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PRESS RELEASE

STATE'S ATTORNEY INTERVENES TO SETTLE TAX OBJECTION CASE ALLEGING LEGALLY QUESTIONABLE TAXATION AND SPENDING PLAN BY ROXANA SCHOOL DISTRICT

Edwardsville—Madison County State's Attorney Tom Gibbons today announced that a settlement was recently reached in a tax objection lawsuit filed by WRB Refining LP, against Roxana School District, the Village of Roxana, the Roxana Library District, and the Roxana Park District. "The settlement of this tax objection case marks the beginning of a return to fair taxation for these districts. No single taxpayer should see their tax bill more than quadruple from one year to the next, especially when a district has demonstrated the ability to make ends meet on a much lower rate of taxation for all taxpayers of the district. We have to fight to maintain fair taxation and ensure the kind of economic viability for businesses that keeps good-paying jobs right here in Madison County," stated Gibbons.

The settlement of the lawsuit resolves the taxpayer objections without need for further litigation or expense to taxpayers. Of the 28 points of objection cited by WRB in their complaint, Gibbons and his legal team successfully defended the Districts on 20, including every objection made against the Roxana Library District. Had the objections against the Library District been sustained, the library would have been left with \$0 to operate in 2011, requiring a refund of 100% of the taxes they collected that year. "After going over the numbers, it was clear that the objection, although well founded, would have meant the elimination of the Library, and nobody wanted to see that happen. WRB agreed that it would be a terrible loss for the community, so they conceded their objection to save the Library," Gibbons said.

The tax objection case arose out of a change in the tax levy against the WRB Refinery, which is located primarily in the Village of Roxana and Roxana School District. WRB objected to the tax levy imposed by four of the 18 taxing districts that levy against the refinery. The court pleadings filed by WRB objected to the amount of the levy of the four taxing bodies as being grossly in excess of the needs of each district to sustain their operations.

The largest portion of the objection related to the Roxana School District. In 2010, their tax levy brought in approximately \$3,535,000 in property taxes from WRB. In 2011, the Roxana School District set their property tax levy to receive approximately \$14,455,000 from WRB – a year over

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year increase of approximately \$10,920,000. This increased levy caused WRB's tax bill to be over 408% of the previous year's tax bill. The amount to be received by Roxana School District under the settlement for tax year 2011 is approximately \$6,000,000 – a nearly 70% increase over the amount they received from WRB in 2010. “A nearly 70% raise from one year to the next is still an extraordinary bounty for a school district – especially in the difficult economic times everyone has faced over the last several years. With the large increase of taxpayer funding received by the Roxana School District, their claims of financial hardship just don't hold any water. Perhaps it is time for a full review of the financial management of the District to see where all the money went. Did they hire more teachers since 2010 or give everyone big raises? Did they build a new building or undertake some massive spending plan? These questions remain unanswered because even their lawyers were not able to adequately show how they were spending all the money received under the original levy, or for the continued increases they were asking for in the following years,” said Gibbons. The School District's tax levy for 2012 put WRB's tax bill at \$15,909,295 – another 10% increase of the refinery's tax bill on top of what was paid for 2011. WRB has also filed an objection to this tax levy and the case remains in litigation.

State's Attorney Gibbons expressed some serious concerns about the District's 2011 tax levy, saying that “Unfortunately, the District had attempted to grossly inflate the property tax bill of the refinery to an unsustainable level – without the ability to lawfully justify the need for the increase. While each taxpayer must pay their fair share, it is not a proper exercise of taxing authority to single out one taxpayer as a means to over-inflate spending. After looking at the case carefully, there were some serious concerns about the financial practices of the Roxana School District, including the legally questionable transfer of taxpayer funds, and their inability to adequately justify how they were spending the huge amounts of money they began receiving for 2011. There was also some concern about how two top administrators got extraordinary raises beginning in 2011.”

The WRB complaint documents how the School District improperly transferred millions of dollars of taxpayer money from the working cash fund to the capital improvement fund – without the approval of taxpayers of the district. “This money belongs to the taxpayers of the District, and the law requires the District to seek voter approval before engaging in capital improvements,” said Gibbons. “This attempt to bypass the approval of the voters is a cause for serious concern.”

According to Gibbons, there are also questions surrounding salary increases at the top level of the District Administration. Public records show that Superintendent Debra Kreutztrager's salary increased from \$125,898 in 2010 to \$150,756 in 2013, and Business Manager Cris Hagen's salary went from \$115,120 in 2010 to \$135,534 in 2013. Kreutztrager received a 6.1% raise in 2011, a 4.4% raise in 2012 and a 6.9% raise in 2013. Hagen received a 5.25% raise in 2011, a 4.1% raise in 2012 and a 6.5% raise in 2013. “Even in the best of times, these big raises every year would be considered excessive,” said Gibbons. “The settlement we have reached goes a long way to reigning in the excessive spending of this taxing district, and sends a clear message that extraordinary increases in property taxes put upon taxpayers will not be tolerated.”

The settlement was reached at a court-ordered settlement conference that saw negotiations over the specific objections in the pleadings, but also an attempt to negotiate a long term taxation deal among all of the 18 taxing districts affecting the refinery. “Unfortunately, a global, long-term settlement could not be reached at the conference. Every taxing district except the Roxana School District appeared ready to accept what was a very generous offer from the WRB refinery. The settlement would have ensured a reasonable, long-term stream of revenue for each of the affected districts – providing a high level of funding through the year 2019,” Gibbons explained. “The

settlement proposal made by WRB offers a good balance of fair taxation and sustainable funding levels that will provided a very high level of public services for all of the citizens in districts involved. For example, the lowest level of funding that would be received by the Roxana School District under the plan is just over \$11,000,000 for 2013. This amount still represents more than three times the amount of money they were receiving from WRB in 2010, and the amount increases over the life of the agreement. The other taxing districts would also continue to do very well under the proposal.”

State’s Attorney Gibbons summed up the situation by stating that “It has always been my hope that the representatives of the taxing bodies would be able to come to a mutually beneficial, long-term agreement on taxation with WRB. This would provide excellent financial stability for the funding of public services and ensure the continued viability of one of the most vital economic engines of our community. The citizens of Madison County want stable communities and good-paying jobs to support our families. To make that happen, we need to be able to strike the right balance between fair taxation and economic sustainability for businesses in Madison County, and I am committed to doing everything I can to make that happen. Hopefully, the School District will see the light and join in this important effort.”

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FACT SHEET WRB Tax Objection Case

- 1) The law allows governmental units, such as the Roxana School District (RSD), to raise funds to operate through levying property taxes.
- 2) But, the law also requires these governmental units, including the RSD, to levy based on need. In other words, they are supposed to make a reasonable estimate of the money they will need to operate for the upcoming year and levy for that amount.
- 3) While the RSD has authority to take money from taxpayers to operate, it does not have authority to take all the money it can possibly get without regard for need, which is what appears to have occurred related to RSD's 2011 tax levy.
- 4) In 2010, RSD's property tax levy was \$11 million. In 2011, after the Wood River Refinery's value increased, RSD's property tax levy was \$36.4 million; a 231 % increase.
- 5) When a taxpayer believes that a governmental unit, such as RSD, has levied incorrectly or illegally, the law allows that taxpayer to file a lawsuit called a tax objection action.
- 6) Such a lawsuit is filed against the Madison County Treasurer because that office sends the tax bills and collects the tax payments to disburse to the various governmental units within the County.
- 7) As the State's Attorney, it is my job to represent the Treasurer's office in all tax objection proceedings.
- 8) After paying its taxes under protest, WRB filed a tax objection lawsuit naming the Treasurer. WRB objected to the taxes paid to four taxing bodies whose levies had dramatic increases from the 2010 to the 2011 tax years. Each of the four taxing bodies, including RSD, was allowed by the Court to intervene in the lawsuit.
- 9) Throughout the course of the lawsuit, much information became known regarding RSD's tax levy process and its finances.
- 10) The evidence showed that RSD did not base its levy on a reasonable assessment of its needs. Rather, the Superintendent and Financial Director represented repeatedly in school documents, presentations to the Board of Education, and in testimony in the lawsuit that they were levying to maximize the amount of revenue they could achieve.
- 11) It was clear from the evidence in the case that RSD did not follow the requirement in the law to assess its needs first and then levy based on that need.
- 12) Not only did RSD levy far in excess of its needs, but it also made an unauthorized transfer of funds from its operating funds for educational expenses and operations and maintenance to its capital projects fund.
- 13) RSD has certain capital projects it would like to achieve, and there is nothing wrong with having plans to make capital improvements. But, the School Code sets forth procedures for the funding of capital improvements, and RSD did not follow them here.

- 14) The legislature has given States Attorneys of Illinois the authority to settle tax objection lawsuits. The Illinois Supreme Court has reinforced that a States Attorney has authority to settle a tax objection lawsuit.
- 15) After reviewing the facts and evidence here, I concluded that it would be in the public's best interest, including RSD's interest, to settle this matter with WRB.
- 16) Under the lawsuit, WRB was asking for \$12.3 million refund from RSD due to its excessive levy and transfer of funds.
- 17) In my assessment of the law and evidence, it appeared that WRB had a very good case against RSD, and RSD was highly likely to be ordered to repay close to or all of the \$12.3 million.
- 18) I was able to negotiate a settlement with WRB that allows RSD to keep some of the money that it excessively levied for in 2011. RSD has been ordered to pay a refund of \$8.6 million to WRB instead of \$12.3 million.
- 19) Even with paying the refund, RSD will have more property tax revenue than it collected in 2010, before the Refinery's value increased.
- 20) As the States Attorney and the chief law enforcement officer in the County, I have a duty to uphold the law. When the evidence is this clear that government has abused its power, I must act to uphold the law whether that taxpayer is a corporation or an individual person.
- 21) RSD has recently issued a letter explaining its version of what occurred, focusing on the effect that paying a tax refund will have on the district.
- 22) RSD's administration conveniently leaves out the circumstances as to how the tax revenue was obtained in the first place – by an excessive levy.
- 23) Each of the negative effects listed in the letter issued by RSD is due to poor management by RSD's administration that levied excessively and did not take seriously its duty to follow the law.