



## Executive Summary Finance Committee

DATE: July 24, 2025

TOPIC: Tentative Budget for Fiscal Year 2026

PREPARED BY: Courtney Whited

### Recommended for:

- ☒ Action
- ☒ Discussion
- ☒ Information

### Purpose

Annually, the Board of Education must approve the School District Budget. The Tentative Fiscal Year 2026 Budget will be presented at the August 7, 2025 Board of Education meeting followed by a September 4, 2025 formal adoption at the Public Hearing held during the Board of Education meeting.

### Background

#### Revenues: \$35,016,000

Real estate taxes account for 83.9% of total anticipated revenue. The District may receive approximately \$29,377,780 from local property taxes, likely to arrive later than the traditional August 1st date followed by the March 1, 2026 collections.

The District anticipates receiving \$3,044,584 which is approximately 8.7% of its revenue, from local sources primarily stemming from fees, tuition, interest and personal property replacement taxes.

State-derived funds account for 4.8% of total revenue. The majority of this \$1,680,132 will come from the Evidence Based Funding formula and the Transportation Claim.

Federal revenues of \$913,504 account for 2.6% of total revenue from Title I, Title III and School Improvement grants.

**Expenditures: \$37,230,000**

**Salaries & Benefits**

Overall, salaries are expected to be \$17,724,639 which is 5.9% above last year's actual amount of \$16,743,031. The Business Office conducted an in depth review of all salaries because this object represents 47.6% of the total planned expenditures. The prominent factors influencing this estimate are teachers' salary schedule level and class advancements, the 3.0% raises for returning LSSU members, four recent retirements, one teacher added to the retirement track, new hires for resignations, and the anticipation of fully staffing the open paraprofessional positions.

As for benefits, PPO medical insurance increased by 6.9%, HMO medical increased by 0.01%, dental increased by 4.0%, 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 remained at 10.34%. The District's IMRF rate will decrease on January 1, 2026 from 8.10% to 8.07%. The overall cost of benefits is estimated to be up 12.6% to \$3,888,670. It will not likely reach this high mark because there is an expectation built in for new employees' medical/dental insurance elections that may not occur.

**Purchased Services**

At \$4,697,472, the approximate 11.2% 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 \$1,934,169 which is a 15.9% increase. Approximately \$13,700 could 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 Security, Capital and Health Life Safety facilities projects, the FY26 capital outlay budget is anticipated to be \$4,020,885. An estimated \$50,000 is scheduled to be covered by grant funds.

### **Dues & Fees/Debt Payments**

FY26 principal and interest payments of \$1,401,325 for the 2015, 2016, 2018, and 2021 series bonds are less than the \$1,715,000 SD74 paid in FY25. However, 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 \$4,551,975 which is 0.3% more than FY25 actual expenditures of \$4,540,042.

### **Non-Capitalized Equipment**

\$138,650 is 35.3% more than last year's \$102,468 in actual expenses. The expenditures are anticipated to be higher due to Technology/Security purchases throughout the District.

### **Termination Benefits**

\$273,540 is 23.3% less than the FY25 expenditures. Three retirees reach Medicare age this fiscal year causing their District-supported insurance plans to terminate. There will be three new retirees who will begin receiving the post-employment benefits offered in the 2025-2029 LTA Contract. The service recognition benefit pay and THIS insurance rates have increased along with the anticipated insurance costs associated with three support staff retirees.

### **Fund Balance**

As of June 30, 2025 the District's unaudited fund balance was \$28,357,838. The projected fund balance for June 30, 2026 is \$26,143,838. 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 31, 2025 for the September 4, 2025 Public Hearing at the Board of Education meeting. Any changes to the Tentative Budget will need to be made before July 31, 2025 when it must be posted online and available at the District Office for viewing.

Last year, Administrative Costs were budgeted beyond the 5.0% limit set by Section 17-1.5 of the School Code. The attached FY26 Tentative Budget indicates SD74 will not exceed the 5.0% limit this year.

**Fiscal Impact**

\$28,357,838 Estimated Beginning Fund Balance July 1, 2025

+\$35,016,000 Budgeted Revenues

-\$37,230,000 Budgeted Expenditures

\$26,143,838 Anticipated Ending Fund Balance on June 30, 2026

Please see the attached FY26 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 31, 2025 and the presentation of the District's Fiscal Year 2026 Tentative Budget to the Board of Education on August 7, 2025.