



**AGENDA ITEM EXECUTIVE SUMMARY**

Agenda Item number: 3

Title:

**Public Hearing - Proposed 2019 Property Tax Levy – City Operating Levy**

Presenter:

Chris Minick, Finance Director

Meeting: Public Hearing

Date: December 2, 2019

Proposed Cost: \$-0-

Budgeted Amount: \$ N/A

Not Budgeted:

**Executive Summary** *(if not budgeted please explain):*

Staff will present the proposed tax levy for the 2019 levy year. As discussed at the November 4 City Council meeting, this year’s operating tax levy contemplates an increase in the tax levy proportionate to the increase in inflation as measured by the Consumer Price Index (CPI). While the amount of the operating levy is increasing, the City’s tax rate will decline because the increase in the levy is lower than the increase in the value of the City’s property tax base as measured by the Equalized Assessed Valuation (EAV) of the City. The EAV of the City is not finalized at this time so staff is unable to calculate the precise property tax rate for the City’s tax levy; however, staff estimates that the rate will decline by approximately 3%.

The levy amount presented incorporates the amount necessary for principal and interest payments on the City’s general obligation bond issues. It is anticipated that the debt service property tax levies will be abated in their entirety during early 2020. The City has historically made these principal and interest payments from the general revenue stream rather than the property tax revenue stream. The amounts presented below are after the abatement process is completed. This abatement process lowers the property tax bills of City residents and the amount of property taxes paid to the City. Without the abatement process, the City’s tax levy would need to be increased by \$10,100,000 for payment of principal and interest on the City’s bonds.

Staff is requesting an increase of 1.9% in the amount of the operating levy to \$12,775,382. The EAV of the City is estimated to increase by approximately 5%. This will have the impact of LOWERING the City’s tax rate by approximately 3% from \$0.8452 to \$0.8203 per \$100 of EAV. Had the City opted to leave the tax rate the same as the 2018 levy, the increase in dollar amount of property taxes levied would have equaled 5%, assuming that the 5% estimated increase in EAV is correct. The conservative approach that the City has taken results in a lower property tax increase than would have been enacted had the City opted to keep the tax rate consistent between the 2018 and 2019 levies.

The operating levy request of the City is generally in line with Tax Cap Legislation (PTELL) even though the City is not subject to PTELL legislation because St Charles is a Home Rule Community. It is estimated that the increase in the City portion of the average property owner’s tax bill will amount to 1.9%. We estimate that this increase would total approximately \$1.25 per month or \$15 annually for the owner of a property valued at \$300,000.

**Attachments** *(please list):*

**Recommendation/Suggested Action** *(briefly explain):*

**Staff Presentation and Public Comment**