AGENDA
BUFFALO GROVE VILLAGE BOARD
Committee of the Whole: June 2, 2025 at 7:00 PM

Jeffrey S. Braiman Council Chambers
Fifty Raupp Blvd Buffalo Grove, IL 60089-2139

1. Call to Order
a. Pledge of Allegiance

b. Roll Call

2. Village President's Report

3. Special Business
a. Fire Department Strategic Plan Overview (Trustee Richards, Lawrence Kane)

b. FY 2025 20-Year Water Proforma (Trustee Cesario, Chris Black)

c. Public Safety Pension Funding (Trustee Cesario, Chris Black)

d. General Fund Financial Forecast - FY2026 - FY2030 (Trustee Cesario, Chris Black)

4. Public Comment
Public Comment is limited to items that are not on the regular agenda. In accordance with Section 2.02.070 of the Municipal Code, discussion on questions from the audience will be limited to 5 minutes and should be limited to concerns or comments regarding issues that are relevant to Village Board business. All members of the public addressing the Village Board shall maintain proper decorum and refrain from making disrespectful remarks or comments relating to individuals. Speakers shall use every attempt to not be repetitive of points that have been made by others. The Village Board may refer any matter of public comment to the Village Manager, Village staff or an appropriate agency for review.

5. Executive Session

6. Adjournment
The Village Board will make every effort to accommodate all items on the agenda by 10:30 p.m. The Board does, however, reserve the right to defer consideration of matters to another meeting should the discussion run past 10:30 p.m.

The Village of Buffalo Grove, in compliance with the Americans with Disabilities Act, requests that persons with disabilities who require certain accommodations to allow them to observe and/or participate in this meeting or have questions about the accessibility of the meeting or facilities, contact the ADA Coordinator at 847-459-2500 to allow the Village to make reasonable accommodations for those persons.

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AGENDA ITEM SUMMARY
BUFFALO GROVE VILLAGE BOARD
Committee of the Whole: June 2, 2025

AGENDA ITEM 3.a.
Fire Department Strategic Plan Overview

Contacts
Liaison: Trustee Richards
Staff: Lawrence Kane

Staff Recommendation
Staff recommends presentation.

Summary
Staff will provide an overview of the strategic planning process taking place in the fire department.

Strategic Alignment
Guiding Principle
Principle 1: Financially Responsible and Sound
Principle 2: Outstanding Village Services
Principle 3: Plan and Invest in the Future
Principle 4: High Performing Village Team
Principle 5: Partnership with Local Districts
Principle 6: Engages Our Residents
Principle 7: Builds Our Community

Goal
Goal 1: Maintained effective village government: fiscally responsible and providing outstanding, responsive services
Goal 3: Strengthened Buffalo Grove community identity and pride
Goal 4: Vibrant and innovative community: leading edge

File Attachments
None

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AGENDA ITEM SUMMARY
BUFFALO GROVE VILLAGE BOARD
Committee of the Whole: June 2, 2025

AGENDA ITEM 3.b.
FY 2025 20-Year Water Proforma

Contacts
Liaison: Trustee Cesario
Staff: Chris Black

Staff Recommendation
Staff recommends presentation.

Summary
See Attached Memorandum

Strategic Alignment
Guiding Principle
Principle 1: Financially Responsible and Sound
Principle 2: Outstanding Village Services
Principle 3: Plan and Invest in the Future

Goal
Goal 1: Maintained effective village government: fiscally responsible and providing outstanding, responsive services

File Attachments
1. COW Memo 6.2.25 Water Pro Forma
2. COW 6.2.25 Water PF Attachement

MEMORANDUM

DATE:	June 2, 2025
TO:	Village Manager Dane Bragg
FROM:	Chris Black, Finance Director
SUBJECT:	FY 2025 20-year Water Pro-Forma

BACKGROUND

In 2012, the Village developed a 20-year Water and Sewer Fund pro-forma to evaluate the water and sewer system's infrastructure needs. As identified in previous pro-forma, the Village's historical rates were not sufficient to fund water and sewer operations and capital needs.

In 2019, the Village Board directed staff to develop a formal funding strategy for the Water and Sewer Fund that would allow needed capital improvements to occur over the next 20 years. The goal was to develop a funding strategy to complete $150 million of water and sewer infrastructure. The strategy could not impact the Village's property tax levy and maintain a competitive water rate amongst other providers within the region.

As a result, the Village Board adopted a new rate structure and fixed facility fee, effective January 2020. Furthermore, the Village implemented a new local motor fuel tax in an effort to align roadwork with water and sewer improvements.

Accompanying this memorandum is an updated 20-year water pro-forma reflecting the new rate structure, including a 2025 increase in the fixed facility fee. A debt issuance for fund improvements occurred in 2020 and additional bond issues are planned for 2030 and 2033. The pro-forma shows that Public Works is able to complete over $200 million in water and sewer capital infrastructure through 2044.

RATE AND CONSUMPTION HISTORY

The Village maintained a water and sewer rate of $1.80/1,000 gallons for twenty-three years (1983 through 2005). Funding for future infrastructure replacement was never a component of the rate structure.

The Village was able to adequately maintain the water and sewer system without increasing rates during the time period for several reasons. First, Developers donated approximately 53 percent of the water and sewer system assets when the Village experienced growth in the 1980's and 1990's. In addition, revenues increased due to growing water consumption and the receipt of building and development fees. Growing revenue, combined with more limited capital needs due to the age of the

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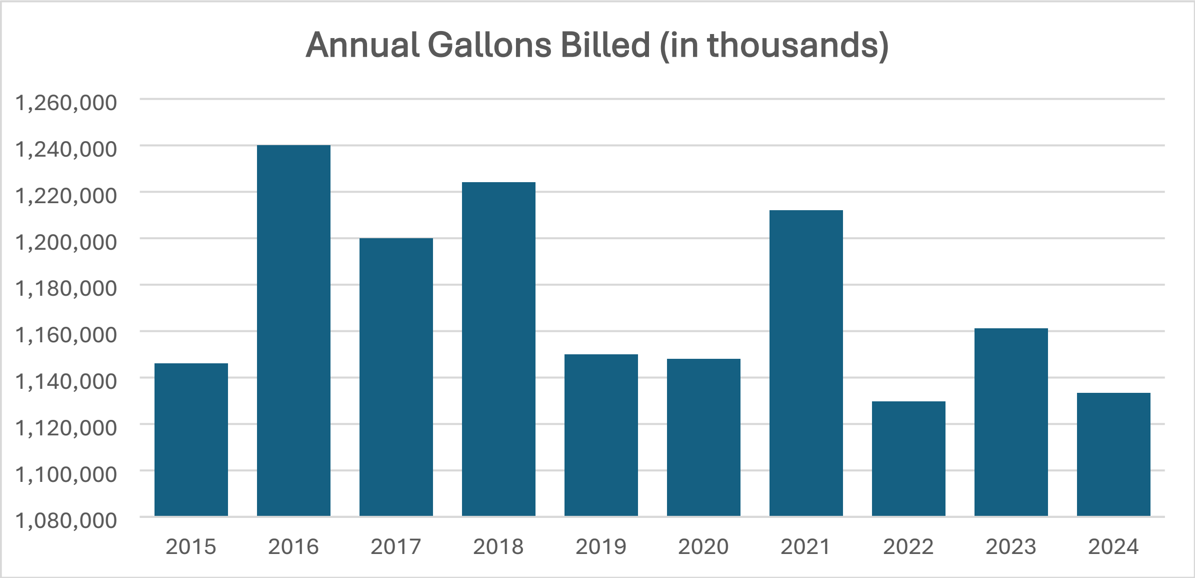
system, allowed the Village to fund infrastructure improvements on a pay-as-you-go basis from Water and Sewer Fund cash reserves.

Beginning in 2003, a pattern of declining water usage started. In 2002, 1.63 billion gallons of water were billed. In 2024, the Village billed customers for 1.13 billion gallons, a decrease of 44 percent from 2002. Billable gallons are not expected to reach those levels again, absent a significant drought or the addition of heavy industrial uses. The following chart shows the annual billed since 2015.

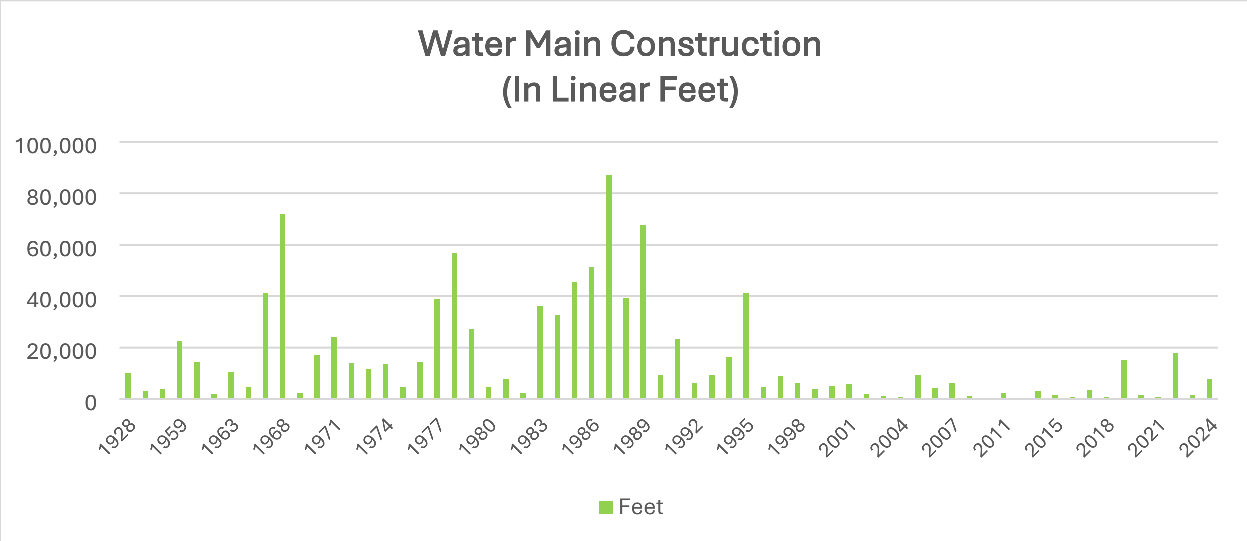


The latest pro-forma uses an estimate of 1.15 billion gallons and will carry forward through the next 20 years. Although there will be an increase in total consumers over the next two decades with Link Crossing and the Lake Cook Corridor Developments, continued conservation efforts, weather patterns, and other impacts on water usage could partially offset that growth.

The Village has an agreement in place for the resale of potable water to the Pekara and Horatio Gardens neighborhoods with the Lake County Public Works Department. The proposed agreement allows the Village to utilize its existing pumping and reservoir capacity to provide water to Pekara/Horatio Gardens while providing a high-quality and reliable water source. The pro-forma includes revenue and expenses related to the agreement beginning in the first quarter of 2025. Also, the projected expenses and revenues of a Utility Loan Program are included in the pro forma. The financial impact of the program on the Water and Sewer Fund is negligible.

WATER AND SEWER SYSTEM ASSETS

The utility system consists of 185 linear miles of water and sewer main. Based on actual experience in the field, the service life of the water main infrastructure is 65 years. Over the next 20 years, it is estimated that 24 percent of the water mains will reach the end of their useful life. As the first iterations of infrastructure replacement have come due, the Village has engaged in extensive study of the system and developed a replacement program, culminating in 2020's Infrastructure Modernization Program. The following chart shows the pattern of construction of water main since 1929.



Sewer assets have a longer life span as the structures are not pressurized. The Village's preferred approach is to line existing sanitary sewer mains, thereby extending life considerably while reducing the life cycle cost of the asset. As a general rule, sanitary sewer lining can extend the life of a gravity-fed main by 50 years.

RECENT RATE CHANGES

Fixed Facility Fee

As recommended in the water and sewer rate analysis prepared by Strand and Associates, the Village Board implemented a new fixed facility fee per metered utility account, starting in 2020. The fixed facility fee is a flat rate assessed to each metered account for access to the water and sewer system.

In November 2024, the Village increased the fixed facility fee rate effective beginning January 1, 2025. Per Village Code, the fixed fee was to be evaluated every five years by utilizing the aggregate Consumer Price Index (CPI-U) over the preceding five-year period to determine the amount the rate must be increased. Rather than implementing a 22 percent increase based on the evaluation, the rate increases 10 percent in 2025 and 2.5 percent every year thereafter.

The fixed fees collected are used for the maintenance and replacement of the capital infrastructure for the delivery of clean water and the removal of the wastewater. The current fee schedule is as follows:

Fixed Facility Fee	Rate per month
All Single-Family Detached, Single-Family Attached Residential/Governmental/Institutional	$19.13
Multi-Family, Commercial/Industrial Based on Meter Size	

1" meters or less	$19.13
1.5" meters	$24.22
2" meters	$49.69
3" meters	$127.45
4" meters	$198.75
6" meters	$219.12

Water/Sewer Rate

The Village's consumption model is driven by water rate and consumer use. The fees collected from system users should cover operating expenses such as the cost of the water sourced from the Northwest Water Commission as well as the cost for pumping, storage and distribution. In 2020, the Village Board approved a one-time 11 percent increase, so revenue would keep pace with expected increases in operating expenditures. Beginning in 2021, the rate will increase each year by 4 percent, as adopted by ordinance by the Village Board. The current combined sewer and water rate per 1,000 gallons is $8.57.

WATER AND SEWER FUND FINANCIALS

Historically, the Water and Sewer Fund addressed infrastructure maintenance and improvement on a pay as you go basis. Due to the relative age of the system, many system repairs and replacements are coming due over the next 20 years based on the growth periods for the Village. Since 2012, $40.7 million in infrastructure repairs and improvements has been spent, including $6 million in water meter replacement costs. The meter replacement costs were funded through an installment note scheduled to be retired in 2029.

As noted, the Village Board approved two revenue streams, a fixed facility fee combined with a water/sewer rate increase and a local motor fuel tax to fund capital improvements. These actions allow the Village to address the first generation of major water and sewer infrastructure replacement, as well as street repair and replacement. By combining utility and street improvements, the Village is able to comprehensively address repairs and improvements in neighborhoods and limit disruption to residents.

In May 2020, the Board also approved the issuance of a bond totaling $26 million - $13 million for water/sewer and $13 million for streets, to begin the Infrastructure Modernization Program. The entire amount of the bond proceeds was exhausted on projects by the end of FY 2022. The long-term goal is to transition from a debt and cash strategy to a cash-only strategy (pay-as-you-go) to fund all system replacements.

From 2020 through 2024, the Village has completed $26.1 million in water and sewer capital projects. The Village completed approximately $5.2 million in capital projects in FY 2024. The Village will utilize water and sewer reserves from 2025 through 2029 to fund capital improvements. In 2030 and again in 2033, the Village will need to issue additional debt to keep pace with the water and sewer improvements. The debt could be fully supported by water and sewer user charges. All debt is scheduled to be retired by 2048.

After completing the largest surge of infrastructure replacement through 2040, the Water and Sewer fund begins to rebuild cash balances from 2040 through 2044, while also supporting over $40.6 million in capital improvements during the same period. As a result of the Village's careful infrastructure planning, Public Works is able to complete over $160 million in water and sewer capital infrastructure through 2039, consistent with the recommendations of the Strand & Associates water/sewer system study.

WATER & SEWER FUND

BUDGET YEAR	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Beginning Cash	12,722,967	6,825,738	4,189,529	1,836,995	1,745,531	2,608,142	20,588,393	11,662,380	5,093,904	20,297,193	14,903,337	9,975,734	5,892,079	4,322,209	3,149,505	3,309,952	4,117,046	5,590,312	7,770,700	11,653,901
Water and Sewer Revenue																				
Sale of Water	8,412,041	8,852,122	9,209,161	9,578,512	9,960,175	10,354,150	10,772,749	11,203,659	11,646,880	12,114,725	12,594,882	13,099,662	13,629,066	14,170,781	14,737,120	15,328,082	15,943,668	16,583,877	17,248,709	17,938,165
Fixed Facility Fees	2,750,000	2,818,750	2,889,219	2,961,449	3,035,485	3,111,373	3,189,157	3,268,886	3,350,608	3,434,373	3,520,232	3,608,238	3,698,444	3,790,905	3,885,678	3,982,820	4,082,390	4,184,450	4,289,061	4,396,288
Late Charges	170,600	173,200	175,800	178,400	181,100	183,800	186,600	189,400	192,200	195,100	198,000	201,000	204,000	207,100	210,200	213,400	216,600	219,800	223,100	226,400
Village Sewer Use Fees	1,966,500	2,047,000	2,127,500	2,208,000	2,300,000	2,392,000	2,484,000	2,587,500	2,691,000	2,794,500	2,909,500	3,024,500	3,151,000	3,277,500	3,404,000	3,542,000	3,680,000	3,829,500	3,979,000	4,140,000
Series 2020 Bonds																				
Series 2030 Bonds						26,000,000														
Series 2033 Bonds									20,000,000											
Grants																				
Other Charges & Fees	96,742	94,444	85,959	85,606	91,616	96,919	94,444	85,959	85,606	91,616	96,919	94,444	85,959	85,606	91,616	96,919	94,444	85,959	85,959	85,606
Investment Revenue	127,230	68,260	41,900	18,370	17,460	26,080	205,880	116,620	50,940	202,970	149,030	99,760	58,920	43,220	31,500	33,100	41,170	55,900	38,850	116,540
Total Revenue	13,523,113	14,053,776	14,529,539	15,030,337	15,585,836	42,164,321	16,932,830	17,452,024	38,017,234	18,833,284	19,468,563	20,127,604	20,827,390	21,575,112	22,360,114	23,196,321	24,058,273	24,959,487	25,864,680	26,902,999
Operating Expenses																				
Water Department	4,806,035	4,917,309	5,014,293	5,149,406	5,242,695	5,344,209	5,443,996	5,552,106	5,698,592	5,803,507	5,916,904	6,028,839	6,149,368	6,308,549	6,426,443	6,553,110	6,678,613	6,813,015	6,954,383	7,130,783
Sewer Department	1,060,213	1,084,068	1,108,460	1,133,400	1,158,902	1,184,977	1,211,639	1,238,901	1,266,776	1,295,278	1,324,422	1,354,221	1,384,691	1,415,847	1,447,704	1,480,277	1,513,583	1,547,639	1,582,461	1,618,066
Total Operating Expenses	5,866,248	6,001,377	6,122,753	6,282,806	6,401,597	6,529,186	6,655,635	6,791,007	6,965,368	7,098,785	7,241,326	7,383,060	7,534,059	7,724,396	7,874,147	8,033,387	8,192,196	8,360,654	8,536,844	8,748,849
Capital Expenses																				
Capital Projects	9,600,000	7,000,000	7,000,000	5,000,000	5,000,000	14,000,000	14,000,000	12,000,000	10,000,000	10,000,000	10,000,000	10,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	7,640,325	9,000,000
Capital Equipment	231,530	243,110	255,270	268,030	281,430	295,500	310,280	325,790	342,080	359,180	377,140	396,000	415,800	436,590	458,420	481,340	505,410	518,045	557,210	518,045
Water Meter Debt Service	753,245	807,270	864,413	924,841	384,828					-	-	-	-	-						
IEPA Loan	26,128	26,128	26,128	26,128	26,128	26,128	26,128	26,128	26,128											
Series 2020 Debt Service	1,121,950	946,950	948,700	946,200	947,075	946,475	947,700	948,175	947,900	946,875	947,600									
Series 2022 Debt Service	802,941	638,450	629,609	629,996	629,768	641,035	660,000	660,000	660,000	660,000	660,000	1,253,000	1,258,000	1,386,431	660,000	660,000	660,000	660,000	-	
Series 2030 Debt Service						684,646	2,189,200	2,190,600	2,190,000	2,192,400	2,192,600	2,190,600	2,191,400	2,189,800	2,190,800	2,189,200	2,190,000	2,193,000	2,190,000	2,193,000
Series 2033 Debt Service									594,669	1,873,000	1,871,400	1,873,200	1,873,200	1,876,400	1,872,600	1,872,000	1,874,400	1,874,600	1,874,400	1,874,600
Total Capital Expenses	12,535,794	9,661,908	9,724,120	7,795,195	7,269,229	16,593,784	18,133,308	16,150,693	14,760,777	16,031,455	16,048,740	15,712,800	13,738,400	13,889,221	13,181,820	13,202,540	13,229,810	13,245,645	12,261,935	13,585,645
Operating Transfers																				
Water Department - Tax Abatement	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
Reimburse General Fund	838,300	846,700	855,200	863,800	872,400	881,100	889,900	898,800	907,800	916,900	926,100	935,400	944,800	954,200	963,700	973,300	983,000	992,800	1,002,700	1,012,700
Total Operating Transfers	1,018,300	1,026,700	1,035,200	1,043,800	1,052,400	1,061,100	1,069,900	1,078,800	1,087,800	1,096,900	1,106,100	1,115,400	1,124,800	1,134,200	1,143,700	1,153,300	1,163,000	1,172,800	1,182,700	960,000
Revenues over (under) Expenses	(5,897,229)	(2,636,209)	(2,352,534)	(91,464)	862,610	17,980,251	(8,926,013)	(6,568,476)	15,203,288	(5,393,856)	(4,927,603)	(4,083,656)	(1,569,869)	(1,172,705)	160,447	807,094	1,473,267	2,180,387	3,883,201	3,842,312
Unreserved Ending Cash	6,825,738	4,189,529	1,836,995	1,745,531	2,608,142	20,588,393	11,662,380	5,093,904	20,297,193	14,903,337	9,975,734	5,892,079	4,322,209	3,149,505	3,309,952	4,117,046	5,590,312	7,770,700	11,653,901	17,943,401
Required Working Cash*	1,466,562	1,500,344	1,530,688	1,570,702	1,600,399	1,632,297	1,663,909	1,697,752	1,741,342	1,774,696	1,810,332	1,845,765	1,883,515	1,931,099	1,968,537	2,008,347	2,048,049	2,090,164	2,134,211	2,125,453
Est Gallons Billed (in thousands)	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000

AGENDA ITEM SUMMARY
BUFFALO GROVE VILLAGE BOARD
Committee of the Whole: June 2, 2025

AGENDA ITEM 3.c.
Public Safety Pension Funding

Contacts
Liaison: Trustee Cesario
Staff: Chris Black

Staff Recommendation
Staff recommends presentation.

Summary
Staff will provide a presentation on public safety pensions funding status, the FY 2026 contribution, and future funding.

Strategic Alignment
Guiding Principle
Principle 1: Financially Responsible and Sound
Principle 3: Plan and Invest in the Future

Goal
Goal 1: Maintain effective village government: fiscally responsible and providing outstanding, responsive services

File Attachments
None

AGENDA ITEM SUMMARY
BUFFALO GROVE VILLAGE BOARD
Committee of the Whole: June 2, 2025

AGENDA ITEM 3.d.
General Fund Financial Forecast - FY2026 - FY2030

Contacts
Liaison: Trustee Cesario
Staff: Chris Black

Staff Recommendation
Staff recommends presentation.

Summary
Please see attached memorandum.

Strategic Alignment
Guiding Principle
Principle 1: Financially Responsible and Sound
Principle 2: Outstanding Village Services
Principle 3: Plan and Invest in the Future

Goal
Goal 1: Maintained effective village government: fiscally responsible and providing outstanding, responsive services

File Attachments
1. Five Year General Fund Forecast 2026-2030

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Village of Buffalo Grove - General Fund
Financial Forecast
FY 2026 – FY 2030

Village of Buffalo Grove
A Financial Assessment of General Fund
Revenues and Expenditures

OVERVIEW AND SUMMARY

The purpose of the Five-Year Operating Forecast is to help the Village of Buffalo Grove make informed, operational decisions by better anticipating future revenues and expenditures. Using the forecasted data, the Village can plan strategies for providing a consistent, appropriate level of service to the customers while ensuring the revenues and expenditures remain in a sustainable balance. The primary objective of the forecast is to provide the Village Board and related stakeholders with an early financial assessment and identify significant issues that should be addressed in the budget development process. For the purposes of constructing the forecast, operating revenues are measured against operating expenditures without including any prior period fund balance to subsidize revenue.

The goals of the forecast are to assess the Village's ability, over the next five years, to maintain current service levels based on projected revenue growth, evaluate future sustainability by aligning operating revenues and expenditures, and ensure proper funding of infrastructure reserves. The assessment analyzes the capacity to fund capital projects and maintain a minimum unassigned fund balance reserve at three months of budget expenditures (25%).

> The intent of the Five-Year Operating Forecast is to evaluate resource allocations to ensure the proper funding levels for services, capital, infrastructure and maintaining reserves.

It is important to stress that this forecast is not a budget. It does not dictate expenditure decisions; rather it identifies the need to prioritize allocations of Village resources. The forecast sets the stage for the budget process and aids both staff and the Village Board in establishing priorities and allocating resources appropriately.

As a governmental entity, changes in strategy that involve service delivery should be slow and methodical. The forecast provides a snapshot of the Village's fiscal health based on numerous assumptions over the next five years. The forecast is a planning tool and should be considered fluid in its construction. As new significant data or trends emerge the document will be revised, at minimum, on an annual basis.

In each of the five years, revenues offset operating expenses, and the budgets are anticipated to be in balance. However, expenses are expected to outpace average annual revenue growth by 0.8 percent per year. After including amounts needed for reserves and capital, there is a shortfall every year in the forecast. This illustrates the need to continue efforts to finance capital improvements, as well as operating efficiently and review revenue sources for adequacy, efficiency, and diversification.

FORECAST METHODOLOGIES AND ASSUMPTIONS

REVENUES

The General Fund is the main operating fund and accounts for the core public services provided by the Village including public safety (police & fire), public works, community development, as well as operations that support core services. All major discretionary revenues such as property tax, sales tax, income tax, telecommunication excise tax, and utility use tax are accounted for within the General Fund. The Finance Department works with departments responsible for administering the service and/or collecting the associated revenue to develop program revenues.

EXPENDITURES

The expenditures assumed in the forecast are based on the current service levels. No additional staffing has been included in the estimates. Actual expenditures for 2024 and the 2025 budget amounts are the basis for the five-year estimates. The General Fund is the primary focus of the forecast because it represents nearly half of the total Village Budget. The second largest Village Fund is the Water and Sewer Fund, accounting for 11.4 percent of the total budget. A twenty-year funding analysis is completed annually for that enterprise activity.

In the absence of any known service level modifications, the forecast assumes the continuation of current service levels and the costs projected over five years. Revenues are estimated based on anticipated growth and do not consider increases in revenues generated by new fees or increases in fees, new development, or charges beyond what is prescribed by current ordinance.

ECONOMIC OUTLOOK

In the development of a long-term financial forecast, the Village reviews external and internal factors that could impact either the collection of revenue or the price of acquiring goods or providing services. Evaluating how the regional impact of the national economy (macro) influences the local economy (micro) is an important step in the process.

The national economy affects both state and local economies, although this impact varies by jurisdiction and may actually have an inverse effect on a community. Some of the economic indicators the Village uses in financial analysis include inflation, stock market returns, employment, housing starts, vehicle sales, interest rates, and manufacturing activity.

ECONOMIC INDICATORS - NATIONAL

Inflation – The Consumer Price Index (CPI), commonly referred to as the inflation rate, measures the average price change for a market basket of consumer goods and services. The Bureau of Labor Statistics classifies each expenditure item in the basket into more than 200 categories catalogued into eight major groups. The Consumer Price Index is used as the inflationary factor for specific non-personnel services.

The cost of goods sold increases with inflation, leading to additional retail sales tax revenue. As prices rise, so will business income tax receipts. Conversely, the Village will have to pay more for goods and services. The most recent (April 2025) Consumer Price Index is at 2.3 percent over that same month the prior year. This is the smallest 12-month increase since February 2021 and was below the 2.4 percent in March.

Stock Market Returns – Stock market returns are a leading indicator and will change before the economy changes. Approximately 70 percent of all Village pension funds are invested in mutual funds and/or individual stocks. The performance of the stock market is a significant factor in determining the growth of the property tax levy for pensions. It is assumed the pension funds will earn seven percent annually through investment returns.

Employment – Retail and vehicle sales tend to have inverse relationships with the unemployment rate. Sales tend to move in the opposite direction of the unemployment rate. Chronic unemployment often spills over into the residential real estate market resulting in lost real estate transfer tax revenue.

Housing Market - This indicator provides a sense of the overall demand for housing, which can be indicative of local housing activity. Data maintained by local realtor groups is useful in projecting the future of market recoveries.

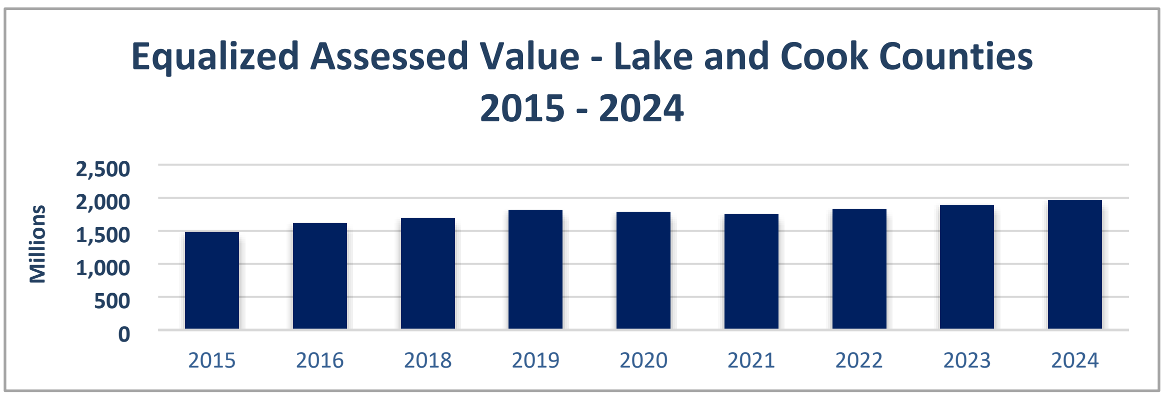
Interest rates – The interest rate impacts the Village's revenues in several ways. The availability and cost of capital directly affect business expansion and retail purchases. As credit is extended and/or rates are lowered, revolving purchases may increase, thereby increasing development plans and retail sales and, by extension, sales tax and business licenses revenues. Second, the village's investment income will be affected by interest rates.

Manufacturing activity – If a Village has a large manufacturing sector, the ISM (Institute of Supply Management Index) becomes a significant factor in revenue analysis and forecasting. Manufacturers respond to the demand for their products by increasing production and building up inventories to meet the demand. The increased production often requires new workers, which lowers unemployment figures and can stimulate the local economy.

ECONOMIC INDICATORS - LOCAL

Although national economic indicators do have some trickle-down impact on the Village Budget, there are regional and local economic factors that have a direct influence over revenues and expenditures. Some of those factors that have been considered moving into the next five-year update include:

- *Impact of the Real Estate Market and Assessed Valuations*. Assessed values for taxable property continue with positive growth. For the 2023 Levy (Collected 2024), total assessed value increased 4.98 percent. Lake County values increased by 5.49 percent while Cook County property values increased by 3.19 percent. With data being available solely for Lake County, the anticipated increase for the 2024 levy (Collected 2025) is 6.58 percent. See the chart below to see the ten-year, combined county history of equalized assessed values.



- *State of Illinois Legislation*. As the State of Illinois has experience financial difficulties over the last decade, staff continues to monitor legislative discussions that could have a direct financial impact on Village revenues. The most recent threat to municipal revenues was a law approved last year by the General Assembly eliminating the statewide grocery tax starting January 1, 2026. Earlier this year, the Village exercised its authority to impose a local grocery tax effective when the statewide tax is eliminated.

- *Impact of Employer Pension Costs*. The tax levies for the three pension systems account for 37.7 percent of the property tax levy. Additional pressure on the tax levy to support growing pension costs will impact the ability to increase taxes for core services. Bond rating agencies continue to site pension obligations as a downward pressure on the Village's ability to maintain the Aaa rating with S&P.

- *Health Care Inflation.* After wages, health care costs are the single largest expenditure category in the fund and the Village continually reviews the structure of the plan to limit the amount of growth on an annual basis. The Village is a member of the Intergovernmental Personnel Benefits Cooperative (IPBC). This insurance pool helps to dilute risk and helps to leverage purchasing power.

- *Commercial/Retail Development*. The economy's impact on existing sales tax generators as well as development or redevelopment of Dundee, Milwaukee Road corridors and Lake Cook Corridors continues to be an important cog in economic development. The village has seen several new projects completed such as the NCH Office Building and the $150 million Clove Development, which is near completion in Lake Cook TIF. With the formation of the Dundee Road TIF, the Bison Crossing development, which includes a Tesla sales and service center that opened in April and luxury residential and commercial outlots.

- *Infrastructure.* The ability to keep pace with the maintenance needs of Village owned assets continues to be a significant financial challenge. The Village owns and maintains $343 million in capital assets, excluding depreciation, across all activities.

Listed below is the five-year update to the General Fund Forecast. The remainder of the report will describe the methodologies used to develop both revenues and expenditures.

GENERAL FUND FIVE-YEAR FORECAST – OPERATING

Revenue	2025	2026	2027	2028	2029	Growth
Property Taxes	17,115,900	17,458,218	17,807,382	18,163,530	18,526,801	1.02
Income & Use Taxes	8,459,800	8,671,295	8,888,077	9,110,279	9,338,036	1.025
State Sales Tax	9,464,500	9,701,113	9,943,640	10,192,231	10,447,037	1.025
Home Rule Sales Tax	6,928,300	7,066,866	7,208,203	7,352,367	7,499,415	1.02
Real Estate Transfer Tax	1,009,800	1,029,996	1,050,596	1,071,608	1,093,040	1.02
Telecommunications Tax	720,000	720,000	720,000	720,000	720,000	1.00
Prepared Food and Beverage Tax	918,000	936,360	955,087	974,189	993,673	1.02
Utility Tax-Electric/Natural Gas	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	1.00
Licenses	411,400	411,400	411,400	411,400	411,400	1.00
Building Revenue & Fees	1,275,400	1,288,154	1,301,036	1,314,046	1,327,186	1.01
Intergovernmental Revenue-Local	383,600	391,272	399,097	407,079	415,221	1.02
Fines & Fees-Police & Fire	2,476,645	2,501,411	2,526,426	2,551,690	2,577,207	1.01
Storm Water Management Fees	1,140,000	1,140,000	1,140,000	1,140,000	1,140,000	1.00
Operating Transfers	838,300	855,066	872,167	889,611	907,403	1.02
Cable Franchise Fees	735,000	735,000	735,000	735,000	735,000	1.00
Miscellaneous Revenue	1,450,700	1,465,207	1,479,859	1,494,658	1,509,604	1.01
Total Revenues	55,977,345	57,021,358	58,087,971	59,177,688	60,291,023	
Annual Increase	1.9%	1.9%	1.9%	1.9%	1.9%	
Expenditure	**2025**	**2026**	**2027**	**2028**	**2029**	**Growth**
Personal Services	25,704,563	26,475,699	27,269,970	28,088,070	28,930,712	1.03
Personal Benefits	12,506,747	12,881,950	13,268,408	13,666,460	14,076,454	1.03
Operating Expenses	4,057,200	4,138,344	4,221,111	4,305,533	4,391,644	1.02
Insurance & Legal Services	1,817,545	1,890,246	1,965,856	2,044,490	2,126,270	1.04
Commodities	390,371	400,131	410,134	420,387	430,897	1.025
Maintenance & Repairs	3,894,995	3,992,370	4,092,179	4,194,483	4,299,346	1.025
All Other Expenses	4,684,122	4,730,964	4,778,273	4,778,273	4,826,056	1.01
Total Expenditures	53,055,543	54,509,703	56,005,932	57,497,697	59,081,378	

Operating Surplus/Shortfall)	2,921,802	2,511,655	2,082,040	1,679,991	1,209,645	
Annual Increase	2.7%	2.7%	2.7%	2.7%	2.8%	

FORECAST STRUCTURE

The forecast provides three levels of analysis. The first level (above) is to show the General Fund's ability to meet day-to-day expenditures. The highlighted row design (Operating Surplus/Deficit) is an indicator of whether anticipated revenues support operating expenditures. In all five years of the forecast, revenues will support current services. This is a measure of short-term sustainability. The second level of the analysis includes transfers for capital projects and infrastructure reserves.

Long term sustainability is measured through the Village's ability to invest in infrastructure including funding reserves for vehicles, buildings, equipment, technology, streets (with state and local motor fuel taxes and grants), and projects in the Capital Improvement Plan. All projects submitted for inclusion in the FY 2025 – FY 2029 CIP have been added to this report. After including these transfers, the cumulative fund shortfall at the end of FY 2029 is estimated to be nearly $169.8 million.

GENERAL FUND FIVE-YEAR FORECAST – OPERATING WITH CAPITAL

Revenue	2025	2026	2027	2028	2029	Growth
Property Taxes	17,115,900	17,458,218	17,807,382	18,163,530	18,526,801	**1.02**
Income & Use Taxes	8,459,800	8,671,295	8,888,077	9,110,279	9,338,036	**1.025**
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Annual Increase	1.9%	1.9%	1.9%	1.9%	1.9%	
Expenditure	**2025**	**2026**	**2027**	**2028**	**2029**	**Growth**
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Total Expenditures	53,055,543	54,509,703	56,005,932	57,497,697	59,081,378	
Operating Surplus/Shortfall)	2,921,802	2,511,655	2,082,040	1,679,991	1,209,645	
Annual Increase	2.7%	2.7%	2.7%	2.7%	2.8%	

Capital Items & Reserves	2025	2026	2027	2028	2029
Capital - Vehicles	1,792,000	2,531,000	2,032,000	2,378,000	1,380,000
Capital - Facilities	13,560,000	9,436,700	17,056,750	8,010,000	180,000
Capital - Technology	535,617	1,006,898	568,810	560,818	537,925
Capital - Stormwater	7,100,000	655,000	655,000	100,000	750,000
Street Program	27,080,094	10,530,000	14,740,000	13,700,000	12,450,000
Capital Reserve Funding	**2,176,623**	**2,895,731**	**2,895,731**	**2,895,731**	**2,895,731**
Total Capital	52,244,334	27,055,329	37,948,291	27,644,549	18,193,656
Total Fund Excess/(Shortfall)	(48,984,635)	(24,104,142)	(35,412,767)	(25,544,432)	(16,493,842)

The current budgeting strategy is to contribute to capital reserve programs in order to remain on a pay-as-you-go basis of capital asset financing. If reserve amounts are depleted, or inadequately funded, staff will need to consider debt financing for future expenditures. The village has added a significant amount to capital reserves due to strong revenue performance over the last four fiscal years.

Over the next five years it is anticipated that $169.8 million funding is needed, above the current forecasted amounts in the General Fund. However, the Village Board has addressed infrastructure funding needs through by the approval of increased water/sewer rates, a local motor fuel tax, and adult use cannabis tax. In addition, the Village utilized American Rescue Plan Funds for infrastructure improvements. In 2020, the Village successfully issued $24 million in general obligation bonds fund infrastructure improvements. In 2025, an additional $25.4 million in bonds were issued to fund street improvements and the construction of Fire Stations 25 and 26. Bond issues are planned for 2030 and 2033 to fund future improvements.

RESERVES

The General Fund Reserve Policy sets forth a minimum unassigned reserve level of 25 percent of the subsequent year's budget, excluding transfers to fund capital projects. The preferred balance per policy is 30 percent. Unassigned fund balance above the 30 percent threshold may be allocated to a reserve for revenue stabilization.

It is important to maintain a strong reserve level for several reasons, (1) it provides more time to react and respond to revenue threats created by economic conditions, (2) it helps to better withstand any unfunded legislative mandates that will create additional expenditure obligations without corresponding revenue, and (3) to fund unforeseen infrastructure/capital asset costs. Spending down of prior period reserve balances allow the Village time to reallocate resources within the budget and restructure service levels to react to the fiscal environment. After drawing down on the balance to respond to emergency conditions, it is important to rebuild those reserves in order to remain flexible to respond to the next threat. Fund balance should never be used to support day-to-day operations. Absent an unforeseen economic crisis, the use of reserves to support operating expenditures represents a budget that is structurally unbalanced.

The estimated General Fund balance unassigned reserve at the end of FY 2024 is $18.57 million or 35 percent of the FY 2024 operating budget. The Village also has designated an additional $1,270,000 for revenue stabilization.

GENERAL FUND REVENUES

Approximately 83 percent of all General Fund revenue is generated from seven revenue sources including property tax, combined sales tax including prepared food and beverage, income and use tax, telecommunications tax, utility (natural gas & electricity) use tax and real estate transfer tax.

Almost half of the Village's major revenue sources are elastic. Elastic revenues are those sources that tend to fluctuate with the economy. A balance between elastic and inelastic revenue is desired as a hedge against market volatility. General Fund revenues considered to be elastic include sales and use taxes, income taxes, real estate transfer tax, building revenue and fees, and investment income. The property tax is an example of a non-elastic source of revenue as collections are stable and predictable.

The Village continues to seek to be less reliant upon state-shared revenues (income, base sales, and telecommunication taxes) and align core services with taxes/fees under local home rule control.

PROPERTY TAX

There are three components to the Village's property tax levy. The first component is the Corporate Levy. This levy helps to fund public safety (police and fire) operations. The growth in the corporate levy is tied to inflation. The second component is the Debt Service Levy. This levy covers the principal and interest payment on outstanding debt issuances. The last component is the special purpose/pension levies.

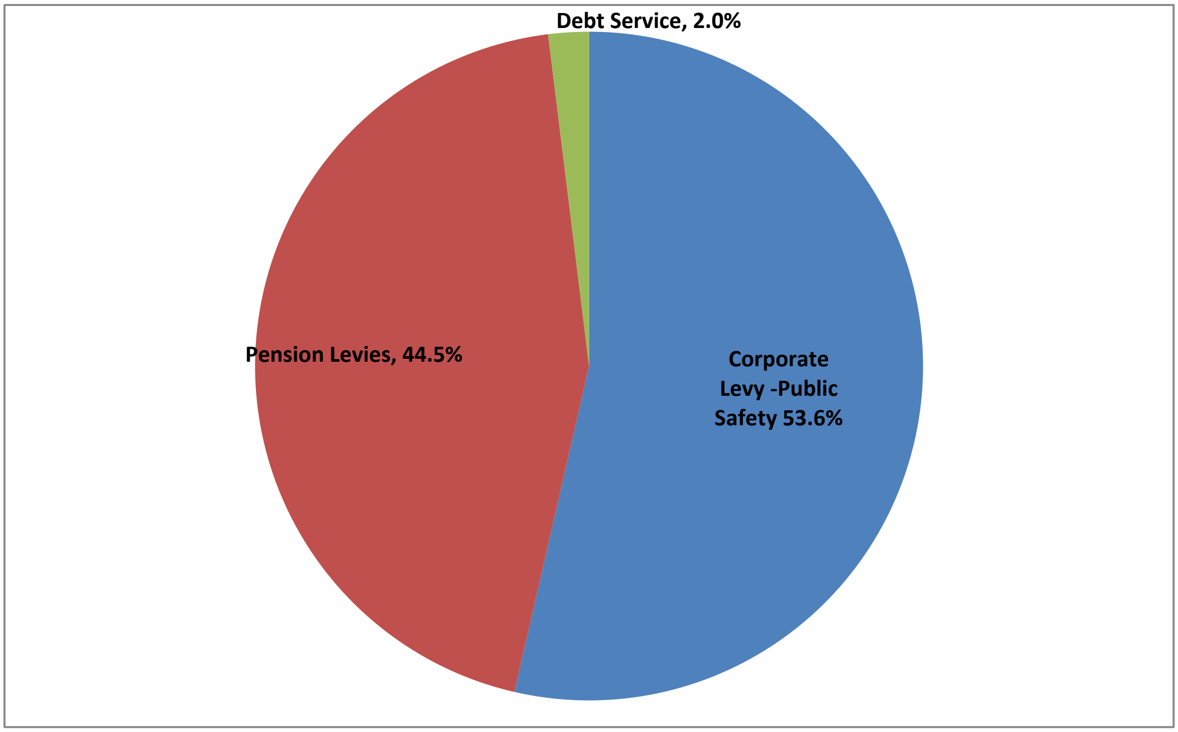
The tax levies for the three pension funds (police, Firefighters and IMRF) are calculated by independent actuaries. The levies are structured to cover the normal cost of the pension, an amortized annual amount of the unfunded actuarial liability, and the interest cost on that liability. Unfunded liability grows when actuarial assumptions are not met (interest rate) or when legislative changes (Springfield) are enacted that enhance benefits. Those legislative changes produce unfunded liabilities.

Each year the Village determines its levy amount. Since debt service payments are mandatory as are pension contributions, the amount of control the Village has over the tax levy is limited to the Corporate Levy.

Future ability to raise property tax revenue to support General Fund operations is challenging as the corporate levy must compete for tax dollars with pension and debt service levies.

See the chart below to see where property tax dollars are allocated

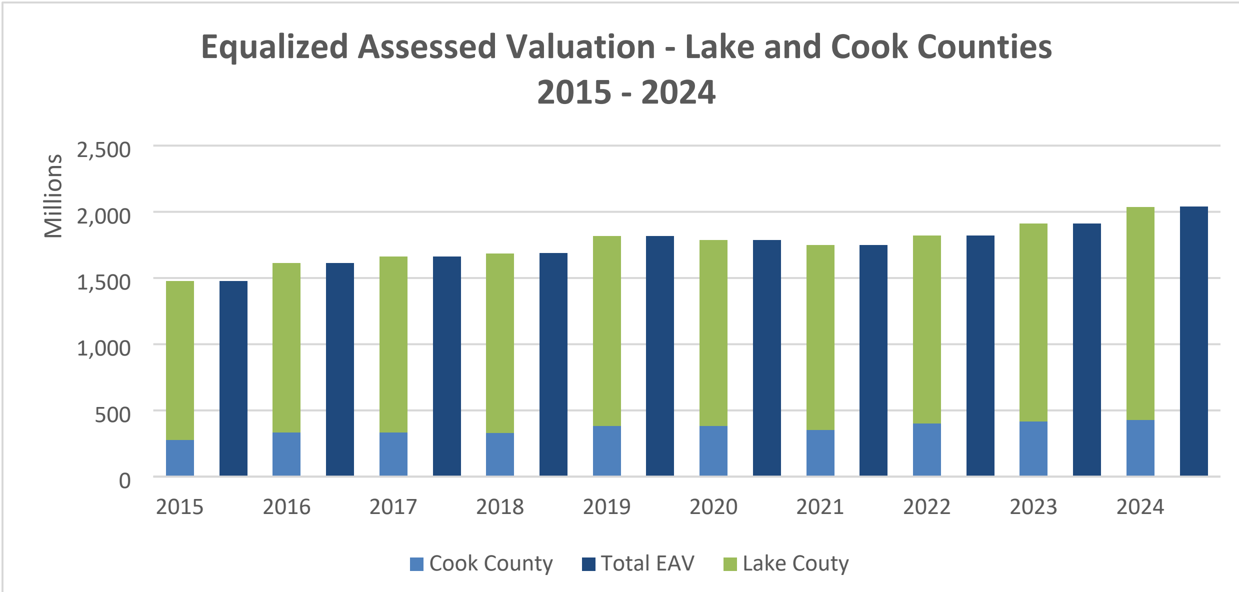
Property Tax Dollar Distribution



The levy request is then applied to the equalized assessed value of all property within the Village to determine a tax rate. Assuming the same tax levy amount, if the property values go up the rate goes down and conversely the rate goes up if the values decline.

The total equalized assessed value of property in Buffalo Grove is estimated to be $2,038,066,007 representing a 6.58 percent increase from the previous year. The Lake County portion of the Village's EAV increases 7.58 percent year over year.

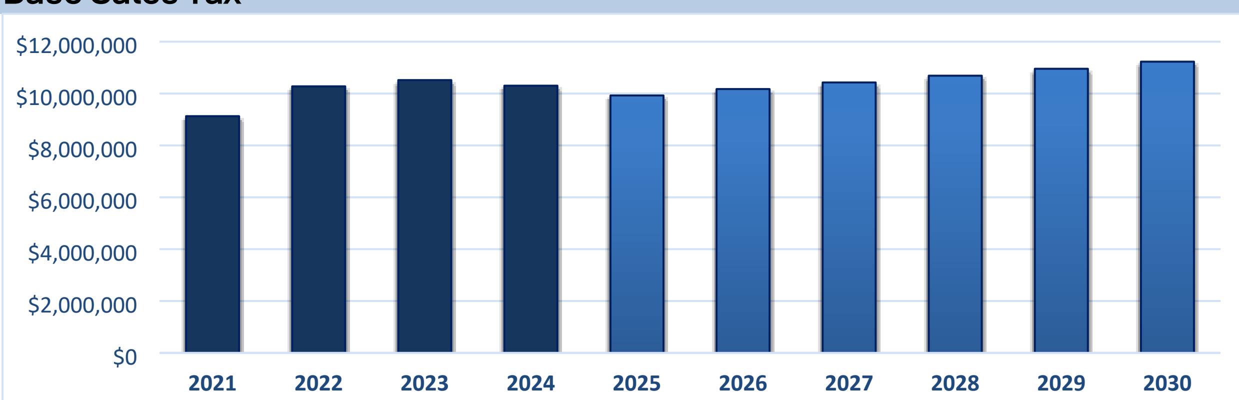
Equalized Assessed Valuation



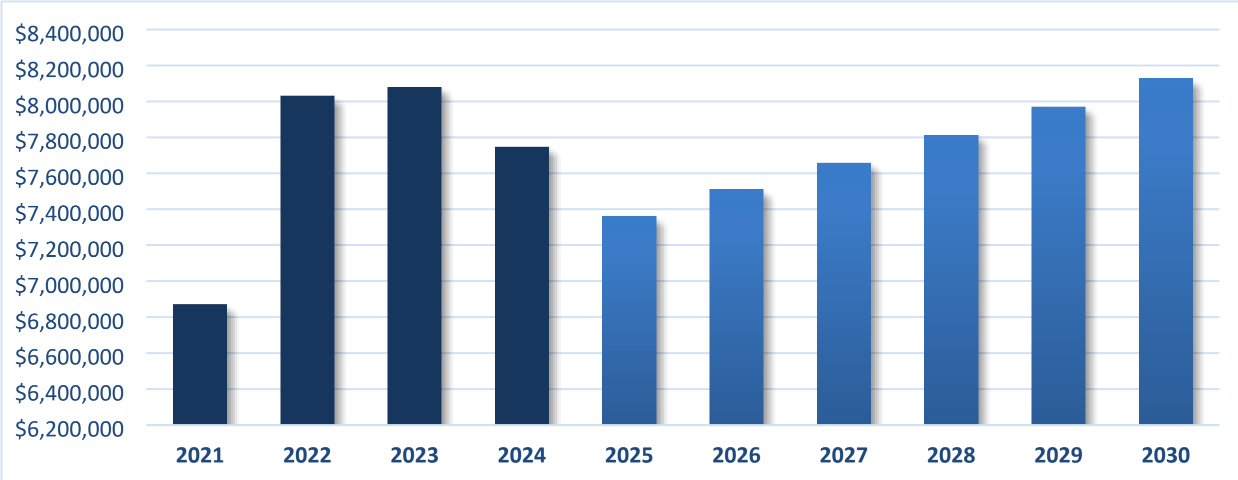
SALES TAX

The growth for both the base (2.5%) and home-rule sales taxes (2.5%) is below the current level of inflation. Combined, this is the second largest revenue source for the Village. The base sales tax revenue is directly related to the dollar value of sales made within the Village. Home rule sales tax applies to the same transactions as the base sales tax except in the following transactions, food for human consumption off the premises where sold (groceries), prescription and non-prescription medicines and tangible personal property that is titled with an agency of the State of Illinois. The assumption for the five-year analysis is that the retail mix will remain substantially similar to what is present today.

Base Sales Tax

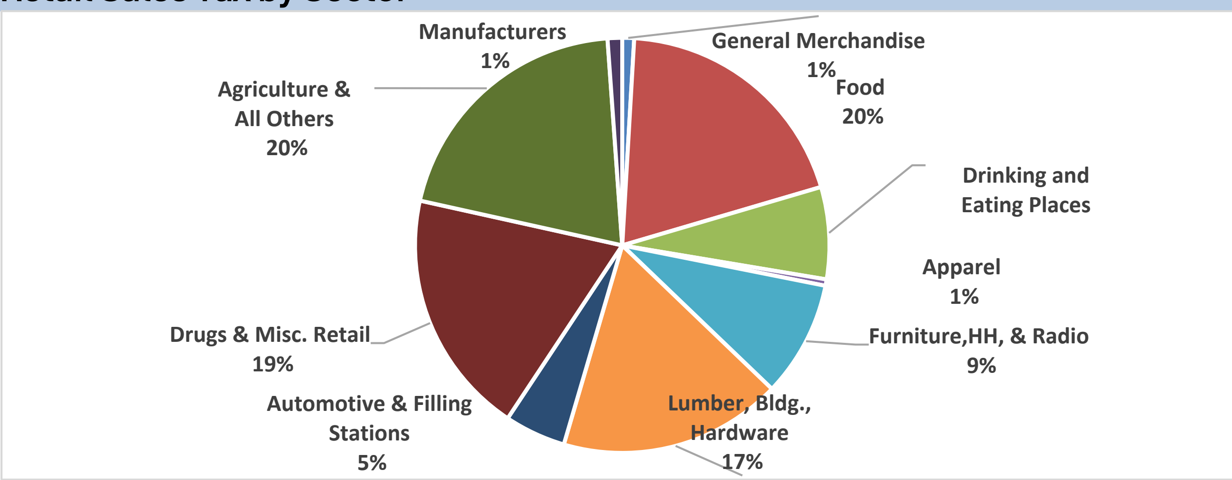


Home Rule Sales Tax



The Village's strives to diversify its retail tax base so that no one sector is overly exposed to economic fluctuations. The following chart reflects the Illinois Department of Revenue Standard Industry Codes (SIC) for sales tax remitted to the Village.

Retail Sales Tax by Sector

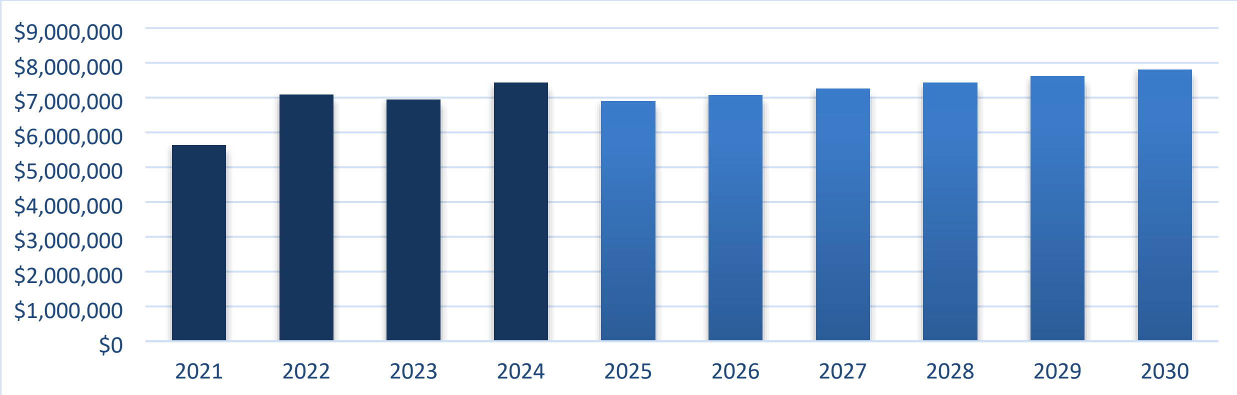


INCOME TAX

The Illinois Income Tax is imposed on every individual, corporation, trust, and estate earning or receiving income. The tax is calculated by multiplying net income by a flat rate. The current rate is 4.95 percent of net income. The rate was 3.75 percent beginning January 1, 2015, to December 31, 2017. The formula for distribution for local governments was 10 percent of the revenue, allocated on a per capita basis, when the rate was 3 percent. When the state rate increased to the current rate, the increase was not included in the distribution, making the effective per capita distribution to municipalities slightly above six percent.

The Village's unemployment rate as of April 2025 is 3.3 percent, which bests the state of Illinois (4.5 percent) and the U.S. (3.9 percent). Income receipts performed very well in 2024 and for the first four months of 2025 due to low unemployment and strong corporate profits.

Income Tax



PREPARED FOOD AND BEVERAGE TAX

This tax (1%) was adopted in 2008 and is levied on the purchase of prepared food for immediate consumption and the sale of liquor. Similar to sales tax, inflationary growth is the primary reason for revenue increases. The source is projected to increase by two percent annually. There are approximately 100 establishments that charge and remit this tax to the Village.

TELECOMMUNICATIONS TAX

This tax levied at 6 percent on all types of telecommunications except for digital subscriber lines (DSL) purchased, used, or sold by a provider of internet service (effective July 1, 2008). The exemption of DSL service has made a significant impact on collections. Recent legislation has also mandated that data packages no longer be bundled with all other telecommunications billing for the sake of taxation. Those services have been exempted. This revenue source is down 18.5 percent in FY 2022 from $1.3 million in FY 2019. The forecast calls for no change over the remainder of the plan.

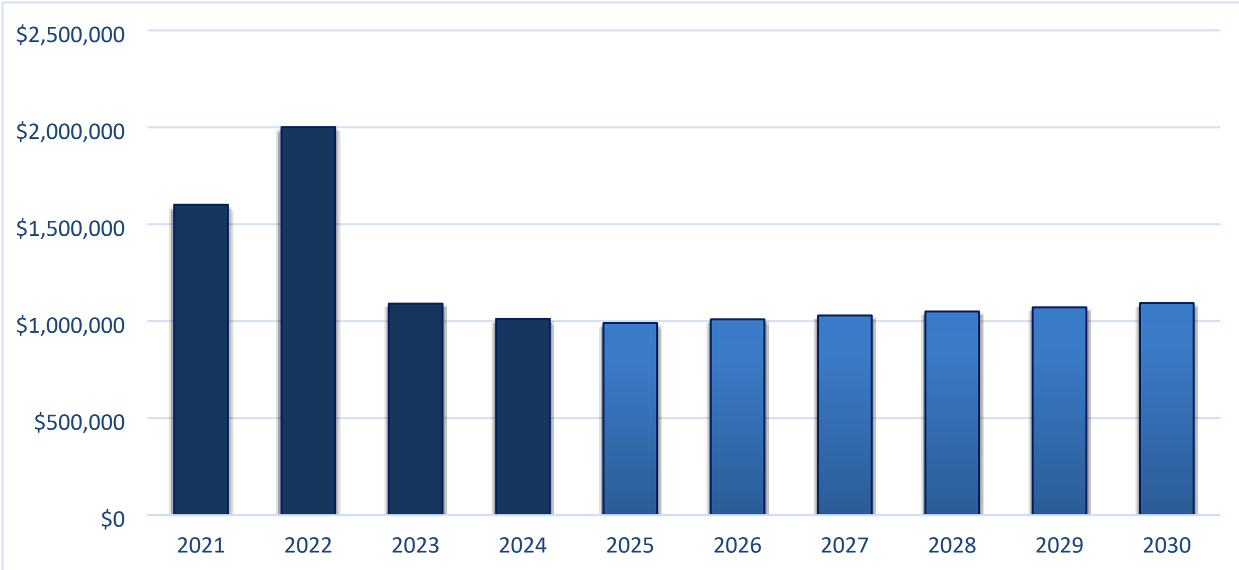
UTILITY USE TAX (NATURAL GAS & ELECTRICITY)

Natural gas and electricity charges are based on consumption and will fluctuate with seasonal demands. The Village is charging the highest statutory rate. There is no consumption growth projected over the next five years. Any new growth will be predicated on adding square footage to houses or buildings and offset by more energy efficient construction and mechanical systems.

REAL ESTATE TRANSFER TAX

Real estate transfer tax is collected at the rate of $3 per $1,000 of sales consideration. Sales recovered from FY 2012, when the market reached a low point, through FY 2018. In FY 2022, tax receipts totaled $2.0 million due to the strong real estate market, which resulted in a high volume of sales and increasing sales prices. Revenue declined to $1.01 million in 2024 with the slowing of the real estate market.

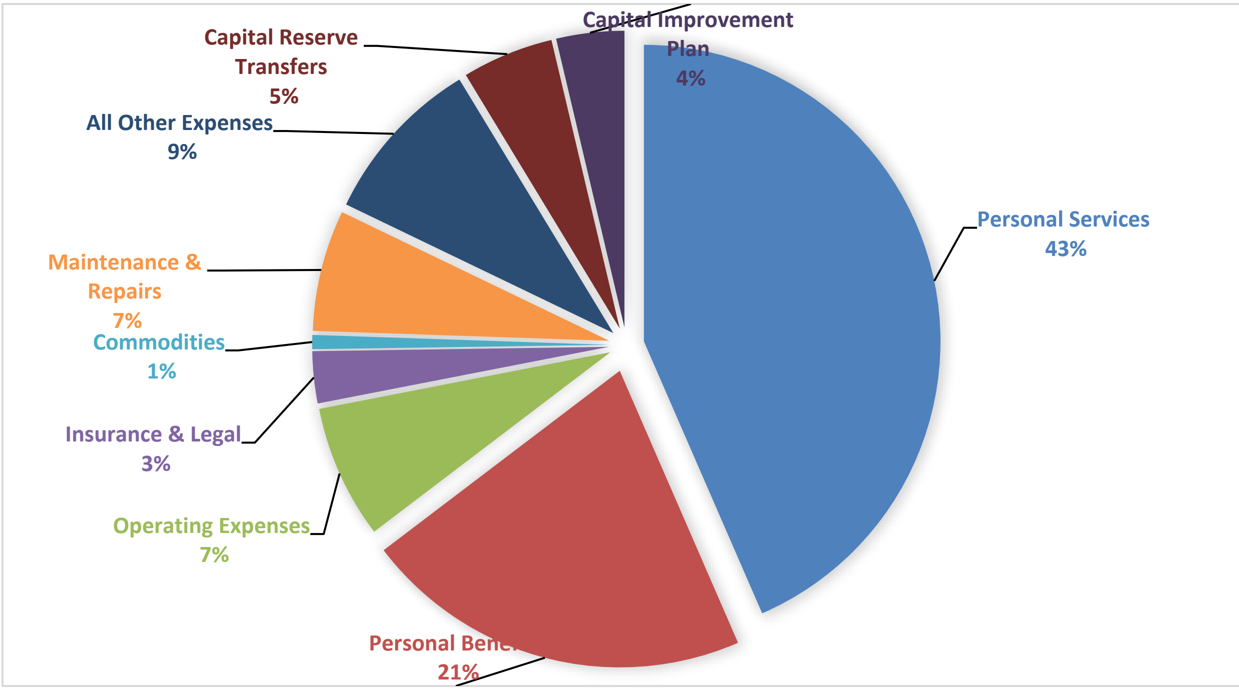
Real Estate Transfer Tax



EXPENDITURE REVIEW

The average annual increase in operating expenditures over the next five years is 2.7 percent. In each of the next five years, wages and benefits account for about 64 percent of all operating expenditures. The next largest expenditure account group is for all other expenses (9 percent). For FY 2025 the distribution of General Fund expenditures is shown in the table below.

EXPENDITURE DISTRIBUTION



PERSONAL SERVICES

Wages are anticipated to increase by a factor of three percent each year. The wage forecast anticipates the general wage increase plus merit-based pay range adjustments. The forecast does assume retirements with a replacement hired at a lower starting salary.

Over half of the workforce is covered by collective bargaining agreements and the Village has less flexibility when addressing wages within the police and fire departments.

The budgeted full-time staffing is 217 employees. For all positions, the ratio of municipal employees per 1,000 residents is 5.0 compared to a ratio of 7.8/1,000 in 2010.

A major initiative in FY 2015 was to establish a pay for performance system that will allow employees to move through their pay ranges. A merit wage pool was included in the FY 2025 Budget and managed by the Human Resources Department. The ability to advance employees through their pay range based upon performance is critical in maintaining an effective and motivated workforce.

PERSONAL BENEFITS

The largest single expenditure within Personal Benefits is for health insurance. The Village is a member of the Intergovernmental Professional Benefits Cooperative (IPBC). As a member of IPBC, the Village is better able to stabilize medical costs through risk pooling and provide for a mechanism to help establish positive cash flow and rebuild reserves. The forecast calls for three percent growth each year in annual premium expense.

The employees' contribution is set at 15 percent of the premium in FY 2025. Continued efforts will be made to maintain costs. A renewed emphasis on wellness programs and evaluating data will be critical in the next few years to help stabilize experience.

Employer pension costs have been assigned to each operating department budget. The intent of the accounting was to better represent the true cost of providing a specific service. Public safety pension obligations are anticipated to be $5.8 million in 2025 or 10.4 percent of General Fund operating expenditures.

INSURANCE

Within the Insurance category is the premium paid for general liability and workers' compensation coverage. In FY 2016, the Village moved from the Intergovernmental Risk Management Pool (IRMA) for general liability and workers' compensation coverage to establish a risk premium structure that is more commensurate with the Village's service profile and asset values.

The Village is a founding member of the Suburban Liability Insurance Pool or SLIP. The purpose of SLIP is to share risk with similarly sized, full-service communities and mitigate increases in premium costs and develop economies of scale for administrative services.

COMMODITIES

The single largest expenditure within the Commodity account group is for purchase of salt for the snow and ice control program. The forecast calls for increases of 2.5 percent per annum. Staff continue to seek innovative ways to reduce commodity costs, such as bulk electric procurement, and utilizing centralized purchasing to leverage the Village's buying power.

MAINTENANCE & REPAIR

Expenditure growth in this account group is estimated to be 2.5 percent per year. Included in these expenditures are costs related to the maintenance and repair of sidewalks and bike paths, street patching, streetlights, building facilities, vehicles and parkway trees. Included in these costs are Internal Service Fund charges for Central Garage and Building Maintenance expenditures.

GENERAL FUND CAPITAL RESERVES

Capital Reserves

Included in the transfers are $9.6 million for vehicles, technology, storm water and building reserves for the General Fund over the next five years. If the Village intends to continue with a pay-as-you-go approach to acquiring vehicles, supporting technology infrastructure and repairing facilities, then these transfers should be programmed.

It should be noted that the reserve amount for facilities is the minimum to address various maintenance needs and does not provide funding for major repairs including roof replacements, purchase of mechanical systems and/or functional remodeling.

Capital Projects

There is $194.3 million in capital projects included in the five-year forecast. The projects are taken from the current Capital Improvement Plan (CIP) and the details of those projects are included in the FY 2025 annual budget. The amount of the capital reserve funding is not sufficient to meet the needs of certain CIP program areas.

FINANCIAL RESULTS

Operating Budget

In each of the five years, revenues offset operating expenses, and the budgets are anticipated to be in balance. This statement should be viewed with caution as revenues are expected to grow on average 1.9 percent per year while operating expenditures outpace average annual revenue growth by 0.8 percent per year or 2.7 percent.

Impact of Transfers and Capital Projects

After including amounts necessary for reserves and capital, there is a shortfall every year in the forecast. The shortfall is created by a desire to cash finance most capital projects. This is anticipated and adjustments can be made to address funding levels. It is important to note that reducing amounts spent on capital should not be viewed as budget cuts (or savings) rather is a conscious decision to defer spending to future years. The liability still exists. Reserve spending should be viewed in the same light.

While efforts will continue to focus on how to deliver the same high level of services at lower unit costs, staff recognize that revenues will also need to be reviewed. Every opportunity to expand the sales tax base should continue to be considered. Staff must ensure that revenues are reviewed for adequacy (fees), efficiency (collections), and efficacy (diversified). New revenue sources should be researched, discussed, and if warranted, presented to the Village Board for consideration.

This report will be used as a guide for the development of the FY 2026 Budget and will help shape the discussion about how the Village adapts to the current and future financial landscape. Staff seek further input from the Village Board on the operating forecast.