



Legislation Text

File #: 18-209, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Pass the ordinance to abate a portion of the 2017 tax levy for the City of Naperville authorizing an abatement of \$1.8 million from the revised tax levy of \$48,686,811 for a net total tax levy of \$46,886,811

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Director of Finance

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

On December 19, 2017, City Council passed Ordinance 17-171 which levied and assessed taxes for the fiscal year starting January 1, 2018 and ending December 31, 2018. This levy is used for the funding of the City's general corporate fund, debt service, retirement funds, the Naperville Library and Naper Settlement. The initial amount levied for 2017 totaled \$56,856,960.

Subsequently, City Council passed Ordinance 17-172 at the same meeting. This Ordinance reduced the City's debt service levy associated with the electric and water/wastewater utilities. The revised amount levied for 2017 was reduced to \$48,686,811.

DISCUSSION:

During the CY2018 budgetary process a variety of revenue and expense changes were discussed in order to maintain a structurally balanced budget and focus on minimizing the impact on property tax bills. As such, City Council decided to reexamine rates for several local taxes. At the February 6, 2018 City Council meeting, Council voted to increase both the hotel/motel tax and the telecommunications tax. Next, City Council voted to increase the home rule sales tax at the March 6, 2018 meeting. The table below shows the action items that were considered since the passage of the budget. The table also shows the impact on the 2018 property tax levy.

Component	Action	Effective Date	Financial Impact	Impact on 2018 Target
APPROVED ACTION ITEMS				
Bond Sale	Lower interest rate than anticipated	Immediate	Reduces gap starting point by \$200,000	Abatement of \$200,000

Municipal Telecommunications Tax	Increased from 5.0% to 6.0%	July 1, 2018 collection October 1, 2018 disbursement	\$220,000 increase for 2018; \$880,000 increase in 2019	Increases abatement to \$420,000
Hotel/Motel Tax	Increased from 4.4% to 5.5%	April 1, 2018 collection and disbursement	\$280,000 increase for 2018; \$350,000 increase in 2019	Increases abatement to \$700,000
Home Rule Sales Tax	Increased from 0.50% to 0.75%	July 1, 2018 collection October 1, 2018 disbursement	\$1.1 million increase for 2018; \$4.4 million increase in 2019	Increases abatement to \$1.8 million
UNAPPROVED ACTION ITEMS				
Maintenance/Capital Items Decrease	Place one- or multi-year moratorium on storm sewer lining program	Immediate	\$500,000 decrease for 2018 \$500,000 decrease in 2019 and beyond	Would have increased abatement to \$2.3 million; \$200,000 below prior year property taxes

The unapproved action item was the proposed reduction of \$500,000 from the storm sewer lining program. Staff affirms its recommendation to not eliminate the funds associated with the storm sewer lining program due to the cost effectiveness of the program. Additionally, within the first quarter of the year, staff has identified additional budgetary pressures. Specifically, the high costs of winter operations and the proposal made by the Governor to extend the 10% reduction in income tax distributions through the Local Government Distributive Fund (LGDF), which is projected to reduce city revenues by an incremental \$700,000. These two items will limit staff's ability to manage any future budgetary pressures.

The approved actions items above combine to produce the attached abatement of \$1,800,000. The debt service component of the property taxes will be abated and offset by debt service savings and incremental revenues generated. The chart below shows the levy approval process and the last column displays the final amount to be levied per this abatement.

	2017 Final Extension	Ordinance 17 -171	Ordinance 17 -172	2018 Proposed Levy
General Fund	5,260,791	1,290,000	1,290,000	1,290,000
IMRF	2,767,083	2,538,237	2,538,237	2,538,237
Firefighter Pension	6,821,025	8,381,201	8,381,201	8,381,201
Police Pension	6,114,252	6,614,131	6,614,131	6,614,131
Library	14,128,791	14,583,000	14,583,000	14,583,000
Naper Settlement	2,960,445	2,898,272	2,898,272	2,898,272
Debt Service		20,552,119	20,552,119	12,381,970
Debt Service Abatement (Utilities)			(8,170,149)	

<i>Telecommunications Tax</i>				(220,000)
<i>Hotel & Motel Tax</i>				(280,000)
<i>Home Rule Sales Tax</i>				(1,100,000)
<i>Debt Service Savings</i>				(200,000)
DEBT SERVICE SUBTOTAL	8,647,967	20,552,119	12,381,970	10,581,970
GRAND TOTAL	\$ 46,700,354	\$ 56,856,960	\$ 48,686,811	\$ 46,886,811

The final total property tax levy will be \$46,886,811. This will result in an estimated tax rate of 0.6762, a decrease from the prior year rate, 0.7004. 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.

FISCAL IMPACT:

The value of the average home has increased from \$380,000 in 2017 to \$395,200 in 2018. The average homeowner is projected to see a property tax bill of approximately \$816 for the City component of their property tax bill due to this abatement of the property tax levy.