

**VILLAGE MANAGER'S
LETTER OF TRANSMITTAL**



November 19, 2021

The Honorable President and Board of Trustees
Village of Lombard
Lombard, Illinois

Honorable President and Board of Trustees:

This letter provides a top level overview of the 2022 budget highlights. Both the 2022 Budget and 2022-2031 Capital Improvement Plan are available at www.villageoflombard.org/budget.

The Village is required to adopt a budget before the beginning of each fiscal year, which runs from January 1st to December 31st. The 2022 budget projects Village revenues in all funds to total \$104,563,250 with overall expenditures to total \$98,384,642. Included in Section 2 of the Budget is a Summary of Revenues by Source and a Summary of Expenses by function for all funds. Governments are required to use fund accounting which emphasizes accountability rather than profitability. Each fund is segregated for specific purposes in accordance with laws, regulations or limitations.

Budget Objectives (Source: Lombard's Strategic Plan)

Addressing the Top 5 priorities are essential in order to provide for the daily operations and services of the Village, as expressed in the 2022 budget.

- Financial Stability
- Economic Development
- Communication & Community Image
- Operational Excellence
- Well Maintained Infrastructure

Budget Process

The budget reflects the culmination of an extensive planning process which included a Public Works and Environmental Committee meeting to review the 2022-2031 Capital Improvement Program, 5 meetings (starting in January 2021) with the Finance and Administration Committee to discuss the Fiscal Year 2022 budget and provide recommendation to the Board of Trustees, and a Village Board of Trustees budget workshop to review the 2022 proposed budget.

September 27, 2021 Budget Workshop -- Policy Considerations

The Finance and Administration Committee and Economic and Community Development Committee met on September 13, 2021 and unanimously voted to recommend that the Village Board approve proposed changes to the Year End General Fund Reserve Maintenance Policy and a Business Retention Economic Incentive Policy.

The revisions, to the Year End General Fund Reserve Maintenance Policy, are to create additional funding for business retention incentives and transformational projects designated by the Village as key development sites. Underlined below are the revisions:

- Remaining funds should be split equally (50/50), between the Building Reserve Fund and the Pension Stabilization Fund, up to \$700,000 per year per fund. Any funds over \$700,000 per year per fund will flow to the Economic Development Fund Reserve.
- The Economic Development Fund Reserve should maintain a fund balance of \$5,000,000. Note: The Economic Development Fund is also funded with 25% of Hotel/Motel Tax revenue. If the fund balance exceeds \$5,000,000, the 25% of Hotel/Motel Tax revenue will stay in the Hotel/Motel Fund as long as allowed by law. Any excess funds as stated in #3 from the Building/Pension Reserves will flow into the Economic Development Fund.
- The Board has the option to reduce, not fund, or amend this policy in any way.

The Village Board discussed the need to allocate additional funds in order to stabilize the Hotel/ Motel Fund due to COVID which caused a reduction in travel and large events at hotel properties. The Board also provided direction to staff to report the \$6,022,736.31 in ARPA funding allocated to the Village of Lombard as lost revenue and to submit eligible expenses related to public safety salaries for the report due to the federal government on October 31, 2021.

Finally, staff presented various options to the Board for the allocation of a projected \$5,311,368 of funds available from the following:

- Sale of 101 S Main - \$1M
- Savings from public safety salaries - \$3,011,368.16
- Anticipated YE 2021 Revenues over Expenses - \$1.3M

The consensus of the Village Board is to allocate \$700,000 to both the Building Fund and Pension Stabilization Fund; \$1,000,000 to the Hotel/Motel Fund for reserve stabilization; \$300,000 for Hotel Tourism Grants/Support; and \$2,611,368 to the Economic Development Reserve Fund.

General Fund (Unrestricted & Uncommitted) Operating Budget

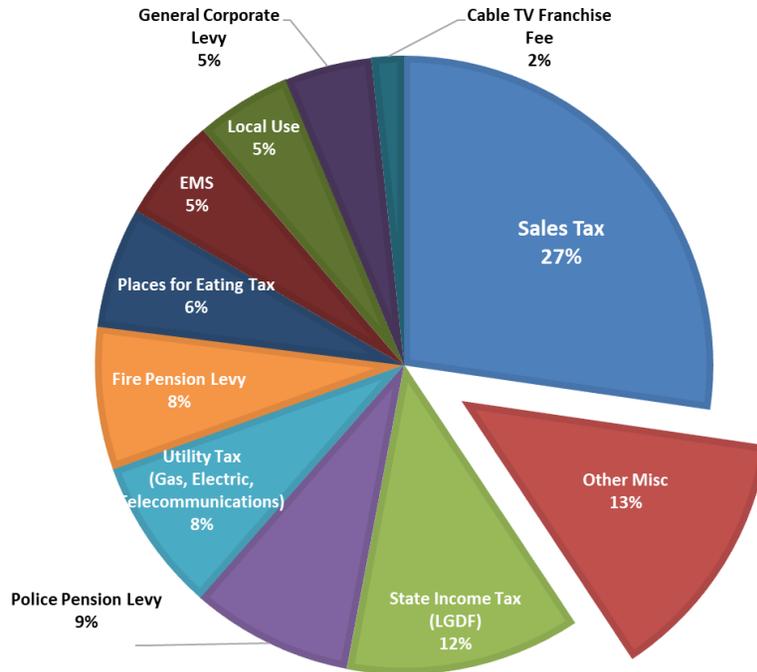
1. Revenues of \$38,928,410 are projected to increase \$2,592,680 (7.14%) compared to the 2021 approved budget of \$36,335,730. The 2022 revenue growth is skewed in comparison to the 2021 Amended Budget which was impacted by the pandemic.
2. Expenses of \$38,032,617 are projected to increase \$1,158,080 (3.14%) compared to the 2021 approved budget of \$36,874,537.
3. The projected revenues over expenses for 2022 is \$895,793. This is the first time since 2009 that the Village has a positive projection.
4. The Village will save approximately \$455,213 in the General Fund in 2022 due to 3 full-time (2 police officers/1 firefighter) and 5 part-time vacated positions that have been frozen since the beginning of 2020 or earlier.

2022 Budget Major General Fund Revenues/Expenses

The Village remains cautiously pessimistic about the future due to retail trends, the potential exit of large sales tax producers, and large state mandated pension obligations.

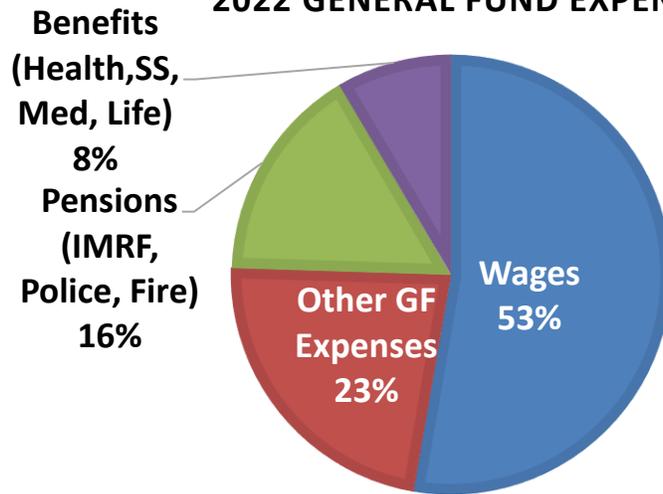
- Sales Tax, which is 27% of the revenue for the General Fund, has not kept pace with inflation. The dollar had an average inflation rate of 2.28% per year between 1999 and today, producing a cumulative price increase of 64.21%.
- In 1999, Sales Tax revenue totaled \$10,904,272 which is equivalent in purchasing power to about \$17,905,456.05 today, an increase of \$7,001,184.05 over 22 years. **The FY 2022 Sales Tax is projected to be \$10,955,840 an increase of \$51,568 or 0%.**
- The Village was notified that three large sales tax producers are considering moving their business to other municipalities. Therefore, staff may project a negative Sales Tax revenue projection (compared to 0%) for future budgets.
- Finally, investments for the pension funds have done well for the past few years. However, a decrease in investment earnings will cause a spike in the actuarial required funding for Pensions and/or Liabilities, which will reduce funding available for the Corporate property tax levy.

TOP 10 GENERAL FUND 2022 REVENUES



The Top 10 General Fund revenues account for 86.61% of all General Fund revenue sources.

2022 GENERAL FUND EXPENSES



Combined wages and benefits (pensions, health insurance, Social Security/Medicare and life insurance) make up 77% of all General Fund operating expenses.

Hotel/Motel Tax Fund

Hotel/Motel (H/M) Tax revenue for 2020 thru June 2021 was approximately \$1.4M under budget. In order to prevent a negative fund balance at the end of 2021, the Village Board agreed to use all 2020 and 2021 Hotel/Motel revenues for the Hotel/Motel Tax Fund instead of allocating 25% to an Economic Development Fund.

The FY 2022 H/M Fund expenses total \$1,618,460 compared to the projected revenues of \$951,620. Due to the slow rebound of business and personal travel, the projected FY 2022 H/M Fund balance is **-\$378K** and falls to **-\$1.1M** in 2023.

As discussed above in the Policy Considerations section of this memo, the Village Board authorized allocating \$1.3M to the H/M Fund in order to stabilize the fund and for tourism grants/support.

Water and Sewer (W&S) Fund Operating Budget

1. Revenues of \$17,843,890 are projected to increase \$213,620 (1.21%) compared to the 2021 approved budget of \$17,630,270.
2. Expenses of \$17,831,835 are projected to increase \$204,803 (1.16%) compared to the 2021 approved budget of \$17,627,032.
3. The Village Board approved a 5-Year (2020-2024) water & sewer rate increase based on results from the 2019 Water & Sewer Rate Study. Effective January 1, 2022, The Water and Sewer Rate will increase \$0.40 per 1,000 gallons of water used, to \$16.10. Overall, for the average residential customer who uses 5K gal/month, the increase will cost an extra \$2 per month. Approximately 73% of Lombard water customers use 5,000 gallons per month. Staff will continue to review the Water & Sewer rate annually and recommend adjustments as needed.
4. 68.28% or 2/3 of the 2022 expenses in the W&S Fund are payments to DuPage Water Commission and the Glenbard Wastewater Facility for the purchase and delivery of Chicago water and the processing of wastewater. The other 1/3 is for the Village to operate the systems.
5. DuPage Water Commission did not increase their rate thru April 2022 and payments to Glenbard Wastewater are expected to increase 7.14% or \$360,000 compared to the 2021 approved budget.

Capital Improvement Plan

The Public Works and Environmental Concerns Committee reviewed the draft 2022-2031 CIP at the July 13, 2021 Public Works and Environmental Concerns Committee meeting and unanimously supported the plan. The Committee recommended that the Village Board of Trustees approve the 2022-2031 CIP in conjunction with the adoption of the 2022 budget.

The FY 2022-2031 CIP is \$136,694,118. The Village utilizes local funds, as well as funding from outside sources to fund the CIP. A total of \$110,640,118 in local funds and \$26,054,000 in non-local funds are projected to be spent for capital improvements during the FY 2022-2031 Capital Improvement Program. In FY 2022, the CIP is at a funding level of \$16,122,400, with \$8,498,400 in local funds and \$7,624,000 in non-local funds.

Included in the FY 2022 CIP of \$16,122,400 are the following expenditures: \$22,000 for Bikeway and Pedestrian Path Improvements; \$11,700 for Commuter Parking Facilities; \$375,000 for Facility Improvements and Maintenance; \$7,600 for Parking Lot Improvements; \$132,000 for Professional Services; \$523,000 for Right-of-Way Maintenance and Beautification; \$4,222,300 for Sewer System/Stormwater Control Improvements not performed in conjunction with a street project; \$421,000 for Sidewalk Improvements; \$3,009,000 for Street Construction and Maintenance (including related underground improvements); \$913,000 for Traffic Signal and Street Lighting Improvements; and \$6,485,800 for Water System Improvements not attributable to a street project.

As part of the Rebuild Illinois Capital Bill approved by the State of Illinois in 2019, funds were allocated for projects included in the Village's CIP. The Rebuild Illinois Capital Bill contained ten (10) projects at a funding level of \$4,988,000. Of the ten projects, six (6) projects funded by the Capital Bill appear in the CIP at a funding level of \$4,713,000. These funds are being administered by the Illinois Department of Commerce and Economic Opportunity (DCEO). To date, the Village has not received any of the Rebuild Illinois Funding, which has impacted the timing of several projects contained in the CIP. Staff continues to monitor the progress of the funds and will prepare agreements for execution by the Village Board as they are presented to the Village.

Closing Comments

The Village will need to remain watchful and flexible to respond to circumstances beyond the Village's control. These circumstances will include downturn in the general economy as a result of the COVID-19 pandemic and impacts from the State of Illinois as it works to address its financial issues. The Village will continue its work in identifying potential revenue enhancements, economic development, technology options, necessary building improvements, and to enhance public safety operations and communications. Options and outcomes in these areas will be considered as we further evaluate impacts on Village finances and future budgets. As the Village moves forward, we will continue to balance services with available resources.

I would like to take this opportunity to thank the Board of Trustees, Finance and Administration Committee, and Public Works Committee for their support and direction as well as Director of Finance Tim Sexton, Assistant Director of Finance Jamie Cunningham, Management Analyst Rhonda Heabel, and the entire Village staff for their efforts and contributions.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Scott Niehaus". The signature is written in black ink and is positioned above the printed name and title.

Scott Niehaus
Village Manager