



**AGENDA ITEM # 17**

**AGENDA ITEM EXECUTIVE SUMMARY**

**Village Board Meeting**

**July 26, 2021**

**Item Title: June Treasurer’s Report and FY 2021 Mid-Year Budget Review**

**Staff Contact: Jason Bielawski, Village Administrator  
Tom Dahl, Finance Director**

**VILLAGE BOARD ACTION**

**The Village Board receive an update on the FY 2021 Budget and provide direction to staff on recommendations for FY 2021 budget modifications.**

**General Overview:**

The June Treasurer’s report shows:

- The economy continues to see healthy growth and signs of recovery through the first six months of FY 2021.
- Major revenues continue to outperform expectations as the economy continues a strong growth period.
- Personnel costs are trending below budget primarily due to staff vacancies.
- Staff recommends various one-time purchases as a result of the Village’s financial position.
- The Village finished FY 2020 with a \$1.6 million surplus in the General Fund.
- Per the Village Board’s updated Financial Policies, staff recommends the utilization of \$1M of General Fund reserve balance for pensions and capital projects.

**Recommended Budget Modifications**

The following items are in the FY 2021 budget, but purchases were deferred to mid-year budget review:

<b>Fund &amp; Items</b>	<b>Budget</b>	<b>Staff Recommendation</b>
<b>Equipment Replacement</b>		
Dump Truck	\$83,200	Purchase
Fire Engine 65	\$750,000	Purchase
<b>Water/Sewer Equipment Replace</b>		
Wastewater Truck	\$50,000	Defer – (\$50,000)
<b>General Capital</b>		
Sidewalk Replacement – VH	\$60,000	Defer – (\$60,000)
Street Light Poles	\$20,000	Purchase
Reforestation Program	\$30,000	Purchase

Thermoplastic pavement markings	\$25,000	Purchase
Pavement Preservation	\$40,000	Purchase
Train Station Parking Lot	\$18,870	Defer - (\$18,870)

The following items were either removed from the FY 2021 budget or the budget amount was reduced:

Fund & Items	Budget	Staff Recommendation
<b>General Fund</b>		
Transfer to Equip. Replacement Fund	\$440,000	Transfer additional \$60,000
Controlled Burns	\$0	Purchase - \$10,100
Strategic Planning	\$0	Defer to FY 2022
<b>General Capital</b>		
Fire Station – Overhead Doors	\$0	Purchase - \$52,800

- 1) The General Fund transfer to the Equipment Replacement Fund was reduced from \$500,000 to \$440,000.
- 2) Controlled burns at Goose Lake Park were removed from the final budget. Burns can be conducted this fall.
- 3) A strategic plan consultant was removed from the final budget.
- 4) The overhead doors are identified for FY 2022, but due to other projects being deferred and others coming in under budget, this project would be pulled forward.

The following items are unbudgeted and recommended by staff to purchase:

Fund & Items	Amount
<b>General Fund</b>	
Lateral Storage Files - Finance	\$1,200
Village Board Chairs	\$3,500
Office Chairs – Administration	\$4,600
Fitness Equipment – Police	<u>\$1,000</u>
	<b>\$10,300</b>
<b>General Capital</b>	
Engineering – Plum Grove bridge	\$7,000
Tuckpointing – Public Works	\$10,000
Office Furniture	
Administration	\$11,000
Community Development	\$8,000
Board Room and Lunchroom	<u>\$7,000</u>
	<b>\$43,000</b>
<b>Information Technology</b>	
Network Backup/Disaster Recovery appliance	\$25,000

- 1) Two lateral storage files for the Finance Department.
- 2) Replacement of 6 office/task chairs in the Administration Department.
- 3) New fitness equipment at the Police Station.
- 4) Engineering review of the Plum Grove Road bridge deck has been approved by staff so that the information can be ready for the August capital projects workshop.

- 5) Tuckpointing of the Public Works building. The building is experiencing infiltration of water due to age.
- 6) Two new workstations replacing the cubicles in the Administration Department to mirror the workstations installed in Finance and Community Development and an office furniture refresh including a new adjustable desk for the Village Planner and relocating the previous Director's office.
- 7) Replacement of tables in the Council Chambers and employee lunchroom/kitchen.
- 8) The FY 2021 Budget includes \$25,000 for a disaster recovery/backup software solution and cloud storage, but the appliance that runs the solution and backups the entire Village system is due for replacement. IT is currently researching options and believes additional funding is necessary to also replace the appliance.

### **General Fund Reserves**

The recently updated Fund Balance Policy recommends a minimum fund balance in the General Fund of 45%. At the end of the FY 2020 the General Fund balance was 57% of FY 2021 budgeted expenditures or \$2,108,811 above the 45% threshold.

**Staff Recommendation:** Use \$1M or approximately one-half of the amount exceeding the 45% threshold for the specific purpose of enhancing the Village's contribution to the Police and Firefighters' pension funds by \$250,000 and transferring \$750,000 to the General Capital Projects Fund for capital needs. As the Village Board is aware, the steep decline in Telecommunications Tax is taking a toll on the General Capital Projects Fund revenues and staff will be discussing the need for this additional revenue at the upcoming capital projects workshop.

### **Financial Forecasting**

As noted earlier, the Village and overall national economy continues to show strong rebounds as the pandemic wanes. Although the major General Fund revenues continue to outperform expectations there are concerns as we head into FY 2022 including:

- Inflation increasing 5% year-over-year in June and commodity costs and fuel costs are expected to rise as the recovery continues.
- Decrease in Local Use Tax (July receipt) as the tax is recorded by the State as sales tax rather than local use.
- Sharp decrease (21%) in Telecommunications Tax which is recorded in the General Capital Projects Fund.

Some of the concerns with decreases in revenue are offset by the following:

- Roselle is in line to receive an initial disbursement of about \$1.5M as part of the American Rescue Plan Act. The second disbursement of \$1.5M will be next year.
- Decreases in Local Use Tax is being offset by increases in Sales Tax as the state changed its method for collecting taxes.
- State's budget continues to fund LGDF at 100% and closed loopholes in the state income tax that should provide additional income tax proceeds in the future.
- Not included in the FY 2021 General Fund budget are permit fees of \$500,000 that the Metro 19 developer owes upon issuance of building permits, which should be issued within 30 days. Some of this revenue, however; will be offset by increased expenses for contractual inspections.

**Implications:**

**Is this item budgeted?** N/A

**Any other implications to be considered?** The replacement of Village vehicles is being impacted by the global microchip shortage that is plaguing the auto industry by dramatically decreasing the production of vehicles. Three police vehicles ordered in January, 2021 have not been delivered. Due to the extraordinary circumstances and the subsequent delay between ordering and taking delivery of a vehicle, staff will use a future Village Board meeting to discuss ordering additional vehicles in 2021 with delivery expected in 2022. The Village budgets the expense of a vehicle in the year in which the vehicle is delivered, not ordered.

**Attachments:**

Scorecard



**SCORECARD**

**FY 2021 Budget Scorecard - Addition of Proposed Revised Programs and Services**

Page #	Department	Description	General Fund			
			Revenues	Expenditures	Difference	Fund Balance
<b>Proposed Budget Recommendations</b>			\$18,052,400	\$18,050,055	\$2,345	\$10,212,638
<b>Items removed from the FY 2021 budget and added back</b>						
	Various	Transfer to Equipment Replacement Fund		\$60,000		\$10,152,638
	Public Works	Controlled Burns		\$10,100		\$10,142,538
<b>Items added to the budget during mid-year review</b>						\$10,142,538
	Finance	Finance lateral files		\$1,200		\$10,141,338
	Elected Officials	Dais chairs		\$3,500		\$10,137,838
	Admin	Office chairs		\$4,600		\$10,133,238
	Police	Replacement exercise equipment		\$1,000		\$10,132,238
	IT	IT User Charge		\$17,250		\$10,114,988
<b>Amended Proposed General Fund Budget</b>			\$18,052,400	\$18,147,705	(\$95,305)	\$10,114,988

Page #	Department	Description	Water and Sewer Operating Fund			
			Revenues	Expenditures	Difference	FUND BALANCE
<b>Proposed Budget Recommendations</b>			\$7,140,015	\$7,558,725	(\$418,710)	\$2,498,350
<b>Items added to the budget during mid-year review</b>						
	IT	IT User Charge		\$7,500		\$2,490,850
<b>Amended Proposed W/S Operating Fund Budget</b>			\$7,140,015	\$7,566,225	(\$426,210)	\$2,490,850

Page #	Department	Description	Parking Lot Operating			
			Revenues	Expenditures	Difference	Fund Balance
<b>Proposed Budget Recommendations</b>			\$161,350	\$302,190	(\$140,840)	\$160,787
<b>Items added to the budget during mid-year review</b>						
	IT	IT User Charge		\$250		\$160,537
<b>Amended Proposed Parking Lot Operating Fund Budget</b>			\$161,350	\$302,440	(\$141,090)	\$160,537

Page #	Department	Description	General Capital Projects			
			Revenues	Expenditures	Difference	Fund Balance
<b>Proposed Budget Recommendations</b>			\$1,242,995	\$1,451,945	(\$208,950)	\$865,638
<b>Items deferred to mid-year and delayed until FY 2022 or later</b>						
	VH	Sidewalk Replacement at Village Hall		(\$60,000)		\$925,638
	Metra Parking Lot	Parking lot resurfacing		(\$18,870)		\$944,508
<b>Items added to the budget during mid-year review</b>						\$944,508
	PW	Plum Grove Bridge Inspection		\$7,000		\$937,508
	PW	Tuckpointing at PW building		\$10,000		\$927,508
	Admin	Admin Cubicles/Planner desk		\$19,000		\$908,508
	VH	Kitchen/Board Room tables		\$7,000		\$901,508
<b>Amended Proposed General Capital Projects Fund Budget</b>			\$1,242,995	\$1,416,075	(\$173,080)	\$901,508

Page #	Department	Description	Information Technology Fund			
			Revenues	Expenditures	Difference	FUND BALANCE
<b>Proposed Budget Recommendations</b>			\$707,370	\$707,370	\$0	\$0
<b>Items added to the budget during mid-year review</b>						
		Backup Solution		\$25,000		(\$25,000)
	Revenues	Transfers	\$25,000			\$0
<b>Amended Proposed Information Technology Fund</b>			\$732,370	\$732,370	\$0	\$0

Page #	Department	Description	Water/Sewer Equipment Replacement			
			Revenues	Expenditures	Difference	FUND BALANCE
<b>Proposed Budget Recommendations</b>			\$160,000	\$146,180	\$13,820	\$802,177
<b>Items deferred to mid-year and delayed until FY 2022 or later</b>						
	Wastewater	Wastewater Pickup (Unit 602)		(\$50,000)		\$852,177
<b>Amended Proposed Insurance Fund Budget</b>			\$160,000	\$96,180	\$63,820	\$852,177