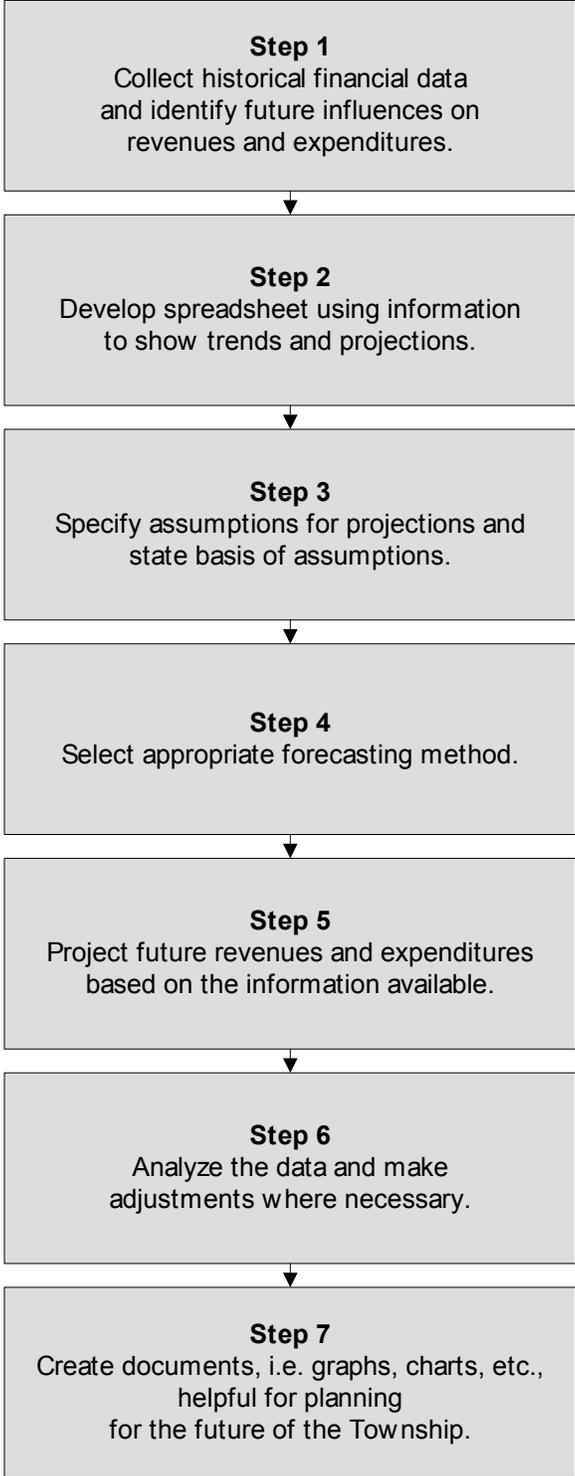


## **FIVE YEAR PROJECTIONS**

The five year budget includes the FY 17 budget and the projections through the fiscal year ending March 31, 2021.

# FIVE YEAR REVENUE AND EXPENDITURE FORECASTING PROCESS



## **FIVE YEAR BUDGET PROJECTIONS FY 17 THROUGH FY 21**

The purpose of developing a five-year budget is to enable the Township Board of Trustees and Township Management to focus on long-term financial stability. The five-year budget includes the FY 17 budget and the projections through the fiscal year ending March 31, 2021.

The development of long-term financial projections for government agencies involves conjecture; therefore, projections should be used only as a guide for future revenues and expenditures. Government budgets and especially long-term projections can be impacted by a number of outside forces that cannot be anticipated or forecast. Many of these forces lie outside our realm of control: state and federal revenues or mandates, changes in the national, regional or local economy, fluctuations in the prices of products or services purchased by the Township, and unanticipated emergencies or changes in service level priorities, as well as capital projects, are all examples of variables that cannot be predicted.

The revenues and operating expenditures for fiscal years ending March 31, 2017 through March 31, 2021 are projected using the FY 16 budget as the base for the calculations. Every detail revenue and expenditure account is projected and included for Town Fund, General Assistance Fund and Community Mental Health Fund. The assumptions and projections for the major revenue sources and expenditures are set forth for each fund below.

It should be noted that the property tax is the major revenue source for all funds. The Township's ability to raise revenue through the property tax, however, is limited by the Property Tax Extension Limitation Law (PTELL) 35 ILCS 200/18-185 et seq. PTELL limits the increase in the property tax levy to 5% or the percentage increase in the Consumer Price Index during the 12 month calendar year preceding the levy year, whichever is less. A higher property tax may be levied if the community experiences new construction, mergers or consolidations that increase the community-wide Equalized Assessed Value (EAV) or voters approve a higher rate by referendum.

A qualitative forecasting method known as "naïve forecasting" was utilized to project revenues. The naïve forecasting method is best suited for revenue sources that are fairly stable from year to year, a typical time period can be easily determined, the historical relationship remains constant for the period being forecast and all relevant factors affecting the revenue source have been included in the forecast. Naïve forecasting is well suited for Township revenue sources. Approximately 73% of Township revenue is from property taxes which come within the criteria set forth above.

## ASSUMPTIONS FOR TOWN FUND ANALYSIS

For a complete description of Township revenues see the section titled Township Revenue Descriptions, Assumptions and Projections.

### Revenues

*Taxes:* The revenue category Taxes which includes property taxes, personal property replacement tax and tax increment financing district distributions is the greatest revenue source for the Township. It represents 63% of total Town Fund revenue. Property Taxes represent 95% of the total Taxes revenue category. The 2015 property tax levy will fund FY 17. The Township Board increased 2015 property tax levy by 1.5% over the 2014 tax levy to match the Consumer Price Index (0.8%) for the 12 months ending December, 2014 and partially capture any new property or construction. This increase in the total property tax levy was all allocated to the Town Fund with the levies for the other two funds remaining flat. The allowable property tax levy increase for 2016, to fund FY 18, will be 0.7% based on the Consumer Price Index for the 12 months ending December, 2015. The FY 18 to FY 21 projections are conservatively estimated at a 1.0% increase in property tax revenue and in personal property replacement tax. In FY 2016, the Village of Oak Park did not declare a surplus in tax increment financing (TIF) districts and made no distributions to other public entities that operate within the Village. As this has become an uncertain revenue source, along with the TIFs beginning to expire in FY 2019, which will begin to affect the tax levy that will fund FY 2021 and thereafter, this has been eliminated as a revenue source in budgets from FY 2017 to FY 2021. Projected Property Taxes in FY 2021 show an increase of 1% from FY 2020 along with an estimate of additional taxes in the amount of \$120,000 when the TIFs end in the Village of Oak Park for the Town Fund. This amount is based on this fund's percentages for an overall tax bill.

*Intergovernmental:* Intergovernmental revenue is the next largest revenue source typically representing approximately 33% of total Town Fund revenue. Revenues are forecast conservatively because of historical fluctuations in receipts. Local, state and federal funding is estimated to increase 1% annually.

The remaining revenue sources include Use of Money and Property, Charges for Services and Miscellaneous. These revenue sources combined amount to approximately 4% of total Town Fund revenue.

*Use of Money and Property:* The Township has experienced declining rates of return on Township investments for the four fiscal years (FY 10 – FY 13) and flat for fiscal years 2014-2016. Primarily based on an expected Federal Reserve Bank policy to begin to slowly increase interest rates beginning late in 2016, interest and the Sale of Township Property are projected to increase 1% annually.

*Charges for Services:* Program Income and Charges to Departments. Charges to Departments increase annually 1%.

## Expenditures

*Personnel: Employee and Elected Official Salaries.* Expenditures for Employee and Elected Official Salaries will increase 4.42% for FY 17. This increase is due, in part, to the full year extent of receiving a grant from the Substance Abuse Mental Health Mental Services Administration (SAMHMSA) that began in the second quarter of FY 2016 to fund an additional position. This increase is also due to the lag period of employees leaving Township employment and the time it takes to replace them. In addition, certain administrative position that had percentages of their salaries and benefits allocated to the General Assistance Fund had those percentages reduced by 5% in the General Assistance Fund and increased by 5% in the Town Fund. Employees will receive an average 1.25% wage increase effective April 1, 2016. Employee and Elected Official Salaries are projected to increase 1.25% in FY 2018 and then 1.18% annually from FY 19 through FY 21, based on the average of the previous four year's Consumer Price Index.

*Fringe Benefits: FICA, IMRF Pension Plan and Health and Life Insurance.* FICA is 7.65% of salaries and IMRF is currently 8.80% of salaries. Health Insurance has increased 5% annually for the calendar years of 2009-2012, 10% in calendar year 2013, approximately 5% in calendar years 2014, and approximately 4% for the years 2015-2016. The IMRF pension plan employer costs decreased from 9.54% of salaries in January 2014 to 8.81% in January 2015 or a 7.65% decrease. The employer rate was further decreased to 8.8% in January 2016 but will increase in January 2017 to 8.92% or an increase of 1.4%. Pension legislation from the state effective January 1, 2011 will reduce pension benefits for employees hired after December 31, 2010. These changes will begin to reduce pension costs in ten or fifteen years. An overall annual 5% increase for fringe benefits from FY 18 through FY 21 is projected.

*Operating Costs and Services:* Increases 2.0% annually.

*Other Costs and Charges:* Contingency, Research and Development, Consultant Fees remain flat for FY 18 through FY 21.

*External Contracts and Programs:* A 1.5% increase for external contracts with agencies in the community is projected for the Town Fund.

*Capital Outlay:* Capital Renovation will not increase annually but will be budgeted when projects arise. For FY 17 \$150,000 is budgeted for Capital Outlay. This primarily reflects the purchase of new windows and a new heating and air conditioning system for the administrative offices along with equipment and software upgrades. Thereafter, projected Capital Outlay remains at \$50,000 each year from FY 18 through FY 21.

## TOWN FUND SUMMARY

The Township Board Fund Balance Policy provides for a target of four to six months of current year's budgeted fund expenditures, excluding capital expenditures, as Unassigned Fund Balance. The Town Fund's unassigned fund balance as of the end of FY 16 is within the board's target amount. An unassigned fund balance within the policy range will help ensure financial stability in the next few years.

Budgeted expenditures are approximately \$118,000 more than budgeted revenue in FY 17 which includes a planned expenditure of \$150,000 in capital improvements. Expenditures continue to exceed revenues through FY 21. The fund balance in FY 17 to FY 19 remains within the board's target amount. Long-term planning will address bringing revenues and expenditures into balance in FY 20 and FY 21 to ensure financial stability into the future.

#### ASSUMPTIONS FOR GENERAL ASSISTANCE FUND ANALYSIS

For a complete description of Township revenues see the section titled Township Revenue Descriptions, Assumptions and Projections.

#### Revenues

*Taxes:* For the General Assistance Fund, the category Taxes includes Property Taxes and Tax Increment Financing (TIF) District distributions. Property taxes are 97% of revenue for the General Assistance Fund. The Board of Trustees decided to keep the 2015 General Assistance property tax levy, which funds FY 17, flat at \$484,052 in order to bring the fund balance to its target level. Despite this intention, the County extension was 1.0% less than requested or \$480,398. Beginning in FY 18, it will be necessary to significantly increase or decrease the property tax levy based on program demand and to achieve a target level of fund balance according to Township Board Fund Balance Policy. An analysis will be conducted annually to determine the appropriate amount of the tax levy for this fund.

Property tax revenue is scheduled to increase to 1.0% for FY 18 through FY 21. Projected Property Taxes in FY 2021 show an increase of 1% from FY 2020 along with an estimate of additional taxes in the amount of \$22,000 when the TIFs end in the Village of Oak Park for the General Assistance Fund. This amount is based on this fund's percentages for an overall tax bill.

*Use of Money and Property:* Interest and Sale of Township Property includes a modest annual increase of 1%.

*Intergovernmental:* Local, state and federal funding varies greatly from year to year. A conservative estimate of \$4,000 annually was determined based on historical data.

#### Expenditures

Expenditures declined in FY 09 but increased significantly from FY 10 to FY 12. The economic slowdown resulted in a greater need for general assistance during this time. However, demand leveled off in FY 13 as residency requirements were tightened along with having stricter regulations for clients to provide confirmations of job searches. An increase in the rate structure for client and shelter payments was approved by the Board of Trustees beginning FY 14 that resulted in an increase in general assistance expenditures of \$35,409 or 12.3% in FY 14. FY 15 decreased from FY 14 by \$1,880 or 0.6%. For FY 16, general assistance was budgeted to increase by \$29,610 to \$350,000 or 9.2% but its actual increase was by \$11,815 to \$332,205 or 3.7%. For FY 17, it is budgeted to increase by \$7,610 to \$340,000 or 2.3%. An improving economy has resulted in fewer clients using general assistance.

Demand for services will be monitored closely in order to budget appropriately. Should an insufficiency in General Assistance funds begin to develop, strategic alternatives will be considered, including: redistribution of the Township levy, modification of eligibility criteria, and appropriations from the Town Fund.

*Administration:* Significant expenditures for Administration include Employee and Elected Official Salaries. Employee and Elected Official Salaries are projected to decrease 18.9% for FY 17, 1.25% in FY 18, and 1.18% annually from FY 19 through FY 21 based on 1.18% annually from FY 19 through FY 21, based on the average of the previous four year's Consumer Price Index. Certain administrative positions that had percentages of their salaries and benefits allocated to the General Assistance Fund had those percentages reduced by 5% in the General Assistance Fund and increased by 5% in the Town Fund.

*Fringe Benefits: FICA, IMRF Pension Plan and Health and Life Insurance.* FICA is 7.65% of salaries and IMRF is currently 8.80% of salaries. Health Insurance has increased 5% annually for the calendar years of 2009-2012, 10% in calendar year 2013, approximately 5% in calendar years 2014, and approximately 4% for the years 2015-2016. The IMRF pension plan employer costs decreased from 9.54% of salaries in January 2014 to 8.81% in January 2015 or a 7.65% decrease. The employer rate was further decreased to 8.8% in January 2016 but will increase in January 2017 to 8.92% or an increase of 1.4%. Pension legislation from the state effective January 1, 2011 will reduce pension benefits for employees hired after December 31, 2010. These changes will begin to reduce pension costs in ten or fifteen years. An overall annual 5% increase for fringe benefits from FY 18 through FY 21 is projected.

*Operating Costs and Services:* Increases 2.0% annually.

*General Assistance:* Client Assistance is assumed to increase 1.0% annually from FY 18 through FY 21.

*Other Assistance:* Medical, Institutional, Transient, and Work Programs include no annual increase.

*Other Charges:* Other Charges include the Job Readiness Program for which there are no anticipated increases.

<b>GENERAL ASSISTANCE FUND SUMMARY</b>
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The Township Board Fund Balance Policy provides for a target of four to six months of annual operating expenditures. However, demand decreased in FY 09 which has allowed fund balance to remain above the fund balance policy in the last five fiscal years. The 2008 tax levy funding FY 10 was reduced slightly based on decreased demand. Demand increased significantly from FY 10 to FY 12 and the fund balance continued to exceed its target. The 2011 tax levy funding FY 13, the 2012 tax levy funding FY 14, the 2013 tax levy funding FY 15, and the 2014 tax levy funding FY 16 remained flat in order to help bring the fund balance down to its targeted level with revenues remaining relatively the same but with expenditures exceeding revenues. For

FY 17, the levy will not remain flat but will increase. The Township Board of Trustees will consider the future funding and eligibility requirements during the annual planning stages.

#### ASSUMPTIONS FOR COMMUNITY MENTAL HEALTH FUND ANALYSIS

For a complete description of Township revenues see the section titled Township Revenue Descriptions, Assumptions and Projections.

#### Revenues

*Property Tax: Property Taxes, Personal Property Replacement Tax, and TIF.* Property Taxes represent 97% of the total Taxes revenue category, and 96% of total Community Mental Health Fund revenue. In discussions with the CMHB Board, the Township Board of Trustees determined to keep the 2015 Community Mental Health Fund property tax levy, which funds FY 17, flat at its 2014 level of \$1,493,646 in order to bring the fund balance to its target level. Property tax revenue is projected to increase by 1% for FY 18 through FY 21. Projected Property Taxes in FY 2021 show an increase of 1% from FY 2020 along with an estimate of additional taxes in the amount of \$69,000 when the TIFs end in the Village of Oak Park for the Community Mental Health Fund. This amount is based on this fund's percentages for an overall tax bill.

*Use of Money and Property:* Interest is projected to increase 1% annually.

*Intergovernmental:* Intergovernmental funding decreased 51% from FY 12 to FY 13 and then by 38% for FY 14. For FY 16, it was budgeted to remain at its actual FY 15 level of \$10,000. But for FY 17 it is budgeted to decrease to \$2,200 or 78% and will continue to be budgeted at that amount from FY 18 to FY 21 as this source of revenue continues to decrease.

#### Expenditures

Based on direction from Community Mental Health Board, Administration will be maintained at 20% of the Community Mental Health budget. The challenge over the next several years will be to ensure an adequate fund balance of at least 6 months expenditures and keep administrative costs low while providing much needed funding to local mental health agencies. Expenditure reductions in some areas in combination with conservative expenditure increases in other areas are included in the CMHB five-year projection to address these priorities.

*Personnel:* In FY 17 Expenditures for Employee Salaries will increase 5.6%. Employee Salaries are projected to increase by 1.25% for FY 18 and then 1.18% annually from FY 19 through FY 21, based on the average of the previous four year's Consumer Price Index.

*Fringe Benefits: FICA, IMRF Pension Plan and Health and Life Insurance.* FICA is 7.65% of salaries and IMRF is currently 8.80% of salaries. Health Insurance has increased 5% annually for the calendar years of 2009-2012, 10% in calendar year 2013, approximately 5% in calendar years 2014, and approximately 4% for the years

2015-2016. The IMRF pension plan employer costs decreased from 9.54% of salaries in January 2014 to 8.81% in January 2015 or a 7.65% decrease. The employer rate was further decreased to 8.8% in January 2016 but will increase in January 2017 to 8.92% or an increase of 1.4%. Pension legislation from the state effective January 1, 2011 will reduce pension benefits for employees hired after December 31, 2010. These changes will begin to reduce pension costs in ten or fifteen years. An overall annual 5% increase for fringe benefits from FY 18 through FY 21 is projected.

*Operating Costs and Services:* Budgeted operating costs and services will remain relatively flat from \$103,431 in FY 16 to \$101,921 or a decrease of \$1,510 or 1.5% in FY 17. Operating costs are projected to increase by 2.0% each year from FY 18 through FY 21.

*Capital Outlay:* No capital outlay is projected for FY 18 through FY 21.

*External Contracts and Programs:* Funding for agencies decreased from FY 16 to FY 17 from \$1,454,034 to \$1,393,076 a decrease of \$60,958 or 4.2%. Funding for agencies is projected to remain at that level of \$1,393,076 for FY 18-21. The likely redistribution of local and state priorities and funding may create funding gaps for funded programs that have historically been shared between the CMHB and local or state funding agencies.

In FY 17, CMHB's budgeted expenditures exceed budgeted revenues to expend part of fund balance. Expending a portion of the fund balance will reduce the amount of fund balance to the target outlined in CMHB's current fund balance policy. The Community Mental Health Board will continue to evaluate its fund balance policy which provides for a fund balance of six to eight months expenditures.

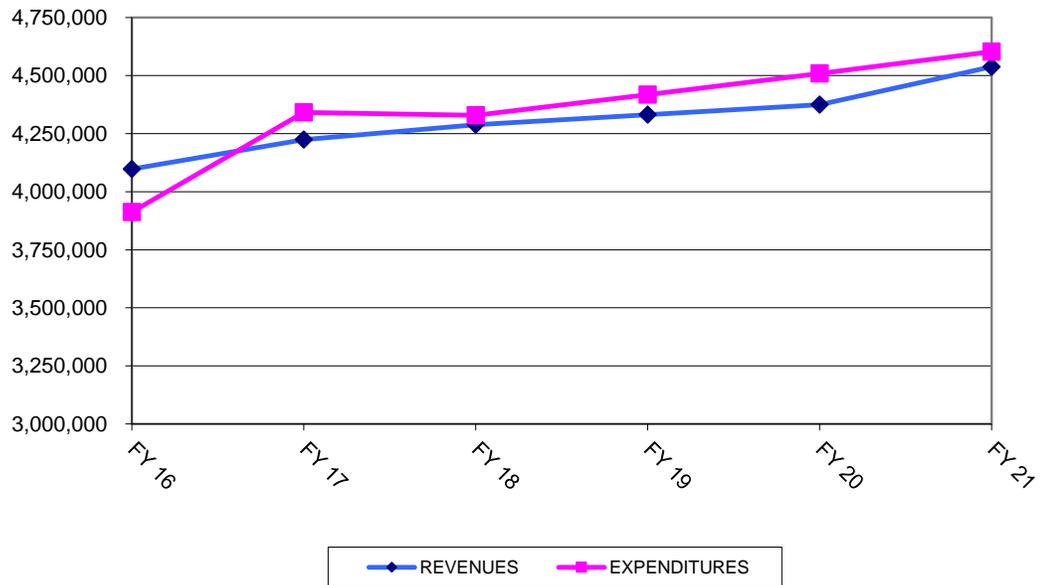
*Other Costs and Charges:* In FY 17, a total of \$11,818 is budgeted in Local Funds Initiative and Website/Network of Care for ongoing support for Medicaid Funds Participation, and a website providing access to mental health resources. Other Costs and Charges are projected to increase to \$13,000 in FY 18 and then remain at that level from FY 19 through FY 21.

#### COMMUNITY MENTAL HEALTH FUND SUMMARY

The CMHB Board focuses its efforts on addressing mental health issues in the community. A community needs assessment was completed in FY 11, revised in FY 14 and a new assessment will be completed in FY 17. The assessment and the Board's strategic plan will be used to guide the Board in providing funding to community agencies that provide services for the Board's priorities through March 2017. The Community Mental Health Act 405 ILCS 20/1 et seq. requires that the Board adopt a one and three-year plan to address community needs. The community needs assessment and its strategic plan will be used to guide the Board in refinements of its one and three-year plans.

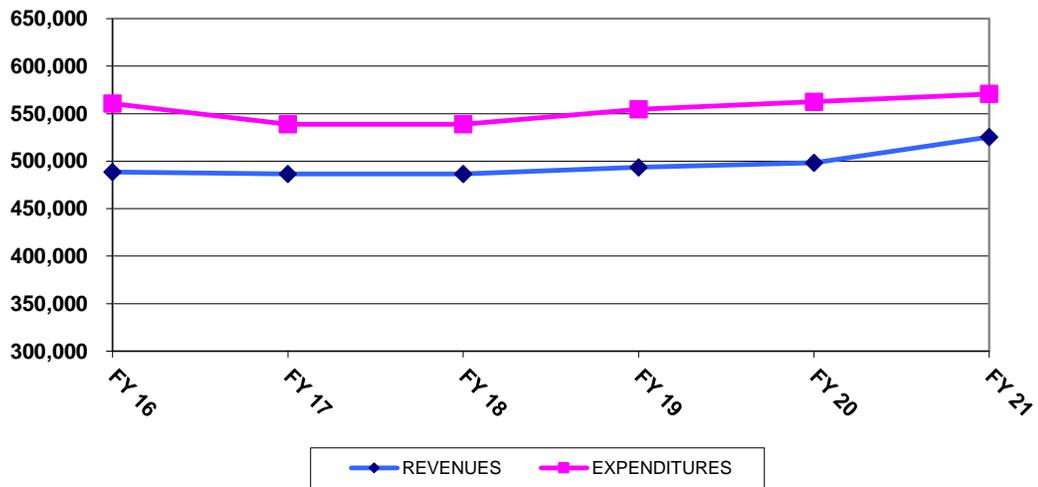
## TOWN FUND REVENUE AND EXPENDITURE PROJECTIONS

	Actual FY 16	Budget FY 17	Projected FY 18	Projected FY 19	Projected FY 20	Projected FY 21
<b>REVENUES</b>	4,097,505	4,223,796	4,288,006	4,330,876	4,374,175	4,537,907
<b>EXPENDITURES</b>	3,912,578	4,341,667	4,329,537	4,417,764	4,508,997	4,602,999
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	184,927	(117,871)	(41,531)	(86,888)	(134,822)	(65,092)
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	184,927	(117,871)	(41,531)	(86,888)	(134,822)	(65,092)
<b>TOTAL FUND BALANCE BEGINNING OF FISCAL YEAR</b>	1,552,969	1,737,896	1,620,025	1,578,494	1,491,606	1,356,784
<b>FUND BALANCE END OF FISCAL YEAR</b>	<b>1,737,896</b>	<b>1,620,025</b>	<b>1,578,494</b>	<b>1,491,606</b>	<b>1,356,784</b>	<b>1,291,692</b>



## GENERAL ASSISTANCE FUND REVENUE AND EXPENDITURE PROJECTIONS

	Actual FY 16	Budget FY 17	Projected FY 18	Projected FY 19	Projected FY 20	Projected FY 21
<b>REVENUES</b>	488,692	486,600	486,600	493,452	498,347	525,290
<b>EXPENDITURES</b>	560,757	538,823	538,823	554,490	562,553	570,806
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(72,065)	(52,223)	(52,223)	(61,038)	(64,206)	(45,516)
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	(72,065)	(52,223)	(52,223)	(61,038)	(64,206)	(45,516)
<b>TOTAL FUND BALANCE BEGINNING OF FISCAL YEAR</b>	285,133	213,068	160,845	108,622	47,584	(16,622)
<b>FUND BALANCE END OF FISCAL YEAR</b>	<b>213,068</b>	<b>160,845</b>	<b>108,622</b>	<b>47,584</b>	<b>(16,622)</b>	<b>(62,138)</b>



## COMMUNITY MENTAL HEALTH FUND REVENUE AND EXPENDITURE PROJECTIONS

	Actual FY 16	Budget FY 17	Projected FY 18	Projected FY 19	Projected FY 20	Projected FY 21
<b>REVENUES</b>	1,517,089	1,545,321	1,546,744	1,562,189	1,577,789	1,662,545
<b>EXPENDITURES</b>	1,637,252	1,761,488	1,744,783	1,751,989	1,759,415	1,767,069
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(120,163)	(216,167)	(198,039)	(189,800)	(181,626)	(104,524)
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	(120,163)	(216,167)	(198,039)	(189,800)	(181,626)	(104,524)
<b>TOTAL FUND BALANCE BEGINNING OF FISCAL YEAR</b>	1,446,549	1,326,386	1,110,219	912,180	722,380	540,754
<b>FUND BALANCE END OF FISCAL YEAR</b>	<b>1,326,386</b>	<b>1,110,219</b>	<b>912,180</b>	<b>722,380</b>	<b>540,754</b>	<b>436,230</b>

