



To: Finance and Administration Committee

From: Timothy Sexton, Director of Finance

Date: September 9, 2022

Subject: Statutorily Permissible 2022 Property Tax Levy

### **INTRODUCTION**

The 2022 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:

2022 Statutorily Permissible Levy	11,307,018	
2021 Extended Levy	10,542,131	
Total 2022 Permissible Increase	764,887	7.26%
Breakdown of 2022 Permissible Increase		
CPI	5.00%	
Fire Pension (Exempt)	-0.12%	
Total for Existing Properties	4.88%	
New Growth/Construction	2.38%	
Total for All Properties	7.26%	

It is estimated that new growth will account for 2.38% of the increase in the levy. If there is no new growth, there will be no levy for this.

### **EAV ASSUMPTIONS**

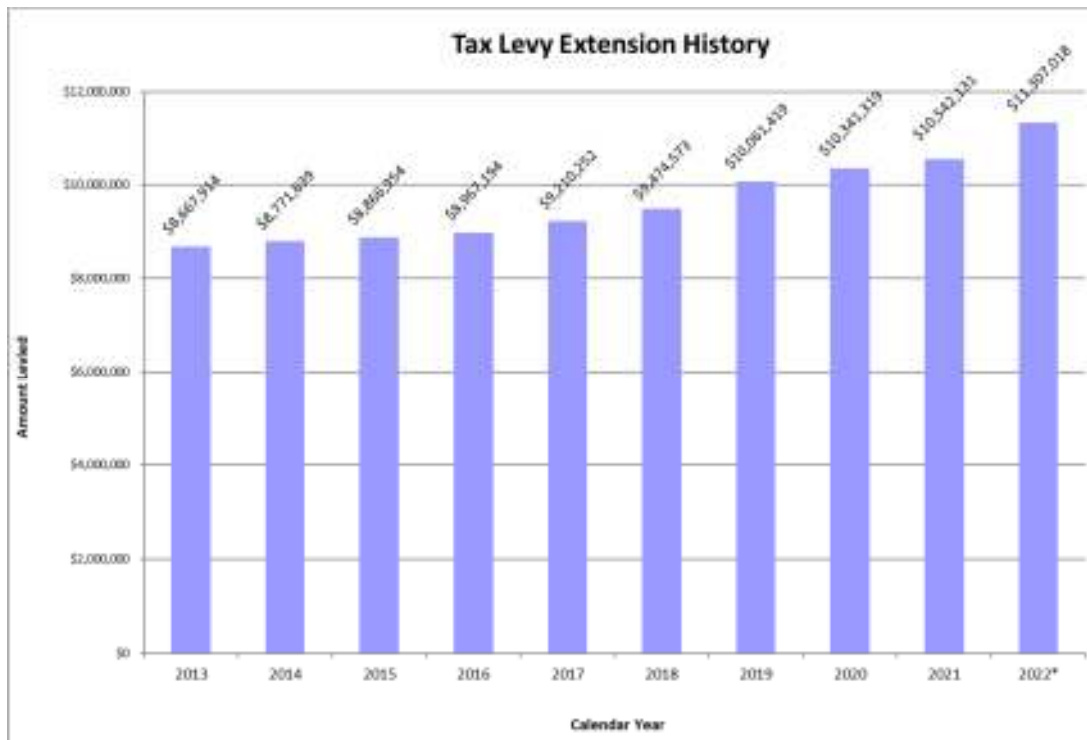
The following is a comparison of the projected 2021 estimated Equalized Assessed Valuation (EAV), including increases in both the base EAV as well as increases due to new construction/annexations for the Village of Lombard, as compared to the 2020 actual EAV.

	2021 Actual	2022 Estimated	Incr over Prior Year	
			Amount	Percent
Base EAV	1,756,114,758	1,817,000,523	60,885,765	3.5%
New Construction/Annexations	7,963,420	45,000,000	37,036,580	465.1%
Total	1,764,078,178	1,862,000,523	97,922,345	5.6%

**Attachment B** shows a history of EAV growth in the Village over the last ten years. The York Township Assessor's Office estimated a 3.5% increase to the 2021 base EAV. The Village estimated an increase of 5.6% to the total 2022 EAV over the total 2021 EAV of \$1,764,078,178. If there is no new growth, there will be no levy for this.

### **2022 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 2022, the total statutorily permissible tax levy for the Village of Lombard is \$11,307,018, an increase of \$764,887 or 7.26% over the prior year's extended levy. **Attachment C** compares the 2021 extended levy to the 2022 statutorily permissible levy in detail. Below is a ten-year comparison of property tax extensions.



\*2022 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 12/31/2021. For Police, the mortality improvement scale was updated from scale MP-2020 to scale MP-2021. The change results in an increase in benefit obligations and the recommended contribution. For Fire, the interest rate, mortality, retirement, withdrawal, salary scale, inflation, and payroll growth assumptions were changed as a result of the Illinois Firefighters' Pension Investment Fund Actuarial Experience Study published December 1, 2021. These changes result in a net increase in benefit obligations and an increase in the recommended contribution.

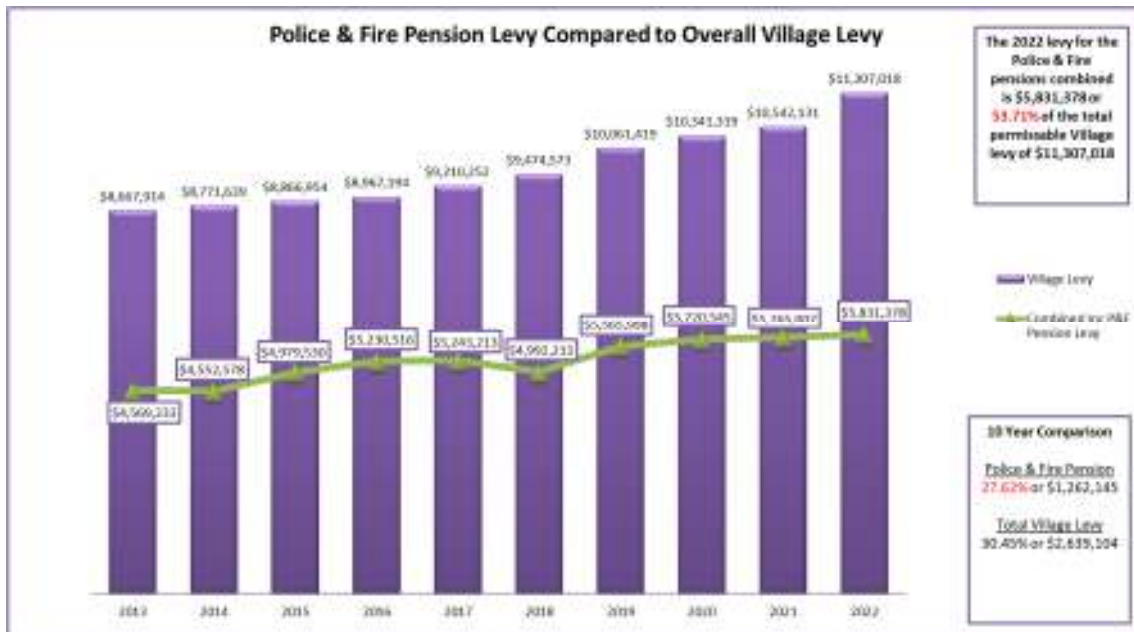
The actuary analysis indicates that the tax levy requirement for the Police Pension Fund for 2022 is \$3,243,211, a decrease of \$57,379 or 1.74% less than the prior year's extended levy. The percent funded has increased from 68.6% last year to 71.3% this year.

The tax levy requirement for the Firefighters' Pension Fund for 2022 is \$2,588,167 an increase of \$123,750 or 5.02%% more than the prior year's extended levy. The percent funded has increased from 79.4% last year to 80.8% this year.

The Police and Firefighters' Pension Funds will see a net combined increase of \$66,371 or 1.15% 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, decreased from 51.80% for 2021 to 50.50% for 2022. The Firefighters' Pension Fund tax levy requirement, expressed as a percentage of payroll, increased from 35.50% for 2021 to 36.39% for 2022.

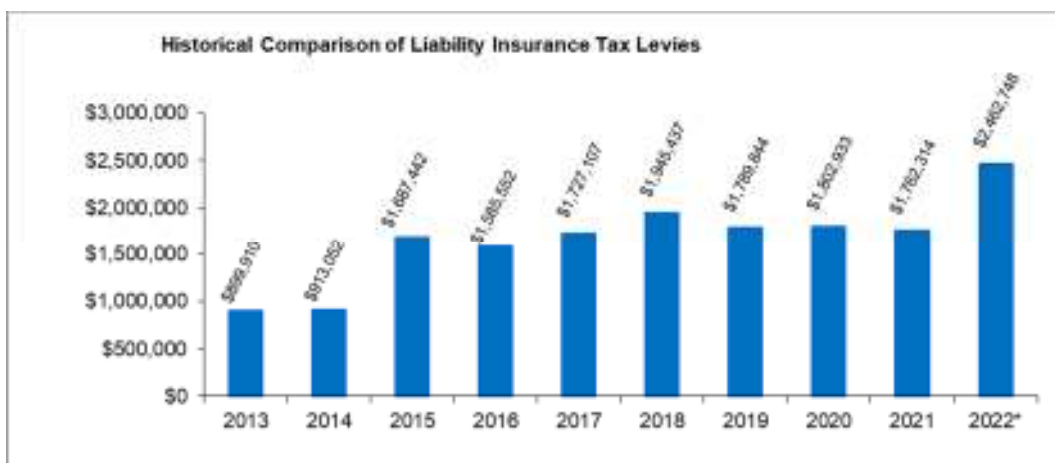
The chart on the next page displays a history of the Police and Firefighters' Pension Fund tax levies over the past ten years. The Village's overall tax levy has increased since 2013 by \$2,639,104, in actual dollars or 30.45% in ten years. The combined levies for the Police and Firefighters' Pension Funds alone have increased by \$1,262,145 or 27.62% in the same period. This means that 47.82% of annual statutorily permissible property tax levy increase has had to fund Police and Firefighters' Pension Funds in the last 10 years.



\*2022 is the proposed levy amount prior to extension

### **LIABILITY INSURANCE:**

The 2022 Proposed Tax Levy for Liability Insurance is \$2,462,748, or \$700,434 more than the 2021 levy. The Village has an actuarial study conducted every other year in order to determine the Village's reserve requirements for Liability Insurance. 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 2013-2022.



\*2022 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 14.25% in 2021 to 10.44% in 2022. The Village received information from IMRF that indicates that the Village's rate for 2023 will decrease from 10.44% to 6.68%. The 2022 proposed levy for IMRF is \$385,820, a decrease of 32.91% from the previous year.

**SOCIAL SECURITY/MEDICARE:** The 2022 proposed levy for Social Security/Medicare is \$694,526, an increase of 2.00% compared to the previous year.

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 6.68% of payroll for IMRF, means that the total pension cost for non-sworn Village personnel, expressed as a percentage of payroll, is 14.33% as compared to 50.50% for sworn Police and 36.39% 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 for the last 10 years. During that timeframe, combined levies for these levies have decreased by \$321,022 or 22.91% as compared to the increases in the combined Police and Firefighters' Pension Fund levies of \$1,262,145 or 27.60% over the same ten 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 \$5,000. Currently, there are no Special Assessments.

**CORPORATE LEVY:**

**General Corporate Levy:** The 2022 proposed General Corporate Levy totals \$1,927,546 compared to the 2021 extended levy of \$1,730,561. The 2022 proposed General Corporate levy increased due to an increase of 5.00% in the CPI and an estimated new growth EAV increase of \$45,000,000. The Pension funds are expected to continue to increase as 2022 has significant investment losses, and the General Corporate levy will once again decline and likely be eliminated.

**TAX RATES:**

The tax cap limits our base tax levy increase over the prior year's extended levy to 5.00% or the national CPI, as reported for December prior to adoption of the levy. For tax year 2022, the December 2021 national CPI increase was 7.0%. However, as stated previously, the amount allowed is capped at 5.0%. We also levy for new construction and annexations that are expected to add an additional 2.38% in 2022. Finally, the exempt portion of the Firefighters' Pension Fund decreased by \$12,240 or (-3.77%) in 2022. These factors bring our total increase allowed to 7.26%. 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 increase from \$0.5779/\$100 of EAV to \$0.5905/\$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 0.5905/\$100 of EAV, the Firefighters Pension Fund will also levy 0.0168/\$100 of EAV, making the total Village levy 0.6073/\$100 of EAV compared to the 2021 Village extended levy of 0.5976/\$100 of EAV.

A ten-year comparison of tax rates can be found in **Attachment F**. As this comparison indicates, the projected 2022 property tax rate for the Village of Lombard of \$0.6073/\$100 of EAV is 9.92% lower than it was ten years ago.

The Village's share of the tax bill for the owner of a \$300,000 house is expected to increase approximately \$27.41.

**IMPACT OF THE PROPERTY TAX EXTENSION LIMITATION ACT:**

The Statutorily Permissible 2021 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 2.38% 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 2023, the DuPage County Clerk will notify us if we are required to reduce our tax levy further as a result of our final extended 2022 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 2021 Aggregate Extended Levy to our 2022 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 2021 Aggregate Extended Levy for the

Village was \$10,542,131. The 2022 statutorily permissible levy for the Village is \$11,307,018, an increase of \$764,887 or 7.26%. Therefore, a public hearing is required and will be held before the Village Board meeting on November 3, 2022.

The Finance Committee's recommendation on the 2022 Property Tax Levy will be on the agenda for Village Board approval at their November 3, 2022 meeting.

**ATTACHMENT A**  
**STATUTORILY PERMISSIBLE VILLAGE OF LOMBARD PROPERTY TAX LEVY**  
**TAX YEAR 2022**

**5% CPI**

**2.47% NEW GROWTH ESTIMATE**

<b>ASSUMPTIONS</b>		
AGGREGATE EXTENSION FOR 2021 TAX YEAR (Excl Fire Pension-Exempt from Tax Cap)	VILLAGE	\$10,217,541
	FIRE PENSION-EXEMPT	\$324,590
	<b>TOTAL</b>	<b>\$10,542,131</b>
2022 PROJECTED BASE EAV		<b>\$1,817,000,523</b>
2022 PROJECTED "NEW GROWTH"		<b>\$45,000,000</b>
2022 TOTAL PROJECTED EAV		<b>\$1,862,000,523</b>

<b>2022 STATUTORILY PERMISSIBLE LEVIES - WITH 5.0% CPI</b>	<b>AMOUNT</b>	<b>RATE</b>
CORPORATE	1,927,546	0.1035
POLICE PENSION	3,243,211	0.1742
PUBLIC BENEFIT	5,000	0.0003
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	2,275,817	0.1222
IMRF	385,820	0.0207
LIABILITY INSURANCE	2,462,748	0.1323
SOCIAL SECURITY	694,526	0.0373
<b>TOTAL (VILLAGE ONLY)</b>	<b>10,994,668</b>	<b>0.5905</b>
FIREFIGHTERS' PENSION-EXEMPT FROM TAX CAP	312,350	0.0168
<b>TOTAL (VILLAGE ONLY)-INCL ADD'L FIRE LEVY</b>	<b>11,307,018</b>	<b>0.6073</b>

<b>GRAND TOTAL-EXEMPT FROM TAX CAP</b>	<b>312,350</b>	<b>0.0168</b>
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<b>GRAND TOTAL-SUBJECT TO TAX CAP</b>	<b>10,994,668</b>	<b>0.5905</b>
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**TRUTH-IN-TAXATION CALCULATION**

CURRENT YEAR PROPOSED LEVY	11,307,018
PRIOR YEAR EXTENDED LEVY	10,542,131
INCREASE IN LEVY	<u>764,887</u>
PERCENTAGE INCREASE IN LEVY	<u>7.26%</u>

<b>PUBLIC HEARING REQUIRED</b>	<b>YES</b>
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**ATTACHMENT B**  
**Historical Comparison of EAV Growth**  
**2013-2022**

	<b>Base EAV</b>	<b>Inc. over PY</b>	<b>New Construction</b>	<b>% of Base</b>	<b>Annexations</b>	<b>% of Base</b>	<b>Total % of Base</b>	<b>Total EAV</b>	<b>Inc. over PY</b>
<b>Actual 2013</b>	1,280,541,067	-6.8%	5,118,090	0.40%	0	0.00%	0.40%	1,285,659,157	-6.45%
<b>Actual 2014</b>	1,264,234,172	-1.7%	3,893,480	0.31%	0	0.00%	0.31%	1,268,127,652	-1.36%
<b>Actual 2015</b>	1,310,743,549	3.4%	3,463,340	0.26%	0	0.00%	0.26%	1,314,206,889	3.63%
<b>Actual 2016</b>	1,384,860,088	5.4%	4,756,270	0.34%	0	0.00%	0.34%	1,389,616,358	5.74%
<b>Actual 2017</b>	1,473,640,391	6.0%	8,659,870	0.58%	0	0.00%	0.58%	1,482,300,261	6.67%
<b>Actual 2018</b>	1,540,330,543	3.9%	12,682,460	0.82%	0	0.00%	0.82%	1,553,013,003	4.77%
<b>Actual 2019</b>	1,634,698,799	5.3%	30,272,140	1.82%	0	0.00%	1.82%	1,664,970,939	7.21%
<b>Actual 2020</b>	1,721,270,552	3.4%	10,653,580	0.62%	0	0.00%	0.62%	1,731,924,132	4.02%
<b>Actual 2021</b>	1,756,114,758	1.4%	7,963,420	0.45%	0	0.00%	0.45%	1,764,078,178	5.95%
<b>Est 2022</b>	1,817,000,523	3.0%	45,000,000	2.42%	0	0.00%	2.42%	1,862,000,523	7.51%
<b>Average Inc. Last 5 years (1)</b>		<b>4.6%</b>		<b>1.3%</b>		<b>0.0%</b>	<b>1.3%</b>		<b>7.2%</b>

**Note (1) Average includes Years 2017-2021**

## ATTACHMENT C

**COMPARISON OF 2021 PROPERTY TAX LEVY AS EXTENDED**  
**vs.**  
**2022 STATUTORILY PERMISSIBLE PROPERTY TAX LEVY**

<i><b>VILLAGE</b></i>	<b>2021 EXTENDED LEVY</b>		<b>2022 PROPOSED LEVY</b>		<b>INCREASE/ DECREASE</b>	
	<i><b>RATE</b></i>	<i><b>AMOUNT</b></i>	<i><b>RATE</b></i>	<i><b>AMOUNT</b></i>	<i><b>%</b></i>	<i><b>AMOUNT</b></i>
<b>CORPORATE</b>	0.0981	1,730,561	0.1035	1,927,546	11.38%	196,985
<b>IMRF</b>	0.0326	575,089	0.0207	385,820	-32.91%	-189,269
<b>FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP</b>	0.1213	2,139,827	0.1222	2,275,817	6.36%	135,990
<b>POLICE PENSION</b>	0.1871	3,300,590	0.1742	3,243,211	-1.74%	-57,379
<b>LIABILITY INSURANCE</b>	0.0999	1,762,314	0.1323	2,462,748	39.75%	700,434
<b>PUBLIC BENEFIT</b>	0.0003	5,292	0.0003	5,000	-5.52%	-292
<b>SOCIAL SECURITY</b>	0.0386	680,934	0.0373	694,526	2.00%	13,592
<b>TOTAL VILLAGE SUBJECT TO TAX CAP</b>	<b>0.5779</b>	<b>10,194,608</b>	<b>0.5905</b>	<b>10,994,668</b>	<b>7.85%</b>	<b>800,060</b>
<b>*2021 Aggregate Extention</b>	0.0013	22,933	0.0000	0	0.00%	-22,933
<b>FIREFIGHTERS' PENSION-NOT SUBJECT TO TAX CAP</b>	0.0184	324,590	0.0168	312,350	-3.77%	-12,240
<b>TOTAL VILLAGE LEVY</b>	<b>0.5976</b>	<b>10,542,131</b>	<b>0.6073</b>	<b>11,307,018</b>	<b>7.26%</b>	<b>764,887</b>

## ATTACHMENT D

### COMPARISON OF ANNUAL TAX LEVY REQUIREMENTS FOR POLICE AND FIREFIGHTERS' PENSION FUNDS TAX YEAR 2022 vs. 2021

	A	B	C	
	2021 Extended TAX LEVY	ACTUARY AS OF 1/1/22	INC./(DEC.) OVER 2021	
			AMOUNT	PERCENT
<b>POLICE PENSION FUND</b>	\$3,300,590	\$3,243,211	(\$57,379)	-1.74%
<b>FIREFIGHTERS' PENSION FUND</b>				
Subject to Tax Cap	\$2,139,827	\$2,275,817	\$135,990	6.36%
Exempt from Tax Cap	\$324,590	\$312,350	(\$12,240)	-3.77%
<b>TOTAL FIREFIGHTERS' PENSION FUND</b>	<b>\$2,464,417</b>	<b>\$2,588,167</b>	<b>\$123,750</b>	<b>5.02%</b>
<b>TOTAL</b>	<b>\$5,765,007</b>	<b>\$5,831,378</b>	<b>\$66,371</b>	<b>1.15%</b>

**NOTES:**

- A.** Amount levied and extended by the County Clerk for the 2021 Village Tax Levy.
- B.** Updated Actuarial Valuations based on membership data and asset information as of 12/31/21.
- C.** Increase in 2022 tax levy request over 2021 extended levy.

	2021		2022	
<b>POLICE PENSION FUND</b>	AS LEVIED	PERCENT OF PAYROLL	AS LEVIED	PERCENT OF PAYROLL
Employer's Share of Normal Cost	\$625,479 *	9.82%	\$599,087 *	9.33%
*this would be the levy if 100% funded				
Amortization of Unfunded Liability	\$2,674,482	41.98%	\$2,644,124	41.18%
<b>Annual Actuarial Requirement as a Percentage of Payroll</b>	<b>\$3,299,961</b>	<b>51.80%</b>	<b>\$3,243,211</b>	<b>50.50%</b>
<b>FIREFIGHTERS' PENSION FUND</b>				
Employer's Share of Normal Cost	\$975,075 *	14.06%	\$937,262 *	13.18%
*this would be the levy if 100% funded				
Amortization of Unfunded Liability	\$1,487,309	21.44%	\$1,650,905	23.21%
<b>Annual Actuarial Requirement as a Percentage of Payroll</b>	<b>\$2,462,384</b>	<b>35.50%</b>	<b>\$2,588,167</b>	<b>36.39%</b>

**ATTACHMENT E**  
**ANALYSIS OF IMRF FUND**  
**IMRF/SOCIAL SECURITY/MEDICARE**  
**RATES, WAGE BASES & TAX LEVIES**

<b>IMRF</b>				
<b>CALENDAR YEAR</b>	<b>EMPLOYER'S CONTRIBUTION</b>	<b>EMPLOYEE'S CONTRIBUTION</b>	<b>WAGE BASE</b>	
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	
2022	10.44%	4.50%	NONE	
2023	6.68%	4.50%	NONE	

<b>SOCIAL SECURITY/MEDICARE</b>					
<b>CALENDAR YEAR</b>	<b>EMPLOYER'S CONTRIBUTION</b>	<b>EMPLOYEE'S CONTRIBUTION</b>	<b>WAGE BASE</b>		
			<b>SS</b>	<b>MEDICARE</b>	
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	
2021	7.65%	7.65%	\$142,800	Unlimited	

<b>Property Tax Levies (IMRF, SS &amp; Medicare combined)</b>				
<b>TAX LEVY YEAR</b>	<b>TAX LEVY</b>	<b>INC./(DEC.) OVER PY</b>		
		<b>AMOUNT</b>	<b>PERCENT</b>	
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%	
2021	\$1,256,024	-\$213,515	-14.53%	
2022*	\$1,080,346	-\$175,678	-13.99%	

*\*2022 is the statutorily permissible levy amount prior to extension*

<b>Total increase</b>		
<b>2013-2022</b>	<b>(\$321,022)</b>	<b>-22.91%</b>
<b>Avg. Annual Inc.</b>	<b>(\$32,102.25)</b>	<b>-2.55%</b>

## ATTACHMENT F

# HISTORICAL TAX RATE INFORMATION 2013-2022

<b>LEVY YEAR</b>	<b>TOTAL TAX RATE <sup>(1)</sup></b>	<b>VILLAGE ONLY</b>	<b>VILLAGE SHARE OF TOTAL</b>
<b>2013</b>	8.9748	0.6742	7.51%
<b>2014</b>	9.2531	0.6917	7.48%
<b>2015</b>	8.9837	0.6747	7.51%
<b>2016</b>	8.8082	0.6453	7.33%
<b>2017</b>	8.4932	0.6250	7.36%
<b>2018</b>	8.2998	0.6151	7.41%
<b>2019</b>	7.9778	0.6043	7.57%
<b>2020</b>	7.9582	0.5971	7.50%
<b>2021</b>	7.9396	0.5976	7.53%
<b>2022<sup>(2)</sup></b>	0.0000	0.6073	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) 2013-2021 as extended; 2022 prior to extension