



Dr. Lori Motsch, Superintendent

Robert Groos, Chief School Business Official

Presented October 17, 2023 & November 14, 2023

New Lenox School District 122 Financial Strategy & Philosophy

- 1) Keep the annual operating budget balanced each school year.**
- 2) Continue to accumulate and maintain sufficient cash reserves.**
- 3) Structure programs and services accordingly in order to generate an operating surplus each year.**
- 4) Use annual operating surpluses to pay off capital projects and avoid the need for additional debt.**
- 5) Continue to pay down existing debt until fully paid off in 2032.**

2023-2024 School Year Budget

		6/30/2023**	FY24	FY24	FY24	FY24	FY24	6/30/2024
FY24 Legal Budget		Beginning Balance	Revenue	Expense	Net	Transfers In	Transfers Out	Ending Fund Balance
10	Education Fund	\$ 24,391,634	\$ 55,180,035	\$ 53,251,694	\$ 1,928,340		\$ (3,750,000)	\$ 22,569,974
20	Operations and Maintenance Fund	\$ 4,930,233	\$ 5,923,213	\$ 4,742,670	\$ 1,180,543			\$ 6,110,776
30	Debt Service Fund	\$ 6,520,447	\$ 12,955,447	\$ 12,745,287	\$ 210,160			\$ 6,730,607
40	Transportation Fund	\$ 5,328,247	\$ 4,874,013	\$ 4,606,455	\$ 267,558			\$ 5,595,805
50	IMRF / FICA / SS Fund	\$ 1,032,919	\$ 1,723,294	\$ 1,523,112	\$ 200,183			\$ 1,233,102
60	Capital Projects Fund	\$ 1,315,420	\$ 390,000	\$ 4,709,777	\$ (4,319,777)	\$ 3,750,000		\$ 745,643
70	Working Cash Fund	\$ 2,319,799	\$ 83,736	\$ -	\$ 83,736			\$ 2,403,535
80	Tort Fund	\$ 28,410	\$ 2,736	\$ -	\$ 2,736			\$ 31,146
90	Life Safety Fund	\$ 115,471	\$ 4,000	\$ -	\$ 4,000			\$ 119,471
O	Operating Funds Total	\$ 38,002,832	\$ 67,784,291	\$ 64,123,931	\$ 3,660,360	\$ -	\$ (3,750,000)	\$ 37,913,190
	Operating Fund Balance Ratio	59%	-	0	(0)	-	-	59%
** Excludes 6/30/23 student activity fund account balances of \$260,172								
S	Special Funds Total	\$ 7,979,747	\$ 13,352,183	\$ 17,455,064	\$ (4,102,881)	\$ 3,750,000	\$ -	\$ 7,626,866
T	Sum of All Funds	\$ 45,982,580	\$ 81,136,474	\$ 81,578,995	\$ (442,521)	\$ 3,750,000	\$ (3,750,000)	\$ 45,540,057

2023-2024 School Year Budget

Revenue Sources	\$/ Student	Total	%
Property Tax	\$ 10,920	\$ 54,326,524	80%
Food Service	\$ 144	\$ 716,124	1%
School Fees	\$ 239	\$ 1,190,000	2%
Evidence Based Funding Grant	\$ 1,110	\$ 5,521,267	8%
Transportation	\$ 452	\$ 2,250,523	3%
State Grants	\$ 157	\$ 783,435	1%
Federal Grants	\$ 289	\$ 1,438,665	2%
Interest Income	\$ 210	\$ 1,047,000	2%
Tuition from Other Districts	\$ 24	\$ 120,871	0%
Other	\$ 7	\$ 35,000	0%
iPad/Laptop Rotation Sales	\$ 57	\$ 284,200	0%
PTO	\$ 14	\$ 70,682	0%
Total	\$ 13,625	\$ 67,784,291	100%

NLSD122 KEY FINANCIAL PLANNING DATES

January	Review 5 Year Forecast (Discuss changes desired for June and next January) Financial Plan Capital Plan Debt Plan Technology Plan Enrollment Forecasts
May	Approve next Summer's Capital Project Planning (13 months ahead of construction)
June	Review 5 Year Forecast (Discuss changes desired for next June and January) Financial Plan Capital Plan Debt Plan Technology Plan Enrollment Forecasts
June	Review Tentative Budget (Same as 5 Year Forecast)
September	Approve the Legal Budget (Same as Tentative Budget w/ some updates as needed)
October	Review Tentative Property Tax Levy (discuss changes desired for next year's levy)
November	Review prior year audit results and final financial reports (Actual vs Budgets)
November	Approve final Tax Levy (discuss changes desired for next year's levy)
January	Process repeats

Understanding Illinois School Funding:

Illinois Property Tax Code Laws:

- **Property Tax Extension Limitation Law (PTELL)**
 - **Enacted in Will County in 1991**
 - **Regulates how Illinois property taxes are calculated**

- **Illinois school funding is tied to local property values. Higher property values in a town translate to lower State funding.**
 - **The State only funds about 12% of the school district's budget.**
 - **Property Taxes are 80% of the school district's budget.**

Illinois Property Tax Law & Inflation

- IL Property Tax law provides an annual inflation increase (capped at 5%) in the tax extension.
 - Inflation increases costs over time
 - Inflation for 2022 was 6.5%. The law will allow for a 5% increase in the levy.
 - After the new tax rate is calculated for the year, any new property is then taxed for the first time, generating new revenue as well.

Recent History of Inflation

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1.5%	3.0%	1.7%	1.5%	0.8%	0.7%	2.1%	2.1%	1.9%	2.3%	1.4%	7.0%	6.5%

A school district's levy will change each year based on 3 variables:

- 1) CPI: Increase to keep pace with inflation (max of 5% allowed)**
- 2) New Property: Increase to fund education and offset reductions in State funding** (due to higher EAV)
- 3) Any change in the district's annual debt schedule**

Why would a district consider increasing property taxes?

Existing costs go up each year. State and federal revenue does not.

2010 NLSD122 State Revenues = \$8.5M

2023 NLSD122 State Revenues = \$8.6M (13 years later and receiving \$0.1M more)

Without increased property tax revenue, NLSD122 would have to:

- Reduce the number of staff, programs and services (lower costs)
- Defer critical facility maintenance and renovation
- Reduce cash reserves
- Sell additional new debt
- Implement a combination of all of the above

How does NLSD122 make sure spending is under control considering property taxes fund the majority of the budget?

By prioritizing what is most important to the success of the educational programs offered and carefully managing the resources available.

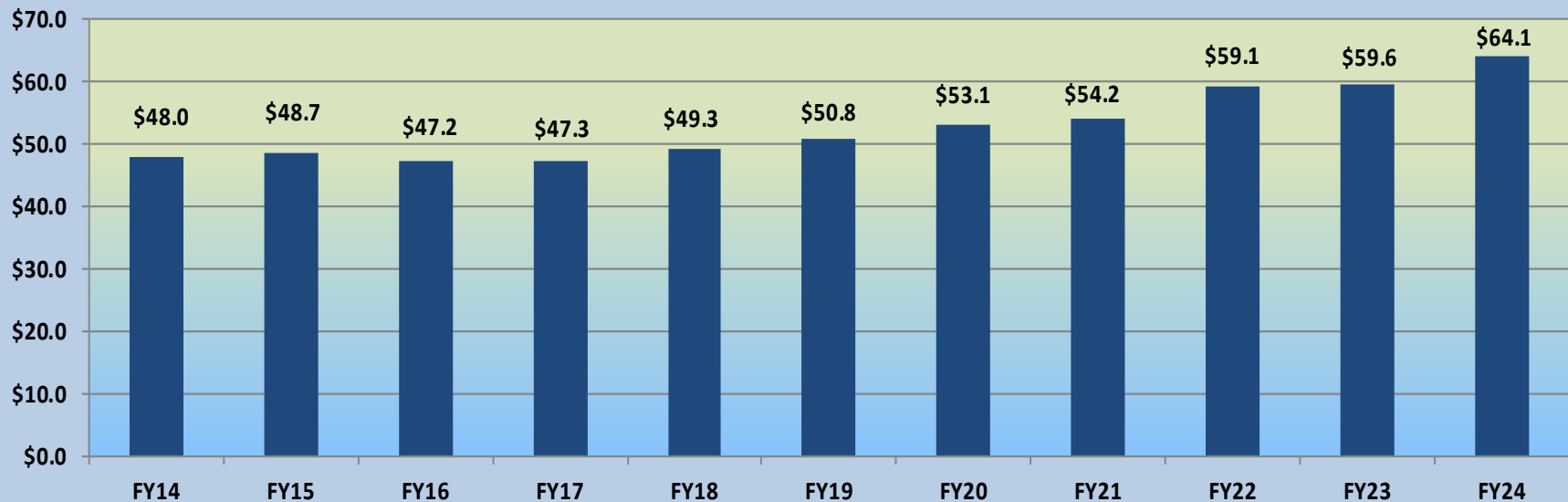
NLSD122's Operating Budget 10-year annual average increase is at 2.94%.

- *Increased services over time while keeping costs low (see next slide).*

Expenditure History

Fiscal Year	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Annual Operating Expenditures	\$ 48.0	\$ 48.7	\$ 47.2	\$ 47.3	\$ 49.3	\$ 50.8	\$ 53.1	\$ 54.2	\$ 59.1	\$ 59.6	\$ 64.1
Percentage Change		0.4%	1.5%	-3.1%	0.2%	4.3%	3.0%	4.5%	2.1%	0.8%	7.6%
Average Over 10 Years											2.94%

NLSD 122 Annual Operating Expenditures (Stated in Millions of \$'s)



Key Takeaway

- Quality public schools help to prepare students for the future (especially students with extra needs).
- Quality public schools are good for the community (attracts people to the area, good schools support and increase local home values, local economy improves, the cycle repeats).
- The current Illinois school funding system relies heavily upon local property taxes to fund schools. (NLSD122 = 80% revenue from property tax, 12% from State, 2% Federal, 6% other local \$).
- Keep property taxes lower by effectively managing expenditures and debt.
 - Managing Expenditures:
 - Implemented \$9.4M of expenditure reductions several years ago (offsets inflation).
 - Currently operate at less than the State average cost per student.
 - 10-year average expenditure increase of 2.94% per year (inflation was 2.35%).
 - Eliminating debt (accomplished since FY15):
 - Paid off \$30M of principal on bond debt.
 - Saved \$13M in bond interest with successful bond restructuring.
 - Paid off \$27M of Capital Projects with existing cash reserves (All Cash. No interest.).
 - 5 Year Financial plan that funds operations and capital projects with no new debt.

Our Financial Strategy in Action

- ✓ **Balance the annual operating budget.**
 - ✓ **Accomplished every year since FY16.**
 - ✓ **Maintain healthy fund balances (stability and cash available to pay bills all year).**
 - ✓ **June 30, 2023 ending operating fund balance percentage of 59%**
- ✓ **Maintain efficient operations in order to generate an operating surplus of funds each year.**
 - ✓ **Current structural surplus = \$4M+**
- ✓ **Use the annual operating surplus to pay off capital projects and avoid the need for debt.**
 - ✓ **Paid off \$27M of capital projects since FY15 (No interest cost. All Cash)**
- ✓ **Continue to pay down existing debt (follow the previously approved and scheduled debt schedule).**
 - ✓ **Paying off \$33M of principal over the next 5 fiscal years**
- ✓ **Look for ways to restructure debt with the goal of reducing total interest cost and providing taxpayer affordability and sustainability. (Significant taxpayer savings opportunity)**
 - ✓ **5 Phase bond restructuring plan to saved \$13M in interest expense**

Property Tax Levy Calculation

- **2022 EAV = \$1,683,575,919** (EAV = Equalized Assessed Valuation; about 1/3 of market value)
- **2023 Change in existing EAV = +6.35%** (Estimate per Will County)
- **\$ 1,683,575,919 x 1.0635 = \$1,790,479,901** (Adjusted Valuation Base)
- **2023 New Property Developed = \$14,113,739** (Estimate per Will County)
- **\$14,113,739 + \$ 1,790,479,901 = \$1,804,593,640** (Expected Net EAV)

- **2022 Levy Extension = \$52,694,243**
- **Inflation (CPI) = 5.0%** (2023 Levy uses the December 2022 CPI (6.5%) or 5% whichever is lower)
- **\$52,694,243 x 5.0% = \$2,634,712** (Revenue increase for inflation)
- **\$52,694,243 + \$2,634,712 = \$55,328,955** (New extension base)

- **\$55,328,955 / \$1,790,479,901 = \$0.030902** (New Tax Rate)
- **\$0.030902 x \$14,113,739 = \$436,139** (Revenue increase for New Property)

- **2022 ext. (\$52,694,243) + New Revenue (\$2,634,712 + \$436,139) = 2023 extension (\$55,765,094*)**

**final calculations are carried out to several decimal points and therefore will have a slight rounding variances*

Property Tax Levy Calculation

- **2022 ext. (\$52,694,243) + New Revenue (\$2,634,712 + \$436,139) = 2023 extension (\$55,765,094)**
- **Annual Debt Service = \$13,093,486** (Based on previously approved debt)
 - Note that about 20% of NLSD122's tax bill is to pay off previously approved debt
- **2023 Operating extension (\$55,765,094) + 2023 Debt Service (\$13,093,486) = Total (\$68,858,580)**
- **Certificate of Levy to be submitted to the County before the last Tuesday in December**
 - **\$55,765,094 : Expected final extension based on EAV and New Property estimates provided by Will County in October (EAV up 6.35% and New Property of \$14,113,739).**
 - **\$56,537,638 : Amount to request on the certificate of tax levy. Since the District will never receive more revenue than it requests on the levy, it is best practice to request more than is expected just in case the new property for the year comes in higher than estimated. Once the final new property values are reported by the County in April, then the final extension amount is calculated for each district. Any extra amount requested on the levy is eliminated by the County. This strategy secures the district for up to \$39.1M of new property for 2023.**

NLSD122 Recent Levy History

Original Levy Requested in Fall vs Final Tax Extension in Spring

Levy Year	Original Levy Requested	Final Actual Extension	Difference
2023	\$ 56,537,638	\$ 55,765,094	\$ (772,544) <i>projected</i>
2022	\$ 53,467,793	\$ 52,694,243	\$ (773,550)
2021	\$ 50,650,189	\$ 49,611,208	\$ (1,038,981)
2020	\$ 48,818,826	\$ 48,274,084	\$ (544,742)
2019	\$ 47,169,182	\$ 46,528,335	\$ (640,847)
2018	\$ 45,560,804	\$ 44,964,739	\$ (596,065)
2017	\$ 43,943,773	\$ 43,425,541	\$ (518,232)
2016	\$ 42,848,522	\$ 41,860,371	\$ (988,151)
2015	\$ 41,812,196	\$ 40,874,687	\$ (937,509)
2014	\$ 40,363,481	\$ 39,827,456	\$ (536,025)
2013	\$ 38,759,720	\$ 38,452,546	\$ (307,174)

The District can only receive the amount of funds asked for and allowed by the IL PTELL laws.

If the District under estimates property values and levies too low,
the potential revenue would be lost forever.

Best practice is to estimate high and allow the County to let us know the actual lower amount later.

Why do property taxes go up? Is it sustainable?

2013 total NLSD122 property tax extension = \$46.5M

2023 total NLSD122 property tax extension = \$68.9M

Total increase over 10 years = +\$22.4M

- **\$245 million of new property (about 1,900 new homes, new stores, new buildings)**
- **Average rate of inflation (CPI) over last 10 years has been about 2.35%**
- **Annual bond payments have increased from around \$8.2M to \$13.1M**

NLSD122 property tax collections have increased at an average annual rate of about 4% over the past 10 years.

- **About 23%+ of the increases are for bond payments (paying off buildings)**
- **About 37% of the increases are from new property**
- **About 40% of the increases are inflation rate adjustments for existing property**
 - **School district property taxes increase at the rate of inflation (capped at 5%) w/ the following adjustments:**
 - **Assessed value changes for each individual home**
 - **New homes/buildings built each year**
 - **Increasing or decreasing debt payments (“mortgages” on the school buildings)**

2023 Tax Bills: Increase of about 4.8%

2015 Increase 0.9%, 2016 Increase 1.2%, 2017 Increase 3.4%, 2018 Increase = 4.2%,
2019 Increase = 2.4%, 2020 Increase = 2.6%, 2021 Increase 2.1%, 2022 Increase 4.5%.

NLSD122 2023 Tax Levy Estimate: Projected Tax Bills (11.06.23)

2022

2022 Market Value	100,000	150,000	200,000	250,000	300,000	350,000	400,000	450,000	500,000
1/3 Assessment	33,333	50,000	66,667	83,333	100,000	116,667	133,333	150,000	166,667
Exemptions	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Total Net Value	27,333	44,000	60,667	77,333	94,000	110,667	127,333	144,000	160,667
Tax Rate	\$ 3.8884	\$ 3.89	\$ 3.89	\$ 3.89	\$ 3.89	\$ 3.89	\$ 3.89	\$ 3.89	\$ 3.89
Tax Due	1,063	1,711	2,359	3,007	3,655	4,303	4,951	5,599	6,247

The expected average overall Equalized Assessed Value (EAV) for property in New Lenox increased 6.35% for 2023. The change in your individual tax bill will be dependent upon how much your assessment changed for 2023. The below tables provide estimated changes in tax bills based on various values and assessment changes. The amounts listed represent the amount due to NLSD122 only. Your total tax bill includes other taxing bodies.

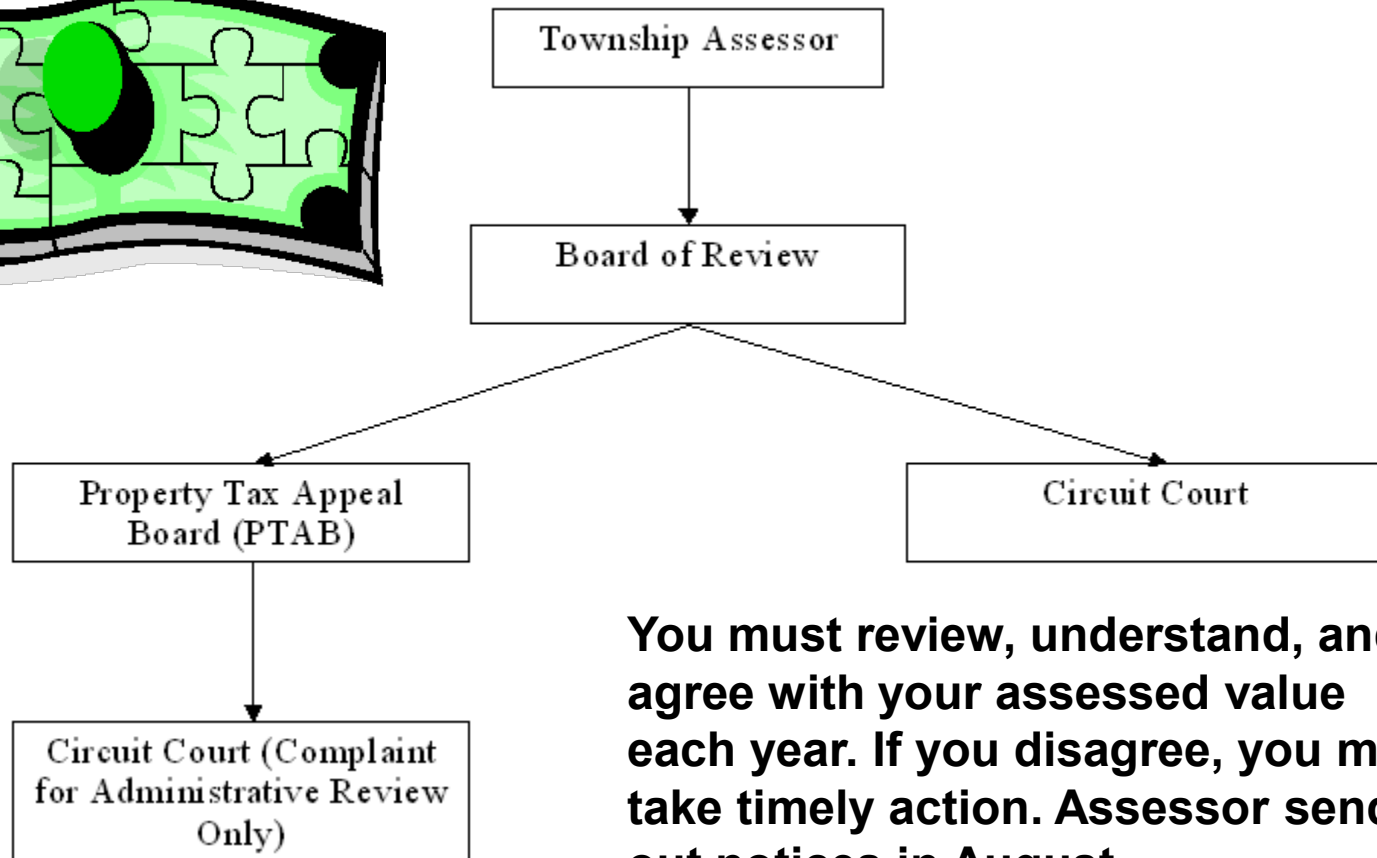
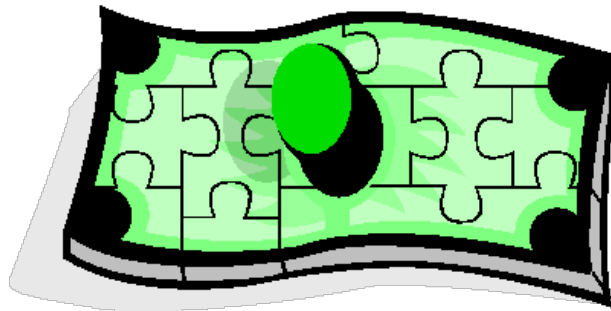
Homes w/ 2023

Assessment Change of:

6.35%

2023 Market Value	106,350	159,525	212,700	265,875	319,049	372,224	425,399	478,574	531,749
1/3 Assessment	35,450	53,175	70,900	88,625	106,350	124,075	141,800	159,525	177,250
Exemptions	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Total Net Value	29,450	47,175	64,900	82,625	100,350	118,075	135,800	153,525	171,250
Tax Rate	\$ 3.82	\$ 3.82	\$ 3.82	\$ 3.82	\$ 3.82	\$ 3.82	\$ 3.82	\$ 3.82	\$ 3.82
Tax Due	1,124	1,800	2,476	3,153	3,829	4,505	5,182	5,858	6,534
\$ Increase	\$ 61	\$ 89	\$ 117	\$ 146	\$ 174	\$ 202	\$ 231	\$ 259	\$ 287
% Increase	5.7%	5.2%	5.0%	4.8%	4.8%	4.7%	4.7%	4.6%	4.6%

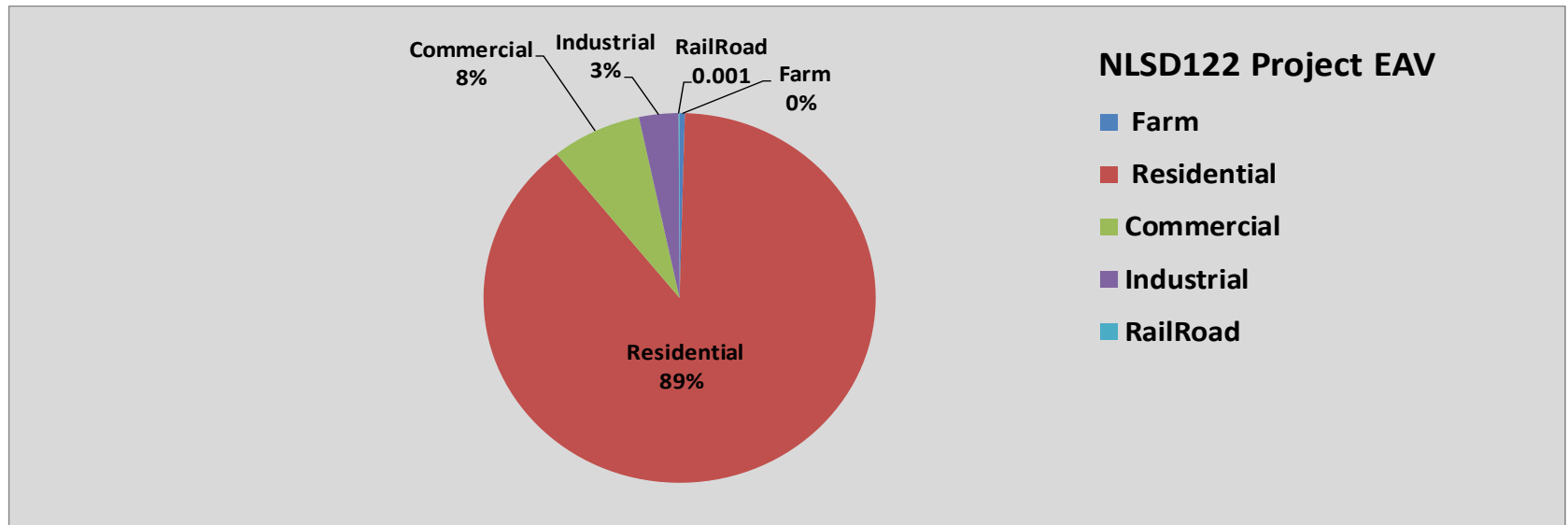
Assessment Appeal Process



You must review, understand, and agree with your assessed value each year. If you disagree, you must take timely action. Assessor sends out notices in August.

Property Values in New Lenox

- New Lenox currently relies primarily on residential property owners (89%).
- Future commercial and industrial growth will help to stabilize the debt service tax rate and therefore the overall tax rate.



Tax Levy Scenarios

- 1) What if the CPI was held at 0% for 2023?
 - NLSD122 loss = \$2.6M+ annually
 - Average Homeowner saves \$122 per year
- 2) What if the levy was held flat with no increase for 2023 (keep it at \$65.5M total)?
 - NLSD122 loss = \$3.4M+ annually
 - Average Homeowner saves \$155 a year.
- 3) What if NLSD122 abated \$1,000,000 of debt service for 2023?
 - NLSD122 would lose **\$1,000,000** of reserves (primarily earmarked for maintaining the district facilities).
 - Average Homeowner gets a one time savings of **\$46** (Just for one year. Not in future years).

All above scenarios assume a \$250K market value home.

Tax Levy

- FY24 Legal Budget approved in September 2023 and most recent 5 Year Projection presented in June 2023 both assumed that the 2023 Levy extension would receive the 5.0% CPI increase, would receive an increase for all new property and would not abate any debt service. The 2023 Levy will fund the second half of this school year and the first half of next school year.
- The financial future for school districts remains uncertain due to poor state finances and political issues in Illinois.
- The District has identified an extensive list of capital infrastructure needs that need to be addressed over the next several years. NLSD122 plans to fund a significant portion of these capital needs with operating budget reserves as opposed to new bonds and additional debt.

P.A. 102-0895

Fund	Cash Accounts 111-115
(10)	\$ 27,078,000
(20)	\$ 5,338,835
(30)	\$ 6,480,273
(40)	\$ 4,710,924
(50)	\$ 1,032,264
(60)	\$ 1,435,938
(70)	\$ 2,321,305
(80)	\$ 29,915
(90)	\$ 115,471

*Source: 6/30/23 ISBE AFR - Assets Tab

Questions?

❑ Please contact us anytime:

Robert Groos
NLSD122 CSBO
(815) 485 - 2169

rgroos@nlsd122.org

Final questions and comments regarding the property tax levy will be taken at the November 14th public hearing (6:00pm located at the NLSD122 Admin Center; 102 S. Cedar Rd. New Lenox, IL 60451).