

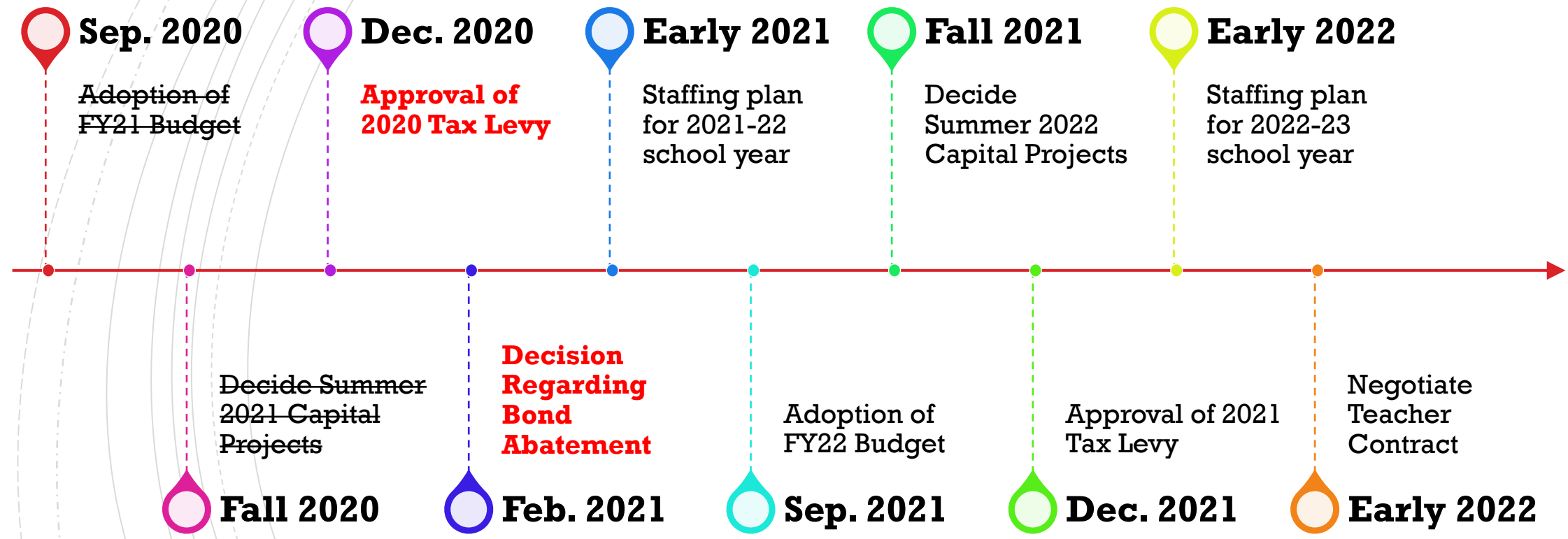


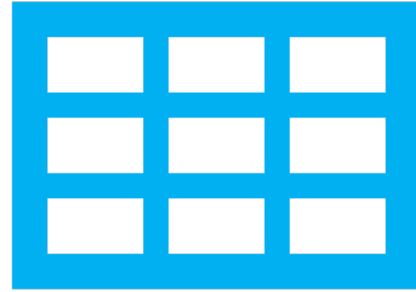
Oak Park Elementary School District 97

Financial Forecast and Presentation of the Tentative Levy

November 2020

Major Financial Decisions over the Next 24 Months

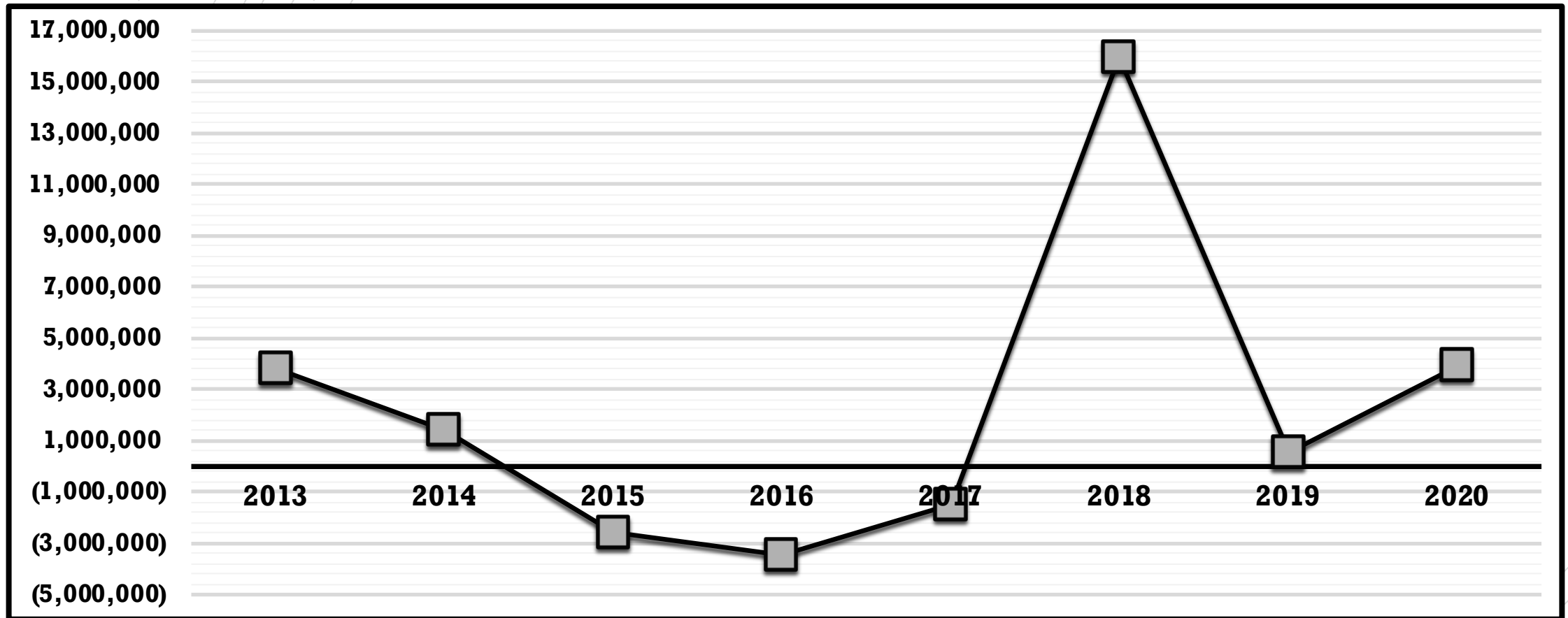




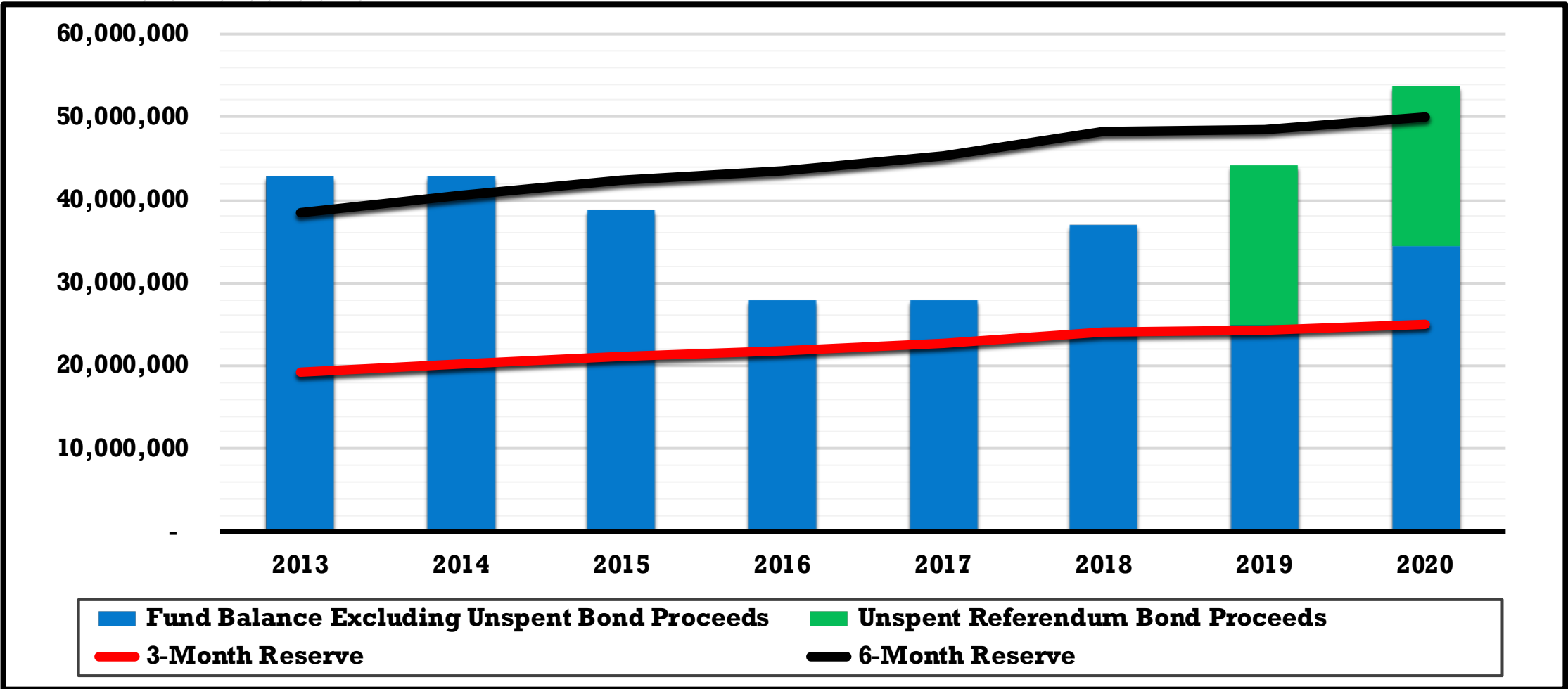
Historical Financial Summary

Revenues vs. Expenses (Surplus/Deficits)

All Funds – Excluding Bond Proceeds and Major Capital



Historical Fund Balances – All Funds





Financial Projections

Major Revenue Assumptions

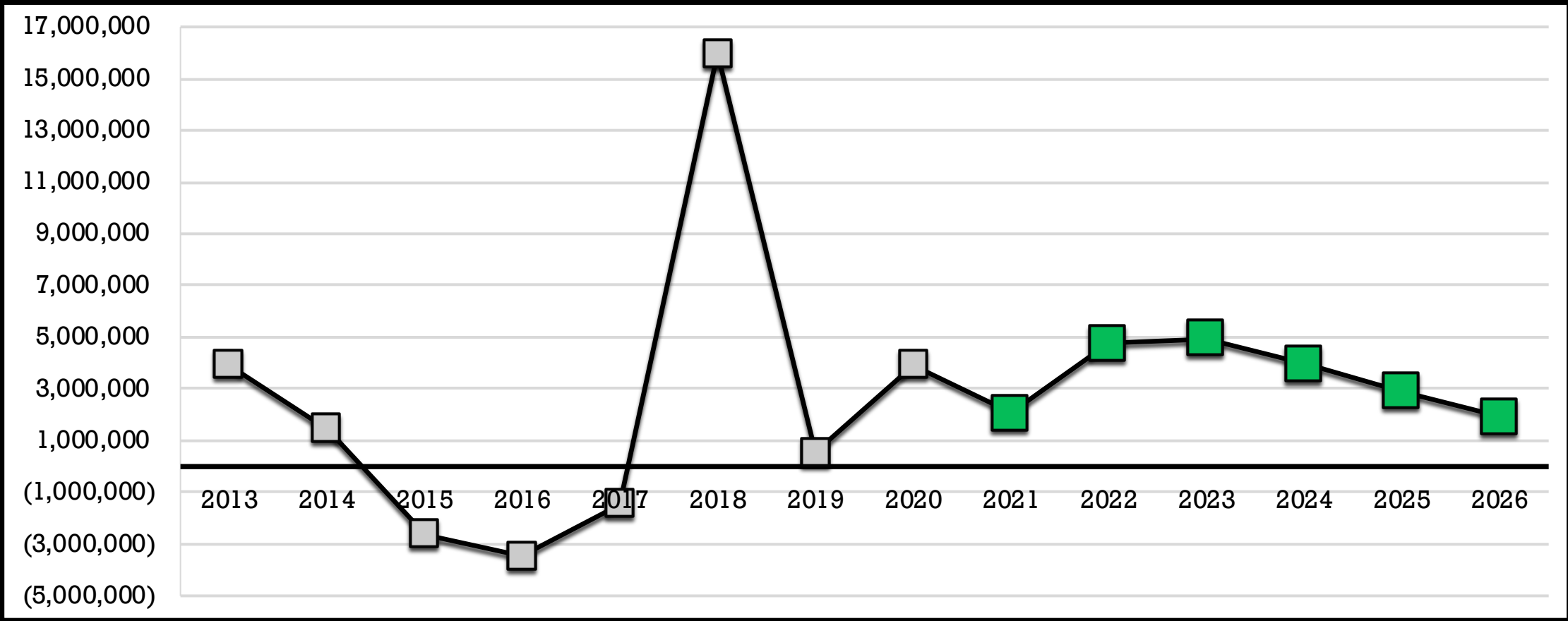
- ❑ **The District will levy taxes annually to capture maximum CPI increases which will be 2.3% for the 2020 tax levy and a projected 1.5% annually thereafter**
- ❑ **The District will abate the final \$1.4 million tax levy associated with the non-referendum bond issue**
- ❑ **The State and Federal government will keep funding levels flat during the projection period**

Major Expense Assumptions

- ❑ **Total expenses are projected to increase 3.8% in FY21 due to unique circumstances related to COVID**
- ❑ **Total salary expenses are projected to increase 2.5% annually beginning in FY22**
- ❑ **Employee benefit expenses are projected to increase 4% annually**
- ❑ **The District is projected to spend \$1 million annually on capital expenses not included in the 5-Year Facility Plan.**
- ❑ **All other expense types are projected to grow at the presumed rate of inflation of 1.5% beginning in FY22**

Projected Revenues vs. Expenses (Surplus/Deficits – All Funds) Excluding Five-Year Facility Plan Costs

The District is projected to maintain a structural surplus annually throughout the projection period



Future Capital Projects

- The District is expected to exhaust all referendum dollars upon completion of the Summer 2021 capital projects.
- After this work, the 5-Year Facility Plan includes the following items:

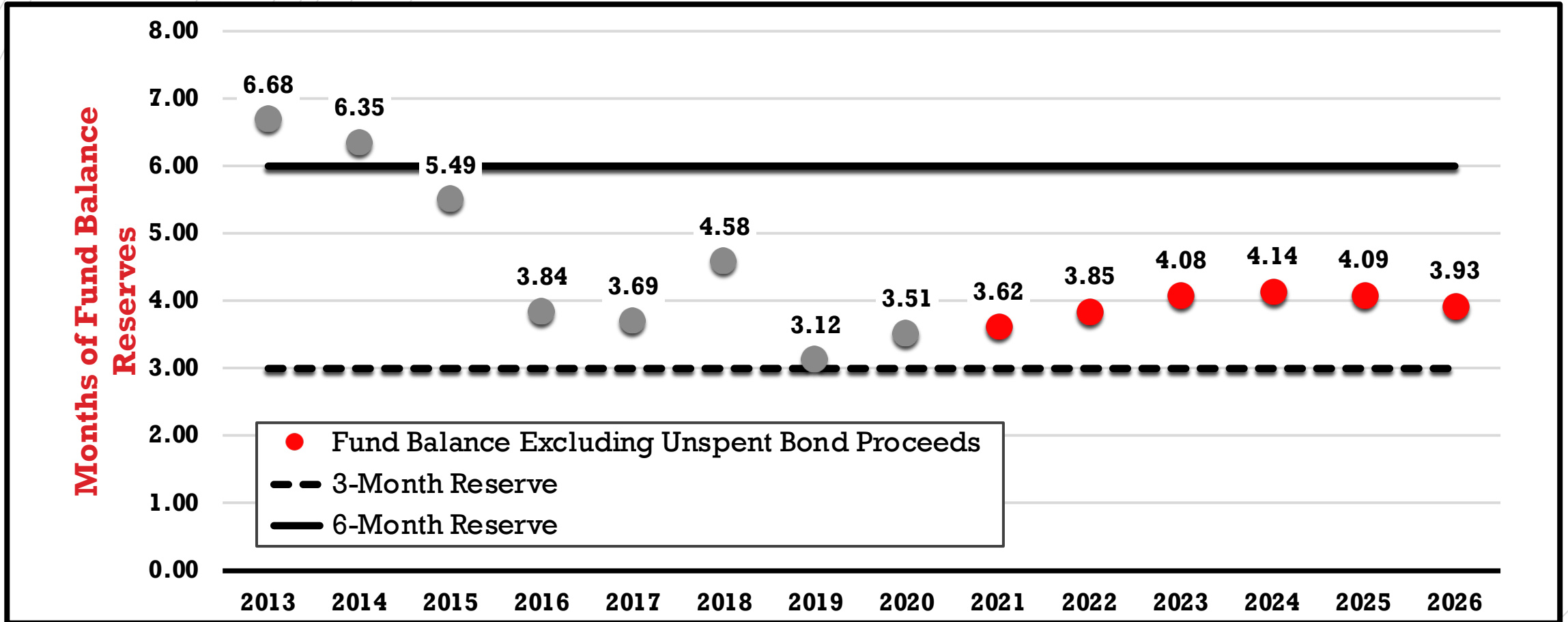
▪ Accessibility Improvements	\$ 2,100,000
▪ Library STEM Project	\$ 2,400,000
▪ Temperature Controls	\$ 1,400,000
▪ Priority B Life Safety Items*	\$ 4,700,000
▪ Priority C Life Safety Items*	<u>\$15,700,000</u>
TOTAL	\$26,300,000

Priority B (Required) – Items necessary for a safe environment but present less of an immediate hazard to the students. These items must be corrected within five (5) years

Priority C (Recommended) – Items that do not present any immediate hazard to the students and are not required by code. In D97, most items that were priority C during last 10 year survey (2013) will likely fall into priority B on the 2022 survey. Primary items include roof and mechanical repair.

Projected Fund Balances – Scenario 1A

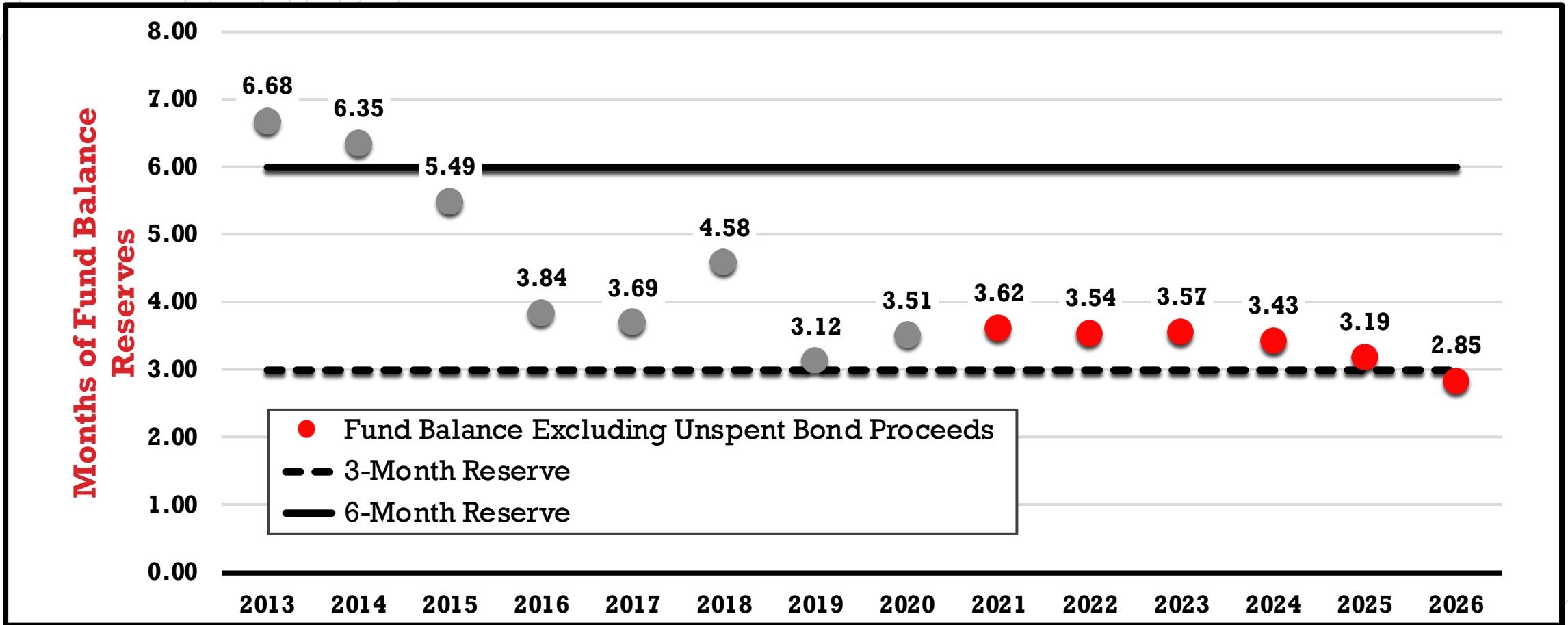
Addressing 5-Year Facility Plan – Excluding “Priority C” Items



Current projections reflect the District's ability to achieve scenario 1A and maintain fund balances solidly within the targeted range

Projected Fund Balances – Scenario 1B

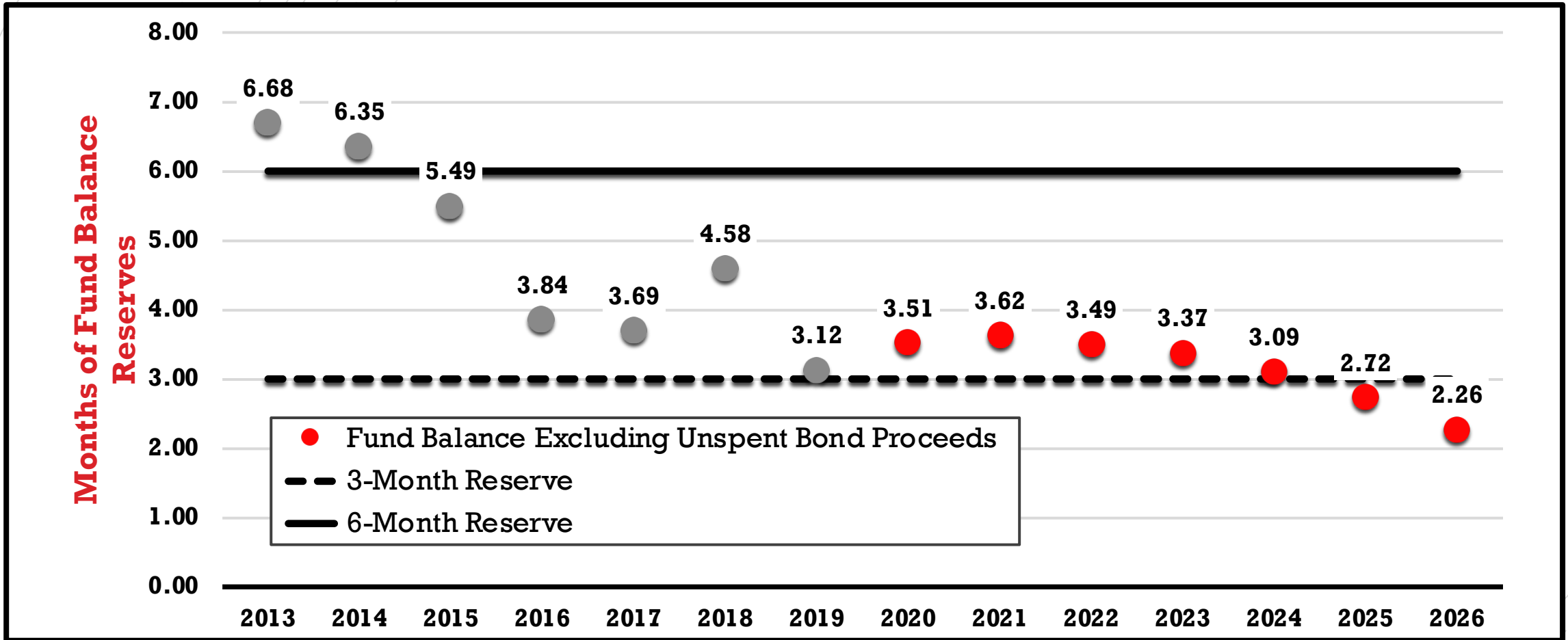
Addressing 5-Year Facility Plan – Excluding “Priority C” Items
Plus Freeze on 2020 Tax Levy



Current projections reflect that scenario 1B would result in fund balances falling below 3-month floor beginning in FY 2026

Projected Fund Balances – Scenario 2A

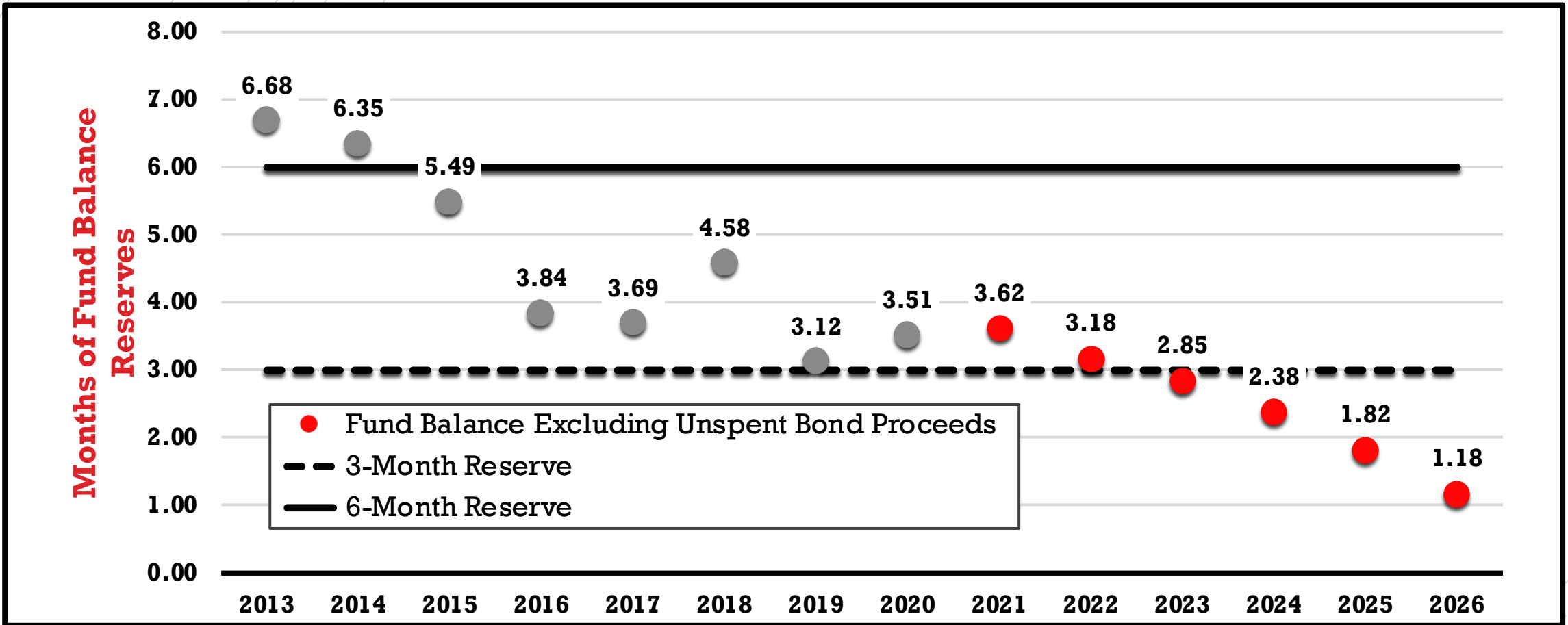
Addressing All 5-Year Facility Plan Projects within Projection Period



Current projections reflect that scenario 2A would result in fund balances falling below 3-month floor beginning in FY 2025

Projected Fund Balances – Scenario 2B

Addressing All 5-Year Facility Plan Projects within Projection Period
 Plus Freeze on 2020 Tax Levy



Current projections reflect that scenario 2B would result in fund balances falling below 3-month floor beginning in FY 2023



Presentation of the Recommended 2020 Tax Levy

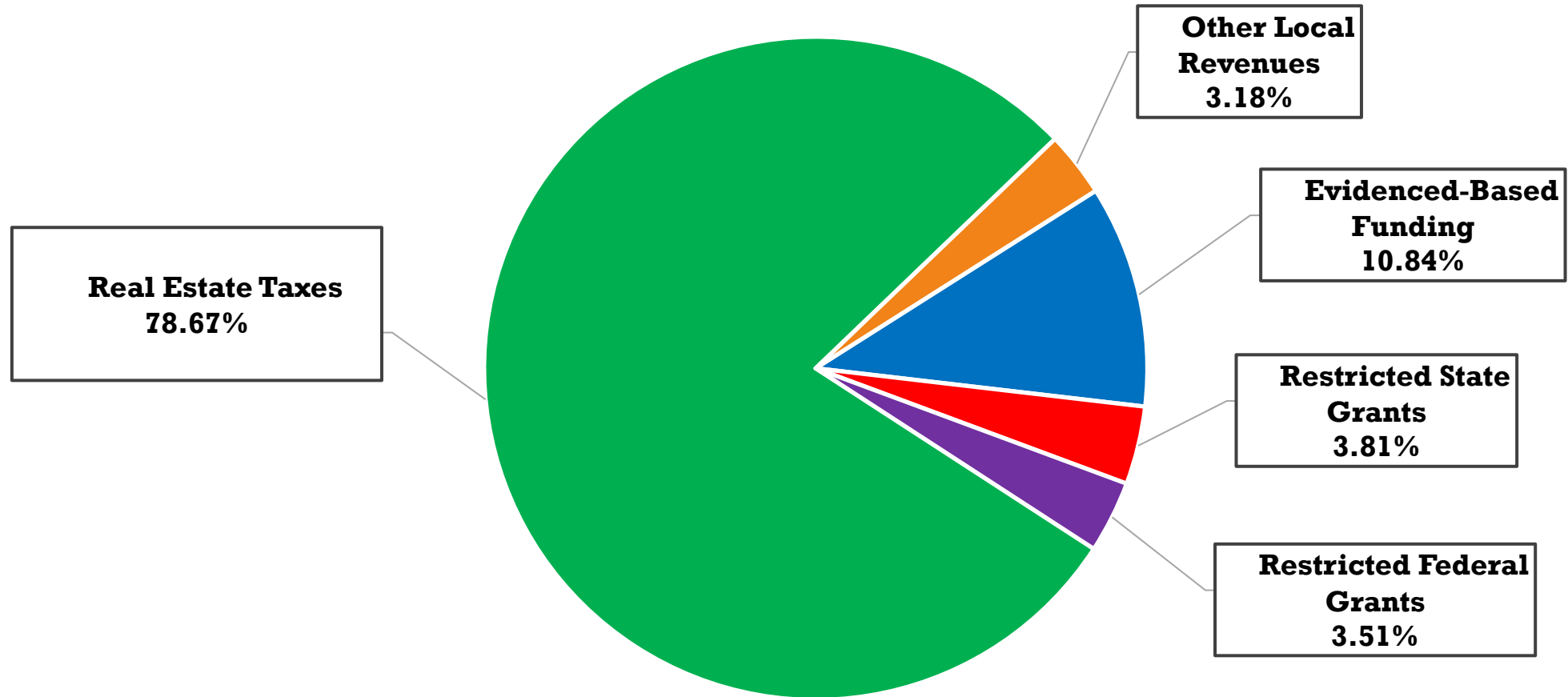
(Recommended by FORC)

Factors to Consider in Making Levy Decision

- **Impact of the decision on the long-term financial condition of the District**
 - How does the decision impact fund balance policy of maintaining 3-6 months of fund balance reserves?
- **Impact of the decision on long-term quality of educational services in the District**
 - Will the District be able to maintain fund balance reserve targets without adversely impacting staffing and programming?
- **Impact of the decision on the condition of the district's facilities**
 - Will the District be able to address critical repairs in its buildings while both maintaining fund balance reserve targets and desired educational services?

Importance of Real Estate Tax Revenues

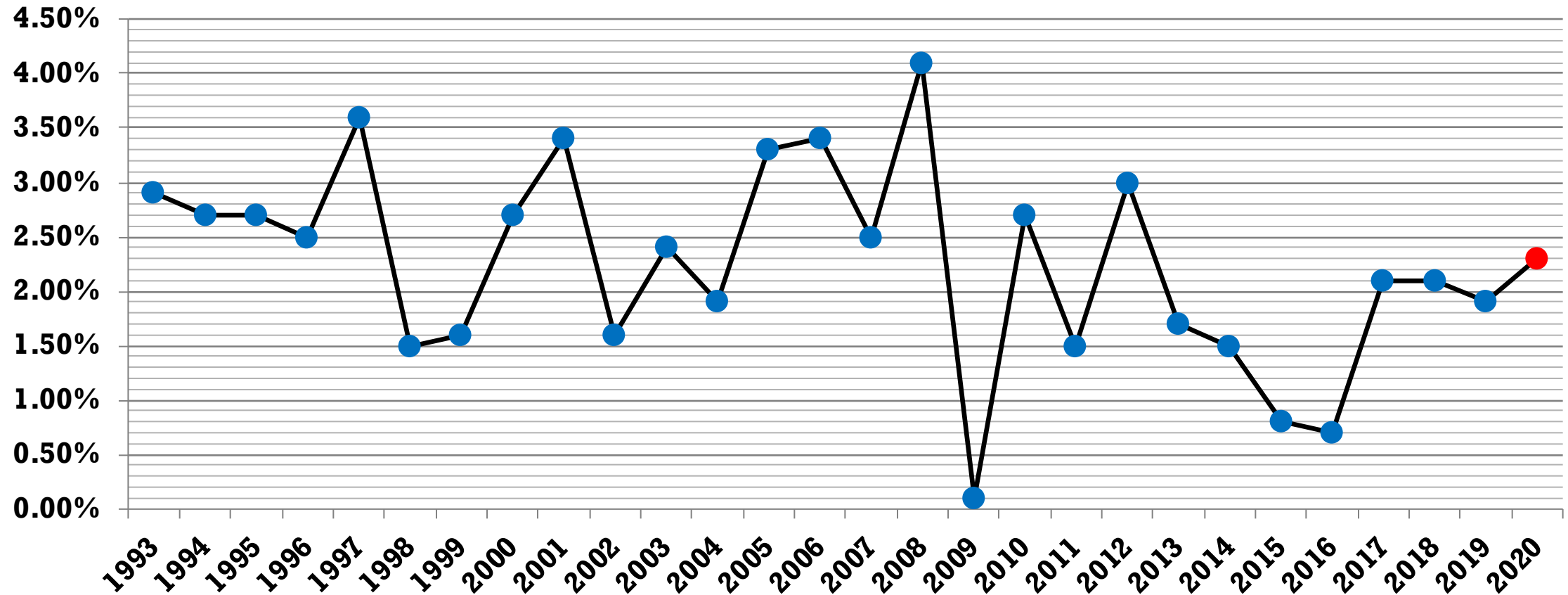
Nearly all Revenue Growth Comes from Real Estate Tax Revenues



Since 2013, real estate taxes have increased at an average annual rate of 5.2% due primarily to the passage of the referendum and the TIF expiration. State and Federal revenues have actually declined during this period.

Historical Tax Cap History – Annual Rate of Inflation

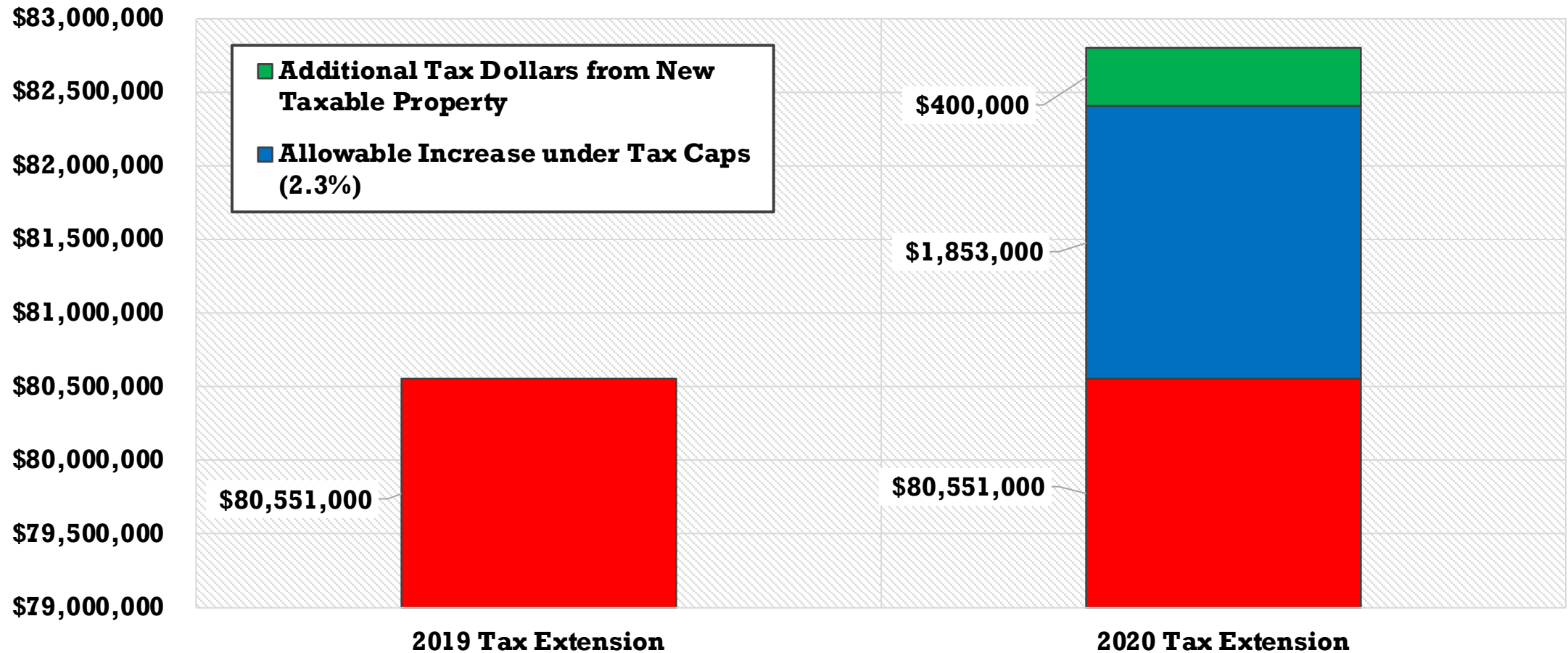
Real Estate Tax Growth in School Districts in Tax-Capped Counties Limited by Rate of Inflation
(except for new taxable property growth and referendum approved increases)



2020 Tax levy will be capped by CPI increase of 2.3%

2020 Tax Levy – Accessing Maximum Allowable Dollars

Final extension would generate an increase of approximately 2.8% in the District's tax extension versus the previous year (2.3% CPI growth + 0.5% due to new taxable property)



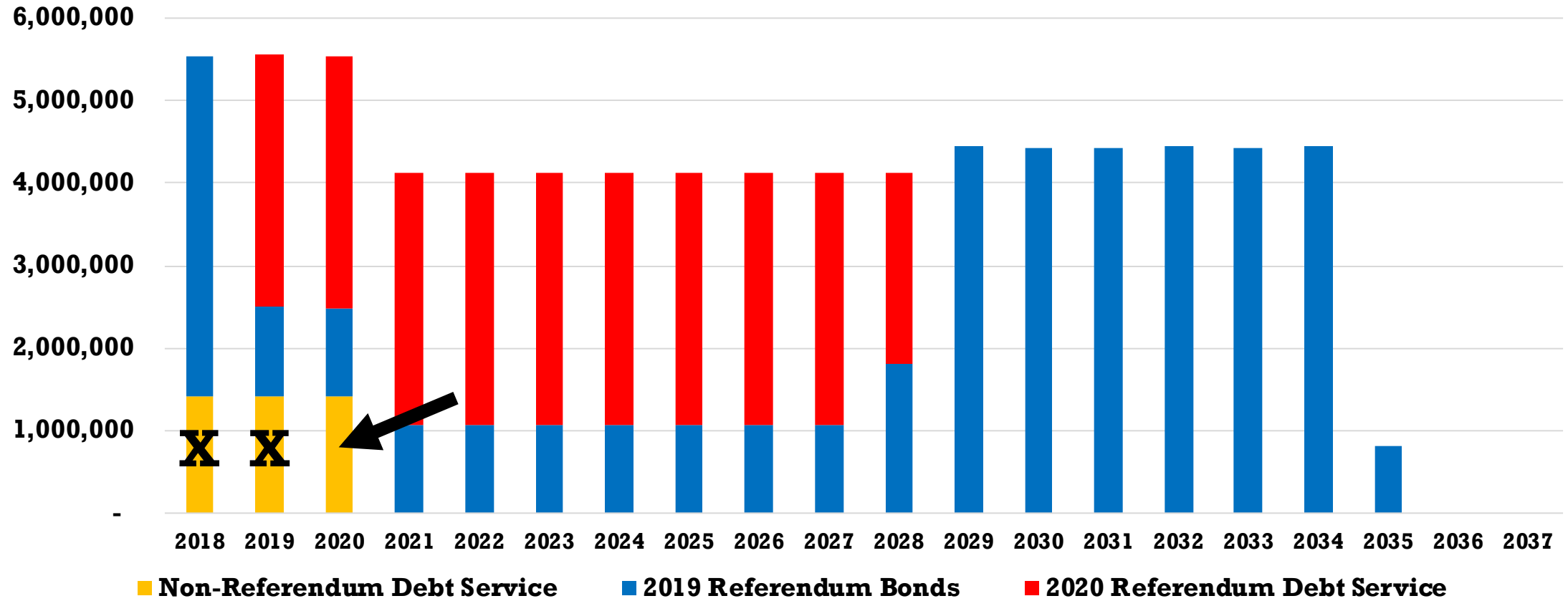
Breakdown of Levy Request

Represents an increase of 2.3% versus the Prior Extension

Fund Description	Levy Amount
IMRF Fund	500,000
Social Security Fund	500,000
Liability Insurance Fund	100,000
Transportation Fund	1,800,000
Education Fund	65,252,000
Building Fund	8,500,000
Working Cash Fund	750,000
Special Education Fund	<u>5,000,000</u>
Total Levy	82,402,000

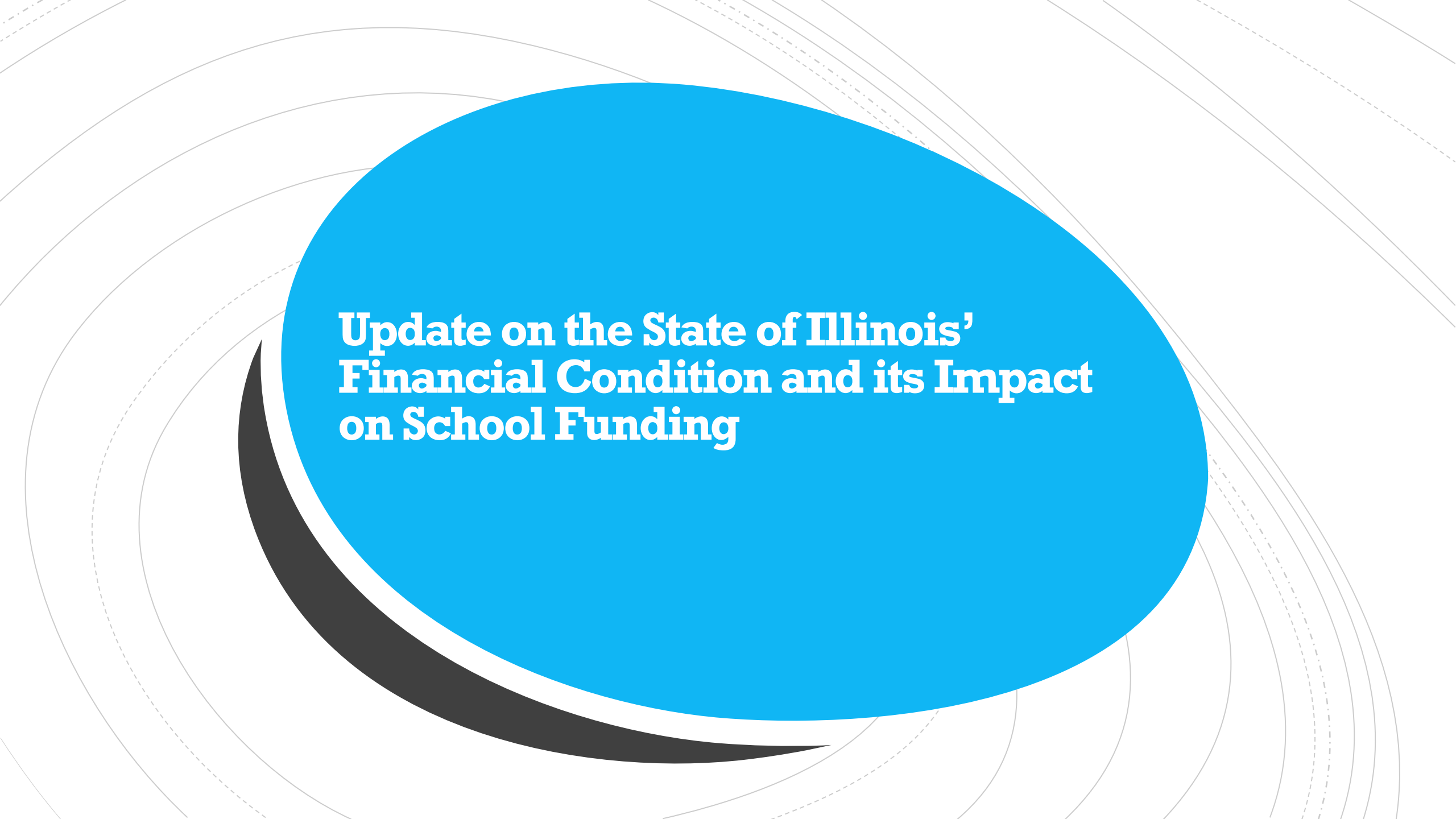
Future Tax Levies for Debt Service

One More Year of Tax Levy Tied to Non-Referendum Debt



Estimated Impact to the Taxpayer (Assuming \$400,000 Market Value Home)

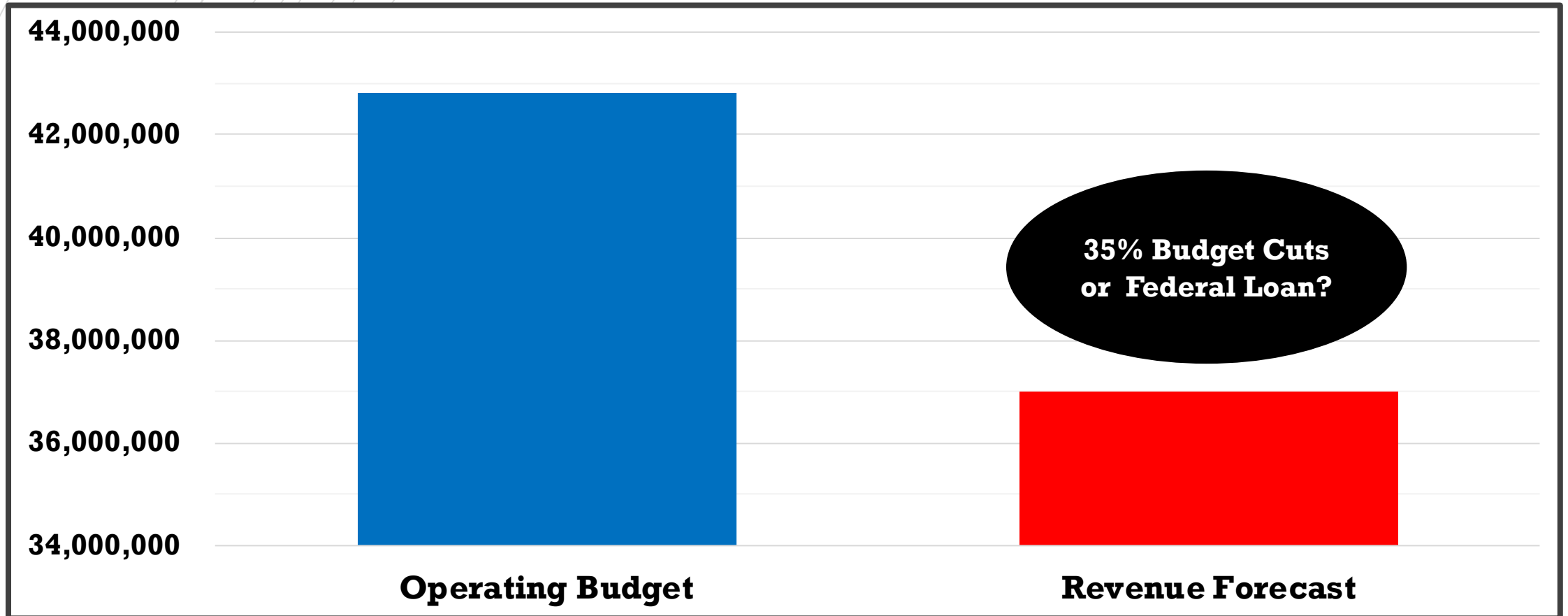
- The tax extension for non-bond and interest funds will increase 2.3% versus the prior year.
- This represents an increase an annual increase of approximately \$120 for the portion of the tax bill due to Oak Park Elementary School District 97.
- If the District does not abate the non-referendum levy, it will increase the tax bill of a \$400,000 homeowner by an additional \$90.
- The maximum extension plus extending the non-referendum bond levy would increase the tax bill of a \$400,000 homeowner by approximately \$210 (4%)



**Update on the State of Illinois'
Financial Condition and its Impact
on School Funding**

The State's Budget Dilemma of 2020

Desired FY21 Budget > Revenue Forecast by \$5.8 Billion



Final Decision: Borrow from Federal Reserve's Municipal Liquidity Fund

Where is Illinois Now?

(Six Months After
COVID Shutdown)

- Unpaid bills have increased to \$9.1 billion as of 11/09/20. (over 82,000 vendors owed)
- \$5 billion has been borrowed so far from Federal government
 - Illinois is the only state to use this loan program
 - Must be paid back within three years
- The three major rating agencies have dire assessments of the State's financial future.
- Chicago now has a \$1.2 billion budget hole in FY2021
- To get out of the red, Illinois would need \$52,000 from each taxpayer

Source: Truth in Accounting Group, Barron's, Crain's

The Fiscal Future of Illinois Will be Defined by Four Events:

- 1) Magnitude of Federal Bailout – **Will the Federal bailout extend beyond economic loss from COVID shutdown?**
- ~~2) Passage of Progressive Income Tax Ballot Question~~
- 3) Pace of Economic Recovery
- 4) Investment performance of pension funds

November 2020 will be a month that may greatly shape school funding for many years

Governor Pritzker (11/4/20)
after defeat of progressive
income tax ballot initiative:

“There will be cuts and they will be painful”



The Long-Term Picture of School Funding in Illinois

Inconvenient Truths

- The State never could, nor ever will have the resources to fully fund the Evidenced-Based Funding Formula for 850+ school districts
- A growing percentage of residents and businesses are leaving Illinois
 - Adequately funding our schools can only happen by growing the State's tax base
 - Policies that don't recognize that fact are short sighted and will deepen the long-term crisis
- Chicago is a mess and most solutions filter through their lens. Their problems become our problems.
- The future of school funding is hard to predict because logic and fiscal honesty are never the genesis of the solution

How Will This Ultimately Play Out Legislatively?

Focus will be on addressing equity with limited resources

- Reduction in Evidenced-Based Funding dollars distributed through formula
- Modifications to the EBF formula
- Redistribution of statewide resources to address equity
- Shifting pension costs to school districts
- School consolidations

Therefore, higher tiered districts, like D97, will be more vulnerable to the solutions

**What would
an EBF
decrease look
like?**

EBF Decreases would Affect All Tiers Equally

Total EBF base funding in FY 2021 is \$7.1 billion. There are 1.9 million students affected by EBF

% Decrease	\$ Decrease	Loss per Pupil
5%	\$355 million	\$180
10%	\$710 million	\$360
15%	\$1.06 billion	\$540
20%	\$1.42 billion	\$720

*** With just under 6,000 students, D97 would lose approximately \$1 million for each 5% decrease in EBF funding dollars.**

Important Point Regarding the EBF Reduction Process

The method used to take money out of EBF is different than method used to put money into EBF. Therefore, under a scenario where money leaves EBF one year and the same money comes back in future years, districts will not be in same spot as where they started.

Final Thought on Tax Levy

The Board of Education should make its decision on the tax levy with consideration of (1) the District's fund balance targets, (2) the District's capital needs and wants and (3) the financial threats that may emerge from Springfield.

Long-term fiscal and academic stability without the need for future referendum dollars should be the objective.

The slide features a large, vibrant blue oval in the center. A thick black arrow curves from the bottom left towards the right, pointing towards the blue oval. The background is white with several thin, light gray concentric circles and dashed lines, creating a subtle geometric pattern.

End of Presentation