



# Executive Summary Finance Committee

DATE: August 24, 2023

TOPIC: Budget for Fiscal Year 2024

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## Recommended for:

- Action
- Discussion
- Information

## Purpose

Annually, the Board of Education must approve the School District Budget. The FY24 Budget will be presented September 7, 2023 for formal adoption at the Public Hearing held during the Board of Education meeting.

## Background

### Revenues: \$33,004,862

Real estate taxes account for 82.6% of total anticipated revenue. The District may receive approximately \$27,526,872 from local property taxes, likely to arrive months beyond the typical August 1st date followed by the March 1, 2024 payment. However, after consideration of appeals in recent years and the tax rate objections, a \$258,536 reduction was applied for an overall expectation of \$27,268,336.

The District anticipates receiving \$2,875,722, 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 4.9% of total revenue. The majority of this \$1,622,000 will come from the Evidence Based Funding formula and the Transportation Claim.

Federal revenues of \$1,238,804 account for 3.8% of total revenue which is more than the typical 1% in recent history. This is primarily due to the remaining COVID-related Elementary and Secondary School Emergency Relief Parts II and III.

A single transfer of \$2,000,000 from Fund 20/Operations & Maintenance to Fund 60/Capital Projects is scheduled to address the surplus in Fund 20 and Summer 2024 construction projects drafted on the Master Facilities Plan.

### **Expenditures: \$33,861,000**

#### **Salaries & Benefits**

Overall, salaries are expected to be \$16,423,518 which is 5.29% above last year's actual amount of \$15,598,687. The Business Office conducted an in depth review of all salaries because this object represents 48.5% 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, three additional support positions, one recent retirement, 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 6.4%, HMO increased by 7.5%, dental increased by 2.6%, 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. The TRS rate on federally-funded salaries is now 10.9% instead of 10.6%. The District's IMRF rate will increase on January 1, 2024 from 7.57% to 7.93%. The overall cost of benefits is estimated to be up 10.5% to \$3,416,380. It will not likely be a 10.5% increase because there is ample room for new employees' medical/dental insurance elections that may not occur.

#### **Purchased Services**

At \$4,039,571, the approximate 2.1% 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. Approximately \$59,500 will be covered by the ESSER III grant.

#### **Supplies & Materials**

Expenditures are projected to be \$1,429,049 which is a 24.3% increase. Approximately \$25,450 would be covered by grant funds. There is also an expectation that food service costs may increase with the focus back on scratch-made recipes. Curriculum materials, natural gas and electricity will also be substantial expenses.

### **Capital Outlay**

Primarily due to planned Capital and Health Life Safety facilities projects, the FY24 capital outlay budget is anticipated to be \$3,556,951. An estimated \$224,355 is scheduled to be covered by grant funds.

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

FY24 principal and interest payments of \$1,805,725 for the 2015, 2016, 2018, and 2021 series bonds are essentially the same as the \$1,805,100 SD74 paid in FY23. 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 \$4,430,173 which is slightly less than FY23 actual expenditures of \$4,425,683.

### **Non-Capitalized Equipment**

\$129,750 is 89% more than last year's \$68,584 in actual expenses. The expenditures are anticipated to be higher due to Technology and Special Education.

### **Termination Benefits**

\$435,608 is 20.5% more than the FY23 expenditures. Three retiree insurance plans terminate this fiscal year. There are no new retirees who begin receiving these post-employment benefits. However, the service recognition benefit pay and THIS insurance rates have increased along with the anticipated costs associated with one support staff retiree.

### **Fund Balance**

As of June 30, 2023 the fund balance was \$30,728,769. The projected fund balance for June 30, 2024 is \$29,872,631 which is \$856,138 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 was published August 3, 2023 in *The Lincolnwood Review* announcing the September 7, 2023 Public Hearing at the Board of Education meeting. The District's cash balance is attached.

**Fiscal Impact**

\$30,728,769 Estimated Beginning Fund Balance July 1, 2023

+\$33,004,862 Budgeted Revenues

-\$33,861,000 Budgeted Expenditures

\$29,872,631 Anticipated Ending Fund Balance on June 30, 2024

Please see the attached FY24 Budget presentation for further details.

**Recommendation:**

The Finance Committee concurs with the Administration to recommend to the Board of Education to adopt the Fiscal Year 2024 Budget after the Public Hearing at the Board of Education meeting on September 7, 2023.