



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Prussing and City Council Members

FROM: Elizabeth Hannan, Finance Director

DATE: November 5, 2015

SUBJECT: Estimated Property Tax Levy

Introduction: The first step in the property tax levy process is approval of an estimated tax levy, which establishes the total amount of taxes the City Council plans to levy and is used to determine whether the City is required to provide public notice and hold a public hearing. The City Council must approve an estimated levy at least 20 days prior to adoption of the final levy. Since the estimated levy is less than 105% of the 2014 levy, the City would not be required to provide notice and hold a public hearing.

Estimate of Equalized Assessed Valuation (EAV): Staff has developed a preliminary estimate of the EAV of \$526,160,854. This EAV would be an increase of 0.53% from the EAV upon which the extended levy for 2014 was based. For estimation purposes, however, staff will use a higher EAV of \$535,055,351, since the levy amount cannot be increased, but can easily be decreased prior to extension to achieve the desired tax rate.

Tax Rate: The Mayor recommends a tax rate for this year's levy of \$1.355. This is the same tax rate that was targeted last year. However, EAV exceeded estimates, resulting in a slightly lower final tax rate of \$1.3462 per \$100 of EAV. At an EAV of \$535,055,351, a levy of \$7,250,000 would produce a \$1.355 tax rate. At a rate of \$1.355, the owner of a \$150,000 owner occupied home would pay \$596 in City property taxes.

Purposes for Which the City Levies Taxes: The City levies taxes for "corporate purposes" (the General Operating Fund), the Library, and Police and Fire pensions. The levies for specific purposes are not approved by the City Council until the final tax levy Ordinance is approved.

Pension Levies: Required levies for the Police and Fire pension funds are based upon actuarial valuations prepared for the Illinois Department of Insurance (DOI). The actuarial reports determine the minimum contribution required to comply with State law. This calculation is based upon a 26-year, 90% amortization of the unfunded liability. 8.12% of the funding requirement is met by allocation of personal property replacement tax (PPRT) revenues, consistent with the Illinois Municipal Code.

This year, the Police Pension Fund requested funding of \$2,024,930 and the Fire Pension Fund requested funding of \$1,152,014. Those requests were based upon an 18-year, 100% amortization of unfunded liability, an average return on investments of 7%, and annual salary increases of 5.25%. The requested funding also includes a “level dollar adjustment” designed to result in decreasing inflation adjusted contributions over time.

After careful consideration, the Mayor recommends funding of \$1,209,795 for the Police Pension Fund and \$970,292 for the Fire Pension Fund, based on the minimum requirement. While both pension funds have been allocated larger levies in the past, this is necessary given the City’s current and anticipated needs in the General Operating Fund, including contractual obligations for salary increases which are estimated to cost about \$575,000. This is fully compliant with State law, but does not exceed the requirement.

Taxes for these funds would be levied as follows:

	Police Pension Fund	Fire Pension Fund
Funding requirement	\$1,209,795	\$970,292
PPRT portion (8.12%)	(98,235)	(78,788)
Levy amount for 2015	\$1,111,560	\$891,504

Urbana Free Library: The Mayor recommends a levy of \$2,993,837, which is an increase of 2.57% over the 2014 levy. This increase is required to allow the Library to maintain current services and is expected to result in a slightly higher tax rate of 0.566 per \$100 of EAV for Library services.

Corporate Purposes: Remaining revenues generated by property taxes at the \$1.355 rate would be allocated to the General Operating Fund, where they would be used to pay for basic City services, such as Police and Fire protection. This is expected to result in \$2,165,864 in revenue, or approximately \$550,000 in additional General Fund property tax revenue. Anticipated needs include approved wage increases of 3% for all bargaining unit employees on July 1, 2016, as discussed above.

Property Tax Ordinance: Staff plans to forward a property tax Ordinance for Council approval on December 14. The City is required to adopt and file a levy with the County Clerk no later than the last Tuesday in December. The Ordinance will include a specific breakdown of purposes for which funds are levied.

Abatement: Staff will also prepare a Resolution authorizing staff to abate (reduce) the tax levy in the event the final EAV (which is not known when the City Council approves the levy) is lower than estimated, resulting in a higher tax rate. Staff would abate the corporate purpose levy to produce a final tax rate of \$1.355.

Recommendation: Adopt this resolution establishing the estimated property tax levy for 2015.

RESOLUTION NO. 2015-11-062R

A RESOLUTION
DETERMINING THE AMOUNTS OF MONEY
NECESSARY TO BE RAISED BY THE TAX LEVY (2015)

WHEREAS, A Law to provide procedures for public notice and hearing on tax and levy increases, approved and effective July 29, 1981, and known and cited as "The Truth in Taxation Law" (35 ILCS 200/18-55 et seq.), as amended, (the "Law"), requires taxing districts, including the City of Urbana, to disclose by publication and hold a public hearing on their intention to adopt an aggregate levy in amounts more than 105% of the property taxes extended or estimated to be extended, including any amount abated by the taxing district prior to such extension, upon the levy of the preceding year; and

WHEREAS, section 18-60 of the Law requires the corporate authority of each taxing district, not less than twenty (20) days prior to the adoption of its aggregate levy (the "Levy"), to determine the amounts of money, exclusive of any portion of that Levy attributable to the cost of conducting any election required by the general election law ("Election Costs"), estimated to be necessary to be raised by taxation for that year upon the taxable property in its district; and

WHEREAS, if the estimate of the corporate authority required to be made as provided in section 18-60 of the Law is more than 105% of the amount extended or estimated to be extended, including any amount abated by the corporate authority prior to such extension, upon the levy of the preceding year, exclusive of Election Costs, section 18-70 of the Law requires the corporate authority to give public notice of and hold a public hearing on its intent to adopt a levy which is more than 105% of the extensions, including any amount abated, exclusive of Election Costs, for the preceding year.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

(a) That the amounts of money, exclusive of Election Costs, estimated and proposed to be raised by the Levy for the current year upon the taxable property in the City of Urbana is \$7,250,000.

(b) That the aggregate amount of property taxes for the City of Urbana, extended or estimated to be extended, including any amount abated by the corporate authority prior to such extension, upon the levy of the preceding year, exclusive of Election Costs, was \$7,045,788.84.

(c) That the amounts estimated and proposed for the current year Levy are hereby determined to be 102.9% of the amounts extended or estimated to be extended for the preceding year.

PASSED by the City Council this ____ day of _____, 2015.

AYES:

NAYS:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this ____ day of _____, 2015.

Laurel Lunt Prussing, Mayor