

Village of Broadview – Cook County, IL
Explanation of the 2011 Tax Levy
Public Hearing on December 19, 2011

TO BOARD OF TRUSTEES OF THE VILLAGE OF BROADVIEW – COOK COUNTY, IL

This document is designed to provide the Board Trustees and Taxpayers of Village of Broadview with a general overview of the Village’s proposed 2011 tax levy activities and the basis for requested tax revenues and their intended uses.

PROPOSED LEVY FOR TAX YEAR 2011

The proposed tax levy for the Village of Broadview is summarized as follows:

Levy Category	2010 Extension	2011 Proposed Levy	Increase/(Decrease) 2011 Base Levy over 2010 Extension	
Corporate	790,605	1,039,688	249,083	32%
Garbage	-	-	-	
Police Pension	1,142,608	759,274	(383,334)	-34%
Fire Pension	1,219,678	902,475	(317,203)	-26%
IMRF	160,587	-	(160,587)	-100%
Street & Bridge	50,446	180,000	129,554	287%
Public Benefit	-	-	-	
Fire Protection	545,099	677,143	132,044	24%
Police Protection	272,970	677,143	404,173	148%
Civil Defense	-	-	-	
Auditing	44,841	46,910	2,069	5%
Liability Insurance	23,261	100,000	76,739	330%
Recreation	-	-	-	
Aggregate Levy <i>(subject to Tax Cap Formula)</i>	4,250,095	4,382,633	132,538	3.1%
Purchase Agreement	-	-	-	
Debt Service – Bond Interest	514,607	443,237	(71,370)	
Debt Service - Bond Principal	1,779,967	1,873,460	93,493	
Debt Service Levy <i>(subject to Extension Limit)</i>	2,294,574	2,316,697	22,123	1.0%
Fire Pension P.A. 93-0689 Contribution	66,526	20,207	(46,319)	
Total Levy	6,611,195	6,719,537	108,342	1.6%

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The proposed levy amounts were developed taking in consideration such factors as the current village-stipulated maximum rates, historical tax rate trends, the village outstanding debt obligations, GASB compliance issues, and the adequacy of the fund balances for the specific levy categories.

Aggregate Levy

The proposed 2011 aggregate levy for corporate and special purposes equates to a 3.1% increase over the prior year’s tax extension, which is less than the maximum increase (5%) that a municipality can levy without a referendum. The distribution of levy dollars among the various funding categories incorporates actuarial funding recommendations related to the Village’s net pension obligations to the Fire and Police pension funds, both of which reflected significant decreases in funding requirements versus the last few years. Additionally, the Village’s IMRF funding level was deemed adequate, based on the results of the 2010 audit performed by the Illinois Department of Insurance. So with the retirement plans sufficiently funded, the Village is able to appropriate increases to our other levy categories, which have been historically underfunded.

In addition to the base levy amount proposed, the Village (by a standing ordinance) also directs the Cook Clerk to levy a 3% loss amount (totaling \$132,538) which goes to offset property taxes not collected.

Debt Service Levy

The proposed 2011 levy for debt service and public building commission leases is based on the Village’s total debt obligations payable in calendar year 2012, which equates to an increase 1.0% versus the last year’s tax extension and abatements for debt services. Although debt categories of the levy process are not subject to the tax cap limitation, the total taxes that a non-home rule municipal can levy or collect toward debt services is limited to the 1994 debt level, increased annually by the CPI. For the 2011 levy, the Debt Service Extension Base Limit is estimated to be \$940,454. Accordingly, the Village annually passes ordinances to identify specified debt issuances to ‘abate’ from the initial debt service levy request so that the net request will fall within the state-stipulated debt extension limit.

A schedule of the debt obligations to be levied and/or abated is summarized as follows:

Calendar Year 2011 (2010 LEVY)					Calendar Year 2012 (2011 LEVY)				
		Cash Requirement	DEBT FUNDING ACTION			Cash Requirement	DEBT FUNDING ACTION		
Bond Series 2003 A									
12/01/2011	Interest	\$ 10,033.45	ABATE	12/01/2012	Interest	\$ 11,539.50	ABATE		
12/01/2011	Principal	\$ 24,966.55	ABATE	12/01/2012	Principal	\$ 23,460.50	ABATE		
		<u>\$ 35,000.00</u>				<u>\$ 35,000.00</u>			
Bond Series 2003 B									
06/01/2011	Interest	\$ 161,186.25	ABATE	06/01/2012	Interest	\$ 151,186.25	ABATE		
12/01/2011	Interest	\$ 161,186.25	ABATE	12/01/2012	Interest	\$ 151,186.25	ABATE		
12/01/2011	Principal	\$ 500,000.00	ABATE	12/01/2012	Principal	\$ 520,000.00	ABATE		
		<u>\$ 822,372.50</u>				<u>\$ 822,372.50</u>			
Bond Series 2005 B									
06/01/2011	Interest	\$ 56,943.75	ABATE	06/01/2012	Interest	\$ 47,318.75	ABATE		
12/01/2011	Interest	\$ 56,943.75	ABATE	12/01/2012	Interest	\$ 47,318.75	ABATE		
12/01/2011	Principal	\$ 385,000.00	ABATE	12/01/2012	Principal	\$ 405,000.00	ABATE		
		<u>\$ 499,887.50</u>				<u>\$ 499,637.50</u>			

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Annual Rollover Bond Series 2010

06/01/2011	Interest	\$ 16,312.50	LEVY
12/01/2011	Interest	\$ 16,312.50	LEVY
12/01/2011	Principal	\$ 870,000.00	LEVY
		<u>\$ 902,625.00</u>	
TOTAL DEBT SERVICE		\$ 2,258,885.00	
Less: Total Abatements		<u>\$ 1,356,260.00</u>	
NET LEVY AMOUNTS		<u>\$ 902,625.00</u>	

Annual Rollover Bond Series 2011

06/01/2012	Interest	\$ 17,343.75	LEVY
12/01/2012	Interest	\$ 17,343.75	LEVY
12/01/2011	Principal	\$ 925,000.00	LEVY
		<u>\$ 959,687.50</u>	
		\$ 2,316,697.50	
		<u>\$ 1,357,010.00</u>	
		<u>\$ 959,687.50</u>	

In addition to the net debt service levy amount proposed, the Village (by a standing ordinance) also directs the Cook Clerk to levy a 5% loss amount (totaling \$47,984) which goes to offset property taxes not collected.

Fire Pension P.A. 93-0689 Contribution

In 2010, the Village incorporated the provisions of state statute 40 ILCS 5/4-118, which allows a portion of the Fire Pension levy dollars to be extended ‘outside of the tax cap’, as determined by actuarial recommendations. In 2011, the actuarial amount is \$20,207, down substantially from the previous year.

“THE TAX RATE”

When the Village submits its “tax levy”, we are requesting a specific amount of money to be collected on our behalf by county officials. The levy is only a request for funds. The levy dollars requested will be forthcoming to the village, only if the total equalized assessed valuation (EAV) allows that requested dollars can be generated by a tax rate computed within state and county tax limitation laws or voter-approved referendum.

The County Clerk “extends” the allowed levy across all taxable properties within the village’s boundaries in order to collect the dollars required to perform village operations and meet the village’s debt obligations based on a computed “tax rate”, which considers of the following limiting factors:

- 1) the Authorized Maximum Tax Rates within individual levy categories;
- 2) the actual 2011 Equalized Assessed Valuation (EAV);
- 3) the Tax Cap Limiting Rate factor;

1) AUTHORIZED TAX RATES / PERMISSIVE TAX LIMITS

The tax rate is a composite of Village rates levied for specific purposes. Each levy category is subject to tax rate limitations for each specific purpose. If the Village needs to increase the permissive tax limits, we must first seek voter permission by referendum at a general election. Noted below are the current tax rate maximums that Village of Broadview may levy without referendum.

Fund / Purpose	Maximum Fund Tax Rate
Corporate (General Fund)	0.4375
Garbage	0.2000
Police Pension	As required to cover funding obligations
Fire Pension	As required to cover funding obligations
IL Municipal Retirement Fund (IMRF)	As required to cover funding obligations
Street & Bridge	0.1000
Public Benefit	0.0500
Fire Protection	0.6000
Police Protection	0.6000

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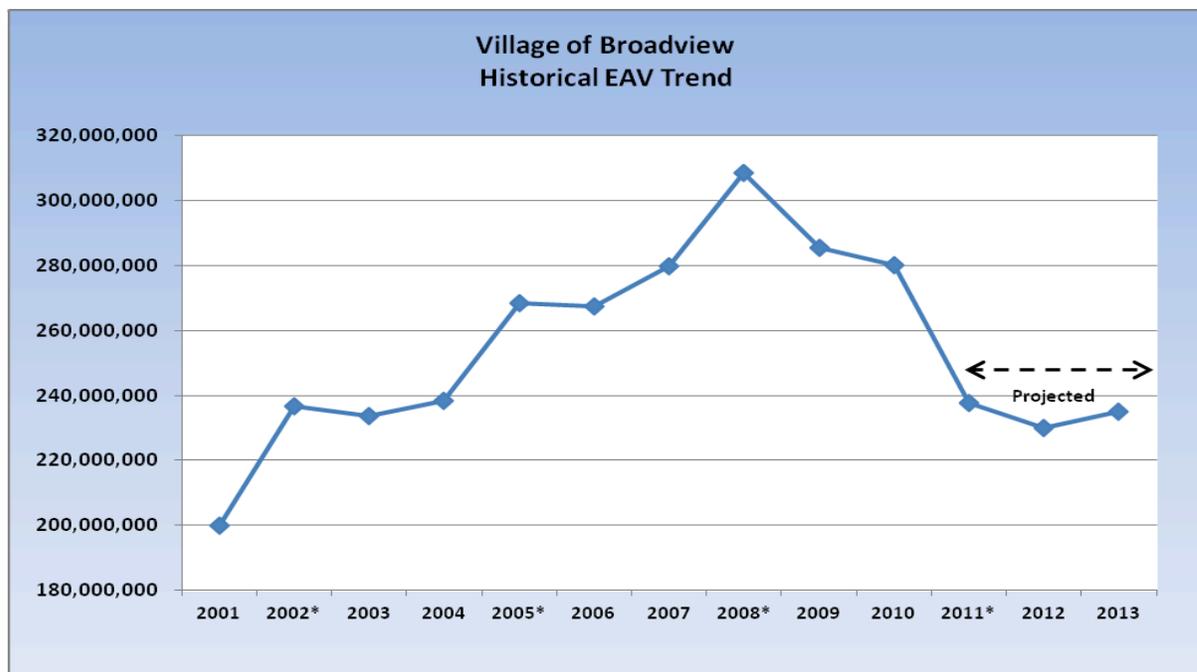
Civil Defense	0.0500
Auditing	As required to cover auditing costs.
Liability Insurance	As required to cover insurance costs.
Recreation	As required to pay obligations
Purchase Agreement (Debt Service)	As required to pay obligations
Bonds & Interest (Debt Service)	As required to pay debt obligations
Limited Bonds (Debt Service)	As required to pay debt obligations

2) EQUALIZED ASSESSED VALUATION (EAV)

At this time, the 2011 EAV to be used in determining Village of Broadview’s allowable tax levy request is not yet known, so estimation is used. We are estimating that the EAV of properties supporting the Village of Broadview will be \$237,643,085 based on the average decline in residential assessments throughout the Proviso Township area, as reported by the Cook County Assessor’s Office in its 08/12/11 news release. The County Assessor indicated that its 2011 tri-annual assessment of Proviso Township residential properties, on average, decreased 23.68% from its previous (2008) assessment level. Applying this continuing decline, we anticipate Broadview’s EAV to fall another 15.2% in 2011.

	<u>Tax Year</u>	<u>EAV</u>	<u>Change In EAV</u>	<u>% Change in EAV</u>
<i>*Re-assessment Year</i>	2005	268,308,220	29,796,640	12.5%
	2006	267,489,978	(818,242)	-0.3%
	2007	279,872,816	12,382,828	4.6%
<i>*Re-assessment Year</i>	2008	308,627,383	28,754,567	10.3%
	2009	285,491,817	(23,135,566)	-7.5%
	2010	280,257,063	(5,234,754)	-1.8%
<i>Forward Year Projection:</i>				
<i>*Re-assessment Year</i>	2011	237,643,085	(43,613,978)	-15.2%

**Cook county properties are re-assessed on a tri-annual basis (every 3 years.)*



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3) TAX CAP LIMITING RATE

State law limits the maximum composite dollars that taxing agencies can increase tax levy requests over the preceding year, based on a “tax cap” formula. The tax cap formula basically restricts the total levy amount (excluding debt services) to exceed the prior year’s levy by 5% or the Consumer Price Index (CPI) whichever is lower. In 2011, the CPI is 1.5% (lower than the 5% maximum), so the tax cap formula will not allow the Village’s total levy amount (excluding debt services) to exceed 1.5% over the 2010 extension dollars.

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

Why are we proposing the 5% maximum increase (explained in Aggregate Levy section above) if the Tax Cap formula will limit 2011 levy to the 1.5% CPI? Answer: to cover the possible fluctuation of the unknown 2011 Equalized Assessed Value (EAV) in the Tax Cap formula denominator. In order to maximize revenues under the levy process, the proposed levy is prepared as a “balloon levy”. The term “balloon levy” refers to levying dollars at a higher level than anticipated, because the actual 2011 EAV is not yet known. Should the actual 2011 EAV exceed the estimated assessment, the final levy dollars received will be limited by the EAV denominator within the tax cap formula. On the other hand, if the EAV falls below the estimated assessment level, the balloon levy allows the district to receive additional revenues needed to operate, up to proposed levy amount.

The Cook County Clerk’s Office will implement the Property Tax Extension Limitation Law (PTELL) based upon its determination of the actual 2011 EAV for our taxing district. In the event that the tax cap limits the dollar amount requested within the proposed tax levy, the County Clerk will reduce the overage proportionally from each of the levy categories to ensure that adequate funds are distributed to each of the fund balances.

The 2011 proposed levy would equate to an estimated tax rate of 2.257%, after proposed debt service abatements. However, utilizing the tax cap formula limitations, the Village tax rate will likely be lower than proposed, or around 2.243%. These rates, although much higher than previous years, reflect only \$108,342 increase in requested dollars; however if received, it will be extended over a much lower tax base.

A historical schedule of the Village of Broadview’s tax rates is summarized as follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> <u>(estimate)</u>
Total Levy Dollars Extended/Requested	\$4,483,603	\$4,608,667	\$4,743,942	\$4,849,410	\$5,015,196	\$5,078,899	\$5,254,935	\$5,362,527
Equalized Assessed Valuation (EAV)	238,511,580	268,308,220	267,489,978	279,872,816	308,627,383	285,491,817	280,257,063	237,643,085
Village Tax Rate	1.880%	1.718%	1.774%	1.733%	1.625%	1.779%	1.875%	2.257%

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VILLAGE LEVY TRANSLATED TO SAMPLE TAX BILL

The following is an example of how the Village of Broadview’s proposed tax levy could impact a taxpayer’s tax bill for a property valued at \$150,000:

	2010	(Proposed) 2011	(After Tax Cap) Likely 2011	
A Property Value	\$150,000	\$127,200	\$127,200	<i>Assumes 15.2% decline in 2011 Re-Assessment value</i>
B Assessment Level	X 10%	X 10%	X 10%	
C = Assessed Value	\$ 15,000	\$ 12,720	\$ 12,720	
D X State Equalization Factor	X 3.3000 <i>(2010 factor)</i>	X 3.3000 <i>(2010 factor)</i>	X 3.3000 <i>(2010 factor)</i>	
E =Equalized Assessed Valuation (EAV)	\$ 49,500	\$ 41,976	\$ 41,976	
F x Tax Rate **	1.875%	2.257% <i>(estimate)</i>	2.243% <i>(estimated-capped)</i>	
G =Property Tax	<u>\$928</u>	<u>\$947</u>	<u>\$942</u>	
Increase/(Decrease)		<u>\$19</u>	<u>\$14</u>	

** The 2011 tax rates are presented as estimated computations; for comparative purposes only and do not incorporate any exemption considerations.

A detailed worksheet of how estimated rates were calculated is attached for the Board’s information.

More information regarding the levy process, visit the Cook County Clerk’s Office websites at <http://www.cookctyclerk.com> or www.cookcountytreasurer.com

Respectfully Submitted,

Jan Baptist
 Director of Finance
 Village of Broadview