Villa Park Financial Overview

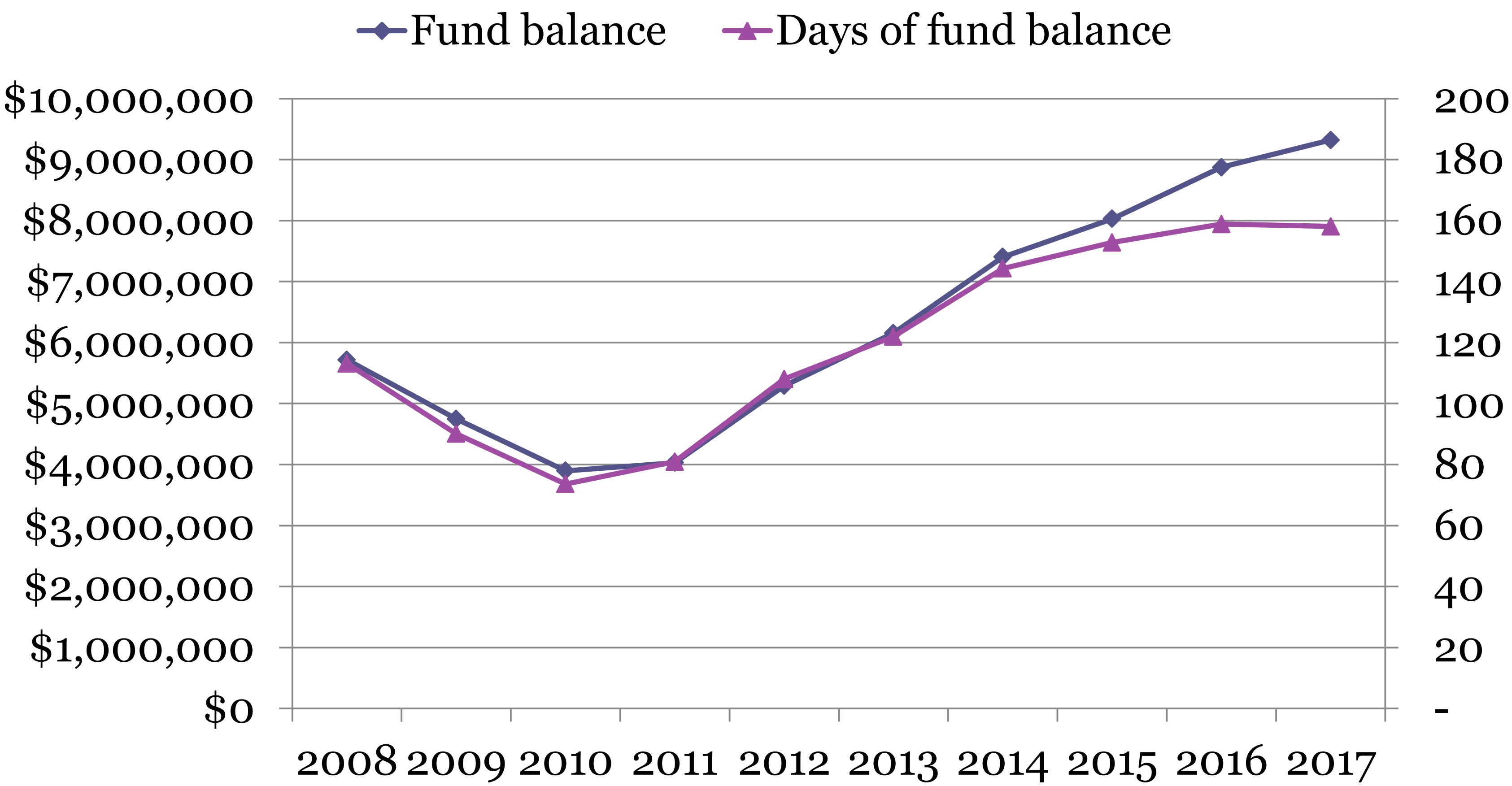
Current position, projections and long term issues

February 26, 2018

Current financial position

- Conservative/realistic budgeting and holding the line on spending has built up reserves over the past several years
- General Fund (main operating fund) Fund Balance is $9.3M at 4-30-17
- Total General Fund budget for FY18 is $22.9M

10 years of fund balance



How did this recovery happen?

- Staff reductions
- Lower employee compensation, increased employee health insurance contribution rates
- Delays and deferred capital spending
  - Dollars were not available to replace emergency vehicles

Recent capital investment

- Over the past few years, the Village has focused on catching up with our public safety and service equipment
- Replaced fire engine using $423,000 grant, another from Village Funds by setting aside$125,000/year ($560,000 in SY18)
- Two ambulances purchased through financing ($200,000 each)
- Replacing 3 Police squads each year – 5 years to replace all vehicles
- Slowly replacing Public Works Fleet
  - Vehicles with old signs welded to replace worn floor boards
  - Vehicles with cracked chassis
  - Buying used, or sharing when possible

What’s the value of solid financial position?

- Most recent bond rating
  - Maintained AA rating for G.O. debt
  - **Improved to AA from AA- for Debt Certificates**
  - These are very good ratings for non-home rule governments

- Very strong budgetary flexibility and liquidity

- Strong policies and management
  - *Strong policies and management do not matter if dollars are not available*

- Large pension liability – more on that later

Budget process

- Departments request what they need
- Revenues are projected
- Expenditures are reduced to attain a balanced budget
- SY2018, had to reduce over $1M in the General Fund – now balanced through reductions in the spending plan
- CY2019, over $1.4M deficit in the spending plan

5 year General Fund projections

NOT A PREDICTION OF WHAT WILL HAPPEN – THIS IS ONE MEASURE OF LONG TERM FINANCIAL PRESSURES

- Using historical trends and known information, we project future budgets
- Revenues grow by 0.5% per year
- Expenditures grow by 3.3% per year
- Cannot be sustained without annual and sometimes structural adjustments

	2019	2020	2021	2022	2023	2024
Surplus / (deficit)	(\$1.4M)	(\$2.1M)	(\$2.8M)	(\$3.6M)	(\$4.4M)	(\$5.2M)
Fund Bal.	\$7.4M	\$5.3M	\$2.5M	(\$1.1M)	(\$5.4M)	(\$10.7M)
Days FB on hand	115	80	37	-15	-74	-140

Financial threats and issues

- State revenue reductions and unfunded mandates
- Tax freeze
- Pensions
- TIF 3 debt
- Future capital funding

State budget

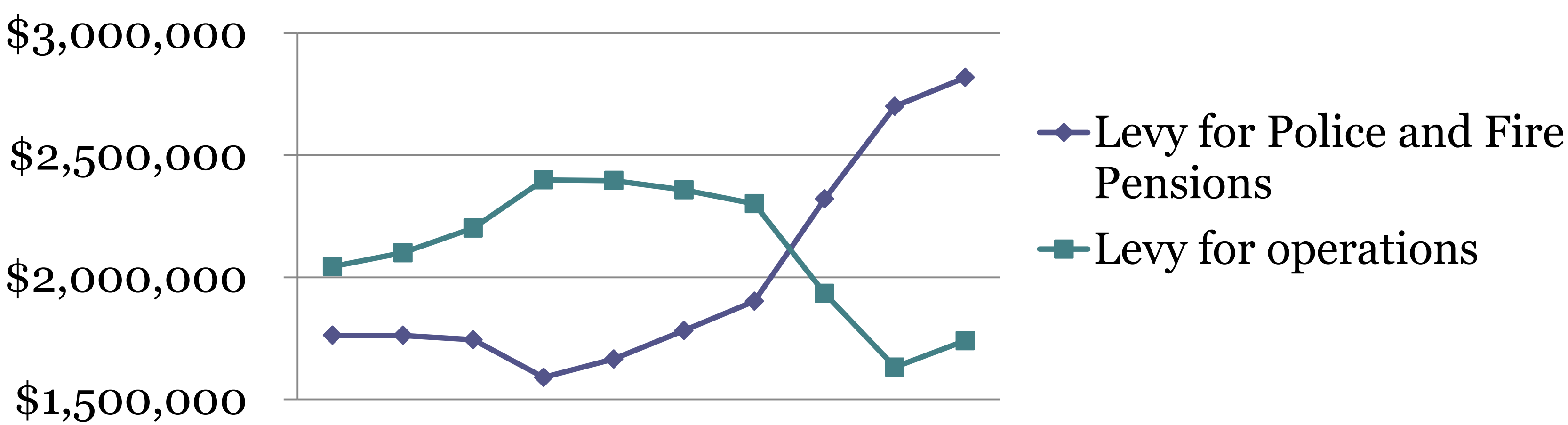
- State does not have its budgetary house in order
- Last year, “temporary” reduction in local share of income tax ($200,000). New budget makes this reduction again – maybe permanent
- Now taking 2% of NHRST - $60,000 per year
- Continues to lower PPRT, MFT
- Unfunded mandates, additional testing and compliance

Tax freeze

- As a non-home rule government, we can increase our property tax revenue to pay for operations and pensions by CPI-U, now 2.1%
- Tax freeze proposals will change this to zero
- Could cause loss of annual revenue of $300,000 for Village and Library. If debt levy is frozen, then $600,000!
- Compounds annually

Pensions

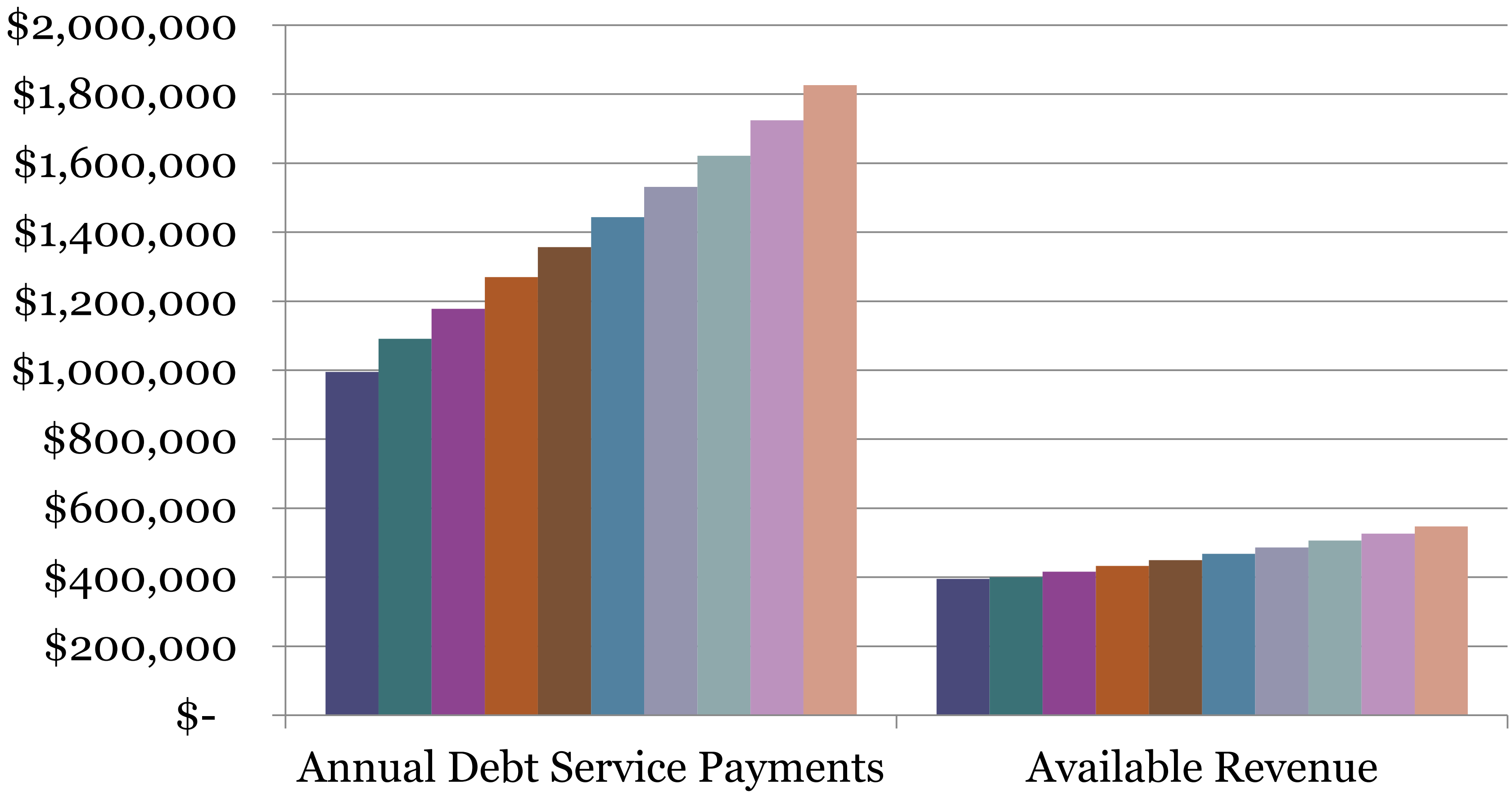
- Village has no control over benefits
- Making higher nominal contributions annually
- Still huge pension liabilities, especially for Police and Fire
- 2016 investments lost $197,000, 2017 investments earned $3.9M
- About 56% funded for Police and Fire, 87% for IMRF
    - *FY18 YTD investment returns have been better than actuarially expected*
- Working on additional funding options
- Higher contributions take funding away from daily operations



North Avenue TIF debt (TIF 3)

- TIF Established in 2006
- $3.7M debt certificates in 2008
- $9.5M alternate revenue bonds issued in 2009
- Growing interest payments was to be funded with TIF increment
- TIF increment did not happen - significant annual shortfall
- 2018 payments ($900,000) depend on the sale of Village owned property

Original debt service schedule and estimated revenue to cover, 2018-2027



Developed a strategy with no increase in property taxes

- Refunded 2008 debt certificates for savings
- These new ARBs will be funded by rollover bonds
- 2009 bonds will be refunded at the end of 2018 for savings.
  - We will still need to levy a property tax to make these payments
- In 2014, voters approved road referendum that would increase tax supported bond payments of $2.9 million per year
- With this strategy, TIF 3 debt, plus road referendum and rollover bonds, will cost taxpayers $2.9 million per year

Long term capital funding

- We don't have a sufficient funding source for vehicles and equipment
- In the SY18 budget, to help balance the budget, we have not funded over $600,000 worth of vehicles and equipment
  - Necessary vehicle replacements, not new vehicles added to the fleet

In summary

- The Village has long term and short term financial challenges
- We have addressed our challenges in the past
- We will address them now and in the future