

2020 Property Tax Levy Presentation



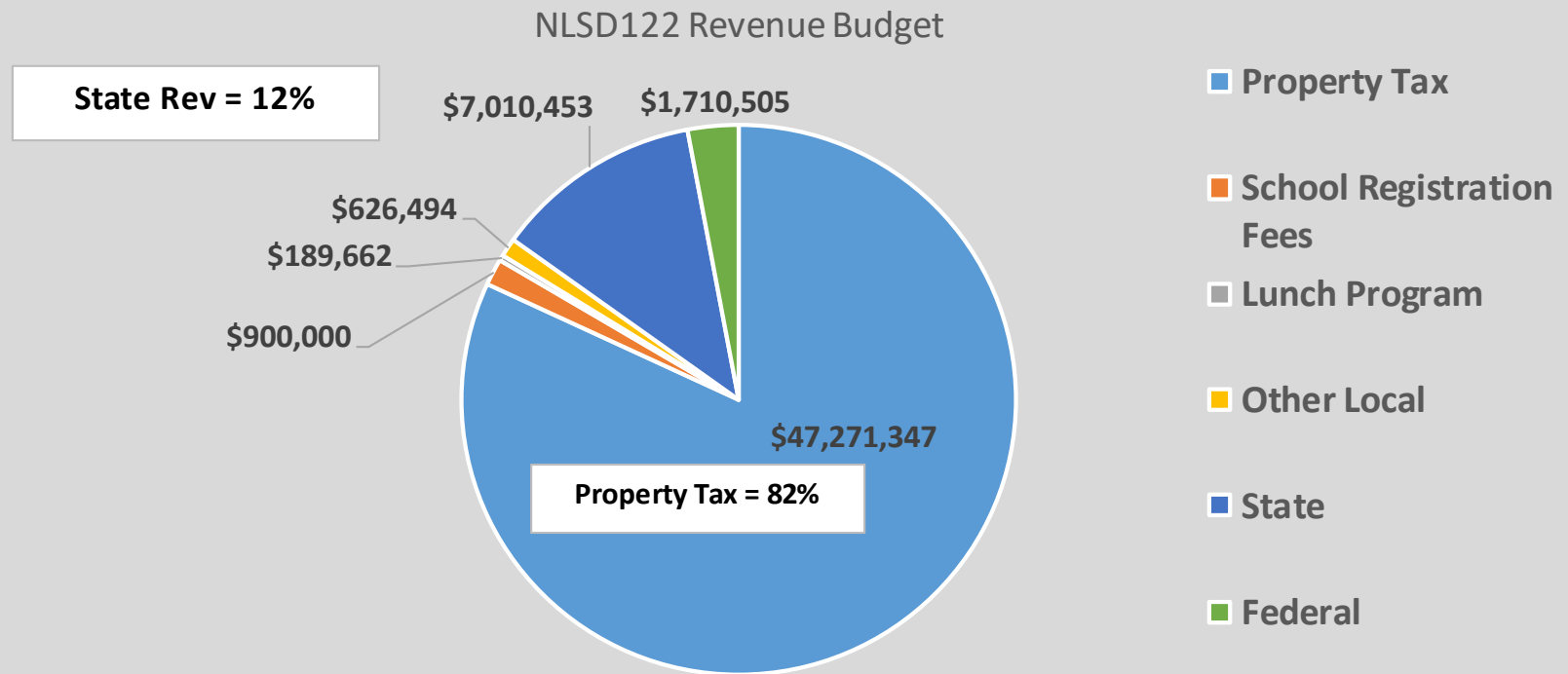
Dr. Motsch, Superintendent

Robert Groos, Business Manager/CSBO

Presented October 20, 2020 & November 17, 2020

The Annual Property Tax Levy

➤ *Approving the levy is our most important financial decision.*



Understanding Illinois Property Tax Laws:

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 based primarily on local property values. The more local property value, the less State funding.**
 - **Illinois funds about 12% of NLSD122's annual operating budget.**

Illinois Property Tax Law & Inflation

- IL Property Tax law allows for an annual inflation increase in the levy.
 - Inflation increases costs over time
- Each year, a district can levy the same amount as last year plus increase the levy by whatever inflation was for the year.
 - 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

All Urban Consumer Price Index

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------|------|------|------|------|------|------|------|------|------|
| 1.5% | 3.0% | 1.7% | 1.5% | 0.8% | 0.7% | 2.1% | 2.1% | 1.9% | 2.3% |

Fed Goal = 2.0%

10 Year Avg = 1.8%

5 Year Avg = 1.8%

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

- 1) CPI: Increase to keep pace with inflation**
- 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

2020 NLSD122 State Revenues = \$7.0M (10 years later and receiving \$1.5M less!)

Without increased property tax revenue, NLSD122 would have to:

- Reduce the number of staff, programs and services
- 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.

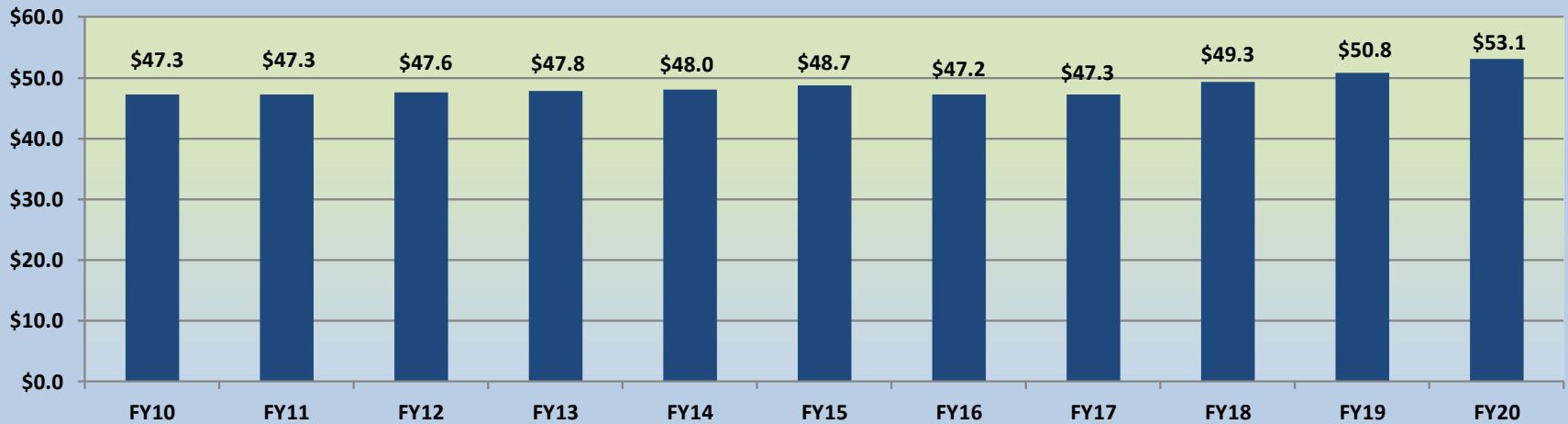
NLSD122's Operating Budget increased 1.2% on average over the past 10 years.

- *Increased services over time while keeping costs nearly flat.*

Expenditure History

| Fiscal Year | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|-----------------------------------|---------|---------|---------|---------|---------|---------|----------|---------|---------|---------|---------|
| Annual Operating Expenditures | \$ 47.3 | \$ 47.3 | \$ 47.6 | \$ 47.8 | \$ 48.0 | \$ 48.7 | \$ 47.2 | \$ 47.3 | \$ 49.3 | \$ 50.8 | \$ 53.1 |
| Percentage Change | | 0.0% | 0.6% | 0.4% | 0.4% | 1.5% | -3.1% | 0.2% | 4.3% | 3.0% | 4.5% |
| Average Over 10 Years | | | | | | | decrease | | | | 1.17% |
| Lease Recognition Value Deducted* | | | | | | | | \$1.9M | \$0.5M | \$0.0M | \$0.0M |

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



Data Source: Final Audited Annual Financial Reports Posted on ISBE's website.

*District auditor required capital lease to be paid for out of the Debt Service Fund beginning in FY17.

The above Annual Operating Expenditures reflect any offsetting sources in relation to any capital lease expense recognized (see AFR notes).

FY16 Annual Operating Expenditures included \$391K of lease payments. FY17 and beyond include \$0 since the expense is now in Debt Service.

FY19 and FY20 costs are inflated by about \$1M per year to support the full implantation of 1:1 technology for all students.

Key Takeaway

- Great public schools help to prepare students for the future (especially students with extra needs).
- Great 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. (NLS122 = 82% revenue from property tax, 12% from State, 3% Federal, 3+% other local fees).
- Keep property taxes lower by effectively managing expenditures and debt.
 - **Managing Expenditures:**
 - Implemented \$9.4M of expenditure reductions over the past several years (offsets inflation).
 - Currently operate at significantly less than the State average cost per student.
 - 10-year average expenditure increase of 1.2% per year (inflation was 1.8%).
 - **Eliminating debt (accomplished since FY15):**
 - Paid off \$20.9M of principal on debt
 - Eliminated \$3.4M of debt by refinancing bonds at lower rates and paying off sooner
 - Plan set to eliminate another \$4.0M of debt with final two phases of bond restructuring
 - Paid off \$19M of Capital Projects with existing cash reserves (\$0 of interest. Paid in full.)
 - 10 Year Financial plan to continue paying off debt and funding capital projects with cash

Our Financial Strategy in Action

- ✓ **Balance the annual operating budget.**
 - ✓ **Accomplished 8 consecutive years (streak in jeopardy for FY21 due to global pandemic, however, planning to balance the budget by year end despite the circumstances)**
- ✓ **Maintain healthy fund balances (stability and cash available to pay bills all year).**
 - ✓ **June 30, 2020 ending operating fund balance percentage of 66%**
- ✓ **Maintain efficient operations in order to generate an operating surplus of funds each year.**
 - ✓ **FY19 surplus of \$4.4M**
 - ✓ **FY20 surplus of \$2.9M**
- ✓ **Use the annual operating surplus to pay off capital projects and avoid the need for debt.**
 - ✓ **Paid off \$19M of capital projects since FY15 (As efficient as spending can get. Pay cash)**
- ✓ **Continue to pay down existing debt (follow the previously approved and scheduled debt schedule).**
 - ✓ **Paying off \$23.8M 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)**
 - ✓ **Phases 1, 2 and 3 of our debt restructuring plan now complete (saved \$3.4M)**
 - ✓ **Phases 4 and 5 planned for the next few years (projected to save another \$4.0M)**

Property Tax Levy Calculation

- **2019 EAV = \$1,441,934,280** (EAV = Equalized Assessed Valuation; about 1/3 of market value)
- **2020 Change in existing EAV = +2.79%** (Estimate per Will County)
- **\$ 1,441,934,280 x 1.0279 = \$1,482,164,246** (Adjusted Valuation Base)
- **2020 New Property Developed = \$17,000,000** (Estimate per Will County)
- **\$17,000,000 + \$ 1,482,164,246 = \$1,499,164,246** (2020 Expected Net EAV)

- **2019 Levy Extension = \$46,528,335**
- **Inflation (CPI) = 2.3%**
- **\$46,528,335 x 2.3% = \$1,070,152 (Revenue increase for inflation)**
- **\$46,528,335 + \$1,070,152 = \$47,598,487** (New 2020 extension base)

- **\$ 47,598,487 / \$ 1,499,164,246 = \$0.032114** (New Tax Rate for 2020)
- **\$ 0.032114 x \$17,000,000 = \$545,938 (Revenue increase for New Property)**

- **2019 ext. (\$46,528,335) + New Revenue (\$1,070,152 + \$545,938) = 2020 extension (\$48,144,428)**

Property Tax Levy Calculation

- **2019 ext. (\$46,528,335) + New Revenue (\$1,070,152 + \$545,938) = 2020 extension (\$48,144,428)**
- **Annual Debt Service = \$11,980,366** (Based on previously approved debt)
 - Note that 20% of NLS122's tax bill is to pay off previously approved debt (**\$639 on a \$250K home**)
- **2020 Operating extension (\$48,144,428) + 2020 Debt Service (\$11,980,366) = Total (\$60,124,794)**
- **Certificate of Levy to be submitted to the County before the last Tuesday in December**
 - **\$48,144,428 : Expected final extension based on EAV and New Property estimates provided by Will County in October 2020 (EAV up 2.79% and New Property of \$17,000,000).**
 - **\$48,818,826 : 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 \$38M of new property for 2020.**

Levy vs Extension - History

NLSD122 Recent Levy History

Original Levy Requested in Fall vs Final Levy calculated in Spring

| Levy Year | Original Levy Requested | Final Actual Levy | Difference |
|-----------|-------------------------|-------------------|------------------------|
| 2020 | \$ 48,818,826 | \$ 48,144,428 | \$ (674,398) projected |
| 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?

2010 total NLS122 property tax extension = \$42.9M

2020 total NLS122 property tax extension = \$60.1M

Total increase over 10 years = +\$17.2M

- \$214 million of new property (about 1,400 new homes, new stores, new buildings)
- Average rate of inflation over last 10 years has been about 1.8%
- Annual bond payments have increased from around \$8.3M to \$12.0M

After 10 years, NLS122 property tax revenue has increase at an average annual rate of about 3.6%

- About 20%+ of the increases are for bond payments (paying off buildings)
- About 40% of the increases are from new property
- About 40% of the increases are inflation rate adjustments for existing property (*2.5% average*)
 - School district property taxes increase at the rate of inflation 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)

2020 Tax Bills: Increase of about 2.7%

- ❖ 2014 Increase = 0.8%, 2015 Increase 0.9%, 2016 Increase 1.2%, 2017 Increase 3.4%, 2018 Increase = 4.2%, 2019 Increase = 2.5%

NLSD122 2020 Tax Levy Estimate: Projected Tax Bills (10/20/20)

2019

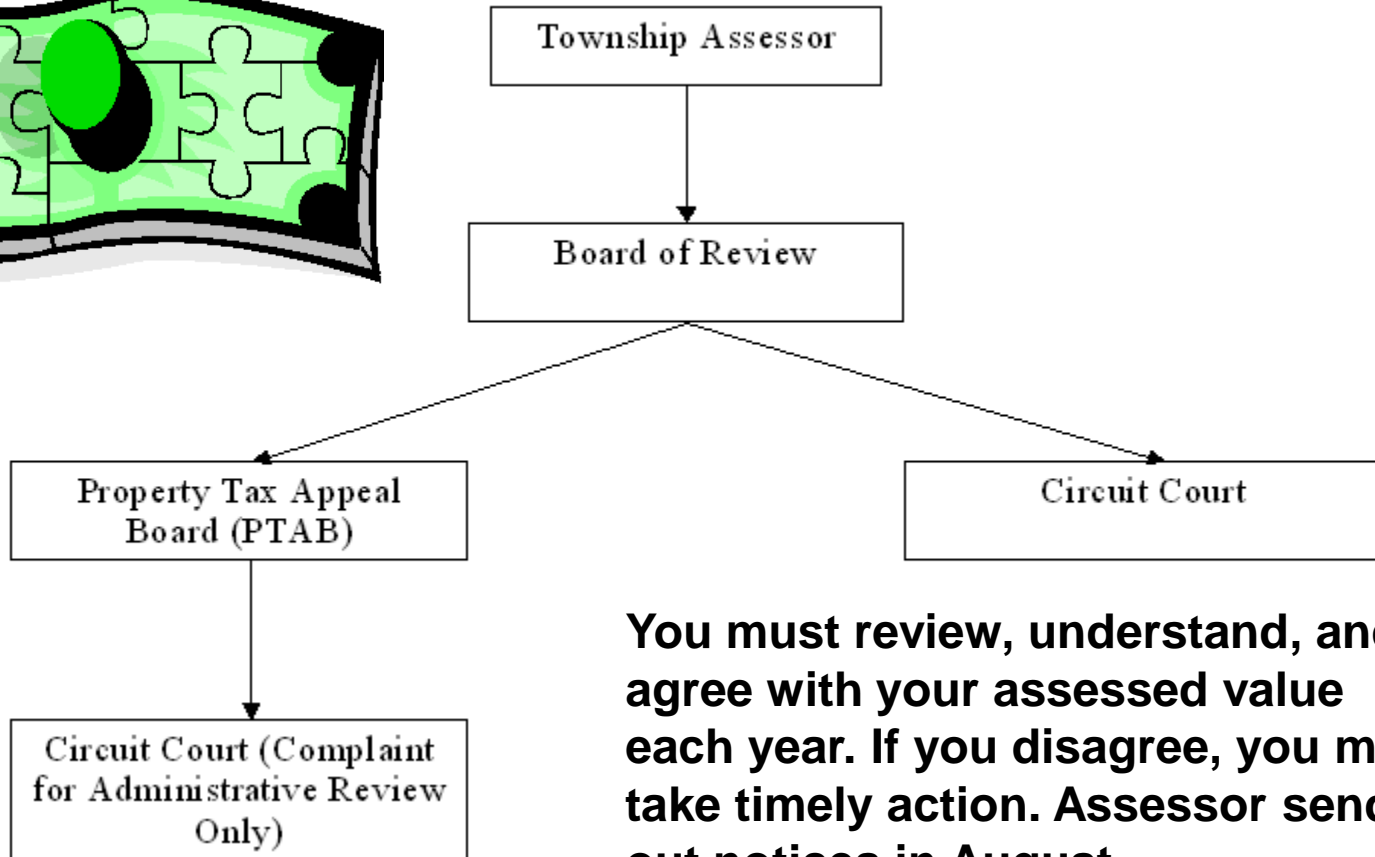
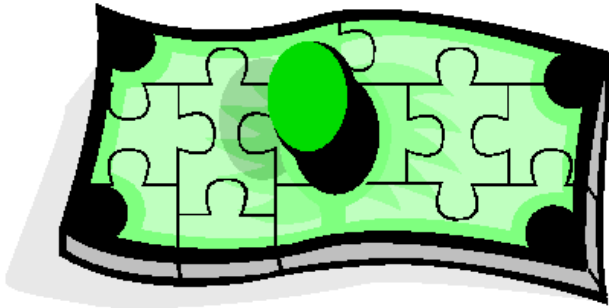
| | | | | | | | | | |
|-------------------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| 2019 Market Value | 100,000 | 150,000 | 200,000 | 250,000 | 300,000 | 350,000 | 400,000 | 450,000 | 500,000 |
| 1/3 Assessment | 33,333 | 50,000 | 66,667 | 83,333 | 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 | \$ 4.0237 | \$ 4.02 | \$ 4.02 | \$ 4.02 | \$ 4.02 | \$ 4.02 | \$ 4.02 | \$ 4.02 | \$ 4.02 |
| Tax Due | 1,100 | 1,770 | 2,441 | 3,112 | 3,782 | 4,453 | 5,123 | 5,794 | 6,465 |

The expected average overall Equalized Assessed Value (EAV) for property in New Lenox increased 2.70% for 2020. The change in your individual tax bill will be dependent upon how much your assessment changed for 2020. 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/ 2020
Assessment Change of:
2.79%

| | | | | | | | | | |
|-------------------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| 2020 Market Value | 102,790 | 154,185 | 205,580 | 256,975 | 308,370 | 359,765 | 411,160 | 462,555 | 513,950 |
| 1/3 Assessment | 34,263 | 51,395 | 68,527 | 85,658 | 102,790 | 119,922 | 137,053 | 154,185 | 171,317 |
| Exemptions | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Total Net Value | 28,263 | 45,395 | 62,527 | 79,658 | 96,790 | 113,922 | 131,053 | 148,185 | 165,317 |
| Tax Rate | \$ 4.0106 | \$ 4.01 | \$ 4.01 | \$ 4.01 | \$ 4.01 | \$ 4.01 | \$ 4.01 | \$ 4.01 | \$ 4.01 |
| Tax Due | 1,134 | 1,821 | 2,508 | 3,195 | 3,882 | 4,569 | 5,256 | 5,943 | 6,630 |
| \$ Increase | \$ 34 | \$ 50 | \$ 67 | \$ 83 | \$ 100 | \$ 116 | \$ 133 | \$ 149 | \$ 165 |
| % Increase | 3.1% | 2.8% | 2.7% | 2.7% | 2.6% | 2.6% | 2.6% | 2.6% | 2.6% |

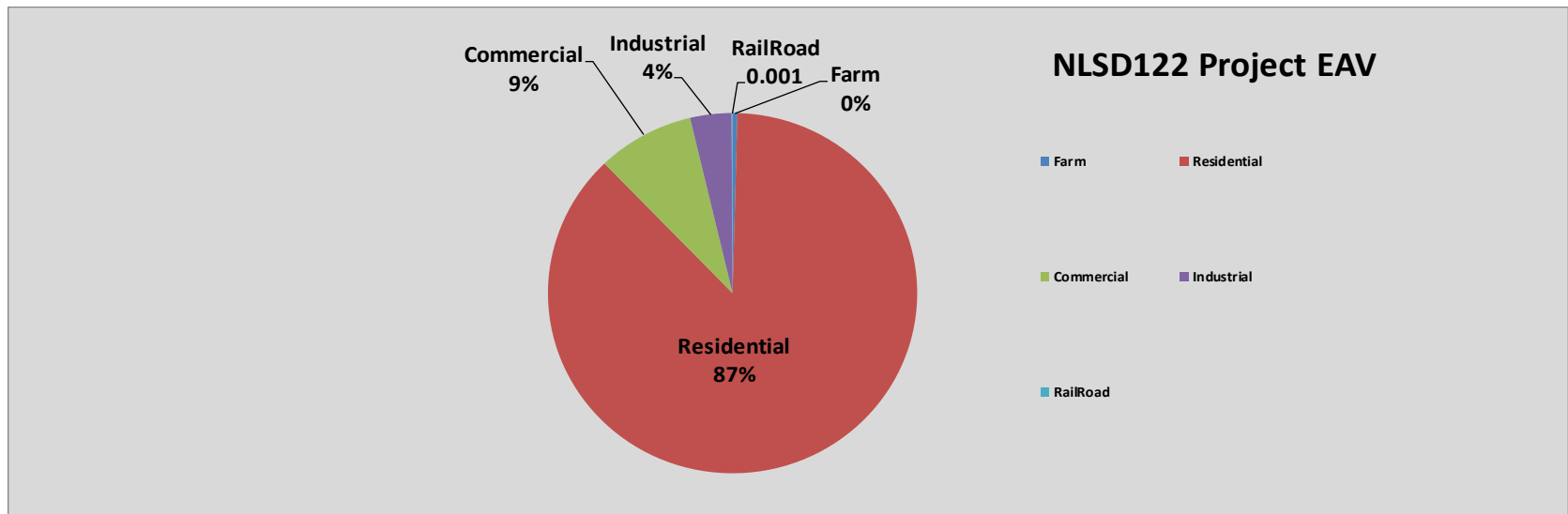
Assessment Appeal Process



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 relies primarily on residential property owners (87%).
- Future commercial and industrial growth will help to stabilize the debt service tax rate and therefore the overall tax rate.



Tentative Tax Levy Summary

This presentation illustrated that:

- 1) Will County estimates that existing property values increased 2.79% overall in New Lenox for 2020.
- 2) Will County estimates that there will be about \$17M of new property for 2020.
- 3) Inflation used for 2020 levy is 2.3% (2019 All Urban Consumer Price Index).
- 4) Levy extension increases for inflation (CPI) and new property.
- 5) New revenue attributed to the 2.3% inflation is \$1.1M.
- 6) New revenue attributed to the expected \$17M of new property is \$0.5M.
- 7) Last year's 2019 operating tax extension was \$46.5.
- 8) 2019 extension \$46.5M + **New Revenue (\$1.1M + \$0.5M) = 2020 extension \$48.1M.**
- 9) NLSD122 has \$11.98M of bond payments to make in 2020, the total expected extension is \$60.1M.
- 10) The operating extension is going from \$46.5M to \$48.1M. This is a 3.47% increase.
- 11) The total extension is going from \$58.0M to \$60.1M. This is a 3.63% increase.
- 12) Individual tax bills due to NLSD122 are expected to increase about 2.7% or about \$83 for the year.
 - \$26 of the \$83 increase is attributed to the scheduled bond payments increasing from \$11.5M to \$11.98M
 - *Assumed an assessment change of +2.79% with a beginning market value of about \$250K.*
 - *Individual assessments may vary and have the most significant impact on one's individual tax bill.*

Tax Levy Scenarios

1) What if the CPI was held at 0% for 2020?

- NLSD122 loss = \$1.1M+ per year
- Average Homeowner saves \$57 per year

2) What if the levy was held flat with no increase for 2020 (keep it at \$58.0M total)?

- NLSD122 loss = \$2.1M+ annually
- Average Homeowner saves \$83 a year.

3) What if NLSD122 abated \$1,000,000 of debt service for 2020?

- NLSD122 would lose **\$1,000,000** of reserves (primarily earmarked for maintaining the district facilities).
- Average Homeowner gets a one time savings of **\$53** (Just for one year. Not in future years).

All above scenarios assume a \$250K 2019 market value home.

Tax Levy

- FY21 Legal Budget approved in September 2020 and most recent 5 Year Projection presented in June 2020 both assumed that the 2020 Levy extension would receive the 2.3% CPI increase, would receive an increase for all new property and would not abate any debt service. The 2020 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.**

Questions?

□ Please contact us anytime:

Robert Groos

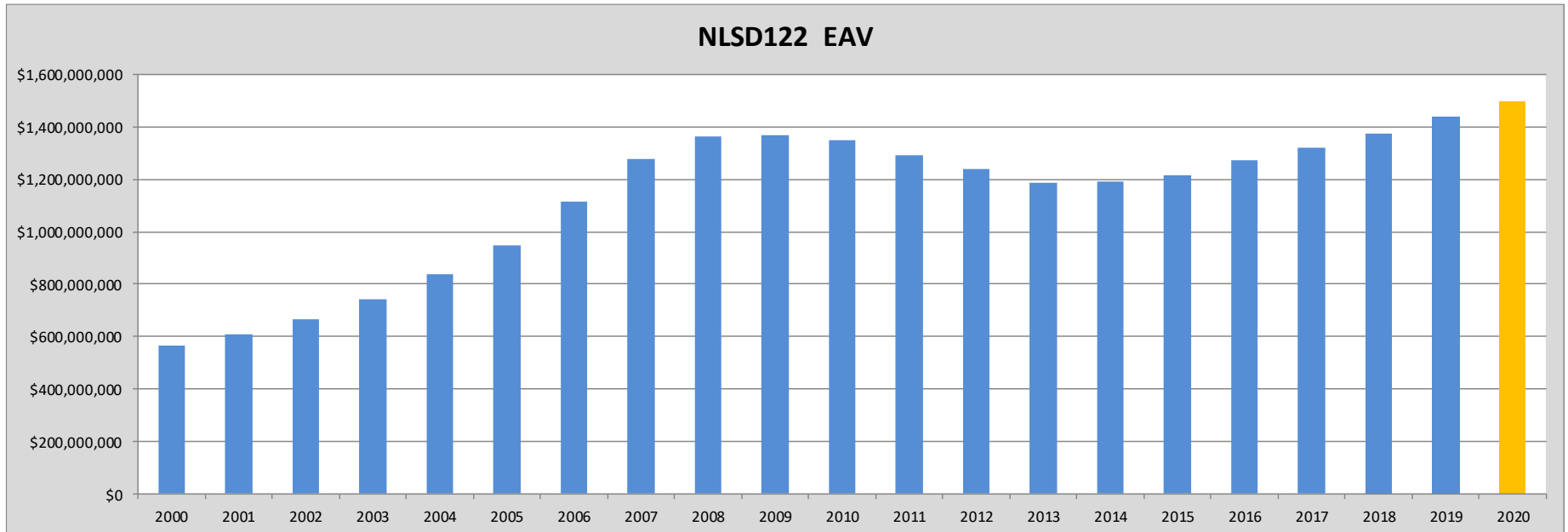
NLSD122 Business Manager/CSBO

(815) 485 - 2169

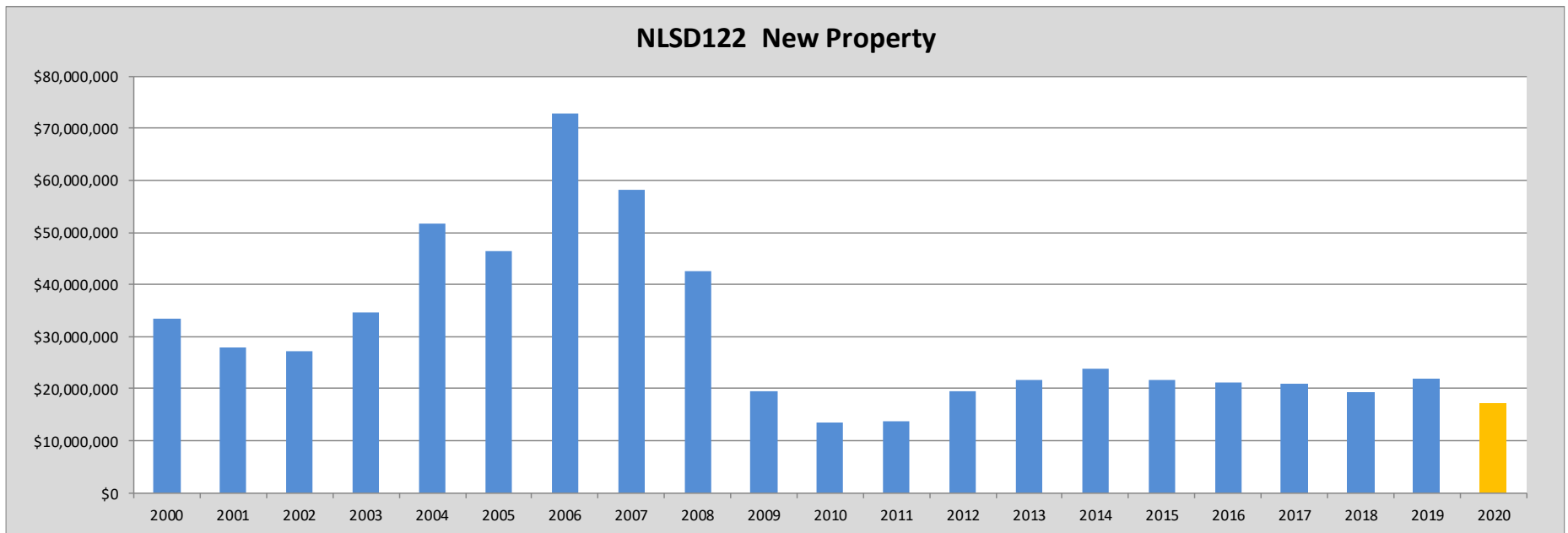
rgroos@nlsd122.org

Final questions and comments regarding the property tax levy will be taken at the November 17th public hearing (*6:30pm located at NLSD122 Admin Center*).

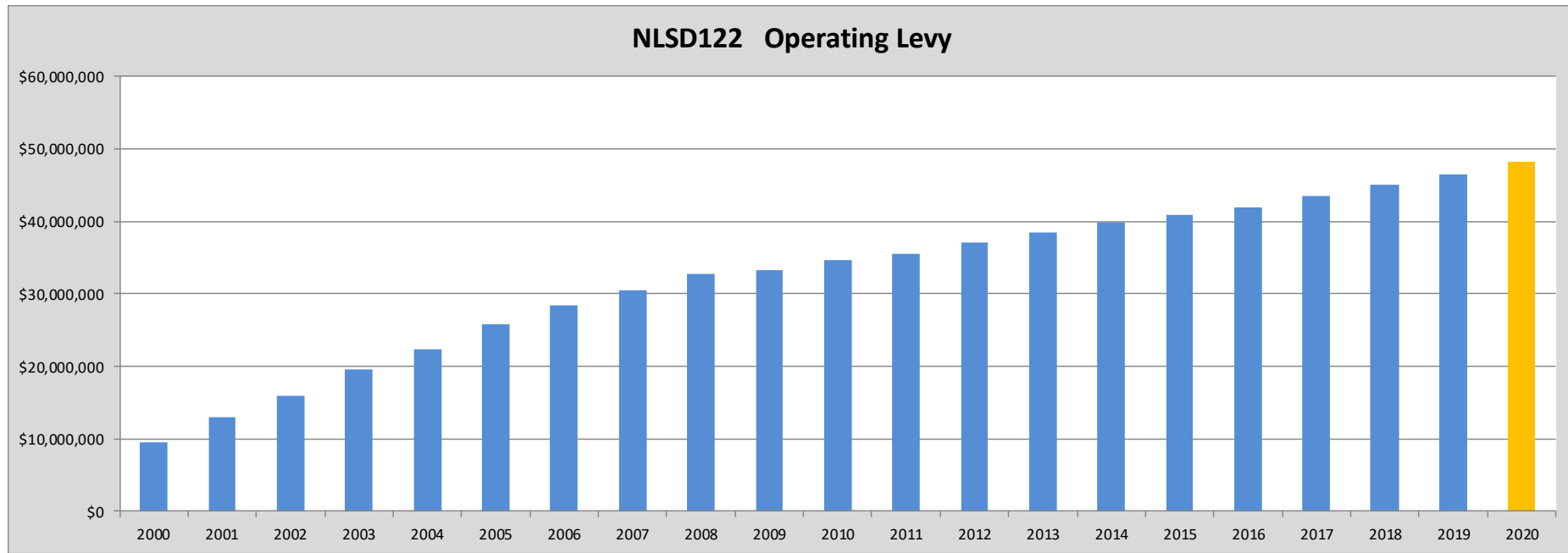
NLSD122 2019 Levy - Supporting Charts



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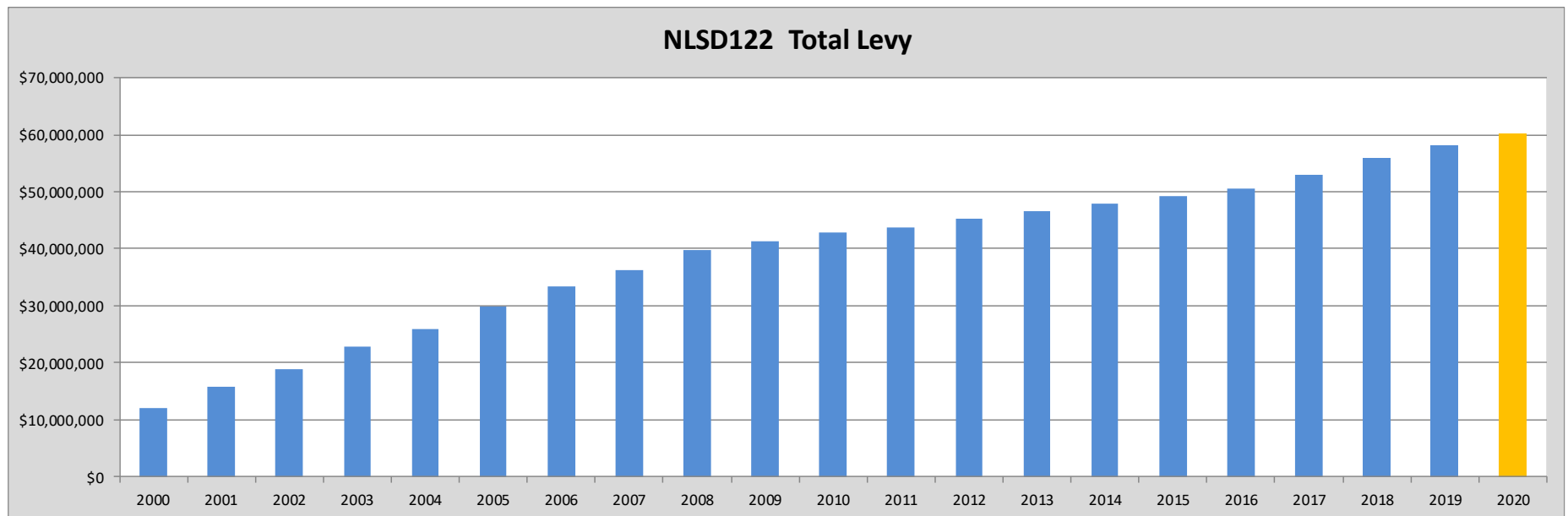
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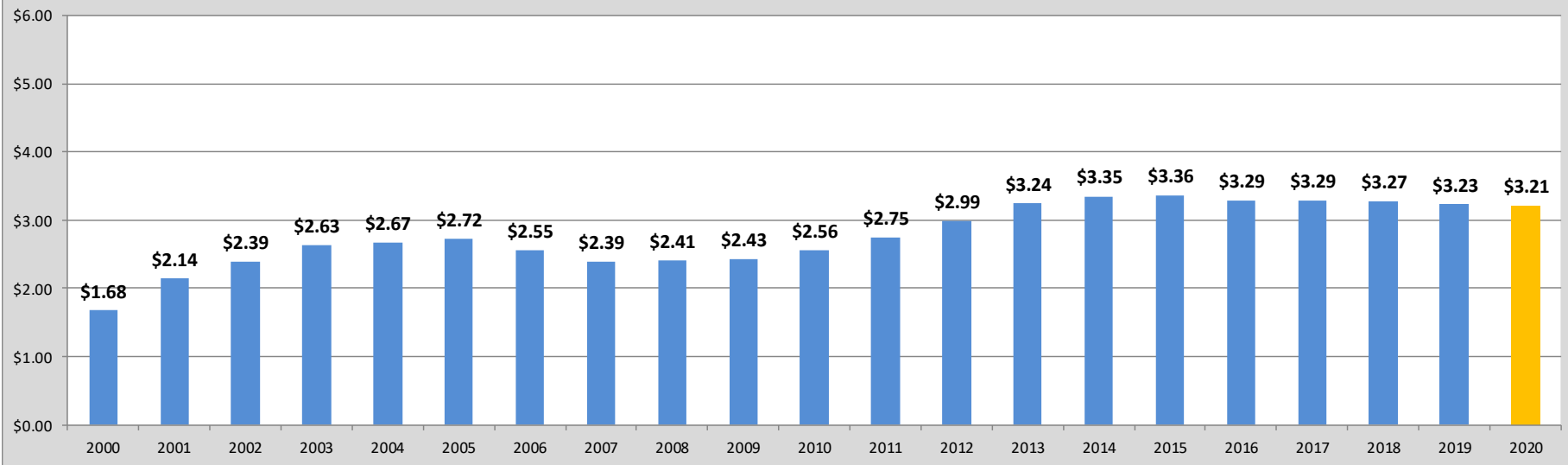


NLSD122 2019 Levy - Supporting Charts



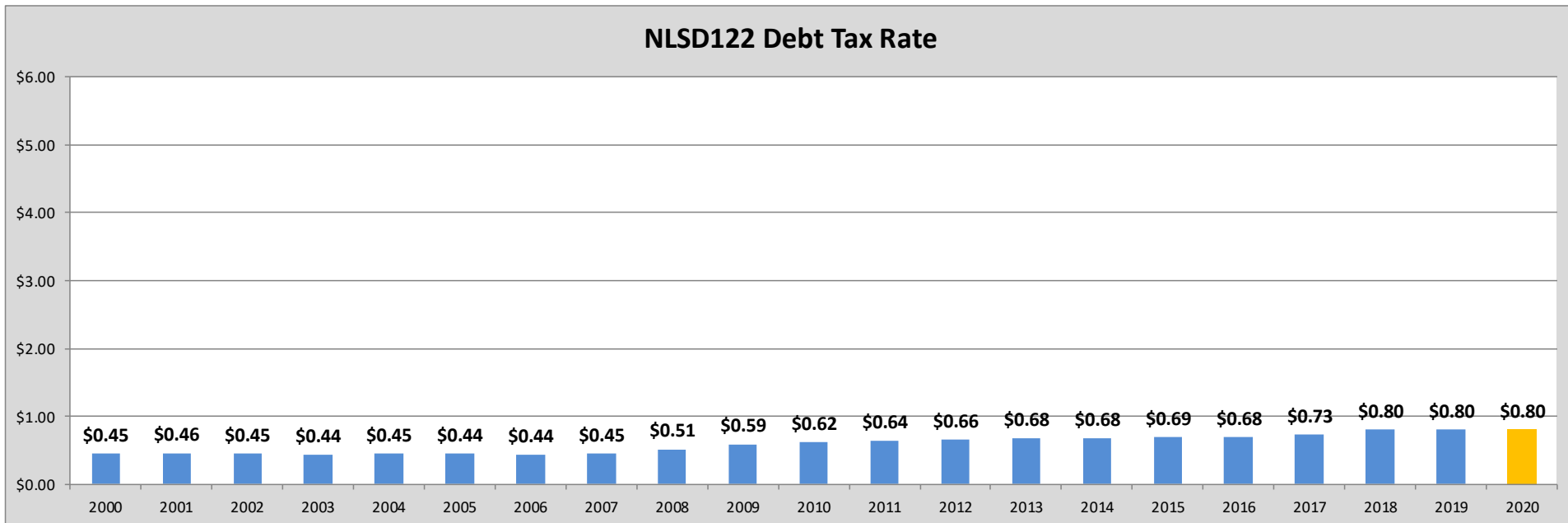
NLSD122 2019 Levy - Supporting Charts

NLSD122 Operating Tax Rate



NLSD122 2019 Levy - Supporting Charts

NLSD122 Debt Tax Rate



NLSD122 2019 Levy - Supporting Charts

