

## FY14 Budget Impact on Fund Balance

Fund Name	General	Library	Motor Fuel	Uptown TIF	IL Municipal Ret. (IMRF)	Municipal Waste	Emergency Telephone	Parking*	Water*	Sewer*
<b>FY13</b>										
<u>Projected Current Year (FY13) Fund Balance Impact</u>										
FY 2012-13 Revenues/ Transfers In	30,485,235	4,286,406	1,087,221	2,770,274	1,636,186	3,615,772	1,450,006	294,830	8,175,489	1,905,042
Minus: FY 2012-13 Expenses/Transfers Out	29,400,671	4,729,635	1,000,000	3,394,076	2,251,011	3,297,950	1,296,660	715,809	8,417,167	1,412,626
Initial FY13 Projected Fund Balance Impact	\$1,084,564	(\$443,229)	\$87,221	(\$623,802)	(\$614,825)	\$317,822	\$153,346	(\$420,979)	(\$241,678)	\$492,416
<u>FY13 Revisions/Corrections</u>										
New E911 Agreement	\$80,000						\$50,000			
Dempster Redevelopment Amendment Revision Projection	\$350,938									
FY13 to FY14 Carryover	\$620,938				\$10,212			\$2,620	\$15,719	\$10,479
FY13 General Fund Forecast Update	\$427,173									
<b>Current FY13 Projected Fund Balance Impact</b>	<b>\$2,563,613</b>	<b>(\$443,229)</b>	<b>\$87,221</b>	<b>(\$623,802)</b>	<b>(\$604,613)</b>	<b>\$317,822</b>	<b>\$203,346</b>	<b>(\$418,359)</b>	<b>(\$225,959)</b>	<b>\$502,895</b>
<b>FY13 Impact After Carryover Normalization</b>	<b>\$1,942,675</b>									
<b>FY14</b>										
<u>Initial 1/29/13 FY14 Workshop Submitted Budget</u>										
FY 2013-14 Revenues/ Transfers In	30,948,811	4,097,907	1,000,000	1,974,747	2,253,280	3,476,338	1,575,000	304,600	9,046,778	1,869,511
Minus: FY 2013-14 Expenses/Transfers Out	30,417,729	4,676,047	1,000,000	3,011,169	2,063,556	3,445,961		1,140,523	9,232,461	1,492,046
Initial FY14 Budget Impact on Fund Balance	\$531,082	(\$578,140)	\$0	(\$1,036,422)	\$189,724	\$30,377	\$1,575,000	(\$835,923)	(\$185,683)	\$377,465
<u>FY14 Revisions/Corrections</u>										
Increase MFT Expenditure To Match IDOT Application			(\$100,000)							
IML State Shared Revenue Estimates	\$280,277		(\$22,488)							
New E911 Agreement	\$100,000						(\$50,000)			
Dempster Redevelopment Amendment Revision	\$200,000									
Updated TIF Payment Forecasts				(\$133,059)						
Corrections To Original Document	(\$292,703)	\$165,000					(\$1,307,200)	\$61,800		
Streetscape Grant & Summit Lot Moved To G.F.	\$0			\$0				\$0		
Net Payroll	(\$114,925)							\$300	\$900	\$400
Acting City Manager Cuts To Contracting & Materials	\$167,000					(\$8,900)			\$47,850	\$2,000
FY13 to FY14 Carryover	(\$620,938)				(\$10,212)			(\$2,620)	(\$15,719)	(\$10,479)
911 - ANI/ALI Fees							(\$39,035)			
Revenue Update	(\$244,141)									
PEHP Contribution	(\$30,145)									
Reconciliation	(\$20,999)			\$76,883						
<u>FY14 Consensus</u>										
Finance Contractual - Consultants	\$20,000									
<b>Budgeted Change Surplus (Deficit)</b>	<b>(\$556,574)</b>	<b>\$165,000</b>	<b>(\$122,488)</b>	<b>(\$56,176)</b>	<b>(\$10,212)</b>	<b>(\$8,900)</b>	<b>(\$1,396,235)</b>	<b>\$59,480</b>	<b>\$33,031</b>	<b>(\$8,079)</b>
<b>Budgeted FY14 Fund Balance Impact</b>	<b>(\$25,492)</b>	<b>(\$413,140)</b>	<b>(\$122,488)</b>	<b>(\$1,092,598)</b>	<b>\$179,512</b>	<b>\$21,477</b>	<b>\$178,765</b>	<b>(\$776,443)</b>	<b>(\$152,652)</b>	<b>\$369,386</b>
<b>FY14 Impact After Carryover Normalization</b>	<b>\$595,446</b>									
<b>Total Projected Fund Balance</b>										
Audited Unreserved / Unrestricted FB YE 4/30/12	\$4,708,038	\$2,855,493	\$0	(\$5,082,848)	(\$125,769)	(\$113,315)	(\$309,045)	\$1,095,987	\$3,800,183	\$1,405,572
Current FY13 Projected Fund Balance Impact	\$2,563,613	(\$443,229)	\$87,221	(\$623,802)	(\$604,613)	\$317,822	\$203,346	(\$418,359)	(\$225,959)	\$502,895
Budgeted FY14 Fund Balance Impact	(\$25,492)	(\$413,140)	(\$122,488)	(\$1,092,598)	\$179,512	\$21,477	\$178,765	(\$776,443)	(\$152,652)	\$369,386
<b>Projected Fund Balance</b>	<b>\$7,246,159</b>	<b>\$1,999,124</b>	<b>(\$35,267)</b>	<b>(\$6,799,248)</b>	<b>(\$550,870)</b>	<b>\$225,984</b>	<b>\$73,066</b>	<b>(\$98,815)</b>	<b>\$3,421,572</b>	<b>\$2,277,853</b>
<b>Target Fund Balance</b>	<b>7,604,432</b>	<b>2,338,024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>240,087</b>	<b>2,108,743</b>	<b>548,674</b>
<b>Balanced Budget</b>	No	No	No	No	Yes	Yes	Yes	No	No	Yes
<b>Actual FB to Target FB</b>	95%	86%	N/A	Negative	Negative	Negative	Negative	-41%	162%	415%
<b>Requires 2/3 Alderman Approval</b>	No	N/A	Yes	Yes	No	No	No	Yes	No	No





**M E M O R A N D U M**

**DATE:** March 28, 2013 Budget Workshop  
**TO:** Mayor & Aldermen  
**FROM:** Finance Manager Kent Oliven  
**RE:** FY14 Budget Summary

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**I. Overview**

The March 28, 2013 final Budget Workshop is the seventh televised open meeting Budget Workshop that the City Council has used to formulate the FY14 budget. That is a reduction from the ten workshops in the prior year, although the same material was covered in the same level of detail.

The overall FY14 budget, which includes all funds, has revenues of \$61,590,792 and expenditures of \$67,422,026, resulting in an overall, all fund deficit of \$5,831,233. More than half of that deficit, \$2,968,237, comes from the Sewer Construction Fund, where bond monies are supposed to be deficit spent in order to add relief sewers and to connect some lines to higher capacity sewers. The Uptown TIF has a FY14 deficit of \$1,092,598. The planned reconstruction of the Summit parking lot brings the FY14 Parking Fund deficit to \$776,443. The MFT has been accumulating a surplus in recent years and \$219,220 of that surplus was budgeted to be spent this year on roads. The Library budget has a \$413,140 deficit, which reflects the decision of the independently elected Park Ridge Library Board to reduce the Library's fund balance by that amount.

Budgeting for internal service funds is not required, but is good practice. With that in mind, for the first time, the City Council budgeted for the Motor Equipment Replacement Fund (MERF) and the Technology Replacement Fund. It was decided to dip into fund balance to fund FY14 projects. Those deficits are \$546,424 and \$309,177, respectively.

Finally, other previously budgeted funds with smaller deficits include the Water Fund at \$163,131 and the Muni Waste Fund at \$38,935. There is a General Fund deficit of \$25,492, but that rises to a normalized surplus of \$595,446 after taking into consideration the FY13 to FY14 carryover detailed below.

## **II. Governmental Funds**

### **A. The General Fund**

#### **1. General Fund Overview**

In the first Budget Workshop in January, Acting City Manager Shawn Hamilton presented the City Council with an initial FY14 General Fund surplus, or increase to fund balance, of \$531,082. Due to some initial spreadsheet linking difficulties, this should have been reduced to \$238,379, as presented in the February 25 Budget Workshop. This revised number still compares favorably with the prior year's original presentation to the City Council of a \$2,633 surplus.

To track changes to all funds made during the budget process, the City uses a Fund Balance Scorecard document. In this year's Budget Workshops, the Fund Balance Scorecard was modified to include the current fiscal year's forecast.

If, at the end of a fiscal year, there are capital projects in progress, or if there are unspent major purchases or contractual services, they should be budgeted again in the next fiscal year using funds carried over from the prior fiscal year. "Carryovers" is the term used to "re-request" these large budgeted amounts in the subsequent fiscal year.

There are five FY13 to FY14 carryover items, accounting for \$620,938 in the General Fund (or \$659,968 across all funds). Since there were no carryovers last year, it is worth taking the time to examine how these carryovers affect each fiscal year. One way is to "normalize" for the carryover, by thinking of these monies being spent in the year originally intended. Such a system is shown on the Fund Balance Scorecard, after the totals for each year. The second way to help think of this is to examine both FY13 and FY14 together from the beginning of the budget process to the end. The combined FY13 plus FY14 impact on fund balance, after accounting for the linking issue described above, was forecast to be \$1,322,943.<sup>ii</sup> In the final Budget Workshop this had increased \$1,215,178 to \$2,538,121.<sup>iii</sup> Many items comprised that increase and some of the larger ones are detailed here.

#### **2. General Fund Revenues**

The Illinois Municipal League (IML) projects State of Illinois Shared Taxes, or taxes that are based on per capita distributions, as well as Personal Property Replacement Tax (PPRT). For the General Fund, the IML's projections resulted in an additional projected \$199,679 in Income Taxes (LGDF), \$30,000 in Use Tax, and \$30,000 in PPRT for FY14.

Most other General Fund revenues are determined by looking at a projected change from the FY13 forecast. Therefore, as each revenue's FY13 monthly forecast is replaced with accurate receipts, it will update that FY13 forecast and, subsequently, the FY14 revenue budgeted. From a timing point of view, this means that a revenue update needs to be done as late as possible in the fiscal year, especially since some of the larger revenue streams like the Income Tax and the Property Tax are very large in the Spring. These items, totaling a decrease in revenue of \$244,141, are presented in

detail in the March 28 Budget Workshop memo entitled “FY14 Revenue Update” and are summarized in the Budget Scorecard of the same name.

This year some of the revenues presented in that memo did not come in nearly as strong as predicted in the FY13 budget. Most notable is the \$221,314 drop in the FY13 Electric and Gas Utility Tax. As there was not a projected change in that line item from FY13 to FY14, this also led to a decrease of that amount in the FY14 budget, or \$442,618 over both years. It is likely that the warmer winter contributed to that shortfall. However, it is also the case that Electric and Gas Utility Tax has had much larger budgeted revenues than actual receipts for many years now. This leaner revenue projection is a more accurate predictor of the next year.

The FY13’s \$221,314 impact of that change is incorporated in the Fund Balance Scorecard’s “FY13 General Fund Forecast Update” line, along with all other revenue and expenditure updates from a more recent forecast.

### **3. General Fund Expenditures**

In the March 19 Budget Workshop Acting City Manager Shawn Hamilton presented a “Comments on Changes to Personnel FY 2014 Budget” and a “Non-union Merit Proposal FY14 Budget” memos. The new material is reflected in the “Net Payroll” Budget Scorecard line.

Multiple times after the budget process started, Acting City Manager Shawn Hamilton met with each department to actively manage current FY13 expenditures and to look for potential cuts to the FY14 budget. Although FY13 is not through, the current FY13 forecast of General Fund expenditures is \$1.3 million lower than it was at the beginning of the budget process. In FY14 that meant that Mr. Hamilton presented \$167,000 of Contracting and Materials cuts to the budget at the March 19 Budget Workshop.

In reviewing contracts I found a second tax rebate cap within the First Amendment to the Dempster TIF Redevelopment Agreement that had been exceeded in FY12. This resulted in FY13 savings of \$350,938 from the amount budgeted. Additionally, the expiration of the cap will mean that \$200,000 will be saved in FY14 and in every subsequent year until the end of the TIF. Over the remaining life of the TIF, this results in a \$1.25 million savings.

#### **B. Other Governmental Funds**

The Uptown TIF fund is expected to lose \$1,092,598 in FY14. As the bonds issued by the TIF are General Obligation (G.O.) bonds, this is a major drain on City resources. The City Council hired Kane McKenna and Associates, Inc. to review options to address the situation. That document was presented at a Finance Committee of the Whole on February 11, 2013 and can be found in its entirety on the City’s website in the meeting materials for that date. Post the budget process, City staff will develop a strategic plan to address the recommendations contained in the report.

Most of the rest of the special revenue funds were addressed above. It is worth noting that the Emergency Telephone Fund has some savings in FY13 and FY14, as the City will now contract

with Des Plaines for dispatching services post the dissolution of the NSECC system. Those savings were presented in prior Budget Workshops and reflected on the Budget Scorecard.

### **III. Proprietary Funds**

#### **A. Enterprise Funds**

As part of the budget process the City Council approved new water and sewer rates, which were designed to pay both for operational costs and to continue the recent trend of increased attention to aging infrastructure.

The Parking Fund will spend \$500,000 as part of an upgrade of the Summit lot, as mentioned above.

#### **B. Internal Service Funds**

Internal service funds provide services to other governmental departments. As mentioned above, the City's two internal service funds, MERF and IT, were never budgeted, but will be in FY14. Both will deficit spend. The MERF fund will be purchasing 14 vehicles. IT will also have a busy year with replacing most of the aging computers, upgrading systems, and improving infrastructure.

### **IV. Summary**

Based upon current FY13 forecasts and the FY14 budget outlined above and in the other budget documents, the current December 2013 property tax levy projection is an increase of 5.85%. This is a preliminary projection that will likely change after actual revenues and expenditures for the first half of FY14 have been recorded.

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<sup>i</sup> In accordance with generally accepted accounting principles (GAAP), expenditures/expenses are recorded when goods or services are received. They are not recorded based upon whether there is money still remaining for that item in a prior year's budget, whether there is an encumbrance from a prior year's budget, or when an invoice is paid.

<sup>ii</sup> The original FY13 surplus of \$1,084,564, plus the original FY14 surplus of \$531,082, minus the correction of the original FY14 surplus of \$292,703 equals \$1,322,943. Note, the carryover can be negated, as it is negative in FY13 and positive the same amount in FY14.

<sup>iii</sup> Final FY13 fund balance impact of \$2,563,613 plus the final FY14 fund balance impact of negative \$25,492 equals \$2,538,121. Note that the FY13 fund balance impact after normalizing for the carryover of \$1,942,675 plus the FY14 fund balance impact after normalizing for the carryover of \$595,446 also equals \$2,538,121.