



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Diane Wolfe Marlin and City Council Members

FROM: Elizabeth Hannan, Finance Director
Don Ho, Financial Analyst

DATE: December 12, 2019

SUBJECT: **2019 Property Tax Levy**

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

1. An Ordinance levying taxes for 2019, these taxes will be received in calendar year 2020.
2. An Ordinance that allows for a reduction (abatement) in the corporate purpose tax levy to produce a total tax levy rate of \$1.3499, which is the current tax rate.
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 12, 2019, the City Council approved Resolution No. 2019-11-046R, A Resolution Estimating the Tax Levy. The estimated levy was \$10,325,152, which is an increase of 31.09% over the current tax levy. Because the increase exceeded 5%, the City advertised and held a public hearing on Monday, December 9, 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 \$601,135,021. This EAV would be an increase of 2.98% from the EAV upon which the extended levy for 2018 was based. \$8.8 million of that total is related to new construction.

The higher EAV, with hospital properties included at \$148.75 million, is \$749,885,021. For estimation purposes, however, staff adds an additional 2%, resulting in a total of \$764,882,721, 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 \$4.9

million, approximately 50 percent more than the amount for the 2018 extended tax levy. 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, whether or not the hospital properties are included. The \$1.3499 rate is the current City of Urbana tax rate, which decreased from \$1.355 for the 2017 tax levy.

The Mayor elected to recommend maintaining the lower tax rate, rather than increasing it back to \$1.355, because it seems likely that this will be sustainable in future budgets, with planned revenue increases to close the City’s budget gap. This provides a modest measure of property tax relief to property owners.

The following chart shows City taxes for an owner-occupied home at \$1.3499 –

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 second 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 \$1,840,000, and recommended funding for the Fire Pension Fund is \$1,261,000. 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	\$1,840,000	\$1,261,000
PPRT portion (8.12%)	(\$149,408)	(\$102,393)
Levy amount for 2019	\$1,690,592	\$1,158,607

Urbana Free Library: The Mayor recommends a levy of \$3,483,000, which is an increase of 6.44% over the 2018 levy. Property tax revenue is responsible for 85% of recurring revenues for the Library General Fund. This increase is needed to allow the Library to maintain current services, based upon the FY2020 budget. The increase offsets reductions in other revenue sources, and increased expenditures for health insurance and a compensation study.

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 \$3,992,953. As discussed above, the levy is significantly higher than the expected result as a precaution to ensure that additional revenue from hospital properties can be captured, in the unlikely event they are added to the tax rolls. If that does occur, those funds would be reserved pending a final outcome in the dispute over hospital property taxes.

At the lower EAV with a \$1.3499 tax rate, this is expected to result in a decrease of \$299,900 and revenue of \$1,782,523 for the General Fund. This decrease in corporate property tax revenue was expected due to increased pension funding. The increased pension funding was anticipated as we ramp up pension funding based on the City's current funding policy.

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.

Staff does not recommend reducing the tax rate if hospital properties are added to the tax rolls because of the uncertainty about whether those taxes would be paid, or if paid, whether they would be refunded. For the 2018 levy, the extension was based on an EAV that included OSF properties that were later removed from the tax rolls. The abatement reduced the tax rate by about 0.5 cents, resulting in a lower tax rate for the City. However, the OSF revenues will never be received by the City, resulting in a shortfall in General Fund revenue of \$188,340.

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 \$299,900 in revenue available for basic City services, which is consistent with the FY2020 financial forecast. This will also be factored into the updated financial forecast used for determining strategy for the budget for FY2021. The City will also be continuing on the path towards fully funding Police and Fire pensions, consistent with the City's current policy on pension funding.

Alternatives:

1. Approve Ordinances setting and abating the property tax levy for 2019.
2. Direct staff to make changes to one or more of the Ordinances prior to approval.

Recommendation: Approve Ordinances setting and abating the property tax levy for 2019.

ORDINANCE NO. 2019-12-072

**AN ORDINANCE LEVYING TAXES FOR THE FISCAL YEAR BEGINNING
JULY 1, 2019, AND ENDING JUNE 30, 2020**

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 17, 2019, the corporate authorities passed Ordinance No. 2019-06-034, adopting the annual budget for the City for the fiscal year beginning July 1, 2019, and ending June 30, 2020; 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 2019 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 9, 2019, the corporate authorities held a public hearing on their intent to adopt a tax levy that is 31.09% 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 30, 2019.

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 \$10,325,152.

Section 2.

The sum of \$10,325,152, 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>5,788,536</u>	<u>3,992,953</u>
<u>POLICEMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	<u>1,767,503</u>	<u>1,690,592</u>
<u>FIREMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	<u>1,201,020</u>	<u>1,158,607</u>
<u>URBANA FREE LIBRARY</u>		
<u>CENTRAL COSTS</u>		
Non-staff Costs	181,910	178,956
Employee Insurance	213,183	209,722
Other Employee Costs	<u>395,946</u>	<u>389,519</u>
SUBTOTAL, CENTRAL COSTS	791,039	778,197
<u>ADMINISTRATION</u>		
Wages	291,289	286,561
<u>ADULT & YOUTH SERVICES DEPARTMENT</u>		
Patron Resources	398,925	392,449
Wages	<u>776,045</u>	<u>763,448</u>
SUBTOTAL, ADULT	1,174,970	1,155,897

ARCHIVES DEPARTMENT		
Patron Resources	14,100	13,871
Wages	<u>278,011</u>	<u>273,498</u>
SUBTOTAL, ARCHIVES	292,111	287,369
ACQUISITIONS DEPARTMENT		
Wages	207,220	203,856
CIRCULATION DEPARTMENT		
Wages	417,017	410,248
INFORMATION TECHNOLOGY		
Wages	134,300	132,120
Other Costs	<u>100,314</u>	<u>98,686</u>
SUBTOTAL, INFORMATION TECHNOLOGY	234,614	230,806
DEVELOPMENT & PROMOTIONS DEPT.		
Wages	132,212	130,066
Total Library	<u>3,540,472</u>	<u>3,483,000</u>
<u>TOTAL LEVY</u>		<u>10,325,152</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, \$10,325,152, 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 CITY COUNCIL this date day of Month, Year.

AYES:

NAYS:

ABSTENTIONS:

Charles A. Smyth, City Clerk

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

Diane Wolfe Marlin, Mayor

ORDINANCE NO. 2019-12-073

AN ORDINANCE DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE THE TAX LEVY FOR THE GENERAL CORPORATE FUND FOR THE TAX YEAR BEGINNING JULY 1, 2019, AND ENDING JUNE 30, 2020

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 16, 2019, determining that the total tax levy for the City for the tax year beginning July 1, 2019, and ending June 30, 2020, is in the amount of \$10,325,152; 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, 2019, and ending June 30, 2020, 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 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 \$1.3499 for the City of Urbana for the tax year beginning July 1, 2019, and ending June 30, 2020.

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 23, 2019.

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 date day of Month, Year.

AYES:

NAYS:

ABSTENTIONS:

Charles A. Smyth, City Clerk

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

Diane Wolfe Marlin, Mayor

ORDINANCE NO. 2019-12-074

AN ORDINANCE DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE A PORTION OF THE 2019 TAX LEVY RELATED TO GENERAL OBLIGATION BONDS, SERIES 2012, AND 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, 2019, and ending June 30, 2020, 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 2019 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 \$303,500 for the 2019 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 2019 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 \$303,500.

Section 4.

The Champaign County Clerk is hereby requested and directed to abate the amount of \$303,500 levied for purposes of the General Obligation Bonds, Series 2014, from the 2019 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 23, 2019.

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 date day of Month, Year.

AYES:

NAYS:

ABSTENTIONS:

Charles A. Smyth, City Clerk

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

Diane Wolfe Marlin, Mayor