Agenda
Village of Glen Ellyn
Special Workshop Meeting
Monday, October 1, 2018
7:00 PM
Glen Ellyn Civic Center, Room 301

Village Board Workshop Procedures Statement

Visitors are most welcome to attend all meetings of the Village Board and can find copies of the Agenda on their chairs or online at www.glenellyn.org prior to the meeting. Any individual with a disability requiring a reasonable accommodation in order to participate in a meeting should contact the Village of Glen Ellyn ADA Coordinator, 630-469-5000, at least five (5) business days in advance of the next scheduled meeting. All matters on the Agenda may be discussed, amended, and acted upon.

A. Call to Order

B. Pledge of Allegiance

C. Roll Call

D. Audience Participation

1. Open:

Members of the public are welcome to speak to any item not specifically listed on tonight's agenda for up to (3) three minutes. For those items which are on tonight's agenda, the public will have the opportunity to comment at the time the item is discussed. In either case, please complete the Audience Participation form and turn it in to the Village Clerk. It is requested that, if possible, one spokesman for a group be appointed to present the views of the entire group. Speakers who are recognized are requested to step to a microphone and state their name, their topic and the group, if any, they are representing prior to addressing the Village Board. Individuals wishing to address the Board shall exercise proper decorum and respect for the proceedings and the business of the Village Board, and shall refrain from abusive demeanor and language. The practice of ceding time to other speakers shall be prohibited, except in the discretion of the presiding officer of the meeting. Public officials are not obligated to respond to questions.

E. Five Year Forecast (Finance Director Coyle) (Discussion Only)

1. Finance Director Christina Coyle will present the Five Year Forecast for the General Fund.

F. 2019 Budget Discussion (Finance Director Coyle) (Discussion Only)

1. General Fund (Downtown Alliance)

2. TIF Fund

3. Corporate Reserve Fund

4. Equipment Services Fund

5. Insurance Fund

G. Other Items

H. Adjournment

Glen Ellyn Village Board
535 Duane Street
Glen Ellyn, IL 60137

Meeting: 10/01/18 07:00 PM
Department: Finance
Department Head: Christina Coyle
Category: Report
Prepared By: Christina Coyle

SCHEDULED

AGENDA ITEM (ID # 3577) DOC ID: 3577

Finance Director Christina Coyle will present the Five Year Forecast for the General Fund

Please find a copy of the report attached.

ATTACHMENTS:

- Five Year Forecast 2018 (PDF)

Village of Glen Ellyn

General Fund Five Year Forecast

2019 BUDGET

Goals of Five Year Forecast

- Understand long-term financial trends in revenues and expenditures/expenses.
- Identify future imbalances (deficits).
- Identify potential areas where programs can be implemented now to avoid future deficits.
- Understand how this forecast aligns with past forecasts.
- Compare past forecasts with actual results.

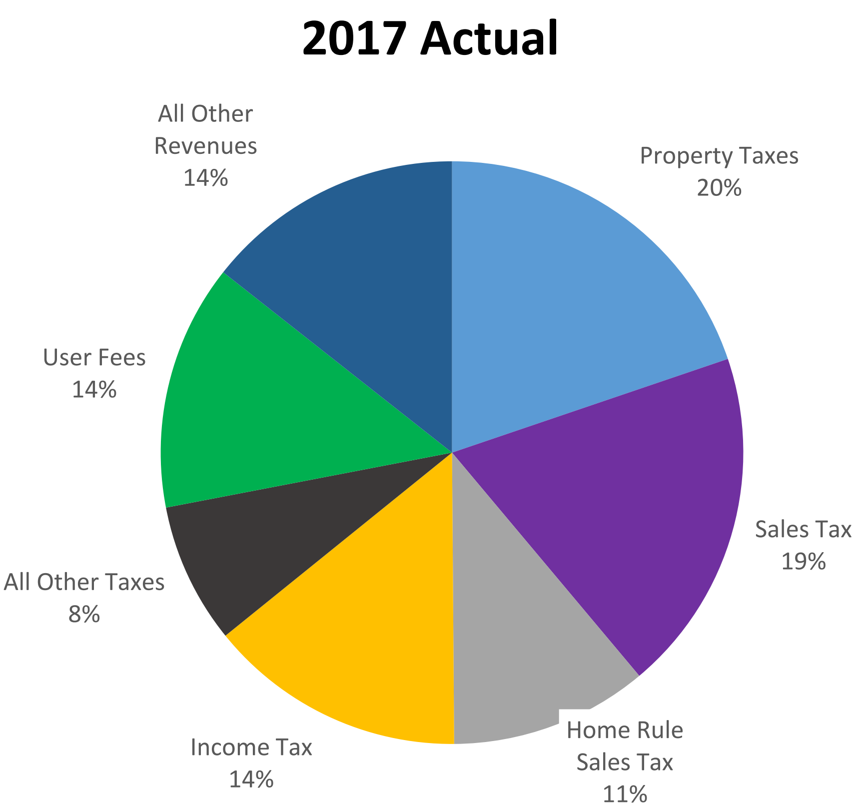
Facts on the Five Year Forecast

- Developed annually as a tool for the budget process.
- Forecast is a model to project future activity and is not a prediction of what will happen.
- Each year’s experience will vary.
  - The goal is that annual budgets will be balanced.
  - Each year’s actual results will vary.

Executive Summary

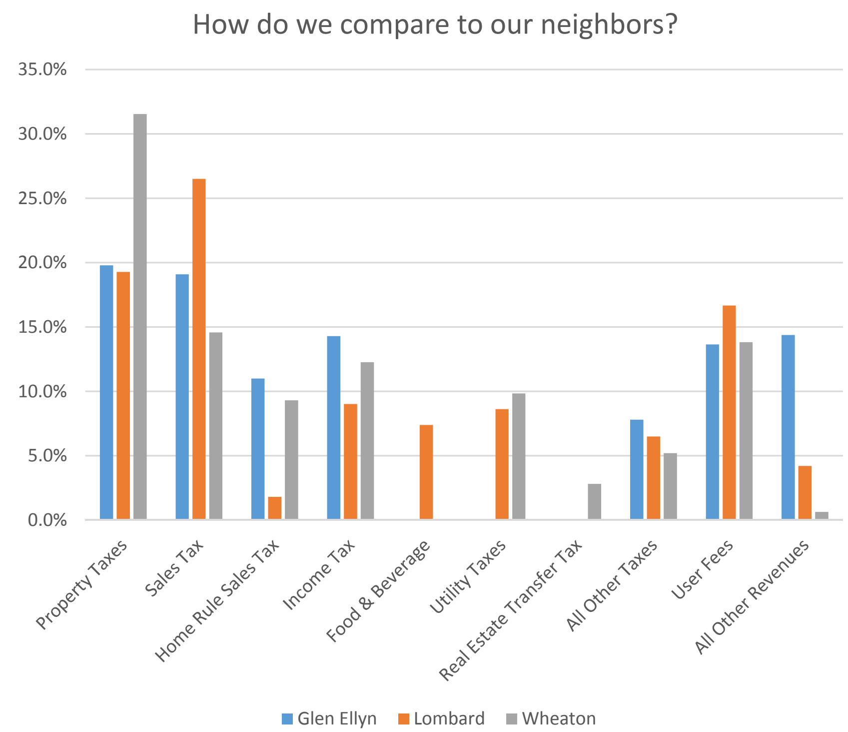
- Revenues are forecast to grow slower than expenses, eventually bringing the Village's fund balance down below policy level without action to the contrary.
- Key revenues such as sales tax, home rule sales tax, and income tax performed well prior to 2017, which mitigated the losses predicted in earlier forecasts. Those revenue streams have been flat or decreased in 2017 and 2018.
- Pension costs, primarily IMRF but also Police Pension, have moderated in the forecast.

Composition of General Fund Revenues



- 44% of General Fund revenue comes from our key revenues (sales tax, home rule sales tax, and income tax)
    - Village has no direct influence on income tax or sales tax
- 20% of General Fund revenue is from property tax levy
- 14% is from user fees which are designed to charge a fee for services used

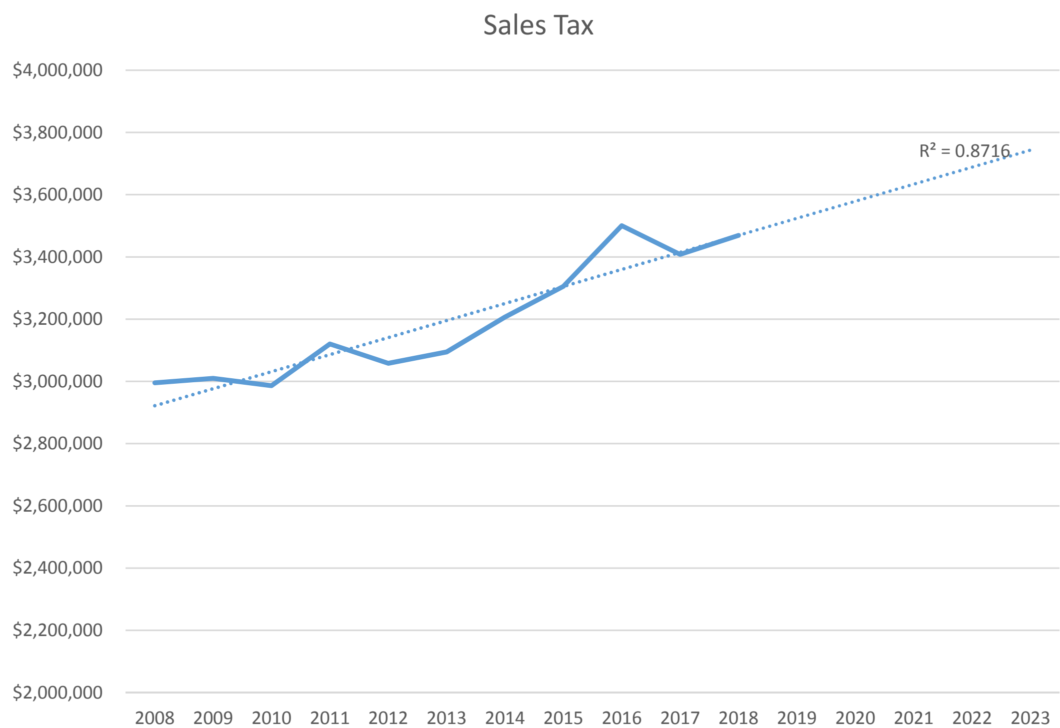
How does our General Fund compare to our neighbors?



- Lombard has greater sales taxes.
- Lombard and Wheaton put utility taxes in General Fund.
- Lombard has a food and beverage tax while Wheaton has a real estate transfer tax in its General Fund.
- Glen Ellyn has utility taxes, transfer taxes, and soon to be food and beverage tax, but they fund the Capital Fund rather than the General Fund

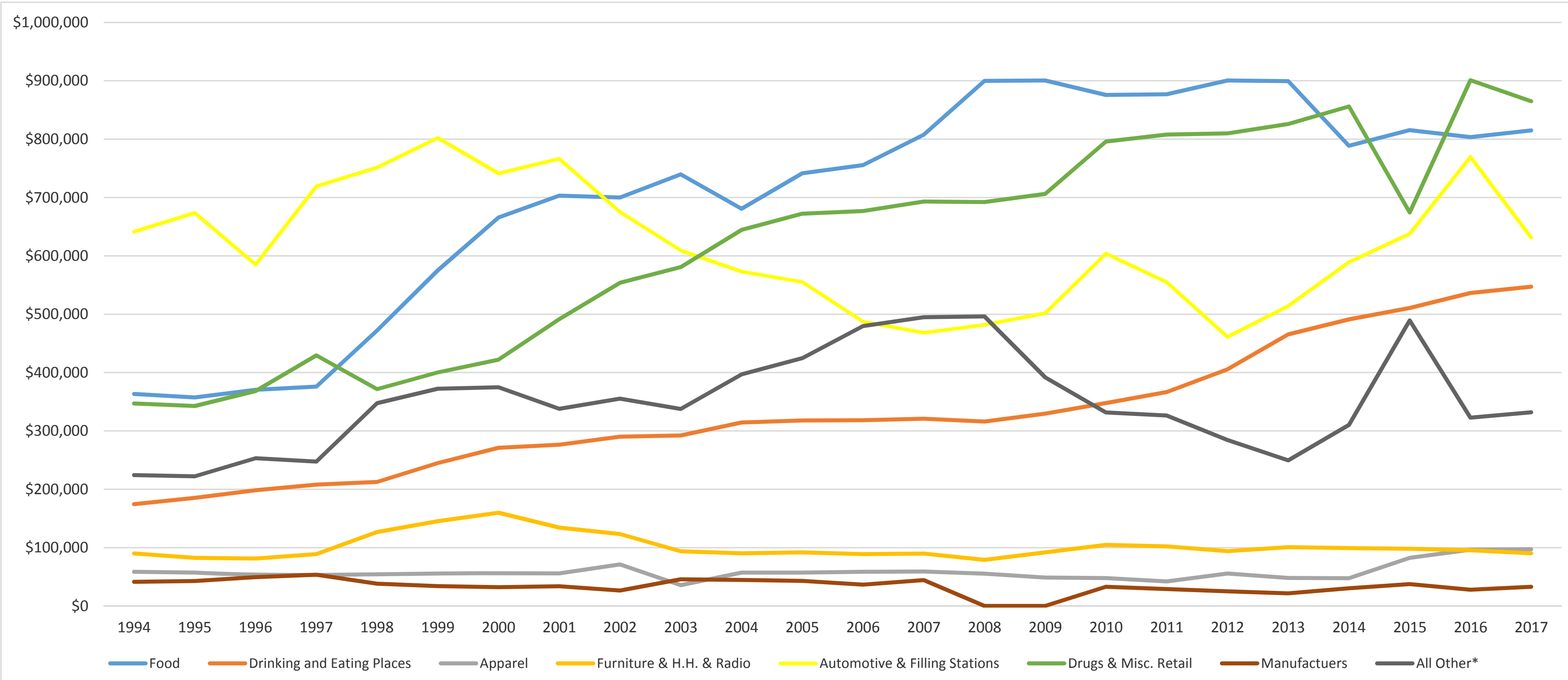
Note: 2017 data

General Fund Key Revenues – Sales Tax



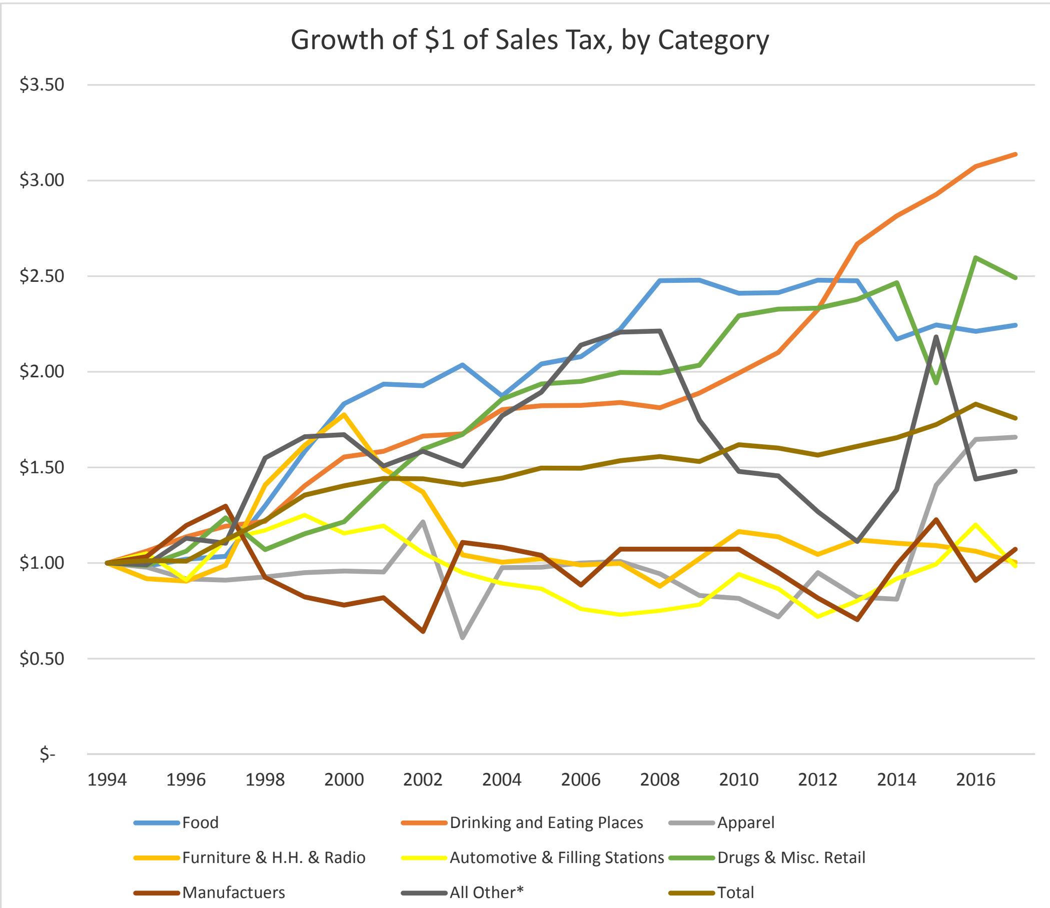
- Sales Tax has grown by an average of 1.5% per year over the past 10 years
- Preliminary 2019 Budget includes a 1.5% increase in sales tax
- Sales tax forecasted to grow at 2% in the 5 year forecast
- Rockefeller Institute estimates the national median sales tax growth forecast for Illinois in 2019 is 2.3%.
- Largest Business Categories for Sales Tax (2017 data):
  - Drug and Misc. Retail (901K)
  - Food (803K – 2016 data)
  - Automotive & Filling (769K)
  - Eating & Drinking Places (536K)

Historical Sales Tax by Category



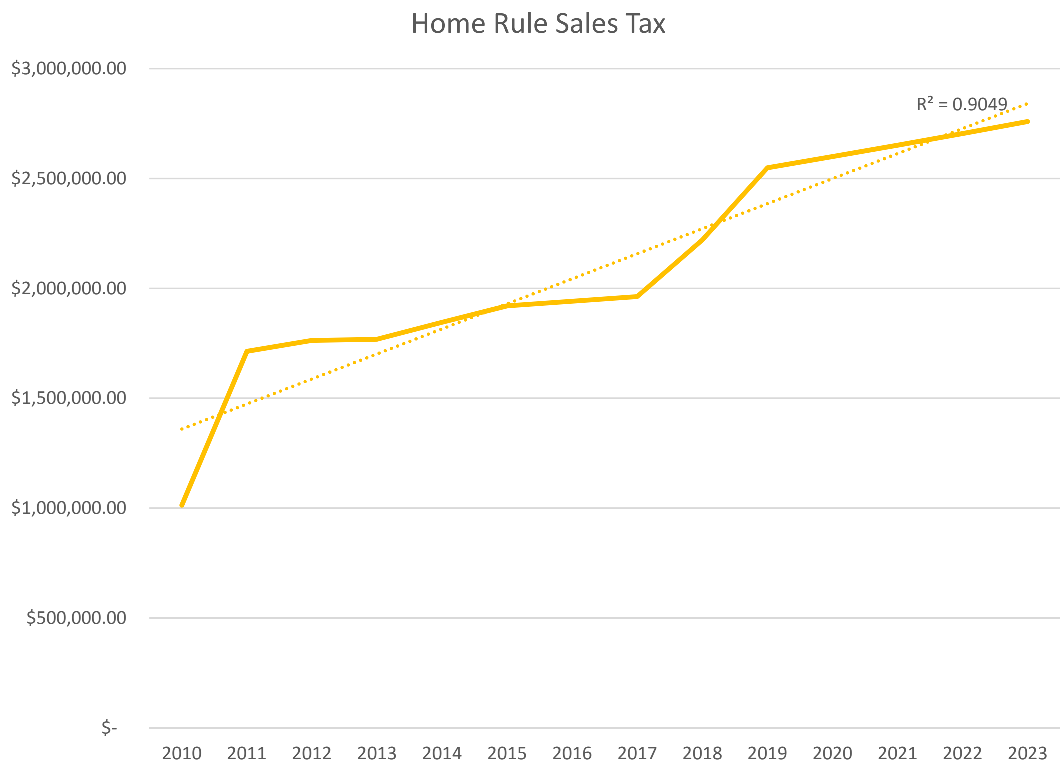
Food and Drugs and Miscellaneous Retail make up the largest sector of sales tax base.

Growth of Sales Tax by Category



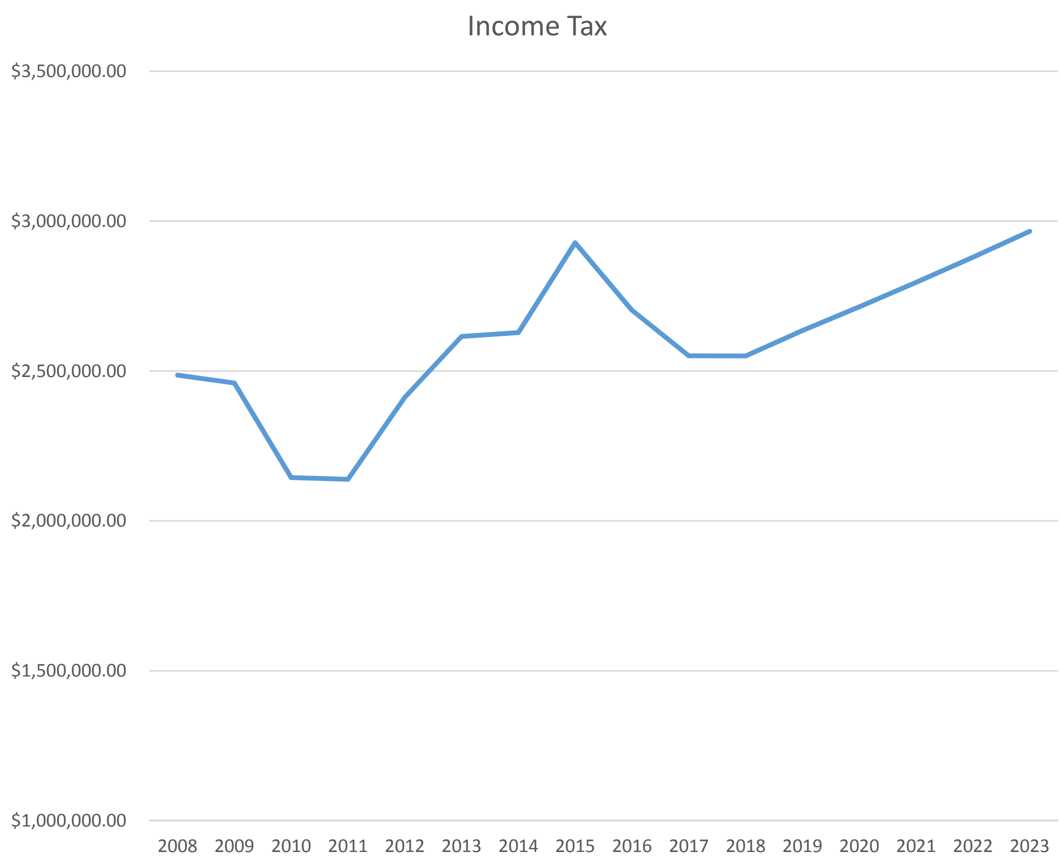
- Largest growth has been in the drinking and eating places category.

General Fund Key Revenues – Home Rule Sales Tax



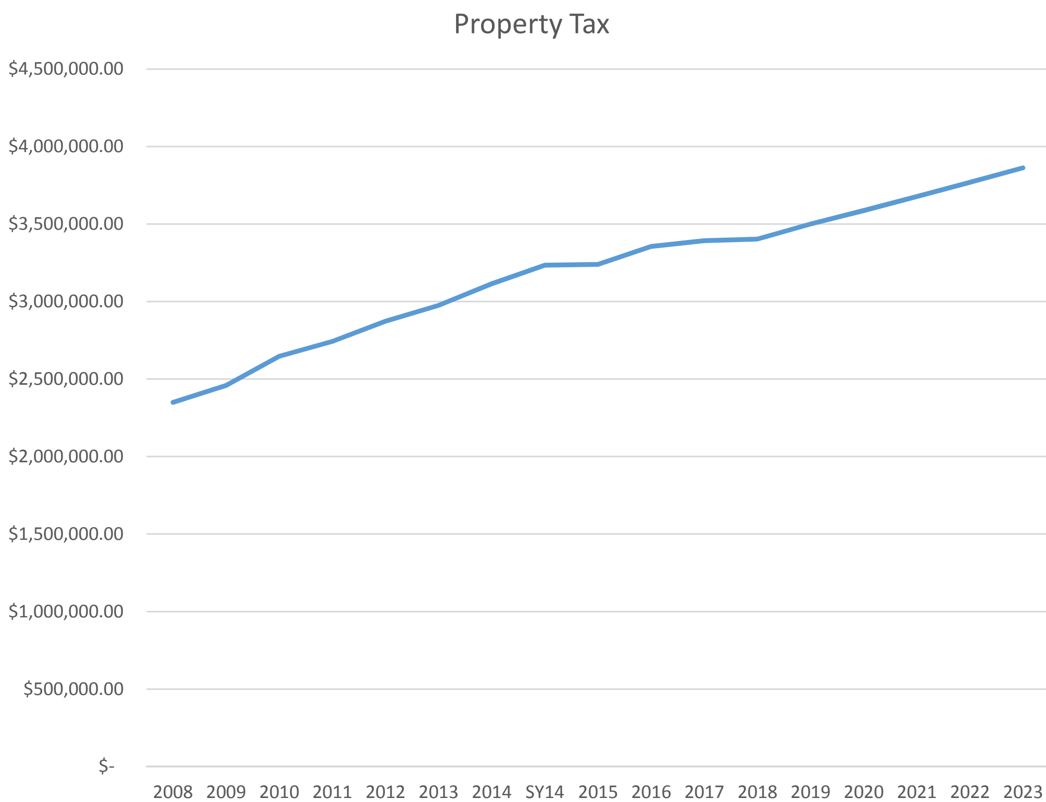
- Home Rule Sales Tax has grown by an average of 2.3% per year (excepting 2018 when rate was increased)
- Preliminary 2019 Budget realizes a full year of the 1.25% rate.
- Forecasted to grow at 2% in the 5 year forecast
- Largest Business Categories for Home Rule Sales Tax (2017 data):
  - Eating & Drinking Places (538K)
  - Drug and Misc. Retail (514K)
  - Food (280K)

General Fund Key Revenues – Income Tax



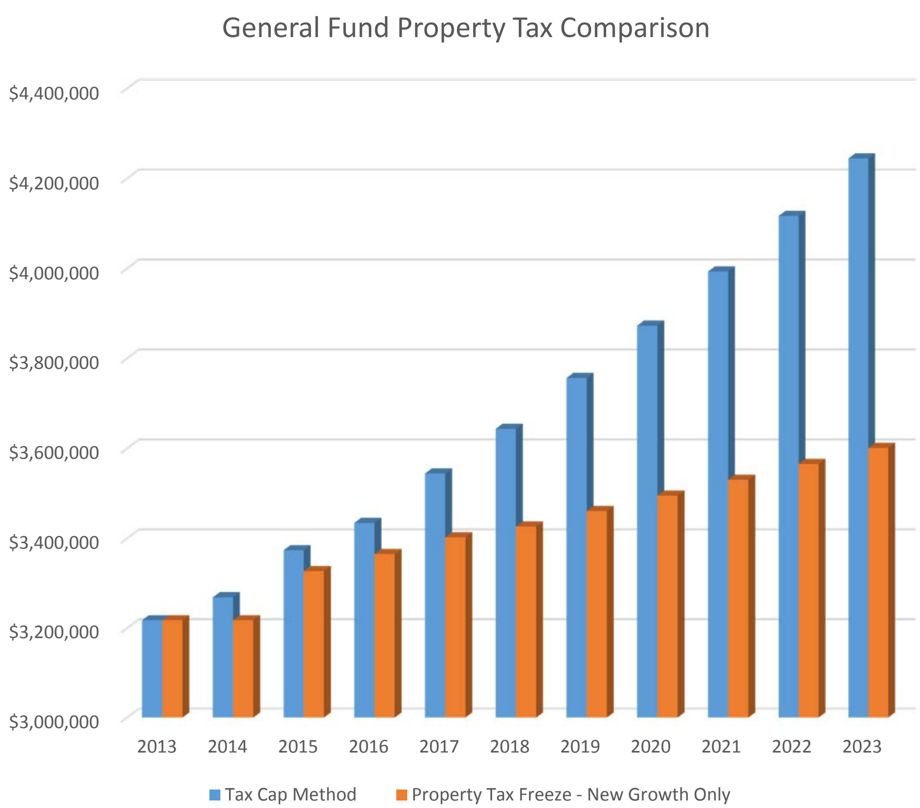
- Income Tax is more volatile than sales tax streams
- Income Tax has grown by an average of 0.6% per year over the past 10 years
- Preliminary 2019 Budget includes a 3% increase from 2018 est.
- The forecast includes 3% growth in income tax
- The state reduction was reduced from 10% to 5% of income tax. This is included in the 3% growth for 2019.

General Fund Key Revenues – Property Tax



- Village has adhered to the tax cap rules of CPI and new growth although not required to by its home rule status
- Average increase over 10 years is 3.45%
- 2019 preliminary budget includes:
    - 2.1% CPI set by DuPage County
    - 0.7% New Growth (last year's actual growth)
- Property tax is forecast to grow at 2.5% over the five year forecast

What would a property tax freeze cost the Village over 5 years?



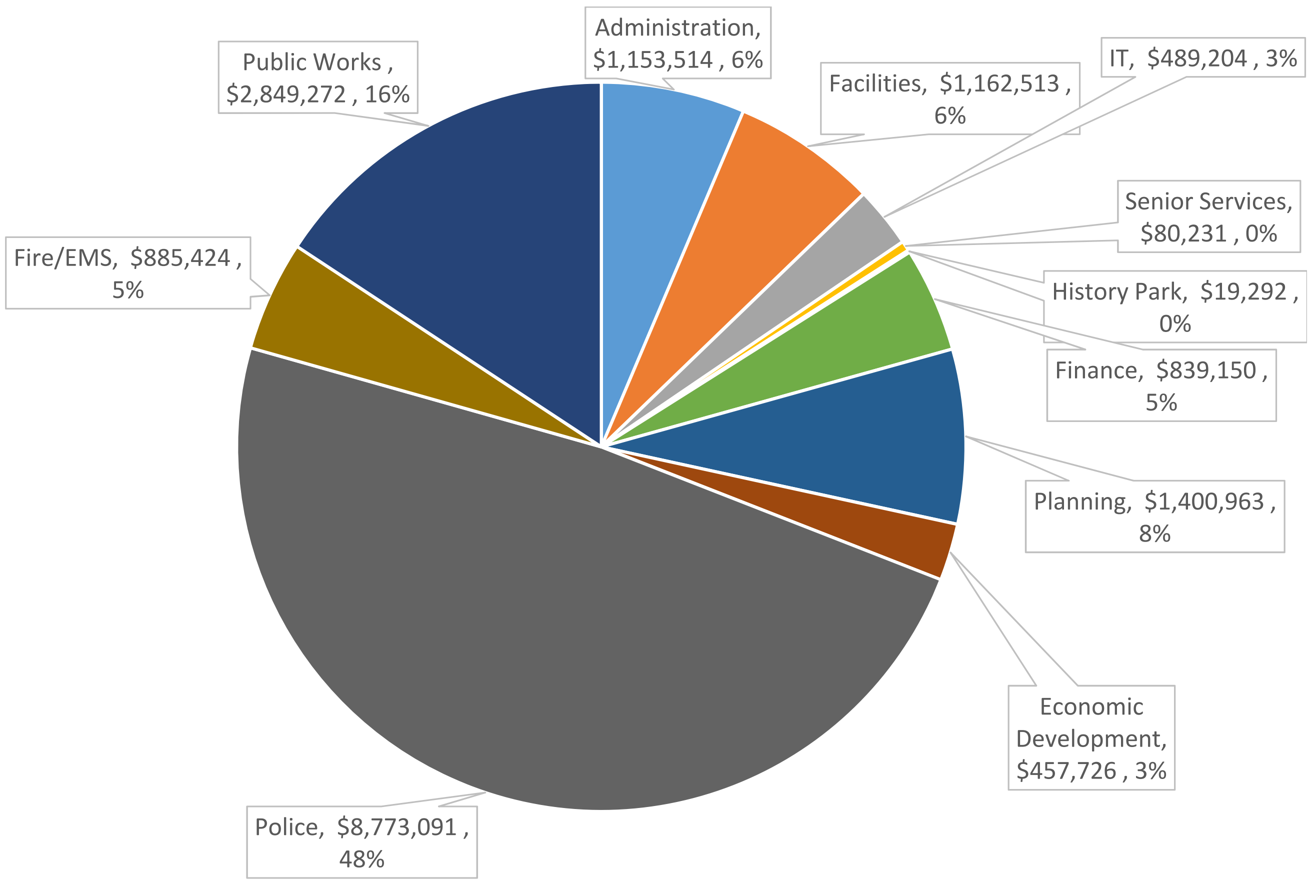
- The Village is a home rule community that is not legally bound by tax caps.
- However, the Village traditionally holds itself to the tax cap philosophy, which means the Village increases its levy for new growth and CPI only. This philosophy favors gradual increases over time rather than creating spikes in property tax rates.
- In 2014 (FY15 collections), the Village did not increase the levy and in 2015, 2016, and 2017 (FY16, FY17, FY18 collections) the Village only increased the levy for new growth (no CPI factor).
- The Village levies one general operating levy for the General Fund. The Capital levy goes to the Capital Projects Fund.
- This slide shows the yearly impact if the Village does not increase its tax levy.
- Over 5 years, the Village has foregone $309,000 in revenue in the General Fund.
- If the trend continues, over 10 years, the Village will have foregone $2.8 million in revenue.

Challenges in Revenue Streams

Several challenges and decision points are on the horizon regarding General Fund Revenues:

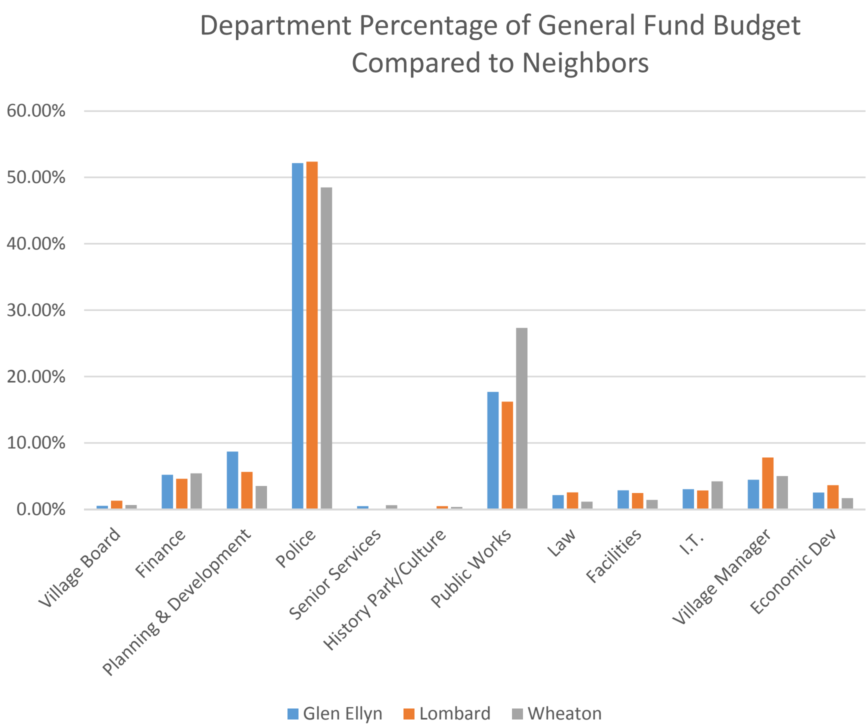
- The Village relies heavily upon performance of sales tax, home rule sales tax, and income tax to provide for known increases in costs. The Village has little direct control over these revenues that are highly influenced by the economy.
- The State of Illinois continues to threaten state shared revenues.
- Challenges may be mitigated by redevelopment, especially in the Central Business District.
- Supreme Court decision on Wayfair vs. South Dakota may positively impact the Village; however through use tax but not through sales tax.

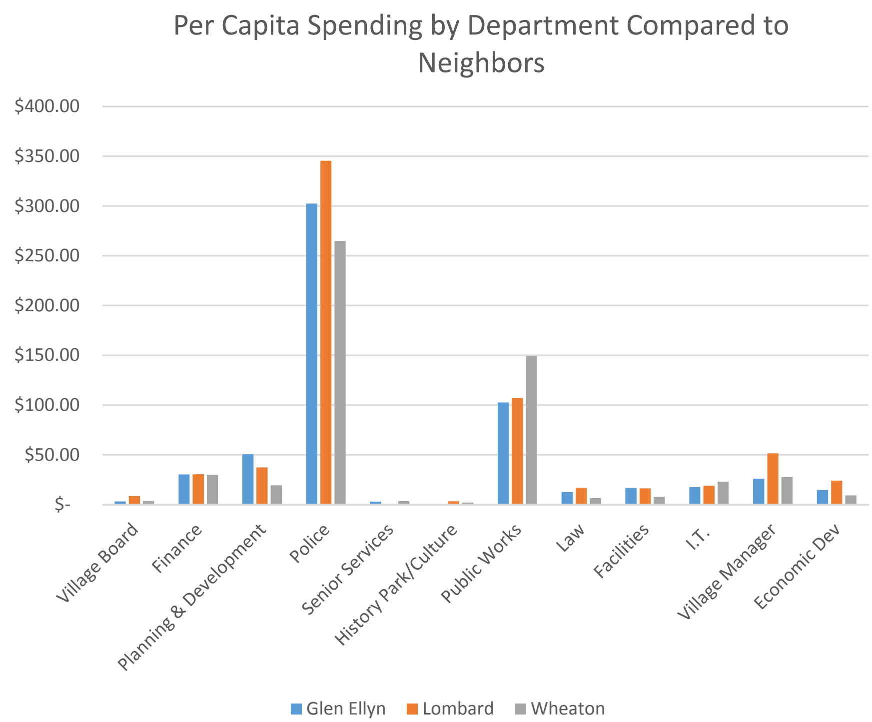
Composition of General Fund Expenditures – by Department



From the 2017 actual expenses, Police is the largest department in the General Fund at 48% with Public Works at 16%.

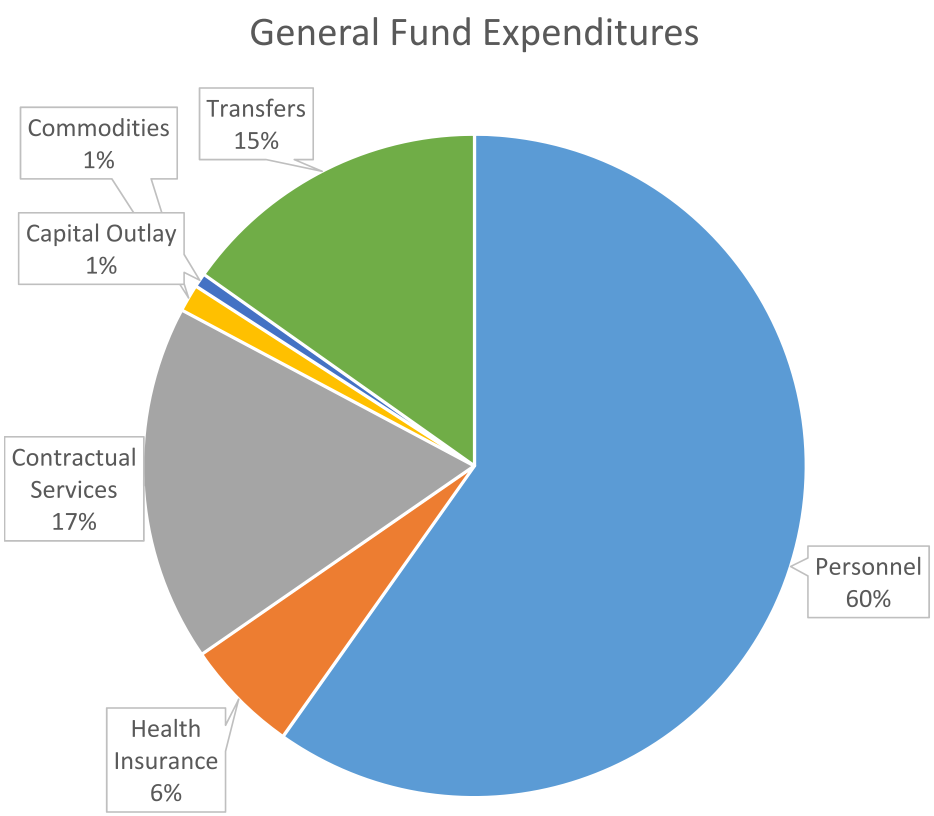
How does our General Fund Expenditures Compare to our Neighbors?





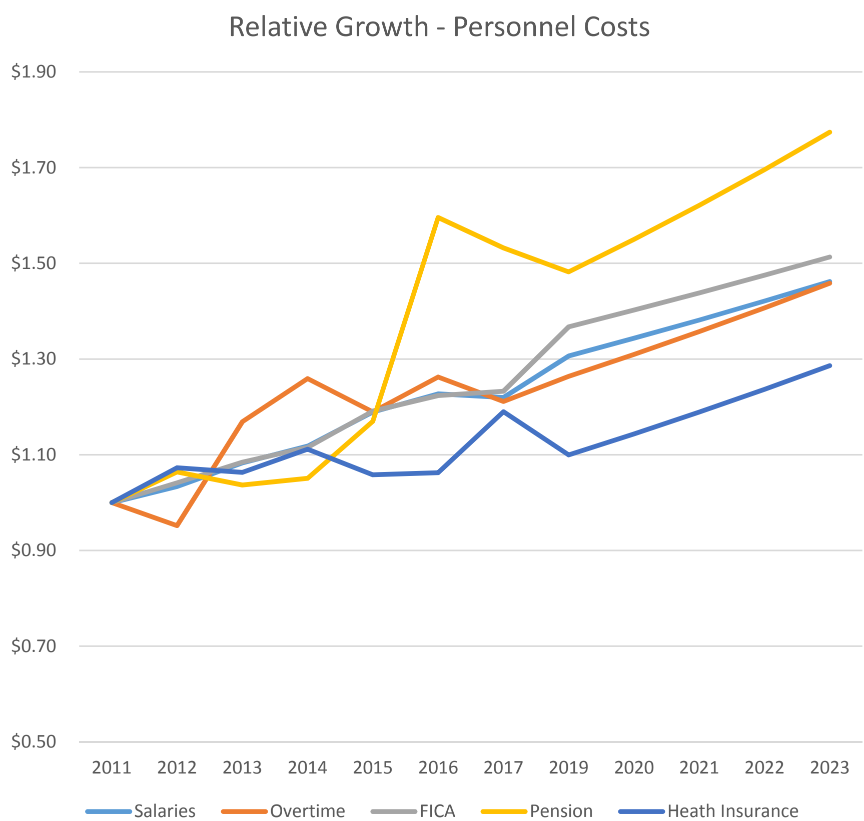
Note: 2017 Data. Excludes Fire/EMS costs due to different structures across the three municipalities. Every effort has been made to make this as comparable as possible; however, each municipality is unique.

Composition of General Fund Expenditures – By Type



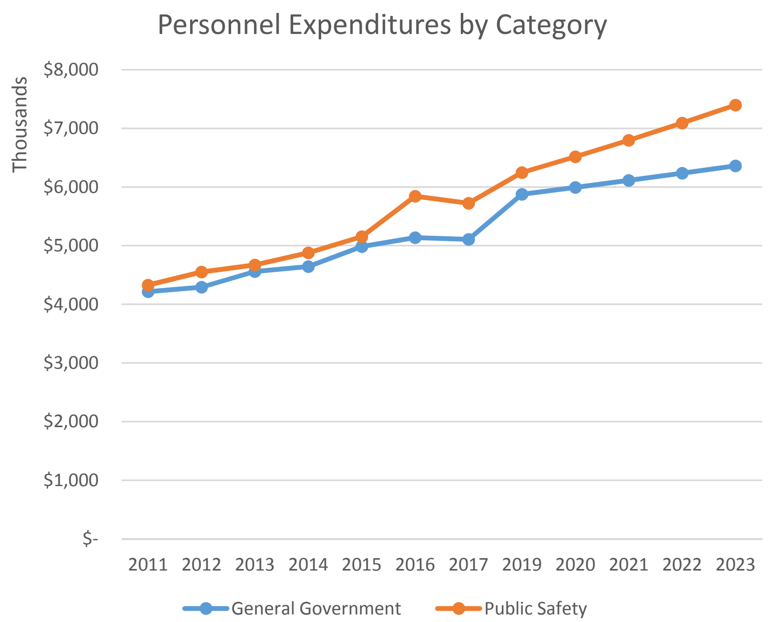
- Personnel is the largest portion of the General Fund budget, $10.8 million of $18.1 million in expenses
- The Village functions accounted for in the General Fund are highly service oriented; therefore, it is expected that personnel expenditures would be the main expenditure type.
- Personnel expenditures grow at a faster rate than capital or other operating costs.

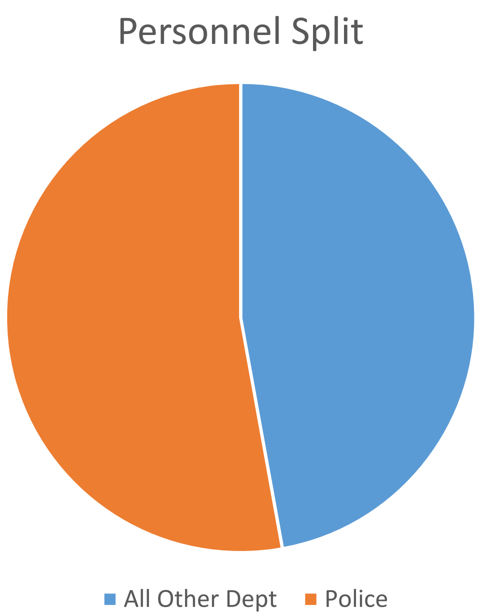
Personnel Expenditures by Type – Relative Growth



- Chart at left portrays the growth rate of personnel expenditures.
- Pension costs grow at the highest rate, although saw a decrease from 2016 to 2019 due to decreases in IMRF (non sworn) pension costs.
- The Village has been fortunate through its health insurance pool to mitigate health insurance cost increases seen in the marketplace.

Personnel Expenditures by Category





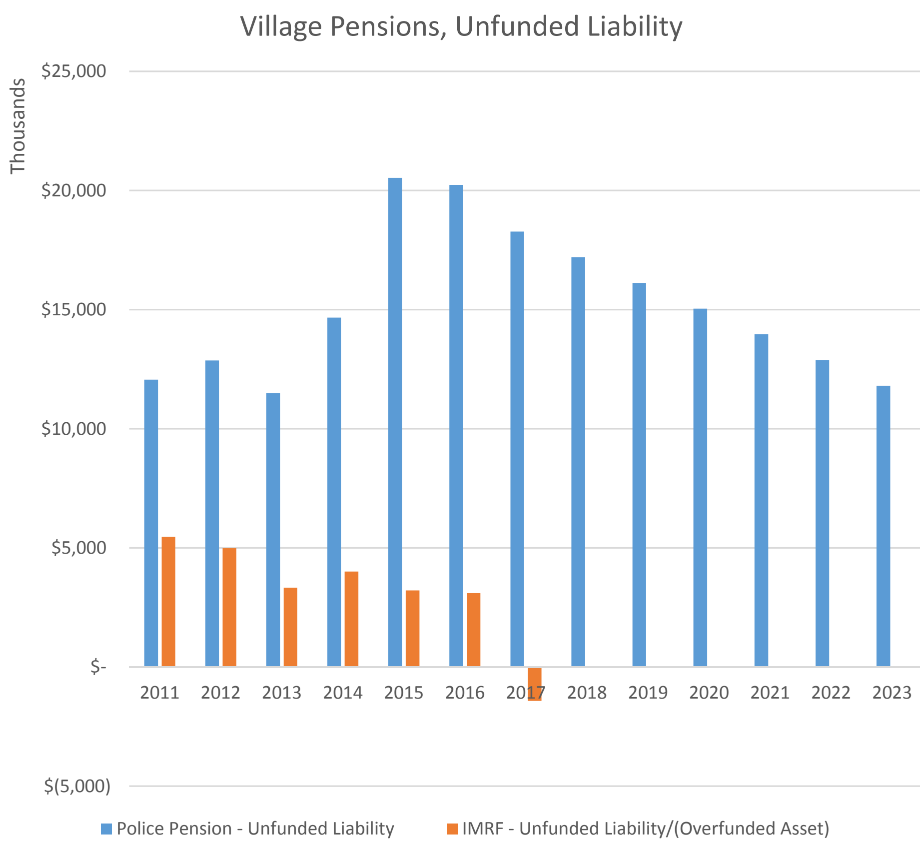
- Police comprises 53% of General Fund personnel.
- Public safety personnel costs are projected to grow at a faster rate (4%) than general government (3%).
- Police pension costs are also forecast to grow at a higher rate (5%) than municipal pension costs (2%).

Health Insurance

- The Village is a member of a health insurance risk-sharing pool.
- Pool champions cost saving initiatives such as wellness and encouraging shopping of health care services.
- Health insurance costs have increased by an average of 3.4% over the past 7 years, beating the market place trend.
- Our pool administrators project 4% annual increases, assuming avoidance of the Cadillac Tax.
- The chart at right evaluates the difference in cost between a 4% trend and a 10% trend. As can be seen, it is important to our financial future to control our healthcare costs to the best of our abilities.

	4% Growth Rate	10% Growth Rate	Difference
2018 Cost	$1,065,200	$1,065,200	$0
2023 Cost	$1,107,000	$1,621,942	$514,942
Cumulative Cost over 5 Year Forecast	$6,000,245	$7,153,467	$1,153,222

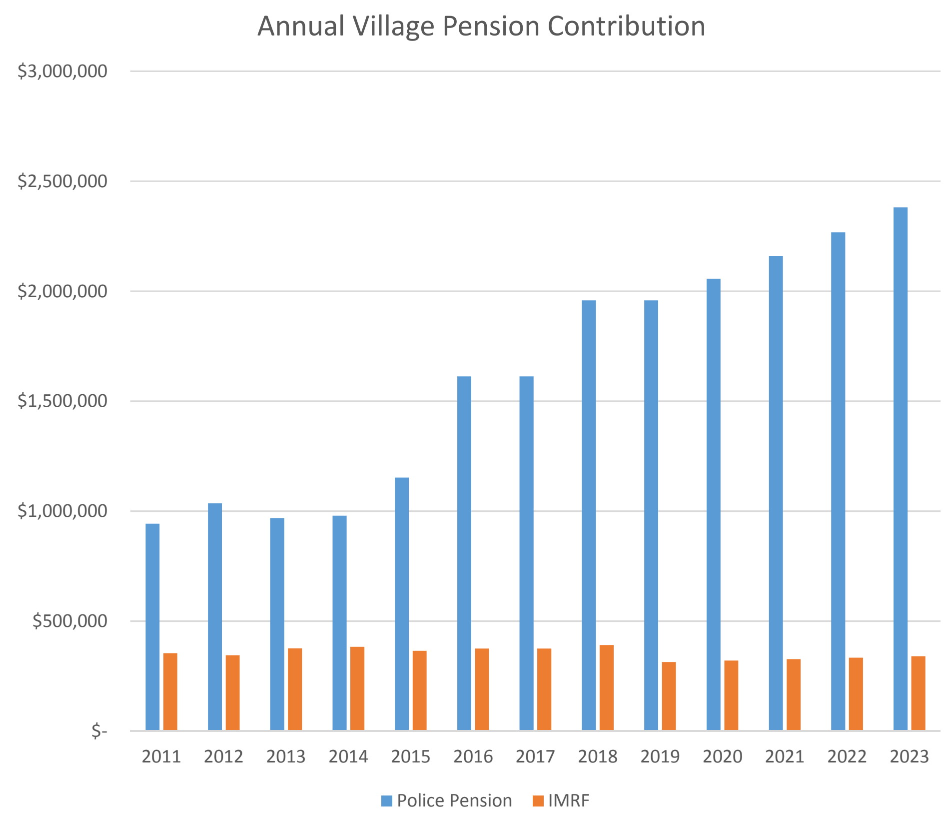
Village Pensions



- Village has two pensions, the Police Pension Fund and the Illinois Municipal Retirement Fund (IMRF).
- Police Pension is 62.5% funded.
- IMRF is 103.5% funded.
- IMRF became overfunded in 2017 and the Village has seen decreased IMRF costs as a result.
- Police Pension liability began decreasing in 2016, as the Village increased contributions and the Pension Board modified investment strategy.
- Pensions have seen positive movement over the past two years, but the unfunded liability remains at $18.2M.
- The pension fund has $30M in assets.

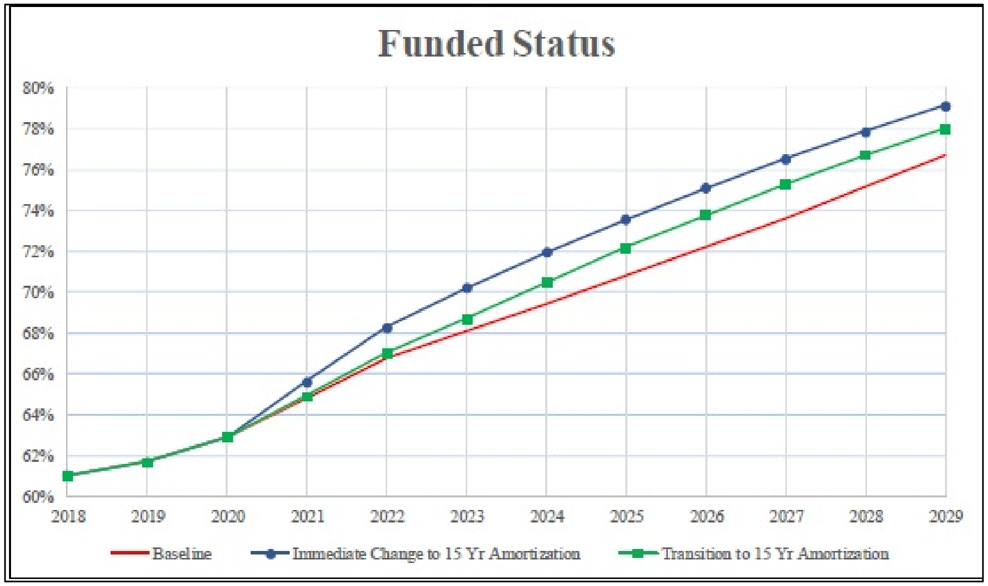
Annual Village Pension Contributions

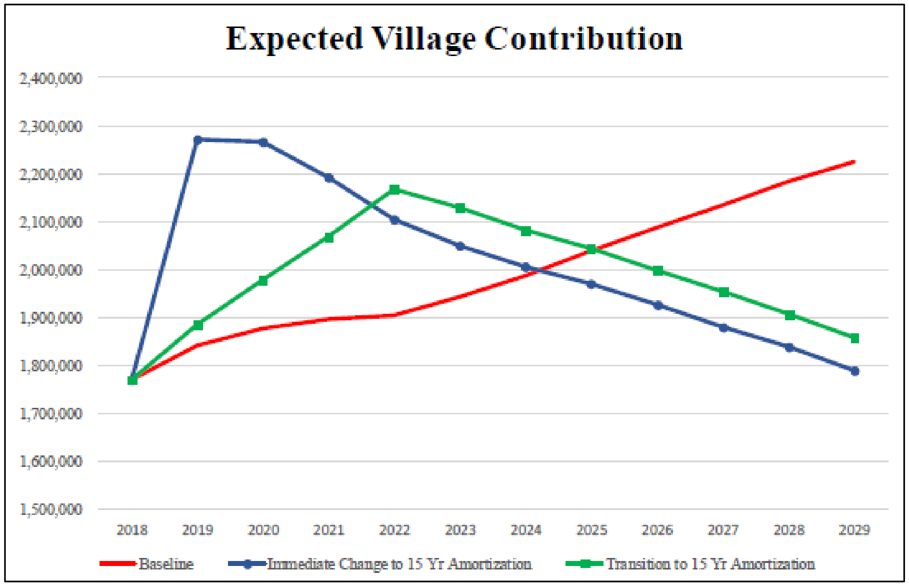
- Police Pension annual contributions are projected to grow at 5%
- IMRF contributions are anticipated to increase minimally. The anticipated rate change from 2018 to 2019 is from 9.89% of covered payroll to 7.15%, which saves the General Fund $77,000.



Another Option - Police Pension Funding - Transition to 15 year open amortization

- What is a 15 year open compared to our current model?
- Transitioning to a 15 year open model increases funded status and reduces Village contributions over time, rather than the current baseline model which increases over time.
- Finance Commission and Police Pension Fund will provide a recommendation to the Village Board
- Several other municipalities are transitioning away from the arbitrary state model and moving towards an open amortization period.





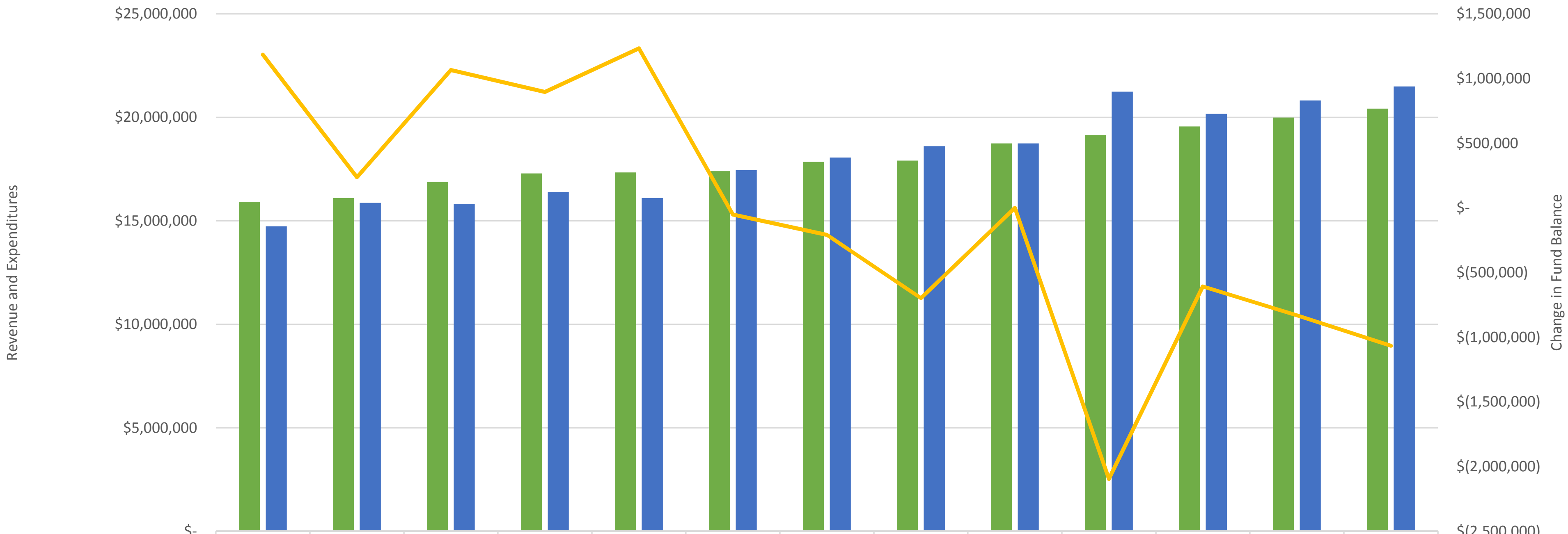
Other General Fund Expenditure Categories

	FY18 Est (thousands)	Average Historical Growth (2012-2018)	Projected Annual Growth (2019-2023)
Contractual Services	$3,542	2.7%	3.0%[1]
Commodities	$236	3.8%	3.0%[1]
Capital Outlay	$165	10.3%	5.0%[2]
Transfers	$2,051	3.4%	3.0%[3]

Footnotes:

1. Commodities and Contractual Services are anticipated to increase at a conservative 3%, also consistent with historical increases.
2. Capital replacement was deferred during the economic downturn; recent purchases have been meeting deferred needs. Capital is incidental in nature, mostly driven by operating initiatives.
3. Transfers are reimbursements to other funds.

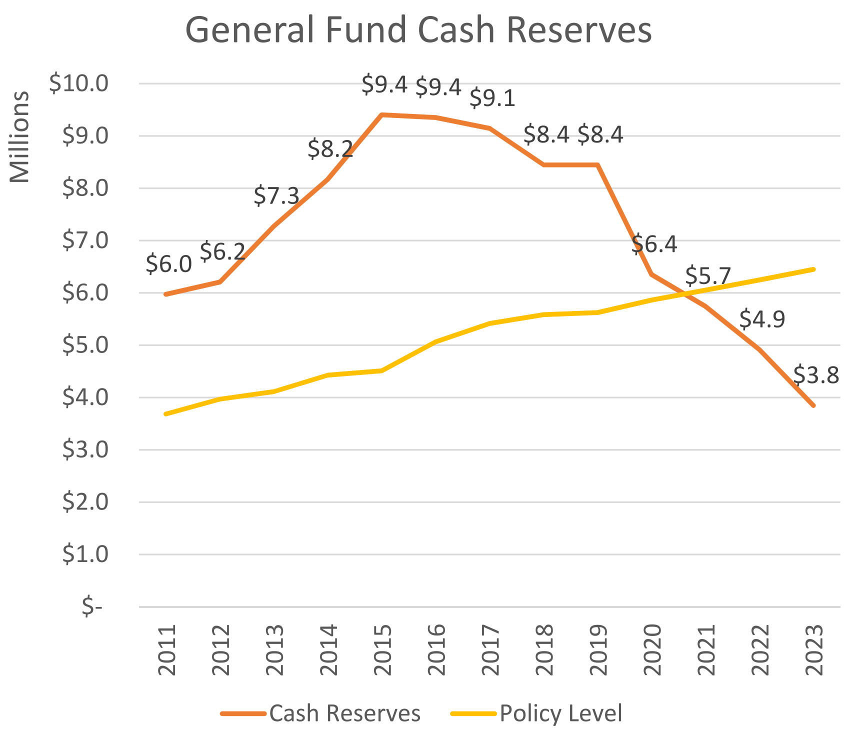
Annual General Fund Forecast

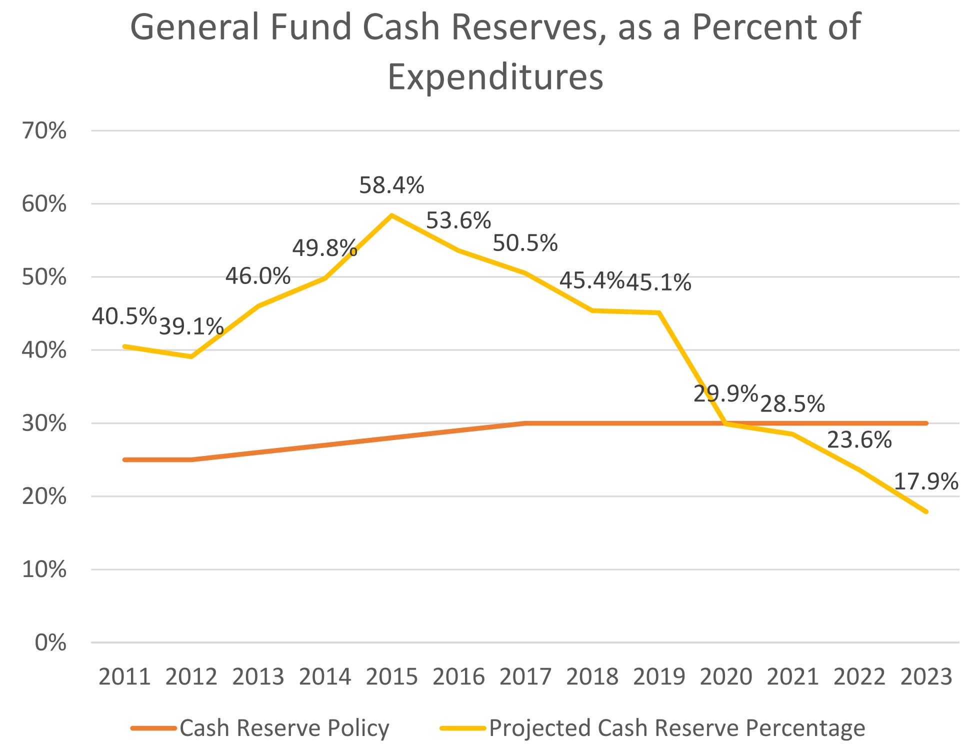


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues	$15,921,600	$16,105,939	$16,886,658	$17,290,193	$17,337,822	$17,405,406	$17,846,299	$17,910,885	$18,742,896	$19,146,048	$19,561,725	$19,988,408	$20,425,572
Expenditures	$14,736,501	$15,869,009	$15,820,651	$16,394,227	$16,104,865	$17,457,079	$18,054,549	$18,608,315	$18,742,896	$21,241,377	$20,168,986	$20,818,721	$21,491,424
Change in Fund Balance	$1,185,099	$236,930	$1,066,006	$895,966	$1,232,957	$(51,673)	$(208,250)	$(697,430)	$-	$(2,095,329	$(607,261)	$(830,313)	$(1,065,852

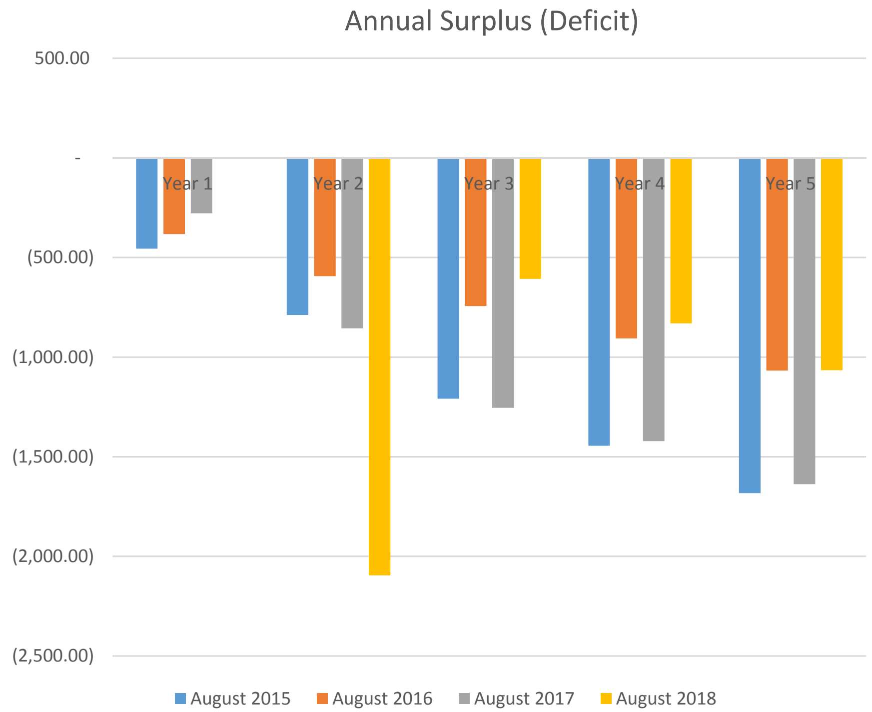
- Revenues are forecast to grow at approximately 2.2% per year while expenditures grow at 3.2%, which would decrease the General Fund’s fund balance by $3.9 million over the next 5 years.
- A planned contribution to the Capital Fund of $1.7M is planned for 2020 as part of Capital Plan.

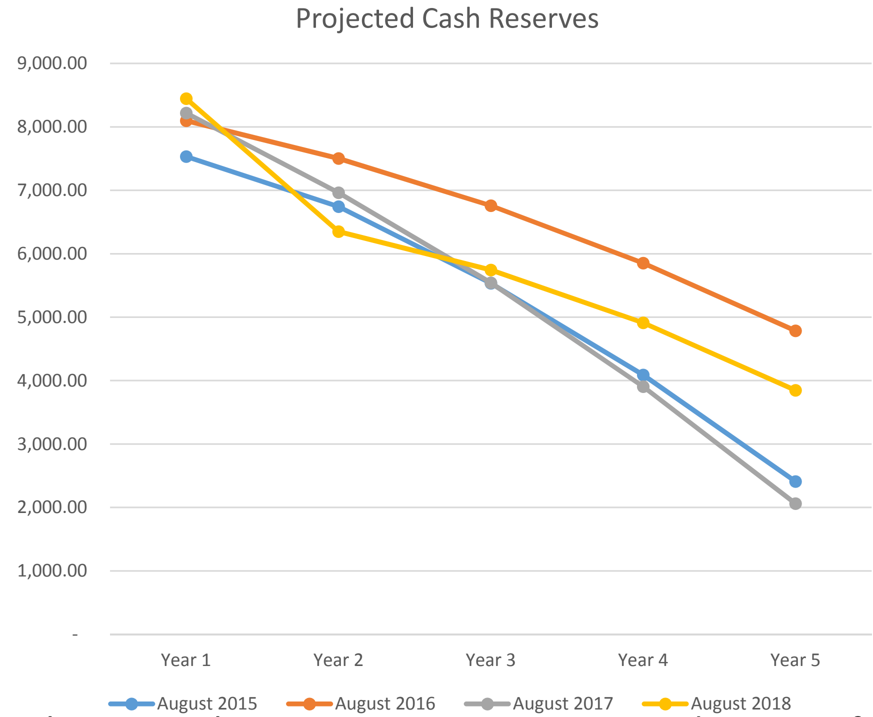
General Fund Balance Projections





How does this General Fund Forecast Compare?





- Forecast improved over other forecasts (HRST increase last year, changes in state revenues, moderation of pension costs)
- $1.7M contribution towards capital projects planned in 2020

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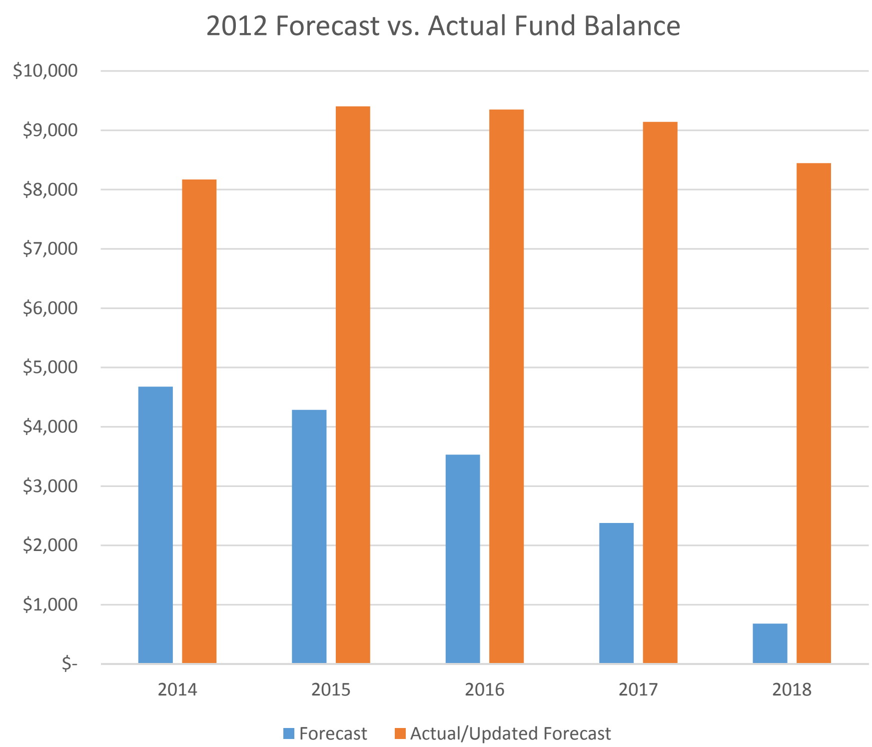
Forecast Versus Actual/Current Forecast – November 2012 Forecast



- 2014 - 2017 are actual results and 2018 is as currently estimated.
- Actual results fared better then forecast.
  - Sales, Home Rule Sales, and Income tax have far outperformed expectations in years prior to 2017, but have stagnated in 2017 and 2018.
  - Lower salary increases than anticipated.
  - Lower healthcare cost increases than anticipated.
  - Pension costs began to moderate in 2018; especially municipal pension costs.
  - Annual balanced budgets and good fiscal management have allowed cash reserves to increase.

Highlights of General Fund 5-Year Forecast

- Personnel costs comprise 66% of General Fund expenditures. It will be necessary for the Village to be focused on controlling and meeting the challenges health care and pension costs.
- The Village has little direct control over three revenue sources (sales tax, home rule sales tax, and income tax) which are directly impacted by the economy.
- The Village has started to make changes to user fees in 2018, namely in Planning & Development. It is important to continue to review and change user fees; otherwise a larger part of the burden is placed on taxes.
- Home Rule Sales Tax increase in 2018 helps the 5 year outlook, but does not solve revenues that are growing slower than expenses
- Operating costs continue to rise, despite stagnant revenues.
- The Village's AAA bond rating received in 2015 cited strong reserve balances as a key reason for the rating. It is important to maintain the healthy reserve levels to maintain the AAA rating.

Glen Ellyn Village Board
535 Duane Street
Glen Ellyn, IL 60137

Meeting: 10/01/18 07:00 PM
Department: Glen Ellyn Village Board
Department Head: Lindsey Kaminsky
Category: Discussion Item
Prepared By: Lindsey Kaminsky

SCHEDULED

AGENDA ITEM (ID # 3578) DOC ID: 3578

2019 Budget

Please see the draft budget at the Village's website at http://www.glenellyn.org/Finance/Budgets/Budget2019draft/toc_2019.htm.