

# SYCAMORE CITY COUNCIL

## AGENDA

November 17, 2003

### **Joint Meeting of the Sycamore City Council and the Sycamore School Board 6:00 P.M.**

The Sycamore Board of Education will join the Sycamore City Council in a joint meeting at 6:00 p.m. on Monday, November 17 to discuss recent development trends. Specifically, in the first twenty minutes or so, the School administration will present its "Development Notebook," published in October, which reviews recent trends in residential development and assesses the fiscal impact of acres that have already been annexed and subdivided. At about half past the hour, the City administration will present additional information to assist in planning for future residential development. Finally, both the School Board and the City Council will be invited to briefly discuss a recent application for development assistance in the Sycamore Prairie Business Park. Some background on each item follows.

1. Development Notebook. The Notebook is a reference guide with valuable information that can be updated from year to year, or as necessary. Much of the data compiled in the notebook is instrumental in leading the reader to a better understanding of how the District will predict the point in time when new school space will be needed to accommodate an increase in the number of students that may result from residential developments already annexed. The assessment takes into account such variables as current school capacity, acceptable classroom sizes, square foot construction costs, etc. Business Manager Luke Glowiak will lead the discussion of these findings.
2. Recent City Planning Initiatives. The City staff presentation will push the discussion forward, beyond the development picture as represented by current subdivisions under construction, to a consideration about how we might responsibly plan for future annexations, given each taxing body's fiscal requirements. To aid this discussion, a new table has been created with the title "Residential Permit Timeline" (see attached). This table takes each of the developments referenced in the District's notebook and spreads them on the same page, so a composite picture of the overall impact of approved subdivisions can be seen. With this table as a starting point, we can more clearly see where we may be going, and at what pace we might consider annexing in the future. It is interesting to note that this permit timeline confirms a key conclusion of the Notebook, namely, that the greatest impact of current subdivision occupancies will be felt in the next five years. Fourteen different developments are currently at some stage of build-out.

With the exception of the North Grove Crossing project, none of these subdivisions are subject to the permit restraints imposed by the City Council in 2003, including a limit on the annual number of permits issued per subdivision, and a delay in the start of new subdivisions based on a sliding schedule tied to a reduction in our current inventory of platted but unbuilt lots. These constraints on annual permitting are codified in Ordinance 2003.65, which is described in this background report (see below).

Where do we go from here? Some recent planning initiatives taken by the City Council can make fiscal forecasting more reliable and, equally important, can help Sycamore more assertively manage the timing of any new residential development. First, the Council recently adopted a Comprehensive Plan that sets an absolute geographical growth limit and, by implication, an absolute population limit for our community. Second, after defining such limits, the Council has tackled the more elusive goal of timing new construction. On October 6 the Council approved an interim measure that will soon be incorporated in the City's zoning code to accomplish the following:

- a) limit the number of building permits that can be issued each year from each new subdivision; and
- b) establish a time lag following annexation before any new building permits can be issued.

Assuming disciplined management of the Comp Plan and new regulations, the City's inventory of potential housing units should be dramatically reduced before permits from any new, large subdivisions could be obtained. To illustrate, under the new regulation (see attached), a new subdivision of the size of Parkside Estates, Reston Ponds, Sycamore Creek, or the North Grove Crossing will encounter at least a three-to-four year wait before any final plats could be approved and recorded. These developments offered 265, 391, 352 and 269 single-family units, respectively.

Since our planning horizon is now a given in terms of geographic area, and since the Council is in control of the size of new annexations and the timing of their start-up, it seems reasonable to assume that Sycamore is more than ever in control of its destiny in terms of future growth so long as a disciplined application of the Plan and attendant regulations is achieved. At the very least, the new Comp Plan and permit regulations allow for more precise planning of future capital expenditures and operational priorities. Notwithstanding the greater confidence with which we face future annexation interest, time will tell if we have found some useful planning tools or created unforeseen dilemmas. Conditions beyond public control can certainly confound our assumptions, as in the case of a housing slump that would prolong the build-out of existing subdivisions. The City staff suggest that we approach new annexation requests with some recognition of our imperfect grasp of future events.

Finally, action can be taken to periodically update certain fees that attend new development, including impact fees. The updating of such fees is anticipated in all

the annexation agreements approved since 1998. On October 6 the City Council raised the City's water impact fee and sewer impact fee to account for the higher costs associated with the capital improvements for which the fees are established (e.g. a new well, a new water tower, and new treatment plant capacity). At the joint Plan Commission and City Council meetings on September 2 and September 8, the City staff invited a new look at School and Park impact fees which are based, in part, on an assumption about the fair market value of an acre of improved land. The City Manager suggested revisions in the School and Park fee schedules due to the significant increase in the price of developable acreage since the current fee systems were adopted in April 2002. Specifically, the City staff suggested an increase in the per acre price from \$75,000 to \$110,000 and provided the following rationale:

*the average cost of a 1/4 acre lot is around \$55,000 at present. If we take the average asking price for a 1/4 acre lot, extrapolate the price per acre (\$220,000), then discount that price by 50% for utilities and infrastructure, the effective price is \$110,000.*

The attached letter from Superintendent Bob Hammon, dated November 12, responds to the City administration's suggestion. Dr. Hammon concurs with the recommended per acre price of \$110,000 and also suggests a revision to another variable integral to the calculation of the School impact fees, namely, the acreage required to build each type of school. Unless the Council otherwise directs, the District's recommendations will be forwarded to the Mayor's ad hoc Growth Forum, which represents City, School District, and Park District elected officials. The ad hoc committee has taken up the matter of impact fees and will return to a discussion of the present fee structures in early January.

3. Property Tax Abatement under PTELL. As the Board of Education and the City Council are aware, Continental Custom Ingredients, Inc. (CCI) has applied for a property tax abatement through the City of Sycamore's industrial development program. The firm is interested in assembling several lots in the Sycamore Prairie Business Park to create a 15-acre parcel that would accommodate a building of about 110,000 square feet, with room for future expansion. The board and management of CCI intend to move their headquarters, industrial laboratory and a flavor division to Sycamore. The firm plans to open with about 54 employees earning salaries and wages at the high end of their industrial classifications.

The CCI incentive application (see attached) requests the three-year abatement option: 80% in year one, 70% in year 2, and 50% in year three. Of the three options, this is the most generous incentive and offers, in effect, an abatement of 2/3 of the property tax liability in the first three years. The firm is aiming for completion of their building in February 2005, so they are interested in targeting any abatement for years 2005, 2006 and 2007. Although no abatement action is requested in 2003, the CCI board is understandably interested in evidence of the intent of our local taxing bodies as they make financial plans for the largest capital investment in the company's history.

Prior to the adoption of tax caps or the Property Tax Extension Limitation Law (PTELL) by referendum in April 1999, tax abatements affected school districts in

the same manner that they affected other taxing bodies. In the year(s) of abatement, all or a portion of the new property's extension or tax liability would be abated, but upon the completion of the abatement all taxing bodies would be able to receive the product of their taxing rate against 100% of the full extended EAV. Under PTELL these circumstances changed. PTELL effectively slows the growth of revenues to taxing districts when property values and assessments are increasing faster than the rate of inflation. Increases in property tax extensions, or the amount of tax revenue a governmental body receives, are limited to the lesser of 5% or the increase in the national Consumer Price Index (CPI) for the year preceding the levy year. PTELL does not "cap" property tax bills or property assessments; it limits extensions on existing property. Such limitations do not apply to new construction, although the levy rate for new construction cannot exceed the limiting rate for all properties.

The following tables illustrate the result of a property tax abatement by the District for CCI. One shows the impact if PTELL did not apply; the other shows the impact under PTELL. In both tables it is assumed that CCI's new building and grounds will have a full market value of about \$5 million upon completion in 2005, or an EAV of about \$1.665 million. It is also assumed that the District's aggregate extension in 2005 will be about \$15 million; the rate of inflation in Year One and succeeding years will remain constant at 2.4%; the School rate will remain \$5.10 per \$100 EAV; and the limiting rate will remain \$4.3 per \$100 EAV.

**Table 1. School District Abatement if PTELL did not apply.**

	Year One	Year Two	Year Three	Year Four: After Abatement
Aggregate Ext	\$15,000,000	\$15,376,983	\$15,771,505	\$16,192,478
CPI	2.4%	2.4%	2.4%	2.4%
Base Ext x CPI	\$15,360,000	\$15,746,031	\$16,150,021	\$16,581,098
New CCI Extension (@\$5.1/\$100)	\$84,915	\$84,915	\$84,915	\$84,915
CCI Tax Abatement	\$67,932 (80%)	\$59,441 (70%)	\$42,457 (50%)	n.a.
CCI Pays	\$16,983	\$25,474	\$42,457	\$84,915
Ext. for Next Yr	\$15,376,983	\$15,771,505	\$16,192,478	\$16,666,013
Lost Taxes to Dist	\$67,932	\$59,441	\$42,457	\$0.00

\*Total lost taxes, 4 years: \$169,830

**Table 2. School District Abatement with PTELL.**

	Year One	Year Two	Year Three	Year Four: After Abatement
Aggregate Ext	\$15,000,000	\$15,374,319	\$15,743,303	\$16,121,142
CPI	2.4%	2.4%	2.4%	2.4%
Base Ext x CPI	\$15,360,000	\$15,743,303	\$16,121,142	\$16,508,049
New CCI Extension (@\$4.3/\$100)	\$71,595	\$14,319	\$14,319	\$71,595
CCI Tax Abatement	\$57,276 (80%)	\$10,023 (70%)	\$7,160 (50%)	n.a.
CCI Pays	\$14,319	\$4,296	\$7,160	\$71,595
Ext for Next Yr	\$15,374,319	\$15,743,303	\$16,121,142	\$16,508,049
Lost Taxes to Dist	\$57,276	\$67,299	\$64,435	\$157,964 (?)

\*Total lost taxes, 4 years: \$346,974 (?)

**Consideration:**

The City Manager offers the aforementioned tables for review without the confidence in detail that comes with working under PTELL as our School administration does. However, it appears that the difference in the aggregate extension after three years of abatement will be significant if the new construction value of the first year is not claimed. To adjust for the taxes lost under PTELL, the option of a three-year abatement in Years 2, 3 and 4, rather than Years 1, 2 and 3 might be investigated. This approach would allow the District to capture all of the new construction value in Year 1 and thus reduce the difference in lost taxes. Such an approach would also have to be acceptable to CCI, which sees the participation of all local taxing bodies as a pre-condition for the expansion of its business in Sycamore.

The time allotted for the joint meeting does not do justice to any of the topics on the joint meeting agenda. The City Manager recommends a continuation of this joint discussion at a future time and place that is mutually convenient to both bodies. The next available opportunity for the City Council is the workshop of December 1. An additional topic that could be introduced is the possibility of a change in the Education Fee Ordinance to reflect recent trends in the valuation of developed land.

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**Regular City Council Meeting**  
**At the Sycamore Center**  
**7:00 P.M.**

- 1. CALL TO ORDER**
- 2. INVOCATION**
- 3. PLEDGE OF ALLEGIANCE**
- 4. APPROVAL OF AGENDA**
- 5. AUDIENCE TO VISITORS**
- 6. CONSENT AGENDA**
  - A. Approval of the Minutes for the Regular City Council Meeting of November 3, 2003;
  - B. Approval of the Closed Session Minutes of August 19, 2002; October 7, 2002; November 4, 2002; March 17, 2003; August 4, 2003; August 18, 2003; September 2, 2003; September 8, 2003; September 15, 2003; October 6, 2003; and October 20, 2003.
  - C. Release of the approved Closed Session Minutes for August 19, 2002; the Land Acquisition portion of the October 7, 2002 minutes; the Land Acquisition portion of the November 4, 2002 minutes; the March 17, 2003 minutes; the August 4, 2003 minutes; and the August 18, 2003 minutes.

- D. Payment of the Bills for November 17, 2003;
- E. Budget Report for November, 2003.

**7. PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS.**

- A. Presentation by the DeKalb County Marine Corps Detachment 847.

**8. REPORTS OF OFFICERS**

**9. REPORTS OF STANDING COMMITTEES**

**10. PUBLIC HEARINGS--None**

**11. ORDINANCES**

- A. Ordinance No. 2003.62—An Ordinance Concerning the Recommendation of the Plan Commission With Regard to a Petition from Ideal Industries for a Resubdivision in the Sycamore Prairie Business Park to Create a New Unit No. 4. First and Second Reading.**

Ideal Industries, the developer of the Sycamore Prairie Business Park, has petitioned for a resubdivision of Lots 20, 21, 22, 26, 27 and 28 to create four new lots, with two lots—Lots 101 and 102—that could accommodate the present and future needs of an industrial prospect. The prospect's name is Continental Custom Ingredients. The firm is interested in purchasing approximately 15 acres to construct manufacturing, warehousing, laboratory and office operations in two phases. In the first phase, an industrial building of about 110,000 to 125,000 square feet would be built and occupied by February 2005 on Lot 101. In a later phase, further office and manufacturing space would be added on Lot 102.

CCI is an employee-owned firm based in West Chicago. It was founded in 1975 as a manufacturer of stabilizer and emulsifier blends for producers of dairy goods and has grown to have a significant market presence in the U.S., Canada, and Mexico. The board and management of CCI intend to move their headquarters and flavor division to the Sycamore Prairie Business Park. The division would be housed in the building on Lot 101 and would support about 54 employees earning salaries and wages at the higher end of their industrial classifications.

The attached subdivision plat depicts both the existing lot lines and the proposed resubdivision. To accommodate the interest of CCI, a number of utility and drainage easements have also been relocated in a manner that is useful to both the present petitioner and future lot owners in the business park.

The Plan Commission reviewed the petitioner's request on November 10 and unanimously recommended its approval by a vote of 9-0 (three members were absent). City Council approval of the Plan Commission recommendation is requested.

- B. Ordinance No. 2003.63--An Ordinance Concerning the Recommendation of the Plan Commission With Regard to a Petition from AMP Builders for a**

**Final Plat for Phase 2 of the Townhomes of Townsend Woods Subdivision.  
First and Second Reading.**

On August 21, 2000 the City Council approved an amendment to the Townsend Woods annexation agreement to permit the development of 101 attached single-family townhouses on an 11.6-acre site that is parallel with, and immediately east of, the commercially-zoned frontage that extends from Maplewood Drive south to Mt. Hunger Road. The Council action also approved a special use permit for the attached townhomes and a preliminary plan. A reduced copy of the approved preliminary plan is attached.

On October 21, 2002 the Council approved the final plat for the first phase which contained about 23 units in five buildings. The petitioner has submitted a final plat for a second phase that consists of about 39 units (see attached).

At their regular meeting of November 10, the Plan Commission reviewed the petition and recommended its approval by a vote of 9-0. City Council approval of the Plan Commission recommendation is requested.

**C. Ordinance No. 2003.64--An Ordinance Concerning the Recommendation of the Plan Commission With Regard to a Petition from Brian Weydert for a Resubdivision of 1519 and 1521 Pebblewood Drive With a Special Use Permit for a Common Wall and Lot Line. First and Second Reading.**

Mr. Weydert owns the duplex at 1519/1521 Pebblewood Drive in the Woodgate subdivision in Sycamore and would like to resubdivide the parcel to create two lots that can be sold in fee simple. He and his attorney, David Witheft, have submitted the proper special use request, common wall agreement, and cross easements to meet the City's requirements.

On November 10, the Plan Commission recommended the Council's approval by a vote of 9-0. City Council approval of the Plan Commission recommendation is requested.

**D. Ordinance No. 2003.65--An Ordinance Concerning the Recommendation of the Plan Commission With Regard to a Proposed Amendment to Section 13.02, Paragraph 5 of the Sycamore Zoning Code in the City of Sycamore, Illinois. First and Second Reading.**

At the regular City Council meeting of October 6, the Council approved an interim regulation that matches the intent and language of the attached ordinance. In order to incorporate the provisions of this ordinance in the City's Zoning Code, a public hearing was necessary at the Plan Commission. At its regular meeting of November 10, the Plan Commission considered the proposed change which imposes a new regulatory framework on the pace of new residential construction. According to this framework, there would be a limitation on the number of building permits that could be issued per year from each new project and also a time lag following annexation before any new building permits could be issued. This approach assumes that, with the present pace of building permits, the City's inventory of potential housing units will be reduced before the larger projects would obtain building permits. The condition that would confound

this assumption is a slump in the housing market that could prolong the build-out of existing subdivisions and extend their completion into the time period when future subdivisions might be authorized to apply for permits.

The regulation would apply to all units, whether attached or detached. Under the new regulation (see attached), a new subdivision of the size of Parkside Estates, Reston Ponds, Sycamore Creek, or the North Grove Crossing might encounter at least a three-to-four year wait before any final plats could be approved and recorded. These developments offered 265, 391, 352 and 269 single family units, respectively. However, it should be noted that none of these developments would be retroactively tied to the proposed regulation.

The Council is aware that additional language has been added to prevent any gamesmanship from undermining the desired effect. For instance, without some countervailing provision, the mere limitation of permits according to land size might invite the owner of a 500-acre farm to enter a contractual relationship that would yield a 250-acre development in one year, and another 250-acre development in another year to the same developer, thereby lessening the wait before permits could be issued in either subdivision. To address this possibility, the following language was added to the text of the ordinance:

*“In order to plan for orderly growth and to discourage the submittal of a series of annexation plats and preliminary plats from tracts of 100 or more acres held by the owner of record as of the effective date of this ordinance, the City Council shall only consider, unless otherwise approved by a 2/3 vote of the corporate authorities, a single petition for annexation and preliminary plat approval for said tract and will only consider another petition for annexation and preliminary plat approval for said tract after a period of at least five years has elapsed.”*

Finally, the proposed framework is illustrated in a chart, which is reproduced below:

**Revised Residential Growth Control Regulation**

<b>Number of Dwelling Units on the Preliminary Plan</b>	<b>Dwelling Units Permitted Per Year as a Percentage of the Total Lots on the Preliminary Plan</b>	<b>Time Limit Before New Building Permits Are Issued Following Annexation</b>
0 to 50 dwelling units	No Limit	No Time Limit
51 to 100 dwelling units	No More Than 35 per Year	One Year
101-200 dwelling units	25% or 40, whichever is <b>lower</b>	Two Years
201-300 dwelling units	20% or 50, whichever is <b>lower</b>	Three Years
301 to 400 dwelling units	18% or 60, whichever is <b>lower</b>	Four Years
401-500 dwelling units	15% or 70, whichever is <b>lower</b>	Five Years
Over 500 dwelling units	10% or 75, whichever is <b>lower</b>	Six Years

The ability to “bank” permits according to the terms of the June 2003 Zoning Code revision continues in place. That language is as follows:

*“The annual allowance for issuance of dwelling unit permits shall commence on January 1 of each year. The owner or developer of the planned unit development may carry over dwelling units not*

*permitted from year to year and add those lots to following years, so long as the “bank” does not exceed one year’s allowance. For example, if a developer is allotted 40 dwelling units per year, but receives permits for only 20 dwelling units in the first year, then 40 permits plus 20 unused permits would be allowed in the second year. In the year of annexation, the owner or developer of the planned unit development shall receive only a pro-rata allowance of permitted dwelling units, e.g. if a planned unit development is annexed on November 30, then the allowance for the first year would be 1/12<sup>th</sup> of the allowance for the year. This ordinance shall apply only to planned unit developments annexed after its adoption and approval by the City Authorities.”*

The Plan Commission formally reviewed the proposed zoning code revision at its regular meeting of November 10 and unanimously recommended its approval. City Council approval of the Plan Commission recommendation is requested.

**E. Ordinance No. 2003.66—An Ordinance Amending Title 3, “Business and License Regulations,” Chapter 2, “Liquor Control,” Section 11, “Building and Location Restrictions,” Paragraph A, “Specific Locations Established,” of the City Code of the City of Sycamore, Illinois. First Reading Only.**

The Sycamore Park District has applied for a liquor license in accordance with the city code amendments approved by the Council on April 7, 2003. The new provisions permit the service of alcoholic beverages at the golf course clubhouse at the Sycamore Community Park under the following conditions:

- Alcoholic beverages shall be consumed on the premises only;
- Space for the consumption of alcoholic beverages shall be limited to an indoor lounge, restaurant, or food court, or an attached area for outside seating. Such outside seating shall be an adjunct to the food service business of the Park District;
- Any allowable outside seating shall be enclosed with a non-barricade type fence or railing or other barrier that allows viewing;
- Access to any outdoor seating shall be limited through the licensed premises or monitored entrances that are controlled by employees during all hours when alcohol may be served;
- Outdoor seating shall not be included to meet the required guest seating capacity;
- Music may be played in the outdoor area but may not exceed ordinance limits;
- The hours of operation are restricted from twelve o’clock noon until dusk.

In addition to these general provisions, the location of the licensed liquor sales must be identified in the City Code. The attached ordinance would expand the geographic limits of the liquor district to include the Park District clubhouse facility.

City Council approval is recommended.

**12. RESOLUTIONS--None**

**13. CONSIDERATIONS**

**A. Consideration of the Annual City Property Tax Levy.**

By December 31 of each calendar year, the City Council must adopt an annual property tax levy. The City of Sycamore is one of seven local taxing bodies that annually raise operating revenue from property taxes. The combined or composite property tax rate for residences and businesses located in Sycamore Township was \$8.83637 per \$100

EAV in 2003, based on the 2002 levies; for residences and businesses located in Cortland Township the property tax rate in 2003 was \$8.80023 per \$100 EAV. **The City's 2003 rate--\$0.98627--represented about 11% of the overall rate charged against the EAV of our residences and businesses.**

The City of Sycamore uses the monies raised through property taxes primarily to fund the general operations of the city departments, but also uses a substantial portion of the collected taxes to fund the city's pension or fiduciary obligations.

The table below illustrates the breakdown of operational and pension obligations in recent years:

Category	1999 Actual	2000 Actual	2001 Actual	2002 Actual
Property Tax— General Operating	\$1,505,393*	\$1,540,685*	\$1,524,794*	\$1,500,583*
Property Tax— FICA/IMRF	\$189,000	\$205,000	\$220,000	\$247,500
Property Tax— Police Pension**	\$73,200	\$77,600	\$87,300	\$152,883
Property Tax— Fire Pension**	\$147,000	\$130,000	\$180,390	\$213,142
Crossing Guards	\$20,000	\$20,000	\$20,000	\$20,000
Totals	\$1,934,593	\$1,973,285	\$2,032,484	\$2,134,108

\*Includes \$155,000 for debt service and, until 2002, about \$240,000 to subsidize the cost of residential refuse collection. The increase in monthly refuse fees to \$14 per month, effective July 1, 2003, effectively eliminates that subsidy.

\*\* The taxes collected to meet the fire and police pension obligations are directly deposited in the respective pension funds for a clearer accounting trail.

### City Pension Costs

The City's pension obligations are annually determined by an independent actuary. The city's IMRF and FICA (Social Security) obligations are calculated by the City Administrator. In recent years, the FICA/IMRF obligations for Water Department and Treatment Plant employees have been paid from the Sewer/Water Fund. Altogether, the pension obligations borne by the City's General Fund in FY03 constituted about 29% of the City's property tax receipts, up from 24% in FY02 and 21% in FY01.

The actuarial recommendations have been submitted by the City's long-time actuary, Timothy Sharpe. In order to maintain a credible level of funding in the Fire and Police pension funds, he has proposed significantly higher levies this year, reflecting another twelve months of substantial equity losses. The investment returns for the Police Pension fund were down 1.49%, and the returns for the Fire Pension Fund were down 2.51%. Even with significantly higher levies, the percentage of liabilities that are funded will still decrease from 84.3% to 78.2% in the Police Pension Fund, and will decrease from 76.6% to 71.2% in the Fire Pension Fund. The recommended Police pension obligation is \$169,045 (an increase of 10.57% over the 2002 levy of \$152,883), and the recommended Fire pension levy is \$257,961 (an increase of 21% over the 2002 levy of \$213,142). The pension funding is a collaborative effort involving a city contribution, employee contributions, and sound investment. Clearly, the pension funds

have to be more vigilant than ever before about their investment holdings, in order to avoid even higher employee and city contributions in 2004.

The City's FICA or social security obligation includes Medicare withholding costs as well. The combined FICA/Medicare rate remains 7.65%. Apart from Fire and Police personnel, our full-time employees contribute to the Illinois Municipal Retirement Fund (IMRF). The fund announced in April 2003 that municipalities should use an IMRF employer contribution rate of 8.22% against eligible employee earnings, a decrease of 33% over the 2002 contribution rate of 12.3% owing to a rebound in their investment values.

### Calculating the Levy and Rate

The starting point is estimating the City's equalized assessed valuation (EAV) for the coming year. Sycamore's final EAV in 2002 was \$216,389,113. The County Supervisor of Assessments has completed a preliminary estimate of the value of new construction in the City in 2003. Other variables in the calculation of the new community-wide EAV include the value of homestead and senior exemptions and any equalizing "multiplier" established to maintain uniform assessments across all township districts. The EAV estimate must also allow for Board of Review actions following complaints about real property assessments later this fall.

Margaret Whitwell, DeKalb County's chief assessment officer, estimates that Sycamore's "net" EAV for 2003 will be \$239,660,089 which is \$23,270,976 (10.75%) higher than the 2002 EAV of \$216,389,113. This estimate includes deductions for exemptions, appeals, and TIF (which had an EAV of \$2,023,327 in 2002 or an increment of \$373,863 over 2001). The County estimate also assumes an equalization factor of 1.007 for Sycamore Township and 1.044 for Cortland Township and \$9,885,125 in new construction in 2003. To be conservative, this total has been rounded downward to **\$235,000,000** (+18,610,887 or 8.6%) for our calculations. Since the actual EAV growth for 2003 will not be known until the final tax extension is published next spring, the actual City tax rate, determined by dividing the City levy by the City EAV, will be uncertain. If the actual EAV published next spring is not as high as the projected level, the final City rate may be higher than expectations.

### Historic City EAV, City Levy, and City Tax Rate totals:

Year	EAV	City Levy*	City Tax Rate* Per \$100 EAV
1966	\$27,220,176	\$216,252	.7945
1976	\$44,278,153	\$679,882	1.5355
1986	\$56,800,908	\$934,248	1.6448
1996	\$145,647,122	\$1,792,999	1.2318
1997	\$155,861,773 (+7%)	\$1,822,000 (+2%)	1.1689 (-5%)
1998	\$165,664,346 (+6.3%)	\$1,896,660 (+4%)	1.1449 (-2%)
1999	\$172,022,591 (+3.84%)	\$1,934,593 (+2%)	1.1246 (-2%)
2000	\$185,519,631 (+7.85%)	\$1,973,285 (+2%)	1.0648 (-5%)
2001	\$201,706,953 (+8.7%)	\$2,032,484 (+3%)	1.0076 (-5.37%)
2002	\$216,389,113 (+7.28%)	\$2,134,108 (+5%)	.98627 (-2.1%)

\*Excludes Sycamore Public Library and Sycamore Hospital.

Although as a home rule community the City is not subject to the provisions of the Property Tax Extension Limitation Law, previous City Councils have chosen to levy within the extension limitation for the year, which for “capped” taxing bodies means “the lesser of 5% or the percentage increase in the Consumer Price Index during the twelve month calendar year preceding the levy year.” For 2003 extensions, the CPI change is measured from December 2001 to December 2002. According to the Illinois Department of Revenue the U.S. City average Consumer Price Index (CPI) increase for that twelve-month period was **2.4%**. For the same period (12/2001-12/2002), the average price of all existing and new homes sold in Sycamore was about \$164,550 according to the DeKalb Area Association of Realtors, an increase of \$14,550 (+9.7%) over the previous twelve-month period.

**Five City Levy Options**

**Option #1: No Increase in City Levy**

	1999	2000	2001	2002	2003
Total Levy	1,934,593	1,973,285	2,032,484	2,134,108	2,134,108
Police Pension	73,200	77,600	87,300	152,883	169,045
Fire Pension	147,000	130,000	180,390	213,142	257,961
FICA/IMRF	189,000	205,000	220,000	247,500	275,000
Crossing Guards	20,000	20,000	20,000	20,000	20,000
General Operations	1,505,393	1,540,685	1,524,794	1,398,959	1,412,102
City-Wide EAV	172,022,591	185,519,631	201,706,953	216,389,113	235,000,000
City Tax Rate	1.1246	1.0648	1.0076	.98627	.90813

**Resulting Impact on Single-Family Homeowner.** The “Property EAV” is derived from the average price of all homes sold in Sycamore during the particular year.

	2000	2001	2002	2003
Property EAV	45,150	46,550	47,800	52,437 (+9.7%)
City Tax Rate	1.0648	1.0076	.98627	.90813
City Tax Bill	480.76	469.04	471.44	476.20

**Overall Impact:**

- Should result in a City tax rate decrease of 7.9%.
- Should result in little or no change in actual City taxes paid by the average homeowner who makes no substantial home improvements.
- Property taxes (minus the portion going directly to the Fire and Police Pension funds) would represent 20.6% of all budgeted FY2003-2004 General Fund expenditures (\$8,284,096). They presently represent 21.3%.
- Increase the monies available for general operations by \$13,143 (0.9%).

**Option #2: Two Percent (2%) Increase in City Levy**

	1999	2000	2001	2002	2003
Total Levy	1,934,593	1,973,285	2,032,484	2,134,108	2,176,790
Police Pension	73,200	77,600	87,300	152,883	169,045
Fire Pension	147,000	130,000	180,390	213,142	257,961
FICA/IMRF	189,000	205,000	220,000	247,500	275,000
Crossing Guards	20,000	20,000	20,000	20,000	20,000
General Operations	1,505,393	1,540,685	1,524,794	1,398,959	1,454,784
City-Wide EAV	172,022,591	185,519,631	201,706,953	216,389,113	235,000,000
City Tax Rate	1.1246	1.0648	1.0076	.98627	.92629

**Resulting Impact on Single-Family Homeowner.** The “Property EAV” is derived from the average price of all homes sold in Sycamore during the particular year.

	2000	2001	2002	2003
Property EAV	45,150	46,550	47,800	52,437 (+9.7%)
City Tax Rate	1.0648	1.0076	.98627	.92629
City Tax Bill	480.76	469.04	471.44	485.72

**Overall Impact:**

- Should result in a City tax rate decrease of 6%.
- Should result in an increase of \$14.28 in actual City taxes paid by the average homeowner who makes no substantial home improvements.
- Property taxes (minus the portion going directly to the Fire and Police Pension funds) would represent 21.1% of all budgeted FY2003-2004 General Fund expenditures (\$8,284,096). They presently represent 21.3%.
- Increase the monies available for general operations by \$55,825 (4%).

**Option #3: Two and a Half Percent (2.5%) Increase in City Levy**

	1999	2000	2001	2002	2003
Total Levy	1,934,593	1,973,285	2,032,484	2,134,108	2,187,461
Police Pension	73,200	77,600	87,300	152,883	169,045
Fire Pension	147,000	130,000	180,390	213,142	257,961
FICA/IMRF	189,000	205,000	220,000	247,500	275,000
Crossing Guards	20,000	20,000	20,000	20,000	20,000
General Operations	1,505,393	1,540,685	1,524,794	1,398,959	1,465,455
City-Wide EAV	172,022,591	185,519,631	201,706,953	216,389,113	235,000,000
City Tax Rate	1.1246	1.0648	1.0076	.98627	.93084

**Resulting Impact on Single-Family Homeowner.** The “Property EAV” is derived from the average price of all homes sold in Sycamore during the particular year.

	2000	2001	2002	2003
Property EAV	45,150	46,550	47,800	52,437 (+9.7%)
City Tax Rate	1.0648	1.0076	.98627	.93084
City Tax Bill	480.76	469.04	471.44	488.11

**Overall Impact:**

- Should result in a City tax rate decrease of 5.6%.
- Should result in an increase of \$16.67 in actual City taxes paid by the average homeowner who makes no substantial home improvements.
- Property taxes (minus the portion going directly to the Fire and Police Pension funds) would represent 21.25% of all budgeted FY2003-2004 General Fund expenditures (\$8,284,096). They presently represent 21.3%.
- Increase the monies available for general operations by \$66,498 (4.75%).

**Option #4: Three Percent (3%) Increase in City Levy**

	1999	2000	2001	2002	2003
Total Levy	1,934,593	1,973,285	2,032,484	2,134,108	2,198,131
Police Pension	73,200	77,600	87,300	152,883	169,045
Fire Pension	147,000	130,000	180,390	213,142	257,961
FICA/IMRF	189,000	205,000	220,000	247,500	275,000
Crossing Guards	20,000	20,000	20,000	20,000	20,000
General Operations	1,505,393	1,540,685	1,524,794	1,398,959	1,476,125
City-Wide EAV	172,022,591	185,519,631	201,706,953	216,389,113	235,000,000
City Tax Rate	1.1246	1.0648	1.0076	.98627	.93537

**Resulting Impact on Single-Family Homeowner.** The “Property EAV” is derived from the average price of all homes sold in Sycamore during the particular year.

	2000	2001	2002	2003
Property EAV	45,150	46,550	47,800	52,437 (+9.7%)
City Tax Rate	1.0648	1.0076	.98627	.93537
City Tax Bill	480.76	469.04	471.44	490.48

**Overall Impact:**

- Should result in a City tax rate decrease of 5%.
- Should result in an increase of \$19.00 in actual City taxes paid by the average homeowner who makes no substantial home improvements.
- Property taxes (minus the portion going directly to the Fire and Police Pension funds) would represent 21.3% of all budgeted FY2003-2004 General Fund expenditures (\$8,284,096). They presently represent 21.3%.
- Increase the monies available for general operations by \$77,166 (5.5%).

- Increase the General Fund’s pension obligation from 29% to 32% of the overall property tax receipts.

**Option #5: Three and a Half Percent (3.5%) Increase in City Levy**

	1999	2000	2001	2002	2003
Total Levy	1,934,593	1,973,285	2,032,484	2,134,108	2,208,802
Police Pension	73,200	77,600	87,300	152,883	169,045
Fire Pension	147,000	130,000	180,390	213,142	257,961
FICA/IMRF	189,000	205,000	220,000	247,500	275,000
Crossing Guards	20,000	20,000	20,000	20,000	20,000
General Operations	1,505,393	1,540,685	1,524,794	1,398,959	1,486,796
City-Wide EAV	172,022,591	185,519,631	201,706,953	216,389,113	235,000,000
City Tax Rate	1.1246	1.0648	1.0076	.98627	.93992

**Resulting Impact on Single-Family Homeowner.** The “Property EAV” is derived from the average price of all homes sold in Sycamore during the particular year.

	2000	2001	2002	2003
Property EAV	45,150	46,550	47,800	52,437 (+9.7%)
City Tax Rate	1.0648	1.0076	.98627	.93992
City Tax Bill	480.76	469.04	471.44	492.87

**Overall Impact:**

- Should result in a City tax rate decrease of 4.7%.
- Should result in an increase of \$21.43 in actual City taxes paid by the average homeowner who makes no substantial home improvements.
- Property taxes (minus the portion going directly to the Fire and Police Pension funds) would represent 21.5% of all budgeted FY2003-2004 General Fund expenditures (\$8,284,096). They presently represent 21.3%.
- Increase the monies available for general operations by \$87,837 (6.3%).

**RECOMMENDATION:**

The City has aggressively reduced its portion of the property owner’s annual tax bill for the past five years. Until the 2000 levy year when the levies of other local taxing bodies were legally capped, the City’s reduction in its tax rate in effect subsidized other taxing bodies by offsetting the impact of levies that exceeded the inflation rate. Today, the City’s property tax rate is lower than at any time since the early 1970s. By way of reference, in 1975 the City’s EAV was \$38,902,799 and the City levy was \$431,542, which resulted in a City tax rate of \$1.11 per \$100 EAV. The City’s levy has increased by \$1,702,566 (3.95 times, from \$431,542 to \$2,134,108) since 1975 while operational spending has increased \$7,432,696 (8.73 times, from \$851,400 to \$8,284,096). As a proportion of general operating revenues, the property tax constituted 50.7% in FY1976 and 21.3% in FY2004. Clearly, the long-term historic trend, accelerated in recent years,

is toward less reliance on property taxes for essential services notwithstanding the rising demand for services.

All five options presented above would result in a reduction in the City's property tax rate. **The City Manager recommends Option 4, or the 3% levy increase.** This option would reduce the City tax rate by an estimated 5% and continue the long-term trend of lower City tax rates. It would also maintain the relative proportion of property taxes to other sources of General Fund revenues.

The City Council's efforts to keep the City levy at or below the rate of inflation in recent years has been remarkable, considering the legitimate claim for more contractual and personnel resources to address Sycamore's outward growth. The Council's efforts, which have offset the relatively higher percentage increases of other local taxing bodies, have incrementally reduced the overall tax burden of local taxpayers and have made Sycamore slightly more competitive in attracting business to the region.

However, with any of the options outlined above, the portion of our property tax revenue available for operating purposes will be reduced below the level of four years ago! In 1999 the operating levy was \$1,505,393; the proposed 2003 operating levy is \$1,476,125. There is a point at which the City cannot afford to further reduce one of its three key operating revenue sources. That point is when the reduction is not likely to be offset by a measurable improvement in our competitiveness, or an offsetting increase in other revenues, and may lead to a reduction in City services. With over one-half of the FY04 fiscal year behind us, with state income tax proceeds reduced and home rule sales tax revenues running over 10% below projections, offsetting revenues are not apparent.

#### **The Annual Sycamore Library Levy**

The City annually levies property taxes for the Sycamore Library. The combined City and Library levies are considered the *corporate levy*.

Until the Sycamore Public Library has established a separate taxing authority through referendum, the Council is obliged to "pass through" the Library's levy request, provided the annual Library tax does not exceed .60% of the community's EAV (estimated to be \$1,410,000 in 2003). Whenever a community plans a *corporate levy* increase of more than 4.9%, the Truth in Taxation Act requires a public hearing. The corporate levy in 2002 was \$2,700,329. This year, the proposed Library levy of \$583,607 combined with the proposed City levy of \$2,198,131 (totaling \$2,781,738) will increase the corporate levy by about 3%, well under the 4.9% threshold. Nevertheless, the strong and legitimate public concern about relatively high property tax rates in Sycamore recommends a public hearing. Such a hearing will be scheduled for the December 15 Council meeting.

The FY2003-2004 Library levy recommendation of \$583,607 is \$17,386 (3%) higher than the FY2002-2003 Library levy of \$566,221 and should result in a Library rate of .24834/\$100 EAV, which is 1.3% lower than the Library rate of .26167/\$100 EAV in 2002. The proposed 2003 Library levy represents 85% of the Library's proposed

FY2003-2004 operating budget of \$686,417. The Library's 2002 levy of \$566,221 represented 85.8% of the FY03 budget of \$651,101.

The Library levies of recent years are shown in the table that follows:

<b>Recent Library Levy History</b>	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Operating & Insurance	\$387,980	\$407,324	\$428,930	\$458,603	\$526,501	\$537,185
FICA	\$19,254	\$19,853	\$22,438	\$22,621	\$23,438	\$25,930
IMRF	\$28,000	\$20,389	\$20,294	\$19,396	\$15,627	\$19,308
Audit	\$2,500	\$2,091	\$500	\$250	\$655	\$1,184
Total Library Levy	\$437,734 (+32.7%)	\$449,657 (+2.7%)	\$472,162 (+5%)	\$500,870 (+6%)	\$566,221 (+13%)	\$583,607 (+3%)
Library Rate	.2642 (+25%)	.2614 (-1.1%)	.2545 (-2.64%)	.2483 (-2.4%)	.26167 (+5.38%)	.24834 (-1.3%)

The impact of the proposed Library levy on the average single-family homeowner is shown below:

	1999	2000	2001	2002	2003
Library Levy	449,657	472,162	\$500,870	\$566,221	\$583,607
City-Wide EAV	172,022,591	185,519,631	201,706,953	216,389,113	235,000,000
Library Tax Rate	.2614	.2545	.2483	.26167	.24834
EAV of Average Home Sold in Sycamore	43,800	45,150	46,550	47,800	52,437
Library Tax Bill	114.49	114.91	115.58	125.08	130.22

**City Council direction is requested.** Once the City portion of the levy is determined, the corporate levy—the combined City and Library levies—can be determined. The City Manager hopes to hold a public hearing on the corporate levy proposal on December 15 along with a first and second reading on the levy ordinances.

**14. APPOINTMENTS**

**15. ADJOURNMENT**