

Leg # 180332



MEMORANDUM

To: Finance and Administration Committee
From: Timothy Sexton, Director of Finance
Date: July 18, 2018
Subject: Waterfall/Long Range Plan Reserve Fund

Please find attached the final waterfall for the revenues over expenditures for FY 2017. We will review this with the Committee at the meeting.

In addition, I just wanted to introduce the Committee to a discussion that will be coming later in the year. As recommended by the Committee and adopted by the Village Board in 2016, currently the Places for Eating Tax that is not used for the General Fund in the current year is placed into the Long Range Plan Reserve Fund. The discussion that we will present later in the year will be on the most optimal use of the funds in this Reserve Fund. There are a number of potential options, including the following:

- Run it through the waterfall, just as we do any revenues over expenditures at the end of the year
- Put all of it towards the approximately \$70 million in unfunded pension liabilities
- Set it aside to pay for the Village's share of the costs of the new DuComm facility
- Set up an incentive program for retail businesses and/or Yortown Center
- Any option that would improve our bond rating (beyond the payment to pensions noted above)
- Keep in reserve for a potential payment to the LPFC, in which the Village would loan the funds to the TIF and then be repaid
- One-time purchase

At this time, we are not seeking direction on these items. We just wanted to introduce the concept so that the F&A Committee could think about these options prior to taking this up later in the year.

Distribution thru Waterfall at Year End 2017

\$1,920,000

Emergency Reserve Fund \$46,312.50

Projected Fund Balance at FYE18: \$1,833,040

Maintained equal to 5% of the current year's budgeted expenses in the General fund



May be used for unexpected, large-scale events where costs in excess of \$1M are incurred, and immediate, remedial action must be taken to protect the health and safety of residents (e.g. major flood, earthquake, event requiring significant overtime, ect.)

Revenue Stabilization Fund \$32,418.65

Projected fund balance at FYE18: \$1,283,128

Maintained equal to 3.5% of the current year's budgeted expenses in the General Fund

Revenues should be down at least 1.5% compared to prior year budget to utilize this fund.



May be used to provide funding to temporarily offset unanticipated fluctuations in on-going revenues or unanticipated events, such as unexpected external mandates, closure of large sales taxpayer, reductions in state shared revenues, etc.

This Fund will provide time for the Village to restructure its operations in a deliberate manner to ensure continuance of critical Village activities. If this reserve is spent down, it shall be restored within the following three years.

Building Reserve Fund \$920,634.43

Projected fund balance at FYE18 : \$2,012,890

May be used to help fund the cost to build new, replace, or complete a major renovation to an existing Village owned building.

Pension Stabilization Fund \$920,634.43

Fund balance after transfers: \$1,000,000

Funds over \$1M should be distributed as follows to pay down unfunded pension liabilities:

Distribute \$920,634.43 to pension funds in 2018

20% IMRF: \$184,126.89
40% Police Pension Fund: \$368,253.77
40% Fire Pension Fund: \$368,253.77

Cumulative transfers to Pension Funds:

IMRF: \$392,138.30
Police Pension Fund: \$784,277.61
Fire Pension Fund: \$784,277.61

Remaining funds should be split equally (50/50) between both Building and Pension funds

