



To: Finance Committee
From: Timothy Sexton, Director of Finance *TS*
Date: November 10, 2011
Subject: Proposed 2011 Property Tax Levy

INTRODUCTION

The 2011 Proposed Property Tax Levy for the Village of Lombard is presented for your review and recommendation to the Village Board. The recommendation is summarized on **Attachment A** and is explained in detail in this report. The tax levy has been prepared in accordance with the requirements of the Property Tax Extension Limitation Act (Tax Cap) and the Truth in Taxation Act.

EAV ASSUMPTIONS

The following is a comparison of the projected 2011 estimated Equalized Assessed Valuation (EAV), including increases in both the base EAV as well as increases due to new construction/annexations for the Village of Lombard, as compared to the 2010 actual EAV.

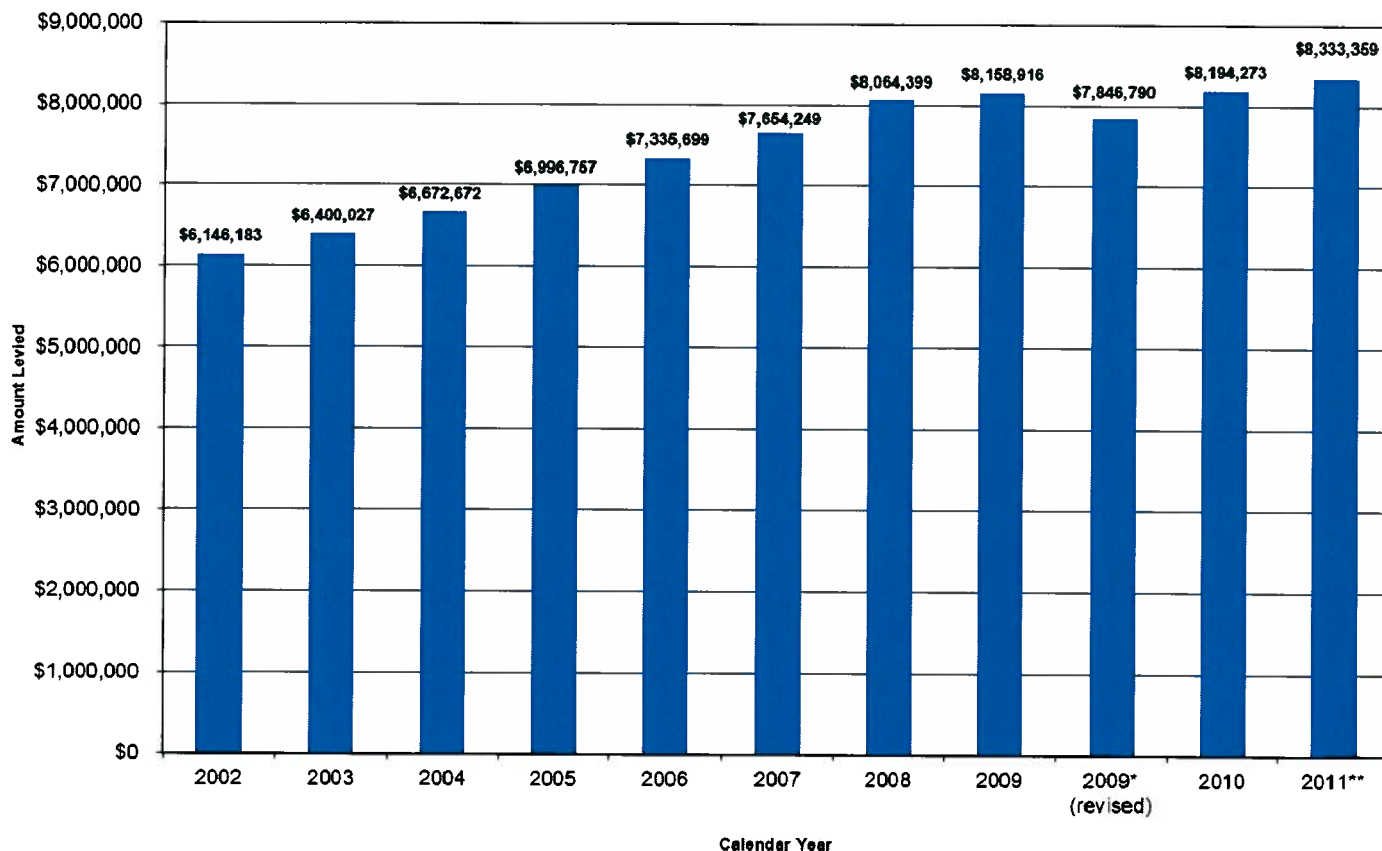
	<u>2011 Est</u>	<u>2010 Actual</u>	<u>Increase over Prior Year</u>	
			<u>Incr. over PY</u>	<u>Percent</u>
Base EAV	\$ 1,503,770,155	\$ 1,614,591,663	-110,821,508	-7.37%
New Construction/ Annexations	\$ 6,000,000	\$ 7,073,380	-1,073,380	-17.89%
Total	\$ 1,509,770,155	\$ 1,621,665,043	-111,894,888	-7.41%

Attachment B shows a history of EAV growth in the Village over the last ten years. The Dupage County Supervisor of Assessments estimated at least a 6.90% decrease to the 2011 base EAV.

2011 PROPOSED PROPERTY TAX LEVY

The Village's tax levy is made up of two component areas: the Corporate Levy and Special Levies. The Village has not had a bonded debt tax levy since 1994. For 2011, the total proposed tax levy for the Village of Lombard is \$8,333,359, an increase of \$139,086 or 1.70% over the prior year's extended levy. **Attachment C** compares the 2010 extended levy to the 2011 proposed levy in detail. Below is a ten-year comparison of property tax extensions.

Tax Levy Extension History



*\$312,126 was transferred from the Village's aggregate tax extension base when the Plum Library was converted to a Library District

**2011 is the proposed levy amount prior to extension

SPECIAL LEVIES:

POLICE AND FIREFIGHTERS' PENSION FUNDS:

Since 1992, the Village has used an independent actuary to determine the annual tax levy requirements for both the Police and Firefighters' Pension Funds. The Village's actuary, Mr. Timothy Sharpe, has completed the annual actuarial analysis for the Police and Firefighters' Pension Funds. Copies of the actuarial reports for June 1, 2011 are available upon request.

The actuarial analysis indicates that the tax levy requirement for the Police Pension Fund for 2011 is \$2,115,673, a decrease of \$162,766 or 7.14% less than the prior year's extended levy. The Police Pension FYE 2011 investments earned 14.92%. The increase in salaries was less than assumed and the investment return was greater than assumed. Those two factors caused the decrease in the tax levy requirement. The Percent Funded has increased from 62.60% last year to 68.80% this year.

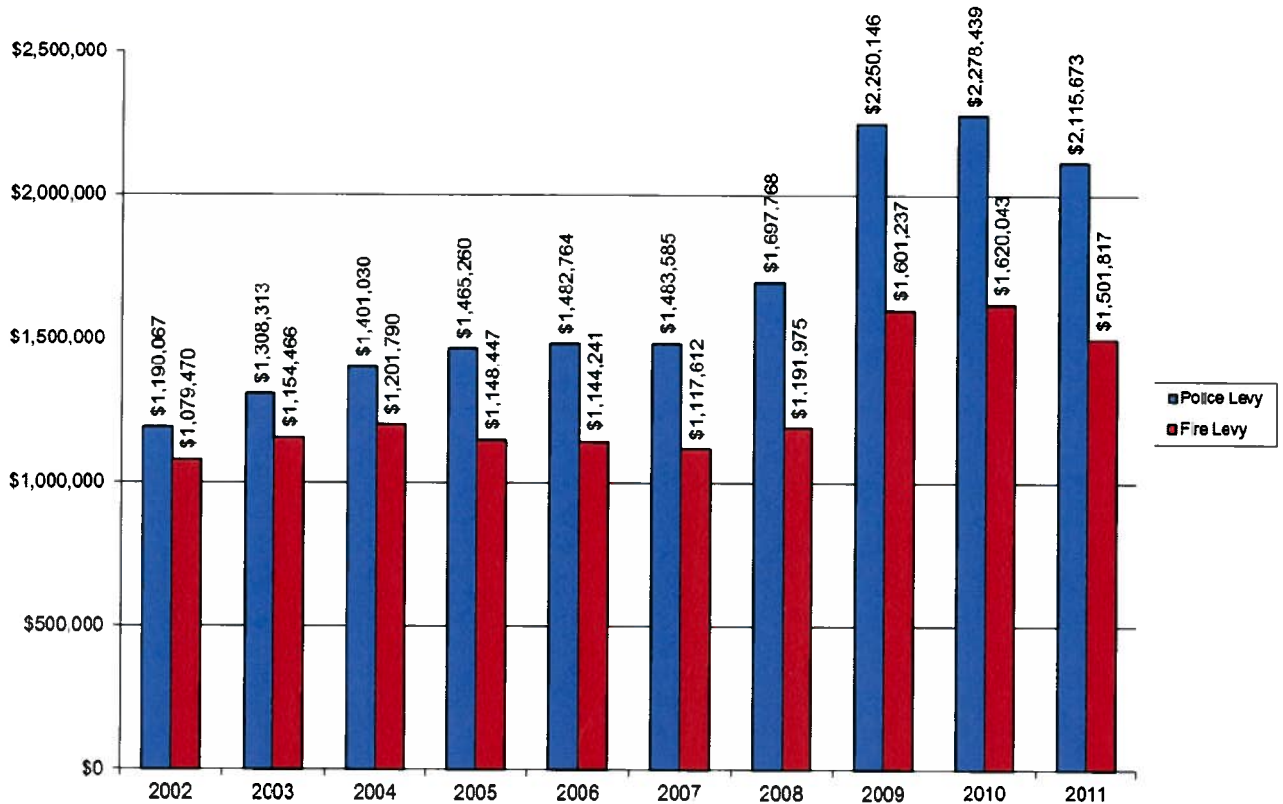
The tax levy requirement for the Firefighters' Pension Fund for 2011 is \$1,501,817, a decrease of \$118,226 or 7.30% less than the prior year's extended levy. The Firefighters' Pension FYE 2011 investments earned 14.38%. The investment return was much greater than assumed which caused decrease in the tax levy requirement. The Percent Funded has increased from 74.70% last year to 81.40% this year. In July 2004, the Illinois legislature passed a new firefighters' pension bill to expand pension benefits for firefighters. Included in this legislation was a provision that exempted from the tax cap any increases in the tax levy due to the new benefits of this legislation. Therefore, of the \$1,501,817 tax levy for the Firefighters' Pension Fund, \$1,353,984 is included in the calculation for the tax cap, and \$147,833 is exempt from the tax cap. This is a decrease of \$14,334, or 8.84%, less than last years extended levy of \$162,167.

The Police and Firefighters' Pension Funds will see a net combined decrease of \$280,993 or 7.21% less than last year's extended levy. A comparison of the annual requirements for this year and last year is shown on **ATTACHMENT D**.

The annual actuarially determined tax levy requirement for the Police Pension Fund, expressed as a percentage of payroll, decreased from 38.86% for 2010 to 36.07% for 2011. The Firefighters' Pension Fund tax levy requirement, expressed as a percentage of payroll, decreased from 30.50% for 2010 to 27.56% for 2011.

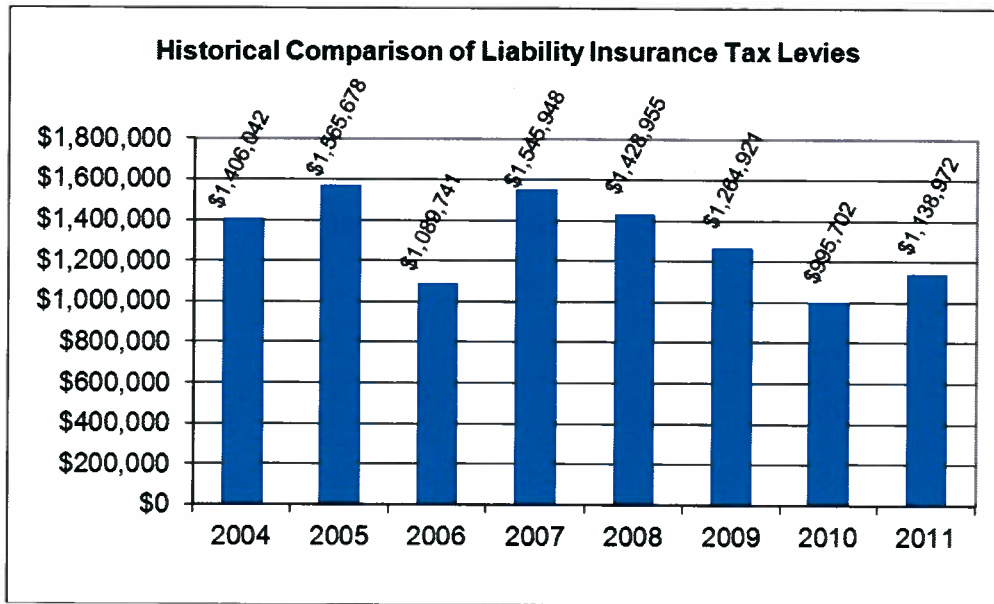
The chart below displays a history of the Police and Firefighters' Pension Fund tax levies over the past ten years. The Village's overall tax levy has increased since 2002 by \$2,187,176 in actual dollars or 35.59% in ten years. As depicted in the chart below, the combined levies for the Police and Firefighters' Pension Funds alone have increased by \$1,347,953 or 59.39% in the same period. The net effect is that 61.63% of new tax levy dollars over and above the 2002 levels are going to fund the increases in the Police and Firefighters' Pension Fund levies.

Historical Comparison of Police and Firefighters' Pension Fund Tax Levies



LIABILITY INSURANCE:

The 2011 Proposed Tax Levy for Liability Insurance is \$1,138,972, or \$143,270 more than the 2010 levy. The Village has an actuarial study conducted every other year in order to determine the Village's reserve requirements for Liability Insurance. The study performed last year determined the reserve requirements to be \$2,537,697 as of 12/31/12. In addition, the Village's financial policies require that an additional 10% of expenditures, or \$174,623, be maintained to cover additional unanticipated insurance costs or reserve requirements. Therefore, in addition to the actuarially determined reserve requirements of \$2,537,697, an additional \$174,623 should be reserved, bringing the required account balance to \$2,712,320. The levy amount needed to maintain this account balance is \$1,138,972, which is \$143,270 or 14.39% more than last year's levy. To put the current year tax levy into perspective, the chart below shows tax levies for 2004-2011.



*2011 is the proposed levy amount prior to extension

IMRF/SOCIAL SECURITY:

ILLINOIS MUNICIPAL RETIREMENT FUND (IMRF): The Village's contribution rate, expressed as a percentage of payroll, increased from 13.01% in 2010 to 13.48% in 2011. The Village has received information from IMRF that indicates that the Village's rate for 2012 will increase from 13.48% to 14.52%. In addition, staff has estimated the Village's 2013 rate to be 14.52%. The 2011 proposed levy for IMRF is \$444,344, a decrease of \$308,109 or 36.57% less than last year's levy for the Village's portion of IMRF. The decrease is based on the conversion to a calendar year fiscal year, and the upcoming seven month short fiscal year.

SOCIAL SECURITY/MEDICARE: The 2011 proposed levy for Social Security/Medicare is \$322,811. This is a \$209,095, or a 34.81% decrease under the amount levied last year for the Village's portion. This decrease is attributed mainly to reduced budgets for regular and overtime salaries due to the seven month fiscal year.

The contribution rate for the Village expressed as a percentage of payroll is 6.20% for Social Security and 1.45% for Medicare, for a total of 7.65%. This amount, combined with the 14.52% of payroll for IMRF, means that the total pension cost for non-sworn Village personnel, expressed as a percentage of payroll, is 22.17% as compared to 36.07% for sworn Police and 27.56% for sworn Fire personnel. For sworn Police and Fire personnel hired after 1986, the Village also contributes 1.45% for Medicare in addition to the pension costs above.

Attachment E shows the historical comparison of IMRF, Social Security and Medicare rates and wage bases since the 2002 tax levy year. Over the last ten years, combined levies for these levies have decreased by \$210,917 or -21.62% as compared to the increases in the combined Police and Firefighters' Pension Fund levies of \$1,347,953 or 59.39% over the same period. However, this is not good comparison for the current

year, as the levies for IMRF, Social Security and Medicare are reduced this year due to the seven month fiscal year.

PUBLIC BENEFIT:

State statute provides that the Village can levy to the maximum rate of \$.05/\$100 of EAV for the Public Benefit Fund to pay for a portion of the Village's share of special assessment projects. The amount of this year's Public Benefit levy is \$754,885.

CORPORATE LEVY:

General Corporate Levy: The 2011 proposed General Corporate Levy totals \$2,054,857, an increase of \$841,852 or 81.96% over last year's extended levy.

There are two major factors resulting in this increase in the Corporate Levy. First, the overall levy increased 1.70% over the prior year, due to the CPI increase of 1.50% and the new growth for the year. Secondly, there is a decrease in the IMRF, Medicare/Social Security, Police and Fire Pension levy for the reasons previously discussed.

TAX RATES:

The tax cap limits our base tax levy increase over the prior year's extended levy to 5% or the national CPI as reported for December prior to adoption of the levy. For tax year 2011 the December 2010 national CPI was 1.5%. We also levy for new construction and annexations that are expected to add an additional .4% in 2011. Finally, the exempt portion of the Firefighters' Pension Fund decreased by 0.2% in 2011. These factors bring our total increase allowed to 1.70%. Essentially, 1.3% of this increase is attributable to all existing properties, and the other 0.4% is attributable only to new growth. This addition for new growth benefits the Village only for the first year it goes on the tax rolls. Next year this amount is rolled into our prior year's extension, which is capped by the CPI increase.

Based on this proposed levy, tax rates for the Village next year are expected to increase from .4953/\$100 of EAV to .5422/\$100 of EAV. As mentioned earlier, the Firefighters' Pension Fund is now allowed to levy for the additional costs associated with the July 2004 fire pension legislation, with these costs being exempt from the tax caps. So in addition to the tax cap levy of .5422/\$100 of EAV, the Firefighters Pension Fund will also levy .0098/\$100 of EAV, making the total Village levy .5520/\$100 of EAV.

For the typical homeowner with a \$300,000 house, the Village's share of the tax bill on that property is expected to increase approximately \$6 to \$519, or a 1.3% increase.

A ten-year comparison of tax rates can be found in **Attachment F**. As this comparison indicates, the projected 2011 property tax rate for the Village of Lombard of .5520/\$100 of EAV is .0185/\$100 of EAV or 3.47% higher than it was ten years ago.

IMPACT OF THE PROPERTY TAX EXTENSION LIMITATION ACT:

The proposed 2011 Property Tax Levy for the Village of Lombard has been developed in order to comply with the provisions of the Property Tax Extension Limitation Act. An increase due to new growth of 0.4% has been provided for in the calculations. However, if this new growth estimate or the increase in the current tax base EAV is not realized, it may be necessary to reduce our levy at a later date. Toward the end of March 2012, the DuPage County Clerk will notify us if we are required to reduce our tax levy further as a result of our final extended 2011 tax levy. At that time we will be given the opportunity to decide if we want proportional reductions in all levies or if the reduction (if any) should come from one or more levies as selected by the Village Board. This decision, if necessary, would be made next spring by the Village Board.

TRUTH IN TAXATION CALCULATION:

For purposes of complying with the statutory requirements of the Truth in Taxation Act, we must compare our 2010 Aggregate Extended Levy to our 2011 Proposed Levy. If the amount of the increase in the levy is 5% or greater, a public hearing must be held by the Village Board. The 2010 Aggregate Extended Levy for the Village was \$8,194,273. The 2011 proposed levy for the Village is \$8,333,359, an increase of \$139,086 or 1.70%. Therefore, a public hearing is not required.

The Finance Committee's recommendation on the 2011 Property Tax Levy will be on the agenda for Village Board consideration and approval at their November 20, 2011 meeting.

**ATTACHMENT A
PROPOSED VILLAGE OF LOMBARD PROPERTY TAX LEVY
TAX YEAR 2011**

1.5% CPI

0.4% NEW GROWTH ESTIMATE

ASSUMPTIONS		
AGGREGATE EXTENSION FOR 2010 TAX YEAR (Excl Fire Pension-Exempt from Tax Cap)	VILLAGE	\$8,032,107
	FIRE PENSION-EXEMPT	\$162,167
	TOTAL	\$8,194,273
2011 PROJECTED BASE EAV		\$1,503,770,155
2011 PROJECTED "NEW GROWTH"		\$6,000,000
2011 TOTAL PROJECTED EAV		\$1,509,770,155

2011 PROPOSED LEVIES - WITH 1.5% CPI	AMOUNT	RATE
CORPORATE	2,054,857	0.1361
POLICE PENSION	2,115,673	0.1401
PUBLIC BENEFIT	754,885	0.0500
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	1,353,984	0.0897
IMRF	444,344	0.0294
LIABILITY INSURANCE	1,138,972	0.0754
SOCIAL SECURITY	322,811	0.0214
TOTAL (VILLAGE ONLY)	8,185,526	0.5422
FIREFIGHTERS' PENSION-EXEMPT FROM TAX CAP	147,833	0.0098
TOTAL (VILLAGE ONLY)-INCL ADD'L FIRE LEVY	8,333,359	0.5520
TRUTH-IN-TAXATION CALCULATION		

CURRENT YEAR PROPOSED LEVY	8,333,359
PRIOR YEAR EXTENDED LEVY	8,194,273
INCREASE IN LEVY	<u>139,086</u>
PERCENTAGE INCREASE IN LEVY	<u>1.70%</u>

PUBLIC HEARING REQUIRED	NO
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ATTACHMENT B
Historical Comparison of EAV Growth
2002-2011

	Base EAV	Inc. over PY	New Construction	% of Base	Annexations	% of Base	Total % of Base	Total EAV	Inc. over PY
Actual 2002	1,133,736,219	8.0%	15,814,040	1.4%	2,498,990	0.2%	1.6%	1,152,049,249	9.7%
Actual 2003	1,210,390,279	5.1%	14,797,760	1.2%	5,586,440	0.5%	1.7%	1,230,774,479	6.8%
Actual 2004	1,314,201,845	6.8%	21,918,090	1.7%	2,967,450	0.2%	1.9%	1,339,087,385	8.8%
Actual 2005	1,396,561,379	4.3%	15,522,320	1.1%	2,259,590	0.2%	1.3%	1,414,343,289	5.6%
Actual 2006	1,510,622,046	6.8%	18,944,540	1.3%	2,214,480	0.1%	1.4%	1,531,781,067	8.3%
Actual 2007	1,611,611,152	5.2%	29,522,890	1.8%	0	0.0%	1.8%	1,641,134,041	7.1%
Actual 2008	1,747,757,097	6.5%	19,814,840	1.1%	936,560	0.1%	1.2%	1,768,508,497	7.8%
Actual 2009	1,736,937,384	-1.8%	15,652,330	0.9%	-621,460	0.0%	0.9%	1,751,968,254	-0.9%
Actual 2010	1,614,591,663	-7.8%	6,900,850	0.4%	172,530	0.0%	0.4%	1,621,665,043	-7.4%
Estimate 2011	1,503,770,155	-7.3%	6,000,000	0.4%	0	0.0%	0.4%	1,509,770,155	-6.9%
Average Inc. Last 5 years (1)		1.8%		1.1%		0.0%	1.1%		3.0%

Note (1) Average includes Actual Years 2006-2010.

ATTACHMENT C

COMPARISON OF 2010 PROPERTY TAX LEVY AS EXTENDED
 VS.
 2011 PROPERTY TAX LEVY AS PROPOSED

VILLAGE	2010 EXTENDED LEVY		2011 PROPOSED LEVY		INCREASE/DECREASE	
	RATE	AMOUNT	RATE	AMOUNT	RATE	AMOUNT
CORPORATE	0.0748	1,213,005	0.1361	2,054,857	81.96%	841,852
POLICE PENSION	0.1405	2,278,439	0.1401	2,115,673	-0.26%	-162,766
PUBLIC BENEFIT	0.0495	802,724	0.0500	754,885	1.01%	-47,839
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	0.0899	1,457,877	0.0897	1,353,984	-0.24%	-103,893
IMRF	0.0464	752,453	0.0294	444,344	-36.57%	-308,109
LIABILITY INSURANCE	0.0614	995,702	0.0754	1,138,972	22.87%	143,270
SOCIAL SECURITY	0.0328	531,906	0.0214	322,811	-34.81%	-209,095
TOTAL VILLAGE SUBJECT TO TAX CAP	0.4953	8,032,107	0.5422	8,185,526	9.46%	153,419
FIREFIGHTERS' PENSION-NOT SUBJECT TO TAX CAP	0.0100	162,167	0.0098	147,833	-2.08%	-14,334
TOTAL VILLAGE LEVY	0.5053	8,194,273	0.5520	8,333,359	9.23%	139,086

ATTACHMENT D

**COMPARISON OF ANNUAL TAX LEVY REQUIREMENTS
FOR POLICE AND FIREFIGHTERS' PENSION FUNDS
TAX YEAR 2010 vs. 2011**

	<u>A</u>	<u>B</u>	<u>C</u>	
	<u>2010 Extended TAX LEVY</u>	<u>ACTUARY AS OF 6/1/11</u>	<u>INC./(DEC.) OVER 2010</u>	
			<u>AMOUNT</u>	<u>PERCENT</u>
POLICE PENSION FUND	\$2,278,439	\$2,115,673	(\$162,766)	-7.14%
FIREFIGHTERS' PENSION FUND				
Subject to Tax Cap	\$1,457,877	\$1,353,984	(\$103,893)	-7.13%
Exempt from Tax Cap	\$162,167	\$147,833	(\$14,334)	-8.84%
TOTAL FIREFIGHTERS' PENSION FUND	<u>\$1,620,043</u>	<u>\$1,501,817</u>	<u>(\$118,226)</u>	<u>-7.30%</u>
TOTAL	<u>\$3,898,483</u>	<u>\$3,617,490</u>	<u>(\$280,993)</u>	<u>-7.21%</u>

NOTES:

A. Amount levied and extended by the County Clerk for the 2010 Village Tax Levy.

B. Updated Actuarial Valuations based on membership data and asset information as of 5/31/11. The actuarial assumptions and actuarial cost methods used were the same as used last year.

C. Increase in 2011 tax levy request over 2010 extended levy.

	<u>2010</u>		<u>2011</u>	
	<u>AS LEVIED</u>	<u>PERCENT OF PAYROLL</u>	<u>AS LEVIED</u>	<u>PERCENT OF PAYROLL</u>
<u>POLICE PENSION FUND</u>				
Employer's Share of Normal Cost	\$829,068	14.13%	\$805,106	13.73%
Annual Amount Required to Amortize Unfunded Liability over 40 years Subsequent to 7/1/93 as a Level % of Pay	<u>\$1,450,163</u>	<u>24.72%</u>	<u>\$1,310,567</u>	<u>22.34%</u>
Annual Actuarial Requirement as a Percentage of Payroll	<u>\$2,279,231</u>	<u>38.86%</u>	<u>\$2,115,673</u>	<u>36.07%</u>
<u>FIREFIGHTERS' PENSION FUND</u>				
Employer's Share of Normal Cost	\$844,547	15.93%	\$864,152	15.86%
Annual Amount Required to Amortize Unfunded Liability over 40 years Subsequent to 7/1/93 as a Level % of Pay	<u>\$772,773</u>	<u>14.58%</u>	<u>\$637,665</u>	<u>11.70%</u>
Annual Actuarial Requirement as a Percentage of Payroll	<u>\$1,617,320</u>	<u>30.50%</u>	<u>\$1,501,817</u>	<u>27.56%</u>

**ATTACHMENT E
ANALYSIS OF IMRF FUND
IMRF/SOCIAL SECURITY/MEDICARE
RATES, WAGE BASES & TAX LEVIES
CALENDAR YEARS 2003 - 2012**

IMRF				
CALENDAR YEAR	EMPLOYER'S CONTRIBUTION	EMPLOYEE'S CONTRIBUTION	WAGE BASE	
2003	6.55%	4.50%	NONE	
2004	8.71%	4.50%	NONE	
2005	9.61%	4.50%	NONE	
2006	10.74%	4.50%	NONE	
2007	10.08%	4.50%	NONE	
2008	10.18%	4.50%	NONE	
2009	10.36%	4.50%	NONE	
2010	11.40%	4.50%	NONE	
2011	13.48%	4.50%	NONE	
2012	14.52%	4.50%	NONE	

SOCIAL SECURITY/MEDICARE					
CALENDAR YEAR	EMPLOYER'S CONTRIBUTION	EMPLOYEE'S CONTRIBUTION	WAGE BASE		
			SS	MEDICARE	
2003	7.65%	7.65%	\$87,000	Unlimited	
2004	7.65%	7.65%	\$87,900	Unlimited	
2005	7.65%	7.65%	\$90,000	Unlimited	
2006	7.65%	7.65%	\$94,200	Unlimited	
2007	7.65%	7.65%	\$97,500	Unlimited	
2008	7.65%	7.65%	\$102,000	Unlimited	
2009	7.65%	7.65%	\$106,800	Unlimited	
2010	7.65%	7.65%	\$106,800	Unlimited	
2011	7.65%	7.65%	\$106,800	Unlimited	
2012	7.65%	7.65%	\$106,800	Unlimited	

Property Tax Levies (IMRF, SS & Medicare combined)				
TAX LEVY YEAR	TAX LEVY*	INC./(DEC.) OVER PY		
		AMOUNT	PERCENT	
2002	\$978,072	\$2,713	0.28%	
2003	\$1,076,927	\$98,855	10.11%	
2004	\$1,145,970	\$69,043	6.41%	
2005	\$1,265,837	\$119,867	10.46%	
2006	\$1,396,984	\$131,147	10.36%	
2007	\$1,486,868	\$89,884	6.43%	
2008	\$1,536,834	\$139,850	10.01%	
2009	\$1,668,399	\$181,531	12.21%	
2010	\$1,284,359	-\$252,475	-16.43%	
2011	\$767,155	-\$517,204	-31.00%	

Total increase			
2002-2011		(\$210,917)	-21.62%
Avg. Annual Inc.		(\$21,092)	-2.16%

*2002-2010 as extended; 2011 prior to extension

ATTACHMENT F

**VILLAGE OF LOMBARD
HISTORICAL TAX RATE INFORMATION
2002-2011**

LEVY YEAR	TOTAL TAX RATE (1)	VILLAGE ONLY	VILLAGE SHARE OF TOTAL
2002	5.9530	0.5335	8.96%
2003	6.3134	0.5200	8.24%
2004	6.1595	0.4983	8.09%
2005	6.1611	0.4947	8.03%
2006	6.0824	0.4789	7.87%
2007	6.0154	0.4664	7.75%
2008	5.8555	0.4560	7.79%
2009	6.0421	0.4657	7.71%
2010	6.6908	0.5053	7.55%
2011	TBD	0.5520	TBD

NOTE (1) This table is based on tax code 6011. There are 30 tax codes in Lombard and each receives a different property tax bill depending on whether the area is included within a given taxing district's boundaries. This tax code was selected as an example only.