



MEMORANDUM



TO: Brian Maher, Finance and Economic Development Chair
David Seaman, Village President

FROM: Brad L. Bettenhausen, Treasurer

RE: 2016 Tax Levy

DATE: 31 August 2016

The following table recaps options for the 2016 Village levy request (taxes payable in 2017) and the corresponding amounts. All options presume that the Village Board's Tax Abatement Policy will continue unaltered. A separate memo will recap the proposed 2016 property tax abatements for debt service on outstanding bond issues and its impact on the overall tax levy if the abatements were not approved. Under State Statutes, although they have their own governing Board, the Tinley Park Public Library is considered part of the Village for both budget and levy purposes. As a reminder, Public Libraries have been presented separately on the detail of property tax bills since 1985.

	Village	Library	Total
Option 1. Same as last year	19,980,020	5,561,944	25,541,964
Option 2. Prior extended levy	20,186,820	5,627,911	25,814,731
Option 3. Village tax cap formula	20,328,128	5,667,306	25,995,434
Last year	19,980,020	5,561,944	25,541,964

Under all three options provided above, a Truth in Taxation Act Notice or Hearing would NOT be required since the Village's levy request would fall below the 5% threshold of the Act that would require those extra actions.

Option 1. Same as last year (Hold the levy at the prior year request) -

Following the passage of the Home Rule Sales Tax, the Village Board expressed a desire to hold increases in the Levy for up to five years if it can be sustained. This would represent the third levy year under that specific policy statement, although this would actually be the fourth consecutive year that the levy request has remained unchanged. Additionally, it would be the fifth year of zero levy increases in accordance with State Statutes.

We have not received the current annual actuarial levy requirement for the Police Pension Fund. The amount levied in 2015 was \$2,665,501 and it is anticipated that the current requirement would be in the same range. As noted last year, should the required levy amount increase, it means that the portion of the tax levy available to support General

operations will have to be decreased by a like amount in order to maintain the same total levy dollar request.

The Library Board is expected to approve their levy amount no later than their 26 October meeting as indicated for this option (i.e. no change). This represents their seventh year of zero levy increases in accordance with State Statutes. Through effective financial planning, the Library's reserves are at comfortable levels to allow their levy request to remain virtually unchanged.

Option 2. Prior extended levy (Levy the prior year extended levy amount) -

The State Truth in Taxation Act utilizes the prior year extended levy as the basis for determining an increase for the current levy request. If the increase is greater than 5%, a published notice ("Black Box") and public hearing are required. The prior year's extended levy determination includes the Loss and Cost factor that Cook County adds to each levy item (5% for debt service, 3% for all other levy items). However, for the past three years, we have requested that Cook County use lower Loss and Cost factors (3% for debt service, 1% for all other levy items) than their standard.

Option 3. Village tax cap formula -

The Board's traditional tax cap formula included in the Fiscal Policies Manual uses the rate of inflation, plus new growth to determine the extent the levy could be allowed to increase over the prior year's extended levy. The rate of inflation applicable for the 2015 levy year is 0.7% (last year was 0.8%). No new property growth is being considered for purposes of the levy calculation. Therefore, under the Board's formula, the total amount of increase available would be 0.7%. At a rate of 0.7%, the Board's formula would produce an increase of \$141,300 and a total levy request of \$20,328,128 for the Village.

Calendar:

1. No later than Tuesday, November 15, 2016 -
Finance Committee meets to determine estimate of taxes to be levied. Under all of the options provided, a Truth in Taxation published notice (Black Box) or public hearing would not be required as the levy amounts are not 5% greater than the prior year's extended levy.
3. Tuesday, December 6, 2016 -
First reading of levy ordinance
4. Tuesday, December 20, 2016 -
Levy ordinance adopted
5. No later than Tuesday, December 27, 2016 -
Levy ordinance filed with Cook and Will County Clerk's offices of Tax Extension

The following pages reflect the projected impact of a tax levy following Option 1.

Table 1 shows the projected effect of the Village levy calculated utilizing the prior year's Levy of \$19,980,020, and the projected resultant rates with new property changes of up to \$10 million. This table assumes no change in the Equalization Factor (multiplier) from the 2015 levy year applicable to Cook County properties (2.6685). Also, it assumes continuation of the request for Cook County to use the lower Loss and Cost factors previously referenced.

Table 2 reflects the projected dollar impact on Village taxes for houses with market value of \$175,000, \$225,000, \$275,000 and \$350,000. With the adjustment of market values associated with the implementation of the 10-25 Classification System of Assessments, the Cook County Assessor market values more reasonably approximate the "real" market values. Will County Assessor market values have always been reasonably comparable to the "real" market values.

Utilizing the above assumptions, and further assuming no decrease in the tax base, the typical homeowner of Tinley Park would likely see a nominal decrease to no change in the amount of property taxes they pay for Village services, at expected growth levels, and depending on the value of their homes.

Table 1
Projected Values - 2016 Village Levy Only (Payable in 2017)

Dollars New Property Value	Projected Equalized Assessed Value	Village Levy Amount @ 0% Increase	Projected Village Rate
0	\$1,320,218,472	\$19,980,020	1.529
1,000,000	1,321,218,472	same	1.527
3,000,000	1,323,218,472	same	1.525
5,000,000	1,325,218,472	same	1.523
7,000,000	1,327,218,472	same	1.520
10,000,000	1,330,218,472	same	1.517

Table 2
Projected Impact to Homeowners - 2016 Village Levy Only (Payable in 2017)

New Property Increase	HOUSE VALUE											
	\$175,000		\$225,000		\$275,000		\$350,000					
Current Village Taxes ----->	607	\$ Chg	% Chg	811	\$ Chg	% Chg	1,015	\$ Chg	% Chg	1,321	\$ Chg	% Chg
0	607	0	0.0%	811	0	0.0%	1,015	0	0.0%	1,321	0	0.0%
1,000,000	606	-1	-0.2%	810	-1	-0.1%	1,014	-1	-0.1%	1,319	-2	-0.1%
3,000,000	605	-2	-0.3%	809	-2	-0.2%	1,012	-3	-0.3%	1,318	-3	-0.2%
5,000,000	605	-2	-0.3%	808	-3	-0.4%	1,011	-4	-0.4%	1,316	-5	-0.4%
7,000,000	603	-4	-0.7%	806	-5	-0.6%	1,009	-6	-0.6%	1,313	-8	-0.6%
10,000,000	602	-5	-0.8%	805	-6	-0.7%	1,007	-8	-0.8%	1,311	-10	-0.7%

LIBRARY LEVY

The 2011 GO Refunding Library bond issue carries a required levy of \$672,200 for tax year 2016 to cover debt service due in calendar 2017. When the original building bonds were issued in 2003, the Village's Finance Committee recommended that \$150,000 of the annual debt service levy requirement be abated on this bond issue each levy year. The abatement funds are budgeted from the Village's Surtax allocation of the State Income Tax distributions. It is assumed that the abatement will be continued at the same level, and would reduce the levy requirement for Library debt service to \$522,200 as included in the overall levy request.

Table 3 reflects the estimated effect of the proposed Library levy with new property changes of up to \$10 million. The tables assume that the abatement of \$150,000 of the debt service requirements will be continued. As noted in the Village tables, this table assumes no change in the state equalization factor (multiplier) applicable to Cook County properties.

Table 4 reflects the projected dollar increase in taxes for houses with market value of \$175,000, \$225,000, \$275,000 and \$350,000.

Table 3
Projected Values - 2016 Library Levy Only (Payable in 2017)

Dollars New Property Value	Projected Equalized Assessed Value	Library Levy Amount @ 0.0% Increase	Projected Library Rate
0	\$1,320,218,472	\$5,561,944	.427
1,000,000	1,321,218,472	same	.425
3,000,000	1,323,218,472	same	.425
5,000,000	1,325,218,472	same	.424
7,000,000	1,327,218,472	same	.423
10,000,000	1,330,218,472	same	.422

Table 4
Projected Impact to Homeowners - 2016 Library Levy Only (Payable in 2017)

New Property Increase	HOUSE VALUE											
	\$175,000			\$225,000			\$275,000			\$350,000		
Current Village Taxes ----->	170	\$ Chg	% Chg	226	\$ Chg	% Chg	283	\$ Chg	% Chg	369	\$ Chg	% Chg
0	170	0	0.0%	226	0	0.0%	283	0	0.0%	369	0	0.0%
1,000,000	169	-1	-0.6%	225	-1	-0.4%	282	-1	-0.4%	367	-2	-0.4%
3,000,000	169	-1	-0.6%	225	-1	-0.4%	282	-1	-0.4%	367	-2	-0.4%
5,000,000	168	-2	-1.2%	225	-1	-0.4%	281	-2	-0.7%	366	-3	-0.8%
7,000,000	168	-2	-1.2%	224	-2	-0.9%	281	-2	-0.7%	365	-4	-0.9%
10,000,000	168	-2	-1.2%	223	-3	-1.3%	280	-3	-1.1%	365	-4	-1.3%

Summary and Comparison of Cook and Will County Property Tax Assessment Systems

	Cook County	Will County
Assessment Process		
Residential Assessment rate	10% (formerly 16%)	33.33%
Commercial Assessment rate	25% (formerly 38%)	33.33%
Equalization Factor	2.6685	1.0000
Effective Residential Assessment rate - equalized	26.69%	33.33%
Effective Commercial Assessment rate - equalized	66.71%	33.33%
Homeowner Exemption	\$7,000	\$6,000
Senior Exemption	\$5,000	\$5,000
Assessor Market Value primarily determined by	County Assessor	Township Assessor
Township Assessor role in valuing property	Nominal	Significant
How Assessor Market Value is primarily determined	(Traditionally, some derivative of original sale value periodically adjusted by inflation/real estate market changes)	Sales Value
Frequency of Adjustment of Assessor Market Value	Every 3 years by inflation/market adjustments; unless major change to property (additions or demolitions) or appeal	Annually - by actual sale or inflation/market adjustments
Assessor Market in comparison to Resale/True Market value	Intended to be Comparable.	Reasonably Comparable
Levy, Extension, Tax Rates		
Loss and cost adjustments to levy	Automatic (Must opt out)	Must request
Loss and cost adjustment rates	3% added automatically; 5% for debt service levies (tax years 2013 through 2015 have used 1% and 3% respectively)	Must specify the rates
Determination of tax rate	Total Extended Levy to Total EAV	Will Co Share of Levy to Will Co EAV
Proration of levy across county lines	Actual proportion of EAV	Actual Will EAV to Total EAV using Estimated Cook EAV
Adjustment for using Estimated Cook Co EAV	Not Applicable	+/- adjustment in following tax year

2015 Tax Year Recap

	EAV	Dollar Change	Percent Change	Percent Total
Cook	989,772,042	(26,255,956)	-2.6%	75.0%
Will	330,446,430	2,192,464	0.7%	25.0%
Total	1,320,218,472	(24,063,492)	-1.8%	100.0%

Cook County Equalization Factor: 2.6685 Percent change 2.1%▼

Exemptions	Cook	Percent Change	Will	Percent Change	Total	Percent Change
Homeowner	108,828,474	-4.6%	13,819,976	0.7%	122,648,450	-4.0%
Senior	22,272,578	2.0%	2,339,645	2.2%	24,612,223	2.0%
Senior Freeze	8,314,697	-19.1%	289,612	25.3%	8,604,309	-18.1%
All Other	5,394,641	407.1%	963,734	245.8%	6,358,375	440.9%
Total	144,810,390	-1.6%	17,412,967	4.7%	162,223,357	-1.0%

	Cook	Will	Total
PTELL New EAV - County determined	908,720	2,667,515	3,576,235