



ROSELLE SCHOOL DISTRICT 12

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To: Dr. Mary Henderson, Superintendent
Board of Education

From: Dr. Gregory Harris, Assistant Superintendent of Finance & Operations/CSBO

Re: Tax Levy for 2020

Date: November 17, 2020

The Board of Education adopts a property tax levy in December of every year. In the state of Illinois, property taxes are the largest funding source for most local governments, and school districts are no exception. Approximately 85% of the district's total revenue for this year comes from local property taxes. Districts establish an annual tax levy that is filed with the County Clerk's office prior to the last Tuesday in December. Of the funds levied in the final month of 2020, the total amount extended to the district will not be known until the spring of 2021.

Roselle School District 12 is limited in what it may levy in any given year by the Property Tax Extension Limitation Law, known more familiarly as PTELL or "Tax Caps." The amount that the district may increase its property tax revenue in 2021 over what it received in 2020 is capped by the Consumer Price Index (CPI) or 5%, whichever is lower. Districts look at the CPI figure from the previous year--in this case, December of 2019--to build their annual levies. For the 2020 levy, CPI is 2.3%. This is the highest CPI has been since the 2012 levy.

To determine a limiting rate for the 2020 levy, the prior year's tax extension is increased by 2.3% and then divided by the total equalized assessed valuation of property within the district (minus any new property). This formula provides the district with a limiting rate of 3.2112, which is in turn multiplied by total EAV to determine an estimated capped extension of \$9.78 million. This is a reasonable approximation of how much the district stands to receive in property taxes in calendar year 2021.

However, the district's current EAV and new property figures are only estimates from the township assessor at this time. Hard, reliable numbers will not be available for a couple months. This is why it is being recommended that the Board approve a levy that is somewhat "ballooned" in order to capture any new revenue that these calculations may not be taking into account. For example, if EAV comes in lower than estimated or if new property comes in higher, the district will potentially be missing out on revenue that it is otherwise entitled to--the county will only extend to districts what they levy for. Therefore, the district has to ensure that its levy is ample enough to capture all possible new revenue.

To do this, it is recommended that the board approve a levy of approximately \$10.02 million. This figure accomplishes two objectives. Firstly, it maximizes the "ask" in the levying process so there is no new revenue unintentionally left on the table. Secondly, it keeps the district's capped levy under 5%. Hitting that 5% threshold triggers "truth in taxation." If a proposed aggregate tax levy is 5% greater than the previous year's extension, the district must publish a notice in the newspaper and the Board must hold a public hearing. While there are some years when this process may be necessary--for

example when a TIF rolls off and an inordinate amount of new property comes onto the tax rolls—it is recommended that the Board avoid this process at this time.

Lastly, the Board should be apprised of the projections for CPI in December of 2020 as that will affect the district's 2021 levy. Currently, CPI is holding steady at a little over 1%. However, with the recent surges of COVID numbers in the state of Illinois, responses to the pandemic similar to what the area experienced in March and April could drive economic activity down in the final months of the year to the point where we would be looking at a CPI figure of approximately 0.4% for the 2021 levy. As more data arrives, the Board will be informed.

Recommendation: I am recommending that the Board of Education approve the 2020 tax levy as attached, an increase of 2.18% over the 2019 levy.