

TO: Dr. Scott Helton
Board of Education

DATE: November 5, 2014

FROM: Mr. Edward Hoster

RE: PROPOSED PROPERTY TAX LEVY 2014

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 2014 are scheduled to be collected in June 2015 and September of 2015.

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 maximum tax rate definition was changed to what is set for specific funds by statute. This rate ceiling 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 2014 Tax Levy as the request for increase does not exceed 5% over the 2013 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 5.0% or the actual 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

property/construction. **The CPI {as of December 2013} for the 2014 property tax levy is 1.50%.** The ten year history of the CPI is attached for reference in *Exhibit 3*. The property tax extension for the previous year 2013 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 2014 property tax levy. The past two years **new property/construction** has contributed an additional **0.41%** and **0.18%** respectively to our annual tax extension. As in the past, because this actual property information is unknown at the time of filing a property tax levy request, it is a sound practice to build in some buffer to capture any potential available funds from new property growth. Most importantly, since the Village of Addison notified us that they intend to close TIF's #1 and #4 in November 2014, this will provide us with an estimated \$9.1 million of new property. 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 forfeit access to the full extension. This would be a permanent loss of access to property tax revenue for the district.

The prior year 2013 new property value of \$10.7 million or 0.41% was a pleasant surprise at almost triple what we received in 2012. Although the overall Equalized Assessed Value (EAV) of property still reflected a decrease of 6.75% this was a welcome change of direction compared to the prior year decrease of 10.3%. We are estimating that the real estate recovery will continue but still reflect a decrease of approximately 2% for this year 2014 and new property will be approximately \$19.7 million. This should help to minimize the impact of the tax rate pressure, particularly the new TIF property coming back into the total for the district after 20+ years.

Unfortunately, even though the 2013 property tax extension was limited by the "tax cap" to an increase of \$1.05 million, many property owners become frustrated by the fact that their property values are declining and their tax bill is increasing. This is due to a number of possible factors including: 1) the total tax levy request that is filed including debt service repayment or, 2) property assessment appeals that can reduce overall district taxable property (EAV) which in turn increases the tax rate for each property. The downturn in the economy has brought about changes to this taxation 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 to assist the community. We are but one of the contributors to this property tax system and work closely to explain the process to our constituents. In addition, the area township assessors provide some excellent information to help to explain the somewhat complex process of property assessment and taxation.

In summary, with the CPI of 1.50% and applying an estimate of \$19.7 million (or 0.80%) for new property/construction, it is likely we will only receive an increase of approximately 2.3%. **The 2014 proposed Property Tax Levy of \$52,471,267** represents an increase of 4.90%, (*see Exhibit 2, row 9, 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 2% 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 sustain the educational programs in the district. Additional historical background information has been updated and is provided in the comprehensive 2014 Tax Levy for DuPage High School District 88 report.

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

- Tax levy process is outlined in detail in **Exhibit 1**.
- At the October 20, 2014 Board Meeting we review the proposed property tax levy for 2014.
- At the November 10, 2014 Board Meeting the Board adopts the Resolution Regarding Estimated Amounts Necessary To Be Levied For The Year 2014, and establish the Public Hearing date of December 15, 2014.
- Truth in Taxation notice to the public will be published in the Addison Press and in the Villa Park Argus on Thursday, December 4, 2014 – see attached
- At the December 15 Board Meeting we will hold the public hearing and recommend adoption of the 2014 property tax levy to be filed with the DuPage County Clerk.

Suggested Motion:

1. Move that the Board of Education approve Resolution Regarding Estimated Amounts Necessary To Be Levied For The Year 2014.

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 2014**

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 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 2014 upon the taxable property of DuPage High School District No. 88, DuPage County, Illinois are as follows:

a.	Amount levied for Educational Purposes	\$ <u>42,412,928</u>
b.	Amount levied for O&M Purposes	\$ <u>4,787,900</u>
c.	Amount levied for Transportation Purposes	\$ <u>2,034,745</u>
d.	Amount levied for Tort Immunity Purposes	\$ <u>0</u>
e.	Amount levied for Social Security Purposes	\$ <u>977,473</u>
f.	Amount levied for IMRF Purposes	\$ <u>1,581,222</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>676,999</u>
j.	Amount levied for Leasing Purposes	\$ <u>0</u>
	AGGREGATE LEVY	\$ <u>52,471,267</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 aggregate amount of property taxes extended for bond and interest purposes for 2013 was \$9,788,602 and it is hereby determined that the estimated amount of taxes to be levied for bond and interest purposes for 2014 is \$11,044,300.

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 2014 is \$52,471,267.

Section 2: The aggregate amount of taxes estimated to be levied for debt service for the year 2014 is \$11,044,300.

Section 3: The aggregate amount of taxes to be levied for the year 2014, excluding the debt service levy, does not exceed 105% of the aggregate levy extension for 2013.

Section 4: Public notice (see Attachment 1) shall be given in accordance with the *Truth-In-Taxation Law* in the Addison Press and Villa Park Argus, being newspapers 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 shall not be less than 1/8 page in size, with no smaller than twelve (12) point, enclosed in a black border not less than 1/4 inch wide, and such notice shall not 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 adoption.

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

Secretary

ADOPTED this 10th day of November 2014.

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 2014 will be held on December 15, 2014 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 2013 were \$50,020,273.65.

The proposed corporate and special purpose property taxes to be levied for 2014 are \$52,471,267.00. This represents a 4.90% increase over the previous year.
- III. The property taxes extended for debt service and public building commission leases for 2013 were \$9,788,602.41.

The estimated property taxes to be levied for debt service and public building commission leases for 2014 are \$11,044,300.00. This represents a 12.83% increase over the previous year.
- IV. The total property taxes extended or abated for 2013 were \$59,808,876.06. The estimated total property taxes to be levied for 2014 are \$63,515,567.00. This represents a 6.20% 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 present 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:

If a hearing is required or voluntarily elected, this must take place before the adoption of said resolutions, in accordance with Truth in Taxation.

 - a. Resolution Authorizing and Directing Tax Levy
 - b. Resolution Authorizing and Directing Certain Special Purpose Tax Levies
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

2014 PROPOSED TAX LEVY vs. PREVIOUS YEAR'S TAX EXTENSION

10/9/2014

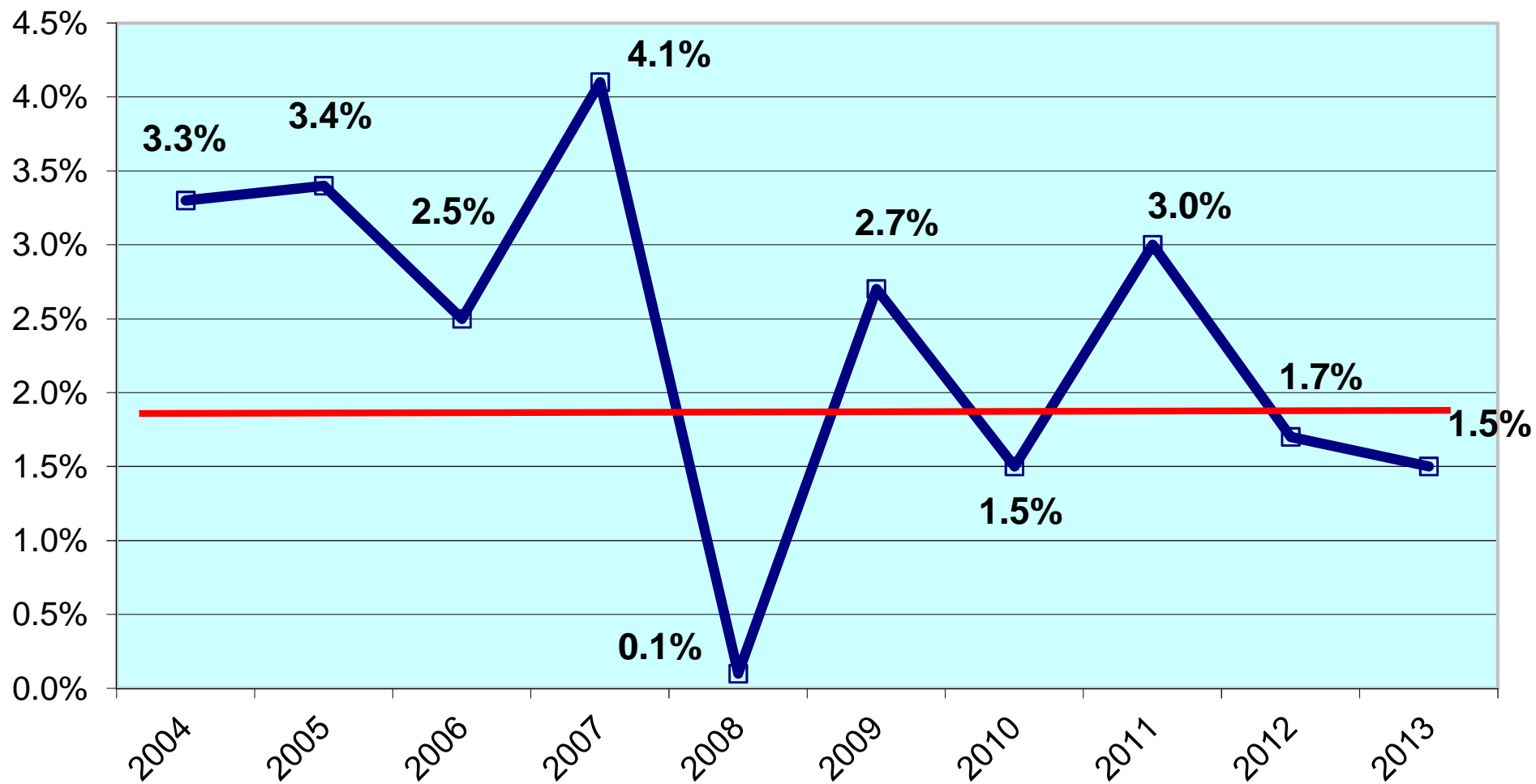
ESTIMATED 2014 "T.I.F." A.V. =

\$2,403,215,762

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
FUND	FINAL 2013 TAX RATE	2013 TAX EXTENSION	2014 PROPOSED TAX LEVY	\$ CHANGE	% CHANGE	% OF TAX LEVY	2014 ESTIMATED TAX RATE	Maximum Authorized Rate (a)
1 EDUCATIONAL	1.6360%	\$40,145,784.78	\$42,412,928	\$2,267,143	5.65%	66.78%	1.7648%	3.5000%
2 OPERATIONS & MAINT.	0.1860%	\$4,564,251.81	\$4,787,900	\$223,648	4.90%	7.54%	0.1992%	0.5500%
3 TRANSPORTATION	0.0907%	\$2,225,686.23	\$2,034,745	(\$190,941)	-8.58%	3.20%	0.0847%	0.0000%
4 IMRF PENSION	0.0556%	\$1,364,367.75	\$1,581,222	\$216,854	15.89%	2.49%	0.0658%	0.0000%
5 SOCIAL SECURITY	0.0438%	\$1,074,807.69	\$977,473	(\$97,335)	-9.06%	1.54%	0.0407%	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	0.0263%	\$645,375.39	\$676,999	\$31,624	4.90%	1.07%	0.0282%	0.4000%
9 SUB-TOTAL	2.0384%	\$50,020,273.65	\$52,471,267	\$2,450,993	4.90%	82.61%	2.1834%	
10 DEBT SERVICE	0.3989%	\$9,788,602.41	\$11,044,300	\$1,255,698	12.83%	17.39%	0.4596%	
11 TOTAL	2.4373%	\$59,808,876.06	\$63,515,567	\$3,706,691	6.20%	100.00%	2.6430%	

(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 2.40%

Tax Levy Process and Frequently Asked Questions

1. What is a Levy?

The amount of money a governmental entity (like public school district) certifies to be raised from property tax – the request.

2. What is an extension?

The process in which the County Clerk calculates the tax rate needed to raise the revenue (Levy) allowable by law and certified by each school district in the county. The total extension is the product of the district's total combined property value {referred to as equalized assessed valuation (EAV)} multiplied by its calculated tax rate and is equal to the total property tax billings on the district's behalf. The EAV is calculated by the township assessor but in simple terms they will calculate the most recent three year sales ratio across regional areas and apply the rate of change to other properties in that area. They also manage the various types of exemptions for each property and assist homeowners who may disagree with the assessment value of their property. In general, the goal is to provide a uniform and fair assessment that equates to the established county value for that type of property. This is then multiplied by what is called the county multiplier, assigned by the Illinois Dept. of Revenue to equalize all property values to achieve the overall 33% level for the county. Overall the total property within the county should reach 33% of the determined property value for property tax purposes. Historically the multiplier is typically closer to 1.0 but due to the unprecedented rate of foreclosure activity and downturn in the real estate market, it is not uncommon to see a negative multiplier for some areas recently. More information is available through contacting your local assessor for a more specific discussion about your property value or EAV.

Example: Home value of \$300,000 = (approximately) \$100,000 EAV

3. What is The Truth In Taxation Act?

Legislation approved and effective July 1981 provides procedures for Public Notice and Public Hearings on Tax Increases greater than 105% of the prior year's extension.

4. What is The Property Tax Extension Limitation Law?

The Property Tax Extension Limitation Law, commonly referred to as "TAX CAP" or "PTELL" limits the increase in property Tax Extensions to 5% or the Consumer Price Index (CPI), **whichever is less**, not counting new construction or Bond & Interest Obligations. Last year, the district tax extension (excluding debt service) was approved to collect \$50.0 million in tax revenue. The CPI used for determining this year's levy will be 1.50% percent. This means the district will be allowed to receive \$750,304 plus whatever taxes are generated from new properties coming on the tax rolls, including any expiring or closed TIF areas.

5. How does the district determine its levy?

The annual budget expenditures for the education program and support services are projected to define the "need" for financial resources. The district then prepares an annual request (tax levy) and the board adopts that levy request by December each year after holding a public hearing. The law allows the district to make a prediction to request (levy) more taxes than they expect to collect, because at the time of the levy in December, the new property EAV is unknown. The actual new property value is not available until March when the County Clerk finalizes the tax extension and tax rate allowed under the Tax Cap.

6. Is it possible for your tax bill to increase even when your property value is declining?

Yes, the percent change in your property tax bill is not a 1 to 1 relationship with the percent change in your property value. In addition, other important factors also impact your tax bill:

- **Did your homeowner's exemption amount change from the prior year?**
The recent decline of home values is generating a loss of the senior citizen assessed value freeze. This means that while they may have qualified for a protection from increases to their property tax bill during a good economy ...when the value of their homes declines below the "assessment freeze" level, so does their protection. Consequently, they will begin to see increases to their property tax bills. This can be quite troubling to those who are on fixed income during retirement.
- **Did another exemption possibly expire?**
The change in ownership may result in the loss of a senior citizen exemption or the loss of a homestead improvement exemption that expires after four years.
- **What was the change in your taxable property value (EAV) as compared to other taxable properties in the community?**
The rate of change in EAV for individual properties will cause a shift in the tax burden to other properties. If other property EAV's decreased by a larger percent than yours, your resulting EAV would represent a larger portion of the total EAV than it previously did. Therefore, 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 upon what happens to 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 $12.5\% \times \$10,000$ or **\$1,250.**

Year 2 declining EAV: The school district is limited by the Consumer Price Index (CPI) to an increase in property taxes of 1.50% or \$150, for a total tax extension of \$10,150. 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 $14.8\% \times \$10,150$ or **\$1,502.**

Therefore, even though your taxable EAV decreased, the bank's EAV decreased more, ***so your property now represents a larger proportion of the total tax base***, and a larger proportion of the tax burden. The recent increase in property assessment appeals combined with the number of foreclosed properties throughout the county has contributed to this actual trend.

Year 2 Increasing EAV: The school district is limited by the Consumer Price Index (CPI) to an increase in property taxes of 1.50% or \$150, for a total tax extension of \$10,150. 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 tax bill.

Your home now represents 11.7% of the total EAV (\$120,000/\$1,030,000), so your share of the tax bill is 11.7% x \$10,150 or **\$1,188.**

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

7. Why would a District propose a levy which is higher than the limits of the Property Tax Extension Limitation Law?

Because under the Property Tax Extension Limitation Law (PTELL) if you under levy, you can never recapture the lost revenues for the District. Also, at the time of the levy, a very important fact is unknown to the School District: the amount of new construction property in the District.

8. Why doesn't the School District lower its Levy?

We would be penalized under the Tax Cap for future years as each year is limited by the year prior. The CPI in 2008 was an unprecedented 0.10% which severely limited property tax revenue and resulted in a funding shortfall for most school districts. As of the 2013 tax extension we have permanently lost access to \$6.8 million for education. This is a permanent reduction in the annual property tax revenue for the district.

9. How have the District's financial matters been managed?

Through the year 2011 DuPage High School District 88 had maintained the highest designation of 4.0 on the Financial Profile rating with ISBE (Illinois State Board of Education) which is the equivalent of the "Recognition" rating. Unfortunately this score has declined due to a combination of deficit spending and declining property values to downgrade one level to the "Review" rating. In addition, the District financial rating from Standard & Poor's Rating Service was downgraded to Aa1 from AA as of 2013. Some of this downgrade was simply due to the deteriorating State of Illinois financial condition. In addition, the combination of the low CPI of 2008 (explained above in paragraph 8) and the program demands for comprehensive services to the community outpacing available resources, are causing us to draw down financial reserves. Although we took the difficult but necessary steps to implement budget containment in 2011-12, this will continue in the coming years until we can achieve balanced budgets.

10. How does the District 88 tax rate compare to other districts?

The amount and type of property in a community does affect the homeowner tax bill. A community that has more successful commercial/industrial property will typically generate a total overall EAV that is much greater. This balanced mix of properties helps distribute the tax burden throughout the community. The higher the combined property value the lower the tax rate.

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

		<u>EAV Per Student(a)</u>	<u>Tax Rate-2012</u>
Hinsdale Twp. HS D86	=	\$ 1,448,606	\$1.4984
Downers Grove HS D 99	=	\$ 1,002,818	\$1.9209
Fenton HS D100	=	\$ 1,182,083	\$2.0638

DuPage HS D88	=	\$ 917,517	\$2.1984
Glenbard Twp HS D87	=	\$ 793,613	\$2.2868
West Chicago HS. D94	=	\$ 665,539	\$2.3008
Lake Park HS D108	=	\$ 986,200	\$2.3318

(a) Most recent = 2009 report card figures