

2018-2019

FIDUCIARY FUNDS



MAYOR CUNNINGHAM AT SGT. H. WHITE DEDICATION NOV 2017. WKN PR DEPT PHOTO CREDIT.

PROPOSED BUDGET

City of Waukegan

2018-2019

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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.

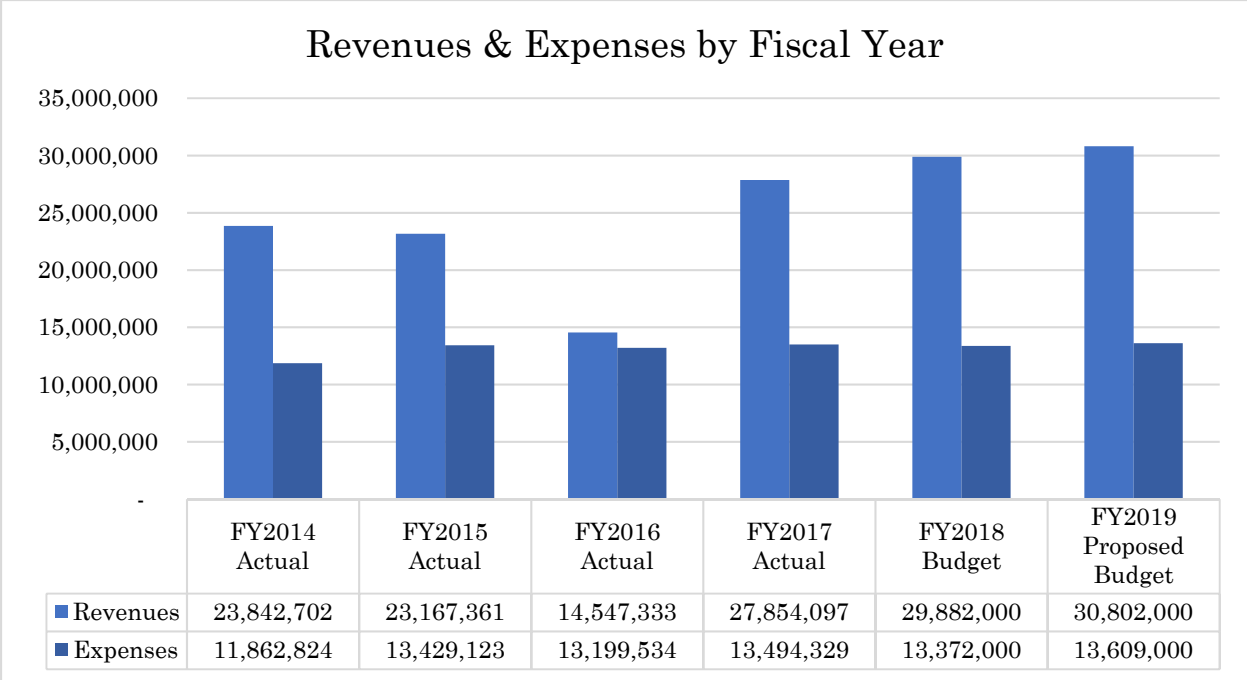
Pension funds must sustain balances sufficient to meet current retiree payments, as well as account for the longer term liabilities of pensions currently accruing but not yet payable. While the City Council does not control the actions of the independent pension boards, the city does approve the appropriation of these funds and reports the financial activity in its year-end audit. 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 2012 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.

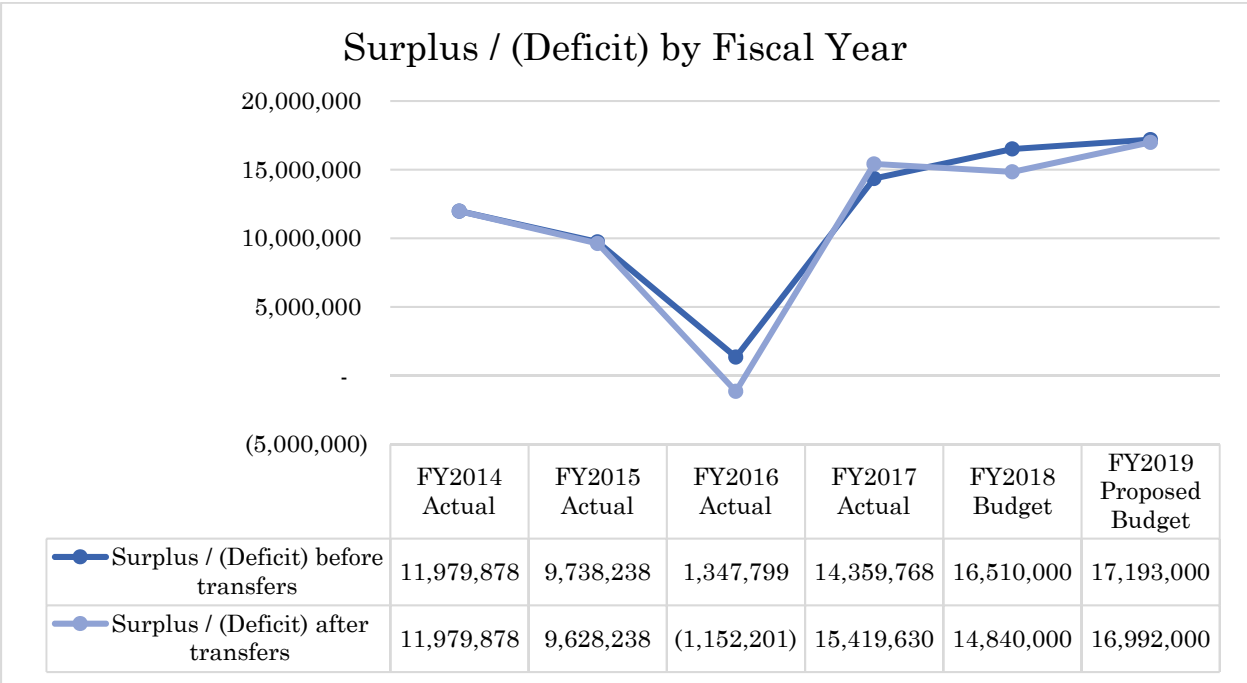
SOURCES & USES OF FUNDS

Sources & Uses of Funds	
Revenues	\$30,802,000
Expenditures	-13,609,000
Surplus / (Deficit) before transfers	17,193,000
Transfers-In	0
Transfers-Out	-201,000
Surplus / (Deficit) after transfers	16,992,000

The Fiduciary Funds projected revenues are \$30.8 million for FY19, and expenses are estimated at \$13.6 million resulting in a surplus before transfers of \$17.2 million. After a transfer out of the Fiduciary Funds to the Debt Service Funds of \$201 thousand, the surplus after transfers is expected to be \$17.0 million.

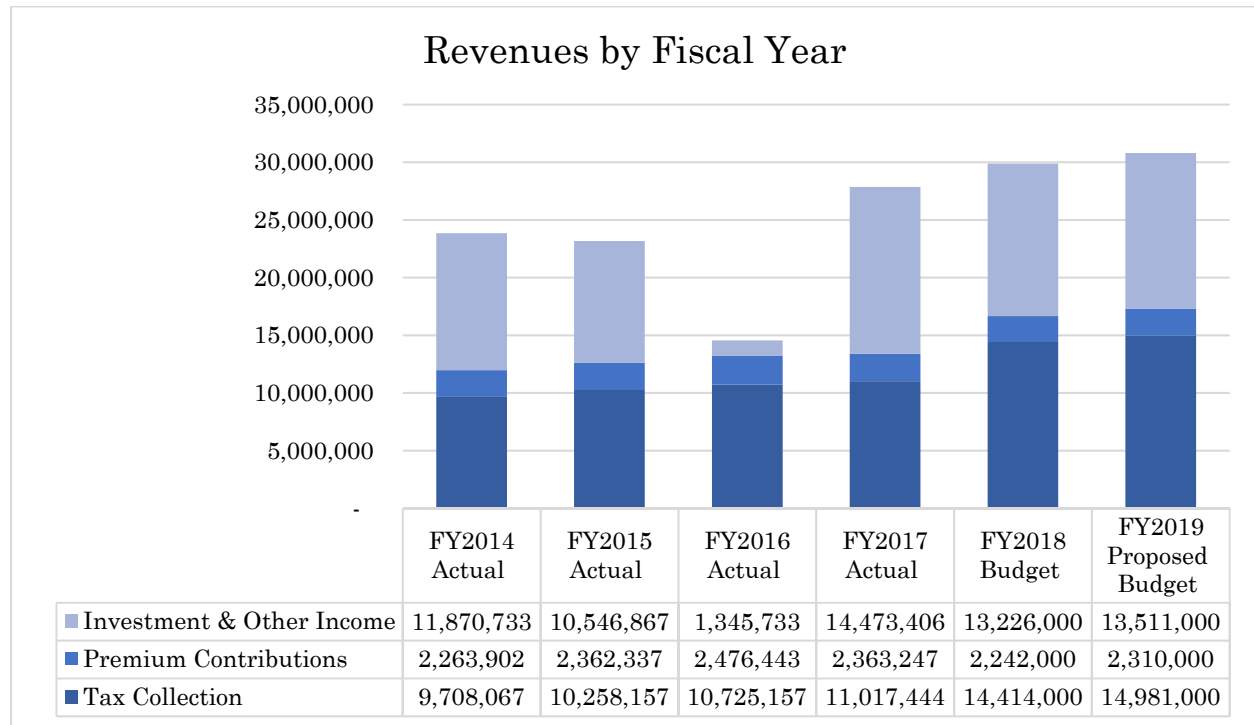


Fiduciary Funds FY19 revenues are estimated to increase by 3%, or \$920 thousand, over the prior year budget, and have grown by 29% since FY14. Expenses are estimated to increase 2%, or \$237 thousand versus the prior year budget, and have increased 15% since FY14.



The Fiduciary Funds are expected to generate a surplus of \$17.2 million, and after transfer out of \$201 thousand, have a resulting surplus of \$17.0 million. An operating surplus is expected in the Fiduciary Funds as the employer and employee contributions made on a regular basis are geared toward covering current retiree disbursements as well as providing adequate asset balances to account for pension benefits currently accruing but not yet payable.

REVENUES

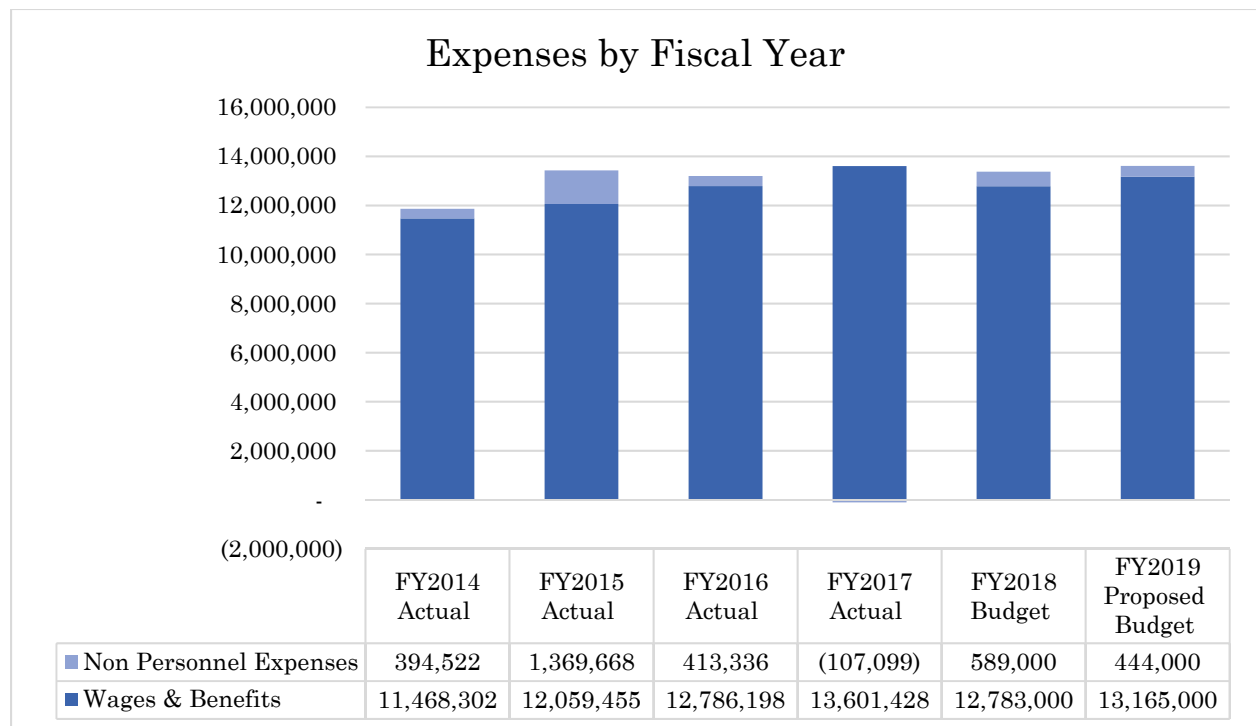


Pension fund revenues of \$30.8 million are made up of three sources: employer contribution (tax collection), employee contributions (premium contributions), and investment income. The employer contribution, calculated by an independent actuary, is based upon benefit levels, demographics, and investment returns. The city funds this obligation via property and gaming taxes. The employee contributions to the pension funds are dictated by state statute. 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 FY19 the employer contribution for the Police Pension Fund is budgeted for a total of \$8.8 million and \$6.2 million for the Fire Pension Fund. Of this amount, \$14.0 million is from the city's property tax levy and \$1.0 million is from gaming revenues. This reflects a 4%, or \$567 thousand increase from the prior year budget. 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 \$2.3 million with \$1.4 million attributed to active police officers and \$950 thousand from active firefighters for the fiscal year. This is a 3% increase over the FY18 budget, and is consistent with projected wage increases for sworn police and fire. Lastly, interest and investment income is projected to total \$13.5 million based on prior investment experience of both funds combined. There is no revenue projected for the Stabilization Fund in FY19.

EXPENSES



Annual expenditures from the Fiduciary Funds include the disbursement of police and fire monthly retirement benefits, beneficiary benefits, and disability benefits estimated to total \$13.2 million for FY19. This accounts for 97% of the Fiduciary Fund spending for the fiscal year. Non-personnel related expenses include professional services such as fees paid to investment managers, attorneys, and accountants associated with Police and Fire Pension Fund activities. Those amounts are expected to reach \$444 thousand for the fiscal year. Reductions in investment manager fees are the reason for the reduced FY19 budget compared to the prior year.

The City anticipates making a \$201 thousand transfer out of the Stabilization Fund to the Debt Service Funds to defray the cost of lease payments due for snow plow

trucks and ambulances during FY19 which were not included on the annual tax levy. In prior years, these lease payments were paid by the General Fund; however due to the operating deficit projected in the General Fund, a permanent transfer out of the Stabilization Fund will be necessary to meet this debt obligation. As this reduces the City's long-term debt, specifically related to the repayment of a capital lease for the purchase of public works and fire equipment, it is allowable under the Stabilization Policy.

LINE ITEM DETAIL

FUND 714 STABILIZATION FUND

Transfers Out

714	68455	Transfers to Ca	201,000	
				201,000

FUND 719 POLICE PENSION FUND

Revenues

719	30000	Property Tax	-8,266,000	
719	30730	Gaming Video Ta	-500,000	
719	46100	Interest Earned	-5,000	
719	46125	Interest Earned	-700,000	
719	48900	Miscellaneous R	-1,000	
719	49220	Income From US	-200,000	
		Income Fr		
719	49223	Mutua	-900,000	
719	49225	(Gain) Loss on	-5,500,000	
719	58000	Retiree Contrib	-1,360,000	
				-17,432,000

Expenses

		Pension Fund		
719	171922465	Mo	7,265,000	
719	171924040	Fiduciary Insur	10,000	
719	171924407	Bank Service Ch	36,000	
719	171924429	Conference & Tr	5,000	
719	171924437	Legal Services	22,000	
719	171924438	Other Professio	56,000	
		Membership		
719	171924443	Dues	1,000	
719	171924665	Investment Expe	100,000	
719	171924696	St of IL-DOI Co	8,000	

7,503,000

FUND 720 FIRE PENSION FUND

Revenues

720	30000	Property Tax	-5,715,000
720	30730	Gaming Video Ta	-500,000
720	46100	Interest Earned	-30,000
720	46125	Interest Earned	-500,000
720	46130	Interest Earned	-675,000
720	49221	(G) L on Sale o	-5,000,000
720	58000	Retiree Contrib	-950,000

-13,370,000

Expenses

		Pension Fund	
720	172022465	Mo	5,900,000
720	172024040	Fiduciary Insur	12,000
720	172024407	Bank Service Ch	26,000
720	172024429	Conference & Tr	8,000
720	172024437	Legal Services	4,000
720	172024438	Other Professio	52,000
		Membership	
720	172024443	Dues	1,000
720	172024665	Investment Expe	95,000
720	172024696	St of IL-DOI Co	8,000

6,106,000

-16,992,000