

Long Range Financial Plan

Long Range Financial Plan



Long Range Financial Planning Overview

- Allow for a Dialogue Among Community, Council & Staff
- Create Awareness of Issues
- Create a 3- to 5-Year Plan
- Assist in budget preparation and operational decisions



Jeremy Hope, Budgeting Expert

“The purpose of forecasting is to inform decision makers to shape outcomes, not predict the future. In reality, forecasting is necessary only because organizations cannot react instantly to changing events.”



2011 LRFP Overview

Meeting 1 – 5/24

Issue Identification and Solutions

- General Fund
- Transportation Fund
- Downtown Tax Increment Fund

Meeting 2 – 6/28

Issue Identification and Solutions

- Water
- Infrastructure & Facilities, 2012 Bond Issuance

Meeting 3 – 7/26

- Infrastructure & Facilities, 2012 Bond Issuance, continued

Meeting 4 – 8/23

Present draft plan for discussion



General Fund

May 24, 2011

Long Range Financial Plan



General Fund

- Recent History
- Trends & Issues
- Solutions & Strategies
- Actions for 2012 & Beyond
- Council Policy Discussion



Recent History

Long Range Financial Plan

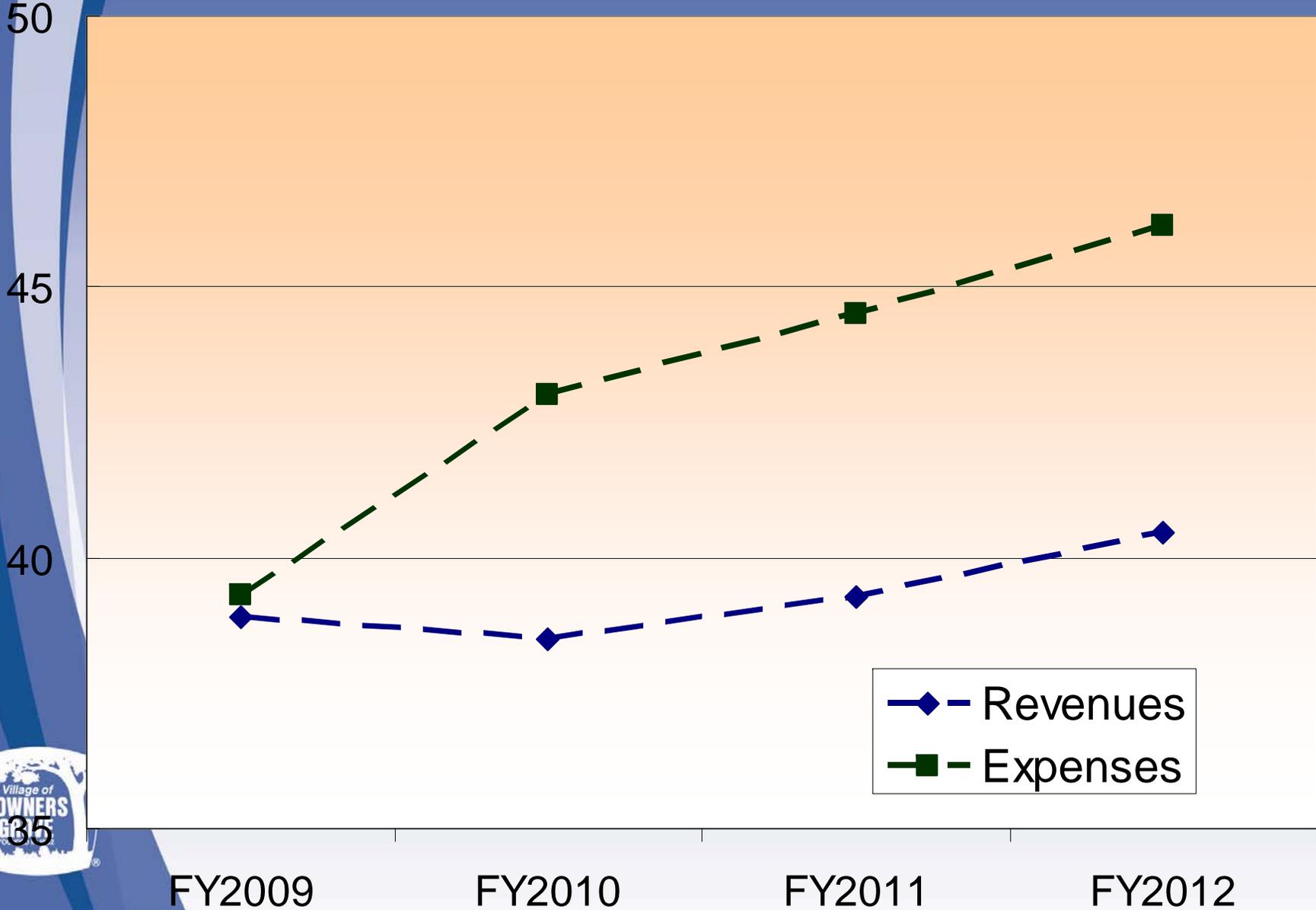


Structural Gap

- Most Existing Revenues are Flat or Declining
- Personnel Expenses are Increasing
- Projected Deficit in Future Years
- Suggests Need to Make Changes to Our Business Model



Structural Gap

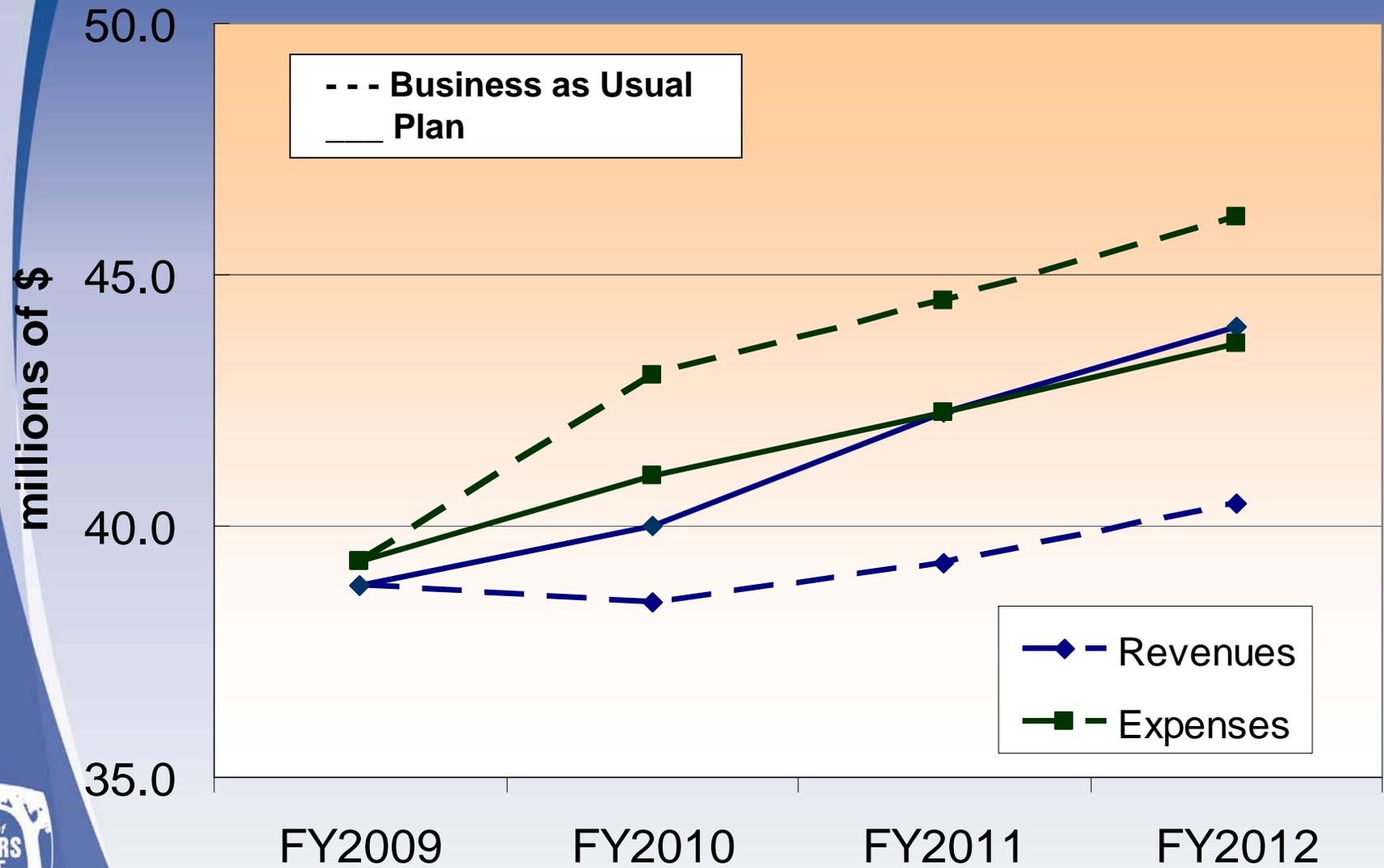


The Plan

- 3-Year Plan
- Specific Recommendations and Actions
- Reduce Expenses
- Enhance Revenues
- Strategic Use of Reserves
- Change in Business Model



2009 General Fund Plan



General Fund

- Expense Reductions - \$5.0 MM
 - Operating Efficiencies
 - Elimination or Reduction of Services/Programs/Events
 - Eliminated 45.6 FTE Positions (13.3% of Staff)
 - Changed Health Benefit Plan
 - Changed Health Plan Provider Network

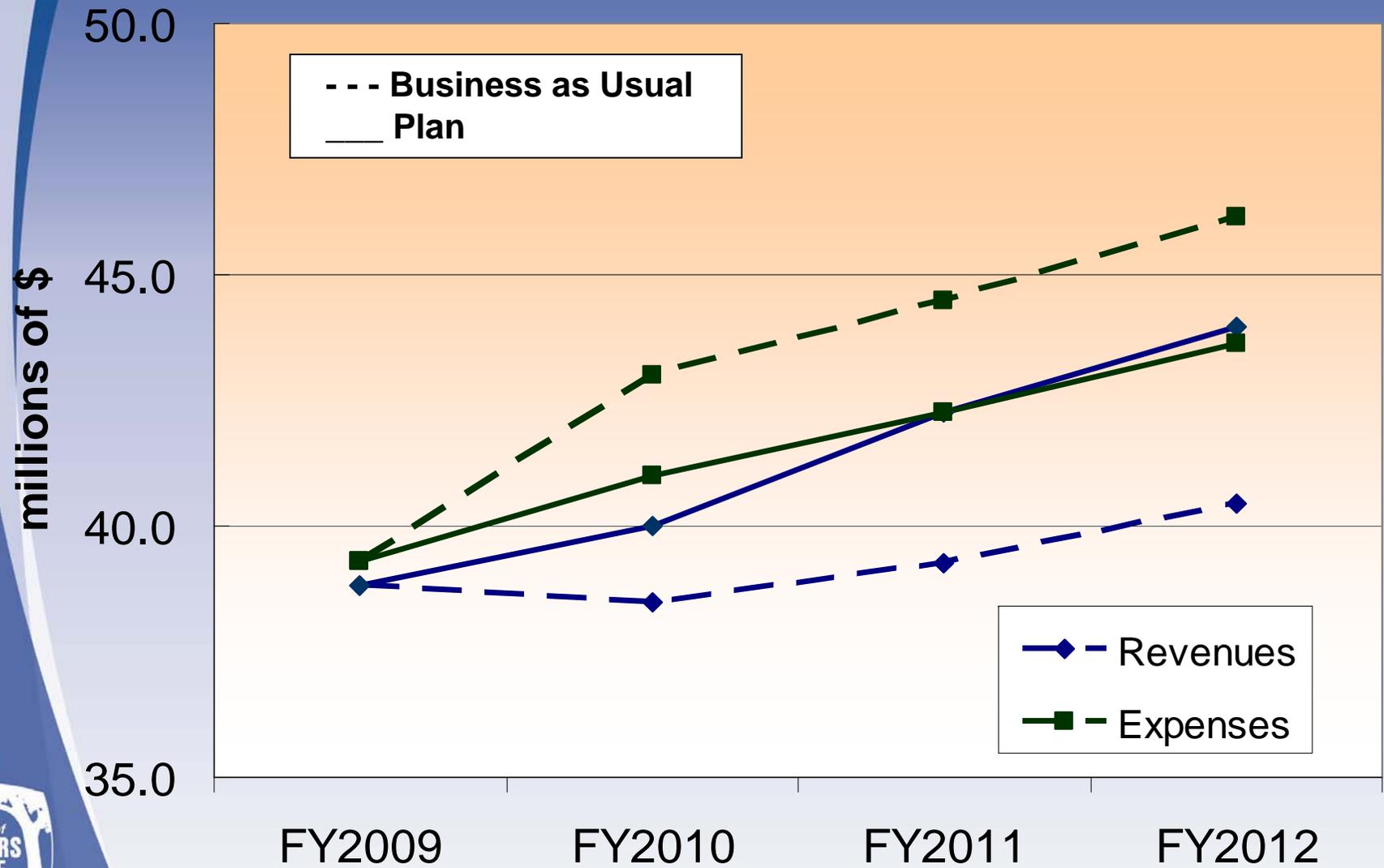


Plan Implementation 2010-11

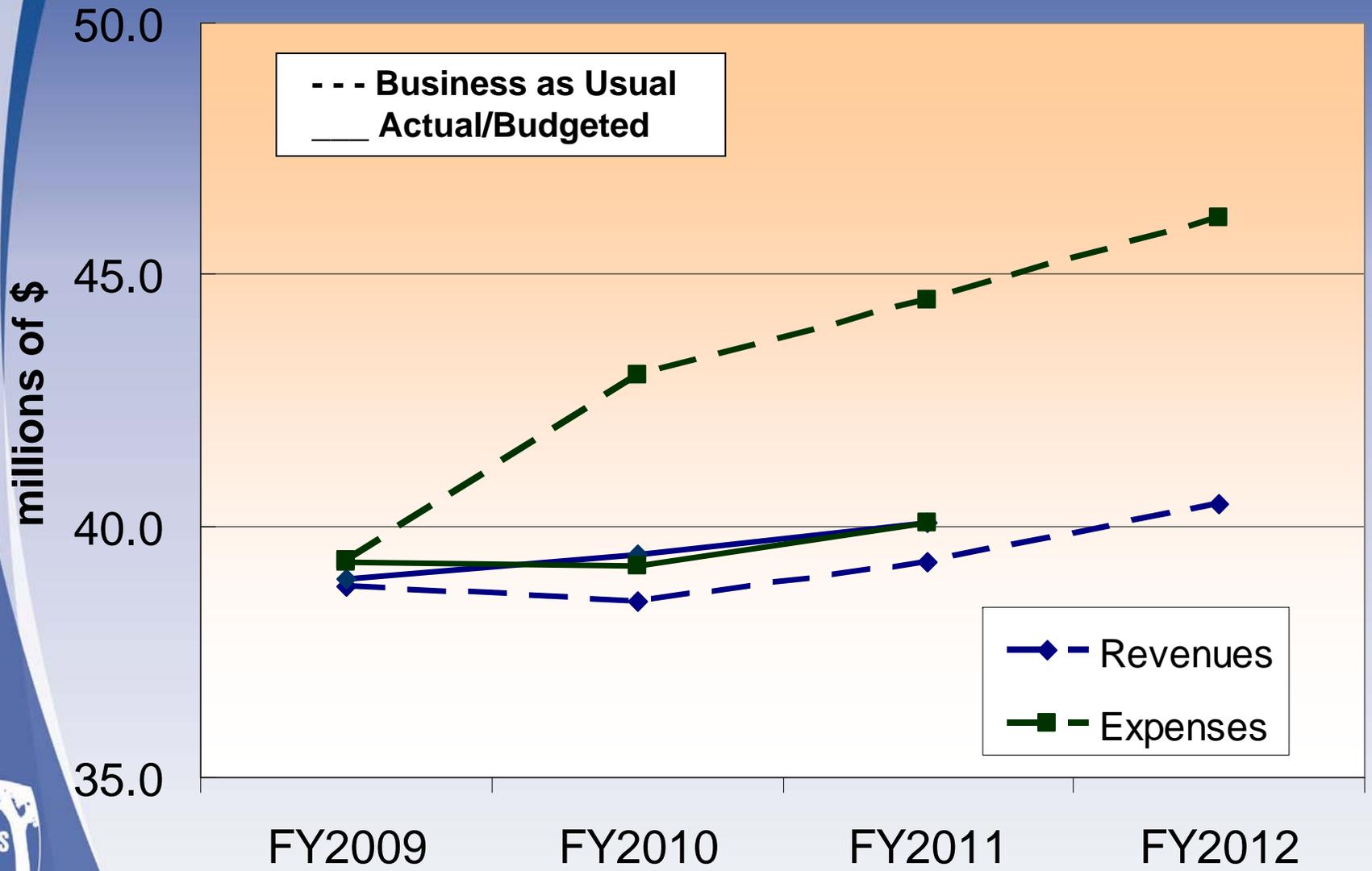
- Revenue Enhancements
 - Increased Property Tax Levy by \$1 Million
 - \$500,000 per year
 - Operational Expenses
 - Increased Home Rule Sales Tax Rate by $\frac{1}{4}$ cent
 - Effective July 1, 2010
 - \$1 Million in 2010
 - \$2 Million in 2011



2009 General Fund Plan



Implementation Thru 2011 Budget



Plan Implementation

	FY10 Budget (in millions)	FY10 Actual (in millions)	FY11 Budget (in millions)
Revenues	\$39.46	\$39.44	\$40.07
Expenses	\$40.29	\$39.20	\$40.07
Contrib. to/ (Use of) Reserves	(\$.83)	\$.24	---



Plan Implementation 2010-11

- Plan is Working
- Structural Gap Addressed Primarily by Expense Reductions
- No Use of Reserves in 2010
- Balanced Budget for 2011



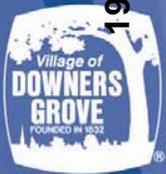
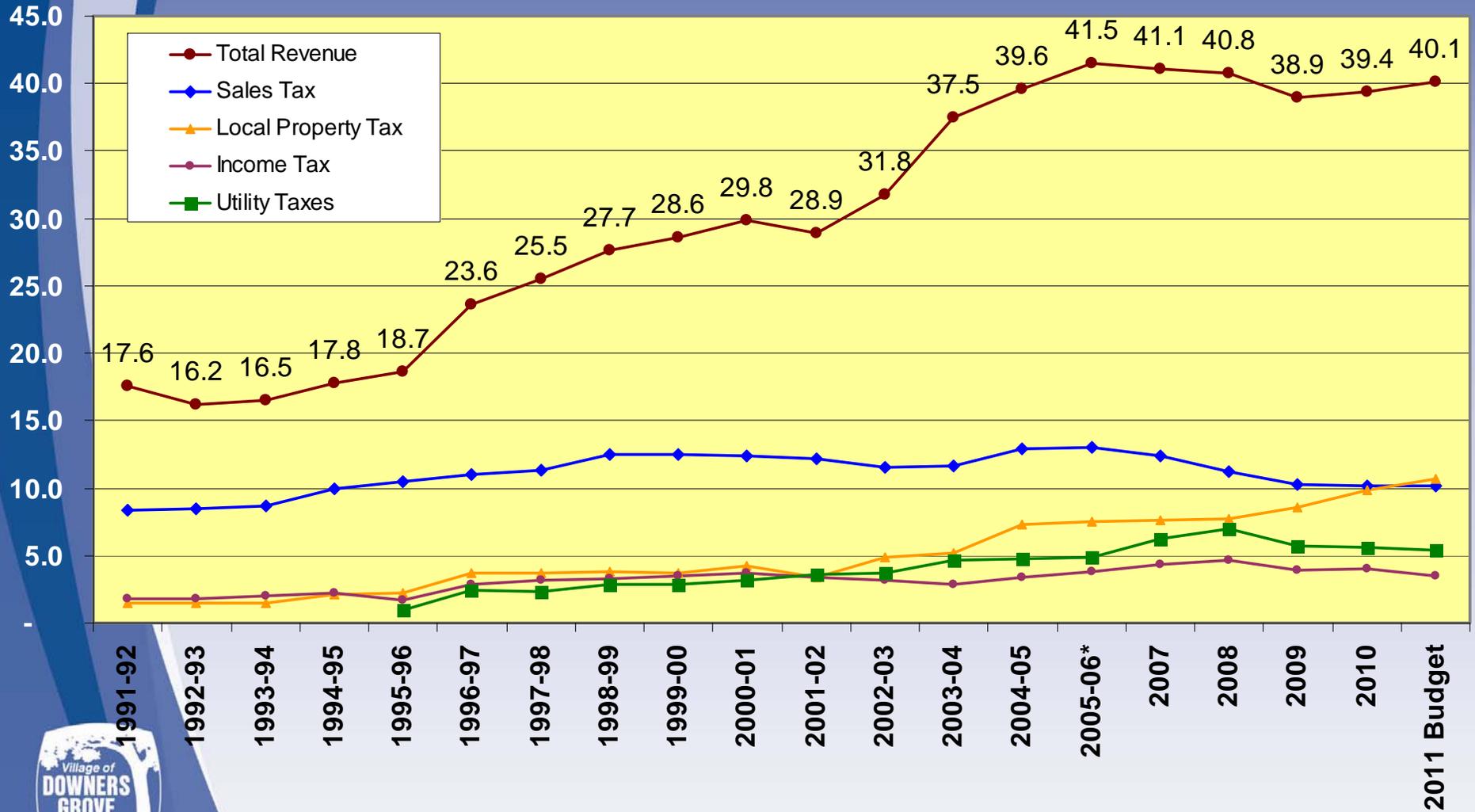
Trends & Issues

Long Range Financial Plan



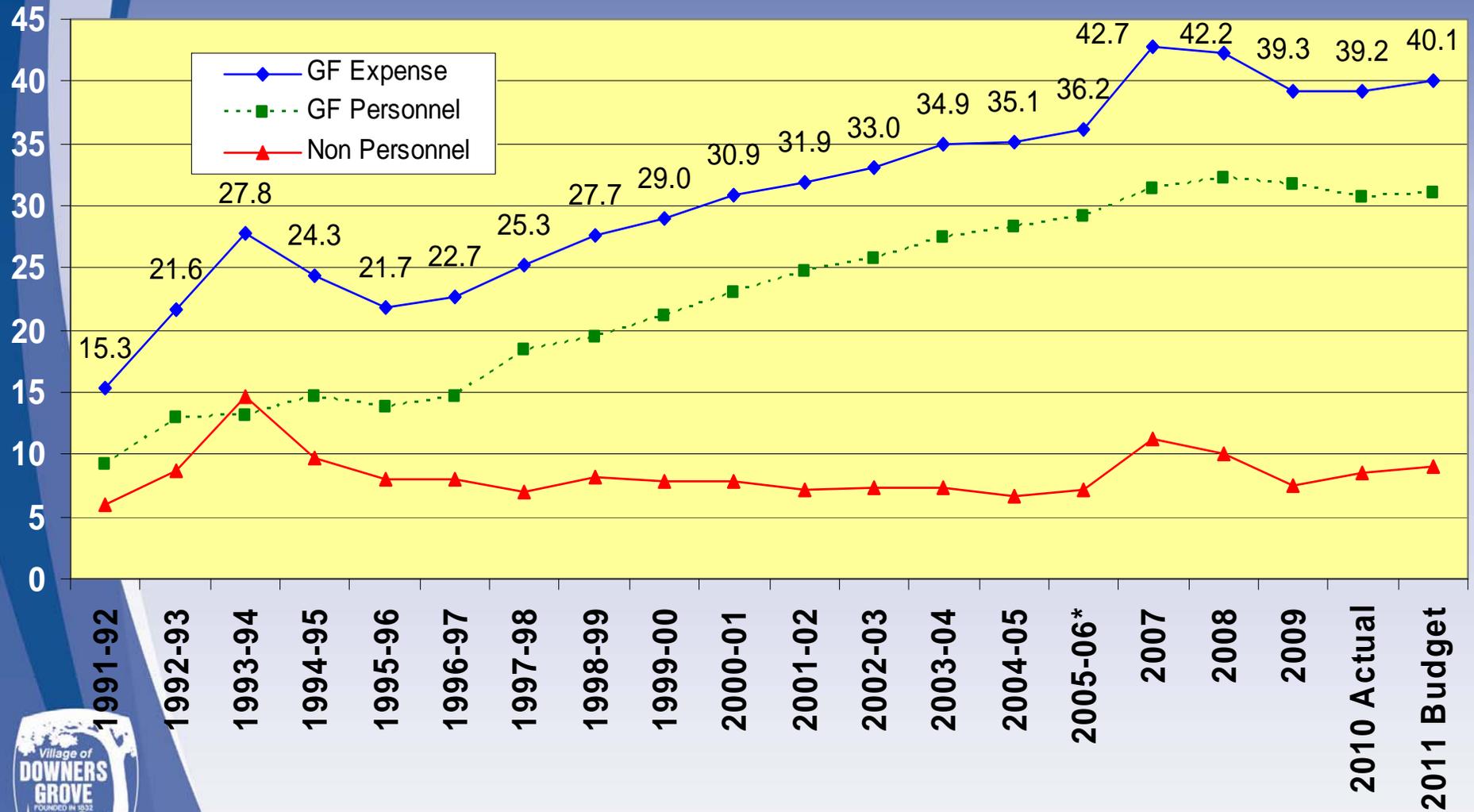
General Fund Revenues

(in millions)



General Fund Expenses

(in millions)



General Fund Expenses

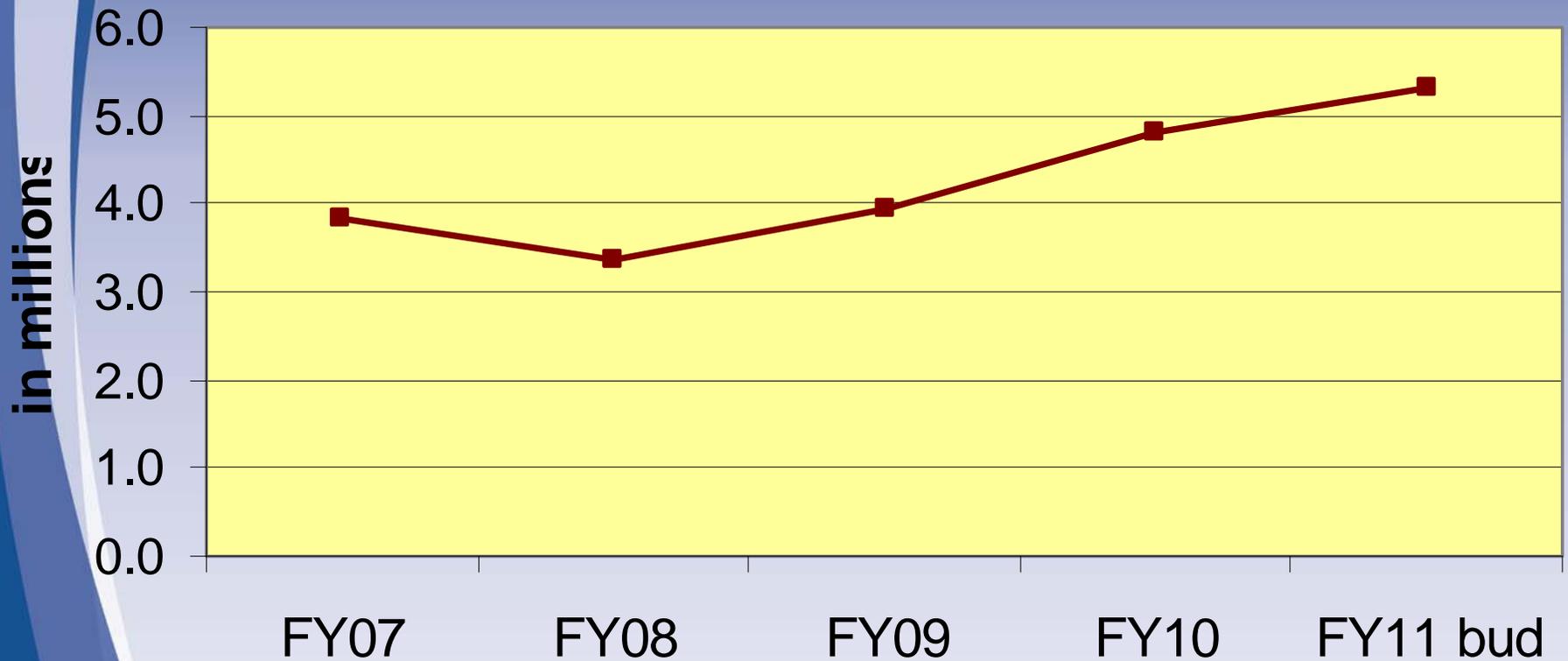
General Fund Staffing Comparison

FY 1996/97 and FY 2011

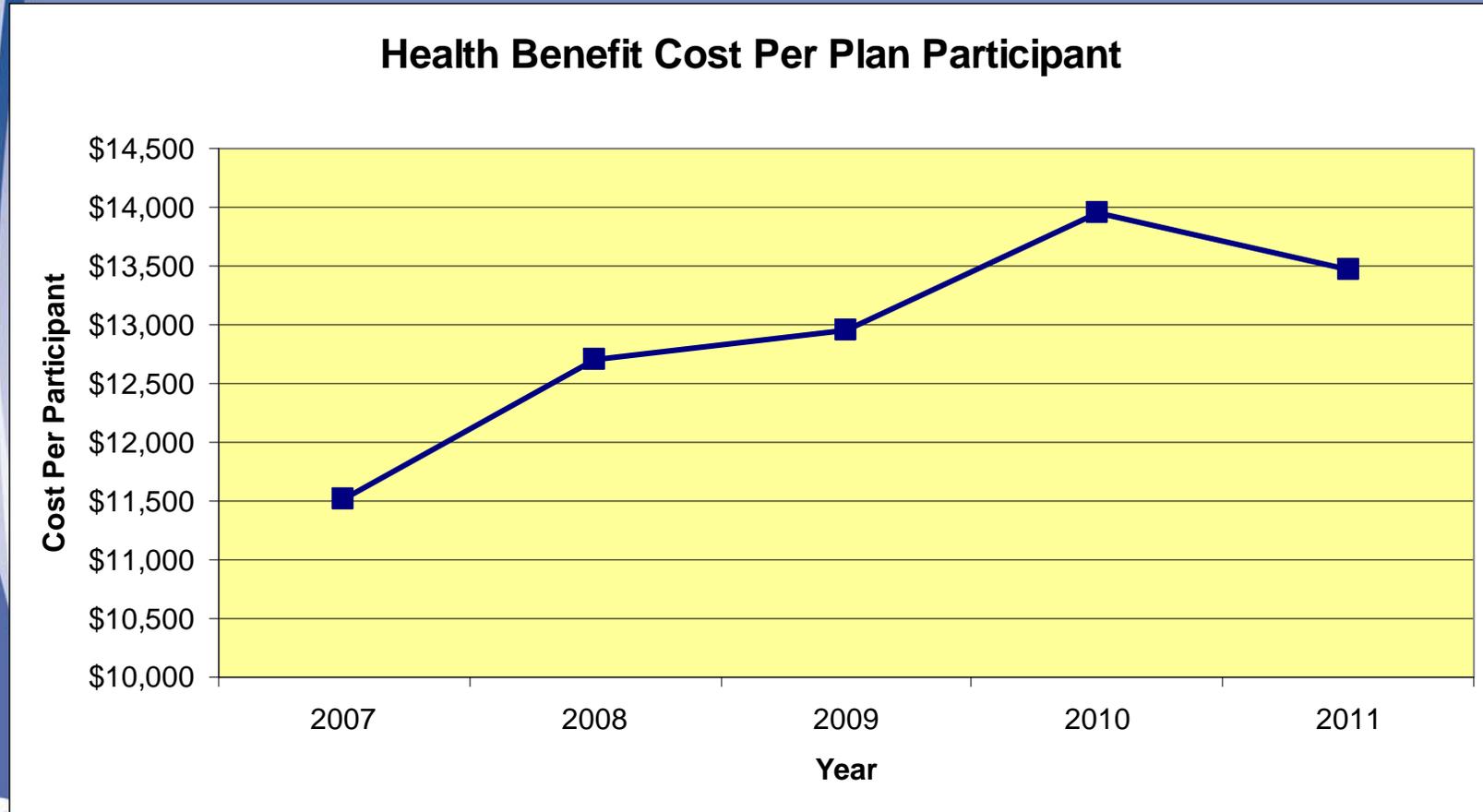
	1996/97 Actual	2011 Budget
Total (All Funds) FTE	364	329
GF Personnel Expenses	\$14,690,574	\$31,078,336
% of Total Expenses	65%	78%



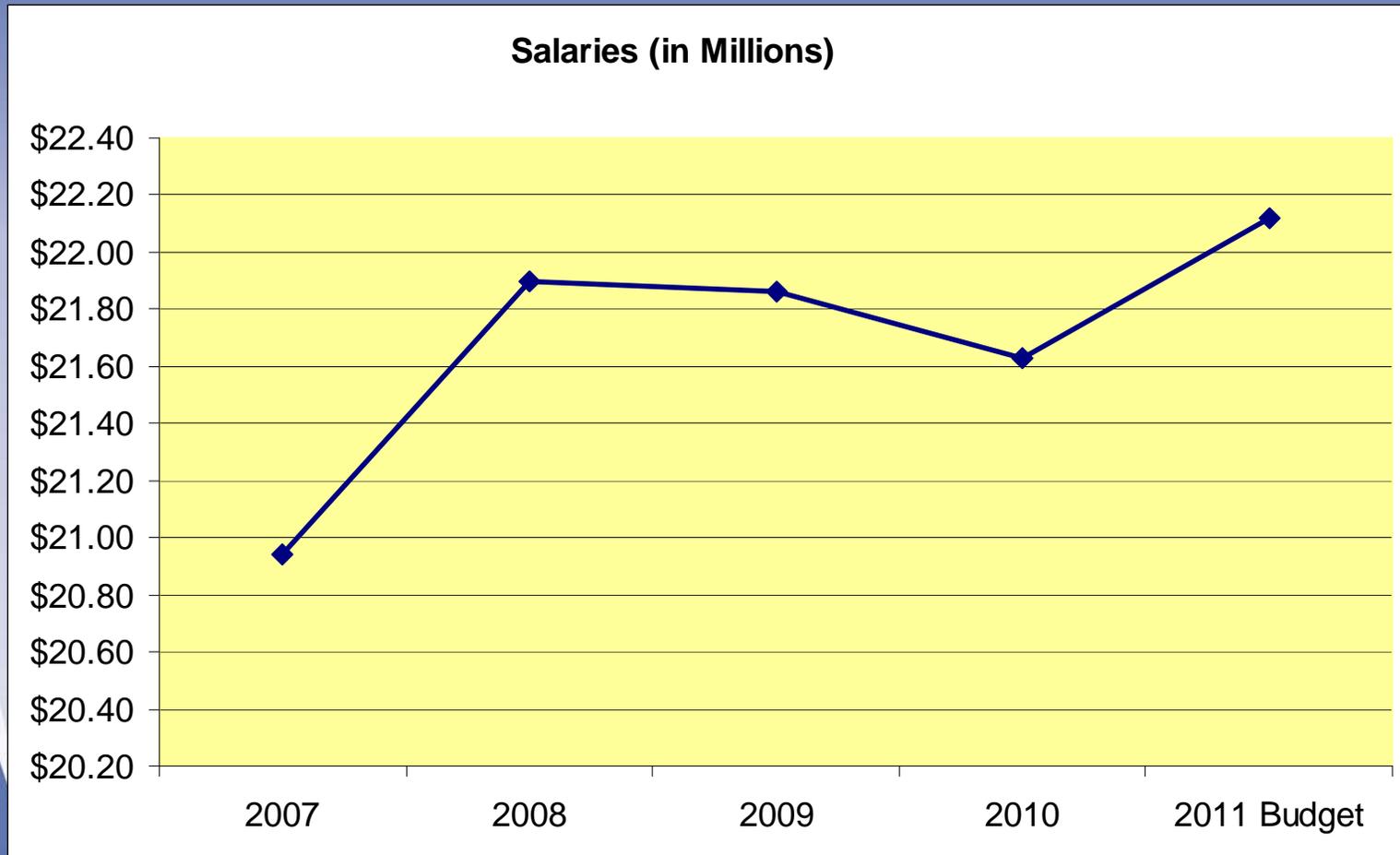
General Fund Pension Expenses



Health Benefit Expenses

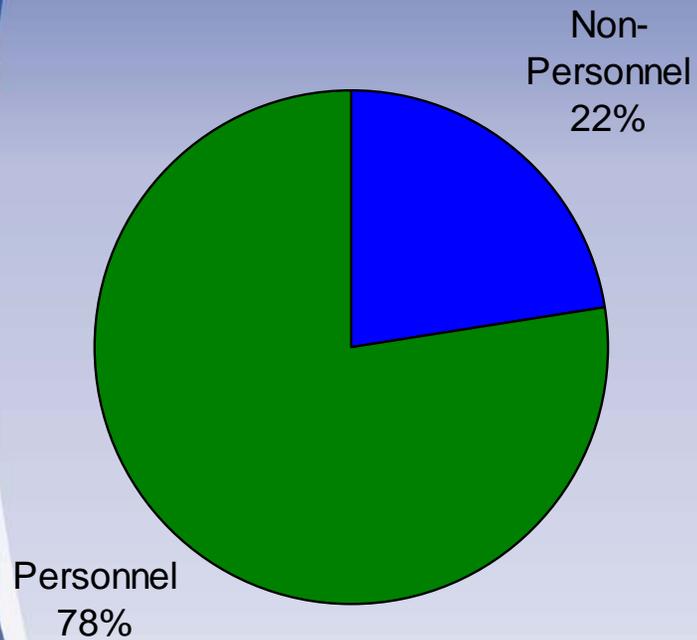


Salary Expenses



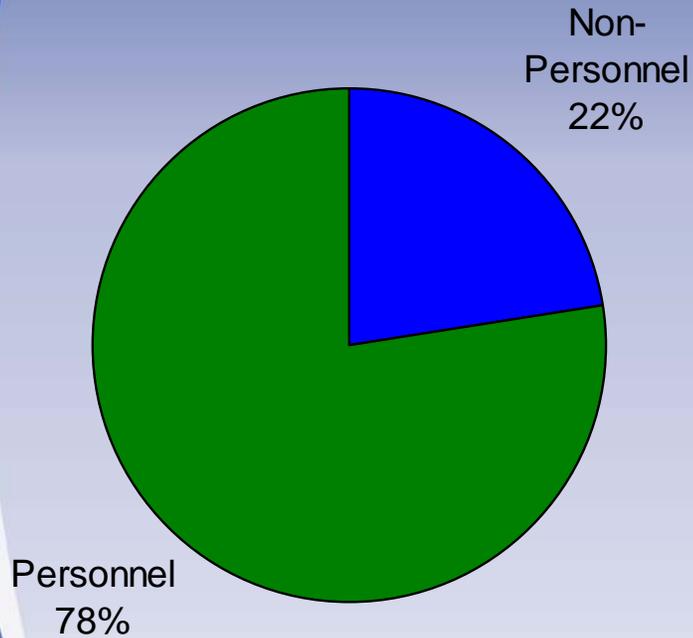
Trends & Issues

General Fund Expenses



Trends & Issues

General Fund Expenses

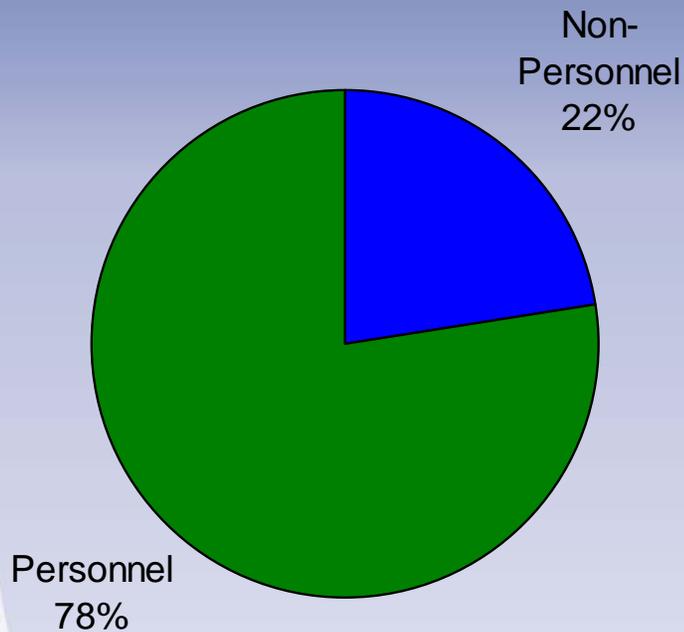


**Increasing at 3-4% Per Year - Driven
by Personnel Expense Increase**

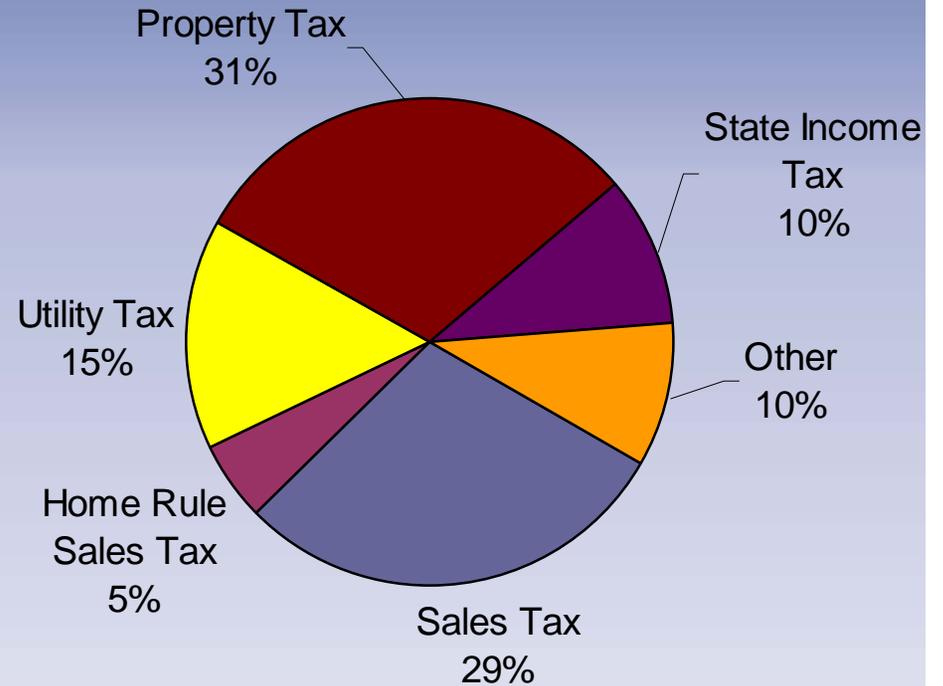


Trends & Issues

General Fund Expenses



General Fund Revenues

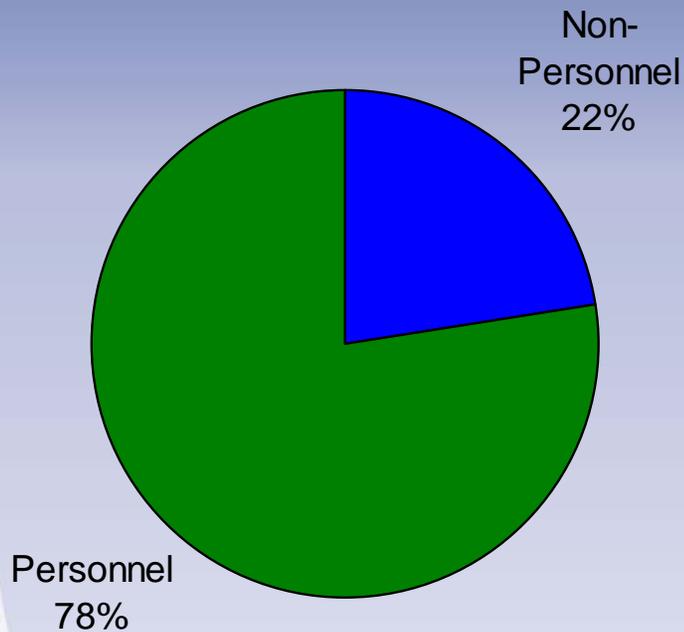


**Increasing at 3-4% Per Year - Driven
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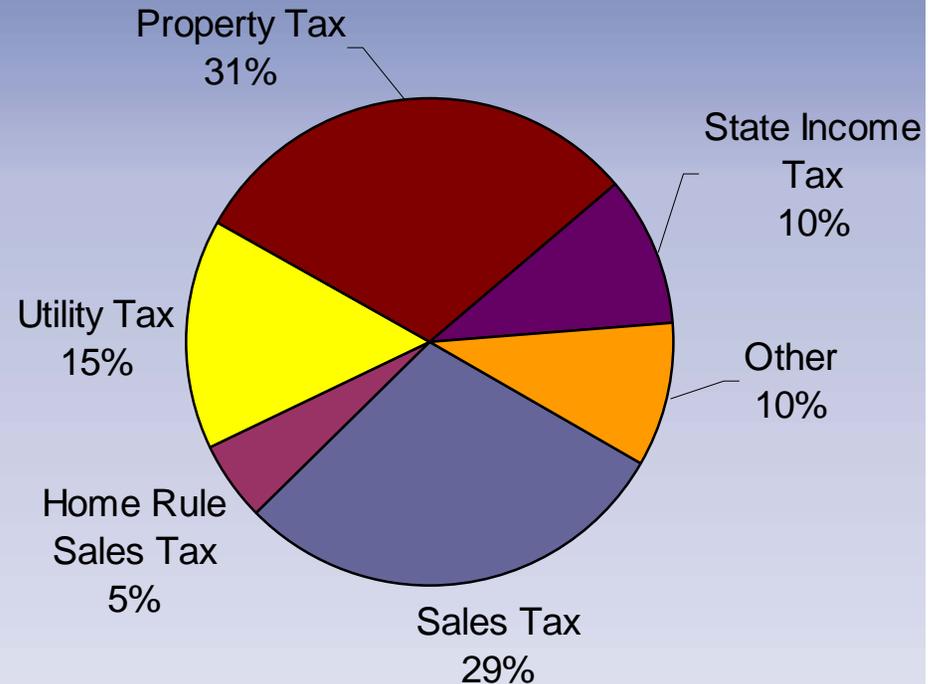
Trends & Issues

General Fund Expenses



Increasing at 3-4% Per Year - Driven by Personnel Expense Increase

General Fund Revenues



Increasing at 1-2% Per Year

- **Sales Tax – Slow Growth**
- **Utility Tax – Flat**
- **Income Tax – Flat**



Trends & Issues

- Issue: Expenses Increasing Faster than Revenues
 - Healthcare costs
 - Pension costs
 - Other Post Employment Benefits
 - Salaries



Solutions & Strategies

Long Range Financial Plan



Solutions & Strategies

- Solution: Efforts to Achieve Sustainability
 - Operating Efficiencies
 - Partnerships
 - Personnel Expense Reductions
 - User Fee Adjustments
 - Enhance the Revenue Base



Actions for 2012 & Beyond

Long Range Financial Plan



Actions 2012 & Beyond

- Increase Operating Efficiencies
 - Continuous Improvement
 - Culture of Lean
 - Use of Technology
- Reduce Personnel Expenses
 - Monitor & Adjust Health Benefit Plan as Needed
 - Post Employment Benefit Plan Design Changes
 - Employee Wellness Program
 - Risk Reduction Program



Actions 2012 & Beyond

- Partner with Others
 - Capture of Economy of Scale
 - Enhance Revenues
 - Reduce Overall Costs
- Adjust User Fees Regularly
 - Increase Fees Equal to Personnel Expense Increase



Actions 2012 & Beyond

- Create Stormwater Utility
- Enhance the Revenue Base
 - Economic Development
 - Annexation Initiative
- Adjust Property Tax Levy As Needed
- Consider Other Revenue Enhancements As Needed



Council Policy Discussion

- What Aspects of the Proposed Action Plan Do You Support?
- What Aspects of the Proposed Action Plan Would You Change?
- How Would You Change It?
- Why?



General Fund

May 24, 2011

Long Range Financial Plan



Transportation Fund

May 24, 2011

Long Range Financial Plan



Transportation Fund

- Fund Summary & History
- Trends & Issues
- Solutions & Strategies
- Actions for 2012 & Beyond
- Council Policy Discussion



Fund Summary & History

Long Range Financial Plan



Fund Summary & History

Grove Commuter Shuttle Service

- Operating Since 1974
- Annual Cost of Service: \$270,000
- Revenues:
 - Fares – 42%
 - Gasoline tax – 48%
 - PACE grant – 10%



Fund Summary & History

2007	Implemented 1 cent per gallon gasoline tax
2008 and 2009	Purchased new, fuel-efficient buses with PACE grant
2010	Reduced staffing from 4.2 FTE to 3.2 FTE
2011	Entered into interim agreement with PACE for increased funding
2011	Negotiating agreement for PACE funding for 2012

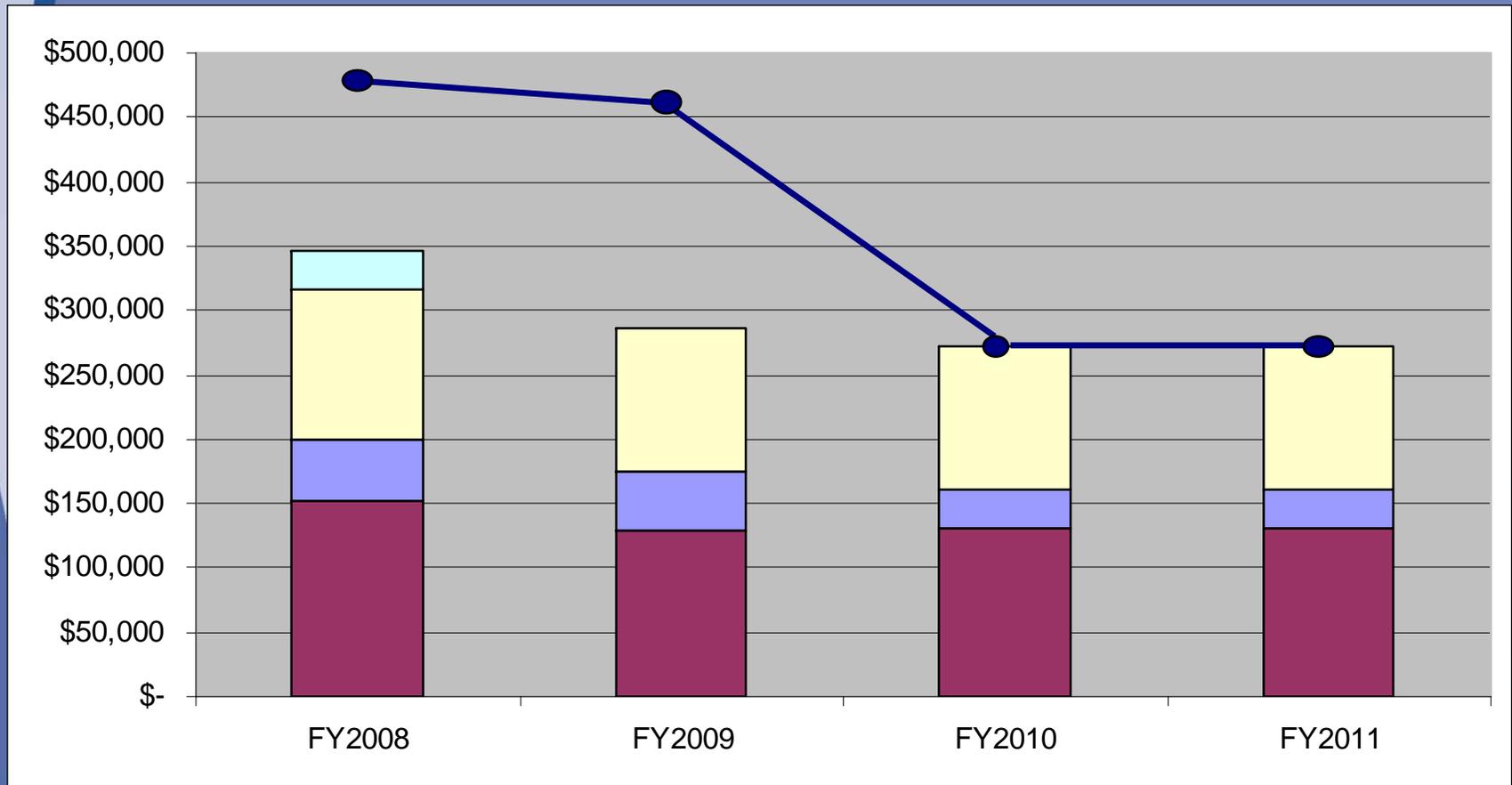


Trends & Issues

Long Range Financial Plan



Trends & Issues



Expenses —

PACE

Transfers

Gas Tax

Fares

Trends & Issues

- Accumulated Deficit of \$1.9 Million
- Annual Operating Expense Increasing Faster Than Village Revenue Sources



Solutions & Strategies

Long Range Financial Plan



Solutions & Strategies

- Fully Cover Annual Operating Costs by Partnering with PACE
 - Operate like an Enterprise Fund
- Address Accumulated Deficit
 - Improve and Maintain Bond Rating
 - Maintain General Fund Balance



Actions for 2012 & Beyond

Long Range Financial Plan



Actions for 2012 & Beyond

- Execute Revised PACE Agreement in 2012
 - All Annual Operating Expenses Covered by PACE and Farebox



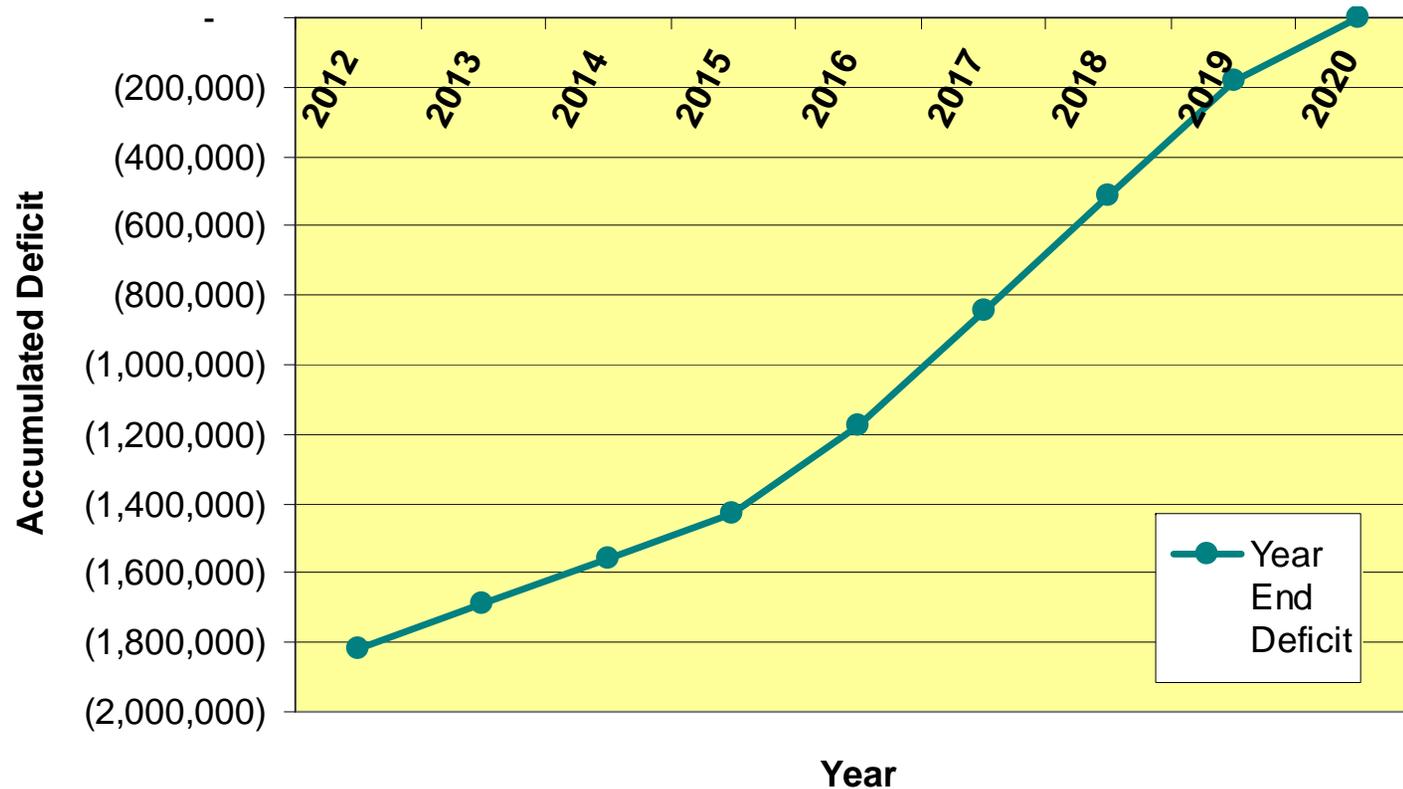
Actions for 2012 & Beyond

- Use Local Gasoline Tax Revenues to Retire Deficit over Time
- Gasoline Tax Revenues:
 - \$130,000 per year for Bus Operations
 - \$195,000 per year for Fairview Ave. Debt Service
- Retire Deficit Completely by 2020



Actions for 2012 & Beyond

Retiring the Accumulated Deficit



Council Policy Discussion

Long Range Financial Plan



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Transportation Fund

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Long Range Financial Plan



Downtown TIF Fund

May 24, 2011

Long Range Financial Plan



Downtown TIF Fund

- History
- Trends & Issues
- Solutions & Strategies
- Actions for 2012 & Beyond



History – Downtown TIF

- Downtown TIF created in 1997, 23 year life
- *TIF – economic development tool used to facilitate qualifying improvements*
- Initial strategy – use of debt to fund public improvements and land acquisition
- Total debt service gradually increased over time to be paid with TIF/other revenues

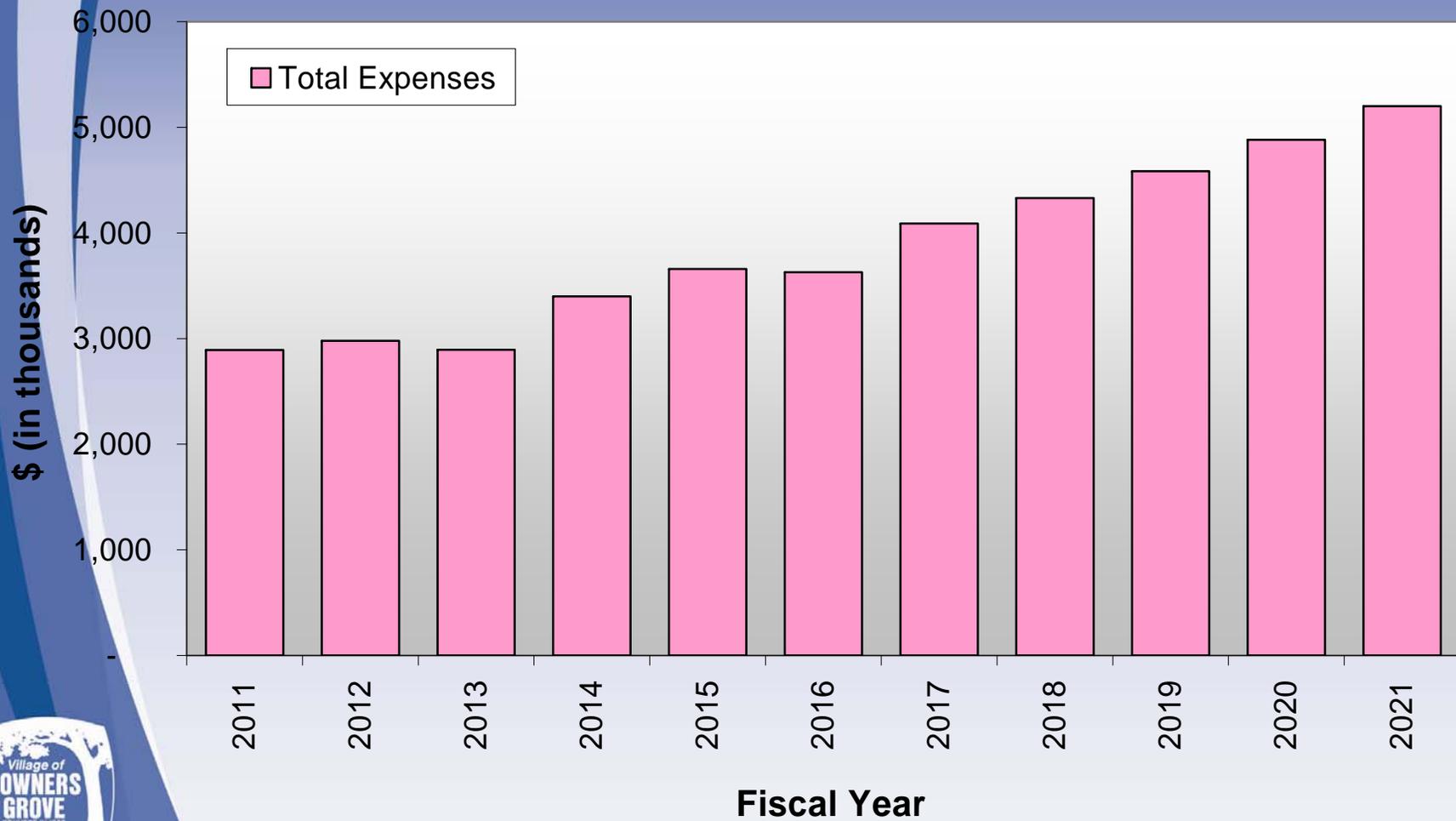


Issue

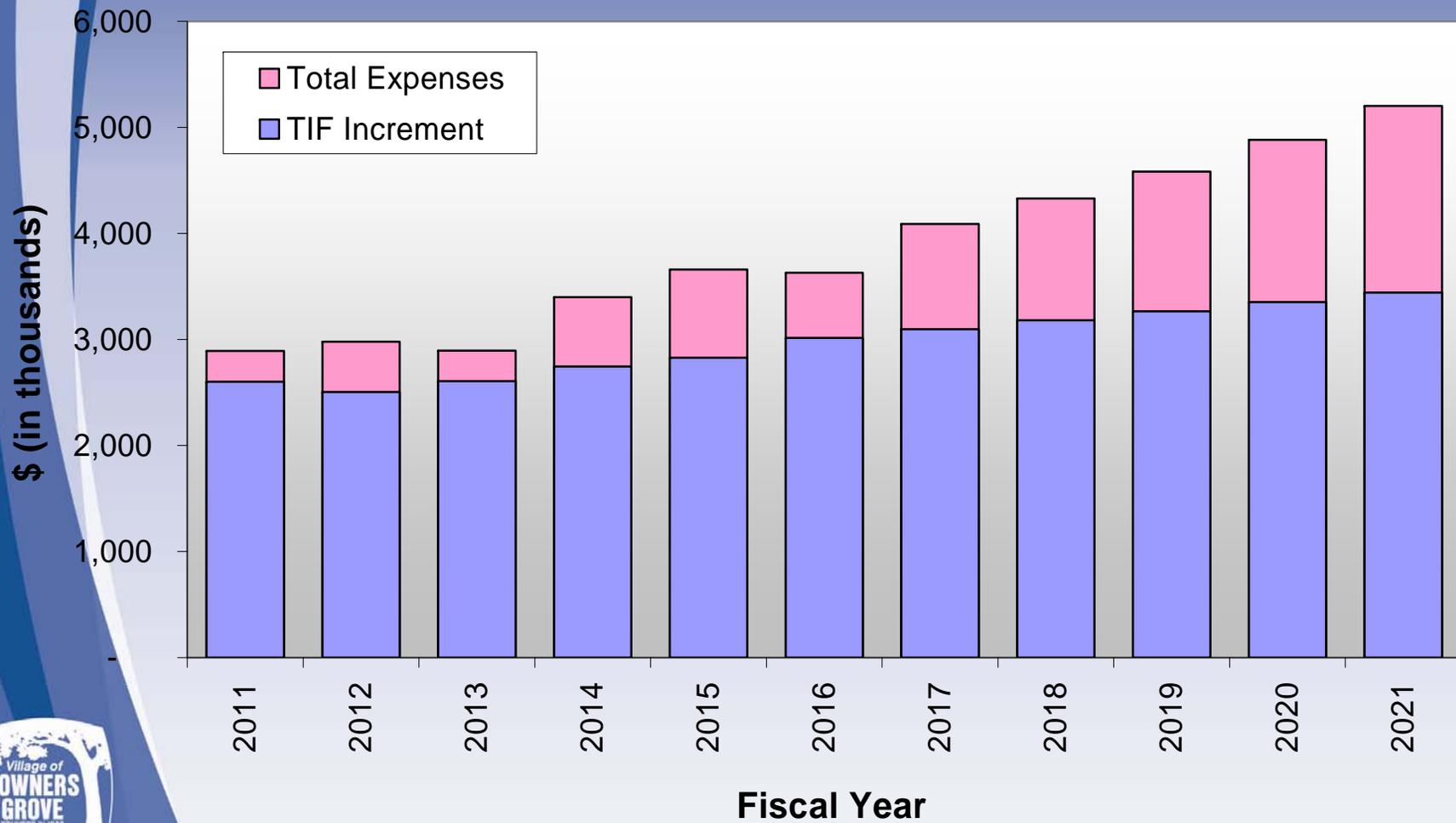
- Recent declines in value of real estate has affected TIF financial projections
- Updated projections indicate that TIF and other revenues may not be sufficient to meet total expenses beginning in FY2015



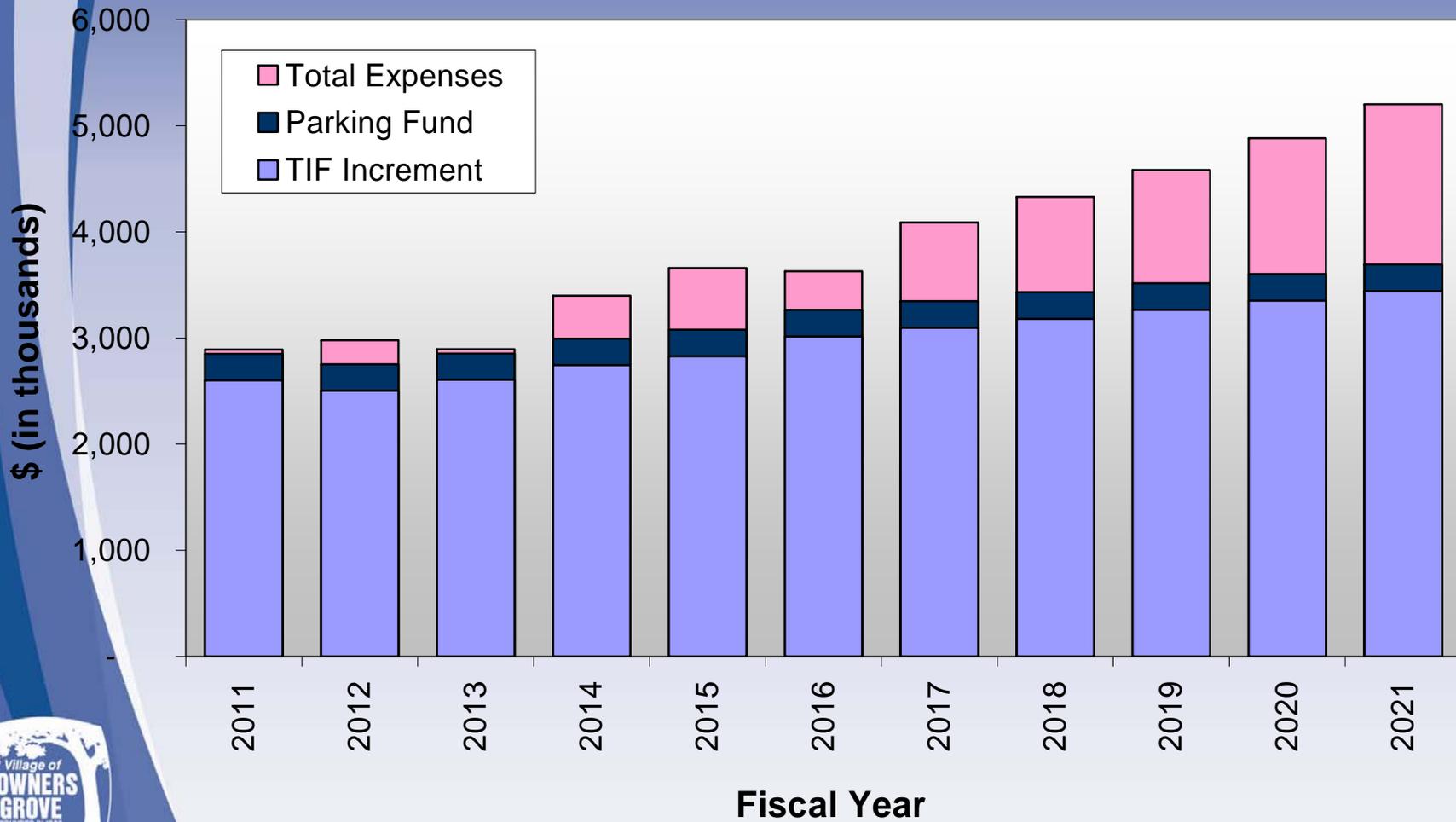
Downtown TIF Revenue & Expense Projections



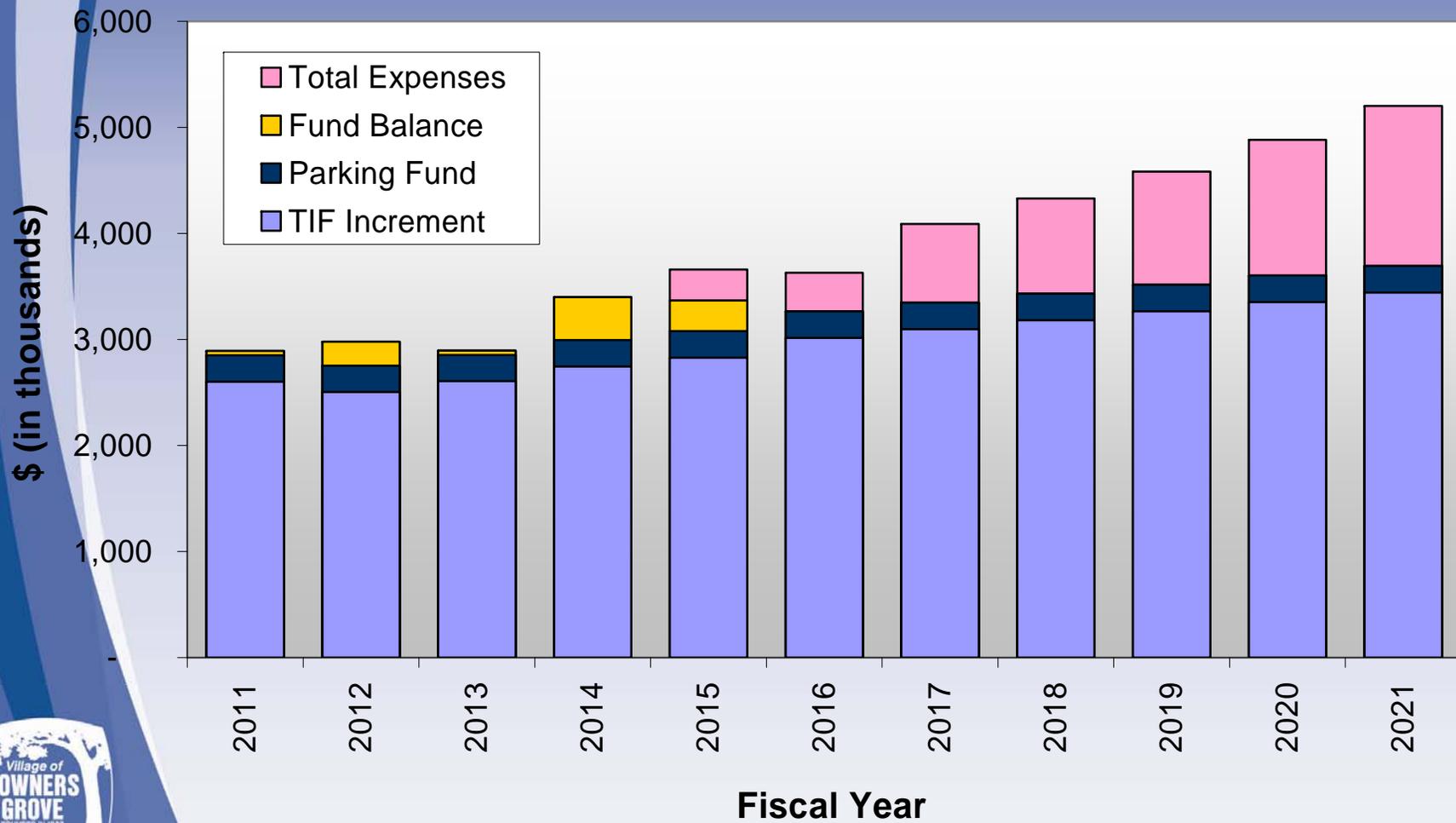
Downtown TIF Revenue & Expense Projections



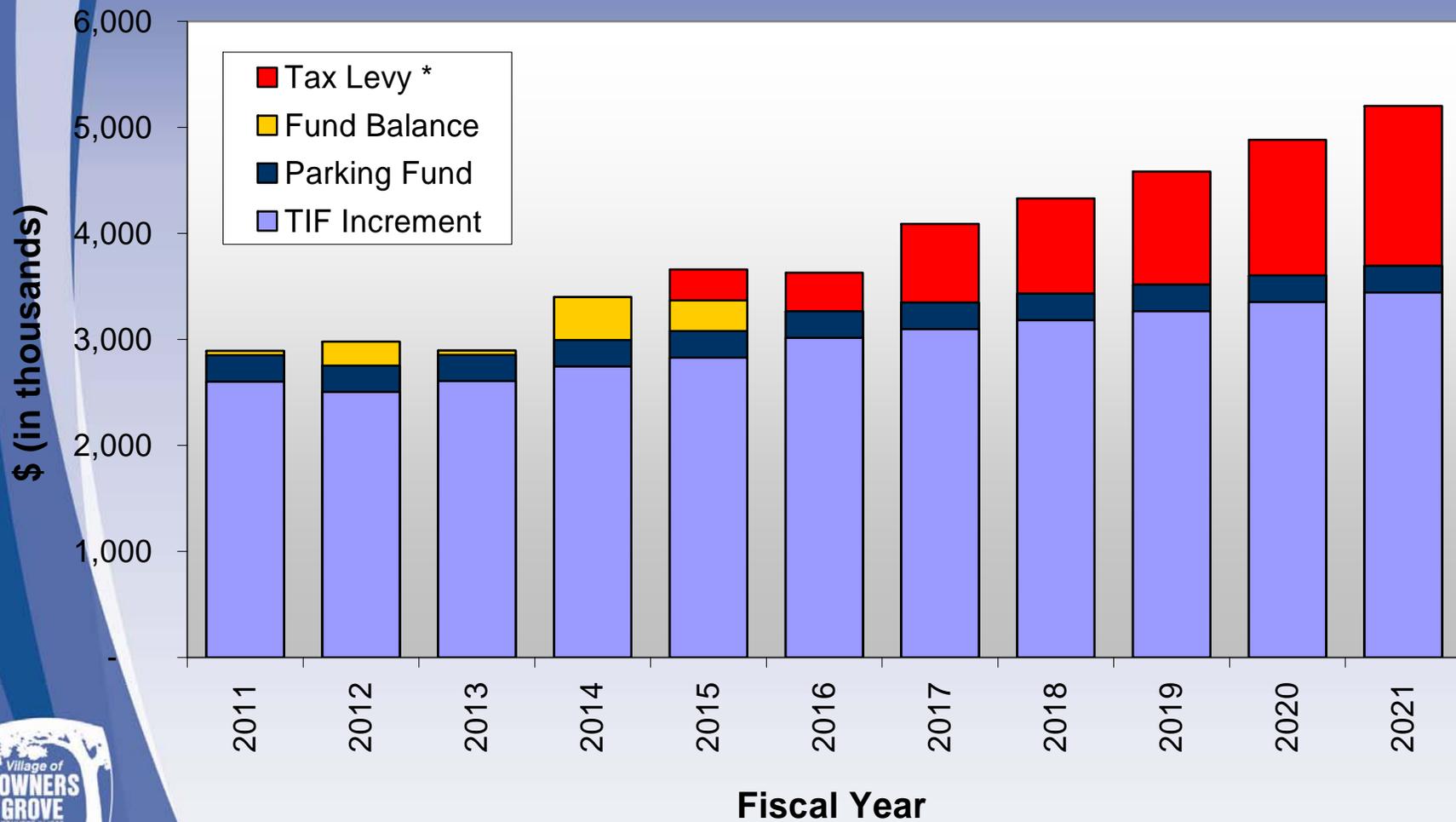
Downtown TIF Revenue & Expense Projections



Downtown TIF Revenue & Expense Projections



Downtown TIF Revenue & Expense Projections



* If necessary



Solution & Strategies

- Monitor TIF Performance and Regularly Update Projections
- Pursue actions that defer and minimize any use of the general property tax levy to fund gap



Actions for 2012 and Beyond

- Control TIF expenses
- Explore parking fee adjustments to provide additional revenue in future years (w/ DT Parking Study recommendations)
- Continue pursuing \$500,000 state grant
- Pursue redevelopment and reinvestment opportunities in TIF
- Identify other options to fund gap
- Adjust property tax levy as needed



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Downtown TIF Fund

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