



**PROSPECT HEIGHTS DISTRICT 23
FINANCE COMMITTEE
MEMORANDUM**

Date: November 2, 2020
Title: Discussion of 2020 Tentative Tax Levy
Contact: Amy McPartlin, Assistant Superintendent for Finance & Operations

Background

The Board of Education annually approves a property tax levy that is limited by the following items: Voter approved maximum tax rates, Illinois School Code maximum tax rates, Cook County Property Tax Cap; prior year equalized assessed valuation computation, growth in new property, and the property assessment cap.

District 23 must file the adopted property tax levy with the Cook County Clerk's Office no later than the last Tuesday in December each year. At its November 11th meeting, the Board of Education will authorize the publication of a notice in The Daily Herald regarding the 2020 Proposed Property Tax Levy. This notice will advise the community of the amount of the tax levy increase and the date of the public hearing on the levy. The levy is to be approved after the hearing at the December 9th Board of Education Meeting.

Administrative Consideration

Administration has prepared a 2020 Tentative Tax Levy based upon information known to date and estimates, such as new property added to tax rolls, percentage increase to existing property, and the State equalization factor for Cook County. This serves as the preliminary estimate of the 2020 Property Tax Levy as required by Illinois State Statutes.

The Truth in Taxation Act requires the Board of Education to determine a proposed levy amount at least twenty days prior to final adoption of the property tax levy. If the proposed aggregate levy, which excludes the Debt Service levy, exceeds 105% of the prior year aggregate extension, then a public hearing must be held prior to levy adoption. While the currently proposed levy is just under 105% of the prior year, the Truth in Taxation public hearing is not required but will be held for taxpayer transparency purposes. The final levy amount must be adopted and filed with the County Clerk on or before the last Tuesday in December.

The tax levy sets forth the maximum dollar amount that can be received from property taxation in a given year. In addition to individual rate limits in the Operations &

Maintenance, the tax levy is subject to the limitations of the Property Tax Limitation Law (PTELL), otherwise known as the tax cap, and restricts the growth in property tax revenue to the lesser of 5% or the annual change in the U.S. Consumer Price Index for the previous calendar year, excluding new property. The 2019 Consumer Price Index rate of 2.3% has been applied.

As you know, the levy is filed by fund, but limited in aggregate by the Property Tax Extension Limitation Legislation and excludes the Debt Service Fund. The District's goal is to levy the maximum amount allowable under the specifications of PTELL in order to generate revenues sufficient to meet increasing operating costs. Approved bond and interest levies, along with the value of new property, are exempt from the tax cap.

Following conversations with Elizabeth Hennessey and the Cook County Clerk's office, the tentative tax levy has been prepared with several adjustments as we work to increase our funding to the Education Fund.

- Reduced the Extension to Working Cash - The Working Cash Fund largely serves as a "savings account" for the district, as it does not have specific expenditures that are tied to it. We can also consider the option of fully abating the fund. However at this point, I believe it's best to adjust the flow of revenue to Working Cash, shifting revenue to the Ed. Fund.
- Reduced the Extension to Transportation - Based on the reduction in transportation services during 2019-20 and now in 2020-21 due to the school closures, I have lowered the extension to the Transportation Fund for this year.
- Reduced the Extension to Tort - The Tort Fund recognized a \$98k surplus last year and the fund balance is 200% of annual expenditures. This reduction alone will add approximately \$140,000. to the Education Fund.
- While we may need to increase both Tort and Transportation slightly based on budget next year, these adjustments will help us to improve the outlook in the Education Fund in the short-term.

Lastly, the outstanding bonds paid from the Debt Service Extension Base have levies attached to them that do not reflect the CPI increase available under PTELL. The bond payments do however increase annually. In order to capture PTELL increases in the DSEB, the District needs to approve a supplemental debt service levy. Because of the increase in CPI from 1.9% to 2.3%, a supplemental debt service levy resolution is needed for levy year 2020. Chapman and Cutler will provide this to be submitted with our 2020 levy.

The draft levy has been attached for the committee's review.