



Request for Council Action

Referred to Council: September 11, 2023
Subject: 2024 Proposed Budget Overview Staff Report
Staff Contact: Julie Logan, Finance Director
Department: Finance

TITLE: 2024 Budget Proposed Budget Overview Staff Report

This staff report is an overview of the City's 2024 Proposed Annual Budget (budget) for fiscal year ending December 31, 2024 and is being issued in lieu of presentation, pursuant to the City Council-approved 2024 budget schedule. The budget reflects input from the community and the City's commitment to fiscal stability, public safety, continued investment in the City's infrastructure, economic development, and environmental sustainability, while continuing a trauma informed approach of community support following the 2022 mass shooting; managing City operations related to services and programs for victims, staff, businesses, and the general public; coordinating the City's ongoing response with local, county, state, and federal agencies; and managing timely and important public and business communications.

The budget includes a wealth of information pertaining to the community, the organization, the City's priorities, and costs for advancing priorities planned for the fiscal year and long-term. The City continues its commitment to long-term planning by including a 10-year capital improvement program (CIP) with funding, which guides the City's infrastructure and facility planning. The fiscal year 2024 (2024) budget and the fiscal year 2023 (2023) estimate reflect the City's current estimates to both sustain operations and continue to address community healing.

High Level Pages in the Budget Document

- Pp. 1-2 Transmittal Letter. Top level budget commentary.
- Pg. 3 Budget Recap. Graphic representation of the budget & operations.
- Pp. 29-33 Budget Preparation Notes. Fee/tax changes, staff changes, major fund highlights
- Pp. 36 Budget Brief. Revenue, expenditure, and fund summary.
- Pp. 42-43 Budget Brief. Expenditure highlights.
- Pg. 87 Fund Balance Summary
- Pp. 230-240 10-Year Capital Improvement Plan

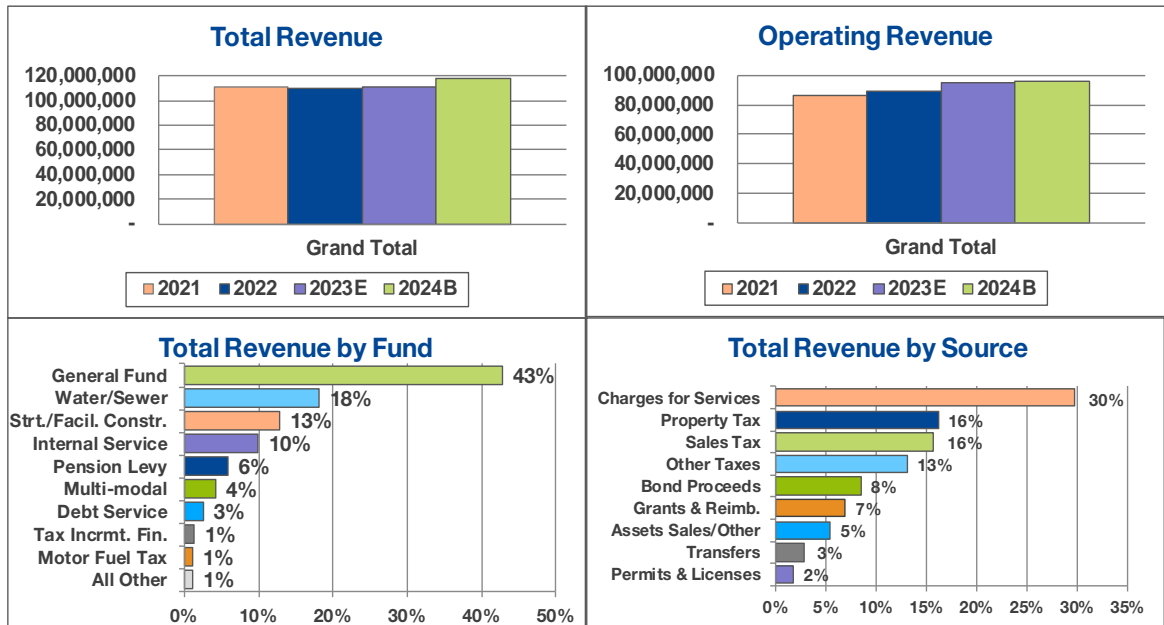
2024 Proposed Budget Highlights

- Balanced Operating Budget.
- Operating revenue¹ of \$96 million is 1% higher than the prior year.
- Capital improvements total \$34 million with \$27 million for infrastructure and \$7 million for facilities, and equipment, including renovation of the Highland Park County Club (HPCC) facility and parking lot for Senior Center suitability and upgraded banquet capability.
- Proposed net fund drawdowns total \$9 million for capital, pursuant to City finance policy.

¹ Operating revenue excludes debt proceeds, debt and tax increment financing levies, asset sales, and capital-related grants, reimbursements, and transfers between funds.

2024 Proposed Revenue

- Operating revenue of \$96 million is 1% higher than the prior year.
- Total revenue of \$118 million is 6% higher than the prior year, including planned issuance of \$10 million of general obligation bonds.



2024 Revenue Assumptions

- Most revenues are estimated based on historical growth, although parking fees continue slow recovery from the pandemic.
- Changes in revenue from 2023 to 2024 include the following:

\$M Increase/(Decrease)	2024
Water & Sewer Sales	1.2
Ambulance Charges	0.5
Contributions	(1.0)
Sales Tax	0.2
Internal Charges	0.2
Operating Grants/Reimburse.	0.1
Property Tax Levy	0.1
Operating Revenue	1.3 1%
Debt Proceeds & Debt/TIF Levy	10.9
Sale of Assets	(2.1)
Capital Grants/Reimbursements	(1.5)
Transfers Between Funds	(1.4)
Total Revenue	7.2 6%

- Staff reviewed City fees and taxes to ensure they are fair and comparable with other communities, supporting a consistent high level of services, with changes for property taxes, water rate, sewer rate, and ambulance transport fees.
 - City and Library property taxes are approximately 8% and 3% of a property owner's last total tax bill, respectively. The City diversifies its revenue stream and manages expenses to minimize the City's financial impact of City operations to taxpayers. The combined City and Library budget includes a tax levy increase of 6% equating to \$1.3 million for public safety, road maintenance and improvement, debt service, and Library personnel, net of reallocation of tax revenue out of City general operations to minimize the total tax increase. The change is a \$90 impact to a City

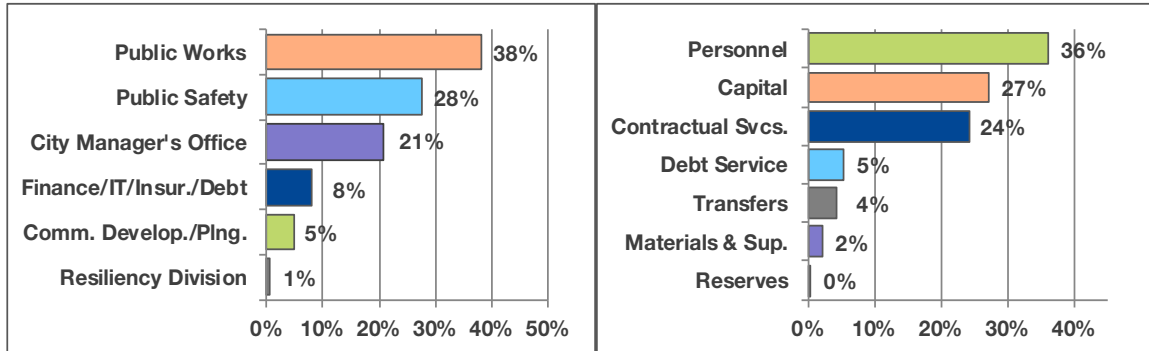
resident with an average \$500,000 equalized assessed value household. The combined Truth in Taxation Tax Levy Worksheet is as follows:

Tax Levy Year Budget Year	Adopted TY22 FY23	Extended TY22 FY23	Proposed TY23 FY24	Proposed vs. PY Extended	Comments
OPERATING FUNDS					
General Corporate	5,301,100	5,236,502	4,530,100	-13.5%	Public Safety, IMRF, FICA, Medical Insur.
Roads (Capital)	2,940,000	2,940,016	3,261,400	10.9%	Capital
Total Operating	8,241,100	8,176,518	7,791,500	-4.7%	
PENSION FUNDS					
Police Pension	3,275,900	3,275,918	3,815,900	16.5%	Actuarially Determined
Fire Pension	2,994,100	2,994,102	3,115,500	4.1%	Actuarially Determined
Total Pension	6,270,000	6,270,019	6,931,400	10.5%	
DEBT SERVICE LEVY	1,810,300	1,893,677	2,741,000	44.7%	Unabated Debt Service
TOTAL CITY	16,321,400	16,340,214	17,463,900	6.9%	
LIBRARY					
Aggregate Levy*	5,194,900	5,194,927	5,366,300	3.3%	Operations, Capital, Debt
TOTAL LIBRARY	5,194,900	5,194,927	5,366,300	3.3%	
TOTAL COMBINED	21,516,300	21,535,141	22,830,200	6.0%	

- The 2024 total water rate of \$3.983 per 100 cf for City residential customers is 34 cents higher than 2023, which is consistent with the last year of the City’s current 10-year water rate plan. The water rate continues to be one of the lowest in the Chicagoland area. The 2024 water rate is included in the annual fee resolution, along with corresponding conservation based rates, which will be in effect from January 1 through December 31, 2024.
- The City is implementing a phase-in plan of approximate 3.5% per year adjustments to sewer rates between 2024 and 2033, as part of its next long-term sewer rate plan, to ensure long-term financial sustainability of the Sewer Fund. The City has not raised sewer rates since 2018, although costs have increased since 2018. The plan is based on long-term rate projections developed by staff. The 2024 sewer rates are included in the annual fee resolution, which will be in effect from January 1 through December 31, 2024.
- The City’s ambulance transport fees are amended, beginning January 1, 2024, to align with the Ground Emergency Medical Transport (GEMT) Act Cost Report, with balance billing eliminated. In 2019, the Illinois Fire Chiefs Association pursued a program for supplemental Medicaid payments commonly known as the GEMT program. The program exists to supplement the standard Medicaid payments that do not cover actual costs incurred by Emergency Medical Service (EMS) providers for the provision of EMS services.
- Total revenue is impacted by non-operating revenue changes including changes in bond financing and its related debt levy, capital grants, reimbursements, and transfers between funds, consistent with the City’s 10-year CIP and CIP funding plan; increases in tax increment financing revenue, consistent with market equalized assessed value changes; and revenue from sale of the City’s prior Senior Center property in 2023.
- The budget includes the planned issuance of \$10 million of general obligation bonds in 2024 to partially fund capital expenditures for Second Street pedestrian-friendly infrastructure improvements, HPCC/Senior Center upgrades, and other street improvements.

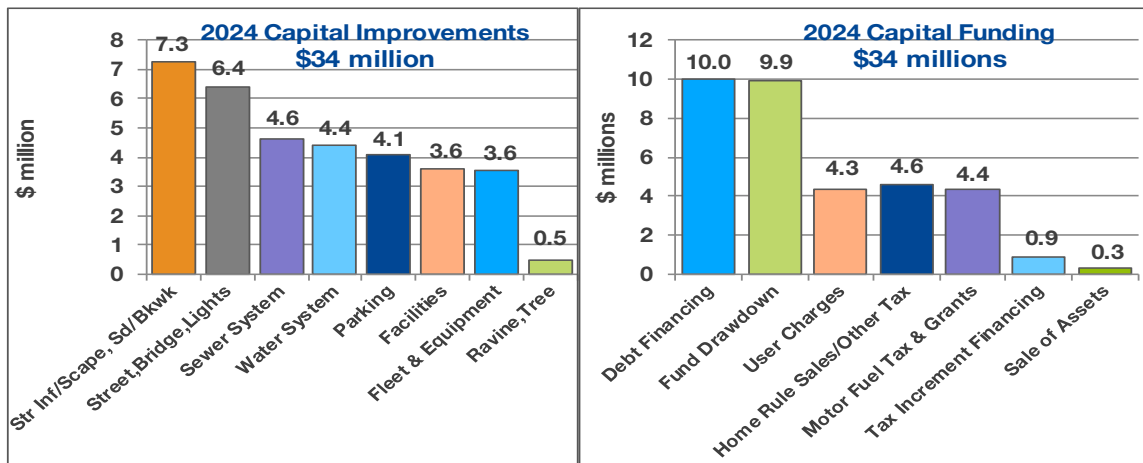
2024 Proposed Expenditures

- Expenditures of \$127 million are 6% higher than prior year.



2024 Expenditure Assumptions

- Personnel expenditures of \$46 million are 5% higher than prior year. Staffing is budgeted at 273 full-time equivalents (FTE), which is 1.8 FTE employees higher than 2023, although 4 FTE employees lower than 2020. These changes reflect a gradual increase in service and staffing following the 2020-2021 staffing reduction of 26.8 FTE employees due to the City's economic response plan to the negative impact of the pandemic on City revenue and additional staffing to address the long term needs of the community. Other personnel variances are consistent with the City's compensation plan, collective bargaining requirements, and anticipated higher insurance costs.
- Capital improvements for 2024 of \$34 million are 5% higher than prior year. \$27 million is dedicated to infrastructure, including Second Street pedestrian-friendly improvements, and \$7 million for facilities, and equipment, including renovation of the HPC facility and parking lot for Senior Center suitability and upgraded banquet capability. The capital funding plan is 71% pay-as-you-go and 29% debt financing, with \$10 million of new debt proposed for 2024, as mentioned previously.

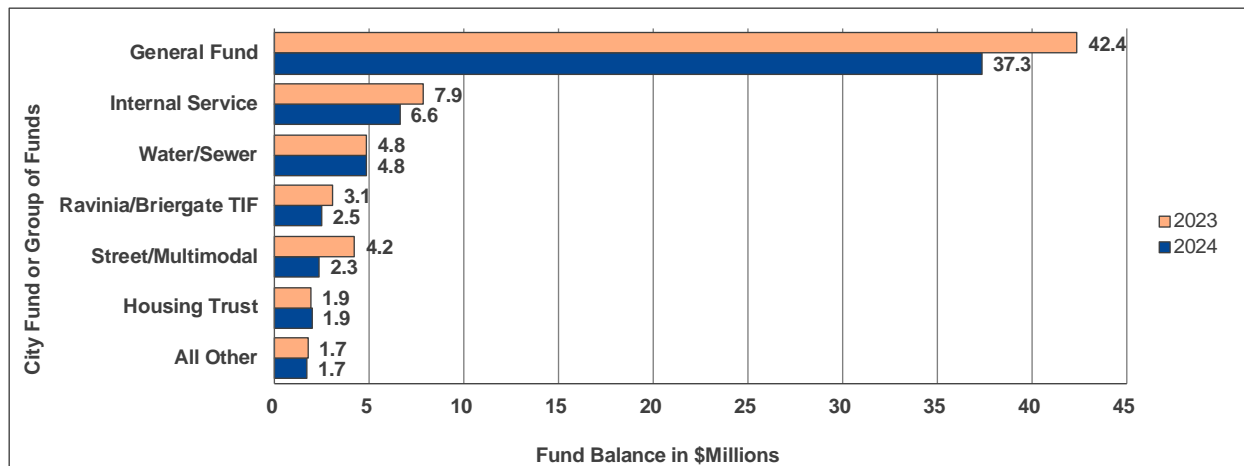


- Contractual services and materials and supplies of \$34 million are 10% higher than prior year due to inflationary cost or service changes, with a significant increase in the City Manager's Office budget focused on business attraction and retention incentives.
- Debt service expenditures of \$7 million are 18% higher than prior year. Debt service is consistent with the City's payment schedule for previously issued and planned debt.

- Transfers and reserves total \$6 million in 2024. Transfer² expenditures are due to \$2.3 million reimbursement from the Water and Enhanced 911 Funds to the General Fund for water and public safety dispatch-related expenditures planned in the General Fund; \$1.6 million of tax increment financing (TIF) transferred from the Briergate TIF Fund to the Capital, Water, and Sewer Funds for Briergate TIF-related expenditures; \$1.2 million transfer of Motor Fuel Tax receipts to the Street Construction Fund to pay for eligible capital improvements; \$202,000 of American Rescue Plan (ARP) grant from the General Fund to the Multimodal Fund for ARP-related expenditures; \$152,000 transfer from the Capital Fund to the Debt Service Fund to pay for general obligation bond issuance costs; and \$55,000 transferred from the Sustainability Fund to the Equipment Fund for fleet sustainability-related expenditures. Reserve³ expenditures for 2024 include \$607,600 to meet requirements of Governmental Accounting Standards Board Statement No. 45 regarding Other Post-Employment Benefits (OPEB), consistent with an updated actuarial valuation by the City’s third party actuary.
- The budget includes \$9.5 million of City contributions to the public safety pension funds, of which \$6.9 million is from property tax levy, accounted for in the Public Safety Pension Levy Fund, and \$2.6 million is from local government distributed funds and personal property replacement tax, accounted for in the General Fund. The \$9.5 million is flat with the prior year and funds the City's actuarially determined contribution of \$6.9 million and additional contribution of \$2.6 million, with a goal of minimizing the City’s long-term contribution cost. The Police Pension Fund was 54% and 47% funded by actuarial five-year smoothing calculation and audited market calculation, respectively, as of Dec. 31, 2022. The Firefighters’ Pension Fund was 59% and 53% funded by actuarial five-year smoothing calculation and audited market calculation, respectively, as of Dec. 31, 2022.
- The budget includes \$375,500 of City contributions to the IMRF pension fund for non-collectively bargained employees, which is \$100,000 higher than the prior year. IMRF is nearly 100% funded.

2024 Proposed Total Fund Balance \$57 million, with \$37 million in the General Fund

Proposed total net fund drawdown totals almost \$9 million for capital, of which \$5 million is in the General Fund, pursuant to City-approved finance policy.

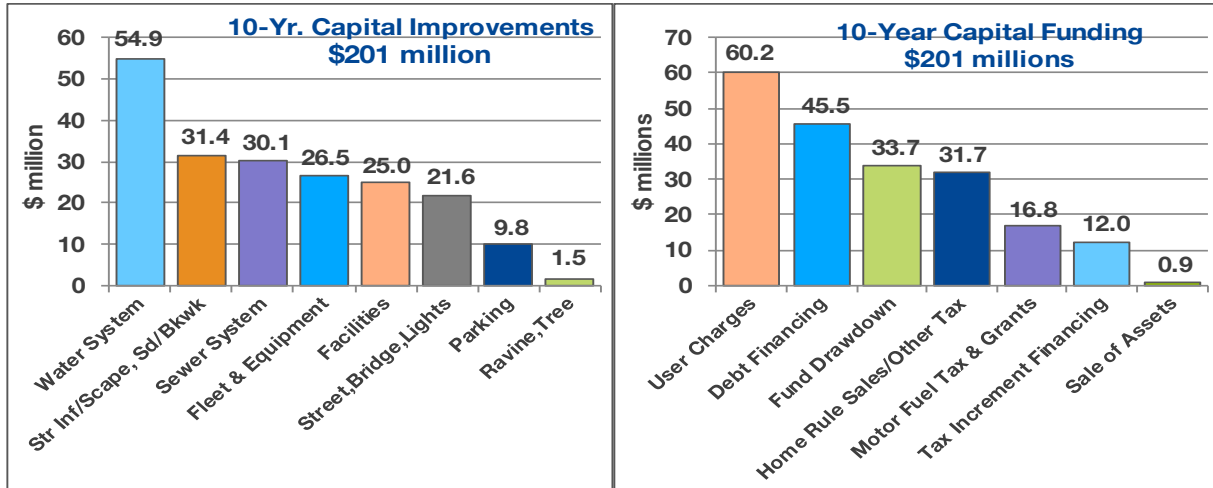


² Transfers are financial interrelationships between funds. A fund’s transfer-out expenditure is treated as transfer-in revenue in the receiving fund. Transfers between funds are segregated from the operating and capital budgets as they are not actual outflows of City resources.

³ Reserves are funds that will not be spent until an appropriation is budgeted in an expenditure account.

10-Year Capital Improvement Plan

The City's 10-Year CIP expenditures are planned at \$201 million including 74% for infrastructure and 26% for facilities and equipment. The capital funding plan is 70% pay-as-you-go and 30% debt financing.



Next Steps

- Oct. 5 Distribution of Department Staff Reports
- Oct. 30 Proposed Budget on website
- Nov. 13 Public Hearing for Budget
- Nov. 27 Public Hearing for Tax Levy
- Nov. 27 Budget Adopted