

ACTION ITEM

Date: **October 23, 2017**

To: **Raymond E. Lechner, Ph.D.**
 Superintendent

From: **Gail F. Buscemi**
 Business Manager

Subject: **Review the Tax Year 2017 Estimate of Levy and Approve the Public Hearing**

Proposed Action by the Board of Education

Review the Tax Year 2017 Estimate of Levy as per “Exhibit A” attached; and,

Approve a *Public Hearing on the Proposed Levy* scheduled to immediately precede the regular December 18th meeting of the Board of Education.

Background

Adopting a levy on an annual basis is one of the major functions of our Board of Education. Excluding the State’s on-behalf payment, residential property taxes generate approximately 84% of all revenues for the District.

During the regular December meeting of the Board of Education, the Board will need to adopt a tax levy for the 2017 tax year. This levy must be filed with the Cook County Clerk prior to the last Tuesday in December (December 26, 2017). Collections for the 2017 taxes are scheduled to begin in Cook County on or around March 2018 and continue through February 2019. By the end of the current fiscal year (June 30, 2018), the District typically receives approximately 52% of the total 2017 tax levy in each of its various funds.

Property Tax Extension Limitation Act (1995)

Legislation passed in the late winter of 1995 requires Cook County taxing bodies to levy taxes against the last known Equalized Assessed Value (EAV), which is the 2016 EAV. During 2016, the EAV of property within the District’s taxing boundaries increased to \$1,817,523,158 or 25.3%. Based on this law, the initial distribution for the 2017 tax levy for District 39 will be calculated against an EAV of \$1,817,523,158 (2016). However, when the County Clerk extends the final payment, the taxes will be adjusted to reflect the Actual 2017 EAV, which is estimated to remain level plus projected new property growth.

Last year, taxing districts were limited to a 0.7% increase in the levy (the change in the 2015 national Consumer Price Index for all consumers for all items), excluding the Debt Service levy and excluding new growth. The change in the 2016 national Consumer Price Index for all consumers for all items is 2.1%. Therefore, the County Clerk cannot extend our levy by more than 2.1% increase over the prior year extension, exclusive of Debt Service and new property growth. The general effect of this Act is to limit revenue growth from the property tax for school districts to the rate of inflation plus an allowance for new property. The Act gives the taxpayers the power to grant additional revenue through referendum.

Commonly used terms during the levy adoption process are:

Levy

- The formal request by a school district for a certain amount of revenue to be generated by the property tax. This formal request must be sent to the County Clerk prior to the last Tuesday in December. The levy determines the total amount to be raised by property taxes subject to the Property Tax Extension Limitation Law (PTELL).

Extension

- The process by which the County Clerk determines the tax rate needed to raise the revenue (levy) certified by each taxing district in the county.
- The actual dollar amount billed to property taxpayers in a district.

Equalized Assessed Value

- The assessed value multiplied by the state equalization factor (the multiplier), which is determined by the Department of Revenue; this gives the property value from which the tax rate is calculated after deducting exemptions.

New Growth

- New construction, improvements or additions to existing buildings on any parcel of real property that increased the assessed value of that real property during the levy year. It does not include maintenance and repairs. The value of the new property is limited to the actual assessed value added by the new improvement multiplied by the state equalization factor.

Determining the Proper Tax Levies

Before the tax cap years, the District made levy recommendations to the Board of Education based on a fund-by-fund need analysis. That type of analysis is no longer relevant under the tax cap regulations. The District should levy as much as it can within the restrictions of the tax cap because the increase in the levy will only cover basic inflationary increases. It is important to levy to the fullest extent possible under the tax cap because any loss in revenue due to under levying is lost forever. Even with the limits of the tax cap, each fund is still evaluated and adjusted accordingly to meet the needs of the annual budget.

Levy Process Considerations

Two viable assumptions were made in order to arrive at the 2017 Estimated Levy. First, the Equalized Assessed Value (EAV) is estimated to remain level with a 0% total increase. Second, the value of all new construction is based on a twelve-year historical average plus \$24,500,000. This amount represents \$16,500,000 for Mather Place, which reopened in August 2016. This new amount may be prorated for the 2017 Levy with the balance collected in 2018. The remainder of \$8,000,000 represents the value of estimated construction projects throughout the village. It is presumed that all new construction will include but not be limited to teardown/rebuilds of residential property and improvements to existing commercial properties.

Truth in Taxation Act

The Truth in Taxation Act (Public Act 88-455) requires Boards of Education to determine the amount of money to be raised by property taxes not less than 20 days prior to the adoption of the aggregate tax levy. If the estimate of the aggregate tax levy (excluding Debt Service levy) exceeds 105% of the amount extended the previous year, then a public hearing must be held prior to the levy adoption.

The notice for the hearing must be published in a local newspaper (no more than 14 days and no less than 7 days) prior to the date of any such hearing. It has been District 39's common practice to hold a Truth in Taxation hearing even if the amount of the request is below the legal limit (105% of the prior year extension). At the December board meeting, the Board will certify that it has complied with the regulations of the Truth in Taxation Act.

Based on these requirements, the following levy calendar calls for determination of a proposed levy at the October 23rd Board of Education meeting.

October 16, 2017	School Finance Committee presentation of the 2017 levy material discussion & review.
October 23, 2017	Board of Education meeting. Review 2017 levy material. Adopt Resolution of Estimated Levy and Public Hearing Announcement. This determination must be made not less than 20 days prior to the levy adoption.
December 7, 2017	Prescribed form of notice of Public Hearing must be published in a newspaper with general circulation within the school district no more than fourteen nor less than seven days prior to the public hearing.
December 18, 2017	Scheduled Board of Education meeting. Public hearing on proposed 2017 levy at 7:00 p.m. and adoption of 2017 levy.
December 26, 2017	Last day to file 2017 levy with the Cook County Clerk.

Recommendations

The estimated levy is based upon several variables including the Consumer Price Index (CPI), EAV, the value of new construction, the Cook County multiplier, and the Limiting Rate calculation. The CPI has been determined to increase 2.1% over the prior year's final extension; the other variables have to be finalized. All assumptions were based on the analysis of historical data, local trends and future projections.

The Administration recommends the Board of Education adopt the Resolution Regarding Estimated Amounts Necessary to Be Levied for Tax Year 2017 in compliance with the Truth in Taxation Act. It is further recommended the Board direct the Administration to post the notice of a public hearing and publication of notice for a public hearing to be held on December 18th at 7:00 p.m. in conjunction with its regular meeting. The Board must formally adopt and file the tax levy prior to December 26, 2017 in order to meet all statutory requirements.

Attachment

Recommended for presentation to the Board of Education



Raymond E. Lechner, Ph.D.
Superintendent

EXHIBIT A

	Final Extension <u>2016</u>	Estimated Extension <u>2017</u>	% <u>Increase</u>
Educational Fund			
The greatest variety and the largest volume of transactions shall be recorded here because the Educational Fund covers transactions that are not specifically covered in another fund. Certain expenditures that must be charged to this fund include the direct costs of instructional, health and attendance services, lunch programs, all costs of administration (even those for buildings and grounds), and related insurance costs.	\$ 39,543,851	\$ 40,007,000	1.17%
Special Education: Calculated separately from the Educational Fund. Monies can be assigned to either the Educational or the Operations & Maintenance Fund.	296,256	309,147	4.35%
Tort Fund			
The Tort Fund is used to pay the cost of insurance, and expenses directly associated with claim services and risk management directly attributable to loss prevention, loss reduction, inspections and supervisory services, including appropriate salary amounts, directly relating to loss prevention and loss reduction. In addition, the fund provides for the purchase of claim services, to pay for judgments or settlements, or to otherwise pay the cost of risk management	403,490	281,047	-30.35%
Operations and Maintenance Fund			
All costs of maintaining, improving, or repairing school buildings and property, renting buildings and property for school purposes, or paying of premiums for insurance on school buildings shall be charged to this fund. The salaries of custodial employees, utility costs, and custodial supplies and equipment shall be	7,882,597	9,700,000	23.06%
Transportation Fund			
This fund pays for transporting pupils for any purposes and includes the costs of transportation, including contract services, the purchase of vehicles and insurance on buses.	705,198	635,843	-9.83%
Illinois Municipal Retirement/Social Security Funds			
The purpose of these funds is for providing resources for the district's share of IMRF retirement benefits, social security and Medicare payments for covered employees.	1,466,740	1,580,561	7.76%
Capital Improvements Fund			
This fund includes actual construction costs, builder's risk insurance, purchase of land and other site costs, landscaping, parking lots, sidewalks, utility connections, etc., and other items directly related to the construction project.	-	-	0.00%
Working Cash Fund			
Cash available in this fund may be loaned to the Educational Fund; the Operations and Maintenance Fund; or the Transportation Fund in order that the use of tax anticipation warrants in these funds will be reduced or eliminated.	107,233	85,000	-20.73%
Fire Prevention/Life Safety Fund			
This fund provides for capital improvements that include mandated repairs and life safety improvements.	-	-	<u>0.00%</u>
Total Estimated Levy	\$ 50,405,365	\$ 52,598,598	4.35%
Debt Service Fund			
Bonds are generally issued to finance the construction of buildings and may be issued for other purposes. Taxes are levied by the county to provide cash to retire these bonds and to pay the interest on them. To protect the bondholders, these tax collections must be accounted for in this fund.	1,204,833	1,259,948	<u>4.57%</u>
Total	\$ 51,610,198	\$ 53,858,546	4.36%

**RESOLUTION REGARDING ESTIMATED AMOUNT
NECESSARY TO BE LEVIED FOR THE TAX YEAR 2017**

WHEREAS, the *Truth in Taxation Law* requires that all taxing districts in the State of Illinois 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, if the estimated aggregate amount necessary to be levied, exclusive of election costs and bond and interest costs, exceeds 105% of the aggregate amount of property taxes extended or estimated to be extended, including any amount abated by the taxing district prior to such extension, upon the levy of the preceding year, public notice shall be given and a public hearing shall be held on the district's intent to adopt a tax levy in an amount which is more than 105% of such extension or estimated extension for the preceding year; and

WHEREAS, the Board of Education finds that it is in the best interests of the District for the Board to give similar public notice of and to hold a public hearing on the proposed 2017 aggregate tax levy even if the amount of the proposed 2017 levy does not exceed 105% of 2016 tax extensions, and such notice and hearing are not required by the *Truth in Taxation Law*; and

WHEREAS, the aggregate amount of property taxes extended or estimated to be extended for 2016 was:

Educational Purposes	\$39,543,851
Operations and Maintenance Purposes	7,882,597
Transportation Purposes	705,198
Working Cash Fund Purposes	107,233

Illinois Municipal Retirement Fund Purposes	279,898
Tort Immunity Purposes	403,490
Fire Prevention, Safety Environmental and Energy Conservation Purposes,	--
Special Education Purposes	296,256
Social Security / Medicare	1,186,842
[OTHER]	
TOTAL	\$50,405,365

; and

WHEREAS, it is hereby determined that the estimated amounts of money necessary to be raised by taxation for the year 2017 upon the taxable property of the district are as follows:

Educational Purposes	\$40,007,000
Operations and Maintenance Purposes	9,700,000
Transportation Purposes	635,843
Working Cash Fund Purposes	85,000
Illinois Municipal Retirement Fund Purposes	342,077
Tort Immunity Purposes	281,047
Fire Prevention, Safety, Environmental and Energy Conservation purposes	--
Special Education Purposes	309,147
Social Security / Medicare	1,238,484
[OTHER]	
TOTAL	\$52,598,598

WHEREAS, the *Truth in Taxation Law*, as amended, 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 bond and interest purposes for 2016 was \$1,204,833; and it is hereby determined that the estimated amount of taxes to be levied for bond and interest purposes for 2017 is \$1,259,948.

NOW, THEREFORE, BE IT RESOLVED by the Board of Education, Wilmette Public School District No. 39, County of Cook, State of Illinois, as follows:

Section 1: The aggregate amount of taxes estimated to be levied for the year 2017 is \$53,858,546.

Section 2: The aggregate amount of taxes estimated to be levied for the year 2017 does not exceed 105% of the taxes extended for the district in the year 2016.

Section 3: The amount of taxes estimated to be levied for the year 2017 for debt service is 104.6% of the taxes extended for debt service in 2016.

Section 4: Public notice shall be given in The Pioneer Press, being a newspaper 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 in substantially the following form:

NOTICE OF PROPOSED PROPERTY TAX
INCREASE FOR WILMETTE PUBLIC
SCHOOLS, DISTRICT 39

- I. A public hearing to approve a proposed property tax levy increase for Wilmette School District 39, Cook County, Illinois for 2017 will be held on December 18, 2017, at 7:00 p.m. at the Mikaelian Education Center, 615 Locust Road, Wilmette.

Any person desiring to appear at the public hearing and present testimony to the taxing district may contact Dr. Raymond E. Lechner, Board Secretary, at 847-256-2450.

- II. The corporate and special purpose property taxes extended or abated for 2016 were \$50,405,365.

The proposed corporate and special purpose property taxes to be levied for 2017 are \$52,598,598. This represents a 4.35% increase over the previous year.

- III. The property taxes extended for debt service and public building commission leases for 2016 were \$1,204,833.

The estimated property taxes to be levied for debt service and public building commission leases for 2017 are \$1,259,948. This represents a 4.57% increase over the previous year.

- IV. The total property taxes extended or abated for 2016 were \$51,610,198.

The estimated total property taxes to be levied for 2017 are \$53,858,546. This represents 4.36% increase over the previous year.

The notice must be no less than one-eighth page in size, and the smallest type that can be used is 12 point. The notice must be enclosed in a black border no less than 1/4 inch wide. The notice cannot be placed in that portion of the newspaper where legal notices and classified advertisements appear.

Section 5: This resolution shall be in full force and effect forthwith upon its passage.

ADOPTED this 18th day of December 2017.

BOARD OF EDUCATION
WILMETTE PUBLIC SCHOOL DISTRICT NO. 39
COUNTY OF COOK
STATE OF ILLINOIS

By: _____
President

ATTEST:

Secretary

CERTIFICATE OF COMPLIANCE WITH
THE TRUTH IN TAXATION LAW

I, the undersigned, do hereby certify that I am President of the Board of Education of Wilmette Public School District No. 39 County of Cook, State of Illinois; and

I do further certify that the Board of Education of said district adopted a "Resolution Regarding Estimated Amounts Necessary to be Levied for the Year 2017," at a regularly convened meeting held on the 23rd day of October 2017, said date being at least 20 days preceding the adoption of the aggregate tax levy of the district; and

I do further certify that public notice of the intention of the district to adopt an aggregate tax levy for 2017 was published on December 7, 2017, in accordance with the provisions of the *Truth in Taxation Law*, in a newspaper of general circulation in Wilmette Public School District No. 39, as evidenced by the Certificate of Publication attached hereto; and

I do further certify that a public hearing on the proposed tax levy was held in said district on December 18, 2017; and

I do further certify that the aggregate tax levy of the district was adopted on December 18, 2017, after public notice and a hearing, all in accordance with the *Truth in Taxation Law*.

MARK STEEN, PRESIDENT
BOARD OF EDUCATION
WILMETTE PUBLIC SCHOOL DISTRICT NO. 39
COUNTY OF COOK
STATE OF ILLINOIS