M E M O R A N D U M

TO: Village President and Board of Trustees

FROM: Robert O. Barber, Village Administrator

DATE: Friday, January 20, 2023

RE: FIVE YEAR FINANCIAL PLAN FOR THE VILLAGE OF BEECHER
FY 2023 – 2027

I am pleased to present to the Village Board a five year financial plan for the Village of Beecher. This is the fifteenth year we have prepared such a plan, and this document has become a useful tool in spotting trends in the financial data which will impact us in the 3 - 5 year time frame. Since the models used to build the plan are refined each year based on historic trends, we have become increasingly successful in projecting revenues and expenses. The key to the modeling is an accurate projection of revenues. This document was subject to approximately 100 hours of staff time preparation, an initial review by the finance committee during a meeting on Saturday, December 17th, and a Village Board workshop which occurred on Monday, January 9th. All of the Village Board's recommendations made at that workshop have been incorporated into this revised document. In addition, this document contains is a first look at trends which are coming in a more detailed Village budget for FY 23/24 which is in the process of being drafted will be released at the end of February.

Executive Summary

These are the important components of the five year plan. If you do read this entire document at least read this portion of the text.

1. New Employee for Public Works as We Transition to Full-time Operation at the Beecher WWTP. In order to complete the certification of a replacement WWTP Operator for John Hernandez, we need to follow the training and apprenticeship program mandated by the IEPA for a Class I Operator of a major facility. Ron Emory has the necessary licenses, but needs five years of full time experience under a Class I Operator to obtain his Class I certification. This means he has to become full-time down at the sewer plant. In addition, the IEPA requires two full time employees at a Class I facility if it not being contractually operated. They will not push

the later but the apprenticeship program is an absolute. If we desire to have a succession plan for the operation of our WWTP, we need to place Ron with John at the plant. If we want to take our chances five years down the road on a Class I Operator, we keep Ron in the public works crew and have him focus on the water system with Steven, where he already has his licenses to operate. There is always the possibility that Ron could leave either way as well, and even a greater chance if we do not let him grow in his job here in Beecher. However, it is prudent to at least have a plan.

Right now we have a new man budgeted in the Street Department in the General Fund, and we have placed Ron Emory in the Sewer fund. We will be discussing this much more in depth as we head into the budget process.

2. <u>The Degradation of the Sewer Fund.</u>

We have been discussing this for some time but now the trend is becoming clear: we are not generating sufficient revenues to operate the new WWTP. As it ages and needs more maintenance, and as the new parameters of our permits go into effect, we have to use more chemical, press more sludge and conduct a lot more stringent testing. Although we will make the funding of the sewer department work for one more year, we are seeing significant deficit spending moving forward. We have moved the lowest paid public works employees into the department and moved the higher paying ones to the General Fund. A rate increase of at least $0.25 per 1,000 gallons will be needed in years 2024, 2025, and 2026. Currently, there is an annual $0.25 rate increase for the water department and the sewer department. Water seems to be holding its own, but the sewer department is not making ends meet on $0.25 per year in additional funds. Staff recommends increasing this amount to $0.50 per year in the ordinance starting on 3/1/2024. This would eliminate the projected deficits in 2025, 2026, and 2027. This discussion needs to begin next Fall. Bear in mind also that without tap-in fees coming in we do not have any set asides for capital replacement. We used tap-in fees for this purpose for many years but the well has now run dry. Rates need to also be used for capital replacement if we do not have tap-in fees.

This proposed five year financial plan includes the current water and sewer rates as in the approved ordinance, a scenario “A” of a flat $1.00 increase to both the water and sewer rates on 3/1/24, and a scenario “B” of a $0.25 increase from $0.25 to $0.50 per year for both the water and sewer rates effective 3/1/24. Staff recommends scenario B at this time but this decision will be made next year.

3. <u>Now Some Good News: General Fund is Healthy!</u>

Since we typically underestimate General Fund revenues, revenues over expenditures tend to be underestimated. Despite this, the General Fund is showing a positive balance for FY 2023 and about an equal deficit for FY 2024, meaning that over the next two years we are balanced. In years three, four and five we begin to slide but the fund balance on April 30, 2028 is still $1,230,000 or $387,000 above our minimum balance requirement of $500,000.

This is not a statement of support for deficit spending; but it does give us two more years to safely watch trends in the revenue stream and our spending habits to determine if we need to make a fix in FY 25. Right now the answer is no because revenues are underestimated moving forward. The State is projecting a 21% increase in state income tax revenues and it appears they will consider giving municipalities an additional 1% share in 2023. This would provide Beecher an additional $120,000 per year and effectively wipe out the deficit for two more years or until the fifth year of the plan. This is not added into this plan. What was added, however is $45,000 per year beginning in FY 25 with a $10,000 increase each year thereafter as recognition of our 1/43rd share of casino revenue from the Homewood/East Hazelcrest Casino. Harder projection numbers have now come in on this project. There is no need to panic with the General Fund at this time.

4. <u>Need to Increase Annual Contributions to Police CESFA.</u>

We have observed a marked increase in the cost of replacing police vehicles. In one year the cost has jumped from $43,000 for a full replacement to $55,000. When we added this new value into our spreadsheets overt time we realized we had to increase the annual replacement cost per car in the fleet at $17,000 per year, and then placing an annual escalator of $500 per car per year onto that number starting in FY 26. We also need a $50,000 kicker in 2023. This will help us hedge against inflation and keeping our replacement program in line. We also added $10,000 per year for the replacement of the Chief's car every five years. The five year plan addresses all of these issues.

5. <u>The Chief's Car.</u>

This issue has now been addressed in the five year plan.

6. <u>Future of the SRO Program.</u>

The five year plan assumes the School District will continue the program, but our current IGA expires April 30, 2024. The School District may discontinue the program due to their financial position, or try to negotiate a better deal.   In either event, the Village may have to eat more of the cost of the officer or have one additional officer on the payroll that would have to be fit into the shift schedule. This issue is now on the radar and the Public Safety Committee should begin addressing this matter.

7. <u>$60,000 in General Fund Pledged to New Zoning Ordinance.</u>

This can be found in 01-02-535.

8. $12,000 budgeted for Administrator Overlap.

This would provide at least a 30 day overlap in November/December depending on what you pay for the position. This can be found in 01-03-830. There is also a need to discuss how the recruitment and selection process will occur.

9. $22,000 to replace bed in the 2003 International.

This can be found in 01-08-830.

10. Plan for Public Works CESFA.

Next fiscal year, the public works department would like to trade in its John Deere 35G Mini-Ex with a larger model at a cost of $72,000 after trade-in which will also increase the annual contribution from the watermain replacement account from $4,647 per year to $11,247 per year for the next 15 years. A zero turn mower is also planned for purchase next year.

In FY 24, nothing is planned for purchase as we allow the fund to recover. In FY 25, another zero turn mower is for purchase in addition to the replacement of the 2015 pick-up truck. In FY 26 the replacement of the 2003 International 7400 is planned for $120,000. This would be a new truck and not a used model. In FY 27, we would be purchasing another zero turn mower and replacing the 2005 International 4300 with a new unit for $120,000. At the end of the five year period after all of the transfers into the account per the schedule and all of the purchases, there will be $31,990 on account to push into the sixth year.

11. Credit Card Absorption Fees

For the purposes of this plan all of the credit card fees being absorbed by the Village are shown as an expense in the Refuse Fund. This continued process will drain the fund over the next five years to about $10,000. We can place these credit card charges anywhere in the budget since all funds benefit from these charges, or we can try to split them per fund which seems cumbersome for an average of $7,500 per year. This is equal to $0.07/1,000 rate increase on sewer or water, a flat charge of $2.00 per billing (or $1.00 per month) on either refuse, water or sewer, or even mosquito (General), or just eat the cost of these charges. At any rate we are good for now continuing with past practice but this will have to be dealt with in the planning period and needs to be discussed. We have 3 or 4 years to solve this one.

12. Motor Fuel Tax Account will Bear the Burden of Penfield Street Debt.

We have talked about this for years but the time has now come. We are going to first take MFT down to under $100,000 balance and then borrow $650,000 off future MFT revenues in the form of debt certificates to make our 20% local match for Penfield. This may also require a $321,566 transfer from Infrastructure and we show this in the plan but we have to wait and see how the new money from the WCGL Transportation Fund will impact our local match. After this initial transfer we will be able to keep the Infrastructure Account free of any obligation and this Account can be used for our paving programs moving forward.

13. Use of Infrastructure Funds.

After the transfer to MFT to help make the 20% local match for Penfield, we will have a steady stream of revenue to continue our curb and sidewalk replacement program as we have done in the last few years. We are also going to be able to provide $100,000 per year for road resurfacing which we rely on the Supt. to handle each year. This maximizes our use of the funds. A list of specific sections of roads are enclosed by year but these priorities will change with time. In FY 2024 we are scheduled for another thermoplastic striping overlay and we have a line item for patching roads which can also be added to road resurfacing depending on the year and list of work to be completed.

14. Set aside for meters in the Water Fund.

The Sewer Fund is not capable of supplying funding for water meters. The Water Fund has a variable amount depending on the year and also depending on the amount of other watermain-related materials we have to purchase. We are anticipating anywhere from $36,000 to $60,000 per year, which is between 98 and 164 meters per year at $365 per install.

15. $13,000 to $17,000 set aside each year in the Sewer Fund for the replacement of one pump.

It could be used for other repairs, but we are anticipating moving forward losing at least one pump per year to age and wear.

16. Watermain Replacement Projects over the Next 5 Years.

In FY 2023 the main under the Penfield Street bridge is being replaced for $50,000. This was the only segment skipped in 2018. $230,000 is budgeted for payback to the ARPA Account in FY 2023 as well per Village Board instructions. Then, if no other grant funding becomes available, the next watermain replacement will not occur until FY 2026 when the Dixie Highway Crossovers is scheduled. In FY 2027, Maxwell south of Indiana and block Street is scheduled followed by Oak Park from Hodges to Miller. Miller Street will remain fully designed but uncompleted.

FULL BODY OF REPORT

Introduction

The General Fund begins the five year plan period with a fund balance of $1,375,892. Despite the repeated use of reserve cash for such projects as the new Village Hall in 2014, the Gould Street Boardwalk in 2017, the TIF District in 2018, Quiet Zone in 2020, and the creation of the Police CESFA Account we have been able to keep our reserves well above the $500,000 level. This is due to our continued underestimation of revenues using conservative estimates and departments which come in slightly under budget each year. Even if we deficit spend per the plan (which we will not do), casino revenues and other revenue increases may bite into this deficit being shown in years three through five.

The General Fund relies mostly on per capita revenues provided by the State, followed by the property tax levy and small smaller revenue streams. Recently per capita revenues have increased sufficiently to cover the rising cost of inflation but this has not always been the case. The State is experiencing an uptick in income and sales tax revenue and some of this increase has trickled down to municipalities. The State has more to spend but where it chooses to do so will drive our own future. There is talk of granting municipalities an additional 1% of income tax (from 6.16% to 7.16%) and this would mean an additional $120,000 annually for the Village and eliminate projected deficits in the plan. There is also the revenue sharing of the casino tax which Beecher is a part of, and right now we would get 1/43rd of an estimated $2 million in opening year tax revenue beginning in 2024. This is in the plan starting in FY 25.

The police department has been and always will be the largest consumer of the fund, using 51% of the fund's revenue for its operations. In contrast, our Street Department only receives 14% of the fund's revenues.

The Capital Equipment Sinking Fund Account (CESFA) is now in its twelfth full year of operation and receiving pledged income from General and the Operations and Maintenance Accounts. We have accelerated our equipment replacement schedule by purchasing some used equipment at prices lower than forecast, and replacing other equipment with new to reduce maintenance and repair costs. With new leadership in the public works department some philosophies have changed regarding equipment replacement, and this is reflected in the five year plan.

The Refuse Fund is balanced over the next five years and reflects the new extension signed two years ago with Homewood Disposal Service (HDS). The Village's current contract runs until June 30, 2028 and will expire at the end of this five year plan period. Staff has been told that refuse rates after the termination of this contract will be much higher due to the cost of fuel, labor and tipping fees and that the Village extended the co0ntract at the right time. The Village can anticipate significant rate increases beginning in the Summer of 2028.

The Village will continue to charge $1.32 above the base fee charged by HDS to transfer to the General Fund to assist in paying for some of the costs of brush and leaf collection. We are using an average of $7,500 per year in reserves to pay the credit card fees across the entire spectrum of the Village and we anticipate this number to continue to grow. This is the most efficient way to track credit card charges since customers may pay for several Village services with one transaction and staff wishes to continue charging the fees to one account. We will still have $10,000 on account after five years.

The Motor Fuel Tax Account currently has $700,000 available for making dept payments to IDOT for Penfield. This will provide for seven months of payments. When the cash amount drops to $100,000 we will then approach the local banks for a loan of $650,000 over ten years to pay off the remainder of our 20% local match. This will require an annual payment of about $82,000 per year. With the Will County Governmental League's pledge of additional federal funds for this job we may be able to borrow less than what we expected. These decisions will be made later this Summer. Either way, the Motor Fuel Tax Account is pledged out during the coming five year period with the $82,000 debt payment and the $99,000 needed each year for street maintenance.

The Infrastructure Account is also on the hook for $321,566 in local matching funds for the Penfield Street STP project to be paid to IDOT in FY 2024. This may also be reduced due to increased federal funding but we will continue to use this larger number to be conservative. Despite this, the Village can continue spending $120,000 to $150,000 per year on road resurfacing projects. This amount will grow to $250,000 in year five.

The Water Fund is expected to run even over the next five years due to the annual automatic $0.25/1000 gl rate increase which makes up for stable amounts of water being billed. However, funds are not being raised sufficiently to replace as many water meters that we would like to do or make significant repairs/improvements to the water system. We plan to provide meters with year end purchases from certain line items in order to hit our 100 per year minimum. The reason revenues are flat despite these rate increases is the decline to a stable gallons billed per year. Without new customers using water, more efficient water fixtures and the lack of new sod being laid with new homes we have seen billable water actually decline. Until this trend changes the Water and Sewer funds will not see improved cash flow for capital purchasing.

The Sewer Fund is a different story. Due to the increasing costs of operating the Beecher WWTP, the allocation of labor to the plant, and the fact that it is now aging and equipment needs repairs and replacement is causing a structural deficit. There is a need to increase the automatic rate increase of $0.25 per 1,000 gallons to $0.50 per 1,000 gallons on March 1, 2024. We will be discussing this more in depth next Winter. We have only budgeted an average of $15,000 per year in equipment replacement which only gets you one new rebuilt pump per year.

This plan contains two scenarios for water and sewer rate increases in the future to maintain system operations. These scenarios are included in the plan but a decision will be made next year as to which course of action to take.

The Water and Sewer Capital Improvement Fund has relied on water and sewer tap in fees as its source of revenue but now this has come to end for at least a few years. An elaborate list of projects and a vain attempt to fund them is provided, but the fact of the matter is there is no capital unless tap-in fees start flowing again down the road. The Village Planner and the Village's participation in economic development associations are funded here. If tap-in fee waivers go beyond December 30, 2024 this account will go dry.

The Water and Sewer Debt Service Fund has been re-purposed for the Sewer Plant Rehab project. Annual payments of $403,000 are required for the next 28 years for the new sewer plant, and $547,000 in annual revenue is projected. The difference between these two amounts will be transferred to the General Fund to pay for the Office Manager and the front desk receptionist positions which were transferred out of the Water and Sewer Fund in 2020. The Debt Service Fund should have a $665,942 balance moving forward which is eighteen months of debt service payments in reserve in the event of a calamity (such as the pandemic) to cover our sewer plant debt.

The Watermain Replacement Account has been totally committed to paying the Village's share of the Gould Street watermain replacement project. ARPA funds were also used to pay some of this cost and this account has a $230,000 "due to" on it for repayment to the ARPA Account. It is going to take a few years to build this account back up again to where we can pay cash for watermain replacement projects. The Dixie Highway crossover project and Miller Street repalcement project from Woodward to Dixie are fully engineered and permitted and are awiting the green light for bid. It will be four years before we can complete one of these if we do not get grant funding from either the County or the federal government. We have applied and here we sit. These projects are shovel ready once grant funding begins to flow.

All in all the Water and Sewer systems can survive in the short term financially. Issues that will need addressing down the road however (other than replacing all of the ductile iron mains) include replacing the casings on Wells #3 and #4, rehab of our current tower and/or a new water tower, and rehabing the Fairway Drive lift station, back up power for two lift stations and Well #5, replacing the pump at Well #5, and slip lining the sanitary sewer in the rear easement of the 800 block of Catalpa St. We could easily spend $10 million on our water and sewer systems just to keep them up to par.

Overall Philosophy of the Plan

There are several assumptions which have to be made prior to making effective financial forecasts. On the revenue side, the following projections were made for new housing starts:

NEW HOUSING STARTS

FY 23/24	10
FY 24/25	10
FY 25/26	15

FY 26/27	20
FY 27/28	20

These predictions are consistent with past discussions with the Village Board as to how the community is going to grow. Until such time the existing housing inventory is reduced and the cost of construction stabilizes here is little hope of seeing many new housing starts. Hopefully the incentives the Village Board has instituted will improve these numbers. For budgeting purposes we will continue to use zero housing starts to make sure we do not rely on new construction to fund operations.

We continue to be rather conservative on the estimate of State per capita revenues. We examine the IML projections and compare them to our actual collections in past years. Several years ago IML projections exceeded historical collection trends so we used our own trend data. Those that used the IML projections fell short of revenue in those years. Now, the IML retains a consultant to make its projections and they have become much more accurate. In fact, IML projections are now lower than what actual trends are telling us. Staff has used the IML projections for this five year plan.

On the expense side, the Village can control its payroll costs by limiting the number of new hires. This five year plan provides for only one new full time hire the next five years. Wage increases for all employees are based first on their CBA wages. After expiration of the current contracts, all employees were figured at 4% COLA increase per year.

Health insurance costs for all employees who are in the IPBC pool are scheduled to increase 10% for PPO on July 1, 2023 and then rise by 5% each year thereafter. Local #399 insurance rates were figured at 5% per calendar year after a 2023 rate of $1,231 per month.

Payments to employee pensions were estimated at 4.57% next year per IMRF notification and 6% per year thereafter. The current rate is 3.36%. The 6% projection is quite aggressive due to the performance of the market and our low unfunded liability. However, the IMRF assumptions for return on investment (ROI) was dropped from 7.5% to 7.25% in 2021 and will then down to 7.0% in 2022. This will require increases in the amount employers pay. The employee rate is frozen at 4.5%.

The Village is part of a co-operative formed in 2013 for liability coverage called the Illinois Municipal Insurance Cooperative, or IMIC. We will be starting our tenth year in this co-op in 2023. Rates have remained steady in this cooperative for the first six years, but we saw a rather large increase in the last three years due to market conditions. However, workers compensation rates have remained steady but we expect them to increase as well next year. Our new liability umbrella rates did come in at a COLA for 2022 but the cost of cyber liability and loss insurance skyrocketed by 400%. We have assumed a 5% increase in premium over the next five years.

The market for electric power continues to be highly competitive, allowing the Village to lock in rates at or below those experienced in previous years. The price of oil is increasing and subsidized renewable energy is emerging in the market. Our current rate is locked in until June, 2023 with Constellation Energy. We are expecting at least a 20% uptick as we come off an old 3 year r rate in 2023. The Village spends over $230,000 per year on electrical usage alone so rates do become a budgeting concern. The cost of delivering electricity has gone up as Com Ed is charging us for smart grid improvements. However, the use of LED lighting and more efficient motors should allow us to budget about the same for electricity in the coming years. The Village is locked in its natural gas rates through 2024 at about ½ the current market rate. We locked these rates in 2021 just before the market skyrocketed. We can expect to pay 50% more for energy over the next five years.

DETAILED EXPLANATION OF LINE ITEMS

General Fund Revenue

Projections on revenues have become more specific and defined since the Great Recession of 2007. State revenue projections are determined by looking at what was collected in the past and then examining the Illinois Municipal League (IML) projections. Since revenues were overestimated by the IML in the 2007-2009 time frame, the modeling used by the League has also become much more conservative and reliable. This gives staff a greater comfort level with the IML projections, but we still test them against our own historical collections. An increase in population from the 2020 census from 4,359 to 4,713 also had an impact on per capita revenue starting in 2021.

The pandemic was not considered in revenue estimates moving forward. We were very conservative those fiscal years but fortunately for us we had retail that thrived during the pandemic such as grocery and fuel sales and the Dollar General. It is also obvious that people are out eating and gambling again as those numbers exceed pre-pandemic levels. The pandemic is no longer a factor in any of our projections but this could change again with time.

The State of Illinois is in the best financial shape in 10 years. The economy has grown, there is the federal bailout called the American Rescue Plan Act, and cannabis sales are through the roof. The State has been able to pay back the unemployment insurance debt, and it has created a rainy day fund for future financial crisis. Despite these actions, the State still has excess funds coming in from income and sales taxes that were not projected. It is our belief that the local share of LGDF will increase next fiscal year but this was not placed into our plan.

The property tax levy is planned to increase by 2% over the next five year as the strains of increased public safety spending stress the General Fund. This planned increase may be eliminated by Village Board action in the future and also by a property tax freeze adopted by the Legislature. Staff has to be prepared to respond to either one of these scenarios in the coming years.

There are planned increases based on pre-pandemic trends in state income tax, sales tax and use tax collections. Assumptions were made based first on the IML projection and then comparing those to previous collection rates.

Assuming that projections are correct, we should see a 2% annual increase in state income tax payments over the five year period. This tax has actually grown by 3% per year despite the pandemic. To hedge inaccuracies in our projections, we have made very conservative estimates on sales tax, our second largest source of revenue. Listed below is the actual sales taxes collected since 2005:

FY 2004/2005:	$630,063
FY 2005/2006:	$670,966
FY 2006/2007:	$654,945
FY 2007/2008:	$528,651
FY 2008/2009:	$516,459
FY 2009/2010:	$431,406
FY 2010/2011:	$429,151
FY 2011/2012:	$390,566
FY 2012/2013:	$384,988
FY 2013/2014:	$375,352
FY 2014/2015:	$416,823
FY 2015/2016:	$425,312
FY 2016/2017:	$435,285
FY 2017/2018:	$442,484
FY 2018/2019:	$466,802
FY 2019/2020:	$479,067
FY 2020/2021:	$464,231* = pandemic
FY 2021/2022:	$459,908* = projected due to pandemic
FY 2021/2022:	$622,565* = actual collections
FY 2022/2023:	$618,513* = based on 7 months
FY 2023/2024	$630,833

Sales taxes closely reflect the price and quantity of fuel sold in the Village, since fuel makes up more than 50% of our total gross sales. As prices increase, people also shop around more so increasing prices does not always mean more sales taxes. The State has also cut some of these sales taxes and promises to make them up in higher income taxes but we cannot quantify any of these changes. All we can do is use historical trends and take our best guess here. We believe a prediction of $630,833 is accurate.

Telecommunications taxes have been declining in recent years and we are projecting a decline each year from $104,859 in FY 16/17 to $30,000 in FY 27/28. This is down from a peak of $151,000 in 2009. We believe this steady decline of revenue is due to the tax being applied to the POTS (old copper) lines which are rapidly disappearing. This revenue source may even disappear in the future. This revenue was transferred from Water and Sewer Debt to the General Fund in 2007 to make up for the loss of vehicle sticker revenue. This is another reason the General Fund continues to be fiscally constrained. Listed below is total General Fund Revenues since 2004:

GENERAL FUND HISTORICAL REVENUES
(taken directly off the Treasurer's year end report on a cash basis)

FY 2004/2005:	$ 2,286,360
FY 2005/2006:	2,650,292
FY 2006/2007:	2,523,630
FY 2007/2008:	2,163,890
FY 2008/2009:	2,338,321
FY 2009/2010:	2,101,143
FY 2010/2011:	2,254,026
FY 2011/2012:	2,296,717
FY 2012/2013:	2,246,930
FY 2013/2014:	2,228,971
FY 2014/2015:	2,277,441
FY 2015/2016:	2,415,174
FY 2016/2017:	2,427,055
FY 2017/2018:	2,460,886
FY 2018/2019:	2,460,397
FY 2019/2020:	2,648,169
FY 2020/2021:	3,003,365
FY 2021/2022:	3,449,056

It is truly amazing when looking at this table that the Village has been able to not increase its levy for nine years, buy and rehab a new Village Hall, remodel a portion of the police station, build the Gould Street boardwalk, purchase and rehab 533 Reed Street, establish a Quiet Zone along the railroad line at five crossings, survive the Great Recession, make its sales tax reimbursement commitment to Walt's Grocery and eliminate vehicle stickers as a General Fund revenue source and still balance its budgets for 17 years and retain over $1,300,000 in unrestricted fund balance in the General Fund. This is due to our ability to keep operating costs down. What is also interesting is the significant uptick in this revenue during the pandemic. This figure does include $800,000 in FEMA, ARPA and CARES Act grant funding. It is still an impressive number.

The following is an analysis of the projected change in the revenue stream for the General Fund over the coming five year period. Please note that revenue increases are coming from the transfer of the utility tax to pay for the office help being transferred out of the Water and Sewer Fund.

FY 21/22(act.)	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28
$3,449,056	$3,506,734	$3,800,046	$3,856,389	$4,012,883	$4,108,200	$4,190,828
	+ 57,678	+ 293,322	+ 56,333	+ 156,444	+95,317	+ 82,628
	+1.67%	+8.36%	+1.48%	+4.06%	+2.38%	+2.01%

Revenues are expected to increase by 19.96% over the next five years which is an average of only 3.99% per year. This is below the current rate of inflation, and is due primarily to the conservative approach. Since the cost of personnel and benefits is about 80% of the budget, personnel cost increases must be kept to a minimum. The only way to continue providing the same service and staffing levels during this period is to cut costs and operate more efficiently. This will be accomplished through such measures as decreasing the rates for insurance and utility costs. This plan provides all of the current services we now offer using the revenues we plan to receive over the five year period while maintaining a funding level at or above $1,200,000. As we get closer to these budget periods, we will obtain a better handle on these numbers. Even though we can fund our operations, there is little room for expansion or for fulfilling any capital needs using General Fund revenue.

<u>General Fund Expenses</u>

This is the tenth year of scheduled payments to the Capital Equipment Sinking Fund Account (CEFSFA) as the General Fund repays over time what it has borrowed from CEFSFA for the replacement of most all of the public works equipment in a timely manner. In that way, the money should be in place to replace this equipment after their normal life spans. The General Fund is currently in the process of paying off several pieces of equipment and in 2022 it began paying for the purchase of a new zero turn mower every other year.

Expenses are projected to exceed revenues by $145,882 over the five year period causing the fund balance to drop to $1,230,104 April 30, 2028. However, we may have under-estimated revenues in this plan and reserves may be larger than expected. Staff is confident that we will survive the next five years, and maintain a fund balance of over $1 million in general.

Here is the scenario of operating deficits and their impact on fund balances:

YEAR	REVENUES OVER EXPENSES	PROJECTED YEAR END FUND BALANCE
FY 12/13	$162,018	$592,976
FY 13/14	- 257,483	324,604*
FY 15/16	153,842	527,316
FY 16/17	11,280	533,128
FY 17/18	96,752	629,880
FY 18/19	- 124,934	504,946**
FY 19/20	- 87,687	417,259***

FY 20/21	+ 153,330	570,589
FY 21/22	+ 312,247	875,892****
FY 22/23	+ 500,000	1,375,892*****
FY 23/24	+ 25,599	1,401,491*****
FY 24/25	+ 5,900	1,407,391*****
FY 25/26	- 24,048	1,383,343*****
FY 26/27	- 48,956	1,334,387*****
FY 27/28	- 104,377	1,230,010*****

*one time drop for payment on 625 Dixie Highway Project
** Gould Street Boardwalk, purchase of 533 Reed Street
***complete rehab of 533 Reed for $63,100
**** $137,000 for Quiet Zones
*****estimates

The Village has come out of the pandemic in good fiscal position. This is due to the cost cutting which occurred in FY 20 and FY 21 due to fears that the pandemic would affect revenues. The opposite happened in Beecher, where sales and income taxes actually went up. The Village should attempt to retain this fund balance for future use and not allow recurring expenses to use up the gains. Since there are future potential revenue of casino taxes ($45,000 per year starting in 2024) and an increase in income tax (up to $200,000 per year) this five year plan should be fully funded.

We will still have to watch these fund balances closely as time goes on. The IGFOA standard for fund balance is 25% of total operating expenses, or $1,067,801 on 4/30/28. This plan provides for a fund balance at or above this number. There is also a need to increase our property values in the community over time and staff believes that new residential construction, a quiet zone combined with continued beautification, improving Penfield Street and replacing our watermains will help in this purpose.

In 2010, the Village Board expressed concerns regarding its increasing pension, health and liability insurance costs. Since that time, action was taken to stabilize these costs in the future. The Village had chosen to accelerate its payments to the IMRF since 2009 despite a poor economy and to not defer any liability. Since the market has come back to some extent and the IMRF investments have recovered to its past historical value, the Village is once again fully vested and rates have actually decreased. However, IMRF is re-calculating its return on investment and has recommended two 0.25% decreases over the next two years lowering the ROI to 7%. This may increase the IMRF employer rate moving forward. We have budgeted an

6% IMRF employer rate through the five year period. The rate has been dropping from 11.62% in 2016 to 11.08% in 2017, 10.77% in 2018, 7.61% for 2019. It increased to 8.87% for 2020, and dropped to 8.16% for 2021, 4.57% in 2022 and has dropped again to just 3.36% for 2023. We are currently 104% funded.

Health insurance costs have also stabilized through our participation in the IPBC. In the past, we were subject to open market conditions and our experience factors and have been exposed to annual rate hikes as high as 15%. Through the use of self-funding, we have begun to stabilize these rates and build terminal reserves for future use. The plan budgets the actual increase of 10% in FY 23/24, and then a 5% annual increase in years 2-5 based on the current plan we have selected. If these targets are not achieved staff plans to alter the plan design and use some terminal reserve (currently at $44,000) to hedge costs. DPW #399 have switched to their own plan and we projected 10% annual increases for this plan but past history indicated a 5% increase would be more appropriate.

Overall, the General Fund is paying for little in the way of new equipment or capital projects (other than its annual contributions to CESFA) since it funds most of the Village's personnel costs. However, the Village has been able to double its fund balances in less than three years and the plan indicates that these balances can be maintained for at least the next four years.

Listed below are details by Department:

<u>Village President and Board of Trustees</u>

The increases shown are due to the elected officials wages increasing per ordinance after elections.

<u>Advisory Board and Commissions</u>

$60,000 is budgeted next year for a complete re-write of the zoning ordinance. Money ais also budgeted for the planned completion of field gate design engineering which will have to be reviewed and then billed to the developer.

<u>Department of Administration</u>

A new Administrator will be coming aboard in 2024 and this will change the entire dynamic of how we do things. $12,000 was budgeted for the period of transition which will be from November until mid-December.

<u>Department of Inspectional Services</u>

All that is budgeted here is the fees we pay SafeBuilt for inspections. The code enforcement officer has been moved to the police department.

Emergency Services and Disaster Agency

This department covers siren maintenance and any disaster-response or preparedness costs. We also pay for our NIXLE annual fees out of this department at $2,600 per year. Vehicle maintenance was cut to $2,500 last year and we are going to try to keep vehicle maintenance costs at this level over the life of the plan. Several items not included in this budget which are changing include fees for pagers and radios that the village is going to have to budget for moving forward. We will try to do this within the parameters of this plan.

Department of Police

The expenses of the police department continue to increase with an actual cost of operation being $1,598,187 for the year ended April 30, 2022 to a projected $2,287,342 in FY 2027/2028; an increase of $689,155 or 43.12% over the next five years. With the General Fund revenue only increasing by $739,772 over this same period, the result is that the other departments or programs will not be able to grow in order to fund the police.

Squad car replacement is handled by the Police Department's own CESFA Account and contributions to this fund will ramp up to $78,000 per year in FY 2025 which is equal to the value of 1.3 squads per year. Every year we will then purchase a squad but every third year we will purchase two. The cost of 1.3 vehicles per year will also include a $500 annual increase to cover rising costs. There is also a one time reserve payment of $50,000 next year to balance the fund. The money from the annual contributions will then be in place for the purchases. No more annual budget wrangling over how to fund squad cars.

3,640 hours of part-time police is budgeted at $23.00 per hour which now excludes Code Enforcement. Code enforcement is budgeted at 900 hours at the part time officer rate. Police overtime is budgeted at 244 hours per officer per year and this includes training. Having sufficient police protection in the community and the new compliance requirements of the SAE-T Act costs money and we just have to accept this fact and find a way to pay for it. With the recent spike in violent crimes police protection becomes more vital to our community.

The Village will continue with its lease-purchase of five dash-cams and these payments cease in FY26. $13,000 is then budgeted in FY26 and FY27for replacement cameras. The Flock LPR system is also budgeted at $27,500 per year throughout the plan.

Another item to mention that is not in the plans is the asset forfeiture fund. There is a strong likelihood that the Village will receive a substantial sum of money for drug interdiction due to the cannabis cultivation center arrest on December 14th. The police department can use this to purchase a Chief's car and other equipment useful to public safety. This will be addressed later in the year and is not part of this plan.

Department of Environmental Health and Sanitation

We will have to address the issue of animal control if and when Dr. Dan McKay retires in the event no one continues the business.

Department of Streets and Alleys

This department historically funds two full-time public works employees. The Supt. position is funded in the Water Department and the Crew Leader is funded in the Sewer Department. A third employee is being proposed as Ron Emory is being transitioned to the Beecher WWTP. Payments have been established for the purchase of a 60" zero turn mower every other year. $10,000 more than customary has also been placed into vehicle repairs due to the cost of repairing the large diesel trucks. Other than a new bed for the 2003 International there are no new equipment or capital projects are planned out of this department.

Department of Buildings and Public Properties

The depot/museum is becoming a concern since we have hardly invested any money into this building since it was relocated and renovated in 2000. The roof, HVAC, and exterior will become suspect in the next five years. We are budgeting no new funds for buildings out of the General Fund for the next five years and this should be of concern. Bronze plaques for the Historical Preservation Commission has been restored at $1,400 per year.

The new police station is not addressed in this plan in addition to any proceeds which may result from the sale of 724 Penfield. This project is being handled separately from this plana and has its own escrow account for deposits and expenses related to the new station.

Capital Improvements

No new capital improvements are planned over the next five years using General Fund money.

Comprehensive Expenses

The era of sales tax and property tax abatements have come to an end and there are none forecast in the five year plan.

Workers compensation and liability insurance was forecast to increase at 5% per year. This department pays half the total premiums for insurance and the Water and Sewer Funds each pay 1/4.

This department also handles all of the transfers out of the General Fund. The first is for transfer of tax levy funds to the G.O. Bond Redemption Fund for the payment of bonds per auditor recommendation. The second are annual transfers to the CESFA for the payback of equipment purchased by the fund over time for street department equipment. The new GO Bond payments for the police station are shown in this plan starting at $334,207 per year.

Parks and Recreation Department

This department now has an annual debt service payment of $29,296 per year for the splash pad in Firemen's Park. 646 hours or part time labor each year is dedicated to Firemen's Park. There was some discussion regarding budgeting some capital improvements in the park for the coming year but the decision was made to use ARPA funds for this purpose.

CESFA

This plan shows the equipment which has been purchased, the equipment scheduled for purchase over the next five years and the equipment that will need to be replaced beyond five years. At the end of the replacement schedule a new cycle of equipment replacement will begin. This plan will provide for adequate equipment replacement to provide the vital services for the Village, and will generate annual contributions from the other funds of $103,248 per year by FY 27/28. This fiscal exercise will allow for continual equipment replacement and should reduce the grief levels we experience every year when a Fund has to come up with a large amount to replace aging equipment. In FY 23/24 it is proposed that we replace the 35G mini-excavator with a larger unit for $72,000 and a 60" zero turn mower for $10,600. We take a year off in FY 24/25 and in FY 25/26 we replace the 2015 F250 but keep the old truck as a back-up unit for $60,000 and replace a zero turn mover for $13,890. In FY 26/27 we are scheduled to replace the 2003 International 7400 for $120,000 and in FY 27/28 we will either replace the 2005 International 4300 or the 1996 SECA Sewer Jetter. We will be better able to make this decision next year.

Refuse Fund

We now in our last year of our original 10 year contract with Homewood Disposal and a rate structure in place which allows for planned use of reserve cash in this fund to reduce the impact of rising rates on Village residents. Then in 2023 the refuse extension kicks in at an annual rate increase of $0.75 per month each year through June of 2028. The Village will charge a rate that is $1.32 more.

The planned transfer of $1.35 per month per costumer from Refuse to General to help cover leaf collection and brush-pick up is also in the plan. Yardwaste stickers will continue to be sold in house and is set us as a pass-through.

The Village is still charging all credit card fees to the refuse fund and this is planned to continue until such time the fees become larger and we are able to appropriately charge each fund for the fee. Until that time we will continue using the refuse fund for this purpose.

Motor Fuel Tax Fund

This fund will be the main contributor to the 20% local match for the Penfield Street STP Project. In FY 2023, $1,066,650 will be paid out of the fund to IDOT for 80% of our local match; of which $650,000 will be borrowed funds. The remaining $571,556 will be paid in FY 2024 and reserves from General and Infrastructure may be required but with the recent increase in federal funding this may not be necessary. What is unknown is the cost of any change orders which will be purely on the Village since we are at our federal cap for this project. Annual payments on the $650,000 borrowed will be $81,250 per year for 10 years, and coupled with the $99,000 in annual maintenance costs the MFT Account will all but fully spent for the next 11 years.

Police Capital Equipment Sinking Fund

This is a new fund created on 5/1/2022 which collects annual funding equal to 1.33 squad cars each year out of the General Fund and then provide for the purchase of one squad car every year and an additional squad car every third year. Any excess cash collected in the fund can be used to purchase other police-related vehicles such as a golf cart, ATV, or motorcycle.

The price of vehicles have increased dramatically so the assumptions used in determining annual contributions have changed. In FY 2023, an additional $50,000 is provided to re-supply the Account. We also increased the purchase and conversion of a new squad from $43,000 to $55,000 starting in FY 2023. Starting in FY 26/27 we will add $2,000 to the purchase price of a vehicle adding $500 to each of the annual payments which will give us the ability to cover increasing prices if they occur. The Fund will have to be monitored to guarantee stability.

Bond Redemption Account

This account has become a pass-through for the deposit of the real estate levy to pay off the bonds as is required by ordinance on annual basis.

New this year is the added GO Bond payments we can expect from the $3,950,000 GO Bond issue for the new police station.

Public Infrastructure Account

In 2017, the Village Board has decided to place all of its emphasis on completing the Penfield Street STP Project. The Board also decided to include the replacement of the bridge over Trim Creek. These actions have delayed plans to resurface Village streets every third year. Instead, we are able to budget $100,000 per year for a 2” overlay grind and resurface of about 2 blocks of street each year. $55,000 is budgeted each year for curb and sidewalk replacement and mud jacking, and $15,000 is budgeted for additional asphalt patching of streets. The thermoplastic striping of streets is scheduled for 2023. These projects will deplete the fund to a balance of $115,269 on April 30, 2027. ***There is still an insufficient revenue stream for the resurfacing of roads.*** One of the revenue sources remaining which the Village suspended in 2007 when the 1/2% sales tax was adopted is the vehicle sticker. However, 13 years later it is obvious that the 1/2% sales tax is not keeping up with the road projects the Village has planned. The $20 annual sticker generated only $62,000 in 2007. The issue of resurfacing remains an open policy issue.

There may be two opportunities forthcoming to address this issue. The first is legislation which proposes a non-home rule gas tax of up to $0.03 per gallon for road repairs which staff believes would generate about $100,000 per year. The second and more lucrative legislative proposal is a non home rule sales tax of an additional 1% adopted by ordinance which would generate another $600,000 per year. If this were to occur, staff would recommend taking ½ this about to abate property taxes for residents and the other ½ to repair roads. Let the General Fund keep its casino taxes and any increases to the LGDF. These new taxes must be pledged to infrastucutre; more specifically road repairs. This is an area which we have neglected for years.

WATER FUND

Revenues for the Water Fund include the new annual $0.25 rate increase will generate about $28,022 per year, and the high capacity user charge of $1.00 per 1,000 gallons over 30,000 gallons billed which is producing about $13,000 annually. These charges and their application to the water system have helped to stabilize the Water Fund. Water billed also showed an increase for the first time in several years. The rate increase and a small increase in usage allowed for the balancing of the Water Fund in the five year horizon; a feat which we have never been able to accomplish. However, we continue to fund only operation with these rates, not the repair or replacement of major ticket items such as the wells or the water tower.

Water billed, the main source of all revenue for the system, has remained flat. Therefore, the water system must survive on the additional $28,022 per year in rates and cuts to operating expenses. So far this has worked. Water billed has trended as follows:

2012	121,441,136
2013	121,082,637
2014	114,855,534
2015	109,037,710
2016	111,215,000
2017	111,312,163
2018	109,873,000
2019	107,420,300
2020	110,726,000
2021	112,089,000
2022	109,175,000

We are operating on more than 10 million gallons LESS in water billed than we were 10 years ago. The loss of 10,000,000 gallons of water billed is 10,000 billings units x the rate. For the water department, this is a loss of $68,500. Prior years rate increases and high capacity charges have offset this loss to some extent, but we have to somehow turn around this lower gallons billed cycle and return to the 2012 and 2013 levels. Lower usage could be attributed to no new customers, wetter summer seasons, higher rates encouraging lower consumption, and more efficient water fixtures mandated by state law. The short-term spike we saw in 2020 and 2021 was probably due to the pandemic as residents were forced to work and recreate from home. In 2022 we dropped back to pre-pandemic levels. If these assumptions were true, then water pumped should also be going down. Let's see:

YEAR	GALLONS BILLED	GALLONS PUMPED	DIFFERENCE
2012	121,441,136	170,013,000	48,568,000
2013	121,082,637	187,076,000	65,993,363
2014	114,855,534	197,987,000	83,131,646
2015	109,037,710	176,712,000	67,674,290
2016	111,215,000	147,554,000	36,339,000
2017	111,312,163	161,185,000	49,872,837
2018	109,873,000	172,034,000	62,161,000
2019	107,420,300	172,699,000	65,278,700
2020	110,726,000	187,533,000	76,807,000
2021	112,089,000	180,838,000	68,749,000
2022	109,175,000	160,214,000	51,039,000

In 2016 we reached a billed to pumped ratio of 75.37% which is acceptable given the amount of metered but not billed that was occurring during that time which accounts for another 5% of un-billed water. We are using 2016 as our benchmark. Although we are not there yet, we have improved to our best ratio since 2017. To look at this issue another way, have to pump water for about 4 months for free before we begin to collect on the water we pump. This is a performance measurement that we have to improve upon, and this will continue to be a priority of Village staff and the public works department.

The watermain replacement charge of $2 per 1,000 gallons generates $225,000 per year. The flat charge for watermain replacement generates $42,000 per year. These two line items are to be transferred at minimum annually to the Watermain Replacement Account.

Rates and charges are established to provide adequate water service to the community over the plan period. Any increase in water charges above what is projected will be required for use as capital replacement. A minimum fund balance of $402,018 should be targeted for the O+M Account by 4/30/28 based on IGFOA Standard of 25% of annual operating costs ($829,118 for Water Dept. And $778,953 for Sewer Dept.) to use as a rainy day fund for emergency repairs and loss of income. The projected fund balance at the end of this five year plan is $138,233. However, the auditors also look at the other water and sewer accounts including debt service and water main replacement so the fund balance actually increases to $867,947 on 4/30/28. This is why we do not get dinged in our reports for having such a low O+M balance.

No major water improvement projects are scheduled over the five year period. However, staff has concerns regarding the maintenance of the existing water tower and the shafts of Wells #3 and #4. The motor on Well #5 is also planned to go out over the next five years since we purchased a motor with a 10-15 year life expectancy in 2009. Well #5 also needs a generator. If the town does begin to grow the next capital item we would need is a 300,000 gl elevated tank either on Eagle Lake Road in Nantucket Cove and or at Indiana and Cardinal Creek Blvd. Current pricing for such a tower would be around $2 million.

SEWER FUND

Lift station charges and debt service charges are being shown as separate line items to provide the Board with more detailed information. Sewer Fund collections were determined by taking the actual amount of collections in the most recent 12 months ($ 582,418) and adding the $0.25 rate increase on one year of water billed ($28,022) to come up with a projection of $610,440 for FY 23/24. The annual $0.25 increase ($28,022) was then added for each additional year. No new water usage was projected due to our recent declining billing rates. Lift station and debt service charges were based on the number of billing units per fiscal year for each.

The new sewer plant operator's contract (John Hernandez) expires in April, 2028, and these new figures are reflected in the plan. We are also experiencing an increase in repair and maintenance costs as the WWTP ages and our initial inventory of parts is depleting. To meet new Type I major plant operating parameters as set by the IEPA, we need more chemical and to run the plant harder. The transitional toxicity limits are now at their lowest, and we have to keep them there. This is costing more.

As is the case in the Water Fund, there is no allocation for capital in the Sewer Fund with the exception the annual repayment to CESFA for the replacement of allocated equipment and a one time expense of $50,000 to rebuild the Fairway Drive lift station in FY 24/25. We are only paying for the operation and the debt service of the system. Therefore, the rates currently being charged do not reflect the need to begin replacing aging equipment, leaky sewer pipes or wastewater treatment plant rehabilitation and these repairs will have to be funded from other sources. The amount of unencumbered fund balance is only $138,233 in the O+M Account which is currently a contingency reserve. This amount can be used for any emergency which may occur resulting in major repairs to the system. This funding is also shared with the Water Department.

The Sewer Fund's financial plan shows that we can operate the system with the revenues projected but with a structural deficit of $25,000 per year eating into our reserves. The costs of operating the new wastewater treatment plant are more known to us now, giving us more confidence in our spending projections. However, we are still not setting aside funding for the replacement of equipment and slip lining aging clay pipes which is going to become a huge problem in the 10-20 year window. The need for a sewer rate increase will need to be discussed in the future and preferably next year.

WATER AND SEWER CAPITAL FUND

The Village has taken the position that tap-in fees shall not be used as a source of future revenue. Therefore, only what is actually in the bank can be used and any use of this funding is viewed upon as deficit spending. The five year financial plan, however, does assume that tap-in fees will be collected as projected in the assumptions for the plan beginning in 2024. The following is what has been collected in tap-in fees since 2014:

FY 14/15:	$ 10,067
FY 15/16:	27,506
FY 16/17:	26,330
FY 17/18:	49,660
FY 18/19:	40,090
FY 19/20:	34,824*
FY 20/21:	-0-
FY 21/22:	-0-
FY 22/23:	-0-

*prior to imposition of moratorium

Now that the moratorium is in place for two more years, the Village will have to live off the remaining reserves in the account. This reserve is expected to be only $16,121 at the end of this fiscal year. For the next two years, it is planned that the Village only use this reserve for planning services ($6,000) and economic development services ($4,500). The account should be close to $5,000 balance at the end of the next three years. Until that time we have to find another funding source for the meter replacement program. This will have to come out of the operating expenses of the water department.

The following is a list of funded water and sewer capital projects over the next five years using tap-in fees if they are collected:

2026: Pull and replace casing in Well #3. Trim bowls. $95,000.

2024: Rehab Fairway Drive lift station: $35,000 (Combined with $50,000 in O+M)

2025: New generator for Well #5 ($50,000)

2026: Replace submersible pump and motor at Well #5 with 1,000 gpm Byron-Jackson line shaft system. Cost: $100,000.

The following projects are very substantial and are within our five year horizon and deserve to be discussed on their own merits as part of the plan.

Penfield Street Reconstruction Project

PROJECT TIMELINE: Construction in 2022, completion in 2023.
COST: $5,874,400 (Construction and CE III)

Village portion of project cost: $1,194,680

Village to pay $544,680 in MFT reserves and obligate future MFT revenues for a $650,000 loan over 10 years at 5% from a local bank.

$650,000 x 0.05 x 10/2 = $162,500 in interest

($162,500 + $650,000) / 10 = $81,250 in annual debt service payments

To be paid with MFT revenue.

These are post bid award figures:

PENFIELD STREET S.T.P. PROJECT COST BREAKDOWN AS OF 12/1/22

Description	Total Cost	Fed Share	Village Share
Design Engineering	$381,750	$305,400	$76,350 (Infrastructure)
Bridge over Trim Creek	$600,000	$480,000	$120,000
Road Rehabilitation, Curbs, Sidewalks, Storm Sewers, Watermain Under Bridge	$4,153,400	$3,332,720	$ 820,680
Sanitary Sewer Spot Repairs	$11,000	-0-	$11,000
Ornamental Street Lighting	$640,000	$512,000	$128,000
Construction Observation and Contract Management	$481,000	$384,800	$96,200
TOTALS	**$6,267,150**	**$4,996,120 (capped)**	**$1,271,030**

WATER AND SEWER DEBT SERVICE FUND

The sole purpose of this account is provide a reserve and make payment toward the 2019 IEPA loan of $10,142,000 for the Beecher WWTP Rehabilitation. These annual payments of $402,878 will run through 2049. The Village has pledged the utility tax, ½% of the public infrastructure sales tax, and a $60/yr debt service charge on each sewer account to pay off this loan. In addition, an amount equal to one annual payment should be retained in the fund at all times as a contingency reserve to ensure prompt payment of the loan. Currently this fund is estimated to have $665,942 on April 30, 2023 so there is about $250,000 in discretionary income at this time. This plan calls for keeping the fund balance at this level throughout the next five years to be used only for emergencies which may occur in the water and sewer system.

The amount of utility tax that is not needed to make loan payments is transferred to the General Fund as corporate revenue to pay for the administrative assistant and the office manager positions. The utility billing technician is paid from the operation and maintenance account. This account will be ramping up its transfers from the utility tax from $144,000 in FY 2023 to $175,000 in FY 2028. This is almost exactly what is needed to cover the two positions mentioned above including all benefits.

WATERMAIN REPLACEMENT ACCOUNT

In brief, this account has $280,000 in annual revenue from watermain charges and $70,000 in debt service costs on the Penfield watermain and mini-excavator payment over the next 18 years leaving $205,000 per year for replacement projects. To achieve economies of scale, there will be years when we do not do a project to bank funds for larger future projects. The Gould Street watermain project, although funded mostly with a $967,000 DCEO Grant, required another $400,000 in local matching funds of which $230,000 remains as a “due to” the ARPA Account. This will delay the accumulation of funds for another project for several years.

Dixie Highway has been designed and the estimated project cost is $750,000 but we have this on hold pending the outcome of the Gould Street project. We have also designed Miller Street from Dixie to Reed as an additional project we could try to accomplish with Biden infrastructure dollars and Will County ARPA grants which are coming down the pipeline. We also have the $4 million lead service line project which in effect is a debt on the books until the IEPA formally forgives the loan later in 2023. There are many moving pieces in the next few years so until the dust settles and we get these three projects completed we will wait on the next watermain replacement project.

Once the projects mentioned above are completed we will then focus on Catalpa north of Miller, the 400 block of Woodward, and the 400 block of Maxwell and Block Streets. From there we need to address Indiana from Dixie to Woodward as well. At the rate we are moving this is an aggressive five year plan, but realistically may take 10-20 years to complete.

AN OVERALL FINANCIAL STRATEGY FOR THE FUTURE

The Village Board has positioned itself to deal with long term financial needs by using fiscal discipline in making annual payments to the Capital Equipment Sinking Fund Account for equipment it has already purchased. The Village has also suffered from a reduction in State revenues prior to the pandemic and is still trying to recover from that difficult period. When the pandemic struck, the Village drastically cut expenses one year and slowly increased them in the second year which has now provided increased fund balance. However, the plan continues to struggle with revenues over expenses especially in the long term. Revenues still do not appear to keep up with expenses as they should. The short term picture is much brighter however than it was in years past.

All current debt is covered, but staff would advise against incurring any new debt other than what is proposed in this plan unless absolutely necessary until our current debt load is reduced. The future capital needs of the wastewater treatment plant can be provided by a portion of the current utility tax, debt service charges and a new ½% sales tax approved by voters. The 2002 water tank loan and the $350,000 balloon loan has been paid off. The Village also re-structured the existing G.O. Bond debt in 2019 to make flat $88,000 payments per year reducing demand on the property tax rate. The Village's infrastructure also continues to age, and the watermain replacement account with the $2 water rate pledged for main replacement has already begun to address this necessity. The Water and Sewer Funds will be closely monitored in the coming three years as costs are predicted to be highly variable with the new sewer plant permit conditions. A sewer rate increase is inevitable probably in the 2024 timeframe.

Another major project on the horizon is the Penfield Street STP project, with $4,996,120 in federal funding and $1,271,030 in Village funding to complete the estimated $6,267,150 project from Dixie to Reed. This project is slated to begin in 2023 and a bid has been awrded to Iroquois Paving. With the Village's involvement in this project and its commitment to repairing sidewalk and curbs, major road resurfacing plans continue to be on hold. The Board will have to address the issue of resurfacing streets within the five year time frame of this plan or the depth of the problem could soon be insurmountable. The plan brings up some options to consider in the text portion only including a non home rule gas tax and sales tax for road resurfacing. These concepts will be discussed in the coming years.

This is the financial plan for the Village for FY 2023 through FY 2027 as of January 23, 2023. All projections and assumptions were made using data collected prior to this date. It is hoped that this work product is a useful planning tool as we prepare a budget for the coming fiscal year.

Robert O. Barber
Village Administrator