

# Village of Orland Park Fiscal Year 2017 Budget Hearing

August 18, 2016

6:00pm

# Budget Hearing Agenda

1. FY2017 Revenue Forecast
2. Net Revenue (Target) Calculation and Allocation
3. Summary of Personnel Requests

# Financial Summary & Revenue Assumptions

- Projected fund balance in General Fund at 12/31/16 of \$14,257,179 (26% of FY16 expenditures) –
  - FY15 revenues \$1.86 million over budget, expenditures \$3.92 million under budget
    - Sales tax \$299K over budget, income tax \$906K over budget
    - General government and planning/development function \$1.65 million under budget
    - Public safety function \$558K under budget
    - Rollovers to FY15 totaling \$1.74 million
    - Public Works function \$1.29 million under budget
    - Operating transfers to other funds \$428K under budget
  - FY16 projected sales, income and use tax collections \$922K over budget
  - Rollovers to 2016 totaling \$1.96 million
- FY17 revenue forecast –
  - Total revenues of \$134,146,748
    - Includes approximately \$15.6 million in capital funding sources
  - Conservative forecasts for sales, home rule sales, income, use and MFT taxes
  - Proposed 2016 levy (collected in 2017) equal to 2015 levy (collected in 2016)
    - Proposed 2016 levy reflects approximately \$4 million in abatements
  - Does not reflect the enactment of any new taxes or fees
  - Does not reflect the issuance of any debt

# Financial Summary & Revenue Assumptions

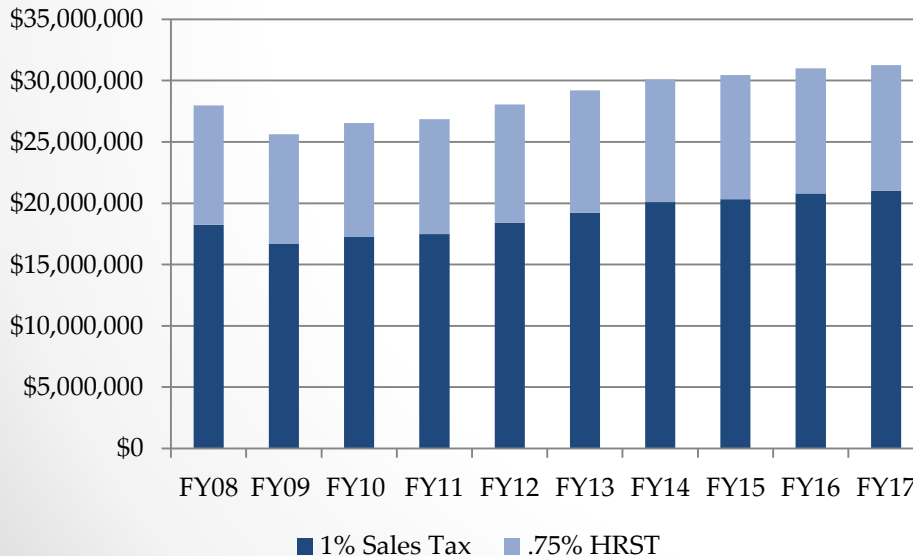
- Recreation & Park Fund subsidy will continue – 50% of operating expenditures
  - Fitness Center operations will break even
- Amounts owed by MST Fund as of 12/31/15, to be repaid with TIF-related revenues
  - General Fund - \$14,060,820
  - Home Rule Sales Tax Fund - \$8,569,161
  - MST GO Bond Funds - \$15,329,770

# 1% Sales Tax - \$21,008,236

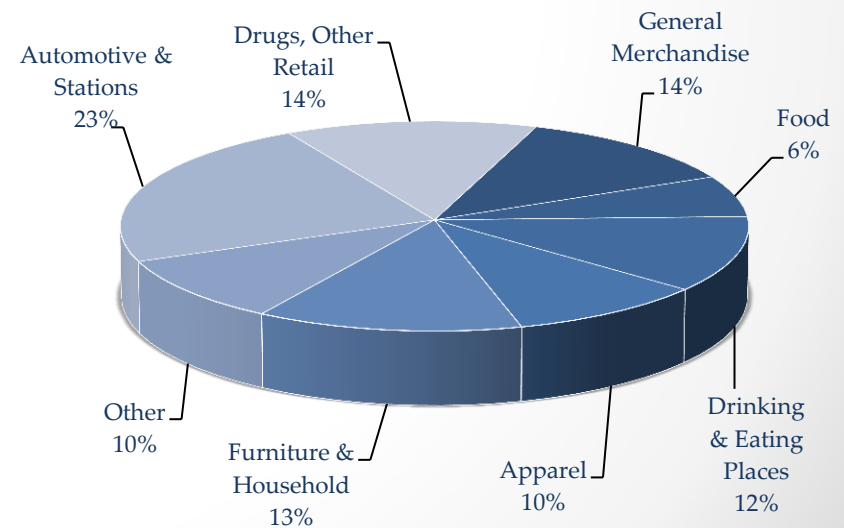
## .75% Home Rule Sales Tax - \$10,258,697

- Analyzed current year-to-date collections and trends, consulted various indices and published reports
- Considered new retailers/restaurants in late 2016/early 2017, continued effects of LaGrange Road construction, continued effects of on-line shopping
- Reviewed quarterly sales tax reports received for various business entities
- Utilized conservative methodology consistent with prior years
  - Sales tax – 2.34% increase over FY2016 budget, 1.0% increase over FY2016 projected actual
  - HRST – 0.87% increase over FY2016 budget, 0.50% increase over FY2016 projected actual

Sales & HRST Collections by Year

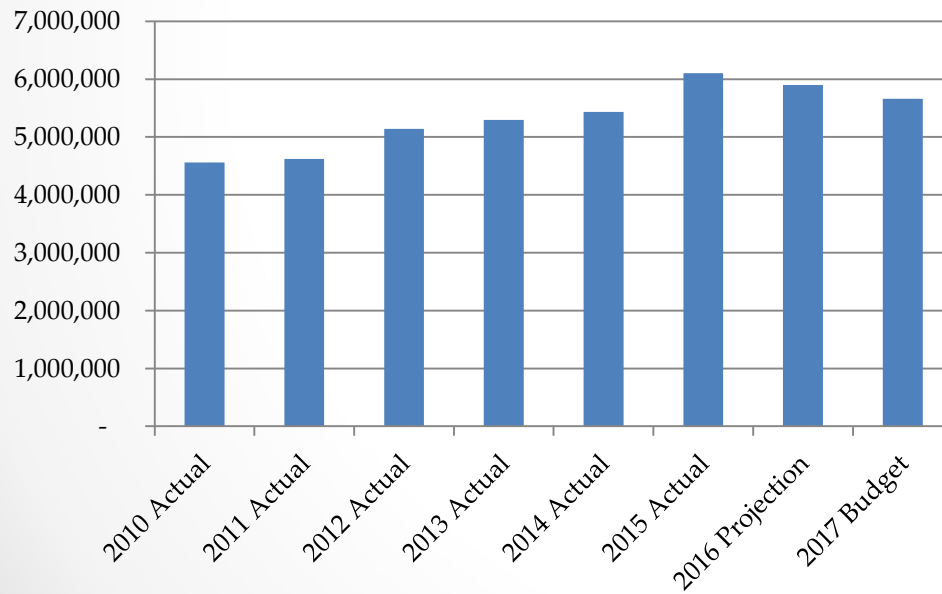


FY2016 Budgeted Collections by Category



# Income Tax - \$5,663,135

- Current LDGF Contribution – 8% of net income tax collections, based on a 3.75% state personal income tax rate, distributed based on population
  - Amount reflected in proposed FY2017 budget continues to assume no change in LGDF contribution/distribution methodology
  - FY2017 proposed budget based on IML projections

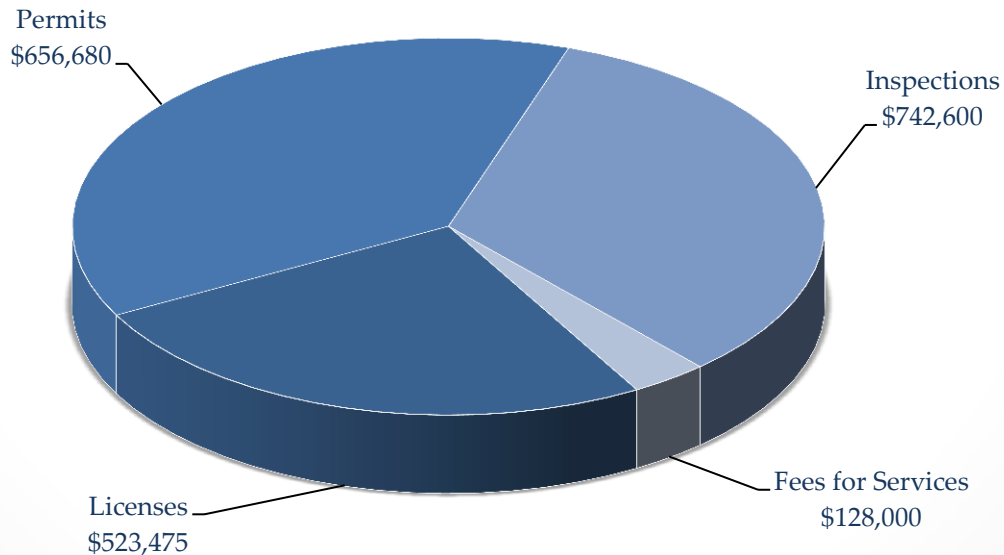


- 2017 Budget = Average per capita of \$100.44
- 2016 Projected = Average per capita of \$103.93
- 2015 Actual = Average per capita of \$107.47

# Development Fees - \$2,050,755

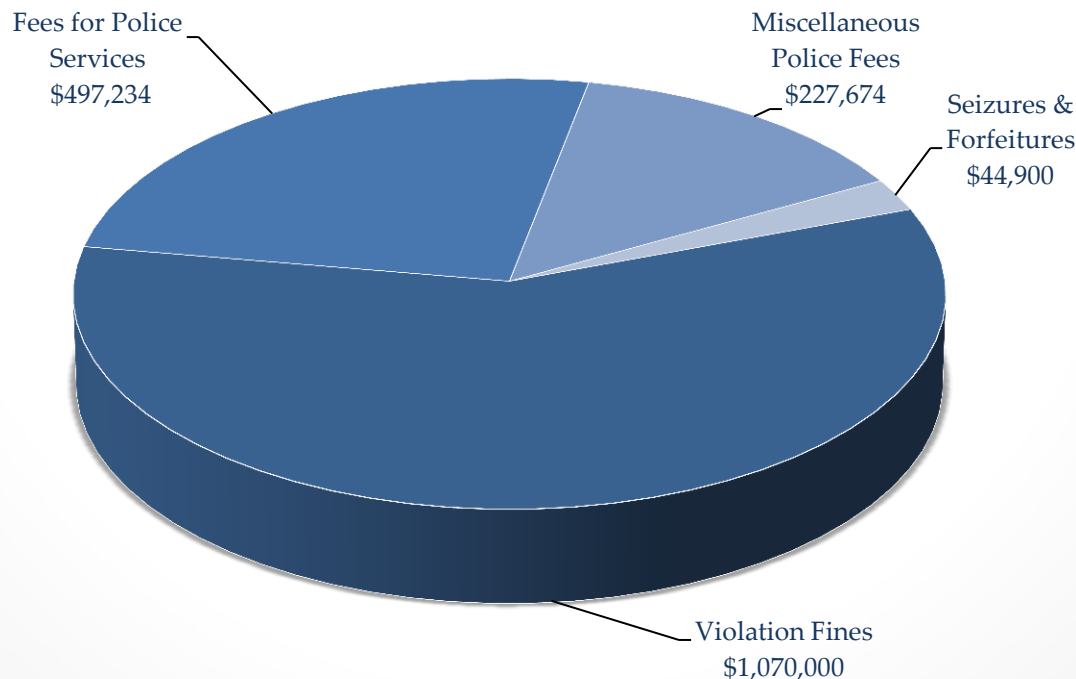
Projected activity for FY2017 -

- 61 single family homes – Greystone Ridge, Parkside Square, Olde Mill, Sterling Ridge, Brija Estates, Charleton Highlands, Deer Haven I & II, Hampton Court
- 43 townhomes – Grasslands, Southbridge, Stonehurst, Colette Highlands
- UCMC, PCH South Campus, two hotels, six restaurants, assisted living facility



# Fines, Forfeitures & Misc. Police Revenues - \$1,839,808

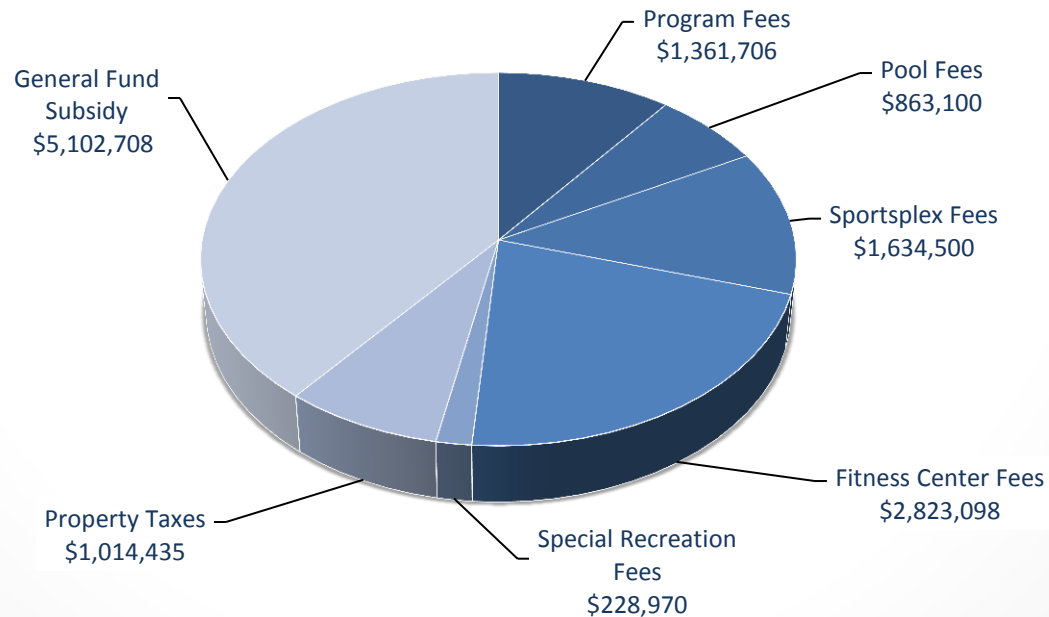
- Violation Fines - municipal, ordinance, and Circuit Court fines, red light violations
- Fees for Police Services – Orland Hills dispatch services, TCO services for 911, crossing guard services
- Miscellaneous Police Services Fees – impound fees and other miscellaneous fees



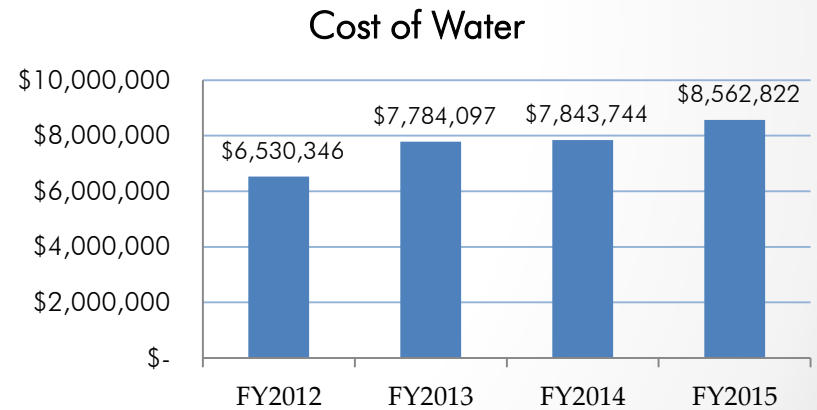
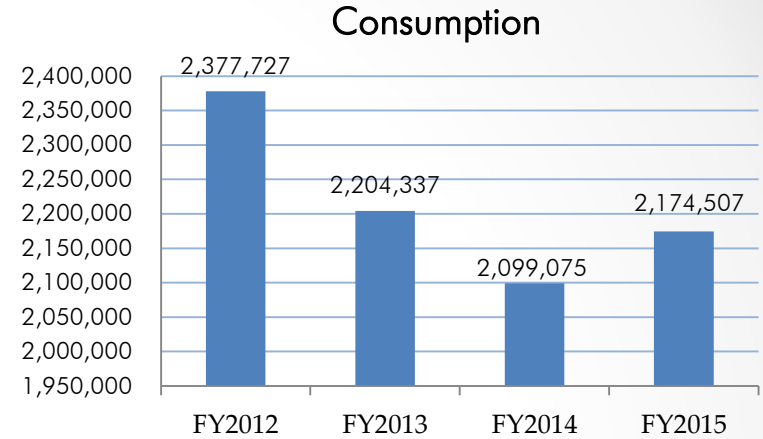
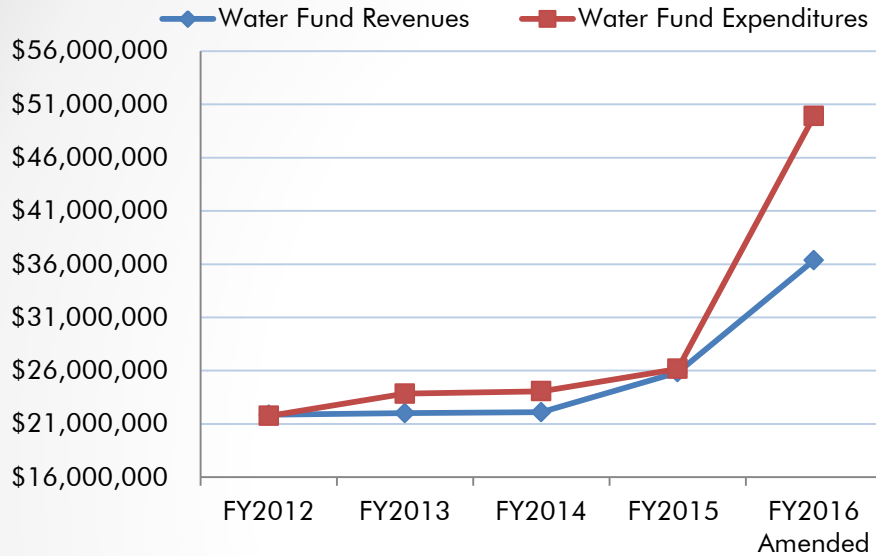


# Recreation & Park Fund Revenues - \$13,028,517

- Assumes same levy amount as prior year
- Assumes subsidy from General Fund equal to 50% of operating expenditures (not including Fitness Center expenditures)
- Reflects proposed revenue generated by Fitness Center
- Does not reflect any funding for capital (additional subsidy from the General Fund)



# Water & Sewer Fund Revenues



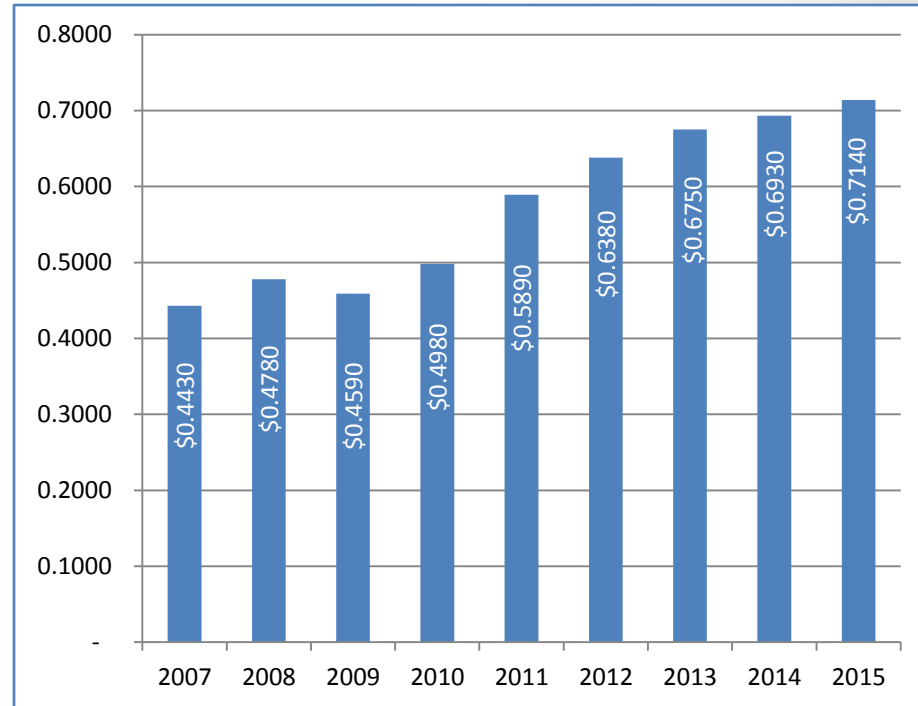
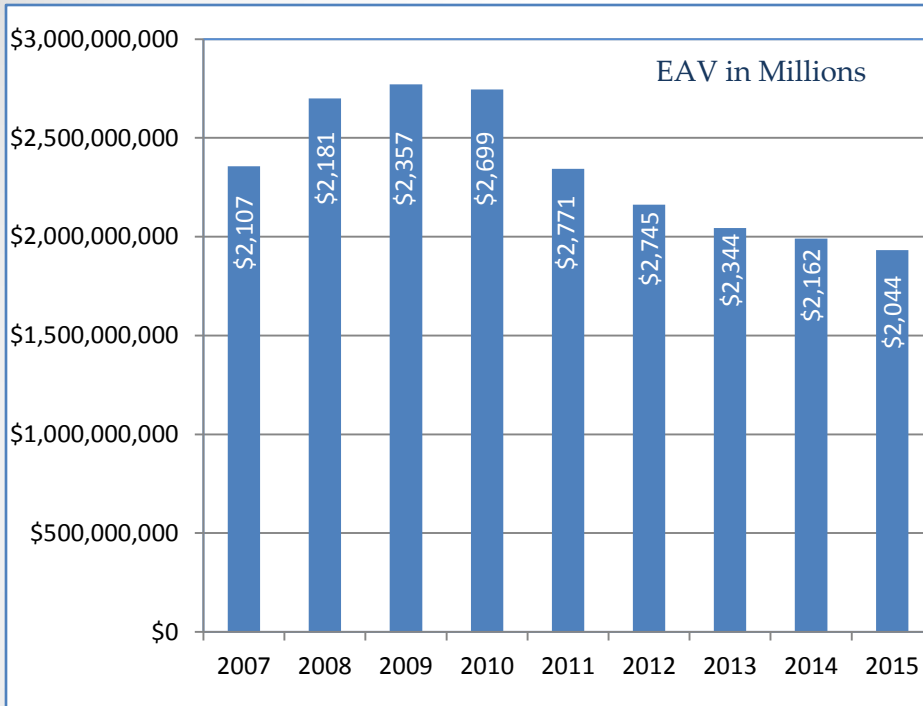
Preliminary revenue forecast reflected in total revenue budget - \$28,838,952

- Based on adopted FY17 rates from the water rate study
- Assumes 0.5% decrease in water consumption offset by planned growth in residential and commercial projects

# Property Taxes - EAV and Tax Rate History

$$\text{EAV} = \text{AV} \times \text{Equalizer}$$

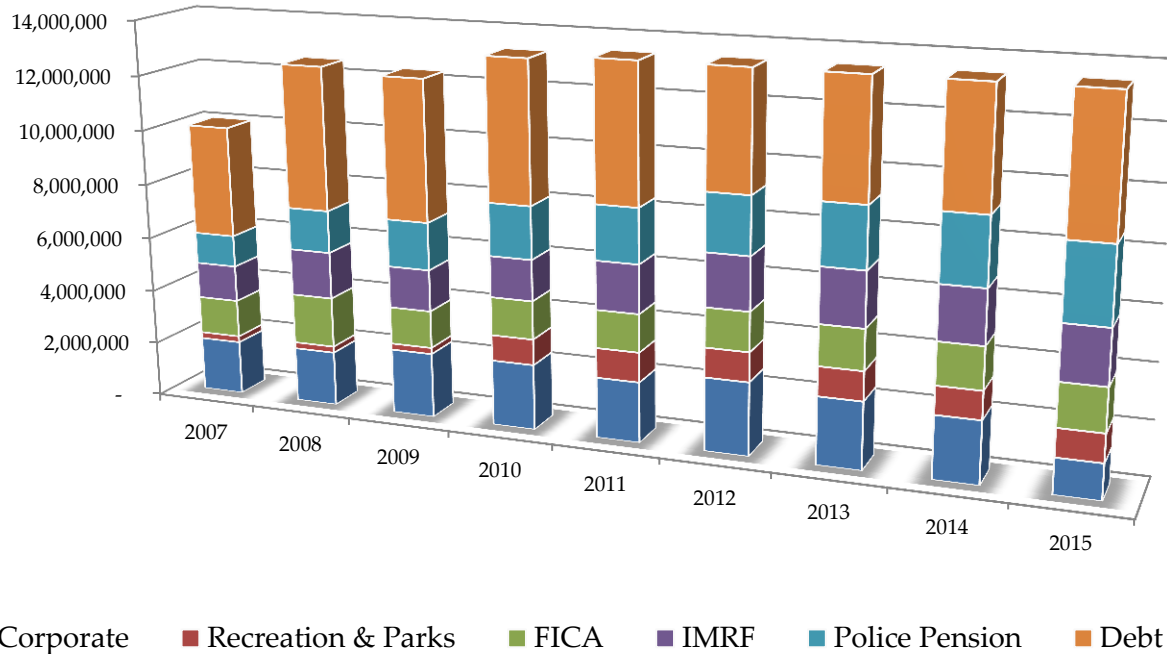
$$\text{Rate} = \text{Levy} / \text{EAV} \times 100$$



Although the Village's total levy has remained flat since 2011, a continued decline in EAV has led to a rising tax rate

- Decline in EAV partially due to change in equalizer from 3.37 for tax year 2009 to 2.6685 for tax year 2015, falling EAV = rising tax rate w/levy constant
- 2017 - next triennial assessment year
- Projecting no EAV increase from 2015 to 2016

# Property Taxes - Levy History – 2007 to 2015



## 2011 - 2015 Property Tax Levy calculation -

- Recreation & Parks Levy = Total Expenditures – Recreation Fees – Village subsidy
- FICA @ 7.65%
- IMRF – total IMRF employee pensionable wages x funding rate determined by IMRF actuary
- Police Pension – Police employee pensionable wages x funding rate determined by Village actuary
- Debt Service – total annual GO Bonds P&I payments
- **General Corporate – remaining amount available to keep levy flat**

- Total 2015 Village Levy (collected in 2016) - \$13,425,519
  - Same total amount as tax year 2011
- Between 2011 and 2015, operating levies have decreased \$1.021 million (31%), pension levies have increased \$1.169 million (22.8%)
- Debt service levy has remained fairly consistent as other revenue sources are utilized to make debt service payments

# Property Taxes – 2016 Levy Options

	<b>2015 Levy</b>	<b>2016 Levy Options</b>		
		<i>No Increase in Total Levy</i>	<i>Increase Total Levy by Growth in Police Pension Levy Only</i>	<i>Increase Total Levy by Growth in All Pension Levies*</i>
<b>Operations</b>				
<i>General Corporate</i>	\$ 1,255,610	\$ 704,201	\$ 1,136,931	\$ 1,267,785
<i>Recreation &amp; Parks</i>	1,014,435	1,014,435	1,014,435	1,014,435
<b>Pensions</b>				
<i>FICA</i>	1,574,159	1,651,178	1,651,178	1,651,178
<i>IMRF</i>	1,992,276	2,046,111	2,046,111	2,046,111
<i>Police Pension</i>	2,725,964	3,158,694	3,158,694	3,158,694
<b>Debt Service</b>	4,863,075	4,850,900	4,850,900	4,850,900
	<u>\$13,425,519</u>	<u>\$ 13,425,519</u>	<u>\$ 13,858,249</u>	<u>\$ 13,989,103</u>

Based on a Market Value of \$300,000, a 10% assessment level and an equalizer of 2.6685 a homeowner would pay the following additional amount to the Village of Orland Park -

\$-0-

\$16.00

\$21.00

# Potential Food and Beverage Tax - \$1,920,640

- Home rule status allows for a tax on the sale of retail food and alcoholic beverages prepared for immediate consumption and which may be consumed either on and/or off the premise.
- Amount reflected above is based on a 1% tax and is calculated based on the amount of sales reported by IDOR under Drinking and Eating Places SIC code for calendar year 2015
- Food and beverage tax will be recorded as a revenue of the General Fund
- Currently licensed restaurants – 198
- Collection of tax is locally administered
- Sample of municipalities with Food and Beverage Tax
  - Naperville – 2% downtown, 1% outside downtown area
  - Lombard – 1%
  - Schaumburg – 2%
  - Gurnee – 1%
  - Rosemont – 1%
  - Joliet – 1%

# Miscellaneous Revenues

- Hotel Tax - \$117,400
- Use, Auto Rental & PPRT Taxes - \$1,432,000
- Motor Fuel Tax - \$1,481,000
- Cable & Telephone Taxes - \$1,587,000
- Grants & Miscellaneous Reimbursements - \$227,000
  - Pace Reimbursement
  - Bulletproof Vest Grant
  - FBI Overtime Reimbursement
  - U.S. Secret Service Reimbursement
  - Cook County Fuel Reimbursement
  - Tobacco Enforcement Grant
  - Traffic Safety IDOT Reimbursement
- Road & Bridge Tax - \$402,000
- Investment Income - \$183,000  
(excludes Police Pension investment income, Redevelopment Project Loan Interest)
- Taste of Orland Park - \$100,000
- Special Event Revenues - \$94,800
  - Golf Outing
  - Chef's Auction
  - Chilly Willie Chili Challenge
  - Concert Series
  - Art Commission – Dance Chicago
  - Farmer's Market
  - July 4<sup>th</sup> Events
  - Lucky Egg Hunt
  - Centennial Park West Events
  - Winter Festival
  - Pandemonium in the Park
  - Other
- Civic Center Rental - \$109,000
- Commuter Parking - \$334,000

# Net Revenue Calculation & Allocation

## Fixed Cost assumptions factored into net revenue calculation –

- Salary & Benefits - \$37.15 million – salary increases of 2.25 – 2.4%, health and dental insurance increase of 6%, IMRF contributions of \$2.05 million (11.97% of pensionable salaries)
- Police Pension Contributions – \$3.16 million
- Contracted Services and Commodity Purchases - \$3.26 million
- Liability, Property, Workers Compensation Premiums - \$1.28 million
- Utilities – \$1.03 million
- Special Events - \$398K
- Sales Tax Rebates - \$642K
- Operating Capital (Building Maintenance, Recreation, Fitness Center) and Vehicle & Equipment Replacements - \$3.12 million
- MIS Maintenance Costs/Technology Request Funding - \$404K
- Fitness Center Development Agreement and Operating Costs - \$3.56 (additional \$1.5 million of Development Agreement Costs will be included in Capital Improvement Fund and Water & Sewer Fund)
- Draw on Vehicle & Equipment Reserve - \$800K
- Transfer of Road & Bridge Tax and Vehicle Sticker Sale revenues to Capital Improvement Fund - \$1.47 million



# Net Revenue Calculation & Allocation

	Proposed	Increase Property Tax Levy \$563,584	Add Food & Beverage Tax \$1,920,640	Add Food & Beverage & Increase Levy \$2,484,224
<b>Operating Revenues</b>	\$ 54,971,690	\$ 55,535,274	\$ 56,892,330	\$ 57,455,914
<b>FY2017 Fixed Costs</b>	56,323,625	56,398,625	56,898,625	56,898,625
<b>FY2017 Variable Cost</b>	3,300,000	3,300,000	3,300,000	3,300,000
<b>Total FY2017 Operating Expenditure Budget</b>	\$ 59,623,625	\$ 59,698,625	\$ 60,198,625	\$ 60,198,625
<b>Required Fund Balance Reserve Based on Board Approved Policy -</b>				
Total Spending	\$ 59,623,625	\$ 59,698,625	\$ 60,198,625	\$ 60,198,625
Less Expenditures not Reserved for - Capital, Police Pension, and Insurance	(11,797,027)	(11,797,027)	(12,297,027)	(12,297,027)
Total Reserved Operating Expenditures	47,826,598	47,901,598	47,901,598	47,901,598
Fund Balance - 20% of Operating Expenditures	9,565,320	9,580,320	9,580,320	9,580,320
Estimated Fund Balance @ 12/31/2016 (Less Reserves)	15,307,179	15,307,179	15,307,179	15,307,179
Add: FY2017 Revenues	54,971,690	55,535,274	56,892,330	57,455,914
Less: FY17 Total Expenditures	(59,623,625)	(59,698,625)	(60,198,625)	(60,198,625)
Estimated Fund Balance @ 12/31/2017	10,655,244	11,143,828	12,000,884	12,564,468
Variance	1,089,925	1,563,508	2,420,565	2,984,148
<b>Amount Available for Discretionary Spending</b>	<b>\$ 908,271</b>	<b>\$ 1,302,924</b>	<b>\$ 2,017,137</b>	<b>\$ 2,486,790</b>
Expenditure Changes from Original:				
Reduced Capital	(4,692,733)	(4,692,733)	(4,192,733)	(4,192,733)
Reduced Contingency	(200,000)	(200,000)	(200,000)	(200,000)
Reduced Vehicle Replacements	(200,000)	(200,000)	(200,000)	(200,000)
Reduced Vehicle Reserve	(800,000)	(800,000)	(800,000)	(800,000)
Increased MIS projects	-	75,000	75,000	75,000

# Meeting Wrap Up

Motion –

I move to recommend directing staff to move forward using the assumptions as proposed in the tentative Fiscal Year 2017 Revenue Budget so that these revenues can be used to prepare the operating and capital budgets for FY2017.

- Next Budget Hearing – Wednesday, September 21<sup>st</sup>
  - Proposed Capital Improvement Plan, IT Projects and Vehicle Purchases