5 Year Forecast – General Fund

February, 2014

Based on FY13/14 budget data

Key goals of our long term forecast

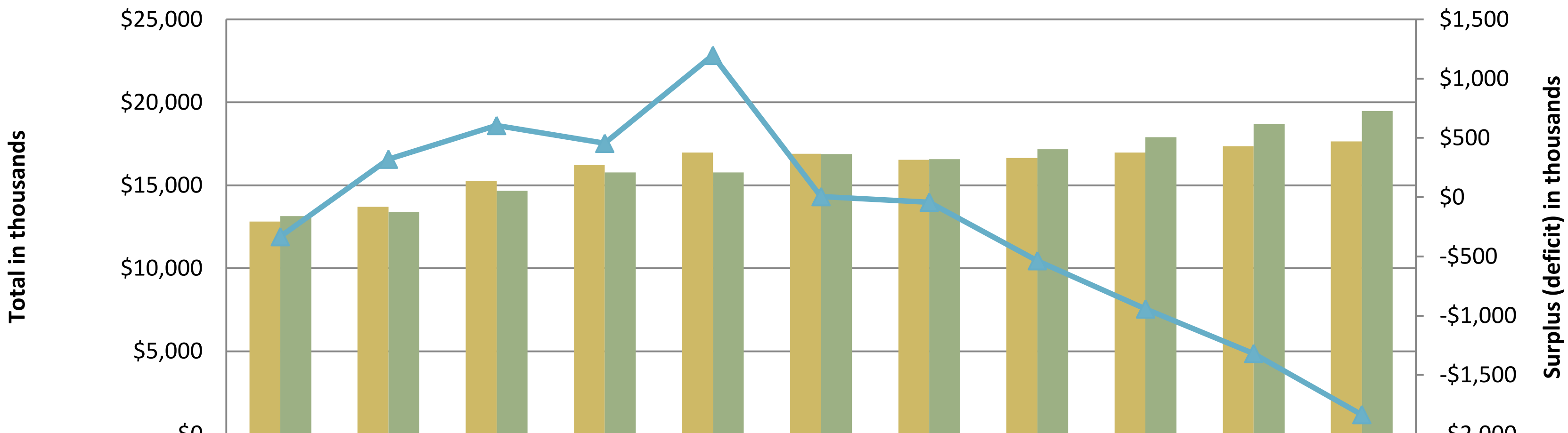
- Understand long term trends in revenue sources
- Understand long term trends in expenditures
- Identify future imbalances in revenues and expenditures (deficits)
- Develop and implement programs now to avoid future deficits
- Use tables and graphs to summarize and highlight info and trends

Other notes

- Forecast is a model to project future activity and identify issues and trends, not a prediction
- Each year’s experience will vary
  - The goal is that annual budgets will be balanced
  - Each year’s results will vary depending on revenue performance and other events

Annual General Fund totals

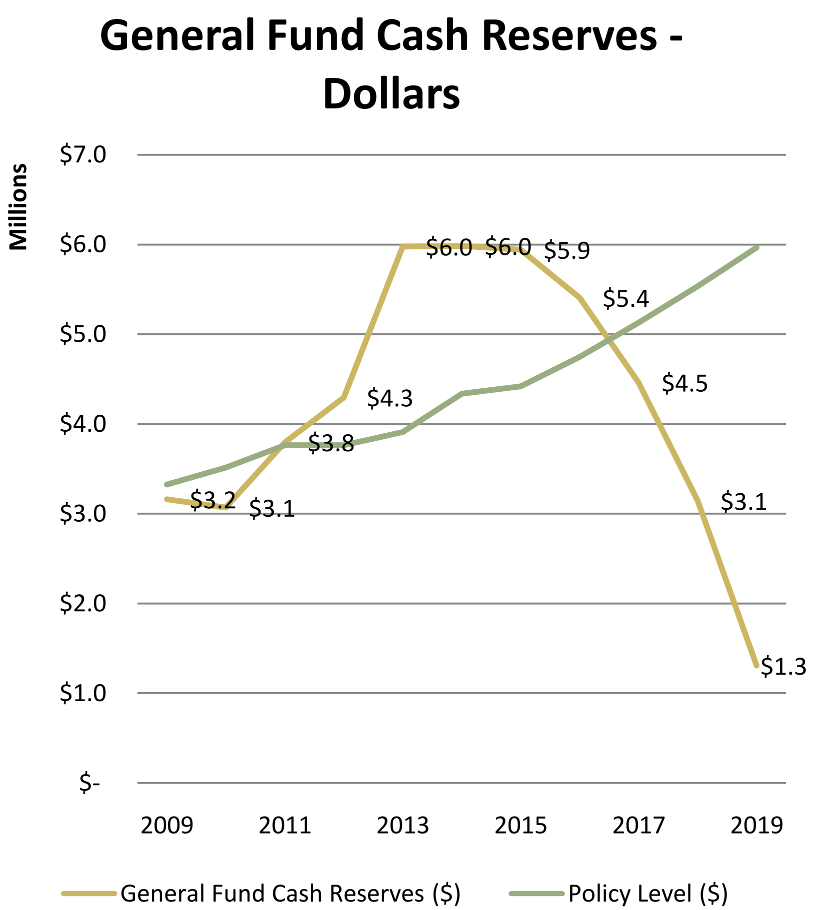
Revenues, Expenditures, and Annual Surplus (Deficit)
General Fund

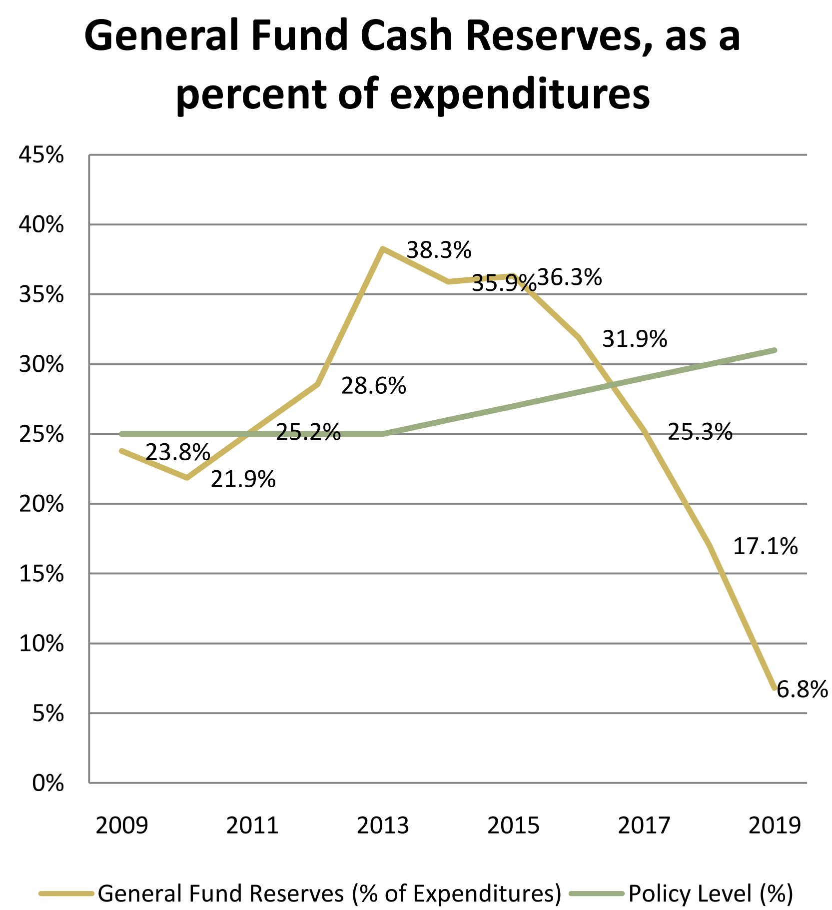


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues	12,813	13,713	15,271	16,226	16,968	16,894	16,542	16,642	16,967	17,357	17,644
Expenditures	13,146	13,391	14,665	15,770	15,769	16,889	16,584	17,178	17,909	18,676	19,479
Surplus (Deficit)	(333)	322	606	456	1,199	5	(42)	(536)	(943)	(1,319)	(1,835)

Revenues grow by 0.9%, while expenditures grow at 2.9%, leaving a projected shortfall of $4.7M over the next 5 years

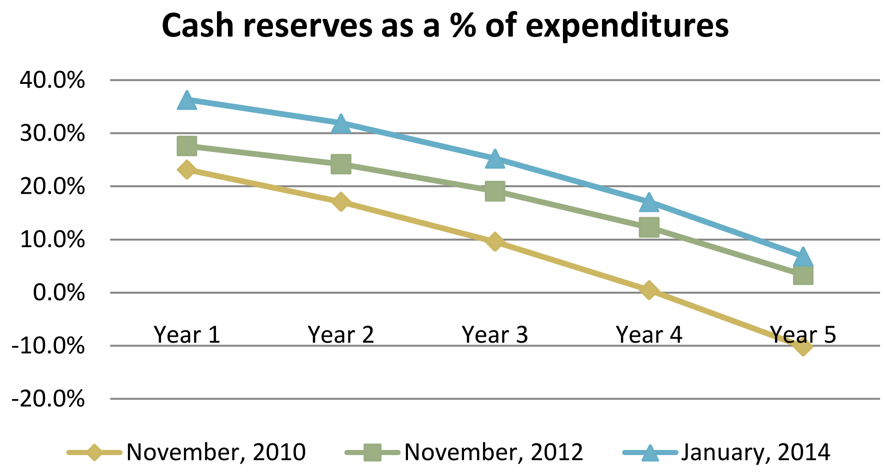
Fund balance projections

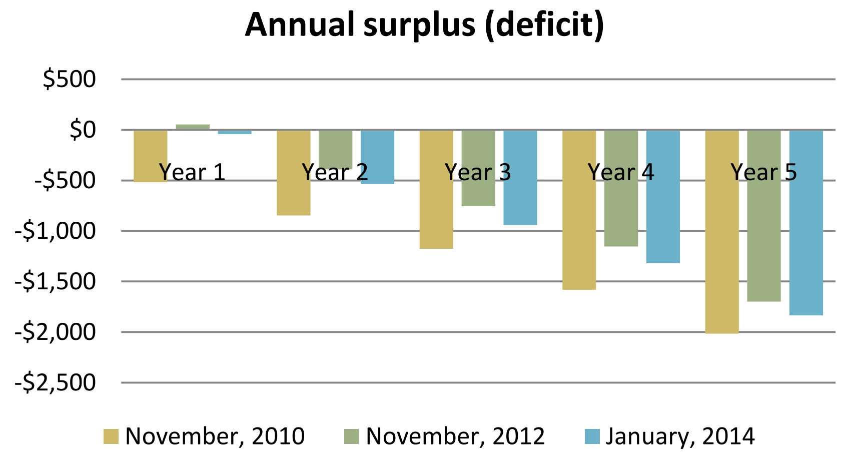


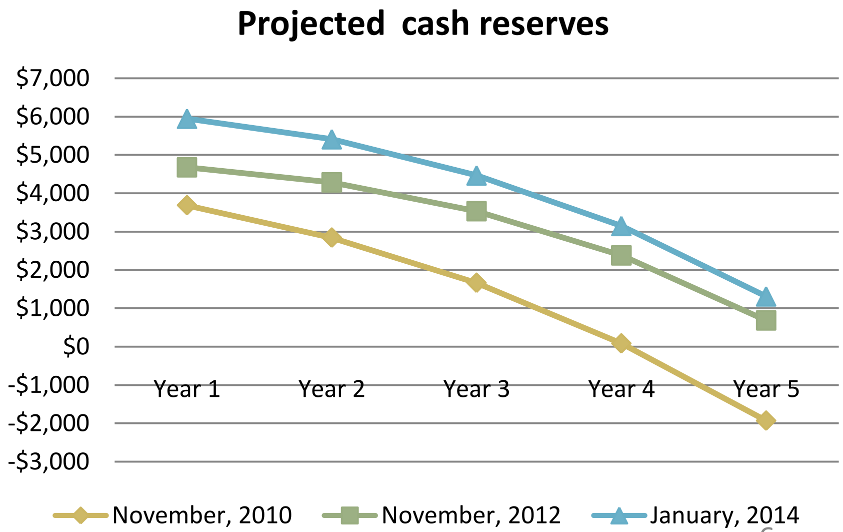


How does this forecast compare?

- Similar experience in out years
- A better starting cash reserve has improved our 5 year outlook







Key revenue assumptions

	FY14 (thousands)	Average annual growth (09-14)	Projected annual growth (15-19)	Growth rate needed for 2019 surplus*	If ST and HRST grow at the same higher rate
Property tax	$3,069	4.5%	2.5%	11.7%	
Sales tax	$3,115	0.7%	1.0%	10.5%	7.4%
Home rule sales tax	$1,786	1.4%	1.0%	15.8%	7.4%
Income tax	$2,619	1.3%	2.3%	12.8%	
Other revenues	$6,305	5.2%	-0.7%		
Total revenues	$16,894	5.7%	0.9%	2.9%	

Other revenues that are experiencing notable changes: SSA Fire tax ($181,000) was added in 2011, and now is being moved to a new fund, Ambulance billing revenue ($700,000) will be much lower with a new paramedic arrangement, Cable franchise fees $620,000 were in the Special Programs Fund prior to 2012, Hotel/Motel tax ($180,000) was in the Special Programs Fund prior to 2012.

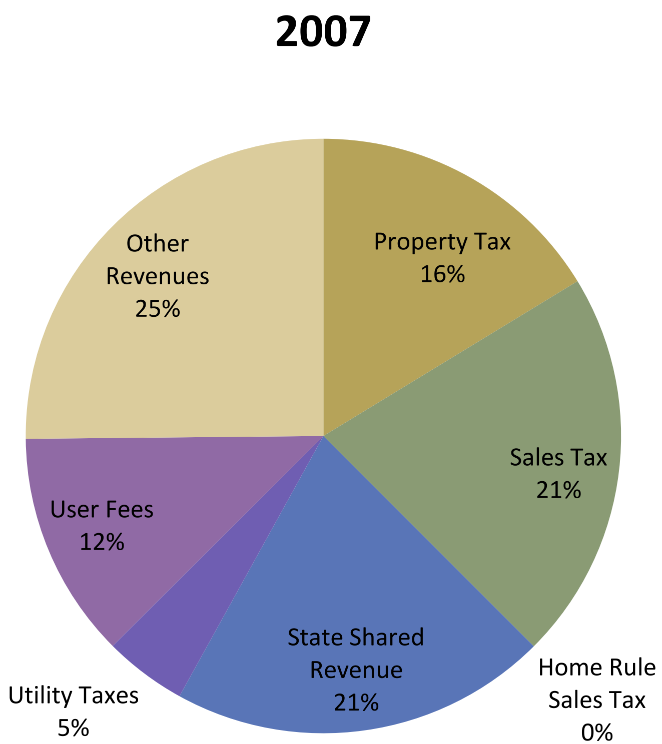
**All others performing as planned, how much of this rev/exp source needs to grow to achieve a surplus in 2019*

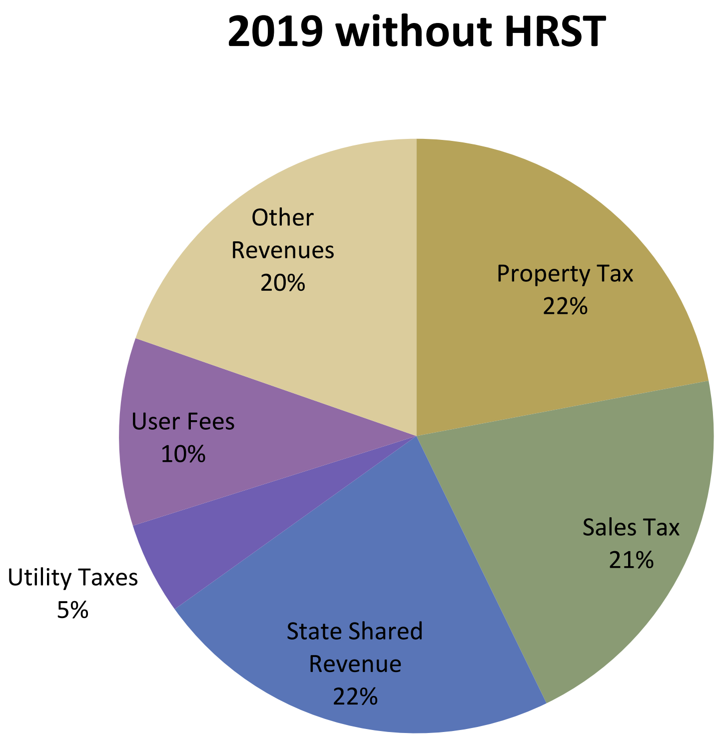
Makeup of General Fund revenues

More reliance on property tax and State shared revenue

HRST makes up 11% of 2019 revenues (omitted from chart for comparability)

No Home Rule Sales Tax (HRST)



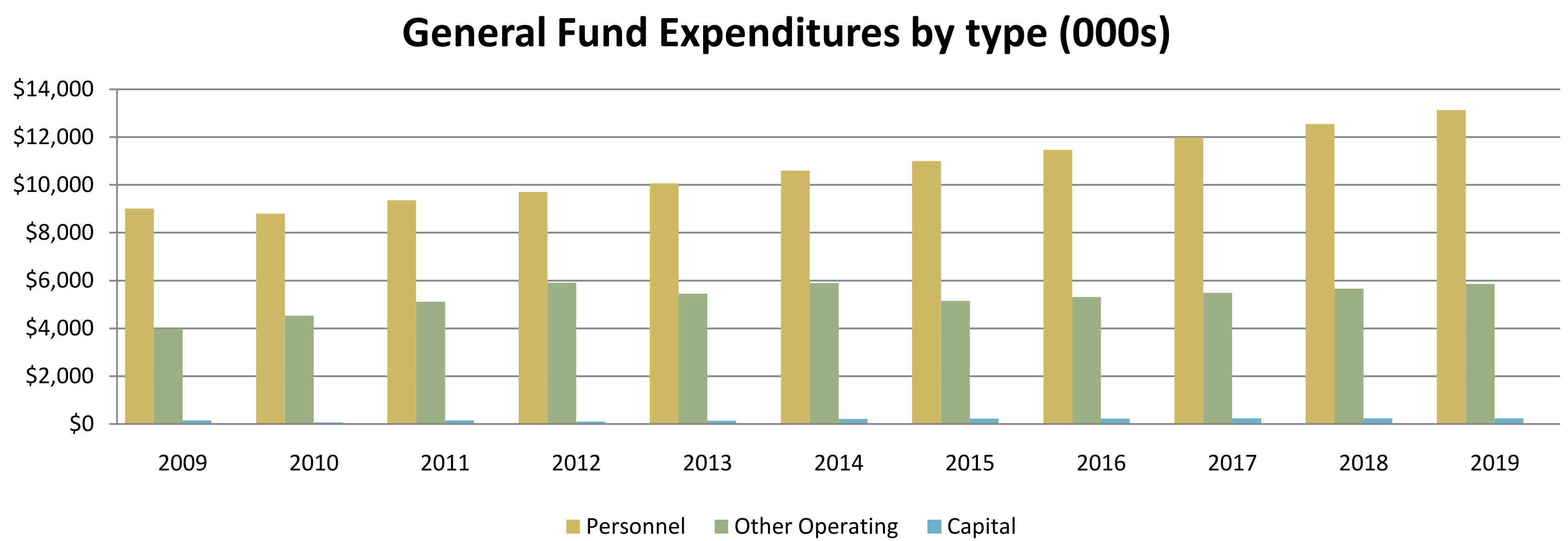


Key expenditure assumptions

	FY14 (thousands)	Average annual growth (09-14)	Projected annual growth (15-19)
Payroll – Public Safety	$4,462	3.2%	4.4%
Payroll – all other	$3,414	0.8%	3.4%
Pensions (Police, IMRF, SS/ Medicare)	$1,742	5.6%	5.8%
Health Insurance	$982	11.0%	5.0%
Contractual	$2,190	4.7%	-0.1%
All other	$4,099	11.3%	0.3%
Total expenditures	$16,889	5.1%	2.9%

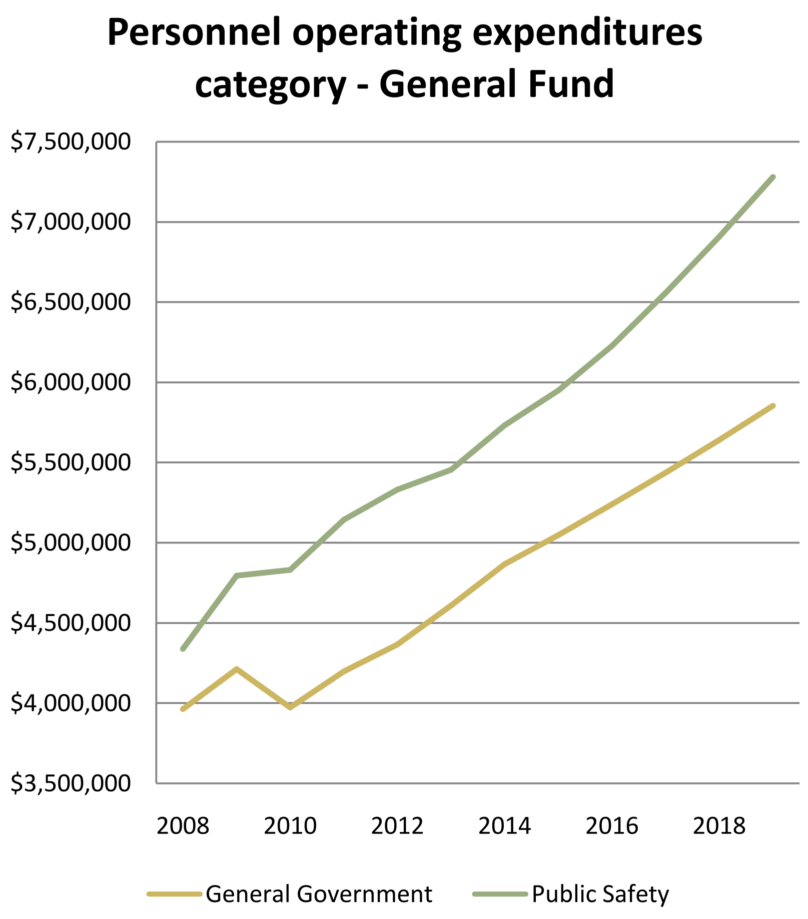
More discussion of pensions and health insurance later in this report.

General Fund expenditures by type



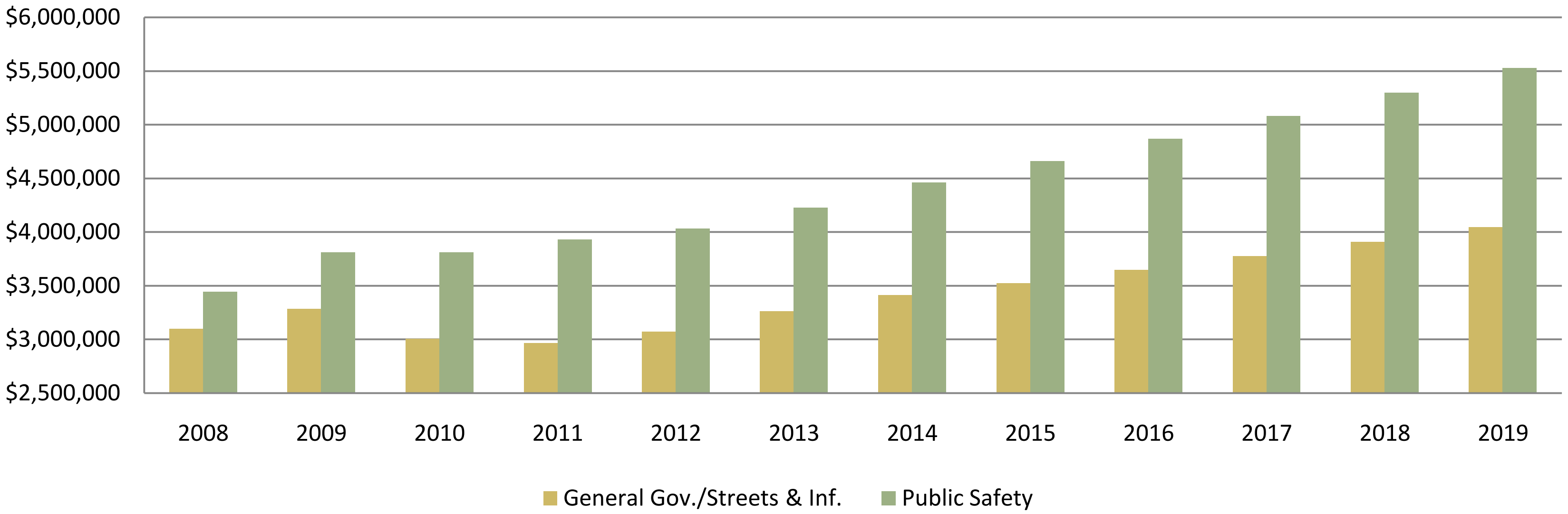
- Personnel expenditures are growing
- Capital and other operating expenditures remain flat

Personnel expenditures by category



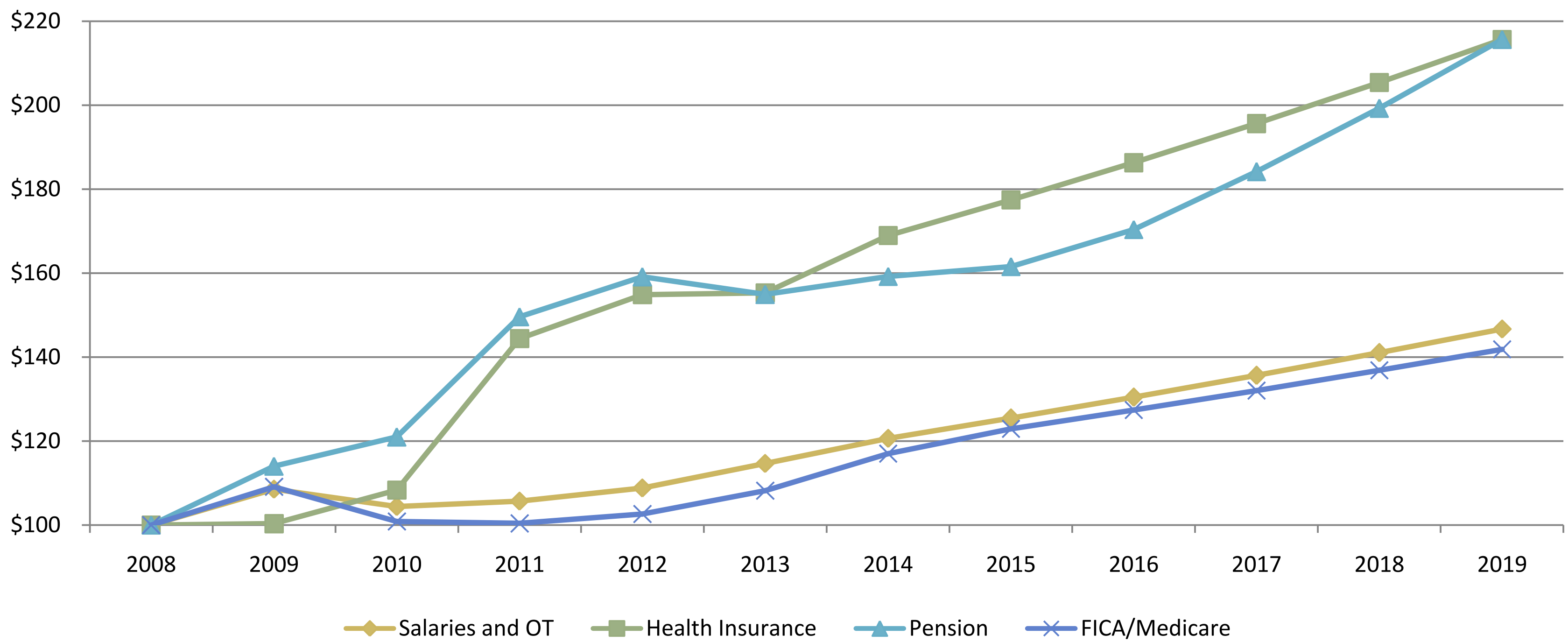
- As a result of union contracts, public safety personnel costs increase at a faster rate (4.9%) than General Government or Streets and Infrastructure (3.8%)
- All Police Pension costs are paid from Public Safety

Salaries and overtime, by category



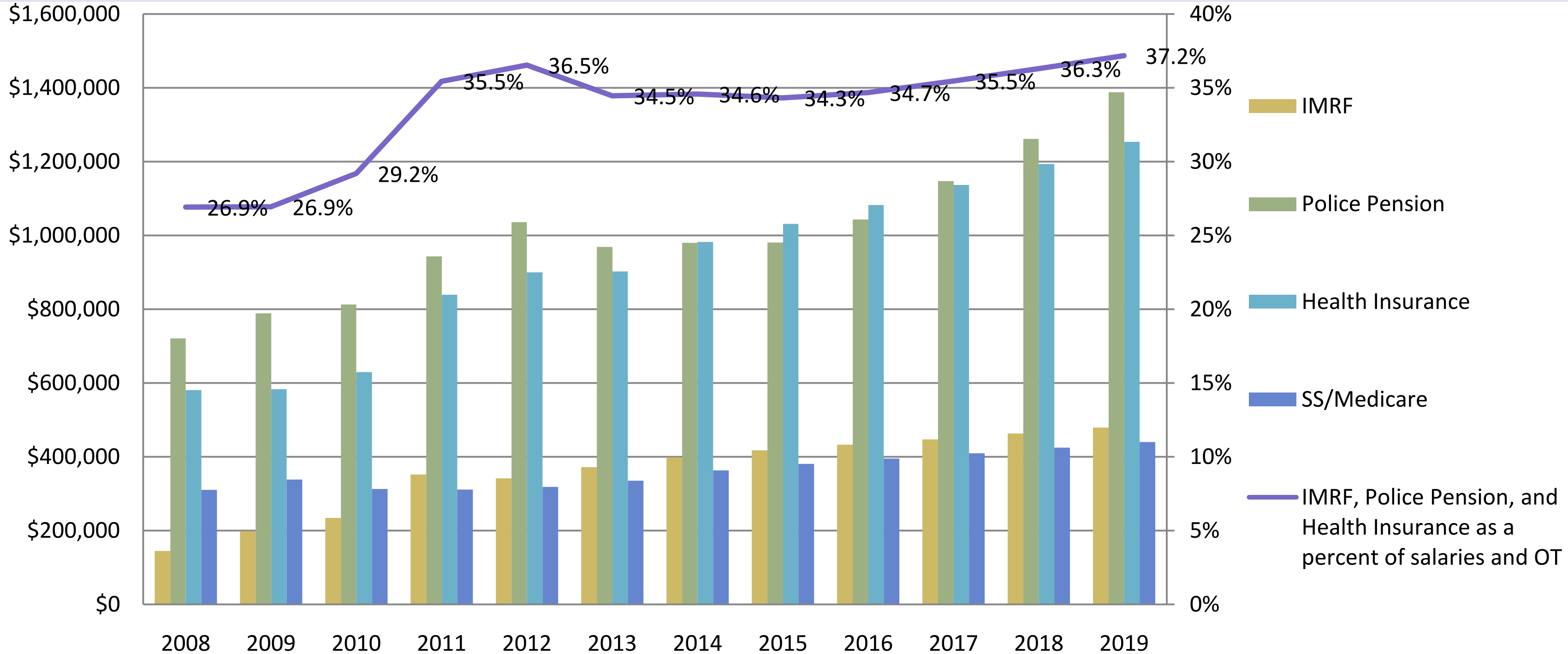
- Without benefit costs, public safety salaries and OT grow at a faster rate than General Government and Streets and Infrastructure

Relative growth – payroll and benefits



- In 2019, pensions and health insurance are projected to cost nearly 2.2 times what we spent in 2008
- Salaries and OT are projected to cost about 1.5 times 2008
- Police Pensions in 2015 were flat due to resetting actuarial assumptions

IMRF, Police Pension, and Health Insurance as a percentage of Salaries and OT



- In 2019, benefits cost about 37.2% of total salaries and OT, up from 26.9% in 2008
- More information on long term pension liabilities and health insurance assumptions can be found later in this report

Health insurance

- The Village is a member of a health insurance risk-sharing pool
- Rates have increased by an average of 4.1% over the past three years, 1.5% over the past two years
- Our pool administrators project 5% annual increases
- We have also modeled 10% increases due to uncertainty with future Affordable Care Act implications

	5% growth rate	10% growth rate	Difference
Total 5 year projected deficit	$4.67M	$5.57M	$897K
2019 deficit	$1.84M	$2.16M	$328K
2019 health insurance cost	$1.25M	$1.58M	$328K
Benefits as a % of Payroll in 2019	37.2%	40.6%	3.4%
Total Exp. growth rate	2.9%	3.2%	0.3%

Changing pension assumptions

- After extensive discussion in 2012, the Village lowered investment return (7.5% to 7.25%) and salary increase (6% to 5%) assumptions for the Police Pension Fund
- Changes in state law pushed out the target funding date
- Future funding levels greatly depend on hitting investment return targets. Missing targets by 0.5% can lead to $2M in more unfunded liability
- An actuary will provide forecasts starting with the CY15 audit, per accounting rules

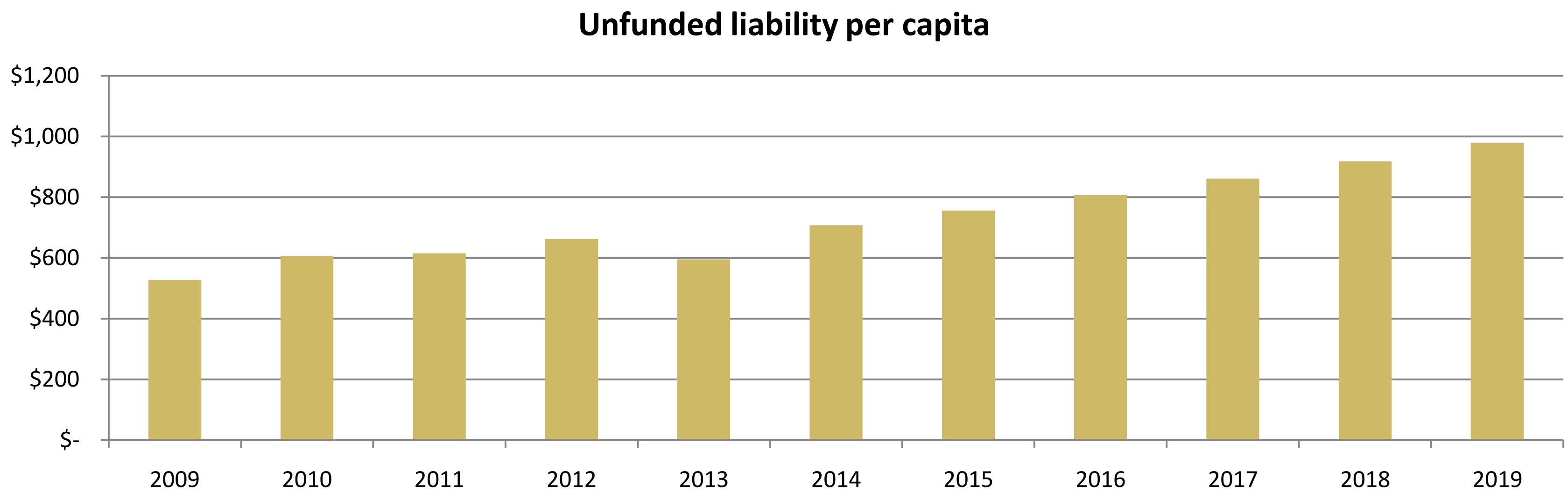
Salary	Investment	Est. 2013 Unfunded Liability
6.0%	7.5%	$12.3M
6.0%	7.0%	$14.7M
5.0%*	7.25%*	$11.5M*
3.5%	7.0%	$12.1M
*selected		

- Finance Commission recommends that we review our pension funding strategy, including assumptions and mid-term funding target goals

Projecting pensions

- For the Police Pension Fund, we have used long term (2002-2013) growth rates to project future actuarial assets, and accrued liabilities
- IMRF was more than 100% funded until 2007, and 98% funded in 2008, so we have used growth rates from 2009-2013
- If we used 2002-2013 growth rates for IMRF, total unfunded liability would be $34M in 2019, instead of $27M
- Current unfunded liability is $16.5M
- Multi-million dollar increases to unfunded liabilities are alarming

Village Pensions, 2003-2019
IMRF and Police Pension

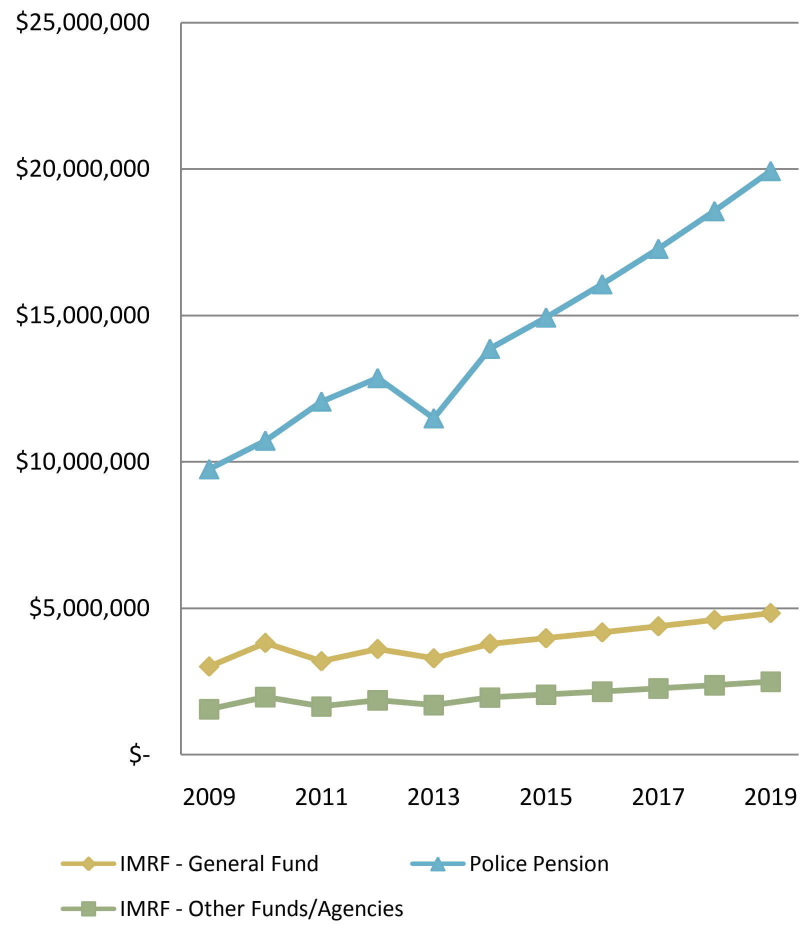


	2003	2013	2019
Actuarial Value of Assets	$38.6M	$46.7M	$58.0M
Unfunded liability	$1.8M	$16.5	$27.3
Funded ratio	95.6%	73.9%	68.0%
Village contribution	$440k	$1.6M	$2.5M

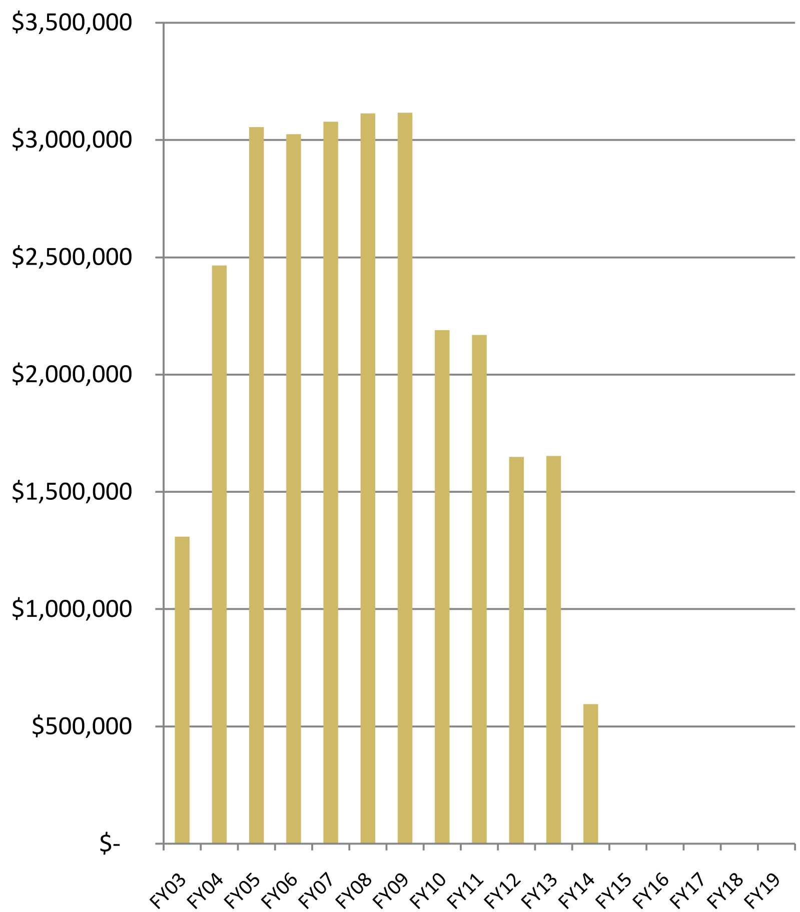
- Unfunded liabilities grow to $1,000 per resident in 2019, an average of 9% per year
- This is the total of IMRF (all sources) and Police Pension
- Police Pension projections based on 2002-2013
- IMRF projections based on 2009-2013, as IMRF was more than 100% funded until 2007

Unfunded pension liability

- The Village's Police Pension Fund liability continues to grow
- The General Fund is home to about 66% of total IMRF contributions (and proportional liability)
- IMRF is also funded by other agencies (Library and GWA) and other Village Funds (Water/Sewer, Equipment Services)

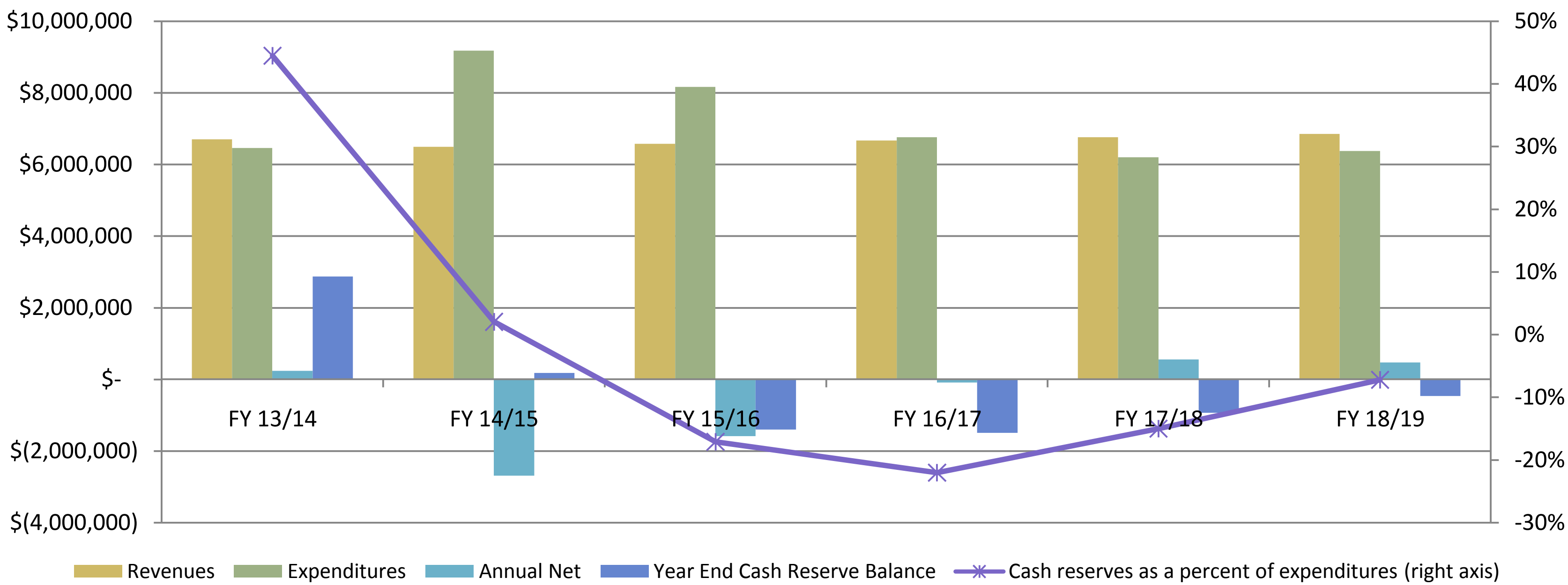


Debt paid by property taxes



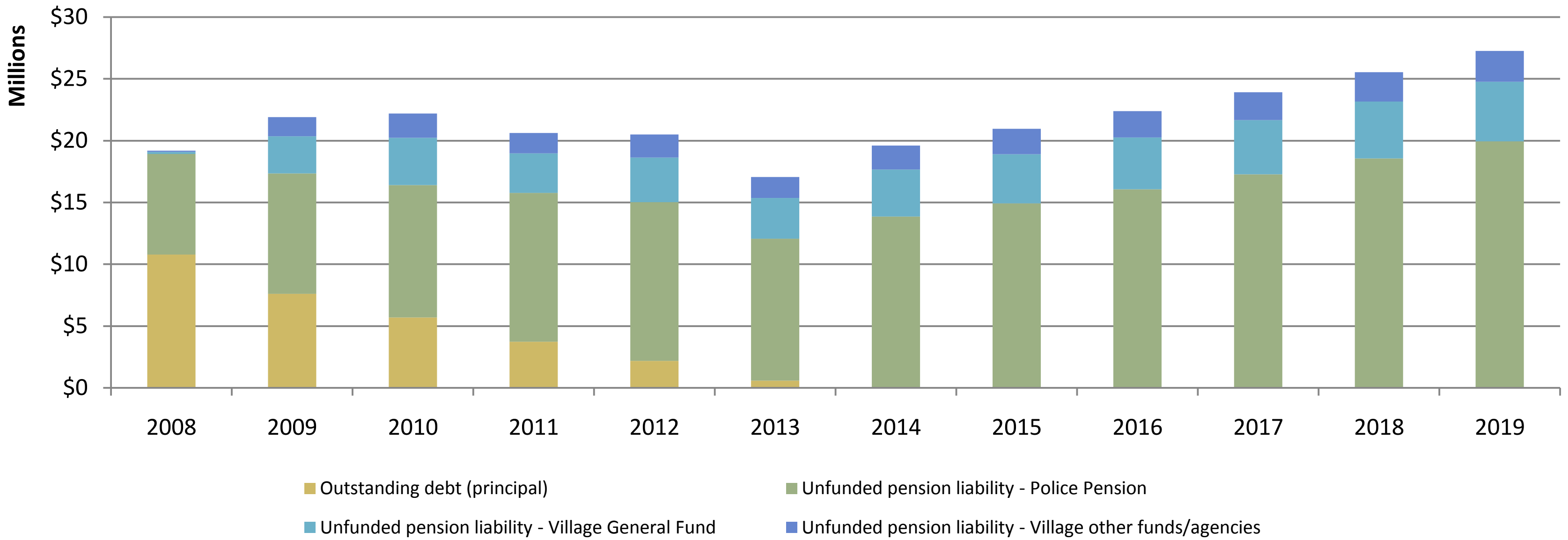
- The Village now funds capital projects on a pay as you go basis
- Property taxes previously used to pay debt service now go to the Capital Projects Fund
- The Village has outstanding debt, paid for using Village Links revenues

Capital projects fund



- Capital plan is being revised by Capital Improvements Commission and Village Board
- Large deficit occurs in FY15 and FY16 due to CBD roadway and streetscape project in 2015. That project’s scope will likely change, and could use other revenues (TIF, grants) to offset costs

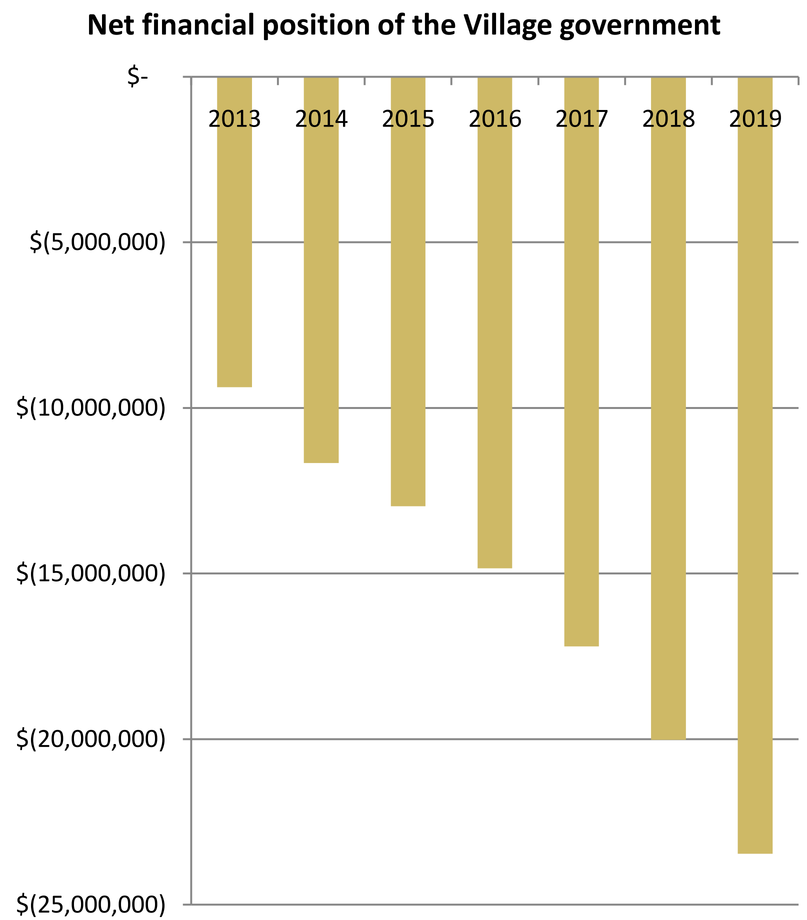
Long-term liabilities



- Future government liabilities continue to grow
- Pension liabilities includes Police Pension, Village General Fund, Village other funds, GWA, and Glen Ellyn Public Library

Net financial position

- Net financial position is the cash reserves, less long term liabilities
- Pension liabilities for other funds & agencies is excluded



Conclusions

- The Village had a good 2013 and a balanced budget in 2014, pushing out future deficits
- Revenues grow at 0.9%, while costs grow at 2.9%, which is unsustainable
- Largest cost drivers are compensation, pensions, and health insurance
- Even with large increases to pension costs, our unfunded liability continues to escalate
- The Affordable Care Act could significantly increase our health insurance costs going forward