



CITY OF PARK RIDGE

M E M O R A N D U M

DATE: April 18, 2014
TO: Mayor & Aldermen
FROM: Finance Director Kent Oliven
RE: FY15 Budget Summary

I. Overview

The FY15 budget was discussed in open session at five budget workshops (February 4, February 18, March 4, March 11, and March 19). A FY16 and FY17 projection by fund and a December 2014 property tax levy forecast, was derived from that resulting FY15 budget and was discussed at the subsequent March 24 Finance Committee of the Whole. On April 21, a Budget Hearing will take place, followed by the City Council meeting in which the budget will be passed by fund.

The overall FY15 budget, which includes all funds, has revenues of \$61,673,703 and expenditures of \$67,724,471, resulting in an overall, all fund deficit of \$6,050,768. Over one-third of that deficit, or \$2,131,612, comes from the last year of the Sewer Construction Fund, where bond monies are supposed to be deficit spent in order to add relief sewers and to connect some lines to higher capacity sewers. The Water Fund has a \$992,807 deficit. As part of the budget process the \$601,208 Parking Fund deficit was discussed, with the result that the City Council decided to review parking rates in FY15. The Uptown TIF, which is discussed in further detail later in this memorandum, has a FY15 deficit of \$653,804. The Municipal Waste (Refuse/Garbage) Fund was a deficit of \$123,325 and fluctuates from year to year, but is ultimately funded by levied property taxes. The Library, whose budget is passed by an independent Park Ridge Library Board, has a \$368,510 budget deficit.

Budgeting for internal service funds is not required, but is good practice. With that in mind, for the second time, the City Council budgeted for the Motor Equipment Replacement Fund (MERF) and the Technology Replacement Fund. It was decided to dip into fund balance to fund FY15 projects. Those deficits are \$939,393 and \$401,901, respectively.

To track changes to all funds made during the budget process, the City uses a Fund Balance Scorecard document. Last year's version was improved to include the current fiscal year's forecast, and this year's version added whether funds were balanced and fund types in order to help determine whether a fund met the 50% Council approval or 75% Council approval rules set by ordinance.

In FY15 there were carryovers. Since it was only in the FY14 budget that carryovers were introduced and formally defined, they will be reviewed here. If, at the end of a fiscal year, there are capital projects in progress, or if there are unspent major purchases or contractual services, they should be budgeted

Our Mission:

THE CITY OF PARK RIDGE IS COMMITTED TO PROVIDING EXCELLENCE IN CITY SERVICES IN ORDER TO UPHOLD A HIGH QUALITY OF LIFE, SO OUR COMMUNITY REMAINS A WONDERFUL PLACE TO LIVE AND WORK.

again in the next fiscal year using funds carried over from the prior fiscal yearⁱ. "Carryovers" is the term used to "re-request" these large budgeted amounts in the subsequent fiscal year.

There are three General Fund FY14 to FY15 carryover items, accounting for \$148,000. Across all funds the carryovers total \$1,852,577 most of which is attributable to a long and cold winter delaying projects until the next fiscal year.

II. Governmental Funds

A. The General Fund

1. General Fund Overview

In the first Budget Workshop on February 4, City Manager Shawn Hamilton presented the City Council with an initial FY15 General Fund surplus, or increase to fund balance, of \$239,522. By the end of the budget process this had increased to \$581,877, even after the introduction of carryovers, due to both Council changes and management changes.

2. General Fund Revenues

The Illinois Municipal League (IML) projects State of Illinois Shared Taxes, or taxes that are based on per capita distributions, as well as Personal Property Replacement Tax (PPRT). For the General Fund, the IML's projections resulted in a projected \$3,665,544 in Income Taxes (LGDF), \$677,144 in Use Taxes, and \$322,433 in PPRT for FY15.

In FY15 sales taxes are a little more difficult to project than they would be in other years, as Whole Foods and Mariano's opened midway through FY14. Modeling sales tax, home rule sales tax (which excludes most food), package liquor, and food and beverages taxes produced an increase of 3% over the FY14 budget.

In FY15 the telecom tax is projected to have a marginal (1.6%) decrease, the same as has been happening for years, as more and more cut the landline cord.

Building permits are projected to see almost a 65% increase over the FY14 budget. Although this reflects the current increase in normal building activity, as well as a year over year increase due to flooding, most of this increase has to do with two one-time large building permit fees in FY15. On a related note, the FY15 budget has a 15% increase over the FY14 budget for non-exempt property transfers.

As a whole the utility taxes remained fairly flat from the FY14 budget, but there are two of particular note. First, the natural gas tax is 11% higher than the FY14 budget. Second, the water utility tax is 58% higher than the FY13 budgeted numbers as the utility tax had not been properly programmed to the municipal code, which was fixed in FY14.

FY15 projects \$200k for Court Fines, which is significantly above the \$56,721 FY14 budget amount. This, however, is in line with the FY14 forecast and reflects better enforcement and collections.

Finally, the Employee Contribution revenue line item will be zero in FY15. This is due to an accounting change and has no net effect on any budget surplus or deficit. [The City had been booking the employee contribution to revenue and adding it to the City's payment.]

3. General Fund Expenditures

In FY15 the General Fund is expected to have a budget surplus of \$581,877. This would increase to \$729,877 if the FY14 to FY15 carryover was not taken into account, as it just increases the FY14 forecast.

The budget is lean on capital projects, but includes \$110,000 for Fire Department Personal Protective Equipment (PPE) and \$20,000 for a fire station air conditioning replacement. Due to a hard FY14 winter, the salt budget increased \$145,000 over the original FY14 budget to \$275,000.

Not much changed with personnel. The HR Generalist moved from part-time to full time. A full-time Economic Development position was considered, but decided against. The Council did approve additional three fire personnel which was offset by a two-year "SAFR" grant.

B. Other Governmental Funds

The Uptown TIF fund is expected to lose \$653,804 in FY15, mainly due to an increase in bond payments. In FY14 the City adopted a Uptown TIF Strategic Plan, which was designed to raise revenues and lower costs, and it is being implemented. Additionally, in December 2013 the City Council made a change to the City's property tax levying policy. The new policy is to levy for any Uptown TIF debt service not covered directly by the Uptown TIF.

In FY15 the emergency dispatch services will move from Des Plaines to separate systems for both police and fire. These will result in additional savings, although not enough to erase the annual deficit.

The Motor Fuel Tax Fund will spend an additional \$28,789 for its portion of a project to replace the City's street lights with LED ones, which will minimize lights being out during blackouts.

The Sewer Construction Fund is expected to spend all of its remaining reserves, as originally intended, in FY15 and to close.

III. Proprietary Funds

A. Enterprise Funds

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

B. Internal Service Funds

Internal service funds provide services to other governmental departments. The City's two internal service funds, the Motor Equipment Replacement Fund (MERF) and the IT Replacement Fund, will deficit spend in FY15. The MERF fund will be purchasing two ambulances in FY15. The IT Replacement Fund will continue its modernization initiative, upgrading ERP databases for Finance and for CP&D.

IV. Summary

Based upon current FY14 forecasts and the FY15 budget outlined above and in the other budget documents, the current December 2014 property tax levy projection is an increase of 16.38%, due mainly to a dramatic increase in Uptown TIF bond payments. This is a preliminary projection that will likely change after actual revenues and expenditures for the first half of FY15 have been recorded.

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