

Village of Flossmoor

**PRELIMINARY BUDGET
FY 2022**

Executive Summary



FY 22 Preliminary Budget

The Village uses fund accounting, the accepted accounting structure for governments. A fund functions as a separate fiscal entity with its own resources, liabilities and operating activity. Different funds are used to segregate transactions related to certain functions or activities. This executive summary is intended to provide an overview of the General Fund and the Water and Sewer Fund, two of the largest operating funds in the Village budget. A complete copy of the FY 22 Preliminary Budget can be found on the Village website, www.flossmoor.org.

Water Fund Summary

For the last few years, the presentation of the Preliminary Budget has started with an understanding of the Water and Sewer Fund's financial health in order to understand the additional pressures being placed on the General Fund. We have previously discussed that the fund cannot be self-sustaining without an accumulated fund balance to support capital improvements, which for several years has not been able to do. The dwindling purchased to bill ratio compounded by the costs to repair water main breaks had become a financial strain. In addition to serviceability and fire flow, the amount of leaks and breaks had contributed to a peak water loss of more than one in three gallons purchased. Following the water main replacement from the 2013 and 2014 bonds and repairs to the Vollmer Reservoir, the Village experienced a period of time with less water purchased, an improved purchased to bill ratio and less repairs.

Poor performing water main is one concern, while poor performing meters is another concern. An additional effort to improve the water main system performance was the replacement of large meters throughout the community. Technology has advanced, and we replaced large meters with ones that are better able to capture low-flow reads, thereby improving our billing and subsequently increasing our revenue. Following all of that work, the Village's purchased to bill ratio climbed to 83% (up from 59%) and has unfortunately been dwindling down ever since and was at 75% in calendar year 2020. This poor performance is alarming.

The next priority in improving the financial health of the Water and Sewer Fund is to replace the residential (small) meters with the newer technology. Considering high water rates and the community-wide impact of accounting for unbilled water, water meter replacement should remain a top priority despite the significant cost. Based on the performance of the large meter project, we believe that the project will pay for itself over time. However, the Village has proceeded with a new financial software system this past year, and to convert the utility billing data at the same time as the billing software would have inevitably created unmanageable challenges. We remain confident that replacing these meters will have a positive impact on the purchased to bill ratio but the Village has to be ready to absorb the large financial investment or identify an alternate financing method.

Further, "pass through" supply costs from both Chicago and the City of Harvey over the past several years have forced the Village to increase the rates. The Fiscal Year 2021 budget included only a sewer rate increase that funded a sewer operating deficit; no rate increase was passed on to cover the Chicago and Harvey rate increases scheduled in Fiscal Year 2021. Consideration of a rate increase was delayed in Fiscal Year 2021 because of the pandemic; rate increases were considered in the summer, and the Board was sensitive to the impact of

the pandemic on household expenses. The “pass through” supply costs from Chicago and the City of Harvey contribute to the basic financial maintenance of the fund. While large Chicago increases were felt in the last decade, making it difficult to adjust our rates to collect for future capital improvements, positive news was received in 2017 when Chicago committed to rate increases consistent with CPI for the near future.

Water supply is a concern for Village officials. With less than two years left on our current supply contract, the Village is evaluating water supply options given the current instability in Harvey’s management of its operations and the future impact of the Harvey fund in receivership. The cost to switch suppliers will come with a capital investment; however, the cost to remain with Harvey will become more expensive too. The Village made significant progress with this effort over the past fiscal year. The engineers and staff presented a report to the Village Board regarding the City of Hammond and the City of Chicago Heights’ capacity to deliver water to Flossmoor via the Village of Homewood. Further, Homewood and Flossmoor entered into an agreement and began field work to study the impact of switching suppliers on water quality, the success of which is paramount to the villages receiving a water operator’s permit with the change in supplier. The Village has identified the preferred route to receive Hammond/Chicago Heights water which is to remain with existing infrastructure through Homewood. Following the receipt of favorable contract terms, the Village Board has authorized the Village Attorney and staff to negotiate a contract with Homewood, a process which is currently underway.

As a result of the overall economic condition of the fund, staff has only advanced mandated critical capital projects impacting the Water and Sewer Fund (the Water Main Improvement Program bonds were accounted for in a separate fund). Over the past couple of fiscal years, those projects have been centered around water supply as described above. A budgeted but often deferred project has been the Water Meter Replacement Program. Of the \$1.7 million project, \$300,000 has been allocated in the Water and Sewer Fund. Because of the poor performing health of the Water and Sewer Fund, the small meter (residential) replacement has been budgeted in the General Fund in the amount of \$1,426,577. Despite the project need, Village officials have been reluctant to spend nearly \$2 million on a water project with General Fund monies. Additionally, the transition of the Village’s financial software has impacted the decision to proceed with this project at this time as well as the timing of scheduling the project into Public Work’s workload; therefore, the project will continue to be on hold as the Village enters Fiscal Year 2022. With the transition in water suppliers, staff has identified several capital improvements to the water distribution system that must take priority with an impending December 2022 transition to Chicago Heights.

	FY22 Budget	FY 21 Projections	FY 21 Budget
Operating Revenue	\$3,830,620	\$3,748,980	\$3,725,690
Operating Expenditures	\$3,681,740	\$3,750,092	\$3,601,742
Net Operating Water & Sewer	\$ 148,880	\$ (1,112)	\$ 123,948

	FY22 Budget	FY 21 Projections	FY 21 Budget
Total Revenue	\$3,830,620	\$3,748,980	\$3,725,690
Total Expenditures	\$3,681,740	\$4,043,474	\$4,195,124
Net Total Water & Sewer	\$ 148,880	\$ (294,494)	\$ (469,434)

The Village's Water and Sewer Fund is projected to end FY 21 with a nearly break even operating position. The total fund deficit is a draw down of fund balance for the water supply feasibility study. At the time of the preparation of the preliminary FY 22 budget, the Water and Sewer fund is budgeted with a modest operating surplus with no capital projects currently allocated to the budget. The \$300,000 allocated for the water meter replacement project was not included in FY 22.

For FY 21, water supply costs are projected to be approximately \$20,000 over budget, and combined water and sewer sales are trending downward with a projection of receiving \$50,000 less than budget. Factors influencing water sales include weather patterns, user conservation in a COVID economy, the Village Board not passing through the Harvey and Chicago increases and any vacant properties. For FY 22, staff is budgeting \$24,000 less in sales, while water supply costs are budgeted for FY 22 to be \$41,000 more than FY 21 based on usage trends and rate increases from Harvey and Chicago.

The traction in the turnaround in the health of this fund had been encouraging these past couple of years until this year. The slip in the billed to purchase ratio, which is one measure of health, is discouraging. A review of actual water pumpage from Homewood shows a significant decrease over the last three fiscal years. The Village must make the replacement of the meters a priority in the near future.

General Fund Summary

At the time of the FY 21 budget preparation and inclusive of budget amendments, we budgeted the use of \$912,659 in fund balance to close an operating revenue gap with an additional \$1,662,062 toward capital. This single year snapshot analysis shows that we budgeted to use more in fund balance than we would have saved this year, mostly attributable to the replacement of the water meters at a budgeted cost of approximately \$1.4 million. Capital one-time non-operating projects are always planned with adequate monies available. Keep in mind that approximately \$437,000 of the operating deficit was attributable to last minute revenue adjustments in April 2020 during the pandemic. These adjustments included the waiver of penalties and late fees, reduction in sales tax, and reduction in local MFT to name a few. Every community, including Flossmoor, was doing its best to anticipate the behavioral and economic impacts of the shelter-in-place on our May 1 budgets.



	FY22 Budget	FY 21 Projections	FY 21 Budget
Operating Revenue	\$11,044,975	\$10,537,137	\$10,316,625
Operating Expenditures	\$11,108,745	\$10,201,912	\$11,229,284
Net Operating General Fund	(\$ 63,770)	\$ 444,619	(\$ 912,659)

The Village is projecting to end FY 21 with an operating and total fund surplus due in part to improved sales tax revenues, deferred capital and one-time non-operating expenses, and vacant positions. The FY22 preliminary budget is nearly flat from an operating perspective.

	FY22 Budget	FY 21 Projections	FY 21 Budget
Total Revenue	\$12,011,362	\$11,165,715	\$10,646,564
Total Expenditures	\$12,508,445	\$10,537,137	\$13,221,285
Net Total General Fund	(\$ 497,083)	\$ 628,578	(\$2,574,721)

The Village does not anticipate spending all of the money allocated this year for capital and non-operating projects as nearly all projects were deferred. The preliminary FY22 budget shows a planned use of fund balance to account for water system improvements for the change in water suppliers, an expense that cannot be absorbed by the water and sewer fund.

Expenditures

The analysis of expenditures can be viewed a couple of different ways. First, how do we project to perform for the year? Second, how does this year’s budget compare to next year’s budget?

For our current Fiscal Year, FY 21, the Village is projecting to perform better than budget as far as our operational position by approximately \$1.3 million. The FY 21 budget inclusive of budget amendments would have had a \$912,659 use of fund balance; projections show an operating surplus of \$444,619. The chart below compares just the budgeted expenditures to projected.

FY 21 Operating Expenditures: Budget vs. Projections	
FY 21 G.F. Operating Budget	\$11,229,284
FY 21 G.F. Projections	\$10,201,912
	\$ 1,027,372

The Village anticipates spending approximately \$1,027,372 less than budgeted this fiscal year on its operations.

FY 21 projections compared to FY 21 budget:

Significant Expenses under budget (FY 21 proj’d vs. FY 21 budget):

- Personnel turnover and vacancies in the Police, Fire and Public Works Departments had a significant impact on budget savings this year for a combined salary savings of \$260,000.
- The health insurance renewal was budgeted at a historical trend of 7.0%. The actual renewal was a decrease of 1.69%. Combined with vacant positions, the expenditure savings was \$153,000.



- Several other benefit lines reflect the impact of vacant positions across departments. The budget assumes full staffing while projections reflect the actual staff census. Impacted lines include FICA, Medicare, IMRF and EAP & Wellness. Combined, these lines are projected to have a savings of \$69,471. It should be noted that the IMRF contribution also included a rate decrease from 11.55% to 11.41%.
- Due to the pandemic, both Flossmoor Fest and Brew Fest were cancelled resulting in a savings of \$76,000. This expenditure was offset by supporting businesses with outdoor eating tents at a projected cost of \$50,000.
- Other savings due to the pandemic include no school crossing guards, fewer CSO hours and the resignation of a CSO as well as no court pay due to no court. Together, this lack of activity is anticipated to save the Village's budget approximately \$61,000.
- Personnel related expenses in the Fire Department are also anticipated to contribute to the expense savings this fiscal year. The most most significant of which is the Captain Special Shift Pay; this line item has an immature history with the recent addition of the Captain position, and staff is still attempting to calculate a realistic budget line item. As a result, the FY 21 budget is projected to have a \$31,615 savings. Some other personnel related savings is attributable to COVID. These lines include Fire and Paramedic Volunteer Call and Training, Tuition and Fees, Summer Help, Paramedic Incentive Pay and Duty Shift Program Pay which total approximately \$45,000 in savings.
- Across departments part-time personnel vacancies also contribute to projected savings. These are cases where positions were unfilled or budgeted hours were not expended. In total, there is a projected savings of approximately \$95,000.
- The Village's workers compensation and liability insurance premiums were \$15,000 less than budget due to an improved claims experience and an improved experience modifier as well as the premium was less than the estimate provided by IRMA at the time of budget preparation.
- Other savings include: legislative professional services (\$15,000), delayed Metra ad expenses in our Discover Flossmoor marketing program because of COVID (\$10,000), a lower contribution to our dispatch center than budgeted (\$14,800), and lower fuel expenses across departments (\$16,000).

Significant Operating Expenses over budget (FY21 proj'd vs FY 21 budget):

- As mentioned above, the Village supported the business community through the pandemic with outdoor eating tents and grants to two businesses. While offset by Village events and programs cancelled, the Village expended close to \$65,000 in those efforts.
- Staff has tracked all of our COVID related expenses in one line item. The purchases include such items as masks, gloves, wipes, building related items like plexiglass and temperature stations. The expenses are projected to be close to \$65,000 by year end. Offsetting this cost are the COVID related grants we have received through CARES, IRMA and Assistance to Firefighters.



- Overtime in the Police Department is anticipated to be approximately \$26,651 more than budget due to staff shortages, staffing for the civil unrest this past summer and more buy back of compensatory time than anticipated.
- The Village has been aggressively pursuing studies and grants to address stormwater management throughout the community. While we have a civil engineer on our staff who does a lot of engineering study and design in-house, there are still times when outside resources must be utilized, either for expertise or because of time. For these reasons, the professional services in Public Works is anticipated to be approximately \$17,000 more than budget. Given our success with grant awards this year, this has been money well spent.
- Building repairs has been a significant expenditure this year. As we have discussed, the age of the municipal complex is showing itself. A majority of repairs have included significant plumbing work, including sewer rodding, resulting in an anticipated projection of \$21,000 more than budget. With the purchase of some equipment, Public Works may be able to assume more of this routine maintenance.

FY 21 Total Expenditures: Budget vs. Projections	
FY 21 G.F. Total Budget	\$13,221,285
FY 21 G.F. Total Projections	\$10,537,137
	\$ 2,684,148

Overall, inclusive of capital, the FY21 total General Fund projections are less than budgeted by \$2,684,148. In short, less capital was spent than planned with a short-term savings to the current fiscal year.

Capital & Non-Operating Expenses

- The most significant capital project deferred in FY 21 was the replacement of the water meters. This project is estimated to cost \$1,726,577, with \$1,426,477 allocated to the General Fund. Because of the impending change in water suppliers and the need to prioritize the system improvements that will be necessary, this project was not re-budgeted in FY 22. As mentioned earlier, this project continues to be a priority. It is a fair assumption that based on the data, the meters are an issue contributing to a decreased pumped to bill ratio.
- The FY 21 budget included \$250,000 for improvements to the Village Hall Municipal Complex. At the close of FY 20 the Village received unfavorable bid results and in light of the pandemic, this project was put on hold. That said, prior to fiscal year end, the Village must address untenable conditions in the Fire Department’s women’s locker room. A related, but separately budgeted item is the security fence at Public Works. Because of the open material storage, the increased traffic in that area because of the Vollmer Road development and the fact that we have had non-Village personnel on the grounds, this project is still planned before fiscal year end. The risk to our material storage is too great.
- Some needed furniture replacement in both the board room and committee room had been planned for FY 21 in the amount of \$36,000. With the pandemic and the move to remote meetings that furniture replacement has been delayed and re-budgeted for next fiscal year.



- The Phase I Engineering for the Brookwood Bridge and Butterfield Road Culvert is progressing and completion is anticipated by the end of this fiscal year. Phase II engineering is budgeted at \$80,400, and State Road Funds will be used to offset the costs for this project. The Phase II Design Engineering should be completed by the end of Fiscal Year 2022. The accounting of this work is shared between the General Fund and the Storm Sewer Fund.
- The Village has been awarded a Cook County Invest in Cook grant to help offset the expenses of the Phase I Engineering of the CBD Roadway, Pedestrian, and Streetscape Improvements Project. This project will modernize and accentuate the Central Business District by adding parkway and crosswalk pavers, sidewalk replacement to remove tripping and other safety hazards, ADA access improvements, additional trees with tree grates, benches, bike racks, wayfinding and safety signage, and other decorative landscaping elements such as increase in open green space and gateway features. More importantly, the existing roadway and pedestrian facilities are in need of the safety improvements included within the project such as re-configured intersection geometry, improved vehicle and pedestrian sight lights, improved crosswalk configuration and crossing safety treatments, and evaluation of existing on-street parking locations. The grant will cover 80% of the Phase I engineering costs of \$160,000. This phase is anticipated to be completed by the end of the year.
- The Village was successful in being accepted for participation in the MWRD's Stormwater Partnership Program for stormwater improvements on Hagen Lane and Douglas Avenue. The partnership program will cover approximately \$754,000 of the \$900,000 project. Engineering began in FY 21 in the amount of \$58,000, a cost that goes toward our matching funds. The Village committed to \$150,000 in matching funds for the project.
- One-time purchases or non-operating expenses also affect the total fund position. Two department modules were purchased with the new financial software, a citizen request module and a community development module. This expenditure crossed fiscal years and \$13,000 impacted the FY 21 budget. While work on the historic building survey project was able to move forward this fiscal, some research was delayed until next year due to the pandemic. Approximately \$12,000 will be funded in the FY 22 budget. Finally, the Board committed to implementing GIS in FY 21; the Village is twenty years behind in not utilizing this asset management system to track and analyze its various infrastructure and service issues. Given the pandemic, the Board asked staff to wait toward the end of FY 21 before proceeding, rightfully concerned about the economic impact of the pandemic. Due to workload, staff will not be able to pursue this initiative until FY 22, the funding for which has been re-budgeted.

FY 22 budget compared to FY 21 budget:

The Village's FY 22 General Fund operating expenditures are budgeted to be approximately \$121,000 less than FY21 budgeted expenditures, and with capital improvements, total expenditures are approximately \$713,000 less than budgeted last year. There is less draw down of fund balance budgeted in FY22 for capital and non-operating expenses than budgeted for FY21.

FY22 Budget vs. FY21 Budget	Operating	Total
FY 22 G.F. Expenditures	\$ 11,108,745	\$12,508,445
FY 21 G.F. Expenditures	\$ 11,229,284	\$13,221,285
	(\$ 120,539)	(\$ 712,840)

Significant Expenses under FY21 budget (FY 22 vs. FY 21):

- One of the most significant impacts on the FY 21 budget is the elimination of a General Fund contribution to the Annual Street Maintenance Program in the amount of \$150,000. The reader will recall that the Village has supplemented its annual MFT program with a contribution from the General Fund since FY 19 with annual contributions of \$140,000, \$250,000 and \$150,000 for the last three years respectively. This fact was a significant impetus for the Village Board to pursue the bond referendum for streets last November. Heading into FY 21 and prior to the passage of the referendum, the Board agreed to a two phase street resurfacing program this fiscal year. The first phase was completed last fall using MFT monies. The second phase is to be completed this spring using the \$150,000 General Fund allocation. The budget was prepared assuming this work would still occur; however, with the passage of the referendum, the Board could decide to save the General Fund this expense knowing a significant amount of work will be done with bond proceeds. Finally, because of the bond-funded program, staff did not allocate any MFT funded work for FY 22; we thought it best to let the MFT accumulate fund balance for a future program.
- The Capital Equipment Fund is a sinking fund to steadily save for capital equipment replacements. The fund receives a contribution annually from the General Fund and Water Sewer. This year's General Fund contribution is \$77,452 less in FY 22 compared to FY 21. Contributing to this decrease is the fact that Truck 19 which was just replaced in FY 20 falls off the 10-year funding schedule.
- The Village's contribution for worker's compensation and general liability insurance is budgeted approximately \$85,000 less in FY 22. The budget is based on a 5% premium increase along with a slight decrease in our claim experience modifier due to a lower 3-year trend. However, the main driver in the variance is an IRMA Board decision to utilize the rate stabilization fund which contributed to a significant increase in the available surplus for 2022. The IRMA Board was trying to be sensitive to the economic impacts of COVID on municipal budgets, which is well intentioned, but the Village can expect to see an increase in FY23 as rates return to "normal."
- Health insurance is budgeted \$11,000 less in FY 22 compared to FY 21. This reflects a Flossmoor trend of 6.5% compared to the general medical trend of 11%.
- Professional services in the Fire Department will include only one testing process in FY 22 compared to the two testing/recruitment processes in FY 21, thereby reducing the budget by \$25,000.

Significant Operating Expenses greater than FY 21 budget (FY 22 vs FY 21):

- A new line item beginning with the FY 21 budget was “COVID expenses” to account for the PPE and related supplies as described above. The need to incur these expenses in FY 22 is anticipated and another \$20,000 was budgeted.
- The Village’s information technology network is an integral part of our infrastructure to accomplish daily business across all departments. The annual software subscription maintenance increased across all departments to support general network software. Additions to the network include an email archiver, an upgrade to Outlook 365 and next generation ransomware protection. Generally, more of our network that would have been hardware based and funded through the Capital Equipment Fund is now cloud based subscription software and impacting the General Fund’s operating expenses. Overall, software maintenance increased about \$15,000 from FY 21 to FY 22.
- Reviewing historical trends of the professional services budget in Public Works for engineering services combined with the number of projects the department is undertaking gave cause to adjust the FY 22 budget to a more realistic amount, thereby increasing the budget by approximately \$12,000.

Capital and Non-operating:

- Progress will continue on the Brookwood Bridge and Butterfield Road Reconstruction project as discussed above.
- Construction of the Hagen Lane and Douglas Avenue storm sewer improvements are anticipated in FY 22. The MWRD grant offsets a majority of those costs, but the Village has committed \$150,000 as a local match of which \$92,000 will impact the FY 22 budget.
- The water supply improvements mentioned in the earlier discussion on a change in water supplier need to be accomplished well in advance of December 2022 and will be partially contingent on the infrastructure built in Homewood and the terms of our contract. Improvements include the upgrade of pumps at the Vollmer Road reservoir, an upgrade to the Village’s SCADA system and the removal of the Sterling Avenue water tower. About \$455,000 in expenses are included in the FY 22 budget.
- Other one-time non-operating expenses include finishing the historic building survey, Public Works work order software and the replacement of some Board and Committee Room furniture.
- The \$1,426,577 water meter replacement project has not been included in the FY 22 budget for the reasons described earlier.

Revenues

An analysis similar to expenditures can be completed for revenues.

The Village budgeted FY 21 General Fund operating revenues at \$10,316,625 and yet, we are projecting them to be \$10,646,531 at fiscal year-end. The total revenue position accounts for grants and one-time revenues.



	Operating Revenues	Total Fund Revenues
FY 21 G.F. Projections	\$10,646,531	\$11,165,715
FY 21 G.F. Budget	<u>\$10,316,625</u>	<u>\$10,646,564</u>
	\$ 329,906	\$ 519,151

Projected operating revenues are much better than budgeted even in light of anticipated COVID reductions made at the time the budget was passed. The main difference between operating and total fund projected revenues is the \$221,790 CARES grant.

Significant Revenues projected over budget (FY 21 proj'd vs. FY 21 budget):

- Sales tax is a significant revenue over budget which is excellent news given our efforts to grow the Village’s commercial tax base. Staff anticipates FY 21 projections to be \$270,000 greater than budget (\$84,000 of which is non-home rule sales tax) for a total of \$1.275 million in sales tax revenue. The Village benefited by having a major sales tax contributor, Meijer, never close during the pandemic and likely attracted new customers/more sales as shoppers were also likely purchasing home goods and clothing at this store when other retailers were closed. The Wayfair decision also redistributed sales tax based on delivery point; the Village is a “winner” in this case as our residents probably shop a lot online and now, that sales tax is coming to the Village. The Village has increased its sales tax by 106% since FY18; this measurement of sales tax growth is after Meijer had been open and prior to the non-home rule sales tax.
- The State income tax is projected to be above budget by 2% or \$119,000. This is a per capita revenue and is considered our third largest revenue source outside of property taxes and sales tax. The amount projected to receive is \$1,025,000.
- The local use tax is also projected to be higher than budget by \$16,000, a portion of which is impacted by the Wayfair sales tax decision.
- Ambulance fees are trending higher than budgeted, and it is anticipated that the Village will realize an additional \$50,000 in revenue simply as a result of an increase in service as well as an increase in Medicaid reimbursement.
- The Village contracted last year with ProChamps this year to manage the registration of contact information for vacant and foreclosed properties. Along with a change in fee structure, the Village anticipates receiving an additional \$34,900 in registration fees. This vendor has managed the program well.
- The Village anticipated the loss of a civic contribution with the municipal electric aggregation program this fiscal year because the Exelon rate is now competitive in the market. However, with the introduction of green credits, the municipal program stayed competitive, and the Village was able to offer the program for another year as well as receive a civic contribution of \$41,895.
- The FY 21 budget assumed an interest rate of 2.4%. While yields have decreased significantly due to Federal Reserve Board action, the Village is still on track to exceed anticipated revenue by \$23,000 as most of the FY 21 maturities were from pre-pandemic investments.

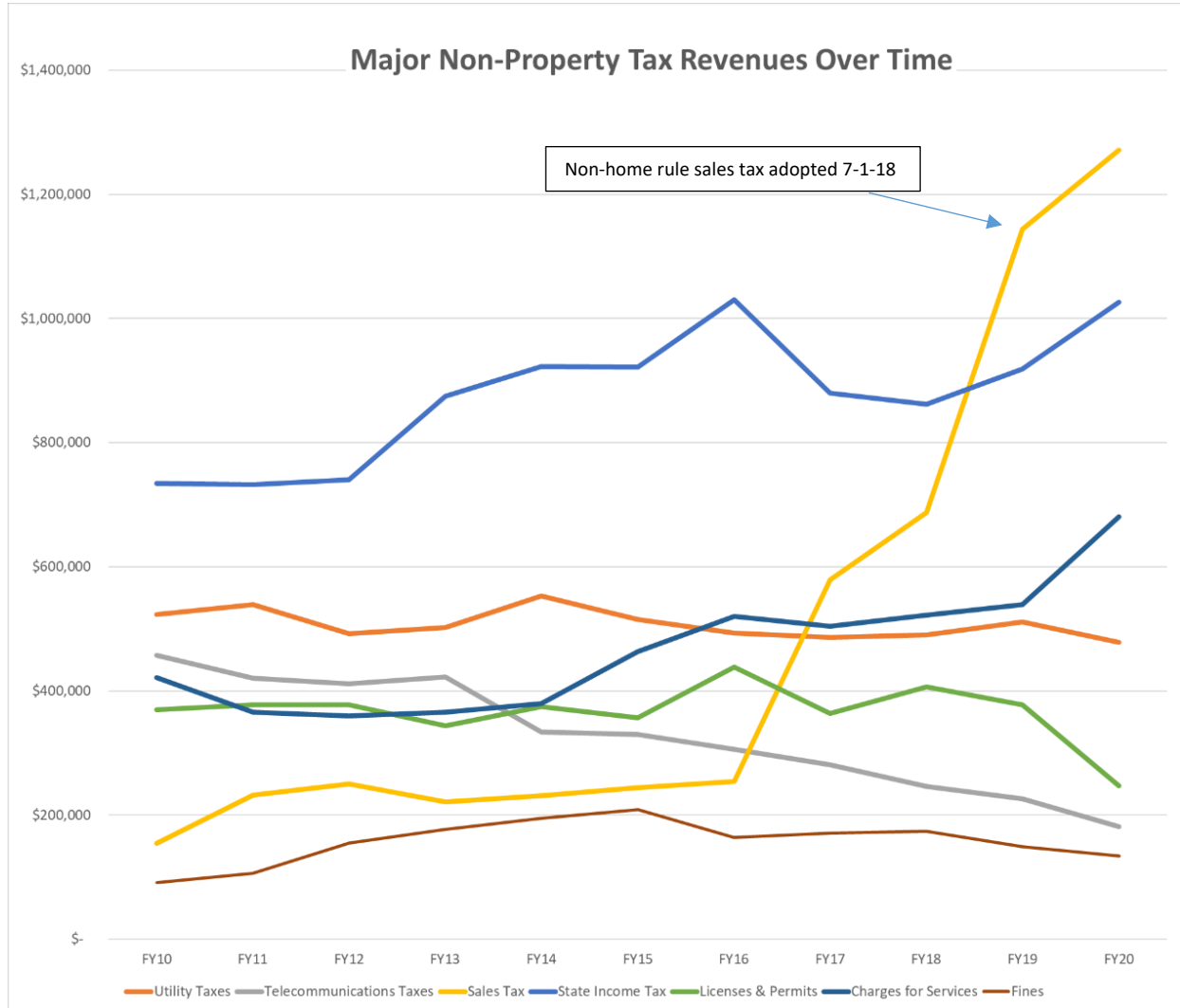


- The Village has received one of two COVID related grants. The first is a Cook County allocation of CARES in the amount of \$221,790. The second is a FEMA Public Assistance Grant for which we still need to apply. We anticipate \$25,000 from those funds.

Significant Revenues projected under budget (FY 21 proj'd vs. FY 21 budget): *It should be noted that several of these are revenues with limited control and these are regional and even state-wide issues.*

- The 2019 property tax levy extension was less than the 2019 levy for capped funds, all of which was absorbed by the corporate, police and fire protection levies. Additional new property from commercial development was not recognized in the 2019 levy year and a 6% drop in EAV was not anticipated. In addition, the actual levy received includes a 1% uncollectable factor resulting in the Village projecting to receive approximately \$62,000 less than budgeted for property taxes.
- Court fines are expected to be \$46,900 under budget because of the pandemic; courts were closed and fewer traffic stops were occurring.
- The FEMA Fire SAFER Grant revenues are expected to be about \$36,000 less than budget.
- Personal Property Replacement Tax (PPRT) is projected to be \$12,960 less than budget based on IML's estimates.
- Vehicle stickers are trending below budget because of COVID by approximately \$11,000; fewer stickers were sold this year and the Village waived the late fees for the year during the shelter-in-place.
- With no fests and events occurring in FY 21, no contributions and donations were received so the Village did not realize \$14,500 in revenue.
- Building permit fees are expected to be about \$12,000 less than budget which is probably attributable to less activity during the pandemic.
- Utility taxes are trending \$11,000 less than budget. This revenue is impacted by weather and the economy. A warm spring and fall in 2020 plus any user conservation during the pandemic are likely causes.

It is interesting to analyze the General Fund major revenues outside of property taxes, so many of which are limiting or not within control. Three observations: 1) While at times they are volatile, they are over time relatively flat; 2) Since the opening of the Meijer and nearby development, sales tax has increased dramatically. Unfortunately, there has not been a corresponding growth in our fund balance. These monies have been serendipitous to absorbing increased costs and fluctuations in other revenues; 3) State income tax (the Local Government Distributive Fund), which is the top blue line, had been our second largest revenue outside of property taxes until we have seen the monumental growth in sales tax these last few years. While it is thankfully on the rise again, this chart further supports the needed municipal tenacity to defend the State's ongoing threat to take back a portion or all of this revenue, as the reader will note the dip in the year when the State changed the formula which ultimately negatively impacted the revenue dollars received.



FY 22 budget compared to FY 21 budget:

The Village is budgeting almost an additional \$700,000 in operating revenue in FY 22 compared to FY 21. The total fund position for revenues includes the Brookwood Bridge grant, the Fire SAFER grant, the FEMA COVID grant, the MWRD Hagen Lane and Douglas Avenue grant and Class 8 developer payments.

FY22 Budget vs. FY21 Budget	Operating	Total
FY 22 G.F. Revenues	\$ 11,044,975	\$12,011,362
FY 21 G.F. Revenues	<u>\$ 10,316,625</u>	<u>\$10,646,564</u>
	\$ 728,350	\$ 1,364,798



Significant Revenue over budget (FY 22 vs FY21):

- Property taxes are budgeted at \$132,451 more than FY 21. The 2019 levy took the approach of maximizing the levy by including CPI increases and very little new property increment. The Center for Dental Excellence project will be less revenue for the life of the Class 8 incentive; although vacant, the bank building would have been assessed at the commercial rate and the dental expansion will now be assessed at the 10% Class 8 rate for the next ten years. Long term, the impact will be beneficial to the Village and other taxing bodies but short term, it is no revenue growth.
- Sales tax in FY 22 (including non-home rule sales tax) is anticipated to be \$403,000 more than FY 21 as both the Meijer and other outlots continue to perform well and now the sales tax dollars from on-line sales will be accounted for through sales tax versus the local use tax. This increase includes a small amount of new revenue from Dunkin' Donuts. This budget may be modified prior to adopting the final budget; anticipating the growth in revenue from online sales which is collected and distributed by the State combined with what has been a steady increase in sales tax from brick and mortar stores is challenging.
- State income and local use tax is budgeted \$175,000 more than FY 21 based on IML per capita data. Income tax is budgeted at \$88,000 more than this year and local use tax is budgeted at \$87,000 more. This increase is despite a 5% reduction by the State that was initiated a few years ago and continues.
- The FY 21 budget likely underestimated ProChamps performance. The FY 22 budget includes a \$35,000 increase in vacant building registration fees, more closely matching the past year's performance.
- The FY 21 budget reflected the loss of the civic contribution with an anticipated end to the municipal residential aggregation program. With that program continuing, \$45,700 was budgeted for FY 22, which is about \$41,000 more than FY21.
- Class 8 developer payments are expected to increase \$23,000 in FY 22 with the addition of the Alliance Medical "make whole" to the Village.
- Ambulance fees are also anticipated to continue to trend upward in growth with a \$19,000 budgeted increase, reflecting a closer match to the actual activity over the last two years.
- Cell tower lease rentals reflect an increase of \$10,000 comparing FY 22 to FY 21, a direct reflection of the lease schedule increases.

Significant Revenue under budget (FY 22 vs FY21):

- The budget for PPRT is \$23,000 less than FY 21 based on the IML estimate.
- Vehicle stickers are budgeted \$17,000 less than FY 21, reflecting a year when the Secretary of State merge does not occur.
- The FY 22 budget for building permits continues to reflect the impact of the pandemic and \$16,000 less is budgeted compared to FY 21.
- The historically low interest rates of FY 21 are expected to continue into FY 22. The FY 22 budget assumes a .5% investment return versus the 2.4% in FY 21.

EAV Impact

For the last several years now, staff has discussed the impact of a declining EAV on the tax levy and subsequently the budget. Between 2011 and 2015, the EAV declined about 38%, which had a direct impact on the tax levy calculation. The Village's 2019 Equalized Assessed Valuation (EAV) has been determined by the County at \$221,097,215. The 2019 EAV represents a decrease of 6.0% (\$14,145,197) below the 2018 EAV. The decrease in 2019 was upsetting as it follows a decrease in 2018 (3.1%) which was the first decrease in three years; following increases in 2016 (9.5%) largely due to Meijer and 2017 (15.2%) due to a rebounding economy. The new property component of the Village EAV for 2019 was only \$455,269 representing 0.2% of the 2019 EAV and a decrease of \$478,495 below 2018 new property. The 2020 reassessment is hard to predict. Other areas reassessed in Cook County in 2018 and 2019 have generally seemed to see lower residential values but higher commercial values. However, recent Village sales data indicates increasing market values during 2020.

There is still much EAV growth to regain, not only in Flossmoor but throughout the region. State politics that impacted the homestead exemptions and senior tax freeze only compound a suppressed local economy, placing additional financial pressures on higher incomes, higher valued homes and commercial properties. The 2020 reassessment has the potential of shifting the tax burden to commercial properties so far that it discourages the economic development we are all trying so hard to achieve. This total EAV of \$221M is near the level it was in 2012, and that same amount is expected to support a 2021/2022 budget.

Moving Forward

Like many communities, we have been constantly discussing financial trends. Heading from 2019 to 2020, we saw an economic recovery dwindle with the pandemic.

FY22 GENERAL FUND OPERATING COSTS LESS MAJOR FIXED COSTS

Operating Expenditures	\$11,108,745
Personal Services	(\$ 6,370,669)
Fringe Benefits	(\$ 3,288,419)
Fire Contract Personnel	(\$ 560,000)
IRMA Premiums	(\$ 162,000)
Net	\$ 727,657

Personnel and fixed costs represent 93% of the operating budget, a statistic that has been fairly consistent for years. There is very little room to cut expenses and have a dramatic impact on the bottom line without cutting programs and services.

Keep in mind that the phrase "do more with less" will not go very far with this budget and the service areas in our community. As an example, we reported last year the Fire Department experienced a 27% increase in paramedic calls over the last five fiscal years and broke a record for calendar year 2019 with the highest call volume to date. That call volume increased



by another 100 calls in 2020. With the influx of commercial development that is occurring, it is reasonable to think the call volume for both police and fire will increase. In addition over the last ten years, staff across all departments has consumed a larger workload given new mandates and laws as well as a desire to provide services like events. Funding and staffing cannot be reduced and still be able to maintain service delivery and meet unfunded mandates at today's standards.

The impact of a zero percent cost of living adjustment two years ago has still had a financially positive impact on the Village's budget with a suppressed growth in personnel services. That said, solving a budget issue on the backs of employees is not a long-term financial solution. That fact was supported when an interest arbitrator ruled in favor of the police union and forced upon the Village a 2.38% living adjustment for the police officers that same year. The arbitrator placed the hard decision back on the Village, saying that the Village can make the financial decisions needed to find the monies. The Village fulfilled its obligation per the arbitration award; however, the basis of the arbitrator's ruling became a circular argument and has placed the Village Board in a difficult position on this issue moving forward. The Village will be back in this predicament again this fiscal year as we are currently back at the negotiating table.

Strategic Planning and Decisions

The Board's decision during strategic planning several years ago to move forward with the non-home rule sales tax referendum was one key financial decision that has had a significant economic impact for the past three years. Another key decision was the passage of the G.O. bond referendum this past fall which provides a meaningful funding source for streets, sidewalks and stormwater management; the Board has successfully met the strategic planning priority of investment in our infrastructure with the additional "win" of doing so at a time when other debt (the library bonds) are paid off. Furthermore, the Board has been very clear that they wanted to take all measures to preserve our services as they are today. To that end, they have made economic development a priority in order to grow the property tax and sales tax base, which to this point has preserved Village services. The new Village Board who will convene in May will be challenged to continue this success.

Summary

This report provided an overview of the General Fund and Water Sewer Fund positions projected at the close of Fiscal Year 2021 and budgeted for Fiscal Year 2022. Staff welcomes the Board's input on modifications to the budget in preparation for its adoption in April. The Village has adequate fund balance to close the revenue/expenditure gap in the short-term, some of which is a planned use of fund balance; using the financial planning tools combined with strategic planning, the Village can thoughtfully and appropriately respond to any shortfalls moving forward, thereby preserving our financial strength. One of the Village's strengths has been acting on financial planning to address issues such as these, and staff looks forward to working with the Board on the FY 22 budget.