

Pearl City School District Community Meeting

A faint, light blue background image of a balance scale is visible on the right side of the slide. The scale has a vertical post, a horizontal beam, and two pans hanging from the ends. The pans are empty and the scale is balanced.

Financial Planning

Presented by:

Mike Schiffman, Superintendent

October 23, 2019

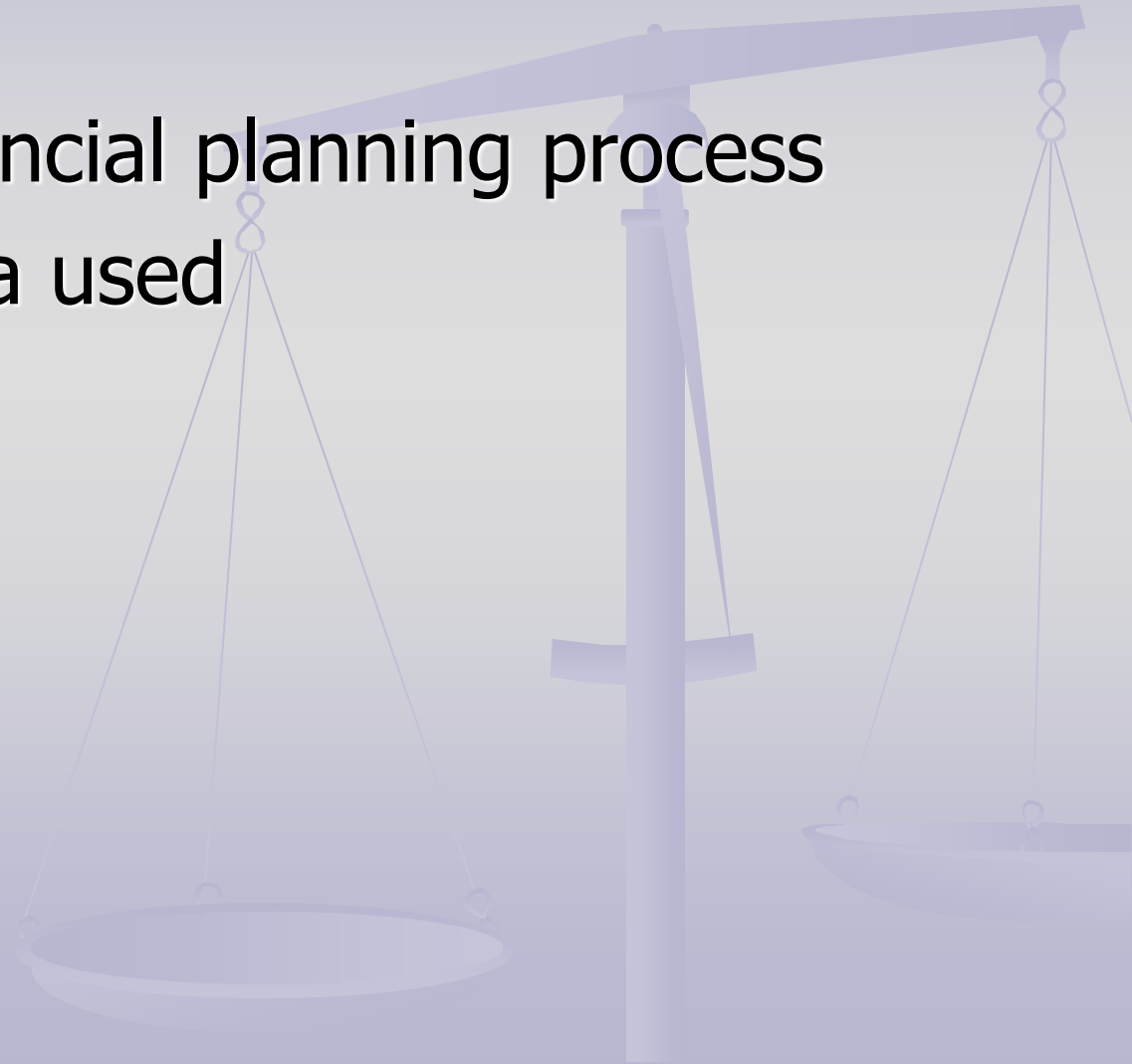
6:00-7:00pm

HS IMC

Financial Planning

Objectives:

- Discuss the financial planning process
- Discuss the data used
- Review trends
- Facts vs Future
- Bonds
- Conclusion



Financial Planning

Process:

- Superintendent takes facts and data to assist the district in making important financial decisions.
- How the district uses this information:
 - Budget Planning
 - Trend Analysis
 - Set Fiscal Policies
 - Scenario Analysis
 - Annual Update and Reassessment
 - Negotiations

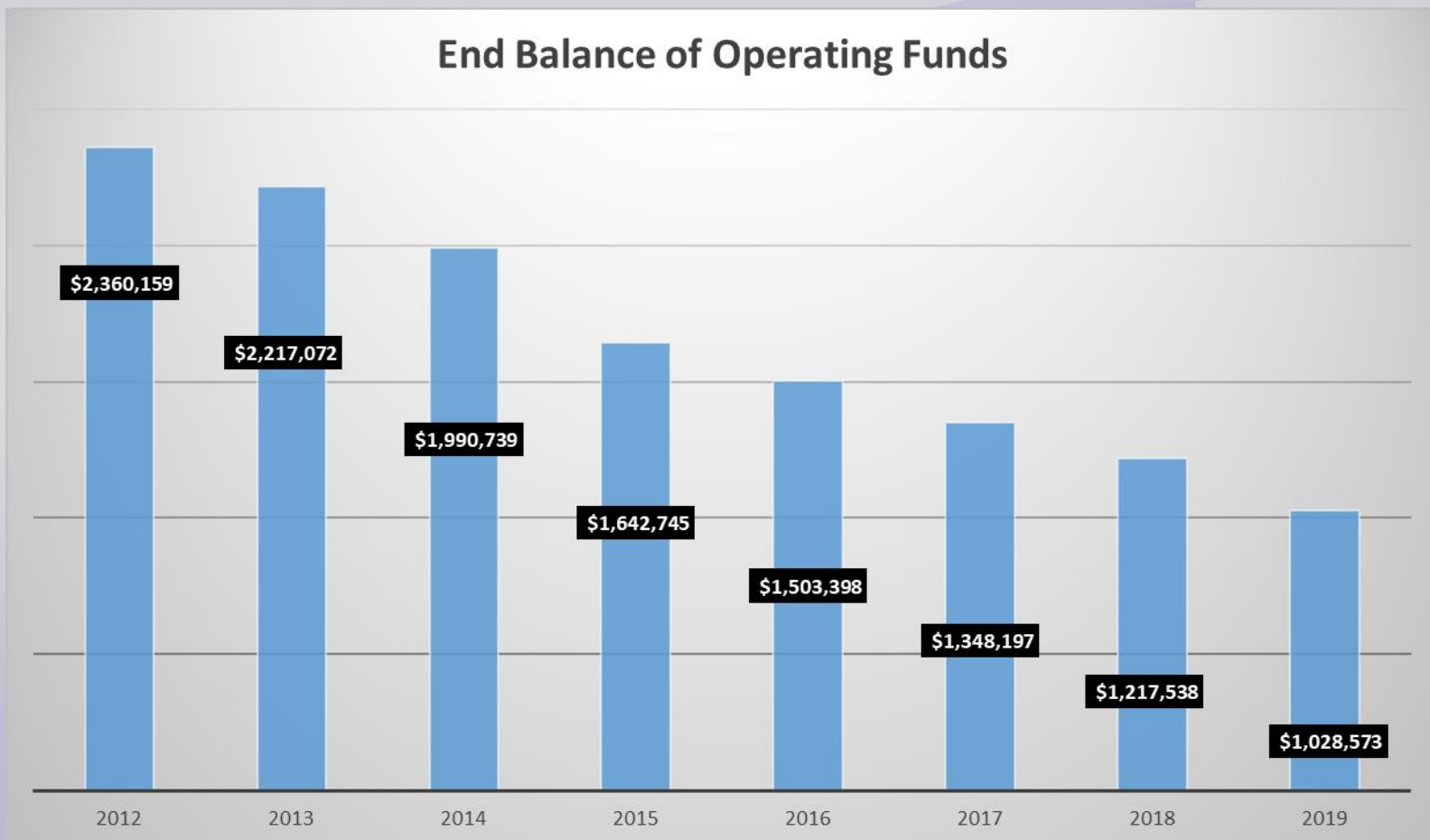
Financial Planning

Data Elements:

- Three to five years of Audited Annual Financial Reports
- FY2019 Budget and FY20 Projections
- Tax Levy
 - Tax Cap (5% or CPI whichever is less)
- Equalized Assessed Valuation
 - Consumer Price Index (CPI)- 1.9
- Staffing ratios
- Evidence Based Funding
 - Based on number of at-risk students
 - Based on formula from state
 - <https://www.illinoisreportcard.com/district.aspx?districtid=08089200026&source=environment&source2=evidencebasedfunding>
- Compensations and Benefit information
 - Health claims and premium
 - TRS; IMRF

Financial Planning

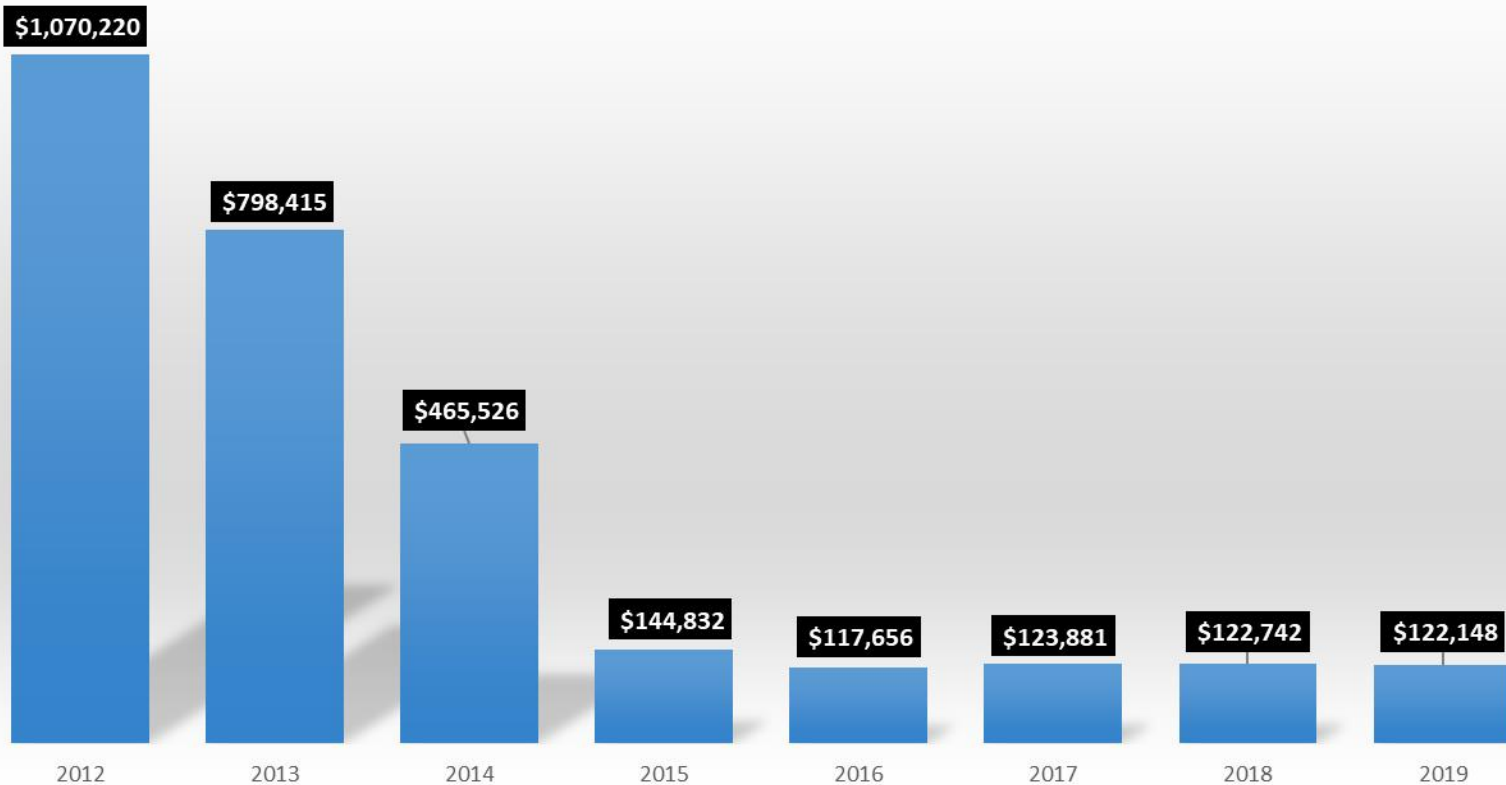
Aggregated History (Education, O&M, Trans., Working Cash)



Financial Planning

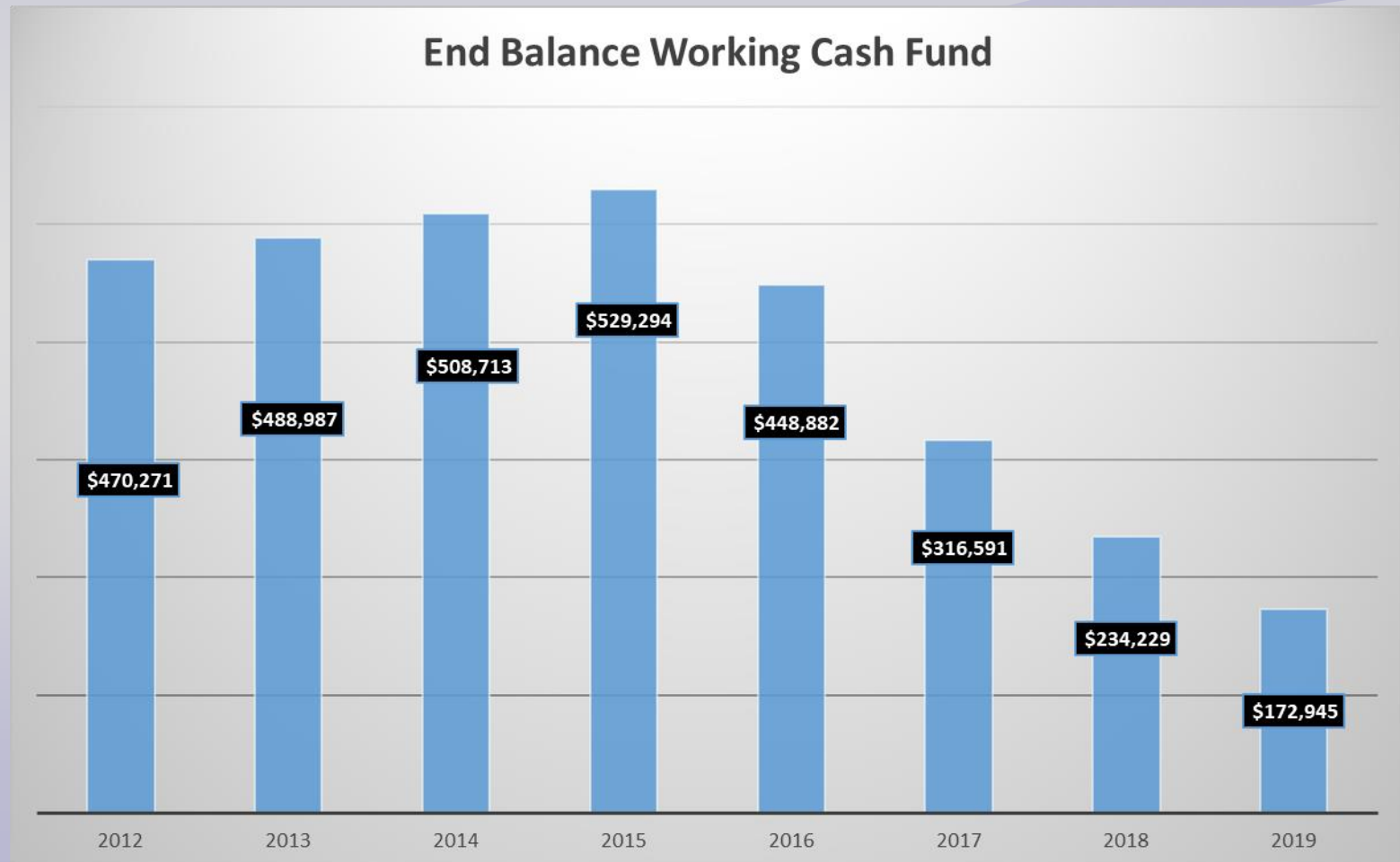
Aggregated History Education Fund

End Balance of Ed. Fund



Financial Planning

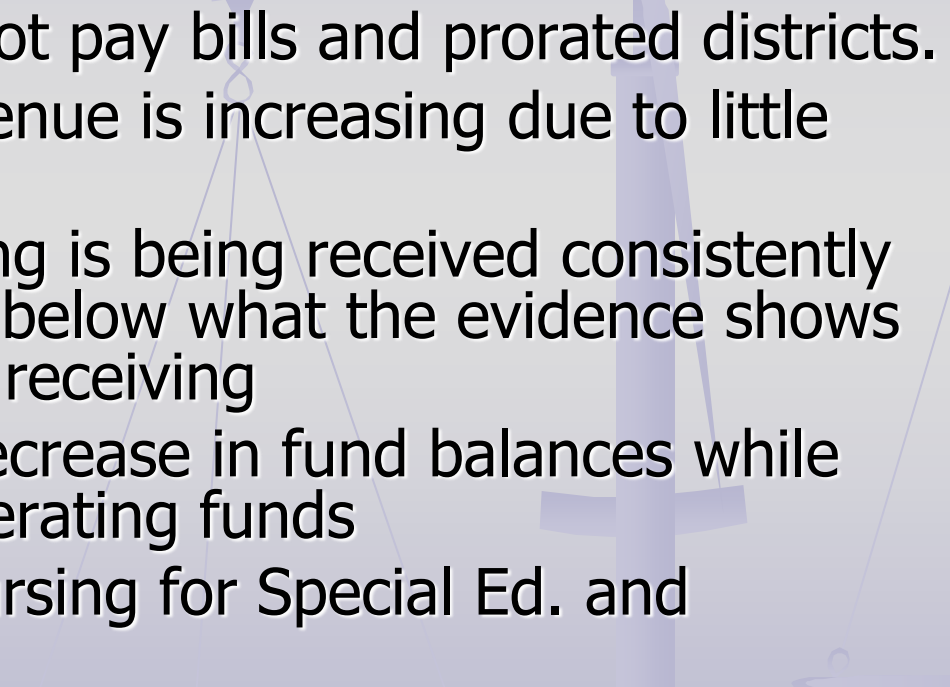
Aggregated History Working Cash Fund



Financial Planning

Facts vs. Future

Facts:

- 2010-2014 state did not pay bills and prorated districts.
 - Local property tax revenue is increasing due to little growth in EAV (tax cap)
 - Evidence Based Funding is being received consistently however they are far below what the evidence shows the district should be receiving
 - We see a continued decrease in fund balances while trying to maintain operating funds
 - State not fully reimbursing for Special Ed. and transportation
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Financial Planning

Future:

- Revenue streams are uncertain
 - Property Tax Freeze legislation
 - Lower Commercial and Resident EAV
- Several facility projects to maintain a safe environment for students due to financial constraints (Roof Repairs \$760,000)
- Updating curriculum
- Increases in health and liability insurance premiums
- State mandate increases in teacher salary (2024) and min. wage (2025)
- The district will continue to monitor reductions with the intent to try and minimize the impact on instructional programming and continue to offering excellent student services

Financial Planning

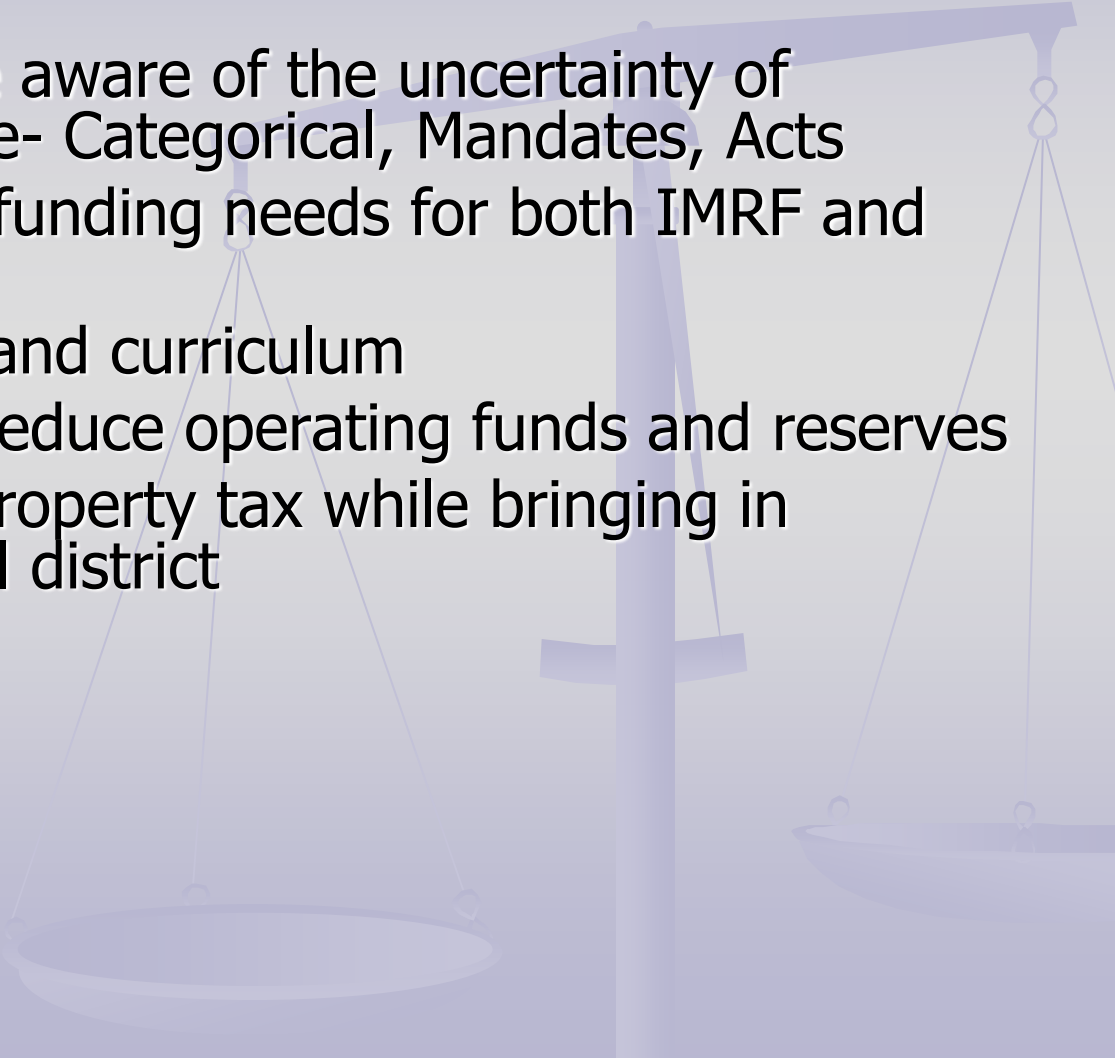
- Illinois School Report Card
 - EBF
 - Spending Per Pupil
 - Revenues
 - Expenses

- <https://www.illinoisreportcard.com/district.aspx?source=environment&source2=perstudentspending&Districtid=08089200026>

Source: Illinoisreportcard.com

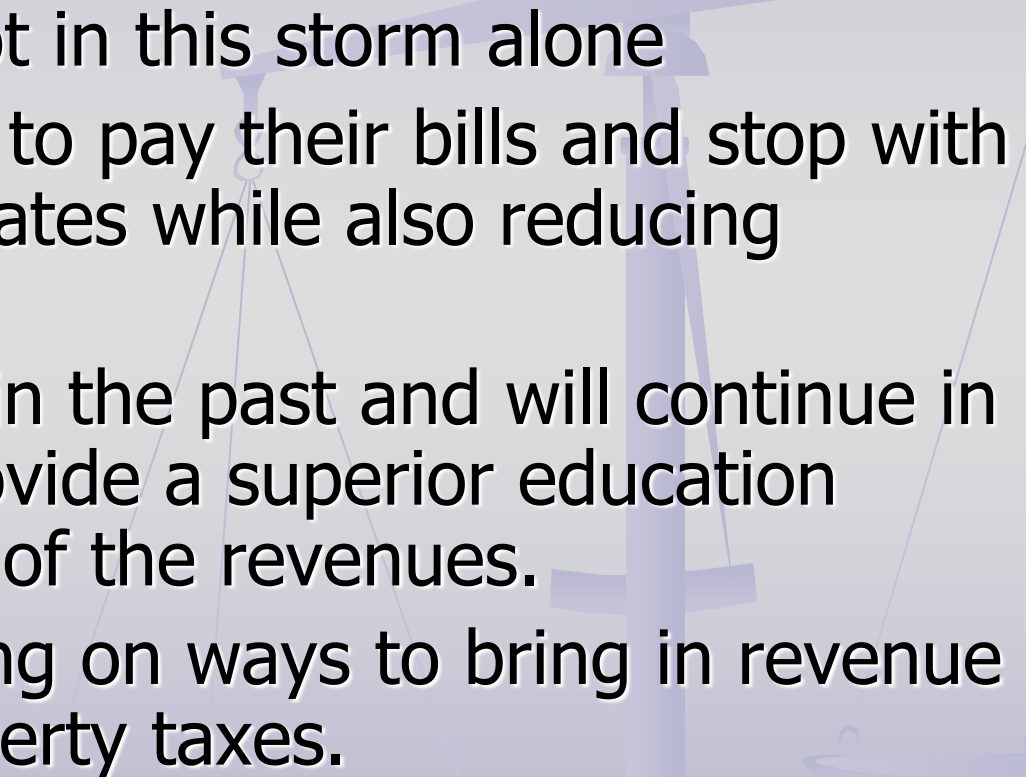
Financial Planning

Conclusions:

- The district should be aware of the uncertainty of monies from the State- Categorical, Mandates, Acts
 - The impact of future funding needs for both IMRF and TRS are unknown
 - Updating of facilities and curriculum
 - District continues to reduce operating funds and reserves
 - Seek ways to lower property tax while bringing in funding for the school district
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Financial Planning

Things to Remember:

- 1) The district is not in this storm alone
 - 2) The state needs to pay their bills and stop with expensive mandates while also reducing revenue sources
 - 3) The district has in the past and will continue in the future to provide a superior education within the limits of the revenues.
 - 4) District is focusing on ways to bring in revenue and reduce property taxes.
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Bond Sale



What is a Bond Sale

- Works like a home loan or corporate bonds
- Purpose is to allow the borrower to spend money right away and then pay it back over time.
- School districts use bonds to borrow money to pay for all sorts of expensive short-term projects.
- Bonds must be issued for a specific purpose. Pearl City would use Working Cash Bond to help with facility improvements and handle operating expenses mandated by the state.
- District would sell bond, using underwriter, to large financial institution or local bank that either includes them in investment portfolios or re-sells them to other investors. The investors will gain the interest on the bonds.
- Without a referendum the district can receive the amount of the debt service extension limit. The Debt Service Extension Base (DSEB) is \$108,464.

Current Status

- The district's current capital bond from 2001 is being paid off in Levy Year 2018
 - The last payment amount was \$655,000
 - Rate paid each year by a property owner was approx. \$358.34/\$100,000 house or 131.10 cents /\$100 dollars of EAV
- The District is Tax Capped with a Debt Service Extension Base (DSEB) of \$108,464
 - If the District did a WC Bond the property owner would pay approx. \$58.85/ \$100,000 house or 21.15 cents/\$100 dollars of EAV
 - This would be a difference of approx. \$300.00/\$100,000 house or 110 cents/\$100 dollars of EAV
- The District has an existing bond levy of \$655,000 that will be lost if the board does not take action before 3/1/2020

Current Bond

- **2018 EAV: \$49,961,476**
- **2019 DSEB: \$108,464**

Current Bond and Interest Tax Rate 131.1
cents/\$100

- Levy Year 2018/Payable 2019 Bond
Levy \$655,000
- Est. Annual Property Tax Bill for a home with
market value of \$100,000 is \$358.34

Options Available To District

- Issue a WC Bond with a repayment of approx. \$108,454 per year
 - No referendum required- this is the only action the board can take in time for the 3/1/2020 deadline
 - Can go up to 20 years
- Run referendum for a specific dollar amount of bonds to issue
 - Could go up to a Max of approx. \$7,400,000
 - Can choose a different amount based on your proposed needs
- Run a referendum to establish a DSEB at a specific dollar amount, then have flexibility to issue bonds
 - Through vote the district can add to DSEB (Currently \$108,454)
- Run a referendum for an operating rate increase

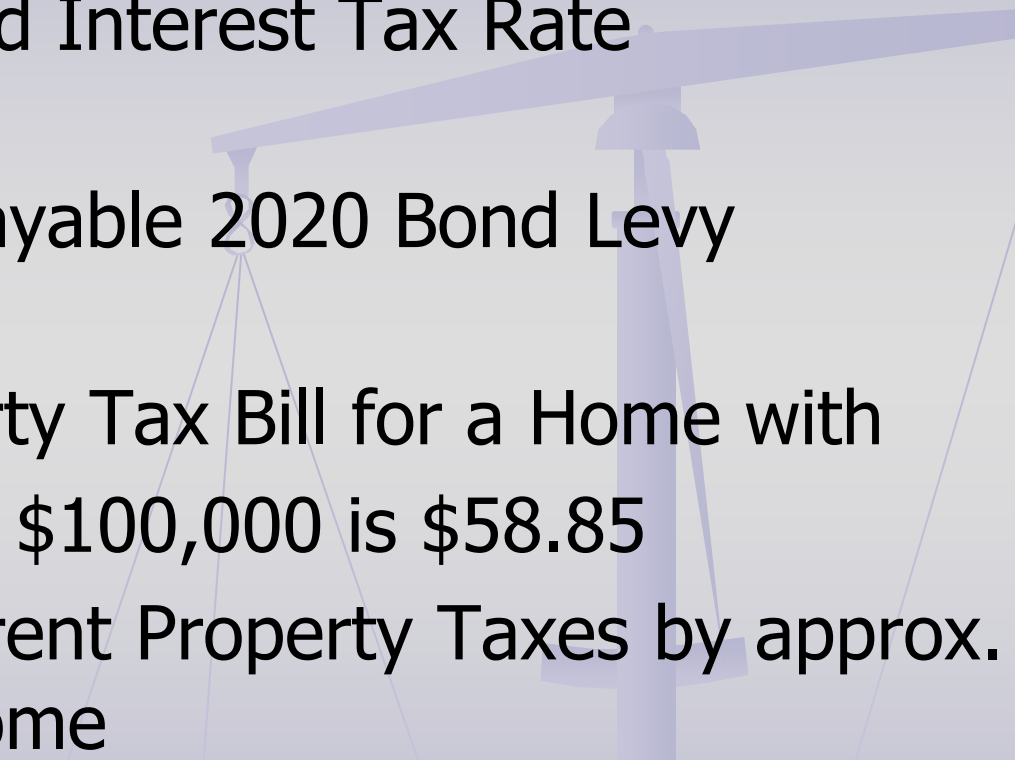
Working Cash Bond Sale Process

- Discuss with the school board a financial plan, issuing a Resolution of Intent to sell bonds, and scheduling a public hearing
- Publish the resolution in local media
- Prepare preliminary bond sale documents
- Hold a meeting with bond rating company to establish the district's bond rating
- Conduct a public hearing at a regular school board meeting
- Conduct the bond sale and close the bonds
 - A lot of this is handled through the underwriters and Bond Consultant

Working Cash Bond

- Proceeds from a WC Bond Sale are deposited in the Working Cash Fund.
- From there, they can be loaned or transferred as needed to other operating funds for use for capital projects or operations
- Example of uses: 1) School District needs \$250,000 for new roof but only has \$100,000 in O&M it has option to transfer the \$150,000 needed from the Working Cash Fund 2) School district sells \$1,000,000 in WC Bonds while operating under a \$500,000 deficit in the Ed. Fund, it can transfer \$500,000 from WC to Ed Fund to cover the deficit

Proposed Working Cash Bond

- Proposed Bond and Interest Tax Rate
21.5 cents/\$100
 - Levy Year 2019/Payable 2020 Bond Levy
\$107,577
 - Est. Annual Property Tax Bill for a Home with
a market value of \$100,000 is \$58.85
 - *Reduction in Current Property Taxes by approx.
\$300/\$100,000 Home
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Current Bond

- **2018 EAV: \$49,961,476**
- **2019 DSEB: \$108,464**

Current Bond and Interest Tax
Rate 131.1 cents/\$100

- Levy Year 2018/Payable 2019 Bond
Levy \$655,000
- Est. Annual Property Tax Bill for a home with
- Market Value of \$100,000 is \$358.34

Proposed Working Cash Bond

Amount School District would put into WC Fund:

- 10 year bond \$892,000
- 15 year bond \$1,245,000
- 20 year bond \$1,540,000
- Each year this will equate to the district bringing in approx. \$107,000 (However, District would receive fund all at once)

Why Working Cash Bond

Facilities needing updating

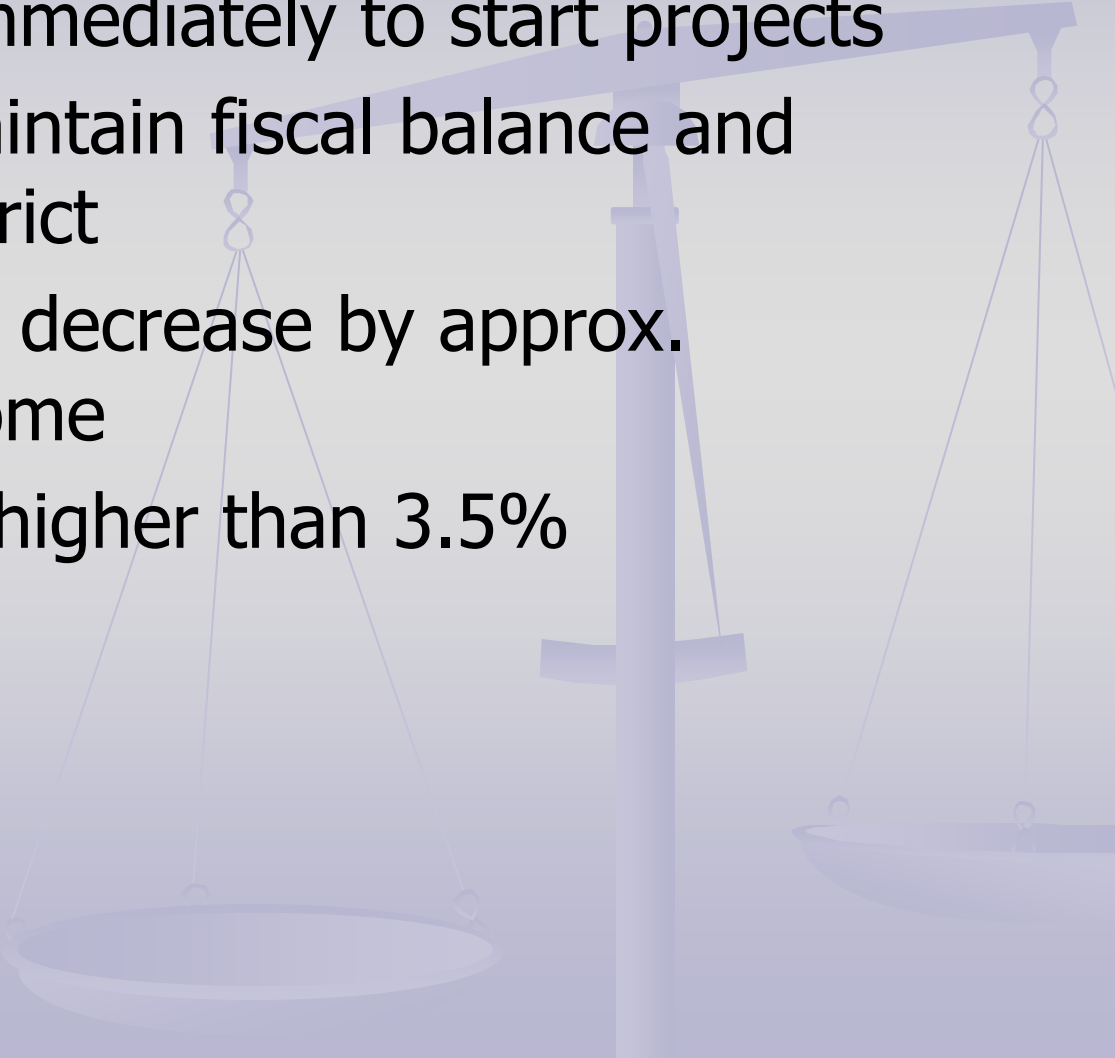
- School roof
- Wall behind the building
- Parking lot
- Bus Garage Roof
- Classroom windows in old elementary section
- Various other HLS concerns

Operating funds that are affected by state mandates

- Salary increases
- Curriculum updates
- Possible property tax freeze



Advantages to Working Cash Bond

- Receive funding immediately to start projects
 - Funds will help maintain fiscal balance and stability in the district
 - Property taxes will decrease by approx. \$300/\$100,000 Home
 - Interest rates not higher than 3.5%
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Financial Planning

Final Thoughts

- We are asking that the community look at the school district as an investment in the community and not as an expense
- The District is working together to find solutions and to move the district forward through these tough times. The goal of the school board and district is to inform the community.
- The District continues to create the best student services it can provide. The District will continue to adapt with it's students.

Small Group Sessions

- What are we doing well in the district?
 - What are some areas of improvement in the district? What would you like to see more of in the school district?
 - Please share further thoughts regarding the Finance discussion
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