

# 2022 Property Tax Levy Presentation



Dr. Lori Motsch, Superintendent

Robert Groos, Chief School Business Official

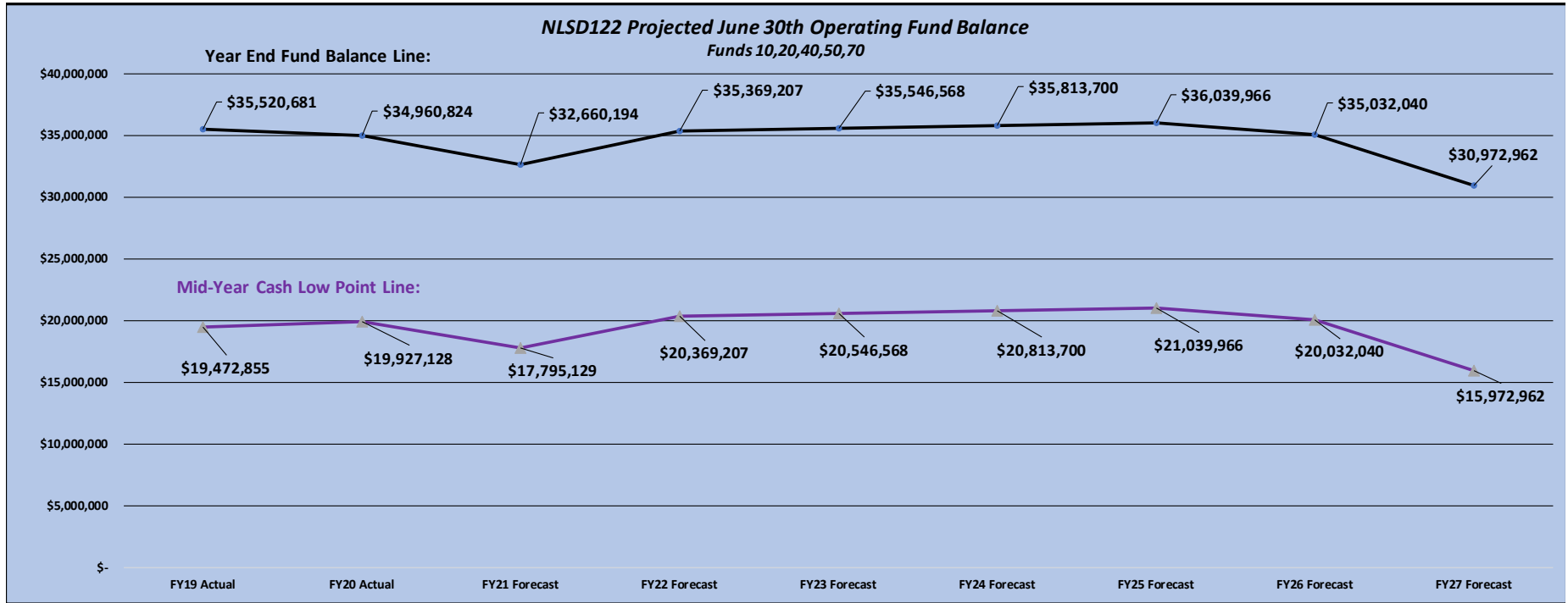
Presented October 18, 2022 & November 15, 2022

## **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.**

## NEW LENOX SCHOOL DISTRICT 122

### 2022-2023 LEGAL BUDGET



	FY19 Actual	FY20 Actual	FY21 Forecast	FY22 Forecast	FY23 Forecast	FY24 Forecast	FY25 Forecast	FY26 Forecast	FY27 Forecast
NLSD122 Fund Balance	35,520,681	34,960,824	32,660,194	35,369,207	35,546,568	35,813,700	36,039,966	35,032,040	30,972,962
NLSD122 Estimated Low Cash Point	19,472,855	19,927,128	17,795,129	20,369,207	20,546,568	20,813,700	21,039,966	20,032,040	15,972,962
NLSD122 Fund Balance %	70%	66%	59%	60%	59%	57%	55%	52%	44%

# 2022-2023 School Year Budget

	6/30/2022	FY23	FY23	FY23	FY23	FY23	6/30/2023*
FY23 Legal Budget	Beginning Balance	Revenue	Expense	Net	Transfers In	Transfers Out	Ending Fund Balance
10 Education Fund	\$ 22,331,863	\$ 53,265,157	\$ 50,263,386	\$ 3,001,771		\$ (2,700,000)	\$ 22,633,634
20 Operations and Maintenance Fund	\$ 4,054,030	\$ 5,418,733	\$ 4,763,496	\$ 655,237			\$ 4,709,267
30 Debt Service Fund	\$ 7,308,490	\$ 12,621,780	\$ 12,482,205	\$ 139,575			\$ 7,448,065
40 Transportation Fund	\$ 5,905,349	\$ 3,208,590	\$ 4,075,709	\$ (867,119)			\$ 5,038,230
50 IMRF / FICA / SS Fund	\$ 842,053	\$ 1,574,220	\$ 1,496,337	\$ 77,883			\$ 919,936
60 Capital Projects Fund	\$ 1,044,037	\$ 254,000	\$ 2,939,831	\$ (2,685,831)	\$ 2,700,000		\$ 1,058,206
70 Working Cash Fund	\$ 2,235,913	\$ 9,589	\$ -	\$ 9,589			\$ 2,245,502
80 Tort Fund	\$ 25,858	\$ 1,589	\$ -	\$ 1,589			\$ 27,447
90 Life Safety Fund	\$ 111,372	\$ -	\$ -	\$ -			\$ 111,372
<b>O Operating Funds Total</b>	<b>\$ 35,369,207</b>	<b>\$ 63,476,289</b>	<b>\$ 60,598,928</b>	<b>\$ 2,877,361</b>	<b>\$ -</b>	<b>\$ (2,700,000)</b>	<b>\$ 35,546,568</b>
<i>Operating Fund Balance Ratio</i>	<i>58%</i>	<i>-</i>	<i>(0)</i>				<i>59%</i>
<i>*Excludes approximate \$250K student activity account balances</i>							
<b>S Special Funds Total</b>	<b>\$ 8,489,758</b>	<b>\$ 12,877,369</b>	<b>\$ 15,422,036</b>	<b>\$ (2,544,667)</b>	<b>\$ 2,700,000</b>	<b>\$ -</b>	<b>\$ 8,645,091</b>
<b>T Sum of All Funds</b>	<b>\$ 43,858,965</b>	<b>\$ 76,353,658</b>	<b>\$ 76,020,964</b>	<b>\$ 332,694</b>	<b>\$ 2,700,000</b>	<b>\$ (2,700,000)</b>	<b>\$ 44,191,659</b>

#### Peer Summary

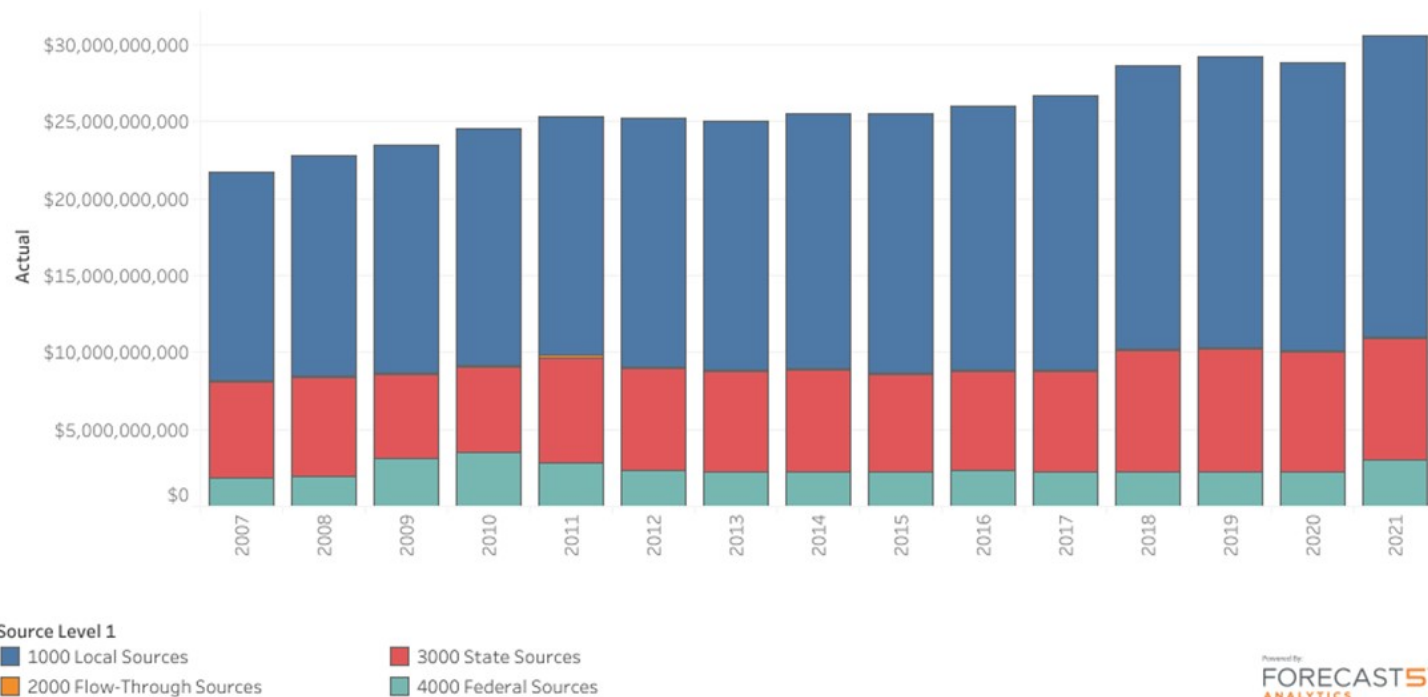
What can we learn about state-wide revenues for schools during the Great Recession and the recovery that might inform us in the current economic uncertainty?

How were the district's revenues impacted during the Great Recession?

What impact did the revenue pattern have on our overall fiscal condition?

## New Lenox SD 122 Economic Profile

The bar graph below is from the [Operating Funds](#) for the whole state.



#### Peer Summary

What can we learn about state-wide revenues for schools during the Great Recession and the recovery that might inform us in the current economic uncertainty?

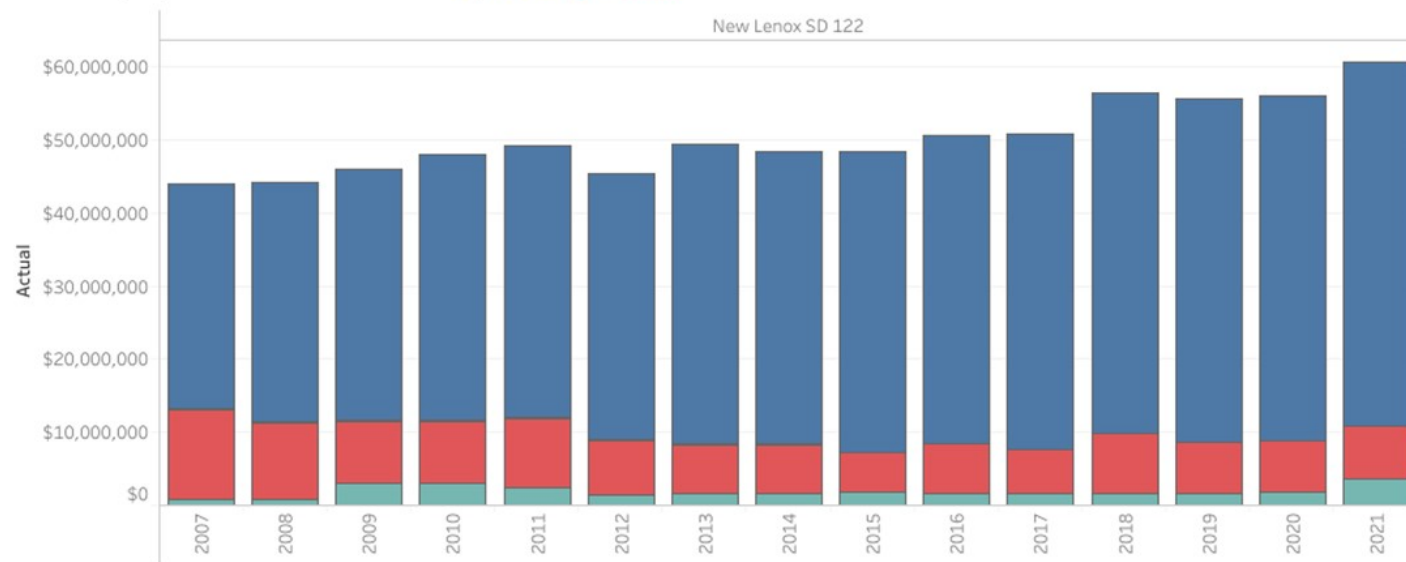
How were the district's revenues impacted during the Great Recession?

What impact did the revenue pattern have on our overall fiscal condition?

How does our financial position compare to peers?

## New Lenox SD 122 Economic Profile

The bar graph below is from the [Operating Funds](#) for New Lenox SD 122.



#### Source Level 1

1000 Local Sources  
2000 Flow-Through Sources

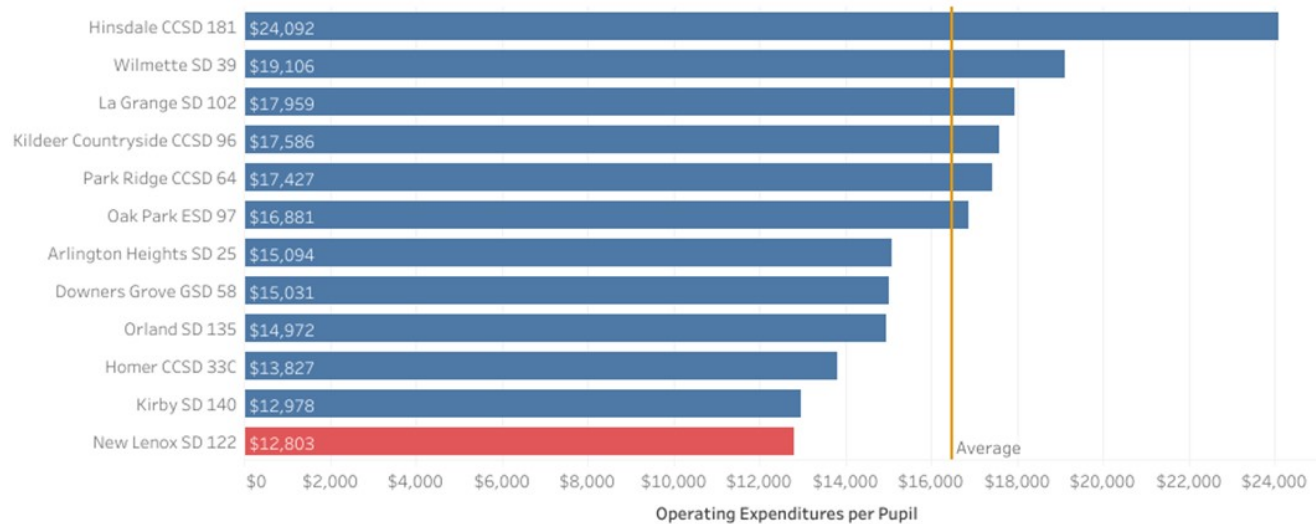
3000 State Sources  
4000 Federal Sources

Powered By  
**FORECAST5**  
ANALYTICS

Which Expense accounts under spend the budget?	How has per student spending changed?	How does per student spending compare?	In what functional areas is our spending most above our peers?	In what functional areas is our spending most below our peers?	Data Notes
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## New Lenox SD 122 Budget Prep Story

Operating Expenditures per Pupil (OEPP) is a reflection of available resources and student needs. The chart below shows the district's OEPP for 2021 compared to its peers.



## 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 13% of the school district's budget.**
  - **Property Taxes are 81% 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 2021 was 7%. 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

All Urban Consumer Price Index

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

Fed Goal = 2.0%

10 Year Avg = 2.2%

5 Year Avg = 3.0%

**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*

*2022 NLSD122 State Revenues = \$8.2M (12 years later and receiving \$0.3M 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.*

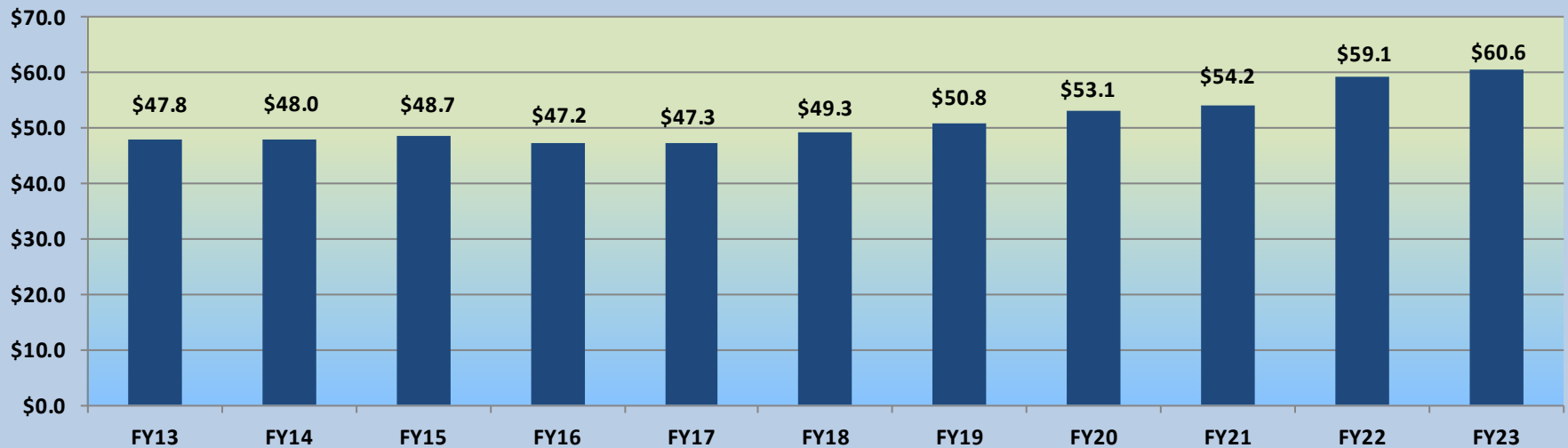
*NLSD122's Operating Budget 10-year annual average increase is at 1.62%.*

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

## Expenditure History

<b>Fiscal Year</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
<b>Annual Operating Expenditures</b>	<b>\$ 47.8</b>	<b>\$ 48.0</b>	<b>\$ 48.7</b>	<b>\$ 47.2</b>	<b>\$ 47.3</b>	<b>\$ 49.3</b>	<b>\$ 50.8</b>	<b>\$ 53.1</b>	<b>\$ 54.2</b>	<b>\$ 59.1</b>	<b>\$ 60.6</b>
<b>Percentage Change</b>		<b>0.4%</b>	<b>1.5%</b>	<b>-3.1%</b>	<b>0.2%</b>	<b>4.3%</b>	<b>3.0%</b>	<b>4.5%</b>	<b>2.1%</b>	<b>9.0%</b>	<b>2.5%</b>
<b>Average Over 10 Years</b>											<b>1.62%</b>

## 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 = 81% revenue from property tax, 13% from State, 2% Federal, 4% 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 1.62% per year (inflation was 2.2%).
  - Eliminating debt (accomplished since FY15):
    - Paid off \$30M of principal on bond debt.
    - Saved \$13M in bond interest with successful bond restructuring.
    - Paid off \$24M 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, 2022 ending operating fund balance percentage of 60%**
- ✓ **Maintain efficient operations in order to generate an operating surplus of funds each year.**
  - ✓ **Average surplus FY19-FY27 = +\$4M/year**
- ✓ **Use the annual operating surplus to pay off capital projects and avoid the need for debt.**
  - ✓ **Paid off \$24M 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

- **2021 EAV = \$1,572,213,849** (EAV = Equalized Assessed Valuation; about 1/3 of market value)
- **2022 Change in existing EAV = +5.63%** (Estimate per Will County)
- **\$ 1,572,213,849 x 1.0563 = \$1,660,716,877** (Adjusted Valuation Base)
- **2022 New Property Developed = \$18,868,475** (Estimate per Will County)
- **\$18,868,475 + \$1,660,716,877 = \$1,679,585,352** (Expected Net EAV)
  
- **2021 Levy Extension = \$49,611,208**
- **Inflation (CPI) = 5.0%** (2022 Levy uses the December 2021 CPI (7%) or 5% whichever is lower)
- **\$49,611,208 x 5.0% = \$2,480,560** (Revenue increase for inflation)
- **\$49,611,208 + \$2,480,560 = \$52,091,768** (New extension base)
  
- **\$52,091,768 / \$1,660,716,877 = \$0.031367** (New Tax Rate)
- **\$0.031367 x \$18,868,475 = \$591,847** (Revenue increase for New Property)
  
- **2021 ext. (\$49,611,208) + New Revenue (\$2,480,560 + \$591,847) = 2022 extension (\$52,683,554\*)**

*\*final calculations are carried out to several decimal points and therefore will have a slight rounding variance (less than \$100)*



# Property Tax Levy Calculation

- **2021 ext. (\$49,611,208) + New Revenue (\$2,480,560 + \$591,847) = 2022 extension (\$52,683,554)**
- **Annual Debt Service = \$12,729,577** (Based on previously approved debt)
  - Note that about 20% of NLSD122's tax bill is to pay off previously approved debt
- **2022 Operating extension (\$52,683,554) + 2022 Debt Service (\$12,729,577) = Total (\$65,413,131)**
- **Certificate of Levy to be submitted to the County before the last Tuesday in December**
  - **\$52,683,554**: Expected final extension based on EAV and New Property estimates provided by Will County in October (EAV up 5.63% and New Property of \$18,868,475).
  - **\$53,467,793**: 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 \$43.9M of new property for 2022.

## NLSD122 Recent Levy History

### Original Levy Requested in Fall vs Final Tax Extension in Spring

Levy Year	Original Levy Requested	Final Actual Levy	Difference
2022	\$ 53,467,793	\$ 52,683,554	\$ (784,239) <i>projected</i>
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?

**2012 total NLSD122 property tax extension = \$45.3M**

**2022 total NLSD122 property tax extension = \$65.4M**

**Total increase over 10 years = +\$20.1M**

- **\$231 million of new property (about 1,750 new homes, new stores, new buildings)**
- **Average rate of inflation (CPI) over last 10 years has been about 2.2%**
- **Annual bond payments have increased from around \$8.2M to \$12.7M**

**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)**

## 2022 Tax Bills: Increase of about 4.5%

2014 Increase = 0.8%, 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%.

### NLSD122 2022 Tax Levy Estimate: Projected Tax Bills (10.18.22)

**2021**

2021 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	\$ 3.9546	\$ 3.95	\$ 3.95	\$ 3.95	\$ 3.95	\$ 3.95	\$ 3.95	\$ 3.95	\$ 3.95
Tax Due	1,081	1,740	2,399	3,058	3,717	4,376	5,036	5,695	6,354

The expected average overall Equalized Assessed Value (EAV) for property in New Lenox increased 5.63% for 2022. The change in your individual tax bill will be dependent upon how much your assessment changed for 2021. 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.

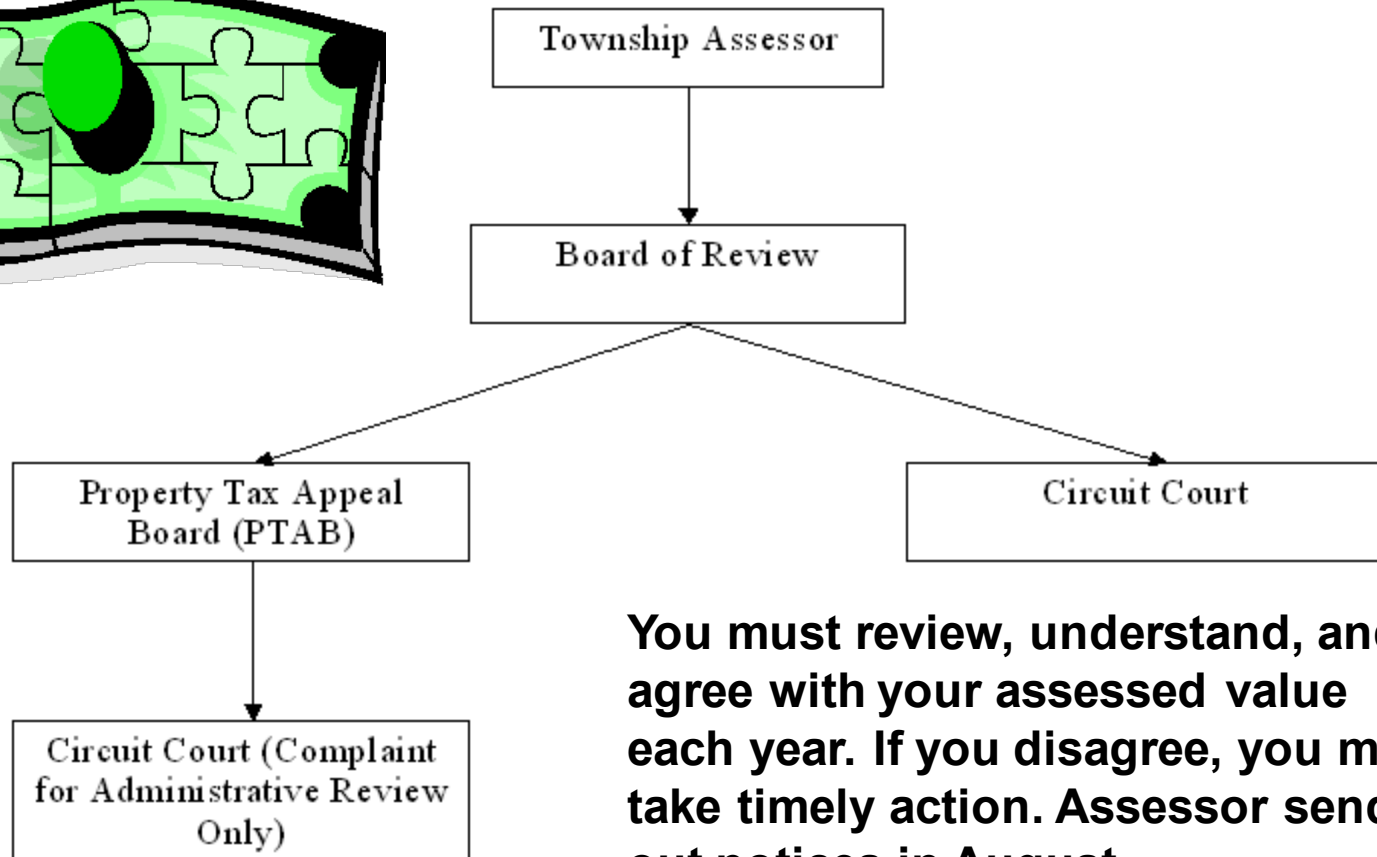
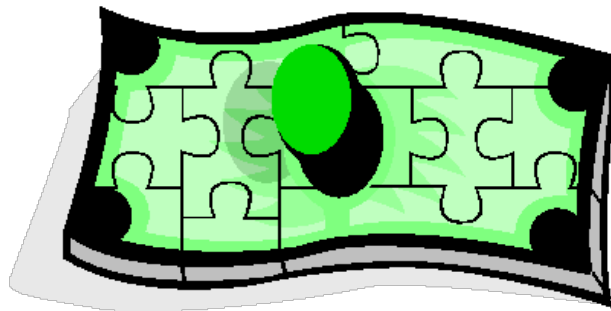
**Homes w/ 2022**

**Assessment Change of:**

**5.63%**

2022 Market Value	105,629	158,444	211,258	264,073	316,888	369,702	422,517	475,331	528,146
1/3 Assessment	35,210	52,815	70,419	88,024	105,629	123,234	140,839	158,444	176,049
Exemptions	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Total Net Value	29,210	46,815	64,419	82,024	99,629	117,234	134,839	152,444	170,049
Tax Rate	\$ 3.89	\$ 3.89	\$ 3.89	\$ 3.89	\$ 3.89	\$ 3.89	\$ 3.89	\$ 3.89	\$ 3.89
Tax Due	1,138	1,823	2,509	3,195	3,880	4,566	5,251	5,937	6,623
\$ Increase	\$ 57	\$ 83	\$ 110	\$ 136	\$ 163	\$ 189	\$ 216	\$ 242	\$ 269
% Increase	5.2%	4.8%	4.6%	4.5%	4.4%	4.3%	4.3%	4.3%	4.2%

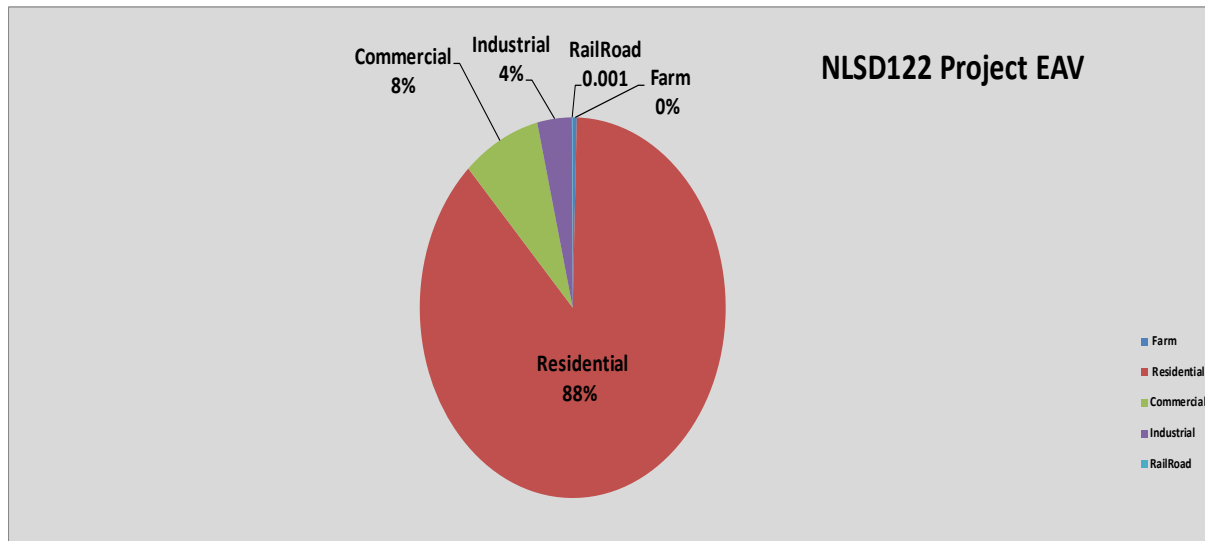
# Assessment Appeal Process



**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 (88%).
- 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 5.63% overall in New Lenox for 2022.
- 2) Will County estimates that there will be about \$18.9M of new property for 2022.
- 3) Inflation used for the 2022 levy is 5.0% (2021 All Urban Consumer Price Index or 5%; whichever is lower).
- 4) Levy extension increases for inflation (CPI) and new property.
- 5) New revenue attributed to the 5.0% inflation adjustment is \$2.5M.
- 6) New revenue attributed to the expected \$18.9M of new property is \$0.6M.
- 7) Last year's 2021 operating tax extension was \$49.6M.
- 8) 2021 ext. (\$49,611,208) + **New Revenue (\$2,480,560 + \$591,847)** = 2022 extension (\$52,683,554)
- 9) NLSD122 has \$12.7M of bond payments to make in 2022, the total expected extension is \$65.4M.
- 10) The operating extension is going from \$49.6M to \$52.7M. This is a 6.19% increase.
- 11) The total extension is going from \$62.2M to \$65.4M. This is a 5.4% increase.
- 12) Individual tax bills due to NLSD122 are expected to increase about 4.5% or about \$136 for the year.
  - \$13 of the \$136 increase is attributed to the scheduled bond payments increasing from \$12.5M to \$12.7M
  - *Assumed an assessment change of +5.63% 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 2022?

- NLSD122 loss = \$2.5M+ annually
- Average Homeowner saves \$122 per year

## 2) What if the levy was held flat with no increase for 2022 (keep it at \$62.2M total)?

- NLSD122 loss = \$3.2M+ annually
- Average Homeowner saves \$156 a year.

## 3) What if NLSD122 abated \$1,000,000 of debt service for 2022?

- NLSD122 would lose **\$1,000,000** of reserves (primarily earmarked for maintaining the district facilities).
- Average Homeowner gets a one time savings of **\$49** (Just for one year. Not in future years).

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



# Tax Levy

- FY23 Legal Budget approved in September 2022 and most recent 5 Year Projection presented in June 2022 both assumed that the 2022 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 2022 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

### Cash Balances\*

Fund	6/30/2022
10	\$ 25,808,905
20	\$ 4,547,025
30	\$ 5,827,969
40	\$ 5,594,517
50	\$ 888,114
60	\$ 1,047,365
70	\$ 2,235,913
80	\$ 25,859
90	\$ 111,372
Total	\$ 46,087,039

\*6/30/22 NLSD122 AFR, Assets Tab (Cash Accounts 111-115)

# Questions?

❑ Please contact us anytime:

**Robert Groos**

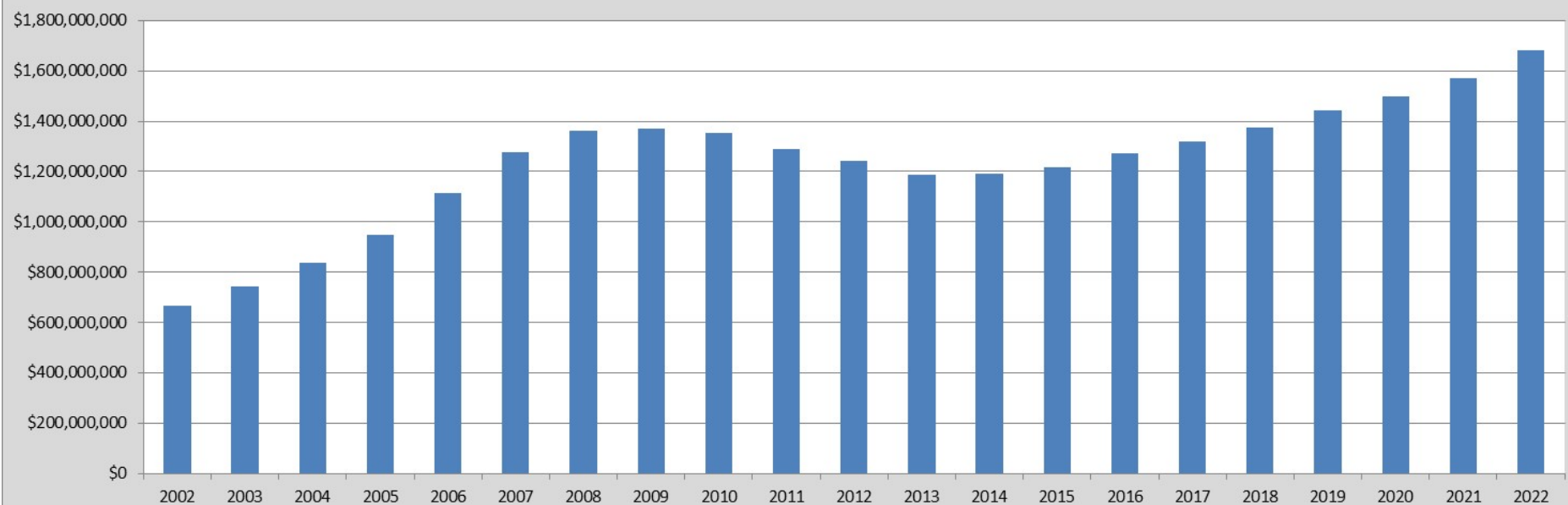
**NLSD122 CSBO**

**(815) 485 - 2169**

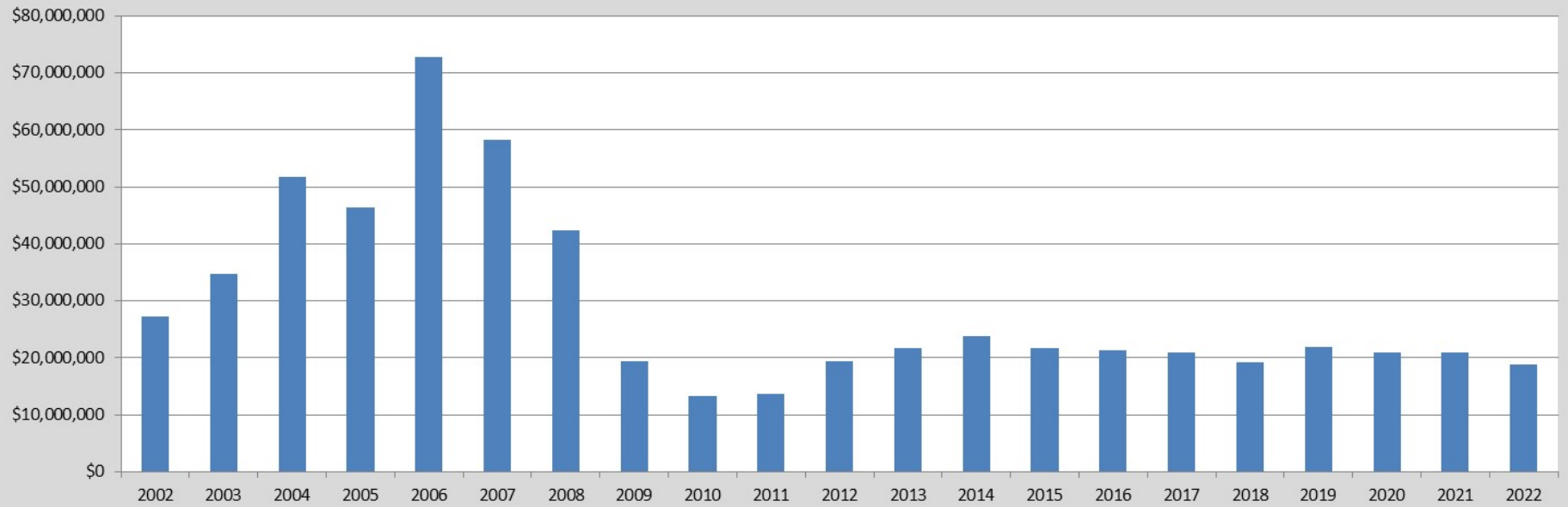
**[rgroos@nlsd122.org](mailto:rgroos@nlsd122.org)**

**Final questions and comments regarding the property tax levy will be taken at the November 15<sup>th</sup> public hearing (6:00pm located at NLSD122 Admin Center).**

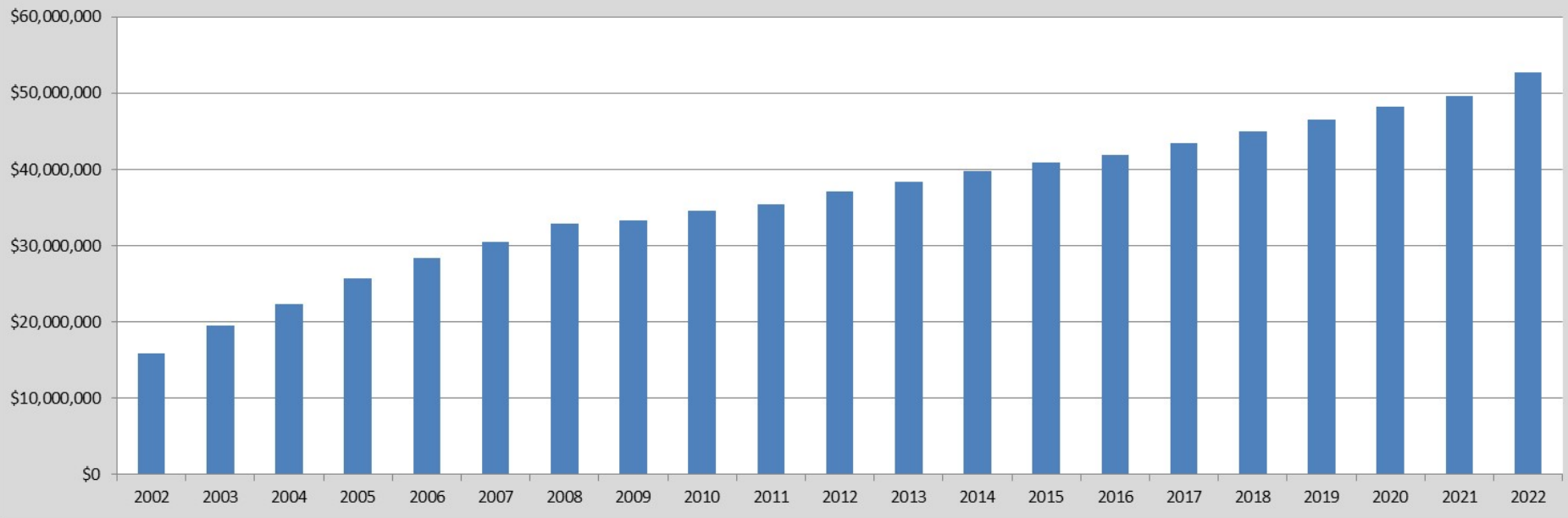
## NLSD122 EAV



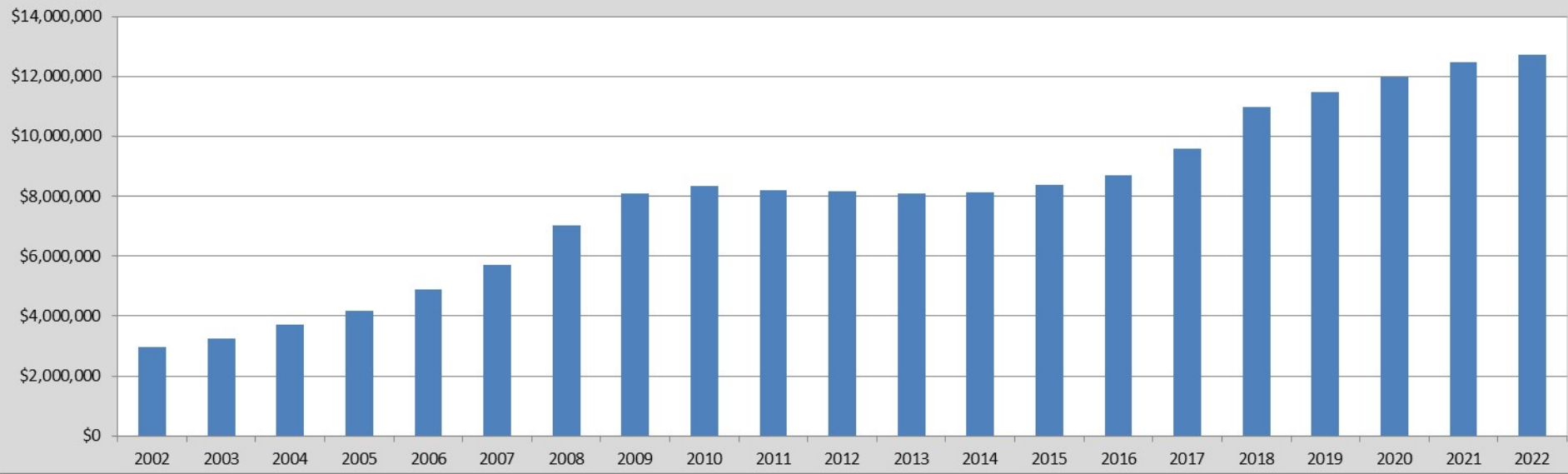
### NLSD122 New Property



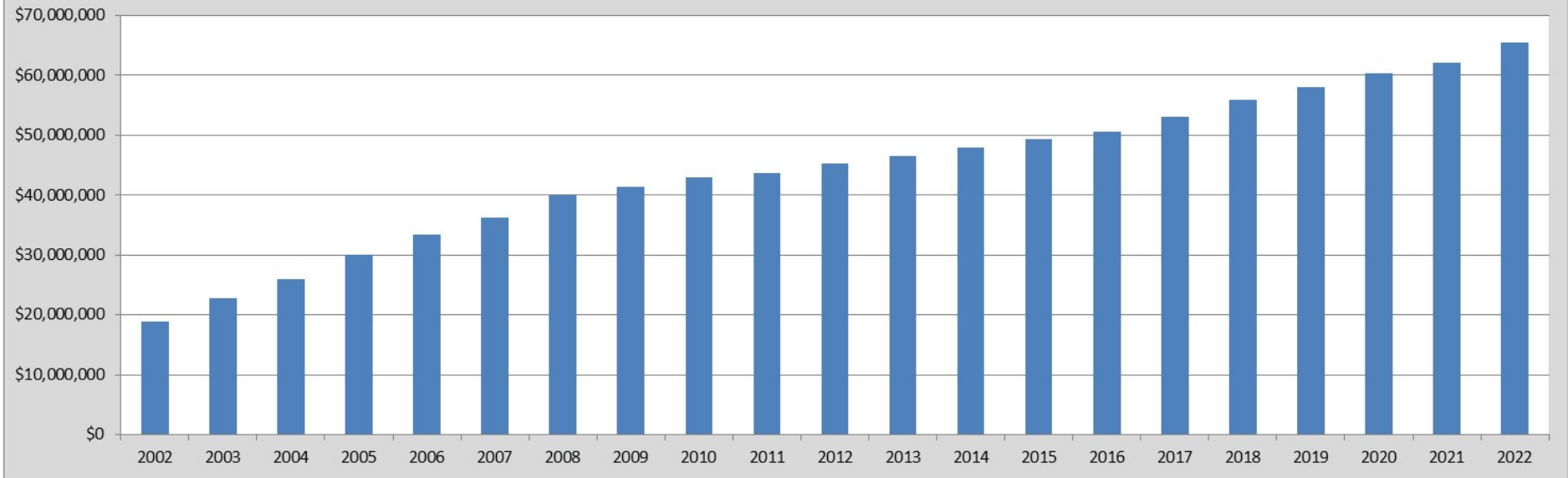
## NLSD122 Operating Levy



### NLSD122 Debt Service Levy

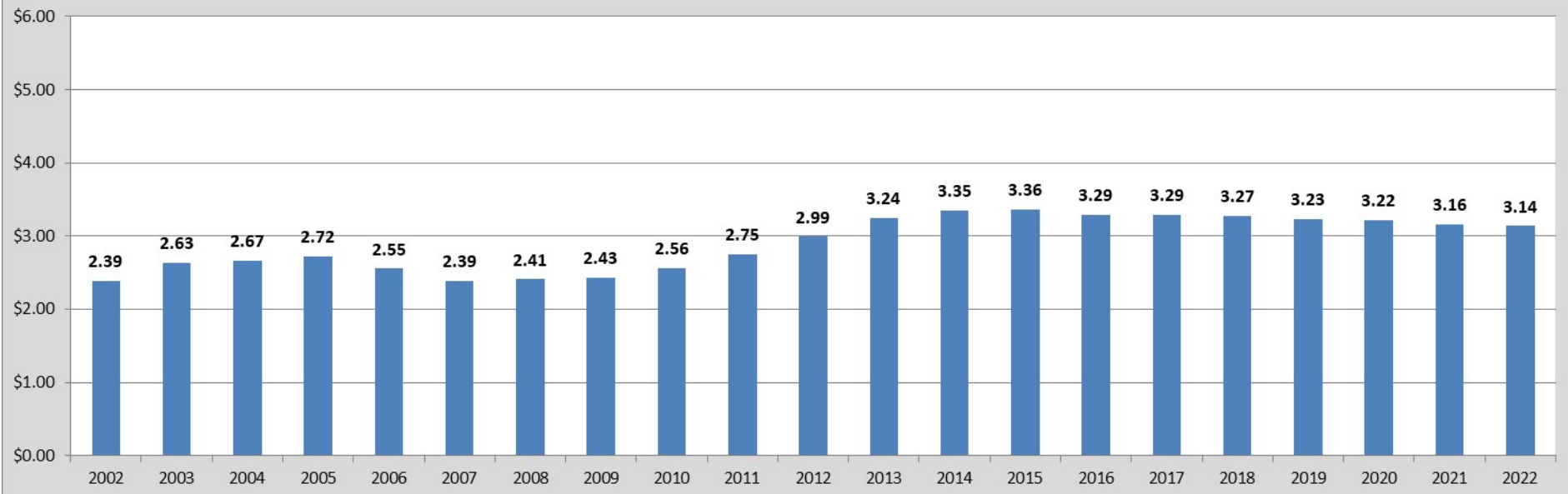


**NLSD122 Total Levy**

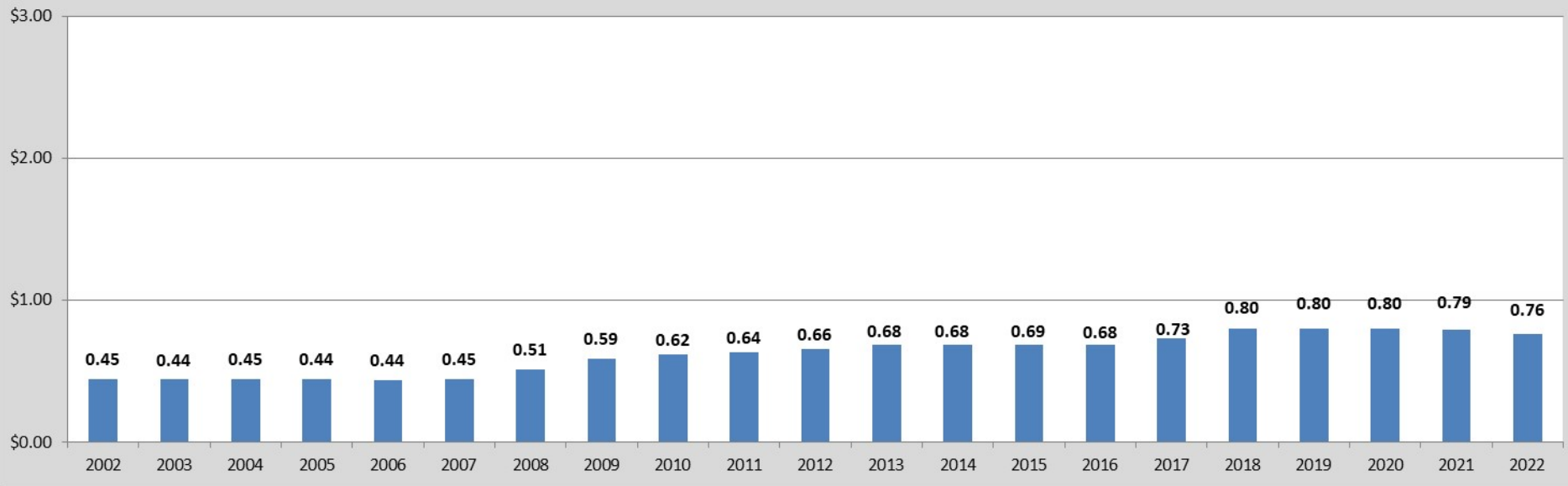




### NLSD122 Operating Tax Rate



**NLSD122 Debt Tax Rate**



**NLSD122 Total Tax Rate**

