

MEMORANDUM

TO: Mayor Diane Wolfe Marlin and City Council Members

FROM: Elizabeth Hannan, Finance Director
Alyana Robinson, Financial Analyst

DATE: December 2, 2021

SUBJECT: 2021 Property Tax Levy

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

1. An Ordinance levying taxes for 2021. These taxes will be received in calendar year 2022.
2. An Ordinance that allows for a reduction (abatement) in the corporate purpose tax levy to produce a total tax rate of \$1.3499, which is the current tax rate.
3. An Ordinance abating debt service payments for the 2014 general obligation bonds. Debt service will be paid from the Local Motor Fuel Tax Fund.

Background:

Estimated Property Tax Levy: On November 23, 2021, the City Council approved Resolution No. 2021-11-046R, A Resolution Estimating the Tax Levy. The estimated levy was \$8,527,818, which is an increase of 4.36% over the current tax levy. Because the increase did not exceed 5%, the Truth in Taxation law did not require that the City publish a notice and hold a public hearing.

Estimate of Equalized Assessed Valuation (EAV): Staff will use a preliminary estimate of the EAV based upon the County assessor's preliminary abstract of assessments, which does not include any reductions that may be made by the Board of Review. The estimate is \$631,737,010. This EAV would be an increase of 4.36% from the EAV upon which the extended levy for 2020 was based.

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. While the City's portion of the total tax levy is only about 13% of the total, this is important to trying to achieve a tax rate competitive with neighboring communities and can affect property values and economic development opportunities. Other taxing districts may increase their rates, affecting the total tax rate for Urbana residents.

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 benefits are dictated by State statute and the current funding policy reflects a balanced approach to covering the City’s long-term pension obligations while avoiding higher costs that could arise from failing to address unfunded liabilities and affect the City’s ability to provide services in the long-term. The City Council approved the updated Financial Policies on June 18, 2018 (Resolution No. 2018-06-023R), and a related memo on this subject is attached for reference. The policy can also be found in the annual budget on page 32.

Because of higher than anticipated investment earnings, the Fire Pension Fund has completed the transition to the 20-year 100% funding path early and the levy will increase modestly by about 5.5%. The recommended levy for the Fire Pension Fund is \$1,360,056. The Police Pension Fund is still on the transition path. This is the fourth year of a five-year transition to a new, higher level of funding designed to achieve 100% funding within 20 years. The recommended levy for the Police Pension Fund is \$2,304,350, which is an increase of 16.7%.

Pursuant to State law, 8.12% of the total funding requirement will be met by using personal property replacement tax (PPRT) revenues. The total funding requirements and portions from PPRT are detailed below.

Taxes for these funds would be levied as follows:

	Police Pension Fund	Fire Pension Fund
Funding requirement per policy	\$2,508,000	\$1,480,253
PPRT portion (8.12%)	(\$203,650)	(\$120,197)
Levy amount for 2021	\$2,304,350	\$1,360,056

Urbana Free Library: The Mayor recommends a levy of \$3,704,000, which is an increase of about 5% over the 2020 tax 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 FY2022 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 and fire protection, and public works services. The recommended levy for corporate purposes is \$1,159,412. This is a decrease of about 17% from the 2020 extended tax levy. When the final levy is extended, this component of the levy will be reduced to achieve the desired tax rate, as discussed below.

Over time, the corporate tax levy has decreased significantly as funding for pensions and the library have increased. In 2016, after pension funding was reduced to balance the General Fund budget and avoid budget reductions under a previous administration, the corporate levy was as high as \$2.3M. Staff estimates that the extended levy for 2021 is likely to be around \$1M, although the final amount will not be known until the County Clerk applies reductions to achieve the desired tax rate and extends the levy in the spring.

Abatement for Debt Service: A levy for debt service was approved when bonds were issued in 2014 for Windsor Road improvements. That levy will be fully abated and the debt service will be paid from the Local Motor Fuel Tax Fund.

All general obligation (GO) debt is backed by the City's taxing authority and the County Clerk is directed to levy for debt service when the bonds are issued. Since GO debt has lower cost of borrowing due to the lower risk, GO debt is often used for financing, even when another source of funds will be used to pay the debt service. This results in a need to abate the debt service payments annually.

The last levy for the 2012 Boneyard Creek bonds occurred with the 2020 tax levy, and the final debt service payment is due on January 1, 2022.

Abatement for Corporate Levy and Impact of Public Act 102-0519: In early June, Public Act 102-0519 (Senate Bill 508) was signed into law revising the Property Tax Code. Initial indications were that this applied only to taxing districts subject to PTELL (the Property Tax Extension Limitation Law). The City is not subject to PTELL. On November 23, staff became aware that the Illinois Department of Revenue provided an opinion, issued on November 16, indicating that this Act applies to all taxing districts in the State of Illinois. The effect of this Act is to shift the burden for the adjustments mentioned above to all taxpayers. In fact, had these adjustments been made prior to extension of the 2020 levy, the City would never have received that revenue because of its policy of maintaining a stable tax rate.

This Act requires the County Clerk to automatically increase the levy extension for any certificates of error, court ordered changes in valuations, or Property Tax Appeal Board (PTAB) decisions in the prior year for all taxing districts. This is designed to allow taxing districts to recover lost revenue from the prior year. However, it would also increase the

City's tax rate. This additional increase would be applied on top of the levy extension, which would result in an increase in the tax rate of approximately \$0.0120 to \$0.0122.

To maintain a stable tax rate, staff has prepared an Ordinance directing the County Clerk to abate the levy based on a calculation that will be provided by staff. To accomplish this, once the preliminary extension is received from the County, staff would immediately calculate the appropriate dollar amount of the corporate levy to maintain the \$1.3499 tax rate, with the additional extension included. Staff would fill in the blank on the Ordinance, and provide it to the City Clerk to file with the County Clerk. Confirmation of the levy extension generally happens within a period of a couple of days in late March.

It is not possible to perform this calculation now, since the final EAV is unknown and staff has not been able to confirm the additional amount that would be extended. Extrapolating from data available for Cunningham Township, which is coterminous with the city, it appears that the amount would be about \$75,530 to \$75,808. It is also possible that legislative changes will be made to clarify the intent of the act when the legislature is back in session.

If the City Council wishes to allow the tax rate to increase with this adjustment, they would need to direct staff to prepare an alternate abatement Ordinance for the December 13 agenda.

Fiscal Impact: The tax levy is likely to result in a decrease of about \$400,000 in revenue available for basic City services. This will be factored into the updated financial forecast used for determining strategy for the FY2023 budget. The City will be continuing on the path towards fully funding Police and Fire pensions, consistent with the City's policy on pension funding. If it appears necessary to consider revenue increases or new sources of revenue after reviewing the financial forecast and new City Council priorities, staff will provide options for consideration.

Alternatives:

1. Approve Ordinances setting and abating the property tax levy for 2021, which will result in a tax rate of \$1.3499, including the additional extension.
2. Direct staff to prepare an alternate abatement Ordinance to limit the rate to \$1.3499 before the additional extension, which is likely to result in a final tax rate of approximately \$1.3619 to \$1.3621.

Recommendation: Approve Ordinances setting and abating the property tax levy for 2021 as presented.

ORDINANCE NO. _____

**AN ORDINANCE LEVYING TAXES FOR THE FISCAL YEAR BEGINNING
JULY 1, 2021 AND ENDING JUNE 30, 2022**

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, Section 8-3-1 of the Illinois Municipal Code (65 ILCS 5/8-3-1) provides that the corporate authorities may levy and collect taxes for corporate purposes; and

WHEREAS, on June 28, 2021, the corporate authorities passed Ordinance No. 2021-06-023, adopting the annual budget for the City for the fiscal year beginning July 1, 2021 and ending June 30, 2022; 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 corporate purposes 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 2021 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 do not, pursuant to the terms

thereof, apply to the 2021 tax levy because said levy is not more than 105% of the prior year's final aggregate levy extensions, plus any amount abated.

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 \$8,527,818.

Section 2.

The sum of \$8,527,818 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-Fire Operations (exclusive of Fire Pension costs levied separately)	<u>5,876,697</u>	<u>1,159,412</u>
<u>POLICEMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	<u>2,339,308</u>	<u>2,304,350</u>

<u>FIREMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	1,486,432	1,360,056
<u>URBANA FREE LIBRARY</u>		
CENTRAL COSTS		
Non-staff Costs	171,290	155,672
Employee Insurance	225,170	204,637
Other Employee Costs	<u>426,549</u>	<u>387,653</u>
SUBTOTAL, CENTRAL COSTS	823,009	747,962
ADMINISTRATION		
Wages	299,797	272,459
ADULT & YOUTH SERVICES DEPARTMENT		
Patron Resources	391,840	356,109
Wages	<u>732,115</u>	<u>665,356</u>
SUBTOTAL, ADULT & YOUTH SERVICES	1,123,955	1,021,465
ARCHIVES DEPARTMENT		
Patron Resources	23,625	21,471
Wages	<u>269,020</u>	<u>244,489</u>
SUBTOTAL, ARCHIVES	292,645	265,960
ACQUISITIONS DEPARTMENT		
Wages	214,653	195,079
CIRCULATION DEPARTMENT		
Wages	433,700	394,152
INFORMATION TECHNOLOGY		
Wages	145,910	132,605
Other Costs	<u>76,600</u>	<u>69,615</u>
SUBTOTAL, INFORMATION TECHNOLOGY	222,510	202,220
DEVELOPMENT & PROMOTIONS DEPT.		
Wages	207,839	188,887
FACILITIES		
Contractual Services	457,538	415,816
 Total Library	 <u>4,075,646</u>	 <u>3,704,000</u>
 <u>TOTAL LEVY</u>		 <u>8,527,818</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, \$8,527,818, constituting said total amount the City of Urbana requires to be raised by taxation for the current fiscal year of the City.

Section 5.

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

Section 6.

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 7.

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 the last Tuesday in December.

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 _____, 20__.

AYES: _____

NAYS: _____

ABSTENTIONS: _____

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this __ Day of _____, 20__.

Diane Wolfe Marlin, Mayor

ORDINANCE NO. _____

AN ORDINANCE DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE THE TAX LEVY FOR THE GENERAL CORPORATE FUND FOR THE TAX YEAR BEGINNING JULY 1, 2021 AND ENDING JUNE 30, 2022

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 approved Ordinance No. _____ on December 13, 2021, determining that the total tax levy for the City for the tax year beginning July 1, 2021 and ending June 30, 2022, is in the amount of \$8,527,818; 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, 2021 and ending June 30, 2022, 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; and

WHEREAS, the corporate authorities have determined that an appropriate total tax levy rate, including any additional automatic increase pursuant to Public Act 102-0519, for the City of Urbana is \$1.3499.

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

Section 1.

The Champaign 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 tax levy of \$_____ for the City of Urbana for the tax year beginning July 1, 2021 and ending June 30, 2022.

Section 2.

The Human Resources & Finance Director, or designee, be and hereby is authorized to determine, based on final information from the County Clerk, the exact dollar amounts which, when extended, will produce a total tax rate of \$1.3499, including any additional automatic increase pursuant to Public Act 102-0519, for the 2021 tax levy and to insert those amounts into Section 1 of this Ordinance if the County Clerk has determined that the final tax rate will be more than \$1.3499.

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, completed as provided for in Section 2, with the Champaign County Clerk on or before the last Tuesday in December and again immediately after the Ordinance is completed.

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 _____, 20__.

AYES: _____

NAYS: _____

ABSTENTIONS: _____

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this __ Day of _____, 20__.

Diane Wolfe Marlin, Mayor

ORDINANCE NO. _____

AN ORDINANCE DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE A PORTION OF THE 2021 TAX LEVY RELATED GENERAL OBLIGATION BONDS, SERIES 2014

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 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 beginning July 1, 2021 and ending June 30, 2022, which Ordinance shall, pursuant to law, be filed with the Champaign County Clerk; 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 \$302,567.50 for the 2021 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 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 Human Resources & 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 \$302,567.50.

Section 2.

The Champaign County Clerk is hereby requested and directed to abate the amount of \$302,567.50 levied for purposes of the General Obligation Bonds, Series 2014, from the 2021 tax levy.

Section 3.

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 the last Tuesday in December.

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 duly noticed and convened meeting of the said corporate authorities.

PASSED BY THE CORPORATE AUTHORITIES this ___ Day of _____, 20__.

AYES: _____

NAYS: _____

ABSTENTIONS: _____

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this ___ Day of _____, 20__.

Diane Wolfe Marlin, Mayor