

Town of



Normal

[www.normal.org](http://www.normal.org)

***Financial Trend and Condition Report***

***Fiscal Year 2015-16***

*Prepared by the Town of Normal Finance Department  
Normal, Illinois 61761*

# FY 2015-16 TREND AND CONDITION

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# FY 2015-16 TREND EVALUATION

## *EXECUTIVE SUMMARY*

The 2015-16 Financial Trend and Condition report is intended to provide a historical perspective on a variety of issues that impact the financial condition of the Town of Normal. This report focuses on six categories of indicators that provide an insight into the financial stability of the Town, with a particular emphasis on the General Fund. Overall, there are 34 indicators analyzed in this report. Each indicator is described according to its impact on the financial health of the Town. In order for trends to be illustrated, a historical perspective on each indicator is provided. Finally, each indicator is given a rating of (P)ositive, (N)egative or (U)nclassified.

Each category of indicators is intended to describe an economic or fiscal condition that either directly or indirectly impacts the financial stability of the Town. The categories of indicators, along with a brief summary of the findings and changes to the reports, are listed below.

### Overall Results for Trend Information

<b>Fiscal Year</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
<b>Positive Ratings</b>	17	24	26	21
<b>Negative Ratings</b>	6	5	4	7
<b>Unclassified</b>	11	8	8	6
<b>Total Ratings</b>	34	37	38	34

**Community Growth**

<b>Description</b> (P = Positive, N = Negative, U = Unclassified)	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>Page</b>
Assessed Property Value	N	N	P	P	6
Assessed Value by Type*	N	U	U	N/A	N/A
Construction Building Permits	P	P	N	N	7
Average Home Sales Price	U	P	P	P	8
Airport Usage	N	N	N	N	9
Amtrak Usage	N/A	P	P	P	10
Unemployment Rate	N	N	P	P	11
County Workforce	N/A	N/A	N	P	12

\*The "Assessed Value by Type" chart has been eliminated and the information it illustrated has been combined with the "Assessed Property Value" chart.

The community growth indicators were generally steady. Assessed value increased for the second year in a row, but only at a minimal rate. Construction permits dropped off from last year but seem to be coming in line with the 10 average of 1,000 permits a year. Average home prices for existing homes had a very minimal growth and new home prices dropped slightly.

Airport ridership has continued to drop dramatically over the past 4 years with an 8.0% decrease this past year. Discontinued service to Denver and Orlando as well as a softening business market for travel in the region all contributed to the decrease. Amtrak ridership also had a decrease this past year, which is likely the result of disruption in service due to construction of the high speed rail program.

The Town experienced a significant increase in the unemployment rate, as did all local governments in the region, but still remains one of the lowest in the region. The County's workforce increased for the first time in four years; the increase was slight, but certainly is a positive sign.

**Revenue**

<b>Description</b> (P = Positive, N = Negative, U = Unclassified)	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>Page</b>
Town Revenue Sources	U	U	U	U	13
State Income Tax	P	P	P	P	14
Property Tax Rates	P	P	P	P	15

Property Tax Rates - Normal and Community	P	P	P	P	16
Property Tax Rates - Municipality Rate Comparison	P	P	P	P	17
Property Tax Rates - Community Rate Comparison	P	P	P	P	18
Utility Tax Revenue	P	N	N	N	19
Utility Tax Revenue - Percent by Utility*	U	U	U	N/A	N/A
Utility Tax Revenue - Dollar Change	U	U	U	U	20
State and Local Sales Tax Revenue	P	N	P	P	21
Sales Tax Percent of General Fund	P	P	P	P	22
Sales Tax by Type	U	U	U	U	23
Food and Beverage Tax	P	P	P	P	24

\*The "Utility Tax Revenue – Percent by Utility" chart has been eliminated and the information it illustrated has been combined with the "Utility Tax Revenue" chart.

The Town's revenue sources continue to remain relatively diverse. State income tax increased for the 5<sup>th</sup> consecutive year, but much of the increase is related to "one-time" revenue. The Town's property tax remains the lowest among the seven largest downstate cities and our community rate is among the lowest. Utility tax was down significantly and staff does not have any expectations that this revenue source will grow in the future. Local sales tax revenue was significantly up over last year, but this was largely due to the 1% rate increase on January 1<sup>st</sup>. After removing the impact of the sales tax increase, local sales tax was about 1.5% up over last year. State sales tax was slightly down from the previous year. Food and beverage tax revenue had another significant increase (9.6%) over last year. This increase was largely due to several new restaurants opening in FY2015-16.

### Expenditure

Description (P = Positive, N = Negative, U = Unclassified)	2012-13	2013-14	2014-15	2015-16	Page
Town Expenditures by Type	U	U	U	U	25
Police Pension Benefit Cost	U	U	U	U	26
Fire Pension Benefit Cost	U	U	U	U	27
Personnel Costs as a Percentage of Total Expenditures	U	P	P	P	28

Public Safety (30.4%) accounts for the largest amount of expenditures in the governmental fund in FY2016. Public safety represents expenditure activity for the Police, Fire and Inspections Departments.

**Debt Service**

<b>Description</b> (P = Positive, N = Negative, U = Unclassified)	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>Page</b>
Overlapping Debt as a Percent of Assessed Value	P	P	P	P	29
Total Debt Outstanding	U	P	P	P	30
Long-Term Debt as a Percent of Assessed Value	U	P	P	N	31

The Overlapping Debt as a Percent of Assessed Value decreased from 2015, due to principal pay off. The Town’s Long-Term Debt increased from \$86 million to \$92 million. This was the result of the Town issuing bonds for the new fire station project as well as other community development projects.

**Balance Sheet**

<b>Description</b> (P = Positive, N = Negative, U = Unclassified)	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>Page</b>
General Fund Cash Balance	P	P	P	P	32
General Fund Balance	P	P	P	P	33
Police Pension Funding Levels	N	P	P	N	34
Fire Pension Funding Levels	N	P	P	N	35
Police & Fire Pension Funding Levels *	N/A	P	P	N/A	N/A
IMRF Funding Levels	P	P	P	P	36
IMRF Funding Level Comparison *	N/A	P	P	N/A	N/A
Water Fund Summary	P	P	P	P	37
Sewer Fund Summary	P	P	P	N	38
Health Insurance Fund Balance	P	P	P	P	39

\*Due to recent changes in accounting standards, Town staff is suspending the reporting of this information until next year.

General Fund cash decreased from the previous year’s ending balance due to significant receivables collected after year-end. IMRF pension funding levels remain stable, however, Police and Fire levels continue to decrease. This decrease is troubling and largely the result of the continued lack of a meaningful investment return from the market. Pension funds are primarily funded through investment



earnings and without a meaningful return from the market or a significant increase in employee or employer contributions to the plans, pension funding levels will continue to decrease.

The Water Fund remains in a strong financial position. The Sewer Fund remains solvent, but has no financial flexibility to manage even a minor infrastructure need or a meaningful capital management plan in the future. A rate increase is needed in order to make available monies to fund the Sewer's operating and capital infrastructure responsibilities. Without an increase, the fund is not sustainable and the system's infrastructure will become more at risk for failures.

The Health and Dental Insurance Fund balance ended FY2015-16 slightly higher than the previous year and continues to maintain a good fiscal position.

### **Overall Results of Fiscal Strategy Review – Positive Outlook**

This section of the report provides a forward looking review of the Town's major fiscal operations and how they align with management's financial strategies.

<b>Financial Strategies</b>	<b>Rating</b>	<b>Page</b>
General Fund Operating Reserves	Positive Outlook	40
Vehicle and Equipment Reserves	Positive Outlook – With Caution	41
Contingency Funding	Positive Outlook	41
Debt Management Capacity	Positive Outlook	42
Debt Management Coverage	Positive Outlook	42
Health Insurance Reserve	Positive Outlook – With Caution	43

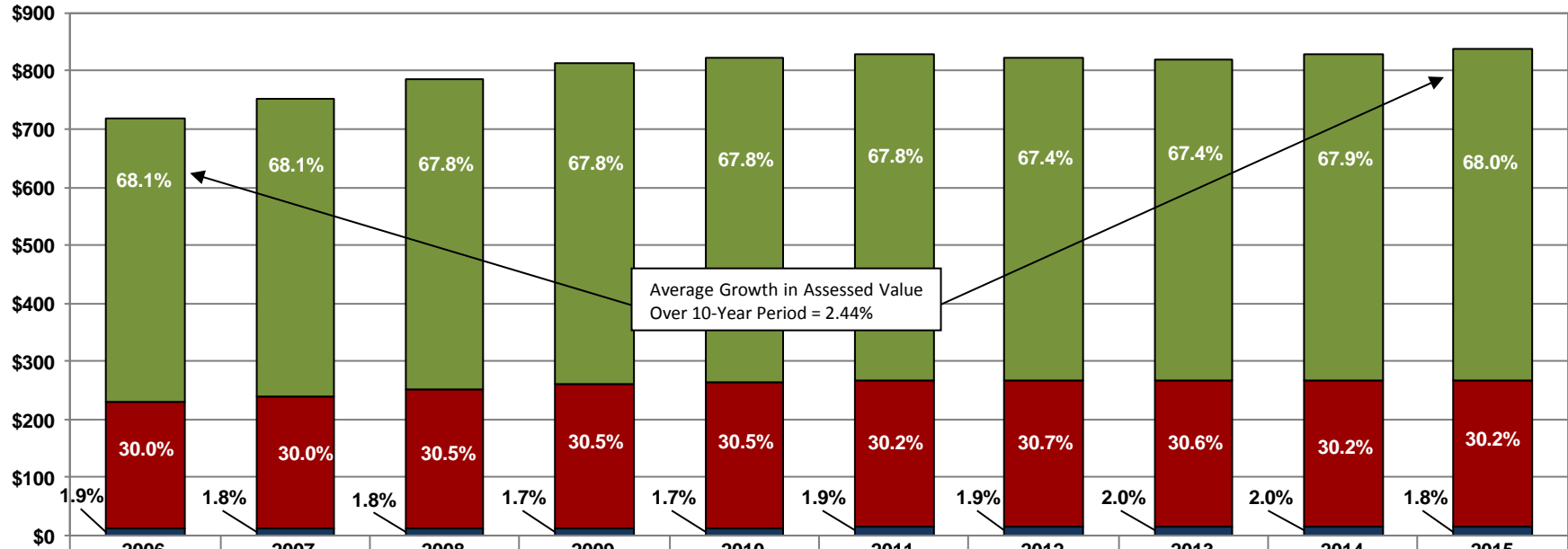
All financial strategies are meeting their target levels. It should be noted that the Health and Dental reserve target in the out years is not quite achieved, but staff still considers the fund to be healthy and will continue to monitor the fund balance. This will likely be corrected with program reviews and rate changes, as needed.

The remaining report provides detailed information for all indicators.

# ASSESSED PROPERTY VALUE

(Tax Year)

In Millions



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Percent Change	8.7%	4.8%	4.4%	3.9%	0.9%	1.0%	-1.1%	-0.2%	1.0%	1.0%
Total	\$717.24	\$751.30	\$784.52	\$814.77	\$822.14	\$830.45	\$821.69	\$820.00	\$828.56	\$836.86

■ All Other

■ Commercial

■ Residential

## INDICATOR DISCUSSION

Property within Normal is assessed by the Township at 33 1/3% of fair market value.

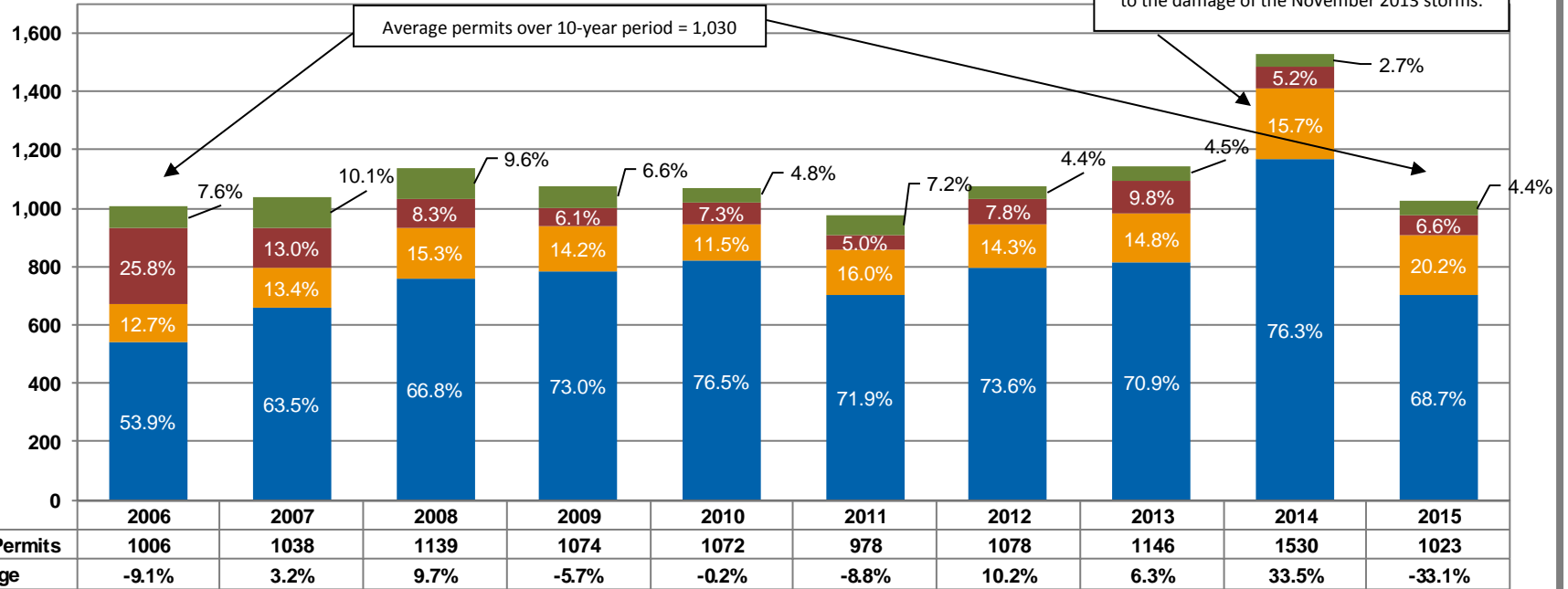
## RATING: POSITIVE – WITH CAUTION

Staff preference is for an Equalized Assessed Value (EAV) growth of at least 3% annually to help generate sufficient property tax to offset increases in expenditures. EAV has been below that benchmark since 2009. The Town has experienced minor increases (1%) for the last couple years and based on preliminary conversations with the Township Assessor the Town should not expect anything different for 2016.

# CONSTRUCTION BUILDING PERMITS

(Calendar Year)

Large spike in remodeling activity was from roofing permits, total of 809, which was related to the damage of the November 2013 storms.



■ Residential Remodel

■ Commercial Remodel

■ Single Family Homes

■ All Other

## INDICATOR DISCUSSION

One indication of a growing community is the number of building permits issued annually. The chart above reports construction permits which include activity for new single family, commercial and residential remodeling projects.

## RATING: NEGATIVE

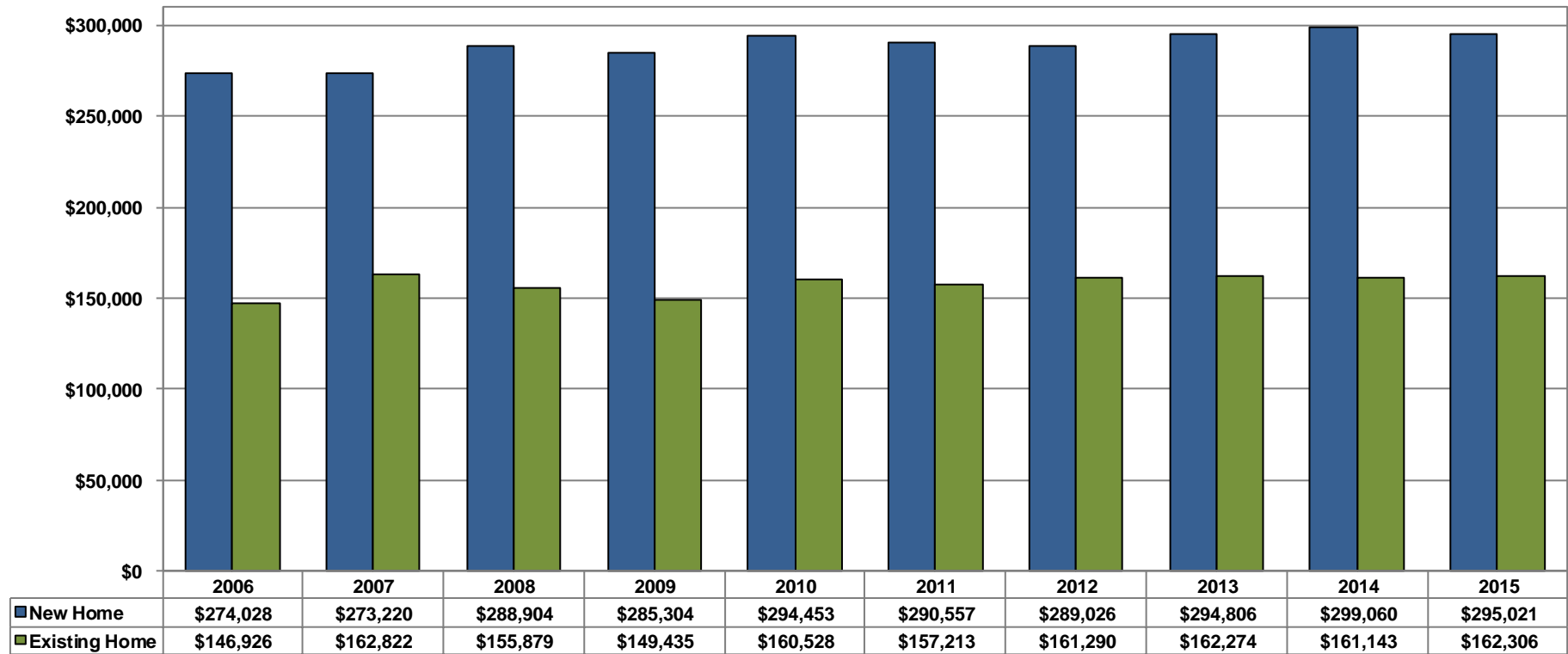
The Town saw a significant increase in total construction permits (33.5%) for 2014. However, that increase is misleading as it is not the result of economic growth. Over 800 permits were issued for roof repairs due to heavy storms in November of 2013. If the chart was adjusted to remove the roof repairs related to the storms, 2014 would have shown an estimated 4.4% drop in overall permit activity. Pushing that assumption out to 2015, the revised decrease would be an estimated 6.7%.

# AVERAGE HOME PRICES

(Calendar Year)

**Average Growth Over 10 Years**  
 New Home Prices = 3.8%  
 Existing Home Prices = 1.6%

**2014 vs. 2015 Values**  
 New Home Prices = -1.4%  
 Existing Home Prices = 0.7%



**INDICATOR DISCUSSION**

This indicator illustrates the average sales price of new and existing homes in the Bloomington/Normal area.

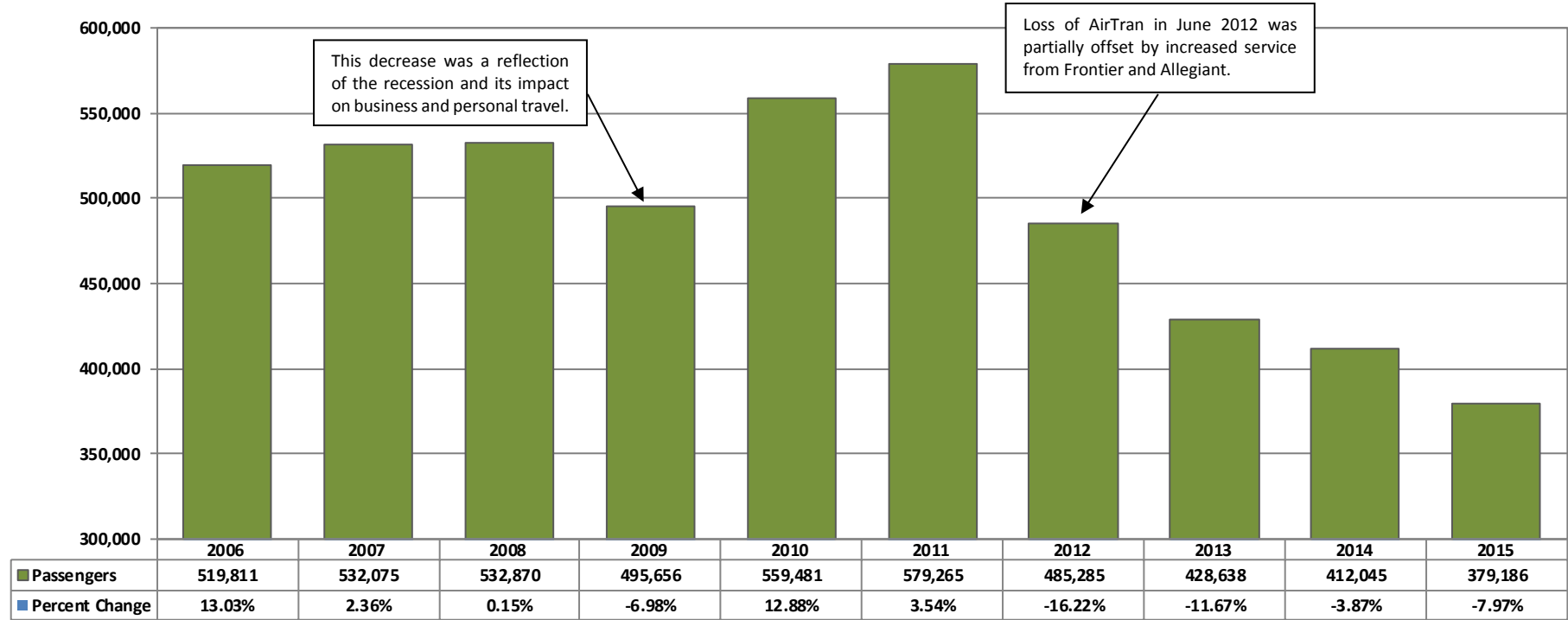
**RATING: POSITIVE – WITH CAUTION**

Since 2006, housing prices have fluctuated slightly but remain fairly stable. We expect that this indicator will continue to be either flat or have relatively modest increase in the average home price over the next 2 to 3 years.

# AIRPORT USAGE

## History of Passenger Activity

(Calendar Year)



### INDICATOR DISCUSSION

An indirect indication of local community vitality can be found within the historical passenger records of the Central Illinois Regional Airport. Consistent passenger growth is reflective of a strong underlying economic base within the local community and the greater market area. Conversely, a decline in growth could be viewed as an economic warning sign.

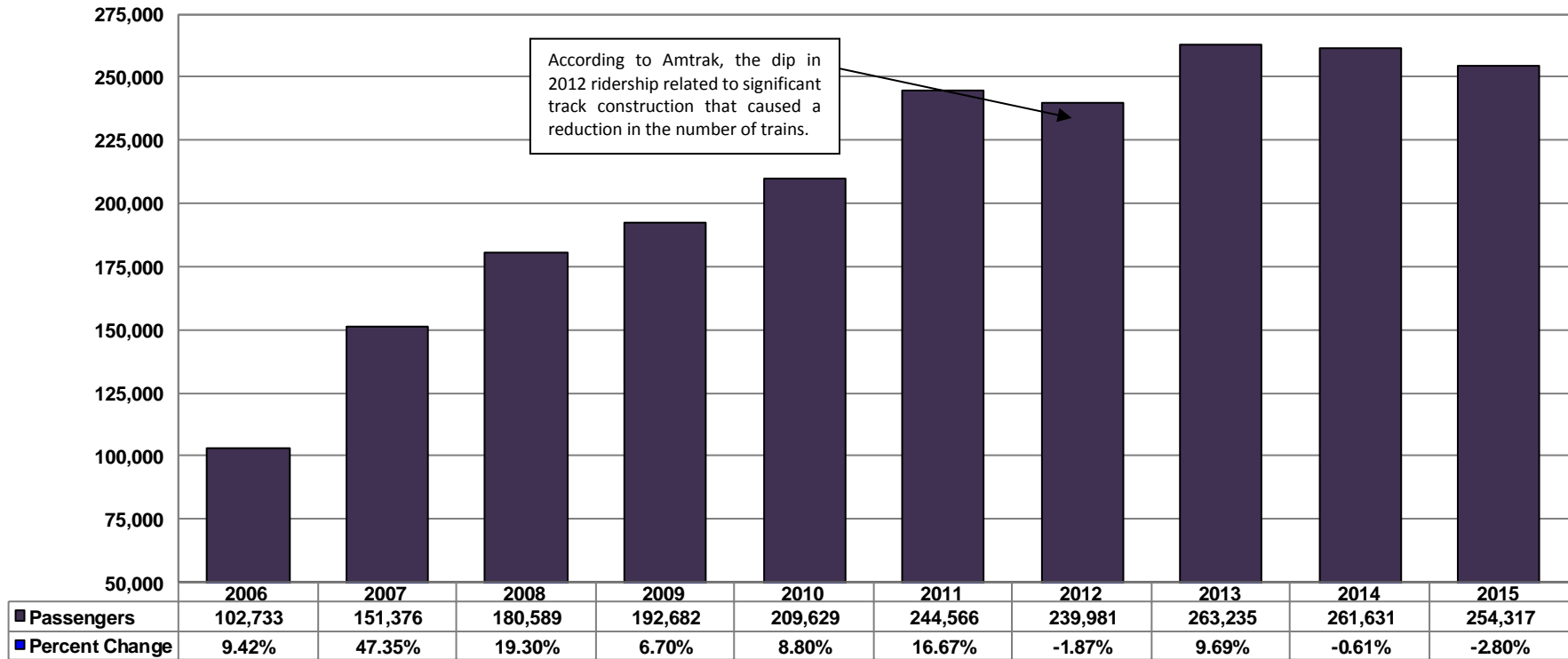
### RATING: NEGATIVE

The decline in ridership in 2015 compared to 2014 can be attributed to two primary factors. First, Frontier Airlines discontinued service to Denver in early January 2015 and to Orlando in late April 2015. Additionally, in the later part of 2015, the region began to experience a softening business market that resulted in much less business related travel. The airport also reported a drop in the leisure travel market which seemed to be influenced by the decrease in business travel as well as other regional factors.

# AMTRAK USAGE

## History of Ridership Activity

(Calendar Year)



### INDICATOR DISCUSSION

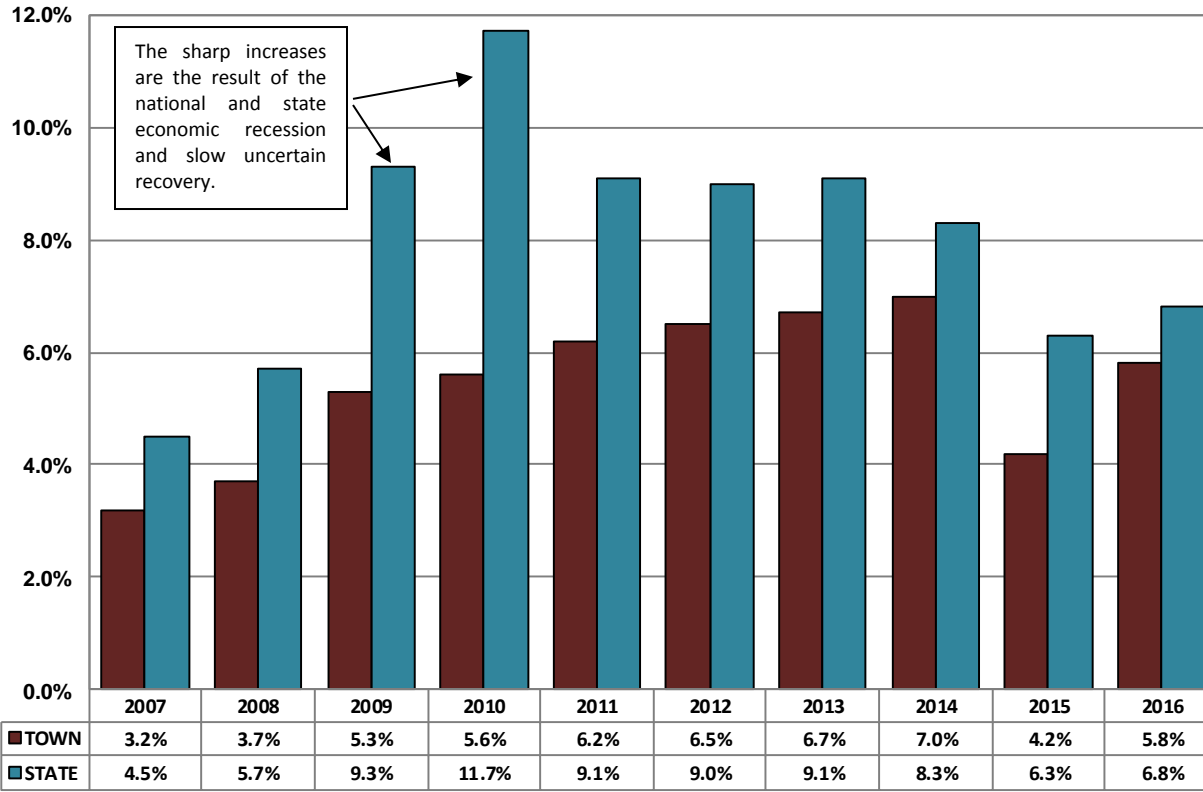
An indirect indication of local community vitality can be found within the historical passenger records of the Amtrak usage. Consistent passenger growth is reflective of a strong underlying economic base within the local community and the greater market area. Conversely, a decline in growth could be viewed as an economic warning sign.

### RATING: POSITIVE – WITH CAUTION

The Town has consistently seen an increase in the Amtrak ridership, however, the past two years experienced small decreases. These decreases are likely the result of service disruptions associated with the continuing construction of the high speed rail program. Once the program is completed and fully implemented, the Town does expect a substantial increase in Amtrak ridership and continued growth in this mode of travel for the community.

# UNEMPLOYMENT RATE

As of 3/31



Municipality	Rates		
	2016	2015	Change
Champaign	5.7%	4.6%	1.1%
Urbana	5.7%	4.9%	0.8%
<b>Normal</b>	<b>5.8%</b>	<b>4.2%</b>	<b>1.6%</b>
Bloomington	6.0%	4.8%	1.2%
Springfield	6.1%	5.4%	0.7%
Galesburg	7.5%	6.2%	1.3%
Peoria	7.9%	6.5%	1.4%
Decatur	8.4%	7.7%	0.7%
Illinois	6.8%	6.3%	0.5%
United States	5.0%	5.6%	-0.6%

## INDICATOR DISCUSSION

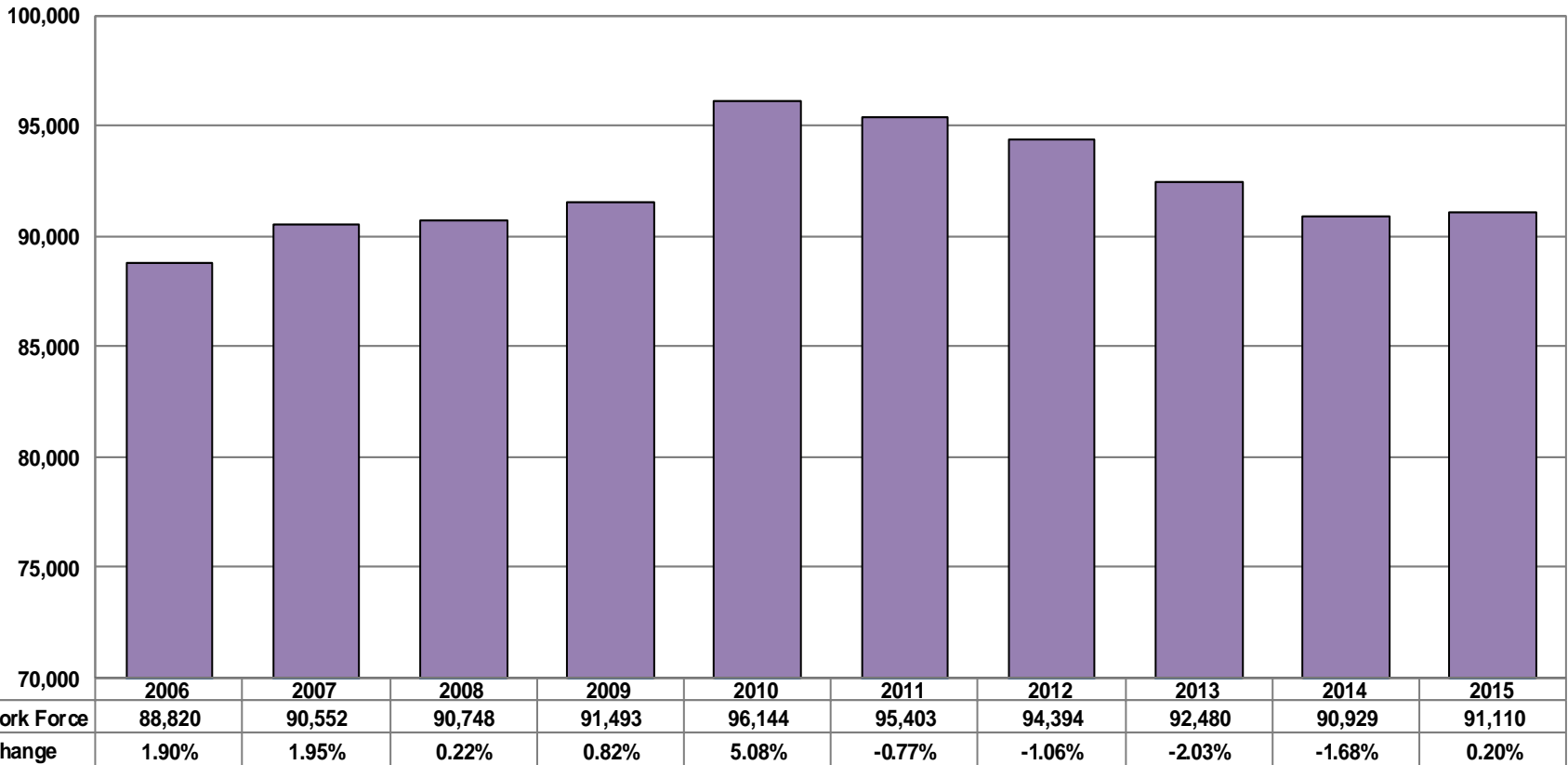
Changes in the unemployment rate are one measure of the Town's activity in its business sector and the general economic health of the community. A healthy business sector will provide funding for city services through sales, utility and property taxes. The data presented above is obtained from the Illinois Department of Labor.

## RATING: POSITIVE – WITH CAUTION

The Town, along with other local governments in the region, experienced an increase in its unemployment rate as compared to the prior year. The Town's increase was more significant than the other cities reported above (perhaps, in part, due to the Mitsubishi Plant closing), but the rate still remains one of the lowest among the seven largest downstate communities in Central Illinois (south of I-80).

# COUNTY WORKFORCE

(Calendar Year)



## INDICATOR DISCUSSION

The Illinois Department of Employment Security (IDES) identifies the workforce, or labor force, as all working-age individuals (16+) who are either employed or unemployed but available and actively looking for work.

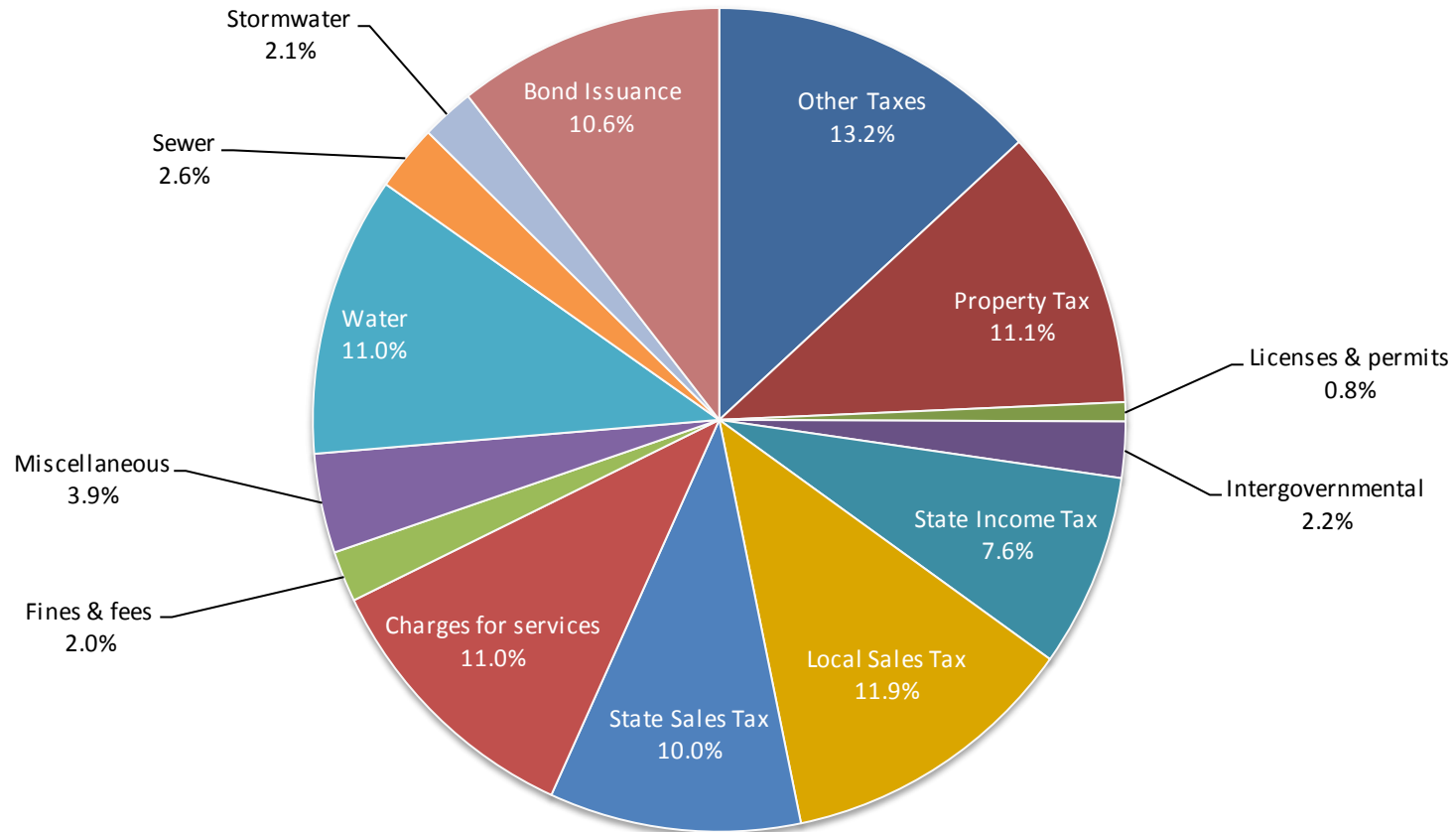
## RATING: POSITIVE – WITH CAUTION

In 2015 the County saw the first increase in the labor workforce since 2010. Most of the major employers such as State Farm, Country, Unit 5, OSF, Advocate/BroMenn and the County have all had increases this past year. However, ISU, one of the major employers, had an 8.8% decrease in workforce.



# TOWN REVENUE SOURCES

## FY2016 - \$89,212,231



**INDICATOR DISCUSSION**

The purpose of the pie chart is to present a summary of revenue sources for the Town as a whole.

All Town funds are included except for Health Insurance, Library, Police Pension, and Fire Pension funds.

**UNCLASSIFIED – FOR INFORMATION ONLY**

This chart is considered informative in nature and is intended to convey a general understanding of the revenue sources.

Other Taxes – Food & Beverage Tax, Utility Tax, and all other Town imposed taxes

Intergovernmental – Replacement Tax and State Grants

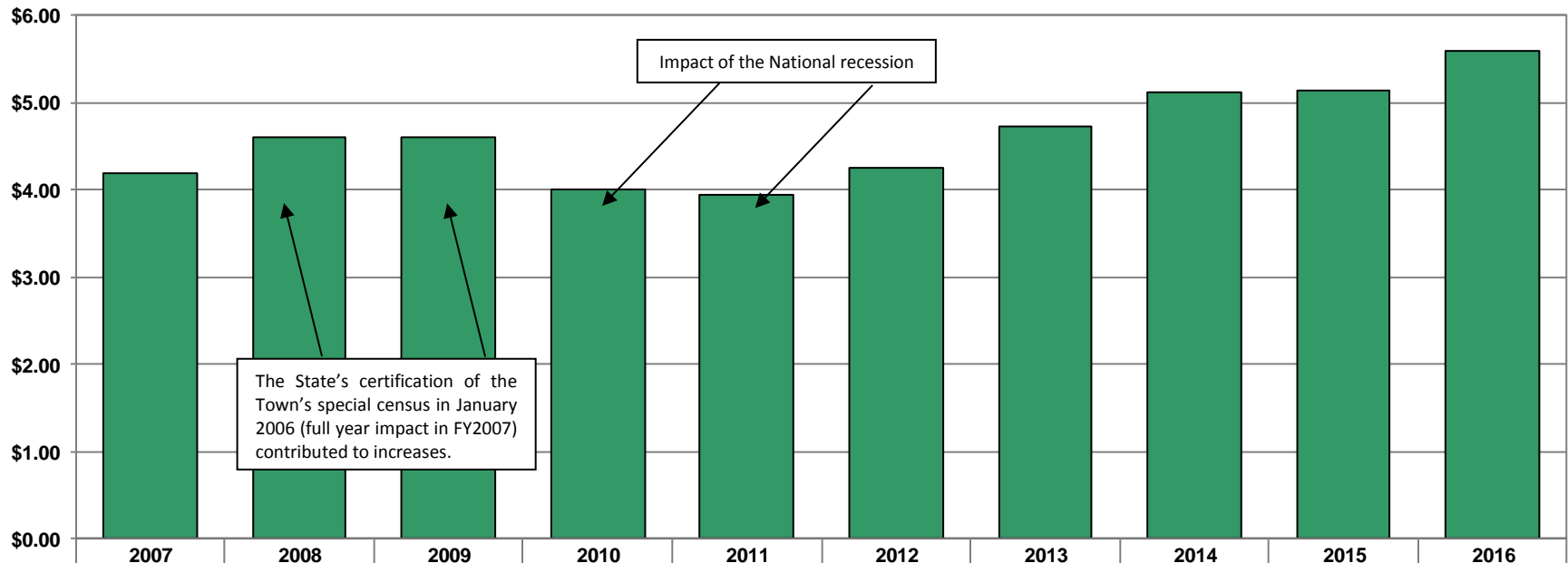
Charges for services – Parks & Recreation activities, Parking Tickets, Refuse Fees, Ambulance Fees

# STATE INCOME TAX REVENUE

## History of Growth

(Fiscal Year)

In Millions



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
State Income Tax	4.20	4.60	4.60	4.01	3.94	4.26	4.73	5.12	5.14	5.59
Percent Change	18.8%	9.6%	0.1%	-12.8%	-1.8%	8.1%	11.1%	8.1%	0.5%	8.8%

### INDICATOR DISCUSSION

The State shares income tax with municipalities based on a statutory formula. Since 2010, the State has modified the tax rate and distribution formula twice (2011 and 2015). With each tax rate change, the State modifies the municipalities' distribution formula to keep the distribution neutral to the tax rate change. Therefore, any changes in income tax revenue is the direct result of individual and business income levels. Consequently, this revenue reacts very quickly to changes in the economy. Any economic downturn or upswing is felt immediately in this revenue source.

### RATING: POSITIVE – WITH CAUTION

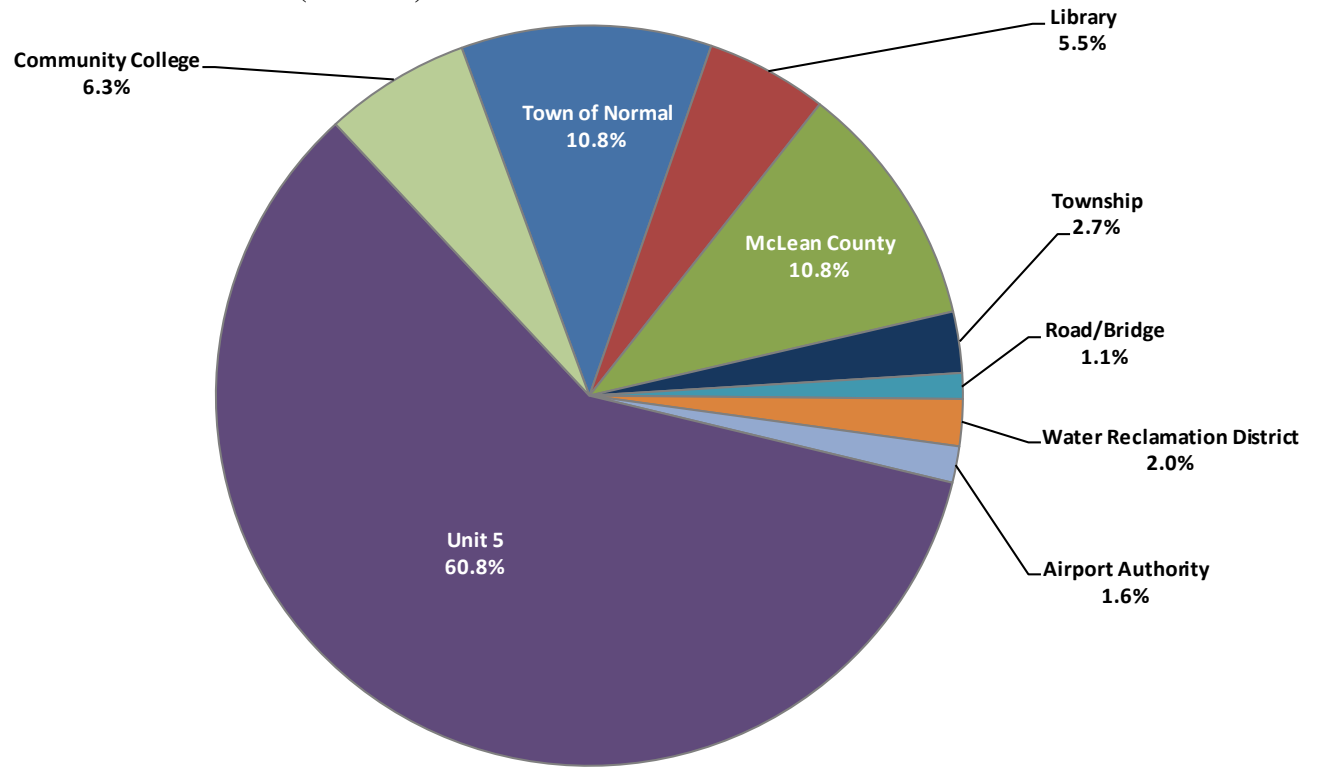
This revenue source has performed well over the past five years with an average growth per year of 7.3%. However, the 8.8% increase for 2016 was unexpected. Staff discussions with the State revealed that income tax collections for 2016 were significantly influenced by a sizable collection capital gains tax (as compared to other years) and the State transitioning their tax and distribution systems to reflect the January 1, 2015 income tax rate reduction. These factors, particularly the rate reduction, created a "one-time" spike in tax collections for 2016. This "one-time" increase was felt by all local governments that received state income tax distributions and consequently all will see a drop in their comparable 2017 income tax distributions.

### History of the Town's Percentage of the Community Tax Rate

Tax Year 2005	10.8%
Tax Year 2006	10.4%
Tax Year 2007	10.0%
Tax Year 2008	9.9%
Tax Year 2009	10.2%
Tax Year 2010	10.0%
Tax Year 2011	9.8%
Tax Year 2012	9.5%
Tax Year 2013	10.7%
Tax Year 2014	10.9%
Tax Year 2015	10.8%

## PROPERTY TAX RATE DISTRIBUTION

2015  
(Tax Year)



#### INDICATOR DISCUSSION

The purpose of the pie chart above is to present a visual picture of local government units that utilize the property tax levy. Normal has no direct control over other governmental taxing units; however, development decisions made by Normal and Bloomington indirectly affect other governmental unit requests for property tax dollars.

#### RATING: POSITIVE

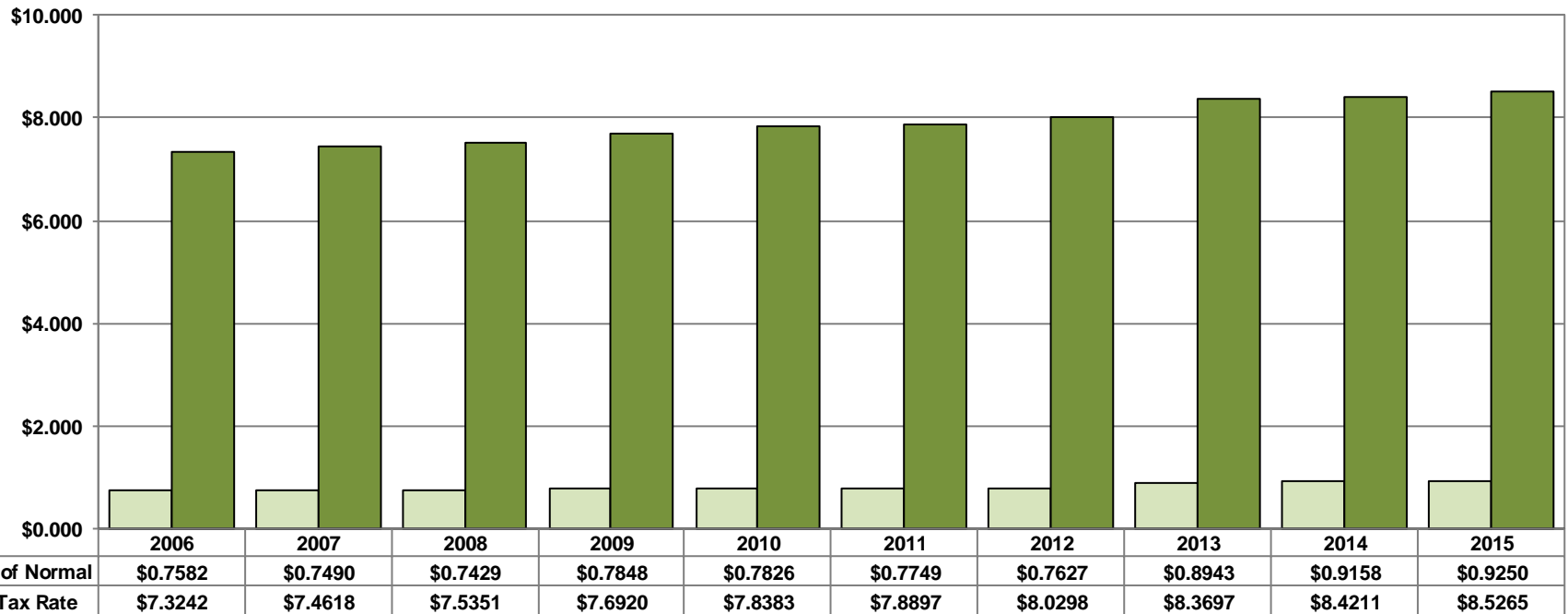
The rating is classified as positive due to the Town's relatively small percentage (10.8%) of the total property tax dollars levied. Normal has little ability to significantly control short-term property tax rates. Other taxing bodies that levy a property tax on Normal residents do not require approval from the Town of Normal.

# PROPERTY TAX RATES

## Town of Normal and Community

### Per \$100 of Assessed Value

(Tax Year)



#### INDICATOR DISCUSSION

The pie chart on the preceding page reports the various units of government that collectively make up the total community tax rate. The Town of Normal rate reported above includes the General and Pension Fund property tax levies, and does not include the Normal Public Library levy. Decisions related to tax levies must take into consideration the total community tax rate including all overlapping governmental units. From a fiscal perspective, a dramatic increase in tax rates can be an indication of problems in other revenue sources or unexpected expenditure needs.

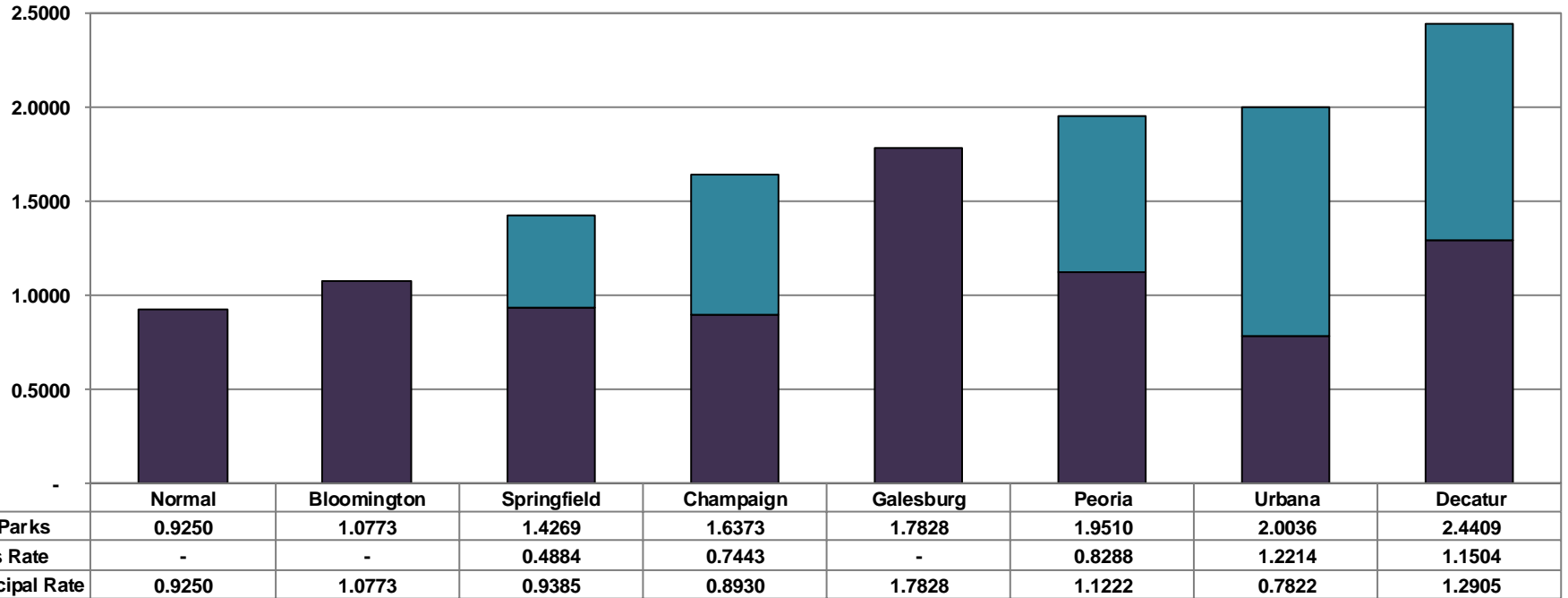
#### RATING: POSITIVE

The Town's tax rate continues to be the lowest property tax rate among the seven largest downstate cities.

Careful management of the tax levy and spending helps keep the tax rate as low as possible. The overall community tax rate increased this year by 10 cents. The Unit 5 School District and Heartland Community College each had a 3 cent increase which accounts for the majority of the increase for tax year 2015.

# MUNICIPAL PROPERTY TAX RATE COMPARISON

Rate per \$100 of Assessed Value



## INDICATOR DISCUSSION

The above graph compares the Town's individual property tax rate to the rates in the seven largest downstate (south of I-80) cities in Central Illinois.

## RATING: POSITIVE

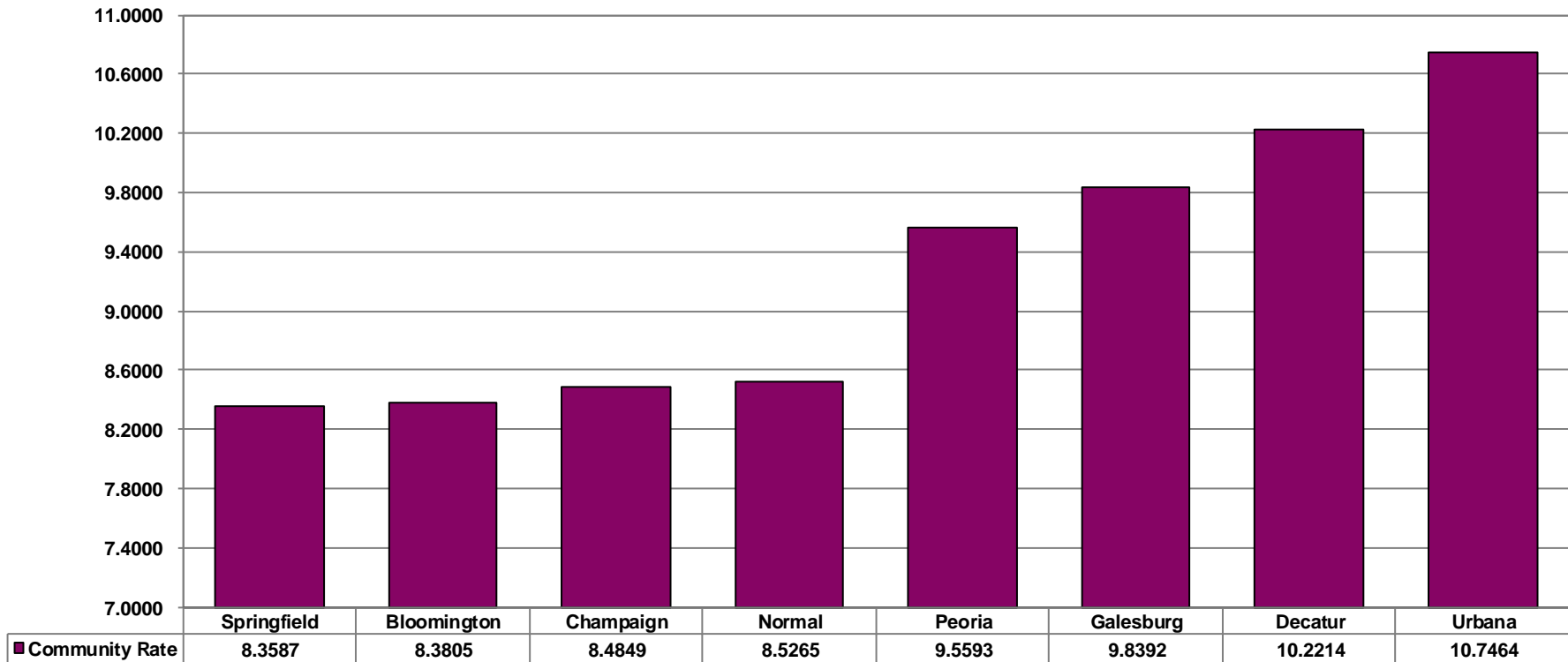
The Town of Normal municipal property tax rate is the lowest of all the cities presented above. Years of consistent effort are required to reach this low property tax rate. The tax levy of .9250 supports the following expenditure obligations:

- Pension funding for Town Police and Fire eligible personnel
- Pension funding for non-union Town employees through the Illinois Municipal Retirement Fund (IMRF) pension plan
- Social Security and Medicare obligations
- Core Town Operations

Springfield, Champaign, Urbana, Peoria and Decatur all have parks and recreation operations that are funded through a separate taxing district. The graph above has combined the park districts (blue portion of the graph) with the appropriate city for an accurate tax rate comparison between cities with a park district and cities that provide those services without a separate tax levy.

# COMMUNITY PROPERTY TAX RATE COMPARISON

Rate per \$100 of Assessed Value



## INDICATOR DISCUSSION

The above graph compares the community property tax rate for Normal to the rates in the seven largest downstate (south of I-80) cities in Central Illinois. The community tax rate is the total tax rate of all government districts that assess a property tax within the municipality. For the Town of Normal other significant districts are Unit 5, McLean County, Heartland Community College and the Normal Library. This comparison allows community leaders and residents to compare their overall community property tax rate with the rates in the largest cities in Central Illinois.

## RATING: POSITIVE

The Town of Normal's community property tax rate is among the lowest in comparison to other communities. The Town's low community tax rate is attributable to a strong local economy and individual efforts of the local governments.

# UTILITY TAX REVENUE

In Millions

\$6.00

(Fiscal Year)

\$5.00

\$4.00

\$3.00

\$2.00

\$1.00

\$0.00

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Utility Tax Rev.	\$4.56	\$4.75	\$5.03	\$4.73	\$4.86	\$4.76	\$4.86	\$4.84	\$4.63	\$4.41
Percent Change	-6.7%	4.1%	5.9%	-6.0%	2.9%	-2.1%	2.1%	-0.3%	-4.4%	-4.6%

■ Telephone

■ Cable TV

■ Gas

■ Electricity

## INDICATOR DISCUSSION

The utility tax is charged on electricity, telephone, cable TV and gas. This indicator illustrates the distribution of tax contributions by utilities. The heavy reliance of weather-sensitive utilities often explains the sporadic changes in utility taxes collected from year-to-year.

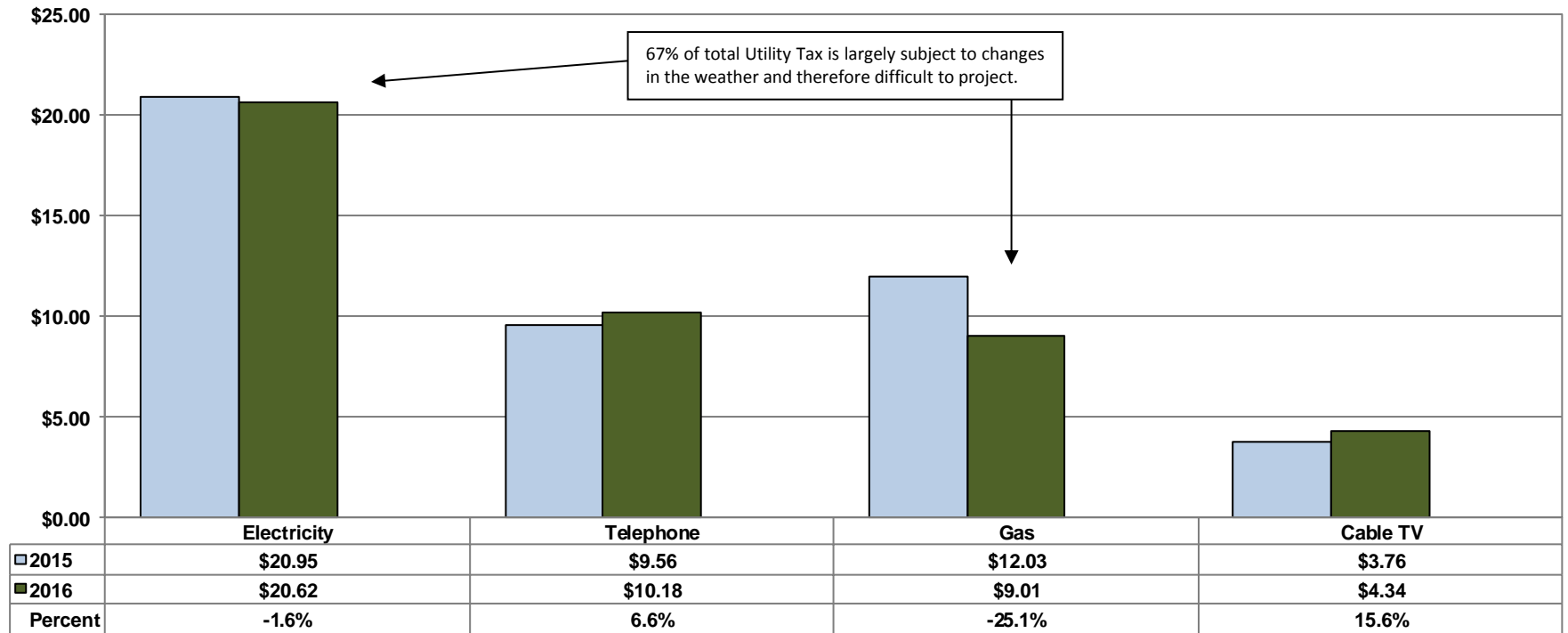
## RATING: NEGATIVE

For FY2016, this revenue experienced another decrease and staff does not expect this revenue source to have any consistent growth in the future. A portion of the FY2016 decrease was associated with a mild winter causing the gas and electric utilities to have significant decreases in revenue. Electricity accounts for 47% of the utility tax revenue while gas accounts for 20%.

# UTILITY TAX REVENUE

## Dollar Change from FY2015 to FY2016

In Hundred Thousands



### INDICATOR DISCUSSION

The purpose of this graph is to show the source of overall changes in utility tax revenue. Identification of where changes occur aids in projecting future year revenues as well as how consumer use may be changing in the future.

### UNCLASSIFIED – FOR INFORMATION ONLY

This indicator is educational in nature, and therefore, is given an unclassified rating.



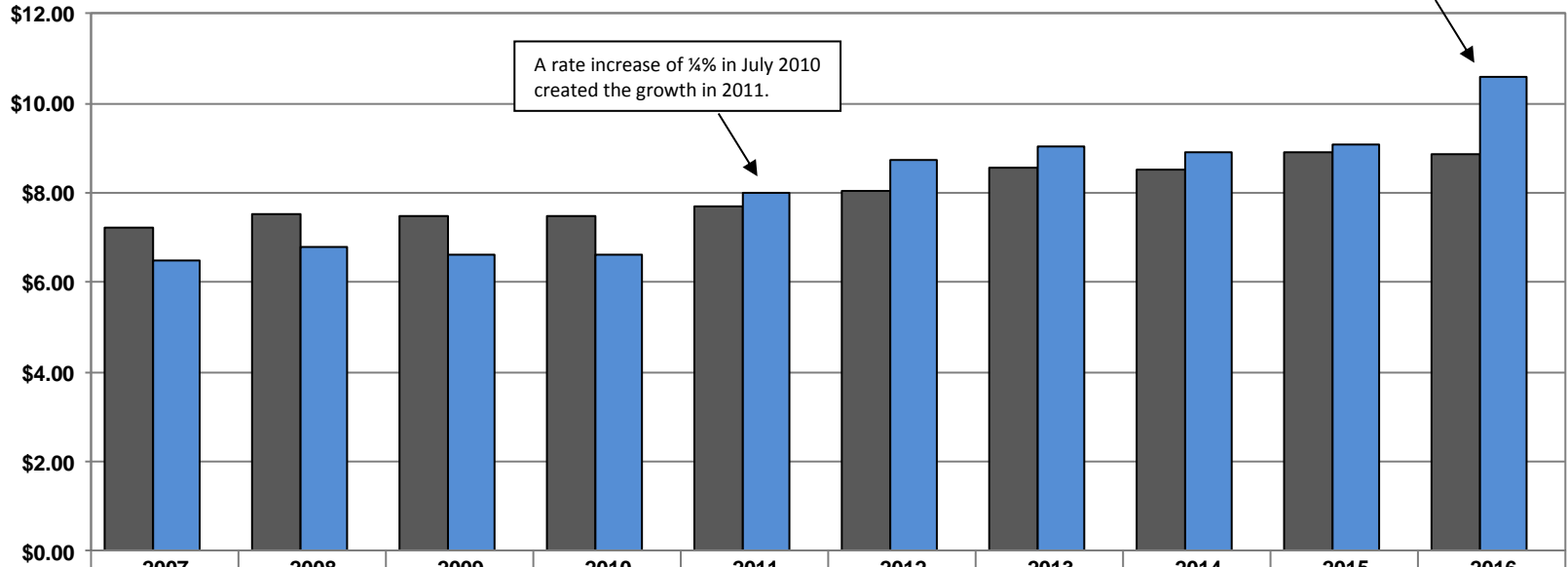
**10-year average growth**  
 State Sales Tax: 3.3%  
 Local Sales Tax: 6.3%

# STATE & LOCAL SALES TAX

(Fiscal Year)

A rate increase of 1% in January 2016 created the growth in 2016.

In Millions



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
■ State Sales Tax Revenue	\$7.23	\$7.52	\$7.49	\$7.49	\$7.71	\$8.06	\$8.58	\$8.51	\$8.89	\$8.87
State Sales Percent Change	11.6%	4.0%	-0.4%	-0.1%	3.0%	4.5%	6.5%	-0.9%	4.5%	-0.2%
■ Local Sales Tax Revenue	\$6.47	\$6.78	\$6.62	\$6.63	\$7.98	\$8.76	\$9.04	\$8.90	\$9.10	\$10.59
Local Sales Percent Change	10.2%	4.7%	-2.3%	0.2%	20.3%	9.7%	3.2%	-1.5%	2.3%	16.3%

## INDICATOR DISCUSSION

This graph reports both the 1% state sales tax and 2.5% local sales tax revenue. The tax is paid by customers shopping within the Town of Normal. These taxes are assessed on purchased items with the exception of vehicles and groceries which are exempt from the local (2.5%) sales tax.

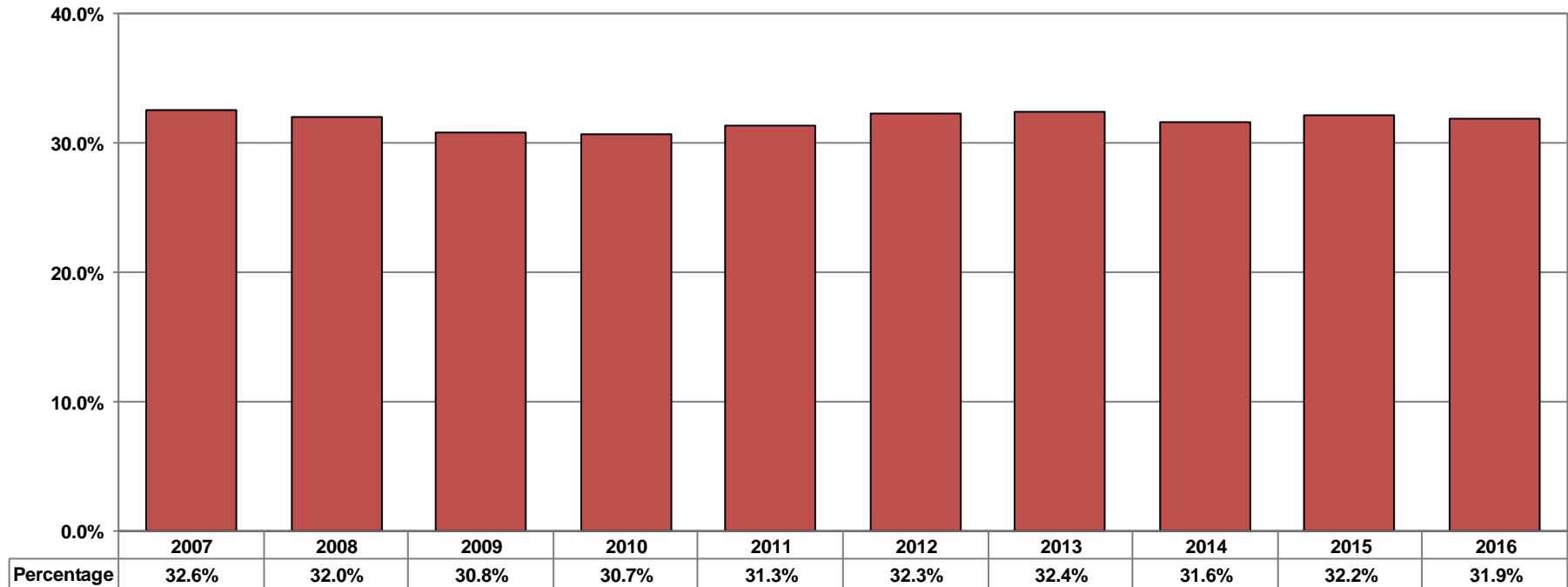
## RATING: POSITIVE - WITH CAUTION

Sales tax revenue is the largest, most critical source of revenue for the General Fund. For FY2016, the Town increased the local sales tax rate from 1.5% to 2.5% effective January 2016. The full effect of this increase will be seen next fiscal year. For comparability purposes, the local sales tax would have increased by only 1.5% over last year, without the 1% rate increase. The State shared sales tax was slightly down from the previous year.

## STATE & LOCAL SALES TAX

### As a Percentage of Total General Fund Revenue

(Fiscal Year)



#### **INDICATOR DISCUSSION**

Dependence on sales tax can result in unexpected fluctuations in revenue generated by changes in the local, state and national economic conditions. This graph identifies how overall dependence has varied. The state 1% and local 2.50% taxes are both collected monthly by the State of Illinois. The local 2.50% tax base excludes food, drug and titled items such as automobiles, which are included in the state 1% tax.

#### **RATING: POSITIVE**

Over the 10 years presented, sales tax as a percent of all General Fund revenue has averaged 32%. It is fiscally prudent to keep the Town's revenue mix appropriately balanced and diverse within the General Fund. In general, this means the municipality should avoid an over reliance on any one type of revenue source (greater than 1/3 of all revenue).

**Type/Description**

**General Merchandise**

*Department and Variety stores*

**Food, Drinking & Eating Establishments**

*Grocery stores, meat/fish/fruit/vegetable markets, restaurants*

**Drugs & Miscellaneous Retail**

*Drug and liquor stores, sporting goods and bicycle shops, book, jewelry, hobby and toy stores*

**Auto**

*New and used car dealers, auto and supply stores, gasoline service stations, boat dealers, recreational vehicle dealers and motorcycle dealers*

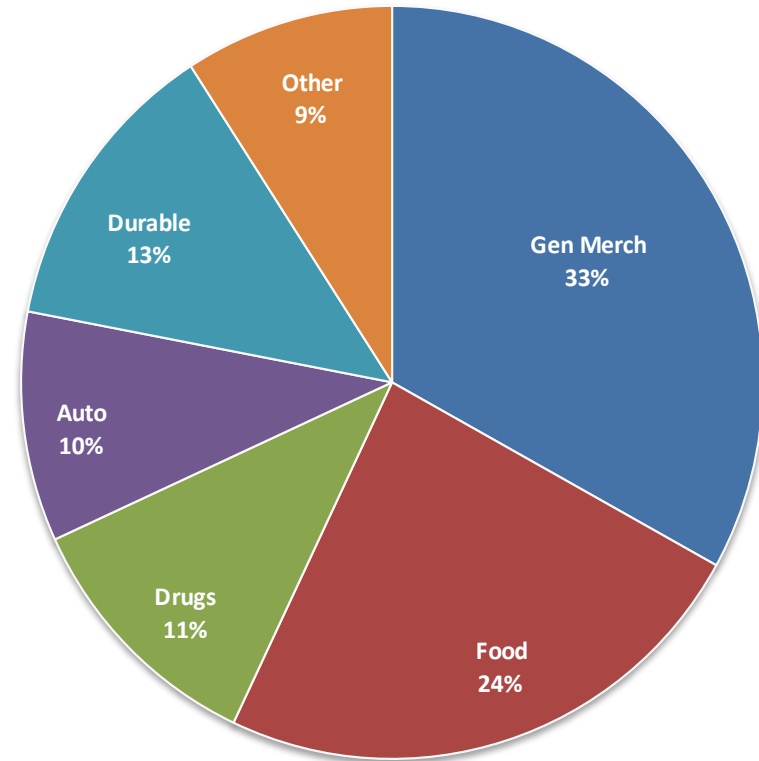
**Durable Goods**

*Lumber, building and hardware stores, furniture stores, floor covering stores, drapery and upholstery stores, household appliance stores and electronic stores*

**Other**

*Apparel, agriculture, and manufactured goods*

**State Sales Tax By Type**



**INDICATOR DISCUSSION**

The purpose of this graph is to illustrate the sources of sales tax revenue received by the Town of Normal. The figures reported above reflect the category percentage of the total 1% state sales tax collected.

**UNCLASSIFIED – FOR INFORMATION ONLY**

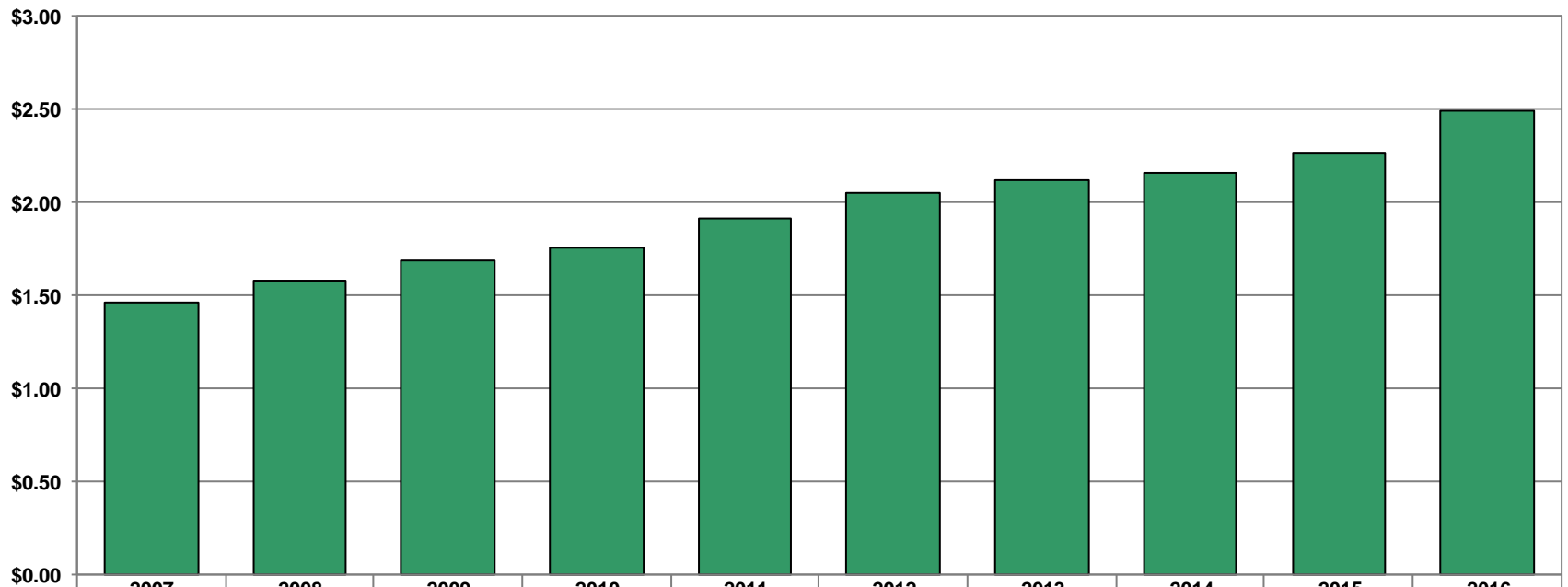
This indicator is for educational purposes and is not intended to reflect the stability of the sales tax revenue in future years.

# FOOD & BEVERAGE TAX REVENUE

## History of Growth

(Fiscal Year)

In Millions



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Food and Beverage	\$1.47	\$1.58	\$1.69	\$1.76	\$1.91	\$2.05	\$2.12	\$2.16	\$2.27	\$2.49
Percent Change	8.61%	7.80%	6.94%	4.07%	8.83%	7.24%	3.41%	1.54%	5.43%	9.60%

### INDICATOR DISCUSSION

This 2% tax applies to all prepared food and beverage items intended for immediate consumption. The tax was implemented in January 2003 by both the City of Bloomington and Town of Normal. The City of Bloomington collects this tax for both cities and then remits to Normal its share of this revenue.

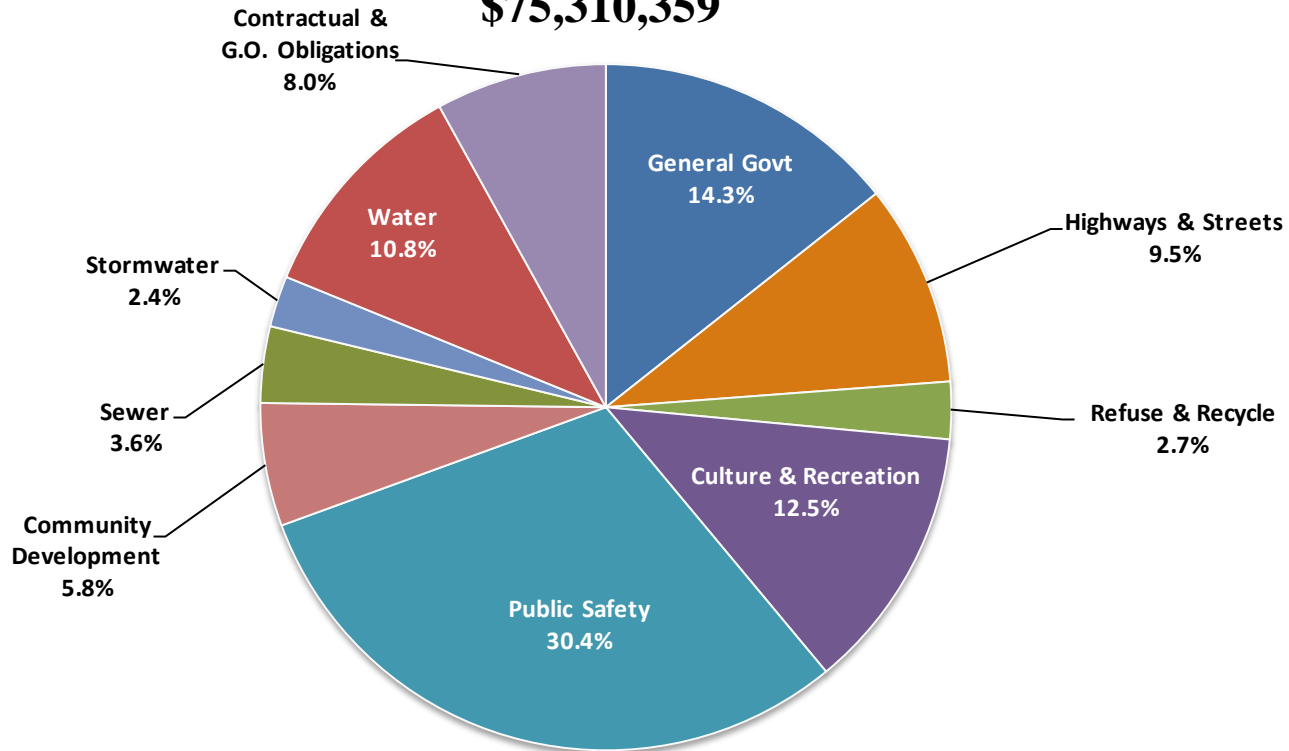
### RATING: POSITIVE

The restaurant sector continues to generate steady growth. The high growth in FY2016 was primarily due to the opening new restaurants within the Town.

# TOWN EXPENDITURES

## By Type - FY2016

**\$75,310,359**



### INDICATOR DISCUSSION

The pie chart above is presented for informational purposes and illustrates the FY2016 allocation of financial resources between major spending categories.

All Town funds are included except for Health Insurance, Library, Police Pension and Fire Pension funds.

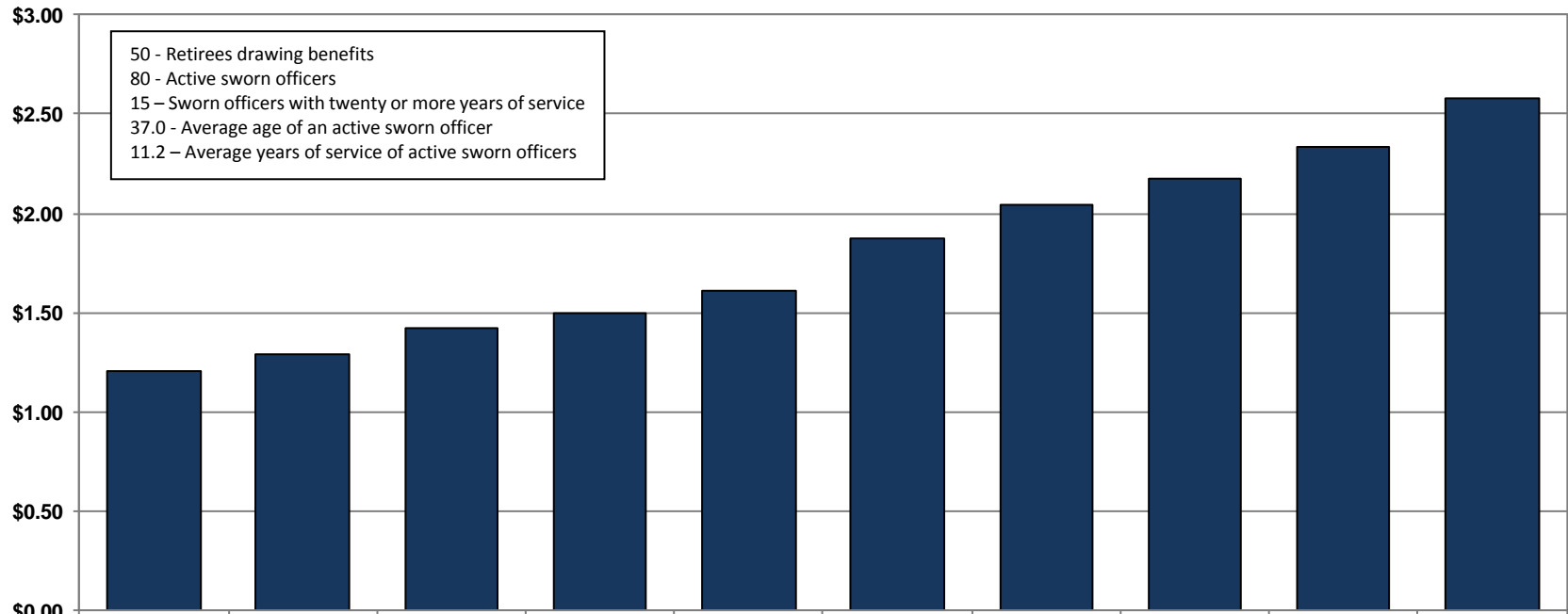
### UNCLASSIFIED – FOR INFORMATION ONLY

#### Major Categories

- Public Safety - Police, Fire and Inspections
- Highways & Streets - Public Works, Engineering and Road & Bridge
- Culture and Recreation - Parks and Recreation activities
- Community Development - Uptown renewal & Fire Station

# POLICE PENSION BENEFIT COST

In Millions



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Pension Benefits	\$1.20	\$1.29	\$1.42	\$1.49	\$1.61	\$1.88	\$2.04	\$2.18	\$2.33	\$2.58
Percent Change	5.2%	7.2%	10.1%	5.2%	8.1%	16.2%	8.7%	6.8%	7.0%	10.8%

## INDICATOR DISCUSSION

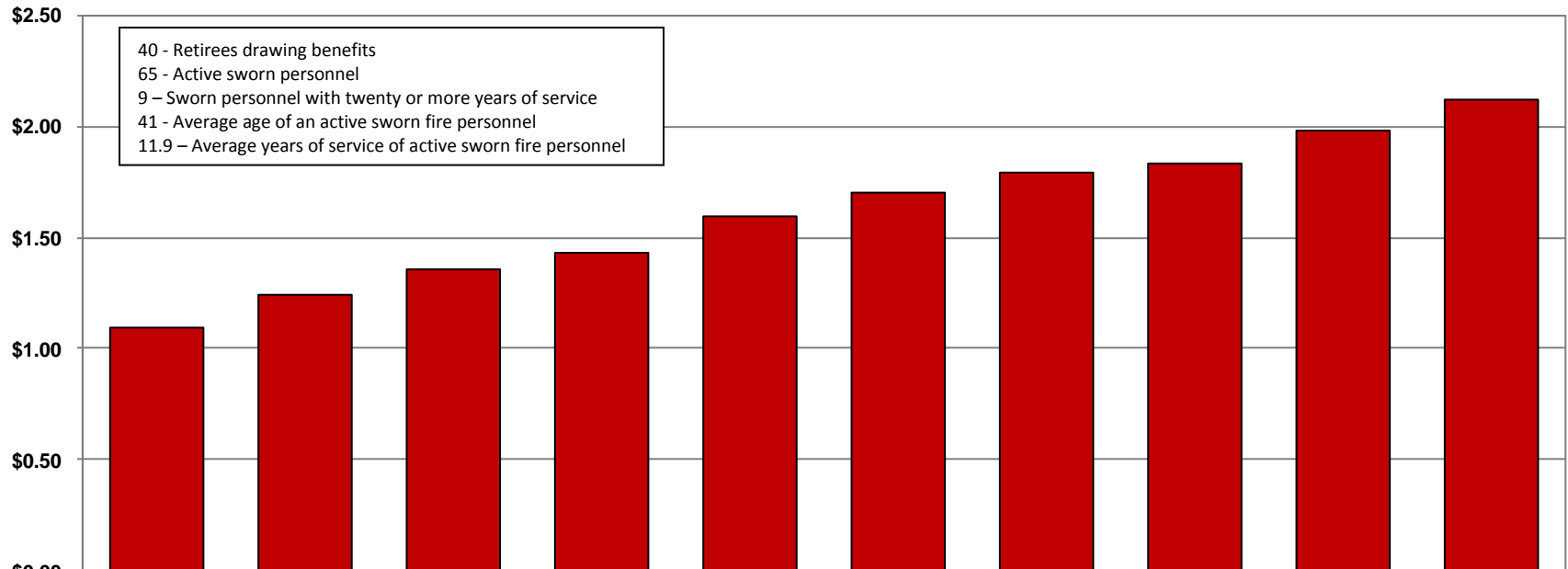
Police pension benefits are mandated by the State of Illinois. The Town is obligated to fund the pension system as determined by the State but the Town has no control over the pension benefit levels.

## UNCLASSIFIED – FOR INFORMATION ONLY

Total benefits paid are expected to continue to accelerate in the future. Staff considers this trend educational in nature primarily because these costs are a function of State mandated benefit levels of which the Town has no authority to control.

# FIRE PENSION BENEFIT COST

In Millions



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Pension Benefits	\$1.09	\$1.24	\$1.35	\$1.43	\$1.59	\$1.70	\$1.79	\$1.84	\$1.98	\$2.12
Percent Change	12.9%	13.5%	8.9%	5.6%	11.6%	6.6%	5.5%	2.4%	7.8%	7.3%

## INDICATOR DISCUSSION

Fire pension benefits are mandated by the State of Illinois. The Town is obligated to fund the pension system as determined by the State but the Town has no control over the pension benefit levels.

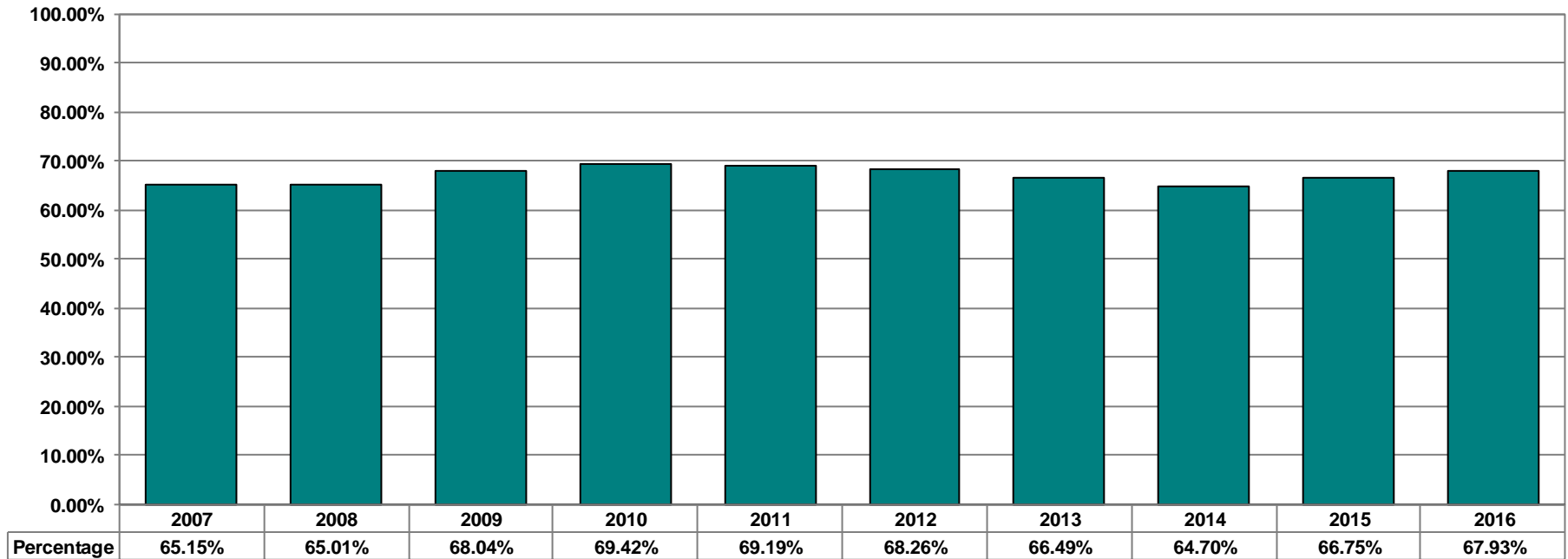
## UNCLASSIFIED – FOR INFORMATION ONLY

Total benefits paid are expected to continue to accelerate in the future. Staff considers this trend educational in nature primarily because these costs are a function of State mandated benefit levels of which the Town has no authority to control.

# PERSONNEL COSTS

## Percent of Total Expenditures

(Fiscal Year)



### INDICATOR DISCUSSION

Personnel costs are the primary component of total General Fund expenditures. Fluctuations in the percentage reported above may also be reflective of new programs or services offered by the Town. These costs are difficult to decrease in the short run and will normally continue to increase over time as service demands in the community increase. Increases can be offset by the Town's ability to meet service demands with improved technologies. Personnel costs (as a percent of total expenditures) can also increase as a result of non-personnel cost reductions.

### RATING: POSITIVE – WITH CAUTION

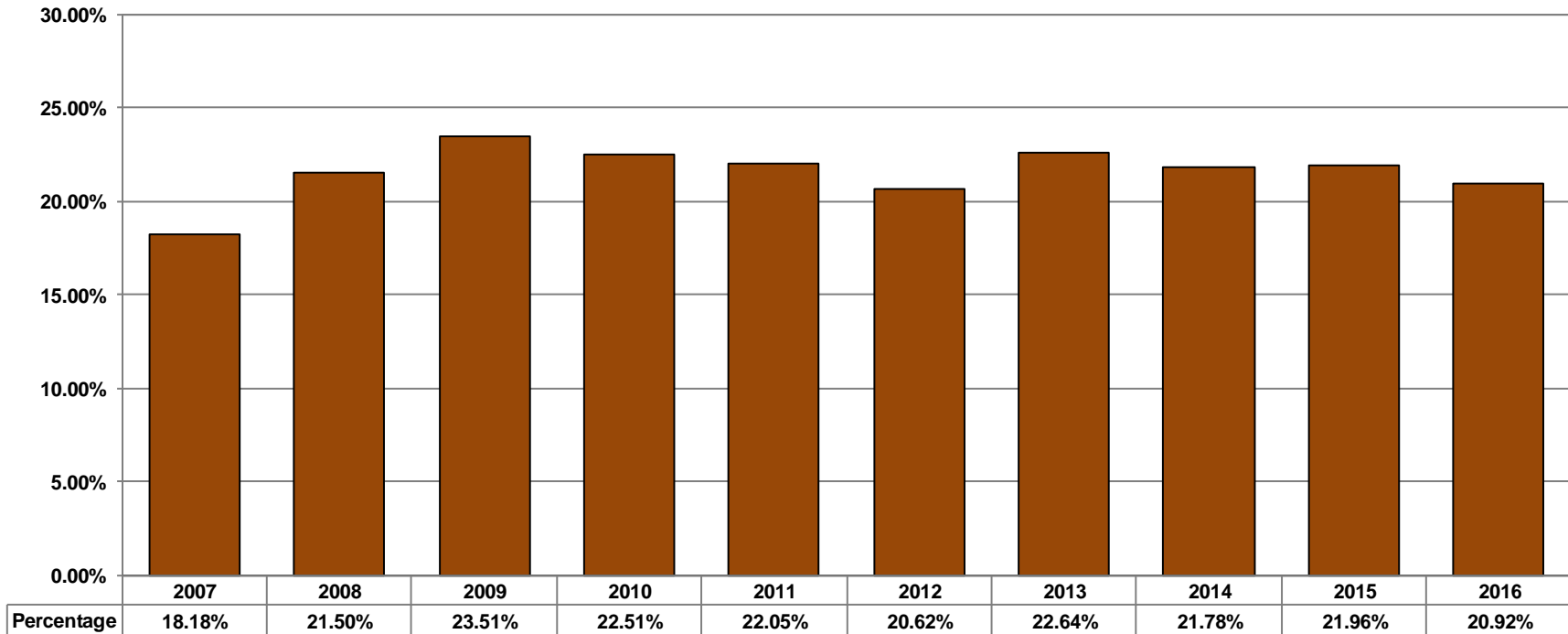
The ability of the Town to take advantage of new technology will impact future trends in this indicator. Such new technologies that have benefited the Town in keeping personnel costs low have been the automated waste collection trucks and the implementation of an automated parking ticket system.

Personnel cost is a major component of Town services, and management will continue to seek ways to leverage technology in an effort to keep labor cost low. There was a slight increase in personnel costs, relative to total expenditures and because of this the indicator has been rated positive with caution.



# OVERLAPPING DEBT

## As a Percentage of Assessed Value



### INDICATOR DISCUSSION

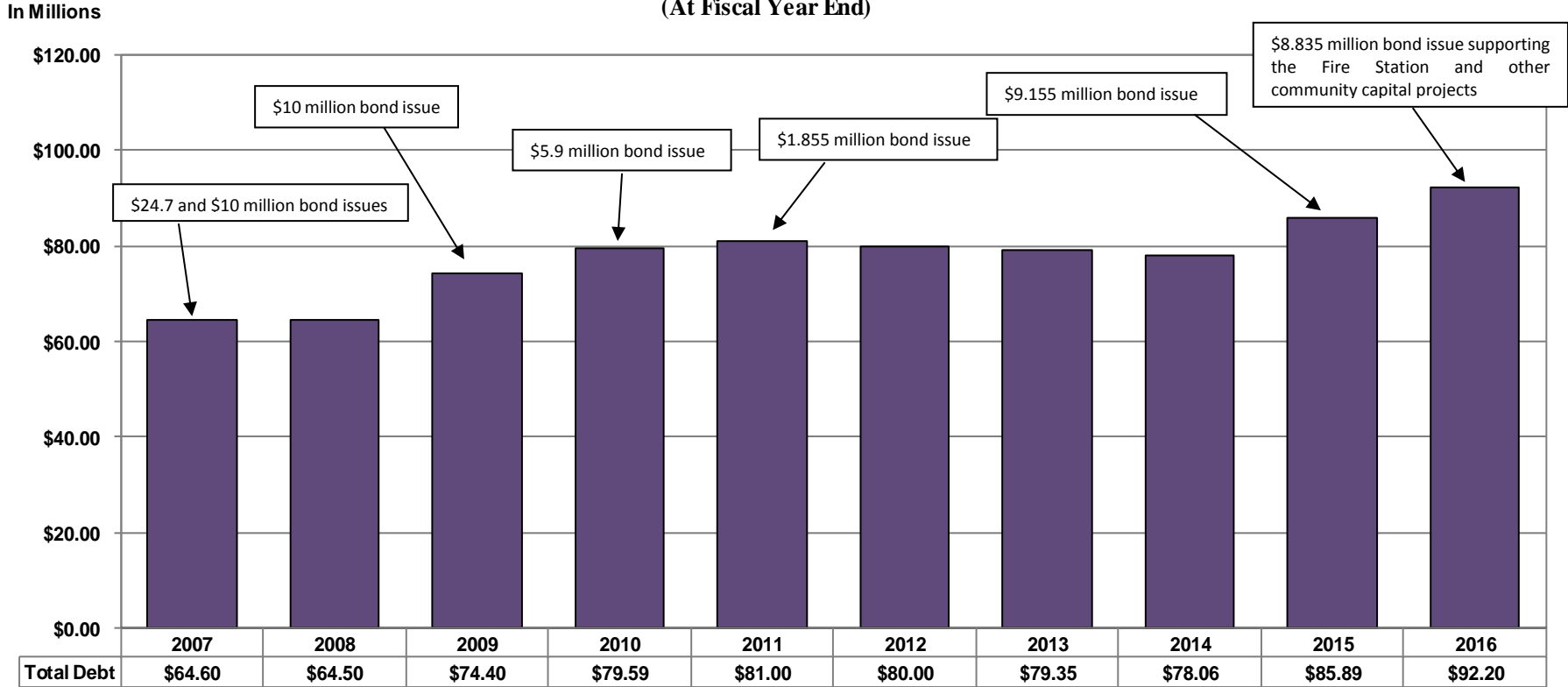
Overlapping debt consists of Normal’s net direct bonded debt (including debt supported by Water and Sewer Funds) and the debt of other governmental units within Normal, including Unit 5 School District, McLean County, the Water Reclamation District, Heartland Community College and the Airport Authority.

### RATING: POSITIVE – WITH CAUTION

The total overlapping debt decreased from \$181.9 million in FY2015 to \$175.0 million in FY2016. The decrease in the overlapping debt was due to the annual payments made by the overlapping districts in FY2016.

# TOTAL DEBT OUTSTANDING

(At Fiscal Year End)



**INDICATOR DISCUSSION**

This indicator reports the total debt outstanding of the Town (SSA Bond not included). Most of the debt shown relates to the Uptown redevelopment program and is supported by the Council designated revenue sources of tax incremental financing property tax, water and sewer funds, motor fuel tax, and a portion of local sales tax, hotel motel tax and food and beverage tax.

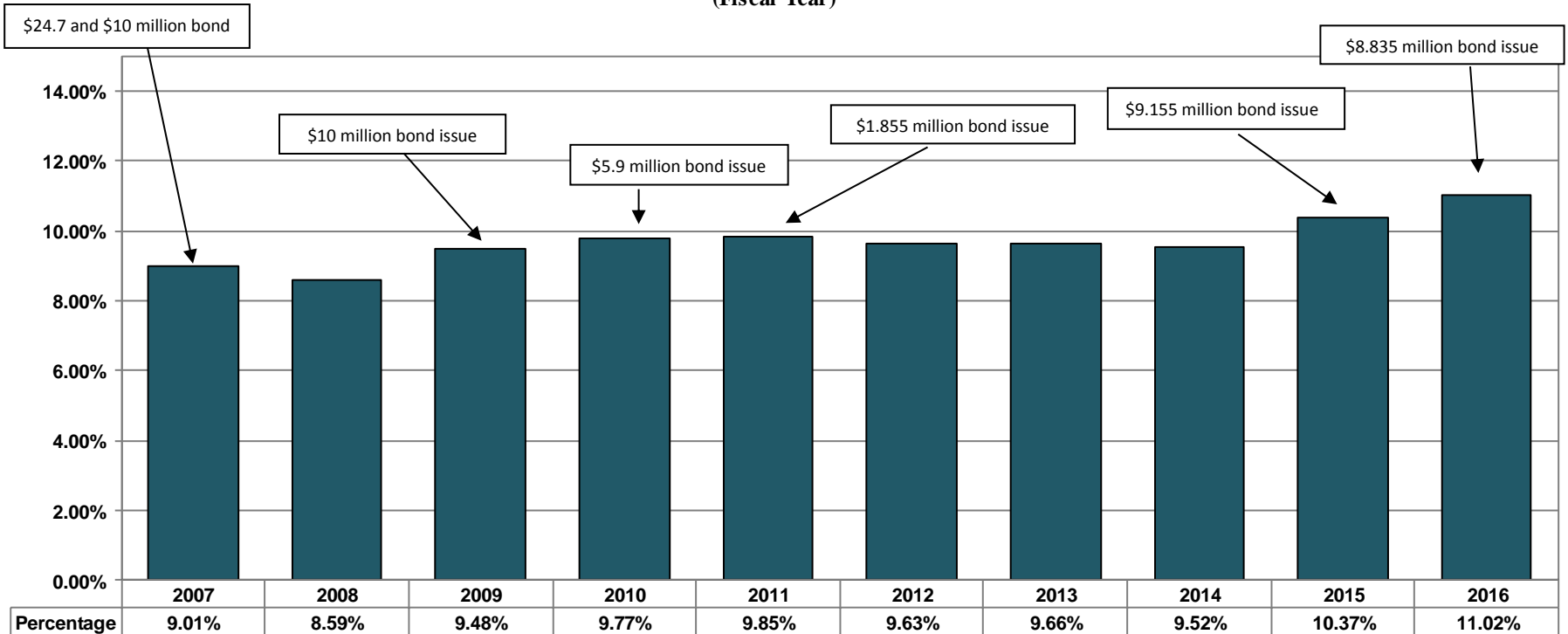
**RATING: POSITIVE – WITH CAUTION**

There is sufficient revenue capacity to support the existing debt, however if more debt is issued, additional revenue sources will need to be identified to support those new debt service obligations.

# LONG-TERM DEBT

## As a Percentage of Assessed Value

(Fiscal Year)



### INDICATOR DISCUSSION

This graph examines the Town’s long-term debt (as a percentage of assessed valuation), which the Town has pledged its “full faith and credit” to repayment. The graph does not include debt of overlapping governmental jurisdictions.

The use of the debt presented in the chart has been for the Uptown development and has helped maintain a vibrant local economy.

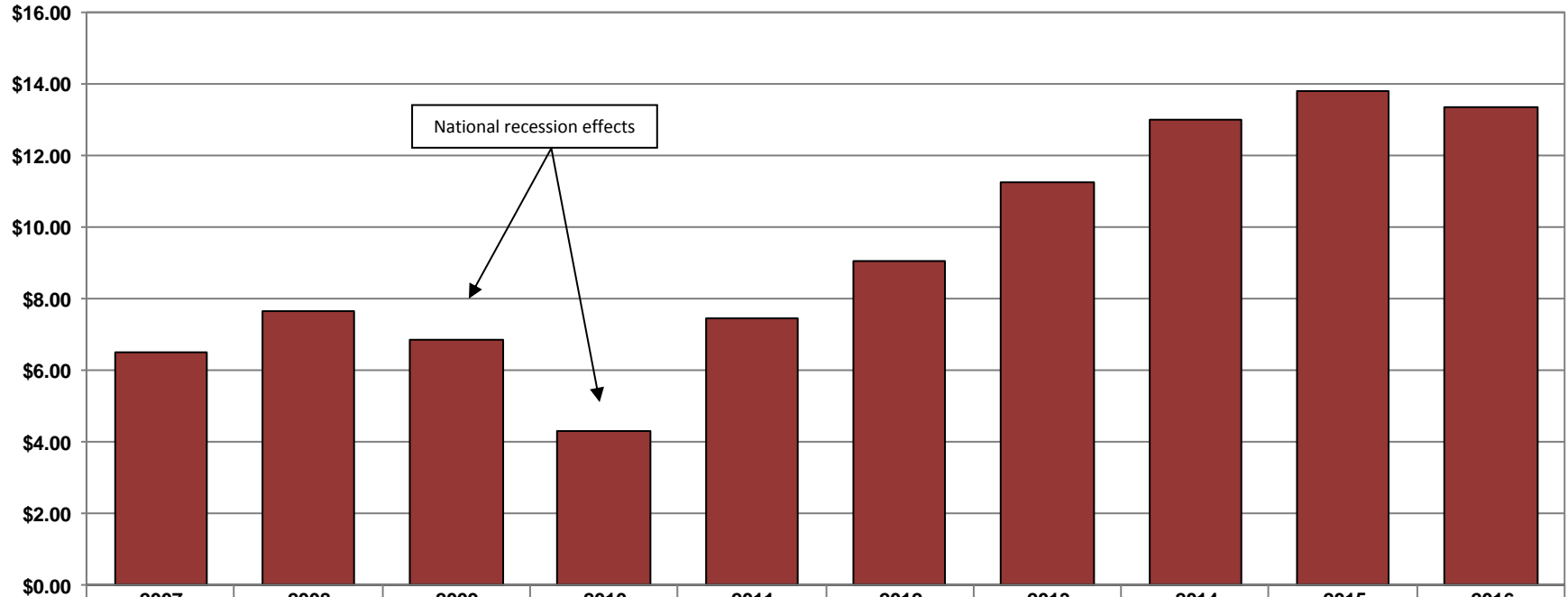
### RATING: NEGATIVE

Staff considers a debt amount of 10% (as compared to assessed value) to be a general debt benchmark. The Town has been slightly above this benchmark for the past two fiscal years.

# GENERAL FUND CASH BALANCE

(Fiscal Year)

In Millions



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cash & Invest	\$6.492	\$7.668	\$6.833	\$4.315	\$7.451	\$9.038	\$11.250	\$13.009	\$13.786	\$13.359
Percent Change	-14.5%	18.1%	-10.9%	-36.8%	72.7%	21.3%	24.5%	15.6%	6.0%	-3.1%

## INDICATOR DISCUSSION

The data presented above has been taken from the year-end General Fund balance sheet.

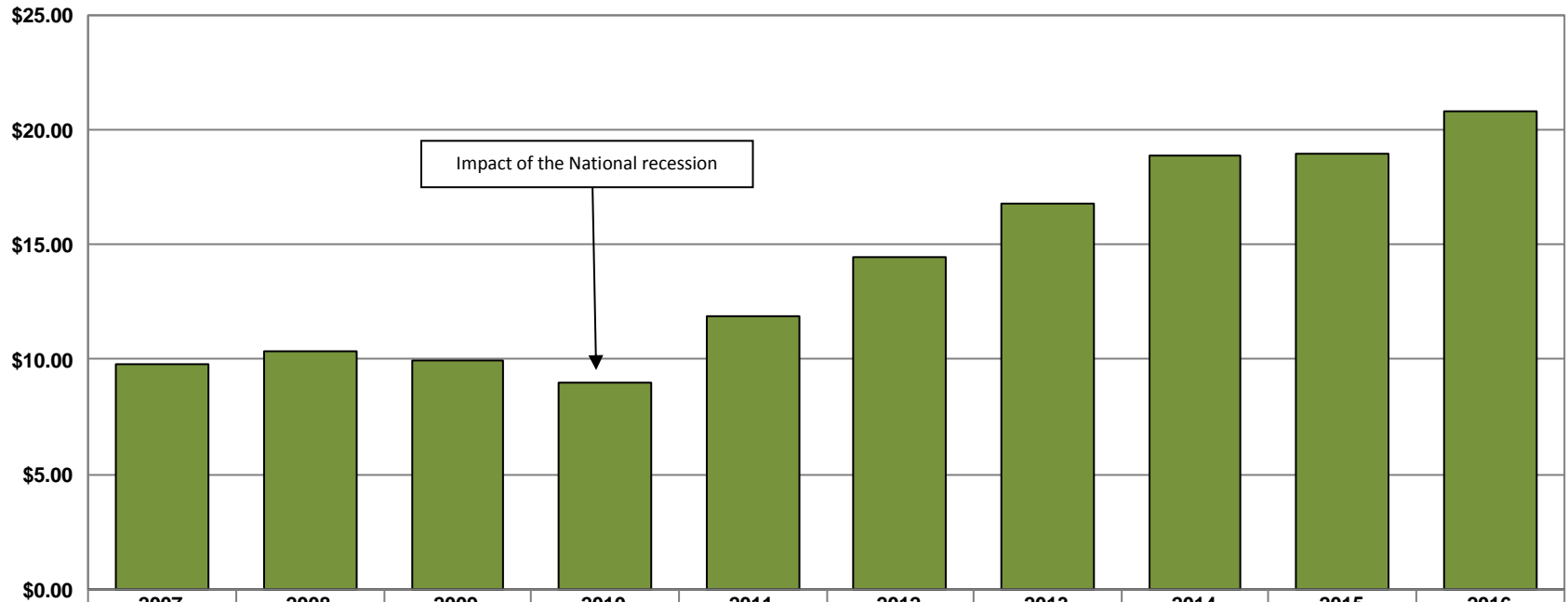
## RATING: POSITIVE – WITH CAUTION

This indicator was rated positive even with the slight decrease in the balance because the cash balance is healthy. The cash decrease primarily relates to large receivable balances recorded in FY2015-16, but collected early in the following (current) fiscal year.

# GENERAL FUND BALANCE

(Fiscal Year)

In Millions



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
■ Fund Balance	\$9.81	\$10.32	\$9.98	\$8.98	\$11.86	\$14.43	\$16.81	\$18.88	\$18.94	\$20.82
■ Percentage Change	-0.35%	5.23%	-3.29%	-10.00%	32.09%	21.60%	16.53%	12.34%	0.28%	9.96%

## INDICATOR DISCUSSION

The General Fund is reported at year-end on a modified accrual basis of accounting. This means that expenditures are recognized when a liability obligation for payment exists. Revenues are recognized when earned.

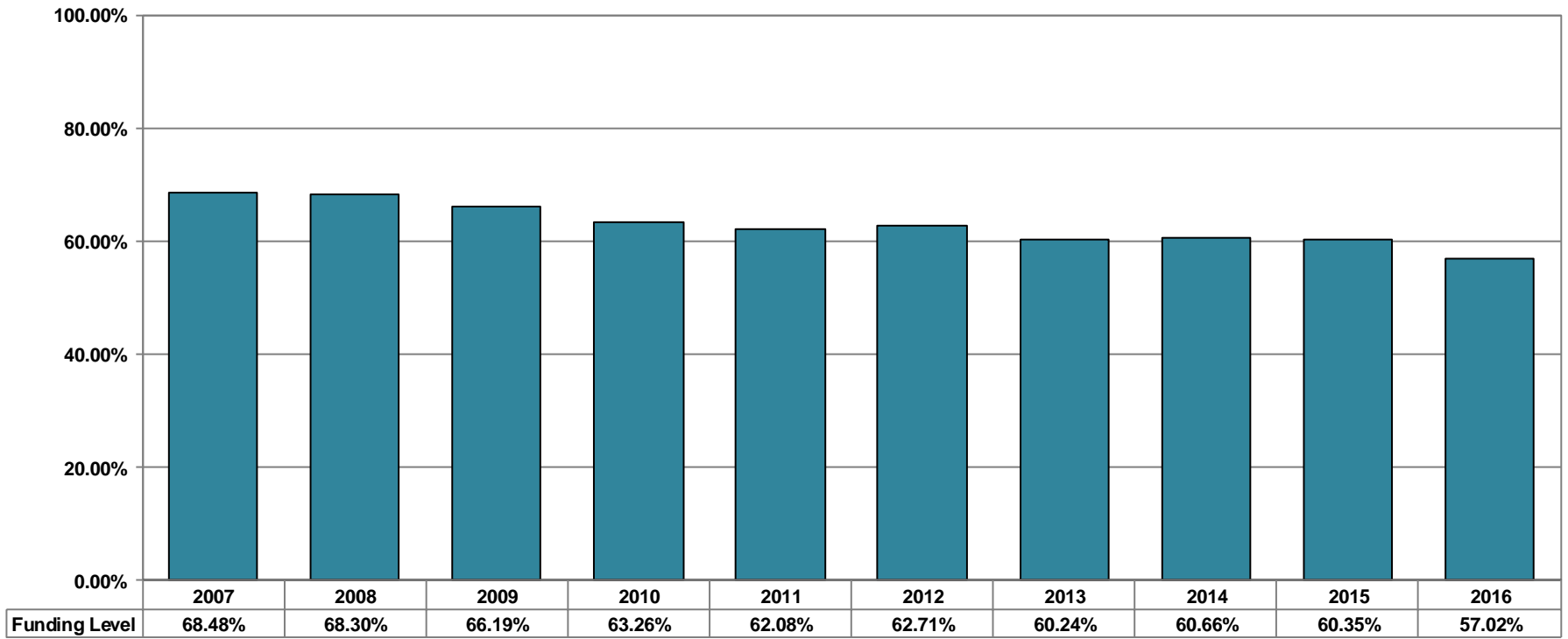
## RATING: POSITIVE

This indicator was rated positive as a result of the increase in fund balance. The increase is primarily expense driven with savings across all the lines of operation. Some of the savings represents carryover projects that have been re-budgeted in the current fiscal year which will draw down some of the balance.

# POLICE PENSION PLAN

## Funding Levels

(Fiscal Year)



### INDICATOR DISCUSSION

According to State law (effective 1/1/2011), all Illinois police pension funds must be 90% funded by the year 2040. An upward sloping trend indicates improved financial stability of the fund. It is the Town's goal and funding policy to reach 100% by 2040.

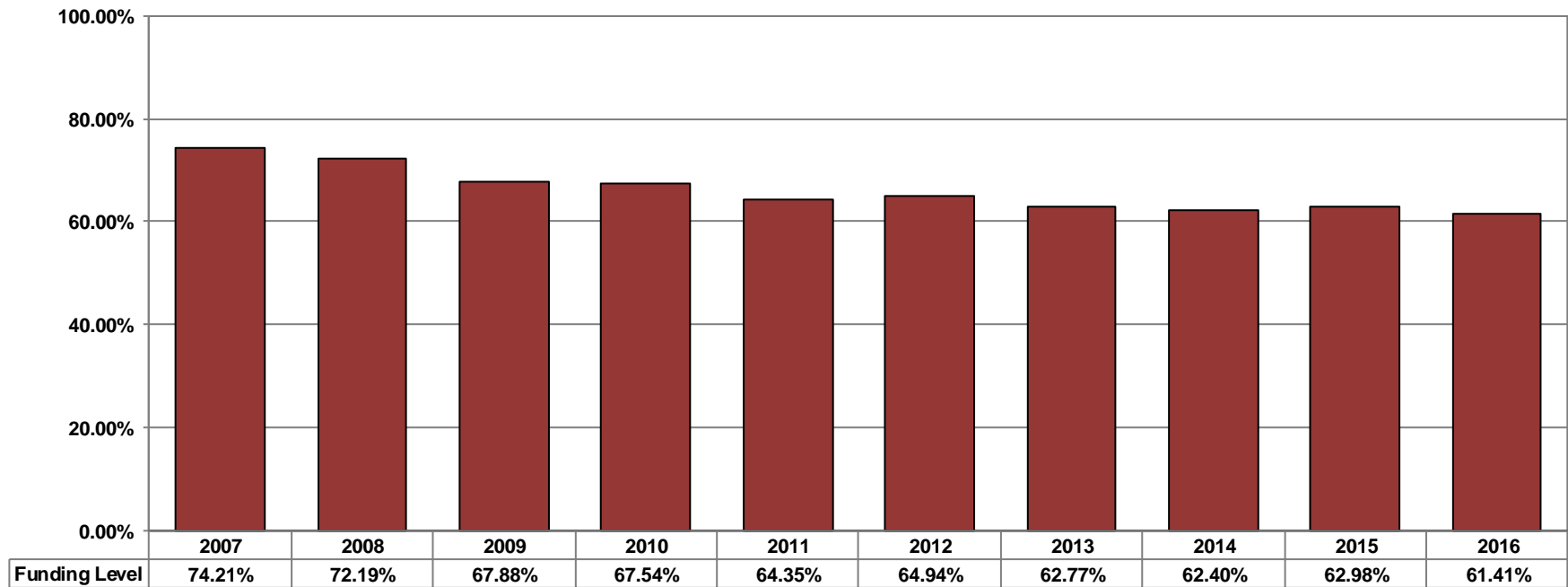
### RATING: NEGATIVE

The Town, like many municipalities, continues to see decreasing funding levels in its public safety pensions. This decrease is primarily due to lower than expected investment earnings. Staff expected the investment returns to be more consistent with the 6.75% assumption used in the actuarial valuation. However, market performance has continued to be below that assumption and it is likely the investment returns will not achieve the 6.75% assumption in the immediate future. Staff is considering a variety of recommendations to address the funding level decrease and plans to present those to Council soon.

# FIRE PENSION PLAN

## Funding Levels

(Fiscal Year)



### INDICATOR DISCUSSION

According to State law (effective 1/1/2011), all Illinois fire pension funds must be 90% funded by the year 2040. An upward sloping trend indicates improved financial stability of the fund. It is the Town's goal and funding policy to reach 100% by 2040.

### RATING: NEGATIVE

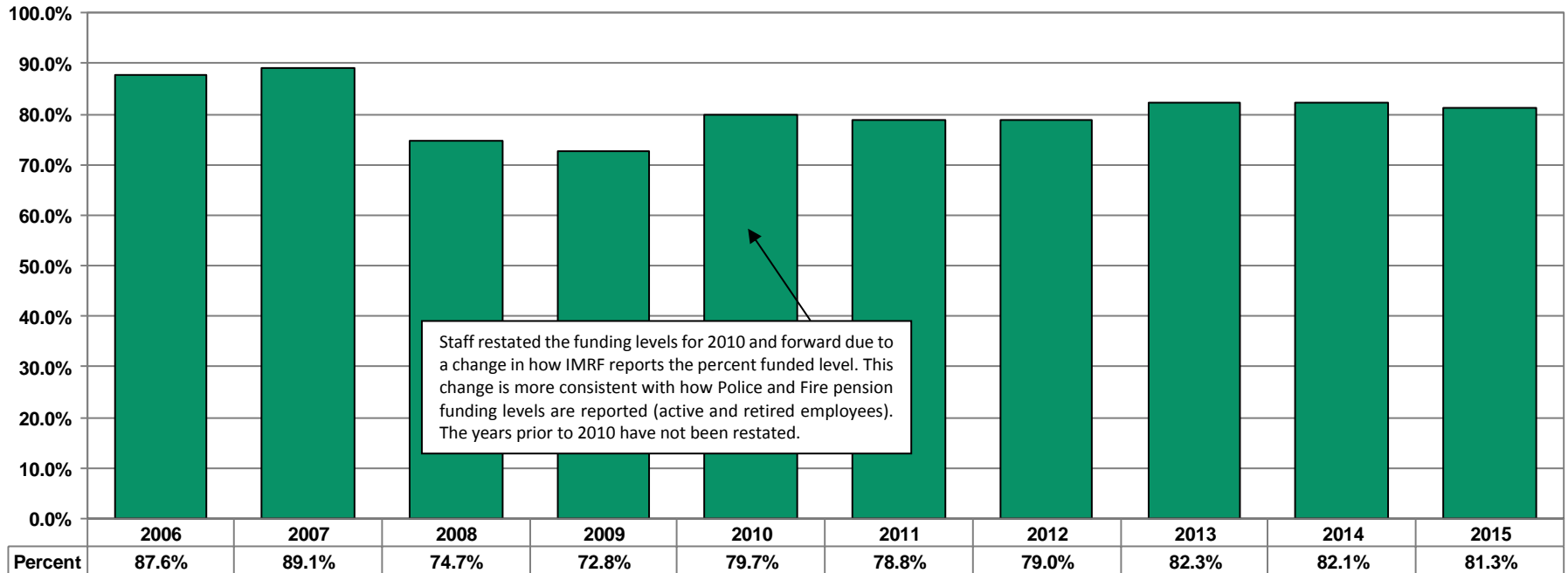
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# IMRF

(Illinois Municipal Retirement Fund)

## Funding Levels

(Calendar Year)



### INDICATOR DISCUSSION

Pension funding to IMRF supports the pension plans for all non-contract employees (Town employees not covered under the police or fire collective bargaining agreement).

The graph above summarizes the changes in IMRF funding levels that have occurred over time. The IMRF contribution levels are actuarially determined by a private firm employed by the IMRF Board. All active IMRF employees contribute 4.5% of their total earnings. The employer rate established by the IMRF Board varies from year-to-year.

### RATING: POSITIVE – WITH CAUTION

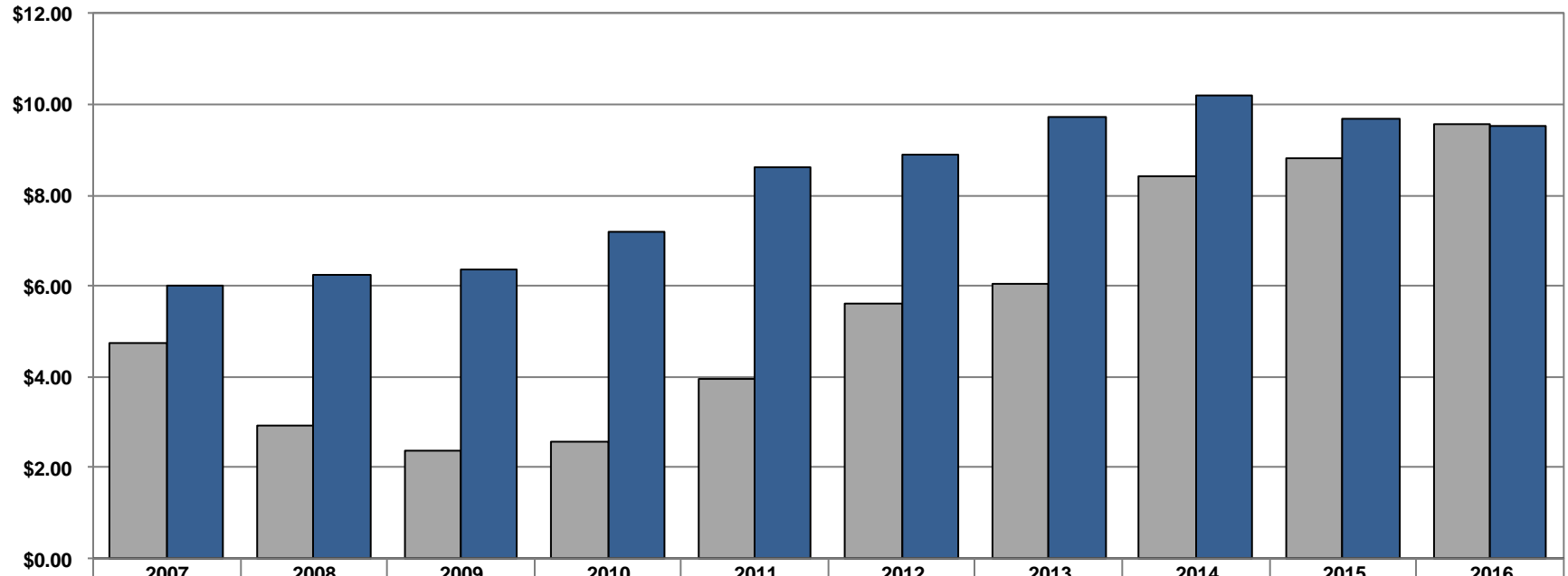
The funding level for this pension program continues to be well funded.



# WATER FUND

(Fiscal Year)

In Millions



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
□ Cash & Invest	\$4.72	\$2.93	\$2.36	\$2.56	\$3.94	\$5.60	\$6.04	\$8.43	\$8.80	\$9.58
■ Revenue	\$6.01	\$6.23	\$6.37	\$7.20	\$8.61	\$8.91	\$9.74	\$10.20	\$9.67	\$9.52

## INDICATOR DISCUSSION

The Cash and Investments category includes both operations and funds reserved for vehicle and equipment replacement. A trend of either decreasing revenue or cash can be interpreted as a warning indicator for financial troubles in the fund. The combination of a decline in both categories would be a very clear indication of instability and potential future hardships.

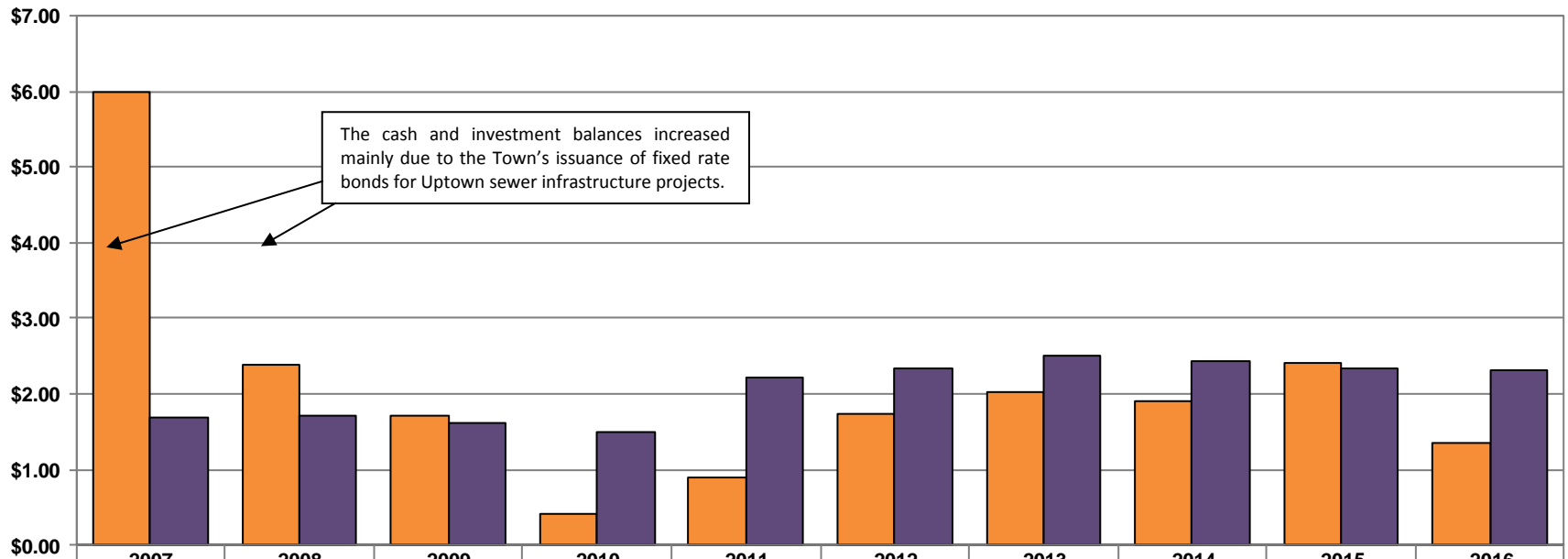
## RATING: POSITIVE

The Water Fund's financial position remains strong, both for operational needs and capital infrastructure projects, but revenue has dropped off in the last two years. Council approved 2% rate increase for FY2016-17 which will help ensure the operations long-term financial stability. Staff will continue to monitor the Water Fund and recommended adjustments, as needed, to ensure the fund remains in a strong financial position. These future rate adjustments will likely be small.

# SEWER FUND

(Fiscal Year)

In Millions



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cash & Invest	\$5.98	\$2.38	\$1.72	\$0.41	\$0.90	\$1.73	\$2.03	\$1.91	\$2.41	\$1.34
Revenue	\$1.68	\$1.70	\$1.62	\$1.49	\$2.23	\$2.34	\$2.52	\$2.43	\$2.35	\$2.30

## INDICATOR DISCUSSION

The Cash and Investments category includes both operations and funds reserved for vehicle and equipment replacement. A trend of either decreasing revenue or cash can be interpreted as a warning sign for financial troubles in the fund. The combination of a decline in both categories would be a very clear indication of instability and potential future hardships.

## RATING: NEGATIVE

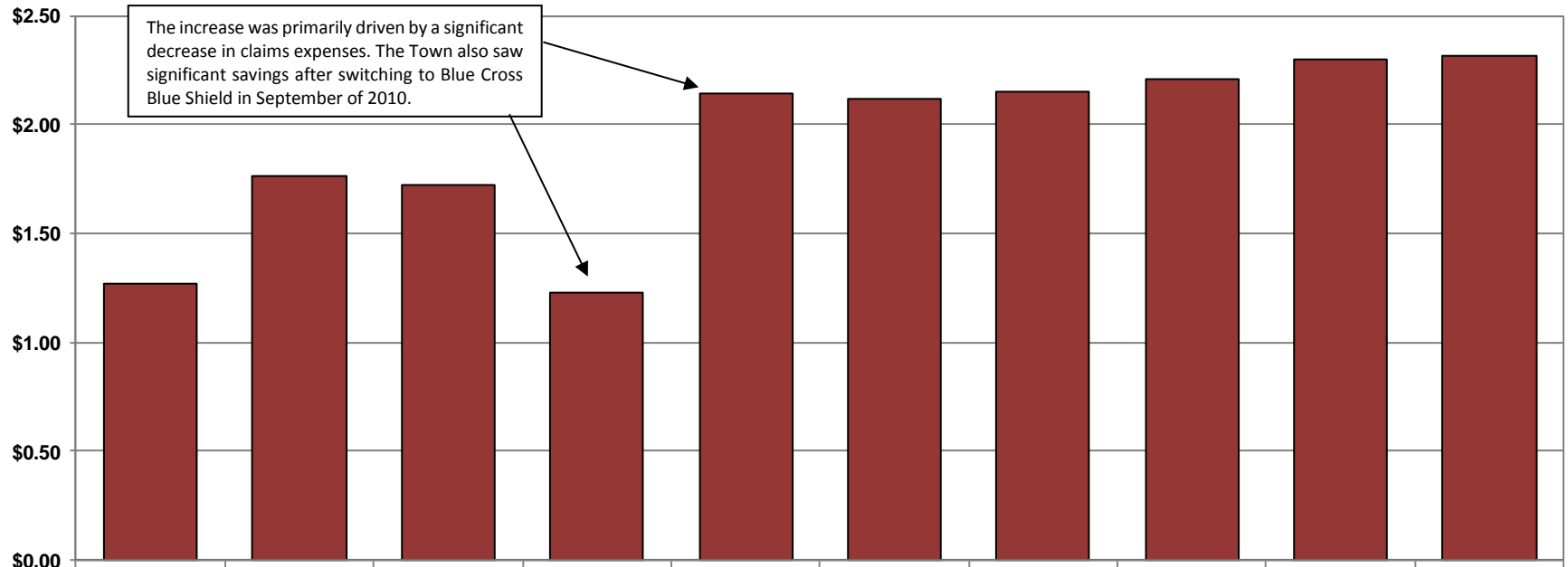
The Sewer Fund's financial position is positive, but well below a fiscal position that will sufficiently meet the systems operational and capital needs. Staff is finalizing a sewer assessment plan that will guide a multi-year system condition review of the sewer's infrastructure and ultimately create an enhanced capital improvement plan. The multi-year "assessment" and pending capital plan will put the system on a more sustainable path with regard to operational improvements as well as needed capital investment.

# Health & Dental Insurance Fund

## Fund Balance

In Millions

(Fiscal Year)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
■ Fund Balance	\$1.27	\$1.76	\$1.72	\$1.23	\$2.14	\$2.12	\$2.15	\$2.21	\$2.29	\$2.32
Percent Change	14.12%	38.89%	-2.14%	-28.62%	73.68%	-0.93%	1.52%	2.76%	3.85%	0.94%

### INDICATOR DISCUSSION

The Town of Normal provides health and dental insurance through a self-funded plan. The Health Insurance Fund is classified as an Internal Service Fund and derives its revenue from Town and employee contributions.

### RATING: POSITIVE

The Health and Dental Fund balance had a slight increase from last year but the fund continues to remain stable. Staff monitors the fund's activity very closely due to the uncertainty of healthcare costs and the general volatility in the industry. This uncertainty and volatility is managed by ensuring a well-coordinated program, consistent rate reviews, excess insurance coverage and a conservative reserve fund balance.

# Financial Strategies

## General Fund Operating Reserves – Positive Outlook

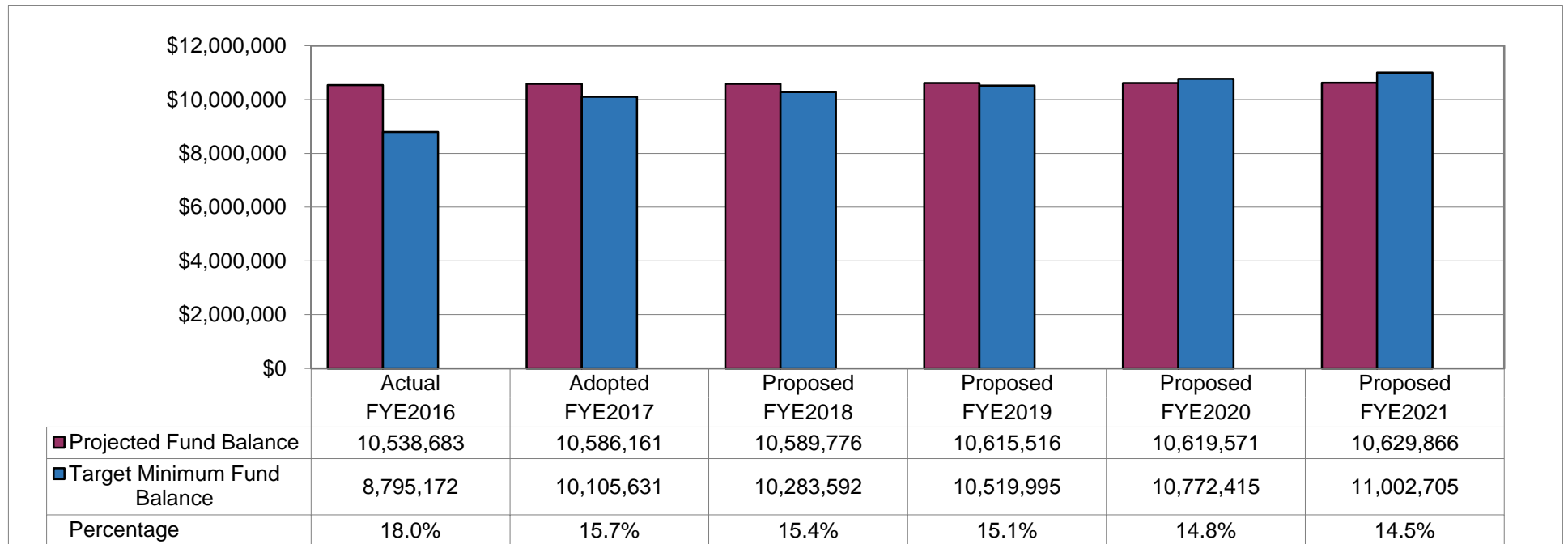
Management Strategy: Maintain a projected 15% fund balance for all budget years presented in the 5-year budget.

Operating reserves are an essential fiscal policy for any local government. An adequate fund balance in the General Fund helps:

- Provide a resource to manage through negative economic conditions or events
- Maintain working capital for paying bills in a timely manner
- Finance cash flow needs and avoid short-term borrowing given seasonal revenue streams
- Provide for unanticipated needs
- Provide resources to take advantage of unexpected opportunities
- Provide a key indicator of fiscal health for rating agency reviews

### Measuring the General Fund Operating Reserve

As part of the budget planning process, Finance calculates the fund balance for budgetary purposes (spendable fund balance) as the year ending cash balance less current liabilities. This projection of General Fund balance takes into account the FY2015-16 results and projections from the approved budget for FY2016-17.



**Vehicle and Equipment Reserves – Positive Outlook with Caution**

Management Strategy: Maintain the Vehicle and Equipment reserve fund balance at 110% of the average spending for the most current projected five year budget plan.

The Vehicle and Equipment reserve fund is used to accumulate resources to fund the replacement of the Town’s vehicle and equipment needs. It is essentially an extension of the General Fund and, by management practice, funds are set aside each year to pay for vehicle and equipment replacement needs. The necessary fund balance or reserve level that should be maintained is a function of management judgment and the anticipated replacement costs of various vehicles and equipment.

Fiscal Year	Planned Spending	Planned Fund Balance	Above/(Below)
FY 2016-17	3,951,345	3,323,253	(252,562)
FY 2017-18	2,188,523	4,872,200	1,296,385
FY 2018-19	4,542,287	3,625,353	49,538
FY 2019-20	2,837,450	3,619,449	43,634
FY 2020-21	2,734,100	3,474,687	(101,128)
Average	3,250,741		
110%	3,575,815		

**Contingency Funding – Positive Outlook**

Management strategy: Maintain an annual contingency amount equal to or above 1% of General Fund expenditures.

The Town frequently utilizes its contingency funds for unexpected needs and/or opportunities and it is management’s practice to maintain an annual contingency fund equal to or above 1% of planned General Fund expenditures. This financial strategy is slightly skewed due to the fact that the Town has not allocated the additional 1% sales tax in the future budget years. The increase in projected sales tax revenue is budgeted in the contingency account until the Council allocates the revenue to projects.

Fiscal Year		Expenditures	Management Strategy	Current Planned
FYE2016	Actual	56,461,734	0.8%	\$430,000
FYE2017	Proposed	67,370,873	1.1%	\$750,000
FYE2018	Proposed	68,557,282	7.7%	\$5,291,300
FYE2019	Proposed	70,133,300	7.6%	\$5,345,000
FYE2020	Proposed	71,816,100	7.5%	\$5,404,700
FYE2021	Proposed	73,351,364	7.5%	\$5,473,300

**Debt Management Capacity – Positive Outlook**

Management Strategy for Capacity: Keep current and projected annual debt service payments at or below 10% of General Fund annual revenue.

Fiscal Year	Total General Fund Rev	Net Debt Service Payment	Debt Payment/Gen Rev
FYE16	61,029,376	4,960,249	8.1%
FYE17	67,418,351	5,495,795	8.2%
FYE18	68,560,897	5,903,919	8.6%
FYE19	70,159,040	5,841,991	8.3%
FYE20	71,820,155	6,059,859	8.4%
FYE21	73,361,659	6,319,983	8.6%

This strategy serves only as a general guideline, as specific situations/circumstances will impact the amount of debt the Town is willing to issue and each debt issue decision must be considered on a case by case basis.

**Debt Management Coverage – Positive Outlook**

Management Strategy: Maintain funding at or above the stated coverage ratios. These ratios are 1.00 for annual revenue to annual debt service and 1.25 for annual revenue plus carry forward reserves to annual debt service.

Coverage ratio (1) compares the projected annual revenue made available for debt service to the projected annual debt service payment. A coverage ratio of 1.0 means the Town’s dedicated revenue for a specific year equals the planned debt service.

Coverage ratio (2) compares the projected annual revenue plus carry-forward reserves available for debt service to the projected annual debt service payment. Specific targets are set for both coverage ratios. These ratios are based on the debt program as adopted in the FY2016-17 Budget.

Fiscal Year	Coverage Ratios (1) and (2)	
	(1) Rev/Exp 1.00	(2) Rev + Bal/Exp 1.25
FYE16	1.01	1.50
FYE17	1.03	1.38
FYE18	0.95	1.33
FYE19	1.07	1.30
FYE20	1.05	1.32
FYE21	1.00	1.31

**Health Insurance Reserve – Positive Outlook – with Caution**

Management Strategy: Maintain a reserve balance equal to the four highest expense months from the most recently closed fiscal year. The reserve level will change year to year, given changes in expenditure activity. If expenditure activity trends upward, the needed reserve level will automatically trend upward as well. This ensures the Town’s needed level of reserves remain consistent with expenditure activity levels.

This is a conservative approach to establishing prudent reserve levels, but staff feels it is appropriate for the following reasons:

- Small employee base – adds potential for significant swings in expected claims
- Older employee base – adds potential for higher than usual claim expense
- Provides for smoothing out spikes in premium charges
- Provides flexibility to manage premium increases
- Provides flexibility to manage benefit increases

Below is our calculation of the reserve as well as projections from the adopted FY2016-17 budget.

Line Item	Proposed FY2017	Proposed FY2018	Proposed FY2019	Proposed FY2020	Proposed FY2021
Beginning Fund Balance	2,316,227	2,326,025	2,343,786	2,352,797	2,419,748
Revenue	5,552,245	5,897,245	6,317,675	6,769,400	7,226,510
Expenditures	5,542,447	5,879,484	6,308,664	6,702,449	7,122,580
Ending Fund Balance	2,326,025	2,343,786	2,352,797	2,419,748	2,523,678
Target Balance	1,979,822	2,154,178	2,311,425	2,455,704	2,609,635

2015-16		
Month	Monthly Spending	Min Balance
April	397,424	
May	450,925	
June	431,775	
July	463,178	463,178
August	516,397	516,397
September	371,539	
October	487,214	487,214
November	446,860	
December	439,201	
January	513,033	513,033
February	461,594	
March	424,466	
Total	5,403,606	1,979,822

## Summary

We hope this report has provided the reader with a better understanding of the Town's historical financial activity as well as the overall fiscal outlook for the future. If you have any questions or would like to see more detail, please contact the Finance Department at 309-454-9516.

