



Agenda Item Summary

File #: ID 21-348, **Version:** 1

Submitted By

Steve Drazner, CFO

Agenda Item Title

Village Board Review of the Recommended Fiscal Year 2022 Budget

Overview

This meeting is the first meeting of the full Village Board, after the Finance Committee's review, to review the recommended budget for FY22. Staff will be available to review and answer questions on any of the following budgets:

- 1) General Fund
- 2) Special Revenue Funds
- 3) Capital Improvement Funds
- 4) Enterprise Funds
- 5) Internal Service Funds
- 6) Fiduciary Funds

Anticipated Future Actions/Commitments

Additional meetings are set-aside on the Board's calendar in November and December, if required, to review and discuss the FY22 budget recommendations. An updated recommended FY22 budget document will be issued by staff for the November 15, 2021 Public Hearing on the budget as part of the Regular Village Board meeting to incorporate updated information as reported during Finance Committee meetings. In addition, the document will contain two years (FY22 and FY23) revenues and expenditures.

It is anticipated that the FY22 Budget will be presented for adoption on Monday, December 6, 2021.

Report

Annually the Village Board begins the budget preparation process in the summer for the following fiscal year. This work began with the Village Board's official receipt, review and acceptance of the Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2020 on June 21, 2021. The Village Board then held a Special Meeting on July 12, 2021 to review the Police and Fire Pensions and on July 26, 2021, the Village Board additionally held a special meeting to hear from Village Departments regarding their anticipated priorities for FY22. The Finance Committee of the Village Board held two (2) meetings in Sept/Oct to review the recommended FY22-26 CIP budget and three (3) meetings to review the FY22 Operating budget. In addition, a public hearing for Truth in Taxation was held on November 1, 2021 and the Public Hearing on the recommended FY22 budget is scheduled for November 15, 2021.

The following updates to the budget have been made based on the outcome of discussions during the Finance Committee meetings held on October 11th, October 21st, and October 25th. These changes for FY22 will be reflected on the Proposed Budget distributed to the Board for the November 15th public budget hearing.

- 1) An increase of \$1,600,000 in Affordable Housing revenue based on the anticipated change in timing of receipt of developer contributions.
- 2) Various changes reducing Health Insurance Fund revenues by \$600,000. This is only an accounting change. 100% employee-funded programs (i.e. dental/vision plans, FSA for dependents and medical expenses) will no longer be shown and budgeted as revenue with a corresponding matching expenditure.
- 3) \$10,000 was added to the DCS budget for the Arts Council (salary)
- 4) \$25,000 was reduced from the VMO external support budget to remove a redundant survey expenditure.
- 5) \$50,000 was added to the VMO external support budget for the community safety consultant.
- 6) \$14,000 was added to the Communications general contractual account toward revamping the VOP website.
- 7) \$1,000 was added to the Communications external support account for annual Zoom memberships.
- 8) Various expenses were reduced in the Health Insurance Fund budget related to item #2 above.

To provide some additional information on the interfund transfers to the Debt Service Fund of \$500,000 and \$350,000 from the General and Environmental Service Funds, respectively, these two in sum total \$850,000 while the partial abatements of non-enterprise debt for FY22 total \$1,036,000. Therefore, these two interfund transfers cover most, but not all, of the partial abatements. For next fiscal year, the Debt Service Fund (DSF) has sufficient reserves to cover the \$186,000 shortfall but going forward subsequent to FY22, any non-enterprise partial abatements should match the supplemental interfund transfer amount.

Should the Board desire to partially or fully eliminate either or both of these interfund transfers into the DSF, the property tax levy dedicated to the DSF would need to increase by a corresponding amount which would just reduce the amount of property tax revenue allocated to the General Fund.

Chapter 2 of the Municipal Code establishes the foundation for the Municipal Budget and provides:

- The Village fiscal year is January 1 - December 31 annually.
- The Board of Trustees must adopt the annual budget prior to the start of the Fiscal Year and passage of the annual budget shall be in lieu of passage of the appropriation ordinance.
- On or before the Village Board of Trustees' first regular meeting in November of each year, the Village Manager shall submit to the Board of Trustees an annual Municipal budget which contains estimates of revenues together with recommended expenditures in conformity with good fiscal management practice.

To date the Village Board has held a series of meetings specifically related to Village finances and preparations for the FY22 budget recommendations, including:

- June 14, 2021 and June 21, 2021 as part of a Finance Committee and then a Regular meeting of the Village Board, the Annual Village Audit and Comprehensive Annual Financial Report (CAFR) was presented and accepted for the year ending December 31, 2020.

- July 12, 2021, the Village Board held a Special Meeting to review the actuarial valuations of the Police and Fire Pension Funds
- July 26, 2021, the Village Board reviewed priorities from all of the Village Departments.
- There were two (2) Finance Committees on September 13, 2021 and September 27, 2021 along with a Special Board meeting on October 4, 2021 to review the Recommended Capital Improvement Plan Document.
- There were two (2) Finance Committee meetings on October 21, 2021 and October 25, 2021 to review the Recommended FY22 Operating Budget.
- On November 1, 2021, as part of the Regular Village Board meeting a Public Hearing was held regarding Truth in Taxation for the Recommended FY22 budget.
- On November 15, 2021, a Public Hearing on the Recommended FY22 budget is scheduled.

In addition to this meeting, one other Special Board meeting to review the Operating Budget is tentatively scheduled for either November 11th or November 22nd.

The FY22 Budget is proposed to be adopted Monday, December 6, 2021 at 7:00 p.m. as part of the Village Board Regular meeting.

Alternatives

N/A