



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Prussing and City Council Members

FROM: Elizabeth Hannan, Finance Director

DATE: November 10, 2016

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 recommended estimated levy is 123.51% of the 2015 levy, the City would be required to provide notice and hold a public hearing.

Proposal for Estimated Tax Levy:

Property Tax Levy Process: The process for levying property taxes is summarized in the following table.

Item	Date	Requirements
Estimated Levy – Committee	November 14, 2016	
Estimated Levy - Council	November 21, 2016	Must be approved at least 20 days prior to final levy approval. (This is 36 days.)
Publish Truth in Taxation Notice	December 4, 2016	Must be published 7 – 14 days prior to public hearing, if required. (This is 8 days.)
Public Hearing	December 12, 2016	Hearing must be held prior to approval of tax levy. (This is 7 days prior.)
Final Tax Levy – Committee	December 12, 2016	
Final Tax Levy & Abatements – Council	December 19, 2016	
City Clerk Files Levy with County by	December 27, 2016	Must be filed by last Tuesday in December.

Estimate of Equalized Assessed Valuation (EAV): Staff has developed preliminary estimates of the City's EAV both with and without hospital properties included. The lower estimate, without hospital properties included, is \$542,951,768. This estimate would be a 3.89% increase from the current EAV of \$522,642,560. The increase is due to both generally increasing property values as well as new construction of about \$9.1M.

The higher estimate, including hospital properties with an estimated EAV of \$109M, is \$652,022,688. This would be a 24.75% increase from the current EAV. For purposes of estimating the total amount to levy, staff will use the higher EAV plus an additional 2% to account for errors in estimation, for a total of \$665,063,142. This is because the tax levy amount cannot be increased, but can easily be decreased to achieve a desired tax rate.

Tax Rate: The Mayor recommends a tax rate for this year's levy of \$1.3152 if the hospital properties are included, or \$1.3550 if they are not. The \$1.3152 is the same as the current City of Champaign tax rate, which their staff is also recommending for the 2016 tax levy. The \$1.3550 rate is the current City of Urbana tax rate.

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 amortization of 90% of the unfunded liability by 2040. 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 \$2,440,087 (53.2% of expected payroll) and the Fire Pension Fund requested funding of \$1,599,552 (37.64% of expected payroll), based upon a report provided by the actuary engaged by the pension funds. Those requests were based upon amortization of 100% of the unfunded liability by 2032.

After careful consideration, the Mayor again recommends funding based on the minimum requirement, which would be \$1,206,588 for the Police Pension Fund and \$942,805 for the Fire Pension Fund. This provides the City the most flexibility to deal with current and anticipated needs, including unfunded capital improvements. This is fully compliant with State law.

Taxes for these funds would be levied as follows:

	Police Pension Fund	Fire Pension Fund
Funding requirement	\$1,206,588	\$942,805
PPRT portion (8.12%)	(97,975)	(76,556)
Levy amount for 2016	\$1,108,613	\$866,249

Again this year, both pension boards expressed concern about the City providing the minimum level of funding, and indicated that they would like for the City consider additional funding to pay down the unfunded liability more quickly. However, the City wishes to minimize the overall tax rate.

Urbana Free Library: The Mayor recommends a levy of \$3,109,000, which is an increase of 3.85% over the 2015 levy. This increase is needed to allow the Library to maintain current services, based upon the FY2017 budget.

Corporate Purposes: Remaining revenues generated by property taxes at either 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. At the lower EAV with a \$1.3550 tax rate, this is expected to result in an increase of \$188,313 and total revenue of \$2,273,134. At the higher EAV with the \$1.3152 tax rate, this would result in an increase of \$1,406,719 in General Fund revenue for a total of \$3,491,540. The City has deferred capital improvement expenditures and other needs, which could be programmed into future budgets, if these additional funds are available.

Abatements: Staff will prepare a Resolution authorizing the County Clerk 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. This Resolution, which will be presented with the final tax levy, will direct the County Clerk to abate the corporate purpose levy to produce a final tax rate of \$1.355, or a lower rate of \$1.3152 if hospital properties are included in the EAV upon which the levy is extended.

Levies for debt service were approved when bonds were issued in 2012 for Boneyard Creek improvements and 2014 for Windsor Road improvements. Those levies will be fully abated and the debt service will be paid from the TIF 2 and Local Motor Fuel Tax Funds.

Fiscal Impact: It appears likely that for the first time since 2008, prior to the recession, the City will see modest growth in assessed value, even without hospital properties included. If hospital properties are included when the levy is extended, additional funds will be available to allocate to long-deferred capital and other needs in the budget process.

Recommendation: Adopt this resolution establishing the estimated property tax levy for 2016.

RESOLUTION NO. 2016-11-067R

A RESOLUTION ESTIMATING THE TAX LEVY

(Fiscal Year 2016 - 2017)

WHEREAS, Section 18-60 of the Truth in Taxation Law, 35 ILCS 200/18-60, requires the corporate authority of each taxing district, not less than 20 days prior to the adoption of its aggregate tax levy, to estimate the amounts of money necessary to be raised by taxation for that year upon the taxable property in its district; and

WHEREAS, Section 18-70 of the Truth in Taxation Law, 35 ILCS 200/18-70, requires the corporate authority of each taxing district to give public notice of and hold a public hearing on its intent to adopt an aggregate tax levy, if the estimated amounts to be levied exceed 105% of the property taxes extended or estimated to be extended, including any amount abated prior to such extension, upon the levy of the preceding year.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Urbana, Champaign County, Illinois, as follows:

Section 1.

The amounts of money, exclusive of election costs, estimated and proposed to be levied for fiscal year 2016 - 2017 upon the taxable property in the City of Urbana is \$8,746,910.

Section 2.

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 fiscal year and exclusive of election costs, was \$7,081,806.69.

Section 3.

The amounts estimated and proposed to be levied in Section 1 of this Resolution are hereby determined to be 123.51% of the amounts extended or estimated to be extended for the preceding fiscal year.

Section 4.

Pursuant to Section 18-70 of the Truth in Taxation Law, the corporate authority will hold a public hearing at 7:00 p.m. on Monday, December 12, 2016 in the City Council Chambers of the Urbana City Building, 400 South Vine Street, Urbana, Illinois. The Finance Director shall prepare and publish the necessary notices for the public hearing, in accordance with Sections 18-75 and 18-80 of the Truth in Taxation Law, 35 ILCS 200/18-75 and 18-80.

This Resolution is hereby passed by the affirmative vote, the "ayes" and "nays" being called, of a majority of the corporate authorities (5 of 8 votes) of the City of Urbana, Illinois, at a meeting of said corporate authorities.

PASSED BY THE CITY COUNCIL this ____ day of _____, _____.

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this ____ day of _____, _____.

Laurel Lunt Prussing, Mayor