Village of Glen Ellyn

Five Year Financial Forecast

November 2012

Prepared by

Village of Glen Ellyn

Finance Department

With input from the Finance Commission

Introduction & Overview

- This is the third year for the Five Year Forecast
- We learned many lessons from previous processes
  - First forecast: General fund only
  - Second forecast: all governmental funds
- Goal is still the same – Focus on key financial drivers now to address issues and achieve a balanced budget in the future <u>without relying on property taxes to fill the void</u>.
- Also, look to a deeper discussion of future alternatives

Key Goals of 5 Year Forecast

1. Understand long term trends in revenue sources
2. Understand long term trends in expenditures
3. Identify future imbalances in revenues and expenditures (deficits)
4. Develop and implement programs now to avoid future deficits
5. Use tables and graphs to summarize and highlight info and trends

Approach

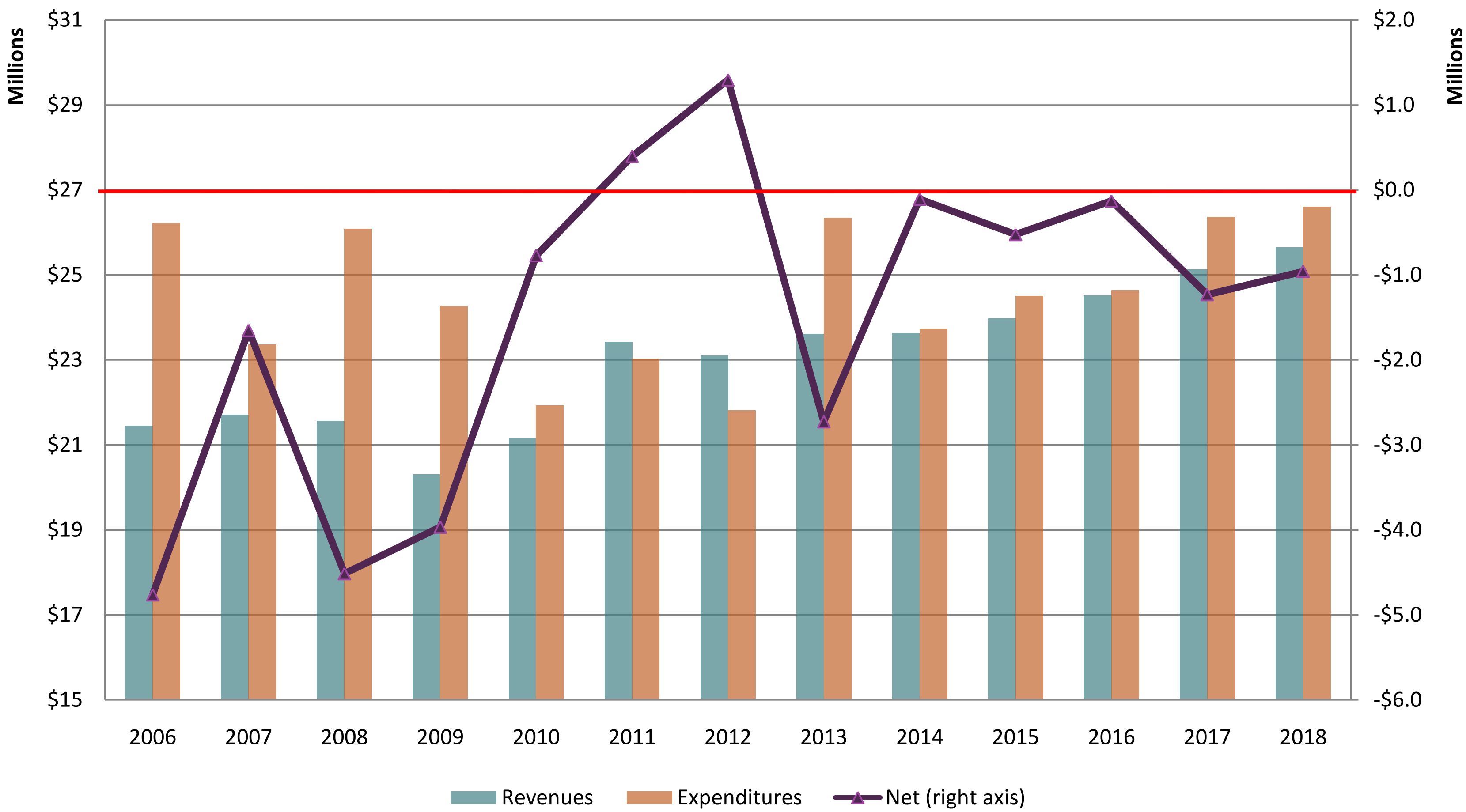
- Village Management provided historical data and financial projections
- Basis of the report is projected FY12/13 activity
  - First quarter general fund expenditures
  - Updated revenue projections, where available
  - Other funds are generally as budgeted
- Utilized historical trends, existing union contracts and actuarial pension data to build projections

Differences from Last Year

- Includes a separate focus on General Fund
- Also includes information on overall capital, debt, and operations activity to understand the demands on resources
- Updated capital spending plan (in draft form) for streets and infrastructure, as well as facilities planning
- We will conclude with the net financial position of the Village, which is a new perspective

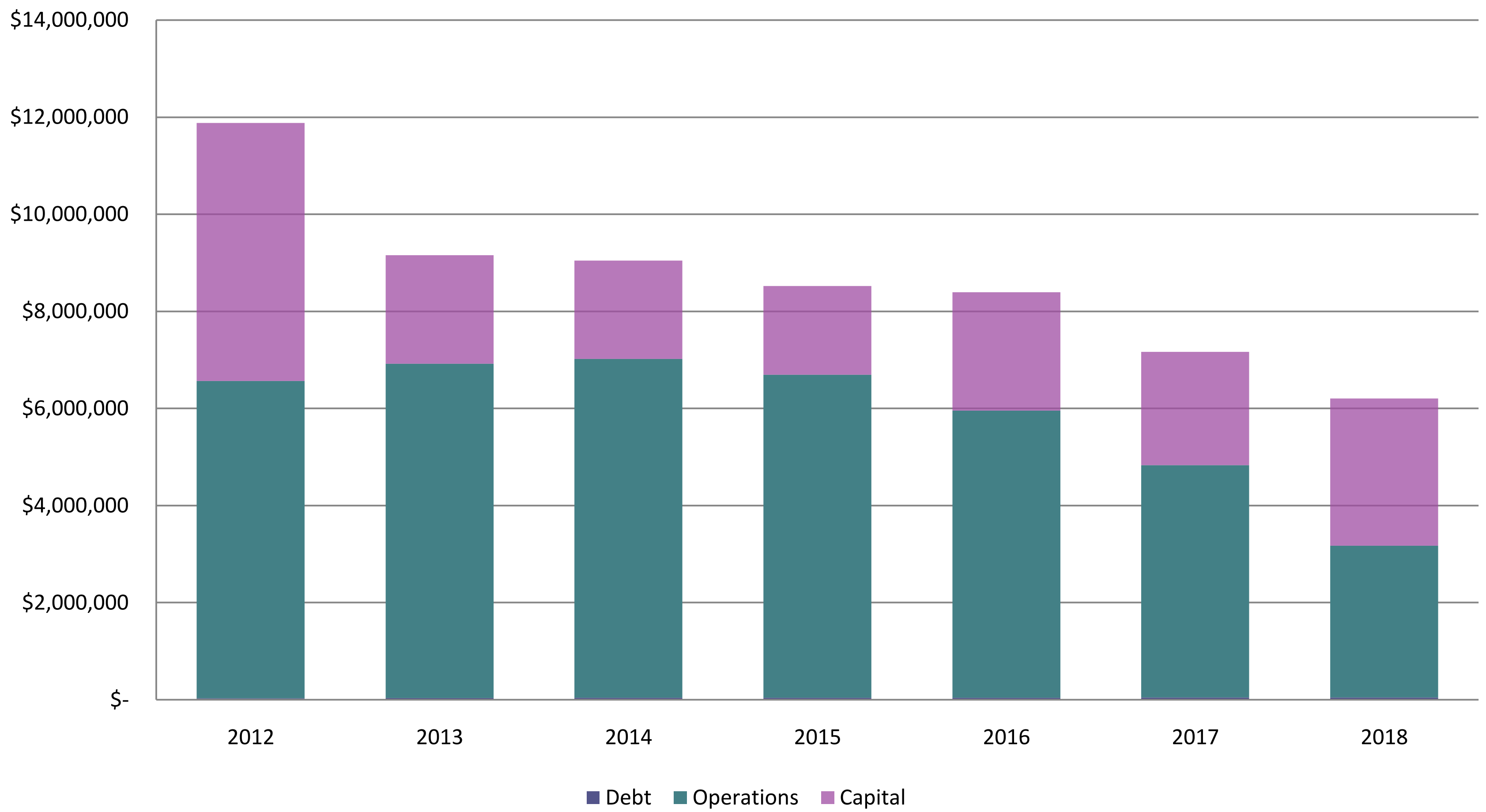
Net governmental funds

Revenues, expenditures, and annual surplus (deficit)



Each year, expenditures are projected to be higher than revenues, continuing to reduce fund balance.

Projected governmental fund balance, by type



Governmental fund balance is projected to drop from $12m to $6m by 2018.

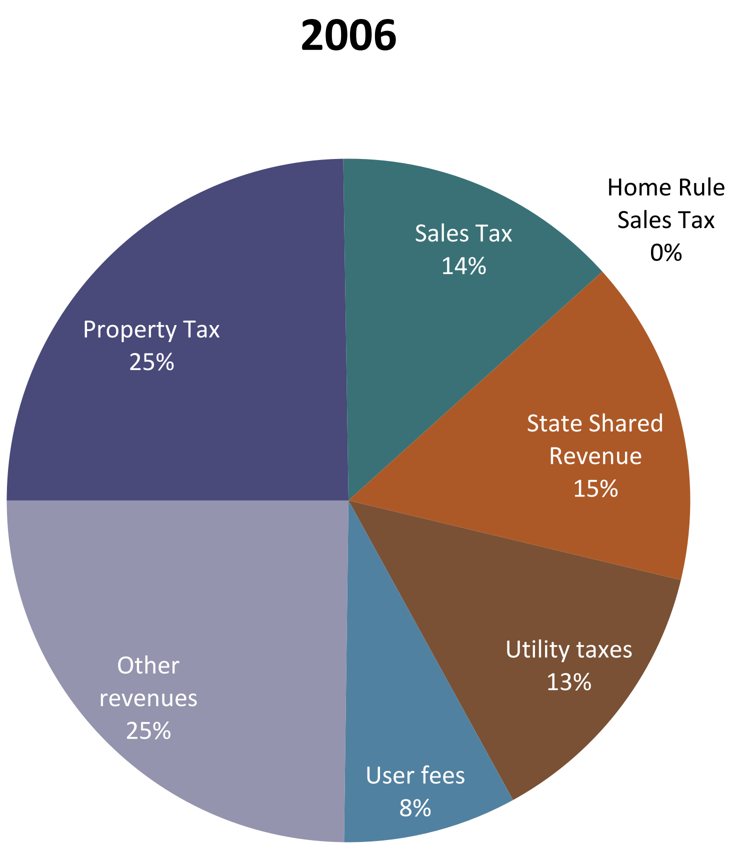
Key revenue sources and assumptions

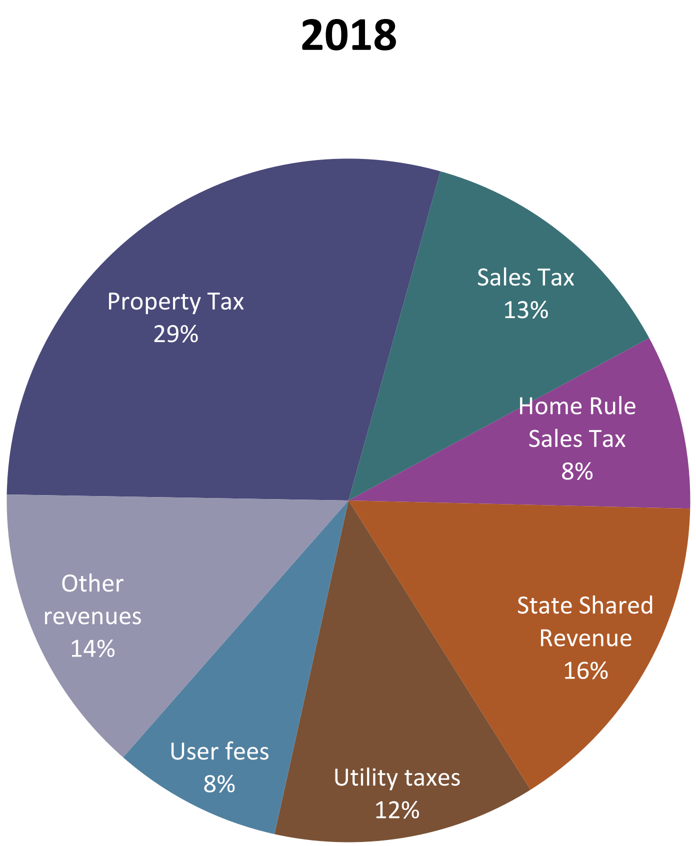
	FY2013 (in millions)	Average annual growth (2006-2013)	Projected annual growth (2014-2018)
Property tax	$6.29	2.4%	3.4%
Sales tax	3.07	0.8%	1.3%
Home rule sales tax*	1.83	3.3%	3.0%
Income tax	2.42	2.3%	2.3%
State shared revenues	1.21	-0.4%	1.1%
Utility taxes	2.99	-0.8%	1.3%
User fees and charges **	0.87	-0.8%	0.5%
Other revenues***	4.29	-4.3%	-1.1%
Total revenues	**$23.62**	**1.4%**	**1.5%**

**HRST started in 2009. **excludes ambulance user fees, which began in 2010.*
****Includes interest, SSA revenue, grants, among others*

Investment income (other revenue) dropped from $870,000 in 2006 to $30,000 in 2013.

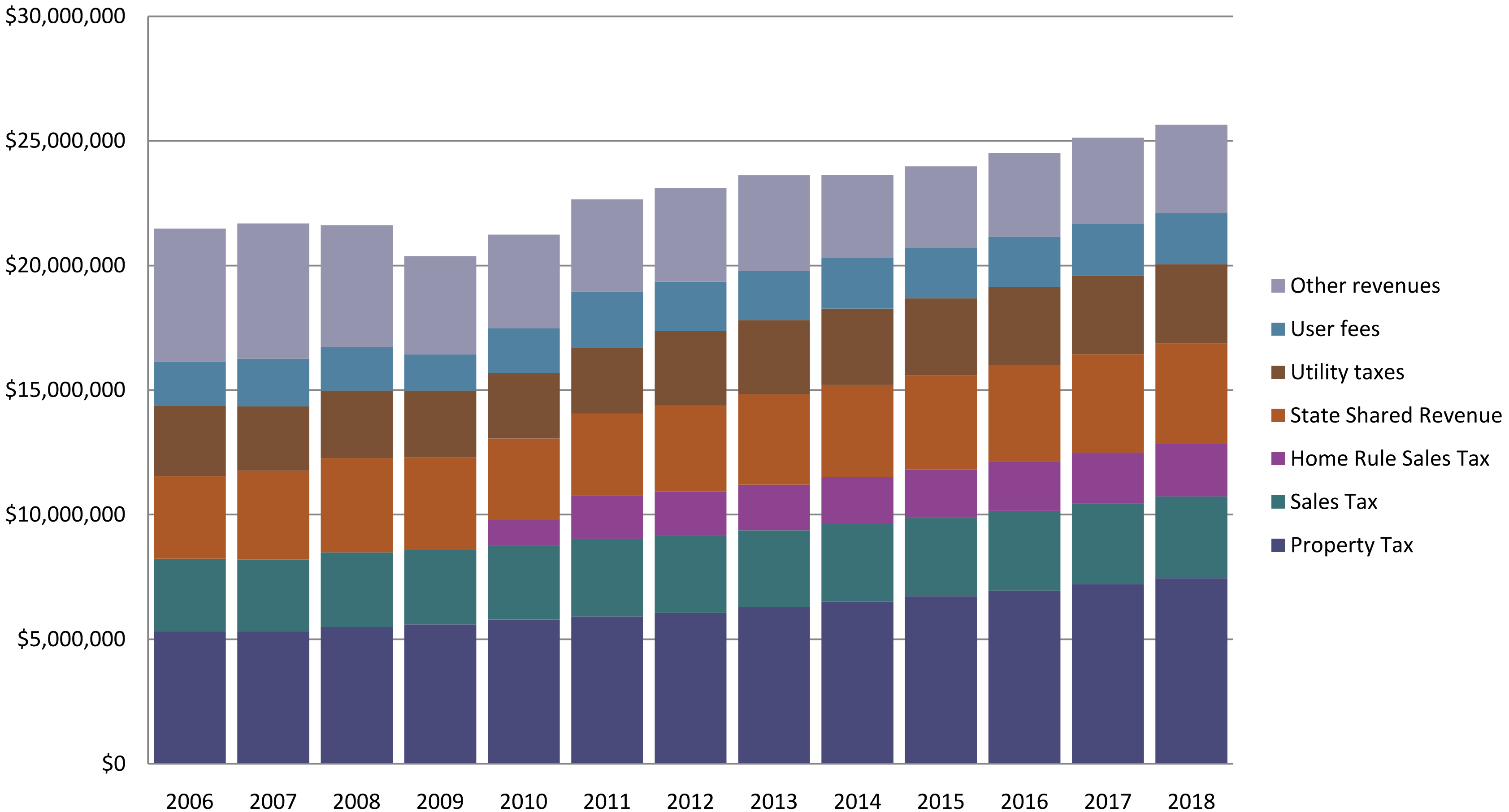
Makeup of governmental revenue sources





We are now more reliant on property taxes and HRST, and less reliant on “other revenues” (includes fines, interest, grants, SSA.)

Governmental revenue sources



Gradual increase in property taxes and home rule sales taxes, while other areas remain steady.

Operating expenditures and assumptions

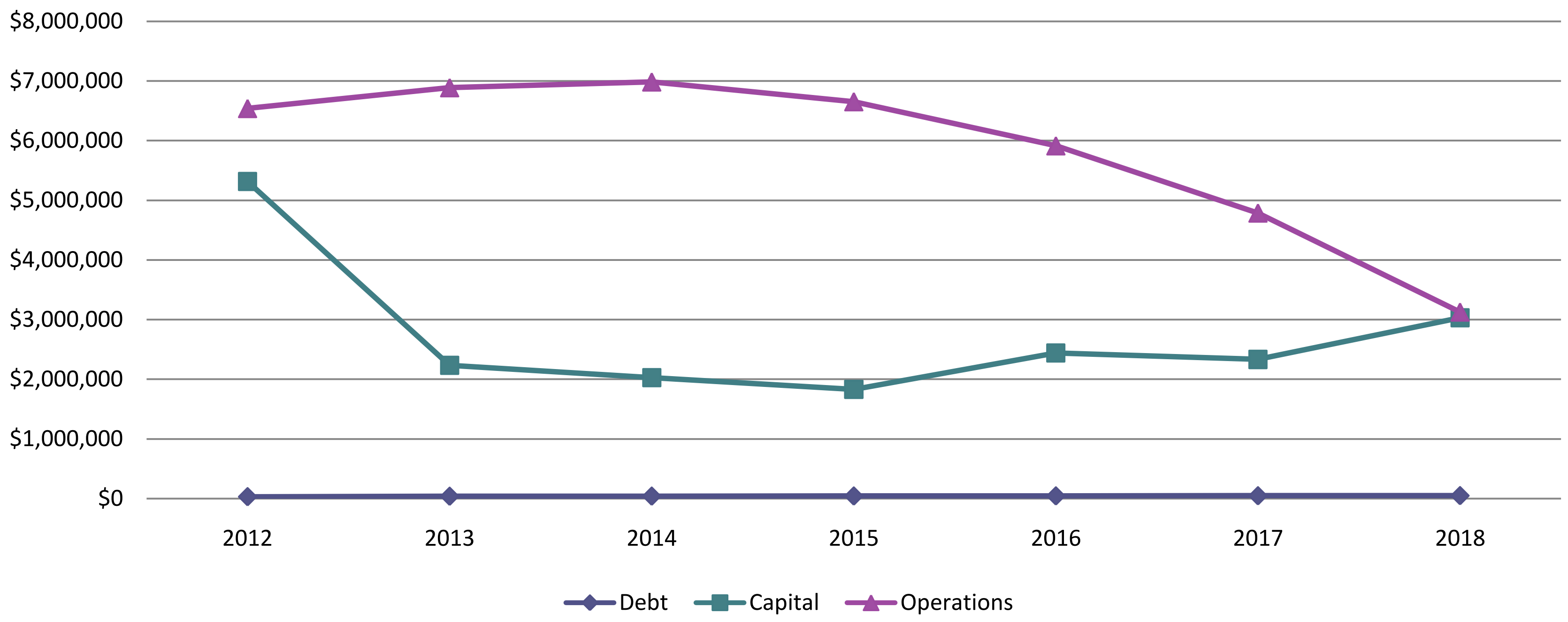
in thousands	FY2013	Average annual growth (2006-2013)	Projected annual growth (2014-2018)
Salaries and Overtime	$7,648	2.5%	3.9%
Police Pension	969	9.3%	9.4%
IMRF Pension	394	26.1%	5.5%
Health Insurance	962	13.3%	9.0%
Total Payroll and benefits	**$10,336**	**4.9%**	**5.1%**
Other operating expenditures	$6,054	2.4%	3.4%
Other operating expenditures (without ambulance)	*$5,103*	*0.6%*	*3.3%*
Total Governmental Operations	**$16,390**	**3.7%**	**4.5%**

Payroll and benefits remain our largest expense drivers.

Governmental expenditures by type

Debt is falling off. Capital spending is within its revenue.
Operating expenses continue to grow.

Estimated fund balance



Estimated fund balance for operations includes General fund, MFT, and TIF fund, and is expected to decline.
Capital fund balance includes CPF, FMR, and corporate reserve fund.

Progression of normalized revenues annual change in sources

in thousands	2011*	2012*	2013
PY revenue	$12,253	$13,084	$12,946
HRST	324	63	65
Prop taxes	70	128	101
Building/Electrical permits	255	(209)	(4)
Sales tax	153	(69)	(38)
Il Income Tax	(39)	127	188
All other taxes	79	1	76
Grants	96	(79)	(65)
Police dept income	28	(110)	14
Acct - Other agencies	(115)	0	2
All Other	(20)	11	6
C/Y Revenue	13,084	12,946	13,291
	6.8%	-1.1%	2.7%
* From the audit report			

Measure of the changes each year for specific revenues. This may differ from the audit presentation due to accruals.

Progression of normalized expenditures

in thousands	**2011***	**2012***	**2013**
PY	**$11,431**	**12,418**	**12,813**
Comp to EE's	101	111	538
Health Insurance	390	94	62
Pension (IMRF & Police)	248	78	(8)
Police radios	108	0	(42)
All Other	92	77	(74)
C/Y	**12,418**	**12,813**	**13,290**
	8.6%	3.2%	3.7%
* From the audit report			

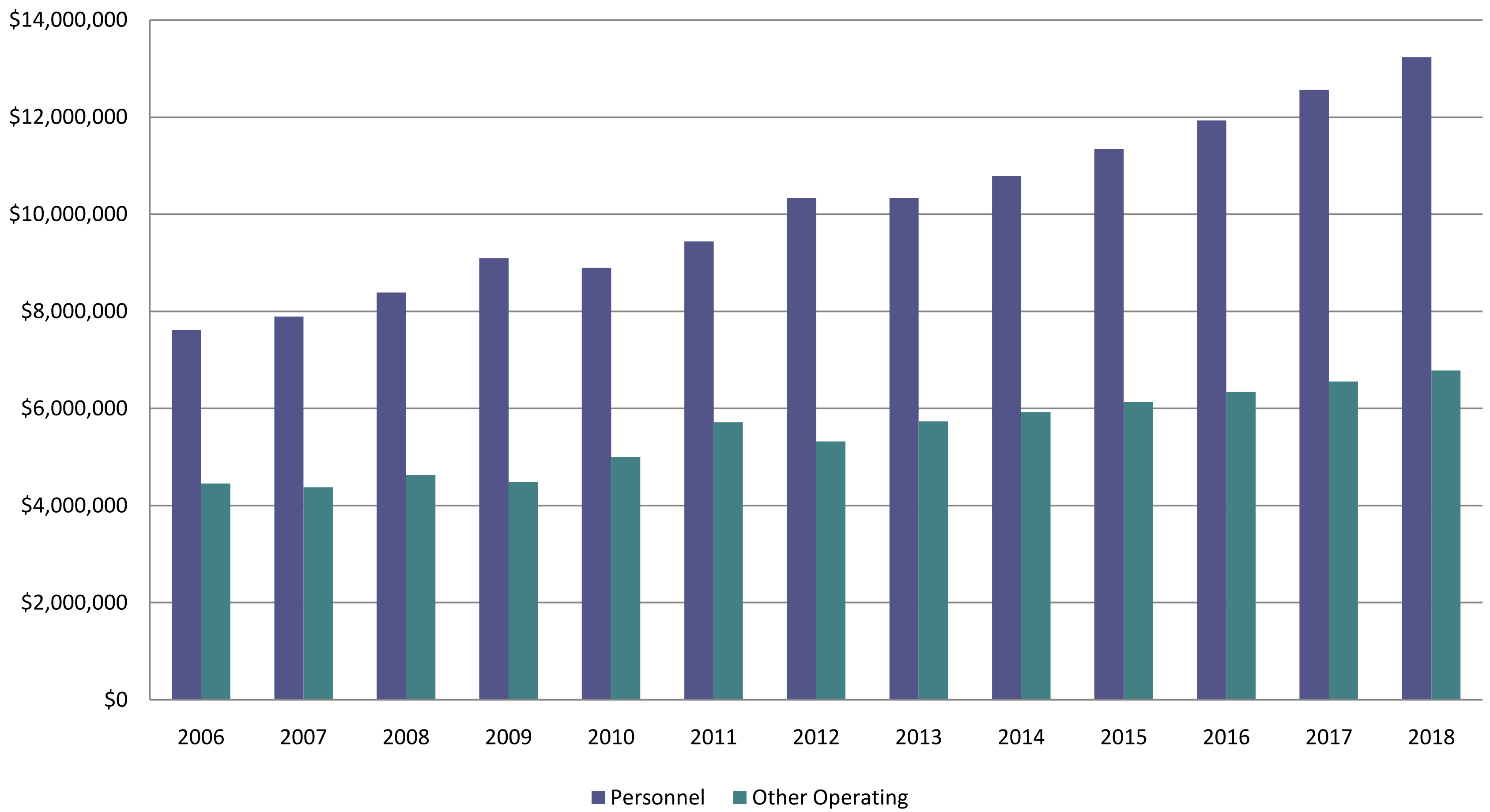
Measure of the changes each year for specific expenditures. This may differ from the audit presentation due to accruals.

Contributions to the deficit

	2014-2018 contributions to surplus (deficit)
Debt	$10,000
Capital	$798,586
Operations	($3,759,303)
Total	**($2,950,735)**

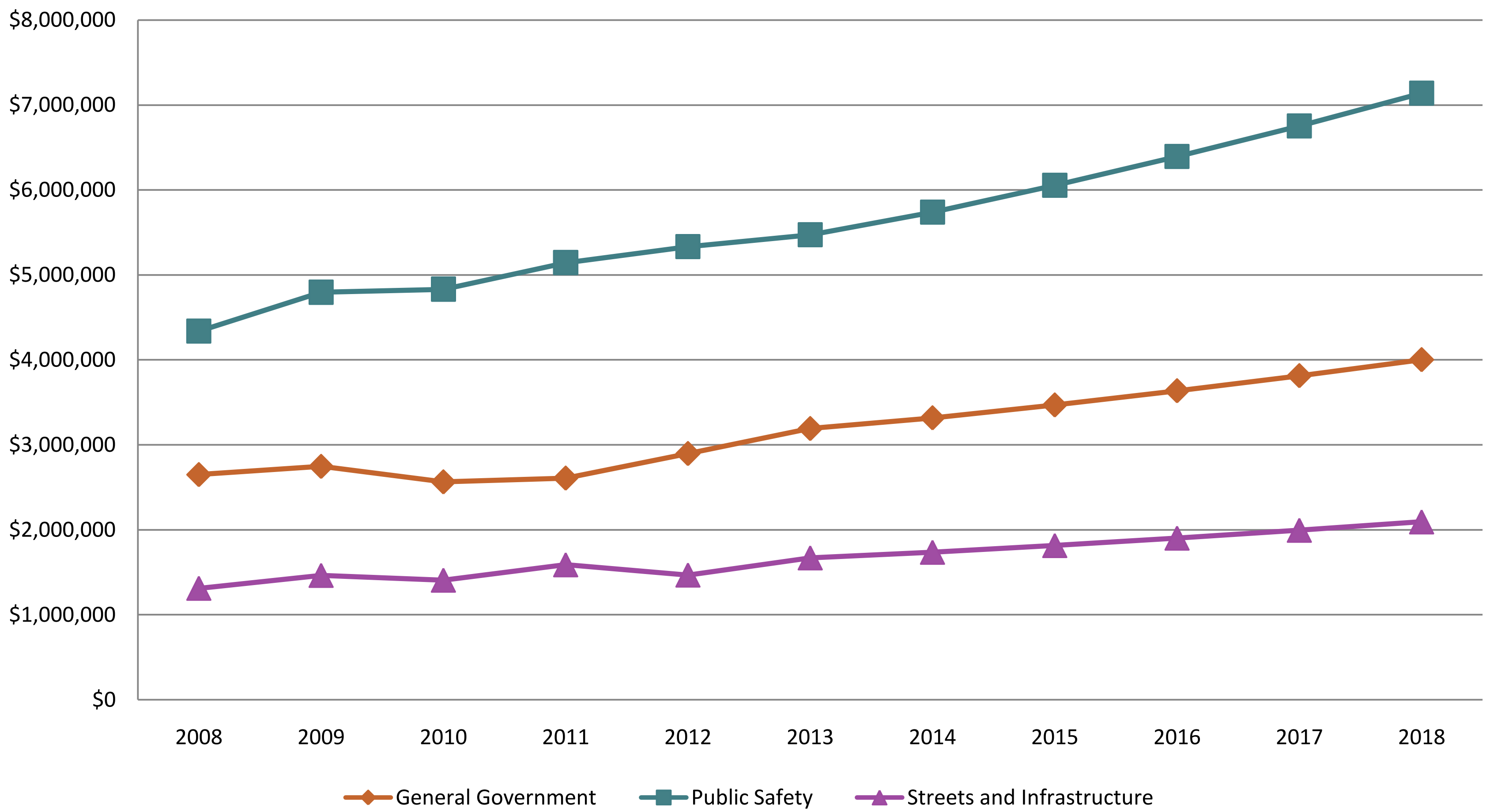
Operations remain the largest driver of the projected deficits.

Personnel and other operating expenditures



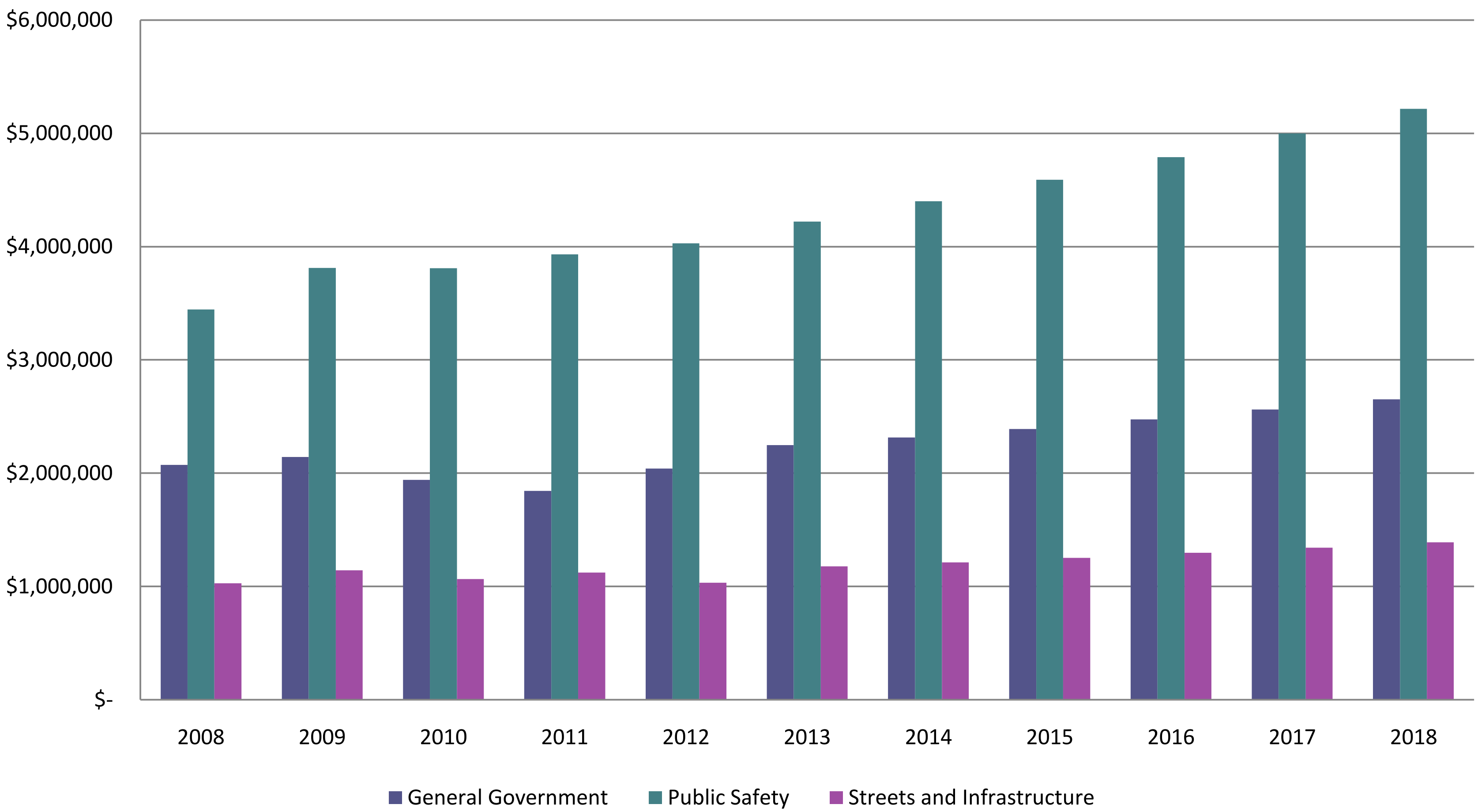
Personnel grows by 5.1%; other operating grows at 3.4%.

Personnel operating expenditures category



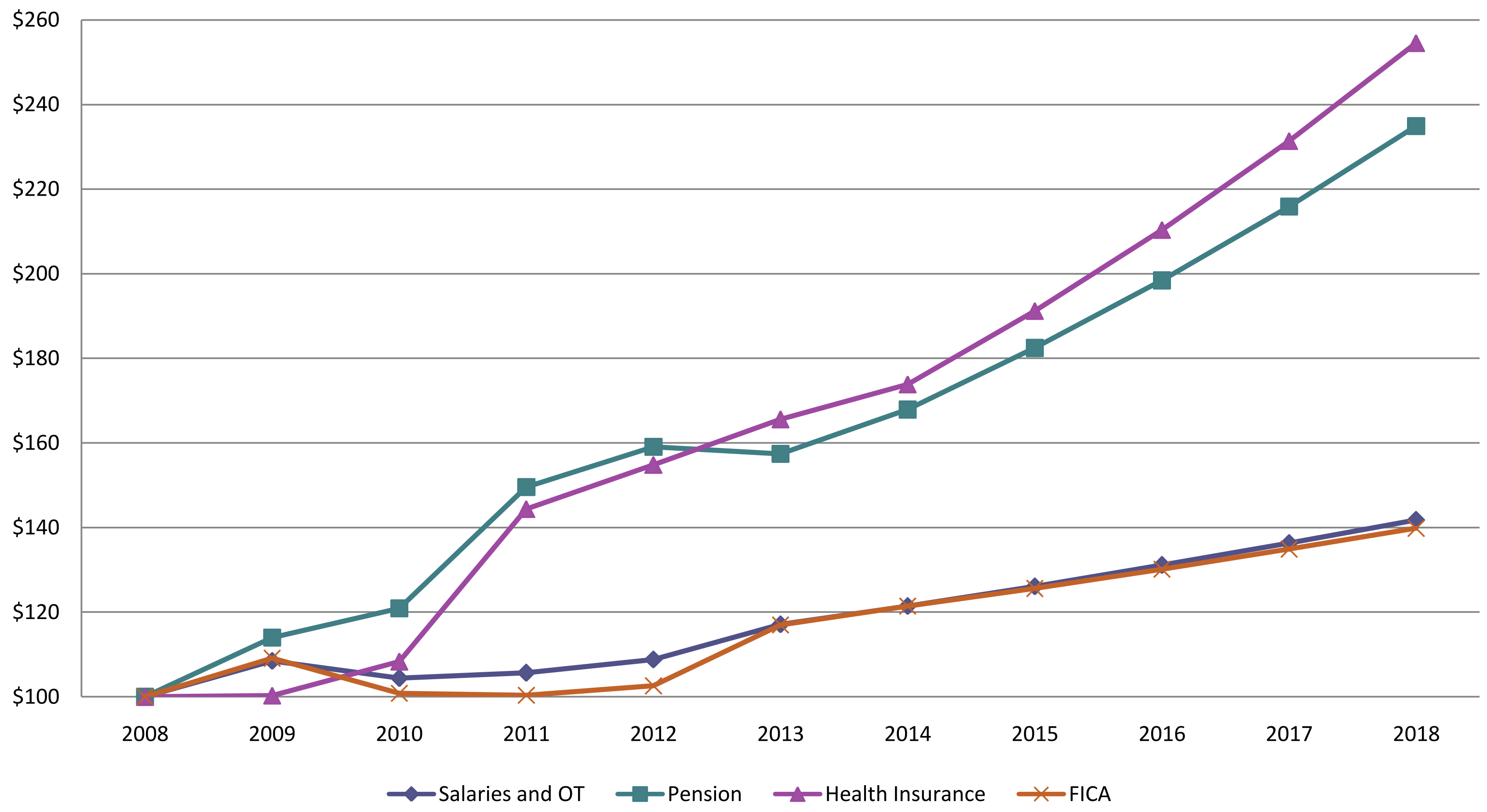
Public safety personnel grows at 5.5%, due to police pension contribution and wage increases. General government and streets and infrastructure grow at 4.6%.

Salaries and overtime, by category



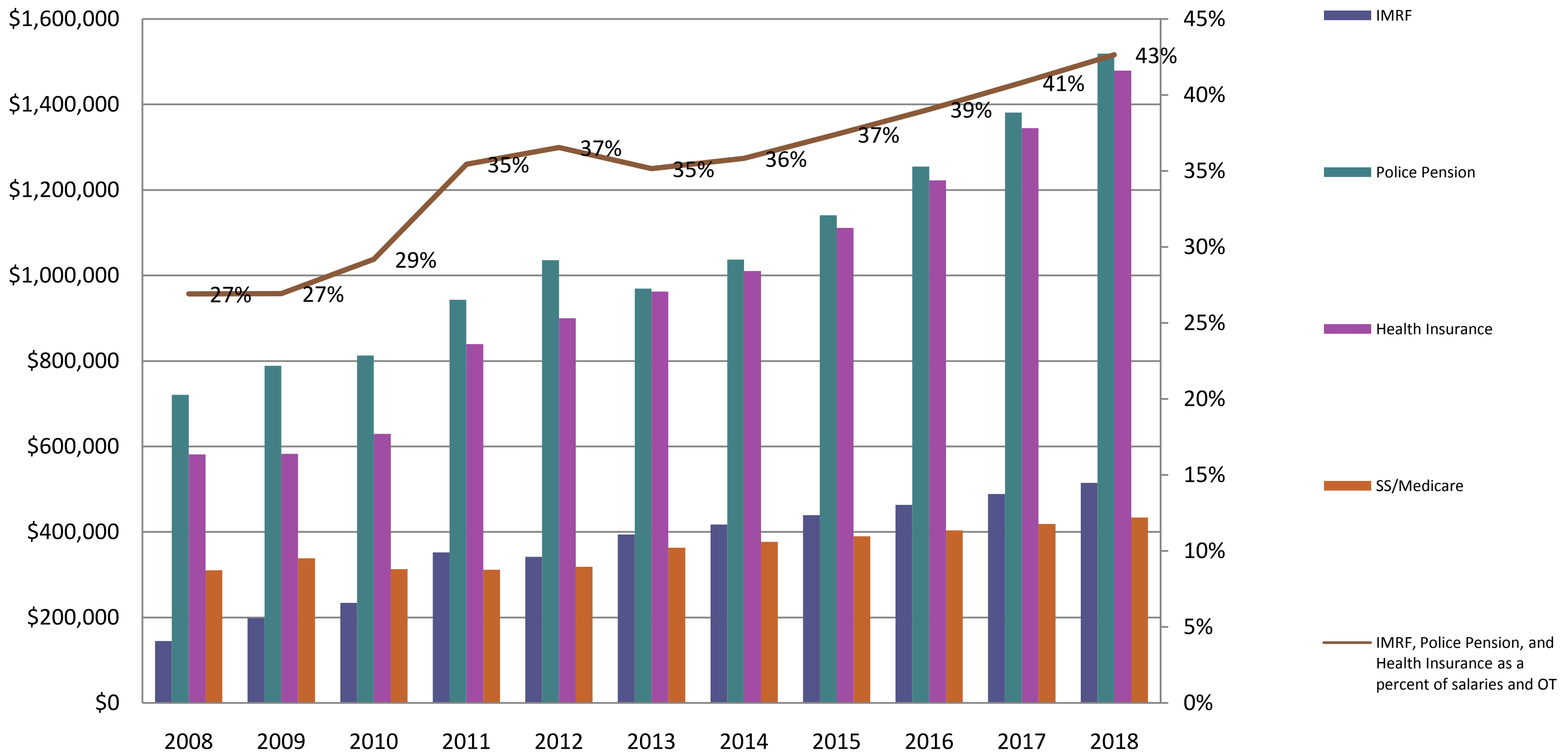
Again, public safety grows at a faster rate than other categories.

Relative growth of salaries, pension, Social Security/Medicare, and health insurance expenditures



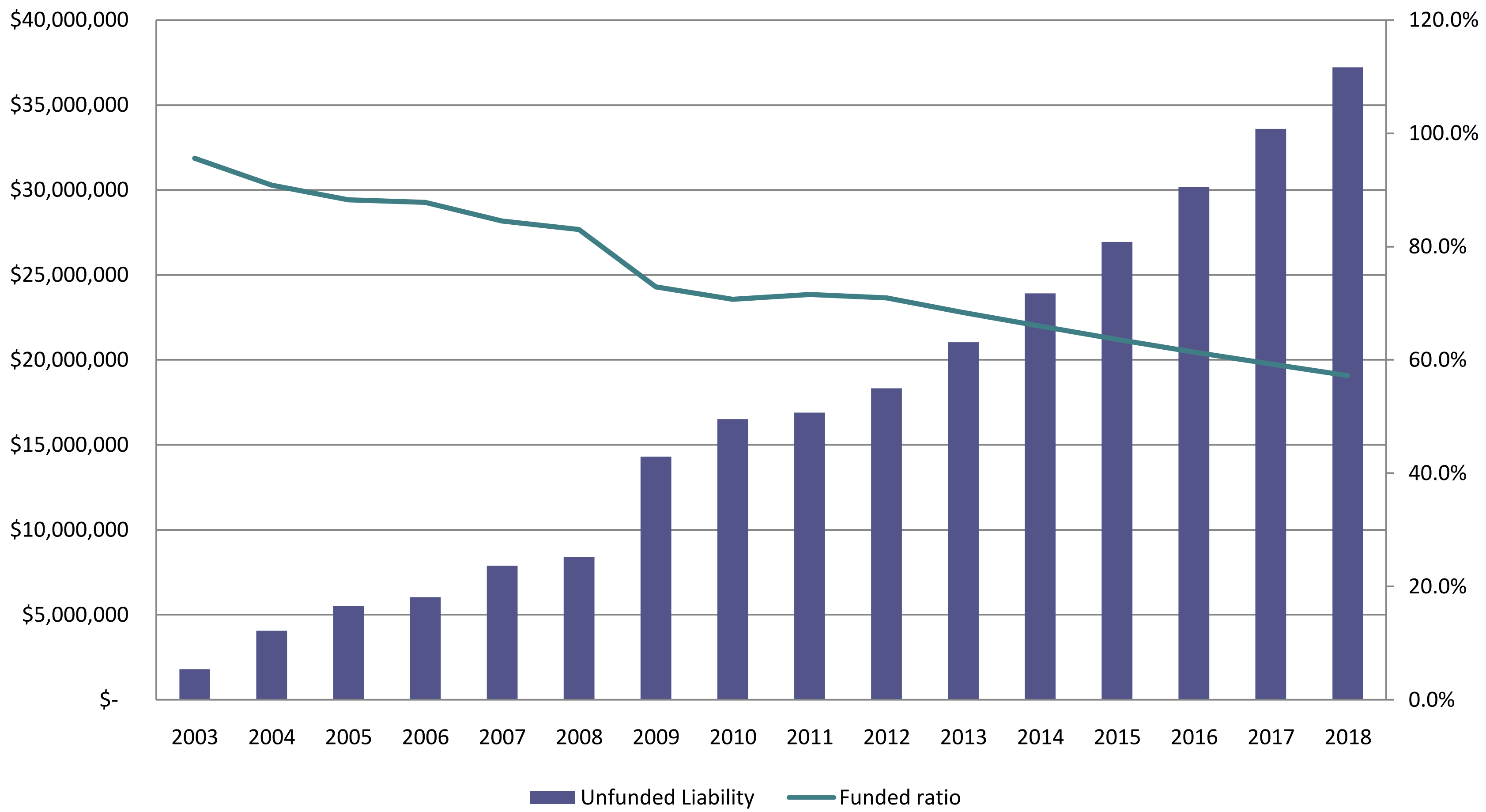
In 2018, the costs for pensions and health insurance will be nearly 2.5 times the 2008 costs.

IMRF, police pension, and health insurance as a percentage of salaries and OT



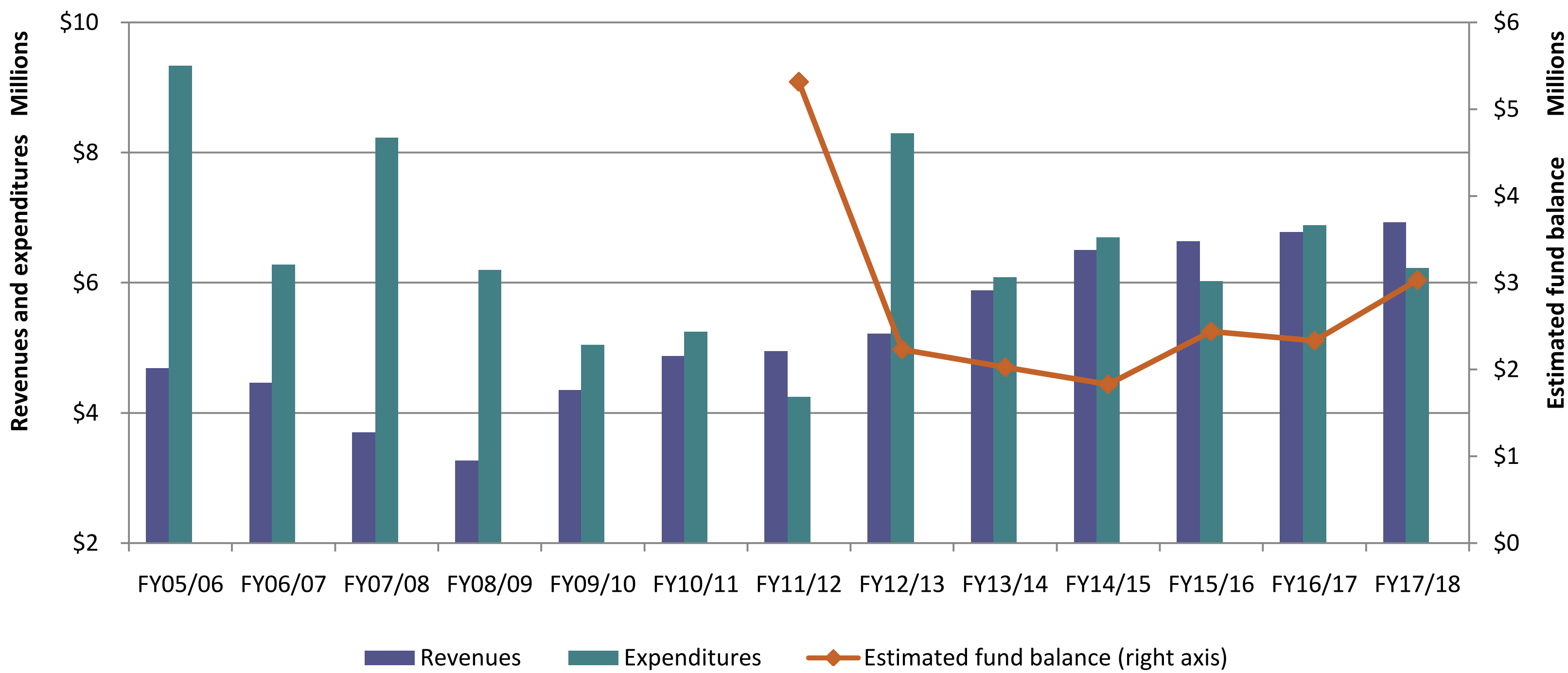
The cost to provide benefits continues to grow. In 2013, the slight decline relates to a one-time change in pension funding formula.

Police pension and IMRF unfunded liability and funded ratio (combined)



Projecting the future of health of our pension plans shows large increases in unfunded liability and declining funding ratios.

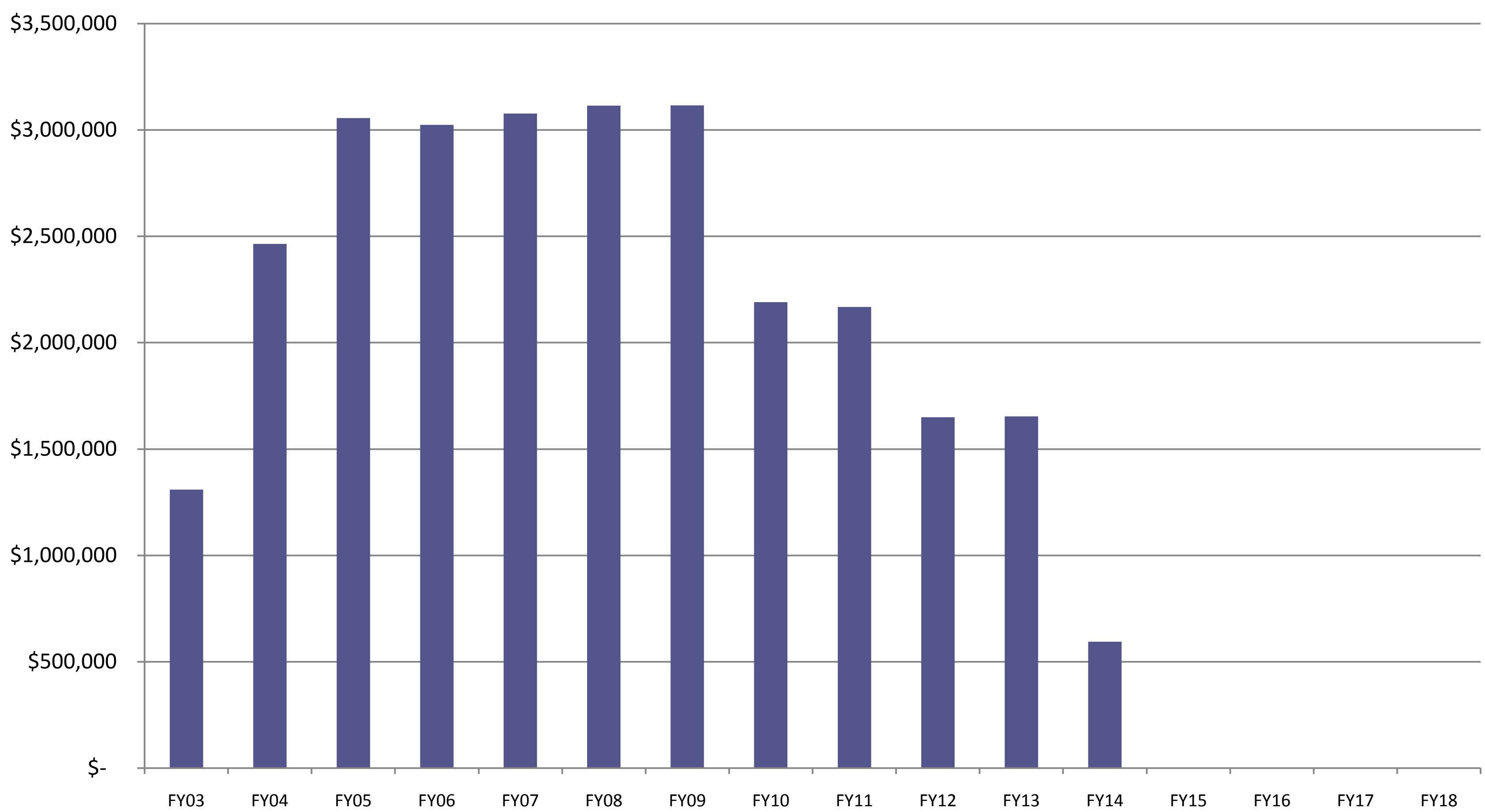
Capital activity



	2013	2014	2015	2016	2017	2018
Revenues	$5,217,300	$5,880,000	$6,504,000	$6,637,360	$6,778,091	$6,924,204
Expenditures	$8,300,500	$6,085,964	$6,699,190	$6,028,838	$6,884,782	$6,226,312
Net	($3,083,200)	($205,964)	($195,190)	$608,522	($106,691)	$697,891
Ending fund balance (est.)	**$2,231,907**	**$2,025,943**	**$1,830,753**	**$2,439,275**	**$2,332,584**	**$3,030,475**

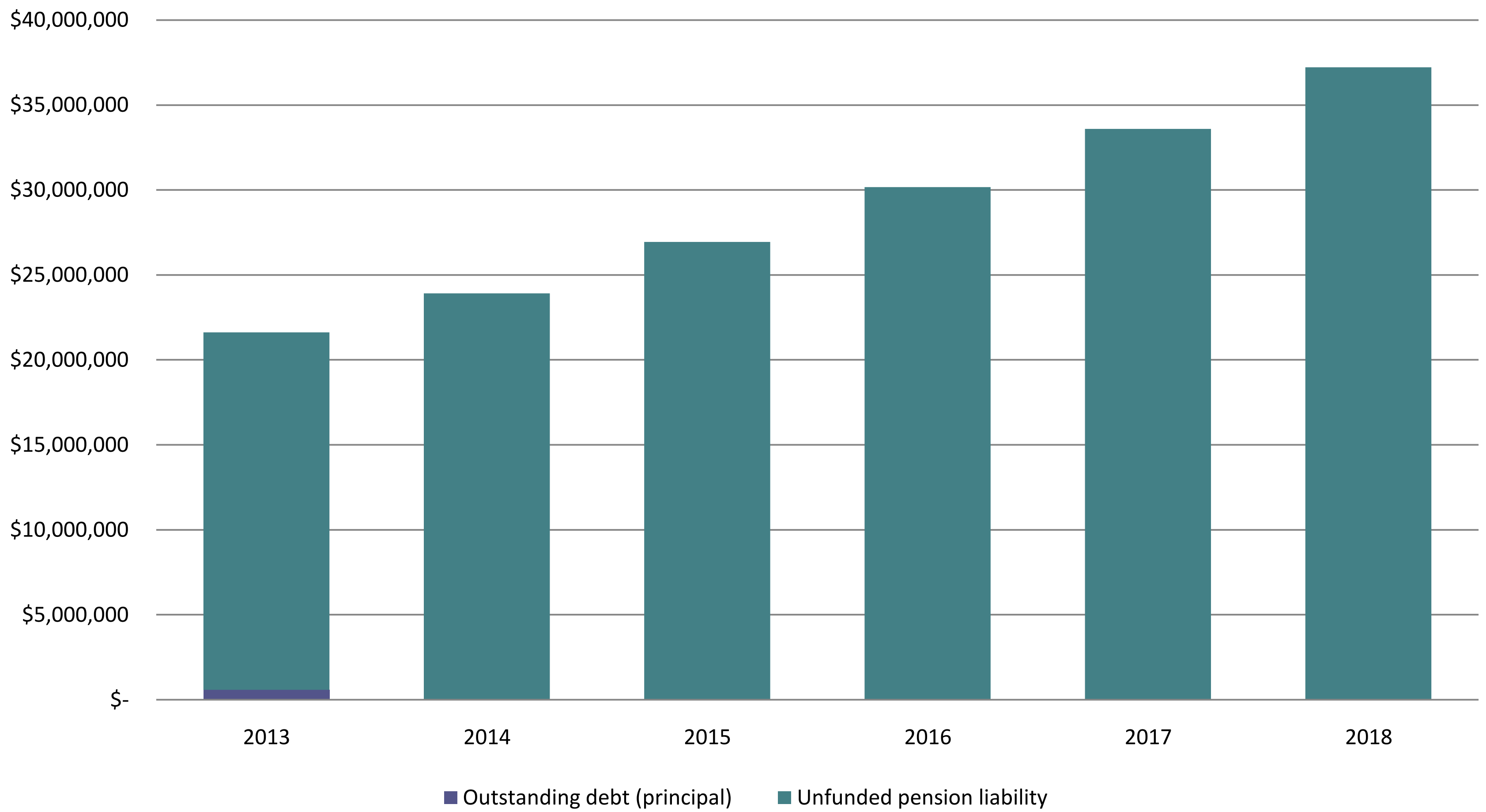
The Capital Improvement Commission is reviewing an updated capital plan. A draft capital plan is incorporated in this forecast.

Debt paid by property taxes



Debt is falling off. Property taxes previously levied to debt is being reallocated to capital projects for a pay-as-you-go funding strategy.

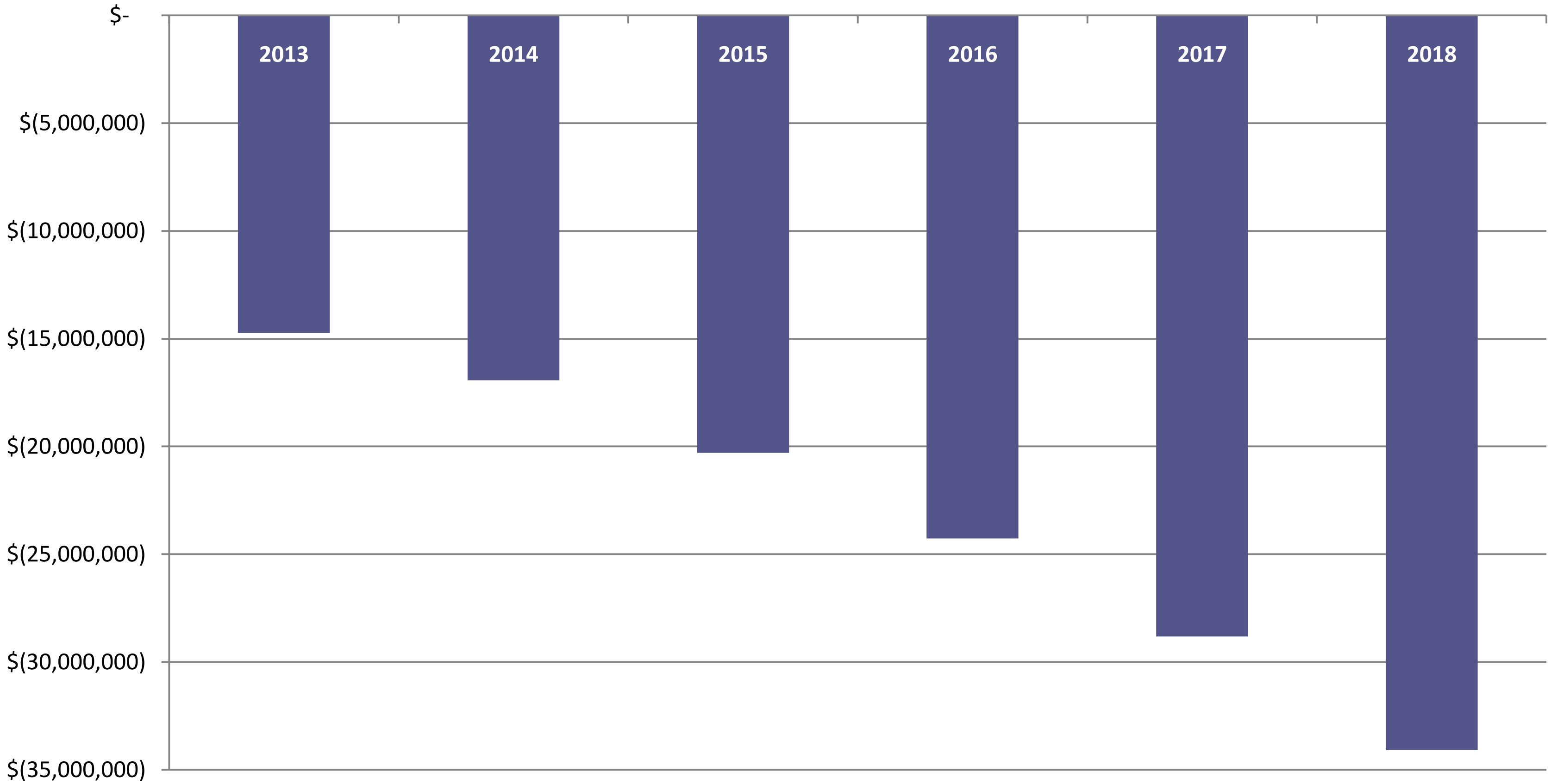
Governmental debt plus unfunded pension liability



Projected pension unfunded liability plus remaining governmental debt. This excludes Village Links and Library debt.

Net Village financial position

(governmental fund balance, less debt and unfunded pension liability



Total debt and unfunded pension liabilities are projected to be $34 million more than projected fund balances in 2018.

Contributions to the operations deficit

	Component contribution to the $3.8 million operations deficit
Police salaries and overtime	$900,000
Salaries and overtime for other employees	$200,000
Employee benefits	$2,300,000
Other operating	$400,000

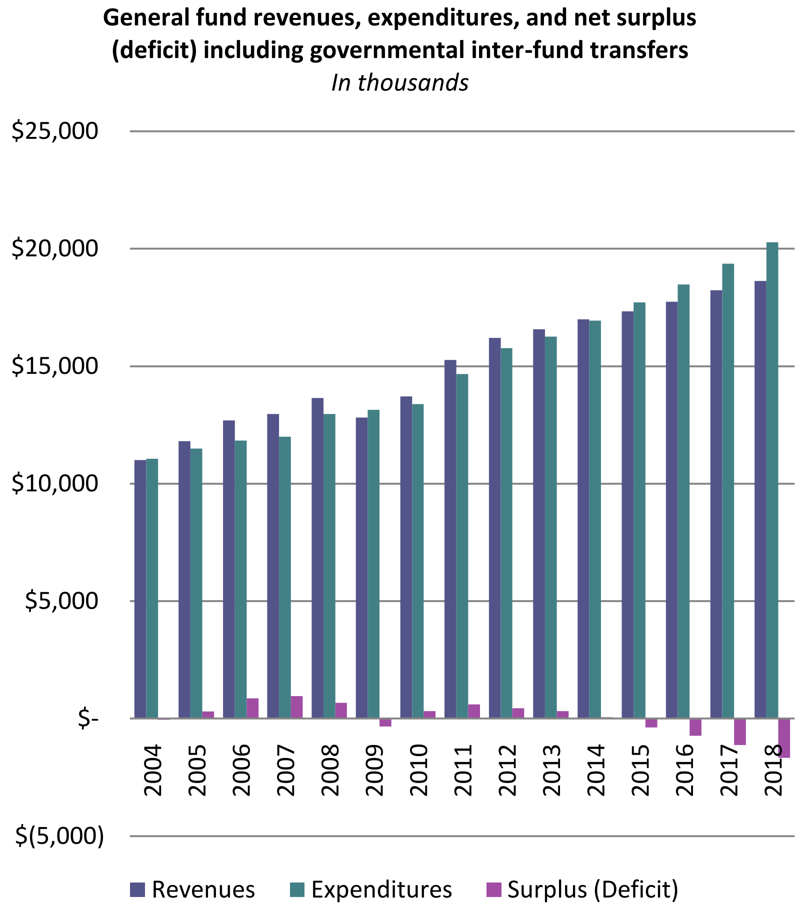
The largest drivers to our operating deficits remain employee benefits (pensions and health insurance) and salaries and overtime.

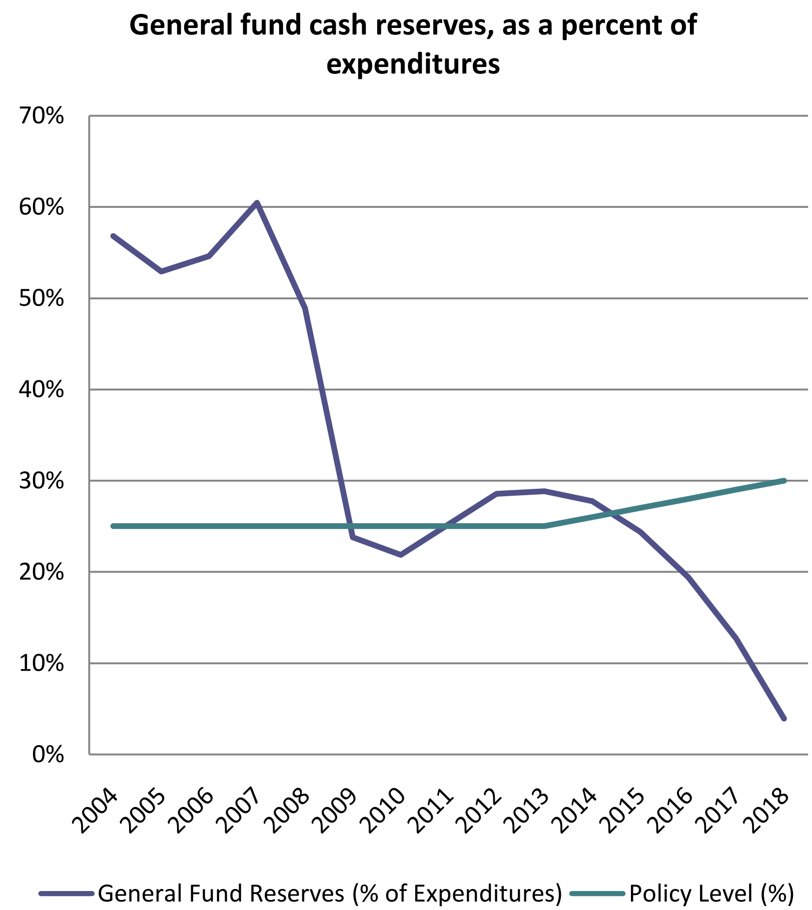
What would it take to balance?

	Current 2014-18 projected annual growth rate	2014-18 annual growth rate needed to fill the gap
Sales tax	1.3%	7.1%
Home rule sales tax	3.0%	11.9%
Property tax	3.4%	6.4%
Income Tax	2.3%	8.1%
Payroll and benefits	5.1%	3.2%
Total expenditures	0.2%	-0.5%

To balance the projected shortfall, total property taxes would need to grow by 6.4% if all other projections remain. This assumes no change in other revenues or expenditures.

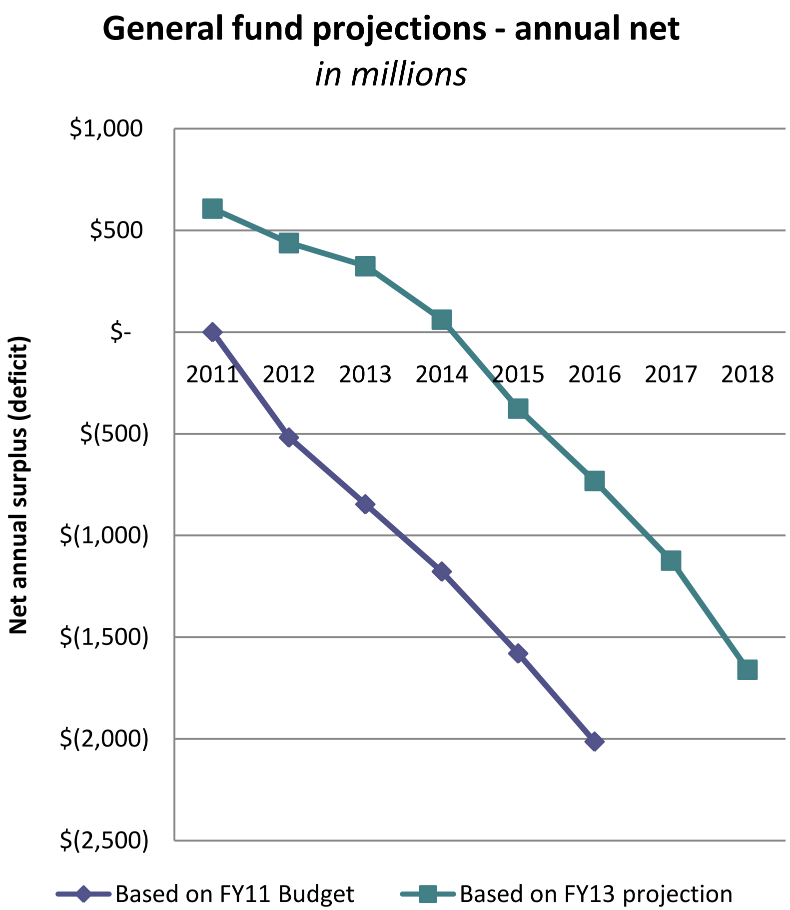
General fund





The General Fund forecast includes all interfund transfers. Deficits grow to $1.7 million per year in 2018 with less than $1 million in reserves.

Comparison of projections



- In FY11 and FY12, the Village benefited from lower pension and health insurance cost increases, SPF
- The trend remains
  - Expenditures growing faster than revenues
- Minor adjustments, position vacancies, one-time cost savings continue

Potential solutions

- Expenditures
  - Health insurance
  - Part time employees
  - Control salary increases
  - Evaluate capital spending
  - Evaluate service levels
  - Cooperative efforts
- Revenues
  - Economic development
  - Implement new revenue sources
  - Grants
  - Evaluate fee and fine structures

The Village should continue to examine all options and alternatives to provide cost effective services. These solutions have not necessarily been examined or recommended, but could contribute to the long term solutions.