



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Prussing and City Council Members

FROM: Elizabeth Hannan, Finance Director

DATE: December 8, 2016

SUBJECT: 2016 Property Tax Levy

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

1. An Ordinance levying taxes for 2016, which will be received in 2017.
2. An Ordinance that allows for a reduction (abatement) in the corporate purpose tax levy based upon whether the levy would be extended on an assessed value that includes hospital properties that are currently exempt. The rate would be abated to \$1.3152 if hospital properties are included in the assessed value or \$1.3550 otherwise.
3. An Ordinance abating debt service payments for the 2012 and 2014 general obligation bonds.

Staff estimates that the owner of an owner-occupied home valued at \$150,000 would pay between \$579 and \$596 in City property taxes.

Background:

Estimated Property Tax Levy: On November 21, the City Council approved an estimated tax levy of \$8,746,910. This is an increase of 23.51% from the 2015 tax levy. Because the increase exceeded 5%, the City was required to advertise and hold a public hearing, pursuant to the Truth in Taxation law. The advertisement was placed in the News-Gazette on December 4 and the public hearing is scheduled for December 12.

Estimate of Equalized Assessed Valuation (EAV): Staff has developed preliminary estimates of the City's EAV both with and without hospital properties included. The lower estimate, without hospital properties included, is \$542,951,768. This estimate would be a 3.89% increase from the current EAV of \$522,642,560. The increase is due to both generally increasing property values as well as new construction of about \$9.1M.

The higher estimate, including hospital properties with an estimated EAV of \$109M, is \$652,022,688. This would be a 24.75% increase from the current EAV. For purposes of estimating the total amount to levy, staff will use the higher EAV plus an additional 2% to account for errors in estimation, for a total of \$665,063,142. This is because the tax levy amount cannot be increased, but can easily be decreased to achieve a desired tax rate.

Tax Rate: The Mayor recommends a tax rate for this year’s levy of \$1.3152 if the 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 2016 tax levy. The \$1.3550 rate is the current City of Urbana 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 not approved by the City Council until 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. 8.12% of the funding requirement is met by allocation of personal property replacement tax (PPRT) revenues, consistent with the Illinois Municipal Code.

This year, the Police Pension Fund requested funding of \$2,440,087 (53.2% of expected payroll) and the Fire Pension Fund requested funding of \$1,599,552 (37.64% of expected payroll), 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 2032.

After careful consideration, the Mayor again recommends funding based on the minimum requirement, which would be \$1,206,588 for the Police Pension Fund and \$942,805 for the Fire Pension Fund. This provides the City the most flexibility to deal with current and anticipated needs, including unfunded capital improvements. This is fully compliant with State law.

Taxes for these funds would be levied as follows:

	Police Pension Fund	Fire Pension Fund
Funding requirement	\$1,206,588	\$942,805
PPRT portion (8.12%)	(97,975)	(76,556)
Levy amount for 2016	\$1,108,613	\$866,249

Again this year, both pension boards expressed concern about the City providing the minimum level of funding, and indicated that they would like for the City consider additional funding to pay down the unfunded liability more quickly. However, the City wishes to minimize the overall tax rate.

Urbana Free Library: The Mayor recommends a levy of \$3,109,000, which is an increase of 3.85% over the 2015 levy. This increase is needed to allow the Library to maintain current services, based upon the FY2017 budget.

Corporate Purposes: Remaining revenues generated by property taxes at either rate 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. At the lower EAV with a \$1.3550 tax rate, this is expected to result in an increase of \$188,313 and total revenue of \$2,273,134. At the higher EAV with the \$1.3152 tax rate, this would result in an increase of \$1,406,719 in General Fund revenue for a total of \$3,491,540. The City has deferred capital improvement expenditures and other needs, which could be programmed into future budgets, if these additional funds are available.

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, or a lower rate of \$1.3152 if hospital properties are included in the EAV upon which the levy is extended.

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: It appears likely that for the first time since 2008, prior to the recession, the City will see modest growth in assessed value, even without hospital properties included. If hospital properties are included when the levy is extended, additional funds will be available to allocate to long-deferred capital and other needs in the budget process.

Recommendation: Approve these Ordinances levying property taxes and abating the property tax levy for 2016.

ORDINANCE NO. 2016-12-120
AN ORDINANCE LEVYING TAXES FOR THE FISCAL YEAR
BEGINNING JULY 1, 2016, AND ENDING JUNE 30, 2017

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. 2016-06-045, did, on June 6, 2016, that date being before the beginning of the fiscal year of said City commencing on July 1, 2016, and ending on June 30, 2017, 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 2016 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, apply to the 2016 tax levy because said levy is 23.51% more than the prior year’s final aggregate levy extensions, plus any amount abated; and the public hearing was advertised in the News-Gazette on December 4, 2016 and held on December 12, 2016.

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 Eight Million, Seven Hundred Forty Six Thousand, Nine Hundred and Ten Dollars (\$8,746,910).

Section 2.

The sum of \$8,746,910 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 Department	6,318,466	3,663,048
<u>POLICEMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	1,515,568	1,108,613
<u>FIREMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	973,470	866,249
<u>URBANA FREE LIBRARY TRUST FUND</u>		
For Urbana Free Library Expenditures As Determined by Library Board		
<u>CENTRAL COSTS</u>		
Non-staff Costs	625,375	517,721
Employee Insurance	221,324	183,225
Other Employee Costs	<u>379,225</u>	<u>313,944</u>
SUBTOTAL, CENTRAL COSTS	1,225,924	1,014,890

ADMINISTRATION - WAGES:	394,797	326,835
ADULT & YOUTH SERVICES DEPARTMENT		
Patron Resources	359,364	297,502
Wages	<u>668,801</u>	<u>553,671</u>
SUBTOTAL, ADULT	1,028,165	851,173
ARCHIVES DEPARTMENT		
Patron Resources	26,200	21,690
Wages	<u>218,774</u>	<u>181,114</u>
SUBTOTAL, ARCHIVES	244,974	202,804
CAFÉ DIVISION:		
Non-staff Costs	27,600	22,849
Wages	<u>43,741</u>	<u>36,211</u>
SUBTOTAL, CAFÉ	71,341	59,060
ACQUISITIONS DEPARTMENT		
Wages	223,539	185,058
CIRCULATION DEPARTMENT		
Wages	566,741	469,180
Total Library	3,755,481	3,109,000
<u>TOTAL LEVY</u>		<hr/> 8,746,910

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, Eight Million, Seven Hundred Forty Six Thousand, Nine Hundred and Ten Dollars (\$8,746,910), 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 2016 (December 27, 2016).

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 _____, 2016.

AYES:

NAYS:

ABSENT:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this ____ day of _____, 2016.

Laurel Lunt Prussing, Mayor

ORDINANCE NO. 2016-12-121

AN ORDINANCE DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE THE TAX LEVY FOR THE GENERAL CORPORATE FUND FOR THE TAX YEAR BEGINNING JULY 1, 2016, AND ENDING JUNE 30, 2017

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 19, 2016, determining that the total tax levy for the City for the tax year beginning July 1, 2016, and ending June 30, 2017, is in the amount of \$8,746,910; 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, 2016, and ending June 30, 2017, 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 \$1.3152 for the City of Urbana for the tax year beginning July 1, 2016, and ending June 30, 2017, if the following actions occur before the County Clerk calculates the total property tax extension for the City of Urbana for such tax year:

- A. In *Carle Found. v. Cunningham Twp.*, 2016 IL App (4th) 140795, *appeal docketed*, Nos. 120433 and 120427, the Illinois Supreme Court holds that Section 15-86 of the Property Tax Code, 35 ILCS 200/15–86, is unconstitutional; and
- B. The County Clerk includes the equalized assessed value of all the parcels that are the subject of the above-referenced court case and *Carle Found. v. Cunningham Twp.*, No. 13-CH-170 (6th Circuit) in the total assessed valuation of all taxable property in the City.

Section 2.

If both of the events described in Section 1 of this Ordinance do not occur before the County Clerk calculates the total property tax extension for the City of Urbana for the tax year beginning July 1,

2016, and ending June 30, 2017, the 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 such tax year.

Section 3.

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 4.

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

Section 5.

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 6.

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 27, 2016.

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 _____, 2016.

AYES:

NAYS:

ABSENT:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED BY THE MAYOR this ____ day of _____, 2016.

Laurel Lunt Prussing, Mayor

ORDINANCE NO. 2016-12-122

AN ORDINANCE DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE A PORTION OF THE 2016 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, 2016, and ending on June 30, 2017, 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 two thousand and five hundred ninety three dollars and twenty five cents (\$922,593.25) for the 2016 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 eight thousand four hundred sixty five dollars and no cents (\$308,465.00) for the 2016 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 \$922,593.25.

Section 2.

The Champaign County Clerk is hereby requested and directed to abate the amount of \$922,593.25 levied for purposes of the General Obligation Bonds, Series 2012, from the 2016 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 \$308,465.00.

Section 4.

The Champaign County Clerk is hereby requested and directed to abate the amount of \$308,465.00 levied for purposes of the General Obligation Bonds, Series 2014, from the 2016 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 27, 2016.

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 _____, 2016.

AYES:

NAYS:

ABSENT:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____, 2016.

Laurel Lunt Prussing, Mayor