NORTHBROOK SCHOOL DISTRICT 27

Date: **November 7, 2024**
To: **Members of the Board of Education**
From: **Kimberly Rio, Ed.D., CSBO**

RE: Executive Summary – 2024 Tentative Tax Levy

Dear Members of the Board of Education,

This memorandum will serve as the executive summary for the 2024 Tentative Tax Levy, to include the following items:

- ❑ Timeline for 2024 Tentative Tax Levy review and approval
- ❑ Financial and economic conditions monitored for financial planning
- ❑ Key financial assumptions used to determine the 2024 Tentative Tax Levy
- ❑ Recommendation for the 2024 Tentative Tax Levy

Timeline for Tax Levy Review & Approval

The timeline for the 2024 Tentative Tax Levy review and approval process will include the following:

- ❑ November 7, 2024 – Board of Education (BOE) review of the 2024 Tentative Tax Levy
- ❑ November 21, 2024 – Recommendation to BOE to approve the 2024 Tentative Tax Levy
- ❑ December 5, 2024 - Public hearing for the 2024 Tentative Tax Levy
- ❑ December 19, 2024 - Recommendation to BOE to approve the 2024 Final Tax Levy

Financial & Economic Conditions Monitored for Financial Planning

The following categories were reviewed during the financial planning process for the 2024 Tentative Tax Levy:

***EQUALIZED ASSESSED VALUATION*:**

The District experienced declines in the overall Equalized Assessed Valuation (EAV), from 2009 to 2015. The 2009 EAV was at $1.109 billion, and rapidly declined to $704 million by 2015. The decline was directly related to the overall economic recession impacting the real estate market and property values. For the years 2016 to 2023, the EAV has rebounded to $1.075B, thus marking a substantial growth in property values throughout the district. Overall property values, in Northfield Township, saw increases in assessments for all property groups, residential, commercial, and industrial.

The Cook County Assessor's Office performs triennial reassessment cycles for the various townships within Cook County. The Assessor's Office divides Cook County into three distinct areas with different assessment cycles: City Tri, North Tri, and South Tri. District 27 resides in Northfield Township which is included in the Cook County North Tri reassessment cycle. The 2022 year was the most recent triennial reassessment year. The next triennial reassessment year will be 2025.

***NEW PROPERTY*:**

The percentage of EAV that relates to new property declined from 2009 to 2015. The decline was directly related to the economic recession of that time, causing a decline in overall new construction and/or property redevelopment within District 27 boundaries. The overall percentage of EAV related to new property declined from $6.8 million in 2009 to $1.4 million by 2015. For the time period of 2016 through 2023, the percentage of EAV related to new property continued to increase. For example, in 2017, we realized an increase in new property of $11 million, which was directly related to the development of the AMLI apartments located on Lake Cook Road. Then from 2017 to 2020, we have remained relatively stable, as new property has been valued between $5-$7 million. The new property for 2021 was reported at $3.4 million, $2.5 million for 2022, and $10.2M for 2023.

We continue to track the following property developments:

- *Overall redevelopment within our boundaries*
- ***FUTURE*** *– we continue to monitor any developer requests submitted to the Village of Northbrook at the following addresses: 3700 Dundee Road and monitor site development for occupancy at 175 Point Drive.*

It is important that the District capture any and all new property beyond the tax cap in order to allocate additional funding to help maintain programs and services and fund future capital improvement needs for the school buildings.

***PROPERTY DIVISION BY CLASS*:**

We continue to monitor the division by class for all property in District 27. This monitoring assists the District in understanding the shift in tax burden over time between residential, commercial, and industrial property. The current figures we have from the Cook County Clerk's office, which represents the 2023 EAV, is a division of 65.6% residential, 17.0% commercial, and 17.4% industrial.

This information is important so that we are knowledgeable about the divisions by class and the percentage of tax burden for each class. Over the past 26 years, the shift in tax burden has impacted residential property owners, moving from 55% to 66.0%. As we develop the tax levy each year, we need to continue to monitor this data and maintain a reasonable and responsible approach to the tax levy process.

***RATE OF INFLATION*:**

The inflation rate dictates the rate of growth in real estate tax revenues allowed under the Property Tax Extension Limitation Law or "tax caps". For school districts, the indicator is the **CONSUMER PRICE INDEX or (CPI)**. The CPI index is one of the key indicators in the tax levy process, which in turn has a direct impact on revenue generation for the District.

The 2023 CPI is used for the 2024 tax levy at 3.4%. A reminder, District 27 is tax-capped in accordance with the Property Tax Extension Limitation Law (PTELL) and limited to 5% or the CPI, whichever is less.

Key Financial Assumptions – 2024 Tentative Tax Levy

The following information indicates the key financial assumptions that have been included in the tax levy development process for 2024:

- **Equalized Assessed Valuation (EAV):** The 2024 year represents a non-triennial assessment year. Therefore, we are anticipating a slight growth in EAV in addition to new property and redevelopment.
- **Rate of Inflation:** The 2023 Consumer Price Index at 3.4% is the economic indicator used for the 2024 tax levy.
- **We do anticipate continued growth in property values and therefore recommend an additional percentage above CPI of 1.1% to account for new property and redevelopment.**

It is important to provide additional background information to support the tax levy recommendation. First, to address the question, is the amount of the property tax levy equal to the amount the school district will actually collect? The 2024 tax levy request is 4.4%. This request is an estimate based on the financial assumptions and data we review when developing the tax levy recommendation. The tax levy request will be reduced by the Cook County Clerk's Office when the actual tax extension calculation is developed. Provided below, is a historical review of the tax levy requests versus final tax extensions received by the school district, over the past six years:

Tax Year *(Col. A)*	CPI Factor *(Col. B)*	Total Tax Levy Request *(Col. C)*	Actual Tax Extension Received *(Col. D)*	Actual New Growth Factor *(Col. D – Col. B)*
2023	6.5%	10.0%	6.25%	1.25%
2022	7.0%	10.0%	5.85%	.85%
2021	1.4%	2.40%	1.77%	.63%
2020	2.3%	3.95%	3.15%	.85%
2019	1.9%	3.95%	2.62%	.72%
2018	2.1%	3.98%	2.77%	.67%

It is critical to note, in the chart above, the importance of the estimate of new property growth/redevelopment factor when determining the tax levy. This is the reason why we monitor economic development within our attendance boundaries. The school district only has one opportunity to capture new growth in the year the property is added to the tax base. If the school district does not monitor new growth and redevelopment, the impact over time is substantial, in that the school district loses the opportunity to generate additional revenue above the CPI.

Public Act 102-0519

PA 102-0519 provides for a supplemental levy, outside the tax cap or the limiting rate calculation of the Property Tax Extension Limitation Law (PTELL). The law is designed to make taxing districts whole for revenue lost due to property tax refunds resulting from successful property tax assessment appeals. Starting with the 2021 tax levy, the Cook County Treasurer must annually certify by November 15 the amount of property tax revenues lost due to Property Tax Appeal Board (PTAB) or court orders to each district over the previous 12 months from property tax assessment appeals. The Treasurer must then issue a supplemental or recapture levy in the amount of that loss. This levy is in addition to the school district's tax-capped levy and any future debt service levies.

The certification by the Cook County Treasurer will automatically trigger a duty on the Cook County Clerk's Office, to extend an additional tax in the amount of the total certified tax refunds. Since the first

installment of taxes in Cook County is an approximation based on 55% of the prior year's extension, the effect of the additional levy is applied with the 2nd installment. For the 2021-2023 tax years this additional tax extended is approximately $.03-$.04 added to the total tax rate; which equates to an additional $400-$500K.

WHAT WE NEED TO KEEP IN MIND…
The reason PTAB and the courts order tax refunds is because of their determination to retroactively reduce a school district's equalized assessed valuation (EAV). EAV reductions have adverse consequences for school districts even without immediate tax revenue loss due to refunds. EAV loss means less bonding authority and, most significantly, the shifting of tax burdens to other taxpayers, such as homeowners and small businesses.

We will continue to monitor the impact of the recapture levy. The impact of successful tax appeals, since 2001, has over $12.5M directly negated from the property tax collections to District 27.

Recommendation for the 2024 Tentative Tax Levy

- **Total Levy Request = 4.50%**; the District will see a levy extension at the tax cap base of 3.4%; however, it is critical to increase the request above the cap in order to capture new property and redevelopment.