

**SYCAMORE CITY COUNCIL**  
**AGENDA**  
November 6, 2006

**City Council Committee Meetings**  
No Meetings are Scheduled

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**Regular City Council Meeting**  
**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 October 16, 2006.
  - B. Approval of the Minutes for the City Council Workshop Meeting of October 16, 2006;
  - C. Payment of the Bills for November 6, 2006.
7. **PRESENTATION OF PETITIONS, COMMUNICATIONS, AND BILLS.**
  - A. Proclamation Congratulating Phyllis Kelly, DeKalb County Historian, who is the recipient of the 2006 Studs Terkel Humanitarian Service Award presented by the Illinois Humanities Council.
  - B. Introduction of new Police officers, Cheryl Senne and Stacy Safranek, who have completed their supervised field training.
8. **REPORTS OF OFFICERS**
9. **REPORTS OF STANDING COMMITTEES**

**10. PUBLIC HEARINGS--None**

**11. ORDINANCES**

**A. Ordinance No. 2006.44—An Ordinance Amending the Combined Annual Budget and Appropriation Ordinance for Fiscal Year 2006-2007 in the City of Sycamore, Illinois. First and Second Reading.**

Under separate cover, a revised FY2006-2007 City Budget has been circulated to the City Council and local media. The fiscal year budget originally approved on April 17, 2006 has been revised to replace estimated year-end numbers for FY2005-2006 with actual audited numbers, and to update spending in the FY2007 budget in line with Council direction. The following are among the more important revisions to the FY2007 Budget:

- Fund 1, “General Fund.” Operational spending has been increased by \$10,000 to accommodate the advanced hiring of a new police officer, previously scheduled for May 1, 2007. This hiring is prompted by the military deployment of patrol officer Ann Carlson to Germany for about one year. On October 16, 2006 the City Council determined that the advanced hiring of an officer would be more economical than hiring back replacement personnel on an overtime basis for the balance of the fiscal year. Adjustments have been made in the General Fund Support budget (513-8177: \$60; 513-8474: \$6,974; 513-8475: \$208) to cover the benefit side, and in the Police department’s patrol program (712-8101: \$2,758) to cover the increase in wages. The Police department will reduce its overall spending by \$3,499.45 to cover the balance of the additional cost attending the appointment of a new officer on December 11, 2006.
- Fund 1, “General Fund.” A reserve transfer of \$100,000 will be made to the Capital Assistance Fund (Fund 6) to cover most of the estimated architectural costs associated with the preparation of plans and construction documents for the second fire station. On August 7, 2006 the City Council decided to proceed with the construction of the station in 2007.
- Fund 6, “Capital Assistance Fund.” The fund will show the reserve transfer from the General Fund for architectural services (06-3741) and an expanded spending budget for architectural consulting services (06-8331) related to the second fire station.
- Fund 6, “Capital Assistance Fund.” The fund will also show an increase of \$13,500 in “Refunds/Reimbursements” (06-3711) to indicate a reimbursement from our liability insurance carrier for a damaged Police squad, and an outlay of \$18,500 for a replacement squad. Further, the “Miscellaneous Income” (06-3720) line item will note an increase of \$32,000 from FEMA to reimburse Fire department responses to the Gulf Coast area after Hurricane Katrina in the summer of 2005. A total of \$10,000 of these FEMA monies will be spent on Fire department software enhancements (06-8639) and another \$10,000 will be used to repair the concrete aprons in front of the Fire department apparatus bays next spring (06-8625).

Spending within the FY2007 Budget totals \$42,193,935.00, inclusive of all City funds. The General Fund expenditure budget totals \$10,344,204. These expenditures are offset by \$10,586,213 in anticipated General Fund revenues. The restated General Fund cash reserve

or starting cash balance totals \$5,227,842 or 50% percent of the planned General Fund expenditures for FY2007.

City Council approval is recommended.

**B. Ordinance No. 2006.45—An Ordinance Approving the Execution of an Agreement Between the City of Sycamore, Illinois and the IMLRMA for Worker’s Compensation and Liability Coverage for City Employees. First and Second Reading.**

The City’s worker’s compensation and liability insurance coverages will expire on December 31, 2006. For the past nine years, the City has had an agreement with the Illinois Municipal League Risk Management Association (IMLRMA) for worker’s compensation and liability coverage. The IMLRMA is the largest public risk pool in the state and has been meeting the risk management needs of Illinois municipalities for 25 years. They currently have 764 members and provide coverage to over one half of the municipalities in our state.

Prior to 2005, the City participated in the IMLRMA’s Minimum/Maximum Program, which allowed the City to pay a minimum premium each calendar year as opposed to the full premium, which is payable if the City approaches its maximum exposure in claims. While this program works well in years with minimum losses, it does not work well when maximum losses are paid out, as when prior claims become payable two to three years after an incident occurs and fall on top of a particular year’s losses. For the years 1999-2004, the City incurred maximum claims exposure three out of the 6 years. For this reason, as well as for budgetary purposes, the City opted to return to the fully-insured program for 2005. This was a good choice, as the City did incur maximum claims exposure that year. The City budget anticipates remaining in the fully-insured program in 2006 as well, given our knowledge of several large and unresolved claims from prior years.

The City did request quotes from two other agencies for our workers comp and liability coverage for the coming year. The Wine Serge Agency, which works with the Illinois County Risk Management Trust pool (ICRMT) as well as the Traveler’s Insurance Group, and the Corkill Insurance Agency, which deals primarily with townships and park districts, have been invited to quote premiums. At this writing, no written quotes have been received. However, based on phone contacts with both agencies, it does not appear that either is inclined to offer a quote, given our incurred claims loss ratio.

In the absence of competing quotes, it is recommended that the City Council approve the renewal of the IMLRMA policy for several reasons:

- Even considering our claims experience, the IMLRMA quote for the 2007 fully insured program is only 12% higher than last year’s premium. This is within the industry renewal trend rate. A portion of this increase is due to our increased payroll and the fact that the City added several new properties (including the Engh Farm and Well #9) to its liability coverage in 2006.

- Several large claims incurred between 1999-2003 that affected our experience last year are still open this year. Until we can close out these claims, we will be considered a high risk to other companies who may consider our business, which translates into higher premiums.

The City currently has a contract with the IMLRMA that automatically renews each year unless rescinded by mutual consent of both parties. The City Manager recommends that the Council renew this contact and approve a one-time payment of \$322,695.38 (which includes a 2% discount if paid before November 17, 2006) for fully insured coverage.

With the leadership of Jean Tritle, Human Resource Director, the City has worked aggressively over the past year to reduce claims expense. A new Safety Committee comprised of one employee from each City department was formed in January 2006. The Committee meets on a monthly basis and, with the support and encouragement of representatives from the IMLRMA, has worked to educate our employees on various safety issues in order to prevent new and recurring injuries and accidents. The Committee has been very successful in their efforts. To date, our employees have only incurred two lost-time work comp claims, as opposed to seven last year. We have also made a concerted effort to find alternate productive duty for those employees who are injured on or off the job. If we can keep this trend going, we hope to have two consecutive years of reduced claims expenses, which will enable us to once again participate in the Minimum/Maximum premium program of the IMLRMA.

## 12. RESOLUTIONS

### **A. Resolution No. 483—Authorizing the Participation of the City of Sycamore on the DeKalb County Hazard Mitigation Committee.**

As the attached letter from County Administrator Ray Bockman indicates, DeKalb County will prepare a natural hazards mitigation plan for the County and all interested municipalities. The Disaster Mitigation Act of 2000 requires the development of such a plan in order for communities to be eligible for disaster mitigation funds from FEMA (Federal Emergency Management Agency). The natural hazards that might be eligible include floods, tornadoes, earthquakes, severe summer storms and winter ice storms. The County recently received some planning funds from the federal government to proceed with this planning effort. The City will bear no cost for participation in this multi-jurisdictional planning process. However, a City representative will be expected to attend the series of planning meetings scheduled from the middle of November 2006 through November 2007, when it is expected that the County plan will be adopted.

The logical City participants would be drawn from either the Fire or Police departments, or both. Given the Sycamore Fire department's key role in the MABAS organization, the City Manager recommends two representatives from the Fire department: Chief Bill Riddle and Assistant Chief Mark Kessler. Chief Riddle, who is president of the county MABAS organization, would be the principal delegate; Assistant Chief Kessler would serve as an alternate.

City Council approval is recommended.

**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 \$8.23671 per \$100 EAV in 2006, based on the 2005 levies; for residences and businesses located in Cortland Township the property tax rate in 2006 was \$8.19117 per \$100 EAV. **The City's 2006 rate--\$0.75444--represented about 9% 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	2003 Actual	2004 Actual	2005 Actual
Property Tax— General Operating	\$1,505,393*	\$1,540,685*	\$1,524,794*	\$1,500,583*	\$1,476,125	1,514,008	1,492,738
Property Tax— FICA/IMRF	\$189,000	\$205,000	\$220,000	\$247,500	\$275,000	302,225	302,225
Property Tax— Police Pension**	\$73,200	\$77,600	\$87,300	\$152,883	\$169,045	167,080	213,305
Property Tax— Fire Pension**	\$147,000	\$130,000	\$180,390	\$213,142	\$257,961	260,762	303,729
Crossing Guards	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	20,000	20,000
Totals	\$1,934,593	\$1,973,285	\$2,032,484	\$2,134,108	\$2,198,131	2,264,075	2,331,997

\*Includes \$155,000 for debt service. Until 2002, about \$240,000 was included to subsidize the cost of residential refuse collection. The increase in monthly refuse fees to \$14 per month, effective July 1, 2003, effectively eliminated that subsidy. In 2006, the monthly refuse cost per unit will be \$14.54 times the CPI for 2005.

\*\* 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 Manager. 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 for which levies were voted in FY06 (\$819,259) constituted about 35% of the City's property tax receipts, an increase of 2.7% over FY05. In FY01 pension obligations constituted 21% of the City's property tax receipts.

The actuarial recommendations for 2007 have been submitted by the City's long-time actuary, Timothy Sharpe. After three years of investment losses, both the Fire and Police Pension Funds posted modest gains in FY06. The investment returns for the Police Pension fund in FY06 were up 10.4%, and the returns for the Fire Pension Fund in FY06 were up 9.69%. However, these increases do not offset the significant increase in each fund's accrued liabilities. As a result, the percentage of liabilities that are funded will slightly increase from 82.4% to 84.8% in the Police Pension Fund, and will increase from 74.2% to 76.8% in the Fire Pension Fund. The recommended Police pension obligation is \$233,410 (an increase of \$20,105 or 9.4% above the 2005 levy of \$213,305), and the recommended

Fire pension levy is \$309,399 (an increase of \$5,670 or 1.9% over the 2005 levy of \$303,729). The pension funding is a collaborative effort involving a city contribution, employee contributions, and sound investment. After a series of bad market years in the first three years of this decade, the pension funds have to be more vigilant than ever before about their investment returns in order to restore higher funding levels and to avoid higher employee and city contributions in 2007.

The City's FICA or social security obligation includes Medicare withholding costs as well. The combined FICA/Medicare rate is 7.65% Apart from Fire and Police personnel, our full-time employees contribute to the Illinois Municipal Retirement Fund (IMRF). The fund announced in 2006 that Sycamore should use an IMRF employer contribution rate of 9.57% against eligible employee earnings in 2007, an increase of 16% over the 2006 contribution rate of 8.24%. During the poor market years of 2001 through 2003, IMRF kept contribution levels steady by relying on reserve funds. In 2007 and possibly for several more years, IMRF is committed to rebuilding its reserves by raising its contribution rate. The City's IMRF rate is also affected by a prior SLEP obligation entered in the mid-1990's.

If the Council concurs with the pension levy recommendation noted above, and if the Council settles on a 3% levy increase for 2006, the pension fund obligations borne by the General Fund in FY07 will total \$853,679 or 35.5% of the City's property tax receipts, up from 35% in 2005 (and 21% in FY01).

### **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 2005 was \$309,324,156. The County Supervisor of Assessments has completed a preliminary estimate of the value of new construction in the City in 2006. 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 2006 will be \$351,503,058 which is \$42,178,902 (13.6%) higher than the actual 2005 EAV of \$309,324,156. This estimate includes deductions for exemptions, appeals, and TIF (which had an EAV of \$2,155,096 in 2005 and generated an incremental tax extension of \$39,603). The County estimate also assumes an equalization factor of 1.0331 for Sycamore Township and 1.0157 for Cortland Township and about \$24,844,326 in new construction in 2006 (compared to about \$21 million in 2005). To be conservative, the EAV estimate has been adjusted to **\$346,450,000** (+\$37,125,844 or 12%) for our calculations, although it is possible that the new construction total will increase after all appeals and re-examinations are complete. Since the actual EAV growth for 2006 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%)
2003	\$241,138,805 (+11.4%)	\$2,198,131 (+3%)	.91223 (-7.5%)
2004	\$261,496,432 (+8.4%)	\$2,264,075 (+3%)	.865814 (-5%)
2005	\$309,324,156 (+18.3%)	\$2,331,997 (+3%)	.75444 (-12.9%)

\*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 generally 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 2006 extensions, the CPI change is measured from January 1, 2005 through December 31, 2005. According to the Illinois Department of Revenue, the increase in the Consumer Price Index for All Urban Consumers (CPI-U) for that twelve-month period was **3.4%**. In the period January 1, 2005 through December 31, 2005, the average price of all existing and new homes sold in Sycamore was \$235,260 according to the DeKalb Area Association of Realtors.

**Five City Levy Options**

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

	1999	2000	2001	2002	2003	2004	2005	2006
Total Levy	1,934,593	1,973,285	2,032,484	2,134,108	2,198,131	2,264,075	2,331,997	2,331,997
Police Pension	73,200	77,600	87,300	152,883	169,045	167,080	213,305	233,410
Fire Pension	147,000	130,000	180,390	213,142	257,961	260,762	303,729	309,399
FICA/IMRF	189,000	205,000	220,000	247,500	275,000	302,225	302,225	310,870
Crossing Guards	20,000	20,000	20,000	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	1,514,008	1,492,738	1,458,318
City-Wide EAV	172,022,591	185,519,631	201,706,953	216,389,113	241,138,805	261,496,432	309,324,156	346,450,000
City Tax Rate	1.1246	1.0648	1.0076	.98627	.91223	.865814	.75444	.67311

**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	2004	2005	2006
Property EAV	45,150	46,550	47,800	52,437	54,909	62,147	78,420
City Tax Rate	1.0648	1.0076	.98627	.91223	.865814	.75444	.67311
City Tax Bill	480.76	469.04	471.44	478.37	475.41	468.86	527.85

**Overall Impact:**

- Should result in a City tax rate decrease of 10.78%.
- Should result in a decrease in actual City taxes paid by the current homeowner who makes no substantial home improvements.
- Property taxes (minus the portion--\$542,809--going directly to the Fire and Police Pension funds) would represent 17.3% of all budgeted FY2006-2007 General Fund expenditures (\$10,344,204).
- Decrease the monies available for general operations by \$34,420 (2.3%).

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

	1999	2000	2001	2002	2003	2004	2005	2006
Total Levy	1,934,593	1,973,285	2,032,484	2,134,108	2,198,131	2,264,075	2,331,997	2,378,637
Police Pension	73,200	77,600	87,300	152,883	169,045	167,080	213,305	233,410
Fire Pension	147,000	130,000	180,390	213,142	257,961	260,762	303,729	309,399
FICA/IMRF	189,000	205,000	220,000	247,500	275,000	302,225	302,225	310,870
Crossing Guards	20,000	20,000	20,000	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	1,514,008	1,492,738	1,504,958
City-Wide EAV	172,022,591	185,519,631	201,706,953	216,389,113	241,138,805	261,496,432	309,324,156	346,450,000
City Tax Rate	1.1246	1.0648	1.0076	.98627	.91223	.865814	.75444	.68657

**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	2004	2005	2006
Property EAV	45,150	46,550	47,800	52,437	54,909	62,147	78,420
City Tax Rate	1.0648	1.0076	.98627	.91223	.865814	.75444	.68657
City Tax Bill	480.76	469.04	471.44	478.37	475.41	468.86	538.41

**Overall Impact:**

- Should result in a City tax rate decrease of 9%.
- Should result in a decrease in actual City taxes paid by the current homeowner who makes no substantial home improvements.
- Property taxes (minus the portion--\$542,809--going directly to the Fire and Police Pension funds) would represent 17.75% of all budgeted FY2006-2007 General Fund expenditures (\$10,344,204).
- Increase the monies available for general operations by \$12,220 (0.8%).

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

	1999	2000	2001	2002	2003	2004	2005	2006
Total Levy	1,934,593	1,973,285	2,032,484	2,134,108	2,198,131	2,264,075	2,331,997	2,401,957
Police Pension	73,200	77,600	87,300	152,883	169,045	167,080	213,305	233,410
Fire Pension	147,000	130,000	180,390	213,142	257,961	260,762	303,729	309,399
FICA/IMRF	189,000	205,000	220,000	247,500	275,000	302,225	302,225	310,870
Crossing Guards	20,000	20,000	20,000	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	1,514,008	1,492,738	1,528,278
City-Wide EAV	172,022,591	185,519,631	201,706,953	216,389,113	241,138,805	261,496,432	309,324,156	346,450,000
City Tax Rate	1.1246	1.0648	1.0076	.98627	.91223	.865814	.75444	.69331

**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	2004	2005	2006
Property EAV	45,150	46,550	47,800	52,437	54,909	62,147	78,420
City Tax Rate	1.0648	1.0076	.98627	.91223	.865814	.75444	.69331
City Tax Bill	480.76	469.04	471.44	478.37	475.41	468.86	543.69

**Overall Impact:**

- Should result in a City tax rate decrease of 8.1%.
- Should result in a decrease in actual City taxes paid by the current homeowner who makes no substantial home improvements.
- Property taxes (minus the portion--\$542,809--going directly to the Fire and Police Pension funds) would represent 17.97% of all budgeted FY2006-2007 General Fund expenditures.
- Increase the monies available for general operations by \$35,540 (2.38%).

**Option #4: Three and One-Half Percent (3-1/2%) Increase in City Levy**

	1999	2000	2001	2002	2003	2004	2005	2006
Total Levy	1,934,593	1,973,285	2,032,484	2,134,108	2,198,131	2,264,075	2,331,997	2,413,617
Police Pension	73,200	77,600	87,300	152,883	169,045	167,080	213,305	233,410
Fire Pension	147,000	130,000	180,390	213,142	257,961	260,762	303,729	309,399
FICA/IMRF	189,000	205,000	220,000	247,500	275,000	302,225	302,225	310,870
Crossing Guards	20,000	20,000	20,000	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	1,514,008	1,492,738	1,539,938
City-Wide EAV	172,022,591	185,519,631	201,706,953	216,389,113	241,138,805	261,496,432	309,324,156	346,450,000
City Tax Rate	1.1246	1.0648	1.0076	.98627	.91223	.865814	.75444	.69667

**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	2004	2005	2006
Property EAV	45,150	46,550	47,800	52,437	54,909	62,147	78,420
City Tax Rate	1.0648	1.0076	.98627	.91223	.865814	.75444	.69667
City Tax Bill	480.76	469.04	471.44	478.37	475.41	468.86	546.33

**Overall Impact:**

- Should result in a City tax rate decrease of 7.66%.
- Should result in a decrease in actual City taxes paid by the current homeowner who makes no substantial home improvements.
- Property taxes (minus the portion--\$542,809--going directly to the Fire and Police Pension funds) would represent 18.09% of all budgeted FY2006-2007 General Fund expenditures (\$10,344,204).
- Increase the monies available for general operations by \$47,200 (3.16%).

**Option #5: Four Percent (4%) Increase in City Levy**

	1999	2000	2001	2002	2003	2004	2005	2006
Total Levy	1,934,593	1,973,285	2,032,484	2,134,108	2,198,131	2,264,075	2,331,997	2,425,277
Police Pension	73,200	77,600	87,300	152,883	169,045	167,080	213,305	233,410
Fire Pension	147,000	130,000	180,390	213,142	257,961	260,762	303,729	309,399
FICA/IMRF	189,000	205,000	220,000	247,500	275,000	302,225	302,225	310,870
Crossing Guards	20,000	20,000	20,000	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	1,514,008	1,492,738	1,551,598
City-Wide EAV	172,022,591	185,519,631	201,706,953	216,389,113	241,138,805	261,496,432	309,324,156	346,450,000
City Tax Rate	1.1246	1.0648	1.0076	.98627	.91223	.865814	.75444	.70004

**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	2004	2005	2006
Property EAV	45,150	46,550	47,800	52,437	54,909	62,147	78,420
City Tax Rate	1.0648	1.0076	.98627	.91223	.865814	.75444	.70004
City Tax Bill	480.76	469.04	471.44	478.37	475.41	468.86	548.97

**Overall Impact:**

- Should result in a City tax rate decrease of 7.2%.
- Should result in a decrease in actual City taxes paid by the current homeowner who makes no substantial home improvements.
- Property taxes (minus the portion--\$542,809--going directly to the Fire and Police Pension funds) would represent 18.2% of all budgeted FY2006-2007 General Fund expenditures (\$10,344,204).
- Increase the monies available for general operations by \$58,860 (3.94%).

## **RECOMMENDATION:**

The City has aggressively reduced its portion of the property owner's annual tax bill for the past ten 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 mid-1960's. 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. From 1975 through 2005 the City's levy increased by \$1,832,533 (4.25 times, from \$431,542 to \$2,264,075) while operational spending increased \$8,964,173 (10.53 times, from \$851,400 to \$9,815,573). As a proportion of general operating revenues, the property tax constituted 50.7% in FY1976 and 18.4% in FY2006. 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 and city taxes paid by the current homeowner who has not made any homestead improvements during the past year. **The City Manager recommends Option #3, or the 3% levy increase.** This option would reduce the City tax rate by an estimated 8.1% and continue the long-term trend of lower City tax rates. It would also slightly decrease the proportion of property taxes in relation to other sources of General Fund revenues. The taxes levied in 2006 are received in the FY2007-2008 fiscal year (i.e. after May 1, 2006).

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.

**In 2000 the operating levy was \$1,540,685; the proposed 2006 operating levy is \$1,528,278.** There is a point at which the City cannot afford to further reduce one of its three key operating revenue sources in order to offset the relatively higher average annual tax levy increases of other taxing bodies. 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 FY07 fiscal year behind us, offsetting revenues are not apparent except through continued robust economic development.

### **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 .6% of the community's EAV (estimated to be

\$2,078,700 in 2006). 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 2005 was \$2,993,177. This year, the proposed Library levy of \$714,074 combined with the proposed City levy of \$2,401,957 (totaling \$3,116,031) will increase the corporate levy by about 4.1% (\$122,854), 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 4 meeting of the City Council. If the proposed City and Library levies are approved, **the result should be a 7.1% decrease in the corporate rate (from 0.96765 in 2005 to .89942 in 2006).**

The Sycamore Public Library Board will meet on November 14 to consider the Library's FY2006-2007 levy. The proposed Library budget, which includes the annual levy recommendation from the executive director, recommends a 2006 levy of \$714,074. This proposal would be \$52,894 (8%) higher than the FY2005-2006 Library levy of \$661,180 and should result in a Library rate of .20611/\$100 EAV, which is 3.6% lower than the Library rate of 0.21377/\$100 EAV in 2005 because of the substantial City-wide EAV increase in 2006. The proposed 2006 Library levy represents 87.6% of the Library's proposed FY2006-2007 operating budget of \$814,821. The Library's 2005 levy of \$661,180 represented 84% of the FY06 budget of \$785,425.

The proposed Library levy and Library levies of recent years are shown in the following table:

<b>Recent Library Levy History</b>	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Operating & Insurance	\$387,980	\$407,324	\$428,930	\$458,603	\$526,501	\$537,185	\$557,713	\$610,632	\$651,804
FICA	\$19,254	\$19,853	\$22,438	\$22,621	\$23,438	\$25,930	\$26,995	\$27,694	\$29,270
IMRF	\$28,000	\$20,389	\$20,294	\$19,396	\$15,627	\$19,308	\$26,253	\$21,611	\$31,200
Audit	\$2,500	\$2,091	\$500	\$250	\$655	\$1,184	\$1,243	\$1,243	\$1,800
Total Library Levy	\$437,734 (+32.7%)	\$449,657 (+2.7%)	\$472,162 (+5%)	\$500,870 (+6%)	\$555,758 (+11%)	\$583,607 (+5%)	\$612,204 (+4.9%)	\$661,180 (+8%)	\$714,074 (+8%)
Library Rate	.2642 (+25%)	.2614 (-1.1%)	.2545 (-2.64%)	.2483 (-2.4%)	.25683 (+3.44%)	.24202 (-5.8%)	.23413 (-3.3%)	.21377 (-8.7%)	.20611 (-3.6%)

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

	1999	2000	2001	2002	2003	2004	2005	2006
Library Levy	449,657	472,162	\$500,870	\$555,758	\$583,607	\$612,204	\$661,180	\$714,074
City-Wide EAV	172,022,591	185,519,631	201,706,953	216,389,113	241,138,805	261,496,432	309,324,156	346,450,000
Library Tax Rate	.2614	.2545	.2483	.25683	.24202	.23413	.21377	.20611
EAV of Average Home Sold in Sycamore	43,800	45,150	46,550	47,800	52,437	54,909	62,147	78,420
Library Tax Bill	114.49	114.91	115.58	122.77	126.91	128.56	133.34	161.63

**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 4 along with a first reading on the levy ordinances.

**14. OTHER NEW BUSINESS**

**15. APPOINTMENTS**

**16. ADJOURNMENT**