

## URBANA SCHOOL DISTRICT #116 BUSINESS OFFICE MEMO

TO: Don Owen, Superintendent

FROM: Carol Baker  
Director of Business & Financial Services

DATE: January 31, 2014

RE: Discussion of Possible Tax Abatement

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Now that the Carle settlement is finalized, it is time to discuss potential abatement of our Debt Service tax rate for the 2014 (RY 2013) taxes.

During my tax levy presentation in November, I discussed the tax cap implications and how our revenues are no longer impacted by property values, but ARE impacted by the CPI. We will only receive what we are allowed to receive under the tax cap law, regardless of what happens to our underlying property values (EAV). For 2014, this is a 1.7% CPI increase. The County Clerk will compute a tax rate that applied to our EAV, will provide us the 1.7% increase allowed. Since Carle's values are reducing our EAV by 9%, we can expect our rate to increase accordingly. In November, I estimated this increase to be about 54 cents.

We also discussed how lowering our operating levy would impact us for years to come, and that we can never get those dollars back. At that time, the board agreed to continue to levy as normal, but that we would revisit possible tax abatement of our bond tax rate in February. Abatement resolutions must be filed with the County Clerk by the end of February to be included in the 2014 tax rate computations.

In January we were notified that Presence has filed for property tax exemptions on their properties. These applications are in the hands of Illinois Department of Revenue (IDOR) currently, and we are awaiting a decision soon. If these are approved, which we expect they will, this will remove another \$14,381,050 of property values from our EAV, another 2% drop. If the IDOR decision is delayed, we may have another situation like Carle last year where we just won't receive over \$760,000 in Presence tax revenue. We are hopeful this situation does not occur again. If they are approved in time, our tax revenue will not be impacted. However, our rate will increase in order to still get us the 1.7% we are allowed.

The decision that is before the Board is whether you want to try to cushion some of the impact of these exemptions on our tax rate. We did not create these problems, nor can we control their impact. However, our Urbana community is carrying the burden of these decisions and will pay the price.

Our District received over 10.8 million in Carle tax revenues over the years. We have agreed in our settlement to pay back \$5,737,500 over the next 5 years. The remaining amount will now be available fund balances in each respective fund. Does the Board want to use a portion of these funds to give back to the taxpayers of Urbana and help reduce the tax rate? Exact tax rate amounts cannot be calculated based on the current uncertainty of Presence. Previous calculations were approximately 15.65 cents per \$1 million abatement.

I will provide additional information next week to help facilitate the discussion. I look at this as more of a PR decision as opposed to a financial decision. Financially, we need these funds. Administration is not recommending any abatement at this time, but we wanted to give the Board of Education the opportunity to consider this before the deadline is passed. Based on the direction of the Board, abatement resolutions will be presented for approval at the Business Meeting February 18<sup>th</sup>.