MEMORANDUM

To: Interim Village Manager Jim Hawkins
From: Chief Financial Officer Steve Drazner
Date: 2026-11-10
Subject: Property Tax Levy Discussion for Tax Year 2026 (Fiscal Year 2028)

Overview

Pursuant to State Statute, a property tax levy must be adopted and filed with the Cook County Tax Extension Office by the last Tuesday of December each year. The components of the Village's levy are allocated among its Corporate (i.e. General) Fund, Debt Service Fund (bonds & interest), Police Pension Fund, and Fire Pension Fund. The Village also levies on behalf of the Northbrook Public Library which submits its levy request to the Finance Department each October.

Fiscal Impact

For discussion purposes only.

Recommendation

Discussion and Board consensus on a proposed property tax levy for adoption at the December 8, 2026 Village Board meeting.

Strategic Priority

Economic Vitality: Promote Northbrook as a thriving community and economic leader.

Background

The Village is on a May 1 fiscal year start, and per State statute, a property tax levy must be adopted and filed with the Cook County Tax Extension Office by the last Tuesday of December each year. Due to this timing, the levy is historically prepared by the CFO using current fiscal year appropriations as a basis to estimate next year's budgetary needs, as developing the FY28 budget is still in the early stages. The components of the Village's levy are allocated among its Corporate (i.e. General) Fund, Debt Service Fund (bonds & interest), Police Pension Fund, and Fire Pension Fund.

The Village also levies on behalf of the Northbrook Public Library which submits its levy request to the Village each October. Following Village Board action during the first regular meeting of the Village Board in December, the Village submits the annual property tax levy for

both the Village and the Library. While the Village has no part in determining the Library's levy, under State of Illinois statute, the Village is required to submit the Library's levy to the appropriate county for assessment and collection. For tax year 2026 (fiscal year 2028), the Library is requesting a levy of $11,040,123, which is a 2.0% increase over the prior year levy of $10,823,650.

The Village's property tax levy includes funding to support general corporate purposes, and the statutorily required pension contributions for Illinois Municipal Retirement Fund (IMRF)/Police Pension Fund/Firefighters' Pension Fund and Debt Service which is not paid (abated) by other sources of revenue. Staff is recommending a Village levy increase of $1,601,710, from a tax year 2025 levy of $25,907,365 to a tax year 2026 levy of $27,509,075. This would equate to a levy increase (village portion only) of 6.18%. The combined 2.0% Library increase and the 6.18% Village levy increase will equate to an overall 4.95% increase with is under the Truth in Taxation threshold requirement.

Attached is a summary of the levy allocation between general operations, pension contributions, and debt service. It is important to take note that the debt service portion of the levy will not be included in the levy ordinance since the County is required to automatically levy property taxes to support debt service based on the bond documentation submitted to them after each bond issuance. However, the Village Board typically adopts an Ordinance to abate a portion of the County's automatic levy for Debt Service which is funded by user fees most commonly related to outstanding debt contained within the Village's Enterprise Funds (Water, Sanitary Sewer, Stormwater) as well as the Motor Fuel Tax Fund. Enterprise Funds by definition are supported by users fees.

For the Police and Firefighters' Pension Funds, the levy being proposed is based on the normal actuarial contribution amount which is geared to gradually reduce the unfunded pension liabilities as discussed at the October 13, 2026 Committee of the Whole. By levying the actuarial recommended amount, the Village will be contributing a sufficient amount to pay down the unfunded pension liabilities by 2040. The Village Board has also elected to transfer any surplus collections from ambulance fees into the pensions on top of the normal contribution to expedite the reduction of unfunded liabilities.

The Debt Service portion of the recommended tax year 2026 levy assumes the following:

1. 100% of Enterprise Debt (Water, Storm, Sanitary Sewer, Senior Housing) is abated (paid by user fees) totaling $5,686,490.
2. 100% of the Motor Fuel Tax Fund allocated debt (Series 2013A and 2024) equaling $346,764 is abated and paid by MFT revenues via an inter-fund transfer from the MFT Fund to the Debt Service Fund.
3. 86% of Series 2014A debt service paid by the Debt Service Fund equaling $1,640,480 is abated and paid by the .25% of allocated home rule sales tax in the Infrastructure CIP Fund via an inter-fund transfer to the Debt Service Fund.

After the abatements as previously described, the end result of the tax year 2026 levy for debt service only before and after abatements will be as follows:

Total gross levy (prior to abatements) for all GO Series	$15,013,279
Abated debt paid by Enterprise Fund user fees	($5,686,490)
Abated debt paid by Motor Fuel Fund revenues	($346,764)
Abated debt paid by CIP home rule sales tax (Series 2014A)	($1,640,480)
Subtotal- Abated	($7,673,734)
Net debt funded by property taxes	$7,339,545

Per State statute if the levy to be adopted in December is expected to increase by 5.0% or more, a Truth in Taxation Public Hearing will be required prior to the Board's adoption of the levy on December 8, 2026. This public hearing may be held during the same meeting and on the same agenda as the tax year 2026 levy ordinance, so long as the hearing takes place before (appears first on the agenda) the Board adopts the levy ordinance.

Exhibit C shows how the Village's portion of the proposed property tax levy increase will affect homes assessed at various market values in Northbrook. This table only reflects the Village's portion of the proposed levy increase and does not include any of the other taxing districts which are beyond the control of the Village Board. For example, a fairly typical Northbrook home having a market value of $500,000 would pay an additional $63 in property tax next calendar year based on the proposed 6.18% levy increase while a home valued at $1 million would have to pay an additional $125.

Overall, staff believes that the proposed levy of $27,509,075 (excluding the Library portion), an approximate 6% increase over last year, is reasonable based on the financial circumstances of the Village and such an amount would fully fund the actuarially recommended police and fire pension contributions as well as the significantly higher debt service expense, thus resulting in allocating about $1.1 million less to the General Fund. Alternative revenue proposals will continue to be discussed in order to mitigate increases to the property tax levy.

Exhibit A: Property Tax Year to Year Comparison FY28
Exhibit B: Debt Levy and Abatement Detail
Exhibit C: Property Tax Estimate
Exhibit D: Actuarial Valuation Fire
Exhibit E: Actuarial Valuation Police