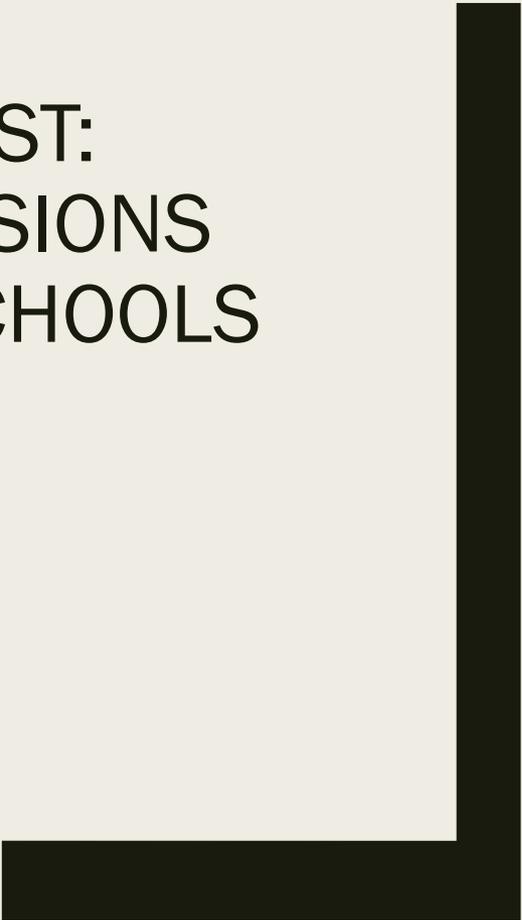




A FISCAL STRESS TEST:
HOW THE STATE'S DECISIONS
IMPACT THE CITY AND SCHOOLS
OF LAKE FOREST

October 3, 2017



WELCOME

League of Women Voters

Agenda

- Welcome
- Introductions
- City Presentation
- School Districts' Presentation
- Question and Answer

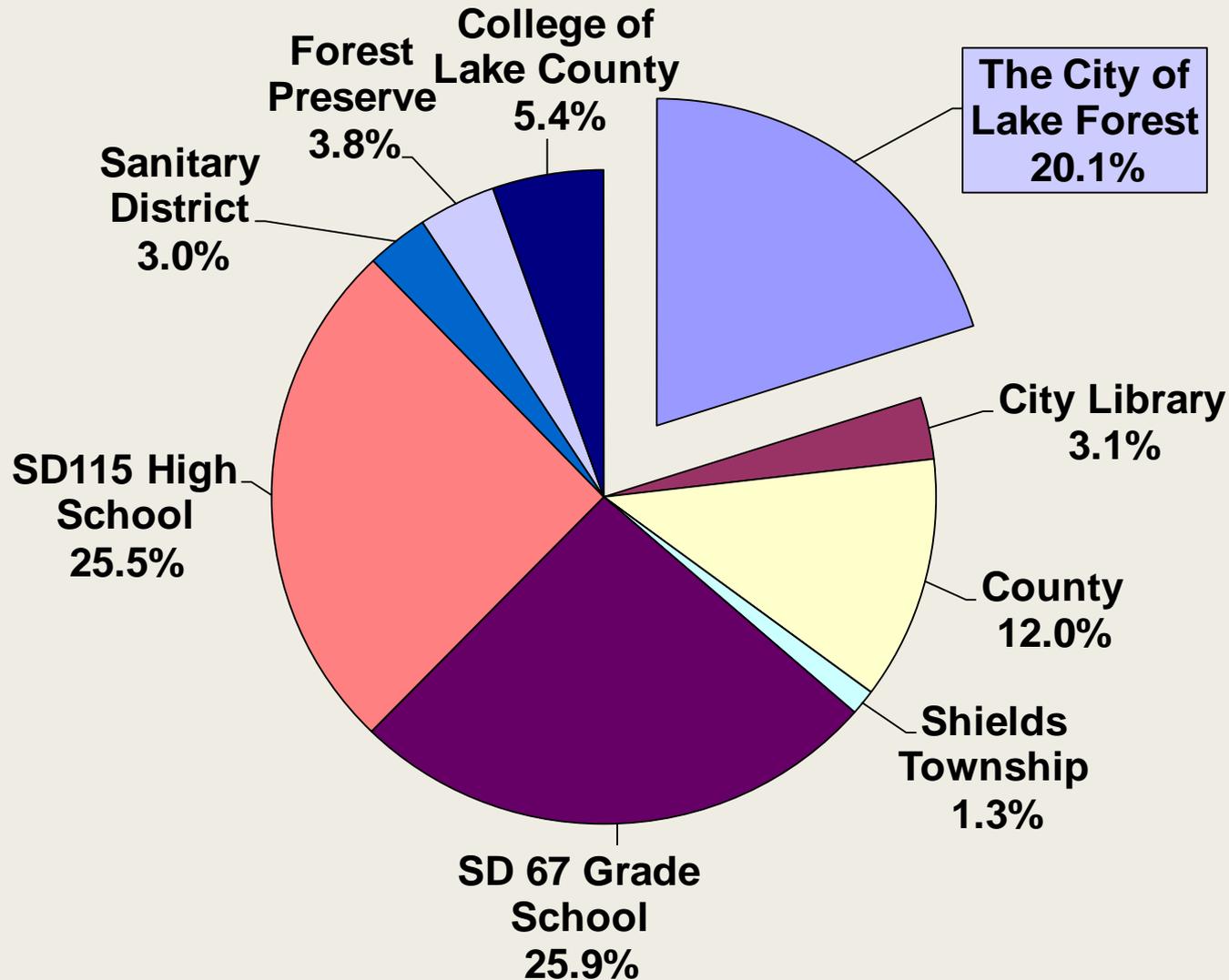
How does State of Illinois impact City and Schools?

- Direct Revenues – State Shared Revenue
- School Funding Formula
- Property Tax limitations
- Property Tax freeze

CITY PERSPECTIVE

James Morris
Alderman and City Council Finance Chair

Where are My Tax Dollars Going?



2016 Tax Levy Comparables Analysis

Property Taxes on \$800,000 Home

	Population	Median Home Value	TOTAL	Rank	Municipal Services*	Rank
Mundelein	31,475	\$218,300	\$29,167.60	14	5,200.71	14
Gurnee	30,957	\$252,200	\$24,488.09	13	1,285.01	1
Vernon Hills	26,328	\$318,900	\$22,831.74	12	2,520.52	6
Deerfield	19,000	\$496,100	\$21,463.75	11	4,221.18	13
Lincolnshire	7,262	\$474,800	\$20,967.98	10	2,518.46	5
Libertyville	20,405	\$395,900	\$19,497.38	9	1,693.38	2
Highland Park	29,641	\$532,100	\$19,488.60	8	2,692.05	7
Glencoe	8,894	\$879,500	\$17,226.94	7	3,800.67	12
Lake Bluff	5,672	\$598,400	\$16,710.00	6	2,707.56	8
Winnetka	12,417	\$957,600	\$16,448.06	5	2,846.86	11
Wilmette	27,219	\$629,000	\$16,148.17	4	2,759.39	10
Northbrook	33,421	\$521,800	\$15,939.91	3	2,184.61	3
Northfield	5,456	\$650,600	\$15,148.54	2	2,357.46	4
Lake Forest	19,388	\$841,400	\$13,364.45	1	2,753.19	9

* Municipal services include the municipal levy, as well as any applicable park district and fire district levies.

Population and Median Home Value per US Census Bureau QuickFacts as of 8/28/17

Data presented for 2016 levies collected in calendar year 2017

Actual results in a municipality will vary depending on items such as overlapping taxing districts, exemptions and township equalization factors.

City

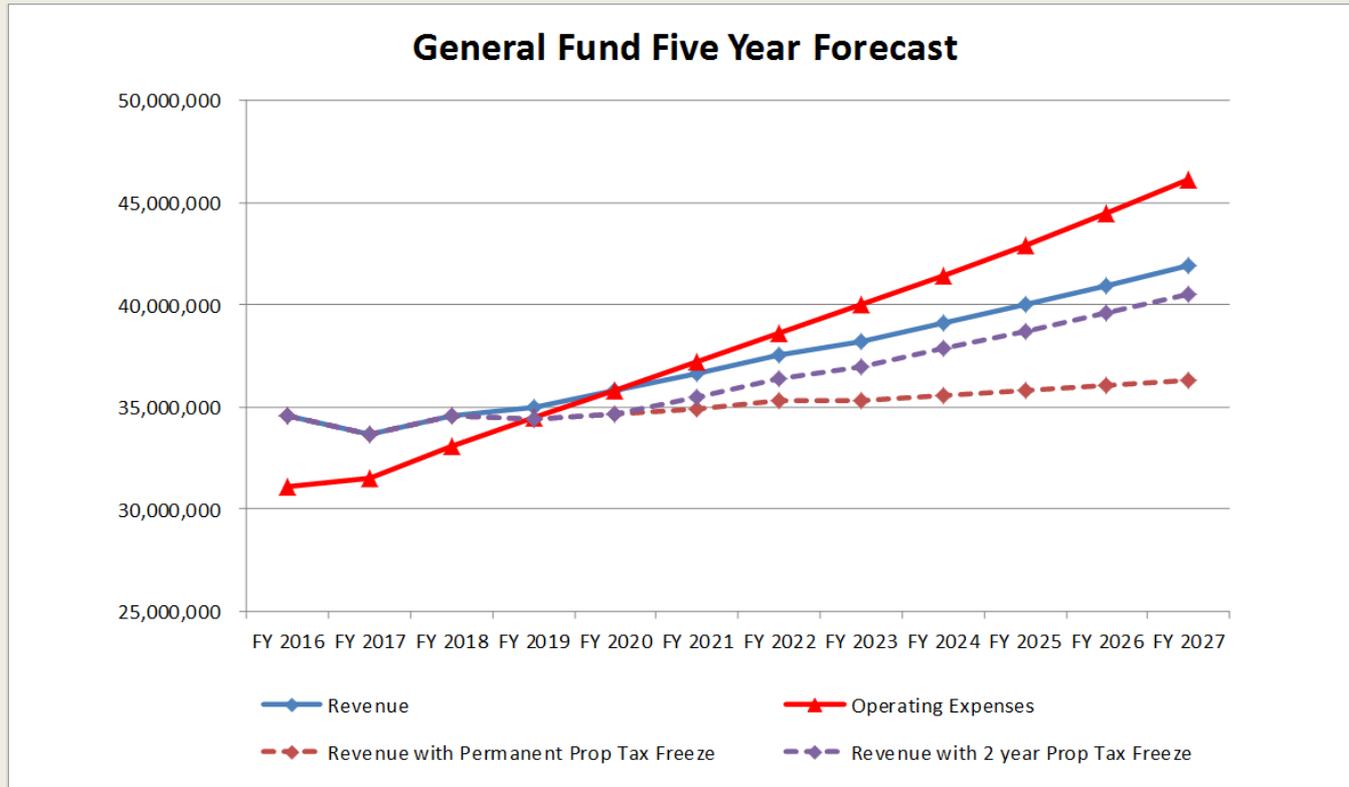
Current Financial Condition

- Healthy financial position and reserves
 - *General Fund reserves increased over past few years in anticipation of potential State impacts*
- Aaa Bond Rating since 1987
- National recognition for financial and budgetary reporting
- Balanced budget
- Long-term financial forecasting

City Financial Challenges

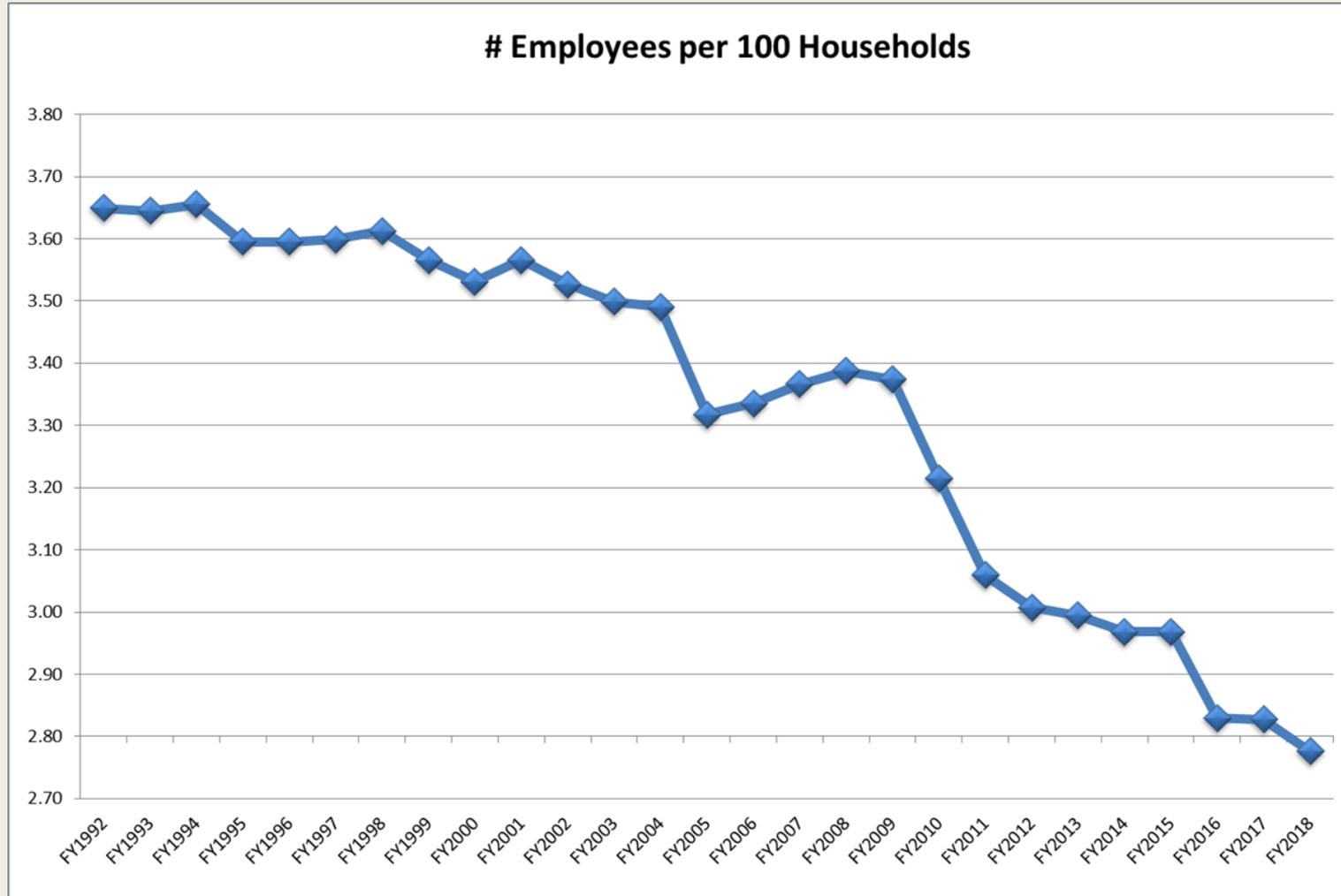
- Primary operating budget – 70% personnel costs
 - *Increasing 4-5% per year, while revenue growth 2%*
- Primary operating budget – 50+% property taxes
- State Shared Revenues declining
 - *\$5 million projected for FY2018 – 14% of General Fund revenue*
 - *State FY18 Budget*
 - Income tax distributions reduced to 90%
 - Sales tax collections – new State Administration Fee 2%
 - Personal Property Replacement Tax – increasing diversions by State, reducing local government distributions

City Long Term Forecasting

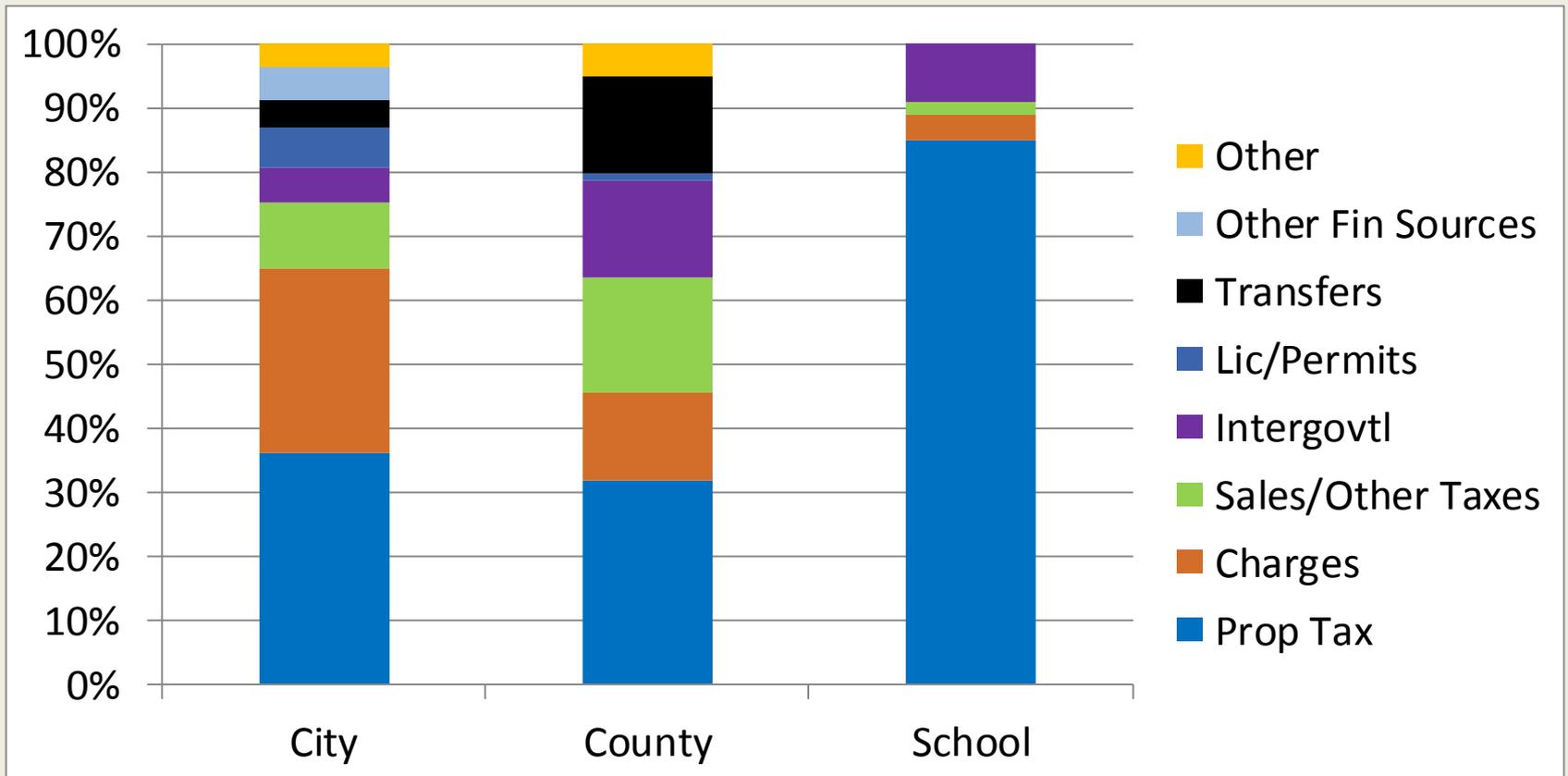


The chart above depicts General Fund revenue and operating expenses for FY2016 audited and projections for FY2017 through FY2027. Due to growth in operating expenses outpacing growth in revenues, it is projected that operating expenses in the General Fund will exceed revenues in FY2021. Secondary revenue projection lines are provided assuming that the State imposes either a 2-year (FY19 and FY20) or permanent property tax freeze.

City Personnel



Key Revenue Sources



SCHOOL DISTRICTS' PERSPECTIVE

Reese Marcusson, SD115 Board President

Mike Borkowski, SD67 Board President

School Districts' Overview

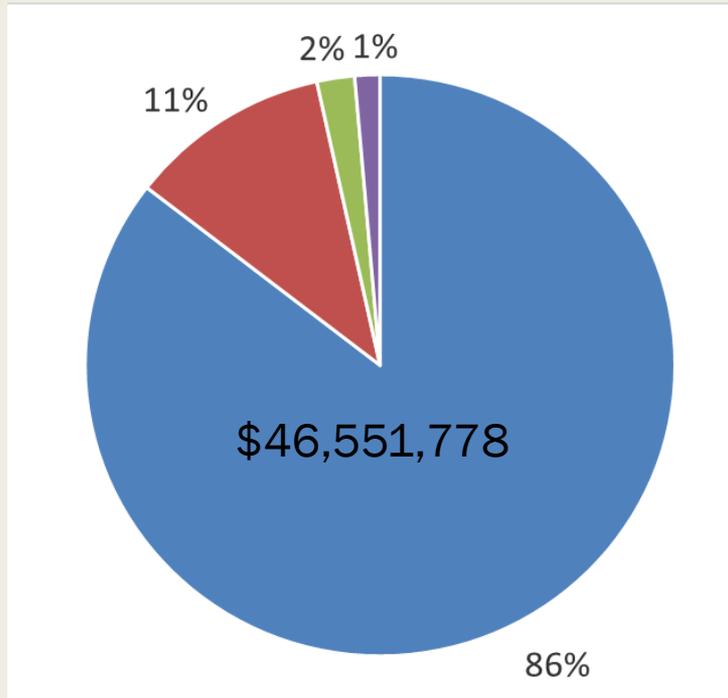
- Strong Financial Positions
 - Fund Balance currently within Board of Education policy targets
 - Aaa Bond Rated (Moody's)
 - AAA Bond Rated (S&P)
 - Low reliance on state funds
 - Local funds stable and predictable
 - Long term financial forecasting models

Lake Forest Schools have an exceptional credit position, and its Aaa rating is significantly above the median rating of Aa3 for US school districts. The key credit factors include extremely small debt and pension liabilities, an affluent socioeconomic profile, a considerable tax base and a very strong financial position.

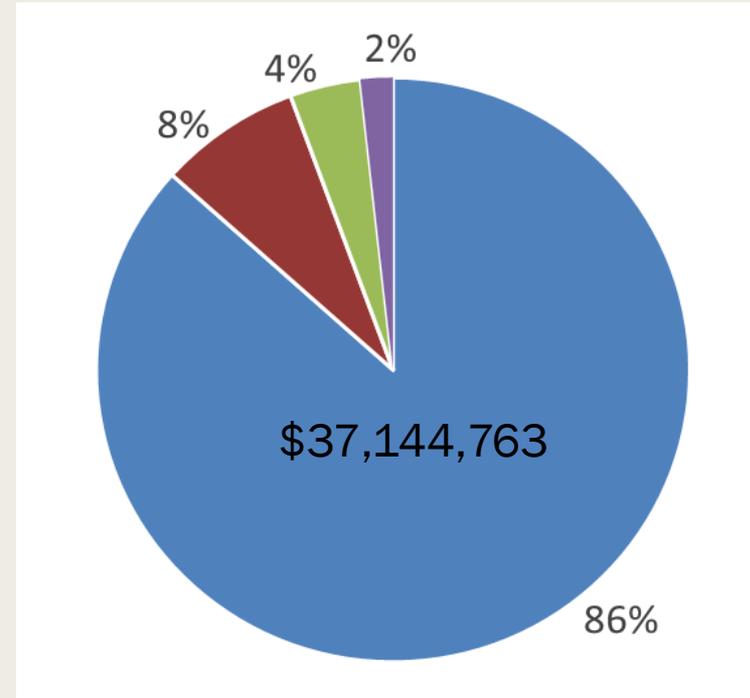
Moody's 2017

Revenue Sources

LF High School (D115)



LF Elementary Schools (D67)



- Property Taxes
- Other Local (Cafeteria receipts, interest earnings, student fees)
- State
- Federal

2016 High School Tax Rates on a Home with a Market Value of \$800k

District Name	Lake Forest 115	HP/Deerfield* 113	Libertyville 128	Stevenson 125	New Trier* 203	Glenbrook* 225
2016 Tax Rate	\$1.33	\$2.19	\$2.53	\$2.86	\$1.97	\$2.11
2016 Taxes Paid	\$3,467	\$5,709	\$6,595	\$7,455	\$5,135	\$5,500
Difference to D115		\$2,242	\$3,128	\$3,988	\$1,668	\$2,033
% Difference		64.66%	90.23%	115.04%	48.12%	58.65%

2016 Elementary Tax Rates on a Home with a Market Value of \$800k

District Name	Lake Forest 67	Lake Bluff 65	Deerfield* 109	Libertyville 70	Lincolnshire 103	Winnetka* 36
2016 Tax Rate	\$1.43	\$2.61	\$3.07	\$2.89	\$2.88	\$3.05
2016 Taxes Paid	\$3,728	\$6,803	\$8,002	\$7,533	\$7,507	\$7,950
Difference to D67		\$3,076	\$4,275	\$3,806	\$3,780	\$4,223
% Difference		82.52%	114.69%	102.10%	101.40%	113.29%

EAV = market value of home / 3

Taxes = (EAV - \$6,000 homestead exemption) / 100) X tax rate

* Cook county districts calculated based on same formula as Lake County. Actual results may vary based on overlapping taxing districts, exemptions, township equalization factors, and county differences in assessment practices.

New School Funding Model

Provide a stable, sustainable school funding system that strives to get all Districts to adequate funding over time

- Districts are kept whole based on FY2017 funding
- New state dollars committed to school funding will go to the neediest districts first
- Increases Lake Forest Schools' reliability on local sources
- 10% voter initiated referendum to lower taxes

Mandate Reliefs

- Districts can determine the frequency of **physical education grades K-12**
- Expansion of physical education waivers for grades 7-12
- Districts are permitted to contract third-party **driver education services**

Next Steps

- Governor signed school funding legislation on **August 31, 2017**
- Final rules and regulations have not been written
- Districts will continue to assess the impact as further information becomes available and update financial models accordingly
 - Pension cost shift
 - Property tax freeze

RECAP

QUESTIONS?