Town of Normal
Council Work Session
Proposed Budget FY2019-20

Presented By
Andrew Huhn, Finance Director
January 17, 2019
Budget Review

- General Fund
  - Current Year Position
  - Changes in Revenue (Adopted to Proposed)
  - Changes in Expenditures (Adopted to Proposed)
  - Proposed FY2019-20 Budget
  - Fund Balance

- Capital Review

- Debt Review

- Water Fund and Sewer Fund

- Health Insurance Fund

- All Funds are Positive

- Review Key Fiscal Strategies

- Department Reviews
## Budget Estimate for FY2018-19

<table>
<thead>
<tr>
<th>Budget Projections</th>
<th>Current Year (FY2018-19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>65,830,021</td>
</tr>
<tr>
<td>Expenditures</td>
<td>65,829,798</td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>223</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Budget Projections</th>
<th>Proposed Year (FY2019-20)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>67,562,081</td>
</tr>
<tr>
<td>Expenditures</td>
<td>67,522,437</td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>39,644</td>
</tr>
</tbody>
</table>
Fund Balance
General Fund
Primary Fiscal Strategy
Fund Balance Compared to Target

General Fund - Projection of Fund Balance

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Projected Fund Balance</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2018-19</td>
<td>$10,318,032</td>
<td>15.7%</td>
</tr>
<tr>
<td>FY2019-20</td>
<td>$10,357,676</td>
<td>15.3%</td>
</tr>
<tr>
<td>FY2020-21</td>
<td>$10,479,551</td>
<td>15.2%</td>
</tr>
<tr>
<td>FY2021-22</td>
<td>$10,600,103</td>
<td>15.0%</td>
</tr>
<tr>
<td>FY2022-23</td>
<td>$10,696,923</td>
<td>14.9%</td>
</tr>
<tr>
<td>FY2023-24</td>
<td>$10,772,983</td>
<td>14.7%</td>
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</tbody>
</table>

Green line represents the Fund Balance Target = 15% of total expenditures and transfers out of the General Fund.
Revenues
General Fund Revenue FY2019-20 ($67.5 million)

- Sales Tax: 37%
- Property Tax: 14%
- Charges for Services: 9%
- Income Tax: 8%
- Utility Tax: 6%
- Parks and Recreation: 6%
- Food and Beverage Tax: 4%
- Other Local Taxes: 4%
- Other State Taxes: 3%
- Fines, Fees, Licenses and Permits: 3%
- Hotel Motel Tax: 2%
- Miscellaneous: 2%
- Transfers: 1%
- LMFT: 1%
- Reimbursement: 1%
- Transfers: 1%
- Other Local Taxes: 3%

Total: $67.5 million
General Fund

- Expecting a Slightly Better Revenue Picture than Last Year
- On Average = $230,000/Year

Adopted to Proposed Revenue

<table>
<thead>
<tr>
<th></th>
<th>FY2018-19 Adopted/Estimated</th>
<th>FY2019-20 Projected</th>
<th>FY2020-21 Projected</th>
<th>FY2021-22 Projected</th>
<th>FY2022-23 Projected</th>
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<tbody>
<tr>
<td>Adopted FY2018-19</td>
<td>65,668,357</td>
<td>67,305,797</td>
<td>68,895,017</td>
<td>70,662,942</td>
<td>71,822,301</td>
</tr>
<tr>
<td>Proposed FY2019-20</td>
<td>65,830,021</td>
<td>67,562,081</td>
<td>69,249,217</td>
<td>70,911,617</td>
<td>71,953,781</td>
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General Fund Revenue FY2019-20 ($67.5 million)

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- Transfers: 1%
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- Food and Beverage Tax: 4%
General Fund

- Expecting a Better Revenue Picture than Last Year
- On Average = $990,000/Year

### Sales Tax

<table>
<thead>
<tr>
<th>FY2018-19 Adopted/Estimated</th>
<th>FY2019-20 Projected</th>
<th>FY2020-21 Projected</th>
<th>FY2021-22 Projected</th>
<th>FY2022-23 Projected</th>
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<tbody>
<tr>
<td>Adopted FY2018-19</td>
<td>$23,541,000</td>
<td>$23,836,000</td>
<td>$24,133,000</td>
<td>$24,435,000</td>
</tr>
<tr>
<td>Proposed FY2019-20</td>
<td>$24,387,000</td>
<td>$24,735,000</td>
<td>$25,105,000</td>
<td>$25,482,000</td>
</tr>
</tbody>
</table>

$846,000 \quad $1.2 \text{ million}
General Fund – Sales Tax

• FY2018-19 Adopted Budget (Last Year’s Budget Process)
  • Established 5-Year Revenue Budget in FY2017-18
  • 5 or 6 months of Sales Tax Data
  • Sales Tax was **down 1.1% YTD**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Sales Tax</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimate FY2017-18</td>
<td>$23,309,000</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Adopted FY2018-19</td>
<td>$23,541,000</td>
<td>1.00%</td>
</tr>
<tr>
<td>Adopted FY2019-20</td>
<td>$23,836,000</td>
<td>1.25%</td>
</tr>
<tr>
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<td>$24,435,000</td>
<td>1.25%</td>
</tr>
<tr>
<td>Adopted FY2022-23</td>
<td>$24,741,000</td>
<td>1.25%</td>
</tr>
</tbody>
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## General Fund – Sales Tax

- **FY2019-20 Proposed Budget (Current Year Process)**
  - FY2017-18 Estimated **-0.2%**, Actual = **+2.9%**
  - FY2018-19 Estimated **+1.0%**, YTD December = **9.1%**

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<thead>
<tr>
<th>Fiscal Year</th>
<th>Sales Tax</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual FY2017-18</td>
<td>$24,018,383</td>
<td>2.9%</td>
</tr>
<tr>
<td>Estimated FY2018-19</td>
<td>$24,387,000</td>
<td>1.5%</td>
</tr>
<tr>
<td>Proposed FY2019-20</td>
<td>$24,735,000</td>
<td>1.5%</td>
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<tr>
<td>Proposed FY2020-21</td>
<td>$25,105,000</td>
<td>1.5%</td>
</tr>
<tr>
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<td>$25,482,000</td>
<td>1.5%</td>
</tr>
<tr>
<td>Proposed FY2022-23</td>
<td>$25,928,000</td>
<td>1.8%</td>
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Red Line in the Chart
### General Fund – Sales Tax

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<th>Fiscal Year</th>
<th>Adopted</th>
<th>Proposed</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopted FY2018-19</td>
<td>$23,541,000</td>
<td>$24,387,000</td>
<td>$846,000</td>
</tr>
<tr>
<td>Adopted FY2019-20</td>
<td>$23,836,000</td>
<td>$24,735,000</td>
<td>$899,000</td>
</tr>
<tr>
<td>Adopted FY2020-21</td>
<td>$24,133,000</td>
<td>$25,105,000</td>
<td>$972,000</td>
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<td>$24,435,000</td>
<td>$25,482,000</td>
<td>$1,047,000</td>
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<tr>
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<td>$24,741,000</td>
<td>$25,928,000</td>
<td>$1,187,000</td>
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**Average** $990,200
General Fund

- Expecting a Better Revenue Picture than Last Year
- On Average = $990,000/Year

Sales Tax

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$846,000

$1.2 million
General Fund Revenue FY2019-20 ($67.5 million)

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- Transfers: 1%
- LMFT: 1%
- Reimbursement: 1%
- Fines, Fees, Licenses and Permits: 3%
General Fund

- Projecting a Reduced Levy
- On Average = $860,000/Year

Property Tax

<table>
<thead>
<tr>
<th></th>
<th>FY2018-19 Adopted/Estimated</th>
<th>FY2019-20 Projected</th>
<th>FY2020-21 Projected</th>
<th>FY2021-22 Projected</th>
<th>FY2022-23 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopted FY2018-19</td>
<td>$8,980,000</td>
<td>$9,493,000</td>
<td>$10,066,000</td>
<td>$10,681,000</td>
<td>$11,335,000</td>
</tr>
<tr>
<td>Proposed FY2019-20</td>
<td>$8,979,800</td>
<td>$8,979,694</td>
<td>$9,334,580</td>
<td>$9,713,465</td>
<td>$10,107,275</td>
</tr>
</tbody>
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General Fund Revenue FY2019-20 ($67.5 million)

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General Fund – Income Tax

One-Time Impact of Income Tax Rate Change and Allocation Formula

10% State Share Cut

5% State Share Cut

Recession and Recovery

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<tr>
<th>Fiscal Year</th>
<th>Actual (million)</th>
<th>Actual Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009-10</td>
<td>4,032,411</td>
<td>-12.8%</td>
</tr>
<tr>
<td>FY2010-11</td>
<td>3,938,798</td>
<td>-1.8%</td>
</tr>
<tr>
<td>FY2011-12</td>
<td>4,258,208</td>
<td>8.1%</td>
</tr>
<tr>
<td>FY2012-13</td>
<td>4,731,057</td>
<td>11.1%</td>
</tr>
<tr>
<td>FY2013-14</td>
<td>5,115,630</td>
<td>8.1%</td>
</tr>
<tr>
<td>FY2014-15</td>
<td>5,141,273</td>
<td>0.5%</td>
</tr>
<tr>
<td>FY2015-16</td>
<td>5,594,733</td>
<td>8.8%</td>
</tr>
<tr>
<td>FY2016-17</td>
<td>4,962,270</td>
<td>-11.3%</td>
</tr>
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<td>4,760,527</td>
<td>-4.1%</td>
</tr>
<tr>
<td>FY2018-19</td>
<td>5,040,000</td>
<td>5.9%</td>
</tr>
<tr>
<td>FY2019-20</td>
<td>5,103,000</td>
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<td>FY2021-22</td>
<td>5,232,000</td>
<td>1.3%</td>
</tr>
<tr>
<td>FY2022-23</td>
<td>5,297,000</td>
<td>1.2%</td>
</tr>
<tr>
<td>FY2023-24</td>
<td>5,363,000</td>
<td>1.2%</td>
</tr>
</tbody>
</table>
General Fund

• Projecting More Revenue than Last Year
• On Average = $173,000/Year

Income Tax

<table>
<thead>
<tr>
<th></th>
<th>FY2018-19 Adopted/Estimated</th>
<th>FY2019-20 Projected</th>
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<tbody>
<tr>
<td>Adopted FY2018-19</td>
<td>$4,871,000</td>
<td>$4,932,000</td>
<td>$4,994,000</td>
<td>$5,056,000</td>
<td>$5,120,000</td>
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<tr>
<td>Proposed FY2019-20</td>
<td>$5,040,000</td>
<td>$5,103,000</td>
<td>$5,167,000</td>
<td>$5,232,000</td>
<td>$5,297,000</td>
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</tbody>
</table>
General Fund Revenue FY2019-20 ($67.5 million)

- Sales Tax: 37%
- Property Tax: 14%
- Income Tax: 8%
- Utility Tax: 6%
- Charges for Services: 9%
- Parks and Recreation: 6%
- Food and Beverage Tax: 4%
- Other Local Taxes: 4%
- Other State Taxes: 3%
- Fines, Fees, Licenses and Permits: 3%
- Hotel Motel Tax: 2%
- LMFT: 1%
- Transfers: 1%
- Miscellaneous: 2%
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- Transfers: 1%
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General Fund – Utility Tax

- Gas, Electric, Cable and Telecommunications
- Downward Pressure

<table>
<thead>
<tr>
<th>Year</th>
<th>Utility Tax</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013-14</td>
<td>4,842,614</td>
<td>-0.4%</td>
</tr>
<tr>
<td>FY2014-15</td>
<td>4,629,133</td>
<td>-4.4%</td>
</tr>
<tr>
<td>FY2015-16</td>
<td>4,414,625</td>
<td>-4.6%</td>
</tr>
<tr>
<td>FY2016-17</td>
<td>4,186,122</td>
<td>-5.2%</td>
</tr>
<tr>
<td>FY2017-18</td>
<td>4,076,318</td>
<td>-2.6%</td>
</tr>
<tr>
<td>FY2018-19</td>
<td>4,109,000</td>
<td>0.8%</td>
</tr>
<tr>
<td>FY2019-20</td>
<td>4,109,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>FY2020-21</td>
<td>4,109,000</td>
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</tr>
<tr>
<td>FY2023-24</td>
<td>4,109,000</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
Operating Expenditures
General Fund Expenditures FY2019-20 ($67.5 million)
General Fund

General Fund Expenditure Comparison
Adopted to Proposed Budget

<table>
<thead>
<tr>
<th>FY2018-19 Adopted/Estimated</th>
<th>FY2019-20 Projected</th>
<th>FY2020-21 Projected</th>
<th>FY2021-22 Projected</th>
<th>FY2022-23 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopted FY2018-19</td>
<td>65,659,877</td>
<td>67,291,887</td>
<td>68,868,752</td>
<td>70,637,740</td>
</tr>
<tr>
<td>Proposed FY2019-20</td>
<td>65,829,798</td>
<td>67,522,437</td>
<td>69,127,342</td>
<td>70,791,065</td>
</tr>
</tbody>
</table>
General Fund Expenditures FY2019-20 ($67.5 million)
General Fund Personnel Cost Expenditures FY2019-20 ($36.6 million)

*Administration – includes City Manager’s Office, Communications, CIRBN and Retiree Health Insurance Costs
General Fund Salary and Benefits Expenditures FY2019-20 ($36.6 million)

- Slightly less Expense than Last Year
- On Average = $96,400/Year
General Fund Operating Expenditures Expenditures FY2019-20 ($14.2 million)

• Contractual Payments $7.4 million
  • Mental Health Care County Contribution $1.5 million
  • Metcom $1.0 million
  • Streets and Waste Division $1.0 million
  • Information Technology Systems $730k

• Liability Insurance $1.4 million – Workers Comp, Auto, Property and General Liability

• Operating Supplies $1.2 million
  • Parks and Recreation $400k
  • Public Works $376k
  • Facilities Management $109k
  • Cultural Arts $97k

• Mass Transit $911,000

• Equipment Maintenance $829,000
  • Information Technology $328k
  • Facilities Management $168k
  • Parks and Recreation $158k

• Utilities $767,000

• Fuel $516,000
Capital Expenditures
Capital Outlay
FY2018-19 to FY2023-24

• Utility ($40.3 million)
  • Water Main Replacement
  • Well Rehab/Replacement
  • Treatment Facility
  • All System Infrastructure

• Capital Assets ($22.8 million)
  • Vehicle
  • Major Equipment

• Transportation ($20.8 million)
  • Street Improvements
  • Bridges
  • Street Lights
  • Sidewalks
  • Traffic Lights

• Parks and Open Space ($1.6 million)
  • Park Development
  • Park Improvements
  • Pools
  • Theater
  • Golf Course
  • Trail

• Public Facilities ($2.7 million)
  • Roofs
  • HVAC Systems
  • Building Envelope
    • Reconstruction
    • Replacement
    • Major Maintenance
General Fund Budget Summary

- Consistent to Slightly Better than Expectations
- Programs Status Quo
- Positions Changes – Budget Neutral
- No contingency
- Limited “pay as you go” Capital Spending
  - Review Funding Options FY2019-20
Vehicle and Equipment Reserve Fund
Fund Balance Compared to Target

Green line represents the fund balance target - which is equal to 110% of the average spending for the next 5 years.

Red line represents the revised target of 75% of the spending.
Debt
Debt Review

• General Fund
  • Designated Debt Service Revenues
    • Portion of Local Sales Tax (1/4 cent)
    • Portion of Hotel/Motel Tax
    • Portion of Food and Beverage Tax
    • Uptown Tax Incremental Financing (TIF) Revenue (excluding developer reimbursements)
    • Motor Fuel Tax

• Water and Sewer Revenue

• Sufficient to Fund Existing Obligations in the Proposed Budget

• AAA Rated (Fitch)
# Debt Summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Total Outstanding Bond Issues</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Total Town Wide Debt Outstanding</td>
<td>$91.5 million</td>
<td>$87.8 million</td>
<td>$85.7 million</td>
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<tr>
<td>GO Debt - General Fund</td>
<td>$83.4 million</td>
<td>$80.2 million</td>
<td>$78.4 million</td>
</tr>
<tr>
<td>GO Debt - Water and Sewer Funds</td>
<td>$6.3 million</td>
<td>$6.0 million</td>
<td>$5.9 million</td>
</tr>
<tr>
<td>IEPA - Water Fund</td>
<td>$1.7 million</td>
<td>$1.5 million</td>
<td>$1.4 million</td>
</tr>
<tr>
<td>Maximum Maturity</td>
<td>25 Years</td>
<td>24 Years</td>
<td>23 Years</td>
</tr>
<tr>
<td>Average Interest Rate</td>
<td>3.41%</td>
<td>3.20%</td>
<td>3.20%</td>
</tr>
<tr>
<td>Average Payment next five years</td>
<td>$6.1 million</td>
<td>$6.4 million</td>
<td>$6.4 million</td>
</tr>
<tr>
<td>Average Payment - until max maturity</td>
<td>$5.6 million</td>
<td>$5.6 million</td>
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</tr>
</tbody>
</table>
Debt Review

• Managing Debt
  • Budget and Accounting
  • Compliance Requirements
  • Payment Deadlines

• Carefully Monitor Benchmarks

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total General Fund</th>
<th>Net Debt Service Payment</th>
<th>Debt Payment/ Gen Rev Target less than 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYE19</td>
<td>65,829,798</td>
<td>4,589,735</td>
<td>7.0%</td>
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<td>8.3%</td>
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<td>FYE22</td>
<td>70,791,065</td>
<td>5,770,196</td>
<td>8.2%</td>
</tr>
<tr>
<td>FYE23</td>
<td>71,856,961</td>
<td>5,753,452</td>
<td>8.0%</td>
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<tr>
<td>FYE24</td>
<td>73,512,750</td>
<td>7,056,159</td>
<td>9.6%</td>
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</tbody>
</table>

Coverage Ratios (1) and (2)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>(1) Rev/Exp 1.00</th>
<th>(2) Rev + Bal/Exp 1.25</th>
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<tbody>
<tr>
<td>FYE18</td>
<td>0.87</td>
<td>1.52</td>
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<tr>
<td>FYE19</td>
<td>1.12</td>
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<td>FYE20</td>
<td>1.00</td>
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<tr>
<td>FYE21</td>
<td>1.01</td>
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<td>FYE22</td>
<td>1.12</td>
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<td>FYE23</td>
<td>0.87</td>
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Water and Sewer Funds
Water Funds

TOTAL FUND EQUITY

- Capital
- Replacement
- Debt Service
- Operating

Operating Reserve
FY2018-19 = 28%
FY2023-24 = 20%

Capital Reserves under target

2% Annual Rate Increase
Sewer Funds

TOTAL FUND EQUITY

- Operating Reserve
  - FY2018-19 = 13%
  - FY2023-24 = 28%

Capital Funds at Target
Health and Dental Fund
Health Insurance Fund

Projection of Fund Balance

<table>
<thead>
<tr>
<th>Year</th>
<th>Fund Balance</th>
<th>Target Balance</th>
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<tbody>
<tr>
<td>FY2018-19</td>
<td>$968,523</td>
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</tr>
<tr>
<td>FY2019-20</td>
<td>$1,299,271</td>
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</tr>
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<td>FY2020-21</td>
<td>$1,550,106</td>
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<tr>
<td>FY2021-22</td>
<td>$1,826,670</td>
<td></td>
</tr>
<tr>
<td>FY2022-23</td>
<td>$2,133,836</td>
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<tr>
<td>FY2023-24</td>
<td>$2,472,904</td>
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$2,036,775
$1,964,256
$2,073,127
$2,178,561
$2,289,167
$2,405,360
Health Insurance Fund Summary

- Fund is Fiscally Healthy
- Reserves Expected to Increase
- Conservative Reserve Policy
  - Three Highest Expense Months (most recently closed audited year)
Financial Strategies
Key Financial Strategies and Others

- General Fund Target Balance
- General Fund Contingency
- Vehicle and Equipment Reserve
- Health and Dental Fund Reserve
- Debt Service Coverage
- Water Fund
- Sewer Fund
Conclusion

• Fund Reserves – Good
• Bond Ratings – Excellent
  • Reaffirmed AAA
• Conservative Budget Practices
  • Review Operations For Efficiencies
  • React Quickly to Changes
  • Constant Monitoring
  • Need to Restore Contingency
  • Need to Increase “Pay as you Go” Capital Spending
• Economy
  • Uncertain
  • Monitor Key General Fund Revenues
  • State’s Budgetary Challenge – Known Impact
Questions/Comments