THE VILLAGE OF
OAK LAWN

PRELIMINARY 5-YEAR BUDGET AND PENSION IMPACT

August 13, 2013

Goals

THE VILLAGE OF
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- Move to multi-year budgeting
- More transparent and understandable to the average resident
- Keep focus on big issues and don't get lost in the detail

PITFALLS

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- Avoid temptation to “Kick the can down the road”
- Avoid using all best case scenarios
- Depth of Federal/State/Muni problems

PROJECTED BUDGET

General Fund	Approved 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018
Revenue						
Sales Tax	$13,440,885	$13,708,672	$13,908,672	$13,908,672	$13,908,672	$13,908,672
Income Tax	5,033,370	5,134,037	5,185,378	5,237,232	5,289,604	5,342,500
Property Tax	13,554,468	13,554,468	13,554,468	13,554,468	13,554,468	13,554,468
Other Taxes	4,317,971	4,554,330	4,599,874	4,645,872	4,692,331	4,739,254
Service Charges and Fines	12,452,761	12,952,761	12,952,761	12,952,761	12,952,761	12,952,761
Transfers	780,000	1,280,000	1,280,000	1,280,000	1,280,000	1,280,000
Total Revenue	49,579,455	51,184,269	51,481,152	51,579,005	51,677,836	51,777,655
Expenditures						
Personnel	26,175,502	26,493,836	27,089,488	27,700,030	28,325,836	28,967,288
Benefits	9,789,486	10,216,003	10,846,924	11,406,643	12,038,038	12,669,892
Commodities	1,979,723	2,096,803	2,117,771	2,138,949	2,160,338	2,181,942
Contractual	9,043,311	9,133,744	9,225,082	9,317,332	9,410,506	9,504,611
Legal	875,500	650,000	800,000	750,000	750,000	750,000
Debt & Capital	935,933	1,249,620	1,071,900	909,820	755,319	758,902
Transfers to Fund TIF Debt	-	400,000	400,000	400,000	400,000	400,000
Transfers	780,000	780,000	780,000	780,000	780,000	780,000
Total Expenditures	49,579,455	51,020,006	52,331,165	53,402,774	54,620,037	56,012,634
Net Rev over Exp	-	**164,262**	**(850,013)**	**(1,823,769)**	**(2,942,201)**	**(4,234,979)**
Pension Underfunding	4,107,000	5,034,000	5,034,000	5,034,000	5,034,000	5,034,000
Retiree Medical Underfunding	675,109	615,050	560,100	423,638	346,914	261,604
Real Total Expenditures	**54,361,564**	**56,669,056**	**57,925,265**	**58,860,412**	**60,000,951**	**61,308,238**
Real Net Rev over Exp	(4,782,109)	(5,484,788)	(6,444,112)	(7,281,407)	(8,323,115)	(9,530,583)

PENSION CONTRIBUTIONS COMPARISON

THE VILLAGE OF OAK LAWN

(In thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (Estimate)
Police Pension Contributions										
90% of Recommended	1,121	1,251	1,380	2,266	1,919	2,350	3,373	3,377	3,012	3,325
Actual Levy Amount	994	1,096	1,244	1,374	1,438	1,274	1,165	840	1,005	1,200
Fire Pension Contributions										
90% of Recommended	1,109	1,267	1,360	2,797	2,187	2,403	3,299	3,207	3,107	3,182
Actual Levy Amount	1,015	1,084	1,270	1,367	1,434	1,452	1,239	527	993	1,200
IMRF Contributions										
Recommended	807	1,093	1,208	1,200	1,214	1,558	1,282	1,178	1,327	1,376
Actual Levy Amount	807	1,093	1,208	1,200	1,214	1,558	1,282	1,178	1,327	1,376
Over (Under) Funding	**(221)**	**(338)**	**(226)**	**(2,322)**	**(1,234)**	**(2,027)**	**(4,268)**	**(5,217)**	**(4,121)**	**(4,107)**

STATUS QUO at 7%

(In thousands)

Status Quo at 90% statutory funding assuming a 7% asset return by the Year 2040.

	2012	2013	2014	2015	2016	2017	2018
Police							
Village Contributions	1,005	1,200	1,200	1,200	1,200	1,200	1,200
90% Projected Contribution	3,347	3,325	3,771	4,059	4,383	4,752	5,148
Unfunded Liability	42,648	46,110	49,250	52,500	56,100	60,000	64,240
% Funded	62.7%	61.4%	60.3%	59.1%	57.8%	56.4%	54.8%
Fire							
Village Contributions	993	1,200	1,200	1,200	1,200	1,200	1,200
90% Projected Contribution	3,452	3,182	3,663	3,942	4,257	4,608	4,995
Unfunded Liability	41,611	44,850	47,820	51,080	54,530	58,200	62,300
% Funded	63.2%	61.9%	60.7%	59.5%	58.1%	56.7%	55.1%
Over (Under) Funding	(4,801)	(4,107)	(5,034)	(5,601)	(6,240)	(6,960)	(7,743)

PRESENT VALUE OF UNFUNDED LIABILITIES AT 12/31/12

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(In thousands)

	Unfunded Liability	Assumed Investment Rate	Assumed Salary Increases	Dedicated Asset Pool
Police Pension	$ 43,884	7%	3% (w/ 3% COLA)	$ 70,410
Firefighter Pension	42,063	7%	3% (w/ 3% COLA)	70,910
Postemployment Health Care	11,350	3%	Not Applicable by Medical Inflation Ranging 5% to 7%	None
IMRF Pension	13,082	7.5%	4% (w/ 3% COLA)	34,561
Unfunded Actuarial Liability at 12/31/12	$ 110,379			
No. of households	16,607			
Cost per household	$ 6,646			

2010 PUBLIC SAFETY PENSION LAW

THE VILLAGE OF OAK LAWN

STATE-SHARED REVENUE DIVERSIONS (40 ILCS 5/3-125)

- Beginning in 2016 state of Illinois may divert state-collected local government revenue to make up the employer contributions that fall short of the full actuarially-required contribution.
- 90% of the total actuarial liabilities of the pension fund by the end of municipal fiscal year 2040 must be funded as an annual updated number… "mandatory funding mechanism"
- If municipality is delinquent
  - 2016 – one-third of the total amount of any grants of State fund to the municipality
  - 2017 – two-thirds of the total amount of any grants of State funds to the municipality
  - 2018 and thereafter, the total amount of any grants State funds to the municipality

Moody's Downgrade 8/7/13

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- Downgraded to A1 from Aa3; with negative bias
- We are still Investment Grade credit
- No immediate financing need or cost impact
- Reasons
  - Inability to increase General Fund balance and liquidity without one-time revenue sources
  - Underfunding of pension contributions
  - Continued Property tax base contraction with lower EAV
- What to do to Improve rating
  - Continued replenishment of General Fund reserves and liquidity
  - Full and consistent funding of the village's pension plans
- Detroit matters

Conclusion

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- Get Board Approval for 2014 Budget to include 90% of actuarial recommended pension payment
- Immediately freeze hiring for all positions
- 90 days spending freeze on all new projects
- 90 day freeze on any new loans
- 90 day pay freeze for all non-union employees