



Legislation Details (With Text)

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**Title:** Conduct a Truth-in-Taxation hearing for the City’s property tax levy. (Item 1 of 3)

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Truth in Taxation Notice - Citywide

Date	Ver.	Action By	Action	Result
12/17/2019	1	City Council	closed	Pass

**CITY COUNCIL AGENDA ITEM**

**ACTION REQUESTED:**

Conduct a Truth-in-Taxation hearing for the City’s property tax levy. (Item 1 of 3)

**DEPARTMENT:** Finance Department

**SUBMITTED BY:** Rachel Mayer, Finance Director

**BOARD/COMMISSION REVIEW:**

N/A

**BACKGROUND:**

The City is required to approve and file with the DuPage and Will County clerks a tax levy ordinance by the last Tuesday in December if the municipality chooses to raise revenue through property taxes. Several statutorily-required steps must occur prior to filing the levy. The completed steps to date include:

- ✓ Make tentative annual budget available for public inspection. **(October 18)**
- ✓ Estimate the amount of taxes to be levied at least 20 days prior to approval. **(November 5)**
- ✓ Determine whether a Truth-in-Taxation hearing is required. **(November 5)**
- ✓ Publish for a public hearing. **(November 17)**
- ✓ Hold hearing on tentative annual budget; pass ordinance approving annual budget. [File with county clerks within 30 days of approval, but before tax levy ordinance is filed.] **(December 3)**
- ✓ Publish notification in the newspaper of Truth-in-Taxation hearing not less than 7 days and no more than 14 days prior to date of the Truth-in-Taxation hearing. **(December 11)**

The remaining step this year for Naperville in the property tax levy process is:

- Hold truth-in-taxation hearing; adopt levy. **(December 17)**

Per Illinois state statute, municipalities are required to publish and hold a truth-in-taxation hearing if

the amount of the requested levy is more than 105% of the prior year’s general corporate and special purpose tax extensions, plus any amount abated prior to the extension. When comparing Naperville’s 2018 extension to the initial 2019 levy, the proposed 2019 levy is 122% of the previous year’s levy, therefore requiring the City to hold a truth-in-taxation hearing.

City Council set a truth-in-taxation public hearing for the City’s tax levy at the November 5, 2019 City Council meeting. The truth-in-taxation hearing notice was published on December 11, 2019 in the *Naperville Sun*.

**DISCUSSION:**

**Process**

The 2019 property tax levy recommendation supports the approved City of Naperville 2020 annual operating budget. In addition, the property tax levy recommendation adheres to the City’s three financial principles and meets the service needs of the community’s citizens while simultaneously advancing Naperville’s goals and ends policies.

<p><b>Principle #1</b> The City will pass a structurally balanced operating budget annually</p> <hr/> <p><b>2020 Approved Budget - Achieved</b></p>	<p><b>Principle #2</b> The City commits to continuous improvement in the delivery of necessary and cost-effective services</p> <hr/> <p><b>2020 Approved Budget - On Target</b></p>	<p><b>Principle #3</b> The City will actively seek to increase its reserves to 25% and reduce its debt by 25% in the next eight years.</p> <hr/> <p><b>2020 Approved Budget - On Target</b></p>
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A primary policy decision throughout the budget creation process is property taxes. Property taxes are the primary funding source for long-term obligations of the City, such as public safety pensions, IMRF pensions and debt service payments. Property taxes are also the predominate funding source for the Library and Naper Settlement operations.

This year’s budget recommendation includes taking advantage of community growth through property taxes in the form of maintaining a flat property tax rate. This increase is included in the approved 2020 budget, which allows the City to leverage EAV growth throughout Naperville.

**Property Tax Levy Ordinance**

The first ordinance attached to this agenda item is for approval of the 2019 property tax levy, which will be used to fund the 2020 operating budget approved at the December 3, 2019 City Council meeting.

The initial 2019 property tax levy for the City of Naperville is requested at \$60,609,773. *This amount does not include any abatements related to the utility or special fund debt service.* The total property tax levy is determined from a variety of sources:

**Naperville Public Library Levy Request**

The library portion is based on the request made by the Library Board. The Naperville Public Library is more than 95% funded by property taxes. The Library Board requested a levy of \$14.9 million, a 0.66% increase from last year’s extension.

Naper Settlement Levy Request

The Naper Settlement, Naperville Heritage Society and Naper Settlement Museum Boards requested City Council approve a levy in the amount of \$2.8 million, which is a 1.2% decrease from the prior year. The Settlement receives more than 70% of its annual funding through property taxes.

Public Safety Pension Levy

Per the actuarial report, the total required contribution for public safety pensions increased \$966,000 to \$17.00 million. Required contributions to the Fire pension increased 8.4%, and required contributions to the Police pension increased 2.9% from the prior year. Starting with the 2016 tax levy, City Council authorized the partial funding of public safety pension obligations through the use of Food & Beverage Tax proceeds. For 2020, \$1.12 million will be used to fund the pension liability. The remaining \$15.88 million will be funded through the property tax levy.

IMRF Pension Levy

The portion allocated to the Illinois Municipal Retirement Fund (IMRF) is based on the actuarial calculated percentage given to the City by IMRF. The 2020 rate is 11.05%, a 18% increase from the 2019 rate. The 2019 levy amount reflects this increase and totals \$2.62 million.

Debt Service Levy

The debt service value is based on the City's actual annual debt service requirements. As required per statute, City Council approves a levy for the entire value of the General Obligation (G.O.) bonds' debt service, including those for general corporate borrowing, water/wastewater and electric utility borrowing, and borrowing related to special purposes. The City is required to fully levy for all general obligation debt as part of the initial levy. This amount for all general obligation debt service is \$18.93 million. A second ordinance is attached to abate \$9,094,513. This is the portion of debt service that is paid by other funds, such as the Water/Wastewater Utility Fund and the Electric Utility Fund.

General Corporate

The general corporate portion of the request is utilized to support City operations, including services to residents and businesses. Excluding pension obligations, the \$5.45 million supports 5.0% of the City's remaining operational expenses.

The initial total tax levy is estimated at \$60.61 million. The chart below shows the 2018 extension compared to the 2019 initial request; these are the figures utilized to calculate the truth-in-taxation requirements.

	<b>2018 Extension</b>	<b>2019 Initial Request</b>
General Corporate	3,169,441	5,446,468
Debt Service	11,486,520	18,926,913
IMRF Pension	2,202,004	2,620,624
Fire Pension	8,497,570	9,152,158
Police Pension	6,577,133	6,731,658
Naper Settlement	2,830,117	2,796,952
Library	14,836,454	14,935,000

<b>TOTAL</b>	<b>\$ 49,599,239</b>	<b>\$ 60,609,773</b>
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**Property Tax Abatement Ordinance**

A second ordinance is also attached to this agenda item for consideration by the City Council. The ordinance is for abatement of debt service owed by other funds on outstanding G.O. bonds. Taxes abated will be offset by separate property tax levies for: SSA #21, SSA #23 and SSA #25; user fees in the Electric Utility and Water/Wastewater Utility Funds; and revenues dedicated to debt service from the food and beverage fund and home rule sales tax. The breakdown of the abatement is as follows:

Funding Source	Bond Series	Amount
Electric Fund	2011A	885,950
	2012	1,240,496
	2016 (refunding)	1,139,900
<b>Subtotal</b>		<b>\$3,266,346</b>
Water/Wastewater Fund	2010A	391,837
	2010B	777,068
	2011A	641,550
	2016 (refunding)	553,350
<b>Subtotal</b>		<b>\$2,363,805</b>
Downtown Parking Fund	2016 (refunding)	322,200
<b>Subtotal</b>		<b>\$322,200</b>
SSA #21	2010D	165,338
	2012	60,512
<b>Subtotal</b>		<b>\$225,850</b>
Food and Beverage Fund	2016 (refunding)	903,312
<b>Subtotal</b>		<b>\$903,312</b>
SSA #23	2016 (refunding)	65,000
<b>Subtotal</b>		<b>\$65,000</b>
Water Street TIF	2014	65,875
	2016	214,125
<b>Subtotal</b>		<b>\$280,000</b>
SSA #25	2016 (refunding)	68,000
<b>Subtotal</b>		<b>\$68,000</b>
Home Rule Sales Tax	2016 (refunding)	\$1,600,000
<b>Subtotal</b>		<b>\$1,600,000</b>
<b>GRAND TOTAL</b>		<b>\$9,094,5</b>

**Final Property Tax Levy Amount**

Taking the initial total tax levy of \$60.61 million and combining it with the \$9.10 million in utility and other funding source abatements equals a total property tax levy of \$51,515,260. The net effect is a \$1.92 million increase in the proposed levy amount. Combined with the City’s projected 4% EAV

growth, this total is estimated to maintain the City's property tax rate.

	<b>2018 Extension</b>	<b>2019 Levy</b>	<b>Change (%)</b>
General Corporate	3,169,441	5,446,468	71.8%
Debt Service	11,486,520	9,832,400	-14.4%
IMRF Pension	2,202,004	2,620,624	19.0%
Fire Pension	8,497,570	9,152,158	7.7%
Police Pension	6,577,133	6,731,658	2.4%
Naper Settlement	2,830,117	2,796,952	-1.2%
Library	14,836,454	14,935,000	0.7%
<b>TOTAL</b>	<b>\$ 49,599,239</b>	<b>\$ 51,515,260</b>	<b>3.9%</b>

**FISCAL IMPACT:**

The final total property tax levy will be \$51,515,260, with an estimated tax rate of 0.6870. The City continues to have the lowest property tax rate of our comparable communities and strives each year to maintain an appropriate property tax rate. While the City component makes up only 10% of a resident's total tax bill, staff attempts each year to minimize the impact the City has on a resident's overall property tax bill.

Since implementation of the financial principles in 2015, the incremental increase in value due to appreciation and new growth was used to reduce the property tax rate from 0.8081 to the 2019 levy estimate of 0.6870. During the timeframe, the City portion of an average homeowner's property tax bill decreased from \$995 to a projected \$861.