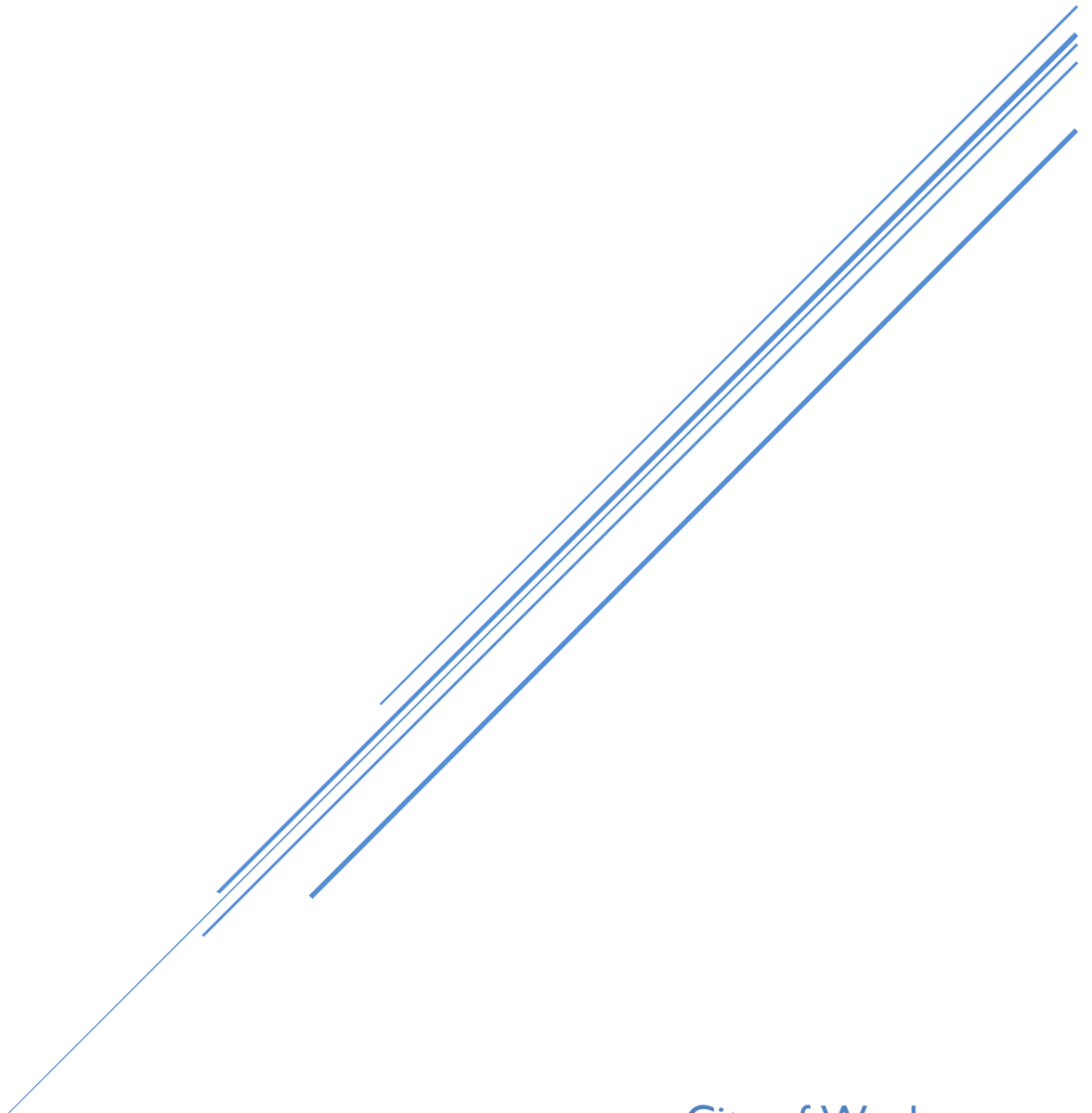


FIDUCIARY FUNDS

May 1, 2017 - April 30, 2018



City of Waukegan
Proposed Budget

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FIDUCIARY FUNDS OVERVIEW

Fiduciary Funds are used to account for resources held by the city, but restricted to uses outside of the government's ongoing operations. The Police and Fire Pension Funds are subject to the city's appropriation, but are managed by independent boards. The Fiduciary Funds are also where the city accounts for the Stabilization ("Working Cash" or "Rainy Day") Fund that is used to provide for liquidity, meet unexpected revenue shortfalls, and address financial emergencies.

Sources & Uses of Funds	
Revenues	\$29,882,000
Expenditures	-13,372,000
Surplus / (Deficit) before transfers	16,510,000
Transfers-In	900,000
Transfers-Out	-2,600,000
Surplus / (Deficit) after transfers	14,810,000

It is important that these funds generate an operating surplus so it can be allocated back to the funds' assets for future obligations. For example, pension funds must sustain balances sufficient to meet current retiree payments, as well as account for the longer term liabilities of pensions currently accruing but not yet payable. While the City Council does not control the actions of the independent pension boards the city does appropriate the annual budget and report the financial activity in its year-end audit. The employee contributions to the pension funds are dictated by state statute, and the city's employer contribution is calculated annually by an independent actuary. The fiscal health of the city's pension systems is a significant measure used by bond rating agencies in assessing the city's credit worthiness.

Waukegan's Stabilization Fund was established in 2009 by the issuance of Working Cash Bonds. Currently, the city follows an official stabilization policy adopted in August 2102 by the City Council. This policy restricts the use of the stabilization funds and dictates minimum balance requirements. The fund and the policy were established to recognize the importance of maintaining adequate cash reserves to stabilize the city's finances, address unanticipated revenue shortfalls and respond to emergencies.

PENSION FUNDS

Pension fund revenues are made up of three sources: employer contribution, employee contributions, and investment income. The employer contribution, calculated by an independent actuary, is based upon benefit levels, demographics, and investment returns. The city funds this obligation via property and gaming taxes. The Waukegan Police and Fire Pension Funds remit monthly pension benefit payments to the city's retired or disabled police officers and firefighters, or their surviving beneficiaries.

For FY18 the employer contribution for the Police Pension Fund is budgeted for a total of \$8.5 million and another \$5.9 million for the Fire Pension Fund. Of this amount, \$13.4 is from the city's property tax levy and just under \$1 million is from gaming revenues. In 2014, the City Council adopted a resolution to contribute all Video Gaming Act revenues to the Police and Fire Pension Funds. In addition to the employer contribution, the police and fire employees' contribution is 9.91% and 9.45% respectively of their pay per state statute. The employee contributions for both funds are projected to be \$1.3 million attributed to active police officers and \$922 thousand from active firefighters for the fiscal year. Lastly, interest and investment income is projected to total \$13.2 million based on prior investment experience of both funds combined.

Annual expenditures include the disbursement of monthly retirement benefits, beneficiary benefits, and disability benefits estimated to total \$12.8 million for FY18 covering both funds. Professional services related to management of funds, including investment advisory and legal services, are expected to reach \$439 thousand for the fiscal year.

STABILIZATION FUND

The Stabilization or "Working Cash" Fund was established in 2009 when the city issued long-term bonds for the purpose of maintaining adequate cash reserves. Investment incomes and unanticipated revenues make up the Working Cash Fund, whereas permanent withdrawals must meet specific criteria as detailed in the Stabilization Fund Policy, as established by the City Council through Resolution 12-R-67.

The City anticipates making a \$2.5 million lump-sum payment from Working Cash Reserves to settle a police liability claim. As the expense is tied to the Police Department, the monies will be transferred to the General Fund and the payment appropriately recorded. This is being offset by a \$900 thousand insurance carrier recovery coming into the Stabilization Fund from the Safety & Risk Fund. A non-recurring expense of \$150 thousand to contribute to the Waukegan Public Library, replacing lost State of Illinois grant revenue, is included in the budget. Two additional permanent transfers out include \$70 thousand to the Planning Grant Fund providing for the city's local match should it be awarded a grant related to the Washington Street Corridor redevelopment plan and a \$30 thousand transfer to the Scoop the Loop Genesee Fund to subsidize this annual event. Further information regarding this transfer may be found in the **General Fund** and **Special Revenue** sections of this report.

LINE ITEM DETAIL

Fnd 714	WORKING CASH FUND	
Acc 806	Transfers From	
714 63660	Transfers From	-900,000

Acc 806	Transfers From	-900,000
Acc 902	Expenditures	
714 171424481	Contribution Ex	150,000

Acc 902	Expenditures	150,000
Acc 903	Transfers To	
714 68100	Transfers to Ge	2,500,000
714 68251	Transfers to Pl	70,000
714 68267	Transfers to Sc	30,000

Acc 903	Transfers To	2,600,000

Fnd 714	WORKING CASH FUND	1,850,000
Fnd 719	POLICE PENSION FUND	
Acc 803	Revenues	
719 30000	Property Tax	-8,000,000
719 30730	Gaming Video Ta	-492,000

Acc 803	Revenues	-8,492,000
Acc 804	Revenues	
719 46100	Interest Earned	-3,000
719 46125	Interest Earned	-786,000
719 48900	Miscellaneous R	-1,000
719 49220	Income From US	14,000
719 49223	Income Fr Mutua	-1,063,000
719 49225	(Gain) Loss on	-5,788,000

Acc 804	Revenues	-7,627,000
Acc 805	Revenues	
719 58000	Retiree Contrib	-1,320,000

Acc 805	Revenues	-1,320,000

Acc 902	Expenditures	
719 171922465	Pension Fund Mo	7,053,000
719 171924407	Bank Service Ch	35,000
719 171924429	Conference & Tr	4,000
719 171924432	Postage	
719 171924437	Legal Services	21,000
719 171924438	Other Professio	55,000
719 171924443	Membership Dues	1,000
719 171924665	Investment Expe	109,000
719 171924696	St of IL-DOI Co	8,000
719 171925468	Operating Suppl	

Acc 902	Expenditures	7,286,000

Fnd 719	POLICE PENSION FUND	-10,153,000
	FIRE FIGHTER'S PENSION FUND	
Fnd 720	FUND	
Acc 803	Revenues	
720 30000	Property Tax	-5,430,000
720 30730	Gaming Video Ta	-492,000

Acc 803	Revenues	-5,922,000
Acc 804	Revenues	
720 46100	Interest Earned	17,000
720 46125	Interest Earned	-540,000
720 46130	Interest Earned	-664,000
720 48900	Miscellaneous R	-1,000
720 49220	Income From US	555,000
720 49221	(G) L on Sale o	-4,966,000

Acc 804	Revenues	-5,599,000
Acc 805	Revenues	
720 58000	Retiree Contrib	-922,000

Acc 805	Revenues	-922,000
Acc 902	Expenditures	
720 172022465	Pension Fund Mo	5,730,000
720 172024040	Fiduciary Insur	12,000

720 172024407	Bank Service Ch	26,000
720 172024429	Conference & Tr	7,000
720 172024437	Legal Services	4,000
720 172024438	Other Professio	50,000
720 172024443	Membership Dues	1,000
720 172024665	Investment Expe	92,000
720 172024696	St of IL-DOI Co	8,000
720 172025480	Miscellaneous E	6,000

Acc 902	Expenditures	5,936,000

	FIRE FIGHTER'S PENSION	
Fnd 720	FUND	-6,507,000