



# 2016 Mid-Year Financial Review & 2017 Budget/CIP Preview

August 23, 2016

# Decision Points for Tonight's Meeting

- Narrow options for allocation of FY 2016 non-recurring revenues
- Advance engineering design of the FY 2017 and 2018 road and alley programs this year (\$130,000)
- Discuss property tax levy parameters for the operating portion of the levy
- Begin discussions on issuing debt in FY 2017 for capital projects

# State of Illinois

- To date, the Village has lost \$36,000 in State shared revenues; all other State disbursements are current
- The Governor continues to propose:
  - \$1.3 million reduction to the Village's LGDF revenue
  - 2 year property tax freeze and permanent cap reducing annual revenues by over 650,000
- The 2017 Budget will assume no changes at the State level, though Staff will prepare contingency plans in the event of revenue losses

# Theoretical State-Proofing

- If the Village wanted to insulate itself from State action, the following revenue line items would need to be replaced:

Revenue Source	2016 Revenue	Impact to Tax Levy
50% LGDF Reduction (Income Tax)	\$1,382,350	8.32%
Motor Fuel Tax	640,000	3.85%
Local Use Sales Tax	600,000	3.61%
E-911 Taxes	400,000	2.41%
PPRT	275,000	1.66%
<b>Total</b>	<b>\$3,297,350</b>	<b>19.85%</b>

- A 19.85%% tax levy increase equates to an approximate \$320 increase to the average property tax bill

# Theoretical State-Proofing

- If the Village were to focus on the revenues most at risk, the following State revenues would need to be replaced:

Revenue Source	2016 Revenue	Impact to Tax Levy
25% LGDF Reduction	\$912,350	5.49%
Local Use Sales Tax	600,000	3.61%
E-911 Taxes	400,000	2.41%
<b>Total</b>	<b>\$1,912,350</b>	<b>11.51%</b>

- A 11.51% tax levy increase equates to an approximate \$186 increase to the average property tax bill

# Theoretical State-Proofing

- Revenue sources to be used as an alternative to limit a property tax levy increase:

Revenue Source	Estimated Revenue	Reduction to 11.51% Levy Increase
Food & Beverage Tax	\$450,000	(2.71%)
Home Rule Sales Tax	\$500,000	(3.01%)
Natural Gas Use Tax	\$180,000	(1.09%)
<b>Total</b>	<b>\$1,130,000</b>	<b>(6.81%)</b>

# General Fund

- Revenues are exceeding budget
  - Revenues projected to exceed budget by \$335,000
  - This is primarily due to a number of large, non-recurring permits
- Expenditures are under budget
  - Expenditures (not including grants) projected to be under budget by \$640,000

# Revenues- General Fund

Revenues	2016 Budget	July YTD Actual	YTD %	Where	2016 Year-End Projection
			of Budget	should we be YTD?	
Property Tax	12,980,600	8,871,778	68%	67%	12,980,600
Sales Tax	5,816,100	3,183,152	55%	55%	5,786,100 ↙
Service Charges	3,168,500	1,821,000	57%	57%	3,168,500
Income Tax	2,764,700	1,789,674	65%	66%	2,674,700 ↙
Utility Tax	2,293,400	1,396,733	61%	63%	2,253,400 ↙
Permits	1,916,100	1,954,008	102%	55%	2,701,100 ↗
Non Recurring Permits	30,000				↗
Licenses	1,795,000	1,766,176	98%	94%	1,795,000
R.E. Transfer Tax	1,181,000	828,378	70%	63%	1,251,000 ↗
Non Recurring RETT	-				
Water Fund Transfer	1,000,000	-	0%	0%	1,000,000
Others	3,337,300	1,367,658	41%	61%	3,007,300 ↙
Bond Proceeds		-			
<b>Total</b>	<b>36,282,700</b>	<b>22,978,557</b>	<b>63%</b>	<b>62%</b>	<b>36,617,700</b>

## Permits:

Recurring revenue outperforming budget by \$95,000

Non-recurring outperforming budget by \$660,000

## RETT:

Recurring revenue outperforming budget by \$45,000

Non-recurring outperforming budget by \$25,000



# Large Non-Recurring Revenues

Type	2016 Est. Actual
611 Green Bay Road Permit	\$ 388,000
New Construction (Residential) Permits	777,000
Commercial Permits	215,000
<i>Total Received Thru July</i>	<i>\$690,000</i>
<i>Total Projected Remaining</i>	<i>\$690,000</i>
<b>TOTAL</b>	<b>\$1,380,000</b>

# Non-Recurring Revenues

- Assuming the minimum recommended reserve level is met, the Budget Reserve Policy directs the Village to allocate 50% of annual non-recurring revenues to the Capital Equipment Replacement Fund
- Because the General Fund Reserve exceeds the minimum recommended level, the Village Board may wish to allocate the remaining non-recurring revenues to other critical needs such as:
  - RECOMMENDED: Engineering design for future road and alley programs
  - RECOMMENDED: Additional CERF contribution
  - Additional public safety pension contribution

# 2017-18

## Engineering Program Design

- Staff recommends allocating \$130,000 in FY 2016 to design the 2017 and 2018 road and alley programs
- By designing these projects now, the Village will be better positioned to release bids in January thereby obtaining better pricing before contractor schedules are full for the construction season

# CERF Projections

## CERF Balance with 50% of 2016 Non-Recurring Contribution - \$690,000

FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
\$ 1,251,000	\$945,000	\$447,000	\$228,000	\$42,000

## CERF Balance with Remainder of 2016 Non-Recurring Contribution -\$1,250,000

FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
\$ 1,811,000	\$1,505,000	\$1,007,000	\$788,000	\$602,000

# Expenses- General Fund

	2015 Actual	2016 Budget	2016 Est. Actual	2015 to 2016 Actual Growth	2017 Growth Prelim. Budget
Wages & Overtime	15,797,361	16,421,775	16,123,970	2.1%	3.2%
Benefits	7,913,527	8,502,435	8,317,820	5.1%	0.8%
Refuse Collection	2,508,986	2,400,950	2,362,145	-5.9%	-2.1%
Contractual Services	3,318,630	3,074,096	3,067,650	-7.6%	-1.9%
Commodities	883,416	781,080	737,125	-16.6%	-1.7%
Other	1,947,001	2,403,210	2,070,795	6.4%	1.2%
<b>Total</b>	<b>40,282,448</b>	<b>42,085,981</b>	<b>40,997,325</b>	<b>1.8%</b>	<b>1.3%</b>

- The 2017 operating budget is projected to increase by 1.3% as compared to the 2016 budget
  - This is a \$560,000 increase

# Expenses- General Fund

## 2016 Projected Budget Savings

Project	Variance
Wages	(164,000)
Benefits (Pensions)	(184,000)
Contractual (Snow Removal)	(\$60,000)
Refuse	(\$35,000)
Commodities (Salt)	(\$42,000)
Other (Fuel & IRMA)	(154,000)
<b>TOTAL</b>	<b>(639,000)</b>

# Pensions

- The 2017 pension contribution estimate is:

	2016 Contribution	2017 Estimate	Increase	Percent Increase
Police	\$1,891,000	\$2,043,000	\$152,000	8%
Fire	\$2,422,000	\$2,497,000	\$75,000	3%
IMRF	\$1,144,000	\$1,135,000	(\$9,000)	-0.8%
<b>Total</b>	<b>\$5,457,000</b>	<b>\$5,675,000</b>	<b>\$218,000</b>	<b>4%</b>

# Pensions

## Pension Funding Levels

	2015 Funding Level	2016 Funding Level
Police	68.9%	68.0%
Fire	63.5%	62.1%
IMRF	77.8%	80.0%

## Cost per Employee

	Employees	Contribution per Employee	2017 Increase per Employee
Police	44	\$46,432	\$3,455
Fire	45	\$55,489	\$1,667
IMRF	131	\$8,666	\$(69)



# Revenues & Expenses- General Fund

## Ending Reserve Balance

	2015 Year End	2016 Estimated Reserve
<b>Operating Reserve</b>	\$6,731,000	\$7,514,000
<b>CERF</b>	\$715,000	\$906,000
<b>Total</b>	<b>\$7,446,000</b>	<b>\$8,420,000</b>
<b>Recommended Minimum</b>	\$4,196,000	\$4,370,000

- 2016 reserve estimate does not include the \$690,000 in non-recurring permits not yet received

# 2017 General Fund CIP

- CIP projects are recommended as follows:

<b>Financing</b>	<b>2017 Amount</b>
General Operating	\$182,000
Eng. Program	\$9,297,000
New Debt	\$4,845,000
CERF	\$750,000
<b>TOTAL</b>	<b>\$15,074,000</b>

# 2017 CIP- General Operating

- The following projects would be funded as the budget allows in the following order of priority:

Project	Budget
SCBA Compressor Repl.	\$43,000
AED Replacements	\$17,000
Anti-Icing Equipment	\$23,000
Admin. Adjudication	\$40,000
VH Ramp Replacement	\$19,000
Fire Protective Clothing Washer & Dryer	\$40,000
<b>Total</b>	<b>\$182,000</b>

# 2017 CIP- Engineering Program

- The engineering program will be discussed in greater detail at the September 12<sup>th</sup> long term planning meeting. The budget request for 2017 is:

Project	Budget (\$)
Skokie/Hibbard Imp.*	3,504,000
Street Resurfacing	2,750,000
Brick Street Renovation	558,000
Alley Maintenance	500,000
Brick Over Asphalt	344,000
Street Patching	278,000
Locust Road Eng.*	208,000
Eng. Design Services	190,000
Crack Sealing	160,000
Brick Street Repair	145,000

Project	Budget (\$)
Central Ave Reconst.*	108,000
Pavement Marking	103,000
Sheridan Retaining Wall	100,000
Skokie/Lake Imp	70,000
Street Light Pole Painting	92,000
Curb Replacement	84,000
Bicycle Master Plan	80,000
Traffic Calming	23,000
<b>Total</b>	<b>\$9,297,000</b>
<b>*Of Total, Grants Account For:</b>	<b>\$3,433,000</b>

# 2017 CIP- CERF

- The following vehicles are recommended for replacement in 2017

Vehicle	Budget
Street Sweeper*	\$265,000
Ambulance	\$250,000
Large Dump Truck	\$175,000
Police Squads (4)	\$139,000
Fire Command Van	\$60,000
Asphalt Roller	\$38,000
<b>Total Vehicles</b>	<b>\$927,000</b>
<b>Total from CERF</b>	<b>\$750,000</b>

\*The Street Sweeper is funded through the CERF, Water Fund and Sewer Fund (33% from each fund)

# 2017 CIP- Debt Financed

- The Village will have the opportunity to refinance debt in 2017 and 2020
- The following projects are recommended for debt financing:

Project	Budget
PW Yard Improvements	\$3,380,000
VH Roof Replacement	\$630,000
Police Radio Network	\$500,000
VH HVAC Replacement	\$200,000
Police Station Generator	\$135,000
<b>Total</b>	<b>\$4,845,000</b>

PW Yard Improvements	
Lot Reconstruct	\$2,125,000
Fuel Tanks	\$500,000
Vehicle Hoists	\$380,000
Generator	\$180,000
South Garage	\$80,000

# Tax Levy Parameters

- The following slide presents the tax levy in 3 components:
  1. General Operating Expenses
    - Salaries, benefits, contracts, commodities
  2. Pension Expense
    - Police, Fire, IMRF
  3. Debt
    - Existing and New

# Tax Levy Parameters

Levy Component	Preliminary FY 2017	Preliminary FY 2018
General Operating	2.37%	1.86%
Pensions	1.31%	1.23%
Debt	0.39%	0.36%
NEW Capital	TBD	TBD

- **FY 2016 increase of 3.34% was the smallest increase since 1997**
- **Additional discussions regarding road program and debt will be had at the 9/12 COW meeting**



# Water Fund

# Revenues & Expenses- Water Fund

				Where	
<b>Revenues</b>	<b>2016 Budget</b>	<b>July YTD Actual</b>	<b>YTD % of Budget</b>	<b>should we be YTD?</b>	<b>2016 Year-End Projection</b>
Residential Water Sales	3,214,300	1,518,426	47%	51%	3,114,300 ↙
Wholesale Water Sales	4,842,000	2,973,572	61%	57%	5,062,000 ↗
Other	190,000	62,351	33%	41%	190,000
<b>Total</b>	<b>8,246,300</b>	<b>4,554,349</b>	<b>55%</b>	<b>55%</b>	<b>8,366,300</b>

				Where	
<b>Expenditures</b>	<b>2016 Budget</b>	<b>July YTD Actual</b>	<b>YTD % of Budget</b>	<b>should we be YTD?</b>	<b>2016 Year-End Projection</b>
Regular Wages	2,234,900	1,292,008	58%	59%	2,230,500 ↙
Overtime	70,125	28,529	41%	59%	54,125 ↙
Benefits	899,515	542,880	60%	61%	894,115 ↙
Contractual	429,865	154,584	36%	62%	316,865 ↙
Commodities	963,550	496,579	52%	58%	906,550 ↙
Capital	207,890	52,250	25%	42%	354,890 ↗
Debt Service	1,879,500	315,368	17%	26%	1,879,500
Transfers	1,000,000	-	0%	0%	1,000,000
Others	278,575	149,138	54%	65%	189,575 ↙
Capital - Bond	221,117	195,814	89%	52%	221,117
<b>Total</b>	<b>8,185,037</b>	<b>3,227,148</b>	<b>39%</b>	<b>43%</b>	<b>8,047,237</b>

# Expenses- Water Fund

There are 5 major 2016 budget variances-to-date which will result in a total savings of \$137,000 in the Water Fund:

Item	Variance (\$)
Wholesale Water Studies/Bids/Eng.	147,000
Wages	(20,000)
Contractual (Flushing & Spoils)	(113,000)
Commodities (Utilities & Chemicals)	(57,000)
Other (MWRD User Charges)	(89,000)
<b>Total</b>	<b>(132,000)</b>

# 2017 Water Fund CIP

Project	Budget (\$)
Electrical Imp.- Engineering	700,000
Surface Wash Piping Repl.	30,000
Rebuild Low Lift Pumps	40,000
Rebuild High Lift Pumps	35,000
Water Meter Repl.*	88,000
AMR Program	20,000
Valve Improvements*	100,000
Unidirectional Hydrant Flushing	60,000
Leak Correlator	33,000
Street Sweeper (1/3 of total)	88,000

Total Water CIP	
Total Debt	\$700,000
Total Operating	\$494,000
Total Water CIP	\$1,194,000

\*These projects are recurring and are built into prior cash flow projections

# Water Plant Electrical Improvements

- Director of Water Mgt. Nabil Quafisheh will be at the September 12<sup>th</sup> COW meeting to discuss this project in greater detail
- The project was rated as most critical by the engineering firm conducting the water plant needs assessment
- Improvements include replacement of both generators, main switchgear and motor control centers
- The total project cost is \$7.7M and is anticipated to be funded through an IEPA low interest loan (1.9% over 20 years)

# Water Plant Electrical Improvements

- The project will be phased over 3 years:

Year	Action Item	Loan Process
2017	Engineering Design	Village required to pay for design costs at this time
2017	Bidding & Contract Award	Upon execution of contract, IEPA reimburses Village for design costs above
2018	Construction	Payments made by IEPA
2019	Substantial Completion	Debt service payments to IEPA begin 6 months after substantial completion

- Annual debt service is projected to be \$471,000
  - Per IEPA program guidelines, debt re-payments will not begin until 2019 or 2020, at which time a rate increase may be required

# Water Rate Policy & Reserve

- The policy adopted by the Village Board identifies 5 primary goals of the water fund:
  - A balanced water fund operating budget each year
  - Minimum budget of \$400,000 for Water Plant capital
  - The annual minimum recommended water fund reserve shall be met in the 3-year cash flow projection
  - An annual General Fund transfer of approximately \$1M is to be made
  - Water main replacement to begin in 2020 (Est. cost of \$1.3M)

	<b>2015 Year End Actual</b>	<b>2016 Estimated Reserve</b>	<b>2017 Estimated Reserve</b>	<b>2018 Estimated Reserve</b>
<b>Reserve</b>	\$2,215,757	\$2,860,000	\$2,870,300	\$2,326,300
<b>Recommended Minimum</b>	\$1,547,600	\$1,611,300	\$1,761,400	\$1,761,400

# 2017 Water Rate

Current Rate	2017 Projected Rate	Increase
\$2.61/ccf	\$2.61/ccf	None

- The residential water rate was increased by 5% in 2016, the first increase since 2011
- The wholesale rate increased 9.1% effective January 1, 2015 and will increase again on January 1, 2017
- Residential rate increases in 2018 and 2019 are dependent on consumption/weather and debt issuance/refunding



# Sewer Fund

# Revenues & Expenses- Sewer Fund

		July YTD	YTD % of	Where	2016 Year-
<b>Revenues</b>	<b>2016 Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>should we</b>	<b>End Projection</b>
				<b>be YTD?</b>	
Residential Sewer Charges	5,082,900	2,372,980	47%	51%	4,882,900 ↙
Other	45,000	1,143	3%	0%	45,000
Bond Proceeds	1,640,000	2,178	0%	0%	820,000 ↙
<b>Total</b>	<b>6,767,900</b>	<b>2,376,301</b>	<b>35%</b>	<b>23%</b>	<b>5,747,900</b>

		July YTD	YTD % of	Where	2016 Year-
<b>Expenditures</b>	<b>2016 Budget</b>	<b>Actual</b>	<b>Budget</b>	<b>should we</b>	<b>End Projection</b>
				<b>be YTD?</b>	
Regular Wages	544,275	307,792	57%	59%	544,275
Overtime	19,500	11,888	61%	61%	19,500
Benefits	231,275	137,597	59%	61%	226,200 ↙
Contractual	426,870	72,445	17%	31%	352,400 ↙
Commodities	85,575	44,060	51%	62%	84,585 ↙
Capital	300,000	16,451	5%	72%	300,000
Debt Service	3,332,000	888,947	27%	20%	3,332,000
Other	73,925	37,824	51%	61%	67,360 ↙
Capital - Debt	2,950,000	922,718	31%	44%	2,310,000 ↙
<b>Total</b>	<b>7,963,420</b>	<b>2,439,722</b>	<b>31%</b>	<b>37%</b>	<b>7,236,320</b>

# 2017 Sewer Fund CIP

Project	Budget (\$)
Clean Pumping Station Sump	35,000
Sewer Lining & Rehab*	820,000
Sewer Main Repairs*	309,000
Sewer Maintenance*	262,000
Hollywood Ct. Sewer Replc.	205,000
Pilot- Sewer Lateral Televising	167,000
Smoke Testing	130,000
Pilot- Overhead Sewer Program	30,000
Street Sweeper Repl. (1/3 of total)	88,000

Total Sewer CIP	
Total Debt**	\$950,000
Total Operating	\$1,096,000
Total Sewer CIP	\$2,046,000

\*\*Storm sewer relief project not included, to be discussed on 9/19

\*These projects are recurring annually and are built into prior cash flow projections

# 2017 Sewer Rate

To fund the Sewer Improvement Program, the Village Board adopted an Ordinance in November 2013 increasing the sewer rate as follows:

- 2014: 40 cents
- 2015: 40 cents

Current Rate	2017 Projected Rate	Increase
\$4.24/ccf	\$4.24/ccf	No operating increase

- New avg. consumption estimate to be evaluated for FY 2018
  - Was reduced in 2015 from 33.5 to 33.3 units

# Revenues & Expenses – Sewer Fund

## Ending Reserve

	<b>2015 Year End Actual</b>	<b>2016 Estimated Reserve</b>
Reserve	\$3,124,039	\$3,080,000
Recommended Minimum	\$1,016,000	\$1,016,600

When the sewer rate was increased by \$0.80 in 2014/15 for the Sewer Improvement Program, it was intended that the reserve be drawn down over time to pay the debt service

- Due to additional sewer projects paid from operating funds, the sewer rate will have to increase in future years to fund the debt service

# Parking Fund

# 2017 Metra Lot Daily Rate

- An increase to the Metra Parking Lot Daily Rate is recommended for FY 2017:

- Rate was adjusted in 2009 from \$1.75 to \$2.00

- Recommendation:

- \$2.50 in Metra lot
- \$2.00 in Poplar lot

- Ensures that the fund does not operate at a deficit and the costs associated with the lot continue to be borne primarily by the users

North Line Lots	Daily Rate
Evanston	\$4.00
Winnetka	\$3.00
Lake Forest	\$3.00
Lake Bluff	\$3.00
Highwood	\$2.25
Highland Park	\$2.00
Glencoe	\$2.00
Average	\$2.75

# Next Steps

- Long Term Capital Planning Meeting on Roads and Water on Sept. 12<sup>th</sup>
- Long Term Capital Planning Meeting on Sewers on Sept. 19<sup>th</sup>
- 2017 Budget presented on October 11<sup>th</sup>
- Budget Workshops in late October
- Budget Ordinance adopted in November
- Tax Levy Ordinance adopted in December