



**AGENDA ITEM EXECUTIVE SUMMARY**

Agenda Item number: IB

Title: **Seeking a Motion to Approve the Preliminary Estimate of 2018 Property Tax Levy in the amount of \$20,859,608**

Presenter: Chris Minick, Finance Director

Meeting: City Council

Date: November 5, 2018

Proposed Cost: \$-0-

Budgeted Amount: \$ N/A

Not Budgeted:

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

The City needs to prepare a preliminary estimate of property tax revenue each year. The estimate should be announced at a public meeting and passed by the Corporate Authorities. State statutes further require a public hearing regarding the property tax levy. Staff will make a complete presentation of the proposed property tax levy at the public hearing in December. After the required public hearing in December, a Tax Levy Ordinance will be presented for City Council approval.

**Tonight’s requested action merely sets the amounts to be used in the notice of publication (the week of November 19, 2018) of the public hearing and does not obligate the City to a specific tax levy amount.** The amount of the levy can be changed until finalized in the spring of 2019. The value on which the tax rate is figured (EAV) of the City is estimated to increase by approximately 4% for the 2018 tax levy. We will not know the actual EAV of the City for the 2018 levy until the spring 2019 time frame.

The levy amount presented represents an approximate 7% increase from the prior year, due to a proposed increase in the operating as well as the debt service portion of the levy. Although the debt service levy must be included in this estimate, the City has traditionally abated this amount and paid for bond debt service from non-property tax revenue streams. Staff anticipates a similar process for the 2018 levy. If this occurs, the \$8.322 million amount reflected as debt service will be removed from the final 2018 levy to be collected in calendar year 2019. This would result in a proposed 4% actual increase to the City’s tax levy.

The dollar amount of the estimated 2018 operations levy (\$12,537,176) is \$482,059 (4%) higher than the prior year. The City Council has recently considered ways to increase property tax revenues City to pay for anticipated capital projects while minimizing the impacts to City property owners. The City Council had held the operating levy at \$12,055,117 for the last 9 consecutive years. This action, while minimizing City residents’ property tax bills did not allow the City to take advantage of increases in the City’s EAV related to new development and organic increases in existing property values.

If the City’s EAV increases by the estimated 4%, increasing the dollar amount of the levy by 4% would produce the same property tax rate, allowing the City to capture more property tax revenue while maintaining a consistent City tax rate. Individual City residents would see an increase in the City portion of their tax bills proportionate to the percentage change in their property’s taxable value in this event.

While it is important to remember that the EAV is estimated to go up by 4%, the City can wait to see the actual increase in EAV and adjust the dollar amount of the property tax levy to maintain a consistent City property tax rate. This action can be taken until the finalization of the 2018 property tax levy during the early spring (typically late March or early April) of 2019.

**Attachments** (please list):

**Summary Comparison of 2016 and Estimated 2017 Levies  
Power Point Presentation**

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

**Seeking a Motion to Approve the Preliminary Estimate of 2017 Property Tax Levy in the amount of \$20,859,608**

**City of St Charles  
2018 Property Tax Levy  
Comparison of Estimated 2018 and 2017 Tax Levies  
October, 2018**

	<u>As Proposed 2018</u>	<u>Actual 2017</u>	
Equalized Assessed Valuation	<u>\$ 1,481,410,374</u>	<u>\$ 1,424,433,052</u>	(1)
Change in EAV	<u>4.00%</u>		
Proposed property tax levy consists of:			
Operations:	\$ 12,537,176	\$ 12,055,117	
Debt Service:	<u>\$ 8,322,432</u>	<u>\$ 7,443,787</u>	(2)
 Total Proposed Tax Levy	 <u>\$ 20,859,608</u>	 <u>\$ 19,498,904</u>	
Change In Levy Amounts	<u>6.98%</u>		
Operations Rate based on EAV	<u>\$ 0.84630</u>	<u>\$ 0.84631</u>	

(1) 2018 Amounts are estimated. Does not Include TIF Increment Values

(2) - Note that the City traditionally abates all debt service levies for General Obligation Bonds outstanding. These amounts are paid from general City revenue streams. These amounts were abated for the 2017 tax levy but are included for comparison purposes. It is anticipated that these amounts will be abated as part of the 2018 levy process.

***After Debt Abatement:***

	<u>As Proposed 2018</u>	<u>Actual 2017</u>
Equalized Assessed Valuation	<u>\$ 1,481,410,374</u>	<u>\$ 1,424,433,052</u>
Change in EAV	<u>4.00%</u>	
Proposed Operating Levy	<u>\$ 12,537,176</u>	<u>\$ 12,055,117</u>
Change In Levy Amounts	<u>4.00%</u>	
City Property Tax Rate	<u>\$ 0.84630</u>	<u>\$ 0.84631</u>
Change in Operating Levy	<u>\$ 482,059</u>	

# PRELIMINARY ESTIMATE 2018 PROPERTY TAX LEVY

City of St Charles

Chris Minick

Finance Director

November 5, 2018

# 2018 Tax Levy – Setting of Preliminary Estimate

- City has to estimate and approve preliminary estimate for levy annually
- First step in process
- Does not obligate an amount of the levy
- Acts as a guide for Truth in Taxation Notice published in the newspaper

## Next Steps:

- Public Hearing (December)
- Levy Ordinance (December)
- Debt Abatements (January)
- Levy Finalized (March or April)



# City has kept tax Operations Levy frozen at \$12,055,117.

- 9 Consecutive Years dating back to 2009
  - If increased by CPI annually 2018 levy would equate to \$14.137 million.

Recent real estate market conditions allow for consistent tax rate while providing more property tax revenue to the City.

- Recent increases in EAV
  - 2015 1.83%
  - 2016 3.55%
  - 2017 3.94%
  - 2018 (est) 4.00%



# Comparison of 2017 and 2018 Levies

<b><u>2017 Levy Amounts</u></b>		<b><u>City Tax Rate</u></b>
Kane County EAV	1,391,493,875	
DuPage County EAV	<u>32,939,177</u>	
2017 Rate Setting EAV	<u>1,424,433,052</u>	<u>0.84631</u>
<b><u>2018 Assumptions:</u></b>		
EAV Increase Assumed:	4.00%	
Rate Setting EAV	\$1,481,410,374	
	<b><u>2018 Levy Amount Assumed</u></b>	<b><u>2018 Rate Produced</u></b>
Consistent Dollar Levy (1)	\$ 12,055,117	0.8138
Levy of \$12,350,000 (2)	\$ 12,350,000	0.8337
Consistent Tax Rate Levy (3)	\$ 12,537,176	0.8463

**City of St Charles**  
**2018 Property Tax Levy**  
**Comparison of Estimated 2018 and 2017 Tax Levies**  
**October, 2018**

	<u>As Proposed 2018</u>	<u>Actual 2017</u>	
<b>Equalized Assessed Valuation</b>	<u><b>\$ 1,481,410,374</b></u>	<u><b>\$ 1,424,433,052</b></u>	(1)
<b>Change in EAV</b>	<u><b>4.00%</b></u>		
<b>Proposed property tax levy consists of:</b>			
<b>Operations:</b>	<b>\$ 12,537,176</b>	<b>\$ 12,055,117</b>	
<b>Debt Service:</b>	<u><b>\$ 8,322,432</b></u>	<u><b>\$ 7,443,787</b></u>	(2)
<b>Total Proposed Tax Levy</b>	<u><b>\$ 20,859,608</b></u>	<u><b>\$ 19,498,904</b></u>	
<b>Change In Levy Amounts</b>	<u><b>6.98%</b></u>		
<b>Operations Rate based on EAV</b>	<u><b>\$ 0.84630</b></u>	<u><b>\$ 0.84631</b></u>	

**(1) 2018 Amounts are estimated. Does not Include TIF Increment Values**

**(2) - Note that the City traditionally abates all debt service levies for General Obligation Bonds outstanding. These amounts are paid from general City revenue streams. These amounts were abated for the 2017 tax levy but are included for comparison purposes. It is anticipated that these amounts will be abated as part of the 2018 levy.**

Estimate as proposed would provide \$482,059 of additional property tax revenue while keeping tax rate the same:

	<b>As Proposed 2018</b>	<b>Actual 2017</b>	<b>Change</b>
<b>Equalized Assessed Valuation</b>	<b><u>\$1,481,410,374</u></b>	<b><u>\$ 1,424,433,052</u></b>	<b><u>\$ 56,977,322</u></b>
<b>Change in EAV</b>	<b><u>4.00%</u></b>		
<b>Proposed Operating Levy</b>	<b><u>\$ 12,537,176</u></b>	<b><u>\$ 12,055,117</u></b>	<b><u>\$ 482,059</u></b>
<b>Change In Levy Amounts</b>	<b><u>4.00%</u></b>		
<b>City Property Tax Rate</b>	<b><u>\$ 0.84630</u></b>	<b><u>\$ 0.84631</u></b>	<b><u>\$ (0.00001)</u></b>

*Amounts based on assumed 4% growth in EAV. If actual EAV growth differs from 4%, amounts will change but the concept is the same. The City Council has the ability to adjust the dollar amount of the levy so that the dollar amount of the levy increase equals the percentage change in EAV. This would produce a consistent tax rate with the 2017 levy.*

# Change would increase property tax bill for a resident

- City Tax Rate remains the same but amount paid for City portion of bill fluctuates with change in EAV
- Consider this hypothetical property with a market value of \$300,000:

Levy Year	2018	2017	Change	Percentage
City Tax Rate (per \$100 EAV)	\$ 0.8463	\$ 0.8463	\$ (0.00)	0%
City Taxes for property	\$ 880.15	\$ 846.31	\$ 33.84	4.00%
EAV of Property	\$ 104,000	\$ 100,000	\$ 4,000	4.00%

In this example the City Tax Rate remains the same but overall City property tax revenue increases by \$482,059 (4%)

The concept works no matter the actual change in EAV.

Consider this example with a 3.50% increase:

Levy Year	2018	2017	Change	Percentage
City Tax Rate (per \$100 EAV)	\$ 0.8463	\$ 0.8463	\$ (0.00)	0%
City Taxes for property	\$ 875.92	\$ 846.31	\$ 29.61	3.50%
EAV of Property	\$ 103,500	\$ 100,000	\$ 3,500	3.50%

In this example, the City's property tax revenue would increase by \$421,784 (3.50%) as compared to \$482,059 in the 4% increase example.

We would have the ability to adjust the amount of the levy to produce the same City tax rate until the levy is finalized in spring 2019.

### Next Steps in Tax Levy Process:

- Public Hearing on Tax Levy
- Consideration of Ordinance
- Debt Abatement
- Finalization of Levy

## Summary:

- ◎ Seeking approval of the Preliminary Estimate of the Levy Year 2018 Tax Levy for the City of St Charles \$20,859,608
  - Sets the amount for the publication notice for Public Hearing in December
    - Need to publish week of November 19
  - Does not obligate a specific levy amount
- ◎ Seeking feedback on the concept of keeping a consistent tax rate of \$0.8463 for the 2018 levy.