

M E M O R A N D U M

TO: Mayor Prussing and Members of the Urbana City Council

FROM: City Comptroller

RE: Property Tax Levy

DATE: March 26, 2012

When the City approved the 2011 property tax levy (received in summer 2012) in November, I projected that assessed value would increase 1% (residential would remain same and there would be 1% in new construction added to the roles). As you are aware, the amount of property tax the City receives is a factor of the following formula: assessed value multiplied by the rate. Thus, keeping the same \$1.29 rate would mean that property tax amount would increase 1% to \$7,764,510.

Friday, I received the actual amount for assessed value for Urbana from the County Clerk. The actual amount decreased 1.88% (\$595,775,666 to \$584,585,359). This is the first time since I have worked for the city that A/V has gone down. If the City leaves the \$1.29 rate in effect, the amount received will be \$7,565,704, a reduction of \$198,806 in the current year's budget.

At this time, the only place I can identify to cover this \$198,806 would be in a reduction in the amount of money that the general fund contributes to the capital improvement fund. This would have a major impact in the current level of street/sewer repairs the City is able to accomplish. This does not even account for a significant number of capital improvement projects that funding has not been identified (ex. Windsor Road).

As far as the state of the current budget, I would say the following:

- Our revenues have increased enough to cover our required increase in expenses (mainly due to salary arbitration decision), but not enough to make any progress toward recovery:
 - o Sales Tax, current up 3.7%, projected year +4.1% (includes additional amounts from package alcohol tax)

- o State Income Tax, current up .7%, projected year +2.0% (based on State projections)
- o Utility Tax, current up 2.0%, projected year +4.6% (includes additional amounts from natural gas use tax)
- o Fees, Charges, Fines, more under control of city, projected increase +3.5%
- Over the last couple years, the City has gone through the process of trying to identify cost reductions in the general fund. When Public Safety and Public Works are responsible for approximately 80% of the general fund budget and when salaries are responsible for 75%, identifying areas of agreement has been problematic.
- At the original projected property amount of \$7,764,510, projected revenues and projected expenditure level for the balance of the fiscal year, the current year was balanced: current revenues = current expenditures. Next year's budget (FY12-13) is balanced, but only by utilizing \$1 million in non-recurring revenues (Carle hospital building fees and transfer from special funds). Unless revenues increase significantly, the budget for FY13-14 will be extremely difficult.

Urbana's tax rate of \$1.29 is approximately in the middle of tax rates of other central Illinois cities (Normal \$1.15, Decatur \$1.21, Rantoul \$1.21, Bloomington \$1.27, Champaign \$1.32, Peoria \$1.39, and Danville \$1.78). This tax rate is approximately 12% lower than the City's rate in 1994 which was \$1.47. This reduction has saved the homeowner of a \$150,000 home \$88/year.

Over the last 11 years, the overall tax rate paid by Urbana homeowners has decreased from \$8.81 to \$8.49. This has saved the owner of the \$175,000 home \$2,060 in total taxes paid during this time. Also recall that voters themselves have approved 6 referendums to increase the tax rate in the last 15 years: 1995 for new jail, 1997 for countywide public health district, 2002 for County nursing home, 2004 for development disabilities board, 2009 and 2010 for the Park District.

For the current levy, there are 3 identified options:

- (1) Increase tax rate to amount to generate the original projected amount of \$7,764,510. This rate would be \$1.3284 (2.88% increase in rate). Owner of a home valued at \$150,000 would pay additional \$8 over the amount paid last year.

- (2) Increase tax rate to generate the exact same amount from last year, \$7,710,528. This rate would be \$1.3190. (1.88% increase in rate). Owner of a home valued at \$150,000 would pay the exact same amount paid last year.
- (3) Maintain the same \$1.2942 rate. This would produce \$7,565,704 and leave a projected \$198,806 deficit in the current budget. Owner of a \$150,000 home would pay \$12 less than the amount paid last year.

Some other important points: Champaign is levying an amount to generate a tax rate of 1.3227. In their recent tax levy, faced with an estimated decrease in their a/v of 2%, they decided to levy the same amount as last year and went away from their previous policy to levy 1.2942. Urbana's rate would still be below Champaign's in option 2 and 3.

Time is very short to make this decision. The resolution will have to be approved next Monday, April 2, as I must tell the County Clerk the exact amount no later than April 4.

RESOLUTION NO. 2012-03-017R

A RESOLUTION DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE THE TAX
LEVY FOR THE GENERAL CORPORATE PURPOSE FOR THE YEAR BEGINNING
JULY 1, 2011 AND ENDING JUNE 30, 2012

WHEREAS, the City of Urbana, Illinois, is a home rule unit pursuant to the provisions of Section 6, Article VII of the 1970 Constitution of the State of Illinois and may exercise any power and perform any function pertaining to its government and affairs, including but not limited to the power to regulate for the protection of the public health, safety, morals and welfare, to license, to tax and to incur debt; and

WHEREAS, the Corporate Authorities of the City of Urbana, Illinois, did approve Resolution 2011-10-037R on November 7, 2011, determining that the total tax levy rate for the City of Urbana for the year beginning July 1, 2011 and ending June 30, 2012 would be \$1.2942.

WHEREAS, the Corporate Authorities of the City of Urbana, Illinois, now have determined that it is necessary to rescind Resolution 2011-10-037R and replace it with this resolution; and

WHEREAS, the Corporate Authorities of the City of Urbana, Illinois, have now determined that an appropriate total tax levy rate for the City of Urbana for the year beginning July 1, 2011 and ending June 30, 2012, is \$1.3190.

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

Section 1. That the Champaign County Clerk abate the general corporate purpose levy of \$1,781,260 in Ordinance No. 2011-10-114, in an amount necessary to produce a levy of \$1,434,441 for the year beginning July 1, 2011 and ending June 30, 2012.

Section 2. That the Mayor of the City of Urbana, Illinois, is directed to determine, based on final information from the Champaign County Clerk, the exact dollar amount which, when extended, will produce an overall tax rate of \$1.3190 for the total City of Urbana tax levy for the year beginning July 1, 2011 and ending June 30, 2012, and to insert such number into Section 1 of this Resolution, if the levy of \$1,781,260 for general corporate purposes would produce a overall final tax rate of more than 1.3190.

Section 3. Home Rule Exercise

That this Resolution is enacted pursuant to and as an exercise of the City of Urbana's Home Rule Powers under the 1970 Constitution of the State of Illinois.

Section 4. That the City Clerk is hereby directed to file a certified copy of this Resolution, completed as provided for in Section 2, with the County Clerk of Champaign County immediately after the Resolution is completed.

PASSED by the Corporate Authorities this ____ day of _____, 2012.

AYES:

NAYS:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this ____ day of _____, 2012.

Laurel Lunt Prussing, Mayor