



Legislation Details (With Text)

File #: 18-1070 **Version:** 1

Type: Public Hearing **Status:** Agenda Ready

File created: 12/7/2018 **In control:** City Council

On agenda: 12/18/2018 **Final action:** 12/18/2018

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

Sponsors:

Indexes:

Code sections:

Attachments: 1. 2018 General Corporate Truth in Taxation (Attachment)

Date	Ver.	Action By	Action	Result
12/18/2018	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 19)**
- ✓ Publish for a public hearing. **(November 18)**
- ✓ 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 4)**
- ✓ Estimate the amount of taxes to be levied at least 20 days prior to approval. **(November 6)**
- ✓ Determine whether a Truth-in-Taxation hearing is required. **(November 6)**
- ✓ 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 9)**

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

- Hold truth-in-taxation hearing; adopt levy. **(December 18)**

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 2017 extension to the initial 2018 levy, the proposed 2018 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 6, 2018 City Council meeting. The truth-in-taxation hearing notice was published on December 9, 2018 in the *Naperville Sun*.

DISCUSSION:

Process

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

Principle #1 The City will pass a structurally balanced operating budget annually	Principle #2 The City commits to continuous improvement in the delivery of necessary and cost-effective services	Principle #3 The City will actively seek to increase its reserves to 25% and reduce its debt by 25% in the next eight years.
2019 Approved Budget - Achieved	2019 Approved Budget - On Target	2019 Approved Budget - On Target

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 2019 budget, which allows the City to leverage EAV growth throughout Naperville.

As part of the budget approval process, City Council directed staff to come back with a revenue report in January 2019 that includes alternative options to increasing the property tax levy. Staff will continue to research both revenue enhancement and expenditure reduction options into 2019 with the potential of abating a component of the City’s property taxes. The City has until March 2019 to finalize any property tax abatements.

Property Tax Levy Ordinance

The first ordinance attached to this agenda item is for approval of the 2018 property tax levy, which will be used to fund the 2019 operating budget approved at the December 4, 2018 City Council meeting.

The initial 2018 property tax levy for the City of Naperville is requested at \$57,738,505. *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 94% funded by property taxes. The Library Board requested a levy of \$14.68 million, a 0.3% decrease 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 \$2.80 million, which is a 4.7% 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 decreased \$41,498 to \$15.98 million. Required contributions to the Fire pension increased 0.49%, and required contributions to the Police pension decreased 1.20% 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 2019, \$1.07 million will be used to fund the pension liability. The remaining \$14.90 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 2019 rate is 9.34%, a 16% reduction from the 2018 rate. The 2018 levy amount reflects this decrease and totals \$2.18 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 \$20.02 million. A second ordinance is attached to abate \$8,657,023. 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 \$3.14 million supports 2.8% of the City's remaining operational expenses.

The initial total tax levy is estimated at \$57.83 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.

	2018 Extension	2019 Initial Request
General Corporate	1,307,083	3,137,894
Debt Service	10,693,053	20,022,986
IMRF Pension	2,565,498	2,179,717
Fire Pension	8,468,231	8,406,983
Police Pension	6,681,420	6,510,973

Naper Settlement	2,933,985	2,796,952
Library	14,732,496	14,683,000
TOTAL	\$ 47,381,766	\$ 57,738,505

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 a portion 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 and SSA #23, user fees in the Electric Utility and Water/Wastewater Utility Funds and revenues dedicated to debt service from the food and beverage fund. The breakdown of the abatement is as follows:

Funding Source	Bond Series	Amount
Electric Fund	2011A	905,090
	2012	1,634,342
	2016 (refunding)	1,292,200
Subtotal		\$3,831,632
Water/Wastewater Fund	2010A	391,838
	2010B	804,199
	2011A	655,410
	2016 (refunding)	837,450
Subtotal		\$2,688,897
Downtown Parking Fund	2016 (refunding)	333,000
Subtotal		\$333,000
SSA #21	2010D	164,625
	2012	79,724
Subtotal		\$244,349
Food and Beverage Fund	2016 (refunding)	759,980
Subtotal		\$759,980
SSA #23	2016 (refunding)	76,000
Subtotal		\$76,000
Water Street TIF	2014	34,040
	2016	214,125
Subtotal		\$248,165
Home Rule Sales Tax	2016 (refunding)	475,000
Subtotal		\$475,000
GRAND TOTAL		\$8,657,023

Final Property Tax Levy Amount

Taking the initial total tax levy of \$57.74 million and combining it with the \$8.66 million in utility and Special Service Area abatements equals a total property tax levy of \$49,081,482. The net effect is a \$1.70 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.

	2018 Extension	2019 Levy	Change (%)
General Corporate	1,307,083	3,137,894	140.1%
Debt Service	10,693,053	11,365,963	6.3%
IMRF Pension	2,565,498	2,179,717	-15.0%
Fire Pension	8,468,231	8,406,983	-0.7%
Police Pension	6,681,420	6,510,973	-2.6%
Naper Settlement	2,933,985	2,796,952	-4.7%
Library	14,732,496	14,683,000	-0.3%
TOTAL	\$ 47,381,766	\$ 49,081,482	3.6%

FISCAL IMPACT:

The final total property tax levy will be \$49,081,482, with an estimated tax rate of 0.6815. 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 2018 levy estimate of 0.6815. During the timeframe, the City portion of an average homeowner's property tax bill decreased from \$995 to a projected \$848.