

Village of Lombard Committee 2019 Budget Overview



Agenda

- Purpose
- Roadmap
- Background
- Results of 2018 Budget Process
- Village of Lombard Economic Update
- 2019 Revenue & Expense Assumptions
- Current 5 Year Financial Forecast
- Quick Lookback
- Proposed 2019 Budget Recommendations
- Summary & Next Steps

Purpose

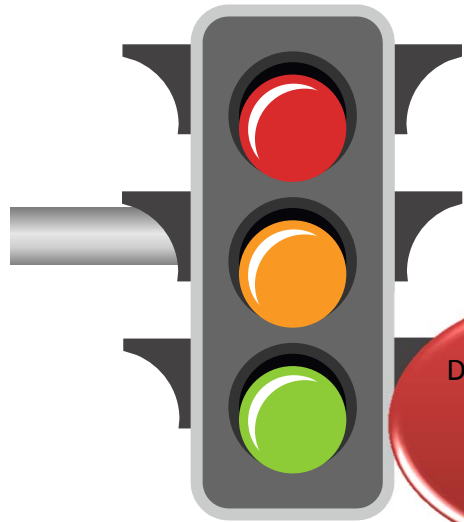
- The purpose of the FY19 budget planning meetings is to obtain input from citizen advisors and to ensure the Village Committees, Board of Trustees, residents, and employees fully understand the current and future fiscal position of the Village.
- The current projected **FY19 deficit is approx. \$737,470**
- The goal is to compile a list of year over year expenditure reductions in the General Fund that total \$368,735. (737,470 x 50% per Village Board policy direction in 2016)
- **This deficit is a moving target and may change based on revenue projections, unforeseen expenses, the economy, and State unfunded mandates/revenue reductions.**
 - Note: Illinois Municipal League advised that a 10% reduction in LGDF is likely for the State's FY19 budget.
 - The following slide shows the Village's budget deficit including a 10% reduction in LGDF.
- In 2016, the Village Board approved a Long Range Plan that included a 1% (\$1.6M) revenue increase for the Places for Eating (PFE) Tax.
 - The FY 2017 budget included an additional \$800,000 of the 1% PFE Tax increase and \$800,000 in expenditure reductions.
 - The FY 2018 budget included an additional \$350,000 of the 1% PFE Tax increase and \$350,000 in expenditure reductions.
 - We currently project for FY 2019 that we will need to use \$368,735 of the remaining PFE Tax (\$450,000).
 - Based on the changes made in FY 2019, there may be approximately \$81,265 or more remaining from the 2016 1% PFE Tax increase. These funds could be used to match the FY 2020 expenditure reductions.

2019 Budget Deficit



- Current Budget Deficit - \$737,470
 - Amount to be made up through Revenue Increases - \$368,735
 - Would leave \$81,265 remaining of Additional 1% PFE Tax for 2020
 - Amount to be made up through Expenditure Reductions - \$368,735
- Budget Deficit Including 10% Reduction in LGDF - \$1,147,470
 - Amount to be made up through Revenue Increases - \$573,735
 - Entire \$450,000 of Remaining Additional 1% PFE Tax is used up in 2019, and there is an additional shortfall of \$123,735
 - Amount to be made up through Expenditure Reductions - \$573,735
 - Additional \$205,000 in expenditure reductions needed for 2019

Roadmap



December/January
Staff Review of
Proposed
Reductions

January
F&A
Review

February
Recommendations
Presented to Village
Committees

March F&A
Recommendation
to Village Board

February/March
Feedback from
Village Committees
& Stakeholders
Presented to F&A

February-
Staff
Discussions
with
Stakeholders

April Joint F&A and
Village Board Meeting
to Present
Recommendation

August Village
Board
Recommendation

August/September
Recommendation
Communicated
and Incorporated
into Proposed
Budget



Background

- In 2016, the Long Range Plan was developed to address the rising cost of non-discretionary expenses.
- The FY 2018 Budget was developed with the assumption that the State of Illinois budget will not significantly change the Village's revenues. Staff will continue to monitor the State budget or other legislation that could severely impact the Village's revenues such as the state-shared income tax, motor fuel tax funding, and property taxes.
- Staff is meeting with each Committee to discuss the current financial situation for the Village. Specific items have been referred to Committees for further vetting.

Result of FY 2018 Budget Process

- Successfully addressed \$700K deficit in an efficient and timely manner
 - \$350K in reductions/transfer of expenses
 - \$350K in new revenue
- Open and Transparent Process
 - Multiple public meetings/discussions
 - Extra communications with impacted stakeholders
- Adoption of a Long Range Plan and Policy Changes for Future Guidance
- Village Staff started work on the FY 2019 budget in November 2017

Village of Lombard Economic Update

- **Sam's West LLC:** Announces corporate business decision to not proceed with Sam's Club location in Lombard.
 - This action is a part of a much larger national shift in strategy that will also result in the closing of existing stores as well. Per the Sam's Club statement released on their Twitter page today, "After a thorough review of our existing portfolio, we've decided to close a series of clubs and better align our locations with our strategy."
- **Bon-Ton** (Bergner's, Boston Store, **Carson's**, Elder-Beerman, Herberger's and Younkers) : Filed for bankruptcy.
 - "While under bankruptcy protection, Bon-Ton said it will also explore strategic alternatives, including a sale of the company or assets as a part of the reorganization plan. The process will also make it easier for Bon-Ton to renegotiate its leases or ask for rent reductions."
- **Local Government Distributive Fund (LGDF):** The state's FY18 budget includes a 10% reduction in LGDF (Income Tax). **LGDF revenue is still at risk as part of any State budget reforms.**
 - The Village of Lombard's 2018 Budgeted Revenue for State Income Tax \$3,981,910 (example: 50% reduction is \$1,990,995M)
- **Marianos/ Thorntons :** Too early to tell how the new stores will change sales tax for the Village of Lombard.

2019 Revenue & Expenditure Assumptions

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%**

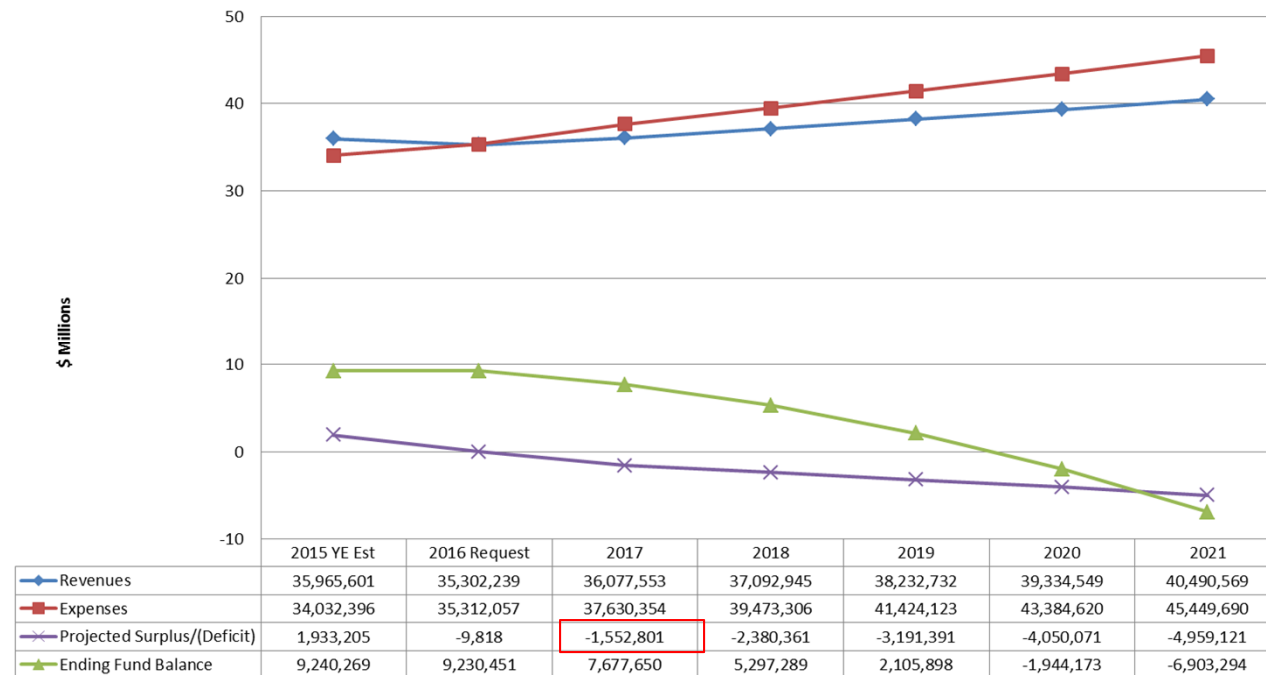
Retail Sales: (Forbes (Jan 19, 2018), 9 Fashion Retailers On Life Support)

Signs are that fashion retail has entered a new normal, near-steady state, with sales growth leveling at about 1% in 2016 and 2017, after rising over 2% in 2013 through 2015. Look around and **there are more stories of failure than success in fashion retail**. Customers are simply not buying what many fashion retailers are selling.

LONG RANGE PLAN SYNOPSIS

Prior to Any Changes FOR 2017

The 5-Year Multi-Year Financial Forecast projects an estimated deficit of \$1.6M for fiscal year 2017.

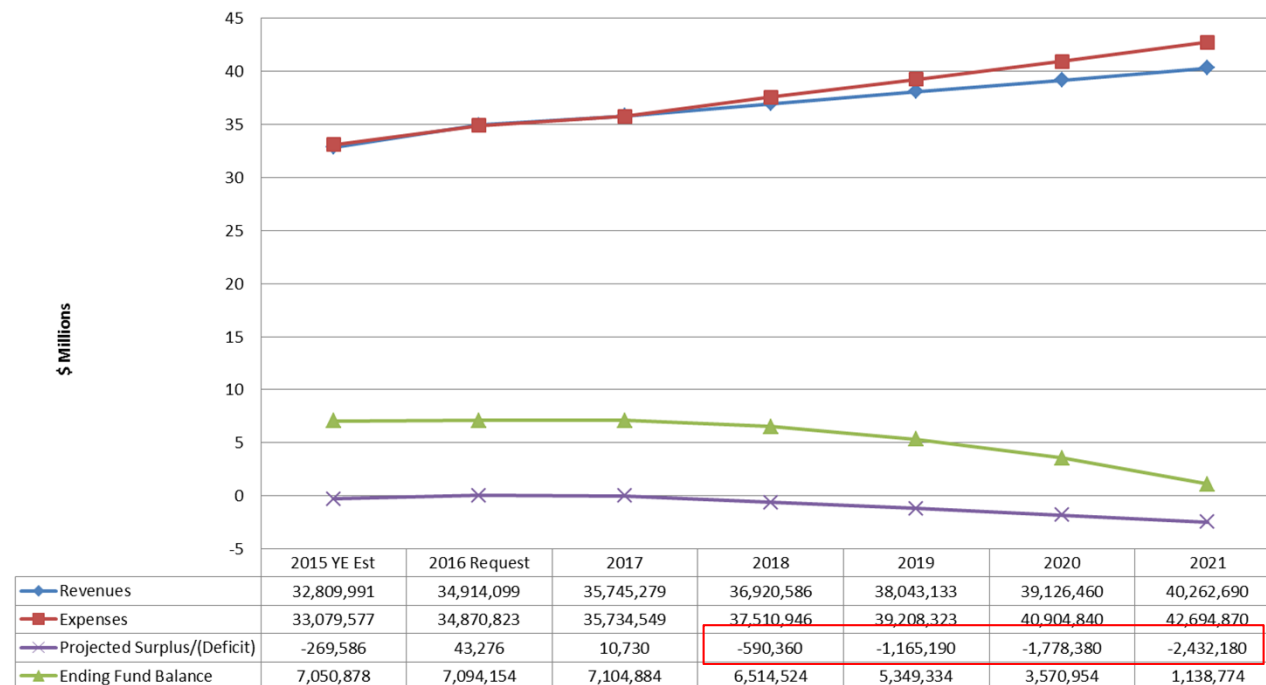


PRIOR TO 2018 CHANGES

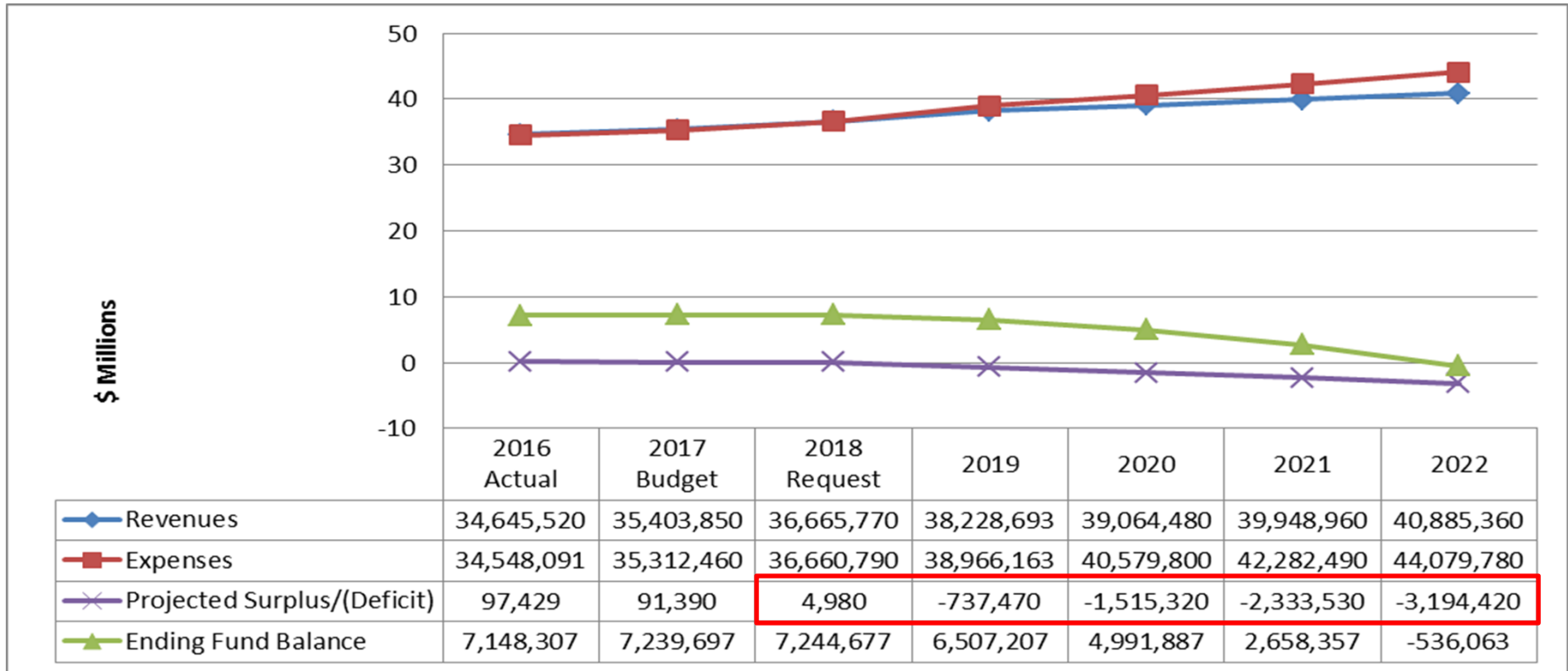
1% increase to the PFE tax; with ½% PFE Tax allocated to General Fund and Expenditure Reduction of \$800K in 2017

The 5-Year Multi-Year Financial Forecast projects an estimated deficit of \$590K in 2018, \$1.2M in 2019, \$1.8M in 2020, and \$2.4M in 2021.

All budget projections (FY17 and beyond) do not include new retail projections (Marianos, ect.).



Current 2018-2022 Multi-Year Financial Forecast



CURRENT 5 YEAR PROJECTION

Assuming a 0% increase to the sales tax starting in FY19; with an additional \$350,000 Places For Eating Tax from Long Range Plan Fund allocated to General Fund and Expenditure Reduction of \$350K in 2017

The 5-Year Multi-Year Financial Forecast projects an estimated deficit of \$737K in 2019, \$1.5M in 2020, \$2.3M in 2021, and \$3.2M in 2022.

Budget projections (FY17 and beyond) do not include increased sales/places for eating tax for new developments - Yard House, etc. A conservative estimate is included in 2018 and beyond for Mariano's and Thornton's.

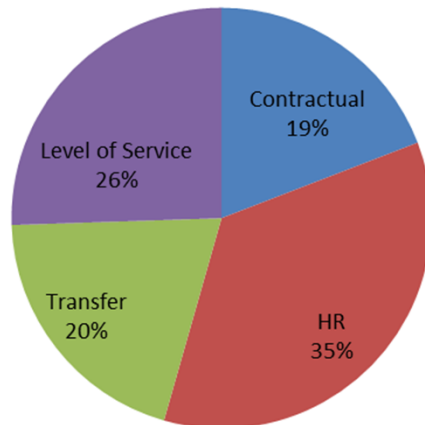
Quick Lookback

Simplified Permanent General Fund Savings Chart

Budget Year	2017	2018	Running Total
2017 Permanent Reductions*	\$800,000	\$800,000	\$1,600,000
2018 Permanent Reductions		\$347,837	\$347,837
Total year over year savings	\$800,000	\$1,147,837	\$1,947,837

*2017 had a total of \$1,182,191 in reductions and transfers but approximately \$800,000 in permanent reductions to the General Fund

Breakdown of Year Over Year Savings by Type



Examples of 2017 & 2018 Budget Reductions

- Taxi Subsidy Program (Phase-out)/(\$20,000)
- Winter decorations (\$30,000)
- CODE RED (\$20,000)
- Meals on Wheels (\$15,000)
- Police Lobby Nighttime Hours Adjusted (\$113,206)
- Banner program expansion (\$41,500)
- PRIDE newsletter from 6 to 4 issues (\$14,610)

Quick Lookback

Summary of Budgeted Position Changes

FY17 budgeted personnel changes compared to the FY16 budget:

- 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 budgeted personnel changes compared to the FY17 budget

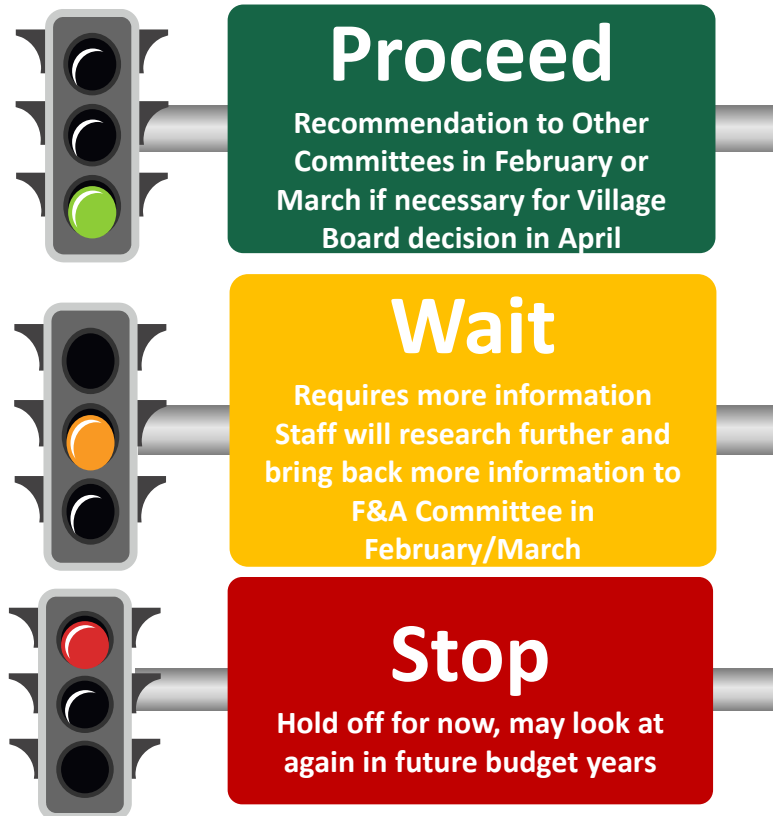
- Eliminated Part-Time Human Resources Clerk
- Eliminated Accounting Assistant; Increased Clerk Admin Secretary from 19 to 28 hours; Added Full-time HR Payroll Specialist
- Eliminated 1 Part-time PD Records Clerk
- Eliminated Investigative Aide position
- Eliminated Towing Coordinator position
- Eliminated 1 Full-time and 1 Part-time 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 position

Planned FY19 budgeted personnel changes compared to the FY18 budget

- Eliminate 1 vacant Civil Engineer Tech position
- Eliminate 1 vacant Part-time Community Service Officer position
- Additional vacant positions are under review

Proposed 2019 Budget Recommendations

Total Projected FY19 Deficit \$737,470 (50/50 split \$368,735)



Step 1: Staff presented recommendations to the Finance & Administration Committee

Staff Proposed 2019 Budget Changes to Finance & Administration Committee on 1/22/18	General	Hotel/Motel	Water and Sewer	Commuter Parking
Possible Savings/Increase	\$251,518	\$ 17,000	\$12,000	
Possible Savings/Increase	\$310,932	\$ 60,000	\$25,000	\$ 115,920
Possible Savings/Increase	\$320,000	\$ -	\$75,000	

Step 2: Finance & Administration Committee reviewed Staff recommendations, and requested other Committee feedback on some items in order to make final recommendation to the Village Board in April

Finance & Administration Committee Initial Review	General	Hotel/Motel	Water and Sewer	Commuter Parking
Possible Savings/Increase	\$ 251,518	\$ 17,000	\$ 12,000	
Possible Savings/Increase	\$ 260,220	\$ 60,000	\$ 25,000	\$ 115,920
Possible Savings/Increase	\$ 370,712	\$ -	\$ 75,000	

FY 2019 Proposed Reductions/Revenue Increases/Transfer of Funds

Finance & Administration Committee Initial Review	General	Hotel/Motel	Water and Sewer	Commuter Parking
Police				
Possible Cost Reduction				
Review all crossing guard agreements for legal obligations and look for cost sharing opportunities	\$ 50,712			
CALEA Accreditation Manager Position	\$167,518			
Community Development				
Possible Cost Reduction				
Eliminate/Reduce the Backyard Drainage Grant Program			\$ 12,000	
Possible Revenue				
Plan Re-Review Fees to market competitive rate or industry standard	\$ 50,000			
Re-Inspection Fees to market competitive rate or industry standard	\$ 10,000			
Stop Waiving Fees for Public Hearings for Government Entities	\$ 5,000			
Stop Waiving Building Permit Fees for Local Governments	TBD			
Charge Plan Review Fees up Front	TBD			
Public Works				
Possible Cost Reduction				
Eliminate/Reduce Curbside Brush Collection	\$ 83,610			
Reduce/Eliminate Mosquito Abatement Program	\$ 88,610			
Eliminate/Reduce sewer rodding reimbursement			\$ 25,000	
Eliminate/Reduce lead service line reimbursement			\$ 75,000	
Research cutting back on Street lights /what other construction to reduce O&M	TBD			
Research annual level of service for snow plowing operations	\$ 20,000			
Adoption of Overall Condition Index (OCI) for long term road maintenance	N/A			
Fire				
Possible Cost Reduction				
Reduce/Eliminate Fire Public Education	\$ 23,000			

(continued) FY 2019 Proposed Reductions/Revenue Increases/Transfer of Funds

Finance & Administration Committee Initial Review	General	Hotel/Motel	Water and Sewer	Commuter Parking
Police				
Possible Cost Reduction				
Review all crossing guard agreements for legal obligations and look for cost sharing opportunities	\$ 50,712			
Finance				
Possible Cost Reduction				
Change to all daily fee for commuter parking and eliminate permits				TBD
Reduce current Village Hall front desk services	TBD			
Possible Revenue				
Charge a 1.5% Surcharge for all Credit Card Payments	\$ 60,000			
Increase daily parking fee to \$2.00				\$ 115,920
Village Manager Office				
Possible Cost Reduction				
Personnel				
Offer a voluntary Vacation Buy Program	TBD			
Events/Communications				
Program Changes to Cruise Nights Event or Schedule		\$ 17,000		
Eliminate/Reduce Downtown Tree Lights , Banner Change Out, Winter Greenery		\$ 30,000		
Reduce Number of Printed Issues of Pride Newsletter		\$ 30,000		
Develop policy to get sponsorship for events		TBD		
Possible Revenue				
Revenue: Implement Vendor Booth Fees for Senior Fair		TBD		
Other				
Eliminate Lobbyist Contract or Renew and Transfer Portion of Funding to W&S	\$ 24,000			
Reduce or Eliminate the Meals on Wheels Subsidy	TBD			
Possible Revenue				
Reinstate Village required vehicle stickers	\$300,000			
Implement Video Gaming	TBD			

Summary & Next Steps

- Summary
 - Total Projected FY19 Deficit \$737,470 (50/50 split \$368,735)
 - The goal is to reduce non-discretionary expenses to reduce future year deficits.
- Next Steps
 - Village Committees are reviewing certain items to provide a recommendation to the Finance & Administrative Committee.
 - Finance & Administrative Committee will review Village Committee recommendations to discuss at a Joint Village Board meeting in April 2018.
 - After Village Board approval of 2019 budget reductions and revenue increases, Village Committees will discuss and review the policies/ordinances for a recommendation on changes to the Village Board.
 - Department Heads will present their Proposed FY18 Budget Requests to the Village Board in August 2017.
 - Village Board approves the FY18 Budget in November 2017.
- Questions/Comments