

# Village of La Grange

La Grange 2020 Task Force

Village Finances

# Accounting and Reporting

- Generally Accepted Accounting Principles (GAAP) require that Village governments operate under a “fund” accounting system.
- A “fund” is a self-balancing set of accounts, segregated for specific purposes in accordance with laws and/or special restrictions.
- Funds are separate “buckets” set up to track revenues and expenditures for a specific purpose.
- Fund accounting is a system that emphasizes accountability rather than profitability.
- For reporting purposes our main objective is to demonstrate how Village resources are being utilized to provide public services.

# Special Revenue Funds

Funds utilized to account for revenue earmarked by law for a particular purpose.

**Motor Fuel Tax Fund** - accounts for the municipal portion of motor fuel tax revenue which is collected and distributed by the State on a per capita basis. Revenues provide funding for street improvements, maintenance and repairs.

**Emergency Telephone Systems Board Fund** - Accounts for operations of the 911 emergency services and dispatch center. Revenue generated from fees/charges on land line and cell phones.

# Capital Projects Fund

**Capital projects Fund** – provides for the maintenance and replacement of Village infrastructure (streets and combined sewer) based upon available funding.

- Projects are financed on a pay-as-you-go basis, through an annual transfer from the General Fund, as well as from Motor Fuel Tax funds.
- The Village also seeks to supplement local revenue through the acquisition of grant funding.
- Over the past few years 9.5 ml grants have funded over 18 ml infrastructure improvements.

# Debt Service Fund

**Debt service Fund** - accounts for money used to pay the interest and principal of long-term debt.

- The Village has taken a conservative approach to debt financing, electing to issue debt (bonds) when improvements cannot be financed using current revenues.
- Currently, the Village has only one outstanding bond issue – 1998 street light bonds which were issued to install decorative street lights throughout the Village. Bond matures December 1, 2017.
- The Village currently maintains Aa2 rating, which is a high bond rating for a non-home rule community.

# Enterprise Funds

Enterprise funds are used to account for services provided to the public on a user fee basis and operate similar to that of a commercial business.

Enterprise funds operate with the intent to generate sufficient revenue to provide for all operating, capital and debt expenses.

The Village has three enterprise funds:

- Water Fund
- Sewer Fund
- Parking Fund

# Water & Sewer Funds

The **Water and Sewer Funds** account for the cost of operating, maintaining and replacing the Village's water distribution and sanitary sewer systems through user fees.

The distribution systems include water & sewer mains, pumps, manholes, valves, catch basins, hydrants and water towers.

The Village issued a \$2,100,000 alternate revenue bond in FY 2012-13 to fund a water meter replacement program and improvements at the East Avenue Water Pumping Station.

Village policy to “pass on” water rate increases from McCook/Chicago. The City of Chicago has and plans to impose water rate increases in the amounts of 25%, 15%, 15% and 15% over four years starting on January 1, 2012.

# Parking Fund

The **Parking Fund** accounts for maintenance, enforcement, and replacement/improvements of the various lots and zones.

The Village's parking system includes one parking structure, 10 parking lots, 8 on-street decal parking areas, and over 300 parking meters.

Parking Fund revenues are primarily generated by monthly parking decals sold to residents and commuters, meter receipts and parking fine revenue.



# Equipment Replacement Fund (ERF)

The **Equipment Replacement Fund** (ERF) provides for future replacement of vehicles and equipment on a pay-as-you-go basis, rather than relying on short-term financing or leasing which results in additional costs.

This fund is an extremely useful and effective budgeted tool which receives annual transfer from all operating departments and enterprise funds.

The amount of the transfers are determined by the replacement cost, estimated useful life, trade-in value and calculating the time value of money, including interest earnings.

# Police & Fire Pension Funds

The Village has two local pension (trust) funds, which account for municipal pensions paid to retired police officers and firefighters.

The pension funds are local defined benefit plans, funded solely by employer contribution (tax levies), employee contributions and interest earnings.

The pension funds are assessed annually based upon an independent actuarial valuations, which determines the required Village contributions or property tax levies.

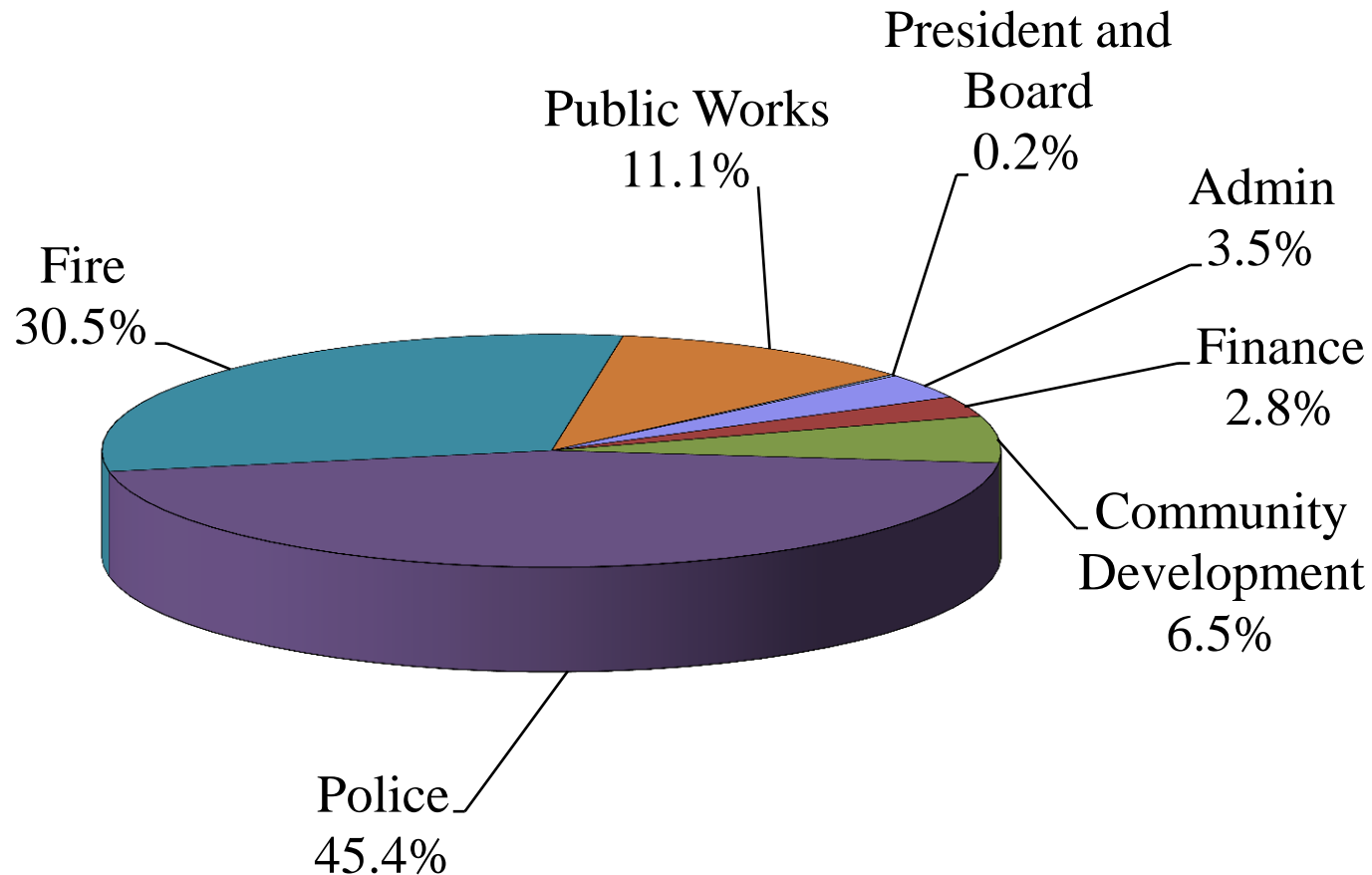
# General Fund

**The General Fund is the main operating fund for the Village**

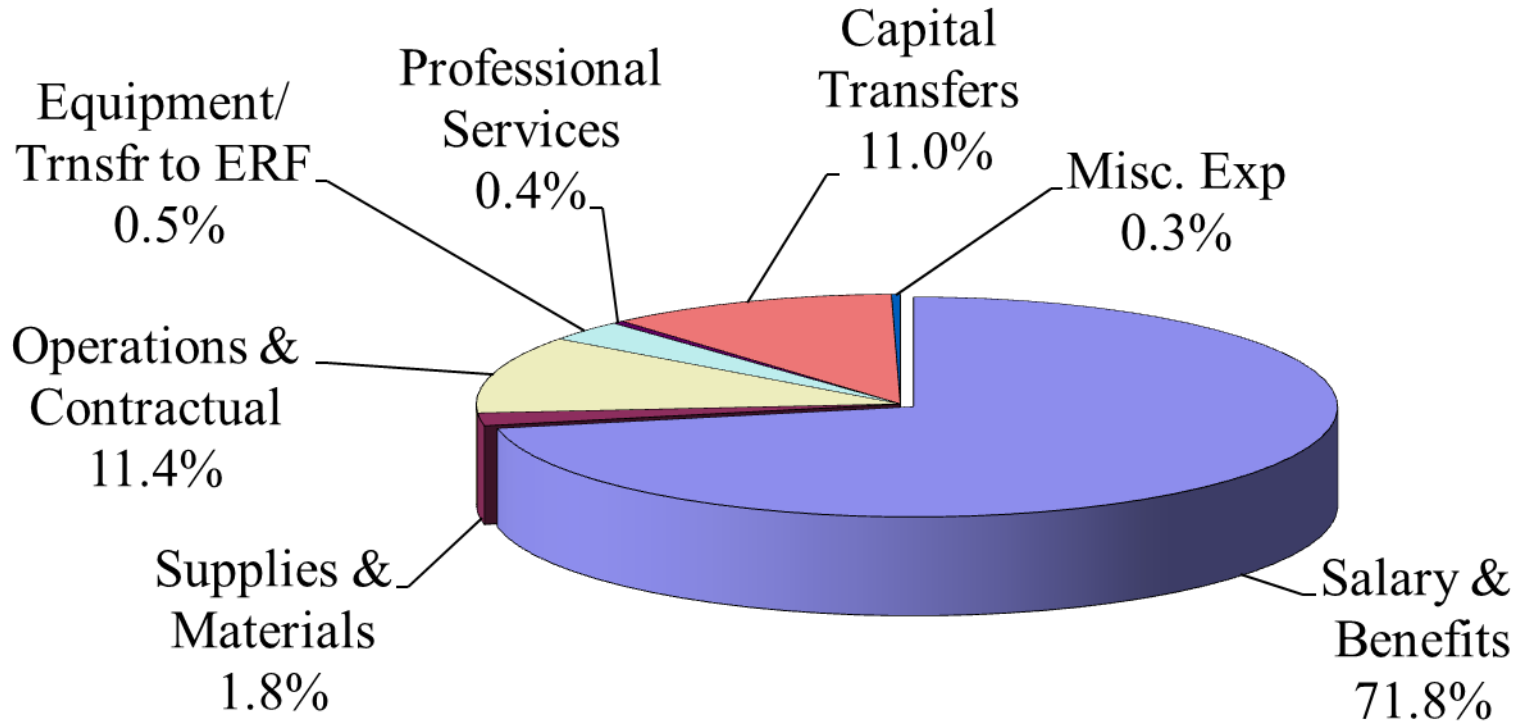
Annual budget of approximately \$13 million, which accounts for all activities and public services provided to residents including:

- Police and Fire protection
- Public works
- Community Development/Building & Zoning
- Administration
- Finance
- President & Board
- Capital Projects

# General Fund – Expenditures By Department



# General Fund – Expenditures By Type



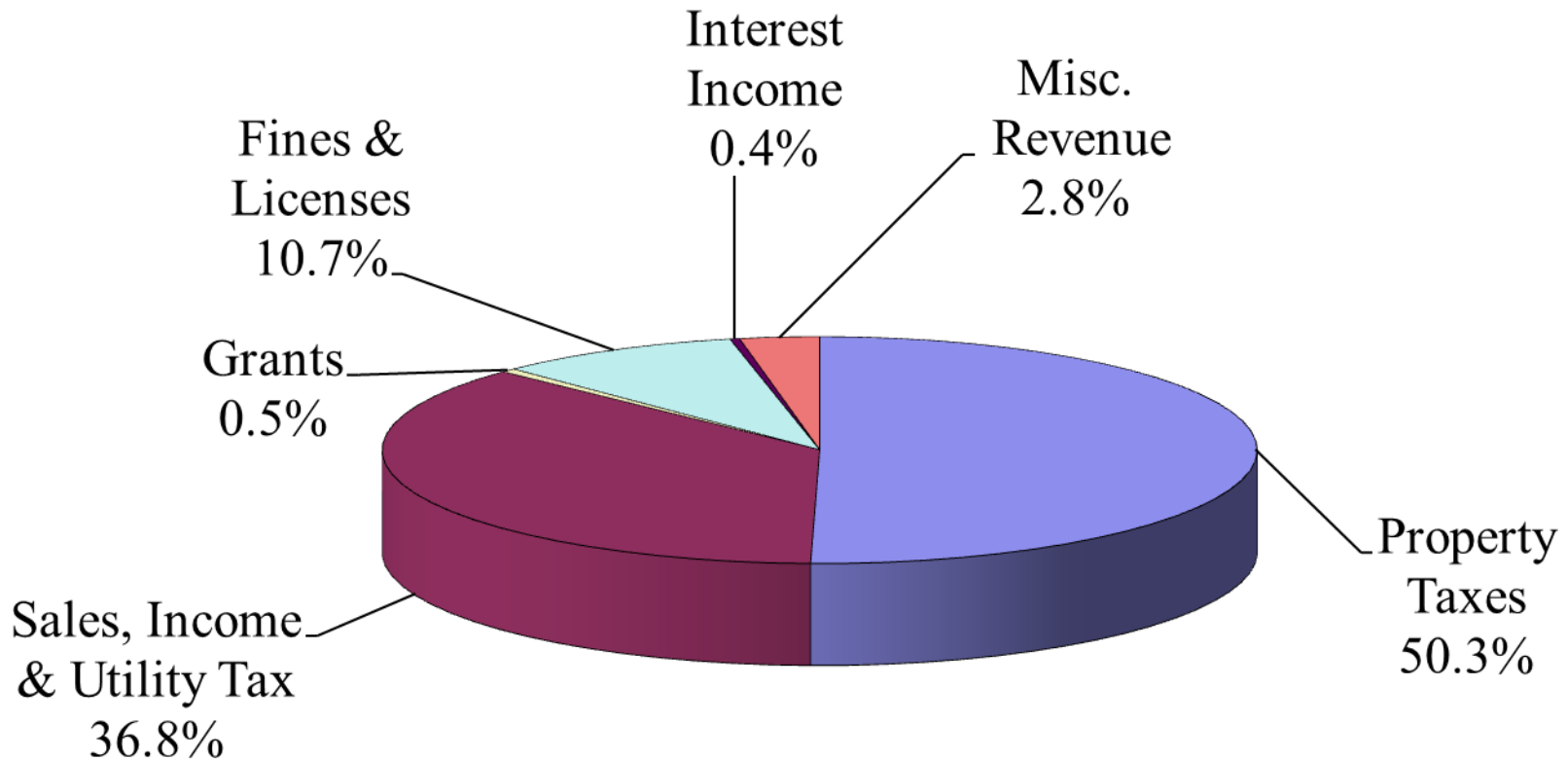
# General Fund Revenues

Revenue derived primarily from property taxes, which accounts for approximately 50% of general fund revenue.

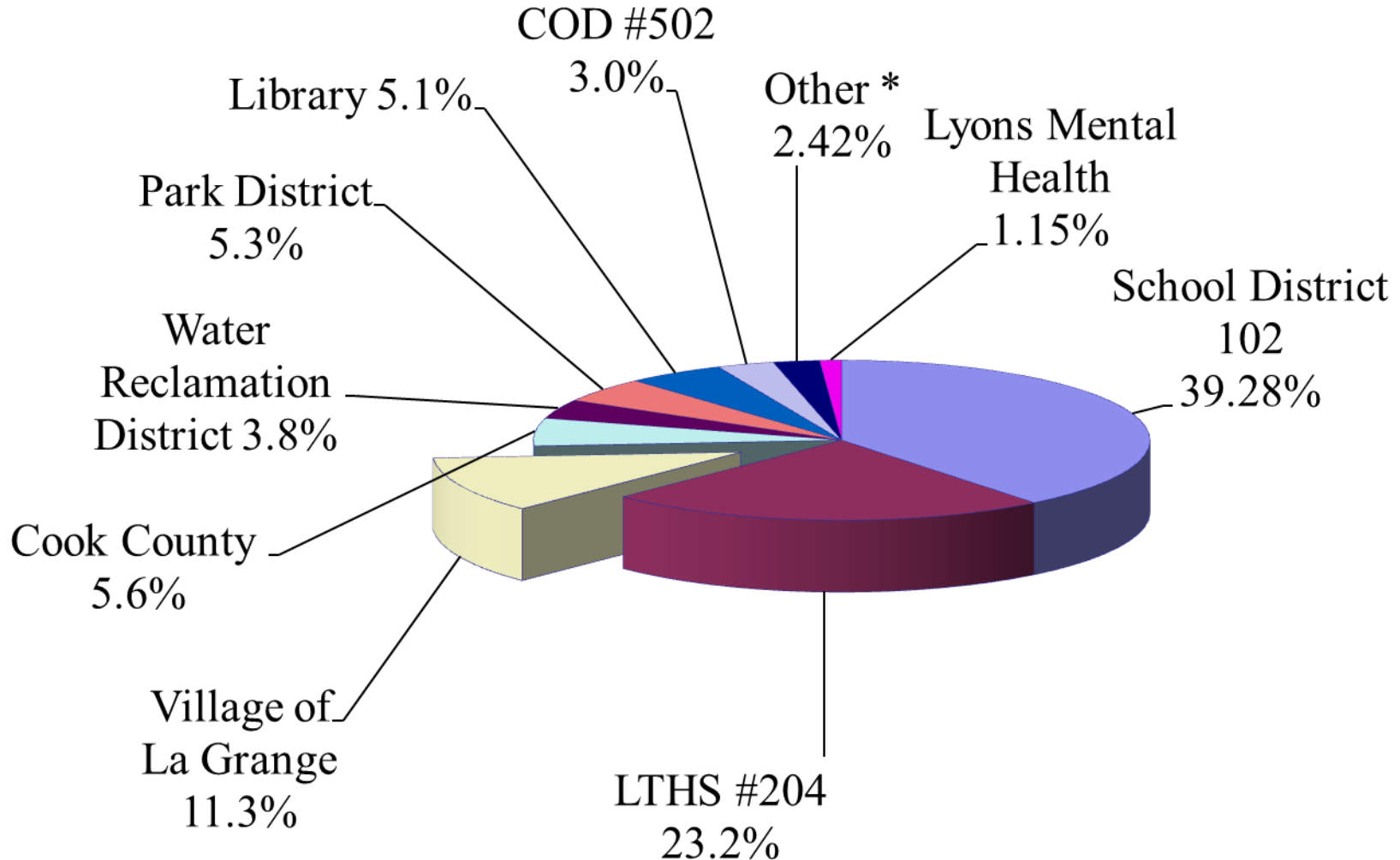
Other significant General Fund revenues include:

- Income tax
- Sales tax
- Utility Tax/Cable Franchise Fees
- Vehicle/Animal Licenses
- Building Permits
- Ambulance Transport Fees

# General Fund Revenues By Category



# Allocation of Property Tax Bill By Taxing Agency





# General Fund Operations

- During the early and mid 2000's the General Fund enjoyed the success of the TIF District which created a thriving Central Business District (CBD), including the opening of the Triangle (Borders, Pier One, Trader Joes, Corner Bakery, Walgreens, & AT&T).
- The Village utilized TIF Funds and a 3.2 ml federal grant to build the parking garage as the CBD continued to grow and prosper.

# The “Great Recession”

Late 2000’s, the Village revenue decreased significantly:

- Rising unemployment resulted in a significant decrease in income tax receipts
- Interest rates decreased and remain historical lows
- Residential & commercial housing projects slowed, resulting in loss of building permit revenue
- Sales tax remained stagnant, no growth – Border closed. However; new retailers and restaurants offset sales tax lost from Borders.

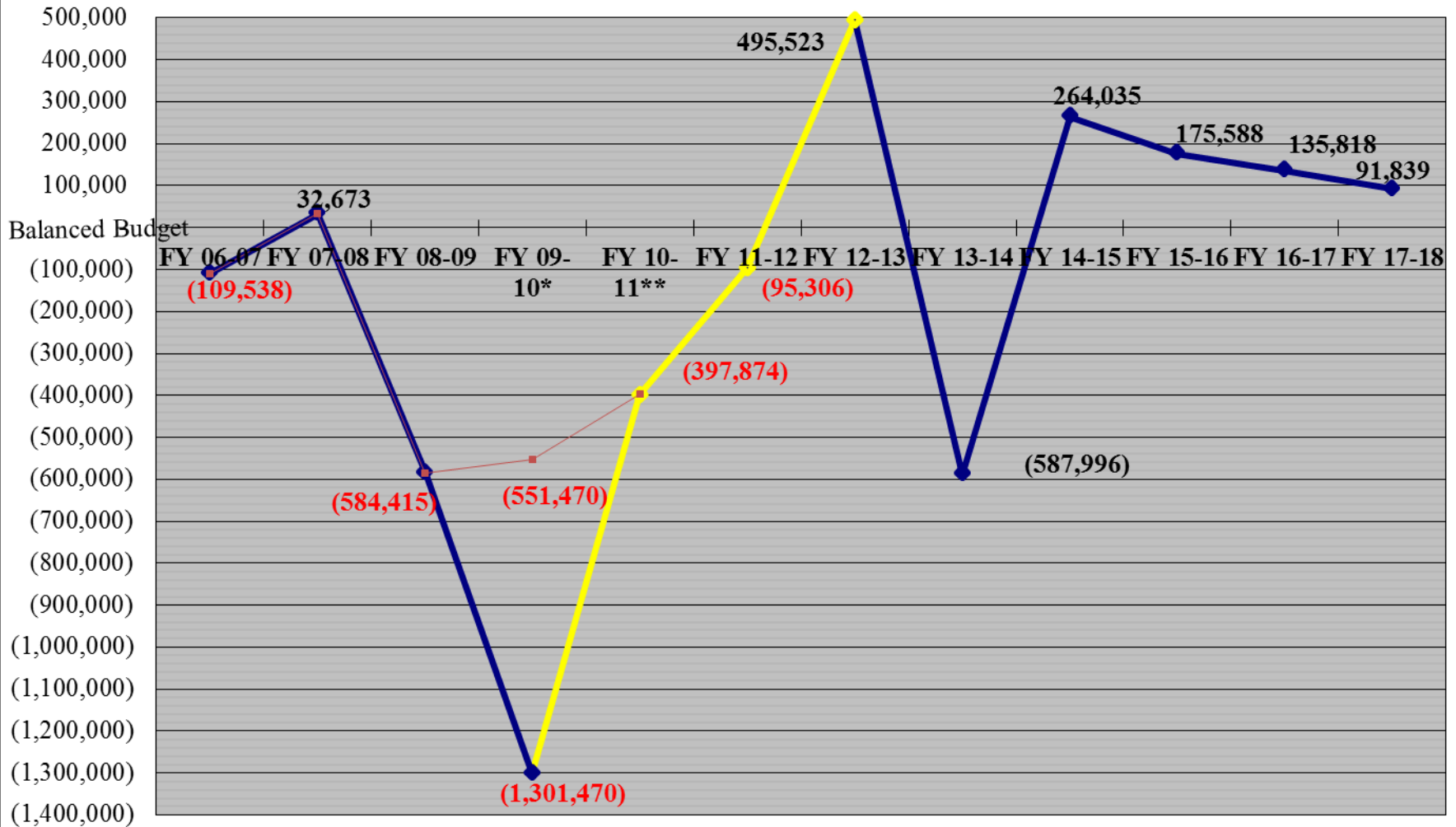
# Cost Containment Plan

- Initially, the Village reduced the transfer for capital projects from \$1,000,000 annually to \$700,000 .
- As revenues decreased and operating costs continued to increase, the Village developed and implemented a comprehensive and multi-year cost containment strategy, largely involving a reduction of personnel expenses by \$500,000 per year, to stabilize finances.
- The Village cost containment plan includes:
  - Through attrition, maintain 3 full-time vacancies (PD, FD & DPW)
  - Elimination of 3 part-time positions
  - Negotiated reduced wages with union and non-union personnel
  - Increased health insurance costs for employees
  - Reduced contributions to the Equipment Replacement Fund
- In total, the Village's cost containment efforts have resulted in expenditure reductions of over \$1.5M in the General Fund, while continuing to provide core Village services to residents.

# Current Finances

- The cost containment plan is working - Village finances have stabilized as intended.
- Revenues (sales, income tax, building permits) have increased as the economy continues to recover.
- Due to the increase in revenues and success of the containment plan: FY 2012-13 yielded our first General Fund surplus in over 5 years.

# Village of La Grange General Fund- Annual Surplus/Deficit 12 Year Analysis



# Future Outlook

- Village reserves are projected to be at 48% by the end of the current fiscal year (April 30, 2014). Our target range for reserves is 50 - 75% of annual operating expenditures.
- Beginning in FY 2014-15 pension fund contributions will increase due to an update in pension assumptions / mortality tables, which offsets the recent increase in operating revenues.
- FY 2014-15 budget includes a scheduled increase in utility tax (previously postponed for two years) to fund the increased pension costs, maintain the delivery of core services and rebuild reserves.
- Therefore: the Village conservatively projects a “status quo” budget for the next 5 years, with no new staffing or programs.
- Without a viable alternate revenue source in FY 2014-15, the Village will need to further reduce staffing/services or will again be facing operating deficits within 2 years.

# Future Outlook Cont.

## Additional Concerns:

- Decrease in state shared revenues to balance State budget
- Affordable Health Care Act

The end result is that the that the cost containment plan remains in place for the foreseeable future and reinforces the need for the planned utility tax increase or some other revenue enhancement in FY 2014-15 to continue to fund ongoing operations.