

TO: Board of Education  
Dr. Philip Bender

FROM: Ares Dalianis and Genie Taddeo, CFC Community Coordinators

DATE: May 21, 2012

RE: Community Finance Committee Progress Report

This memo is intended to update the Board on the work of the Community Finance Committee (CFC) since the group was reconvened in January 2012. The Board of Education created the CFC in 2004 to operate as a standing committee, available to provide research, analysis and advice to the Board on financial issues. The CFC recently had been on hiatus as it transitioned to new leadership, members and topics.

### **Background**

Following our appointment by Superintendent Philip Bender as the CFC's new Community Coordinators in mid-November 2011, we conducted two preview meetings on January 17 and 25, 2012, for interested volunteers to hear more about the five topics the Board asked CFC to address.

The study areas approved at the November 14 meeting, included:

- enhancing taxpayer education tools
- reviewing assumptions in the District's 10-year financial model and developing alternate scenarios
- increasing financial transparency by enhancing the District's financial reporting
- refreshing a CFC student fees study from 2009 that adjusted the District's fee structure, and
- identifying borrowing options and budget impact as the District develops its maintenance priorities and new facility master plan.

Based on extensive outreach, about 50 local residents, District 64 staff members and administrators attended the informational sessions. It was stressed that a financial background is not required to participate on CFC, only a willingness to contribute time and learn more about education finance. Those attending were asked to indicate a study group preference; in all, almost 40 persons were slotted onto the five study groups.

### **Recent Activities**

#### **▪ February 7, Kick-off Meeting**

At the first full CFC meeting, we invited former Park Ridge resident Tom Johnson, President, Taxpayers' Federation of Illinois, to share his perspectives on education funding in our state. Mr. Johnson offered information about Illinois' continuing fiscal challenges, the Governor's 2012 budget proposal, and the status of current legislation to deal with these issues. CFC members had an opportunity to ask questions and further explore the potential impact of the state's funding issues on suburban school districts like Park Ridge. Study groups then met individually to plan their work.

#### **▪ March 1 – Borrowing Options Presentation**

We invited Elizabeth Hennessy from William Blair & Co. to present information about the District's options for borrowing funds. All members were invited to attend this

session. Ms. Hennessy reviewed bond basics, types of Illinois school district bonds, borrowing options for short-term cash flow needs, current market rates, and various examples of District 64's financing options based on several scenarios. Ms. Hennessy then answered questions from CFC members.

- **March 13 – CFC meeting**

Study groups shared preliminary status reports about their activities, and had time to work with their teams.

- **May 1 – CFC meeting**

Study groups shared updates on their activities and recommendations to be presented to the Board.

- **Independent Work and Research**

In addition to these full sessions, individual study groups have met in person or shared documents electronically to continue their work, and have gathered information from District 64 and various outside sources. Study group members also have attended or viewed Board meetings to stay current with financial topics coming before the Board.

### Study Group Reports

As work has continued through the spring, some attrition has occurred on several of the groups as would be expected in any volunteer effort. At this time, two of the groups have brought forward detailed reports and are seeking Board input on their recommendations to move forward. The status of all groups is summarized below:

Study Group	Report	Status
Student Fees	Attachment 1	Presented recommendation for 2012-13 student fees at April 23 Board meeting. Several options for continuing work pending Board input: further research mandatory fees; explore cost basis of elective fees; review optional paid bus fee; develop information for taxpayers.
Taxpayer Education	Attachment 2	Recommendations for new "District Finances" website page and sample content are offered. Will continue to identify materials and links. Pending Board input, ready to work with District staff to implement recommendations in summer-fall 2012.
District Borrowing Opportunities	Attachment 3	Completed analysis and now evaluating a new option offered by William Blair on May 1. Will meet with the 10-Year Financial Projections group to coordinate and modify analysis as necessary. Ready to present to Board June 25.
10-Year Financial Projections		Analyzed District's 10-year projections. Will coordinate with the District Borrowing Opportunities group on June report.
Financial Transparency		This group has not prepared a report at this time.

At the May 21 Board meeting, CFC members will be on hand to share their work and respond to any questions you may have. We look forward to discussing our progress with you and determining next steps for the CFC's continuing efforts.

## CFC Student Fees Team Status Report

District 64 School Board Meeting, May 21, 2012

### Team Members:

Lisa Arrigoni	Kim Eggert	Dana Morimoto
Sue Biagi	Annie Jerome	Katie Ranalli
Marcy Canel	Nick Listermann	Phil Salemi
		Steve Senf

### Objective:

Our objective was to investigate current student fees paid by District 64 families.

- Are they appropriate?
- Are fees covering the costs they as they were intended?
- Make recommendations

### CURRENT DISTRICT 64 STUDENT FEES

	FY 2010-11			FY 2011-12 Budget
	\$/Student	Total Revenue	Budget	
Registration	K: \$84 G1-5: \$227 G6-8: \$315	\$987,473	\$954,864	\$999,835
Electives Total		\$50,555	\$30,800	\$50,611
Athletics	Basketball: \$100 Volleyball: \$75 Cross Country: \$25	\$18,191	\$4,800	\$18,200
Instrumental Music	Beginner: \$40 Advanced: \$40	\$30,153	\$25,000	\$30,200
Chorus	Elem: \$5 Mid Sch: \$15	\$2,211	\$1,000	\$2,211
Pay Rider Bus Fees	All Year: \$510 Cold Weather: \$305	\$35,673	\$25,300	\$35,545
Lunch Fee	\$2.50	\$348,562	\$380,000	\$349,380
Before School/Lunch Supervision	Lunch: \$165 ((\$215 after 7/15) BS: \$475 Daily: \$20	\$512,038	\$530,000	\$530,000
Extended Day Care	K: \$20 After school: \$5/hr	\$987,472	\$596,000	\$732,700

*Sources: D64.org; Year-end Financial Report through June 30, 2011 (Fin Rpt 6\_30\_11.pdf);  
Financial Report through December 31, 2001 (Fin\_Rpt\_BOE\_12\_31\_11.pdf)*

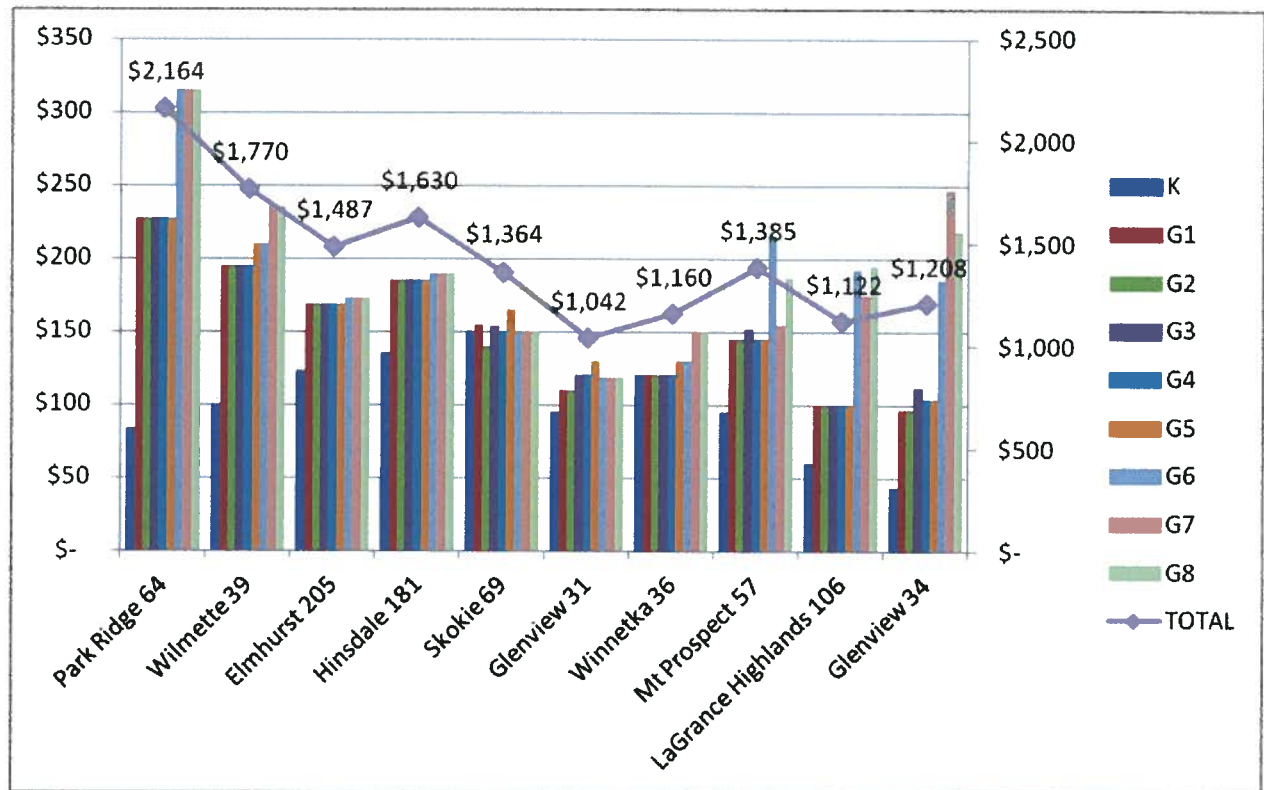
**Analysis:**

Our first step was to investigate the expenses that go against student fees to ensure that there was not a significant surplus or deficit in any category.

	2010-2011 Year End Financial Report			NOTES	
	Actual	Budget	U(O) Budget		
Textbooks - Supplies	\$ 373,703	\$ 381,249	\$ 7,546	Registration Fees are not designed to go against specific expenses, but rather provide funds to be used across the district.	
Textbook Binding - Purch Services	\$ -	\$ -	\$ -		
Technology Supplies	\$ -	\$ 2,500	\$ 2,500		
General Supplies	\$ 1,305,320	\$ 1,411,303	\$ 105,983		
<b>Total Registration Expenses</b>	<b>\$ 1,679,023</b>	<b>\$ 383,749</b>	<b>\$ (1,295,274)</b>		
<b>Total Registration Fee Revenue</b>	<b>\$ 987,473</b>	<b>\$ 954,864</b>	<b>\$ (32,609)</b>		
<b>% Expenses Covered</b>	<b>58.8%</b>	<b>248.8%</b>			
Athletic Referee & Judges - Purch Service	\$ 5,250	\$ 4,760	\$ (490)		Athletic and Music Elective fees are designed to cover only supply expenses for these activities. Personnel expenses and stipends are not covered by the fees.
Athletic Travel - Purch Services	\$ -	\$ 4,280	\$ 4,280		
Athletic Uniforms - Supplies	\$ 6,614	\$ 6,000	\$ (614)		
<b>TOTAL Athletic Expenses</b>	<b>\$ 11,864</b>	<b>\$ 15,040</b>	<b>\$ 3,176</b>		
<b>Athletic Fee Revenues</b>	<b>\$ 18,191</b>	<b>\$ 4,800</b>	<b>\$ (13,391)</b>		
<b>% Expenses Covered</b>	<b>153.3%</b>	<b>31.9%</b>			
Music Supervision - Salary	\$ 15,818	\$ 5,000	\$ (10,818)		
Instrumental Music - Supplies	\$ 8,923	\$ 7,500	\$ (1,423)		
Music Supplies - supplies	\$ 23,818	\$ 25,712	\$ 1,894		
<b>TOTAL Music Expenses</b>	<b>\$ 48,559</b>	<b>\$ 38,212</b>	<b>\$ (10,347)</b>		
<b>Instrumental Music Rev</b>	<b>\$ 30,153</b>	<b>\$ 25,000</b>	<b>\$ (5,153)</b>		
<b>Chorus Rev</b>	<b>\$ 2,211</b>	<b>\$ 1,000</b>	<b>\$ (1,211)</b>		
<b>TOTAL Music Revenue</b>	<b>\$ 32,364</b>	<b>\$ 26,000</b>	<b>\$ (6,364)</b>		
<b>% Expenses Covered</b>	<b>66.6%</b>	<b>68.0%</b>			
Transportation Contract	\$ 1,085,958	\$ 1,085,958	\$ -	The team has not yet done analysis of pay rider costs as a percent of total busing costs.	
Transportation Special Ed	\$ 870,000	\$ 619,070	\$ (250,930)		
Field Trips Non-Reimbursable	\$ 45,750	\$ 39,906	\$ (5,844)		
Music Field Trips	\$ 5,000	\$ 4,184	\$ (816)		
Field Trips Reimbursable	\$ 10,000	\$ 9,849	\$ (151)		
Extended Day Field Trip		\$ 1,614	\$ 1,614		
<b>TOTAL Transportation Expenses</b>	<b>\$ 2,016,708</b>	<b>\$ 1,760,581</b>	<b>\$ 647</b>		
<b>Pay Rider Revenue</b>	<b>\$ 35,673</b>	<b>\$ 25,200</b>	<b>\$ (5,621)</b>		
<b>Field Trips Revenue</b>	<b>\$ 41,028</b>	<b>\$ 36,000</b>	<b>\$ 17,962</b>		
<b>TOTAL Transportation Revenue</b>	<b>\$ 76,701</b>	<b>\$ 61,200</b>	<b>\$ (10,473)</b>		
<b>% Expenses Covered</b>	<b>3.8%</b>	<b>3.5%</b>			
Food Service Contract - Purch Services	\$ 507,602	\$ 477,919	\$ 29,683	Middle School lunch expenses appear to almost cover the costs of lunch services	
Food Service Supplies - Supplies	\$ -	\$ -	\$ -		
<b>Total Lunch Expenses</b>	<b>\$ 507,602</b>	<b>\$ 477,919</b>	<b>\$ 29,683</b>		
<b>Total Lunch Fee Revenues</b>	<b>\$ 419,422</b>	<b>\$ 452,495</b>	<b>\$ 33,073</b>		
<b>% Expenses Covered</b>	<b>82.6%</b>	<b>94.7%</b>			
Lunchroom Supervision - Salary	\$ 529,079	\$ 480,500	\$ (48,579)	Fees appear to cover personnel costs for Before School and Lunch Supervision.	
<b>Total BS/Lunch Supervision Expenses</b>	<b>\$ 529,079</b>	<b>\$ 480,500</b>	<b>\$ (48,579)</b>		
<b>Total BS/ Lunch Supervision Revenue</b>	<b>\$ 512,038</b>	<b>\$ 530,000</b>			
<b>% Expenses Covered</b>	<b>96.8%</b>	<b>110.3%</b>			

The next step of our analysis was benchmarking District 64 fees against comparable districts. Using data from the Illinois Interactive Report Card (<http://iirc.niu.edu>) and from comparable district websites, it was determined that District 64 has a very high mandatory registration fee for every student. Total cost of registration fees for each child for grades K through 8 equals \$2,164, which is **22%** higher than the next highest district, Wilmette 39.

### Mandatory Registration Fees – Park Ridge D64 and Comparable Districts



Source: Individual District Websites

This total registration fee does not include Elementary Lunch Supervision Fee of \$165 per year. Addition of the Lunch Supervision Fee brings District 64 total to \$2,989 for grades K through 8; **68%** higher than the total for Wilmette 39. No other comparable district charges lunch supervision fees for its students.

#### School Board Meeting, April 23:

At the March 12<sup>th</sup> board meeting, Becky Allard brought forth a proposal that the district abandon the current “open campus” policy regarding elementary lunch. The recommendation was to adopt a “closed campus” policy where students are required to remain on campus for lunch unless checked out of the office by a responsible adult. The current “open campus” policy is a safety concern and it requires additional effort by staff to ensure accurate attendance during and after lunch period.

During the April 23<sup>rd</sup> meeting, the school board approved a motion to eliminate the lunch supervision fee. In addition to the financial benefit to District 64 families, this change allows the district to eliminate the “open campus” policy. In today’s environment, going home for lunch is not optional for the majority of students, so lunch supervision has become a mandatory cost for District 64 families.

### Next Steps:

The CFC team is currently looking for guidance from the Board as to the next step of our investigation. From discussion at the April 23<sup>rd</sup> board meeting and subsequent discussions with our team, we have several options:

1. Continue investigation into the mandatory registration fees and ways to bring them more into line with our comparable districts.
2. Elective fees (music, chorus, athletics, etc.) currently do not cover all the costs of these activities, namely the cost of any teacher stipends or personnel. The CFC proposes investigating the true costs of these electives, plus any other clubs or activities, and increasing elective fees to accurately cover all costs associated with elective programs. If these programs are no longer subsidized from other sources, the savings could then be used to reduce the mandatory registration fee.
3. Review optional paid bus rider fees (for any student living within 1.5 mile radius). These fees have not been reduced to reflect changes in busing costs due to the contract with Illinois Central School Bus.
4. We recommend more transparency into student fees and better information to taxpayers as to the purpose of fees and the expenses they are intended to cover. In addition, taxpayers should be able to see the amount of loss/deficit for each type of fee. This may be addressed by working with the Taxpayer Education and/or Financial Transparency CFC teams.

Note: During the April 23<sup>rd</sup> board meeting, there was some discussion of having the CFC investigate Extended Day Care costs to ensure that the District budget is not subsidizing this optional service. The CFC team will table this investigation as the Extended Day Care program may be restructured as part of a different action by the administration.



**ATTACHMENT 1: COMPARABLE DISTRICT FEE SCHEDULES**

DISTRICT	FEE RANK	REQUIRED FEES	REQUIRED FEES	ELECTIVE FEES
Park Ridge 64 2011-12	1	K \$ 84	K \$ 84	Instrumental Music \$ 40
		G1-5 \$227	G1-5 \$ 227	Basketball \$ 100
		G6-8 \$315	G6-8 \$ 315	Volleyball \$ 75
		G1-5 Lunch Supervision \$165	G1-5 Lunch Supervision \$ 165	Cross Country \$ 25
				Chorus - Elem \$ 5
			Chorus - Mid Sch \$ 15	
			Paid Bus Rider (all year) \$ 510	
			Paid Bus Rider (cold weather) \$ 305	
Wilmette 39 2012-2013	2	K \$ 100	K \$ 100	Instrumental Music G5 \$ 150
		G1-4 \$195	G1-4 \$ 195	Instrumental Music G6 \$ 305
		G5-6 \$210	G5-6 \$ 210	Instrumental Music G7-8 \$ 385
		G7-8 \$235	G7-8 \$ 235	Choral Music G5-8 \$ 85
				Transportation 2-way \$ 495
		Transportation 1-way \$ 275		
Elmhurst 205 2011-12	3	Pre K \$ 88	Pre K \$ 88	Instrumental Music \$ 150
		K \$ 88	K \$ 195	Vocal Music \$ 65
		G1-5 \$134	G1-5 \$ 210	Athletics G6-8 \$ 34
		G6-8 \$138	G6-8 \$ 235	Club Fee (per club) \$ 10
		Tech Fee GK-8 \$ 35		Early and Late activity bus/sem \$ 38
Hinsdale 181 2011-12	4	K Textbook \$115	K \$ 135	Activity G 1-5 \$ 11
		G 1-5 Textbook \$145	G1-5 \$ 185	Activity G6-8 \$ 40
		G 6-8 Textbook \$150	G6-8 \$ 190	Sports G6-8 (Xcountry, Vball, Tr TBD
		K Technology \$ 20		
		G 1-8 Technology \$ 40		
Skokie 69 2012-13	5	Registration K-8 \$ 75	K \$ 150	Sports \$ 70
		Textbook K-8 \$ 50	G1 \$ 155	Bus Trans 1st child/family \$ 150
		Technology K-8 \$ 15	G2 \$ 140	Bus Trans each add. Child \$ 75
		Recorder G3 \$ 4	G3 \$ 154	Afterschool busing \$ 10
		Calculator G1-4 \$ 5	G4 \$ 150	
		Calculator G5-8 \$ 15	G5 \$ 165	
		Field Trip \$ 10	G6-8 \$ 150	
Glenview 31 2011-12	6	K \$ 95	K \$ 95	Winklerman Milk \$ 20
		G1-2 \$110	G1-2 \$ 110	Winklerman Yearbook \$ 25
		G3-4 \$120	G3-4 \$ 120	Field School Yearbook \$ 30
		G5 \$130	G5 \$ 130	Graduation party G8 \$ 10
		G6-8 \$119	G6-8 \$ 119	
Winnetka 36	7	K-4 \$120	K-4 \$ 120	Yearbook Mid School only \$ 30
		G5-6 \$130	G5-6 \$ 130	Suzuki string instrument \$ 950
		G7-8 \$150	G7-8 \$ 150	Bus Fee kids #1-4 \$465 / \$30
Mt Prospect 57 2012-13	8	K \$ 95	K \$ 95	Bus Fee \$ 375
		G1-5 \$115	G1 \$ 145	Interscholastic Athletics G6-8 \$ 200
		G6-8 \$125	G2 \$ 145	Intramural Athletics & Clubs G5 \$ 48
		G1-8 Technology \$ 30	G3 \$ 152	Performing Arts G3-8 \$ 90
		Recorder G3-5 \$ 7	G4 \$ 145	
		Band Practice Book (6-8) \$ 8	G5 \$ 145	
		Lock G6-8 \$ 5	G6 \$ 216	
		PE Uniform G6-8 \$ 23	G7 \$ 155	
		Yearbook G6-8 \$ 25	G8 \$ 187	
		Graduation G8 \$ 32		
LaGrange Highlands 2011-12	9	K \$ 60	K \$ 60	Music Enrichment ?
		G1-5 \$100	G1-5 \$ 100	Yearbook GK-5 15
		G6-8 \$175	G6 \$ 192	Book Socks 3
		G6 Lock \$ 7	G7 \$ 175	Party Dues 5
		G8 Graduation \$ 20	G8 \$ 195	Yearbook G6-8 24
		PE Uniform G6-8 \$ 10		Gym Bag 8
		Art Smart ?		
Glenview 34 2011-12	10	K \$ 43	K \$ 43	Instrumental Music G4-5 \$ 45
		G1-2 \$ 97	G1-2 \$ 97	Instrumental Music G6-8 \$ 71
		G3-5 \$104	G3 \$ 112	Chorus G6-8 \$ 30
		G3-5 book cover/recorder \$ 8	G4-5 \$ 104	Paid Bus Rider \$ 270
		G6 \$170	G6 \$ 185	
		G6-8 PE Uniform (one time) \$ 15	G7 \$ 247	
		G7 \$117	G8 \$ 219	
		G7-8 Calculator (one time) \$130		
		G8 \$219		

*NOTE: Before and After School Care fees are not included in this list  
Sources: Individual District Websites*

**ATTACHMENT 2: COMPARABLE DISTRICT DATA**

Illinois Interactive Report Card											
District Name	Enrollment	Size	# school s	All Subjects Meets & Exceeds	Ave Teacher Salary	Ave Teacher Exp. (years)	Instructional \$/pupil	Operational \$/pupil	Low Income	EAV/pupil	Total School Tax Rate
Park Ridge CCSD 64	4,281	Large	7	94%	\$ 78,612	14	\$ 9,120	\$ 13,450	4%	\$ 530,239	2.70
Wilmette SD 39	3,660	Large	6	97%	\$ 69,738	11	\$ 8,067	\$ 13,122	1%	\$ 615,591	1.80
Elmhurst SD 205	8,054	Large	12	91%	\$ 76,241	11	\$ 7,694	\$ 12,482	11%	\$ 346,576	3.30
Hinsdale CCSD 181	4,002	Large	9	97%	\$ 86,134	14	\$ 8,619	\$ 14,426	3%	\$ 743,644	1.80
Skokie SD 69	1,709	Medium	3	82%	\$ 64,978	10	\$ 6,412	\$ 11,512	52%	\$ 356,577	3.30
West Northfield SD 31	890	Medium	2	92%	\$ 65,209	12	\$ 8,000	\$ 13,824	13%	\$ 1,052,550	1.40
Winnetka SD 36	1,919	Large	5	96%	\$ 69,932	13	\$ 9,967	\$ 17,842	0%	\$ 998,551	2.10
Mount Prospect SD 57	2,143	Large	4	95%	\$ 61,171	13	\$ 5,522	\$ 10,497	6%	\$ 408,932	2.30
LaGrange Highlands SD 106	909	Medium	2	96%	\$ 69,712	14	\$ 8,250	\$ 13,291	3%	\$ 560,670	2.30
Glenview CCSD 34	4,844	Large	8	93%	\$ 63,668	10	\$ 7,950	\$ 13,420	18%	\$ 562,937	1.90

Source: Illinois Interactive Report Card



**Community Finance Committee  
Group 1 – Taxpayer Education**

**Members**

Bill Barnum, Joel Martin, Laura McGrady, Mohamad Nasir, Kathleen Pancini,  
Courtney Smee

**DRAFT**

We recommend that a new page, called “District Finances,” be created as a stand-alone item on the District website. It should be placed under the “District” tab on the horizontal menu bar so that it is easily accessible.

We also recommend that the “Fact Book” be taken off the website; the information is dated.

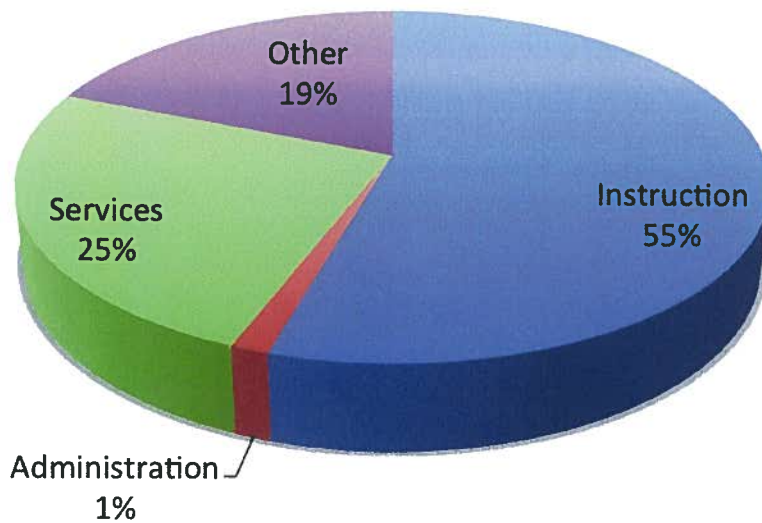
When you click on “District Finances” the items that would pop up are:

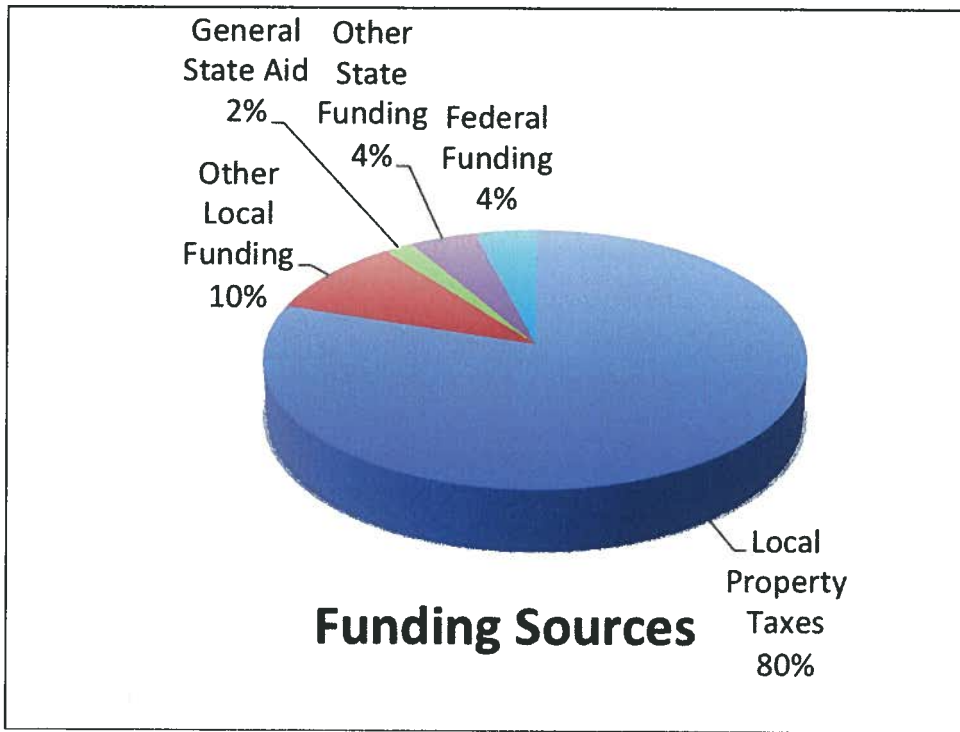
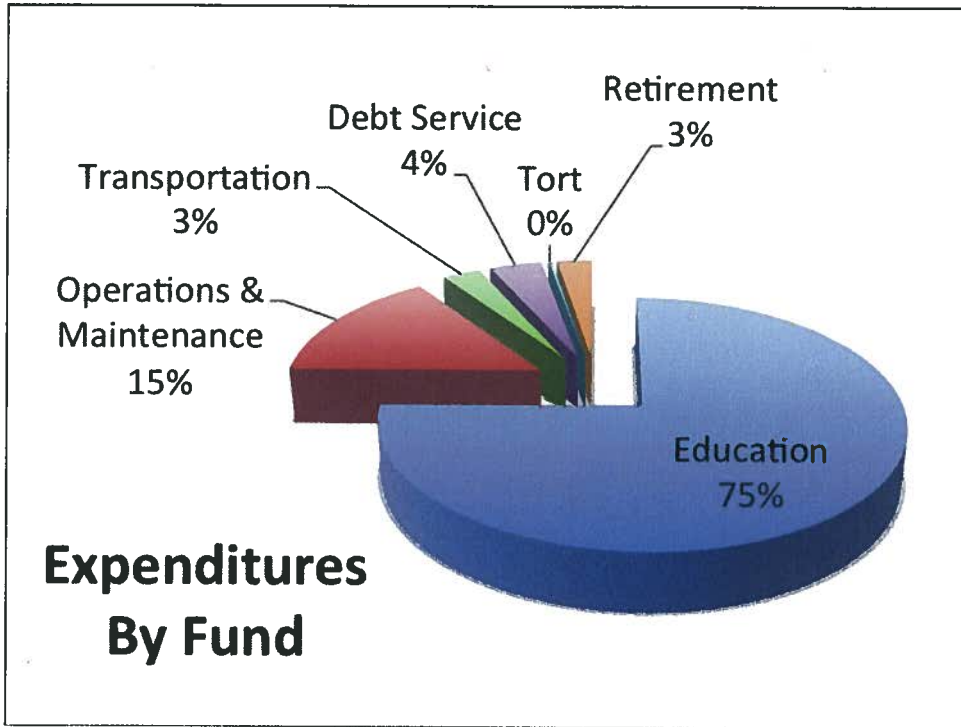
- **First Item:** “IL School Funding 101”
  - There could be a direct link to the following: <http://isbe.net/finance/>
  - Possible additional information and links as appropriate.
- **Second Item:** “District 64 Finances – Where does our money go?”
  - Pie Chart on where it all goes and a brief explanation of what goes into each section of the pie chart. (Attachment 1)
  - ISBE information and school report card link.
  - Also note on this tab that School Report Cards can be used to compare District 64 to other districts.
- **Third Item:** “Tax Levy Impact on Tax Bills” (Tax Caps and Tax Refunds)
  - Property Taxes 101: Taking the mystery out of the process. Include example similar to Arlington Heights (Attachment 2)
  - [http://www.iasb.com/journal/j010208\\_03](http://www.iasb.com/journal/j010208_03) (Attachment 3)
- **Fourth Item:** “What is District 64’s operating fund balance, what does that mean?”
  - Plug in info from District Business office
- **Next Item:** *Combine with item 2?* “How much do we spend per student?”
  - Possible link to <http://iirc.niu.edu/>
- **Fifth Item:** “Current Financial Issues in District 64”

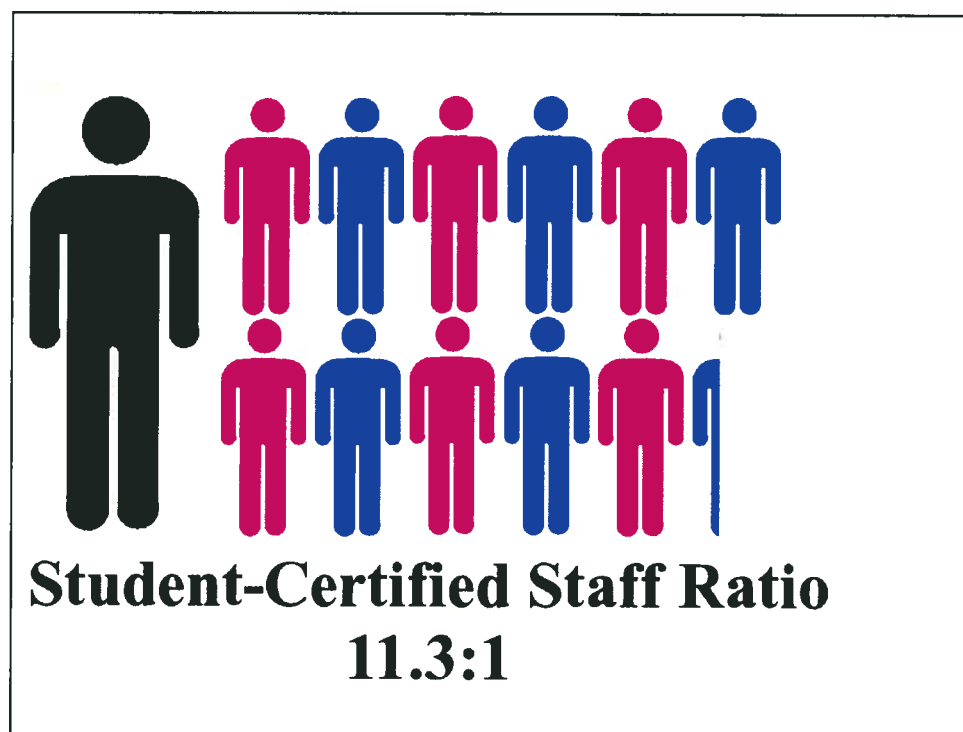
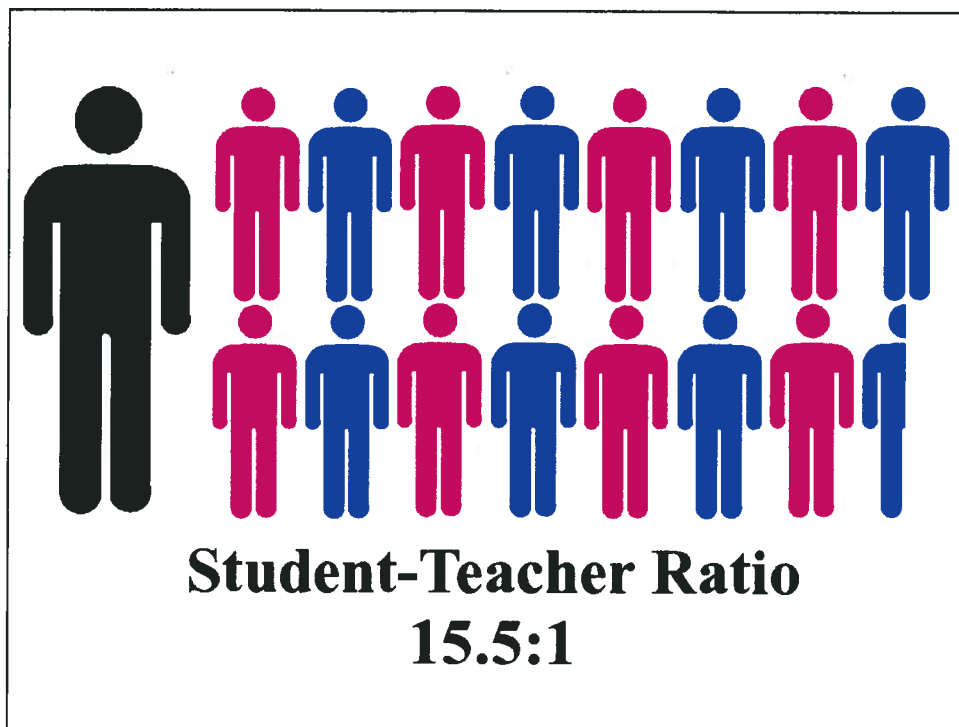
# Sample Visuals for District 64

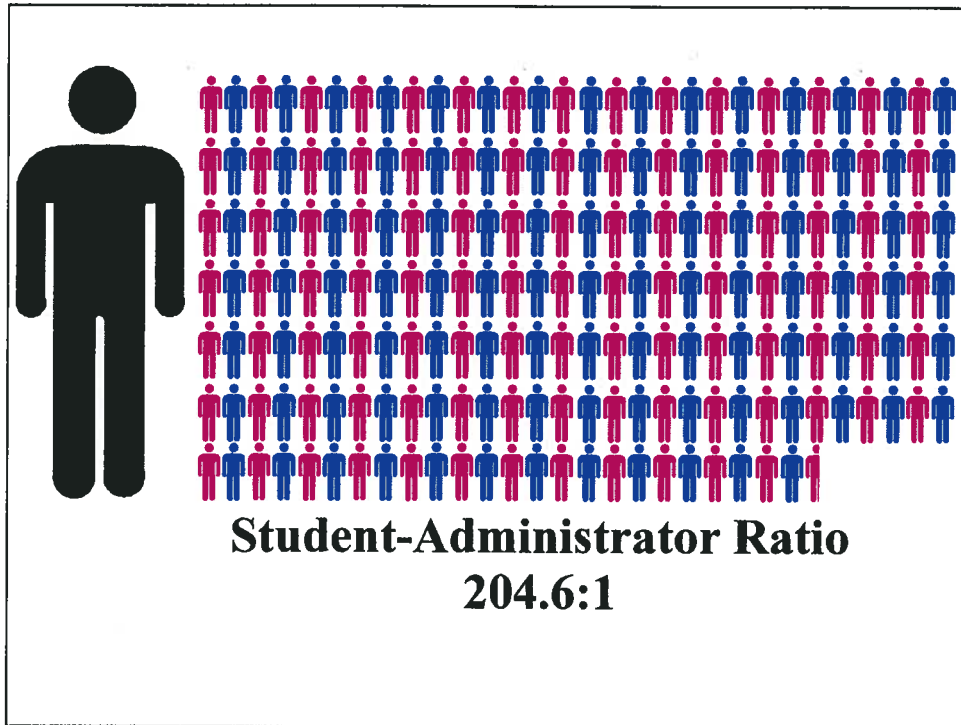
Source: [Illinois State Board of Education](#)

## Expenditures by Function







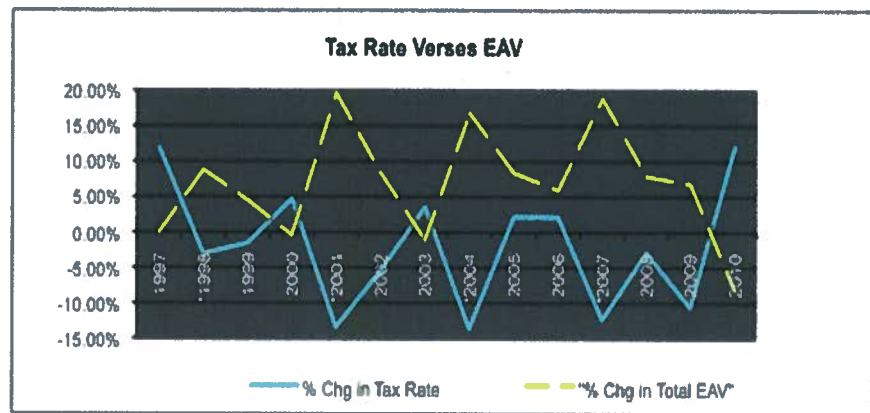


## Arlington Heights School District 25 Tax Levy Impact on Tax Bills

The school district does not levy tax based on a rate or an increase in a rate. The district levies taxes based on a dollar amount, and that dollar amount is limited to an increase each year of the Consumer Price Index (CPI) or 5%, whichever is less. The Cook County Clerk's office divides that dollar amount by the total Equalized Assessed Valuation (EAV) of all properties in the school district.

$$\frac{\text{School District Tax Extension}}{\text{Total EAV}} = \text{Tax Rate}$$

When the Total EAV in the District increases, the tax rate decreases to ensure the school district only receives the dollars it is entitled to. Conversely, when the Total EAV decreases, the tax rate increases to ensure the school district receives the dollars it is entitled to.



### Property values have gone down. Why did my tax bill go up?

The percent change in your property tax bill is not a 1:1 relationship with the percent change in your property value. Other factors also impact your tax bill:

- **Did your homeowner's exemption amount change from the prior year?** The legislature voted to decrease and phase out exemption amounts for the 7% Expanded Homeowner Exemption. The minimum homeowner's exemption is \$6,000. The maximum homeowner's exemption in Cook County will decrease from \$20,000 to \$12,000 by tax year 2012.
- **Are you receiving all the money saving exemptions to which you are entitled?** Exemptions may save you hundreds of dollars on your tax bill. To view descriptions of exemptions available in Cook County go to "<http://cookcountyassessor.com/exemptions.aspx>"
- **What was the change in your EAV as compared to other taxable properties in the community?**

Reductions and increases in EAV of individual properties cause a shift in the tax burden to other properties. If other property EAVs decreased by a larger percent than yours, your resulting EAV would represent a larger portion of the total EAV than it previously did. Thus, you would be responsible for a larger portion of the taxes than you previously were. With thousands of taxable properties making up the total EAV, it is impossible to predict your tax bill simply based on what happens with your individual property's EAV.



**Consider this simplified example:**

***Year 1:** The school district needs taxes of \$10,000 to provide services to your children. Suppose there are only 2 taxable properties in the community, your home and a commercial bank. The taxable value (EAV) of your home is \$100,000 and the EAV of the bank property is \$700,000.*

*Your home represents 12.5% of the total EAV ( $\$100,000/\$800,000$ ), so your share of the tax bill is  $12.5\% * \$10,000$  or  $\boxed{\$1,250}$ .*

***Year 2 declining EAV:** The school district is limited by the Consumer Price Index (CPI) to an increase in property taxes of 2.7%, or \$270, for a total tax of \$10,270. At the same time, your EAV decreases by 15% to \$85,000 and the bank EAV decreases by 30% to \$490,000.*

*Your home now represents 14.8% of the total EAV ( $\$85,000/\$575,000$ ), so your share of the tax bill is  $14.8\% * \$10,270$  or  $\boxed{\$1,520}$ .*

*Even though your EAV decreased, the bank's EAV decreased more, so **your property now represents a larger proportion of the total tax base**, and thus, a larger proportion of the tax burden.*

***Year 2 increasing EAV:** The school district is still limited by the Consumer Price Index (CPI) to an increase in property taxes of 2.7%, or \$270, for a total tax of \$10,270. However, had your EAV increased by 20% to \$120,000 and the bank's EAV by 30% to \$910,000, you would not have seen a 20% increase in your taxes.*

*Your home now represents 11.7% of the total EAV ( $\$120,000/\$1,030,000$ ), so your share of the tax bill would be  $11.7\% * \$10,270$  or  $\boxed{\$1,201}$ .*

*Even though your EAV increased, the bank's EAV increased more, so your property now represents smaller proportion of the total tax base, and thus, a smaller proportion of the tax burden.*

District 25 was apportioned a 3.07% overall increase from 2009 to 2010 in total taxes due. This reflects an increase based on CPI of 2.7% plus new growth. In 2003, Cook County implemented the 7% Expanded Homeowner's Exemption in an effort to provide immediate relief to homeowners facing assessment increases. This caused a shift in the overall tax burden from residential to commercial properties. Since 2003, commercial properties have been carrying a greater tax burden due to the 7% cap on residential assessments. Two years ago, Cook County began phasing out the 7% residential cap. This is causing a shift in overall burden from commercial properties back to residential properties.



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# Declining EAV, Rising Tax Rates and How Do We Explain It?

By Michael Jacoby, Executive Director, Illinois ASBO  
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*More and more districts are finding complaints arising from local taxpayers who believe the impact of PTELL should mean lower taxes. On a real and personal level, taxpayers have difficulty understanding why their taxes increase as their property values decrease.*

*In response to this growing problem, on October 6 Illinois ASBO gathered together various district leaders who were already experiencing or anticipating declining EAV and increasing tax rates for a discussion group. Out of this timely and relevant discussion, emerged a list of 10 best practices for districts who may be experiencing or looking toward this issue in.*

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## Framing the Discussion

Now that property values in most communities are in decline since the real estate bubble burst several years ago, a new reality is emerging in districts subject to PTELL. With declining values and a continuing increase in CPI, district tax rates are increasing proportionately. The impact of this for a local property owner can be the sad reality of the loss of value in his or her property corresponding with a higher tax rate to produce an aggregate tax extension that matches the increase in CPI.

An additional complication is that local property taxes are the aggregate mix of residential, commercial and industrial values. So, even if a single parcel changes in value, the rate associated with that parcel is connected to the value changes (up or down) of all other parcels within the jurisdiction of the local taxing body. Transparency is difficult to come by as these equations are extremely detailed. In addition, many separate and distinct entities such as township assessors, county assessors, county clerks, the Department of Revenue, the Property Tax Appeal Board and other local

governmental entities, are responsible for determining the variables that make up the tax bill.

In light of this emerging issue, legislators have begun to discuss additional caps on local extensions where aggregate property values are decreasing. While those efforts (HB 3793/SB 2073) sound good to taxpayers, the rhetoric around them – though loudly spoken – is full of half-truths. Nothing in these bills would guarantee lower tax bills for residents and the decline in services (police, fire, municipal, schools, parks, etc.) could be devastating to communities. Several years ago, the CPI was at 0.1%, which was nearly the 0% proposed, and the incidence of declining values and increasing tax rates was still present.

Illinois already has a significant equity gap between districts and setting an additional cap only on some for reasons that may not even be associated with residential property values, would simply exacerbate the issue. With more than sixty percent of all school funding in Illinois dependent on local property taxes and with ever decreasing financial support from state

and federal resources, such an additional cap would severely impact the quality of instruction for our children and erode the one thing that contributes to higher property values – excellent schools.

### **Current Occurrence in Focus Group School Districts**

*Of the districts represented at the discussion group:*

- Six were experiencing their first year of declining EAV and increasing tax rates. They saw an average decline in EAV of around seven percent (7%), with the resulting tax rate increase of fourteen percent (14%), on average.
- Five participants were in their second year, with an average EAV decline of three percent (3%) in the first year and around six percent (6%) in their second year.
- Two represented districts were in their third year of declining EAV, averaging nine percent (9%).
- Three districts in attendance came in anticipation of this issue in the future.
- On average, in the second and third year of decline, districts experienced an increased tax rate of around four percent (4%).

### **Is the Community Aware?**

The next logical question was, “What kind of dialogue has there been on the issue?” The majority in attendance had already begun preliminary discussions with their boards, although depending of the background and experience of board members, the level of understanding varied. The best scenario was an active board that was able to go into the community and explain the issue. In most represented districts, the community was starting to become more aware, with a few beginning to get some calls from press and community members.

As districts were not yet feeling heavy pressure from outside forces, participants decided that planning and preparing now for how to communicate about this issue was necessary. In the discussion, some best practices emerged.

### **“De-geeking” the issue**

The idea of creating simpler explanations so that board and community members could more easily understand the complexity of this issue is a challenge for every school leader.

*Some suggestions include:*

- Clarifying that the district levies dollars as opposed to a rate.
- Creating easy to understand graphics.
- Producing a series of short, simple communications so stakeholders can understand all the moving parts.
- Using simple “cause and effect” illustrations i.e. “If we levy X dollars, our budget will look like X in the long term and the typical tax bill will change by X.”

Stacey Mallek of Arlington SD 25 has already posted a document on her district’s Web site to address this issue. Find her document or post your own suggestions or documents in the Illinois ASBO peer2peer Network “Declining EAV” discussion in the Hot Topics Group. Remember that you must join the group to add to the discussion.

### **What’s next?**

Many policy-related issues were brought up in the discussion that Illinois ASBO has already begun to, or will continue to, explore through the Delegate Advisory Assembly. These include: TIF transparency, the raising of statutory rate limits and PTAB recovery.

A future issue may be to look more carefully at the Cook County Multiplier and the necessity of processing a levy under the tax cap.

Illinois ASBO will continue to watch for issues such as this that may lend to future discussion groups and look for ways to aid districts with their many challenges.

*On the following page find the list of best practices that emerged within the discussion group.*

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## Top Ten Best Practices to Address Declining EAV and Rising Tax Rates (In Rank Order)

- 1. Early Communication:** Making boards and communities aware of the emerging issue is seen by practitioners as the first and most important action a leadership team can take. This should not be a surprise when tax bills are distributed!
- 2. Limit “Defensive” or “Protective” Levies:** When values were increasing and new property was emerging at record rates, districts often responded by levying in excess of what they expected to receive. This protected against an under-levy and permanent losses in extension. Now that values are decreasing, the CPI may be a better measure for anticipating the increase in levy requests. Staying below the five percent level also eliminates the need for public hearings on the tax levy. In the end, the CPI is going to determine the actual extension, so why ponder something greater if not necessary? Some districts are abiding by the Truth in Taxation procedure even if the levy is less than five percent Something to consider.
- 3. Place Tax Rates in a Long-Range Context:** This means showing the current rate in light of the long-term rate trends. Since most property tax payers only understand the current rate against their current value, it is good for them to see the rate changes over the last 10 to 20 years when the typical impact of PTELL was to lower rates or keep them steady.
- 4. PTAB Communication:** When an adverse decision is rendered by PTAB, it is best to publicly communicate the impact as soon as practicable. This mitigates against a misunderstanding of the shift of tax burden between corporate and industrial and residential taxes.
- 5. Interaction with Assessors:** A practical step is to interact with assessors so that districts can know what their targets are for assessment and the impact of triennial or quadrennial assessments will have when implemented.
- 6. Compare Current Rates to Voter Approved Rates:** Again, the impact of PTELL over time has been to reduce tax rates well below those rates already approved by voters. Comparing current rates to the voter-approved rates will often show that the rate is still lower than the community agreed it would embrace through referendum.
- 7. Early Levy Adoption:** Several districts in Cook County have adopted levies earlier in the fiscal year in order to have that discussion take place in the community outside of the time when tax bills from the prior year levy are being received. Since property taxes are almost always perceived as onerous, discussing a future levy at the same time as residents are paying the current tax can be problematic.
- 8. Proactive Dialogue Around Options:** Discussing options in advance with a board of education can mitigate against a reactive decision regarding levies, rates and budgets.
- 9. Make No Promises:** In a prior economic time, it was quite common to make tax rate promises when presenting a referendum to the community. Now that the volatility of local values is quite real, it is prudent to refrain from those types of commitments.
- 10. Abatement and Restructuring of Debt:** While this is an option to lower the overall tax rate, it can be used only sparingly and restructuring can happen only once. However, if the options are to restructure or abate vs lowering the levy for operating funds, it is a better option to lower the Bond and Interest rate than permanently lose extension for the Education or other operating funds.



# Borrowing Opportunities Study Group Update

Prepared for the District 64  
School Board  
May 21, 2012

## Current Status

- The Borrowing Opportunities group has experienced substantial attrition, leaving few resources to complete the analysis of available Borrowing Opportunities.
- Remaining group members reviewed the various options presented by William Blair and developed an initial recommendation.
- An additional funding option was suggested by William Blair on May 1. The Borrowing Opportunities group is revisiting its initial recommendation in light of this option.
- Documentation of the group's analysis and rationale is in process.

## Next Steps

- Review recommendation with the 10-Year Budgeting team to (1) supplement the analysis and conclusions reached by the Borrowing Opportunities team and (2) allow the 10-Year Financial Projections team to refine its analysis if necessary.
- Prepare full presentation for June 25 School Board meeting.

Submitted by Renate Stolzer & Tom Marinis