



Estimated Tax Levy for Levy Year 2021

Board of Education Meeting
Tuesday, October 19, 2021

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Chief School Business Official

What is a Tax Levy?

- A Tax **Levy** is...
 - The amount of money a taxing body requests to be raised from Property Taxes
 - Most importantly, the Tax Levy is an ESTIMATE
- A Tax **Extension** is...
 - The actual dollar amount to be raised by property taxes
 - The Limiting Rate for the Levy Extension calculations is as follows:
$$\frac{\text{Prior Year Extension} \times \text{CPI or } 5\%, \text{ whichever is less}}{\text{EAV} - \text{New Construction}}$$
- School Districts receive...
 - a) No more than requested and
 - b) No more than entitled to be law

Major Components of Levy Extension

- As part of the Tax Cap limitation/calculation, three factors are used to determine the District's final levy extension:
 - Total equalized assessed valuation (EAV);
 - Total new construction; and
 - The consumer price index (CPI).
- The only known factor in the equation is the December, 2020 CPI of 1.4%. The other two factors will be unknown until the Spring, 2022.
 - EAV is estimated to increase 5%
 - \$9,800,000 in estimated new property

Tax Cap (PTELL) Property Tax Extension Limitation Law

- Limits the dollars the School District receives to 5% increase over last year's extension or CPI, whichever is less.
- Tax Cap rates are calculated by (Prior Year's Extension X CPI) divided by the 2021 Estimated EAV minus new property.
 - Estimated Limiting Rate = 4.4323%
 - Does NOT include Bond & Interest

Limiting Rate Formula

- Limiting Rate = Prior Year Extension x CPI or 5%, whichever is less

EAV – New Construction

- Prior Year Extension = \$53,366,431
- CPI = 1.4%
- EAV = 1,230,695,612 (5% Increase)
- New Construction = 9,800,000

$$\frac{54,113,562}{1,220,895,612} = 4.4323\% \text{ Limiting Rate}$$

$$1,220,895,612$$

- Levy Extension - $1,230,695,612 * 4.4323\% = \underline{54,547,925}$

Estimated 2021 Tax Levy (PTELL)

<u>Fund</u>	<u>2020 Rate</u>	<u>2020 Extension</u>	<u>2021 Rate</u>	<u>2021 Extension</u>
Educational	3.4930	40,615,274	3.3741	41,525,000
Operations & Maintenance	0.4839	5,626,691	0.4692	5,775,000
Transportation	0.1862	2,164,557	0.1727	2,125,000
Working Cash	0.0438	508,894	0.0264	325,000
Municipal Retirement	0.0745	866,086	0.0813	1,000,000
Social Security	0.0745	866,086	0.0813	1,000,000
Fire Prevention & Safety	0.0012	13,395	0.0012	15,000
Tort Immunity	0.0465	540,892	0.0467	575,000
<u>Special Education</u>	0.1862	2,164,557	0.1808	2,225,000
Capped Funds	<u>4.5896</u>	<u>53,366,431</u>	<u>4.4337</u>	<u>54,565,000</u>
<u>Grand Total</u>	<u>4.5869</u>	<u>53,366,431</u>	<u>4.4337</u>	<u>54,565,000</u>

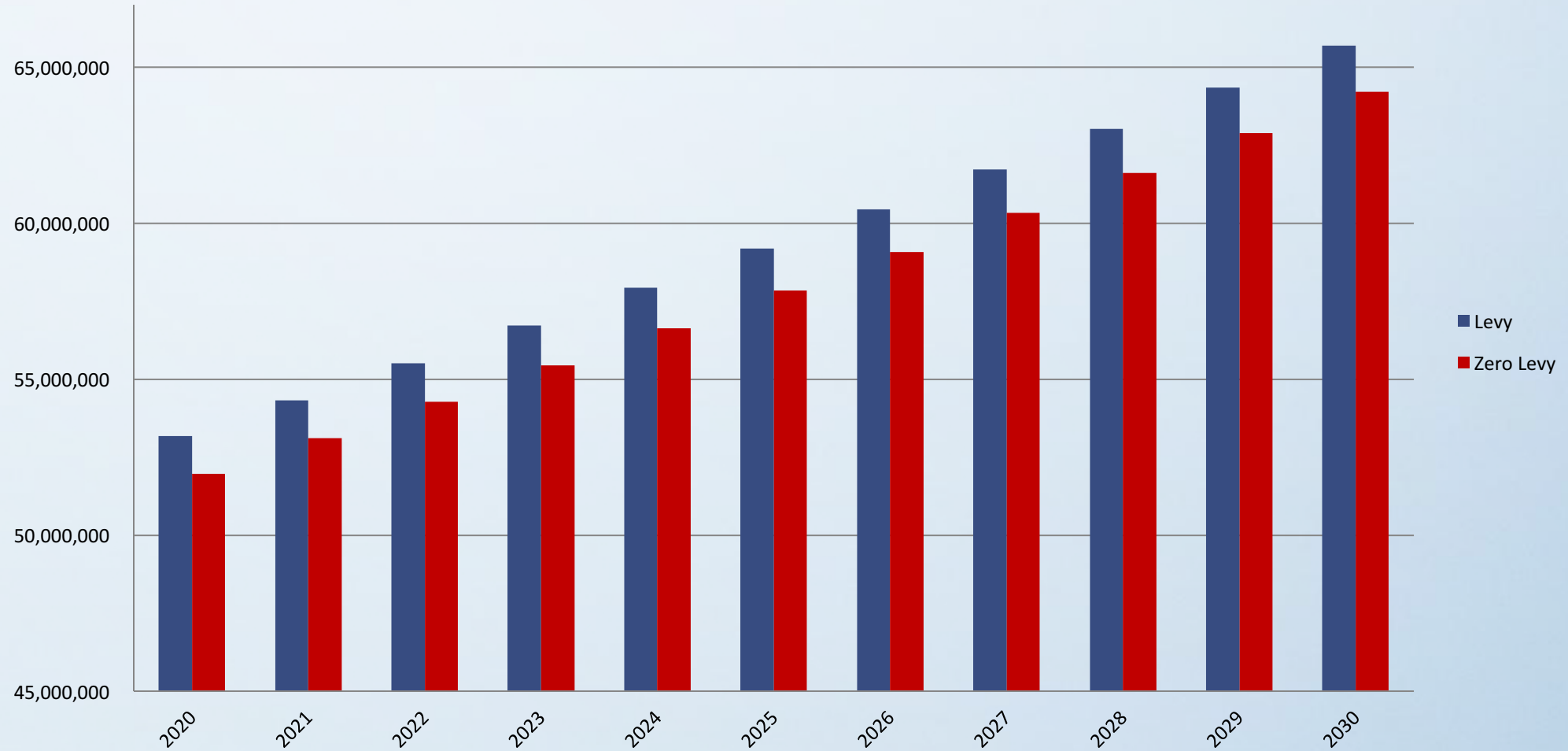
Levy Options

1. PTELL – Assumes 1.4% CPI & 9,800,000 of New Growth
2. Zero Levy – Assumes ZERO CPI Increase & 9,800,000 of New Growth

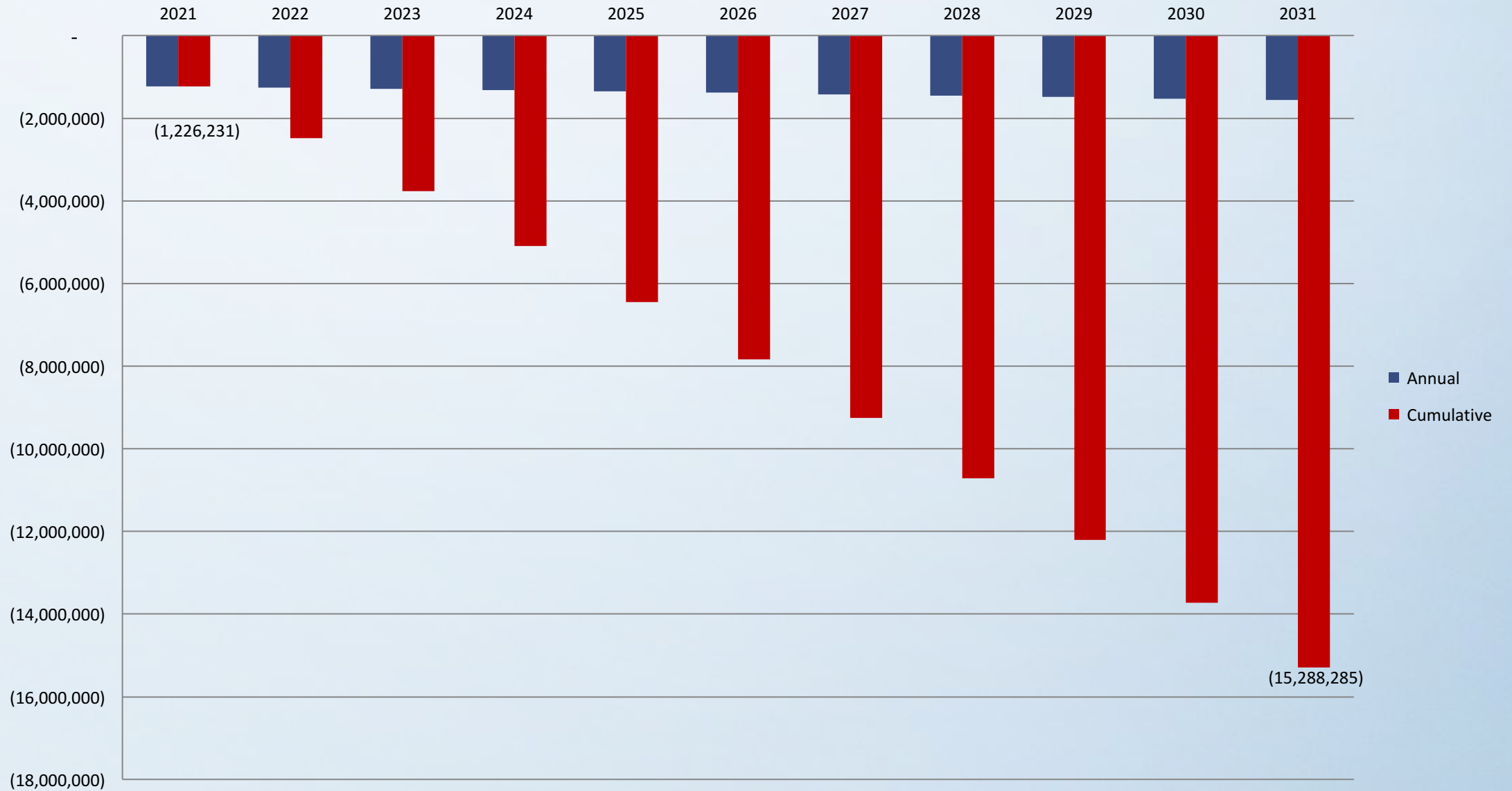
Impact To Average Homeowner

Description	2020	2021 (PTELL)	Zero Levy	Formula
Home Value - Previous Year	\$250,000	\$262,500	\$262,500	A
Change to Home Value	5.0%	5.0%	5.0%	B
Home Value - Current Year	\$262,500	\$275,625	\$275,625	$A*(B+1)=C$
Multiply by 33.3%	0.333	0.333	0.333	D
Assesed Valuation	\$85,413	\$91,783	\$91,783	$C/D=E$
Projected D15 Tax Rate	4.5896%	4.4337%	4.3714%	F
D15 Portion of Property Taxes	\$4,012	\$4,069	\$4,012	$E*F$
\$ Change from Prior Year		\$57	\$0	2020-2021 Taxes

Impact to Future Levy Extensions



Lost Revenue – Zero Levy



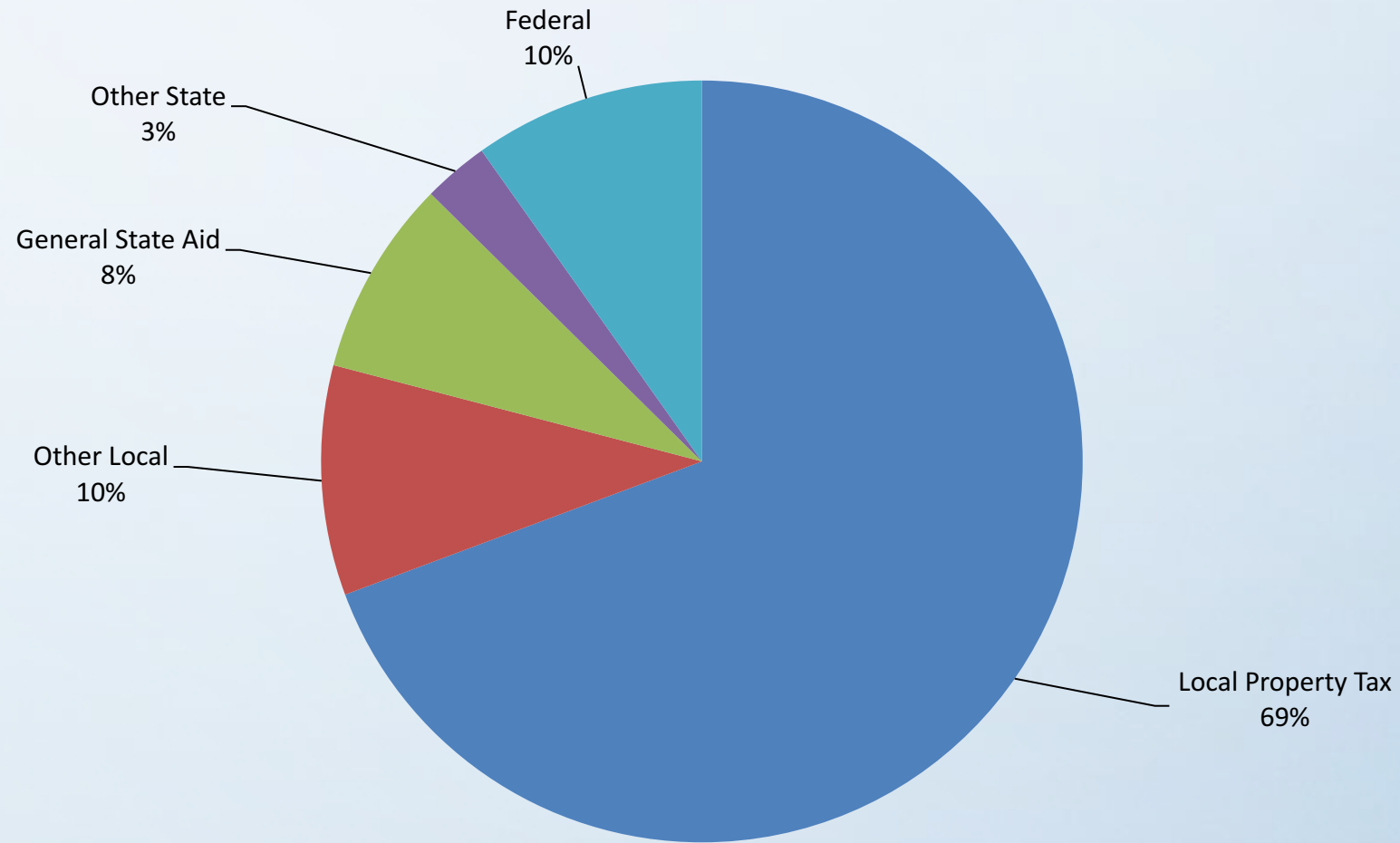
Financial Impact of Zero Levy/Under Levy

- Lost Revenue would result in Structural Deficit of \$1.2M
- Negatively impact the District's Educational Programming
- Staff reductions which would increase class sizes
- Delay the District's 1:1 Technology replacement plan
- Defer Annual Maintenance and Life Safety Projects or Issue Debt
- A structural deficit and reduced fund balance would lower the District's credit rating which would increase the cost to the taxpayers of McHenry

Financial Impact of Recommended Levy

- Continued High Quality Educational Programming
- Continued long-term financial stability of the District for future students, staff, community members and Boards of Education
- Continued funding of capital and Life Safety projects without issuing Public Debt
- Continued funding of existing collective bargaining agreements
- Increase to the average homeowner of less than \$5.00 per month
- In order to remain debt-free, the District must operate within a structural surplus of its select operating funds to support strategic initiatives – both instructional and operational

Property Taxes are Primary Revenue Source



McHenry D15 Historical Tax Rates



McHenry D15 Fund Balance History



SB 508 – Public Act 102-0519

- Signed by Governor Pritzker on August 20, 2021
- Amends PTELL so that County Clerks will add to a district's levy an amount equal to the refunds from assessment reductions granted in the previous 12-month period (November to October)
- This allows districts to recapture refunds issued for prior year reductions due to Board of Review and Property Tax Appeal Board rulings that in the past would have reduced current year collections
- Begins this fall with the 2021 Levy Year
- County Treasurers are required to certify the amount of refunds by November 15th.

Financial Outlook

Financial Positives

- FY22 Balanced Budget
- Debt Free, Eliminated the Debt Service Levy after Levy Year 2019
- Highest ISBE Financial Profile Score “Recognition”

Financial Concerns

- Revenues
 - Consumer Price Index 5 year average less than 2%, but trending around 5%
 - Continue to Monitor State and Federal Funding due to COVID-19
 - Loss of Property Tax Revenue caused by Board Action
- Expenditures
 - Increased expenditures due to COVID-19
 - Outstanding Capital Projects

Summary

- The 2021 Tax Rate is DECREASING from 4.5896 to 4.4337*
 - Estimated impact approximately \$57 for a \$250K home
- The 2021 Estimated Tax Levy extension is \$54,565,000, which is 2.2% over last year's extension.
- Two factors have yet to be determined to calculate the final levy extension. These include the Total Equalized Assessed Value and the Total New Property.

Levy Calendar – What's Next

- ✓ 10/19/2021 – Present Estimated Tax Levy to Finance Committee
- 11/23/2021 – Present Tax Levy to the Board of Education
- 11/23/2021 – Adoption of 2021 Tax Levy
- 11/24/2021 – File 2021 Tax Levy with McHenry & Lake County
- April 2022 – County Clerk releases finalized tax rates & Tax Computation Reports
- May 2022 – Start to receive tax dollars.

Questions?

