



To: Finance and Administration Committee
 From: Timothy Sexton, Director of Finance
 Date: September 12, 2019
 Subject: Statutorily Permissible 2019 Property Tax Levy

INTRODUCTION

The 2019 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:

2019 Statutorily Permissible Levy	\$10,052,376	
2018 Levy Extended	\$9,474,573	
Total 2019 Permissible Increase	\$577,803	6.10%
CPI	\$180,017	1.90%
Fire Pension (exempt)	\$226,121	2.39%
Total for Existing Properties	\$406,138	4.29%
New Growth/Construction	\$171,665	1.81%

It is estimated that new growth will account for 1.81% of the increase in the levy. If there is no new growth, there will be no levy for this.

EAV ASSUMPTIONS

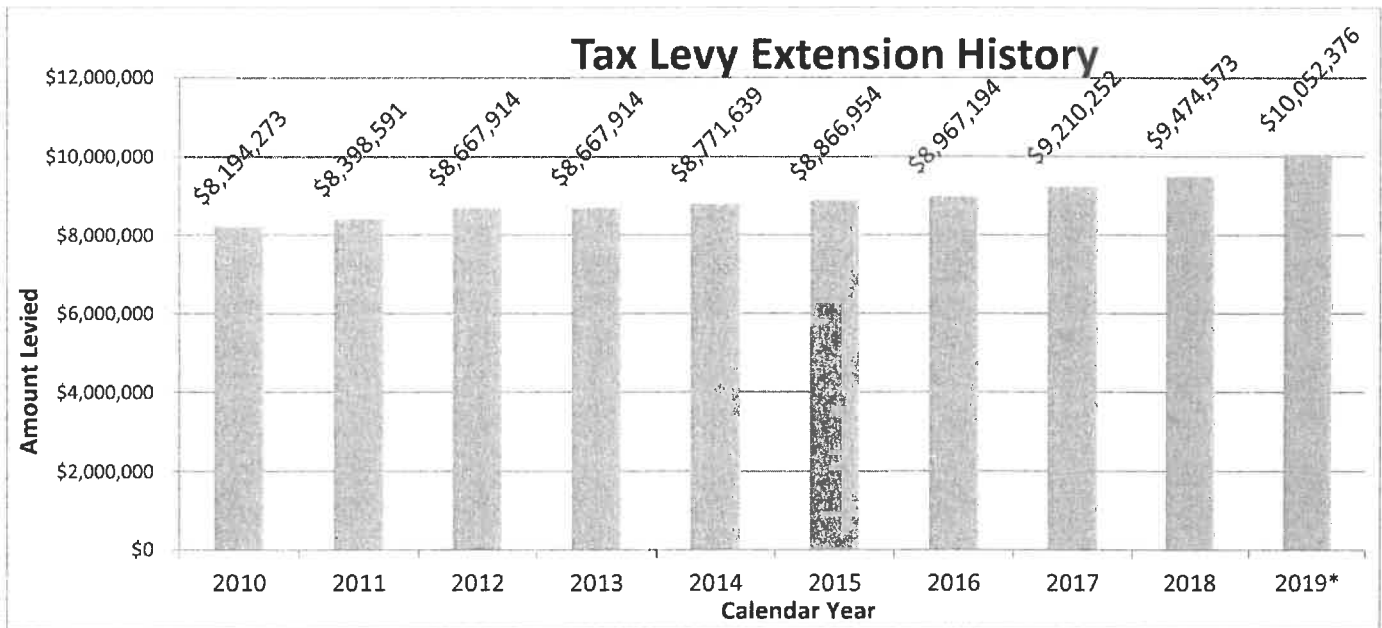
The following is a comparison of the projected 2019 estimated Equalized Assessed Valuation (EAV), including increases in both the base EAV as well as increases due to new construction/annexations for the Village of Lombard, as compared to the 2018 actual EAV.

	2018 Actual	2019 Estimated	Increase over Prior Year	
			Incr. Over PY	Percent
Base EAV	\$1,553,013,003	\$1,652,405,835	\$99,392,832	6.40%
New Construction/ Annexations	\$12,682,460	\$30,000,000	\$17,317,540	136.55%
Total	\$1,565,695,463	\$1,682,405,835	\$116,710,372	7.45%

Attachment B shows a history of EAV growth in the Village over the last ten years. The Dupage County Supervisor of Assessments estimated a 4.94% (+/-1.0494%) increase to the 2018 base EAV. The Village estimated an increase of 6.4% increase to the 2019 base EAV over the total 2018 base EAV of \$1,553,013,003. If there is no new growth, there will be no levy for this.

2019 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 2019, the total statutorily permissible tax levy for the Village of Lombard is \$10,052,376, an increase of \$577,803 or 6.10% over the prior year's extended levy. **Attachment C** compares the 2018 extended levy to the 2019 statutorily permissible levy in detail. Below is a ten-year comparison of property tax extensions.



*2019 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 the Village contracted with a new actuarial firm, Nyhart, and the firm used the most current healthy mortality assumption scale (MP-2018). The disabled mortality table was changed to 115% of healthy mortality table. The change resulted in an increase in benefit obligations and recommended contribution.

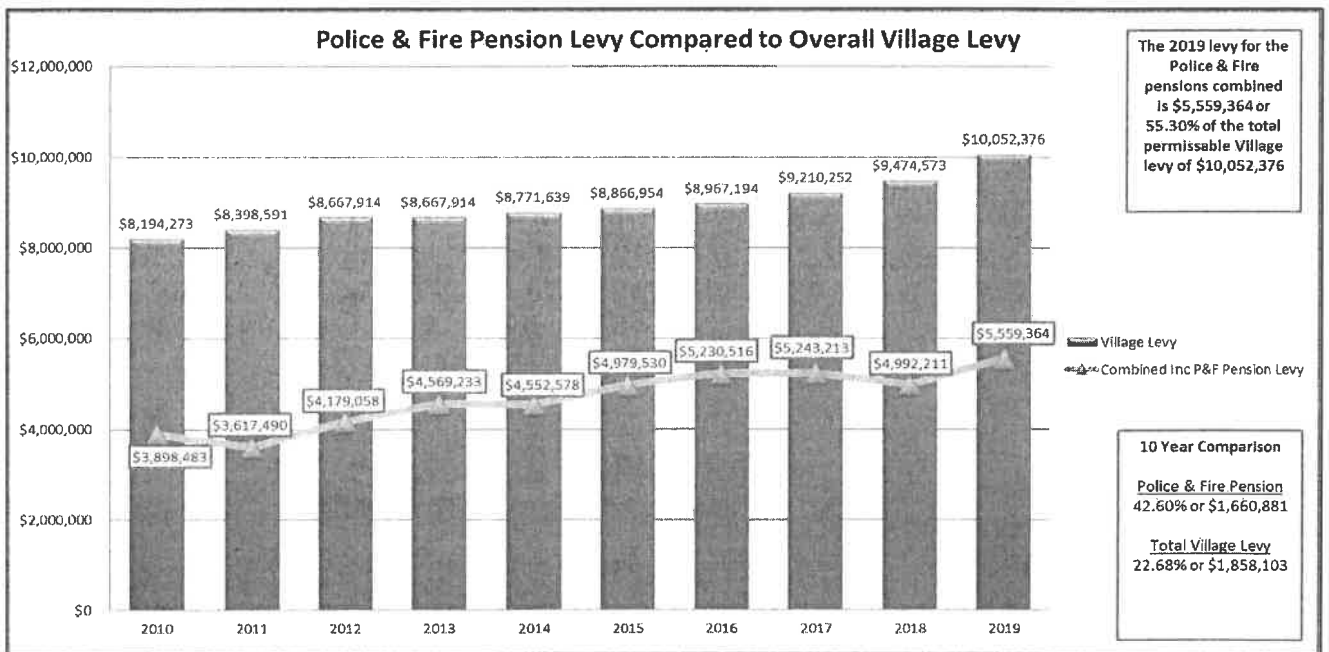
The actuarial analysis indicates that the tax levy requirement for the Police Pension Fund for 2019 is \$3,049,764, an increase of \$207,854 or 7.31% more than the prior year's extended levy. The percent funded has increased from 67.4% last year to 68.8% this year.

The tax levy requirement for the Firefighters' Pension Fund for 2019 is \$2,509,600 an increase of \$359,299 or 16.71% more than the prior year's extended levy. The Percent Funded has increased from 75.9% last year to 76.1% this year.

The Police and Firefighters' Pension Funds will see a net combined increase of \$567,153 or 11.36% 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 44.22% for 2018 to 47.74% for 2019. The Firefighters' Pension Fund tax levy requirement, expressed as a percentage of payroll, increased from 33.29% for 2018 to 38.07% for 2019.

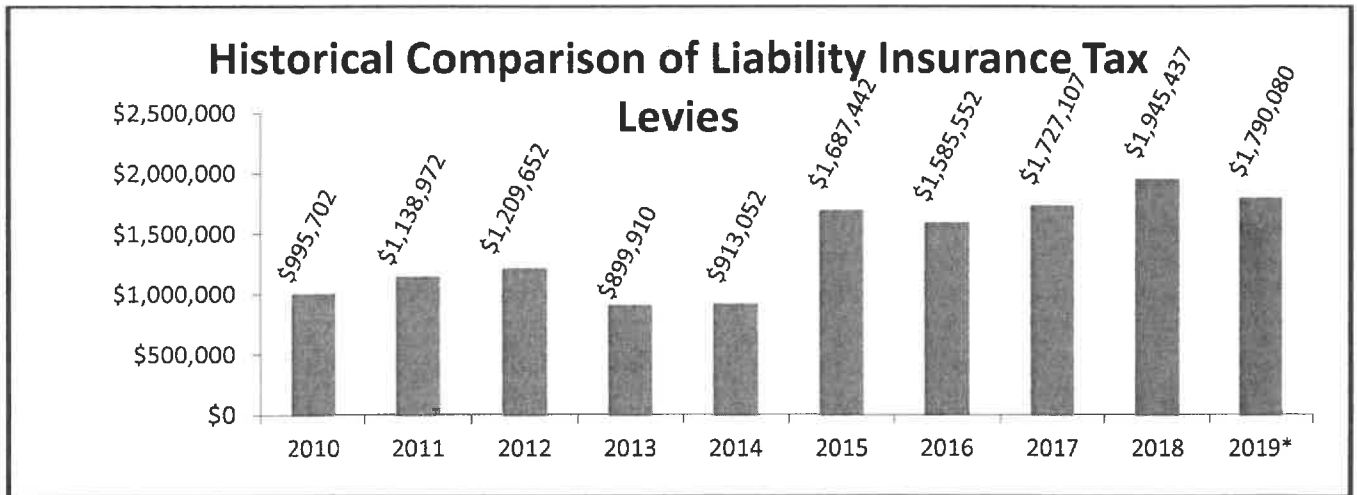
The chart below displays a history of the Police and Firefighters' Pension Fund tax levies over the past ten years. The Village's overall tax levy has increased since 2010 by \$1,858,103, in actual dollars or 22.68% in ten years. As depicted in the chart below, the combined levies for the Police and Firefighters' Pension Funds alone have increased by \$1,660,881 or 42.60% in the same period. This means that 89.39% of annual statutorily permissible property tax levy increase goes to fund Police and Firefighters' Pension Funds.



*2019 is the proposed levy amount prior to extension

LIABILITY INSURANCE:

The 2019 Proposed Tax Levy for Liability Insurance is \$1,790,080, or \$155,357 less than the 2018 levy. The Village has an actuarial study conducted in order to determine the Village’s reserve requirements for Liability Insurance. The study performed last year determined the reserve requirements to be \$2,699,093 as of 12/31/18. 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 2010-2019.



*2019 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 15.92% in 2018 to 13.12% in 2019. The Village has received information from IMRF that indicates that the Village’s rate for 2020 will increase from 13.12% to 15.61%. The 2019 proposed levy for IMRF is \$829,493.

SOCIAL SECURITY/MEDICARE: The 2019 proposed levy for Social Security/Medicare is \$640,778.

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 15.61% of payroll for IMRF, means that the total pension cost for non-sworn Village personnel, expressed as a percentage of payroll, is 23.26% as compared to 47.7% for sworn Police and 38.1% 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 2010 tax levy year. Over the last ten years, combined levies for these levies have increased by \$171,317 or 13.19% as compared to the increases in the combined Police and Firefighters' Pension Fund levies of \$1,660,881 or 42.60% 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 \$4,621. Currently, there are no Special Assessment payments due past FY 2019.

CORPORATE LEVY:

General Corporate Levy: The 2019 proposed General Corporate Levy totals \$1,228,040 compared to the 2018 extended levy of \$1,012,000. The 2019 proposed General Corporate levy increased due to an increase in the allowable tax-cap exempt portion of the Fire Pension Levy (\$226,121), the funding needs decreased for IMRF (\$50,040) and Liability Insurance (\$155,360). 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 2019, the December 2018 national CPI increase was 1.90%. We also levy for new construction and annexations that are expected to add an additional 1.81% in 2019. Finally, the exempt portion of the Firefighters' Pension Fund increased by \$226,121 or 2.39% in 2019. These factors bring our total increase allowed to 6.10%. 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 0.6080/\$100 of EAV to 0.5776/\$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 0.5776/\$100 of EAV, the Firefighters Pension Fund will also levy 0.0199/\$100 of EAV, making the total Village levy 0.5975/\$100 of EAV.

A ten-year comparison of tax rates can be found in **Attachment F**. As this comparison indicates, the projected 2019 property tax rate for the Village of Lombard of 0.5975/\$100 of EAV is an increase of 0.0922/\$100 of EAV or 18.25% 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 household is expected to increase approximately \$8.42 to \$340.61. For the owner of a \$300,000, the increase will be approximately \$14.21.

IMPACT OF THE PROPERTY TAX EXTENSION LIMITATION ACT:

The Statutorily Permissible 2019 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 1.81% 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 2020, the DuPage County Clerk will notify us if we are required to reduce our tax levy further as a result of our final extended 2019 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 2018 Aggregate Extended Levy to our 2019 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 2018 Aggregate Extended Levy for the Village was \$9,474,573. The 2019 statutorily permissible levy for the Village is \$10,052,376, an increase of \$577,803 or 6.10%. Therefore, a public hearing is required.

The Finance Committee's recommendation on the 2019 Property Tax Levy will be on the agenda for Village Board approval at their October 24, 2019 meeting.

**ATTACHMENT A
 STATUTORILY PERMISSIBLE VILLAGE OF LOMBARD PROPERTY TAX LEVY
 TAX YEAR 2019**

1.90% CPI

1.78% NEW GROWTH ESTIMATE

ASSUMPTIONS		
AGGREGATE EXTENSION FOR 2018 TAX YEAR (Excl Fire Pension-Exempt from Tax Cap)	VILLAGE	\$9,365,210
	FIRE PENSION-EXEMPT	\$109,363
	TOTAL	\$9,474,573
2019 PROJECTED BASE EAV		\$1,652,405,835
2019 PROJECTED "NEW GROWTH"		\$30,000,000
2019 TOTAL PROJECTED EAV		\$1,682,405,835

2019 STATUTORILY PERMISSIBLE LEVIES - WITH 1.9% CPI	AMOUNT	RATE
CORPORATE	1,228,040	0.0730
POLICE PENSION	3,049,764	0.1813
PUBLIC BENEFIT	4,621	0.0003
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	2,174,116	0.1292
IMRF	829,493	0.0493
LIABILITY INSURANCE	1,790,080	0.1064
SOCIAL SECURITY	640,778	0.0381
TOTAL (VILLAGE ONLY)	9,716,892	0.5776
FIREFIGHTERS' PENSION-EXEMPT FROM TAX CAP	335,484	0.0199
TOTAL (VILLAGE ONLY)-INCL ADD'L FIRE LEVY	10,052,376	0.5975
TRUTH-IN-TAXATION CALCULATION		

CURRENT YEAR PROPOSED LEVY	10,052,376
PRIOR YEAR EXTENDED LEVY	9,474,573
INCREASE IN LEVY	<u>577,803</u>
PERCENTAGE INCREASE IN LEVY	<u>6.10%</u>

PUBLIC HEARING REQUIRED	YES
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ATTACHMENT B
Historical Comparison of EAV Growth
2010-2019

	Base EAV	Inc. over PY	New Construction	% of Base	Annexations	% of Base	Total % of Base	Total EAV	Inc. over PY
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%
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%
Estimated 2019	1,652,405,835	6.4%	30,000,000	1.78%	0	0.00%	1.78%	1,682,405,835	8.33%
Average Inc. Last 5 years (1)		5.0%		0.8%		0.0%	0.8%		5.8%

Note (1) Average includes Actual Years 2015-2019

COMPARISON OF 2018 PROPERTY TAX LEVY AS EXTENDED

vs.

2019 STATUTORILY PERMISSIBLE PROPERTY TAX LEVY

VILLAGE	2018 EXTENDED LEVY		2019 PROPOSED LEVY		INCREASE/ DECREASE	
	RATE	AMOUNT	RATE	AMOUNT	%	AMOUNT
CORPORATE	0.0657	1,011,997	0.0730	1,228,040	21.35%	216,043
POLICE PENSION	0.1845	2,841,910	0.1813	3,049,764	7.31%	207,854
PUBLIC BENEFIT	0.0003	4,621	0.0003	4,621	0.00%	0
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	0.1325	2,040,938	0.1292	2,174,116	6.53%	133,178
IMRF	0.0571	879,529	0.0493	829,493	-5.69%	-50,036
LIABILITY INSURANCE	0.1263	1,945,437	0.1064	1,790,080	-7.99%	-155,357
SOCIAL SECURITY	0.0416	640,778	0.0381	640,778	0.00%	0
TOTAL VILLAGE SUBJECT TO TAX CAP	0.6080	9,365,210	0.5776	9,716,892	3.76%	351,682
FIREFIGHTERS' PENSION-NOT SUBJECT TO TAX CAP	0.0071	109,363	0.0199	335,484	206.76%	226,121
TOTAL VILLAGE LEVY	0.6151	9,474,573	0.5975	10,052,376	6.10%	577,803

ATTACHMENT D

COMPARISON OF ANNUAL TAX LEVY REQUIREMENTS FOR POLICE AND FIREFIGHTERS' PENSION FUNDS TAX YEAR 2018 vs. 2019

	A	B	C	
	2018 Extended TAX LEVY	ACTUARY AS OF 1/1/19	INC./(DEC.) OVER 2018	
			AMOUNT	PERCENT
POLICE PENSION FUND	\$2,841,910	\$3,049,764	\$207,854	7.31%
FIREFIGHTERS' PENSION FUND				
Subject to Tax Cap	\$2,040,938	\$2,174,116	\$133,178	6.53%
Exempt from Tax Cap	\$109,363	\$335,484	\$226,121	206.76%
TOTAL FIREFIGHTERS' PENSION FUND	<u>\$2,150,301</u>	<u>\$2,509,600</u>	<u>\$359,299</u>	<u>16.71%</u>
TOTAL	<u>\$4,992,211</u>	<u>\$5,559,364</u>	<u>\$567,153</u>	<u>11.36%</u>

NOTES:

- A. Amount levied and extended by the County Clerk for the 2018 Village Tax Levy.
- B. Updated Actuarial Valuations based on membership data and asset information as of 12/31/18.
- C. Increase in 2019 tax levy request over 2018 extended levy.

	2018		2019	
	AS LEVIED	PERCENT OF PAYROLL	AS LEVIED	PERCENT OF PAYROLL
<u>POLICE PENSION FUND</u>				
Employer's Share of Normal Cost <small>*this would be the levy if 100% funded</small>	\$527,916	8.22%	\$584,004 *	9.14%
Amortization of Unfunded Liability	\$2,312,648	36.00%	\$2,465,760	38.60%
Annual Actuarial Requirement as a Percentage of Payroll	\$2,840,564	44.22%	\$3,049,764	47.74%
<u>FIREFIGHTERS' PENSION FUND</u>				
Employer's Share of Normal Cost <small>*this would be the levy if 100% funded</small>	\$754,128	11.69%	\$905,027 *	13.73%
Amortization of Unfunded Liability	\$1,392,971	21.60%	\$1,604,573	24.34%
Annual Actuarial Requirement as a Percentage of Payroll	\$2,147,099	33.29%	\$2,509,600	38.07%

**ATTACHMENT E
ANALYSIS OF IMRF FUND
IMRF/SOCIAL SECURITY/MEDICARE
RATES, WAGE BASES & TAX LEVIES
CALENDAR YEARS 2010 - 2020**

IMRF				
<u>CALENDAR YEAR</u>	<u>EMPLOYER'S CONTRIBUTION</u>	<u>EMPLOYEE'S CONTRIBUTION</u>	<u>WAGE BASE</u>	
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	
2019	13.12%	4.50%	NONE	
2020	15.61%	4.50%	NONE	

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

Property Tax Levies (IMRF, SS & Medicare combined)				
<u>TAX LEVY YEAR</u>	<u>TAX LEVY*</u>	<u>INC./(DEC.) OVER PY</u>		
		<u>AMOUNT</u>	<u>PERCENT</u>	
2010	\$1,298,954	-\$369,445	-22.14%	
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	\$1,470,271	-\$50,035	-3.29%	

Total Increase			
2010-2019		\$171,317	13.19%
Avg. Annual Inc.		\$17,131.73	1.32%

*2010-2018 as extended; 2019 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
2010-2019**

LEVY YEAR	TOTAL TAX RATE ⁽¹⁾	VILLAGE ONLY	VILLAGE SHARE OF TOTAL
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	8.4932	0.6250	7.36%
2018	8.2998	0.6151	7.41%
2019⁽²⁾	TBD	0.5975	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) 2010-2018 as extended; 2019 prior to extension