

**MINUTES FROM THE PUBLIC HEARING OF THE
ST. CHARLES CITY COUNCIL
HELD ON MONDAY, DECEMBER 7, 2015 – 6:50 P.M.
CITY COUNCIL CHAMBERS, IN THE CITY COUNCIL CHAMBERS
2 E. MAIN STREET ST. CHARLES, IL 60174**

1. Call To Order By Mayor Raymond Rogina At 6:55 P.M.

2. Roll Call.

Present: Stellato, Silkaitis, Payleitner, Lemke, Turner
Bancroft, Gaugel, Krieger, Bessner, Lewis
Absent: None

3. Public Hearing concerning passage of the proposed 2015 Tax Levy for the City of St. Charles.

Presentation of Public Hearing

Chris Minick, Finance Director

As Council will recall, we have a public hearing as part of the tax levy process and we discuss the tax levy for the upcoming year. This evening we will be discussing the 2015 levy year taxes. Which will be collected in calendar year 2016. The Council will further recall we do have a publication requirement to publish notice in a local paper. We fulfilled that requirement by publishing on November 24, 2016. At the conclusion of the public hearings, we have taken all the necessary legal steps to adopt the tax levy ordinance for 2015.

The 2015 levy request is in the amount of \$20,102,280. That does represent a decline of 4.25% over the 2014 levy request. For purposes of publication and advertisement, we need to advertise the \$20,000,000 but we also anticipate that the City will continue its long standing practice of abating/removing the debt service, the principle and interest tax levies from the property tax bills of our residents leaving only the operating levy. The good news there, is that the operating levy has been frozen in place since 2009 levy. Since the City has been taking these steps and is able to maintain the dollar amount consistent, over that time frame we have actually generated savings on the City portion of our tax bill for our resident's. In a bit of a reversal over prior trends, we are expecting that the EAV (equalized assessed valuation or taxable value of the property) will increase for the 2015 levy. This is the first time this has happened in several years. This could be about 3%. Residents can expect if the City's EAV were to increase 3% and their property value also increases by 3%, there will be no impact to the City property tax bill from 2014 to 2015.

I mentioned that the City portion of the tax levy is \$20,102,280 for 2015 it is made up of an operations and debt services components. You can see the amount represents a decline of \$900,000 from 2014. This is mainly due to a payoff of general obligation bond series. Series 2010 B, was retired on December 1, 2015

accounting for the large decline in debt service levy. We do also maintain the longstanding purpose of abating this \$8 million portion. This will result in a true tax levy of \$12,055,117. This is the same amount as it has been for the last seven fiscal years. To achieve this abatement for debt service levy, Staff will bring this forward via resolutions in January 2016. As mentioned the levy request represents a 4.25% decline due to payoff of the bonds.

There are significant changes related to pension funds that are occurring within the tax levy for 2015. These two columns compare the Police and Fire pension levies for the 2014 and 2015. We did have a total pension levy of about \$2.7 million contemplated in the 2014 levy year and this is increasing by \$581,000 up to \$3.3 million for the 2015 tax levy. The main reason for this increase is that the Illinois Department for Insurance has updated their mortality tables and accepted those mortality tables in 2012. We will talk about the impact of those on the next slide. There was a significant change that will require additional funding for the 2015 levy. I should note that both of these columns do represent the amount that our Actuary has determined that we need to provide from the tax levy (municipal contribution) to maintain adequate pension funding to ensure assets are available to pay benefits when we get to that point. It's also important to note that we would have seen a \$200,000 without the different mortality rates being used by the department this year.

Mortality Tables typically measure life spans. Previous mortality that the Department of Insurance used was devised in the 1970s. With all that is happened medical science since the 1970s, there is no doubt that people are living longer. Due to the nature of a pension fund that essentially pays benefits from the time a person retires and die, as people live longer the benefit streams that the City and pension funds have to pay from increases. As a result of utilizing the 2012 mortality tables the beneficiary life expectancies has increased. That increases the benefits liability that the pension fund has to those pensioners, but does not provide a corresponding increase in the level of assets that the pension funds have available to fund that liability. Therefore it reduces the percentage of the liability funded and results in a higher present day requirement of funding that the City needs to pay into the pension funds so the cash in those funds can increase over time as they are invested to earn money. This will make sure there are assets available to pay those benefits when they become due. This is why there is such a large increase. It's important to note that the pension-funding levy is part of the \$12,055,117 operating levy that the City levies each year. Just by virtue of the fact that we are increasing the allocations for the police and fire pension funds it does not mean we are increasing the amount of the property tax levy. We are simply reallocating some of those dollars from other line items and maintaining the \$12,055,117 of operating levy for 2015 tax levy year.

This is an EAV comparison. We do estimate that in 2015, we will see an increase in EAV or taxable value of the property contained in the City limits of approximately \$39 million. This will increase the EAV to about \$1.339 billion for

all the property located within the City of St. Charles. Since EAV accounts for one third of market value, if you extrapolate what that means the total value is approximately \$4 billion. That increase in EAV will have a corresponding decrease on the impact of the rate. As I mentioned a moment ago, we are maintaining the amount of the levy at \$12,055,117 since the EAV is the denominator. As the denominator get bigger the rate declines. Rate is going to decrease by about a little over \$.02 from \$.9275 to \$.9009 per \$100 of EAV. Even though taxable value is increasing, we are able to hold the amount of the levy consistent, the rate declines. That actually has an impact, if a person experiences the increase of 3% in property values, the person will not pay an increase on the City portion of their property tax bill. If you property has a market value of \$200,000 in 2014 you paid approximately \$618 for the City's portion of your property tax bill. A 3% increase results in a \$206,000 value for 2015 tax levy, because you are applying that higher value to this lower rate, you still have \$618.

Each year we go through and summarize the prior year's levy. Each taxing district and what they account for in terms of the property tax distribution. School districts in Illinois typically pay between 60-65% of the tax levy on an annual basis. The City of St. Charles is no exception. This is because of the state of the current funding formula. The City of St. Charles typically represents between 9.5% and 10.5% of property tax bill. In 2014 we were at 9.64%. You can see the remaining tax districts.

Additionally, we typically breakdown an example property tax bill for a \$300,000 home which paid \$9,600 in property taxes. A little over \$6,000 went to school district and a little over \$900 to the City. And then the park district, and remaining districts etc. To summarize the 2015 tax levy:

- We are requesting \$20,102,280 which represents 4.25% decrease.
- We will continue the long-standing practice of abating the debt services levy leaving a consistent operating levy at \$12,055,117 the same level it has been since 2009. We have generated about \$339 in savings for a \$200,000 property since 2009.
- The City portion of tax bill will remain the same as 2014 on average.
- Maintains prudent pension funding practices and policies.

Are there any questions?

Mayor Rogina

You said \$1.3 billion in value times a multiplier gives us that \$12 million in revenue to the City. The City of St. Charles receives less than 10% of your total tax bill. Who gets the most? The school district?

Alder. Lemke

Is debt service coming out of other portions of the City's budget?

Chris Minick

Yes. We do not identify other specific sources except where it is TIF debt or one of our enterprise funds (electric, water or waste water) is concerned. We do pay the debt services out of those general revenue streams that are received.

Alder. Turner

How is the state doing on getting us our portion of income tax distribution?

Chris Minick

I don't know if they have officially agreed to release any of those funds, last I heard.

Alder. Paylietner

It was announced that some of the funds have been released (911 and lottery winners, road salt.)

Chris Minick

So to the City it sounds like a portion to the dispatchers and 911.

No written comments have been filed with the City Clerk's office.

F. Adjournment

Motion By Stellato, seconded by Turner, to adjourn meeting

VOICE VOTE UNANIMOUS MOTION CARRIED

Meeting adjourned at 7:15 P.M.

Nancy Garrison, City Clerk

CERTIFIED TO BE A TRUE COPY OF ORIGINAL

Nancy Garrison, City Clerk