

CITY OF OAK FOREST
COMMITTEE OF THE WHOLE

Tuesday November 22nd, 2022

6:30 P.M.

City Council Chambers

AGENDA

- 1. CALL TO ORDER**
- 2. PLEDGE OF ALLEGIANCE**
- 3. ROLL CALL**
- 4. DISCUSSION OF 2022 LEVY CALCULATION**
- 5. EXECUTIVE SESSION**
- 6. CITIZENS PARTICIPATION**
- 7. OLD BUSINESS**
- 8. NEW BUSINESS**
- 9. ADJOURNMENT**



2023-2024 Budget Preparation

November 22, 2022

Presented by Colleen Julian, Finance Director

**CITY OF OAK FOREST
ANNUAL LEVY
SUMMARY**

NEW REVENUE 1,149,550

EXPENSES INCREASES

Salaries 35,732
Insurance 219,769
Capital 46,760
Other 47,299
Pension 563,364
Prior Year Deficit 800,000

TOTAL EXPENSES 1,712,924

Deficit (563,374)

Levy Increase 5.01%

2022 Levy Calculation

- ▶ Total increase \$563,374 or 5%
- ▶ Total FT positions remain at 124
- ▶ Police and Fire Pension contributions increased \$563K or 14%
- ▶ Salaries increase \$36K
- ▶ Health/life insurance decrease \$46K or 2%
- ▶ WC insurance increase \$279K or 27%
 - ▶ Self Insured Retention option increase \$145K or 14%
 - ▶ Potential savings of \$134K

2022 Levy Calculation

- ▶ Department requests \$80,910
 - ▶ Fire 15,600
 - ▶ Police 47,650
 - ▶ Street 14,000
 - ▶ EMA 1,160
 - ▶ Bldg 2,500
- ▶ Capital Improvement Program FY 24 \$1.5M v FY23 \$1.5M
 - ▶ \$40K increase

2022 Levy Calculation Capital Improvement Program FY 24

| Description | Account | Amount |
|----------------------------------------------|-----------------------------|------------------|
| Computer Hardware (Servers, PCs and laptops) | Computerization | 154,700 |
| Security Camera | Computerization | 4,000 |
| SAN (Storage Area Network) | Computerization | 50,000 |
| Ambulance | Ambulance | 260,000 |
| Cardiac Monitors | Emergency Medical Equipment | 19,189 |
| License plater reader | Equipment | 41,250 |
| Squads | Vehicles | 305,095 |
| Drones | Equipment | 25,000 |
| Women's locker rooms | Building Improvements | 75,000 |
| Records upgrade | Computerization | 74,000 |
| Backhoe | Public Woks Machinery | 200,000 |
| Street Sweeper | Public Woks Machinery | 200,000 |
| Code enforcement vehicle | Vehicles | 15,000 |
| Façade Improvements | Façade Improvements | 75,000 |
| Commercial/residential assistance | Property Improvement Fund | 75,000 |
| Total | | 1,573,234 |

2022 Levy Calculation Revenue Projections

- ▶ Increase to revenue in FY23 of \$1.3M
 - ▶ State shared revenues expected increase \$812K or 18%
 - ▶ Sales tax and home rule sales tax expected \$497K positive variance
- ▶ Economic growth expected to slow
- ▶ Using FY21 state sales tax and muni sales tax numbers to be conservative
- ▶ IML 2023 numbers reduced by 2.5% to be conservative
 - ▶ City can use prior year surplus if income tax revenue is less than estimate

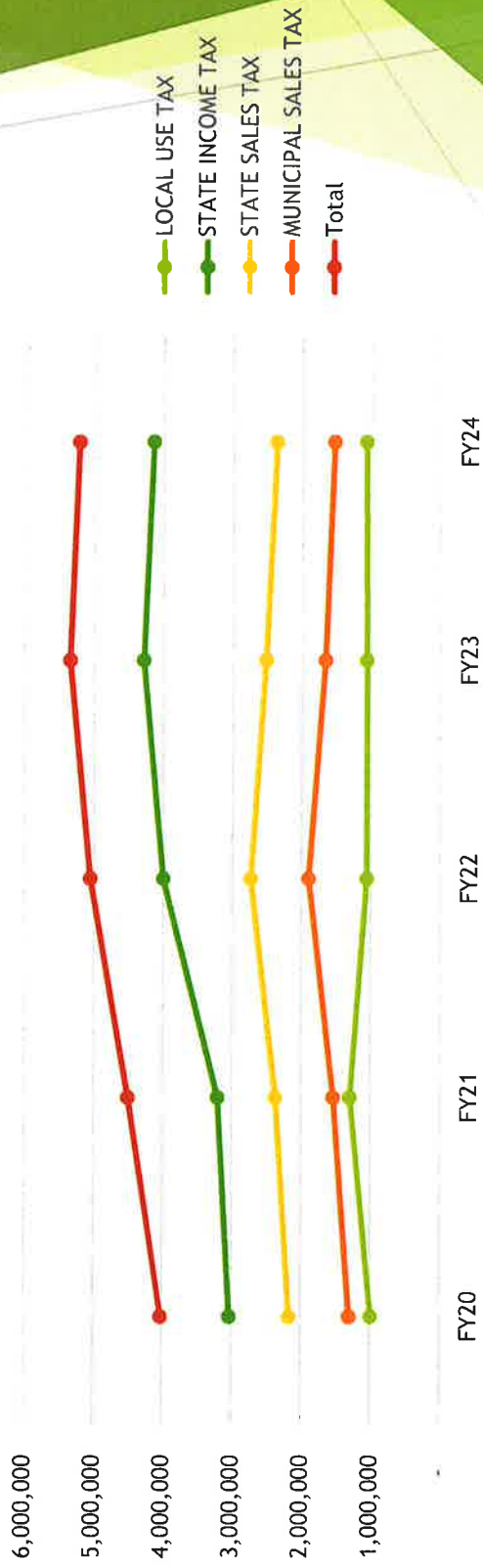
2022 Levy Calculation

STATE SHARED REVENUES IML ESTIMATES

| | ORIGINAL FY 23 | REVISED FY23 | DIFF |
|------------------------------------|-------------------|-----------------|---------|
| STATE INCOME TAX | 125.20 | 156.00 | 30.80 |
| LOCAL USE TAX | 40.15 | 38.50 | (1.65) |
| CANNABIS | 1.60 | 2.00 | 0.40 |
| AMOUNT PER CAPITA OF POPULATION | 166.95 | 196.50 | 29.55 |
| | 27,478 | 27,478 | 27,478 |
| TOTAL STATE SHARED REVENUES | 4,587,452 | 5,399,427 | 811,975 |

State Income/Local Use Tax/Sales Tax 5 Year Comparison

| | Actual FY20 | Actual FY21 | Actual FY22 | Estimated FY23 | Estimated FY24 |
|------------------------|------------------|------------------|------------------|-------------------|-------------------|
| LOCAL USE TAX | 988,186 | 1,291,375 | 1,054,479 | 1,057,903 | 1,071,642 |
| STATE INCOME TAX | 3,031,960 | 3,207,375 | 3,995,874 | 4,286,568 | 4,149,178 |
| STATE SALES TAX | 2,172,001 | 2,372,027 | 2,734,157 | 2,524,421 | 2,372,027 |
| MUNICIPAL SALES TAX | 1,298,255 | 1,530,896 | 1,897,892 | 1,659,094 | 1,530,896 |
| Total | 4,020,146 | 4,498,750 | 5,050,353 | 5,344,471 | 5,220,820 |



Salary Adjustments FY23

- ▶ Non-union - estimated 2.5% increase.
- ▶ Clerical - Union contract expires 4/30/22. Estimated 2.5% increase 5/1/23.
- ▶ Fire - Union contract requires 2.5% increase 5/1/23.
- ▶ Police - Union contract requires 2.5 increase 5/1/23.
- ▶ Telecommunicators - Union contract requires 2.5% increase 5/1/23.
- ▶ PW - Union contract expires 4/30/22. Estimated 2.5% increase 5/1/22.

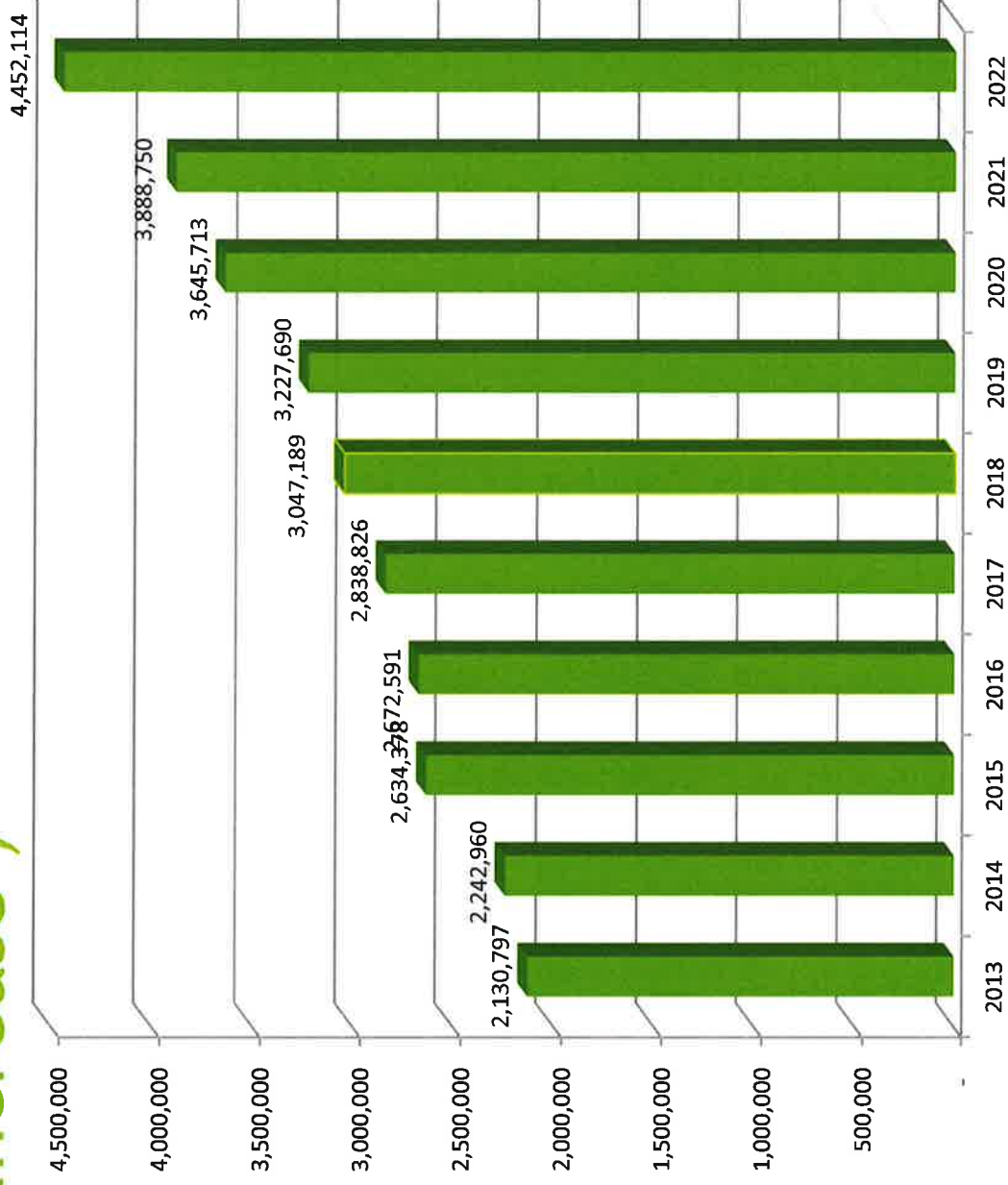
Actuarial Computation of Pension Contributions

| Assumptions | City's Actuary | DOI |
|---------------------|------------------------------------------------------------------------------------------------------------|------------|
| Interest Rate | 7% | 6.75% |
| Amortization Period | 11 years | 18 years |
| Amortization % | 100% | 90% |
| Mortality Table | Pub-2010 Public Safety EE w/o adj, w generational improvement scale MP- 2020 applied from 2010 | 2000 |
| Police Contribution | 3,028,432 | 1,755,410 |
| Fire Contribution | 1,423,682 | 737,419 |

Actuarial Computation of Pension Contributions

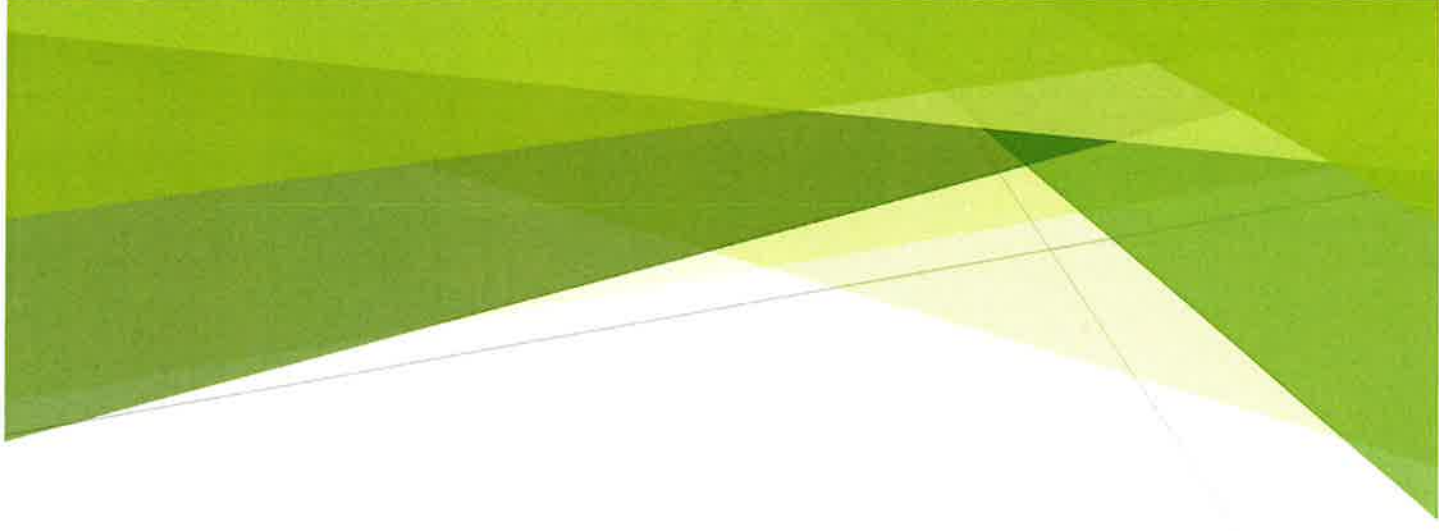
- ▶ **Assets** - Both funds underperformed the assumed 7% investment return.
 - ▶ Police - Market Value -8.5%
 - ▶ 56% Funded
 - ▶ Fire - Market Value -7.0%
 - ▶ 70% Funded
- ▶ **Recommended Contribution**
 - ▶ Police - increased 11% from \$2.7M to \$3M
 - ▶ Fire - increased 16% from \$1.2M to \$1.4M

Police and Fire Pension Fund Annual Contribution 10 Years (109% increase)



Potential Solutions Current Year

- ▶ Use \$563K of General Fund Reserves
 - ▶ Changes levy to 0%
 - ▶ Temporary solution
- ▶ Postpone capital

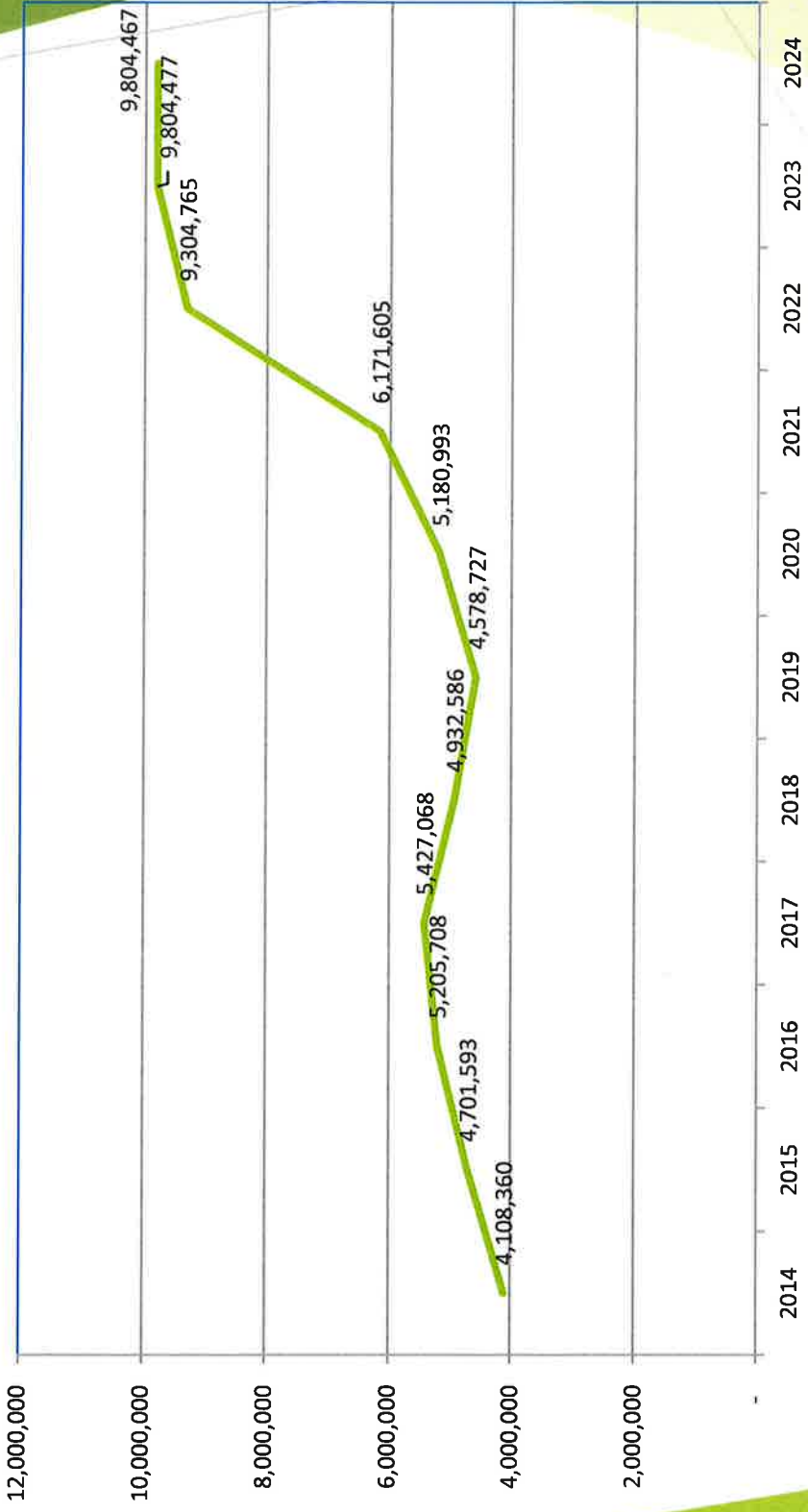


**CITY OF OAK FOREST
 FUND BALANCE ESTIMATE
 GENERAL FUND**

| | APPROVED 22-23 | REQUESTED 23-24 |
|-----------------------------------------------|---------------------------|----------------------------|
| | <u>BUDGET</u> | <u>BUDGET/LEVY</u> |
| BEGINNING OF YEAR FUND BALANCE | 9,304,765 | 9,804,477 |
| SURPLUS(DEFICIT) | (800,288) | (9) |
| ADJ TO DEFICIT DUE TO REVENUE INCREASE | 1,300,000 | - |
| ESTIMATED END OF YEAR FUND BALANCE | <u>9,804,477</u> | <u>9,804,467</u> |

The City's reserve policies require fund balance to equal 25-35% of expenditures, or \$6 million, to protect against the need to reduce service levels or raise taxes and fees due to revenue shortfalls or unpredicted expenditures. The fund balance for the General Fund as of April 30, 2023 is expected to be \$9.8 million. The city also has working cash of \$400K, which increases fund balance to \$10.2, or 50% of annual expenditures. Since this exceeds the policy requirement, the city doesn't need to budget a surplus to increase fund balance. and the City has sufficient reserves to help offset the increase in spending in FY24.

Fund Balance Projection - General Fund



EAV Last 10 Years

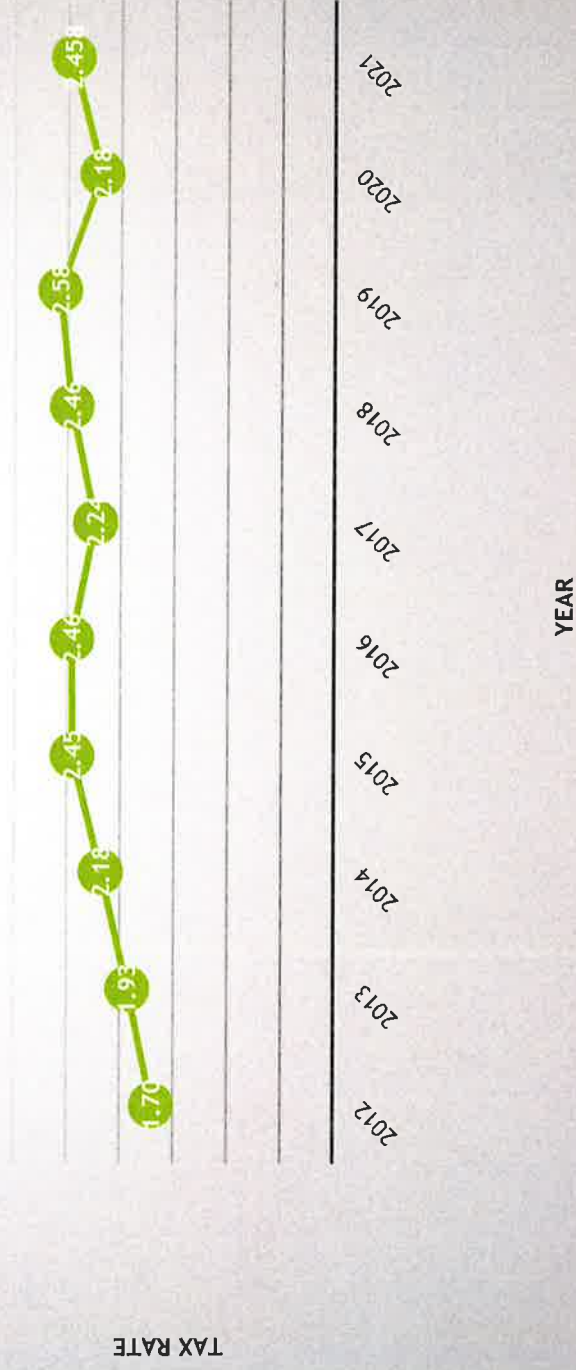
9% Decrease 2021

Equalized Assessed Value - 10 years



Tax Rate Last 10 Years

Tax rates 10 years



EAV Issues - Per Organization Assessment

- ▶ The drop in the EAV of industrial property is catastrophic. The lack of growth in the EAV of residential property is serious.
- ▶ Lower EAV and a growing property tax levy means that existing properties are experiencing the burden of increased costs to operate the city.
- ▶ Continuing to increase the levy while EAV is not growing, even shrinking, is unsustainable for many households and businesses. All roads appear to lead toward service cuts - or doing less with less.
- ▶ The city should continue to explore ways to reduce costs through intergovernmental agreements with other cities and local governments including the schools, parks and the library.

TIF Funds

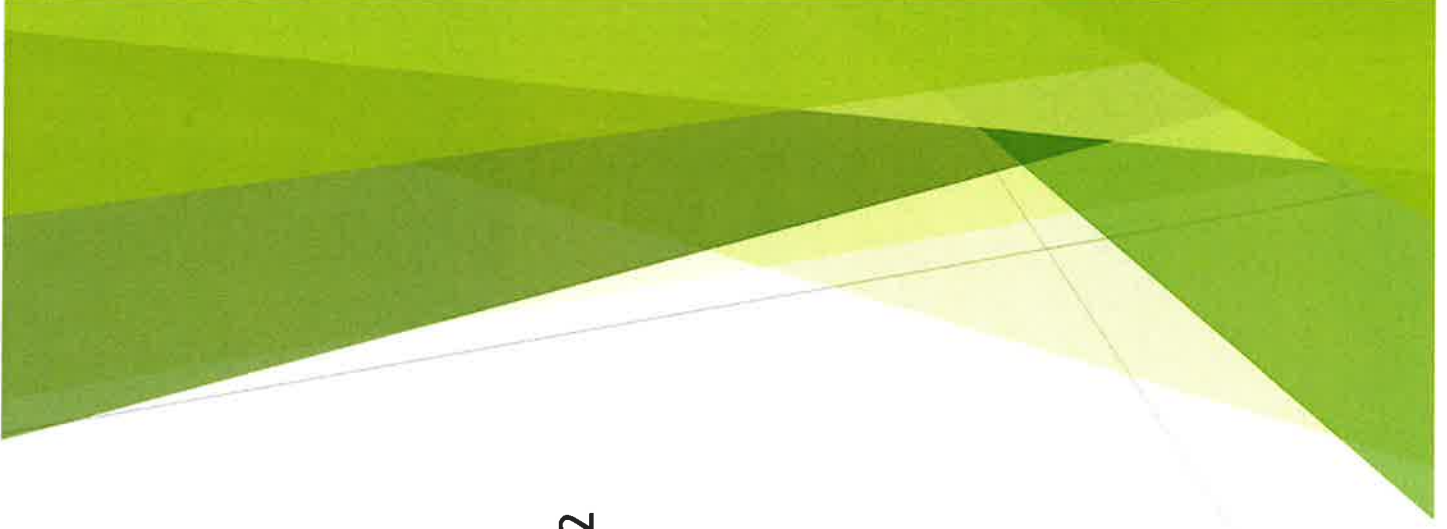
- ▶ TIF districts fund balances decreased significantly
\$766K
 - Purchased land in TIF 5 - \$1.1M
 - Recorded property tax rebate for Eagle Gun Club \$653K
- ▶ Loan balances \$708K (Originally \$3.45M)

CITY OF OAK FOREST
TIF FUNDS

| | 4/30/2022 | 4/30/2021 | INCREASE |
|-----------------|-------------|-------------|------------|
| | FUND BAL | FUND BAL | (DECREASE) |
| TAX INCREMENT 1 | 296,120 | 195,324 | 100,796 |
| TAX INCREMENT 2 | - | - | - |
| TAX INCREMENT 3 | (1,521,209) | (1,553,479) | 32,270 |
| TAX INCREMENT 4 | (389,160) | 200,282 | (589,442) |
| TAX INCREMENT 5 | (889,583) | 92,459 | (982,042) |
| TAX INCREMENT 6 | (287,556) | (320,557) | 33,001 |
| TAX INCREMENT 7 | 889,403 | 250,326 | 639,077 |
| | (1,901,985) | (1,135,645) | (766,340) |

Timeline

- ▶ Levy due last Tuesday in December
- ▶ Need to pass levy ordinance by the December 13, 2022



Q & A

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