

ACTION ITEM

Date: October 28, 2019

To: Kari Cremascoli, Ph.D.
Superintendent

From: Ellen Crispino
Business Manager/CSBO

Subject: Review the Tax Year 2019 Estimate of Levy and Approve the Public Hearing

Proposed Action by the Board of Education

Review the Tax Year 2019 Estimate of Levy as per “Exhibit A” attached; and,

Approve a *Public Hearing on the Proposed Levy* scheduled to immediately precede the regular November 18th meeting of the Board of Education.

Background

Adopting a levy on an annual basis is one of the major functions of the District 39 Board of Education. Excluding the State’s on-behalf payment, residential property taxes generate approximately 84% of all revenues for the District.

During the regular November meeting of the Board of Education, the Board will need to adopt a tax levy for the 2019 tax year. This levy must be filed with the Cook County Clerk prior to the last Tuesday in December (December 31, 2019). Collections for the 2019 taxes are scheduled to begin in Cook County on or around March 2020. The March 2020 bills will reflect 55% of what was billed in 2019. The 2nd installment of the property tax bills will be adjusted to reflect the actual levy extension. Based on historical trends, the District anticipates receiving approximately 54% of the total 2018 tax levy by the end of fiscal year 2020 in each of its various funds.

Property Tax Extension Limitation Act (1995)

Legislation passed in the late winter of 1995 requires Cook County taxing bodies to levy taxes against the last known Equalized Assessed Value (EAV), which is the 2018 EAV. During 2018, the EAV of property within the District’s taxing boundaries decreased to \$1,796,402,623. Based on this law, the initial distribution for the 2019 tax levy for District 39 will be calculated against an EAV of \$1,796,402,623 (2018). However, when the County Clerk extends the final payment, the taxes will be adjusted to reflect the Actual 2019 EAV, which is estimated to remain level plus projected new property growth.

Last year, taxing districts were limited to a 2.1% increase in the levy (the change in the 2017 national Consumer Price Index for all consumers for all items), excluding the Debt Service levy and excluding new growth. This year, taxing districts are limited to a 1.9% increase in the levy based on the change in the 2018 Consumer Price Index. The general effect of this Act is to limit revenue growth from the property tax for school districts to the rate of inflation plus an allowance for new property. Increasing the levy by the Consumer Price Index allows the District to cover ongoing inflationary costs.

Commonly used terms during the levy adoption process are:

Levy

- The formal request by a school district for a certain amount of revenue to be generated by the property tax. This formal request must be sent to the County Clerk prior to the last Tuesday in December. The levy determines the total amount to be raised by property taxes subject to the Property Tax Extension Limitation Law (PTELL).

Extension

- The process by which the County Clerk determines the tax rate needed to raise the revenue (levy) certified by each taxing district in the county.
- The actual dollar amount billed to property taxpayers in a district.

Equalized Assessed Value

- The assessed value multiplied by the state equalization factor (the multiplier), which is determined by the Department of Revenue; this gives the property value from which the tax rate is calculated after deducting exemptions.

New Growth

- New construction consists of improvements or additions to existing buildings on any parcel of property that increased the assessed value during the levy year. It does not include maintenance and repairs. The value of the new property is limited to the actual assessed value added by the new improvement multiplied by the state equalization factor.

Determining the Proper Tax Levies

Before the tax cap years, the District made levy recommendations to the Board of Education based on a fund-by-fund need analysis. That type of analysis is no longer relevant under the tax cap regulations. The District should levy as much as it can within the restrictions of the tax cap because the increase in the levy will only cover basic inflationary increases. It is important to levy to the fullest extent possible under the tax cap because any loss in revenue due to under levying is lost forever. Even with the limits of the tax cap, each fund is still evaluated and adjusted accordingly to meet the needs of the annual budget. The 2019 levy is allocated similarly to the 2018 levy, with the exception of the Tort Fund levy. The Tort Fund levy was intentionally decreased over the last several years bringing down the balance in this fund. Going forward, the Tort Fund levy will align with projected expenditures in this fund.

Levy Process Considerations

Two viable assumptions were made in order to arrive at the 2019 Estimated Levy. First, the Equalized Assessed Value (EAV) is estimated to remain level with a 0% total increase. Second, the value of all new construction is based on a twelve-year historical average plus \$21,876,742, which represents the value of estimated construction projects throughout the village.

It is important to remember that the additional property taxes associated with the new construction, are paid by the new residential or commercial property owners. The tax rate on the new construction is the same tax rate that existing property owners pay on their properties. Regardless of the amount of estimated new construction used in the levy calculation, existing property owners will pay the same amount of taxes. Receiving property taxes associated with new construction helps the district to cover additional future costs associated with a potential increase in students as a result of construction of new homes.

Truth in Taxation Act

If the estimate of the aggregate tax levy (excluding Debt Service levy) exceeds 105% of the amount extended the previous year, The Truth in Taxation Act (Public Act 88-455) requires Boards of Education to hold a public hearing prior to the levy adoption. The notice for the hearing must be published in a local newspaper (no more than 14 days and no less than 7 days) prior to the date of any such hearing. Based on the levy estimate that is being recommended, the District will not be required to publish a notice or hold a public hearing. In order to be transparent, however, the District has historically published a notice and held a public hearing regardless of the amount of the levy increase.

Based on these requirements, the following levy calendar calls for determination of a proposed levy at the October 28th Board of Education meeting.

October 21, 2019	School Finance Committee presentation of the 2019 levy material discussion & review.
October 28, 2019	Board of Education meeting. Approve 2019 Estimated Levy and Public Hearing Announcement.
November 7, 2019	Public Hearing published in a newspaper with general circulation within the school district no more than fourteen nor less than seven days prior to the public hearing.
November 18, 2019	Scheduled Board of Education meeting. Public hearing on proposed 2019 levy at 7:00 p.m. and adoption of 2019 levy.
December 31, 2019	Last day to file 2019 levy with the Cook County Clerk.

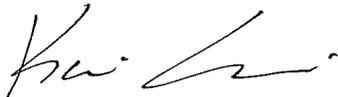
Recommendations

The estimated levy is based upon several variables including the Consumer Price Index (CPI), EAV, the value of new construction, the Cook County multiplier, and the Limiting Rate calculation. The CPI has been determined to increase 1.9% over the prior year's final extension; the other variables have to be finalized. All assumptions were based on the analysis of historical data, local trends and future projections.

The Administration recommends the Board of Education review the Tax Year 2019 Estimate of Levy. It is further recommended the Board direct the Administration to post the notice of a public hearing and that a public hearing be held on November 18th at 7:00 p.m. in conjunction with its regular meeting. The Board must formally adopt and file the tax levy prior to December 31, 2019 in order to meet all statutory requirements.

Attachment

Recommended for presentation to the Board of Education



Kari Cremascoli, Ph.D.
Superintendent

	Final Extension <u>2018</u>	Estimated Extension <u>2019</u>	% <u>Increase</u>
Educational Fund			
The greatest variety and the largest volume of transactions shall be recorded here because the Educational Fund covers transactions that are not specifically covered in another fund. Certain expenditures that must be charged to this fund include the direct costs of instructional, health and attendance services, lunch programs, all costs of administration (even those for buildings and grounds), and related insurance costs.	\$ 41,617,259	\$ 42,811,652	
Special Education: Calculated separately from the Educational Fund. Monies can be assigned to either the Educational or the Operations & Maintenance Fund.	317,963	330,832	
Tort Fund			
The Tort Fund is used to pay the cost of insurance, and expenses directly associated with claim services and risk management directly attributable to loss prevention, loss reduction, inspections and supervisory services, including appropriate salary amounts, directly relating to loss prevention and loss reduction. In addition, the fund provides for the purchase of claim services, to pay for judgments or settlements, or to otherwise pay the cost of risk management programs.	287,424	789,057	
Operations and Maintenance Fund			
All costs of maintaining, improving, or repairing school buildings and property, renting buildings and property for school purposes, or paying of premiums for insurance on school buildings shall be charged to this fund. The salaries of custodial employees, utility costs, and custodial supplies and equipment shall be charged to this fund.	9,199,377	9,571,707	
Transportation Fund			
This fund pays for transporting pupils for any purposes and includes the costs of transportation, including contract services, the purchase of vehicles and insurance on buses.	648,501	674,748	
Illinois Municipal Retirement/Social Security Funds			
The purpose of these funds is for providing resources for the district's share of IMRF retirement benefits, social security and Medicare payments for covered employees.	1,616,762	1,682,198	
Capital Improvements Fund			
This fund includes actual construction costs, builder's risk insurance, purchase of land and other site costs, landscaping, parking lots, sidewalks, utility connections, etc., and other items directly related to the construction project.	-	-	
Working Cash Fund			
Cash available in this fund may be loaned to the Educational Fund; the Operations and Maintenance Fund; or the Transportation Fund in order that the use of tax anticipation warrants in these funds will be reduced or eliminated.	86,227	89,717	
Fire Prevention/Life Safety Fund			
This fund provides for capital improvements that include mandated repairs and life safety improvements.	-	-	
Total Capped Funds	\$ 53,773,513	\$ 55,949,911	
Requested increase over prior year's extension - due to CPI			1.90%
Requested increase over prior year's extension - due to New Property Growth			2.15%
Debt Service Fund			
Bonds are generally issued to finance the construction of buildings and may be issued for other purposes. Taxes are levied by the county to provide cash to retire these bonds and to pay the interest on them. To protect the bondholders, these tax collections must be accounted for in this fund.	1,572,400	1,533,737	
Total	\$ 55,345,913	\$ 57,483,648	