

2011 Tax Levy Presentation



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The Property Tax Cycle

- ☐ During the Spring of each year, property is assessed by your local township and county. In general, your assessment is equal to 1/3 the market value as of Jan 1st of that year.
- ☐ During the Fall of each year, assessments are compiled and analyzed by the Illinois Department of Revenue. The Illinois Department of Revenue applies corrective equalization factors to all the counties to ensure that all assessments reflect 1/3 the market value.
- ☐ During the Fall, school districts adopt a legal budget identifying the anticipated revenues and expenditures of the upcoming year. This legal budget adopted by the School Board serves as the legal justification for the upcoming levy.
- ☐ In November, school districts communicate the estimated tax levy amount. In December, school districts hold a public hearing and adopt the tax levy for that year. Before the last Tuesday in December, the school district's levy is filed with the County Clerk.
- ☐ During the winter of each year, the County Clerk makes any needed changes to the school district's levy and the school district signs off on the final amounts calculated for the district.
- ☐ The County Clerk will then prepare and send out tax bills in May and August of each year.



What is a Tax Levy and when is it?

☐ 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) (New property has no impact on tax rate)

☐ 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 lost 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?

It is simply a 3 step process that uses 4 pieces of information. That's it!

- 1) Take what the district collected last year and add this year's CPI (1.5% for 2011)

$$\$33,759,613 \times 1.015 = \$34,266,007$$

- 2) Divide the \$34,266,007 by the estimated 2011 existing property value

$$\$34,266,007 / (\$715,165,059 - \$2,491,989) = \$0.048081 \text{ (here's the new tax rate!)}$$

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

$$\$0.048081 \times \$715,165,059 = \$34,385,824 \text{ (here's the new extension!)}$$

The county clerk will levy money for Bond and Interest Payments at the end of the process.

2010 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 = \$715,165,059
- 2) PYE = \$ 33,759,613
- 3) CPI = 1.5%
- 4) NP = \$2,491,989



CM201U 2011 Tax Levy – Summary

- **2011 Published Notice:** (required for increases of 5% or greater)
 - 2010 Taxes = \$43,882,439
 - 2011 Taxes = \$44,925,768
 - Year over year increase of \$0.6M or 2.4%
 - This does not mean that your taxes are going to go up 2.4%

- **Illustration of the tax impact to the average homeowner** (School District Portion Only):
 - 2010 Rate was \$5.73
 - 2011 Rate anticipated to be \$6.28 (assuming a 7% decrease in existing EAV's)
 - Year over year increase of \$0.55 or 9.7%
 - Example for a market value home of \$250,000
 - 2010 Tax = $((\$250,000/3) - \$6,000) \times .0573 = \$4,428$ (assessment assumes a 1.0 state multiplier)
 - 2011 Tax = $((\$232,487/3) - \$6,000) \times .0628 = \$4,491$ (assessment assumes a 1.0 state multiplier)
 - Represents a \$63 increase or 1.4% increase
 - Results will vary depending on each homes individual % change in assessed value for 2011, individual exemptions being applied, and value of property.
 - Please Note: The District does not calculate your EAV or the tax rate.

FY 2012 Legal Budget Crete-Monee School District 201U

OPERATING FUNDS	Fund Balance 07/01/11	REV	EXP	Surplus (Deficit)	Other Funding Sources/ Transfers	Fund Balance 6/30/12
Education	3,681,483	44,885,477	46,371,408	(1,485,931)		2,195,552
Health Fund Cash	1,248,766	2,027	325,000	(322,973)	-	925,793
Operations & Maintenance	147,489	4,795,591	5,071,591	(276,000)	130,000	1,489
Transportation	2,681,628	4,008,965	4,319,564	(310,599)	-	2,371,029
I.M.R.F./S.S./Medicare	708,960	2,100,696	1,751,469	349,227	-	1,058,187
Working Cash	7,434,084	53,504	0	53,504	(130,000)	7,357,588
TOTAL	15,902,409	55,846,260	57,839,032	(1,992,772)	-	13,909,637

❑ Operating Deficit of \$1.99M (\$2.2M of which being caused by reduced and delayed state funding).

❑ Having a \$1.99M deficit would be a reason to continue to accept the full CPI increase.



Frequently Asked Questions

❑ How are these taxes allocated and used?

➤ Education Fund	\$26,300,824 (includes Special Education Levy)
➤ Operations & Maintenance Fund	\$ 5,100,000
➤ Transportation Fund	\$ 1,425,000
➤ IMRF/Social Security Fund	\$ 1,550,000
➤ <u>Working Cash Fund</u>	\$ 5,000
Total Operating Funds	\$34,380,824
➤ Bond & Interest Fund	\$10,539,944
➤ Life Safety Fund	\$ 5,000
➤ GRAND TOTAL	\$44,925,768

Frequently Asked Questions

❑ What factors drive your taxes up?

➤ Your house increases in value more than everyone else.

(The year over year percent change in your home's EAV increases more than the overall EAV % change of the entire taxing district.)

The overall tax rate applied to the entire tax district will change to account for changes in EAV. If the % increase in the existing EAV's are less than your home's % change, your taxes increase.

Below numbers are all examples only:

- Your 2010 EAV was \$100K. Your 2011 EAV is \$105K. This is a 5% increase
- Overall 2010 EAV was \$1B. Overall 2011 EAV is \$1.03B. This is a 3% increase
- All else equal, the tax rate will decrease 3% to account for the 3% increase in EAV
- If your home's EAV went up 3%, your taxes would not change
- However, your home's EAV went up 5%, so:

➤ 2010 Rate was $\$45\text{M} / \$1\text{B} = 4.50\%$

Taxes Due = $\$100\text{K} \times 4.50\% = \$4,500$

➤ 2011 Rate is now $\$45\text{M} / \$1.03\text{B} = 4.37\%$

Taxes Due = $\$105\text{K} \times 4.37\% = \$4,587$

➤ If the opposite of this scenario occurred, your taxes would go down.

➤ This is all driven by the Illinois Property Tax Law Formula.

Frequently Asked Questions

❑ What factors drive your taxes up?

➤ Your house does not drop in value as much as everyone else.

(The year over year percent change in your home's EAV decreases less than the overall % decrease in the EAV of the entire taxing district).

The overall tax rate applied to the entire tax district will change to account for changes in EAV. If the % decrease in the overall tax district was greater than your home's % decrease, your taxes increase.

Below numbers are all examples only:

- Your 2010 EAV was \$100K. Your 2011 EAV is \$95K. This is a 5% decrease
- Overall 2010 EAV was \$1B. Overall 2011 EAV is \$940M. This is a 6% decrease
- All else equal, the tax rate will increase 6% to account for the 6% decrease in EAV
- If your home's EAV went down 6%, your taxes would not change
- However, your home's EAV only went down 5%, so:

➤ 2010 Rate was $\$45\text{M} / \$1\text{B} = 4.5\%$

Taxes Due = $\$100\text{K} \times 4.50\% = \$4,500$

➤ 2011 Rate is now $\$45\text{M} / \$940\text{M} = 4.79\%$

Taxes Due = $\$95\text{K} \times 4.79\% = \$4,550$

➤ If the opposite of this scenario occurred, your taxes would go down.

Frequently Asked Questions

❑ What factors drive your taxes up?

➤ Inflation increases the tax amount according to the state tax formula.

The amount of money a school district can levy for increases by the CPI each year. For 2011, the CPI was 1.5%. This means that the district receives what they received last year, plus 1.5%. Note that in 2010, the CPI was 2.7%. The average CPI is 2.5%.

Below numbers are all examples only:

- Your 2010 EAV was \$100K. Your 2011 EAV is \$100K. This is a 0% increase.
- Overall 2010 EAV was \$1B. Overall 2011 EAV is \$1B. This is a 0% increase.
- District received \$40M in 2010.
- CPI for 2011 is 1.5%
- District now is entitled to receive \$40.6M

➤ 2010 Rate was $\$40\text{M} / \$1\text{B} = 4.00\%$

Taxes Due = $\$100\text{K} \times 4.00\% = \$4,000$

➤ 2011 Rate is now $\$40.6\text{M} / \$1\text{B} = 4.06\%$

Taxes Due = $\$100\text{K} \times 4.06\% = \$4,060$

➤ If CPI is negative, the increase would then become 0%.

Frequently Asked Questions

❑ What factors drive your taxes up?

➤ Taxing district pays off more debt in one year as compared to another.

Districts issue debt to primarily build buildings and fund operations when cash shortages exist. This debt is paid off over time and can be structured to be paid off over a long period of time or in a short period of time.

Below numbers are all examples only:

- Your 2010 EAV was \$100K. Your 2011 EAV is \$100K. This is a 0% increase.
- Overall 2010 EAV was \$1B. Overall 2011 EAV is \$1B. This is a 0% increase.
- \$5M of debt came due in 2010.
- \$15M of debt comes due in 2011.
- The county clerk will levy for the additional \$10M the district needs.

➤ 2010 Rate was $\$40M / \$1B = 4\%$

Taxes Due = $\$100K \times 4\% = \$4,000$

➤ 2011 Rate is now $\$50M / \$1B = 5\%$

Taxes Due = $\$100K \times 5\% = \$5,000$

➤ If the opposite of this scenario occurred, your taxes would go down.

➤ Several Variations possible with District EAV, Your EAV, CPI, Exemptions, ect



Frequently Asked Questions

☐ **What factors drive taxes down?**

➤ **Below are items that would make your taxes go down.**

- **Debt coming due in future years is less than it is now.**
- **Value of property in your community goes up faster than your property**
- **Economic development (EAV's go up, taxes are shared with industry/business)**
 - **Crete-Monee is very dependent upon residential property (84%). There is very little commercial (9%) or industrial property (2%) to help support the tax rate. Much of Crete-Monee's industrial and commercial property is classified in TIF Districts which are intended to encourage development however prevent the taxing districts from receiving tax revenue for up to 23 years.**

☐ **Property Taxes pay for about 61% of CM201U's expenses.**

☐ **Bond & Interest payments are the only other item that will alter CM201U's levy.**

Historical Trends

❑ Recent history has seen property values increase each year at a faster rate than CPI.

❑ 2010 EAV of \$100,000

❑ 2011 EAV of \$110,000 CPI = 1.5%

❑ Tax rates go down, values go up, taxes go up (to pay for the CPI increase)

❑ This levy has EAV decreasing and CPI Increasing

❑ 2010 EAV of \$100,000

❑ 2011 EAV of \$94,000 CPI = 1.5%

❑ Tax rates go up, values go down, taxes go up (to pay for the CPI increase)

☐ 2011 CM201U Tax Levy Calculation (excluding Balloon Levy of \$21M)

CM201U EAV Estimates per Expected changes in EAV

2010 Gross Value (no exemptions)	954,857,852	2011 Gross Value (no exemptions)	895,949,457	93.8%	-6.2%
Exemptions/TIFS	188,499,617	Exemptions/TIFS (same as 2010)	180,784,398	95.9%	-4.1%
2010 Net EAV	766,358,235	2011 Net EAV	715,165,059	93.3%	-6.7%
2010 New Property	38,589,493	2011 New Property	2,491,989	6.5%	-93.5%
2010 Adjusted Valuation Base	727,768,742	2011 Adjusted Valuation Base	712,673,070	93.0%	-7.0%
-	-				
2010 Previous Extension	31,216,494	2011 Previous Extension	33,759,613	108.1%	8.1%
2010 CPI	1.0270	2011 CPI	1.0150	98.8%	-1.2%
2010 Adjusted Extension Base	32,059,340	2011 Adjusted Extension Base	34,266,007	106.9%	6.9%
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2010 Adjusted Extension Base	32,059,340	2011 Adjusted Extension Base	34,266,007	106.9%	6.9%
2010 Adjusted Valuation Base	727,768,742	2011 Adjusted Valuation Base	712,673,070	97.9%	-2.1%
-	-				
2010 Limiting Rate	0.044052	2011 Limiting Rate	0.048081	109.1%	9.1%
-	-				
2010 Extension Limit	33,759,613	2011 Extension Limit	34,385,824	101.9%	1.9%
Debt Service Rate	0.013209	Debt Service Rate	0.014738	111.6%	11.6%
Debt Service Levy	10,122,826	Debt Service Levy	10,539,944	104.1%	4.1%
Total Rate	0.057261	Total Rate	0.062819	109.7%	9.7%
Rate	5.7261	Rate	6.2819	109.7%	9.7%

☐ Expected extension = \$34.4M. Published Balloon extension = \$35.4M

☐ Expected Debt Service Extension of \$10.5M not included above.



Final Comments

- ✓ The District's annual deficit without property tax revenue would be \$46.1M.
- ✓ The expected total levy to be collected will be \$44.9M.
- ✓ A \$250K home that went down in value 7% since 2010 (that was the district average decline in value) would see an approximate tax increase of \$63, or 1.4% (amount owed to school district only)
- ✓ This \$250K home referenced above would owe the school district about \$4,491 for 2011.
- ✓ CM201U's annual levy has increased by an average of 7.4% a year since 1993.
- ✓ CM201U's 2011 levy is expected to only increase 2.4%.
- ✓ If someone's EAV does not fall at least 7% for 2011, they will see a much higher increase.
- ✓ The District has no control over anyone's equalized assessed valuation (EAV).
- ✓ Options to help reduce property taxes have been reviewed in detail by the CM201U Board Finance Committee. These options were discussed at the December 7th public Finance Committee Meeting.
- ✓ The CM201U Finance Committee will be passing a motion later tonight to assess the feasibility of possible property tax abatement options in the month of January and February 2012. Action would need to be taken before March 1st. Consideration of these options are dependent upon the State making timely and adequate payments to the District in the coming months.

Questions or Concerns?

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