

**Business Office Update
May 11, 2020 Board Meeting**

Budget Projection

- The current projection anticipates
 - No change in state revenue
 - Receiving all categorical payments (transportation & special education) We have currently only collected 2 of 4 payments due the district
 - Estimates a CPI of
 - FY2020 – 1.9%
 - FY2021 – 2.3%
 - FY 22-25 – 2% each year
 - Assumes a 2% annual increase in equalized assessed valuation
 - Assumes a 99% collection rate
 - Includes a 15% increase in health insurance, 6% annually in subsequent years
 - Negotiated salary increase for teachers
 - Salary increases needed to meet the minimum wage targets
 - Teacher and administrator retirement savings
 - No change in the # of teachers
- The projection currently shows a loss of \$160,831 in cash balance for the current 2019-20 school year.

Cottonwood Estates Annual Impact Fee

- Attached to the agenda is the annual adjustment in the impact fee for Cottonwood Estates as well as the indemnification agreement with Lake County so that they can collect the fee on behalf of Millburn District 24
- The impact fee increases annually by the % increase in CPI

School Lunch Fees for the 2020-21 School Year

- The recommended school lunch price sheet for Millburn District 24 are linked to the Board Agenda. For the 2019-20 school year, there was no increase in price from the 2018-19 school year. The required increase for the 2020-21 school year is \$0.10 per meal.
- Each year, the district has to complete a “Paid Lunch Equity” worksheet to determine the meal prices for the following school year. This tool is designed to assure that the funds received from the National School Lunch program aren’t used to subsidize the paid lunches.

Arbor Management Renewal

- We are recommending that the Board approve the renewal of the Arbor Management contract for the 2020-21 school year.
- The district is required to bid every 5 years for a school lunch vendor. The original contract can be renewed annually for a total of 4 additional years.
- The contract allows the vendor to increase the contract by the percentage increase in the CPI-Food Away from Home (December). This was 3.1%
- The contract also allows an annual adjustment for the increase in the Illinois minimum wage. For the period of July 1 – December 31, 2020, this adjustment is \$1164.97. For the period of January 1 – June 30, 2021, this adjustment is \$4470.96.

FY2020 Budget Amendment

- The draft budget amendment reflects the estimated revenue and expenses for the FY2020 fiscal year. Both revenues and expenditures were impacted by the school facility closure due to COVID-19. Per the state's directive, the district has continued to pay all employees including before/after school care, and extracurricular salaries despite not receiving the before/after school and sports/club revenue.
- Some examples of the changes in revenue and expenditures are listed below. A complete list of the changes by Fund are at the end of this report.
- Revenues
 - Interest income was reduced due to the sharp drop in interest rate. Estimated loss is \$34,000
 - The number of special education students that we serve from other districts is \$45,000 less than budgeted.
 - Activity income is down \$23,000
 - Donations are \$47,000 less than budgeted
 - Before & After School income is down approximately \$125,000
- Expenditures
 - We realized substitute salary savings of \$84,000
 - Custodial wages and overtime are \$30,000 over budget
 - Partially due to overtime as a result of additional cleaning in the month before the school building closure.
 - Maintenance and repair costs are \$100,000 more than budgeted
 - Additional cleaning supplies, hand sanitizer, and other COVID-19 related supplies were purchased.
- A calendar for the FY20 Amended Budget is below:

FY 2020 AMENDED BUDGET SCHEDULE

5/18/2020	Review of tentative amended budget. Board approval to put tentative amended budget on public display.
5/20/2020	Place legal notice of Public Hearing on the budget in newspaper. Public notice of availability of tentative budget published at least 30 days prior to adoption by the Board, ILCS 5/17-1
6/8/2020	Continue discussion of tentative budget at Board Meeting
6/22/2020	Public Budget Hearing and Budget Adoption. Last day to adopt the amended annual budget is June 30, 105 ILCS 5/17-1
June/July, 2020	Within 30 days of the budget adoption, the annual budget must be: <ul style="list-style-type: none">• Filed with the County Clerk• Transmitted electronically with a deficit reduction plan (if necessary) to ISBE• Posted on the District Website• Parents and guardians notified of budget's availability (105 ILCS 5/17-1, 105 ILCS 5/17-1.2, 35 ILCS 200/18-50)

Proposed FY2021 iPad/Laptop Lease

- We will be recommending that the Board approve a 3 year lease for replacement of 500 5-year old iPads and replacing the 4-5 year old desktop computers of the office staff with laptops.
- We are estimating that this lease will be approximately \$80,000 per year.
- We will be soliciting quotes for the lease from Apple and three other municipal lease vendors.

Construction Project Update

- As we have discussed, some of the summer projects are ahead of schedule
 - The abandoned chimney removal at MES is complete
 - The work at the house adjacent to MES will begin as soon as the windows are delivered
 - The work on the parking lots will begin later this month. We have a pre-construction meeting on Tuesday, May 12, 2020. We already have a couple of pieces of equipment on-site for that job.

Construction Change Order Authorization

- Last year, the Board gave Dr. Johns & Dr. Lind the authority to approve change orders up to \$25,000.
 - The parking lot reconstruction at MES and the patching at both buildings could uncover problems with the base under the lots that wasn't anticipated. Because this job is anticipated to be complete in less than two weeks, we will need to have the authority to proceed if any issues requiring a change order would arise during the job.
 - There are three items that we are already aware of that will require a change order because they weren't included in the original bid
 - We are planning to replace old wooden signs that are in bad shape and add additional wayfinding signs to the parking lots. The estimated cost of these signs is anticipated to be in the \$4000 to \$5000 range.
 - The playground area and the asphalt on the west side of MMS was not originally scheduled to be seal coated and striped. We are anticipating this cost is estimated to be approximately \$1000.
 - It was recently brought to my attention that the upper retaining wall at MMS is leaning more than it was when we first looked at the parking lot project. The estimated cost for this work is estimated to be in the \$5000 - \$7000 range.

Illinois Facility Maintenance Grant

- After approval of the Life Safety Amendment at the April 27, 2020 meeting, our grant application has now been sent for final approval.

Proposed Payment Plan for Property Owners in Lake County

- Property Taxes
 - On Tuesday, May 12, 2020, the Lake County Council will be considering an "Ordinance to allow Lake County Property Owners to defer a portion of their Lake County property tax payments due to the impacts of COVID-19"
 - The ordinance, in its current form, only allows individuals that pay their property taxes directly to the County to submit an application.
 - If the application for relief is approved:
 - 50% of the 1st installment of taxes is due June 8, 2020
 - 50% of the 1st installment of taxes is due August 7, 2020
 - 50% of the 2nd installment of taxes is due September 8, 2020
 - 50% of the 2nd installment of taxes is due November 9, 2020

CHANGES BETWEEN FY2020 AMENDED DRAFT BUDGET AND ADOPTED BUDGET						
5/11/2020						
		Education Fund 10				
	Revenue	Change			Expenditure	Change
1000	Local Revenue	\$(236,730.00)		100	Salaries	\$ 90,748.00
2000	Flow-Through Revenue	\$ -		200	Fringe Benefits	\$ (8,633.00)
3000	State Revenue	\$ 108,332.00		300	Purchased Services	\$ 10,804.00
4000	Federal Revenue	\$ 16,566.00		400	Supplies	\$ (26,689.00)
				500	Capital Equipment	\$ 36,859.00
7120	Tfr of Working Cash Interest	\$ (1,312.00)		600	Tuition/Dues/Fees	\$ (98,667.00)
7130	Transfer Among Funds	\$ (5,000.00)		700	Non-Capital Equipment	\$ 30,496.00
7140	Transfer of Interest	\$ (60,500.00)		800	Post Retirement Benefits	\$ 14,230.00
	TOTAL	\$(178,644.00)			TOTAL	\$ 49,148.00
	Operations & Maint Fund 20					
	Revenue	Change			Expenditures	Change
1000	Local Revenue	\$ (32,455.00)		100	Salaries	\$ 30,671.00
				200	Fringe Benefits	\$ (4,131.00)
7130	Transfer Among Funds	\$ 65,000.00		300	Purchased Services	\$ 40,060.00
				400	Supplies	\$ 37,693.00
				500	Capital Equipment	\$ (9,455.00)
				600	Dues/Fees	\$ -
				700	Non-Capital Equipment	\$ 26,463.00
				8130	Tfr Among Funds	\$ (5,000.00)
				8140	Tfr of Interest	\$ (10,000.00)
	TOTAL	\$ 32,545.00			TOTAL	\$ 106,301.00

		Debt Service Fund 30			
	Revenue	Change		Expenditures	Change
1000	Local Revenue	\$ (7,500.00)		600 Dues/Fees	\$ -
				8140 Tfr of Interest	\$ (7,500.00)
	TOTAL	\$ (7,500.00)		TOTAL	\$ (7,500.00)
	TRANSPORTATION FUND 40				
	Revenue	Change		Expenditure	Change
1000	Local Revenue	\$ (14,473.00)		100 Salaries	\$ (23,319.00)
2000	Flow-Through Revenue	\$ -		200 Fringe Benefits	\$ (3,086.00)
3000	State Revenue	\$ 72,121.00		300 Purchased Services	\$ 633.00
				400 Supplies	\$ (17,721.00)
				500 Capital Equipment	\$ -
				600 Tuition/Dues/Fees	\$ 90.00
				700 Non-Capital Equipment	\$ 35,104.00
				8130 Tfr Among Funds	\$ 65,000.00
				8140 Tfr of Interest	\$ (1,370.00)
	TOTAL	\$ 57,648.00		TOTAL	\$ 55,331.00
	IMRF-Social Security Fund 50				
	Revenue	Change		Expenditure	Change
1000	Local Revenue	\$ 2,484.00		200 Fringe Benefits	\$ (34,386.00)
	TOTAL	\$ 2,484.00		TOTAL	\$ (34,386.00)

	Capital Projects Fund 60				
	Revenue	Change		Expenditures	Change
1000	Local Revenue	\$ (21,221.00)		300 Purchased Services	\$ -
				400 Supplies	\$ -
				500 Capital Equipment	\$ -
				700 Non-Capital Equipment	\$ -
	TOTAL	\$ (21,221.00)		TOTAL	\$ -
	Working Cash Fund 70				
	Revenue	Change		Expenditures	Change
1000	Local Revenue	\$ (21,221.00)			
				8120 Tfr of Working Cash Interest	\$ (1,312.00)
	TOTAL	\$ (21,221.00)		TOTAL	\$ (1,312.00)
	Tort Fund 80				
	Revenue	Change		Expenditure	Change
1000	Local Revenue	\$ (750.00)		300 Purchased Services	\$ -
	TOTAL	\$ (750.00)		TOTAL	\$ -
	Fire Prevention & Safety Fund 90				
	Revenue	Change		Expenditure	Change
1000	Local Revenue	\$ (2,848.00)		300 Purchased Services	\$ -
				400 Supplies	\$ -
				500 Capital Equipment	\$ -
	TOTAL	\$ (2,848.00)		TOTAL	\$ -

Financial Implications of COVID-19 and School Closure

Over the past two months, the District has stepped up and faced the many challenges of COVID-19 with generosity and focus, providing learning opportunities for our students, meals to families in need, and providing disinfectant supplies to emergency responders. The District continues in all of its efforts to move forward to meet the needs of our students, staff, and community in these difficult times. That said, as a result of school closures and the overall economic impact of COVID-19, there are financial implications. Below is a chart outlining several of these implications.

Priority 1 - Feed and care for the extended safety , health, and welfare of students, staff, and community.

Priority 2 - Provide for continuity of student learning for the current 2019-20 school year

Priority 3 - Establish a clear re-entry plan for the 2020-21 school year with input from all stakeholders

Within the Budget process, we must remain vigilant at maintaining our mission of all students always – that it reflects our vision and our values.... And I think we are doing a pretty good job at that right now. Our teachers, our team, during this crisis, is doing a fantastic job right now.

That said, it is important that at this time - we understand our resources, we understand how and what resources to restrict, because we know tomorrow will be a different day! Cash flow and available resources will certainly be different than what we anticipated just one month ago!

Financial Implications of COVID-19		
Revenues	2020	2021
Property Taxes	1st installment payments may be delayed and the percentage of uncollected taxes may rise, resulting in reduced cash flow	The 2021 Levy (FY23 Budget) will be impacted by the potential of reduced CPI and less new construction. This could mean little or no increase in the property tax levy.
Student Fees	Reimbursing fees for Spring athletics and certain activities	Filings for Free & Reduced likely to rise
Rental Fees	Reduced rental income	Yet to be determined
Interest Revenue	Declining rates are impacting interest revenue. In addition, with the possibility of reduced cash flow as a result of property taxes.	Yet to be determined

Revenues	2020	2021
State Funding	With state revenues not flowing, the payment of current year categorical payments will likely be impacted. These include transportation and special education funds. Anticipate receiving only 50% of the revenue	Discussion is currently happening surrounding the State not having the ability to fund additional dollars for the EBF formula - which could result in reduction in anticipated revenues. Categoricals delayed - anticipate only 50%. For each \$100 million reduction in EBF funding, we lose \$61 per student (\$70,150 for Millburn)
CPPRT	More than likely, no impact in the current year (approximately \$54,000)	Based on reduced earnings, impact expected, but not yet determined
National School Lunch	National School Lunch revenues will be reduced, but our expenses will also be reduced. I anticipate the impact of this to be less than \$10,000.	Filings for Free & Reduced likely to rise
Medicaid	Medicaid services provided by our Related Services Staff are significantly reduced.	Yet to be determined

Expenses	2020	2021
Health Insurance	As a result of COVID-19, there has been a decrease in claims for wellness and elective procedures as our employees are not going to the doctor. That said, there is a possibility of increased claims if some of our employees contract the virus.	Yet to be determined
Custodial	We have seen very little overtime needed since the school closure in March. There have been purchases of supplies to begin summer projects early.	Yet to be determined
Substitute Teachers	As a result, we will see a reduction of approximately \$84,000 in savings for the current fiscal year. However, we will have unemployment costs for this group. We have received 22 unemployment claims as compared to 3 in the prior year.	Yet to be determined

Expenses	2020	2021
Energy Costs	With the shutdown of the buildings, energy consumption will be reduced. Amount not yet quantified.	Yet to be determined
Capital Projects	As of now, expected to remain on schedule.	Yet to be determined
Transportation	Reduced supplies and repairs as well as fuel cost, which will slightly impact next year's claim reimbursement.	With a downturn in the economy and declining oil prices, fuel prices may remain favorable.
Building Budgets	Administration placed a purchasing hold on all buildings. This will help to offset some of the additional costs we have incurred.	Yet to be determined
Technology	We upgraded from the free version of Seesaw to the paid version (\$4331)	Yet to be determined - If we continue with remote learning, we will probably have to upgrade to the paid version of Zoom or similar product.