

Financial Projections and Planning

December, 2015 Levy Rationale

Eastland CUSD #308

History

In 1987, the Lanark and Shannon Districts consolidated into the Eastland Community Unit School District. From that time, and particularly from 1991-2008, the Eastland District experienced rapidly increasing equalized assessed valuation (EAV) of the property within its boundaries. During that 17 year period, the total value of the property within the district increased at an average of 7% per year.

This increase in EAV was to the benefit of all stakeholders: the District has benefited in its ability to pay teachers competitively, keep class sizes small, to offer a varied program, and to maintain and improve its facilities with the construction of new additions at the High School and Middle School in 2000, a new cafeteria and art room at the High School in 2006, significant remodeling of Eastland Middle and High School restrooms and classrooms in 2007, and a physical education addition and vocational upgrades in May, 2011. The Board is preparing to sell \$3,500,000 in bonds to finance the replacement of the original heating/ventilation systems in the 1927, 1951, 1952 and 1958 sections of the Eastland Elementary and Jr/Sr High Schools. Geothermal systems will be installed to provide heating, ventilation and air conditioning to these spaces. This work is scheduled for completion in the summers of 2016 and 2017. These infrastructure replacements were identified as a need in the 10 year Health Life Safety Survey completed in the summer of 2015 – the original boilers, unit ventilators, piping and traps in these areas are well past the point of serving reliably and efficiently.

The taxpayers benefited during this period as well. Increases in new property and the value of existing property moved the total tax rate down during a period when tax rates among neighboring districts were climbing. After reaching a high of 4.35 in 1999-2000, the rate dropped every year to its lowest level of 3.25 in 2009-10. EAV in the District did not increase appreciably in 2010-11, causing the rate to increase to 3.39 for the first time in ten years.

As a result of the economic recession, the District's EAV has plummeted for the next four years by approximately -27%. Practically speaking, this drop was due entirely to the lowering of assessments of property at Lake Carroll, where property values decreased by more than -34%. At the same time, construction of new homes dropped from an average of 40 homes per year to less than five.

Because the District had never taxed to its legal limit, the immediate result was that the tax rate moved quickly from 3.39 to 4.20. As of the 2014-15 school year the aggregate value of property at Lake Carroll dropped by nearly 40% in less than five years.

Sales ratio data beginning in August, 2014 showed that Lake Carroll properties were assessed below their fair market value. As a result, a multiplier was added to assessments in Freedom Township for the 2015-16 tax year. That multiplier raised assessments by an estimated 5.8%. Farmland assessments continued to rise 10% per year based on productivity measures, and the aggregate equalized assessed value for Eastland from Carroll County rose approximately 7.2%. A similar increase is projected for the 2016-17 tax year. This brought the tax rate down to 4.05 for the 2015-16 tax year. However, because the State is threatening to freeze property tax extensions for 2 years beginning in 2016, and to limit growth in all future extensions based on the baseline set in the December, 2015 levy, the Eastland Board has approved a levy projected to increase

the rate to 4.12 for the 2016-17 tax year. This is necessary to protect the District in the event that all or some of the legislative proposals mentioned previously pass.

Furthermore, the Board's decision to sell health life safety and working cash bonds in the amount of \$3,500,000 over 8 years will have the effect of increasing the rate further, to an estimated level of 4.42. This will cost the owner of a \$100,000 home an estimated \$100 in additional property taxes over the previous year. Nevertheless, the tax rate for Eastland property owners will be low for the region.

❖ Based on data from 2015-16 IASA Northwest Salary Study

District	Tax Rate
Pearl City	6.11
Dakota	5.95
Orangeville	5.83
West Carroll	5.76
Chadwick-Milledgeville	5.6
Stockton	5.58
Forreston	5.5
Morrison	4.96
Polo	4.84
Lena-Winslow	4.62
Eastland	4.05

Note: Eastland's projected tax rate for 2016-17 – including the Dec., 2015 levy and the \$3,500,000 bond issuance – will be 4.42.

Assumptions

- General State Aid and Categorical Funding

This plan assumes the passage of all or some of the following legislation:

- A. A 2-year property tax extension freeze, followed by a property tax extension limitation law for all subsequent years,
- B. A funding formula change diverting 83% of the state aid that Eastland currently receives and re-distributing it to districts with less property wealth, and
- C. A shift to local districts of the pension payments that are currently the responsibility of the State

Because of the state fiscal crisis and the budget stalemate in Springfield, some categorical grants have already been eliminated, and transportation reimbursement has been reduced by more than 40%. Eastland had been a hold harmless District with approximately \$617,000 annually received from the State. The elimination of the hold harmless provision resulted in \$150,000 less state revenue annually to Eastland for education. This means that the burden for funding our schools is increasingly shifting onto local taxpayers, while the burden for the State is decreasing.

- Equalized Assessed Valuation:

In November, 2011, the Carroll County Assessor informed the District that the aggregate assessment in Freedom Township would be lowered by 26% due to sales ratio data, which would in turn lower Eastland's assessed value by 16.6%. For 2013-14, the Lake Carroll/Freedom Township assessments were lowered by another 10%, and the projection for 2014-15 is in excess of a 6% reduction.

This constituted a dramatic threat to the District's revenue stream at a time when interest on investments and state aid were both declining. Eastland lost approximately \$1,500,000 in revenue over a five year period.

The District's financial rating during this period of time has remained excellent. This is due to the Board's effective planning and implementation of actions to reduce expenditures as well as the fact that the District's relative wealth is still higher than most districts in the region. Projected increases in EAV in 2015-16 will help, but *will not* be sufficient if the State takes actions to reduce state aid to Eastland (SB16) and/or decides to transfer its normal pension costs to local districts and taxpayers.

- Employee Salaries and Benefits:

This levy uses projections of 3% overall growth in expenditures. Average employee salary increases are projected to increase by 4.5% during the term of the next collective bargaining agreement. Average employee benefit increases for health insurance have generally exceeded 5% annually. Increases for pension costs are projected to remain flat, as certified staff agreed to contribute more to their own pensions starting in 2012. However, pension costs will not remain flat if the General Assembly and the Governor agree to legislation that shifts the state's burden to local districts.