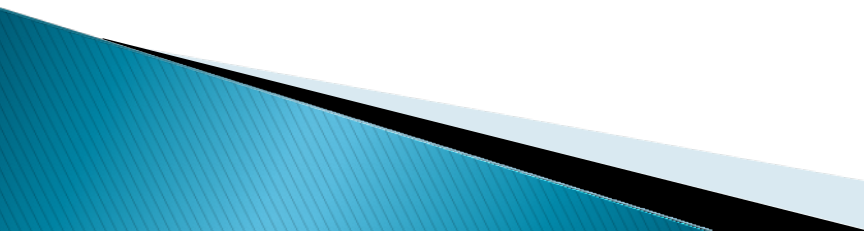


# 2011 Tax Levy

Board of Education Meeting  
Monday, November 14, 2011

# Tax Levy Components


- ▶ Equalized Assesses Valuation (EAV)
  - ▶ New Property (Construction)
  - ▶ Property Tax Extension Limitation Law (PTELL)
  - ▶ Consumer Price Index (CPI)
  - ▶ Tax Rates
- 

# Equalized Assessed Valuation (EAV)

## What Is EAV?

- ▶ EAV is the property valuation after the county and state equalization calculations are performed

## Why is EAV important?

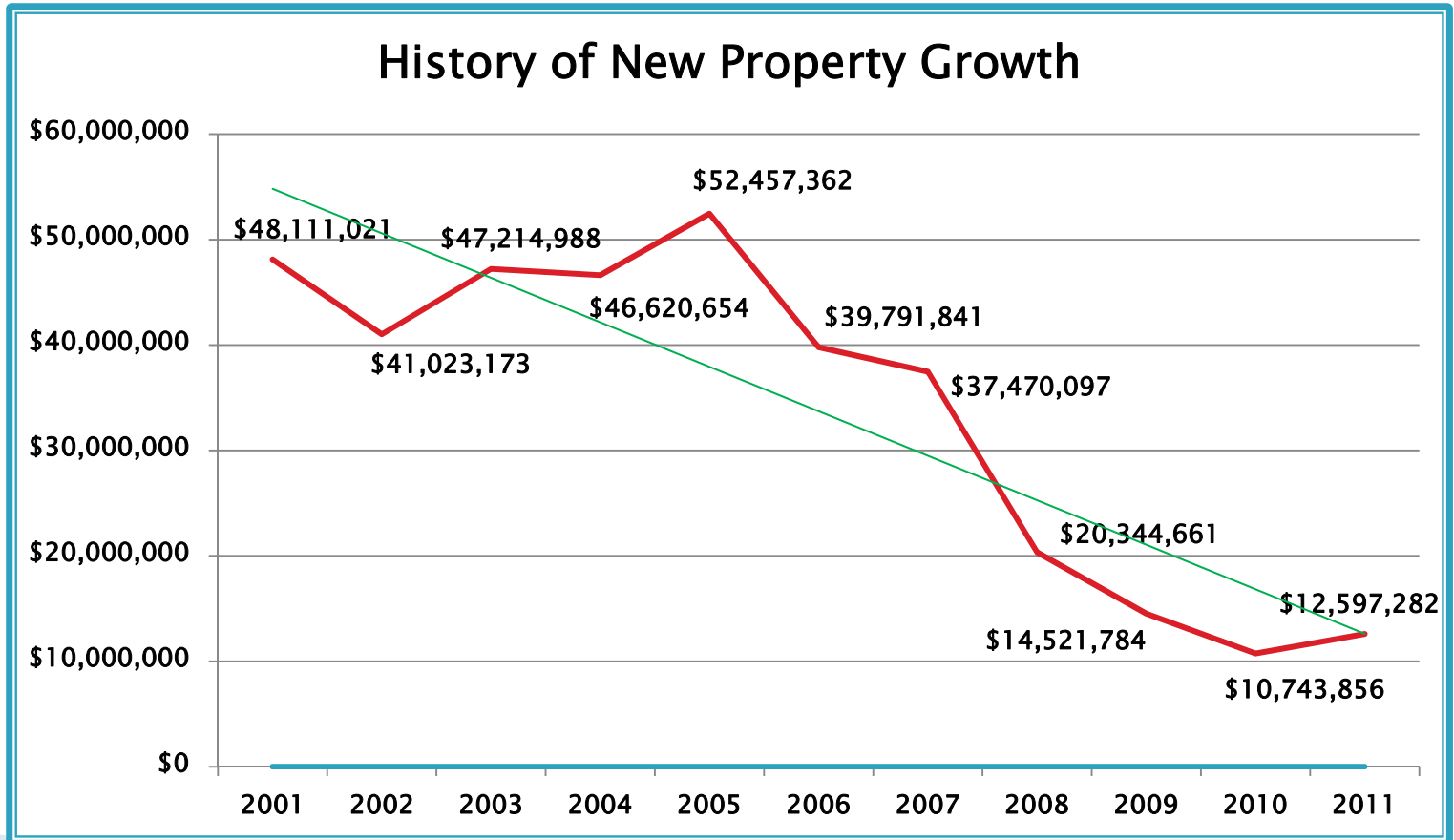
- ▶ Any growth in EAV must be captured to ensure the financial health of the district. The total district EAV is multiplied by the approved tax rate (per \$100 EAV) to arrive at the extension
- 

# Total EAV History

Levy Year	EAV	Percent Change
2002	840,395,883	12.50%
2003	954,404,236	13.57%
2004	1,054,586,684	10.50%
2005	1,162,965,932	10.28%
2006	1,298,483,695	11.65%
2007	1,404,593,984	8.17%
2008	1,485,045,968	5.73%
2009	1,475,438,394	-0.65%
2010	1,409,003,529	-4.50%
2011	1,366,798,315	-3.00%

# New Property (Construction)

- ▶ New improvements or additions to existing improvements that increase the assessed value of that real property
- ▶ The date for determining fair market value is January 1



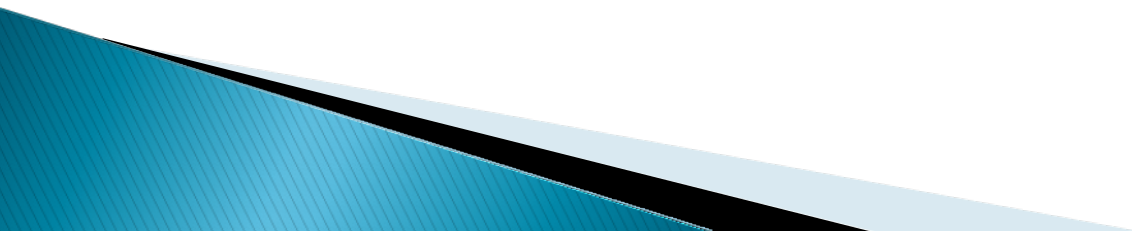
# Property Tax Extension Limitation Law (PTELL)

The Property Tax Extension Limitation Law (PTELL) became effective in 1991

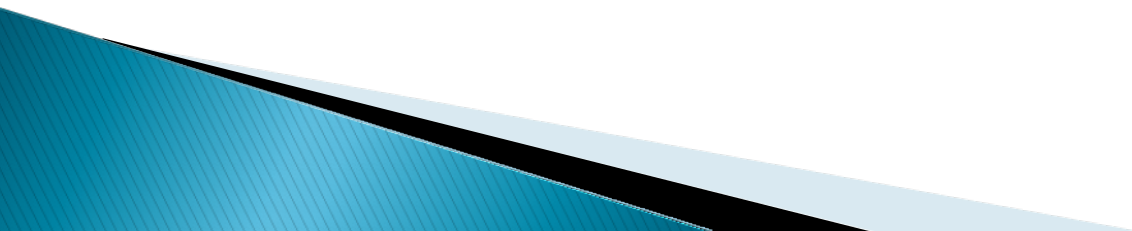
PTELL is designed to limit the increases in property tax extensions (total taxes billed) for taxing districts

Commonly called the “Tax Cap,” the use of this phrase can be misleading. PTELL does not cap an individual’s property tax bill or property assessment

PTELL allows a taxing district to receive a limited inflationary increase in tax extensions on property

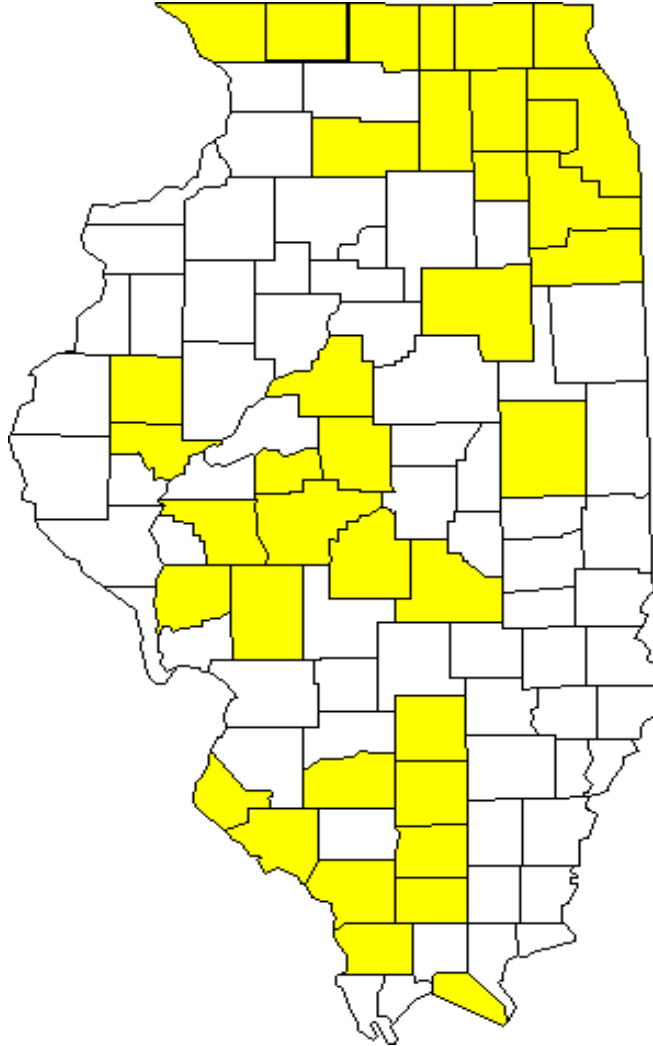


# What is the Limitation?

- ▶ Increases in property tax extension for existing property are limited to the lesser of 5 percent or the increase in the Consumer Price Index for Urban (CPI-U) for the year preceding the levy year
  - ▶ This limitation does now apply to new property (construction), which allows taxing bodies to recoup their “fair share” of tax revenue for that property
  - ▶ There has not been a CPI-U of 5 percent since the inception of PTELL
- 

# Tax Capped Districts

102 Districts  
37 TaxCapped





# Consumer Price Index (CPI-U)

2002	1.6%	5-year average 2.5%
2003	2.4%	
2004	1.9%	
2005	3.3%	
2006	3.4%	
2007	2.5%	5-year average 2.2%
2008	4.1%	
2009	0.1%	
2010	2.7%	
2011	1.5%	

Current CPI 3.9%  
(September)

# Tax Rate

- ▶ **Operating Fund Rate**

- ❖ Education, Special Education, Tort Liability, Operations and Maintenance, Transportation, IMRF, Social Security

- ▶ **Debt Service Fund Rate**

- ❖ Working Cash Bond, Life Safety Bonds, Building Bonds

# Calculating the Limiting Rate

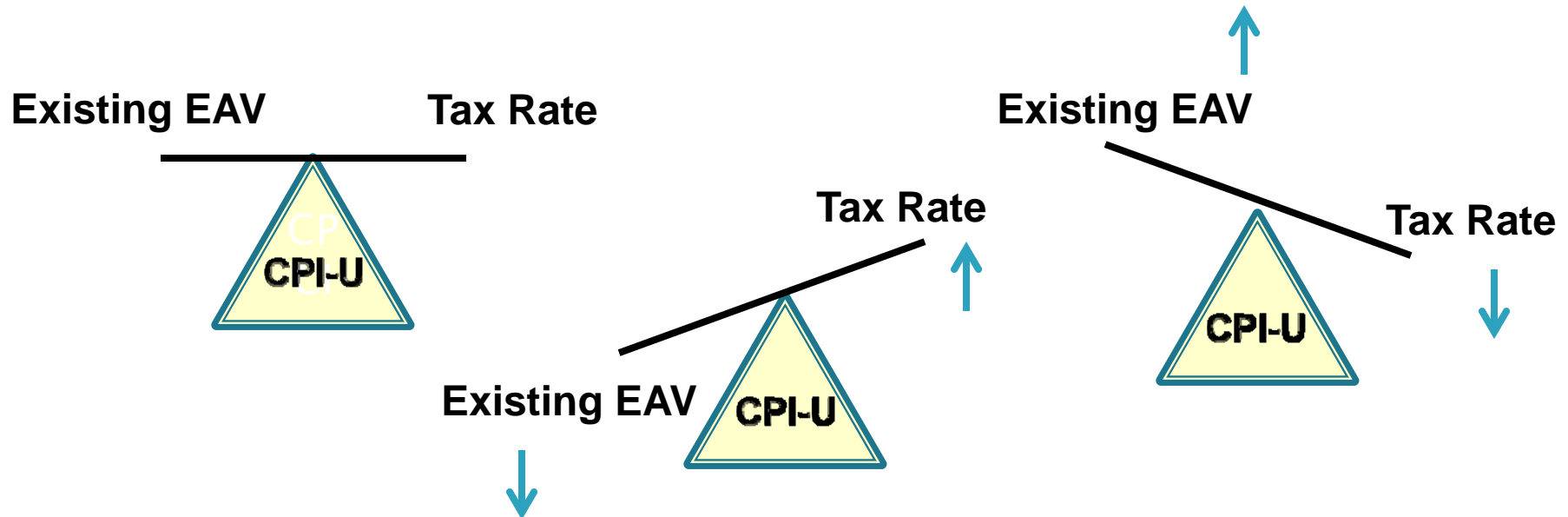
The limiting rate is the calculated total allowable tax rate  
This rate is used to calculate the total tax extension

$$\frac{\text{Prior Year Extension} \times (1 + \text{Lessor of 5\% or CPI-U})}{(\text{Total EAV} - \text{New Construction})} = \text{Limiting Rate}$$

## Notes:

- 1) The Limiting Rate is based on the prior year extension
- 2) New Property (construction) is outside the tax cap
- 3) Debt Service payments are outside the tax cap

# EAV Change, CPI, and Tax Rate

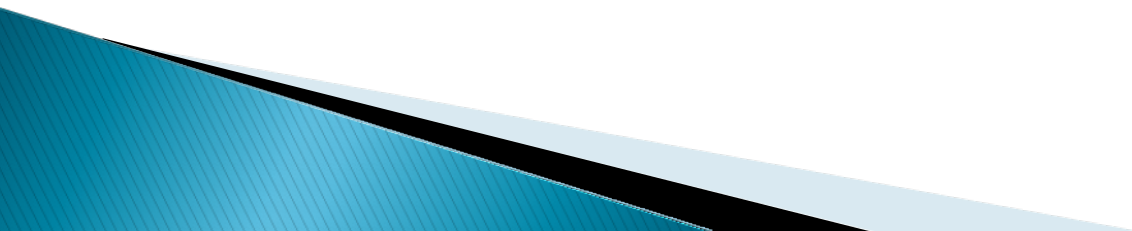


- If EAV is flat and CPI-U is flat, the Tax Rate is flat
- If EAV is declining or increasing less than the CPI-U increase, the Tax Rate will increase. NOTE: This is the current situation
- If EAV increase is more than the CPI-U increase, the Tax Rate will decline

# Limiting Rate History

2002	4.281
2003	4.206
2004	4.243
2005	4.159
2006	3.999
2007	3.866
2008	3.870
2009	3.938
2010	4.256
2011	4.545

# Data, Assumptions, and Calculations

- ▶ CPI-U = 1.5% (December 2010)
  - ▶ Estimated EAV % Change from 2010 EAV = -3%
  - ▶ Estimated New Property = \$12,597,282
  - ▶ Estimate the Needs of Each Fund
  - ▶ Balloon Levy – to protect from estimate differences
- 

# Summary

Year	CPI	New Property	Limiting Rate	EAV
2002	1.6%	42,013,173	4.281	840,395,883
2003	2.4%	47,214,988	4.206	954,404,236
2004	1.9%	46,620,654	4.243	1,054,598,904
2005	3.3%	52,457,362	4.159	1,163,738,239
2006	3.4%	39,791,841	3.999	1,298,483,695
2007	2.5%	37,470,097	3.866	1,404,593,984
2008	4.1%	19,836,918	3.870	1,480,815,138
2009	0.1%	14,521,784	3.938	1,475,438,394
2010	2.7%	10,743,856	4.255	1,409,003,529
2011	1.5%	15,000,000	4.545	1,366,798,315

Year	Operating Levy	Operating Tax Rate	Debt Service Levy	Debt Service Tax Rate	Total Tax Rate
2010	59,960,272	4.26	14,771,053	1.05	5.31
2011	61,431,131	4.54	16,138,595	1.19	5.73
2012	63,211,633	4.90	17,474,570	1.35	6.25
2013	65,309,123	5.17	18,903,473	1.50	6.67
2014	67,737,045	5.30	20,465,783	1.66	6.90
2015	70,495,926	5.33	22,141,133	1.67	7.00
2016	73,318,608	5.30	23,794,798	1.72	7.02
2017	75,151,573	5.23	24,443,250	1.70	6.92
2018	77,030,363	5.15	24,590,110	1.64	6.79

\*Calculations based on assumptions from PMA Projected EAV and CPI-U

EAV 5% decrease for 2 years then flat through 2015 with small increases after  
CPI-U 1.5% this year then 2.5% after



# Options for Levy Request

Levy with no refunding or abatements and full  
CPI-U

CPI-U	1.5%
Operating Rate	4.54
Debt Service Rate	1.19
Total Tax Rate	5.73

Increase over prior year (5.31) = .42 per \$100 EAV

Average increase per \$288,000 = \$403

## Options for Levy Request

Levy with 2011 refunding, 2012 refunding and abatement, Education Fund Levy abatement, and full CPI-U

CPI-U	1.5%
Operating Rate	4.54
Debt Service Rate	1.10
Total Tax Rate	5.63

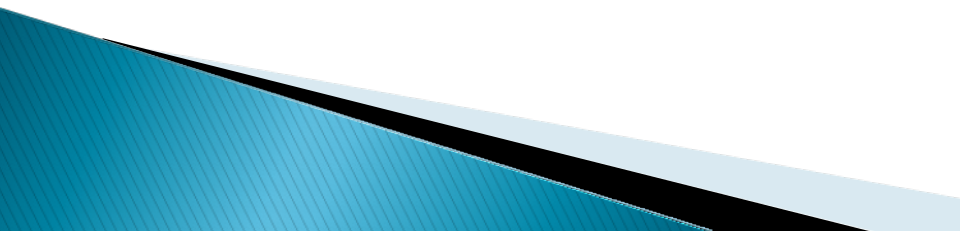
Increase over prior year (5.31) = .32 per \$100 EAV

Average increase per \$288,000 = \$307

\*2012 refunding and abatement is effective with 2012 Levy

## Option 2

### Exhibit 2

- ▶ November 2011 refunding completed at a savings of \$742,000
  - ▶ January 2011 refunding will complete the 2004A refunding at a projected combined total savings of \$1,033,000
  - ▶ November 2012 refunding and abatement moves debt out one additional year at a cost of approximately \$7 million dollars additional but gives a decrease in rate for the immediate levy years
  - ▶ Resolution by Board of Education each year to abate the Education Levy increase
- 

## Options for Levy Request

Levy with 2011 refunding, 2012 refunding and abatement, and no CPI-U


CPI-U	0%
Operating Rate	4.47
Debt Service Rate	1.19
Total Tax Rate	5.66

Increase over prior year (5.31) = .35 per \$100 EAV

Average increase per \$288,000 = \$336

\*2012 refunding and abatement is effective with 2012 Levy

### Option 3 Exhibit 3

- ▶ November 2011 refunding completed at a savings of \$742,000
  - ▶ January 2011 refunding will complete the 2004A refunding at a projected total savings of \$1,033,000
  - ▶ November 2012 refunding and abatement moves debt out one additional year at a cost of approximately \$7 million dollars additional but gives a decrease in rate for the immediate levy years
  - ▶ No CPI-U levied means a permanent loss of levy extension
- 

## Options for Levy Request

Levy with 2011 refunding, 2012 refunding and abatement, Education Levy Increase Abatement, \$10 million fund balance abatement, and full CPI-U

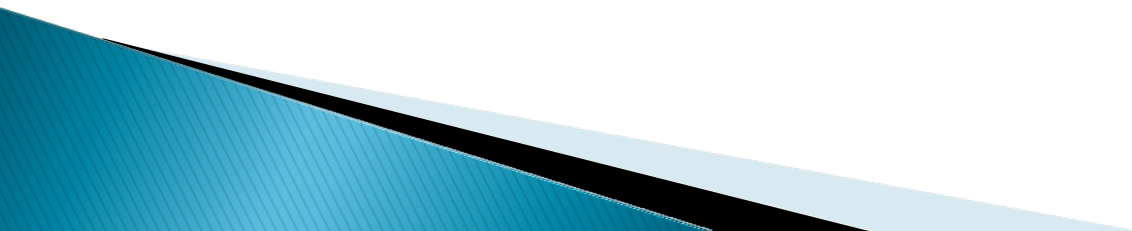
CPI-U	1.5%
Operating Rate	4.54
Debt Service Rate	1.10
Total Tax Rate	5.63

Increase over prior year (5.31) = .32 per \$100 EAV  
Average increase per \$288,000 = \$307

\*2012 refunding and abatement is effective with 2012 Levy  
\$10 million abatement begins in 2016

## Option 4

### Exhibit 4

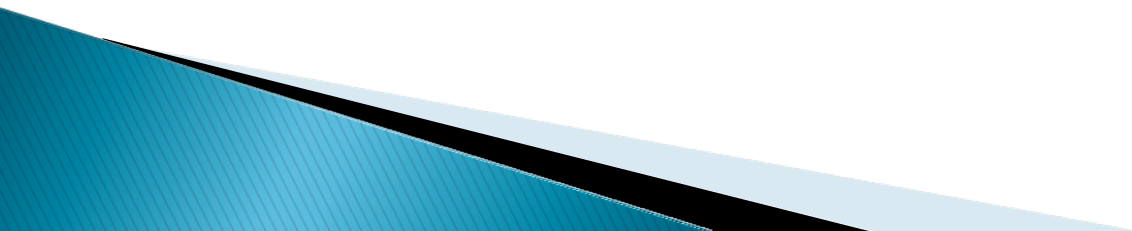
- ▶ Resolution by Board of Education each year to abate the Education Levy increase
  - ▶ Resolution to abate \$10 million dollars in fund balance reserve from the Education Fund
  - ▶ This would mean approximately \$20 million dollars reduction in the Education Fund over the next 6 years
  - ▶ Under the Fund Balance limit of 30% (17%)
  - ▶ Bond Rating will be lowered
- 

# Summary of Options

Option	Total Tax Rate	Increase per \$100 EAV	Total Increase (based on \$288,000 EAV)	Projected Decrease over Increase
1	5.73	.42	\$403	\$0
2	5.63	.32	\$307	\$96
3	5.66	.35	\$336	\$67
4	5.63	.32	\$307	\$96



# Recommendation for Levy

- ▶ Levy full CPI-U
  - ▶ Refund and Abate in 2011 and 2012
  - ▶ Abatement of Education Levy Increase
  - ▶ Will lower the increase over the next 6 years
  - ▶ Resolution each year by the Board of Education to Abate funds
  - ▶ Monitor Fund Balance for partial abatement
- 

# Operating Fund Levy Request

Fund	2010 Extension	2011 Extension (Estimated)
Education	\$45,719,783	\$47,270,000
Spec.Education		
Tort		
Oper&Maint	\$10,072,022	\$10,100,000
Transportation	\$1,894,757	\$1,895,000
Retirement	\$1,236,570	\$1,240,000
Social Security	\$1,037,139	\$1,040,000
Total	\$59,960,272	\$61,545,000

This is an increase of 2.58% over the 2010 levy