

Town of



Normal

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Financial Trend and Condition Report

Fiscal Year 2019-20

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

FY 2019-20 TREND AND CONDITION

TABLE OF CONTENTS

EXECUTIVE SUMMARY

COMMUNITY GROWTH

Assessed Property Value.....	6
Construction Building Permits	7
Average Home Prices.....	8
Airport Usage	9
Amtrak Usage.....	10
Unemployment Rate.....	11
County Workforce.....	12

REVENUE

Town Revenue Sources.....	13
State Income Tax Revenue.....	14
Property Tax	
Property Tax Rate Distribution.....	15
Town of Normal and Community.....	16
Municipality Property Tax Rate Comparison	17
Community Property Tax Rate Comparison.....	18
Utility Tax Revenue	
Tax Revenue	19
Dollar Change	20

TABLE OF CONTENTS-CONTINUED

Sales Tax Revenue
State and Local Sales Tax 21
Percent of General Fund 22
Sales Tax by Type 23
Food and Beverage Tax 24

EXPENDITURE

Town Expenditures by Type 25
Police Pension Benefit Cost 26
Fire Pension Benefit Cost 27
Personnel Costs as a Percent of Total Expenditures 28

DEBT SERVICE

Overlapping Debt as Percent of Assessed Value 29
Total Debt Outstanding 30
Long-Term Debt as a Percentage of Assessed Value 31

BALANCE SHEET

General Fund Cash Balance 32
General Fund Balance 33
Police Pension Funding Levels 34
Fire Pension Funding Levels 35

TABLE OF CONTENTS-CONTINUED

Illinois Municipal Retirement Fund Funding Levels 36
Water Fund Summary 37
Sewer Fund Summary 38
Health Insurance Fund Balance 39

FINANCIAL STRATEGIES

General Fund Operating Reserves..... 40
Vehicle and Equipment Reserves 41
Contingency Funding 41
Debt Management Capacity..... 42
Debt Management Coverage 42
Health Insurance Reserve..... 43
Water Fund Operating Reserves 44
Water Capital Fund Reserves 44
Sewer Fund Operating Reserves 45
Sewer Capital Fund Reserves 45

FY 2019-20 TREND EVALUATION

EXECUTIVE SUMMARY

The 2019-20 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.

As you are aware, Illinois implemented an economic shutdown in response to the COVID pandemic. This essentially started in March (which is the Town’s fiscal year-end) with the suspension of on-premise consumption at restaurants and bars. By late March, the Governor had ordered a “stay at home” order that was in effect until the end of May. On June 26, the State entered what is known as Phase 4 of its “Restore” plan. This phase allowed all businesses to operate under certain guidelines. The negative results of the economic shutdown only impacted the indicators in this report slightly due to the timing of the shutdown and the Town’s fiscal year-end. The report notes some of these impacts on the applicable indicators, but it should be read with the understanding that many of the indicators will be significantly challenged in the current fiscal year (FY2020-21).

Overall Results for Trend Information

Fiscal Year	2016-17	2017-18	2018-19	2019-20
Positive Ratings	19	20	21	20
Negative Ratings	9	8	7	7
Unclassified	6	6	6	7
Total Ratings	34	34	34	34

Community Growth

Description (P = Positive, N = Negative, U = Unclassified)	2016-17	2017-18	2018-19	2019-20	Page
Assessed Property Value	P	P	P	P	6
Construction Building Permits	P	N	N	N	7
Average Home Sales Price	P	P	P	P	8
Airport Usage	N	N	N	P	9
Amtrak Usage	N	P	P	N	10
Unemployment Rate	P	P	P	P	11
County Workforce	N	N	N	N	12

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

Revenue

Description (P = Positive, N = Negative, U = Unclassified)	2016-17	2017-18	2018-19	2019-20	Page
Town Revenue Sources	U	U	U	U	13
State Income Tax	N	N	P	P	14
Property Tax Rates	P	P	P	P	15
Property Tax Rates - Normal and Community	P	P	P	U	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

- Income tax had a significant 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.
- Utility tax had a slight decrease.
- State sales tax increased while local sales tax decreased.
- Food and Beverage had its first decrease in 15 years. The indicator will remain positive for this year, but that may change if a decrease is seen in the next year.

Expenditure

Description (P = Positive, N = Negative, U = Unclassified)	2016-17	2017-18	2018-19	2019-20	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

- Personnel costs as a percent of total expenditures increased. This indicator typically trends in a positive (decreasing) direction. Staff has chosen to keep the indicator positive this year and reevaluate it next year.

Debt Service

Description (P = Positive, N = Negative, U = Unclassified)	2016-17	2017-18	2018-19	2019-20	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	P	P	P	P	31

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

Balance Sheet

Description (P = Positive, N = Negative, U = Unclassified)	2016-17	2017-18	2018-19	2019-20	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	P	P	P	P	37
Sewer Fund	N	P	P	P	38
Health Insurance Fund Balance	P	N	N	N	39

- General Fund cash and fund balance have increased due to positive revenue growth and expenditure savings.
- Police and Fire Pension funding levels decreased.
- IMRF pension funding levels increased and remains well funded.
- The Water Fund continues to be in a strong financial position.
- The Sewer Fund is in a strong financial position.
- The Health and Dental Insurance Fund balance ended with a significant increase in fund balance.

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.

Financial Strategies	Rating	Page
General Fund Operating Reserves	Cautious Outlook	40
Vehicle and Equipment Reserves	Cautious Outlook	41
Contingency Funding	Negative Outlook	41
Debt Management Capacity	Positive Outlook	42
Debt Management Coverage	Positive Outlook	42
Health Insurance Reserve	Cautious Outlook	43
Water Fund Operating Reserves	Positive Outlook	44

Water Capital Fund Reserves	Positive Outlook	44
Sewer Fund Operating Reserves	Positive Outlook	45
Sewer Capital Fund Reserves	Positive Outlook	45

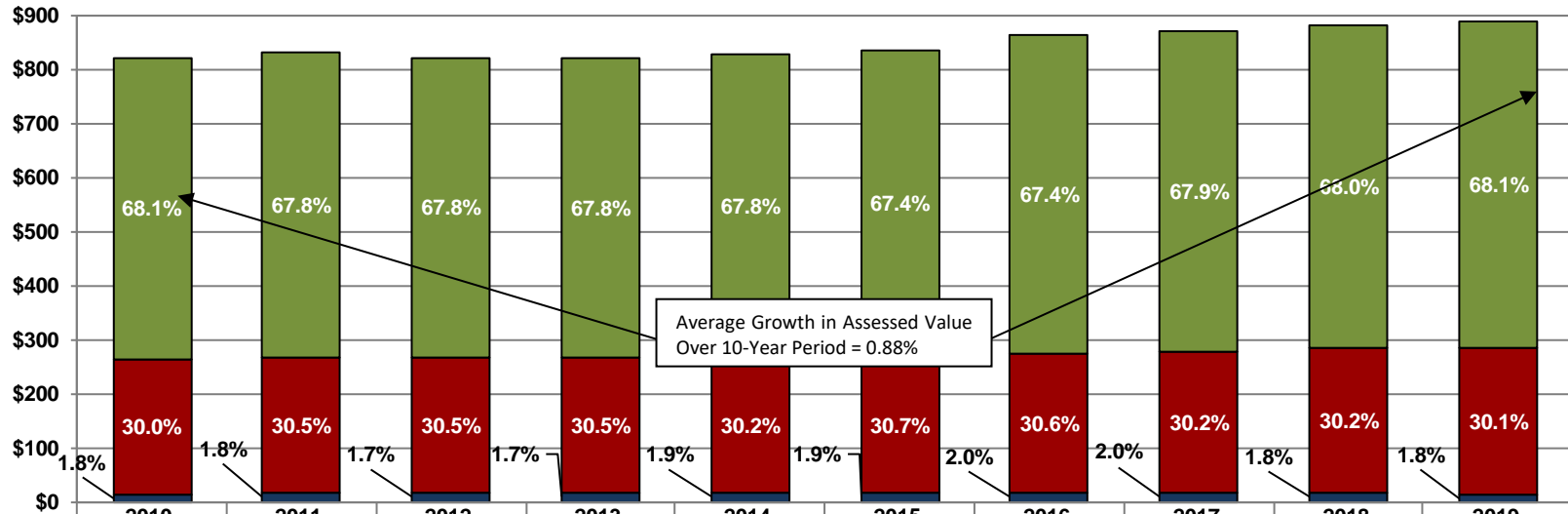
Continued monitoring of the Town's financial condition supports early detection of fiscal concerns and allows Council to proactively implement necessary changes to ensure the Town maintains a positive financial position. The financial strategies remain generally stable with some caution on their outlook. 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



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Percent Change	0.9%	1.0%	-1.1%	-0.2%	1.0%	1.0%	3.1%	0.8%	1.4%	0.8%
Total	\$822.14	\$830.45	\$821.69	\$820.00	\$828.56	\$836.86	\$862.54	\$869.44	\$881.55	\$888.66
Residential	\$557.59	\$563.42	\$553.48	\$552.80	\$562.25	\$568.97	\$587.56	\$593.09	\$597.64	\$603.80
Commercial	\$250.92	\$250.94	\$252.26	\$251.11	\$249.88	\$252.76	\$259.71	\$260.50	\$267.82	\$270.88
All Other	\$13.63	\$16.08	\$15.94	\$16.09	\$16.43	\$15.14	\$15.27	\$15.85	\$16.09	\$13.97

■ All Other

■ Commercial

■ Residential

INDICATOR DISCUSSION

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

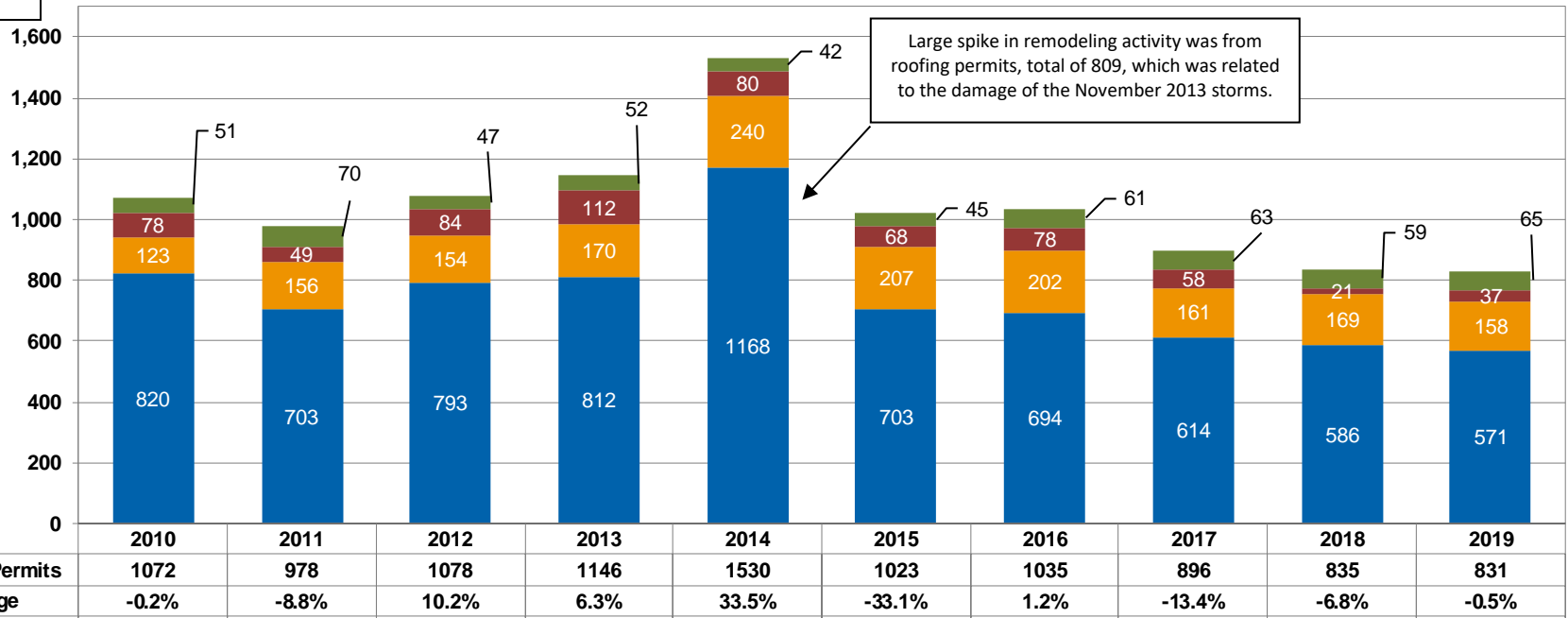
RATING: POSITIVE – WITH CAUTION

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.

CONSTRUCTION BUILDING PERMITS

(Calendar Year)

Average permits over 5-year period = 924



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

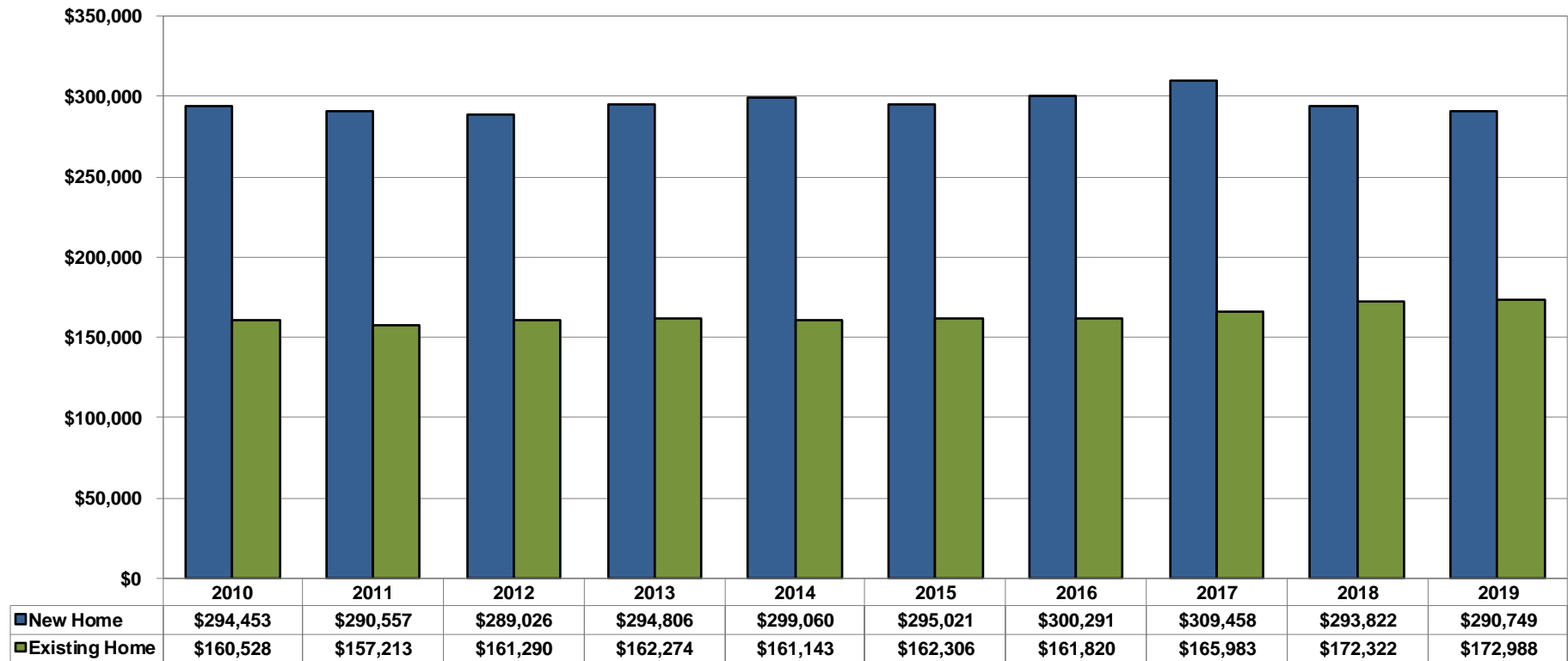
The construction permits for 2019 were slightly less than the previous year and are below the 5-year average. Residential remodeling had the largest decrease; however it was offset by an increase in the single family home permits.

AVERAGE HOME PRICES

(Calendar Year)

Average Growth Over 10 Years
 New Home Prices = 0.2%
 Existing Home Prices = 1.5%

2018 vs. 2019 Values
 New Home Prices = -1.0%
 Existing Home Prices = 0.4%



INDICATOR DISCUSSION

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

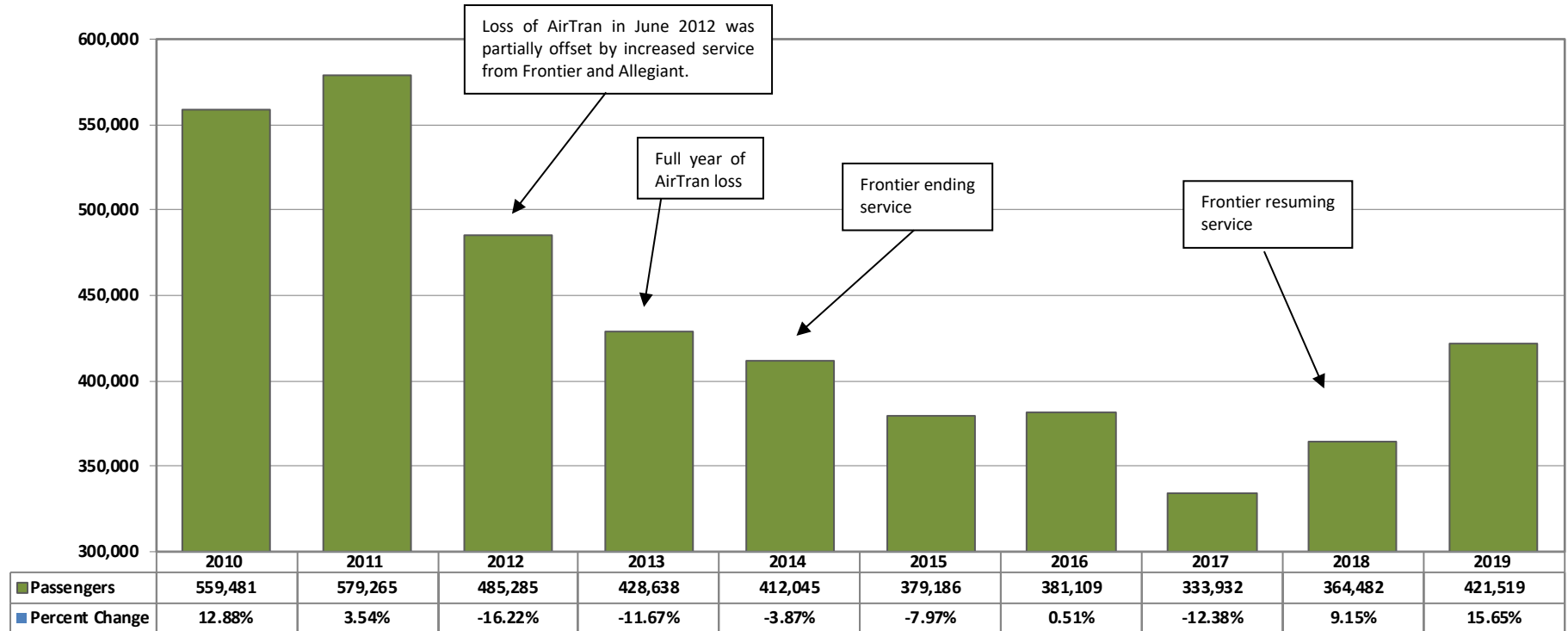
RATING: POSITIVE – WITH CAUTION

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 to continue to be flat or have relatively modest increases.

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: POSITIVE – WITH CAUTION

The 15.65% increase in airport ridership was a welcome positive change for the Bloomington/Normal community. The increase was from both business and leisure travel as additional services were added in 2019. Unfortunately, this ridership trend will not continue in 2020 given the impact of the pandemic on the travel industry.

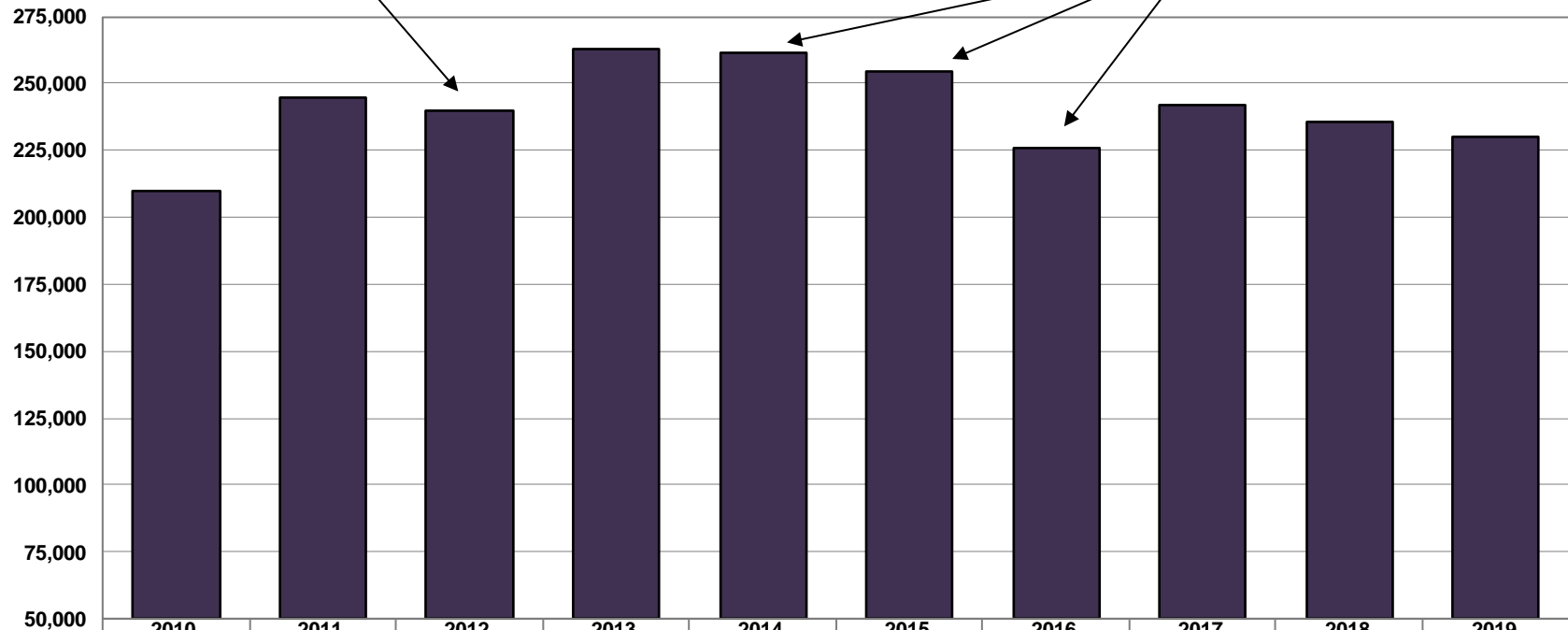
AMTRAK USAGE

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.



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Passengers	209,629	244,566	239,981	263,235	261,631	254,317	226,212	241,844	235,458	229,894
Percent Change	8.80%	16.67%	-1.87%	9.69%	-0.61%	-2.80%	-11.05%	6.91%	-2.64%	-2.36%

INDICATOR DISCUSSION

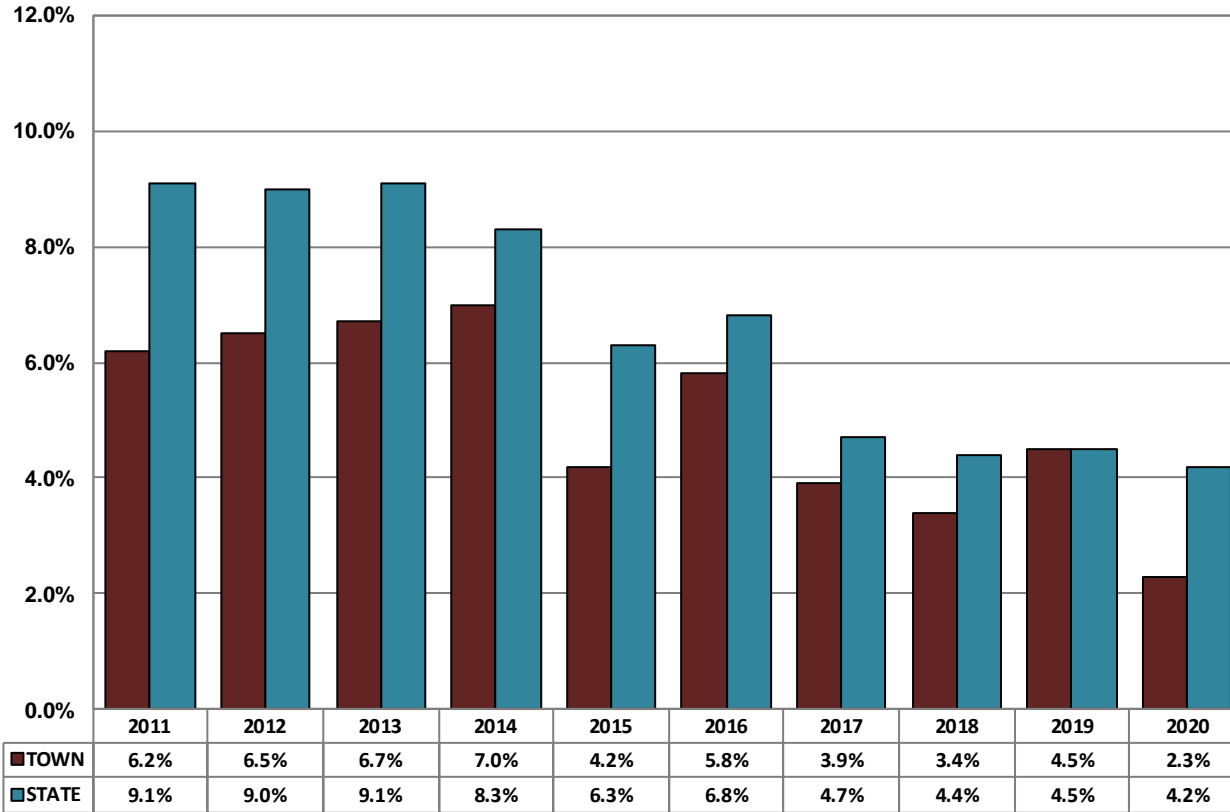
An indirect indication of local community vitality can be found within the historical passenger records of the Amtrak usage. Consistent passenger growth is reflective of a strong underlying economic base within the local community and the greater market area. Conversely, a decline in growth could be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

RATING: NEGATIVE

Ridership for Amtrak saw another decrease in 2019. There is some uncertainty as to what caused the drop in 2019, but given the impacts of the pandemic on travel, a more dramatic decrease is expected in 2020.

UNEMPLOYMENT RATE

As of 3/31



Municipality	Rates		
	2020	2019	Change
Normal	2.3%	4.5%	-2.2%
Champaign	2.3%	4.4%	-2.1%
Urbana	2.4%	4.6%	-2.2%
Bloomington	2.7%	4.7%	-2.0%
Springfield	2.9%	5.1%	-2.2%
Galesburg	3.8%	6.5%	-2.7%
Peoria	4.0%	6.3%	-2.3%
Decatur	4.6%	6.9%	-2.3%
United States	4.4%	3.8%	0.6%
State	4.2%	4.5%	-0.3%

INDICATOR DISCUSSION

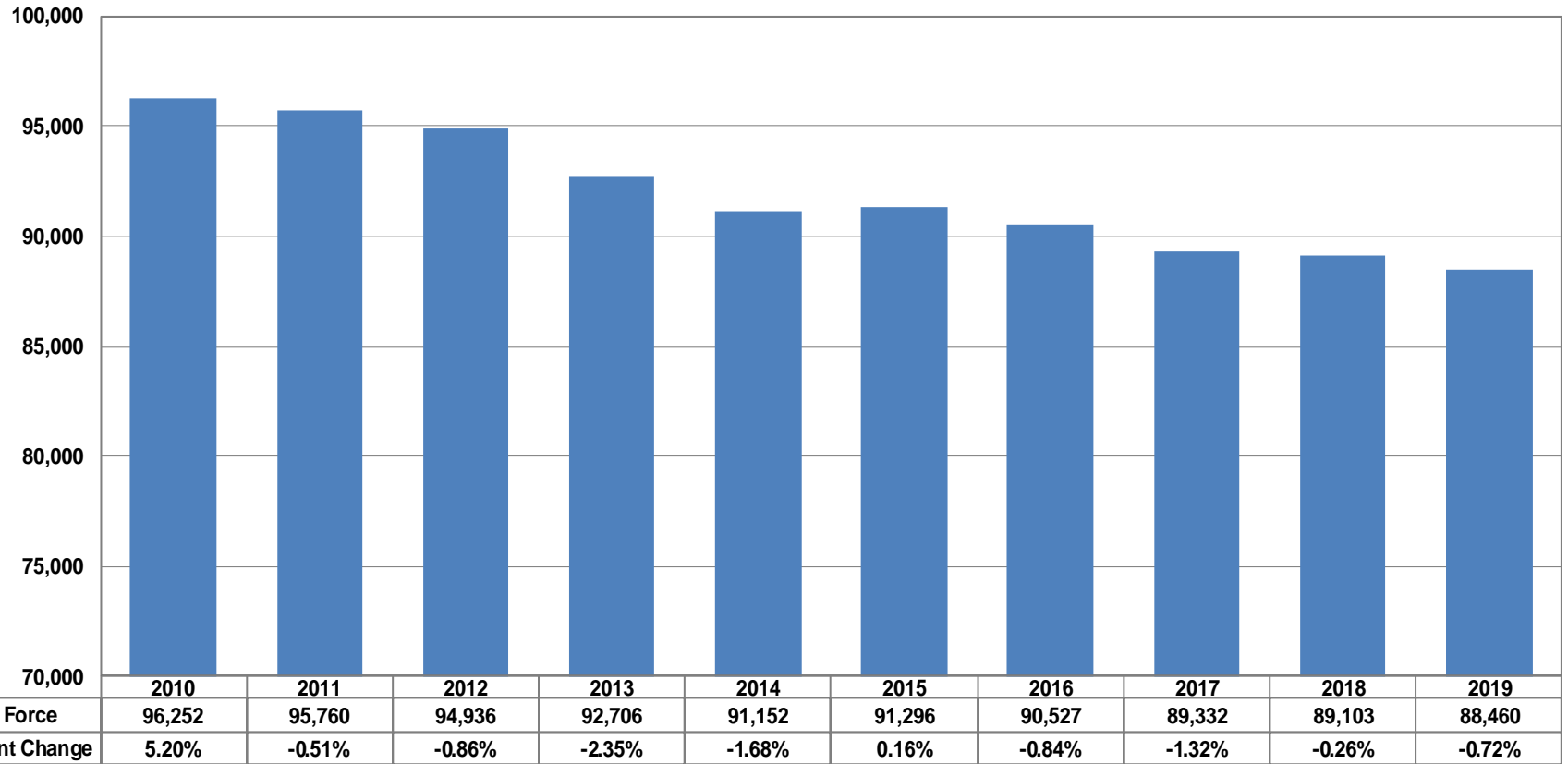
Changes in the unemployment rate are one measure of the Town's activity in its business sector and the general economic health of the community. A healthy business sector will provide funding for city services through sales, utility and property taxes. The data presented above is obtained from the Illinois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

RATING: POSITIVE – WITH CAUTION

The Town, along with other local governments in the region, experienced a decrease 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). It should be noted that the pandemic caused significant increases in unemployment rates across the United States and as of June, the Town's rate was 10.3% and the State's rate was 14.6%.

COUNTY WORKFORCE

(Calendar Year)



INDICATOR DISCUSSION

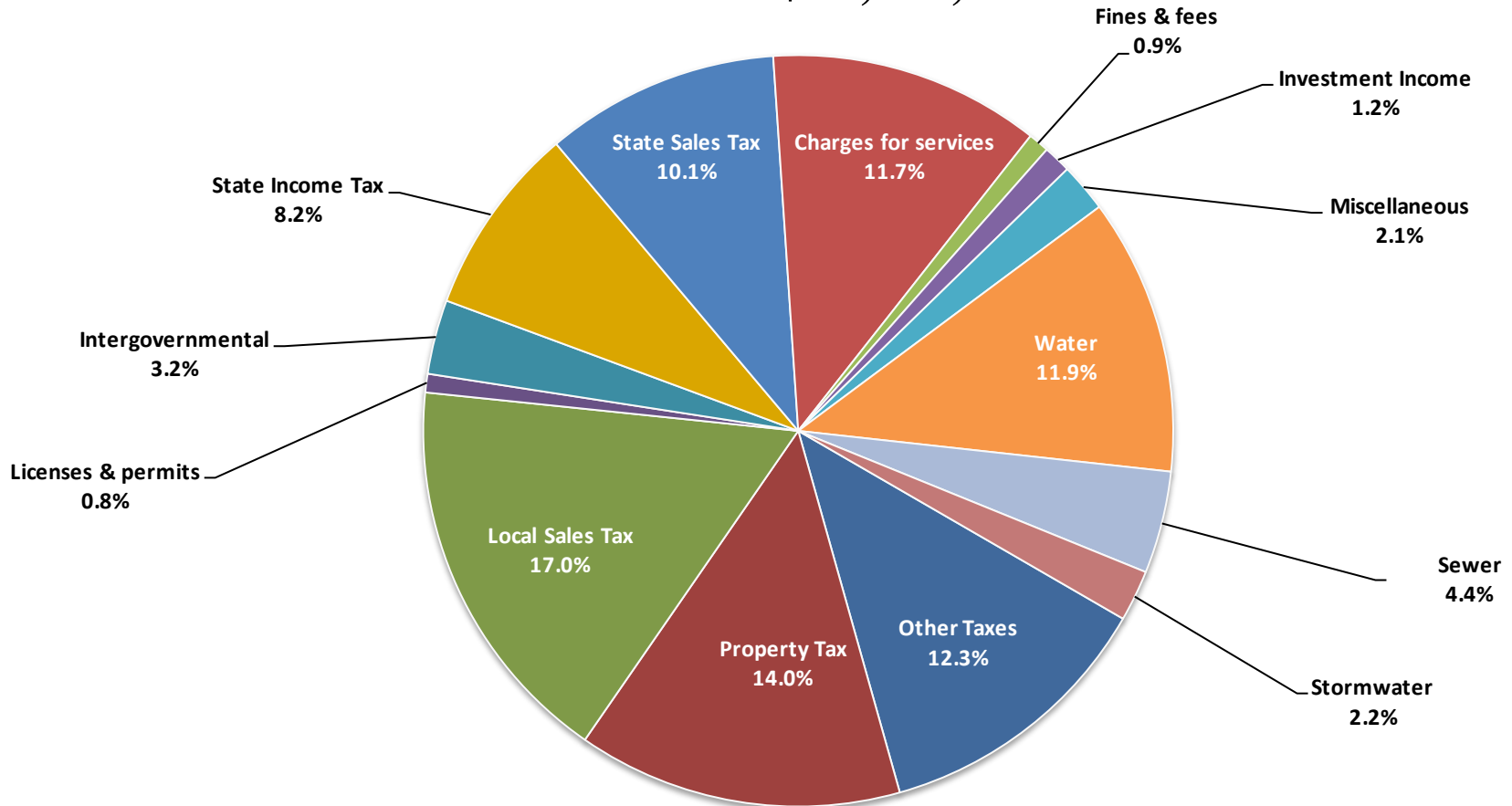
The Illinois Department of Employment Security (IDES) identifies the workforce, or labor force, as all working-age individuals (16+) who are either employed or unemployed but available and actively looking for work.

RATING: NEGATIVE

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

TOWN REVENUE SOURCES

FY2020 - \$92,112,311



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

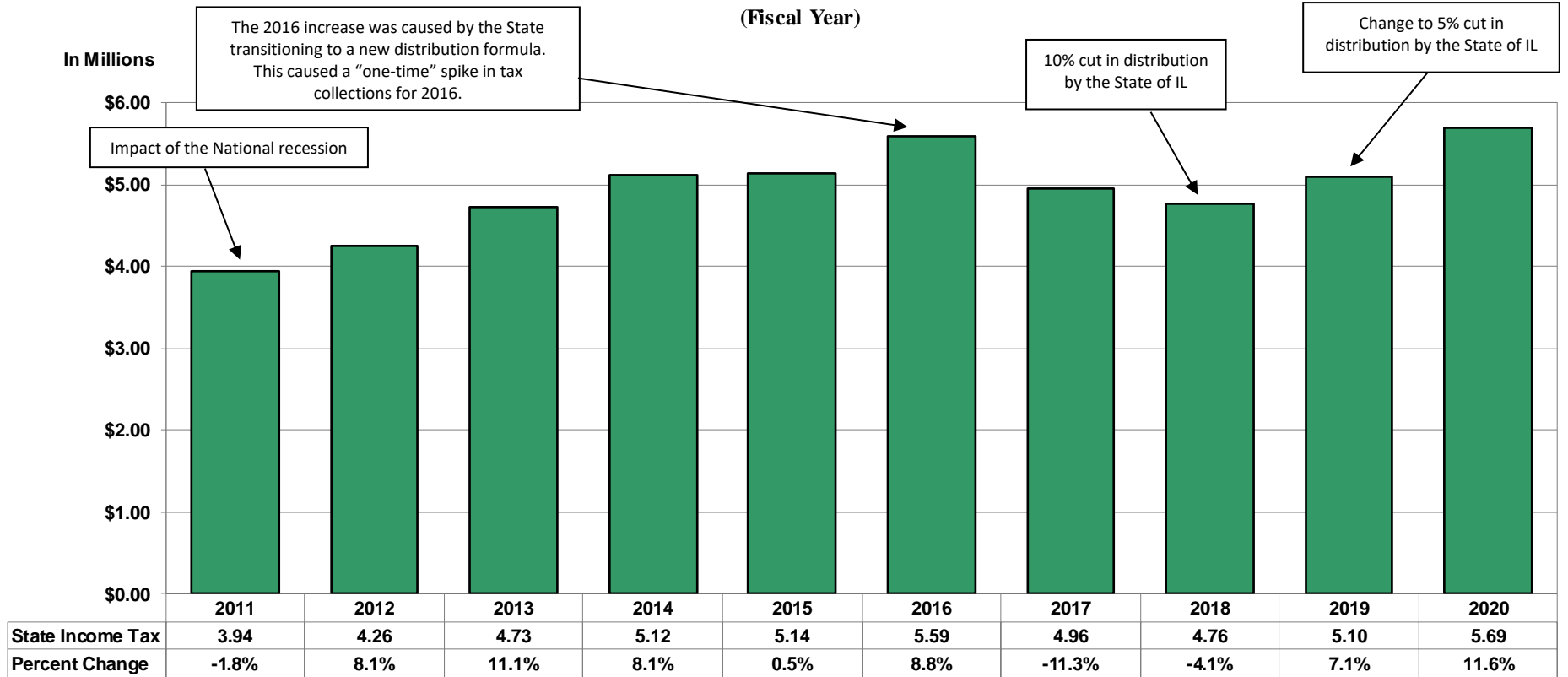
This chart is considered informative in nature and is intended to convey a general understanding of the revenue sources.

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



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 three times (2011, 2015 and 2017) and continues to adjust the amount shared with municipalities through formula changes. These changes and the fact that this revenue source reacts quickly to economic changes makes it a difficult revenue to project.

RATING: POSITIVE

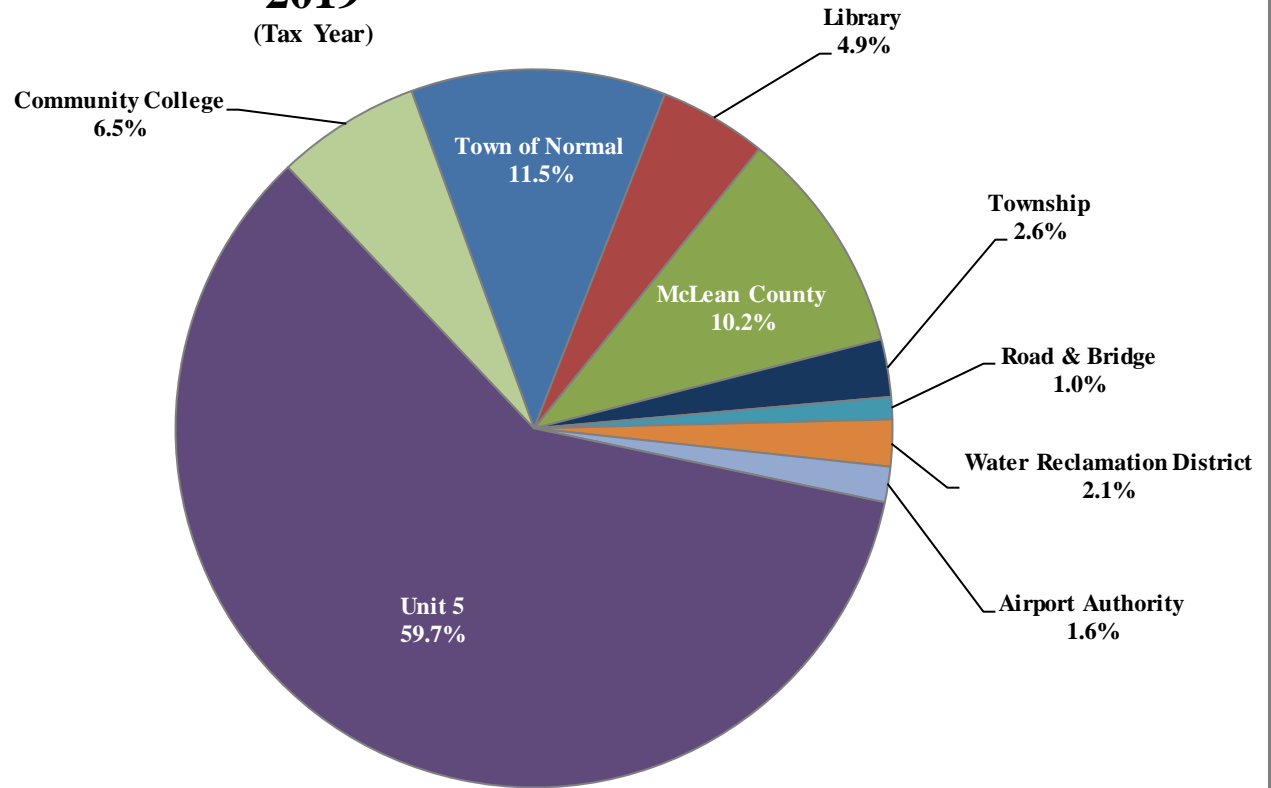
Income tax revenue has had two strong years of growth and under normal economic conditions the Town would consider this a very positive trend. Unfortunately, the economy took a significant downturn in March due to the pandemic and this will have a negative impact on income tax in the current fiscal year. The long-term economic impacts of the pandemic are difficult to predict, but it will be a very uncertain time for at least the next couple fiscal years.

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

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%
Tax Year 2019	11.5%

PROPERTY TAX RATE DISTRIBUTION

2019
(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

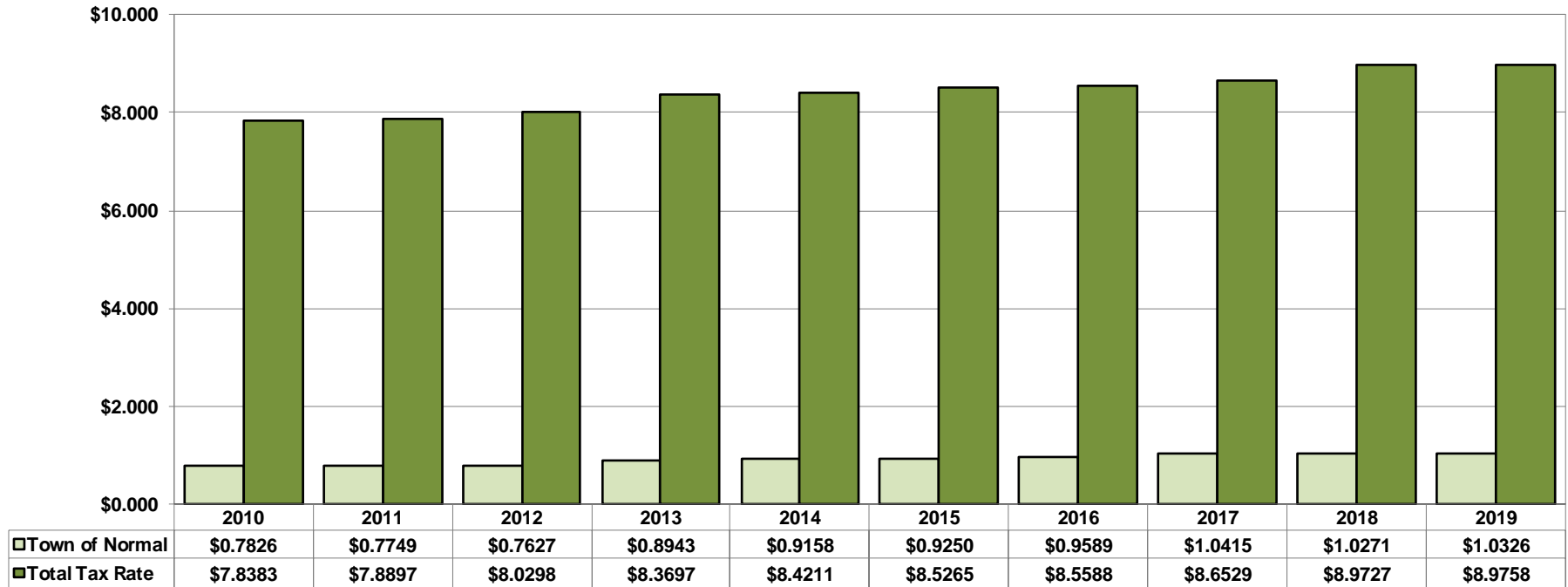
The rating is classified as positive due to the Town's relatively small percentage (11.5%) of the total property tax dollars levied.

PROPERTY TAX RATES

Town of Normal and Community

Per \$100 of Assessed Value

(Tax Year)



INDICATOR DISCUSSION

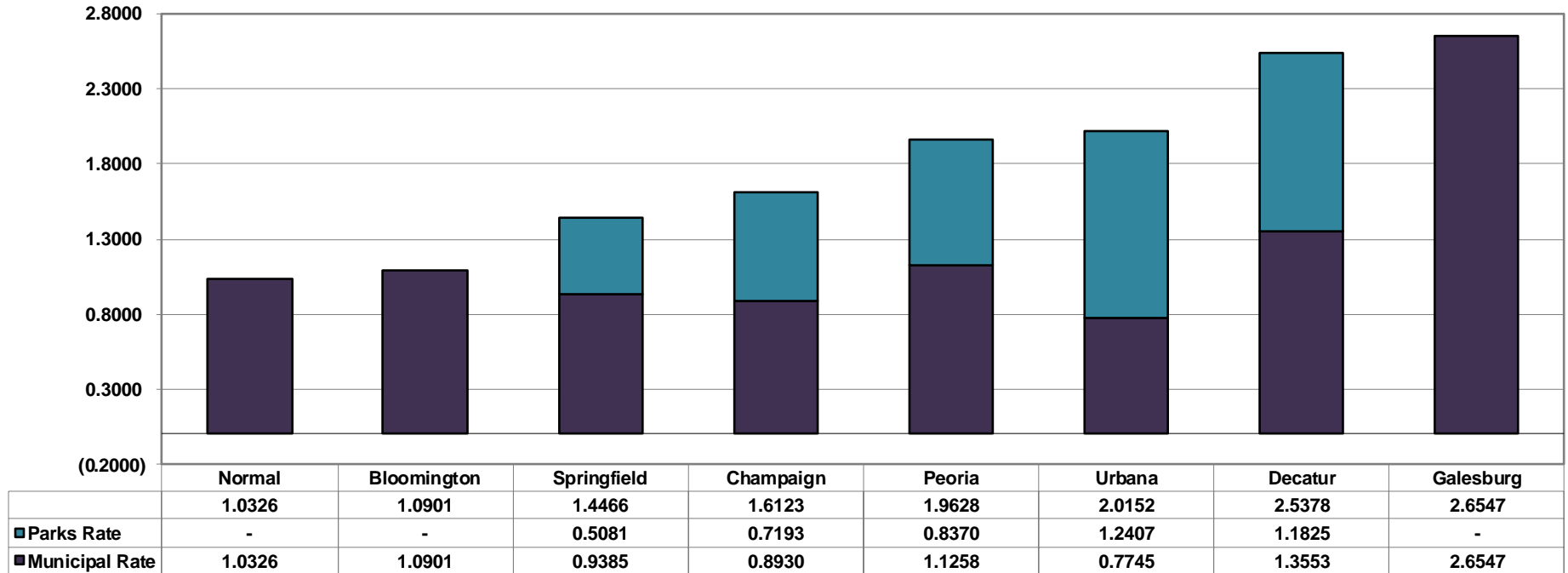
The pie chart on the preceding page reports the various units of government that collectively make up the total community tax rate. The Town of Normal rate reported above includes the General and Pension Fund property tax levies, and does not include the Normal Public Library levy. Decisions related 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.

UNCLASSIFIED – FOR INFORMATION ONLY

This compares the Town's tax rate to the total tax rate of all taxing districts in the Town.

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

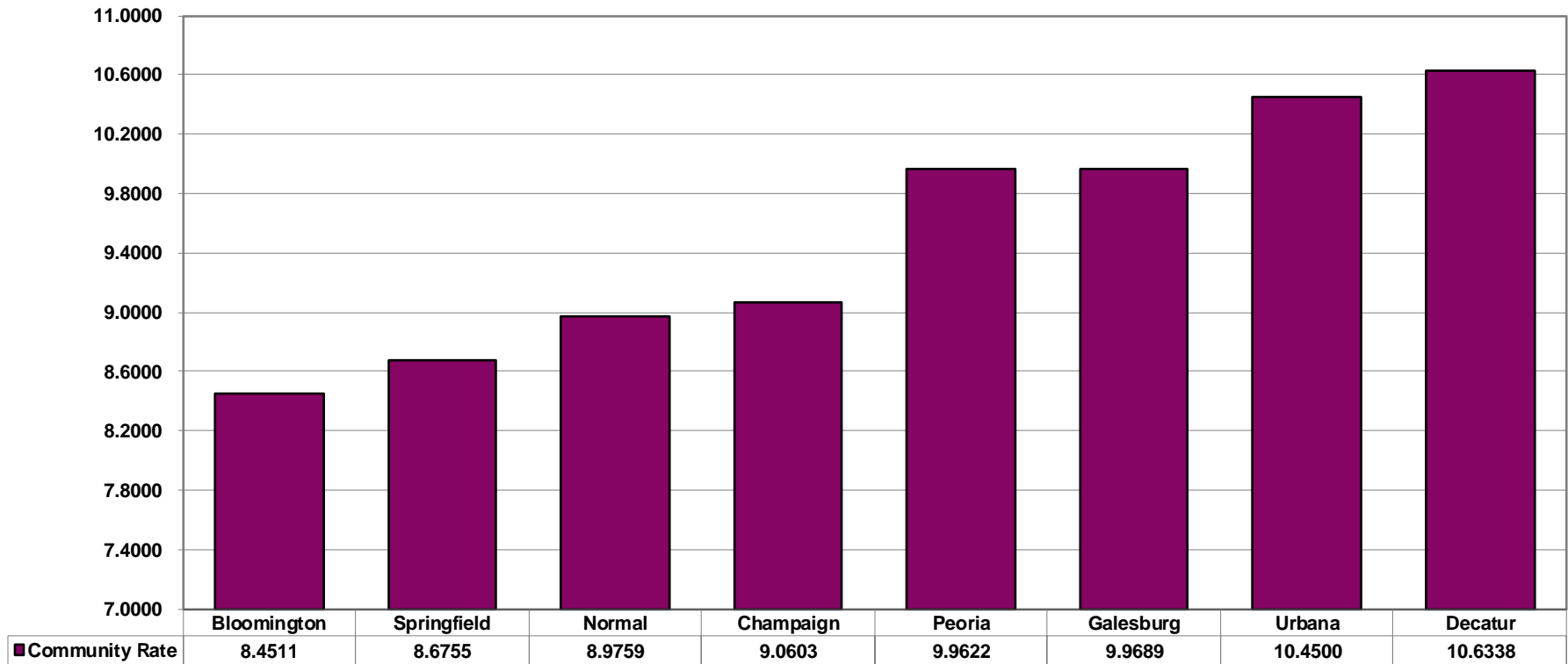
The Town of Normal municipal property tax rate is the lowest of all the cities presented above. Years of consistent effort are required to reach this low property tax rate. The tax levy of 1.0326 supports the following expenditure obligations:

- 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.

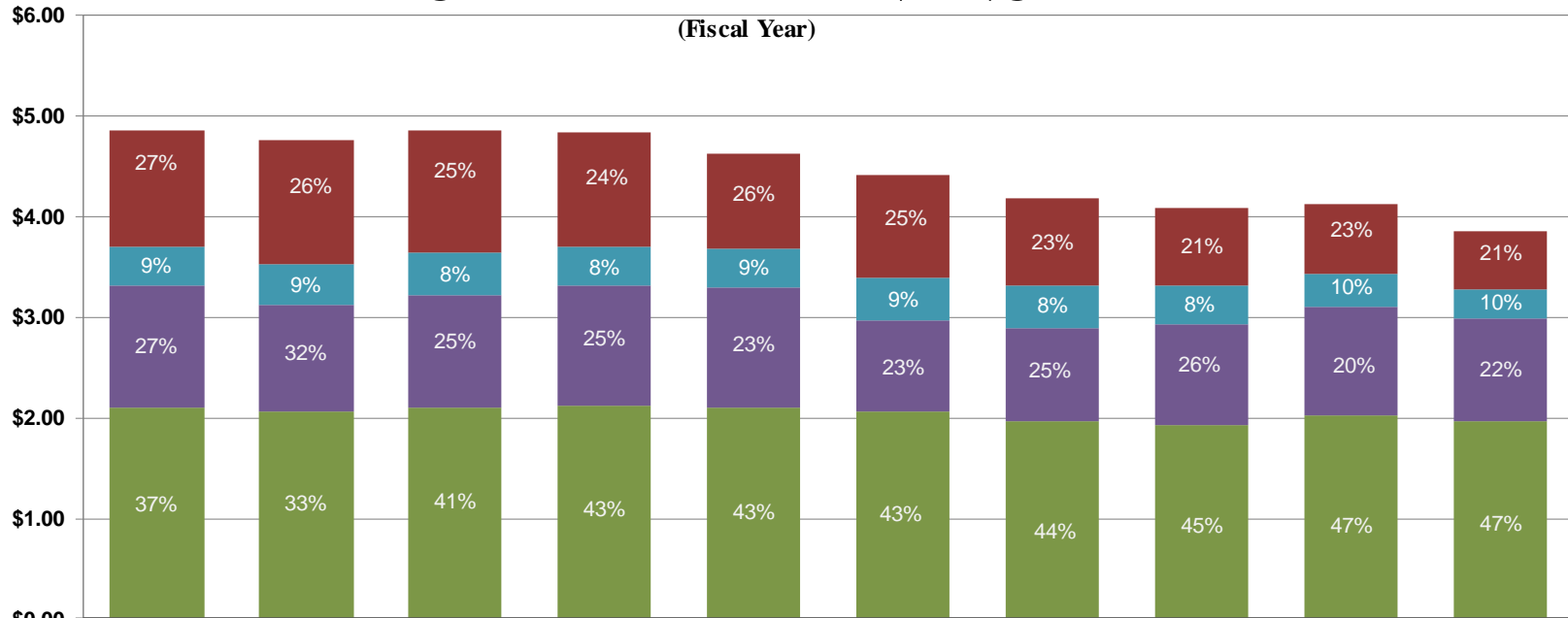
RATING: POSITIVE

The Town of Normal's community property tax rate is among the lowest in comparison to other communities.

In Millions

UTILITY TAX REVENUE

(Fiscal Year)



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Utility Tax Rev.	\$4.86	\$4.76	\$4.86	\$4.84	\$4.63	\$4.41	\$4.19	\$4.08	\$4.12	\$3.86
Percent Change	2.9%	-2.1%	2.1%	-0.3%	-4.4%	-4.6%	-5.2%	-2.6%	1.1%	-6.5%

■ 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.

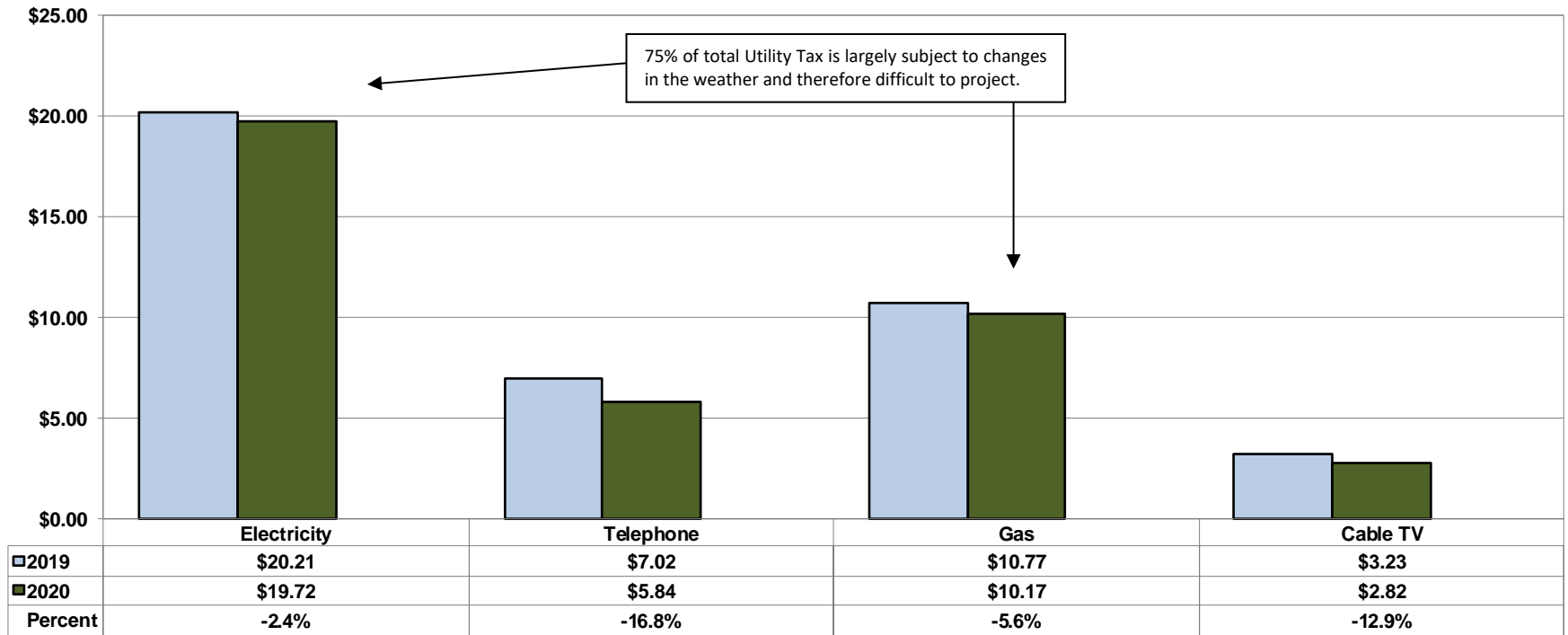
RATING: NEGATIVE

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 FY2019 to FY2020

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

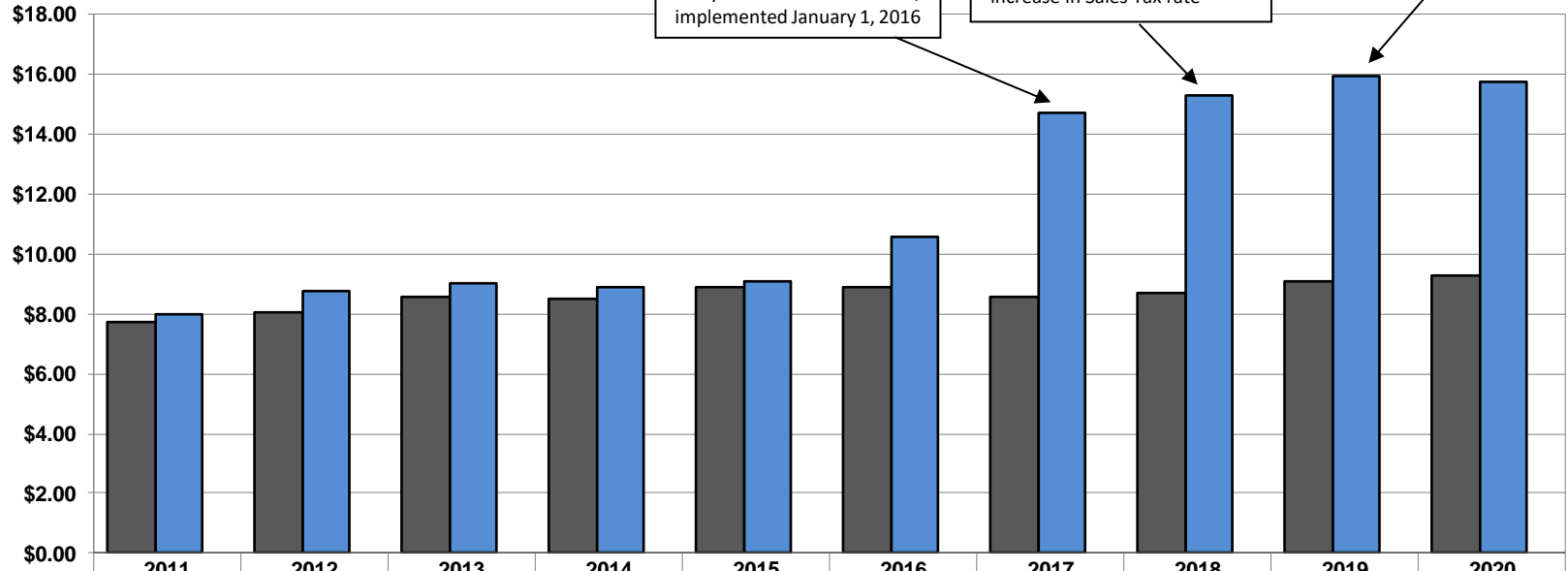
This indicator is educational in nature, and therefore, is given an unclassified rating.

10-year average growth
 State Sales Tax: 2.2%
 Local Sales Tax: 9.6%

STATE & LOCAL SALES TAX

(Fiscal Year)

In Millions



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
■ State Sales Tax Revenue	\$7.71	\$8.06	\$8.58	\$8.51	\$8.89	\$8.87	\$8.59	\$8.71	\$9.08	\$9.31
State Sales Percent Change	3.0%	4.5%	6.5%	-0.9%	4.5%	-0.2%	-3.2%	1.4%	4.2%	2.6%
■ Local Sales Tax Revenue	\$7.98	\$8.76	\$9.04	\$8.90	\$9.10	\$10.59	\$14.76	\$15.31	\$15.96	\$15.76
Local Sales Percent Change	20.3%	9.7%	3.2%	-1.5%	2.3%	16.3%	39.4%	3.7%	4.2%	-1.2%

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.

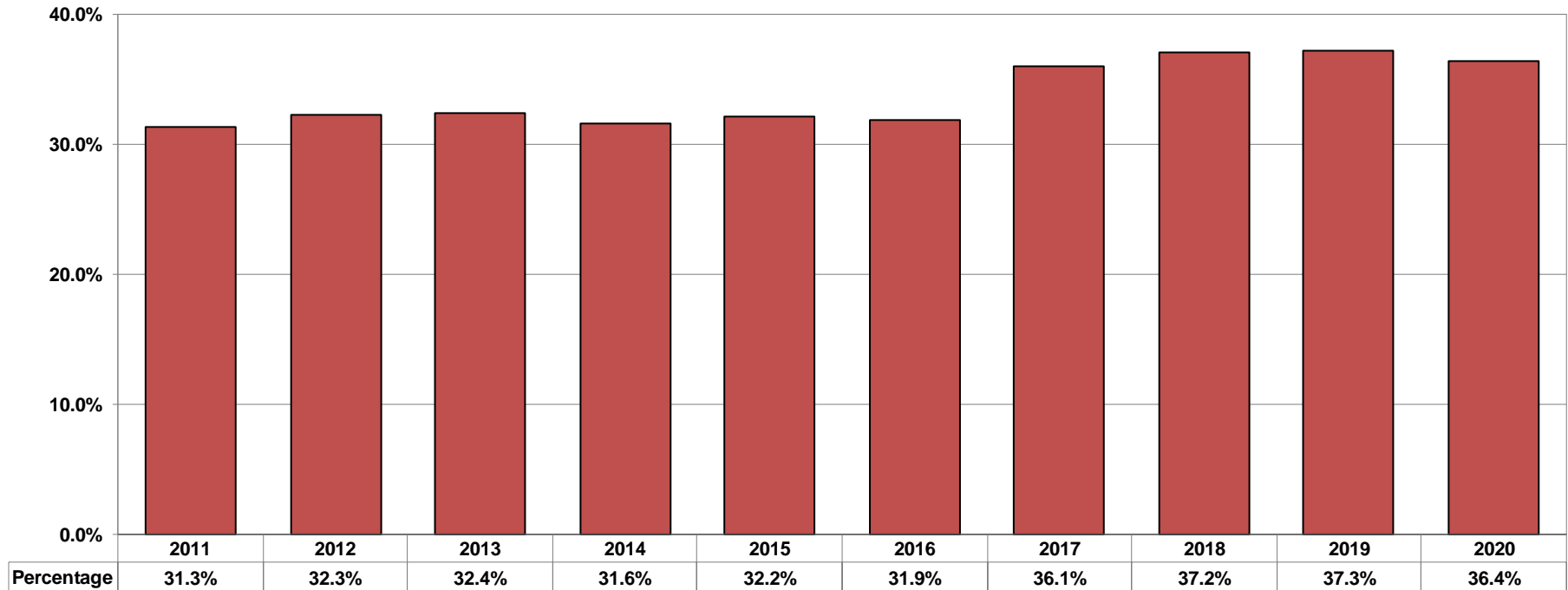
RATING: POSITIVE – WITH CAUTION

Sales tax revenue is the largest, most critical source of revenue for the General Fund. The Town did see a 2.6% increase in its State sales tax revenue and a slight decrease, (1.2%) in Local sales tax revenue. Both state and local revenue would have likely closed the fiscal year in a better position if not for the economic “shutdown” caused by the pandemic that started in March.

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 33.9%. 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

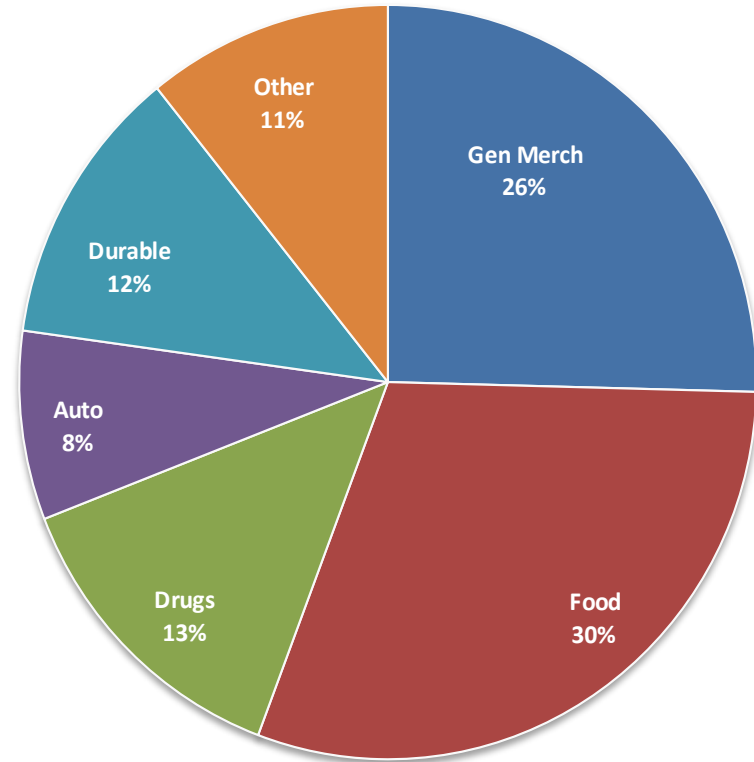
New and used car dealers, auto and supply stores, gasoline service stations, boat dealers, recreational vehicle dealers and motorcycle dealers

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.

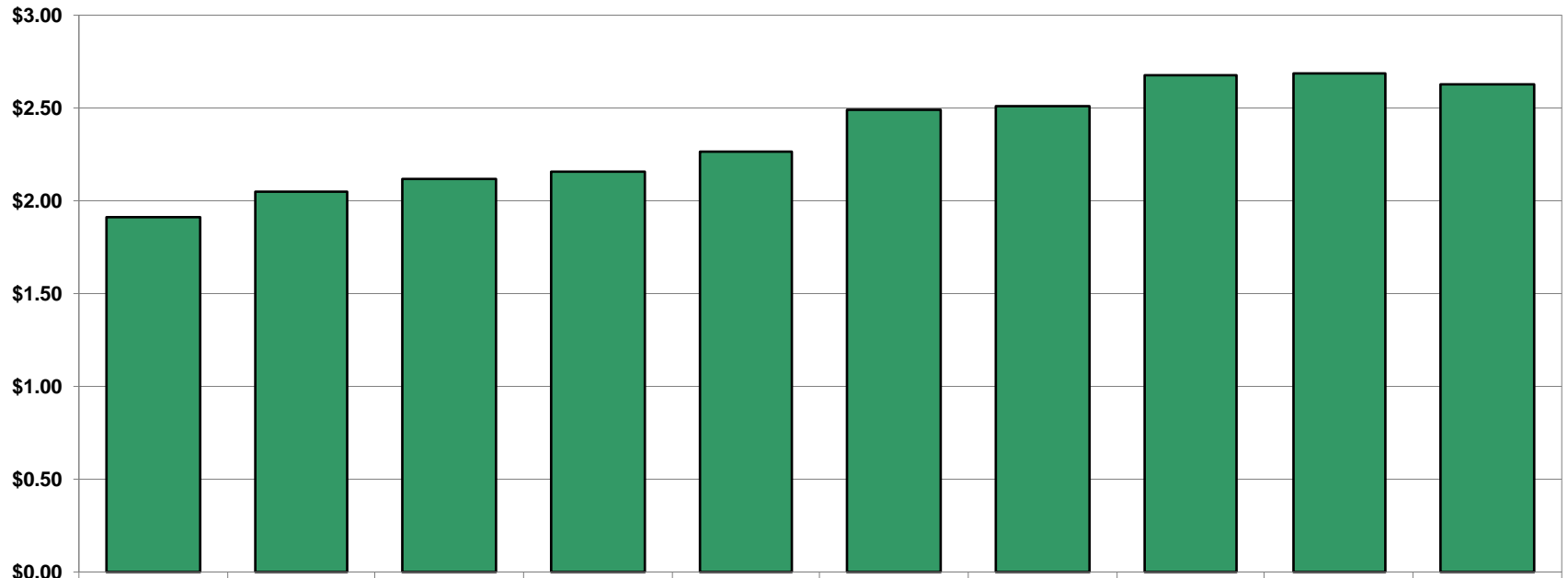
UNCLASSIFIED – FOR INFORMATION ONLY

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

(Fiscal Year)

In Millions



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Food and Beverage	\$1.91	\$2.05	\$2.12	\$2.16	\$2.27	\$2.49	\$2.51	\$2.69	\$2.69	\$2.63
Percent Change	8.83%	7.24%	3.41%	1.54%	5.43%	9.60%	0.89%	6.85%	0.22%	-2.11%

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.

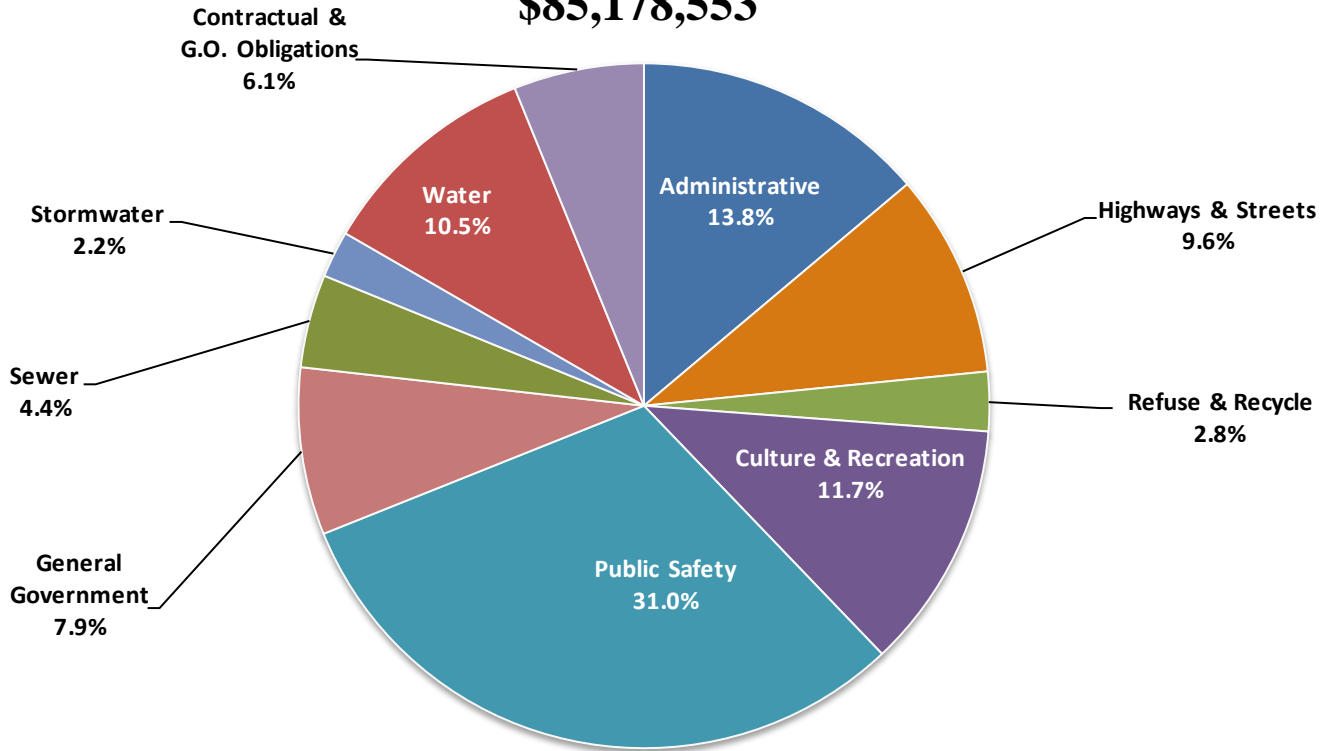
RATING: POSITIVE – WITH CAUTION

Although the Food & Beverage Tax continues to be one of our major sources of revenue, the restaurant sector had a slight decline in the last couple fiscal years. This revenue would have likely closed the year slightly up from last year, but the economic “shutdown” caused by the pandemic in March dramatically impacted that month’s revenue and ultimately pushed the revenue below last year. The current fiscal year is also significantly down due to the economic shutdown.

TOWN EXPENDITURES

By Type - FY2020

\$85,178,553



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 and Engineering

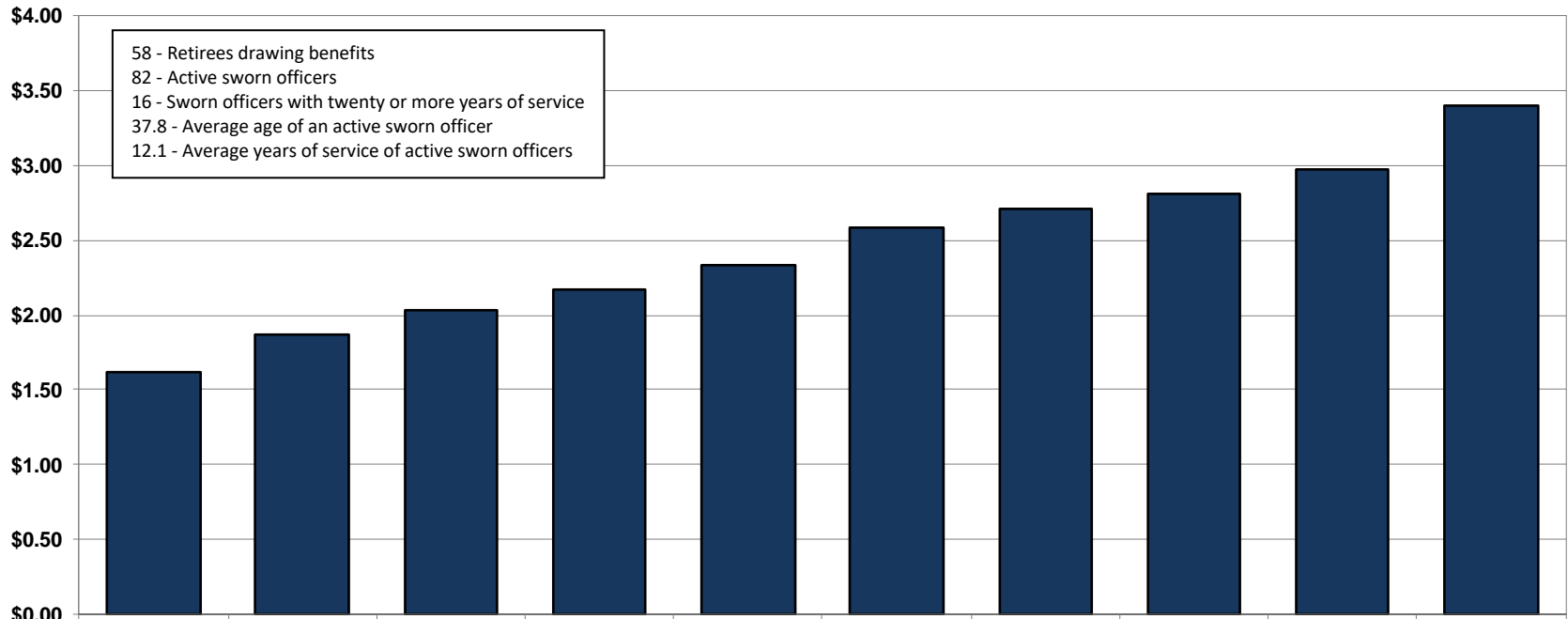
Culture and Recreation - Parks and Recreation activities

General Government – Contractual agreements

Administrative – Support Departments (Innovation and Technology, Facilities Management, Finance, Human Resources, City Manager’s Office, Mayor and Council)

POLICE PENSION BENEFIT COST

In Millions



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pension Benefits	\$1.61	\$1.88	\$2.04	\$2.18	\$2.33	\$2.58	\$2.72	\$2.81	\$2.98	\$3.41
Percent Change	8.1%	16.2%	8.7%	6.8%	7.0%	10.8%	5.2%	3.4%	5.9%	14.5%

INDICATOR DISCUSSION

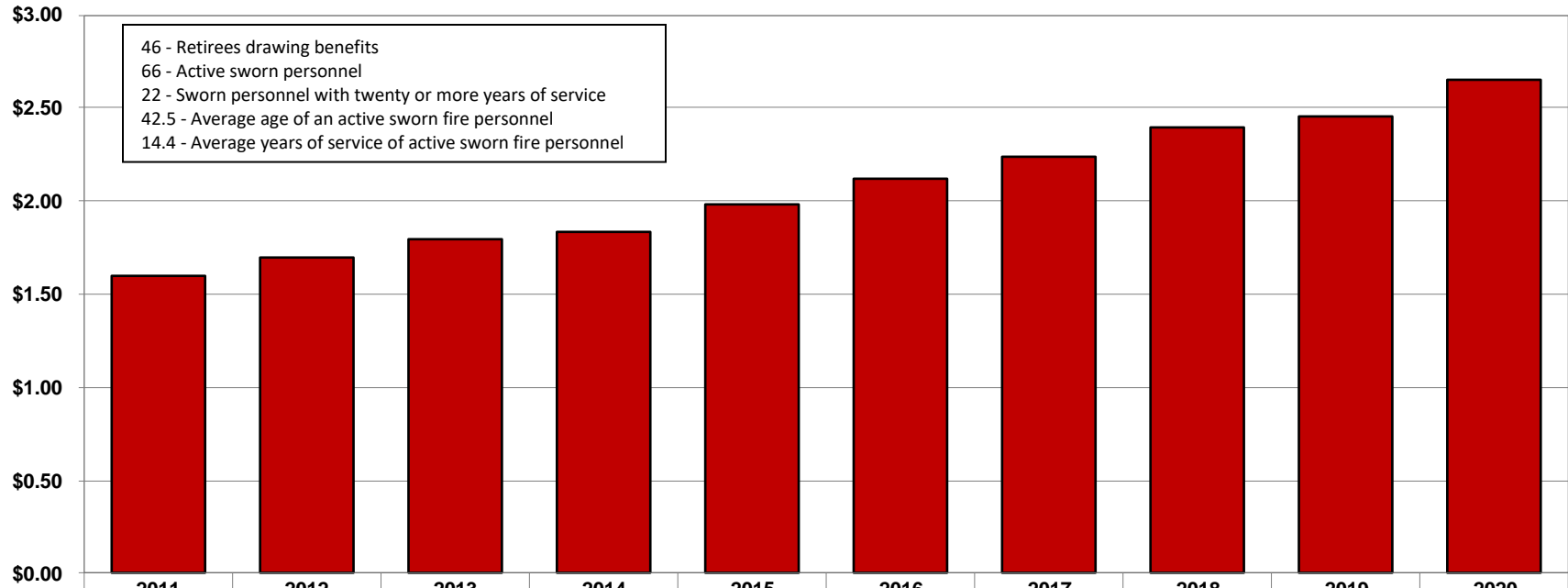
Police pension benefits are mandated by the State of Illinois. The Town is obligated to fund the pension system as determined by the State but the Town has no control over the pension benefit levels.

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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



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pension Benefits	\$1.59	\$1.70	\$1.79	\$1.84	\$1.98	\$2.12	\$2.24	\$2.40	\$2.45	\$2.65
Percent Change	11.6%	6.6%	5.5%	2.4%	7.8%	7.3%	5.3%	7.2%	2.3%	8.2%

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.

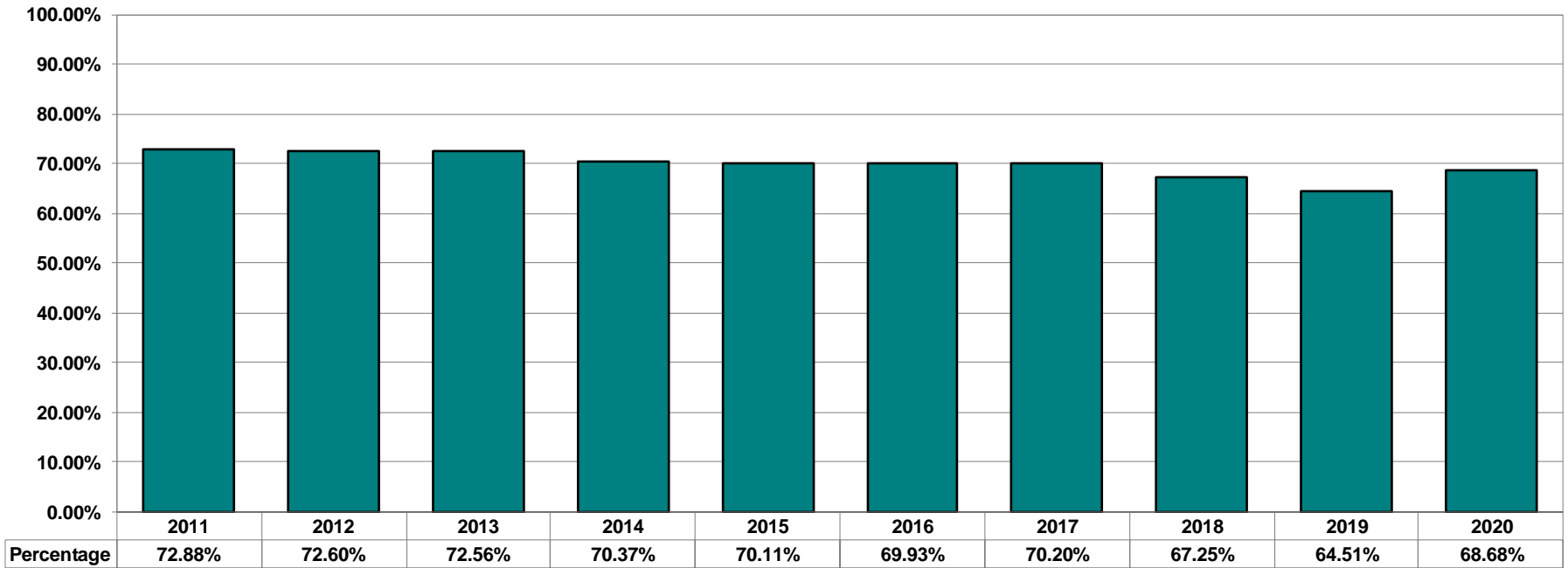
UNCLASSIFIED – FOR INFORMATION ONLY

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

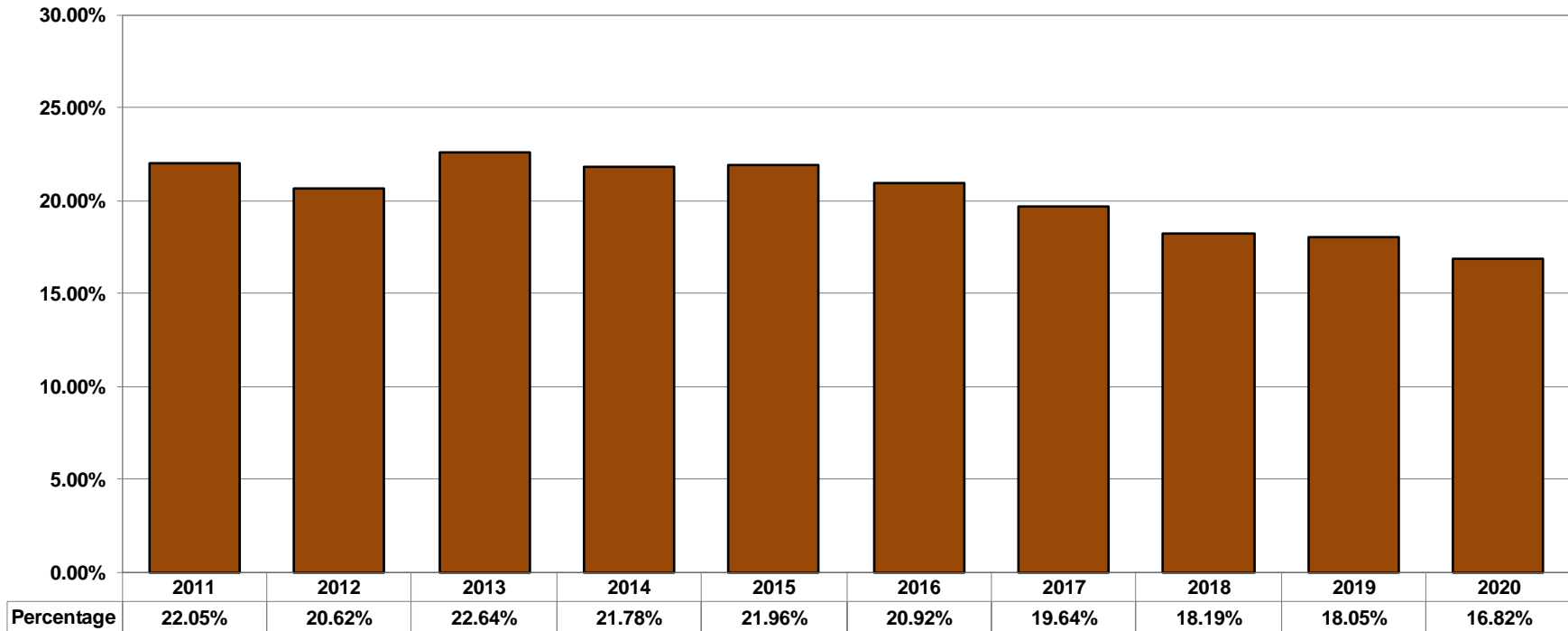
Personnel costs are the primary component of total General Fund expenditures. Fluctuations in the percentage reported above may also be reflective of new programs or services offered by the Town. These costs are difficult to decrease in the short run and will normally continue to increase over time as 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 – WITH CAUTION

The majority of the increase related to increases in pension costs associated with Police and Fire personnel.

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.

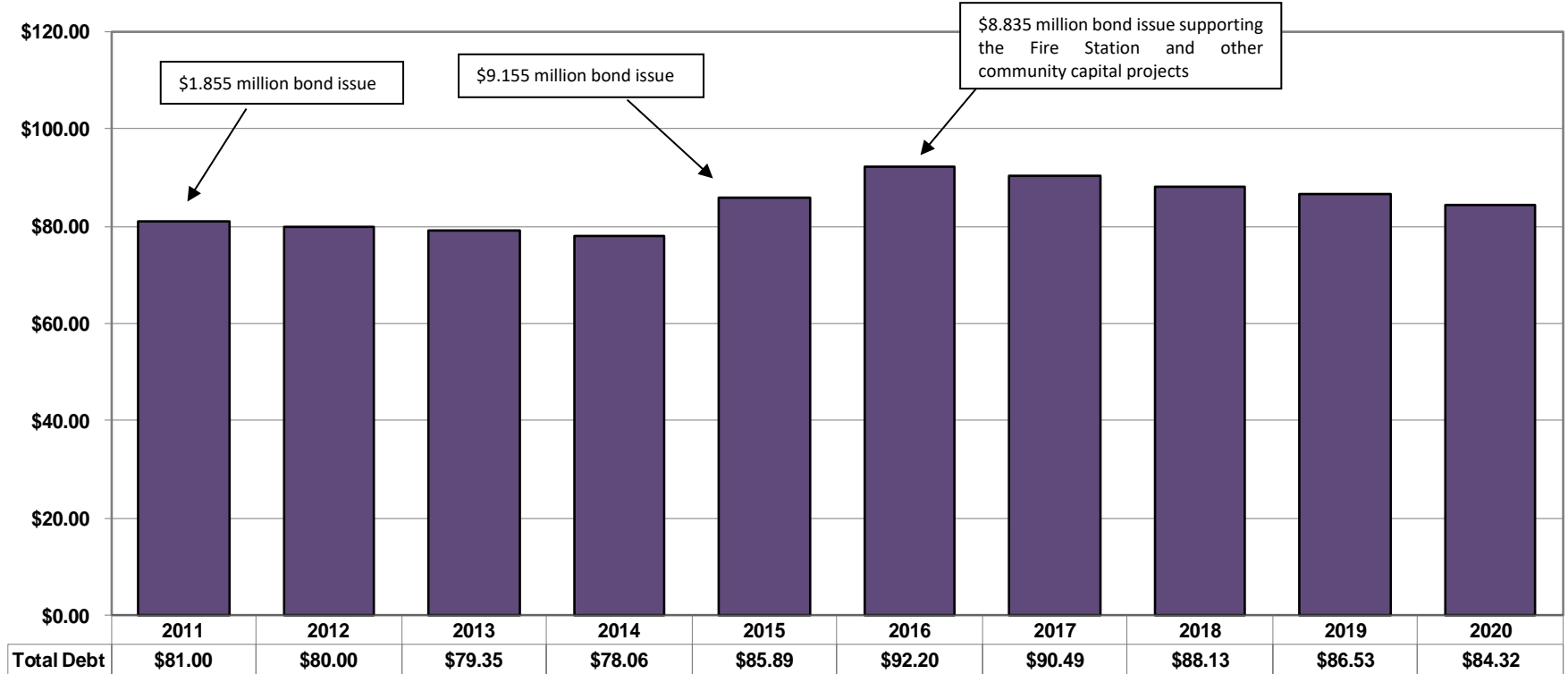
RATING: POSITIVE

Total overlapping debt continues to decline compared to the EAV.

TOTAL DEBT OUTSTANDING

(At Fiscal Year End)

In Millions



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.

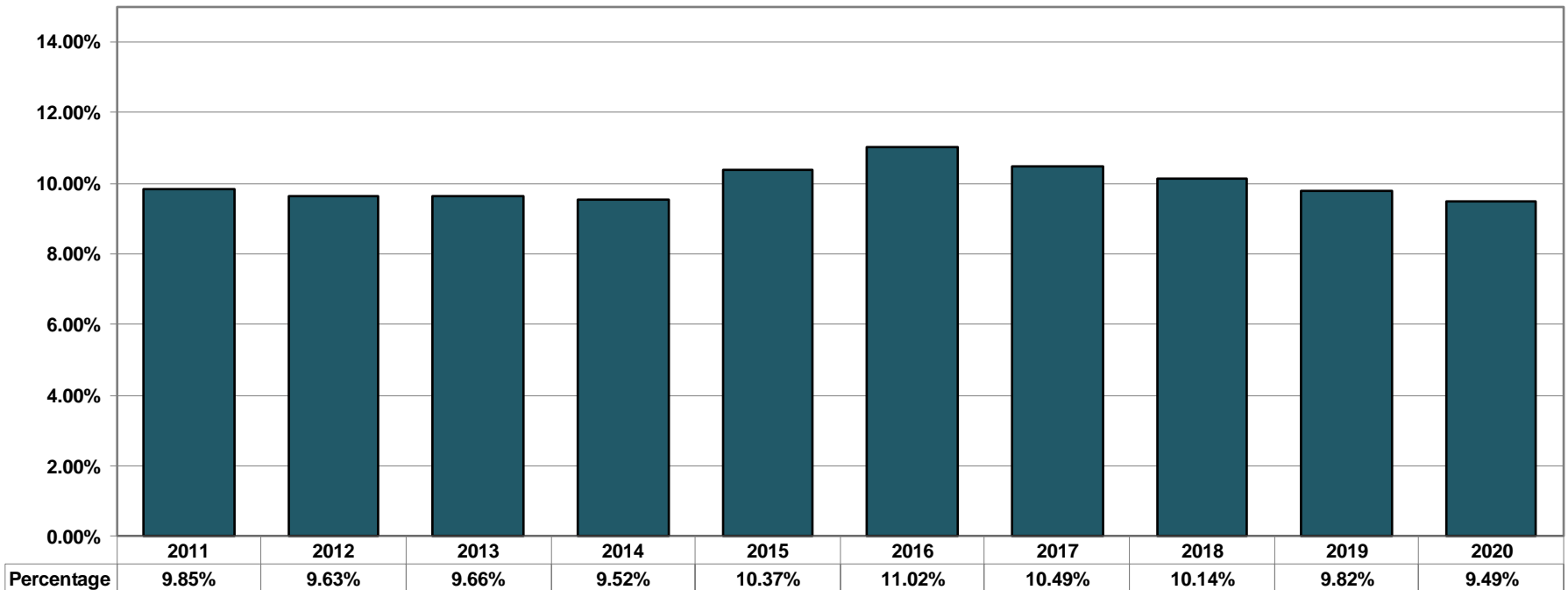
RATING: POSITIVE

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.

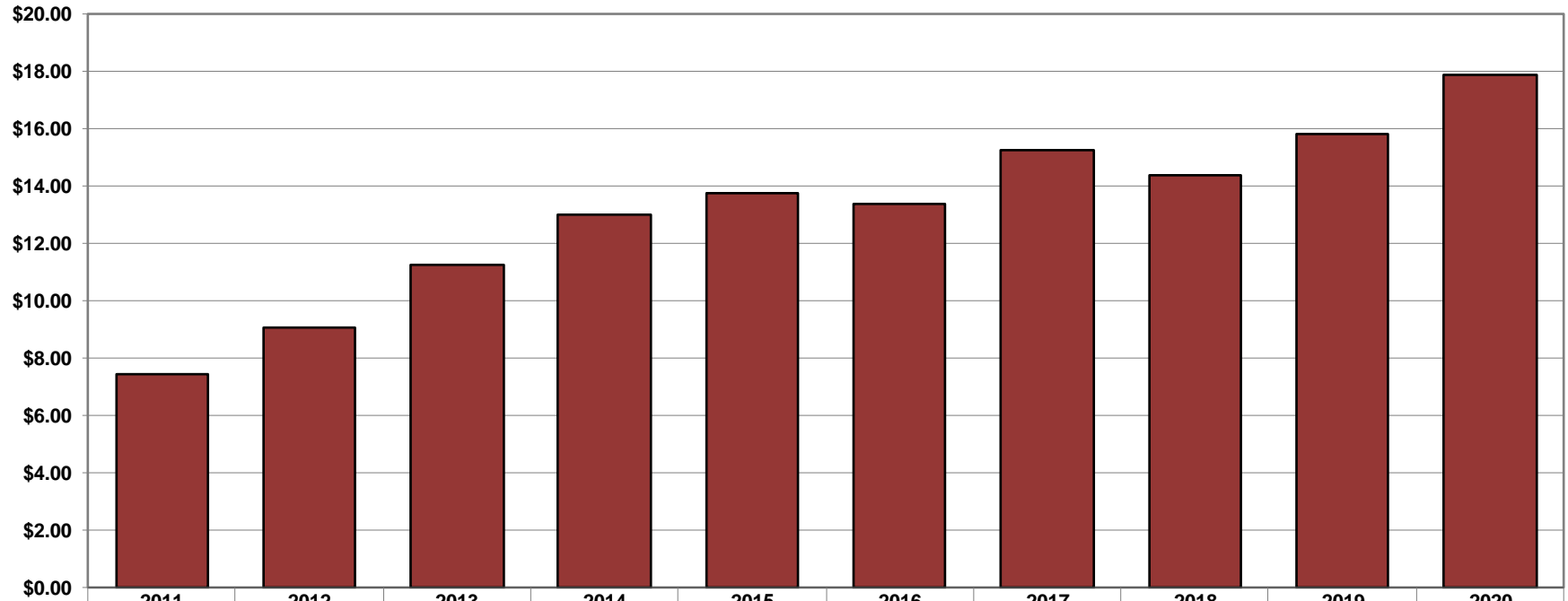
RATING: POSITIVE

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



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cash & Invest	\$7.451	\$9.038	\$11.250	\$13.009	\$13.786	\$13.359	\$15.230	\$14.374	\$15.851	\$17.866
Percent Change	72.7%	21.3%	24.5%	15.6%	6.0%	-3.1%	14.0%	-5.6%	10.3%	12.7%

INDICATOR DISCUSSION

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

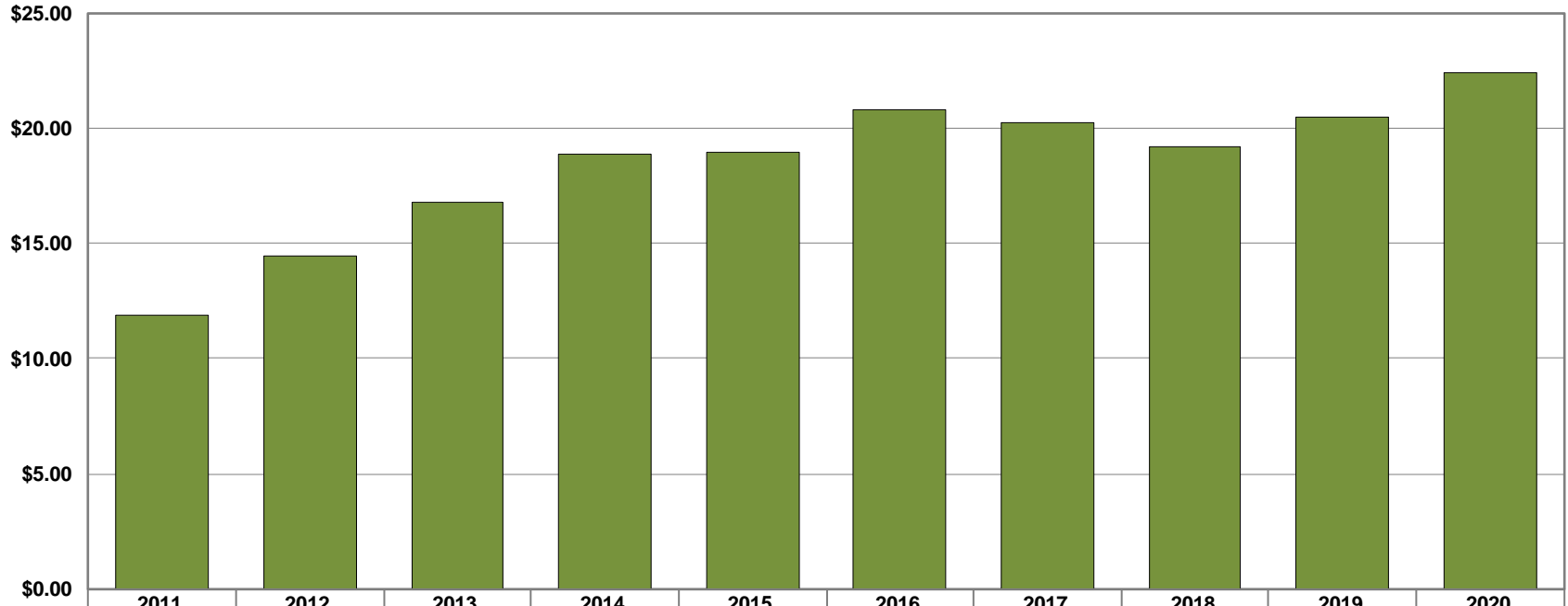
RATING: POSITIVE

The General Fund increased its cash position in FY2019-20. This increase was the result of better than expected revenues and expenditure savings. It should be noted that this balance will be supporting municipal operations during the uncertainty caused by the pandemic.

GENERAL FUND BALANCE

(Fiscal Year)

In Millions



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
■ Fund Balance	\$11.86	\$14.43	\$16.81	\$18.88	\$18.94	\$20.82	\$20.22	\$19.22	\$20.51	\$22.42
Percentage Change	32.09%	21.60%	16.53%	12.34%	0.28%	9.96%	-2.90%	-4.93%	6.70%	9.31%

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.

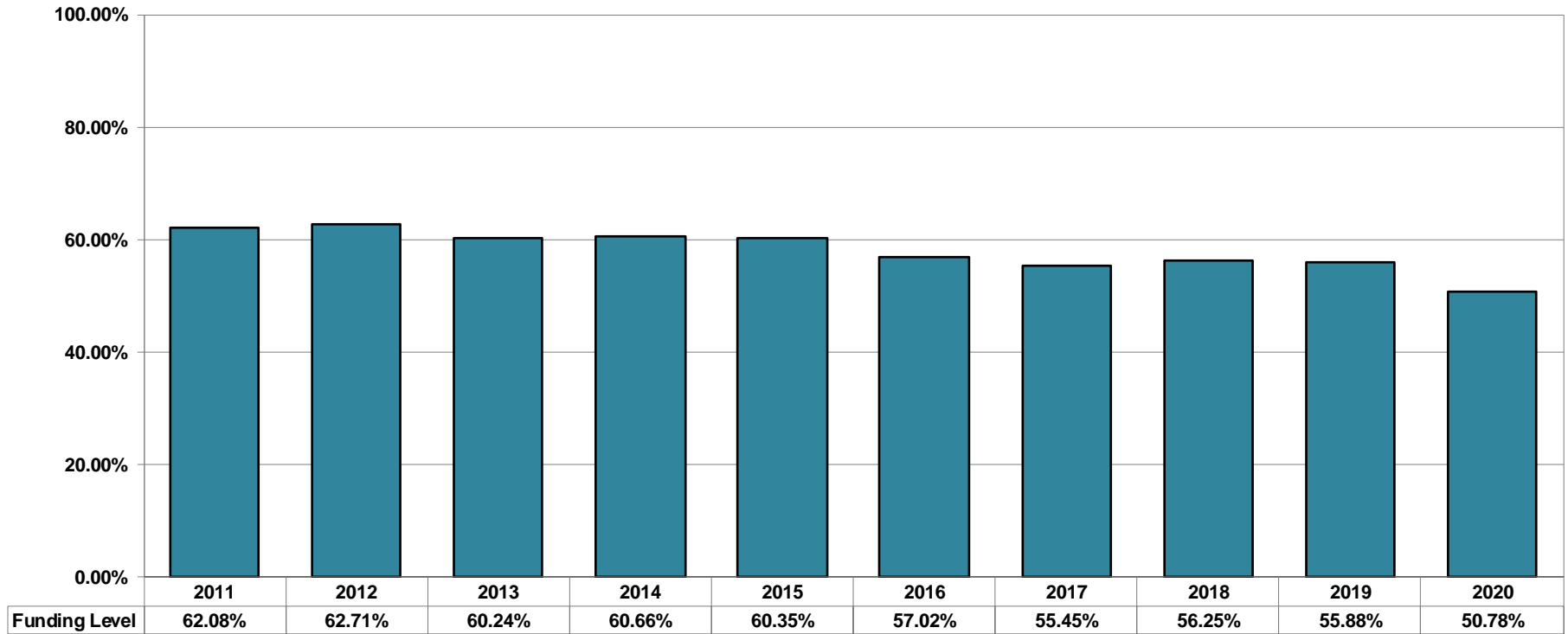
RATING: POSITIVE

The General Fund closed FY2019-20 with a surplus for the second year in a row, following three years of deficit positions. This year's surplus was the result of better than expected revenues and expenditure savings. It should be noted that this balance will be supporting municipal operations during the uncertainty caused by the pandemic.

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's the Town's goal and funding policy to reach 100% by 2040. However, Council did elect to fund at the State's minimum required 90% level for the 2019 levy.

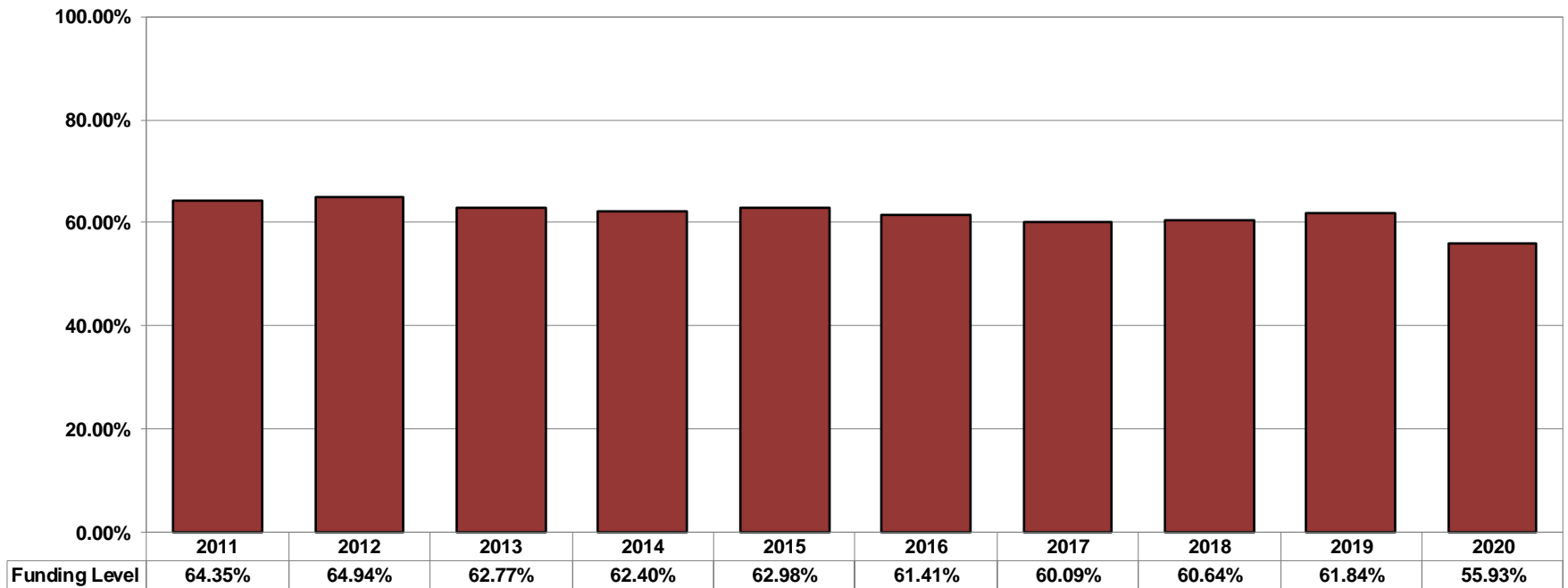
RATING: NEGATIVE

The Town experienced a decrease in funding level for Police. Funding levels remain very concerning and will be a significant long-term problem for the Town and all Illinois municipalities. The sharp drop in the 2020 funding level is primarily the result of updating the mortality assumptions used for the plan participants.

FIRE 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's the Town's goal and funding policy to reach 100% by 2040. However, Council did elect to fund at the State's minimum required 90% level for the 2019 levy.

RATING: NEGATIVE

The Town experienced a decrease in funding level for Fire. Funding levels remain very concerning and will be a significant long-term problem for the Town and all Illinois municipalities. The sharp drop in the 2020 funding level is primarily the result of updating the mortality assumptions used for the plan participants.

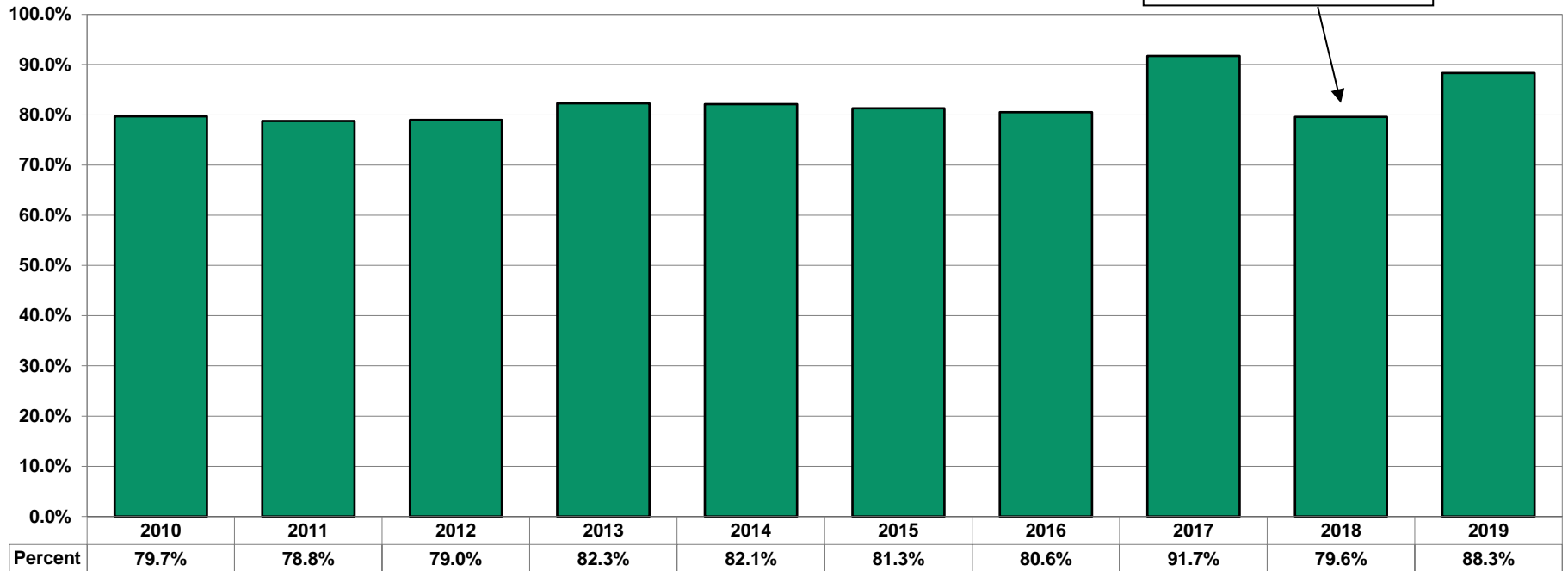
IMRF

(Illinois Municipal Retirement Fund)

Funding Levels

(Calendar Year)

IMRF decreased investment assumptions from 7.5% to 7.25%



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.

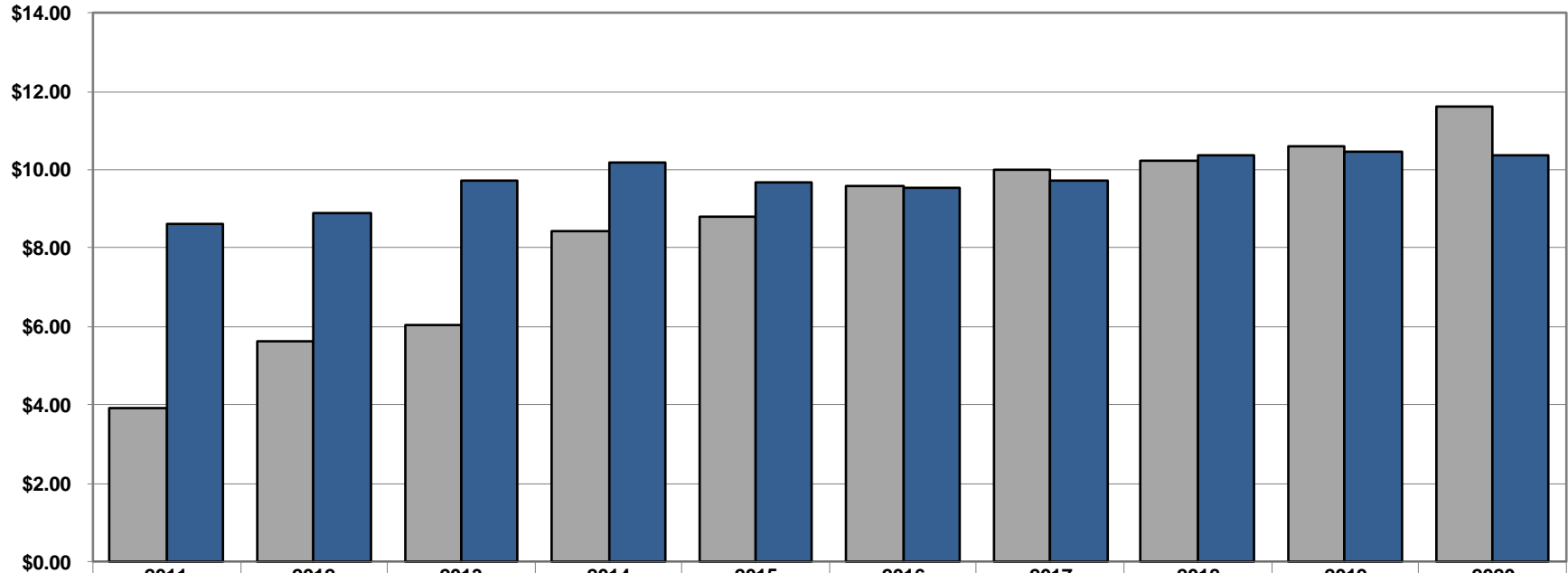
RATING: POSITIVE

The IMRF pension program continues to be well funded.

WATER FUND

(Fiscal Year)

In Millions



■ Cash & Invest	\$3.94	\$5.60	\$6.04	\$8.43	\$8.80	\$9.58	\$10.02	\$10.25	\$10.62	\$11.61
■ Revenue	\$8.61	\$8.91	\$9.74	\$10.20	\$9.67	\$9.52	\$9.75	\$10.37	\$10.46	\$10.37

INDICATOR DISCUSSION

The Water Fund is an Enterprise Fund, meaning all capital and operating costs of the fund are covered by its user fees and grants as applicable. 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.

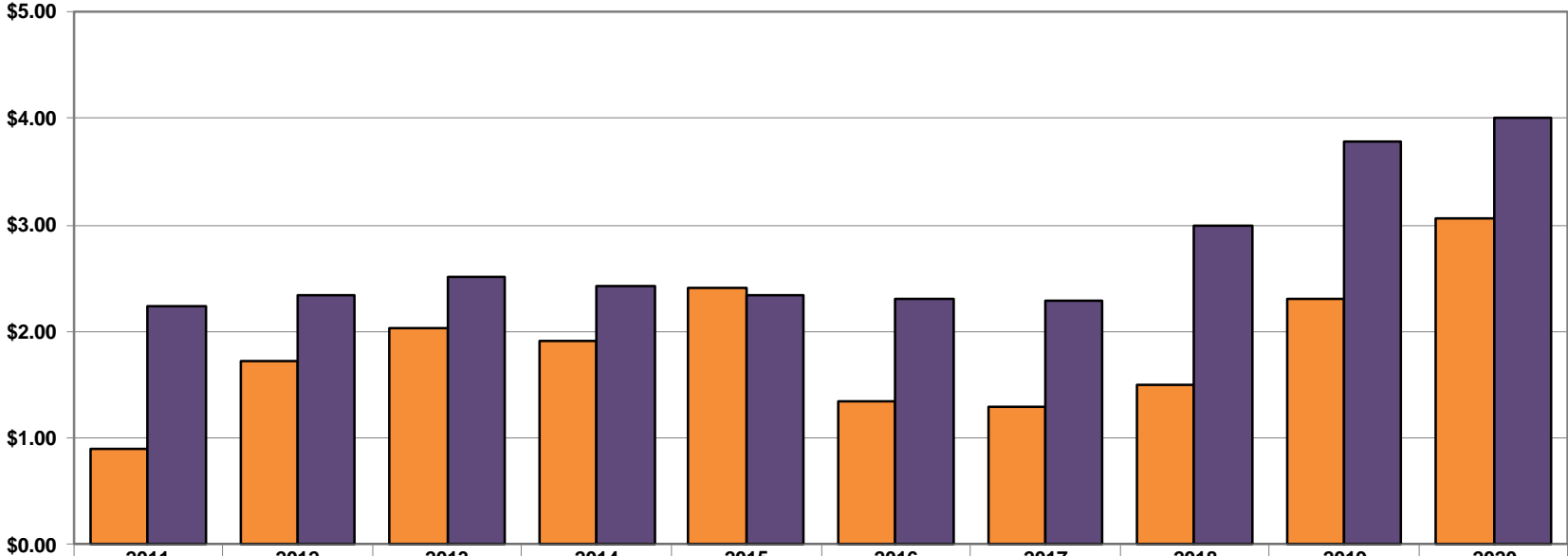
RATING: POSITIVE

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 FY2019-20 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



■	Cash & Invest	\$0.90	\$1.73	\$2.03	\$1.91	\$2.41	\$1.34	\$1.30	\$1.50	\$2.31	\$3.06
■	Revenue	\$2.23	\$2.34	\$2.52	\$2.43	\$2.35	\$2.30	\$2.29	\$2.99	\$3.78	\$4.00

INDICATOR DISCUSSION

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

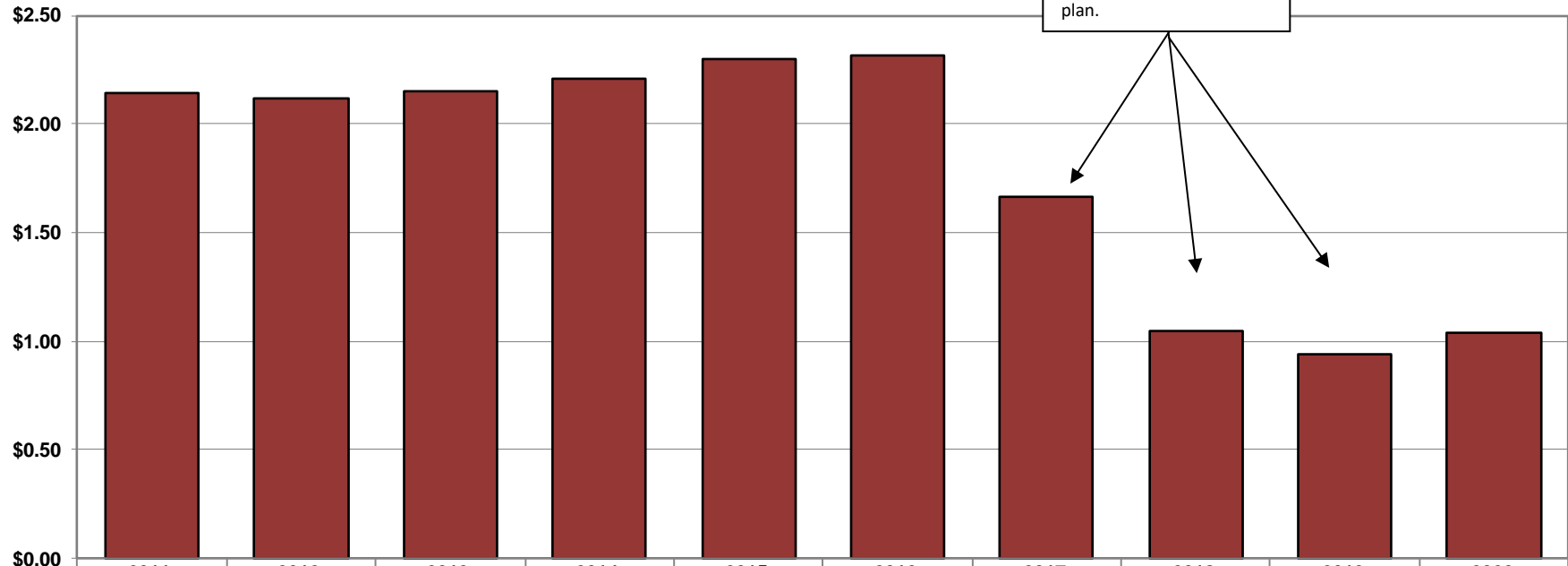
The Sewer Fund’s financial position has been solvent, but well below a fiscal position that will sufficiently meet the system’s operating and capital needs. In early FY2017-18, the Town completed a comprehensive sewer study to better assess the system’s infrastructure needs. As part of the study, a new 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, which 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.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
■ Fund Balance	\$2.14	\$2.12	\$2.15	\$2.21	\$2.29	\$2.32	\$1.66	\$1.04	\$0.94	\$1.03
Percent Change	73.68%	-0.93%	1.52%	2.76%	3.85%	0.94%	-28.21%	-37.23%	-10.30%	10.50%

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. Changes to the Health Insurance program and rate adjustments have helped steady the fund balance. This fiscal year, the fund experienced a surplus. Some of the surplus was the result of the pandemic, which at fiscal year-end created a decrease in utilization of health services. This will be temporary, as consumers start to return to a more regular health and dental service utilization.

Financial Strategies

General Fund Operating Reserves – Cautious Outlook

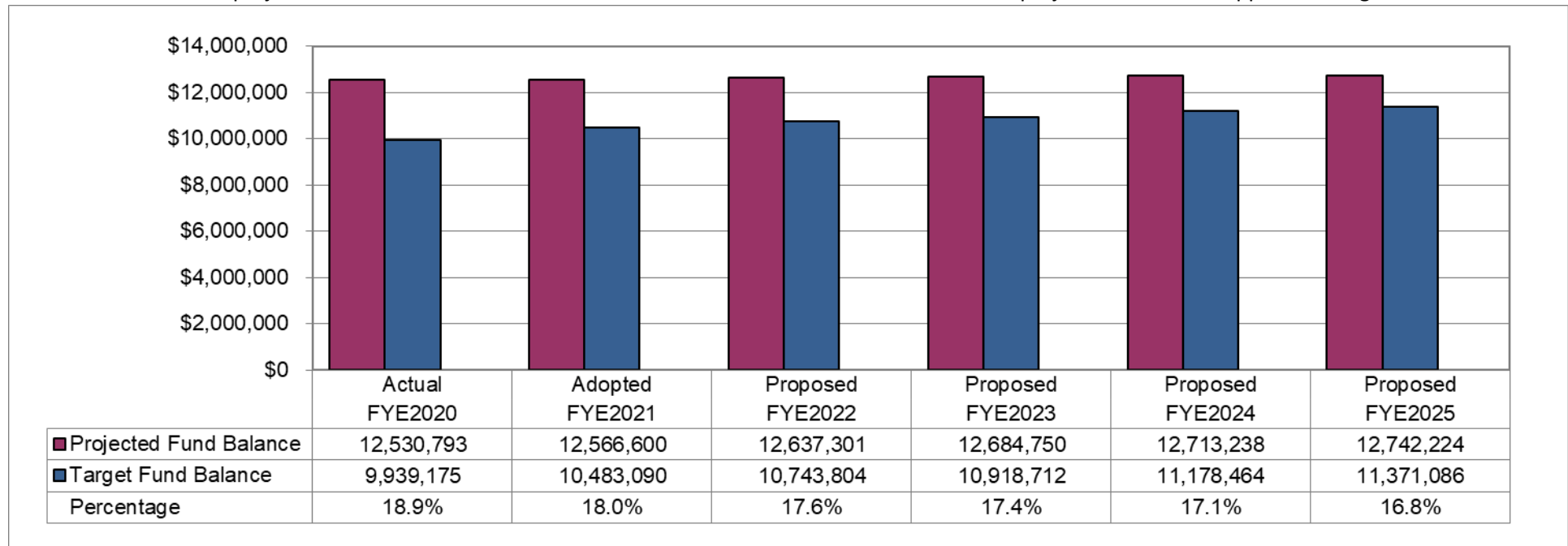
Management Strategy: Maintain a projected 15% fund balance for all budget years presented in the 5-year budget.

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-end cash balance less current liabilities. This projection of General Fund balance takes into account the FY2019-20 results and projections from the approved budget for FY2020-21.



Vehicle and Equipment Reserves – Cautious 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 2020-21	1,552,700	9,034,266	6,779,856
FY 2021-22	2,306,750	9,201,816	6,947,406
FY 2022-23	4,069,550	6,766,766	4,512,356
FY 2023-24	3,292,900	5,108,666	2,854,256
FY 2024-25	3,807,500	2,356,166	101,756
Average	3,005,880		
75%	2,254,410		

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. We have re-established some contingency for FY2020-21 budget through FY2024-25, but less than the 1% target.

Fiscal Year		Expenditures	Management Strategy (1.0%)	Current Planned
FYE2020	Actual	66,261,167	662,612	\$0
FYE2021	Proposed	69,887,266	698,873	\$550,000
FYE2022	Proposed	71,625,363	716,254	\$500,000
FYE2023	Proposed	72,791,413	727,914	\$500,000
FYE2024	Proposed	74,523,093	745,231	\$200,000
FYE2025	Proposed	75,807,239	758,072	\$150,000

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
FYE20	68,812,719	5,167,547	7.5%
FYE21	69,923,073	5,756,505	8.2%
FYE22	71,696,064	5,773,947	8.1%
FYE23	72,838,862	5,728,203	7.9%
FYE24	74,551,581	6,297,910	8.4%
FYE25	75,836,225	6,056,121	8.0%

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 FY2019-20 Budget.

Coverage Ratios (1) and (2)			
Fiscal Year	(1) Rev/Exp 1.00	(2) Rev + Bal/Exp	1.25
FYE20	1.06	1.34	
FYE21	0.99	1.26	
FYE22	1.00	1.25	
FYE23	1.13	1.25	
FYE24	0.96	1.25	
FYE25	0.99	1.25	

Health Insurance Reserve – Cautious 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. Staff will continue to monitor the fund balance.

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 FY2020-21 budget.

Line Item	Proposed FYE2021	Proposed FYE2022	Proposed FYE2023	Proposed FYE2024	Proposed FYE2025
Beginning Fund Balance	963,567	988,267	1,266,051	1,726,395	2,387,051
Revenue	7,412,395	8,014,737	8,499,863	9,010,520	9,523,560
Expenditures	7,387,695	7,736,953	8,039,519	8,349,864	8,673,776
Ending Fund Balance	988,267	1,266,051	1,726,395	2,387,051	3,236,835
Target Balance	2,025,346	2,303,518	2,393,601	2,486,000	2,582,438

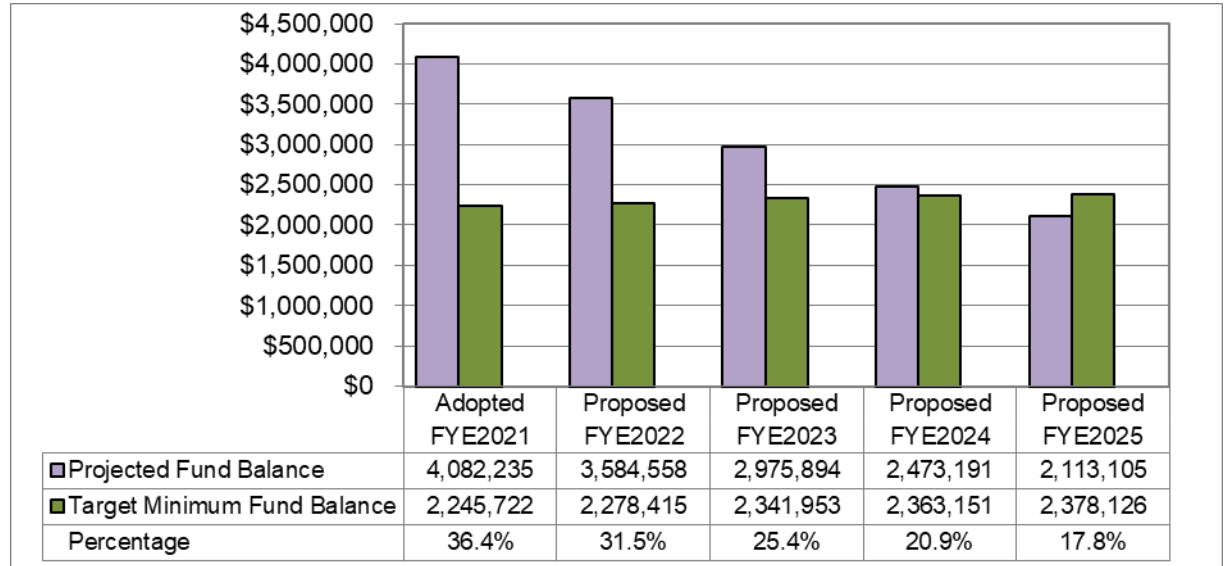
2019-20		
Month	Monthly Spending	Min Balance
April	631,395	631,395
May	535,397	
June	567,181	
July	506,458	
August	529,582	
September	537,257	
October	605,818	
November	642,770	642,770
December	584,977	
January	751,181	751,181
February	514,779	
March	395,847	
Total	6,802,641	2,025,346

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:

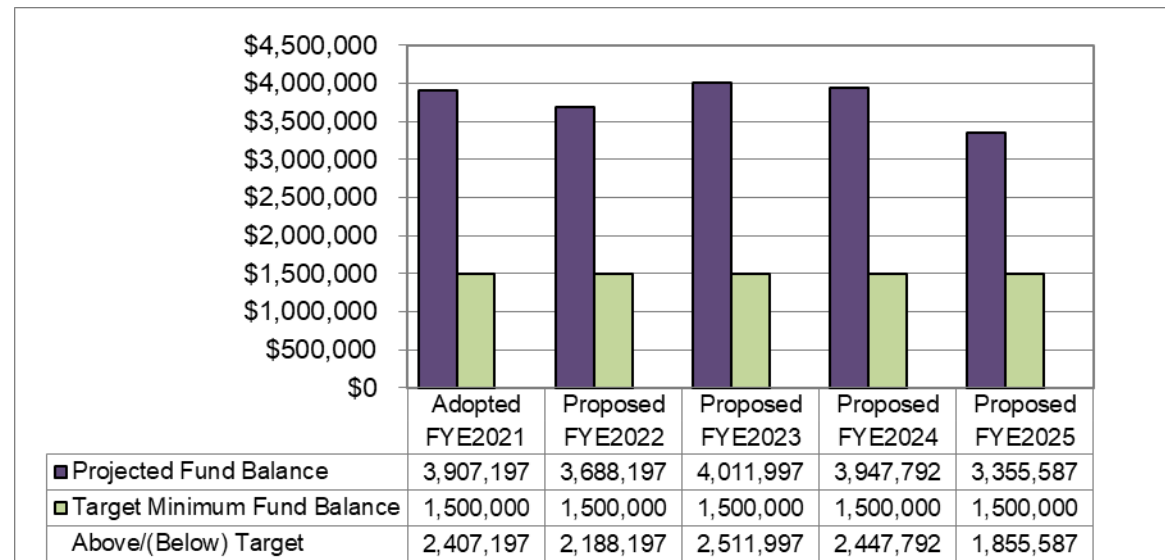
- Provide a resource to manage through negative economic conditions or events
- Maintain working capital for paying bills in a timely manner
- Finance cash flow needs and avoid short-term borrowing
- Provide for unanticipated needs
- Provide resources to take advantage of unexpected opportunities
- Provide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



Water Capital Fund Reserves – Positive Outlook

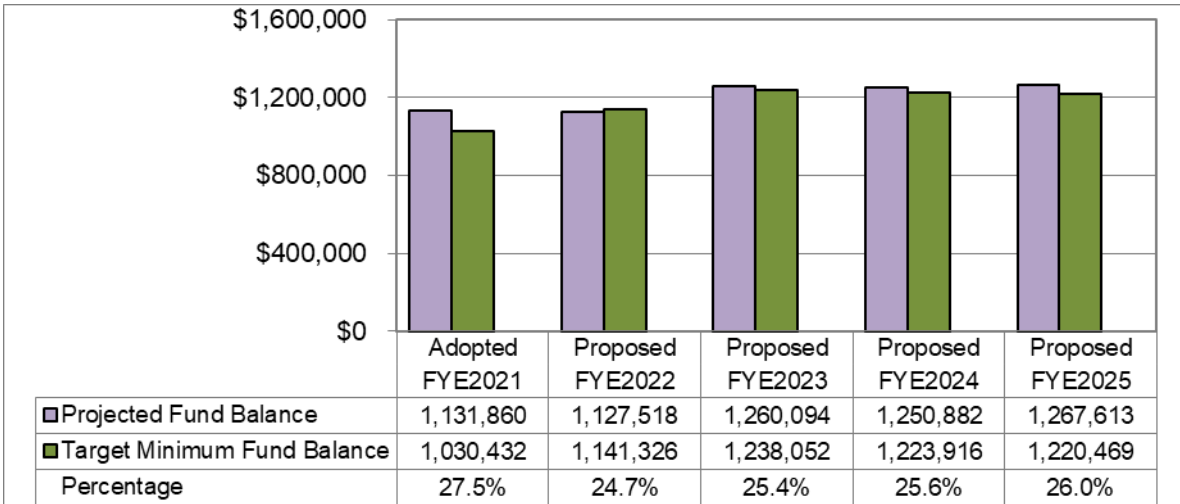
Management Strategy: Maintain a minimum fund balance of \$1.5 million for all budget years presented in the 5-year budget.

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.

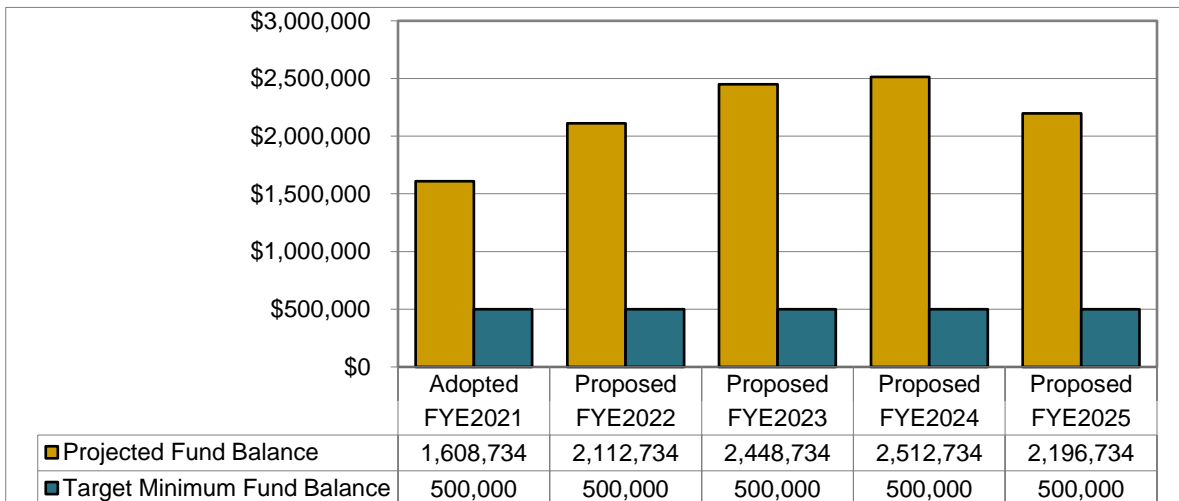


Operating reserves are an essential fiscal policy for any local government. An adequate fund balance in the Sewer Operating Fund helps:

- 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 minimum 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 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 FY2020-21

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.

