



To: Finance Committee

From: Timothy Sexton, Director of Finance

Date: August 31, 2016

Subject: Statutorily Permissible 2016 Property Tax Levy

### **INTRODUCTION**

The 2016 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**

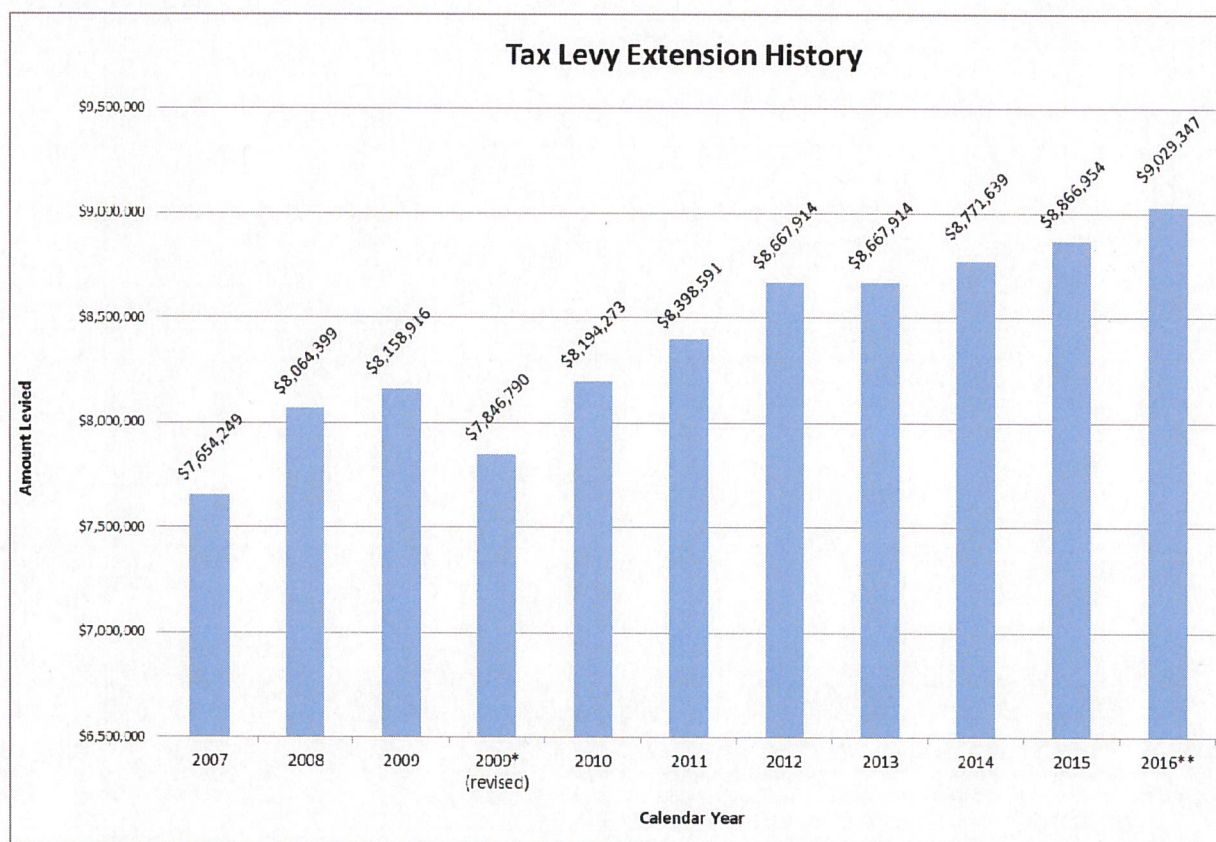
The following is a comparison of the projected 2016 estimated Equalized Assessed Valuation (EAV), including increases in both the base EAV as well as increases due to new construction/annexations for the Village of Lombard, as compared to the 2015 actual EAV.

	2015 Actual	2016 Estimate	Increase over Prior Year	
			Incr. over PY	Percent
Base EAV	\$ 1,310,743,549	\$ 1,394,917,233	84,173,684	6.42%
New Construction/ Annexations	\$ 3,463,340	\$ 15,000,000	11,536,660	333.11%
Total	\$ 1,314,206,889	\$ 1,409,917,233	95,710,344	7.28%

**Attachment B** shows a history of EAV growth in the Village over the last ten years. The Dupage County Supervisor of Assessments estimated a 7.34% (+/-1%) increase to the 2015 base EAV. Based on this information and discussions with the York Township Assessor's Office, the Village estimated an increase of 6.42% increase over the 2015 base EAV.

### **2016 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 2016, the total statutorily permissible tax levy for the Village of Lombard is \$9,029,347, an increase of \$162,393 or 1.83% over the prior year's extended levy. **Attachment C** compares the 2015 extended levy to the 2016 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

\*\*2016 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 the year January 1, 2016 and ending December 31, 2016 are available upon request.

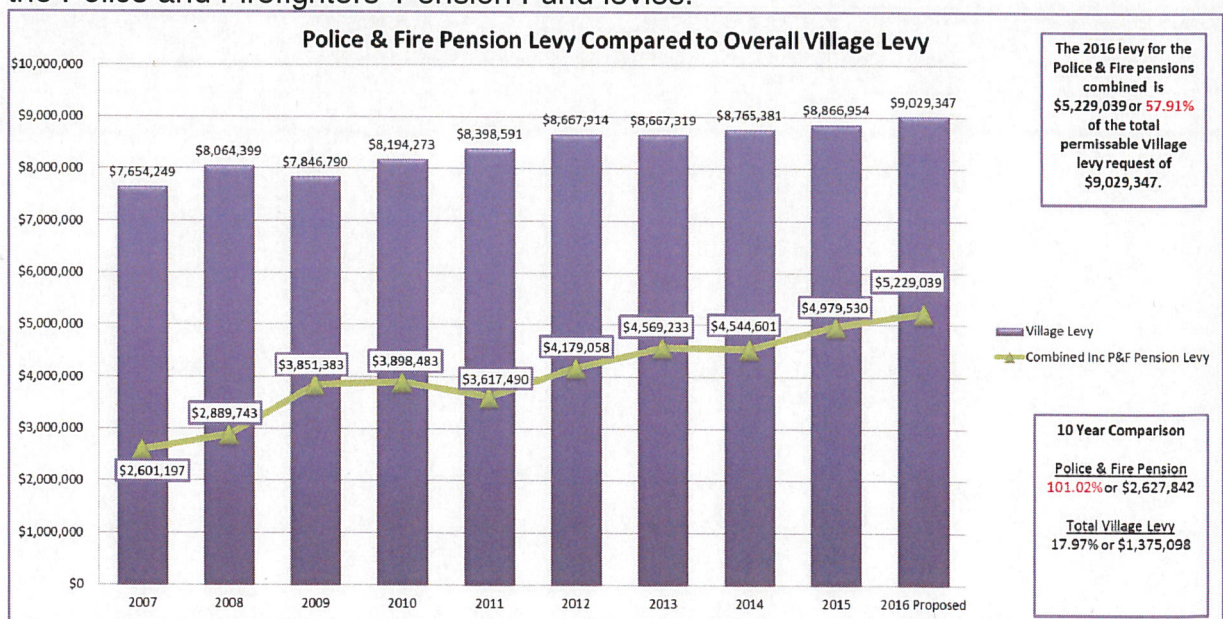
The actuarial analysis indicates that the tax levy requirement for the Police Pension Fund for 2016 is \$3,038,332 an increase of \$97,137 or 3.30% more than the prior year's extended levy. The increase in the Tax Levy is due to the increase in average salaries, the investment return was less than assumed (annualized investment return 1.37%) and the changes to the mortality assumptions. The Percent Funded has decreased from 65.3% last year to 61.6% this year.

The tax levy requirement for the Firefighters' Pension Fund for 2016 is \$2,190,707 an increase of \$152,372 or 7.48% more than the prior year's extended levy. The increase in the Tax Levy is due to the increase in average salaries, the investment return was less than assumed (annualized investment return 0.05%) and changes to the mortality assumptions. The Percent Funded has decreased slightly from 76.9% last year to 72.5% this year.

The Police and Firefighters' Pension Funds will see a net combined increase of \$249,509 or 5.01% 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 47.84% for 2015 to 47.99% for 2016. The Firefighters' Pension Fund tax levy requirement, expressed as a percentage of payroll, increased from 35.61% for 2015 to 38.27% for 2016.

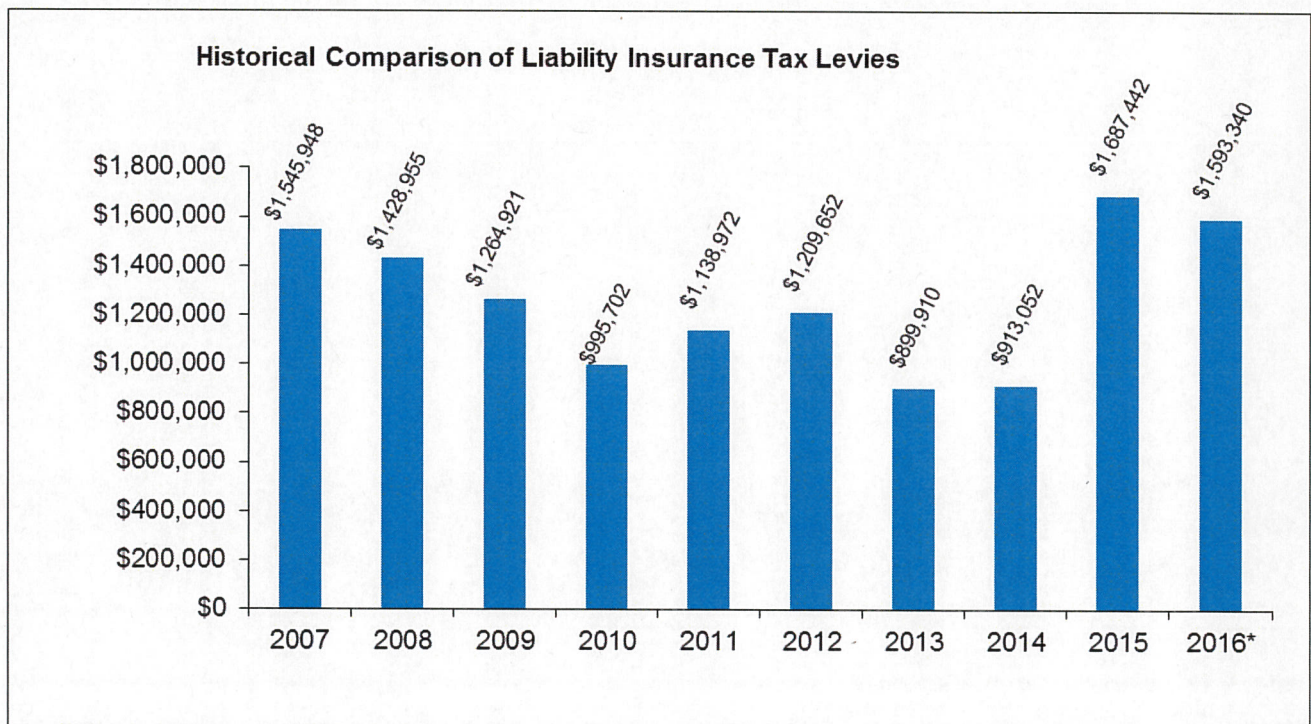
The chart on the next page display a history of the Police and Firefighters' Pension Fund tax levies over the past ten years. The Village's overall tax levy has increased since 2007 by \$1,375,098 in actual dollars or 17.97% in ten years. As depicted in the chart below, the combined levies for the Police and Firefighters' Pension Funds alone have increased by \$2,627,842 or 101.0% in the same period. The net effect is that all new tax levy dollars over and above the 2007 levels are going to fund the increases in the Police and Firefighters' Pension Fund levies.



\*2016 is the proposed levy amount prior to extension

**LIABILITY INSURANCE:**

The 2016 Proposed Tax Levy for Liability Insurance is \$1,593,340, or \$94,102 less than the 2015 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 \$2,560,502 as of 12/31/15. This year 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 will help smooth out increases/decreases and provide time to make adjustments if there is a year with a large increase. To put the current year tax levy into perspective, the chart on page 5 shows tax levies for 2007-2016.



\*2016 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 15.75% in 2015 to 18.37% in 2015. The Village has received information from IMRF that indicates that the Village's rate for 2017 will decrease from 18.37% to 15.93%. The 2016 proposed levy for IMRF is \$888,400.

**SOCIAL SECURITY/MEDICARE:** The 2016 proposed levy for Social Security/Medicare is \$617,680.

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 15.93% of payroll for IMRF, means that the total pension cost for non-sworn Village personnel, expressed as a percentage of payroll, is 23.58% as compared to 47.99% for sworn Police and 38.27% 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 2007 tax levy year. Over the last ten years, combined levies for these levies have increased by \$19,212 or 1.29% as compared to the increases in the combined Police and Firefighters' Pension Fund levies of \$2,627,842 or 101% 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 \$700,888.

**CORPORATE LEVY:**

**General Corporate Levy:** The 2016 proposed General Corporate Levy totals \$0.00, a decrease of \$76,224 over last year's extended levy. The decrease is due to the significant increases to the special levy requests for the Police and Fire Pension Funds. 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 2016 the December 2015 national CPI increase was 0.70%. We also levy for new construction and annexations that are expected to add an additional 7.28% in 2016. Finally, the exempt portion of the Firefighters' Pension Fund increased by \$5,713 or 5.50% in 2016. These factors bring our total increase allowed to 1.83%. 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 .6668/\$100 of EAV to .6326/\$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 .6326/\$100 of EAV, the Firefighters Pension Fund will also levy .0078/\$100 of EAV, making the total Village levy .6404/\$100 of EAV.

A ten-year comparison of tax rates can be found in **Attachment F**. As this comparison indicates, the projected 2016 property tax rate for the Village of Lombard of .6404/\$100 of EAV is .1740/\$100 of EAV or 37.31% 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 \$5.18 to \$309.89, or a 1.70% increase.

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

The Statutorily Permissible 2016 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 2017, the DuPage County Clerk will notify us if we are required to reduce our tax levy further as a result of our final extended 2016 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 2015 Aggregate Extended Levy to our 2016 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 2015 Aggregate Extended Levy for the Village was \$8,866,954. The 2016 statutorily permissible levy for the Village is \$9,029,347, an increase of \$162,393 or 1.83%. Therefore, a public hearing is not required.

The Finance Committee's recommendation on the 2016 Property Tax Levy will be on the agenda for Village Board approval at their October 20, 2016 meeting.

**ATTACHMENT A**  
**STATUTORILY PERMISSIBLE VILLAGE OF LOMBARD PROPERTY TAX LEVY**  
**TAX YEAR 2016**

0.7% CPI

7.28.% NEW GROWTH ESTIMATE

<b>ASSUMPTIONS</b>		
AGGREGATE EXTENSION FOR 2015 TAX YEAR (Excl Fire Pension-Exempt from Tax Cap)	VILLAGE	\$8,763,132
	FIRE PENSION-EXEMPT	\$103,822
	<b>TOTAL</b>	<b>\$8,866,954</b>
2016 PROJECTED BASE EAV		\$1,394,917,233
2016 PROJECTED "NEW GROWTH"		\$15,000,000
2016 TOTAL PROJECTED EAV		<b>\$1,409,917,233</b>

2016 STATUTORILY PERMISSIBLE LEVIES - WITH 0.7% CPI	AMOUNT	RATE
CORPORATE	0	0.0000
POLICE PENSION	3,038,332	0.2155
PUBLIC BENEFIT	700,888	0.0497
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	2,081,172	0.1476
IMRF	888,400	0.0630
LIABILITY INSURANCE	1,593,340	0.1130
SOCIAL SECURITY	617,680	0.0438
<b>TOTAL (VILLAGE ONLY)</b>	<b>8,919,812</b>	<b>0.6326</b>
FIREFIGHTERS' PENSION-EXEMPT FROM TAX CAP	109,535	0.0078
<b>TOTAL (VILLAGE ONLY)-INCL ADD'L FIRE LEVY</b>	<b>9,029,347</b>	<b>0.6404</b>
<b>TRUTH-IN-TAXATION CALCULATION</b>		

CURRENT YEAR PROPOSED LEVY	9,029,347
PRIOR YEAR EXTENDED LEVY	8,866,954
INCREASE IN LEVY	<u>162,393</u>
PERCENTAGE INCREASE IN LEVY	<u>1.83%</u>

PUBLIC HEARING REQUIRED	NO
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**ATTACHMENT B**  
**Historical Comparison of EAV Growth**  
**2007-2016**

	Base EAV	Inc. over PY	New Construction	% of Base	Annexations	% of Base	Total % of Base	Total EAV	Inc. over PY
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%
Actual 2015	1,310,743,549	3.4%	3,463,340	0.26%	0	0.00%	0.26%	1,314,206,889	3.63%
Est 2016	1,394,917,233	6.1%	15,000,000	1.06%	0	0.00%	1.06%	1,409,917,233	7.28%
Average Inc. Last 5 years (1)		-4.3%		0.3%		0.0%	0.3%		-4.0%

Note (1) Average includes Actual Years 2011-2015.

# ATTACHMENT C

## COMPARISON OF 2015 PROPERTY TAX LEVY AS EXTENDED

vs.

## 2016 STATUTORILY PERMISSIBLE PROPERTY TAX LEVY

VILLAGE	2015 EXTENDED LEVY		2016 PROPOSED LEVY		INCREASE/ DECREASE	
	RATE	AMOUNT	RATE	AMOUNT	%	AMOUNT
CORPORATE	0.0058	76,224	0.0000	0	-100.00%	-76,224
POLICE PENSION	0.2238	2,941,195	0.2155	3,038,332	3.30%	97,137
PUBLIC BENEFIT	0.0470	617,677	0.0497	700,888	13.47%	83,210
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	0.1472	1,934,513	0.1476	2,081,172	7.58%	146,659
IMRF	0.0676	888,404	0.0630	888,400	0.00%	-4
LIABILITY INSURANCE	0.1284	1,687,442	0.1130	1,593,340	-5.58%	-94,102
SOCIAL SECURITY	0.0470	617,677	0.0438	617,680	0.00%	3
<b>TOTAL VILLAGE SUBJECT TO TAX CAP</b>	<b>0.6668</b>	<b>8,763,132</b>	<b>0.6326</b>	<b>8,919,812</b>	<b>1.79%</b>	<b>156,680</b>
FIREFIGHTERS' PENSION-NOT SUBJECT TO TAX CAP	0.0149	103,822	0.0078	109,535	5.50%	5,713
<b>TOTAL VILLAGE LEVY</b>	<b>0.6817</b>	<b>8,866,954</b>	<b>0.6404</b>	<b>9,029,347</b>	<b>1.83%</b>	<b>162,393</b>

## ATTACHMENT D

### COMPARISON OF ANNUAL TAX LEVY REQUIREMENTS FOR POLICE AND FIREFIGHTERS' PENSION FUNDS TAX YEAR 2015 vs. 2016

	A	B	C	
	2015 Extended TAX LEVY	ACTUARY AS OF 1/1/16	INC./(DEC.) OVER 2015	
			AMOUNT	PERCENT
<b>POLICE PENSION FUND</b>	\$2,941,195	\$3,038,332	\$97,137	3.30%
<b>FIREFIGHTERS' PENSION FUND</b>				
Subject to Tax Cap	\$1,934,513	\$2,081,172	\$146,659	7.58%
Exempt from Tax Cap	\$103,822	\$109,535	\$5,713	5.50%
<b>TOTAL FIREFIGHTERS' PENSION FUND</b>	<u>\$2,038,335</u>	<u>\$2,190,707</u>	<u>\$152,372</u>	<u>7.48%</u>
<b>TOTAL</b>	<u>\$4,979,530</u>	<u>\$5,229,039</u>	<u>\$249,509</u>	<u>5.01%</u>

**NOTES:**

- A. Amount levied and extended by the County Clerk for the 2015 Village Tax Levy.
- B. Updated Actuarial Valuations based on membership data and asset information as of 12/31/15.
- C. Increase in 2016 tax levy request over 2015 extended levy.

	2015		2016	
	AS LEVIED	PERCENT OF PAYROLL	AS LEVIED	PERCENT OF PAYROLL
<b><u>POLICE PENSION FUND</u></b>				
Employer's Share of Normal Cost	\$751,007	12.22%	\$803,941	12.70%
Annual Amount Required to Amortize Unfunded Liability over 40 years Subsequent to 7/1/93 as a Level % of Pay	<u>\$2,189,765</u>	<u>35.62%</u>	<u>\$2,234,391</u>	<u>35.29%</u>
<b>Annual Actuarial Requirement as a Percentage of Payroll</b>	<u><b>\$2,940,772</b></u>	<u><b>47.84%</b></u>	<u><b>\$3,038,332</b></u>	<u><b>47.99%</b></u>
<b><u>FIREFIGHTERS' PENSION FUND</u></b>				
Employer's Share of Normal Cost	\$873,654	15.28%	\$918,962	16.05%
Annual Amount Required to Amortize Unfunded Liability over 40 years Subsequent to 7/1/93 as a Level % of Pay	<u>\$1,161,562</u>	<u>20.32%</u>	<u>\$1,271,745</u>	<u>22.21%</u>
<b>Annual Actuarial Requirement as a Percentage of Payroll</b>	<u><b>\$2,035,216</b></u>	<u><b>35.61%</b></u>	<u><b>\$2,190,707</b></u>	<u><b>38.27%</b></u>

**ATTACHMENT E  
ANALYSIS OF IMRF FUND  
IMRF/SOCIAL SECURITY/MEDICARE  
RATES, WAGE BASES & TAX LEVIES  
CALENDAR YEARS 2007 - 2016**

<b>IMRF</b>				
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	
2017	15.93%	4.50%	NONE	

<b>SOCIAL SECURITY/MEDICARE</b>					
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%	\$118,500	Unlimited	
2017	7.65%	7.65%	TBD	Unlimited	

<b>Property Tax Levies (IMRF, SS &amp; Medicare combined)</b>				
TAX LEVY YEAR	TAX LEVY*	INC./(DEC.) OVER PY		
		AMOUNT	PERCENT	
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	\$1,506,081	\$109,873	7.87%	
2016	\$1,506,080	-\$1	0.00%	

Total increase		
2007-2016	\$19,212	1.29%
Avg. Annual Inc.	\$1,921.20	0.13%

\*2007-2015 as extended; 2016 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 2007-2016**

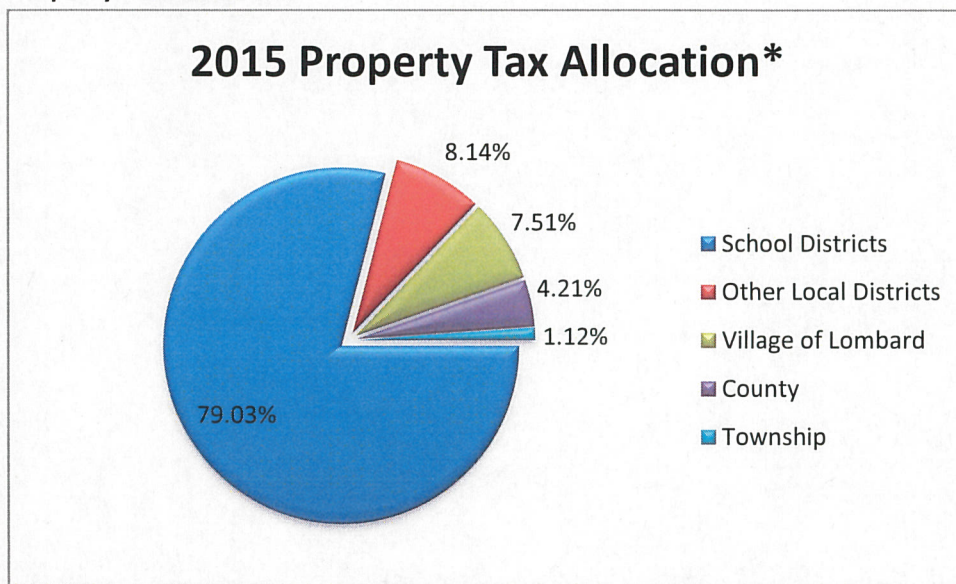
<b>LEVY YEAR</b>	<b>TOTAL TAX RATE <sup>(1)</sup></b>	<b>VILLAGE ONLY</b>	<b>VILLAGE SHARE OF TOTAL</b>
<b>2007</b>	6.0154	0.4664	7.75%
<b>2008</b>	5.8555	0.4560	7.79%
<b>2009</b>	6.0421	0.4657	7.71%
<b>2010</b>	6.6908	0.5053	7.55%
<b>2011</b>	7.3561	0.5595	7.61%
<b>2012</b>	8.2547	0.6307	7.64%
<b>2013</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<sup>(2)</sup></b>	TBD	0.6404	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) 2007-2015 as extended; 2016 prior to extension

## Statutorily Permissible 2016 Property Tax Levy FAQ

- Tax Levy increase from 2015 to 2016 is \$162,393
  - From totals of \$8,866,954 in 2015 to \$9,029,347 in 2016
  - The average increase per household is \$5.18
- The major increases in special levies in 2016 are allocated to the Police Pension Fund and the Firefighter Pension Fund.
  - Both the Police and Fire Pension Funds increased due to the increase in average salaries, the investment return was less than assumed, and changes to the mortality assumptions.
- **Property Tax Allocation**



The majority of the Village's property taxes go toward educational services, which includes Districts 87, 88, 44, 45, and COD 502. The remainder goes toward the Village, other local governmental entities (York Township, Helen Plum Library, and Park District), and DuPage County (including the Forest Preserve District and DuPage Airport Authority).

\* Rate is based upon \$100 per equalized assessed valuation. Table is based on tax code 6011.

- Lombard's 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
  - In order to go above the Tax Cap, the Village would be required to pass a referendum
- The Village is facing the possibility of significantly reduced revenue from the State, including the potential freezing of property taxes for a period of time.