

# Village of Flossmoor

**PRELIMINARY BUDGET  
FY 2024**

**Executive Summary**



## FY 24 Preliminary Budget

The Village uses fund accounting, the accepted accounting structure for governments. A fund functions as a separate fiscal entity with its own assets, liabilities and revenues and expenses. Different funds are used to segregate transactions related to certain functions or activities. This executive summary is intended to provide an overview of the General Fund and the Water and Sewer Fund, two of the largest operating funds in the Village budget. A complete copy of the FY 24 Preliminary Budget can be found on the Village website, [www.flossmoor.org](http://www.flossmoor.org).

### **Water Fund Summary**

For the last several years, the presentation of the Preliminary Budget has started with an understanding of the Water and Sewer Fund's financial health in order to understand the additional pressures being placed on the General Fund. We have previously discussed that the fund cannot be self-sustaining without an accumulated fund balance to support capital improvements, which for several years has not been able to do. The low purchased to bill ratio compounded by the costs to repair water main breaks and aging infrastructure had become a financial strain. In addition to serviceability and fire flow, the amount of leaks and breaks had contributed to a peak water loss of more than one in three gallons purchased. Following the water main replacement from the 2013 and 2014 bonds and repairs to the Vollmer Reservoir, the Village experienced a period of time with less water purchased, an improved purchased to bill ratio and less repairs.

Poor performing water main is one concern, while poor performing meters is another concern. An additional effort to improve the water main system performance was the replacement of large meters throughout the community. Technology has advanced, and we replaced large meters with ones that are better able to capture low-flow reads, thereby contributing to improving our billing and subsequently increasing our revenue. Following all of that work, the Village's purchased to bill ratio climbed to 83% (up from 59%) and has unfortunately been dwindling down ever since and was at 76% in calendar year 2022. This poor performance is alarming.

The next priority in improving the financial health of the Water and Sewer Fund is to replace the residential (small) meters with the newer technology. Considering high water rates and the community-wide impact of accounting for unbilled water, water meter replacement should remain a top priority despite the significant cost. Based on the performance of the large meter project, we believe that the project will pay for itself over time. We remain confident that replacing these meters will have a positive impact on the purchased to bill ratio, but the Village has to be ready to absorb the large financial investment or identify an alternate financing method. The reader will note that the majority of the capital outlay for the replacement meters is currently accounted for in the General Fund.

Further, while receiving water from Chicago through the City of Harvey, "pass through" supply costs over the past several years have forced the Village to increase the rates. The successful passage of a water supply contract with Homewood for Hammond/Chicago Heights water will bring certainty for the Village for the next 25 years with respect to the supply rate cost increases as that contract defines the increase to CPI and caps the increase to 3%. The Villages of

Homewood and Flossmoor were able to start receiving Hammond/Chicago Heights water in July 2022 and fully transitioned to the new supply system at the end of September 2022.

Flossmoor is using existing infrastructure through Homewood to receive the new water supply but will need to make improvements at the pumping stations, reservoir and booster stations as needed. The preliminary cost of these improvements is about \$1.68M, a cost which should decrease as terms favorable to Flossmoor were negotiated in the Homewood/Flossmoor agreement. The first phase of the project, SCADA system improvements, is planned to be completed in Fiscal Year 2024.

As a result of the overall economic condition of the fund, staff has only advanced mandated critical capital projects impacting the Water and Sewer Fund. Over the past couple of fiscal years, those projects have been centered around water supply as described above. A budgeted but often deferred project has been the Water Meter Replacement Program. Of the \$1.7 million project, \$56,250 has been allocated in the Water and Sewer Fund. Because of the poor performing health of the Water and Sewer Fund, the small meter (residential) replacement has been budgeted in the General Fund in the amount of \$1,700,000. Despite the project need, Village officials have been reluctant to spend nearly \$2 million on a water project with General Fund monies. More discussion on the financing of this project will occur during the Finance and Facilities Plan discussion, but the project is still budgeted for Fiscal Year 2024.

	<b>FY24 Budget</b>	<b>FY 23 Projections</b>	<b>FY 23 Budget</b>
<b>Operating Revenue</b>	\$4,028,480	\$4,019,750	\$4,063,820
<b>Operating Expenditures</b>	\$3,786,018	\$3,387,612	\$3,424,929
<b>Net Operating Water &amp; Sewer</b>	\$ 242,462	\$ 632,138	\$ 638,891

	<b>FY24 Budget</b>	<b>FY 23 Projections</b>	<b>FY 23 Budget</b>
<b>Total Revenue</b>	\$4,028,480	\$4,019,750	\$4,063,820
<b>Total Expenditures</b>	\$3,814,143	\$3,415,737	\$3,424,929
<b>Net Total Water &amp; Sewer</b>	\$ 214,337	\$ 604,013	\$ 582,641

*The Village's Water and Sewer Fund is projected to end FY 23 with a surplus in its operating and total fund position, in part due to an adjustment in the administrative transfer by \$301,535. The Preliminary FY 24 budget also reflects a positive operating and total fund position inclusive of a small Water and Sewer Fund contribution to the Water Meter Replacement Program.*

For FY 23, water supply and maintenance costs are projected to be approximately \$80,746 under budget, and combined water and sewer sales are trending downward with a projection of receiving \$53,000 less than budget. Factors influencing water sales include weather patterns, user conservation in a COVID economy, the compounding impact of the Village Board not passing through the Harvey and Chicago increase in FY 21 and any vacant properties. These savings are offset by additional repairs to water main breaks, repair supplies and meter replacements. For FY 24, staff is budgeting \$54,000 less in sales based on trending in recent years. Having transitioned to the new supply contract, the operating and maintenance costs will no longer be a direct cost which is an average savings of \$50,000 a year; the O&M costs are now factored into the supply rate per the contract. Another savings impacting the operating budget for the next few years include hydrant sandblasting and painting; the work has been completed throughout the Village this year and will not resume for another five to seven year which is a short-term savings of \$40,000 per year.

Keep in mind that the new water supply contract is the best of a bad situation; water is the new gold and rates for Lake Michigan water can be high the further away the community is from the source. The Village enjoyed a low rate of \$4.62 per 1,0000 gallons under the Harvey contract, by far the lowest of the downstream communities who Harvey served. The new contract with Hammond/Chicago Heights has a starting supply rate of \$4.75. To be capped at 3.0% for the next 25 years places the Village in an extremely favorable and stable position relative to water supply.

The traction in the turnaround in the health of this fund had been encouraging. The slip in the billed to purchase ratio these past few years, which is one measure of health, is discouraging. A review of actual water pumpage from Homewood had shown a significant decrease over the last few fiscal years and despite an increase in pumpage last year, staff is projecting a 1% decrease compared to last year. Replacement of the water meters is a good next step in improving the accounting of water usage in the fund.

**General Fund Summary**

At the time of the FY 23 budget preparation and inclusive of budget amendments, we budgeted the use of \$856,598 in fund balance to close an operating revenue gap with an additional \$1,476,673 toward capital. This single year snapshot analysis shows that we budgeted to use more in fund balance than we would have saved this year, mostly attributable to the water meter replacement project at a budgeted cost of approximately \$1,501,577 in that fund. Capital one-time non-operating projects are always planned with adequate monies available.

	<b><u>FY24 Budget</u></b>	<b><u>FY 23 Projections</u></b>	<b><u>FY 23 Budget</u></b>
<b><u>Operating Revenue</u></b>	\$12,579,169	\$12,162,047	\$11,617,928
<b><u>Operating Expenditures</u></b>	\$12,743,803	\$12,040,420	\$12,474,526
<b><u>Net Operating General Fund</u></b>	(\$ 164,634)	\$ 121,627	(\$ 856,598)

*The Village is projecting to end FY 23 with an operating surplus and total fund deficit due in part to improved revenues, deferred capital and operating expenses, and vacant positions. The FY23 preliminary budget has a small operating deficit.*

	<b><u>FY24 Budget</u></b>	<b><u>FY 23 Projections</u></b>	<b><u>FY 23 Budget</u></b>
<b><u>Total Revenue</u></b>	\$15,660,725	\$12,729,332	\$12,601,064
<b><u>Total Expenditures</u></b>	\$16,655,315	\$13,129,542	\$14,934,335
<b><u>Net Total General Fund</u></b>	(\$ 994,590)	\$ (400,210)	(\$2,333,271)

*The Village does not anticipate spending all of the money allocated in FY 23 for capital and non-operating projects, most notably the water supply system improvements, an expense that cannot be absorbed by the water and sewer fund. The Village received ARPA funding which can be used for water improvements, which is now the plan. The preliminary FY 23 projections and FY 24 budget show a planned use of fund balance for the water meter replacement project at a cost of approximately \$1.5M to the General Fund.*

**Expenditures**

The analysis of expenditures can be viewed a couple of different ways. First, how do we project to perform for the year? Second, how does this year’s budget compare to next year’s budget?

For our current Fiscal Year, FY 23, the Village is projecting to perform better than budget as far as our operational position by approximately \$978,000. The FY 23 budget inclusive of budget amendments would have had a \$856,598 use of fund balance; projections show a small operating surplus of \$121,627. The chart below compares just the budgeted expenditures to projected.

<b><u>FY 23 Operating Expenditures: Budget vs. Projections</u></b>	
FY 23 G.F. Operating Budget	\$12,474,526
FY 23 G.F. Operating Projections	\$12,040,420
	\$ 434,106

*The Village anticipates spending approximately \$434,106 less than budgeted this fiscal year on its operations.*



***FY 23 projections compared to FY 23 budget:***

Significant Expenses under budget (FY 23 proj'd vs. FY 23 budget):

- Personnel turnover and vacancies across all departments had a significant impact on budget savings this year for a combined salary savings of approximately \$276,000.
- The health insurance renewal was budgeted at a historical trend of 7.7%. The actual renewal was a 2.25% increase. Combined with vacant positions, the expenditure savings was \$50,000.
- Several other benefit lines reflect the impact of vacant positions across departments. The budget assumes full staffing while projections reflect the actual staff census. Impacted lines include FICA, Medicare, and IMRF. Combined, these lines are projected to have a savings of \$89,000. It should be noted that the IMRF contribution also included a rate decrease from 9.81% to 6.91%.
- The Village's workers compensation and liability insurance premiums were \$44,000 less than budget due to an improved claims experience as well as the application of a significant surplus credit increase compared to the previous year.
- Several personnel related expenses in the Fire Department also are anticipated to contribute to the expense savings this fiscal year. The most significant of which is the Duty Shift Program pay which is projected under budget by close to \$47,000 due to less paramedics available to work; this shortage is industry-wide and not unique to Flossmoor. Subsequently, Paramedic Incentive Pay is projected to be about \$4,000 less than budget due to this staffing shortage. On a related note, Fire and Paramedic Volunteer Calls and Training Pay is anticipated to be approximately \$17,000 less than the budgeted amount due to lower participation. Finally, Fire Department overtime to fill Captains shifts is anticipated to be approximately \$33,000 less at fiscal year end due to less senior employees with time off available.
- Due to excess 911 surcharge funds, the Village did not need to take any E-Com payments from the Village's General Fund, thereby saving the fund \$72,000.
- Across departments part-time personnel vacancies also contribute to projected savings. These are cases where positions were unfilled or budgeted hours were not expended. In total, there is a projected savings of approximately \$44,505.
- Other savings include: less need for Public Works and Planning & Zoning Professional Services (\$19,000), lower Contract Landscape Maintenance contract (\$20,000), less sick leave buy back (\$13,279).

Significant Operating Expenses over budget (FY23 proj'd vs FY 23 budget):

- Overtime in Public Works and Police are projected to be over budget by fiscal year end. Specifically, overtime in Public Works is trending over budget \$14,616 due to events, storm clean up and administrative support coverage. Police overtime is due to officer vacancies and workers compensation cases which are anticipated to impact the budget by \$95,000 by fiscal year end.
- Turnover in the Police Department is expected to cost an additional \$26,000 between the payout of benefit time and acting pay associated with vacancies. Due to a non-duty medical leave, shift coverage of the full-time Community Service Officer position is

projected to cost about \$31,591 above budget in pay to part-time CSOs. Finally, the professional services associated with the Police Chief recruitment and Police Officer eligibility list is an additional \$15,000 compared to budget.

- A few Personnel Services accounts are anticipated to be over budget by April 30. The Village’s HSA contributions are projected to be up by \$26,250 as employee participation in the HSA insurance option rises. Specifically, participation has increased from 20 to 26, the highest participation level the Village has had. This cost increase is offset by improved experience and lower annual insurance increases. The EAP and Wellness accounts experienced a modest increase compared to budget (\$4,200) which is due in part to increased participation and increased wellness incentive and screening costs.
- The cost to maintain Village facilities continues to rise. Across all building maintenance accounts, the Village is anticipated to spend an additional \$38,134 to maintain and repair our facilities.
- The Village will spend nearly \$19,409 more in contracted parkway tree services this year due to an increase number of tree removals.
- Snow and ice supplies for plowing are projected to be almost \$11,000 more than budget. Some of the more significant expenses were plow blades and new curb guards.
- While Flossmoor Fest cost approximately \$9,696 more than budget, the increased costs were offset by a record breaking \$25,000 in donations to support the event.
- Other Legal Services which accounts for labor counsel and special counsel for the No Cash Bid Program is anticipated to be approximately \$10,000 more than budget in part, as the Village aggressively pursued the acquisition of commercial property for redevelopment.
- The Village’s information technology network is an integral part of our infrastructure to accomplish daily business across all departments. For the past couple of years, the annual software subscription maintenance has been increasing across all departments to support general network software. Additions to the network especially to address cybersecurity and redundancy have also been addressed. Generally, more of our network that would have been hardware based and funded through the Capital Equipment Fund is now cloud based subscription software and impacting the General Fund’s operating expenses. Even with aggressive increases factored into the FY 23 budget preparation, overall, the village-wide IT costs are projected to increase by approximately \$14,000 by fiscal year end.

<b>FY 23 Total Expenditures: Budget vs. Projections</b>	
FY 23 G.F. Total Budget	\$14,934,335
FY 23 G.F. Total Projections	\$13,129,542
	\$ 1,804,793

*Overall, inclusive of capital, the FY23 total General Fund projections are less than budgeted by \$1,804,793. In short, less capital was spent than planned with a short-term savings to the current fiscal year.*





### Capital & Non-Operating Expenses

- The most significant capital project partially deferred in FY 23 was the water meter replacement project. The General Fund is supporting \$1,501,577 of the project, and at the time of budget preparation, staff anticipated that the project will start before year end. Therefore, \$750,788 is reflected in the FY 23 projections and the remaining costs are budgeted in FY 24.
- The Phase II Design Engineering for the Brookwood Bridge Project should be completed by the end of FY 23. State Road Funds will be used to offset the costs for this project. The project is slated for the April 28, 2023 IDOT State letting and construction will be completed in FY 24. The accounting of this work is shared between the General Fund and the Storm Sewer Fund.
- The Village was awarded a Cook County Invest in Cook grant to help offset the expenses of the Phase I Engineering of the CBD Roadway, Pedestrian, and Streetscape Improvements Project. This project will modernize and accentuate the Central Business District by adding parkway and crosswalk pavers, sidewalk replacement to remove tripping and other safety hazards, ADA access improvements, additional trees with tree grates, benches, bike racks, wayfinding and safety signage, and other decorative landscaping elements such as increase in open green space and gateway features. More importantly, the existing roadway and pedestrian facilities are in need of the safety improvements included within the project such as re-configured intersection geometry, improved vehicle and pedestrian sight lights, improved crosswalk configuration and crossing safety treatments, and evaluation of existing on-street parking locations. The grant covered 80% of the Phase I engineering costs of \$160,000. More of the Phase 1 engineering was completed this fiscal year in the amount of \$16,875 but offset by the grant. Although a couple of applications are pending, the Village needs to secure funding for Phase 2 Engineering and Phase 3 Construction.
- The Village is twenty years behind in not utilizing GIS as an asset management system to track and analyze its various infrastructure and service issues. The Village had committed to employing a comprehensive GIS to assist with data management and program decision making. Previous research favored the GIS Consortium which was designed to support municipal operations. The initial project to join the consortium and implement the software was planned since FY 21 but due to workload was not pursued. The project was deferred to FY 23 in the amount of \$74,000. Implementing GIS is planned to be underway before fiscal year end; however, the full costs are not anticipated to be realized by April 30. Ongoing subscription and membership costs will be incurred in future fiscal years.
- Security of open materials at Public Works has been identified as a concern in recent years as development in the area has increased traffic and trespassers have been identified on site on more than one occasion. It is very common for these facilities to be secured by a fence and gate that is passcode protected. Staff appreciates the previous Board's support on this facility improvements, and the expense is anticipated by fiscal year end.
- The Village received a \$112,500 grant from the 2019 State Capital Bill to support infrastructure improvements. The Village decided to use this funding to reconstruct Brumley Drive from Bruce Avenue to Perth Avenue and resurface from Perth Avenue to Sterling Avenue. Engineering began in FY 23, and construction is budgeted in FY 24.



- Some needed furniture replacement in both the board room and committee room had been planned for FY 21 and FY 22 in the amount of \$36,000. With the pandemic and the move to remote meetings that furniture replacement has been delayed since FY 21 and re-budgeted for next fiscal year, FY 24. Other facility improvements will carryover into FY 24 include rehabbing the women’s locker room/bathroom facilities and front desk security.
- Other one-time purchases or non-operating expenses also affect the total fund position. The historic building survey project is anticipated to be completed by fiscal year end at a cost of \$12,000. The Village also celebrated 6-04-22, “Zip Code Day,” with a once-in-a-lifetime festival that had an associated expense of \$20,000. Finally, with the acquisition of 19725 Governors Highway, the Village cleaned up the property to remediate safety hazards which cost about \$8,000.

***FY 24 budget compared to FY 23 budget:***

The Village’s FY 24 General Fund operating expenditures are budgeted to be approximately \$269,000 more than FY 23 budgeted expenditures, and with capital improvements, total expenditures are approximately \$1.7 million more than budgeted last year. This single-year snapshot reflects an increase in the draw down of fund balance budgeted in FY 24 for capital and non-operating expenses than budgeted for FY 23, primarily due to the water meter replacement.

<b>FY 24 Budget vs. FY23 Budget</b>	<b>Operating</b>	<b>Total</b>
<b>FY 24 G.F. Expenditures</b>	\$ 12,743,803	\$16,655,315
<b>FY 23 G.F. Expenditures</b>	\$ 12,474,526	\$14,934,335
	\$ 269,277	\$ 1,720,980

Significant Expenses under FY 23 budget (FY 24 vs. FY 23):

- The Village is expected to experience a \$62,000 savings in its IMRF contribution in FY24 due to a large rate decrease from 9.18% to 6.91%
- Any share of the Village’s E-Com costs that wouldn’t otherwise be covered by 911 surcharge monies becomes the financial responsibility of the Village’s General Fund. Typically, this amount equates to one quarterly operating payment and a capital contribution. Due to increased surcharge monies, the Village conservatively budgeted only one quarterly operating payment, therefore \$15,500 less than FY 23.
- The General Fund’s portion of the Annual Street Maintenance Program budget will be completed in FY 23 with a crack sealing program and a large patching program. All of the streets qualifying for the crack sealing program according to the Village’s PASER program will be completed in FY 23.
- The annual Sidewalk Replacement Program is budgeted in-line with past budgets, thereby saving \$47,000 in the FY 24 budget.
- The Village’s Landscape Contract is budgeted \$10,000 less in FY 24 due to a favorable contract.



Significant Operating Expenses greater than FY 24 budget (FY 24 vs FY 23):

- The Capital Equipment Fund is a sinking fund to steadily save for capital equipment replacements. The fund receives a contribution annually from the General Fund and Water Sewer. This year's General Fund contribution is \$146,305 more in FY 24 compared to FY 23. Contributing to this increase are some schedule adjustments to the ten-year replacement schedule along with the impact of inflation on adjusted costs. Staff revisited this budget a couple of times during the budget process due to the rising increase in needed funds. A few adjustments to spread out these costs in the next few years helped to mitigate the increase. Another adjustment to the Capital Equipment Fund accounting this year is the allocation of the contribution across departments as opposed to the simple accounting of the transfer in the Executive Department. This accounting adjustment is helpful in any analysis of the true cost of operating any individual department.
- The Village's contribution for worker's compensation and general liability insurance is budgeted approximately \$18,000 more than FY 23. The budget is based on a 5% premium increase along with a slight decrease in our claim experience modifier due to a lower 3-year trend. However, the main driver in the variance is an IRMA Board decision for the third year in a row to utilize the rate stabilization fund which contributed to a significant increase in the available surplus for 2023 which will drop in 2024. The IRMA Board has been sensitive to the economic impacts of COVID on municipal budgets, which is well intentioned, but as expected, the Village is expecting to experience an increase in FY24. The IRMA Board used the rate stabilization again this year so another increase will likely follow next year when rates return to "normal."
- Health insurance is budgeted \$11,000 more in FY 24 compared to FY 23. This reflects a Flossmoor trend of 6% compared to the general medical trend of 8%. Other fringe benefits with an increased budget in FY 24 is the Village's FICA Contribution and Medicare contribution in the amount of an additional \$16,000 collectively, which reflects increased wages and anticipated full-staffing levels. Life insurance, EAP & Wellness and the Village's HSA Contributions were budgeted in FY 24 at rates consistent with FY 23 projections which at about \$21,000 more than the FY 23 budget.
- The economy has a direct impact on our contract and supply costs. In Public Works, the cost of Spoil Disposal and Vehicle Maintenance Supplies are each budgeted \$9,000 more than FY 23. Additionally, the contract for the Parkway Tree Services maintenance increased with the last bid, and the FY 24 budget reflects an increase of \$10,000 to account for the service rate costs moving forward.
- The building maintenance costs of Village facilities continue to rise and reviewing past budget actuals, it is time to account for the true cost of maintaining the buildings. Across repair and maintenance contracts, the budgets increased by nearly \$15,000, reflecting actual costs.
- The contracted Fire personnel is expected to increase by almost \$70,000, in part to provide a wage adjustment to remain competitive with other area contracts and to retain our staffing.
- Ambulance calls continue to rise, therefore impacting related budgets including EMS Supplies and Equipment which is budgeted \$7,000 more than FY 23. The increase is

not only impacted by call volume but a lack of area hospitals replacing used equipment on the ambulances. In addition, the cost of Ambulance Collection Services is expected to increase by \$4,000 next fiscal year.

- Petroleum is budgeted at greater amounts across Police, Fire and Public Works in a total amount of \$16,600.
- Other Legal Services which accounts for our labor attorney and specialized counsel (i.e. No Cash Bid and tax exemptions) is budgeted \$10,000 more than FY23, in part in response to the upcoming union negotiations.
- Filling Police vacancies will impact several accounts including Uniforms, Small Tools and Equipment and Pre-employment Physicals in a total amount of \$29,000.
- Police Professional Services is budgeted \$10,000 more than FY 23 due to completing the Sergeants Eligibility List.
- A review of the Public Safety Reception and Records budget identified that no Commodities were budgeted in this department. Setting aside modest budgets for office supplies, operating supplies and computer equipment resulted in an additional \$20,000 in the FY 24 budget compared to FY 23. These costs were previously accounted for in the Police Department budget; this addition simply improved the accounting of the reception and records function.
- As described above, the IT industry is moving to cloud based subscriptions. As the network grows in complexity so do the costs. Examples of those additional costs include redundant internet, two factor authentication, and phishing prevention software to name a few. The FY 24 budget includes the costs associated with a migration to the full 365 Suite and increased file storage. Village-wide shared IT costs are budgeted \$35,000 more than FY 23. The reader will note that beginning in FY 24, department “672” accounts were re-purposed for department specific IT costs, while “673” accounts reflect village-wide shared IT costs whereas previously these accounts were tracking software maintenance and hardware maintenance respectively. The change increases the cost accounting of each department.

Capital and Non-operating:

- The number of grant-supported projects has grown significantly in the last couple of years. Those projects include the Brookwood Bridge and Butterfield Road Reconstruction (\$1.2M), the Flossmoor Road Viaduct Reconstruction (\$1.7M), and the portion of reconstruction of Brumley Drive that is offset by a \$112,500 DCEO grant from the State Capital Bill.
- Other significant one-time projects allocated to the General Fund include the Water Meter Replacement Program, the women’s bathroom facilities in police and fire and front desk security as well as replacement furniture.

**Revenues**

An analysis similar to expenditures can be completed for revenues.

The Village budgeted FY 23 General Fund operating revenues at \$11,044,975 and yet, we are projecting them to be \$11,526,551 at fiscal year-end. The total revenue position accounts for grants and one-time revenues.

	<b>Operating Revenues</b>	<b>Total Fund Revenues</b>
<b>FY 23 G.F. Projections</b>	\$12,162,047	\$12,729,332
<b>FY 23 G.F. Budget</b>	<u>\$11,617,928</u>	<u>\$12,601,064</u>
	\$ 544,119	\$ 128,268

*Projected operating revenues are much better than budgeted. The main difference between operating and total fund projected revenues is anticipated various grants. The Village anticipated receiving \$911,000 in grants in FY 23 but instead will receive approximately \$496,000 in FY 23.*

Significant Revenues projected over budget (FY 23 proj'd vs. FY 23 budget):

- Utility taxes are projected to be \$155,000 more than budget by fiscal year end. This revenue is impacted by weather patterns and likely some increase to a “pre-COVID” economy.
- The State income tax is projected to be above budget by \$151,000 per the IML. This is a per capita revenue, which grew significantly and is considered our third largest revenue source outside of property taxes and sales tax. The amount projected to receive is \$1,397,000.
- The Corporate PPRT is projected to be \$109,200 more than budget based on the IML estimate. IDOR also reported that the State made massive mandatory transfers into the PPRT Fund and decline in refund diversions.
- Ambulance fees are trending higher than budgeted, and it is anticipated that the Village will realize an additional \$138,900 in revenue as a result of an increase in service and Medicare/Medicaid reimbursement.
- Tower lease rentals are trending \$40,000 more than budget due to extra payments from T-Mobile, the reason for which we are still trying to identify.
- Interest income is projected to be \$44,000 more than the FY 23 budget due to interest rate increases in an inflation market.
- Special Police Services is anticipated to be \$14,000 more than budget as a result of an increased number of details.
- The Local Motor Fuel Tax is performing better than anticipated due to surging gas prices which we anticipate will bring an additional \$11,000 in revenue.
- An additional \$10,000 was received in Flossmoor Fest donations.
- Building permit fees are trending higher than anticipated with an anticipated \$9,000 in additional revenue.

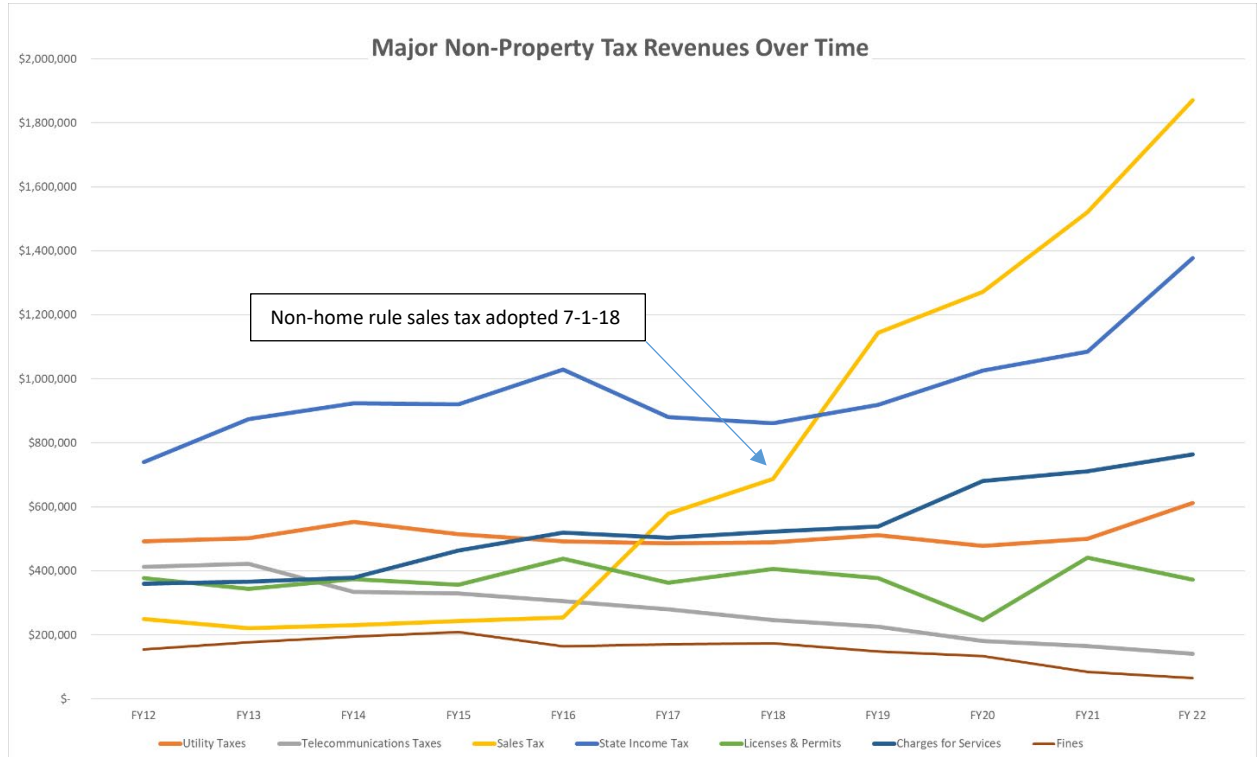


Significant Revenues projected under budget (FY 23 proj'd vs. FY 23 budget): *It should be noted that several of these are revenues with limited control and these are regional and even state-wide issues.*

- The 2021 property tax levy extension was less than the 2021 levy for capped funds by about \$84,000, all of which was absorbed by the corporate, police and fire protection levies. 2021 EAV decreased 10.1% for the year after reassessment, and no development projects were recognized in the 2021 levy. In addition, the actual levy received includes a 1% uncollectable factor resulting in the Village projecting to receive approximately \$62,000 less than budgeted for property taxes.
- Court fines are expected to be \$25,000 under budget because of the long-term impact of the pandemic; courts were closed and fewer traffic stops were occurring.
- The Telecommunication Tax has decreased for years and continues to drop by another \$16,000 this year with fewer services are subject to the tax, bundled services are popular and collections are administered by the State.
- In FY 21 and FY 22, the Village received grants to offset COVID costs. It was anticipated and therefore budgeted, that the FEMA Public Assistance Grant for such purposes would have been received in FY 23 in the amount of \$35,058 but was actually received in FY 22.
- Vacant Building Registration Fees are trending less than budgeted and expected to be \$8,000 less at fiscal year end, most likely due to a stronger housing market and fewer foreclosures.
- With the Residential Municipal Aggregation Program, the Village has historically received a Civic Contribution to offset our administrative expenses. As the ComEd rate returned to a more competitive rate in recent years, the program surprisingly remained competitive with green energy credits. Since July 2022, the program has not been economically viable and as a result, the Civic Contribution ceased resulting in a loss of \$28,000 in revenue this fiscal year.

It is interesting to analyze the General Fund major revenues outside of property taxes, so many of which are limiting or not within control. Three observations: 1) While at times they are volatile, they are over time relatively flat; 2) Since the opening of the Meijer and nearby development, sales tax has increased dramatically. Unfortunately, there has not been a corresponding growth in our fund balance. These monies have been serendipitous to absorbing increased costs and fluctuations in other revenues; 3) State income tax (the Local Government Distributive Fund), which is the top blue line in the chart below, had been our second largest revenue outside of property taxes until we have seen the monumental growth in sales tax these last few years. While it is thankfully on the rise again, this chart further supports the needed municipal tenacity to defend the State's ongoing threat to take back a portion or all of this revenue, as the reader will note the dip in the year when the State changed the formula which ultimately negatively impacted the revenue dollars received. IML and the Councils of Government have tried to restore the municipal share in past legislative sessions, but the most it has been raised is to 6.16%, which falls short of the established 10%. Legislators make varied claims as to why the restoration is not needed citing ARPA monies, video gaming and cannabis

monies, all of which are false substitutes for the local share of the State Income Tax, which was legislatively promised to municipalities in the 1970's in lieu of a municipal state income tax.



***FY 24 budget compared to FY 23 budget:***

The Village is budgeting almost an additional \$961,000 in operating revenue in FY 24 compared to FY 23. The total fund position for revenues includes the Brookwood Bridge grant, two DCEO grants and one DHS grant for the Flossmoor Road Viaduct Reconstruction, the DCEO Brumley Drive grant, an OJP bulletproof vest grant and Class 8 developer payments.

<b>FY24 Budget vs. FY23 Budget</b>	<b>Operating</b>	<b>Total</b>
<b>FY 24 G.F. Revenues</b>	\$ 12,579,169	\$15,660,725
<b>FY 23 G.F. Revenues</b>	\$ 11,617,928	\$12,601,064
	\$ 961,241	\$ 3,059,661

Significant Revenue over budget (FY 24 vs FY 23):

- Property taxes are budgeted at \$277,114 more than FY 23. The 2022 levy took the approach of maximizing the levy by including CPI increases which was capped at 5%





for the first time ever and very little new property increment. The only new economic developments were Rainbow Cone and Oasis Refuge.

- State income is budgeted \$268,000 more than FY 23 based on IML per capita data. This increase is despite a 5% reduction by the State that was initiated a few years ago and continues.
- Based upon the IML estimate, the Corporate Personal Property Replacement Taxes reflect a pattern of extra distributions in the amount of \$94,000 in FY 24 compared to FY 23.
- The budget for Utility Taxes for FY 24 is \$60,000 more than FY 23 due to recent experience, weather patterns and energy prices.
- Ambulance fees are budgeted with an additional \$155,000 in revenue reflecting the Village's renewed participation in the GEMT program next fiscal year.
- In this inflationary market, Interest rates soared due to Federal Reserve Board increases; the FY 24 budget reflects a 3.6% interest rate assumption compared to the .3% for FY 23 which equates to an additional \$125,000 in revenue.
- Based upon data trends, Video Gaming Taxes are budgeted at \$10,600 more in FY 24 compared to FY 23.

#### Significant Revenue under budget (FY 24 vs FY 23):

- The Telecommunications Tax continues to steadily decline as fewer services are subject to the tax and the collections are administered and distributed by the State. The FY 24 budget reflects \$16,000 less in revenue.
- The Electric Aggregation Civic Contribution Program was discontinued in July 2022, and the \$35,500 in revenue is not expected in FY 24.
- The budget for Ingalls Class 8 payment was adjusted by \$19,000 to reflect the lower EAV for Ingalls which was noted this year.

#### **EAV Impact**

For the last several years now, staff has discussed the impact of a declining EAV on the tax levy and subsequently the budget. The Village's 2021 Equalized Assessed Valuation (EAV) has been determined by the County at \$229,065,605. The 2021 EAV represents a decrease of 10.1% (\$25,772,629) below the 2020 EAV. This decrease nearly wipes out the 15% increase the Village experienced with the 2020 EAV which included a reassessment. Prior to the increase in 2020, the Village's dropped 6.0% in 2019 and 3.1% in 2018. Those decreases preceded increases in 2016 (9.5%) and 2017 (15.2%), yet between 2011 and 2015, the EAV declined about 38%. The volatility in fluctuations in the EAV have not allowed the Village to make any significant economic recovery post the Great Recession even with historic commercial development in the Village. That said, recent Village sales data indicates market values the Village hasn't seen since 2006 with low available inventory. This incongruent data demonstrates the disconnect between economic development, the housing market and the property tax system in Cook County. The State multiplier (equalization factor) for 2021 decreased from 3.2234 to 3.0027; a decrease of 6.8% which contributed to the declining overall EAV. The new property component of the Village EAV for 2021 was only \$32,777 representing 0.01% of the 2021 EAV.





There is still much EAV growth to regain, not only in Flossmoor but throughout the region. State politics that impacted the homestead exemptions and senior tax freeze only compound a suppressed local economy, placing additional financial pressures on higher incomes, higher valued homes and commercial properties. This total EAV of \$230M is near the level it was in 2004, 2012 and again in 2018; yet that same amount is expected to support a 2023/2024 budget with historically high inflation.

### **Moving Forward**

Like many communities, we have been constantly discussing financial trends. The economy continues to be impacted by the pandemic, labor shortage, supply chain issues and now the war in Europe.

#### **FY24 GENERAL FUND OPERATING COSTS LESS MAJOR FIXED COSTS**

Operating Expenditures	\$12,579,169
Personal Services	(\$ 6,919,841)
Fringe Benefits	(\$ 3,427,464)
Fire Contract Personnel	(\$ 677,292)
<u>IRMA Premiums</u>	<u>(\$ 228,000)</u>
Net	\$ 1,326,572

Personnel and fixed costs represent 89% of the operating budget, a statistic that is lower than previous years but has been as high as 95%. There is not much room to cut expenses and have a dramatic impact on the bottom line without cutting programs and services.

Keep in mind that the phrase “do more with less” will not go very far with this budget and the service areas in our community. As an example, the Fire Department’s paramedic call volume over the last three years has increased 29%, and we do not expect that to slow down. With the influx of commercial development that is occurring, it is reasonable to think the call volume for both police and fire will increase. In addition over the last ten years, staff across all departments has consumed a larger workload given new mandates and laws as well as a desire to provide services like events. Funding and staffing cannot be reduced and still be able to maintain service delivery and meet unfunded mandates at today’s standards.

The impact of a zero percent cost of living adjustment in FY 18 years ago has still had a financially positive impact on the Village’s budget with a suppressed growth in personnel services. That said, solving a budget issue on the backs of employees is not a long-term financial solution. That fact was supported when an interest arbitrator ruled in favor of the police union and forced upon the Village a 2.38% living adjustment for the police officers that same year. The arbitrator placed the hard decision back on the Village, saying that the Village can make the financial decisions needed to find the monies. The Village fulfilled its obligation per the arbitration award; however, the basis of the arbitrator’s ruling became a circular argument and has placed the Village Board in a difficult position on this issue moving forward. Thankfully,



the Village and the FOP were able to recently conclude negotiations on the 2021-2023 agreement without arbitration and with relatively minimal financial impact to the Village given the skyrocketing increase in CPI. The Village will be back in this predicament again this fiscal year as we return to the negotiating table.

### **Strategic Planning and Decisions**

The Board's decision during strategic planning several years ago to move forward with the non-home rule sales tax referendum was one key financial decision that has had a significant economic impact for the past five years. Another key decision was the passage of the G.O. bond referendum for Streets, Sidewalks and Stormwater Improvements which provides a meaningful funding source for streets, sidewalks and stormwater management; the Board has successfully met the strategic planning priority of investment in our infrastructure with the additional "win" of doing so at a time when other debt (the library bonds) were paid off. The Village has been very aggressive in the pursuit of grant funding in recent years, especially with the influx of federal stimulus monies post-COVID. For reference, the FY 24 includes a total of \$3 million in grant funding to support large needed capital projects that may not otherwise have been funded.

Furthermore, up until now, the Board has been very clear that they have wanted to take all measures to preserve our services as they are today. To that end, they have made economic development a priority in order to grow the property tax and sales tax base, which to this point has preserved Village services. The Board has recently charged Staff with examining the implementation of a Places for Eating Tax to further maintain the services and their ever-increasing costs. A new strategic plan was recently adopted and with the most recent Five Year Projections, the Board and Staff will have guidelines and guardrails in making key financial decisions in the near future.

### **Summary**

This report provided an overview of the General Fund and Water Sewer Fund positions projected at the close of Fiscal Year 2023 and budgeted for Fiscal Year 2024. Staff welcomes the Board's input on modifications to the budget in preparation for its adoption in April. The Village has adequate fund balance to close the revenue/expenditure gap in the short-term, some of which is a planned use of fund balance; using the financial planning tools combined with strategic planning, the Village can thoughtfully and appropriately respond to any shortfalls moving forward, thereby preserving our financial strength. One of the Village's strengths has been acting on financial planning to address issues such as these, and staff looks forward to working with the Board on the FY 24 budget.