

DATE: March 5, 2010
TO: Village President and Board of Trustees
CC: Robert Bahan, Village Manager
FROM: Peg Hartnett, Finance Director/Treasurer
SUBJECT: Fiscal Year 2010-11 Proposed Budget

The Village's fiscal year 2010-11 proposed budget is respectfully presented for the purpose of review and discussion at the budget workshop on March 20, 2009. The following narrative provides an analysis of major revenue projections and highlights some of the major expenditures.

FY 2010-11 will be another challenging year for the Village. Revenue declines continue with difficulties at the state level, and few options available to the Village in order to raise additional revenues. Building permit revenues appear to have hit bottom, however, we remain extremely cautious as to any sustainable improvement. In order to present a balanced budget in FY 2010-11, increases are proposed to various licenses and permits, building fees, fire service fees and the electric utility tax.

In addition to increasing fees, a total of \$453,538 in expenditure reductions were made to the Village's General, Motor Fuel Tax and Capital Projects Funds. These cuts, in addition to approximately \$1.2 million expenditure reductions in the previous two fiscal years, represent total expenditure reductions of almost \$1.7 million to the Village's budgets.

The Village's Finance Committee met on two occasions to review the proposed changes to the FY 2010-11 budget and provide their recommendations. A copy of the meeting materials and the Finance Committee's recommendations are included in this budget document under the Finance Committee tab.

GENERAL FUND

The Village's balanced General Fund budget is presented for review. This budget includes the use of \$132,041 in fund balance, of which \$31,150 is from reserved Drug Forfeiture and DUI Tech Fund balances, and the remaining is unreserved fund balance. \$100,000 of the unreserved balance has been placed in the General Fund Contingency account. At fiscal year end 2009, the Village reserved \$297,792 in additional fund balance to provide extra resources in FY 2010-11, if needed.

Revenues

Challenges continue for the Village in the coming fiscal year, as the struggle to maintain core services is offset by the continued decline in revenues. Overall General Fund revenues are projected to increase by just 0.6% in FY 2010-11.

➤ Property Taxes

Under the Property Tax Extension Limitation Act (Tax Cap law), the tax levy can only increase by the lesser of 5% or the increase in the Consumer Price Index (CPI), whichever is less. Property tax revenues, which were levied in December 2009, reflect an estimated increase of 1.33%, which includes the 0.1% CPI at year end 2008 and approximately 1.23% in new construction (based on the estimate provided by the Downers Grove Township Assessor). At the time of the 2009 levy, the township assessor estimated the equalized assessed valuation (EAV) for property within the Village to decrease by 3%.

What does this mean for the Village's property taxes in FY 2010-11?

The Village received \$2,855,229 in property taxes this year for general Village services, such as police protection, fire protection, road and bridge and general corporate services. An additional \$271,221 was received to fund police and fire pensions; for a total of \$3.13 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 \$41,823 in property tax revenues in FY 2010-11 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 2010. The Downers Grove Township Assessor estimates our new construction at \$7 million, a decrease of 29% 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.

Illustrated below in the chart is a ten year history of the Village's property tax rates.

Tax Levy Year	Fiscal Year	Tax Rate	Change from Prior Year
2009	2011	0.5606	0.0240
2008	2010	0.5366	(0.0050)
2007	2009	0.5416	(0.0263)
2006	2008	0.5679	(0.0239)
2005	2007	0.5918	(0.0562)
2004	2006	0.648	(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)

Property tax revenues account for approximately 54% of the Village's General Fund revenues.

➤ **Places for Eating Tax**

The Places for Eating Tax is expected to increase by 7% from the FY 2009-10 budgeted amount to \$91,000. This increase is largely attributable to the opening of the Tres Agaves Mexican restaurant in the downtown. FY 2009-10 year end is projected to be \$85,000.

➤ **State-shared Revenues**

The Illinois Municipal League (IML) estimates of December 2009 were used to calculate Income Tax, Use Tax, Personal Property Replacement Tax and Motor Fuel Tax for the upcoming year, along with trend data from the second half of FY 2009-10.

- Income Tax receipts are estimated to be \$600,000 or 13% lower than the FY 2009-10 budget of \$689,000. As you have probably heard, Governor Quinn is proposing to reduce income tax revenues to municipalities from a 10% share to 7%. This proposed decrease of 3% equates to approximately \$200,000 in lost revenues to the Village's General Fund. If this reduction comes to pass, the Village will need to reduce its Income Tax budget by \$200,000, and decrease expenditures as well.
- Use Tax is estimated to decrease 9% from the FY 2009-10 budgeted amount to \$92,000.
- Personal Property Replacement Tax receipts are estimated to be \$16,000 or 2.5% lower than the FY 2009-10 budgeted amount.

➤ **Sales Tax**

Sales Tax receipts are estimated to be \$490,000 or 2% lower than the FY 2009-10 budgeted amount. 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**

Total License Fees are budgeted at \$212,955, a 15% increase from the prior year budget. This increase is wholly the result of increased fees for businesses, contractors, motor vehicle stickers and animal licenses.

➤ **Interest on Investments**

Interest on Investments is expected to be \$50,000 in FY 2010-11 as interest rates continue to remain near zero percent. Budgeted earnings were determined by calculating the interest income on current investments, which will be maturing in FY 2010-11, along with 0.25%-0.50% on cash balances that may be reinvested.

➤ **Building Permits and Fees**

Building Permits and Fees are expected to increase 17% to \$207,100 from the current year revised budget, wholly the result of raising the various building fees. The FY 2010-11 budget for Building and Permit Fees was estimated based on nine single family homes and an addition to the Birches. In the current fiscal year-to-date, nine single family home permits have been issued, compared with nine for the same time period a year ago.

➤ **Cable Franchise Fees**

Cable Franchise Fees are based on the cable packages Village residents maintain. The FY 2010-11 budget of \$110,000 is the same as the estimated FY 2009-10 year end.

➤ **Police Fines**

Overall Police Fines are budgeted to decrease 6% from the prior year to \$236,200.

➤ **Concert Revenues**

Concert Beverage Sales were reduced by 5% from the current year end to \$25,000 for FY 2010-11. Concert Reimbursements were reduced from \$18,000 to \$5,000. However, if sponsorships for the concerts are not obtained, summer concerts will not be held in FY 2010-11.

➤ **Ambulance Fees**

Ambulance Fees are projected to increase to \$143,750 in FY 2010-11 from \$120,000 in the current year, resulting from pursuing deductibles, co-pays and the non-insured.

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

IPBC, the Village's health insurance pool, holds approximately \$70,000 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 \$50,000 of this excess reserve as a credit against the monthly insurance billings, \$5,000 over ten months beginning with the new plan year on July 1, 2010. Accounting wise, this amount will be recognized as revenue over the ten month period.

Expenditures

Expenditures in the General Fund increased by 3.4% overall, while departmental expenditures increased by 3.8%, entirely the result of personnel and insurance costs. Increased personnel costs are attributable to the following: \$102,250 increase in pension costs for Police and Fire, \$21,000 increase in retirement expenses (IMRF) for all other Village employees, \$58,000 increase in health insurance premiums, \$65,500 budgeted increase in risk management (IRMA) expenses, and \$45,000 for an additional 1/3 person on-duty as a firefighter/EMT.

Salaries are budgeted at the current level for all union and non-union personnel. The Police union's current contract expires on April 30, 2010 and the Village is currently in negotiations with the union. Health insurance is budgeted at a 15% increase over the current year, with the actual increases not being known until March 25th. All pension and FICA contributions are based on current salaries. The current IMRF matching rate is 11.70%, which will remain in effect until January 2011. The final rate information for 2011 will not be known until May 2010; however it is capped at a 10% increase or 12.87%.

Police and Fire Pension contributions are based on annual actuarial studies, which are used as the basis for the tax levies. For FY 2010-11, the Police Pension contribution increased by 39% to \$356,653 and the Fire Pension contribution increased by 10% to \$16,819.

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 2009-10, the Village's annual contribution increased 3% to \$218,544. IRMA expenses are budgeted in FY 2010-11 at \$284,106 or a 30% increase.

General Fund Contingency is budgeted at \$250,000. This amount compares with \$251,831 in FY 2009-10 and \$360,586 in FY 2008-09. The transfer to the Capital Projects Fund has been eliminated in this budget year only, a reduction of the \$250,000 Village policy. This transfer was eliminated, resulting from significant reductions to capital expenses in the coming year, and due to various grants the Village expects to receive.

Presented at the beginning of each department's budget are summary sheets detailing significant expenditures in each department's proposed budget.

General Fund Departmental Highlights

- **President/Board/Committees** – Budgeted expenditures decreased by 47.3% from the current fiscal year as costs associated with the Central Business District plantings and snow removal were eliminated. Additional reductions include the employee dinner and the publishing the Trustee Topics newsletter on a bi-monthly basis, rather than monthly. Administration plans to convert the newsletter to an electronic newsletter, saving printing and mailing costs.
- **Administration/Finance** – Budgeted expenditures decreased by 1.1% as overtime, and consulting expenditures were reduced. Out-of-state conference expenditures were removed as well. The Administration budget includes an annual flu shot for all Village employees and the Board, and salaries for Administration Department personnel. 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. These budgets include a 15% increase in health insurance premiums and 10% increase in IMRF expenditures.

- **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 39% or \$100,693 in the Police pension contribution, based on the annual actuarial study, a 30% increase in the IRMA contribution, and a 15% increase in health insurance premiums. Contractual services include the purchase of one Police vehicle from the DUI Tech Fund reserve and the purchase of firearms from the Drug Forfeitures reserve.
- **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 7.9% increase over the current year, include an increase of 10% or \$1,557 in the Fire pension contribution, based on an annual actuarial study, a 30% increase in the IRMA contribution, and a 15% increase in health insurance premiums. Personnel costs include the addition of a 1/3 person on-duty as a firefighter/EMT.
- **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 a 13.8% increase over the current year are attributed to increased overtime costs associated with snow removal and road work, a 30% increase in the IRMA contribution, and a 15% increase in health insurance premiums. Utility expenses include 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.
- **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 1.9% increase over the current year, reflect a 30% increase in the IRMA contribution, a 15% increase in health insurance premiums, and a 10% increase in IMRF costs.

CAPITAL PROJECTS FUND

Revenues

➤ Utility Tax

Utility Taxes are comprised of three parts: Nicor payments, ComEd payments and State-shared receipts from telecommunications taxes. Utility Tax revenues are budgeted at \$735,000 for FY 2010-11. This amount includes an additional \$25,000 from an increase in the electric utility tax rates.

➤ **Cell Tower Lease Revenues**

Cell Tower Lease revenues, budgeted at \$114,560 for FY 2010-11, 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 \$229,120 represent an increase of 6% over FY 2009-10, resulting from Sprint/Nextel lease changes at the Burlington and Park Avenue water tower sites.

➤ **Interest on Investments**

Interest Earnings were determined by calculating the interest income on current investments, which will be maturing in FY 2010-1, along with 0.25%-0.50% on cash balances that may be reinvested.

➤ **Transfer from the General Fund**

The General Fund transfer to Capital Projects has been eliminated in the coming year, resulting from a \$259,300 reduction in capital expenses for FY 2010-11. A detailed listing of these reductions is included under the Finance Committee tab of this proposed budget.

Expenditures

The budget provides a detailed listing and narrative for each of the proposed capital projects for FY 2010-11. 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. Each department thoroughly reviewed their replacement schedule for vehicles and equipment, and made significant changes to life cycles. Included within the Capital Projects ten year plans are detail regarding these revisions.

WATER FUND

Revenues

➤ **Water Sales**

Water Sales revenues are based on the average annual consumption determined in the 2008 Water Rate Study, and a water rate of \$7.93 per 1,000 gallons effective May 1, 2010. This increase includes an anticipated increase of \$0.37 per 1,000 gallons in the cost of water by the DuPage Water Commission, effective on May 1, 2010. Water sales may fluctuate widely, based on the precipitation and weather conditions during a particular year; however, FY 2010-11 Water Sales revenues are estimated to be \$2,660,000.

➤ **Cell Tower Lease Revenues**

Cell Tower Lease revenues, budgeted at \$114,560 for FY 2010-11, 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 \$229,120 represent an increase of 6% over FY 2009-10, resulting from Sprint/Nextel lease changes at the Burlington and Park Avenue water tower sites.

➤ **Interest on Investments**

Interest on Investments is expected to be \$50,000 in FY 2010-11 as interest rates continue to remain near zero percent. Budgeted earnings were determined by calculating the interest income on current investments, which will be maturing in FY 2010-11, along with 0.25%-0.50% on cash balances that may be reinvested.

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, and additional \$0.25 increases on May 1, 2009 and May 1, 2010.

In addition, the DWC recently proposed an increase in the wholesale rate by another \$0.37 beginning in May 1, 2010 to fund their operations. Resulting from all these increases, the wholesale water rate is expected to be \$2.08 per 1,000 gallons beginning in May 1, 2010. Expenditures for the purchase of water are budgeted at \$2,660,000 for FY 2010-11.

▪ **Capital Improvements**

Budgeted capital improvements include \$60,000 for the construction to transfer 11 individual water services from the existing 6 inch cast iron water main to the 12 inch water main on Park Avenue, between Richmond and Western Avenue. After construction is completed, the 6 inch main will be abandoned. In addition, \$250,000 is included for completion of the \$2.1 million IEPA water main replacement project. This project was funded with American Recovery and Reinvestment Act (ARRA) funds and a Public Water Supply Loan. The \$1.6 million, zero interest loan will be repaid over twenty years, beginning in March 2011, and the remaining \$500,000 does not need to be repaid.

Other budgeted water capital improvement replacements include a three-ton dump truck, the Village's network server and tape backup, and the purchase of an email archiver. 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.

MOTOR FUEL TAX FUND

Revenues

➤ **Motor Fuel Tax**

Motor Fuel Tax allotments for FY 2010-11 are estimated to be \$204,000, unchanged from the FY 200-10 year end.

Expenditures

Significant reductions to budgeted expenditures, \$37,500, were made in anticipation of the continued reduction in Motor Fuel Tax allotments. A complete listing of these cuts is included within the Finance Committee portion of this budget.

FY 2010-11 expenditures include the purchase of rock salt and liquid calcium chloride for snow removal (\$79,000), contract tree trimming and the removal of parkway trees (\$70,000), and the removal and replacement of sidewalks throughout the Village (\$20,000).

HOTEL/MOTEL TAX FUND

Revenues

➤ **Hotel/Motel Tax**

Tax receipts received from the Mayflower Motel are budgeted at \$5,800 for FY 2010-11; a 3.3% reduction from the current year..

Expenditures

FY 2010-11 expenditures include overtime and associated benefits incurred by Public Works staff for work at the Village's summer concerts and the annual Christmas Walk (\$9,550). Musical entertainment and miscellaneous expenses attributable to the Christmas Walk (\$2,100) are budgeted in this fund as well.

BN/CH PARKING FUND

Revenues

➤ **Parking Permit Fees**

Parking permit fees are budgeted slightly lower than the current year at \$52,000, 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 (SSA) funds exist solely to accumulate property taxes to pay the debt service payments associated with the Road Program, Traube and Park Willow water mains. SSA 14 was established to collect the property tax in lieu of the parking obligation at 1 Walker. Upon collection, this tax is transferred to the Economic Development Fund. SSA 15, established in July 2009, provided for the road improvements on Churchill, Grant and Hudson streets.

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 2010-11, the police pension contribution is \$356,653. Member contributions are set by state statute at 9.91%.

Expenditures

Budgeted expenses include payments for pension benefits (\$413,775) and professional services associated with the fund, such as investment management, actuarial and audit (\$14,120).

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 2010-11, the fire pension contribution is \$16,819. 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 (\$2,825).

Acknowledgement

The preparation of this budget would not have been possible without the dedicated services of the Village Manager, Department Heads, Assistant Department Heads, 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