

Referendum Options

Oak Park Elementary School District Number 97

April 26, 2016

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I. Operating Referendum Need

Current Financial Projection



Oak Park District 97 Aggregate - Projection Summary

	BUDGET		REVENUE / EXPENDITURE PROJECTIONS								
	FY 2016	FY 2017	% chg	FY 2018	% chg	FY 2019	% chg	FY 2020	% chg	FY 2021	% chg
REVENUE											
Local	\$58,078,681	\$58,541,578	0.80%	\$58,160,095	-0.65%	\$60,495,486	4.02%	\$63,042,152	4.21%	\$65,741,699	4.28%
State	\$14,340,594	\$13,022,149	-9.19%	\$13,182,410	1.23%	\$13,112,627	-0.53%	\$12,603,111	-3.89%	\$11,844,685	-6.02%
Federal	\$4,642,777	\$3,842,777	-17.23%	\$3,842,777	0.00%	\$3,842,777	0.00%	\$3,842,777	0.00%	\$3,842,777	0.00%
Other	\$0	\$0		\$0		\$0		\$0		\$0	
TOTAL REVENUE	\$77,062,052	\$75,406,504	-2.15%	\$75,185,282	-0.29%	\$77,450,890	3.01%	\$79,488,040	2.63%	\$81,429,161	2.44%
EXPENDITURES											
Salary and Benefit Costs	\$64,020,676	\$66,454,166	3.80%	\$66,962,772	0.77%	\$69,833,869	4.29%	\$72,284,744	3.51%	\$74,529,384	3.11%
Other	\$18,748,338	\$18,745,232	-0.02%	\$20,004,113	6.72%	\$20,476,125	2.36%	\$20,959,588	2.36%	\$21,454,781	2.36%
TOTAL EXPENDITURES	\$82,769,014	\$85,199,398	2.94%	\$86,966,885	2.07%	\$90,309,993	3.84%	\$93,244,332	3.25%	\$95,984,166	2.94%
SURPLUS / DEFICIT	(\$5,706,961)	(\$9,792,894)		(\$11,781,603)		(\$12,859,103)		(\$13,756,292)		(\$14,555,004)	
OTHER FINANCING SOURCES/USES											
Other Financing Sources	\$3,306,806	\$3,500,000	5.84%	\$3,570,000	2.00%	\$3,641,400	2.00%	\$3,714,228	2.00%	\$3,788,513	2.00%
Other Financing Uses	(\$5,497,466)	(\$5,987,257)		(\$3,957,257)		(\$4,028,657)		(\$4,101,485)		(\$4,175,770)	
TOTAL OTHER FIN. SOURCES/USES	(\$2,190,660)	(\$2,487,257)		(\$387,257)		(\$387,257)		(\$387,257)		(\$387,257)	
SURPLUS / DEFICIT INCL. OTHER FIN. SOURCES	(\$7,897,621)	(\$12,280,151)		(\$12,168,860)		(\$13,246,360)		(\$14,143,549)		(\$14,942,261)	
BEGINNING FUND BALANCE	\$33,146,985	\$25,249,364		\$12,969,213		\$800,353		(\$12,446,007)		(\$26,589,556)	
PROJECTED YEAR END BALANCE	\$25,249,364	\$12,969,213		\$800,353		(\$12,446,007)		(\$26,589,556)		(\$41,531,818)	
FUND BALANCE AS % OF EXPENDITURES	30.51%	15.22%		0.92%		-13.78%		-28.52%		-43.27%	
FUND BALANCE AS # OF MONTHS OF EXPEND.	3.66	1.83		0.11		(1.65)		(3.42)		(5.19)	

A
B
A+B

Referendum Levy:	2015	2016	2017	2018	2019
Current Referendum Bond Levies:	\$4.45M	\$4.45M	\$4.45M	\$0	\$0

Timeline

Referendum Date:	4-Apr-17
Type of Election:	Consolidated
Board Adopts Resolution Initiating Public Question:	No later than Tuesday January 17, 2017
Cook County Certifies the Public Question	Not later than Thursday, January 26, 2017
Cook County Publishes Election Notice	Between Sunday, March 5th and Saturday, March 25, 2017
Cook County Posts copy of Election Notice	Not later than Saturday, March 25, 2017
District Posts copy of Election Notice	Not later than Saturday, March 25, 2017
First Levy Impacted:	2016 Levy if District levies enough in December 2016 to capture increase
Referendum Impacts Taxpayers:	August of 2017
Fiscal Year Impacted:	FY2018

Note: This timeline assumes a limiting rate question which can be effective as of the 2016 levy year; other referendum types may be effective in 2017 or 2018 per statutory requirement.

II. Increase Limiting Rate

What is the Limiting Rate

Limiting Rate = Last preceding Aggregate Extension Base x (1 + Extension Limitation)

Current Year's EAV
(less new property and recovered TIF value)

Limiting Rate x EAV = Extension (\$)

A. Legal Form of Proposition to Increase the Limiting Rate (multi-year)

Shall the limiting rate under the Property Tax Extension Limitation Law for Oak Park Elementary School District Number 97, Cook County, Illinois, be increased by an additional amount equal to ___% above the limiting rate for school purposes for levy year 2015 and be equal to _____% of the equalized assessed value of the taxable property therein for levy years 2016, 2017, 2018 and 2019?

Note: The amounts must be equal in each of the years the referendum is implemented.

Supplemental Information Required to Appear on the Ballot and in Election Notices

- (1) The approximate amount of taxes extendable at the most recently extended limiting rate is \$_____, and the approximate amount of taxes extendable if the proposition is approved is \$_____.
- (2) For the 2016 levy year the approximate amount of the additional tax extendable against property containing a single family residence and having a fair market value at the time of the referendum of \$100,000 is estimated to be \$_____.

Supplemental Information

For a Limiting Rate Increase (cont'd)

- (3) Based upon an average annual percentage increase (or decrease) in the market value of such property of ____%*, the approximate amount of the additional tax extendable against such property for the 2017 levy year is estimated to be \$_____, for the 2018 levy year is estimated to be \$_____ and for the 2019 levy year is estimated to be \$_____.

* This percentage is equal to the average annual percentage increase or decrease for the prior 3 levy years, at the time the submission of the proposition is initiated by the District, in the amount of (A) the EAV of the taxable property in the taxing district less (B) the new property included in the EAV. For April 2017 referendum, 2015 levy info will be known so prior three years is 2013, 2014 and 2015.

Supplemental Information

For a Limiting Rate Increase (cont'd)

- (4) If the proposition is approved, the aggregate extension for 2016, 2017, 2018 and 2019 will be determined by the limiting rate set forth in the proposition, rather than the otherwise applicable limiting rate calculated under the provisions of the Property Tax Extension Limitation Law (commonly known as the Property Tax Cap Law).

Calculation of Tax Increase in Paragraphs (2) and (3)

Multiply: \$100,000

X

Percentage level of assessment prescribed by statute or county board ordinance (in Cook County, 10%)

X

Most recent final equalization factor certified to the county clerk by the Department of Revenue / Multiplier (in Cook County, 2.7253 for 2014)

X

The amount by which the limiting rate is to be increased

B. Relevant Legal Changes to Limiting Rate Proposition

1. Some history: Until 2006, districts subject to PTELL continued to run fund-specific rate increase referenda but the limiting rate restricted their ability to fully access such voter-approved rate increases.
2. PTELL “recognized” rate increases by means of a “rate increase factor” which allowed districts up to five years to phase in a voted tax rate increase. But if, for any given tax year, the operating fund for which the rate increase was approved attained that rate, a rate increase factor would no longer be applied in computing a district’s aggregate extensions.

Relevant Legal Changes to Limiting Rate Proposition

3. After years of controversy over how county clerks should apply the rate increase factor, and whether districts could properly defer attaining the full rate increase in the intended benefited fund so as to prolong the period for which a rate increase factor would be available, the PTELL was amended by P.A. 94-976 in 2006 to do away with fund-specific rate referenda and to restrict “capped” districts to prescribed PTELL referendum options.
4. The amended PTELL’s mandated text for a limiting rate increase proposition included supplemental information (see previous slides) required to appear below the ballot question and in election notices.

Relevant Legal Changes to Limiting Rate Proposition

5. These “below the ballot” disclosures were to inform voters of the approximate amount of additional taxes which could be extended for the district, and against a single-family residential property with a \$100,000 fair market value, if the proposition were approved.
6. However, the statutorily prescribed text for limiting rate increase referenda did not specify that the taxing district should take account of the state equalization factor or “multiplier” in computing these approximations. Nor did the prescribed text for referenda to increase the extension limitation (discussed below).

Relevant Legal Changes to Limiting Rate Proposition

7. The limiting rate increase proposition for District 97's successful 2011 referendum used the prescribed PTELL text and included "below the ballot" disclosures of the estimated additional school taxes extendable if the increase was approved. However, the estimates did not factor in the equalization factor for Cook County.

8. Although District 97 worded the ballot question and disclosures to be consistent with the text of the statute, during public explanations leading up to the referendum District officials did explain that the actual tax impact would be significantly higher when future extensions are actually calculated on then-known assessed valuation as adjusted by the equalization factor.

Relevant Legal Changes to Limiting Rate Proposition

9. Nonetheless, Taxpayers United of America (TUA) and a local resident sued District 97, asking that the April 5, 2011 referendum outcome be declared void based on the ballot's alleged misrepresentation of the tax impact.

10. The TUA and a Wilmette resident filed a similar action to set aside School District 39's limiting rate increase approved by voters in that District's April 2011 referendum. After the Circuit Court dismissed the cases, plaintiffs in the District 39 case sought review, also asking the Illinois Appellate Court to consolidated their appeal with the appeal pending against District 97.

Relevant Legal Changes to Limiting Rate Proposition

11. The Appellate Court dismissed the consolidated appeals for want of prosecution.
12. TUA petitioned the Illinois Supreme Court for leave to appeal. The Supreme Court denied the petition, but directed the Appellate Court to reinstate the lawsuit and consider the cases on their merits. In December 2012, plaintiffs voluntarily dismissed the appeals.
13. Meanwhile, the General Assembly approved and the Governor signed P.A. 97-1087, amending the PTELL's provisions for referenda on limiting rate and extension limitation increases to specify that the state equalization factor should be used in calculating the estimated tax impact of proposed increases.

C. Limiting Rate Increase Considerations

14. Since 2011, and as a result of a legislative change, taxing districts are required to use the multiplier in calculating tax impact.
15. If Equalized Assessed Valuation (EAV) is declining but the District is unable to predict the decline accurately, another form of the question may be preferable.
16. Statutory form of the question requires you to calculate the numbers in the ballot question using “known” EAV.
17. This may result in overstatement of limiting rate increase in the ballot question, which needs to be explained.
18. The Limiting Rate question allows multi-year approach up to four years. Some districts see this as attractive because it lessens the impact on the taxpayer. However, declining EAV can result in lost revenue under this approach.

D. Illustration of Limiting Rate

2014 EAV	1,383,005,873	Dollar Increase Requested	13,830,059
2014 Limiting Rate	3.810	Tax Rate Increase Proposed	1.000
2014 Aggregate Ext Base	52,692,524	Total Tax Rate in Oak Park (2014)	12.296
Funds Needed	13,830,059	Percent Increase	8.1%
Rate Increase Needed Over 2014	1.000	Impact per \$1,000 of Taxes Paid	\$81
2016 Proposed Lim Rate	4.810		
2016 Prop. Agg. Extension (calculated on 2014 EAV because statute uses last known EAV for Question)	66,522,582		
		<u>Difference</u>	
Fair Market Value		100,000	
Assessed Value		10,000	
2014 Cook County Multiplier		2.7253	
Equalized Assessed Value		27,253	
2014 Limiting Rate		3.8100	
2014 Operating Extension for \$100,000 Home		\$1,038	
Proposed 2016 Limiting Rate		4.8100	
2016 Operating Extension at new Limiting Rate		\$1,311	\$273

Illustration of Limiting Rate (One Year v Multi-Year)

Shall the limiting rate under the Property Tax Extension Limitation Law for Oak Park Elementary School District Number 97, Cook County, Illinois, be increased by an additional amount equal to **1.00%** above the limiting rate for school purposes for levy year 2015 and be equal to **4.81%** of the equalized assessed value of the taxable property therein for levy year 2016?

Shall the limiting rate under the Property Tax Extension Limitation Law for Oak Park Elementary School District Number 97, Cook County, Illinois, be increased by an additional amount equal to **.25%** above the limiting rate for school purposes for levy year 2015 and be equal to **4.060%** of the equalized assessed value of the taxable property therein for levy year 2016, 2017, 2018 and 2019?

III. Increase Extension Limitation

A. Legal Form of Proposition to Increase Extension Limitation

Shall the extension limitation under the Property Tax Extension Limitation Law for Oak Park Elementary School District Number 97, Cook County, Illinois, be increased from the lesser of 5% or the percentage increase in the Consumer Price Index over the prior levy year to ____% per year for 2017, 2018 and 2019?

Supplemental Information Required to Appear on the Ballot and in Election Notices

- (1) For the 2017 levy year the approximate amount of the additional tax extendable against property containing a single family residence and having a fair market value at the time of the referendum of \$100,000 is estimated to be \$_____.
- (2) Based upon an average annual percentage increase (or decrease) in the market value of such property of _____%*, the approximate amount of the additional tax extendable against such property for the 2018 levy year is estimated to be \$_____ and for the 2019 levy year is estimated to be \$_____.

* This percentage is equal to the average annual percentage increase or decrease for the prior three levy years (at the time the submission of the question is initiated by the District), in the amount of (A) the EAV of the taxable property in the taxing district less (B) the new property included in the EAV. For April 2017 referendum, 2015 levy info will be known so prior three years is 2013, 2014 and 2015

Calculation of Tax Increase in Paragraphs (1) and (2)

Multiply: \$100,000

X

Percentage level of assessment prescribed by statute or county board ordinance (in Cook County, 10%)

X

Most recent final equalization factor certified to the county clerk by the Department of Revenue / Multiplier (in Cook County, 2.7253 for 2014)

X

The last known aggregate extension base

X

The difference between the proposed percentage increase and the lesser of 5% or the **percentage increase in the CPI for the prior levy year** (or an estimate of the percentage increase for the prior levy year if the increase is unavailable when the School Board adopts the Election Resolution)

Divide the Result by the District's EAV

B. Extension Limitation Question Considerations

- Most districts dislike this question because the percentage increase is typically much higher than for a limiting rate increase.
- However, in an environment where EAV is decreasing and fluctuating, the Extension Limitation avoids any calculation at all on EAV.
- The tax increase is a guaranteed amount based on a percentage over and above the aggregate extension base.

C. Illustration of Extension Limitation

2014 EAV	1,383,005,873	Dollar Increase Requested	12,646,206
2014 Limiting Rate	3.810	Tax Rate Increase Proposed	0.914
2014 Aggregate Ext Base	52,692,524	Total Tax Rate in Oak Park (2014)	12.296
Funds Needed	12,646,206	Percent Increase	7.4%
Rate Increase Needed Over 2014	0.914	Impact per \$1,000 of Taxes Paid	\$74
% Increase Over 2014	24.0%		
2016 Prop. Agg. Extension	65,338,729		

		<u>Difference</u>
Fair Market Value	100,000	
Assessed Value	10,000	
2014 Cook County Multiplier	2.7253	
Equalized Assessed Value	27,253	
2014 Limiting Rate	3.8100	
2014 Operating Extension for \$100,000 Home	\$1,038	
Proposed 2016 Limiting Rate	4.7244	
2016 Operating Extension at new Limiting Rate	\$1,288	\$249

Illustration of Extension Limitation (One Year v Multi-Year)

Shall the extension limitation under the Property Tax Extension Limitation Law for Oak Park Elementary School District Number 97, Cook County, Illinois, be increased from the lesser of 5% or the percentage increase in the Consumer Price Index over the prior levy year to 24% per year for 2017?

Shall the extension limitation under the Property Tax Extension Limitation Law for Oak Park Elementary School District Number 97, Cook County, Illinois, be increased from the lesser of 5% or the percentage increase in the Consumer Price Index over the prior levy year to 8% per year for 2017, 2019 and 2019?

IV. Increase Debt Service Extension Base

A. Legal Form of Proposition to Increase the Debt Service Extension Base

Shall the debt service extension base under the Property Tax Extension Limitation Law for Oak Park Elementary School District Number 97, Cook County, Illinois, for payment of principal and interest on limited bonds be increased from \$_____ to \$_____ for the 2018 levy year and all subsequent levy years, such debt service extension base to be increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index during the 12-month calendar year preceding the levy year?

B. Debt Service Extension Base Increase Considerations

- May be used for capital projects or operating expenses, though the District's Finance Policy precludes using the DSEB for operating purposes
- If DSEB is not used, it does not go away
- Relatively simple ballot language
- Needs to be explained to voters
- Can be used in conjunction with expiration of other bonds to lessen impact on the voters
- Debt Base must be used to repay debt, so interest cost must be considered

Working Cash Fund Bonds

- ✓ Can be used either for capital or operating; requires a petition period and public hearing

Life Safety Bonds

- ✓ Proceeds must be used for life safety projects only which are approved by the State and Regional Superintendent of Schools; requires public hearing

Funding Bonds

- ✓ Can be used to refund debt obligations of the District such as lease or debt certificates; requires petition period and public hearing

C. Illustration of DSEB Referendum

Levy Year	Equalized Assessed Valuation	% Change	Debt Service Extension Base	Increase in DSEB per Referendum	Proposed Debt Service Extension Base	CPI Factor for DSEB	Proposed Non-Referendum Debt Service (1)	Remaining Debt Service Capacity	\$45.8M Series 1999B Referendum Debt Service	Proposed Total Debt Service	Debt Tax Rate	Tax Rate Increase Due to Bonds
2015	1,383,005,873	0%	3,451,651			0.8%	3,364,600	87,051	4,455,200	7,819,800	0.57	
2016	1,383,005,873	0%	3,475,813			0.7%	3,475,813	0	4,455,600	7,931,413	0.57	
2017	1,383,005,873	0%	3,475,813				3,475,813	0	4,458,100	7,933,913	0.57	
2018	1,383,005,873	0%	3,475,813	13,000,000	16,475,813		16,475,813	0		16,475,813	1.19	0.62
2019	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2020	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2021	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2022	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2023	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2024	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2025	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2026	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2027	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2028	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2029	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2030	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2031	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2032	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2033	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	
2034	1,383,005,873	0%	3,475,813		3,475,813		3,475,813	3,475,813		0	0.00	

(1) Includes Series 2016 bonds for capital in levy years 2016 -2018

- \$3.5M of Debt Base used for capital project financings and \$13M issued annually for operating purposes on a taxable basis
- Could sell bonds in 2017 after referendum approved affecting the 2018 levy year.

Illustration of DSEB Referendum

Shall the debt service extension base under the Property Tax Extension Limitation Law for Oak Park Elementary School District Number 97, Cook County, Illinois, for payment of principal and interest on limited bonds be increased from **\$3,500,000** to **\$16,500,000** for the 2018 levy year and all subsequent levy years, such debt service extension base to be increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index during the 12-month calendar year preceding the levy year?

V. Working Cash Fund Bond Proposition

Working Cash Fund Bond Proposition

Shall the Board of Education of Oak Park Elementary School District Number 97, Cook County, Illinois, be authorized to issue \$_____ bonds for a working cash fund as provided for by Article 20 of the School Code?

Working Cash Fund Bond Proposition Considerations

- Many Districts go to referendum for working cash fund bonds if they have been unable to pass an operating referendum.
- Voters view bonds as smaller, shorter term and temporary and therefore may be more apt to vote them in.
- The problem is that working cash fund bonds are usually a one time fix for an ongoing structural deficit.

VI. Building Bond Proposition

Building Bond Proposition

Shall the Board of Education of Oak Park Elementary School District Number 97, Cook County, Illinois, [improve the sites of, build and equip additions to and alter, repair and equip school buildings], and issue bonds of said School District to the amount of \$_____ for the purpose of paying the costs thereof?

Building Bond Proposition Considerations

- Relatively simple ballot language
- Easily identifiable projects and borrowing amount
- Does not require tax impact analysis on the ballot or in election notices
- Bonds may be issued in one or more series, but within 5 years of voter approval

Recent Referenda Success/Failure

<i>March 15, 2016 Election:</i>			
	<u>Number</u>	<u>Passed</u>	<u>Failed</u>
Education Fund	5	2	3
PTELL	6	3	3
Building Bonds	13	5	8
Working Cash Bonds	5	4	1
DSEB	0	0	0
 <i>April 7, 2015 Election:</i>			
	<u>Number</u>	<u>Passed</u>	<u>Failed</u>
Education Fund	9	5	4
PTELL	6	1	5
Building Bonds	11	5	6
Working Cash Bonds	3	2	1
DSEB	0	0	0

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