

**URBANA SCHOOL DISTRICT #116
BUSINESS OFFICE MEMO**

TO: Dr. Don Owen, Superintendent

FROM: Carol Baker
Chief Financial Officer *CB*

DATE: November 13, 2015

RE: Adoption of Proposed 2015 Tax Levy

Each year, the school district must approve and file a property tax levy with the County Clerk. This memo is to inform the Board of Education on how I arrived at the recommended tax levy. I am requesting approval of the proposed levy to allow me to proceed with advertising the tax levy information prior to the public hearing and final approval at the December business meeting.

In 1996, the Board adopted a tax levy that increased the district's tax rate by 20 cents. This increase was enacted to provide the district with flexibility in dealing with the effects of tax caps over the next five years. This is our 19th levy under tax caps.

The tax cap law limits tax extensions by 5% or CPI, whichever is less. The 2014 CPI is 0.8%, therefore our prior year extensions (excluding debt service) can increase no more than 0.8%. In addition, we will have access to the full growth from new construction, estimated at 1.15%. Therefore, the anticipated increase in our extension is approximately 1.95%. The final rate will not be determined until the spring of 2016.

The required timelines for the tax levy include a tax levy truth-in-taxation hearing when the proposed increase in the aggregate tax levy is more than 105% of the prior year's tax extension. It is not necessary to hold this truth in taxation hearing this year since the expected increase in assessed valuations and new construction are so low (1.95%). I believe we are safe holding our levy to 105% of the prior year's extension.

The tax levy needs to be filed with the County Clerk prior to the last Tuesday in December. At the board meeting Tuesday, we can discuss the proposed levy and possible changes.

URBANA SCHOOL DISTRICT # 116
2015 Tax Levies (Payable in 2016)

	<u>2014 Extension</u>	<u>Rate Limit</u>	<u>Proposed 2015 Levies Based Upon Overall Increase of 5%</u>
Education	\$24,435,453	4.00	\$25,150,300
Operations & Maintenance	\$ 3,624,912	.75	\$ 3,800,000
Transportation	\$ 1,069,746	---	\$ 1,400,000
Special Education	\$ 212,116	.80	\$ 220,000
Working Cash	\$ 611	.05	\$ 700
Municipal Retirement	\$ 425,454	---	\$ 680,000
Social Security	\$ 640,625	---	\$ 700,000
Tort Immunity	\$ 687,694	---	\$ 700,000
Life Safety	<u>\$ 305,642</u>	.10	<u>\$ 321,000</u>
TOTAL	\$31,402,253		\$32,972,000

The actual 2014 Urbana School District Equalized Assessed Valuation (EAV) was \$611,283,660 and current projections assume a growth of .86% in the 2015 EAV. The Levy is increased by 5% here only to be certain that we obtain the maximum amount of revenue available from local taxes under tax caps. By inflating the Levy by 5%, it does not require us to hold the truth-in-taxation hearing and advertise an increase in our tax levy over the prior year's extension.

At this time, we are not working with final assessed values and have no way of knowing about additional property exemptions and Board of Review actions. The dilemma we have is that we have to make the 2015 levy by December 2015. But the actual EAV will probably not be known until April 2016. Since we are legally restricted by tax caps, we cannot get more than we are entitled to even if we over levy. For the 2014 levy (payable in 2015) \$33,664,246 was the actual levy amount; \$31,402,253 was extended. See the Tax Levy History chart for a history of levies vs. actual extension dollars collected.

BOND & INTEREST FUND

It is not necessary for the Board of Education to consider or adopt a levy for the Bond & Interest Fund since this amount can only be established by the County Clerk based upon the adoption of Resolutions by the Board of Education at the time of previous bond sales. For the current extension, the County Clerk will consider all bond issues outstanding which include the 2002 refunding bonds, the 2010 Tort bonds, and the 2012 and 2013 working cash bonds.

EDUCATION & OPERATIONS AND MAINTENANCE

In 1992 the Operations and Maintenance Fund tax rate was increased from .4126 to .50, in order to build up the Fund, and move utilities back to the Operations and Maintenance Fund to help improve our Education Fund balance. Under tax caps, the Fund's rate has continued to drop.

TRANSPORTATION

The Transportation Fund rate was increased to the maximum .20 rate in 1996. It is recommended that the transportation levy be continued at the maximum rate possible under tax caps.

SPECIAL EDUCATION LEVY

Legislation exists which allows school districts to levy a tax for special education purposes. During the WIN-WIN negotiations process in 1984 it was agreed that the Board would levy this tax beginning in 1985 to provide additional funding in the Education Fund.

ILLINOIS MUNICIPAL RETIREMENT/SOCIAL SECURITY FUND

This fund has no tax rate limit as prescribed by The School Code, therefore, we may levy the dollar amount needed. The revenue is restricted in its use for purposes of noncertified staff retirement funding, personnel Social Security taxes and as of 1987, Medicare Tax obligations of the District. The tax levy also includes dollars to cover the mandatory Medicare tax, which requires employers to match the 1.45% of salary paid by all certified teachers hired after April 1, 1986. This expense increases each year as we hire more new teachers.

TORT IMMUNITY

The Tort Immunity levy is without a tax rate limit and is based on need for unemployment compensation, tort liability premiums and expenses, worker's compensation costs, property insurance costs, and other risk management and legal expenses.

WORKING CASH

The district's current legal limit for working cash is .05. The district currently maintains a working cash fund established by the sale of bonds. Each year, the interest earned on this fund is permanently transferred to the Education Fund. The purpose of the Working Cash Fund is to make internal loans to any of the other tax-levying funds that need the cash to pay bills (eliminates borrowing at the bank). We need this additional money to operate as half of our property tax revenue budgeted is not received until May and June; however, expenditures occur on a monthly basis.

LIFE SAFETY

Legislation allows school districts to levy a maximum tax of .10 for fire prevention and safety purposes. Since we currently have life safety amendments outstanding, it is recommended that we continue the .05 levy implemented in 1996 to pay for needed life safety repairs.

USD116 TAX LEVY

USD begins the tax levy process in November for approval at the December Mtg.		The calculation using the limiting formula is done in April and completes the levy process				TAX RATE		% Change in CPI	
		BLACK BOX AD	ACTUAL INCREASE			Actual Tax Rate (excl. Debt Service)	Actual Cents Increase (Decr)		
Revenue-Levy Year	Payable Year-Taxes Received May-Nov	Total Dollars Requested on Levy	% Increase in Dollars Requested Over the Prior Years Actual Collected	Actual Extension Dollars Collected	Actual Dollar Increase (Decrease)	Actual % Increase (Decrease)	Actual Tax Rate (excl. Debt Service)	Actual Cents Increase (Decr)	% Change in CPI
2014	2015	\$33,664,246	10.00%	\$31,402,253	\$798,393	2.61%	5.1371	\$ 0.1905	1.50%
2013	2014	\$31,544,627	10.00% A	\$30,603,860	\$4,547,624	17.45%	4.9466	\$ 0.6831	1.70%
2012	2013	\$29,095,000	5.00% B	\$26,056,236	(\$1,653,623)	-5.97%	4.2635	\$ 0.2564	3.00%
2011	2012	\$28,514,000	5.00%	\$27,709,859	\$553,176	2.04%	4.0071	\$ 0.1573	1.50%
2010	2011	\$30,995,000	18.52%	\$27,156,683	\$1,005,271	3.84%	3.8498	\$ 0.1222	2.70%
2009	2010	\$29,315,000	14.98%	\$26,151,412	\$655,463	2.57%	3.7276	\$ 0.0275	0.10%
2008	2009	\$27,584,000	16.45%	\$25,495,949	\$1,807,838	7.63%	3.7001	\$ 0.0454	4.10%
2007	2008	\$25,647,000		\$23,688,111	\$1,480,827	6.67%	3.6547	\$ (0.0155)	2.50%

EXPLANATION Under tax caps, property taxes are no longer driven by property values. Tax Caps limits the increase in property taxes to the Consumer Price Index (CPI). No matter what we levy, the County Clerk will not extend our taxes more than the CPI. The reason you see the actual % increase higher than CPI is due to the fact that we get the full value of any new construction.

A Expiration of TIF 3 caused new construction to be near 5%. Levy increased to capture recovered TIF value.

B Carle filed for tax exemption in December 2012. This late filing caused Carle's taxes to be extended, however \$2,620,698 was not collected. This revised extension figure reflects that loss of Carle taxes.