

Town of



Normal

www.normal.org

Financial Trend and Condition Report

Fiscal Year 2014-15

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

FY 2014-15 TREND AND CONDITION

TABLE OF CONTENTS

EXECUTIVE SUMMARY

COMMUNITY GROWTH

Assessed Property Value.....	6
Assessed Value by Type	7
Construction Building Permits	8
Average Home Prices	9
Airport Usage	10
Amtrak Usage.....	11
Unemployment Rate.....	12
County Workforce.....	13

REVENUE

Town Revenue Sources.....	14
State Income Tax Revenue.....	15
Property Tax	
Property Tax Rate Distribution.....	16
Town of Normal and Community.....	17
Municipality Property Tax Rate Comparison	18
Community Property Tax Rate Comparison.....	19
Utility Tax Revenue	
Tax Revenue	20
Percent by Utility.....	21
Dollar Change	22

TABLE OF CONTENTS-CONTINUED

Sales Tax Revenue

State and Local Sales Tax	23
Percent of General Fund	24
Sales Tax by Type	25
Food and Beverage Tax	26

EXPENDITURE

Town Expenditures by Type	27
Police Pension Benefit Cost	28
Fire Pension Benefit Cost	29
Personnel Costs as a Percent of Total Expenditures	30

DEBT SERVICE

Overlapping Debt as Percent of Assessed Value	31
Total Debt Outstanding.....	32
Long-Term Debt as a Percentage of Assessed Value	33

BALANCE SHEET

General Fund Cash Balance	34
General Fund Balance	35
Police Pension Funding Levels.....	36
Fire Pension Funding Levels.....	37
Police and Fire Pension Funding Levels Comparison.....	38
Illinois Municipal Retirement Fund Funding Levels.....	39
Illinois Municipal Retirement Fund Funding Levels Comparison	40

TABLE OF CONTENTS-CONTINUED

Water Fund Summary 41
Sewer Fund Summary 42
Health Insurance Fund Balance 43

FINANCIAL STRATEGIES

General Fund Operating Reserves..... 44
Vehicle and Equipment Reserves 45
Contingency Funding 45
Debt Management Capacity..... 46
Debt Management Coverage 46
Health Insurance Reserve..... 47

FY 2014-15 TREND EVALUATION

EXECUTIVE SUMMARY

The 2014-15 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 a glimpse into the financial stability of the Town, with a particular emphasis on the General Fund. Overall, there are 38 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

Fiscal Year	2011-12	2012-13	2013-14	2014-15
Positive Ratings	17	17	24	26
Negative Ratings	7	6	5	4
Unclassified	10	11	8	8
Total Ratings	34	34	37	38

Community Growth

Description (P = Positive, N = Negative, U = Unclassified)	2011-12	2012-13	2013-14	2014-15	Page
Assessed Property Value	N	N	N	P	6
Assessed Value by Type	N	N	U	U	7
Construction Building Permits	N	P	P	N	8
Average Home Sales Price	N	U	P	P	9
Airport Usage	P	N	N	N	10
Amtrak Usage	N/A	N/A	P	P	11
Unemployment Rate	N	N	N	P	12
County Workforce (New Indicator)	N/A	N/A	N/A	N	13

The community growth indicators continue this year to paint a mixed outlook. The Town did see, for the first time in two years, a positive growth in assessed value for 2014. However, the increase (1.0%) was minimal.

Construction permits were significantly up (33.5%) over last year. However, it should be noted that all of this growth related to roof repair permits due to damaging storms last year. This level of activity certainly stimulates the economy, but is not the result of economic growth. Without the roof permit activity, the overall construction permits were down 37% compared to last year. Average home prices in the community remained stable.

Airport ridership has continued to decrease and is primarily fueled by the changes in the airline industry of fewer flights and higher prices. Amtrak ridership had a slight decrease (<1.0%) compared to last year and there is some uncertainty regarding growth due to State budget issues.

The Town saw a major improvement in the local unemployment rate and is the lowest among the seven largest downstate cities. In an effort to better monitor the overall labor activity, a new indicator “County Workforce” was added to this year’s report. The data illustrates that the County’s workforce has been decreasing since 2010. The Town’s current unemployment rate is low, but the recent announcement by Mitsubishi regarding their Normal plant closure and the community’s continued drop in workforce adds an element of uncertainty to the Town’s employment outlook.

Revenue

Description (P = Positive, N = Negative, U = Unclassified)	2011-12	2012-13	2013-14	2014-15	Page
Town Revenue Sources	U	U	U	U	14
State Income Tax	P	P	P	P	15
Property Tax Rates	P	P	P	P	16
Property Tax Rates - Normal and Community	P	P	P	P	17
Property Tax Rates - Municipality Rate Comparison	P	P	P	P	18
Property Tax Rates - Community Rate Comparison	P	P	P	P	19
Utility Tax Revenue	N	P	N	N	20
Utility Tax Revenue - Percent by Utility	U	U	U	U	21
Utility Tax Revenue - Dollar Change	U	U	U	U	22
State and Local Sales Tax Revenue	P	P	N	P	23
Sales Tax Percent of General Fund	P	P	P	P	24
Sales Tax by Type	U	U	U	U	25
Food and Beverage Tax	P	P	P	P	26

The Town’s revenue sources continue to remain relatively diverse. State income tax experienced its 4th consecutive year of increases, yet the increase for this year was minimal. The Town’s property tax remains the lowest among the seven largest downstate cities and our community rate is among the lowest. Utility tax was down significantly, in comparison to the recent past, and staff does not have any expectations that this revenue source will grow in the future. Sales tax revenue rebounded from the previous year’s drop and staff expects that this revenue source will continue to have mild growth in the future. Food and beverage tax revenue had a significant increase (5.4%) over last year.

Expenditure

Description (P = Positive, N = Negative, U = Unclassified)	2011-12	2012-13	2013-14	2014-15	Page
Town Expenditures by Type	U	U	U	U	27
Police Pension Benefit Cost	U	U	U	U	28

Fire Pension Benefit Cost	U	U	U	U	29
Personnel Costs as a Percentage of Total Expenditures	U	U	P	P	30

Public Safety (27%) accounts for the largest amount of expenditures in the governmental fund in FY2015. Public safety represents expenditure activity for the Police and Fire Departments as well as Inspections.

Debt Service

Description (P = Positive, N = Negative, U = Unclassified)	2011-12	2012-13	2013-14	2014-15	Page
Overlapping Debt as a Percent of Assessed Value	P	P	P	P	31
Total Debt Outstanding	U	U	P	P	32
Long-Term Debt as a Percent of Assessed Value	U	U	P	P	33

The Overlapping Debt as a Percent of Assessed Value slightly increased from 2014, primarily as a result of additional debt issue by the Town. The Town's Long-Term Debt increased from \$78 million to \$86 million.

Balance Sheet

Description (P = Positive, N = Negative, U = Unclassified)	2011-12	2012-13	2013-14	2014-15	Page
General Fund Cash Balance	P	P	P	P	34
General Fund Balance	P	P	P	P	35
Police Pension Funding Levels	P	N	P	P	36
Fire Pension Funding Levels	P	N	P	P	37
Police & Fire Pension Funding Levels	N/A	N/A	P	P	38
IMRF Funding Levels	N	P	P	P	39
IMRF Funding Level Comparison	N/A	N/A	P	P	40
Water Fund Summary	P	P	P	P	41
Sewer Fund Summary	P	P	P	P	42
Health Insurance Fund Balance	P	P	P	P	43

General Fund cash increased from the previous year’s ending balance due to significant receivables collected during the year. Additional cash was generated due to carryover funds that have been re-budgeted in the new fiscal year. Police, Fire and IMRF pension funding levels remained stable.

The Water Fund experienced an improvement in its cash balance and remains financially strong. The Sewer Fund remains solvent, but staff does not consider the fund to be in a strong financial position.

The Health and Dental Insurance Fund balance ended FY2014-15 higher than the previous year and is fiscally healthy.

Overall Results of Fiscal Strategy Review – Positive Outlook

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

Financial Strategies	Rating	Page
General Fund Operating Reserves	Positive Outlook	44
Vehicle and Equipment Reserves	Negative Outlook	45
Contingency Funding	Positive Outlook	45
Debt Management Capacity	Positive Outlook	46
Debt Management Coverage	Positive Outlook	46
Health Insurance Reserve	Positive Outlook	47

All financial strategies, with the exception of the Vehicle and Equipment Reserve Fund (VE), are meeting target levels. The VE fund is currently below the Town’s target balance for the fund. This is the result of a reduction in the level of annual funding committed to the VE fund in order to help balance last year’s budget.

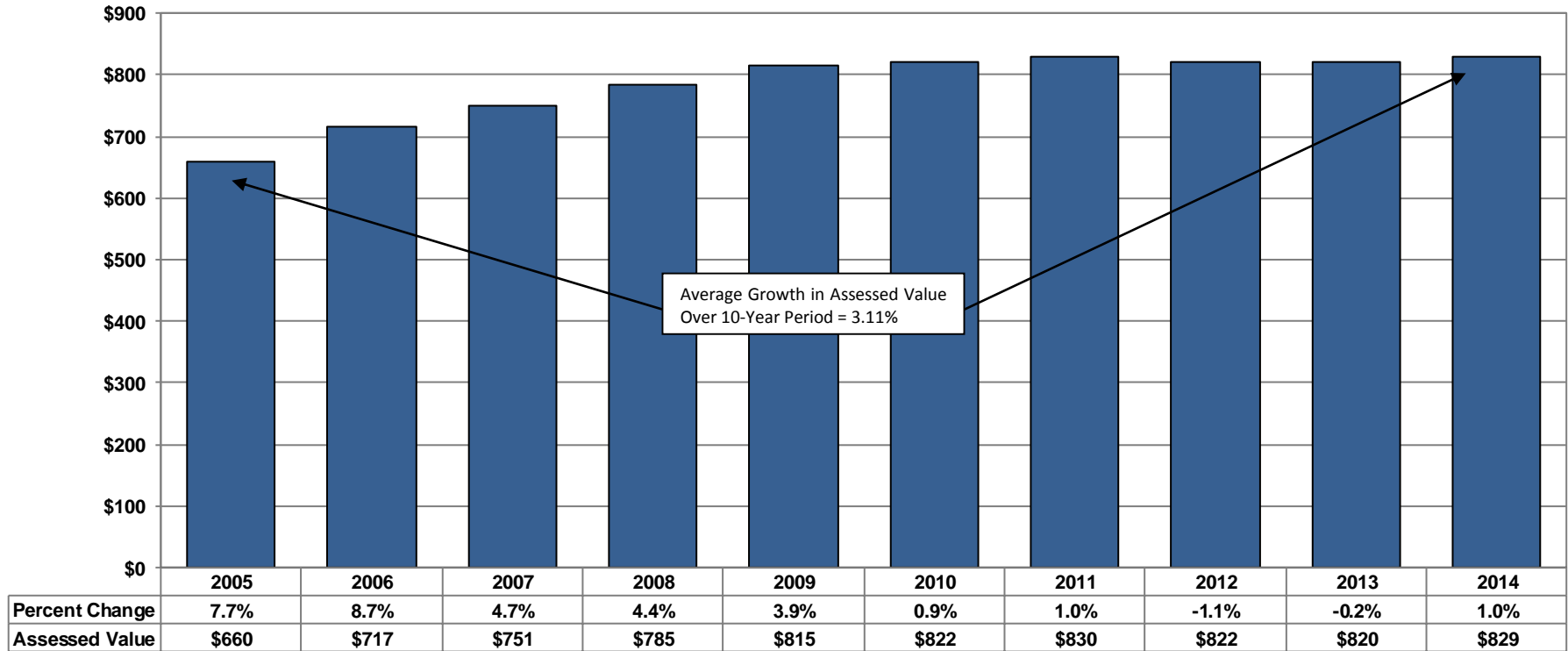
Beyond the limited financial flexibility in the VE Fund, the Town’s General Fund fiscal status at year-end remains strong and positions the Town well for the FY2016-17 budget process.

The remaining report provides detailed information for all indicators.

ASSESSED PROPERTY VALUE

(Tax Year)

In Millions



INDICATOR DISCUSSION

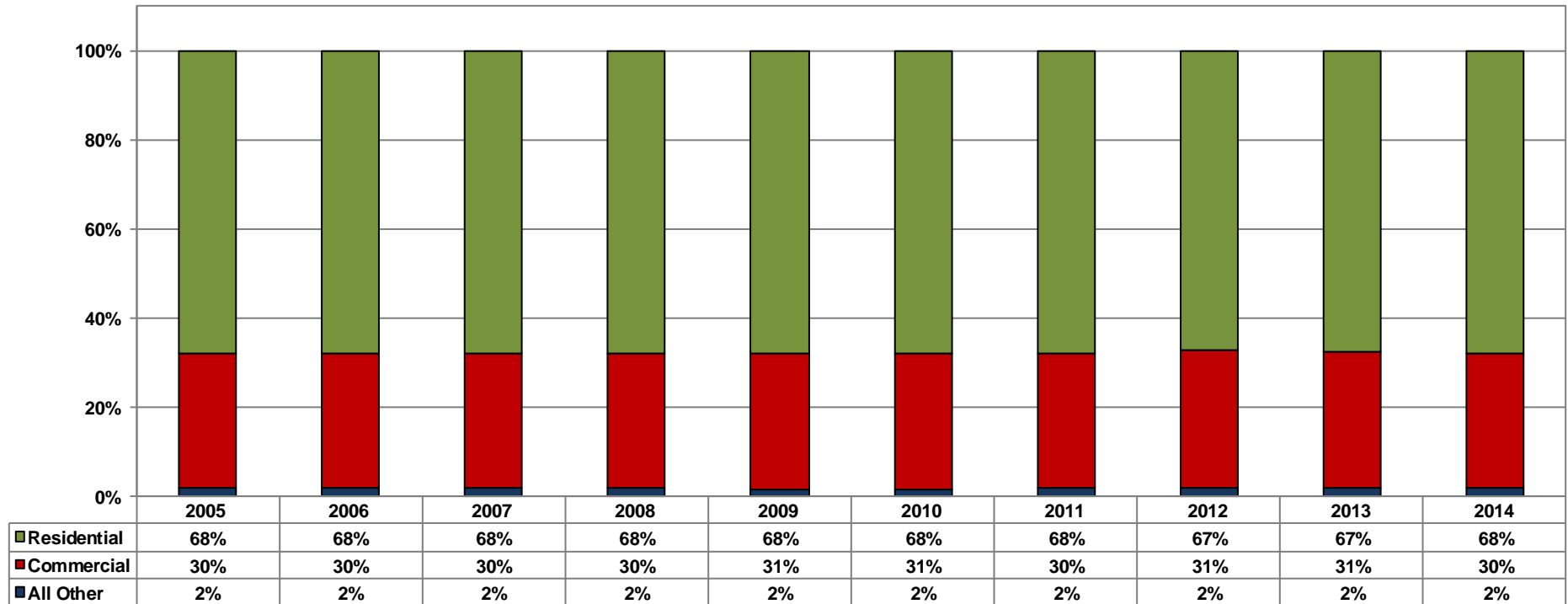
Property within Normal is assessed by the Township at 33 1/3% of fair market value.

RATING: POSITIVE – WITH CAUTION

Staff preference is for an Equalized Assessed Value (EAV) growth of at least 3% annually to help generate sufficient additional property tax to offset increases in expenditures. EAV has been below that benchmark since 2009, however we did see a slight increase in 2014. Based on preliminary discussions with the Township Assessor, we again are expecting only a slight increase in EAV next year.

ASSESSED VALUE BY TYPE

(Tax Year)



INDICATOR DISCUSSION

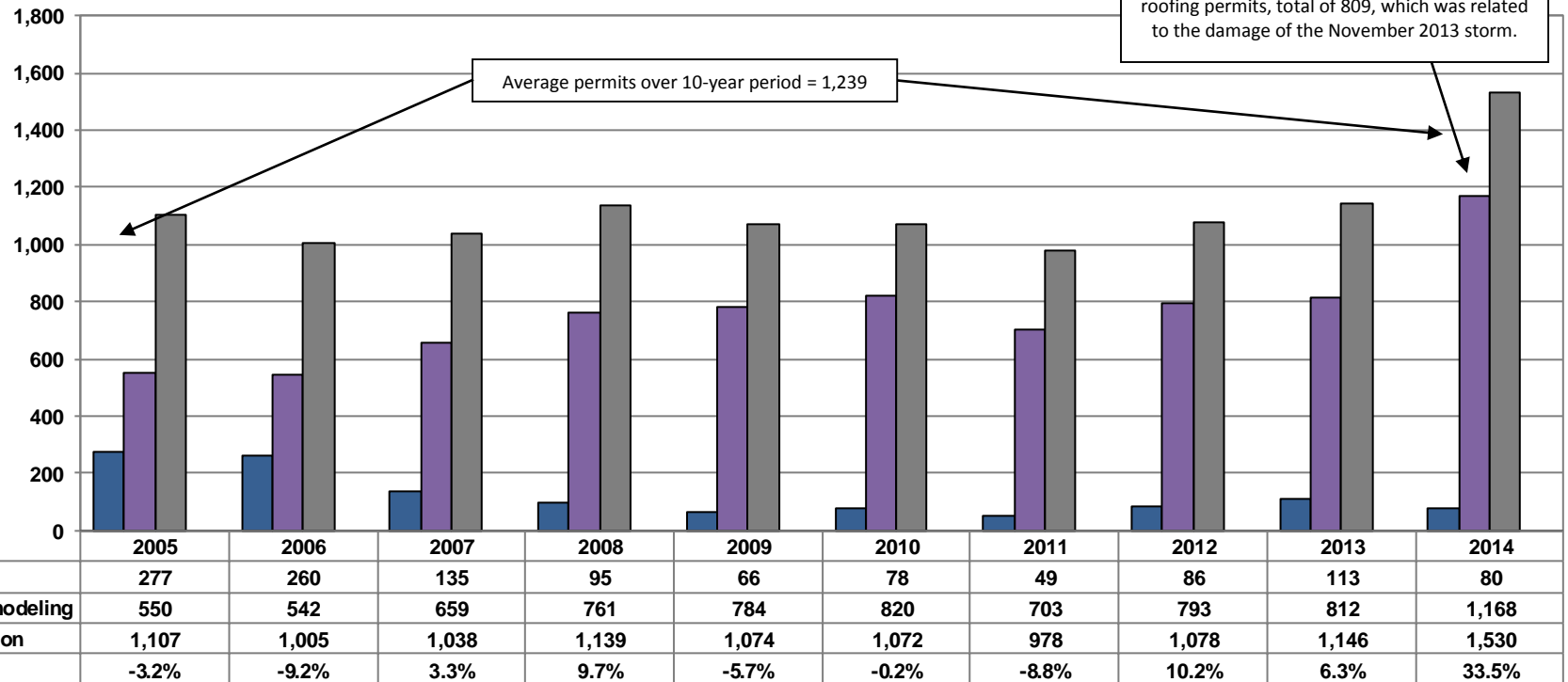
McLean County reports assessed values in five categories: residential, commercial (retail), industrial (manufacturing), farm and railroad.

UNCLASSIFIED – FOR INFORMATION ONLY

Residential values for 2014 comprised 67.9% of the total EAV. Commercial values for 2014 comprised 30.2% of the total EAV. The All Other category includes farm, industrial and railroad property.

CONSTRUCTION BUILDING PERMITS

(Calendar Year)



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 remodeling projects.

RATING: NEGATIVE

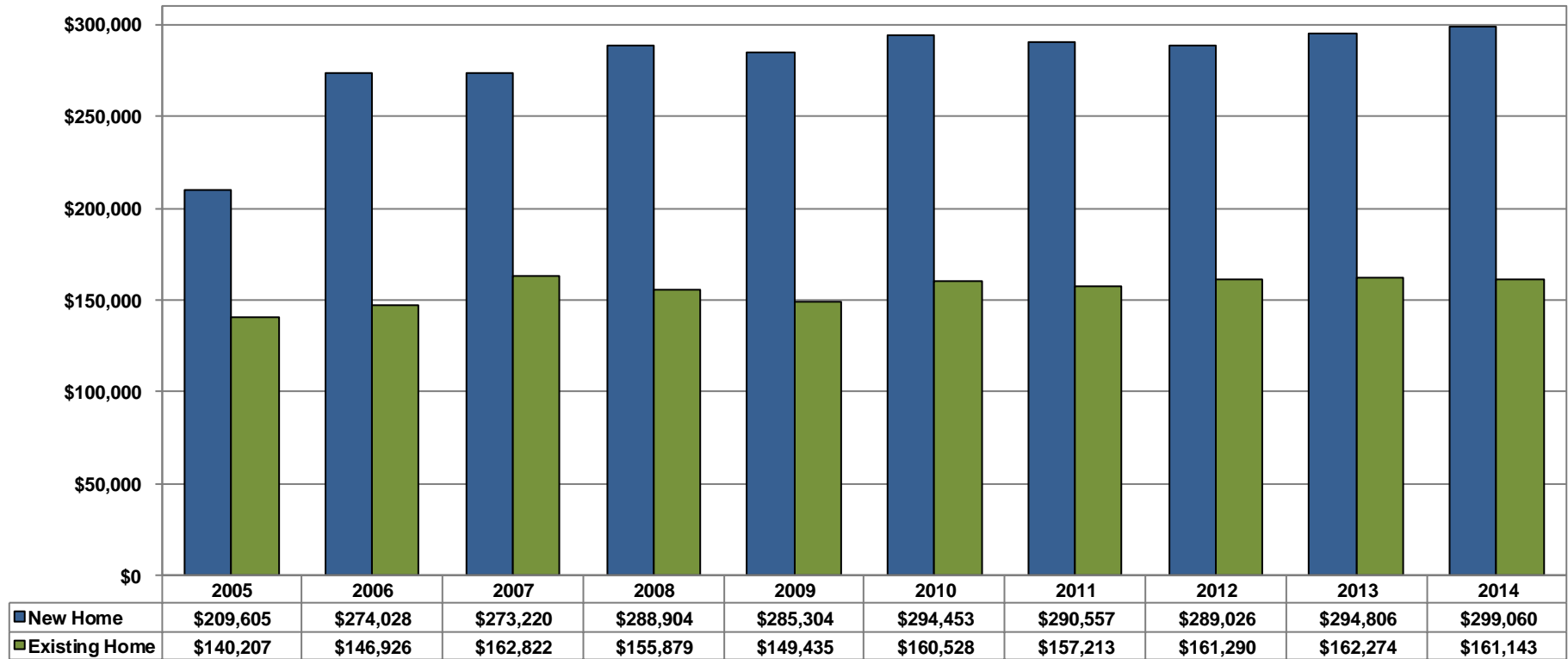
The Town saw a significant increase in total construction permits (33.5%) for 2014. However, that increase is misleading as it is not the result of economic growth. Over 800 permits were issued for roof repairs due to heavy storms in November of 2013. Additionally, the Town experienced a decrease in single family construction. Without the roofing permits activity, the total construction permit activity would be down by 37% compared to last year.

AVERAGE HOME PRICES

(Calendar Year)

Average Growth Over 10 Years
 New Home Prices = 4.8%
 Existing Home Prices = 1.8%

2013 vs. 2014 Values
 New Home Prices = 1.4%
 Existing Home Prices = -0.7%



INDICATOR DISCUSSION

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

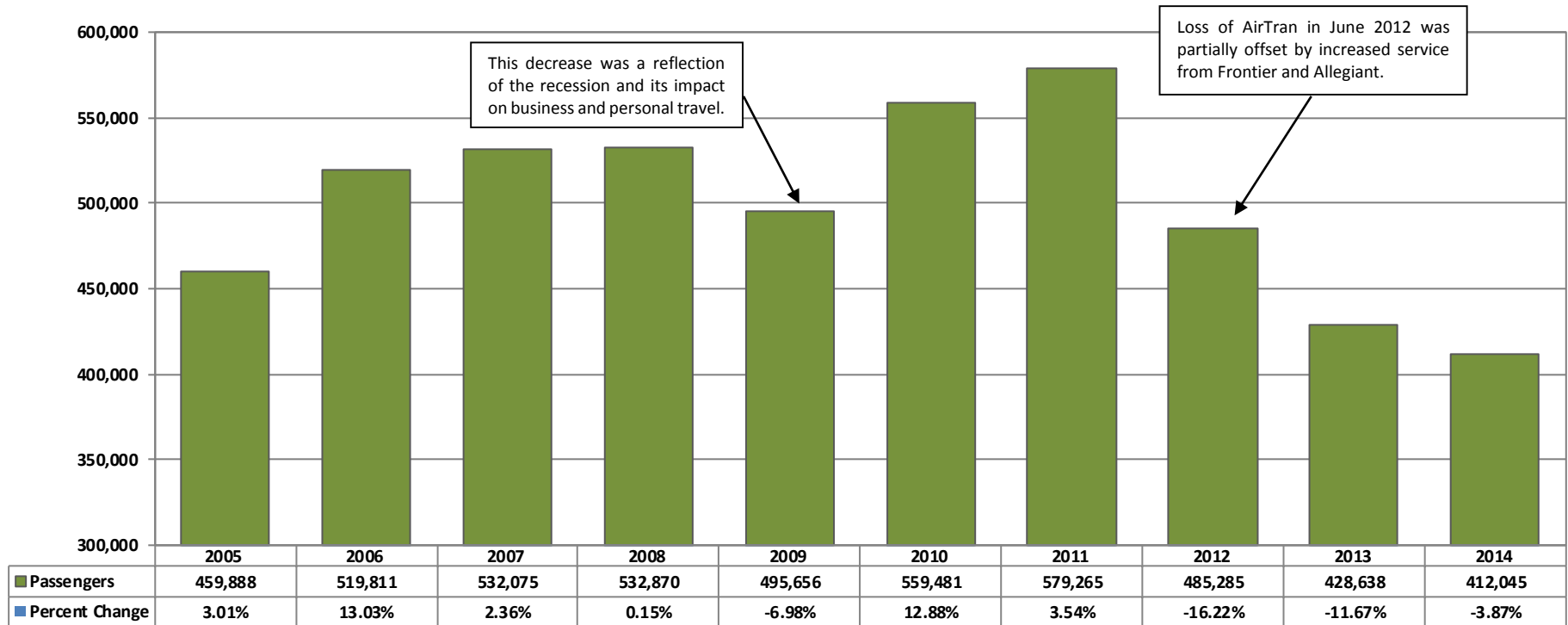
RATING: POSITIVE – WITH CAUTION

Since 2006, housing prices have been fluctuating slightly up and slightly down with no clear trend in either direction. We expect that this indicator will continue to reflect either flat or relatively modest increases in the average home price over the next 2 to 3 years.

AIRPORT USAGE

History of Passenger Activity

(Calendar Year)



INDICATOR DISCUSSION

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

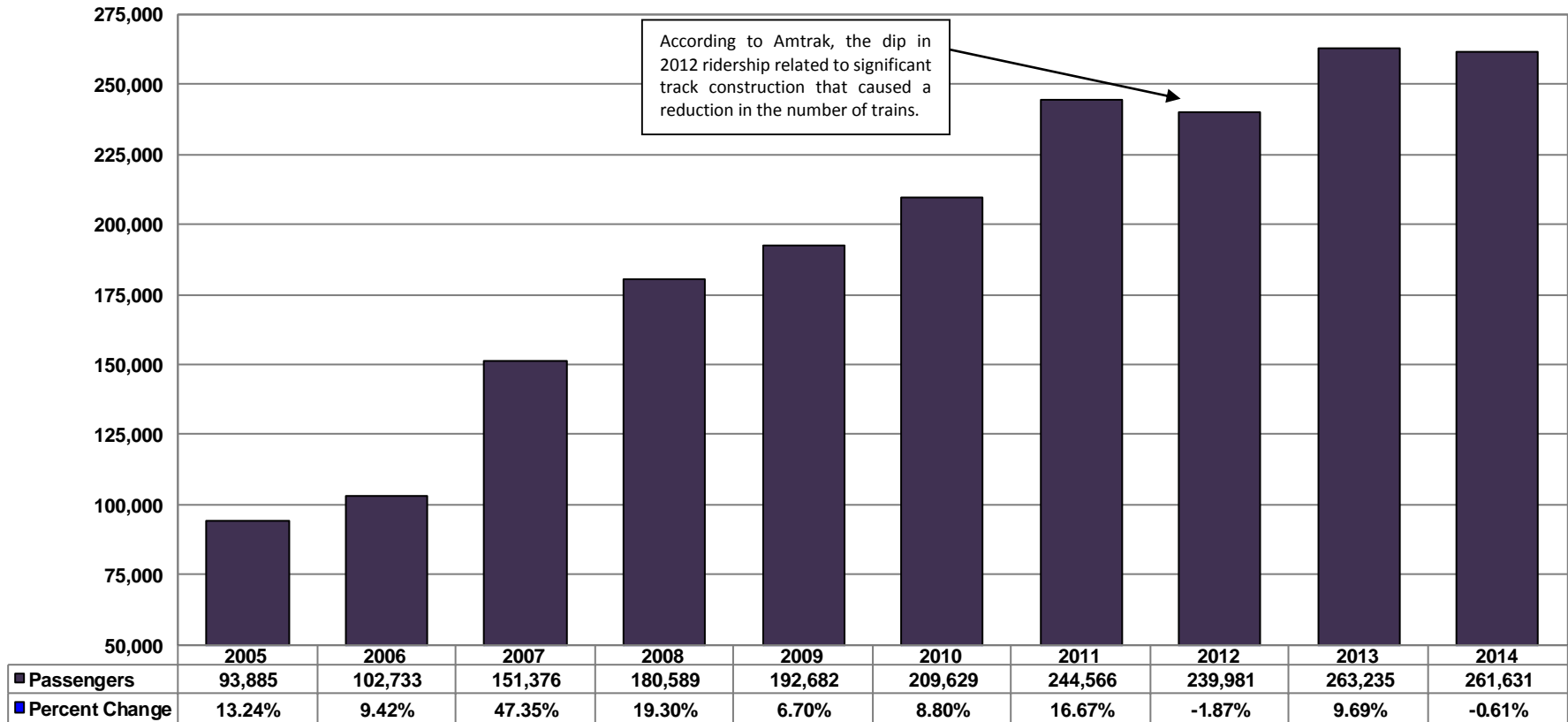
RATING: NEGATIVE

The continued decrease in passengers for 2014 is attributed mainly to less flights being offered. For the last couple years the airline industry has been shifting its business model to one that reduces the number of flights in an effort to reduce expenses and gain higher passenger occupancy per flight. This allows the airline to charge higher prices as seats are less available and save on expenses with a reduced number of flights. This model does create more passengers per flight, but it is a net loss in overall passengers across the industry.

AMTRAK USAGE

History of Ridership Activity

(Calendar Year)



INDICATOR DISCUSSION

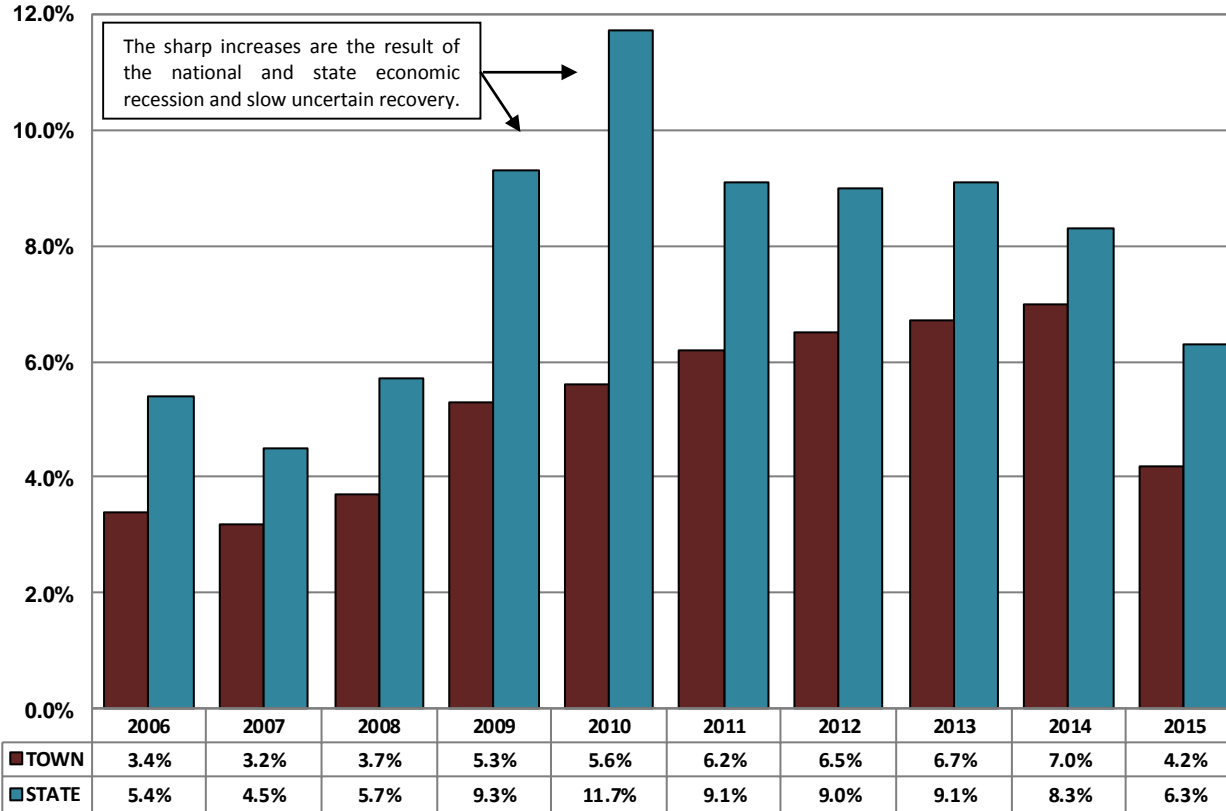
An indirect indication of local community vitality can be found within the historical passenger records of the Amtrak usage. Consistent passenger growth is reflective of a strong underlying economic base within the local community and the greater market area. Conversely, a decline in growth could be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

RATING: POSITIVE – WITH CAUTION

The Town has consistently seen an increase in the Amtrak ridership, however, this year there was a slight decrease. With the proposed State budget cuts, it is uncertain what the level of service will be in the future. When the high speed rail program is fully implemented, which is estimated to be 2017, the Town does expect a substantial increase in Amtrak ridership.

UNEMPLOYMENT RATE

As of 3/31



Municipality	Rates		
	2015	2014	Change
Normal	4.2%	7.0%	-2.8%
Champaign	4.6%	7.1%	-2.5%
Bloomington	4.8%	7.1%	-2.3%
Urbana	4.9%	7.8%	-2.9%
Springfield	5.4%	7.5%	-2.1%
Galesburg	6.2%	8.3%	-2.1%
Peoria	6.5%	9.2%	-2.7%
Decatur	7.7%	12.1%	-4.4%
Illinois	6.3%	8.3%	-2.0%
United States	5.6%	6.8%	-1.2%

INDICATOR DISCUSSION

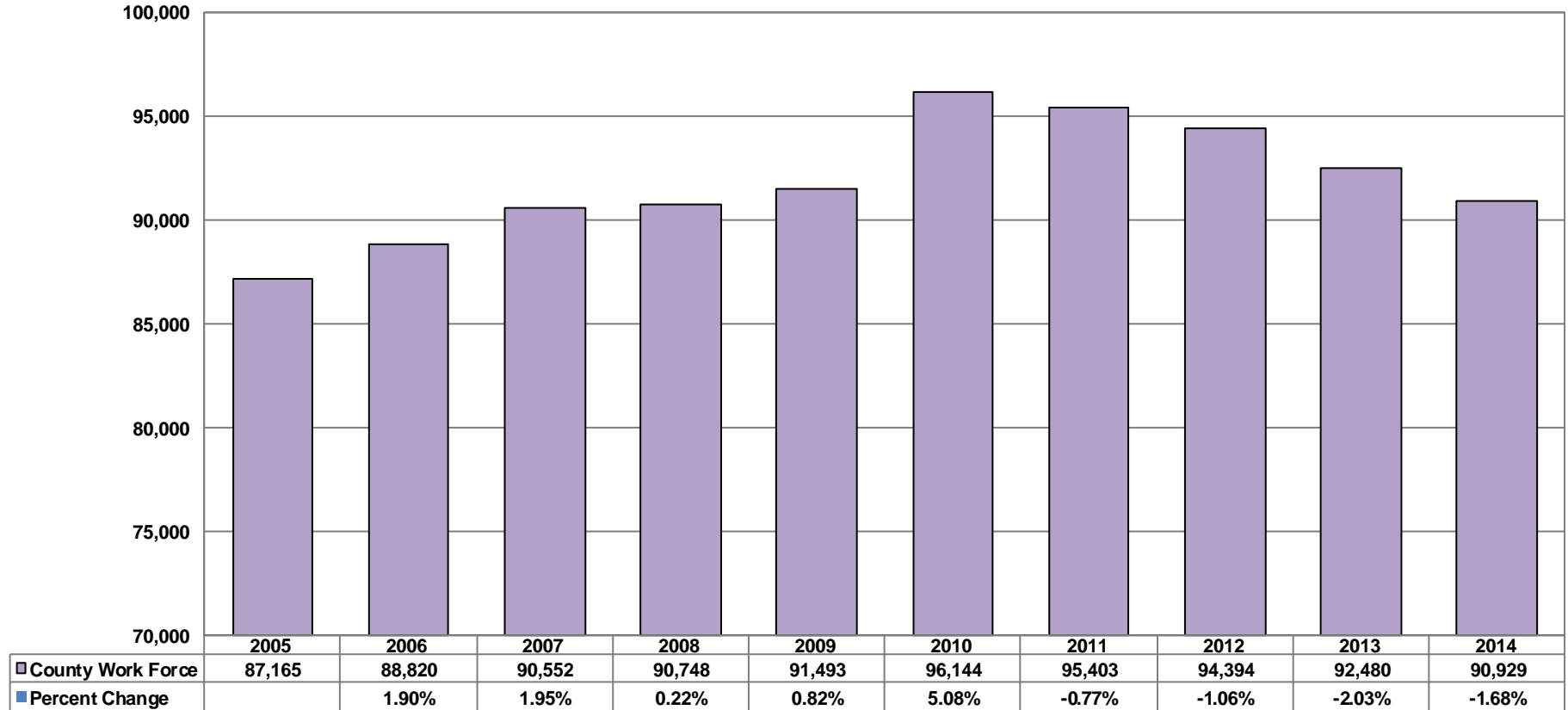
Changes in the unemployment rate are one measure of the Town's activity in its business sector and the general economic health of the community. A healthy business sector will provide funding for city services through sales, utility and property taxes. The data presented above is obtained from the Illinois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

RATING: POSITIVE – WITH CAUTION

The Town's unemployment rate had a significant decrease from prior year. The Town remains the lowest among the seven largest downstate communities in Central Illinois (south of I-80). Staff rated this indicator with caution given the uncertainty the recent plant closure announcement from Mitsubishi will have on the local workforce.

COUNTY WORKFORCE

(Calendar Year)



INDICATOR DISCUSSION

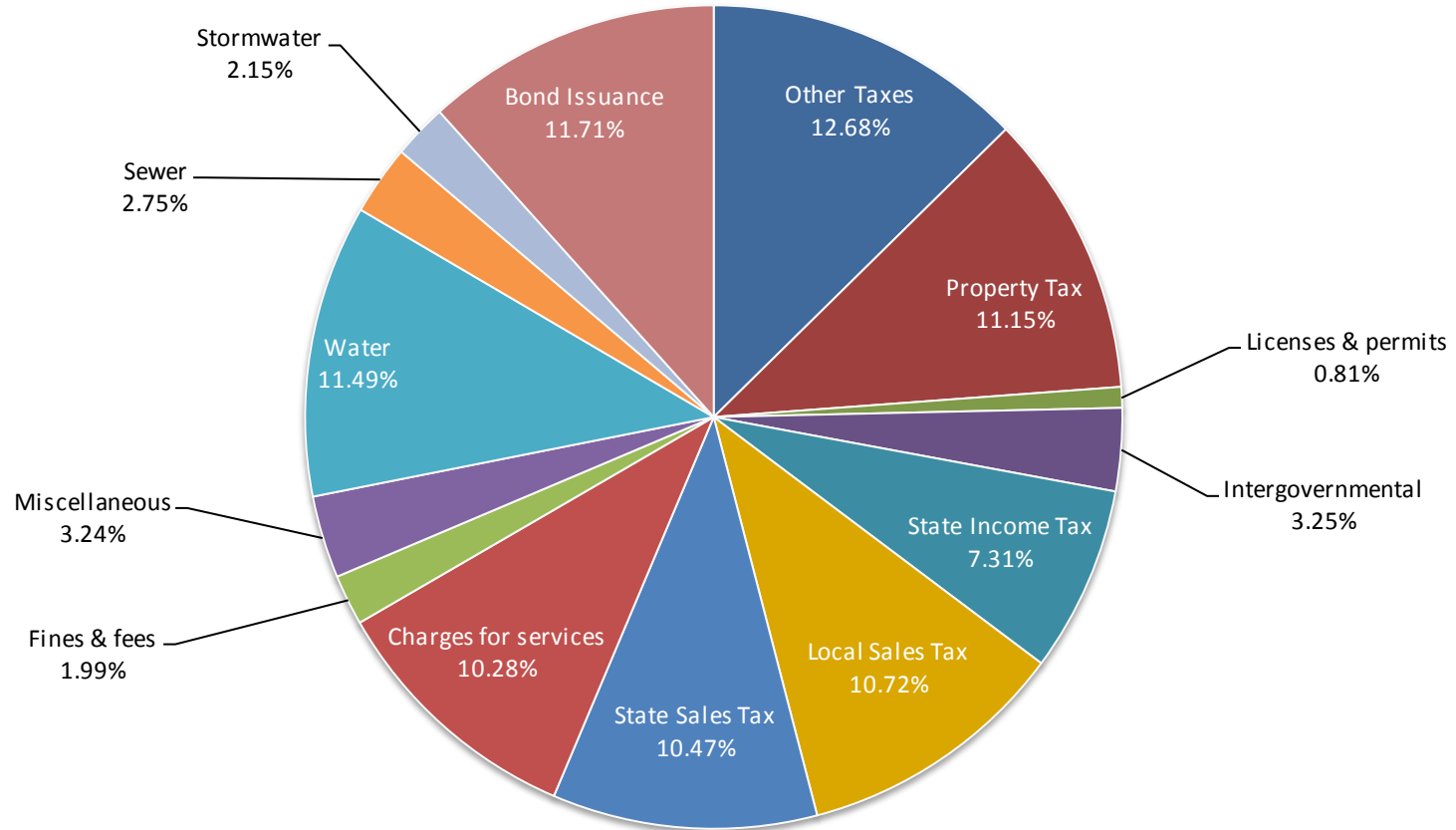
The Illinois Department of Employment Security (IDES) identifies the workforce, or labor force, as all working-age individuals (16+) who are either employed or unemployed but available and actively looking for work.

RATING: NEGATIVE

Since 2010, the workforce has decreased by 5,215 or 5.4%. Major employers such as State Farm, ISU, Country, Unit 5, Mitsubishi, OSF, Advocate/BroMenn and AFNI have all had decreases. For these employers alone, the workforce drop since 2010 has been 2,929. According to IDES, the labor force is shrinking due to more people retiring and fewer positions remaining. The largest losses are from the financial sector, which includes insurance and real estate.

TOWN REVENUE SOURCES

FY2015 - \$84,899,562



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 Health Insurance, Library, Police Pension, and Fire Pension.

UNCLASSIFIED – FOR INFORMATION ONLY

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

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

Intergovernmental – Replacement Tax and State Grants

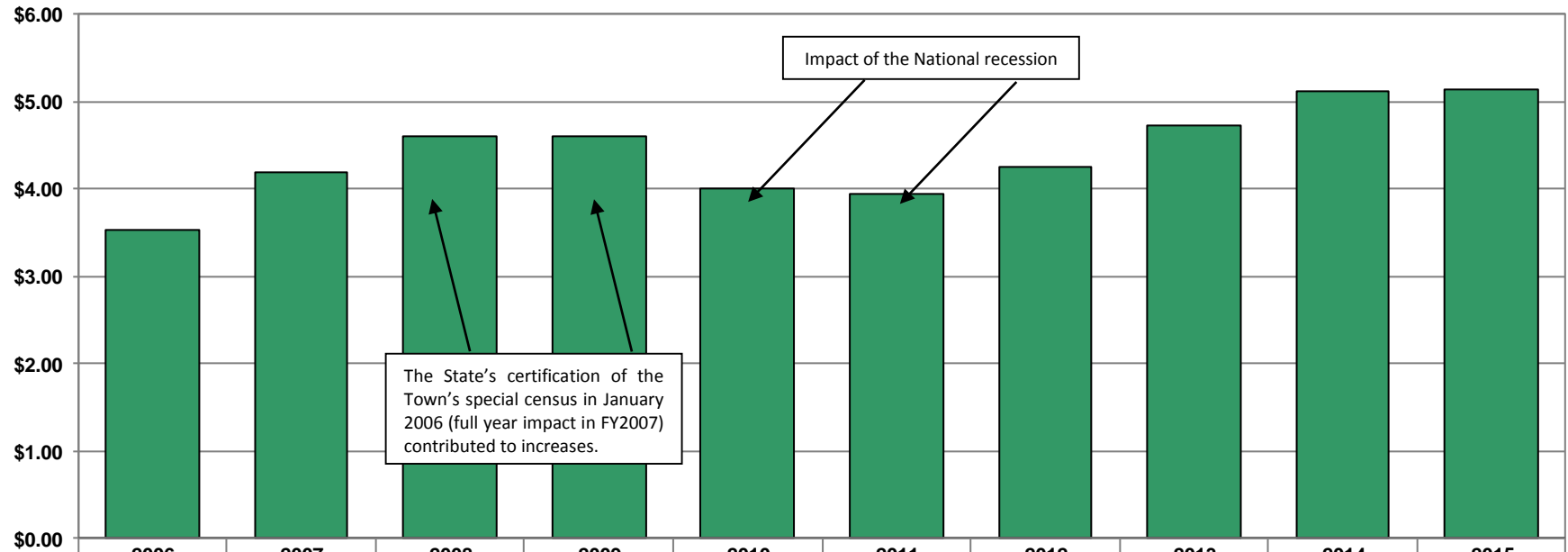
Charges for services – Parks & Recreation activities, Parking Tickets, Ordinance Violations

STATE INCOME TAX REVENUE

History of Growth

(Fiscal Year)

In Millions



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
State Income Tax	3.53	4.20	4.60	4.60	4.01	3.94	4.26	4.73	5.12	5.14
Percent Change	19.2%	18.8%	9.6%	0.1%	-12.8%	-1.8%	8.1%	11.1%	8.1%	0.5%

INDICATOR DISCUSSION

From the Income Tax that is collected by the State, 8% from individual taxes and 9.14% from corporate taxes are deposited into the "Local Government Distribution Fund." From this fund the taxes are distributed to local municipalities based on population.

RATING: POSITIVE – WITH CAUTION

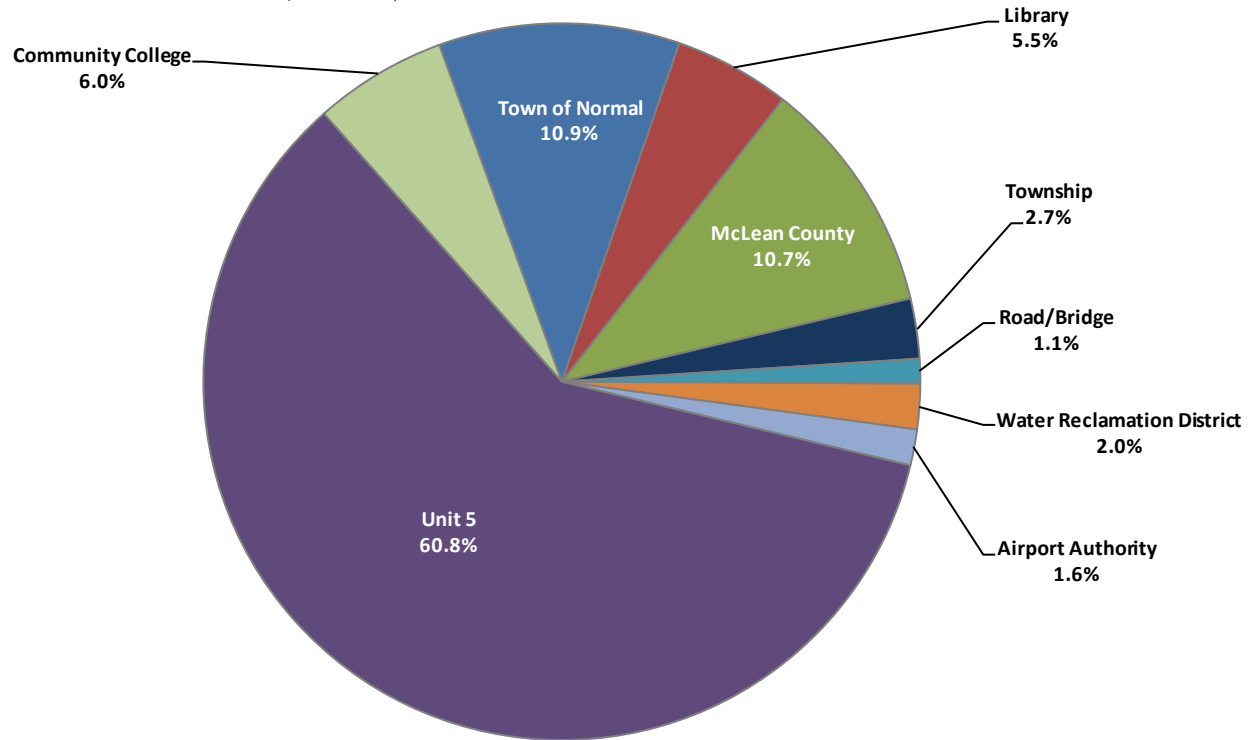
The soundness of the State's economy does have an impact on the financial health of the Town. In 2015, income tax comprised 9.2% of the Town's General Fund revenue. This revenue source has performed very well over the last three consecutive years with an average growth per year of 6.5%. However, for FY2015, the growth was minimal. This gives staff some pause and the indicator has been rated as positive with caution due to the minimal current year growth.

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

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

PROPERTY TAX RATE DISTRIBUTION

2014
(Tax Year)



INDICATOR DISCUSSION

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

RATING: POSITIVE

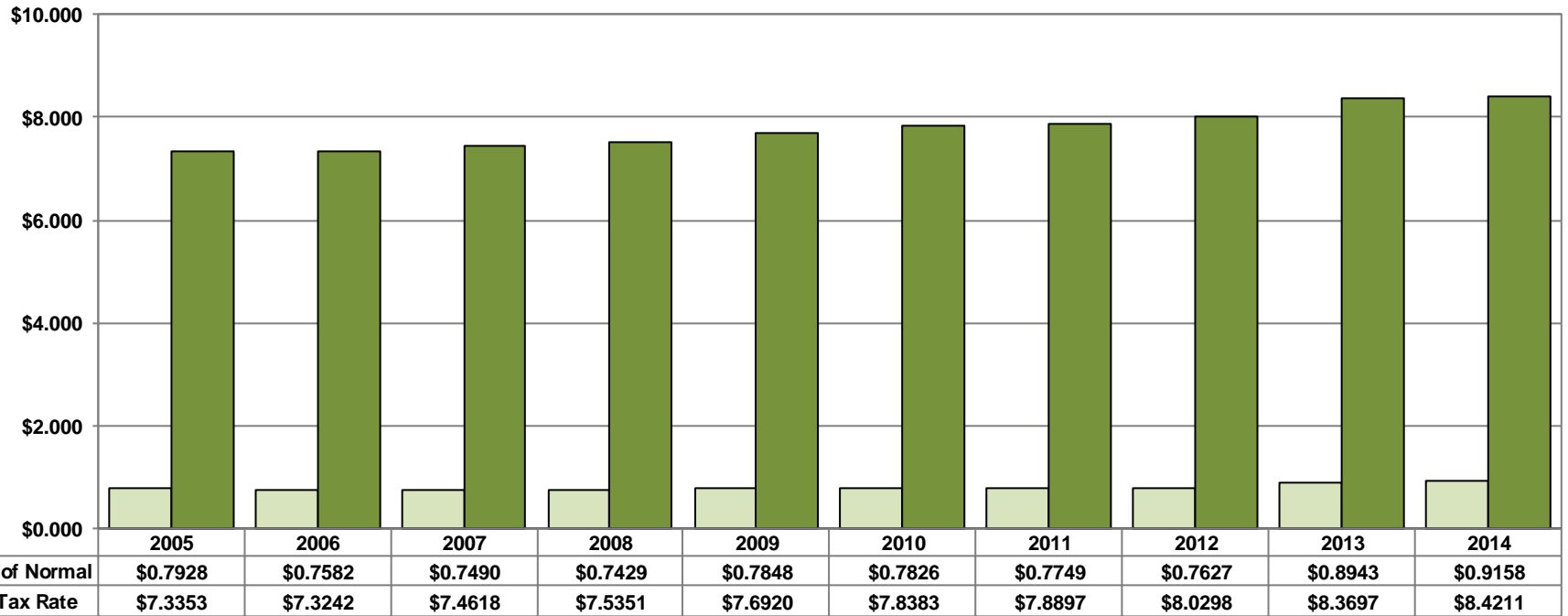
The rating is classified as positive due to the Town's relatively small percentage (10.9%) of the total property tax dollars levied. Normal has little ability to significantly control short-term property tax rates. Other taxing bodies that levy a property tax on Normal residents do not require approval from the Town of Normal.

PROPERTY TAX RATES

Town of Normal and Community

Per \$100 of Assessed Value

(Tax Year)



INDICATOR DISCUSSION

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

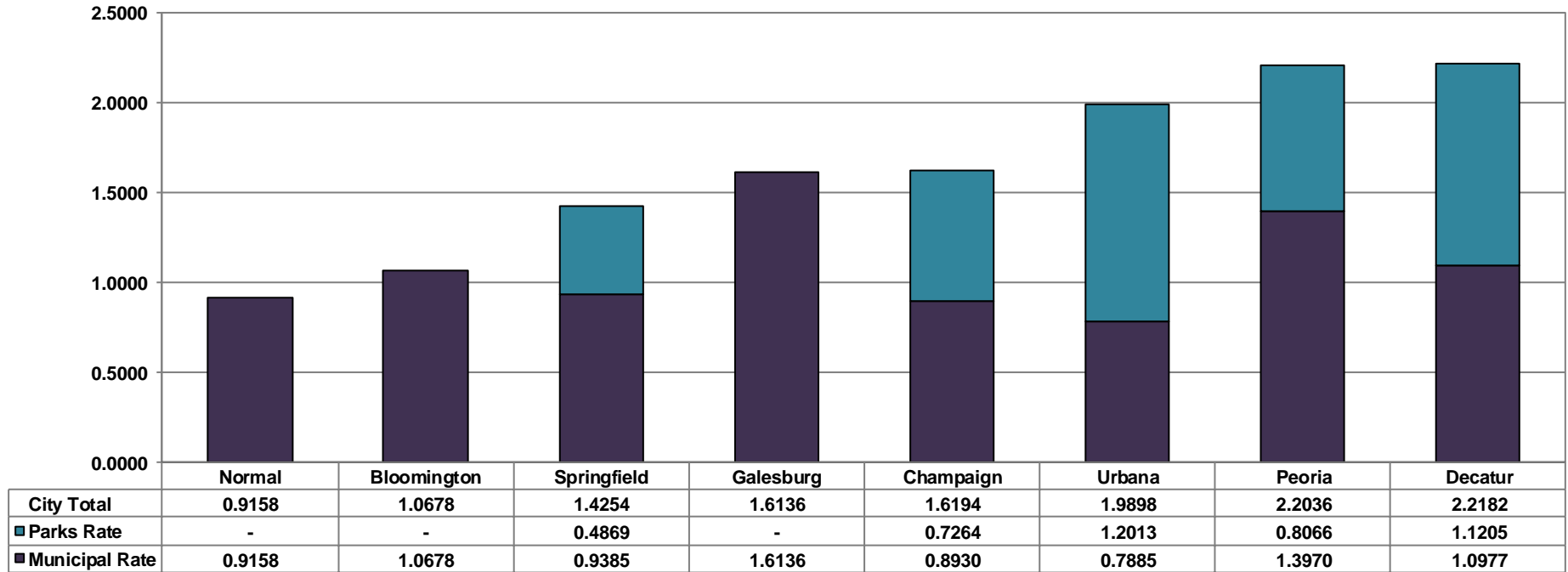
RATING: POSITIVE

The Town tax rate continues to be the lowest property tax rate among the seven largest downstate cities. See page 18 for more detail.

Careful management of the tax levy and spending helps keep the tax rate as low as possible. The overall community tax rate increased this year by 5 cents. A majority of the taxing bodies had a small contributing factor to the overall community property tax rate increase.

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

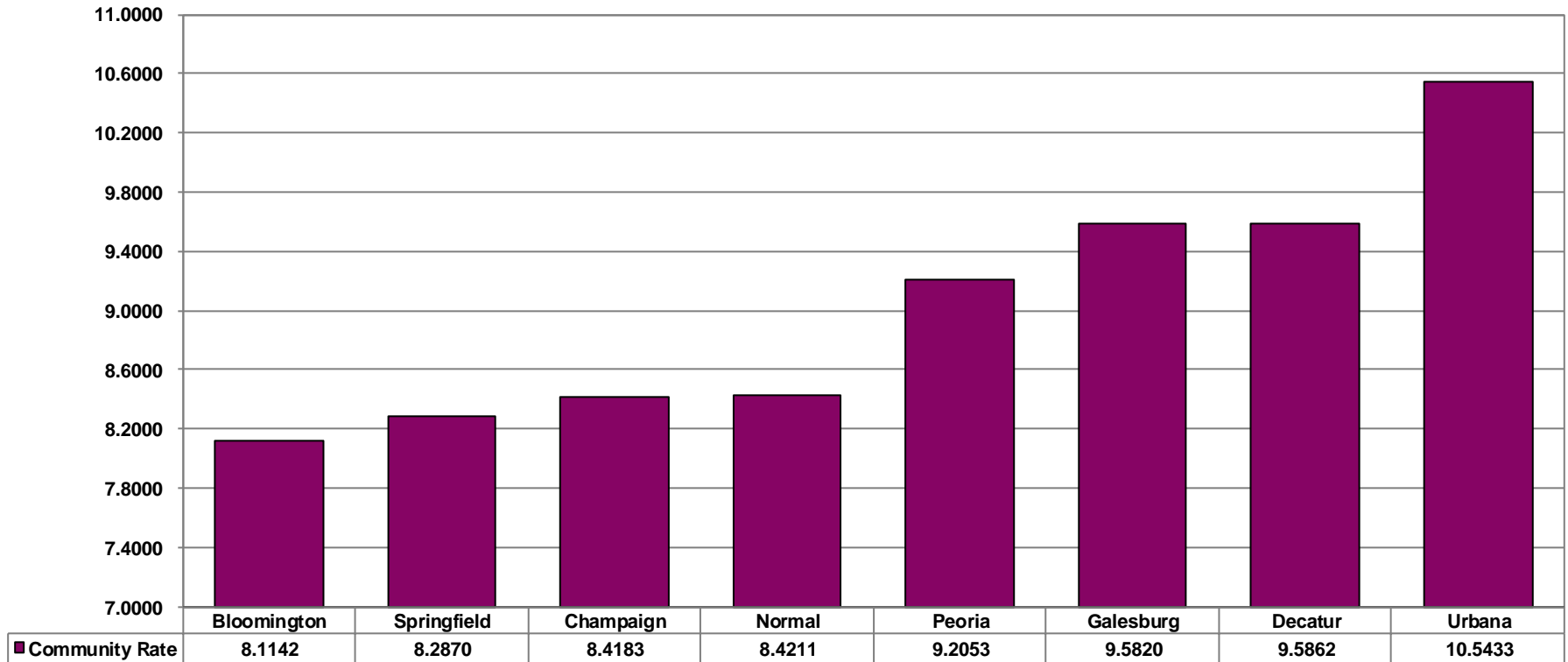
The Town of Normal municipal property tax rate is the lowest of all the cities presented above. Years of consistent effort are required to reach this low property tax rate. The tax levy of .9158 supports the following expenditure obligations:

- 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.

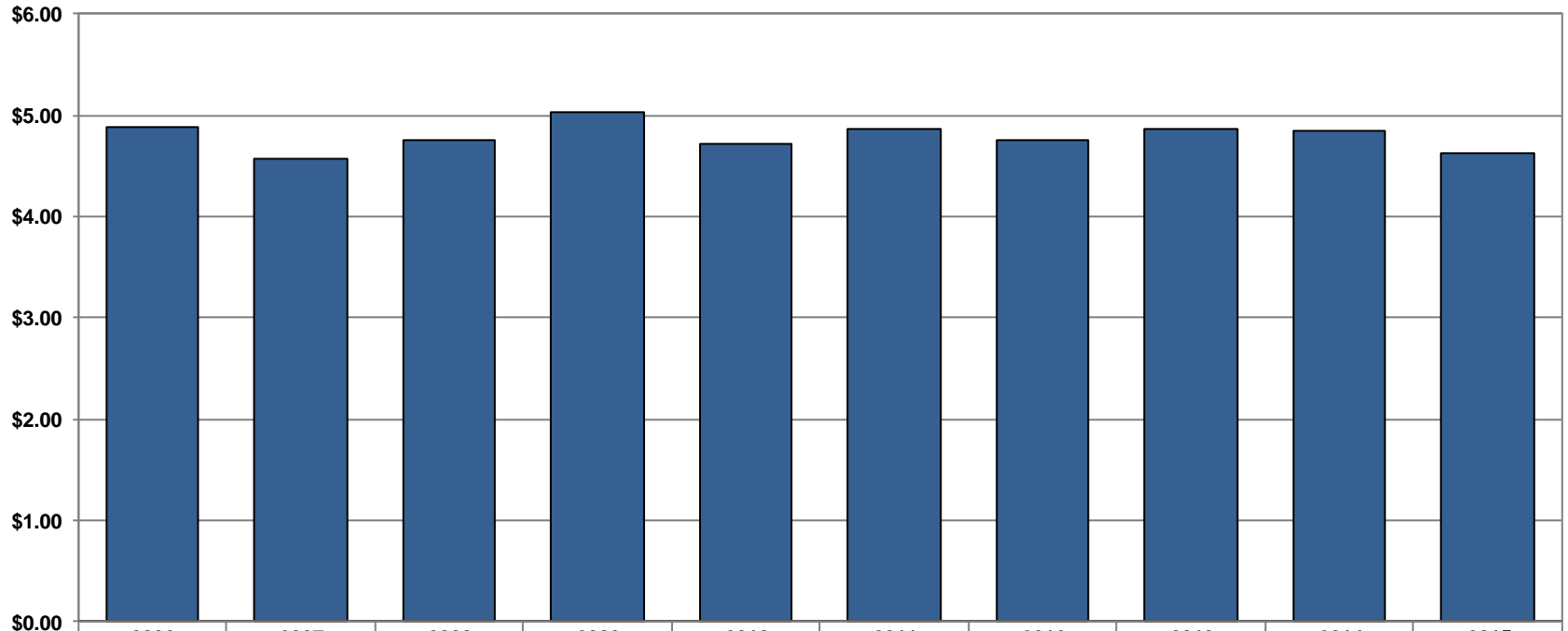
RATING: POSITIVE

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

UTILITY TAX REVENUE

(Fiscal Year)

In Millions



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Utility Tax Rev.	\$4.89	\$4.56	\$4.75	\$5.03	\$4.73	\$4.86	\$4.76	\$4.86	\$4.84	\$4.63
Percent Change	3.0%	-6.7%	4.1%	5.9%	-6.0%	2.9%	-2.1%	2.1%	-0.3%	-4.4%

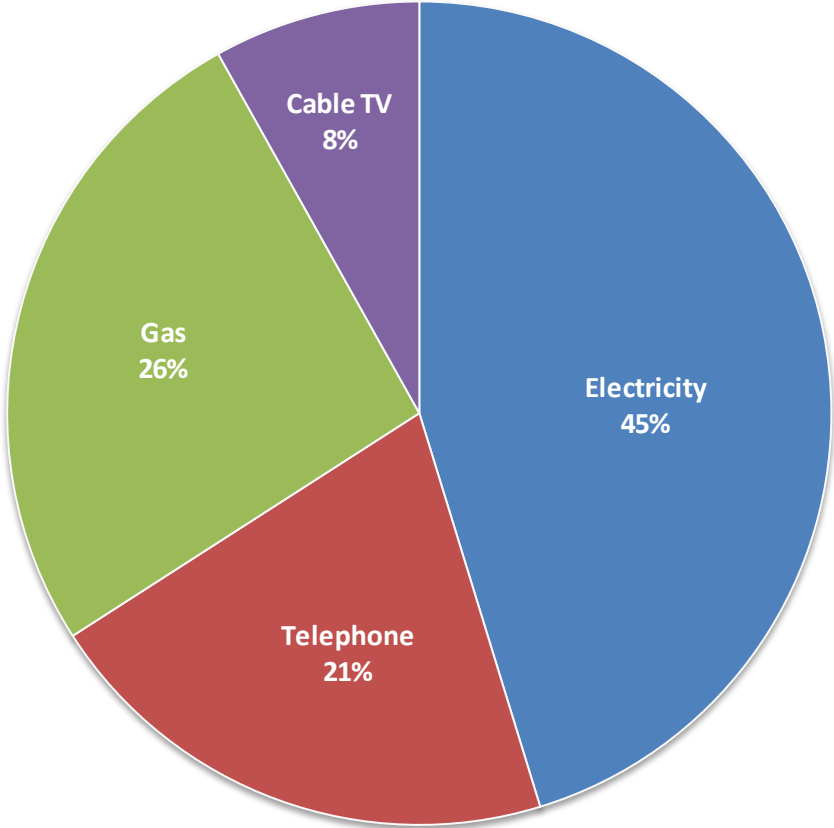
INDICATOR DISCUSSION

This tax is a major revenue source that directly impacts the ability to finance General Fund expenditures. The utility tax is charged on electricity, telephone, cable TV and gas.

RATING: NEGATIVE

For FY2015, this revenue experienced a significant decrease and staff does not expect this revenue source to have any consistent growth in the future. A portion of the FY2015 decrease was associated with a large rebate of telecommunication tax back to a major wireless carrier.

UTILITY TAX - PERCENT BY UTILITY



INDICATOR DISCUSSION

This indicator illustrates the distribution of tax contributions by utilities. The heavy reliance on weather-sensitive utilities often explains the sporadic changes in utility taxes collected from year-to-year. About 71% of the total utility revenue comes from weather sensitive utility companies (Electricity and Gas).

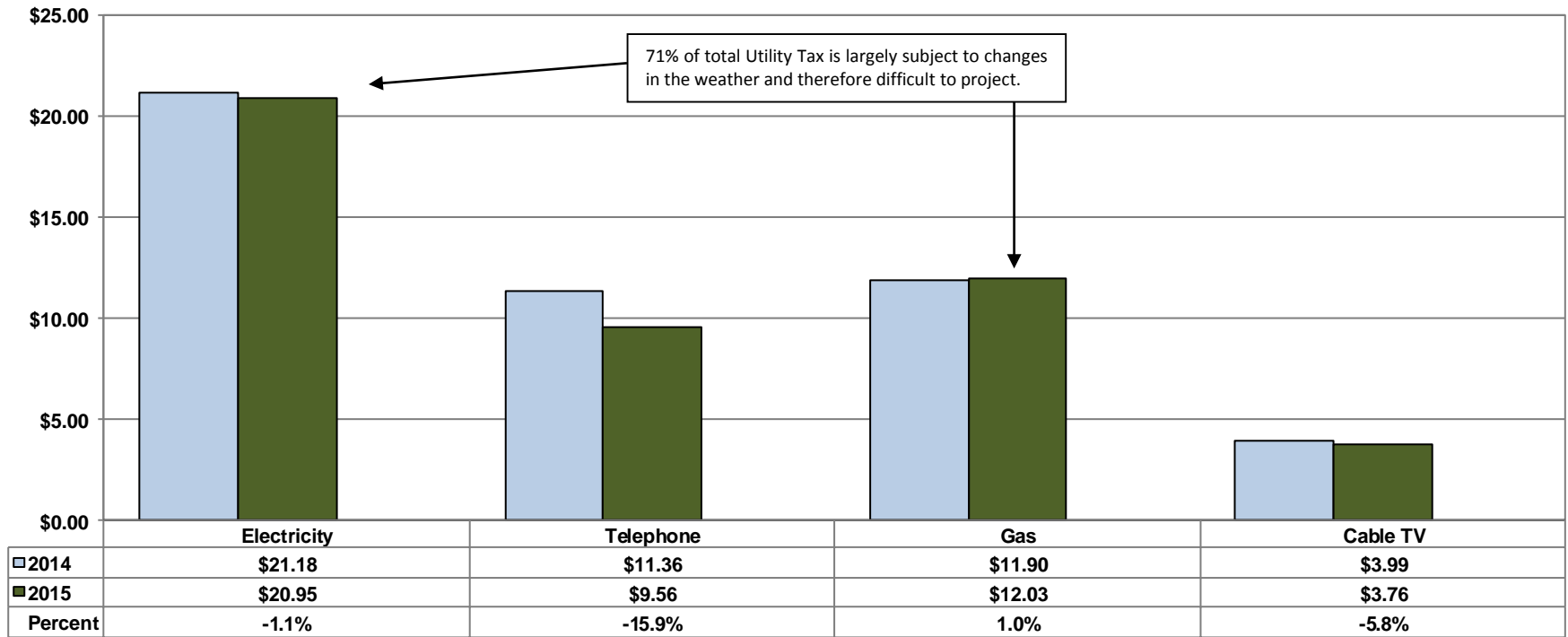
UNCLASSIFIED – FOR INFORMATION ONLY

This indicator is educational in nature, and therefore, is given an unclassified rating. The dollar distribution between utility sources is consistent with previous years and is considered healthy.

UTILITY TAX REVENUE

Dollar Change from FY2014 to FY2015

In Hundred Thousands



INDICATOR DISCUSSION

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

UNCLASSIFIED – FOR INFORMATION ONLY

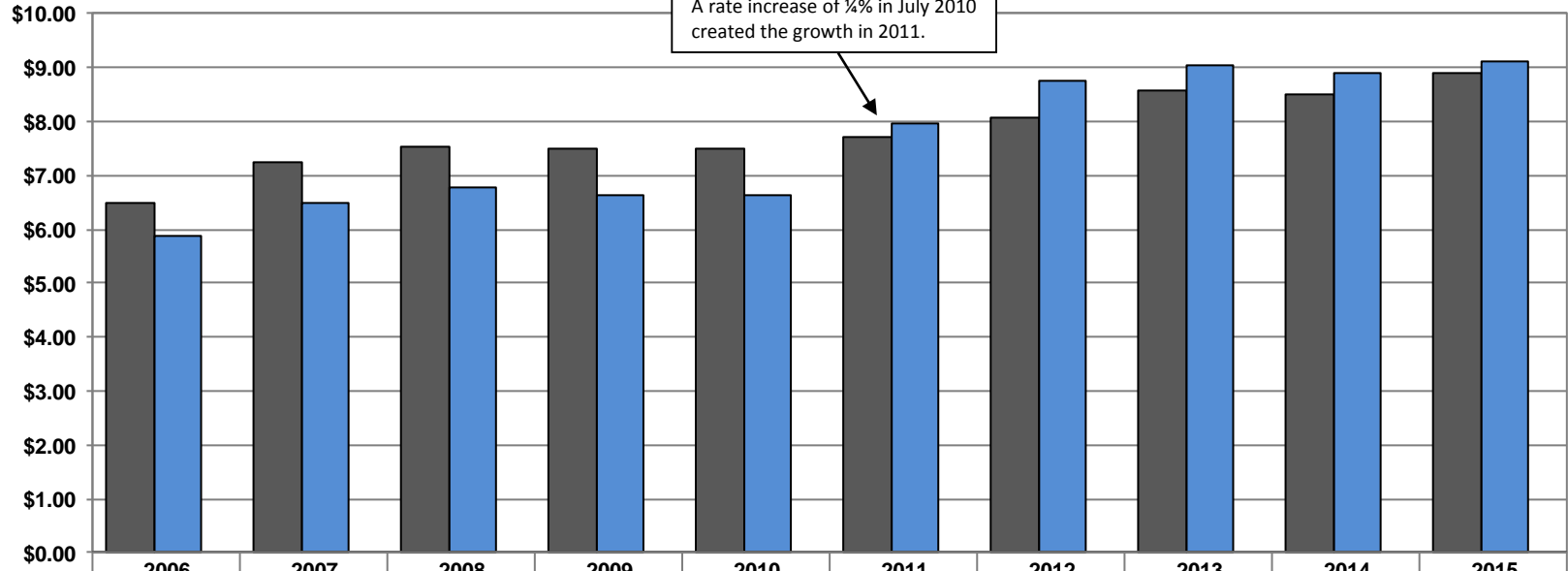
This indicator is educational in nature, and therefore, is given an unclassified rating.

10-year average growth
 State Sales Tax: 3.9%
 Local Sales Tax: 5.4%

STATE & LOCAL SALES TAX

(Fiscal Year)

In Millions



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
■ State Sales Tax Revenue	\$6.48	\$7.23	\$7.52	\$7.49	\$7.49	\$7.71	\$8.06	\$8.58	\$8.51	\$8.89
■ State Sales Percent Change	6.5%	11.6%	4.0%	-0.4%	-0.1%	3.0%	4.5%	6.5%	-0.9%	4.5%
■ Local Sales Tax Revenue	\$5.88	\$6.47	\$6.78	\$6.62	\$6.63	\$7.98	\$8.76	\$9.04	\$8.90	\$9.10
■ Local Sales Percent Change	7.3%	10.2%	4.7%	-2.3%	0.2%	20.3%	9.7%	3.2%	-1.5%	2.3%

INDICATOR DISCUSSION

This graph reports both the 1% state sales tax and 1.5% 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 (1.5%) sales tax.

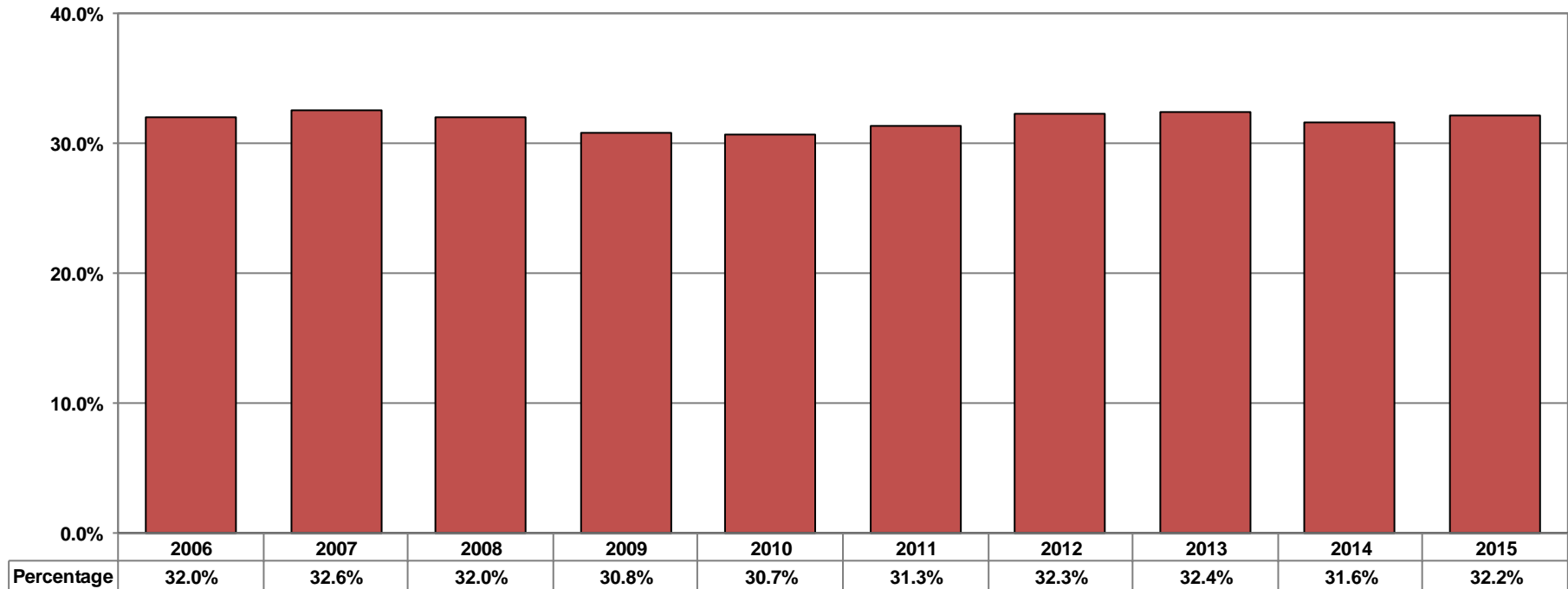
RATING: POSITIVE - WITH CAUTION

Sales tax revenue is the largest, most critical source of revenue for the General Fund. For FY2015, the tax rebounded well from its FY2014 negative performance and staff expects to see continued, yet modest growth in the future.

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 1.50% taxes are both collected monthly by the State of Illinois. However, the local 1.50% tax base excludes food, drug and titled items such as automobiles, which are included in the state 1% tax.

RATING: POSITIVE

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

Type/Description

General Merchandise

Department and Variety stores

Food

Grocery stores, meat/fish/fruit/vegetable markets and retail bakeries

Drugs & Miscellaneous Retail

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

Auto

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

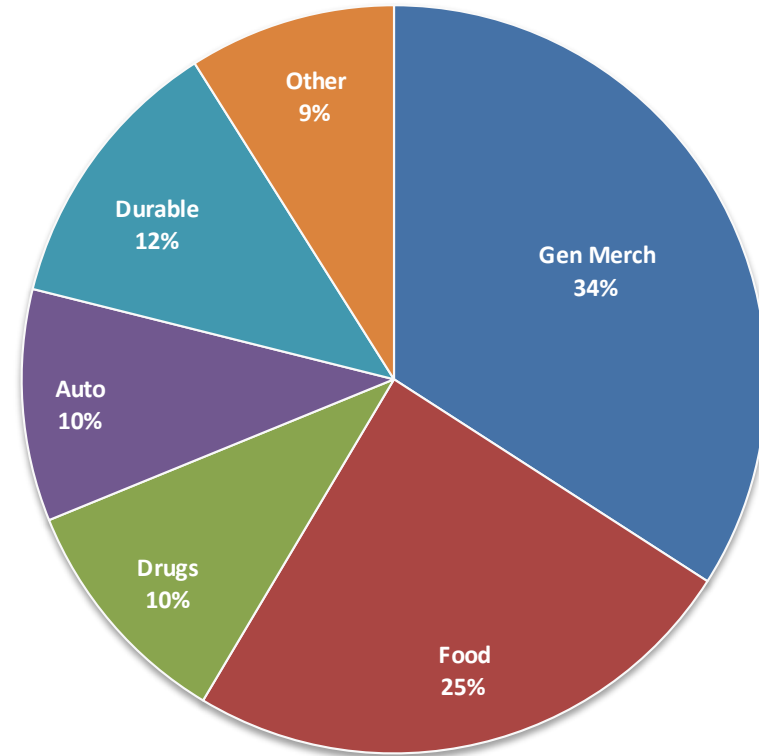
Durable Goods

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

Other

Apparel, agriculture, and manufactured goods

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

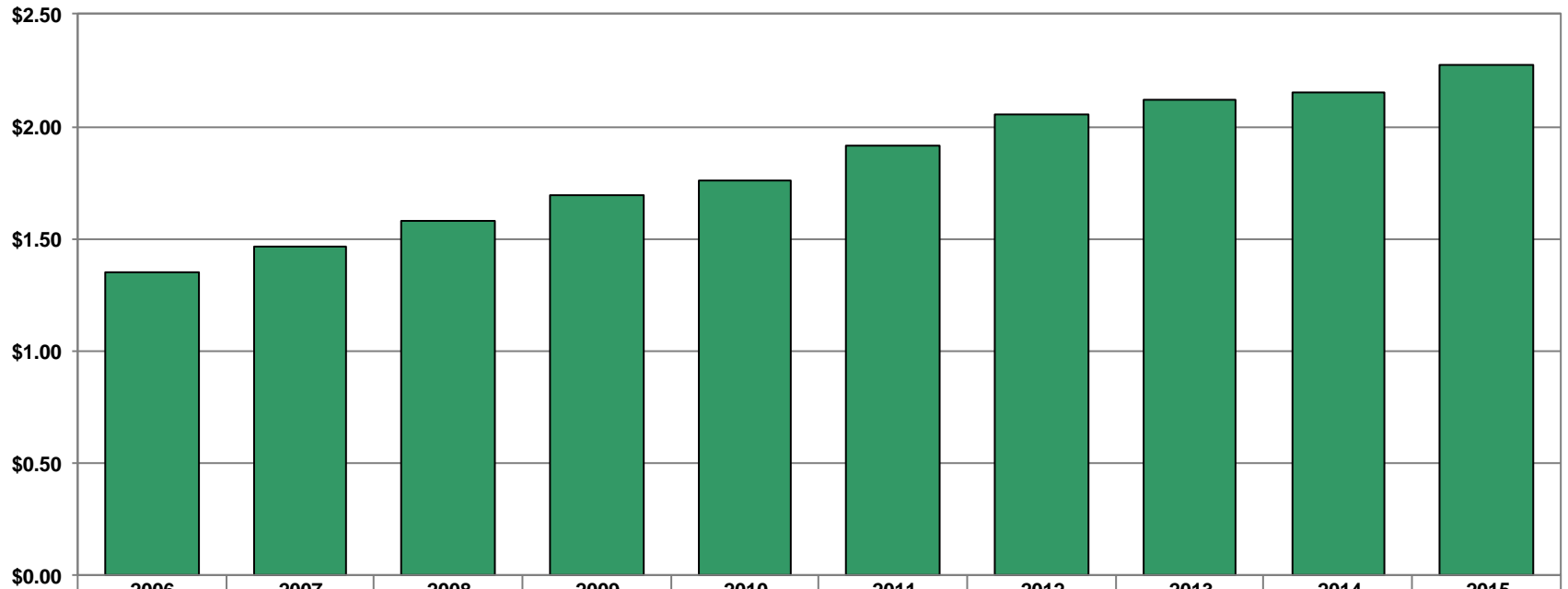
This indicator is for educational purposes and is not intended to reflect the stability of the sales tax revenue in future years.

FOOD & BEVERAGE TAX REVENUE

History of Growth

(Fiscal Year)

In Millions



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Food and Beverage	\$1.35	\$1.47	\$1.58	\$1.69	\$1.76	\$1.91	\$2.05	\$2.12	\$2.16	\$2.27
Percent Change	11.96%	8.61%	7.80%	6.94%	4.07%	8.83%	7.24%	3.41%	1.54%	5.43%

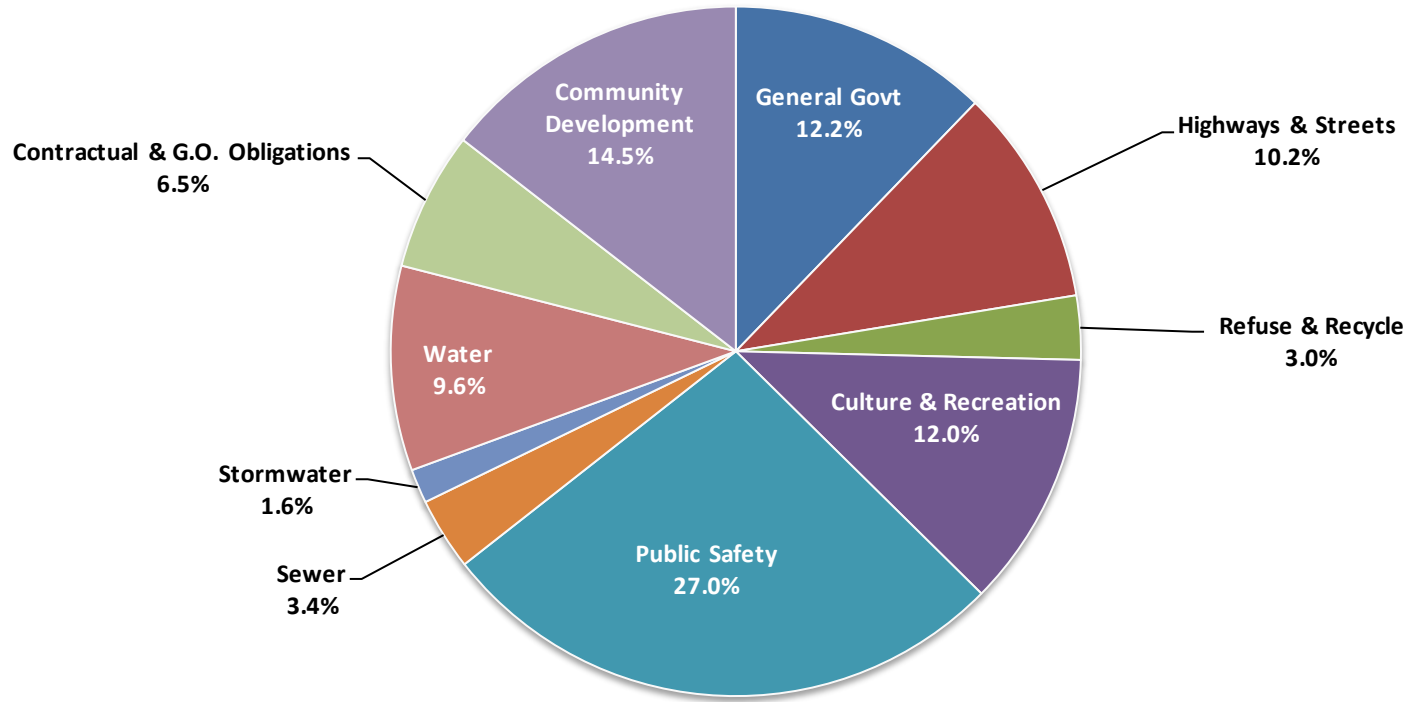
INDICATOR DISCUSSION

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

RATING: POSITIVE

The restaurant sector continues to generate steady growth. FY2014 was a slow growth year, however the Town saw an increase in FY2015 that was similar to the activity of previous years.

TOWN EXPENDITURES
By Type - FY2015
\$79,370,160



INDICATOR DISCUSSION

The pie chart above is presented for informational purposes and illustrates the FY2015 allocation of financial resources between major spending categories.

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

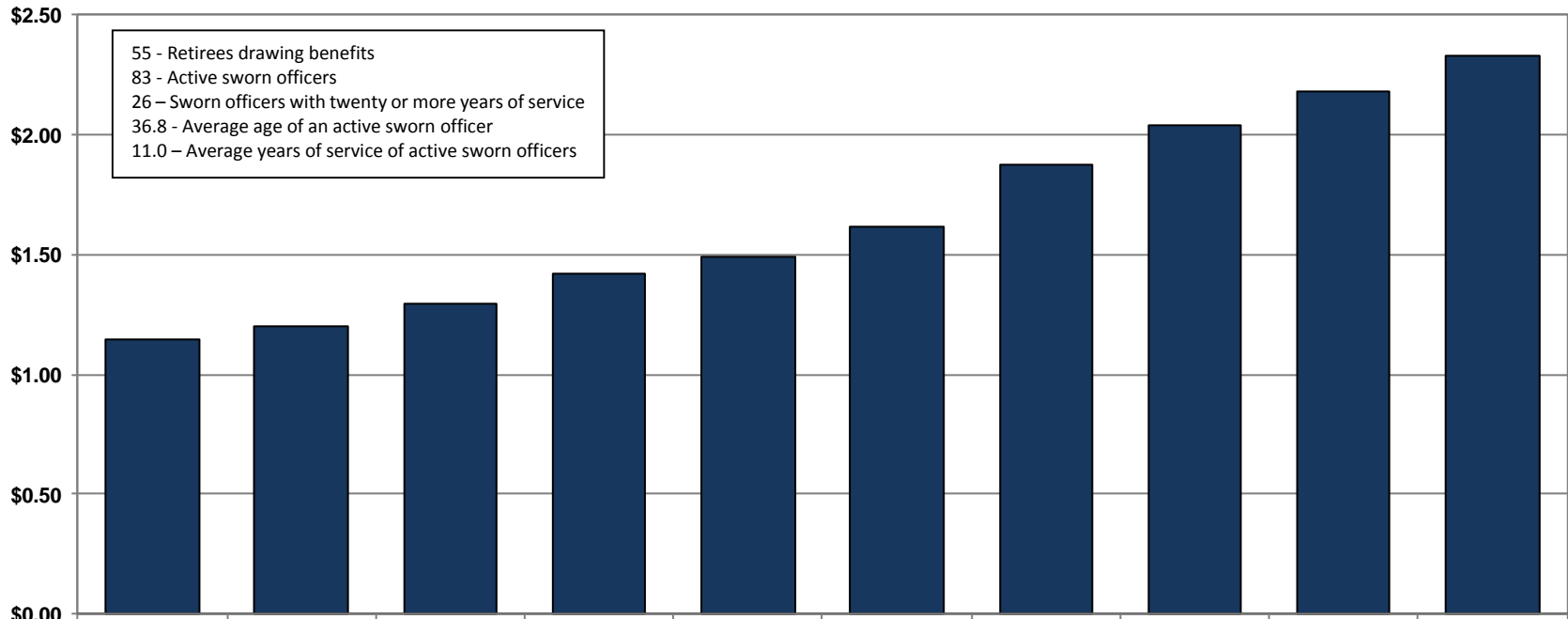
UNCLASSIFIED – FOR INFORMATION ONLY

Major Categories

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

POLICE PENSION BENEFIT COST

In Millions



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Pension Benefits	\$1.14	\$1.20	\$1.29	\$1.42	\$1.49	\$1.61	\$1.88	\$2.04	\$2.18	\$2.33
Percent Change	14.8%	5.2%	7.2%	10.1%	5.2%	8.1%	16.2%	8.7%	6.8%	7.0%

INDICATOR DISCUSSION

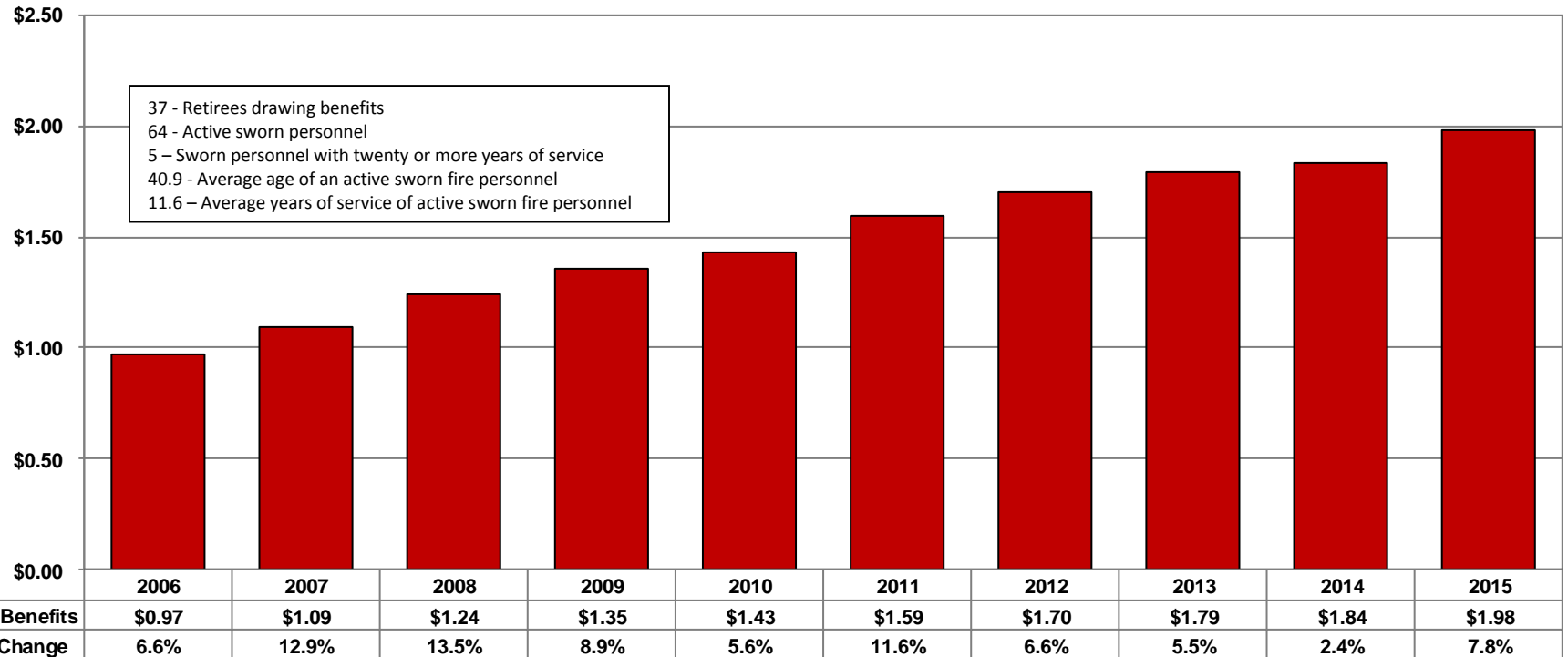
Police pension benefits are mandated by the State of Illinois. The Town is obligated to fund the pension system as determined by the State but the Town has no control over the pension benefit levels.

UNCLASSIFIED – FOR INFORMATION ONLY

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

FIRE PENSION BENEFIT COST

In Millions



37 - Retirees drawing benefits
 64 - Active sworn personnel
 5 - Sworn personnel with twenty or more years of service
 40.9 - Average age of an active sworn fire personnel
 11.6 - Average years of service of active sworn fire personnel

INDICATOR DISCUSSION

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

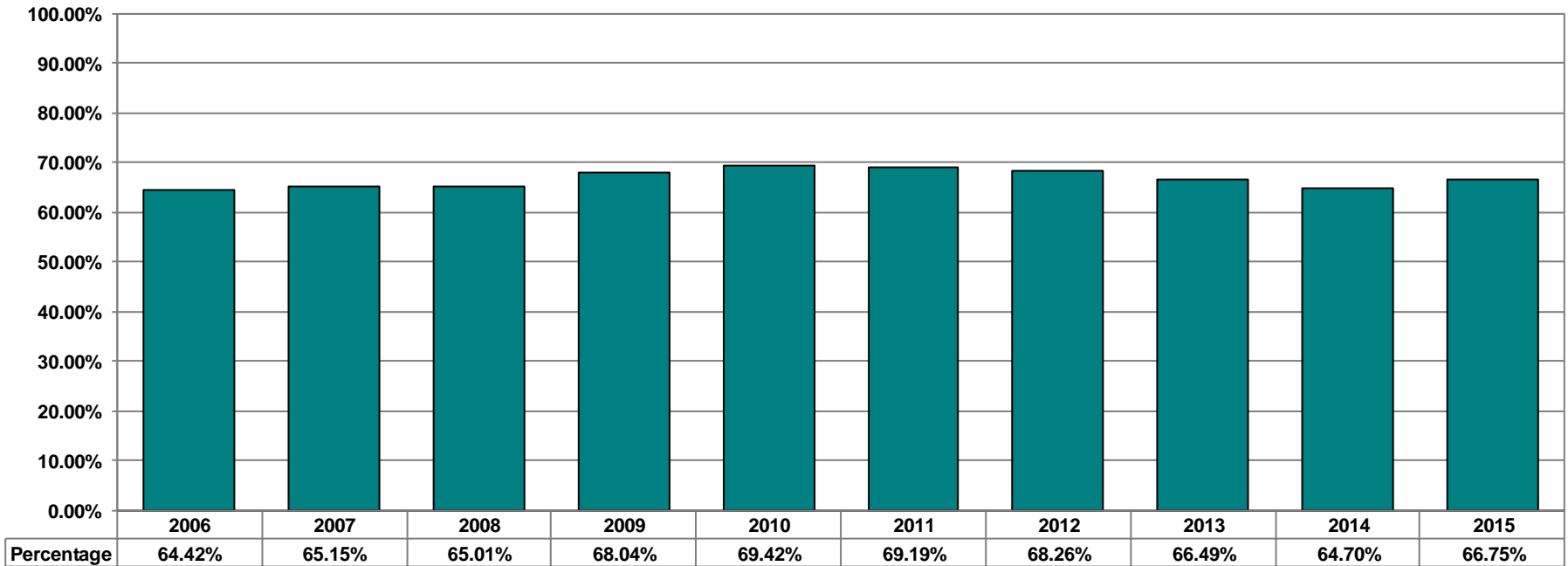
UNCLASSIFIED – FOR INFORMATION ONLY

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

PERSONNEL COSTS

Percent of Total Expenditures

(Fiscal Year)



INDICATOR DISCUSSION

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

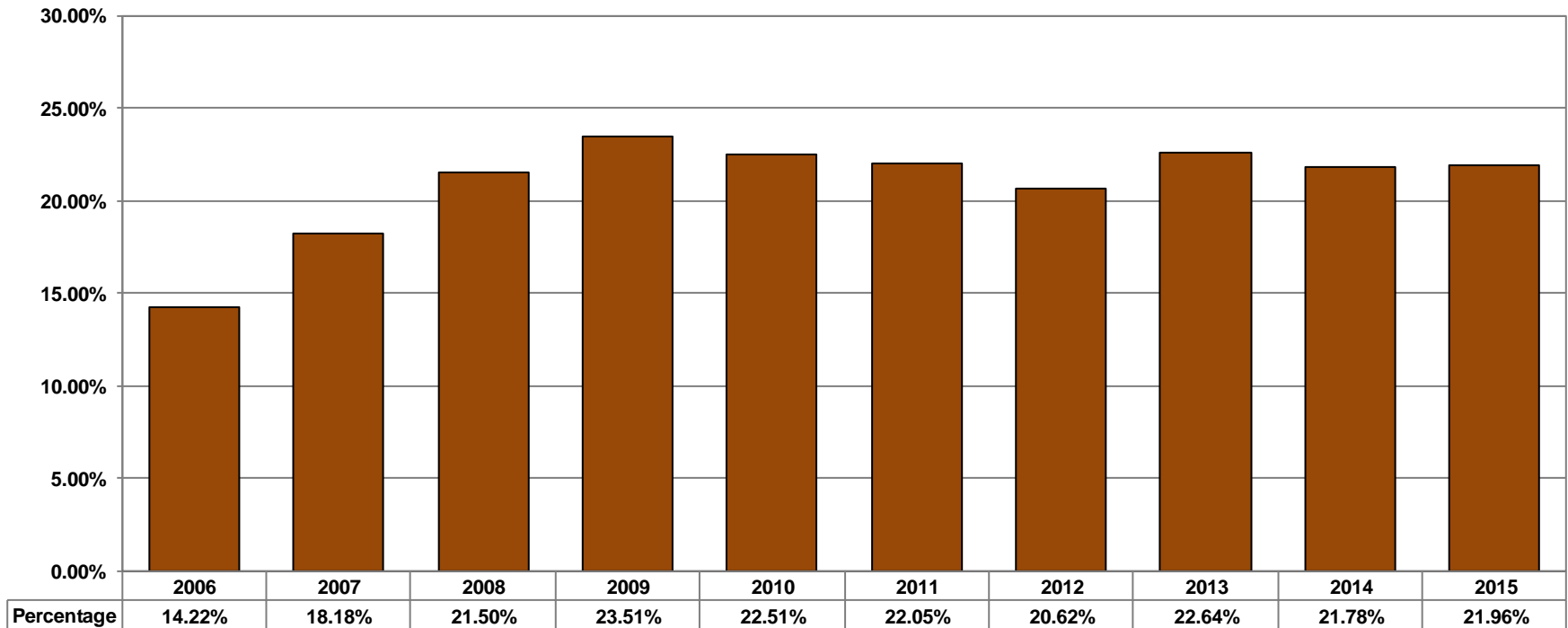
RATING: POSITIVE – WITH CAUTION

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

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

OVERLAPPING DEBT

As a Percentage of Assessed Value



INDICATOR DISCUSSION

Overlapping Debt as a Percentage of Assessed Value

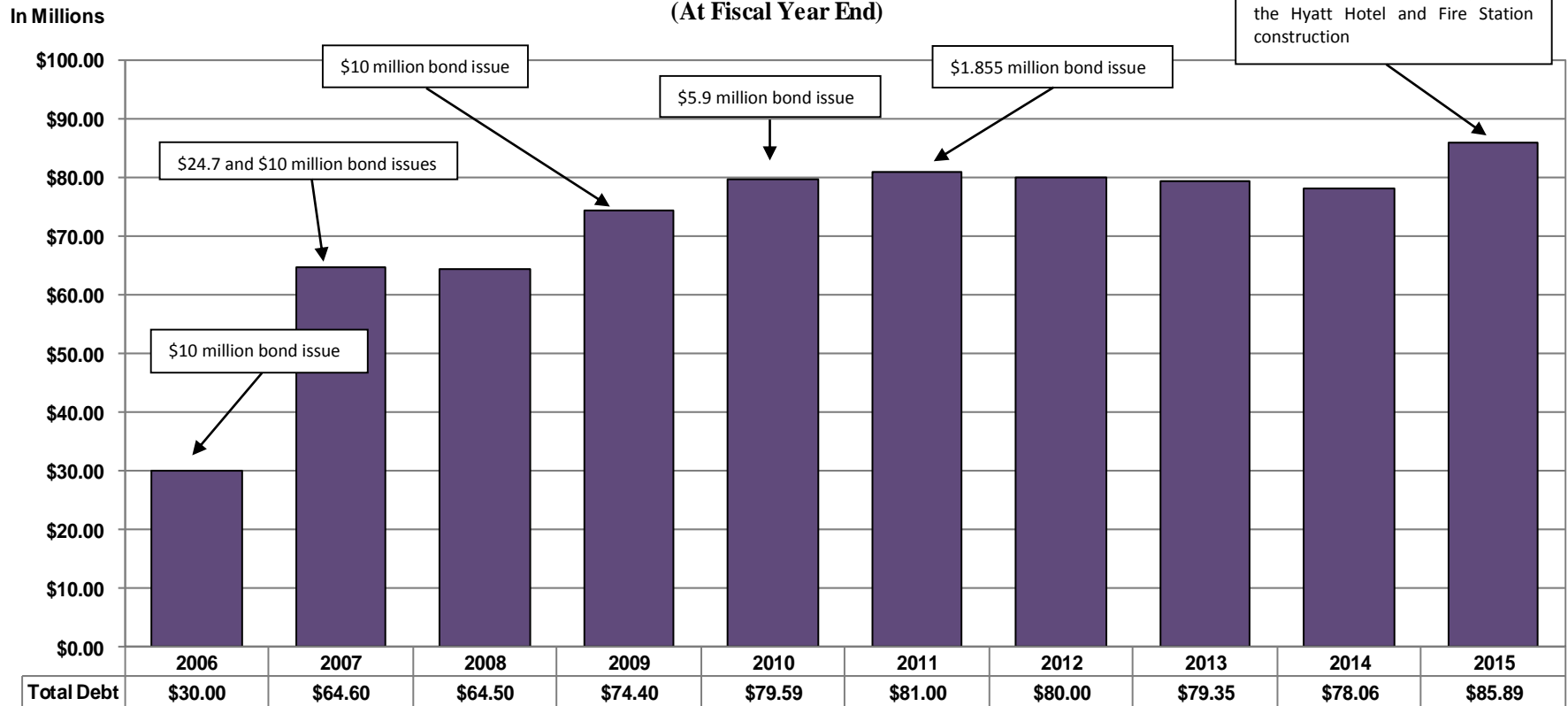
Overlapping debt consists of Normal's net direct bonded debt (including debt supported by Water and Sewer Funds) and the debt of other governmental units within Normal, including Unit 5 School District, McLean County, the Water Reclamation District, Heartland Community College and the Airport Authority.

RATING: POSITIVE – WITH CAUTION

The total overlapping debt increased from \$178.6 million in FY2014 to \$181.9 million in FY2015. The majority of the increase in the overlapping debt was due to the Town issuing bonds in FY2015.

TOTAL DEBT OUTSTANDING

(At Fiscal Year End)



INDICATOR DISCUSSION

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

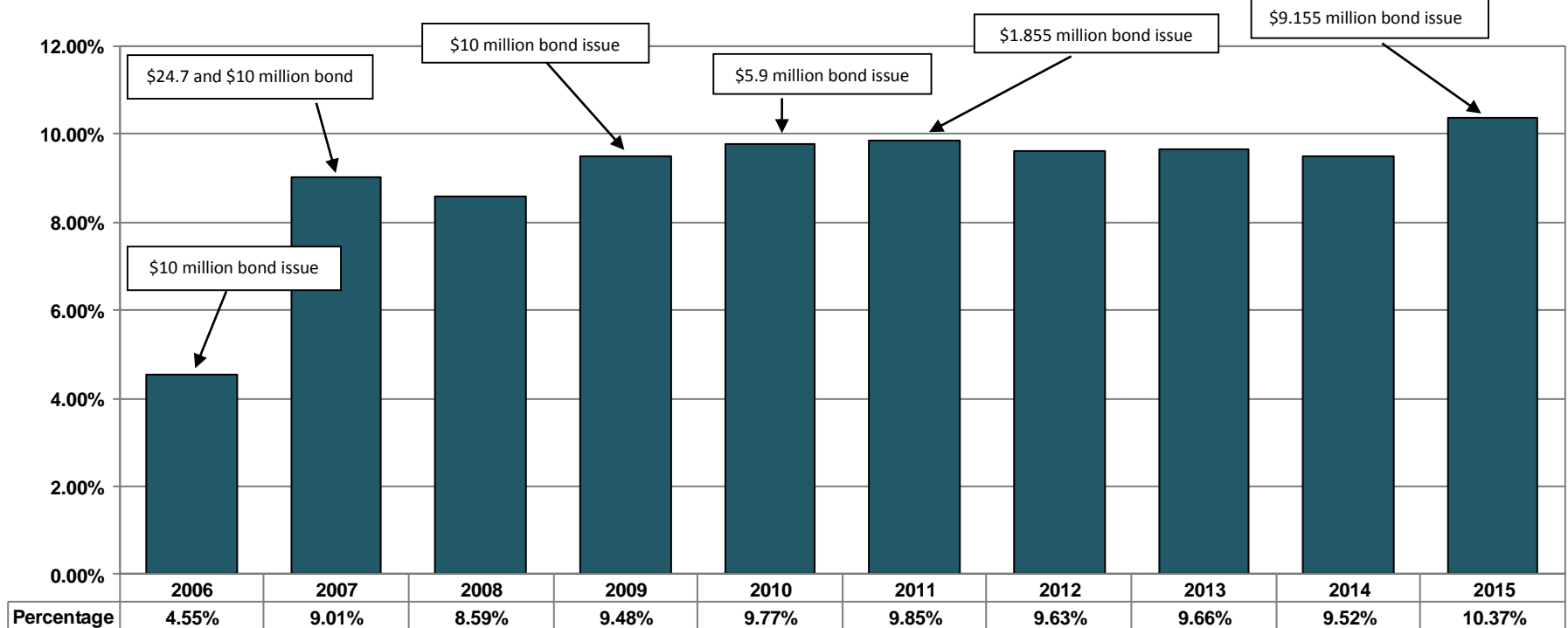
RATING: POSITIVE – WITH CAUTION

This indicator is rated as positive with caution as the Town does have the capacity in its designated revenue sources to support the existing debt, however if more debt is issued, additional revenue sources will be needed. Smaller projects continue to be supported by the Town’s preferred approach of “pay as you go.”

LONG-TERM DEBT

As a Percentage of Assessed Value

(Fiscal Year)



INDICATOR DISCUSSION

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

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

RATING: POSITIVE – WITH CAUTION

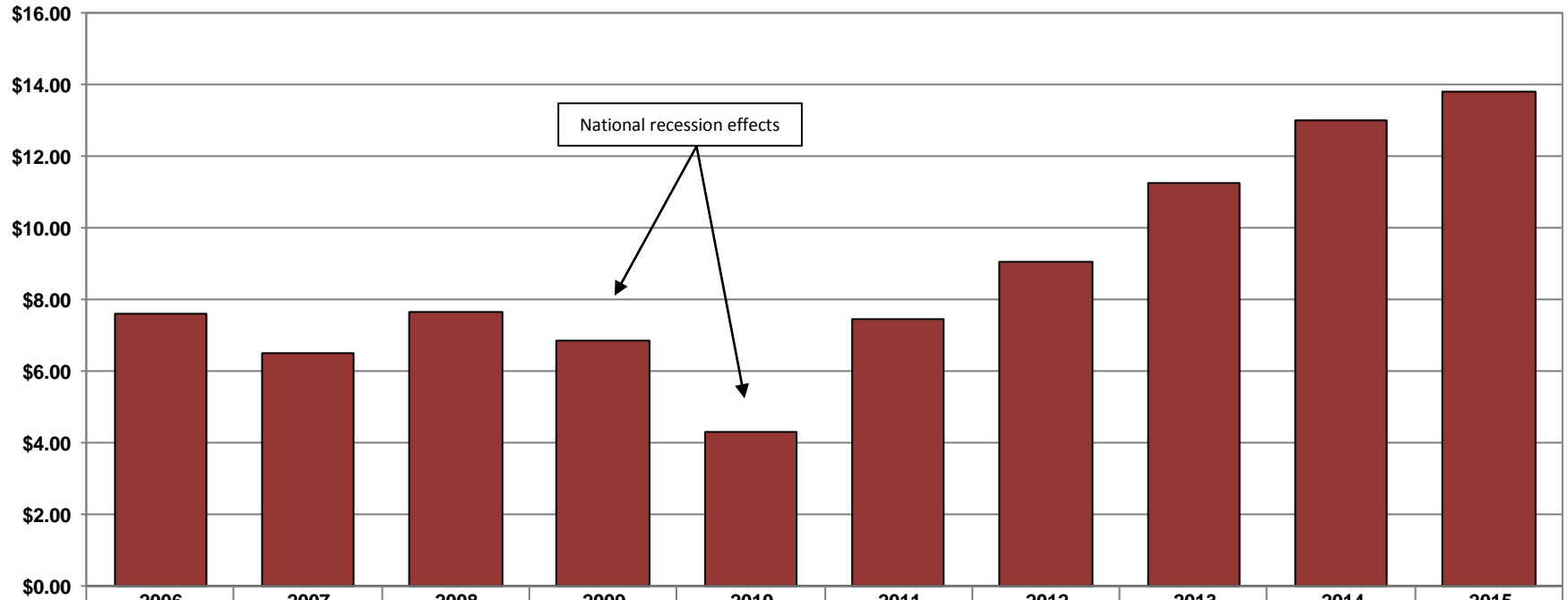
The Town has a long-standing policy of not using the property tax levy to support the debt service related to bonds outstanding on the Uptown redevelopment.

Staff considers a debt amount of 10% (as compared to assessed value) to be a general debt benchmark. The Town is slightly above this benchmark and because of this considers the rating positive with caution.

GENERAL FUND CASH BALANCE

(Fiscal Year)

In Millions



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Cash & Invest	\$7.593	\$6.492	\$7.668	\$6.833	\$4.315	\$7.451	\$9.038	\$11.250	\$13.009	\$13.786
Percent Change	0.5%	-14.5%	18.1%	-10.9%	-36.8%	72.7%	21.3%	24.5%	15.6%	6.0%

INDICATOR DISCUSSION

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

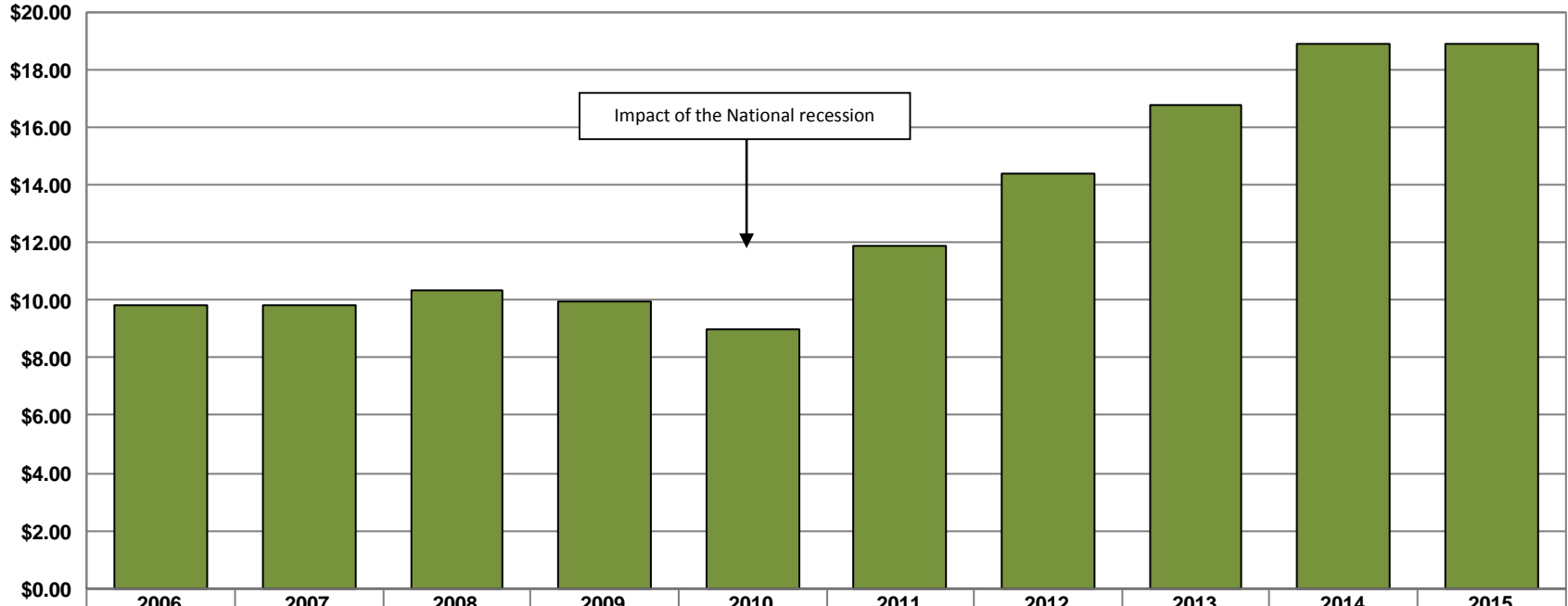
RATING: POSITIVE

This indicator was rated positive as a result of the increase in cash. The increase is primarily driven by receivables collected during the year. Additional cash increases came from carryover projects that have been re-budgeted in the current fiscal year and will draw down the balance in the current fiscal year.

GENERAL FUND BALANCE

(Fiscal Year)

In Millions



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
■ Fund Balance	\$9.84	\$9.81	\$10.32	\$9.98	\$8.98	\$11.86	\$14.43	\$16.81	\$18.88	\$18.94
Percentage Change	4.91%	-0.35%	5.23%	-3.29%	-10.00%	32.09%	21.60%	16.53%	12.34%	0.28%

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.

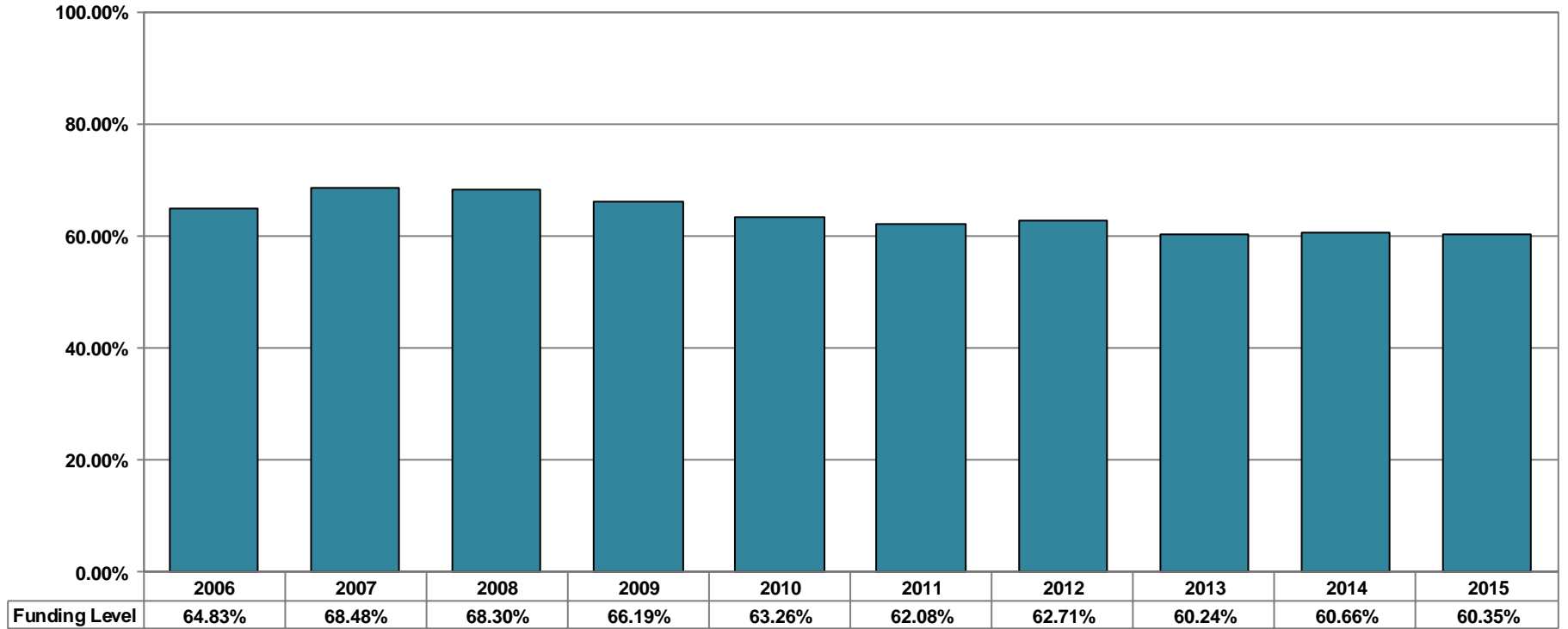
RATING: POSITIVE – WITH CAUTION

Fund balance remained virtually unchanged for FY2014-15. It was a relatively flat year for revenue as the modest increases for both state and local sales tax were offset by a flat income tax year and decreases in utility tax and hotel/motel tax. Fund balance was not significantly affected by this limited revenue performance, due to actual expense levels being significantly below the Town’s estimate. This is a result of the conservative budget practices exercised by staff.

POLICE 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.

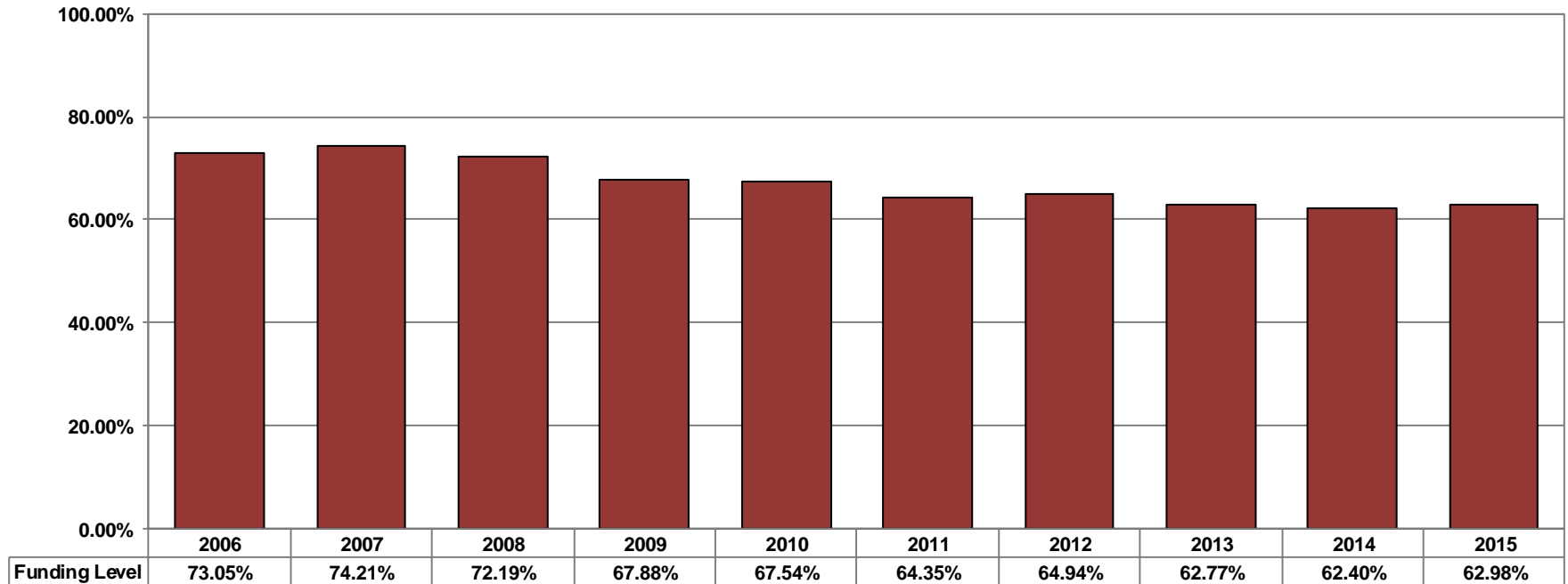
RATING: POSITIVE – WITH CAUTION

Many municipalities continue to struggle with public safety pension funding levels, due in large part to lower than expected investment earnings. Over time, funding levels should increase as investment rates begin to equal or exceed the Town's reduced actuarial investment assumption.

FIRE PENSION PLAN

Funding Levels

(Fiscal Year)



INDICATOR DISCUSSION

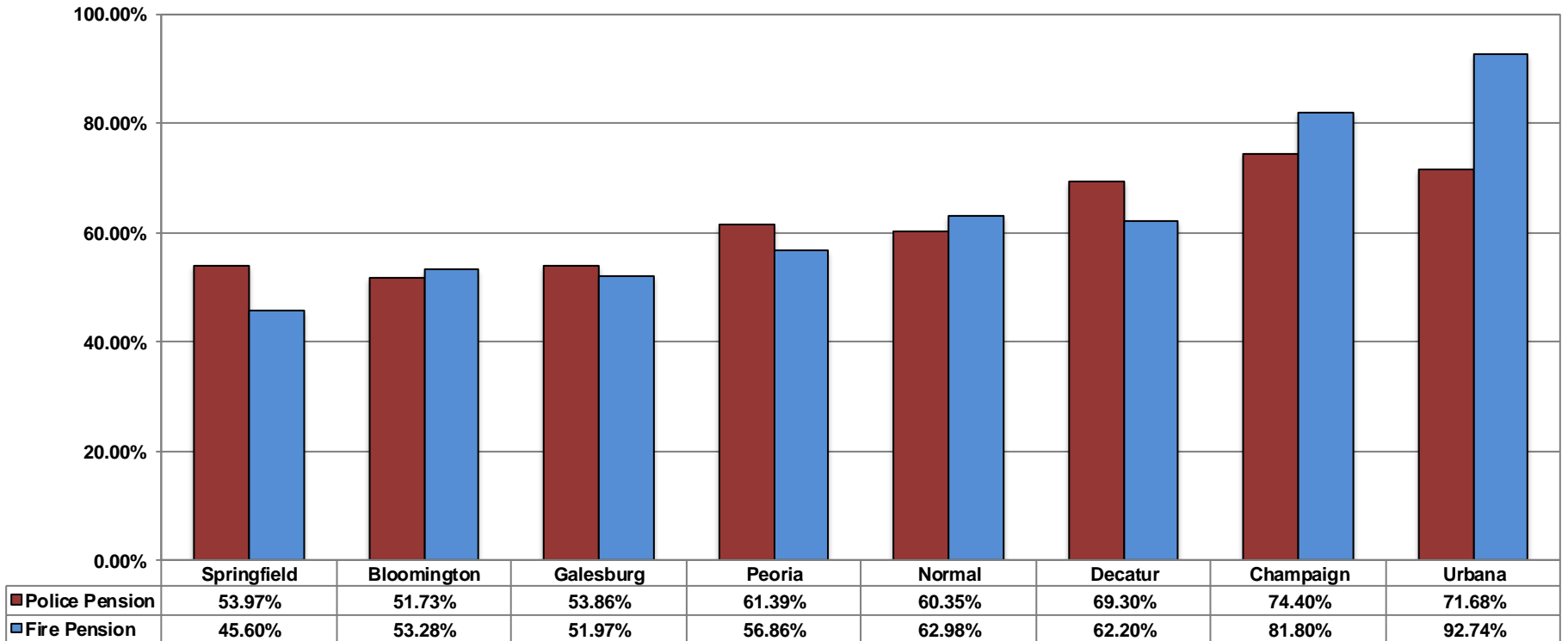
According to State law (effective 1/1/2011), all Illinois fire pension funds must be 90% funded by the year 2040. An upward sloping trend indicates improved financial stability of the fund. It is the Town's goal and funding policy to reach 100% by 2040.

RATING: POSITIVE – WITH CAUTION

Many municipalities continue to struggle with public safety pension funding levels, due in large part to lower than expected investment earnings. Over time, funding levels should increase as investment rates begin to equal or exceed the Town's reduced actuarial investment assumption.

Police & Fire Pension Funding Levels Comparison

(Latest Available Fiscal Year)



INDICATOR DISCUSSION

According to State law (effective 1/1/2011), all Illinois fire and 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: POSITIVE – WITH CAUTION

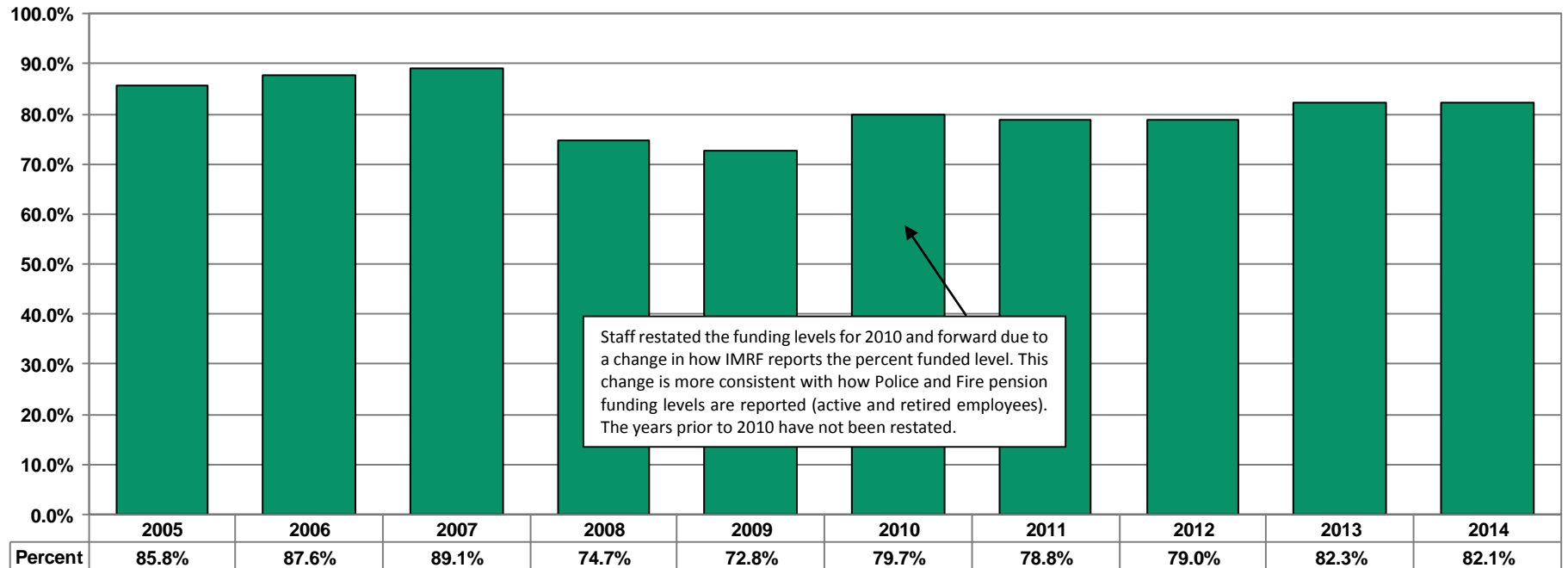
The Town has a prudent stable funding plan in place and staff expects to see continual, yet slow, growth in the funding levels.

IMRF

(Illinois Municipal Retirement Fund)

Funding Levels

(Calendar Year)



INDICATOR DISCUSSION

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

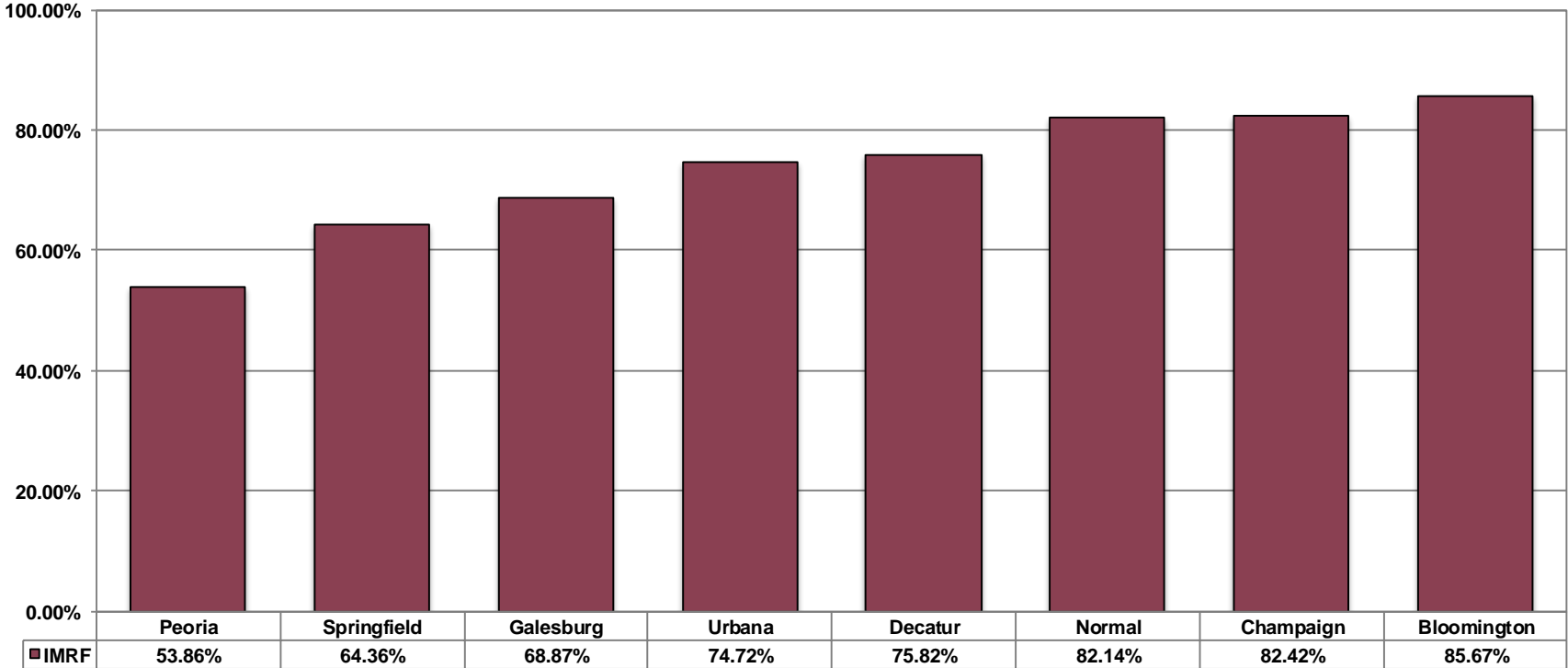
The graph above summarizes the changes in IMRF funding levels that have occurred over time. The IMRF contribution levels are actuarially determined by a private firm employed by the IMRF Board. All active IMRF employees contribute 4.5% of their total earnings. The employer rate established by the IMRF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

RATING: POSITIVE

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

IMRF Funding Level Comparison

(Latest Available Fiscal Year)



INDICATOR DISCUSSION

The above graph compares the Town’s individual IMRF funding level to the funding levels of the seven largest downstate (south of I-80) cities in Central Illinois.

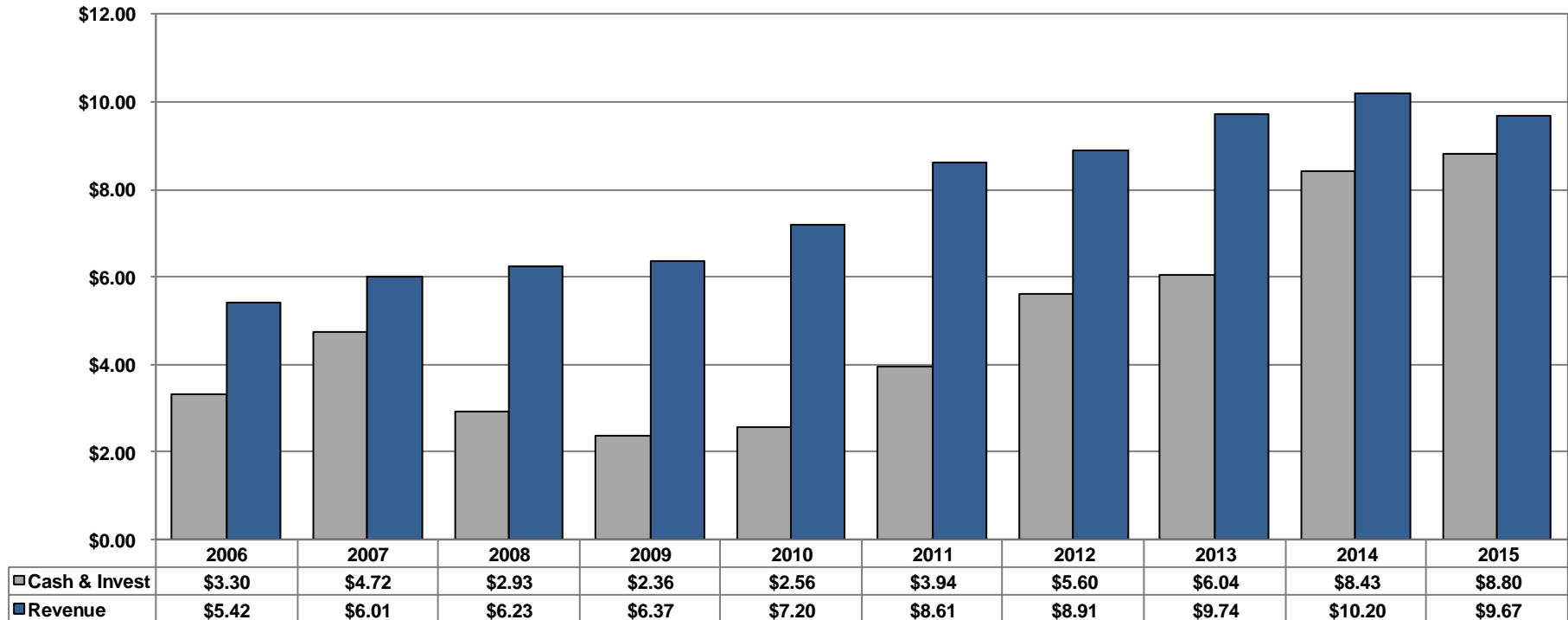
RATING: POSITIVE

The Town has one of the highest IMRF percentage funding levels among the seven largest downstate cities.

WATER FUND

(Fiscal Year)

In Millions



INDICATOR DISCUSSION

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

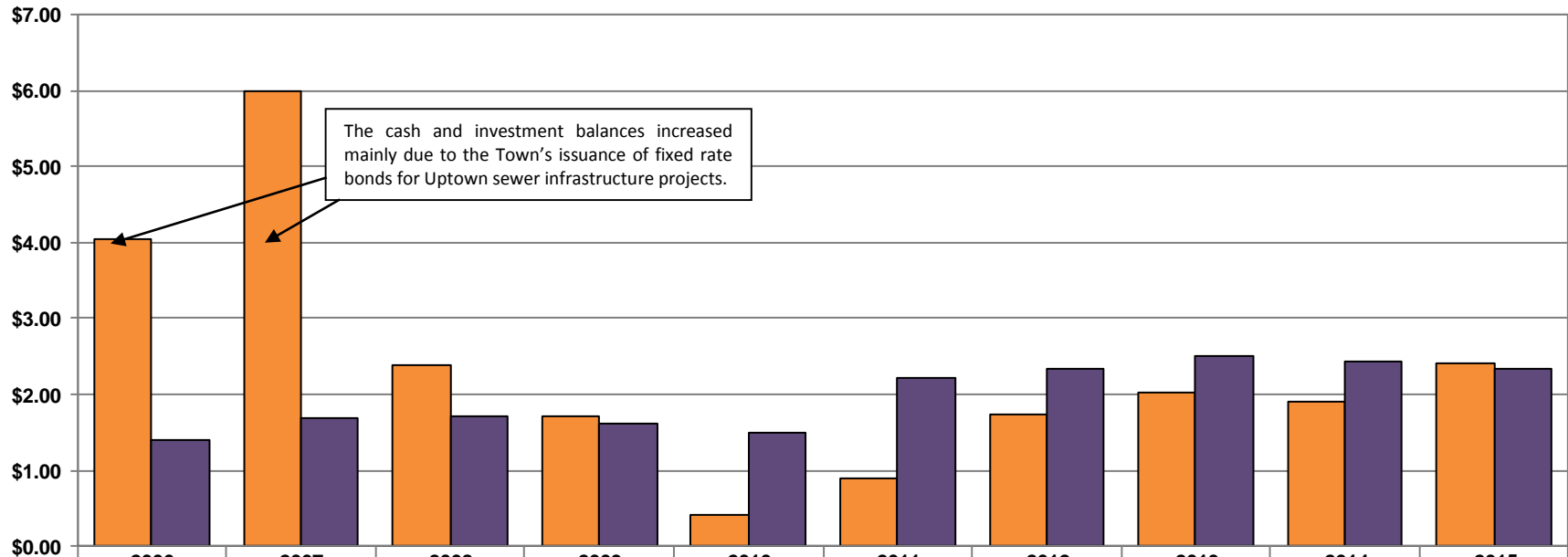
RATING: POSITIVE

The Water Fund's financial position remains strong, both for operational needs and capital infrastructure projects. It should be noted that the last rate increase was on 4/1/2013. A new comprehensive rate study is needed to ensure the water system remains fiscally strong.

SEWER FUND

(Fiscal Year)

In Millions



2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Cash & Invest	\$4.04	\$5.98	\$2.38	\$1.72	\$0.41	\$0.90	\$1.73	\$2.03	\$1.91	\$2.41
Revenue	\$1.41	\$1.68	\$1.70	\$1.62	\$1.49	\$2.23	\$2.34	\$2.52	\$2.43	\$2.35

INDICATOR DISCUSSION

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

RATING: POSITIVE – WITH CAUTION

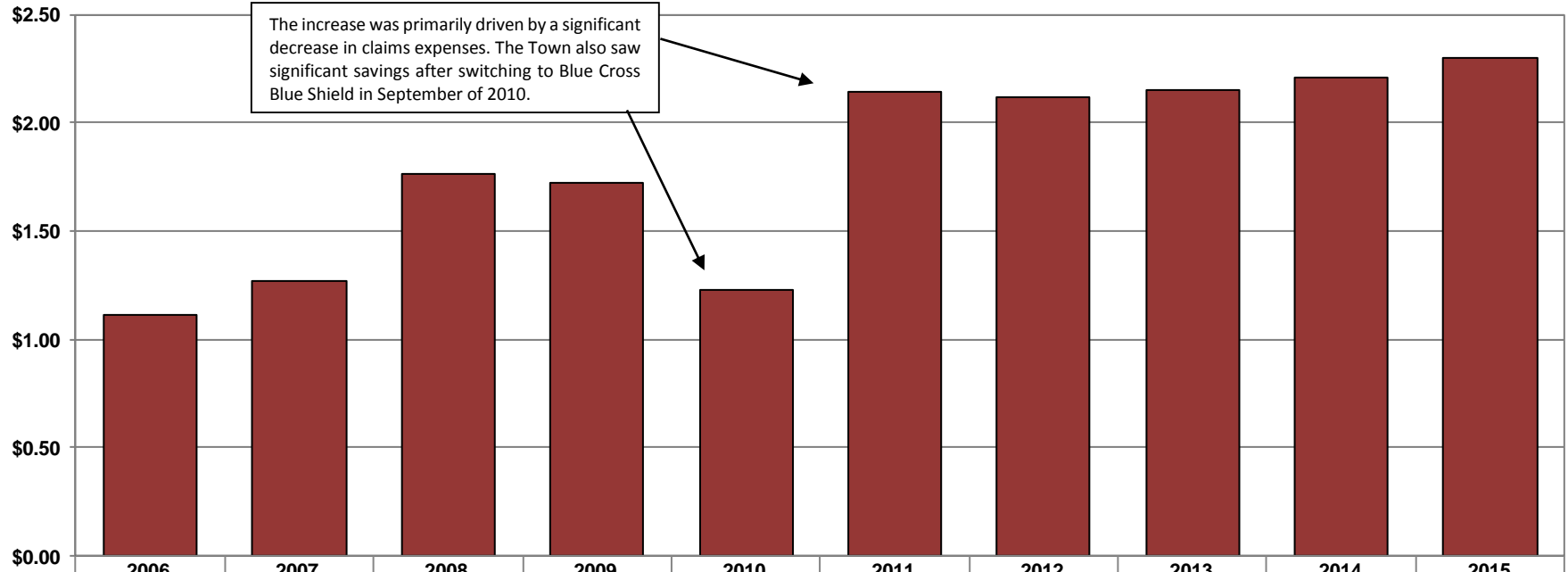
The Sewer Fund's financial position is positive, but not as financially strong as staff would prefer. Staff does plan to undertake a more comprehensive rate study to determine the appropriate rate structure to fund future operational and capital investment needs.

Health & Dental Insurance Fund

Fund Balance

In Millions

(Fiscal Year)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
■ Fund Balance	\$1.11	\$1.27	\$1.76	\$1.72	\$1.23	\$2.14	\$2.12	\$2.15	\$2.21	\$2.29
Percent Change	189.78%	14.12%	38.89%	-2.14%	-28.62%	73.68%	-0.93%	1.52%	2.76%	3.85%

INDICATOR DISCUSSION

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

RATING: POSITIVE

The Health and Dental Fund balance increased from last year. This increase is the result of a lower than expected claim year. Staff monitors this fund closely due to the volatility of the healthcare industry. To manage this volatility, the Town maintains excess insurance and a conservative reserve fund balance.

Financial Strategies

General Fund Operating Reserves – Positive Outlook

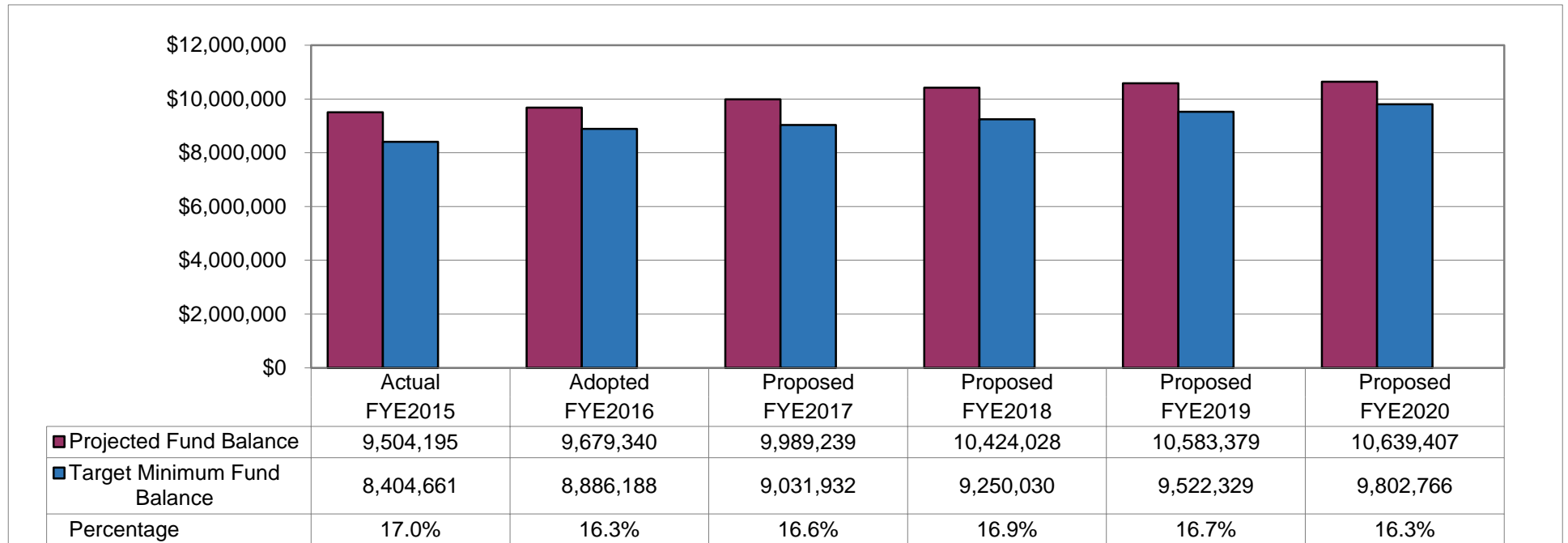
Management Strategy: Maintain a projected 15% fund balance for all budget years presented in the 5-year budget.

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

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

Measuring the General Fund Operating Reserve

As part of the budget planning process, Finance calculates the fund balance for budgetary purposes (spendable fund balance) as the year ending cash balance less current liabilities. This projection of General Fund balance takes into account the FY2014-15 results and projections from the approved budget for FY2015-16.



Vehicle and Equipment Reserves – Negative Outlook

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

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

Fiscal Year	Planned Spending	Planned Fund Balance	Above/(Below)
FY 2015-16	2,287,056	2,896,212	(245,357)
FY 2016-17	2,715,845	2,414,606	(726,963)
FY 2017-18	2,091,523	2,805,988	(335,581)
FY 2018-19	4,170,287	1,261,203	(1,880,366)
FY 2019-20	3,015,150	2,171,639	(969,930)

Average	2,855,972
110%	3,141,569

Contingency Funding – Positive Outlook

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

The Town frequently utilizes its contingency funds for unexpected needs and/or opportunities and it is management’s practice to maintain an annual contingency fund equal to or above 1% of planned General Fund expenditures.

Fiscal Year		Expenditures	Management Strategy	Current Planned
FYE2015	Actual	57,198,931	1.3%	\$750,000
FYE2016	Proposed	59,241,250	0.7%	\$430,000
FYE2017	Proposed	60,212,880	1.2%	\$750,000
FYE2018	Proposed	61,666,866	1.2%	\$750,000
FYE2019	Proposed	63,482,196	1.2%	\$750,000
FYE2020	Proposed	65,351,773	1.1%	\$750,000

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
FYE15	55,851,008	4,229,423	7.6%
FYE16	59,416,395	4,948,999	8.3%
FYE17	60,522,779	5,154,545	8.5%
FYE18	62,101,655	5,558,435	9.0%
FYE19	63,641,547	5,492,061	8.6%
FYE20	65,407,801	5,705,261	8.7%

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 FY2015-16 Budget.

Fiscal Year	(1) Rev/Exp	(2) Rev +
	1.00	Bal/Exp 1.25
FYE15	0.99	1.82
FYE16	0.96	1.51
FYE17	1.08	1.42
FYE18	1.00	1.41
FYE19	1.00	1.44
FYE20	0.96	1.37

Health Insurance Reserve – Positive Outlook

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

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

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

Below is our calculation of the reserve as well as projections from the adopted FY2015-16 budget.

Line Item	Proposed FY2016	Proposed FY2017	Proposed FY2018	Proposed FY2019	Proposed FY2020
Beginning Fund Balance	2,196,549	2,305,122	2,449,799	2,667,638	2,927,279
Revenue	5,599,560	5,895,830	6,206,880	6,535,640	6,881,840
Expenditures	5,490,987	5,751,153	5,989,041	6,275,999	6,576,833
Ending Fund Balance	2,305,122	2,449,799	2,667,638	2,927,279	3,232,286
Target Balance	2,059,915	2,465,341	2,567,316	2,690,326	2,819,284

2014-15		
Month	Monthly Spending	Min Balance
April	598,095	598,095
May	358,067	
June	319,344	
July	343,521	
August	295,969	
September	331,802	
October	363,691	
November	568,382	568,382
December	357,840	
January	494,313	494,313
February	399,125	399,125
March	375,226	
Total	4,805,375	2,059,915

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.

