



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Diane Wolfe Marlin and City Council Members

FROM: Elizabeth Hannan, Finance Director

DATE: November 12, 2020

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. The estimated levy is used to determine whether the City is required to provide public notice and hold a public hearing prior to approving the final tax levy. The City Council must approve an estimated levy at least 20 days prior to adoption of the final levy. The estimated levy is 104.05% of the 2019 extended levy, and the City is not required to hold a public hearing, which would be triggered only if the increase were 5% or more.

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 16,2020	
Estimated Levy - Council	November 23, 2020	Must be approved at least 20 days prior to final levy approval. (This is 28 days.)
Publish Truth in Taxation Notice		Not required.
Public Hearing		Not required.
Final Tax Levy & Abatements – Council	December 14, 2020	Must be adopted in time to meet filing deadline below.
City Clerk Files Levy with County by	December 22, 2020	Must be filed by 4th Tuesday in December.

Because the City Council will have already reviewed the proposed tax levy in November, the final tax levy will be placed on the regular City Council agenda for December 14 without an additional committee meeting.

Estimate of Equalized Assessed Valuation (EAV): Staff has developed a preliminary estimate of the EAV, which does not assume any increase related to disputed hospital properties. The estimate is \$608,943,566. This EAV would be an increase of 2.41% from the EAV upon which the extended levy for 2019 was based.

Staff adds an additional 2%, resulting in a total of \$621,122,438, 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 \$10.76 million. This is due to the success of EZ incentives for commercial and residential construction, which will ultimately result in a larger tax base.

Tax Rate: The Mayor recommends a tax rate for this year’s levy of \$1.3499, which is the current City of Urbana tax rate. The rate was decreased from \$1.355 beginning with the 2017 tax levy.

At this rate, City taxes for an owner-occupied home are estimated as follows –

Property Value	City Property Tax at \$1.3499*
\$100,000	\$369
\$150,000	\$594
\$200,000	\$819
\$250,000	\$1,044

*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 third 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 \$2,148,000, and recommended funding for the Fire Pension Fund is \$1,814,000. 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	\$2,148,000	\$1,403,000
PPRT portion (8.12%)	(\$174,418)	(\$113,924)
Levy amount for 2019	\$1,973,582	\$1,289,076

Urbana Free Library: The Mayor recommends a levy of \$3,515,000, which is an increase of about 1% over the 2019 tax levy. In 2019, the levy increased by 6.44% over the 2018 levy. Property tax revenue is responsible for the vast majority of recurring revenues for the Library General Fund. This increase is needed to allow the Library to maintain current services, based upon the FY2021 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 \$1,606,874. This is a decrease of about 7% from the 2019 tax levy. When the final levy is extended, it is likely that the decrease will be larger; perhaps more than 15% after it is abated.

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 \$1.3499.

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: The tax levy is likely to result in a decrease of \$280,000 in revenue available for basic City services. While a decrease was expected, this is somewhat better than projected in the FY2021 financial forecast. The City will be continuing on the path towards fully funding Police and Fire pensions, consistent with the City’s current policy on pension funding.

Alternatives:

1. Forward this resolution establishing the estimated property tax levy for 2020 to City Council on November 23 with a recommendation for approval.
2. Direct staff to make changes to the resolution and forward the amended version to City Council for approval on November 23.

Recommendation: Forward this resolution establishing the estimated property tax levy for 2020 for approval at the City Council Meeting on November 23.

RESOLUTION NO. 2020-11-059R

A RESOLUTION ESTIMATING THE TAX LEVY

(Fiscal Year –2020-2021)

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, Illinois, as follows:

Section 1.

The amounts of money, exclusive of election costs, estimated and proposed to be levied for fiscal year 2020 - 2021 upon the taxable property in the City of Urbana is \$8,384,532.

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 \$8,058,293.

Section 3.

The amounts estimated and proposed to be levied in Section 1 of this Resolution are hereby determined to be 104.05% of the amounts extended or estimated to be extended for the preceding fiscal year.

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 Date day of Month, Year.

AYES:

NAYS:

ABSTENTIONS:

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this Date day of Month, Year.

Diane Wolfe Marlin, Mayor