Agenda
Village of Glen Ellyn
Special Workshop Meeting
Thursday, October 15, 2015
6:30 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 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. Roll Call

C. Pledge of Allegiance

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 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, address and the group they are representing prior to addressing the Village Board.

E. Five Year Forecast and Background

1. Finance Director Christina Coyle will present the Village's Five Year Forecast.

F. Administration

1. Economic Development
2. Facilities Maintenance
3. Law
4. Other

G. Police

H. Finance

I. General Fund Revenues

J. Other Items

K. Adjournment

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

Meeting: 10/15/15 06:30 PM
Department: Finance
Department Head: Christina Coyle
Category: Discussion Item
Prepared By: Caroline Conlon

SCHEDULED

AGENDA ITEM (ID # 1956) DOC ID: 1956

Finance Director Christina Coyle will present the Village's Five Year Forecast.

Background
The Five Year Forecast was a project spearheaded by the Village's Finance Commission to perform long-term financial forecasting for the Village. The first Five Year Forecast was completed in 2010, with subsequent forecasts done in 2012 and 2014. This year's Forecast will be the fourth Five Year Forecast completed by the Village.

What is the Five Year Forecast?
The Five Year Forecast is a financial planning tool that helps the Village identify potential long-term trends in revenues and expenditures/expenses. It assists in identifying future imbalances or challenges in the Village's financial future. This Forecast is done in advance of the budget process to provide a tool to guide the budget.

This year's Five Year Forecast focuses on four areas of the Village. The first is the General Fund, or the main operating fund, of the Village. The General Fund has been reviewed in all three prior Five Year Forecasts. The next area addressed is the Water & Sewer Fund. This fund has not been focused on in prior forecasts. Additional focus has been placed on the Water & Sewer Fund this year as the Village will be reviewing and making any modifications to the water and sewer rates toward the end of 2015. The next area addressed is the Capital Projects Fund. Much of the information found in the Forecast for this fund has been reviewed and presented to the Village Board as part of the planning process for the financing for the new police station project. Lastly, the Five Year Forecast includes a review of the Village's debt and pension obligations.

What is the Five Year Forecast NOT?
The Five Year Forecast is a planning tool to start the budgeting process. It is NOT a prediction of what will happen in the future. Each year's actual experience will differ from what is forecast. The Village still has a goal of ensuring that the annual budgets are balanced and fiscally responsible.

ATTACHMENTS:

- Five Year Forecast 2015 (PPTX)

Five Year Forecast

August 2015

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.
- Historical results includes FY2011, FY2012, FY2013, FY2014, and Budget 2015. The Short Fiscal Year (May 1, 2014-December 31, 2014) is excluded as it was an 8-month period.

1. General Fund
2. Water & Sewer Fund
3. Capital Projects Fund
4. Long Term Liabilities

Content of Five Year Forecast

The Five Year Forecast is divided into four main areas. The first two areas are the largest operating funds of the Village, the General Fund and the Water & Sewer Fund. The last two areas focus on the Village's infrastructure and long term liabilities, including debt and pension liabilities.

GENERAL FUND

Building the General Fund Forecast: Key Assumptions - Revenues

	FY15 Budget (thousands)	Average Historical Growth (2011-2015)	Projected Annual Growth (2016-2020)
Property Taxes	$6,834	6%	2.5%[1]
Sales Tax	$3,300	1%	3.0%[2]
Home Rule Sales Tax	$1,905	3%	3.0%[3]
Income Tax	$2,684	6%	3.0%[4]
Other Revenues (combined)	$13,492	3%	2.0%[5]

Footnotes:

1. Assumes 1.5% growth in CPI and 1% growth in new construction/annexations. Historical growth rates do not include property taxes for Fire Service Areas as those were moved to the Fire Services Fund in SY2014.
2. Sales tax increased 4% in 2014 and 5% in 2015 as the economy rebounds. 3% is a conservative estimate for future performance.
3. Home Rule Sales Tax increased 3% in 2014 and 6% in 2015 as the economy rebounds. 3% is a conservative estimate.
4. Income tax lists 3% as the projected growth rate as a conservative figure.
5. Other revenues includes all other revenues of the general fund. Ambulance fees have been excluded in the historical growth rate as a change in contract model makes historical growth rates incomparable to projected future growth.

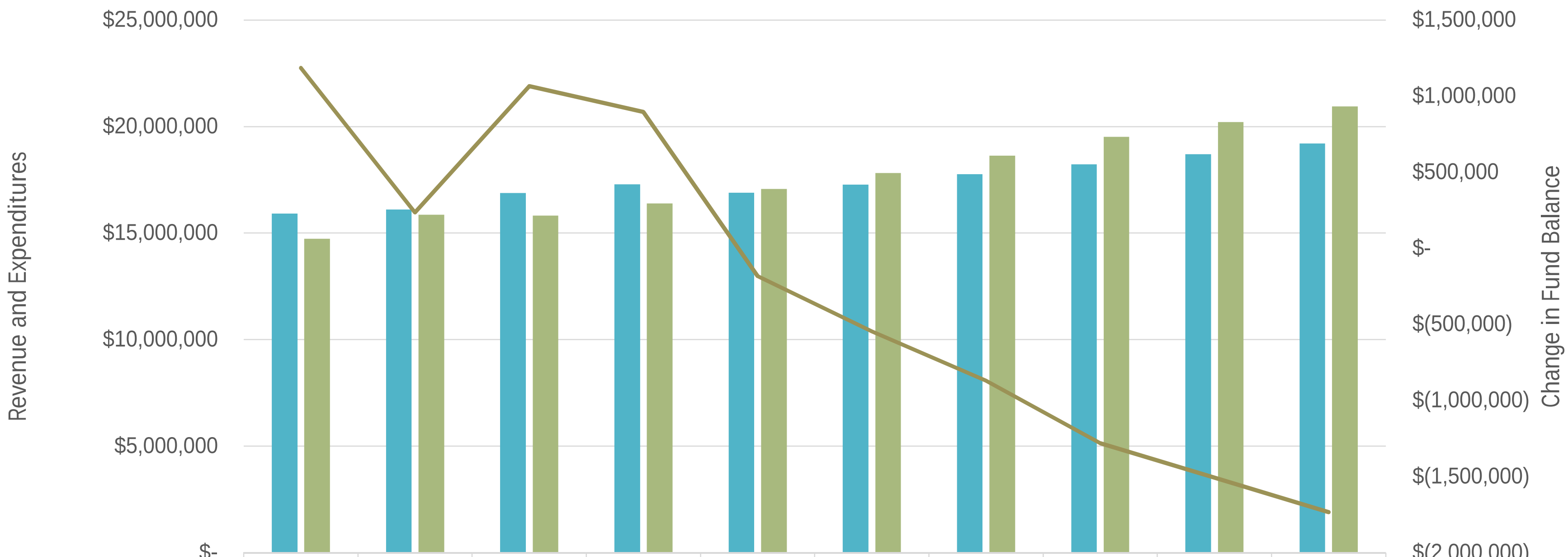
Building the General Fund Forecast: Key Assumptions - Expenditures

	FY15 Budget (thousands)	Average Historical Growth (2011-2014)	Projected Annual Growth (2016-2020)
Salaries – public safety	$3,561	5%	4.5%[1]
Salaries – all other	$4,456	6%	3.0%[2]
Pension – public safety	$1,153	4%	12.8%[3]
Pension – all other	$391	4%	2.0%[4]
Health Insurance	$925	2%	4.0%[5]
Contractual Services	$3,343	2%	3.0%[2]
Commodities	$226	6%	3.0%[2]
Capital Outlay	$193	19%	5.0%[2]
Transfers	$1,940	2%	3.0%[2]

Footnotes:

1. Based upon current contract structure.
2. Average increase has ranged from 2-3% over the last several years. Transfers are closely tied to changes in personnel expenses as other funds reimburse the general fund.
3. Projects continued movement downward of investment return assumption.
4. IMRF pension costs are stabilizing and are expected to trend closely to salary increases in the future.
5. The Village's insurance pool has helped to beat the market increases for health insurance.
6. Commodities and Contractual Services are anticipated to increase at a conservative 3%.
7. Capital replacement was deferred during the economic downturn; recent purchases have been meeting deferred needs.

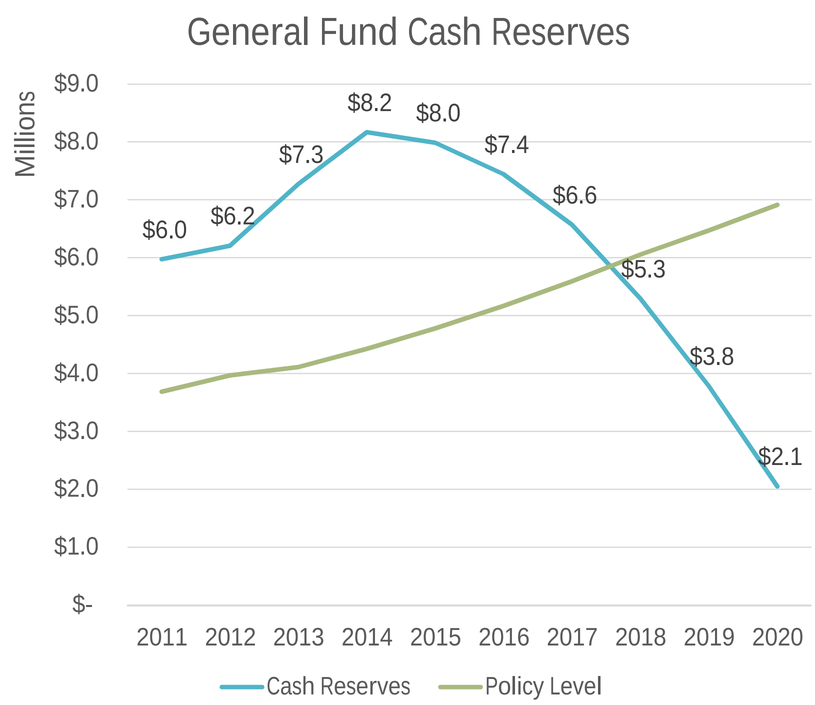
Annual General Fund Forecast

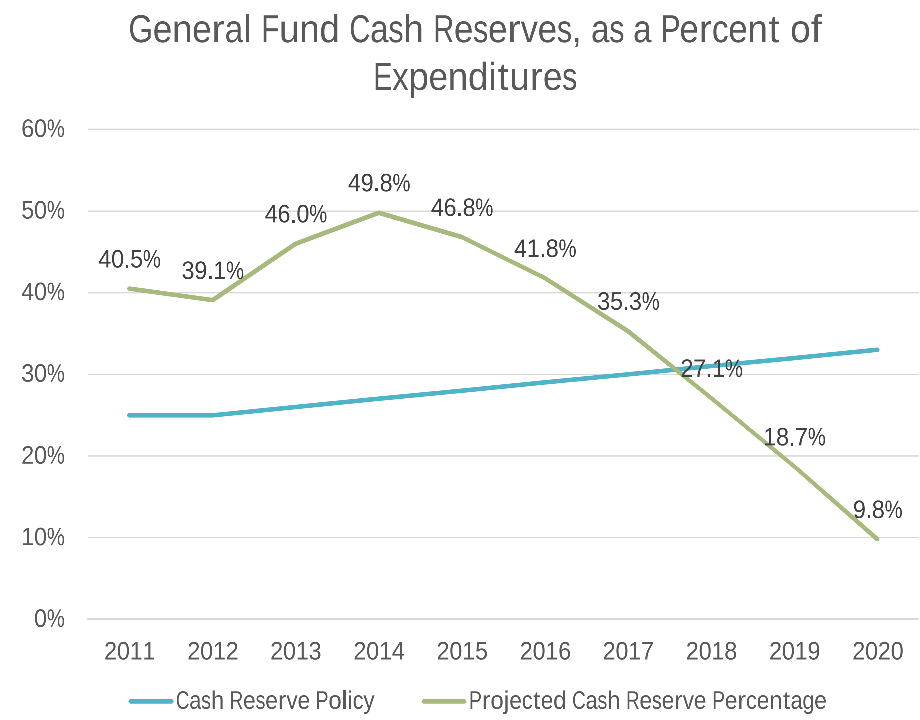


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues	$15,921,600	$16,105,939	$16,886,658	$17,290,193	$16,891,300	$17,279,192	$17,766,124	$18,231,640	$18,708,973	$19,212,050
Expenditures	$14,736,501	$15,869,009	$15,820,651	$16,394,227	$17,073,411	$17,824,452	$18,636,361	$19,512,724	$20,215,964	$20,945,867
Change in Fund Balance	$1,185,099	$236,930	$1,066,006	$895,966	$(182,111)	$(545,260)	$(870,238)	$(1,281,084	$(1,506,990	$(1,733,818

Revenues are forecast to grow at approximately 2% per year while expenditures grow at 3.5%, which would decrease the General Fund's fund balance by $5.9 million over the next 5 years.

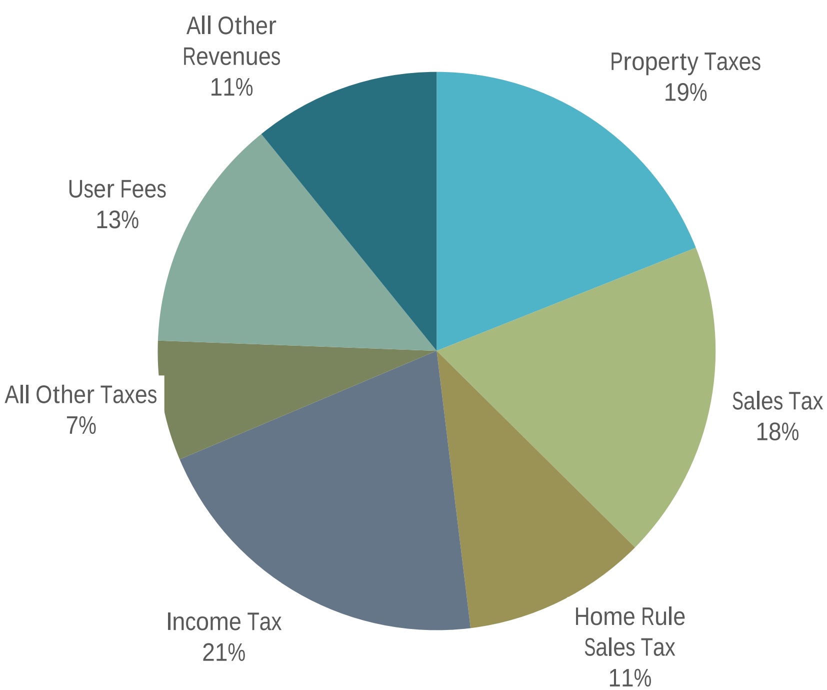
General Fund Balance Projections



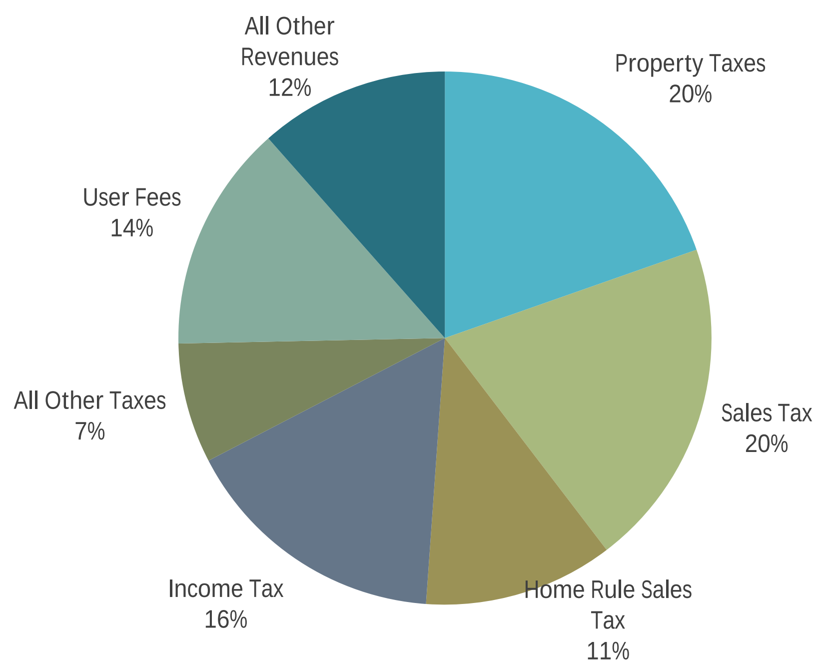


Composition of General Fund Revenues

2015 BUDGET



2020 PROJECTION

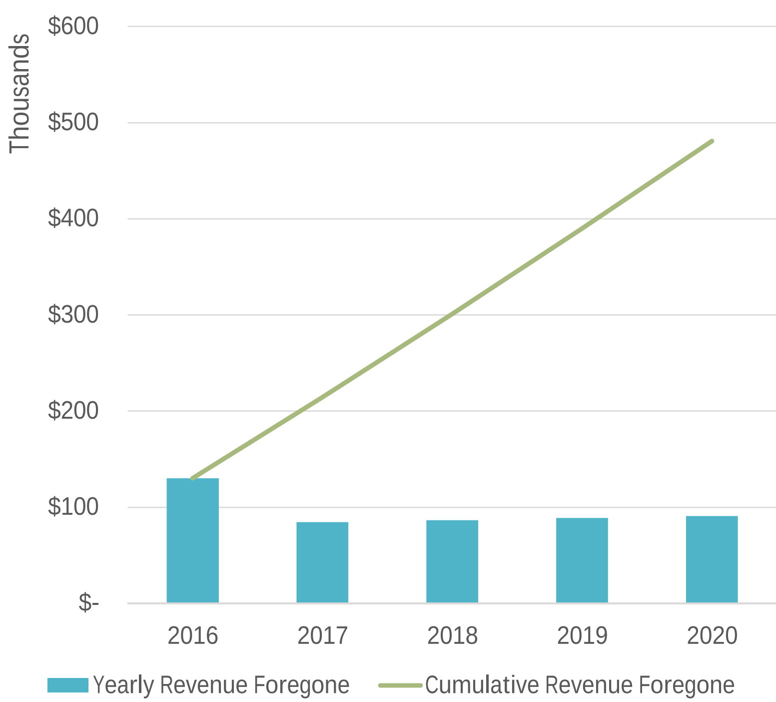


Challenges in Revenue Streams

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

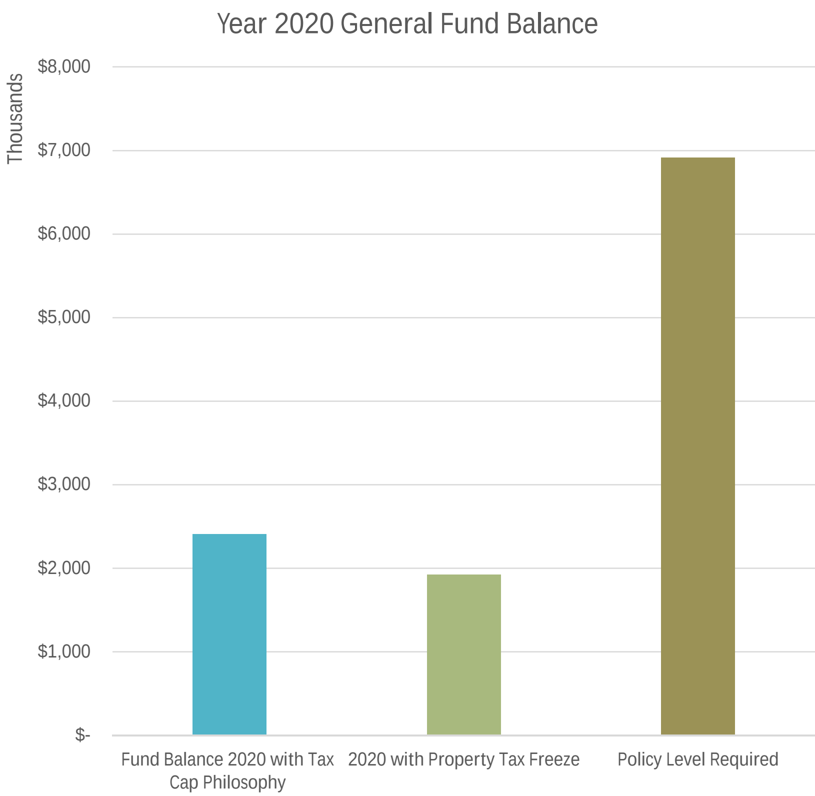
- The Village relies heavily upon performance of sales tax, home rule sales tax, and income tax to provide for known increases in costs. The Village has little direct control over these revenues that are highly influenced by the economy.
- Legislation in Springfield may limit the Village's ability to increase the property tax levy.
- The Governor also proposed an up to 50% reduction in the income tax given to municipalities; although the concept has not gained traction in Springfield.
- An analysis of user fees has not been done in several years and those revenue streams have remained flat and are not projected to increase in the next 5 years.

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



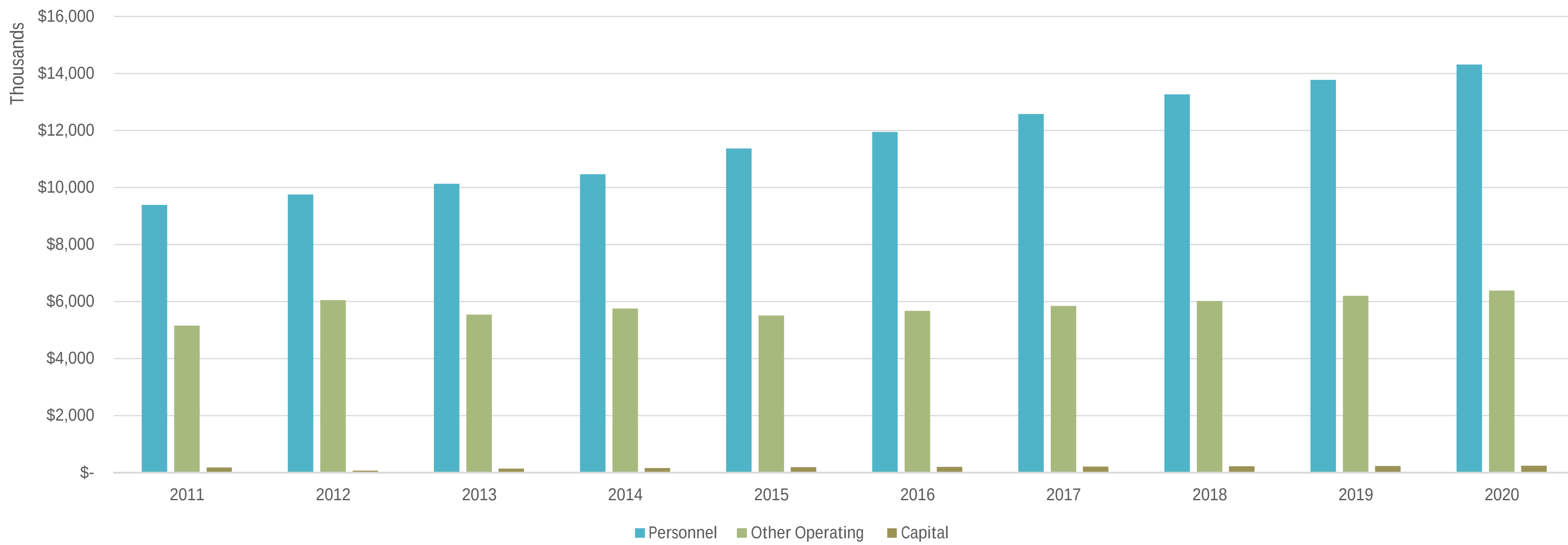
- The Village is a home rule community that is not legally bound by tax caps.
- However, the Village traditionally holds itself to the tax cap philosophy, which means the Village increases its levy for new growth and CPI only. This philosophy favors gradual increases over time rather than creating spikes in property tax rates.
- The Village levies one general operating levy for the General Fund.
- Legislation in Springfield may limit the Village's ability to increase the levy.
- This slide shows the yearly and cumulative impact if the Village could not increase its tax levy.
- Over 5 years, the Village would forego $480,000 of revenue in the General Fund that would have to be made up from other revenue sources or through reductions in service.

Comparison of 2020 General Fund Balance with Property Tax Freeze



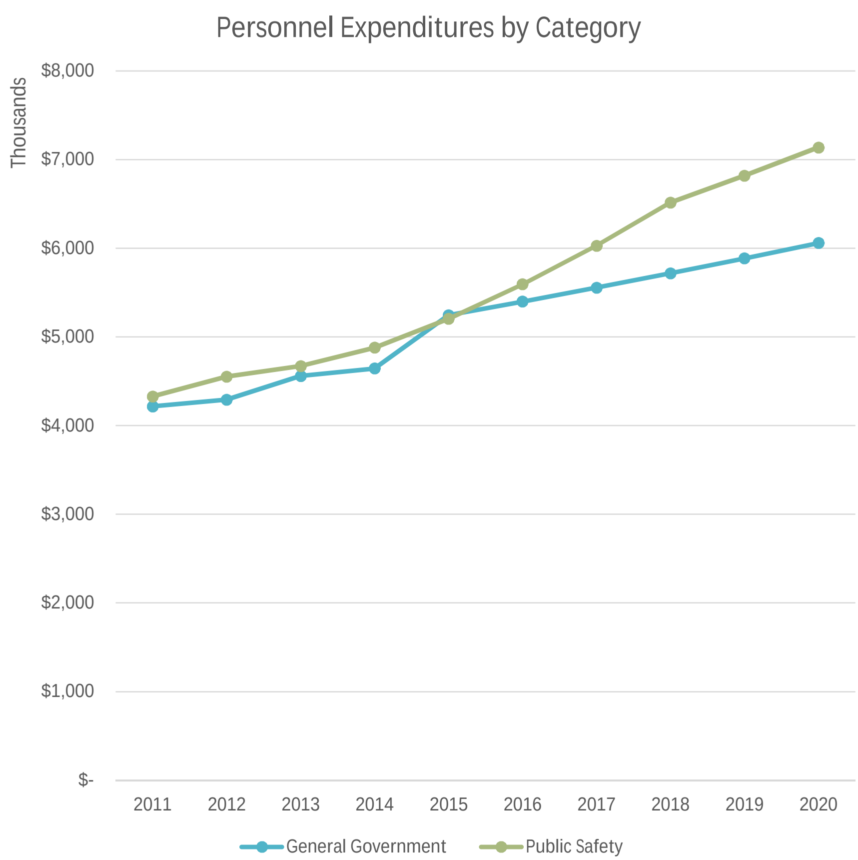
- This slide shows the cumulative impact in the year 2020 if the Village could not increase its tax levy.
- Fund Balance Levels would no where approach the reserve policy set by the Village Board.

General Fund Expenditures by Type



- Personnel expenditures comprise approximately 67% of General Fund expenditures.
- 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 Category



- Public safety personnel costs are projected to grow at a faster rate (4.5%) than general government (3%).
- Police contract ends in 2016; future trends depend on what the renegotiated terms are.
- Police pension costs are also forecast to grow at a higher rate (18% in next three years then 5% thereafter) than municipal pension costs (2%).
  - 18% growth in police pension costs assumes continued revision downward of the investment rate return assumption.

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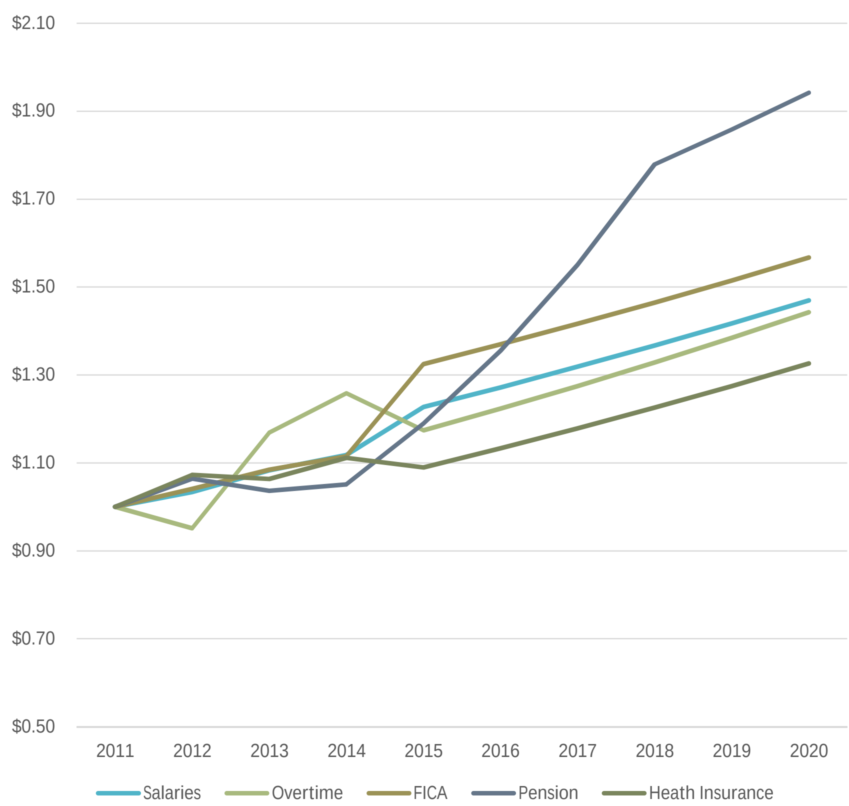
Personnel Expenditures by Type – Relative Growth



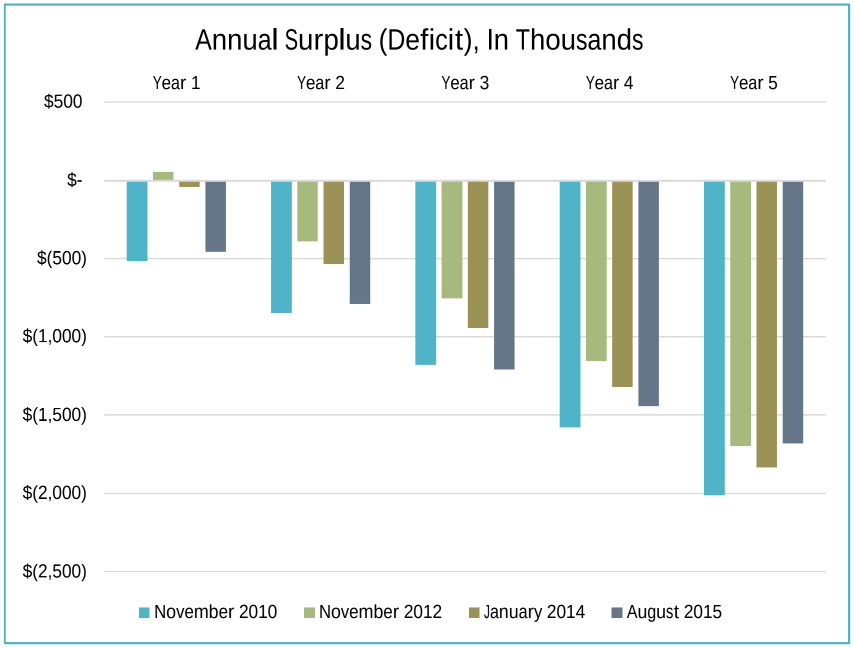
- Chart at left portrays the growth rate of personnel expenditures.
- Pension costs grow at the highest rate.
- The Village has been fortunate through its health insurance pool to mitigate health insurance cost increases seen in the marketplace. The next hurdle is to avoid Cadillac taxes in 2018.

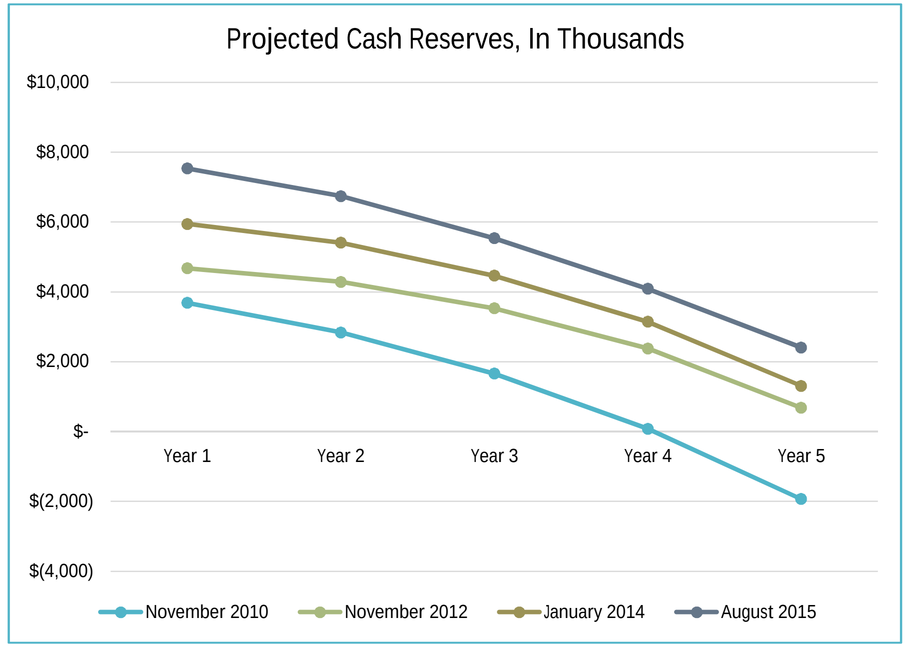
Health Insurance

- The Village is a member of a health insurance risk-sharing pool.
- Rates have increased by an average of 2% over the past 5 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
2015 Cost	$925,000	$925,000	$0
2020 Cost	$1,125,404	$1,489,722	$364,318
Cumulative Cost over 5 Year Forecast	$5,210,502	$6,211,939	$1,001,437

How does this General Fund Forecast Compare?





- Similar challenges in the later years of deficit fund balances.
- Better starting cash position has improved the 5 year outlook.
- The Cash Reserves graph demonstrates that each year the Village has been successful at meeting some of the challenges identified in the Five Year Forecast.

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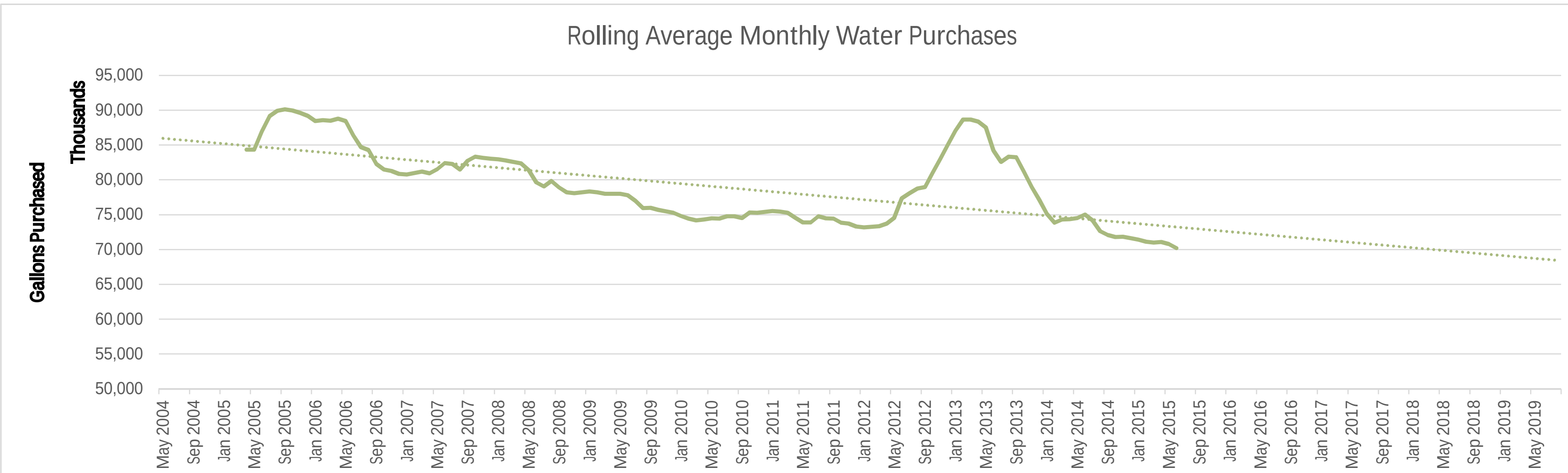
Highlights of General Fund 5-Year Forecast

- Personnel costs comprise 67% 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 proposed property tax freeze legislation in Springfield could negatively impact the financial health of the General Fund.
- 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 made very few changes to user fee scales in the past several years.
- The Village's AAA bond rating that it received recently 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.

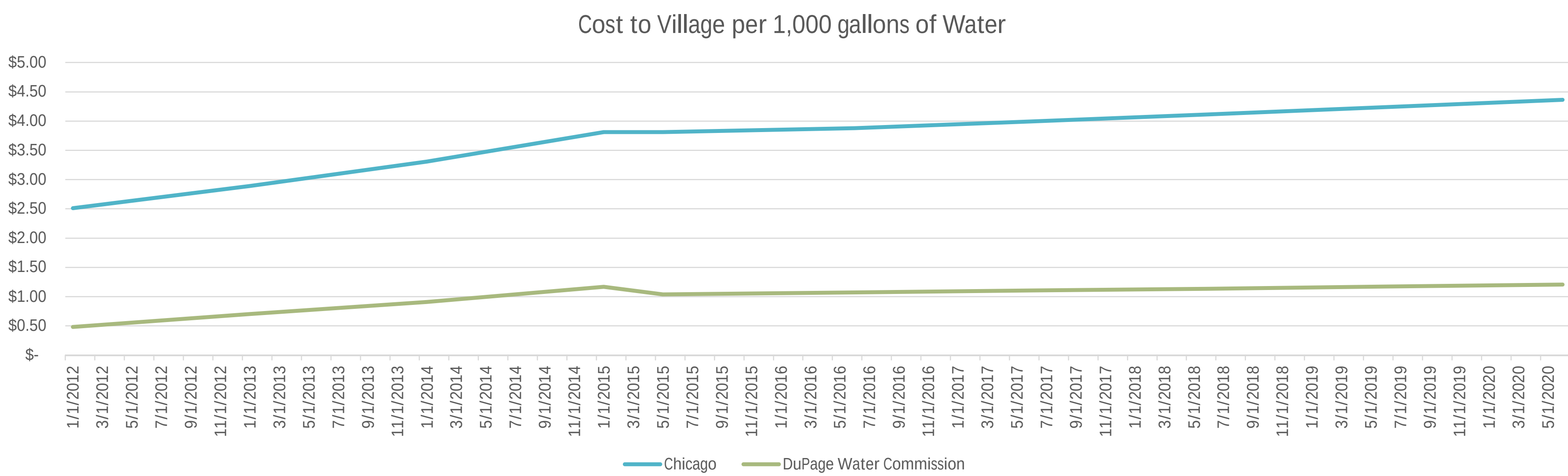
WATER & SEWER FUND

Historical Water Usage



- Graph depicts a 12 month rolling average water usage
- Linear dotted line highlights projected continued trend in water usage
- Due to conservation through energy efficiency efforts as well as improvements to the water infrastructure, gallons purchased has decreased over the past 10 years.
- The spike in 2013 was due to a summer drought
- Water usage is projected to decrease, on average, by 2% annually.

Historical and Projected Water Costs



- Sharp increases in rates were experienced from 2012 to 2015 as the City of Chicago raised the rates it charged for water.
- DuPage Water Commission announced a decrease in its cost for delivering water as of May 1, 2015
- City of Chicago projects rates shall be increased effective June 1, 2016 and every year thereafter by CPI (max of 5%). Future years are projected to increase each June 1 by 3% for both City of Chicago rates and DuPage Water Commission rates.

Building the Water & Sewer Fund Forecast: Key Assumptions - Revenues

	FY15 Budget (thousands)	Average Historical Growth (2011-2014)	Projected Annual Growth (2016-2020)
Metered Water & Sewer Revenue	$14,095	12%	0.00%[1]
Intergovernmental Sewer Fees	$1,148	10%	3.3%[2]
Connection Fees	$80	3%	2.0%[3]
Sewer Repair Fee	$285	0%	0.0%[4]
Inspections & Permits	$98	13%	4.1%[5]
Other Revenues (combined)	$90	5%	1.0%[6]

Footnotes:

1. Assumes a decrease of 5% for 2016 (due to DuPage Water Commission decrease) and then rates remaining flat thereafter. Rates were kept flat in this analysis to understand what constraints that would place on the fund. Future rate increases are unknown.
2. Intergovernmental fees are effected by Village rates as well as projected GWA budget.
3. Connection fees occur from new development or annexation agreements. A conservative 2% is projected.
4. This fee is a flat fee added to the Village Services Bill and is not anticipated to increase.
5. Inspections & Permit performance is tied to the performance of the housing market and building permits.
6. Includes SSA taxes, interest income, and other miscellaneous revenue. A conservative projection of 1.0% is used as these revenues tend to be incidental in nature. SSA taxes will remain flat.

Building the Water & Sewer Fund Forecast: Key Assumptions - Expenditures

	FY15 Budget (thousands)	Average Historical Growth (2011-2014)	Projected Annual Growth (2016-2020)
Salaries, Overtime and FICA	$651	8.1%	3.0%[1]
Pension	$55	2.8%	2.0%[2]
Health Insurance	$56	-1.6%	4.0%[3]
Water Purchases	$4,608	26.4%	-2.1%[4]
Glenbard Wastewater	$3,526	8.5%	6.4%[5]
Contractual Services	$1,184	17.1%	3.0%[6]
Commodities	$38	13.9%	3.0%[7]
Capital Outlay	$5,632	38.0%	15.6%[8]
Transfers	$732	-6.1%	3.0%[1]

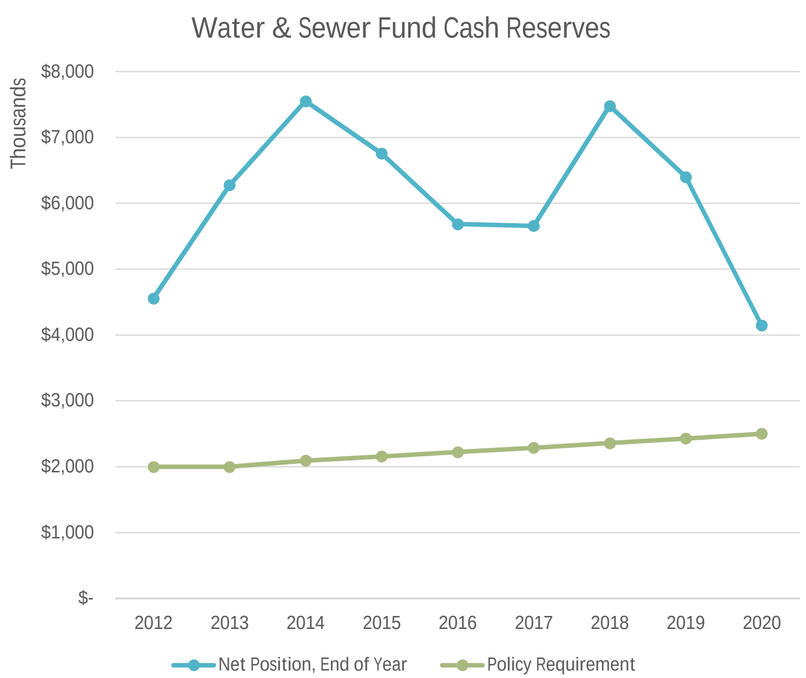
Footnotes:

1. A public works reorganization in FY14 resulted in allocating additional personnel costs to the Water & Sewer Fund. Average salary increase has ranged from 2-3% over the last several years. Transfers are closely tied to changes in personnel expenses as other funds reimburse the general fund.
2. IMRF pension costs are stabilizing and are expected to trend closely to salary increases in the future.
3. The Village's insurance pool has helped to beat the market increases for health insurance.
4. In this model, a decrease is shown in year 1, small increases thereafter.
5. Based upon a 3% operating increase and capital increases according to GWA capital plan.
6. Historical increases based upon adding GIS capabilities and upgrades to software systems.
7. Assumed escalator of 3.0%
8. Large spike in 2015 budget affects historical growth due to several large capital projects including Roosevelt Road Water Main. Capital Projects are varied in cost year to year. Anticipate to spend 15.6% more in 2016-2020 than in 2011-2015.

Annual Water & Sewer Fund Forecast

The Forecast assumes no increase to Water & Sewer rates. Great volatility is experienced due to the timing of capital projects throughout the lifetime of the forecast.

Water & Sewer Cash Reserve Projections



- Cash reserve policy grows by CPI each year.
- Cash reserve policy does not take into account the savings needed to fund capital improvements. There may be years the cash reserves need to be above policy in order to meet future capital needs.
- A drought in 2013 increased the cash reserves.

Next Steps for Water & Sewer Fund

- The Village Engineers are revising the 10 year capital forecast which will be needed to perform a rate analysis.
- In advance of the rate change for 2016, financial models will be developed to determine how to maintain the financial health of the fund while minimizing the impact on rates.
- Anticipated completion in Fall 2015.

CAPITAL PROJECTS FUND

Building the Capital Projects Fund Forecast: Key Assumptions - Revenues

	FY15 Budget (thousands)	Average Historical Growth (2006-2014)	Projected Annual Growth (2016-2020)
Property Taxes	$3,468	2.4%	3.4%[1]
Telecommunications Tax	$1,000	-1.7%	-1.7%[2]
Electricity Use Tax	$1,000	0.25%	0.25%[3]
Natural Gas Use Tax	$325	3.16%	3.0%[3]
Real Estate Transfer Tax	$625	0.52%	5.0%[4]
Interest Income	$10	-17.79%	1.0%[5]
Other Revenues	$13,696	N/A	N/A[6]

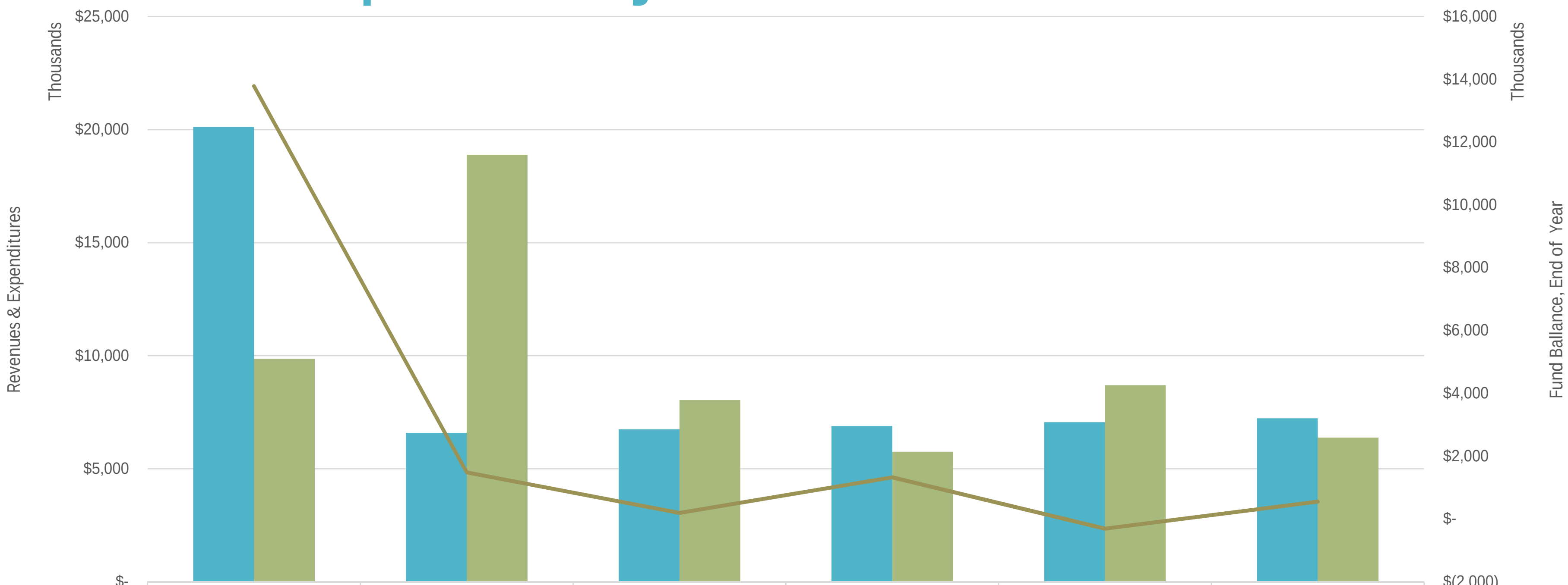
Footnotes:

1. Assumes 2.4% growth in CPI and 1% growth in new construction/annexations.
2. Telecommunication taxes have decreased due to a decline in the number of land lines. We anticipate this revenue will continue to decrease.
3. Electricity and Natural Gas Use Taxes are anticipated to grow at their historical rates.
4. Real Estate transfer tax is $3 per $1,000 of the sales price of the house. This revenue stream is affected by increases in housing prices and increased sales volume. The assumption is based upon a 3% increase in housing values and 2% increase in sales volume. Zillow indicates the median house value has gone up 9% over the past year and predicts a 0.5% increase in the coming year. There was a 23% increase in number of stamps issued from 2013 to 2014.
5. Only a very minor increase in interest income is anticipated as interest rates are anticipated to rise very gradually.
6. Other revenues include bond proceeds, grant revenue and miscellaneous revenue, which can not be predicted in future years. Therefore, we have not assumed this income will be generated in future years.

Capital Projects Fund – Expenditures

Expenditure Type	2015 Budget	2016	2017	2018	2019	2020
Ancillary expenditures	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Pavement Preservation	$400,000	$400,000	$400,000	$400,000	$400,000	$400,000
Non-Roadway Construction Projects	$3,110,000	$1,485,000	$550,000	$375,000	$375,000	$375,000
Police Station	$200,000	$11,400,000	$400,000	$0	$0	$0
Roadway Program	$5,925,000	$4,405,000	$5,485,000	$3,780,000	$6,715,000	$4,382,000
Engineering	$232,600	$237,000	$242,000	$247,000	$252,000	$257,000
Debt Service	$0	$956,533	$954,044	$953,544	$952,844	$956,494
Total	$9,872,600	$18,888,533	$8,036,044	$5,760,544	$8,699,851	$6,375,502

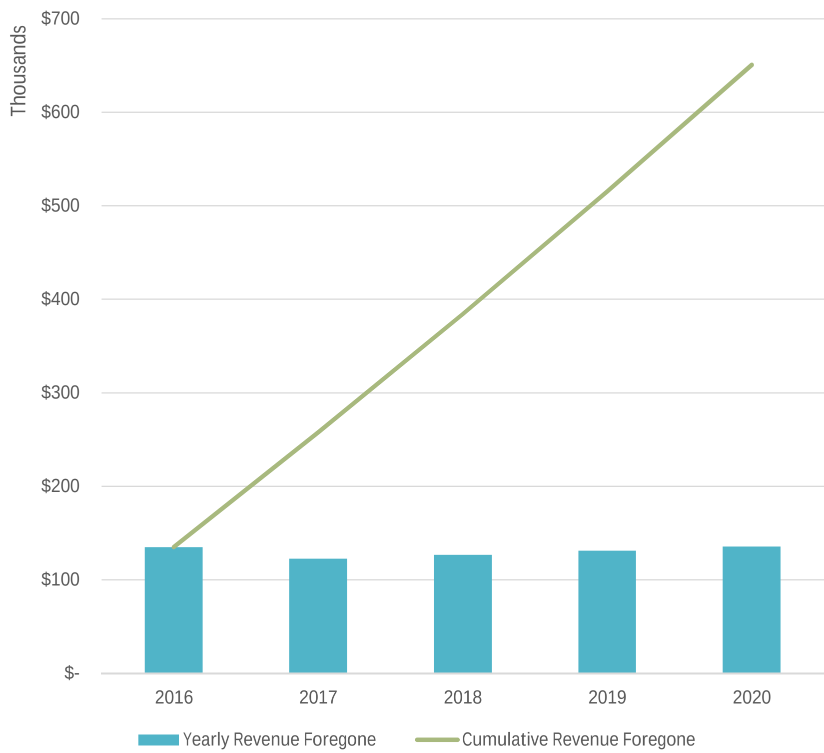
Capital Projects Fund Forecast



	2015	2016	2017	2018	2019	2020
Revenues	$20,124,000	$6,589,588	$6,740,841	$6,898,492	$7,062,770	$7,233,910
Expenditures	$9,872,600	$18,888,533	$8,036,044	$5,760,544	$8,699,851	$6,375,502
Fund Balance	$13,788,075	$1,489,130	$193,927	$1,331,875	$(305,206)	$553,202

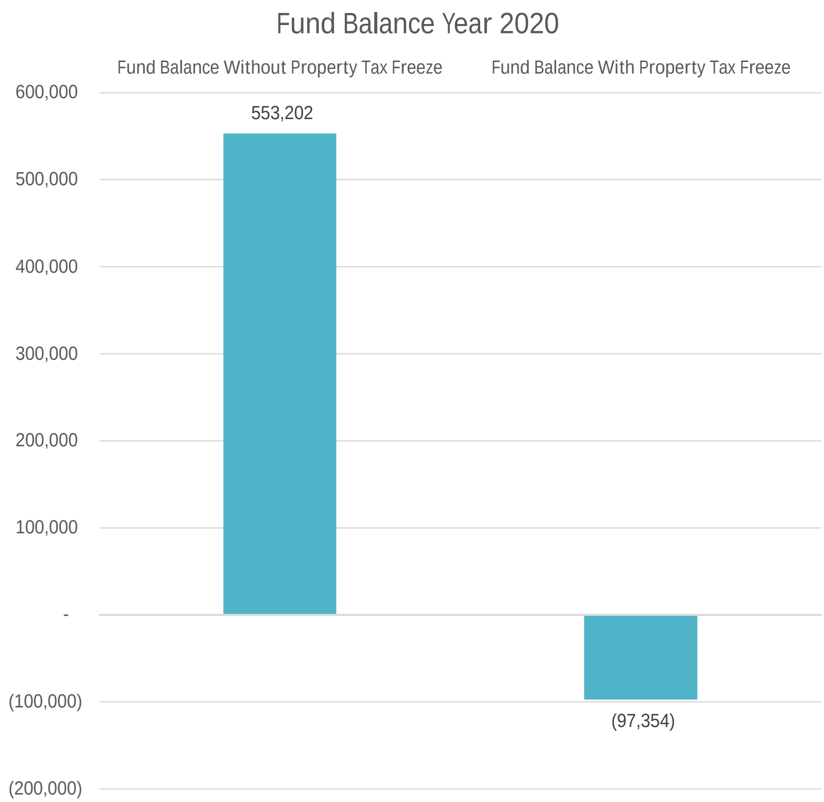
- In the Capital Projects Fund, expenditures vary year-to-year dependent upon the types of projects that are undertaken.
- 2019 is projected to have a negative fund balance. Projects will need to be adjusted or deferred to eliminate this negative balance.

What would a property tax freeze cost the Village over 5 years in the Capital Projects Fund?



- 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.
- Legislation in Springfield may limit the Village's ability to increase the levy.
- Over 5 years, the Village would forego $650,000 of revenue that would have to be made up from other revenue sources or through reductions to our capital plan.

Comparison of Ending Fund Balance with Property Tax Freeze



- This slide shows the yearly and cumulative impact in the year 2020 if the Village could not increase its tax levy.
- Fund Balance in the Year 2020 would be projected to be $(97,354) if property taxes were frozen versus $553,202.

Unscheduled/Unfunded Projects

- Several projects remain unscheduled and unfunded, namely those projects in the chart at right.
- Future planning will need to address how to fund these needs.

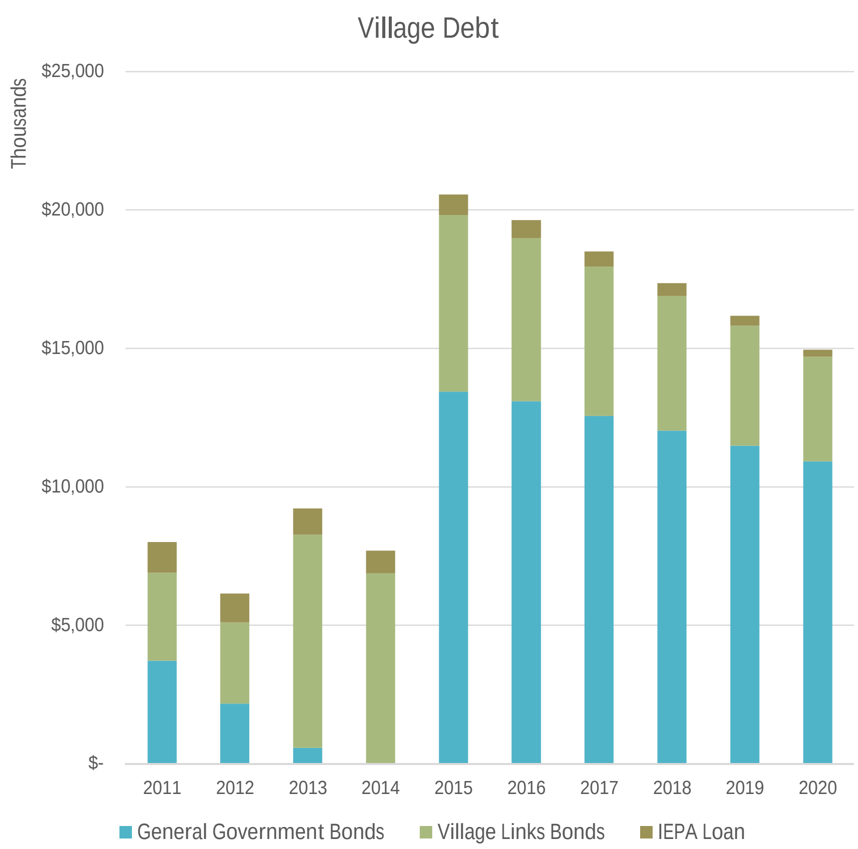
Project	Estimated Cost	Notes
CBD Pedestrian Tunnel	$7,000,000	Unscheduled/Unfunded
Viaduct/Underpass	$26,000,000	Unscheduled/Unfunded
CBD Parking Structure	$4,000,000	Village portion of mixed use private development
Fire Station	??	Unscheduled/Unfunded
Train Station	??	Unscheduled/Unfunded

Next Steps for Capital Project Fund

- The Five Year Capital Plan will be updated as part of the budget cycle.
- The Village must await decisions in Springfield on any property tax freeze that is passed and must respond accordingly to update its Capital Projects Fund forecast and methodology.
- In preparation for the 2015 property tax levy, the Village Board must decide if it will continue to employ the tax cap philosophy.
- The Village Board must provide direction on unscheduled/unfunded projects and how to proceed forward.

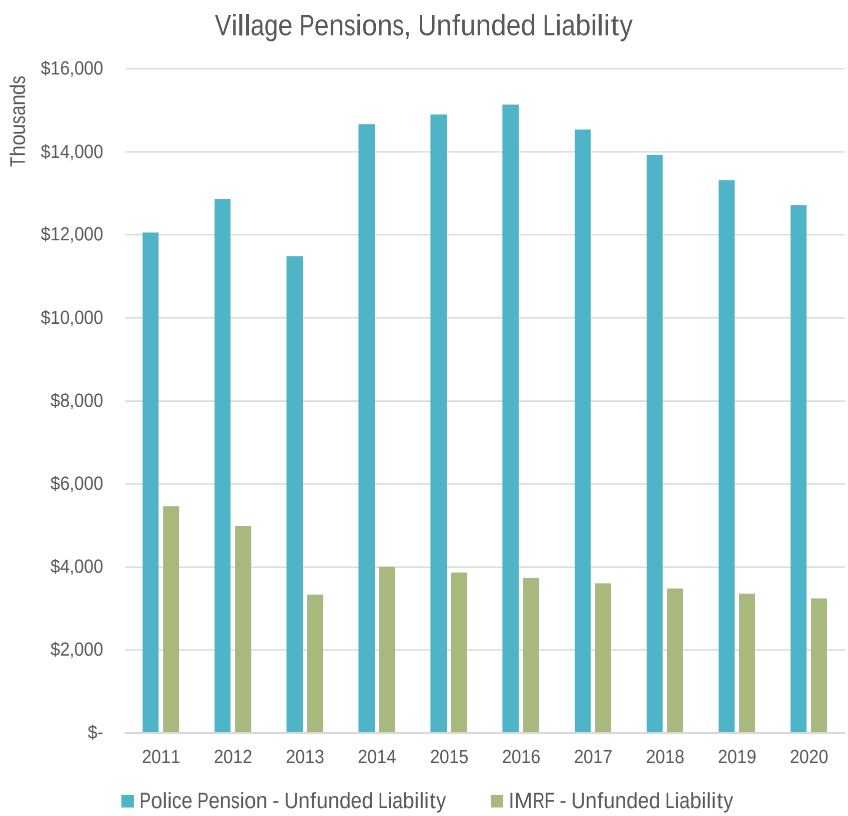
LONG TERM LIABILITIES

Village Debt



- Issuance of General Government Bonds for police station project in 2015.
- Gradual debt repayment over the five year forecast.

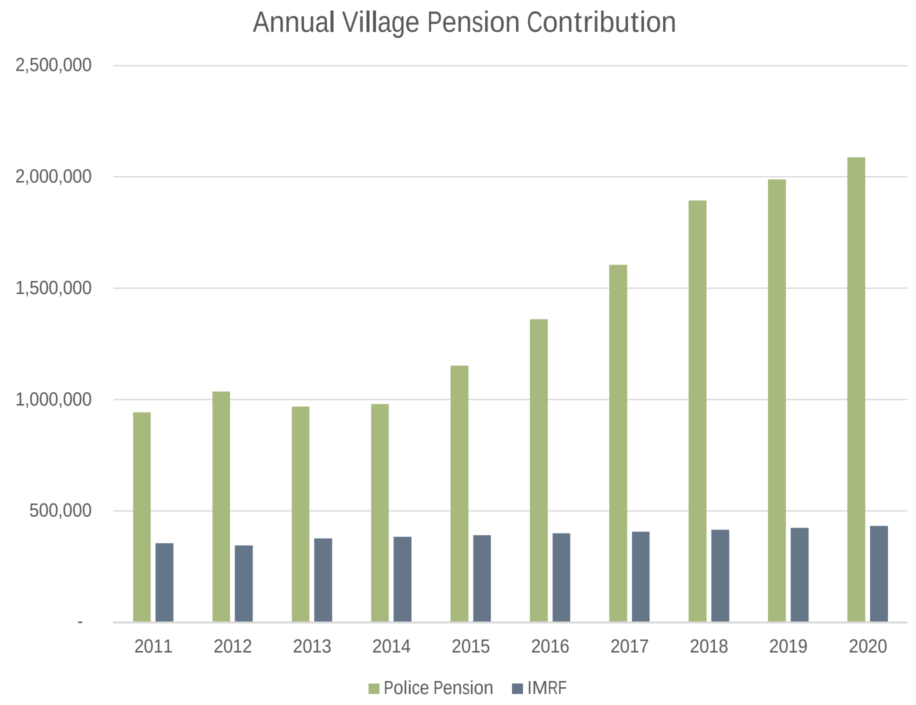
Village Pensions



- Village has two pensions, the Police Pension Fund and the Illinois Municipal Retirement Fund (IMRF).
- The increase in police pension is due to a duty disability and due to decreases in the investment rate return assumption in 2014 (and projected for 2015 and 2016).
- Beginning in 2016, the unfunded liabilities decrease assuming the actuarial assumptions are met.

Annual Village Pension Contributions

- Police Pension annual contributions grow are projected to grow at approximately 12.8% per year due to revision of actuarial assumptions.
- IMRF contributions are anticipated to increase minimally. The anticipated rate change from 2015 to 2015 is from 10.81% of covered payroll to 10.82%



Next Steps for Long Term Liabilities

- The Village will need to revisit the actuarial assumptions for the Police Pension this fall in preparation for the tax levy discussion.
- The Village will need to be mindful of the negative impact that the increasing pension contributions will have on the General Fund.