying the difference between the two budgets will continue to be provided. As you will see, the Supplies budget has a surplus of \$61,439.84.
 - The remaining deficit is primarily due to an increase in special education services and transportation.
- Supplies (Surplus of \$61,439.84)
 - *Purchased Services* and *Supplies* and often used interchangeably. While there has been improvement, education clarifying the difference between the two budgets will continue to be provided.
- Capital Outlay (Surplus of \$3,283,129.01)
 - \$3,000,000 budgeted for future facility projects.
 - \$125,000 in annual maintenance projects placed on hold pending future facility projects.
- Other Expenses (Surplus of \$174,043.57)
 - As a result of the bond refunding issue, the annual debt service fees were less than budgeted.
- The total FY17 Expenditure budget was \$15,564,534.00. Although we allocated \$3,300,000 for capital projects, this amount will be re-allocated to the FY18 Budget. Less the capital budget, the FY17 total expenditures were still under budget at 12,221,745.84, which is within 0.35% of the budget.

The following table outlines the end of year revenues for FY17. As you can see, the actuals came in slightly over by 1.76% of the FY17 Budget.

	<u>2016-2017</u> <u>Budget</u>	<u>Budget</u> <u>Balance</u>	<u>2016-2017</u> <u>YTD</u>	<u>%</u> <u>Received</u>
Revenues by Source				
Tax Levy	12,433,665.37	-58,099.03	12,491,764.40	100.47%
Other Local Revenue	345,000.00	-205,659.20	550,659.20	159.61%
State Revenue	284,000.00	32,182.36	251,817.64	88.67%



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Federal Revenue	136,000.00	-389.00	136,389.00	100.29%
Other Financial Sources	0.00	0.00	0.00	0.00%
Total revenues - All Funds	13,198,665.37	-231,964.87	13,430,630.24	101.76%

- Budgeting for revenue at the state and federal level continues to be a challenge. While the federal allotment has managed to remain flat, the state revenue has continued to decrease over the last two years. This year the state budget was short by approximately \$32,000.
- The *other local revenue* was approximately \$205,000 over budget. The junior kindergarten revenue budget was based on the previous enrollment patterns. However, this year the program was at capacity. This resulted in approximately \$40,000 in additional revenue.
- There was also a number of unexpected one-time only payments including a \$34,000 refund from At&t, along with several smaller one-time only payments, such as the iPad buy back for \$8,000. Additionally, there were several generous donations.
- Less the surplus in other local revenues, the total FY17 revenues were within 0.20% of the budget.

Fiscal Year 2018 Proposed Budget

	<u>2016-2017</u> <u>Budget</u>	<u>2016-2017</u> <u>Unaudited</u> <u>Actuals</u>	<u>2017-2018</u> <u>Proposed</u> <u>Budget</u>	<u>% Increase/</u> <u>Decrease from</u> <u>FY17 to FY18</u>
Revenues by Source				
Tax Levy	12,433,665.37	12,491,764.40	12,573,048.48	0.65%
Other Local Revenue	345,000.00	550,659.20	456,021.10	-17.19%
State Revenue	284,000.00	251,817.64	188,863.23	-25.00%
Federal Revenue	136,000.00	136,389.00	136,000.00	-0.29%
Other Financial Sources	0.00	0.00	0.00	0.00%
Total revenues - All Funds	13,198,665.37	13,430,630.24	13,353,932.81	-0.57%

	<u>2016-2017</u> <u>Budget</u>	<u>2016-2017</u> <u>Unaudited</u> <u>Actuals</u>	<u>2017-2018</u> <u>Proposed</u> <u>Budget</u>	<u>% Increase/</u> <u>Decrease from</u> <u>FY17 to FY18</u>
Expenditures by Object				
Salaries	7,255,883.59	7,253,688.38	7,552,298.49	4.12%
Benefits	1,454,517.06	1,498,101.40	1,639,104.81	9.41%
Purchased Services	1,073,559.37	1,207,994.49	1,244,142.69	2.99%
Supplies	785,907.12	724,467.28	746,246.58	3.01%



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Capital Outlay	3,522,556.59	239,427.58	3,543,181.14	1379.86%
Other Expenses	1,472,110.28	1,298,066.71	1,337,008.71	3.00%
Total Expenditures - All Funds	15,564,534.00	12,221,745.84	16,061,982.42	31.42%
Excess or (Deficit) Revenues Over Expenditures	-2,365,868.63	1,208,884.40	-2,708,049.61	
Fund Balance As of July 1st	18,638,966.68	16,273,098.05	19,628,441.44	
Budgeted Fund Balance - June 30th	16,273,098.05	19,628,441.44	16,920,391.83	

FY17 Proposed Final Budget Assumptions and Notes

The FY17 Proposed Final Budget reflects the following budget assumptions and notes:

Revenue Budget Assumptions and Notes

Tax Levy (+0.65%)

- Assumes CPI increase, estimated new growth and property tax refunds

Other Local (-17.19%)

- Assumes a decrease based on one-time payments received in FY17

State Revenue (-25.0%)

- Assumes a decrease based on current allocation information from the State.

Federal Revenue (-0.29%)

- Assumes a slight decrease in federal funding

Other Financial Sources (+/-0%)

- No other financial sources are anticipated for FY18

Expenditure Budget Assumptions and Notes

Salaries (+4.12%)

- Salaries are based on the current faculty and staff projections.



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- Salary projections will be revised based on actual employment prior to the September budget hearing.

Benefits (+9.41%)

- Assumes Medical Premium increase of 7%
- Assumes Dental Increase of 3%
- Assumes increases for IMRF, Medicare, Social Security and TRS based on an average salary increase of 4.0%
- Includes TRS retirement penalty of \$46,000 for FY17 retirees

Purchased Services (+2.99%)

- Assumes annual service/maintenance agreement increases of 3%

Supplies (+3.01%)

- Assumes a 3.0% increase in supplies

Capital Outlay (+22.0% without facility project costs)

- Reflects \$3,000,000 allotment to cover potential facility projects.
- Reflects \$275,000 in annual facility/maintenance projects

Other Expenses (+3.0%)

- Assumes a 3.0% increase in out of placement tuition costs.

Summary

You will notice the FY18 Budget reflects an overall deficit of \$2.7M. This is a planned deficit to cover the \$3,300,00 budgeted for capital projects. Without the capital budget, the District has a balanced budget, with a surplus of approximately \$591,000.

Future Considerations

- The District is currently in the process of developing a Master Facility Plan. The goal is to have this plan reviewed and approved by the Board of Education in Fall 2017.
- The potential shift in teacher pension costs to local school districts.

The Administration believes this is a sound representation of the financial position of the District and therefore recommends your favorable approval of the FY18 Proposed Budget.