



**PROSPECT HEIGHTS DISTRICT 23  
FINANCE COMMITTEE  
MEMORANDUM**

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**Date:** November 1, 2023

**Title:** Discussion of the DRAFT 2023 Tentative Tax Levies and Resolution for the Proportional Allocation of Taxes

**Contact:** Amy McPartlin, Assistant Superintendent for Finance & Operations

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**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.

Following review and approval of the tentative levy on November 9th, the Board of Education will authorize the publication of a notice in The Daily Herald regarding the 2023 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 then be approved after the hearing at the December 14th Board of Education Meeting. The draft notice of the Truth in Taxation Hearing has been attached.

**Administrative Consideration**

Administration has worked with our partners at Raymond James and Chapman & Cutler to prepare the DRAFT 2023 Tentative Tax Levy. This document serves as the preliminary estimate of the 2023 Property Tax Levy as required by Illinois State Statutes. Generally speaking, 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, Working Cash and Tort, the tax levy is subject to the limitations of the Property Tax Extension Limitation Legislation (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 (CPI) for the previous calendar year, excluding new property. The 2022 Consumer Price Index had a rate of 6.5%, Therefore, the most we can increase the levy under the tax cap is 5%, while also accounting for potential new property.

As the District is contemplating a referendum request, the strategy behind the 2023 levy involves the need to capture all potential revenue should we be successful in March. If the

referendum is successful, the District will only get the rate increase requested. We need to levy, planning for a successful effort or we would potentially lose out on the first year of increased funding. There is no chance of an organic significant increase in funding unless the EAV abnormally jumps up which is extremely unlikely after a reassessment year. It is in the District's best interest to levy high enough, as to not lose out on any potential revenue, as it cannot be reclaimed in subsequent years. Funding from the 2023 tax levy will come into the District during the fall of 2024, in the 2025 fiscal year.

The levy is filed by fund, but limited in aggregate by the PTELL 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.

This tentative tax levy has been prepared to continue to maximize new funding by shifting it to the Education Fund and adding potential referendum revenues to both the Education and Operations and Maintenance Funds in order to address future payments for the expansion related debt certificates and operational increases.

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. As the current levy increase is over the 105% of the prior year, the Truth in Taxation public hearing is required.

Currently, the outstanding bonds paid from the Debt Service Extension Base (DSEB) are capped at 5% under PTELL. As CPI has exceeded 5% for the past two bond issuances, 7% in 2021 and 6.5% in 2022, the District will need two supplemental tax levies for debt service to take full advantage of the additional CPI on the DSEB to pay outstanding debt. The amount referenced will be filed through a separate resolution, as provided by Chapman & Cutler and Raymond James. The supplemental levies on the 2021 and 2022 bond issuances have been attached and are to be approved and submitted with our 2023 levy in December.

### **Recommendation**

At this time, we are recommending moving forward with a levy of 26.11% based on the need to protect potential referendum funding and our assumptions of 5% CPI (Capped) and \$5,000,000 in new construction (consistent with our past estimates).

This recommendation is a balance of the need to safeguard our District from losing potential revenue and negative perceptions caused by an unnecessarily high request.

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