



Legislation Text

File #: 17-807, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Receive the estimated 2017 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 19, 2017.

DEPARTMENT: Finance Department

SUBMITTED BY: Erik Hallgren, Financial Services Supervisor

BOARD/COMMISSION REVIEW:

None

BACKGROUND:

Pursuant to 35 ILCS 200/18-60, 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 19, 2017 City Council meeting. This satisfies the minimum twenty (20) days requirement between the estimate of 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. There are several statutorily required steps that need to occur prior to the filing of the levy. These steps include:

- Make tentative annual budget available for public inspection. Publish for a public hearing.
- 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.]
- 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 Truth-in-Taxation hearing not less than 7 days and no more than 14 days prior to date of the Truth-in-Taxation hearing.
- Hold Truth-in-Taxation hearing; adopt levy.

DISCUSSION:

The chart below shows the 2016 final levy and the final 2016 extension. The City is required to levy property taxes for an amount necessary to cover all debt service, therefore the 2016 levy figure is inclusive of all General Obligation (GO) debt service and the City's initial request. The 2016 levy

figure includes the abatement for debt service funded by the utility funds and other special revenue funds in the amount of \$7.59 million, this was approved December 20, 2016. Additionally, the 2016 levy includes the \$4.26 million abatement approved on March 21, 2017 related the home rule sales tax. Therefore, in 2016 City Council approved a levy of \$46,212,785. The amount extended to property owners per the counties was \$46,700,354, which resulted in a rate of 0.7004.

Purpose	2016 Final Levy	2016 Final Extension
General Corporate	5,207,836	5,260,791
Debt Service	20,400,525	8,647,967
<i>Debt Service Abatements</i>	<i>(7,586,449)</i>	-
<i>Abatement per City Council</i>	<i>(4,255,000)</i>	-
IMRF	2,738,687	2,767,083
Naperville Fire Pension	6,747,440	6,821,025
Naperville Police Pension	6,048,474	6,114,252
Naper Settlement	2,927,272	2,960,445
Naperville Public Library	13,984,000	14,128,791
Total Levy	46,212,785	46,700,354

Staff estimates the initial 2017 property tax levy at \$58,271,597. This amount does not include abatements related to the home rule sales tax or utility/special fund debt service.

Per Illinois state statute, municipalities are required to publish 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 2016 extension to the 2017 levy, the levy increased 24.7% (without abatements), requiring the City to hold a truth-in-taxation hearing.

To provide a more accurate comparison of the year over year property tax requirements, staff has provided the 2017 recommended property tax levy with debt service abatements. This amount of \$50,169,583 is what staff estimates is needed to support the proposed CY18 Annual Budget. This total represents the full amount to be extended including debt service abatements, this represents a 7.4% increase from the 2016 extension, and is projected to result in a rate of 0.7235.

The chart below shows the initial recommendation for the 2017 levy, with and without debt service abatements. The final 2017 extension will be determined once the final equalized assessed valuation (EAV) has been determined by both DuPage and Will Counties.

Purpose	2017 Recommended Levy	2017 Recommended Levy (w/abatements)
General Corporate	2,650,000	2,650,000
Debt Service	20,577,756	20,577,756

<i>Debt Service Abatements</i>	-	8,101,744
IMRF	2,538,237	2,538,237
Naperville Fire Pension	8,381,201	8,381,201
Naperville Police Pension	6,614,131	6,614,131
Naper Settlement	2,927,272	2,927,272
Naperville Public Library	14,583,000	14,583,000
Total Levy	58,271,597	50,169,853

The values shown in the preceding tables are derived from a variety of sources including:

Naperville Library Levy Request

The Library portion is based on the request made by the Library Board. The Naperville Library is more than 90% funded by property taxes. The Library Board requested City Council approve a levy of \$14.6 million, which is a 3.2% increase from last year.

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 \$2.93 million, which is flat from the prior year. The Settlement receives more than 75% of its annual funding through property taxes.

Public Safety Pension Levy

Per the actuary report, the required contribution for public safety pensions increased \$2.1 million overall. Required contributions to the Fire pension increased \$1.6 million, a 22.9% increase from the prior year’s requirement of \$6.8 million. Required contributions to the Police pension increased \$0.5 million, an 8.2% increase from the prior year’s requirement of \$6.1 million. Staff directed actuarial assumptions used for the 2017 Valuation of the Police and Fire Pension Funds remain consistent with assumptions used in 2016. The City’s valuation process included the updated RP2000 Mortality Table and Entry Age Normal cost method.

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 2017 levy amount is a decrease of 8.3% from the 2016 extension and totals \$2.54 million.

Debt Service Levy

The debt service value is based on the City’s actual annual debt service requirements. Exclusive of any abatements, this amount increased 0.9% to \$20.6 million. Inclusive of abatements, this amount totaled \$12.48 million.

General Corporate

The general corporate portion decreased by 50% when compared to prior year funding request of \$5.26 million. This levy is utilized to support City operations.

FISCAL IMPACT:

The total recommended tax levy is \$50,169,853 to support CY2018 City operations.