

To: Board of Education
Dr. Laurie Heinz, Superintendent
From: Luann Kolstad, Chief School Business Official
Date: October 22, 2018
Re: Review of 2018 Proposed Tax Levy and Resolution #1211 to Approve 2018 Proposed Tentative Tax Levy and Establishment of Public Hearing

Purpose

This agenda item includes information about three important actions:

- Approve the Resolution for the 2018 Tax Levy Estimate
- Establish date and time for Truth-In-Taxation Hearing
- Publish the notice of Truth-In-Taxation Hearing

Background on Tax Levy Process

Per state statute, the school board must adopt an estimated tax levy not less than 20 days prior to the date it adopts its final levy. The final levy is scheduled for adoption at the December 10, 2018 regularly scheduled Board of Education meeting.

If the levy exceeds the previous year's operating fund extension by more than 5%, publication of the Truth-In-Taxation notice is required, and a hearing must be held before the levy is adopted.

Although the 2018 proposed levy does not exceed the 2015 levy by more than 5%, in keeping with the District's past practice, the District recommends conducting a Truth-In-Taxation hearing. This practice is consistent with the District's continued commitment to transparency and makes every step in the annual financial cycle open to the community. The hearing is planned to be held at 8:00 p.m. during the November 12 Board meeting. The hearing has been moved later into the meeting to allow time for the 2018 National Blue Ribbon School Award presentation to Washington School; the hearing is to occur at the stated time on the notice. Attachment 1 is the Resolution Determining the Estimated Tax Levy for the Year 2018 and Scheduling a Public Hearing Thereon.

How the Levy Request is Structured

The variables in each year's levy are:

- Equalized Assessed Valuation (EAV) – unknown until July 2019
- New Property EAV (1st year property comes on the tax roll) – unknown until July 2019
- Prior Year Consumer Price Index, Urban (CPI-U) – 2.10% (CPI-U as of December 2017)

Because the amount of New Property EAV is unknown when the tax levy is filed, districts increase their levy so as to capture the funds that are available under the tax cap. Even with the

increased request, the District will only receive the amount of dollars allowed under the Property Tax Extension Limitation Law (PTELL), known as the property tax cap.

No matter how large the levy request is for 2018, District 64 will only receive a 2.1% increase plus the taxes associated with new construction.

Setting the Levy Request

As the table below indicates, past Boards over more than a decade have always approved a levy request sufficiently high enough to capture all new property EAV. This decision has helped the District receive all monies it is entitled to receive, while still being subject to the tax cap. This has given the District maximum flexibility in allocating funds for current education and operations, while slowly strengthening the District’s financial position by increasing its operating fund balance. Strengthening the operating fund balance has allowed District 64 to fulfill the 10-year referendum commitment, and to extend that for an additional four years to meet a further Board goal according to current projections.

Levy Year	CPI Used in PTELL	Board Approved Levy Request	Actual Levy Increase
2018	2.10%	4.64% Proposed	Unknown
2017	2.10%	4.95%	2.94%
2016	0.70%	4.21%	1.47%
2015	0.80%	4.53%	0.78%
2014	1.50%	4.63%	1.90%
2013	1.70%	4.98%	2.50%
2012	3.00%	4.74%	3.10%
2011	1.50%	4.99%	1.70%
2010	2.70%	4.99%	3.60%
2009	0.10%	4.59%	0.80%
2008	4.10%	2.18%	1.50%
2007	2.50%	Referendum Driven	14.40%
2006	3.40%	Referendum Driven	19.10%
2005	3.30%	13.41%	9.20%

For 2018, based upon the increase in the 2017 CPI-U of 2.1% and the projected increase in New Property EAV (see Attachment 2), our District's tax rate model has calculated that a 4.64% increase in the overall projected 2018 levy dollars from the prior year's levy should be sufficient to capture all that District 64 is legally entitled to receive. *As the table above indicates, District 64 expects to receive a far lower percentage increase in its actual levy increase than the 4.64% being proposed.*

What Portion of the Levy Request is Borne by Existing Taxpayers and What is New Construction?

It is important to note that 2.54% of the 4.64% increase is a direct result of the addition of projected New Property EAV, which does not contribute any additional tax increase to the current taxpayers that comprise the base EAV property pool for the prior year. The existing EAV property tax pool will only increase a maximum of 2.1% as allowed by the PTELL law.

What Happens if the Levy is Set Too Low?

The risk the District runs is very severe, because it is not a one-time expense. Rather, the impact of just a single year of foregoing what is available to the District under the tax cap actually *compounds* over time:

- We lose the money foregone in the first year.
- We can never “catch up” in a future year by asking for a greater amount, because each annual increase is limited by PTELL.
- The impact of the loss compounds significantly in *every* future year. Each year's limiting rate formula under PTELL begins with the prior year's actual tax extension. Therefore, we continue to increase according to the formula, but we are beginning from a lower base.
- Once lost, these critical funds that are rightfully the District's can never be accessed again.
- The financial projections assume -- as directed by the Board -- that revenues will grow each year at the full amount legally available to the District.

As confusing as this process may seem due to the timing of when needed information becomes available in Cook County, the bottom line is that it is the District's fiscal responsibility to recommend a levy at a high enough rate to ensure that all funds legally permissible -- including new property EAV -- are obtained, knowing that the PTELL will ultimately adjust that request to what is allowed by law.

Impact of Tax Levy on Financial Projections

The Five Year Financial Projections are also included within Attachment 2 showing the recommended levy request for 2018 and levy assumptions for future years. The projections have been updated to reflect the proposed tax levy and an adjustment to the New Property. This number is unknown in Cook County until late spring of the following year. Administration has used a 10-year average beginning with the 2019 Tax Levy. This eliminates using figures from

the late 2000s that reflected very large new property growth. The projections will be updated again in February 2019 when the staffing plan for the 2019-20 school year is presented.

Tax Rate Calculation

The tax rate is directly related to the Equalized Assessed Valuation (EAV) in the District. If total EAV decreases, much like it did in 2015 and years prior to 2014, the tax rates for taxpayers naturally go up because there is less EAV to spread the costs over. If the EAV increases as the District has seen over the past two years, the tax rates naturally drop – there is more EAV to spread the costs over. This is why when a homeowner’s house value drops, their tax bill does not necessarily follow suit. It is dependent on the District’s total EAV, not the value of a particular property.

Why is the Tax Levy So Critical?

Local property revenues are the most significant portion of our budget -- about 83% of our Operating Fund revenues are from local property taxes.

The ability to agree to and meet the District’s financial commitments is in large part based on having current and future property tax revenues available to pay for them. If property tax revenues are not available, financial commitments cannot be met. Keep in mind that salaries and benefits comprise about 79% of Operating Fund expenditures, and are generally determined by long term collectively bargained agreements or specific employee agreements. Once the bargaining process is completed, the costs are known and not subject to adjustment. Adjustments can only be made at the time of bargaining and before agreements are signed. The federal and state governments also mandate several operational costs for public schools that they do not fund; these also represent fixed financial commitments. In addition, the District must maintain “safe, warm and dry” learning environments for students and staff while protecting the community’s investment in these important neighborhood assets.

Accordingly, the administration recommends that the Board seek all property tax revenues that are statutorily available in 2018.

Cook County’s Loss & Cost Factor

At the November 13, 2017 Board of Education meeting, the Board requested that a Board Policy (Attachment 3) be developed for the reduction of the Loss & Cost Factor in the Debt Service Fund. The Debt Service levy Loss & Cost for this year is \$105,280, representing 5% of the Debt Service levy \$2,105,600. The Board reached consensus during last year’s discussion to implement the policy once the Board issues new Working Cash Bonds for facilities work in summer 2019 and 2020. The funds currently in the Debt Service fund are earmarked as part of the financing for the issuance of these Working Cash Bonds, as most recently discussed with financial adviser Elizabeth Hennessy of Raymond James at the Committee-of-the-Whole: Facilities on September 10. However, if the Board chooses, the District could abate the \$105,280 Loss & Cost for this year.

ADOPTION OF RESOLUTION #1211 OF 2018 PROPOSED TENTATIVE TAX LEVY
Per Attached

ACTION ITEM 18-10-1

I move that the Board of Education of Community Consolidated School District No. 64 approve the 2018 Tax Levy Estimate, establishment of the Date and Time of the Truth-in-Taxation hearing for November 12, 2018 at 8:00 p.m., and Publication of Notice of Truth-in-Taxation hearing.

Moved by: _____ Seconded by _____

AYES:

NAYES:

PRESENT:

ABSENT:

10/22/2018

RESOLUTION #1211 DETERMINING THE ESTIMATED
TAX LEVY FOR THE YEAR 2018 AND SCHEDULING
A PUBLIC HEARING THEREON

WHEREAS, the Truth in Taxation Law requires a taxing district to determine the estimated amounts of taxes necessary to be levied for the year not less than 20 days prior to the official adoption of the aggregate tax levy of the district; and

WHEREAS, said statute further requires a taxing district to give public notice and to hold a public hearing on the district's intent to adopt an aggregate tax levy if the estimated amounts necessary to be levied exceed 105% of the aggregate amount of property taxes extended, including any amount abated prior to such extension, upon the levy of the preceding year; and

WHEREAS, the 2018 proposed tentative aggregate property levy is not more than 105% of the prior year's extension; a Truth In Taxation Hearing is not required but recommended.

WHEREAS, it is hereby determined that the estimated amounts of money necessary to be raised by taxation for the year 2018 upon the taxable property of the district are as follows:

Educational Purposes:	\$52,500,000
Operations & Maintenance Purposes:	5,900,000
Transportation Purposes:	2,300,000
Illinois Municipal Retirement Fund Purposes:	800,000
Social Security/Medicare Purposes:	900,000
Tort Immunity Purposes:	200,000
Special Education Purposes:	5,000,000
Working Cash Purposes:	<u>550,000</u>
Total	\$68,150,000

; and

WHEREAS, the *Truth in Taxation Law* requires that all taxing districts in the State of Illinois provide data in the Notice concerning the levies made for debt service made pursuant to statute, referendum, resolution or agreement to retire principal or pay interest on bonds, notes, and debentures or other financial instruments which evidence indebtedness; and

WHEREAS, the aggregate amount of property taxes extended for debt services purposes for 2017 was \$2,080,769 and it is hereby determined that the estimated amount of taxes to be levied for bond and interest purposes for 2018 is \$2,105,600.

NOW, THEREFORE, BE IT RESOLVED by the Board of Education of Community Consolidated School District No. 64, County of Cook and State of Illinois, as follows:

Section 1: The aggregate amount of taxes estimated to be levied in the “capped” funds for the year 2018, is \$68,150,000.

Section 2: The aggregate amount of taxes estimated to be levied for debt service for the year 2018 is \$2,105,600.

Section 3: The aggregate amount of taxes estimated to be levied for the year 2018, is \$70,255,600.

Section 4: Public notice shall be given in the Park Ridge Advocate and the Niles Spectator, being newspapers of general circulation in said district, and a public hearing shall be held, all in the manner and time prescribed in said notice, which notice shall be published not more than 14 days nor less than 7 days prior to said hearing, and shall not be less than 1/8 page in size, with no smaller than twelve (12) point, enclosed in a black border not less than 1/4 inch wide, and such notice shall not be placed in that portion of the newspapers where legal notices and classified advertisements appears, and shall be in substantially the following form:

NOTICE OF PROPOSED PROPERTY TAX INCREASE FOR COMMUNITY CONSOLIDATED SCHOOL DISTRICT 64

I. A public hearing to approve a proposed property tax levy increase for Community Consolidated School District No. 64, Cook County, Illinois, for 2018 will be held on November 12, 2018 at 8:00 p.m. at Washington Elementary School, 1500 W. Stewart Ave., Park Ridge, IL 60068. Any person desiring to appear at the public hearing and present testimony to the taxing district may contact Luann Kolstad, Chief School Business Official, 164 S. Prospect Avenue, Park Ridge IL, (847) 318-4324.

II. The corporate and special purpose property taxes extended or abated for 2017 were \$ 65,126,772.

The proposed corporate and special purpose property taxes to be levied for 2018 are \$ 68,150,000. This represents a 4.64% increase over the previous year.

III. The property taxes extended for debt service and public building commission leases for 2017 were \$ 2,080,769.

The estimated property taxes to be levied for debt service and public building commission leases for 2018 are \$ 2,105,600. This represents a 1.19% increase from the previous year.

IV. The total property taxes extended or abated for 2017 were \$ 67,177,541.

The estimated total property taxes to be levied for 2018 are \$ 70,255,600. This represents a 4.58% increase over the previous year.

This resolution shall be in full force and effect forthwith upon its passage.

Anthony Borrelli, Board President
Board of Education
Community Consolidated School
District No. 64
Cook County, Illinois

Athan "Tom" Sotos, Board Secretary

ADOPTED this 22nd day of October 2018.

**Park Ridge - Niles
School District 64**

Tax Levy Projections: EAV Estimation

Total Equalized Assessed Valuation

Year		Residential	% Change EAV	New Construction	% Change New Growth	
2023	EST	\$ 1,885,731,651	2.00%	\$ 8,900,000	0.00%	
2022	EST	\$ 1,848,756,521	2.00%	\$ 8,900,000	0.00%	
2021	EST	\$ 1,812,506,393	2.00%	\$ 8,900,000	0.00%	
2020	EST	\$ 1,776,967,052	2.00%	\$ 8,900,000	0.00%	
2019	EST	\$ 1,742,124,561	2.00%	\$ 8,900,000	-11.00%	Tri-Annual North Reassessment
2018	EST	\$ 1,707,965,256	2.00%	\$ 10,000,000	-26.59%	
2017	Actual	\$ 1,674,475,741	2.19%	\$ 13,621,222	13.80%	
2016	Actual	\$ 1,638,658,393	19.45%	\$ 11,969,943	79.93%	Tri-Annual North Reassessment
2015	Actual	\$ 1,371,795,137	-3.00%	\$ 6,652,708	0.23%	
2014	Actual	\$ 1,414,256,518	1.06%	\$ 6,637,442	21.74%	
2013	Actual	\$ 1,399,438,847	-17.93%	\$ 5,451,990	61.50%	Tri-Annual North Reassessment
2012	Actual	\$ 1,705,216,205	-7.48%	\$ 3,375,835	-40.99%	
2011	Actual	\$ 1,843,115,448	-8.59%	\$ 5,721,156	-45.03%	
2010	Actual	\$ 2,016,342,297	-4.95%	\$ 10,407,071	-32.69%	Tri-Annual North Reassessment
2009	Actual	\$ 2,121,453,047	7.75%	\$ 15,461,652	-35.00%	
2008	Actual	\$ 1,968,799,003	18.48%	\$ 23,786,571	-34.00%	
2007	Actual	\$ 1,661,682,786	4.22%	\$ 36,041,543	30.76%	
2006	Actual	\$ 1,594,439,099		\$ 27,562,834		

Park Ridge - Niles School District 64
Tax Levy Projections: Assumptions

Actuals:	
a) 2017 Operating Tax Rate	3.8890
b) 2017 Operating Tax Extension	\$65,126,772
c) 2017 EAV	\$1,674,475,741
d) 2017 New Construction	\$13,621,222

Assumptions:

2018 EAV - Increase	2.00%	\$1,707,965,256
New Construction Estimate	-26.59%	\$10,000,000
Consumer Price Index (CPI-2017)		102.1%
2019 EAV - Increase	2.00%	\$1,742,124,561
New Construction Estimate	-11.00%	\$8,900,000
Consumer Price Index (CPI-2018)		102.0%
2020 EAV - Increase	2.00%	\$1,776,967,052
New Construction Estimate	0.00%	\$8,900,000
Consumer Price Index (CPI-2019)		102.0%
2021 EAV - Increase	2.00%	\$1,674,475,741
New Construction Estimate	0.00%	\$8,900,000
Consumer Price Index (CPI-2019)		102.0%
2021 EAV - Increase	2.00%	\$1,414,256,518
New Construction Estimate	-26.59%	\$10,000,000
Consumer Price Index (CPI-2019)		102.0%

Est.	2018	Maximum Rate (Capped)
Education	2.9998	N/A
Special Education	0.2927	0.4000
Operations & Maintenance	0.3454	0.5500
Transportation	0.1347	N/A
IMRF	0.0468	N/A
Social Security	0.0527	N/A
Liability Insurance	0.0117	N/A
Working Cash	0.0322	0.0500
Total Operating Rate	3.9161	
School Bonds	0.1233	
Total Tax Rate	4.0394	

Park Ridge - Niles Community Consolidated School District 64
Tax Levy Projection: 2018 EST

Attachment 2

2018 Tax Levy	Levy Estimate
<u>Rcvd Spring 2019, Fall 2019</u>	10/18/18
2017 Extension	\$ 65,126,772
2017 CPI	1.0210
New Extension	\$ 66,494,434
2018 EAV	\$ 1,707,965,256
Less: New Construction	\$ 10,000,000
Adjusted EAV	\$ 1,697,965,256
Adjusted Extension Base	\$ 66,494,434
Divided by Adjusted EAV	\$ 1,697,965,256
Limited Rate	3.916
2018 EAV	\$ 1,707,965,256
Total Estimated Extension for 2018	<u>\$ 66,886,047</u>

Estimated Tax Rate	2017	2017 Extension	2018	2018 Extension	2018 Net Change	2018 Levy Request	2018 Net Change Request	
Education	2.8191	\$ 47,204,772	2.9998	\$ 51,236,047	74.26%	\$ 4,031,275	\$ 52,500,000	\$ 5,295,228
Operations & Maintenance	0.3383	\$ 5,665,000	0.3454	\$ 5,900,000	8.55%	\$ 235,000	\$ 5,900,000	\$ 235,000
Transportation	0.1845	\$ 3,090,000	0.1347	\$ 2,300,000	3.33%	\$ (790,000)	\$ 2,300,000	\$ (790,000)
IMRF	0.0677	\$ 1,133,000	0.0468	\$ 800,000	1.16%	\$ (333,000)	\$ 800,000	\$ (333,000)
Social Security	0.0923	\$ 1,545,000	0.0527	\$ 900,000	1.30%	\$ (645,000)	\$ 900,000	\$ (645,000)
Liability Insurance	0.0461	\$ 772,500	0.0117	\$ 200,000	0.29%	\$ (572,500)	\$ 200,000	\$ (572,500)
Special Education	0.3076	\$ 5,150,000	0.2927	\$ 5,000,000	7.25%	\$ (150,000)	\$ 5,000,000	\$ (150,000)
Working Cash	0.0338	\$ 566,500	0.0322	\$ 550,000	0.80%	\$ (16,500)	\$ 550,000	\$ (16,500)
Total Operating Rate	3.8894	\$ 65,126,772	3.9161	\$ 66,886,047		\$ 1,759,275	\$ 68,150,000	\$ 3,023,228
						2.70%		4.64%
Bond & Interest	0.1243	\$ 2,080,769	0.1233	\$ 2,105,600	3.05%			
	<u>4.0136</u>	<u>\$ 67,207,541</u>	<u>4.0394</u>	<u>\$ 68,991,647</u>				

	Mar-19	Jul-19
Education Fund	\$ 27,451,103	\$ 23,784,944
Operations & Maintenance Fund	\$ 3,161,085	\$ 2,738,915
Transportation Fund	\$ 1,232,287	\$ 1,067,713
IMRF Fund	\$ 428,622	\$ 371,378
Social Security Fund	\$ 482,199	\$ 417,801
Liability Insurance Fund	\$ 107,155	\$ 92,845
Bond & Interest Fund	\$ 1,128,132	\$ 977,468
Special Education	\$ 2,750,000	\$ 2,250,000
Working Cash	\$ 302,500	\$ 247,500
Total 2018 Levy to be Received in March 2019 (55% of 2017 Tax Levy)	\$ 37,043,084	\$ 31,948,562

Park Ridge Niles School District 64

Five-Year Financial Projections
10/18/18

	Unaudited Actuals 2017-18		Adopted Budget 2018-19		Projected Budget 2019-20		Projected Budget 2020-21		Projected Budget 2021-22
TOTAL OPERATING FUNDS									
	Unaudited Actuals 2017-18		Adopted Budget 2018-19		Projected Budget 2019-20		Projected Budget 2020-21		Projected Budget 2021-22
REVENUES:									
Education Fund	\$62,312,075		\$63,413,668		\$66,828,098		\$69,811,967		\$ 68,092,336
Operations & Maintenance Fund	6,480,873		6,055,775		5,486,829		5,220,479		6,993,414
Transportation Fund	5,080,803		4,122,270		3,592,834		3,503,015		3,755,811
IMRF Fund	1,079,673		981,233		876,666		948,044		948,044
Social Security Fund	1,695,315		1,213,087		1,090,778		1,203,517		1,044,012
Working Cash Fund	664,267		638,051		688,500		715,725		738,000
Tort Fund	608,704		458,147		517,359		810,882		736,729
TOTAL REVENUES	\$77,921,710	-1.3%	\$76,882,231	2.9%	\$79,081,064	4.0%	\$82,213,629		\$ 82,308,346
EXPENDITURES:									
Education Fund	\$60,322,898		\$63,902,384		\$64,449,689		\$66,522,018		\$ 68,706,756
Operations & Maintenance Fund	5,779,326		5,989,145		6,047,035		6,177,818		6,312,459
Transportation Fund	3,232,797		3,331,591		3,456,413		3,542,993		3,631,746
IMRF Fund	1,026,579		970,000		979,700		989,497		999,392
Social Security Fund	1,209,447		1,302,000		1,315,020		1,328,170		1,341,452
Working Cash Fund	-		-		-		-		-
Tort Fund	652,612		554,650		571,290		588,428		606,081
TOTAL EXPENDITURES	\$72,223,658	5.3%	\$76,049,770	1.0%	\$76,819,146	3.0%	\$79,148,925		\$ 81,597,886
EXCESS (DEFICIT) FOR YEAR	\$ 5,698,052		\$ 832,461		\$ 2,261,918		\$ 3,064,704		\$ 710,460

Park Ridge Niles School District 64

**Five-Year Financial Projections
10/18/18**

	Unaudited Actuals 2017-18		Adopted Budget 2018-19		Projected Budget 2019-20		Projected Budget 2020-21		Projected Budget 2021-22
Fund Transfers/Loans									
Other Financing Sources(Uses)	- 1,037,509		- 1,033,427		- 949,320		- 897,631		- 897,631
BALANCE, BEGINNING:	\$45,878,119		\$50,538,661		\$50,337,695		\$51,650,293		\$ 53,817,367
BALANCE, END-OF-YEAR	\$50,538,661	-0.4%	\$50,337,695	2.6%	\$51,650,293	4.2%	\$53,817,367		\$ 53,630,196
OPERATING FUND BALANCE:	69.98%		66.19%		67.24%		68.00%		65.72%
DAYS CASH ON HAND	255		242		245		248		240

4:25 LOSS AND COSTS

Attachment 3

The Superintendent or designee shall monitor the District's Debt Service Fund balance on a yearly basis to determine whether such fund balance exceeds \$250,000 after making all required bond payments therefrom in any given fiscal year. If, in a given fiscal year, the Debt Service Fund balance is expected to be in excess of \$250,000 at the close of that fiscal year after making all required bond payments due in that fiscal year, and provided the Board is not otherwise required to maintain a higher fund balance, the Board shall either (i) adopt a resolution directing the Cook County Clerk to abate the dollar amount attributable to the loss in collection factors applied to the prior year's levy by the County or (ii) take the appropriate action to direct the County not to apply the loss in collection factors to the Board's next levy.

DATED: MAY 10, 2018

ADOPTED: [INSERT DATE]