

Summary of Long Range Financial Planning Tuesday, May 19, 2009

On Tuesday, May 19, 2009 the Village Council met with staff members for the first of what will be a series of Long Range Financial Planning sessions. The purpose of these meetings is to develop long term financial strategies and build consensus for the solutions that will become the basis for future financial decisions. Ultimately, the Village will produce a long range financial plan to guide the preparation of annual budgets.

The topics discussed during this first meeting included General Fund revenues, expenses, reserves and projections. Village staff presented details for each component within the General Fund after which the floor was opened for discussion. Here are a few of the key findings:

Revenue

- Sales tax revenue represents 26% of revenue in the \$40.5 million General Fund.
- Sales tax revenue has been flat since about 1999 at about \$12 million, but began declining in 2007 to roughly \$10.5 million in 2009.
- The community has experienced sales tax leakage in the general merchandise category.
- 2009 sales tax revenue is expected to be the lowest since 1996.
- Property tax and utility tax revenue have increased.
- Property tax is the most reliable revenue source while others are variable.
- The economy threatens future revenue growth in the major categories.

Expenses

- At 74% of total General Fund Expenses, personnel costs are the major expense driver.
- The Villages post employment benefit level is above the minimum required by the State.
- Pension levels are not directly controlled by the Village.
- The total number of Village employees effects pension costs.

Reserves

- The Village reserves have fluctuated from 1992 to 2009.
- High level of reserves in early 90's grew from sales tax revenue.
- To maintain an earmarked reserve percentage, funding must be managed consistently with expenses.

Projections

- Existing revenues are growing at a slower rate than existing expenses.
- Significant changes to expenses and revenues must occur to ensure that the Village maintains its strong financial position.

