The Village of Alsip's
2017 Property Tax Year Levy

Presentation Topics

- Tax Year 2017 Property Tax Levy Timetable
- How Your Tax Bill Is Created
- The Village's Total Equalized Assessed Value (EAV)
- Area 2016 Average Tax Rates
- Where Property Taxes Go Across All Taxing Bodies
- Governmental Revenues & Expenditures
- FY18 Budget Highlights
- Bond and Interest Levy
- The Prior 2016 Property Tax Year Levy
- New Considerations For The 2017 Property Tax Year Levy
- 2017 Exemption Changes
- The Determined 2017 Tax Levy
  (Including the Effects on the Rising Retiree Benefit Deficit)

Property Tax Year 2017 Levy Timetable

- Tuesday, November 28, 2017:
  Village Board unanimously determined an aggregate levy
- Wednesday, November 29:
  Determined levy presentation on put on Village website
- Thursday, December 7:
  Truth In Taxation notice was published in the newspaper
- Friday, December 8:
  Tax levy became available for inspection at the Clerk's Office
- Monday, December 18 at 7 pm: Truth In Taxation hearing
- Monday, December 18 7:30 pm Board Meeting: Tax levy vote
- Tuesday, December 26 (or earlier):
  File the levy and certificates of abatement with Cook County
  (Deadline = the last Tuesday in December)

How Your Tax Bill Is Calculated

- http://www.chicagotribune.com/news/watchdog/taxdivide/93410523-132.html

Equalized Assessed Valuation

TY08	TY09	TY10	TY11	TY12	TY13	TY14	TY15	TY16
$802,041,333	$749,936,394	$722,163,750	$598,824,867	$548,725,983	$510,949,666	$491,782,726	$470,501,161	$493,231,381

From tax year (TY) 2008 through tax year 2015, the Village's total EAV dropped 41.3%.

In tax year 2016 the total EAV increased 4.8%.

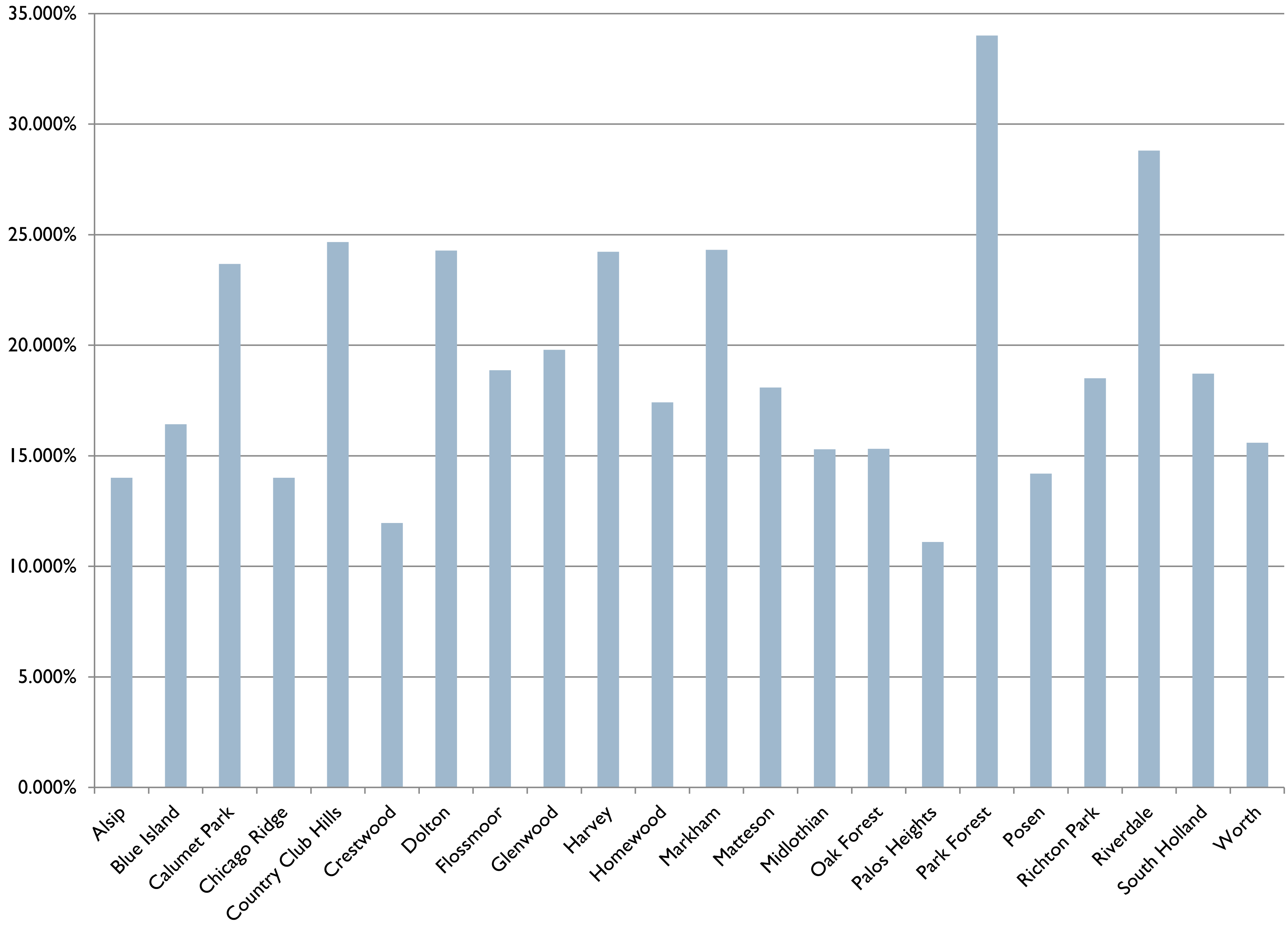
The total reduction since TY08 declined to 38.5%.

Since the tax rate varies inversely with the EAV, *and* because the Village levies by dollar amounts, the EAV usually does not influence the amount of property tax receipt brought into the Village. The exception is in TIF districts. Because of this large drop in EAV, all but the old TIF #1 (123rd St. to 127th St.) have brought in little or no monies for in recent years for potential economic development.

Residential 38.3%; Commercial 19.8%; Industrial 41.8%; Other 0.1%
Based on 2016 EAV

Tax Year 2015: 99.1% of taxes extended were distributed to the Village

Area 2016 Average Tax Rates (%)



Where Property Taxes Go
(Tax Year 2016)

Elementary School District
(Avg. of Districts 125,126, & 130)
38.1¢

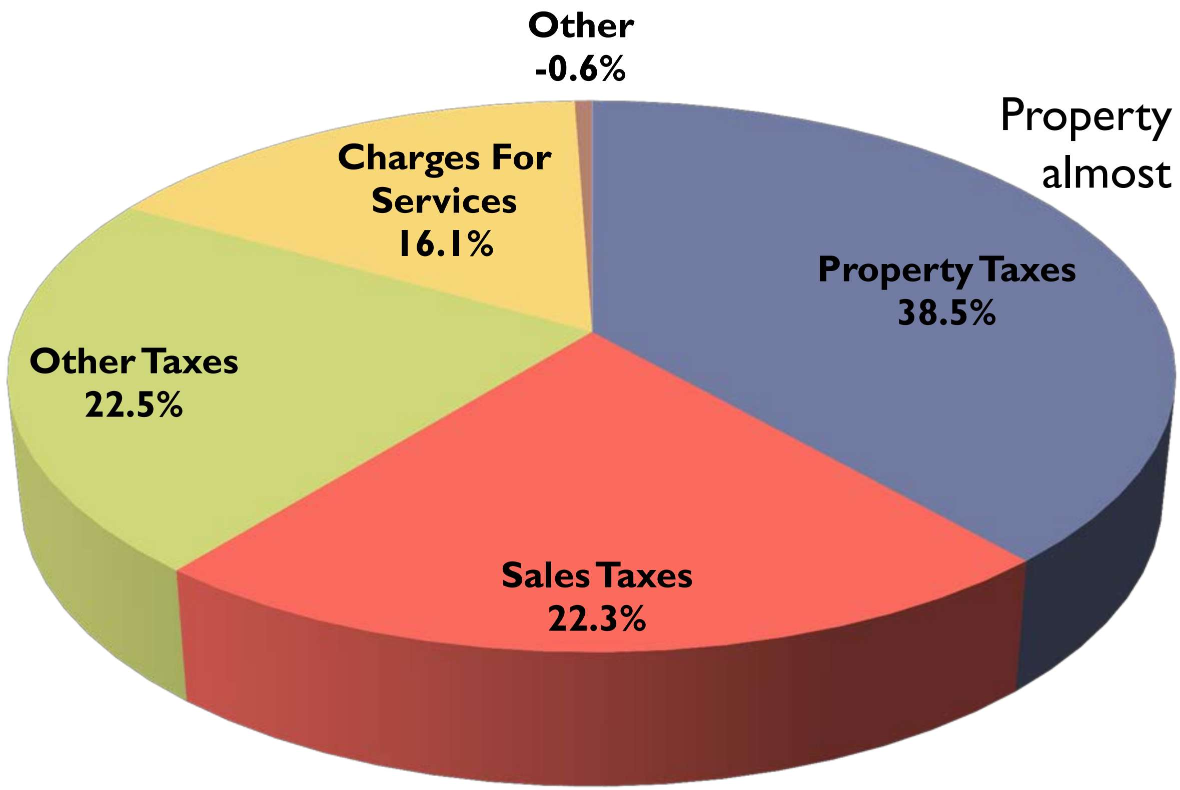
Consolidated High School District 218
29.1¢

Village of Alsip
14.1¢

Other (Cook, Libr., Park D, MWRD, etc.)
18.8¢

Governmental Activities Revenue

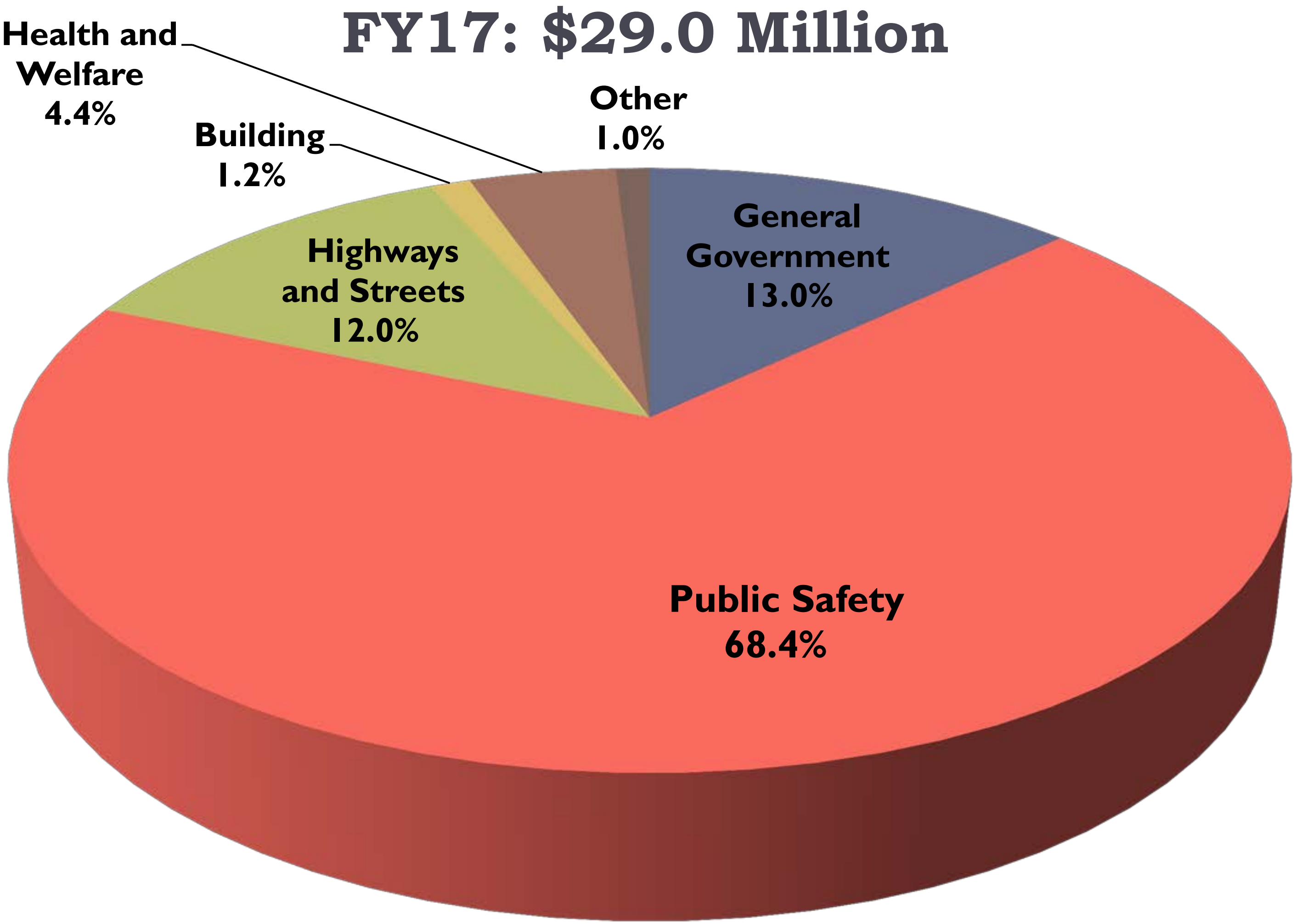
FY17: $27.7 Million



Property taxes totaled almost $10.8 million

“Other Taxes” includes income tax (LGDF), fuel use, MFT, and real estate transfer taxes
“Other” includes interest, capital asset sales, transfers, grants, and insurance proceeds

Governmental Activities Expenses



"Other" includes interest, forestry, and storm sewer/drainage

FY18 (Current) Budget Highlights

	General Fund	Road & Bridge	Motor Fuel Tax	Water & Sewer	Heritage I	Heritage II
Est. Revenue	19,417,215	2,896,506	472,773	14,571,080	1,723,965	3,321,999
Appropriation	-20,191,114	-2,965,523	-905,750	-14,047,839	-1,574,536	-2,660,458
Gain/(Loss)	**$ (773,899)**	**$ (69,017)**	**$ (432,977)**	**$ 523,241**	**$ 149,429**	**$ 661,541**

- The General Fund and the Road & Bridge Funds continued at least a six year trend of deficit budgeting
- MFT Fund has projects designed to take advantage of lower costs
- Revenues are usually projected conservatively
- Authorized expenditures are not all made in a fiscal year
- Many capital projects have been deferred in recent years
- Property taxes for the General Fund (Corporate levy) and the R&B Fund have not keep up with costs

Bond and Interest Levy

Bond Series	TY17 Amount Due	TY17 Abatement Amount	FY17 Levy Amount	TY17 Funding Source
2007 Bond (Partially Defeased)	N/A (Last payment: 1/1/18)	N/A	N/A	Water &Sewer100%
2009A Bond (Partially Defeased)	N/A (Last payment: 1/1/18)	N/A	N/A	Road & Bridge 50% Heritage II 50%
2010 Bond (Refi 2001 & 2001A)	N/A (Last payment: 1/1/18)	N/A	N/A	Tax Levy 100%
2015 Bond (Refunded 2003 & Partially Adv. Ref. 2007)	$ 679,500.00	$ 639,183.00	$ 40,317.00	Heritage I 23.6% Heritage II 6.0% Water&Sewr 64.5% Tax Levy 5.9%
2017 Bond (Refunded 2005B & Partially Adv. Ref. 2009A)	$ 901,800.00	$ 709,877.00	$ 191,923.00	Heritage I 15.3% Heritage II 15.3% Rd & Bridge 30.7% Water&Sewr 17.4% Tax Levy 21.3%
Installment Contracts & IEPA Loan #1	$ 388,850.29	$ 388,850.29	$ 0.00	General Fund Road & Bridge Water & Sewer
TOTAL	$ 1,970,150.29	$ 1,737,910.29	$ 232,240.00	

The Prior 2016 Property Tax Year Levy

- Last year the Village Board was presented with a choice of:
  1. **An overall property tax increase of 1.70%** (i.e. a 12.50% Village increase) **with subsequent overall annual increases of around 0.68%** (i.e. a 4.99% Village increase) until the retiree budget deficit was eliminated; or
  2. **Annual overall property tax increases of 0.68%** (i.e. a 4.99% Village increase) until the retiree budget deficit was eliminated, **AND** issuing **new maximized natural gas and electricity taxes** also dedicated to eliminating the retiree budget deficit.
- Last year the Village Board chose #2, but the Village had not yet passed the utility taxes.
- Note that the 2016 tax year property tax increases were entirely dedicated to the retiree benefit deficit (although it would not close that gap). Operations saw none of the increase. A resulting *budget* deficit occurred.

New Considerations For The 2017 Levy

- Actions & Possible Actions From The State of Illinois:
  - Possible or Probable Property Tax Freeze for Tax Years 2018 & 2019
  - Senior Homestead Property Tax Exemption: 60% Increase
  - General Homestead Property Tax Exemption: 42.8% Increase
  - Minimum Senior Freeze Exemption of $2,000
  - Sr. Freeze Exemption Income Limit For Eligibility Increase to $65,000
  - 2% Home Rule Sales Tax Administrative Fee
  - One-Time 10% reduction in LGDF (although sped up receipts)
  - Continued Raiding Of CPPRT
- Actions From Cook County:
  - 2017 is the triennial reassessment year
  - Industrial 6B properties must meet both minimum & living wages standards
- One-Time Costs of Changing Dispatch (est. $250k)
- More dedications to OPEB (Such as: End of Ser. 2005B & 2010 bonds; IMRF ERI end; TIF #1 end; Medicare-eligible retiree plan savings; Refuse contract savings)
- Expected Healthcare Costs For CY18 > $4 million

Tax Year 2017's Exemption Changes

- Tax year 2017 will see downward property tax pressure for homeowners & seniors at the expense of businesses because:
  - The homeowner exemption will now exclude $10k (up from $7k) of EAV from property taxes. **This will save homeowners an additional average of $429.90/yr**. (or $35.83/mo.). This is estimated to reduce an additional $12,842,255 in Village EAV, moving an estimated $1,983,595 in taxes from residents to businesses.
  - The senior exemption will exclude $8k (up from $5k) of EAV from property taxes. **This will save seniors who qualify an additional average of $ 429.90/yr. (or $35.83/mo.).** This is estimated to reduce an additional $3,281,657 in Village EAV, moving an estimated $470,261 in taxes from residents to businesses.
  - The senior freeze exemption family income maximum increased to $65k/yr. (from $55k). This freezes the home's AV, and now requires at least an EAV reduction of at least $2k. I do not have an estimate of these impacts, as it depends upon income levels.

The Determined Tax Year 2017 Levy

- Assuming a 2018 & 2019 property tax year freezes, **the Village, with a unanimous vote** at the public November 28, 2017 meeting, **determined the 2017 tax year levy reflecting a 4.22% overall increase across all taxing bodies**
- For an Alsip homeowner paying $5,000 a year in property taxes, the increase would be: $17.58 per month (=$5,000/year X (year/12 mo.) X 4.22%) **This is slightly less than ½ of the new savings from the homeowner exemption and slightly less than ¼ of the combined new savings for those that qualify for both the homeowner's and senior's exemption**
- Continues the trend started last year of no property tax increases for Village operations. Like last year, this puts additional pressures on operations at budget time.
- The 2017 determined levy helps pay for the one-time State of Illinois mandated 911 dispatch transition costs by allocating $250,000 for that purpose
- Dedicates the rest of the levy increase to closing the rapidly rising retiree benefit deficit

Public Safety Pensions' Actuarial Assumptions

- Actuarially Recommended Tax Levy
  - Reflects required practice for accounting standards
  - Reflects Entry Age Normal Level % of Pay (Closed) funding; 16-year amortization (100% by 2033); Smoothed market (5-year avg. market value); L&A 2016 Assumption studies; 7.0% investment returns, net of administrative expenses; Individual payroll increases of 3.81-24.16% (a declining service based payroll scale) and a total payroll increase of 3.25%.
- Department of Insurance
  - Projected Unit Cost (PUC) is a minimum funding method required per Illinois statute that does not reflect audit standards. The Village continues to exceed these requirements.
  - Assumptions from IDOI's most recent report (2015 levy): PUC funding method; 90% funded in year 2040; 5-Year Smoothed market; RP 2000 Mortality table with Blue Collar Adjustment; Interest Rate 6.75%; Individual payroll increases of 4.0% to 12% and a total payroll increase of 4.5%.

Actuarially Calculated Benefit Levies

	FIRE PENSION	POLICE PENSION	OPEB (Indirectly Levied)
Approximate Rate of Investment Returns Ending 4/30/2017	7.6% (LY -0.5%)	6.9% (LY -0.4%)	0.0% (No Trust Yet Established)
Percent Funded for Period Ending 4/30/2017	56.25% (LY 54.17%)	35.64% (LY 35.27%)	0.00% (4/30/17 bank balance: $3,328,000)
Actuarial Report's Levy Requirement (w/o reserve)	$2,179,521 (LY $2,119,572)	$3,570,367 (LY $3,299,096)	$3,080,881 (LY $2,962,386)
2017 Tax Year Levy Amt.	$2,179,521 (LY $1,726,816)	$3,570,367 (LY $2,619,304)	$2,224,883 (LY $296,692)

- Due to the rapid increase, starting with the 2015 tax year the Village began not levying enough to make the full required contribution rates
- The Village only started levying for OPEB in the 2016 tax year, but only at 10.0% of the required contribution amount
- The FY17 levy is estimated to restore levying the required amounts for the public safety funds as well as levy enough for OPEB (after taking into consideration dedicated expenditure savings and other dedicated revenues)

Last 5 Years of Benefit Pension Levies

Tax Years 2012-2017	5 Year Actual Levy Increase ($) (includes reserves)	5 Year Actual Levy Increase (%) (includes reserves)	5 Year Actuarially Determined Contribution Increase ($)	5 Year Actuarially Determined Contribution Increase (%)
Fire Pension	$ 925,392	70.13%	$ 860,006	65.18%
Police Pension	$1,722,189	88.08%	$1,615,077	82.60%
OPEB	$2,587,109	No 2012 Levy	$2,401,128	353.24%

- Over the past two years the benefit pension levies increased from 44% to 64% of the overall property tax levy
- The Net Pension Liability (NPL) of the four retiree benefit plans is estimated at $110,569,361. This NPL is comprise of the NPLs of:
  - The fire pension ($20,670,498);
  - The police pension ($37,515,524);
  - IMRF ($2,383,339); and
  - and OPEB ($50,000,000*).

* The 5/1/14 (FY15) UAAL was $43,714,250, but the actuary estimates that the FY18 NPL will be around $50,000,000 due to updated mortality tables, a lower expected rate of return (as required under new accounting standards), and not putting away the prior recommended funding.

The 2017 Determined Levy Break Out

Levy	Tax Year 2017	Tax Year 2016	Tax Year 2015	Tax Year 2014
Corporate	$ 5,831,173.00	$ 4,053,413.00	$ 3,791,290.00	$ 3,655,000.00
3% Loss Amount	$ 174,936.00	$ 121,602.00	$ 113,738.00	$ -
Road & Bridge	$ 700,000.00	$ 534,569.00	$ 515,000.00	$ 500,000.00
3% Loss Amount	$ 21,000.00	$ 16,037.00	$ 15,450.00	$ 15,000.00
Fire Pension	$ 2,179,521.00	$ 1,726,872.00	$ 1,615,200.00	$ 1,538,355.00
3% Loss Amount	$ 65,386.00	$ 51,806.00	$ 48,456.00	$ 46,150.64
Police Pension	$ 3,570,367.00	$ 2,619,388.00	$ 2,450,000.00	$ 2,333,349.00
3% Loss Amount	$ 107,112.00	$ 78,582.00	$ 73,500.00	$ 70,000.47
Bonds & Interest (B&I)	$ 232,240.00	$ 680,014.00	$ 793,721.00	$ 793,546.00
5 % Loss Amount	$ 11,612.00	$ 34,001.00	$ 39,686.00	$ 39,677.30
Aggregate Levy (no B&I)	$ 12,649,495.00	$ 9,218,492.00	$ 8,622,634.00	$ 8,157,855.11
Levy w/o Loss Amount	$ 12,513,301.00	$ 9,625,616.00	$ 9,165,211.00	$ 8,820,250.00
Total Extended Levy	$ 12,893,347.00	$ 9,927,900.00	$ 9,456,041.00	$ 8,991,078.41

The 2014 levy shows the Board intention of having a 3% loss amount in the police and fire pension fund levies, although this was actually levied by the Board in the corporate levy and moved to "top off" the pension levies.

Results of the 2017 Determined Tax Levy

- **Removes the new maximized electricity & natural gas taxes agreement** (approved in concept by the prior Village Board as part of the 2016 levy)
- **Removes the future 4.99% Village tax levy annual increases agreement** (although annual coat increases will necessitate future increases, the 2016 levy agreed upon annual 4.99% increase was anticipated to be larger than the years' actuarially determined contributions and this oversized annual increase was needed to close the retiree benefit deficit)
- **Honors pension & healthcare promises made to current & future retirees**
- **Stops the retiree benefit debt from growing** (at a difficult to control rate)
- **Helps pay for the one-time mandated 911 dispatch transition costs**
- **Pays 38.5% of all governmental fund bills** (including healthcare & public safety salaries)
- **Done during a year that exemptions increased to minimize impact to homeowners and seniors**
- **<u>Lowers the overall tax burden on property owners</u>** (because: (1) some future assets would come from investment returns instead of taxes, and (2) future financing costs on new debt or capital purchases would not be inflated/wasted due to debt ratings that will have declined further based upon this retiree benefit debt)