



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Marlin and City Council Members
FROM: Elizabeth Hannan, Finance Director
DATE: December 7, 2017
SUBJECT: 2017 Property Tax Levy

Introduction: Several Ordinances are transmitted with this report, as follows –

1. An Ordinance levying taxes for 2017, which will be received in calendar year 2018.
2. An Ordinance that allows for a reduction (abatement) in the corporate purpose tax levy to ensure that the tax rate does not exceed \$1.3550, which is the current tax rate.
3. An Ordinance abating debt service payments for the 2012 and 2014 general obligation bonds.

Background:

Estimated Property Tax Levy: On November 27, the City Council approved an estimated tax levy of \$7,682,691. This is an increase of 3.85% from the 2016 tax levy. Because the increase did not exceed 5%, the City was not required to advertise and hold a public hearing, pursuant to the Truth in Taxation law.

Estimate of Equalized Assessed Valuation (EAV): Staff has developed a preliminary estimate of the EAV of \$555,870,844. This EAV would be an increase of 1.81% from the EAV upon which the extended levy for 2016 was based. For estimation purposes, however, staff will use a higher EAV of \$566,988,261, since the levy amount cannot be increased, but can easily be decreased prior to extension to achieve the desired tax rate.

Tax Rate: The Mayor recommends a tax rate for this year's levy of \$1.3550 per \$100 of taxing value, which is the same as the current tax rate. The City's tax rate is currently about 13% of the total tax rate for City residents. At this rate, City taxes for an owner-occupied home are estimated as follows –

| Property Value | City Property Tax* |
|----------------|--------------------|
| \$100,000 | \$370 |
| \$150,000 | \$596 |
| \$200,000 | \$822 |
| \$250,000 | \$1,048 |

*City property tax = EAV (property value / 3), less owner occupied exemption (\$6,000), divided by \$100, multiplied by \$1.355 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 approved by the City Council when 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. An 8.12% portion of the funding requirement is met by allocation of personal property replacement tax (PPRT) revenues, consistent with Illinois law. The minimum requirement is \$1,349,734 for the Police Pension Fund, an increase of 11.9% from \$1,206,588 in 2016. The minimum requirement is \$1,108,652 for the Fire Pension Fund, an increase of 8% from \$942,805 in 2016. The increase in contributions is about \$219,000 for the Police and Fire Pension Funds combined.

This year, the Police Pension Fund requested funding of \$2,651,251 and the Fire Pension Fund requested funding of \$1,696,284, 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 2033. Accommodating those requests would result in increased funding of about \$2.2 million over the 2016 funding level and about \$1.98 million over the recommended funding level. This level of funding cannot be achieved at the current tax rate without significant budget cuts, including significant staffing reductions.

As part of reviewing the FY2018 proposed budget, the City Council discussed the need to increase pension funding to avoid higher long-term costs. The Finance Director is currently working with the actuary to come up with options for review by the City Council. Trustees for both pension boards are aware that the City is working on developing a recommended funding policy that would be more aggressive than funding the state minimum to begin to close the funding gap. Staff expects to be able to recommend a change in the policy on pension funding sometime in 2018, which would be implemented in the 2018 tax levy.

Because the financial outlook is very uncertain at this time and the Council has not yet reviewed funding options or an updated financial forecast, the Mayor recommends funding the minimum amount through the tax levy, and considering an additional contribution as part of the budget for FY2019, which provides more flexibility. Any additional contribution would reduce the unfunded liability and, therefore, reduce future contributions. This recommendation is fully compliant with State law.

Taxes for these funds would be levied as follows:

| | Police Pension Fund | Fire Pension Fund |
|---------------------------|----------------------------|--------------------------|
| Funding requirement (DOI) | \$1,349,734 | \$1,018,652 |
| PPRT portion (8.12%) | (109,598) | (82,715) |
| Levy amount for 2017 | \$1,240,136 | \$935,937 |

Urbana Free Library: The Mayor recommends a levy of \$3,210,000, which is an increase of 3.26% over the 2016 levy. This increase is needed to allow the Library to maintain current services, based upon the FY2018 budget.

Corporate Purposes: Remaining revenues generated by property taxes at this rate would be allocated to the General Operating Fund, where they would be used to pay for basic City services, such as police protection. At the lower EAV with a \$1.3550 tax rate, this is expected to result in a decrease of about \$168,000 and total revenue of \$2,145,977. This decrease in corporate property tax revenue is a concern, particularly given that the City is addressing a structural deficit while trying to address funding for capital improvements and other high priority needs, including pension funding.

Abatements: Included with the levy is an Ordinance 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 Ordinance directs the County Clerk to abate the corporate purpose levy to produce a final tax rate of \$1.355, which is the same as the current tax rate.

Levies for debt service were approved when bonds were issued in 2012 for Boneyard Creek improvements and 2014 for Windsor Road improvements. An Ordinance fully abating those levies and authorizing that the debt service be paid from the TIF 2 and Local Motor Fuel Tax Funds is also included.

Fiscal Impact: This tax levy will result in a reduction of about \$168,000 in General Fund revenues available to fund City services. This will be factored into the updated financial forecast used for determining strategy for the budget for FY2019.

Recommendation: Approve these Ordinances levying property taxes and abating the property tax levy for 2017.

ORDINANCE NO. 2017-12-070

**AN ORDINANCE LEVYING TAXES FOR THE FISCAL YEAR
BEGINNING JULY 1, 2017, AND ENDING JUNE 30, 2018**

WHEREAS, the City of Urbana (“City”) is a home rule unit of local government pursuant to Article VII, Section 6, of the Illinois Constitution, 1970, and may exercise any power and perform any function pertaining to its government and affairs, including the power to tax; and

WHEREAS, the Corporate Authorities of the City, pursuant to Ordinance No. 2017-06-026, did, on June 19, 2017, that date being before the beginning of the fiscal year of said City commencing on July 1, 2017, and ending on June 30, 2018, adopt the annual budget for the City for such fiscal year; and

WHEREAS, pursuant to Section 8-2-9.4 of the Illinois Municipal Code (65 ILCS 5/8-2-9.4) and Urbana City Code Sections 2-113 and 2-132, such passage of the annual budget by the Corporate Authorities shall be in lieu of passage of the annual appropriation ordinance otherwise required by the Illinois Municipal Code; and

WHEREAS, the Corporate Authorities find that the needs of the City are served by levying upon all property subject to taxation within the City, as that property is assessed and equalized for state and county purposes for the 2017 tax levy year, the respective amounts set forth in this Ordinance, which such amounts are deemed necessary to defray the related expenses and liabilities for all such corporate purposes of the City as have been appropriated for such purposes in the annual budget; and

WHEREAS, the requirement of Section 18-70 of the Truth in Taxation Law (35 ILCS 200/18-70) for a public hearing and for the required notice for such public hearing, pursuant to the terms thereof, do not apply to the 2017 tax levy because said levy is 3.85% more than the prior year’s final aggregate levy extensions, plus any amount abated.

NOW, THEREFORE, BE IT ORDAINED by the Corporate Authorities of the City of Urbana, Illinois, as follows:

Section 1.

The total 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, Six Hundred Eighty Two Thousand, Six Hundred and Ninety One Dollars (\$7,682,691).

Section 2.

The sum of \$7,682,691 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 for all corporate purposes of said City is hereby levied upon all taxable property 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 Patrol & Investigations (exclusive of Police Pension costs levied separately) | 6,538,331 | 2,296,618 |
| <u>POLICEMEN'S PENSION FUND</u> | | |
| For State Mandated Pension Requirements | 1,240,905 | 1,240,136 |
| <u>FIREMEN'S PENSION FUND</u> | | |
| For State Mandated Pension Requirements | 968,066 | 935,937 |
| CENTRAL COSTS | | |
| Non-staff Costs | 27,275 | 23,948 |
| Employee Insurance | 216,200 | 189,831 |
| Other Employee Costs | <u>1,240,832</u> | <u>1,089,493</u> |
| SUBTOTAL, CENTRAL COSTS | 1,484,307 | 1,302,272 |
| ADMINISTRATION - WAGES: | 165,145 | 145,003 |
| ADULT & YOUTH SERVICES DEPARTMENT | | |
| Patron Resources | 755,705 | 663,535 |
| Wages | <u>429,950</u> | <u>369,609</u> |
| SUBTOTAL, ADULT | 1,176,655 | 1,033,144 |

| | | |
|-------------------------|----------------|------------------|
| ARCHIVES DEPARTMENT | | |
| Patron Resources | 28,800 | 25287 |
| Wages | <u>242,510</u> | <u>212,932</u> |
| SUBTOTAL, ARCHIVES | 244,974 | 238,219 |
| ACQUISITIONS DEPARTMENT | | |
| Wages | 188,058 | 165,919 |
| CIRCULATION DEPARTMENT | | |
| Wages | 369,511 | 324,443 |
| Total Library | 3,655,894 | 3,210,000 |
| | | <hr/> |
| <u>TOTAL LEVY</u> | | <u>7,682,691</u> |

Section 3.

This 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 Illinois Constitution, 1970.

Section 4.

There is hereby certified to the County Clerk of Champaign County, Illinois, the several sums aforesaid, Seven Million, Six Hundred Eighty Two Thousand, Six Hundred and Ninety One Dollars (\$7,682,691), constituting said total amount the City of Urbana requires to be raised by taxation for the current fiscal year of the City.

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.

Section 7.

The City Clerk is hereby directed to file a certified copy of this Ordinance with the Champaign County Clerk no later than the last Tuesday of December 2017 (December 26, 2017).

This Ordinance 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 Corporate Authorities this ____ day of _____, 2017.

AYES:

NAYS:

ABSTAINED:

Charles A. Smyth, City Clerk

APPROVED by the Mayor this ____ day of _____, 2017.

Diane Wolfe Marlin, Mayor

ORDINANCE NO. 2017-12-071

**AN ORDINANCE DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE THE
TAX LEVY FOR THE GENERAL CORPORATE FUND FOR THE TAX YEAR
BEGINNING JULY 1, 2017, AND ENDING JUNE 30, 2018**

WHEREAS, the City of Urbana (“City”) is a home rule unit of local government pursuant to the provisions of Article VII, Section 6, of the Illinois Constitution, 1970, and may exercise any power and perform any function pertaining to its government and affairs, including the power to tax; and

WHEREAS, the Corporate Authorities of the City did approve Ordinance No. _____ on December 18, 2017, determining that the total tax levy for the City for the tax year beginning July 1, 2017, and ending June 30, 2018, is in the amount of \$7,682,691; and

WHEREAS, the Corporate Authorities, after due consideration, find that abating the General Corporate Fund tax levy for the City for the tax year beginning July 1, 2017, and ending June 30, 2018, as provided herein, is in the best interests of the residents of the City and is desirable for the welfare of the City’s government and affairs.

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

Section 1.

The Champaign County Clerk (“County Clerk”) is hereby requested and directed to abate the General Corporate Fund levy established pursuant to Ordinance No. _____ in an amount necessary to produce a total tax levy rate of \$1.3550 for the City of Urbana for the tax year beginning July 1, 2017, and ending June 30, 2018

Section 2.

The Finance Director, or designee, be and hereby is authorized to perform all acts necessary on behalf of the City of Urbana to implement this Ordinance.

Section 3.

The invalidity of any section or provision of this Ordinance hereby passed and approved shall not invalidate other sections or provisions thereof.

Section 4.

This Ordinance shall not be construed to affect any suit or proceeding pending in any court, or any rights acquired, or a liability incurred, or any cause or causes of action acquired or existing prior to the effective date of this Ordinance; nor shall any right or remedy of any character be lost, impaired, or affected by this Ordinance.

Section 5.

This Ordinance shall be in full force and effect from and after its passage. The City Clerk is hereby directed to file a certified copy of this Ordinance with the Champaign County Clerk no later than December 26, 2017.

This Ordinance 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 _____, 2017.

AYES:

NAYS:

ABSTAINED:

Charles A. Smyth, City Clerk

APPROVED BY THE MAYOR this ____ day of _____, 2017.

Diane Wolfe Marlin, Mayor

ORDINANCE NO. 2017-12-072

AN ORDINANCE DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE A PORTION OF THE 2017 TAX LEVY RELATED TO GENERAL OBLIGATION BONDS, SERIES 2012, AND GENERAL OBLIGATION BONDS, SERIES 2014

WHEREAS, the Corporate Authorities of the City of Urbana (“City”), pursuant to the provisions of Article 8 of the Illinois Municipal Code, heretofore did adopt an ordinance levying taxes for the corporate purposes of the City for the fiscal year commencing on July 1, 2017, and ending on June 30, 2018, which Ordinance shall, pursuant to law, be filed with the Champaign County Clerk; and

WHEREAS, on December 17, 2012, the Corporate Authorities heretofore did pass Ordinance No. 2012-12-115, authorizing the issuance of General Obligation Bonds, Series 2012, and directing the Champaign County Clerk to levy a real estate tax in the amount of nine hundred twenty five thousand and one hundred sixteen dollars and fifty cents (\$925,116.50) for the 2017 tax levy year to pay principal and interest on said Bonds; and

WHEREAS, on June 16, 2014, the Corporate Authorities heretofore did pass Ordinance No. 2014-06-057, authorizing the issuance of General Obligation Bonds, Series 2014, and directing the Champaign County Clerk to levy a real estate tax in the amount of three hundred five thousand nine hundred sixty seven dollars and fifty cents (\$305,967.50) for the 2017 tax levy year to pay principal and interest on said Bonds; and

WHEREAS, the Corporate Authorities have determined that the City has sufficient funds available in the Tax Increment Financing District #2 Fund to abate the tax to be levied for the General Obligation Bonds, Series 2012, and to reduce the amount of tax to be levied pursuant to Ordinance No. 2012-12-115 accordingly; and

WHEREAS, the Corporate Authorities have determined that the City has sufficient funds available in the Local Motor Fuel Tax Fund to abate the tax to be levied for the General Obligation Bonds, Series 2014, and to reduce the amount of tax to be levied pursuant to Ordinance No. 2014-06-057 accordingly.

NOW, THEREFORE, BE IT ORDAINED by the Corporate Authorities of the City of Urbana, Champaign County, Illinois, as follows:

Section 1.

The Finance Director shall apply funds available in the Tax Increment Financing District #2 Fund of the City of Urbana to the General Obligation Bonds, Series 2012, in the amount of \$925,116.50.

Section 2.

The Champaign County Clerk is hereby requested and directed to abate the amount of \$925,116.50 levied for purposes of the General Obligation Bonds, Series 2012, from the 2017 tax levy.

Section 3.

The Finance Director shall apply funds available in the Local Motor Fuel Tax Fund of the City of Urbana to the General Obligation Bonds, Series 2014, in the amount of \$305,967.50.

Section 4.

The Champaign County Clerk is hereby requested and directed to abate the amount of \$305,967.50 levied for purposes of the General Obligation Bonds, Series 2014, from the 2017 tax levy.

Section 5.

The City Clerk is hereby directed to file a certified copy of this Ordinance with the Champaign County Clerk no later than December 26, 2017.

This Ordinance 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 Corporate Authorities this ____ day of _____, 2017.

AYES:

NAYS:

ABSTAINED:

Charles A. Smyth, City Clerk

APPROVED by the Mayor this ____ day of _____, 2017.

Diane Wolfe Marlin, Mayor