

## MEMORANDUM

**TO:** The Honorable Mayor and City Council  
**FROM:** Robert R. Lehnhardt, Director of Finance/Treasurer  
**DATE:** October 11, 2021  
**SUBJECT:** **2021 General Purpose and Debt Property Tax Levy – Estimate**

### Background

The City is required by State Statute (Truth in Taxation Act) to estimate the amount of taxes to be levied by not less than 20 days prior to the adoption of the tax levy. In addition, if the proposed levy increase is greater than 5%, the City is required to publish a notice and conduct a public hearing prior to the adoption of the levy. To meet this statutory requirement, the proposed 2021 Property Tax Levy will be presented at the Planning Session on October 11, 2021.

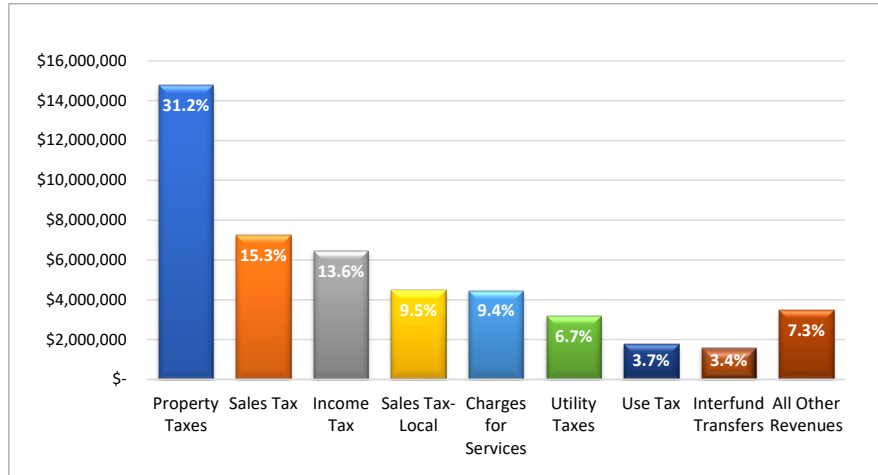
### 2022 Request Budget

Staff has compiled the preliminary 2022 Request Budget and will be meeting with departments to discuss their budgets. The preliminary estimate for the General Fund is a balanced 2022 Budget based on current service levels and programs (exclusive of one-time expenditures associated with the 2021 Pension Obligation Bond Issue). Staff had presented to the City Council a Budget Framework and had projected a slight budget deficit at the July 26, 2021 Planning Session. The City Council recommended to keep the property tax levy flat and not add any new taxes. The City Council's leadership and past budgetary efforts has resulted in the City's strong financial position. The City and staff recognize the financial challenges and uncertainty with the economy our residents and business community are facing due to the COVID-19 pandemic and recommends no change in the 2021 Property Tax Levy for 2022. This would be the third year in a row with no change in the property tax levy.

The following chart is the preliminary estimated 2022 General Fund revenues. As shown on the chart, is the City's reliance on property taxes to fund operations, which are the largest source of revenue in the General Fund representing 31.2% of total revenues.

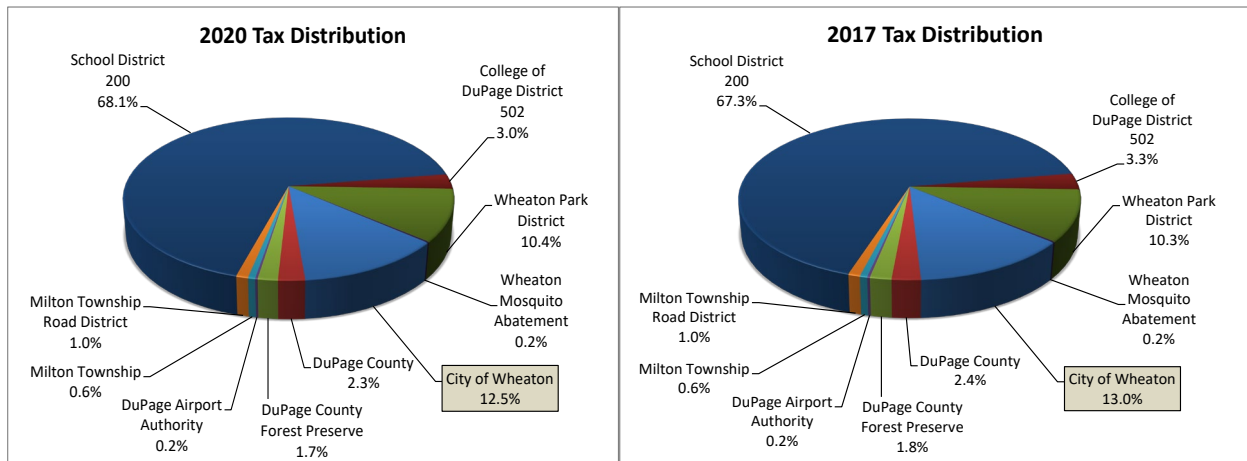


**General Fund Revenues  
2022 Request Budget**



The City’s portion of a typical resident’s 2020 property tax bill was 12.5% and has decreased slightly over the years from 13.0% in 2017.

**2020 vs 2017 Property Tax Distribution**



**Equalized Assessed Valuation**

The following table shows the City’s equalized assessed valuation over the past 5 years. The City’s 2020 EAV increased \$53.3 million (or 2.4%). The City’s 2021 equalized assessed value (EAV) is estimated to increase \$57.9 million (or 2.5%) from \$2.32 billion to \$2.38 billion. The estimated \$57.9 million increase consists of an increase of \$10.8 million (or 0.5%) for new construction and \$47.1 million (or 2.0%) of base growth. The City does not receive the actual 2021 EAV until March 2022.

**Equalized Assessed Valuation**

Property Type	2016	2017	2018	2019	2020	2020 vs 2019	
						Amount	%
Residential	\$ 1,670,027,460	\$ 1,758,753,879	\$ 1,845,442,958	\$ 1,889,242,201	\$ 1,945,117,101	\$ 55,874,900	3.0%
Commercial	325,431,149	338,628,807	355,860,840	364,151,034	361,725,495	(2,425,539)	-0.7%
Industrial	9,785,370	9,706,710	10,316,920	10,119,405	9,863,710	(255,695)	-2.5%
Railroad	1,557,354	1,588,806	1,707,027	1,863,387	1,942,585	79,198	4.3%
<b>Total</b>	<b>\$ 2,006,801,333</b>	<b>\$ 2,108,678,202</b>	<b>\$ 2,213,327,745</b>	<b>\$ 2,265,376,027</b>	<b>\$ 2,318,648,891</b>	<b>\$ 53,272,864</b>	<b>2.4%</b>
Prior Year \$ Change	\$ 123,490,569	\$ 101,876,869	\$ 104,649,543	\$ 52,048,282	\$ 53,272,864		
Prior Year % Change	6.6%	5.1%	5.0%	2.4%	2.4%		

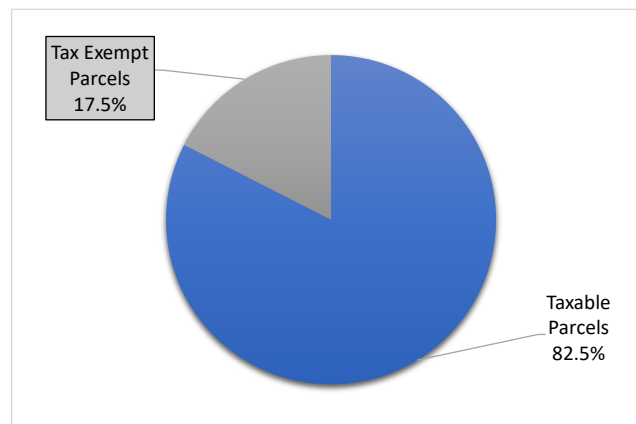
In 2020, Residential properties accounted for \$1.9 billion (or 83.9%) of the total EAV with Commercial property comprising \$361.7 million (or 15.6%), Industrial property \$9.9 million (or 0.4%) and Railroad at \$1.9 million (or 0.1%).

**2020 EAV  
By Property Type**

Type	Amount	% of Total
Residential	\$ 1,945,117,101	83.9%
Commercial	361,725,495	15.6%
Industrial	9,863,710	0.4%
Railroad	1,942,585	0.1%
<b>Total</b>	<b>\$ 2,318,648,891</b>	<b>100.0%</b>

The City has a large portion of parcels, by square mile, that are exempt from property taxation, representing 17.5% of total parcels in the City.

**Wheaton Property  
Tax Exempt by Square Mile**



**2021 Property Tax Levy Defined**

The City's property tax levy is presented in two components: (1) General Purpose Levy and (2) the Debt Service Levy.

1. The **General Purpose Levy** is presented in further detail to define the uses of the property tax levy:
  - General Corporate. Public safety expenditures.
  - Police and Fire Pension plans. The City's contribution is determined by an annual actuarial valuation. State statutes define the benefits and funding of the pension plans.
  - Library. Wheaton Public library operations which the City levy's on their behalf.
2. The **Debt Service Levy** represents general obligation bonds the City have issued to fund public improvements and pension obligation bonds to fund the police and fire pension plans unfunded liability.

## 2021 Proposed Property Tax Levy

The proposed 2021 extended tax levy reflects the 2021 Pension Obligation Bond Issue and paying off the entire 2010 General Obligation Bonds in 2021. The 2021 extended tax levy is approximately \$20.7 million (net of debt service abatements), which equals the 2020 extended levy. The City portion of the proposed 2021 extended tax levy would decrease \$80,638 (or -0.5%) compared to the 2020 extended tax levy from \$16.63 million to \$16.55 million.

- The \$12.4 million General Purpose portion of the levy decreases \$1.2 million (or -8.7%). The General Corporate portion increases \$0.7 million (or 8.8%), Police Pension decreases \$1.3 million (or -35.1%), and Fire Pension decreases \$0.5 million (or -28.4%). The Police and Fire Pension decreases are entirely due to the 2021 Pension Obligation Bond Issue and is mostly offset by the increase in the Debt Service portion of the levy. The Police and Fire Pension levy amounts represent the normal cost and partial payment on their unfunded liability (due to dollar cost averaging and distributing the 2021 Pension Obligation Proceeds over 12 months to the pension plans).
- The \$4.1 million Debt Service portion of the levy increases \$1.1 million (or 36.9%) and reflects \$0.3 million in debt service abatements. The \$0.3 million comprises of: \$0.2 million using debt service fund reserves and \$0.1 million from the 2018 G.O. Bond Fund.
- The \$4.1 million Library portion of the levy increases by \$80,638 (or 2.0%) compared to the 2020 extended levy.

### 2021 Property Tax Levy (Net of Debt Service Abatements) 2022 Budget

	2020		2021		2021 Extended Levy vs 2020 Extended Levy	
	Adopted Levy 2021 Budget	Extended Levy 2021 Budget	Proposed Levy 2022 Budget	Extended Levy 2022 Budget	Dollar Change	% Change
<b>City General Purpose Levy</b>						
General Corporate	\$ 7,718,581	\$ 7,894,337	\$ 8,424,584	\$ 8,590,000	\$ 695,663	8.8%
Police Pension	3,828,765	3,828,765	2,485,880	2,485,880	(1,342,885)	-35.1%
Fire Pension	1,908,482	1,908,482	1,366,172	1,366,172	(542,310)	-28.4%
<b>Total City General Purpose Levy</b>	<b>\$ 13,455,828</b>	<b>\$ 13,631,584</b>	<b>\$ 12,276,636</b>	<b>\$ 12,442,052</b>	<b>\$ (1,189,532)</b>	<b>-8.7%</b>
<b>Debt Service Levy</b>						
Debt Service	2,972,144	3,002,650	4,070,698	4,111,544	1,108,894	36.9%
<b>Total Debt Service Levy</b>	<b>\$ 2,972,144</b>	<b>\$ 3,002,650</b>	<b>\$ 4,070,698</b>	<b>\$ 4,111,544</b>	<b>\$ 1,108,894</b>	<b>36.9%</b>
<b>Total City General &amp; Debt Service</b>	<b>\$ 16,427,972</b>	<b>\$ 16,634,234</b>	<b>\$ 16,347,334</b>	<b>\$ 16,553,596</b>	<b>\$ (80,638)</b>	<b>-0.5%</b>
<b>Library General Purpose Levy</b>						
Library	4,031,883	4,031,883	4,112,521	4,112,521	80,638	2.0%
<b>Total Library General Purpose Levy</b>	<b>\$ 4,031,883</b>	<b>\$ 4,031,883</b>	<b>\$ 4,112,521</b>	<b>\$ 4,112,521</b>	<b>\$ 80,638</b>	<b>2.0%</b>
<b>Total General, Debt &amp; Library</b>	<b>\$ 20,459,855</b>	<b>\$ 20,666,117</b>	<b>\$ 20,459,855</b>	<b>\$ 20,666,117</b>	<b>\$ -</b>	<b>0.0%</b>

### Financial Impact on Property Owner

The financial impact of the levy for a property owner depends on the change in the assessed value of their property from 2020 to 2021. For uniformity purposes, the following table assumes the assessed value of all properties has a base growth increase of 2.0%. As shown in the following table, a property owner could see a slight decrease in the City's portion of their property tax bill.

### Annual Property Tax Impact

2020			2021			2021 vs 2020	
Fair Cash Value	Tax Rate	Tax Amount	Fair Cash Value	Tax Rate	Tax Amount	Tax Amount Change	% Change
\$ 300,000	\$ 0.8913	\$ 891	\$ 306,090	\$ 0.8696	\$ 887	\$ (4)	-0.5%
\$ 350,000	\$ 0.8913	\$ 1,040	\$ 357,105	\$ 0.8696	\$ 1,035	\$ (5)	-0.5%
\$ 400,000	\$ 0.8913	\$ 1,188	\$ 408,120	\$ 0.8696	\$ 1,183	\$ (5)	-0.4%
\$ 450,000	\$ 0.8913	\$ 1,337	\$ 459,135	\$ 0.8696	\$ 1,331	\$ (6)	-0.4%

#### Property Tax Schedule

The 2021 Property Tax Levy is required by State Statute to be filed with the County by the last Tuesday in December. The first reading of the 2021 Property Tax Levy Ordinance is scheduled for the December 6, 2021 City Council Meeting and adoption at the December 20, 2021 City Council Meeting. The City Council has the flexibility to adopt a tax levy and abate any amount of the adopted levy later, prior to the County finalizing the property tax extensions in March. The deadline to abate the adopted tax levy would be at the March 21, 2022 City Council Meeting.