



To: Finance Committee
From: Timothy Sexton, Director of Finance
Date: August 31, 2017
Subject: Statutorily Permissible 2017 Property Tax Levy

INTRODUCTION

The 2017 Statutorily Permissible 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

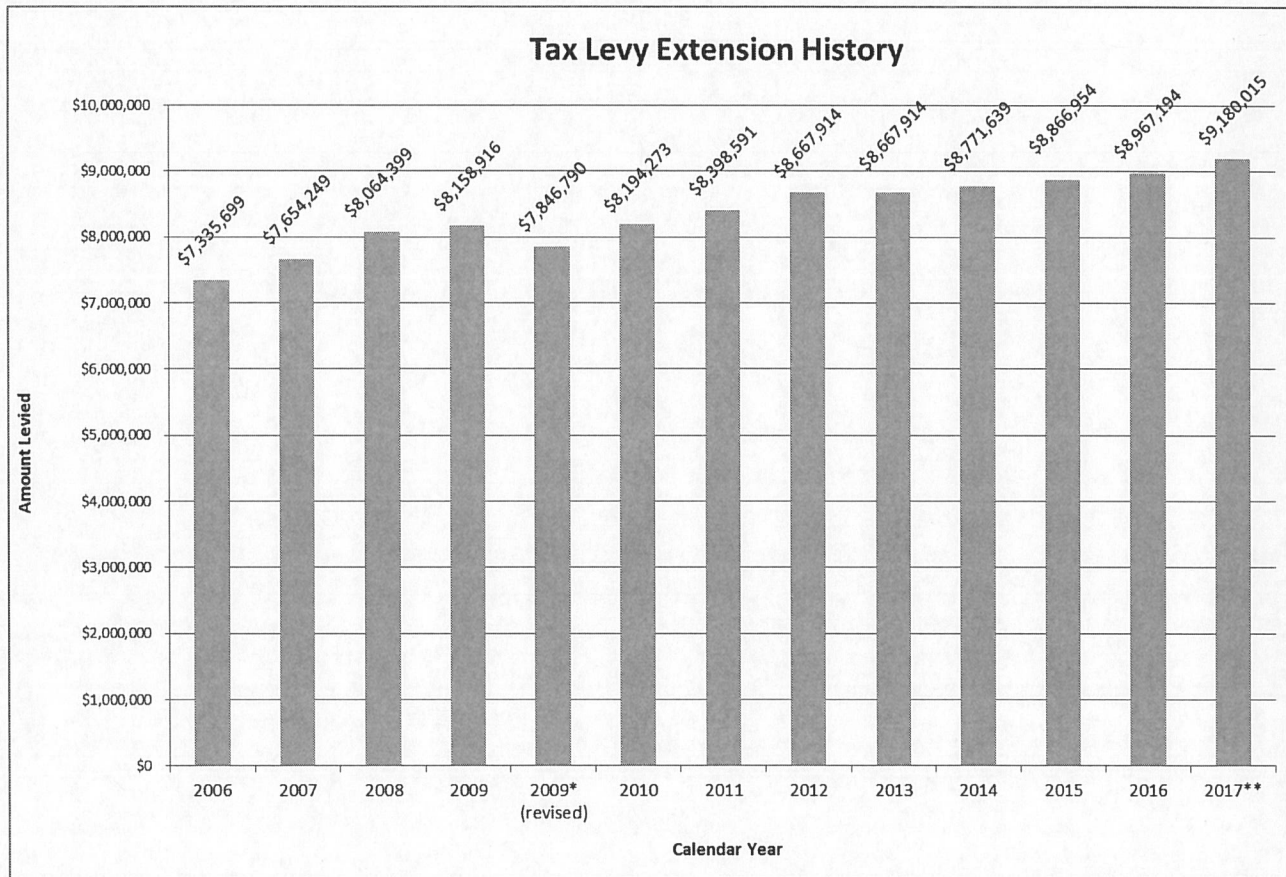
The following is a comparison of the projected 2017 estimated Equalized Assessed Valuation (EAV), including increases in both the base EAV as well as increases due to new construction/annexations for the Village of Lombard, as compared to the 2016 actual EAV.

	2016 Actual	2017 Estimated	Increase over Prior Year	
			Incr. Over PY	Percent
Base EAV	\$1,384,860,088	\$1,486,889,503	\$102,029,415	7.37%
New Construction/ Annexations	\$4,756,270	\$25,000,000	\$20,243,730	425.62%
Total	\$1,389,616,358	\$1,511,889,503	\$122,273,145	8.80%

Attachment B shows a history of EAV growth in the Village over the last ten years. The Dupage County Supervisor of Assessments estimated a 6.15% (+/-1%) increase to the 2016 base EAV. Based on this information and discussions with the York Township Assessor's Office, the Village estimated an increase of 7.0% increase over the total 2016 base EAV of \$1,389,616,358.

2017 STATUTORILY PERMISSIBLE 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 2017, the total statutorily permissible tax levy for the Village of Lombard is \$9,180,015, an increase of \$212,820 or 2.37% over the prior year’s extended levy. **Attachment C** compares the 2016 extended levy to the 2017 statutorily permissible levy in detail. Below is a ten-year comparison of property tax extensions.



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

**2017 is the statutorily permissible 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 the year ending December 31, 2017 are available upon request.

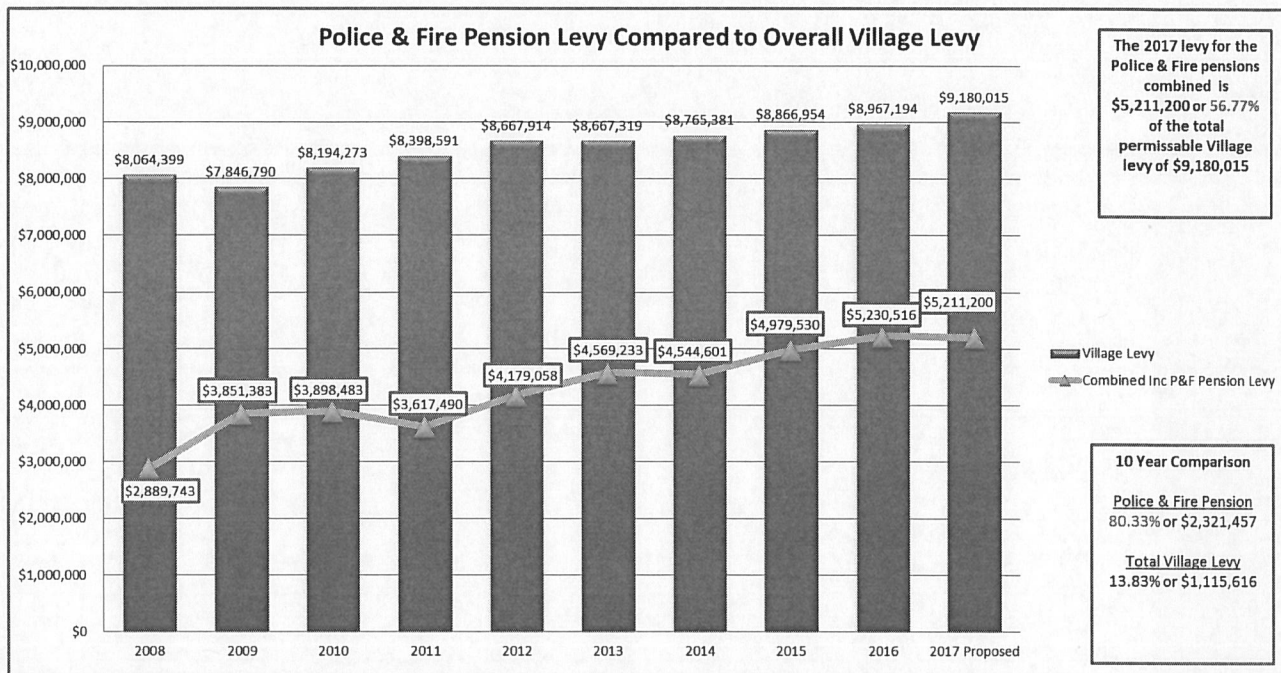
The actuarial analysis indicates that the tax levy requirement for the Police Pension Fund for 2017 is \$2,979,197 a decrease of \$ 58,504 or 1.90% less than the prior year's extended levy. The decrease in the Tax Levy is due to the changes to the mortality assumptions. The Percent Funded has increased from 61.6% last year to 64.1% this year.

The tax levy requirement for the Firefighters' Pension Fund for 2017 is \$2,232,003 an increase of \$39,188 or 1.8% more than the prior year's extended levy. The increase in the Tax Levy is due to the increase in salaries and was offset due to the changes changes to the mortality assumptions. The Percent Funded has increased from 72.5% last year to 73.7% this year.

The Police and Firefighters' Pension Funds will see a net combined decrease of \$19,316 or 0.4% 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 47.99% for 2016 to 45.21% for 2017. The Firefighters' Pension Fund tax levy requirement, expressed as a percentage of payroll, decreased from 38.27% for 2016 to 35.11% for 2017.

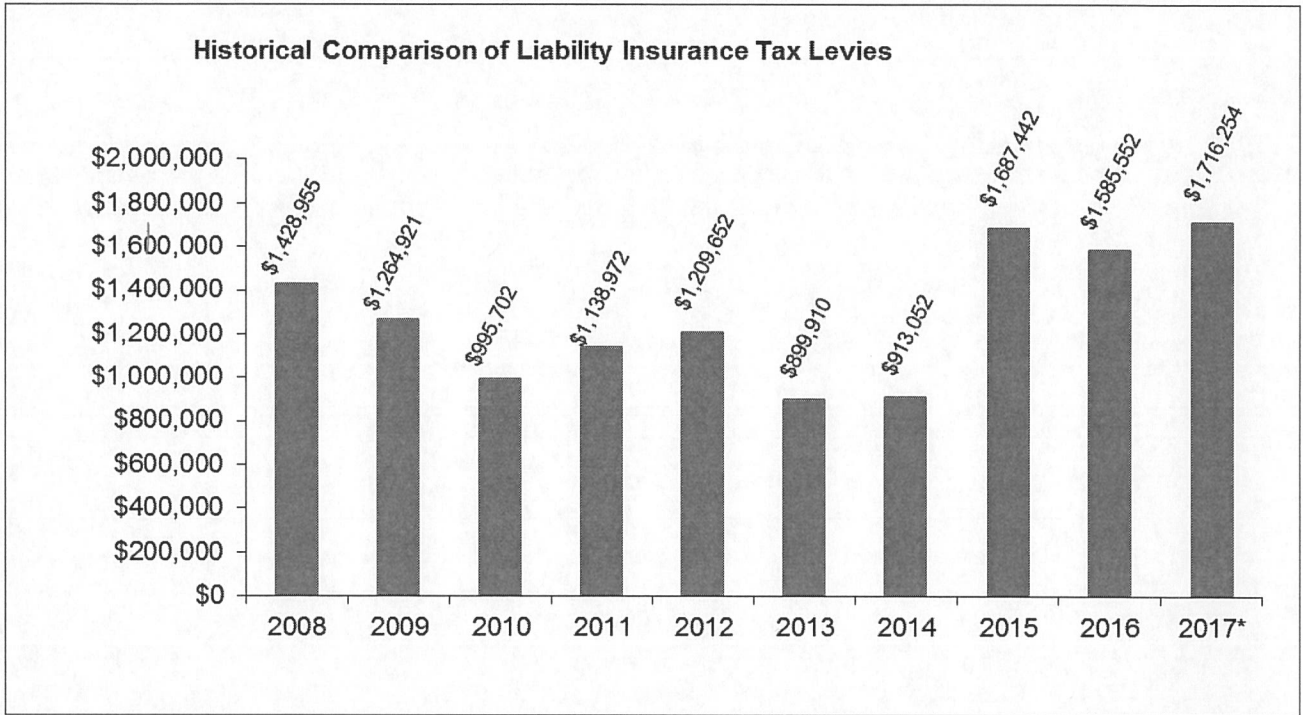
The chart on the next page display a history of the Police and Firefighters' Pension Fund tax levies over the past ten years. The Village's overall tax levy has increased since 2008 by \$1,115,616 in actual dollars or 13.83% in ten years. As depicted in the chart below, the combined levies for the Police and Firefighters' Pension Funds alone have increased by \$2,321,457 or 80.33% in the same period. This means that 100% of annual statutorily permissible property tax levy increase goes to fund Police and Firefighters' Pension Funds.



*2017 is the proposed levy amount prior to extension

LIABILITY INSURANCE:

The 2017 Proposed Tax Levy for Liability Insurance is \$1,716,254, or \$130,702 more than the 2016 levy. The Village has an actuarial study conducted in order to determine the Village's reserve requirements for Liability Insurance. The study performed this year determined the reserve requirements to be \$3,122,544 as of 12/31/16. Last year the Village Board approved a change to the financial policy for the Liability Insurance Account to state that the Village will levy for the actuarially determined normal loss amount and any unfunded liability will be spread over four years. This change helps smooth out increases/decreases and provide time to make adjustments if there is a year with a large increase. To put the current year tax levy into perspective, the chart on page 5 shows tax levies for 2008-2017.



*2017 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, decreased from 18.37% in 2016 to 15.93% in 2017. The Village has received information from IMRF that indicates that the Village’s rate for 2018 will decrease from 15.93% to 15.92%. The 2017 proposed levy for IMRF is \$882,406.

SOCIAL SECURITY/MEDICARE: The 2017 proposed levy for Social Security/Medicare is \$614,210.

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 15.92% of payroll for IMRF, means that the total pension cost for non-sworn Village personnel, expressed as a percentage of payroll, is 23.57% as compared to 45.21% for sworn Police and 35.11% 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 2007 tax levy year. Over the last ten years, combined levies for these levies have decreased by \$40,218 or 2.62% as compared to the increases in the combined Police and Firefighters’ Pension Fund levies of \$2,321,457 or 80.33% over the same period.

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 \$755,945.

CORPORATE LEVY:

General Corporate Levy: The 2017 proposed General Corporate Levy totals \$0.00. The reason there is not a General Corporate Levy is due to the significant increases over the past several years to the special levy requests for the Police and Fire Pension Funds. In the future, it is anticipated that the Police and Fire Pension levies will use the entire property tax levy.

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 2017 the December 2016 national CPI increase was 0.70%. We also levy for new construction and annexations that are expected to add an additional 1.65% in 2017. Finally, the exempt portion of the Firefighters' Pension Fund increased by \$431 or 0.39% in 2016. These factors bring our total increase allowed to 2.37%. 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 statutorily permissible levy, the tax capped portion of the tax rates for the Village next year are expected to decrease from .6373/\$100 of EAV to .5998/\$100 of EAV. As mentioned earlier, the Firefighters' Pension Fund is 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 .5998/\$100 of EAV, the Firefighters Pension Fund will also levy .0074/\$100 of EAV, making the total Village levy .6072/\$100 of EAV.

A ten-year comparison of tax rates can be found in **Attachment F**. As this comparison indicates, the projected 2017 property tax rate for the Village of Lombard of .6072/\$100 of EAV is .1512/\$100 of EAV or 33.16% higher than it was ten years ago.

Based on the total estimated EAV along with the number of households in Lombard per the most recent census, the Village's share of the tax bill for the average homeowner is expected to increase approximately \$10.25 to \$316.96, or a 3.34% increase.

IMPACT OF THE PROPERTY TAX EXTENSION LIMITATION ACT:

The Statutorily Permissible 2017 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 0.70% 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 2018, the DuPage

County Clerk will notify us if we are required to reduce our tax levy further as a result of our final extended 2017 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.

TRUTH IN TAXATION CALCULATION:

For purposes of complying with the statutory requirements of the Truth in Taxation Act, we must compare our 2016 Aggregate Extended Levy to our 2017 Statutorily Permissible 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 2016 Aggregate Extended Levy for the Village was \$8,967,194. The 2017 statutorily permissible levy for the Village is \$9,180,015, an increase of \$212,820 or 2.37%. Therefore, a public hearing is not required.

The Finance Committee's recommendation on the 2017 Property Tax Levy will be on the agenda for Village Board approval at their November 2, 2017 meeting.

**ATTACHMENT A
 STATUTORILY PERMISSIBLE VILLAGE OF LOMBARD PROPERTY TAX LEVY
 TAX YEAR 2017**

0.7% CPI

1.65% NEW GROWTH ESTIMATE

ASSUMPTIONS		
AGGREGATE EXTENSION FOR 2016 TAX YEAR (Excl Fire Pension-Exempt from Tax Cap)	VILLAGE	\$8,856,025
	FIRE PENSION-EXEMPT	\$111,169
	TOTAL	\$8,967,194
2017 PROJECTED BASE EAV		\$1,486,889,503
2017 PROJECTED "NEW GROWTH"		\$25,000,000
2017 TOTAL PROJECTED EAV		\$1,511,889,503

2017 STATUTORILY PERMISSIBLE LEVIES - WITH 0.7% CPI	AMOUNT	RATE
CORPORATE	0	0.0000
POLICE PENSION	2,979,197	0.1971
PUBLIC BENEFIT	755,945	0.0500
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	2,120,403	0.1402
IMRF	882,406	0.0584
LIABILITY INSURANCE	1,716,254	0.1135
SOCIAL SECURITY	614,210	0.0406
TOTAL (VILLAGE ONLY)	9,068,415	0.5998
FIREFIGHTERS' PENSION-EXEMPT FROM TAX CAP	111,600	0.0074
TOTAL (VILLAGE ONLY)-INCL ADD'L FIRE LEVY	9,180,015	0.6072
TRUTH-IN-TAXATION CALCULATION		

CURRENT YEAR PROPOSED LEVY	9,180,015
PRIOR YEAR EXTENDED LEVY	8,967,194
INCREASE IN LEVY	<u>212,820</u>
PERCENTAGE INCREASE IN LEVY	<u>2.37%</u>

PUBLIC HEARING REQUIRED	NO
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ATTACHMENT B
Historical Comparison of EAV Growth
2008-2017

	Base EAV	Inc. over PY	New Construction	% of Base	Annexations	% of Base	Total % of Base	Total EAV	Inc. over PY
Actual 2008	1,747,757,097	6.5%	19,814,840	1.12%	936,560	0.05%	1.17%	1,768,508,497	7.76%
Actual 2009	1,736,937,384	-1.8%	15,652,330	0.89%	-621,460	-0.04%	0.86%	1,751,968,254	-0.94%
Actual 2010	1,614,591,663	-7.8%	6,900,850	0.43%	172,530	0.01%	0.44%	1,621,665,043	-7.44%
Actual 2011	1,495,923,634	-7.8%	5,164,941	0.34%	0	0.00%	0.34%	1,501,088,575	-7.44%
Actual 2012	1,371,256,878	-8.6%	2,981,126	0.22%	0	0.00%	0.22%	1,374,238,004	-8.45%
Actual 2013	1,280,541,067	-6.8%	5,118,090	0.40%	0	0.00%	0.40%	1,285,659,157	-6.45%
Actual 2014	1,264,234,172	-1.7%	3,893,480	0.31%	0	0.00%	0.31%	1,268,127,652	-1.36%
Actual 2015	1,310,743,549	3.4%	3,463,340	0.26%	0	0.00%	0.26%	1,314,206,889	3.63%
Actual 2016	1,384,860,088	5.4%	4,756,270	0.34%	0	0.00%	0.34%	1,389,616,358	5.74%
Est 2017	1,486,889,503	7.0%	25,000,000	1.65%	0	0.00%	1.65%	1,511,889,503	8.80%
Average Inc. Last 5 years (1)		-1.7%		0.3%		0.0%	0.3%		-1.4%

Note (1) Average includes Actual Years 2012-2016.

ATTACHMENT C

COMPARISON OF 2016 PROPERTY TAX LEVY AS EXTENDED
 vs.
 2017 STATUTORILY PERMISSIBLE PROPERTY TAX LEVY

VILLAGE	2016 EXTENDED LEVY		2017 PROPOSED LEVY		INCREASE/DECREASE	
	RATE	AMOUNT	RATE	AMOUNT	%	AMOUNT
CORPORATE	0.0000	0	0.0000	0		0
POLICE PENSION	0.2186	3,037,701	0.1971	2,979,197	-1.93%	-58,504
PUBLIC BENEFIT	0.0471	654,509	0.0500	755,945	15.50%	101,436
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	0.1498	2,081,645	0.1402	2,120,403	1.86%	38,758
IMRF	0.0635	882,406	0.0584	882,406	0.00%	0
LIABILITY INSURANCE	0.1141	1,585,552	0.1135	1,716,254	8.24%	130,702
SOCIAL SECURITY	0.0442	614,210	0.0406	614,210	0.00%	0
TOTAL VILLAGE SUBJECT TO TAX CAP	0.6373	8,856,025	0.5998	9,068,415	2.40%	212,390
FIREFIGHTERS' PENSION-NOT SUBJECT TO TAX CAP	0.0080	111,169	0.0074	111,600	0.39%	431
TOTAL VILLAGE LEVY	0.6453	8,967,194	0.6072	9,180,015	2.37%	212,821

ATTACHMENT D

**COMPARISON OF ANNUAL TAX LEVY REQUIREMENTS
FOR POLICE AND FIREFIGHTERS' PENSION FUNDS
TAX YEAR 2016 vs. 2017**

	<u>A</u>	<u>B</u>	<u>C</u>	
	2016 Extended TAX LEVY	ACTUARY AS OF 1/1/17	INC./(DEC.) OVER 2016	
			AMOUNT	PERCENT
POLICE PENSION FUND	\$3,037,701	\$2,979,197	(\$58,504)	-1.93%
FIREFIGHTERS' PENSION FUND				
Subject to Tax Cap	\$2,081,645	\$2,120,403	\$38,758	1.86%
Exempt from Tax Cap	\$111,169	\$111,600	\$431	0.39%
TOTAL FIREFIGHTERS' PENSION FUND	<u>\$2,192,815</u>	<u>\$2,232,003</u>	<u>\$39,188</u>	<u>1.79%</u>
TOTAL	<u>\$5,230,516</u>	<u>\$5,211,200</u>	<u>(\$19,316)</u>	<u>-0.37%</u>

NOTES:

- A. Amount levied and extended by the County Clerk for the 2016 Village Tax Levy.
- B. Updated Actuarial Valuations based on membership data and asset information as of 12/31/16.
- C. Increase in 2017 tax levy request over 2016 extended levy.

	<u>2016</u>		<u>2017</u>	
	AS LEVIED	PERCENT OF PAYROLL	AS LEVIED	PERCENT OF PAYROLL
<u>POLICE PENSION FUND</u>				
Employer's Share of Normal Cost	\$803,941	12.70%	\$777,983	11.81%
Annual Amount Required to Amortize Unfunded Liability over 30 years Subsequent to 2009 as a Level % of Pay	\$2,234,391	35.29%	\$2,201,214	33.40%
Annual Actuarial Requirement as a Percentage of Payroll	\$3,038,332	47.99%	\$2,979,197	45.21%
<u>FIREFIGHTERS' PENSION FUND</u>				
Employer's Share of Normal Cost	\$918,962	16.05%	\$934,945	14.71%
Annual Amount Required to Amortize Unfunded Liability over 30 years Subsequent to 2009 as a Level % of Pay	\$1,271,745	22.21%	\$1,297,058	20.40%
Annual Actuarial Requirement as a Percentage of Payroll	\$2,190,707	38.27%	\$2,232,003	35.11%

**ATTACHMENT E
ANALYSIS OF IMRF FUND
IMRF/SOCIAL SECURITY/MEDICARE
RATES, WAGE BASES & TAX LEVIES
CALENDAR YEARS 2008 - 2017**

IMRF				
CALENDAR YEAR	EMPLOYER'S CONTRIBUTION	EMPLOYEE'S CONTRIBUTION	WAGE BASE	
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	
2013	15.45%	4.50%	NONE	
2014	15.11%	4.50%	NONE	
2015	15.75%	4.50%	NONE	
2016	18.37%	4.50%	NONE	
2017	15.93%	4.50%	NONE	
2018	15.92%	4.50%	NONE	

SOCIAL SECURITY/MEDICARE					
CALENDAR YEAR	EMPLOYER'S CONTRIBUTION	EMPLOYEE'S CONTRIBUTION	WAGE BASE		
			SS	MEDICARE	
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%	5.65%	\$106,800	Unlimited	
2012	7.65%	5.65%	\$110,100	Unlimited	
2013	7.65%	7.65%	\$113,700	Unlimited	
2014	7.65%	7.65%	\$117,000	Unlimited	
2015	7.65%	7.65%	\$118,500	Unlimited	
2016	7.65%	7.65%	\$118,500	Unlimited	
2017	7.65%	7.65%	\$127,200	Unlimited	

Property Tax Levies (IMRF, SS & Medicare combined)				
TAX LEVY YEAR	TAX LEVY*	INC./(DEC.) OVER PY		
		AMOUNT	PERCENT	
2008	\$1,536,834	\$139,850	10.01%	
2009	\$1,668,399	\$181,531	12.21%	
2010	\$1,298,954	-\$237,880	-15.48%	
2011**	\$776,063	-\$522,891	-31.34%	
2012	\$1,361,870	\$585,807	45.10%	
2013	\$1,401,368	\$39,499	5.09%	
2014	\$1,396,209	-\$5,160	-0.38%	
2015	\$1,506,081	\$109,873	7.87%	
2016	\$1,496,617	-\$9,464	-0.63%	
2017	\$1,496,616	-\$1	0.00%	

Total increase			
2008-2017		(\$40,218)	-2.62%
Avg. Annual Inc.		(\$4,022)	-0.26%

*2008-2016 as extended; 2017 prior to extension

**The decrease is based on the conversion to a calendar year fiscal year and a 7 month short fiscal year

ATTACHMENT F

**HISTORICAL TAX RATE INFORMATION
2008-2017**

LEVY YEAR	TOTAL TAX RATE ⁽¹⁾	VILLAGE ONLY	VILLAGE SHARE OF TOTAL
2008	5.8555	0.4560	7.79%
2009	6.0421	0.4657	7.71%
2010	6.6908	0.5053	7.55%
2011	7.3561	0.5595	7.61%
2012	8.2547	0.6307	7.64%
2013	8.9748	0.6742	7.51%
2014	9.2531	0.6917	7.48%
2015	8.9837	0.6747	7.51%
2016	8.8082	0.6453	7.33%
2017⁽²⁾	TBD	0.6072	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.

(2) 2008-2016 as extended; 2017 prior to extension