

WHERE ARE WE
NOW?

VILLAGE OF LOMBARD

- 2020 BUDGET UPDATE
- 2021 FORECAST
- HOME RULE OVERVIEW

Today's Situation

- Balanced Budget for FY 2020
- Below are the assumptions used for the 2020-2024 Multi-year Financial Forecast
- Sales, Use, & Place for Eating Tax changed from 1.5% annual growth in the 2018 Budget to 0% annual growth in the 2019 Budget.

Revenue Assumptions

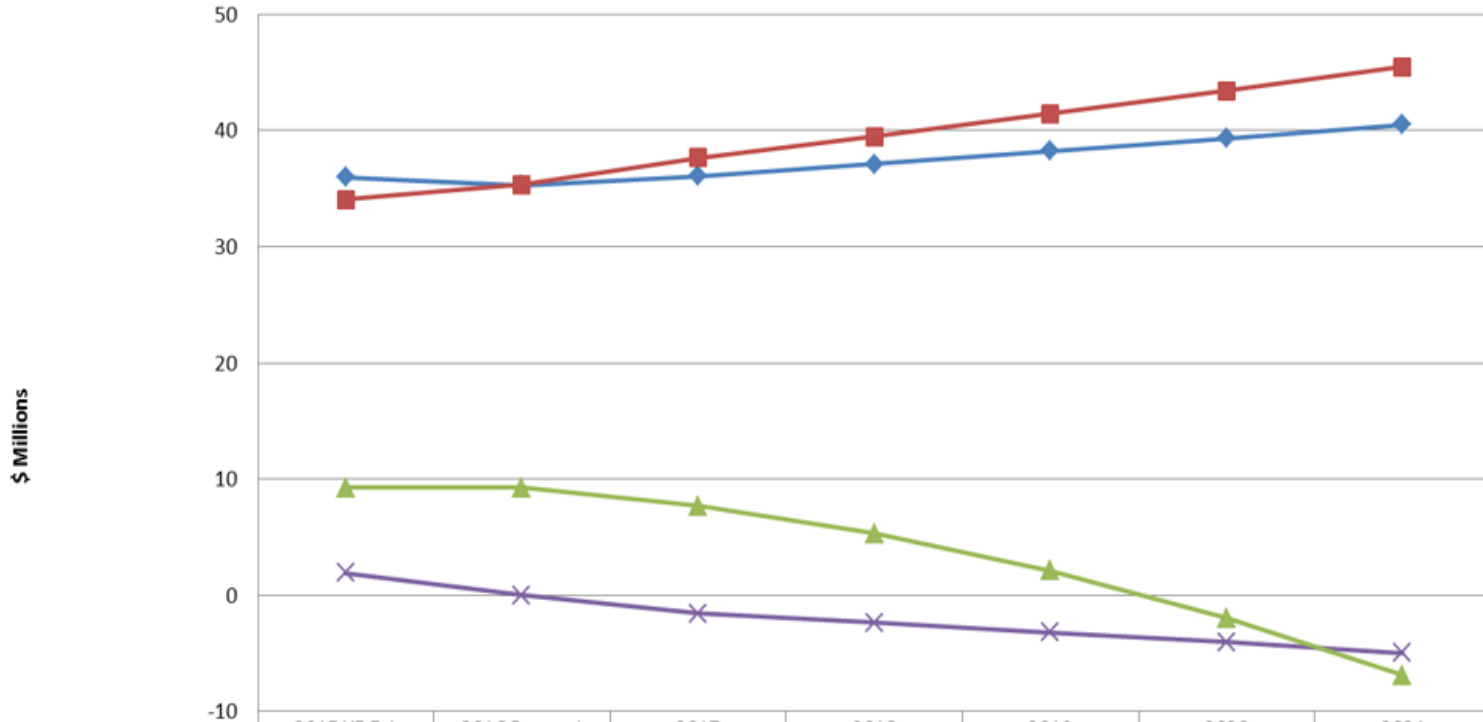
- **3.0% annual growth**
 - Property Tax (assumed max levy per statute)
 - Income Tax
 - Amusement Tax
 - Fees, fines, licenses, and permits
- **0% annual growth***
 - Sales, Use, & Places For Eating taxes
- **0.0% annual growth for Utility Tax**
 - Gas
 - Electric
 - Telecommunications

Expenditure Assumptions

- **Increases**
 - Salary progressions: **4%**
 - Health insurance: **7.5%**
 - Retirement benefits:
 - IMRF **4%**
 - Police & Fire Pension **7.5-9.0%**
 - Technology Reserve: **1.5%**
 - Fleet Services: **3%**
(Includes fuel, labor costs, and parts)
 - All other costs: **3%**

* Subject to change based on trend analysis

INITIAL FY 2017-2021 BUDGET OUTLOOK APRIL 2016



	2015 YE Est	2016 Request	2017	2018	2019	2020	2021
◆ Revenues	35,965,601	35,302,239	36,077,553	37,092,945	38,232,732	39,334,549	40,490,569
■ Expenses	34,032,396	35,312,057	37,630,354	39,473,306	41,424,123	43,384,620	45,449,690
× Projected Surplus/(Deficit)	1,933,205	-9,818	-1,552,801	-2,380,361	-3,191,391	-4,050,071	-4,959,121
▲ Ending Fund Balance	9,240,269	9,230,451	7,677,650	5,297,289	2,105,898	-1,544,173	-6,903,294

Prior to any changes...

the 5-Year Multi-Year Financial Forecast projected an estimated deficit of...

\$4.05M for FY 2020.

VILLAGE'S RESPONSE TO GROWING DEFICIT: POSITION CHANGES

FY17 vs. FY16 budget (\$314,911)

- Eliminated PT Central Records Clerk
- Eliminated 2 PT CSOs
- Eliminated 1 PT Customer Service Rep
- Eliminated 1 PT HR Intern (Co-Op Assistant)
- Eliminated 1 PT Special Events Coordinator
- Eliminated 2 Seasonal PW Engineering Coops
- Eliminated hiring seasonal snow plow drivers

FY18 changes vs. FY17 budget (\$247,003)

- Eliminated Part-Time Human Resources Clerk
- Eliminated Accounting Assistant; Increased Clerk Admin Secretary from 19 to 28 hours; Added Full-time HR Payroll Specialist
- Eliminated 1 Part-time PD Records Clerk
- Eliminated Investigative Aide position
- Eliminated Towing Coordinator position
- Eliminated 1 FT and 1 PT records clerk position when the PD reduce night hours
- Eliminated 1 Part-time PD Admin position
- Eliminated 1 Part-time Code Enforcement position
- Eliminated 1 task force position which reduced a police officer

FY19 vs. FY18 budget (\$434,645)

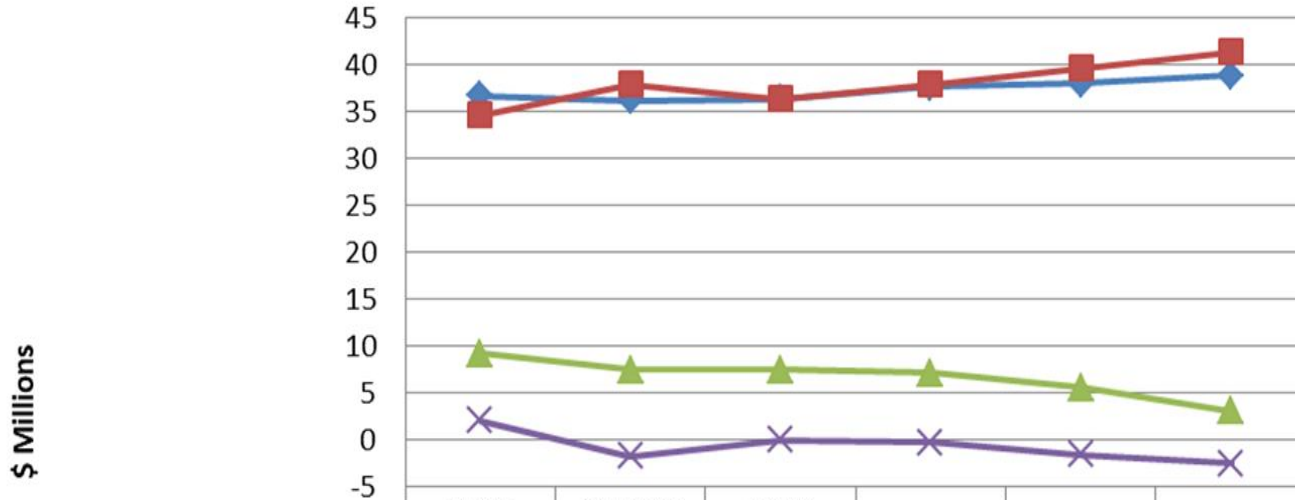
- Eliminated 1 Civil Engineer Tech position
- Eliminated 1 Civil Engineer position
- Eliminated 1 Accreditation Manager position
- Eliminated 1 Part-time Community Service Officer position
- Eliminated 1 Police Officer position

Planned FY20 vs. FY19 budget \$184,509

- Eliminate 1 vacant Police Sergeant position
- Additional vacant positions are under review

Total position reduction/
changes to General Fund:
\$1,181,068

BEGINNING 2020 PROJECTION (Nov 2018)



	2017 Actual	2018 YE Est	2019 Request	2020	2021	2022
Revenues	36,641,698	36,141,110	36,269,324	37,551,004	37,941,810	38,758,100
Expenses	34,581,399	37,876,493	36,269,324	37,856,550	39,527,490	41,287,130
Projected Surplus/(Deficit)	2,060,300	-1,735,383	0	-305,546	-1,585,680	-2,529,030
Ending Fund Balance	9,208,607	7,473,224	7,473,224	7,167,678	5,581,998	3,052,968

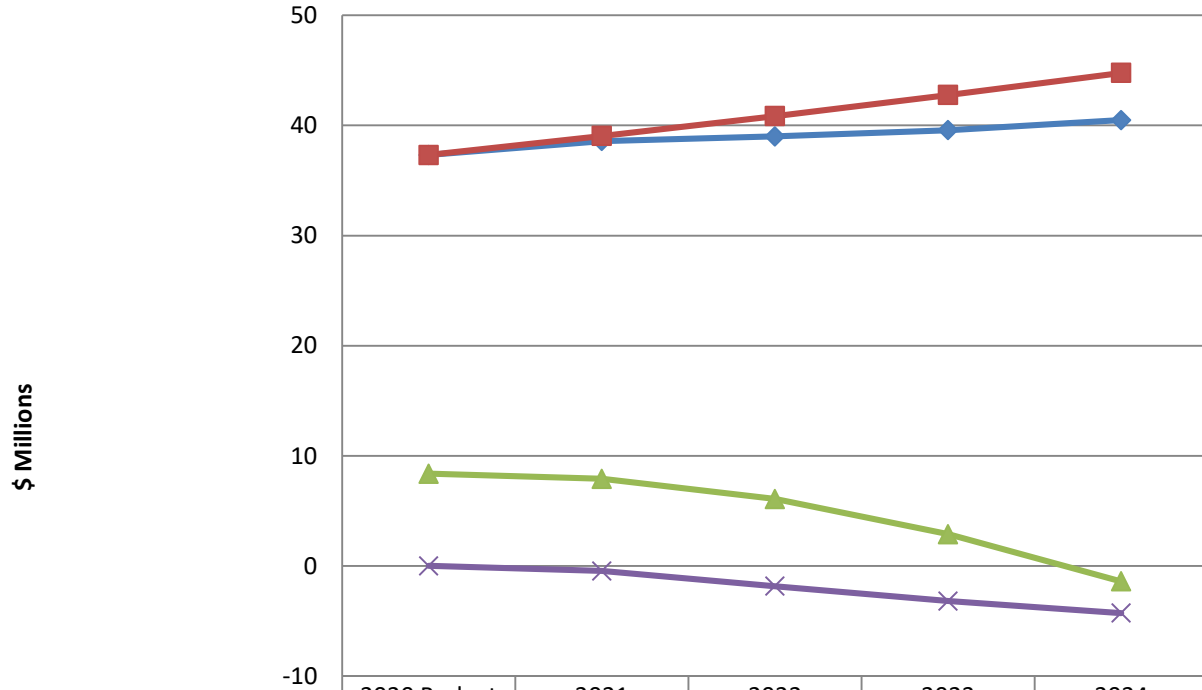
CURRENT PROJECTIONS

Assumes a 0% increase to the sales tax starting in FY19.

The 5-Year Multi-Year Financial Forecast projects an estimated deficit of \$306K in 2020, \$1.6M in 2021, \$2.5M in 2022.

Budget projections (FY19 and beyond) do not include increased sales/places for eating tax for new developments.

CURRENT 2020 & BEYOND BUDGET PROJECTION



	2020 Budget	2021	2022	2023	2024
◆ Revenues	37,320,782	38,586,378	39,008,810	39,566,620	40,486,920
■ Expenses	37,320,782	39,041,430	40,852,500	42,759,570	44,768,060
× Projected Surplus/(Deficit)	0	-455,052	-1,843,780	-3,192,950	-4,281,140
▲ Ending Fund Balance	8,370,549	7,915,497	6,071,717	2,878,767	-1,402,373

CURRENT PROJECTIONS

Assumes a 0% increase to the sales tax.

The 5-Year Multi-Year Financial Forecast projects an estimated deficit of \$455K in 2021 and increases each year after.

Budget projections (FY19 and beyond) do not include increased sales/places for eating tax for new developments.

2021 Original Deficit Projection (Nov 2018) Compared to Current (July 2019)

Original 2021 Deficit Projection (Nov 2018)	(1,585,680)
2020 Budget Projected Decrease in Expenditures*	535,768
	(1,049,912)
2020 Budget Projected Increase in Revenues	657,386
Estimated 2021 Projected Deficit Remaining <u>without Inflation</u>	(392,526)
Current 2021 Deficit projected <u>with inflation</u> (Multi-Year Financial Forecast July 2019)	(455,052)

* Per Village Board policy, 50/50 match (use of new revenue/expenditure reductions)

Favorable Legislation

The State passed HB 3198 – The Village will be able to use 25% of Hotel/Motel tax revenues (approx. \$300K/year) for economic development or infrastructure

*There were 23 retirements over the past 2 years which helped to reduce salary expense.

Major General Fund 2020 Budget Revenue Increases vs. Nov 2018 Projections

General Corporate Property Tax Levy increased due to an increase in the allowable tax-cap exempt portion of the Fire Pension Levy (\$226,121) and the funding needs decreased for IMRF (\$137,008) and Liability Insurance (\$155,357).	518,486
Local Use Tax	206,880
Emergency Medical Services	74,500

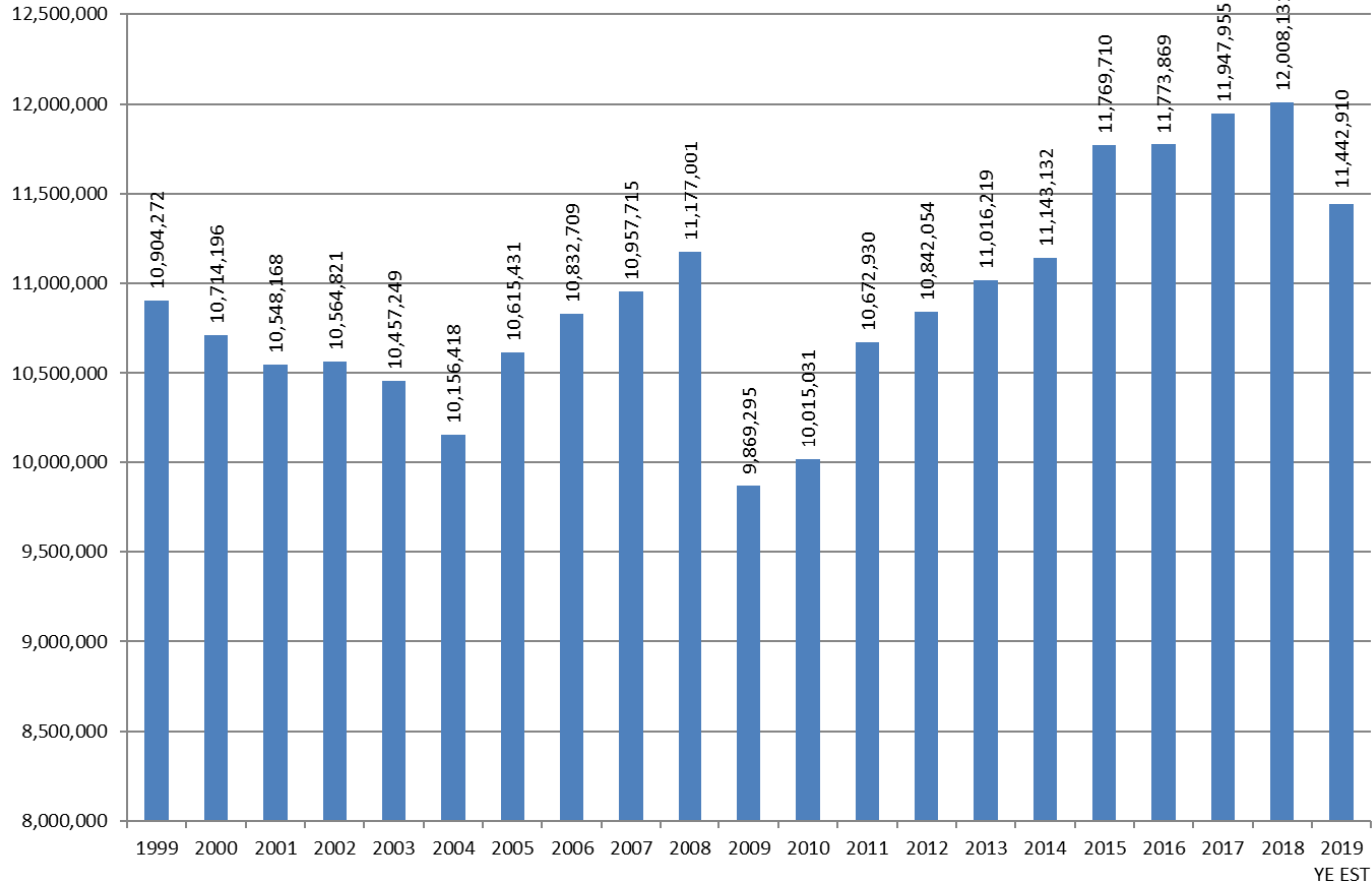
Major General Fund 2020 Budget Expenditure Decreases vs. Nov 2018 Projections

Regular Salaries with contractual and potential increases (2020 budget total increase is 1.6%* compared to the Nov 2018 estimate of 4.0%.)	295,300
Employee Health Insurance (0% increase compared to Nov 2018 projection of 7.5%. In addition, 17 FT employees that have declined health insurance.)	274,550

WHY DOES LOMBARD HAVE THESE BUDGET ISSUES?

- Unfunded State Mandates
- Rising costs of expenses (inflation)
- Home Rule Restrictions
- Little to no revenue growth

VILLAGE OF LOMARD SALES TAX REVENUE - 1999 FORWARD



If sales tax from 1999 of \$10,904,272 had grown at the rate of inflation, it would have been \$16,766,884 in 2019.

Instead, we budgeted \$11,624,150 for FYE 2019 and reduced to \$11,442,910 for the FYE 2019 Estimate based on current collections.

AVAILABLE REVENUE OPTIONS FOR REVIEW

- Video Gaming
 - Referendum on March 2020 ballot
 - Sunset June 30, 2020 without further Village Board action
 - Revenue not included in current projection
- Places for Eating Tax – Raised from 1% to 2% in 2017
- Vehicle Stickers – Eliminated in 2013 – Approx. \$500K
- Home Rule – Requires Referendum

All options to be discussed in conjunction with ongoing long range financial planning discussions.

Revenue Information on Home Rule

Tax Type	Current	With Home Rule	Current Revenue	Estimate of Revenue w/ Home Rule	Potential Additional Revenue for General Fund
Non-Home Rule/Home Rule Sales Tax	Lombard currently has a 1% Non-Home Rule Sales Tax. This can only be used for infrastructure of property tax reduction. The Village Board has dedicated the use of these funds to infrastructure.	A 1% Home Rule Sales Tax could replace the 1% Non-home Rule Sales Tax. The Village Board could decide how to use this revenue, rather than the state dictating the use of these funds. These funds could be used for any pupose, including operations and infrastructure.	9,300,000	9,300,000	9,300,000
Hotel/Motel Tax	Lombard currently has a 5% Hotel/Motel Tax. Under state law, a non-home rule community can only use these funds to promote tourism and overnight hotel stays.	Home Rule communities have the ability to decide how to use Hotel/Motel Tax revenues. The Village Board could decide how to use this revenue, rather than the state dictating the use of these funds. These funds could be used for any pupose, including operations and promoting tourism and overnight hotel stays.	2,000,000 total/ 1,200,000 usable (after LPFC rebate)	2,000,000 total/ 1,200,000 usable (after LPFC rebate)	1,200,000
Local Motor Fuel Tax	Non-Home Rule Municipalities are not allowed to have a local Motor Fuel Tax	Home Rule municipalities can have a local Motor Fuel Tax that is assessed per gallon. Examples of other local municiipalities with this tax: Elmhurst - 1.5 cents per gallon, generates \$344,000 for General Fund; Downers Grove - 1.5 cents per gallon, generates \$200,000 per year that they use for buildings	-	200,000	200,000

Revenue Information on Home Rule

<u>Tax Type</u>	<u>Current</u>	<u>With Home Rule</u>	<u>Current Revenue</u>	<u>Estimate of Revenue w/ Home Rule</u>	<u>Potential Additional Revenue for General Fund</u>
Natural Gas Utility Tax/Natural Gas Use Tax	Lombard currently has a 5% utility tax on natural gas; however this only applies to property owners who get their natural gas supply from an in-state supplier. Commercial properties that get their supply from out-of-state suppliers do not pay this utility tax	Home Rule municipalities can have a Natural Gas Use Tax, which would impose the tax on all natural gas used in the Village, regardless of where the supplier is located. It is impossible to know how much additional revenue this would generate. The current revenue from the Natural Gas Utility Tax is approximately \$500,000	500,000	Unknown; best estimate is an additional \$100,000	100,000
Property Tax	Non-Home Rule Municipalities are subject to the tax caps (PTELL), which limits the increase in property taxes to the CPI increase plus new growth	Home Rule municipalities are not subject to PTELL. Many Home Rule municipalities voluntarily comply with PTELL. An additional benefit is that a Village Board could not increase property taxes in a particular year, but not have to worry about those amounts being gone forever, as is the case with Non-Home Rule municipalities	9,000,000	9,000,000	-
Video Gaming License Fees	Non-Home Rule municipalities are limited to licensing fees of \$25 per terminal	Home Rule municipalities can charge whatever they determine for licensing fees	Unknown	Unknown	Unknown
Real Estate Transfer Tax	Non-Home Rule Municipalities cannot have this tax	Home Rule municipalities can only have this tax if approved at referendum	N/A	N/A	N/A

Home Rule Purpose & Process

- **What is the Purpose of Home Rule**

The purpose of home rule is to allow for local solutions to local issues and problems. A municipality with home rule status can exercise any power and perform any function unless it is specifically prohibited from doing so by state law.

In contrast, a non-home rule municipality may only exercise powers for which express authority is provided by state law. This means that non-home rule communities are dependent on obtaining grants of authority from the General Assembly and Governor.

- **What is the Process for the Village of Lombard to Achieve Home Rule Status?** The Village of Lombard can become home rule by residents passing a local referendum at a general election. Per the Village's attorney, the referendum for Home Rule must be on a November general election ballot on an even year. Therefore, the next opportunities would be November 2020 and November 2022.

1. Either Residents may submit a petition (signature, format, timing requirements) or the Village Board can initiate the process to authorize the following question to be placed on the general election ballot.

"Shall the Village of Lombard become a home rule unit of government pursuant to Article VII, Section 6 of the Constitution of the State of Illinois?"

2. The Village Board shall certify the question to the proper election authority, which must submit the question at an election in accordance with the Election Code.

Village staff can provide facts but cannot advocate for or against Home Rule

Expenditure Options to Consider for 2021 & 2022

Possible expenditure reductions of services if revenues continue to decline:

1. Positions as they become vacant and elimination of the services provided by that position
2. Close afternoon desk at Police Department and reduce Village Hall hours
3. Eliminate Village funding for Crossing guards
4. Eliminate free six-week fall leaf collection program
5. Eliminate full funding for tree planting program and implement 50/50 resident contributions
6. Eliminate funding for mosquito treatment program

Schedule for 2021/2022 budget decisions:

1. Fall 2019, staff will provide Finance & Administration Committee a list of revenue and expense options to review and vet thru Village Committees
2. Winter 2020, Village Committees will discuss specific options and provide recommendation for further review by the Finance & Administration Committee
3. Spring 2020, Village Board will have a workshop to review the Finance & Administration Committee's recommendations for budget year's 2021 & 2022
4. Summer 2020, recommendations will be communicated to residents/businesses
5. Fall 2020, Village Board approves 2021 budget and necessary ordinance changes

WHAT ARE SOME CHALLENGES AHEAD?

- Amazon Effect – Reduction in Retail Sales
- State Budget Crisis – Reduction in State Funding
- Recession – Possibilities
- Anchor Stores Closing

Distribution thru Waterfall at Year End 2018 \$1.5M

Emergency Reserve Fund \$0

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 \$0

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 \$750,000

Projected fund balance at FYE19* : \$3,369,750

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

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



Pension Stabilization Fund \$750,000

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

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

Distribute \$750,000 to pension funds in 2019

20% IMRF: \$150,000
40% Police Pension Fund: \$300,000
40% Fire Pension Fund: \$300,000

Cumulative transfers to Pension Funds

*includes LRP Distributions:

IMRF: \$483,764.22
Police Pension Fund: \$967,528.44
Fire Pension Fund: \$967,528.44

Benefits from Waterfall Distribution

1. Improved score used to determine overall bond rating—S&P provides the Village an overall bond rating based on a scoring system for key criteria. Showing the willingness to fund above and beyond the actuarially required contribution helps to increase the Village's score. **In total, over the past three fiscal years, the Village will have contributed an additional \$2.41 million to its pension plans.**
1. The Village's buildings are rapidly aging and it is important to be prepared for the major costs to build or replace if necessary. **The Village has contributed to the building fund \$3.42M thru the waterfall distribution process.** A small portion of these funds were used for the Village's required contribution for the new DUCOMM building.
1. Peace of mind, knowing that the Village has time to adjust if there is a costly emergency or significant unanticipated drop in revenues.

QUESTIONS
&
COMMENTS