

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL MEETING
NOVEMBER 1, 2011 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Public Hearing on Proposed FY12 Municipal Budget	Resolution Ordinance Motion ✓ Discussion Only	David Fieldman Village Manager

SYNOPSIS

Public Hearing regarding the proposed FY12 Municipal Budget.

STRATEGIC PLAN ALIGNMENT

The goals for 2011-2018 include Steward of Fiscal and Environmental Responsibility.

FISCAL IMPACT

The FY12 Municipal Budget will provide for all operational revenues and expenditures for the time period from January 1, 2012 through December 31, 2012.

UPDATE & RECOMMENDATION

This FY12 Proposed Budget was discussed at the October 1, 2011 Budget Workshop, the October 11, 2011 Village Council meeting, the October 15, 2011 Coffee with the Council meeting and the October 18, 2011 Village Council meeting. At the October 18, 2011 Village Council meeting Council directed staff to add \$250,000 to both revenues and expenses in the Capital Fund. The additional revenue is from a DCEO grant. The additional expense will be used for the New Sidewalk Installation Program (S-004). Staff also prepared the attached responses to Councilmember questions asked at the October 18 meeting.

Staff has revised the FY12 budget for the Water Fund by increasing revenues and expenses by \$1 million. This revision is in response to an increase in the cost of purchasing water from the DuPage Water Commission effective January 1, 2012. Please see the attached memorandum for additional information.

Staff requests additional discussion and Council direction on potential changes to the FY12 Proposed Budget and recommends adoption of the budget on the November 8, 2011 Active Agenda.

BACKGROUND

The Long Range Financial Plan was discussed by Council during 2011. This Plan was used as a guiding document in preparation of the proposed 2012 Municipal Budget. On September 23, 2011, the proposed FY12 Municipal Budget was published for the Village Council and the public at <http://www.downers.us/govt/village-budget>. A Budget Workshop was held at Fire Station 2 on Saturday October 1, 2011. Staff presented information related to the following funds at the Workshop:

- General Fund
- MFT Fund
- Ogden TIF Fund
- Risk Fund
- Water Fund
- Stormwater Fund
- Equipment Replacement Fund
- Health Insurance Fund
- Capital Fund (Streets & Sidewalks)
- Downtown TIF Fund
- Fleet Services Fund
- Transportation Fund

During the presentation both Village Council and residents asked questions of staff. Copies of those questions and answers are attached. If requested by Council, staff will provide a presentation for any of the remaining funds not discussed at the Saturday Workshop.

Following is the budget schedule for the remainder of the year:

- Vote to Adopt Budget Tuesday, Nov. 8
- Adopt Estimated Tax Levy Tuesday, Nov. 15
- Tax Levy Public Hearing Tuesday, Dec. 6
- Adoption of Tax Levy Tuesday, Dec. 13

ATTACHMENTS

Answers to questions from Village Council meeting discussions
2012 Proposed Budget Revenue and Expense Adjustments
Memorandum Regarding Water Fund budget revisions

ORDINANCE NO. _____

**AN ORDINANCE ADOPTING THE FISCAL YEAR 2012
BUDGET IN LIEU OF PASSAGE OF AN APPROPRIATION ORDINANCE**

WHEREAS, the Village Council of the Village of Downers Grove has provided for the preparation and adoption of an annual budget in lieu of passage of an appropriation ordinance for the fiscal year 2012; and

WHEREAS, a proposed annual budget has been prepared, published by the Village Council and made available for inspection for at least ten days, all as provided by law; and

WHEREAS, notice has been given and a public hearing held on November 1, 2011, as provided by law; and

WHEREAS, the Village Council of the Village of Downers Grove has examined said annual budget and has heard all persons appearing and desiring to be heard concerning said annual budget,

NOW, THEREFORE, BE IT ORDAINED by the Council of the Village of Downers Grove, in DuPage County, Illinois, as follows:

SECTION 1. That the tentative annual budget heretofore prepared by the Village Manager and placed on file as required by the statutes of the State of Illinois is hereby adopted in lieu of the passage of an appropriation ordinance for the fiscal year 2012 with the following amendments:

FY 2012 BUDGET ORDINANCE

Fund Description	Fiscal Year 2012 Recommended Budget
GENERAL FUND	
GENERAL FUND	41,349,024
SPECIAL REVENUE FUNDS	
102 MOTOR FUEL TAX FUND	1,300,000
107 DOWNTOWN REDEVELOPMENT TIF FUND	2,701,298
109 2% FOREIGN FIRE INSURANCE FUND	83,000
110 OGDEN AVENUE TIF (Tax Increment Financing) FUND	1,477,128
111 TAX REBATE FUND	750,000
112 TRANSPORTATION FUND	273,948
114 ASSET FORFEITURE FUND	50,000
TOTAL SPECIAL REVENUE FUNDS	6,635,374
CAPITAL PROJECTS FUNDS	
220 CAPITAL PROJECTS FUND	17,119,903
223 MAJOR BUILDINGS FUND	453,000
226 REAL ESTATE FUND	126,645
243 STORMWATER IMPROVEMENT FUND	13,427,187
TOTAL CAPITAL PROJECTS FUNDS	31,126,735
DEBT SERVICE FUNDS	
337 1998 FAIRVIEW AVENUE DEBT SERVICE FUND	200,000
338 CBD-TIF DEBT SERVICE FUND	2,873,313
339 STORMWATER/FACILITIES DEBT SERVICE FUND	4,163,871
TOTAL DEBT SERVICE FUNDS	7,237,184
ENTERPRISE FUNDS	
471 PARKING FUND	2,493,629
481 WATER FUND	16,944,857

TOTAL ENTERPRISE FUNDS**19,438,486****FY 2012 BUDGET ORDINANCE**

Fiscal Year 2012

Recommended

Fund Description

Budget

INTERNAL SERVICE FUNDS

530 EQUIPMENT REPLACEMENT FUND	1,395,500
531 FLEET MAINTENANCE FUND	1,785,900
562 RISK MANAGEMENT FUND	1,872,812
563 HEALTH INSURANCE FUND	6,289,716
TOTAL INTERNAL SERVICE FUNDS	11,343,928

TRUST FUNDS

651 POLICE PENSION FUND	3,263,502
652 FIRE PENSION FUND	3,163,847
TOTAL TRUST FUNDS	6,427,349

PUBLIC LIBRARY FUNDS

LIBRARY OPERATIONS FUND	4,620,396
LIBRARY CONSTRUCTION FUND	80,000
LIBRARY DEBT FUND	646,780
TOTAL PUBLIC LIBRARY FUNDS	5,347,176

TOTAL VILLAGE AND LIBRARY BUDGETS**128,905,256**

SECTION 2. That the Village Manager is hereby authorized and directed to cause to be prepared and published the Fiscal Year 2012 Annual Budget with the aforementioned amendments.

SECTION 3. That all ordinances or resolutions, or parts thereof, in conflict with the provisions of this Ordinance be and are hereby repealed.

SECTION 4. That this Ordinance shall be in full force and effect from and after its adoption and publication as required by law.

Mayor

Passed:

Published:

Attest: _____
Village Clerk

**PROCEDURES FOR PUBLIC HEARING
2012 FY BUDGET**

Mayor's Opening Statement:

This public hearing will please come to order. This public hearing has been called by the Village Council to consider the proposed Village Budget.

Notice of this hearing was published in the Downers Grove Reporter and a certificate of publication is made a part of these proceedings.

I would like to summarize the procedures which we will follow for tonight's public hearing.

1. First, Dave Fieldman, Village Manager, will provide an overview of the proposed Budget.
2. Next, there will be an opportunity for members of the Village Council to ask questions or make comments.
3. Next, there will then be an opportunity for members of the public to make statements or comments, or to submit written statements or comments for the record.
4. I will again ask if any member of the Council wishes to make a statement or ask a question.
5. Thereafter, I will ask for a motion to adjourn.

At this hearing, witnesses will not be sworn and a verbatim written transcript of the statements or testimony given at the hearing will not be prepared. However, a recording of the procedures will be made on Village equipment and retained until minutes of the hearing have been prepared and approved by the Village Council.

- 1. Staff Presentation.**
- 2. Questions or comments from the Village Council.**
- 3. Comments or statements from the public.**
- 4. Final questions or comments from the Village Council.**
- 5. Adjournment.**

Responses to Council Questions from 10-18-11 Budget Discussion

Are the existing parking lot light poles at Village Hall deteriorating? How long are these lights expected to last?

Yes, the parking lot lighting system at Village Hall is deteriorating and is currently beyond its expected service life. The system consists of approximately 80 lights that illuminate the parking lots around Village Hall, the Police Department and the commuter lot to the west of these facilities.

The major elements of the system include:

Light Fixtures

The light fixtures from this system are mercury vapor and are no longer available to purchase. These fixtures are failing at a rate of at least one per month. As they fail staff rebuilds each fixture with a new ballast, mounting bracket, bulb and wire to convert it to a metal halide light. This conversion costs approximately \$200 per fixture. After the lights are converted to metal halide fixtures they are susceptible to early failure because the configuration of the lights exposes the new ballasts to the elements.

Wiring

The aging wire in these poles has been prone to multiple repairs throughout the year as well.

Poles and Cube Light Covers

The existing poles and light covers are deteriorating from age and suffer damage from accidents and replacement parts are not available for them. If a pole or light cover breaks or is damaged staff pieces them together as best possible. As poles are knocked down they cannot be replaced. Repairs to the white plastic cubes are done with silicone, however, many of them are discolored and deformed in shape and tend to grow algae in them which affects the light output.



Example of Deteriorated Cube Light Cover



Example of Damaged Pole Base



Example of Worn and Faded Poles

If the Village were to defer the Village Hall parking lot lighting project and increase the funding for the new sidewalk program by an additional \$200,000, how would the new sidewalk program be affected? (which segments would be constructed? Can we complete the planning, surveying and design work for these additional segments? When would the segments be constructed?)

If the Village Hall parking lighting project were to be deferred for sidewalk construction for 2012, the additional sidewalks that staff would recommend for construction based upon the Matrix are the sidewalks in Clyde Estates. Survey work was previously completed in Clyde Estates and staff could use that data to complete the design work for construction of these additional sidewalk segments in 2012. The streets in Clyde Estates are scheduled for reconstruction in 2015. Staff recommends constructing the sidewalks at the same time the streets are reconstructed. Combining the street reconstruction with the sidewalk construction would minimize the disruption to the residents.

The table below indicates the sidewalk segments that would be constructed with a budget of \$300,000 (blue), the sidewalks that have been added as the budget was increased to \$600,000 (purple) and the sidewalks that would be constructed if the budget were increased to \$800,000. Please note that the Downers Drive segment will be constructed with the current budget of \$600,000, but will not be constructed if the budget were increased to \$800,000. The segments shown in white would be deferred to allow for coordination with other construction projects.

Segments	From	To	Length	Est. Cost	Cummulative Cost Estimate	Comments						
62nd	Janes	Chase	600	\$30,000	\$30,000							
Leonard	Hobson	63rd	1900	\$95,000	\$125,000							
61st St	Belmont	W. of Leonard	750	\$37,500	\$162,500							
Carol	Lacey	Northcott	1050	\$52,500	\$215,000							
Virginia	Lacey	Northcott	1050	\$52,500	\$267,500							
60th	Puffer	Belmont	260	\$13,000	\$280,500							
61st	Osage	Grand	400	\$20,400		Vacant ROW, review need						
Sterling	Chicago	Davis	1540	\$78,540	\$359,040							
Grant	Lee	W. Limit	470	\$23,970	\$383,010							
Meadowlawn	Main	Washington	860	\$43,860	\$402,900							
Elm	Rogers	Warren	240	\$12,240	\$395,250							
62nd Place	Brookbank	Carpenter	320	\$31,620	\$434,520							
Eldon	Bunning	59th	590	\$30,090		Needs storm sewer work						
Middaugh	60th	62nd	400	\$20,800	\$455,320							
Bunning	Eldon	Fairview	1360	\$70,720		Needs storm sewer work						
62nd	Fairview	W. Limit	180	\$9,360		No connectivity, review						
*Downers Dr	Brook	Butterfield	780	\$40,560	\$495,880							
Brook	Finley	E. Limit	2380	\$123,760	\$619,640							
60th Place	Clyde	E. Limit	190	\$9,880	\$629,520							
Webster	59th	S. Limit	340	\$17,340	\$646,860							
Clyde/Wash/60th	Main	60th Place	2370	\$123,240	\$770,100							
Webster Pl	59th	Washington	540	\$28,080	\$798,180							
60th Place	Main	Clyde	580	\$30,160	\$828,340							
59th Place	Webster	Webster Pl	260	\$13,520	\$841,860							
<table border="0"> <tr> <td style="background-color: #e0f0ff;"></td> <td>Proposed Budget of \$300,000</td> </tr> <tr> <td style="background-color: #e0e0ff;"></td> <td>Revised Budget of \$600,000 Per Council Direction</td> </tr> <tr> <td style="background-color: #ffffe0;"></td> <td>Further Revised Budget of \$800,000 Being Considered</td> </tr> </table>								Proposed Budget of \$300,000		Revised Budget of \$600,000 Per Council Direction		Further Revised Budget of \$800,000 Being Considered
	Proposed Budget of \$300,000											
	Revised Budget of \$600,000 Per Council Direction											
	Further Revised Budget of \$800,000 Being Considered											

*NOTE: To stay within the budgeted expenses, this segment may not be constructed if the Council approves a budget of \$800,000

Please provide options for adding one more street sweeping cycle in 2012. How much would this cost? How could we pay for this?

Adding one more street sweeping cycle in the fall of 2012 would likely cost more than \$17,000, would require additional revenue in the Stormwater Fund (probably an increase in the property tax levy) and would require modification to the street sweeping operations.

Under the current contract, there are 9 street sweeping cycles performed each year. One street sweeping cycle is performed each month from April through December. The cycles performed in April through September cost approximately \$6,500 each. The cycles performed in October, November and December cost approximately \$17,000 each. It takes significantly more time to complete the October, November and December

sweeping cycles due to the amount of leaves that are collected by the street sweepers. The 3-month fall street sweeping cycles are performed consecutively from mid-October through mid-December. This means that the street sweeping crews work continuously in the Village during this time frame.

Adding one more street sweeping cycle in the fall would require the Village to add one additional crew that would work concurrently with the existing crews. This would require the use of additional street sweeping machines and additional staff. This would require an amendment to the contract with the current vendor or the execution of a contract with another vendor to provide the supplemental service. Staff does not know whether the existing contractor has the staffing and apparatus resources to provide a supplemental sweeping cycle at the same unit cost of \$17,000 per cycle. The cost of providing one street sweeping cycle in the peak season (October – December) may be substantially more than \$17,000.

Street sweeping is paid for from the Stormwater Fund. While this fund has money available for capital projects from the 2008 bond issuance proceeds, these funds cannot be used for these types of maintenance activities. There is no money available in this fund for additional maintenance activities. Therefore additional revenue in the amount of the cost of an additional sweep would be required. This revenue is currently provided from the property tax levy. An increase in the property tax levy would likely be required.

What are the impacts of the proposal to make a \$20,000 contribution to Meals on Wheels in 2011? What are the impacts of making a \$20,000 contribution to Meals on Wheels in 2012 and increasing the taxi coupon purchase limit to 100 per month without making any other changes to the FY12 General Fund revenues and expenses?

If the Village makes a \$20,000 contribution to Meals on Wheels in 2011, it will increase 2011 expenses by \$20,000 and reduce the estimated ending 2011 fund balance to \$16,599,776. This fund balance is equal to which is 40.14% of budgeted 2012 General Fund expenses.

If the Village also makes a \$20,000 contribution to Meals on Wheels in 2012 and increases the taxi subsidy by \$40,000, General Fund expenses will increase by \$60,000 in 2012 from \$41,349,024 to \$41,409,024. The proposed General Fund budget is balanced with revenues equaling expenses. If the Village Council would like to maintain the proposed balanced budget, \$60,000 of other expenses would need to be removed from the budget, or \$60,000 of revenue would need to be added, or there would need to be a combination of a reduction in expense and increase in revenues equal to \$60,000.

Please provide a report on the taxi subsidy program.

In conjunction with the approval of the FY10 municipal budget, the Village Council made changes to the taxi subsidy program. Effective January 1, 2010, the subsidy level was reduced from 70% to 50% and the maximum number of coupons to be purchased in one month was reduced from 100 to 60.

The total FY11 budget includes \$60,000 in revenues from the sale of coupons and \$120,000 in expenses from the redemption of the coupons for a net cost of \$60,000. Through September, the revenues and expenses are tracking near the budgeted amounts. The net cost of the program through September 30, 2011 was \$34,513, below the budgeted amount of \$45,000. This compares to a net cost of \$66,686 for the same period in 2010 and \$102,354 for the same period in 2009.

As noted in the attached table, the number of coupons sold through September (91,008) is very near the budgeted number of 90,000. The number of redeemed coupons and expenses are tracking under the budget, with 80,017 coupons redeemed compared to a budget of 90,000.

	2011 Actuals				2011 Budget			
	Coupons purchased	Revenues	Coupons redeemed	Net Cost	Coupons purchased	Revenues	Coupons redeemed	Net Cost
Jan	10,762	\$ 5,381	\$ -	\$ 5,381	10,000	\$ 5,000	\$ 10,000	\$ (5,000)
Feb	8,450	\$ 4,225	\$ 6,554	\$ (2,329)	10,000	\$ 5,000	\$ 10,000	\$ (5,000)
Mar	10,128	\$ 5,064	\$ 13,139	\$ (8,075)	10,000	\$ 5,000	\$ 10,000	\$ (5,000)
Apr	13,930	\$ 6,965	\$ 7,805	\$ (840)	10,000	\$ 5,000	\$ 10,000	\$ (5,000)
May	9,330	\$ 4,665	\$ 11,036	\$ (6,371)	10,000	\$ 5,000	\$ 10,000	\$ (5,000)
Jun	9,850	\$ 4,925	\$ 10,477	\$ (5,552)	10,000	\$ 5,000	\$ 10,000	\$ (5,000)
Jul	8,600	\$ 4,300	\$ 9,146	\$ (4,846)	10,000	\$ 5,000	\$ 10,000	\$ (5,000)
Aug	9,532	\$ 4,766	\$ 11,893	\$ (7,127)	10,000	\$ 5,000	\$ 10,000	\$ (5,000)
Sep	10,426	\$ 5,213	\$ 9,968	\$ (4,755)	10,000	\$ 5,000	\$ 10,000	\$ (5,000)
Oct				\$ -	10,001	\$ 5,000	\$ 10,000	\$ (5,000)
Nov				\$ -	10,002	\$ 5,000	\$ 10,000	\$ (5,000)
Dec		\$ -		\$ -	10,003	\$ 5,000	\$ 10,000	\$ (5,000)
	91,008	\$ 45,504	\$ 80,017	\$(34,513)	120,006	\$ 60,000	\$ 120,000	\$(60,000)

	2010 Actuals				2009 Actuals			
	Coupons purchased	Revenues	Coupons redeemed	Net Cost	Coupons purchased	Revenues	Coupons redeemed	Net Cost
Jan	7,960	\$ 3,980	\$ 14,332	\$(10,352)	17,933	\$ 5,380	\$ 16,023	\$ (10,643)
Feb	9,480	\$ 4,740	\$ 9,191	\$ (4,451)	17,953	\$ 5,386	\$ 15,440	\$ (10,054)
Mar	9,640	\$ 4,820	\$ 17,836	\$(13,016)	17,123	\$ 5,137	\$ 15,289	\$ (10,152)
Apr	14,730	\$ 7,365	\$ 11,782	\$ (4,417)	21,367	\$ 6,410	\$ 16,184	\$ (9,774)
May	8,270	\$ 4,135	\$ 9,275	\$ (5,140)	15,590	\$ 4,677	\$ 15,256	\$ (10,579)
Jun	9,208	\$ 4,604	\$ 16,253	\$(11,649)	17,467	\$ 5,240	\$ 15,260	\$ (10,020)
Jul	11,336	\$ 5,668	\$ 10,235	\$ (4,567)	17,257	\$ 5,177	\$ 15,814	\$ (10,637)
Aug	9,420	\$ 4,710	\$ 10,536	\$ (5,826)	15,987	\$ 4,796	\$ 25,369	\$ (20,573)
Sep	10,118	\$ 5,059	\$ 12,329	\$ (7,270)	19,040	\$ 5,712	\$ 15,636	\$ (9,924)
Oct	11,510	\$ 5,755	\$ 10,536	\$ (4,781)	21,217	\$ 6,365	\$ 14,734	\$ (8,369)
Nov	9,481	\$ 4,741	\$ 10,652	\$ (5,911)	16,390	\$ 4,917	\$ 16,184	\$ (11,267)
Dec	9,138	\$ 4,569	\$ 20,288	\$(15,719)	22,350	\$ 6,705	\$ 15,693	\$ (8,988)
	120,291	\$ 60,146	\$ 153,244	\$(93,098)	219,674	\$ 65,902	\$ 196,881	\$(130,979)

Can staff provide an update on the AMR system and efforts to reduce water loss?

The automated meter reading (AMR) system was installed beginning in 2001. At the time that the system was presented to Council for approval, several advantages were identified, including the following:

1. Daily meter reading from every meter in the system

2. Village-owned infrastructure, which requires no additional expenditure for these daily readings
3. Management reports on a daily basis, to include hi/low consumption, zero consumption, tamper detection, and error detection (hardware related problems)
4. Web-based access to all data (through the Village's intranet)
5. Proven service and support for all software and hardware related issues
6. An open architecture that the Village can expand upon throughout the life of the system
7. More efficient and responsive customer services

With 10 years of experience using the AMR system, staff has observed these benefits firsthand and the system has improved the overall operation of the water system. One area in particular where the system has been most useful relates to #1 and #2 above. The remote daily reading capability of the system has vastly improved the efficiency and accuracy of the water system.

Prior to the system being in place, the Village relied on NICOR hired and trained meter readers to determine the reading of the 16,000 accounts within the Village. Due to the difficulty obtaining some of these reads, there were times when up to 2,000 accounts per month were not actually read, but instead estimated for billing purposes based on prior consumption. To the extent that these estimated reads extended over long periods of time and were lower than actual consumption, these water users were not paying what they should have for water. The introduction of the AMR system eliminated this problem.

Even with the introduction of the AMR system, there still remain other reasons why the Village is not able to fully account and bill for all of the water purchased from the DuPage Water Commission. These reasons include water main breaks, water leakage, and municipal use of water for service delivery in several areas.

There are other strategies that the Village has employed to minimize water loss, which include the following:

- Leak Detection Services – In June of this year, Council authorized a 3-year contract with a firm that specializes in the identification of water leakage throughout the system. Over the past three years, similar leak detection efforts have resulted in the identification of an average of 21 leaks per year that were responsible for an estimated average water loss of 227,000 gallons of water per day.
- Accelerated Water Main Replacement – the FY2012 Budget includes funding to support a 10 million bond issue that will allow the Village to undertake significantly more water main replacement over the next 3-4 years than has been completed in the past. This will have the effect of improving the quality of infrastructure in the system and minimizing water main breaks.

Memorandum

To: Village Council
From: David Fieldman, Village Manager
Re: Revisions to FY12 Water Fund Budget
Date: October 28, 2011

Staff has revised the FY12 budget for the Water Fund by increasing revenues and expenses by \$1 million. This revision is in response to an increase in the cost of purchasing water from the DuPage Water Commission (DWC), effective January 1, 2012. In addition, staff has revised the planned increases in Village water rates to pass through the increased cost of purchasing water from the DWC to the Village's customers. This memorandum:

- Summarizes the DWC rate increases
- Explains the resulting revisions to the FY12 Water Fund budget
- Details the proposed changes in Village water rates
- Shows the impact of the increased Village water rates on a typical residential property

Background

The Village's water system serves approximately 16,000 residential and business accounts within Village boundaries, as well as a limited number of unincorporated properties. Our supply of water is obtained from Lake Michigan via the City of Chicago. The DuPage Water Commission (DWC) obtains water from the City and in turn, distributes and sells it to member communities, including Downers Grove.

DWC Rate Increases

The City of Chicago is in the process of raising their water rates. These new rates are expected to be in place on January 1, 2012. The DWC plans to increase the price of the water sold to its members, effective January 1, 2012. The price increase includes a pass-through of the City of Chicago water rate increases as well as increases for DWC existing debt service payments and planned capital improvements. The DWC rate increases to its members will be as follows:

2012	30% increase
2013	20% increase
2014	18% increase
2015	17% increase

Revisions to the FY12 Water Fund Budget

The cost of purchasing water is expected to increase by approximately \$1 million. In response to this increase, staff has increased both the expenses and revenues in the FY12 Water fund budget by \$1 million.

In the original proposed FY12 Budget, the cost of supplies, which includes the purchase of water from the DWC, was \$4,981,087. Staff has prepared a revised budget that increases the cost of supplies by \$1 million to \$5,981,087. This change reflects the 30% increase from the DWC for 2012. In the original proposed FY12 Budget, the revenue from the sale of water was \$10,160,000. The revised budget includes revenue of \$11,160,000—a direct pass-through of the \$1million increase in the Village’s cost of purchasing water from the DWC.

Village Rate Increases

To achieve the revenue included in the revised budget, the Village must raise water rates.

In 2010, the Village Council approved the Water Rate Study Report which concluded the following:

- Based on projected water sales, the Village’s current water rates (2010) will not produce adequate revenues to cover the costs of operating and maintaining the water system in 2011 or during subsequent years.
- The annual shortfalls under existing 2010 rates will exhaust the Village’s Water Fund cash balance during 2011.
- Revenue increases of 14% in 2011, 2012 and 2013, 10% in 2014 and 9% in 2015 are required to cover the costs of operating and maintaining the water system.

The study included a model projecting the total cost of owning, operating and maintaining the Village water system, assuming 10% annual increases in the cost of water from the DWC.

The latest increases to be implemented by the DWC (noted above) are substantially greater than the increases assumed in the 2010 model. Staff has updated the model to account for the increases proposed by the DWC for the next four years.

Year	Required Revenue Increases Per 2010 Water Rate Study Model	Required Revenue Increases Per the Revised Model
2012	14%	25%
2013	14%	18%
2014	10%	14%
2015	9%	14%

Impact of Rates on a Typical Residential Property

The table below shows the impact on a typical residential property owner (15 units of water used during each bi-monthly billing cycle and a 5/8” water meter) of the original plan per the 2010 water study and the revised plan including a pass-through of the DWC rate increase. It is important to note that the pass-through increase in the cost of purchasing water from the DWC affects the unit fee portion of the Village rates only, and the fixed fee portion does not change from the original plan.

	Original Plan			Revised Plan		
	Bi-Monthly Fixed Fee	Unit Fee	Typical Bi-Monthly Bill	Bi-Monthly Fixed Fee	Unit Fee	Typical Bi- Monthly Bill
2011	\$8.25	\$3.30	\$57.75			
2012	\$9.31	\$3.73	\$65.26	\$9.31	\$4.13	\$71.26
2013	\$10.50	\$4.25	\$74.25	\$10.50	\$4.89	\$83.85
2014	\$11.55	\$4.68	\$81.75	\$11.55	\$5.57	\$95.10

It is important to implement the recommendations of the 2010 water study and pass on the increased cost of purchasing water. Failure to fully pass along the additional cost could result in the following:

- Reduction in the fund balance in the Water Fund.
- Reduction in the size of the 2012 bond issuance or the inability to issue a bond.
- Deferment of needed capital improvements resulting in increases in water main breaks.

2012 Proposed Budget Revenue & Expense Adjustments

REVENUES		EXPENSES		SURPLUS/ (DEFICIT)
Capital Projects Fund (220)				
Proposed Budget (9/23/11)	30,255,671	Proposed Budget (9/23/11)	16,869,903	13,385,768
DCEO grant-Sidewalks	250,000	S-005 New Sidewalk Installation-Grant Funding	250,000	
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Adj. Proposed Budget (11/01/11)	30,505,671	Adj. Proposed Budget (11/08/11)	17,119,903	13,385,768
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Water Fund (481)				
Proposed Budget (9/23/11)	20,226,237	Proposed Budget (9/23/11)	15,944,857	4,281,380
Water rate increase	1,000,000	DuPage Water Commission water rate increase	1,000,000	
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Adj. Proposed Budget (11/01/11)	21,226,237	Adj. Proposed Budget (11/08/11)	16,944,857	4,281,380
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