

Town of



Normal

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***Financial Trend and Condition Report***

***Fiscal Year 2018-19***

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

# FY 2018-19 TREND AND CONDITION

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# FY 2018-19 TREND EVALUATION

## ***EXECUTIVE SUMMARY***

The 2018-19 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>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Positive Ratings</b>	21	19	20	21
<b>Negative Ratings</b>	7	9	8	7
<b>Unclassified</b>	6	6	6	6
<b>Total Ratings</b>	34	34	34	34

**Community Growth**

<b>Description</b> (P = Positive, N = Negative, U = Unclassified)	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>Page</b>
Assessed Property Value	P	P	P	P	6
Construction Building Permits	N	P	N	N	7
Average Home Sales Price	P	P	P	P	8
Airport Usage	N	N	N	N	9
Amtrak Usage	P	N	P	P	10
Unemployment Rate	P	P	P	P	11
County Workforce	P	N	N	N	12

- Assessed value had slight increase over last year.
- Construction permits were down from the previous year.
- Average home prices for existing homes increased, while prices for new homes decreased.
- Airport ridership had a bump up, while Amtrak ridership decreased slightly.
- Unemployment rates for Normal and other downstate communities increased.
- County workforce numbers continue to decline.

**Revenue**

<b>Description</b> (P = Positive, N = Negative, U = Unclassified)	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>Page</b>
Town Revenue Sources	U	U	U	U	13
State Income Tax	P	N	N	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	N	N	N	N	19
Utility Tax Revenue - Dollar Change	U	U	U	U	20
State and Local Sales Tax Revenue	P	P	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

- Utility tax had a slight increase.
- The Town's property tax rate continues to be the lowest among our peer governments and among the lowest with regard to the overall community tax rate.
- Sales tax increased over last year.
- Food and Beverage had a slight increase over last year.

### Expenditure

Description (P = Positive, N = Negative, U = Unclassified)	2015-16	2016-17	2017-18	2018-19	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	P	P	P	P	28

- Public Safety (31.2%) accounts for the largest amount of expenditures in FY2019. Public safety represents expenditure activity for the Police, Fire and Inspections Departments.

### Debt Service

Description (P = Positive, N = Negative, U = Unclassified)	2015-16	2016-17	2017-18	2018-19	Page
Overlapping Debt as a Percent of Assessed Value	P	P	P	P	29
Total Debt Outstanding	P	P	P	P	30
Long-Term Debt as a Percent of Assessed Value	N	P	P	P	31

- Overlapping Debt as a Percent of Assessed Value remains stable.
- Both the Town's Long-Term Debt as a percent of assessed value and Total Debt decreased for the third consecutive year.

### Balance Sheet

Description (P = Positive, N = Negative, U = Unclassified)	2015-16	2016-17	2017-18	2018-19	Page
General Fund Cash Balance	P	P	P	P	32

General Fund Balance	P	P	P	P	33
Police Pension Funding Levels	N	N	N	N	34
Fire Pension Funding Levels	N	N	N	N	35
IMRF Funding Levels	P	P	P	P	36
Water Fund Summary	P	P	P	P	37
Sewer Fund Summary	N	N	P	P	38
Health Insurance Fund Balance	P	P	N	N	39

- General Fund cash and fund balance have increased due to positive revenue growth and budget cuts.
- Police and Fire Pension funding levels remain stable, but challenged
- IMRF pension funding levels dipped slightly this year, but remains well funded.
- The Water Fund continues to be in a strong financial position.
- The Sewer Fund has responded well to the changes made from the comprehensive infrastructure plan.
- The Health and Dental Insurance Fund balance ended with a decrease in fund balance; staff continues to review options to manage the fund.

**Overall Results of Fiscal Strategy Review – Positive Outlook – with caution**

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	41
Contingency Funding	Negative Outlook	41
Debt Management Capacity	Positive Outlook	42
Debt Management Coverage	Positive Outlook	42
Health Insurance Reserve	Negative Outlook	43
Water Fund Operating Reserves	Positive Outlook	44
Water Capital Fund Reserves	Positive Outlook – With Caution	44
Sewer Fund Operating Reserves	Positive Outlook	45



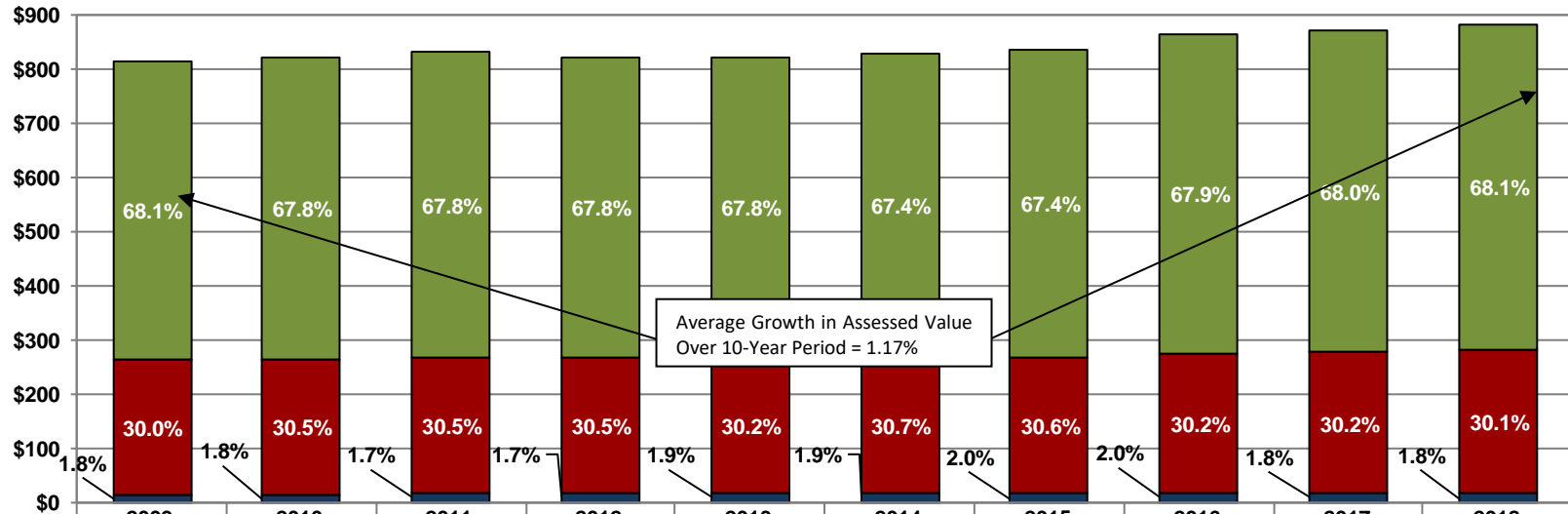
Continued monitoring of the Town's financial condition supports early detection of fiscal concerns and allows Council to proactively implement necessary changes to ensure the Town maintains a positive financial position. The financial strategies remain generally stable with some caution on their outlook. This year we are concerned with the lack of any "contingency" funding and therefore view several of the strategies with a positive yet cautious outlook. Staff will continue to review and analyze the Town's fiscal position and bring any concerns to the Council's attention as needed.

The remaining report provides detailed information for all indicators.

# ASSESSED PROPERTY VALUE

(Tax Year)

In Millions



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Percent Change	3.9%	0.9%	1.0%	-1.1%	-0.2%	1.0%	1.0%	3.1%	0.8%	1.2%
Total	\$814.77	\$822.14	\$830.45	\$821.69	\$820.00	\$828.56	\$836.86	\$862.54	\$869.44	\$880.24
Residential	\$552.32	\$557.59	\$563.42	\$553.48	\$552.80	\$562.25	\$568.97	\$587.56	\$593.09	\$597.64
Commercial	\$248.78	\$250.92	\$250.94	\$252.26	\$251.11	\$249.88	\$252.76	\$259.71	\$260.50	\$267.82
All Other	\$13.66	\$13.63	\$16.08	\$15.94	\$16.09	\$16.43	\$15.14	\$15.27	\$15.85	\$14.79

■ 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

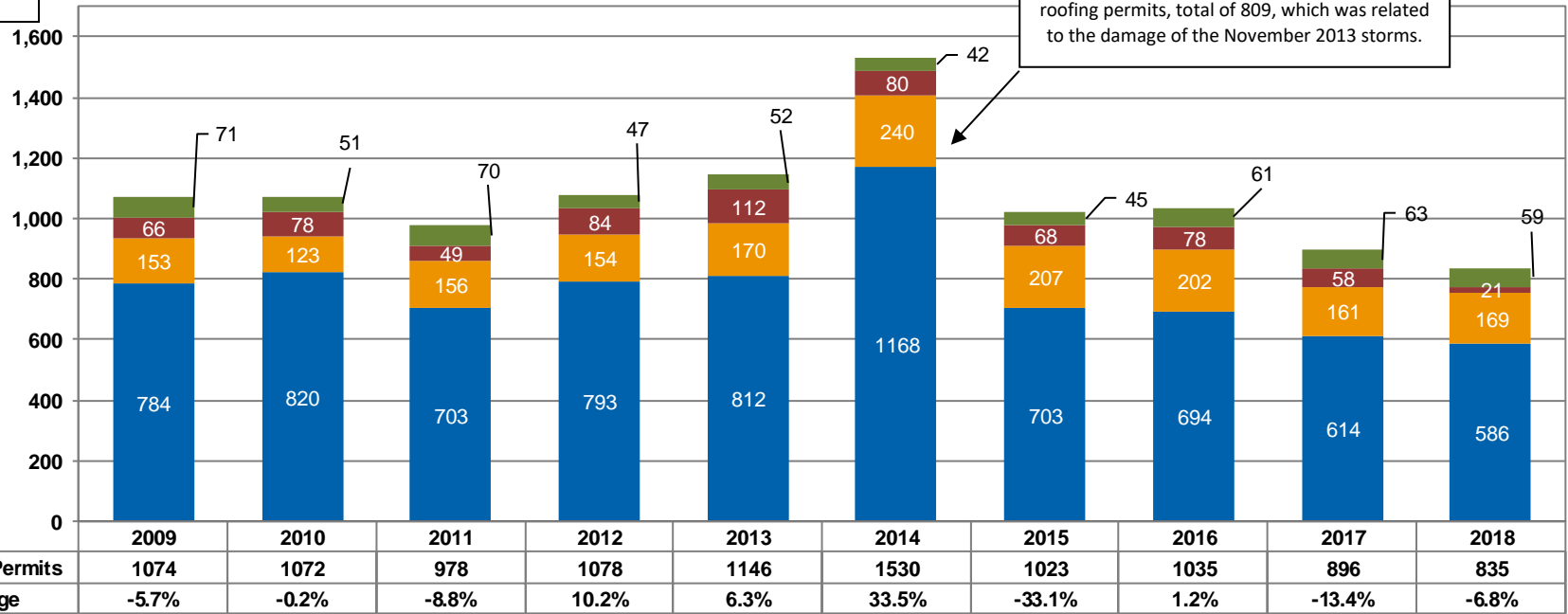
Staff preference is for an Equalized Assessed Value (EAV) growth of at least 2% annually to help generate sufficient property tax to offset increases in expenditures. 2018 was an increase over the previous year, closer to our benchmark.

# CONSTRUCTION BUILDING PERMITS

(Calendar Year)

Average permits over 10-year period = 1,066

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

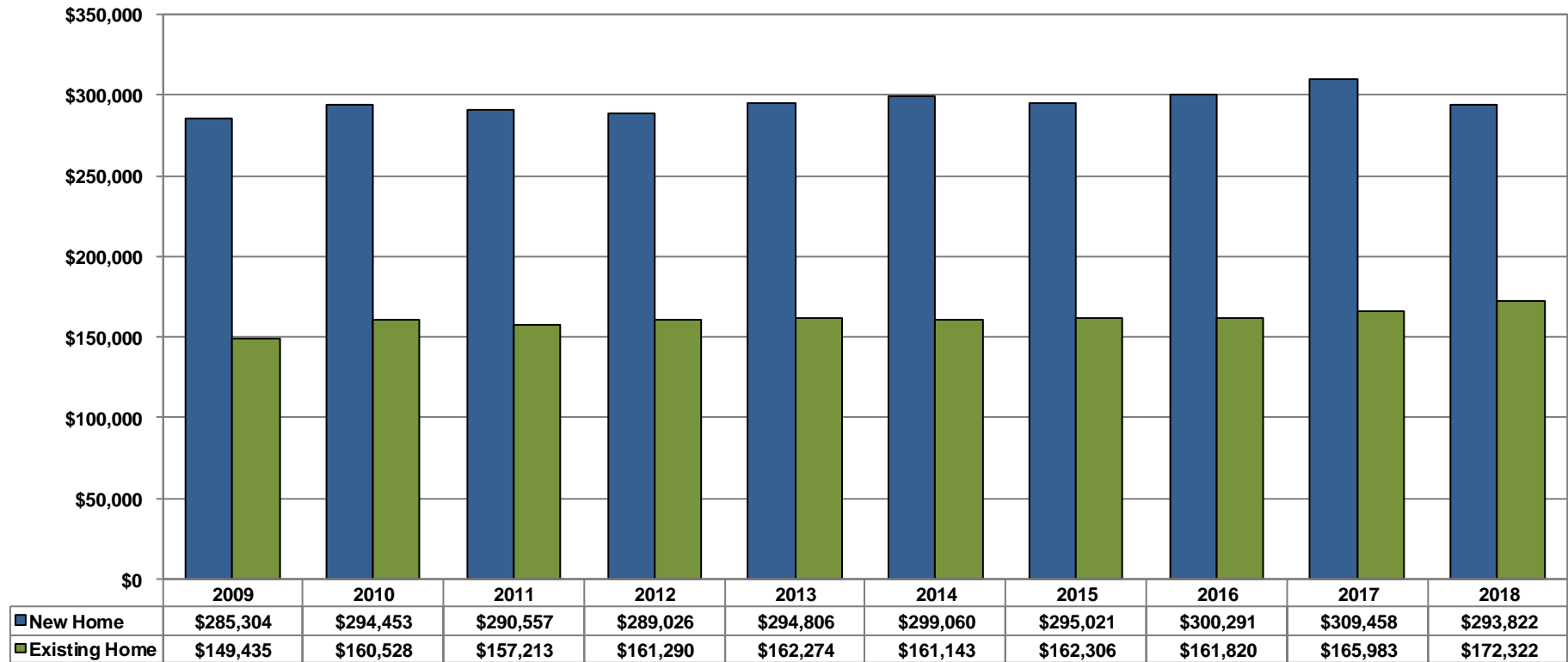
The Town saw another decrease in construction permits for 2018, well below the 10-year average. Single family and remodeling permits were significantly down compared to last year. This is likely the result of homeowners taking a “wait and see” approach to making any investments in their home until there is more certainty in this economy.

# AVERAGE HOME PRICES

(Calendar Year)

**Average Growth Over 10 Years**  
 New Home Prices = 0.2%  
 Existing Home Prices = 1.1%

**2017 vs. 2018 Values**  
 New Home Prices = -5.1%  
 Existing Home Prices = 3.8%



## INDICATOR DISCUSSION

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

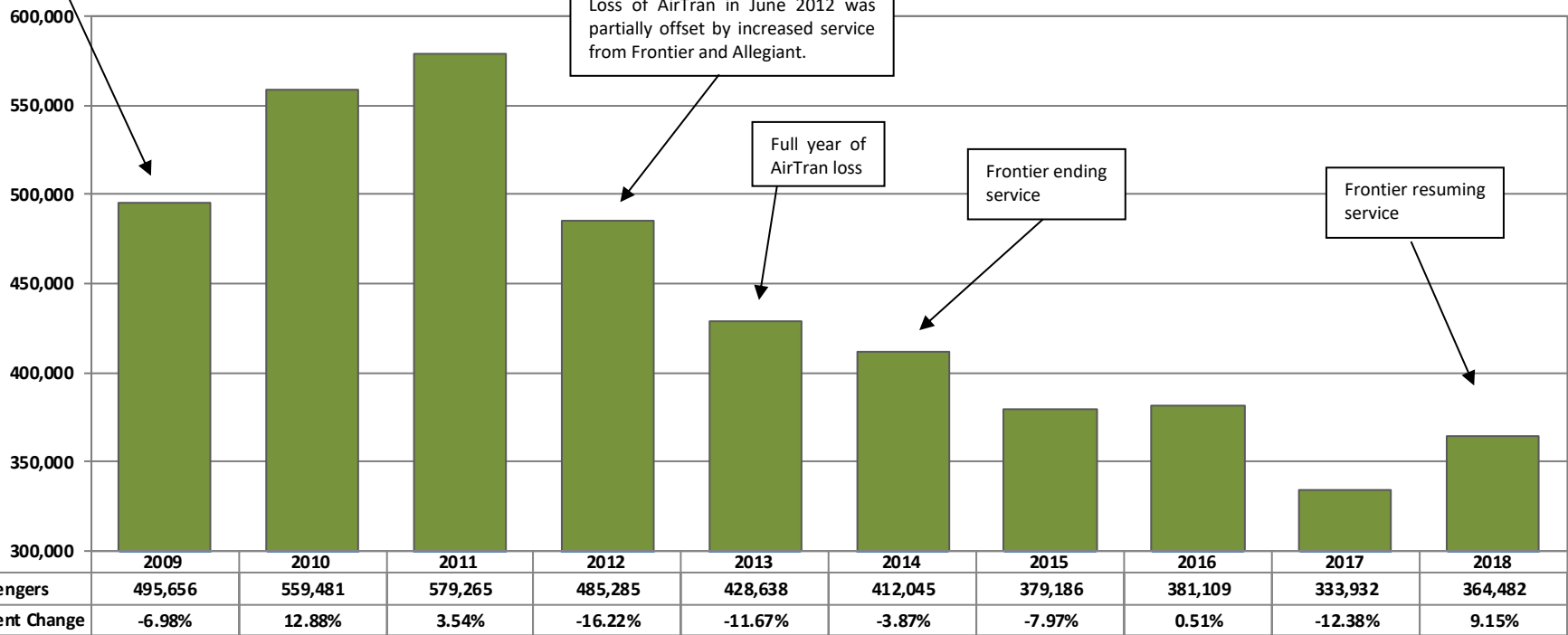
## RATING: POSITIVE – WITH CAUTION

This year, the New Home price decreased while the Existing Home price increased, which also correlates to the number of homes sold in each category. From recent community studies, we expect that the Existing Home market will outsell the New Homes. Overall, this indicator is expected continue to be flat or have relatively modest increase over the next 2 to 3 years.

# AIRPORT USAGE

## History of Passenger Activity (Calendar Year)

This decrease was a reflection of the recession and its impact on business and personal travel.



### 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

Airport ridership had an increase in 2018. However, staff is not ready to consider the trend rating as "positive". This was driven by both business and leisure travel. An increase of over 30,000 passengers was related to both Frontier resuming services and continued services.

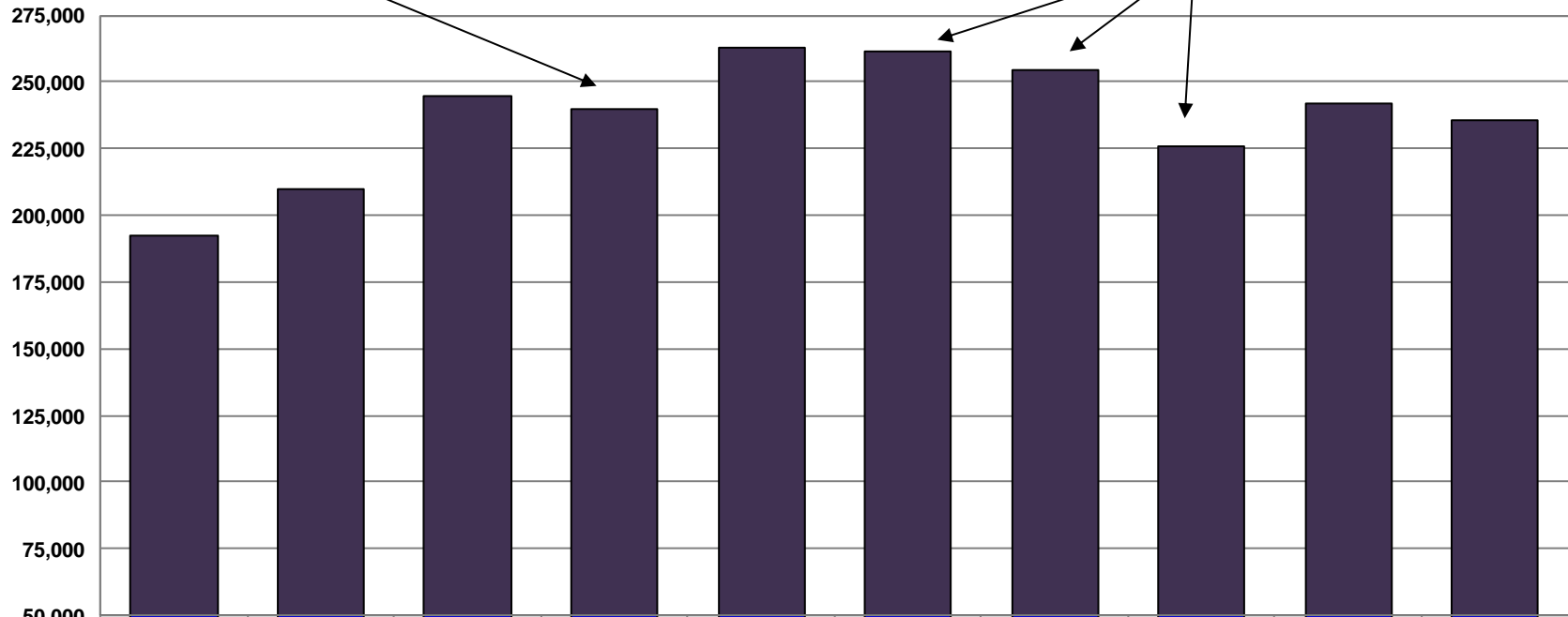
# AMTRAK USAGE

## History of Ridership Activity

(Calendar Year)

According to Amtrak, the dip in 2012 ridership related to significant track construction that caused a reduction in the number of trains.

Track disruptions due to construction of the high-speed rail road.



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Passengers	192,682	209,629	244,566	239,981	263,235	261,631	254,317	226,212	241,844	235,458
Percent Change	6.70%	8.80%	16.67%	-1.87%	9.69%	-0.61%	-2.80%	-11.05%	6.91%	-2.64%

### INDICATOR DISCUSSION

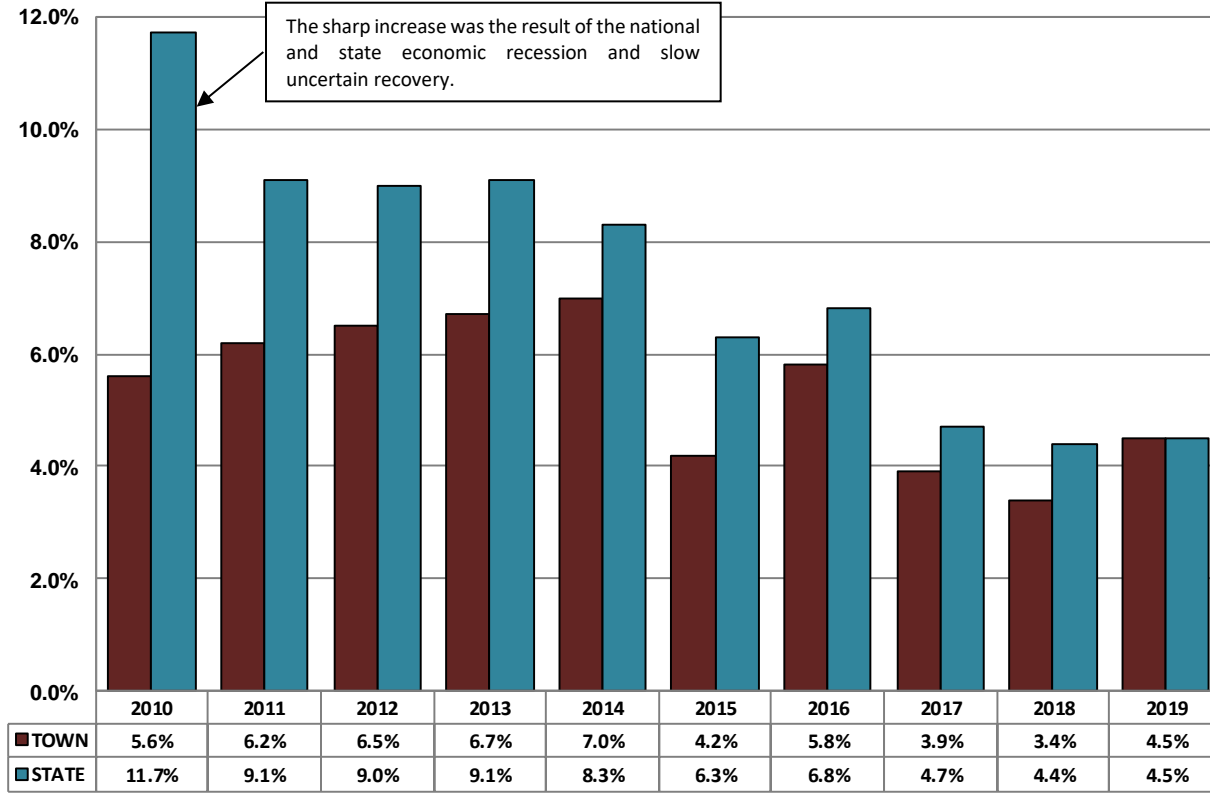
An indirect indication of local community vitality can be found within the historical passenger records of the Amtrak usage. Consistent passenger growth is reflective of a strong underlying economic base within the local community and the greater market area. Conversely, a decline in growth could be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

### RATING: POSITIVE – WITH CAUTION

Ridership for Amtrak saw a slight decrease in 2018. Staff expects further growth on this indicator as the high-speed rail program continues to be fully implemented.

# UNEMPLOYMENT RATE

As of 3/31



Municipality	Rates		
	2019	2018	Change
Champaign	4.4%	3.6%	0.8%
<b>Normal</b>	<b>4.5%</b>	<b>3.4%</b>	<b>1.1%</b>
Urbana	4.6%	3.6%	1.0%
Bloomington	4.7%	3.8%	0.9%
Springfield	5.1%	4.1%	1.0%
Peoria	6.3%	5.3%	1.0%
Galesburg	6.5%	5.2%	1.3%
Decatur	6.9%	5.5%	1.4%
United States	3.8%	4.1%	-0.3%
State	4.5%	4.4%	0.1%

## INDICATOR DISCUSSION

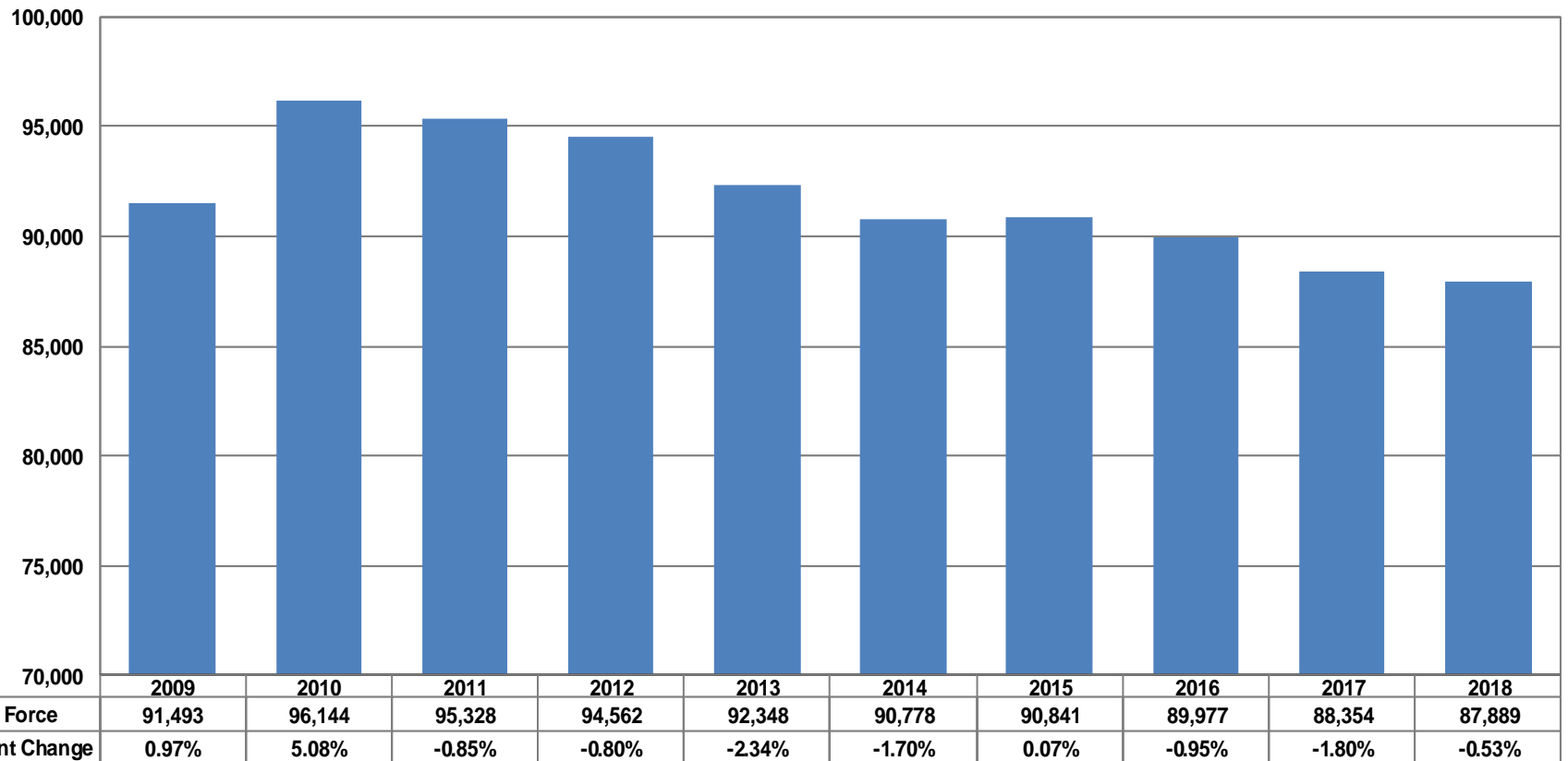
Changes in the unemployment rate are one measure of the Town's activity in its business sector and the general economic health of the community. A healthy business sector will provide funding for city services through sales, utility and property taxes. The data presented above is obtained from the Illinois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

## RATING: POSITIVE

The Town, along with other local governments in the region, experienced an increase in its unemployment rate as compared to the prior year and Normal's rate remains amongst the lowest compared to the eight largest downstate communities in Central Illinois (south of I-80). These rates are as of March 31, 2019. Across the board, rates have decreased as of July 31, 2019.

# 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.

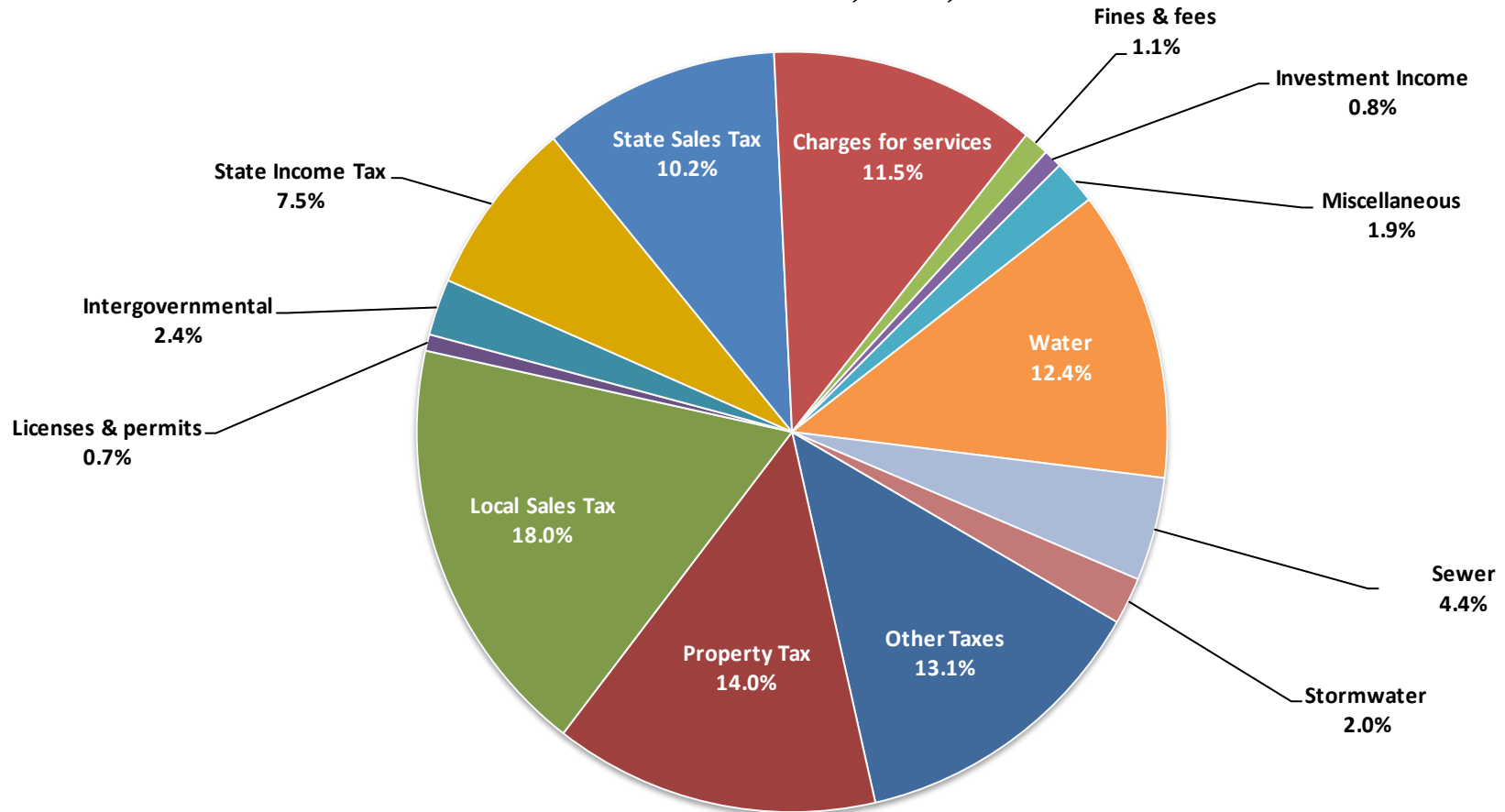
## RATING: NEGATIVE

Despite increases in workforce numbers for a few large area employers, the overall workforce numbers decreased for a third year in a row. There has been a steady decline in workforce numbers since 2010.



# TOWN REVENUE SOURCES

## FY2019 - \$88,658,991



**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**

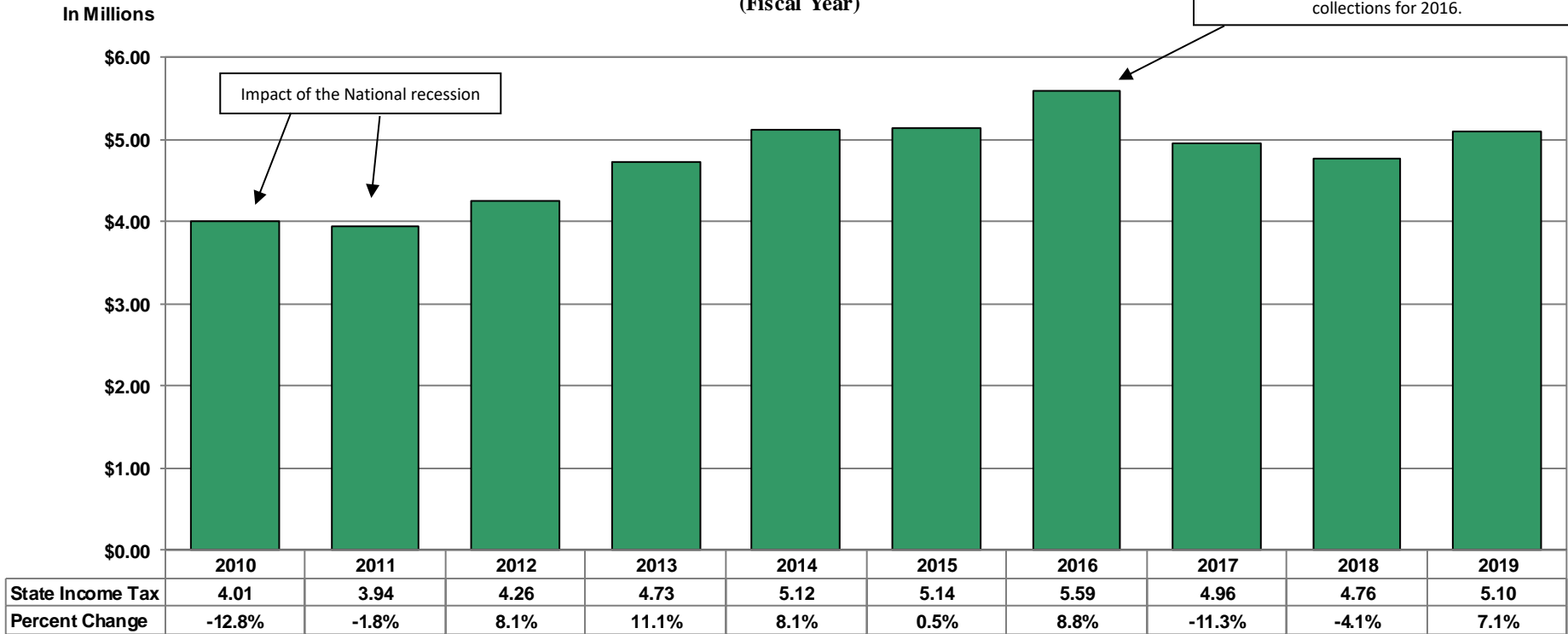
This chart is considered informative in nature and is intended to convey a general understanding of the revenue sources.

- 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)



### 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

After two years of decline, State Income Tax experienced an increase. Part of this increase was a result of the State's 10% reduction in FY2017-18 being changed to a 5% reduction in FY2018-19. Despite the State's withholding of 5% of the municipalities share, the Town still saw an increase in revenues.

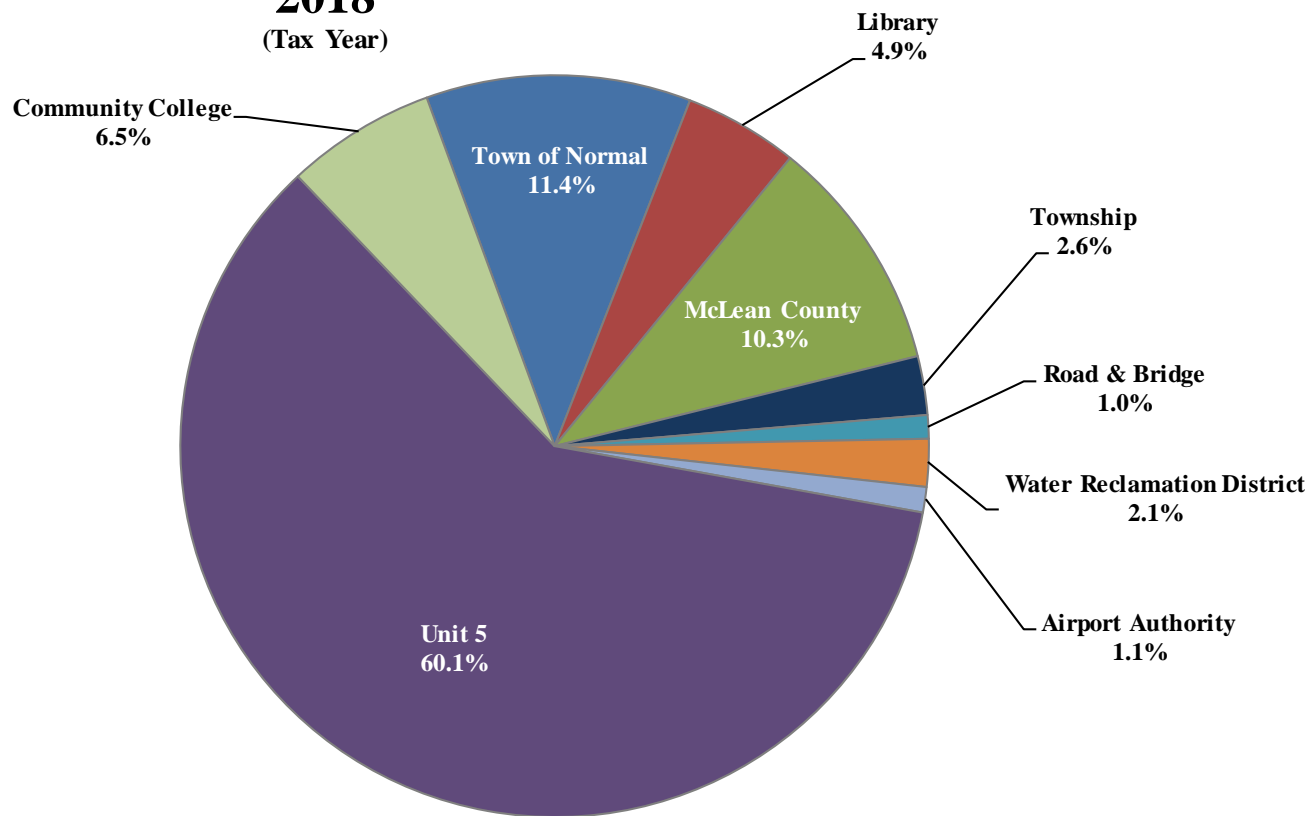
### History of the Town's Percentage of the Community Tax Rate

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%
Tax Year 2016	11.2%
Tax Year 2017	12.0%
Tax Year 2018	11.4%

## PROPERTY TAX RATE DISTRIBUTION

2018

(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

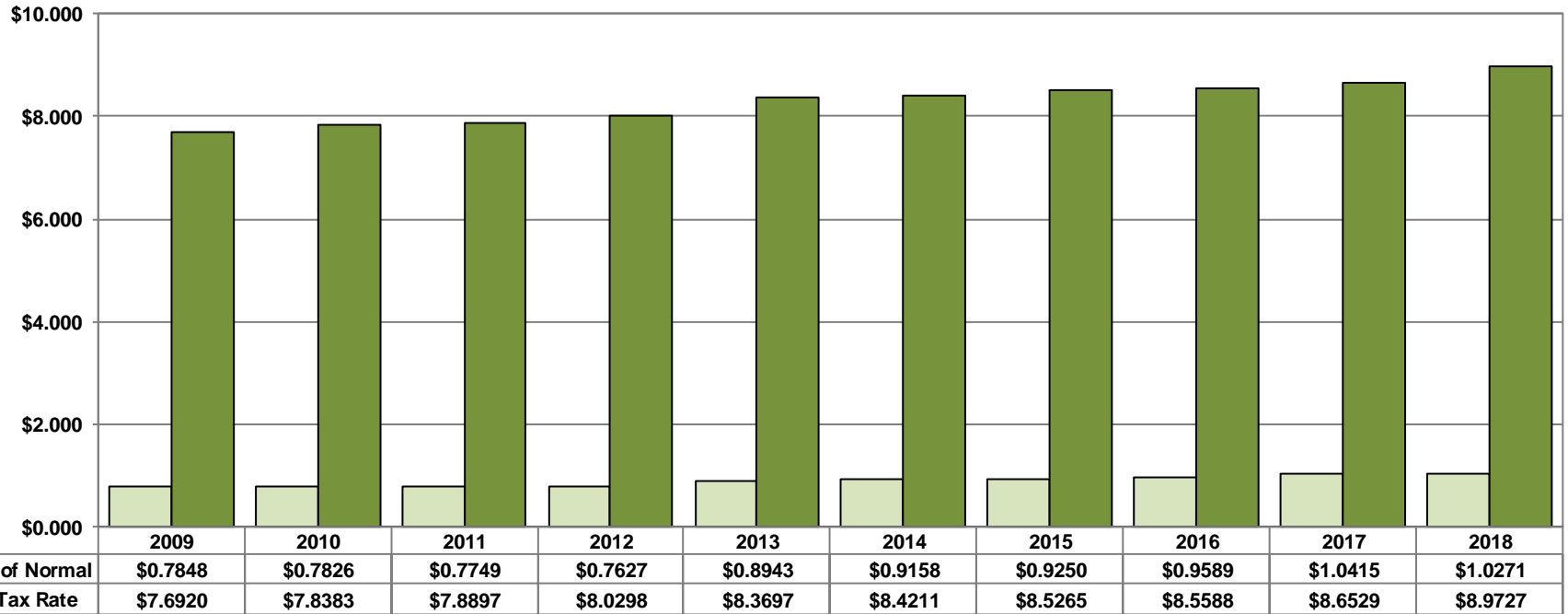
The rating is classified as positive due to the Town's relatively small percentage (11.4%) of the total property tax dollars levied.

# 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.

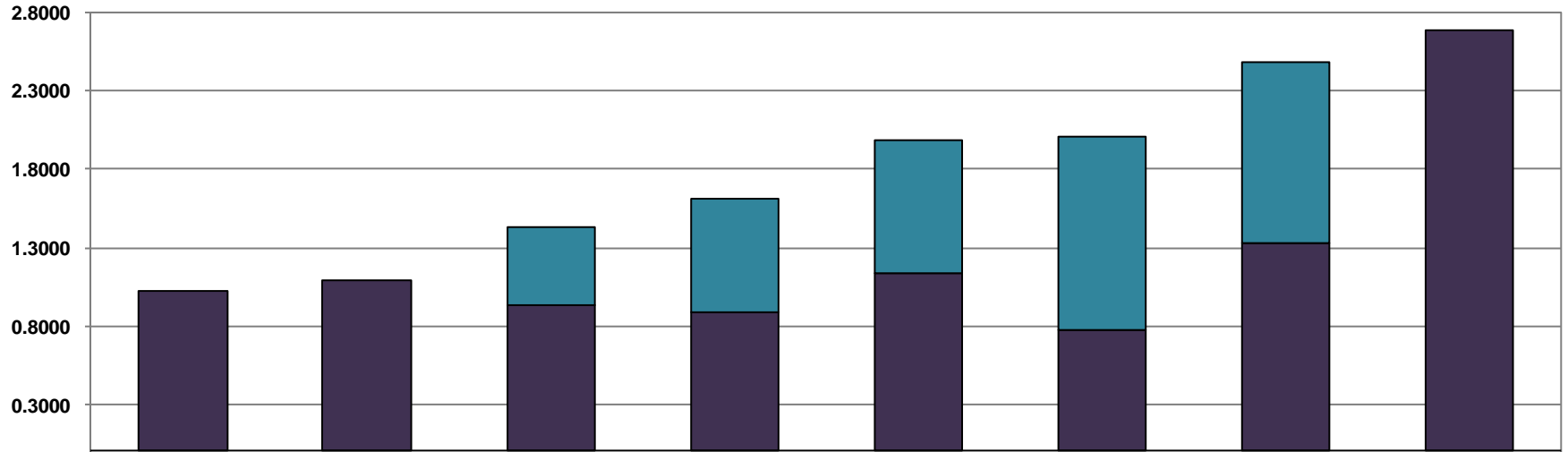
#### RATING: POSITIVE

The Town's tax rate continues to be the lowest property tax rate among the eight largest downstate cities, as illustrated on the next page.

The overall community tax rate increase was driven primarily by Unit 5.

# MUNICIPAL PROPERTY TAX RATE COMPARISON

Rate per \$100 of Assessed Value



	Normal	Bloomington	Springfield	Champaign	Peoria	Urbana	Decatur	Galesburg
City+Parks	1.0271	1.0860	1.4323	1.6079	1.9888	2.0028	2.4818	2.6855
Parks Rate	-	-	0.4938	0.7149	0.8520	1.2283	1.1505	-
Municipal Rate	1.0271	1.0860	0.9385	0.8930	1.1368	0.7745	1.3313	2.6855

## 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

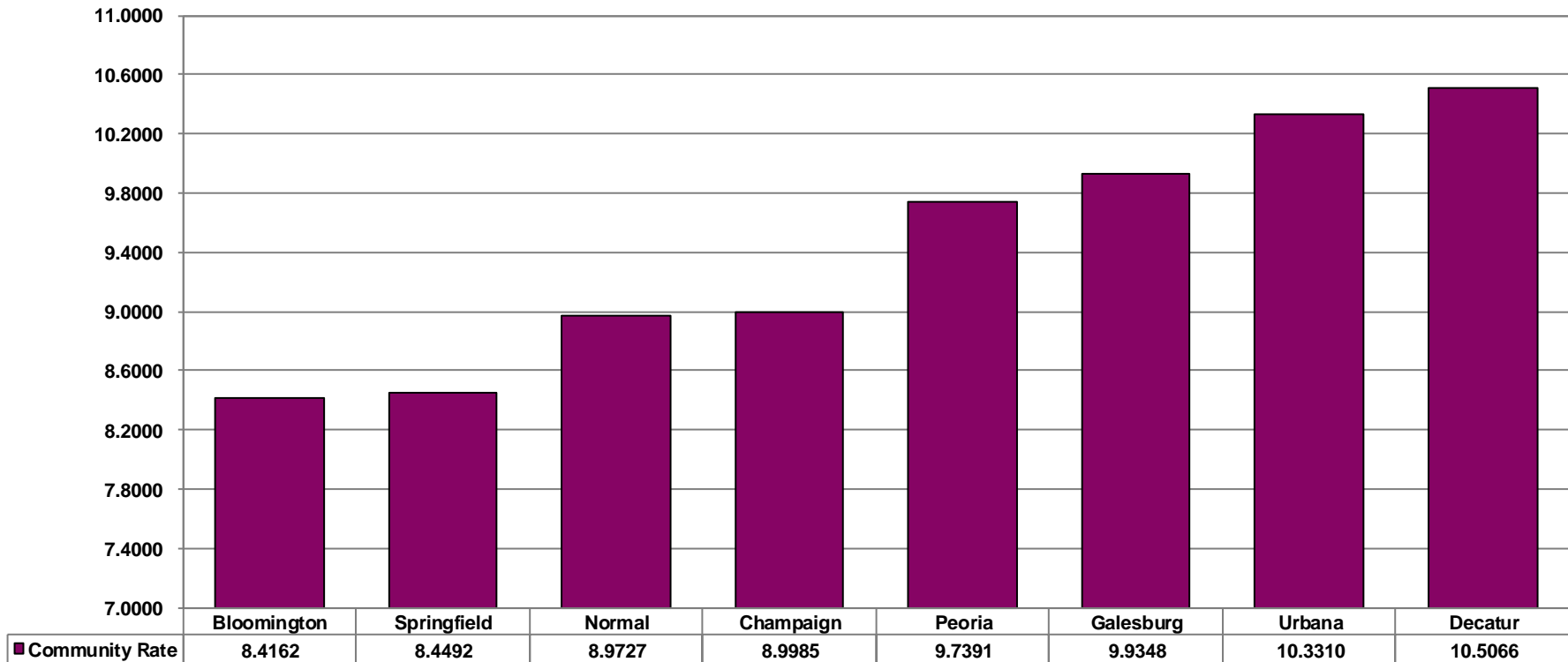
The Town of Normal municipal property tax rate is the lowest of all the cities presented above. Years of consistent effort are required to reach this low property tax rate. The tax levy of 1.0271 supports the following expenditure obligations:

- 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.

# UTILITY TAX REVENUE

In Millions

\$6.00

(Fiscal Year)

\$5.00

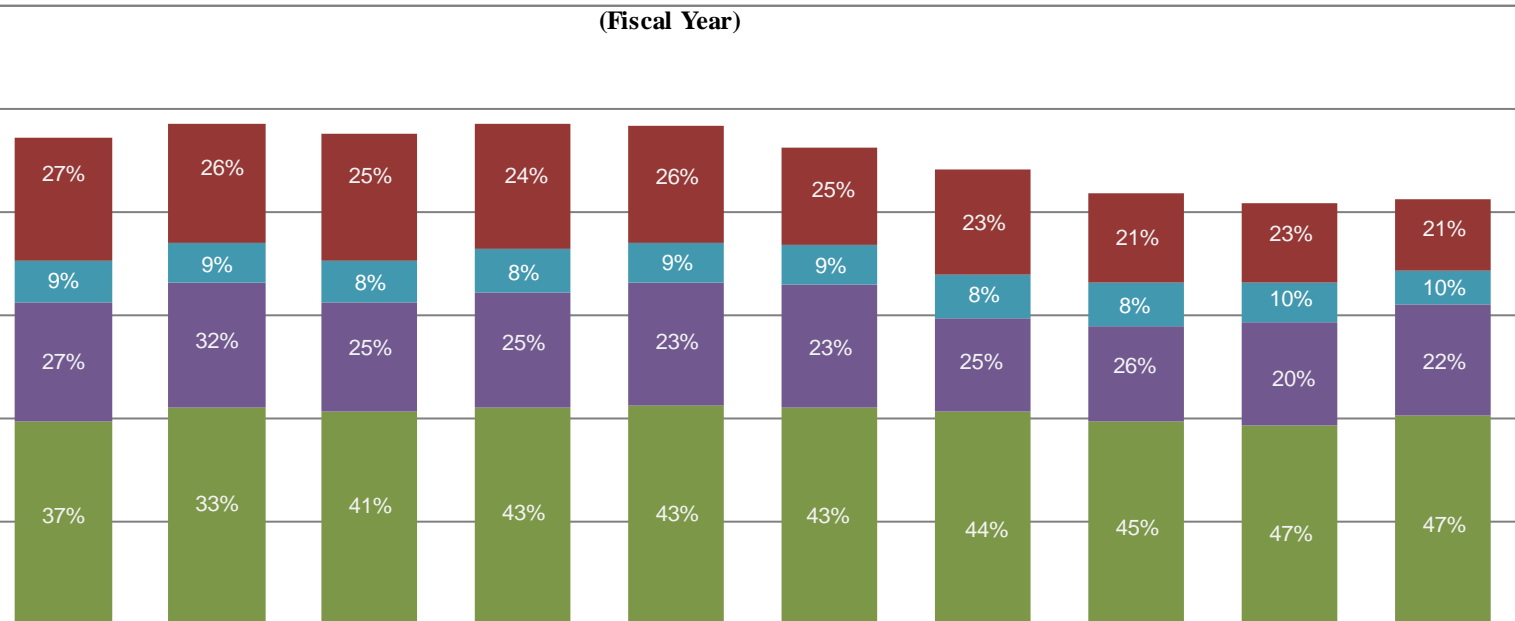
\$4.00

\$3.00

\$2.00

\$1.00

\$0.00



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Utility Tax Rev.	\$4.73	\$4.86	\$4.76	\$4.86	\$4.84	\$4.63	\$4.41	\$4.19	\$4.08	\$4.12
Percent Change	-6.0%	2.9%	-2.1%	2.1%	-0.3%	-4.4%	-4.6%	-5.2%	-2.6%	1.1%

■ 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.

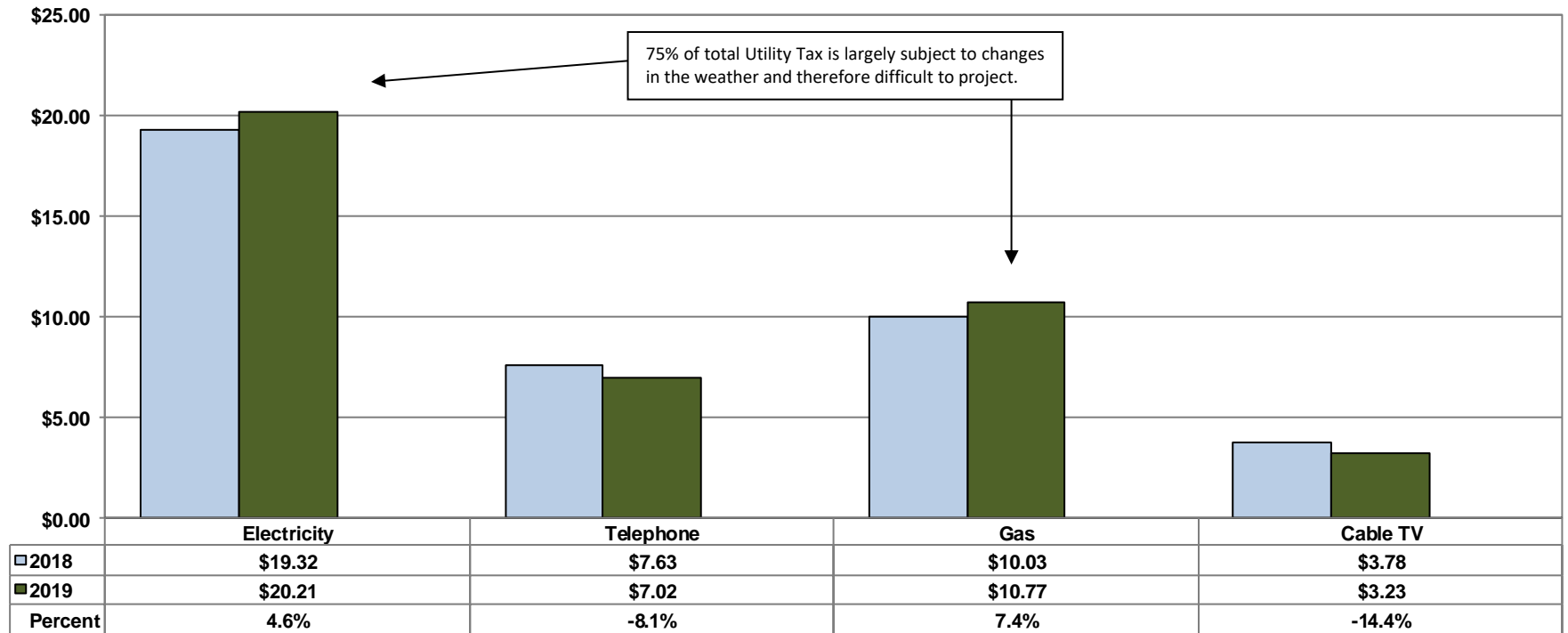
## RATING: NEGATIVE

Mild winters and summers can impact this revenue in any given year, but there are other fundamental changes creating a steady and sustained downward pressure on this revenue stream. For electricity and gas, consumption is generally decreasing due to more efficient heating and cooling systems. Telephone is down given the shift away from land lines to cell phones and cable is down due to consumers switching their entertainment viewing from traditional cable networks to a variety of other media options.

# UTILITY TAX REVENUE

## Dollar Change from FY2018 to FY2019

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: 2.0%  
 Local Sales Tax: 9.8%

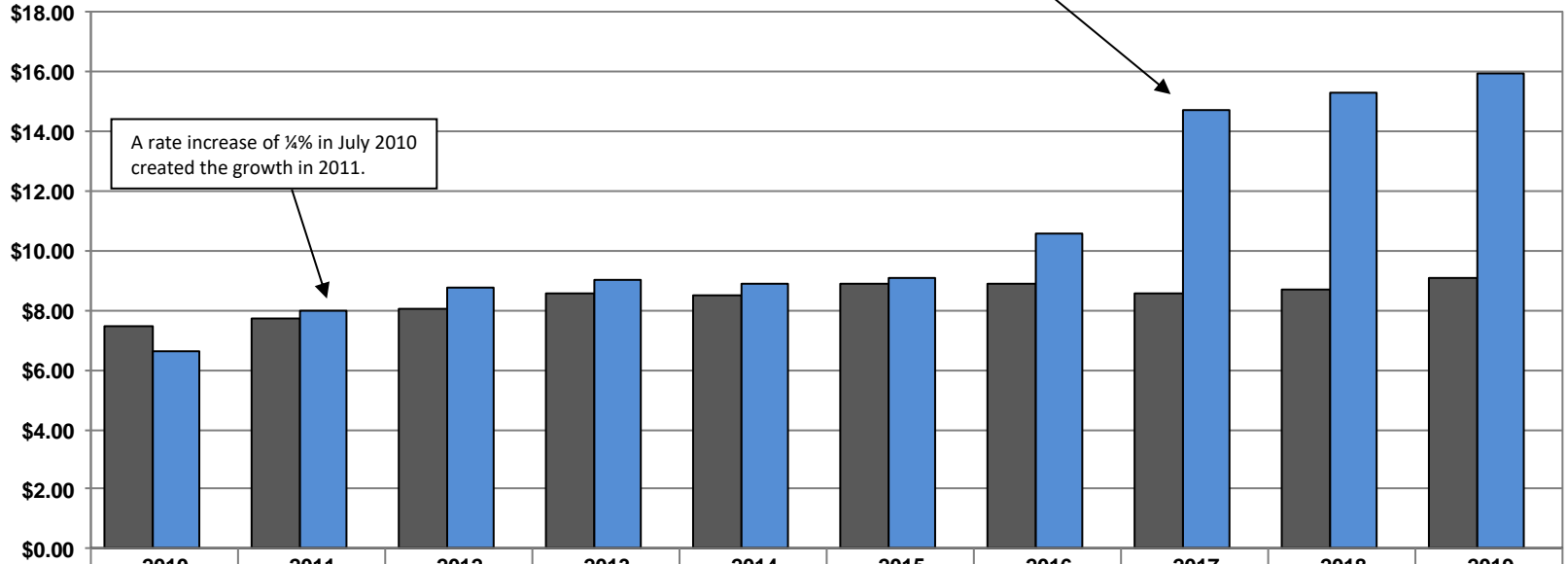
# STATE & LOCAL SALES TAX

(Fiscal Year)

In Millions

Full year of 1% rate increase,  
 implemented January 1, 2016

A rate increase of ¼% in July 2010  
 created the growth in 2011.



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
■ State Sales Tax Revenue	\$7.49	\$7.71	\$8.06	\$8.58	\$8.51	\$8.89	\$8.87	\$8.59	\$8.71	\$9.08
■ State Sales Percent Change	-0.1%	3.0%	4.5%	6.5%	-0.9%	4.5%	-0.2%	-3.2%	1.4%	4.2%
■ Local Sales Tax Revenue	\$6.63	\$7.98	\$8.76	\$9.04	\$8.90	\$9.10	\$10.59	\$14.76	\$15.31	\$15.96
■ Local Sales Percent Change	0.2%	20.3%	9.7%	3.2%	-1.5%	2.3%	16.3%	39.4%	3.7%	4.2%

## 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.

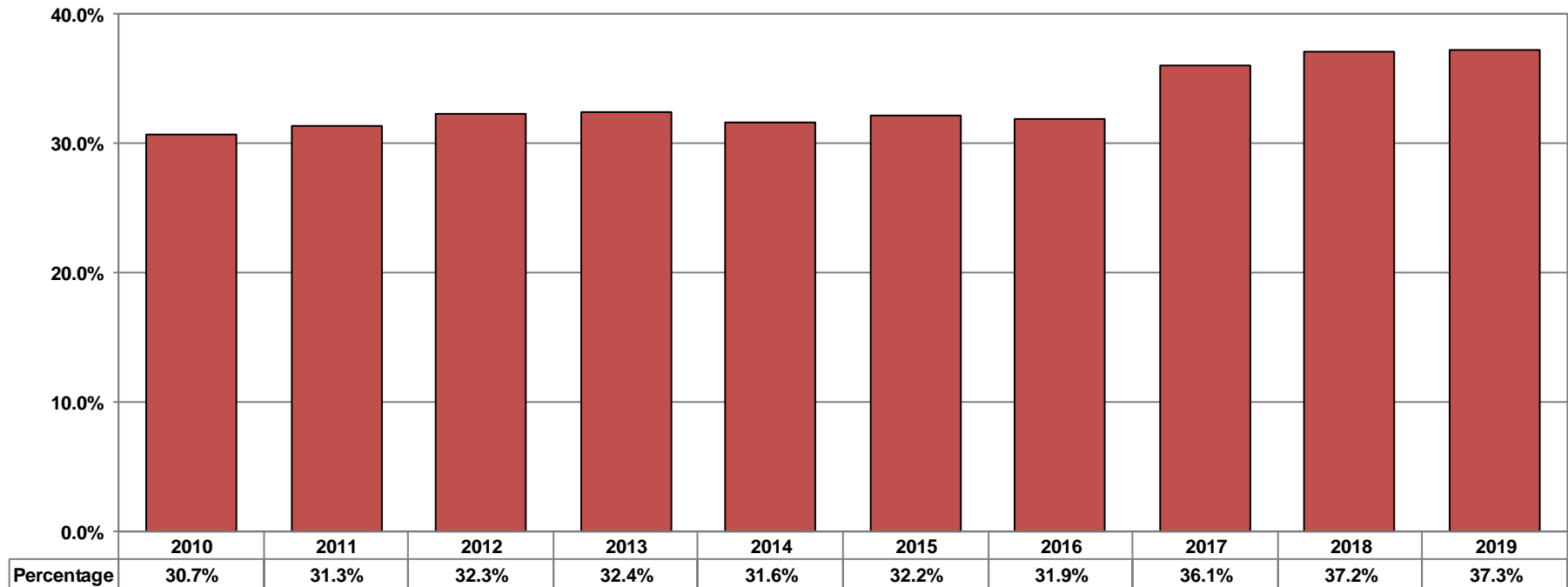
## RATING: POSITIVE

Sales tax revenue is the largest, most critical source of revenue for the General Fund. The Town did see a 4.2% increase in its State sales tax revenue and a 4.2% increase in its Local sales tax revenue.

## 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 – WITH CAUTION

Over the 10 years presented, sales tax as a percent of all General Fund revenue has averaged 33.3%. 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**

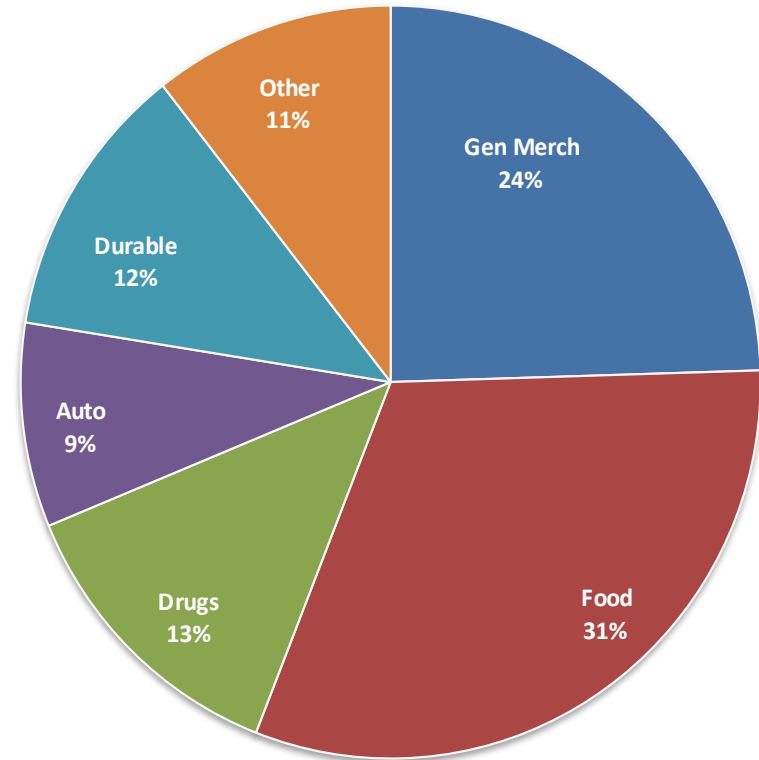
*New and used car dealers, auto and supply stores, gasoline service stations, boat dealers, recreational vehicle dealers and motorcycle dealers*

**Durable Goods**

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

**Other**

**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**

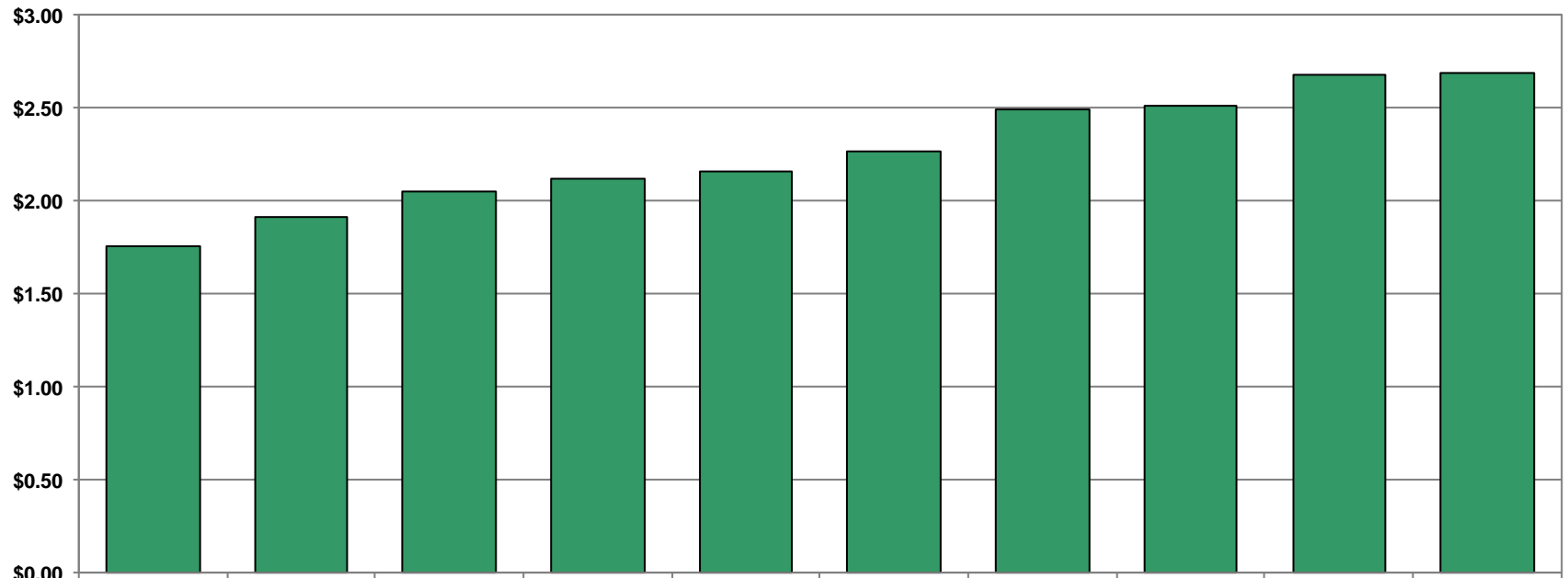
This indicator is for educational purposes and is not intended to reflect the stability of the sales tax revenue in future years.

# FOOD & BEVERAGE TAX REVENUE

## History of Growth

(Fiscal Year)

In Millions



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Food and Beverage	\$1.76	\$1.91	\$2.05	\$2.12	\$2.16	\$2.27	\$2.49	\$2.51	\$2.69	\$2.69
Percent Change	4.07%	8.83%	7.24%	3.41%	1.54%	5.43%	9.60%	0.89%	6.85%	0.22%

### 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.

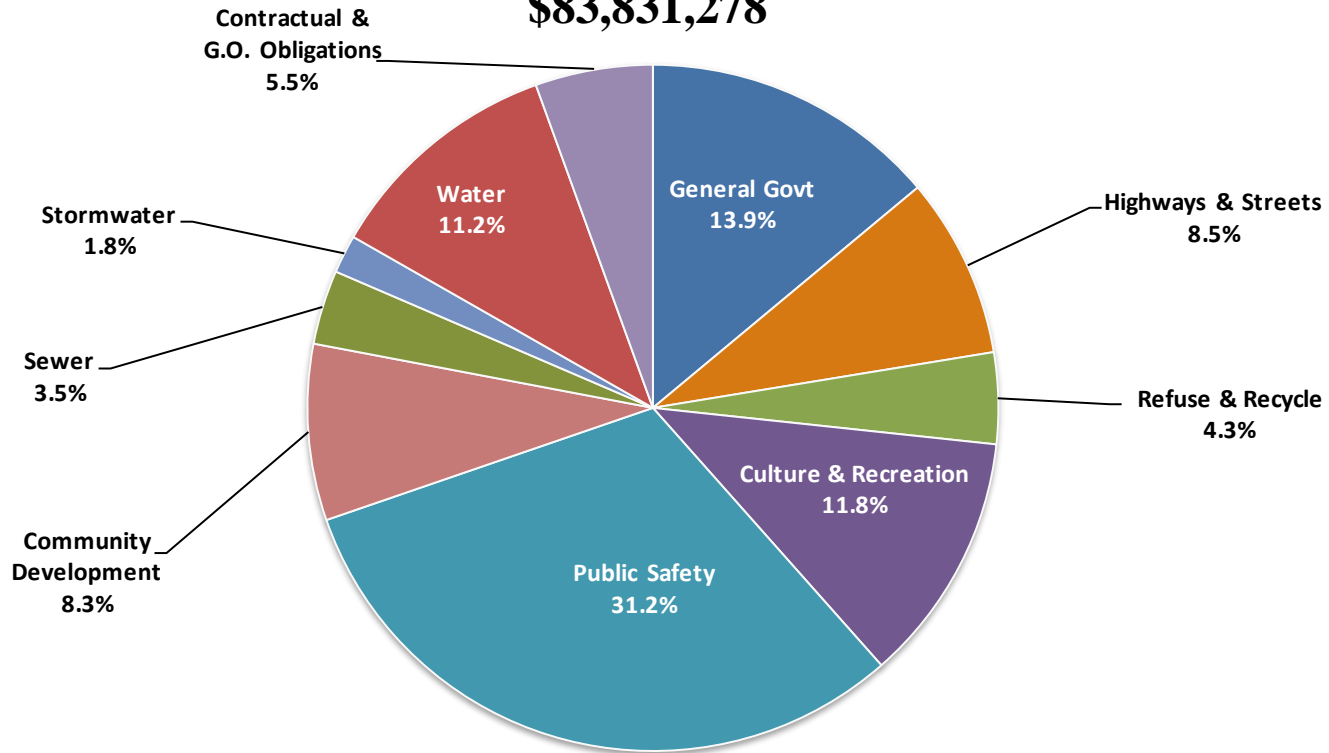
### RATING: POSITIVE

The restaurant sector continues to generate growth every year, although slightly smaller growth rate for FY2018-19.

# TOWN EXPENDITURES

## By Type - FY2019

**\$83,831,278**



### INDICATOR DISCUSSION

The pie chart above is presented for informational purposes and illustrates the 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

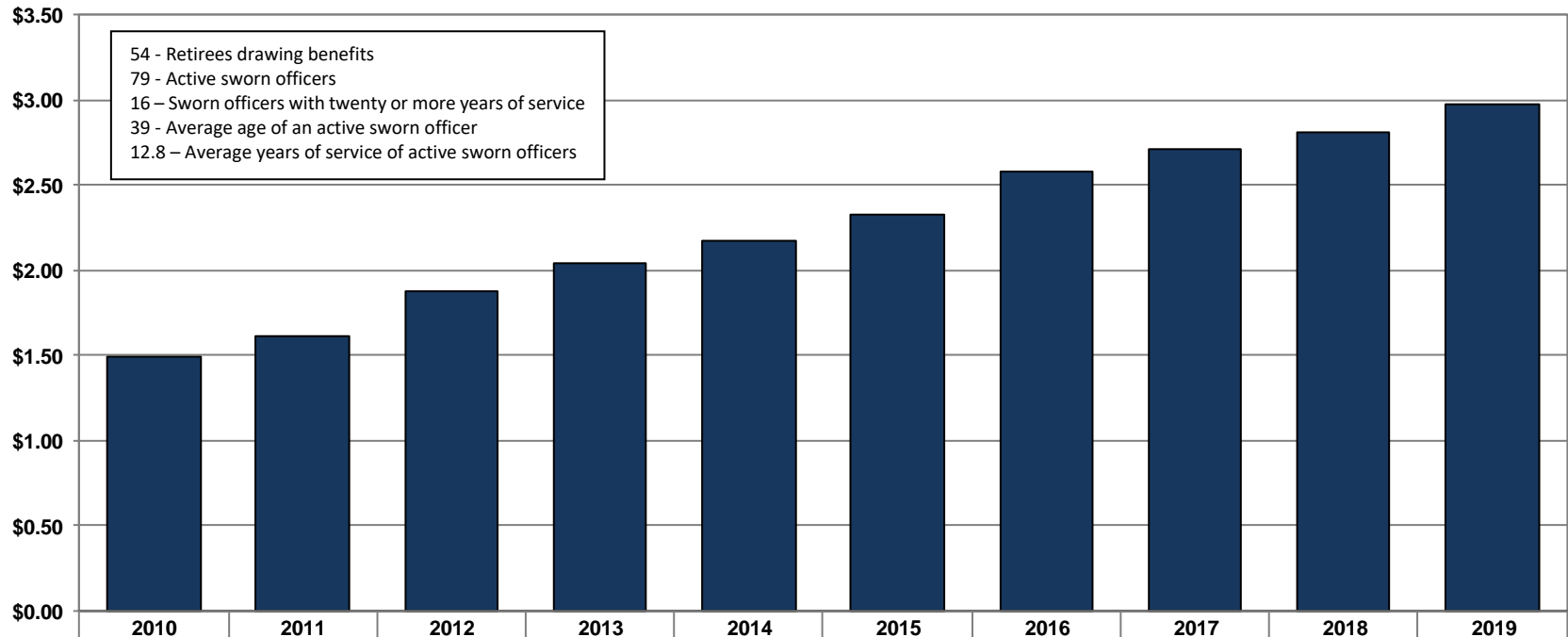
Culture and Recreation - Parks and Recreation activities

Community Development - Uptown renewal & Fire Station

General Government – Contractual payments & internal support services

# POLICE PENSION BENEFIT COST

In Millions



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Pension Benefits	\$1.49	\$1.61	\$1.88	\$2.04	\$2.18	\$2.33	\$2.58	\$2.72	\$2.81	\$2.98
Percent Change	5.2%	8.1%	16.2%	8.7%	6.8%	7.0%	10.8%	5.2%	3.4%	5.9%

## INDICATOR DISCUSSION

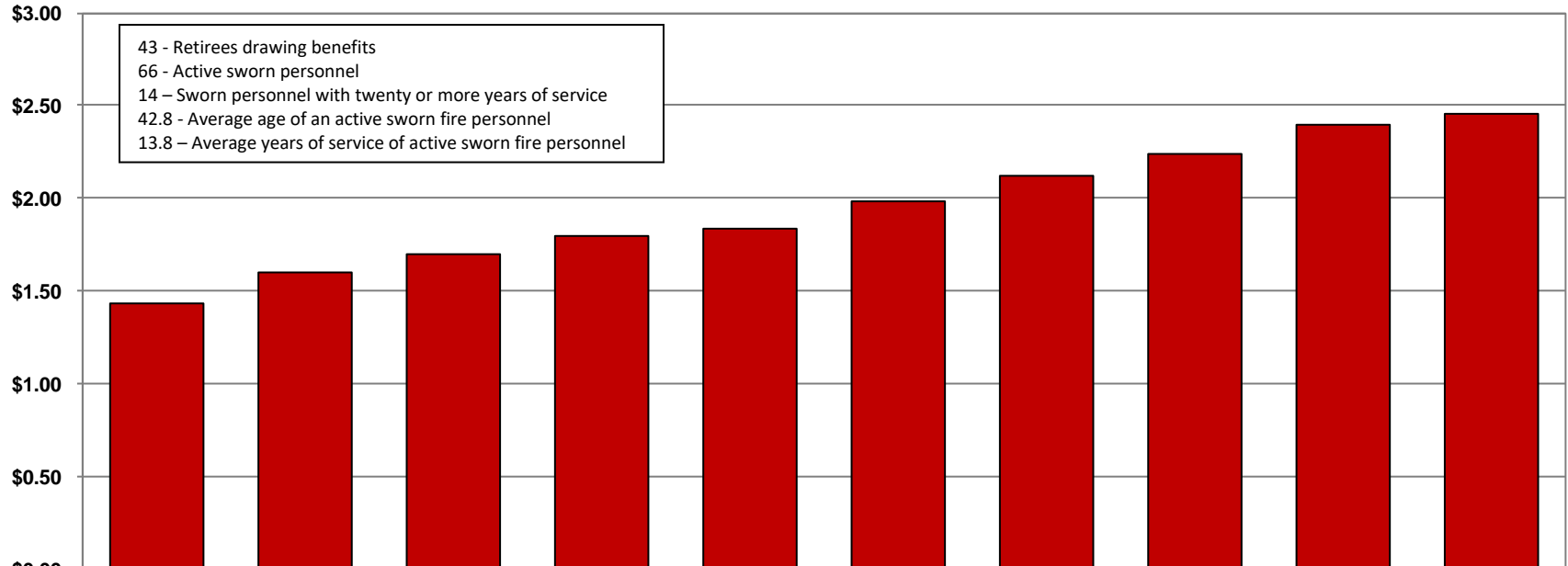
Police pension benefits are mandated by the State of Illinois. The Town is obligated to fund the pension system as determined by the State but the Town has no control over the pension benefit levels.

## 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 over which the Town has no authority to control.

# FIRE PENSION BENEFIT COST

In Millions



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Pension Benefits	\$1.43	\$1.59	\$1.70	\$1.79	\$1.84	\$1.98	\$2.12	\$2.24	\$2.40	\$2.45
Percent Change	5.6%	11.6%	6.6%	5.5%	2.4%	7.8%	7.3%	5.3%	7.2%	2.3%

## 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.

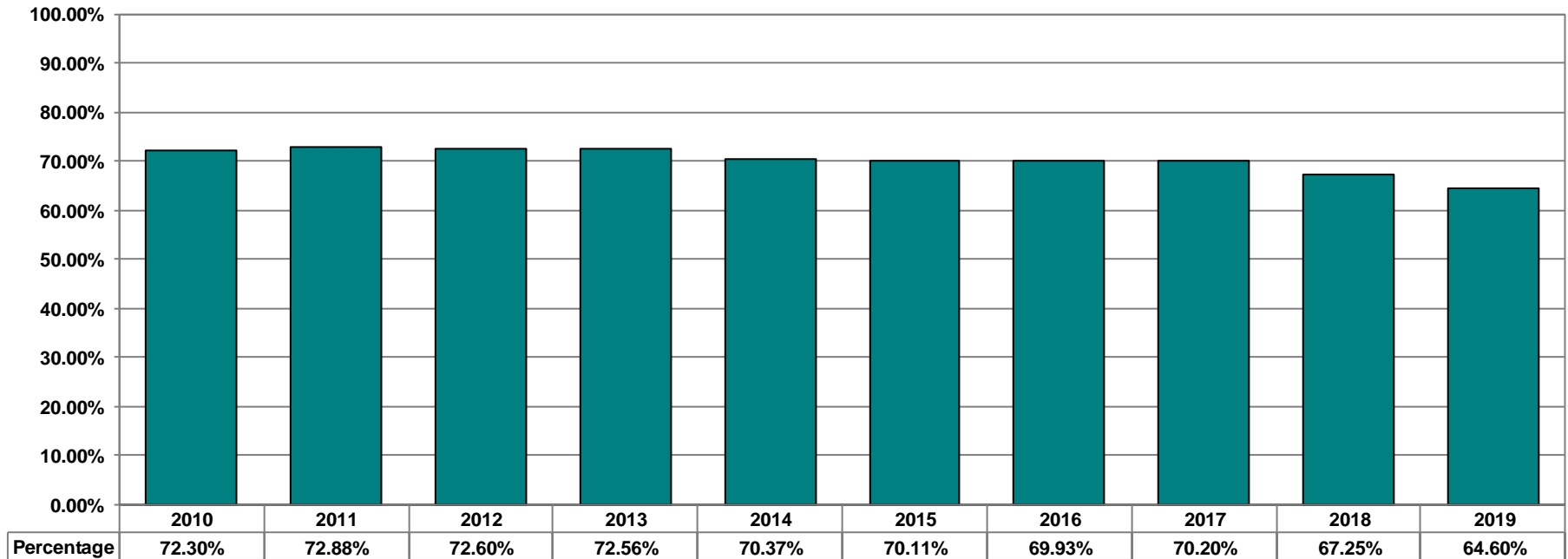
## UNCLASSIFIED – FOR INFORMATION ONLY

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 over which the Town has no authority to control.

# GENERAL FUND PERSONNEL COSTS

## Percent of Total General Fund 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.

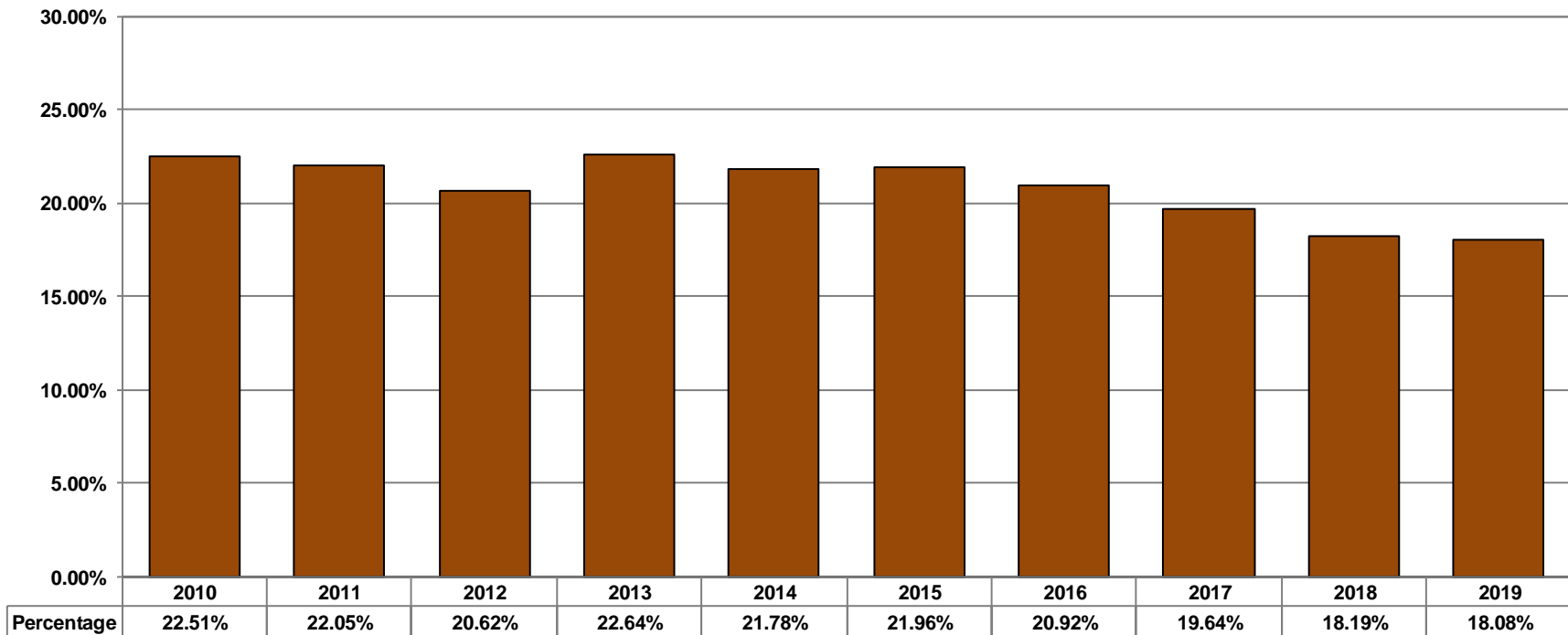
### RATING: POSITIVE

The ability of the Town to take advantage of new technology will impact future trends in this indicator. 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. Much of the recent decrease was associated with staff reductions.



# OVERLAPPING DEBT

## As a Percentage of Assessed Value



### INDICATOR DISCUSSION

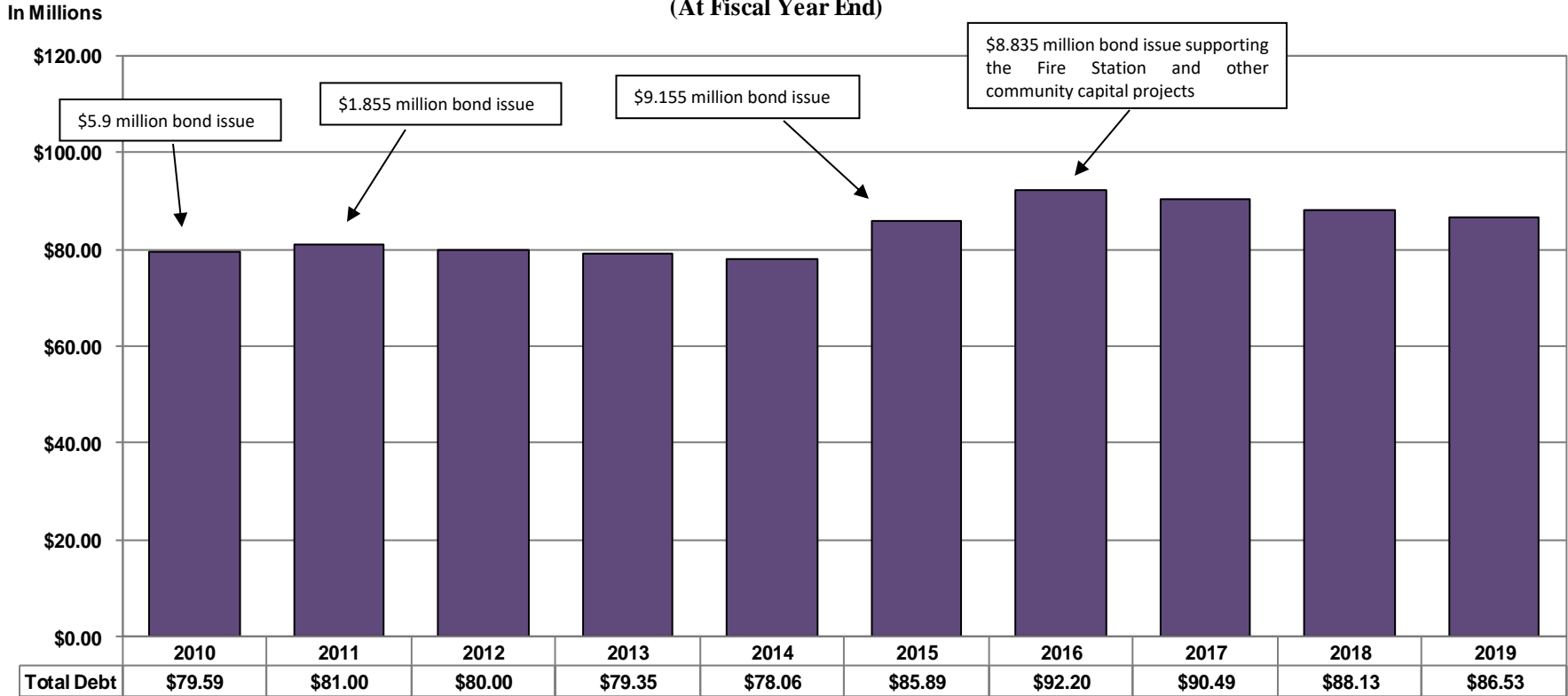
Overlapping debt consists of Normal's net direct bonded debt (including debt supported by Water and Sewer Funds) and the debt of other governmental units within Normal, including Unit 5 School District, McLean County, the Water Reclamation District, Heartland Community College and the Airport Authority.

### RATING: POSITIVE

Total overlapping debt remained stable compared to the EAV.

# TOTAL DEBT OUTSTANDING

(At Fiscal Year End)



**INDICATOR DISCUSSION**

This indicator reports the total debt outstanding of the Town. 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.

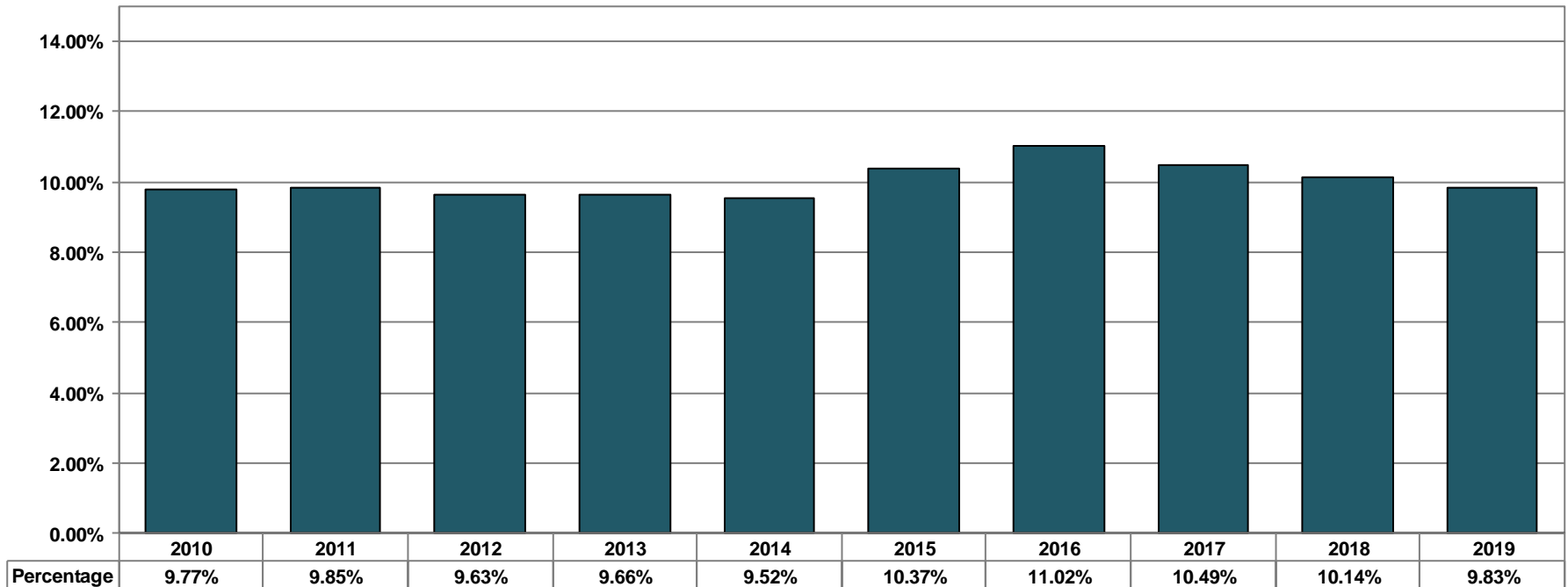
**RATING: POSITIVE**

The Town has a long practice of utilizing debt financings to leverage economic activity and core public needs. All the debt issues have been well-timed and well-planned. When appropriate, the Town has refunded bonds to take advantage of lower market rates and continues to monitor and maintain our debt obligations with a sophisticated debt model. This model helps the Town ensure a well-funded and a sustainable bond program for current bond issues and any future financing needs the Town plans to execute.

# 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 mainly for the Uptown development and has helped maintain a vibrant local economy.

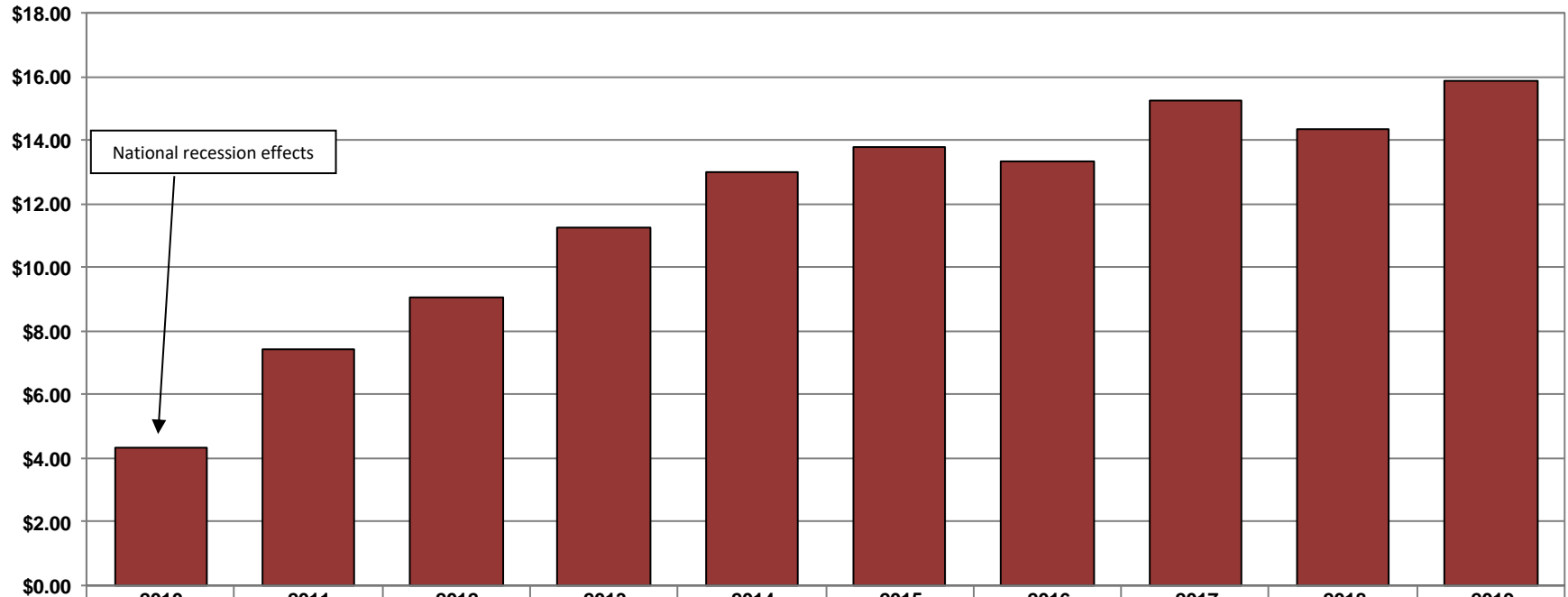
### RATING: POSITIVE

Staff considers a debt amount of near 10% (as compared to assessed value) to be a general debt benchmark. The Town is now slightly below this benchmark. Staff is comfortable with the Town’s debt level and remain confident in our capacity to manage the Town’s debt obligations. This is evidenced by the favorable coverage ratios (see page 42) and the Town’s AAA bond rating.

# GENERAL FUND CASH BALANCE

(Fiscal Year)

In Millions



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cash & Invest	\$4.315	\$7.451	\$9.038	\$11.250	\$13.009	\$13.786	\$13.359	\$15.230	\$14.374	\$15.851
Percent Change	-36.8%	72.7%	21.3%	24.5%	15.6%	6.0%	-3.1%	14.0%	-5.6%	10.3%

## INDICATOR DISCUSSION

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

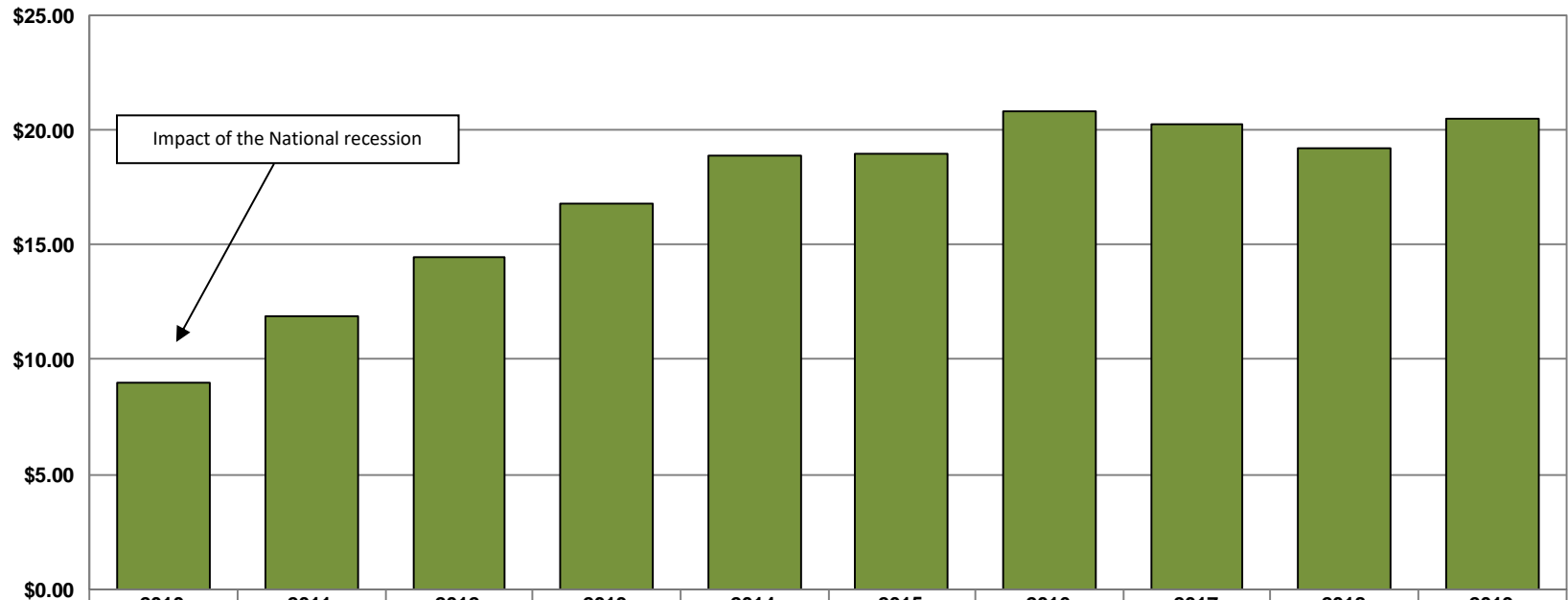
## RATING: POSITIVE

Cash for 2019 was up due to several factors, such as increased sales tax and income tax revenue over the past year. The significant changes to the budget the past few years has also helped the position of the cash balance.

# GENERAL FUND BALANCE

(Fiscal Year)

In Millions



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
■ Fund Balance	\$8.98	\$11.86	\$14.43	\$16.81	\$18.88	\$18.94	\$20.82	\$20.22	\$19.22	\$20.51
Percentage Change	-10.00%	32.09%	21.60%	16.53%	12.34%	0.28%	9.96%	-2.90%	-4.93%	6.70%

## 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.

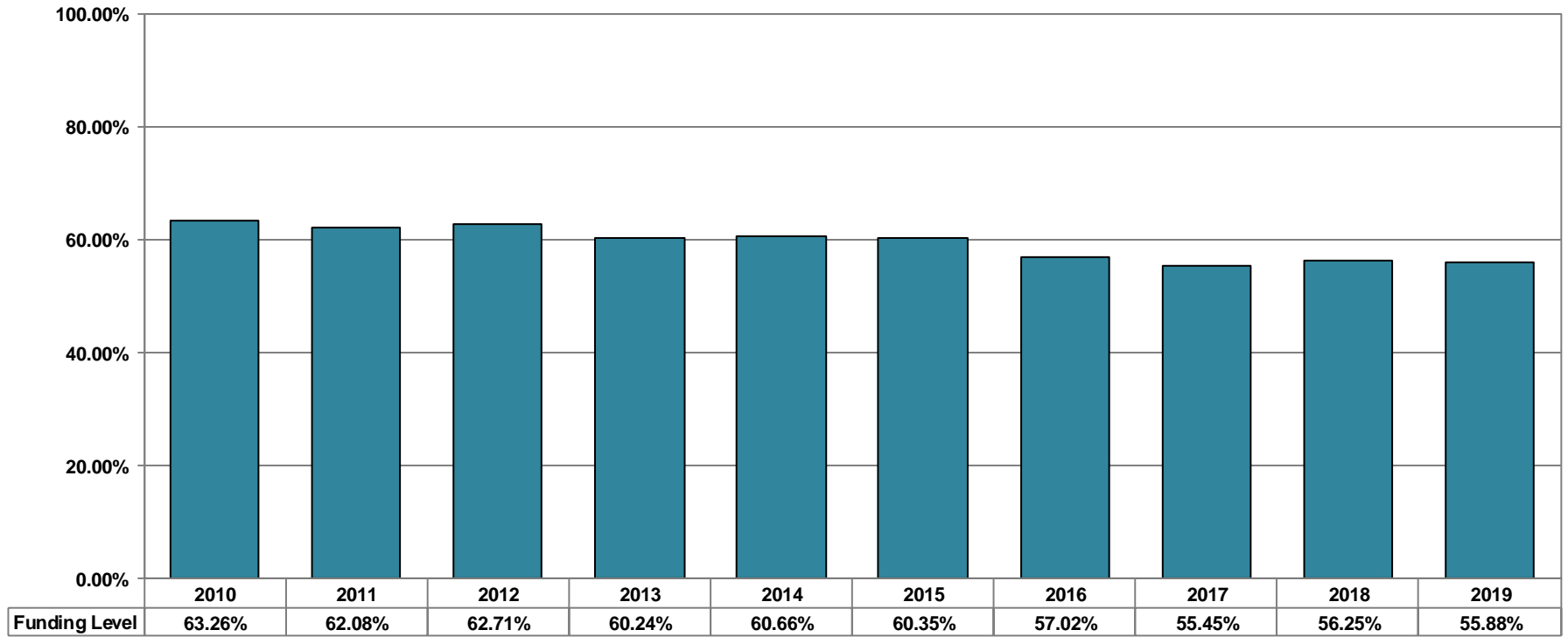
## RATING: POSITIVE

The General Fund's fund balance increased this past year, bringing us closer to the 2016 balance. This is due to several factors, such as increased sales tax and income tax revenue over the past year. The significant changes to the budget the past few years has also helped the position of the general fund 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.

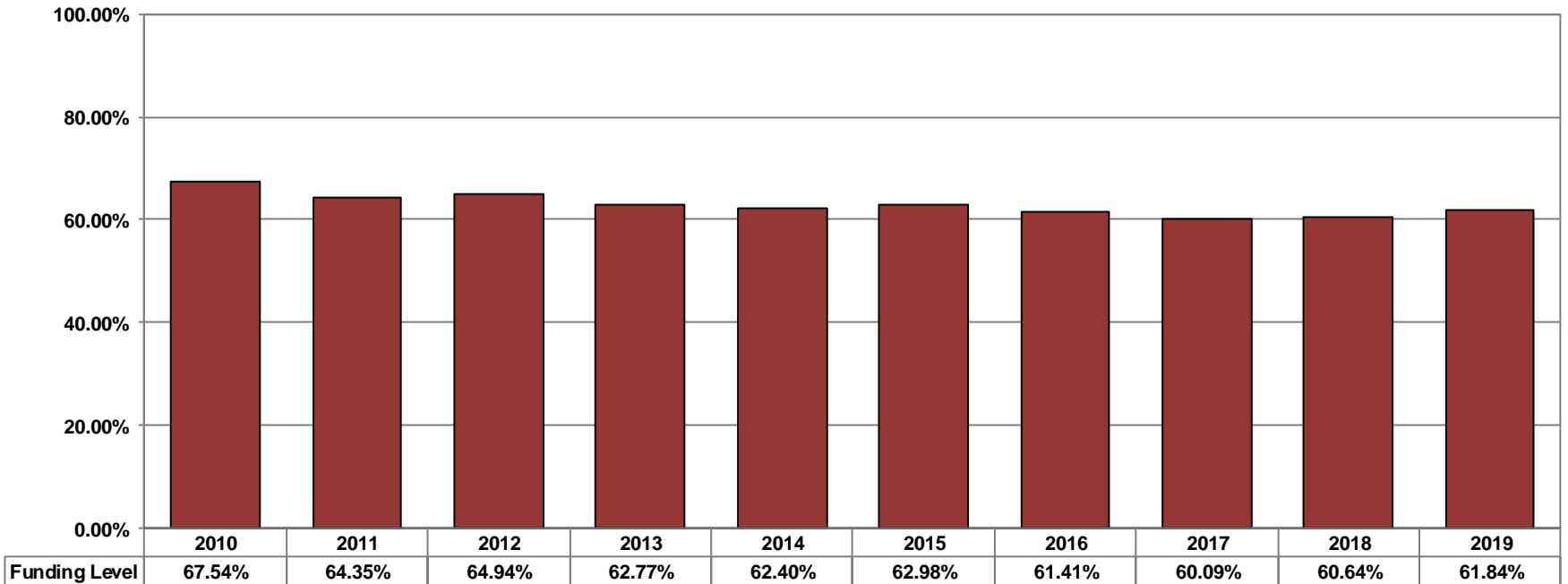
### RATING: NEGATIVE

The Town did see a slight decrease in its funding level for Police. Funding levels remain very concerning and will be a significant long-term problem for the Town and all municipalities to solve.

# 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

The Town did see a slight increase in its funding level for Fire. Funding levels remain very concerning and will be a significant long-term problem for the Town and all municipalities to solve.

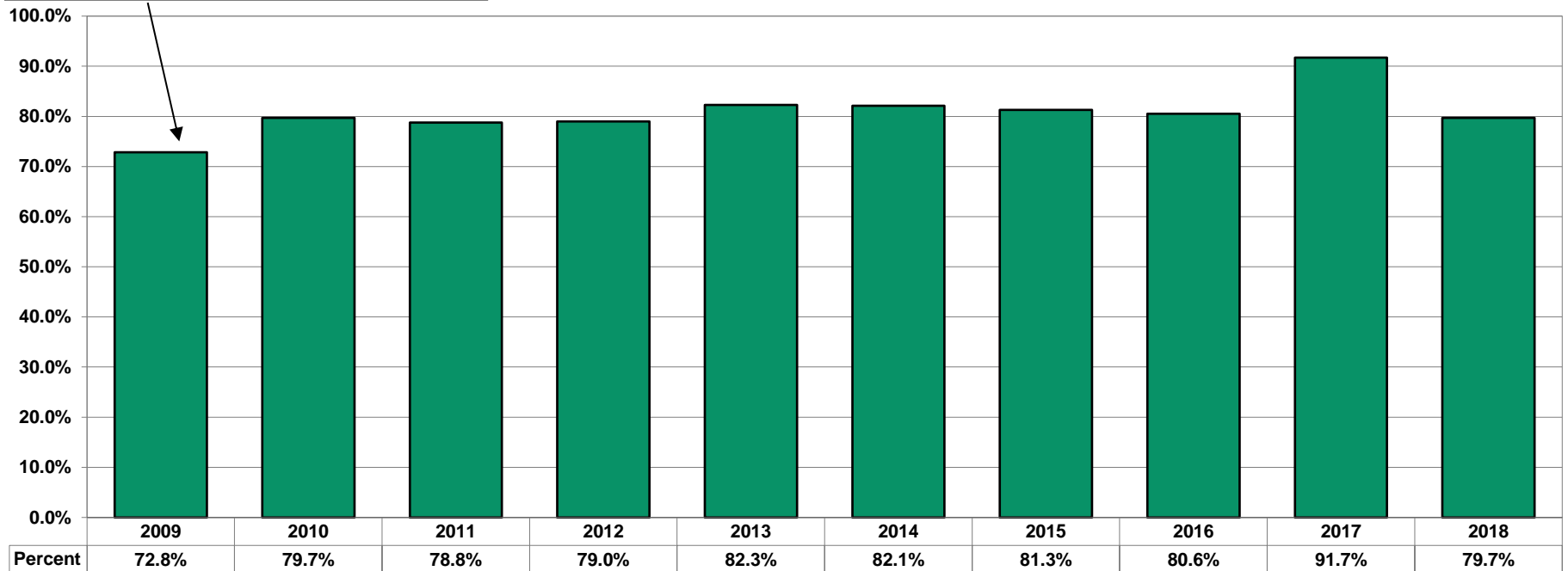
# IMRF

(Illinois Municipal Retirement Fund)

## Funding Levels

(Calendar Year)

Staff restated the funding levels for 2010 and forward due to a change in how IMRF reports the percent funded level. This change is more consistent with how Police and Fire pension funding levels are reported (active and retired employees). The years prior to 2010 have not been restated.



### INDICATOR DISCUSSION

Pension funding to IMRF supports the pension plans for all non-contract, non-sworn employees.

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

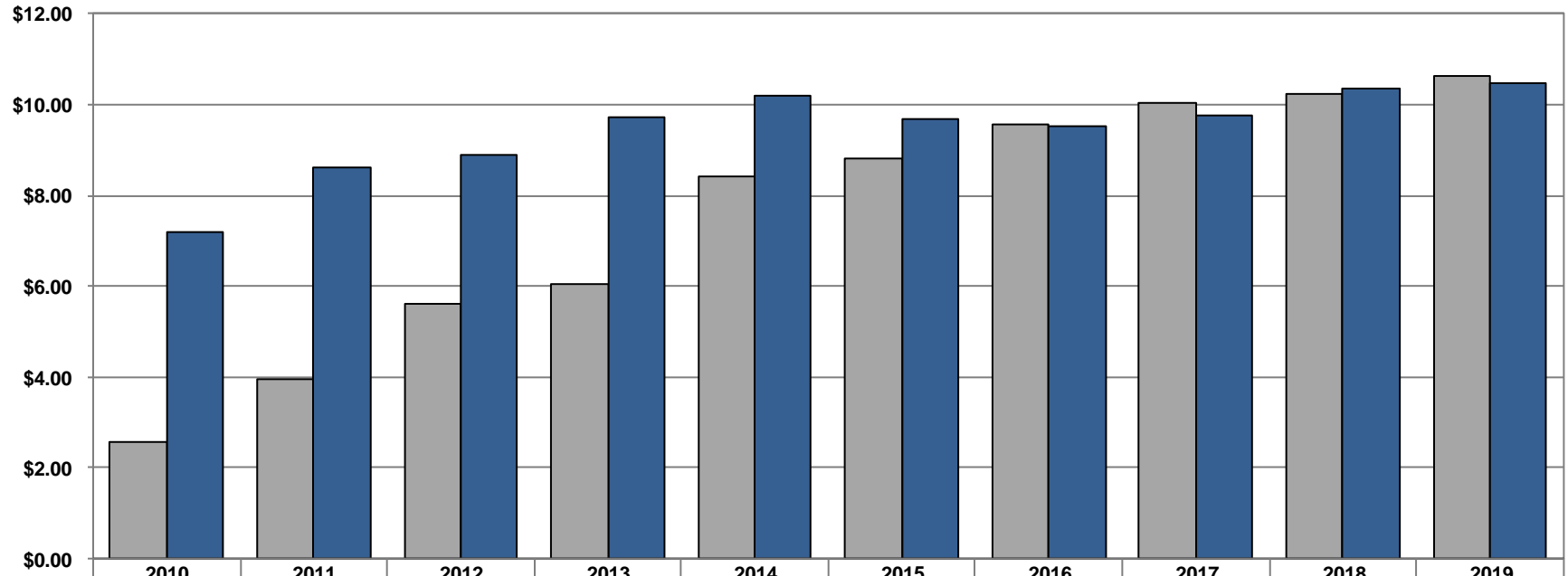
The IMRF pension program continues to be well funded. The decrease in 2018 was due to IMRF modifying the investment assumption from 7.50% to 7.25%



# WATER FUND

(Fiscal Year)

In Millions



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
□ Cash & Invest	\$2.56	\$3.94	\$5.60	\$6.04	\$8.43	\$8.80	\$9.58	\$10.02	\$10.25	\$10.62
■ Revenue	\$7.20	\$8.61	\$8.91	\$9.74	\$10.20	\$9.67	\$9.52	\$9.75	\$10.37	\$10.46

## INDICATOR DISCUSSION

The Water Fund is an Enterprise Fund, meaning all capital and operating costs of the fund are covered by its user fees. The Cash and Investments category includes both operations and funds reserved for vehicle and equipment replacement. A trend of 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.

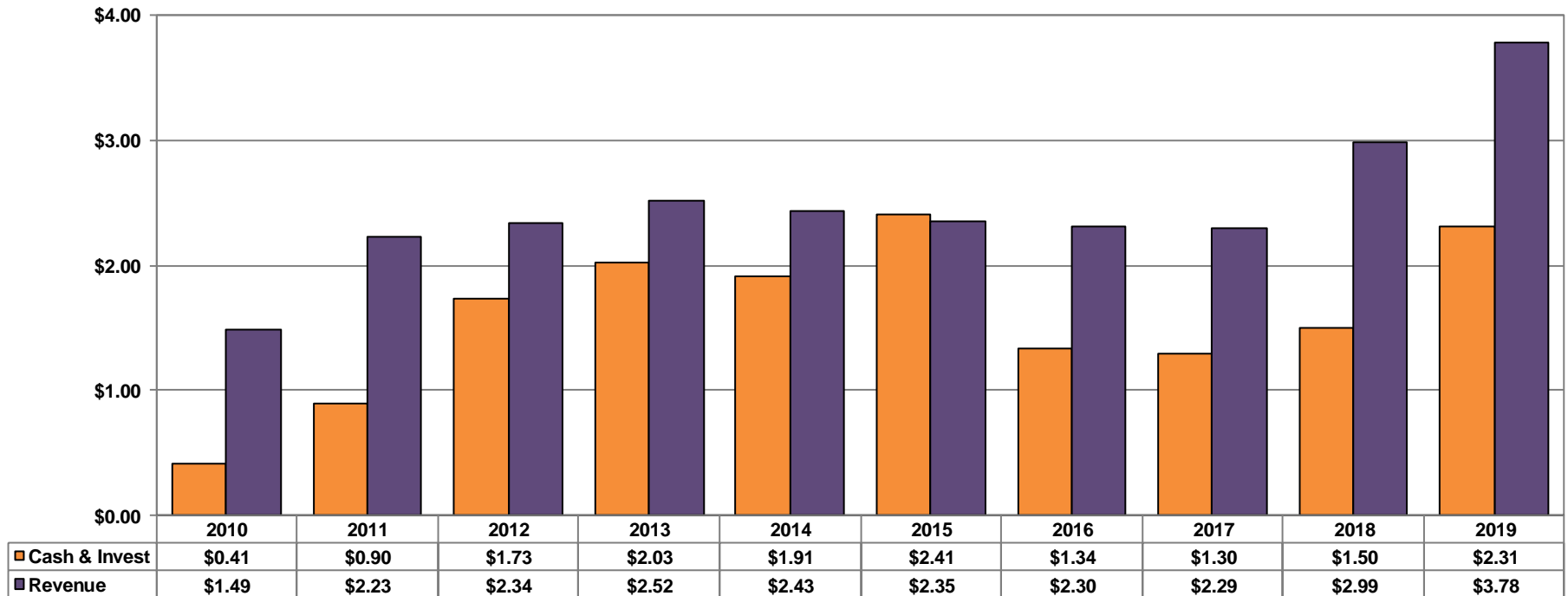
## RATING: POSITIVE

The Water Fund's financial position remains strong, both for operational needs and capital infrastructure projects. Revenues have remained stationary for the past few years, but the Council's approval of a 2% rate increase for FY2018-19 helped the Fund's financial position. Staff will continue to monitor the Water Fund and recommend adjustments, as needed, to ensure long-term financial stability of its operating and capital needs.

# SEWER FUND

(Fiscal Year)

In Millions



## INDICATOR DISCUSSION

The Sewer Fund is an Enterprise Fund, meaning all capital and operating costs of the fund are covered by its user fees. 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: POSITIVE

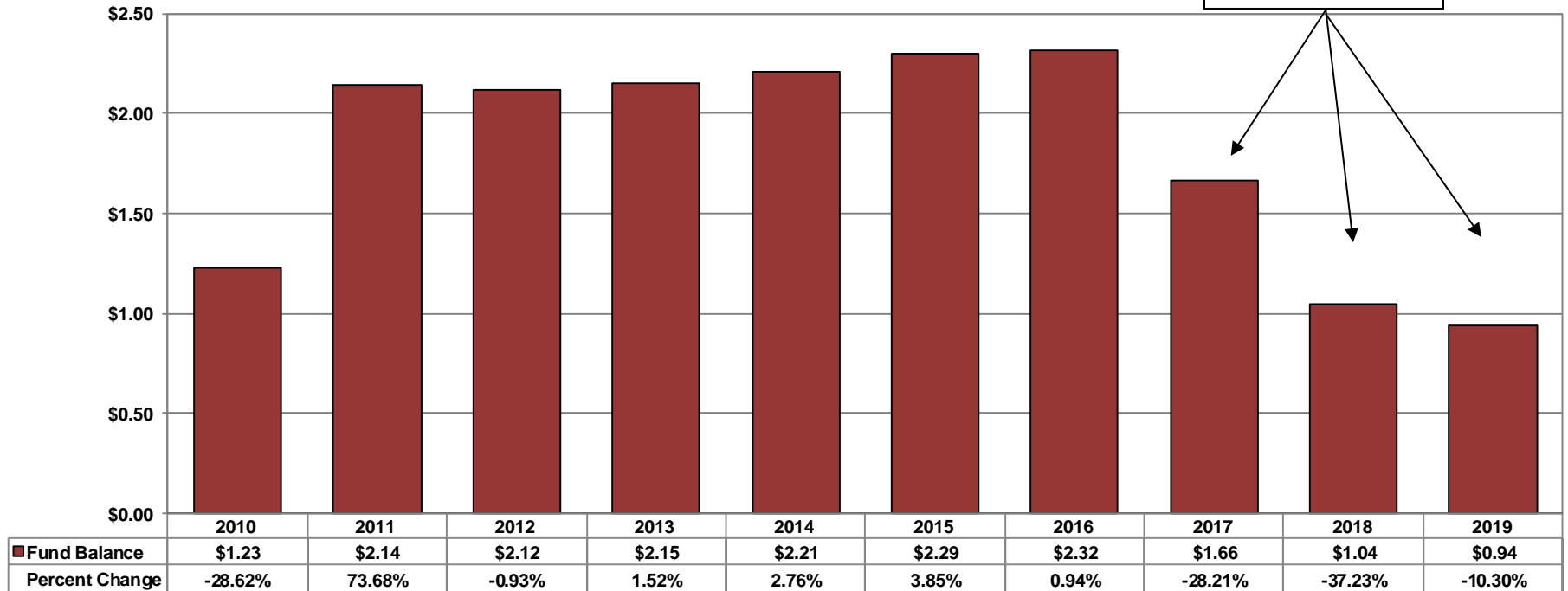
The Sewer Fund's financial position has been solvent, but well below a fiscal position that will sufficiently meet the system's operating and capital needs. In early FY2017-18, the Town completed a comprehensive sewer study to better assess the system's infrastructure needs. As part of the study, a new rate structure was approved (effective October 2017) to support the identified needs from the sewer study. This rate increase has had a positive impact on the fund's fiscal position and this, coupled with the future approved rate increases, will ensure that the Town can provide the needed funding to support the vital capital improvements identified in the sewer study.

# Health & Dental Insurance Fund

## Fund Balance

(Fiscal Year)

In Millions



The decrease was caused primarily from prescription costs associated with the plan.

### 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: NEGATIVE

Over the last few years, the Town has experienced a sharp increase in prescription drug utilization, including specialty drugs that significantly increased claim costs. Utilization of the Town's health care system remained high in 2019 and was primarily driven by claims related to serious medical conditions. Fluctuations are unfortunately an unpredictable reality of the health care environment and our small employee base. Staff continues to review options to help manage the Town's Health Insurance program.

# Financial Strategies

## General Fund Operating Reserves – Positive Outlook

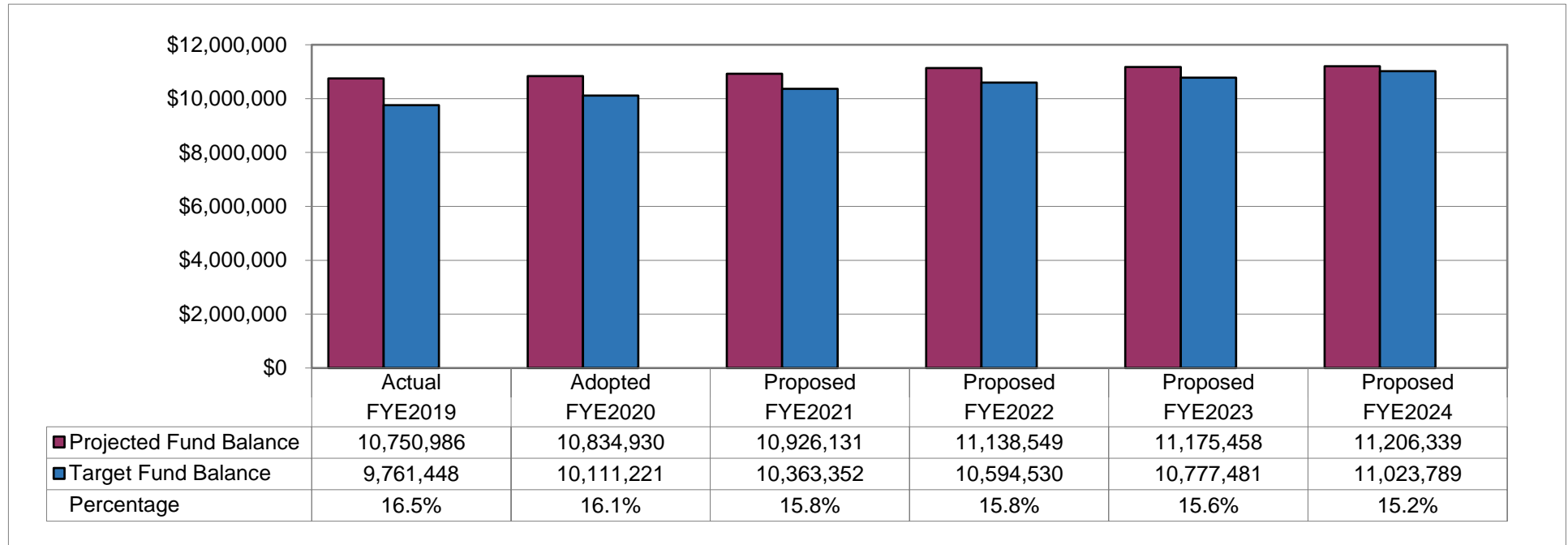
Management Strategy: Maintain a projected 15% fund balance for all budget years presented in the 5-year budget.

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 FY2018-19 results and projections from the approved budget for FY2019-20.



**Vehicle and Equipment Reserves – Positive Outlook**

Management Strategy: Maintain the Vehicle and Equipment reserve fund balance at 75% 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 2019-20	767,250	8,273,733	5,907,175
FY 2020-21	1,967,100	8,344,849	5,978,291
FY 2021-22	4,270,650	6,895,682	4,529,124
FY 2022-23	5,017,050	4,202,774	1,836,216
FY 2023-24	3,755,000	3,421,238	1,054,680
Average	3,155,410		
75%	2,366,558		

**Contingency Funding – Negative 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. All contingency was eliminated as part of the FY2017-18 budget process; however, staff hopes to re-establish some level of contingency for FY2020-21 budget planning.

Fiscal Year		Expenditures	Management Strategy (1.0%)	Current Planned
FYE2019	Actual	65,076,318	650,763	\$0
FYE2020	Proposed	67,408,137	674,081	\$0
FYE2021	Proposed	69,089,016	690,890	\$0
FYE2022	Proposed	70,631,199	706,312	\$0
FYE2023	Proposed	71,849,872	718,499	\$0
FYE2024	Proposed	73,491,929	734,919	\$0

**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
FYE19	67,131,393	4,597,233	6.8%
FYE20	67,492,081	5,171,217	7.7%
FYE21	69,180,217	5,761,004	8.3%
FYE22	70,842,617	5,778,446	8.2%
FYE23	71,886,781	5,761,702	8.0%
FYE24	73,522,810	7,064,409	9.6%

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 FY2018-19 Budget.

<b>Coverage Ratios (1) and (2)</b>			
Fiscal Year	(1) Rev/Exp 1.00	(2) Rev + Bal/Exp	1.25
FYE19	0.87	1.52	
FYE20	1.12	1.26	
FYE21	1.00	1.25	
FYE22	1.01	1.25	
FYE23	1.12	1.26	
FYE24	0.87	1.26	

**Health Insurance Reserve – Negative Outlook**

Management Strategy: Maintain a reserve balance equal to the three 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. During the 2018-19 fiscal year, the health insurance fund took a big hit. Staff will continue to monitor and develop options to manage the decrease in reserves.

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 FY2019-20 budget.

Line Item	Proposed FYE2020	Proposed FYE2021	Proposed FYE2022	Proposed FYE2023	Proposed FYE2024
Beginning Fund Balance	1,062,840	1,393,588	1,644,423	1,920,987	2,228,153
Revenue	6,546,748	6,811,365	7,170,744	7,551,366	7,950,968
Expenditures	6,216,000	6,560,530	6,894,180	7,244,200	7,611,900
Ending Fund Balance	1,393,588	1,644,423	1,920,987	2,228,153	2,567,221
Target Balance	2,227,805	2,082,694	2,188,614	2,299,731	2,416,460

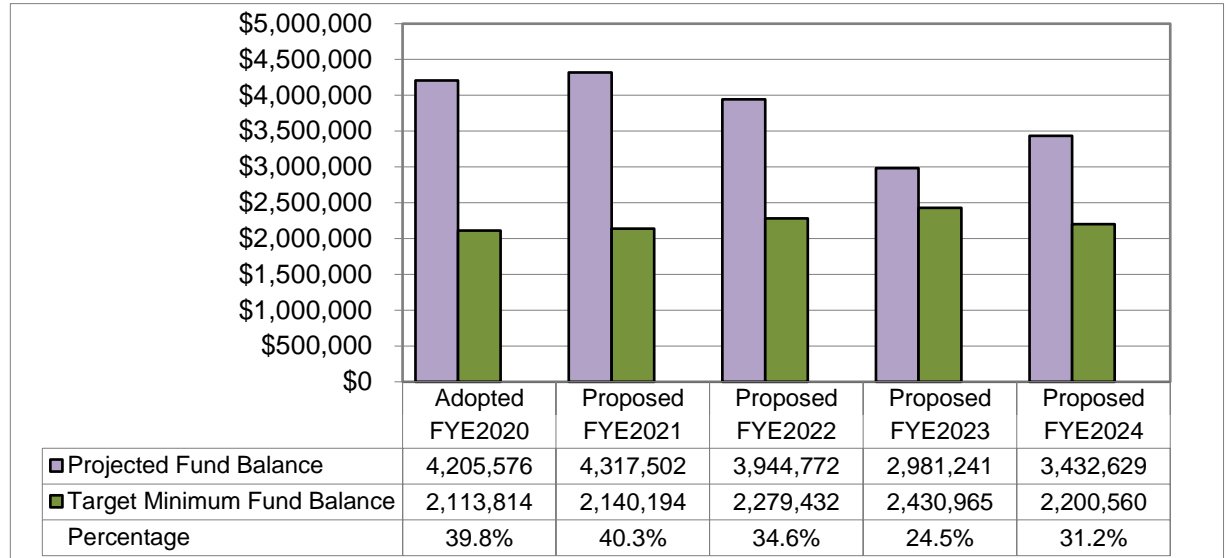
2018-19		
Month	Monthly Spending	Min Balance
April	562,317	
May	445,507	
June	760,717	760,717
July	515,082	
August	487,148	
September	523,435	
October	576,363	
November	679,499	679,499
December	621,166	
January	787,589	787,589
February	502,311	
March	556,498	
Total	7,017,633	2,227,805

## Water Fund Operating Reserves – Positive Outlook

Management Strategy: Maintain a projected 20% 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 Water Operating Fund helps:

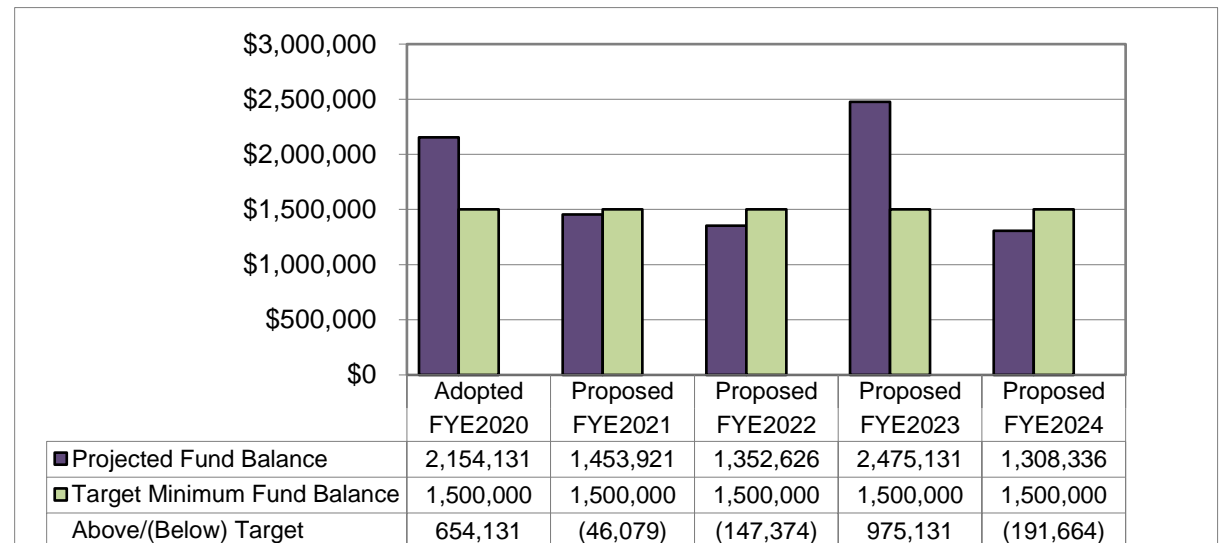
- Provide a resource to manage through negative economic conditions or events
- Maintain working capital for paying bills in a timely manner
- Finance cash flow needs and avoid short-term borrowing
- Provide for unanticipated needs
- Provide resources to take advantage of unexpected opportunities
- Provide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



## Water Capital Fund Reserves – Positive Outlook – With Caution

Management Strategy: Maintain a fund balance of \$1.5 million for all budget years presented in the 5-year budget.

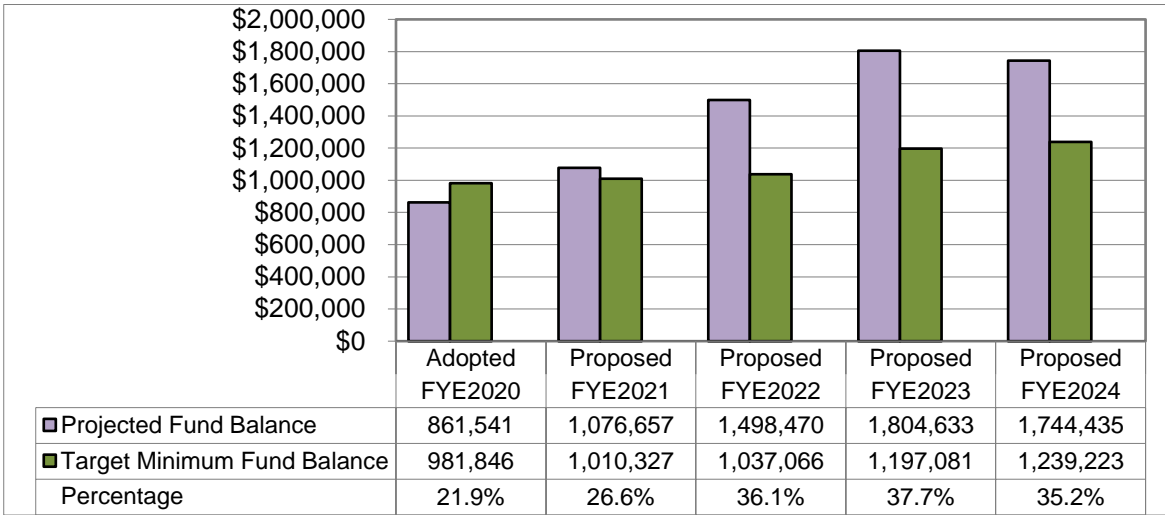
Capital reserves provide a necessary cushion to changing market prices of major repairs, as well as as unexpected capital needs.





### Sewer Fund Operating Reserves – Positive Outlook

Management Strategy: Maintain a projected 25% fund balance for all budget years presented in the 5-year budget.

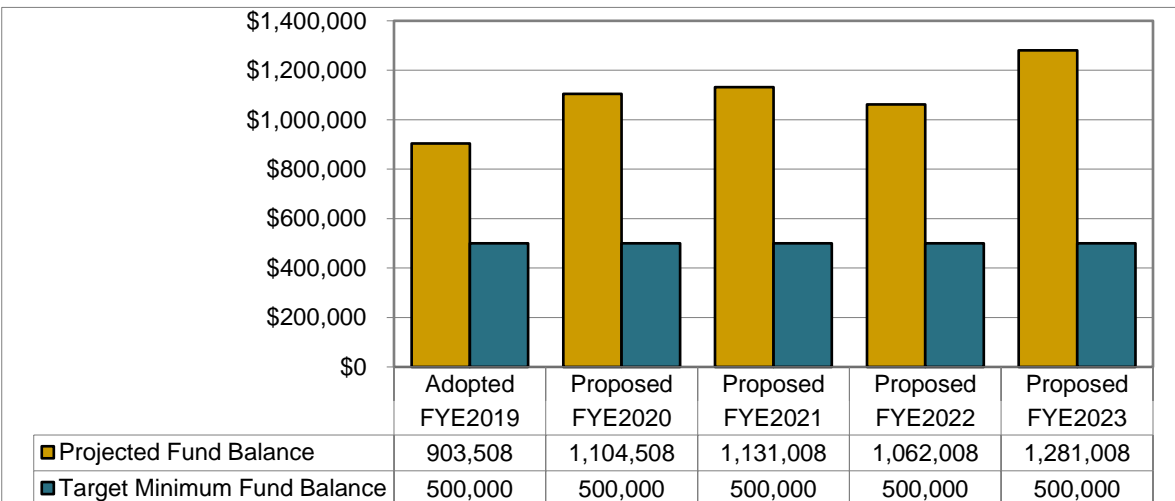


Operating reserves are an essential fiscal policy for any local government. An adequate fund balance in the Sewer Operating Fund helps:

- 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
- Provide for unanticipated needs
- Provide resources to take advantage of unexpected opportunities
- Provide key indicator of fiscal health for rating agency reviews

### Sewer Capital Fund Reserves – Positive Outlook

Management Strategy: Maintain a fund balance of \$500,000 for all budget years presented in the 5-year budget.



Capital reserves provide a necessary cushion to changing market prices of major repairs, as well as unexpected capital needs.

Council recently passed a multi-year rate increase which will significantly improve the health of the Sewer Capital Fund. The reserves in the Sewer Capital fund were nearly non-existent, but with the rate increases staff estimates the Sewer Capital Fund will meet the financial strategy goal by FY2021-22

## 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.

