

URBANA SCHOOL DISTRICT #116
BUSINESS OFFICE MEMO

TO: Dr. Jennifer Ivory-Tatum, Superintendent

FROM: Carol Baker
Chief Financial Officer *CBB*

DATE: November 15, 2019

RE: Approval of Proposed 2019 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 in our operating funds. This increase was enacted in anticipation of tax caps and to provide the district with flexibility in dealing with the effects of tax caps over the first five years. This is now our 23rd levy under tax caps.

The Property Tax Extension Limitation Law (PTELL), commonly known as tax caps, was passed in 1996 to slow the growth in tax extensions (revenues). Tax caps do not "cap" individual property tax bills or assessments. Instead, they cap extensions, or the amount of taxes we can receive. They allow a limited inflationary increase on existing property, plus an additional amount for new construction. Tax extensions can increase by only 5% or CPI, whichever is less. Because each year's cap is based on what was received the previous year, if we elect not to take advantage of the full increase allowed, we lose that revenue for every succeeding year.

Tax caps protect the taxpayers from large increases in years when EAV is rising rapidly. However, the legislation also protects taxing bodies in times of decreasing EAV. When EAV declines, the tax rates must increase to allow the District to receive the limited inflationary increase allowed under tax caps. This is what occurred in 2014 when the hospitals became exempt and EAV declined causing our tax rate to increase .68.

2019 LEVY

The 2018 CPI is 1.9%, therefore our prior year extensions (excluding debt service) can increase no more than 1.9%. In addition, under tax caps we are allowed access to the full growth from any new construction. New construction can be captured in full only once, and if not, that revenue is lost forever.

In 2019 we have many uncertainties related to the hospital charity care case awaiting a decision. It is unlikely that a decision will be made in time to impact the 2019 levy, but it is still possible. We should prepare for this possibility by levying an adequate amount to capture this potential new construction. This will provide us the flexibility to obtain the maximum tax revenue available under tax caps.

We also have the ability to abate/lower our debt service tax rate until February 28th, 2020 to offset any increase in our operating levies, with special attention to the impact of the hospital situation.

If no court decision is made in time, there will be no negative consequence because tax caps restricts us to getting no more than we are legally entitled to, even if we over levy. The tax levy history chart shows how levies are historically much larger than the actual tax dollars received.

All of the information we are basing our levy decision on are estimates at this time, and therefore we cannot predict the actual tax rates. The final calculation of the District's rate will be completed by the County Clerk by April 2020. This tax rate calculation uses a final EAV after the Board of Review adjustments have been completed, and the multiplier and other factors are applied. Unfortunately, we must file our levy before any of these figures are final.

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 publish the black box ad and hold this truth in taxation hearing this year since the expected increase in assessed valuations and new construction exceed 5%.

The tax levy needs to be filed with the County Clerk prior to the last Tuesday in December. I have proposed the maximum expected increase of 25% in the following chart.

URBANA SCHOOL DISTRICT # 116
2019 Tax Levies (Payable in 2020)

	<u>2018 Extension</u>	<u>Rate Limit</u>	<u>Proposed 2019 Levies Based Upon Overall Increase of 25%</u>	
Education	\$26,274,218	---	\$32,850,619	
Operations & Maintenance	\$ 4,104,923	.75	\$ 5,200,000	
Municipal Retirement	\$ 809,479	---	\$ 1,000,000	
Transportation	\$ 1,617,604	---	\$ 2,000,000	
Working Cash	\$ 1,354	.05	\$ 1,000	
Life Safety	\$ 404,739	.10	\$ 500,000	
Special Education	\$ 809,479	.80	\$ 1,000,000	
Tort Immunity	\$ 809,479	---	\$ 1,000,000	
Social Security	<u>\$ 890,020</u>	---	<u>\$ 1,100,000</u>	
SUBTOTAL	\$35,721,295		\$44,651,619	25.0%
Debt Service	<u>\$2,669,385</u>		<u>\$ 2,588,707</u>	
TOTAL	\$38,390,680		\$47,240,326	23.05%

EXPLANATION OF TAX RATES BY FUND

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 2012, 2017, and 2019 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. Utilities were never moved over due to the impact of tax caps several years later. Under tax caps, the Fund's rate has continued to drop.

TRANSPORTATION

The Transportation Fund rate was increased to .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. As tax caps caused the Education Fund rate to reach the rate limit, the Special Education levy was increased in 2016 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 working cash fund was 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 fund needed life safety repairs.

Notice of Proposed Property Tax Increase of Urbana School District #116
Champaign County, Illinois

- I. A public hearing to approve a proposed property tax levy increase for Urbana School District #116 for 2019 will be held on December 17, 2019 at 7:30 p.m. at 205 North Race Street, Urbana, Illinois.

Any person desiring to appear at the public hearing and present testimony to the taxing district may contact Carol Baker, Chief Financial Officer, 205 North Race, Urbana, Illinois, 61801 (217) 384-3642.

- II. The corporate and special purpose property taxes extended or abated for 2018 were \$35,721,295.

The proposed corporate and special purpose property taxes to be levied for 2019 are \$44,651,619. This represents a 25.0% increase over the previous year.

- III. The property taxes extended for debt service and public building commission leases for 2018 were \$2,669,385.

The estimated property taxes to be levied for debt service and public building commission leases for 2019 are \$2,588,707. This represents a 3.0% decrease over the previous year.

- IV. The total property taxes extended for 2018 were \$38,390,680.

The estimated total property taxes to be levied for 2019 are \$47,240,326. This represents a 23.05% increase over the previous year.