

M E M O R A N D U M

TO: Chief Administrative Officer
FROM: City Comptroller
RE: Property Tax Levy
DATE: October 23, 2006

I recommend approval by the City Council of the attached ordinance and resolution to levy the City's 2006 property tax. These documents must be filed with the County Clerk no later than the 2nd Tuesday in December.

The attached levy ordinance and resolution will levy a tax rate of 1.2942. This is a reduction from the current rate of 1.3120. This is the rate that the City of Champaign has indicated they will be levying. Our current policy is to keep our rate equal to Champaign's. Champaign selected this rate by calculating an amount that would require current property owners to pay 3.1% more than last year (3.1% being an approximate inflation factor). This will produce a total of \$6,227,044 in property tax revenue (after reduction for Carle amounts). This amount is \$85,726 less than the amount that would be produced at a levy rate of 1.3120. Without reducing costs, this amount will have to be made up by increases in other revenue sources or reductions in other expense line items. On this week's agenda is a budget amendment which decreases pension costs of the City by \$62,930 and increases estimated state income tax revenue by \$22,796, a total change of \$85,726.

The Cunningham Assessor currently estimates that Urbana's assessed value will increase a total of 8.15%. New construction accounts for 3.4% and increases in the values of current property accounts for the remaining 4.75%. A property owner of a home valued at \$125,000 last year paid to the City \$484. Next year they will pay \$500, an increase of \$16 or 3.3%.

- The City in fiscal year ended June 30, 2006, had a good year in that revenues ended up approximately ¼ of 1% higher than projected (\$60,538) and expenses ended up the same ¼ of 1% below estimates (\$57,254) for a total of \$117,792 ahead of projected carryover. This has allowed me to update the city's future financial forecasts in more favorable position than previously.
- The increase in employee pension costs appear to be returning to a more normal increase, estimated to be in the 5-6% range in next few years, rather than the 10-12% increases previously. This is mainly due to a return to a more normal stock market for pension fund investments.
- While revenues and pension costs are more favorable, there still remains a number of outstanding items which may negatively impact the city's finances:

- Health insurance costs may be increasing more than expected. The initial proposal from the City's carrier was a 17% increase. Each 1% costs \$11,300.
- While increased sales tax from the opening of Walmart and Walgreen's appears to be very close to estimated amounts, we still only have 5 months of returns. (State reports 3rd week of October for sales in July). We will need to monitor these sales closely over the next 7 months or so to ensure that we have a good estimate of the additional taxes. Of course we have no estimated amounts from O'Brien's yet and these forecasts are very dependent on the additional amount from the ¼% increase in the home-rule sales tax, which is not effective January 1, 2007.
- The City has not settled its increase in personnel costs for the current FY07 and future years. Included in the City budget was amounts to fund a 3.0% increase. Each 1% increase costs an additional \$157,000.
- The general fund budget for the City last year increased 7%. The budget can be expected to go up 4-5% just based on inflationary costs. The City has identified a number of goals to be accomplished in the near future. Any enhancements to service levels, additional personnel, etc. to meet these goals will increase this amount higher.
- The City has a number of identified financial needs: Two of these are (1) a return to the level of funding for infrastructure repairs (streets, sewers, etc.) to the level of 3 years ago, which is an increase of \$278,000 and (2) reestablishing the City's general reserves or savings to desired level before reduction for the landfill remediation costs, which is an increase of approximately \$2.5 million.
- Ten years ago, the City rate was 1.4832. If the City levies a rate of 1.2942 next year, this will represent a decrease of 12.7% over this time. The average rate of 5 other central Illinois cities (Bloomington, Normal, Decatur, Danville, & Rantoul) shows they have an average city tax rate of 1.29.
- The City's ability to affect the total amount of property taxes a homeowner pays is limited in that the City only accounts for 15% of the total property tax bill (School District is 53%).
- Ten years ago, the overall tax rate paid by Urbana homeowners was 9.2468. The current overall rate is 8.2553. This is a 10.7% reduction. This reduction has been accomplished even as the County has been required to increase their rate 15% during this same time frame. (voters approved 6 referendums during this time: 1995 for new jail, 1997 for countywide public health district, 2002 for bonds and operating costs for nursing home, and 2004 for development disabilities board). The difference in the overall rates between Champaign and

Urbana has also been decreasing (currently that difference is 10%, down from 15% ten years ago).

In order to levy an amount that will produce a tax rate of 1.2942, it is necessary to approve two documents:

- An Ordinance that instructs the County Clerk to levy an amount to produce no more than \$6,286,372. This amount must be set sufficiently high enough that the following resolution will always be lowering the amount.
- a) A Resolution Directing the County Clerk to Abate the Tax Levy: instructs the County Clerk to reduce the tax levy amount such that the levy rate will be \$1.2942.

CITY OF URBANA
2006 LEVY INFORMATION

	2006 CURRENT AMOUNT	2005 LAST YR. AMOUNT	2004 2 YRS AGO AMOUNT	AVE. % CHANGE				
				1 YR.	2 YRS.	3 YRS.	5 YRS.	10 YRS.
GENERAL	\$ 1,380,074	\$ 1,237,246	\$ 1,152,414	11.5%	7.4%	7.6%	-1.1%	-2.7%
PENSIONS	\$ 2,408,660	\$ 2,348,537	\$ 2,096,700	12.0%	11.7%	11.8%	11.6%	14.0%
LIBRARY	\$ 2,438,310	\$ 2,245,345	\$ 2,117,772	6.0%	5.6%	5.1%	5.7%	5.4%
TOTAL	\$ 6,227,044	\$ 5,831,128	\$ 5,368,886	9.9%	8.4%	8.2%	5.8%	4.8%
CITY TAX RATE/300\$ A/V	1.2942	1.3120	1.3120	0.0%	0.0%	-1.8%	-3.8%	-5.0%
EQUALIZED ASSESSED VALUE	\$ 507,278,216	\$469,050,593	\$427,807,311	9.9%	8.3%	8.3%	6.7%	6.2%
% INCR. ASSESSED VALUE DUE NEW CONSTRUCTION	3.4%	3.5%	8.0%					
% INCR. A/V CURRENT PROP.	4.75%	6.1%	3.9%					
\$125,000 HOMEOWNER PAYS TO CITY	\$ 528	\$ 511	\$ 481					
OVERALL TAX RATE FOR URBANA HOMEOWNER (assumes rest of overlapping governments keep their rate same)	UNKNOWN	8.2553	8.4799	-0.5%	-1.6%	-1.8%	-3.8%	-5.0%
CHAMPAIGN: CITY TAX RATE	1.2942	1.3120	1.3120					
OVERALL TAX RATE	UNKNOWN	7.5478	7.6557					
ASSESSED VALUE	\$1,287,600,000	\$1,190,845,824	\$864,621,325	16.0%	11.0%	9.8%	8.6%	7.0%

ORDINANCE NO. 2006-10-129

ANNUAL TAX LEVY ORDINANCE
OF THE CITY OF URBANA, ILLINOIS FOR THE YEAR
BEGINNING JULY 1, 2006 AND ENDING JUNE 30, 2007

WHEREAS, the City Council of the City of Urbana, Illinois, pursuant to an ordinance previously adopted authorizing the same, did, on the 19th day of June, 2006, that date being before the beginning of the fiscal year of the city commencing on July 1, 2006, and ending on June 30, 2007, adopt the Annual Budget Ordinance for the city for such fiscal year; and

WHEREAS, pursuant to Sections 8-2-9.1 et seq. of the Illinois Municipal Code (65 ILCS 5/8-2-9.1 et seq.) and home rule ordinances previously adopted authorizing the same (Code of Ordinances, City of Urbana, Illinois, Sections 2-113 and 2-132), such passage of the Annual Budget Ordinance by the City Council shall be in lieu of passage of the Annual Appropriation Ordinance otherwise required by the Illinois Municipal Code.

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

Section 1. That the total maximum amount of appropriations for all corporate purposes, which are legally made to be collected from the tax levy of the current fiscal year of the City of Urbana, is hereby ascertained to be the sum of Six Million, Seven Hundred Eighty Seven Thousand Six Hundred Sixty Two Dollars (\$6,787,662).

Section 2. That the sum of \$6,787,662 being the total of budgeted appropriations heretofore legally made which are to be collected from the tax levy of the current fiscal year of the City of Urbana, Illinois, for all corporate purposes of said City of Urbana, Illinois, is hereby levied upon all of the taxable property in the City of Urbana, Illinois, subject to taxation for the current year;

The specific amounts as levied for the various funds heretofore named are separately included herein by being placed in separate columns under the heading "To Be Raised by Tax Levy" which appears over the same, the tax so levied being for the current fiscal year of the City of Urbana and for the said budgeted appropriation to be collected from said tax levy, the total of which has been ascertained as aforesaid and being as follows:

	<u>Budget Appropriations</u>	<u>To Be Raised By Tax Levy</u>
<u>GENERAL CORPORATE FUND</u>		
For General Corporate Fund Expenditures for Personnel Costs - Police Department	\$1,940,692	\$1,940,692
<u>POLICEMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	\$1,477,090	\$1,477,090
<u>FIREMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	\$ 931,570	\$ 931,570
<u>URBANA FREE LIBRARY TRUST FUND</u>		
For Urbana Free Library Expenditures as Determined by Library Board		
CENTRAL COSTS-CONTRACTUAL	\$ 370,790	\$ 370,790
ADMINISTRATION-WAGES	\$ 268,946	\$ 268,946
ADULT DEPARTMENT:		
Books and Materials	\$ 214,567	\$ 214,567
Wages	<u>370,924</u>	<u>370,924</u>
SUBTOTAL, ADULT	\$ 585,491	\$ 585,491
CHILDREN'S DEPARTMENT:		
Books and Materials	\$ 58,770	\$ 58,770
Wages	<u>275,715</u>	<u>275,715</u>
SUBTOTAL, CHILDREN'S	\$ 334,485	\$ 334,485
ARCHIVES DEPARTMENT:		
Books and Materials	\$ 21,038	\$ 21,038
Wages	<u>177,570</u>	<u>177,570</u>
SUBTOTAL, ARCHIVES	\$ 198,608	\$ 198,608
MAINTENANCE-WAGES	\$ 55,060	\$ 55,060
ACQUISITIONS DEPARTMENT-WAGES	\$ 167,902	\$ 167,902
CIRCULATION DEPARTMENT-WAGES	\$ 457,028	\$ 457,028
TOTAL, ALL LIBRARY	<u>\$2,438,310</u>	<u>\$2,438,310</u>
TOTAL AMOUNT	<u>\$6,787,662</u>	<u>\$6,787,662</u>

Section 3. This Annual Tax Levy Ordinance is adopted pursuant to the procedures set forth in the Illinois Municipal Code; provided, however, that any tax rate limitation or any other substantive limitations as to tax levies in the Illinois Municipal Code in conflict with this ordinance shall not be

applicable to this ordinance pursuant to Section 6 of Article VII of the Constitution of the State of Illinois.

Section 4. That there is hereby certified to the County Clerk of Champaign County, Illinois, the several sums aforesaid, constituting said total amount of Six Million, Seven Hundred Eighty Seven Thousand Six Hundred Sixty Two Dollars (\$6,787,662), which said total amount the City of Urbana requires to be raised by taxation for the current fiscal year of the City, and the City Clerk of the City of Urbana is hereby ordered and directed to file with the County Clerk of Champaign County on or before the time required by law, a certified copy of this ordinance.

Section 5. If any provisions of this ordinance or the application of such provisions to any circumstances is held invalid for any reason whatsoever, the remainder of this ordinance or the application of the provisions to other circumstances shall not be affected hereby.

Section 6. This ordinance shall take effect and be in full force and effect immediately on and after its passage and approval.

This ordinance is hereby passed by the affirmative vote, the "ayes" and "nays" being called, of a majority of the members of the Council of the City of Urbana, Illinois, at a regular meeting of said council.

PASSED by the City Council this ____ day of _____, 2006.

AYES:

NAYS:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this ____ day of _____, 2006.

Laurel L. Prussing, Mayor