



To: Finance Committee
From: Timothy Sexton, Director of Finance
Date: September 19, 2014
Subject: Statutorily Permissible 2014 Property Tax Levy

INTRODUCTION

The 2014 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

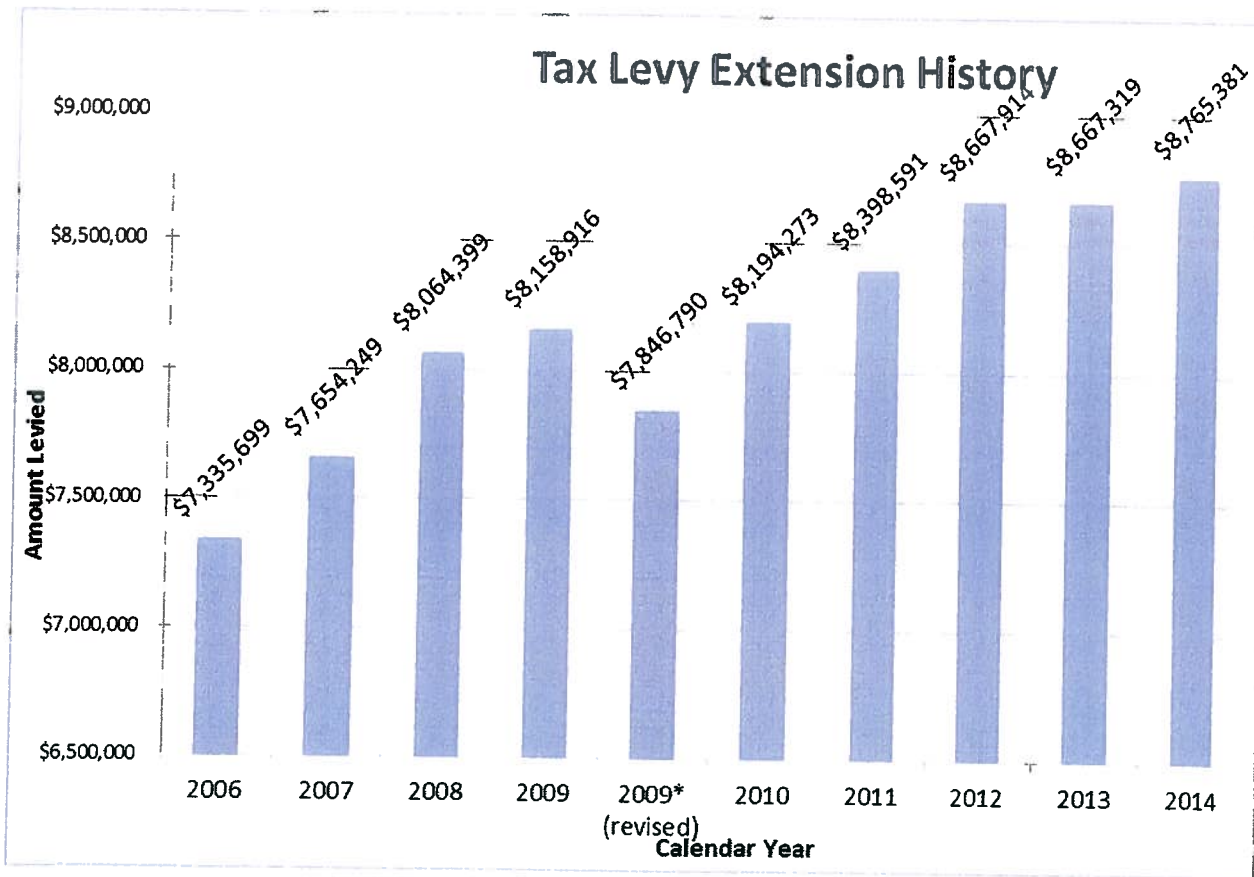
The following is a comparison of the projected 2014 estimated Equalized Assessed Valuation (EAV), including increases in both the base EAV as well as increases due to new construction/annexations for the Village of Lombard, as compared to the 2013 actual EAV.

	<u>2013 Actual</u>	<u>2014 Estimate</u>	<u>Increase over Prior Year</u>	
			<u>Incr. over PY</u>	<u>Percent</u>
Base EAV	\$ 1,280,541,067	\$ 1,267,788,494	12,752,573	1.01%
New Construction/ Annexations	\$ 5,118,090	\$ 9,000,000	-3,881,910	-43.13%
Total	\$ 1,285,659,157	\$ 1,276,788,494	-8,870,663	-0.69%

Attachment B shows a history of EAV growth in the Village over the last ten years. The Dupage County Supervisor of Assessments estimated a 1.39% decrease to the 2013 base EAV.

2014 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 2014, the total statutorily permissible tax levy for the Village of Lombard is \$8,765,381, an increase of \$97,467 or 1.12% over the prior year's extended levy. **Attachment C** compares the 2013 extended levy to the 2014 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

**2014 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.

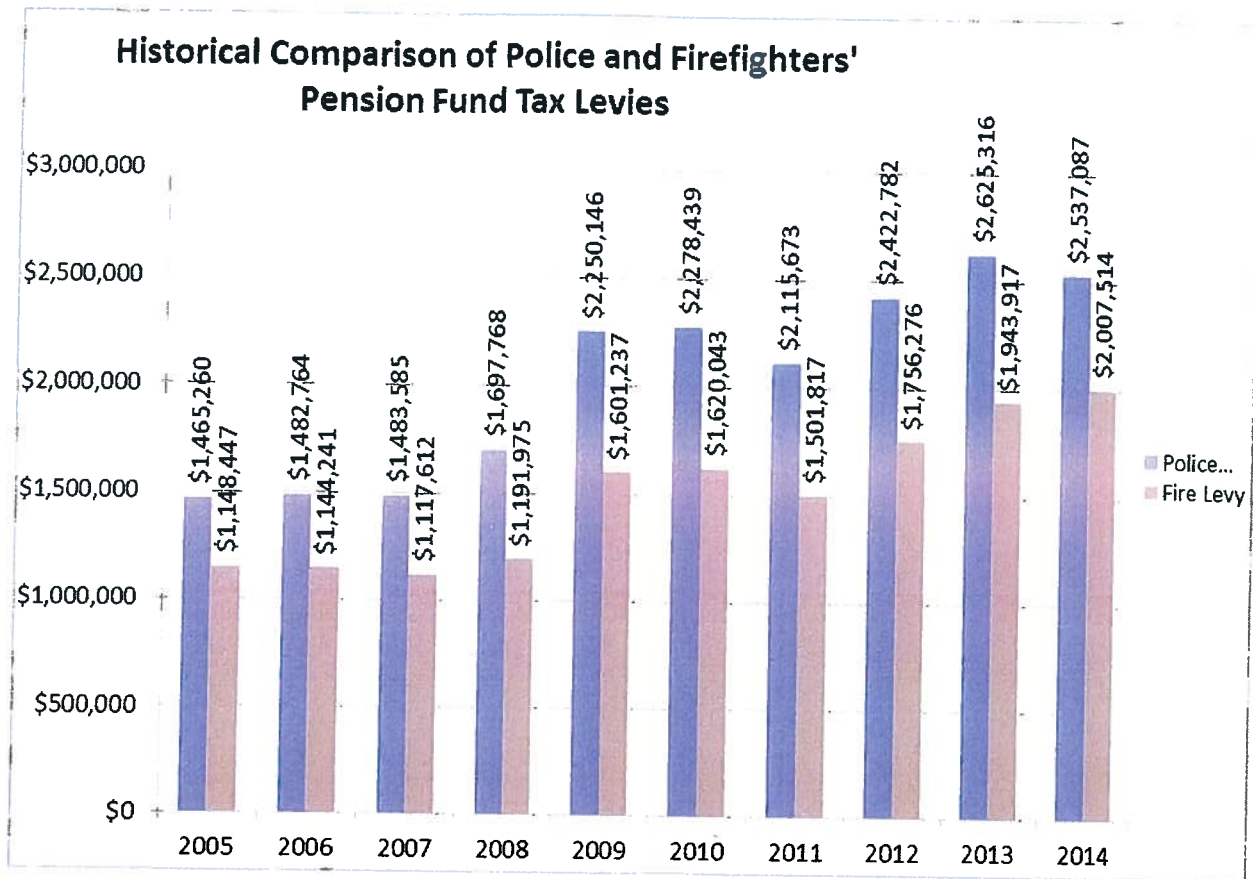
The actuarial analysis indicates that the tax levy requirement for the Police Pension Fund for 2014 is \$2,537,087, a decrease of \$88,229 or 3.36% less than the prior year's extended levy. There were no unexpected changes with respect to the Fund's investments from the prior year (annualized investment return 11.98%). The decrease in the Tax Levy is due to the decrease in the annual payroll and the investment return was greater than assumed. The Percent Funded has increased from 66.40% last year to 68.90% this year.

The tax levy requirement for the Firefighters' Pension Fund for 2014 is \$2,007,514, an increase of \$63,600 or 3.27% 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 11.49%). The increase in the Tax Levy is due to the increase in salaries and the new incident of disability, and was offset due to the investment return was greater than assumed. The Percent Funded has increased slightly from 77.00% last year to 77.80% this year.

The Police and Firefighters' Pension Funds will see a net combined decrease of \$24,629 or -0.54% less than last year's extended levy. A comparison of the annual requirements for this year and last year is shown on **ATTACHMENT D**.

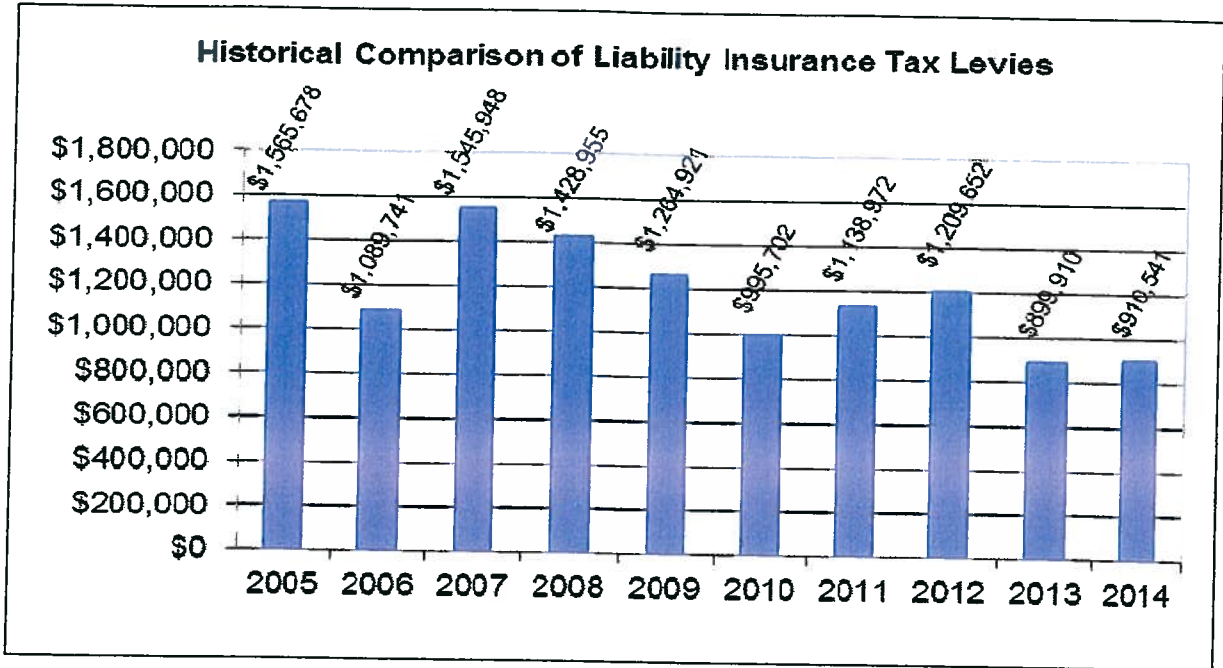
The annual actuarially determined tax levy requirement for the Police Pension Fund, expressed as a percentage of payroll, decreased from 44.78% for 2013 to 43.25% for 2014. The Firefighters' Pension Fund tax levy requirement, expressed as a percentage of payroll, increased from 35.68% for 2013 to 36.84% for 2014.

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 2005 by \$1,768,624 in actual dollars or 25.28% in ten years. As depicted in the chart below, the combined levies for the Police and Firefighters' Pension Funds alone have increased by \$1,930,894 or 74.18% in the same period. The net effect is that all new tax levy dollars over and above the 2005 levels are going to fund the increases in the Police and Firefighters' Pension Fund levies.



LIABILITY INSURANCE:

The 2014 Proposed Tax Levy for Liability Insurance is \$910,541, or \$10,579 more than the 2013 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 \$2,494,938 as of 12/31/14. 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 \$2,494,938, an additional \$176,604 should be reserved, bringing the required account balance to \$2,671,542. The levy amount needed to maintain this account balance is \$910,541, which is \$10,579 or 1.18% more than last year's levy. To put the current year tax levy into perspective, the chart on page 5 shows tax levies for 2005-2014.



*2014 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 15.45% in 2013 to 15.11% in 2014. The Village has received information from IMRF that indicates that the Village’s rate for 2015 will increase from 15.11% to 15.75%. The 2015 proposed levy for IMRF is \$770,595, a decrease of \$4,657 or 0.60% less than last year’s levy for the Village’s portion of IMRF.

SOCIAL SECURITY/MEDICARE: The 2014 proposed levy for Social Security/Medicare is \$622,008. This is a decrease of \$4,108, or 0.65%, 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 15.75% of payroll for IMRF, means that the total pension cost for non-sworn Village personnel, expressed as a percentage of payroll, is 23.40% as compared to 43.25% for sworn Police and 36.84% 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 \$126,766 or 11.06% as compared to the increases in the combined Police and Firefighters’ Pension Fund levies of \$1,930,894 or 74.18% 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 \$638,394. As long as the EAV continues to decrease, the amount of Public Benefit will also continue to decrease.

CORPORATE LEVY:

General Corporate Levy: The 2014 proposed General Corporate Levy totals \$1,279,239, an increase of \$124,717 or 10.80% over last year's extended levy. 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 2014 the December 2013 national CPI increase was 1.5%. We also levy for new construction and annexations that are expected to add an additional 0.70% in 2014. Finally, the exempt portion of the Firefighters' Pension Fund decreased by 47.60% in 2014. The exempt portion was reduced because the Village actuary chose to change the method of calculation. These factors bring our total increase allowed to 1.12%. 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 increase from .6593/\$100 of EAV to .6787/\$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 .6787/\$100 of EAV, the Firefighters Pension Fund will also levy .0079/\$100 of EAV, making the total Village levy .6865/\$100 of EAV.

A ten-year comparison of tax rates can be found in **Attachment F**. As this comparison indicates, the projected 2014 property tax rate for the Village of Lombard of .6865/\$100 of EAV is .1918/\$100 of EAV or 38.77% 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 \$3.11 to \$305.50, or a 1.03% increase.

IMPACT OF THE PROPERTY TAX EXTENSION LIMITATION ACT:

The Statutorily Permissible 2014 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 2015, the DuPage County Clerk will notify us if we are required to reduce our tax levy further as a result of our final extended 2014 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 2013 Aggregate Extended Levy to our 2014 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 2013 Aggregate Extended Levy for the Village was \$8,667,914. The 2014 statutorily permissible levy for the Village is \$8,765,381, an increase of \$97,467 or 1.12%. Therefore, a public hearing is not required.

The Finance Committee's recommendation on the 2014 Property Tax Levy will be on the agenda for Village Board approval at their November 20, 2014 meeting.

**ATTACHMENT A
 STATUTORILY PERMISSIBLE VILLAGE OF LOMBARD PROPERTY TAX LEVY
 TAX YEAR 2014**

1.5% CPI

0.70% NEW GROWTH ESTIMATE

ASSUMPTIONS		
AGGREGATE EXTENSION FOR 2013 TAX YEAR (Excl Fire Pension-Exempt from Tax Cap)	VILLAGE	\$8,476,351
	FIRE PENSION-EXEMPT	\$191,563
	TOTAL	\$8,667,914
2014 PROJECTED BASE EAV		\$1,267,788,494
2014 PROJECTED "NEW GROWTH"		\$9,000,000
2014 TOTAL PROJECTED EAV		\$1,276,788,494

2014 STATUTORILY PERMISSIBLE LEVIES - WITH 1.5% CPI	AMOUNT	RATE
CORPORATE	1,279,239	0.1002
POLICE PENSION	2,537,087	0.1987
PUBLIC BENEFIT	638,394	0.0500
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	1,907,141	0.1494
IMRF	770,595	0.0604
LIABILITY INSURANCE	910,541	0.0713
SOCIAL SECURITY	622,008	0.0487
TOTAL (VILLAGE ONLY)	8,665,005	0.6787
FIREFIGHTERS' PENSION-EXEMPT FROM TAX CAP	100,376	0.0079
TOTAL (VILLAGE ONLY)-INCL ADD'L FIRE LEVY	8,765,381	0.6865

CURRENT YEAR PROPOSED LEVY	8,765,381
PRIOR YEAR EXTENDED LEVY	8,667,914
INCREASE IN LEVY	<u>97,467</u>
PERCENTAGE INCREASE IN LEVY	<u>1.12%</u>

PUBLIC HEARING REQUIRED	NO
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ATTACHMENT B
Historical Comparison of EAV Growth
2005-2014

	Base EAV	Inc. over PY	New Construction	% of Base	Annexations	% of Base	Total % of Base	Total EAV	Inc. over PY
Actual 2005	1,396,561,379	4.3%	15,522,320	1.10%	2,259,590	0.16%	1.26%	1,414,343,289	5.62%
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%
Estimated 2014	1,267,788,494	-1.4%	9,000,000	0.70%	0	0.00%	0.70%	1,276,788,494	-0.69%
Average Inc. Last 5 years (1)		-6.6%		0.5%		0.0%	0.5%		-6.1%

Note (1) Average includes Actual Years 2009-2013.

ATTACHMENT C

**COMPARISON OF 2013 PROPERTY TAX LEVY AS EXTENDED
VS.
2014 STATUTORILY PERMISSIBLE PROPERTY TAX LEVY**

VILLAGE	2013 EXTENDED LEVY		2014 PROPOSED LEVY		INCREASE/DECREASE	
	RATE	AMOUNT	RATE	AMOUNT	%	AMOUNT
CORPORATE	0.0898	1,154,522	0.1002	1,279,239	10.80%	124,717
POLICE PENSION	0.2042	2,625,316	0.1987	2,537,087	-3.36%	-88,229
PUBLIC BENEFIT	0.0500	642,830	0.0500	638,394	-0.69%	-4,436
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	0.1363	1,752,353	0.1494	1,907,141	8.83%	154,788
IMRF	0.0603	775,252	0.0604	770,595	-0.60%	-4,657
LIABILITY INSURANCE	0.0700	899,961	0.0713	910,541	1.18%	10,580
SOCIAL SECURITY	0.0487	626,116	0.0487	622,008	-0.66%	-4,108
TOTAL VILLAGE SUBJECT TO TAX CAP	0.6593	8,476,351	0.6787	8,665,005	2.23%	188,654
FIREFIGHTERS' PENSION-NOT SUBJECT TO TAX CAP	0.0149	191,563	0.0079	100,376	-47.60%	-91,187
TOTAL VILLAGE LEVY	0.6742	8,667,914	0.6865	8,765,381	1.12%	97,467

ATTACHMENT D

**COMPARISON OF ANNUAL TAX LEVY REQUIREMENTS
FOR POLICE AND FIREFIGHTERS' PENSION FUNDS
TAX YEAR 2013 vs. 2014**

	<u>A</u>	<u>B</u>	<u>C</u>	
	<u>2013 Extended TAX LEVY</u>	<u>ACTUARY AS OF 1/1/14</u>	<u>INC./(DEC.) OVER 2013</u>	
			<u>AMOUNT</u>	<u>PERCENT</u>
POLICE PENSION FUND	\$2,625,316	\$2,537,087	(\$88,229)	-3.36%
FIREFIGHTERS' PENSION FUND				
Subject to Tax Cap	\$1,752,353	\$1,907,141	\$154,788	8.83%
Exempt from Tax Cap	\$191,563	\$100,376	(\$91,187)	-47.60%
TOTAL FIREFIGHTERS' PENSION FUND	<u>\$1,943,917</u>	<u>\$2,007,517</u>	<u>\$63,600</u>	<u>3.27%</u>
TOTAL	<u>\$4,569,233</u>	<u>\$4,544,604</u>	<u>(\$24,629)</u>	<u>-0.54%</u>

NOTES:

A. Amount levied and extended by the County Clerk for the 2013 Village Tax Levy.

B. Updated Actuarial Valuations based on membership data and asset information as of 12/31/13. The actuarial assumptions and actuarial cost methods used were the same as used last year.

C. Increase in 2014 tax levy request over 2013 extended levy.

	<u>2013</u>		<u>2014</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	\$921,227	15.71%	\$854,488	14.57%
Annual Amount Required to Amortize Unfunded Liability over 40 years Subsequent to 7/1/93 as a Level % of Pay	<u>\$1,705,315</u>	<u>29.07%</u>	<u>\$1,682,599</u>	<u>28.69%</u>
Annual Actuarial Requirement as a Percentage of Payroll	<u>\$2,626,542</u>	<u>44.78%</u>	<u>\$2,537,087</u>	<u>43.25%</u>
<u>FIREFIGHTERS' PENSION FUND</u>				
Employer's Share of Normal Cost	\$986,921	18.11%	\$997,229	18.30%
Annual Amount Required to Amortize Unfunded Liability over 40 years Subsequent to 7/1/93 as a Level % of Pay	<u>\$957,396</u>	<u>17.57%</u>	<u>\$1,010,285</u>	<u>18.54%</u>
Annual Actuarial Requirement as a Percentage of Payroll	<u>\$1,944,317</u>	<u>35.68%</u>	<u>\$2,007,514</u>	<u>36.84%</u>

**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	
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	
2013	15.45%	4.50%	NONE	
2014	15.11%	4.50%	NONE	
2015	15.75%	4.50%	NONE	

SOCIAL SECURITY/MEDICARE					
CALENDAR YEAR	EMPLOYER'S CONTRIBUTION	EMPLOYEE'S CONTRIBUTION	WAGE BASE		
			SS	MEDICARE	
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%	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%	TBD	Unlimited	

Property Tax Levies (IMRF, SS & Medicare combined)				
TAX LEVY YEAR	TAX LEVY*	INC./(DEC.) OVER PY		
		AMOUNT	PERCENT	
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	\$1,298,954	-\$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	\$1,392,603	-\$8,765	-0.64%	

Total increase			
2005-2014		\$126,766	11.06%
Avg. Annual Inc.		\$12,676.60	1.11%

*2005-2013 as extended; 2014 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
2005-2014**

LEVY YEAR	TOTAL TAX RATE (1)	VILLAGE ONLY	VILLAGE SHARE OF TOTAL
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	7.3561	0.5595	7.61%
2012	8.2547	0.6307	7.64%
2013	8.9748	0.6742	7.51%
2014	TBD	0.6865	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.