



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Prussing and City Council Members

FROM: Elizabeth Hannan, Finance Director

DATE: November 20, 2014

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 2013 levy, the City would not be required to provide notice and hold a public hearing.

Estimate of Equalized Assessed Valuation (EAV): Staff has preliminarily estimated the EAV at \$512,308,956. This includes a multiplier of 0.981, which is used to adjust the Township Assessor's valuation based on real estate sales data. In addition staff has assumed a further reduction after the Board of Review takes action on assessment complaints. This EAV would be a reduction of 1.57% from the EAV upon which the extended levy for 2013 was based. For estimation purposes, however, staff will use a higher EAV of \$520,018,195, since the levy amount cannot be increased, but can easily be decreased prior to extension to achieve the desired tax rate.

Tax Rate: The current tax rate for City services is \$1.355 per \$100 of EAV. The Mayor has recommended maintaining the same tax rate for the 2014 levy, which would be extended and collected in 2015. At an EAV of \$520,018,195, a levy of \$7,046,247 would produce this 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: Levies for the Police and Fire pension funds are based upon an actuarial valuation prepared by an independent actuary. Staff recommends levying for those funds based upon a 19-year, 100% amortization of the unfunded liability. This is consistent with best practices recommended by the Government Finance Officers Association (GFOA). 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 \$2,039,106 and the Fire Pension Fund requested funding of \$1,265,542. Those requests were based upon a 19-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 \$1,619,190 for the Police Pension Fund and \$1,117,736 for the Fire Pension Fund, which does not include the level dollar adjustment. This is necessary given the City’s current and anticipated needs in the General Operating Fund, including approved wage increases.

Recommended funding levels significantly exceed requirements under state law, namely that these pensions be funded based on a 27-year, 90% amortization.

Taxes for these funds would be levied as follows:

| | Police Pension Fund | Fire Pension Fund |
|----------------------|---------------------|-------------------|
| Funding requirement | \$1,619,190 | \$1,117,736 |
| PPRT portion (8.12%) | (131,478) | (90,760) |
| Levy amount for 2014 | \$1,487,712 | \$1,026,976 |

Urbana Free Library: The current tax rate for the Library is 0.5608. Because EAV is expected to decrease, the Mayor’s recommended levy of \$2,918,924, which is the same dollar amount as the 2013 levy, is expected to result in a slightly higher tax rate of 0.5698 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 \$1,508,175 in revenue, or approximately \$600,000 in additional General Fund revenue, after accounting for adjustments in PPRT allocated to the pension funds.

Property Tax Ordinance: Staff plans to forward a property tax Ordinance for Council review on December 8 in Committee, and final consideration on December 15. 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 levy to produce a final tax rate of \$1.355.

Recommendation: Adopt this resolution establishing the estimated property tax levy for 2014.

RESOLUTION NO. 2014-11-062R

A RESOLUTION
DETERMINING THE AMOUNTS OF MONEY
NECESSARY TO BE RAISED BY THE TAX LEVY (2014)

WHEREAS, An Act 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 Act" (35 ILCS 200/18-55 et seq.), as amended, (the "Act"), 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 4 of the Act 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 4 of the Act 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 6 of the Act 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 \$7,046,247.

(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 \$7,052,679.12.

(c) That the amounts estimated and proposed for the current year Levy are hereby determined to be 99.91% of the amounts extended or estimated to be extended for the preceding year.

PASSED by the City Council this ____ day of _____, 2014.

AYES:

NAYS:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this ____ day of _____, 2014.

Laurel Lunt Prussing, Mayor