



Executive Summary Finance Committee Meeting

DATE: July 21, 2022

TOPIC: Tentative Budget for Fiscal Year 2023

PREPARED BY: Courtney Whited

Recommended for:

- Action
- Discussion
- Information

Purpose

Annually, the Board of Education must approve the School District Budget. The Tentative FY23 Budget will be presented at the August 4, 2022 Board of Education meeting followed by a September 1, 2022 formal adoption at the Public Hearing held during the Board of Education meeting.

Background

Revenues: \$31,724,521

Real estate taxes account for 81.5% of total revenue. The District may receive approximately \$26,415,590 from local property taxes, likely to arrive months beyond the typical August 1st date followed by the March 1, 2023 payment. However, after consideration of appeals in recent years and the tax rate objections, a \$547,540 reduction was applied for an overall expectation of \$25,868,050. Other local revenues account for 7.0% of total revenue.

The District anticipates receiving approximately \$2,210,780 in local revenue.

State-derived funds account for 4.9% of total revenue. The majority of this \$1,539,000 comes from the Evidence Based Funding formula and the Transportation Claim.

Federal revenues of \$2,106,691 account for 6.6% of total revenue which is more than the typical 1% in recent history. This is primarily due to the remaining \$1,290,324 of COVID-related Elementary and Secondary School Emergency Relief Part II and III.

There are no interfund transfers planned this fiscal year.

Expenditures: \$33,250,483

Salaries & Benefits

Overall, salaries are expected to be \$15,692,516 which is 2.9% above last year's actual amount of \$15,246,508. The Business Office conducted an in depth review of all salaries because this object represents 47.2% of the total expenditures. The prominent factors influencing this estimate are teachers' salary schedule level advancements, the raises for returning LSSU members, +1.0 FTE in new positions, 4 recent retirements, new hires for resignations, an anticipation of fully staffing the open paraprofessional positions, and salary schedule class advancements due to coursework completion.

As for benefits, PPO medical insurance increased by 5.5%, HMO medical increased by 7.7%, dental increased by 3.7%, and life insurance remained the same. Long-term disability and flexible spending account fees remain unchanged. Vision insurance for administrators increased slightly from \$44.12 to \$45.88 monthly per administrator. Percentages related to the District's share of TRS, Medicare and Social Security will also remain stable. TRS on federally-funded salaries is now 10.49% instead of 10.31%, and the District's share of THIS remains 0.67%. The District's IMRF rate will decrease in January 2023 from 9.97% to 7.57%. The cost of benefits is estimated to be up 15.7% to \$3,428,699. It will not likely be a 15.7% increase because there is ample room for new employees' medical/dental insurance elections that may not occur.

Purchased Services

At \$4,174,104, the approximate 20.7% increase in purchased services corresponds to special education and a change in its account coding, increased capital and life safety projects for which architect/engineering and contractor services will be required, and growing workers' compensation and liability insurance costs. Approximately \$532,000 would be covered by grants.

Supplies & Materials

Expenditures are projected to be \$1,351,111 which is an 11.6% increase. Approximately \$73,000 would be covered by grant funds. There is also an expectation that food services will return to a more typical level. Curriculum materials, natural gas and electricity will also be substantial expenses.

Capital Outlay

Due to the \$3,330,144 in planned facilities projects, the \$3,743,144 FY23 budget is anticipated to be \$781,477 more than the FY22 actual of \$2,961,667. An estimated \$545,381 is scheduled to be covered by grant funds.

Dues & Fees/Debt Payments

FY23 principal and interest payments of \$1,807,600 for the 2015, 2016, 2018, and 2021 series bonds are less than the \$1,820,548 SD74 paid in FY22. In addition, Niles Township District for Special Education #807 invoices will likely increase due to student counts.

Non-Capitalized Equipment

\$165,550 is less than last year's \$189,742 in expenses. The expenditures are anticipated to be higher due to Technology, Special Education and Food Service equipment.

Termination Benefits

\$397,000 is \$21,182 less than the FY22 expenditures. Four retiree plans terminate this fiscal year. There are also four new retirees who begin receiving these benefits.

Fund Balance

As of June 30, 2022 the unaudited fund balance was \$28,550,089. The projected fund balance for June 30, 2023 is \$27,024,127 which is \$1,525,962 less. The District intends to spend down the fund balance, mostly because of the Board-approved capital projects finishing this summer and beginning 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 28, 2022 for the September 1, 2022 Public Hearing. Any changes to the Tentative Budget will need to be made before August 2 when it must be posted online and available at the District Office for viewing. Otherwise, any changes after that point would require an amendment.

Fiscal Impact

\$28,550,089 Estimated Beginning Fund Balance July 1, 2022

+\$31,724,521 Budgeted Revenues

-\$33,250,483 Budgeted Expenditures

\$27,024,127 Anticipated Ending Fund Balance on June 30, 2023

Please see the attached FY23 Tentative Budget presentation for the details.

Recommendation:

It is the Administrative recommendation that the Finance Committee supports the presentation of the Tentative Fiscal Year 2023 Budget to the Board of Education on August 4, 2022 and the publication of the attached Legal Notice on July 28, 2022.