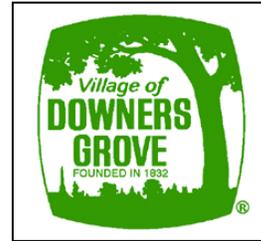


## FY11 Budget Message



TO: Honorable Mayor and Council  
FROM: David Fieldman, Village Manager  
RE: Adopted FY11 Municipal Budget  
DATE: December 7, 2010

The Village Budget Team and I are pleased to present the FY11 Municipal Budget. The enclosed budget reflects the continued challenging economic conditions affecting nearly all municipalities in the state, region and nation. This budget incorporates the seven strategies outlined in the 2011-2013 Long Range Financial Plan (LRFP) to address financial challenges in a fiscally responsible manner.

### **2011-2013 Long Range Financial Plan Strategies**

- Implement Operating Efficiencies
- Enhance the Revenue Base
- Reduce/Eliminate Services, Events & Programs
- Increase/Enhance Property Tax Revenue
- Increase/Enhance Other Revenue Sources
- Reduce Personnel Expenses
- Strategically Use Reserves

The FY11 budget is the second annual budget prepared per the recommendations of the LRFP. In 2010, significant changes to the Village's budget and operations were made to address a substantial structural financial gap. Changes included reductions and eliminations of Village services and programs, voluntary and involuntary staffing reductions and revenue enhancements. As a result of these measures, a \$4.5 million shortfall in the General Fund was reduced to \$835,000. Because appropriate actions were taken in 2010, the Village is well positioned for the FY11 municipal budget.

The primary goals of the FY11 budget include:

- Balance the General Fund budget (revenues equal to expenses) with no changes to service levels and no involuntary reduction in staffing levels.
- Implement the recommendations of the Water Rate Study report.
- Continue to invest in needed infrastructure improvements using funds from dedicated revenue sources

The proposed budget given to Council on September 24 was a starting point for discussion. The approval of the FY11 Municipal Budget was on November 9, after discussion of the recommendations and the generation and consideration of ideas and concepts not included in the proposed budget. The budget review and approval process summarized below provided ample opportunity for dialogue among the Village Council, community and staff.

## FY11 Budget Review and Approval Schedule

Publish the Proposed FY11 Budget	Friday, September 24
Budget Workshop	Saturday, October 2
Budget Discussion at Council Meeting	Tuesday, October 12
Coffee with the Council	Saturday, October 16
Budget Discussion at Council Meeting	Tuesday, October 19
Budget Public Hearing at Council Meeting	Tuesday, November 2
Vote to Adopt Budget, Hearing on Est. Tax Levy	Tuesday, November 9
Adopt Estimated Tax Levy	Tuesday, November 16
Tax Levy Public Hearing	Tuesday, December 7
Adoption of Tax Levy and Abatements	Tuesday, December 14

The Village budget is comprised of 25 active funds. The total municipal budget for all funds consists of approximately \$96.0 million in revenues and \$107.5 million in expenses. Table 1 below summarizes the revenues, expenses, beginning balance and ending balance for each fund within the budget. While the budgeted expenses exceed the budgeted revenues, many of the funds have been accumulating a balance to allow for planned expenses and key projects in FY11. Three of the funds are managed by the Library District, an independent component unit of the Village.

**Table 1**  
**All Funds Revenues, Expenses and Fund Balances, FY11**

Fund	Estimated Balance 12/31/10	FY11 Budgeted Revenue	FY11 Budgeted Expenses	Budgeted Balance 12/31/11
General Fund	\$14,650,312	\$40,074,841	\$40,073,910	\$14,651,243
Motor Fuel Tax	\$14,578	\$1,100,500	\$1,100,000	\$15,078
Downtown Redevelopment TIF	\$800,688	\$2,750,250	\$2,749,061	\$801,877
Foreign Fire	\$182,550	\$65,500	\$84,100	\$163,950
Ogden Avenue TIF	\$3,338,595	\$797,050	\$877,118	\$3,258,527
Tax Rebate	\$0	\$700,000	\$700,000	\$0
Transportation	(\$1,952,756)	\$272,100	\$272,094	(\$1,952,750)
Capital Projects	\$2,099,637	\$4,978,471	\$6,101,944	\$976,164
Municipal Buildings	\$262,484	\$0	\$249,000	\$13,484
Real Estate	\$282,638	\$61,430	\$97,246	\$246,822
Stormwater Improvement	\$18,683,198	\$4,495,139	\$15,805,428	\$7,372,909
Debt Service - Fairview Ave	\$9,768	\$200,000	\$200,000	\$9,768
Debt Service - Downtown TIF	\$652,989	\$2,816,076	\$2,916,676	\$552,389
Debt Service - SW/Facilities	\$0	\$4,635,458	\$4,635,458	\$0
Parking	\$1,070,876	\$1,309,600	\$1,415,678	\$964,797
Water	\$1,164,856	\$9,101,324	\$8,977,466	\$1,288,714
Equipment Replacement	\$2,104,992	\$956,363	\$1,231,412	\$1,829,944
Fleet Services	\$437,622	\$1,442,924	\$1,825,114	\$55,432
Risk Management	(\$1,754,662)	\$2,180,750	\$2,179,758	(\$1,753,669)
Health Insurance	\$721,386	\$5,671,415	\$5,670,629	\$722,171
Police Pension	\$35,019,471	\$3,350,508	\$2,761,502	\$35,608,478
Fire Pension	\$30,155,334	\$4,028,343	\$2,617,337	\$31,566,341
Library	\$3,007,017	\$4,313,718	\$4,202,338	\$3,118,398
Library Construction	\$244,175	\$610	\$80,000	\$164,785
Library Debt Service	\$856,061	\$649,660	\$648,660	\$857,061
<b>Totals</b>	<b>NA</b>	<b>\$95,952,030</b>	<b>\$107,471,927</b>	<b>NA</b>

## The General Fund

The General Fund is the main operating fund of the Village and includes the majority of Village services. The budget is consistent with the recommended action plan in the LRFP noted below.

### LRFP 2011 Plan for the General Fund

- Contain Expenses.
- Increase the Property Tax Levy for General Fund Operations by \$500,000.
- Increase Other Revenue Sources by \$1,000,000 by capturing 12 months of the ¼ cent Home Rule Sales Tax, which became effective on July 1, 2010
- Maintain Reserves

The FY11 budget is balanced with revenues and expenses of \$40.07 million. The ending fund balance is budgeted to be \$14.65 million, or 36.56% of budgeted expenses. There are no proposed changes to existing service levels and there are no proposed involuntary reductions in staffing levels.

**Table 2**  
**General Fund Revenues and Expenses (in Millions)**  
**FY07 to FY10**

	Revenues	Expenses	Difference	Fund Balance	Fund Balance % of Expenses
<b>FY07 (Actual)</b>	\$41.14	\$42.72	(\$1.58)	17.05	39.91%
<b>FY08 (Actual)</b>	\$40.98	\$42.25	(\$1.27)	15.78	37.35%
<b>FY09 (Actual)</b>	\$38.95	\$39.28	(\$0.33)	15.44	39.31%
<b>FY10 (Budget)</b>	\$39.45	\$40.29	(\$0.83)	14.61	36.26%
<b>FY10 (Estimate)</b>	\$38.53	\$39.32	(\$0.79)	14.65	37.26%
<b>FY11 (Budget)</b>	<b>\$40.07</b>	<b>\$40.07</b>	---	<b>14.65</b>	<b>36.56%</b>

### General Fund Expenses

As noted in Table 2 above, the Village continues to contain costs. The FY11 budget contains several expense reduction efforts that are consistent with the recommended strategies and adhere to the 2011 action plan found in the LRFP. These reductions are sustainable over the long term.

There are three key expense reductions reflected in the General Fund budget and summarized in Table 3 below. If these expense reduction initiatives were not undertaken, the total expenses in the General Fund would be \$2.4 million higher.

**Table 3**  
**Key FY11 General Fund Expense Reductions**

Action	LRFP Strategy	Cost Savings
Consolidated Dispatch with Westmont	Operating Efficiencies	\$225,000
Staff Reductions via Attrition	Operating Efficiencies, Reduce Personnel Expenses	\$880,000
Changes to the Health Insurance Provider	Reduce Personnel Expenses	\$1,300,000
<b>Total Cost Savings</b>		<b>\$2,405,000</b>

**Consolidated Dispatch with Westmont** - General Fund expenses for 2011 will be reduced significantly by partnering with Westmont to jointly operate emergency dispatch services from our Village Operation Center (VOC) located within the Police Department. The Intergovernmental Agreement with Westmont was approved by the Village Council on the September 21, 2010. This project improves operating efficiencies for both Downers Grove and Westmont, maintains service levels and reduces annual Village expenses. The consolidation will result in an increase in expenses of approximately \$230,000 per year and an increase in revenue (payments to the Village from the Village of Westmont) of about \$530,000 for a net annual expense reduction of \$300,000. The FY11 budget was prepared under the assumption that joint dispatch operations will commence in mid-2011 and therefore shows a net expense reduction of \$225,000.

**Staff Reductions Via Attrition** - Personnel expenses have been cut by reducing the amount of staff. In 2010, staff continued with the process of filling only essential vacancies. Several non-essential positions became vacant this year and will not be replaced. In total, 11.75 positions are currently vacant and have been eliminated in the FY11 budget (see Table 4). If the 11.75 positions were not eliminated, annual expenses in the General Fund would be approximately \$880,000 higher than shown in the FY11 budget.

Staffing in the Clerk's Office and Legal Department are increasing by .25 FTE and .50 FTE respectively to respond to the increased workload demands placed on the Village by the 2010 amendment to the Freedom of Information Act. The increase in the Village Manager's Office of 1 FTE is a shift in staffing from the Community Events Department described in more detail below.

**Table 4**  
**Staffing Plan, 2009 to 2011**

<b>Department</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Change, 2010-11</b>
Counseling & Social Services Dept.	3.90	1.25	1.25	--
Community Events Department	3.00	1.00	0	(1.0)
Village Manager's Office	6.60	4.60	5.60	1.0
Human Resources Department	4.50	3.50	3.50	--
Legal Department	3.75	3.00	3.50	.50
Communications Department	6.25	5.50	5.25	(.25)
Community Development Dept.	18.50	16.50	15.50	(1.0)
Building Services Division	9.25	8.25	8.00	(.25)
Finance Department	13.18	12.18	12.18	--
Police Department	120.60	114.60	110.60	(4.0)
Public Works Department	77.75	74.25	68.00	(6.25)
Fire Department	88.75	85.75	85.00	(.75)
Information Services Department	8.00	8.00	8.00	--
Village Clerk's Office	2.50	2.50	2.75	.25
<b>TOTAL</b>	<b>366.53</b>	<b>340.88</b>	<b>329.13</b>	<b>(11.75)</b>

The following paragraphs summarize the key staffing changes reflected in the FY11 budget.

***Community Events & Village Manager's Office*** – The FY11 budget reflects the elimination of the Community Events Director position as well as the Community Events Department and the addition of an Emergency Management Coordinator in the Village Manager's Office. In September 2010, the Village Council approved a new model for community events which calls for most events to be operated by not-for-profit entities with the Village facilitating the events. The number of staff hours spent on community events has been reduced dramatically. There is no longer a need for a full-time, director level position for the facilitation of community events. The facilitation of community events is expected to take about 500 hours of staff time per year (approximately .25 FTE). Therefore, the Director of Community Events position will be eliminated in 2011.

The Village is required to comply with Federal, State and County requirements for emergency management. In past years, the Village has asked Police Department Lieutenants and Fire Department Deputy Chiefs to coordinate emergency management services. However, the Federal, State and County requirements for emergency management services have increased in response to more rigorous testing, training and reporting requirements. The number of staff hours required to be dedicated to these activities has also increased. Emergency management coordination is expected to take about 1500 hours of staff time per year (approximately .75 FTE). As staffing levels in the Police Department and Fire Department have been reduced, the time available for Police and Fire staff to focus on emergency management activities has declined. To address the Village's community event facilitation and emergency management needs, the position of Emergency Management Coordinator has been created. Approximately 75% of the position will be dedicated to emergency management activities and 25% will be dedicated to community event facilitation. The position has been placed in the Village Manager's Office.

***Police Department***- The FY 11 budget includes the elimination of one Lieutenant, one Sergeant, three Police Officers, and one Community Service Officer. It also includes the addition of three Village Operations Center (VOC) Operators as a result of the Westmont consolidation dispatch project. Pursuant to the LRFP strategies *Implement Operating Efficiencies* and *Reduce Personnel Expenses*, staff analyzed and changed staffing levels and operations. In FY10 the Police Department experienced a number of staff vacancies. The Police Department was able to restructure, re-assign or eliminate various responsibilities, and utilized technology whenever possible to reduce overall staffing levels. The Department will be able to provide services at or near existing levels by:

- Managing and overseeing three-patrol division shifts using two Patrol Lieutenants instead of three. This will be done by adjusting schedules to allow for overlap on to the midnight shift, and utilization of on-call status for existing Patrol Lieutenants.
- Re-assigning the duties and responsibilities of the department's Training Sergeant to existing supervisory staff.
- Increasing the coordination among the officers assigned to the patrol and traffic division.

- Increasing use of technology in various areas of the Police Department such as Records, Patrol, and the Parking Division.

The addition of three VOC operators is part of the partnership with Westmont to provide emergency dispatch services for both municipalities as described above.

***Public Works Department*** – The FY11 budget reflects the elimination of a staff engineer, 4.75 FTE seasonal positions and an Administrative Secretary which has been replaced with a part-time Administrative Assistant.

Recently, the Public Works Department has operated with 7 staff engineers. These engineers design infrastructure improvement projects and oversee the construction of capital projects. The Village also uses engineering consultants for these tasks. For FY11, one of the staff engineer positions will be eliminated. Design work historically performed by the person in this position will be performed by engineering consultants. Capital project construction oversight work will be performed by the remaining 6 staff engineers.

Beginning in 2010, the Village did not hire seasonal workers in the Public Works Department and Building Services Division. In 2010, the work traditionally performed by these seasonal employees was performed by full-time Village employees during regular-time and over-time hours. The elimination of Heritage Festival and the reduction of staff time spent on other community events increased the number of hours available for permanent Public Works staff to perform work that was traditionally performed by the seasonal employees. Further, the money budgeted for seasonal employee wages was used for overtime expenses for work performed outside of regular work hours. The elimination of the seasonal positions is budget neutral as the expenses will be shifted from seasonal employee expenses to permanent employee expenses.

In 2010, a full-time Administrative Secretary position in Public Works was eliminated and replaced with a .50 FTE part-time Administrative Assistant position. This staffing reduction is reflected in the FY11 budget.

**Health Care Provider Network** – Personnel expenses will also be reduced by changing health care provider networks. There will be no significant changes to the health plan. The change in networks from PHCS to a national carrier will enhance service levels and reduce Village expenses. This change in health care provider has been approved by the Village Council. If the Village did not change health care provider networks, the annual expenses in the General Fund would be approximately \$1,300,000 higher than shown in the FY11 budget.

Personnel related expenses continue to account for the vast majority of costs totaling over 77% of General Fund expenses. The combination of the reduction in staffing levels and the changes to the health plan reduce personnel expenses. However, due to increases in the other personnel costs such as salaries and benefits, the result is a small increase in personnel expenses compared to the FY10 budget (see table 5 below). Non-personnel expenses have been reduced substantially primarily due to a reduction in contractual service costs and the reduction in the cost of owning and maintaining the Village's vehicle fleet.

**Table 5**  
**General Fund Expenses by Category, FY10 and FY11**

Category	FY10 Budget	FY11 Budget	Change	% Change
Personnel	\$30,392,671	\$31,078,336	\$685,665	2.26%
Non- Personnel	\$9,896,984	\$8,995,574	(\$901,410)	(9.11%)
<b>Total</b>	<b>\$40,289,655</b>	<b>\$40,073,910</b>	<b>(\$215,745)</b>	<b>(0.54%)</b>

**FY10 General Fund Department Expenses**

Table 6 summarizes the General Fund expenses at the departmental level.

**Table 6**  
**General Fund Expenses by Department, FY10 and FY11**

Department	FY10 Budget	FY11 Budget	Difference	Percent Change
Community Events	142,043	--	(142,043)	(100.00)
Counseling & Social Services	48,719	--	(48,719)	(100.00)
Community Development	1,696,612	1,580,561	(116,051)	(6.84)
Human Resources	158,822	150,525	(8,297)	(5.22)
Other	1,310,478	1,253,455	(57,023)	(4.35)
Public Works	5,702,991	5,545,006	(157,985)	(2.77)
Police	14,119,689	14,050,136	(69,553)	(0.49)
Information Services	887,485	877,412	(10,073)	(1.14)
Finance	961,179	960,080	(1,099)	(0.11)
Fire	12,981,672	13,151,898	170,226	1.31
Communications	485,194	497,674	12,480	2.57
Legal	526,330	549,534	23,204	4.41
Building Services	607,011	646,564	39,553	6.52
Clerk's Office	316,420	338,952	22,532	7.12
Village Manager's Office	345,009	472,113	127,104	36.84
<b>Total</b>	<b>40,289,655</b>	<b>40,073,910</b>	<b>(215,745)</b>	<b>(0.54)</b>

**General Fund Revenues**

There are a variety of revenue sources that support the General Fund. In the past several years, many of the General Fund revenue sources have been declining or have remained flat. The trend of flat and declining revenues is expected to continue and is reflected in the FY11 budget.

Total General Fund revenues are budgeted to be \$40.07 million, approximately \$600,000 more than the FY10 budget. Table 7 summarizes the top ten General Fund revenue sources. Budgeted revenues from Sales Tax, Utility Taxes, State Income Tax, Fines and Hotel Tax are the same or less than the amount budgeted in FY10. The base upon which Home Rule Sales Tax is collected is also budgeted to decline. Only Property Taxes, Building Related Permits and Cellular Equipment Rental Fees are budgeted to increase in FY11.

**Table 7**  
**Top Ten General Fund Revenue Sources**

Rank	Source	FY08 Act	FY09 Act	FY10 Bud	FY10 Est	FY11 Bud
1	Sales Tax	11,251,420	10,300,409	10,500,000	10,200,000	10,200,000
2	Utility Taxes	7,028,219	5,694,902	6,200,000	5,580,000	5,380,000
3	Property Taxes-Operations	5,510,942	5,723,607	6,162,347	6,162,347	6,662,347
4	State Income Tax	4,612,408	3,960,237	3,750,000	3,600,000	3,500,000
5	Property Taxes - Pensions	2,180,466	2,861,687	3,685,460	3,685,460	4,083,851
6	Home Rule Sales Tax	--	--	1,000,000	1,000,000	1,800,000
7	Cellular Equip. Fees	773,016	880,956	960,000	960,000	998,400
8	Fines	937,843	823,171	850,000	762,000	775,000
9	Building Related Permits	1,074,158	809,928	810,850	990,100	870,000
10	Hotel Tax	904,034	702,555	700,000	700,000	700,000
<b>Sub-Total</b>		<b>34,272,506</b>	<b>31,757,451</b>	<b>34,618,657</b>	<b>33,639,907</b>	<b>34,969,598</b>
All Other		6,702,700	7,191,063	4,837,271	4,889,853	5,105,243
<b>Total</b>		<b>40,975,206</b>	<b>38,948,513</b>	<b>39,455,928</b>	<b>38,529,760</b>	<b>40,074,841</b>

**Property Tax Levy Increase** – The budget includes a \$500,000 increase in the property tax levy to be used for General Fund operations, specifically, the provision of police, fire and emergency services. The property tax levy for General Fund operations is \$6,662,347. The cost of providing police, fire and emergency services in FY11 is budgeted at \$32.6 million. The revenue collected from the property tax levy for operations would cover only 20% of the cost of these services. The \$500,000 increase in the property tax levy would add approximately \$20 to the annual tax bill for a property with a market value of \$300,000 and a resulting taxable value (Equalized Assessed Valuation) of \$100,000. There are additional components to the Village’s property tax levy detailed in the following section of this message.

#### **Property Tax Levy**

While the total municipal budget relies on a number of sources of revenue, the property tax levy continues to be a focus of judging the fiscal health of a community. Property taxes account for about 26.8% of the General Fund budget.

The Village’s property tax levy is comprised of six components. Each of the components is used to support specific services provided by the Village. Table 8 summarizes the property tax levy for FY11.

**Table 8**  
**Village Property Tax Levy, FY10 & FY11**

<b>Levy Component</b>	<b>FY10</b>	<b>FY11</b>	<b>Change</b>
Corporate Levy	\$3,312,347	\$3,812,347	\$500,000
Fire Protection	\$2,850,000	\$2,850,000	--
Fire Pension	\$1,979,952	\$2,203,343	\$223,391
Police Pension	\$1,705,508	\$1,880,508	\$175,000
Stormwater	\$2,630,139	\$2,630,139	--
Debt Service After Abatements	--	--	--
<b>Total</b>	<b>\$12,477,946</b>	<b>\$13,376,337</b>	<b>\$898,391</b>

The total property tax levy will increase by approximately 7%. The change is driven by the substantial increase in the Fire and Police Pension levies and the planned increase in the corporate levy for general fund operations. There are no increases in the levy for debt service or for stormwater.

Based on conversations with the township assessor's office, the total Equalized Assessed Valuation of all taxable property located within the Village limits is expected to decline by 5% from \$2.55 billion to \$2.42 billion. The application of the Village's levy to the total taxable value of property results in an increase of the Village's tax rate from .4952 in 2010 to an estimated .5568 in 2011. Table 9 below shows how the Village's levy would affect a residential property with a market value of \$300,000 in 2010. The value of the property is expected to decline by 5% and would have a market value of \$285,000 in 2011. In 2010, the example property paid \$495.20 to the Village. The same property in 2011 would pay \$524.60 to the Village, or \$43.72 per month. This is an increase of \$29.40 per year or \$2.45 per month. It is important to note that the Village portion of the tax bill is generally about 10% of the total tax bill.

**Table 9**  
**Village Tax Levy on a \$300,000 Residential Property**

	<b>FY10</b>	<b>FY11</b>
Equalized Assessed Value	\$100,000	\$95,000
Village Tax Rate	.4952	.5568
<b>Village Tax Amount</b>	<b>\$495.20</b>	<b>\$524.60</b>

**Implementation of Water Rate Study Recommendations**

The Village of Downers Grove provides clean, safe and reliable water service to residents and commercial establishments in and around the Village. The water system serves a residential population of approximately 50,000 with a service area that includes all areas within the Village limits and a limited area outside the Village. The primary source of water supply for the Village is from the DuPage Water Commission. The Water Commission is supplied with water from the City of Chicago, which draws water from Lake Michigan.

On April 13, 2010 the Village Council authorized award of a contract with Municipal and Financial Services Group (M&FSG) to complete a water rate study. The goal of the study is to review current and future water rates to ensure adequate funding is available for current operations and maintenance as well as for identified capital maintenance and improvement projects into the future. The Village Council approved the final report and recommendations from M&FSG which include the following:

- Based on projected water sales, the Village’s current water rates 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 rates will exhaust the Village’s Water Fund cash balance during 2011.
- There are several reasons for the revenue shortfalls, which include the following:
  - The Village has experienced annual reductions in water sales over the last five years which has directly impacted revenues from water sales since the majority of the water system revenue (about 92.5%) is dependent on water sales.
  - The Village has experienced significant increases in the cost of water purchased from the DuPage Water Commission. These increases have been the primary reason for the increasing costs of operating the water system. It is anticipated that the Village will continue to experience significant annual increases (10% per year) from the Water Commission.
  - Based on a review of the age of the water system’s buried and above ground assets, a significant portion of the water system has reached its useful life. If the Village does not address these assets, it runs the risk of portions of the system failing, leading to significant disruptions in water service. To address the aging water system, the Village will be required to make significant investments in the water system over the next 10 to 20 years.

The report also recommends a 14% increase in water rates in 2011. The FY11 Water Fund budget reflects the recommended increase in water rates. Revenues are budgeted to be \$9.10 million, up from the FY10 estimated revenues of \$8.04 million. The increase in the water rates along with the implementation of the other recommendations in the report will allow the Village to continue to operate and maintain the water system in a sustainable manner.

### **Infrastructure Investment**

The FY11 budget calls for the continued investment in Village infrastructure including key components such as streets, sidewalks, and stormwater facilities. Dedicated revenue sources have been identified to fund the infrastructure investment. Major dedicated revenue sources include Home Rule sales tax, property tax, Motor Fuel Tax, and telecommunications tax. The investment in infrastructure is consistent with the dedicated funding sources.

**Streets** – The FY11 budget includes \$5.0 million for improvements to the Village’s streets. Most of this funding, about \$3.9 million, will be used for street maintenance activities.

In 2010, the Village completed an assessment of the condition of the streets, ranking the street segments in seven categories ranging from “good” to “failed”. The assessment revealed that approximately 36% of the street segments (569 segments) in the Village are in poor to failed condition. Street segments that are in poor to failed condition require reconstruction to be restored to good condition. Street segments that are in good to fair

condition require regular maintenance activities such as resurfacing and crack sealing to be maintained to these conditions.

The cost of maintaining streets to these conditions is significantly less than reconstructing streets that have fallen into poor to failed condition. Generally speaking, the cost of reconstructing a street costs 4 times as much as maintaining a street. Consistent with the Village's practice in recent years, the \$3.90 million will be used to maintain street segments that are in fair condition in an effort to prevent them from falling into a worsened condition that requires the street to be reconstructed. If funding is available after the street maintenance contracts have been completed, the Village will patch portions of streets that are in poor to failed condition.

The funding available from the current revenue sources for street reconstruction and maintenance is not sufficient to reconstruct the 569 segments that are in poor to failed condition. As noted in the LRFP, the Village should pursue a bond issuance in 2012 to allow for the reconstruction of streets over the next several years.

***Stormwater*** – The FY11 budget includes \$11.2 million for the improvements to and maintenance of the Village's stormwater infrastructure system. Widespread flooding from heavy rains in October of 2006 prompted the Village to comprehensively address deficiencies in the infrastructure and maintenance of the public stormwater system. In 2007, the Village completed the Watershed Infrastructure Improvement Plan (WIIP). Projects recommended in the WIIP primarily address drainage and stormwater issues within the public system. The completion of these projects will create additional capacity within the system and improve drainage as a whole. In 2008, the Village issued \$25 million in bonds with the proceeds earmarked for 15 high priority stormwater improvement projects identified in the WIIP. To date, 12 of the high priority projects have been completed or are under construction. In FY11, the Village plans to continue working on the remaining high priority projects and the stormwater budget provides \$7.17 million from the proceeds of the 2008 bond issue for this continued investment.

There are other capital improvement projects and maintenance projects that must be undertaken to make sure that the stormwater system is functioning properly. To that end, the FY11 stormwater fund budget provides \$4.1 million for 21 projects.

***Sidewalks*** – The FY11 budget includes \$280,000 for the construction of new sidewalks and \$174,000 for the maintenance of existing sidewalks. This funding will allow the Village to continue to pursue the goal of constructing a sidewalk on at least one side of every street in the Village.

### **Risks to the FY11 Budget**

The biggest risk to the FY11 budget is the potential to receive less revenue in the General Fund than is budgeted. While the revenue budget is conservative, there is a chance that economic conditions could worsen, driving revenues lower than budgeted. Further, the State of Illinois may reduce the distribution of state shared revenues such as income tax to municipalities. Staff will monitor and report revenue performance to the Village Council throughout 2011. If revenues fall short of the budget, the Village should be ready to discuss amendments to the budget at any time during 2011. The amendments, if

necessary, could include further expense reduction efforts as well as additional revenue enhancements.

### **Conclusion**

The FY11 budget is attached. The three primary goals (1. Balance the General Fund budget with revenues equal to expenses, with no changes to service levels; 2. Continue to invest in needed infrastructure improvements using funds from dedicated revenue sources; and 3. Implement the recommendations of the Water Rate Study report) can be addressed with the implementation of the budget. The budget includes:

- Balanced General Fund budget with revenues and expenses of \$40.07 million
- \$216,000 reduction in General Fund expenses compared to the FY10 budgeted expenses
- \$620,000 increase in General Fund revenues compared to the FY10 budgeted revenues
- \$500,000 increase in the property tax levy to fund Village operations
- \$898,000 increase in the total property tax levy
- Funding for the continued investment in Village infrastructure
- Implementation of the recommendations for the operation of the water system
- Incorporation of the Long Range Financial Plan recommendations

As a result, the Village is positioned for a successful FY11 and continued financial health in the coming years.