



ALSIP, HAZELGREEN AND OAK LAWN ELEMENTARY SCHOOL DISTRICT 126

Financial Analysis

September 14, 2023

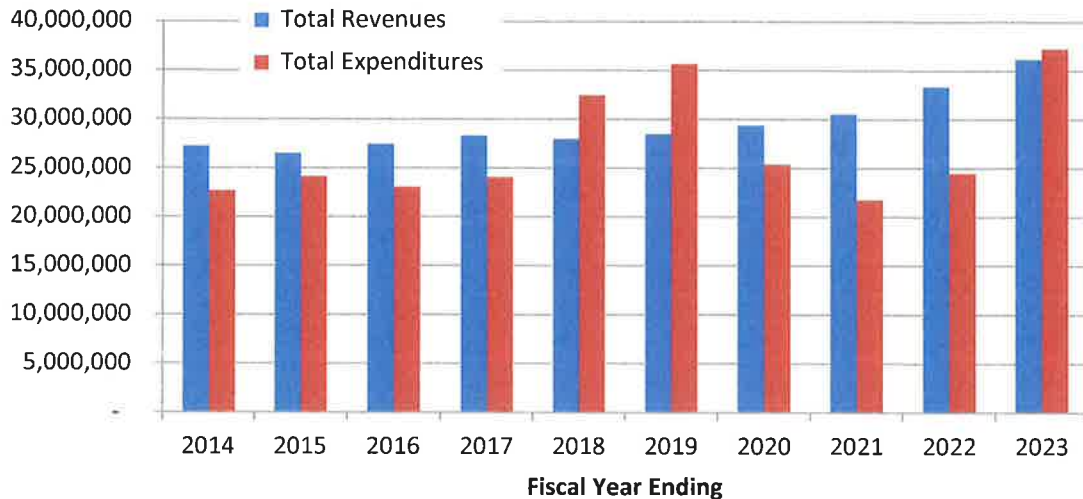
An Analysis of the District's Historical Financial Operations
and Projected Future Financial Condition

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Historical Financial Review

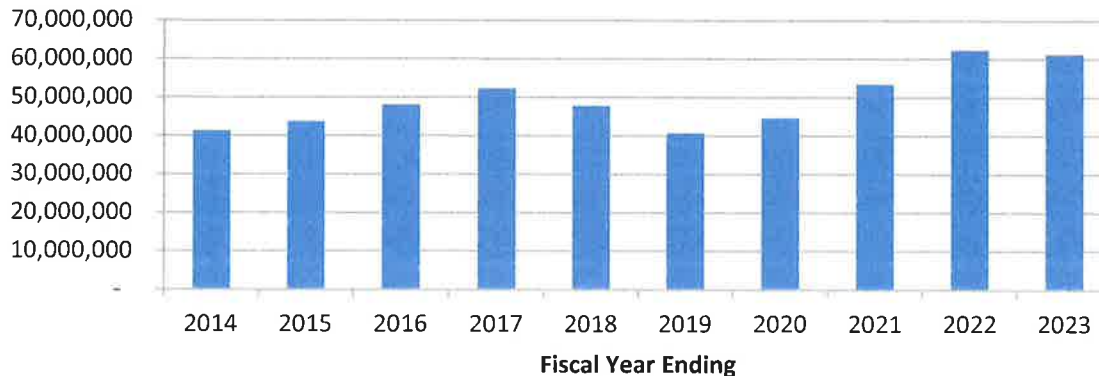
In developing a long-term financial plan for a school district, it is critical to first review the historical trends in the revenues and expenditures of the district. The Historical Financial Review incorporates all funds in the district excluding the debt service fund. The following chart reflects revenues and expenditures for Alsip, Hazelgreen and Oak Lawn Elementary School District 126 over the past ten years:



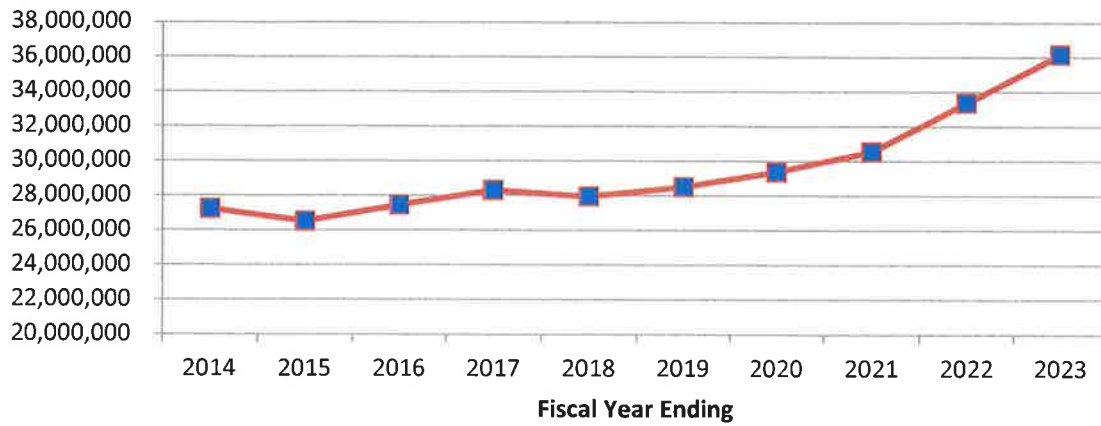
Revenues have exceeded expenditures in the district all years in the 10-year history except for FY18, FY19 and FY23. Expenses were higher in those years due to construction costs.

The following graph reflects fund balances over the past ten years.

Fund Balances - All Funds (Excluding Bond Fund)

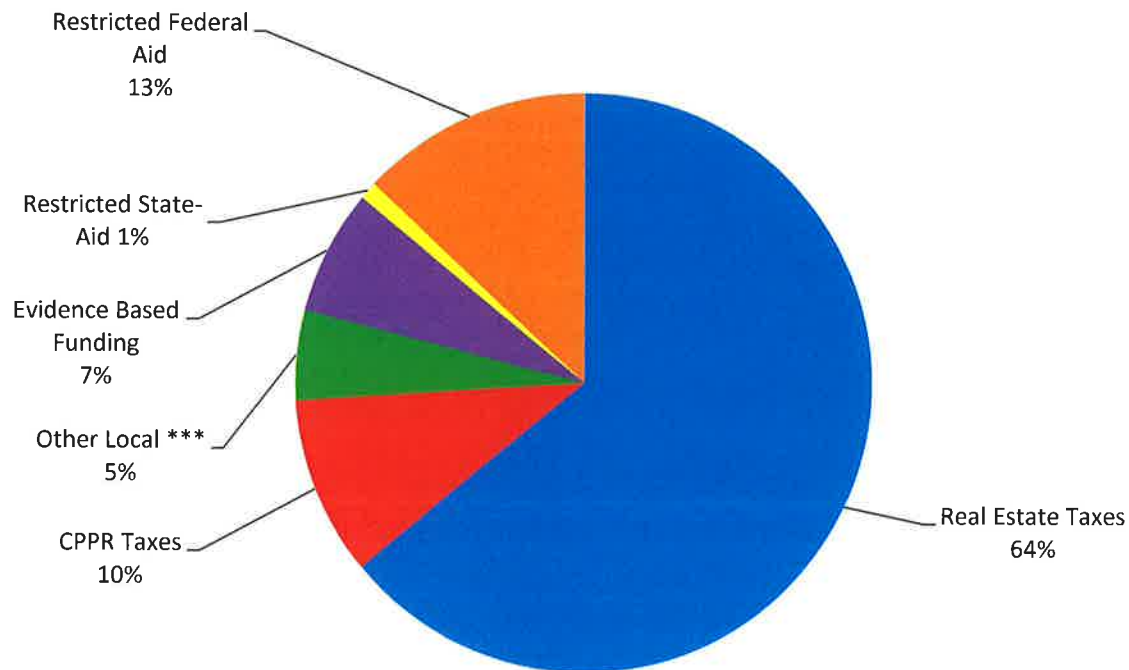


Revenue History



Since FY14, total revenues have increased at an average annual rate of 3.82%.

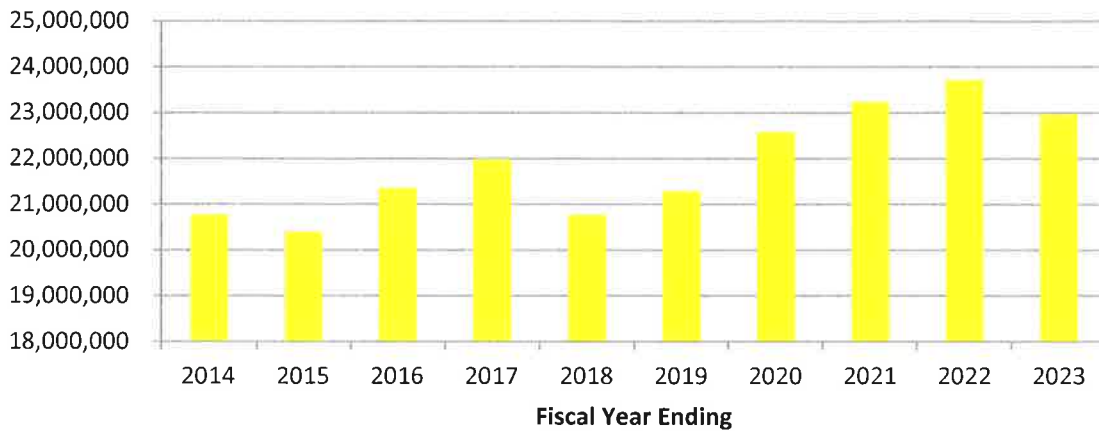
For the fiscal year ending June 30, 2023, total revenues received by Alsip, Hazelgreen and Oak Lawn School District 126 can be broken down as follows:



*** Other Local Revenues include interest income, student fees, lunch fees, and other miscellaneous revenues

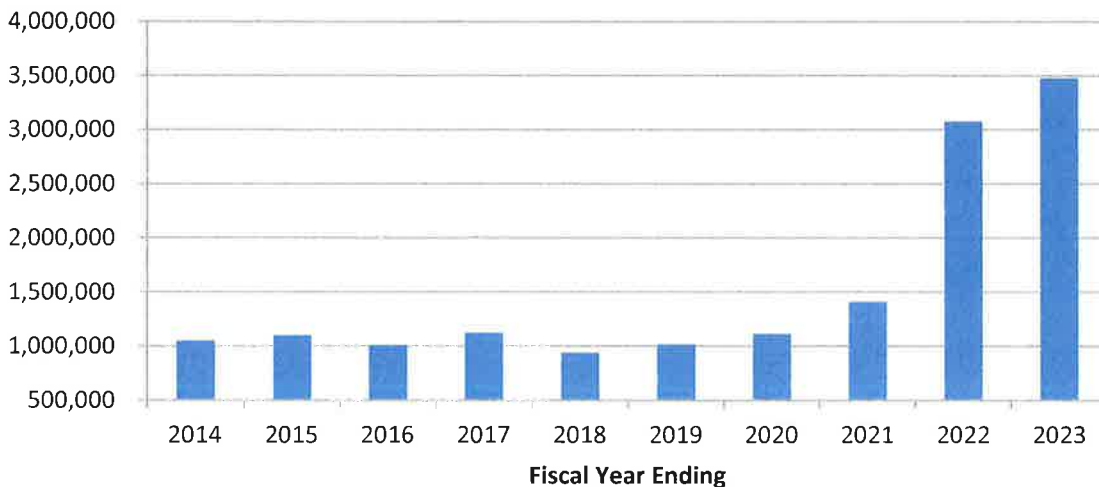
In order to analyze revenue patterns during this time period, it is necessary to examine the primary sources of revenue in the district: Real estate taxes amount to 64% of the district's total revenues. Corporate personal property replacement taxes amount to 10% of the district's total revenues, and evidence-based funding amount to 7% of the district's total revenues. The following graphs illustrate the growth patterns of these revenue sources over the past ten years:

Real Estate Tax Revenues



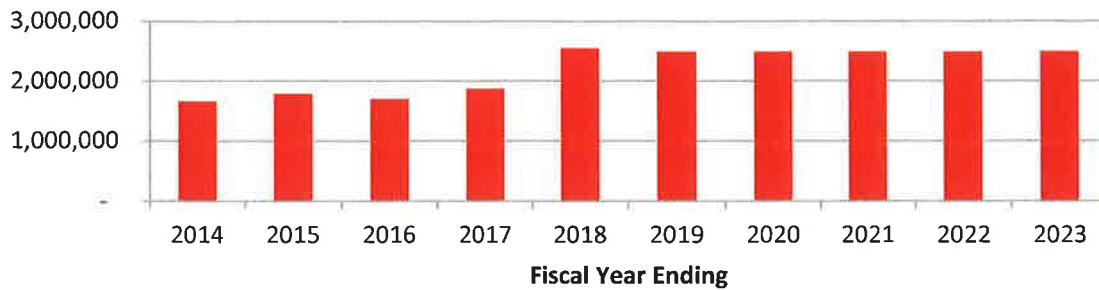
Real estate taxes increased at an average rate of 1.9% over the past ten years.

Corporate Personal Property Replacement Taxes



The district has realized an increase in corporate personal property replacement at an average rate of 17.1% annually over the past ten years. The increase was relatively flat until FY22 which was an increase of 118% over FY21. Corporate personal property replacement taxes are distributed based on the district percentage of personal property taxes of the total for the State of Illinois at the time the personal property tax was eliminated in the 1970's.

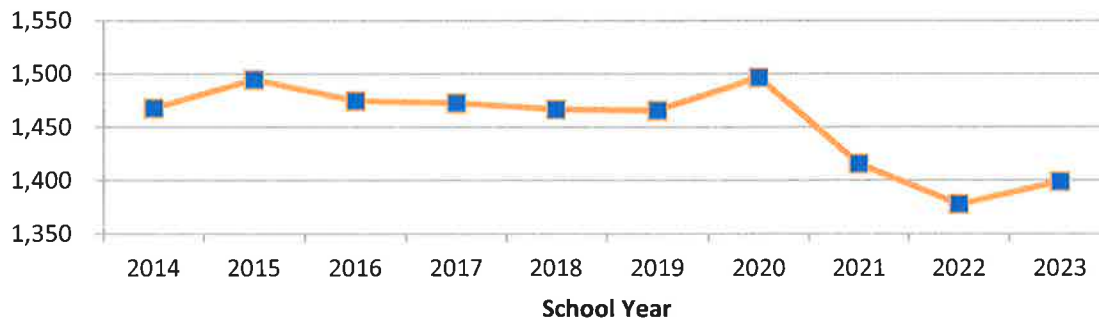
Evidence-Based Funding Revenues



The district has realized an average increase in evidence-based funding revenues of 8.57% per year annually over the past ten years.

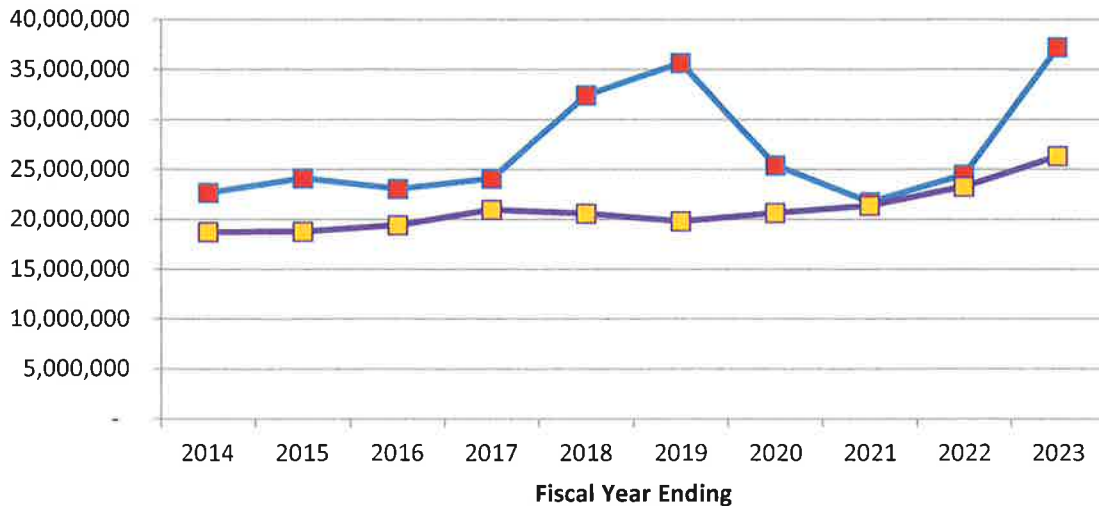
Another variable that has a significant impact on evidence-based funding revenues is the district's average daily attendance. The following chart reflects the average daily attendance figure of the district used in calculating general State-aid revenues:

Average Daily Attendance



Until FY20, the average daily attendance in the district had been consistent, enrollment since the start of the COVID-19 pandemic has declined which is similar to other districts in the State of Illinois.

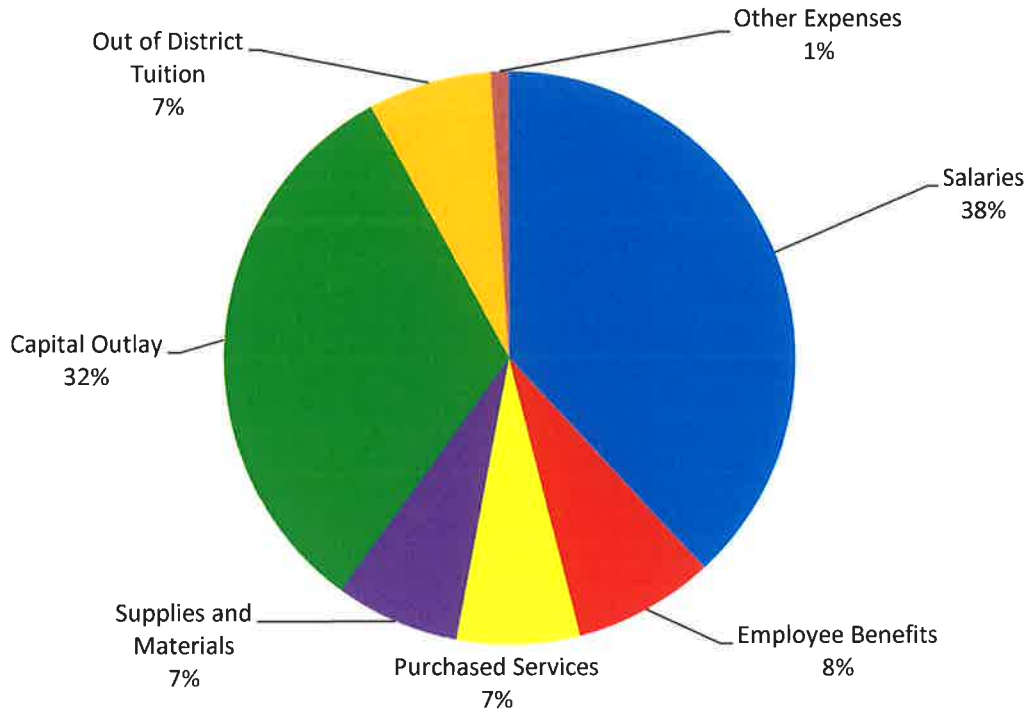
Expenditure History



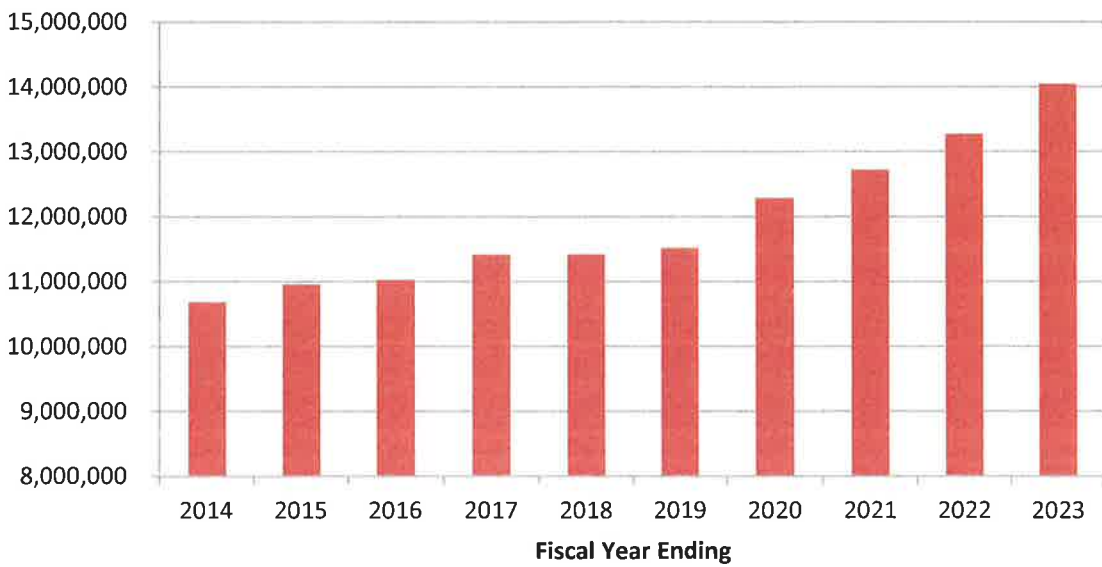
Total expenditure growth was relatively flat from FY14 through FY17. In FY14 through FY20 the district incurred expenses related to major capital improvements. The blue line above represents total expenditures and the purple line represents expenditures without capital expenses included. The district's expenditures can be broken down into six different categories:

1. **Salaries** – Amounts paid to permanent, temporary or substitute employees of the district.
2. **Employee Benefits** – Fringe benefits paid on behalf of the employees but not directly to the employees. These include medical insurance, payments to the Illinois municipal retirement fund (IMRF), early retirement programs, tuition reimbursements, and Board paid teachers retirement system (TRS) payments.
3. **Purchased Services** – Amounts paid for services rendered by personnel who are not on the payroll of the district. These include transportation services, property/casualty insurance, legal services, audit services, information technology services, contractual services related to the enhancement of the teaching process, telephone services, and bandwidth services.
4. **Supplies and Materials** – Amounts paid for material items that are consumed, worn out, or have deteriorated from use. These primarily include textbooks, library books, software, utilities, and building supplies.
5. **Capital Outlay** – Expenditures for the acquisition of fixed assets or additions to fixed assets. Fixed assets include purchases of land, buildings, and equipment such as furniture or servers.
6. **Special Education Tuition** – Expenditures to reimburse outside agencies such as Eisenhower Special Education Cooperative for services rendered to students residing in the district.

The following is a breakdown of the expenditures of the district by expenditure type for the fiscal year ending June 30, 2023, debt payments:

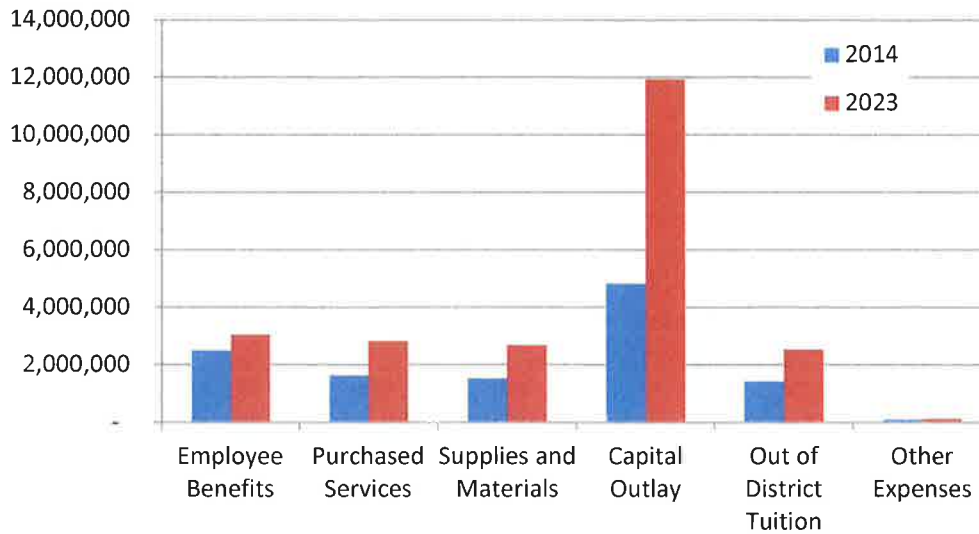


Salary Expenditures



Since FY14, total salary expenses increased at an average annual rate of 3.02%. This increase is due primarily to contractual salary increases.

Non-Salary Expenditures

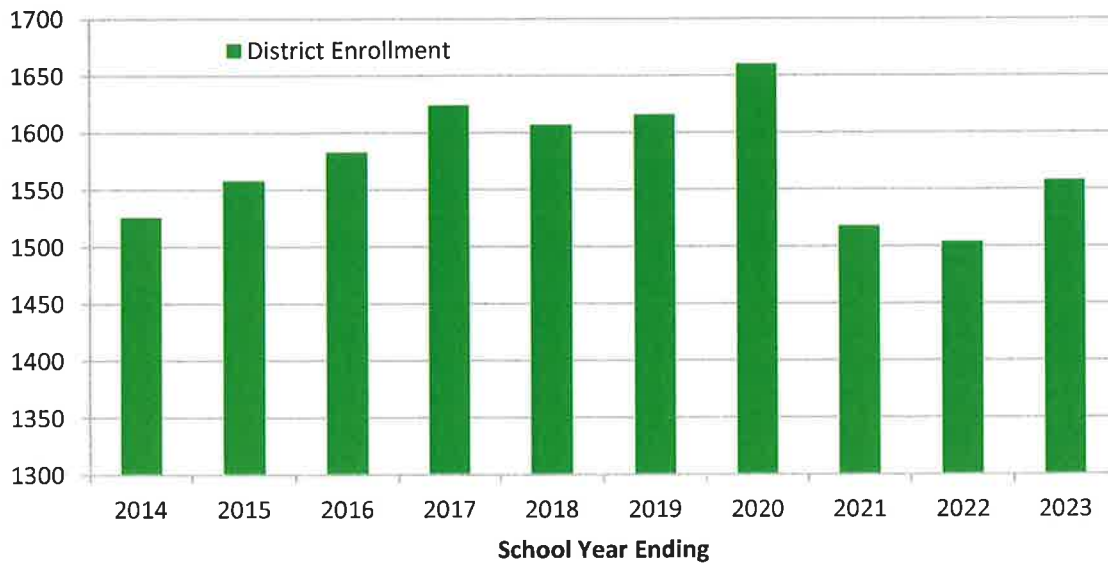
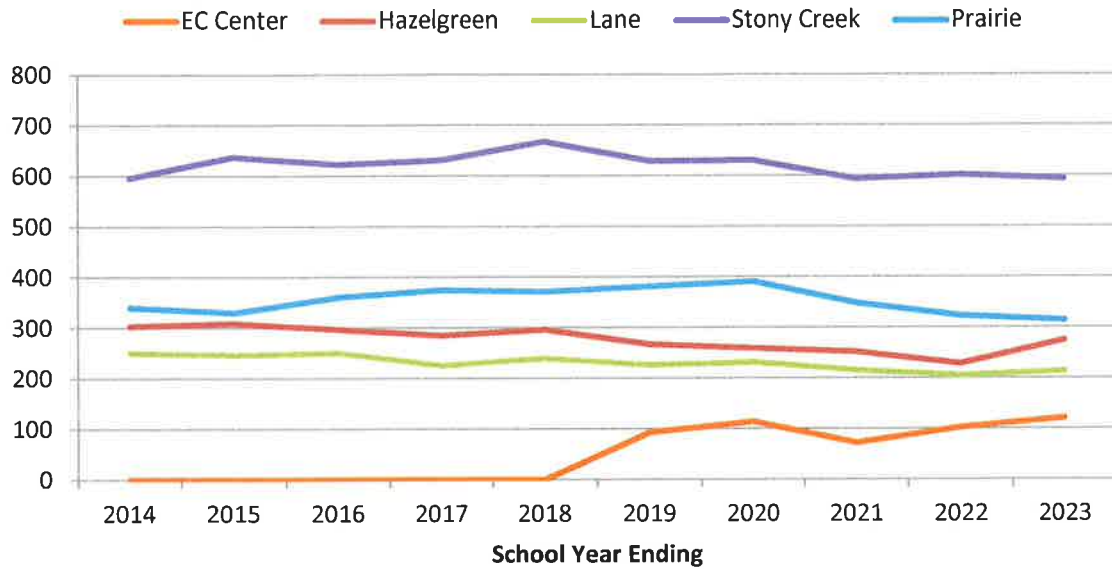


Financial Condition on June 30, 2023

For the purpose of projecting the anticipated fund balances, we will reference the June 2023 ending fund balances. As of June 30, 2023, projected fund balances are as follows:

Education Fund	\$42,896,797
Operations & Maintenance Fund	\$5,794,904
Debt Service Fund	\$3,381
Transportation Fund	\$2,438,094
IMRF/Social Security Fund	\$1,542,201
Working Cash Fund	\$8,282,919
Tort Fund	\$0
Fire Prevention & Safety Fund	\$317,422
Total Fund Balance	\$61,275,718

Enrollment History



As shown in the two charts above, the district enrollment has increased by 32 students over the past ten years.

Issues Facing the District

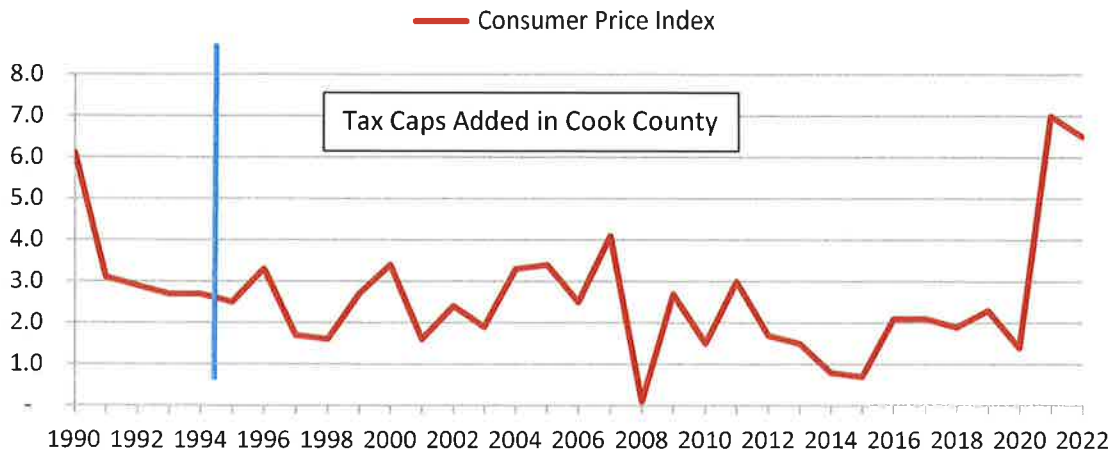
With the goal of providing an excellent education to children and ensuring the financial condition of the district remains healthy, it is imperative to examine major issues that may have a significant impact on the district's financial condition as well as the education provided and consider these issues when making financial projections.

Current Economic Crisis

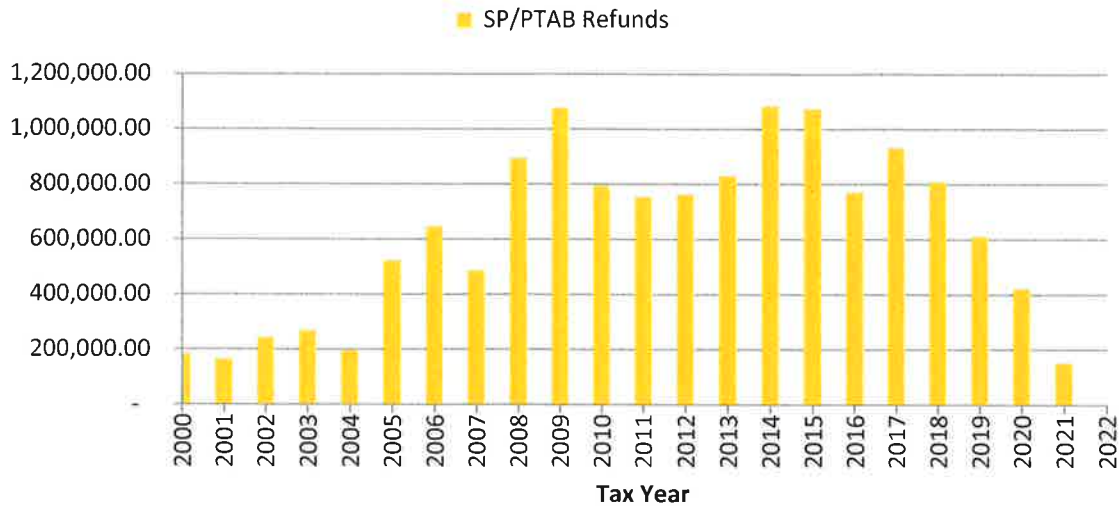
The district must be cognizant of the strong likelihood that economic conditions will have a growing impact on the schools, and it must take action to prepare for that possibility. The impact of this economic crisis on Alsip, Hazelgreen and Oak Lawn Elementary School District 126 may be seen in three primary areas: (1) High rates of inflation and its impact on expenses and revenue growth, (2) Increased property tax valuation appeals and the impact on property tax collections, and (3) The State financial crisis and its impact on State funding.

Inflation Levels

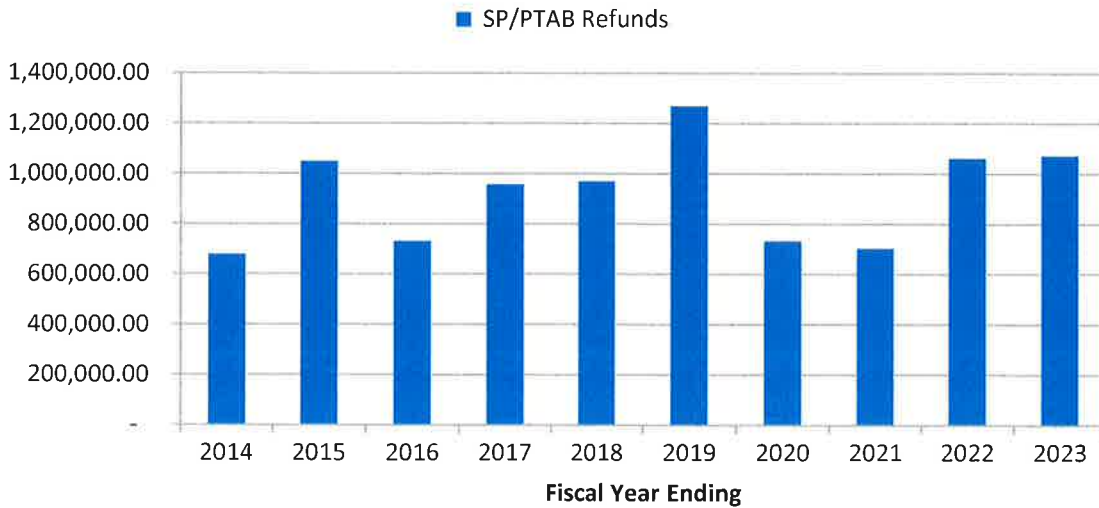
High inflation levels have increased costs throughout the district, however the district is capped in its growth of real estate tax revenues by the rate of inflation as defined by the consumer price index. For the levy that will be approved by the district in October 2023, tax revenue growth will be capped at 5.0%, well below the December 2022 consumer price index of 6.5%. Many experts are projecting that inflation levels will remain high for several years. With real estate tax revenues making up approximately 64% of the district total revenues, an extended period of inflation over 5.0% could be devastating to the district. There has also been talk by state legislators of a property tax freeze for several years.



Increased Property Tax Valuation Appeals



Property tax valuation appeals occur when a taxpayer objects to the value of their property as assigned by the Cook County Assessor's Office. Objections must first be filed with the County, and after a ruling with the County can be taken to the State Property Tax Appeals Board (PTAB). It can take several years before a conclusion is reached, and when there is a reduction to the initial valuation the taxes on the difference in valuation are lost to the taxing body. Refunds are awarded out of current year collections, reducing current collections available to fund district programs. Refunds issued during FY23 amounted to \$1,072,787.



State of Illinois' Financial Crisis

Only 8% of the district's revenues come from State sources, but this amounts to almost \$3 million dollars. The State recently passed school funding reform, with new money going to schools that the State considers most in need. District 126 does not fall into that category, however part of the reform was that all Illinois School Districts will receive at least the level of funding that they were receiving prior to funding reform.

Shift of Pension Costs

Over the past several years Illinois political leaders have discussed shifting the cost of State pension programs to local school districts. The estimated annual pension cost is approximately 9% of qualified salaries each year. The discussions revolving around a pension cost shift have mostly included a phase in for local districts. A shift of the estimated cost has been included in the projection section of this report beginning with FY26.

Available Debt Limitations

The district's debt service extension base is fully available due to the district's early payoff of outstanding bonds during FY18. Long-term debt should be utilized for long term capital needs. Using borrowing to support operating expenses is one of the primary causes of financial troubles in Illinois schools.

Projected Financial Condition

The following six-year projection was derived by incorporating trends in the district's expenditures and revenues with assumptions made on several critical issues that will determine the district's future financial condition.

Please note that all projections are based on assumptions and should be considered as such when making decisions. Actual figures may be different; it is critical that the district revise its projections as new information becomes available.

Major Assumptions Used in Making Projections

Revenue Assumptions

- 1) It is projected that the rate of inflation, which drives tax revenue growth, will be 5% for the next three years, followed by 3.5% for three years.
- 2) Replacement taxes will decline to \$1.6 million dollars in FY24 and will increase by 3.0% annually.
- 3) It is projected that the district will receive 100% of its General State-Aid payments in FY24 – FY29.
- 4) Restricted State revenues will grow in FY24 with transportation costs returning to normal levels and will grow 5% annually.
- 5) Federal grant revenues will decrease in FY24 as ESSER programs finish. After FY24 restricted federal grants will increase by 3% annually.

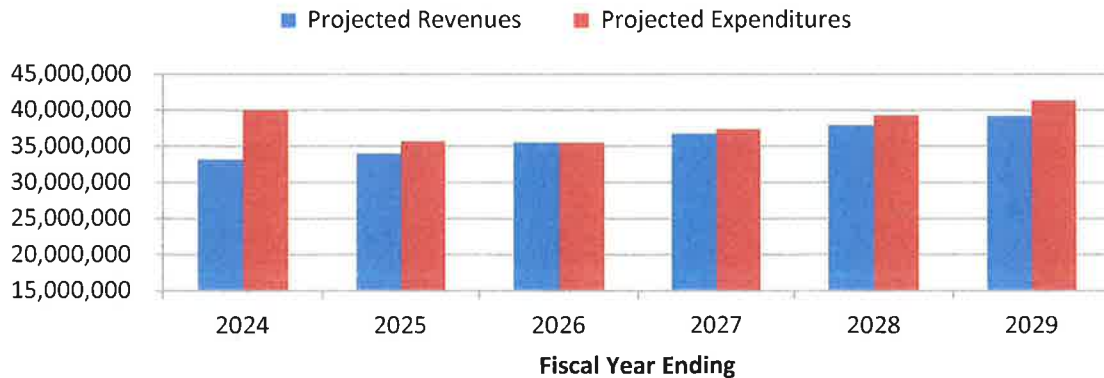
Expenditure Assumptions

- 1) Salary expenditures in FY24 reflect actual salaries and are projected to grow at 5.5% for two years and then 5% annually.
- 2) Employee benefits are projected to increase at an average annual rate of 8%.
- 3) Expenses related to purchased services are projected to increase at 5%.
- 4) Expenses related to supplies and materials projected to increase 5% annually.
- 5) The district is projected to spend \$10,230,000 on capital improvements in FY24 and \$2,000,000 in FY25.
- 6) The State of Illinois will start to shift pension costs to local districts in FY26; these amounts have been shown separately on the schedule.
- 7) Out of district special education tuition costs are projected to increase 5% annually.
- 8) The major capital projects included in FY24 and FY25 are the construction of a gym and classrooms at Prairie Junior High School as well as parking lot improvements at Hazelgreen School and courtyard playgrounds for Lane School and Stony Creek School.

Projections FY24 through FY29

Projected Revenues vs. Expenses

The following graph reflects total revenues and total expenses each year through FY29.

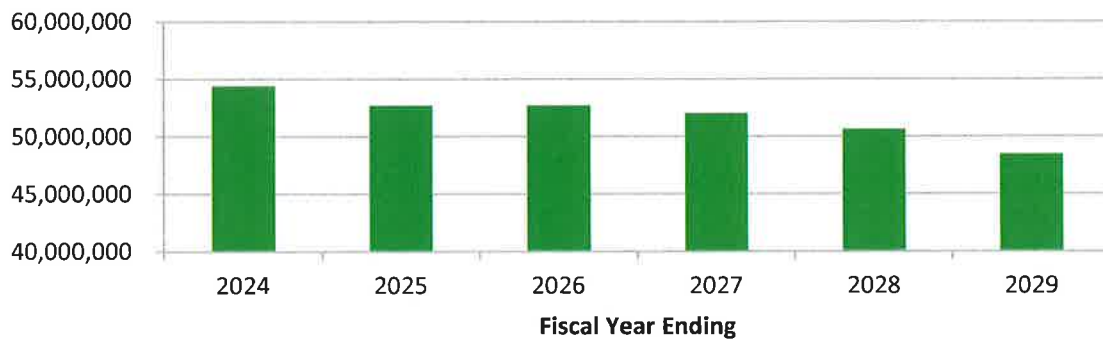


The revenue and expenditure projections would result in the following annual surplus/deficits projected for the district. The "projected surplus/deficit" column indicates the difference between the revenues received by the district for a given fiscal year compared to the expenditures incurred for the same fiscal year. The "cumulative impact" column indicates the cumulative total of these annual surplus/deficits.

<u>Fiscal Year Ending</u>	<u>Projected Surplus/(Deficit)</u>	<u>Cumulative Impact</u>
June 30, 2024	(6,883,479)	54,407,729
June 30, 2025	(1,691,584)	52,716,145
June 30, 2026	(2,718)	52,713,428
June 30, 2027	(667,166)	52,046,262
June 30, 2028	(1,391,176)	50,655,086
June 30, 2029	(2,179,068)	48,476,018

Projected Fund Balances

The following graph illustrates that total fund balances (excluding bond and interest fund) are projected to decrease from \$61,291,208 on June 30, 2023 to \$48,476,018 on June 30, 2029.



Alsip, Hazelgreen and Oak Lawn Elementary School District 126 **Financial Summary (Excluding Bond Fund)**

Fiscal Years Ending June 30, 2014 through June 30, 2023

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	36,776,515	41,323,666	43,713,403	48,116,462	52,341,843	47,869,514	40,716,409	44,701,621	53,498,953	62,370,875
Revenues:										
Real Estate Taxes	20,781,322	20,420,577	21,375,205	21,998,514	20,785,590	21,300,612	22,582,758	23,249,910	23,735,668	22,976,482
Replacement Tax	1,050,280	1,098,931	1,011,627	1,123,730	940,274	1,017,204	1,113,462	1,412,312	3,078,470	3,479,371
Other Local Revenues	757,365	714,806	848,162	963,104	1,149,800	1,634,987	1,274,758	801,657	983,851	1,921,376
Evidence-Based Funding	1,666,899	1,793,992	1,706,200	1,877,120	2,549,838	2,491,911	2,493,937	2,493,937	2,495,715	2,497,470
Restricted State Grants	1,971,738	1,219,418	1,416,957	1,133,958	1,289,473	852,438	759,354	824,904	559,818	497,649
Restricted Federal Grants	1,013,422	1,280,702	1,117,558	1,219,103	1,260,091	1,226,989	1,178,300	1,782,286	2,521,491	4,789,558
Total Revenues	27,241,026	26,528,426	27,475,709	28,315,529	27,975,066	28,524,141	29,401,569	30,565,006	33,375,013	36,161,906
Expenses:										
Salaries	10,686,697	10,957,793	11,028,616	11,416,006	11,417,339	11,517,465	12,288,926	12,727,033	13,277,015	14,050,299
Employee Benefits	2,496,550	2,505,526	2,579,937	3,146,196	2,538,644	2,444,161	2,619,128	2,850,078	2,857,543	3,056,608
Purchased Services	1,633,943	1,541,581	1,489,151	1,695,130	1,761,232	1,881,542	2,036,909	1,228,375	2,183,181	2,827,537
Supplies & Materials	1,528,066	1,614,428	2,101,514	2,521,293	2,311,990	1,769,101	1,576,455	2,220,985	2,442,142	2,685,465
Capital Outlay	903,546	744,954	708,891	975,589	955,762	710,099	557,776	762,296	930,694	1,063,122
Out of District Tuition	1,424,677	1,353,091	1,363,975	1,145,763	1,503,347	1,417,759	1,524,743	1,281,561	1,471,311	2,544,981
Other Expenses	93,618	71,509	150,359	71,280	104,426	85,219	71,396	343,442	123,130	125,077
Total Expenses	18,767,097	18,788,882	19,422,443	20,971,257	20,592,740	19,825,346	20,675,333	21,413,770	23,285,016	26,353,089
Revenues vs. Expenses	8,473,929	7,739,544	8,053,266	7,344,272	7,382,326	8,698,795	8,726,236	9,151,236	10,089,997	9,808,817
Transfers To Bond Fund	-	-	-	-	3,200,000	-	-	-	-	-
Major Capital Projects	3,926,778	5,349,807	3,650,207	1,618,891	8,654,655	15,851,900	4,741,024	353,904	1,218,075	10,888,484
IMRF Unfunded Liability Payment	-	-	-	1,500,000	-	-	-	-	-	-
Ending Fund Balance	41,323,666	43,713,403	48,116,462	52,341,843	47,869,514	40,716,409	44,701,621	53,498,953	62,370,875	61,291,208

Alsip, Hazelgreen and Oak Lawn Elementary School District 126

Financial Projections (Excluding Bond Fund)

Fiscal Years Ending June 30, 2024 through June 30, 2029

	FY24	FY25	FY26	FY27	FY28	FY29
Beginning Fund Balance	61,291,208	54,407,729	52,716,145	52,713,428	52,046,262	50,655,086
Revenues:						
Real Estate Taxes	25,351,085	26,618,639	27,949,571	28,927,806	29,940,279	30,988,189
Replacement Tax	1,600,000	1,648,000	1,697,440	1,748,363	1,800,814	1,854,839
Other Local Revenues	995,000	1,044,750	1,096,988	1,151,837	1,209,429	1,269,900
General State-Aid	2,498,955	2,498,955	2,498,955	2,498,955	2,498,955	2,498,955
Restricted State Grants	460,397	483,417	507,588	532,967	559,615	587,596
Restricted Federal Grants	2,292,647	1,764,026	1,816,947	1,871,456	1,927,599	1,985,427
Total Revenues	33,198,084	34,057,788	35,567,489	36,731,384	37,936,692	39,184,906
Expenses:						
Salaries	16,567,446	16,951,156	17,883,469	18,777,643	19,776,525	20,702,351
Employee Benefits	3,414,291	3,687,434	3,982,429	4,301,023	4,645,105	5,016,714
Purchased Services	3,935,792	4,132,582	4,339,211	4,556,171	4,783,980	5,023,179
Supplies & Materials	3,328,080	3,494,484	3,669,208	3,852,669	4,045,302	4,247,567
Capital Outlay	1,230,000	1,230,000	1,230,000	1,230,000	1,230,000	1,230,000
Out of District Tuition	2,443,154	2,565,312	2,693,577	2,828,256	2,969,669	3,118,152
Other Expenses	162,800	162,800	162,800	162,800	162,800	162,800
Total Expenses	31,081,563	32,223,767	33,960,694	35,708,562	37,553,381	39,500,763
Revenues vs. Expenses	2,116,521	1,834,020	1,606,794	1,022,822	383,311	(315,856)
Extraordinary expenses:						
Major Capital Projects	9,000,000	2,000,000	-	-	-	-
Pension Cost Shifted from State	-	1,525,604	1,609,512	1,689,988	1,774,487	1,863,212
Total Extraordinary Expenses	9,000,000	3,525,604	1,609,512	1,689,988	1,774,487	1,863,212
Ending Fund Balance	54,407,729	52,716,145	52,713,428	52,046,262	50,655,086	48,476,018