



Fiduciary Funds

City of Waukegan Proposed Budget

Fiscal Year May 1, 2020 to April 30, 2021

Introduction

The City maintains Fiduciary Funds 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 in accordance with state statute. The Governmental Accounting Standards Board (GASB) provides guidance that requires separate and distinct accounting of funds set aside for stabilization purposes. Therefore, 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.

Overview

The Fiscal Year May 1, 2020 to April 30, 2021 (FY21) Fiduciary Funds proposed budget calls for \$30.2 million in revenues, \$15.7 million in expenses, and transfers-out of \$376 thousand for a surplus, after transfers, of \$14.2 million. A surplus is to be expected as the Pension Funds generate a positive cash flow in order to meet current retiree payments, as well as account for the longer term liabilities of pensions currently accruing but not yet payable.

<i>Revenues</i>	30,243,000
<i>Expenses</i>	(15,700,000)
<i>Surplus / (Deficit) before transfers</i>	14,543,000
<i>Transfers in</i>	0
<i>Transfers (out)</i>	(376,000)
<i>Surplus / (Deficit) after transfers</i>	14,167,000

Discussion

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, of which \$15.7 million is expected for this purpose for FY21. The employee contributions to the Pension Funds are dictated by state statute, a combined \$2.6 million estimated for FY21. The investment management of the Funds are under the control of the independent Pension Boards. 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. The two funds combined are projected to disburse \$15.1 million in these benefits during FY21. The Funds also incur expenses for professional services such as investment management, accounting, and legal.

The Stabilization Fund cash balances are managed by the City Treasurer, and for FY21 the only revenue projected for the Fund is interest income. The City anticipates \$376 thousand in transfers out of the Stabilization Fund in order to match grants sought by the City's Planning Department and Fire Department, which are discussed further in the Special Revenue Funds' section of this report. According to City Treasurer reports, the unaudited balance of the Stabilization Fund as of the end of February 2020 is \$8.8 million. Per the City's adopted Stabilization Policy, an amount of 8% of the General Fund expenditures must be held in reserve, and based upon the proposed budget the required reserve will be \$6.1 million for FY21. Please note these are estimates only, and the amounts of the Fund and the required reserve are impacted by final audit entries as well as the final appropriation approved by Council.

Actual revenues, expenses, and transfers from prior years, FY20 adjusted budget, and FY21 proposal are shown below. Line item detail for the FY21 budget proposal may be found in the attached Appendix.

FIDUCIARY FUNDS	FY17 ACTUAL	FY18 ACTUAL	FY19 ACTUAL	FY20 ADJ BUDGET	FY21 PROP BUDGET	CHG FY21 VS. FY20 BUDGET	
Revenues							
Sub 3000 Tax Collection	-11,017,444	-14,510,483	-15,036,056	-15,265,000	-15,712,000	3%	-447,000
Sub 3400 Fees		-6,200	-2,850			N/A	0
Sub 4600 Interest Earned	-2,064,352	-2,384,326	-2,742,453	-2,385,000	-851,000	-64%	1,534,000
Sub 4800 Miscellaneous Revenue	-1,717	-35,225	-57,657	-1,000		-100%	1,000
Sub 4900 Other Financing Sources	-12,407,337	-10,415,447	-7,934,855	-8,820,000	-11,130,000	26%	-2,310,000
Sub 5800 Premium Contributions	-2,363,247	-2,386,263	-2,557,448	-2,390,000	-2,550,000	N/A	-160,000
Total Revenues	-27,854,097	-29,737,944	-28,331,319	-28,861,000	-30,243,000	5%	-1,382,000
Expenses							
Sub 2200 Personnel Benefits	13,601,428	14,509,244	15,081,242	15,240,000	15,120,000	-1%	-120,000
Sub 2400 Contractual Services	468,446	462,804	461,803	502,000	580,000	16%	78,000
Sub 2500 Commodities	5,663	251	25	2,000		-100%	-2,000
Sub 2800 Non-Cash Expense	-581,208	-4,768	580,069				
Total Expenses	13,494,329	14,967,531	16,123,139	15,744,000	15,700,000	0%	-44,000
Transfers							
Sub 6300 Transfers From	-5,593,734	-904,000	-200				
Sub 6800 Transfers To	4,533,872	2,724,000	1,235,582	294,000	376,000		
Total -Surplus / Deficit	-15,419,630	-12,950,413	-10,972,798	-12,823,000	-14,167,000		

Fnd 714 WORKING CASH FUND

714 46100	Interest Earned	-150,000	
714 68231	Transfers to Fund 231	281,000	
714 68251	Transfers to Fund 251	95,000	

			226,000

Fnd 719 POLICE PENSION FUND

719 30000	Property Tax	-8,535,000	
719 30730	Gaming Video Tax	-550,000	
719 46100	Interest Earned	-40,000	
719 46125	Interest Earned	-940,000	
719 49220	Income From US Securities	-2,090,000	
719 49223	Income Fr Mutual Funds	-3,640,000	
719 49225	(Gain) Loss on Investment	-1,400,000	
719 58000	Retiree Contributions	-1,550,000	
719 171922465	Pension Fund Monthly Payments	8,420,000	
719 171924040	Fiduciary Insurance	10,000	
719 171924407	Bank Service Charges	30,000	
719 171924437	Legal Services	20,000	
719 171924438	Other Professional Services	80,000	
719 171924665	Investment Expense	100,000	
719 171924696	St of IL-DOI Filing Fee	10,000	

			-10,075,000

Fnd 720 FIRE FIGHTER'S PENSION FUND

720 30000	Property Tax	-6,077,000	
720 30730	Gaming Video Tax	-550,000	
720 46100	Interest Earned	-21,000	
720 46125	Interest Earned	-700,000	
720 49221	(G) L on Sale on Investments	-3,000,000	
720 58000	Retiree Contributions	-1,000,000	
720 172022465	Pension Fund Monthly Payments	6,700,000	
720 172024040	Fiduciary Insurance	10,000	
720 172024407	Bank Service Charges	30,000	
720 172024429	Conference & Travel	20,000	
720 172024437	Legal Services	80,000	
720 172024438	Other Professional Services	80,000	
720 172024665	Investment Expense	100,000	
720 172024696	St of IL-DOI Filing Fee	10,000	

			-4,318,000