

VILLAGE OF CLARENDON HILLS

DATE: February 26, 2009

TO: President and Board of Trustees

CC: Robert Bahan, Village Manager

FROM: Peg Hartnett, Finance Director

SUBJECT: Fiscal Year 2009-10 Proposed Budget

The Village's fiscal year 2009-10 proposed budget is respectfully presented for the purpose of review and discussion by the Village President, Board of Trustees and staff at our budget workshop on March 7, 2009 at 8:30 a.m. in the Police Department Training Room. The following narrative provides an analysis of major revenue projections and highlights some of the major expenditures.

GENERAL FUND

Revenues

The Village is presented with many challenges in the coming fiscal year, as is every other community, business and individual across the nation, as we are confronted with an economy that continues to decline on all fronts, with no relief in sight. Overall General Fund revenues are projected to increase by just 1.7%, with building permits and related fees, and interest earnings seeing the largest decreases.

➤ Property Taxes

In determining the Equalized Assessed Valuation (EAV) for a property, the township assessor looks at the past three years of sales data. This means that for the 2007 Tax Year (taxes collected in June and September 2008, which is in the Village's current fiscal year), the assessor used sales data from calendar years 2004, 2005 and 2006, which were all very good years for real estate. This accounted for the Village's 10.3% increase in base EAV (excluding new construction and annexations) for Tax Year 2007 (FY 2008-09).

In Tax Year 2008 (FY 2009-10), the assessor will use sales data from calendar years 2005, 2006 and 2007, two good years and one bad year for real estate. Likewise, for Tax Year 2009 (FY 2010-11), the assessor will use sales data from calendar years 2006, 2007 and 2008, one good year and two bad years for real estate. This is why the assessor has predicted a decrease in the Village's EAV, beginning with Tax Year 2009.

Property tax revenues, which were levied in December 2008, reflect an estimated increase of 5.94%, which includes the 4.1% Consumer Price Index at year end 2007 (CPI), and approximately 1.84% in new construction (based on the estimate provided by the Downers Grove Township Assessor). At the time of the 2008 levy, the township assessor estimated the EAV for property within the Village to increase by 6%. However, further refined estimates indicate a 1-2% increase, as 2005 and 2006 were good years for real estate sales, before the decline in real estate in 2007. When we get to Tax Year 2009, we anticipate seeing a decline in the EAV, as we will be including at least two bad years of real estate sales. At this point in time, we do not know the extent of an impact on the EAV due to the unsettled housing market.

What does this mean for property taxes?

Under the Property Tax Extension Limitation Act (Tax Cap law), the levy can only increase by the lesser of 5% or the increase in the CPI, whichever is less. If the EAV increases by more than the levy increase, the tax rate will go down, as we have seen in the past ten years. Illustrated below in the chart is a ten year history of the Village's tax rates, that reflects the impact of rising EAV and corresponding tax rate compression.

Tax Levy Year	Fiscal Year	Tax Rate	Change from Prior Year
2008	2010	0.5413	(0.0003)
2007	2009	0.5416	(0.0263)
2006	2008	0.5679	(0.0239)
2005	2007	0.5918	(0.0562)
2004	2006	0.6480	(0.0397)
2003	2005	0.6877	(0.0641)
2002	2004	0.7518	(0.0338)
2001	2003	0.7856	(0.0502)
2000	2002	0.8358	(0.0014)
1999	2001	0.8372	(0.0305)

However, if the EAV increases less than the levy increase, or if the EAV decreases as we are expecting over the next few years, then the tax rate will increase accordingly.

As an example, if the EAV only increases 1% and the CPI is 4.1%, in order for the Village to receive the full increase allowed under the tax cap, the tax rate would have to increase. This may well be the situation beginning this year with an increase of 1-2% in the EAV expected (FY 2009-10), and a decrease in the EAV expected in the next few years. A basic example of this concept is provided below.

Previous Years – Increasing Home Values

Year 1

<u>Tax Levy</u>	<u>EAV</u>	<u>Tax Rate per \$100 EAV</u>
\$2,500,000	500,000,000	0.5000

Year 2

<u>Tax Levy with 3% increase</u>	<u>EAV increase by 5%</u>	<u>Tax Rate per \$100 EAV</u>
\$2,575,000	525,000,000	0.4905

Possible Future Years – Decreasing Home Values

Year 1

<u>Tax Levy</u>	<u>EAV</u>	<u>Tax Rate per \$100 EAV</u>
\$2,500,000	500,000,000	0.5000

Year 2

<u>Tax Levy with 3% increase</u>	<u>EAV decrease by 5%</u>	<u>Tax Rate per \$100 EAV</u>
\$2,500,000	475,000,000	0.5263

What effect will deflation or a negative CPI have on property taxes?

Actually, this remains to be seen. However, if you read the actual language from the tax cap (35 ILCS 200/18), it states the levy “‘Extension limitation’ means (a) the lesser of 5% or the percentage **increase** in the Consumer Price Index during the 12-month calendar year preceding the levy year or (b) the rate of increase approved by voters under Section 18-205.” Since it states that the limitation is the lesser of 5% or the percentage **increase** in the CPI, I think it can be argued that if there is a negative CPI, the extension would remain unchanged. If instead, the law stated the lesser of 5% or the percentage **change** in the CPI, then I do not think this argument could be made.

Since the tax cap went into effect almost twenty years ago, we have never been close to a negative CPI, until this year. It is my guess that, should a negative CPI occur, numerous lawsuits would occur to address this very issue.

What does all of this mean for the Village’s property taxes in FY 2009-10?

The Village received \$2,702,096 in property taxes this year for general Village services, such as police protection, fire protection, road and bridge and general corporate services. An additional \$250,968 was received to fund police and fire pensions; for a total of \$2.95 million. This amount does not include property taxes received by the Village for SSA debt payments or the TIF District.

The Village expects to receive an estimated increase of \$175,556 in property tax revenues in FY 2009-10 for general Village services, police, and fire pensions. This estimate is dependant upon the determination of the Village's new construction, and will not be known until April 2009. The Downers Grove Township Assessor estimates our new construction at \$9.7 million, a decrease of 28% from the prior year; however the DuPage County Supervisor of Assessments has the final authority. The final tax levy will be released by DuPage County during the first week of April. If the value of new construction decreases by 35%, rather than the 28% predicted by the assessor, overall property tax revenues would need to be reduced by approximately \$5,000, and any necessary adjustments to decrease expenditures would be made.

Planning for Next Year

Due to a 2008 year end CPI of only 0.1%, 43% or \$75,000 of the estimated property tax increase of \$175,556 in FY 2009-10 has been allocated to the Contingency account to reserve for the FY 2010-11 budget year. Property tax revenues account for approximately 54% of the Village's General Fund revenues.

➤ Places for Eating Tax

Places for Eating Tax was calculated by taking the total of the past twelve months of revenues, minus the revenues attributable to the possible loss of one restaurant, and further reducing that amount by an additional 10% to \$85,000 for FY 2009-10. FY 2008-09 year end is projected to be \$101,000.

➤ State-shared Revenues

The Illinois Municipal League (IML) revised estimates, as of February 17, 2009, were used to calculate Income Tax, Use Tax, Personal Property Replacement Tax and Motor Fuel Tax for the upcoming year. In past history, IML has been fairly accurate in their projections.

- Income Tax receipts are estimated to be \$689,000 or 2.6% lower than the FY 2008-09 year end of \$707,340.
- IML estimates Use Tax to remain unchanged from the FY 2008-09 year end of \$112,250. However, I have reduced that estimate by an additional 10% to \$101,000 to reflect the economy.
- Personal Property Replacement Tax receipts are estimated to be \$16,400 or 13.7% lower than the FY 2008-09 year end estimate of \$19,000.

➤ **Sales Tax**

During the first six months of FY 2008-09, Sales Taxes were down by 2.7% from the prior year. A 10% decrease is estimated for the remaining six months for a FY 2008-09 year end of \$524,300. FY 2009-10 is estimated with an additional 5% decrease to \$498,100. A substantial percentage of sales tax revenue is attributable to the Jewel grocery store, which should remain a stable sales tax producer for the Village.

➤ **License Fees**

All License Fees have been reduced from the current year end estimates. Business licenses were reduced by 8%, animal licenses by 5%, and motor vehicle licenses were reduced by 1.2%.

➤ **Interest on Investments**

Interest on Investments is expected to decrease 48% to \$70,000 from the current year budget as the banking industry continues to take a beating. Budgeted earnings were determined by calculating the interest income on current investments, which will be maturing in FY 2009-10. Interest on the balance of investments that will be reinvested, was calculated at a percentage rate of 1.25%. Interest on cash balances was calculated at a rate of 0.25% to 0.5%. General Fund cash is invested in Certificates of Deposit with a maturity of one year or less, the Illinois Funds Investment Pool and the Illinois Metropolitan Investment Fund (IMET). The Illinois Funds and IMET are rated AAA by Standard and Poor's.

➤ **Building Permits and Fees**

FY 2009-10 Building Permits and Fees are expected to decrease by 28% to \$175,500 from the current year revised budget, and 57% from the FY 2007-08 year end of \$402,463. The FY 2009-10 budget for Building and Permit Fees was estimated based on nine (9) single family homes for FY 2009-10. In the current fiscal year-to-date, nine (9) single family home permits have been issued. FY 2007-08 saw a total of twenty-three (23) single family homes; twenty-eight (28) in FY 2006-07.

➤ **Cable Franchise Fees**

Cable Franchise Fees are based on the cable packages Village residents maintain. FY 2008-09 revenues contain a one-time AT&T franchise payment of \$12,000. In FY 2009-10, this amount was eliminated from the estimate, and the remainder reduced by 10% as residents are expected to back off on premium cable packages in order to reduce household expenses. FY 2009-10 Cable Franchise Fees are estimated at \$95,000.

➤ **Police Fines**

Police Fines were reduced by 2.5% to \$160,939 in FY 2009-10.

➤ **Concert Revenues**

Concert Beverage Sales were reduced by 65% from the current year end to \$18,000 for FY 2009-10. Concert Reimbursements were reduced by 10% to \$18,000 for the same.

➤ **Ambulance Fees**

Ambulance Fees were held constant from the FY 2008-09 estimated year end to FY 2009-10.

➤ **Intergovernmental Personnel Benefit Cooperative (IPBC)**

IPBC, the Village's health insurance pool, holds \$147,165 in our Terminal Reserve account. This reserve has accumulated over many years and is over and above the Terminal Reserve required by IPBC's By-Laws. It is our intent to take \$75,000 of this excess reserve as a credit against the monthly insurance billings, \$7,500 over ten months beginning with the new plan year on July 1, 2009. Accounting wise, this amount will be recognized as revenue over the ten month period. The additional excess of \$72,165 in Terminal Reserves will be held until FY 2010-11 and taken over ten months in the same manner.

Expenditures

Expenditures in the General Fund increased by 1.7% overall, while departmental expenditures decreased by 1.5%, as a serious effort was made by all departments to reduce costs in an effort to balance the budget. Attachment A provides detail regarding these General Fund reductions.

Salaries are budgeted at the current level with the exception of Police union personnel, which are budgeted at a 3.75% increase per their contract. Health insurance is budgeted at a 10% increase over the current year, with the actual increases not being known until March 19th. All pension and FICA contributions are based on current salaries. The current IMRF matching rate is 10.64%, which will remain in effect until January 2010. The final rate information for 2010 will not be known until May 2009; however this rate is expected to increase significantly, perhaps to as much as 14%, as the IMRF Board attempts to phase-in and recapture their significant investment losses. IML, Finance Directors and Village Managers are actively pursuing alleviations to the increases contemplated by IMRF.

Police and Fire Pension contributions are based on annual actuarial studies, which are used as the basis for the tax levies. For FY 2009-10, the Police Pension contribution is \$255,960 and the Fire Pension contribution is \$14,868. The Village's Police Pension contribution is expected to increase significantly in FY 2010-11, resulting from the investment losses. An increase in the Fire Pension contribution is not expected to be as great.

The Village participates in an Intergovernmental Risk Management Agency (IRMA) to pool its risk management needs. Our annual contribution is based on a five-year average of the Village's revenues, plus or minus an experience modifier. The experience modifier is a formula based on the Village's individual loss experience as compared to the IRMA average loss experience. In FY 2008-09, the Village's annual contribution increased 30% to \$212,928. IRMA expenses are budgeted in FY 2009-10 at the same increase of 30% or \$277,000.

General Fund Contingency is budgeted at \$267,395, which includes the \$75,000 property tax reserve. This amount compares with \$278,616 in FY 2008-09 and \$195,000 in FY2007-08. A transfer to the Capital Projects Fund is budgeted at \$100,000, a reduction of the \$250,000 Village policy. This transfer was lowered, resulting from significant reductions to capital expenses in the coming year, as detailed in Attachment B.

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.

General Fund Departmental Highlights

- **President/Board** – Budgeted expenditures decreased by 1% from the current fiscal year as costs associated with the annual Christmas Tree Lighting event were moved to Public Relations. Additional expenditures include the Clerk's salary, expenses associated with the DuPage Mayor and Managers Conference and the Illinois Municipal League.
- **Public Relations** - This department budgets for the public relation activities of the Village, which include the Village's website, Trustee Topics, the annual survey, the Christmas Tree Lighting Ceremony and Walk, and eight Dancin' in the Streets concerts. Budgeted expenditures decreased 12% from the current year, largely attributable to the transfer of costs to the Hotel/Motel Tax fund. These costs include the overtime and associated benefits incurred by Public Works staff for work at the summer concerts and the Christmas Walk (\$9,255), and musical entertainment and miscellaneous expenses related to the Christmas Walk (\$2,000).
- **Central Business District** – This department budgets for maintenance and improvements within the Central Business District. Budgeted expenditures, which increased 7% from the current year, include an estimated \$35,500 for contractual snow removal, \$6,000 for magnesium chloride for snow and ice control, and \$23,050 for the maintenance of plantings within the CBD.

- **Administration** – The General Management budget includes an annual flu shot for all Village employees and the Board, and salaries for Administration Department personnel. Expenditures, budgeted at a 3.6% decrease from the current year, are attributable to a reduction in overtime costs, the removal of out-of-state annual conference expenses, miscellaneous consulting, and telephone and copier lease cost savings. The DuPage Taxi Coupon program was eliminated, as we no longer have any residents participating in the program.
- **Legal** – Legal services reflects a decrease of 12% from the current year, resulting from a freeze in the current rates for legal services by the Village's attorney.
- **Finance** – The Finance budget includes costs associated with payroll, accounts payable, accounts receivable, cash receipting, the annual audit and preparation and printing of the annual budget. Expenditures, budgeted at a 2.8% increase from the current year, are attributable to a change in health insurance coverage, increase in the IRMA contribution, and an increase in the cost of the annual audit. Out-of-state annual conference expenses have been eliminated.

Budgeted expenditures for data processing operations, included within the Finance Department, are expected to increase 3% over the current budget year. These costs include maintenance of the Village's network, computerized general ledger and utility billing systems, and the telephone system. Expenditures associated with contractual support for the Village's software, AS400 and network services are expected to increase.

- **Police** – This budget includes costs associated with the administration, operation and support of the Police function, as well as the maintenance of the Police facility. Expenditures, budgeted at a 4.3% increase over the current budget year, include an increase of 16% or \$35,201 in the Police Pension contribution, based on the annual actuarial study, and a 30% increase in the IRMA contribution. Salary expenses include an increase of 3.75% for Police union personnel, per their contract. Police operations include funding for the replacement of bullet-proof vests for fifteen officers. An increase in the Police facility maintenance budget is attributable to minor building improvements and routine maintenance. Effective with FY 2009-10, the purchase of Police vehicle replacements has been moved to the Capital Projects fund.
- **Fire** – This budget includes costs associated with the administration of the Fire Department, fire suppression, emergency medical services, fire prevention, emergency management, and maintenance of the Fire Station. Expenditures, budgeted at a 1% decrease from the current year, include a 9% decrease in the Fire Pension contribution to \$14,868, based on an annual actuarial study, and a 30% increase in the IRMA contribution. Vehicle maintenance costs increased 19% as the ladder truck and pumper, purchased in 2002, are seven years old and require more maintenance, most of which will be out of warranty. The aerial ladder also requires more maintenance.

Effective in FY 2008-09, the position of Fire Prevention Officer was combined with the Code Enforcement Officer. Personnel services include 50% of the salary for the Fire Prevention/Code Enforcement Officer. The remaining 50% is included in Community Development.

- **Public Works** – This budget reflects the costs associated with the delivery of Public Works services to the Village, as well as the maintenance of the Public Works facility. Expenditures, budgeted at an 8.7% decrease from the current year, include a portion of salaries, overtime and related benefits for Public Works employees. The remaining portion is charged to the Water Fund for tasks associated with the Village's water supply. Utility expenses include \$33,500 for the electrical service to operate the two storm water pumps and lease fees to ComEd to operate the intersection street lights. Maintenance costs include the contract maintenance for landscaping improvements, weed control for public properties and the contract street sweeping of curbed streets not associated with the CBD (\$16,180).

Community Development – The Community Development budget includes costs associated with the professional planning services for the Village, review and issuance of building permits, regulation of land use and development, and code enforcement activities. Expenditures, budgeted at a 17.5% decrease from the current year, reflect a reduction in building activity.

Personnel services include a reduction in the work hours for a part-time Fiscal/Building Assistant and the associated costs of \$21,745. Effective in FY 2008-09, the position of Fire Prevention Officer was combined with the Code Enforcement Officer. Personnel services include 50% of the salary for the Fire Prevention/Code Enforcement Officer. The remaining 50% is included in the Fire Department.

As building and permit activity continue to decline, the professional services budget was reduced by \$61,000 or 37% to reflect fewer plan reviews and inspections (\$103,450).

CAPITAL PROJECTS FUND

Revenues

➤ Utility Tax

Utility Taxes are comprised of three parts: Nicor payments, ComEd payments and State-shared receipts from telecommunications taxes. With one quarter remaining in the current year, Nicor receipts increased 30% and ComEd receipts decreased 6.7% from the prior year. With six months remaining, State-shared utility receipts increased 8.8% from the prior year. Overall Utility Taxes are estimated at \$739,000 for FY09 year end. FY10 Utility Taxes are estimated at a 2% decrease or \$715,000, as residents attempt to hold down energy costs in an effort to save money.

➤ **Cell Tower Lease Revenues**

Cell Tower Lease revenues, budgeted at \$100,386 for FY 2009-10, are based on the current contracts and reflect 50% of the total amount received for cell tower lease revenues. The remaining 50% is included in the Water Fund. Total lease revenues of \$200,772 represent an increase of 36% over FY 2007-08 year end, resulting from the addition of Cricket Communications and a Verizon expansion.

➤ **Interest on Investments**

Interest Earnings were determined by calculating the interest income on current investments, which will be maturing in FY 2009-10. Interest on the balance of investments that will be reinvested, was calculated at a percentage rate of 1.25%. Interest on cash balances was calculated at a rate of 0.25% to 0.5%. Capital Projects Fund cash is invested in Certificates of Deposit with a maturity of one year or less, the Illinois Funds Investment Pool and the Illinois Metropolitan Investment Fund (IMET). The Illinois Funds and IMET are rated AAA by Standard and Poor's.

➤ **Transfer from the General Fund**

The General Fund transfer to Capital Projects has been reduced from \$250,000 to \$100,000 in the coming year. This transfer was reduced, as a result of significant reductions to capital expenses in the coming year.

Resulting from the Water Rate Study in 2008, the Board agreed to reallocate 50% of the cell tower lease revenue (\$100,386 for FY 2009-10) to the Capital Projects Fund. This reallocation helps to offset the \$150,000 reduction in the transfer from the General Fund.

Expenditures

The budget provides a detailed listing and narrative for each of the proposed capital projects for FY 2009-10. All of these projects require Board approval prior to initiation. Also included is an updated ten year capital plan for the Village, as well as individual ten year plans for each of the departments.

Attachment B details capital projects chosen by staff to be deferred or eliminated in the coming year, along with their anticipated cost.

WATER FUND

Revenues

➤ **Water Sales**

Water Sales revenues are based on the average annual consumption determined in the 2008 Water Rate Study, and an increase of \$0.86 per 1,000 gallons in the water metered rate effective May 1, 2009. Water sales may fluctuate widely, based on the precipitation and weather conditions during a particular year; however, FY 2009-10 Water Sales revenues are estimated to be \$2,191,500.

➤ **Cell Tower Lease Revenues**

Cell Tower Lease revenues, budgeted at \$100,386 for FY 2009-10, are based on the current contracts and reflect 50% of the total amount received for cell tower lease revenues. The remaining 50% is included in the Capital Projects Fund. Total lease revenues of \$200,772 represent an increase of 36% over FY 2007-08 year end, resulting from the addition of Cricket Communications and a Verizon expansion.

➤ **Interest on Investments**

Interest Earnings were determined by calculating the interest income on current investments, which will be maturing in FY 2009-10. Interest on the balance of investments that will be reinvested, was calculated at a percentage rate of 1.25%. Interest on cash balances was calculated at a rate of 0.25% to 0.5%. Water Fund cash is invested in Certificates of Deposit with a maturity of one year or less, the Illinois Funds Investment Pool and the Illinois Metropolitan Investment Fund (IMET). The Illinois Funds and IMET are rated AAA by Standard and Poor's.

Expenditures

▪ **Operating**

The City of Chicago passed on a series of increases for the purchase of water to the DuPage Water Commission (DWC), beginning with a 15% increase on January 1, 2008. Another 15% increase went into effect on January 1, 2009 and a 14% increase is scheduled for January 1, 2010. As a result, the DuPage Water Commission made the decision to pass along these increases to its members, beginning in October 2008 with a 15% increase in the wholesale water rate. Additional proposed increases are from the current combined rate of \$1.45 per 1,000 gallons to \$1.70 on May 1, 2009. Another increase of \$0.25 is being proposed beginning on May 1, 2010. This will bring the water wholesale combined rate to \$1.93. Expenditures for the purchase of water are budgeted at the proposed \$1.70 rate.

- **Capital Improvements**

Budgeted capital improvements include \$739,813 for the replacement of approximately 2,967 lineal feet of water main on Hudson, Jane, Juliet and Golf, where frequent breaks have occurred and water main diameter is insufficient to meet current and future needs.

Other budgeted water capital improvements include the scheduled replacement of the batteries that operate the transmitter for individual water meters (\$40,000), in order to allow the Village to read the meters using radio frequency, and the scheduled replacement of a rectifier and other items for the cathodic protection system at the Burlington Avenue water tower. This system extends the life of the interior coatings and prohibits the deterioration of the steel structure.

A detailed list of all water capital improvements is provided in the budget, including a brief narrative for each project. All projects require Board approval prior to initiation. Also included is an updated ten year water capital improvement plan. “Ready to Go” projects, prepared in the hope of receiving stimulus grant money, are listed at the bottom of the ten year plan, but are not included in the budget. Any such award and related expenditure would need to be approved by the Board before initiation.

Attachment B details water capital projects chosen by staff to be deferred or eliminated in the coming year, along with their anticipated cost.

MOTOR FUEL TAX FUND

Revenues

➤ Motor Fuel Tax

The Illinois Municipal League estimates that Motor Fuel Tax allotments will increase by 1.9% in FY 2009-10 to \$209,830, from the FY 2008-09 year end estimate of \$205,920. It is believed that the lower cost of fuel will encourage an increase in driving.

Expenditures

Significant budgeted expenditures for the Motor Fuel Tax fund include the purchase of rock salt and liquid calcium chloride for snow removal (\$58,000), contract tree trimming and the removal of parkway trees (\$75,000), and the removal and replacement of sidewalks throughout the Village (\$30,000).

HOTEL/MOTEL TAX FUND

Revenues

➤ Hotel/Motel Tax

Tax receipts received from the Mayflower Motel are budgeted at \$6,000 for FY 2009-10; unchanged from the current year.

Expenditures

No expenditures were budgeted in this fund for FY 2008-09. For FY 2009-10, overtime and associated benefits incurred by Public Works staff for work at the Village's summer concerts and the annual Christmas Walk (\$9,255) have been budgeted in this fund. Musical entertainment and miscellaneous expenses associated with the Christmas Walk (\$2,000) have been budgeted as well.

BN/CH PARKING FUND

Revenues

➤ Parking Permit Fees

Parking permit fees are budgeted slightly lower than the current year at \$56,000, largely due to a lower demand for parking spaces.

Expenditures

Budgeted expenditures are the normal costs associated with the station and lot operations.

DEBT SERVICE FUND

Revenues and expenses for this fund are the result of transfers from the Capital Projects Fund for the payment of debt on the new police facility and fire trucks.

SPECIAL SERVICE AREA FUNDS

The Special Service Area funds exist solely to accumulate property taxes to pay the debt service payments associated with the Road Program, Traube and Park Willow water mains. Special Service Area 14 is a new addition this year, which was established to provide for the property tax collected in lieu of the parking obligation at 1 Walker. Upon collection, this tax will be transferred to the Economic Development Fund. No other revenues or expenditures are budgeted in these funds.

POLICE PENSION FUND

Revenues

The Police Pension Fund exists to accumulate funds from the Village's property tax levy for police pensions, and its member contributions. These funds are used to pay current and future pension benefits for police officers. Presently, the fund has fourteen active members. Village contributions are based on an annual actuarial evaluation, which is used as the basis for the tax levy. For FY 2009-10, the police pension contribution is \$255,960. The Village's contribution is expected to increase significantly in FY 2010-11, resulting from investment losses. Member contributions are set by state statute at 9.91%.

Expenditures

Budgeted expenses include payments for pension benefits (\$402,800) and professional services associated with the fund, such as investment management, actuarial and audit (\$11,275).

FIRE PENSION FUND

Revenues

The Fire Pension Fund exists to accumulate funds from the Village's property tax levy for fire pensions, and its member contributions. These funds are used to pay future pension benefits for the Fire Chief. Village contributions are based on an annual actuarial evaluation, which is used as the basis for the tax levy. For FY 2009-10, the fire pension contribution is \$14,868. The Village's contribution is expected to increase in FY 2010-11, resulting from investment losses. Member contributions are set by state statute at 9.455%.

Expenditures

Budgeted expenses include payments for professional services associated with the fund, such as broker fees, actuarial and audit (\$1,800).

UNFUNDED NEEDS

As with other communities, the Village struggles to meet the needs of its residents while providing a balanced budget. With limited revenue sources and a challenging economy, the Village retains the following important unfunded needs:

- The addition of one Police Officer at an approximate cost of **\$88,000**.
- A Fire Station space study and property acquisition at an approximate cost of **\$500,000**.
- An addition to the Fire Station at an approximate cost of **\$500,000**.

The following unfunded needs are the result of the Village's Fire Service Study completed in 2007:

- Increase the third Firefighter/Paramedic on duty from 5 days a week to 24 hours per day/ 365 days per year. This increase requires the addition of one Firefighter/Paramedic at nighttime, 12 hours per night/ 7 days a week, and Saturdays and Sundays, 12 hours per day, for an approximate cost of **\$100,000**.
- The addition of a fourth Firefighter/Paramedic on duty 24 hours per day/ 365 days per year, at an approximate cost of **\$156,000**.
- The addition of a fifth Firefighter/Paramedic on duty 24 hours per day/ 365 days per year, at an approximate cost of **\$156,000**.

Acknowledgement

The preparation of this budget would not have been possible without the dedicated services of the Village Manager, Department Heads, Assistant Department Heads, Assistant to the Village Manager and the Finance Accountant. My deepest gratitude is extended to each and every one of them for their conscious efforts and commitment to provide outstanding service to the Village of Clarendon Hills, while struggling to contain expenses.

Peg Hartnett
Finance Director/ Treasurer/Budget Officer