VILLAGE OF GURNEE

COMMUNITY OF OPPORTUNITY

MULTI-YEAR FINANCIAL FORECAST

FISCAL YEARS 2019 – 2023

Presented on November 27, 2017

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Elected Officials & Staff

Elected Officials

Kristina M. Kovarik – Mayor

Andy Harris – Village Clerk

Jeanne Balmes – Trustee

Greg Garner – Trustee

Thomas Hood – Trustee

Karen Thorstenson – Trustee

Cheryl Ross – Trustee

Michael Jacobs – Trustee

Executive Staff

Patrick Muetz – Village Administrator

Kevin Woodside – Police Chief

John Kavanagh – Fire Chief

Tom Rigwood – Public Works Director

David Ziegler – Director of Community Development/Assistant Village Administrator

Scott Drabicki – Village Engineer

Ellen Dean – Economic Development Director

Brian Gosnell – Finance Director

Christine Palmieri – Human Resources Director

Chris Velkover – Information Systems Director

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SECTION I - OVERVIEW

Overview

Purpose & Objective

The Village prepares a Multi-Year Financial Forecast (MYFF) to identify current and future financial trends and develop solutions or strategies to guide financial and programmatic policy decisions. The Village does not levy a property tax, relying largely on economically sensitive revenues to fund operations and capital. As such, it is important to analyze the Village's financial condition based on past, current and projected economic conditions. Long-term financial planning is identified in the Village's strategic plan as a priority for the Village. The MYFF is intended to be a constantly changing document that is updated annually. It is not intended to be an absolute prediction of future financial results.

The primary objectives of the MYFF are;

- Ensure financial sustainability to meet service and capital needs
- Identify structural deficits or weaknesses
- Identify resources available for operating and capital expenditures
- Initiate discussion on policy or operational changes prior to the Annual Budget process
- Assist in the development of short and intermediate range goals & objectives for operating departments

Financial Policies

The Village maintains several policies to guide financial decision making and operations of the Finance Division. Financial Policies consist of the following;

- Accounts Receivable Policy
- Debt Policy
- Fixed Asset Policy
- Fund Balance Policy – General Corporate Fund
- Identity Theft Policy
- Investment Policy
- Purchasing Policy
- Social Security Number Protection Policy
- Fiscal Contingency Policy

The Fund Balance Policy is of particular relevance to the MYFF as it sets the parameters for the minimum fund balance and actions to be taken should the balance fall below the minimum. The Village has set the minimum fund balance in the General Fund at 35% of General Fund expenditures, not including transfers. Should the balance fall below 35%, the Village Board will be notified and steps to bring the balance into compliance with the policy will be undertaken. The policy also calls for the assignment of a portion of fund balance to cover annual debt service payments. The Financial Policies can be found as an appendix to the Annual Budget document.

Strategic Initiatives

In 2015, the Village Board updated the Strategic Plan. Several community focus groups and workshops with the Village Board and Staff were held to assist in the update. As a result of the workshops, the Village developed 5 Key Performance Areas and Critical Initiatives to be achieved over the next 1-5 years.

1. EXCEPTIONAL VILLAGE SERVICES AND STAFF
    a. INITIATIVE #1: Improve communication opportunities with stakeholders.
    b. INITIATIVE #2: Develop a plan for workforce and succession planning.
    c. INITIATIVE #3: Refine performance measures to improve village service delivery.
    d. INITIATIVE #4: Improve Business Processes Village-wide.
    e. INITIATIVE #5: Update the Fire Department's Reporting and Record Keeping Systems.

2. FISCAL SUSTAINABILITY
    a. INITIATIVE #1: Develop a plan for economic development that connects existing businesses with the Village, attracts new businesses and fills vacant store fronts.
    b. INITIATIVE #2: Update the Village financial policies.
    c. INITIATIVE #3: Develop a multi-year financial plan with contingency scenarios.
    d. INITIATIVE #4: Continue to conservatively fund pension liabilities.

3. WELL-MAINTAINED INFRASTRUCTURE
    a. INITIATIVE #1: Redevelopment of East Grand.
    b. INITIATIVE #2: Provide solutions for improved pedestrian and bicyclist movement throughout the community.
    c. INITIATIVE #3: Improve efforts to mitigate flooding and provide storm water management.
    d. INITIATIVE #4: Enhance Multi-Year Capital Plan to identify other key needs and opportunities for funding opportunities.
    e. INITIATIVE #5: Develop a Parkway Program as the standard for Public Works parkway operations.
    f. INITIATIVE #6: Explore opportunities for partnerships to provide enhanced communications via public Wi-Fi/open data/fiber infrastructure.

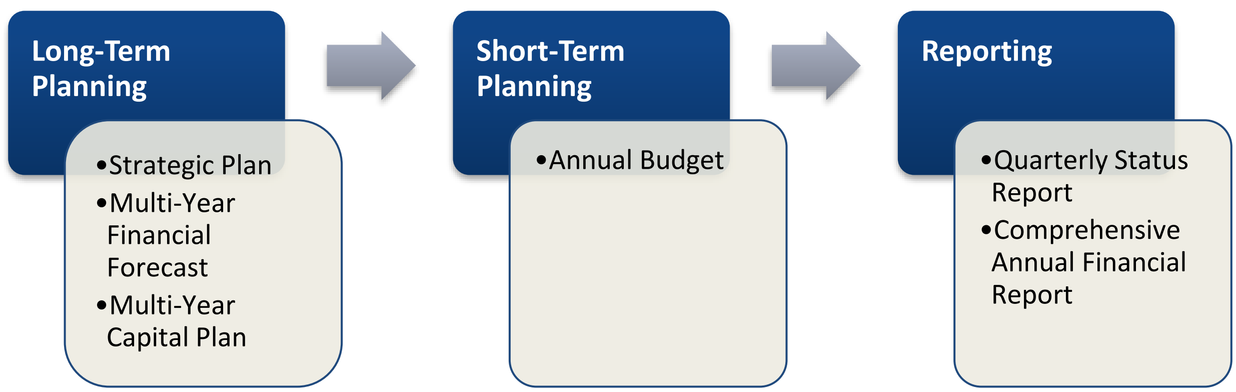
4. SAFE AND LIVABLE COMMUNITY
    a. INITIATIVE #1: Identify ways to increase public safety presence in retail districts to improve the sense of security.
    b. INITIATIVE #2: Update the Village Comprehensive Land Use and Subdivision plans.
    c. INITIATIVE #3: Research Opportunities for Shared Public Safety Communications Dispatch Services.
    d. INITIATIVE #4: Research opportunities to implement electronic citation technology.
    e. INITIATIVE #5: Research and implement a body worn camera program within the patrol division of the Police Department.

5. HIGH QUALITY LIFESTYLE
    a. INITIATIVE #1: Improve Public Transportation opportunities.
    b. INITIATIVE #2: Attract and Retain Boutique and Small Business Stores/Restaurants.
    c. INITIATIVE #3: Build Welton Plaza.
    d. INITIATIVE #4: Encourage private sector investment and deployment of Gigabit speed Internet Services for Village Residents and Businesses.

Financial Planning & Reporting Process

The Village has implemented a comprehensive approach to financial planning & reporting. The process spans a full year starting in October with the long-range plans that culminate in the Annual Budget. Following approval of the Annual Budget, the Finance Director reports the financial status of the current budget year to the Village Board at the end of every fiscal quarter. Following the close of the fiscal year, the Village is required to have an annual financial audit and publish audited financial statements by October 31st.

The MYFF is the first step in the process and determines available funding for the Multi-Year Capital Plan as well as identifies any structural deficiencies that may require policy or operational changes prior to preparation of the Annual Budget. The graphic below depicts the process and timeline.



Forecast Structure

The MYFF provides 5-years of historical actual information, the current fiscal year estimate and a 5-year projection. The focus of the MYFF is to provide a funding target for the capital plan and identify deficiencies in operating funds, therefore only the major operating and capital funds are included in the forecast. The Village's fund structure is identified in the graphic below. Funds included in the MYFF are in bold.

Governmental Funds

- **General Fund (110)**
- 911 Fund (121)
- **Motor Fuel Tax Fund (122)**
- Impact Fee Fund (123)
- Asset Forfeiture Fund (124)
- **Capital Improvements Fund (131)**
- Bond Fund (141)
- SSA#2 Fund (142)

Proprietary Funds

- **Water & Sewer Operating Fund (221)**
- **Water & Sewer Capital Fund (223)**
- Golf Course Fund (211)

Fiduciary Funds

- Police Pension Fund (307)
- Fire Pension Fund (308)

For each fund, the MYFF includes a Revenue and Expenditure statement and a projection of changes in fund balance. Major revenue and expenditure forecasts and assumptions are included in the General Fund and Water & Sewer Operating fund sections.

In FY2018, the Village consolidated its 911 Fund with the City of Zion to form the Northeast Lake County Consolidated Emergency Telephone System Board (NLCC-ETSB). As such, the NLCC-ETSB controls the funding and expenditures related to the 911 system and State distributed ETSB funds. The anticipated expenditures related to the Village of Gurnee are included in the capital funding section, but a detailed revenue and expenditure forecast has been omitted.

Key Decision Points

Prior Years

During the previous MYFF discussion, the Village Board provided direction on several key decision points including the future use of funds from expiring debt service, a long-term water rate structure, and a strategy to address water & sewer infrastructure funding.

Expiring Debt Service

Series 2012 General Obligation Bonds expired in December of 2015. The annual debt service was approximately $415,000, split between the General Fund ($250,000) and Water & Sewer Fund ($165,000). Staff recommended and the Village Board concurred to capture 100% of the expiring debt service for capital improvements either within the operating budget or from available surplus at the end of the preceding year. The Village transferred $750,000 in April of 2017 from FY2017 General Fund year-end surplus to the Capital Improvement Fund and thus did not budget for an additional transfer in FY2017. The expiring debt service in the Water & Sewer Operating Fund is included in the annual infrastructure program and transferred to the Water & Sewer Capital Fund annually.

Series 2009 General Obligation Bonds are set to expire in December of 2017. The annual debt service is approximately $850,000 transferred from the General Fund to the Bond Fund. Staff recommended and the Village Board concurred to capture 50% or $425,000 for capital improvements either within the operating budget or from available surplus at the end of the preceding year starting in FY2019.

Long-Term Water Rate Structure

In 2011 the Village commissioned an engineering firm to perform water rate study after years of no increase and looming infrastructure costs. The study found the Village's rate was far below surrounding communities and relied on one-time revenues for development to support the water and sewer operations rather than rates. With a slowdown in development and less opportunity available, the Village put in place a rate structure that over time would begin to provide funding for infrastructure improvements. The rate plan expired in FY2016, and a new long-term plan was recommended that included annual increases of 5% in FY2017, followed by 3% annually on May 1 through FY2021. This rate structure is projected to provide sufficient capital and infrastructure funding by FY2021. However, capital and infrastructure funding needed to be addressed immediately to keep pace with the road replacement program until FY2021.

Water & Sewer Infrastructure Funding

To address the near-term infrastructure funding gap, staff proposed and the Village Board concurred on a hybrid model of using fund balance and a portion of the home rule sales tax dedicated to capital to bridge the gap. The Water & Sewer Operating Fund Balance will be intentionally drawn down by $450,000 annually through FY2021. In addition, a $300,000 transfer from either General Fund Surplus or the Capital Improvement fund budget will be made to the Water & Sewer Capital Fund. The Village transferred $200,000 in April of 2017 from FY2017 General Fund year-end surplus to the Water & Sewer Capital Fund and thus did not budget for an additional transfer in FY2018. The Water & Sewer Operating Fund ended FY2017 with a surplus of $803,755. In turn, the Village reduced the year-end transfer from the planned $300,000 to $200,000. Due to the large surplus balance, and anticipated continued surpluses, the forecast eliminates the transfer from the General Fund to the Water & Sewer Fund. Should the Water & Sewer Fund end a year without an operating surplus, the transfer will be revisited.

Threats and Opportunities to Financial Sustainability

Threats

Although not a new threat, the State of Illinois continues to struggle financially. During the FY2017, the State imposed a 10% reduction in Income Tax distributions to municipalities and a 2% administrative fee on the collection of Home Rule Sales Taxes. The impact to the Village of Gurnee is approximately $500,000 reduction in annual revenues from these two sources.

Sales tax accounts for approximately 45% of General Fund revenues and 85% of general government capital spending (Fund 131). Sales tax receipts over the last two fiscal years have decreased slightly at 0.90% and 0.06% respectively. Online shopping has shifted consumer habits when it comes to how consumers use brick and mortar retail. Consumers are more willing to window shop at brick and mortar and make a purchase online at a discount retailer. While consumers still visit commercial areas, spending habits revolve more around entertainment and eating options and less around physical goods from stores. The Village recognizes the shifting retail landscape and will closely monitor the impact of changing consumer habits and the taxability of goods and services within the Village.

Personnel costs including salary and benefits outpace historical growth in major revenues. Over the last 5 fiscal years, major revenues grew an average of 1.5% annually. Over that same time period personnel costs increased an average of 4.1%. With opportunities for new growth limited, and the absence of a property tax, the Village may need to rely on increases in other revenue sources to continue operations long-term at current staffing levels.

Changes in Federal regulation could pose an opportunity or a threat to local resources. With a change in Administrations at the Federal level and the promise of major changes in fiscal, monetary, healthcare and tax policy, the impact on the overall and local economy remains to be seen.

Opportunities

Following a State mandate to consolidate 911 centers, the Village brought on dispatch partners and consolidated Emergency Telephone Systems Boards with the City of Zion. The Village continues to seek partners to create efficiencies operating the 911 center.

The Village worked with the Urban Land Institute to study a revitalization plan for the East Grand commercial corridor. The plan identified several steps the Village can take to assist in the revitalization. A revitalized corridor could add to the Village's sales tax base. The Village added streetscaping in FY2018, and will continue to work with merchants to enhance the corridor.

As part of the Village's Strategic Plan, a committee was established to review and analyze business and service delivery processes to make them more efficient. The Gurnee Process Innovation Committee (GPIC) is an employee based committee that selects and reviews processes. The GPIC recommends changes to processes with the idea of making staff more efficient and reducing the need to increase the workforce in the future as services change. The Village is reviewing the purchasing of office supplies, customer relationship management software and building custodial services. Already the office supply review has resulted in a village wide vendor and awareness regarding purchasing across departments.

Approximately 20% of the current personnel are eligible for retirement in the next 5-years. This period provides an opportunity for the Village to assess services and service delivery for efficiencies. Through assessing vacant positions, adjustments can be made with minimal staff disruption or impact to employee morale. Personnel turnover accounts for approximately 2.5% savings annually and contributes to surpluses at the end of the year.

Following remodeling, the Great Wolf Lodge is scheduled to open in the spring of 2018. Adding this amenity to the Village provides an opportunity for business to co-promote. Great Wolf Lodge is already working with community partners on mutual marketing opportunities.

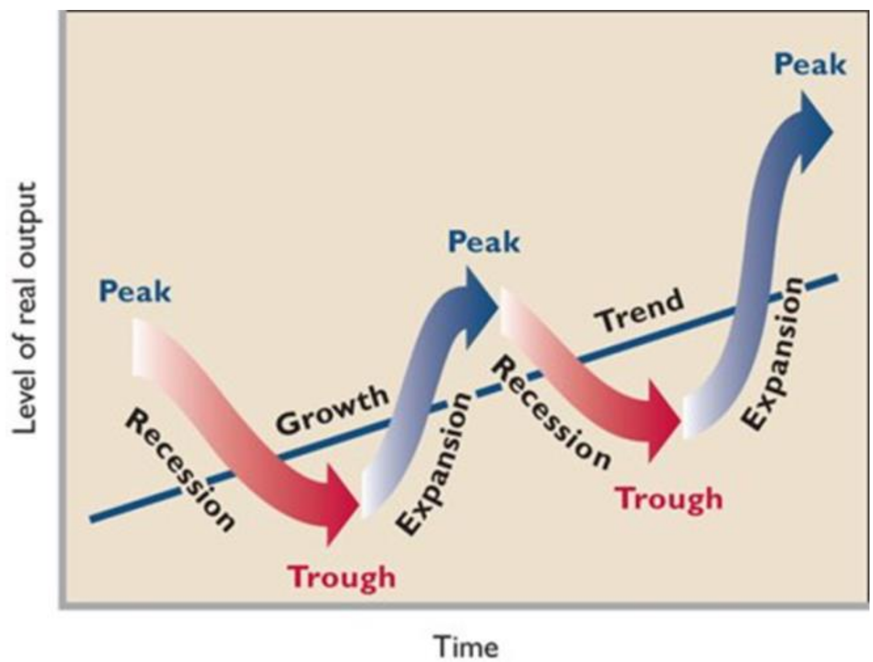
SECTION II – GENERAL FUND

General Fund (110)

Major Revenues

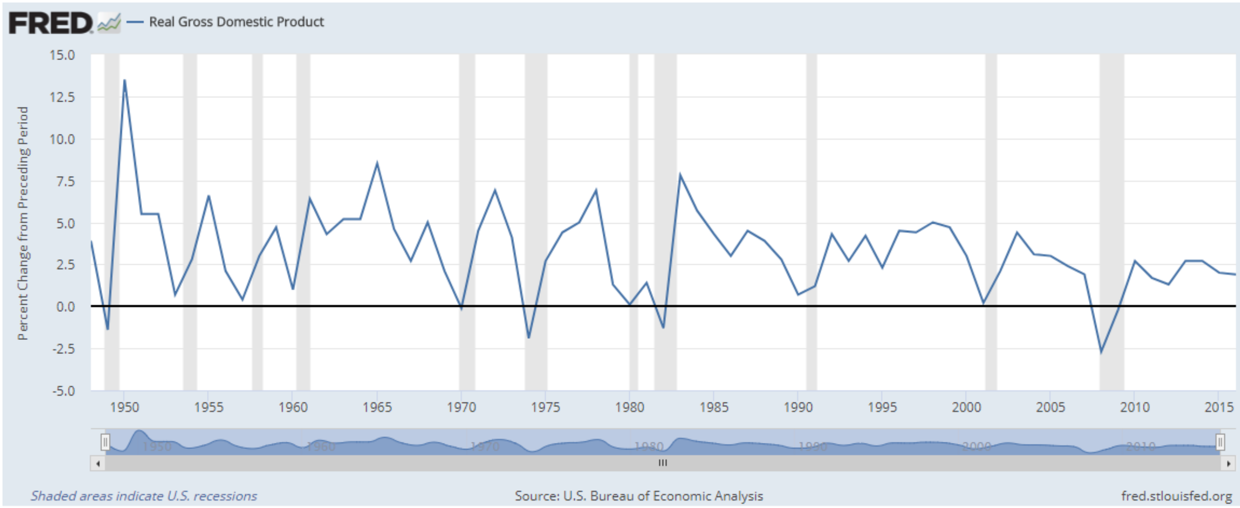
Major Revenue Modeling

Economically sensitive revenue sources, primarily those in the General Fund, are projected using 3 different models; baseline, expansion and contraction. The models are intended to show potential outcomes of economic changes on a broader scale reflective of the impact of past recessions on Village revenue sources. The revenue models follow changes from past business cycles or economic cycles. Economic cycles are defined by www.investopedia.com as *"The natural fluctuation of the economy between periods of expansion (growth) and contraction (recession). Factors such as gross domestic product (GDP), interest rates, levels of employment and consumer spending can help to determine the current stage of the economic cycle."* The graphic below depicts the fluctuation in the economy over time.

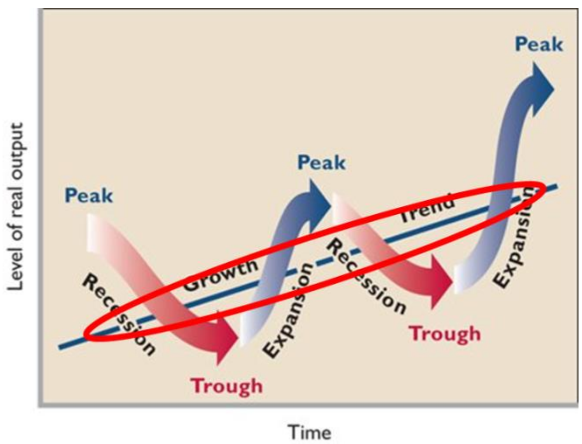


Source: www.harpercollege.edu

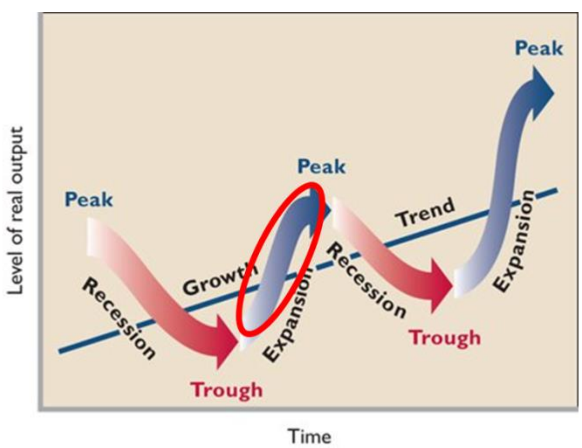
Economic cycles have been tracked by the National Bureau of Economic Research since 1940. This agency determines the official start and end of recessions retrospectively. Since 1945 there have been 11 business cycles with an average expansion period of about 60 months and an average recession of about 11 months. In the 3 cycles since 1990, the average expansion period has grown to about 85 months. The current expansion period began in June 2009. The graphic on the following page shows the economic cycles since 1940. Recessionary periods are shown as grey bars.



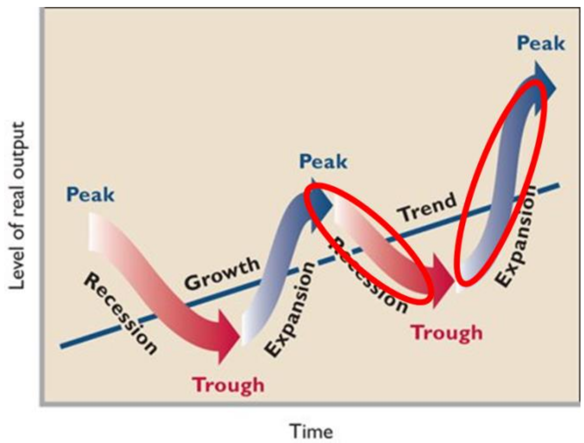
The change in economic cycles and the historical impact of past cycles on major revenues is the basis for the three models of major revenues.



Baseline Model - This model assumes revenues continue to grow at an average historical rate. The baseline revenue model assumes the average rate over the last 15 years (2 economic cycles) where available. This model discounts any fluctuations in the economy and is intended to project average long-term growth along the trend line highlighted in the graphic to the left.



Expansion Model - This model assumes the economy and major revenues will continue to grow at the rate of the last expansion period. This model is intended to show expansion continuing at the current rate and capture the point of the economic cycle highlighted in the graphic to the left.



Contraction Model - This model assumes a recession in the next fiscal year (FY2019). Revenue impacts are projected to be consistent with the 2001 recession, and in some cases the 2008 recession is also taken into account. The recession is projected to last one fiscal year followed by 4 years of expansion at the rate of the expansion model. The point in the economic cycle captured in this model is highlighted in the graphic to the left.

Sales Tax

Sales tax in the General Fund consists of the 1% municipal rate and 50% of the 1% home rule sales tax. The other 50% of the 1% home rule sales tax is recorded directly in the Capital Improvement Fund (131), as it is dedicated to capital and infrastructure per Village ordinance.

Sales tax projections assume;

- No change in the existing business mix
- No change in the collection or payment methods currently in place
- Impact of the 2% State collection fee on Home Rule Sales Tax

Projections are based on historical trend data and economic cycle data information from the National Bureau of Economic Research (NBER).

Baseline Model Projection

The baseline model captures a long-term historical trend to forecast future years. The MYFF takes into account a 15 year history of sales tax. For purposes of projecting sales tax, the impact of the 2008 recession was discounted 50% as this was a historic recession and not indicative of a typical recession. Discounting the increase, the average annual change in collections from FY2003 – FY2017 was 1.50%. Based on historical data and the assumptions noted above, the annual rate of change used in the baseline model for the forecast period is 1.50%.

Expansion Model Projection

The expansion model captures the trend over the last 5 years of expansion. According the NBER, the current expansion period began in 2009, and the economy is still considered to be in an expansion period. The average annual change in sales tax receipts for FY2011 – 2015 was 3.61%. The expansion model assumes the expansion continues throughout the forecast period and therefore the annual change used for the forecast period is 3.50%.

Contraction Model Projection

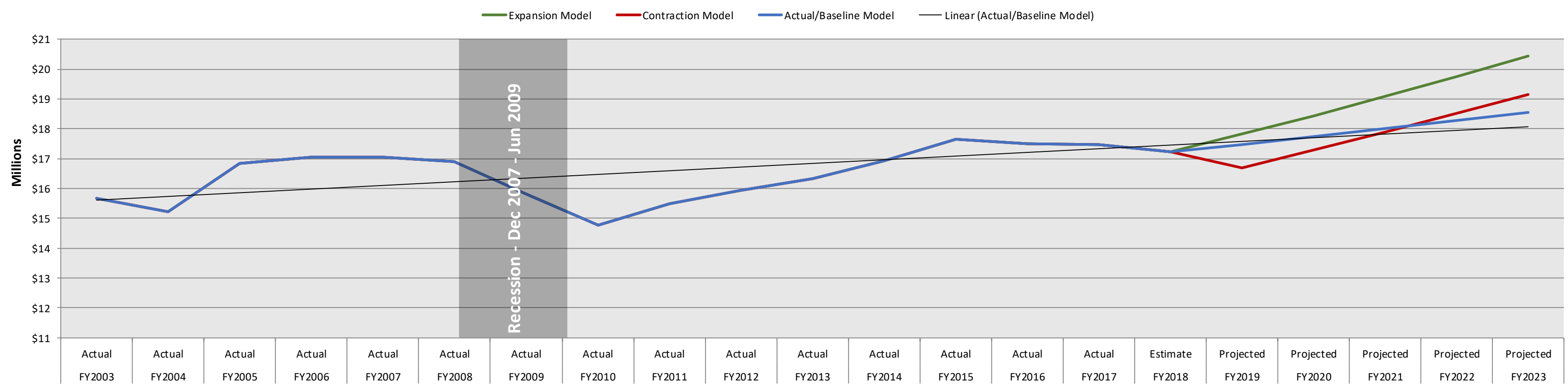
The contraction model assumes a recession in the subsequent fiscal year. According to the NBER, the average recession period since 1940 lasts approximately 1 year. The model uses the impact of the 2001 recession and 50.00% of the impact of the 2008 recession to determine the impact on sales tax for a 1 year period. The average drop in sales tax for FY2004, and FY2008 – 2010 was 3.00%. The contraction model assumes a drop of 3.00% in FY2019 followed by the expansion period rate of change 3.50% increase for the remainder for the forecast period.

Village of Gurnee
Multi-Year Financial Forecast
Municipal Sales Tax (State Shared 1% + 0.5% HMR)
Cash Basis

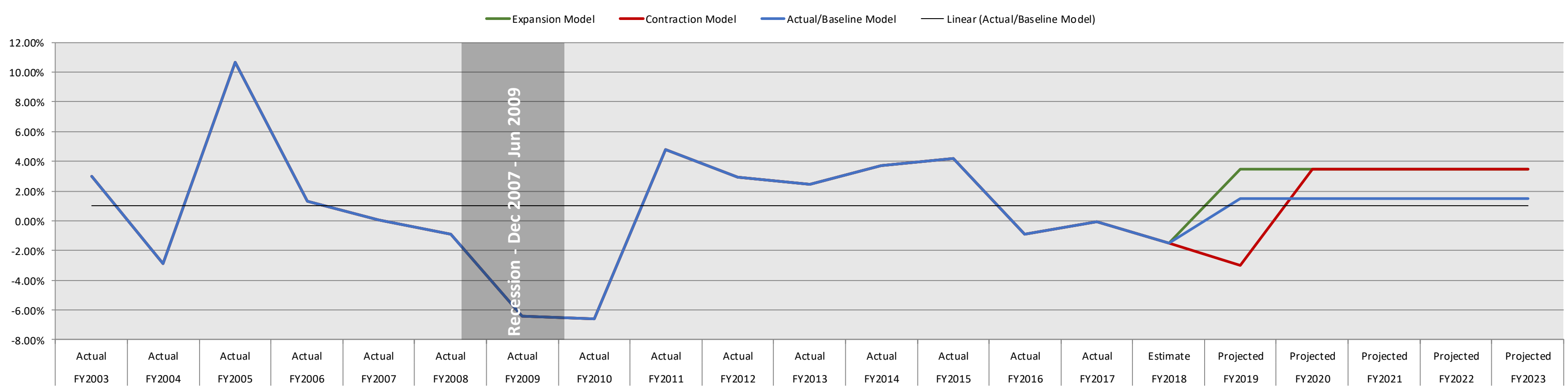
	Audited FY2003 Actual	Audited FY2004 Actual	Audited FY2005 Actual	Audited FY2006 Actual	Audited FY2007 Actual	Audited FY2008 Actual	Audited FY2009 Actual	Audited FY2010 Actual	Audited FY2011 Actual	Audited FY2012 Actual
Variance vs. Prior Year										
Actual/Baseline Model	2.99%	-2.90%	10.68%	1.29%	0.05%	-0.90%	-6.41%	-6.60%	4.76%	2.95%
Expansion Model	2.99%	-2.90%	10.68%	1.29%	0.05%	-0.90%	-6.41%	-6.60%	4.76%	2.95%
Contraction Model	2.99%	-2.90%	10.68%	1.29%	0.05%	-0.90%	-6.41%	-6.60%	4.76%	2.95%
Revenue Projections - 11010100-331301										
Actual/Baseline Model	$15,664,132	$15,210,633	$16,835,073	$17,052,628	$17,061,951	$16,908,594	$15,824,688	$14,780,196	$15,484,173	$15,941,337
Expansion Model	$15,664,132	$15,210,633	$16,835,073	$17,052,628	$17,061,951	$16,908,594	$15,824,688	$14,780,196	$15,484,173	$15,941,337
Contraction Model	$15,664,132	$15,210,633	$16,835,073	$17,052,628	$17,061,951	$16,908,594	$15,824,688	$14,780,196	$15,484,173	$15,941,337

	Audited FY2013 Actual	Audited FY2014 Actual	Audited FY2015 Actual	Audited FY2016 Actual	Audited FY2017 Actual	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Variance vs. Prior Year											
Actual/Baseline Model	2.47%	3.72%	4.17%	-0.90%	-0.06%	-1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Expansion Model	2.47%	3.72%	4.17%	-0.90%	-0.06%	-1.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Contraction Model	2.47%	3.72%	4.17%	-0.90%	-0.06%	-1.50%	-3.00%	3.50%	3.50%	3.50%	3.50%
Revenue Projections - 11010100-331301											
Actual/Baseline Model	$16,334,329	$16,941,664	$17,648,918	$17,490,747	$17,479,892	$17,217,000	$17,475,000	$17,737,000	$18,003,000	$18,273,000	$18,547,000
Expansion Model	$16,334,329	$16,941,664	$17,648,918	$17,490,747	$17,479,892	$17,217,000	$17,819,000	$18,442,000	$19,087,000	$19,755,000	$20,446,000
Contraction Model	$16,334,329	$16,941,664	$17,648,918	$17,490,747	$17,479,892	$17,217,000	$16,700,000	$17,284,000	$17,888,000	$18,514,000	$19,161,000
			Budget	$17,671,500	$17,375,000	$17,500,000					

15-Year History and 5-Year Projection Total Collected



15-Year History and 5-Year Projection % Change



Income Tax

Income taxes are collected and distributed by the IL Department of Revenue (IDOR). Currently individuals pay 3.75% and corporations pay 5.25%. Municipalities receive approximately 8.00% of all income tax collected from individuals, trusts and estates, and 9.14% of net collections from corporations (35ILCS 5/901 b).

Income tax projections assume;

- No change in the funding formula or distribution methodology by IDOR
- No change in population
- Impact of the 10% reduction starting in FY2018

Baseline Model Projection

The Baseline Model captures the long-term trend in income tax. The MYFF takes into account a 15 year history of collections. The average annual increase from FY2003 – FY2017 was 3.12%. Based on historical data, the baseline model assumes a 3.10% annual increase throughout the forecast period.

Expansion Model Projection

The Expansion Model captures the trend over the last 5 years of expansion. The average annual change in collections from FY2011 – FY2015 was 5.31%. The expansion model assumes an increase of 5.00% annually throughout the forecast period.

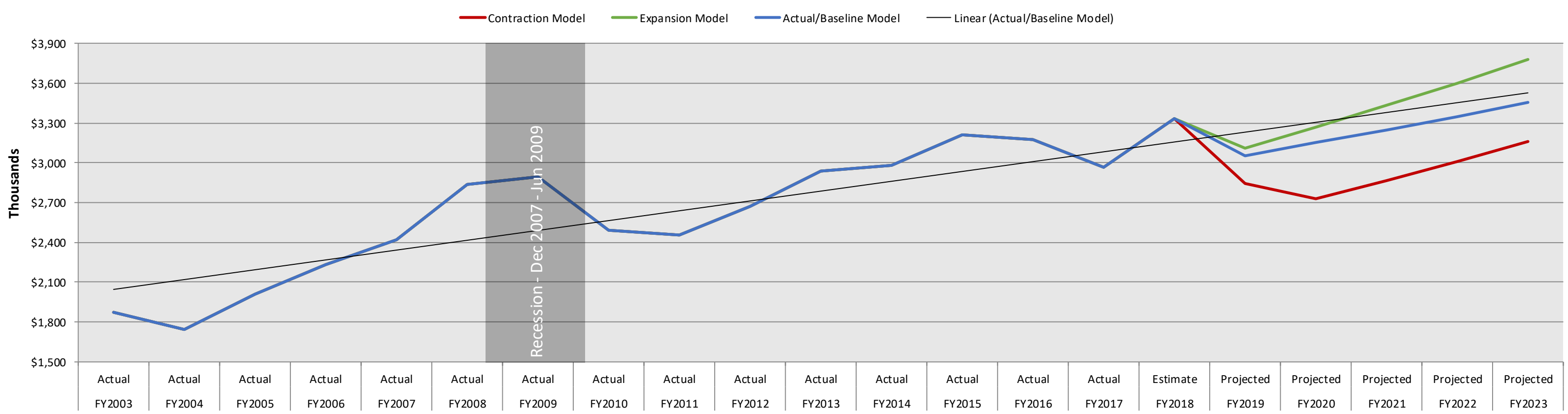
Contraction Model Projection

The Contraction Model assumes a recession in FY2019. Historically income tax has declined for 2 fiscal years following a recession. The impact of the 2008 recession was discounted 50.00%, due to the historical nature of the recession. For the 2 preceding fiscal years after the 2008 recessions, income taxed averaged a 4.10% decline. The contraction model assumes a 4.00% drop in FY2019-20 followed by an increase of 5.00% thereafter.

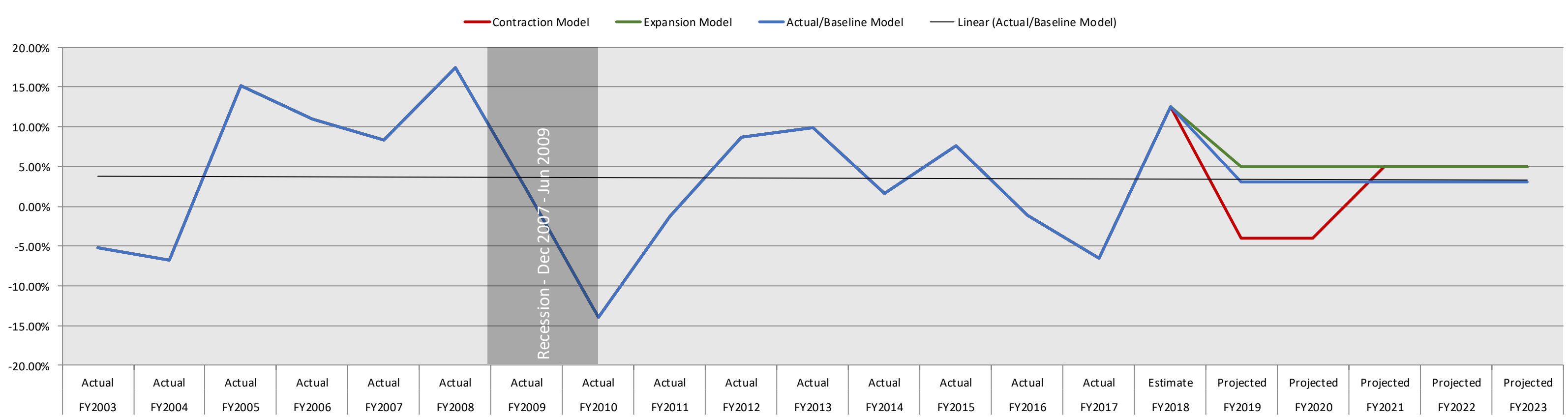
Village of Gurnee
Multi-Year Financial Forecast
Income Tax
Cash Basis

	Audited FY2003 Actual	Audited FY2004 Actual	Audited FY2005 Actual	Audited FY2006 Actual	Audited FY2007 Actual	Audited FY2008 Actual	Audited FY2009 Actual	Audited FY2010 Actual	Audited FY2011 Actual	Audited FY2012 Actual	Audited FY2013 Actual	Audited FY2014 Actual	Audited FY2015 Actual	Audited FY2016 Actual	Audited FY2017 Actual	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Assumption																					
Population (1)	28,834	28,834	28,834	28,834	28,834	28,834	28,834	28,834	31,295	31,295	31,295	31,295	31,295	31,295	31,295	31,295	31,295	31,295	31,295	31,295	31,295
Variance vs. Prior Year																					
Actual/Baseline Model	-5.23%	-6.79%	15.21%	11.01%	8.33%	17.40%	1.93%	-13.95%	-1.22%	8.70%	9.89%	1.62%	7.58%	-1.17%	-6.57%	12.53%	3.10%	3.10%	3.10%	3.10%	3.10%
Expansion Model	-5.23%	-6.79%	15.21%	11.01%	8.33%	17.40%	1.93%	-13.95%	-1.22%	8.70%	9.89%	1.62%	7.58%	-1.17%	-6.57%	12.53%	5.00%	5.00%	5.00%	5.00%	5.00%
Contraction Model	-5.23%	-6.79%	15.21%	11.01%	8.33%	17.40%	1.93%	-13.95% -0.069738	-1.22%	8.70%	9.89%	1.62%	7.58%	-1.17%	-6.57%	12.53%	-4.00%	-4.00%	5.00%	5.00%	5.00%
Revenue Projections - 11010100-333501																					
Actual/Baseline Model	$1,870,969	$1,744,001	$2,009,178	$2,230,355	$2,416,229	$2,836,671	$2,891,400	$2,488,119	$2,457,684	$2,671,432	$2,935,719	$2,983,395	$3,209,624	$3,172,141	$2,963,620	$3,335,100	$3,055,492	$3,150,212	$3,247,869	$3,348,553	$3,452,358
Expansion Model	$1,870,969	$1,744,001	$2,009,178	$2,230,355	$2,416,229	$2,836,671	$2,891,400	$2,488,119	$2,457,684	$2,671,432	$2,935,719	$2,983,395	$3,209,624	$3,172,141	$2,963,620	$3,335,100	$3,111,801	$3,267,391	$3,430,760	$3,602,298	$3,782,413
Contraction Model	$1,870,969	$1,744,001	$2,009,178	$2,230,355	$2,416,229	$2,836,671	$2,891,400	$2,488,119	$2,457,684	$2,671,432	$2,935,719	$2,983,395	$3,209,624	$3,172,141	$2,963,620	$3,335,100	$2,845,075	$2,731,272	$2,867,835	$3,011,227	$3,161,789
													Budget	$3,050,000	$3,125,000	$3,000,000					

15-Year History and 5-Year Projection Total Collected



15-Year History and 5-Year Projection % Change



Amusement Park Tax

Amusement Park Taxes are administered locally and consist of 3.00% of gross receipts for the Six Flags theme park. The Village also collects amusement tax from other entities, but the dollar amounts are insignificant to Major Revenues. Collections can vary greatly year to year based on new attractions, promotions and weather.

Amusement Park Tax projections assume;

- No change in the tax or collection method
- Impact of new attraction smoothed over 2 years

Since FY2010, the park has announced a new attraction every other year. The MYFF attempts to smooth out or average the year to year changes due to new attractions. In 2005, the park added Hurricane Harbor Water Park and saw a significant spike of 30.83% in collections.

Baseline Model Projection

The Baseline Model captures the average increase over the last 15 fiscal years. The average annual increase over this period is 1.71%. Based on historical trends, the baseline model assumes an annual increase in collection of 2.00%.

Expansion Model Projection

The Expansion Model captures the trend over the most recent 5 fiscal years (FY2013 – FY2017). On average over the last 5 fiscal years collections average an annual increase of 3.99%. The expansion model assumes an annual increase of 4.00%.

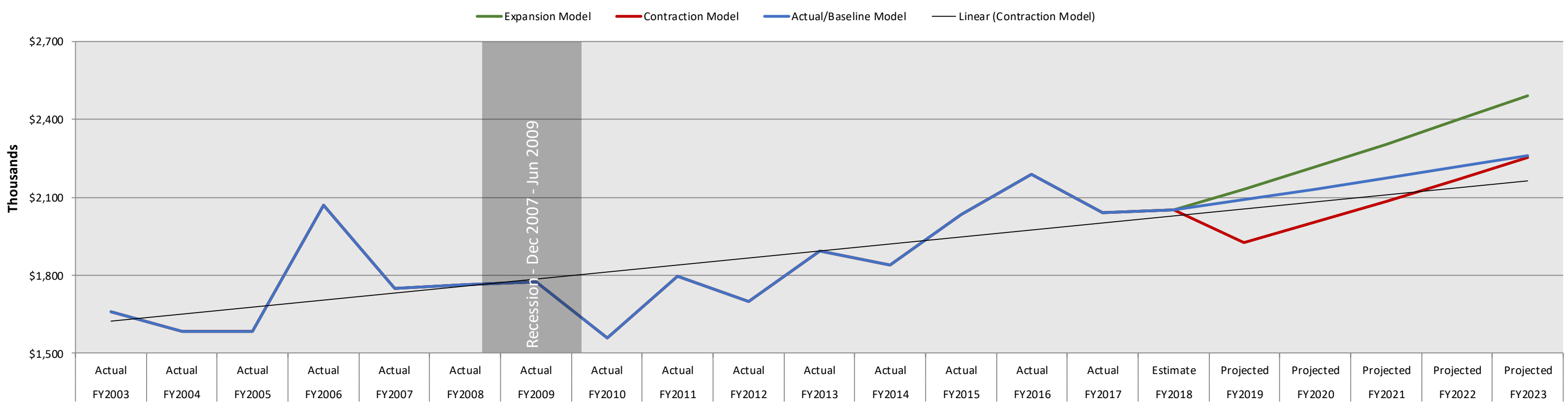
Contraction Model

The Contraction Model captures the impact of a recession followed by a recovery consistent with the expansion model. Following the 2008 recession, collections were essentially flat in FY2009 increasing only 0.43% despite several upgrades to the parks dining options. FY2010 declined 12.05% despite a new attraction, Buccaneer Battle, being added. On average, the immediate 2 years following the recessions declined 5.78% annually. The contraction model assumes a 6.00% drop in fiscal year 2019, followed by 4.00% growth thereafter.

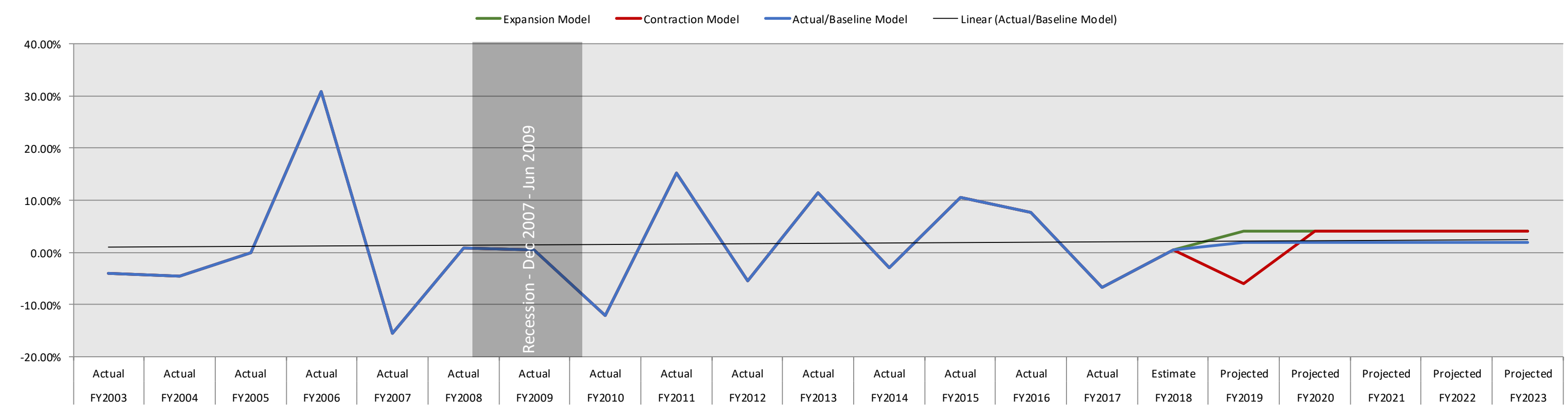
Village of Gurnee
Multi-Year Financial Forecast
Amusement Park Tax
Cash Basis

	Audited FY2003 Actual	Audited FY2004 Actual	Audited FY2005 Actual	Audited FY2006 Actual	Audited FY2007 Actual	Audited FY2008 Actual	Audited FY2009 Actual	Audited FY2010 Actual	Audited FY2011 Actual	Audited FY2012 Actual	Audited FY2013 Actual	Audited FY2014 Actual	Audited FY2015 Actual	Audited FY2016 Actual	Audited FY2017 Actual	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Variance vs. Prior Year																					
Actual/Baseline Model	-4.07%	-4.55%	-0.10%	30.83%	-15.46%	0.85%	0.49%	-12.05%	15.24%	-5.45%	11.45%	-2.95%	10.57%	7.64%	-6.77%	0.50%	2.00%	2.00%	2.00%	2.00%	2.00%
Expansion Model	-4.07%	-4.55%	-0.10%	30.83%	-15.46%	0.85%	0.49%	-12.05%	15.24%	-5.45%	11.45%	-2.95%	10.57%	7.64%	-6.77%	0.50%	4.00%	4.00%	4.00%	4.00%	4.00%
Contraction Model	-4.07%	-4.55%	-0.10%	30.83%	-15.46%	0.85%	0.49%	-12.05%	15.24%	-5.45%	11.45%	-2.95%	10.57%	7.64%	-6.77%	0.50%	-6.00%	4.00%	4.00%	4.00%	4.00%
Revenue Projections - 11010100-331601																					
Actual/Baseline Model	$1,659,925	$1,584,318	$1,582,725	$2,070,608	$1,750,484	$1,765,382	$1,773,968	$1,560,217	$1,797,917	$1,699,964	$1,894,547	$1,838,707	$2,033,077	$2,188,326	$2,040,273	$2,050,000	$2,091,000	$2,132,000	$2,174,000	$2,217,000	$2,261,000
Expansion Model	$1,659,925	$1,584,318	$1,582,725	$2,070,608	$1,750,484	$1,765,382	$1,773,968	$1,560,217	$1,797,917	$1,699,964	$1,894,547	$1,838,707	$2,033,077	$2,188,326	$2,040,273	$2,050,000	$2,132,000	$2,217,000	$2,305,000	$2,397,000	$2,492,000
Contraction Model	$1,659,925	$1,584,318	$1,582,725	$2,070,608	$1,750,484	$1,765,382	$1,773,968	$1,560,217	$1,797,917	$1,699,964	$1,894,547	$1,838,707	$2,033,077	$2,188,326	$2,040,273	$2,050,000	$1,927,000	$2,004,000	$2,084,000	$2,167,000	$2,253,000
													Budget	$1,900,000	$2,030,000	$2,030,000					

15-Year History and 5-Year Projection Total Collected



15-Year History and 5-Year Projection % Change



Food & Beverage Tax

The Food & Beverage tax is locally administered and consists of a 1.00% tax on food and beverages prepared for immediate consumption. The tax was put in place with an effective date of July 1, 2006. The MYFF assumes;

- No change in the amount of the tax
- No change in the current business mix

Baseline Model

The Baseline Model captures a long term average rate of change. Since it was instituted in FY2007, the food and beverage tax has averaged increases of 3.14% annually. The baseline model assumes a 3.50% annual increase throughout the forecast period.

Expansion Model

The Expansion Model captures the average growth rate over the last 5 fiscal years. From FY2013 – FY2017, food and beverage collections increased an average of 4.41% annually. The expansion model assumes this trend continues with a 4.4% increase throughout the forecast period.

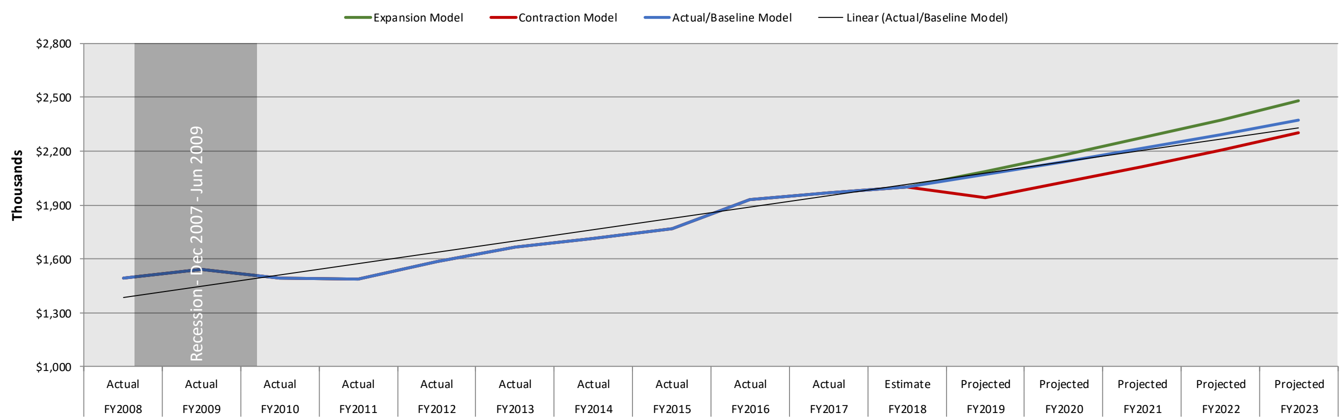
Contraction Model

The Contraction Model captures a recession impact in FY2019 followed by a period of expansion for FY2018-FY2021. Following the 2008 recession, tax collections declined 3.31% in FY2010, and remained flat in FY2011. The forecast assumes a drop of 3.00% in FY2019 followed by increases of 4.40% for the remainder of the forecast.

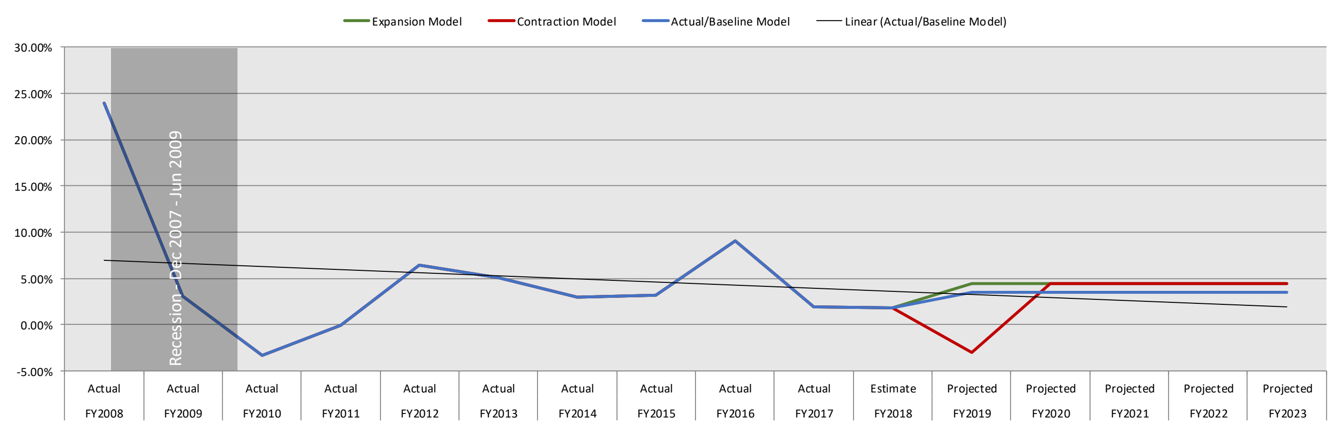
Village of Gurnee
Multi-Year Financial Forecast
Food & Beverage Tax
Cash Basis

	Audited FY2008 Actual	Audited FY2009 Actual	Audited FY2010 Actual	Audited FY2011 Actual	Audited FY2012 Actual	Audited FY2013 Actual	Audited FY2014 Actual	Audited FY2015 Actual	Audited FY2016 Actual	Audited FY2017 Actual	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Variance vs. Prior Year																
Actual/Baseline Model	23.89%	3.09%	-3.31%	-0.06%	6.45%	5.05%	2.94%	3.15%	9.04%	1.90%	1.79%	3.50%	3.50%	3.50%	3.50%	3.50%
Expansion Model	23.89%	3.09%	-3.31%	-0.06%	6.45%	5.05%	2.94%	3.15%	9.04%	1.90%	1.79%	4.40%	4.40%	4.40%	4.40%	4.40%
Contraction Model	23.89%	3.09%	-3.31%	-0.06%	6.45%	5.05%	2.94%	3.15%	9.04%	1.90%	1.79%	-3.00%	4.40%	4.40%	4.40%	4.40%
Revenue Projections - 11010100-331609																
Actual/Baseline Model	$1,495,456	$1,541,686	$1,490,610	$1,489,667	$1,585,745	$1,665,884	$1,714,837	$1,768,844	$1,928,664	$1,965,227	$2,000,500	$2,070,000	$2,142,000	$2,216,000	$2,293,000	$2,373,000
Expansion Model	$1,495,456	$1,541,686	$1,490,610	$1,489,667	$1,585,745	$1,665,884	$1,714,837	$1,768,844	$1,928,664	$1,965,227	$2,000,500	$2,088,000	$2,179,000	$2,274,000	$2,374,000	$2,478,000
Contraction Model	$1,495,456	$1,541,686	$1,490,610	$1,489,667	$1,585,745	$1,665,884	$1,714,837	$1,768,844	$1,928,664	$1,965,227	$2,000,500	$1,940,000	$2,025,000	$2,114,000	$2,207,000	$2,304,000
								Budget	$1,742,250	$1,900,000	$1,950,000					

10-Year History and 5-Year Projection Total Collected



10-Year History and 5-Year Projection % Change



Hotel Tax

Hotel Tax is locally administered and is 5.00% of the room rate on stays less than 30 consecutive days. KeyLime Cove was opened in 2008 causing a significant spike in hotel tax collections. KeyLime Cove closed in FY2018 to be remodeled into a Great Wolf Lodge, predicted to open in the spring of 2018. The forecast for hotel taxes assumes

- No change in the current rate
- No change in existing business mix
- Great Wolf Lodge open all of FY2019

Baseline Model

The Baseline Model captures a long term rate of change in collections. Between FY2003 and FY2016, collections have average an increase of 5.62% annually. However, without the spike and drop from KeyLime Cove, the average falls to 3.10% annually. The baseline model assumes an annual increase of 3.00% throughout the forecast period following the opening if Great Wolf Lodge in FY2019.

Expansion Model

The Expansion Model captures the rate of change over the last 5 fiscal years to reflect a period of economic expansion. Between FY2011 and FY2015, the average annual increase in collections was 5.12%. The expansion model assumes a 5.12% annual increase throughout the forecast period.

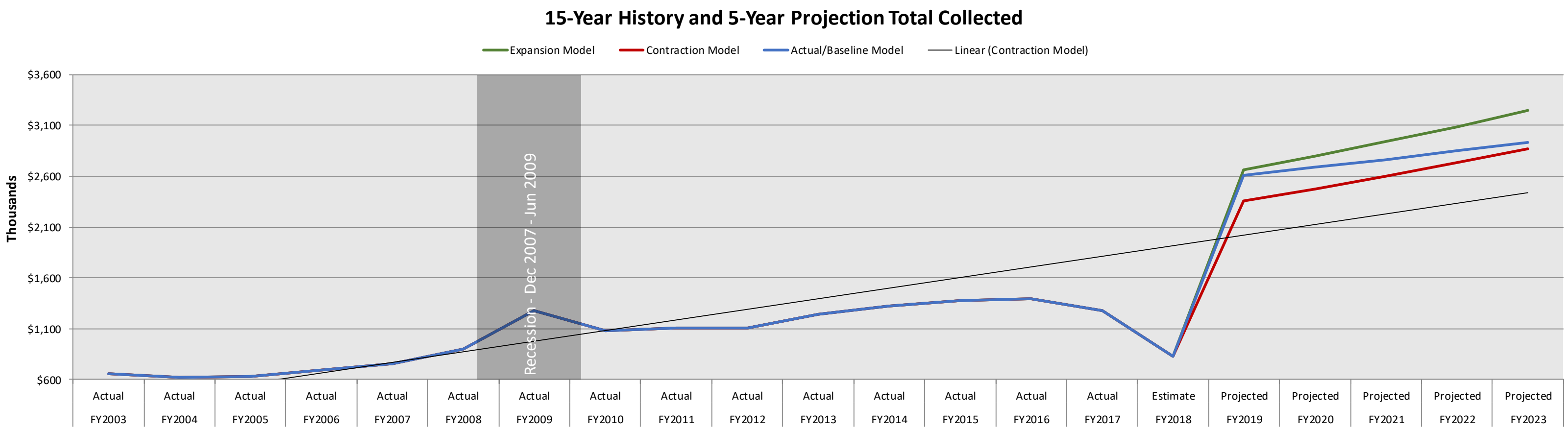
Contraction Model

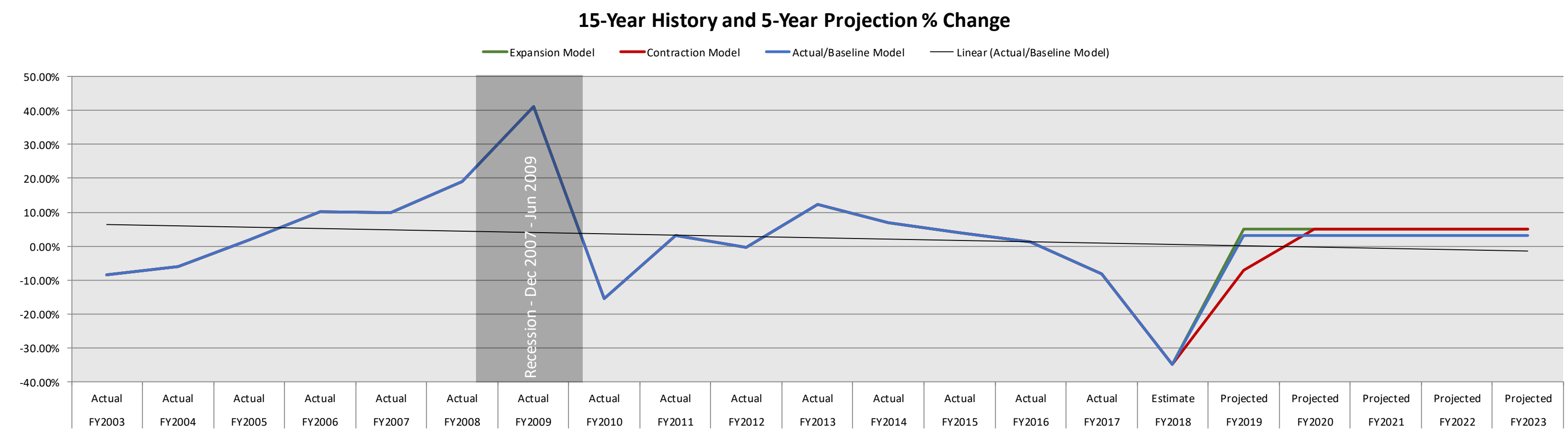
The Contraction Model captures the impact of a recession in FY2019 followed by a period of expansion. Following the 2001 recession, collections dipped for 3 consecutive years by an average of 5.45% annually. The 2008 recession was followed by a 41.21% increase in FY2009 due to the opening of KeyLime Cove, a 15.55% drop in FY2010, and remained relatively flat for FY2011 and 2012. The contraction model assumes a 7.00% drop in FY2019, followed by annual increases of 5.12% for the remainder of the forecast period.

Village of Gurnee
Multi-Year Financial Forecast
Hotel Tax
Cash Basis

KLC Open Mar-2008

	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited						
	FY2003 Actual	**FY2004 Actual**	**FY2005 Actual**	**FY2006 Actual**	**FY2007 Actual**	**FY2008 Actual**	**FY2009 Actual**	**FY2010 Actual**	**FY2011 Actual**	**FY2012 Actual**	**FY2013 Actual**	**FY2014 Actual**	**FY2015 Actual**	**FY2016 Actual**	**FY2017 Actual**	**FY2018 Estimate**	**FY2019 Projected**	**FY2020 Projected**	**FY2021 Projected**	**FY2022 Projected**	**FY2023 Projected**
Variance vs. Prior Year																					
Actual/Baseline Model	-8.38%	-6.01%	1.66%	10.14%	9.93%	18.93%	41.21%	-15.55%	3.03%	-0.40%	12.29%	6.79%	3.89%	1.19%	-8.23%	-35.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Expansion Model	-8.38%	-6.01%	1.66%	10.14%	9.93%	18.93%	41.21%	-15.55%	3.03%	-0.40%	12.29%	6.79%	3.89%	1.19%	-8.23%	-35.00%	5.12%	5.12%	5.12%	5.12%	5.12%
Contraction Model	-8.38%	-6.01%	1.66%	10.14%	9.93%	18.93%	41.21%	-15.55%	3.03%	-0.40%	12.29%	6.79%	3.89%	1.19%	-8.23%	-35.00%	-7.00%	5.12%	5.12%	5.12%	5.12%
Revenue Projections - 11010100-331607																					
Actual/Baseline Model	$656,654	$617,184	$627,434	$691,081	$759,694	$903,524	$1,275,829	$1,077,417	$1,110,060	$1,105,624	$1,241,454	$1,325,770	$1,377,287	$1,393,659	$1,278,938	$831,000	$2,606,930	$2,685,000	$2,765,000	$2,847,000	$2,932,000
Expansion Model	$656,654	$617,184	$627,434	$691,081	$759,694	$903,524	$1,275,829	$1,077,417	$1,110,060	$1,105,624	$1,241,454	$1,325,770	$1,377,287	$1,393,659	$1,278,938	$831,000	$2,660,587	$2,796,000	$2,939,000	$3,089,000	$3,247,000
Contraction Model	$656,654	$617,184	$627,434	$691,081	$759,694	$903,524	$1,275,829	$1,077,417	$1,110,060	$1,105,624	$1,241,454	$1,325,770	$1,377,287	$1,393,659	$1,278,938	$831,000	$2,353,830	$2,474,000	$2,600,000	$2,733,000	$2,872,000
													Budget	$1,350,000	$1,400,000	$800,000					





Telecommunications Tax

Prior to FY2011, the telecommunications tax was a 1.00% charge on the gross charge paid to providers for the originating or receiving telecommunications in Gurnee. The rate was raised to 6.00% effective January 1, 2011. The tax is collected by service providers and remitted to the Village. This tax has seen significant annual decreases since FY2012, as cellular plans and modes of communication have changed to non-taxable formats. Based on a recent seminar attended by industry experts, without legislative changes to the Internet Tax Freedom Act by Congress, the tax is predicted to be essentially eliminated by 2025. The forecast assumes;

- No change in legislation pertaining to the taxability of cellular data plans
- No change in the rate

Baseline Model

The Baseline Model is intended to capture long-term historical rates of change in collections. However, due to known changes with the telecommunications tax as a result of changing consumer behavior, the historical data prior to FY2012 is irrelevant. Over the last 5 fiscal years, collections have averaged a 5.37% decline annually. It is expected this trend will continue at a throughout the forecast period. The baseline model assumes a 5.25% annual decrease in collections.

Expansion Model

The Expansion Model is intended to capture the rate of change over the last 5 years of economic expansion. With the decline in collections expected to continue, the expansion model assumes the annual decreases will lessen to 3.00% annually over the forecast period.

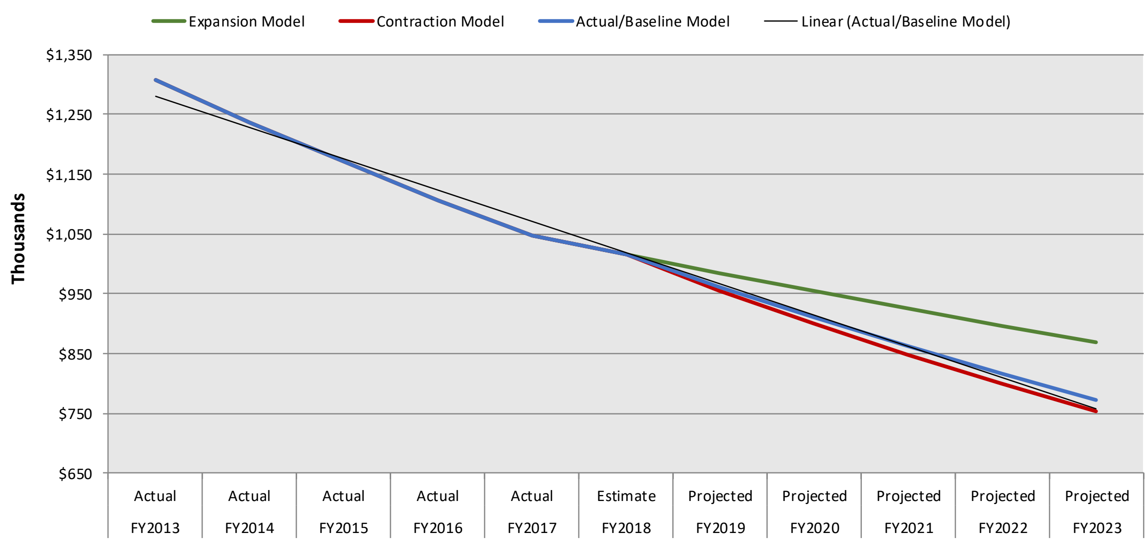
Contraction Model

The Contraction Model is intended to capture the impact of a recession in FY2018 followed by expansion. For purposes of projecting telecommunications tax, the contraction model assumes a 5.75% annual decrease.

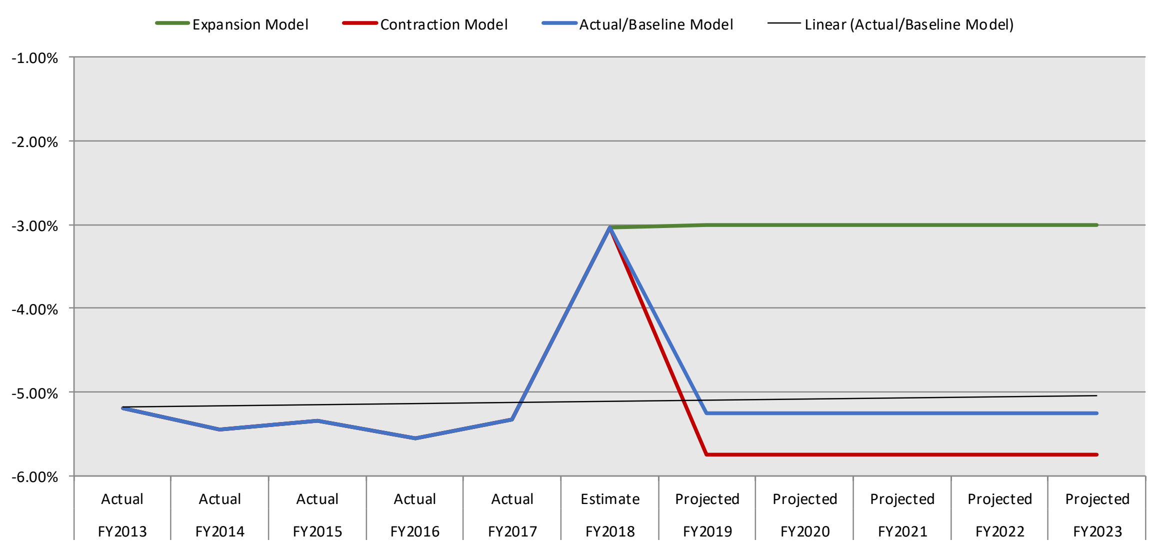
Village of Gurnee
Multi-Year Financial Forecast
Telecommunications Tax

Cash Basis	Audited FY2013 Actual	Audited FY2014 Actual	Audited FY2015 Actual	Audited FY2016 Actual	Audited FY2017 Actual	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Variance vs. Prior Year											
Actual/Baseline Model	-5.20%	-5.45%	-5.35%	-5.55%	-5.33%	-3.03%	-5.25%	-5.25%	-5.25%	-5.25%	-5.25%
Expansion Model	-5.20%	-5.45%	-5.35%	-5.55%	-5.33%	-3.03%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%
Contraction Model	-5.20%	-5.45%	-5.35%	-5.55%	-5.33%	-3.03%	-5.75%	-5.75%	-5.75%	-5.75%	-5.75%
Revenue Projections - 11010100-331801											
Actual/Baseline Model	$1,308,044	$1,236,717	$1,170,582	$1,105,658	$1,046,704	$1,015,000	$961,000	$910,000	$862,000	$816,000	$773,000
Expansion Model	$1,308,044	$1,236,717	$1,170,582	$1,105,658	$1,046,704	$1,015,000	$984,000	$954,000	$925,000	$897,000	$870,000
Contraction Model	$1,308,044	$1,236,717	$1,170,582	$1,105,658	$1,046,704	$1,015,000	$956,000	$901,000	$849,000	$800,000	$754,000
			Budget	$1,116,250	$1,050,000	$985,000					

5-Year History and 5-Year Projection Total Collected



5-Year History and 5-Year Projection % Change



Use Tax

Use taxes are collected on purchases out of state for goods for use in Illinois. Consistent with sales tax, Use Taxes are 6.25% of the selling price. Use taxes are collected by individuals and online retailers. Unless on online retailer has a physical nexus or presence in Illinois, they are not required to collect sales taxes due to the interstate commerce laws. Some online retailers such as Amazon voluntarily collect and remit the tax. Use taxes are collected and administered by the state, with 1.00% of the proceeds being remitted to local governments based on population. The forecast assumes;

- No change in the rate or existing statutes governing Use Tax
- No change in the Village population
- Continued voluntary remittance by online retailers

Baseline Model

The Baseline Model captures the long-term historical trend of collections. Between FY2003 and FY2017, collections have increased an average of 7.35% annually. It is anticipated voluntary compliance by online retailers will increase. The baseline model projects use tax collections to increase by 7.25% annually throughout the forecast period.

Expansion Model

The Expansion Model captures the trend of the most recent 5 years of economic expansion. Between FY2013 and FY2017, use tax collections have increased an average of 11.10% annually. Given the anticipated increased compliance from online retailers and individuals, the expansion model projects collections to increase 11.25% annually throughout the forecast period.

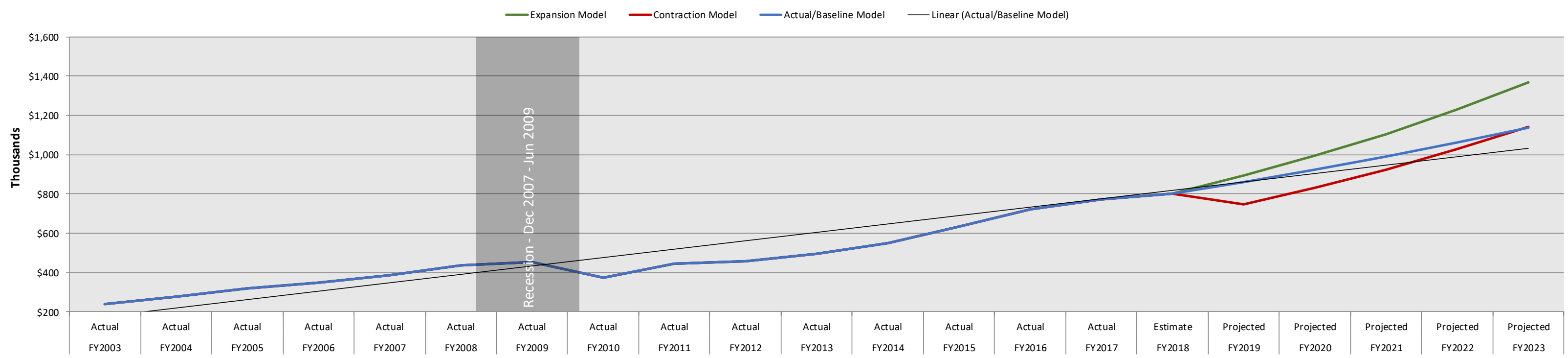
Contraction Model

The Contraction Model captures the impact of a recession in the next fiscal year followed by a period of expansion. Following the 2008 recession collections dipped for 2 fiscal years by an average of 7.19%. On average, following the last two recessionary periods collections declined by 6.99% for two fiscal cycles. The baseline model projects a decline of 7.00% in FY2019, followed by an expansion of 11.25% for the remainder of the forecast period.

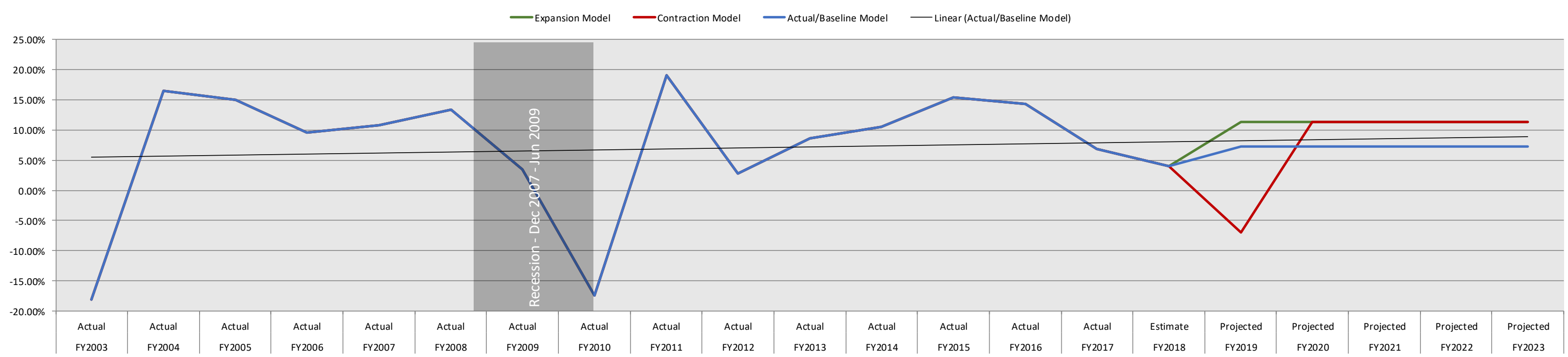
Village of Gurnee
Multi-Year Financial Forecast
Use Tax
Cash Basis

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited						
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate	Projected	Projected	Projected	Projected	Projected
Variance vs. Prior Year																					
Actual/Baseline Model	-18.13%	16.45%	14.94%	9.51%	10.80%	13.39%	3.42%	-17.40%	19.01%	2.80%	8.63%	10.44%	15.38%	14.25%	6.81%	4.00%	7.25%	7.25%	7.25%	7.25%	7.25%
Expansion Model	-18.13%	16.45%	14.94%	9.51%	10.80%	13.39%	3.42%	-17.40%	19.01%	2.80%	8.63%	10.44%	15.38%	14.25%	6.81%	4.00%	11.25%	11.25%	11.25%	11.25%	11.25%
Contraction Model	-18.13%	16.45%	14.94%	9.51%	10.80%	13.39%	3.42%	-17.40%	19.01%	2.80%	8.63%	10.44%	15.38%	14.25%	6.81%	4.00%	-7.00%	11.25%	11.25%	11.25%	11.25%
Revenue Projections - 11010100-331302																					
Actual/Baseline Model	$237,348	$276,402	$317,692	$347,893	$385,456	$437,067	$452,016	$373,345	$444,331	$456,753	$496,186	$547,996	$632,300	$722,414	$771,624	$802,488	$860,669	$923,067	$989,990	$1,061,764	$1,138,742
Expansion Model	$237,348	$276,402	$317,692	$347,893	$385,456	$437,067	$452,016	$373,345	$444,331	$456,753	$496,186	$547,996	$632,300	$722,414	$771,624	$802,488	$892,768	$993,205	$1,104,940	$1,229,246	$1,367,536
Contraction Model	$237,348	$276,402	$317,692	$347,893	$385,456	$437,067	$452,016	$373,345	$444,331	$456,753	$496,186	$547,996	$632,300	$722,414	$771,624	$802,488	$746,314	$830,275	$923,681	$1,027,595	$1,143,199
													Budget	$609,000	$720,000	$775,000					

15-Year History and 5-Year Projection Total Collected



15-Year History and 5-Year Projection % Change



Building Permits

Building permit fees are collected by the Village for a variety of work on existing and new construction. When examining building permits collections, there is a baseline of activity that is less impacted by economic conditions. This activity tends to be residential permits for smaller work such as a deck or fence permit. Larger scale projects that are commercial or new construction seem to fluctuate more with economic conditions. Additionally, 1 large commercial project could greatly skew collections in any given year. The MYFF assumes;

- No change in the existing fee structure

Baseline Model

The Baseline Model captures the average long-term growth pattern of collections. Between FY2003 and FY2017, collections averaged an increase of 7.98% annually. Based on this growth pattern and known projects slated for the next fiscal year, the forecast assumes an annual increase of 8.00%.

Expansion Model

The Expansion Model captures growth during periods of economic expansion. Between FY2011 and FY2015, collections increased an average of 19.73% annually. The forecast assumes annual growth of 20.00% throughout the forecast period.

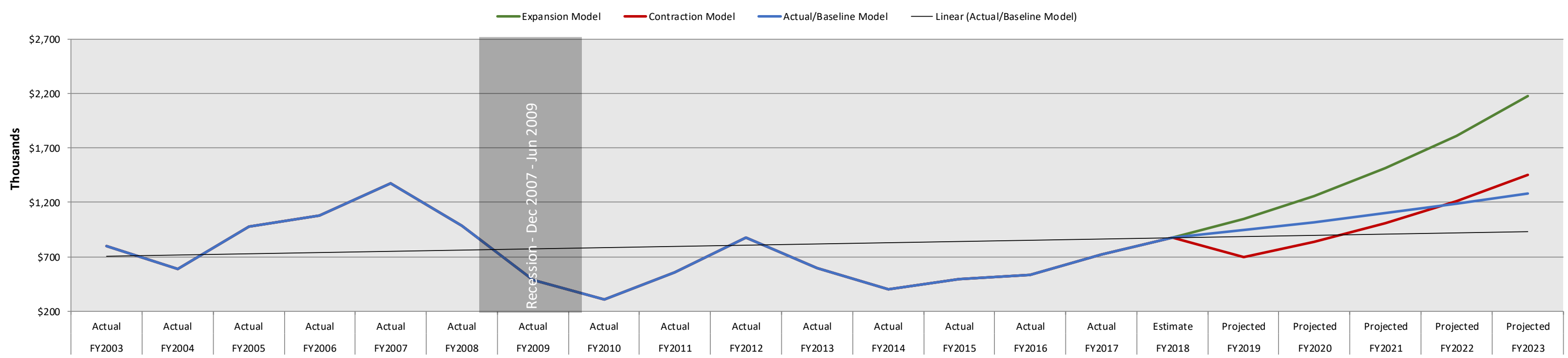
Contraction Model

The Contraction Model captures the impact of an economic recession in FY2018, followed by a period of economic expansion. Following the 2001 recession, collections averaged an annual increase of 3.60% for fiscal years 2002 and 2003. The 2008 recession had a drastically different impact on collections, falling by an average 38.74% annually for fiscal years 2008 through 2010. The contraction model assumes a 20.00% drop in collections for FY2019 followed by an increase of 20.00% annually for the remainder of the forecast period.

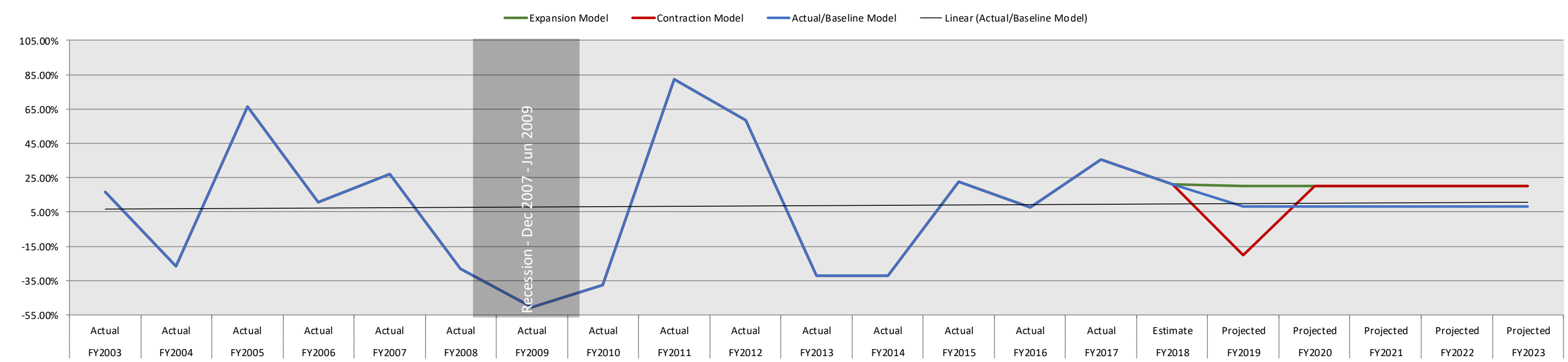
Village of Gurnee
Multi-Year Financial Forecast
Building Permits
Cash Basis

	Audited FY2003 Actual	Audited FY2004 Actual	Audited FY2005 Actual	Audited FY2006 Actual	Audited FY2007 Actual	Audited FY2008 Actual	Audited FY2009 Actual	Audited FY2010 Actual	Audited FY2011 Actual	Audited FY2012 Actual	Audited FY2013 Actual	Audited FY2014 Actual	Audited FY2015 Actual	Audited FY2016 Actual	Audited FY2017 Actual	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Variance vs. Prior Year																					
Actual/Baseline Model	16.38%	-26.71%	66.55%	10.63%	27.08%	-28.25%	-50.50%	-37.46%	82.22%	58.30%	-32.33%	-31.95%	22.40%	7.87%	35.44%	20.88%	8.00%	8.00%	8.00%	8.00%	8.00%
Expansion Model	16.38%	-26.71%	66.55%	10.63%	27.08%	-28.25%	-50.50%	-37.46%	82.22%	58.30%	-32.33%	-31.95%	22.40%	7.87%	35.44%	20.88%	20.00%	20.00%	20.00%	20.00%	20.00%
Contraction Model	16.38%	-26.71%	66.55%	10.63%	27.08%	-28.25%	-50.50%	-37.46%	82.22%	58.30%	-32.33%	-31.95%	22.40%	7.87%	35.44%	20.88%	-20.00%	20.00%	20.00%	20.00%	20.00%
Revenue Projections -11020100-332201																					
Actual/Baseline Model	$799,980	$586,266	$976,400	$1,080,208	$1,372,752	$985,007	$487,563	$304,898	$555,573	$879,475	$595,131	$405,010	$495,728	$534,735	$724,256	$875,500	$945,000	$1,020,000	$1,101,000	$1,189,000	$1,284,000
Expansion Model	$799,980	$586,266	$976,400	$1,080,208	$1,372,752	$985,007	$487,563	$304,898	$555,573	$879,475	$595,131	$405,010	$495,728	$534,735	$724,256	$875,500	$1,050,000	$1,260,000	$1,512,000	$1,814,000	$2,176,000
Contraction Model	$799,980	$586,266	$976,400	$1,080,208	$1,372,752	$985,007	$487,563	$304,898	$555,573	$879,475	$595,131	$405,010	$495,728	$534,735	$724,256	$875,500	$700,000	$840,000	$1,008,000	$1,209,000	$1,450,000
													Budget	$400,000	$455,000	$875,500					

15-Year History and 5-Year Projection Total Collected



15-Year History and 5-Year Projection % Change



Major Revenue Summary

Baseline Model
The Baseline Model for all major revenues combined increases by an average of 3.11% throughout the forecast period. However, this includes a significant increase to Hotel Tax due to the opening of Great Wolf Lodge in FY2019. Between FY2003 and FY2017, major revenues, net of new taxes, increased on average approximately 4.66%.

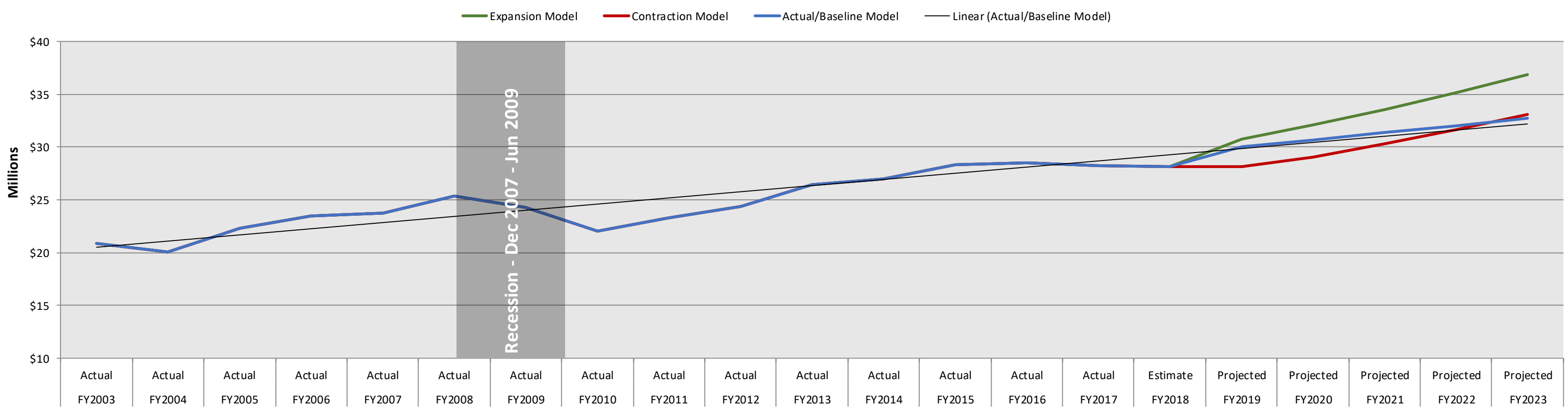
Expansion Model
The Expansion Model increases on average 5.57% annually throughout the forecast period. Between FY2011 and FY2015, major revenues increased an average of 5.14%.

Contraction Model
The Contraction Model increases on average 3.32% annually through the forecast period. FY2019 increases by 0.15% and FY2020 increases by only 3.27% to reflect the impact of a recession.

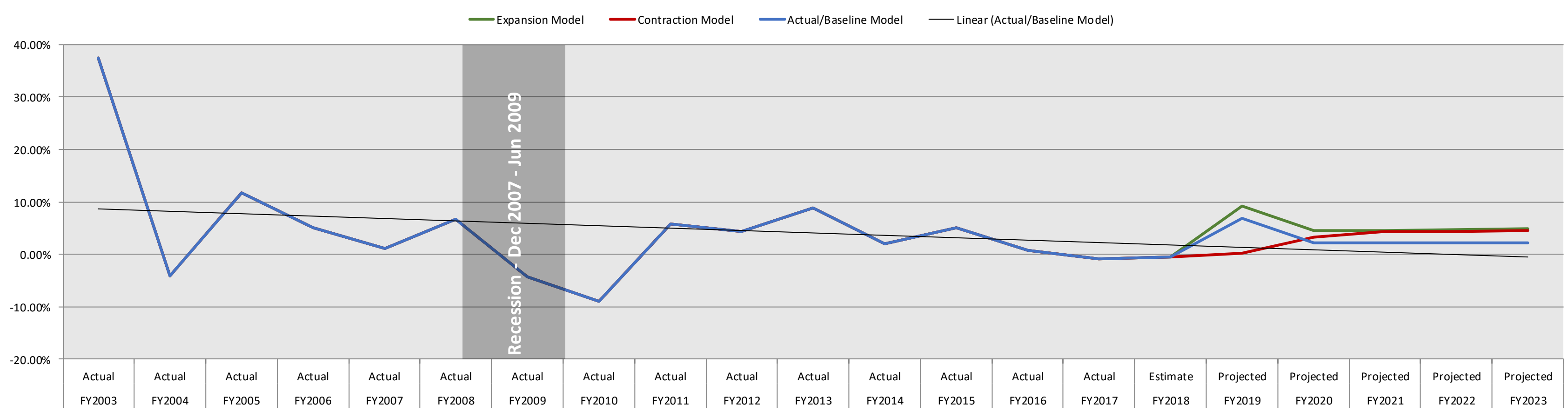
Village of Gurnee
Multi-Year Financial Forecast
General Fund Major Revenues
Cash Basis

	Audited FY2003 Actual	Audited FY2004 Actual	Audited FY2005 Actual	Audited FY2006 Actual	Audited FY2007 Actual	Audited FY2008 Actual	Audited FY2009 Actual	Audited FY2010 Actual	Audited FY2011 Actual	Audited FY2012 Actual	Audited FY2013 Actual	Audited FY2014 Actual	Audited FY2015 Actual	Audited FY2016 Actual	Audited FY2017 Actual	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Variance vs. Prior Year																					
Actual/Baseline Model	37.35%	-4.17%	11.64%	5.03%	1.17%	6.68%	-4.28%	-8.96%	5.73%	4.29%	8.75%	1.97%	4.97%	0.71%	-0.93%	-0.51%	6.89%	2.11%	2.15%	2.19%	2.23%
Expansion Model	37.35%	-4.17%	11.64%	5.03%	1.17%	6.68%	-4.28%	-8.96%	5.73%	4.29%	8.75%	1.97%	4.97%	0.71%	-0.93%	-0.51%	9.29%	4.46%	4.58%	4.71%	4.84%
Contraction Model	37.35%	-4.17%	11.64%	5.03%	1.17%	6.68%	-4.28%	-8.96%	5.73%	4.29%	8.75%	1.97%	4.97%	0.71%	-0.93%	-0.51%	0.15%	3.27%	4.28%	4.40%	4.52%
Revenue Projections																					
Actual/Baseline Model	$20,889,008	$20,018,804	$22,348,502	$23,472,774	$23,746,566	$25,331,701	$24,247,150	$22,074,802	$23,339,405	$24,340,331	$26,471,294	$26,994,095	$28,336,359	$28,536,344	$28,270,533	$28,126,588	$30,065,091	$30,699,279	$31,358,858	$32,045,317	$32,761,100
Expansion Model	$20,889,008	$20,018,804	$22,348,502	$23,472,774	$23,746,566	$25,331,701	$24,247,150	$22,074,802	$23,339,405	$24,340,331	$26,471,294	$26,994,095	$28,336,359	$28,536,344	$28,270,533	$28,126,588	$30,738,156	$32,108,595	$33,577,701	$35,157,544	$36,858,949
Contraction Model	$20,889,008	$20,018,804	$22,348,502	$23,472,774	$23,746,566	$25,331,701	$24,247,150	$22,074,802	$23,339,405	$24,340,331	$26,471,294	$26,994,095	$28,336,359	$28,536,344	$28,270,533	$28,126,588	$28,168,219	$29,089,546	$30,334,516	$31,668,822	$33,098,987
													Budget	$27,839,000	$28,055,000	$27,915,500					

15-Year History and 5-Year Projection Total Collected



15-Year History and 5-Year Projection % Change



Other Revenues

Other non-major revenues are grouped by categories including; taxes, licenses & permits, intergovernmental revenue, charges for service, fines & forfeitures, investments & contributions, and other sources. Non-major revenues account for approximately 25.00% of General Fund revenues. Between FY2013 and FY2017, non-major revenues increased an average of 2.21% annually. The forecast assumes these revenues will increase by 2.00% annually throughout the forecast period with the exception of Resort Tax in the taxes category in FY2019 that is expected to increase 38.8% due to the opening of Great Wolf Lodge.

110 - General Fund

	Baseline Model											
	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Budget	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Major Revenues	**$26,498,171**	**$27,022,380**	**$28,336,359**	**$28,536,344**	**$28,270,533**	**$27,915,500**	**$28,126,588**	**$30,065,091**	**$30,699,279**	**$31,358,858**	**$32,045,317**	**$32,761,100**
		2.0%	**4.9%**	**0.7%**	**-0.9%**	**-1.3%**	**0.8%**	**6.9%**	**2.1%**	**2.1%**	**2.2%**	**2.2%**
31 - Taxes	$1,790,106	$1,866,554	$2,084,327	$2,198,713	$2,113,293	$1,971,000	$1,769,772	$2,457,136	$2,478,809	$2,501,464	$2,525,111	$2,549,758
32 - Licenses & Permits	$427,455	$401,617	$419,137	$440,963	$491,664	$506,700	$425,200	$425,200	$425,200	$425,200	$425,200	$425,200
33 - Intergovernmental	$186,484	$456,526	$235,591	$113,896	$171,589	$145,114	$145,114	$145,114	$145,114	$145,114	$145,114	$145,114
34 - Charges for Services	$4,828,445	$5,191,584	$5,229,892	$5,546,428	$5,979,661	$6,173,474	$6,171,474	$6,320,927	$6,474,117	$6,631,136	$6,792,080	$6,957,049
35 - Fines & Forfeitures	$1,916,641	$1,820,325	$1,837,912	$2,028,886	$1,720,912	$2,044,400	$1,941,000	$1,941,000	$1,941,000	$1,941,000	$1,941,000	$1,941,000
36 - Invests & Contribs	$52,698	$54,773	$68,006	$118,747	$73,383	$162,000	$212,000	$219,500	$227,375	$235,644	$244,326	$253,442
39 - Other Sources	$192,986	$58,308	$73,285	$312,031	$20,500	$20,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000
Total 110 - General Fund Revenues	**$35,892,985**	**$36,872,069**	**$38,284,510**	**$39,296,007**	**$38,841,537**	**$38,938,188**	**$38,831,148**	**$41,613,968**	**$42,430,893**	**$43,278,416**	**$44,158,148**	**$45,072,663**

Major Expenditures

Major expenditures comprise approximately 75.00% of all General Fund expenditures. Major expenditures are largely personnel related costs with the addition of insurance and debt service. These expenditures are forecast using only 1 model as costs are more predictable and can be controlled, for the most part, by the Village. As a service organization, personnel costs make up the majority of the Village's operating budget.

Salaries

Full-time salaries account for 46.38% of the FY2018 General Fund budget. The Village has approved contracts with 6 bargaining units, 3 Police units, 1 Fire unit, 1 Public Works unit and 1 Administrative unit. The Forecast assumes;

- No change in current staffing levels of 217.70 Full-time equivalents
- All positions are filled year-round
- No changes in step increases
- The most recent bargaining unit cost of living applied to all units throughout the forecast period

Staff turnover accounts for an approximately 2.00% savings in salaries annually. This savings is a significant source of General Fund surpluses that is primarily transferred to the Capital Improvement Fund at year end to fund the Village's capital improvement program. This is an important conservative budgeting practice to retain as it provides a contingency in the event of an unanticipated interruption in economically sensitive General Fund revenues.

Between FY2013 and FY2017, salaries increased an average of 3.59% annually. This includes the addition of 6 firefighter/paramedics in the FY2016 budget, 3 Police Department personnel in FY2017, and 6 communications positions in FY2018. Salaries are projected to increase an average of 3.50% annually throughout the forecast period.

Property, Liability & Workers Compensation Insurance

The Village participates in the Municipal Insurance Cooperative Agency (MICA) pool for Liability, Property and Workers Compensation insurance. Premiums are based on a 4-year average of actual experience, combined with changes in exposure and payroll, and general market conditions. Pooled insurance allows the Village a low deductible, but higher premium plan that provides less volatility in annual costs. The forecast assumes;

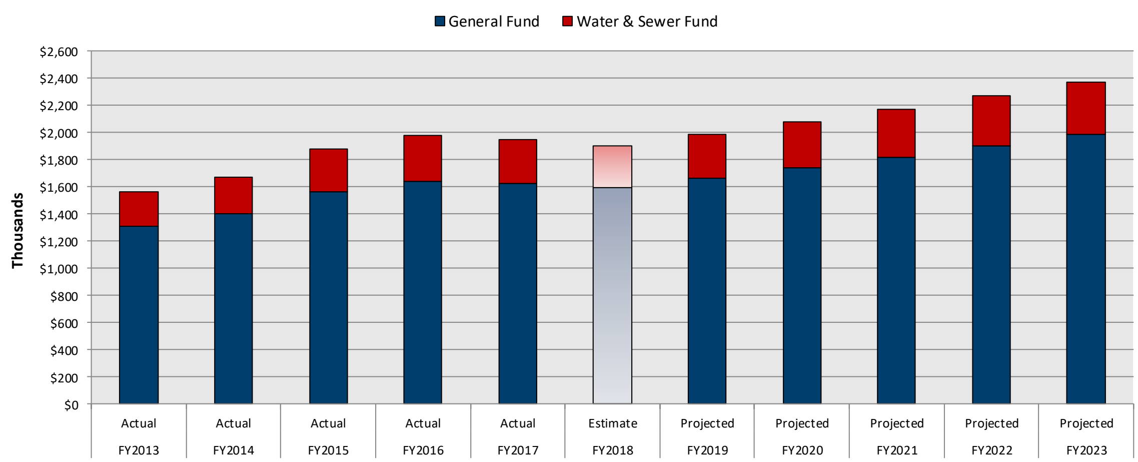
- Continued participation in MICA
- No change in coverages, limits or deductibles
- No change in existing insured property

On the workers compensation side the Village had relatively flat premium year in FY2017 due to a poor experience year falling off of the funding formula used by MICA to determine premiums. Workers compensation premiums have increased an average of 13.80% between FY2013 and FY2017. The forecast projects a 5.00% increase annually throughout the remainder of the forecast period.

On the liability and property side, between FY2014 and FY2017, premiums have increased an average of 2.79% annually. The forecast assumes an annual increase of 3.00% throughout the forecast period.

Premiums are charged directly to departmental budgets based on experience within the department. This allocation method makes departments directly accountable for their claims experience.

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Variance vs. Prior Year											
Workers Comp	41.78%	11.57%	13.06%	5.16%	-2.56%	-3.56%	5.00%	5.00%	5.00%	5.00%	5.00%
GL/Auto/Property	-17.08%	-7.17%	9.03%	7.12%	2.19%	0.71%	3.00%	3.00%	3.00%	3.00%	3.00%
Workers Compensation											
General Fund	$973,616	$1,079,740	$1,221,125	$1,277,473	$1,251,410	$1,213,366	$1,274,034	$1,337,736	$1,404,623	$1,474,854	$1,548,597
Water & Sewer Fund	$192,400	$221,160	$249,720	$269,312	$255,800	$240,158	$252,166	$264,774	$278,013	$291,914	$306,509
Total Workers Compensation	**$1,166,016**	**$1,300,900**	**$1,470,845**	**$1,546,785**	**$1,507,210**	**$1,453,524**	**$1,526,200**	**$1,602,510**	**$1,682,636**	**$1,766,768**	**$1,855,106**
	41.78%	11.57%	13.06%	5.16%	-2.56%	-3.56%	5.00%	5.00%	5.00%	5.00%	5.00%
General Liability Insurance											
General Fund	$245,199	$240,221	$253,907	$248,447	$244,038	$247,646	$255,075	$262,727	$270,609	$278,727	$287,089
Water & Sewer Fund	$15,580	$15,615	$19,942	$18,549	$15,810	$14,641	$15,080	$15,532	$15,998	$16,478	$16,973
Total General Liability Insurance	**$260,779**	**$255,835**	**$273,849**	**$266,997**	**$259,848**	**$262,286**	**$270,155**	**$278,260**	**$286,607**	**$295,206**	**$304,062**
	-21.31%	-1.90%	7.04%	-2.50%	-2.68%	0.94%	3.00%	3.00%	3.00%	3.00%	3.00%
Auto Insurance											
General Fund	$36,690	$34,590	$51,610	$75,449	$89,310	$90,755	$93,477	$96,282	$99,170	$102,145	$105,210
Water & Sewer Fund	$9,170	$8,650	$12,900	$29,438	$32,560	$33,059	$34,050	$35,072	$36,124	$37,208	$38,324
Total Auto Insurance	**$45,860**	**$43,240**	**$64,510**	**$104,887**	**$121,870**	**$123,813**	**$127,528**	**$131,353**	**$135,294**	**$139,353**	**$143,533**
	-55.52%	-5.71%	49.19%	62.59%	16.19%	1.59%	3.00%	3.00%	3.00%	3.00%	3.00%
Property Insurance											
General Fund	$56,240	$43,560	$40,120	$37,318	$38,600	$39,076	$40,249	$41,456	$42,700	$43,981	$45,300
Water & Sewer Fund	$37,490	$29,030	$26,750	$24,882	$23,257	$21,535	$22,181	$22,847	$23,532	$24,238	$24,965
Total Property Insurance	**$93,730**	**$72,590**	**$66,870**	**$62,199**	**$61,857**	**$60,611**	**$62,430**	**$64,303**	**$66,232**	**$68,219**	**$70,265**
	94.10%	-22.55%	-7.88%	-6.98%	-0.55%	-2.01%	3.00%	3.00%	3.00%	3.00%	3.00%
Total Liability Insurance	**$400,369**	**$371,665**	**$405,229**	**$434,084**	**$443,575**	**$446,711**	**$460,112**	**$473,916**	**$488,133**	**$502,777**	**$517,861**
	-17.08%	-7.17%	9.03%	7.12%	2.19%	0.71%	3.00%	3.00%	3.00%	3.00%	3.00%
General Fund	**$338,129**	**$318,371**	**$345,637**	**$361,214**	**$371,948**	**$377,477**	**$388,801**	**$400,465**	**$412,479**	**$424,853**	**$437,599**
Water & Sewer Fund	**$62,240**	**$53,295**	**$59,592**	**$72,869**	**$71,627**	**$69,234**	**$71,311**	**$73,451**	**$75,654**	**$77,924**	**$80,262**
General Fund	**$1,311,745**	**$1,398,111**	**$1,566,762**	**$1,638,687**	**$1,623,358**	**$1,590,843**	**$1,662,835**	**$1,738,201**	**$1,817,102**	**$1,899,707**	**$1,986,196**
	12.92%	6.58%	12.06%	4.59%	-0.94%	-2.00%	4.53%	4.53%	4.54%	4.55%	4.55%
Water & Sewer Fund	**$254,640**	**$274,455**	**$309,312**	**$342,182**	**$327,427**	**$309,392**	**$323,477**	**$338,225**	**$353,667**	**$369,838**	**$386,771**
	77.42%	7.78%	12.70%	10.63%	-4.31%	-5.51%	4.55%	4.56%	4.57%	4.57%	4.58%



Health Insurance

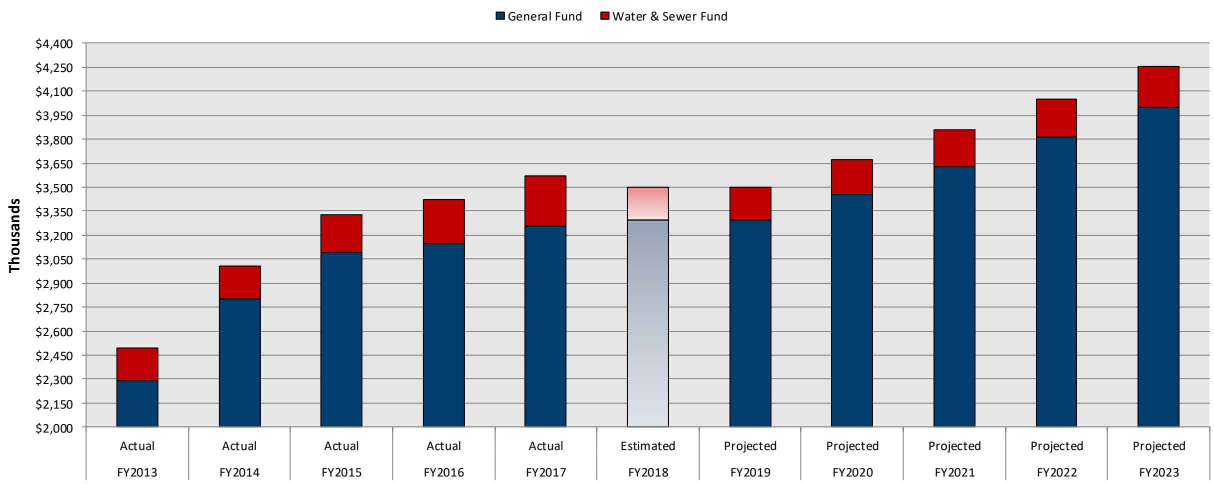
The Village is self-insured for employee medical insurance that covers all employees with the exception of those covered under the Local 150 bargaining agreement. Local 150 employees are covered under a union sponsored plan. The Village plan is administered by Blue Cross/Blue Shield of Illinois and has an excess policy for catastrophic claims. The forecast assumes;

- Increase in employee share to 12.00%
- No change in plan design, benefits
- Continued self-insured setup
- Addition of communications center staff in FY2018 at full coverage (highlighted below)

Between FY2013 and FY2017, health insurance expenditures increased an average of 6.86% annually. FY2019 expenditures are anticipated to increase 0% over the previous year based on the renewal. The forecast assumes an annual increase of 5.00% annually thereafter throughout the forecast period. The assumption is lower than the historical average because the Village anticipates increasing the employee portion of the premium and has been successful in making minor plan adjustments to keep costs contained.

Village of Gurnee
Multi-Year Financial Forecast
Medical Insurance

		FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Estimated	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Variance vs. Prior Year												
Actual/Estimate		-4.12%	20.50%	10.58%	3.00%	4.33%	-2.03%	0.00%	5.00%	5.00%	5.00%	5.00%
Expenditure Projections												
11010100-421001	Administration	$87,857	$120,536	$136,893	$128,125	$119,126	$148,700	$148,700	$156,135	$163,942	$172,139	$180,746
11010200-42101	Admin - IS	$47,936	$54,495	$58,346	$85,233	$95,029	$72,400	$72,400	$76,020	$79,821	$83,812	$88,003
11020100-421001	Community Development	$123,866	$117,041	$133,830	$152,271	$182,739	$134,700	$134,700	$141,435	$148,507	$155,932	$163,729
11020200-421001	CD - Engineering	$90,070	$97,504	$104,760	$122,366	$143,462	$114,900	$114,900	$120,645	$126,677	$133,011	$139,662
11075100-421001	Public Works	$229,856	$263,329	$272,382	$300,143	$362,313	$258,500	$258,500	$271,425	$284,996	$299,246	$314,208
11075200-421001	PW - Vehicle Maintenance	$53,873	$61,130	$75,892	$74,926	$92,598	$62,300	$62,300	$65,415	$68,686	$72,120	$75,726
11040100-421001	Police	$877,480	$1,105,717	$1,199,506	$1,191,267	$1,171,530	$1,278,200	$1,278,200	$1,342,110	$1,409,216	$1,479,676	$1,553,660
11040200-421001	Police - Communications	$140,857	$162,817	$191,666	$198,518	$197,111	$327,000	$327,000	$343,350	$360,518	$378,543	$397,471
11050100-421001	Fire	$641,518	$817,344	$916,861	$893,579	$891,913	$895,400	$895,400	$940,170	$987,179	$1,036,537	$1,088,364
General Fund		**$2,293,313**	**$2,799,913**	**$3,090,137**	**$3,146,429**	**$3,255,822**	**$3,292,100**	**$3,292,100**	**$3,456,705**	**$3,629,540**	**$3,811,017**	**$4,001,568**
		-5.52%	22.09%	10.37%	1.82%	3.48%	1.11%	0.00%	5.00%	5.00%	5.00%	5.00%
22175500-421001	PW - Water & Sewer	$201,426	$206,219	$234,024	$277,587	$316,571	$207,900	$207,900	$218,295	$229,210	$240,670	$252,704
Water & Sewer Fund		**$201,426**	**$206,219**	**$234,024**	**$277,587**	**$316,571**	**$207,900**	**$207,900**	**$218,295**	**$229,210**	**$240,670**	**$252,704**
		15.39%	2.38%	13.48%	18.61%	14.04%	-34.33%	0.00%	5.00%	5.00%	5.00%	5.00%
Total Medical Insurance		**$2,494,739**	**$3,006,132**	**$3,324,160**	**$3,424,017**	**$3,572,393**	**$3,500,000**	**$3,500,000**	**$3,675,000**	**$3,858,750**	**$4,051,688**	**$4,254,272**
		-4.12%	20.50%	10.58%	3.00%	4.33%	-2.03%	0.00%	5.00%	5.00%	5.00%	5.00%



Pensions

Village employees participate in 1 of 3 different pension plans per state statute. Police employees are covered under Article 3 pension plans (40 ILCS 5/3). Fire employees are covered under Article 4 pension plans (40 ILCS 5/4). All non-police or fire employees are covered under the Illinois Municipal Retirement Fund (IMRF) (40 ILCS 5/7). To participate in IMRF, new employees must be expected to work over 1,000 hours annually.

Funding for the Police and Fire Pension Funds is determined by an independent actuary and paid annually in December from revenues in the General Fund. The independent actuary forecasts payments for the next 5 fiscal years.

The forecast assumes;

- No change in employee levels
- No change in benefits or plan design
- No change in actuarial assumptions used to calculate ARC
- The most conservative funding assumption model for police and fire pension funds

Police

Since FY2013, police pension required contributions have increased an average of 9.86% annually. However, over this timeframe the fund has experienced returns below the actuarial assumption, and the Village lowered the assumption from 7.50% to 7.00%. The impact has been felt over the last 4 fiscal years where the average increase was 16.56%. The Village contracted with a new actuary to dig deeper into the assumptions and continue to fund conservatively. Based on feedback from the actuary the assumed increase should flatten out barring adding personnel or continued low returns. The forecast assumes a 5.00% increase in FY2020 – FY2023. The increase for FY2019 is known at 3.25%.

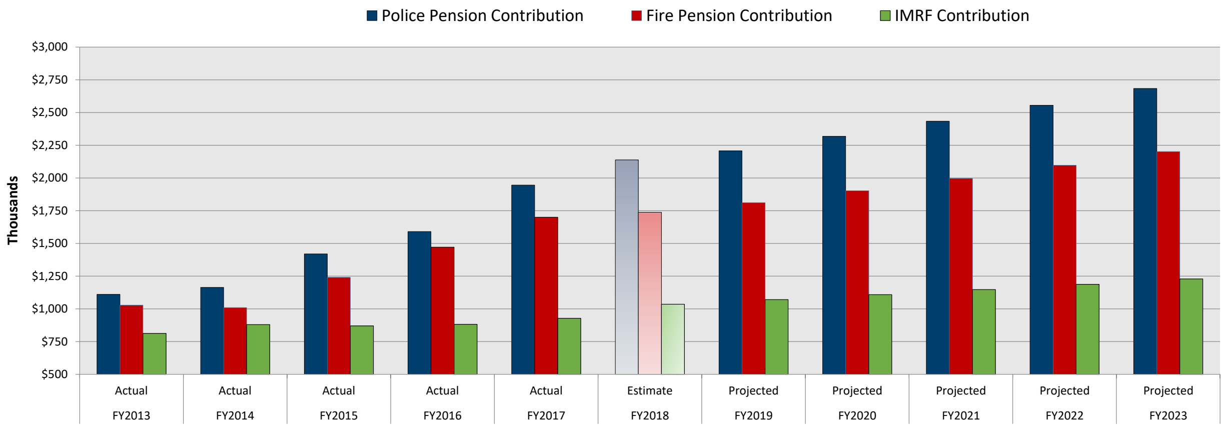
Fire

Since FY2013, fire pension required contributions have increased an average of 10.29% annually. The impacts to the Fire pension are similar to the police pension. The assumptions are the same and the FY2019 known increase is 4.18%.

IMRF

Since FY2013, IMRF costs have increased an average of 5.09% annually. The increase is due in part to lower than expected returns in the IMRF portfolio increasing the employer share and changes to positions. The employer rate is projected to remain flat throughout the forecast period. The forecast assumes costs will increase an average of 3.50% for the forecast period as a result of general salary increases.

		FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Variance vs. Prior Year												
Actual/Estimate - Police		-11.82%	4.75%	22.01%	12.02%	22.30%	9.90%	3.25%	5.00%	5.00%	5.00%	5.00%
Actual/Estimate - Fire		-3.83%	-1.75%	22.81%	18.69%	15.55%	2.23%	4.18%	5.00%	5.00%	5.00%	5.00%
Actual/Estimate -IMRF		0.88%	8.25%	-1.10%	1.36%	5.22%	11.57%	3.50%	3.50%	3.50%	3.50%	3.50%
Expenditure Projections												
11040100-423002	Police Pension Contribution	$1,110,813	$1,163,598	$1,419,759	$1,590,485	$1,945,216	$2,137,886	$2,207,368	$2,317,736	$2,433,623	$2,555,304	$2,683,070
11050100-423003	Fire Pension Contribution	$1,027,531	$1,009,521	$1,239,754	$1,471,445	$1,700,217	$1,738,100	$1,810,723	$1,901,259	$1,996,322	$2,096,138	$2,200,945
423001 - IL MUNIC RE	IMRF Contribution	$812,022	$879,025	$869,333	$881,168	$927,121	$1,034,400	$1,070,604	$1,108,075	$1,146,858	$1,186,998	$1,228,543
Total Police & Fire Pensions		**$2,138,344**	**$2,173,119**	**$2,659,513**	**$3,061,930**	**$3,645,433**	**$3,875,986**	**$4,018,091**	**$4,218,996**	**$4,429,945**	**$4,651,443**	**$4,884,015**
		-8.15%	1.63%	22.38%	15.13%	19.06%	6.32%	3.67%	5.00%	5.00%	5.00%	5.00%



Debt Service

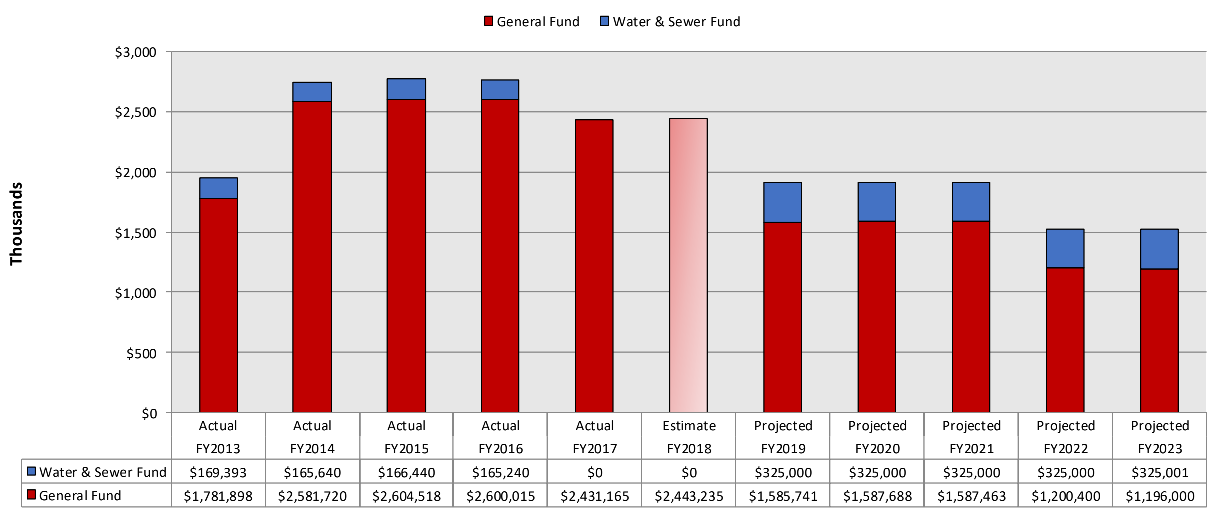
The Village has 1 outstanding general obligation bond issues (Series 2011). Annual debt service is transferred from the General Fund to the Bond Fund. The Village also contributes 75% of the debt service for the Park District bonds used to build the Hunt Club Park Aquatic Center. The General Fund forecast assumes;

- No new debt or refinancing
- 100% of the debt service expiring in FY2016 (Series 2012) is utilized for capital
- 50% of the debt service expiring in FY2018 (Series 2009) is utilized for capital
- $7 million IEPA loan beginning in FY2020

The following schedule depicts the debt service for the outstanding G.O. issues.

Village of Gurnee
Multi-Year Financial Forecast
Debt Service

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
GO Bond Issues											
110 Series 2012 (60%)	$254,090	$248,460	$249,660	$247,860	$0	$0	$0	$0	$0	$0	$0
221 Series 2012 (40%)	$169,393	$165,640	$166,440	$165,240	$0	$0	$0	$0	$0	$0	$0
110 Series 2009	$835,975	$838,475	$856,875	$849,075	$845,825	$856,975	$0	$0	$0	$0	$0
110 Series 2001 (Park District)	$380,391	$380,255	$383,353	$385,350	$386,490	$386,910	$386,291	$388,688	$389,813	$0	$0
110 Series 2011	$396,139	$1,197,350	$1,197,850	$1,200,350	$1,198,850	$1,199,350	$1,199,450	$1,199,000	$1,197,650	$1,200,400	$1,196,000
221 IEPA Anticipated Loan								$400,000	$400,000	$400,000	$400,000
Total Debt Service	**$2,035,988**	**$2,830,180**	**$2,854,178**	**$2,847,875**	**$2,431,165**	**$2,443,235**	**$1,585,741**	**$1,987,688**	**$1,987,463**	**$1,600,400**	**$1,596,000**
General Fund	**$1,781,898**	**$2,581,720**	**$2,604,518**	**$2,600,015**	**$2,431,165**	**$2,443,235**	**$1,585,741**	**$1,587,688**	**$1,587,463**	**$1,200,400**	**$1,196,000**
Water & Sewer Fund	**$169,393**	**$165,640**	**$166,440**	**$165,240**	**$0**	**$0**	**$325,000**	**$325,000**	**$325,000**	**$325,000**	**$325,001**



Other Expenditures

Similar to non-major revenues, non-major General Fund expenditures are grouped by category including; Salaries & Wages, Employee Benefits, Professional & Technical Services, Contractual Services, Other Contracted Services, Supplies, Debt Service and Other Financing Uses. The forecast assumes these expenditures increase by 2.50% annually with the following major exceptions;

- Transfers to Capital Improvements include 100% of the debt service expiring in FY2016 and 50% of the debt service expiring in FY2018.
- Great Wolf Lodge Recapture Agreement based on projections
- Contractual Services increase at 2.0% annually

Forecast of Revenues, Expenses & Changes in Fund Balance

The following charts show the revenues, expenditures and change in fund balance for the three different revenue models. Historically conservative budgeting practices and staff turnover have led to surpluses of approximately $1m. Therefore, there is cause for concern in the model once the annual deficit is greater than $1m.

Baseline Model

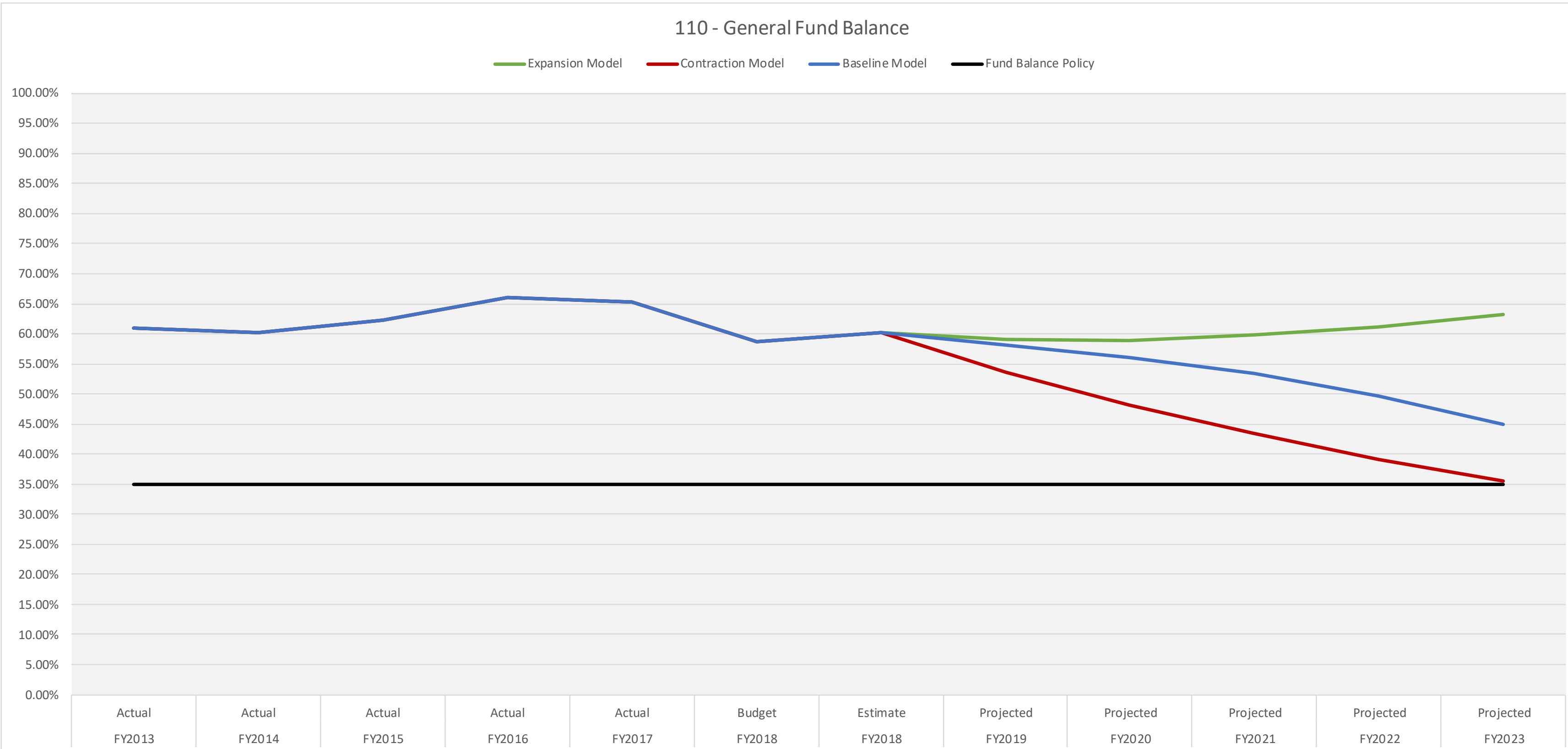
	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Budget	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Major Revenues	**$26,498,171**	**$27,022,380**	**$28,336,359**	**$28,536,344**	**$28,270,533**	**$27,915,500**	**$28,126,588**	**$30,065,091**	**$30,699,279**	**$31,358,858**	**$32,045,317**	**$32,761,100**
		2.0%	**4.9%**	**0.7%**	**-0.9%**	**-1.3%**	**0.8%**	**6.9%**	**2.1%**	**2.1%**	**2.2%**	**2.2%**
31 - Taxes	$1,790,106	$1,866,554	$2,084,327	$2,198,713	$2,113,293	$1,971,000	$1,769,772	$2,457,136	$2,478,809	$2,501,464	$2,525,111	$2,549,758
32 - Licenses & Permits	$427,455	$401,617	$419,137	$440,963	$491,664	$506,700	$425,200	$425,200	$425,200	$425,200	$425,200	$425,200
33 - Intergovernmental	$186,484	$456,526	$235,591	$113,896	$171,589	$145,114	$145,114	$145,114	$145,114	$145,114	$145,114	$145,114
34 - Charges for Services	$4,828,445	$5,191,584	$5,229,892	$5,546,428	$5,979,661	$6,173,474	$6,171,474	$6,320,927	$6,474,117	$6,631,136	$6,792,080	$6,957,049
35 - Fines & Forfeitures	$1,916,641	$1,820,325	$1,837,912	$2,028,886	$1,720,912	$2,044,400	$1,941,000	$1,941,000	$1,941,000	$1,941,000	$1,941,000	$1,941,000
36 - Invests & Contribs	$52,698	$54,773	$68,006	$118,747	$73,383	$162,000	$212,000	$219,500	$227,375	$235,644	$244,326	$253,442
39 - Other Sources	$192,986	$58,308	$73,285	$312,031	$20,500	$20,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000
Total 110 - General Fund Revenues	**$35,892,985**	**$36,872,069**	**$38,284,510**	**$39,296,007**	**$38,841,537**	**$38,938,188**	**$38,831,148**	**$41,613,968**	**$42,430,893**	**$43,278,416**	**$44,158,148**	**$45,072,663**
		2.7%	**3.8%**	**2.6%**	**-1.2%**	**0.2%**	**-0.3%**	**7.2%**	**2.0%**	**2.0%**	**2.0%**	**2.1%**
41 - Salaries & Wages	$17,549,862	$18,389,624	$18,492,558	$18,691,501	$19,217,547	$20,915,000	$20,361,125	$21,633,464	$22,323,840	$23,091,144	$23,830,470	$24,650,016
42 - Employee Benefits	$7,132,858	$7,911,250	$8,834,933	$9,378,892	$10,108,193	$10,631,696	$10,460,098	$10,784,072	$11,288,793	$11,817,758	$12,372,144	$12,953,189
43 - Prof & Tech Services	$1,029,930	$1,082,910	$947,168	$866,465	$920,988	$1,347,570	$1,347,570	$1,289,005	$1,317,105	$1,345,907	$1,375,430	$1,405,691
44 - Contractual Services	$1,469,393	$1,532,528	$1,586,088	$1,379,273	$1,431,007	$1,592,895	$1,592,895	$1,624,753	$1,657,248	$1,690,393	$1,724,201	$1,758,685
45 - Other Cont. Services	$994,912	$913,047	$968,450	$1,030,368	$953,353	$1,128,269	$1,125,041	$1,151,316	$1,178,231	$1,205,800	$1,234,041	$1,262,970
46 - Supplies	$1,518,701	$1,522,492	$1,294,325	$1,298,636	$1,242,727	$1,492,074	$1,492,074	$1,521,915	$1,552,354	$1,583,401	$1,615,069	$1,647,370
48 - Debt Service	$0	$0	$0	$93,096	$93,086	$650	$650	$650	$650	$650	$650	$650
49 - Other Financing Uses	$5,864,776	$6,397,118	$4,649,448	$5,290,572	$3,777,112	$2,700,666	$2,700,666	$4,848,760	$4,085,933	$3,680,974	$3,669,626	$3,650,819
Total 110 - General Fund Expenditures	**$35,560,432**	**$37,748,969**	**$36,772,970**	**$38,028,804**	**$37,744,012**	**$39,808,820**	**$39,080,119**	**$42,853,934**	**$43,404,154**	**$44,416,027**	**$45,821,631**	**$47,329,390**
		6.2%	**-2.6%**	**3.4%**	**-0.7%**	**5.5%**	**-1.8%**	**9.7%**	**1.3%**	**2.3%**	**3.2%**	**3.3%**
Beginning Fund Balance	**$22,684,965**	**$23,017,519**	**$22,140,618**	**$23,652,158**	**$24,919,361**	**$26,016,885**	**$26,016,885**	**$25,767,914**	**$25,202,948**	**$24,904,688**	**$24,442,077**	**$23,453,593**
Change in Fund Balance Less Transfers (Surplus)	**$3,042,552**	**$2,523,100**	**$3,111,540**	**$2,067,203**	**$2,047,524**	**-$870,632**	**-$248,971**	**-$564,967**	**-$298,260**	**-$462,611**	**-$988,483**	**-$1,581,727**
Capital Transfers	**-$2,709,998**	**-$3,400,000**	**-$1,600,000**	**-$800,000**	**-$950,000**	**$0**	**$0**					
Ending Fund Balance	**$23,017,519**	**$22,140,618**	**$23,652,158**	**$24,919,361**	**$26,016,885**	**$25,146,253**	**$25,767,914**	**$25,202,948**	**$24,904,688**	**$24,442,077**	**$23,453,593**	**$21,871,866**
As a % of Next Year Expenditures	**60.98%**	**60.21%**	**62.20%**	**66.02%**	**65.35%**	**58.68%**	**60.13%**	**58.07%**	**56.07%**	**53.34%**	**49.55%**	**44.87%**

Expansion Model

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Budget	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Major Revenues	**$26,498,171**	**$27,022,380**	**$28,336,359**	**$28,536,344**	**$28,270,533**	**$27,915,500**	**$28,126,588**	**$30,471,430**	**$31,572,477**	**$33,014,776**	**$34,566,473**	**$36,238,325**
		2.0%	**4.9%**	**0.7%**	**-0.9%**	**-1.3%**	**0.8%**	**8.3%**	**3.6%**	**4.6%**	**4.7%**	**4.8%**
31 - Taxes	$1,790,106	$1,866,554	$2,084,327	$2,198,713	$2,113,293	$1,971,000	$1,769,772	$2,457,136	$2,478,809	$2,501,464	$2,525,111	$2,549,758
32 - Licenses & Permits	$427,455	$401,617	$419,137	$440,963	$491,664	$506,700	$425,200	$425,200	$425,200	$425,200	$425,200	$425,200
33 - Intergovernmental	$186,484	$456,526	$235,591	$113,896	$171,589	$145,114	$145,114	$145,114	$145,114	$145,114	$145,114	$145,114
34 - Charges for Services	$4,828,445	$5,191,584	$5,229,892	$5,546,428	$5,979,661	$6,173,474	$6,171,474	$6,320,927	$6,474,117	$6,631,136	$6,792,080	$6,957,049
35 - Fines & Forfeitures	$1,916,641	$1,820,325	$1,837,912	$2,028,886	$1,720,912	$2,044,400	$1,941,000	$1,941,000	$1,941,000	$1,941,000	$1,941,000	$1,941,000
36 - Invests & Contribs	$52,698	$54,773	$68,006	$118,747	$73,383	$162,000	$212,000	$219,500	$227,375	$235,644	$244,326	$253,442
39 - Other Sources	$192,986	$58,308	$73,285	$312,031	$20,500	$20,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000
Total 110 - General Fund Revenues	**$35,892,985**	**$36,872,069**	**$38,284,510**	**$39,296,007**	**$38,841,537**	**$38,938,188**	**$38,831,148**	**$42,020,308**	**$43,304,091**	**$44,934,333**	**$46,679,304**	**$48,549,888**
		2.7%	**3.8%**	**2.6%**	**-1.2%**	**0.2%**	**-0.3%**	**8.2%**	**3.1%**	**3.8%**	**3.9%**	**4.0%**
41 - Salaries & Wages	$17,549,862	$18,389,624	$18,492,558	$18,691,501	$19,217,547	$20,915,000	$20,361,125	$21,633,464	$22,323,840	$23,091,144	$23,830,470	$24,650,016
42 - Employee Benefits	$7,132,858	$7,911,250	$8,834,933	$9,378,892	$10,108,193	$10,631,696	$10,460,098	$10,784,072	$11,288,793	$11,817,758	$12,372,144	$12,953,189
43 - Prof & Tech Services	$1,029,930	$1,082,910	$947,168	$866,465	$920,988	$1,347,570	$1,347,570	$1,289,005	$1,317,105	$1,345,907	$1,375,430	$1,405,691
44 - Contractual Services	$1,469,393	$1,532,528	$1,586,088	$1,379,273	$1,431,007	$1,592,895	$1,592,895	$1,624,753	$1,657,248	$1,690,393	$1,724,201	$1,758,685
45 - Other Cont. Services	$994,912	$913,047	$968,450	$1,030,368	$953,353	$1,128,269	$1,125,041	$1,151,316	$1,178,231	$1,205,800	$1,234,041	$1,262,970
46 - Supplies	$1,518,701	$1,522,492	$1,294,325	$1,298,636	$1,242,727	$1,492,074	$1,492,074	$1,521,915	$1,552,354	$1,583,401	$1,615,069	$1,647,370
48 - Debt Service	$0	$0	$0	$93,096	$93,086	$650	$650	$650	$650	$650	$650	$650
49 - Other Financing Uses	$5,864,776	$6,397,118	$4,649,448	$5,290,572	$3,777,112	$2,700,666	$2,700,666	$4,848,760	$4,085,933	$3,680,974	$3,669,626	$3,650,819
Total 110 - General Fund Expenditures	**$35,560,432**	**$37,748,969**	**$36,772,970**	**$38,028,804**	**$37,744,012**	**$39,808,820**	**$39,080,119**	**$42,853,934**	**$43,404,154**	**$44,416,027**	**$45,821,631**	**$47,329,390**
		6.2%	**-2.6%**	**3.4%**	**-0.7%**	**5.5%**	**-1.8%**	**9.7%**	**1.3%**	**2.3%**	**3.2%**	**3.3%**
Beginning Fund Balance	**$22,684,966**	**$23,017,520**	**$22,140,619**	**$23,652,159**	**$24,919,362**	**$26,016,886**	**$26,016,886**	**$25,767,915**	**$25,609,289**	**$26,184,226**	**$27,377,532**	**$28,910,206**
Change in Fund Balance Less Transfers (Surplus)	**$3,042,552**	**$2,523,100**	**$3,111,540**	**$2,067,203**	**$2,047,524**	**-$870,632**	**-$248,971**	**-$158,627**	**$574,937**	**$1,193,306**	**$1,532,673**	**$1,895,498**
Capital Transfers	**-$2,709,998**	**-$3,400,000**	**-$1,600,000**	**-$800,000**	**-$950,000**	**$0**	**$0**					
Ending Fund Blance	**$23,017,520**	**$22,140,619**	**$23,652,159**	**$24,919,362**	**$26,016,886**	**$25,146,254**	**$25,767,915**	**$25,609,289**	**$26,184,226**	**$27,377,532**	**$28,910,206**	**$30,805,704**
	60.98%	**60.21%**	**62.20%**	**66.02%**	**65.35%**	**58.68%**	**60.13%**	**59.00%**	**58.95%**	**59.75%**	**61.08%**	**63.19%**

Contraction Model

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Budget	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Major Revenues	**$26,498,171**	**$27,022,380**	**$28,336,359**	**$28,536,344**	**$28,270,533**	**$27,915,500**	**$28,126,588**	**$28,168,219**	**$29,089,546**	**$30,334,516**	**$31,668,822**	**$33,098,987**
		2.0%	**4.9%**	**0.7%**	**-0.9%**	**-1.3%**	**0.8%**	**0.1%**	**3.3%**	**4.3%**	**4.4%**	**4.5%**
31 - Taxes	$1,790,106	$1,866,554	$2,084,327	$2,198,713	$2,113,293	$1,971,000	$1,769,772	$2,457,136	$2,478,809	$2,501,464	$2,525,111	$2,549,758
32 - Licenses & Permits	$427,455	$401,617	$419,137	$440,963	$491,664	$506,700	$425,200	$425,200	$425,200	$425,200	$425,200	$425,200
33 - Intergovernmental	$186,484	$456,526	$235,591	$113,896	$171,589	$145,114	$145,114	$145,114	$145,114	$145,114	$145,114	$145,114
34 - Charges for Services	$4,828,445	$5,191,584	$5,229,892	$5,546,428	$5,979,661	$6,173,474	$6,171,474	$6,320,927	$6,474,117	$6,631,136	$6,792,080	$6,957,049
35 - Fines & Forfeitures	$1,916,641	$1,820,325	$1,837,912	$2,028,886	$1,720,912	$2,044,400	$1,941,000	$1,941,000	$1,941,000	$1,941,000	$1,941,000	$1,941,000
36 - Invests & Contribs	$52,698	$54,773	$68,006	$118,747	$73,383	$162,000	$212,000	$219,500	$227,375	$235,644	$244,326	$253,442
39 - Other Sources	$192,986	$58,308	$73,285	$312,031	$20,500	$20,000	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000
Total 110 - General Fund Revenues	**$35,892,985**	**$36,872,069**	**$38,284,510**	**$39,296,007**	**$38,841,537**	**$38,938,188**	**$38,831,148**	**$39,717,096**	**$40,821,161**	**$42,254,073**	**$43,781,653**	**$45,410,550**
		2.7%	**3.8%**	**2.6%**	**-1.2%**	**0.2%**	**-0.3%**	**2.3%**	**2.8%**	**3.5%**	**3.6%**	**3.7%**
41 - Salaries & Wages	$17,549,862	$18,389,624	$18,492,558	$18,691,501	$19,217,547	$20,915,000	$20,361,125	$21,633,464	$22,323,840	$23,091,144	$23,830,470	$24,650,016
42 - Employee Benefits	$7,132,858	$7,911,250	$8,834,933	$9,378,892	$10,108,193	$10,631,696	$10,460,098	$10,784,072	$11,288,793	$11,817,758	$12,372,144	$12,953,189
43 - Prof & Tech Services	$1,029,930	$1,082,910	$947,168	$866,465	$920,988	$1,347,570	$1,347,570	$1,289,005	$1,317,105	$1,345,907	$1,375,430	$1,405,691
44 - Contractual Services	$1,469,393	$1,532,528	$1,586,088	$1,379,273	$1,431,007	$1,592,895	$1,592,895	$1,624,753	$1,657,248	$1,690,393	$1,724,201	$1,758,685
45 - Other Cont. Services	$994,912	$913,047	$968,450	$1,030,368	$953,353	$1,128,269	$1,125,041	$1,151,316	$1,178,231	$1,205,800	$1,234,041	$1,262,970
46 - Supplies	$1,518,701	$1,522,492	$1,294,325	$1,298,636	$1,242,727	$1,492,074	$1,492,074	$1,521,915	$1,552,354	$1,583,401	$1,615,069	$1,647,370
48 - Debt Service	$0	$0	$0	$93,096	$93,086	$650	$650	$650	$650	$650	$650	$650
49 - Other Financing Uses	$5,864,776	$6,397,118	$4,649,448	$5,290,572	$3,777,112	$2,700,666	$2,700,666	$4,848,760	$4,085,933	$3,680,974	$3,669,626	$3,650,819
Total 110 - General Fund Expenditures	**$35,560,432**	**$37,748,969**	**$36,772,970**	**$38,028,804**	**$37,744,012**	**$39,808,820**	**$39,080,119**	**$42,853,934**	**$43,404,154**	**$44,416,027**	**$45,821,631**	**$47,329,390**
		6.2%	**-2.6%**	**3.4%**	**-0.7%**	**5.5%**	**-1.8%**	**9.7%**	**1.3%**	**2.3%**	**3.2%**	**3.3%**
Beginning Fund Balance	**$22,684,967**	**$23,017,521**	**$22,140,620**	**$23,652,160**	**$24,919,363**	**$26,016,887**	**$26,016,887**	**$25,767,916**	**$23,306,078**	**$21,398,085**	**$19,911,132**	**$18,546,153**
Change in Fund Balance Less Transfers (Surplus)	**$3,042,552**	**$2,523,100**	**$3,111,540**	**$2,067,203**	**$2,047,524**	**-$870,632**	**-$248,971**	**-$2,461,838**	**-$1,907,993**	**-$1,486,954**	**-$1,364,978**	**-$1,243,839**
Capital Transfers	**-$2,709,998**	**-$3,400,000**	**-$1,600,000**	**-$800,000**	**-$950,000**	**$0**	**$0**					
Ending Fund Blance	**$23,017,521**	**$22,140,620**	**$23,652,160**	**$24,919,363**	**$26,016,887**	**$25,146,255**	**$25,767,916**	**$23,306,078**	**$21,398,085**	**$19,911,132**	**$18,546,153**	**$17,302,314**
	60.98%	**60.21%**	**62.20%**	**66.02%**	**65.35%**	**58.68%**	**60.13%**	**53.70%**	**48.18%**	**43.45%**	**39.19%**	**35.49%**



110 - General Fund Balance
Expansion Model
Contraction Model
Baseline Model
Fund Balance Policy
100.00%
95.00%
90.00%
85.00%
80.00%
75.00%
70.00%
65.00%
60.00%
55.00%
50.00%
45.00%
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
Actual FY2013
Actual FY2014
Actual FY2015
Actual FY2016
Actual FY2017
Budget FY2018
Estimate FY2018
Projected FY2019
Projected FY2020
Projected FY2021
Projected FY2022
Projected FY2023

SECTION III – WATER & SEWER FUND

Water & Sewer Fund (221 & 223)

Major Revenues

Major revenues in the Water & Sewer Fund consist of the fixed and variable rates for water and sewer service. In 2010 the Village hired Baxter & Woodman to perform a rate study and provide recommendations on a future rate model. The study noted;

- The Village historically relied on one-time revenues from growth to fund operations and capital as opposed to water rates.
- The changing economic environment caused by the recession and the Village nearing build-out necessitated a change to the rate structure.
- The rates in 2010 did not reflect the full cost of providing the service.

Baxter & Woodman had several recommendations for the Village including moving to bi-monthly billing, using a rate and cost distribution of 75.00% water and 25.00% sewer, and updating the rate structure to reflect the full cost of providing the service with capital replacement. At that time the study noted the capital needs were $2.2m annually on the water side and $600k annually on the sewer side.

Based on these recommendations the Village implemented bi-monthly billing and a rate structure that included a fixed rate, intended to cover 25.00% of overhead costs, and a variable rate for both water and sewer operations. The Village also adopted a rate increase schedule for the next 5 fiscal years that included smaller annual increases every October 1. The study recommended the Village continue to pass-through any increase or decrease in the CLCJAWA rate effective May 1 every year.

The results of the rate structure allowed the Village to increase the balance in the water and sewer fund from $3.2m to $5m over the 5-year period. However, the rate increases intended to start funding capital replacement were largely consumed by increasing operating costs and lower water consumption. The Village was able to invest approximately $750 thousand in capital over the time frame, well short of the amount recommended from the study.

In FY2016, the Village updated its water rate model to include a combined Village and CLCJAWA rate that increased each May 1. The combined rate model and a projected decrease in the CLCJAWA rate due to the expiration of debt service, provided sufficient capital funding starting in FY2021. The approved rate model includes;

- Implementing a combined rate for water with annual increases of 5.00% in FY2017 and 3.00% in FY2018 through FY2021 effective on May 1.
- Increasing the Water fixed rate by 3.00% annually on May 1 in FY2017 – FY2021.
- Increasing the Sewer variable and fixed rate by 3.00% annually on May 1 in FY2017 – FY2021.
- Capturing the CLCJAWA decreases anticipated in FY2019 and FY2021 for capital.

This rate structure combined with a planned draw-down of Water & Sewer fund balance by $450 thousand annually in FY2017-FY2020 and an additional $300 thousand in either the home rule sales tax in the capital improvements fund or expiring debt service from the General Fund (Offset by operating surpluses in the Water & Sewer Fund) will provide approximately $10m in capital funding for infrastructure replacement over the next 5 fiscal years. The chart below shows the sources of the additional capital funding by fiscal year.

	FY 2018/2019 Projected	FY 2019/2020 Projected	FY 2020/2021 Projected	FY 2021/2022 Projected	FY 2022/2023 Projected
Existing Funding	$750,000	$850,000	$950,000	$1,050,000	$1,150,000
Capital Rate	$188,292	$352,099	$1,129,739	$1,588,489	$1,427,130
Fund Balance	$450,000	$450,000			
General Fund/Surplus	$300,000	$300,000	$300,000		
Total Funding	**$1,688,292**	**$1,952,099**	**$2,379,739**	**$2,638,489**	**$2,577,130**
	Target $2.8m				

The effective fixed and variable rates under this rate structure or shown in the graphics below.

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Estiamte	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Operating	$1.33	$1.45	$1.57	$1.69	$1.74	$1.79	$1.85	$1.90	$1.96	$2.02	$2.08
Capital	$0.00	$0.00	$0.00	$0.00	$0.12	$0.18	$0.17	$0.33	$1.04	$1.47	$1.35
CLCJawa	$2.65	$2.56	$2.60	$2.68	$2.73	$2.76	$2.85	$2.78	$2.16	$1.67	$1.73
Total	$3.98	$4.01	$4.17	$4.37	$4.59	$4.73	$4.87	$5.01	$5.16	$5.16	$5.16
% Change	0.8%	0.8%	4.0%	4.8%	5.0%	3.0%	3.0%	3.0%	3.0%	0.0%	0.0%
Total Gallons Purchased	**1,400,513**	**1,376,333**	**1,302,418**	**1,287,874**	**1,327,000**	**1,272,777**	**1,247,321**	**1,222,375**	**1,197,927**	**1,173,969**	**1,150,490**
% Change	4.9%	-1.7%	-5.4%	-1.1%	3.0%	-4.1%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Gallons Billed (1,000's)	1,463,180	1,294,176	1,228,591	1,221,829	1,254,045	***1,202,774***	***1,178,719***	***1,155,144***	***1,132,041***	***1,109,401***	***1,087,213***
% Billed of Purchased	104.5%	94.0%	94.3%	94.9%	94.5%	***94.5%***	***94.5%***	***94.5%***	***94.5%***	***94.5%***	***94.5%***
Total Billed	$5,695,999	$5,113,744	$5,036,195	$5,247,124	$5,731,792	$5,689,122	$5,740,360	$5,787,273	$5,841,334	$5,724,507	$5,610,017
CLCJawa Expense	$3,600,999	$3,528,051	$3,387,111	$3,400,223	$3,656,083	$3,512,864	$3,554,866	$3,398,202	$2,587,523	$1,960,528	$1,990,347
Net Revenue	$2,095,000	$1,585,694	$1,649,083	$1,846,901	$2,075,709	$2,176,258	$2,185,494	$2,389,071	$3,253,811	$3,763,979	$3,619,670
Operating Revenue	$2,095,000	$1,585,694	$1,649,083	$1,846,901	$1,941,792	$1,979,842.05	$1,997,202	$2,036,972	$2,124,072	$2,175,490	$2,192,540
Capital Revenue	$0	$0	$0	$0	$133,917	$196,416	$188,292.22	$352,099	$1,129,739	$1,588,489	$1,427,130
Total Variable Water Revenue	**$2,095,000**	**$1,585,694**	**$1,649,083**	**$1,846,901**	**$2,075,709**	**$2,176,258**	**$2,185,494**	**$2,389,071**	**$3,253,811**	**$3,763,979**	**$3,619,670**
Water Fixed Revenue	**$569,769**	**$600,915**	**$628,855**	**$649,005**	**$692,070**	**$712,832**	**$733,931**	**$755,949**	**$778,582**	**$778,582**	**$778,582**
Sewer Billed Consumption	1,366,507	1,232,362	1,164,724	1,169,844	1,192,457	1,142,635	1,119,783	1,097,387	1,075,439	1,053,931	1,032,852
Sewer Variable Rate	$1.24	$1.29	$1.33	$1.37	$1.43	$1.47	$1.52	$1.56	$1.61	$1.61	$1.61
Total Variable Sewer Revenue	**$1,701,091**	**$1,586,170**	**$1,547,036**	**$1,598,042**	**$1,700,303**	**$1,679,674**	**$1,702,070**	**$1,711,924**	**$1,731,457**	**$1,696,828**	**$1,662,892**
Sewer Fixed Revenue	**$196,846**	**$205,748**	**$213,125**	**$222,431**	**$238,203**	**$245,350**	**$252,611**	**$260,190**	**$267,980**	**$267,980**	**$267,980**
Total Water Revenue	$6,265,768	$5,714,659	$5,665,049	$5,896,129	$6,423,862	$6,401,954	$6,474,291	$6,543,222	$6,619,916	$6,503,089	$6,388,599
Total Sewer Revenue	$1,897,937	$1,791,919	$1,760,161	$1,820,474	$1,938,506	$1,925,024	$1,954,681	$1,972,114	$1,999,437	$1,964,808	$1,930,872
Total Gross Revenue	**$8,163,705**	**$7,506,578**	**$7,425,210**	**$7,716,603**	**$8,362,368**	**$8,326,978**	**$8,428,972**	**$8,515,336**	**$8,619,353**	**$8,467,897**	**$8,319,471**

Other Revenues

Similar to the General Fund, other revenues are grouped by category. However in the Water & Sewer Fund, other revenues are largely development related and therefore are not increased annually. Other revenues include penalties, and charges for meters and use of hydrants.

Major Expenditures

Major expenditures in the Water & Sewer fund are forecasted similar to those of the General Fund. Major Expenditures in the Water & Sewer Fund include;

- Full-time salaries
- Illinois Municipal Retirement Fund pension
- Health Insurance
- Property, Liability and Workers Compensation insurance

Water & Sewer portions of Major Expenditures are depicted in the graphics in the General Fund Section, and therefore not repeated in this section.

Salaries

Salaries in the Water & Sewer Fund increased an average of 1.50% between FY2013 and FY2017. This is largely due to a staff turnover and a reduction of 0.5 FTE in FY2017. Similar to the General Fund, savings from staff turnover is a significant source of surpluses in the fund. The forecast for full-time salaries assumes;

- Full-time positions remain 13.35 throughout the forecast
- All positions are filled year-round
- The most recent bargained cost of living applied throughout the forecast

Pensions – IMRF

Employees in the Water & Sewer Fund participate in the Illinois Municipal Retirement Fund. Between FY2013 and FY2017, IMRF expenses increased an average of 2.92% annually. The forecast assumes an average increase of 3.50% annually throughout the forecast period as the employer rate is projected to remain flat. IMRF projections assume;

- No change in employee levels
- No change in benefits or plan design
- No change in actuarial assumptions used to calculate ARC

Health Insurance

Between FY2013 and FY2017, health insurance costs increased an average of 12.78% annually. The Forecast assumes an increase of 0% in FY2019, and 5.0% thereafter. The projections assume;

- Increase in employee share to 12% of premium
- No change in plan design, benefits
- Continued self-insured setup or Local 150 plan
- Existing covered lives

Property, Liability & Workers Compensation Insurance

The Village participates in the Municipal Insurance Cooperative Agency (MICA) pool for Liability, Property and Workers Compensation insurance. Premiums are based on a 4-year average of actual experience, combined with changes in exposure and payroll, and general market conditions. Pooled insurance allows the Village a low deductible, but higher premium plan that provides less volatility in annual costs. The forecast assumes;

- Continued participation in MICA
- No change in coverages, limits or deductibles
- No change in existing insured property

Workers compensation premiums have increased an average of 13.80% between FY2013 and FY2017. The forecast projects a 3.00% annual increase throughout the forecast period.

On the liability and property side, between FY2013 and FY2017, premiums have increased an average of 10.91% annually. The forecast assumes an annual increase of 5.00% throughout the forecast period.

Premiums are charged directly to departmental budgets based on experience within the department. This allocation method makes departments directly accountable for their claims experience.

Debt Service

The Water & Sewer Fund was responsible for 40% of the debt service on Series 2012 which expired in FY2016. The Forecast projects and annual debt service of $325 thousand throughout the forecast period for the potential financing of the proposed Knowles Rd. water tower.

Other Expenditures

Non-major Water & Sewer Fund expenditures are grouped by category including; Salaries & Wages, Employee Benefits, Personnel Expense, Professional Services, Contractual, Insurance, Commodities, utilities, Repairs & Maintenance, Minor Capital and Other Financing Uses. The forecast assumes these expenditures increase by 2.5% annually with the following exceptions;

- Major Capital expenditures includes the purchase of vehicles identified in the Multi-Year Capital Plan.
- Contractual includes the anticipated payments for water tower maintenance per the contract with Utility Services Inc.

Forecast of Revenues, Expenses & Changes in Fund Balance

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Budget	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
32 - Licenses & Permits	$66,265	$37,150	$124,719	$142,186	$266,540	$160,000	$150,000	$150,000	$150,000	$150,000	$150,000	$150,000
34 - Charges for Services	$7,588,633	$7,692,800	$7,677,332	$7,850,908	$8,934,572	$8,692,000	$8,560,478	$8,662,472	$8,748,836	$8,852,853	$8,701,397	$8,552,971
35 - Fines & Forfeitures	$79,771	$82,482	$80,093	$73,218	$88,967	$80,000	$80,000	$80,000	$80,000	$80,000	$80,000	$80,000
36 - Invests & Contribs	$650	$2,510	$1,395	$7,617	-$1,540	$36,000	$26,000	$37,800	$39,691	$41,677	$43,761	$45,950
39 - Other Sources	$14,415	$27,124	$455	$300,000	$210,050	$1,000,000	$305,000	$2,305,000	$5,305,000	$305,000	$305,000	$305,000
Total 221 - Water & Sewer Operating Fund Revenues	**$7,749,735**	**$7,842,066**	**$7,883,994**	**$8,373,929**	**$9,498,590**	**$9,968,000**	**$9,121,478**	**$11,235,272**	**$14,323,527**	**$9,429,530**	**$9,280,159**	**$9,133,921**
		1.2%	**0.5%**	**6.2%**	**13.4%**	**4.9%**	**-8.5%**	**23.2%**	**27.5%**	**-34.2%**	**-1.6%**	**-1.6%**
41 - Salaries & Wages	$920,629	$1,022,808	$981,799	$885,027	$963,836	$1,034,750	$1,034,750	$1,070,966	$1,108,450	$1,147,246	$1,187,399	$1,228,958
42 - Employee Benefits	$589,473	$646,853	$688,401	$740,742	$786,304	$691,123	$675,183	$694,725	$725,530	$757,761	$791,486	$826,776
43 - Prof & Tech Services	$27,030	$29,198	$15,795	$15,411	$10,272	$20,905	$20,905	$21,230	$21,563	$21,905	$22,255	$22,613
44 - Contractual Services	$4,313,083	$4,480,861	$4,122,291	$4,170,806	$4,294,341	$4,178,690	$4,191,554	$4,233,556	$4,076,892	$3,266,213	$2,639,218	$2,669,037
45 - Other Cont. Services	$121,610	$104,322	$104,709	$110,601	$119,326	$125,549	$127,438	$129,515	$131,655	$133,858	$136,128	$138,466
46 - Supplies	$223,050	$249,069	$245,702	$220,739	$227,747	$283,480	$283,480	$289,150	$294,933	$300,831	$306,848	$312,985
47 - Capital	$327,600	$740,530	$306,430	$1,579,156	$1,743,941	$3,512,050	$2,512,050	$4,384,125	$7,384,125	$2,884,125	$2,884,125	$2,884,125
48 - Debt Service	$169,393	$165,640	$166,440	$151,470	$0	$0	$0	$0	$0	$0	$0	$0
49 - Other Financing Uses	$603,400	$666,154	$625,593	$640,000	$624,200	$640,000	$640,000	$656,000	$672,400	$689,210	$706,440	$724,101
Total Water & Sewer Fund Expenditures	**$7,295,268**	**$8,105,435**	**$7,257,159**	**$8,513,952**	**$8,769,967**	**$10,486,547**	**$9,485,360**	**$11,479,267**	**$14,415,547**	**$9,201,149**	**$8,673,899**	**$8,807,061**
		11.1%	**-10.5%**	**17.3%**	**3.0%**	**19.6%**	**-9.5%**	**21.0%**	**25.6%**	**-36.2%**	**-5.7%**	**1.5%**
Beginning Fund Balance	**$4,193,169**	**$4,647,636**	**$4,384,266**	**$5,011,100**	**$4,871,077**	**$5,599,699**	**$5,081,152**	**$4,717,270**	**$4,473,275**	**$4,381,255**	**$4,609,635**	**$5,215,895**
Change in Fund Balance Less Transfers (Surplus)	**$454,467**	**-$263,370**	**$626,834**	**-$140,023**	**$728,623**	**-$518,547**	**-$363,882**	**-$243,995**	**-$92,021**	**$228,381**	**$606,259**	**$326,859**
Ending Fund Blance	**$4,647,636**	**$4,384,266**	**$5,011,100**	**$4,871,077**	**$5,599,699**	**$5,081,152**	**$4,717,270**	**$4,473,275**	**$4,381,255**	**$4,609,635**	**$5,215,895**	**$5,542,754**
As a % of Next Year Expenditures	**57.34%**	**60.41%**	**58.86%**	**55.54%**	**53.40%**	**44.26%**	**41.09%**	**31.03%**	**47.62%**	**53.14%**	**59.22%**	**61.10%**

SECTION IV – OTHER FUNDS

Other Funds

Other Funds included in the forecast have either an operating or capital impact. For these funds a simple pro-forma income statement is shown for reference.

911 Fund (121)

With the consolidation of the Village's dispatch center with Zion, the Village is required to establish a Joint Emergency Telephone System Board (JETSB). The Village's 911 proceeds previously deposited in the 911 Fund will be property of the JETSB in FY2018. The Village will maintain this fund as a pass-through for revenues and expenses approved by the JETSB.

Motor Fuel Tax Fund (122)

The Motor Fuel Tax Fund accounts for revenues and expenditures related to restricted motor fuel tax proceeds. Proceeds are collected by the State and a portion is distributed to municipalities based on population. The Village utilizes MFT funds for its road resurfacing program. The forecast includes;

- Flat MFT revenue growth throughout the forecast period
- No assumed capital funds from a state capital bill
- Funds continue to be utilized for road resurfacing
- A targeted fund balance of $250 thousand

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Budget	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
333503 - MOTOR FUEL TAX	$892,478	$909,391	$1,025,007	$802,884	$817,822	$850,000	$850,000	$850,000	$850,000	$850,000	$850,000	$850,000
333505 - HIGH GROWTH CITIES PROG	$19,114	$25,778	$25,773	$25,820	$0	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
33 - Intergovernmental	**$911,592**	**$935,169**	**$1,050,780**	**$828,704**	**$817,822**	**$875,000**	**$875,000**	**$875,000**	**$875,000**	**$875,000**	**$875,000**	**$875,000**
		2.6%	**12.4%**	**-21.1%**	**-1.3%**	**7.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
336101 - INTEREST INCOME	$319	$118	$128	$1,138	$8,229	$1,000	$15,000	$10,000	$10,000	$10,000	$10,000	$10,000
36 - Invests & Contribs	**$319**	**$118**	**$128**	**$1,138**	**$8,229**	**$1,000**	**$15,000**	**$10,000**	**$10,000**	**$10,000**	**$10,000**	**$10,000**
		-62.8%	**8.0%**	**790.2%**	**623.1%**	**-87.8%**	**1400.0%**	**-33.3%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Total 122 - Motor Fuel Tax Fund Revenues	**$911,911**	**$935,288**	**$1,050,908**	**$829,842**	**$826,051**	**$876,000**	**$890,000**	**$885,000**	**$885,000**	**$885,000**	**$885,000**	**$885,000**
		2.6%	**12.4%**	**-21.0%**	**-0.5%**	**6.0%**	**1.6%**	**-0.6%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
443012 - STREET SURFACING-MAINT	$893,999	$1,000,000	$913,675	$1,356,325	$925,000	$775,000	$775,000	$850,000	$850,000	$850,000	$850,000	$850,000
443013 - CRACK SEALING	$44,025	$44,988	$54,981	$75,000	$0	$75,000	$75,000					
443033 - PAVEMENT STRIPING	$40,000	$0	$0	$0	$0	$0	$0					
443035 - CEMETERY RD CONS	$721,133	-$71,907	$0	$0	$0	$0	$0					
44 - Contractual Services	**$1,699,157**	**$973,081**	**$968,656**	**$1,431,325**	**$925,000**	**$850,000**	**$850,000**	**$850,000**	**$850,000**	**$850,000**	**$850,000**	**$850,000**
		-42.7%	**-0.5%**	**47.8%**	**-35.4%**	**-8.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Total 122 - Motor Fuel Tax Fund Expenditures	**$1,699,157**	**$973,081**	**$968,656**	**$1,431,325**	**$925,000**	**$850,000**	**$850,000**	**$850,000**	**$850,000**	**$850,000**	**$850,000**	**$850,000**
		-42.7%	**-0.5%**	**47.8%**	**-35.4%**	**-8.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Beginning Fund Balance	**$1,585,363**	**$798,117**	**$760,323**	**$842,576**	**$241,093**	**$142,143**	**$168,143**	**$208,143**	**$243,143**	**$278,143**	**$313,143**	**$348,143**
Change in Fund Balance Less Transfers (Surplus)	**-$787,246**	**-$37,794**	**$82,253**	**-$601,483**	**-$98,949**	**$26,000**	**$40,000**	**$35,000**	**$35,000**	**$35,000**	**$35,000**	**$35,000**
Ending Fund Blance	**$798,117**	**$760,323**	**$842,576**	**$241,093**	**$142,143**	**$168,143**	**$208,143**	**$243,143**	**$278,143**	**$313,143**	**$348,143**	**$383,143**
As a % of Next Year Expenditures	**82.02%**	**78.49%**	**58.87%**	**26.06%**	**16.72%**	**19.78%**	**24.49%**	**28.61%**	**32.72%**	**36.84%**	**40.96%**	**43.76%**

Capital Improvement Fund (131)

The Capital Improvement fund accounts for activity related to General Government (non-Water & Sewer) capital and infrastructure. This includes transportation system and storm sewer infrastructure as well as vehicles and equipment and buildings. Effective January 1, 2015 the Village instituted an additional 0.50% home rule sales tax dedicated to capital. This tax is the main funding source along with transfers from General Fund surpluses and the Impact Fee Fund. The Home Rule Sales Tax is projected using the Baseline Model which is an increase of 1.75% annually throughout the forecast period. The forecast includes;

- Transfer of $200,000 annually from the Impact Fee Fund for storm water management
- Assumes a General Fund surplus transfer of at least $675,000 annually
- Assumes Grant proceeds of $100,000 annually

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Budget	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
31 - Taxes	$0	$0	$956,990	$4,725,680	$4,843,962	$4,800,000	$4,920,000	$4,993,800	$5,068,707	$5,144,738	$5,221,909	$5,300,237
33 - Intergovernmental	$48,000	$579,183	$229,469	$140,000	$386,364	$65,000	$65,000	$100,000	$100,000	$100,000	$100,000	$100,000
36 - Invests & Contribs	$2,746	$15,117	$886	$243,064	$499,770	$7,000	$5,000	$5,250	$5,513	$5,788	$6,078	$6,381
339101 - GENERAL FUND	$2,709,998	$3,400,000	$1,600,000	$500,000	$750,000	$0						
SERIES 2012 EXPIRED DEBT (100% CAPITAL)							$250,000	$250,000	$250,000	$250,000	$250,000	$250,000
SERIES 2009 EXPIRED DEBT (50% CAPITAL)								$425,000	$425,000	$425,000	$425,000	$425,000
339104 - IMPACT FEE FUND	$0	$550,000	$0	$100,000	$100,000	$250,000	$250,000	$200,000	$200,000	$200,000	$200,000	$200,000
339106 - CAPITAL IMPROVEMENT FUND	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
339201 - SALE OF MISC ASSETS	$0	$9,500	$0	$65,693	$161,948	$25,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
39 - Other Sources	$2,709,998	$3,959,500	$1,600,000	$665,693	$1,011,948	$275,000	$550,000	$925,000	$925,000	$925,000	$925,000	$925,000
Total 131 - Capital Improvement Fund Revenues	**$2,760,745**	**$4,553,800**	**$2,787,345**	**$5,774,437**	**$6,742,044**	**$5,147,000**	**$5,540,000**	**$6,024,050**	**$6,099,220**	**$6,175,526**	**$6,252,986**	**$6,331,619**
		64.9%	**-38.8%**	**107.2%**	**16.8%**	**-23.7%**	**7.6%**	**8.7%**	**1.2%**	**1.3%**	**1.3%**	**1.3%**
43 - Prof & Tech Services	**$75,958**	**$148,123**	**$229,811**	**$495,448**	**$443,210**	**$395,000**	**$395,000**	**$300,000**	**$300,000**	**$300,000**	**$300,000**	**$300,000**
44 - Contractual Services	**$344,138**	**$1,298,258**	**$2,020,235**	**$4,509,254**	**$3,507,221**	**$3,342,000**	**$3,342,000**	**$3,525,000**	**$3,525,000**	**$3,525,000**	**$3,525,000**	**$3,525,000**
45 - Other Cont. Services	**$66**	**$1,356**	**$922**	**$8,331**	**$81**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**$1,000**
47 - Capital	**$953,726**	**$1,519,479**	**$1,745,913**	**$1,957,323**	**$3,606,016**	**$2,402,900**	**$2,402,900**	**$2,200,000**	**$2,200,000**	**$2,200,000**	**$2,200,000**	**$2,200,000**
Total 131 - Capital Improvement Fund Expenditures	**$1,373,888**	**$2,967,217**	**$3,996,881**	**$6,970,356**	**$7,556,528**	**$6,140,900**	**$6,140,900**	**$6,026,000**	**$6,026,000**	**$6,026,000**	**$6,026,000**	**$6,026,000**
		116.0%	**34.7%**	**74.4%**	**8.4%**	**-18.7%**	**0.0%**	**-1.9%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Beginning Fund Balance	**$2,920,455**	**$4,307,311**	**$5,893,894**	**$4,684,358**	**$3,488,439**	**$2,673,955**	**$2,673,955**	**$2,073,055**	**$2,071,105**	**$2,144,325**	**$2,293,850**	**$2,520,836**
Change in Fund Balance Less Transfers (Surplus)	**$1,386,856**	**$1,586,583**	**-$1,209,536**	**-$1,195,919**	**-$814,484**	**-$993,900**	**-$600,900**	**-$1,950**	**$73,219**	**$149,526**	**$226,986**	**$305,619**
Ending Fund Blance	**$4,307,311**	**$5,893,894**	**$4,684,358**	**$3,488,439**	**$2,673,955**	**$1,680,055**	**$2,073,055**	**$2,071,105**	**$2,144,325**	**$2,293,850**	**$2,520,836**	**$2,826,455**
As a % of Next Year Expenditures	**145.16%**	**147.46%**	**67.20%**	**46.16%**	**43.54%**	**27.88%**	**34.40%**	**34.37%**	**35.58%**	**38.07%**	**41.83%**	**45.54%**

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SECTION V – CAPITAL FUNDING

Capital Funding

Funding for the Village's Multi-Year Capital Plan comes from revenue sources in 3 funds; Motor Fuel Tax Fund, Capital Improvement Fund, and the Water & Sewer Capital Fund. The capital funding summary below is the amount available in each fund for capital. The Multi-Year Capital Plan allocates available funding to specific projects or intent. The current Multi-Year Capital Plan allocates resources through FY2022. The MYFF confirms the resources allocated continue to be available over that time period, and identifies available resources to be allocated for FY2022 during the Multi-Year Capital Plan process.

	FY2018 Budget	FY2018 Estimate	FY2019 Projected	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
121 - 911 Fund	$500,000	$500,000	DETERMINED BY JETSB				
122 - Motor Fuel Tax Fund	$850,000	$850,000	$850,000	$850,000	$850,000	$850,000	$850,000
223 - Water & Sewer Capital Fund	$3,512,050	$2,512,050	$4,384,125	$7,384,125	$2,884,125	$2,884,125	$2,884,125
131 - Capital Improvement Fund	$6,140,900	$6,140,900	$6,026,000	$6,026,000	$6,026,000	$6,026,000	$6,026,000
Total Capital Funding	**$10,502,950**	**$9,502,950**	**$11,260,125**	**$14,260,125**	**$9,760,125**	**$9,760,125**	**$9,760,125**
	2.7%	**-9.5%**	**18.5%**	**26.6%**	**-31.6%**	**0.0%**	**0.0%**
		Knowles Tower	$2,000,000	$5,000,000			

SECTION VI – CONCLUSIONS

Conclusions

Over the long term, personnel costs outpace revenue growth. Opportunities for new growth are limited as the Village becomes built-out. Absent revenue enhancements or new growth, the Village must balance the deficit through expenditure reductions. The Baseline Model shows the Village in a structural deficit in excess of historical surpluses in FY2023 based on the assumptions noted. The good news is the Village has time to make strategic and managed adjustments. As a service organization, the vast majority of expenditures are personnel related. It is important the Village identify the proper staffing level based on long-term service needs and not short-term spikes in activity or project related work. Opportunities to reduce staffing levels through the addition of technology, collaborating with other governments, privatizing non-customer centric functions, internal consolidation and process efficiency should be considered prior to filling vacant positions.

Recommendations

While the Village is in a good position to maintain operations should a recession happen, there are things that can be done to enhance the financial sustainability of the Village.

Diversifying Revenue Sources – As the base for traditional sales tax changes and likely erodes, the Village will need to shift to other taxes to fill the void, such as amusement, hotel and resort.

Diversifying Fund Setup – Adding funds for volatile expenditures such as risk management or health insurance can help add a layer of redundancy to protect General Fund balances. In the event of a recession, the fund balance in these funds that built up over time can be tapped to relieve the pressure on the General Fund.

Update Fund Balance Targets – Currently the Village has a fund balance policy for the General Fund. The Village should update the policy to include target balances for major funds.

Privatization – Adding private contractors allows the Village to react swiftly to reduce expenditures in a recession. A contractor's hours or work can be reduced or eliminated quickly versus the process to reduce employee count. Work can be brought back in-house and internal projects delayed in the short term. This ensures the Village can make a long-term commitment to its workforce even in the face of a recession.

Segregating On-Time Revenues – The Village often receives one- time revenues from new growth such as building permits or connection fees. These revenues should be segregated to capital functions and not relied on for operations.

Full-Cost Recovery – The Village annually reviews fees and charges for service. Future considerations should be to ensure we are recovering the full cost of delivering the service. The Village should implement processes to be able to track costs of delivering an individual service.

SECTION VI – APPENDIX

Appendix

The Village of Gurnee

Fund Balance Policy - General Corporate Fund

Kristina M. Kovarik, Mayor
Andy Harris, Clerk

Jeanne Balmes
Greg Garner
Michael Jacobs

Kirk Morris
Cheryl Ross
Hank Schwarz

Trustees

James Hayner
Village Administrator

Diane Lembesis
Finance Director

Adopted by the Village Board
November 2, 1998

Amended
March 7, 2011

Village of Gurnee

Fund Balance Policy

STATEMENT OF PURPOSE

The purpose of this policy is to establish procedures governing the Fund Balance. The Village's original Fund Balance policy was adopted on November 2, 1998. The policy was amended on March 7, 2011 to be compliant with Governmental Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

I. SCOPE

Sufficient fund balance helps provide the Village of Gurnee with operational stability, helps the Village meet needs caused by unforeseen events, and helps stakeholders identify the Village's credit worthiness. This policy defines the minimum amount of unassigned fund balance for the Village.

II. DEFINITIONS

Fund Balance: the difference between assets and liabilities in a Governmental Fund.

Non-Spendable Fund Balance: the portion of a Governmental Fund's net assets that are not available to be spent. Examples of non-spendable funds include prepaid assets or endowment principal.

Restricted Fund Balance: the portion of a Governmental Fund's fund balance that is subject to external enforceable legal purpose restrictions as to what the fund balance can be spent on.

Committed Fund Balance: the portion of a Governmental Fund's fund balance that is limited with self-imposed constraints or limitations that have been placed at the highest level of decision making authority.

Assigned Fund Balance: the portion of a Governmental Fund's fund balance to denote management's intended use of resources.

Unassigned Fund Balance: available expendable financial resources in a governmental fund that are not the object of tentative management plan (i.e., assigned). Positive unassigned fund balance can only be reported in the general fund.

Note: In non-governmental funds (e.g., golf), management may decide to assign funds for a specific purpose. This may be done as an internal budgeting procedure rather than as a formal accounting entry.

III. POLICY

A. It is the policy of the Village of Gurnee to maintain unassigned fund balance in the General Fund to fund operations for a period of at least four months ("Cash Flow Commitment"). The goal is to have a Cash Flow commitment in the General Fund that is adjusted annually with the adoption of the annual budget and is calculated as 35% of General Fund expenditures (not including transfers to fund capital projects).

B. It is also the policy of the Village of Gurnee to assign a portion of Fund Balance in the amount of debt service payments for general obligations, alternate revenue source, and governmental debt for the following year. These funds may be assigned in either the General Fund or the Debt Service Fund ("Debt Service Assignment").

C. Unassigned fund balance will be reviewed annually during the budget process.

Should the unassigned fund balance for the General Fund balance drop below 35%, the Village board will be notified. Reductions will be resolved by either implementing a new, recurring revenue source or reducing expenditures.

Balances in excess of the recommended Cash Flow Commitment may be transferred to the Capital Improvements Fund to support future capital projects.

The levels of other required restrictions, commitments and assignments will fluctuate depending on activity.

D. This policy may be amended from time to time as determined by the Board of Trustees.

E. The Village will spend the most restricted dollars before less restricted, in the following order:

1) Restricted,

2) Committed,

3) Assigned,

4) Unassigned.

F. The Village Administrator and Director of Finance will recommend to the Village Trustees if a portion of fund balance should be assigned.