

**FINANCE WORKSHOP  
BOARD OF TRUSTEES  
10/5/21**



**CONFIDENTIAL**

## **AGENDA**

- Audit Presentation by Miller Cooper
- Detailed 2021 YTD and Full Year forecast
- 5 year forecast for the General Fund
- Village's Cash Position
- Discussion re: revenue enhancement, expense reduction with recommended scenario by the staff
- Water, Sewer, and Capital Funds Updates
- Fund Management Policies

Audit Presentation  
Miller Cooper and Company Ltd.

## FOUNDATION POINTS

- **FUND MANAGEMENT**
  - General Fund Cash Target: maintain 12 to 18 months of operating costs
  - Capital Fund Cash Target: 5 years of non-discretionary investment and maintenance expense
  - Sewer Fund Cash Target: \$1,000,000
  - Water Fund Cash Target: \$2,000,000
  - MFT Fund: accumulate balance for Saunders Road project
- **GENERAL FUND OPERATING INCOME/DEFICIT**
  - Balanced Budget in 2022, with projected surpluses in 2023-2026
- **POLICE TAX**
  - Recommended tax levy scenario:
    - 2021: 20% increase
    - 2022-2025: 3% increase per year
  - Rationale
    - Projections include Thornton's which is a risk
    - One, rather than annual, Truth in Taxation hearing
    - Limited cost reduction or other revenue enhancement opportunities

# GENERAL FUND 5 YEAR PROJECTIONS

with assumed tax levies

	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected
<b>REVENUE</b>						
Police Property Tax	824,000	988,800	1,018,464	1,049,018	1,080,488	1,112,903
Sales Tax	737,300	744,673	752,120	759,641	767,237	774,910
Thornton's Sales Tax	0	150,500	175,000	200,000	200,000	200,000
State Income Tax	387,600	395,352	403,259	411,324	419,551	427,942
Utility Tax - Gas/Elect	385,000	385,000	385,000	385,000	385,000	385,000
Telecomm Tax (Excise)	212,536	214,661	216,808	218,976	221,166	223,378
Franchise Fees	85,850	86,709	87,576	88,451	89,336	90,229
Hotel Tax	128,125	131,328	134,611	137,977	141,426	144,962
Police Revenue	265,000	270,300	275,706	281,220	286,845	292,581
Bldng Dept Fees	240,000	244,800	249,696	254,690	259,784	264,979
Interest Income	172,000	165,000	155,297	152,191	149,147	146,147
Municipal Motor Fuel Tax	0	40,000	45,000	50,000	50,000	50,000
Other	210,000	150,000	150,000	150,000	150,000	150,000
<b>TOTAL GENERAL FUND REVENUE</b>	<b>3,647,411</b>	<b>3,967,123</b>	<b>4,048,536</b>	<b>4,138,488</b>	<b>4,199,979</b>	<b>4,263,031</b>
<b>EXPENSE</b>						
Administration	1,185,000	1,220,550	1,257,167	1,294,881	1,333,728	1,347,065
Building	207,005	213,215	219,612	226,200	232,986	239,976
Rd & Bridge/Drainage	183,467	183,467	183,467	183,467	183,467	183,467
Woodland	59,000	68,000	68,000	68,000	68,000	68,000
Police**	2,019,500	2,080,085	2,142,488	2,206,762	2,272,965	2,341,154
<b>TOTAL GF EXPENSE</b>	<b>3,653,972</b>	<b>3,765,317</b>	<b>3,870,733</b>	<b>3,979,311</b>	<b>4,091,146</b>	<b>4,179,662</b>
<b>NET GENERAL FUND</b>	<b>(6,561)</b>	<b>201,806</b>	<b>177,803</b>	<b>159,177</b>	<b>108,833</b>	<b>83,369</b>
<b>Net General FD without property tax increase</b>	<b>(6,561)</b>	<b>37,006</b>	<b>(16,661)</b>	<b>(65,841)</b>	<b>(147,655)</b>	<b>(205,534)</b>

**GENERAL FUND CASH BALANCE PROJECTIONS**  
 assuming referenced fund management policies

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<b>ADJUSTED NET GENERAL FUND</b>	-503,802	-6,561	201,806	177,803	159,177	108,833	83,369
<b>TRANSFER TO OTHER FUNDS</b>	-1,151,336	-1,000,000	-3,000,000				
<b>EOY CASH BALANCE</b>	<b>9,959,620</b>	<b>8,953,059</b>	<b>6,154,864</b>	<b>6,332,668</b>	<b>7,291,845</b>	<b>7,400,678</b>	<b>7,484,047</b>

**Possible Cash Sources:**

TIF Note Repayment				800,000			
Total Additional Sources/Uses	0	0	0	800,000	0	0	0
<b>EOY HYPOTHETICAL CASH BALANCE</b>	<b>9,959,620</b>	<b>8,953,059</b>	<b>6,154,864</b>	<b>7,132,668</b>	<b>7,291,845</b>	<b>7,400,678</b>	<b>7,484,047</b>

# FUND BALANCE PROJECTIONS

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<b><u>GENERAL FUND</u></b>						
Starting balance	9,959,620	8,953,059	6,154,864	7,132,668	7,291,845	7,400,678
Operating surplus/deficit	(6,561)	201,806	177,803	159,177	108,833	83,369
Transfers to Capital Fund	(1,000,000)	(3,000,000)	0	0	0	0
TIF Note Receivable			800,000			
<b>Ending Balance</b>	<b>8,953,059</b>	<b>6,154,864</b>	<b>7,132,668</b>	<b>7,291,845</b>	<b>7,400,678</b>	<b>7,484,047</b>
<b><u>WATER FUND</u></b>						
Starting balance	2,411,101	2,110,843	2,207,234	2,175,570	2,123,130	2,049,256
Revenues	1,124,000	1,124,000	1,124,000	1,124,000	1,124,000	1,124,000
Expenses	1,322,658	983,729	1,003,504	1,023,680	1,044,154	1,065,037
Income/Deficit	(198,658)	140,271	120,496	100,320	79,846	58,963
Thorngate Reservoir Rehab	101,600	143,880	152,160	152,760	153,720	145,200
Water Distribution System Replacements	0	100,000	0	0	0	0
<b>Ending balance</b>	<b>2,110,843</b>	<b>2,207,234</b>	<b>2,175,570</b>	<b>2,123,130</b>	<b>2,049,256</b>	<b>1,963,019</b>
<b><u>SEWER FUND</u></b>						
Starting balance	1,581,195	1,545,738	1,510,312	1,509,877	1,451,394	1,513,106
Revenues	463,000	463,000	463,000	463,000	463,000	463,000
Expenses	98,457	100,426	102,435	104,483	106,288	106,288
Income/Deficit	364,543	362,574	360,565	358,517	356,712	356,712
Sewer System O&M	193,000	188,000	183,000	179,000	174,000	170,000
Sewer System Rehab	207,000	210,000	178,000	238,000	121,000	189,000
<b>Ending balance</b>	<b>1,545,738</b>	<b>1,510,312</b>	<b>1,509,877</b>	<b>1,451,394</b>	<b>1,513,106</b>	<b>1,510,818</b>

# CAPITAL FUND PROJECTIONS

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<b>Infrastructure</b>						
Roads/Bridges	318,779	165,557	1,281,162	42,289	556,500	41,800
Less: MFT		128,116	800,000			
<b>Net Roads/Bridges</b>	<b>318,779</b>	<b>37,441</b>	<b>481,162</b>	<b>42,289</b>	<b>556,500</b>	<b>41,800</b>
<b>Drainage</b>	<b>0</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>0</b>	<b>0</b>
Sidewalks/Pathways (non-campus)		220,000	880,000			
Less: Grant			880,000			
<b>Net Sidewalks/Pathways (non-campus)</b>	<b>0</b>	<b>220,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Water Tower/Other</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Property/Buildings</b>						
Campus		175,000				
Less: Grant						
<b>Net Campus</b>	<b>0</b>	<b>175,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Village Hall/Police Station</b>	<b>0</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Signage</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Woodland Management</b>	<b>9,847</b>	<b>31,237</b>	<b>9,847</b>	<b>9,847</b>	<b>31,237</b>	<b>9,847</b>
<b>Water Tower</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other</b>	<b>0</b>	<b>0</b>	<b>250,000</b>	<b>250,000</b>	<b>0</b>	<b>0</b>
<b>Equipment</b>						
Police	57,271	23,000	61,000	42,000	86,000	44,000
Public Works	0	20,000	20,000	0	0	0
Admin Equipment						
Other	0	15,000	15,000	15,000	15,000	15,000
<b>TOTAL</b>	<b>385,897</b>	<b>801,678</b>	<b>1,087,009</b>	<b>609,136</b>	<b>688,737</b>	<b>110,647</b>
<b>Starting Cash Balance</b>	<b>74,908</b>	<b>931,128</b>	<b>3,371,567</b>	<b>2,284,558</b>	<b>1,675,422</b>	<b>986,685</b>
<b>ARPA Grant</b>	<b>242,117</b>	<b>242,117</b>				
<b>Transfer from General Fund</b>	<b>1,000,000</b>	<b>3,000,000</b>				
<b>Ending Cash Balance</b>	<b>931,128</b>	<b>3,371,567</b>	<b>2,284,558</b>	<b>1,675,422</b>	<b>986,685</b>	<b>876,038</b>



## OPPORTUNITIES FOR COST REDUCTION

- Personnel costs represent approximately 50% of General Fund expenses. A reduction in personnel means reduced services and, in some cases, an inability to adequately operate.
- The Police Department is about 55% of General Fund expenses. At this point there is no realistic alternative – either the same level of service from the County would be significantly more expensive, or there would be a major reduction in service and safety.
- Of the remaining portion of expenses, the discretionary cost reduction opportunities that would have a “measurable annual impact” are:
  - Woodland programs: \$68,000 – Not Recommended
  - Village Voice: \$25,000 – Not Recommended
  - Village Parties: \$9,000 – Not Recommended
  - Donations: Other than NSSRA, \$2000 budgeted, \$1237 spent YTD- Not material\*
  - Public to Private Streets: \$100,000 – Adoption rejected by previous Board
- The Finance Committee believes that most of these reductions would change the quality of life and safety within the Village. With the exception of street conversion, these should be “emergency” actions.

(\* total NSSRA contribution YTD is \$88,390 but this includes the capital program which is complete)

## POSSIBLE ADDITIONAL REVENUE GENERATION SOURCES

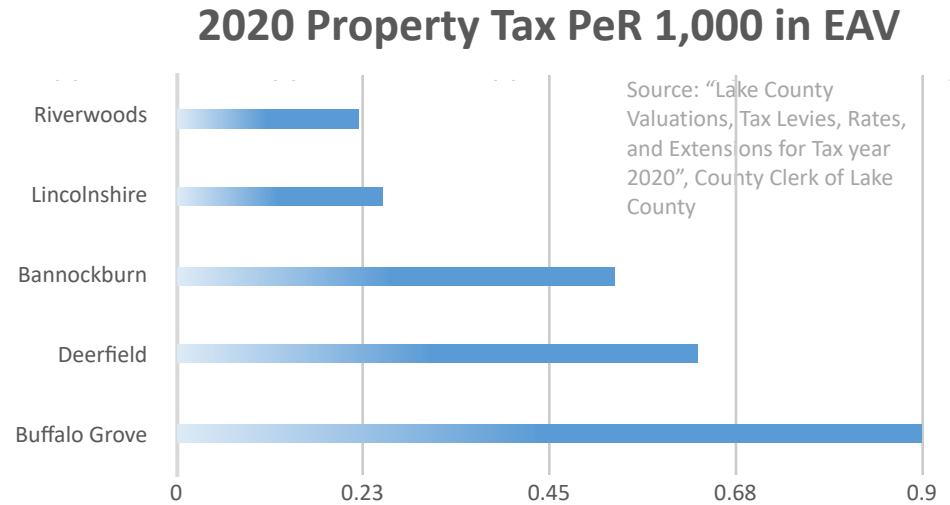
- Higher Police Property Tax Increases
- Fee Increases
- Real Estate Transfer Tax
- New Sales Tax Generation
- ??

# PROPERTY TAX INCREASE REVIEW

	<b>Actual 2021 **</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Total All Years</b>
<b>Actual Levy amounts by year</b>							
5% Increase per year	824,000.00	865,200.00	908,460.00	953,883.00	1,001,577.15	1,051,656.01	5,604,776.16
7.5% Increase per year	824,000.00	885,800.00	952,235.00	1,023,652.63	1,100,426.57	1,182,958.56	5,969,072.76
20% increase in year 1, 3% thereafter	824,000.00	988,800.00	1,018,464.00	1,049,017.92	1,080,488.46	1,112,903.11	6,073,673.49
<b>Revenue increase over the prior year</b>							
5% Increase per year	-	41,200.00	43,260.00	45,423.00	47,694.15	50,078.86	227,656.01
7.5% Increase per year	-	61,800.00	66,435.00	71,417.63	76,773.95	82,531.99	358,958.56
20% increase in year 1, 3% thereafter	-	164,800.00	29,664.00	30,553.92	31,470.54	32,414.65	288,903.11

\*\* Baseline, actual levy in 2020

A Truth in Taxation hearing is required for an increase that is 5% or more



## REAL ESTATE TRANSFER TAX

### Projected Revenues Based on Past Sales had a Real Estate Transfer Tax Been in Place

Year	Number of Transfers	Rate \$ 3.00 Per \$1,000	Rate \$ 4.00 Per \$1,000	Rate \$ 5.00 Per \$1,000
2014	72	\$ 82,573	\$ 110,049	\$ 137,562
2015	97	119,281	159,042	198,802
2016	101	112,584	150,112	187,640
2017	94	97,440	129,920	162,401
2018	97	103,642	138,189	172,737
2019	104	91,734	122,312	152,890
Totals		<u>607,254</u>	<u>809,624</u>	<u>1,012,032</u>

Implementation of this tax would require a referendum and would face significant realtor lobby opposition. It would be very difficult to implement. There is also a potential negative impact on property values. It would, however, relieve the pressure on police tax increases and help to offset risk.

## FINANCE COMMITTEE RECOMMENDATION

## SUMMARY OF FINANCE COMMITTEE RECOMMENDATION

- Adopt new fund management policies for the General and Capital Funds
- Implement the tax levy scenario
  - Requires a Truth in Taxation hearing later this year
- Implement a real estate transfer tax if Thornton's doesn't eventuate
- Move forward aggressively with development options:
  - Connector road to Colonial Court
  - Continue to pursue annexation opportunities
  - Pursue grants such as Rebuild Illinois Mainstreet, perhaps in concert with the property owners
  - Etc.
- Add Village staff functionality (in house or outsourced) but with tight cost controls
  - Property management (in progress)
  - Social media
  - Grant acquisition/administration (in progress)

# APPENDIX

## EFFECT OF RECOMMENDED POLICE PROPERTY TAX INCREASE ON AVERAGE HOME

Assuming a home with a  
 FMV of \$750,000 which is an EAV of \$250,000  
 and 3% per year EAV inflation

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<b>Annual EAV Increase</b>		3%	3%	3%	3%	3%
<b>Total Tax</b>	19,820.48	20,415.09	21,027.55	21,658.37	22,308.12	22,977.37
<b>Proposed Percentage Increase</b>	10%	3%	3%	3%	3%	3%
<b>Riverwoods Tax Rate</b>	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
<b>Riverwoods Tax</b>	437.93	451.07	464.60	478.54	492.89	507.68
<b>Annual Increase</b>	\$ 53.06	\$ 13.14	\$ 13.53	\$ 13.94	\$ 14.36	\$ 14.79
<b>Increase over 5 years</b>	\$ 122.81					