

2016 Tax Levy Presentation



Dr. Manville, Superintendent

Robert Groos, Business Manager/CSBO

Presented November 16, 2016

Property Tax Levy Considerations

- Discussed throughout the year (January, June, November, December)
- Important for Public to gain a greater understanding
 - NLSD122's levy increase is under 5%. Not required to hold a public hearing. Do Anyway.
 - This presentation is shared annually with the community
- Budgeted for passing the Levy - Levy not passed equals loss of \$1M+ annually
- Reality of the Levy
 - Demonstrate our efficient spending
 - Explain how Levy is calculated
 - Illustrate what would happen if the CPI was not levied for (Household Savings/District Loss)
 - Illustrate what would happen if the new property increase was not levied for (Household Savings/District Loss)
 - Illustrate what would happen if the property tax levy was held flat with no increase for 2016 (Household Savings/District Loss)
- Abating
 - What if NLSD122 abated \$1,000,000 of debt service back to the taxpayers for 2016? (Household Savings/District Loss)

Other Levy Considerations

If the Levy is not passed.....

- **Board would be required to establish additional cost savings measures (Cuts)**
 - **Timeline for discussion of budget cutting (Handout / Next Slide)**

Potential Revenue Loss Issues:

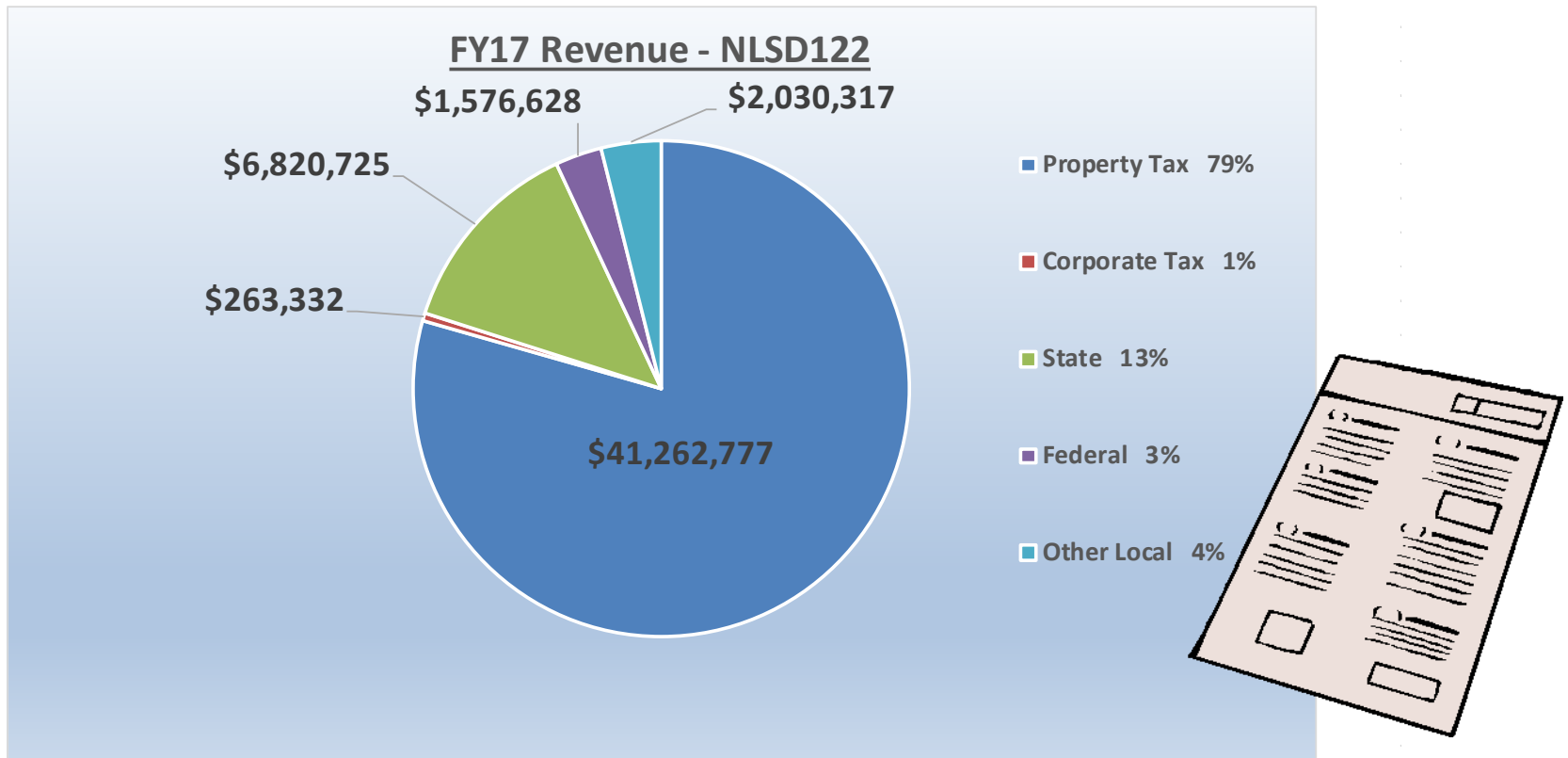
- **The State of Illinois is still in financial crisis and is contemplating significant changes in how the State budget operates.**
 - **May not receive the FY17 3rd and 4th quarterly State payments**
 - **Several pending legislative proposals threaten NLS122's financial future**
 - **TRS pension cost shift away from the State and onto local districts**
 - **State funding formula changes**

NLSD122 Financial Planning Process Overview of Process Timeline

Calendar		Approximate	Fiscal Year	Description
Year	Month	Day	Planning	
2015	January	28	FY16/FY17	Presentation and discussion of 5 Year Forecast at special Board meeting
2016	January	15	FY17/FY18	Presentation and discussion of 5 Year Forecast at special Board meeting
2016	Feb-March		FY17/FY18	Opportunity to discuss needed changes to the District's long term budgeting plans
2016	March - July		FY17/FY18	Business Manager prepares the budget based on finalized decisions and input
2016	June	11	FY17/FY18	Presentation and discussion of 5 Year Forecast at special Board meeting
2016	July - Aug		FY17/FY18	Final changes made to the legal budget based on known information
2016	August	14	FY17	Public Notice published regarding Tentative Budget being on display and the public hearing date
2016	August	15	FY17	Board receives Tentative Budget information packet / Tentative Budget put on public display
2016	August	20	FY17	Tentative Budget presentation, discussion, vote
2016	August	21-31	FY17	Board reviews Tentative Budget information and sends questions to Business Manager
2016	September	1-20	FY17	Board reviews Tentative Budget information and sends questions to Business Manager
2016	September	21	FY17	Public Hearing regarding the FY17 Legal Budget. Board votes to approve budget.
2016	November	11	FY17/FY18	Board receives Tentative Levy information packet
2016	November	16	FY17/FY18	Tentative Levy presentation, discussion, vote
2016	November	20 - 30	FY17/FY18	Board reviews Tentative Levy information and sends questions to Business Manager
2016	December	1-21	FY17/FY18	Board reviews Tentative Levy information and send questions to Business Manager
2016	December	14	FY17/FY18	Truth in Taxation Notice published in newspaper regarding public hearing
2016	December	21	FY17/FY18	Public Hearing regarding the 2016 Tax Levy. Board votes to approve levy.
2017	January	11	FY18/FY19	Presentation and discussion of 5 Year Forecast at special Board meeting
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The Annual Property Tax Levy

- Approving the levy is the most important financial action of the year
- 79% of the District's operating budget is funded by Property Taxes



Illinois Property Tax Law

- **Property Tax Extension Limitation Law (PTELL)**
 - **Enacted in Will County in 1991**
 - **Regulates and limits the growth of property taxes**
- **Since 1991, PTELL has blocked more than \$28M of NLSD122 property tax revenue**
 - **Currently reduces NLSD122's annual levy by \$2M+ per year**
- **The State decreases General State Aid to a district when a district's property values increase.**
 - **NLSD received \$8.7M in 2004. Today NLSD122 receives \$2.9M.**



Illinois Property Tax Law

- ❖ State funding decreases each year as New Lenox property values increase



Illinois Property Tax Law & Inflation

- **IL Property Tax law allows for an annual inflation increase in the levy**
 - **Inflation increases costs over time**
 - **\$1.00 in 1950 has grown to \$10.02 in 2016**
 - **New home in 1990 was \$123K. Today, \$234K+.**
 - **New car in 1990 was \$16K. Today, \$34K+.**
- **Each year, a district can levy the same amount as last year plus increase the levy by whatever inflation was for the year.**
 - **After the new tax rate is calculated for the year, any new property is then taxed for the first time, generating new revenue as well.**

Recent History of Inflation

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
2.5%	4.1%	0.1%	2.7%	1.5%	3.0%	1.7%	1.5%	0.8%	0.7%

A school district's levy will change each year based on 3 variables:

- 1) CPI: Increase to keep pace with inflation**
- 2) New Property: Increase to fund education and offset State reductions in General State Aid** (due to higher EAV)
- 3) Any change in the district's annual debt schedule**

Property Tax Levy Calculation

- **2015 EAV = \$1,216,363,737** (EAV = Equalized Assessed Valuation; about 1/3 of market value)
- **2016 Change in existing EAV = +2.94%** (Estimate per Will County)
- **$\$1,216,363,737 \times 1.0294 = \$1,252,133,047$** (Adjusted Valuation Base)
- **2016 New Property Developed = \$21,341,060** (Estimate per Will County)
- **$\$21,341,060 + \$1,252,133,047 = \$1,273,474,107$** (2016 Expected Net EAV)

- **2015 Levy Extension = \$40,874,687**
- **Inflation (CPI) = 0.7%**
- **$\$40,874,687 \times 0.7\% = \underline{\$286,123}$** (Revenue increase for inflation)
- **$\$40,874,687 + \$286,123 = \$41,160,810$** (New 2016 extension base)

- **$\$41,160,810 / \$1,252,133,047 = \$0.032873$** (New Tax Rate for 2016)
- **$\$0.032873 \times \$21,341,060 = \underline{\$701,535}$** (Revenue increase for New Property)

- **2015 Levy (\$40,874,687) + New Revenue (\$286,123 + \$701,535) = 2016 Levy (\$41,862,346)**

Property Tax Levy Calculation

- **2015 Levy (\$40,874,687) + New Revenue (\$286,123 + \$701,535) = 2016 Levy (\$41,862,346)**
- **Annual Debt Service = \$8,709,563** (Based on previously approved debt)
 - Note that 17% of NLSD122's tax bill is to pay off previously approved debt (\$546 on a \$250K home)
- **2016 Operating Levy (\$41,862,346) + 2016 Debt Service (\$8,709,563) = Total Levy (\$50,571,909)**
- **Certificate of Levy to be submitted to the County before the last Tuesday in December**
 - **\$ 41,862,346 : Expected final extension based on EAV and New Property estimates provided by Will County in October 2016 (EAV up 2.94% and New Property of \$21,341,060).**
 - **\$42,848,520: Amount to request on the certificate of tax levy. Since the District may never receive more revenue than it requests in December, it is best practice to request more than is expected just in case the new property for the year comes in higher than estimated. Once the final new property values are reported by the County in April, then the final extension amount is calculated for each district. Any extra amount requested in December is eliminated by the County. This strategy secures the district for up to \$51M of new property for 2016.**

2016 Tax Bills: Increase of about 1.2%

NLSD122 2016 Tax Levy Estimate: Projected Tax Bills

2015

2015 Market Value	100,000	150,000	200,000	250,000	300,000	350,000	400,000	450,000	500,000
1/3 Assessment	33,333	50,000	66,667	83,333	100,000	116,667	133,333	150,000	166,667
Exemptions	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Total Net Value	27,333	44,000	60,667	77,333	94,000	110,667	127,333	144,000	160,667
Tax Rate	\$ 4.05	\$ 4.05	\$ 4.05	\$ 4.05	\$ 4.05	\$ 4.05	\$ 4.05	\$ 4.05	\$ 4.05
Tax Due	1,107	1,782	2,457	3,132	3,806	4,481	5,156	5,831	6,506

The expected average overall Equalized Assessed Value (EAV) for property in New Lenox increased 3.04% for 2016. The change in your individual tax bill will be dependent upon how much your assessment changed in 2016. The below tables provide estimated changes in tax bills based on various values and assessment changes.

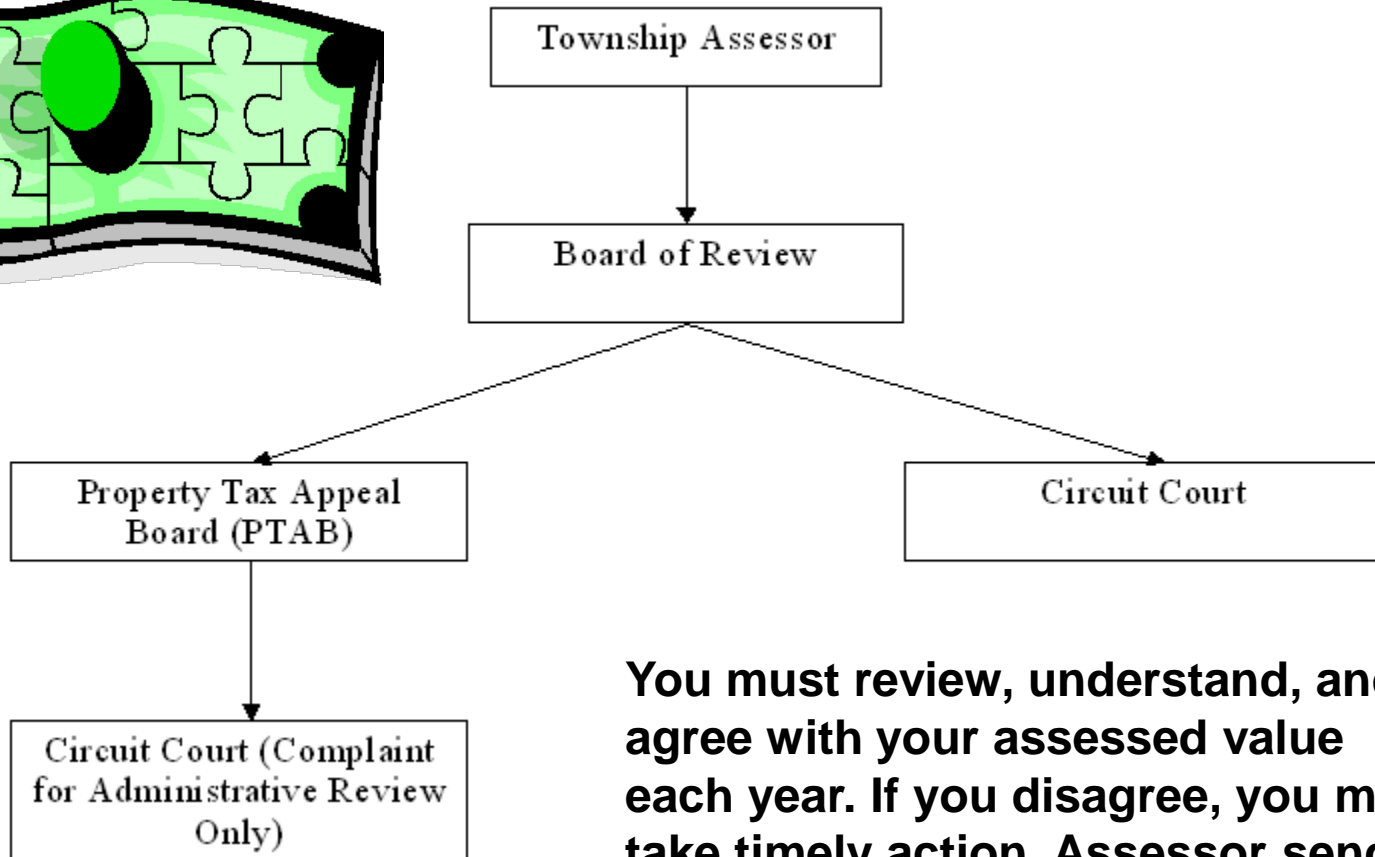
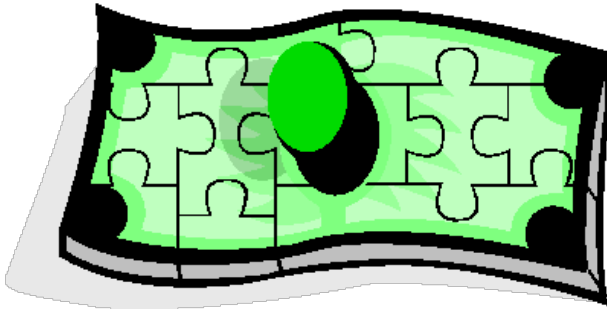
Homes w/ 2016

Assessment Change of:

2.94%

2015 Market Value	102,941	154,411	205,881	257,352	308,822	360,292	411,763	463,233	514,703
1/3 Assessment	34,314	51,470	68,627	85,784	102,941	120,097	137,254	154,411	171,568
Exemptions	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Total Net Value	28,314	45,470	62,627	79,784	96,941	114,097	131,254	148,411	165,568
Tax Rate	\$ 3.97	\$ 3.97	\$ 3.97	\$ 3.97	\$ 3.97	\$ 3.97	\$ 3.97	\$ 3.97	\$ 3.97
Tax Due	1,124	1,806	2,487	3,168	3,850	4,531	5,212	5,894	6,575
\$ Increase	\$ 18	\$ 24	\$ 30	\$ 37	\$ 43	\$ 50	\$ 56	\$ 63	\$ 69
% Increase	1.6%	1.3%	1.2%	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%

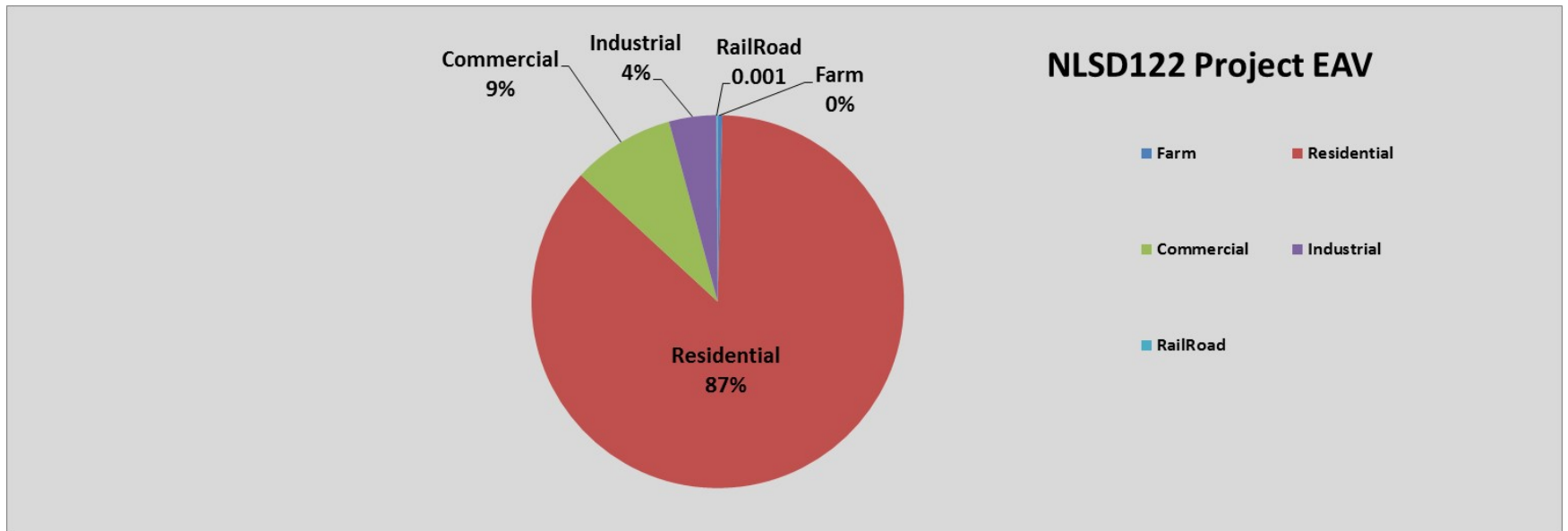
Assessment Appeal Process



You must review, understand, and agree with your assessed value each year. If you disagree, you must take timely action. Assessor sends out notice each August.

Property Values in New Lenox

- New Lenox relies primarily on residential property owners (87%)
- Future commercial and industrial growth will help decrease the overall tax rates.



Tax Levy Summary

This presentation illustrated that:

- 1) Will County estimates that existing property values increased 2.94% overall in New Lenox for 2016
- 2) Will County estimates that there will be about \$21.3M of new property for 2016
- 3) Inflation used for 2016 levy is 0.7% (All Urban Consumer Price Index)
- 4) Per IL Tax law, NLS122 can increase the levy for inflation (CPI) and new property
- 5) The increase generated by the 0.7% inflation is \$286,123
- 6) The increase generated by the expected \$21.3M of new property is \$701,535
- 7) Last year's 2015 operating tax extension was \$40,874,687
- 8) $\$40,874,687 + \$286,123 + \$701,535 = \$41,862,346$ (2016 expected operating extension)
- 9) NLS122 has \$8,709,563 of Debt to pay in 2016, so the total expected extension will be \$50,571,909
- 10) The operating levy is going from \$40.9M to \$41.9M. This is a 2.42% increase.
- 11) The total levy is going from \$49.3M to \$50.6M. This is a 2.67% increase.
- 12) Individual tax bills due to NLS122 are expected to increase about 1.2% or about \$37 for the year
 - Assumed an assessment change of 2.94% with a market value of about \$250K
 - Individual assessments may vary and have the most significant impact on one's individual tax bill

Tax Levy Scenarios

1) What if the CPI was held at 0% for 2016?

- NLSD122 loss = \$291K+ annually
- Average Homeowner saves \$18 a year.

2) What if the property tax levy was held flat with no increase for 2016?

- NLSD122 loss = \$997K+ annually
- Average Homeowner saves \$67 a year.

3) What if NLSD122 abated \$1,000,000 of debt service back to the taxpayers for 2016?

- NLSD122 would lose **\$1,000,000** of reserves (primarily earmarked for maintaining the district facilities)
- Average Homeowner gets a one time savings of **\$63** (\$63 just for one year. Not in future years)

*all above scenarios assume a \$250K home

Tax Levy Scenarios

- **FY17 Legal Budget approved in September 2016 and most recent 5 Year Projection presented in June 2016 both assumed that the 2016 Levy would receive the 0.7% CPI increase, would receive an increase for new property and would not abate any debt service.**
- **The State of Illinois is still in financial crisis and is contemplating significant changes in how the State budget operates.**
 - **May not receive the FY17 3rd and 4th quarterly State payments**
 - **Several pending legislative proposals threaten NLS122's financial future**
 - **TRS pension cost shift away from the State and onto local districts**
 - **State funding formula changes**

Efficiency

- **NLSD122 provides a high quality education for a very efficient cost**
 - **State average elementary cost per pupil is \$12,173 per student** (FY15 AFR)
 - **NLSD122 cost per pupil is only \$10,854 per student** (FY15 AFR)
 - **NLSD122 spends \$1,319 less than the State average**
- **NLSD122 provides tax payer relief every year by keeping operating expenses significantly below the State average.**
- **If NLSD122 spent the State average of \$12,173 per student, the annual budget would be increased \$6,402,426. This would represent an increase of \$401 to the average annual tax bill** (estimate \$250K home).
- **NLSD122 keeps costs as low as possible while providing exceptional quality schools and services.**
- **The annual cost of living adjustment (CPI/Inflation) and new property levy increases are required to maintain the financial stability of the district into the future.**

High Quality Education at an Efficient Cost

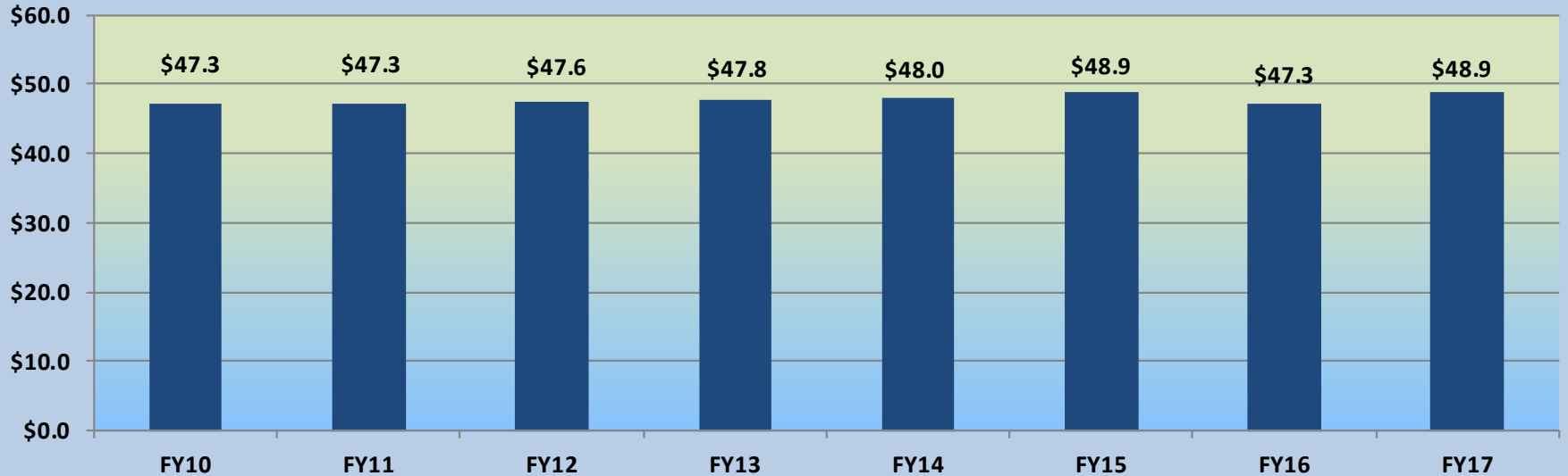
Fiscal Year

Annual Operating Expenditures

Percentage Increase

FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
\$ 47.3	\$ 47.3	\$ 47.6	\$ 47.8	\$ 48.0	\$ 48.9	\$ 47.3	\$ 48.9
	0.0%	0.6%	0.4%	0.4%	1.8%	-3.2%	3.4%

NLSD 122 Annual Operating Expenditures (Stated in Millions of \$'s)



Data Source: Final Audited Annual Financial Reports Posted on ISBE's website (FY16 audit due Oct 15, 2016) (FY17 = Tentative Budget)

Questions?

□ Please contact me anytime:

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