



*A Community of Learners*

## **2014 Tentative Tax Levy**

TO: School Board  
Trisha Kocanda, *Superintendent*

FROM: Dr. Susan Pingitore, *Chief Financial Officer/CSBO*

November 18, 2014

### **Essential Question**

- What is the best approach for the 2014 Tax Levy when considering our financial landscape and responsibility to taxpayers?
- What is the best way to use abatement to manage the District's debt, reduce fund balances, and provide property tax relief?

### **Goals**

- Provide the resources to support the District's academic program and maintain school facilities.
- Provide the School Board with options for the 2014 Tax Levy.
- Provide the School Board with abatement options to provide tax relief.
- Provide the School Board with the data needed to approve the tentative 2014 Tax Levy and establish the Public Hearing for 7 p.m. December 16, 2014.

### **Background**

Each year the School Board must adopt a tax levy for the coming school year that is compliant with the Property Tax Extension Limitation Law (PTELL) and adheres to the Truth in Taxation Act.

Under the Truth in Taxation Act, the School Board is asked to estimate the dollar amount of the proposed levy at least 20 days before the levy is to be adopted. If the levy increases by more than 105% from last year's levy, the District must establish a public hearing and publish a legal notice no more than 14 days nor less than seven days before the public hearing. As you know, this is the process that has been followed for the last

three years and is recommended to continue even though a hearing is not legally required.

The timeline for levy adoption is as follows:

October 21, 2014	Preliminary Levy Discussion
November 4, 2014	Financial Subcommittee Discusses Levy
November 18, 2014	Presentation of Levy Options Adoption of Proposed Levy
December 16, 2014	Public Hearing on the Levy Adoption of the Levy

### 2014 Tax Levy Options

The Financial Subcommittee met on November 4, 2014 and looked at the following options. The Committee ultimately considered two abatement scenarios - one using \$2 million in fund balances and the other using \$4 million and transferring the money into the debt service fund. Without an abatement, property taxes will be collected at the amount established when the bonds were sold.

Levy & Abate \$2 Million	Levy & Abate more than \$2 Million	Reduce levy to be equal to \$2 Million Abatement	Reduce levy to be equal to more than \$2 Million Abatement
Necessary to preserve last year's tax relief.	Probably need to do more to deal with larger than expected surpluses.	Enough confidence with trends that the District can take more permanent action (4% levy reduction equivalent to \$2 million abatement).	Probably need to do more to deal with larger than expected surpluses.
		Levy and abate strategy limited by amount of debt service.	

The Committee discussed each of the options listed above and the risk associated with permanently reducing the operating fund levies, the need to provide tax relief when fund balances approach targets established by the Financial Philosophy adopted by the School Board last year, and the limitations of abatement for tax relief on a long-term basis.

This year's property tax cap is 1.5%, which means the most that taxes can increase is \$545,543 (last year's extension of \$36,369,539 plus 1.5%).

The following options were recommended by the Committee to be brought to the School Board for a discussion and a decision at the November 18 meeting:

**Option 1** - Rollback \$4 million from the 2014 property tax levy; no tax abatement. This levy reduces what could be allowed with a "full" levy by more than 8% depending on the District's final EAV. This assumption is based on no change in existing EAV and \$14.1 million in new property.

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Permanently reduces future levies. The future impact depends on what happens with equalized assessed value (both old EAV and new property).	Permanently reduces future levies. The future impact depends on what happens with equalized assessed value (both old EAV and new property).
Provides immediate and long-term property tax reduction in funds capped by the property tax.	Reduces operating fund revenues without addressing taxes needed to repay the bond debt.

**Option 2** - Rollback \$2 million from the 2014 property tax levy and abate \$2 million in taxes for debt service. This levy reduces what could be allowed with a "full" levy by approximately 3% depending on the District's final EAV. This assumption is based on no change in existing EAV and \$14.1 million in new property.

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Permanent reduction, but more conservative than \$4 million levy reduction.	Permanent reduction, but more conservative than \$4 million levy reduction.
Provides balanced tax relief - operating fund and debt service.	Reduces operating fund revenues and impacts future levies.

**Option 3** - Levy at the 1.5% property tax limit and abate \$4 million in debt service. This levy maintains the District's operating tax levy base with the potential to increase the amount of operating funds available if there is at least \$14.1 million in new property or a total EAV increase of \$14.1 million.

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Maintains operating tax levy base without impacting future levies.	Maintains operating tax levy base for future levy growth.
Provides immediate property tax relief by reducing the debt service levy.	Does not impact "surplus" revenues.

**Option 4** - Freeze 2014 Tax Levy at the 2013 level; abate debt service at an amount to be determined. Additional tax dollars above last year's extension will depend on the final EAV.

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Demonstrates fiscal responsibility to property taxpayers, but may impact future operating fund tax levies.	Impacts future operating tax levies.
Provides immediate tax relief via frozen levy and abatement.	Individual taxes may increase unless abatement is more than \$2 million.

Each of the levy options was evaluated assuming no change in existing EAV and \$14.1 million in new property. This may be unrealistic since EAV has declined for each of the last four years.

The chart on the following page provides details on what each of the levy options might produce in comparison to the 2013 Tax Levy. It should be noted that the levy for Building Fund has been substantially reduced due to the amount of balance in the Fund. Instead, the Transportation Fund levy was increased. These funds can be transferred as appropriate with School Board approval. In addition, the freeze option has a \$3 million for illustrative purposes only.

Fund	2013 Levy	2013 Extension Actual	Option 1 - \$4 Mil Rollback	\$2 Mil Rollback & \$2 Mil Abatement	Levy at 1.5% CPI & Abate \$4 Mil	Freeze Levy & Abate \$3 Mil
Education	30,050,000	29,448,357	30,725,800	31,725,800	33,500,000	32,725,800
Building	4,750,000	4,654,187	100	100	100	100
Transportation	350,000	342,727	349,100	1,349,100	2,355,100	2,349,100
Liability Ins (Tort)	115,000	113,052	160,000	160,000	180,000	160,000
IMRF	670,000	656,893	750,000	750,000	800,000	750,000
Social Security	600,000	587,872	650,000	650,000	750,000	650,000
Working Cash	700,000	566,451	600,000	600,000	600,000	600,000
Subtotal	37,235,000	36,369,539	33,235,000	35,235,000	38,185,200	37,235,000
Bonds	3,108,306	3,263,721	5,314,206	3,314,206	1,314,206	2,314,206
Total	40,343,306	39,633,260	38,549,206	38,549,206	39,499,406	39,549,206
New Growth	14,100,000	9,951,460	14,100,000	14,100,000	14,100,000	14,100,000
			Estimated Tax Rates			
Limiting Rate		3.057	2.8416	3.0127	3.1020	3.1020
Rate With Bonds		0.274	0.4634	0.2890	0.1146	0.2018
Total/Estimated		3.331	3.305	3.302	3.217	3.304

### Next Steps

The School Board is asked to accept one of the tentative 2014 tax levy options and to establish a Public Hearing to be held on December 16, 2014, at 7:00 p.m. Historical information and an explanation of the levy process will be part of the Public Hearing presentation.

If desired, the Board can select an abatement option for adoption in December or January. Abatement resolutions will need to be prepared for the Board's adoption so the Board is asked to provide direction at this time or have further discussion at the December meeting.

[Click here to view the presentation.](#)



# Tentative 2014 Property Tax Levy Adoption

November 18, 2014

# Essential Questions

- What is the best approach for the 2014 Property Tax Levy when considering our financial landscape and responsibility to taxpayers?
- What is the best way to use abatement to manage the District's debt, reduce fund balances, and provide property tax relief?

## Overarching Goals

- Provide options to enable the Board to approve a tentative tax levy for adoption in December.
- Follow the legally prescribed Truth in Taxation process.
- Provide resources to support the District's academic program and maintain school facilities within the parameters of the Financial Philosophy.
- Provide options to relieve property tax burden.

# Discussion Question

- Which levy option best meets both the short- and long-term needs of the District?

# Timeline for Levy Adoption

October 21	Preliminary Levy Discussion
November 4	Financial Subcommittee Met
November 18	Adoption of Tentative Tax Levy Establish Public Hearing
December 16	Conduct Public Hearing Adopt 2014 Tax Levy

# Impact of 2013 Levy

The School Board **reduced taxes** last year by **1.58%** vs. 2012 via abatement. This represented a distribution of **\$2 million back** to the community.

Without the abatement, the levy would have **increased** by **3.41%**.

# Financial Subcommittee Considerations

- Stop growing fund balances by eliminating average surpluses.
- Trend over the past eight years has been annual surpluses of \$4 million.
- Considered permanent levy reductions.
- Considered temporary abatement options.

# 2014 Tax Levy Options

	Option #1	Option #2	Option #3	Option #4
Levy Adjustment (Permanent)	Rollback \$4M	Rollback \$2M	None (Levy at Tax Cap)	Freeze Levy
Abatement	None	Abate \$2M	Abate \$4M	Abate \$3M
<b>TOTAL REDUCTION</b>	<b>\$4M</b>	<b>\$4M</b>	<b>\$4M</b>	<b>\$4M</b>

# 2014 Tax Levy Options

	Option #1	Option #2	Option #3	Option #4
+	Permanent adjustment	Permanent (more conservative) adjustment	Maintains operating tax levy base without impacting future levies	Permanent adjustment
	Provides tax relief	Balanced tax relief - operating funds and debt service	Provides immediate tax relief by reducing debt service levy.	Provides immediate tax relief via frozen levy & abatement
-	Irretrievable loss of capped funds	Irretrievable loss of capped funds	No permanent adjustment	Possible Impact to future levies
	Taxes for bond debt increase without abatement	Reduces operating fund revenues (less \$ for unknown threats)	Does not impact "surplus" revenues.	Reduces operating fund revenues (less \$ for unknown threats)

# Summary of Options

Fund	2013 Levy	2013 Extension Actual	Option 1 - \$4 Mil Rollback	\$2 Mil Rollback & \$2 Mil Abatement	Levy at 1.5% CPI & Abate \$4 Mil	Freeze Levy & Abate \$3 Mil
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## Next Steps

- ⇒ Board Discussion and Decision
- ⇒ Select One of the Options as Tentative Levy
- ⇒ Establish Public Hearing for 7 p.m.  
December 16
- ⇒ Prepare abatement resolutions, if desired,  
for adoption before March