Finance Department
2025 Budget Kick-Off

Tonight's Agenda

- Review of Budget Requirements & Fund Accounting
- Review of Proposed Property Tax Levy for FY2025
- Development of Village Manager's Recommended & Proposed Budget
- Village Board Review and Adoption Schedule
- Financial Policies For Future Discussion

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Review of Budget Requirements & Fund Accounting

- January 1 - December 31 fiscal year
- Budget adoption prior to the start of the Fiscal Year
- Submission of budget proposal by Village Manager on/before first regular meeting in November containing estimates of revenues and recommended expenditures that conform with good fiscal management practice
- Recommended budget must show specific fund for each anticipated expenditure
- A minimum of one public hearing prior to final Board action
- Copies of proposed budget available to the public at least 10 days prior to hearing
- Board may revise and pass budget without prior hearing, inspection of notice after the public hearing

Review of Budget Requirements & Fund Accounting

- The use of *Fund Accounting* for the Village's revenues and expenditures is required as the Village is a municipal corporation established under State Law

- The Financial Accounting Foundation (FAF) requires the use of Generally Accepted Account Principles (GAAP) established by the Government Accounting Standards Board (GASB).

- Among the basic principles of governmental GAAP is fund accounting.

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TYPES OF FUND

- General Fund is the Village's primary operating fund - accounts for all financial resources of general government, except those required/approved to be accounted for in another fund
- Enterprise Funds are used to account for business-like activities – assumes costs of functions/systems borne by the users, not property tax supported:
  - Water and Sewer: Accounts for water purchases and maintenance and operations of the underground infrastructure
  - Parking: Accounts for the administration/operation of public parking garages, lots and meter system
  - Environmental Services: Accounts for refuse collection /recycling internal support and contractual services

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TYPES OF FUNDS *continued*

- Capital Funds account for improvements to the public way, maintenance of Village-owned property and equipment intended to be depreciated
- Internal Service Funds account for/allocate costs for functions such as liability insurance and employee health care program costs
- Grant Funds are used to ensure compliance reporting to granting agency
- Special Revenue Funds account for activity segregated from general operations or not accounted for elsewhere
- Fiduciary Funds- Police and Firefighters' Pensions. These are independent of the Village and have separate Boards

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Property Tax Levy
Tax Year 2024 (FY25)

	VOP Levy	County "Loss" Add On	Total Levy	Percent of Total
General	18,327,935	549,838	18,877,773	48%
Debt Service	5,430,723	271,536	5,702,259	14%
Police Pension	7,639,547	229,186	7,868,733	20%
Fire Pension	6,813,643	204,409	7,018,052	18%
Total	38,211,848	1,254,970	39,466,818	100%

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Property Tax Levy Comparison
FY 24 (Tax Year 2023) to FY 25 (Tax Year 2024)

		FISCAL YEAR 2024			FISCAL YEAR 2025					
		ADOPTED BUDGET			PROPOSED BUDGET			VARIANCE		
		Tax Year 2023	Tax Year 2023	Tax Year 2023	Tax Year 2024	Tax Year 2024	Tax Year 2024			
	Agency #	Levy	Loss	Total Levy	Levy	Loss	Total Levy	Levy	Loss	Total Levy
Corporate	03-0920-000	18,529,522	555,886	19,085,408	18,327,935	549,838	18,877,773	(201,587)	(6,048)	(207,635)
Debt Service	03-0920-000	4,768,332	238,417	5,006,749	5,430,723	271,536	5,702,259	662,391	33,120	695,511
Police Pension	03-0920-000	7,344,715	220,341	7,565,056	7,639,547	229,186	7,868,733	294,832	8,845	303,677
Fire Pension	03-0920-000	6,456,313	193,689	6,650,002	6,813,643	204,409	7,018,052	357,330	10,720	368,050
SUBTOTAL		37,098,882	1,208,333	38,307,215	38,211,848	1,254,970	39,466,818	1,112,966	46,637	1,159,603
Year to Year Increase (Decrease)					3.0%		3.0%			

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Property Tax Levy Losses

	Tax Year 2020	Tax Year 2021	Year Over Year Increase/ (Decrease)	Tax Year 2022	Year Over Year Increase/ (Decrease)	Tax Year 2023	Year Over Year Increase/ (Decrease)	Tax Year 2024	Year Over Year Increase/ (Decrease)
Corporate Levy	18,153,590	18,437,622	1.56%	19,722,421	6.97%	19,085,408	-3.23%	18,877,773	-1.09%
Total Levy	36,102,975	37,184,572	3.00%	37,186,862	0.01%	38,307,215	3.01%	39,466,818	3.03%
Total Levy with all 3% increases	36,102,975	37,184,572	3.00%	38,300,109	3.00%	39,449,112	3.00%	40,632,586	3.00%
Variance				(1,113,247)		(1,141,897)		(1,165,768)	

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Capital Improvement Plan (CIP)

- The 5-Year Projected CIP plan labels each project with a general priority code of A-D, & F. It also includes a climate and sustainability code of High, Medium, Low and None. Each project is described in detail with detail funding information.

- The CIP lists only the top priorities listed as "A – Essential & Immediate" in the document for the five year period (2025 – 2029). *However items listed as "A" are further prioritized during the budget process in order to recommend which projects are completed for the next fiscal year.*

- Projects will be reviewed in detail during the September Finance Committee meeting workshops.

- Projects are listed in priority by amount and by budget year.

- CIP scheduled to be reviewed by Finance Committee on September 10, September 26, and October 15. Target date for CIP adoption is November 7th.

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Timeframe for Preparation

- Departments work with CFO to prepare detailed information regarding projected revenues & expenses, organizational charts, overview of each department, prior year accomplishments, and a detailed work plan for the next fiscal year as well as determining FY24 year end estimates

- CIP Department Submittals Were Done in Early August

- Operating Budget Submittals in Late August

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Timeframe for Preparation cont.

- Finance Department and VMO review of preliminary projections and budget data for CIP in late-August with staff

- Finance Department and VMO review of preliminary projections and budget data for Operating Budgets and all remaining Funds in early September with staff

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Timeframe for FY25 Recommendation

- Village Manager & CFO determine and communicate additional target reductions as necessary for Operating Budgets after review with Directors (September)
- Operating budget review (Finance Committee meetings) based on staff requests scheduled for October. All changes based on meetings to be reflected in Proposed Budget.
- FY25 Proposed Budget distributed to Village Board on November 7th.
- Official Public Hearings on Proposed Budget* (November)
- Continued Village Board Review (November)
- Budget (Operating) Adoption (December)

* All Finance Committee, Special Board, and Regular Village Board meetings are open to the public

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Policy Parameters

- Village Board through past practice has established a maximum 3% property tax levy (after diverting the levy increase required annually for debt service and police and fire pensions). As well as, policy initiatives that Department Directors have been assigned to identify necessary appropriations to support initiatives for which formal policy direction is anticipated. The Finance Committee will continue to meet to discuss some recommended possible modifications to this policy dependent on the financial circumstances in a given budget year.

- The Village Board, by resolution, has an established Fund Balance Policy for the General Fund which provides for an unreserved fund balance goal of no less than 10% and no more than 20% of the current year's estimated operational expenses shall be maintained. Of this balance, cash and investments should compose no less than 60%.

- Personnel expenses (wages and benefits) account for approximately 69% of the General Fund budget with 55% being public safety. It is the Village's practice to appropriate expenditures reflecting an approximate 95 percent staffing level. All positions are budgeted and vacancies are accounted for by a contra-expense appropriation. This typically ranges from $1.5 - $2.1 million in "turnover savings".

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Anticipated Schedule: Finance Committee

- September: At least two Finance Committee and one Regular Board meeting dates are scheduled to review/discuss CIP with a Village Board adoption target date of November 7th.

- October/November: At least three meetings (Finance Committee and Regular Board) to thoroughly discuss operating budgets and all Funds, including General, Special Revenue, Internal Service, and Enterprise.

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Anticipated Schedule: Village Board

- November: Legal hearings include the Truth in Taxation on 11/7/24, Public Budget Hearing on 11/19/24. Other meeting dates to review budget will be disclosed separately.

- December: Target date for adoption of the FY25 budget along with corresponding abatement and levy ordinances is 12/3/24.

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Questions?

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