

# **VILLAGE OF LAKE VILLA**



**DISCOVER THE OPPORTUNITIES**

**Budget Summary Report**

**2016/2017 Draft Budget**

**May 1, 2016**

## Budget Summary

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### INTRODUCTION

Please find enclosed the Operating and Capital Budgets for Fiscal Year 2016/2017 for the Village of Lake Villa. The Village operates on a fiscal year basis beginning May 1<sup>st</sup> and ending April 30<sup>th</sup> 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 1<sup>st</sup>).

### 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:

1. General Operating fund
2. Water & Sewer Operating (enterprise) fund
3. Metra Parking (enterprise) fund
4. Mansion (enterprise) fund
5. Retirement fund
6. Insurance fund
7. Motor Fuel Tax fund
8. General Fund Capital fund
9. Water/Sewer Capital fund
10. Park Capital fund
11. Squad Car Replacement fund
12. Public Works Fleet Replacement fund
13. Water/Sewer Equipment Replacement fund
14. 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 enclosed draft is intended for discussion purposes only. Refinements and adjustments will be made based on the Board's direction at the March 22<sup>nd</sup> budget workshop.

## FY 2015-2016 Estimated Year End Performance

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Major highlights of the FY 15/16 estimated year-end performance include:

### **General Fund**

- General Fund revenues are projected to be \$42,788 lower than budget projections.
- General Fund expenses are projected to be \$162,236 lower than budget projections.
- General Fund is projected to operate at a surplus of \$148,571. The FY 2015/16 budget projected a \$29,123 surplus.
- The anticipated fund balance on May 1, 2016 is \$2,136,700. The 2016/17 target balance is \$2,051,191 meaning the General Fund is \$85,509 above the target balance. This amount can be transferred to the General Capital Fund.

### **Water & Sewer Fund**

- Revenues are projected to be \$61,028 lower than budgeted due to a slight decrease in water/sewer usage from the budget projections.
- Fund expenses are projected to be \$77,348 lower than budgeted.
- The fund is projected to operate at a \$239,306 surplus. The FY 2015/16 budget projected a \$222,986 surplus.
- The anticipated fund balance on May 1, 2016 is \$832,586. The 2016/17 target balance is \$602,882, meaning \$229,704 can be transferred to the Water/Sewer Capital Fund.

### **Other Operating Funds**

- Metra Fund is projected to operate at a \$2,839 surplus; the FY 2015/16 budget projected a \$1,629 surplus.
- Mansion Fund is projected to operate at an \$18,446 surplus; the FY 2015/16 budget projected a \$4,779 surplus.

### **Capital Funds**

- Costs in the General Capital Fund are projected to be \$52,475 under budget.
- Costs in the Water/Sewer Capital Fund are projected to be \$76,783 under budget due to partial carrying over in the Grand Avenue water main, Route 83 water main and Thompson School water main project.

## FY 2016/2017 Budget Overview

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The draft budget includes the following major points:

- General fund is projected to operate at a surplus of \$58,342
- Water & Sewer fund is projected to operate at a surplus of \$180,009
- Metra fund is projected to operate at a surplus of \$525
- Mansion fund is projected to operate at a deficit of (\$2,066).
- Motor Fuel Tax Fund is projected to operate at a deficit of \$257,195.
- 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
- General Capital Fund includes costs for:
 

▪ Document imaging (carryover)	\$6,000
▪ TIF District establishment (carryover)	\$45,000
▪ CDBG Grant Contribution	\$135,000
▪ Cedar Avenue Irrigation System	\$25,000
▪ Business District Establishment	\$17,500
▪ Police Pension Contribution	\$43,273
▪ Economic Incentive	\$50,000
▪ Truck Body Work	\$15,000
▪ Copier Purchase	\$9,600
▪ Misc. Facility Repairs	\$14,000
▪ Public Works Pond Filling	\$25,000
▪ Repairs and Improvements	\$50,000

- The Water/Sewer Capital fund includes costs for:
  - Repairs and Improvements \$75,000
  - Grand Avenue Water Main (carryover) \$168,618
  - Route 83 Water Main (carryover) \$58,434
  - Thompson School Water Main (carryover) \$15,367
  - Lift Station #1 Rehabilitation (carryover) \$100,000
  - Water Meter Replacements (carryover) \$9,450
  - Equipment Replacement Fund Contribution \$112,000
  - Sanitary Sewer Televising/Clean (carryover) \$40,000
  - Altitude Valve \$109,000
  - Cedar Avenue Water Tower Rehab. \$65,000
  - Engineering – Monaville Lift Station \$4,500
  - IEPA Loan Payments \$4,225,978
  
- The Parks Capital fund includes costs for:
  - Mansion Pergola \$185,000
  - Baseball Park Parking Lot Resurface (50%) \$40,000
  - Loffredo Park Parking Lot Paving \$210,000

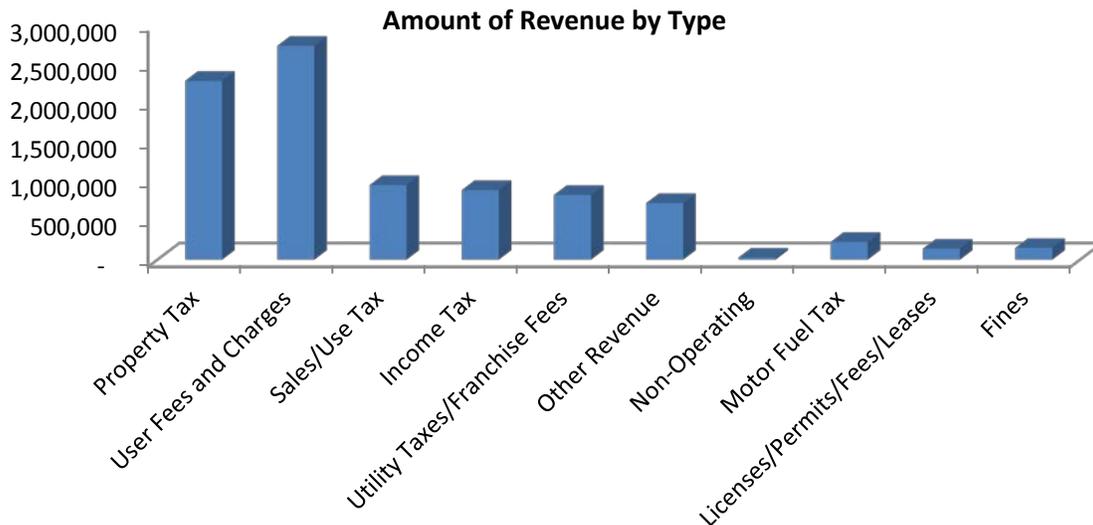
## FY 2016-2017 Revenue Trends

### FY 2016-2017 Total Revenues All Funds By Type:

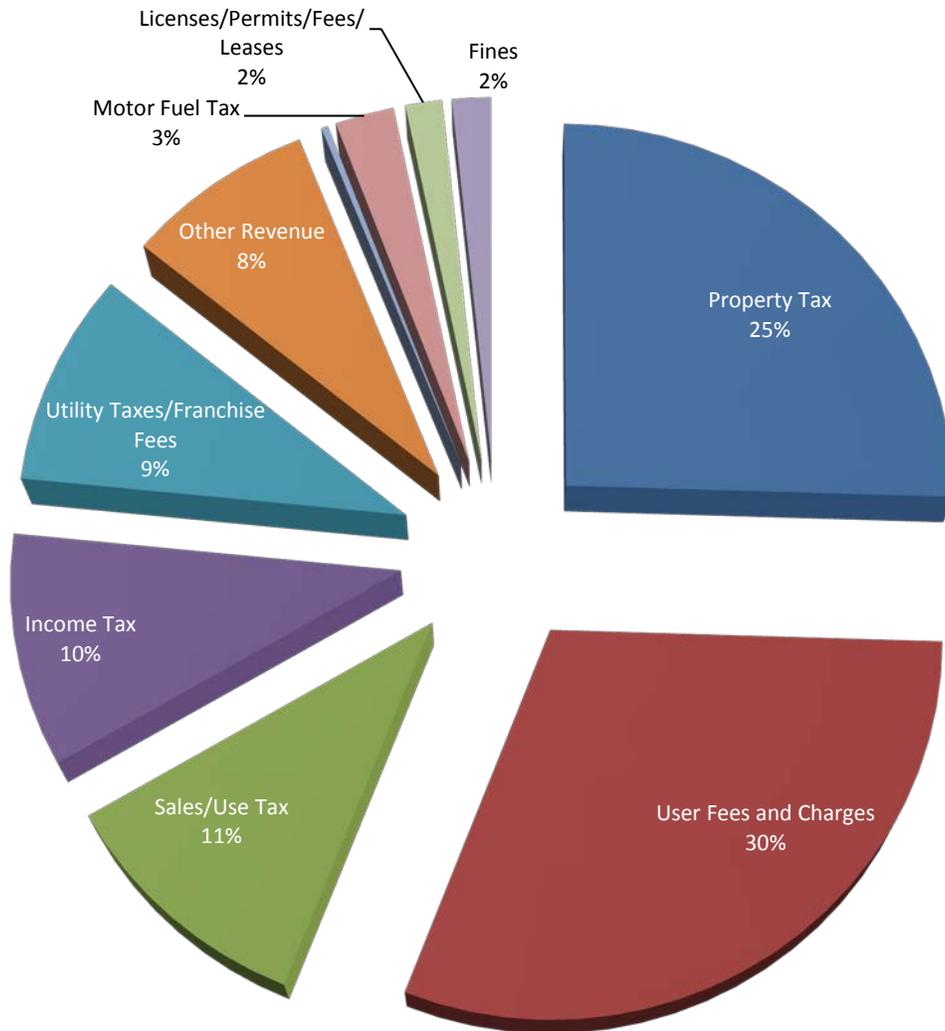
More than half of the Village’s revenue comes from two revenue sources, property taxes (25%) and user fees and charges (30%). Sales, income, and utility taxes represents another 30% of revenues. All other revenues represent 25% of the Village’s revenue. These charts exclude one-time IEPA loan revenue (\$4,452,373).

### Total Revenue by Type:

<b>Property Tax</b>	2,282,634	25%
<b>User Fees and Charges</b>	2,729,287	30%
<b>Sales/Use Tax</b>	955,414	11%
<b>Income Tax</b>	891,582	10%
<b>Utility Taxes/Franchise Fees</b>	830,000	9%
<b>Other Revenue</b>	725,382	8%
<b>Non-Operating</b>	26,000	0%
<b>Motor Fuel Tax</b>	226,592	3%
<b>Licenses/Permits/Fees/Leases</b>	140,707	2%
<b>Fines</b>	150,000	2%
<b>TOTAL</b>	<b>8,957,598</b>	<b>100%</b>



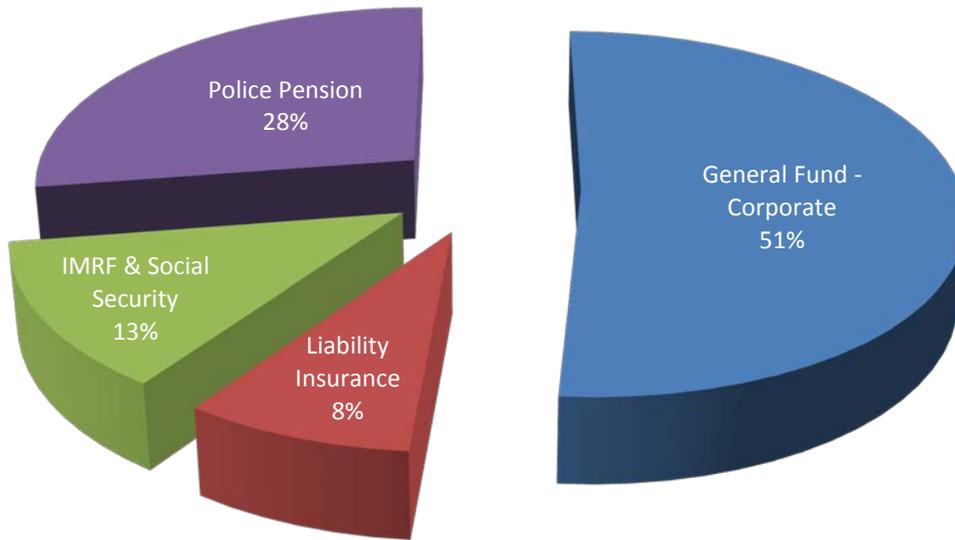
**Total Revenue by Percentage and Type**



**FY 2016-2017 Property Tax Revenue by Distribution:**

The Village’s property taxes are distributed throughout various funds to support various obligations. More than half of the property taxes are obligated to the General Fund.

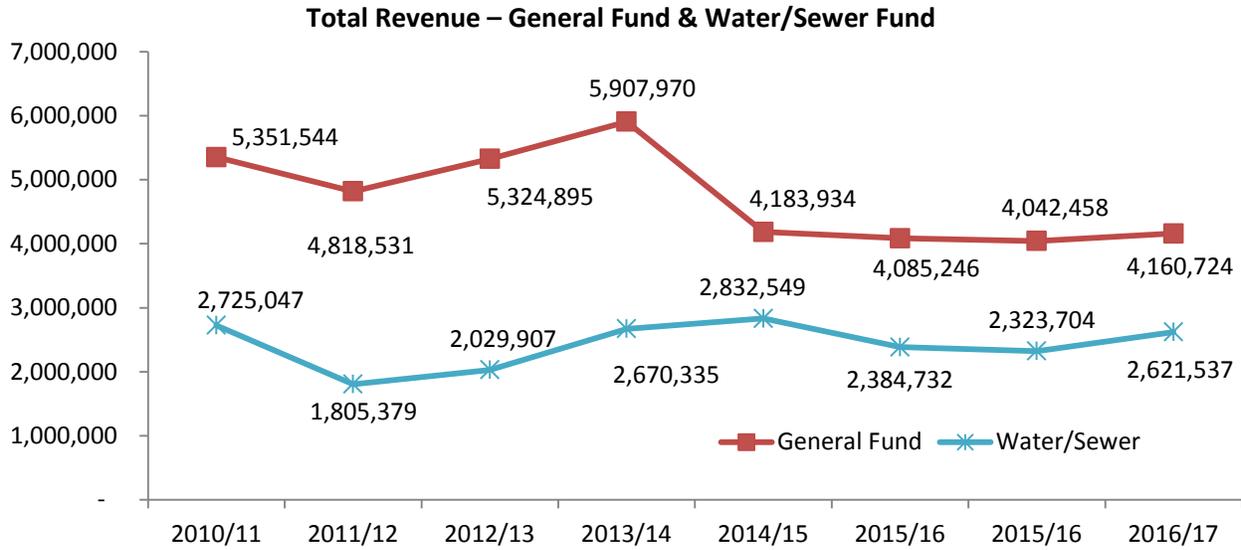
**Property Tax Distribution by Fund**



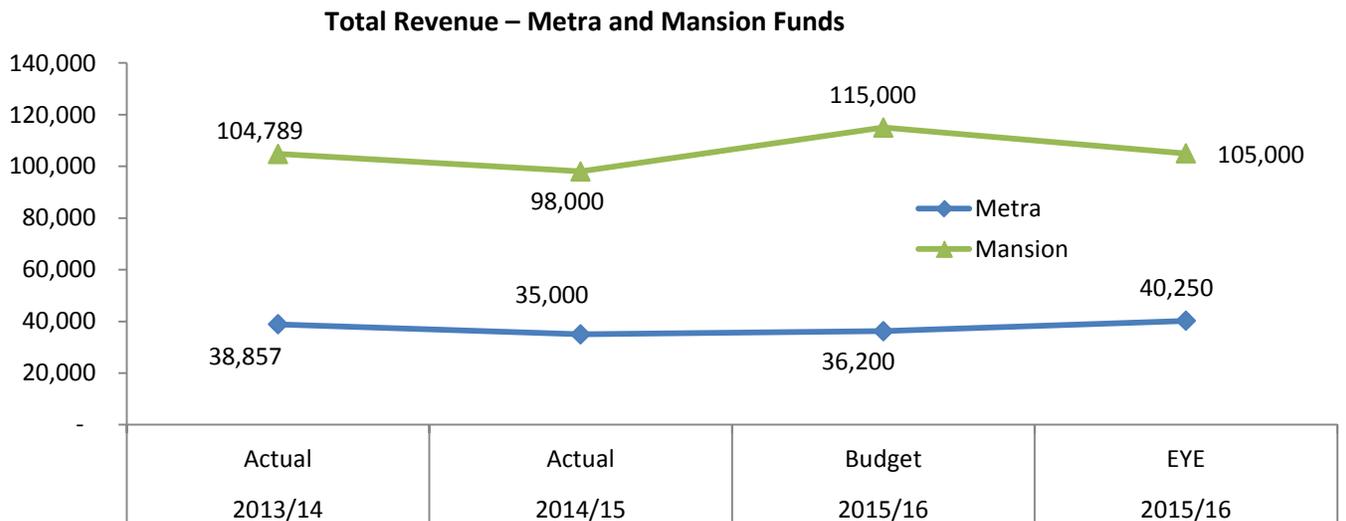
**Revenue by Fund**

General Fund revenues have fluctuated since 2010/11. The decrease in 2014/15 was the result of the creation of the Insurance, Retirement, and General Capital Funds, which diverted away some General Fund revenues. 2016/17 General Fund revenue is project to increase by \$118,266 from the 2015/16 estimated year end. This increase is the result of increased percentage of sales, income, and use tax dedicated to the General Operating Fund from 90% to 95%. A portion of the increase is the result of an increase in income tax revenue. That was necessary because of property tax revenue was diverted away from the General Fund due to a higher than anticipated Police Pension contribution.

In the past, Water/Sewer revenue fluctuated because of connection fee revenue. These revenues are no longer in this fund and as a result revenues in this fund should remain consistent and predictable. 2016/17 revenues are projected to increase over the 2015/16 estimated year-end by \$297,833 due to the Village Board approved multi-year rate plan.



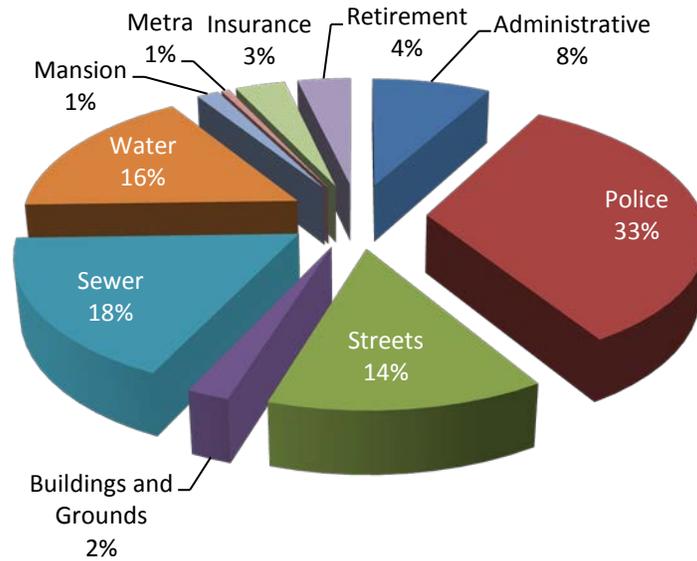
Revenue in the Mansion fund has fluctuated based on the rental revenue received annually. Metra revenue has been consistent, with an increase projected in 2016/17 due to a parking fee increase to \$1.75 per day. The history on these funds dates back to 2013/14 when these funds were created.



## FY 2016-2017 Expense Trends

### TOTAL OPERATING SPENDING BY AREA

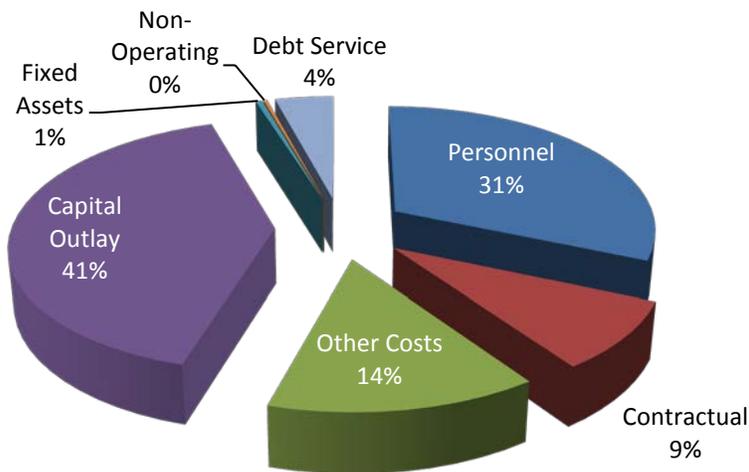
The majority of operating spending is related to Water/Sewer (34%) and Police (33%) areas.



### FY 2016-2017 All Expenses by Type:

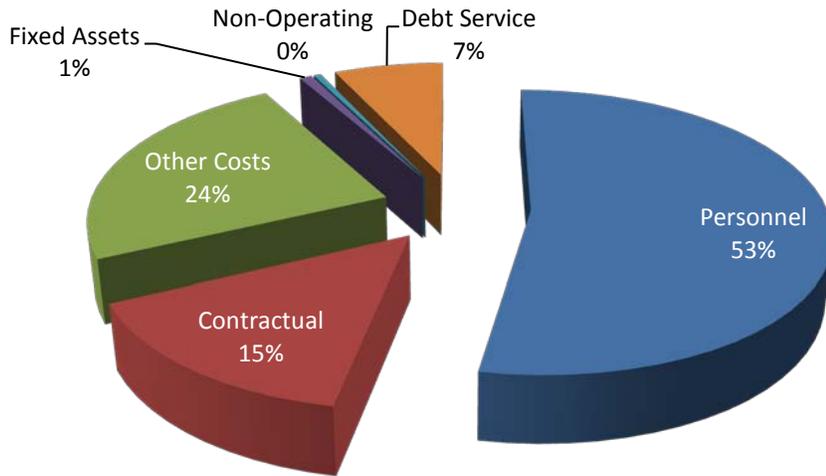
Personnel costs are \$4.3 million (31%), with the largest portion being police related (47%). Debt services payments for the three water and sewer debt service payments total \$576,693, which represents 4% of total spending. Capital expenses total \$5.6 million, of that \$4.9 million are water/sewer capital projects. Of the \$1.2 million in contractual costs, 53% is for County sewer treatment.

### Expenses by Type



**Expenses by Type – Excluding Capital**

Excluding the one-time capital costs, personnel represents 53% of expenses and debt services represents 7% of operating expenses.



## General Fund

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

### Budget Summary

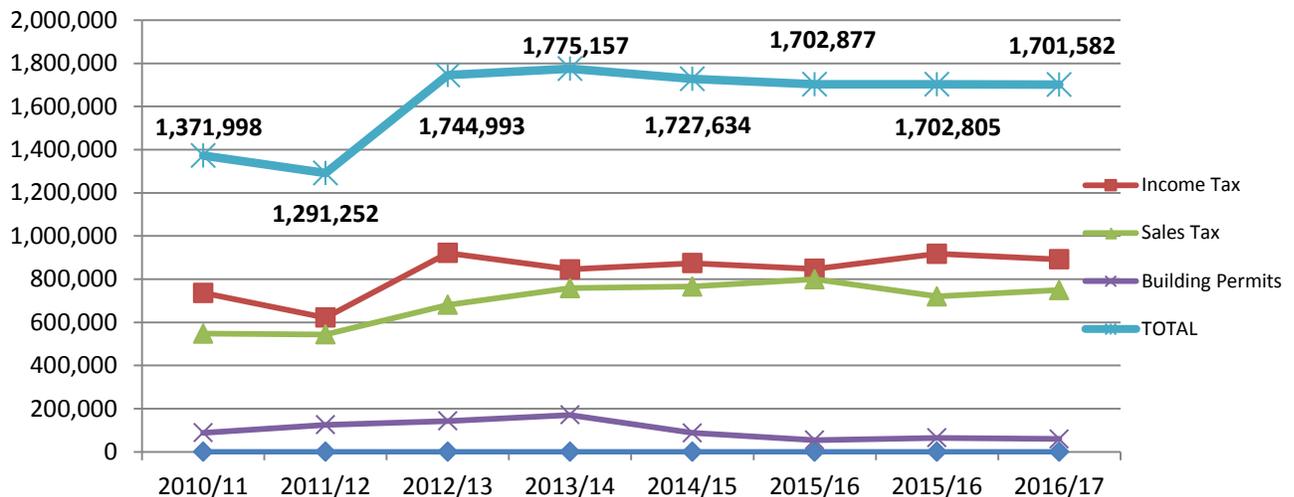
Total Revenues	\$4,160,724
Total Expenses	\$4,102,382
Net Income	\$58,342

### General Fund Totals by Year

	10/11 ACTUAL	11/12 ACTUAL	12/13 ACTUAL	13/14 ACTUAL	14/15 ACTUAL	15/16 BUDGET	15/16 EYE	16/17 PROPOSED
REVENUES	5,351,544	4,818,531	5,324,895	6,377,383	4,183,934	4,085,246	4,042,458	4,160,724
EXPENSES	4,661,095	4,270,468	4,578,188	6,362,313	4,027,072	4,056,123	3,893,887	4,102,382
NET INCOME	690,449	548,063	746,707	15,070	156,862	29,123	148,571	58,342

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, are dependent on economic climate and can vary year to year. Total economically sensitive revenues will decrease slightly in 2016/17 versus the 2015/16 budget due to lower than anticipated sales tax revenue.

### Economically Sensitive Revenue

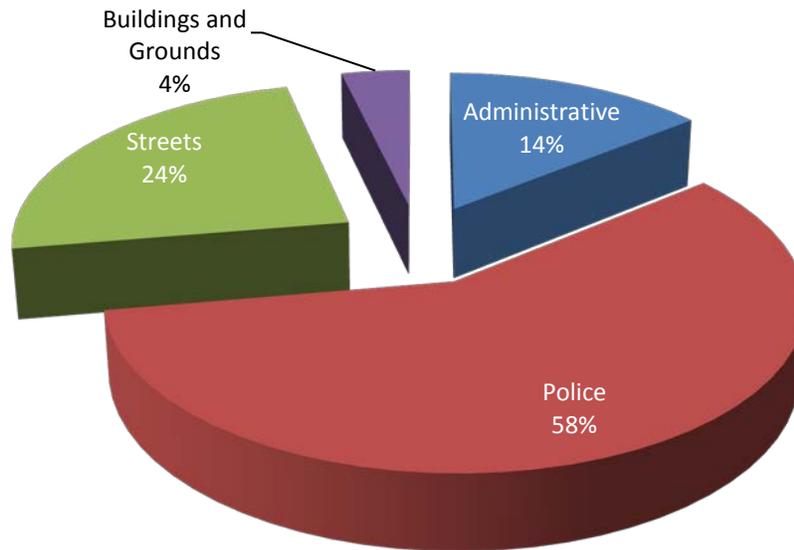


**General Fund Spending by Area**

	10/11 ACTUAL	11/12 ACTUAL	12/13 ACTUAL	13/14 ACTUAL	14/15 ACTUAL	15/16 BUDGET	15/16 EYE	16/17 PROPOSED
ADMINISTRATION	515,236	504,1011	532,786	637,691	680,179	607,509	567,442	582,318
POLICE	2,100,819	2,281,956	2,503,597	2,898,646	2,212,585	2,293,697	2,250,089	2,385,050
STREETS	926,454	815,197	961,690	1,354,186	872,264	985,439	934,225	983,113
BUILDINGS & GROUNDS	944,076	471,379	548,713	572,193	262,044	170,078	142,131	151,901
MANSSION	174,510	197,825	31,402	142,589	0	0	0	0

**GENERAL FUND SPENDING BY AREA**

The majority of General Fund spending (58%) is related to police. 70% of general fund costs are personnel, with 72% of personnel expenses being police related. 87% of police expenses are personnel related.



## General Fund Expense History

Proposed 2016/17 General Fund budget is \$46,259 higher than budgeted in 2015/16. A few major expense changes occurred in the proposed budget. These changes include:

## Water & Sewer Operating Fund

Primary revenues in the Water and Sewer Operating fund are user charges as 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 to the County wastewater system.

### Budget Summary

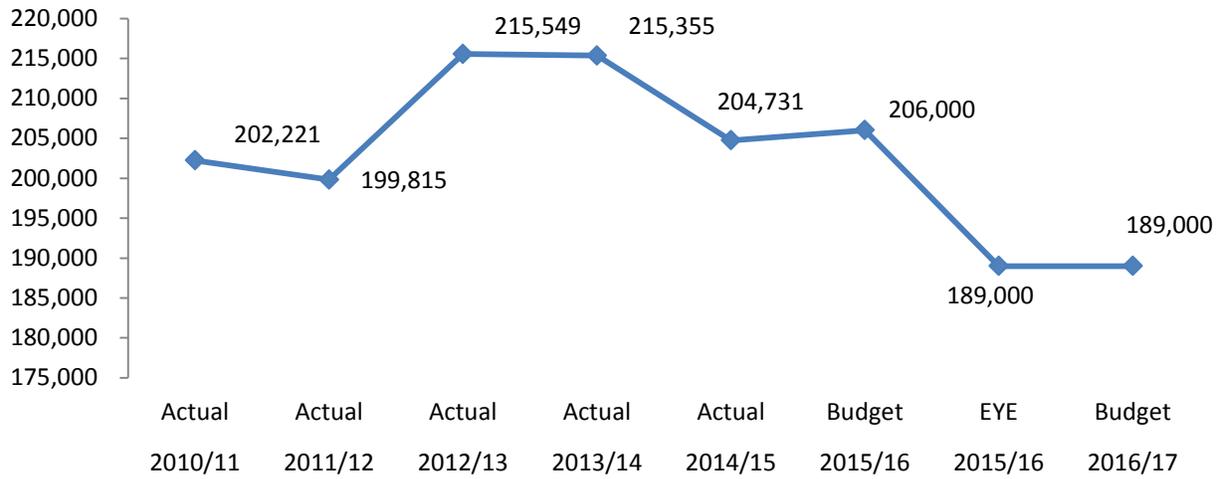
Total Revenues	\$2,612,037
Total Expenses	\$2,441,528
Net Income	\$180,009

### Water & Sewer Operating Fund Totals by Year

	10/11 ACTUAL	11/12 ACTUAL	12/13 ACTUAL	13/14 ACTUAL	14/15 ACTUAL	15/16 BUDGET	15/16 EYE	16/16 PROPOSED
REVENUES	2,725,047	1,805,379	2,029,907	2,883,662	2,832,549	2,384,732	2,323,704	2,621,537
EXPENSES	2,100,598	1,867,361	2,320,897	2,876,931	2,057,952	2,161,746	2,084,398	2,441,528
NET INCOME	624,449	(61,982)	(290,990)	6,731	774,597	222,986	239,306	180,009

Water and sewer revenues are typically consistent, but can vary slightly depending on weather conditions, the economy, which are factors outside of our control. Below is a chart of billed water by year. The 2015/16 estimated year end billing is slightly lower than originally projected due to lower than anticipated water usage. The lower water usage was used for the 2016/17 revenue projections.

### Per 1,000 Gallons Billed



### Water/Sewer Fund Expense History

Proposed 2016/17 Water/Sewer budget is \$279,782 higher than budgeted in 2015/16. A few major expense changes occurred in the proposed budget. These changes include:

- New IEPA Loan Payment +261,955
- Lake Michigan Water Projects -18,500
- Electricity (Water & Sewer) +35,000
- Equipment Replacement Contr. +17,750

## Metra Parking Fund

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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	\$40,250
Total Expenses	\$39,725
Net Income	\$525

## Mansion Fund

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

### Budget Summary

Total Revenues	\$105,000
Total Expenses	\$107,066
Net Income	(\$2,066)

## Special Operating Funds

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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 is a new fund created this fiscal year to fund 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	\$262,000
Total Expenses	\$262,000
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	\$273,019
Total Expenses	\$245,020
Net Income	\$27,999

### 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	\$226,592
Total Expenses	\$483,787
Net Income	(\$257,195)

The MFT Fund includes costs for a road resurfacing program.

## Capital Funds

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The FY 16/17 Draft budget contains three capital funds, the General Capital Fund, Water/Sewer Capital Fund and Parks Capital Fund.

### 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	\$315,057
Total Expenses	\$440,373
Net Income	(\$125,316)

### 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	\$4,452,373
Total Expenses	\$4,988,496
Net Income	(\$536,123)

### Parks Capital Fund

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

#### Budget Summary

Total Revenues	\$0
Total Expenses	\$435,000
Net Income	(\$435,000)

## Fixed Asset Funds

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The FY 16/17 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	\$72,000
Total Expenses	\$40,000
Net Income	\$32,000

### 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	\$110,000
Total Expenses	\$0
Net Income	\$110,000

### 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	\$173,500
Total Expenses	\$25,000
Net Income	\$148,500

## Non-Operating Funds

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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.