



To: Finance Committee
From: Timothy Sexton, Director of Finance
Date: September 30, 2015
Subject: Statutorily Permissible 2015 Property Tax Levy

INTRODUCTION

The 2015 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

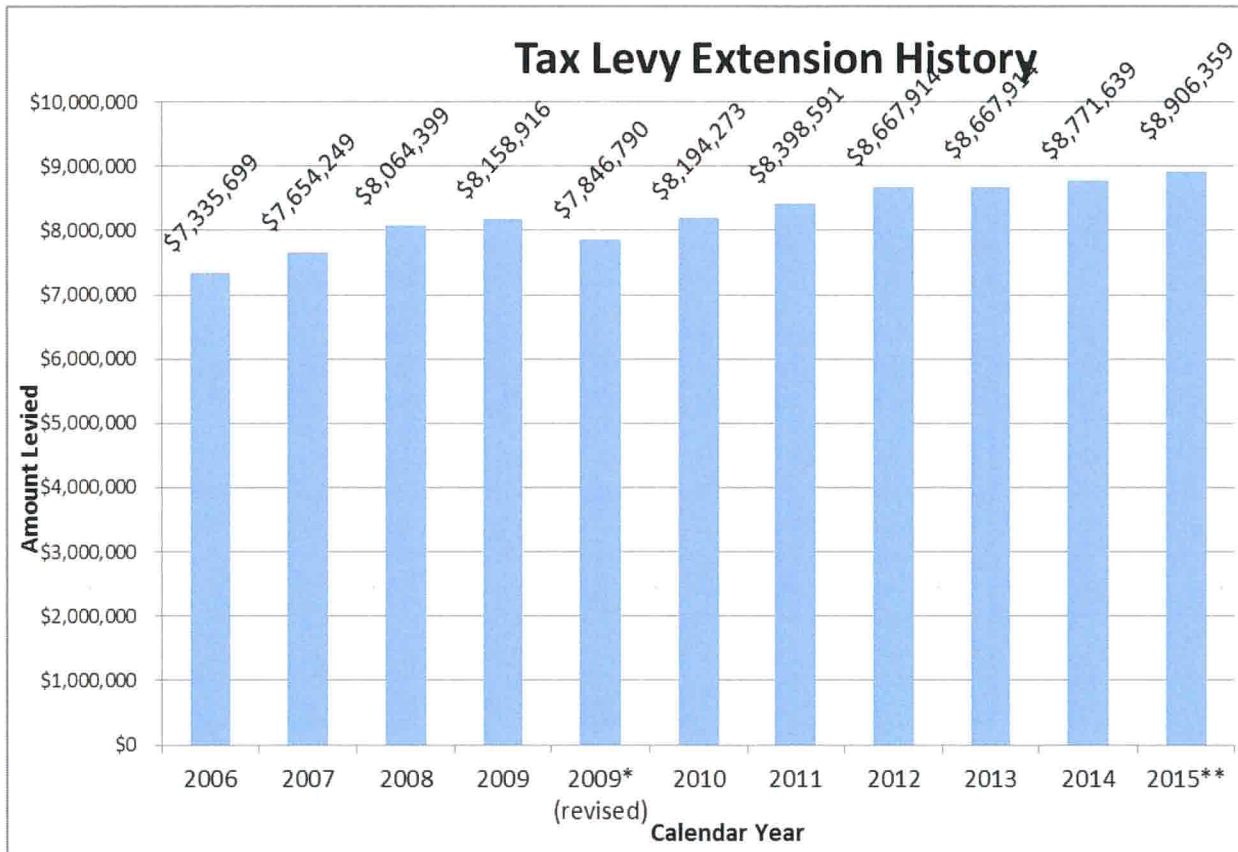
The following is a comparison of the projected 2015 estimated Equalized Assessed Valuation (EAV), including increases in both the base EAV as well as increases due to new construction/annexations for the Village of Lombard, as compared to the 2014 actual EAV.

	<u>2014 Actual</u>	<u>2015 Estimate</u>	<u>Increase over Prior Year</u>	
			<u>Incr. over PY</u>	<u>Percent</u>
Base EAV	\$ 1,264,234,172	\$ 1,340,918,179	76,684,007	6.07%
New Construction/ Annexations	\$ 3,893,480	\$ 10,000,000	6,106,520	156.84%
Total	\$ 1,268,127,652	\$ 1,350,918,179	82,790,527	6.53%

Attachment B shows a history of EAV growth in the Village over the last ten years. The Dupage County Supervisor of Assessments estimated a 5.7% increase to the 2014 base EAV.

2015 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 2015, the total statutorily permissible tax levy for the Village of Lombard is \$8,906,359, an increase of \$134,720 or 1.54% over the prior year’s extended levy. **Attachment C** compares the 2014 extended levy to the 2015 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

**2015 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 January 1, 2014 are available upon request.

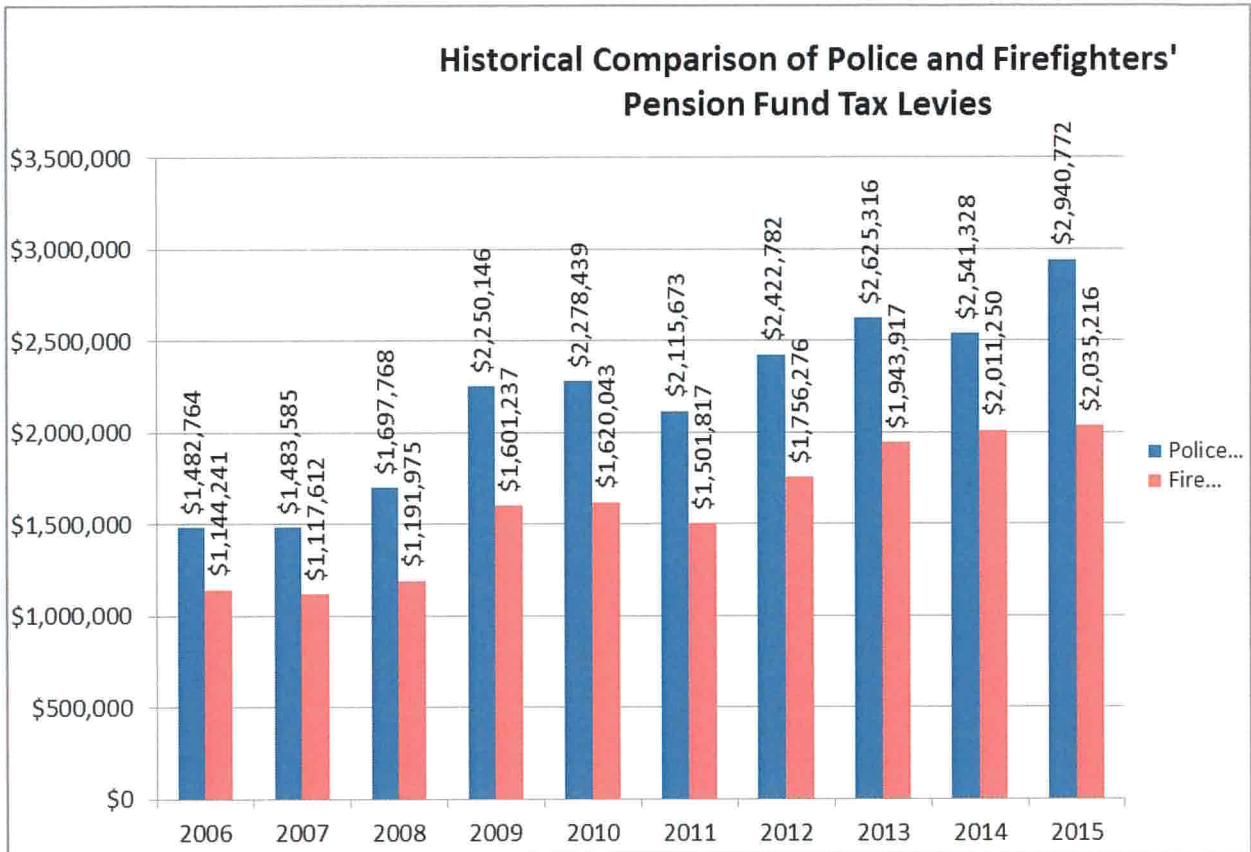
The actuarial analysis indicates that the tax levy requirement for the Police Pension Fund for 2015 is \$2,940,772, an increase of \$399,444 or 15.72% more than the prior year's extended levy. There were no unexpected changes with respect to the Fund's investments from the prior year (annualized investment return 6.76%). The increase in the Tax Levy is due to the increase in average salaries, the investment return was less than assumed, and there were changes to the assumptions based on an actuarial experience study conducted by the IDOI dated 9/29/2012. The Percent Funded has decreased from 68.9% last year to 65.3% this year.

The tax levy requirement for the Firefighters' Pension Fund for 2015 is \$2,035,216, an increase of \$23,966 or 1.19% more than the prior year's extended levy. There were no unexpected changes with respect to the Fund's investments from the prior year (annualized investment return 5.46%). The increase in the Tax Levy is due to the increase in average salaries, the investment return was slightly less than assumed, and the new incident of disability. The Percent Funded has decreased slightly from 77.8% last year to 76.9% this year.

The Police and Firefighters' Pension Funds will see a net combined increase of \$423,410 or 9.3% 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 42.35% for 2014 to 47.84% for 2015. The Firefighters' Pension Fund tax levy requirement, expressed as a percentage of payroll, increased from 35.21% for 2014 to 35.61% for 2015.

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 2006 by \$1,570,660 in actual dollars or 21.41% in ten years. As depicted in the chart below, the combined levies for the Police and Firefighters' Pension Funds alone have increased by \$2,348,983 or 89.42% in the same period. The net effect is that all new tax levy dollars over and above the 2006 levels are going to fund the increases in the Police and Firefighters' Pension Fund levies.



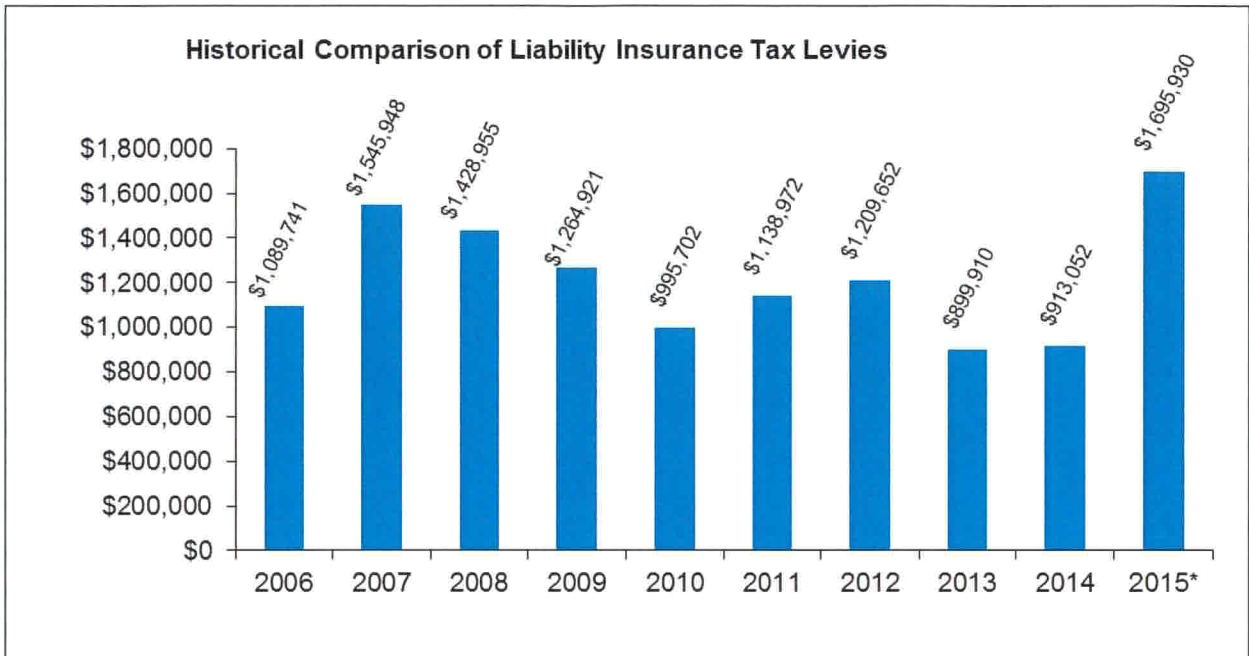
*2015 is the proposed levy amount prior to extension

LIABILITY INSURANCE:

The 2015 Proposed Tax Levy for Liability Insurance is \$1,695,930, or \$782,878 more than the 2014 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 this year determined the reserve requirements to be \$2,302,541 as of 12/31/14. The increase to the proposed Liability levy is due to the following:

- The incurred claims from 2014 and actual development of pre-existing claims impacted estimates from past studies.
- Reserves for 2013 and 2014 were underestimated when compared to actual claims.
- Projections and trends for 2014 and 2015 were adjusted upwards.

In addition, the Village’s financial policies require that an additional 10% of expenditures, or \$176,604, be maintained to cover additional unanticipated insurance costs or reserve requirements. Therefore, in addition to the actuarially determined reserve requirements of \$2,302,541, an additional \$167,986 should be reserved, bringing the required account balance to \$2,470,527. The levy amount needed to maintain this account balance is \$1,695,930, which is \$782,878 or 85.74% more than last year’s levy. To put the current year tax levy into perspective, the chart on page 5 shows tax levies for 2006-2015.



*2015 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 15.11% in 2014 to 15.75% in 2015. The Village has received information from IMRF that indicates that the Village’s rate for 2016 will increase from 15.75% to 18.37%. The 2015 proposed levy for IMRF is \$876,310, an increase of \$142,220 or 19.37% more than last year’s levy for the Village’s portion of IMRF.

SOCIAL SECURITY/MEDICARE: The 2015 proposed levy for Social Security/Medicare is \$619,396. This is a decrease of \$4,523, or 0.72%, less than the amount levied last year for the Village’s portion.

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 18.37% of payroll for IMRF, means that the total pension cost for non-sworn Village personnel, expressed as a percentage of payroll, is 26.02% as compared to 47.84% for sworn Police and 35.61% 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 2006 tax levy year. Over the last ten years, combined levies for these levies have increased by \$114,998 or 8.23% as compared to the increases in the combined Police and Firefighters’ Pension Fund levies of \$2,348,983 or 89.42% 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 \$620,459.

CORPORATE LEVY:

General Corporate Levy: The 2015 proposed General Corporate Levy totals \$102,000, a significant decrease of \$1,178,809 or 92.04% over last year's extended levy. The decrease is due to the significant increases to the special levy requests for the Police Pension Fund, IMRF, and Liability Insurance. In the future, it is anticipated that the pension levies will use all the funds currently allocated for the General Corporate 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 2015 the December 2014 national CPI increase was 0.80%. We also levy for new construction and annexations that are expected to add an additional 0.74% in 2015. Finally, the exempt portion of the Firefighters' Pension Fund increased by \$311 or 0.31% in 2015. These factors bring our total increase allowed to 1.54%. 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 .6837/\$100 of EAV to .6517/\$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 .6517/\$100 of EAV, the Firefighters Pension Fund will also levy .0075/\$100 of EAV, making the total Village levy .6593/\$100 of EAV.

A ten-year comparison of tax rates can be found in **Attachment F**. As this comparison indicates, the projected 2015 property tax rate for the Village of Lombard of .6593/\$100 of EAV is .1804/\$100 of EAV or 37.67% 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 \$7.27 to \$311.77, or a 2.39% increase.

IMPACT OF THE PROPERTY TAX EXTENSION LIMITATION ACT:

The Statutorily Permissible 2015 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 0.74% 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 2016, the DuPage County Clerk will notify us if we are required to reduce our tax levy further as a result of our final extended 2015 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 2014 Aggregate Extended Levy to our 2015 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 2014 Aggregate Extended Levy for the Village was \$8,771,639. The 2015 statutorily permissible levy for the Village is \$8,906,359, an increase of \$134,720 or 1.54%. Therefore, a public hearing is not required.

The Finance Committee's recommendation on the 2015 Property Tax Levy will be on the agenda for Village Board approval at their October 15, 2015 meeting.

**ATTACHMENT A
 STATUTORILY PERMISSIBLE VILLAGE OF LOMBARD PROPERTY TAX LEVY
 TAX YEAR 2015**

0.8% CPI
 0.74% NEW GROWTH ESTIMATE

ASSUMPTIONS		
AGGREGATE EXTENSION FOR 2014 TAX YEAR (Excl Fire Pension-Exempt from Tax Cap)	VILLAGE	\$8,670,189
	FIRE PENSION-EXEMPT	\$101,450
	TOTAL	\$8,771,639
2015 PROJECTED BASE EAV		\$1,340,918,179
2015 PROJECTED "NEW GROWTH"		\$10,000,000
2015 TOTAL PROJECTED EAV		\$1,350,918,179

2015 STATUTORILY PERMISSIBLE LEVIES - WITH 0.8% CPI	AMOUNT	RATE
CORPORATE	102,000	0.0076
POLICE PENSION	2,940,772	0.2177
PUBLIC BENEFIT	620,459	0.0459
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	1,933,455	0.1431
IMRF	892,586	0.0661
LIABILITY INSURANCE	1,695,930	0.1255
SOCIAL SECURITY	619,396	0.0459
TOTAL (VILLAGE ONLY)	8,804,598	0.6517
FIREFIGHTERS' PENSION-EXEMPT FROM TAX CAP	101,761	0.0075
TOTAL (VILLAGE ONLY)-INCL ADD'L FIRE LEVY	8,906,359	0.6593
TRUTH-IN-TAXATION CALCULATION		

CURRENT YEAR PROPOSED LEVY	8,906,359
PRIOR YEAR EXTENDED LEVY	8,771,639
INCREASE IN LEVY	<u>134,720</u>
PERCENTAGE INCREASE IN LEVY	<u>1.54%</u>

PUBLIC HEARING REQUIRED	NO
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ATTACHMENT B
Historical Comparison of EAV Growth
2006-2015

	Base EAV	Inc. over PY	New Construction	% of Base	Annexations	% of Base	Total % of Base	Total EAV	Inc. over PY
Actual 2006	1,510,622,046	6.8%	18,944,540	1.24%	2,214,480	0.15%	1.38%	1,531,781,067	8.30%
Actual 2007	1,611,611,152	5.2%	29,522,890	1.80%	0	0.00%	1.80%	1,641,134,041	7.14%
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%
Estimate 2015	1,340,918,179	5.7%	10,000,000	0.74%	0	0.00%	0.74%	1,350,918,179	6.53%
Average Inc. Last 5 years (1)		-6.5%		0.5%		0.0%	0.5%		-6.2%

Note (1) Average includes Actual Years 2010-2014.

ATTACHMENT C

COMPARISON OF 2014 PROPERTY TAX LEVY AS EXTENDED
 vs.
 2015 STATUTORILY PERMISSIBLE PROPERTY TAX LEVY

VILLAGE	2014 EXTENDED LEVY		2015 PROPOSED LEVY		INCREASE/ DECREASE	
	RATE	AMOUNT	RATE	AMOUNT	%	AMOUNT
CORPORATE	0.1010	1,280,809	0.0076	102,000	-92.04%	-1,178,809
POLICE PENSION	0.2004	2,541,328	0.2177	2,940,772	15.72%	399,444
PUBLIC BENEFIT	0.0496	628,991	0.0459	620,459	-1.36%	-8,532
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	0.1586	1,909,800	0.1431	1,933,455	1.24%	23,655
IMRF	0.0609	772,290	0.0661	892,586	15.58%	120,296
LIABILITY INSURANCE	0.0720	913,052	0.1255	1,695,930	85.74%	782,878
SOCIAL SECURITY	0.0492	623,919	0.0459	619,396	-0.72%	-4,523
TOTAL VILLAGE SUBJECT TO TAX CAP	0.6917	8,670,189	0.6517	8,804,598	1.55%	134,409
FIREFIGHTERS' PENSION-NOT SUBJECT TO TAX CAP	0.0149	101,450	0.0075	101,761	0.31%	311
TOTAL VILLAGE LEVY	0.7066	8,771,639	0.6593	8,906,359	1.54%	134,720

ATTACHMENT D

**COMPARISON OF ANNUAL TAX LEVY REQUIREMENTS
FOR POLICE AND FIREFIGHTERS' PENSION FUNDS
TAX YEAR 2014 vs. 2015**

	<u>A</u>	<u>B</u>	<u>C</u>	
	2014 Extended TAX LEVY	ACTUARY AS OF 1/1/15	INC./(DEC.) OVER 2014	
			AMOUNT	PERCENT
POLICE PENSION FUND	\$2,541,328	\$2,940,772	\$399,444	15.72%
FIREFIGHTERS' PENSION FUND				
Subject to Tax Cap	\$1,909,800	\$1,933,455	\$23,655	1.24%
Exempt from Tax Cap	\$101,450	\$101,761	\$311	0.31%
TOTAL FIREFIGHTERS' PENSION FUND	\$2,011,250	\$2,035,216	\$23,966	1.19%
TOTAL	\$4,552,578	\$4,975,988	\$423,410	9.30%

NOTES:

- A. Amount levied and extended by the County Clerk for the 2014 Village Tax Levy.
- B. Updated Actuarial Valuations based on membership data and asset information as of 12/31/14. The actuarial assumptions and actuarial cost methods used were the same as used last year.
- C. Increase in 2015 tax levy request over 2014 extended levy.

	<u>2014</u>		<u>2015</u>	
	AS LEVIED	PERCENT OF PAYROLL	AS LEVIED	PERCENT OF PAYROLL
<u>POLICE PENSION FUND</u>				
Employer's Share of Normal Cost	\$854,488	14.26%	\$751,007	12.22%
Annual Amount Required to Amortize Unfunded Liability over 40 years Subsequent to 7/1/93 as a Level % of Pay	\$1,682,599	28.09%	\$2,189,765	35.62%
Annual Actuarial Requirement as a Percentage of Payroll	\$2,537,087	42.35%	\$2,940,772	47.84%
<u>FIREFIGHTERS' PENSION FUND</u>				
Employer's Share of Normal Cost	\$997,229	17.49%	\$873,654	15.28%
Annual Amount Required to Amortize Unfunded Liability over 40 years Subsequent to 7/1/93 as a Level % of Pay	\$1,010,285	17.72%	\$1,161,562	20.32%
Annual Actuarial Requirement as a Percentage of Payroll	\$2,007,514	35.21%	\$2,035,216	35.61%

**ATTACHMENT E
ANALYSIS OF IMRF FUND
IMRF/SOCIAL SECURITY/MEDICARE
RATES, WAGE BASES & TAX LEVIES
CALENDAR YEARS 2006 - 2015**

IMRF				
CALENDAR YEAR	EMPLOYER'S CONTRIBUTION	EMPLOYEE'S CONTRIBUTION	WAGE BASE	
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	
2013	15.45%	4.50%	NONE	
2014	15.11%	4.50%	NONE	
2015	15.75%	4.50%	NONE	
2016	18.37%	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%	TBD	Unlimited	

Property Tax Levies (IMRF, SS & Medicare combined)				
TAX LEVY YEAR	TAX LEVY*	INC./(DEC.) OVER PY		
		AMOUNT	PERCENT	
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	\$1,298,954	-\$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	\$1,511,982	\$115,773	8.29%	

Total increase			
2006-2015		\$114,998	8.23%
Avg. Annual Inc.		\$11,499.80	0.82%

*2006-2014 as extended; 2015 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

**VILLAGE OF LOMBARD
HISTORICAL TAX RATE INFORMATION
2006-2015**

LEVY YEAR	TOTAL TAX RATE ⁽¹⁾	VILLAGE ONLY	VILLAGE SHARE OF TOTAL
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	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 ⁽²⁾	TBD	0.6593	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) 2006-2014 as extended; 2015 prior to extension