

VILLAGE OF LAKE VILLA



DISCOVER THE OPPORTUNITIES

Budget Summary Report

2017/2018 Draft Budget

May 1, 2017

Budget Summary

INTRODUCTION

Please find enclosed the Operating and Capital Budgets for Fiscal Year 2017/2018 for the Village of Lake Villa. The Village operates on a fiscal year basis beginning May 1st and ending April 30th of each year. The annual budget is prepared through a collaborative effort by staff under the direction of the Village Administrator and is presented to the Village Board for review and adoption prior to the beginning of each fiscal year (May 1st).

BUDGET FORMAT

The Village's budget utilizes fund accounting, with separate funds based upon the various activities of the Village's operations. The Village's budget includes the following major funds:

OPERATING FUNDS

1. General Operating fund
2. Water & Sewer Operating (enterprise) fund
3. Mansion (enterprise) fund
4. Metra Parking (enterprise) fund
5. Motor Fuel Tax fund
6. Retirement fund
7. Insurance fund
8. Special Events fund

CAPITAL FUNDS

9. General Fund Capital fund
10. Water/Sewer Capital fund
11. Park Capital fund
12. TIF #1
13. Business District #1

FIXED ASSET FUNDS

14. Public Works Fleet Replacement fund
15. Squad Car Replacement fund
16. Water/Sewer Equipment Replacement fund

NON-OPERATING FUND

17. Various Non-Operating funds

The Village budget includes hundreds of line items, some of which are fairly small. These are used to facilitate year to year and multi-year analysis. Please remember that much of the Village's actual revenues and spending are impacted by non-village factors or are demand driven and often hard to predict. Budget numbers are best estimates based on history and/or ground up analysis of line items.

Budgeted expenditure line items are formatted into three categories: salaries and benefits, contractual and other costs. Many individual line items are based on past needs and year-end numbers and may be different (higher or lower) based on demand for services from weather, emergencies or unpredictable factors.

The Draft budget includes three new funds; Special Events fund, TIF #1 and Business District #1. The Special Events fund is related to the revenue and expenses for the craft beer festival and wine events. The TIF and Business District funds represent the anticipated revenue and expenses for these economic incentive funds.

The enclosed draft is intended for discussion purposes only. Refinements and adjustments will be made based on the Board's direction at the March 29th budget workshop.

FY 2016-2017 Estimated Year End Performance

Major highlights of the FY 16/17 estimated year-end performance include:

General Fund

- General Fund revenues are projected to be (\$86,368) lower than budget projections.
- General Fund expenses are projected to be (\$93,402) lower than budget projections.
- General Fund is projected to operate at a surplus of \$104,855. The FY 2016/17 budget projected a \$58,342 surplus.
- The anticipated fund balance on May 1, 2017 is \$2,163,455. The 2017/18 target balance is \$2,008,661 meaning the General Fund is projected to be \$154,794 above the target balance and this amount can be transferred to the General Capital Fund, upon approval of a Resolution by the Village Board once the year-end figures are finalized.

Water & Sewer Fund

- Revenues are projected to be \$3,615 higher than budgeted due to a slight increase in water/sewer penalties from the budget projections.
- Fund expenses are projected to be \$354,236 lower than budgeted, primarily due to the delay in the new debt services payment.
- The fund is projected to operate at a \$537,860 surplus. The FY 2016/17 budget projected a \$180,009 surplus.
- The anticipated fund balance on May 1, 2017 is \$1,250,373. The 2017/18 target balance is \$626,568, meaning \$623,805 is the estimated amount that can be transferred to the Water/Sewer Capital Fund.

Other Operating Funds

- Metra Fund is projected to operate at a \$308 surplus; the FY 2016/17 budget projected a \$525 surplus.
- Mansion Fund is projected to operate at a \$3,450 surplus; the FY 2016/17 budget projected a \$2,066 deficit.

Capital Funds

- Costs in the General Capital Fund are projected to be \$189,355 under budget due to lower than anticipated costs and the carryover of several projects to 2017/18.
- Costs in the Water/Sewer Capital Fund are projected to be \$172,583 under budget due to lower than anticipated costs and the carryover of several projects to 2017/18.
- Parks Capital Costs are projected to be \$27,307 over budget due to the inclusion of the mansion tent repairs to the 2016/17 budget.

FY 2017/2018 Budget Overview

The draft budget includes the following major points:

- General fund is projected to operate at a surplus of \$10,145
- Water & Sewer fund is projected to operate at a surplus of \$461,615
- Metra fund is projected to operate at a surplus of \$3,793
- Mansion fund is projected to operate at a surplus of \$9,805
- Special Events Fund is projected to operate at a surplus of \$22,000
- Motor Fuel Tax Fund is projected to operate at a surplus of \$224,770
- Retirement and Liability Insurance fund meet their liabilities with contributions from the various funds and with revenue from the property tax levy.
- Budget includes full contribution for all fixed asset funds; Squad Car Replacement Fund, Public Works Fleet Replacement Fund and Water/Sewer Equipment Replacement Fund

FY 2017-2018 Revenue Trends – All Funds

FY 2017/2018 Total Revenues All Funds By Type:

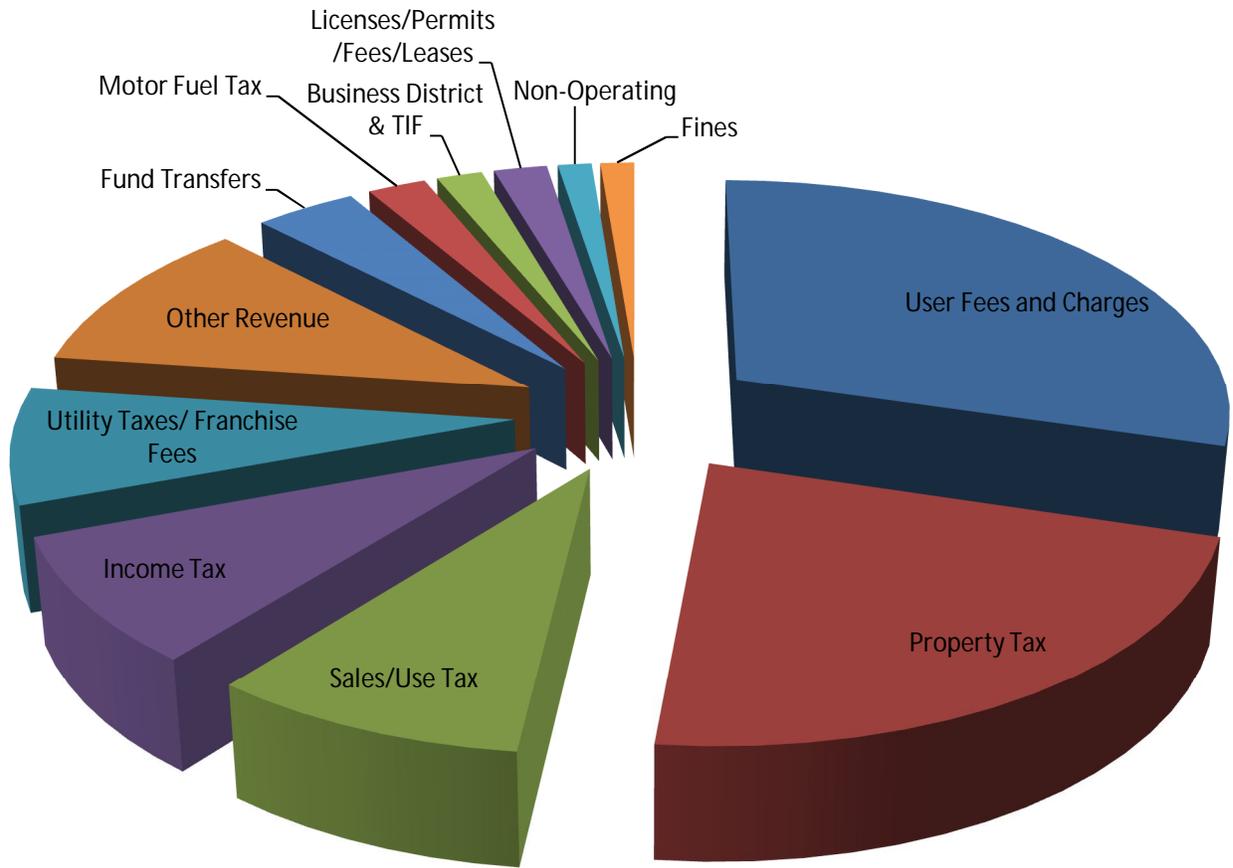
More than 3/4th of the Village's revenue comes from three revenue sources; user fees and charges (30%), Sales, income, and utility taxes (26%) and property taxes (22%). All other revenues represent 22% of the Village's revenue. These revenues collectively support all Village operational and capital commitments for our eight operating funds, eight capital funds and four non-operating funds. Many of these revenues are dedicated to multiple funds including, property taxes (chart below), sales, income, use tax, and user fees and charges.

Total Revenue by Type:

User Fees and Charges	3,031,302	29%
Property Tax	2,261,385	22%
Other Revenue	1,167,982	11%
Sales/Use Tax	910,647	9%
Income Tax	882,841	9%
Utility Taxes/Franchise Fees	805,000	8%
Fund Transfers	390,862	4%
Motor Fuel Tax	224,770	2%
Business District & TIF	175,500	2%
Licenses/Permits/Fees/Leases	204,178	2%
Non-Operating	129,589	1%
Fines	130,000	1%
TOTAL	10,314,056	100%

Total Revenue by Type

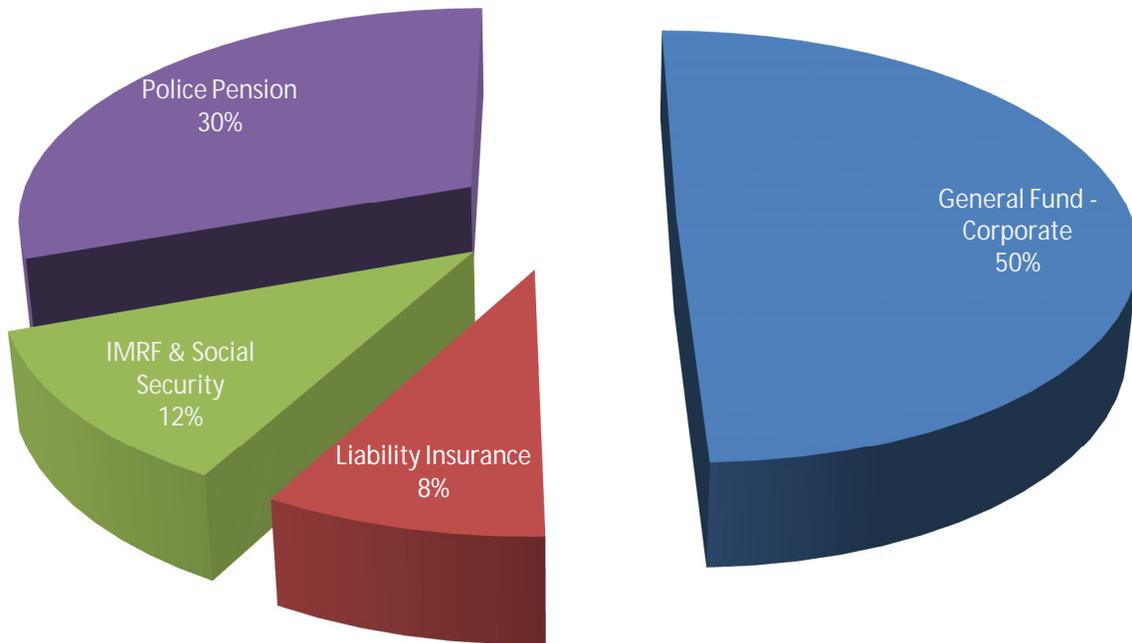
This chart represents the same revenue by type, but in chart format.



FY 2017-2018 Property Tax Revenue by Distribution:

This chart represents the breakdown of where the Village’s property tax revenue is distributed. 50% of property tax revenue is obligated for general corporate purposes, with the remainder distributed throughout other funds to support these obligations.

Property Tax Distribution by Fund



General Fund Revenue Trends

General Fund revenues have fluctuated since 2010/11. The decrease in revenue in 2014/15 was the result of the creation of the Insurance, Retirement, and General Capital Funds, which diverted some General Fund revenues directly to those funds. In that year, Police Pension revenues were directly allocated to that fund, when before they were passed through the General Fund.

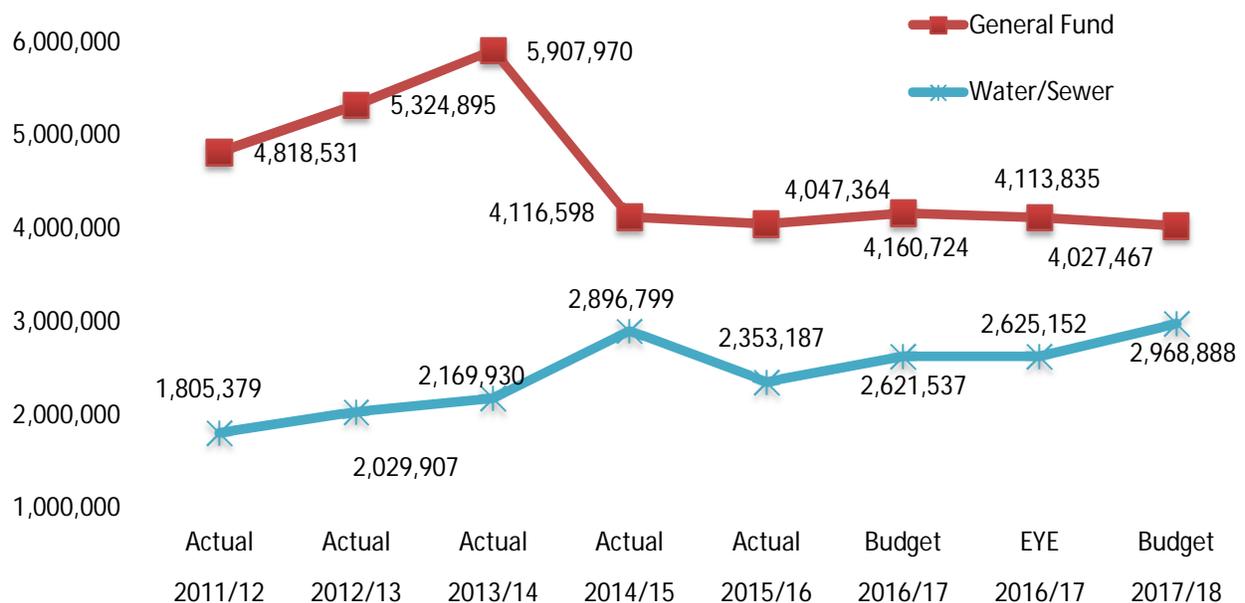
2017/18 General Fund revenue is projected to be \$133,257 lower than last year’s budget projection and \$86,368 lower than the 2016/17 estimated year end. This is the result of lower police fines, sales tax, and natural gas tax. Many of the revenues in the General Fund are economically dependent and out of the control of the Village.

Water/Sewer Revenue Trends

In the past, Water/Sewer revenue fluctuated because of connection fee revenue was dedicated to the operating fund. These revenues are no longer dedicated to this fund and as a result revenues should remain consistent and predictable. 2017/18 revenues are projected to increase over the 2016/17 estimated year-end by \$343,736 due to the Village Board approved multi-year rate plan. The revenue in this fund is generally determined by the Village Board’s established rate plan. Revenue will, however, fluctuate based on actual water usage year to year. The Water/Sewer Fund is the Village’s largest enterprise fund.

The chart below summarizes the annual revenues obtained in the Village’s two largest funds; the General Fund and Water/Sewer Fund

Total Revenue – General Fund & Water/Sewer Fund

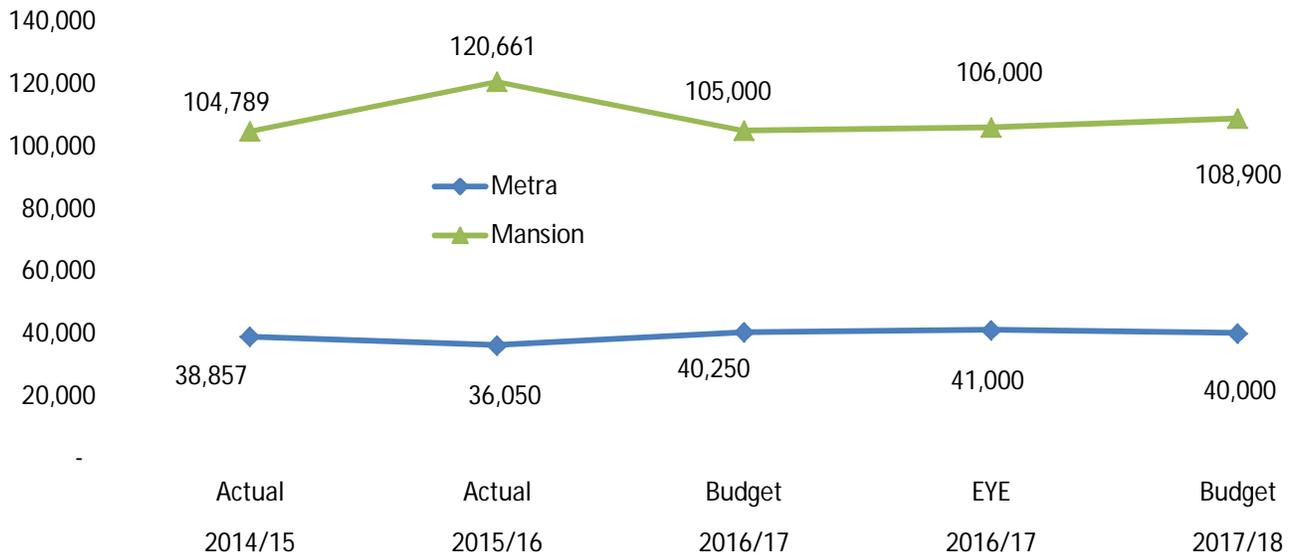


Total Revenue – Metra and Mansion Funds

The chart below summarizes revenues in the Metra and Mansion Enterprise Funds. These revenues are primarily user fees based on the number of vehicles parked in the Metra Lot and the amount of fees collected from events at the Lehmann Mansion. The Special Events Fund was not included because that fund is new this year.

Revenue in the Mansion fund has fluctuated based on the rental revenue received annually. There is a projected increase in 2017/18 due to revenue from the painting and cooking classes.

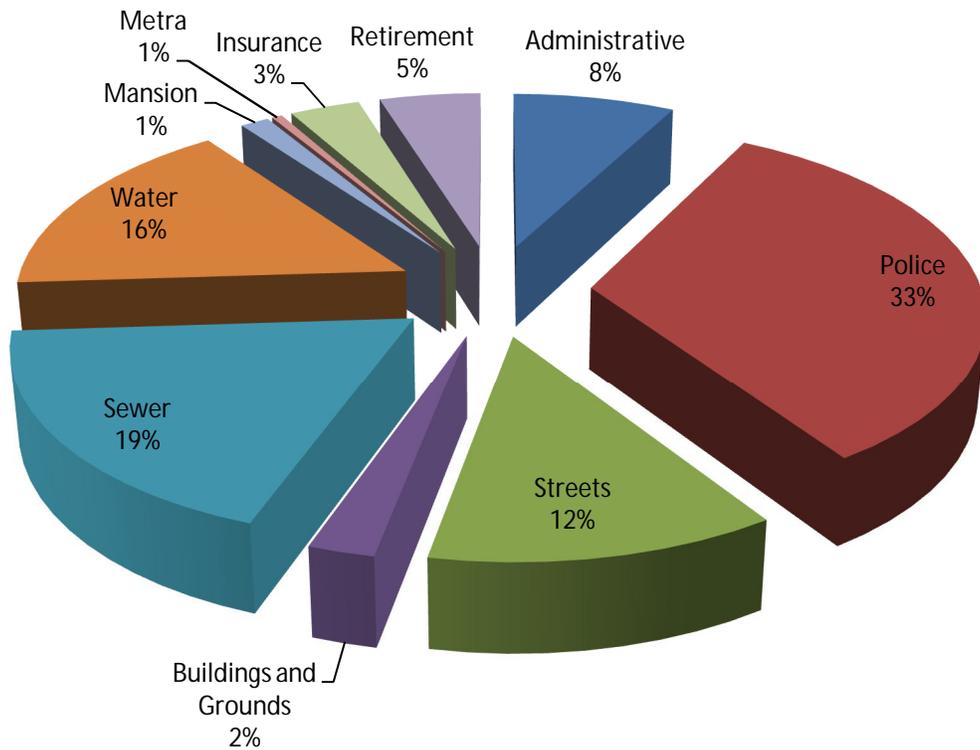
Metra revenues have been consistent, with an increase beginning in 2016/17 due to the parking fee increase to \$1.75 per day. The history on these funds dates back to 2014/15 when they were created.



FY 2017-2018 Expense Trends – All Funds

TOTAL OPERATING SPENDING BY AREA

The majority of operating spending is related to Water/Sewer (35%) and Police (33%) areas. Street Maintenance and Administrative represent 20% of operating expenses. All other operating expenses represent 12% of spending. This chart excludes all capital spending.



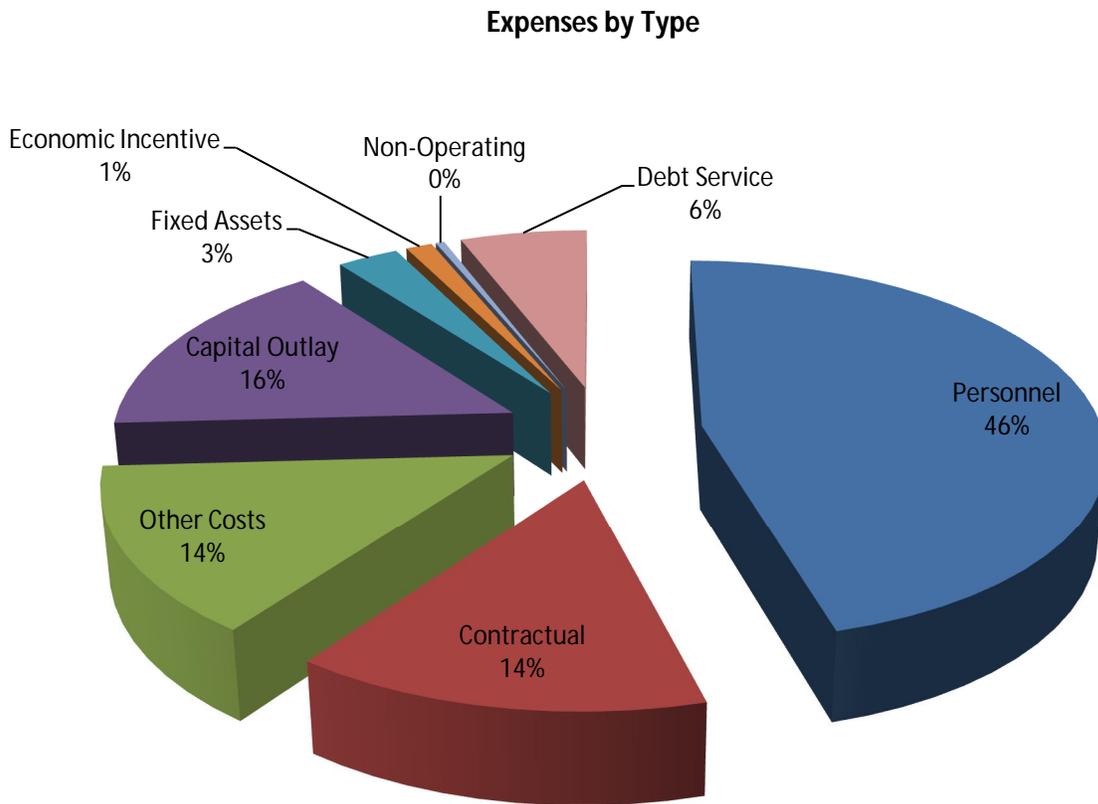
FY 2017-2018 All Expenses by Type:

This chart represents spending by type with, personnel costs totaling \$4.37 million (46%). The largest portion of personnel expenses is police related (47%).

Debt services payments for the three water and sewer debt service payments total \$566,504, which represents 6% of total spending.

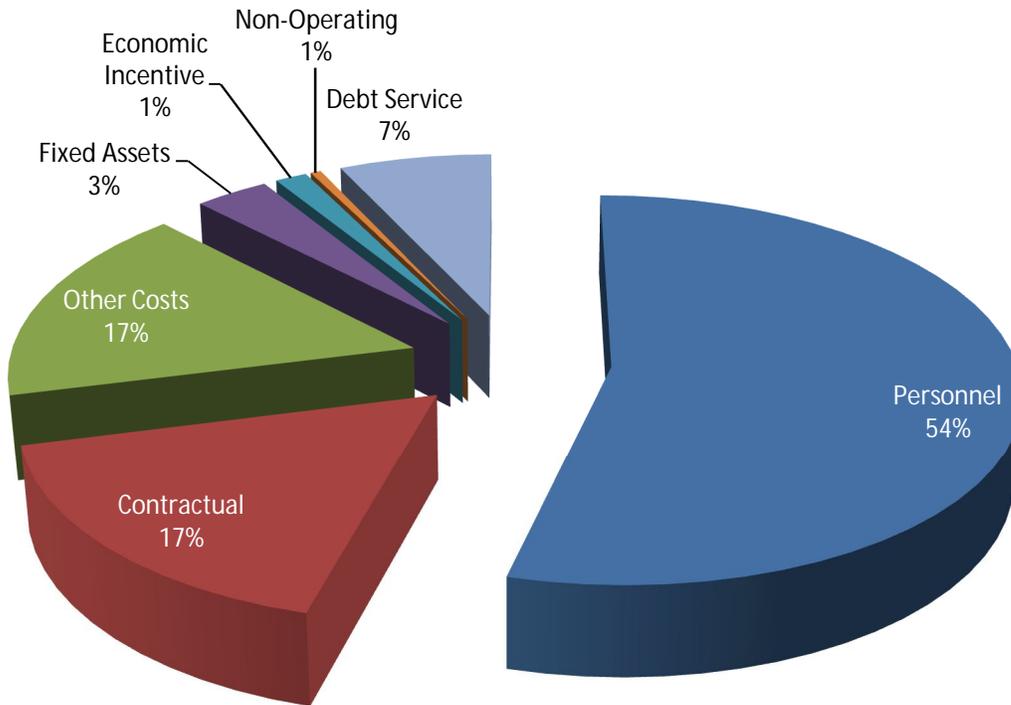
Capital expenses total \$1.48 million or 16% of spending.

Contractual costs represent 14% of all expenses. Of the \$1.37 million in contractual costs, 46% of expenses represent the County sewer treatment expense.



Expenses by Type – Excluding Capital

This chart represents 2017/18 costs, when excluding one-time capital costs.



FY 2017/2018 Capital Improvements & New Equipment

The draft budget includes the following Capital Improvements & New Equipment requests.

Proposed General Capital Fund includes costs for:

▪ Cedar Avenue Streetscape	\$270,000 (partial carryover)
▪ Public Works Pond Filling	\$17,500 (partial carryover)
▪ Repairs and Improvements	\$50,000
▪ Police Pension Contribution	\$103,589
▪ Economic Incentive	\$50,000
▪ Laurie Court Storm Sewer	\$20,000
▪ Grass Lake Road Street Light	\$35,000
▪ Quiet Zone Recertification	\$8,500
▪ Additional Streetscape Projects	\$100,000
▪ Office Upgrades	\$11,092
▪ Phone System	\$20,000

Proposed Water/Sewer Capital fund includes costs for:

▪ Grand Avenue Water Main	\$5,000 (carryover)
▪ Altitude Valve	\$109,000 (carryover)
▪ Cedar Avenue Water Tower Rehab.	\$65,000 (carryover)
▪ IEPA Loan Payments	\$244,016 (carryover)
▪ Repairs and Improvements	\$75,000
▪ Sanitary Sewer Study	\$48,400
▪ Lift Station #1 Rehabilitation	\$180,000 (carryover)
▪ Oakland Ridge Lift Station Drain	\$17,000
▪ Water/Sewer Facility Improvements	\$15,000

Proposed The Parks Capital fund includes costs for:

▪ Baseball Park Parking Lot Resurface (50%)	\$4,600 (partial carryover)
▪ Splash Pad Design Engineering	\$5,000
▪ Lehmann Park Pavilion Repairs	\$15,000
▪ Holiday Light Repairs	\$20,000
▪ Mansion Tent Repairs	\$20,000 (partial carryover)

Proposed New Equipment costs for all funds include:

Administration	Computer Equipment	\$2,500
Administration	Computer Replacements	\$2,800
Police	Computer Equipment	\$2,000
Police	Computer Replacements	\$2,400
Police	Desk	\$800
Police	Front Counter Camera	\$1,100
Streets	Lift Station Oil Change	\$3,000
Streets	Cedar Avenue Banners	\$750
Buildings & Grounds	Facility Repairs	\$7,000
Buildings & Grounds	Lehmann Park Bricks	\$3,000
Buildings & Grounds	Fence Panels	\$2,000
Water	Jack Hammer	\$9,500
Water	Computer Supplies	\$1,000
Sewer	Lift Station Oil Change	\$3,000
Sewer	Computer Supplies	\$1,000
Drug Fund	Taser Replacement	\$6,000
DUI Fund	Squad Car Camera Replace	\$10,000

General Fund

This section will provide information on revenue and expenses for only the General Operating Fund.

The General fund receives general taxes, fees to fund the administrative, police, streets and buildings and grounds operations of the Village.

Budget Summary

Total Revenues	\$4,027,467
Total Expenses	\$4,017,322
Net Income	\$10,145

General Fund Totals by Year

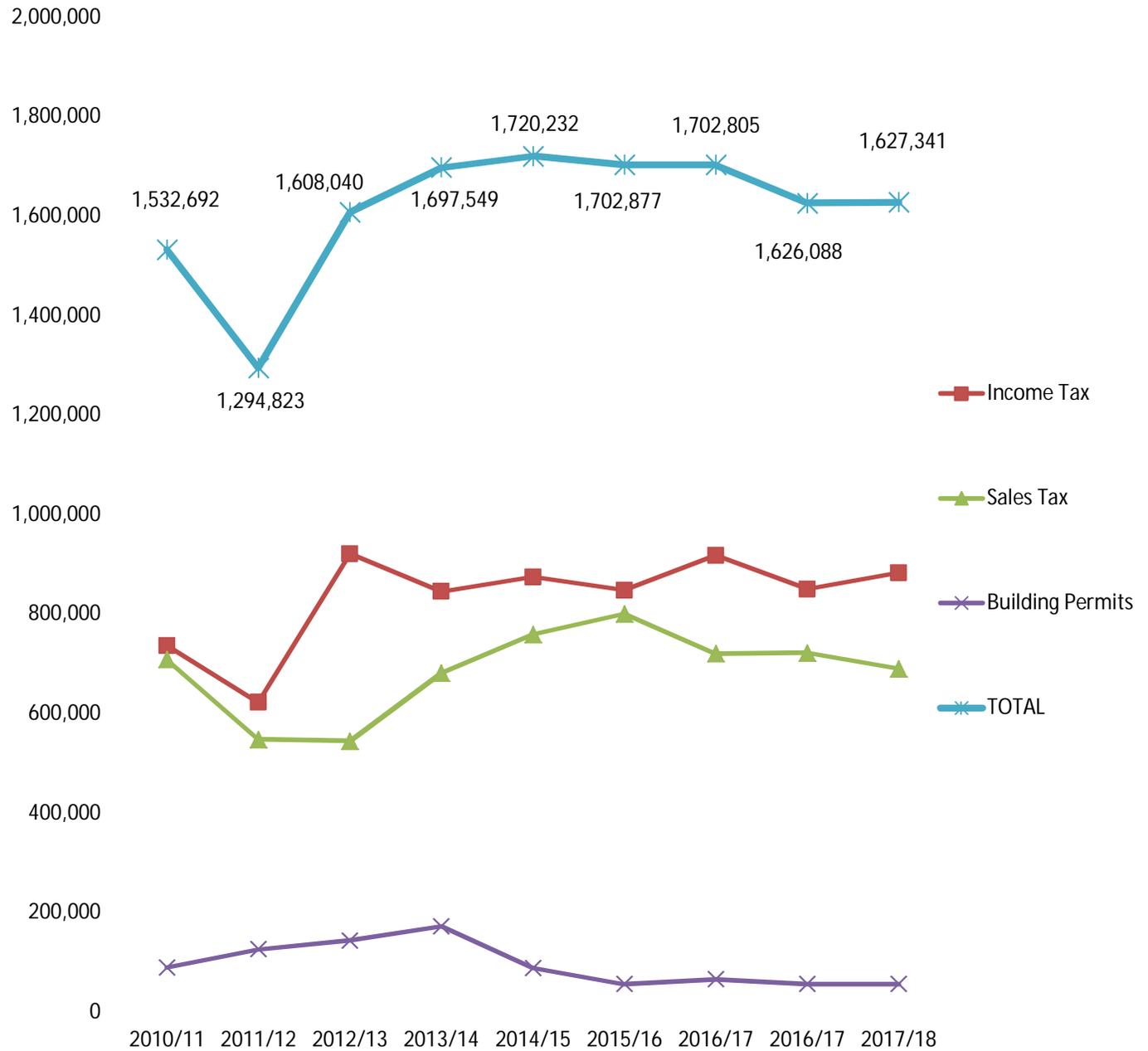
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2016/17	2017/18
	Actual	Actual	Actual	Actual	Actual	Budget	EYE	Budget
REVENUE	4,818,531	5,324,895	5,907,970	4,116,598	4,013,993	4,160,724	4,113,835	4,027,467
EXPENSES	4,072,643	4,546,787	5,454,005	4,029,137	3,801,857	4,102,382	4,008,980	4,017,322
NET INCOME	745,888	778,108	453,965	87,461	212,137	58,342	104,855	10,145

General fund revenues are not completely in control of the Village. Major revenue sources, including income tax, sales tax, use tax, and building permit fee revenue. They are highly dependent on economic factors.

Total General Fund expenses do vary year to year as incremental upward costs to salaries and other costs are realized. Fortunately, cost savings measures have been identified over the past several years to offset these annual cost of living increases.

Economically Sensitive Revenue

Total economically sensitive revenues will maintain consistent in 2017/18 versus the 2016/17 budget. While, there were some increases in other revenues, the decline sales tax revenue kept economically sensitive revenues flat.



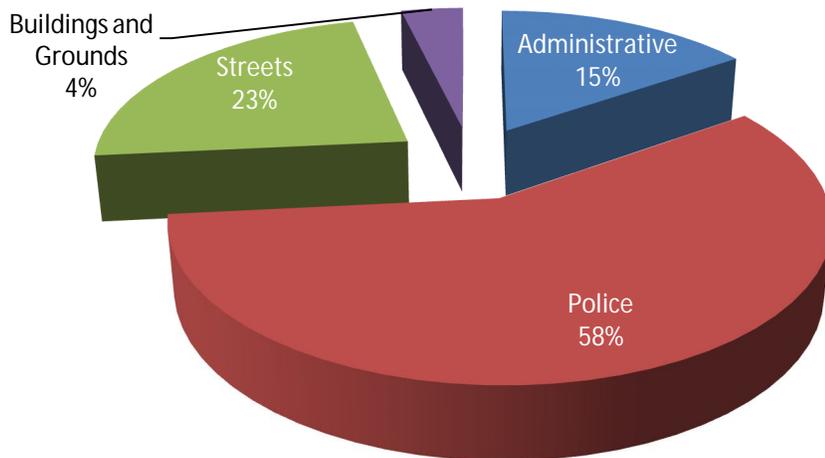
General Fund Spending by Area

Administrative costs are lower than both the 2016/17 budget and estimated year end is due to the elimination in one administrative position and moving another full-time position to part-time. Streets spending is projected to decrease primarily due to lower salt costs because of the light snow seasons the past two years. Buildings & Grounds expenses is projected to increase due to a new contract for inspection services and the moving of various expenses here from other areas.

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2016/17	2017/18
EXPENSES	Actual	Actual	Actual	Actual	Actual	Budget	EYE	Budget
Administrative	504,111	532,787	644,189	680,179	551,113	582,318	618,053	559,793
Police	2,281,956	2,503,597	2,876,527	2,214,650	2,229,217	2,385,050	2,326,079	2,388,158
Streets	815,197	961,690	1,338,242	872,264	870,853	983,113	914,871	897,455
Buildings and Grounds	471,379	548,713	595,047	262,044	150,674	151,901	149,977	171,916
General Fund Expenses	4,072,643	4,546,787	5,454,005	4,029,137	3,801,857	4,102,382	4,008,980	4,017,322

GENERAL FUND SPENDING BY AREA

The majority of General Fund spending (58%) is related to police. 72% of general fund costs are personnel, with 72% of personnel expenses being police related. 87% of police expenses are personnel related.



GENERAL FUND SPENDING VERSUS LAST YEAR

Proposed 2017/18 General Fund budget is \$88,060 lower than budgeted in 2016/17. A few major expense changes occurred in the proposed budget. These changes include:

Projected Increases over 2016/17 Budget

- Police Dispatching +33,083
- Building Inspectors +12,000
- Crime Lab +\$14,651
- Police Fleet Replacement +6,200

Projected decreases versus 2016/17 Budget

- Road Salt (\$57,300)
- Administrative Salaries (\$35,500)
- Administrative Health Insurance (\$18,859)
- Lease Installments (\$14,331)
- Police Radios (\$7,200)

Water & Sewer Operating Fund

This section will provide information on revenue and expenses for only the Water/Sewer Operating Fund.

Primary revenues in the Water and Sewer Operating fund are water/sewer rates and charges set by the Village Board. These user charges fund the maintenance and treatment activities that provide residents and businesses with drinking water and processing of effluent through the Village’s system and into the County wastewater system.

Budget Summary

Total Revenues	\$2,968,888
Total Expenses	\$2,507,273
Net Income	\$461,615

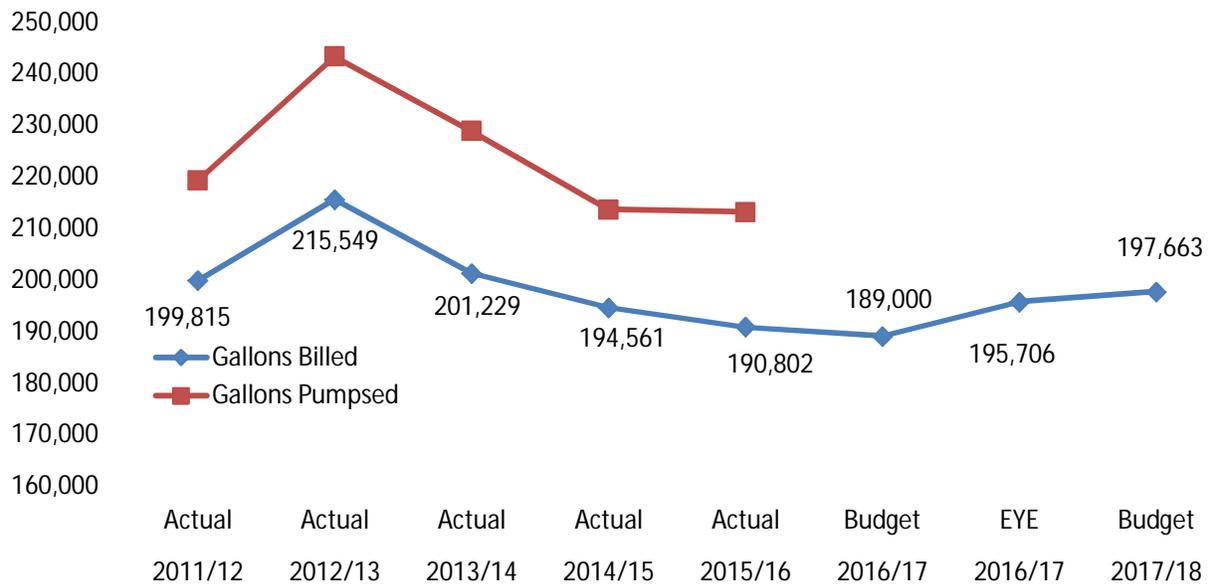
Water & Sewer Operating Fund Totals by Year

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2016/17	2017/18
	Actual	Actual	Actual	Actual	Actual	Budget	EYE	Budget
REVENUE								
	1,805,379	2,029,907	2,169,930	2,896,799	2,353,187	2,621,537	2,625,152	2,968,888
EXPENSES								
	1,867,361	2,320,797	2,696,941	2,057,952	2,105,313	2,441,528	2,087,292	2,507,273
NET INCOME								
	(61,982)	(290,890)	(527,011)	838,847	247,875	180,009	537,860	461,615

Water/Sewer revenues will continue to rise since FY 2015/2016 due to the multi-year rate plan in preparation for Lake Michigan water. Expenses will rise in FY 2017/18 due to the new water debt services payment that will fund the water improvements necessary to handle the new Lake Michigan water source.

Water and sewer revenues are typically predictable, but can vary slightly depending on weather conditions, and the economy, which are factors outside of our control. Below is a chart of billed water by year. The 2016/17 estimated year end billing is slightly higher than originally projected due to higher than anticipated water usage. Water usage remains substantially lower than the peak usage in 2012/13.

GALLONS BILLS VERSUS GALLONS PUMPED



WATER/SEWER FUND SPENDING VERSUS LAST YEAR

Proposed 2017/18 Water/Sewer budget is \$65,745 higher than budgeted in 2016/17. A few major expense changes occurred in the proposed budget. The addition of the County Surcharge is simply a pass through expense that does not impact the fund's financial position; however the revenue and expense needed to be accounted for.

The County sewer fee increase is the result of the County's increase in their sewer rate from \$3.15 per 1,000 to \$3.67 per 1,000 gallons. Excluding the two County expense increase, Village expenses decreased \$32,001 in the Water/Sewer Fund.

Major changes include:

Projected Increases over 2016/17 Budget

- County Sewer +\$47,760
- County Surcharge +\$49,986
- Computer Support +\$3,602

Projected decrease from the 2016/17 Budget

- Liability Insurance (\$24,234)
- Debt Services (\$11,389)
- Engineering (\$5,000)
- Utility Bill Print (\$6,054)

Metra Parking Fund

The primary revenue in the Parking Fund is the \$1.75 daily parking fee and monthly parking pass. Expenses are related to depot and parking lot maintenance.

Budget Summary

Total Revenues	\$40,000
Total Expenses	\$36,207
Net Income	\$3,793

Mansion Fund

The primary revenue in the Mansion Fund is rental fees for various events, activities and special events.

Budget Summary

Total Revenues	\$108,900
Total Expenses	\$99,095
Net Income	\$9,805

Special Events

The primary revenue in the Special Events Fund is registration fees from events and the costs are related to these events.

Budget Summary

Total Revenues	\$91,000
Total Expenses	\$69,000
Net Income	\$22,000

Special Operating Funds

The Village has several special operating funds that receive funding from various sources and have specific expenses. The special operating funds include, Retirement Fund, Insurance Fund and Motor Fuel Tax (MFT) fund.

Retirement Fund

The Retirement Fund funds Illinois Municipal Retirement Fund (IMRF) and Social Security retirement costs. Police pension costs are funded through a state mandated single purpose fund for all sworn officer positions.

The Retirement fund receives revenue from the property taxes levied for IMRF and social security.

Budget Summary

Total Revenues	\$349,496
Total Expenses	\$349,496
Net Income	\$0

Insurance Fund

The Insurance fund receives revenue from the property taxes levied for property, liability and casualty insurance. In addition, the enterprise funds make contributions to the Insurance fund to pay their share of insurance costs.

Budget Summary

Total Revenues	\$243,402
Total Expenses	\$242,713
Net Income	\$689

Motor Fuel Tax Fund (MFT)

This fund receives revenue from the state distributed motor fuel tax. Municipalities receive a per person amount based upon population. The uses of these funds are restricted by state statute to roadway and right-of-way maintenance.

Budget Summary

Total Revenues	\$224,770
Total Expenses	\$0
Net Income	\$224,770

Capital Funds

The FY 2017/18 Draft budget contains five capital funds, the General Capital Fund, Water/Sewer Capital Fund, Parks Capital Fund, TIF #1 and Business District #1.

General Capital Fund

The General Capital Fund receives revenue from vehicle sticker fees, video gaming, water tower lease, and a portion of sales, use and income tax. In addition, this fund will receive funds in excess of the General Operating Fund designated fund reserve. These revenues are set apart from operational spending and reserved for one-time community improvements and major equipment replacements.

Budget Summary

Total Revenues	\$504,328
Total Expenses	\$685,681
Net Income	(\$181,353)

Water/Sewer Capital Projects Fund

The Water/Sewer Capital Projects fund receives revenue from one-time water and sewer tap-in fees generated from new building construction. In addition, this fund will receive funds in excess of the Water/Sewer Operating Fund designated fund reserve. These revenues are set apart from operational spending and reserved for one-time system improvements and replacements.

Budget Summary

Total Revenues	\$244,016
Total Expenses	\$773,416
Net Income	(\$529,400)

Parks Capital Fund

The Parks Capital Fund uses parks impact fees to fund parks projects.

Budget Summary

Total Revenues	\$0
Total Expenses	\$64,600
Net Income	(\$64,600)

Tax Increment Financing District #1

The TIF District #1 Fund includes revenue and expenses related to the allowable transaction for this fund.

Budget Summary

Total Revenues	\$20,500
Total Expenses	\$10,050
Net Income	\$10,450

Business District #1

The Business District #1 Fund includes revenue and expenses related to the allowable transactions for this fund.

Budget Summary

Total Revenues	\$155,000
Total Expenses	\$108,050
Net Income	\$46,950

Fixed Asset Funds

The FY 17/18 Draft budget contains three fixed asset funds.

Squad Car Replacement Fund

The Squad Car Replacement Fund receives revenue from the General Fund to fund the regular replacement of police vehicles.

Budget Summary

Total Revenues	\$73,200
Total Expenses	\$43,000
Net Income	\$30,200

Public Works Fleet Replacement Fund

The Public Works Replacement Fund receives revenue from the General Fund and Water/Sewer Fund to fund the regular replacement of Public Works vehicles and major equipment.

Budget Summary

Total Revenues	\$112,500
Total Expenses	\$196,000
Net Income	(\$83,500)

Water/Sewer Equipment Replacement Fund

The Water/Sewer Equipment Replacement Fund receives revenue from the Water/Sewer Fund to fund the regular replacement of major water and sewer equipment.

Budget Summary

Total Revenues	\$63,000
Total Expenses	\$0
Net Income	\$63,000

Non-Operating Funds

The Village has a number of non-operating funds; the DUI Fund, Drug Fund, and Pension Fund. These funds are required under State statute.

Police Pension Fund

The Police Pension fund receives revenue from a portion of the Village's property taxes, fund contributions from employees and investment earnings. These revenues pay for the state-mandated police pension liability costs.

Drug Fund

The Drug fund receives revenue from the proceeds of felony drug arrests through a court order. These funds are restricted.

DUI Fund

The DUI fund receives revenues from court imposed fines as a result of DUI arrests made within the Village by Lake Villa Police personnel. The funds are restricted for use in the purchase of equipment and supplies related to the enforcement and handling of DUI arrests.

Mansion Debt

When the Village closed on the debt certificate for the Lehmann Mansion improvements, the Village was required to place one year's worth of debt payments in a separate fund. The debt service for this has been paid off.

Celebration of Summer

The Celebration of Summer Fund receives revenue from donations and the raffle sales. These funds are used for the Celebration of Summer event, including fireworks.