

were completed and measured as of April 30, 2022. As a result of the investment returns of the plans during the year, actuarial plan experience compared to assumptions, and updates to mortality, retirement, disability, withdrawal and salary increase assumptions, an increase in the required City contributions to the plans must be incorporated into the upcoming levy:

- The Police Pension Fund required City contribution funded by the levy is increasing \$300,164 or 7.8% to \$4,170,718
- The Firefighter’s Pension Fund required City contribution funded by the levy is increasing \$139,205 or 5.4% to \$2,719,565

In summary, that portion of the City’s property tax levy which funds the police and fire pension annual required contributions will be increasing \$439,369 over last year. The remaining components of the operating tax levy will be held relatively constant which results in a 3.2% increase over last year’s total operating levy.

One other line item included in the general tax levy category but which does not fund operations is the line item for the Mental Health Board. That tax levy amount has historically been set close to \$0.04 cents on the property tax bill, with funds distributed to agencies by the Board.

2022 Estimated Operating Levy Recommendation

Last year, the City increased the operating levy from the previous year by 4.99%. This helped the City fund its operating budget for the FY 2022-23 and pass a balanced General Fund budget. The City has also benefited from increases in sales tax and other tax revenues over the past year which has improved the City’s short-term fiscal outlook. While the City still has many operating and capital needs that will require funding, staff feels that it would be appropriate to set the estimated total operating tax levy to incorporate the increased amounts for police and fire pensions, an increase for the Mental Health Board, and keep the other levy components essentially flat. This would keep the total increase at 3.39%, less than the increase last year, while maintaining the level of property tax dollars levied for the Corporate, Fire Protection and Police Protection components of the levy.

	Property			
	Tax Extensions		Dollar	Percent
<u>General/Other Purposes</u>	<u>2021</u>	<u>Proposed 2022</u>	<u>Change</u>	<u>Change</u>
Corporate	2,928,852	2,929,000	148	0.01%
Fire Protection	1,865,021	1,866,000	979	0.05%
Police Protection	1,865,021	1,866,000	979	0.05%
Street and Bridge	-	-		
Mental Health Board	611,638	635,000	23,362	3.82%
Total General Purpose	7,270,530	7,296,000	25,470	0.35%
<u>Pension</u>				
Police Pension	3,870,588	4,170,718	300,130	7.75%
Fire Pension	2,580,382	2,719,565	139,183	5.39%
Total Pension	6,450,970	6,890,283	439,313	6.81%
Total Extensions	13,721,500	14,186,283	464,783	3.39%

Bonded Debt Levy

The total amount of principal and interest payments on the City’s general obligation debt for the 2022 levy year is \$10,165,001. This is a decrease from the prior year of \$10,855,111 due to the refunding of certain maturities at a lower interest rate and changing the composition of the debt service amortization structure. When combined, the two components for the estimated 2022 levy are as follows:

This Year’s 2022 Estimated Tax Levy

Operating Levy:	\$14,186,283
Bonds/Debt Levy:	<u>\$10,165,001</u> (To be abated in its entirety)
TOTAL:	\$24,351,284

Summary

The 2022 estimated levy as presented after the abatement of all debt would result in an increase of about \$24 annually or approximately \$2 per month for the owner of a home with a fair cash value on the property tax bill of \$300,000. This assumes no change in the assessed value of a home relative to other properties and the City as a whole. Kane County currently estimates that the EAV for the City will increase by approximately 6% in total.

The 3.39% proposed increase in the overall operating levy is less than the CPI allowance for non-home rule governments subject to the Property Tax Extension Limitation Law (PTELL, “tax cap”). The applicable CPI inflation factor for 2021 was 7.0%, the first time since the law was enacted in 1991 that it was above the maximum of 5% for the year. The City is home rule and PTELL does not apply to the City, but it is an important indicator and one of the reasons why the cost of providing services is increasing and it is important to maintain a balanced structure of revenues in the General Fund to provide services.

The attached chart shows a history of the City operating property tax extensions broken down into police/fire pension and operating. As the chart shows, the amount of property tax dollars available to fund operations has decreased over the years as the amounts necessary to fund police and fire pensions has increased. In prior years where the total levy was held constant, the total dollars remaining after pension funding considerations would decrease significantly. By increasing the levy at a minimum necessary to fully fund the required pension contributions, the City will at least maintain status quo property tax funding for general operations.

Attachments *(please list)*:

None

Recommendation/Suggested Action *(briefly explain)*:

Seeking a Motion to Approve the Preliminary Estimate of 2022 Property Tax Levy in the amount of \$24,351,284.

Total Property Tax Extensions and Breakdown Between General Purposes and Police/Fire Pension Actuarially Determined Amounts

