



## Legislation Details (With Text)

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**Title:** Receive the estimated 2022 property tax levy for the City of Naperville, including the Naperville Public Library, and direct staff to publish notice for a Truth-in-Taxation hearing on December 20, 2022

**Sponsors:**

**Indexes:**

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Date	Ver.	Action By	Action	Result
11/15/2022	1	City Council	received	Pass

### CITY COUNCIL AGENDA ITEM

**ACTION REQUESTED:**

Receive the estimated 2022 property tax levy for the City of Naperville, including the Naperville Public Library, and direct staff to publish notice for a Truth-in-Taxation hearing on December 20, 2022

**DEPARTMENT:** Finance Department

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

**BOARD/COMMISSION REVIEW:**

N/A

**BACKGROUND:**

Pursuant to 35 ILCS 200/18-60, the City Council is to determine the amounts of money, exclusive of election costs, estimated to be necessary to be raised by taxation upon the taxable property in the City. The proposed estimate of levy can then be considered for final approval by City Council at the December 20, 2022 City Council meeting. This satisfies the minimum 20 days requirement between the estimate of the levy and the adoption of the levy.

By law, the City is required to approve and file with the DuPage and Will county clerks a tax levy ordinance by the last Tuesday of December if the municipality chooses to raise revenue through real estate taxes. Several statutorily required steps need to occur prior to the filing of the levy. These steps include:

- Make the tentative annual budget available for public inspection and publish notice of a public hearing.
- Hold a public hearing on the tentative annual budget and pass an ordinance approving the

annual budget.

- File approved budget with county clerks within 30 days of approval, but before tax levy ordinance is filed.
- Estimate the amount of taxes to be levied at least 20 days prior to approval.
- Determine whether a Truth-in-Taxation hearing is required.
- Publish notification in the newspaper of the Truth-in-Taxation hearing not less than seven days and no more than 14 days prior to the date of the Truth-in-Taxation hearing.
- Hold the Truth-in-Taxation hearing and adopt the levy ordinance.

### **DISCUSSION:**

On December 21, 2021, City Council approved a 2021 property tax levy of \$54,972,910, followed by the abatement of debt service funded by the utility funds and other special revenue funds in the amount of \$8,622,858. The final amount extended to property owners per the counties was \$54,461,001.32 which resulted in a final rate of 0.6874.

The chart below compares the final 2021 property tax extension and the estimated 2022 property tax levy. Staff estimates the initial 2022 property tax levy at \$65,004,372. The 2022 levy supports the 2023 annual budget for City operations, pension obligations and debt service. The City is required to levy property taxes for an amount necessary to cover all debt service, therefore the estimated 2022 levy is inclusive of all General Obligation (GO) debt service. Historically, the City's property tax levy ordinance is immediately followed by an ordinance to abate an amount equal to any debt service payable by one of the City's utility funds or any other special revenue sources.

<b>Purpose</b>	<b>2021 Final Extension</b>	<b>2022 Estimated Levy</b>	<b>% Change</b>
General Corporate	6,750,185	7,000,000	3.7%
Debt Service	8,683,337	17,885,119	105.9%
IMRF	2,218,371	2,050,000	-7.6%
Naperville Fire Pension	10,053,973	10,011,276	-0.4%
Naperville Police Pension	7,526,615	7,935,181	5.4%
Naper Settlement	3,913,840	4,162,796	6.4%
Naperville Public Library	15,314,681	15,960,000	4.2%
<b>Total Levy</b>	<b>54,461,001</b>	<b>65,004,372</b>	<b>19.4%</b>

Per Illinois state statute, municipalities are required to publish notice for a Truth-in-Taxation hearing if the amount of the requested levy is 105% greater than the prior year's extension. Therefore, when comparing the 2021 extension to the 2022 levy, the levy increases by 19.4% (before debt service abatements), requiring the City to provide notice and hold a truth-in-taxation hearing.

To provide a more accurate comparison of the year-over-year change in property tax, the chart below compares the final 2021 property tax extension to the estimated 2022 property tax levy with debt service abatements. This amount of \$55,228,235 is what staff estimates is needed to support the proposed 2023 Annual Budget. This total represents the full amount to be levied, after debt service abatements, and represents a 1.4% increase from the 2021 extension and is projected to result in an extended rate of 0.6743 (assuming EAV growth of 4%).

The final 2022 extension and tax rate will be determined once the final equalized assessed valuation (EAV) has been determined by both DuPage and Will counties.

<b>Purpose</b>	<b>2021 Final Extension</b>	<b>2022 Estimated Levy w/abatements</b>	<b>% Change</b>
General Corporate	6,750,185	7,000,000	3.7%
Debt Service	8,683,337	17,885,119	-6.6%
<i>Debt Service Abatements</i>	-	(9,776,137)	
IMRF	2,218,371	2,050,000	-7.6%
Naperville Fire Pension	10,053,973	10,011,276	-0.4%
Naperville Police Pension	7,526,615	7,935,181	5.4%
Naper Settlement	3,913,840	4,162,796	6.4%
Naperville Public Library	15,314,681	15,960,000	4.2%
<b>Total Levy</b>	<b>\$54,461,001</b>	<b>\$55,228,235</b>	<b>1.4%</b>

The estimated 2022 property tax levy values shown in the preceding tables are derived from a variety of sources including:

#### General Corporate

The general corporate portion of the property taxes are \$7,000,000. This levy is utilized to support City operations. The 2022 levy amount is an increase of \$250,000, or 3.7% from the 2021 extension.

#### Debt Service Levy

The debt service value is based on the City's actual annual debt service requirements for 2022 of \$17,885,119, which represents a 106% increase from the debt service amount extended for 2021. However, when including planned abatements for the utilities and other funding sources, this amount totals \$8,108,982, which is a decrease of 6.6% from the 2021 extension.

#### IMRF Pension Levy

The portion allocated to the Illinois Municipal Retirement Fund (IMRF) is based on the actuarially calculated percentage given to the City by IMRF. The rate decreases from 8.58% in 2022 to 7.26% in 2023. The 2022 levy amount totals \$2,050,000, a 7.4% decrease from the prior year, and accounts for the General Fund portion of IMRF contributions.

#### Public Safety Pension Levy

Per the 2022 actuarial valuation report, the required contributions to the Fire pension decreases by \$607,924, or 5.7%, and the Police pension decreases by \$154,430, or 1.9%. The total required public safety pension contributions amount is \$17,946,457. The property tax will fully fund public safety pensions in 2023, with the Food and Beverage Tax funding an additional \$1,475,376.

#### Naper Settlement Levy Request

The Naper Settlement portion is based on the request made by the Naperville Heritage Society. The Settlement receives more than 90% of its annual funding through property taxes. The Heritage

Society requested a levy of \$4,162,796, an increase of 6.5% from the prior year's levy request.

*Naperville Library Levy Request*

The Library portion is based on the request made by the Naperville Public Library Board. The Naperville Public Library is more than 95% funded by property taxes. The Library Board requested City Council approve a levy of \$15,960,000, an increase of 4.2% from the prior year's levy request.

**FISCAL IMPACT:**

This agenda item estimates the 2022 property tax levy for purposes of determining if a Truth-in-Taxation notice and public hearing are required. A formal request to approve the 2022 property tax levy will be presented on December 20, 2022.