



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Prussing and City Council Members
FROM: Elizabeth Hannan, Finance Director
DATE: December 10, 2015
SUBJECT: **2015 Property Tax Levy**

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

1. An Ordinance levying taxes for 2015, which will be received in 2016.
2. An Ordinance that allows for a reduction (abatement) in the corporate purpose tax levy if the final tax rate would exceed \$1.355.
3. An Ordinance abating debt service payments for the 2012 and 2014 general obligation bonds.

Background:

Estimated Property Tax Levy: On November 17, the City Council approved an estimated tax levy of \$7,250,000. This is an increase of 2.9% from the 2014 tax levy. The City is not required to advertise its intent and hold a public hearing on the tax levy if the increase is less than 5%.

Estimate of Equalized Assessed Valuation (EAV): Staff has preliminarily estimated the EAV at \$526,160,854. This EAV would be an increase of 0.53% from the EAV upon which the extended levy for 2014 was based. For estimation purposes, however, staff will use a higher EAV of \$535,055,351, since the levy amount cannot be increased, but can easily be decreased prior to extension to achieve the desired tax rate.

Tax Rate: The current tax rate for City services is \$1.3462 per \$100 of EAV. The Mayor has recommended a rate of \$1.355 for the 2015 levy, which would be extended and collected in 2015. At an EAV of \$535,055,351, a levy of \$7,250,000 would produce this tax rate. At a rate of \$1.355, the owner of a \$150,000 owner occupied home would pay \$596 in City property taxes.

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 in the Ordinance levying taxes.

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 a 26-year, 90% amortization of the unfunded liability. 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 \$2,024,930 and the Fire Pension Fund requested funding of \$1,152,014. Those requests were based upon an 18-year, 100% amortization of unfunded liability, an average return on investments of 7%, and annual salary increases of 5.25%. The requested funding also includes a “level dollar adjustment” designed to result in decreasing inflation adjusted contributions over time.

After careful consideration, the Mayor recommends funding of \$1,209,795 for the Police Pension Fund and \$970,292 for the Fire Pension Fund, based on the minimum requirement. While both pension funds have been allocated larger levies in the past, this is necessary given the City’s current and anticipated needs in the General Operating Fund, including contractual obligations for salary increases which are estimated to cost about \$575,000. This is fully compliant with State law, but does not exceed the requirement.

Taxes for these funds would be levied as follows:

	Police Pension Fund	Fire Pension Fund
Funding requirement	\$1,209,795	\$970,292
PPRT portion (8.12%)	(98,235)	(78,788)
Levy amount for 2015	\$1,111,560	\$891,504

Urbana Free Library: The Mayor recommends a levy of \$2,993,837, which is an increase of 2.57% over the 2014 levy. This increase is required to allow the Library to maintain current services and is expected to result in a slightly higher tax rate of 0.566 per \$100 of EAV for Library services.

Corporate Purposes: Remaining revenues generated by property taxes at the \$1.355 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. This is expected to result in \$2,165,864 in revenue, or approximately \$500,000 in additional General Fund property tax revenue. Anticipated needs include approved wage increases of 3% for all bargaining unit employees on July 1, 2016, as discussed above.

Abatements: Two abatements are included with the tax levy. The first would reduce the corporate purpose levy if, based on final EAV, the tax rate would exceed \$1.355. In that event, the Finance Director will determine the reduction necessary to achieve the final tax rate and will provide that information to the County Clerk.

The second would abate debt service payments on general obligation bonds issued in 2012 (for the Boneyard Creek) and 2014 (for Windsor Road improvements). It is common for municipalities to issue general obligation debt, which is backed by the City's taxing authority, in order to obtain a lower interest rate. The Ordinances approved by the City Council when the debt was issued instructed the County Clerk to levy taxes to pay debt service on these bonds. However, funds are available in the TIF #2 and Local Motor Fuel Tax Funds to make the debt service payments, consistent with the City's plan, and the taxes will be abated (reduced to zero).

Fiscal Impact: Revenues in the General Operating Fund would increase by about \$250,000 this fiscal year, when the first half of revenues from the 2015 tax levy are received, and about \$500,000 annually. This increase will help to offset wage increases for City employees and other, unavoidable budget increases.

Recommendation: Approve these Ordinances levying property taxes and abating the property tax levy for 2015.

ORDINANCE NO. 2015-12-117
AN ORDINANCE LEVYING TAXES FOR THE FISCAL YEAR
BEGINNING JULY 1, 2015, AND ENDING JUNE 30, 2016

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. 2015-06-064, did, on June 15, 2015, that date being before the beginning of the fiscal year of said City commencing on July 1, 2015, and ending on June 30, 2016, 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 2015 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 2015 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 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 Seven Million, Two Hundred Fifty Thousand Dollars (\$7,250,000).

Section 2.

The sum of \$7,250,000 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	7,869,259	2,253,099
<u>POLICEMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	1,667,125	1,111,560
<u>FIREMEN'S PENSION FUND</u>		
For State Mandated Pension Requirements	1,150,825	891,504
<u>URBANA FREE LIBRARY TRUST FUND</u>		
For Urbana Free Library Expenditures As Determined by Library Board		
<u>CENTRAL COSTS</u>		
Non-staff Costs	567,384	470,005
Employee Insurance	207,120	171,572
Other Employee Costs	<u>413,140</u>	<u>342,234</u>
SUBTOTAL, CENTRAL COSTS	1,187,644	983,811
ADMINISTRATION - WAGES:	369,714	306,261

ADULT DEPARTMENT:		
Books and Materials	280,793	232,601
Wages	<u>330,582</u>	<u>273,845</u>
SUBTOTAL, ADULT	611,375	506,446
CHILDREN'S DEPARTMENT:		
Books and Materials	78,571	65,086
Wages	<u>343,810</u>	<u>284,802</u>
SUBTOTAL, CHILDREN'S	422,381	349,888
ARCHIVES DEPARTMENT:		
Books and Materials	25,136	20,822
Wages	<u>212,580</u>	<u>176,095</u>
SUBTOTAL, ARCHIVES	237,716	196,917
ACQUISITIONS DEPARTMENT		
Wages	242,205	200,636
CIRCULATION DEPARTMENT		
Wages	543,087	449,878
Total Library	3,614,122	2,993,837
<u>TOTAL LEVY</u>		<hr/> 7,250,000

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, Seven Million, Two Hundred Fifty Thousand Dollars (\$7,250,000), 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 2015 (December 29, 2015).

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 _____, 2015.

AYES:

NAYS:

ABSENT:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this ____ day of _____, 2015.

Laurel Lunt Prussing, Mayor

ORDINANCE NO. 2015-12-118

AN ORDINANCE DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE THE TAX LEVY FOR THE GENERAL CORPORATE FUND FOR THE YEAR BEGINNING JULY 1, 2015, AND ENDING JUNE 30, 2016

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 14, 2015, determining that the total tax levy for the City for the fiscal year beginning July 1, 2015, and ending June 30, 2016, is in the amount of \$7,250,000; and

WHEREAS, the Corporate Authorities have now determined that an appropriate total tax levy rate for the City for the year beginning July 1, 2015, and ending June 30, 2016, is \$1.3550.

NOW, THEREFORE, BE IT ORDAINED by the Corporate Authorities of the City of Urbana, Champaign County, 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 \$1.3550 for the City of Urbana for the fiscal year beginning July 1, 2015, and ending June 30, 2016.

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.

Section 3.

The City Clerk is hereby directed to file a certified copy of this Ordinance with the Champaign County Clerk no later than December 29, 2015.

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 _____, 2015.

AYES:

NAYS:

ABSENT:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this ____ day of _____, 2015.

Laurel Lunt Prussing, Mayor

ORDINANCE NO. 2015-12-119

AN ORDINANCE DIRECTING THE CHAMPAIGN COUNTY CLERK TO ABATE A PORTION OF THE 2015 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, 2015, and ending on June 30, 2016, 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 four thousand and eight hundred ninety one dollars and twenty five cents (\$924,891.25) for the 2015 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 five thousand two hundred seventy three dollars and seventy five cents (\$305,273.75) for the 2015 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 \$924,891.25.

Section 2.

The Champaign County Clerk is hereby requested and directed to abate the amount of \$924,891.25 levied for purposes of the General Obligation Bonds, Series 2012, from the 2015 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 \$305,273.75.

Section 4.

The Champaign County Clerk is hereby requested and directed to abate the amount of \$305,273.75 levied for purposes of the General Obligation Bonds, Series 2014, from the 2015 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 29, 2015.

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 _____, 2015.

AYES:

NAYS:

ABSENT:

ABSTAINED:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this ____ day of _____, 2015.

Laurel Lunt Prussing, Mayor