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Title: Receive the estimated 2023 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 5, 2023

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Date	Ver.	Action By	Action	Result
11/7/2023	1	City Council	approved	Pass

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Receive the estimated 2023 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 5, 2023

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 5, 2023 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 the approved budget with county clerks within 30 days of approval, but before the 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 20, 2022, City Council approved a 2022 property tax levy of \$65,004,372, followed by the abatement of debt service funded by the utility funds and other special revenue funds in the amount of \$9,776,137. The final amount extended to property owners per the counties was \$55,344,253 which resulted in a final rate of 0.6645.

The chart below compares the final 2022 property tax extension and the estimated 2023 property tax levy. Staff estimates the initial 2023 property tax levy at \$63,387,483. The 2023 levy supports the 2024 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 2023 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.

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%

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 2022 extension to the 2023 levy, the levy increases by 14.5% (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 2022 property tax extension to the estimated 2023 property tax levy *with debt service abatements*. This amount of \$56,982,476 is what staff estimates is needed to support the proposed 2024 Annual Budget. This total represents the full amount to be levied, after debt service abatements, and represents a 3.0% increase from the 2022 extension and is projected to result in an extended rate of 0.6277 (assuming EAV growth of 9%).

The final 2023 extension and tax rate will be determined once the final equalized assessed valuation (EAV) has been determined by DuPage and Will counties.

Purpose	2022 Final Extension	2023 Estimated Levy w/abatements	% Change
General Corporate	7,004,442	8,000,000	14.2%
Debt Service	8,195,447	14,691,769	1.1%
<i>Debt Service Abatements</i>	-	<i>(6,405,007)</i>	
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	56,982,476	3.0%

The estimated 2023 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 \$8,000,000. This levy is utilized to support City operations. The 2023 levy amount is an increase of \$995,558, or 14.2% from the 2022 extension. This amount represents approximately 10% of General Fund operating costs in the fire and police departments, exclusive of pension amounts.

Debt Service Levy

The debt service value is based on the City’s actual annual debt service requirements for 2024 of \$14,691,769, which represents a 79.3% increase from the debt service amount extended for 2022. However, when including planned abatements for the utilities and other funding sources, this amount totals \$8,286,762, which is an increase of 1.1% from the 2022 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 7.26% in 2023 to 6.82% in 2024. The 2023 levy amount totals \$1,981,000, a 3.4% decrease from the prior year, and accounts for the General Fund portion of IMRF contributions.

Public Safety Pension Levy

Per the 2023 actuarial valuation report, the required contribution to the Fire pension fund increased by \$316,584, or 3.1%, and the Police pension fund contribution increased 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. Historically, Naper Settlement receives more than 90% of its annual funding through property taxes. The Heritage Society requested a levy of \$5,189,251 for 2023. That amount is 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.

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 the City Council approve a levy of \$16,415,000, an increase of 2.9% from the prior year's levy request.

FISCAL IMPACT:

This agenda item estimates the 2023 property tax levy for purposes of determining if a Truth-in-Taxation notice and public hearing are required. A formal request to approve the 2023 property tax levy will be presented on December 5, 2023.