

# 2013 Tax Levy Presentation



Robert Groos, Asst. Superintendent of Business



# The Property Tax Cycle

- Spring: Township Assessor assesses your property**
- Fall: Illinois Department of Revenue calculates multipliers (1/3 of market value)**
- Fall: District adopts a legal budget**
- Dec: District holds public hearing and approves levy**
- March: County calculates final levy based on final property values**
- The County Clerk will then prepare and send out tax bills in the summer of each year**

# The Property Tax Cycle

	2011												2012												2013																							
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D												
<b>Assessment Cycle</b>	2011												2012												2013																							
Township Assesses Properties	→ 2011												→ 2012												→ 2013																							
County Assessor Review	2010												2011									2012									2013																	
Department of Revenue Equalizes	→												→									→																										
<b>Tax Levy/Extension/Collection</b>													2011												2012												2013											
Tax Levy													→												→												→											
Extension				→			→						→			→						→			→																							
Collection and Distribution													2010												2011												2012											
<b>Budget Cycle</b>	2011-12												2012-13												2013-14																							
Prepare Budget													FY12												FY13												FY14											
Adopt Budget													2011-12									2012-13									2013-14																	
Manage Budget													→												→												→											
Audit													FY12												FY13												FY14											



# What is a Tax Levy?

❑ The legal process in which school districts request local tax dollars to help fund the operations of the school district. The legal budget adopted in September is the legal justification for the need of these funds.

❑ Tentative levy is adopted by the school board each November and a final tax levy is adopted each December.

❑ A public hearing is held each December when the total amount being levied is 105% or more than the previous year's levy.

It is common practice for the amount of the levy to be at least 105% or greater than the previous levy due to the need to balloon levy. (A district must estimate how much new property will be worth in a district because this information is not yet available in December. For this reason, districts will use an estimate of new property that will be much higher than what they really anticipate it will be just to make sure all new property in the district is captured for that tax year)

❑ The amount of taxes a school district will actually receive is dependent upon a simple formula. If a district requests more money than what the formula calculates, the amount the district receives is reduced down to the calculated amount. If a district requests less than what the formula calculates, the district is given the amount they requested and the amount not levied for is lost forever. Once again, this is why we "Balloon Levy."

❑ The tax levy is filed with the county clerk before the last Tuesday in December each year.

# How is a Levy Calculated?

By using a 3 step process that uses 4 pieces of information.

- 1) Take what the district collected last year and add this year's CPI (1.7% for 2013)

$$\$35,474,729 \times 1.017 = \$36,077,799$$

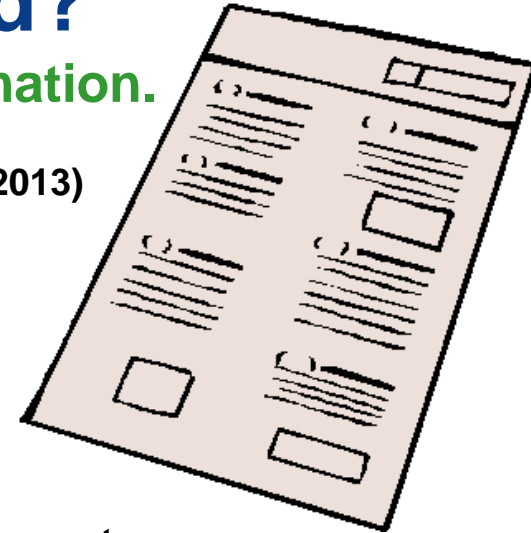
- 2) Divide the \$36,077,799 by the estimated 2013 existing property value

$$\$36,077,799 / (\$570,459,805 - \$478,217) = \$.063296 \text{ (new tax rate)}$$

- 3) Now multiply that new tax rate by all the property (existing and new)

$$.063296 \times \$570,459,805 = \$36,108,069 \text{ (new extension.)}$$

The county clerk will then levy additional money for Bond and Interest Payments.

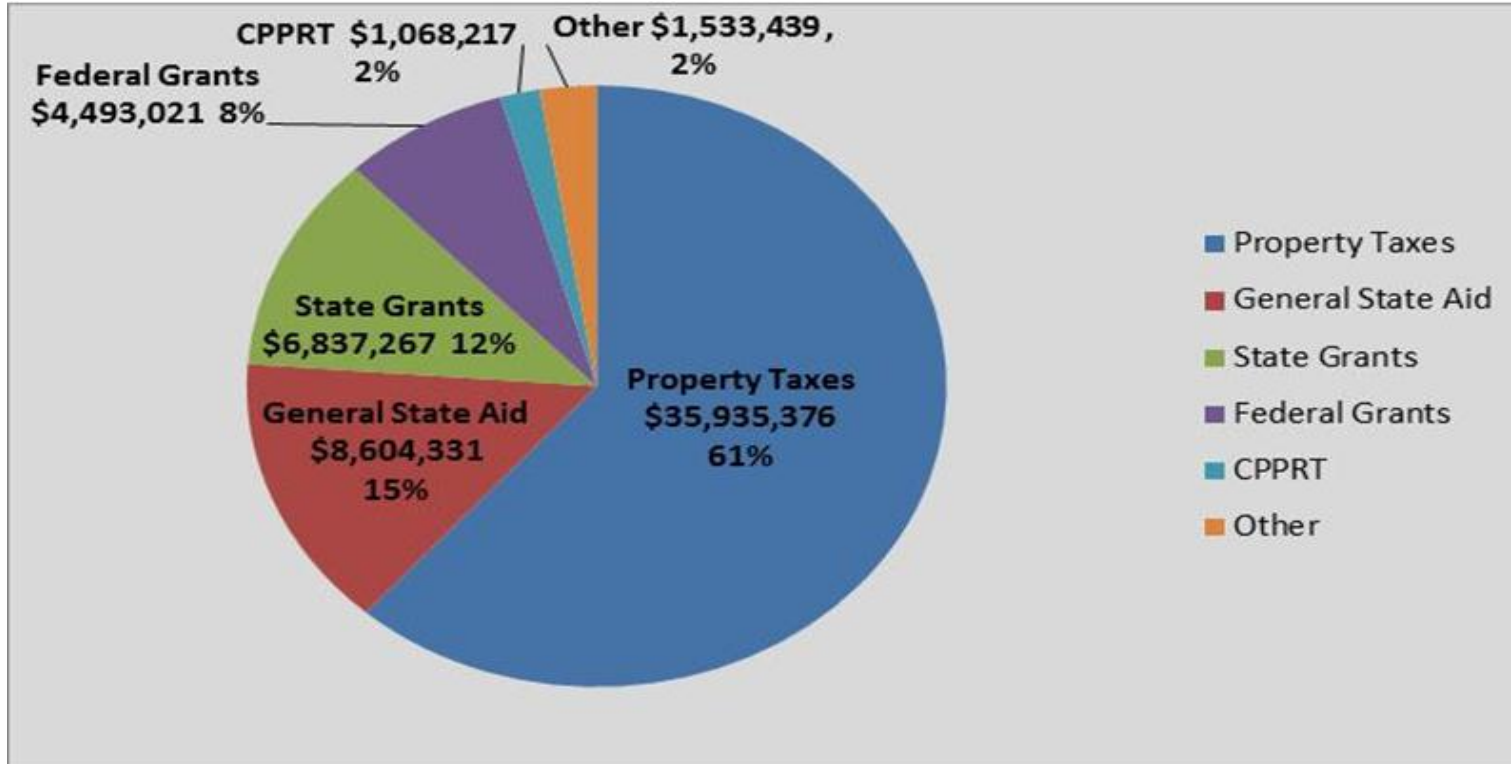


## 2013 LEVY INPUTS:

- 1) Equalized Assessed Valuation – One third the market value of a property\* (depending on property type)
- 2) Previous Year Extension - How much the school district received last year.
- 3) Consumer Price Index – The US government calculated rate of inflation from Jan – Dec for the tax year.
- 4) New Property – New property created or added to the taxing district during the tax year.

- 1) EAV = \$570,459,805
- 2) PYE = \$ 35,474,729
- 3) CPI = 1.7%
- 4) NP = \$478,217 (county estimate)

# How are CM201-U Schools Funded?



Tax Levy revenue funds 61% of District operations.

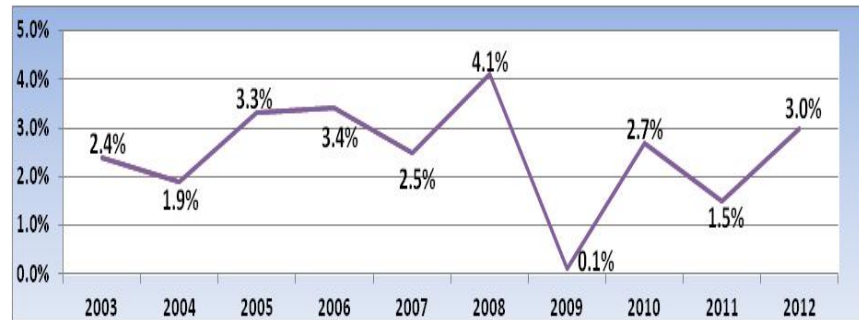
State average is 63%. Will County average is 70%.

State and Federal revenue is remaining flat or decreasing each year.

# PTELL (TAX CAPS)

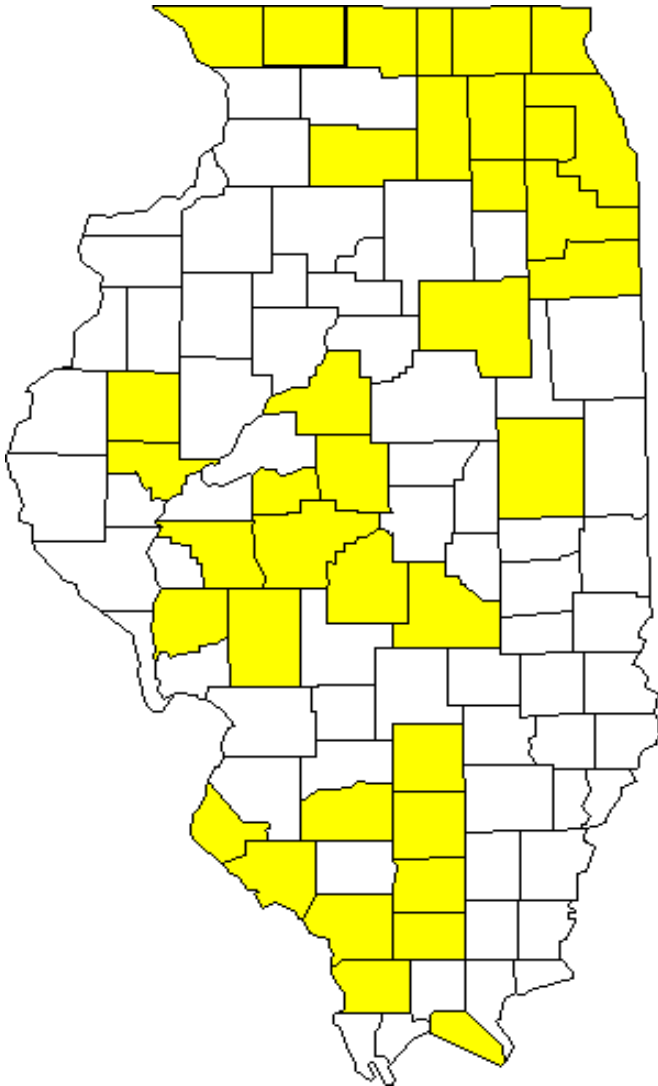
**School District tax levy is limited to the growth of CPI (inflation)**

**Inflation averages about 2.5% per year**



**Taxes are the only reliable revenue increase**

**Annual expenditure increases must be paid for with the increase in tax revenue**  
(union pay increases, health insurance increases, special education tuition increases, state and federal unfunded mandates, non-union raises, general inflation)



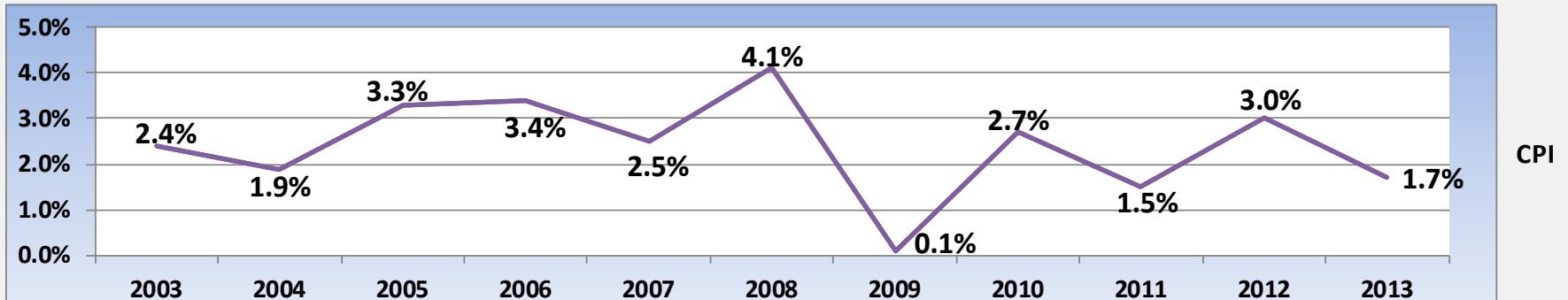
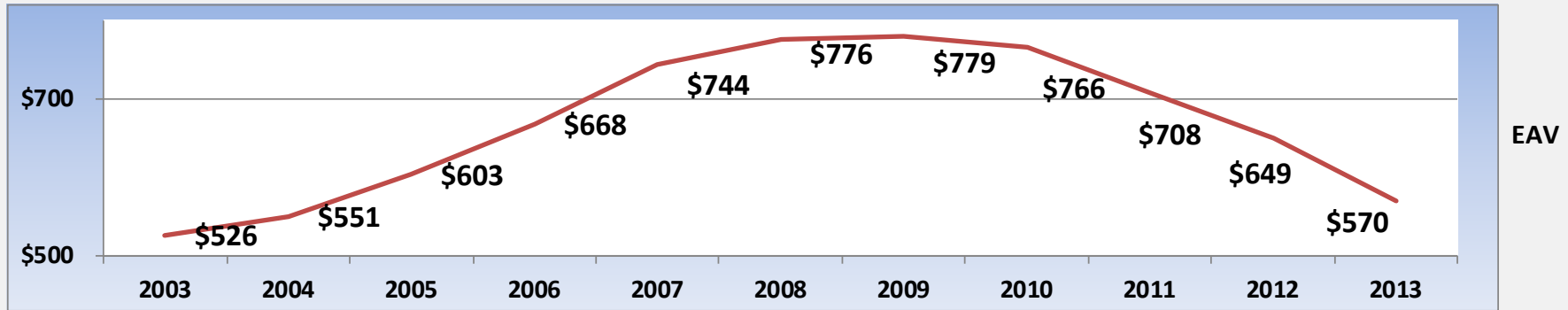
# Levy Mechanics

- ✓ **Tax Rate = Levy / EAV**
- ✓ **If Levy is lower or EAV is higher, rate will be lower (rate inversely proportional to EAV)**
- ✓ **Levy increases by inflation each year (CPI). Illinois Property Tax Extension Limitation Law limits the growth of the operating levy to the lesser of 5% or CPI each year.**
- ✓ **Debt service is levied outside of the above process. The Debt service levy rate is the annual debt service needed to pay off approved debt divided by total EAV. (In addition to operating levy)**

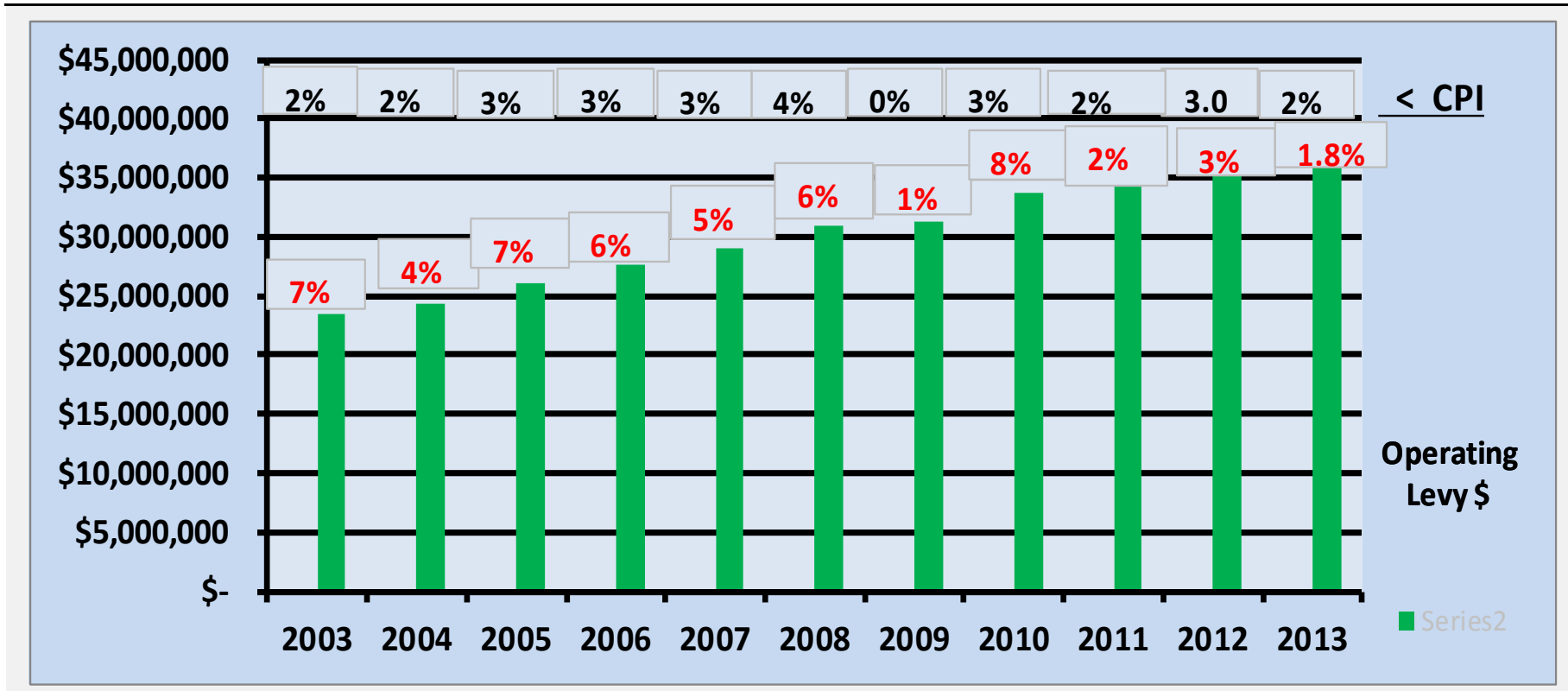




Illustration of the Inverse Relationship Between EAV and Tax Rate (along with CPI growth over time)

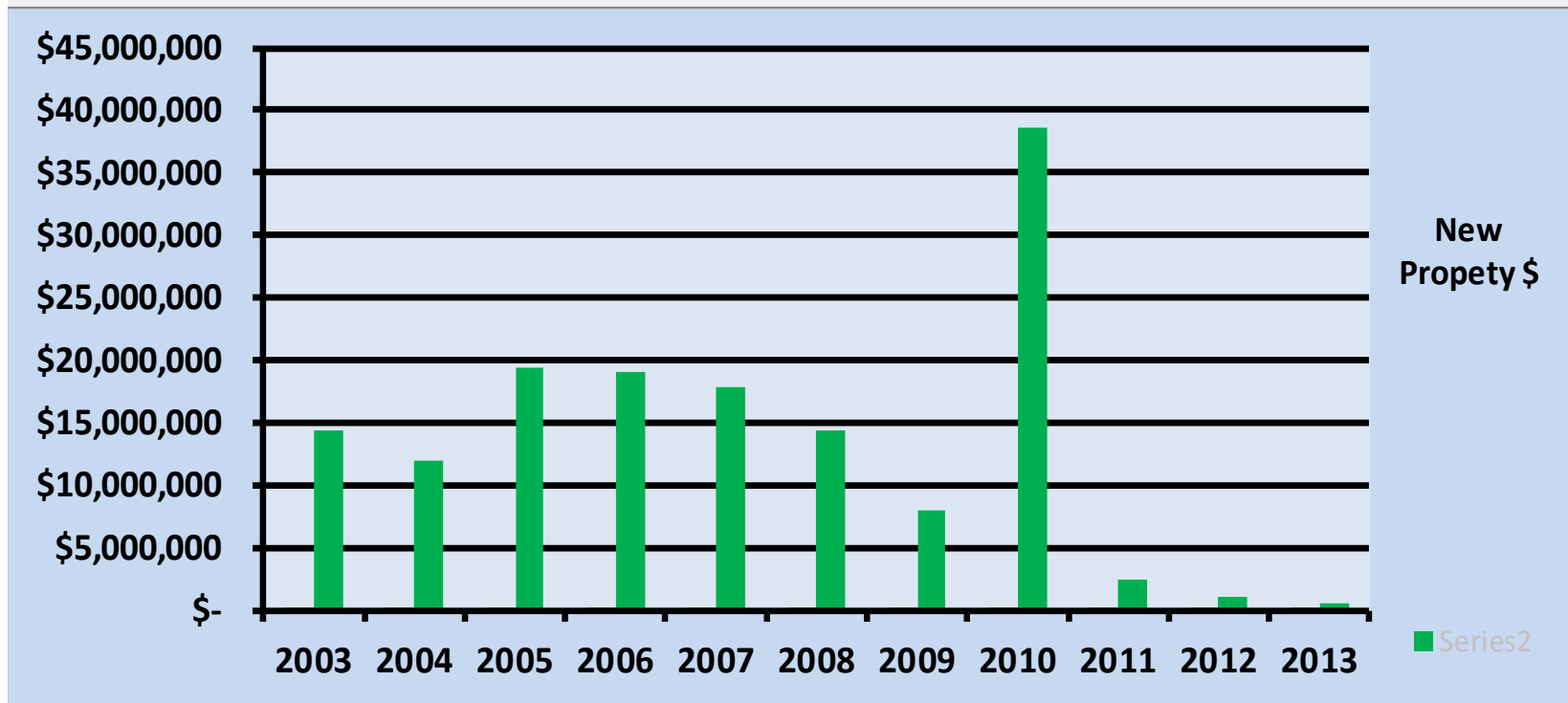


## Tax Revenue Growth is Fueled by New Property and Inflation Rate



- Variance between increase and CPI is new revenue from new property
- Virtually no new property in 2011 - 2013
- Without new property, CPI increase must be relied upon for growth

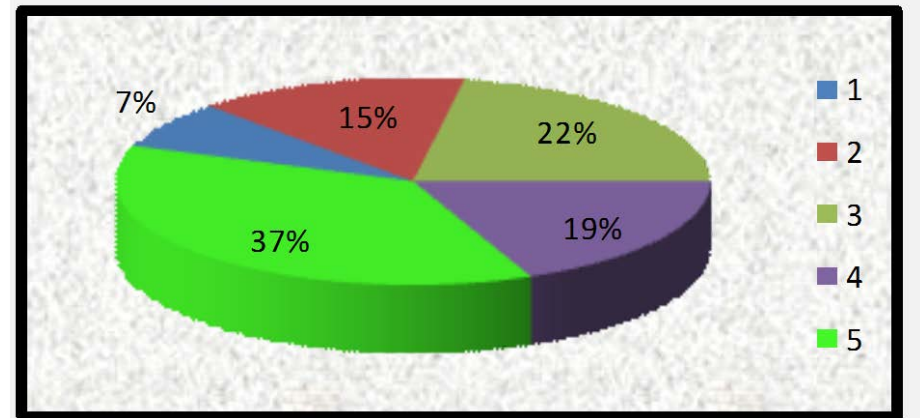
## Revenue Growth is Fueled by CPI and New Property



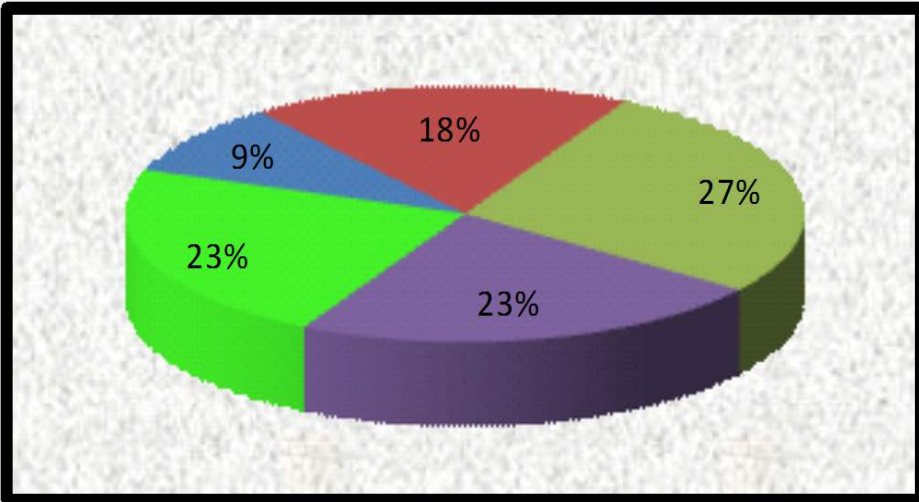
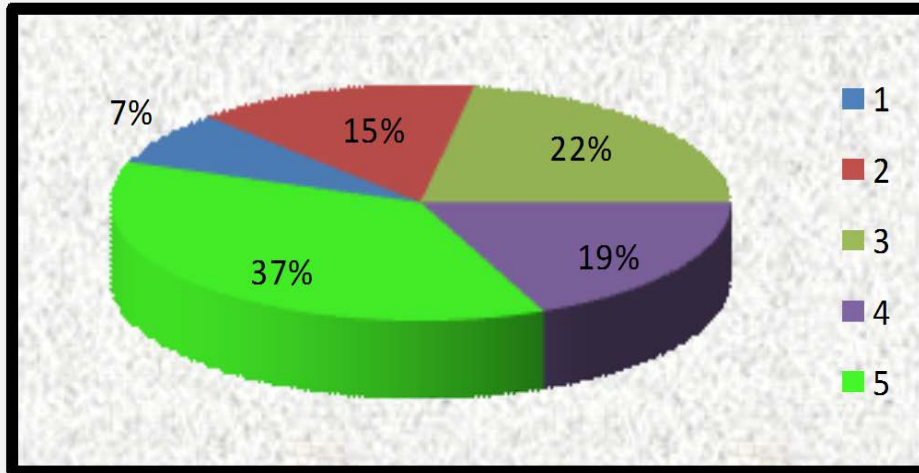
- Virtually no new property in 2011 - 2013
- Without new property, revenue increases are minimized
- **Must rely on the CPI increase alone to pay for expenditure increases**

# Key Points

- ✓ **Property taxes increase by inflation each year (CPI averages 2.5%) (Plus any change in the debt service for the year)**
- ✓ **If your assessment changes by the same amount as the overall District (-9.9% for 2013), your taxes will go up by about the inflation rate.**
- ✓ **The annual change in your assessment has more to do with your tax increase than anything else.**
- ✓ **The pie grows for the District by inflation. Assessments change what percent of the pie you pay.**



## How Assessments Impact the Piece of the Pie You Pay



Tax Payer 5  
EAV down 50%

All others  
No EAV Change

### YR 1

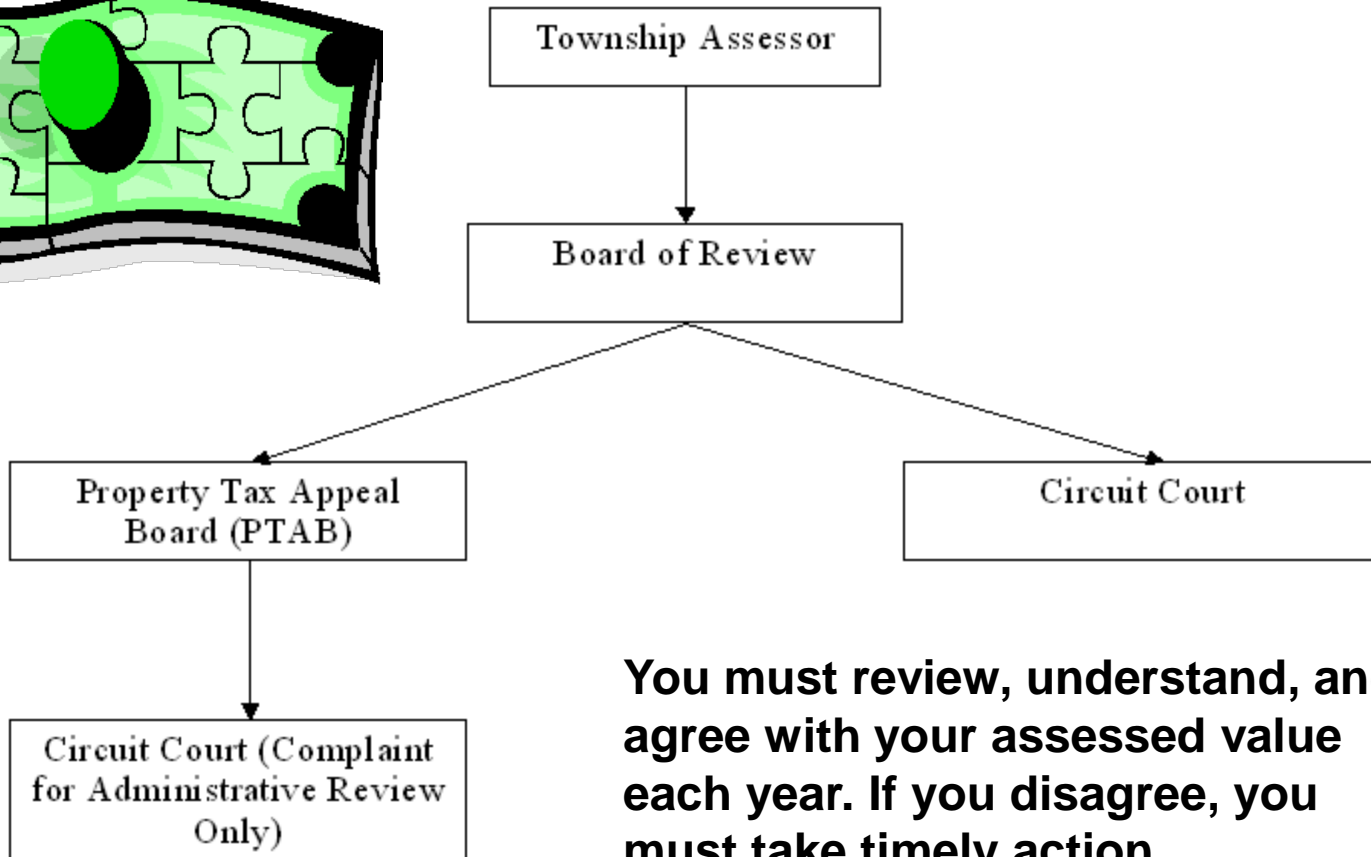
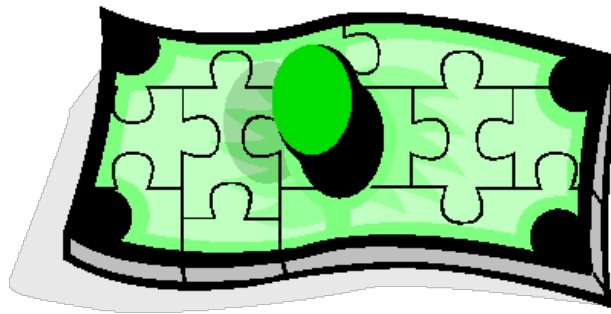
1	7%	100,000
2	15%	200,000
3	22%	300,000
4	19%	250,000
5	37%	500,000

### YR 2

1	9%	100,000
2	18%	200,000
3	27%	300,000
4	23%	250,000
5	23%	250,000

**Even if your assessed value stays the same, your piece of the pie gets bigger if another tax payer's assessed value decreased.**

# Assessment Appeal Process



**You must review, understand, and agree with your assessed value each year. If you disagree, you must take timely action.**



# Estimate Increases

## CM201U 2013 Tax Levy: Estimated Impact to Homeowners (Oct 2013)

Abatement	\$ 525,000
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<b>2012</b>	Market Value	100,000	<b>150,000</b>	200,000	250,000	300,000	350,000	400,000	450,000	500,000
	1/3 Assessment	33,333	<b>50,000</b>	66,667	83,333	100,000	116,667	133,333	150,000	166,667
	Exemptions	6,000	<b>6,000</b>	6,000	6,000	6,000	6,000	6,000	6,000	6,000
	Total Net Value	27,333	<b>44,000</b>	60,667	77,333	94,000	110,667	127,333	144,000	160,667
	Tax Rate	\$ 7.27	<b>\$ 7.27</b>	\$ 7.27	\$ 7.27	\$ 7.27	\$ 7.27	\$ 7.27	\$ 7.27	\$ 7.27
	Tax Due	1,987	<b>3,198</b>	4,409	5,621	6,832	8,043	9,255	10,466	11,678

### 2013 Existing EAV Change%

**-9.90%**

Market Value	90,102	<b>135,153</b>	180,204	225,255	270,306	315,357	360,408	405,459	450,510
1/3 Assessment	30,034	<b>45,051</b>	60,068	75,085	90,102	105,119	120,136	135,153	150,170
Exemptions	6,000	<b>6,000</b>	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Total Net Value	24,034	<b>39,051</b>	54,068	69,085	84,102	99,119	114,136	129,153	144,170
Tax Rate	\$ 8.22	<b>\$ 8.22</b>	\$ 8.22	\$ 8.22	\$ 8.22	\$ 8.22	\$ 8.22	\$ 8.22	\$ 8.22
Tax Due	1,977	<b>3,211</b>	4,446	5,681	6,916	8,151	9,386	10,621	11,856
Abatement Savings	\$ (22)	<b>\$ (36)</b>	\$ (50)	\$ (64)	\$ (77)	\$ (91)	\$ (105)	\$ (119)	\$ (133)
\$ Increase	(10)	<b>13</b>	37	61	84	108	131	155	179
% Increase	-0.5%	<b>0.4%</b>	0.8%	1.1%	1.2%	1.3%	1.4%	1.5%	1.5%

# CM201U 2013 Tax Levy – Summary



- **2013 Published Notice:** (required for increases of 5% or greater)
  - 2012 Taxes = \$45,978,357
  - 2013 Taxes = \$48,692,060
  - Year over year increase of \$2.7M or 5.90%
  - This does not mean taxes are going to go up 5.90%
  
- **Illustration of the tax impact to the average homeowner (School District Portion Only):**
  - 2012 Rate was \$7.27
  - 2013 Rate anticipated to be \$8.22 (assuming a 9.9% decrease in existing EAV's)
  - Year over year rate increase of \$0.96 or 13%
  - Example for a market value home of \$150,000
    - 2012 Tax =  $((\$150,000/3)-\$6,000) \times .0727 = \$3,198$  (assessment assumes a 1.0 state multiplier)
    - 2013 Tax =  $((\$135,153/3)-\$6,000) \times .0822 = \$3,211$  (assessment assumes a 1.0 state multiplier)
    - Represents a \$13 increase or 0.4% increase
  - Results will vary depending on each homes individual % change in assessed value for 2013, individual exemptions being applied, and value of property.
  - Please Note: The District does not determine your EAV.

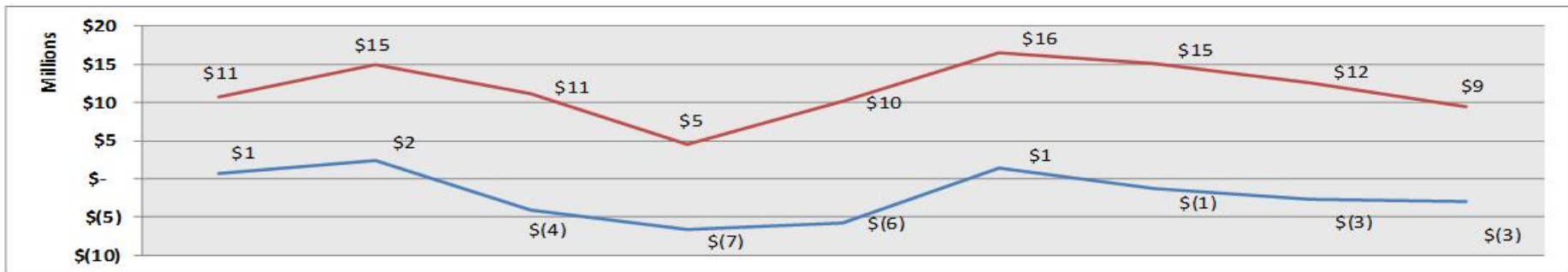




## Crete-Monee School District 201-U FY14 Legal Budget Budget History

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014
Education	1,404,114	1,774,473	(2,277,608)	(5,039,382)	(3,638,107)	1,794,820	(899,843)	(2,392,133)	<b>(2,892,169)</b>
O&M	(906,423)	146,271	(1,254,809)	(1,541,943)	(1,189,450)	(858,127)	(606,183)	(507,350)	<b>(301,797)</b>
Transportation	(28,031)	164,866	(472,861)	310,652	(1,056,779)	(148,326)	248,238	272,306	<b>(135,267)</b>
IMRF / SS / FICA	33,913	(28,002)	(385,305)	(426,450)	95,656	531,497	65,067	(152,958)	<b>27,148</b>
Working Cash	255,403	401,719	306,132	30,802	28,235	30,117	(29,437)	162,142	<b>303,784</b>
Annual Net	<b>\$ 758,976</b>	<b>\$ 2,459,327</b>	<b>\$ (4,084,451)</b>	<b>\$ (6,666,321)</b>	<b>\$ (5,760,445)</b>	<b>\$ 1,349,981</b>	<b>\$ (1,222,158)</b>	<b>\$ (2,617,993)</b>	<b>\$ (2,998,302)</b>
Other Source	11,432	1,703,541	289,214	73,238	11,327,095	5,000,000	-	-	-
Fund Balance	<b>10,764,433</b>	<b>14,927,301</b>	<b>11,132,064</b>	<b>4,538,981</b>	<b>10,105,631</b>	<b>16,455,612</b>	<b>15,093,507</b>	<b>12,475,514</b>	<b>9,477,212</b>

**Note: FY14 Legal Budget Presented assumes FY14 0% raise for all employees not under contract.**



Year	2006	2007	2008	2009	2010	2011	2012	2013	2014
ADD CDB Funds	-	-	-	-	-	-	-	21,110,000	21,110,000
Fund Balance	<b>10,764,433</b>	<b>14,927,301</b>	<b>11,132,064</b>	<b>4,538,981</b>	<b>10,105,631</b>	<b>16,455,612</b>	<b>15,093,507</b>	<b>33,585,514</b>	<b>30,587,212</b>

**Note: Legal Budget allows for a potential \$3M transfer from O&M CDB to Capital Projects if approved by Board resolution.**

**Note: CDB Cash held in reserve until further action is approved**



# Why Taxes Are Important

## **Why does the school district need to levy taxes?**

- 1. Property Taxes provide 61% of the District's funds throughout the year.**
- 2. Even after levying the full amount allowable under state tax law, the District still has a \$3M annual operating deficit.**

## **If the District is receiving all these taxes, why is there still a deficit?**

- 1. State funding has been cut over \$4M since FY09.**
- 2. The District's largest expense, Teacher compensation, has increased 25%+ over the past 5 years due to the most recent contract (FY09 – FY13).**



# Why Taxes Are Important

## **What actions has the District taken to help control costs and reduce deficits?**

- ✓ **Restructure Special Education Services (bring more students back in-district)**
- ✓ **Reduced staff development budgets**
- ✓ **Eliminated 14 Administrator Positions (\$1.0M)**
- ✓ **Eliminated 20 Administrative Support Staff Positions (\$0.5M)**
- ✓ **Eliminated 60+ Teaching Positions (\$3.0M) (eliminated Art, Music, and PE)**
- ✓ **Eliminated 10 Teacher Aide Positions (\$0.2M)**
- ✓ **Freeze of non-union salaries (FY11)**
- ✓ **Very low raises for non-union (FY10, FY12) (Below inflation rates)**
- ✓ **Implemented 3 quote policy for any purchases above \$5K**
- ✓ **Delayed / Deferred many maintenance projects**
- ✓ **Freeze or slightly reduce all supply and material budgets**
- ✓ **Eliminated bussing service for non-special education pre-k students**
- ✓ **Negotiated and secured lower energy rates**
- ✓ **Applied for and received many new grants**
- ✓ **Improved efficiency (ex. own Driver Ed cars instead of rent)**
- ✓ **Aggressively negotiated new contracts and savings with current vendors**

# Frequently Asked Questions

## ❑ How are these taxes allocated and used?

➤ Education Fund	\$27,360,000	(includes Special Education Levy)
➤ Operations & Maintenance Fund	\$ 4,270,000	
➤ Transportation Fund	\$ 2,441,069	
➤ IMRF/Social Security Fund	\$ 1,748,000	
➤ <u>Working Cash Fund</u>	\$ 285,000	
<b>Total Operating Funds</b>	<b>\$36,104,069</b>	
➤ Bond & Interest Fund	\$10,805,531	
➤ Life Safety Fund	\$ 4,000	
➤ GRAND TOTAL	\$46,913,600	





## 2013 CM201U Tax Levy Calculation (excluding Balloon Levy)

CM201U EAV - Expected December 2013 - Abate

2012 Gross Value (no exemptions)	834,939,053	2013 Gross Value (no exemptions)	776,599,679	93%	-6.99%
Exemptions/TIFS	202,342,851	Exemptions/TIFS	206,139,874	102%	1.88%
2012 Net EAV	632,596,202	2013 Net EAV	570,459,805	90%	-9.82%
2012 New Property	1,045,624	2013 New Property	478,217	46%	-54.26%
2012 Adjusted Valuation Base	631,550,578	2013 Adjusted Valuation Base	569,981,588	90%	<b>-9.90%</b>
	-				
2012 Previous Extension	34,384,569	2013 Previous Extension	35,474,729	103%	3.17%
2012 CPI	1.0300	2013 CPI	1.0170	99%	-1.26%
2012 Adjusted Extension Base	35,416,107	2013 Adjusted Extension Base	36,077,799	102%	1.87%
	-				
2012 Adjusted Extension Base	35,416,107	2013 Adjusted Extension Base	36,077,799	102%	1.87%
2012 Adjusted Valuation Base	631,550,578	2013 Adjusted Valuation Base	569,981,588	90%	-9.75%
	-				
2012 Limiting Rate	0.056078	2013 Limiting Rate	0.063296	113%	12.87%
	-				
2012 Extension Limit	35,474,729	2013 Extension Limit	36,108,069	102%	1.79%
Debt Service Rate	\$ 0.0166040	Debt Service Rate	\$ 0.0189418	114%	14.08%
Debt Service Levy	10,503,627	Debt Service Levy	<b>10,805,531</b>	103%	2.87%
Total Rate	\$ 0.0726820	Total Rate	\$ 0.0822382	113%	13.15%
Rate	\$ 7.27	Rate	\$ 8.22	113%	13.15%
Total Levy	45,978,357	Total Levy	46,913,600	102%	2.03%
		check	-		
		Abatement Amount	<b>525,000</b>		

Expected extension = \$46.9M. Published Balloon extension = \$48.7M

Expected Debt Service Extension of \$10.8M



# Summary of Main Points

- ✓ This year's extension will be equal to **last year's extension plus an increase for inflation** and new property.
- ✓ Property taxes fund **61% of the District's budget**. (State average = 63%. Will County average = 70%)
- ✓ Property **taxes are the only reliable revenue increase each year**. The increase in property tax revenue must be relied upon to pay for union pay increases, health insurance increases, tuition rate increases, increased unfunded mandates and initiatives, non-union pay increases, and general inflation.
- ✓ Property Values and Tax rate have an inverse relationship (**property value goes up, rate goes down**)
- ✓ District property in 2009 was \$779M. Property values have consistently decreases since then and are now down to \$570M (**loss of about 1/3**) . As a result, the tax rate has gone from \$5.24 to \$8.22.
- ✓ **Tax revenue growth is fueled by inflation and new property**. New property averaged \$15M a year from 1993 through 2010. New property for 2012 was \$1M. New property for 2013 is \$0.4M. (**No growth**)
- ✓ Tax rate has been going up 10% to 14% a year since 2009. **Average tax bills still only go up by about inflation each year** (because assessed values are going down). (inverse relationship)
- ✓ The pie grows for the District by inflation, **assessments change what percent of the pie you pay**.
- ✓ **Your assessment is the most important variable determining your tax bill**. You must talk to your assessor if you disagree with your assessment.



# Summary of Main Points

- ✓ **The estimated increase for 2013 taxes on a \$150K market value home will be \$13 or 0.4% (school district portion only)**
- ✓ **School Districts are typically 2/3 of the total tax bill.** This is because they are the largest unit of local government and have the largest responsibility (education 5,000+ students).
- ✓ **Tax rate is going up 13%, total levy is going up 2.0%, estimated tax bill is going up 0.4%.** (Based on - 9.9% decrease in existing EAV's, \$0.4M of new property, and \$150K home in this example)
- ✓ **From 1993 to 2010, the District's operating levy increased by an average of 7.2% per year. The increase in 2011 was only 1.9% and the increase in 2012 was only 3.2%. The 2013 increase is 1.8%.**
- ✓ **The District needs property taxes to operate and has already taken extensive measures to help reduce and minimize costs.**
- ✓ **The CM201-U Board of Education will vote to approve a \$525K tax abatement that will save taxpayers an average amount of \$36 (estimate for a \$150K market value home). Note that the savings on a \$300K market value home would be \$77. This abatement is keeping average tax increases below the one half of one percent level.**
- ✓ **The CM201-U Board of Education approved a \$525K tax abatement last year for the 2012 levy. These two years of tax abatements have kept tax bill increases at record lows for the last two years.**



# Questions or Concerns?

- ❑ Open discussion tonight.
- ❑ Please contact Robert Groos at (708) 367-8321 or [groosr@cm201U.org](mailto:groosr@cm201U.org)
- ❑ I can meet with you to look over your individual tax bill and answer any specific questions you may have.

