

Building Futures

TO: Dr. Scott Helton
 Board of Education

DATE: November 5, 2013

FROM: Mr. Edward Hoster

RE: **PROPOSED PROPERTY TAX LEVY 2013**

A property tax levy is the dollar amount of taxes requested by the Board of Education to be collected from all property owners within the District. The District has three limitations to the amount of taxes we may collect:

- √ The legal maximum tax rate
- √ The Property Tax Limitation Law (“tax cap”)
- √ The amount of the levy request filed in December

The District is responsible for levies in the Education, Tort Immunity, Special Education, Operations and Maintenance, Transportation, IMRF, Social Security, Life Safety, and Working Cash Funds. The County Clerk automatically extends the amount of taxes required to meet the payment schedule for each debt issue for the Debt Service Fund. Taxes levied in December of 2013 are scheduled to be collected in June 2014 and September of 2014.

Each year the administration prepares the estimated tax levy that is presented to the Board of Education for discussion in November and subsequent approval in December following a public hearing if necessary. Effective for the 2005 levy year and all subsequent levy years, the only ceiling on a particular tax rate is set by statute above which the rate is not permitted to be further increased by referendum or otherwise. Therefore, taxing districts have substantially increased flexibility to levy taxes for the purposes for which they most need the funding. However, the overall “tax cap” remains in place (see explanation below). A taxing district’s limiting rate will continue to control the overall level of property tax rate change. In accordance with the Truth in Taxation statute, a public notice and hearing will not be necessary for the 2013 Tax Levy as the request for increase does not exceed 5% over the 2012 final property tax extension. However, in accordance with our past practice of commitment to transparency, we will still adopt this resolution and schedule the public hearing in December.

The Property Tax Extension Limiting Law (PTELL or Tax Cap) was originally applied to the 1991 levy year for taxes payable in 1992. The Tax Cap limits the increase in property tax extensions to the lesser of 5% or the percent increase in the All Urban Consumer Price Index (CPI) as published by the U.S. Dept. of Labor, during the 12-month calendar year proceeding the levy year, plus new construction. **The CPI {as of December 2012} for the 2013 property tax levy is 1.70%.** The ten year history of the CPI is attached for reference in Exhibit 3. The property tax extension for the previous year 2012 is increased by the CPI for a new base. In addition to the CPI, the formula allows for the recognition of new property construction that comes onto the tax rolls for each tax year. This includes any expiring TIF property and/or previously tax exempt property that is sold that may become taxable. The total Equalized Assessed Value (EAV) estimate is what we use as the base for planning the 2013 property tax levy. The past two years **new construction** has contributed an additional **0.18%** and **0.16%** respectively to our annual tax extension. As in the past, because this property information is unknown at the time of filing a property tax levy request, it is common to build in some buffer to capture any potential available funds from new construction growth. In addition, we do not expect any TIF expirations (which come on as new property) prior to the tax year 2017. It is an absolute under the Tax Cap that if the annual Tax Levy request isn't high enough compared to the clerk's extension in the fall, we will not get access to the full extension. This would be a permanent loss of access to property tax revenue for the district.

The prior year 2012 new property value of \$5.4M or 0.18% was the second lowest we have ever realized since 1991 when the "tax cap" law was first implemented. Furthermore, the overall decline in our total property value (EAV) by 10.3% or \$303M was unprecedented. Consequently, as the EAV declines the tax rate necessary to generate the approved tax extension will increase. Unfortunately, even though the 2012 property tax extension was limited by the "tax cap" to an increase of \$1.5M, many property owners become frustrated by the fact that their property values are declining but for some their tax bill is increasing. This is due to a number of possible factors including the total tax levy request that is filed including debt service repayment or property assessment appeals that can reduce overall district taxable property (EAV) which in turn increases the tax rate for each property. We work closely with the area township assessors to explain the somewhat complex process of property taxation. The downturn in the economy has brought about changes to this overall process that is unique and challenging for all. A more detailed explanation is provided in the attached Tax Levy Process Frequently Asked Questions (FAQ) that I prepared. We are but one of the contributors to this property tax system and work closely to explain the process to our constituents.

In summary, with the CPI of 1.70% and applying an estimate of \$5.4M (or 0.18%) for new construction, it is likely we will only receive an increase of approximately 1.91% to 2%. The 2013 proposed Property Tax Levy of \$51,368,014 represents an increase of 4.90%, (see Exhibit 2, row 11, columns C and E) to protect us from any unexpected increase and the continued changes in the tax levy process. This levy is based upon an estimate of property value (EAV) declining by an estimated 6% in accordance with informal trending according to area assessors. As always, our ability to effectively project for how these changes will affect our tax levy request is quite challenging. All that being said it is still quite reasonable that the overall tax extension increase will not exceed 5%. Therefore, we are submitting a levy request that provides appropriate protections to fund the district next year. Additional historical background information has been updated and is provided in the bound 2013 Tax Levy for DuPage High School District 88 book.

The tax levy process takes place over three board meetings as follows to comply with the law and avoid unnecessary tax objections.

- At the October 21, 2013 Board Meeting we review the proposed property tax levy for 2013.
- At the November 11, 2013 Board Meeting the Board adopts the resolution regarding the estimated amounts necessary to be levied for the year 2013, and establish the Public Hearing date of December 16, 2013.
- Truth in Taxation notice to the public will be published in the Addison Press and in the Villa Park Argus on Thursday, December 5, 2013 – see attached
- Tax levy process is outlined in detail in Exhibit 1. At the December Board Meeting we will hold the public hearing and recommend adoption of the 2013 property tax levy to be filed with the County Clerk.

Suggested Motion:

1. Move that the Board of Education approve Resolution Regarding Estimated Amounts Necessary To Be Levied for the year 2013

Property Tax Cap Formula (PTELL)

$$\text{Limiting Tax Rate} = \frac{\text{Prior Year Tax Extension} \times (1 + \text{CPI-U})}{\text{Total EAV} - \text{New Property}}$$

**RESOLUTION REGARDING ESTIMATED AMOUNTS
NECESSARY TO BE LEVIED FOR THE YEAR 2013**

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

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

WHEREAS, it is hereby determined that the estimated amounts of money necessary to be raised by taxation for the year 2013 upon the taxable property of DuPage High School District No. 88, DuPage County, Illinois are as follows:

a.	Amount levied for Educational Purposes	\$ <u>39,994,287</u>
b.	Amount levied for O&M Purposes	\$ <u>6,002,586</u>
c.	Amount levied for Transportation Purposes	\$ <u>2,286,225</u>
d.	Amount levied for Tort Immunity Purposes	\$ <u>0</u>
e.	Amount levied for Social Security Purposes	\$ <u>1,068,269</u>
f.	Amount levied for IMRF Purposes	\$ <u>1,354,154</u>
g.	Amount levied for Working Cash Purposes	\$ <u>0</u>
h.	Amount levied for Life Safety Purposes	\$ <u>0</u>
i.	Amount levied for Special Education Purposes	\$ <u>662,493</u>
j.	Amount levied for Leasing Purposes	\$ <u>0</u>
	AGGREGATE LEVY	\$ <u>51,368,014</u>

; and

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

WHEREAS, the amount of property taxes extended for bond and interest purposes for 2012 was \$8,881,126 and it is hereby determined that the estimated amount of taxes to be levied for bond and interest purposes for 2013 is \$9,690,650.

NOW, THEREFORE, BE IT RESOLVED by the Board of Education of DuPage High School District No. 88, DuPage County, Illinois, as follows:

Section 1: The aggregate amount of taxes estimated to be levied for the year 2013 is \$51,368,014.

Section 2: The amount of taxes estimated to be levied for debt service for the year 2013 is \$9,690,650.

Section 3: The aggregate amount of taxes to be levied for the year 2013, excluding the debt service levy, does not exceed 105% of the aggregate levy extension for 2012.

Section 4: This resolution shall be in full force and effect forthwith upon its adoption.

Vice-President, Board of Education
DuPage High School District No. 88,
DuPage County, Illinois

Secretary

ADOPTED this 11th day of November 2013.

LEGAL NOTICE**NOTICE OF PROPOSED PROPERTY TAX INCREASE FOR
DUPAGE HIGH SCHOOL DISTRICT NUMBER 88**

- I. A public hearing to approve a proposed property tax levy increase for DuPage High School District Number 88 for 2013 will be held on December 16, 2013 at 7:30 p.m. at 2 Friendship Plaza, Addison, Illinois 60101, in the District Board Room.

Any person desiring to appear at the public hearing and present testimony to the taxing district may contact Edward Hoster, Chief Financial Officer, 2 Friendship Plaza, Addison, Illinois 60101 (630) 530-3970.
- II. The corporate and special purpose property taxes extended or abated for 2012 were \$48,968,555.88.

The proposed corporate and special purpose property taxes to be levied for 2013 are \$51,368,014.00. This represents a 4.90% increase over the previous year.
- III. The property taxes extended for debt service and public building commission leases for 2012 were \$8,881,126.13.

The estimated property taxes to be levied for debt service and public building commission leases for 2013 are \$9,690,650.00. This represents a 9.12% increase over the previous year.
- IV. The total property taxes extended or abated for 2012 were \$57,849,682.01. The estimated total property taxes to be levied for 2013 are \$61,058,664.00. This represents a 5.55% increase over the previous year.

Secretary, Board of Education

PROPERTY TAX LEVY PROCESS:

The following process outlines the legal requirements to complete adoption of the annual Property Tax Levy according to section 35 ILCS 200/18 of the Illinois School Code:

1. Before the last Tuesday in December we must certify the amount of our property tax levy request to the County Clerk.
2. **If the levy request exceeds 5% increase** over the prior year estimated or actual tax extension we are subject to the Truth in Taxation law,
 - a. In accordance with the Truth in Taxation guidelines we will need to publish a notice of a hearing if our levy request exceeds a 5.0% increase over the prior year tax extension. This notice must be published no greater than 14 days or less than 7 days before the Public Hearing.
 - b. We need to approve a Resolution of Intent to Levy at least twenty (20) calendar days before the Public Hearing. We will be able to do this at the November Board of Education Meeting.
3. **If the levy request does not exceed 5% increase** over the prior year estimated or actual tax extension, we do not need to adopt a resolution in November, or hold a public hearing in December. However, in accordance with our past practice of commitment to transparency, we will still adopt this resolution and schedule the public hearing in December.
4. At the December meeting the Board must adopt the following:
 - a. Resolution Authorizing and Directing Tax Levy
 - b. Resolution Authorizing and Directing Certain Special Purpose Tax Levies

If a hearing is required this must take place before the adoption of said resolution in accordance with Truth in Taxation.
5. Once the levy is adopted the President and Secretary of the Board of Education will need to sign:
 - a. Resolution Authorizing and Directing Tax Levy
 - b. Resolution Authorizing and Directing Certain Special Purpose Tax Levies
 - c. Certificate of Tax Levy (ISBE Form 50.02)
 - d. Certification of Compliance with Truth in Taxation Statement

DUPAGE HIGH SCHOOL DISTRICT #88

2013 PROPOSED TAX LEVY vs. PREVIOUS YEAR'S TAX EXTENSION

							10/10/2013			
							ESTIMATED 2013 "T.I.F." A.V. =		\$2,479,611,943	
	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]		
FUND	FINAL 2012 TAX RATE	2012 TAX EXTENSION	2013 PROPOSED TAX LEVY	\$ CHANGE	% CHANGE	% OF TAX LEVY	2013 ESTIMATED TAX RATE	Maximum Authorized Rate (a)		
1 EDUCATIONAL	1.4543%	\$38,269,101.41	\$39,994,287	\$1,725,186	4.51%	65.50%	1.6129%	3.5000%		
2 OPERATIONS & MAINT.	0.2247%	\$5,912,856.42	\$6,002,586	\$89,730	1.52%	9.83%	0.2421%	0.5500%		
3 TRANSPORTATION	0.0792%	\$2,084,104.26	\$2,286,225	\$202,121	9.70%	3.74%	0.0922%	0.0000%		
4 IMRF PENSION	0.0400%	\$1,052,577.91	\$1,354,154	\$301,576	28.65%	2.22%	0.0546%	0.0000%		
5 SOCIAL SECURITY	0.0387%	\$1,018,369.13	\$1,068,269	\$49,900	4.90%	1.75%	0.0431%	0.0000%		
6 WORKING CASH	0.0000%	\$0.00	\$0	\$0	0.00%	0.00%	0.0000%	0.0500%		
7 HEALTH / LIFE SAFETY	0.0000%	\$0.00	\$0	\$0	0.00%	0.00%	0.0000%	0.1000%		
8 SPECIAL EDUCATION	0.0240%	\$631,546.75	\$662,493	\$30,946	4.90%	1.09%	0.0267%	0.4000%		
9 SUBTOTALS	1.8609%	\$48,968,555.88	\$51,368,014	\$2,399,458	4.90%	84.13%	2.0716%			
10 DEBT SERVICE	0.3375%	\$8,881,126.13	\$9,690,650	\$809,524	9.12%	15.87%	0.3908%			
11 TOTALS	2.1984%	\$57,849,682.01	\$61,058,664	\$3,208,982	5.55%	100.00%	2.4624%			

(a) Public Act 94-976 established maximum tax rates for some funds by type of district; Transp., IMRF & Tort are not limited

Percent of Change in December CPI-U for the Last 10 Years

**Average CPI-U for this ten year period is 2.4%;
Five year average = 1.80%**

