

M E M O R A N D U M

TO: Mayor Prussing and Members of the Urbana City Council
FROM: City Comptroller *AME.*
RE: Property Tax Levy
DATE: November 1, 2012

Attached for your consideration is the City's 2012 property tax levy ordinances. These documents must be filed with the County Clerk no later than the 2nd Tuesday in December.

The attached levy ordinance has been prepared in order to return to the City the same amount levied last year. Some additional important points concerning the property tax levy are:

- This levy would mean a homeowner would pay on average the same amount to the City of Urbana as paid last year. On a home worth \$150,000 this is \$580.
- Based on information provided by the Township Assessor, I estimate that total assessed value will decrease 2.0%. Last year A/V decreased 1.9%.
- If the amount levied stays the same and the A/V decreases 2%, that means the rate will increase 2% to 1.3454 (per \$100). The rate last year increased 1.9% to 1.3190.
- From 2000 to 2010, the City was able to reduce the rate from \$1.54 to \$1.29. This has saved the owner of the \$150,000 home \$1,320 in taxes paid to the City over this 11 year period.
- Champaign's A/V decreased 1.1% last year and is estimated to decrease 1.5% next year. Last year, they levied the same amount as previously. This meant their rate increased 1.1% to 1.3084. Their staff has recommended the same policy this year, meaning their rate will increase to 1.3287.
- The City of Urbana's tax rate of 1.319 is approximately in the middle of tax rates of other central Illinois cities (Bloomington 1.06, Normal 1.19, Decatur 1.29, Rantoul 1.31, Champaign 1.31, Urbana 1.32, Peoria \$1.41, Moline 1.97 and

Danville \$1.98. All of these cities increased their tax rates last year except Bloomington.

- 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 52%).
- The overall tax rate (including all other governments) reached a high point in 1996 when the rate was 9.25. Over the following 12 years, the overall rate decreased 12% to its low point of 8.12 in 2008. This saved the owner of the \$150,000 home \$230/year in total taxes paid during this time. Since 2008, it has increased 9% over these 4 years to 8.85 last year. 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.
- If the City levied to keep the same rate of 1.39, this would cost the general fund the amount of \$154,200.
- I would summarize the prospects of next year's budget and financial situation as follows:
 - o Forecast for FY13-14 shows deficit of \$590,000 with projected revenues and expenses. This does not include monies from the municipal aggregation nor monies from certain storm water costs that might be paid from the storm water utility fee. It also does not include any amounts for possible salary adjustments. All employee bargaining agreements expire 6/30/13. Each 1% salary adjustment will add \$180,000 to this deficit.
 - o Attached is an article summarizing a survey of finance officers across the country. The results of the survey reflect what has and I predict is happening to Urbana. The finance officers are predicting difficult times to continue due to the stagnant housing market, high unemployment rates, and budgetary problems at the state and federal level. They predict that income tax will be lower than last year. While sales tax is projected to increase 2.4%, this is a very modest increase, certainly not able to match our total expense increases nor make up for the drop in other areas.

PROPERTY TAX SUMMARY

	ESTIMATED 2012-13		ACTUAL 2011-12		ACTUAL 2010-11	
	\$	%INC	\$	%INC	\$	%INC
GENERAL FUND	\$1,137,211	-20.73%	\$1,434,572		\$1,403,058	-13.33%
LESS CARLE AMOUNT	(468,380)	0.00%	(468,380)		(465,125)	-4.50%
SUBTOTAL, GEN. FUND	\$668,831	-30.78%	\$966,192		\$937,933	-17.13%
LIBRARY	3,042,430	2.27%	2,974,955	1.35%	2,935,200	-0.78%
SUBTOTAL, GEN. & LIBRARY	\$4,179,641	-5.21%	\$4,409,527		\$3,873,133	-5.31%
PENSIONS *	3,531,040	6.96%	3,301,154	-2.11%	3,372,270	9.38%
SUBTOTAL, LEVIED	\$7,710,681	0.00%	\$7,710,681	0.00%	\$7,710,528	7.49%
LESS CARLE AMOUNT	(468,380)		(468,380)		(465,125)	
NET LEVY AMOUNT	\$7,242,301	0.00%	\$7,242,301	-0.04%	\$7,245,403	1.00%
A/V Non-Residential, New	\$2,922,927	0.50%	\$2,849,850	0.48%	\$4,407,340	0.74%
A/V Residential, New	600,000	0.10%	600,000	0.10%	1,600,000	0.27%
A/V Non-Residential, Current	236,392,203	-2.05%	241,349,262	0.31%	240,613,559	-2.45%
A/V Residential, Current	332,978,522	-2.00%	339,786,247	-2.68%	349,154,767	1.14%
ASSESSED VALUE TOTAL	\$572,893,652	-2.00%	\$584,585,359	-1.88%	\$595,775,666	0.66%
CITY TAX RATE	1.3454	2.00%	1.3190	1.92%	1.2942	0.00%
HOMEOWNER PAYS:						
\$150,000 HOME	\$580	0.00%	\$580	0.04%	\$580	18.47%
\$175,000 HOME	\$690	0.00%	\$690	0.04%	\$690	-3.10%
OVERALL TAX RATE	UNK.		8.8466	4.17%	8.4922	1.82%
CHAMPAIGN:						
ASSESSED VALUE	\$1,501,553,007	-1.53%	\$1,524,954,576	-1.10%	\$1,541,915,649	0.58%
CITY TAX RATE	1.3287	1.55%	1.3084	1.10%	1.2942	0.00%
OVERALL TAX RATE	UNK.		7.6800	3.16%	7.4449	1.71%

EACH 1% INCREASE IN TOTAL LEVY AMOUNT \$ 77,107
 EACH 1 CENT INCREASE IN TAX RATE = \$ 58,459

ORDINANCE NO. 2012-

ANNUAL TAX LEVY ORDINANCE
OF THE CITY OF URBANA, ILLINOIS FOR THE YEAR
BEGINNING JULY 1, 2012 AND ENDING JUNE 30, 2013

WHEREAS, the Corporate Authorities of the City of Urbana, Illinois, pursuant to an ordinance previously adopted authorizing the same, did, on the 18th day of June, 2012, that date being before the beginning of the fiscal year of the city commencing on July 1, 2012, and ending on June 30, 2013, 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 Corporate Authorities 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 CORPORATE AUTHORITIES 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 Seven Million, Seven Hundred Ten Thousand, Six Hundred Eighty One Dollars (\$7,710,681).

Section 2. That the sum of \$7,710,681 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>To Be Budget Appropriations</u>	<u>Raised By Tax Levy</u>
<u>GENERAL CORPORATE FUND</u>		
For General Corporate Fund Expenditures for Personnel - Police Department	\$1,137,211	\$1,137,211
<u>POLICEMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	\$2,099,210	\$2,099,210
<u>FIREMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	\$1,431,830	\$1,431,830
<u>URBANA FREE LIBRARY TRUST FUND</u>		
For Urbana Free Library Expenditures as Determined by Library Board		
CENTRAL COSTS-CONTRACTUAL	\$ 481,180	\$ 481,180
ADMINISTRATION-WAGES	\$ 355,763	\$ 355,763
ADULT DEPARTMENT:		
Books and Materials	\$ 270,293	\$ 270,293
Wages	<u>368,754</u>	<u>368,754</u>
SUBTOTAL, ADULT	\$ 639,047	\$ 639,047
CHILDREN'S DEPARTMENT:		
Books and Materials	\$ 78,074	\$ 78,074
Wages	<u>3333,985</u>	<u>333,985</u>
SUBTOTAL, CHILDREN'S	\$ 412,059	\$ 412,059
ARCHIVES DEPARTMENT:		
Books and Materials	\$ 25,136	\$ 25,136
Wages	<u>245,277</u>	<u>245,277</u>
SUBTOTAL, ARCHIVES	\$ 270,413	\$ 270,413
MAINTENANCE-WAGES	\$ 41,906	\$ 41,906
ACQUISITIONS DEPARTMENT-WAGES	\$ 245,371	\$ 245,371
CIRCULATION DEPARTMENT-WAGES	<u>596,691</u>	<u>596,691</u>
TOTAL, ALL LIBRARY	\$3,042,430	\$3,042,430
TOTAL AMOUNT	<u>\$7,710,681</u>	<u>\$7,710,681</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, Seven Million, Seven Hundred Ten Thousand, Six Hundred Eighty One Dollars (\$7,710,681), constituting said total amount of which said total amount the City of Urbana requires to be raised by taxation for the current fiscal year of the City. 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 corporate authorities of the City of Urbana, Illinois, at a regular meeting of said authorities.

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



Cities Continue to Cut Jobs and Infrastructure, Study Shows

Cities are still coping with the prolonged effects of the economic downturn, according to a new report by the National League of Cities (NLC). The 27th annual City Fiscal Conditions report shows that city revenues have fallen for the sixth straight year, as financial pressures such as infrastructure, health care, and pension costs combine with cuts in state and federal aid to weigh heavily on cities' bottom lines.

As a result of these pressures, cities are making personnel cuts, delaying or canceling infrastructure projects, and cutting local services, according to a survey of city finance officers conducted for the report. The report also projects that 2013 will continue to present challenges to city budgets because of stagnant housing markets, high unemployment, and looming federal budget cuts.

There are, however, some signs of fiscal improvement. In the 2012 survey, 43 percent of city finance officers indicated that they are less able to meet city needs than last year; that compares to 57 percent in 2011, and considerably better than the 87 percent reported in 2010 and the 88 percent reported in 2009.

It is still too early to say that cities have turned the corner. The broader economy is still growing at a slow rate, and housing values, income levels, and consumer spending — the main determinants of tax receipts — are not improving significantly, the report notes.

Finance officers who answered the survey mentioned a number of concerns that are playing a role in the fiscal health of cities: Most cited increased

health-care costs (81 percent), pension costs (77 percent), infrastructure costs (75 percent), and public safety demands (61 percent). Respondents also noted a general increase in costs (83 percent), along with reduced levels of federal aid (51 percent), declining local tax bases (47 percent), and the decreased health of the local economy (42 percent).

The report also indicates that the performance of city tax revenues remains an important concern. Property tax revenues are projected to fall for the third year in a row by 2.1 percent, which is especially important, since most cities have some form of local property tax. Income tax revenues are expected to continue dropping (-0.8 percent) as the unemployment rate remains high. One bright spot is sales tax revenues, which started creeping up in 2011 and are projected to continue to rise by 2.4 percent in 2012.

As a result, cities are taking action to ensure appropriate levels of funding for city services and budget requirements. According to the report, 43 percent have raised fee levels. Cities are also shrinking the size of their workforces (48 percent), decreasing human services spending (21 percent), and reducing spending for services other than public safety and human services (25 percent) — this includes parks, recreation, and libraries.

NLC conducts the City Fiscal Conditions survey each year in partnership with the University of Illinois at Chicago's College of Urban Planning and Public Affairs. The full report is available at www.nlc.org/cfc2012. ■

Economic Trends

Many people are paying more attention to economic trends than they did before the credit meltdown. *Government Finance Review* presents a bimonthly summary of relevant statistics to help GFOA members keep track of the overall economic picture.

Inflation			
Indicator	Result	Source	Trend/Significance
Consumer Price Index	Increased 0.6 percent in August	Bureau of Labor Statistics	Over the last 12 months, index increased 1.7 percent before seasonal adjustment
Producer Price Index	Increased 1.7 percent in August, seasonally adjusted	Bureau of Labor Statistics	On an unadjusted basis, the finished goods index rose 2 percent for the 12 months ended in August 2012
Confidence			
Indicator	Result	Source	Trend/Significance
Consumer Confidence	At 60.6 in August (1985=100), down from 65.4 in July	Conference Board	A reading above 90 would signal a stabilized consumer
Conference Board Commentary	Lynn Franco, director of Economic Indicators at The Conference Board, said: "The Consumer Confidence Index is now at its lowest level since late last year (November 2011, 55.2). A more pessimistic outlook was the primary reason for this month's decline in confidence. Consumers were more apprehensive about business and employment prospects, but more optimistic about their financial prospects, despite rising inflation expectations. Consumers' assessment of current conditions was virtually unchanged, suggesting no significant pickup or deterioration in the pace of growth."		
Housing and Real Estate			
Indicator	Result	Source	Trend/Significance
Housing Starts	Down 1.1 percent from June to July	US Census Bureau	Up 21.5 percent year over year
Existing Home Sales	Up 2.3 percent from June to July	National Association of Realtors	Up 10.4 percent from June 2011
Case-Shiller Commentary from S&P	Data through June 2012 showed that all three headline composites ended the second quarter of 2012 with positive annual growth rates for the first time since the summer of 2010. The national composite was up 1.2 percent in the second quarter of 2012 versus the second quarter of 2011, and was up 6.9 percent versus the first quarter of 2012. Month-over-month, average home prices in the 10-City Composite were up 2.2 percent and in the 20-City Composite were up 2.3 percent versus May. For the second consecutive month, all 20 cities and both Composites recorded positive monthly gains. Eighteen of the 20 MSAs and both Composites posted better annual returns in June as compared to May 2012 — only Charlotte and Dallas saw a deceleration in their annual rates.		
Foreclosures	According to RealtyTrac, new foreclosures are up 82 percent from July to August		
Employment			
Indicator	Result	Source	Trend/Significance
Unemployment Rate (U3)	8.1 percent in August	Bureau of Labor Statistics	Down from 8.3 percent in July