

Introduction

The Municipal Budget is the Village’s annual implementation plan of its mission and strategic goals. The purpose of the budget is to align everyday operations and Village resources with community priorities outlined in planning documents such as the Long-Range Plan and the Comprehensive Plan. It also includes priority action items identified by the Village Council. The FY16 Adopted Budget is consistent with the Village’s strategic goals, specifically the goal to be a *Steward of Financial Sustainability*.

The adopted budget will be reviewed and discussed over several months in an open, transparent and participative process. The budget review process provides ample opportunity for dialogue among community members, the Village Council and staff in a series of public meetings and workshops.

<i>Budget Review and Approval Schedule</i>	
Saturday Budget Workshop (Fire Station 2)	Saturday, October 10
Budget First Reading at Village Council Meeting	Tuesday, October 13
Budget Coffee with the Council (Fire Station 2)	Saturday, October 17
Budget Discussion at Regular Council Meeting (If Necessary)	Tuesday, October 20
Public Hearing	Tuesday, November 3
Motion to Estimate Levy/Budget Adoption	Tuesday, November 10
Tax Levy Public Hearing	Tuesday, December 1
Adopt Tax Levy	Tuesday, December 8

Village Budget Reflects Planning Documents and Reports

The Village’s annual budget is the implementation document for plans and studies that have already been discussed or approved including:

- Long-Range Plan 2015-17
- Comprehensive Plan
- 2014 Stormwater Project Analysis
- 2013 Flood Report
- 2012 Stormwater Utility Study
- 2010 Water Rate Study
- 2006 Stormwater Master Plan

Summary

The FY16 Adopted Budget is prepared during a time of financial uncertainty at the State level and reflects the challenges associated with maintaining service levels while expenses are increasing faster than revenues. As discussed during Long-Range planning, most existing Village revenues do not increase at the same rate as expenses, particularly personnel expenses, which typically increase by 4% to 5% annually. The Village, like all municipalities, faces ongoing uncertainty due to the State budget impasse, which threatens several Village revenues, including the state-shared income tax and motor fuel tax funding.

The key points of the FY16 Adopted Budget are as follows:

Balanced General Fund: The Village's General Fund is financially sound, with expenses and revenues balanced at \$46.3 million. (See page 4-3)

Fund Balance Maintained at the Recommended Level The General Fund balance will continue to be an amount equal to approximately 38% of annual expenses. This balance is consistent with Standard & Poor's guidelines to maintain the [Village's AAA bond rating](#). (See page 4-3)

No Increase in the Property Tax Levy for Operations: For the fourth time in five years, the adopted budget does not increase the property tax levy for operations.

Property Tax Levy Increase for Required Contributions to Public Safety Pensions: The adopted budget includes an increase in the levy for public safety (police and fire) pensions in the amount of \$893,291. This is a 19.5% increase in this portion of the tax levy. The Village's required funding level for pensions is set by state statute. The increase for FY16 is related to new accounting standards and lower-than-expected investment returns in the police and fire pension funds.

Staffing Reductions: The adopted budget reduces total Village staffing from 329.3 full-time equivalent (FTE) positions to 325.6 FTE, a decline of 3.7 FTE positions. Several positions which became vacant in 2015 and were not filled on a temporary basis following the adopted reductions in state-shared revenue will remain vacant in 2016. However, the adopted budget includes funding for an additional Planner in the Community Development Department, bringing the staffing to the 2014 level and providing resources to address increased workload in this department. (See page 7-2)

Continued Investment in Infrastructure: The Village will continue to make major improvements in the Village's infrastructure, including \$6.9 million in streets, \$4.3 million in stormwater and \$4.1 million for water. The improvements are designed to reduce the total life cycle cost of owning and operating the infrastructure systems. (See page 6-5 to 6-6.)

Village Manager's Budget Message

No Increase in the Stormwater Utility Fee: Based on Council direction during Long-Range planning, the adopted budget does not include an increase in the stormwater utility fee. The revenues in the Stormwater Fund will be supplemented by \$300,000 previously budgeted for new sidewalks in the Capital Fund. This will allow the Village to continue to adhere to the plan for stormwater system maintenance with no increase in fees for 2016 while the Village Council considers future changes to the stormwater utility. *(See page 4-21)*

Funding Sources for Priority Action Items: This adopted budget includes funding to support the Village's top and high priority action items for 2016. A detailed summary of the adopted expenses associated with each project can be found on pages 15-16.

The FY16 Proposed Budget is prepared with the assumption that the State of Illinois budget will not significantly change the Village's revenues. At the same time, the Village has a plan to respond to revenue reductions should they occur.

Staff will continue to monitor the state budget or other legislation that could severely impact the Village's revenues. If actions by the General Assembly reduce Village revenues, the Village will again implement short term cost reduction efforts such as filling only essential staff vacancies, reducing or eliminating staff training, and deferring all but the most essential purchases as was done in 2015. In addition, the Village may choose to use some of the General Fund balance to continue with essential functions. Further, the Village would engage the Council and community in a policy-oriented discussion to effectively prioritize services and address these revenue reductions in a sustainable manner. Similar discussions were held in 2009 in response to rapidly declining revenues.

Balanced General Fund

<p>Description</p>	<p>The General Fund is the main operating fund of the Village and includes funding for the majority of Village services. The adopted budget is balanced, with revenues and expenses at \$46.3 million. The General Fund derives its revenue from several sources, with the top four sources being property tax, sales tax, utility tax and state-shared revenues (income tax).</p>
<p>Recent History</p>	<p>In FY15, the Village anticipates adding \$700,000 to fund balance by controlling expenses amid moderate growth in revenues. This keeps the Village aligned with the S&P guideline of maintaining a fund balance of 38% of annual expenses and assists the Village in maintaining a AAA bond rating.</p> <p>In FY15, the Village controlled expenses in response to potential state actions, which threatened up to 50% of the Village's share of the state income tax. Over \$600,000 in expense reductions have been realized by filling only essential staff vacancies, reducing or eliminating staff training, and deferring all but the most essential purchases.</p> <p>Revenues grew moderately in FY15 compared to the previous year, primarily due to increases in the state-shared income tax and building permit revenue. Utility taxes declined and sales tax grew slightly in FY15.</p>
<p>FY16 Budget Considerations</p>	<p>The FY16 Adopted Budget is prepared with the assumption that the State of Illinois budget will not significantly change the Village's revenues. If actions by the General Assembly reduce Village revenues, the Village will again implement short-term cost reduction efforts such as filling only essential staff vacancies, reducing or eliminating staff training, and deferring all but the most essential purchases. The Village may choose to use some of the General Fund balance to continue with essential functions. Further, the Village would engage the Council and community in a policy-oriented discussion to effectively prioritize services and address these revenue reductions in a sustainable manner. Similar discussions were held in 2009 in response to rapidly declining revenues.</p> <p>Expenses are budgeted to increase 3.3% over the FY15 budget. Public safety pension costs will increase by \$893,000, accounting for almost two-thirds of the General Fund increase. <i>(See page 4-3).</i></p> <p>Personnel expenses, including salaries, health benefits and post-employment benefits, account for 78% of the General Fund budget. Personnel expenses will increase by 4.9% over the FY15 Budget. This is primarily due to the increase in public safety pensions. Without the pension increase, this increase in personnel expenses would be 2.3% due to a reduction in staffing through attrition.</p> <p>Revenues are budgeted to increase by 3.4% over the FY15 Budget. The largest increase is in property tax (\$893,000 or 2.0% of the total revenue increase) for the public safety pensions. The Village anticipates moderate growth in sales tax, income tax, licenses and permits. The user fees, licenses and permits will be adjusted to align with the cost of providing services. <i>(See page 4-5)</i></p>

Table: General Fund Revenues & Expenses, FY12 to FY16 (in millions)

Fiscal Year	Revenue	Expenses	Difference	Fund Balance	Fund Balance % of Expenses
FY12 (Actual)	\$43.32	\$41.31	\$2.01	\$19.20	46.48%
FY13 (Actual)	\$43.56	\$42.33	\$1.23	\$20.43	48.26%
FY14 (Actual) - Includes \$3.8 million transfer to Risk Fund and Transportation Fund	\$44.01	\$47.23	(\$3.22)	\$17.21	36.44% without transfer 39.63%
FY15 Budget	\$44.82	\$44.82	--	\$17.21	38.40%
FY15 Estimate	\$44.90	\$44.21	\$0.69	\$17.90	40.49%
FY16 Adopted Budget	\$46.29	\$46.32	(\$0.03)	\$17.87	38.58%

Table: General Fund Expenses by Category FY15 vs. FY16

Category	FY15 Budget	FY16 Budget	Change	% Change
Personnel	\$34,473,223	\$36,174,526	\$1,701,303	4.9%
Non-Personnel	\$10,349,039	\$10,149,564	(\$199,475)	(1.9%)
Total	\$44,822,262	\$46,324,090	\$1,501,828	3.3%

The FY16 adopted budget aligns with the Long-Range Plan goal to limit personnel-related cost increases. The Village will see an increase in the required contributions to Police and Fire pension funds due to two factors: the impact of Government Accounting Standards Board 67, a reporting requirement that has resulted in more conservative approaches to the actuarial calculations that determine the contribution amount and investment returns that were lower than the assumed rate of 7.5%. Overall employee wages are budgeted to increase by 2.3% while health benefit expenses are budgeted to increase by 3.9%.

Expense increases in the General Fund are offset by reductions in other costs:

- An overall staffing reduction (3.7 FTEs for \$324,000)
- Reduction in the the contribution to the Risk Fund as a result of improved safety results (\$118,000)

Village Manager's Budget Message

- A decrease in the annual General Fund contribution to the Fleet Services Fund for vehicle services and fuel (\$135,000). This is a result of a reduction in both fuel usage and the cost of fuel.

Table: Top Ten General Fund Revenues

RANK	SOURCE	FY 2013 Actual	FY 2014 Actual	FY 2015 Budget	FY 2015 Estimate	FY 2016 Adopted Budget
1	Sales Tax	\$11,345,002	\$11,439,451	\$11,850,000	\$11,650,000	\$11,850,000
2	Property Taxes - Operations	\$5,898,786	\$5,888,571	\$5,847,145	\$5,847,145	\$5,847,145
3	Property Taxes - Pensions	\$4,218,455	\$4,801,989	\$4,591,624	\$4,591,624	\$5,484,915
4	Utility Taxes	\$5,275,316	\$5,166,793	\$5,440,000	\$5,235,000	\$5,215,000
5	State Income Tax	\$4,557,546	\$4,579,714	\$4,750,000	\$5,000,000	\$5,100,000
6	Home Rule Sales Tax	\$1,909,870	\$1,902,361	\$2,000,000	\$1,900,000	\$1,950,000
7	Building Related Permits	\$1,234,564	\$1,276,023	\$1,250,000	\$1,420,000	\$1,400,000
8	Ambulance Fees	\$1,060,869	\$1,117,542	\$1,107,000	\$1,190,000	\$1,195,000
9	Cellular Equipment Rental Fees	\$1,175,653	\$1,201,770	\$1,128,000	\$1,128,000	\$1,173,120
10	State Shared Local Use Tax	\$824,010	\$940,782	\$840,000	\$1,000,000	\$1,017,000
	Sub-total	\$37,500,071	\$38,314,996	\$38,803,769	\$38,961,769	\$40,232,180
	All Other Total	\$6,057,973	\$5,695,058	\$6,020,855	\$5,935,987	\$6,062,033
	Total General Fund Revenues	\$43,558,044	\$44,010,054	\$44,824,624	\$44,897,756	\$46,294,213

Property Tax Levy

<p><i>Description</i></p>	<p>The total municipal budget relies on several sources of revenues, but the property tax levy is one of the most significant sources of funding. Property taxes account for approximately 24% of the General Fund budget. The Village's property tax is comprised of five components that support specific services and obligations of the Village. The two most significant components of the levy are the levy for operations and the levy for pension obligations.</p>
<p><i>Recent History</i></p>	<p>Since FY11, the Village's property tax levy for operations has been flat or decreased each year.</p> <p>Due to strong investment returns in the Police and Fire Pension Funds, the Village was able to decrease the levy for public safety pensions in FY15.</p>
<p><i>FY16 Budget Considerations</i></p>	<p>Equalized Assessed Valuation: Based on conversations with the Township Assessor's Office, the total Equalized Assessed Valuation of all taxable property in the Village is expected to increase by 4%.</p> <p>Operations: The property tax levy for operations will not increase in FY16. This is the fifth consecutive year of a flat or decreasing levy for operations. This reflects the Village's commitment to controlling operating expenses and aligns with the Long-Range Plan strategies.</p> <p>Pensions: In FY16, the Village will be required to contribute \$893,000 more than in FY15, an increase of more than 19%. This increase is driven by two factors:</p> <ul style="list-style-type: none"> ● The impact of a Government Accounting Standards Board (GASB) requirement that resulted in more conservative approaches to actuarial calculations. The new actuarial assumptions increase the total anticipated pension obligations. ● Lower investment returns in FY15 than the assumed rate of 7.5%

FAQ on Public Safety Pensions

What Does "Public Safety Pension" Mean?

Police officers and firefighters are eligible for pension benefits upon retirement if they meet certain eligibility criteria which are set by State of Illinois law. Each municipality that employs police officers and firefighters must maintain a fund to pay the pensions. The pension funds are invested using parameters established by the State of Illinois to increase the value of the fund over time. The level of pension benefits is determined by State law.

Who Pays for Public Safety Pensions?

Both the employer and the employee are responsible for funding the public safety (police and fire) pension funds. Police officers contribute 9.91% and firefighters contribute 9.455% of their salary toward their pensions. This percentage is governed by State statute. The Village makes an annual contribution to each pension fund. The amount is based on an actuarial calculation that is determined by figuring the potential cost of the system based on statistical analysis which considers investment returns, employee contributions, and pension benefit payout costs

Does the Village Fund the Pensions at the Required Amount?

Yes, each year the Village makes the required annual contribution to both the Police and Fire Pension Funds.

What Does "Pension Levy" Mean?

The Village must contribute a minimum amount to its pension funds to meet the funding level required under state law. The funding level refers to the amount in the pension fund compared to the potential liability. This amount is the Village's annual property tax levy for pension contributions.

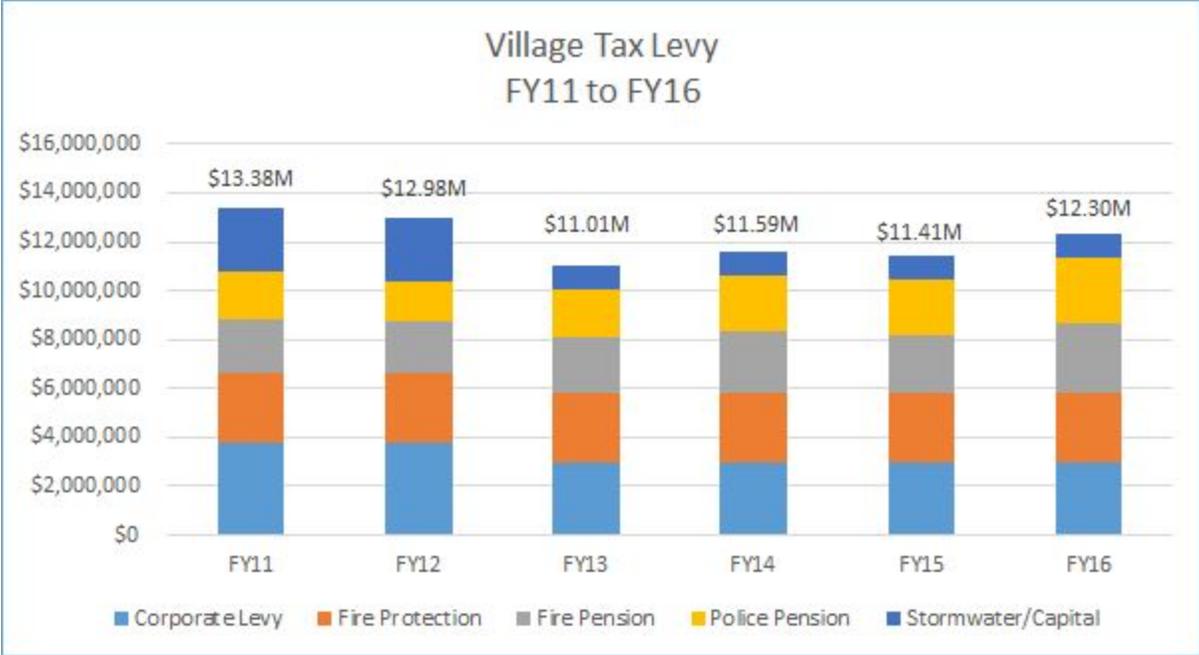


Table: Village Property Tax Levy FY15 vs. FY16

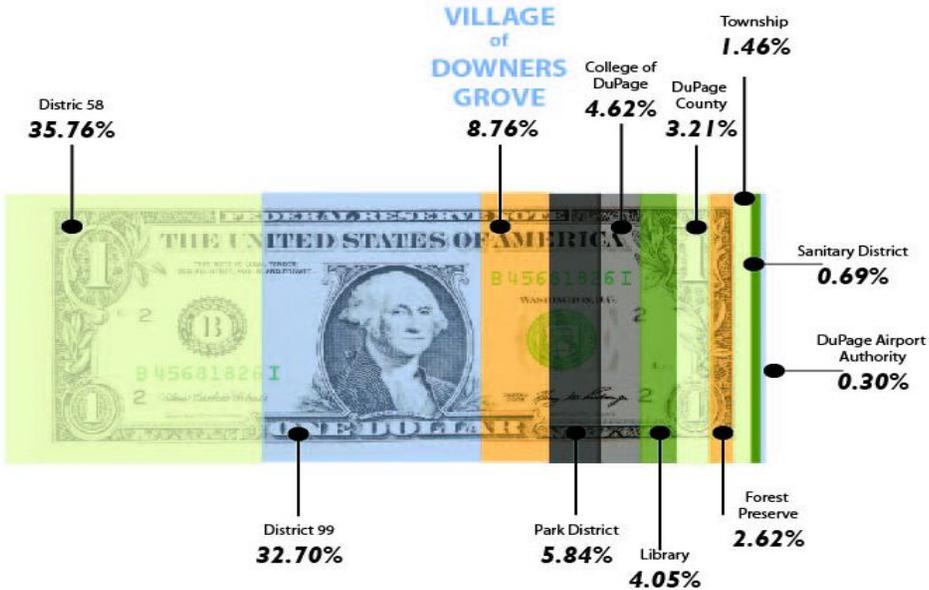
Tax Levy Component	FY15	FY16	Change	Percent Change
Corporate Levy	\$2,997,145	\$2,997,145	--	--
Fire Protection	\$2,850,000	\$2,850,000	--	--
Fire Pension	\$2,330,108	\$2,820,461	\$490,353	21%
Police Pension	\$2,261,516	\$2,664,454	\$402,938	18%
Capital	\$971,524	\$971,524	--	--
Total	\$11,410,293	\$12,303,584	\$893,291	8%

Village Tax Levy on a Typical Residential Property

In 2015 a typical residential property with a market value of \$300,000 paid \$564.50 to the Village. The taxable value of the same property is expected to increase by 4% in 2016. With the increase in the Village property tax levy, a typical residential property is expected to pay about \$608.68 in Village property taxes, an increase of \$44.18.

	FY15	FY16	Difference
Equalized Assessed Value	\$100,000	\$104,000	\$4,000
Village Tax Rate	.5645	.5853	.0208
Village Tax Amount	\$564.50	\$608.68	\$44.18

The Village portion of the property tax bill is generally about 9% of the total tax bill. Below is a breakdown of the percentage of distribution to local government entities from a typical tax bill. The information, as well as the property tax history of each parcel, is available on the DuPage County website at www.dupageco.org.

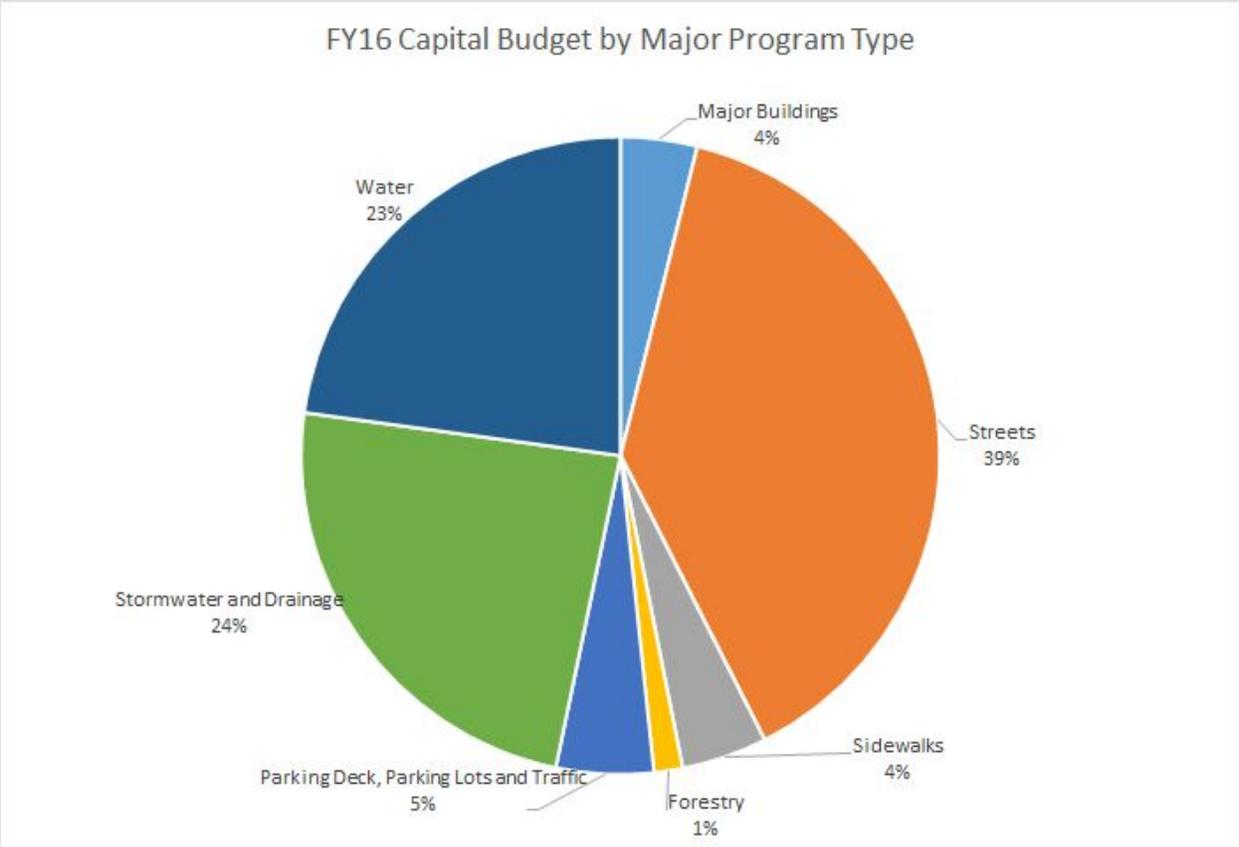


Staffing Reduction

<p>Description</p>	<p>Personnel expenses make up approximately 78% of total expenses. The Village continually seeks to reduce or control personnel expenses by seeking alternative service providers, consolidating functions with other entities or using technology to make existing employees more efficient.</p>
<p>Recent History</p>	<p>Since 2008, the Village has reduced its total staffing by more than 49 FTEs from 374.8.5 to a proposed 325.6 in FY16. This was accomplished through various methods, including attrition, involuntary reductions in staff, and consolidation of services with other entities.</p>
<p>FY16 Budget Considerations</p>	<p>In response to the proposed reduction in state-shared revenues, the Village began to hold positions open on a temporary basis. In order to balance the FY16 budget without increasing tax rates, it is necessary to make some of these temporary vacancies permanent.</p> <p>The Village will reduce the total number of FTEs by 3.7 over the FY15 total. There are six positions being eliminated, one reduced in hours and one added. This is a result of the following actions:</p> <ul style="list-style-type: none"> ● The elimination of the following vacant positions: Management Fellow, Deputy Village Clerk, Budget Officer, Staff Engineer, Graphic Designer and Fleet Shop Assistant ● A reduction from full to part-time for the vacant Crime Prevention Specialist position ● The addition of a Planner position. The Community Development Department Planning Division has seen a significant workload increase as a result of the recovery in the economy. In addition, the Top and High Priority Action Items include seven projects related to this department. While a portion of these projects can be completed with contract consultants, follow-up, facilitation and implementation requires permanent staffing. <p><i>(See Section 7)</i></p>

Continued Investment in Infrastructure

The Village's strategic goal to provide *Top Quality Infrastructure* requires a commitment to ongoing investment in maintenance, as well as investment in replacing or building new infrastructure. Since 2010, the Village has created and followed plans for sustainable funding for infrastructure. As a result, the Village has made major investment in streets, the stormwater system, the water systems and sidewalks. The FY16 adopted budget calls for continued investment in infrastructure. The investment allocation is shown below.



Infrastructure

<p><i>Description</i></p>	<p>The Village maintains several major infrastructure systems: streets, sidewalks, stormwater and water. In addition, the Village manages public facilities, traffic and streetlight systems and the parking deck and parking lots. The Village has both long and short-term spending plans for each of its major systems. Short-term spending plans are in the annual Community Investment Plan. <i>(See Section 6)</i></p>
<p><i>Recent History</i></p>	<p>In 2015, the Village will complete approximately \$23 million of infrastructure projects including:</p> <p>Streets - \$4.4 million in street reconstruction projects (Clyde Estates, Orchard Brook East and Maple) and \$4.3 million in street maintenance projects. FY15 was the final year of major reconstruction projects.</p> <p>Stormwater - Completed \$2.8 million in new projects to mitigate flooding. Acquired and demolished houses susceptible to recurring flooding.</p> <p>Water - Completed \$2.3 million in new watermains, valves and hydrants.</p> <p>Sidewalks - Completed \$300,000 in sidewalk maintenance and ADA-compliant right-of-way improvements.</p>
<p><i>FY16 Budget Considerations</i></p>	<p>The FY16 adopted budget includes \$18.1 million for continued investment in the Village's water, streets, stormwater, sidewalk and other systems.</p> <p>Streets - The FY16 budget includes \$6.9 million for street maintenance projects, including resurfacing, crack-filling and patching. Street maintenance projects maintenance activities are funded by the Motor Fuel Tax, Home Rule Sales Tax, Property Tax and Telecommunications Tax. <i>(See pages 4-16 to 4-19)</i></p> <p>Stormwater - The FY16 budget includes \$4.3 million for new stormwater operations, maintenance and capital infrastructure. Revenues for stormwater expenses are provided by stormwater utility fees. The fees are not budgeted to increase in FY16. The Village will shift \$300,000 in other existing revenues to the Stormwater Fund in order to continue to gradually increase maintenance activities and continue to make progress on capital projects. <i>(See page 4-28)</i></p> <p>Water - The FY16 budget includes \$4.1 million for water infrastructure projects. The Village updated the water rate plan in 2015. The adopted budget includes a 6% increase in water rates. This rate increase incorporates the cost of purchasing water from the City of Chicago via the DuPage Water Commission as well for costs of maintaining and operating the water system. <i>(See page 4-35)</i></p> <p>Sidewalks - The FY16 adopted budget includes includes \$221,000 for sidewalk maintenance and repair, \$290,000 for Ogden Avenue sidewalks and \$275,000 for crosswalk and accessibility improvements. <i>(See page 6-5)</i></p>

	<p>Parkway Trees - The FY16 adopted budget includes \$261,300 for the installation of new parkway trees including funding for the removal and replacement of trees affected by the Emerald Ash Borer. This is the second year of increased funding for this priority.</p>
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No Increase to Stormwater Utility Fee - Based on Council direction during Long-Range planning, the adopted budget does not include an increase in the stormwater utility fee. The planned revenues will be supplemented by \$300,000 previously budgeted for new sidewalks. This will allow the Village to continue to adhere to the plan for stormwater system maintenance with no increase in fees for 2016 while the Village Council considers future changes to the stormwater utility.

Water Rate Plan Update - In 2015, the Village updated its water rate plan to ensure revenues allow the Village to continue to operate and maintain the system as well as purchase water from the DuPage Water Commission. The cost of owning and operating the system is approximately \$15 million annually. The water system is funded solely through user fees - approximately 2/3 of the annual cost of the system is related to the purchase of water, a cost that is incorporated into the total water rate as a pass-through cost.

The updated water rate plan calls for a 6% increase in rates in 2016, followed by 5% increases annually through 2020. The rate plan assumes that the DuPage Water Commission increases the cost of water by 4% annually. **Because the DuPage Water Commission may not release its own rate plan until mid-2016, staff recommends holding rates at the 2015 levels until more information on the cost of water is known.** Delaying the increase in water rates until July of 2016 will not negatively impact the system as the Village has operating cash reserves at recommended levels and most of the planned rate increase is related to the purchase of water from the DuPage Water Commission.

Table: Effect of Water Rate Increase on Typical Resident

A 6% increase in the cost of water is equal to approximately \$6.12 on each bi-monthly water bill.

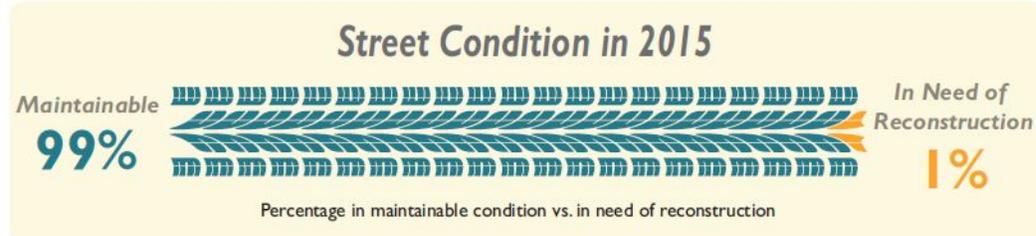
Typical Residential User - Bi-Monthly Bill

	2015 Typical Bill	2016 Typical Bill
Typical Residential User (15 units bi-monthly, 5/8" Fixed Meter Charge)	\$101.99	\$108.11

STREET RECONSTRUCTION AND MAINTENANCE

There are two major categories of street condition: *Maintainable* and *In Need of Reconstruction*. *Maintainable* condition refers to a street that is crack-filled, patched and resurfaced on a regular schedule, allowing it to continue to function. Streets that do not receive that level of maintenance investment eventually fall into the category of *In Need of Reconstruction*. This means that the pavement has failed and is not salvageable. Reconstruction is the most expensive and disruptive type of pavement project and it is four times as expensive to reconstruct a street segment as it is to maintain it regularly.

Since 2011, the Village has reconstructed 12 miles of streets in 11 neighborhoods, resurfaced 43 miles of streets, and completed regular crack-filling and patching on the remainder of streets. Street segments require resurfacing approximately every 16 to 20 years; in between resurfacing, the Village maintains the streets with crack-filling and patching. At the beginning of FY16, almost all of the Village's streets will be in a maintainable condition. In order to avoid future reconstruction costs, the Village should continue to follow a regular maintenance plan.



Priority Action Items

In the Long-Range Plan process, the Village Council identified action items to further the Village goals. The FY16 Adopted Budget includes resources to accomplish several action items.

Top-Priority Action Items	
Action Item	Funding
Create a Facilities Sustainability Plan	\$50,000 is included in the FY16 Adopted Budget in the Major Buildings Fund for this project.
Review the Zoning of the Perimeter of the Downtown	A total of \$25,000 is included in the FY16 Adopted Budget for this project (\$10,000 in the General Fund and \$15,000 in the Downtown TIF).
Update the Comprehensive Plan	The FY16 Adopted Budget includes \$25,000 for this project in the General Fund.
Consider Changes to the Stormwater Utility	This project will be coordinated by staff. No specific additional funding is required.
Create Economic Development Plan to Enhance Sales Tax Base	This project will be coordinated by staff and the Economic Development Corporation. No specific additional funding is required.
Identify and Execute One Major Consolidation	This project will be coordinated by staff. No specific additional funding is required.
High-Priority Action Items	
Review the Sign Ordinance	The FY16 Adopted Budget includes \$15,000 for this project in the General Fund.
Explore Intergovernmental Partnerships to Human Service Issues in the Community	This project will be coordinated by staff. No specific additional funding is required.
Review the Zoning Map	This project will be coordinated by staff. No specific additional funding is required.
Consider Amendments to the Historic Preservation Ordinance	This project will be coordinated by staff. No specific additional funding is required.
Review the Building and Development Permitting Process	This project will be coordinated by staff. No specific additional funding is required.
Conduct Resident Survey	The FY16 Adopted Budget includes \$15,000 for this project in the General Fund.
Develop <i>Business Friendly</i> Metrics	This project will be coordinated by staff. No specific additional funding is required.

Table: Impact of Budget on Typical House

Category	Annual Increase/(Decrease)
Property Tax	\$44.18
Stormwater Fee	--
Water Fees (Estimated to Become Effective in July 2016)	\$18.36 for half-year (\$6.12 per billing cycle)
TOTAL ANNUAL IMPACT OF BUDGET	\$62.54

Risk to Budget

As discussed during the Long-Range Planning process, the Village faces an on-going risk that the State of Illinois will decrease or eliminate funding to municipalities currently provided through the Local Government Distributive Fund. The Village currently receives approximately \$5.1 million in a per-capita share of the State's Income Tax. Additionally, while the revenue increases are conservative, there is a chance that economic activity could slow, reducing revenues below budget.

State Budget Impasse Impacts on Village Budget

Revenue Source - Annual Revenue	Potential Threat
State-Shared Income Tax (Local Government Distributive Fund) - \$5.1 Million	There has been no action to reduce the municipal share of the state income tax, as was outlined in the adopted budget. However, without a state budget, the Village will continue to track potential threats.
Motor Fuel Tax - \$1.1 Million	Motor Fuel Tax payments have been held by the state during the budget impasse. If the State continues to withhold payments to the Village in FY16, it will impact the Village's ability to complete planned resurfacing projects.
Property Tax Freeze - \$12.3 Million	A property tax freeze would limit the Village's ability to raise revenues if others revenues fall short of budget or were impacted by other state actions.

Village Manager's Budget Message

The FY16 Adopted Budget is prepared with the assumption that the State of Illinois budget will not significantly change the Village's revenues. At the same time, the Village has a plan to respond to revenue reductions should they occur.

Staff will continue to monitor the state budget or other legislation that could severely impact the Village's revenues. If actions by the General Assembly reduce Village revenues, the Village will again implement short-term cost reduction efforts such as filling only essential staff vacancies, reducing or eliminating staff training, and deferring all but the most essential purchases as was done in 2015. In addition, the Village may choose to use some of the General Fund balance to continue with essential functions. Further, the Village would engage the Council and community in a policy-oriented discussion to effectively prioritize services and address these revenue reductions in a sustainable manner. Similar discussions were held in 2009 in response to rapidly declining revenues.

The Village's status as self-insured also represents a risk to the General Fund. The Village maintains insurance against catastrophic claims but smaller, unanticipated claims have the potential to impact the budget significantly.