

Bellwood School District 88 – Cook County, IL
2021 Tax Levy – Public Handout
November 15, 2021

TO TAXPAYERS OF SCHOOL DISTRICT 88 – COOK COUNTY, IL

THIS DOCUMENT IS DESIGNED TO PROVIDE THE CITIZENS AND TAXPAYERS OF SCHOOL DISTRICT 88 WITH A GENERAL OVERVIEW OF THE DISTRICT'S PROPOSED 2021 TAX LEVY ACTIVITIES AND THE DISTRICT'S BASIS FOR REQUESTED TAX REVENUES AND THEIR INTENDED USES.

BACKGROUND INFORMATION

DEFINITIONS:

In understanding the concepts of the tax levy, how the school district tax levy was determined, and how it impacts the taxpayer's tax bill, the following terms are defined:

Property Value - The amount for which a parcel of property can be sold in the due course of business between a willing buyer and a willing seller.

Assessment Level – The percentage of a property's value for which taxes will be applied. In Cook County, the assessment level for residential properties is 10%. The assessment level for commercial properties is 25%.

Assessed Value – The value placed on property for tax purposes and the basis for determining what portion of the overall tax burden each property owner will bear (*property value X assessment level*).

Equalization Factor or Multiplier – The tool utilized by the State to bring all properties to a uniform level of assessment. In 2020, the multiplier for Cook County was a factor of 3.2234.

Equalized Assessed Value (EAV) – The result of applying the state equalization factor to the assessed value of a property (assessed value X equalization factor). The EAV is then adjusted to exclude applicable exemptions.

Exemption – The removal of property from the tax base or the reduction of a portion of the equalized assessed value. Examples include homestead exemptions and churches or homeowner and senior exemptions.

Tax Levy – The annual process by which local governmental agencies request tax assessment on property owners in order to generate income that finances their governmental operations.

Tax Rate – An aggregate rate, representing the total combined levy requests from county, township, school districts and other taxing districts (i.e., park, library, etc.) divided by the total equalized assessed valuation (EAV) of all properties within the taxing area boundaries.

Property Tax Bill is calculated by multiplying the equalized assessed value (EAV) of each individual property identification number (PIN) by the tax rate.

Tax Increment Financing (TIF) - is a special tool that a city or municipality can use to generate money for economic development in a specific geographic area. TIFs allow a municipality to re-invest new or additional property tax dollars into the neighborhood from which they came over a 23-year period. Once a TIF is established, all other taxing bodies (i.e. School Districts, Libraires, Park Districts, etc.) get no new or additional revenue from the properties within the TIF area. The allocation of their share of the property taxes is "frozen" at the equalized assessed valuation (EAV) level in place at time that the TIF was approved. The taxes on the new and/or increased property values in the geographic TIF area go into the TIF fund and are reinvested in that area.

Bellwood School District 88 – Cook County, IL
2021 Tax Levy – Public Handout
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“TAX LEVY” AND “TAX RATE”

When the school district makes its “tax levy” proposal, it is requesting specific amounts of money to be collected on its behalf by county officials. The tax levy proposal details specific amounts for each authorized category of spending (i.e., Education, Transportation, etc.) required to operate the school system.

PROPOSED LEVY FOR TAX YEAR 2021

The proposed tax levy for Bellwood School District 88 is summarized as follows:

| Fund | Levy Category | 2020 Levy EXTENSION | 2021 Proposed Levy* | 2021 Proposal vs. 2020 | |
|-------------|-----------------------------|------------------------------------|------------------------------------|---------------------------------------|--------------|
| 10 | Educational | 7,673,345 | 7,640,000 | (33,345) | |
| 10 | Special Education | 1,125,424 | 1,125,000 | (424) | |
| 20 | Operations& Maintenance | 1,636,981 | 1,630,000 | (6,981) | |
| 40 | Transportation | 716,179 | 710,000 | (6,179) | |
| 50 | Municipal Retirement | 409,246 | 410,000 | 754 | |
| 51 | Social Security | 767,335 | 760,000 | (7,335) | |
| 70 | Working Cash | 1,024 | 1,000 | (24) | |
| 80 | Tort Immunity | 767,335 | 750,000 | (17,335) | |
| 90 | Life Safety | 250,907 | 350,000 | 99,093 | |
| | Total Aggregate Levy | 13,347,776 | 13,376,000 | 28,224 | 0.21% |
| 30 | Debt Service | 3,350,241 | 3,231,864 | (118,378) | |
| | Total Levy | 16,698,017 | 16,607,864 | (90,164) | -.54% |

The proposed levy amounts were developed taking in consideration many factors, such as the current state-stipulated maximum rates, historical tax rate trends, other available revenue funding sources, and the overall adequacy of the fund balances within the specific levy categories.

The proposed 2021 levy equates to a 0.54% net decrease compared to the previous year’s tax extension.

In addition to the base levy amount proposed, District 88 has a standing resolution filed with the County Clerk that authorizes a 5% loss amount which goes to offset property taxes not collected.

***The tax levy proposal is only a request for funds.** Whether or not the school district receives all of the tax dollars that it has requested is dependent upon limiting factors stipulated by state and/or county laws. The County Clerk computes “tax rates” which extends the maximum allowed levy amount (*numerator*), for each levy category, across the taxable properties within the school district’s boundaries (*denominator*).

The County Clerk’s computation of tax rates will not exceed the maximum amounts permitted by law, subject to the following limiting factors:

- 1) the Authorized Maximum Tax Rates within individual levy categories;
- 2) the Tax Cap Limiting Rate factor; and
- 3) the actual 2021 Equalized Assessed Valuation (EAV).

Bellwood School District 88 – Cook County, IL
2021 Tax Levy – Public Handout
November 15, 2021

1) AUTHORIZED TAX RATES / PERMISSIVE TAX LIMITS

The tax rate for school districts represents a composite rate made of individual rates related to different operational purposes. School districts in Illinois are subject to various limitations in property tax rate composition for each specific purpose. Each rate represents the product of the maximum dollars for which the district may request divided by the district’s total property valuation.

Noted below are the tax rate maximums that Bellwood School District 88 may levy without referendum. If the district needs or wants to increase the permissive tax limits, we must first seek voter permission by referendum at a general election.

| Fund / Purpose | Maximum Fund Rate |
|-------------------------------|---|
| Education | Limits removed with new SB1 Law (effective 2017) |
| Special Education | 0.4000 |
| Building | 0.5500 |
| Working Cash | 0.0500 |
| Fire Prevention & Life Safety | 0.0100 |
| Transportation | As required to cover District transportation costs. |
| Tort Immunity | As required to cover District insurance costs. |
| Municipal Retirement | As required to cover District’s employer obligations |
| Social Security/Medicare | As required to cover District’s employer obligations |
| Bond Debt Service | As required to pay District’s current year Debt obligations |

2) TAX CAP LIMITING RATE

State law limits the maximum amount that the school districts can increase tax levy requests year over year, based on a “tax cap” formula. The tax cap formula basically restricts the total levy amount for all categories (excluding debt services) to exceed the prior year’s levy by either 5% or the Consumer Price Index (CPI), whichever is lower. In 2020, the CPI was 1.4% (lower than the 5% maximum), so the tax cap formula will not allow the 2021 total aggregate levy dollars (*the numerator*) to exceed 1.4% over the 2020 extension.

$$\text{Tax Rate Ceiling} = \frac{\text{Prior Year Extension} * (1 + 5\%) \text{ or } (1 + \text{CPI})}{\text{Current Year EAV} - \text{New Property Value}}$$

*The tax cap formula limits the increase in total property tax dollars extended, except for the Debt Service category. The County will add to the levy, whenever amount is required to meet the district’s annual debt obligations, based on debt repayment schedules approved when bonds were issued.

3) EQUALIZED ASSESSED VALUATION (EAV)

Utilizing the equalized assessed valuation (EAV) of all properties within the district’s boundaries as *the denominator* in tax rate calculations is the way that the County distributes the tax levy proposed dollars evenly.

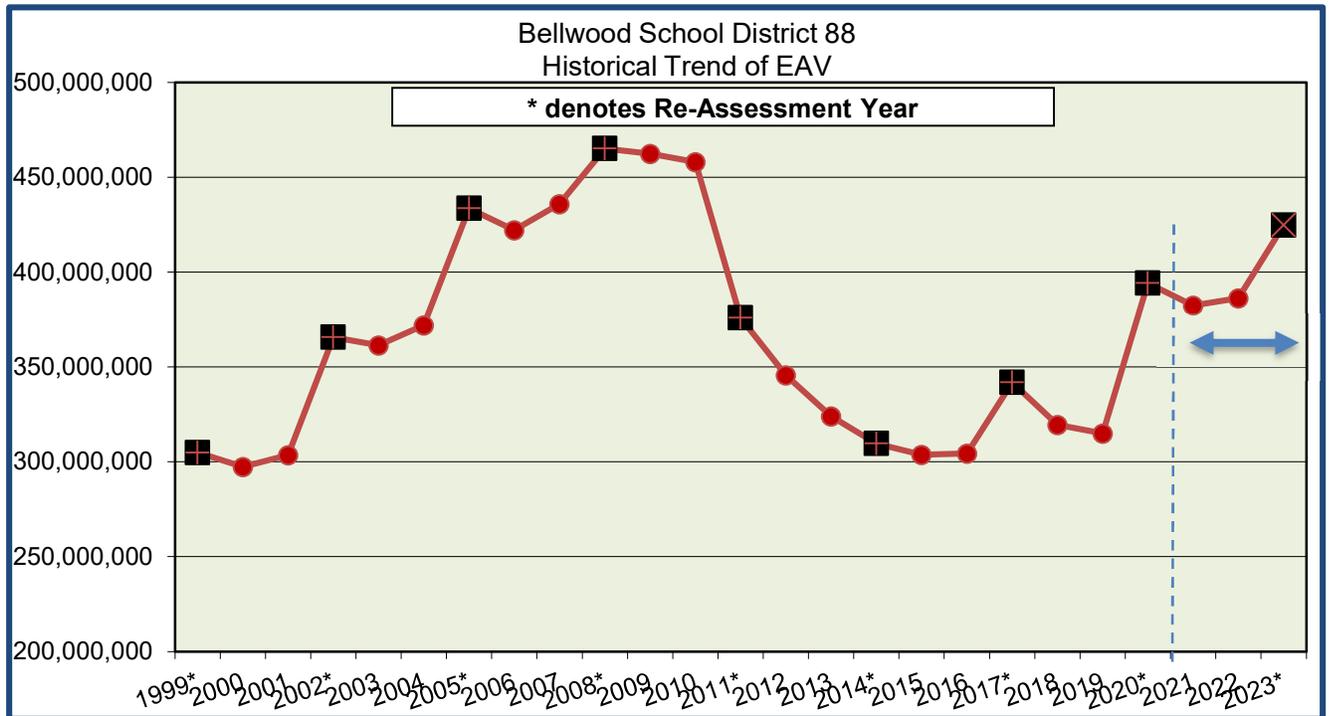
At this time, the 2021 EAV to be used in determining the tax rate for School District 88’s allowable tax levy request is not yet known, so an estimation is presented. We are estimating that the 2021 EAV of properties supporting School District 88 will be approximately \$382,321,595, reflecting a 2.0% overall decline in current property values. The expected decline primarily relates to expected challenges over the most recent tri-annual assessment (tax year 2020).

The 2020 was a tri-annual reassessment year for Proviso Township (which includes Bellwood, Melrose Park, Stone Park, Maywood, Hillside, and Broadview properties). The overall property values within SD88 boundaries increased 25.8% over its previous tri-annual reassessment level in 2017. This was significantly higher than the

Bellwood School District 88 – Cook County, IL
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November 15, 2021

16.8% average increase for properties assessed throughout the south & west suburban areas of Cook County in 2020. However, the 2020 EAV is still 15% below the 2008 assessment level high; prior to the 2009 housing crisis. National & State economic indicators (i.e., home sales, unemployment numbers) point toward a slow, but continuing, recovery from the 2009 recession.

The historical trend the EAV over the past several decades, along with short term projections, is presented as follow:



It should also be noted that many properties within SD88’s taxing boundaries are assigned to Tax Incremental Financing (TIF) projects, which can freeze the district’s EAV at lower levels. When a TIF district is established by municipal ordinance, the district’s EAV (denominator for the school district tax rate) is frozen on the level of property values in the year that TIF is adopted. The normal period of a TIF ordinance is 23 years, but can be extended up to 35 years or dissolved earlier by the municipality. The projections shown here assume that all existing TIFs within district’s taxing boundaries will continue into near future.

| Example of TIF application to EAV | | Year of TIF Establishment | Subsequent Years of TIF (values increase) | Subsequent Years of TIF (values decrease) |
|---|--|---------------------------|---|---|
| Market Value of Property | | \$ 100,000 | \$ 125,000 | \$ 80,000 |
| x Assessed Level - Residential | | 10% | 10% | 10% |
| = Assessed Value | | 10,000 | 12,500 | 8,000 |
| x County Equalization Factor | | 2.9627 | 3.2234 | 3.2234 |
| = Equalized Assessed Value (EAV) | | 29,627 | 40,293 | 25,787 |
| Frozen EAV portion of property - allocated to support district | | | 29,627 | 25,787 |
| Incremental EAV portion of property - allocated to TIF | | | 10,666 | 0 |

*Example excludes consideration tax exemptions, which can reduce the EAV property value amount that is ultimately taxed.

Bellwood School District 88 – Cook County, IL
2021 Tax Levy – Public Handout
November 15, 2021

ESTIMATED EXTENSION

The County will compute the district’s final levy 2021 extension in accordance with the Property Tax Extension Limitation Law (PTELL). That process entails (i) taking the district’s proposed levy, (ii) adjusting it for sanctioned loss ratios (iii) applying local individual and state tax cap rules, and (iv) computing a tax rate that will allocate extended levy evenly across the properties within the district’s taxing area.

We expect that final extension to represent a net increase of \$252,563 in tax dollars spread over the district’s EAV base. We project an aggregate tax rate of 3.546%, excluding debt services. The total tax rate, including debt services, is expected to be approximately 4.434% applied to the estimated EAV.

In the event that the tax cap formula application limits the dollar amount requested within the proposed tax levy, we have directed the County Clerk to reduce levy categories proportionally from each of the levy category to ensure that adequate funds are distributed to each of the fund balances.

A historical schedule of the SD88 tax rates by levy category is detailed as follows:

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021 Estimated</u> | |
|---|--------------------------------|--------------------|--------------------|--------------------|---------------------------|---------------|
| Levy Dollars Extended – Subject to Tax Cap | 12,413,120 | 12,720,886 | 13,034,970 | 13,347,776 | 13,557,124 | |
| Debt Service Levy | 2,990,841 | 2,992,117 | 3,003,903 | 3,350,241 | 3,393,457 | |
| Total Levy Dollars Extended | 15,403,961 | 15,713,003 | 16,038,873 | 16,698,017 | 16,950,580 | |
| | | | | | | |
| Equalized Assessed Value (EAV) | 341,789,934 | 319,459,829 | 314,854,476 | 394,145,974 | 382,321,595 | |
| | | | | | | |
| <u>Tax Rate</u> | <i><u>Maximum Rate</u></i> | | | | | |
| Educational | -- | 2.5184% | 2.4129% | 2.3859% | 1.9473% | 2.0264% |
| Special Education | 0.4000 | 0.0810% | 0.3450% | 0.3499% | 0.2855% | 0.2984% |
| Building | 0.5500 | 0.4704% | 0.5295% | 0.5247% | 0.4153% | 0.4323% |
| Transportation | -- | 0.1944% | 0.2247% | 0.2226% | 0.1817% | 0.1883% |
| Municipal Retirement | -- | 0.0810% | 0.0915% | 0.1129% | 0.1038% | 0.1087% |
| Social Security | -- | 0.0810% | 0.0915% | 0.2179% | 0.1947% | 0.2016% |
| Working Cash | 0.0500 | 0.0003% | 0.0003% | 0.0003% | 0.0003% | 0.0003% |
| Tort Immunity | -- | 0.1591% | 0.1926% | 0.2322% | 0.1947% | 0.1989% |
| Life Safety | 0.1000 | 0.0462% | 0.0944% | 0.0936% | 0.0637% | 0.0911% |
| Aggregate Rate Total – subject to Tax Cap | | 3.632% | 3.9824% | 4.140% | 3.387% | 3.546% |
| Debt Service | | 0.8751% | 0.9366% | 0.9541% | 0.8500% | 0.8882% |
| Total Levy Rate | | 4.507% | 4.919% | 5.094% | 4.237% | 4.434% |

The tax rates presented above only represent the portion of property tax bills associated with School District 88. The overall tax rates, billed by the county, are a composite of allowable levies from multiple government entities including county, township, municipalities, other school districts and other special districts (i.e. park, library, etc.).

A list of the Historical Composite Tax Rates for the communities supporting School District 88 is available on the district website for informational purposes.

Bellwood School District 88 – Cook County, IL
2021 Tax Levy – Public Handout
November 15, 2021

** The 2021 tax rates present estimated computations; for comparative purposes only.

More information regarding the levy process, visit the Cook County Clerk's Office websites at <https://www.cookcountyclerk.il.gov/agency/property-taxes> or www.cookcountytreasurer.com