



**VILLAGE OF LIBERTYVILLE BOARD OF TRUSTEES**

**COMMITTEE OF THE WHOLE MEETING**

**AGENDA**

**November 9, 2021**

**7:00 P.M.**

**Village Hall Board Room  
118 W. Cook Avenue  
Libertyville, IL 60048**

1. Roll Call
2. Approval of Meeting Minutes
  - a. March 30, 2021 Committee of the Whole
  - b. June 8, 2021 Committee of the Whole
  - c. July 13, 2021 Committee of the Whole
  - d. August 17, 2021 Committee of the Whole
  - e. September 14, 2021 Committee of the Whole
3. Discussion of 2021 Tax Levy, Five-Year Financial Plan, and 2022-2023 Village Budget
4. Adjournment

*Any individual who would like to attend this meeting but because of a disability needs some accommodation to participate should contact the ADA Coordinator at 118 West Cook Avenue, Libertyville, Illinois 60048 (847)362-2430*

## MEMORANDUM

**TO:** Mayor and Village Board

**FROM:** Nicholas A. Mostardo, Finance Director

**DATE:** November 9, 2021

**SUBJECT:** Discussion of 2021 Tax Levy, Five-Year Financial Plan, and 2022-2023 Village Budget

The Village Board has scheduled a Committee of the Whole meeting to be held at 7:00 p.m. on Tuesday, November 9, 2021 to discuss the 2021 Tax Levy, Five-Year Financial Plan, and preparation of the FY 2022-2023 Village Budget. The Village Board reviews the annual tax levy and updates to the Five-Year Financial Plan each November, which provide staff with direction in preparing the Village budget. The following information provides detailed information regarding each of these topics.

### **2021 Tax Levy**

Since 1991, the Village has been required to comply with the Property Tax Extension Limitation Law (PTELL) that limits the amount of property tax increases to the lesser of the annual consumer price index increase or 5% above the prior year levy. For the 2021 tax year, the consumer price index used for the tax cap calculation is 1.4%. The maximum levy under the tax cap has been calculated using estimated equalized assessed value (EAV) information provided by the County Assessor. For 2019, the EAV is estimated to increase by 0.51% and includes new growth of \$7,401,125. Based on the tax cap formula, the maximum 2021 PTELL tax extension is \$6,898,283. Added to this is the bond and special recreation levies of \$3,787,848 (\$1,661,080 after abatement of alternate revenue bonds) and \$250,000, respectively. The majority of the unabated bond levy is for the road referendum bonds (\$1,383,930). The total levy requested amounts to \$10,936,131 (\$8,809,363 after abatements).

Village staff requested that its actuarial consultant, Nyhart, calculate the public safety pension levy requirement using the Scale RP-2014 (2020 update, with improvements through 2021) mortality table. Due primarily to favorable investment returns, the recommended contributions to the Police and Fire Pension Funds only modestly increased from the prior year. For the 2021 tax levy, staff is recommending a contribution level of \$2,164,737 for the Police Pension Fund and \$1,659,779 for the Fire Pension Fund. Based on the actuarial reports, the funding level of the Police Pension Fund has increased from 58.4% to 61.1% on an actuarial basis. The funding level of the Fire Pension Fund has increased from 68.7% to 70.0% on an actuarial basis.

In future years, and subject to the completion of the State-mandated consolidation of public safety pension funds, the Village may wish to consider using generational, rather than scaled, mortality assumptions to calculate its annual public safety pension fund contributions. This generational approach is likely more sustainable in the long term, but will cause a higher contribution level, most notably in the first levy year after implementation. While the selection of mortality assumptions is a factor within the control of the Village, the financial markets are not; thus, it will be important that they continue to be monitored closely. Even though the actuary utilizes five-year smoothing of investment returns, a downturn in the market could have a negative impact on the Village's tax levy requirement.

Based on the information above, the Village Board has several options to consider for the 2021 tax levy which include:

- 1) A levy which maximizes the allowable growth under the tax cap (1.4%) would result in a total increase of 0.8% in the Village portion of a homeowner's property tax (a \$9 increase on a \$500,000 home). The Village would receive an additional \$134,432 in total PTELL property tax revenues based on the allowable 1.4% CPI increase and new growth in assessed valuation in the Village during the past year. Based on the tax year 2020 actual extension, revenue to the General Fund would increase by \$35,788 and revenue to the public safety pension funds would increase by \$98,644.
- 2) A levy which would capture 1.0% of the allowable 1.4% PTELL CPI growth would result in a total increase of 0.5% in the Village portion of a homeowner's property tax (a \$6 increase on a \$500,000 home). The Village would receive an additional \$107,220 in total PTELL property tax revenues based on the allowable CPI increase and new growth in assessed valuation in the Village during the past year. Based on the tax year 2020 actual extension, revenue to the General Fund would increase by \$8,576 and revenue to the public safety pension funds would increase by \$98,644.
- 3) A levy which would capture only new growth would result in a total decrease of 0.3% in the Village portion of a homeowner's property tax (a \$3 decrease on a \$500,000 home). The Village would receive an additional \$39,189 in total PTELL property tax revenues based on the new growth in assessed valuation in the Village during the past year. Based on the tax year 2020 actual extension, revenue to the General Fund would decrease by \$59,455 and revenue to the public safety pension funds would increase by \$98,644.

The total impact of the \$20 million in road bonds is \$179 annually for a property with a value of \$500,000, regardless of which option is selected.

The Village refunded two General Obligation debt issuances in 2021. These savings are recognized in all three tax levy scenarios. Prior to the refunding, the total General Obligation debt service portion of the tax levy was \$1,730,581, as extended in tax year 2020. For tax year 2021, the debt service levy, after abatements, is \$1,661,080, or a savings of 4.2%.

Given the information contained in the Five-Year Financial Plan, which includes the continued subsidy for the Sports Complex and the ongoing need to supplement modest growth in other recurring revenue sources, staff is recommending the first option above, which includes the CPI increase and new growth component allowed under the tax cap. The Village's municipal property tax rate will remain one of the lowest in Lake County.

Since the change in the aggregate levy after abatements is less than 5% (1.39%), a formal Truth-in-Taxation hearing and newspaper notification will not be required during the levy adoption process. However, in keeping with past practice, the Village holds a public hearing concerning the proposed tax levy to afford stakeholders an opportunity to provide comments prior to its formal adoption.

#### Timber Creek Special Service Area #1 Tax Levy

In July 1994, the Timber Creek Special Service Area (SSA) was established to provide a funding mechanism to maintain outlots A, C, and E, including the directional sign and retention basins within the subdivision. The 2021-2022 Budget includes \$21,140 in expenditures for the Timber Creek SSA and includes the maintenance of the common areas and retention pond. In addition to normal maintenance expenses, an entrance sign will be replaced in FY 2022-2023. Given the fund's current reserve level and anticipated expenses, the proposed levy of \$21,140 will remain the same for tax year 2021. The fund balance in this fund is estimated to be \$84,336 as of April 30, 2022.

### Concord Special Service Area #2 Tax Levy

In June 1997, the Concord at Interlaken SSA was established. The purpose of the SSA was for expenses and reserves to maintain the perimeter landscaping screening, fence, water detention basins, signage, and outlot A within this subdivision. The budget includes appropriations in the amount of \$25,660 for maintaining these areas. The proposed levy of \$23,040 (\$256 per lot) will remain the same for tax year 2021. This levy is assessed evenly on a per lot basis over the entire 90 lots in the subdivision as approved by the Village Board in November 1999. The fund balance in this fund is estimated to be \$64,054 as of April 30, 2022.

### Update of the Village's Five-Year Financial Plan

Attached to this memorandum is the updated Five-Year Financial Plan. At the Committee of the Whole meeting, Staff will review the Plan with the Village Board and discuss in detail the assumptions and recommendations contained within the Plan. Following these discussions and input from the Village Board, the plan can be finalized and used not only as the guide for the FY 2022-2023 budget preparation process, but as a financial tool during future budget discussions. While the Plan focuses on the General Fund, which funds the bulk of the Village's primary operations, the Plan also includes a brief discussion of other relevant funds as well.

### Budget Format and Schedule

Staff will continue to utilize and refine the current budget format, including department goals, program measurement data, capital planning, and statistical information as part of each department budget. The Staff has also prepared and attached a schedule of meetings and activities related to the preparation of the 2022-2023 budget. This schedule was previously reviewed by the Finance Committee on October 19, 2021.

### Budget Assumptions

The Five-Year Plan includes a comparison of current 2021-2022 budget year-end estimates and 2022-2023 categorical budget projections. These assumptions provide the framework within which the Staff must prepare their 2022-2023 budget requests. The Five-Year Plan includes the following assumptions:

- Sales taxes will continue to rebound throughout the remainder of FY 2021-2022 as compared to FY 2020-2021. Sales taxes are expected to finish FY 2021-2022 at approximately \$7,800,000 with the same number being budgeted in FY 2022-2023. As the supply chain stabilizes, sales tax growth in future years will average approximately 1.5% per year due to the recovery from COVID-19 as well as online sales tax collections.
- Licenses, fees, and other revenues have annual increases estimated at between 0% – 3% annually.
- Overall salary expenditures are estimated to increase at 3.25% per year which includes a market adjustment, scheduled step increases, and union contract increases. This blended figure also incorporates an average rate of separations and retirements where a replacement employee is hired at a lower salary rate.
- Benefits, including pension contributions, are assumed to increase at 4.5% annually.
- Contractual, utilities, commodities, and repairs/maintenance expenses are assumed to increase at 2%-2.5% annually.
- The Plan assumes the need to fund 100% of the Sport Complex annual debt service as an operating transfer from the General Fund.

In an effort to provide the Village Board with a more in-depth examination of future Village finances, staff will be discussing alternative forecast scenarios in the Five-Year plan presentation outside of the base scenario outlined above.

The November 9, 2021 Committee of the Whole meeting will provide an important opportunity for Staff to obtain Village Board direction and input as we move toward finalizing the 2021 tax levy and preparing the FY 2022-2023 Budget. Please contact Director Mostardo if you would like any additional information prior to the meeting on November 9, 2021.

cc: Administrative Staff

Attachments: 1. Five-Year Financial Plan (FY 2023 – FY 2027)  
2. Tax Levy Information Guide for Levy Year 2021  
3. FY 2022 – 2023 Budget Schedule