



To: Mayor Tisdahl and City Council
Wally Bobkiewicz, City Manager

From: Martin Lyons, Asst. City Manager

Date: October 30, 2009

Re: Tax Levy Response

Recently the media has published numerous articles regarding tax assessment increases and the impact these will have on resident tax bills. We have also received direct communications from residents expressing their displeasure over increasing tax bills.

The City has taken steps to reduce or hold the line on property taxes, however, these steps have yet to take effect. Under the current process/chronology the City budgets a tax levy each February, and then levies this amount in the following December, and finally collects this levy in the calendar year after that. Twenty to twenty-two months elapse between the time the City budgets the levy, and actually collects the total amount. Below is a calendar showing the chronology of events in the tax cycle:

- February 2008: City passes 2008-09 budget that includes 7.02% increase in the 2008 tax levy.
- March 2008: Taxpayers receive first installment bill for previous year's levy (2007) adopted in Evanston 2007-08 budget.
- September 2008: Taxpayers receive second installment bill for previous year's levy (2007)
- December 2008: City Levies 7.02% increase as adopted in the 2008-09 budget.
- February 2009: City passes 2009-10 budget that includes no increase from the 2008 levy.
- March 2009: Taxpayers receive first installment of 2008 levy, which has traditionally been 50% of the prior year total tax bill.

- November 2009: Taxpayers receive second installment (late), which includes the 7.02% increase from 2008 Levy
- February 2010: City adopts 2010-11 Budget. Under present process, this would include a levy that will not be collected until 2011-12.
- March 2010: Taxpayers receive first installment, which by new statute is now 55% of previous year's total bill. This will make first installment appear like another tax increase.
- September 2010: Taxpayers receive second installment which will be 45% of total 2009 levy.

Below is a summary of a tax bill for a parcel owned by the City (The Rozak property). Please note that this parcel was not re-assessed between 2007 and 2008 tax years. Even though the City raised taxes by 7.02% during this time, this property incurred less than a 6.0% increase in taxes paid to the City. The impact of all other re-assessments, the growth of the total tax base, and the impact of the County multiplier all change the way our exact dollar levy impacts specific properties.

| PROPERTY IDENTIFICATION NUMBER | 11-19-105-037-0000 | ASSESSED VALUE | \$216,862 | | | |
|--|--------------------|----------------|----------------|---------|--------------------|--------------|
| Taxing District | 2008 Tax | 2008 Rate | 2008 % | Pension | 2007 Tax | 2007 Rate |
| MISCELLANEOUS TAXES | | | | | | |
| North Shore Mosquito Abatement | \$51.68 | 0.008 | 0.12% | | \$49.34 | 0.008 |
| Metro Water reclamation District | \$1,627.78 | 0.252 | 3.89% | 96.89 | \$1,622.01 | 0.263 |
| Miscellaneous Taxes Total | \$1,679.46 | 0.260 | 4.01% | | \$1,671.35 | 0.271 |
| SCHOOL TAXES | | | | | | |
| Oakton Community College Dist 535 | \$904.32 | 0.140 | 2.16% | 12.91 | \$869.59 | 0.141 |
| Evanston Township High School Dist 202 | \$11,123.17 | 1.722 | 26.55% | 387.56 | \$10,792.85 | 1.75 |
| School District CC 65 | \$16,484.52 | 2.552 | 39.35% | 439.24 | \$15,634.21 | 2.535 |
| School Taxes total | \$28,512.01 | 4.414 | 68.06% | | \$27,296.65 | 4.426 |
| MUNICIPALITY/TOWNSHIP TAXES | | | | | | |
| City of Evanston | \$8,364.99 | 1.295 | 19.97% | 2435.21 | \$7,912.70 | 1.283 |
| General Assistance Evanston | \$245.46 | 0.038 | 0.59% | | \$228.19 | 0.037 |
| Town Evanston | \$77.51 | 0.012 | 0.19% | | \$80.18 | 0.013 |
| Municipality Township Taxes Total | \$8,687.96 | 1.345 | 20.74% | | \$8,221.07 | 1.333 |
| Cook County Taxes | | | | | | |
| Cook County Forest Preserve District | \$329.43 | 0.051 | 0.79% | 6.45 | \$326.87 | 0.053 |
| consolidated elections | \$0.00 | 0.000 | 0.00% | | \$74.01 | 0.012 |
| County of Cook | \$1,446.92 | 0.224 | 3.45% | 445.7 | \$1,147.11 | 0.186 |
| Cook County Public Safety | \$678.24 | 0.105 | 1.62% | | \$1,029.95 | 0.167 |
| Cook County Health Facilities | \$555.51 | 0.086 | 1.33% | | \$573.56 | 0.093 |
| Cook County Taxes Total | \$3,010.10 | 0.466 | 7.19% | | \$3,151.50 | 0.511 |
| | \$41,889.53 | 6.485 | 100.00% | | \$40,340.57 | 6.541 |

The recent media coverage over higher tax bills has not highlighted the fact that the tax bills being paid now, are those that were levied in December 2008. Adding the recent changes made by the Assessor's office, and we arrive at the current situation in which taxes are increased by 8% to 11% throughout the area. It is also worth

noting that the County intends to collect 55% of the previous year's tax bill in the first installment for the 2010 levy year. This will have the undesirable effect of giving tax payers a high second installment on the 2008 levy (being collected now) and a high (55% of the previous total tax bill) first installment on the 2009 tax bill. Even though the City held the line on taxes with a 0% increase, taxpayers will not see the benefit until a year from now.

One of the ways that the City can help address this lag between our adoption and actual payment of taxes is to switch our policy on taxes/budget. Presently, the annual budget drives the annual levy. If we actually collected the levy in the budget year in question, this would be a consistent and conservative policy. Unfortunately, when the City budget's a levy (\$38 million for the 2008 levy, set by the 2008-09 budget), we do not collect these funds until the following budget year. Since we have a March 1, fiscal year, we can address this process by setting the levy first and making it be the first item "approved" or set for the coming year budget. For the coming year, the City would adopt a tax levy in December 2009 for the budget year 2010-11 and we would also collect this levy in that budget year. The downside to this change is that the levy is fixed before the budget is adopted, and if more/less funds are needed, the change would take place in the following levy year or would need to come from expense reductions or other revenue increases..

Another critical reason for this change in levy process is the need to take advantage of the closing of any of our TIF districts. We have a much clearer estimate of the final Downtown II TIF increment at this point in time, and can therefore levy the proper amount this year to transfer the benefit of this TIF to General Fund and Pension Fund tax levies. During the November 9, 2009 Council meeting we will present a review of the 2009 levy, which will include this change in process more fully.

Finally, this change will also provide proper timing of our levy and budget if we decide to change to a calendar year fiscal year. Our year presently starts on March 1. If it began on January 1, our levy process would be greatly simplified in that we would be able to approve both the levy and the budget at the same time and the levy collection would occur during the exact same time as the fiscal year. A calendar year fiscal year also improves the efficiency of our payroll operations.

Steve Drazner or I are available to answer questions regarding the above information

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