



To: Finance and Administration Committee
 From: Timothy Sexton, Director of Finance
 Date: September 3, 2020
 Subject: Statutorily Permissible 2020 Property Tax Levy

INTRODUCTION

The 2020 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. Below is the general overall summary of the tax levy:

2020 Statutorily Permissible Levy	\$10,415,658	
2019 Levy Extended	-	<u>\$10,061,419</u>
Total 2020 Permissible Increase	\$354,239	3.52% *
*Breakdown of 2020 Permissible Increase		
CPI	\$231,413	2.30%
Fire Pension (exempt)	-	<u>\$9,308</u> -0.09%
Total for Existing Properties	\$222,105	2.21%
New Growth/Construction	\$132,134	1.31%
	\$354,239	3.52%

It is estimated that new growth will account for 1.31% of the increase in the levy. If there is no new growth, there will be no levy for this.

EAV ASSUMPTIONS

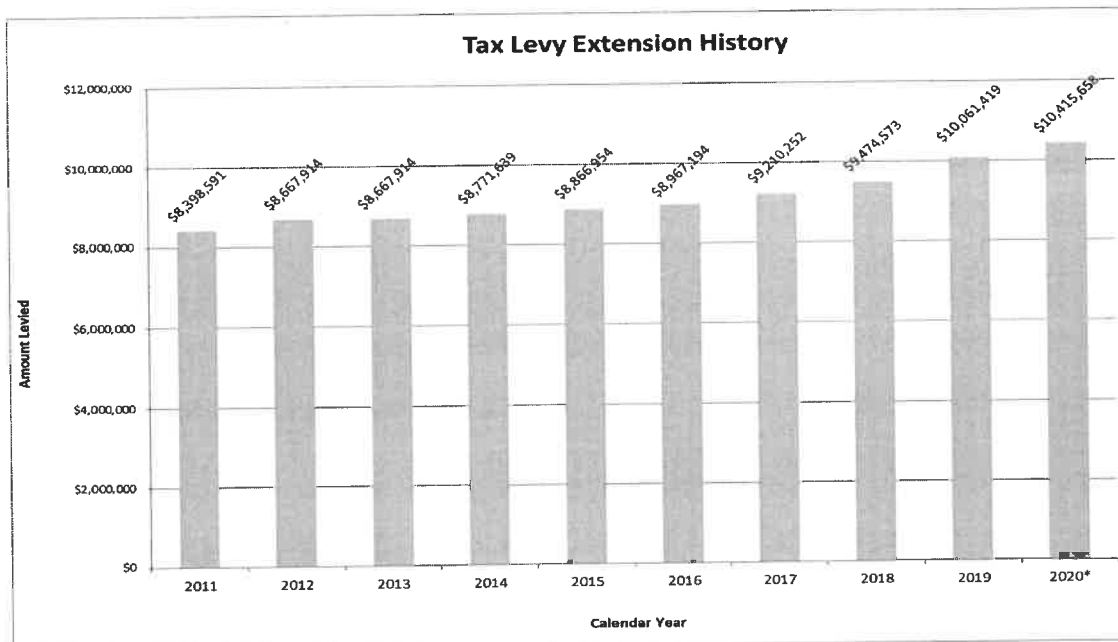
The following is a comparison of the projected 2020 estimated Equalized Assessed Valuation (EAV), including increases in both the base EAV as well as increases due to new construction/annexations for the Village of Lombard, as compared to the 2019 actual EAV.

	2019 Actual	2020 Estimated	Increase over Prior Year	
			Incr. Over PY	Percent
Base EAV	\$1,664,970,939	\$1,783,056,670	\$118,085,731	7.09%
New Construction/ Annexations	\$30,272,140	\$25,000,000	-\$5,272,140	-17.42%
Total	\$1,695,243,079	\$1,808,056,670	\$112,813,591	6.65%

Attachment B shows a history of EAV growth in the Village over the last ten years. The York Township Assessor’s Office estimated a 5.18% increase to the 2019 base EAV. The Village estimated an increase of 6.65% increase to the 2020 base EAV over the total 2019 base EAV of \$1,695,243,079. If there is no new growth, there will be no levy for this.

2020 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 2020, the total statutorily permissible tax levy for the Village of Lombard is \$10,415,658, an increase of \$354,239 or 3.52% over the prior year’s extended levy. **Attachment C** compares the 2019 extended levy to the 2020 statutorily permissible levy in detail. Below is a ten-year comparison of property tax extensions.



*2020 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. Tax levy requests are based on Actuarial Valuation Reports for the year ending 12/31/2019. Both the Police and Fire Pension funds increased because Tier II benefit changes, effective January 1, 2020 under Illinois Public Act 101-610 are included in the valuation. The change resulted in an increase in benefit obligations and recommended contribution.

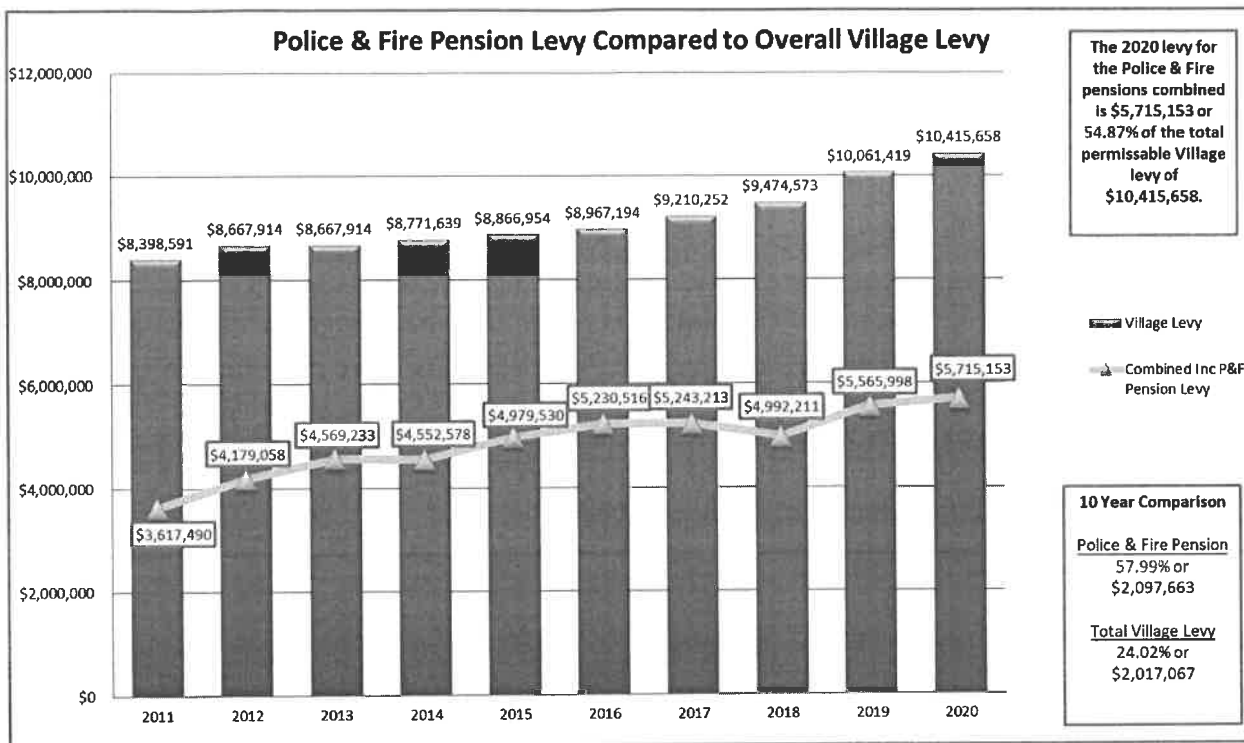
The actuary analysis indicates that the tax levy requirement for the Police Pension Fund for 2020 is \$3,189,447, an increase of \$137,555 or 4.51% more than the prior year's extended levy. The percent funded has decreased from 68.8% last year to 67.8% this year.

The tax levy requirement for the Firefighters' Pension Fund for 2020 is \$2,525,706 an increase of \$11,600 or 0.46% more than the prior year's extended levy. The Percent Funded has increased from 76.1% last year to 76.7% this year.

The Police and Firefighters' Pension Funds will see a net combined increase of \$149,155 or 2.68% more 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, increased from 47.74% for 2019 to 50.74% for 2020. The Firefighters' Pension Fund tax levy requirement, expressed as a percentage of payroll, decreased from 38.07% for 2019 to 37.03% for 2020.

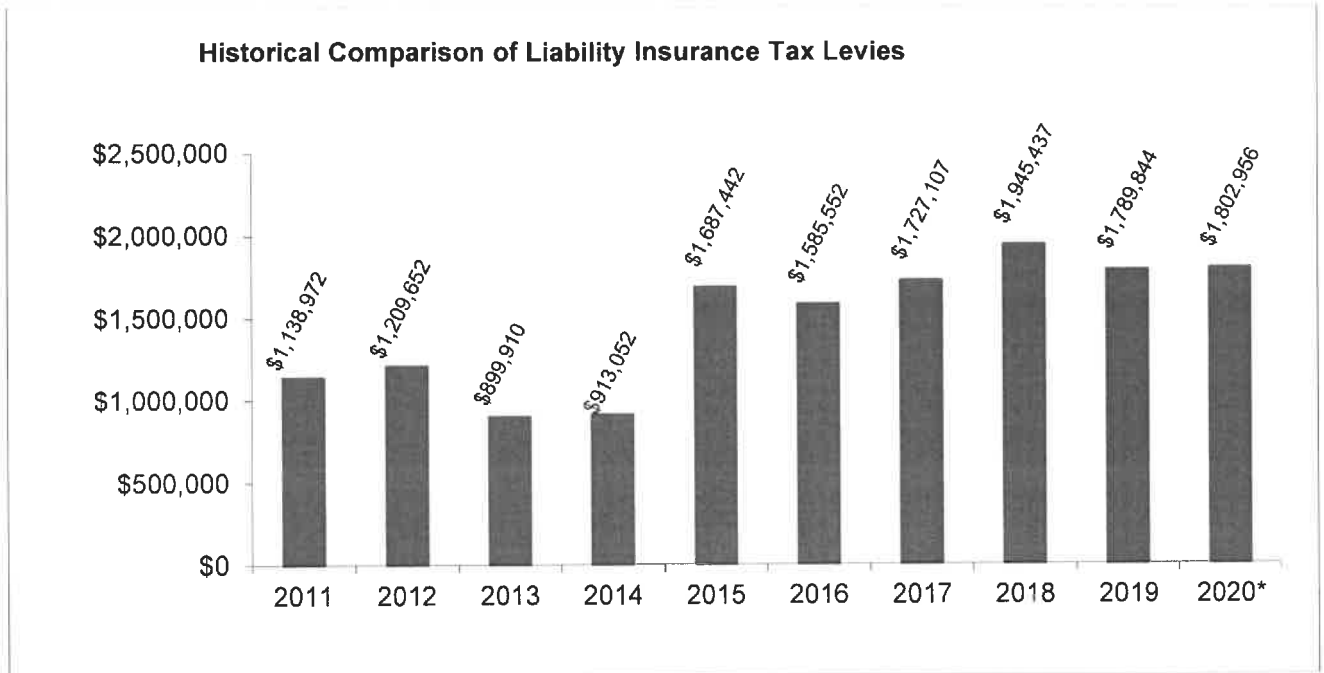
The chart on the next page displays a history of the Police and Firefighters' Pension Fund tax levies over the past ten years. The Village's overall tax levy has increased since 2011 by \$2,017,067, in actual dollars or 24.02% in ten years. The combined levies for the Police and Firefighters' Pension Funds alone have increased by \$2,097,663 or 57.99% in the same period. This means that 104% of annual statutorily permissible property tax levy increase goes to fund Police and Firefighters' Pension Funds.



*2020 is the proposed levy amount prior to extension

LIABILITY INSURANCE:

The 2020 Proposed Tax Levy for Liability Insurance is \$1,802,956, or \$13,112 more than the 2019 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 \$2,143,724 as of 12/31/19. In 2016, 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 provides time to adjust if there is a year with a large increase. To put the current year tax levy into perspective, the chart below shows tax levies for 2011-2020.



*2020 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 13.12% in 2019 to 15.61% in 2020. The Village received information from IMRF that indicates that the Village’s rate for 2021 will decrease from 15.61% to 14.25%. The 2020 proposed levy for IMRF is \$830,821.

SOCIAL SECURITY/MEDICARE: The 2020 proposed levy for Social Security/Medicare is \$638,718.

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 14.25% of payroll for IMRF, means that the total pension cost for non-sworn Village personnel, expressed as a percentage of payroll, is 21.9% as compared to 50.74% for sworn Police and 37.03% 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 2011 tax levy year. Over the last nine years, 2012-2020 (2011 was a 7 month fiscal year), combined levies for these levies have increased by \$107,669 or 7.91% as compared to the increases in the combined Police and Firefighters’ Pension Fund levies of \$1,536,095 or 36.76% over the same nine year 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 \$4,995. Currently, there are no Special Assesments.

CORPORATE LEVY:

General Corporate Levy: The 2020 proposed General Corporate Levy totals \$1,423,015 compared to the 2019 extended levy of \$1,228,749. The 2020 proposed General Corporate levy increased \$194,266 due to an increase in the CPI from 1.9% for 2019 to 2.3% for 2020 and an estimated new growth EAV increase of 25,000,000 or 1.38%. The Police and Fire Pension funds are expected to continue to increase as the markets change and the General Corporate levy will once again be eliminated. 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 2020, the December 2019 national CPI increase was 2.3%. We also levy for new construction and annexations that are expected to add an additional 1.31% in 2020. Finally, the exempt portion of the Firefighters' Pension Fund decreased by \$9,308 or (-0.09%) in 2020. These factors bring our total increase allowed to 3.52%. This addition for new growth benefits the Village only for the first year it goes on the tax rolls. If there is no new growth, there will be no levy for this. Next year the new growth 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 0.5839/\$100 of EAV to 0.5578/\$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 0.5578/\$100 of EAV, the Firefighters Pension Fund will also levy 0.0183/\$100 of EAV, making the total Village levy 0.5761/\$100 of EAV compared to the 2019 Village extended levy of 0.0643/\$100 of EAV.

A ten-year comparison of tax rates can be found in **Attachment F**. As this comparison indicates, the projected 2020 property tax rate for the Village of Lombard of 0.5761/\$100 of EAV is ancrease of 0.0166/\$100 of EAV or 2.97% higher than it was ten years ago.

Based on the total estimated EAV along with the number of households in Lombard per the 2010 census, the Village's share of the tax bill for the average household is expected to increase approximately \$2.08 to \$358.37. For the owner of a \$300,000 house, the increase will be approximately \$6.73.

IMPACT OF THE PROPERTY TAX EXTENSION LIMITATION ACT:

The Statutorily Permissible 2020 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 1.38% 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 2021, the DuPage County Clerk will notify us if we are required to reduce our tax levy further as a result of our final extended 2020 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 2019 Aggregate Extended Levy to our 2020 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 2019 Aggregate Extended Levy for the Village was \$10,061,419. The 2020 statutorily permissible levy for the Village is \$10,415,658, an increase of \$354,239 or 3.52%. Therefore, a public hearing is required.

The Finance Committee's recommendation on the 2020 Property Tax Levy will be on the agenda for Village Board approval at their November 5, 2020 meeting.

**ATTACHMENT A
 STATUTORILY PERMISSIBLE VILLAGE OF LOMBARD PROPERTY TAX LEVY
 TAX YEAR 2020**

**2.30% CPI
 1.38% NEW GROWTH ESTIMATE**

ASSUMPTIONS		
AGGREGATE EXTENSION FOR 2019 TAX YEAR (Excl Fire Pension-Exempt from Tax Cap)	VILLAGE	\$9,721,765
	FIRE PENSION-EXEMPT	\$339,654
	TOTAL	\$10,061,419
2020 PROJECTED BASE EAV		\$1,783,056,670
2020 PROJECTED "NEW GROWTH"		\$25,000,000
2020 TOTAL PROJECTED EAV		\$1,808,056,670

2020 STATUTORILY PERMISSIBLE LEVIES - WITH 2.30% CPI	AMOUNT	RATE
CORPORATE	1,423,015	0.0787
POLICE PENSION	3,189,447	0.1764
PUBLIC BENEFIT	4,995	0.0003
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	2,195,360	0.1214
IMRF	830,821	0.0460
LIABILITY INSURANCE	1,802,956	0.0997
SOCIAL SECURITY	638,718	0.0353
TOTAL (VILLAGE ONLY)	10,085,312	0.5578
FIREFIGHTERS' PENSION-EXEMPT FROM TAX CAP	330,346	0.0183
TOTAL (VILLAGE ONLY)-INCL ADD'L FIRE LEVY	10,415,658	0.5761
TRUTH-IN-TAXATION CALCULATION		

CURRENT YEAR PROPOSED LEVY	10,415,658
PRIOR YEAR EXTENDED LEVY	10,061,419
INCREASE IN LEVY	<u>354,239</u>
PERCENTAGE INCREASE IN LEVY	<u>3.52%</u>

PUBLIC HEARING REQUIRED	NO
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ATTACHMENT B
Historical Comparison of EAV Growth
2011-2020

	Base EAV	Inc. over PY	New Construction	% of Base	Annexations	% of Base	Total % of Base	Total EAV	Inc. over PY
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%
Actual 2017	1,473,640,391	6.0%	8,659,870	0.58%	0	0.00%	0.58%	1,482,300,261	6.67%
Actual 2018	1,540,330,543	3.9%	12,682,460	0.82%	0	0.00%	0.82%	1,553,013,003	4.77%
Actual 2019	1,664,970,939	7.2%	30,272,140	1.79%	0	0.00%	1.79%	1,695,243,079	9.16%
Estimated 2020	1,783,056,670	5.2%	25,000,000	1.38%	0	0.00%	1.38%	1,808,056,670	6.65%
Average Inc. Last 5 years (1)		5.5%		1.0%		0.0%	1.0%		6.6%

Note (1) Average includes Years 2016-2020

*York Assessor Office -- 8/20 estimated increase 5.18%

ATTACHMENT C

**COMPARISON OF 2019 PROPERTY TAX LEVY AS EXTENDED
vs.
2020 STATUTORILY PERMISSIBLE PROPERTY TAX LEVY**

<i>VILLAGE</i>	<u>2019 EXTENDED LEVY</u>		<u>2020 PROPOSED LEVY</u>		<u>INCREASE/ DECREASE</u>	
	<i>RATE</i>	<i>AMOUNT</i>	<i>RATE</i>	<i>AMOUNT</i>	<i>%</i>	<i>AMOUNT</i>
CORPORATE	0.0738	1,228,749	0.0787	1,423,015	15.81%	194,266
IMRF	0.0499	830,821	0.0460	830,821	0.00%	1
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	0.1306	2,174,452	0.1214	2,195,360	0.96%	20,908
POLICE PENSION	0.1833	3,051,892	0.1764	3,189,447	4.51%	137,555
LIABILITY INSURANCE	0.1075	1,789,844	0.0997	1,802,956	0.73%	13,112
PUBLIC BENEFIT	0.0003	4,995	0.0003	4,995	0.00%	0
SOCIAL SECURITY	0.0385	641,014	0.0353	638,718	-0.36%	-2,296
TOTAL VILLAGE SUBJECT TO TAX CAP	0.5839	9,721,765	0.5578	10,085,312	3.74%	363,547
FIREFIGHTERS' PENSION-NOT SUBJECT TO TAX CAP	0.0204	339,654	0.0183	330,346	-2.74%	-9,308
TOTAL VILLAGE LEVY	0.6043	10,061,419	0.5761	10,415,658	3.52%	354,239

ATTACHMENT D

**COMPARISON OF ANNUAL TAX LEVY REQUIREMENTS
FOR POLICE AND FIREFIGHTERS' PENSION FUNDS
TAX YEAR 2019 vs. 2020**

	<u>A</u>	<u>B</u>	<u>C</u>	
	<u>2019 Extended TAX LEVY</u>	<u>ACTUARY AS OF 1/1/20</u>	<u>INC./(DEC.) OVER 2019</u>	
			<u>AMOUNT</u>	<u>PERCENT</u>
POLICE PENSION FUND	\$3,051,892	\$3,189,447	\$137,555	4.51%
FIREFIGHTERS' PENSION FUND				
Subject to Tax Cap	\$2,174,452	\$2,195,360	\$20,908	0.96%
Exempt from Tax Cap	\$339,654	\$330,346	(\$9,308)	-2.74%
TOTAL FIREFIGHTERS' PENSION FUND	<u>\$2,514,106</u>	<u>\$2,525,706</u>	<u>\$11,600</u>	<u>0.46%</u>
TOTAL	<u>\$5,565,998</u>	<u>\$5,715,153</u>	<u>\$149,155</u>	<u>2.68%</u>

NOTES:

- A. Amount levied and extended by the County Clerk for the 2019 Village Tax Levy.
- B. Updated Actuarial Valuations based on membership data and asset information as of 12/31/19.
- C. Increase in 2020 tax levy request over 2019 extended levy.

	<u>2019</u>		<u>2020</u>	
	<u>AS LEVIED</u>	<u>PERCENT OF PAYROLL</u>	<u>AS LEVIED</u>	<u>PERCENT OF PAYROLL</u>
POLICE PENSION FUND				
Employer's Share of Normal Cost *this would be the levy if 100% funded	\$584,004	9.14%	\$626,584 *	9.97%
Amortization of Unfunded Liability	\$2,465,760	38.60%	\$2,562,863	40.78%
Annual Actuarial Requirement as a Percentage of Payroll	\$3,049,764	47.74%	\$3,189,447	50.74%
FIREFIGHTERS' PENSION FUND				
Employer's Share of Normal Cost *this would be the levy if 100% funded	\$905,027	13.73%	\$619,623 *	9.08%
Amortization of Unfunded Liability	\$1,604,573	24.34%	\$1,906,083	27.94%
Annual Actuarial Requirement as a Percentage of Payroll	\$2,509,600	38.07%	\$2,525,706	37.03%

**ATTACHMENT E
ANALYSIS OF IMRF FUND
IMRF/SOCIAL SECURITY/MEDICARE
RATES, WAGE BASES & TAX LEVIES
CALENDAR YEARS 2011 - 2021**

IMRF				
CALENDAR YEAR	EMPLOYER'S CONTRIBUTION	EMPLOYEE'S CONTRIBUTION	WAGE BASE	
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	
2019	13.12%	4.50%	NONE	
2020	15.61%	4.50%	NONE	
2021	14.25%	4.50%	NONE	

SOCIAL SECURITY/MEDICARE					
CALENDAR YEAR	EMPLOYER'S CONTRIBUTION	EMPLOYEE'S CONTRIBUTION	WAGE BASE		
			SS	MEDICARE	
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	
2018	7.65%	7.65%	\$128,700	Unlimited	
2019	7.65%	7.65%	\$132,900	Unlimited	
2020	7.65%	7.65%	\$137,700	Unlimited	

Property Tax Levies (IMRF, SS & Medicare combined)				
TAX LEVY YEAR	TAX LEVY*	INC./(DEC.) OVER PY		
		AMOUNT	PERCENT	
2011**	\$776,063	-\$522,891	-40.25%	
2012	\$1,361,870	\$585,807	75.48%	
2013	\$1,401,368	\$39,499	2.90%	
2014	\$1,396,209	-\$5,160	-0.37%	
2015	\$1,506,081	\$109,873	7.87%	
2016	\$1,496,617	-\$9,464	-0.63%	
2017	\$1,506,060	\$9,444	0.63%	
2018	\$1,520,306	\$14,246	0.95%	
2019	\$1,471,834	-\$48,472	-3.19%	
2020	\$1,469,539	-\$2,295	-0.16%	

Total increase			
2012-2020		\$107,669	7.91%
Avg. Annual Inc.		\$11,963.24	0.88%

*2011-2019 as extended; 2020 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
2011-2020**

LEVY YEAR	TOTAL TAX RATE ⁽¹⁾	VILLAGE ONLY	VILLAGE SHARE OF TOTAL
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	8.4932	0.6250	7.36%
2018	8.2998	0.6151	7.41%
2019	7.9778	0.6043	7.57%
2020⁽²⁾	TBD	0.5761	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) 2011-2019 as extended; 2020 prior to extension