



# 2016 Levy

November 15, 2016

# Introduction – Levy Process

The Most Important Event from a  
Financial Perspective!

(Complicated Area; Try to Simplify)

# 2016 Levy Calendar

- |                   |  |
|-------------------|--|
| October 18, 2016  | - Preliminary Levy Discussion                                      |
| November 15, 2016 | - Tentative Levy Approval for<br>Publishing with Notice of Hearing |
| December 1, 2016  | - Levy Request & Hearing Date<br>Published                         |
| December 13, 2016 | - Levy Hearing & Final Adoption                                    |

# Terms & Definitions

- Levy = Amount Requested by governmental entity to be raised from property taxes; required and regulated process to obtain tax revenues
- Extension = Actual amount billed to taxpayers in a district; revenue to entity
- EAV = Equalized Assessed Value of properties in a district as determined by local and county assessors

# Terms & Definitions

- CPI = Consumer Price Indexed published by the federal government as a measure, per state school code, of annual inflationary impact on a district
- New Property = Property in the district that has been newly developed and initially assessed during the tax year

# Terms & Definitions

- Abatement = Refunding of property taxes by the District to taxpayers;
  - 2013 abatement to taxpayers; \$2.0 million
  - 2015 abatement to taxpayers; \$1.1 million
  
- Rollback = Reduction of levy request below the amount of available property tax revenue;
  - 2014 rollback for taxpayers ~ \$1.1 million

# General Financial Impact

- School District – Property taxes generally represent in excess of 90% of annual revenues; they are the primary source of funding of public education in the state
- Taxpayer - Typically over 35% of the annual property tax bill represents property taxes requested by District 36; 38% in 2015

# Tax Extension Formula; Simplified

## Example – A

(Decreased EAV Factor)

Levy Year	EAV (Assessor)	Tax Rate (Calc w/cap)	(CPI)
Year 1	\$1,000,000	1.000	\$1,000,000
Yr 2 - +2% CPI Step 1 - Ext'd Calc	?	?	\$1,020,000
Yr 2 - <15% >EAV Step 2 - EAV Calc	\$850,000	?	\$1,020,000
Yr 2 –Incr Rate Step 3 - Rate Result	\$850,000	1.200	\$1,020,000



# Tax Extension Formula; Simplified

## Example – B

(Increased EAV Factor)

Levy Year	EAV (Assessor)	Tax Rate (Calc w/cap)	(CPI)
Year 1	\$1,000,000	1.000	\$1,000,000
Yr 2 - +2% CPI Step 1 - Ext'd Calc	?	?	\$1,020,000
Yr 2 - +15% EAV Step 2 - EAV Calc	\$1,150,000	?	\$1,020,000
Yr 2 – Decr Rate Step 3 - Rate Result	\$1,150,000	0.887	\$1,020,000

# Levy Calculation Factors

- Levy cannot exceed 5% or the prior year CPI (not including New Construction/New Property); “tax cap” legislation
- CPI is a primary factor in determination of Extension of property taxes

# CPI - General Financial Impacts

- December **2015** CPI is used for 2016 Levy
- Rate published in January 2016
- Revenue based on December 2015 economy
- 2016 Levy finalized & submitted in December 2016
- Revenue received primarily for 2017-**2018** school year

# CPI - General Financial Impacts

- Historic 15 year Average CPI; 2.3%
- Historic 15 year CPI;  
Low is 0.1% - - High is 4.1%
- Historic 5 year CPI ; 1.7%
- CPI for 2016 Levy; 0.7%
- Trend for December 2016 CPI; ~ 0.5% - 1.0%  
(Used for projected 2017 Levy)

# 2016 Levy Factors

CPI

Known/Fixed

0.7%

EAV & New Property

Unknown/Uncertain

?

# New Property Estimation Considerations

- District must Request additional taxes related to the new property/new taxpayers
- Amount for new property/new taxpayers is an Estimate at the time of the levy  
(Estimated 2016 New Property is equal to prior year; \$15 mil)
- Additional Request due to unknown factors, Avoids loss of available tax revenues.  
(2016 Additional Request only for estimated New Property)

# New Property Estimation Considerations

	Available	Request	Receive
A	\$500	\$300	\$300
B	\$500	\$700	\$500

# 2016 Request/Actual “Cap Funds” Levy Comparison

Process	Result	Amount	Percentage Increase
Levy	Requested Levy (Published)	\$37,685,000	1.95%
Extension	Expected Levy Extension (Potential)	\$37,685,000	1.95%



# 2016 Levy; Unique Factors

- District intends to again Abate a portion of 2016 taxes in March 2017; filing due April 1<sup>st</sup>
- Effect of Abatement would be to reduce 2016 property taxes for taxpayers;  
(Similar to the 2013 & 2015 Abatements)
- Objective; prudently balance district and taxpayer interests

# 2016 Levy; Unique District Factors

- March abatement approval provides time to evaluate the status and financial impact of currently unresolved matters;

State Funding matters; property tax freeze & low CPI, unfunded pension liabilities, income redistribution, etc.

Facility Improvement needs

Enrollment Balancing Project

Kindergarten Extended Day implementation

# 2016 Levy; Unique Taxpayer Factors

## ➤ Other financial considerations

Fund balance level to maintain high bond rating; 50% to 60%

Enables borrowing at a cheaper rate

Available funds for 2017 bond redemption; up to \$30 million ?

Provides a reduction in future debt payments

Both lower taxes for taxpayers

# 2016 Tax Levy Separate Fund Requests

Separate levy amounts are requested for the individual operating “cap” funds used by the District

# Levy Request Fund Distribution

(w/o B&I)

Fund	Requested Levy	% of Total
Education	\$33,745,000	89.5%
O&M	\$1,800,000	4.8%
Transportation	\$200,000	0.5%
IMRF/SS	\$1,150,000	3.1%

# Levy Request Fund Distribution

(w/o B&I)

Fund	Requested Levy	% of Total
Capital Projects	\$0	0.0%
Working Cash	\$590,000	1.6%
Tort	\$200,000	0.5%
Life Safety	\$0	0.0%



# 2016 Debt Service Fund Tax Levy

- Levy for the Debt Service, formally the Bond & Interest, Fund is separately determined at the time of the bond issue
- The levy amount is not subject to the tax cap



# 2016/2015 Published Levy Debt Service Fund Net Effect

Levy Yr	Levy Status	Levy Amount	Percentage Increase <Decrease> Yr/Yr
2016	Expected (Before Abatement)	\$5,879,381	35.38%
2015	Actual (After Abatement)	\$4,342,842	



# 2016/2015 Pro-Forma Levy Debt Service Fund Net Effect

Levy Yr	Levy Status	Levy Amount	Percentage Increase <Decrease> Yr/Yr
2016	Expected (After Assumed Abatement of \$1,450,000)	\$4,429,381	1.99%
2015	Actual (After Abatement)	\$4,342,842	

# 2016 Levy Request

Operating “Cap” Funds	\$37,685,000
Debt Service, w/ o abatement	<u>\$5,879,381</u>
Total Levy Request	\$43,564,381

# 2016 Expected Tax Extension

Operating “Cap” Funds	\$37,685,000
Debt Service, w/ o abatement	<u>\$5,879,381</u>
Total Levy Request	\$43,564,381

# Recommendation

“The Board;

- Accept and approve the 2016 Tentative Levy as presented by Administration, and
- Authorize Administration to have a proscribed notice of a Tentative 2016 Levy and Hearing to be held at the December 13, 2016 Meeting of the Board”

(Action enables receipt of over 90% of annual revenues)

# 2016 Levy “Follow Up” Calendar

- |                   |  |
|-------------------|--|
| December 13, 2016 | - Levy Hearing & Final Adoption                |
| December 27, 2016 | - Levy Filing Deadline with County             |
| March 21, 2017    | - Tax Abatement Resolution                     |
| April 1, 2017     | - Tax Abatement Filing Deadline<br>with County |



# 2016 Levy

November 15, 2016