

**FINANCE COMMITTEE OF THE WHOLE**

**TUESDAY, NOVEMBER 17, 2015**

**6:00 P.M.**

**CITY COUNCIL CHAMBERS**

Call to Order

A Finance Committee of the Whole Meeting was held on Tuesday, November 17, 2015 at 6:05 p.m. in the City Council Chambers, 204 Pulaski Road, Calumet City, Illinois.

ROLL CALL

PRESENT:	6	ALDERMEN:	Schneider, Wosczynski, Jones (6:36), Williams, Munda, Manousopoulos
ABSENT:	0	ALDERMEN:	None

Also present were Mayor Michelle Markiewicz Qualkinbush, City Clerk Figgs, City Treasurer Tarka and Finance Director Kasperek.

Public Comment

There was no public comment.

#1: Discussion on 2015  
Real Estate Tax Levy

Discussion on the 2015 Real Estate Tax Levy

At this time in the meeting, Finance Director gave a discussion regarding 2015 Tax Levy Proposal.

Finance Director Kasperek: "Once again we gather to put our heads together to determine next year's tax levy. The City Council is faced with so many challenges with increased costs on services and yet the difficulty of figuring out how to finance them. We have seen major stores close in our community. The public doesn't understand why the stores closed and often believe that stores close because of taxes are too high or other fees of the City are too high as well.

The reality of the stores that have closed is that the chains consider these stores underperforming, meaning they are not "ringing up" enough in sales. Does not matter if they paid no real estate taxes, the stores would still close because they cannot cover the operating costs. Mayor chain stores are not interested in breaking even; they need to generate a profit that is good enough to satisfy their investors.

We all know that Sears was having problems and continues to consolidate. Target's sales were so low that they could not cover the payroll and inventory not to mention all other costs for operating that location. Walgreens is following a corporate plan to start consolidating stores. The problem we as a City face is how to account for the lost revenue in sales tax dollars or in the real estate tax dollars they pay.

Determining real estate values in Cook County is difficult. Property has devalued especially here in the South Suburbs. The County continues to lower property values, but yet the real estate tax bills continue to rise. Why, because taxing bodies continue to levy at a minimum last year's tax levy extension increased by the "consumer price index" which for the 2015 levy is .8%. So if all properties drop in value, that tax that is extended on the properties goes up because of what is known as the tax rate. The tax rate is computed by taking the taxes each government requests. (adjusted by the PTELL limitation) and is divided by the EAV (Equalized Assessed Valuation). So think of division; the numerator is the tax levy requested and the denominator is the EAV.

The EAV is made up equalized assessed valuation of all property within the tax body's corporate boundaries. So even if the taxes stayed the same, if EAV's are falling then the tax rates go up for each property. And that is what is happening here if Calumet City.

In the second bullet point "Historical EAV and Tax Rates." One can see by the chart that the City's EAV in 2008 was \$637,937,693 and the tax rate of 2.88% and in 2014 the EAV was \$367,197,833 and we have a tax rate of 7.379%. So that means since 2008, the property of Calumet City has dropped 42% while the tax rates have increased almost 2.5 times since 2008.

But enough of historical discussion, in my discussion with the Mayor and the Finance Chairman I prepared two levy computation. The first one is with no levy increase to the operating levies and allows the debt service portion of the levy to be lower and thereby creating a 1.47% overall decrease. The second levy spreadsheet takes the \$426,790 saved on the debt service levy and allocates that amount to the Corporate Fund Levy. While the operating levies are reflecting a 1.78% increase, with the debt service decrease, the overall levy is a 0% increase.

I have also attached the police pension fund's levy request. The pension fund is asking that we levy \$4,078,473. That is an increase of over \$531,000. I did not receive the Fire Pension request, but I am estimating another \$300,000 for their levy as well. So, the city needs to allocate another \$831,353 more to the two public safety pension fund. Without increasing the tax levy, to allocate \$831,353 to the pension levies means we need to take it from another levy.

That leaves us four option: Library, Social Security, IMRF and the Corporate Fund. As you will note on both spreadsheets, I have reallocated \$20,000 from the IMRF levy to the Social Security levy.

The cost to the city for these expenses is very close to the tax levy therefore we cannot reduce either one of these levies. The Library Levy cannot be reduced or they will have financial issues operating the library. That leaves the Corporate Fund. This is a significant reduction to the Corporate Levy, however, this is the only way we can fund the pension funds without a tax increase. So you can see from the first spreadsheet, there is a reduction of \$831,353 to the Corporate Levy. Overall, there is no increase in the operating levies. The debt service is following the step down from the prior year levy, so this year's levy will drop by \$426,790. By allowing the debt service levy to be reduced, the overall levy will decrease 1.47%. If you look at the second spreadsheet, we can reduce some of the pain of the Corporate Fund by reallocating the debt service tax levy reduction and applying it to the Corporate Fund levy. The result would be a 1.78% operating levy increase, an 8.56% debt service levy decrease and an overall tax levy change of 0%.

Both scenarios hold the line on taxes. The difficult question will be the revenue lost for the Corporate Fund. However, with such high tax rates, I feel we have no choice but to look at only these two choices.

I went on to say if you want to look at the historical data, that is up to you and you can see where the levies once were and where we are at. The long and short of it is and as our Treasurer took from an article in the newspaper, our tax rates are into ice in Cook County.

That is not just our rates, that is also the rates of the school districts tacked on top. That is why I picked School District #155 for a brief moment, let me digress, #155 levy was screwed up by Cook County.

Cook County added over 2.4 million dollars of refunded bonds to the levy and know one caught it during the review process and the county just went ahead and extended it. So you will notice, that is why they are using #155, not to my surprise.

If it is a mistake you are going to seek one of these peaks in value and next year you will see a big reduction in #155 levy. Because now there is no one that can refund the money back.

So they are going to affix 2.4 million dollars approximately on their debt service levies next year to try to augment out the over collection that got this year.”

Ald. Jones entered mtg

Alderman Jones entered meeting at 6:36 p.m.

At this time in the meeting, there was a lengthy discussion regarding the 2015 Real Estate Tax Levy.

It was a recommendation of the Finance Committee to go with Option #2 for the 2015 Real Estate Tax Levy, to reflect a 0% increase overall in the levy.

ROLL CALL

YEAS:	4	ALDERMEN:	Wosczyński, Williams, Munda, Manousopoulos
NAYS:	1	ALDERMAN:	Jones
ABSENT:	0	ALDERMEN:	None
PRESENT:	1	ALDERMAN:	Schneider

MOTION CARRIED

Discussion 2015 Special Service Area Tax Levy

Discussion on 2015 Special Service Area Tax Levy.

Finance Director Kasperek gave a presentation regarding the 2015 Special Service Area Tax Levy setting it at \$300,000 which helps subsidize public safety in the corporate fund.

Finance Director Kasperek's recommendation is to leave the 2015 Special Service Area Tax Levy the same as last year at \$300,000.

There was a lengthy discussion regarding the 2015 Special Service Area Tax Levy.

It was the recommendation of the Finance Committee to leave the 2015 Special Service Area Tax Levy at \$300,000.

ROLL CALL

YEAS:	4	ALDERMEN:	Wosczyński, Williams, Munda, Manousopoulos
NAYS:	0	ALDERMEN:	None
ABSENT:	0	ALDERMEN:	None
PRESENT:	2	ALDERMEN:	Schneider, Jones

MOTION CARRIED

#3: Update of progress with Johnson Controls/ Water Project

Update on progress with Johnson Controls on the Water Project.

Finance Director Kasperek gave a brief update on progress with Johnson Controls on the Water Project.

#4: Update on status of  
credits to be issued on  
water late fees paid

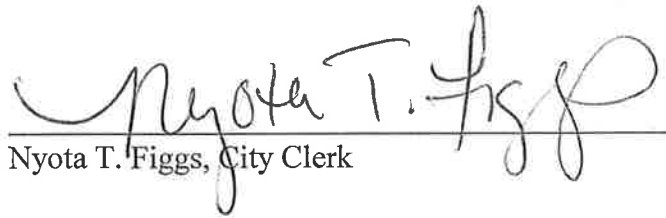
Update on the status of credits to be issued for the water late fees paid.

Finance Director Kasperek gave a brief update on the status of credits to be issued for the water late fees paid.

**ADJOURNMENT**

Adjournment was at 7:30 p.m. on a motion made by Alderman Wosycznski and seconded by Alderman Manousopoulos.

MOTION CARRIED

  
Nyota T. Figgs, City Clerk

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