

**ACTION ITEM**

**Date:**           **October 26, 2020**

**To:**             **Kari Cremascoli, Ph.D.**  
                      **Superintendent**

**From:**         **Corey Bultemeier, SFO**  
                      **Chief School Business Official**

**Subject:**      **Review the Tax Year 2020 Estimate of Levy**

**Proposed Action by the Board of Education**

Review the Tax Year 2020 Estimate of Levy as per “Exhibit A” attached.

**Background**

Adopting a levy on an annual basis is one of the major functions of the District 39 Board of Education. Excluding the State’s on-behalf payment, residential property taxes generate approximately 84% of all revenues for the District.

During the regular November meeting of the Board of Education, the Board will need to adopt a tax levy for the 2020 tax year. This levy must be filed with the Cook County Clerk prior to the last Tuesday in December (December 29, 2020). Collections for the 2020 taxes are scheduled to begin in Cook County on or around March 1, 2021. The March 2021 bills will reflect 55% of what was billed in the 2020 calendar year. The second installment of the property tax bills will be adjusted to reflect the actual levy extension.

**Property Tax Extension Limitation Act (1995)**

Legislation passed in the late winter of 1995 requires Cook County taxing bodies to levy taxes against the last known Equalized Assessed Value (EAV), which is the 2019 EAV. During 2019, the EAV of property within the District’s taxing boundaries decreased to \$1,933,044,201. Based on this law, the initial distribution for the 2020 tax levy for District 39 will be calculated against an EAV of \$1,933,044,201 (2019). However, when the County Clerk extends the final payment, the taxes will be adjusted to reflect the Actual 2020 EAV, which is estimated to remain level plus projected new property growth.

Last year, taxing districts were limited to a 1.9% increase in the levy (the change in the 2018 national Consumer Price Index for all consumers for all items), excluding the Debt Service levy and excluding new growth. This year, taxing districts are limited to a 2.3% increase in the levy based on the change in the 2019 Consumer Price Index. The general effect of this Act is to limit revenue growth from the property tax for school districts to the rate of inflation plus an allowance for new property. Increasing the levy by the Consumer Price Index allows the District to cover ongoing inflationary costs.

## **Commonly used terms during the levy adoption process are:**

### **Levy**

- The formal request by a school district for a certain amount of revenue to be generated by the property tax. This formal request must be sent to the County Clerk prior to the last Tuesday in December. The levy determines the total amount to be raised by property taxes subject to the Property Tax Extension Limitation Law (PTELL).

### **Extension**

- The process by which the County Clerk determines the tax rate needed to raise the revenue (levy) certified by each taxing district in the county.
- The actual dollar amount billed to property taxpayers in a district.

### **Equalized Assessed Value**

- The assessed value multiplied by the state equalization factor (the multiplier), which is determined by the Department of Revenue; this gives the property value from which the tax rate is calculated after deducting exemptions.

### **New Growth**

- New construction consists of improvements or additions to existing buildings on any parcel of property that increased the assessed value during the levy year. It does not include maintenance and repairs. The value of the new property is limited to the actual assessed value added by the new improvement multiplied by the state equalization factor.

## **Determining the Proper Tax Levies**

Before the tax cap years, the District made levy recommendations to the Board of Education based on a fund-by-fund need analysis. That type of analysis is no longer relevant under the tax cap regulations. The District should levy as much as it can within the restrictions of the tax cap because the increase in the levy will only cover basic inflationary increases. It is important to levy to the fullest extent possible under the tax cap because any loss in revenue due to under levying is lost forever. Even with the limits of the tax cap, each fund is still evaluated and adjusted accordingly to meet the needs of the annual budget. The 2020 levy is allocated similarly to the 2019 levy, with the exceptions of the Tort and Transportation Fund levies. The Tort Fund levy was intentionally decreased to bring it in with the fund's annual expenditures. The Transportation Fund levy was increased to help offset some of the loss of the fund's revenues due to COVID-19 impacts on student transportation fees.

## **Levy Process Considerations**

Two viable assumptions were made in order to arrive at the 2020 Estimated Levy. First, the Equalized Assessed Value (EAV) is estimated to remain level with a 0% total increase. Second, estimating the value of all new construction which is unknown at the time of levy adoption. The estimate uses the ten-year historical average, \$14,205,000, plus an additional amount that allows for the unknown nature of this part of the levy equation. The total new property growth used in the tax levy request is \$41,355,200, which is consistent with previous tax levy requests.

It is important to remember that the additional property taxes associated with the new construction, are paid by the new residential or commercial property owners. The tax rate on the new construction is the same tax rate that existing property owners pay on their properties. Regardless of the amount of estimated new construction used in the levy calculation, existing property owners will pay the same amount of taxes. Receiving property taxes associated with new construction helps the district to cover additional future costs associated with a potential increase in students as a result of construction of new homes.

### **Truth in Taxation Act**

If the estimate of the aggregate tax levy (excluding Debt Service levy) exceeds 105% of the amount extended the previous year, The Truth in Taxation Act (Public Act 88-455) requires Boards of Education to hold a public hearing prior to the levy adoption. The notice for the hearing must be published in a local newspaper (no more than 14 days and no less than 7 days) prior to the date of any such hearing. Based on the levy estimate that is being recommended, the District will not be required to publish a notice or hold a public hearing. In order to be transparent, however, the District has historically published a notice and held a public hearing regardless of the amount of the levy increase.

Based on these requirements, the following levy calendar calls for determination of a proposed levy at the October 26, 2020 Board of Education meeting.

October 19, 2020	School Finance Committee presentation of the 2020 levy material discussion & review.
October 26, 2020	Board of Education meeting. Approve 2020 Estimated Levy and Public Hearing Announcement.
November 5, 2020	Public Hearing published in a newspaper with general circulation within the school district no more than fourteen nor less than seven days prior to the public hearing.
November 16, 2020	Scheduled Board of Education meeting. Public hearing on proposed 2020 levy at 7:00 p.m. and adoption of 2020 levy.
December 29, 2020	Last day to file 2020 levy with the Cook County Clerk.

### **Recommendations**

The estimated levy is based upon several variables including the Consumer Price Index (CPI), EAV, the value of new construction, the Cook County multiplier, and the Limiting Rate calculation. The CPI has been determined to increase 2.3% over the prior year's final extension; the other variables have to be finalized. All assumptions were based on the analysis of historical data, local trends and future projections.

The Administration recommends the Board of Education review the Tax Year 2020 Estimate of Levy. The Board must formally adopt and file the tax levy prior to December 29, 2020 in order to meet all statutory requirements.

### **Attachment**

#### **Recommended for presentation to the Board of Education**



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**Kari Cremascoli, Ph.D.**  
**Superintendent**

**Wilmette Public Schools District 39  
2020 Requested Tax Levy & Estimated Tax Extension**

	<u>Actual 2016</u>	<u>Actual 2017</u>	<u>Actual 2018</u>	<u>Actual 2019</u>	<u>Estimated 2020</u>	
New Growth	17,396,152	16,259,135	24,976,241	14,148,316	14,205,000	
EAV minus Growth	1,800,127,006	1,837,555,558	1,771,426,382	1,918,895,885	1,933,044,201	
Current Year EAV	1,817,523,158	1,853,814,693	1,796,402,623	1,933,044,201	1,947,249,201	
<b>Fund</b>						<b>2020 Tax Extension Estimate</b>
Education	2.1757	2.1681	2.3167	2.1848	2.2448	\$ 43,711,850.06
Special Ed	0.0163	0.0165	0.0177	0.0169	0.0189	368,030.10
Tort	0.0222	0.0150	0.0160	0.0402	0.0305	593,911.01
O & M	0.4337	0.4793	0.5121	0.4885	0.4924	9,588,255.07
Transportation	0.0388	0.0338	0.0361	0.0345	0.0441	858,736.90
IMRF	0.0154	0.0182	0.0194	0.0185	0.0193	375,819.10
Social Security	0.0653	0.0660	0.0706	0.0673	0.0678	1,320,234.96
Working Cash	<u>0.0059</u>	<u>0.0045</u>	<u>0.0048</u>	<u>0.0046</u>	<u>0.0032</u>	62,311.97
	2.7733	2.8014	2.9934	2.8553	2.9210	\$ 56,879,149.17
Debt Service	<u>0.0663</u>	<u>0.0781</u>	<u>0.0875</u>	<u>0.0833</u>	<u>0.0804</u>	1,565,588.36
TOTAL	<u>2.8396</u>	<u>2.8795</u>	<u>3.0809</u>	<u>2.9386</u>	<u>3.0014</u>	<u>\$ 58,444,737.53</u>
<b>Fund</b>	<b>Actual 2016</b>	<b>Actual 2017</b>	<b>Actual 2018</b>	<b>Actual 2019</b>	<b>Estimated 2020</b>	<b>4.49% Tax Levy * Request for 2020</b>
Education	\$ 39,543,851	\$ 40,192,556	\$ 41,617,259	\$ 42,233,149	\$ 43,711,850.06	\$ 44,308,218
Special Ed	296,256	305,879	317,963	326,684	368,030.10	391,382
Tort	403,490	278,072	287,424	777,083	593,911.01	602,044
O & M	7,882,597	8,885,333	9,199,377	9,442,920	9,588,255.07	9,642,757
Transportation	705,198	626,589	648,501	666,900	858,736.90	896,904
IMRF	279,898	337,394	348,502	357,613	375,819.10	383,702
Social Security	1,186,842	1,223,517	1,268,260	1,300,938	1,320,234.96	1,359,467
Working Cash	<u>107,233</u>	<u>83,421</u>	<u>86,227</u>	<u>88,920</u>	<u>62,311.97</u>	<u>87,174</u>
	\$ 50,405,365	\$ 51,932,761	\$ 53,773,513	\$ 55,194,207	\$ 56,879,149.17	\$ 57,671,648
Debt Service	<u>1,204,833</u>	<u>1,447,585</u>	<u>\$ 1,572,400</u>	<u>\$ 1,610,424</u>	<u>\$ 1,565,588.36</u>	<u>1,565,588</u>
TOTAL	<u>\$ 51,610,198</u>	<u>\$ 53,380,346</u>	<u>\$ 55,345,913</u>	<u>\$ 56,804,631</u>	<u>\$ 58,444,737.53</u>	<u>\$ 59,237,236</u>

\* 4.49% Levy Request = 2.3% for CPI and 2.19% for New Property Growth