

To: Mayor Michael Bayler & Village Trustees

From: Jeremy Reale, Village Administrator-Treasurer

Re: Budget Proposal for FY 2019

Date: March 7, 2018

The document hereto attached represents the operating budget proposal for the Village of Fisher for the fiscal year ending April 30, 2019. The annual budget process was initiated last December, with the village administrator-treasurer developing a projection of anticipated revenues based upon YTD figures and historical trends within the General Fund. During the months of January and February, department heads fashioned their respective budget requests within the scope of a directive to maintain stability in expenditure levels to the extent realistically feasible. Obviously, with the sale of the water and wastewater utilities, certain expenditures (such as personnel costs and insurance) which had previously been shared or otherwise partially subsidized by the Water and Wastewater Funds will reflect increases in the burden on the General Fund. Following the submission of the departmental budget requests, the administrator-treasurer reviewed each revenue and expenditure line item for necessary adjustments in order to achieve a balanced budget proposal. The final proposal was completed in February and submitted to the Finance Committee Chair for review and input. The document presented herein reflects the final proposed budget following all levels of review up to the ultimate Board review level.

General Fund – Revenue Summation

The significant changes to the budgeted revenue line items are highlighted below:

Sales Tax

In reviewing the recent historical trends, the Village has seen an average of ten percent (10%) annual increase in sales tax revenue (following the first full year of sales tax receipts for the Dollar General development). In the current fiscal year, the Village has been receiving \$6,000 to \$6,500 each month in sales tax revenue and I am projecting total receipts at year end to be approximately \$72,000. The proposed budget reflects an increase from \$62,000 to \$65,000 in this revenue item. While this appears to be very conservative given recent trends, I am reluctant to make too significant of an upward adjustment with the uncertainty of the future of Ingold's Grocery. The sales tax data for individual businesses is not public information; therefore, we do not have a reliable basis to ascertain how much of an impact a possible closure would have on revenues.

State Income Tax

In FY 2018, revenues are projected to be over \$200,000, significantly favorable to budget. This is largely due to the fact that the State of Illinois accelerated the payment schedule for income tax receipts so that they no longer lag months behind. This resulted in the Village receiving a total of 14 payments during the current fiscal year instead of the typical 12 payments. Given that this year was an outlier in terms of payments and the continued uncertainty over how the State may elect to handle LGDF payments to local governments going forward in its next fiscal year, I have made no change in this line item for FY 2019.

Cablevision

This is another revenue line item that is artificially high in the current fiscal year cycle. The Village typically receives its annual franchise payment from Mediacom in February of each year; however, in 2017, Mediacom missed its payment and I did not catch the oversight until April. The Village therefore received that payment in May and then this year's scheduled payment in February, resulting in two years of franchise payments reflected during one fiscal year. Based on the last two payments received, I have set this line item at \$7,000 for FY 2019.

Utility Tax

Utility tax receipts have been noticeably lower in FY 2018, owing almost entirely to reduced telecommunications tax receipts which are over \$5,000 lower this YTD than the previous fiscal year. Utility tax receipts for gas and electric have been relatively stable. Declining telecommunications tax revenues is a problem that local governments have been experiencing over the last few years, though nobody appears to be able to fully explain the phenomenon. In the previous two fiscal years, total utility tax receipts were relatively consistent, so I have left total revenue unchanged for FY 2019. If we continue to see a decline in telecommunications taxes next year, this is a line item that will most likely need to be adjusted downward.

Motor Fuel Tax

Motor Fuel Tax is technically its own special revenue fund and, while it is included as part of our annual budget and appropriations ordinance, it is not a subset of the General Fund. The past practice of the Village has been to budget MFT with offsetting revenues and expenditures, so there is no impact to the other operating categories in the General Fund. For the purposes of the FY 2019 budget proposal, I have adjusted the revenues to more accurately reflect our recent actual receipts. We may ultimately need to adjust this figure to ensure that total MFT expenditures are covered; however, there is always enough carried-over cash balance in the MFT Fund to cover annual expenses.

Water Franchise Income

This is a new revenue item beginning in FY 2019, based upon the three percent (3%) franchise fee imposed upon Illinois American Water and to be received by the Village on a quarterly basis. I have set the budget amount at \$28,000 based upon the projected figures contained in the Hartman & Associates analysis report. This revenue stream will be monitored throughout the fiscal year to determine whether any adjustment will need to be made for the next budget year.

State Video Gaming

Video Gaming revenue is projected to significantly exceed budget expectations for the current fiscal year. This is mostly due to the fact that this is the first full fiscal year the Village has seen the addition of gaming at the Wild Hare Bar & Grill. I have included a 47% increase in this revenue line item for FY 2019. This may prove to be on the conservative side; however, gaming receipts have a tendency to fluctuate from month to month and I am reluctant to increase this category beyond \$9,500 at this point.

General Fund (Administration) – Expenditure Summation

Salaries and Benefits

The significant increase in administrative salaries is attributable to the fact that the salary of the administrator-treasurer was previously 50% subsidized by the Water and Wastewater Fund. For the FY 2019 budget, the salary line item is designed to cover the full salary of the administrator-treasurer, part-time office staff, and Community Center janitorial staff. Likewise, the benefits line item increase is due to a combination of bearing the full expense of my benefit costs and an anticipated 15% increase in employee insurance costs. I have asked all departments to budget for a 15% increase on health/dental/vision insurance premiums for next year. Last renewal year, our employee premium costs increased by roughly 12% over the previous year.

The Village previously participated in the Local Government Health Plan through the State of Illinois, which offered a no-deductible “Cadillac” plan for a set premium per participant. In an effort to find ways to improve our retirement benefits, the Village elected to discontinue participation in LGHP two years ago and instead have our own group plans through Health Alliance (health), MetLife (dental), and VSP (vision). This resulted in a cost savings allowing us to add a non-discretionary contribution of \$2,500 annually to each employee 457 plan account while essentially being overall budget-neutral. While our group plans are still less expensive than the LGHP, costs are nonetheless increasing each year. It may be necessary for the Board to consider at some point restructuring our insurance benefits to either: (a) change to a less expensive, higher deductible plan, or (b) implement an employee contribution toward the premium cost through payroll deduction.

Professional Fees

This line item had been increased in FY 2018, largely due to the cost of the website redesign that was completed in December. With that significant expense exhausted, I have reduced the line item for FY 2019 to \$26,000.

Insurance

The anticipated cost of our annual premium for property/liability/work comp insurance once we have eliminated the water and wastewater systems was estimated by our IMLRMA representative at approximately \$28,000. This is a case where the Water and Wastewater Fund has traditionally subsidized the General Fund, as General Fund has paid approximately 44% of the insurance costs each year when it appears that its share would more accurately be about 63% of the total. As General Fund will totally support insurance costs going forward, this resulted in a roughly \$10,000 increase for the FY 2019 budget. Until all of the insurance changes are processed post-sale, we will not have a more solid figure on the total premium so it is not out of the realm of possibility that we could end up with a small overage in this line item at the end of FY 2019.

Community Promotion

This line item was increased by \$1,000 to account for the annual contribution to the Prairieland CEO Program approved by the Board in February.

Facility Maintenance

This line item is related to maintenance expenses at the Community Center. In FY 2018, we will end up over budget due to over \$1,000 in unforeseen expenses for plumbing work in the restrooms and purchasing new filters for the geothermal units (which had never been replaced). I have increased this line item by \$500 for FY 2019, which I feel should give us sufficient room for operating and unanticipated costs without exceeding budget next year.

General Fund (Public Works) – Expenditure Summation

Salaries and Benefits

As with the administrative division, the increases in these line items are due to the fact that the salary and benefit costs for Brenda Cook will shift from Water and Wastewater Fund back to Public Works for FY 2019.

Sidewalks

This line item had been increased for FY 2018 in anticipation of sidewalk projects that will not materialize this year. For the purposes of the FY 2019 budget, I have returned this line item total to its previous annual level of \$500. Given the tight nature of the budget, it would be my recommendation that any sidewalk work done in the next year be funded through savings rather than operating revenue.

Drainage

As with the sidewalk account, this item was significantly increased in FY 2018. I have reduced the amount for FY 2019 to \$4,500, with the anticipation that future drainage improvements can be funded through a combination of savings and, where applicable, TIF. We will also plan to end the current fiscal year with a balance of just under \$10,000 in this line item that can be carried forward and used toward the cost of the Green Street improvement that was approved this year but not completed.

Vehicle Replacement

Traditionally, we have moved \$6,000 each year out of operating revenue into savings for eventual vehicle replacement. Because the Public Works vehicle replacement savings will already receive an infusion from the closing of the Water/Wastewater vehicle replacement savings account this year, I have elected to budget for no additional funds to be transferred for this purpose in FY 2019. This is not a permanent deferral, and will be revisited during the next budget cycle.

Utilities

I have increased the line item for utilities by just over \$3,000 for FY 2019 to account for Illinois American Water charges on water and sewer and payments to Nicor for gas service at the jet machine shed (which is currently paid from the Wastewater Fund). Once again, water and sewer usage is largely an unknown quantity so the budgeted amount represents a “best guess” at this point. This account will be monitored during the year so we will be able to have a more solid basis for decisions in the next budget cycle.

Police Department – Revenue Summation

Fines

For FY 2019, I have elected to make no change in this \$6,000 revenue line item although we appear to be trending toward falling about \$2,000 short of this target in the current fiscal year. In the two prior fiscal years, the department had averaged about \$5,800 in fine collections each year. Although the budget document does not display a history prior to FY 2015, there had been an obvious downward trajectory in revenue from fines that seemed to stabilize somewhat in FY 2016 and 2017 before falling again this year. I have elected to operate under the assumption that this revenue stream will be comparable to the previous two fiscal years.

Police Department – Expenditure Summation

Benefits

This item has been increased to account for the projected increase in employee insurance costs.

Dispatch

In Chief Bein's initial budget request, he had projected a 4% increase in METCAD fees. We have received word from METCAD that there will be no agency increase for FY 2019, although actual call volume will ultimately determine the fees. Therefore, we have conservatively budgeted \$16,000 for FY 2019, which is \$628.75 more than the actual expense incurred in FY 2018.

Overall Summary

The budget proposal submitted for your consideration represents an even balance between operating revenues and expenditures for FY 2019. Staff has diligently undertaken to trim as much excess as reasonable to achieve the goal of producing a conservative balanced budget that will allow the Village to operate within its means. While there are some unknown quantities which we will be able to better ascertain as we progress through the next fiscal year, there are some facts that are very apparent. First, as we move forward, the Village is going to have to exercise judiciousness in its operating expenses because of the relatively limited nature of the General Fund operating revenue stream. As an entity, the operations of the Village will now be almost entirely subsidized by tax revenues for which we effectively exercise limited control. This is particularly true in the case of state revenues, as the LGDF (income tax – our largest single source of GF revenue) seems to be under constant threat of reduction each year by the General Assembly. In some respects, the sale of the utilities resolved our problems in the Water and Wastewater Fund while simultaneously throwing light upon the reality that we have issues needing to be addressed in the General Fund. This underscores the need for the development of a Capital Improvement Fund and subsequent annual Capital Improvement Budgets, as we simply are not going to have the flexibility to use operating revenues toward infrastructure improvements that have heretofore been deferred such as sidewalks and drainage. Instead, the Village will almost certainly need to rely on savings, investments, and interest income from our investment accounts for these activities.

I would like to express my gratitude to Ron Ragle, Steve Bein, and Debbie Estes for their cooperation and assistance in the preparation of this proposal. If there are any questions concerning the budget document, please feel free to contact me.

Respectfully submitted,

Jeremy A. Reale
Village Administrator-Treasurer
March 7, 2018