



REGULAR AGENDA ITEM NO. 8.B.

FOR COUNCIL: November 18, 2024

WARD IMPACTED: City-Wide Impact

SUBJECT: Consideration and Action on Approving the 2024 Tax Levy Estimate for the City of Bloomington, as requested by the Finance Department.

RECOMMENDED MOTION: The proposed Property Tax Levy Estimate be approved in the amount of \$26,320,384.

STRATEGIC PLAN LINK:

Goal 1. Financially Sound City Providing Quality Basic Services

STRATEGIC PLAN SIGNIFICANCE:

Objective 1a. Budget with adequate resources to support defined services and level of services

BACKGROUND:

Rate and EAV:

The calculation of the property tax rate is produced by taking the tax levy, a fixed amount, and dividing that by the Equalized Assessed Value ("EAV"). The final EAV will not be produced until January 1st, 2025, therefore, the City must adopt its levy based on preliminary estimates.

Tax Formula: Requested Levy / Preliminary EAV = Tax Rate

The City of Bloomington uses the preliminary EAV provided by the McLean County Supervisor of Assessments for the upcoming tax year. This year the preliminary EAV, as of October 11th, was \$2,484,313,944. That is a \$236.2M increase over the prior year's final EAV of \$2,248,095,820. The City anticipates some EAV challenges to be successful prior to the final EAV being set, as well as some adjustments to properties exempt from value increases, and therefore proposes reducing the EAV to \$2,469,313,944 (a reduction of approximately \$15M) – for purposes of providing this Estimate. That estimate total results in a \$221.2M - 9.84% increase in EAV over the 2023 final.

What is the Levy Used For:

The City's tax levy helps fund various components of the annual budget including debt service, parks, public safety protection, and pensions. While costs have increased significantly, the 2023 levy, for FY2025 budgetary funding, was held flat from the previous year at \$22.3M. This resulted in a reduction in the City tax rate from 1.089% to .993%.

The public safety pensions have continued to rise and, as set forth in more detail below, to help cover the rising costs, City staff is recommending the tax levy rate be increased by .07 this year to capture some of the EAV growth and to go directly to pay public safety pension costs.

Public Safety Pensions:

Public Safety Pensions are the largest component of the tax levy. For 2023, the combined Fire and Police Pension levy was \$9.6M / 43% of the total. Council has approved a 100% funding target policy by 2040. Annually, the City employs a licensed actuary to calculate the amount that should be contributed to these pensions in order to meet this target. City code authorizes the tax levy and utility taxes as funding sources. Due to significant increases in the contribution requirement, and since no growth was captured last year, the funds available from those sources are \$3M short for FY2025. Accordingly, the City has had to commit other funding sources to cover this \$3M shortfall (i.e., transfer money from the general fund). Complicating this further, the public safety pensions are projected to increase by another \$1M in FY2026, meaning that since the property tax levy and utility tax are not enough to cover the costs, the Council will need to transfer \$4M (instead of \$3M) from the general fund to cover the shortfall in funding.

If Council increases the rate .07 to 1.066%, the City will be able to add another \$2,000,000 directly to the Fire Pension Levy for a total of \$6,896,000 in that levy and another \$2,000,000 directly to the Police Pension Levy for a total of \$6,708,000 in that levy. While this increases the total levy over 17%, due to the growth in EAV, this again only requires an increase of .07 to the tax levy rate.

FY2026 / FY2027 Budgetary Concerns:

City staff are recommending an additional .07 be added to the tax levy rate solely to help cover pension costs. Although staff are looking at other revenue losses and cost increases, staff is not recommending the Council go back up to the historic rate of 1.089%. Rather, staff are looking at other ways to trim the budget and fill other gaps.

As an overview of other projected upcoming revenue losses and cost increases that staff have visibility on, staff are focused on: (1) the loss of the 1% grocery tax starting on January 1, 2026; and (2) lower vacancy savings due to more successful hiring of fire department and police personnel.

For the 1% grocery tax, staff are projecting a revenue loss of \$750,000 in FY2026 and then \$3,000,000 in FY2027 after a full fiscal year of the repeal has been in effect. For the vacancy savings, the City had historically budgeted \$2,000,000 in personnel costs for fire and police that would not actually be spent. With improved hiring practices and changes to requirements, this "savings" is no longer being realized.

According to the above, if nothing else changes, staff is projecting at least a \$2,750,000 deficit in FY2026 and a \$5,000,000 deficit in FY2027. Again, to address this and as opposed to putting this additional burden on the taxpayers, staff has already began exploring ways to cut the budget and find other savings.

As set forth above, if the property tax levy is not utilized to address the increased public safety pension costs, this will add projected deficits.

2024 Alternative Tax Levy Options:

If the Council chose to keep the levy at the recently historic rate of 1.089%, the levy amount would be \$26,720,384.

If the Council chose to keep the levy at the same rate as last year at .99%, the levy amount

would be \$24,520,384.

If the Council chose to keep levy amount flat at \$22,320,384, the rate would be .904%.

Staff Recommendation: Levy Request of \$26,320,384:

Staff recommends the Pension Coverage option of adding \$4M to the levy - to be committed evenly to the Police and Fire Public Safety Pensions. This would bring the City in compliance with its own code, demonstrate to the rating agencies, the community, and the City's first responders that the City is solidly committed to its funding policy, and address the FY2026 and a portion of the FY2027 anticipated budgetary shortfall. The estimated rate would be 1.066%. This is higher than the prior year of .993%, but lower than previous years' average of 1.09%.

Please see exhibit FIN 1B for historical levy and rate information. The exhibit also highlights the impact on a residential property owner – providing scenarios for both a flat assessment and one that has increased by 9% = the approximate average increase not including new construction.

Tax Levy Procedure:

The calculation of the property tax rate is produced by taking the tax levy, a fixed amount, and dividing that by the EAV. The final EAV will not be produced until January 1st, 2025, therefore, the City must adopt its levy based on preliminary estimates.

Tax Formula: Requested Levy / Preliminary EAV = Tax Rate

According to the Illinois Property Tax Code Division 2 Truth in Taxation (35ILCS 200/18-60), the City must formally adopt an estimated tax levy not less than 20 days prior to the adoption of the final tax levy. 35ILCS 200/18-85 requires said estimate to be compared to the prior year's aggregate levy (excluding amounts for bond debt service) and if a 5% increase exists then a public hearing in addition to a public notice must occur. A public notice related to this hearing must be published not more than 14 days, nor less than 7 days prior to the date of the hearing.

The final tax levy ordinance must be passed by a vote of the Council and a certified copy, thereof, filed with the County Clerk on or before the last working Tuesday in December which is December 31st. Therefore, the adoption of the 2024 Tax Levy Ordinance is recommended to be placed on the Council's December 9th, 2024 meeting agenda. In addition, the abatement of taxes related to bond covenants will occur at this same meeting. The City can abate debt service payments needed to keep the bond and interest portion of the levy flat which has been done historically. By bond covenant any debt service payments abated are guaranteed from other revenue sources.

The final EAV will be completed by January 1st, 2025. The tax rate generated is later applied to individual property owner's tax bills on April 1st, 2025 and bills are sent out on May 1st due by June 1st and September 1st.

COMMUNITY GROUPS/INTERESTED PERSONS CONTACTED: N/A

FINANCIAL IMPACT: Finance recommends the Council adopt the tax levy *estimate* of \$26,320,384 for the City of Bloomington.

Respectfully submitted for consideration.

Prepared by: Scott Rathbun, Finance Director

ATTACHMENTS:

[FIN 1B COB Tax Levy Estimate](#)