



## Executive Summary Finance Committee

DATE: July 18, 2024

TOPIC: Tentative Budget for Fiscal Year 2025

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### Recommended for:

- Action
- Discussion
- Information

### Purpose

Annually, the Board of Education must approve the School District Budget. The Tentative Fiscal Year 2025 Budget will be presented at the August 1, 2024 Board of Education meeting followed by a September 5, 2024 formal adoption at the Public Hearing held during the Board of Education meeting.

### Background

#### Revenues: \$33,786,000

Real estate taxes account for 84.2% of total anticipated revenue. The District may receive approximately \$28,432,547 from local property taxes, likely to arrive on the traditional August 1st date followed by the March 1, 2025 payment.

The District anticipates receiving \$2,647,023, approximately 7.8% of its revenue, from local sources primarily stemming from fees, tuition, interest and personal property replacement taxes.

State-derived funds account for 5.4% of total revenue. The majority of this \$1,841,000 will come from the Evidence Based Funding formula and the Transportation Claim.

Federal revenues of \$865,430 account for 2.6% of total revenue which is less than the recent three years when COVID-related Elementary and Secondary School Emergency Relief Parts I-III were collected.

**Expenditures: \$37,195,700**

**Salaries & Benefits**

Overall, salaries are expected to be \$17,026,626 which is 5.0% above last year's actual amount of \$16,210,409. The Business Office conducted an in depth review of all salaries because this object represents 45.8% of the total planned expenditures. The prominent factors influencing this estimate are teachers' salary schedule level and class advancements, the 3% raises for returning LSSU members, four additional positions, six recent retirements, three teachers added to the retirement track, new hires for resignations, an anticipation of fully staffing the open paraprofessional positions.

As for benefits, PPO medical insurance increased by 5.3%, HMO medical increased by 6.8%, dental increased by 6.3%, and life insurance remained the same. Long-term disability and flexible spending account fees remain unchanged. Percentages related to the District's share of TRS, THIS, Medicare and Social Security will also remain stable. TRS on federally-funded salaries is now 10.34% instead of 10.6%. The District's IMRF rate will increase on January 1, 2025 from 7.93% to 8.10%. The overall cost of benefits is estimated to be up 11.0% to \$3,660,938. It will not likely increase up to the 11.0% mark because there is ample room for new employees' medical/dental insurance elections that may not occur.

**Purchased Services**

At \$4,504,527, the approximate 12.1% increase in purchased services corresponds to increased capital and life safety projects for which architect/engineering and contractor services will be required, rising transportation costs and workers' compensation and liability insurance costs.

**Supplies & Materials**

Expenditures are projected to be \$1,610,600 which is a 7.3% increase. Approximately \$44,000 would be covered by grant funds. Curriculum materials, natural gas and electricity will be the substantial expenses in this object category.

**Capital Outlay**

Primarily due to planned Capital and Health Life Safety facilities projects, the FY25 capital outlay budget is anticipated to be \$5,123,872. An estimated \$50,000 is scheduled to be covered by grant funds.

**Dues & Fees/Debt Payments**

FY25 principal and interest payments of \$1,715,000 for the 2015, 2016, 2018, and 2021 series bonds are essentially the same as the \$1,805,725 SD74 paid in FY24. In addition, Niles Township District for Special Education #807 invoices will likely increase due to student counts and placements. Overall, expenditures from this object will likely total \$4,680,958 which is 9.3% more than FY24 actual expenditures of \$4,284,769.

**Non-Capitalized Equipment**

\$182,750 is 74.9% more than last year's \$104,462 in actual expenses. The expenditures are anticipated to be higher due to Technology purchases throughout the District.

**Termination Benefits**

\$405,429 is 1.9% less than the FY24 expenditures. Two retiree insurance plans terminate this fiscal year. There is one new retiree who began receiving the post-employment benefits offered in the 2021-2025 LTA Contract. However, the service recognition benefit pay and THIS insurance rates have increased along with the anticipated costs associated with three support staff retirees.

**Fund Balance**

As of June 30, 2024 the unaudited fund balance was \$31,184,575. The projected fund balance for June 30, 2025 is \$27,774,875 which is \$3,409,700 less. The District intends to spend down the fund balance, mostly because of the Board-approved capital and health life safety projects finishing this summer and those likely to begin next summer. The Illinois State Board of Education Budget Form indicates SD74 will be submitting a balanced budget.

## **General Comments**

The legal process to adopt a budget requires public notice to the general public. Such notice shall be published July 25, 2024 for the September 5, 2024 Public Hearing at the Board of Education meeting. Any changes to the Tentative Budget will need to be made before August 1, 2024 when it must be posted online and available at the District Office for viewing.

Some developments in staffing created the bulk of the 25% Administrative Cost “red flag” which is well beyond the 5.0% limit set by Section 17-1.5 of the School Code. There is a waiver application available to file with ISBE. Otherwise, ISBE annually publishes a list of districts that exceed the limitation.

## **Fiscal Impact**

\$31,184,575 Estimated Beginning Fund Balance July 1, 2024

+\$33,786,000 Budgeted Revenues

-\$37,195,700 Budgeted Expenditures

\$27,774,875 Anticipated Ending Fund Balance on June 30, 2025

Please see the attached FY25 Tentative Budget presentation for further details.

## **Recommendation:**

The Finance Committee concurs with the Administration’s recommendation to the Board of Education to support both the publication of the attached Legal Notice on July 25, 2024 and the presentation of the District’s Fiscal Year 2025 Tentative Budget to the Board of Education on August 1, 2024.