



## **FINANCE WORKSHOP**

**December 5, 2023**

## Executive Summary

- The scenario presented includes a 4.5% annual increase in the Police Tax Levy. Other revenues are assumed at conservative growth assumptions. The General Fund net income projections are positive over next year, then projections are trending to a deficit beginning in 2025.
- The Water Fund includes some large infrastructure projects that would have the fund in a significant deficit at the end of the 5-year projects. Discussion on timing of when these projects should happen, as well as funding options, needed for guidance.
- The Sewer Fund remains above the \$1MM target balance at the end of the 5-year projections. However, GHA has recommended a major sewer program for 2029 and 2030, which would deplete the reserves.
- The Capital Fund projections are a high expenditure scenario. All suggested capital projects have been included. Notable projects in 2024 include a road program with ditch grading, the drainage program at Bunker Court, and the Police Station sidewalk.
- The Village's cash position is strong in the immediate term, even with all included projects. However, if the General Fund is used to replenish or loan funds to the other Funds, beginning in 2028 it falls below the target balance of 12 months of operating expenses, which is approximately \$4.5MM.

**GENERAL FUND**

General Fund	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Budget	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected	
<b>REVENUE</b>												
Police Property Tax	558,625	529,377	802,880	1,047,432	1,028,352	1,028,352	1,074,628	1,122,986	1,173,520	1,226,329	1,281,514	4.5% each year moving forward
Sales Tax	787,316	520,725	649,521	790,066	725,000	973,486	1,002,691	1,012,717	1,022,845	1,033,073	1,043,404	3% in 2024, 1% thereafter
State Income Tax	388,796	409,559	520,641	613,721	550,000	631,606	644,238	657,123	670,265	683,671	697,344	2% year over year, State projects 2.5%
Utility Tax - Gas/Elect	374,155	375,614	392,934	442,434	460,000	404,867	405,000	405,000	405,000	405,000	405,000	Flat, assumes more appliances offset by efficiency increases
Telecomm Tax (Excise)	289,480	287,768	231,191	296,347	260,000	389,815	393,713	397,650	401,627	405,643	409,699	1% year over year, historical rate
Franchise Fees	85,852	85,000	80,525	105,604	110,000	79,666	80,463	81,267	82,080	82,901	83,730	1% year over year, historical rate
Hotel Tax	136,882	35,405	60,484	129,779	145,000	116,412	119,322	122,305	125,363	128,497	131,709	2.5% inflation
Police Revenue	264,761	294,550	275,333	255,567	293,600	287,323	351,835	287,472	293,221	299,086	305,067	2025 removes \$70,000 in grants. 2% each year moving forward.
Bldng Dept Fees	197,028	246,832	238,493	365,871	282,500	537,246	274,750	280,245	285,850	291,567	297,398	2% year over year
Interest Income	180,657	198,658	11,492	-52,993	175,000	145,798	145,798	145,798	145,798	145,798	145,798	Interest now also allocated to Capital Fund
Municipal Motor Fuel Tax	-	-	-	-	80,000	68,964	70,000	70,000	70,000	70,000	70,000	\$.02 per gallon starting in 2022
Other*	1,414,514	76,837	67,368	82,686	90,750	76,603	76,603	76,603	76,603	76,603	76,603	
<b>TOTAL GF REVENUE</b>	<b>4,678,066</b>	<b>3,060,325</b>	<b>3,330,862</b>	<b>4,076,514</b>	<b>4,200,202</b>	<b>4,740,138</b>	<b>4,639,041</b>	<b>4,659,167</b>	<b>4,752,172</b>	<b>4,848,167</b>	<b>4,947,267</b>	
<b>EXPENSE</b>												
Administration	1,239,359	1,039,232	961,218	1,321,617	1,251,314	1,724,998	1,389,054	1,430,726	1,473,647	1,517,857	1,563,393	3% each year
Building	191,630	200,976	138,808	287,640	464,223	362,971	487,130	501,744	516,796	532,300	548,269	3% each year
Rd & Bridge/Drainage	146,720	243,538	262,153	168,078	87,500	46,919	93,000	93,000	93,000	93,000	93,000	Snow Removal Coded to MFT, not R&B
Woodland	85,231	68,000	21,505	19,543	79,200	74,893	74,000	74,000	74,000	74,000	74,000	
Police**	2,005,770	2,012,381	1,898,511	2,268,202	2,445,855	2,119,479	2,462,490	2,536,365	2,612,456	2,690,829	2,771,554	3% each year
<b>TOTAL GF EXPENSE</b>	<b>3,668,710</b>	<b>3,564,127</b>	<b>3,282,195</b>	<b>4,065,080</b>	<b>4,328,092</b>	<b>4,329,260</b>	<b>4,505,674</b>	<b>4,635,834</b>	<b>4,769,899</b>	<b>4,907,986</b>	<b>5,050,216</b>	
<b>NET GENERAL FUND</b>	<b>1,009,356</b>	<b>(503,802)</b>	<b>48,667</b>	<b>11,434</b>	<b>(127,890)</b>	<b>410,878</b>	<b>133,367</b>	<b>23,333</b>	<b>(17,727)</b>	<b>(59,819)</b>	<b>(102,949)</b>	

\*Includes replacement tax, administrative hearing revenue, recycling rebate, credit card convenience fees, and reimbursements.

- Looking back at 2023 revenues for sales taxes and Building Department fees were significantly higher than budgeted. The impact of Thornton's, as well as consumer spending, likely were the main contributors to the favorable sales tax impacts. The Building Department saw significant activity from roof permits due to storm activity.
- 2023 Administration expenses included significant consultant expenses that were unplanned at the time the 2023 budget was created.
- No impacts for potential developments or population growth included.
- Staffing impacts to Administrative expenses should begin stabilizing moving forward, although a new Village Clerk is budgeted in 2024.
- Cushion for unforeseen circumstances is available in the Police Property Tax Levy, as well as the Village's cash position.
- With annual increases in the Police Property Tax at 4.5%, operations continue around breakeven throughout the planning period.

**WATER FUND**

<u>WATER FUND</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	\$2MM target balance
Starting balance	\$1,789,406	\$1,515,511	(\$271,671)	(\$1,048,336)	(\$2,064,414)	(\$3,758,395)	
Revenues	\$1,159,787	\$1,220,454	\$1,274,863	\$1,330,360	\$1,386,968	\$1,444,707	
Interest	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	
Expenses	\$1,097,682	\$1,294,636	\$1,495,528	\$1,725,439	\$1,959,948	\$2,199,147	Assumes 2% per year increase plus specific O&M items: hydrant flushing/painting, tests, valve exercising
Income/Deficit	\$66,105	(\$70,182)	(\$216,665)	(\$391,079)	(\$568,980)	(\$750,440)	
Thorngate Rehab	\$0	\$267,000	\$160,000	\$125,000	\$125,000	\$100,000	
Water Distribution System Replacements	\$340,000	\$1,450,000	\$400,000	\$500,000	\$1,000,000	\$450,000	2024 - \$600,000 Palmer Court Replacement/\$850,000 saunders PH 1; 2025 - maintenance ; 2026 - Buffalo Grove connection/ maintenance; 2027 - Saunders Ph 2; 2028 Maintenance
<b>Ending balance</b>	<b>\$1,515,511</b>	<b>(\$271,671)</b>	<b>(\$1,048,336)</b>	<b>(\$2,064,414)</b>	<b>(\$3,758,395)</b>	<b>(\$5,058,834)</b>	
Note: Duffy Municipal Water Illustration							
Number of parcels:	103		Three "SSA"s: 7+64+32				
Number of linear feet:	14,181						
Cost per linear foot \$425							
Total Cost	\$6,026,925						
Resident contribution	\$3,296,000		103 parcels times \$32,000 - the current value of past resident contributions				
Village Cost	\$2,730,925						

- Scenario includes Palmer Court replacement and Saunders Road in 2024
- Expenditures for the extension of water mains to Village areas on well water are not included
- Options to address future fund deficits include stretching out new programs, loans from the General Fund to Water Fund, issuing debt, raising rates, exploring grant opportunities.
- Most recent rate increase took effect in October 2023. Minimum user charge has remained at \$10 per month.

**SEWER FUND**

<u>SEWER FUND</u>	2023	2024	2025	2026	2027	2028	Data from GWH projections
Constant Rate Scenario							1313 Residential Customers
\$54 per qtr.							
Starting balance	\$1,835,533	\$2,106,533	\$1,787,533	\$1,618,533	\$1,554,533	\$1,480,733	
Revenues	\$464,000	\$464,000	\$464,000	\$464,000	\$478,200	\$493,110	Customer charges: \$284,000 + LCPW Rate Remittance \$180,000
Expenses	\$28,000	\$28,000	\$28,000	\$28,000	\$27,000	\$27,000	Engineering coordination and locating services
Sewer System O&M	\$165,000	\$350,000	\$225,000	\$225,000	\$250,000	\$250,000	
Sewer System Capital	\$0	\$405,000	\$380,000	\$275,000	\$275,000	\$300,000	Includes lift station modernization
Surplus/Deficit	\$271,000	(\$319,000)	(\$169,000)	(\$64,000)	(\$73,800)	(\$83,890)	
Ending balance	<b>\$2,106,533</b>	<b>\$1,787,533</b>	<b>\$1,618,533</b>	<b>\$1,554,533</b>	<b>\$1,480,733</b>	<b>\$1,396,843</b>	\$1MM target balance
Lift station modernization		Whigam	Thorngate	Thorngate	Timbers	Trillium	

- Keep in mind the \$1MM+ program that will have impacts in 2029 and 2030.
- The Village continues to review the current arrangement with Lake County, which includes maintenance and utility billing and collecting.
- The fund balance remains over the \$1MM target through the 5-year projections, but the 2029 program is right around the corner.

**CAPITAL FUND**

<b>High Expenditure Scenario</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	
<b>CAPITAL FUND</b>							
<b>Infrastructure</b>							
Roads/Bridges	\$1,281,162	\$50,000	\$3,425,927	\$50,000	\$175,000	\$50,000	2024: \$50,000 for Road Program (including ditch grading); 2025: \$2,891,627 Saunders Road STP+\$534,300 Road Program; 2027 - Deerfield share of improvements; 2026-2028 per pavement assessment
Less: STP/MFT	\$800,000		\$1,800,000				2025: Federal (STP) participation \$1MM; MFT \$800K which leaves \$200K in MFT for a snowplowing, miscellaneous projects, and a cushion.
<b>Net Roads/Bridges</b>	<b>\$481,162</b>	<b>\$50,000</b>	<b>\$1,625,927</b>	<b>\$50,000</b>	<b>\$175,000</b>	<b>\$50,000</b>	
Drainage	\$0	\$665,000	\$1,300,000	\$600,000	\$2,000,000	\$500,000	2024: Bunker Court (\$48,000 grant award); 2025: Portwine; 2026: Clendenin ; 2027: Chianti Creek ; 2028: Meredith ; following stormwater study recommendations annual drainage improvement program started in 2023
Less: Grants		\$48,000	\$1,000,000	\$400,000	\$1,500,000	\$350,000	2024: \$48,000 SIRF; 2025: \$1,000,000 DCEO; 2026: \$400,000 DCEO; 2027: \$1,500,000 DCEO; 2028: \$350,000 DCEO
<b>Net Drainage</b>	<b>\$0</b>	<b>\$617,000</b>	<b>\$300,000</b>	<b>\$200,000</b>	<b>\$500,000</b>	<b>\$150,000</b>	
Sidewalks/Pathways (non-campus)	\$330,000	\$75,000	\$25,000	\$1,000,000	\$25,000	\$25,000	2024: Police station sidewalk; 2025: Maintenance; 2026: Portwine; 2027: Maintenance; 2028: Maintenance
Less: Grants			\$0	\$800,000			2026: \$800,000 ITEP
<b>Net Sidewalks/Pathways (non-campus)</b>	<b>\$330,000</b>	<b>\$75,000</b>	<b>\$25,000</b>	<b>\$200,000</b>	<b>\$25,000</b>	<b>\$25,000</b>	
Water Tower/Other	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Property/Buildings</b>							
Net Campus	\$290,000	\$40,000	\$0	\$0	\$0	\$0	
Village Hall/Police Station	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	
Signage	\$0	\$0	\$0	\$0	\$0	\$0	
Woodland Management	\$9,847	\$9,847	\$31,237	\$9,847	\$10,000	\$33,000	
Other	\$0	\$0	\$300,000	\$0	\$125,000	\$0	Intersection improvements and Deerfield Road landscaping program
<b>Equipment</b>							
Police	\$153,000	\$110,957	\$113,850	\$113,850	\$113,850	\$113,850	2024: Esscoe Server \$11,291; Flock Cameras \$20K; Ballistic Shield \$9,717; Dashboard Cameras \$34,002; Body Cameras \$35,946; 2025-2028 Annual Camera costs of \$48,850
Public Works	\$20,000	\$25,000	\$25,000	\$25,000	\$30,000	\$30,000	e.g. Hydrant maintenance
Admin Equipment	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	
Other	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	
<b>TOTAL</b>	<b>\$1,359,009</b>	<b>\$1,002,804</b>	<b>\$2,496,014</b>	<b>\$673,697</b>	<b>\$1,053,850</b>	<b>\$476,850</b>	
<b>Starting Cash Balance</b>	<b>\$3,217,589</b>	<b>\$1,958,580</b>	<b>\$1,055,776</b>	<b>(\$1,340,238)</b>	<b>(\$1,913,935)</b>	<b>(\$2,867,785)</b>	
<b>Interest Income Allocation</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	
<b>Transfer from General Fund</b>							
<b>Ending Cash Balance</b>	<b>\$1,958,580</b>	<b>\$1,055,776</b>	<b>(\$1,340,238)</b>	<b>(\$1,913,935)</b>	<b>(\$2,867,785)</b>	<b>(\$3,244,635)</b>	

- Reminder: This is a high expenditure scenario which includes discretionary projects.
- The projections include the higher priority projects identified by the Stormwater Committee and presented at the last Board meeting.
- The significant increase in infrastructure maintenance costs impacts the road and drainage investment requirements and necessitates additional cash infusions from internal or external sources and a review of project priorities.

**END OF THE YEAR CASH FORECAST**

<b><u>CASH PROJECTION</u></b>							
	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>	<b><u>2026</u></b>	<b><u>2027</u></b>	<b><u>2028</u></b>	
General Fund Starting Balance	\$8,746,772	\$9,157,650	\$9,291,017	\$9,314,350	\$9,296,623	\$9,236,803	
General Fund Surplus/Deficit	\$410,878	\$133,367	\$23,333	(\$17,727)	(\$59,819)	(\$102,949)	
General Fund Ending Balance	\$9,157,650	\$9,291,017	\$9,314,350	\$9,296,623	\$9,236,803	\$9,133,854	Target is approximately \$4.5MM
Projected Water Fund Ending Balance	\$1,515,511	(\$271,671)	(\$1,048,336)	(\$2,064,414)	(\$3,758,395)	(\$5,058,834)	
Projected Sewer Fund Ending Balance	\$2,106,533	\$1,787,533	\$1,618,533	\$1,554,533	\$1,480,733	\$1,396,843	
Projected Capital Fund Ending Balance	\$1,958,580	\$1,055,776	(\$1,340,238)	(\$1,340,238)	(\$1,913,935)	(\$3,244,635)	
<b>Total before MFT, SSA, TIF</b>	<b>\$14,738,274</b>	<b>\$11,862,655</b>	<b>\$8,544,309</b>	<b>\$7,446,503</b>	<b>\$5,045,207</b>	<b>\$2,227,228</b>	

**Conclusions/Recommendations**

- The Village’s overall cash position declines over the forecast horizon, driven primarily by infrastructure requirements, particularly in the Water Fund.
- The Board should adopt a 4.5% Police Tax Levy increase (\$1,074,628 to be collected next year). The rate can be reevaluated with the updated outlook provided each year.
- Given the present economic environment and to maintain the Village’s competitiveness, proceed with a 5% base salary budget increase for the non-represented employees.
- Consider engaging a “Municipal Financing Consultant” to assist in formulating a long run financing strategy including external funding sources and the Enterprise Fund’s rates.
- No changes in Sewer rates until we clarify the program with the County.
- Consider a transfer of \$4 million from the General Fund to the Capital Fund in 2024 to better reflect the future use of funds and Village’s financial condition. Prioritize the “high scenario” capital projects until an overall Village funding strategy is finalized.
- TIF porting of funds. We can port funds from TIF #1 to make up deficits in TIF #2.