



Upcoming Dates:



January 18-19:
IL Assn. of Drainage Dis-
tricts Conference

January 25:
SWAT Meeting

March 7-8:
29th Annual Rural Com-
munity Economic Devel-
opment Conference

March 14-15:
Governmental Affairs
Leadership Conference
(GALC)

March 20:
General Primary Election

April 10:
Annual Town Meeting



Did You Know...?

Recently released
US Census
Bureau data show
that Illinois lost
the most resi-
dents of any state
in the country
from 2016 to
2017.



January/February 2018

Volume 9 Issue 1

Building on policy

Take a position on local issues

by Brenda Matherly

Now is the time to talk about creat- ing local policy. On the heels of the IAA® annual meeting and delegate discussions on statewide policy, now seems like a good time to talk about the opportunity for policy develop- ment at the local level. As a grass- roots organization, the value and ap- plication of member-driven policy has become the backbone of this or- ganization. The process for creating and maintaining statewide policy po- sitions on issues important to our members is well rooted. But, can the same be said for this process at the local level?

With Illinois Farm Bureau's policy book covering everything from the *Philosophy of Farm Bureau to Trans- portation*, the idea of creating com- plimentary local policy might seem

duplicative—not true. Issues of local government, for example, lend themselves well to policy positions that can be created at the county level. Let's explore the options...

Wikipedia defines policy as "a delib- erate system of principles to guide decisions and achieve rational out- comes. A policy is a statement of intent and is implemented as a pro- cedure or protocol."

Webster's definition reads like this... "a definite course or method of action selected from among alterna- tives and in light of given conditions to guide and determine present and future decisions..."

Illinois Farm Bureau views policy as a prescription for positions on legisla- tion, board actions and program de-

(See **Building** on page 7)

Harvest season emergency

Recap of Illinois' first experience

by Kirby Wagner

The first declared Harvest Season Emergency (HSE) in Illinois history concluded after 45 days on December 19, 2017. Ready or not, local juris- dictions experienced issuing this per- mit for the first time. Experiences ranged from good to bad. Now that the 2017 HSE period has concluded, it's important to gather as much in-

formation as possible to prepare in the event another HSE is declared.

HSE provisions can help farmers fin- ish their harvest by allowing heavier loads of commodities to be hauled.

Prior to the declaration, questions remained about how local jurisdic- tions would handle an increase in

(See **Harvest** on page 2)

More on long-term financing of government

Alternate revenue bond

by *Brenda Matherly*

More about bonds! In our November/December issue of LINK, I wrote about two types of municipal bonds commonly used by units of government—general obligation bonds and revenue bonds. In this issue we'll take a look at a third type of municipal bond—alternate bonds, also known as double-barreled bonds.

Before delving into alternate bonds, I'd like to provide a refresher on municipal bonds.

Municipal bonds are not just used by municipalities, in fact, they are commonly issued by units of government including states, counties, cities and special-purpose districts. These bonds are often used to finance projects such as roads, schools, airports, and upkeep on and improvements to infrastructure.

Governmental units typically issue bonds so that major ex-

penses, tied to infrastructure and other capital projects, can be spread out over time.

A bond is very basically a loan agreement made between parties.

Revenue is generated by borrowing against the purchase of a bond. The unit of government sells that bond to an investor. At that time, the unit of government becomes the issuer or borrower, and the purchaser becomes the bondholder.

Throughout the life of the bond, the issuer agrees to pay the bondholder interest on a regular basis. When the bond matures, the issuer pays off the principal on the loan.

In our earlier article I talked about two types of municipal bonds—general obligation bonds and revenue bonds. The primary difference in the two bonds is the source of revenue collected to pay off the long-term debt.

General obligation bonds can be issued by the State and local units of government. This type of bond is backed by that unit of government's ability to tax residents in order to pay the bondholder. Since general obligation bonds are backed by property owners, a taxing district will (in most cases) first need to get voter approval.

Revenue bonds are, instead, backed by an identified revenue source other than property tax dollars.

These bonds are used to finance projects that generate income, which is used to pay the bondholder.

Unlike general obligation bonds, only that revenue generated from the project can be used to repay the debt. In the case of a revenue bond, a defined revenue source can include user fees, motor-fuel taxes and im-

(See *Alternate* on page 6)

Harvest

(Continued from page 1)

permit applications.

For example, to obtain a permit at the state level, one must access IDOT's permit website. The State has an automated permitting system. However, many local road units do not have as advanced a permitting system as does the State. Some road districts are small and have very few resources and in some cases, only one full-time employee. This can make issuing permits difficult especially when there

is an increase in permit requests.

Some road districts were prepared with a process in place to issue permits (if they chose to) without problems. Others, unaccustomed to issuing permits found the process difficult and chose not to issue HSE permits at all.

Full data on local HSE permits issued is not available, but several anecdotal references have pointed out pros and cons

(See *Harvest* on page 3)

A prior article in Volume 8, issue 6 of this publication addresses the HSE declaration and its impact on local government. Click on the link below.

http://www.ilfb.org/media/2985304/link_06_november-december_2017.pdf

Harvest



(Continued from page 2)

about the HSE.

Several road jurisdictions exercised their power to declare all routes in their authority available to haul the excess weight. In some cases, those road authorities also made available a map of their boundaries labeling bridges posted with a lesser weight. (HSE permits do not supersede road and bridge postings.)

Another positive reference deals with a road authority attempting to get in front of questions that would be coming. In this case, the local road unit sent to their governing body IFB's informational handout to inform them of what their citizens would be experiencing. They also emailed some citizens a copy of the HSE permit that the jurisdiction would be using for their road system.

Citing various reasons, many road districts opted to not accept HSE permit applications. Local jurisdictions are not required to issue the permit.

Several applicants expressed issues with obtaining multiple permits from the multiple road jurisdictions they planned to travel in. It can be difficult to find the Highway Commissioner to apply for a permit. As a re-

by Brenda Matherly

Celebrating our Liberty Bell winners

Congratulations to our most recent Liberty Bell winners. The five counties that will be proudly displaying the prestigious Liberty Bell trophy this year are:

Champaign County Farm Bureau®

Knox County Farm Bureau®

Lawrence County Farm Bureau®

Ogle County Farm Bureau®

Pike County Farm Bureau®

Now in its 55th year, the award recognizes outstanding efforts by a county Farm Bureau in both local affairs and legislative programs throughout the year.

Winning this award is a recognition of the priority our organization places on active involvement in local affairs and legislative activities.

As we look to the future, we see more and more opportunity for county Farm Bureau staff and leadership to keep up the good work and take an active role in all things local. Having input on legislation impacting local issues, developing a relationship with local officials, and creating local policy produces winning results for our membership and our organization.

Let's continue to make local involvement a priority!

LINK



sult, some applicants expressed difficulties tracking down the proper road district authorities to apply for the permit.

Opinions were voiced from both perspectives about how the 2017 HSE was experienced.

Hopefully, now that the HSE period has concluded, local governments can take what they've learned and be prepared

in case Illinois finds itself in another HSE.

For more details on the HSE visit the Illinois Farm Bureau website at:

<http://www.ilfb.org/media/2985424/09-hse-permit-2017-12.pdf>

LINK

Real property tax rates

The simple made complex

by Kevin Rund

You'd assume that if the assessed value of your real property went up you'd end up paying more in property taxes, right? Simple. Well, that's the likely scenario, but it doesn't always work that way. This anomaly points to one of the hidden complexities behind property tax rates: mathematics. Besides the math, there are plenty of legislated caveats to add further complexity to this topic.

Tax rates serve as a governor on taxes charged. And by statutorily tweaking that governor, State law limits the amount of property taxes a local governmental unit can charge for certain funds.

Math

The property taxes you pay in Illinois are largely a product of both your property's Equalized Assessed Value (EAV) and the tax rate applied to it. Neither the tax rate nor the EAV alone accounts for the final tax bill. For you math geeks, the equation from the taxpayer's perspective looks like this:

$$\text{EAV} \times \text{Rate} = \text{Tax}$$

Of course, the governing bodies that rely on that tax revenue have to see the equation from the other side in order to calculate the appropriate rate to charge.

$$\text{Levy} / \text{EAV} = \text{Rate}$$

As you know, the levy—the amount requested by the taxing body—generally ends up being the aggregate amount of taxes that owners of property in the

district are asked to pay. So, between those two equations, the terms "levy" and "tax" are—for all practical purposes—synonymous.

The levied amount is like a whole pie and each property owner's slice of that pie is sized based on his or her property's relative share of the district's overall EAV. Disregarding rate, that equation looks something like this:

$$\left(\frac{\text{EAV of the individual property}}{\text{EAV of the district}} \right) \times \text{Levy} = \text{Individual's tax}$$

But in reality, we can't just ignore the rate. As we'll cover in a later article, the allowable tax rate can restrict the amount the unit of local government is allowed to levy, so it would have an impact on even that last equation.

Base rates

Okay, now that the mathematical complexities of tax rates are on the table, let's throw in

another complication: legal maximums and process.

Illinois statute often authorizes a fixed initial property tax rate ceiling for each fund of each local government unit type, known as the "base rate". When the unit of government is created, it automatically is authorized to utilize this base rate. Of course, the unit is not required to utilize that full amount, but they can.

Some special funds (e.g.: bonds or pensions) have no base rate; the rate automatically adjusts to provide whatever revenue is needed to service that obligation.

Exceeding the base rate

Laws governing property tax rates generally provide a means of increasing the allowable rate beyond that provided by the base rate. The means of that increase—indeed for changing allowable tax rates generally—

(Continued on next page)

Information sources on tax rates

The Illinois Property Tax System [2014]

<http://tax.illinois.gov/Publications/LocalGovernment/PTAX1004.pdf>

Practical Guide to Illinois Property Taxes [2004]

http://web.extension.illinois.edu/forestry/publications/pdf/tax/IDOR_TaxGuide.pdf

Illinois Property Tax Rate & Levy Manual [2013]

<http://tax.illinois.gov/Publications/LocalGovernment/PTAX-60.pdf>

Rates

(Continued from page 4)

are threefold. Depending on the rules associated with the individual fund, it may be done using one or more of the following methods:

1. Ordinance
2. Front door referendum
3. Backdoor referendum (see sidebar)

Regardless of the method used to adjust allowable tax rates, there often is a maximum allowable rate—established by statute—that not even the voters may choose to exceed.

By ordinance

The governing board of a local government unit often may make the decision—via ordinance—to raise or lower the allowable tax rate for a given fund.

If raising the rate by ordinance (where allowed by law) it takes only a simple majority vote of the governing board.

Some increases approved by ordinance—depending on the fund—are subject to backdoor referendum.

By front door referendum

If I were to say, “It requires a referendum” I’d be referring to a front door referendum.

By definition, a front door referendum requires that the question of public policy—whether it be tax rates or some other matter—be presented to voters at a referendum. (See sidebar on township annual meeting, page 6.) To get on the ballot, that public policy question must be placed there using one or the other—or sometimes either—of the following methods:

1. Ordinance of the governing board
2. Petition passed and signed by voters in the district

The ultimate process that must be used varies by the unit of government, and within that by the specific fund.

By backdoor referendum (see sidebar)

When referring to a backdoor referendum, I’d say, “It is allowed...” It is not required by law, but it can be forced by petition.

Where statute allows for a backdoor referendum, the public policy question (taxes or otherwise) affecting the local unit of government must first be tentatively decided by ordinance of the governing board. Voters are then afforded a fixed period of time in which to force the question onto the ballot (via petition) for an up or down vote at referendum.

Variables in setting tax rates

By now you can appreciate that the reason adjustments to real property tax rates can be so complicated is because there are so many variables that can be applied. Here’s the short list:

- Who it is that is making the change
- What method is being used
- How frequently the attempt is made
- What the current rate is
- Whether there is a base rate
- Whether there is a statutory maximum rate

(See Rates on page 6)

Backdoor Referendum

The name doesn’t do much to explain what it is, so lots of folks have questions about backdoor referenda. The name does, at least, indicate that it has something to do with a referendum and that it’s somehow different from the front door version.

That’s a good start.

Generally, it offers voters the option to take the decision of a governing board and place it on the ballot for voters to decide.

A backdoor referendum requires that the question of public policy first be tentatively decided by the governing board in the form of an ordinance. Then, if statute allows, voters may pass a petition in the district. If the requisite number of voters sign it, then the public policy question is placed on the ballot and voters make the ultimate decision.

If there is no petition drive, or if the petition drive fails, then the original decision of the governing board takes effect.

Generally, voters are allowed 30 days to pass the petition which typically requires 10 percent of voters registered in the district to sign it. Sometimes, that number is based on the number of voters voting in the last general election.

IFB policy strongly prefers the front door approach, ensuring voters make the decision.

See [IFB policy #124](#).

Alternate

(Continued from page 2)

pact fees.

Since a revenue bond is backed by a project-generated revenue source, it does not require voter approval.

A third type of municipal bond, and the focus of this article, is alternate bonds.

Unlike the more traditional municipal bonds, alternate bonds are backed by multiple revenue sources. In fact, the term “double-barreled bond” gets its name from the dual nature of the revenue options available for bond repayment. This provides for a “fallback” funding option if the primary revenue source falls short.

Typically, an alternate bond is payable from a designated revenue source (other than property taxes). The intent is that the designated revenue source will be enough to pay the bond. However, if that revenue source falls short, a second level of funding is available through the taxing district’s ability to make up the difference using property tax dollars. Because these bonds are backed by dual revenue sources, they are often viewed as some of the safest bonds available.

The application of an alternate bond can be seen in the authority given to schools in counties that have passed the County School Facility Occupation Tax (CSFOT). Under the CSFOT a sales tax of up to 1% is collected to be used for school facility purposes. Schools can also issue alternate bonds for school facility purposes. The annual revenue from the sales tax can be used as a dedicated bond revenue source. In the event

the revenue generated from the sales tax is not enough to cover the bond payments, the school can rely on their ability to collect property taxes to cover the deficit.

Municipalities are authorized to issue alternate bonds and use revenue from a municipal enterprise such as, water, sewer, electric, gas, municipal stadiums, or from other revenue sources such as, sales taxes, motor fuel taxes and state income taxes, and pledge such revenue sources as payment. If those designated revenue sources fall short of the bond payment, the municipality can rely on their taxing authority to cover the debt.

Unlike general obligation bonds, the issuing of alternate bonds is not subject to voter approval. The question will only be brought in front of the voters through a referendum if the voters, served by the governmental unit, file a petition objecting to bonds within 30 days following publication of the governmental unit’s intent to issue them. This approach is known as a backdoor referendum. [See sidebar on Backdoor Referendum, page 5.]

The types of municipal bonds and options for financing them are as numerous as the governmental units they fund. Having a better understanding of the principles of long-term financing better prepares you to offer input on projects in your community.

[LINK](#)

Rates

(Continued from page 5)

There are more.

In addition to all the variables mentioned so far, there are still others that pop up from time-to-time for units of local government.

Population is often a factor. For some units and some funds, both the limits associated with the allowable tax rate and the methods for changing it will vary with the population within the district.

Districtwide EAV can also be a factor, affecting base rates and allowable maximum statutory rates.

Commission counties are sometimes treated differently than township counties.

Summary

Property tax rate issues must be studied on a case-by-case basis, accounting for the unit of government, the specific fund, and all the variables. Only then can voters fully understand the implications—and options—that apply.

Then break out your calculator and plug in whichever of the equations you need.

[LINK](#)

Referendum at Annual Town Meeting

Voters attending a township’s Annual Town Meeting can address some questions of public policy, if proper prior notice had been given. The effect is very similar to a referendum except that the voters are all assembled at the same time and in the same place.

Building

(Continued from page 1)

velopment.

No matter the definition, each of these can be used to address issues that pop up (and often hang around for years) at the local level.

Developing a process for creating and maintaining local policy starts by identifying issues defined by certain characteristics including those:

- Not addressed by statewide policy
- Specific and/or relevant to the county
- Independently acted upon by the county Farm Bureau®

Many counties around the state are facing concerns dealing with local government funding, land use, farmland preservation and infrastructure development. In these areas, Illinois Farm Bureau policy is often silent or states that the issue is local and should be decided on at that level.

Local policy should not contradict state policy but rather compliment its intent and application on issues specific to local areas.

Thanks to the efforts of our managers in the *Think LINK* program, a few of these issues have been identified and sample policy language created during *Think LINK* in-county meetings. During the program, each participating CFB goes through a session focusing on local policy. Through this process, we have identified the benefits of being proactive and establishing consistent action on a number of issues.

A few examples of draft policies for local consideration include:

Local Government Finance:

We support the use of sales tax by units of local government that can reduce the dependence on property tax.

Local Government Administration:

We support online and traditional accessibility to accurate local government documents.

Local Ag. Education:

We support:

1. A vocational agriculture education curriculum at each of the high schools serving the student population in Sample County.
2. The inclusion of agriculture education for K-12 students in Sample County.
3. The continuation of agriculture education programs at our Community Colleges.

Local Transportation:

We support continuing spring thaw posting no longer than necessary to protect the roads following spring thaw.

Having policy similar to those listed above or creating language unique to your county has many benefits. It can provide direction to staff, leadership and elected officials on issues needing immediate attention. Long-standing policy provides stability and consistency on issues appearing repeatedly in the county. On those issues that are new and/or controversial it allows for decisions based on deliberations that are not pressured by "heat-of-the-moment" discus-

sions—reducing the possibility of favoritism or bias weighing in on the decision.

through the process of policy development, counties will likely uncover past board actions, programs and member discussions that can be used to establish working policy. It's also important to get member buy in and ownership. Member surveys on current and anticipated issues provide direction on policy positions and support action on sensitive issues.

Documented policy statements dealing with local issues should be shared with membership, elected officials and consumers.

Expressing awareness and involvement on these issues increases the county Farm Bureau's influence and visibility in the community.

As one of the strongest organizations in the county, your CFB policy has the power to help shape your community.

If your county Farm Bureau would like to take the lead on policy implementation in your county contact Ryan Whitehouse, Associate Director National Legislation & Policy Development at: rwhitehouse@iffb.org or 309-557-3929.

LINK

The 29th Annual Rural Community Economic Development Conference

March 7-8, Springfield

source: *Rural Partners*

The Illinois Institute for Rural Affairs will host the 29th Annual Economic Development Conference "Designing Our Future to Reach New Heights," March 7-8, 2018, at the President Abraham Lincoln Hotel, 701 E Adams Springfield, IL, in conjunction with the Governor's Rural Affairs



Council and Rural Partners.

This annual statewide conference is uniquely focused on improving the quality of life for small rural communities throughout the state, featuring approximately 20 speakers from Illinois and beyond, who will share their experience and expertise. The event will feature plenary and session speakers, as well as breakout sessions addressing



strategies designed to teach your community not only to survive economic downturns, but also to thrive and prosper.

The Illinois Institute for Rural Affairs will soon be providing details and additional information on their website at: <https://www.iira.org/>

LINK



Governmental Affairs Leadership Conference

Powered by Farmers

On March 14-15, 2018, Illinois Farm Bureau will hold its annual Governmental Affairs Leadership Conference (GALC) at the Bank of Springfield Center (formerly the Prairie Capital Convention Center) in Springfield, Illinois.

These two days will feature dynamic speakers, information, and training sessions on key issues impacting agriculture, public policy and organizational priorities.

Farm Bureau leaders will have an opportunity to keep up with current issues and network with agency representatives and elected officials.

Reserve your place at this conference! To register, you may contact your county Farm Bureau manager. For more information, visit our event website at www.ilfb.org/GALC18

LINK



**Governmental Affairs
Leadership Conference**

LINK is published by the IFB® Governmental Affairs & Commodities staff

1701 Towanda Avenue

Bloomington, IL 61701

309-557-3207

www.ilfb.org

LINK@ilfb.org