

AH

The Road to Sustainability

2025 Budget Workshop
General Fund Overview

September 5, 2024

- Trustee Andrew Honig, Chairperson Finance & Administration Committee
- Scot Niehaus, Village Manager
- Tim Sexton, Director of Finance



Itinerary – General Fund

- Strategic Plan Review
- Revenue & Expenditure Assumptions
- Recap of Long-Range Plan
- 2025 Budget Overview
- Policy Considerations
- Look to the Future
- Summary



Strategic Plan Review

Strategic Priority	Desired Outcome	Key Outcome Indicator	Target	Strategic Initiatives
Financial Sustainability	Financial strength	- Bond Rating	- BBB in 2023 - AA+ in 2028	a) Develop plan and process to promote strong Village financial condition to rating agencies
	Prudent use of Federal funds	- Revenue generated - Expenditures leveraged - Cost savings achieved	- Businesses assisted are in targeted sectors most impacted - Positive ROI on Federal Funds used for Economic Development by 2024	b) Develop options for use of federal stimulus funds c) Establish strategy for revenue diversity and stabilization
	Stable & predictable revenue	- Revenue variability reduction	- From 2021-2024 revenues remain stable	

These goals will have direct application to budget policy in the following areas:

- Reserve Policies
- Use of Surplus
- Revenue Streams (including Levy)

Objectives related to Budgeting & Economic Development

Strategic Plan Review

These goals will have direct application to budget policy in the following areas:

- Salary Ranges
- Merit Compensation
- Wage Adjustments
- Tech Reserve
- Vehicle Reserve (as discussed by the Public Works committee on 7/9/24)
- Building Improvements
- CIP Plan
- Construction of New Buildings (Building Blocks for the Future)

Strategic Priority	Desired Outcome	Key Outcome Indicator	Target	Strategic Initiatives
Operational Excellence	Competent workforce	- % meeting training standards - # employees meeting standards	- =>98% employees meet expectations on performance evaluations by 2024	a) Develop contingency and innovation strategy b) Develop improved customer service process improvements and survey methods c) Explore uses of technology to support improved operational effectiveness
	Efficient Service Delivery	- Processing, response, cycle times	- Improved service delivery via innovation – one area per department by 2024	
	Improved operational effectiveness	- # innovations improve service - # process improvements - % positive satisfaction rating	- Reduced operational costs -2021-2024 - Resident satisfaction at/above 75% by 2024	
Well Maintained Infrastructure	Facilities adequate to meet operational needs	- Condition ratings achieved - # gaps closed	- Complete facility plan for public safety by 2024 - Complete fleet expansion project by 2024 - Address 2 operational deficiencies by 2024	a) Develop and implement comprehensive facilities plan b) Complete feasibility assessment of shared Public Safety Facility c) Revise Pavement Management Policy (6. J.) d) Develop inspectional program(s) for infrastructure & maintenance strategies e) Enhance CIP implementation to meet targeted needs
	High quality and reliable utility and roadway systems	- Roadway OCI achieved - Water main break rate reduction - Sewer back up reduction	- OCI of 74/100 - 20 main breaks/100 M by 2024 - Reduction of 25% in sewer back-ups by 2024	
	Effective project management	- Deadlines met - Budget targets achieved	- 95% of projects completed on-time/on-budget - Change orders limited to +15%	

Objectives related to Operations & Infrastructure

Multi-Year Financial Forecast General Fund Revenue & Expenditure Assumptions



Conservative Budgeting Policy adopted July 21, 2016 to provide stability for long-term trends. Individual years may vary.

Strategic Goal: Stable & Predictable Revenue

Multi-Year Financial Forecast Assumptions

Revenue Assumptions

3.0% Annual Growth

Property Tax (assumed max levy per statute)

Income Tax

Amusement Tax

Fees, fines, licenses, and permits

0.0% Annual Growth (subject to change based on trend analysis)

Sales, Use, & Places for Eating Tax

Utility Tax: Gas, Electric, Telecommunications

Expense Assumptions

Salary Progressions 4.0%

Health Insurance 7.5%

Retirement Benefits:

Illinois Municipal Retirement Fund 4.0%

Police & Fire Pension Funds 7.5%-9.0%

Technology Reserve 1.5%

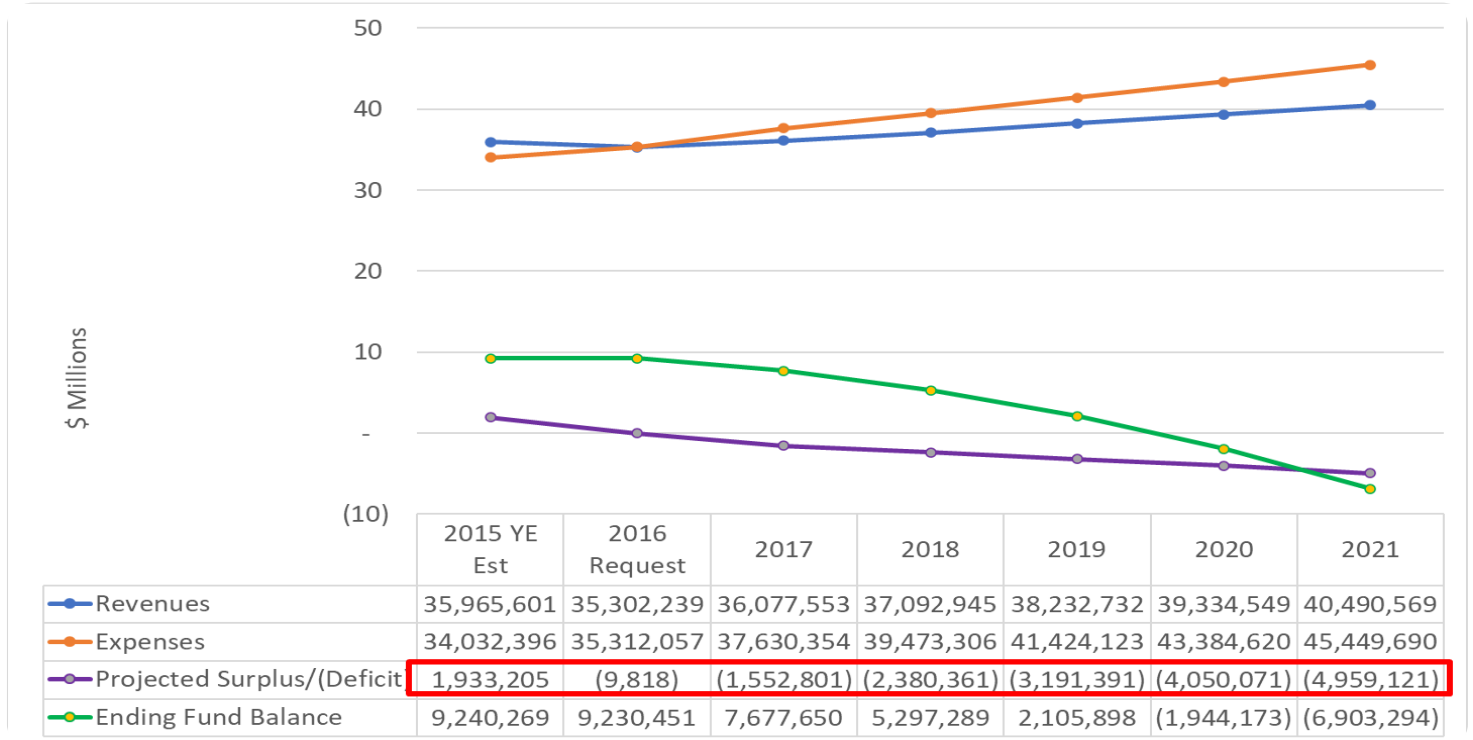
Fleet Services 3.0% (includes fuel, labor costs, and parts)

All other costs 3.0%

Long-Range Financial Plan

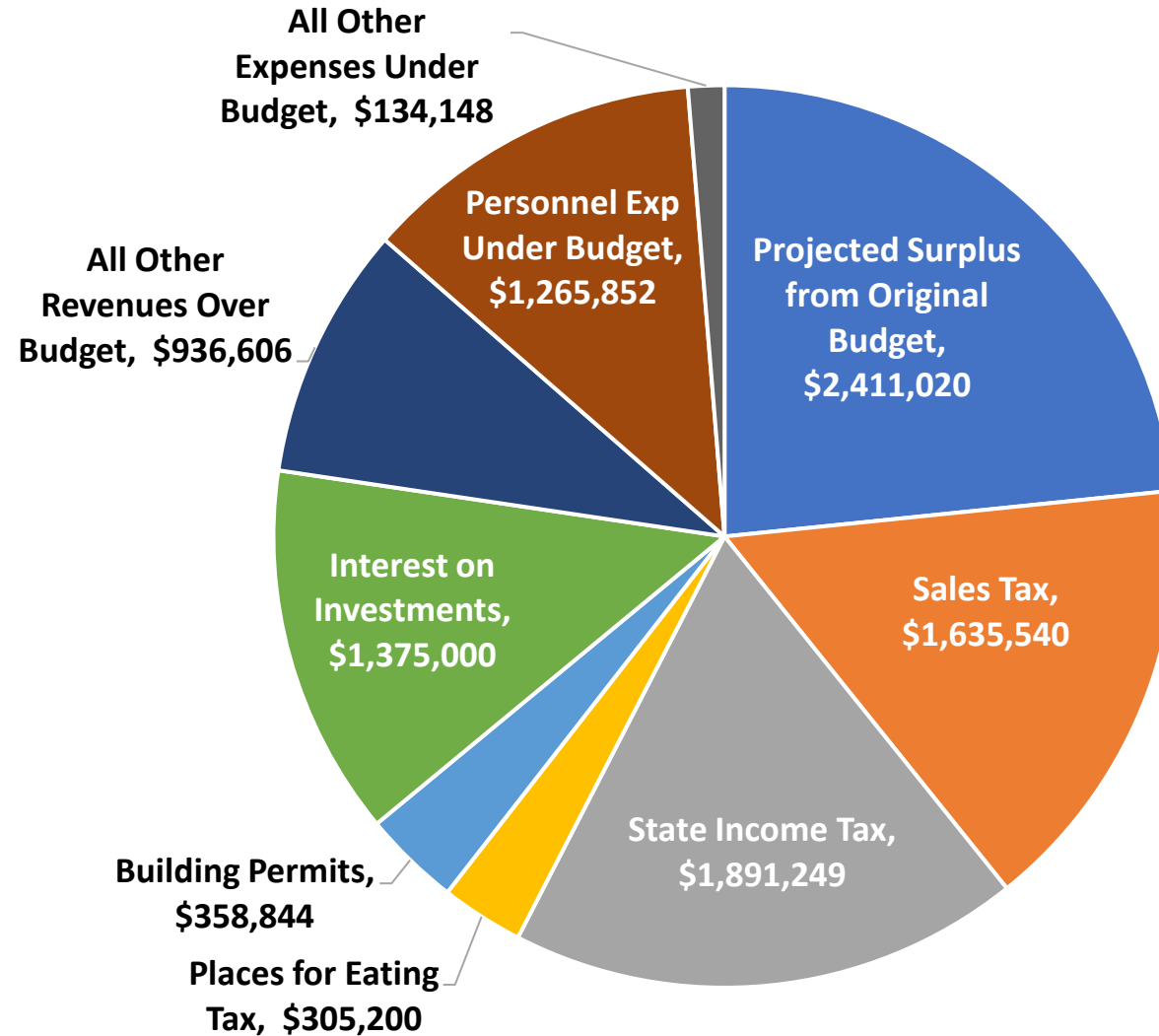
- **The Village Board undertook a Long-Range Financial Plan effort in 2016 and established the following financial priorities**
 - Establish sufficient reserves in the case of an emergency, either on the revenue or expense side
 - Pay down pension liabilities
 - Establish fund for future building needs, as all Village facilities are aging
 - As referenced earlier, this policy was amended in 2021 to include funds for economic development and business retention
- **Each year, any Revenues over Expenditures are put through the year-end waterfall to fund these priorities**

2016 Long Range Plan Positive Results



- **April 2016: Initial budget forecast 2017-2021 projected a deficit of \$4,959,121 for 2021 YE**
- **2025 – Balanced Budget**
- **All Revenues over Expenditures are put through the Waterfall**

2023 Revenues over Expenditures = \$10,313,459



Reserve Policy Overview – Waterfall for 2023 YE Revenues over Expenditures (in 2024)

***Without waterfall pension fund contributions, the 2025 General Fund pension expense would be an additional \$913,656**

2023 YE Revenues over Expenditures

\$10,313,459

Distribution thru the Waterfall

Emergency Reserve Fund \$245,730

Projected Fund Balance at FYE 24: \$2,235,430

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



May be used for:

- Unexpected, large-scale events that cost more than \$1M
- When immediate action must be taken for health and safety of residents
- Major flood, earthquake, event requiring significant overtime, etc.

Revenue Stabilization Fund \$172,011

Projected Fund balance at FYE 23: \$1,564,800

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



May be used for:

- Temporarily offsetting unanticipated fluctuations in on-going revenues
- Unanticipated events: external mandates, closure of large sales tax generator, reductions in state shared revenues, etc.

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

This Fund allows the Village to restructure its operations in a deliberate manner to ensure critical Village services. If this reserve is spent down, it will be restored within 3 years.

Building Reserve Fund \$4,947,859

Projected Fund balance at FYE 24: \$9,173,700

Build new, replace, or complete a major renovation to an existing Village owned building.

Up to \$700,000 per year to both the Building and Pension Funds plus any excess after Economic Development Fund reaches \$5,000,000.

Excess will be split equally to Building and Pension Stabilization Funds.

Pension Stabilization Fund \$4,947,859

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

Distribute \$4,947,859 to pension funds in 2024

20% IMRF: \$989,573
40% Police Pension Fund: \$1,979,143
40% Fire Pension Fund: \$1,979,143

Projected Cumulative transfers to Pension Funds

*includes LRP Distributions:

IMRF: \$3,106,429
Police Pension Fund: \$6,212,858
Fire Pension Fund: \$6,212,858

TOTAL ALL PENSION FUNDS: \$15,532,145

Economic Development Fund \$0

Fund balance after transfers: \$5,000,000

This Fund should maintain a fund balance of \$5,000,000. Any excess funds remaining after \$5,000,000 will be split equally between the Building and Pension Stabilization Funds

2025 Proposed Budget Summary



General Fund Only	2023 Actual	2024 Amended Budget	2024 Estimated Amount	2025 Budgeted Revenues	\$ Over/Under 2024 Budget	% Over/Under 2024 Budget	\$ Over/Under 2024 YE Estimate	% Over/Under 2024 YE Estimate
Revenues	\$48,384,490	\$44,830,760	\$47,710,130	\$46,535,770	\$1,705,010	3.80%	(\$1,174,360)	-2.52%
Expenses	\$38,805,398	\$44,708,550	\$45,322,562	\$46,464,310	\$1,755,760	3.93%	\$1,141,748	2.46%
Projected Revenues less Expenses		\$122,210	\$2,387,568	\$71,460				

***Expenses:**

FY23 Actual does not include \$13,045,800 transfers to "waterfall funds"

FY24 Estimate does not include \$10,313,459 transfers to "waterfall funds"

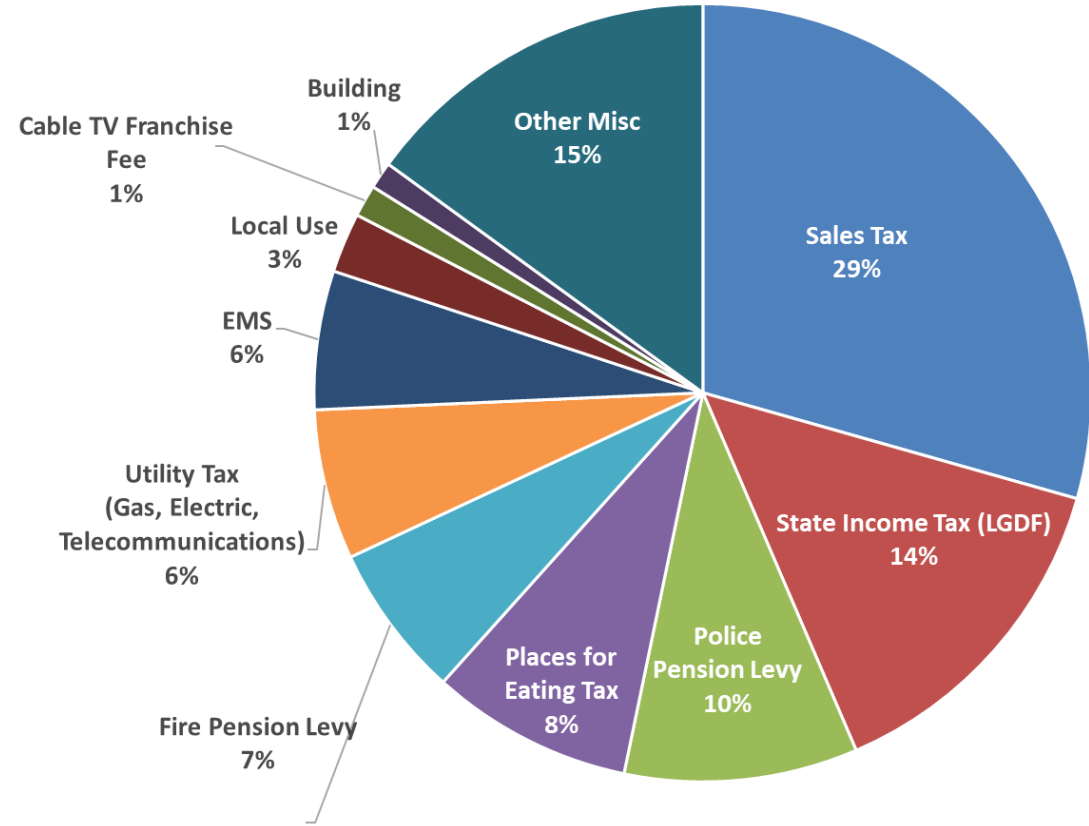
FY 2025 Revenue & Expenditure Assumptions

- Top 10 General Fund Revenues Assumptions
- Top 10 General Fund Expense Assumptions



Top 10 FY 2025 General Fund Revenues

85%



	2023 Actual	2024 Amended Budget	2024 Estimated Amount	2025 Budgeted Revenues	\$ Over/Under 2024 Budget	% Over/Under 2024 Budget
Total Top 10 Revenues	\$39,034,076	\$37,850,220	\$39,938,020	\$39,555,270	\$1,612,550	4.31%
Total All GF Revenues	\$48,384,490	\$44,830,760	\$47,710,130	\$46,535,770	\$1,705,010	3.80%
Top 10 vs Total GF Rev	80.67%	84.43%	83.71%	85.00%	N/A	N/A

Revenue Source	2023 Actual	2024 Amended Budget	2024 Estimated Amount	2025 Budgeted Revenues	\$ Over/Under 2024 Budget	% Over/Under 2024 Budget
Sales Tax	\$13,537,757	\$12,741,290	\$13,476,440	\$13,676,440	\$935,150	7.34%
State Income Tax (LGDF)	\$7,151,110	\$5,785,930	\$7,032,440	\$6,589,200	\$803,270	13.88%
Police Pension Levy	\$3,235,612	\$4,195,400	\$4,196,140	\$4,516,150	\$320,750	7.65%
Places for Eating Tax	\$3,838,474	\$3,742,170	\$3,906,540	\$3,906,540	\$164,370	4.39%
Fire Pension Levy	\$2,272,015	\$2,821,460	\$2,822,520	\$2,983,040	\$161,580	5.73%

Top 10 FY 2025 General Fund Revenues

Note: Per Financial Policy, 3% of Sales Tax revenue is allocated to the facility fund for repairs to existing Village Buildings. The revenue shown above is the portion allocated to the General Fund

Revenue Source	2023 Actual	2024 Amended Budget	2024 Estimated Amount	2025 Budgeted Revenues	\$ Over/Under 2024 Budget	% Over/Under 2024 Budget
Utility Tax (Gas, Electric, Telecommunications)	\$3,159,650	\$2,916,690	\$2,940,280	\$2,904,450	(\$12,240)	-0.42%
EMS	\$2,773,773	\$2,682,040	\$2,682,040	\$2,682,040	\$0	0.00%
Local Use	\$1,750,655	\$1,813,040	\$1,691,480	\$1,157,650	(\$655,390)	-36.15%
Cable TV Franchise Fee	\$652,188	\$723,200	\$638,640	\$618,260	(\$104,940)	-14.51%
Building	\$662,843	\$429,000	\$551,500	\$521,500	\$92,500	21.56%

Top 10 FY 2025 General Fund Revenues

History of General Fund Corporate Levy



Corporate Levy History of Use in General Fund

2014	\$1,154,522
2015	\$1,183,342
2016	\$76,224
2017	\$0
2018	\$0
2019	\$1,009,422
2020	\$1,216,393
2021	\$1,354,365
2022	\$1,730,561
2023	\$1,655,578
2024	\$1,290,830
2025*	\$1,049,710

* FY 2025 is the proposed 2024 Corporate Levy

- The 2023 Corporate Levy (for FY24) is \$1,290,830, of which \$585,742 was transferred to the Building Reserve Fund.
- The proposed budget shows a transfer of the entire 2024 Corporate Levy proposed at \$1,049,710 going to the Building Reserve Fund in FY 2025

FY 2025 General Fund Expenditures Summary

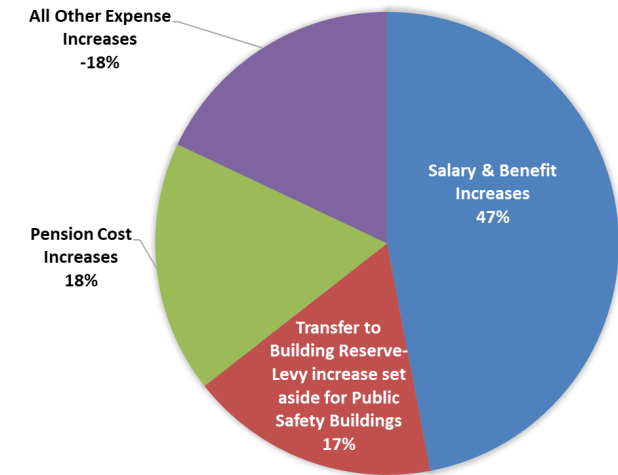
	2023 Actual	2024 Amended Budget	2024 Estimated Amount	2025 Budgeted Expenses	\$ Over/Under 2024 Budget	% Over/Under 2024 Budget	% of Total General GF
Non-Discretionary Exp	\$ 32,324,167	\$ 36,450,955	\$ 36,673,215	\$ 38,256,200	\$ 1,805,245	4.95%	82.33%
Discretionary Exp	\$ 5,597,535	\$ 7,182,105	\$ 7,663,677	\$ 7,187,500	\$ 5,395	0.08%	15.47%
Economic Incentive	\$ 246,638	\$ 300,000	\$ 250,000	\$ 285,000	\$ (15,000)	-5.00%	0.61%
Reimbursable Expenses (COBRA, Retiree Health, misc.)	\$ 637,058	\$ 775,490	\$ 735,670	\$ 735,610	\$ (39,880)	-5.14%	1.58%
Total General GF Expense	\$ 38,805,398	\$ 44,708,550	\$ 45,322,562	\$ 46,464,310	\$ 1,755,760	3.93%	100.00%
Annual Waterfall Transfers	\$ 13,045,800	\$ -	\$ 10,313,459	\$ -	\$0	0.00%	0.00%

Note: Discretionary expenses includes the transfer to Building Reserve from the Corporate Levy

- 2024 YE Est = \$585,742
- 2025 Proposed = \$1,049,710

Primary Reasons for Major Budget Increases in 2025 General Fund

COMPOSITION OF TOTAL 2025 BUDGET INCREASE



1. Salary and Benefit increases - \$1,288,345
 - Strategic Goal: Competent Workforce
2. Increase in pension costs due to 2023 investment performance and updated actuarial assumptions - \$482,330
 - Strategic Goal: Financial Strength - Bond Rating
3. Proposed Transfer to Building Reserve: Set-aside 2024 Corporate Levy for Public Safety Buildings (2024 Corporate Levy \$1,049,710 - last year's Property Tax Increase \$585,742 = \$463,968)
 - Strategic Goal: Facilities Adequate to Meet Operational Goals

- These three expense projections comprise \$2.23M of the total General Fund increase of \$1.76M.
- If you remove the transfer to building reserve, the actual budget increase is \$692,570 or 1.55%

<u>Non Discretionary Expense</u>	2023 Actual	2024 Amended Budget	2024 Estimated Amount	2025 Budgeted Expenses	\$ Over/Under 2024 Budget	% Over/Under 2024 Budget
Wages	\$ 21,181,630	\$ 23,041,655	\$ 22,830,150	\$ 24,208,150	\$1,166,495	5.06%
Police Pension	\$ 3,235,612	\$ 4,195,400	\$ 4,196,140	\$ 4,516,150	\$320,750	7.65%
Health Insurance	\$ 2,724,060	\$ 2,973,890	\$ 3,078,830	\$ 3,097,620	\$123,730	4.16%
Fire Pension	\$ 2,272,015	\$ 2,821,460	\$ 3,134,580	\$ 2,983,040	\$161,580	5.73%
Emergency Dispatch	\$ 1,087,549	\$ 1,193,090	\$ 1,210,300	\$ 1,286,550	\$93,460	7.83%

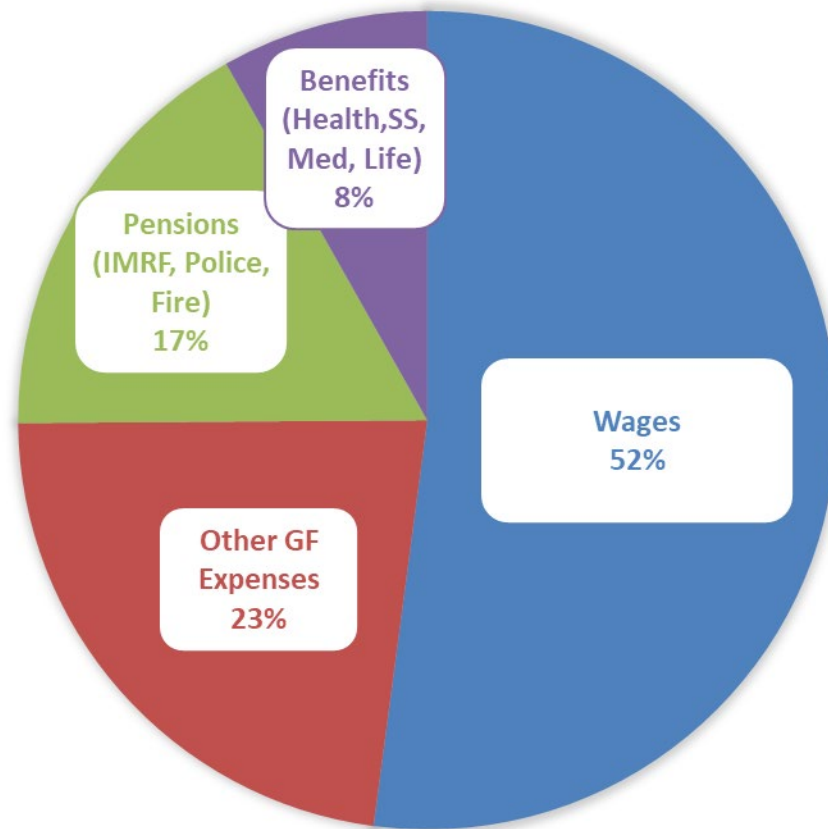
Top 10 FY 2025 General Fund Expenditures

<u>Non Discretionary Expense</u>	<u>2023 Actual</u>	<u>2024 Amended Budget</u>	<u>2024 Estimated Amount</u>	<u>2025 Budgeted Expenses</u>	<u>\$ Over/Under 2024 Budget</u>	<u>% Over/Under 2024 Budget</u>
Fleet Services O&M	\$ 755,390	\$ 994,850	\$ 994,850	\$ 922,890	(\$71,960)	-7.23%
Legal Services	\$ 357,474	\$ 462,000	\$ 462,000	\$ 462,000	\$0	0.00%
Electric	\$ 245,421	\$ 295,900	\$ 290,900	\$ 306,000	\$10,100	3.41%
Technology Reserve	\$ 261,570	\$ 261,570	\$ 261,570	\$ 264,540	\$2,970	1.14%
Benefits*	\$ 203,447	\$ 211,140	\$ 213,895	\$ 209,260	(\$1,880)	-0.89%

Top 10 FY 2025 General Fund Expenditures

*Benefits include
Uniforms, Life Insurance,
and Tuition
Reimbursement

FY 2025 General Fund Wages, Pensions, Benefits



Wages, Employer Pension Contributions, and Benefits total 77% of all 2025 General Fund expenses.

Strategic Goal: Competent Workforce



- DEPARTMENT PRESENTATIONS
- CAPITAL IMPROVEMENT PLAN
- WATER & SEWER OPERATIONS & MAINTENANCE FUND OVERVIEW



VILLAGE OF LOMBARD
SUMMER 2025 POLICY DISCUSSIONS
FOR FY 2026 BUDGET

#1. How to address the elimination of the grocery tax

#2. Identify dedicated funding source(s) for Public Safety Buildings

Concept Proposed in July

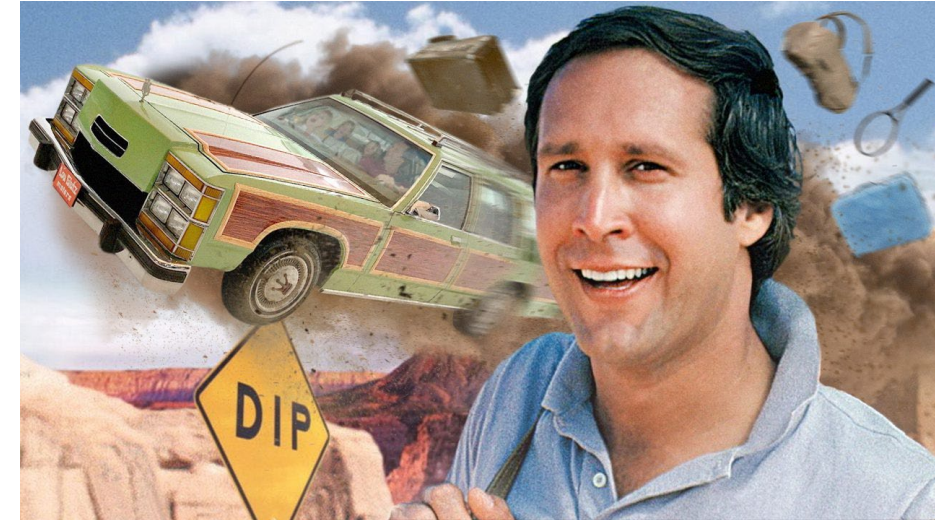
- Increase new NHR Sales Tax by 0.5% to 1.0%
- Do not collect/replace grocery tax on 1/1/26
- Do not collect full levy in FY 2025
- Lower Places for Eating Tax by 1% to 2%

Current Concept Proposed as of August 22, 2024

- Balanced budget for FY 2025
- Last-year of grocery tax in FY 2025
- No reduction in Places for Eating Tax
- No new NHR Sales Tax
- Approach the levy the same as prior years

Impact on Future Policy Discussions in June 2026

- Need to discuss grocery tax replacement decision as part of FY 2026 Budget
- Need to explore possibility of having NHR above 1% clarified in State legislation
- Possible discussion of dropping current NHR limited to capital and replacing it with standard NHR (more flexible)
- Discuss other options for public safety building debt service including Home Rule Referendum

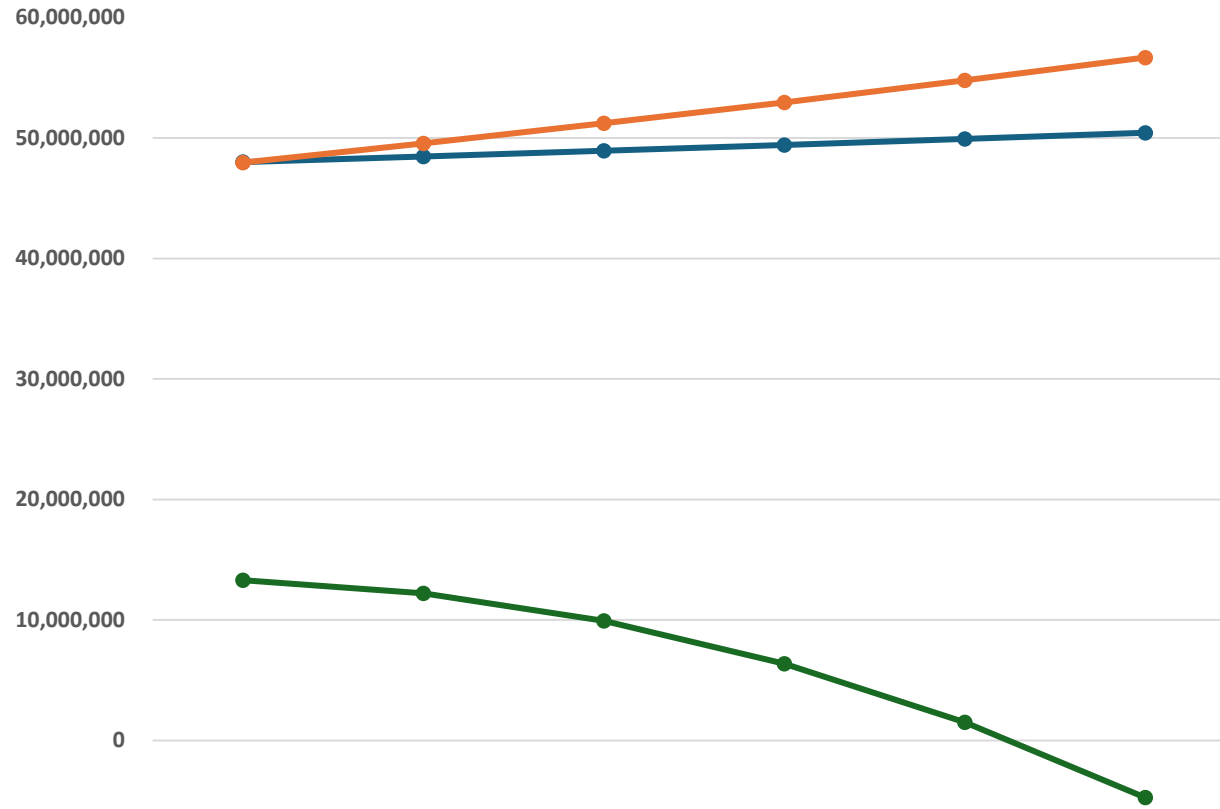


House Bill 3144

- Eliminates the State's 1% tax on groceries and authorize counties and municipalities to impose their own local 1% tax on groceries, effective January 1, 2026.
- Non-Home Rule (NHR) municipalities will be able to levy a local sales tax without voter approval. The Village Board can adopt a local ordinance with two readings.
- The NHR sales tax can be levied in 0.25% increments and remains capped at 1%.
- The local sales tax can be commenced either January 1 or July 1 each year, provided the ordinance enacting the tax is filed with the State by October 1 or April 1, respectively.

CURRENT PROJECTIONS WITH NO CHANGES (Grocery Tax Included)

Current 5 Year Financial Forecast



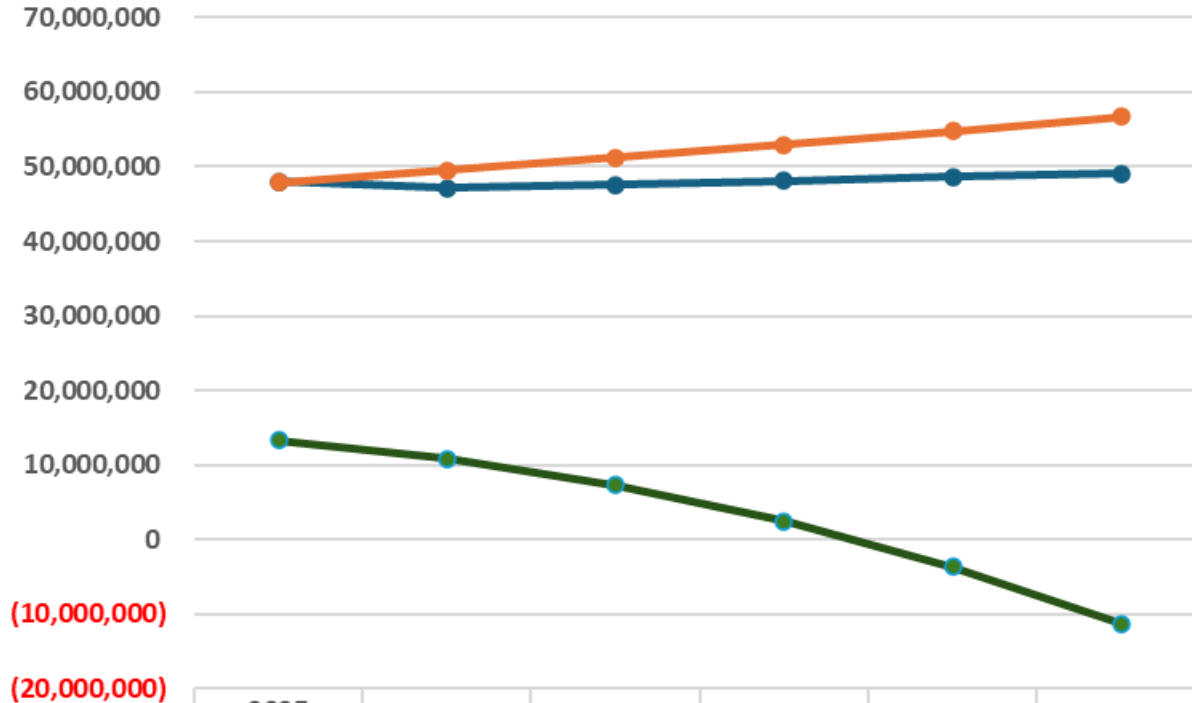
Forecast Assumptions - Conservative Budgeting	
<i>Property tax</i>	3.000%
<i>Sales Tax</i>	0.000%
<i>Utility Tax</i>	0.000%
<i>Interest</i>	3.000%
<i>Personnel</i>	4.000%
<i>Inflation</i>	3.000%
<i>Health Insurance</i>	7.500%
<i>Utilities</i>	3.000%

(10,000,000)

	2025 Budget - DPT	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030
● Revenue Total	47,994,960	48,453,570	48,926,030	49,412,620	49,913,900	50,430,240
● Expense Total	47,954,300	49,549,280	51,215,140	52,955,400	54,773,710	56,674,000
● Fund Balance	13,300,925	12,205,215	9,916,105	6,373,325	1,513,515	(4,730,245)

CURRENT PROJECTIONS WITHOUT GROCERY TAX STARTING JANUARY 1, 2026

Current 5 Year Financial Forecast Without Grocery Tax



	2025 Budget - DPT	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030
● Revenue Total	47,994,960	47,153,570	47,626,030	48,112,620	48,613,900	49,130,240
● Expense Total	47,954,300	49,549,280	51,215,140	52,955,400	54,773,710	56,674,000
● Fund Balance	13,300,925	10,905,215	7,316,105	2,473,325	(3,686,485)	(11,230,245)

Forecast Assumptions - Conservative Budgeting	
<i>Property tax</i>	3.000%
<i>Sales Tax</i>	0.000%
<i>Utility Tax</i>	0.000%
<i>Interest</i>	3.000%
<i>Personnel</i>	4.000%
<i>Inflation</i>	3.000%
<i>Health Insurance</i>	7.500%
<i>Utilities</i>	3.000%

SLIDE FROM 2024 BUDGET PRESENTATION

Funding Future Building Needs: FY 2024 Budget Discussion



FY 2025 & FY 2026 Decision

- **Future Options for Debt Service:**
 - Property Tax Referendum – Do a referendum for property taxes that would raise an additional \$3.2 million per year
 - Home Rule Referendum, and levy an additional 0.25% Sales Tax
 - Additional \$2.55 million (based on 2022 actual revenue)
 - An estimated 55% of Sales Tax revenue is funded by non-residents
 - Legislative Options – Push State to allow Non-Home Rule Sales Tax above 1% and use for purposes other than infrastructure
 - **UPDATE: A new 1% Non-Home Rule Sales Tax was approved in May 2025 with HB 3144. However, the language is unclear if the Village can have both the current 1% NHR Sales Tax and the new 1% at the same time.**

Destination: Road to Sustainability

Trip Planner:

- 8/26/2024 F&A Committee - Preliminary 2024 Budget and Tax Levy on Village Board Budget Workshop 9/05/2024
- During September and October, communicate the upcoming public hearings for the Tax Levy and Budget
- 10/3/2024 Public Hearing on Tax Levy and 1st Reading of Tax Levy Ordinance
- 10/17/2024 Public Hearing on Budget and 1st Reading of Budget Ordinance and 2nd Reading of Tax Levy
- 11/07/2024 2nd Reading of Budget Ordinance
- In December, share information on the 1/1/25 water rate changes
- In April 2025, share information on the tax levy and the Village's overall share of the levy



Road
Trip
2025

Questions?



2024 Statutorily Permissible Levy		\$12,429,110	
2023 Extended Levy	-	\$11,668,280	
Total 2024 Permissible Increase		\$760,830	6.52% *
*Breakdown of 2024 Permissible Increase			
CPI		\$396,722	3.40%
Fire Pension (Exempt)		\$13,275	0.11%
Total for Existing Properties		\$409,997	3.51%
New Growth/Construction		\$91,722	0.79%
Expiration of Downtown TIF		\$259,111	2.22%
		\$760,830	6.52%

2024 STATUTORILY PERMISSIBLE PROPERTY TAX

	New Growth	\$ New Growth	Impact of New Growth on \$300,000 Home	TIF Expiration	\$ TIF Expiration	Impact of TIF Expiration on \$300,000 Home	CPI/Fire Pension Exempt Increase	\$ of CPI/Fire Pension Exempt	Impact of CPI on \$300,000 Home	Total New Levy \$
\$300K Home										
New Growth + Statutory CPI (3.51%)	0.79%	\$91,722	\$0	2.22%	\$259,111	\$0	3.51%	\$409,997	\$20.02	\$760,830
	New Growth	\$ New Growth	Impact of New Growth on \$500,000 Home	Expiration of TIF	\$ New Growth	Impact of TIF Expiration on \$500,000 Home	CPI/Fire Pension Exempt Increase	\$ of CPI/Fire Pension Exempt	Impact of CPI on \$500,000 Home	Total New Levy \$
\$500K Home										
New Growth + Statutory CPI (3.51%)	0.79%	\$91,722	\$0	2.22%	\$259,111	\$0	3.51%	\$409,997	\$34.53	\$760,830

2024 STATUTORILY PERMISSIBLE PROPERTY TAX