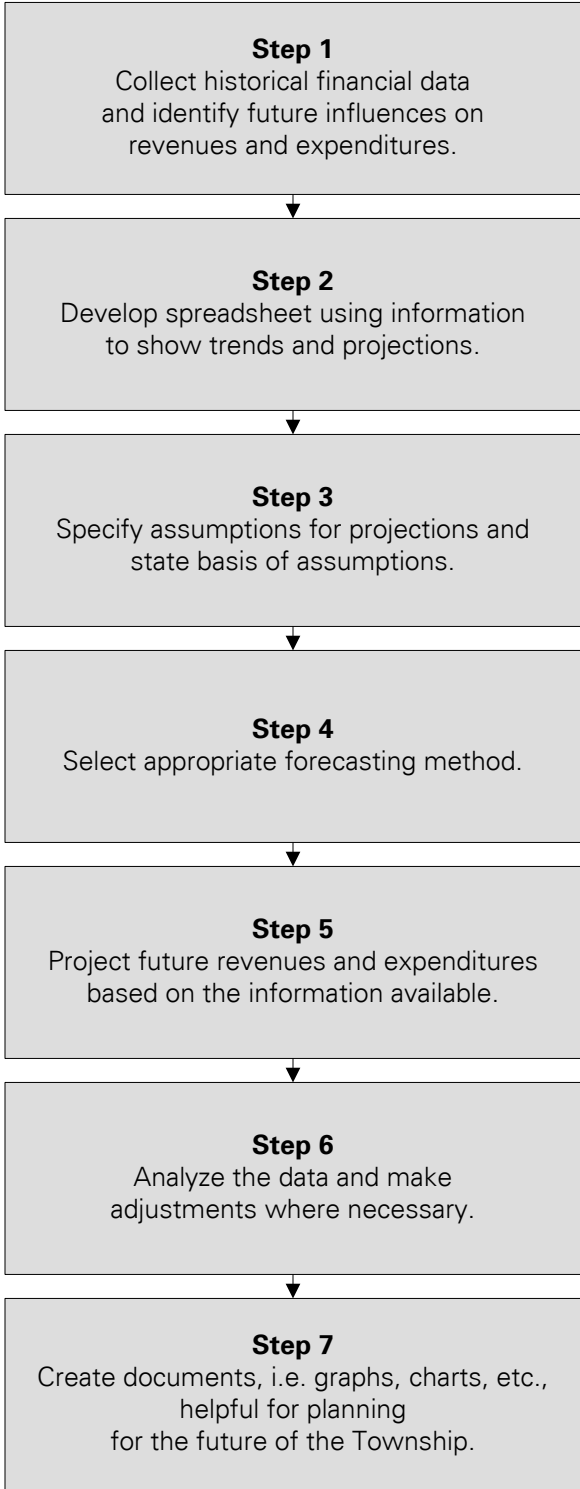


# FIVE YEAR REVENUE AND EXPENDITURE FORECASTING PROCESS



## **FIVE YEAR BUDGET PROJECTIONS FY 12 THROUGH FY 16**

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 12 budget and the projections through the fiscal year ending March 31, 2016.

It should be noted that developing long-term financial projections for government agencies can be risky. Projections should only be used as a guide rather than a definite statement of revenues and expenditures at any given time. 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, 2012 through March 31, 2016 are projected using the FY 12 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 or voters approve a higher rate by referendum.

A qualitative forecasting method known as "naive 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. Over 71% 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 62% of total Town Fund revenue. Property Taxes represent 96% of the total Taxes revenue category. The 2010 property tax levy which funds FY 12 increased 2.7% to match the Consumer Price Index for the 12 months ending December, 2009. The allowable property tax levy increase will be 1.5% for FY 13 based on the Consumer Price Index for the 12 months ending December, 2010. The FY 13 projection includes a 1.5% increase in property tax revenue and a 2% increase for all revenues. For FY 14 through FY 16, overall annual revenue increases are conservatively projected at 2%.

*Intergovernmental:* Intergovernmental revenue is the next largest revenue source typically representing approximately 34% of total Town Fund revenue. Revenues are forecast conservatively because of historical fluctuations in receipts. Local, state and federal funding is estimated to increase 2% 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 over the past three fiscal years (FY 09 – FY 11). Primarily based on an expected gradual rise in inflation due to increased federal government debt, interest and Sale of Township Property are projected to increase less than 1% annually.

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

### Expenditures

*Personal Services: Employee and Elected Official Salaries.* Expenditures for Employee and Elected Official Salaries will increase 7% for FY 12. The Department of Senior Services will add a case management supervisor and case manager position to improve case coordination for Senior Services and comply with more stringent Age Options grant requirements. These new personnel expenditures will be partially offset with grant revenue. Employees will receive an average 2.7% wage increase effective April 1, 2011. Employee and Elected Official Salaries are projected to increase 3% annually from FY 13 through FY 16.

*Fringe Benefits: FICA, IMRF Pension Plan and Health and Life Insurance.* FICA is 7.65% of salaries, IMRF is 9.37% of salaries and Health and Life Insurance has increased 7% annually over the past five years. The IMRF Pension Plan increased in January 2010 from 7.17% of salaries to 9.52%. IMRF employer costs stabilized at 9.37% of salaries in January 2011. The increase in 2010 is based on IMRF investment losses at the end of 2008. 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 7% increase for fringe benefits from FY 13 through FY 16 is projected.

*Operating Costs and Services:* Increases 2% annually.

*Other Costs and Charges:* Contingency, Research and Development, Consultant Fees increase 2% annually.

*External Contracts and Programs:* A modest 2% increase for external contracts with agencies in the community is projected.

*Capital Outlay:* Capital Renovation will not increase annually but will be budgeted when projects arise. For FY 12 \$945,000 is budgeted for Capital Outlay. This primarily reflects renovation for a new Senior Services facility. Thereafter, projected Capital Outlay remains at \$50,000 each year from FY 13 through FY 16.

#### TOWN FUND SUMMARY

The Township Board Fund Balance Policy provides for a target of four to six months of annual operating expenditures as Unassigned Fund Balance. The Town Fund's unassigned fund balance is currently 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 exceed budgeted revenue in FY 12 which includes a planned expenditure of \$945,000 in capital improvements. The excess in expenditures will spend down a portion of the fund balance. Expenditures continue to exceed revenue through FY 16, bringing the fund balance to within policy by FY 13 and by FY 14 below the fund balance policy limits based on current assumptions. Long-term planning will address bringing revenues and expenditures into balance 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 96% of revenue for the General Assistance Fund. The 2010 property tax levy which funds FY 12 increased 2.7% to match the Consumer Price Index for the 12 months ending December, 2009. In future years, it may 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.

The allowable property tax levy increase is scheduled to decrease from 2.7% for FY 12 to 1.5% for FY 13. For FY 13 through FY 16, overall annual revenue increases are conservatively projected at 2%.

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

*Intergovernmental:* Local, state and federal funding varies greatly from year to year. A conservative estimate of \$10,000 annually was determined based on historical data.

## Expenditures

General Assistance expenditures increased significantly from FY 04 through FY 07 because of increased demand. Expenditures declined in FY 08 and again in FY 09 but increased significantly in FY 10 and FY 11. The economic slowdown has resulted in a greater need for general assistance. A steady increase in demand for general assistance is projected through FY 16.

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, limitations on current case load and appropriations from the Town Fund.

*Administration:* Significant expenditures for Administration include Employee and Elected Official Salaries. Employee and Elected Official Salaries to increase 3% annually.

*Fringe Benefits: FICA, IMRF Pension Plan and Health and Life Insurance.* FICA is 7.65% of salaries, IMRF is 9.37% of salaries and Health and Life Insurance has increased 7% annually over the past five years. The IMRF Pension Plan increased in January 2010 from 7.17% of salaries to 9.52%. IMRF employer costs stabilized at 9.37% of salaries in January 2011. The increase in 2010 is based on IMRF investment losses at the end of 2008. 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 7% increase for fringe benefits from FY 13 through FY 16 is projected.

*Operating Costs and Services:* Increases 2% annually.

*General Assistance:* Client Assistance is assumed to increase 5% annually from FY 13 through FY 16.

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

*Other Charges:* Other Charges include Contingency for which there are no anticipated increases.

#### GENERAL ASSISTANCE FUND SUMMARY

The Township Board Fund Balance Policy provides for a target of four to six months of annual operating expenditures. At the time the Policy was adopted, the fund balance exceeded that amount. In FY 05 there was a 26% increase in demand for the program. The increase was attributed to a number of factors that were readily identifiable, such as a downturn in the economy and new literature mailed to residential households educating residents about the General Assistance Program. The unexpected demand for the program brought the fund balance to below the fund balance policy by March 31, 2007. However, demand decreased in FY 08 and FY 09 which has allowed fund balance to remain above the fund balance policy in the last three fiscal years. The 2008 tax levy funding FY 10 was reduced slightly based on decreased demand. Demand increased significantly in FY 10 and FY 11. 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 96% of the total Taxes revenue category, and 92% of total Community Mental Health Fund revenue. The allowable property tax levy increase is 2.7% for FY 12 based on the Consumer Price Index for the 12 months ending December 2009. The allowable property tax levy increase is scheduled to decrease from 2.7% for FY 12 to 1.5% for FY 13. For FY 13 through FY 16, overall annual revenue increases are conservatively projected at 2%.

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

*Intergovernmental:* Intergovernmental funding is expected to decrease 50% from FY 11 to FY 12 and then to \$0 for FY 13 through FY 16. CMHB will cease to benefit from Medicaid Federal Funds Participation (FFP) due to major changes in the State's mental health system. Major restructuring at the state level is due to the State's financial crisis and new federal healthcare legislation.

#### Expenditures

Based on direction from Community Mental Health Board members, 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 Services:* In FY 12 Employee Salaries increase 4% due to a pay adjustment for the Contracts Manager position based on benchmarking with comparable positions in the industry and a 2.7% average wage increase effective April 1, 2011. Employee Salaries are projected to increase 3% annually from FY 13 through FY 16.

*Fringe Benefits:* FICA, IMRF Pension Plan and Health and Life Insurance. FICA is 7.65% of salaries, IMRF is 9.37% of salaries and Health and Life Insurance has increased 7% annually for the past five years. IMRF increased in January 2010 from 7.17% to 9.52% and then decreased slightly to 9.37% for 2011. The increase in 2010 is based on IMRF pension investment losses at the end of 2008. Fringe Benefits are expected to increase 7% each year.

*Operating Costs and Services:* Community Mental Health plans to move its offices to a location with lower rent costs in FY12, resulting in significant operating cost savings. In addition, fewer professional consultation services will be required. Budgeted operating costs and services will decrease from \$114,650 in FY 11 to \$86,300 in FY 12. Operating costs are planned to increase modestly by 1.5% each year from FY 12 through FY 16.

*Capital Outlay:* No capital outlay is projected for FY 12 through FY 16.

*External Contracts and Programs:* Funding for agencies increases 2% for FY 12 through FY 16. 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 12, 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 Charges:* In FY 12, a total of \$38,000 is budgeted in Research and Development, Community Education, and Website/Network of Care for ongoing support for Medicaid Funds Participation, and a website providing access to mental health resources. Other Charges is projected to remain level at a total of \$58,000 from FY 13 through FY 16.

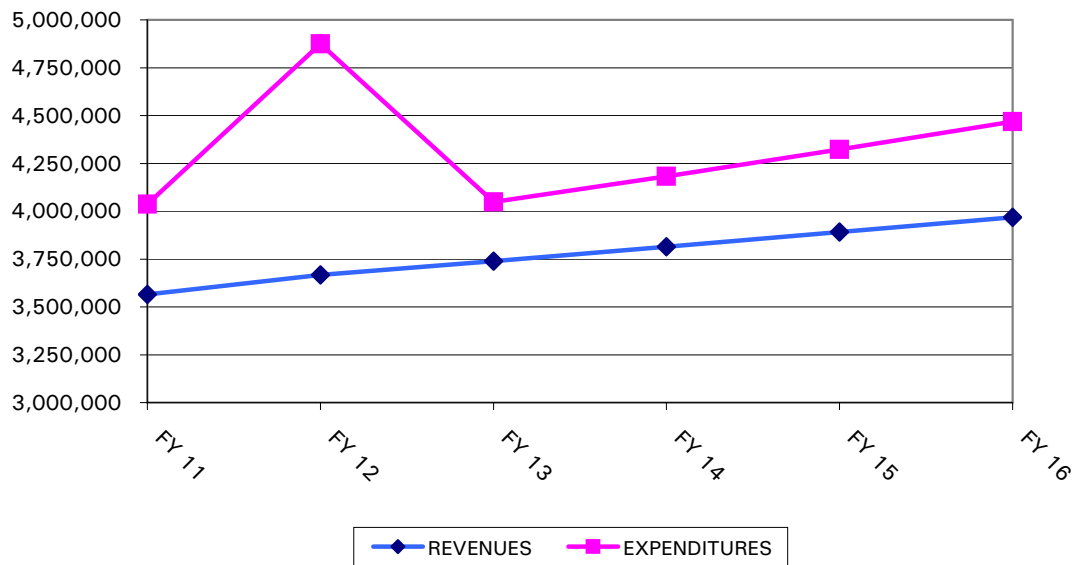
<b>COMMUNITY MENTAL HEALTH FUND SUMMARY</b>
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Community Mental Health revenues and expenditures changed significantly beginning in FY 06 when the direct service programs, USP and CILA, were transferred to a local agency. The Board will now focus its efforts on addressing mental health issues in the community. A community needs assessment was started in FY 10 and was completed in FY 11. The assessment will be used to guide the Board in providing funding to community agencies that provide services for the Board's priorities. 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 will be used to guide the Board in refinements of the one and three-year plans.

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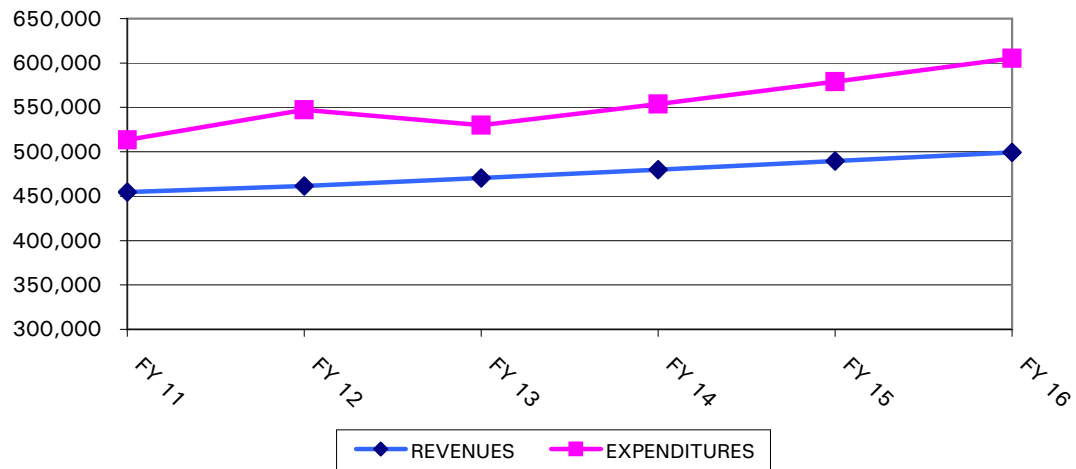
## TOWN FUND REVENUE AND EXPENDITURE PROJECTIONS

	Actual FY 11	Budget FY 12	Projected FY 13	Projected FY 14	Projected FY 15	Projected FY 16
<b>REVENUES</b>	3,565,074	3,666,536	3,739,867	3,814,664	3,890,957	3,968,776
<b>EXPENDITURES</b>	4,036,734	4,874,237	4,048,104	4,182,404	4,322,424	4,468,466
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(471,660)	(1,207,701)	(308,237)	(367,740)	(431,467)	(499,690)
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	(471,660)	(1,207,701)	(308,237)	(367,740)	(431,467)	(499,690)
<b>TOTAL FUND BALANCE BEGINNING OF FISCAL YEAR</b>	3,344,079	2,872,419	1,664,718	1,356,481	988,741	557,274
<b>FUND BALANCE END OF FISCAL YEAR</b>	<b>2,872,419</b>	<b>1,664,718</b>	<b>1,356,481</b>	<b>988,741</b>	<b>557,274</b>	<b>57,585</b>



## GENERAL ASSISTANCE FUND REVENUE AND EXPENDITURE PROJECTIONS

	Actual FY 11	Budget FY 12	Projected FY 13	Projected FY 14	Projected FY 15	Projected FY 16
<b>REVENUES</b>	454,764	461,395	470,623	480,035	489,636	499,429
<b>EXPENDITURES</b>	513,547	547,143	529,940	553,845	578,916	605,213
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(58,783)	(85,748)	(59,317)	(73,810)	(89,280)	(105,784)
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	(58,783)	(85,748)	(59,317)	(73,810)	(89,280)	(105,784)
<b>TOTAL FUND BALANCE BEGINNING OF FISCAL YEAR</b>	523,539	464,756	379,008	319,691	245,881	156,601
<b>FUND BALANCE END OF FISCAL YEAR</b>	<b>464,756</b>	<b>379,008</b>	<b>319,691</b>	<b>245,881</b>	<b>156,601</b>	<b>50,817</b>



## COMMUNITY MENTAL HEALTH FUND REVENUE AND EXPENDITURE PROJECTIONS

	Actual FY 11	Budget FY 12	Projected FY 13	Projected FY 14	Projected FY 15	Projected FY 16
<b>REVENUES</b>	1,557,642	1,524,636	1,555,129	1,586,231	1,617,956	1,650,315
<b>EXPENDITURES</b>	1,466,228	1,681,606	1,718,192	1,755,752	1,794,318	1,833,926
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	91,414	(156,970)	(163,063)	(169,521)	(176,362)	(183,611)
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	91,414	(156,970)	(163,063)	(169,521)	(176,362)	(183,611)
<b>TOTAL FUND BALANCE BEGINNING OF FISCAL YEAR</b>	1,305,909	1,397,323	1,240,353	1,077,290	907,769	731,407
<b>FUND BALANCE END OF FISCAL YEAR</b>	<b>1,397,323</b>	<b>1,240,353</b>	<b>1,077,290</b>	<b>907,769</b>	<b>731,407</b>	<b>547,796</b>

