

Five-Year Financial Forecast

The Park District is faced with challenges similar to other urban local governments throughout the upper Midwest. The task is to continue to provide a high level of services with limited resources. While effort is made to contain costs and increase efficient use of resources the Park District is faced with a tax cap, rising labor costs, general supply increases and increased market competition for its user fees.

The Five-Year Financial Forecast represents a continuing effort to analyze the Park District's long-term fiscal condition based upon a reasonable set of economic and operational assumptions. It is an important management tool used in identifying fiscal trends and issues which must be addressed early in order to assure continued financial success. The forecasts are not a prediction of what will occur. It is a snapshot in time and an approximate view of what could occur in the future if all of the assumptions are realized.

Predicting Long Term Needs

The five-year financial projections do not constitute a multi-year fiscal plan, but they are the first and major building block in preparing long-term budget plans. Several different techniques have been used to generate the projections. The first step in this process involved an attempt to forecast a “constant services” level of expenditures using the 2006-operating budget as the base year. The projections assume that revenues and expenditures are partially influenced by inflation, legislation, along with supply and demand. After developing the projections based on “how much will it cost us to continue doing what we are doing now?” estimates of planned capital development and their impact on the operating budget were added into the projections.

Revenue Projections

Revenue estimates were generated by determining what was needed in any given year to provide the quality of services and programs projected. Property tax revenues are a significant percentage of the Park District's operating revenue. Currently tax revenues provide 55% toward the operating budget. The tax rate is not expected to increase over the next five years. The amounts projected reflect the activities of the Park District limit in tax revenues and the limitation of non-referendum bonding power.

Expenditure Projections

The Park District is committed to providing all district services and operations in a responsive, efficient, and cost-effective manner while retaining the high level of services it provides. Capital expenditures are prioritized and evaluated based upon their affect upon operational costs. Expenditure guidelines include increases of 3% based on CPI projections and the taxcap limits. The Park District continues to work toward the goal that operating expenditures will not exceed projected revenues. Exceptions to this goal are:

- * Planned reduction in fund balance reserves.
- * Portion of the fund balance reserves may be used for capital repair and replacement.
- * Cover unanticipated drops in revenue or increases in costs.

Fund Balance Projections

The Park District continues to work toward the goal of providing a minimum of 25% fund balance reserves in the governmental funds, approximately three months of operating expenditures. The enterprise funds develop reserves for capital repair and improvements at the enterprise fund facilities. Funds will continue to be accumulated for other capital improvements to enhance future revenue production.

Fund balance is the cumulative difference of all revenues and expenditures from the fund's creation. It is the difference between fund assets and fund liabilities. Fund balance does not refer to cash balance, nor is it the difference between revenues and expenditures. The undesignated portion represents expendable available financial resources that are used to meet contingencies and working capital requirements. An undesignated fund balance is important for the maintenance of a stable tax rate and revenue structure, and for the orderly provision of services to residents.

Summary

Of critical importance in attempting to maintain fiscal stability is having the growth in revenues match or exceed the growth in expenditures. The impact of inflation in local government costs is often hard to anticipate. It is necessary to accept the fact that uncertainty exists and hedge against it through the development and use of adequate levels of fund balance.

This information helps ensure continuity and improves our ability to develop budget strategies, plan a more predictable tax structure, as well as provide stable services and infrastructure. Avoiding poorly timed projects represents another financial advantage.

The forecast shows the Park District in a healthy financial condition over the next five years. The Park District will have to add some additional expenditures to deal with the Park District's growth. This includes Davis Street II Service Center, Sunset Meadows athletic fields and the Pioneer Project. The validity of the projections for the later years of the forecast must be considered, as the uncertainty of the forecast increases significantly with the length of the period predicted. The environment that affects the Park District's financial situation changes continually and several factors might influence the situation.

Arlington Heights Park District
Five-Year Financial Forecast
Includes Capital Outlay

	Estimated		Projected			
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Revenue						
Property Taxes:						
Corporate	\$ 3,698,478	3,842,158	3,957,423	4,076,145	4,198,430	4,324,383
Recreation	2,343,808	2,433,633	2,506,642	2,581,841	2,659,296	2,739,075
Pension	970,219	1,078,925	1,111,293	1,144,632	1,178,970	1,214,340
Insurance	285,672	296,125	305,009	314,159	323,584	333,291
Audit	27,029	28,325	29,175	30,050	30,951	31,880
Museum	86,816	93,988	96,808	99,712	102,703	105,784
Nwsra	880,165	949,155	977,630	1,006,959	1,037,167	1,068,282
Debt Service	3,132,768	3,552,017	3,188,253	3,271,653	3,250,000	3,275,000
Subtotal	\$ 11,424,955	12,274,326	12,172,231	12,525,151	12,781,103	13,092,036
Fees, Charges, & Other Revenue:						
Corporate	576,440	638,326	644,709	651,156	657,668	664,245
Recreation	5,925,294	6,020,782	6,201,405	6,387,448	6,579,071	6,776,443
Insurance	1,500	1,500	1,500	1,500	1,500	1,500
Museum	49,843	53,600	55,208	56,864	58,570	60,327
Arlington Lakes Golf Club	1,346,151	1,389,199	1,403,091	1,417,122	1,431,293	1,445,606
Nickol Knoll Golf Club	189,690	194,366	200,197	206,203	212,389	218,761
Forest View Racquet & Fitness Club	666,393	689,139	696,030	702,991	710,021	717,121
Heritage Tennis Club	861,068	888,693	906,467	933,661	961,671	990,521
Subtotal	9,616,379	9,875,605	10,108,608	10,356,945	10,612,183	10,874,523
Total Revenue	\$ 21,041,334	22,149,931	22,280,839	22,882,095	23,393,285	23,966,559
Expense						
Corporate	3,933,466	4,254,811	4,416,494	4,584,321	4,758,525	4,939,349
Recreation	8,035,264	8,408,452	8,702,748	9,007,344	9,322,601	9,648,892
Pension	1,017,188	1,077,959	1,110,298	1,143,607	1,177,915	1,213,252
Insurance	273,220	297,283	303,229	309,293	315,479	321,789
Audit	24,000	25,000	25,500	26,010	26,530	27,061
Museum	152,400	165,209	170,165	175,270	180,528	185,944
NWSRA	604,611	705,429	719,538	733,928	748,607	763,579
Debt Service	3,061,902	3,161,452	3,188,253	3,271,653	3,250,000	3,275,000
Arlington Lakes Golf Club	1,359,445	1,407,938	1,450,176	1,493,681	1,538,492	1,584,647
Nickol Knoll Golf Club	226,155	238,792	245,956	253,334	260,934	268,762
Forest View Racquet & Fitness Club	657,961	674,605	694,843	715,688	737,159	759,274
Heritage Tennis Club	1,009,899	864,171	890,096	916,799	944,303	972,632
Total Expense	\$ 20,355,511	21,281,101	21,917,295	22,630,929	23,261,074	23,960,181
Total Revenue	\$ 21,041,334	22,149,931	22,280,839	22,882,095	23,393,285	23,966,559
Total Expense	20,355,511	21,281,101	21,917,295	22,630,929	23,261,074	23,960,181
Net Surplus (Deficit)	\$ 685,823	868,830	363,544	251,166	132,211	6,378
Est. Fund Balance - Beg. of Year	12,700,173	13,385,996	14,254,826	14,618,370	14,869,536	15,001,748
Designated for Subsequent Years	6,733,247	7,170,178	7,353,040	7,479,377	7,545,879	7,549,087
Undesignated	6,652,749	7,084,649	7,265,330	7,390,160	7,455,869	7,459,038
Est. Fund Balance - End of Year	13,385,996	14,254,826	14,618,370	14,869,536	15,001,748	15,008,126

