

Village of North Riverside, IL
Administrative Committee Agenda

November 6, 2023

6pm

Location: NR Board Room

Meeting and Public Comment Procedures:

The Administrative Committee will meet in person. Public comments shall be limited to no more than a total of 30 minutes. Persons seeking to address the Committee shall be limited to 3 minutes. Public comments are welcome on any topic related to the business of the Administrative Committee during the portion of the meeting designated for public comments. Individuals who wish to comment must first be recognized by the Committee Chair and then identify themselves prior to speaking.

Committee of the Whole Structure:

Trustee Sarro, Chairwoman

- I. Call to Order**
- II. Roll Call**
- III. Approval of Minutes**
 - September 12, 2023
- IV. Public Comments**
- V. New Business**
 1. Discussion of 2023 Tax Levy
- VI. Adjournment**

Posted: November 2, 2023

Village of North Riverside
Administrative Committee Meeting Minutes
September 12, 2023

Committee Members Present:

Trustee Sarro, Chairwoman
Trustee Bianco
Trustee Czajka
Trustee Flores
Trustee Santucci
Trustee Tricoci

Others in attendance were Mayor Mengoni, Administrator Scarpiniti, Finance Director Lawler and Village Attorney Macholl.

Trustee Sarro called the meeting to order at 6:03pm. The following is a summary of the meeting:

Approval of Minutes: The minutes of the Administrative Committee meeting of July 10, 2023 were unanimously approved.

Public Comments: The floor was opened for public comments and there were none.

Agenda 1: Village Board Meeting Structure. The Village Administrator, with input from the Village Attorney, lead a lengthy discussion on the structure and format of village board meetings. The consensus of the Committee was to not change the general structure of the Village' Board Meeting but the Mayor and Trustees did want to include a report by the Village Administrator and/or Department Heads on a quarterly basis.

Agenda 2: Business Licensing. The Administrator initiated a discussion on the legal authority to license companies selling advertisements on large billboards within the Village and the feasibility of placing limits on the maximum number of available business licenses offered by category. Attorney Macholl recommended this issue be addressed through the zoning process instead. More research and discussion on the matter is required.

The Committee also discussed placing restrictions on Airbnb rentals in the Village. The Administrator reminded the Committee this topic was discussed by the Planning & Zoning Commission approximately three years ago, with a public hearing held to discuss proposed zoning changes to restrict these types of rentals in residential districts. At that time, the recommendation of the Planning & Zoning Commission was to prohibit single family rentals of less than one month durations in all residential zoning districts. The Village Board tabled further action on this matter. A new public hearing would be required as Committee members requested the issue be re-introduced to the Village Board as soon as feasible.

Agenda 3: Staffing Needs. The Administrator gave brief background on the staffing needs of the Community Development Department and discussed shortages of staff resources for current workload and meeting the strategic vision of the Village Board (e.g., strategic planning, revamping zoning code, economic development planning, cost reduction, etc.). A request was made to create and hire a new Community Development Director position. The Committee unanimously concurred.

Agenda 4: IT Cooperative. The Finance Director lead a detailed discussion on a potential intergovernmental cooperative with the Villages of LaGrange and Riverside and the West Central Communications dispatch center (WC3) to create a shared IT service model. The agencies would share IT resources to address their individual IT infrastructure and service needs. Staff requested approval to proceed with discovery and drafting of the intergovernmental agreement (IGA) with the member agencies. After brief discussion, the Committee approved the request by staff. The IGA will be presented to the Village Board at a future meeting.

The meeting was adjourned at 9:03 pm.

Respectfully submitted,

Terri Sarro

Trustee Terri Sarro, Chairwoman

MEMORANDUM

TO: Sue Scarpiniti, Village Administrator
FROM: Ryan Lawler, Finance Director
DATE: November 1, 2023
SUBJECT: 2023 Tax Levy Estimate

Tax Levy Background Information:

The *Truth in Taxation Act* requires the Village to determine its proposed tax levy at least twenty days prior to its final adoption. The annual levy sets the amount of property taxes needed to support Village operations for the upcoming budget year. The Village's 2023 tax levy request must be filed with the Cook County Clerk's Office before December 26, 2023, therefore, final approval is scheduled to occur at the December 11th Village Board Meeting. In order to derive the tax levy estimate, Village staff utilizes the 2022 Tax Agency Rate Report from the County Clerk's Office, which provides tax rate and property value information. A public hearing is only required if the proposed levy is greater than 105% of the Final 2022 tax extension.

Public safety pension funding continues to be the biggest financial challenge facing the Village each year. Although the Village's pension funding policy recognizes the Statutory Minimum Contribution method as a valid funding method, the Village should not adopt this funding level on a consistent basis. This method is designed to provide temporary budgetary relief to units of local government, but it encourages an underfunding or deferral of the Village's pension costs and can escalate future contributions to an unmanageable level while weakening the financial health of the pension funds.

The Village is starting to realize the benefits of a consistent funding policy with the leveling off of increases in pension contributions. The actuarial recommended contribution for fiscal year 2022 – 2023 was the first year of stabilization with a minimal increase of 0.59%. This was then followed by a decrease of 2.30% in fiscal year 2023 – 2024. Rapidly growing pension liabilities caused by years of inconsistent funding, underperforming investment portfolios, reductions in the actuarial discount rates, extended mortality rates of participants and beneficiaries, and additional benefit enhancements approved at the State level continue to place enormous pressure on the Village's required funding levels.

A detailed chart showing the minimum contribution requirements and actual funding levels for the past 10 years is provided on the next page. The Village's pension funding strategy continues to require funding at the recommended employer contribution rate using the Entry Age Normal actuarial costing method. This is the preferred funding

method according to GASB standards. The State's minimum contribution requirement and the transitional funding plan adopted by the Village to fund the additional liability generated by adjustments made to the cost assumptions back in 2019 are legal funding options available to the Village, if necessary, and are designed to make the additional contributions required in a given year more affordable.

Combined Police & Firefighters' Pension Funds

Fiscal Year Ending	Required Contribution		Employer Contribution		Funding Difference	
	Amount	% Change	Amount	% Change	Amount	%
4/30/25 Est	4,425,385	7.34%	4,425,385	7.32%	-	100.00%
4/30/24 Bud	4,122,872	-2.30%	4,123,500	-2.29%	628	100.02%
4/30/23 *	4,219,889	0.59%	4,220,000	0.59%	111	100.00%
4/30/22 *	4,195,319	15.69%	4,195,319	0.49%	-	100.00%
4/30/21 *	3,626,322	19.39%	4,175,000	37.44%	548,678	115.13%
4/30/20 *	3,037,349	7.50%	3,037,601	2.97%	252	100.01%
4/30/19	2,825,316	9.20%	2,950,000	14.02%	124,684	104.41%
4/30/18	2,587,337	18.24%	2,587,337	18.24%	-	100.00%
4/30/17	2,188,138	5.61%	2,188,138	5.61%	-	100.00%
4/30/16	2,071,861	11.07%	2,071,861	14.10%	-	100.00%
4/30/15	1,865,292	32.88%	1,815,864	223.37%	(49,428)	97.35%

* Although a 5-year transitional funding plan was adopted by the Village to phase in the added cost created by lowering the actuarial cost assumptions, the Village was still able to make its full required annual contribution using the EAN cost method as preferred by our adopted pension funding policy.

North Riverside Police Pension Fund

Fiscal Year Ending	Required Contribution		Employer Contribution		Funding Difference	
	Amount	% Change	Amount	% Change	Amount	%
4/30/25 Est	2,648,607	5.88%	2,648,607	5.86%	-	100.00%
4/30/24 Bud	2,501,506	-1.55%	2,502,000	-1.53%	494	100.02%
4/30/23 *	2,540,981	2.30%	2,541,000	2.30%	19	100.00%
4/30/22 *	2,483,829	17.37%	2,483,829	3.49%	-	100.00%
4/30/21 *	2,116,221	19.07%	2,400,000	35.02%	283,779	113.41%
4/30/20 *	1,777,288	9.39%	1,777,500	4.56%	212	100.01%
4/30/19	1,624,735	6.99%	1,700,000	11.95%	75,265	104.63%
4/30/18	1,518,549	21.14%	1,518,549	21.14%	-	100.00%
4/30/17	1,253,517	5.15%	1,253,517	5.15%	-	100.00%
4/30/16	1,192,086	9.14%	1,192,086	9.16%	-	100.00%
4/30/15	1,092,237	28.95%	1,092,005	222.28%	(232)	99.98%

North Riverside Firefighters' Pension Fund

Fiscal Year Ending	Required Contribution		Employer Contribution		Funding Difference	
	Amount	% Change	Amount	% Change	Amount	%
4/30/25 Est	1,776,778	9.59%	1,776,778	9.58%	-	100.00%
4/30/24 Bud	1,621,366	-3.43%	1,621,500	-3.42%	134	100.01%
4/30/23 *	1,678,908	-1.90%	1,679,000	-1.90%	92	100.01%
4/30/22 *	1,711,490	13.34%	1,711,490	-3.58%	-	100.00%
4/30/21 *	1,510,101	19.84%	1,775,000	40.86%	264,899	117.54%
4/30/20 *	1,260,061	4.95%	1,260,101	0.81%	40	100.00%
4/30/19	1,200,581	12.33%	1,250,000	16.95%	49,419	104.12%
4/30/18	1,068,788	14.36%	1,068,788	14.36%	-	100.00%
4/30/17	934,621	6.23%	934,621	6.23%	-	100.00%
4/30/16	879,775	13.80%	879,775	21.54%	-	100.00%
4/30/15	773,055	38.86%	723,859	225.04%	(49,196)	93.64%

For North Riverside, each levy category is subject to a tax rate limitation that is statutorily set for a specific purpose. Noted below are the current tax rate maximums the Village may levy without voter referendum.

Fund/Purpose	Maximum Tax Rate	2022 Tax Rate
Corporate (General Fund)	.4375	.0641
Fire Protection	.6000	.1052
Police Protection	.6000	.0767
Public Act 102-0519		.0041

There is an additional levy added to the Village's tax collections by Cook County due to Public Act 102-0519, which went in to effect in 2022, to make the Village whole for revenue lost as the result of property tax assessment appeal refunds in prior levies. While it is not apart of the tax cap calculation, it does affect the Village's overall tax rate.

By freezing our aggregate tax levy over the past 20 plus years, the Village's individual tax rates are well below these statutory ceilings. However, recent fluctuations in EAV due to changes in the assessment process by Cook County, the loss of commercial businesses, and increasing appeals by both residential and commercial businesses has caused the Village's individual tax rates to increase.

Currently, the Village does not levy property taxes to fund its police and fire pensions. Although these levies are not subject to tax rate ceilings, the Village would be required to pass a public referendum in order to begin levying taxes for these specific purposes.

With annual pension costs topping \$4 million a year and the Village's limited ability to raise more general revenues to fund these rising costs, it is important for the Village Board to consider a more stable method of funding its public safety pensions – one that

is longer term in nature. Staff believes a more detailed discussion outside this tax levy process is warranted on this topic.

2022 Equalized Assessed Valuation (EAV):

Cook County determined the 2022 EAV for the Village of North Riverside to be \$252,131,436. This represents a decrease of 2.19% or \$5,635,632 over the 2021 EAV. Village properties, both of Proviso and Riverside Townships, are in the second year of the three-year reassessment cycle. Property tax revenue for the current fiscal year, therefore, is still derived from the 2020 reassessment data. In 2023, reassessment notices were mailed to all Village residents, which reflected double-digit increases in some cases. This reassessment data will be used to derive the EAV for the 2023 Levy Year noted below.

Levy Year	EAV	% Change	State Multiplier
2008*	\$374,583,297	10.1%	2.9786
2009	328,652,199	-12.3%	3.3701
2010	327,421,844	-0.4%	3.3000
2011*	272,281,337	-16.8%	2.9706
2012	251,590,936	-7.6%	2.8056
2013	235,821,475	-6.3%	2.6621
2014*	235,683,860	-0.06%	2.7253
2015	229,627,725	-2.57%	2.6685
2016	240,866,127	4.89%	2.8032
2017*	270,860,519	12.45%	2.9627
2018	266,382,792	-1.65%	2.9109
2019	262,350,855	-1.51%	2.9160
2020*	280,769,795	7.02%	3.2234
2021	257,767,068	-8.19%	3.0027
2022	252,131,436	-2.19%	2.9237
2023 EST*	277,344,580	10.00%	TBD

****Reassessment year for entire Village***

The State multiplier or equalization factor for 2022 decreased from 3.0027 to 2.9237 (-2.63%); thereby, contributing to the Village’s lower overall EAV.

New construction growth in 2023 is expected to increase slightly due to the new Aldi development. For these reasons, new property growth is projected to increase \$300,000 in the village’s overall 2023 estimated EAV calculation. This estimate represents .11% of the Village’s overall anticipated EAV.

2022 Tax Rates:

The Village’s total tax rate for 2022 is .251, despite a tax cap limiting rate of .246. The additional tax rate increase above the cap is due to the previously mentioned PA 102-

0519 levy adjustment. Last year, the Village Board chose a levy strategy that maximized the total levy allowable under the tax caps limits and generated additional new property tax revenue. It is recommended that the Village Board continue with its strategy to maximize the tax levy as fiscal pressures driven by rising inflation and increased pension contribution requirements will continue to strain Village operations.

Levy Year	Village Tax Rate	% Change
2013	.2150	6.97%
2014	.2230	3.72%
2015	.2330	4.48%
2016	.2250	-3.43%
2017	.2050	-8.89%
2018	.2130	3.90%
2019	.2210	3.76%
2020	.2060	-6.79%
2021	.2320	12.62%
2022	.2510	8.19%

2022 Consumer Price Index (CPI-U):

State law limits the maximum composite dollars that a taxing agency can increase its tax levy request over the preceding year based on a tax cap formula (commonly referred to as PTELL). PTELL allows the prior’s year total taxes billed to be increased in the current year by an amount equal to the lessor of 5% or the rate of inflation. The rate of inflation is measured by the annual percent increase in the national consumer price index for all urban consumers (CPI-U) at December 31st of the previous calendar year.

Please see the following chart that depicts the CPI index for tax cap purposes since 2005.

Calendar Year	December CPI-U	% Change	Levy Year	Year Taxes Paid	Fiscal Year Financed
2013	233.049	1.5%	2014	2015	2016
2014	234.812	0.8%	2015	2016	2017
2015	236.525	0.7%	2016	2017	2018
2016	241.432	2.1%	2017	2018	2019
2017	246.524	2.1%	2018	2019	2020
2018	251.233	1.9%	2019	2020	2021
2019	256.974	2.3%	2020	2021	2022
2020	260.474	1.4%	2021	2022	2023
2021	278.802	7.0%	2022	2023	2024
2022	296.767	6.5%	2023	2024	2025

As noted above, the tax cap formula will maximize the Village's 2023 tax levy request to 5.0%. The 2023 tax levy is only second time since the inception of PTTEL that the Village's levy is able to generate a maximum tax of 5%. A high rate of inflation, as witnessed recently, only adds to the fiscal challenges facing the Village as the costs of goods and services for operations has increased significantly.

The impact of the tax caps has been especially severe in past years as low CPI and declining property values have limited our ability to generate additional tax dollars at the same time as large pension increases have hit our operating budgets. The most recent published number for CPI was 3.7% at September, 2023, and it is anticipated that CPI will continue to outpace historical averages despite the aggressive monetary policy of the Federal Reserve. The Village does not anticipate being subject again to the 5% tax cap limit at this time next year.

2023 Tax Levy Options:

When determining the amount of monies needed to be raised from property taxes, the Village must be conscious of two major limitations placed on taxing districts: rate limits and tax caps. As such, the following restrictions will be in place for estimating the 2023 tax levy request: 1) a 5% limit on the 2023 tax extension over the 2022 amount (i.e., the tax cap); 2) the prior year equalized assessed valuation; and 3) statutory rate limits of certain individual levies. The tax cap law does allow the value of new construction from the 2023 calendar year to be added to the Village's prior year EAV for calculation purposes. New construction includes improvements or additions that increase the assessed value of the real property during the levy year.

With the addition of Costco to the Village's tax base in late 2013, new construction values soared in 2014 to \$4,556,544; the highest level in over 20 years. Tax years 2015-2017 also reflected increased commercial construction activity with the redevelopment of the surrounding Costco outlots and added \$2.7 million in new construction value to the Village's total EAV base. Tax year 2018 saw a leveling off of new construction values as most of the Village's past development activity has been concluded and fully taxed. In 2022, no new construction value was recorded for the Village due to residual effects of the COVID-19 pandemic. Due to the timing of assessments for new construction projects, it can take up to three tax years before the full value of a new construction/renovation project is fully captured in the Village's total EAV.

While collection rates for property taxes are consistently high, there is always a small portion of taxes that remains unpaid due to delinquencies and foreclosures. In order to comply with the state statute and set rates that will produce the full amount levied by the Village, the Cook County Clerk typically adds an amount for "loss in collection" to the levy amount. This amount includes a 3% loss and cost factor to general operating levies and 5% to debt service levies as part of the levy process.

The key component in determining the aggregate allowable levy amount for 2023 is the calculation of the limiting rate. The limiting rate formula allows for growth in aggregate extensions equal to the amount of the tax cap limit plus amounts for new construction.

The aggregate rate extended for operating funds subject to the tax cap law cannot exceed the limiting rate. Any amount levied above the limiting rate or tax cap calculation will be proportionately reduced by the County unless otherwise directed.

Prior to 2019 and the two most recent tax years, the Village was limited to a reduced portion of its approved tax levy request due to declining EAV, increasing tax appeals, and a low tax cap environment. The Village was not able to realize its full levy potential, therefore, creating a self-imposed tax. In 2019 and 2020, the Village maximized its tax levy at 100% or over.

Levy Year	Levy Request With Loss Factor	Final Tax Levy Extension	County Clerk's Reduction Factor
2015	561,350	535,033	95.10%
2016	561,350	541,949	96.15%
2017	566,500	555,264	97.62%
2018	577,830	567,395	98.19%
2019	577,830	579,795	100.00%
2020	577,830	578,385	102.77%
2021	595,186	598,020	99.13%
2022	638,054	632,850	97.23%

The general formula for computing the 2023 limiting rate is as follows:

$$\frac{2022 \text{ aggregate extension (excluding Debt Service)} \times 1.5 \text{ (CPI)}}{(2023 \text{ estimated EAV} - 2023 \text{ estimated new property}) / 100}$$

When calculating the limiting rate, the Village must estimate the 2023 EAV and new property values as these figures will not be finalized until the Summer of 2024. These estimates were determined and based upon lengthy discussions of upcoming assessment trends with the Township Assessor's Office and review of historical data. Because the Village is primarily landlocked and any significant new construction values for tax purposes has already been captured, this year will prove to be another challenging year financially as the Village does not have the ability to raise additional property taxes to offset increasing operating expenses and loss revenue caused by the lingering effects of the pandemic.

With little new construction and major renovations projects captured in 2023, it seems prudent to adopt a tax levy strategy that would maximize our tax collections and take advantage of another high inflation environment. Therefore, increasing our 2023 levy request by 4.99% from \$619,470 to \$650,382 (\$669,893 with loss and costs) will allow the Village to capture the most revenue and negate any PTELL reduction provided actual EAV and new construction values are within projections. A public hearing would not be required since this requested amount is under the 105% threshold.

The additional property taxes estimated to be collected by maximizing the levy is approximately \$35,000. If actual EAV and new construction values are within projections, the Village's 2023 tax rate is expected to decrease to .240. This amount would represent approximately 2.5% of the payer's total tax bill. Despite the lower tax rate, most residents will see a minimal increase to the Village's portion of their total tax bill due to increased assessment value, estimated to be approximately \$10-20 in total, with seniors who have all the eligible tax exemptions (senior tax freeze and homestead exemption) receiving little to no increase at all on the Village's portion of their tax bill. The average home with no exemptions with a market value of \$220,000 pays approximately \$155 in taxes to North Riverside.

Finally, the 2016 Alternate Revenue Bonds carry an additional non-capped debt service tax levy for the Village. The debt service levy was established by the previously adopted bond ordinance. Accordingly, the County Clerk will automatically extend property taxes in the amount of \$237,650 for the 2023 tax year, unless otherwise directed. Since the Village pledged sales tax dollars to cover this debt, an abatement order directing the County to forgo levying property taxes will need to be approved and filed with the County Clerk no later than February 29, 2024, in accordance with the approved bond ordinance.