

DATE: March 6, 2008

TO: President and Board of Trustees
Robert Bahan, Village Manager

FROM: Peg Hartnett, Finance Director

SUBJECT: Fiscal Year 2008-09 Proposed Budget

The proposed budget is presented for your review prior to our budget workshop on March 8, 2008 at 8:30 a.m. in the Police Department Training Room. The following memo provides detail on the revenue projections and highlights some of the major expenditures.

General Fund

Revenues

General fund revenues are projected to increase overall by 7.7%, even as the economy is forecasted to continue its flat or even negative growth in fiscal year 2009. This increase is primarily due to the Other Taxes category, which includes a budgeted amount of \$105,700 for the Places for Eating Tax. This is the first year budgeting for this revenue source, which became effective on July 1, 2007. The increase in the grants category is largely the result of two ongoing Police traffic grants, which will be collected in fiscal year 2009.

General fund property taxes, which were levied in December, are projected to increase 5.6%, of which 2.5% is the Tax Cap limitation and 3.1% is attributable to new growth. The final tax levy will be released by DuPage County during the first week of April. At that time, budgeted property tax revenues will be adjusted and any necessary adjustments to decrease expenditures will be made. Property tax revenues account for approximately 50% of the Village's general fund revenues.

The slow down in the housing market is projected to continue and Mike Brown has estimated the demolition activity within the Village to be 25 single-family homes during fiscal year 2009, compared with a budgeted 40 homes in the current year. We expect the actual single-family home permits to be 24 to 25 this fiscal year. Commercial construction in the Central Business District is expected to occur with two commercial projects, 103 S. Prospect and 201 Burlington, being included in the budgeted permit revenues. Building permit fees from the HPD/Inland project at 5-23 Walker are expected to be collected this fiscal year. Building permit fees will again be increased on May 1st, reflecting the 4.1% rate of inflation.

State-shared revenues are based upon projections provided by the Illinois Municipal League and the Illinois Government Finance Officers Association. State-shared revenues, including Use Tax, Income Tax and Motor Fuel Tax, are calculated on a per capita basis. Income Tax is budgeted at \$699,400 or a 2% increase over the projected current fiscal year end of \$685,654; 5.6% over the current fiscal year budget. This estimated growth is due to a recent reduction in the amount held back to pay income tax refunds. State Use Tax is budgeted at \$100,475 or a 1.9% increase over the projected current fiscal year end of \$98,603; a decrease of 2.5% over the current fiscal year budget.

Places for Eating Tax revenues are estimated to be \$105,700 for fiscal year 2009. This estimate is based on the current monthly average of \$8,800 and does not include the opening of any new restaurants within the Village limits.

Sales Tax, although shared by the state, is based upon actual sales that occur within the Village. Sales tax is budgeted at \$514,000; a slight decrease from the projected current fiscal year collection of \$515,000. It is our hope that the Central Business district redevelopment will bolster sales tax in the future.

Miscellaneous income includes concert beverage sales and contributions, reimbursements for damage to Village property, employee insurance contributions, and a newly created DARE revenue account to record all contributions to the Police DARE program.

Expenditures

Expenditures in the General Fund increased 7.7% overall while departmental expenditures increased 4.1%. Some departments saw an increase while others a decrease as certain budgeted expenses were moved from one department to another, in an effort to better account for these expenditures. Budgeted printing costs associated with vehicle stickers were moved from the Administration Department to the Police Department and the printing costs associated with garbage, yard waste stickers and blue dot parking were moved from the Administration Department to the Finance Department. Additionally, budgeted telephone equipment maintenance costs were moved from the Administration Department to Data Processing.

Salaries are budgeted at the current level and salary increases, awarded to union and non-union employees in May, are budgeted in the Contingency account. Proposed personnel changes will be presented to the Board in a separate confidential memo after the budget workshop, with an executive session scheduled at the March 17th Board meeting to discuss the proposed changes. Health insurance is budgeted at a 10% increase over the current year and dental insurance at a 6% increase. Actual increases will be known on March 19th and the budget will be adjusted at that time. All pension and FICA contributions are based on current salaries. The IMRF matching rate decreased this year to 10.04% from 10.65%, beginning in January 2008. This rate will remain in effect until January 2009, at which time it is reevaluated by IMRF, based on actuarial assumptions and their interest earnings.

Police and Fire Pension contributions are based on annual actuarial studies, which are used as the basis for the tax levies. An additional Police Pension contribution of \$7,030 is budgeted to make up the difference between the actuarial study contribution and the amount of property tax levied for Police Pension. As you may recall, the Police Pension tax levy is subject to the Village's Tax Cap and, as such, the Village is unable to levy for the full contribution.

Contingency is budgeted in the General Fund at \$358,542. This amount reflects employee compensation increases, unanticipated increases in health insurance, and other expenditures that may occur during the fiscal year that are not included in this budget. Again, actual personnel adjustments will be discussed in executive session on March 17, 2008. A transfer to the Capital Projects Fund is budgeted at \$350,000, which includes the minimum \$250,000 per Village policy.

Presented at the beginning of each department's budget are summary sheets detailing significant expenditures in each department's proposed budget. During the budget workshop, each department will have the opportunity to present their proposed budget to the Board.

Departmental Highlights

- President/Board – Budgeted expenditures are largely unchanged from the current fiscal year and include the Clerk's salary, expenses associated with the DuPage Mayor and Managers Conference, IML and the Tree Lighting event.
- Public Relations - This department budgets for the public relations activities of the Village, which include the Village's website, Trustee Topics, the annual survey and eight Dancin' in the Streets concerts.
- Administration – Expenditures are budgeted at a 4.5% decrease from the current fiscal year. This decrease is partly attributable to the reallocation of some expenses, such as telephone equipment maintenance costs, the printing of vehicle stickers, garbage and yard waste stickers, and blue dot parking stickers to other departments. The General Management budget includes an annual flu shot for all Village employees and the Board, and salaries for Administration Department personnel.
- Finance – Expenditures include costs associated with the annual audit and preparation and printing of the annual budget. Budgeted expenditures for data processing operations, included within the Finance Department, are expected to increase 27% over the current budget year. These costs include maintenance of the Village's network, computerized general ledger and utility billing systems, and the newly installed telephone system. As in all businesses, expenditures associated with contractual support for the Village's software, AS400 and network services continue to increase.

- Police – Expenditures are budgeted at a 4.4% increase over the current budget year. This budget includes an increase of 13.1% or \$25,539 to the Police Pension contribution, based on the annual actuarial study. The Capital Outlay budget includes the scheduled replacement of a Chevrolet Tahoe and a Chevrolet Impala pursuit vehicle with two marked pursuit vehicles, which were approved by the Village Board on February 18, 2008. The increase in the vehicle maintenance budget is largely attributable to higher fuel costs.
- Fire – Expenditures are budgeted at a 4.3% increase over the current budget year. Budgeted supply expenditures include \$11,150 for the replacement of various protective clothing articles for fire suppression and emergency management personnel. Minor tools and equipment includes \$8,000 for the budgeted replacement of various fire hoses and nozzles. As with the Police Department, the vehicle maintenance increase is largely attributable to higher fuel costs.
- Public Works – Expenditures are budgeted at a 1.7% increase over the current budget year. Budgeted supply expenditures include \$6,000 in supplies to maintain the street lights and poles in the Central Business District, \$3,000 for a material storage loft, \$1,400 for an insulated electrical maintenance tool kit, and \$1000 for a pavement saw blade and lawn mower. As with the other departments, the increase in vehicle maintenance expenses is largely attributable to higher fuel costs.
- Community Development – Expenditures are budgeted at a 2.3% increase over the current budget year. Personnel increases are the result of the Code Enforcement Officer being with the Village for one year. Contractual services decreased, resulting from the estimated monthly savings with the new telephone system. The supplies budget decreased as no new computer hardware is expected to be purchased in fiscal year 2009.

Capital Projects Fund

Revenues

The Utility Tax, which is a major source of revenue to the fund, is budgeted at \$730,000. This tax is legally obligated for the repayment of debt issued for the road improvement program, with fiscal year 2012 being the last year of obligation. The tax is based on gross receipts and, as a result, increases in electric and natural gas prices are reflected in increases to our utility tax collections.

The continuation of a West Suburban Mass Transit District grant is budgeted at an additional \$28,865, a 100% match for safety and security projects at the Metra station. This grant was approved in fiscal year 2008 and a payment of \$56,625 is expected before the end of the current year.

Contributions for the Planting Partners project are budgeted at \$6,325. This covers 100% of the cost of planting and maintenance of the pots located in the Central Business District.

Expenditures

A detailed list of capital projects is provided in the budget, which includes a brief narrative for each project. However, key capital initiatives include an Economic Development analysis for the Metra Station, Norfolk Triangle signage, a 9-1-1 Kiosk at the Metra Station, Public Works equipment, continuation of the Road Resurfacing program, and various Village Hall repairs. All projects require Board approval prior to initiation. Also included is an updated ten year capital plan.

Water Fund

Revenues

Revenues received from the sale of water are projected based on an average of the prior years' sales. Water sales may fluctuate widely, based on the precipitation and weather conditions during a particular year. Interest earnings are expected to increase from the current year's budget of \$162,550, but decrease from the projected fiscal year end of \$198,000.

Miscellaneous income, which included the DuPage Water Commission rebate of \$336,834 in the current fiscal year, is budgeted at zero for fiscal year 2009. Rental income is expected to increase, base on current water tower cell lease agreements.

Expenditures

▪ Operating

Significant changes to Water Utility expenditures are anticipated over the next few years. The DuPage Water Commission recently approved a series of water rate increases in the next three years which will result in an increase to rates for Lake Michigan water by 54%. This decision is the result of an increase in water rates from the City of Chicago to DuPage and other counties because of increased operation and infrastructure expenses.

Water wholesale rates will increase from the combined rate of \$1.25 per 1,000 gallons to \$1.45 on October 1st. On May 1, 2009, another 23 cent increase will take place, with a final 25 cent increase being added the following year. This will bring the water wholesale combined rate to \$1.93.

These water rate increases come just one year after the combined rate was cut from \$1.45 to \$1.25 per gallon and the commission approved a rebate, of which the Village received \$336,834. This rate reduction and rebate was an effort by the DuPage Water Commission to reduce their reserves. The Village did not pass on a water rate reduction

to its residents, preferring to hold these savings for water infrastructure projects. Therefore, in the immediate future, the Village is able to absorb the initial rate increase. Going forward however, it is necessary for the Village to examine its water operating and capital budgets in order to maintain its fund balance pursuant to Village policy. To this end, \$2,000 has been budgeted in Water Capital Improvements for a water rate study to be performed by Speer Financial.

- Capital Improvements

The 55th Street water main replacement project comprises 86% of the budgeted capital improvements for fiscal year 2009. This construction will replace approximately 4,000 lineal feet of water main on 55th Street from Holmes Avenue west to the Village limits, where frequent breaks have occurred and water main diameter is insufficient to meet current and future needs. A recent bid opening estimates this project may be completed with some cost savings.

Other budgeted water capital improvements include the provision of basic emergency power to the Public Works Facility at \$55,000, and the scheduled replacement of the batteries that operate the transmitter for individual water meters, in order to allow the Village to read the meters using radio frequency, budgeted at \$42,000. A detailed list of all water capital improvements is provided in the budget, including a brief narrative of each project. All projects require Board approval prior to initiation. Also included is an updated ten year water capital improvement plan.

Motor Fuel Tax Fund

Revenues

The motor fuel tax allotment is budgeted using the Illinois Municipal League projections, and is estimated to decrease from the current budget. Fiscal year 2009 revenue is projected to be \$220,750.

Expenditures

The cost share for the Chicago Avenue jurisdictional transfer from IDOT is expected to be \$92,000 and has been included in this budget. Additionally, \$40,000 has been budgeted in contractual services in order to develop a Village-wide tree inventory.

BN/CH Parking Fund

Revenues

Parking permit fees were increased from \$75 to \$110 per quarter and the daily parking fee increased from \$2 to \$5 per day. This increased revenue will be used to fund to increased labor costs, snow removal and maintenance costs.

Expenditures

Budgeted expenses for contractual services include \$6,500 for the blasting and painting of the columns at the Metra station, the bike shelter and the platform shelter. All other budgeted expenses are normal costs of operating the station and lot.

Hotel/Motel Fund

Revenues

Tax receipts received from the Mayflower Motel are budgeted at \$6,000.

Expenditures

No expenditures are budgeted for the next fiscal year.

Debt Service Fund

Revenues

Revenues for this fund are the result of transfers from the Capital Projects Fund for the installment contracts issued for fire trucks and the new police facility.

Special Service Area Funds

The Special Service Area Funds exist only to receive property tax to cover the debt service payments associated with the Road Program, Traube and Park Willow water mains. No other revenues or expenditures are budgeted in these funds.

Police Pension Fund

The Police Pension Fund exists solely to receive the Village's pension contributions, primarily in the form of property tax, and its member contributions. The fund currently has fourteen active members. Expenditures include payments for pension benefits and professional services associated with the fund, such as investment management, actuarial and audit.

Fire Pension Fund

The Fire Pension Fund exists solely to receive the Village's property tax pension contributions and its member contributions. The fund currently has one active member. Expenditure payments include professional services associated with the fund, such as actuarial and audit.

If you have any questions or require additional detail prior to the workshop, please do not hesitate to contact me.

**VILLAGE OF CLARENDON HILLS
FY 2008-09 ADOPTED NET BUDGET**

TOTAL REVENUES	FY 08-09 BUDGET	INTERFUND TRANSFERS	NET BUDGET
GENERAL CORPORATE FUND	\$5,964,637	\$417,460	\$5,547,177
MOTOR FUEL TAX FUND	\$243,750		\$243,750
HOTEL/MOTEL TAX FUND	\$6,200		\$6,200
SPECIAL SERVICE AREA TWO	\$56,267		\$56,267
SPECIAL SERVICE ARE THREE	\$64,650		\$64,650
SPECIAL SERVICE AREA FOUR	\$68,329		\$68,329
SPECIAL SERVICE AREA FIVE	\$32,046		\$32,046
SPECIAL SERVICE AREA SIX	\$64,838		\$64,838
SPECIAL SERVICE AREA SEVEN	\$24,402		\$24,402
SPECIAL SERVICE AREA EIGHT	\$59,071		\$59,071
SPECIAL SERVICE AREA NINE	\$53,508		\$53,508
SPECIAL SERVICE AREA TEN	\$54,286		\$54,286
SPECIAL SERVICE AREA ELEVEN	\$54,958		\$54,958
SPECIAL SERVICE AREA TWELVE	\$25,253		\$25,253
SPECIAL SERVICE AREA THIRTEEN - TRAUBE	\$7,100		\$7,100
WATER UTILITY FUND	\$1,979,200		\$1,979,200
BN/CH PARKING FUND	\$57,600		\$57,600
DEBT SERVICE FUND	\$299,380	\$294,880	\$4,500
2002 GO BOND DEBT SERVICE FUND	\$850,572	\$838,572	\$12,000
CAPITAL PROJECTS FUND	\$1,285,190	\$350,000	\$935,190
POLICE PENSION FUND	\$1,015,759		\$1,015,759
FIRE PENSION FUND	\$45,475		\$45,475
TOTAL REVENUE ALL FUNDS	\$12,312,471	\$1,900,912	\$10,411,559

TOTAL EXPENDITURES			
GENERAL CORPORATE FUND	\$5,964,637	\$350,000	\$5,614,637
MOTOR FUEL TAX FUND	\$413,500		\$413,500
HOTEL/MOTEL FUND	\$0		\$0
SPECIAL SERVICE AREA TWO	\$55,167	\$55,167	\$0
SPECIAL SERVICE AREA THREE	\$61,650	\$61,650	\$0
SPECIAL SERVICE AREA FOUR	\$68,054	\$68,054	\$0
SPECIAL SERVICE AREA FIVE	\$31,771	\$31,771	\$0
SPECIAL SERVICE AREA SIX	\$64,138	\$64,138	\$0
SPECIAL SERVICE AREA SEVEN	\$24,913		\$24,913
SPECIAL SERVICE AREA EIGHT	\$58,521	\$58,521	\$0
SPECIAL SERVICE AREA NINE	\$52,408	\$52,408	\$0
SPECIAL SERVICE AREA TEN	\$53,536	\$53,536	\$0
SPECIAL SERVICE AREA ELEVEN	\$54,608	\$54,608	\$0
SPECIAL SERVICE AREA TWELVE	\$24,703	\$24,703	\$0
SPECIAL SERVICE AREA THIRTEEN	\$6,900		\$6,900
WATER UTILITY FUND	\$1,979,200	\$397,110	\$1,582,090
BN/CH PARKING FUND	\$45,150	\$20,350	\$24,800
DEBT SERVICE FUND	\$295,880		\$295,880
2002 GO DEBT SERVICE FUND	\$839,573		\$839,573
CAPITAL PROJECTS FUND	\$1,716,610	\$608,895	\$1,107,715
POLICE PENSION FUND	\$407,855		\$407,855
FIRE PENSION FUND	\$2,180		\$2,180
TOTAL EXPENDITURES ALL FUNDS	\$12,220,954	\$1,900,912	\$10,320,043

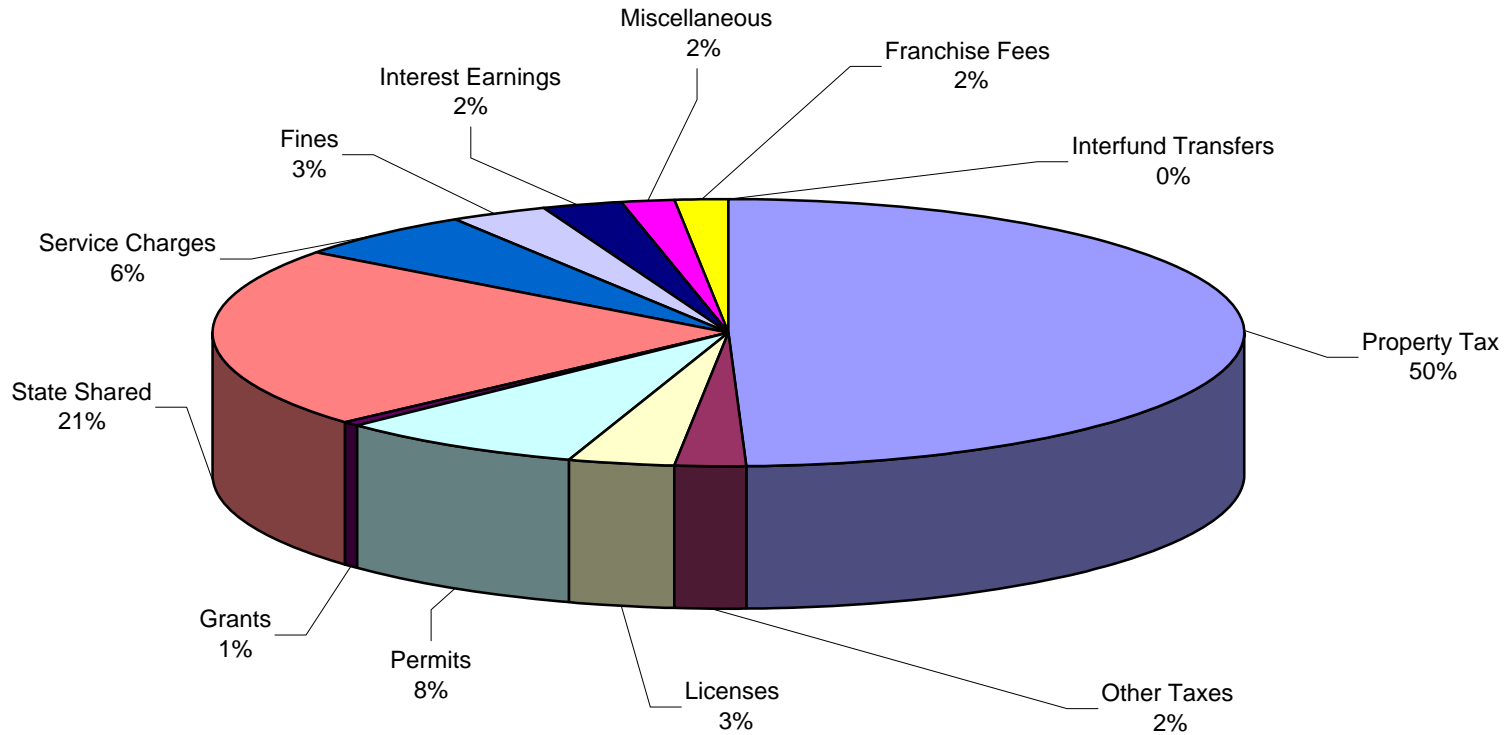
VILLAGE OF CLARENDON HILLS
GENERAL FUND SUMMARY
FY 2008-09 ADOPTED OPERATING BUDGET

REVENUE SUMMARY	FY 05-06 ACTUAL	FY 06-07 ACTUAL	FY 07-08 REVISED BUDGET	FY 08-09 ADOPTED BUDGET	% INCREASE/ DECREASE
PROPERTY TAX	\$2,432,992	\$2,632,030	\$2,808,071	\$2,955,426	5.2%
OTHER TAXES	\$23,570	\$24,148	\$24,550	\$131,030	433.7%
LICENSES	\$139,677	\$147,344	\$186,450	\$191,244	2.6%
PERMITS	\$562,051	\$373,513	\$409,450	\$467,770	14.2%
GRANTS	\$20,738	\$16,209	\$1,600	\$32,200	1912.5%
STATE SHARED	\$1,193,428	\$1,255,859	\$1,279,760	\$1,313,875	2.7%
SERVICE CHARGES	\$294,272	\$308,891	\$325,695	\$347,692	6.8%
FINES	\$161,227	\$186,549	\$164,000	\$174,000	6.1%
INTEREST EARNINGS	\$73,144	\$134,458	\$168,000	\$145,000	-13.7%
MISCELLANEOUS	\$116,951	\$150,045	\$96,600	\$114,000	18.0%
FRANCHISE FEES	\$81,823	\$92,233	\$83,950	\$92,400	10.1%
INTERFUND TRANSFERS	\$15,908	\$0	\$0	\$0	0.0%
TOTAL	\$5,115,781	\$5,321,279	\$5,548,126	\$5,964,637	7.5%

EXPENDITURE SUMMARY

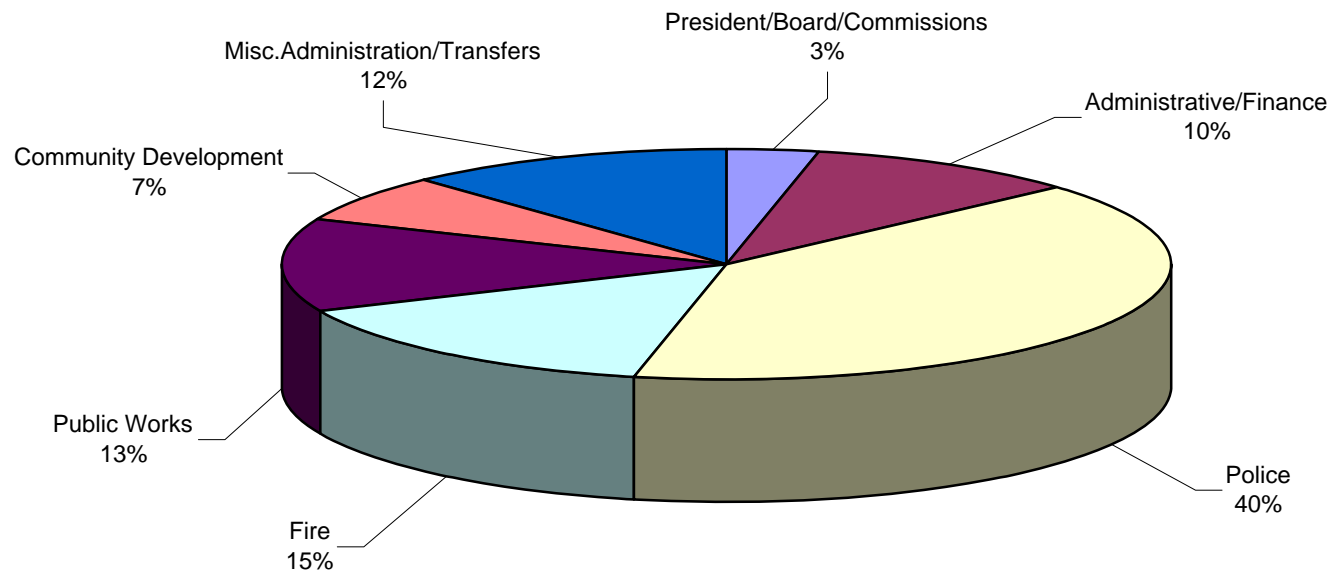
PRESIDENT/BOARD/COMM.	\$169,420	\$152,638	\$195,862	\$194,189	-0.9%
ADMINISTRATIVE/FINANCE	\$517,455	\$657,888	\$634,068	\$603,464	-4.8%
POLICE	\$2,032,571	\$2,188,048	\$2,296,724	\$2,390,725	4.1%
FIRE	\$843,473	\$807,292	\$849,255	\$883,831	4.1%
PUBLIC WORKS	\$681,296	\$721,548	\$763,352	\$776,718	1.8%
COMMUNITY DEVELOPMENT	\$345,602	\$354,551	\$396,354	\$405,124	2.2%
MISC. ADMIN./TRANSFERS	\$329,912	\$476,870	\$412,511	\$710,586	72.3%
TOTAL	\$4,919,729	\$5,358,835	\$5,548,126	\$5,964,637	7.5%

**VILLAGE OF CLARENDON HILLS
General Fund Revenue Summary
2008-09 Proposed Operating Budget**



Property Tax \$2,955,426	Other Taxes \$131,030	Licenses \$191,244	Permits \$467,770
Grants \$32,200	State Shared \$1,313,875	Service Charges \$347,692	Fines \$174,000
Interest Earnings \$145,000	Miscellaneous \$114,000	Franchise Fees \$92,400	Interfund Transfers \$0

**VILLAGE OF CLARENDON HILLS
General Fund Expenditure Summary
2008-09 Proposed Operating Budget**



■ President/Board/Commissions \$194,189	■ Administrative/Finance \$603,464	□ Police \$2,390,725
□ Fire \$883,831	■ Public Works \$776,718	■ Community Development \$405,124
■ Misc. Administration/Transfers \$710,586		



Village of Clarendon Hills 2008-2009 Fiscal Year Budget

Introduction

Included within this issue of Trustee Topics, is a summary of the revenues and expenditures for the 2008-2009 Fiscal Year Budget. The Village Board and staff have spent numerous months preparing the budget which has become increasingly difficult to balance without significant cuts in services. Below is a summary of the key initiatives contained within the FY 2008-09 Budget and significant future challenges that the Village will face. These challenges will be discussed in detail at the upcoming Neighborhood Dialogue to be held Tuesday, May 20, 2008. See the back page of this insert for more information regarding the Neighborhood Dialogue.

Key Initiatives for FY 2008-09

55th Street Water Main Replacement

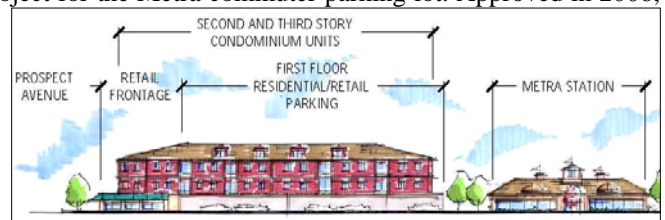
This fiscal year, the Village Board authorized \$1.2 million for the replacement of the water main on 55th Street from Holmes to S. Richmond Avenue. This water main was originally installed in the 1930's and is being replaced due to a poor service record, the cost of repairs, and increased water volume demands in this area. As part of the replacement project, the Village plans to relocate the new 12" diameter water main under the north sidewalk in order to eliminate expensive and inconvenient road repairs that occur during maintenance of the water main. Construction began the second week of April and will be completed by September of this year.

Road Maintenance Program

A five-year Road Maintenance Program was initiated as a capital project in FY 2005-06. The purpose of the project was to resurface Village streets to extend the life of existing roadways. This program includes the grinding of existing pavement, base repairs, drainage and shoulder improvements, and resurfacing with new asphalt. For FY 2008-09, the Village has budgeted approximately \$400,000 which will resurface roughly 39,000 square yards of pavement. This five year program will be completed in FY 2011-12.

Metra Station and Parking Lot

The FY 2008-09 Budget contains initiatives for downtown reinvestment that will result in more options for housing, retail, and services while increasing the Village's tax base. Specifically, the budget contains \$75,000 for professional assistance in developing a site analysis and preliminary engineering for pursuing a development project for the Metra commuter parking lot. Approved in 2006, the Downtown Master Plan calls for the redevelopment of the Metra lot into a 3-story mixed-use building that includes 6,000 sq. ft. of first-floor retail, 22 condominium units, and 68 first-floor parking spaces. In addition, the plan calls for a new train station with a turnaround drop off and convenient access from Eastern Avenue and Ann Street. This site analysis is the first step in securing development proposals for the site that is in compliance with the goals of the Downtown Master Plan.



Significant Future Challenges

General Fund

Over the next three to five years, projections indicate that the General Fund balance will decrease, reducing our reserves to less than 20% of our operating budget. The Village's Fund Balance Policy establishes that 40% of the operating budget be held in reserve. If the reserve dips to the 20% level, the Village would be left with only 2 months of operating funds. This would also negatively impact the Village's credit/bond rating. Moreover, with the recent decline in the economy and the housing market, the Village will need to evaluate alternative revenue sources to supplement any declining revenues (i.e. sales tax, property tax, income tax).

Water Fund

The Water Fund accounts for the purchase of Lake Michigan Water and distribution to our residents. As an enterprise operation, users pay for the cost of water, operation, maintenance, and improvement of the distribution system. The current rate was established in 1992 and has not been increased since that time. However, the DuPage Water Commission (DWC) has established an annual 15% increase to water rates for the next three years beginning in October 2008. These rate increases are wholly due to the wholesale rate increases approved by the City of Chicago in late 2007. This fiscal year, the Village will conduct a water rate study to ensure that the Village can continue to fund operating costs for water and necessary capital improvements to its aging water infrastructure.

Fire Department Personnel

The Fire Department is primarily supported by paid-on-call (volunteer) and part-time firefighter/paramedics. As a result, the Fire Department has one of the lowest per capita expenditures for Village services in DuPage County. The FY 2008-09 budgeted expenditure is \$883,831. However, over the years, the number of daytime volunteer firefighter/paramedics has significantly decreased. A recent Fire Service Study conducted by The PAR Group recommends that the Village hire an additional 2-3 part-time firefighter/paramedics per shift to maintain minimum fire service levels and appropriate response times. Over the next year, the Village will be reviewing revenue sources, expenditures levels, and the provision of services in order to determine an appropriate funding mechanism for the additional firefighter/paramedic personnel.