

# FREQUENTLY ASKED QUESTIONS

## *Explaining Debt Disclosure Ordinance (DDO)*

### **Q: What is Cook County's Debt Disclosure Ordinance?**

A: The Debt Disclosure Ordinance (DDO) was approved by the Cook County Board of Commissioners and is intended to give taxpayers data to help them understand their local governments' debt load and how it spends taxpayer dollars.

The goal of the ordinance is to provide a true picture of the financial condition of every taxing agency in Cook County. While Orland Park believes that this type of information is a valuable public service, the information required does not give an entirely accurate representation of each public body's true debt load and overall financial condition.

### **Q: What is being reported on our property tax bills?**

A: Debt information for each taxing agency to which your property taxes are distributed is reported on your 2012 first installment property tax bill. The information reported includes Total Debts and Liabilities; Gross Operating Budget; Total Pension Liability; Total Unfunded Pension Liability and Pension Funded Ratio.

### **Q: Where does Cook County get these amounts?**

A: Cook County requires that all taxing agencies submit this information to the Cook County Treasurer's Office on an annual basis.

### **Q: How do we know the amounts are accurate?**

A: The amounts reported are intended to match those stated in the taxing agency's audited financial statements. Therefore, one would assume that the amounts reported are accurate. What makes the information presented on the tax bill misleading or inaccurate is that taxing agencies may not report all information requested. For example, if a taxing agency chooses not to report pension liability information, the amount reflected on the tax bill is zero when in fact a liability most likely does exist. As opposed to stating that the liability is zero, it should be stated on the tax bill that the information was not provided.

### **Q: The \$99 million in debt reported for Orland Park seems like a lot. Can you explain further?**

A: The DDO requires that taxing agencies report Total Liabilities, as stated on its most recently audited financial statements. In order to be in compliance with governmental accounting standards, Orland Park must include certain items in this "Total Liabilities" amount that are very short term in nature and will be liquidated within a few months of the end of the reported year. These liabilities may not have been funded by property taxes collections, as Orland Park has significant amounts of other revenue sources; and even if they were, the property taxes to fund these liabilities has already been collected as the expenditure has already occurred and therefore will not be seen on a resident's future property tax bill.

Orland Park is also required to include its subsequent year's property tax levy in its Total Liabilities in order to comply with governmental accounting standards. This does not represent a debt of Orland Park that is owed to another party.

In total, approximately \$22.7 million of the \$99 million reported for Orland Park represents amounts that are not long term liabilities and will not be funded by future property tax levies.

In addition, the required information does not include the assets and equity that back up the debt. Reporting a taxing agency's total assets, or at least its equity, as well as its equalized assessed valuation (EAV), would make the information reported more meaningful. Orland Park's debt load is moderate as compared to the standard but may not appear to be moderate if a casual reader compares the Village to a taxing agency with a smaller debt load without comparing assets, equity and EAV.

Of the \$99 million listed on the tax bill as Orland Park debt, approximately \$73 million of this amount is general obligation debt. When you realize that Orland Park has an equalized assessed valuation (EAV), meaning total taxable value of the community, of more than \$2.3 billion, one can place the in total outstanding GO in a better context. This is analogous to a resident's home valued at \$400,000 having a mortgage of approximately \$16,000. This comparison of debt to value is a much better indicator of Orland Park's financial condition.

### **Q: If Debt-to-EAV is the best measure, how does Orland Park compare?**

A: Board approved policy dictates that the Village's outstanding general obligation (GO) debt will at no time exceed the 8.625% of EAV. The Village's outstanding GO debt as of 12/31/2011 amounted to \$73,720,000 (this is the amount included in the Total Liabilities amount reported on your tax bill). This equates to a debt to EAV ratio of 3.12%, which is an average debt load.

### **Q: How much of my tax bill goes to the Village of Orland Park?**

A: About 7.5% of your property tax bill is distributed to the Village of Orland Park.

### **Q: Where can I find more information about the village's finances?**

A: You can visit our website at [www.orland-park.il.us/finance](http://www.orland-park.il.us/finance) to get more information on the Village's finances.

### **Q: What does the "debts and liabilities" mean to me as a taxpayer?**

A: A taxpayer's debt and liabilities consist of all amounts owed to third parties, such as a mortgages, auto loans and credit card balances. A mortgage balance would be considered long term, while auto loans and credit card balances would be considered short term in nature.

### **Q: What does "debts and liabilities" mean to the village?**

A: Orland Park's debts and liabilities are fairly comparable to an individual's. Orland Park's short term debts consist of accounts payable, accrued payroll, claims payable, etc.

These amounts will be paid in full within the first few months of the subsequent reporting year. Orland Park's long term debt consists of general obligation bonds that have been issued to fund a number of long lasting capital assets; this is comparable to an individual's mortgage that is paid off over time.

### **Q: Will my taxes go up because the village has to pay for these liabilities?**

A: Property taxes only fund a portion of the Orland Park's liabilities, as Orland Park has a number of other revenue sources that it utilizes to fund operations.

### **Q: How does debt load affect Orland Park's bond rating?**

A: Since the amount of debt held by Orland Park is relatively low, our bond rating already reflects this. In other words, Orland Park has a very high bond rating, and one of the key factors cited by the rating agencies is average debt load and the high equalized assessed valuation (EAV) for our community – which essentially is Orland Park's leverage to pay for it.

### **Q: Is Orland Park borrowing more money than it has?**

A: Orland Park borrows very conservatively. Historically, Orland Park has only borrowed to fund the purchase or construction of long term capital assets and has never borrowed to fund the its general day-to-day operations. This is evidenced by the relatively low debt-to-EAV ratio (3.12%) and Orland Park's very high bond ratings.

### **Q: Why do some taxing bodies have an "unfunded pension liability"?**

A: Pensions are funded over time based on independently determined actuarial rates. If the assumptions utilized when determining the funding rate do not materialize, a pension may become over or under funded over time. Any unfunded pension liability at the end of a reporting period is considered when determining the subsequent year's funding rate.

### **Q: What does "Pension Funded Ratio" mean?**

A: The Pension Funded Ratio is the total liability of the pension fund as compared to its assets.

### **Q: How does Cook County's Debt Disclosure Ordinance relate to Orland Park's transparency ratings?**

A: Orland Park was the first public body to score 100% on the Illinois Policy Institute's "Transparency Index." To date, Orland Park is only one of two municipalities to maintain this rating. The Debt Disclosure Ordinance is a requirement by Cook County, and the Treasurer's Office is responsible for reporting the information. However, the Treasurer's Office has latitude to select which information is reported and for placing context to that information. Orland Park applauds the county's efforts to ensure transparency in reporting; however, Orland Park has suggested to the Treasurer a number of ways in which the information can be more accurately reported and, thereby, provide true knowledge to the taxpayers.