# Meeting of the Village of Buffalo Grove Village Board

**Committee of the Whole**
**June 5, 2023 at 7:30 PM**

Fifty Raupp Blvd
Buffalo Grove, IL 60089-2100
Phone: 847-459-2500

## 1. Call to Order

A. Pledge of Allegiance

## 2. Special Business

A. Proclamation Honoring Belmont Village Senior Living's Twentieth Anniversary (President Smith) (Staff Contact: Evan Michel)

B. Strategic Planning Update and Next Steps Presentation (President Smith) (Staff Contact: Evan Michel)

C. 2023 20-Year Water Pro-Forma (Trustee Smith) (Staff Contact: Chris Black)

D. 2023 5-Year General Fund Forecast (Trustee Pike) (Staff Contact: Chris Black)

## 3. 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.

## 4. 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 459-2525 to allow the Village to make reasonable accommodations for those persons.*

**Information Item : Proclamation Honoring Belmont Village Senior Living's Twentieth Anniversary**

| Recommendation of Action |
|---|

Staff recommends proclamation.

A proclamation honoring Belmont Village Senior Living's twentieth anniversary.

**ATTACHMENTS:**

- Belmont Proc 23 (DOC)

| Trustee Liaison | Staff Contact |
|---|---|
| Smith | Evan C Michel, Office of the Village Manager |

| Monday, June 5, 2023 | |
|---|---|

VILLAGE OF BUFFALO GROVE

# Proclamation

## *Village of Buffalo Grove*

**PROCLAMATION HONORING BELMONT VILLAGE SENIOR LIVING'S TWENTIETH ANNIVERSARY**

**WHEREAS,** Belmont Village Senior Living has faithfully served the Buffalo Grove community and beyond for nearly 20 years; and

**WHEREAS,** Belmont Village has steadily grown its reputation through award-winning programs, hospitality, and care in the Chicagoland area, contributing notably to the assisted living and memory care services; and

**WHEREAS,** Belmont Village was recognized for its outstanding memory care program, particularly the Circle of Friends initiative for Mild Cognitive Impairment (MCI), showcasing their commitment to the wellbeing and quality of life for seniors; and

**WHEREAS,** Belmont Village has been instrumental in co-hosting the Buffalo Grove Memory Café, a crucial initiative providing a safe and welcoming place for those with dementia and their caregivers to socially gather and connect with others through conversation, arts, music, and refreshments. This free program is a testament to Belmont Village's unwavering dedication to their residents and community, and their belief in the power of shared experiences in fostering support and understanding; and

**WHEREAS,** Belmont Village, now marking its 20th year, continues to leave a lasting impact on the community of Buffalo Grove, the State of Illinois, and the field of senior living and care.

**NOW, THEREFORE, BE IT PROCLAIMED,** that I, Eric Smith, President of the Village of Buffalo Grove, in concurrence with the Village Board, do hereby express our gratitude to Belmont Village Senior Living for its exceptional service to the Buffalo Grove community and beyond.

Proclaimed this 5th day of June 2023.

Eric Smith
Village President

**Information Item : Strategic Planning Update and Next Steps Presentation**

**Recommendation of Action**

Staff recommends presentation.

The Village has engaged the services of Lyle Sumek Associates, Inc. to guide the strategic planning process. The core objective is the creation of a comprehensive Strategic Plan to assist the Village Board and staff in policy prioritization, action sequencing, and initiative identification for the next five years while defining a long-term vision. Staff will provide an update on the status of the project, results of the Citizen Summit, and next steps.

**ATTACHMENTS:**

- BOT Memo (DOCX)
- Attachment A (PDF)
- Attachment B (PDF)

| **Trustee Liaison** | **Staff Contact** |
|---|---|
| Smith | Evan C Michel, Office of the Village Manager |

| Monday, June 5, 2023 | |
|---|---|

# VILLAGE OF BUFFALO GROVE

**MEMORANDUM**

DATE: June 1, 2023

TO: Dane Bragg, Village Manager

FROM: Evan Michel, Assistant to the Village Manager

SUBJECT: Strategic Planning Update and Next Steps

## BACKGROUND

The Village has engaged the services of Lyle Sumek Associates, Inc. to guide the strategic planning process. The core objective is the creation of a comprehensive Strategic Plan to assist the Village Board and staff in policy prioritization, action sequencing, and initiative identification for the next five years while defining a long-term vision.

## DRAFT MISSION AND VISION STATEMENTS

Lyle Sumek Associates have developed preliminary mission and vision statements. These are drawn from a diverse set of inputs, including interviews with each elected official, a collaborative session with Village staff, and two interactive sessions with the Village Board. These statements are accessible in *Attachment A* to this memorandum.

## CITIZEN SUMMIT AND COMMUNITY ENGAGEMENT

On May 11, 2023, the Alcott Center hosted the Strategic Planning Citizen Summit. This forum convened a select group of residents identified by the Village Board and staff for their commitment to the community. These participants shared their visions and feedback on Buffalo Grove's prospective future.

Elected officials and Senior Staff suggested 144 community members who offered unique perspectives on Buffalo Grove. Invitations were sent to these individuals during the week of April 24th, requesting RSVPs by May 8, 2023. A total of fifty-seven responses were received, with thirty-seven confirmations of attendance.

The summit had active participation from thirty-four community members. Participants were divided into seven groups, each facilitated by a staff member and an elected official or senior staff member. The discussion was structured into three rounds, each exploring a different facet of Buffalo Grove's future. Specific questions and commonly identified themes are outlined in *Attachment B* to this memorandum.

## NEXT STEPS

The key insights and common themes derived from the Citizen Summit are currently being integrated with the other Moving BG Forward initiatives to enhance community outreach.

In the coming months of June and July, Lyle Sumek Associates, in collaboration with staff, plan to engage with a chosen group from the summit invitee list for additional discussions. These conversations are designed to clarify the relationships between aspirational aspects of the proposed mission/vision statements and the themes identified at the Citizen Summit.

After these discussions, Lyle Sumek Associates will prepare initial reports for review by the staff. A final workshop will then be scheduled with the Village Board to fine-tune and finalize the Strategic Plan. This workshop is tentatively set for late August, with the formal adoption of the strategic plan slated for the October 16th Village Board Meeting.

# BUFFALO GROVE VISION 2038 [Initial Ideas]

**BUFFALO GROVE 2038 is a**

**SAFE COMMUNITY (1), BEAUTIFUL COMMUNITY (2) and**

**VIBRANT COMMUNITY (3)**

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**BUFFALO GROVE 2038 is a**

**COMMUNITY WITH OUTSTANDING PUBLIC SCHOOLS (4)**

**COMMUNITY OF GREAT NEIGBORHOODS (5)**

**COMMUNITY OF LEISURE EXPERIENCES (6) and**

**COMMUNITY WITH A STRONG AND DIVERSE LOCAL ECONOMY (7)**

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**BUFFALO GROVE 2038 is**

**ONE INCLUSIVE AND WELCOMING COMMUNITY (8)**

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**BUFFALO GROVE 2038 is A SPECIAL COMMUNITY!**

# BUFFALO GROVE VILLAGE GOVERNMENT MISSION [Initial Ideas}

**OUR VILLAGE GOVERNMENT MISSION**

**is to act in a**

**FINANCIALLY RESPONSIBLE AND SOUND MANNER**

**as we provide**

**OUTSTANDING MUNICIPAL SERVICES (2) and**

**PLAN AND INVEST IN THE FUTURE, (3)**

**OUR VILLAGE GOVERNMENT is**

**HIGH PERFORMING VILLAGE TEAM (4) and**

**PARTNERS WITH LOCAL GOVERNMENT DISTRICTS (5)**

**OUR VILLAGE GOVERNMENT**

**ENGAGES OUR BUFFALO GROVE COMMUNITY (6), and**

**BUILDS OUR BUFFALO GROVE COMMUNITY. (7)**

A

# Question 1:
# What your reasons for making the choice to live in the Village of Buffalo Grove – our community's strengths and assets?

# Top Reasons to Live in Buffalo Grove
# Our Community's Strengths and Assets: Discussion Teams

▶ **Common Themes**

1. **Quality of Schools**
2. **Safe Community**
3. **Great Parks and Open Spaces**
4. **Location: Near Shopping and Proximity to Chicago**
5. **Sense of Community: Our Events/Festivals, Opportunities to Get Involved**
6. **Inclusive, Diverse Community: Welcoming and ???**
7. **Village Government: Financially Responsible, High Level of Services**
8. **Recreational Programming for All**
9. **People Care about Each Other**
10. **Affordable Starter Homes**
11. **Family Friendly Community: Great Place to Raise your Children**
12. **Community Partnership: Governments Collaborating and Working Together**

# B

# Question 2:
# What actions could the Village take to enhance your quality of life in Buffalo Grove – our community's areas for improvement?

# Actions to Enhance your Quality of Life – Our Community's Areas for Improvement: Common Themes

## ▶ Common Themes

1. **More Restaurants: Boutique, High Quality**
2. **Redevelopment Areas: Empty Buildings, Upgrade/New Buildings**
3. **More Housing Diversity: Downsizing Options, Affordable Senior Housing**
4. **Mobility Options: Public Transportation, Walking**
5. **More Entertainment Options: Adults and Seniors**
6. **Clove Development: Community Activity Center/District and Destination**
7. **More Retail Shopping Opportunities:**
8. **Promotion of Buffalo Grove Community Assets**
9. **More and Diverse Recreational Programs/ Park Amenities: Pickle Ball, Pitch, Cricket, Senior Center, Youth Activities**
10. **EV Charging Stations**
11. **Young People Staying in Buffalo Grove**
12. **Sidewalks: Enforcement od Ordinances**
13. **Road Improvements**
14. **Festivals: Food Trucks**

A

# Question 3: Great Neighborhoods – what does that mean and what are future opportunities?

# Great Neighborhoods – Definition and Future Opportunities: Common Themes

- **Common Themes**
    1. **Neighborhood Connectivity: Biking and Walking**
    2. **Beautiful Neighborhood: Well-Maintained Properties/Homes, Aesthetics**
    3. **Neighbors Coming Together: Meeting Each Other, Block Parties, Opportunities to Interact**
    4. **Neighborhood Communications: Publicizing Activities, Amenities**
    5. **Quality and Diverse Housing**
    6. **Safe Neighborhoods: Neighbors Feeling and Are Safe**
    7. **Green Infrastructure: Neighborhood Infrastructure, Solar Panels**
    8. **Neighborhood Gathering Place(s)**
    9. **Hometown Feeling: Access to "Downtown" or Activity Center**
    10. **Places for Children/Youth**
    11. **Dog Friendly**
    12. **Welcoming New Neighbors**

**B**

# Question 4:
# Vibrant Community – what does that mean and what are future opportunities?

# Vibrant Community – Definition and Future Opportunities: Common Themes

## ▶ Common Themes

1. **Nightlife: Dining and Entertainment**
2. **Cultural Diversity**
3. **Community Events/Festivals: Traditional, New and Culturally Diverse**
4. **Live Entertainment: Performance, Concerts**
5. **Community Gathering Places**
6. **Green and Open Space: Personally Inviting**
7. **Safe Feeling: Any Time of Day**
8. **Activities for All: Youth, Young Adults, Adults and Seniors**
9. **Respect for Difference: Welcoming and Polite**
10. **Art and Cultural Festivals**
11. **Community Foundation**
12. **Sustainable Infrastructure**

C

# Question 5:
# Strong and Diverse Local Economy – what does that mean and what are future opportunities?

# Strong and Diverse Local Economy – Definition and Future Opportunities: Common Themes

- **Common Themes**
  1. **Expanded Retail Businesses**
  2. **Job Opportunities for Residents: Young Adult, Adult**
  3. **Community Destination: Downtown/Activity Center**
  4. **Business Promotion of Local Businesses**
  5. **Variety of Office Spaces for Businesses**
  6. **Tech Business Development**
  7. **Dining/Entertainment Business Development**
  8. **Cultural Events as a Economic Driver**
  9. **Redevelopment of Old Business Areas/Commercial Centers**
  10. **Leveraging our Diverse Cultures**
  11. **Bear Stadium**
  12. **Academic and Research Development**

# D

# QUESTION 6:
# One Inclusive and Welcoming Community – what does that mean and what are future opportunities?

# One Inclusive and Welcoming Community – Definition and Future Opportunities: Common Themes

- **Common Themes**
  1. **Diverse Events Celebrating our Cultures**
  2. **Community Diversity Commission/Committee**
  3. **Welcome New Residents: Welcome Packet/Wagon, Meet and Greet**
  4. **Support of Diverse Youth**
  5. **Diverse Culture Engaged: Volunteering, Involved in Governance**
  6. **Development of Partnerships: Diversity and Inclusive**
  7. **Affordable Housing for All**
  8. **Communication with All: Different Methods, Community Message Board**

**A**

# QUESTION 7:
# What are other issues and opportunities for our Buffalo Grove community?

# Other Issues and Opportunities for Buffalo Grove: Common Themes

## ▶ Common Themes

1. **Expanded Communications with our Community: Different Modes, Social Media**
2. **Bear Stadium: Positive Impacts on Buffalo Grove**
3. **Wireless, High Speed Internet Connections**
4. **Undergrounding Utilities**
5. **Expanded Volunteer Opportunities**
6. **New Business Development: Chicken Pickle**
7. **Expanded Involvement Youth, Young Adults and Young Families**
8. **Fire Station (East of the Tracks)**
9. **Satellite Library**
10. **Improved Traffic Management: Traffic Signals Synchronization**
11. **Expanded Economic Development**
12. **More Walkable Community**
13. **Culinary Event**

B

# QUESTION 8:
# During the next two years, what would you suggest as topics, projects or service enhancement for Village government?

# Short Term Topics, Projects or Service Enhancement for Village Government: Ideas

- **Common Themes**
  1. **Expanded Village Communications, including Website Upgrade**
  2. **Vacant and Abandoned Building: Code Enforcement, Filling Vacancies**
  3. **Improved Street Lights**
  4. **Business and Job Development**
  5. **Clove Development Success**
  6. **Expanded Online Village Services**
  7. **Sustainability Plan and Promotion**
  8. **Enhanced Snow Plowing**
  9. **More Diverse Village Staff**
  10. **Solid Waste Improvement, including Composting**
  11. **Expanded Cultural Events**
  12. **Fire CPR Training**
  13. **Faster Permitting Process**
  14. **Social Worker in Police Department**

## ▶ Common Themes

15. **Intergovernmental Collaboration and Cooperation**
16. **Green and Open Space Protection and Expansion**
17. **Post Office Upgrade/More Attractive**
18. **Safe Pedestrian Crossings**
19. **Reduced Neighborhood Speeding**
20. **Safety Planning with Faith-based Institutions**
21. **Sump Pump Discharge Issues Addressed**
22. **Road Improvement: Bernard**

## Information Item : 2023 20-Year Water Pro-Forma

**Recommendation of Action**

Staff recommends discussion

Attached for the Board's discussion is the Twenty-Year Water Rate Pro-forma which reflect the latest rates and capital expenditures.

**ATTACHMENTS:**

- COW Memo 6.4.23 Water PF (DOCX)
- COW Att 06.04.23 Water PF (PDF)

**Trustee Liaison**
Smith

**Staff Contact**
Chris Black, Finance

| | |
|---|---|
| Monday, June 5, 2023 | |

VILLAGE OF
BUFFALO GROVE

TO: Dane C. Bragg, Village Manager

FROM: Chris Black, Finance Director

DATE: June 4, 2023

RE: FY 2023 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 sewer/water infrastructure. The strategy could not impact the Village's property tax levy and maintain a competitive water rate amongst other providers within the region.

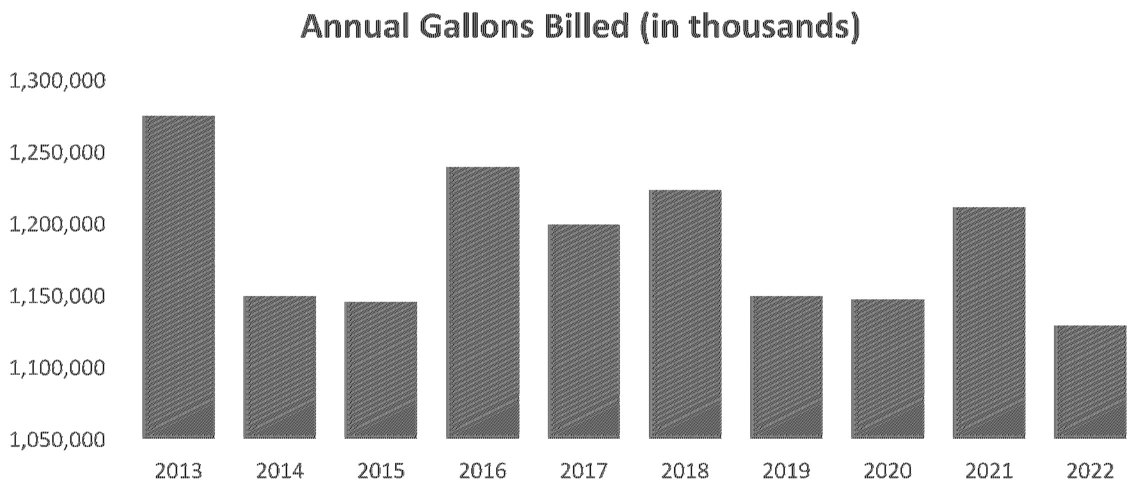
As a result, the Village Board adopted a new rate structure and fixed facility fee, effective January 2020. Furthermore, the Village implemented a new local motor fuel tax in an effort to align roadwork with water/sewer improvements. For the Board's review is an updated 20-year water pro-forma reflecting the new rate structure as well as the issuance of debt in 2020. The pro-forma shows that Public Works is able to complete over $150 million in water and sewer capital infrastructure through 2042.

**Rate and Consumption History**

The Village maintained a water and sewer rate of $1.80/1,000 gallons for twenty-three years (1983-2005). 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 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 2022, the Village billed customers for 1.13 billion gallons, a decrease of 30.6 percent from 2003. 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 gallons billed since 2012.

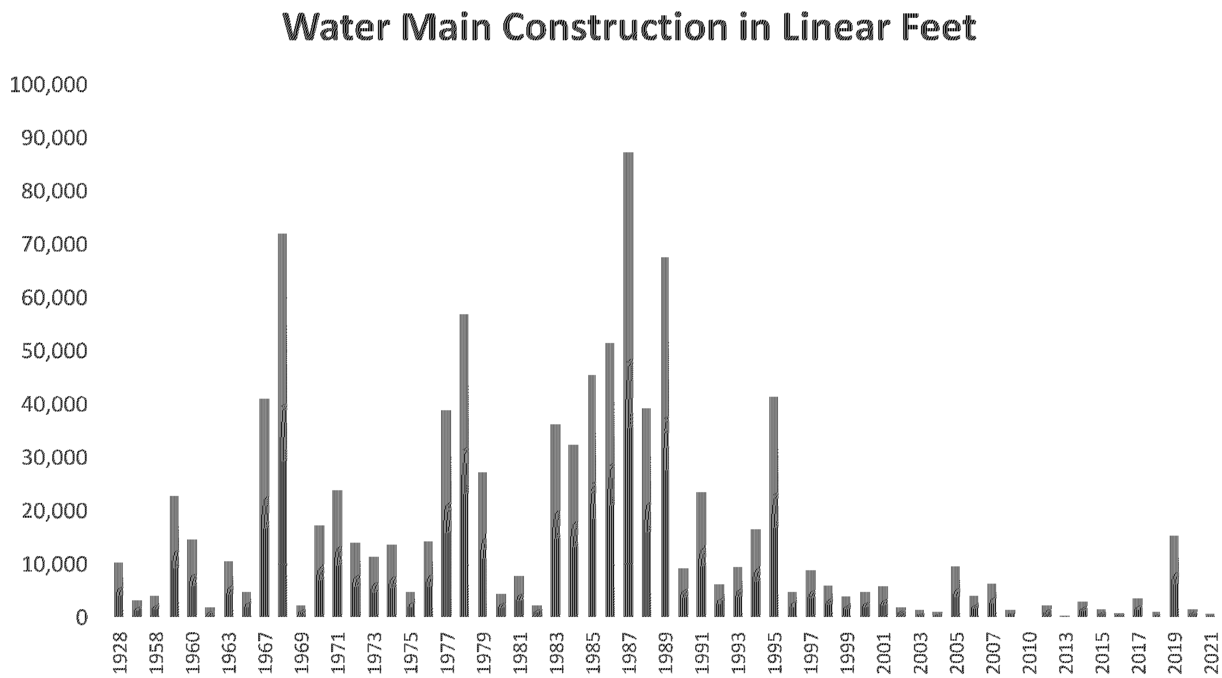



The latest pro-forma uses an estimate of 1.15 billion gallons and will carry forward through the next 20 years. Although there will be an increase in total consumers over the next two decades with Link Crossing and the Lake Cook Corridor Developments, continued conservation efforts, weather patterns, 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 fourth quarter of 2024. Also, the projected expenses and revenues of a Utility Loan Program were 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 the 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.

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** | $17.39 |
| **Multi-Family, Commercial/Industrial Based on Meter Size** | |
| **1" meters or less** | $17.39 |
| **1.5" meters** | $22.02 |
| **2" meters** | $45.17 |
| **3" meters** | $115.68 |
| **4" meters** | $180.68 |

| 6" meters | $199.20 |
|---|---|

The fixed fee will be evaluated every five years by utilizing the aggregate Consumer Price Index (CPI-U) over the preceding five-year period to determine if the rate must be increased. The 20-Year Water/Sewer Pro-Forma assumes a 10 percent increase to the facility fee to occur in 2025.

***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 $7.94.

**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, $33.6 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 were 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 programmed $27.3 million in water and sewer capital projects. The Village completed approximately $9 million in capital projects in FY 2022. The Village will utilize water and sewer reserves from 2023 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 2036, the Water and Sewer fund begins to rebuild cash balances exceeding from 2037-2042, while also supporting over $50.1 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 $150 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 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Beginning Cash | 11,849,142 | 12,766,368 | 10,682,496 | 8,158,708 | 6,717,467 | 1,775,948 | 2,189,798 | 3,504,541 | 23,751,108 | 16,954,540 | 10,510,910 | 23,811,137 | 16,363,091 | 10,583,381 | 5,246,120 | 6,872,752 | 8,377,849 | 10,106,088 | 12,066,770 | 14,254,820 |
| Water and Sewer Revenue | | | | | | | | | | | | | | | | | | | | |
| Sale of Water | 7,337,000 | 7,770,744 | 8,507,393 | 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 |
| Fixed Facility Fees | 2,500,000 | 2,500,000 | 2,750,000 | 2,750,000 | 2,750,000 | 2,750,000 | 2,750,000 | 3,025,000 | 3,025,000 | 3,025,000 | 3,025,000 | 3,025,000 | 3,327,500 | 3,327,500 | 3,327,500 | 3,327,500 | 3,327,500 | 3,327,500 | 3,327,500 | 3,327,500 |
| Late Charges | 150,000 | 152,300 | 154,600 | 156,900 | 159,300 | 161,700 | 164,100 | 166,600 | 169,100 | 171,600 | 174,200 | 176,800 | 179,500 | 182,200 | 184,900 | 187,700 | 190,500 | 193,400 | 196,300 | 199,200 |
| Village Sewer Use Fees | 1,817,000 | 1,886,000 | 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 |
| Series 2020 Bonds | | | | | | | | | | | | | | | | | | | | |
| Series 2030 Bonds | | | | | | | | 26,000,000 | | | | | | | | | | | | |
| Series 2033 Bonds | | | | | | | | | | | 20,000,000 | | | | | | | | | |
| ARPA Funds | | | | | | | | | | | | | | | | | | | | |
| Other Charges & Fees | 25,833 | 35,379 | 41,742 | 39,444 | 30,959 | 30,606 | 36,616 | 41,919 | 39,444 | 30,959 | 30,606 | 36,616 | 41,919 | 39,444 | 30,959 | 30,606 | 36,616 | 41,919 | 39,444 | 20,000 |
| Investment Revenue | 59,250 | 63,830 | 53,410 | 40,790 | 33,590 | 8,880 | 10,950 | 17,520 | 118,760 | 84,770 | 52,550 | 119,060 | 81,820 | 52,920 | 26,230 | 34,360 | 41,890 | 50,530 | 60,330 | 71,270 |
| Total Revenue | 11,889,083 | 12,408,253 | 13,473,645 | 13,886,256 | 14,310,510 | 14,737,698 | 15,221,841 | 41,997,189 | 16,609,053 | 17,103,488 | 37,620,236 | 18,266,701 | 19,135,121 | 19,726,226 | 20,349,655 | 21,028,447 | 21,737,626 | 22,483,431 | 23,247,242 | 24,031,347 |
| | | | | | | | | | | | | | | | | | | | | |
| Operating Expenses | | | | | | | | | | | | | | | | | | | | |
| Water Department | 3,807,000 | 3,902,117 | 4,073,079 | 4,146,872 | 4,228,447 | 4,347,843 | 4,425,101 | 4,510,263 | 4,593,371 | 4,684,469 | 4,813,603 | 4,900,818 | 4,996,161 | 5,089,681 | 5,191,426 | 5,331,448 | 5,429,800 | 5,536,534 | 5,641,705 | 5,736,028 |
| Sewer Department | 924,872 | 945,682 | 966,960 | 988,717 | 1,010,963 | 1,033,710 | 1,056,968 | 1,080,750 | 1,105,067 | 1,129,931 | 1,155,354 | 1,181,349 | 1,207,929 | 1,235,107 | 1,262,897 | 1,291,312 | 1,320,367 | 1,350,075 | 1,380,452 | 1,411,512 |
| Total Operating Expenses | 4,731,872 | 4,847,799 | 5,040,039 | 5,135,589 | 5,239,410 | 5,381,553 | 5,482,069 | 5,591,013 | 5,698,438 | 5,814,400 | 5,968,957 | 6,082,167 | 6,204,090 | 6,324,788 | 6,454,323 | 6,622,760 | 6,750,167 | 6,886,609 | 7,022,157 | 7,147,540 |
| | | | | | | | | | | | | | | | | | | | | |
| Capital Expenses | | | | | | | | | | | | | | | | | | | | |
| Capital Projects | 2,300,000 | 6,000,000 | 7,000,000 | 6,500,000 | 10,250,000 | 5,100,000 | 5,100,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 12,500,000 | 6,000,000 | 6,600,000 | 6,930,000 | 7,276,500 | 7,640,325 | 8,022,341 |
| Capital Equipment | 210,000 | 220,500 | 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 |
| Water Meter Debt Service | 653,945 | 702,186 | 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 | 26,128 | 26,128 | | | | | | | | | |
| Series 2020 Debt Service | 1,201,950 | 1,161,950 | 1,121,950 | 946,950 | 948,700 | 946,200 | 947,075 | 947,700 | 948,175 | 947,900 | 946,875 | 947,600 | | | | | | | | |
| Series 2022 Debt Service | 842,962 | 520,262 | 802,941 | 638,450 | 629,609 | 629,996 | 629,768 | 641,035 | 660,000 | 660,000 | 660,000 | 660,000 | 660,000 | 660,000 | 660,000 | 660,000 | 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 |
| 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 |
| Total Capital Expenses | 5,234,985 | 8,631,026 | 9,935,794 | 9,161,908 | 12,974,120 | 7,895,195 | 7,369,229 | 15,095,009 | 16,633,783 | 16,650,418 | 17,259,752 | 18,532,180 | 17,601,140 | 17,619,800 | 11,140,400 | 11,762,790 | 12,111,820 | 12,479,040 | 12,870,135 | 13,267,987 |
| | | | | | | | | | | | | | | | | | | | | |
| 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 | 840,000 |
| Reimburse General Fund | 825,000 | 833,300 | 841,600 | 850,000 | 858,500 | 867,100 | 875,800 | 884,600 | 893,400 | 902,300 | 911,300 | 920,400 | 929,600 | 938,900 | 948,300 | 957,800 | 967,400 | 977,100 | 986,900 | 780,000 |
| Total Operating Transfers | 1,005,000 | 1,013,300 | 1,021,600 | 1,030,000 | 1,038,500 | 1,047,100 | 1,055,800 | 1,064,600 | 1,073,400 | 1,082,300 | 1,091,300 | 1,100,400 | 1,109,600 | 1,118,900 | 1,128,300 | 1,137,800 | 1,147,400 | 1,157,100 | 1,166,900 | 1,620,000 |
| | | | | | | | | | | | | | | | | | | | | |
| Revenues over (under) Expenses | 917,226 | (2,083,872) | (2,523,788) | (1,441,241) | (4,941,520) | 413,850 | 1,314,743 | 20,246,567 | (6,796,568) | (6,443,630) | 13,300,226 | (7,448,046) | (5,779,709) | (5,337,262) | 1,626,632 | 1,505,097 | 1,728,239 | 1,960,682 | 2,188,050 | 1,995,821 |
| Unreserved Ending Cash | 12,766,368 | 10,682,496 | 8,158,708 | 6,717,467 | 1,775,948 | 2,189,798 | 3,504,541 | 23,751,108 | 16,954,540 | 10,510,910 | 23,811,137 | 16,363,091 | 10,583,381 | 5,246,120 | 6,872,752 | 8,377,849 | 10,106,088 | 12,066,770 | 14,254,820 | 16,250,640 |
| Required Working Cash* | 1,182,968 | 1,211,950 | 1,260,010 | 1,283,897 | 1,309,853 | 1,345,388 | 1,370,517 | 1,397,753 | 1,424,610 | 1,453,600 | 1,492,239 | 1,520,542 | 1,551,023 | 1,581,197 | 1,613,581 | 1,655,690 | 1,687,542 | 1,721,652 | 1,755,539 | 1,786,885 |
| | | | | | | | | | | | | | | | | | | | | |
| 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 |

## Information Item : 2023 5-Year General Fund Forecast

**Recommendation of Action**

Staff recommends discussion.

The purpose of the five year general fund operating forecast is to provide a basis for the Village of Buffalo Grove make informed, operational decisions through strategic forecasting to anticipate of future revenues and expenditures. The fiscal year 2024 through 2028 General Fund Forecast is attached.

**ATTACHMENTS:**

- Five Year General Fund Forecast 2024-2028 (DOCX)

**Trustee Liaison**
Pike

**Staff Contact**
Chris Black, Finance

| Monday, June 5, 2023 | |
|---|---|

# Village of Buffalo Grove - General Fund Financial Forecast

## FY 2024 – FY 2028

**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 an 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 0.9 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 2022 and the 2023 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 12.3 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 2023) Consumer Price Index is at 4.9 percent, which is the smallest 12-month increase since April 2021.

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.

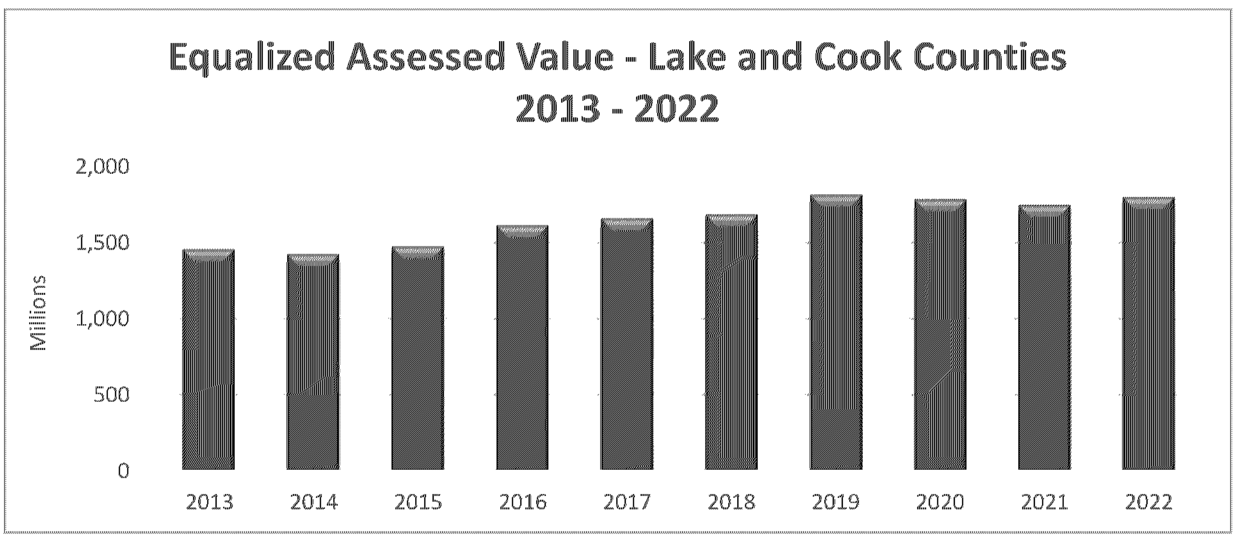
Interest rates – The interest rate impacts the Village's revenues in several ways. The availability and cost of capital directly affects business expansion and retail purchases. As credit is extended and/or rates are lowered, revolving purchases may increase, thereby increasing development plans and 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. Lake County property values increased by 1.56 percent in FY 2023, while Cook County property values are anticipated to increase slightly once valuations are reported by the county. 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.

- *Impact of Employer Pension Costs*. The tax levies for the three pension systems account for 44.5 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. With the adoption of the Lake Cook Road TIF, the Village has seen several new projects get completed such as the NCH Office Building and the $150 million Clove Development, which is currently under construction.

- *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 $255 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 | 2024 | 2025 | 2026 | 2027 | 2028 | Growth |
|---|---|---|---|---|---|---|
| Property Taxes | 17,115,900 | 17,458,218 | 17,807,382 | 18,163,530 | 18,526,801 | **1.02** |
| Income & Use Taxes | 7,610,400 | 7,800,660 | 7,995,677 | 8,195,568 | 8,400,458 | **1.025** |
| State Sales Tax | 8,478,300 | 8,690,258 | 8,907,514 | 9,130,202 | 9,358,457 | **1.025** |
| Home Rule Sales Tax | 6,173,200 | 6,296,664 | 6,422,597 | 6,551,049 | 6,682,070 | 1.02 |
| Real Estate Transfer Tax | 1,121,700 | 1,155,351 | 1,190,012 | 1,225,712 | 1,262,483 | 1.03 |
| Telecommunications Tax | 720,000 | 720,000 | 720,000 | 720,000 | 720,000 | **1.00** |
| Prepared Food and Beverage Tax | 793,100 | 816,893 | 841,400 | 866,642 | 892,641 | 1.03 |
| Utility Tax-Electric/Natural Gas | 2,650,000 | 2,650,000 | 2,650,000 | 2,650,000 | 2,650,000 | 1.00 |
| Licenses | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 1.00 |
| Building Revenue & Fees | 1,235,000 | 1,247,350 | 1,259,824 | 1,272,422 | 1,285,146 | 1.01 |
| Intergovernmental Revenue-Local | 223,300 | 227,766 | 232,321 | 236,968 | 241,707 | 1.02 |
| Fines & Fees-Police & Fire | 2,338,100 | 2,361,481 | 2,385,096 | 2,408,947 | 2,433,036 | 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 | 825,000 | 841,500 | 858,330 | 875,497 | 893,007 | 1.02 |
| Cable Franchise Fees | 735,000 | 735,000 | 735,000 | 735,000 | 735,000 | 1.00 |
| Miscellaneous Revenue | 961,000 | 970,610 | 980,316 | 990,119 | 1,000,020 | 1.01 |
| Total Revenues | 52,470,000 | 53,461,751 | 54,475,468 | 55,511,655 | 56,570,826 | |
| Annual Increase | 3.0% | 1.9% | 1.9% | 1.9% | 1.9% | |
| **Expenditure** | **2024** | **2025** | **2026** | **2027** | **2028** | **Growth** |
| Personal Services | 24,599,815 | 25,337,810 | 26,097,944 | 26,880,883 | 27,687,309 | 1.03 |
| Personal Benefits | 12,150,072 | 12,514,574 | 12,890,011 | 13,276,711 | 13,675,013 | 1.03 |
| Operating Expenses | 3,669,073 | 3,742,454 | 3,817,303 | 3,893,649 | 3,971,522 | 1.02 |
| Insurance & Legal Services | 1,606,329 | 1,670,582 | 1,737,405 | 1,806,902 | 1,879,178 | 1.04 |
| Commodities | 401,186 | 411,216 | 421,496 | 432,033 | 442,834 | 1.025 |
| Maintenance & Repairs | 3,546,887 | 3,635,560 | 3,726,449 | 3,819,610 | 3,915,100 | 1.025 |
| All Other Expenses | 4,083,647 | 4,124,484 | 4,165,728 | 4,165,728 | 4,207,386 | 1.01 |
| Total Expenditures | 50,057,009 | 51,436,679 | 52,856,337 | 54,275,516 | 55,778,342 | |
| Operating Surplus/(Shortfall) | 2,412,991 | 2,025,072 | 1,619,131 | 1,236,139 | 792,484 | |
| Annual Increase | 3.8% | 2.8% | 2.8% | 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 (though State and Local Motor Fuel Tax), and projects in the Capital Improvement Plan. All projects submitted for inclusion in the FY 2023-2027 CIP have been added to this report. After including these transfers, the cumulative fund shortfall at the end of FY 2028 is estimated to be nearly $114.5 million.

## GENERAL FUND FIVE-YEAR FORECAST – OPERATING WITH CAPITAL

| Revenue | 2024 | 2025 | 2026 | 2027 | 2028 | Growth |
|---|---|---|---|---|---|---|
| Property Taxes | 17,115,900 | 17,458,218 | 17,807,382 | 18,163,530 | 18,526,801 | **1.02** |
| Income & Use Taxes | 7,610,400 | 7,800,660 | 7,995,677 | 8,195,568 | 8,400,458 | **1.025** |
| State Sales Tax | 8,478,300 | 8,690,258 | 8,907,514 | 9,130,202 | 9,358,457 | **1.025** |
| Home Rule Sales Tax | 6,173,200 | 6,296,664 | 6,422,597 | 6,551,049 | 6,682,070 | 1.02 |
| Real Estate Transfer Tax | 1,121,700 | 1,155,351 | 1,190,012 | 1,225,712 | 1,262,483 | 1.03 |
| Telecommunications Tax | 720,000 | 720,000 | 720,000 | 720,000 | 720,000 | **1.00** |
| Prepared Food and Beverage Tax | 793,100 | 816,893 | 841,400 | 866,642 | 892,641 | 1.03 |
| Utility Tax-Electric/Natural Gas | 2,650,000 | 2,650,000 | 2,650,000 | 2,650,000 | 2,650,000 | 1.00 |
| Licenses | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 1.00 |
| Building Revenue & Fees | 1,235,000 | 1,247,350 | 1,259,824 | 1,272,422 | 1,285,146 | 1.01 |
| Intergovernmental Revenue-Local | 223,300 | 227,766 | 232,321 | 236,968 | 241,707 | 1.02 |
| Fines & Fees-Police & Fire | 2,338,100 | 2,361,481 | 2,385,096 | 2,408,947 | 2,433,036 | 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 | 825,000 | 841,500 | 858,330 | 875,497 | 893,007 | 1.02 |
| Cable Franchise Fees | 735,000 | 735,000 | 735,000 | 735,000 | 735,000 | 1.00 |
| Miscellaneous Revenue | 961,000 | 970,610 | 980,316 | 990,119 | 1,000,020 | 1.01 |
| Total Revenues | 52,470,000 | 53,461,751 | 54,475,468 | 55,511,655 | 56,570,826 | |
| Annual Increase | 3.0% | 1.9% | 1.9% | 1.9% | 1.9% | |

| Expenditure | 2024 | 2025 | 2026 | 2027 | 2028 | Growth |
|---|---|---|---|---|---|---|
| **Personal Services** | 24,599,815 | 25,337,810 | 26,097,944 | 26,880,883 | 27,687,309 | 1.03 |
| **Personal Benefits** | 12,150,072 | 12,514,574 | 12,890,011 | 13,276,711 | 13,675,013 | 1.03 |
| **Operating Expenses** | 3,669,073 | 3,742,454 | 3,817,303 | 3,893,649 | 3,971,522 | 1.02 |
| **Insurance & Legal Services** | 1,606,329 | 1,670,582 | 1,737,405 | 1,806,902 | 1,879,178 | 1.04 |
| **Commodities** | 401,186 | 411,216 | 421,496 | 432,033 | 442,834 | 1.025 |
| **Maintenance & Repairs** | 3,546,887 | 3,635,560 | 3,726,449 | 3,819,610 | 3,915,100 | 1.025 |
| **All Other Expenses** | 4,083,647 | 4,124,484 | 4,165,728 | 4,165,728 | 4,207,386 | 1.01 |
| **Total Expenditures** | 50,057,009 | 51,436,679 | 52,856,337 | 54,275,516 | 55,778,342 | |
| **Operating Surplus/(Shortfall)** | 2,412,991 | 2,025,072 | 1,619,131 | 1,236,139 | 792,484 | |
| **Annual Increase** | 3.8% | 2.8% | 2.8% | 2.7% | 2.8% | |
| **Capital Transfers & Subsidies** | **2024** | **2025** | **2026** | **2027** | **2028** | |
| **Capital - Vehicles** | 1,936,000 | 1,605,000 | 1,855,000 | 1,541,000 | 2,100,000 | |
| **Capital - Facilities** | 7,045,000 | 180,000 | 150,000 | 9,500,000 | 3,380,000 | |
| **Capital - Technology** | 275,000 | 360,000 | 215,000 | 265,000 | 275,000 | |
| **Capital - Stormwater** | 655,000 | 655,000 | 100,000 | 750,000 | 655,000 | |
| **Street Program** | 19,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | 15,000,000 | |
| **Capital Reserve Funding** | **1,980,000** | **1,980,000** | **1,980,000** | **1,980,000** | **1,980,000** | |
| **Total Transfers** | 30,891,000 | 19,780,000 | 19,300,000 | 29,036,000 | 23,390,000 | |
| **Total Fund Surplus/(Shortfall)** | (28,478,009) | (17,754,928) | (17,680,869) | (27,799,861) | (22,597,516) | |

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.

Over the next five years it is anticipated that $74.1 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. Bond issues are planned for 2025, 2030, and 2033 to fund future improvements. The revenue enhancements and bond issue support the Infrastructure Modernization Program, a five-year strategy to invest $175 million in streets, sewer and water infrastructure.

| Unfunded | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|
| **Street Program** | 18,020,000 | 14,020,000 | 14,020,000 | 14,020,000 | 14,020,000 |
| **Total Unfunded/Debt** | 18,020,000 | 14,020,000 | 14,020,000 | 14,020,000 | 14,020,000 |

## 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 debt service retirement and 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 allows 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 2022 is $17.7 million or 35 percent of the FY 2023 operating budget. The Village also has designated an additional $770,000 for revenue stabilization.

# GENERAL FUND REVENUES

Approximately 81 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

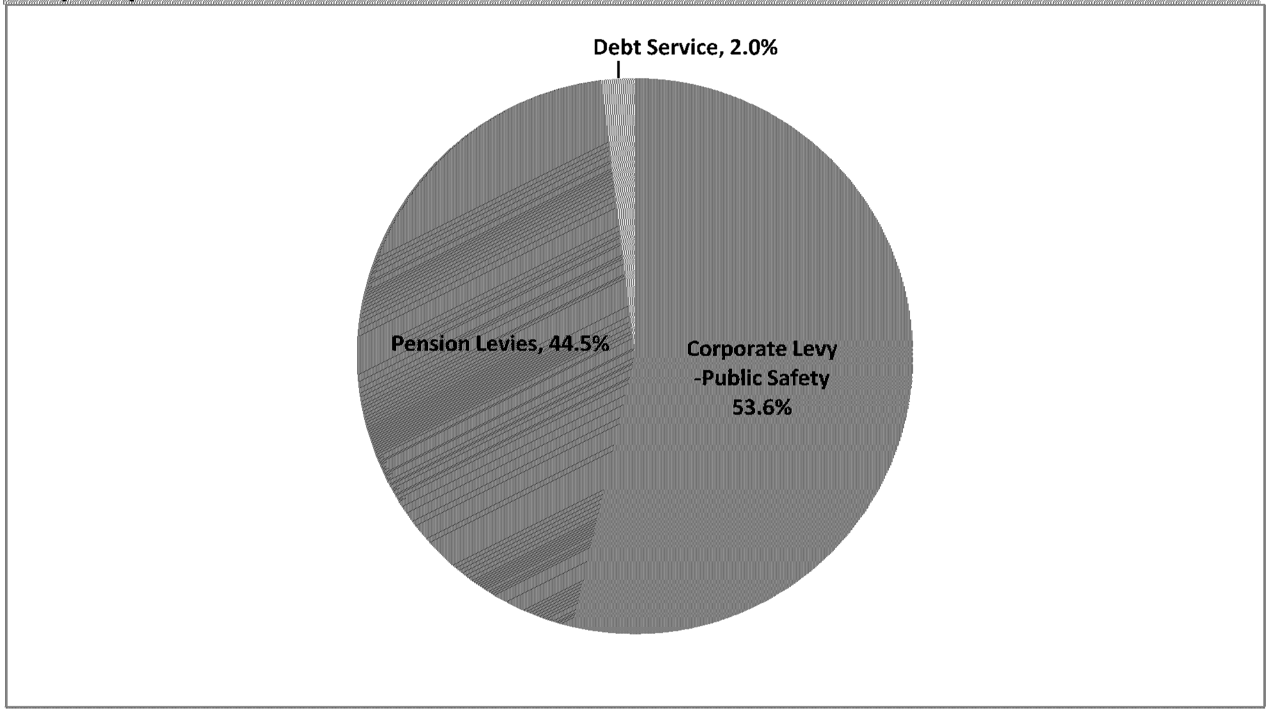
There are three components to the Village's property tax levy. The first component is the Corporate Levy. This levy helps to fund public safety (police and fire) operations. The growth in the corporate levy is tied to inflation. The second component is the Debt Service Levy. This levy covers the principal 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.

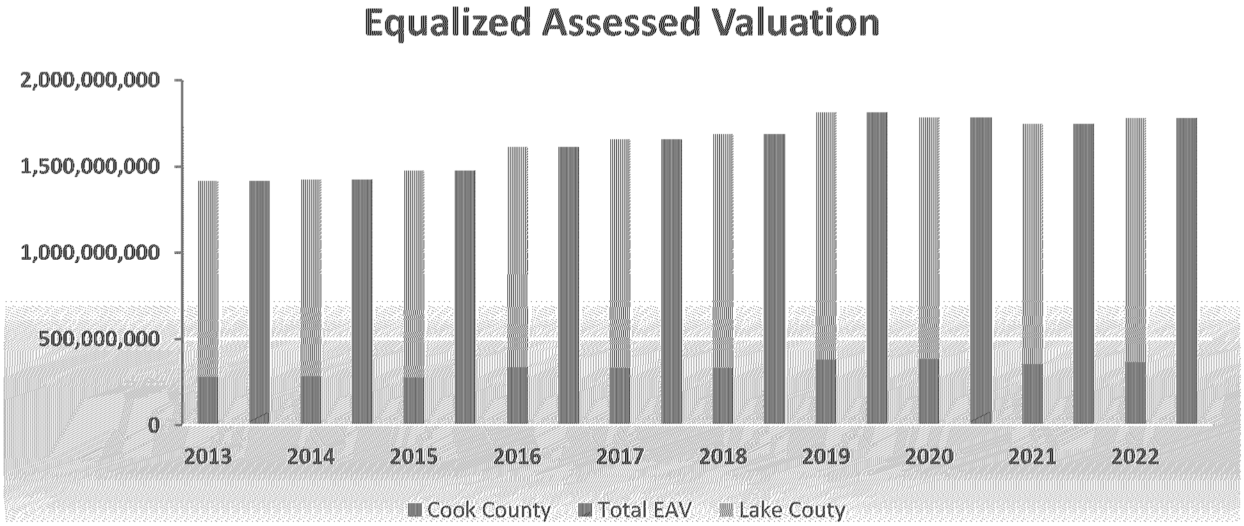
## Property Tax Dollar Distribution




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 $1,799,567,281 representing a 1.85 percent decrease from the previous year. The Lake County portion of the Village's EAV increases 1.56 percent year over year.

## Equalized Assessed Valuation

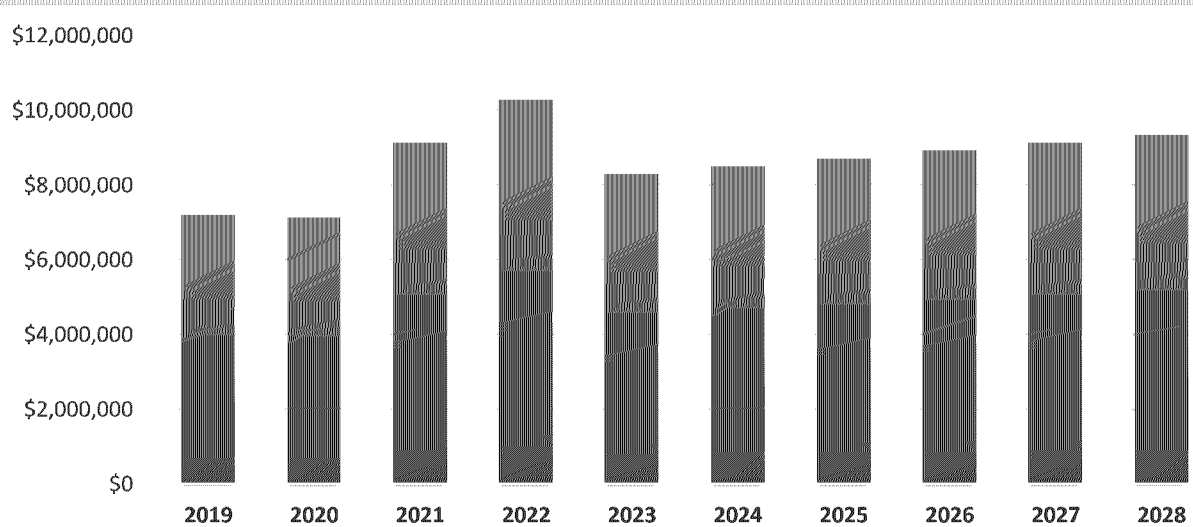



## SALES TAX

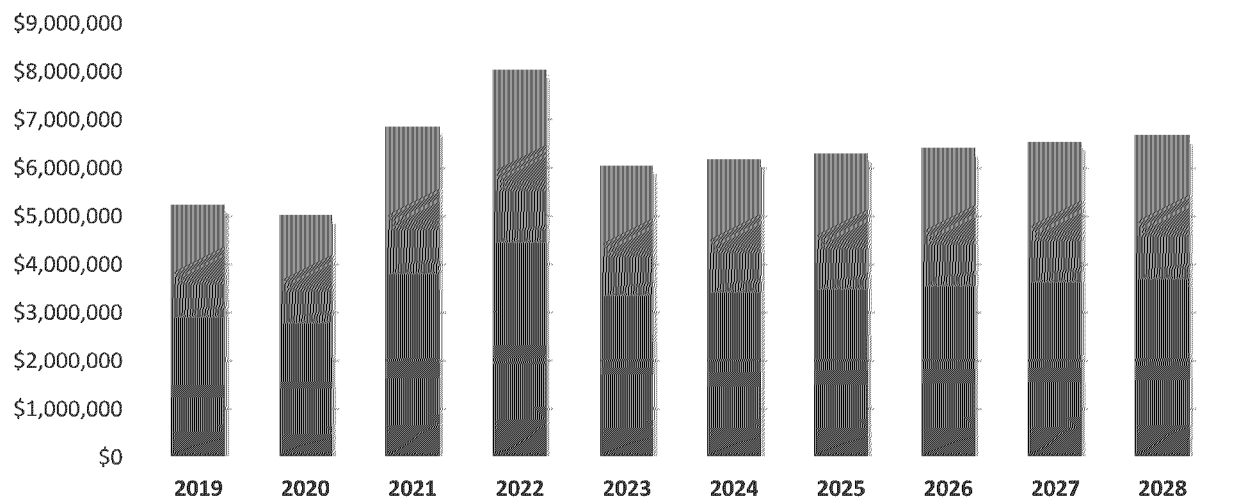
Inflation sets the growth baseline for both the base (2%) and home rule sales taxes (2%). Combined, this is the second largest revenue source for the Village. The base sales tax revenue is directly related to the dollar value of sales made within the Village. Home rule sales tax applies to the same transactions 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 with the exception of new retailers where development plans are approved. The forecast applied to both base and home rule sales tax produces the following:

## Base Sales Tax

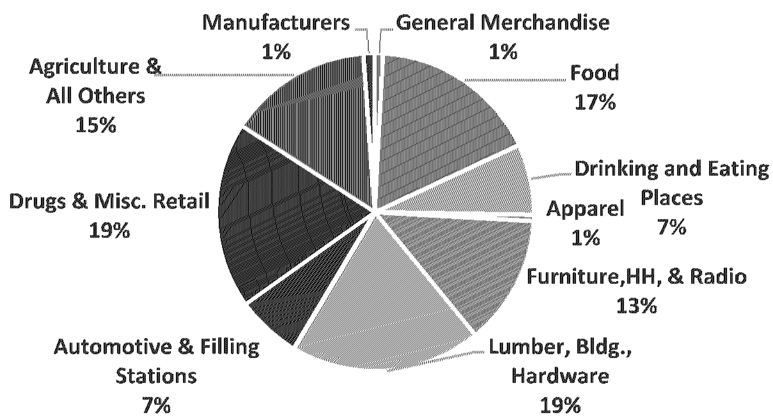


## Home Rule Sales Tax




The Village's strives to diversify its retail tax base so that no one sector is overly exposed to economic and/or demand 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

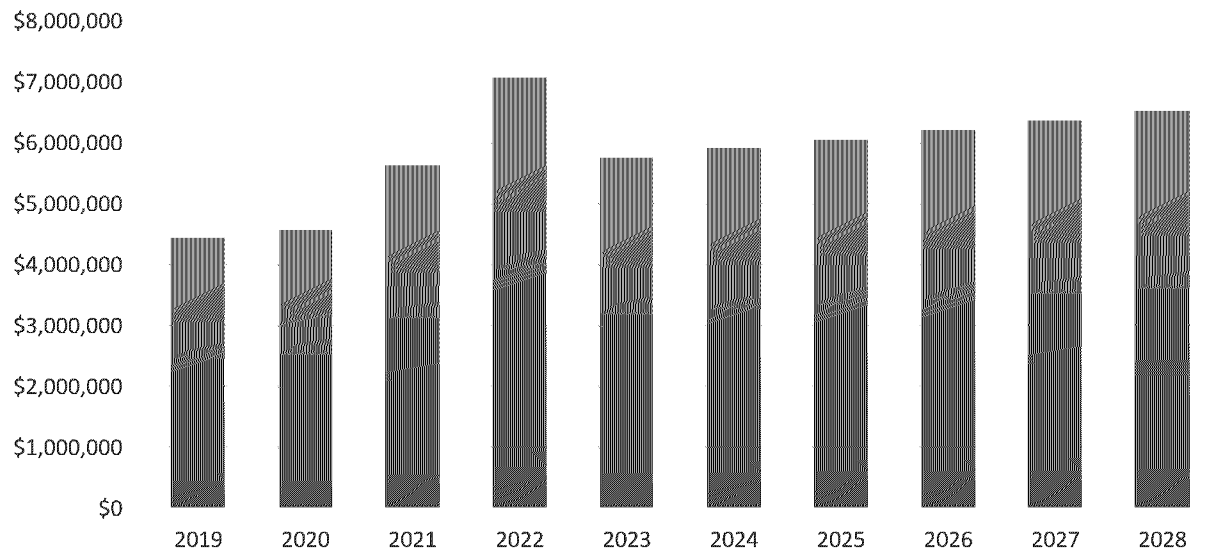



## INCOME TAX

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 five percent of net income. The rate reverted to 3.75 percent beginning January 1, 2015 to December 31, 2024. The rate will then reduce to 3.25 percent starting on January 1, 2025. 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 5 percent, the increase was not included in the distribution making the effective per capita distribution to municipalities six percent.

The Village's unemployment rate as of April 2023 is 3.1 percent, which bests the state of Illinois (4.2 percent) and the U.S. (3.4 percent). Income receipts performed very well in 2022 and for the first four months of 2023 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 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 49.2 percent in FY 2022 from $1.3 million in FY 2019. The forecast calls for no change over the remainder of the plan.

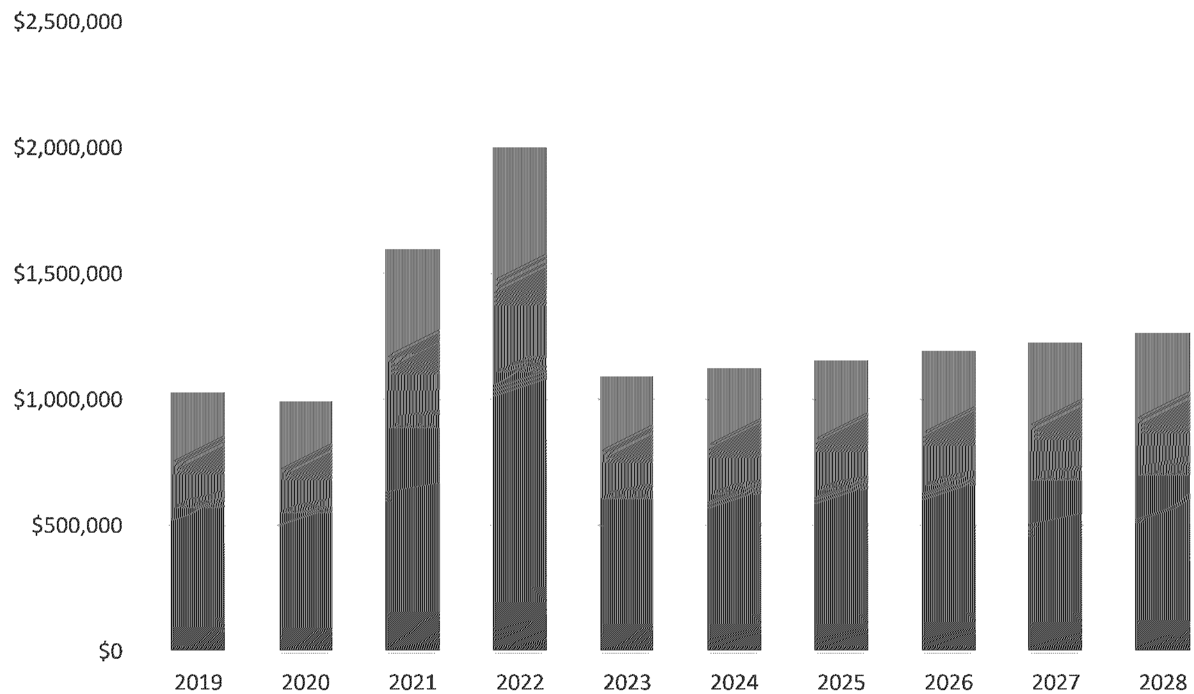
## Utility Use Tax (Natural Gas & Electricity)

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.

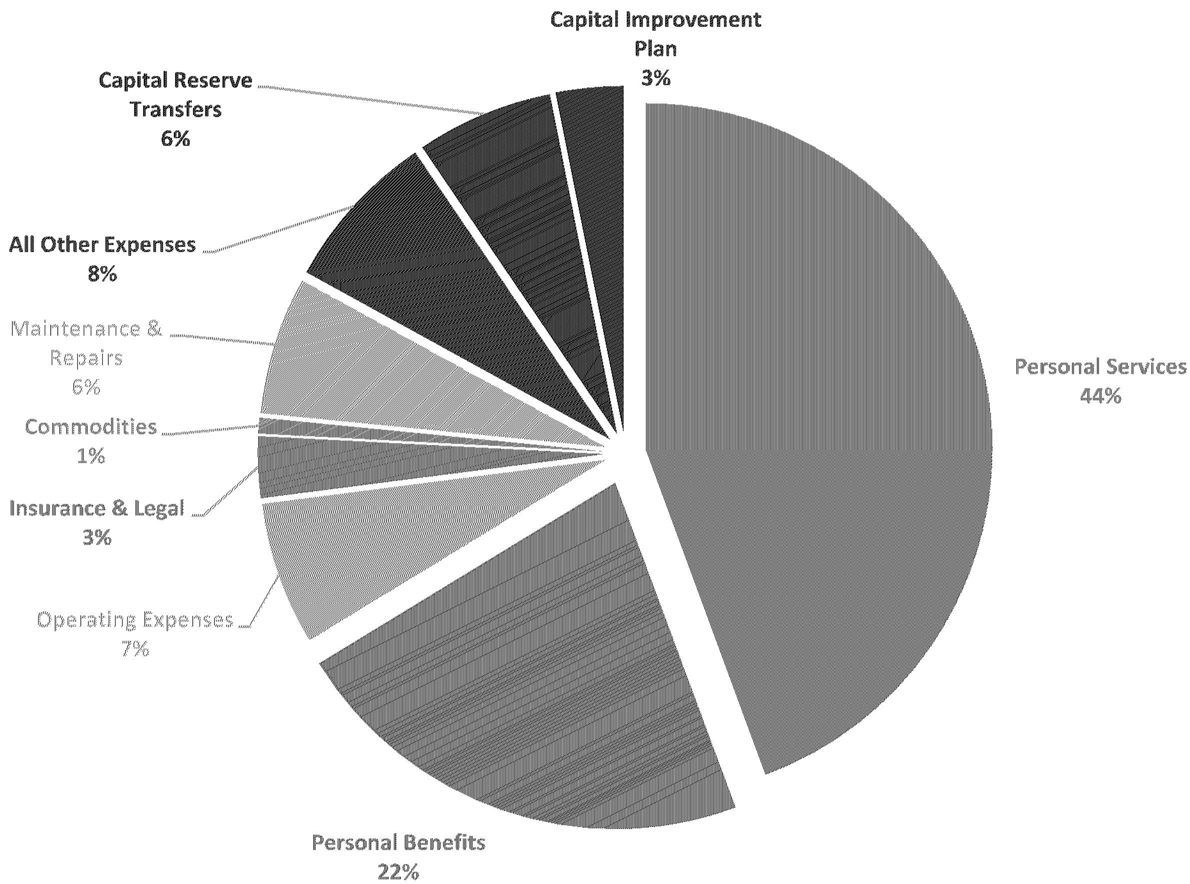
## Real Estate Transfer Tax



## 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 68 percent of all operating expenditures. The next largest expenditure account group is for all other expenses (8 percent). For FY 2023 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 increases 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 214 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 2023 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 work force.

## 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 2023. 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. Employer pension obligations are anticipated to be $6.6 million in 2023 or 12.6 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 $7.6 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 $112.5 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 2023 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 2.1 percent per year while operating expenditures outpace average annual revenue growth by 0.9 percent per year or 3.0 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 recognizes 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 2024 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.