

FINANCE WORKSHOP

OCTOBER 2022

VILLAGE OF RIVERWOODS

EXECUTIVE SUMMARY

- Assuming a 4% annual increase in the police tax levy and using conservative revenue assumptions otherwise, the General Fund operating net income is projected to become a slowly growing but modest deficit. This includes an increase in administrative staffing expense.
- There is a major shift in the outlook for the Water Fund. Some of the current mains are 60 years or older and approaching their practical life. GHA has now recommended that the Village should start replacing the oldest mains (circa 1961). The currently proposed replacement schedule uses up the entire Fund reserve.
- There is also a major shift in the outlook for the Sewer Fund. GHA is now recommending a major program in 2029 and 2030 which will deplete the entire fund at that time.
- To be conservative, the Capital Fund projection is a high expenditure scenario. The projection includes a three year stormwater program, sidewalks/pathways net of grants, a Deerfield Rd. landscaping assistance program, Deerfield Rd. intersection improvements, \$275,000 for a nature play area, etc. With these assumptions the current cash balance in the Fund remains positive until 2027.
- Even taking into account all these factors, the Village's cash position remains very strong. To put this into context, the Village could have the ability to replenish or loan funds from the General Fund, if so desired, and still meet the General Fund balance target (12 months of operating expenditures).

GENERAL FUND – Recommended Scenario

	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027	
	Actual	Actual	Actual	Budget	Projected	Projected	Projected	Projected	Projected	Projected	
General Fund											
REVENUE											
Police Property Tax	558,625	529,377	802,880	988,800	988,800	1,028,352	1,069,486	1,112,266	1,162,317	1,214,622	4% each year moving forward
Sales Tax	787,316	520,725	649,521	595,000	669,007	689,077	695,968	702,927	709,957	717,056	3% in 2023, 1% thereafter
Thornton's Sales Tax	-	-	-	-	-	275,000	275,000	275,000	275,000	275,000	
State Income Tax	388,796	409,559	520,641	395,352	626,000	638,520	651,290	664,316	677,603	691,155	2% year over year, State projects 2.5%
Utility Tax - Gas/Elect	374,155	375,614	392,934	350,000	385,000	385,000	385,000	385,000	385,000	385,000	Flat, assumes more appliances offset by efficiency increases
Telecomm Tax (Excise)	289,480	287,768	231,191	214,661	233,503	235,838	238,196	240,578	242,984	245,414	1% year over year, historical rate
Franchise Fees	85,852	85,000	80,525	84,000	81,330	82,144	82,965	83,795	84,633	85,479	1% year over year, historical rate
Hotel Tax	136,882	35,405	60,484	131,328	100,000	102,500	105,063	107,689	110,381	113,141	2.5% inflation
Police Revenue	264,761	294,550	275,333	279,250	290,600	295,100	293,600	293,600	303,600	303,600	
Bldg Dept Fees	197,028	246,832	238,493	371,940	300,000	306,000	312,120	318,362	324,730	331,224	2% year over year
Interest Income	180,657	198,658	11,492	161,700	40,000	40,000	40,000	40,000	40,000	40,000	Interest now also allocated to Capital Fund
Municipal Motor Fuel Tax	-	-	-	-	-	80,000	80,000	80,000	80,000	80,000	\$.02 per gallon starting in 2022
Other*	1,414,514	76,837	67,368	163,925	50,000	50,000	50,000	50,000	50,000	50,000	21 and 22 ARPA distributions - \$224K each yr are recorded in Capital Fund
TOTAL GF REVENUE	4,678,066	3,060,325	3,330,862	3,735,956	3,764,240	4,207,530	4,278,688	4,353,533	4,446,204	4,531,690	
EXPENSE											
Administration	1,239,359	1,039,232	961,218	1,055,996	995,000	1,395,000	1,436,850	1,479,956	1,524,354	1,570,085	400,000 in 2023 for new positions and 3% each year after
Building	191,630	200,976	138,808	346,497	300,000	326,000	335,780	345,853	356,229	366,916	100,000 in 2023 for new position and 3% each year after
Rd & Bridge/Drainage	146,720	243,538	262,153	45,021	75,000	75,000	75,000	75,000	75,000	75,000	Snow Removal Coded to MFT, not R&B
Woodland	85,231	68,000	21,505	69,000	100,000	68,000	68,000	68,000	68,000	68,000	
Police	2,005,770	2,012,381	1,898,511	2,093,115	2,122,197	2,347,549	2,398,631	2,456,553	2,523,214	2,569,214	
TOTAL GF EXPENSE	3,668,710	3,564,127	3,282,195	3,609,628	3,592,197	4,211,549	4,314,261	4,425,362	4,546,797	4,649,215	
NET GENERAL FUND	1,009,356	(503,802)	48,667	126,328	172,043	(4,019)	(35,573)	(71,829)	(100,593)	(117,524)	
Ref: Constant Levy						24,679	(46,712)	(124,410)	(201,850)	(269,668)	
Ref: Constant Rate						(13,907)	(56,041)	(103,606)	(150,007)	(185,856)	
*Includes replacement tax, administrative hearing revenue, recycling rebate, credit card convenience fees, and reimbursements.											
Major Assumptions:											
- No impact from potential developments and population growth. These can be overlayed when developments are further defined.											
- Thornton's municipal motor fuel tax and sales tax revenue to begin 1/1/23 in amounts roughly three quarters of their estimates.											
- An additional \$500K has been added into administrative expenses to reflect reformulated staffing.											
- Cushion for unforeseen circumstances is available in the police property tax levy, the remaining portion of the Thornton's estimate, and the Village's cash											

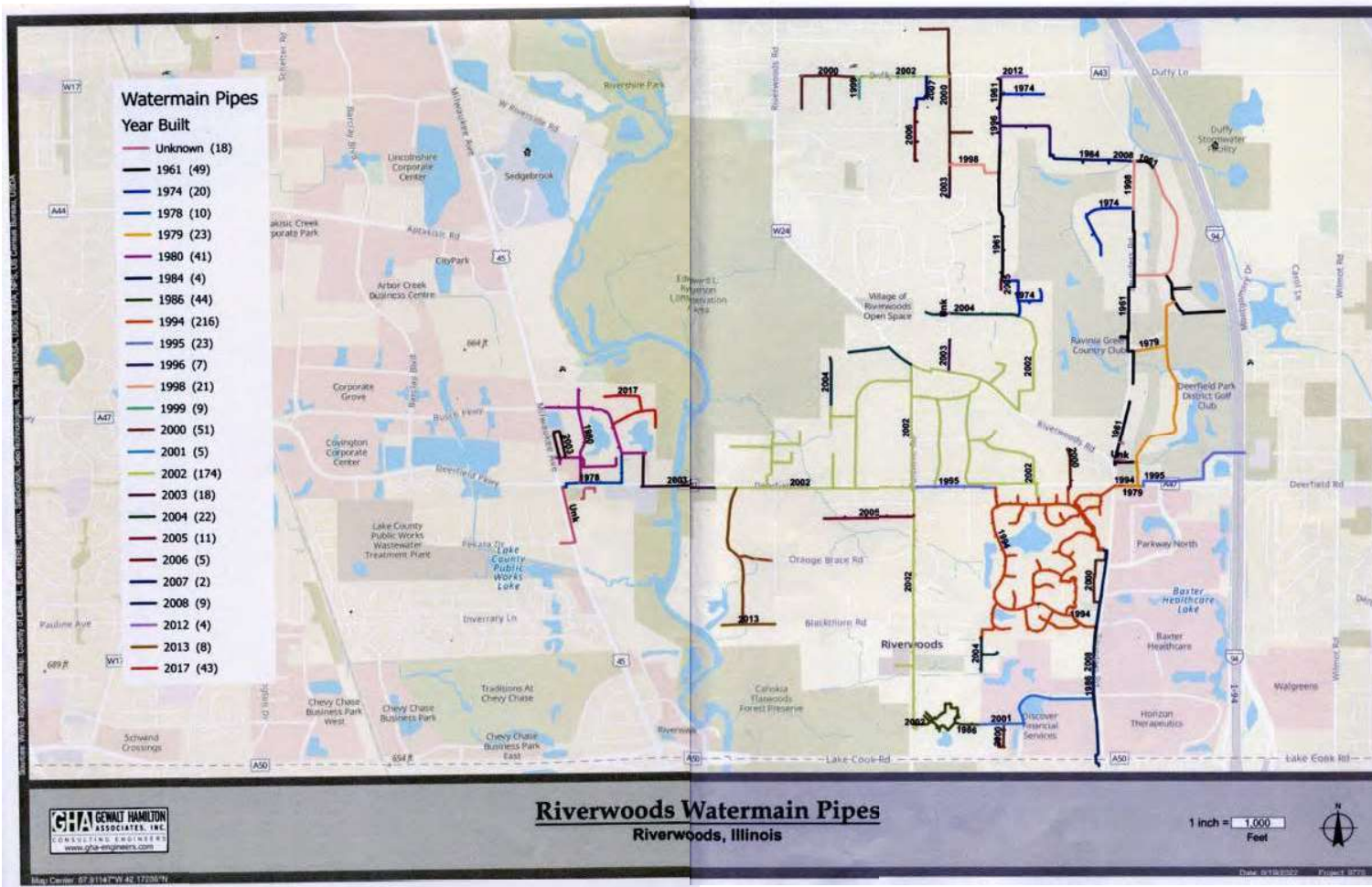
WATER FUND

WATER FUND	2022	2023	2024	2025	2026	2027	\$2MM target balance				
								GHA is has indicated that actually \$1MM should be sufficient			
Starting balance	\$2,070,565	\$1,781,406	\$808,924	\$67,988	(\$92,641)	(\$225,610)					
Revenues	\$1,124,000	\$1,124,000	\$1,124,000	\$1,124,000	\$1,124,000	\$1,124,000	Assumes any Northbrook cost increase are offset by rate increases				
Expenses	\$1,076,159	\$1,097,682	\$1,119,636	\$1,142,029	\$1,164,869	\$1,188,166	Assumes 2% per year increase plus specific O&M items				
Income/Deficit	\$47,841	\$26,318	\$4,364	(\$18,029)	(\$40,869)	(\$64,166)					
Rehab and Modernization	\$225,000	\$850,000	\$600,000	\$50,000	\$50,000	\$600,000					
Reservoir Rehab and Capital	\$112,000	\$148,800	\$145,300	\$92,600	\$42,100	\$59,300					
Ending balance	\$1,781,406	\$808,924	\$67,988	(\$92,641)	(\$225,610)	(\$949,076)					

Reference: 2021 Projection	\$2,007,234	\$1,975,570	\$1,923,130	\$1,849,256	\$1,763,019
----------------------------	-------------	-------------	-------------	-------------	-------------

- These fund balance projections have substantially changed from those presented last year. The Rehab and Modernization spending includes a new GHA recommended program to replace existing mains that are over 60 years old and those which may contain concrete with asbestos content (in anticipation of an IEPA mandate). Hopefully, some of the timing is such that we could “piggyback” on County roadwork. See the water main map on the next page.
- No expenditures have been included in the above projection for extension of water mains to Village areas where Lake Michigan water is not presently available. A small additional main to support Meadowlake reliability and the possible Lexington development is included in 2024.
- Options to address the future fund deficit include stretching out the new program, transferring money from the General Fund to the Water Fund, issuing debt, raising rates, etc.
- The recommendation is to:
 - Undertake the program for 2023 and 2024. The current fund balance is sufficient to cover these two years and this is the possible timing of the County work.
 - During this time, the results of the resident survey on water main extension and the timing on the new developments will be better known.
 - Depending on the scope of work, then consider financing options, including the possibility of issuing debt to cover the main upgrades, the main extensions, and any needed development support.

WATER MAIN MAP BY AGE



CAPITAL FUND

High Expenditure Scenario	2022	2023	2024	2025	2026	2027					
CAPITAL FUND											
Infrastructure											
Roads/Bridges	\$165,557	\$1,281,162	\$42,289	\$556,500	\$41,800	\$600,000					
Less: MFT*	\$128,116	\$800,000									MFT expenditure assumes no Federal (STP) participation.
Net Roads/Bridges	\$37,441	\$481,162	\$42,289	\$556,500	\$41,800	\$600,000					
Drainage	\$0	\$250,000	\$250,000	\$250,000	\$0	\$0					Assumes annual drainage improvement program started in 2023
Sidewalks/Pathways (non-campus)	\$220,000	\$330,000		\$1,020,000							Deerfield path, Riverwoods Rd., Preserve, Portwine (Deerfield Rd. to Village Hall)
Less: Grant				\$800,000							Assumes 80% federal grant
Net Sidewalks/Pathways (non-campus)	\$220,000	\$330,000	\$0	\$220,000	\$0	\$0					
Water Tower/Other	\$0	\$0	\$0	\$0	\$0	\$0					
											* - After the MFT fund is exhausted on Saunders, the annual MFT distributions roughly equal snow plowing expense now charged to this fund, so no other MFT fund expenditures have been forecast
Property/Buildings											
Net Campus	\$0	\$275,000	\$0	\$0	\$0	\$0					
Village Hall/Police Station	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000					
Signage	\$0	\$0	\$0	\$0	\$0	\$0					
Woodland Management	\$31,237	\$9,847	\$9,847	\$31,237	\$9,847	\$10,000					
Other	\$0	\$250,000	\$250,000	\$0	\$0	\$0					Intersection improvements and Deerfield Road landscaping program
Equipment											
Police	\$26,318	\$88,350	\$81,000	\$46,000	\$46,000	\$46,000					
Public Works	\$20,000	\$20,000	\$25,000	\$25,000	\$25,000	\$30,000					e.g. Hydrant maintenance
Admin Equipment		\$15,000	\$15,000	\$15,000	\$15,000	\$15,000					
Other	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000					
TOTAL	\$379,996	\$1,764,359	\$718,136	\$1,188,737	\$182,647	\$746,000					
Starting Cash Balance	\$931,128	\$3,893,249	\$2,228,890	\$1,610,754	\$522,017	\$439,370					
ARPA Grant	\$242,117										
Interest Income Allocation	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000					
Transfer from General Fund	\$3,000,000										
Ending Cash Balance	\$3,893,249	\$2,228,890	\$1,610,754	\$522,017	\$439,370	(\$206,630)					

END OF THE YEAR CASH FORECAST

CASH PROJECTION							
	2022	2023	2024	2025	2026	2027	
General Fund Starting Balance	\$7,151,616	\$7,295,375	\$7,359,606	\$7,393,581	\$7,392,636	\$7,364,304	
General Fund Surplus/Deficit	\$143,759	\$64,231	\$33,974	(\$945)	(\$28,333)	(\$43,846)	
General Fund Ending Balance	\$7,295,375	\$7,359,606	\$7,393,581	\$7,392,636	\$7,364,304	\$7,320,457	
Projected Water Fund Ending Balance	\$1,781,406	\$808,924	\$67,988	(\$92,641)	(\$225,610)	(\$949,076)	
Projected Sewer Fund Ending Balance	\$1,781,353	\$1,651,926	\$1,498,831	\$1,323,403	\$1,123,519	\$978,257	
Projected Capital Fund Ending Balance	\$3,893,249	\$2,228,890	\$1,610,754	\$522,017	\$439,370	(\$206,630)	
Total before MFT, SSA, TIF	\$14,751,383	\$12,049,346	\$10,571,154	\$9,145,415	\$8,701,583	\$7,143,008	

The target balance for the General Fund is approximately \$4MM

CONCLUSIONS/RECOMMENDATIONS

- The Village's overall cash position projected to remain relatively strong over the forecast period even with staff additions, major sewer and water fund projects, and some major program capital investment.
- The BOT should adopt a 4% hike in the police tax levy (\$1,028,352 to be collected next year). A year from now the Board can reevaluate the outlook and the actual revenue from Thorntons and then determine the needed levy strategy to offset any potential future deficits.
- Undertake the water system 2023 and 2024 recommended programs and then reevaluate the Water Fund projection and rate change and financing needs if any.
- Make no changes in sewer rates until the situation with the County clarifies. The Fund is projected to remain well above or at the \$1MM target balance through 2028.
- Proceed with capital programs as scheduled if approved.
- The impacts from potential development projects can be overlaid once the current study is completed.

If the recommendations are adopted, the 2023 data could be used as a foundation for 2023 budgeting.