

URBANA SCHOOL DISTRICT #116

BUSINESS OFFICE MEMO

TO: Dr. Preston L. Williams, Jr.

FROM: Carol Baker
Director of Business & Financial Services

DATE: November 9, 2009

RE: Adoption of Proposed 2009 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. The 2009 levy is our thirteenth levy under tax caps.

The tax cap law limits tax extensions by 5% or CPI, whichever is less. The 2008 CPI is .1%, therefore our prior year extensions (excluding debt service) can increase no more than .1%. In addition, we will have access to the full growth from new construction, estimated at 2.4%. The final rate will not be determined until the spring of 2010.

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 necessary to hold this truth in taxation hearing since we inflate the expected EAV amount to make sure we protect our access to the maximum revenue possible under tax caps.

The "truth-in-taxation" tax levy hearing should be held at the December business meeting. This item can then be moved to the proper area of the agenda for approval at the meeting. The hearing needs to be properly advertised in advance with the correct tax levy information prior to the December business meeting.

The 2009 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
2009 Tax Levies (Payable in 2010)

	<u>2008 Extension</u>	<u>Rate Limit</u>	<u>Levies Based Upon Increase of 15%</u>
Education	19,837,380	4.00	\$22,813,000
Operations & Maintenance	3,031,869	.75	\$ 3,487,000
Transportation	689,061	.20	\$ 792,000
Special Education	192,248	.80	\$ 221,000
Working Cash	689	.05	\$ 1,000
Municipal Retirement	489,922	---	\$ 560,000
Social Security	447,890	---	\$ 515,000
Tort Immunity	462,360	---	\$ 530,000
Life Safety	344,530	.10	\$ 396,000
TOTAL	25,495,949		\$29,315,000

The actual 2008 Urbana School District Equalized Assessed Valuation (EAV) was \$689,061,088 and current projections assume a growth of 1.6% in the 2009 EAV. The Levy is increased by 15% here only to be certain that we obtain the maximum amount of revenue available from local taxes in the funds where we have statutory tax rate limits. We will not have taxes extended beyond these tax rates. By inflating the Levy by 15%, it requires 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 2009 levy by December 2009. But the actual EAV will probably not be known until April 2010. Since we are legally restricted by tax caps, we cannot get more than we are entitled to even if we over-estimate the EAV. For the 2008 levy (payable in 2009) \$27,584,000 was the actual levy amount; \$25,495,949 was extended.

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 2009 extension, the County Clerk will consider all bond issues outstanding which include the 1999 life safety and refunding bonds, the 1999 building bonds, the 2002 refunding bonds and the 2007 and 2009 working cash fund 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 has fallen since that time due to the effect of tax caps. 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.