



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Diane Wolfe Marlin and City Council Members

FROM: Elizabeth Hannan, Finance Director

DATE: December 6, 2018

SUBJECT: 2018 Property Tax Levy

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

1. An Ordinance levying taxes for 2018, these taxes will be received in calendar year 2019.
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; or adjusts the rate downward to a minimum of \$1.3152 if some or all hospital properties are included on the tax rolls when the tax levy is extended.
3. An Ordinance abating debt service payments for the 2012 and 2014 general obligation bonds. Debt service will be paid from the TIF 2 and Local Motor Fuel Tax Funds.

Background:

Estimated Property Tax Levy: On November 19, 2018, the City Council approved Resolution No. 2018-11-052R, A Resolution Estimating the Tax Levy. The estimated levy was \$9,095,394, which is an increase of 20.3% over the current tax levy. Because the increase exceeded 5%, the City advertised and held a public hearing on Monday, December 3, in accordance with the Truth in Taxation law.

Estimate of Equalized Assessed Valuation (EAV): Staff has developed a preliminary estimate of the EAV both with and without hospital properties included. The lower estimate, without hospital properties included, is \$567,999,770. This EAV would be an increase of 1.81% from the EAV upon which the extended levy for 2017 was based. \$6.4 million of that total is related to new construction.

The higher EAV, with hospital properties included at \$110 million, is \$677,999,770. For estimation purposes, however, staff adds an additional 2%, resulting in a total of \$691,559,765, since the levy amount cannot be increased, but can easily be decreased prior to extension to achieve the desired tax rate.

Enterprise Zone (EZ): EZ abatements reduce the assessed value on which the tax levy will be extended, but result in higher property values on which taxes will be

collected in the future. Staff estimates that exemptions for the EZ will be about \$2.9 million, approximately four times the amount for the 2017 tax levy. This is due to the success of EZ incentives for commercial and residential construction.

Tax Rate: The Mayor recommends a tax rate for this year’s levy of \$1.3152 if all 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 2018 tax levy. In the event some, but not all hospital properties are included in EAV when the levy is extended, the rate would be adjusted proportionately to a rate between \$1.3152 and \$1.3550.

The following chart shows City taxes for an owner-occupied home at both \$1.3152 and \$1.355 –

Property Value	City Property Tax at \$1.3152*	City Property Tax at \$1.3550*
\$100,000	\$359	\$370
\$150,000	\$579	\$596
\$200,000	\$798	\$822
\$250,000	\$1,017	\$1,048

*City property tax = EAV (property value / 3), less owner occupied exemption (\$6,000), divided by \$100, multiplied by 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: Levies for Police and Fire Pension Funds are based on the funding plan approved by the City Council in the City’s Financial Policies. The City Council approved the updated Financial Policies on June 18, 2018 (2018-06-023R). This is the first year of a five-year transition to a new, higher level of funding designed to achieve 100% funding within 20 years.

Recommended funding for the Police Pension Fund is \$1,610,592, and recommended funding for the Fire Pension Fund is \$1,133,000. Pursuant to State law, 8.12% of the total funding requirement will be met by using personal property replacement tax (PPRT) revenues.

Taxes for these funds would be levied as follows:

	Police Pension Fund	Fire Pension Fund
Funding requirement per policy	\$1,610,592	\$1,133,000
PPRT portion (8.12%)	(\$130,780)	(\$92,000)
Levy amount for 2018	\$1,479,812	\$1,041,000

Urbana Free Library: The Mayor recommends a levy of \$3,272,000, which is an increase of 1.93% over the 2017 levy. This increase is needed to allow the Library to maintain current services, based upon the FY2019 budget.

Corporate Purposes: Remaining revenues generated by property taxes would be allocated to the General Operating Fund, where they would be used to pay for basic City services, such as police protection. The recommended levy for corporate purposes is \$3,302,582. At the higher EAV with a \$1.3152 tax rate, this is expected to result in an increase of \$951,281 and total revenues of \$3,124,241. This would mitigate, but not eliminate, the need for additional budget reductions over the next two years.

At the lower EAV with a \$1.3550 tax rate, this is expected to result in a decrease of \$269,375 and revenue of \$1,903,585. This decrease in corporate property tax revenue was expected due to increased pension funding. Additional General Fund budget reductions of about \$1.5 million over the next two years are anticipated in this situation. That figure will be refined in the City's Financial Forecast.

Abatements: An Ordinance authorizes 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, or a lower rate of \$1.3152, if hospital properties are included in the EAV upon which the levy is extended. In the event only some hospital properties are included in the EAV, the tax rate would be reduced to a rate higher than \$1.3152, but lower than \$1.355, depending upon the value of properties added to the EAV.

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: Without additional assessed value from hospital properties, the tax levy is likely to result in a decrease of \$269,375 in revenue available for basic City services. This will be factored into the updated financial forecast used for determining strategy for the budget for FY2019. The City will also be taking a significant step towards fully funding Police and Fire pensions, consistent with the City's updated policy on pension funding.

Alternatives:

1. Forward these Ordinances setting and abating the property tax levy for 2018 to City Council on December 17 with a recommendation for approval.
2. Direct staff to make changes to one or more of the Ordinances and forward the amended version to City Council for approval on December 17.

Recommendation: Forward these Ordinances setting and abating the property tax levy for 2018 to City Council on December 17 with a recommendation for approval.

ORDINANCE NO. 2018-12-079

**AN ORDINANCE LEVYING TAXES FOR THE FISCAL YEAR BEGINNING
JULY 1, 2018, AND ENDING JUNE 30, 2019**

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, on June 18, 2018, the corporate authorities passed Ordinance No. 2018-06-045, adopting the annual budget for the City for the fiscal year commencing on July 1, 2018, and ending on June 30, 2019; and

WHEREAS, pursuant to Section 8-2-9.4 of the Illinois Municipal Code (65 ILCS 5/8-2-9.4) and Sections 2-113 and 2-132 of the Urbana City Code, such passage of the annual budget by the corporate authorities was 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 2018 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, at 7:00 p.m. on Monday, December 3, 2018, the corporate authorities held a public hearing on their intent to adopt a tax levy that is 20.3% more than the prior year’s final aggregate levy extensions, plus any amount abated, in accordance with Section 18-70 of the Truth in

Taxation Law (35 ILCS 200/18-70), after due and proper notice of such public hearing was given by publication in *The News-Gazette* on Sunday, November 25, 2018.

NOW, THEREFORE, BE IT ORDAINED by the City Council 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 \$9,095,394.

Section 2.

The sum of \$9,095,394, 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</u> <u>Appropriations</u>	<u>To Be Raised By</u> <u>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)	<u>5,608,474</u>	<u>3,302,582</u>
<u>POLICEMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	<u>1,469,996</u>	<u>1,479,812</u>
<u>FIREMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	<u>1,079,516</u>	<u>1,041,000</u>
<u>URBANA FREE LIBRARY</u>		
<u>CENTRAL COSTS</u>		
Non-staff Costs	194,790	184,850

Employee Insurance	200,000	189,795
Other Employee Costs	<u>388,695</u>	<u>368,863</u>
SUBTOTAL, CENTRAL COSTS	783,485	743,508
ADMINISTRATION		
Wages	280,679	266,358
ADULT & YOUTH SERVICES DEPARTMENT		
Patron Resources	409,470	388,578
Wages	<u>815,382</u>	<u>773,779</u>
SUBTOTAL, ADULT	1,224,852	1,162,357
ARCHIVES DEPARTMENT		
Patron Resources	14,100	13,381
Wages	<u>277,010</u>	<u>262,876</u>
SUBTOTAL, ARCHIVES	291,110	276,257
ACQUISITIONS DEPARTMENT		
Wages	210,185	199,461
CIRCULATION DEPARTMENT		
Wages	434,637	412,461
INFORMATION TECHNOLOGY		
Wages	132,075	125,336
Other Costs	<u>90,900</u>	<u>86,262</u>
SUBTOTAL, INFORMATION TECHNOLOGY	222,975	211,598
Total Library	<u>3,447,923</u>	<u>3,272,000</u>
<u>TOTAL LEVY</u>		<u>9,095,394</u>

Section 3.

This Ordinance is adopted pursuant to the procedures set forth in the Illinois Municipal Code, except that any tax rate limitation or 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 Article VII, Section 6, of the Illinois Constitution, 1970.

Section 4.

There is hereby certified to the County Clerk of Champaign County, Illinois, the several sums aforesaid, \$9,095,394, 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 be in full force and effect from and after its passage. The City Clerk is directed to file a certified copy of this Ordinance with the Champaign County Clerk on or before December 21, 2018.

This Ordinance is hereby passed by the affirmative vote, the "ayes" and "nays" being called, of a majority of the corporate authorities (4 of 7 votes) of the City of Urbana, Illinois, at a meeting of said corporate authorities.

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

AYES:

NAYS:

ABSTENTIONS:

Charles A. Smyth, City Clerk

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

Diane Wolfe Marlin, Mayor

ORDINANCE NO. 2018-12-080

AN ORDINANCE DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE THE TAX LEVY FOR THE GENERAL CORPORATE FUND FOR THE TAX YEAR BEGINNING JULY 1, 2018, AND ENDING JUNE 30, 2019

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 approved Ordinance No. _____ on December 17, 2018, determining that the total tax levy for the City for the tax year beginning July 1, 2018, and ending June 30, 2019, is in the amount of \$9,095,394; 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, 2018, and ending June 30, 2019, 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, 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 no less than \$1.3152 and no more than \$1.3550 for the City of Urbana for the tax year beginning July 1, 2018, and ending June 30, 2019. The tax rate shall be based upon the increase in the taxing value of the parcels having the permanent index numbers listed on Exhibit A from the taxing value used in extension of the 2017 property tax levy. The tax rate shall be calculated as follows:

- A. Divide the increase in taxing value of the above-referenced parcels, up to a maximum of \$110,000,000, by \$1 million and round to one decimal place.
- B. Multiply the result of (A) by 0.000362, and round to 4 decimal places.
- C. Deduct the result of (B) from 1.3550 to calculate the new tax rate.
- D. Adjust the corporate levy so that the total tax rate is the result of (C).

For example, and by way of example only, for an increase in taxing value of \$82.5 million, the calculation is as follows:

- A. Divide the \$82,500,000 increase in taxing value by \$1 million, and round to one decimal place, resulting in a figure of 82.5.
- B. Multiply 82.5 by 0.000362 and round to 4 decimal places, resulting in a value of 0.0299
- C. Deduct 0.0299 from 1.3550, resulting in a value of \$1.3251.
- D. Adjust the Corporate tax levy so that the total tax rate is \$1.3251.

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, including providing guidance to the Champaign County Clerk on the total tax rate used to abate the General Corporate Fund levy.

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 directed to file a certified copy of this Ordinance with the Champaign County Clerk no later than December 21, 2018.

This Ordinance is hereby passed by the affirmative vote, the "ayes" and "nays" being called, of a majority of the corporate authorities (4 of 7 votes) of the City of Urbana, Illinois, at a meeting of said corporate authorities.

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

AYES:

NAYS:

ABSTENTIONS:

Charles A. Smyth, City Clerk

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

Diane Wolfe Marlin, Mayor

Exhibit A – List of Subject Parcels

91-21-07-403-001	91-21-07-408-012	91-21-08-306-004	91-21-08-327-010
91-21-07-403-002	91-21-07-409-004	91-21-08-306-005	91-21-08-327-011
91-21-07-403-003	91-21-07-409-005	91-21-08-306-006	91-21-08-327-013
91-21-07-403-004	91-21-07-409-010	91-21-08-306-007	91-21-08-309-002
91-21-07-403-005	91-21-07-409-011	91-21-08-306-008	91-21-08-309-003
91-21-07-403-006	91-21-07-409-012	91-21-08-306-009	91-21-08-309-004
91-21-07-403-007	91-21-07-409-013	91-21-08-306-010	91-21-08-309-005
91-21-07-403-008	91-21-07-409-014	91-21-08-304-003	91-21-08-309-006
91-21-07-403-009	91-21-07-409-015	91-21-08-304-018	91-21-08-309-007
91-21-07-404-001	91-21-07-409-016	91-21-08-304-019	91-21-08-309-008
91-21-07-404-002	91-21-07-409-017	91-21-08-304-020	91-21-08-309-009
91-21-07-404-003	91-21-07-409-018	91-21-08-325-001	91-21-08-307-004
91-21-07-404-004	91-21-07-409-019	91-21-08-308-021	91-21-08-307-005
91-21-07-404-005	91-21-07-409-021	91-21-08-356-002	91-21-08-307-006
91-21-07-404-006	91-21-07-409-022	91-21-08-356-003	91-21-08-304-011
91-21-07-404-007	91-21-07-409-023	91-21-08-307-002	91-21-08-304-012
91-21-07-404-008	91-21-07-409-024	91-21-08-310-001	91-21-08-376-016
91-21-07-404-009	91-21-07-413-011	91-21-08-376-027	91-21-08-361-006
91-21-07-404-010	91-21-08-356-004	91-21-08-376-028	91-21-08-361-008
91-21-07-405-008	91-21-08-356-010	91-21-08-376-029	91-21-08-361-009
91-21-07-405-013	91-21-08-309-001	91-21-08-376-030	91-21-08-376-007
91-21-07-408-001	91-21-08-303-007	91-21-08-376-031	91-21-08-376-022
91-21-07-408-002	91-21-08-303-008	91-21-08-376-033	91-21-08-376-037
91-21-07-408-003	91-21-08-303-009	91-21-08-376-034	91-21-08-303-026
91-21-07-408-004	91-21-08-303-010	91-21-08-376-035	92-21-08-307-001
91-21-07-408-005	91-21-08-303-011	91-21-08-376-036	93-21-21-404-001
91-21-07-408-006	91-21-08-303-012	91-21-05-100-017	91-21-08-325-001
91-21-07-408-007	91-21-08-303-024	91-21-08-327-006	91-21-08-310-001
91-21-07-408-008	91-21-08-303-025	91-21-08-327-007	91-21-08-361-006
91-21-07-408-009	91-21-08-306-001	91-21-08-327-008	91-21-08-361-008
91-21-07-408-010	91-21-08-306-002	91-21-08-327-009	91-21-08-361-009
91-21-07-408-011	91-21-08-306-003		

ORDINANCE NO. 2018-12-081

AN ORDINANCE DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE A PORTION OF THE 2018 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 adopted an ordinance levying taxes for the corporate purposes of the City for the fiscal year commencing on July 1, 2018, and ending on June 30, 2019, which Ordinance shall, pursuant to law, be filed with the Champaign County Clerk; and

WHEREAS, on December 17, 2012, the corporate authorities heretofore passed 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 \$922,461 for the 2018 tax levy year to pay principal and interest on said Bonds; and

WHEREAS, on June 16, 2014, the corporate authorities heretofore passed 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 \$307,693.75 for the 2018 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 City Council of the City of Urbana, 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 \$922,461.

Section 2.

The Champaign County Clerk is hereby requested and directed to abate the amount of \$922,461 levied for purposes of the General Obligation Bonds, Series 2012, from the 2018 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 \$307,693.75.

Section 4.

The Champaign County Clerk is hereby requested and directed to abate the amount of \$307,693.75 levied for purposes of the General Obligation Bonds, Series 2014, from the 2018 tax levy.

Section 5.

This Ordinance shall be in full force and effect from and after its passage. The City Clerk is directed to file a certified copy of this Ordinance with the Champaign County Clerk no later than December 21, 2018.

This Ordinance is hereby passed by the affirmative vote, the "ayes" and "nays" being called, of a majority of the corporate authorities (4 of 7 votes) of the City of Urbana, Illinois, at a meeting of the corporate authorities.

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

AYES:

NAYS:

ABSTENTIONS:

Charles A. Smyth, City Clerk

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

Diane Wolfe Marlin, Mayor