2012 Tax Levy Presentation

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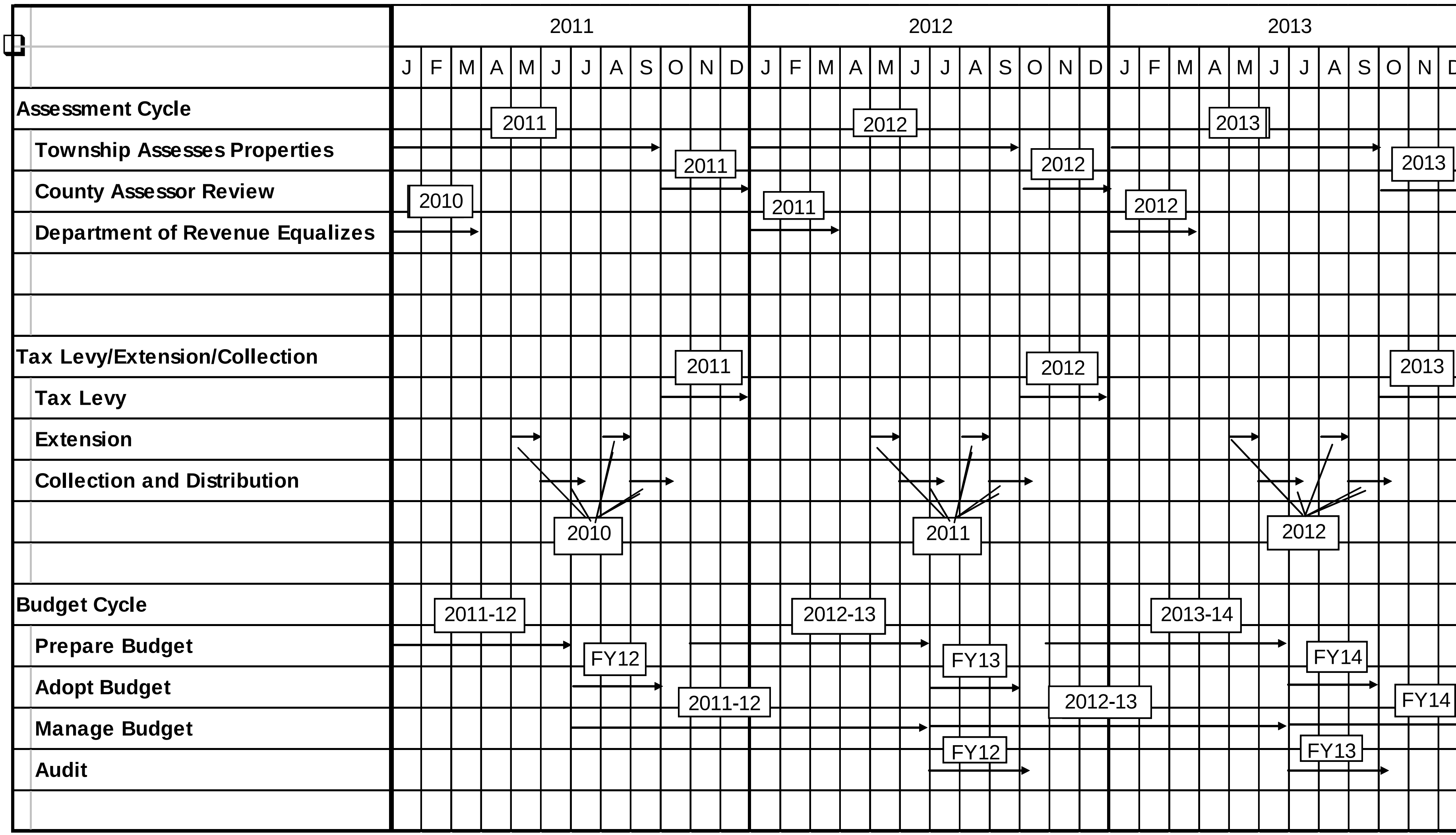
The Property Tax Cycle

- ❑ **Spring: Township Assessor assesses your property**
- ❑ **Fall: Illinois Department of Revenue calculates multipliers (1/3 of market value)**
- ❑ **Fall: District adopts a legal budget**
- ❑ **Dec: District holds public hearing and approves levy (Balloon* levy submitted)**
- ❑ **March: County reduces balloon* levies to final calculated amount. District signs off on final levy.**
- ❑**The County Clerk will then prepare and send out tax bills in May and August of each year.**

The Property Tax Cycle



What is a Tax Levy?

- **The legal process in which school <u>districts request local tax dollars</u> 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 <u>final tax levy is adopted each December.</u>**

- **A <u>public hearing</u> is held each December when the total amount being levied is 105% or more than the previous year's levy.**

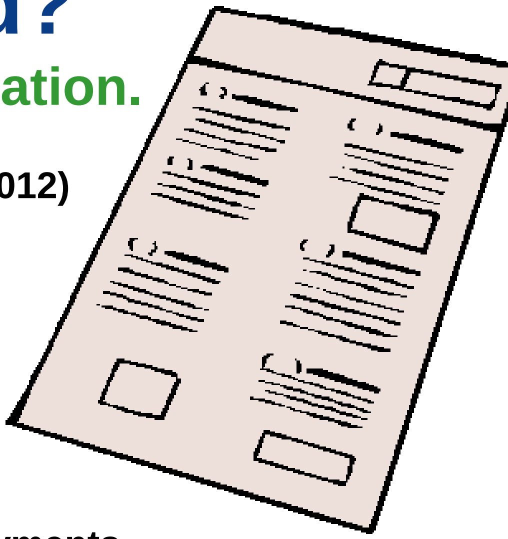
It is common practice for the amount of the levy to be at least 105% or greater than the previous levy due to the need to balloon levy. (A district must estimate how much new property will be worth in a district because this information is not yet available in December. For this reason, districts will 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) (exempt property status changes) (NPhas 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 <u>amount the district receives is reduced down to the calculated amount.</u> If a district requests less than what the formula calculates, the district is given the amount they requested and the amount not levied for is lost forever. Once again, this is why we "<u>Balloon Levy</u>."**

- **The tax levy is filed with the county clerk before the <u>last Tuesday in December</u> each year.**

How is a Levy Calculated?

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



1) Take what the district collected last year and add this year's CPI (3.0% for 2012)
   $34,384,571 x 1.03 = $35,473,315

2) Divide the $35,473,315 by the estimated 2012 existing property value
   $35,473,315 / ($649,069,080 - $1,046,741) = $.054653 (new tax rate)

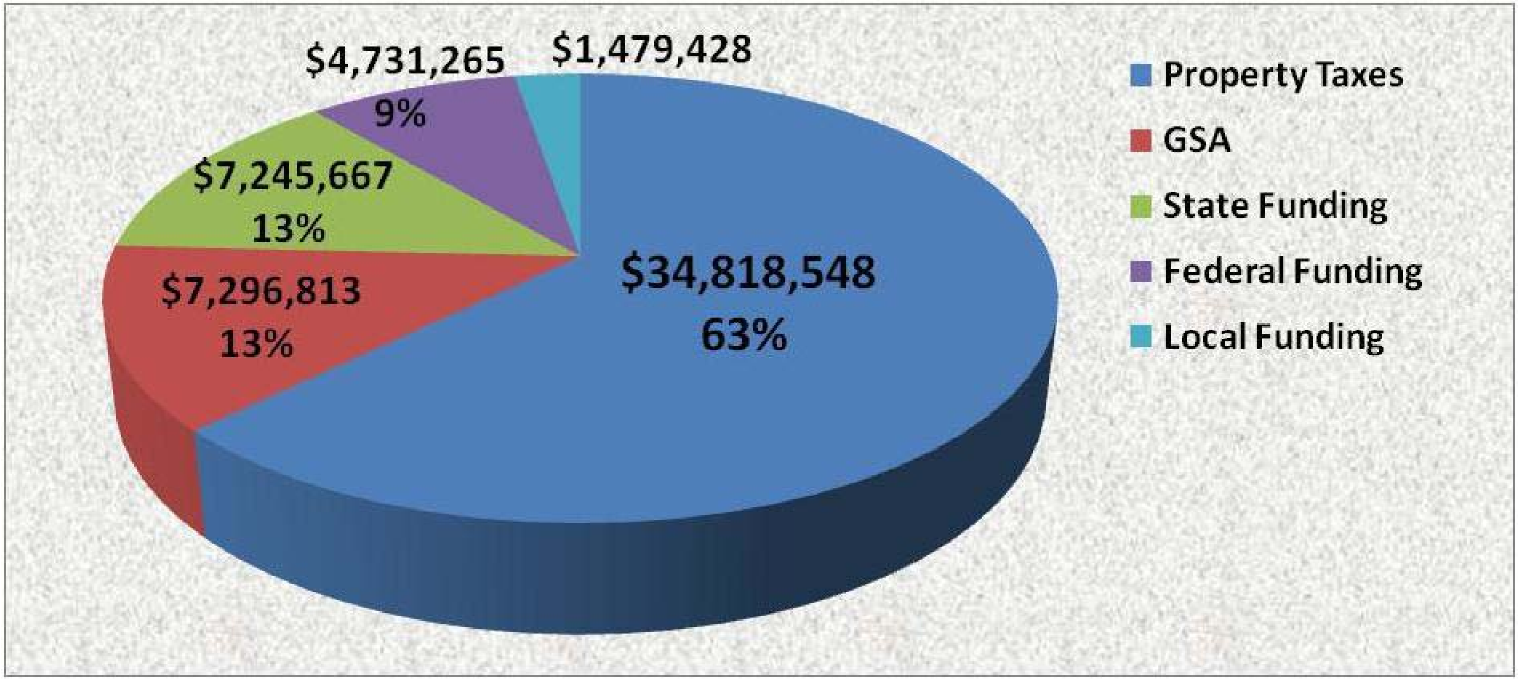
3) Now multiply that new tax rate by all the property (existing and new)
   $.054653 x $649,069,080 = $35,473,315 (new extension.)
   The county clerk will then levy additional money for Bond and Interest Payments.

2011 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 = $649,069,080
2) PYE = $ 34,384,571
3) CPI = 3.0%
4) NP = $1,046,741

Tax Levy Revenue

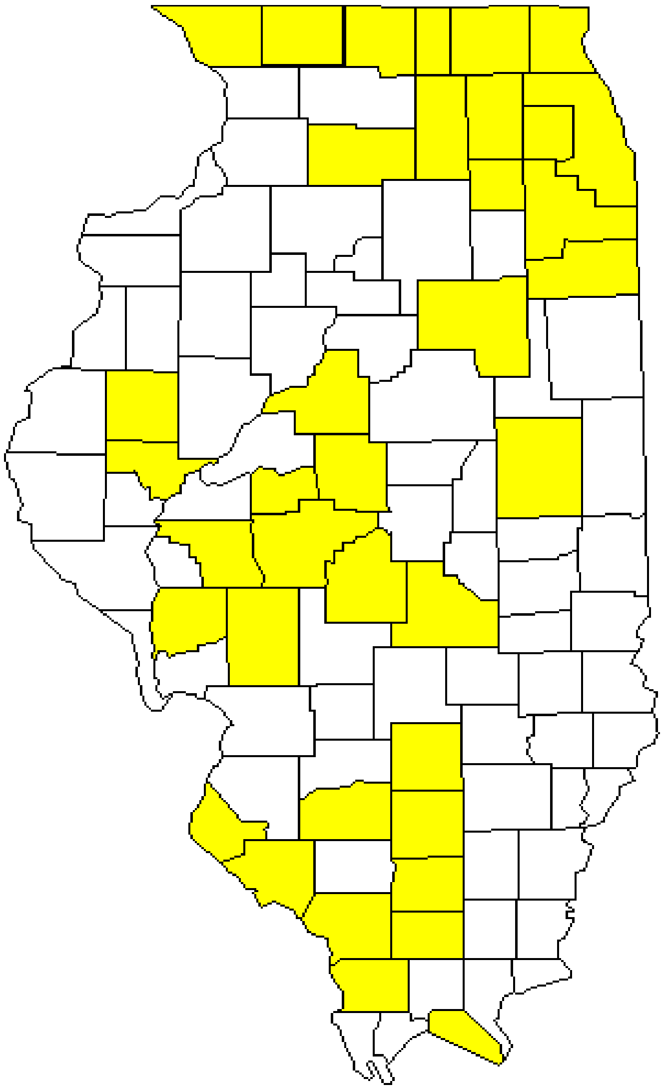


Tax Levy revenue funds 63% of District operations.

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

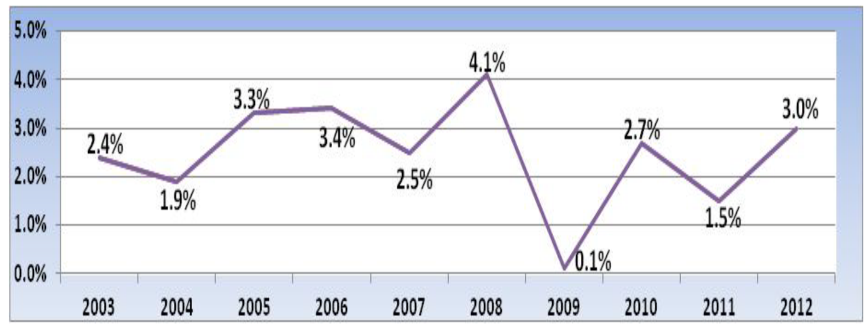
State and Federal revenue is remaining flat or decreasing each year.

PTELL (TAX CAPS)



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

Inflation averages about 2.5% per year



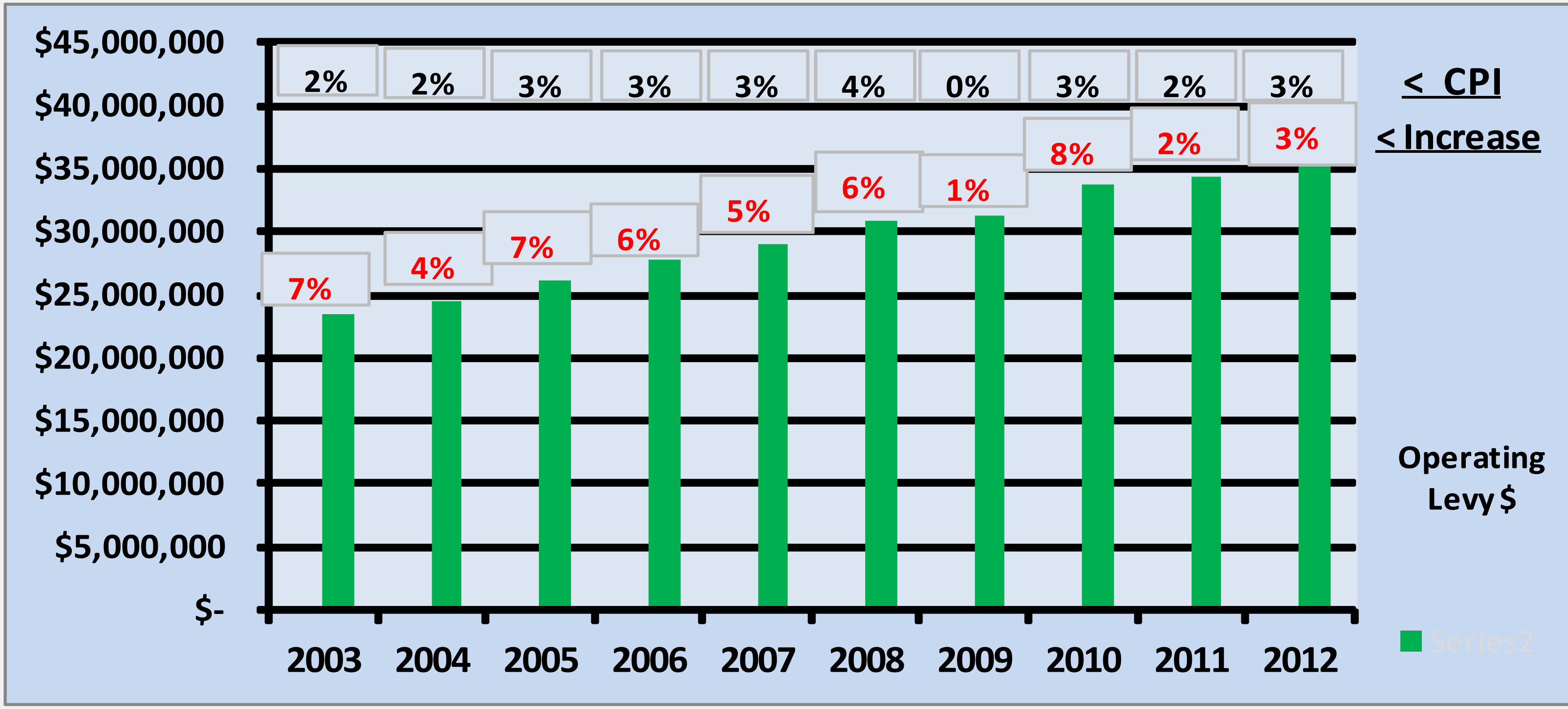
<u>Taxes are the only reliable revenue increase</u>

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

Levy Mechanics

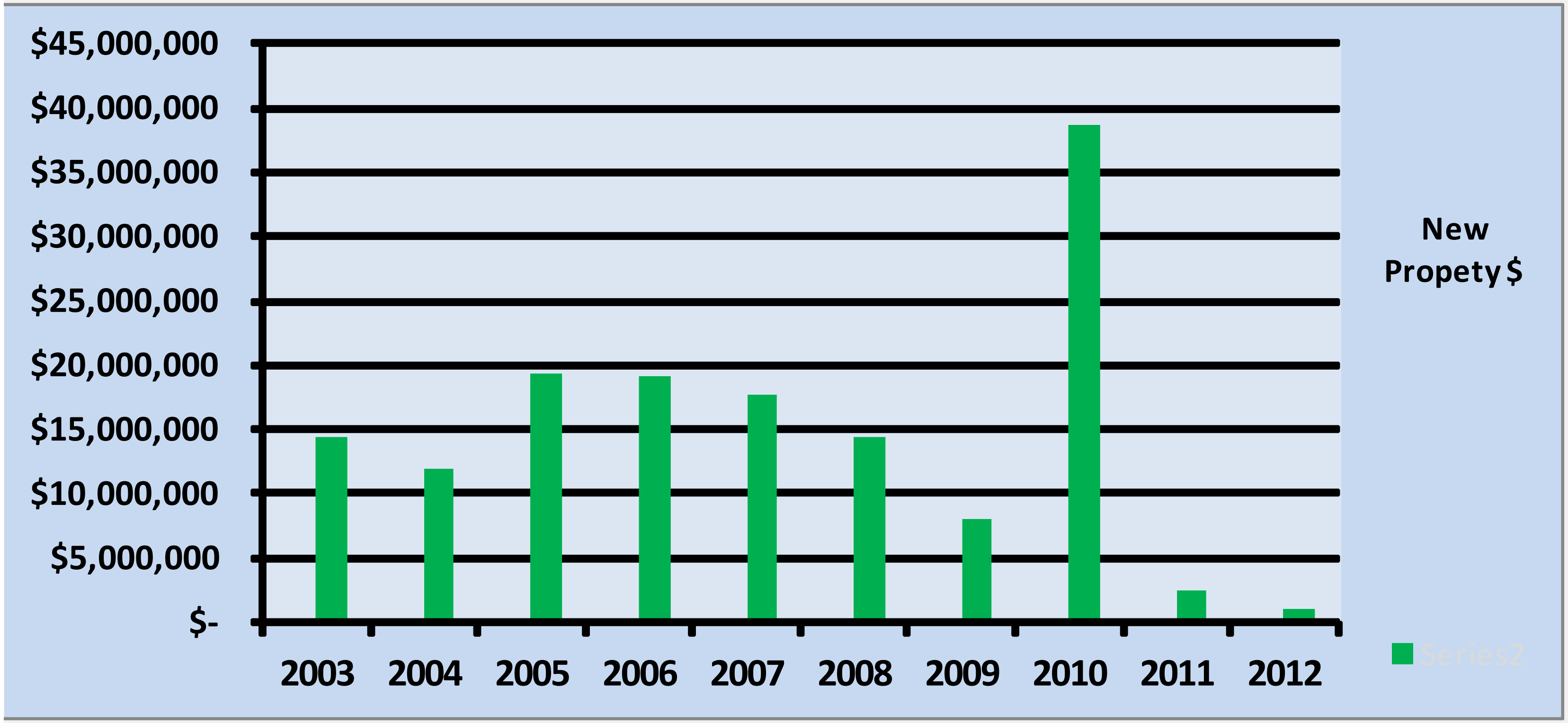
- ✓ **Tax Rate = Levy / EAV**
- ✓ **If Levy is lower or EAV is higher, rate will be lower (rate inversely proportional to EAV)**
- ✓ **Levy increases by inflation each year (CPI). Illinois Property Tax Extension Limitation Law limits the growth of the operating levy to the <u>lesser</u> of 5% or CPI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

Tax Revenue Growth is Fueled by New Property and Inflation Rate



- Variance between increase and CPI is new revenue from new property
- Virtually no new property in 2011 and 2012
- Without new property, CPI increase must be relied upon for growth

Revenue Growth is Fueled by CPI and New Property



- Virtually no new property in 2011 and 2012
- Without new property, revenue increases are minimized
- **Must rely on the CPI increase alone to pay for expenditure increases**

Increase in Tax Bill Tied to CPI

Levy Year	Total EAV	Existing EAV % Change	Total Operating Levy	CPI	Operating Fund Tax Rate	Tax Rate % Change	$200K Market Value Home	Operating Taxes	Tax Bill % Change
2010	766,358,235	-6.5%	33,759,613	0.1%	4.41%		200,000	$ 2,672	
2011	707,617,910	-8.0%	34,384,569	1.5%	4.86%	110%	184,033	$ 2,689	101%
2012	649,069,080	-8.4%	35,473,315	3.0%	5.47%	112%	168,534	$ 2,742	102%
2013	607,634,244	-7.0%	36,422,381	2.0%	5.99%	110%	156,737	$ 2,772	101%

Even though Tax rates are going up 10%+ per year, tax bills are only going up by about inflation (CPI)

Factors that impact tax bill change %'s

- Changing annual debt service payments
- Assessment reductions on some properties
- Home remodeling or additions increaseing assessments

Key Points

- ✓ Property taxes increase by inflation each year (CPI averages 2.5%) (Plus any change in the debt service for the year)

- ✓ If your assessment changes by the same amount as the overall District (-8.4% for 2012), your taxes will go up by about the inflation rate.

- ✓ The annual change in your assessment has more to do with your tax increase than anything else.

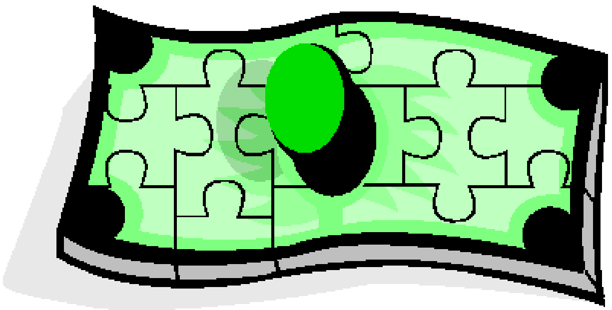
- ✓ The pie grows for the District by inflation. Assessments change what percent of the pie you pay.

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

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

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

Assessment Appeal Process



Township Assessor

Board of Review

Property Tax Appeal Board (PTAB)

Circuit Court

Circuit Court (Complaint for Administrative Review Only)

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

Sample Tax Bill

County of Will 2012 Levy Property Tax Bill
For Services from Jan 1, 2012 - Dec 31, 2012
PIN: 38-15-01-526-008-0005

Steve Weber, CPA, Will County
Will County Office Building
302 N Chicago Street, Joliet IL

Acreage	Tax Code	Prop Class	2010 MV	Equal Factor	PIN
0.25	2350	E	137,367	0.984	38-25-25
Net Equalized Value		2009	150,000	2010	137,367

Taxing District	Rate	2009 Amount	Rate	2010 Amount
Forest Preserve	0.1769	$ 78	0.2081	$ 83
Road Fund	0.1531	$ 67	0.1682	$ 67
Comm College	0.3106	$ 137	0.3570	$ 142
School District	6.3487	$ 2,793	7.1643	$ 2,851
Village	1.3175	$ 580	1.5500	$ 617
Library	0.4650	$ 205	0.5000	$ 199
Will County	0.4108	$ 181	0.5200	$ 207
Fire District	0.7350	$ 323	0.7500	$ 298
		$ -		$ -
* Total Amount*	9.9176	$ 4,364	11.2177	$ 4,463

1st Due 6/1/13	2nd Due 9/1/13		Total Due
2,231.70	2,231.70		$ 4,463.40

Land	25,387
Building	111,980
Total Assessed Value	137,367
Twp Multiplier	1.0000
County Multiplier	1.0000
Equalized Value	45,789
Homestead Exemption	(6,000)
Sr Citizen Exemption	
Net Equalized Value	39,789
Tax Rate	11.2177
Total Tax Due	$4,463.40

Important Information on Reverse Side >

Estimate Increases

CM201U 2012 Tax Levy: Estimated Impact to Homeowners

2011

Market Value	100,000	**150,000**	200,000	250,000	300,000	350,000	400,000	450,000	500,000
1/3 Assessment	33,333	**50,000**	66,667	83,333	100,000	116,667	133,333	150,000	166,667
Exemptions	6,000	**6,000**	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Total Net Value	27,333	**44,000**	60,667	77,333	94,000	110,667	127,333	144,000	160,667
Tax Rate	$ 6.35	**$ 6.35**	$ 6.35	$ 6.35	$ 6.35	$ 6.35	$ 6.35	$ 6.35	$ 6.35
Tax Due	1,735	**2,793**	3,852	4,910	5,968	7,026	8,084	9,142	10,200

2012 Existing

EAV Change%

-8.42%

Market Value	91,578	**137,367**	183,156	228,945	274,734	320,523	366,312	412,101	457,890
1/3 Assessment	30,526	**45,789**	61,052	76,315	91,578	106,841	122,104	137,367	152,630
Exemptions	6,000	**6,000**	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Total Net Value	24,526	**39,789**	55,052	70,315	85,578	100,841	116,104	131,367	146,630
Tax Rate	$ 7.16	**$ 7.16**	$ 7.16	$ 7.16	$ 7.16	$ 7.16	$ 7.16	$ 7.16	$ 7.16
Tax Due	1,757	**2,851**	3,944	5,038	6,131	7,225	8,318	9,412	10,505
$ Increase	22	**57**	93	128	163	199	234	269	305
% Increase	1.3%	**2.0%**	2.4%	2.6%	2.7%	2.8%	2.9%	2.9%	3.0%

Sample Levy Analysis

EXAMPLE FOR ILLUSTRATION ONLY. Every community will be different.

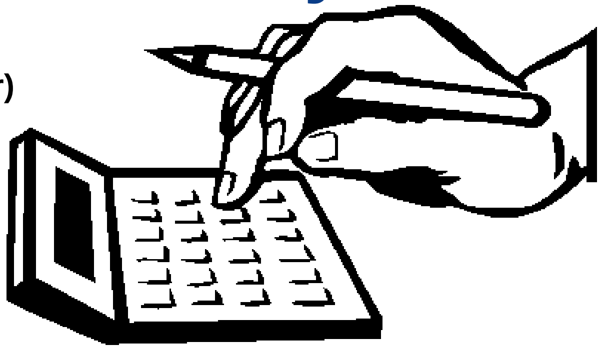
Taxing District	Rate	Levy	Budget	Employees	Buildings	Responsibility
Forest Preserve	0.2081	1,350,732	1,755,952	8	1	Maintenance of forest preserve
Road Fund	0.1682	1,091,968	1,397,719	5	0	Maintenance of roads
Comm College	0.3570	2,317,319	3,174,728	10	2	Serving local college students
School District	7.1643	46,501,362	71,472,711	700	10	Educating 5,000+ students
Village	1.5500	10,060,571	12,978,136	12	2	Managing local government
Library	0.5000	3,245,345	3,829,508	8	1	Providing access to library resources
Will County	0.5200	3,375,159	3,881,433	6	1	Managing local government
Fire District	0.7500	4,868,018	5,792,942	14	1	Protecting community from fire

School Districts are usually about 2/3 of someone's tax bill

Illinois funds schools primarily at the local level (63% state average)

Schools are critical to the well being of the children in the community. A community's school system significantly impacts local property values.

CM201U 2012 Tax Levy – Summary



- **2012 Published Notice:** **(required for increases of 5% or greater)**
  - **2011 Taxes = $44,924,540**
  - **2012 Taxes = $46,501,362**
  - **Year over year increase of $1.6M or 3.51%**
  - **This does not mean taxes are going to go up 3.51%**

- **Illustration of the tax impact to the average homeowner** **(School District Portion Only):**
  - **2011 Rate was $6.35**
  - **2012 Rate anticipated to be $7.16 (assuming a 8.4% decrease in existing EAV's)**
  - **Year over year rate increase of $0.82 or 13% (3% CPI + 10% EAV impact)**
  - **Example for a market value home of $150,000**

  - **2011 Tax = (($150,000/3)-$6,000) x .0635 = $2,793** **(assessment assumes a 1.0 state multiplier)**
  - **2012 Tax = (($137,367/3)-$6,000) x .0716 = $2,851** **(assessment assumes a 1.0 state multiplier)**
  - **Represents a $57 increase or 2.0% increase**

  - **Results will vary depending on each homes individual % change in assessed value for 2012, individual exemptions being applied, and value of property.**
  - **Please Note: The District does not determine your EAV.**

FY 2013 Legal Budget Crete-Monee School District 201U						
OPERATING FUNDS	Fund Balance 07/01/12	REV	EXP	Surplus (Deficit)	Other Funding Sources/ Transfers	Fund Balance 6/30/13
Education	3,154,700	44,426,902	48,514,969	(4,088,067)	1,800,000	866,633
Health Fund Cash (Ed Fund)	1,384,087	2,000	200,000	(198,000)	-	1,186,087
Operations & Maintenance	334,786	5,055,677	4,893,675	162,002	(45,000)	451,788
Transportation	2,929,866	4,099,201	4,182,000	(82,799)	(2,000,000)	847,067
I.M.R.F./S.S./Medicare	774,027	1,807,944	1,872,592	(64,648)	-	709,379
Working Cash	6,655,990	179,997	0	179,997	-	6,835,987
Operating Budget	**15,233,456**	**55,571,721**	**59,663,236**	**(4,091,515)**	**(245,000)**	**10,896,941**
	-	-	-			18%

❑**Operating Deficit of $4.1M (ALL of which being caused by reduced and delayed state funding).**

❑**The District does not have to accept the full CPI increase, however, having a deficit caused by State funding cuts makes that option unaffordable for the District.**

Frequently Asked Questions

❑ How are these taxes allocated and used?

➢Education Fund	$27,433,313	(includes Special Education Levy)
➢Operations & Maintenance Fund	$ 4,500,000	
➢Transportation Fund	$ 1,535,000	
➢IMRF/Social Security Fund	$ 1,700,000	
➢Working Cash Fund	$ 300,000	
Total Operating Funds	$35,468,313	
➢Bond & Interest Fund	$11,028,047	
➢Life Safety Fund	$ 5,000	
➢GRAND TOTAL	$46,501,360	

❑2012 CM201U Tax Levy Calculation (excluding Balloon Levy of $10.5M)

CM201U EAV - Expected October 2012

2011 Gross Value (no exemptions)	883,901,514	2012 Gross Value (no exemptions)		824,188,133	93%	-6.76%
Exemptions/TIFS	176,283,604	Exemptions/TIFS		175,119,053	99%	-0.66%
2011 Net EAV	707,617,910	2012 Net EAV		649,069,080	92%	-8.27%
2011 New Property	2,439,989	2012 New Property		1,046,741	43%	-57.10%
2011 Adjusted Valuation Base	705,177,921	2012 Adjusted Valuation Base		648,022,339	92%	**-8.42%**
2011 Previous Extension	33,759,613	2012 Previous Extension		34,384,571	102%	1.85%
2011 CPI	1.0150	2012 CPI		1.0300	101%	1.48%
2011 Adjusted Extension Base	34,266,007	2012 Adjusted Extension Base		35,416,108	103%	3.36%
2011 Adjusted Extension Base	34,266,007	2012 Adjusted Extension Base		35,416,108	103%	3.36%
2011 Adjusted Valuation Base	705,177,921	2012 Adjusted Valuation Base		648,022,339	92%	-8.11%
2011 Limiting Rate	0.048592	2012 Limiting Rate		0.054653	112%	12.47%
2011 Extension Limit	34,384,571	2012 Extension Limit		35,473,315	103%	3.17%
Debt Service Rate	$ 0.0148950	Debt Service Rate	$	0.0169906	114%	14.07%
Debt Service Levy	10,539,969	Debt Service Levy		11,028,047	105%	4.63%
Total Rate	$ 0.0634870	Total Rate	$	0.0716432	113%	12.85%
Rate	$ 6.35	Rate	$	7.16	113%	12.85%
Total Levy	44,924,540	Total Levy		46,501,362	104%	3.51%

❑Expected extension = $35.5M. Published Balloon extension = $36.5M

❑Expected Debt Service Extension of $11M not included above.

Summary of Main Points

✓ This year's extension will be equal to last year's extension plus an increase for inflation and new property.

✓ Property taxes fund 63% of the District's budget. (State average = 63%. Will County average = 70%)

✓ Property taxes are the only reliable revenue increase each year. The increase in property tax revenue must be relied upon to pay for union pay increases, health insurance increases, tuition rate increases, increased unfunded mandates and initiatives, non-union pay increases, and general inflation)

✓ Property Values and Tax rate have an inverse relationship (property value goes up, rate goes down)

✓ District property value peaked in 2009 at $779M. Property values have consistently decreases since then and are now down to $649M. As a result, the tax rate has gone from $5.24 to $7.16.

✓ Tax revenue growth is fueled by inflation and new property. New property averaged $15M a year from 1993 through 2010. New property for 2011 was $2.4M. New property for 2012 is $1M. (No growth)

✓ Tax rate has been going up 10%+ a year since 2009. Average tax bills still only go up by about inflation each year (because assessed values are going down). (See above inverse relationship)

✓ The pie grows for the District by inflation, assessments change what percent of the pie you pay.

✓ Your assessment is the most important variable determining your tax bill. You must talk to your assessor if you disagree with your assessment.

Summary of Main Points

✓ **The estimated increase for 2012 taxes on a $150K market value home will be $57 or 2% (school district portion only)**

✓ **School Districts are typically 2/3 of the total tax bill. This is because they are the largest unit of local government and have the largest responsibility (education 5,000+ students).**

✓ **Tax rate is going up 13%, total levy is going up 3.5%, estimated tax bill is going up 2%.** (Based on -8.4% decrease in existing EAV's, $1M of new property, and $150K home in this example)

✓ **From 1993 to 2010, the District's operating levy increased by an average of 7.2% per year. The increase in 2011 was only 1.9% and the increase in 2012 is only 3.2%.**

✓ **District can abate taxes to the community to help reduce tax bills. If the District abated $1.6M of taxes in 2012, the levy would not increase and tax bills would go down about $40 in 2012.**

✓ **This above option would cost the school district $1.6M in operating cash.**

✓ **This above option would cause taxes to increase $163 in 2013 (unless another abatement took place)**

✓ **CM201-U has a current $4M operating deficit. The above abatement would increase it to $5.6M.**

✓ **For these above reasons, an abatement is not recommended for 2012.**

* Above abatement analysis based on a $200K market value home (see slide in presentation)

Property Tax Abatement Option (example)

Impact of Abatement

Levy Year	Total EAV	Existing EAV % Change	Total Operating Levy	CPI	Debt Service Levy	Less Annual Abatement	Net Debt Service	Total Tax Levy	Total Tax Rate	$200K Market Value Home	Taxes Paid to School	Dollar Change	% Change
2010	766,358,235	-6.5%	33,759,613	0.1%	10,122,826	-	10,122,826	43,882,439	5.73	200,000	3,474		
2011	707,617,910	-8.0%	34,384,569	1.5%	10,539,969	-	10,539,969	44,924,538	6.35	184,033	3,514	40	1.1%
2012	649,069,080	-8.4%	35,473,315	3.0%	11,028,047	(1,576,824)	9,451,223	44,924,538	6.92	168,534	3,472	(41)	-1.2%
2013	607,634,244	-7.0%	36,422,381	2.0%	11,330,531	-	11,330,531	47,752,913	7.86	156,737	3,635	163	4.7%

Abate $1.6M of Debt Service Levy to keep District total levy a NO INCREASE.

Example home would see a $41 decrease in their tax bill for 2012 (depending on their individual assessment)

This option would cost the District $1,576,824 of operating cash reserves.

When the abatement expired the following year, same property owner would then see a $163 increase in their tax bill for 2013 (depending on their assessment)

Levy Options

Option 1 (Recommended)

- Accept the annual inflation increase to fund the District's annual expenditure increases
- Balloon levy to ensure full levy is captured in case preliminary property value estimates change
- Do not abate taxes for the following reasons
    - District has a current operating deficit of $4M due to state funding cuts
    - An abatement would only add to that deficit and would reduce fund balances
    - Abatements are only minor temporary relief that cause large tax increases the following year
    - Levy is only increasing 3.5% in 2012 (second lowest in last 20 years) (2011 only went up 2.4%)

Option 2

- Accept the annual inflation increase to fund the District's annual expenditure increases
- Balloon levy to ensure full levy is captured in case preliminary property value estimates change
- Abate some taxes back to the community
    - Increases the operating deficit
    - Depletes existing fund balances
    - Will cause taxes to rise dramatically next year

Option 3

- Accept the annual inflation increase to fund the District's annual expenditure increases
- Balloon levy to ensure full levy is captured in case preliminary property value estimates change
- Provide alternative tax relief to the community
    - Do not sell some or all of the authorized $15M Working Cash Fund Bonds
    - Restructure debt to provide short term tax relief

Option 3 Details

Do not sell some or all of the authorized $15M Working Cash Fund Bonds:

✓ **District has authorization to sell $15M Working Cash Fund Bonds when needed.**

✓ **Based on economic uncertainty and imminent pension reform legislation, issuing this debt is justified and should be considered.**

✓ **For every $1M of authorized debt not sold, the District will save tax payers about $20 per year over the next 5 years.**

✓**The risk of the State pushing pension costs onto local school district is very real and is well illustrated in the above example. Districts will be forced to issue debt to cover the additional pension costs and this will cost tax payers across the state a lot of money.**

✓ **This option reduces additional tax increases without having to spend down existing fund balances.**

✓ **This option should be considered near the end of FY13 once the details of the actual pension legislation are know. It is too early to take action on this option in December 2012.**

Refund or Restructure existing debt to provide short term tax relief:

✓ **Various available options to alter the current debt schedule. (All include financing costs)**

✓ **Not recommended due to high financing costs.**

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.

- Supplemental Slides provided