



Legislation Details (With Text)

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CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Conduct a Truth-in-Taxation hearing for the 2023 property tax levy (Item 1 of 3)

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Finance Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

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

- ✓ Make a tentative annual budget available for public inspection. **(October 13)**
- ✓ Estimate the amount of taxes to be levied at least 20 days prior to approval and determine whether a Truth-in-Taxation hearing is required **(November 7)**
- ✓ Publish notice for a public hearing on the tentative annual budget. **(November 8)**
- ✓ Hold a hearing on the tentative annual budget and pass an ordinance approving the annual budget. **(November 21)**
- ✓ Publish notification in the newspaper of a 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. **(November 24)**

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

- Hold a Truth-in-Taxation hearing and adopt the levy. **(December 5)**

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 tax year 2022 extension to the initial, unabated 2023 levy, the proposed 2023 levy is 114.5% of the previous year's levy, therefore requiring the City to hold a Truth-in-Taxation hearing.

The City Council received the estimated tax levy and set a Truth-in-Taxation hearing at its November 7, 2023 meeting. The Truth-in-Taxation hearing notice was published on November 24 in the *Naperville Sun* newspaper.

DISCUSSION:

The 2023 property tax levy recommendation supports the approved City of Naperville 2024 annual operating budget, which was approved by the City Council on November 21, 2023. A key policy decision throughout the budget development process is the establishment of the annual property tax levy amount. 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 predominant funding source for Naperville Public Library and Naper Settlement operations.

Like prior years, this year's recommended property tax levy takes advantage of growth in the equalized assessed valuation (EAV) of the community. Assuming 9% growth in EAV, the proposed tax levy is estimated to produce a property tax rate of 0.6277. That estimated rate represents a 5.5% reduction to the 2022 extended rate of 0.6645. Actual tax extension rates are dependent on the final EAV, so the 2023 extended rate may be slightly higher or lower depending on the final EAV, which is not determined until after the tax levy filing deadline.

The estimated tax rate assumes that after approval of the 2023 property tax levy ordinance, the City will abate \$6.41 million in debt service levies which the City will fund through other sources.

Property Tax Levy Ordinance

The first ordinance attached to this agenda item is for approval of the 2023 property tax levy, which will be used to fund the 2024 operating budget approved at the November 21, 2023, City Council meeting.

The initial 2023 property tax levy for the City of Naperville is requested at \$63,387,483. This amount includes all corporate and special purpose levies but does not include any abatements related to the utility or special fund debt service.

The total property tax levy is derived from a variety of sources, as detailed below:

General Corporate

The general corporate portion of the levy request supports the City's General Fund which provides fire, police, and public works services to the community. The \$8.00 million levy request supports just 5% of the City's total General Fund operating expenses; however, this amount represents a key component of the City's revenue diversification model as property taxes are historically the City's most stable revenue source.

Debt Service Levy

The debt service levy is based on the City's annual debt service requirements. As required by statute,

the City Council approves a levy for the entire value of the general obligation (GO) bonds debt service, including those for general corporate borrowing, water/wastewater, and electric utility borrowing and borrowing related to special purposes, at the time the bonds are issued. The City is required to levy for all GO debt as part of the initial levy. The amount for all GO debt service is \$14.69 million. Following approval of the 2023 property tax levy ordinance, City Council will be asked to approve an ordinance to abate \$6.41 million from the debt service levies. This represents the portion of debt service paid for through other sources, such as the Water Utilities Fund and the Electric Utility Fund.

Illinois Municipal Retirement Fund (IMRF) Pension Levy

The portion of the tax levy allocated to IMRF is based on the actuarially calculated percentage provided to the City by IMRF. The 2024 rate is 6.82%, a 6.1% decrease from the 2023 rate. The 2023 levy amount totals \$1.98 million and represents the General Fund portion of the total estimated IMRF obligation.

Public Safety Pension Levies

Per the 2023 actuarial valuation report, the required contributions to the fire pension increase by \$316,584, or 3.1%, and the police pension increases by \$139,422, or 1.7%. The total required public safety pension contributions amount is \$18,402,463. The property tax will fully fund public safety pensions in 2024, with the Food and Beverage Tax funding an additional \$1,577,000.

Naper Settlement Levy Request

The Naper Settlement portion is based on the request made by the Naperville Heritage Society. Naper Settlement receives more than 90% of its annual funding through property taxes. The Heritage Society initially requested a levy of \$5,189,251, an increase of 25% from the prior year's levy request. The initial requested amount was reduced through budget adjustments and the use of Food and Beverage Tax to diversify funding sources for Naper Settlement in 2024. The final levy is recommended at \$3,897,251, a decrease of 6.4% from the prior year's levy request. The levy supports the increasing cost of operations created by the addition of new buildings on the museum campus, along with normal cost increases.

Naperville Public 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 the City Council approve a levy of \$16,415,000, an increase of 2.8% from the prior year's levy request. The levy request supports the increasing cost of operations, including personnel costs, materials, and programs.

The initial total tax levy is requested at \$63,387,483. The chart below shows the 2022 extension compared to the 2023 initial request; these are the figures utilized to calculate the Truth-in-Taxation requirements.

Purpose	2022 Final Extension	2023 Estimated Levy	% Change
General Corporate	7,004,442	8,000,000	14.2%
Debt Service	8,195,447	14,691,769	79.3%
IMRF	2,057,190	1,981,000	-3.7%
Naperville Fire Pension	10,019,434	10,327,860	3.1%

Naperville Police Pension	7,937,257	8,074,603	1.7%
Naper Settlement	4,164,353	3,897,251	-6.4%
Naperville Public Library	15,966,130	16,415,000	2.8%
Total Levy	55,344,253	63,387,483	14.5%

Property Tax Abatement Ordinance

Following the 2023 property tax levy ordinance, a second ordinance is presented for consideration by the City Council. This ordinance is for the abatement of a portion of debt service owed by other funds on outstanding GO bonds. Taxes abated will be offset by funds available from other sources, including user fees in the Electric Utility and Water Utilities funds; separate property taxes received through Special Service Area (SSA) #23 and the Water Street TIF; and revenues dedicated to debt service from Food and Beverage taxes. The breakdown of the abatement is as follows:

Funding Source	Bond Series	Amount
Electric Fund	2012	\$635,418
	2016 (refunding)	\$958,100
	2020	\$643,900
Subtotal		\$2,237,418
Water/Wastewater Fund	2016 (refunding)	\$571,950
	2020	\$1,628,000
	2022A	\$440,400
Subtotal		\$2,640,350
Downtown Parking Fund	2016 (refunding)	\$257,300
	2020	\$4,000
Subtotal		\$261,300
SSA #23 Fund	2016 (refunding)	\$98,939
Subtotal		\$98,939
Water Street TIF Fund	2014	\$387,500
	2016	\$279,500
Subtotal		\$667,000
Food and Beverage Fund	2020	\$500,000
Subtotal		\$500,000
GRAND TOTAL		\$6,405,007

Final Property Tax Levy Amount

Taking the initial total tax levy of \$63,387,483 and combining it with the \$6,405,007 in abatements from utility and special funds results in a total property tax levy of \$56,982,476. The net effect is a 2.9% increase over the final 2022 tax extension.

	2023 Final Extension	2023 Levy w/Abatements	Change (%)
General Corporate	7,004,442	8,000,000	14.2%

Debt Service	8,195,447	8,286,762	1.1%
IMRF Pension	2,057,190	1,981,000	-3.7%
Fire Pension	10,019,434	10,327,860	3.1%
Police Pension	7,937,257	8,074,603	1.7%
Naper Settlement	4,164,353	3,897,251	-6.4%
Library	15,966,130	16,415,000	2.8%
TOTAL	\$55,344,253	\$56,982,476	2.9%

The City strives each year to maintain an appropriate property tax rate and continues to have one of the lowest property tax rates among our comparable communities. While the City components make up only 10% of a property owner's total tax bill, the City attempts each year to minimize the impact it has on the overall property tax bill.

FISCAL IMPACT:

The final property tax levy after abatements will be \$56,982,476, which will support the 2024 Annual Budget.