

2017 Tax Levy Presentation



Dr. Manville, Superintendent

Robert Groos, Business Manager/CSBO

Presented December 20, 2017

Property Tax Levy Considerations

- Discussed throughout the year (January, June, November, December)
- Important for Public to gain a greater understanding
 - NLSD122's extension increase is under 5%. Not required to hold a public hearing. Do Anyway.
 - This presentation is shared annually with the community.
- Budgeted for passing the Levy - Levy not passed equals loss of \$1.5M+ annually
- Reality of the Levy
 - Demonstrate our efficient spending
 - Explain how Levy is calculated
 - Illustrate what would happen if the CPI was not levied for (Household Savings/District Loss)
 - Illustrate what would happen if the new property increase was not levied for (Household Savings/District Loss)
 - Illustrate what would happen if the property tax levy was held flat with no increase for 2017 (Household Savings/District Loss)
- Abating
 - What if NLSD122 abated \$1,000,000 of debt service for 2017? (Household Savings/District Loss)

Other Levy Considerations

Without increased property tax revenue; must consider:

- **Budget Cuts**
- **Deferred Facility Maintenance and Renovations**
- **Reduction of Fund Balance**
- **Need for additional new debt**

Potential Revenue Loss Issues:

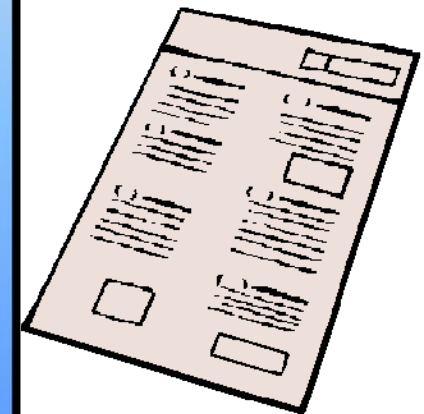
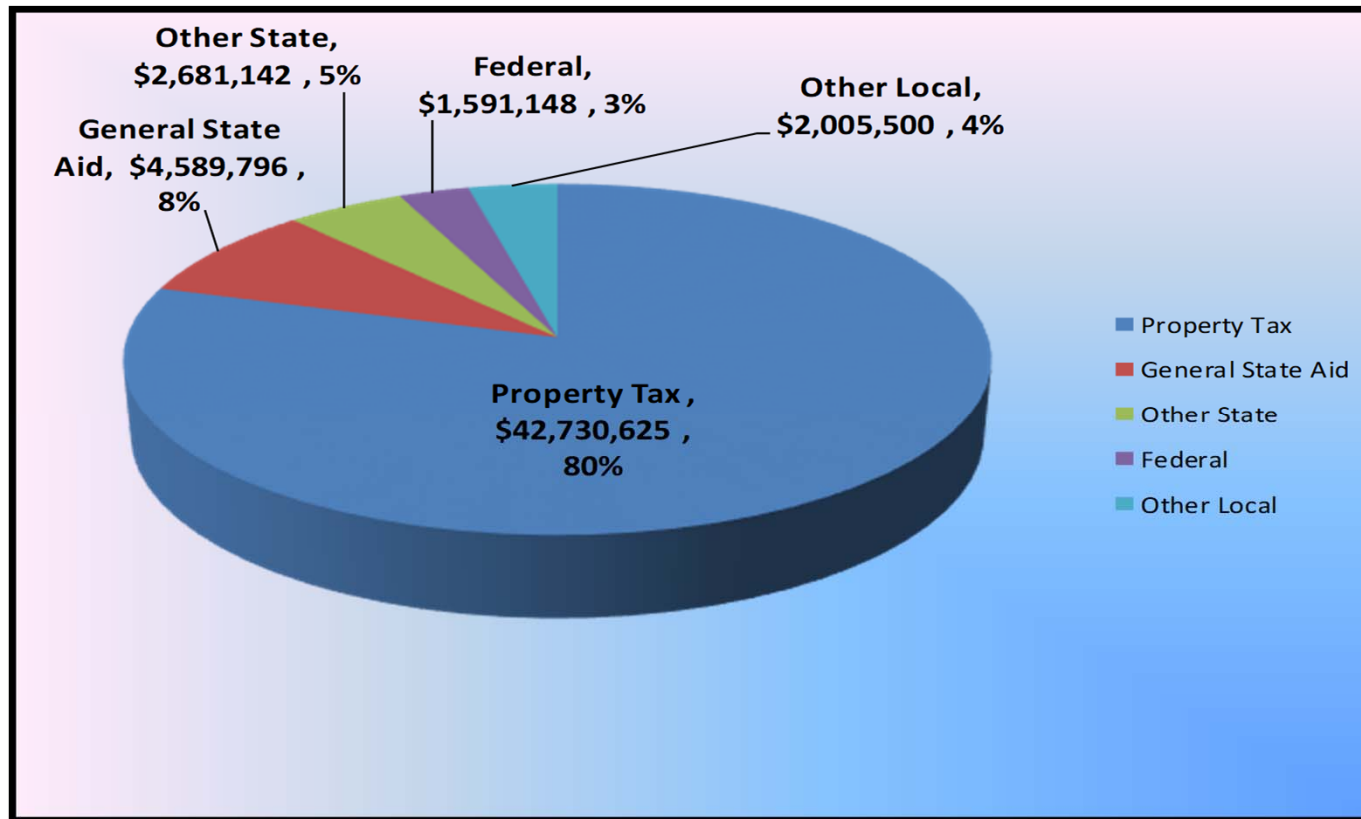
- **The political landscape of Illinois creates much uncertainty for schools in Illinois.**
- **Delayed Transportation and Special Education Funding (**over 6 months late**)**
 - **Several pending legislative proposals threaten NLSD122's financial future.**
 - **Future property tax freezes (**SB318**) (**To be voted on in January 2018?**)**
 - **Pension Reform (**shifting of additional cost onto local districts**)**
 - **State funding formula changes (**New Formula but not much new money**)**

NLSD122 Financial Planning Process Overview of Process Timeline

Calendar		Approximate	Fiscal Year	Description
Year	Month	Day	Planning	
2015	January	28	FY16/FY17	Presentation and discussion of 5 Year Forecast at special Board meeting
2016	January	15	FY17/FY18	Presentation and discussion of 5 Year Forecast at special Board meeting
2017	January	11	FY18/FY19	Presentation and discussion of 5 Year Forecast at special Board meeting Includes Summer 2017 Capital Projects and Long Term Capital Plan
2017	Feb-March		FY18/FY19	Opportunity to discuss needed changes to the District's long term Budget and Levy plans
2017	March - July		FY18/FY19	Business Manager prepares the budget based on finalized decisions and input
2017	May	25	FY18/FY19	Presentation and discussion of 5 Year Forecast at special Board meeting Includes Summer 2018 Capital Projects and Long Term Capital Plan
2017	June	14	FY18/FY19	Board gives permission to design and bid the Summer 2018 Capital Projects
2017	July - Aug		FY18/FY19	Final changes made to the legal budget based on known information
2017	August	14	FY18	Public Notice published regarding Tentative Budget being on display and the public hearing date
2017	August	15	FY18	Board receives Tentative Budget information packet / Tentative Budget put on public display
2017	August	20	FY18	Tentative Budget presentation, discussion, vote
2017	August	21-31	FY18	Board reviews Tentative Budget information and sends questions to Business Manager
2017	September	1-19	FY18	Board reviews Tentative Budget information and sends questions to Business Manager
2017	September	20	FY18	Public Hearing regarding the FY18 Legal Budget. Board votes to approve budget.
2017	September	20	FY17	Review the final financial audit of the previous fiscal year
2017	November	10	FY18/FY19	Board receives Tentative Levy information packet
2017	November	15	FY18/FY19	Tentative Levy presentation, discussion, vote
2017	November	16 - 30	FY18/FY19	Board reviews Tentative Levy information and sends questions to Business Manager
2017	December	1-20	FY18/FY19	Board reviews Tentative Levy information and send questions to Business Manager
2017	December	14	FY18/FY19	Truth in Taxation Notice published in newspaper regarding public hearing
2017	December	20	FY18/FY19	Public Hearing regarding the 2017 Tax Levy. Board votes to approve levy.
2018	January	10	FY19/FY20	Presentation and discussion of 5 Year Forecast at special Board meeting Includes Summer 2018 Capital Projects and Long Term Capital Plan
2018	Feb-March		FY19/FY20	Opportunity to discuss needed changes to the District's long term Budget and Levy plans
2018	March - July		FY19/FY20	Business Manager prepares the budget based on finalized decisions and input
2018	May	25	FY19/FY20	Presentation and discussion of 5 Year Forecast at special Board meeting Includes Summer 2019 Capital Projects and Long Term Capital Plan
2018	June	14	FY19/FY20	Board gives permission to design and bid the Summer 2019 Capital Projects
2018	July - Aug		FY19/FY20	Final changes made to the legal budget based on known information
2018	August	14	FY19	Public Notice published regarding Tentative Budget being on display and the public hearing date
2018	August	15	FY19	Board receives Tentative Budget information packet / Tentative Budget put on public display
2018	August	20	FY19	Tentative Budget presentation, discussion, vote
2018	August	21-31	FY19	Board reviews Tentative Budget information and sends questions to Business Manager
2018	September	1-20	FY19	Board reviews Tentative Budget information and sends questions to Business Manager
2018	September	21	FY19	Public Hearing regarding the FY18 Legal Budget. Board votes to approve budget.
2018	October	18	FY18	Review the final financial audit of the previous fiscal year
2018	November	11	FY19/FY20	Board receives Tentative Levy information packet
2018	November	16	FY19/FY20	Tentative Levy presentation, discussion, vote
2018	November	20 - 30	FY19/FY20	Board reviews Tentative Levy information and sends questions to Business Manager
2018	December	1-21	FY19/FY20	Board reviews Tentative Levy information and send questions to Business Manager
2018	December	14	FY19/FY20	Truth in Taxation Notice published in newspaper regarding public hearing
2018	December	21	FY19/FY20	Public Hearing regarding the 2018 Tax Levy. Board votes to approve levy.
2019	January	11	FY20/FY21	Presentation and discussion of 5 Year Forecast at special Board meeting Includes Summer 2019 Capital Projects and Long Term Capital Plan
2019	Feb-March		FY20/FY21	Opportunity to discuss needed changes to the District's long term Budget and Levy plans

The Annual Property Tax Levy

- Approving the levy is the most important financial action of the year
- 80% of the District's operating budget is funded by Property Taxes

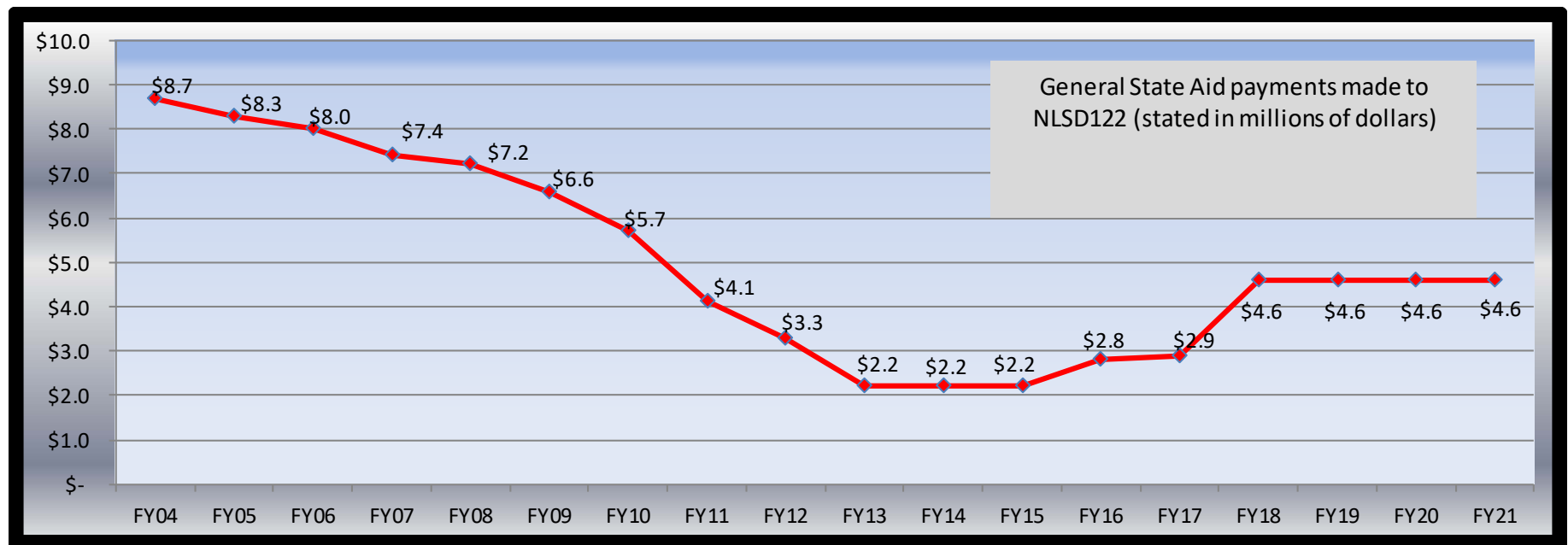


Illinois Property Tax Law

- **Property Tax Extension Limitation Law (PTELL)**
 - **Enacted in Will County in 1991**
 - **Regulates and limits the growth of property taxes**
- **School Funding is still based primarily on local property values. The more local property value, the less State funding.**
 - **Illinois funds about 13% of NLSD122's annual operating budget.**

Illinois Property Tax Law

- ❖ State funding decreases each year as New Lenox property values increase.
 - ❖ **New Funding Formula beginning with FY18. Same State revenue amount as prior year, however, new formula rolls SPED funding into GSA now.**



Illinois Property Tax Law & Inflation

- IL Property Tax law allows for an annual inflation increase in the levy.
 - **Inflation increases costs over time** (estimated examples).
 - \$1.00 in 1950 has grown to \$10.02 in 2017.
 - New home in 1990 was \$123K. Today, \$234K+.
 - New car in 1990 was \$16K. Today, \$34K+.
- 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

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
4.1%	0.1%	2.7%	1.5%	3.0%	1.7%	1.5%	0.8%	0.7%	2.1%

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 State reductions in General State Aid** (due to higher EAV)
- 3) Any change in the district's annual debt schedule**

Property Tax Levy Calculation

- **2016 EAV = \$1,271,192,566** (EAV = Equalized Assessed Valuation; about 1/3 of market value)
- **2017 Change in existing EAV = +2.58%** (Estimate per Will County)
- **$\$1,271,192,566 \times 1.0258 = \$1,303,989,334$** (Adjusted Valuation Base)
- **2017 New Property Developed = \$20,044,465** (Estimate per Will County)
- **$\$20,044,465 + \$1,303,989,334 = \$1,324,033,799$** (2017 Expected Net EAV)

- **2016 Levy Extension = \$41,860,371**
- **Inflation (CPI) = 2.1%**
- **$\$41,860,371 \times 2.1\% = \underline{\$879,068}$** (Revenue increase for inflation)
- **$\$41,860,371 + \$879,068 = \$42,739,439$** (New 2017 extension base)

- **$\$42,739,439 / \$1,303,989,334 = \$0.032776$** (New Tax Rate for 2017)
- **$\$0.032776 \times \$20,044,465 = \underline{\$656,976}$** (Revenue increase for New Property)

- **2016 extension (\$41,860,371) + New Revenue (\$879,068 + \$656,976) = 2017 extension (\$43,396,415)**

Property Tax Levy Calculation

- **2016 extension (\$41,860,371) + New Revenue (\$879,068 + \$656,976) = 2017 extension (\$43,396,415)**

- **Annual Debt Service = \$9,607,206** (Based on previously approved debt)
 - Note that 18% of NLSD122's tax bill is to pay off previously approved debt (\$577 on a \$250K home)

- **2017 Operating extension (\$43,396,415) + 2017 Debt Service (\$9,607,206) = Total (\$53,003,620)**

- **Certificate of Levy to be submitted to the County before the last Tuesday in December**
 - **\$ 43,396,415 : Expected final extension based on EAV and New Property estimates provided by Will County in October 2017 (EAV up 2.58% and New Property of \$20,044,465).**

 - **\$43,943,773: Amount to request on the certificate of tax levy. Since the District may never receive more revenue than it requests in December, 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 in December is eliminated by the County. This strategy secures the district for up to \$36.7M of new property for 2017.**

- 2017 Tax Bills: Increase of about 3.4%
- 2014 Increase = 0.8%, 2015 Increase 0.9%, 2016 Increase 1.2% (low annual increases)
- Prior year lower due to below average inflation and more stable debt payments

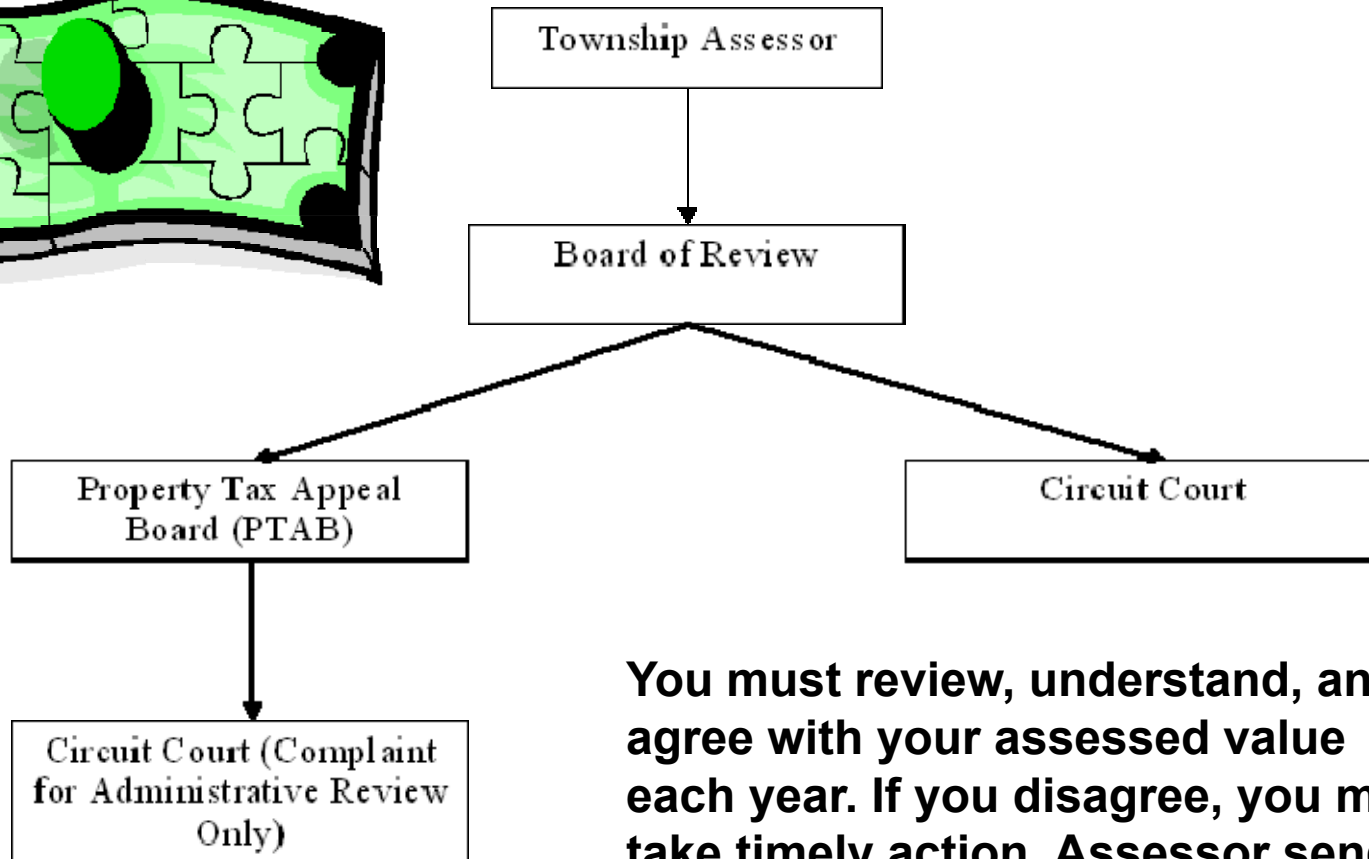
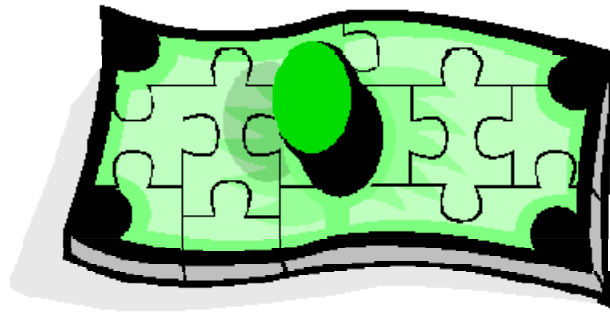
NLSD122 2017 Tax Levy Estimate: Projected Tax Bills (10/24/17)

2016	2016 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	\$ 3.9779	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98
	Tax Due	1,087	1,750	2,413	3,076	3,739	4,402	5,065	5,728	6,391

The expected average overall Equalized Assessed Value (EAV) for property in New Lenox increased 2.58% for 2017. The change in your individual tax bill will be dependent upon how much your assessment changed for 2017. 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/ 2017 Assessment Change of: 2.58%	2017 Market Value	102,580	153,870	205,160	256,450	307,740	359,030	410,320	461,610	512,900
	1/3 Assessment	34,193	51,290	68,387	85,483	102,580	119,677	136,773	153,870	170,967
	Exemptions	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
	Total Net Value	28,193	45,290	62,387	79,483	96,580	113,677	130,773	147,870	164,967
	Tax Rate	\$ 4.0032	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00
	Tax Due	1,129	1,813	2,497	3,182	3,866	4,551	5,235	5,920	6,604
	\$ Increase	\$ 41	\$ 63	\$ 84	\$ 106	\$ 127	\$ 148	\$ 170	\$ 191	\$ 213
	% Increase	3.8%	3.6%	3.5%	3.4%	3.4%	3.4%	3.4%	3.3%	3.3%

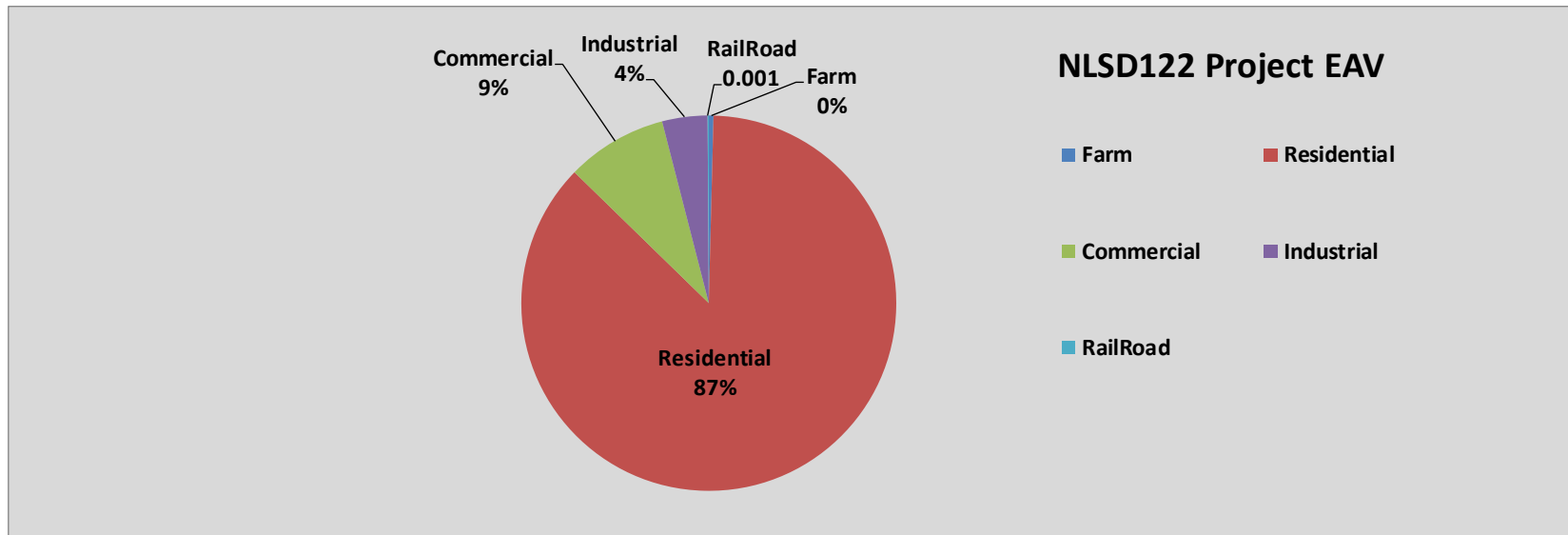
Assessment Appeal Process



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



Tax Levy Summary

This presentation illustrated that:

- 1) Will County estimates that existing property values increased 2.58% overall in New Lenox for 2017.
- 2) Will County estimates that there will be about \$20M of new property for 2017.
- 3) Inflation used for 2017 levy is 2.1% (2016 All Urban Consumer Price Index).
- 4) Levy extension increases for inflation (CPI) and new property.
- 5) The increase attributed to the 2.1% inflation is \$879,061.
- 6) The increase attributed to the expected \$20M of new property is \$656,976.
- 7) Last year's 2016 operating tax extension was \$41,860,371.
- 8) $\$41,860,371 + \$879,061 + \$656,976 = \$43,396,415$ (2017 expected operating extension).
- 9) NLSD122 has \$9,607,206 of Debt to pay in 2017, so the total expected extension will be \$53,003,620.
- 10) The operating extension is going from \$41.9M to \$43.4M. This is a 3.67% increase.
- 11) The total extension is going from \$50.6M to \$53.0M. This is a 4.82% increase.
- 12) Individual tax bills due to NLSD122 are expected to increase about 3.4% or about \$106 for the year.
 - \$54 of the \$106 increase is attributed to the scheduled debt payment increasing from \$8.7M to \$9.6M
 - *Assumed an assessment change of 2.58% with a 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 2017?

- NLSD122 loss = \$879K+ annually
- Average Homeowner saves \$52 a year.

2) What if the operating property tax levy was held flat with no increase for 2017?

- NLSD122 loss = \$1.5M+ annually
- Average Homeowner saves \$92 a year. *(If operating levy remained the same, then the operating rate would decrease, however the debt rate would still increase)*

3) What if NLSD122 abated \$1,000,000 of debt service for 2017?

- NLSD122 would lose **\$1,000,000** of reserves (primarily earmarked for maintaining the district facilities).
- Average Homeowner gets a one time savings of **\$60** (\$60 just for one year. Not in future years).

*all above scenarios assume a \$250K home

Tax Levy Scenarios

- FY18 Legal Budget approved in September 2017 and most recent 5 Year Projection presented in June 2017 both assumed that the 2017 Levy extension would receive the 2.1% CPI increase, would receive an increase for all new property and would not abate any debt service.
- The financial future for school districts remains uncertain due to poor state finances and political issues in Illinois.
- The District has identified about \$53M of capital infrastructure needs that need to be addressed over the next 10+ years. **NLSD122 hopes to fund a significant portion of these capital needs with operating budget revenues as opposed to new bonds and additional debt.**

Efficiency

- NLSD122 provides a high quality education for a very efficient cost.
 - State average elementary cost per pupil is \$12,504 per student (FY16 AFR).
 - NLSD122 cost per pupil is only \$10,585 per student (FY16 AFR).
 - NLSD122 spends **\$1,919** less than the State average (**15% less**).
- NLSD122 provides tax payer relief every year by keeping operating expenses significantly below the State average.
- If NLSD122 spent the State average of \$12,504 per student, the annual budget would be increased **\$9,290,205**. This would represent an increase of **\$558** to the average annual tax bill (estimate \$250K home).
- NLSD122 keeps costs as low as possible while providing quality schools and services.
- The annual cost of living adjustment (CPI/Inflation) and new property levy increases are required to maintain the financial stability of the district into the future.
- Levying for CPI and new property allows the District to keep current programs and services in place as well as appropriately take care of the District's buildings **without the need for costly bond referendums in the future.**

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, property values increase, local economy improves, the cycle repeats).
- The current Illinois school funding system relies heavily upon local property taxes to fund schools. (NLS122 = 80% revenue from property tax, 13% from State, 4% Federal, 4% other local fees).
- Keep property taxes lower by controlling expenditures and debt.
 - NLS122 successfully controls expenditures:
 - Implemented \$9.4M of expenditure reductions over the past several years.
 - Currently spend about 15% less than the State average per student.
 - Average expenditure increase less than 1% per year over the past 8 years.
 - NLS122 has demonstrated an ability to control and avoid debt:
 - Paid off \$10.8M of principle on debt over the past 5 years
 - Saved \$0.5M of interest cost by refinancing debt at lower rates and paying off sooner
 - Paid off \$12M of Capital Projects with existing cash reserves over the past 5 years
 - 5 Year Financial plan to continue paying off debt and funding capital projects with cash

Key Takeaway

- ✓ The current manner in which Illinois public school facilities are typically funded is inefficient for local taxpayers. School Districts must typically issue bonds to fund new buildings, renovations, and critical ongoing maintenance.
- ✓ If a school district's facilities are neglected, they will deteriorate, become obsolete and fall apart. Critical maintenance and updates are needed. Deferring maintenance and upkeep only makes the problem worse and costs more in the long run. **(Estimated replacement value of all NLSD122 facilities and equipment is nearly \$200M. These assets must be protected and cared for).**
- ✓ Capital improvements are a necessity and must be planned for. Since there is no specific funding source in place for school districts to pay for these projects, the most common strategy is to pass referendums and/or sell bonds. Once the bonds are paid back over time, the project cost is typically at least doubled due to years and years of interest expense.
- ✓ If the projects can be paid for in full at the time of completion, the expensive and inefficient debt interest expense can be avoided. Ultimately, this may mean that taxes are a little higher now so that total taxes over time can be less. There currently is no funding source for maintaining facilities in Will County (no facility sales tax, no capital grant program). NLSD122 has made the necessary expenditure reductions to its annual every day operating budget to create an operating surplus each year that can be used to pay for critical capital investments.
- ✓ The capital projects must be completed. Delaying the work makes the problem worse. We can either pay cash for them now or finance the projects and pay principle AND interest on the project later (likely doubling the cost to the taxpayer).

Our Financial Strategy

- ✓ **Balance the annual operating budget.**
- ✓ **Maintain healthy fund balances (stability and cash available to pay bills all year).**
- ✓ **Maintain efficient operations in order to generate an operating surplus of funds each year.**
- ✓ **Use the annual operating surplus to pay off capital projects and avoid the need for debt.**
- ✓ **Continue to pay down existing debt (follow the previously approved and scheduled debt schedule).**
- ✓ **Look for ways to restructure debt with the goal of reducing total interest cost and/or providing taxpayer affordability and sustainability. *(already saved \$500k doing this)***
- ✓ **Seek out new revenue sources to help pay for the millions of dollars in upkeep needed each year to keep the district facilities in proper condition.**
 - ✓ **Look into the Will County Facility Sales Tax concept (\$2M+ per year).**
 - ✓ **Ask the State to fund the next round of Capital Construction Grants (\$7M).**
 - ✓ **Advocate for a new financial model for funding IL school construction (state and federal grant programs that pay for projects without the need to pay investors interest).**

We have demonstrated proven success following this strategy and intend to continue along this path for many years to come (discussed each January/Feb).

Questions?

Please contact us anytime:

Robert Groos

NLSD122 Business Manager/CSBO

(815) 485 - 2169

rgroos@nlsd122.org