



**VILLAGE MANAGER'S
LETTER OF TRANSMITTAL**



To: Village President and Board of Trustees

From: Scott Niehaus, Village Manager

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Date: September 30, 2020

Subject: 2021 Proposed Budget

The 2021 proposed budget is transmitted for your review and consideration. The Village is required to adopt a budget before the beginning of each fiscal year, which runs from January 1st to December 31st. As proposed, the 2021 budget projects Village revenues in all funds to total \$97,315,870 with overall expenditures to total \$89,589,232. Included in Section 2 of the Proposed 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.

This memo provides a top level overview of the 2021 budget highlights. Both the Proposed 2021 Budget and 2021-2030 Capital Improvement Plan are available at www.villageoflombard.org/budget.

Budget Objectives (Source: Lombard's Strategic Plan)

Addressing the Top 4 priorities are essential in order to provide for the daily operations and services of the Village, as expressed in the 2021 budget.

- Financial Stability
- Communication & Community Image
- Operational Sustainability
- Economic Development

Budget Process

The budget reflects the culmination of an extensive planning process which included a Public Works and Environmental Committee meeting to review the 2021-2030 Capital Improvement Program, six meetings (starting in November 2019) with the Finance and Administration Committee to discuss the Fiscal Year 2021 budget and provide recommendation to the Board of Trustees, and a Village Board of Trustees budget workshop to review the 2021 proposed budget.

General Fund (Unrestricted & Uncommitted) Operating Budget

1. Revenues of \$36,335,730 are projected to be down \$985,050 (2.64%) compared to the 2020 approved budget of \$37,320,780.
2. Expenses of \$36,874,537 are projected to be down \$446,245 (1.20%) compared to the 2020 approved budget of \$37,320,782.
3. Due to the COVID-19 pandemic, the estimated year-end 2020 deficit is \$2,430,752 (assumes \$2,296,668 of CARES Act funding is received from the County). The projected 2021 budget deficit is \$538,807. The Village Board approved the following Village funds to address the total deficit of \$2,969,559 (in order of applications):
 - a. \$1,078,000 2019 revenues over expenditures:
 - b. \$1,283,000 Revenue Stabilization Fund:
 - c. \$1,000,000 Proceeds from Sale of 101 S. Main St.
4. The Village will save approximately \$661,000 in the General Fund in 2020 due to 5 full-time and 6 part-time vacated positions that have been frozen. These positions will remain frozen in 2021 budget for an additional savings of \$758,500.

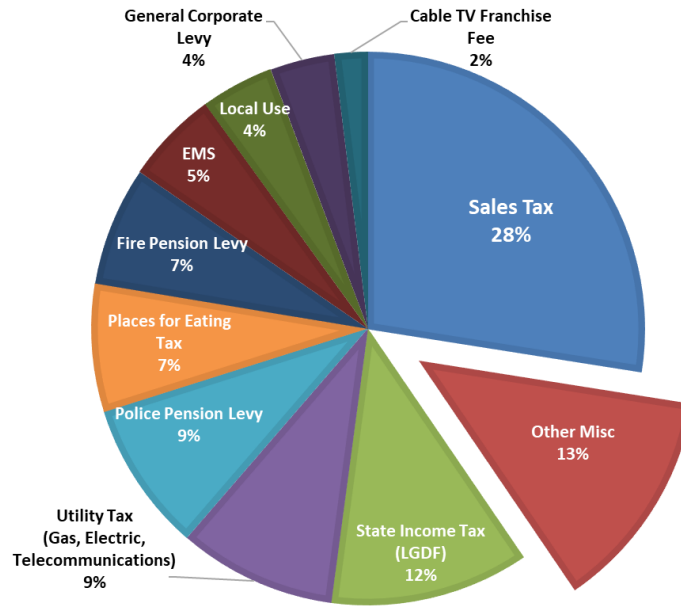
2021 Budget Major Revenue/Expense Projections

2021 includes new revenue for Local Cannabis Sales Tax (\$270K), Cannabis Use Tax (\$20K), and Sales Tax from State on Cannabis (\$70K)

%Over/Under 2020 Budget	\$ Over/Under 2020 Budget	Revenues
7.82%	\$ 112,420	Local Use Tax
3.52%	\$ 354,239	Property Tax (assumed max levy per statute)
0.00%	\$ -	Income Tax
-7.00%	\$ (504,350)	Fees, fines, licenses, and permits
-8.09%	\$ (295,360)	Utility Taxes (gas, electric, telecommunications)
-10.00%	\$ (1,109,960)	Sales Tax
-18.00%	\$ (587,290)	Places for Eating Tax
-40.00%	\$ (156,080)	Amusement Tax
	\$ (2,186,381)	Total
		Expenses
		Wages (projected wage increases for 2021 are 1-2.5% based on union contracts, and vacant positions)
-0.49%	\$ (98,285)	
-3.32%	\$ (31,290)	Fleet Services O&M (fuel, labor, parts)
-6.28%	\$ (155,960)	Health insurance (type of plan and # employees enrolled)
-8.98%	\$ (71,990)	IMRF Pension Fund (based on annual rate and # employees)
0.64%	\$ 16,110	Fire Pension Fund (based on 12/31/19 actuary report)
4.58%	\$ 139,680	Police Pension Fund (based on 12/31/19 actuary report)
4.79%	\$ 47,010	DuComm (emergency dispatch)
10.00%	\$ 48,890	Technology Reserve (re-evaluated annually)
	\$ (105,835)	Total

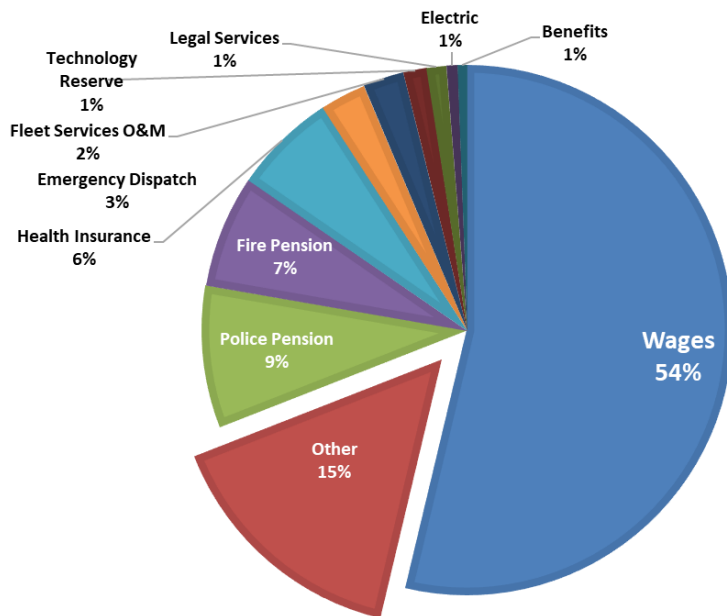
Top 10 General Fund 2021 Revenues

The Top 10 General Fund revenues account for 87% of all General Fund revenue sources.



Top 10 General Fund 2021 Expenses

Combined wages and benefits (pensions, health and life insurance, uniforms, and tuition reimbursement) make up 77% of all General Fund operating expenses.



Hotel/Motel Tax Fund

Due to COVID-19, Hotel/Motel Tax revenue for 2020 is projected to be approximately 60% less than normal due to a reduction in travel and large events at hotel properties. Expenses are projected to be significantly reduced for two reasons. First, 100% of Hotel/Motel tax is paid back to the LPFC and is expected to be approximately \$200,000 less than prior years. Second, the cancellation of large events such as Lilac Parade, Cruise Nights, and Fireworks, etc. reduced the need for OT and other related expenses in 2020 and potentially 2021.

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% in the Economic Development Fund. Based on this direction, the projected fund balance at the end of 2021 is \$447,996. In addition, the Community Promotions & Tourism Committee will be looking at options in the months ahead and will make recommendations to the Village Board to reduce future expenses.

Water and Sewer (W&S) Fund Operating Budget

1. Revenues of \$17,630,270 are projected to increase \$316,200 (1.83%) compared to the 2020 approved budget of \$17,314,070.
2. Expenses of \$17,627,032 are projected to increase \$475,812 (2.77%) compared to the 2020 approved budget of \$17,151,220.
3. Effective January 1, 2021, The Water and Sewer Rate will increase \$0.40 per 1,000 gallons of water used, to \$15.70. 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.
4. 67.79% or 2/3 of the 2021 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 increased their rate 2.45% or \$165,720 for FY 2020-2021 and payments to Glenbard Wastewater are expected to increase 5.86% or \$279,000 compared to the 2020 approved budget.

Capital Improvement Plan

The 2021 Budget includes \$9,482,100 for the following capital projects: \$177,000 for Bikeway and Pedestrian Path Improvements; \$15,100 for Commuter Parking Facilities; \$303,000 for Facility Improvements and Maintenance; \$2,100 for Parking Lot Improvements; \$116,000 for Professional Services; \$1,296,000 for Right-of-Way Maintenance and Beautification; \$2,371,600 for Sewer System/Stormwater Control Improvements not performed in conjunction

with a street project; \$243,000 for Sidewalk Improvements; \$2,757,000 for Street Construction and Maintenance (including related underground improvements); \$291,000 for Traffic Signal and Street Lighting Improvements; and \$1,910,300 for Water System Improvements not attributable to a street project.

In addition to the non-home rule sales tax, other revenue sources used to finance capital improvements include sales tax, utility/telecommunications tax, the public benefit property tax, motor fuel tax, commuter parking fund revenue and water and sewer fund revenue. As part of the Long-Range Budget Planning process, the Village has established a Building Reserve Fund, for the future replacement or major renovation of Village owned facilities. The Rebuild Illinois Capital Bill contains ten (10) projects at an estimated funding level of \$4,988,000. There are six (6) projects funded by the Capital Bill that appear in the CIP at a funding level of \$4,713,000.

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, and technology options, 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.