



To: Finance and Administration Committee

From: Timothy Sexton, Director of Finance

Date: September 6, 2023

Subject: Statutorily Permissible 2023 Property Tax Levy

INTRODUCTION

The 2023 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:

2023 Statutorily Permissible Levy	\$11,788,323	
2022 Extended Levy	\$11,053,040	
Total 2023 Permissible Increase	<u>\$735,283</u>	6.65% *
*Breakdown of 2023 Permissible Increase		
CPI	5.00%	
Fire Pension (Exempt)	0.16%	
Total for Existing Properties	5.16%	
New Growth/Construction	1.49%	
Total for All Properties	<u>6.65%</u>	

It is estimated that new growth will account for 1.49% of the increase in the levy. If there is nonew growth, there will be no levy for this.

The Village's share of the tax bill for the owner of a \$300,000 house is expected to increase approximately \$29.31.

EAV ASSUMPTIONS

The following is a comparison of the projected 2023 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.

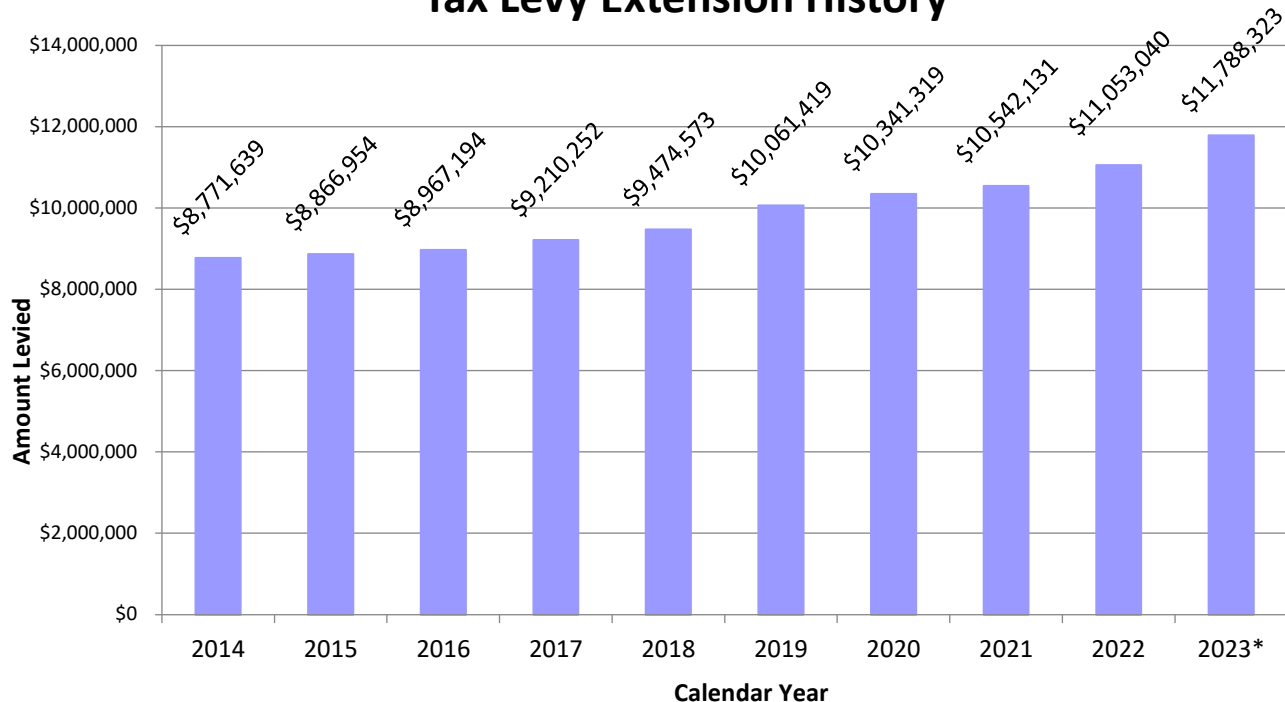
	2022 Actual	2023 Estimated	Incr over Prior Year	
			Amount	Percent
Base EAV	1,825,802,999	1,884,248,854	58,445,855	3.2%
New Construction/Annexations	3,564,820	30,000,000	26,435,180	741.6%
Total	1,829,367,819	1,914,248,854	84,881,035	4.6%

Attachment B shows a history of EAV growth in the Village over the last ten years. The York Township Assessor's Office estimated a 3.2% increase to the 2022 base EAV. The Village estimated an increase of 4.6% to the total 2023 EAV over the total 2022 EAV of \$1,829,367,819. If there is no new growth, there will be no levy for this.

2023 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 2023, the total statutorily permissible tax levy for the Village of Lombard is \$11,788,323, an increase of \$735,283 or 6.65% over the prior year's extended levy. **Attachment C** compares the 2022 extended levy to the 2023 statutorily permissible levy in detail. Below is a ten-year comparison of property tax extensions.

Tax Levy Extension History



*2023 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 12/31/2022. For Police, the mortality assumption was changed as a result of the Illinois Police Officers' Pension Investment Fund Actuarial Experience Study published March 4, 2022. Generally, the table was updated from the RP-2014 Mortality Table with blue collar adjustment, projected generationally with scale MP-2021 from 2013 to the Pub-2010 Public Safety Mortality Table with adjustments, projected generationally with scale MP-2021 applied from 2010. The change results in an increase in benefit obligations and an increase in the recommended contribution. For Fire, 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.

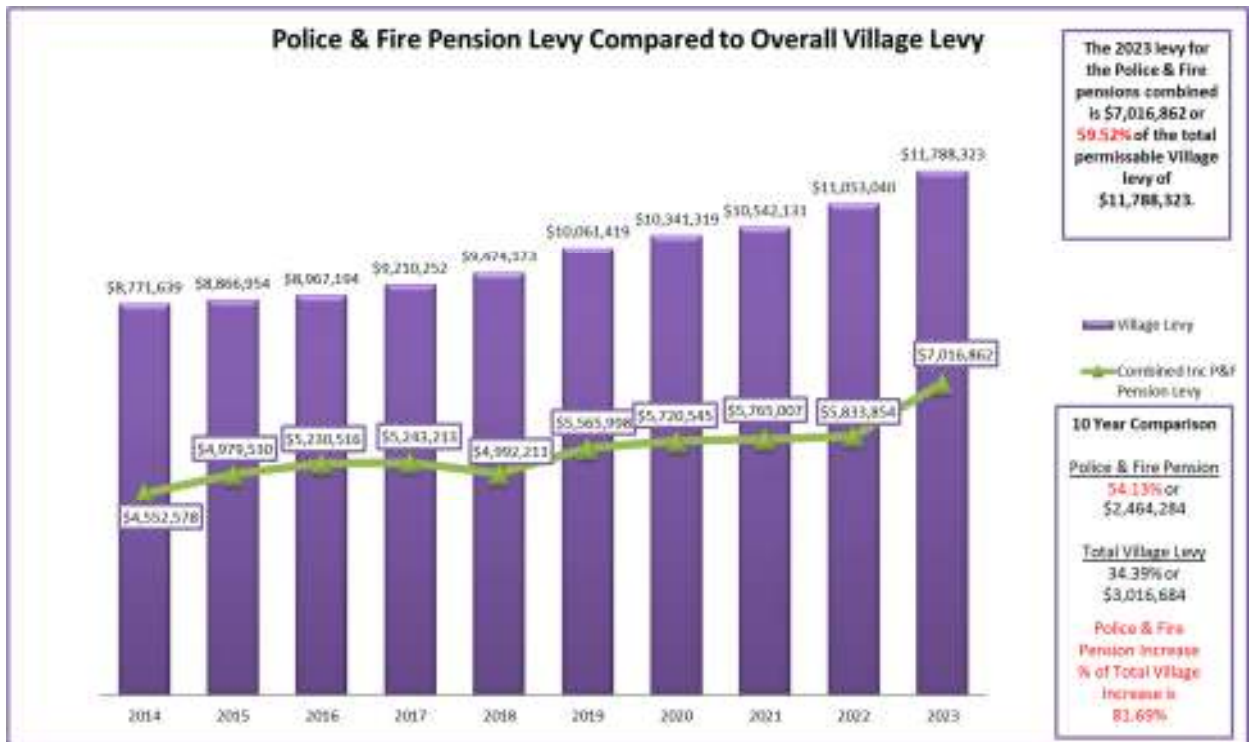
The actuary analysis indicates that the tax levy requirement for the Police Pension Fund for 2023 is \$4,195,402, an increase of \$951,933 or 29.35% more than the prior year's extended levy. The percent funded has decreased from 71.3% last year to 67.3% this year.

The tax levy requirement for the Firefighters' Pension Fund for 2023 is \$2,821,460 an increase of \$231,075 or 8.92% more than the prior year's extended levy. The percent funded has decreased from 80.8% last year to 79.6% this year.

The Police and Firefighters' Pension Funds will see a net combined increase of \$1,183,008 or 20.28% 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 50.50% for 2022 to 59.14% for 2023. The Firefighters' Pension Fund tax levy requirement, expressed as a percentage of payroll, increased from 36.39% for 2022 to 39.02% for 2023.

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 2014 by \$3,016,684, in actual dollars or 34.39% in ten years. The combined levies for the Police and Firefighters' Pension Funds alone have increased by \$2,464,284 or 54.13% in the same period. This means that 81.69% of annual statutorily permissible property tax levy increase has had to fund Police and Firefighters' Pension Funds in the last 10 years.



*2023 is the proposed levy amount prior to extension

LIABILITY INSURANCE:

The 2023 Proposed Tax Levy for Liability Insurance is \$2,211,992, or \$250,337 less than the 2022 levy. The Village has an actuarial study conducted every other year 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 2014-2023.



*2023 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 10.44% in 2022 to 6.68% in 2023. The Village received information from IMRF that indicates that the Village's rate for 2024 will decrease from 6.68% to 6.53%. The 2023 proposed levy for IMRF is \$397,356, an increase of 2.94% from the previous year.

SOCIAL SECURITY/MEDICARE: The 2023 proposed levy for Social Security/Medicare is \$716,705, an increase of 3.10% 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 6.53% of payroll for IMRF, means that the total pension cost for non-sworn Village personnel, expressed as a percentage of payroll, is 14.18% as compared to 65.33% for sworn Police and 39.67% 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 \$282,148 or 20.21% as compared to the increases in the combined Police and Firefighters' Pension Fund levies of \$2,464,284 or 54.13% 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 2023 proposed General Corporate Levy totals \$1,440,408 compared to the 2022 extended levy of \$1,655,578. The 2023 proposed General Corporate levy increased due to an increase of 5.00% in the CPI and an estimated new growth EAV increase of \$30,000,000. The Pension funds are expected to continue to increase, 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 2023, the December 2022 national CPI increase was 6.5%. 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 1.49% in 2023. Finally, the exempt portion of the Firefighters' Pension Fund increased by \$18,149 or (0.16%) in 2023. These factors bring our total increase allowed to 6.65%. 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 \$0.5863/\$100 of EAV to \$0.5985/\$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 0.5985/\$100 of EAV, the Firefighters Pension Fund will also levy 0.0173/\$100 of EAV, making the total Village levy 0.6158/\$100 of EAV compared to the 2022 Village extended levy of 0.6042/\$100 of EAV.

A ten-year comparison of tax rates can be found in **Attachment F**. As this comparison indicates, the projected 2023 property tax rate for the Village of Lombard of \$0.6158/\$100 of EAV is 10.97% 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 \$29.31.

IMPACT OF THE PROPERTY TAX EXTENSION LIMITATION ACT:

The Statutorily Permissible 2023 Property Tax Levy for the Village of Lombard has been developed to comply with the provisions of the Property Tax Extension Limitation Act. An increase due to new growth of 1.49% 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 2024, the DuPage County Clerk will notify us if we are required to reduce our tax levy further as a result of our final extended 2023 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 2022 Aggregate Extended Levy to our 2023 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 2022 Aggregate Extended Levy for the Village was \$11,053,040. The 2023 statutorily permissible levy for the Village is \$11,788,323, an increase of \$735,283 or 6.65%. Therefore, a public hearing is required and will be held before the Village Board meeting on November 2, 2023.

The Finance Committee's recommendation on the 2023 Property Tax Levy will be on the agenda for Village Board approval at their November 2, 2023 meeting.

ATTACHMENT A
STATUTORILY PERMISSIBLE VILLAGE OF LOMBARD PROPERTY TAX LEVY
TAX YEAR 2023

5% CPI

1.49% NEW GROWTH ESTIMATE

ASSUMPTIONS		
AGGREGATE EXTENSION FOR 2022 TAX YEAR (Excl Fire Pension-Exempt from Tax Cap)	VILLAGE	\$10,740,218
	FIRE PENSION-EXEMPT	\$312,822
	TOTAL	\$11,053,040
2023 PROJECTED BASE EAV		\$1,884,248,854
2023 PROJECTED "NEW GROWTH"		\$30,000,000
2023 TOTAL PROJECTED EAV		\$1,914,248,854

2023 STATUTORILY PERMISSIBLE LEVIES - WITH 5.0% CPI	AMOUNT	RATE
CORPORATE	1,440,408	0.0752
POLICE PENSION	4,195,402	0.2192
PUBLIC BENEFIT	5,000	0.0003
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	2,490,489	0.1301
IMRF	397,356	0.0208
LIABILITY INSURANCE	2,211,992	0.1156
SOCIAL SECURITY	716,705	0.0374
TOTAL (VILLAGE ONLY)	11,457,352	0.5985
FIREFIGHTERS' PENSION-EXEMPT FROM TAX CAP	330,971	0.0173
TOTAL (VILLAGE ONLY)-INCL ADD'L FIRE LEVY	11,788,323	0.6158

GRAND TOTAL-EXEMPT FROM TAX CAP	330,971	0.0173
--	----------------	---------------

GRAND TOTAL-SUBJECT TO TAX CAP	11,457,352	0.5985
---------------------------------------	-------------------	---------------

TRUTH-IN-TAXATION CALCULATION

CURRENT YEAR PROPOSED LEVY	11,788,323
PRIOR YEAR EXTENDED LEVY	11,053,040
INCREASE IN LEVY	<u>735,283</u>
PERCENTAGE INCREASE IN LEVY	<u>6.65%</u>

PUBLIC HEARING REQUIRED	YES
--------------------------------	------------

ATTACHMENT B
Historical Comparison of EAV Growth
2014-2023

	Base EAV	Inc. over PY	New Construction	% of Base	Annexations	% of Base	Total % of Base	Total EAV	Inc. over PY
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%
Actual 2019	1,634,698,799	5.3%	30,272,140	1.82%	0	0.00%	1.82%	1,664,970,939	7.21%
Actual 2020	1,721,270,552	3.4%	10,653,580	0.62%	0	0.00%	0.62%	1,731,924,132	4.02%
Actual 2021	1,756,114,758	1.4%	7,963,420	0.45%	0	0.00%	0.45%	1,764,078,178	5.95%
Actual 2022	1,825,802,999	3.5%	3,036,810	0.17%	528,010	0.03%	0.19%	1,829,367,819	5.63%
Estimated 2023	1,884,248,854	3.0%	30,000,000	1.57%	0	0.00%	1.57%	1,914,248,854	8.51%
Average Inc. Last 5 years (1)		3.5%		0.8%		0.0%	0.8%		5.5%

Note (1) Average includes Years 2018-2022

ATTACHMENT C

**COMPARISON OF 2022 PROPERTY TAX LEVY AS EXTENDED
vs.
2023 STATUTORILY PERMISSIBLE PROPERTY TAX LEVY**

<i>VILLAGE</i>	2022 EXTENDED LEVY		2023 PROPOSED LEVY		INCREASE/ DECREASE	
	<i>RATE</i>	<i>AMOUNT</i>	<i>RATE</i>	<i>AMOUNT</i>	<i>%</i>	<i>AMOUNT</i>
CORPORATE	0.0905	1,655,578	0.0752	1,440,408	-13.00%	-215,170
IMRF	0.0211	385,997	0.0208	397,356	2.94%	11,359
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	0.1245	2,277,563	0.1301	2,490,489	9.35%	212,926
POLICE PENSION	0.1773	3,243,469	0.2192	4,195,402	29.35%	951,933
LIABILITY INSURANCE	0.1346	2,462,329	0.1155	2,211,992	-10.17%	-250,337
PUBLIC BENEFIT	0.0003	5,488	0.0003	5,000	-8.89%	-488
SOCIAL SECURITY	0.0380	695,160	0.0374	716,705	3.10%	21,545
TOTAL VILLAGE SUBJECT TO TAX CAP	0.5863	10,725,584	0.5985	11,457,352	6.82%	731,768
*2022 Aggregate Extention	0.0008	14,635	0.0000	0	0.00%	-14,635
FIREFIGHTERS' PENSION-NOT SUBJECT TO TAX CAP	0.0171	312,822	0.0173	330,971	5.80%	18,149
TOTAL VILLAGE LEVY	0.6042	11,053,040	0.6158	11,788,323	6.65%	735,283

ATTACHMENT D

COMPARISON OF ANNUAL TAX LEVY REQUIREMENTS FOR POLICE AND FIREFIGHTERS' PENSION FUNDS TAX YEAR 2023 vs. 2022

	A	B	C	
	2022 Extended TAX LEVY	ACTUARY AS OF 1/1/23	INC./(DEC.) OVER 2022	
			AMOUNT	PERCENT
POLICE PENSION FUND	\$3,243,469	\$4,195,402	\$951,933	29.35%
FIREFIGHTERS' PENSION FUND				
Subject to Tax Cap	\$2,277,563	\$2,490,489	\$212,926	9.35%
Exempt from Tax Cap	\$312,822	\$330,971	\$18,149	5.80%
TOTAL FIREFIGHTERS' PENSION FUND	\$2,590,385	\$2,821,460	\$231,075	8.92%
TOTAL	\$5,833,854	\$7,016,862	\$1,183,008	20.28%

NOTES:

- A.** Amount levied and extended by the County Clerk for the 2022 Village Tax Levy.
- B.** Updated Actuarial Valuations based on membership data and asset information as of 12/31/22.
- C.** Increase in 2023 tax levy request over 2022 extended levy.

	<u>2022</u>		<u>2023</u>	
<u>POLICE PENSION FUND</u>	AS LEVIED	PERCENT OF PAYROLL	AS LEVIED	PERCENT OF PAYROLL
Employer's Share of Normal Cost *this would be the levy if 100% funded	\$599,087 *	9.33%	\$804,582 *	11.34%
Amoritzation of Unfunded Liability	\$2,644,124	41.18%	\$3,390,820	47.80%
Annual Actuarial Requirement as a Percentage of Payroll	\$3,243,211	50.50%	\$4,195,402	59.14%
<u>FIREFIGHTERS' PENSION FUND</u>				
Employer's Share of Normal Cost *this would be the levy if 100% funded	\$937,262 *	13.18%	\$958,419 *	13.26%
Amoritzation of Unfunded Liability	\$1,650,905	23.21%	\$1,863,041	25.77%
Annual Actuarial Requirement as a Percentage of Payroll	\$2,588,167	36.39%	\$2,821,460	39.02%

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

IMRF				
	CALENDAR YEAR	EMPLOYER'S CONTRIBUTION	EMPLOYEE'S CONTRIBUTION	WAGE BASE
	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
	2024	6.53%	4.50%	NONE

SOCIAL SECURITY/MEDICARE					
	CALENDAR YEAR	EMPLOYER'S CONTRIBUTION	EMPLOYEE'S CONTRIBUTION	WAGE BASE	
				SS	MEDICARE
	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
	2022	7.65%	7.65%	\$147,000	Unlimited
	2023	7.65%	7.65%	\$160,200	Unlimited

Property Tax Levies (IMRF, SS & Medicare combined)				
	TAX LEVY YEAR	TAX LEVY	INC./(DEC.) OVER PY	
			AMOUNT	PERCENT
	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	\$1,081,156	-\$174,867	-13.92%
	2023*	\$1,114,061	\$32,905	3.04%

**2023 is the statutorily permissible levy amount prior to extension*

Total increase		
2014-2023	(\$282,148)	-20.21%
Avg. Annual Inc.	(\$28,215)	-2.02%

ATTACHMENT F

**VILLAGE OF LOMBARD
HISTORICAL TAX RATE INFORMATION
2014-2023**

LEVY YEAR	TOTAL TAX RATE ⁽¹⁾	VILLAGE ONLY	VILLAGE SHARE OF TOTAL
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	7.9778	0.6043	7.57%
2020	7.9582	0.5971	7.50%
2021	7.9396	0.5976	7.53%
2022	7.9797	0.6042	7.57%
2023⁽²⁾	TBD	0.6158	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) 2014-2022 as extended; 2023 prior to extension