

FINANCE COMMITTEE MEETING MINUTES

Superintendent's Office Wednesday, October, 9 2019 5:15 PM

Committee Members: Dr. Tom Kostas, Mr. Bobby Greene, Dr. Jeannie Stachowiak, and Mr. Bunn

Present: Jeannie Stachowiak - Superintendent, James Bunn - Assistant Superintendent of Business Operations, Tom Kostas - Board President, Bobby Greene - Board Secretary, Jasen Pinkerton - PMA Securities, Debbie Chafee - Citizen

The meeting began at approximately 5:15 PM. Mr. Bunn started by reviewing The 2019 Tax Levy Considerations. He explained that the District has received significant increases in state revenue through General State Aid in recent years and now Evidenced Based Funding. This year, the District expects \$1.7 million of additional EBF funding. EBF is dependent on annual appropriations and there is no guarantee of future increases.

Next, Mr. Bunn explained that there is only one opportunity to levy for new growth and inflation. The new growth amount is unknown, but based on \$2,000,000 of new growth, the District could be extended an estimated \$100,000 in taxes if levied. The actual new growth could vary dramatically. The inflationary increase is limited to approximately \$600,000 per the "tax cap" or PTELL. If these amounts are not levied, the District never has the opportunity to levy these amounts in future years. The long-term impact is significant.

Then, Mr. Bunn state that CPI has been low and the five-year average is 1.5%. Meaning, real estate taxes have been capped at a low rate for some time now. Meanwhile, expenses excluding capital projects and debt service have increased at about 3% annually for the last three years and 61% of the District's revenue comes from property taxes.

After that, Mr. Bunn explained that a probable TRS pension shift will cost roughly \$2 million for NPD117. That a "tax freeze" is possible and that would cause the District to lose a guaranteed stable source of funding. The District continues to rely on fund balances for capital improvement projects.

Next, Mr. Bunn reported that the District has considerable fund balances and introduced Mr. Pinkerton from PMA Securities to present on the debt service levy. Mr. Pinkerton reviewed the District's current outstanding bonds. He explained the District has approximately \$8 million in bonds that are callable in 2023. If the District is considering a strategy to reduce their tax levy they should consider abating the the debt service extension because this provides flexibility to make abatement decisions annually. Districts must file abatements annually with the County Clerk's office. Mr. Pinkerton presented examples of abating the debt service levy annually until 2023 and then calling bonds as a tax reduction strategy. He stated that these were examples and not recommendations. These examples allow the district to review the financial landscape annually to determine what makes the most financial sense.

During Citizens' Participation, Mrs. Chafee explained that the District is in the top 10% in the state for highest tax rates. She said that the District is very close to being eligible for the property tax relief grant. The District will probably not be eligible this year, but there is a great chance the District would be eligible next year. She also stated that the Illinois Stand for

Children's plan for the pension shift, the leading plan in the State, includes state dollars being committed to each district's EBF allocation. This would cover the first year only. In regard to a "tax freeze", the state tax relief committee is very likely to include a district's fund balance as a determining factor for imposing a freeze. EBF funding will level out across all districts eventually per its design, even if fully funded. NPD117 should not depend on receiving significant year-to-year increases in EBF going forward.

Last, the Committee discussed the risks of not levying for new growth and inflation. The Committee discussed the last time the District flat levied. The Committee discussed how a debt service abatement is a way to reduce taxes without the risk of not levying for new growth and inflation. The Administration recommended to propose to the full Board abatement of the 2019 debt service tax levy in the amount of \$187,000. Additionally, recommending that the Board levy for inflation and new growth in the 2019 tax levy. The Committee agreed.

The meeting was adjourned at approximately 6:15 PM.