

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. The FY17 Adopted Budget is consistent with the Village's strategic goals, specifically the goal to be a *Steward of Financial, Environmental and Neighborhood 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.

Budget Review and Approval Schedule

| | |
|--|-----------------------------|
| Saturday Budget Workshop (Fire Station 2) | Saturday, October 8 |
| Budget First Reading at Village Council Meeting | Tuesday, October 11 |
| Budget Coffee with the Council (Fire Station 2) | Saturday, October 15 |
| Budget Discussion at Regular Council Meeting | Tuesday, October 18 |
| Public Hearing | Tuesday, November 1 |
| Motion to Estimate Levy/Budget Adoption | Tuesday, November 22 |
| Tax Levy Public Hearing | Tuesday, December 6 |
| Adopt Tax Levy | Tuesday, December 13 |

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 2015-2017 (2016 Update)
- Comprehensive Plan
- 2014 Stormwater Project Analysis
- 2012 Stormwater Utility Study
- 2010 Water Rate Study
- 2006 Stormwater Master Plan

Summary

The FY17 Adopted Budget is prepared during a time of extended 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.

The FY17 budget consists of 21 funds. Section 4 of this report includes the adopted budget for each of the funds. The key points of the FY17 Adopted Budget are as follows:

Balanced General Fund with Recommended Fund Balance: The General Fund is financially sound, with revenues and expenses balanced at \$46.9 million. The General Fund balance will continue to be maintained at the recommended level of 40% of annual expenses - an amount 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 sixth year in a row, the adopted budget does not increase the property tax levy for operations (See page 4-4).

Property Tax Levy Increase for Required Contributions to Public Safety Pensions: The adopted budget includes a \$491,400 increase in the levy for police and fire pensions - a 9.0% increase in this portion of the levy. The Village's required funding level for pensions is set by state statute. The increase for FY17 is related to lower-than-expected investment returns in the pension funds and the impact of a Government Accounting Standards Board (GASB) requirement that resulted in more conservative approaches to actuarial calculations (See page 4-4).

Transition to DU-COMM: In 2016, the Village [became a member of DU-COMM](#). Beginning in May, 2017, DU-COMM will provide emergency dispatching operations for the Village. The adopted budget reflects the transition to DU-COMM with a net cost for all dispatching services of about \$1,585,000. This includes \$1.9 million in expenses and \$315,000 in reimbursement revenue from the DuPage Emergency Telephone Safety Board (ETSB). The budget reflects the elimination of 16 Full-Time Equivalent (FTE) positions effective once DU-COMM begins providing services (See page 4-3).

Shift in Staffing to Community Development and Stormwater Management: Staffing resources will be shifted to the Community Development and Public Works Departments to address increasing demands for services related to new construction and stormwater management. The adopted FY17 Budget includes an additional Development Engineer, a 0.25 FTE increase in the Stormwater Administrator position and a 0.5 FTE administrative assistant position. These additional staff members will improve service levels, and respond to resident questions and concerns about

drainage issues related to new construction activity. (See page 4-3 and the staffing plan starting on page 7-2).

Reduction in Staff

The FY17 Adopted Budget calls for a net reduction of 16.1 FTE positions. The changes in staffing levels reflect the outsourcing of emergency dispatching services to DU-COMM and a shift of staffing resources to Community Development and Public Works to address increasing demands for service for stormwater management and new construction activity.

Eliminated Positions (19.1 FTE)

- (15) Village Operations Center Operators (Police)
- (1) Village Operations Center Supervisor (Police)
- (1) Performance Manager (Manager's Office)
- (0.5) Data Technician (Public Works)
- (1.1) Seasonal Positions (Public Works)
- (0.5) Accounting Specialist (Finance)

Added Positions (3.0 FTE)

- (1) Development Engineer (Community Development)
- (0.5) Administrative Secretary (Community Development)
- (0.25) Stormwater Administrator (Public Works)
- (1) Management Fellow (Manager's Office/ Public Works)
- (0.25) Geographic Information Systems Intern (Information Technology)

Funding to Implement the Facility Sustainability Plan: The [Facility Sustainability Plan](#) was adopted by the Village Council on May 17, 2016. The plan calls for an addition and renovation of the Police Station with a budget of up to \$14.6 million. The construction plans for the police station improvements will be prepared by August 2017 with construction commencing in late summer or early fall. The budget includes \$1.75 million in the Asset Forfeiture Fund to cover all of the expenses expected to be incurred in 2017. (See page 4-40).

Continued Investment in Infrastructure: The Village will continue to make major improvements in the Village's infrastructure, including \$6.8 million in streets, \$3.8 million in stormwater and \$5.7 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.)

Stormwater Fund Revenue Decision: The adopted budget includes revenue of \$3.9 million in the Stormwater Fund. The revenues are currently shown as stormwater utility fees. In November or December, the Village Council will determine how residents will pay for the costs of owning and

operating the stormwater management system. If the Council changes the revenue source from monthly fees to property taxes, or a combination of both, the FY17 Budget will be changed to reflect the selected revenue sources (See pages 4-20, 21).

The FY17 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.

Balanced General Fund with Recommended Fund Balance

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 \$46.9 million. The General Fund balance will continue to be maintained at the recommended level, equal to approximately 40% of annual expenses. Table 1 below shows the budgeted revenues, expenses and fund balance in the General Fund.

Table 1: General Fund Revenues & Expenses, FY12 to FY17 (in millions)

| Fiscal Year | Revenues | Expenses | Difference | Fund Balance | Fund Balance % of Expenses |
|--|----------------|----------------|---------------|----------------|--------------------------------------|
| FY17 Adopted Budget | \$46.88 | \$46.86 | \$0.02 | \$18.93 | 40.46% |
| FY16 Estimate | \$45.93 | \$45.72 | \$0.21 | \$18.91 | 41.36% |
| FY16 Budget | \$46.29 | \$46.32 | (\$0.03) | \$18.67 | 40.30% |
| FY15 Actual | \$45.60 | \$44.12 | \$1.48 | \$18.70 | 42.39% |
| 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% |
| FY13 (Actual) | \$43.56 | \$42.33 | \$1.23 | \$20.43 | 48.26% |
| FY12 (Actual) | \$43.32 | \$41.31 | \$2.01 | \$19.20 | 46.48% |

Revenues

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 including income tax. Total General Fund revenue is budgeted to be \$46.88 million. This is an increase of about \$590,000 compared to the FY16 budget (1.27% increase) and about \$950,000 compared to the FY16 estimated revenues (2.1% increase).

Major increases include property tax for public safety pensions (\$491,400), Sales Taxes (\$450,000), and a one-time reimbursement from the ETSB for DU-COMM costs (\$315,000). These increases were partially offset by a decrease in revenues from Westmont for joint dispatch (\$607,000). (See page 4-5). Table 2 below summarizes the General Fund revenue for the FY17 budget and previous years.

Table 2: Top Ten General Fund Revenues

| Rank | Source | FY 2017 Adopted Budget | FY 2016 Estimate | FY 2016 Budget | FY 2015 Actual | FY 2014 Actual |
|------|------------------------------------|------------------------|---------------------|---------------------|---------------------|---------------------|
| 1 | Sales Tax | \$12,300,000 | \$11,900,000 | \$11,850,000 | \$11,994,828 | \$11,439,451 |
| 2 | Property Taxes - Pensions | \$5,976,315 | \$5,484,915 | \$5,484,915 | \$4,618,976 | \$4,801,989 |
| 3 | Property Taxes - Operations | \$5,847,145 | \$5,847,145 | \$5,847,145 | \$5,887,788 | \$5,888,571 |
| 4 | Utility Taxes | \$5,100,000 | \$4,985,000 | \$5,215,000 | \$5,083,496 | \$5,166,793 |
| 5 | State Income Tax | \$5,000,000 | \$4,900,000 | \$5,100,000 | \$5,199,605 | \$4,579,714 |
| 6 | Home Rule Sales Tax | \$2,050,000 | \$2,000,000 | \$1,950,000 | \$1,955,389 | \$1,902,361 |
| 7 | Building Related Permits | \$1,350,000 | \$1,300,000 | \$1,400,000 | \$1,321,686 | \$1,276,023 |
| 8 | Ambulance Fees | \$1,265,000 | \$1,247,000 | \$1,195,000 | \$1,236,125 | \$1,117,542 |
| 9 | Cellular Equipment Rental Fees | \$1,200,000 | \$1,130,000 | \$1,017,000 | \$1,086,895 | \$1,201,770 |
| 10 | State Shared Local Use Tax | \$1,100,000 | \$1,100,000 | \$1,173,120 | \$1,122,670 | \$940,782 |
| | Sub-total | \$41,188,460 | \$39,894,060 | \$40,232,180 | \$39,507,458 | \$38,314,996 |
| | All Other Total | \$5,686,641 | \$6,034,083 | \$6,062,033 | \$6,098,307 | \$5,695,058 |
| | Total General Fund Revenues | \$46,875,101 | \$45,928,143 | \$46,294,213 | \$45,605,765 | \$44,010,054 |

Expenses

Total General Fund expenses are budgeted to be \$46.86 million. This is an increase of approximately \$500,000 compared to the FY16 budget (1.08% increase) and about \$1.14 million compared to the FY16 estimate of actual expenses (2.5% increase).

General Fund expenses fall into two major categories - Personnel and Non-Personnel. Personnel expenses account for about 76% of total expenses. Table 3 summarizes these expenses.

Table 3: General Fund Expenses by Category FY16 vs. FY17

| Category | FY17 Budget | FY16 Budget | Change | % Change |
|---------------|---------------------|---------------------|------------------|--------------|
| Personnel | \$35,733,064 | \$36,174,526 | (\$441,462) | (1.22%) |
| Non-Personnel | \$11,121,052 | \$10,149,564 | \$971,488 | 9.57% |
| Total | \$46,854,116 | \$46,324,090 | \$530,026 | 1.14% |

The FY17 adopted budget aligns with the Long-Range Plan goal to limit personnel-related cost increases. Personnel expenses, including salaries, health benefits and post-employment benefits are budgeted to decrease by over \$440,000 compared to the FY16 budget (1.22% decrease). This decrease is due primarily to the elimination of the 9-1-1 dispatch operations center effective May 1

due to the transition to DU-COMM. These decreases are partially offset by an increase in the required contributions to Police and Fire pension funds.

Non-Personnel expenses are budgeted to increase by \$971,000, or 9.57%, due to payments to DU-COMM in 2017 for dispatch services in the amount of \$947,000. \$315,000 of this amount will be reimbursed by the ETSB for one-time transition costs.

Fund Balance

The General Fund balance is budgeted to be maintained at the recommended level, equal to approximately 40% of annual expenses. This balance is consistent with Standard & Poor's guidelines to maintain the Village's [AAA bond rating](#). As shown in Table 1 above, the fund balance is budgeted to be \$18.93 million which is just over 40% of the budgeted expenses. This balance is also compliant with the Village's [cash balance policy](#).



Property Tax Levy

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 25% 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.

The adopted property tax levy for the FY17 budget is \$12.79 million. This is an increase of \$491,400 over the FY16 property tax levy. The increase is due entirely to the levy for required public safety pension contributions (See table 4 below).

Table 4: Village Property Tax Levy FY17 vs. FY16

| Tax Levy Component | FY17 | FY16 | Change | Percent Change |
|--------------------|---------------------|---------------------|------------------|----------------|
| Corporate Levy | \$2,997,145 | \$2,997,145 | -- | -- |
| Fire Protection | \$2,850,000 | \$2,850,000 | -- | -- |
| Fire Pension | \$3,060,616 | \$2,820,461 | \$240,155 | 8.5% |
| Police Pension | \$2,915,699 | \$2,664,454 | \$251,245 | 9.4% |
| Capital | \$971,524 | \$971,524 | -- | -- |
| Total | \$12,794,984 | \$12,303,584 | \$491,400 | 4.0% |

Levy for Operations

The property tax levy for operations, which consists of the Corporate Levy and Fire Protection Levy, will not increase in FY17. This is the sixth 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.

Levy for Public Safety Pensions

In FY17, the Village will be required to contribute \$491,400 more than in FY16, an increase of approximately 9%. This increase is driven by two factors:

- 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 7.25%

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

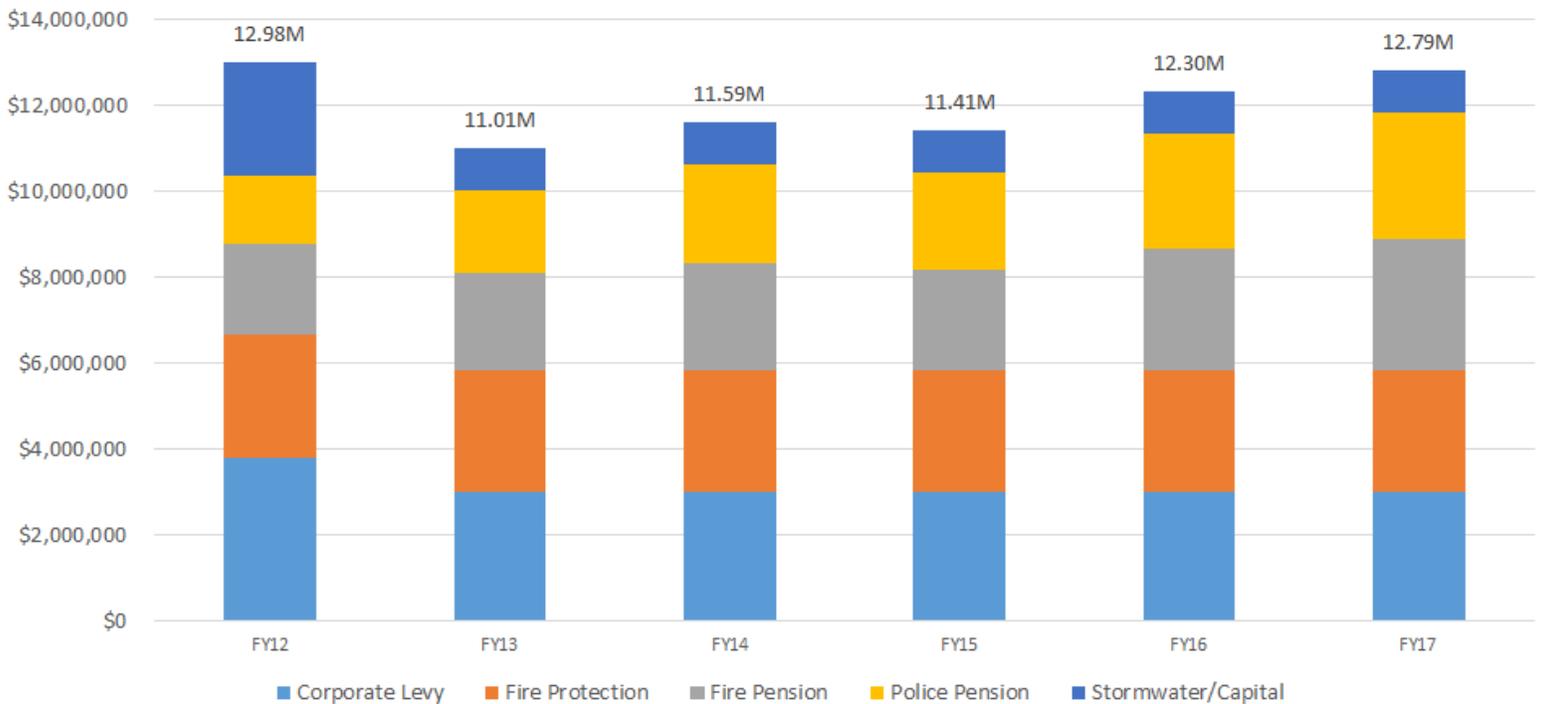
Does the Village Fund the Pensions at the Required Amount?

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.

Village Tax Levy FY12 to FY17



Stormwater Fund Revenue Decision

The Village Council may decide to levy a property tax for stormwater related expenses. The levy could range from zero to \$3.9 million if revenue for the Stormwater Fund is shifted in part or in whole to property taxes from monthly fees. Additional information about this issue is found on page 17 of this report.

Equalized Assessed Valuation

Based on conversations with the Township Assessor's Office, the total Equalized Assessed Valuation (EAV) of all taxable property in the Village is expected to increase by 6.25%. Since the increase in EAV will be greater than the increase in the Village's total levy, the tax rate is projected to decrease slightly.

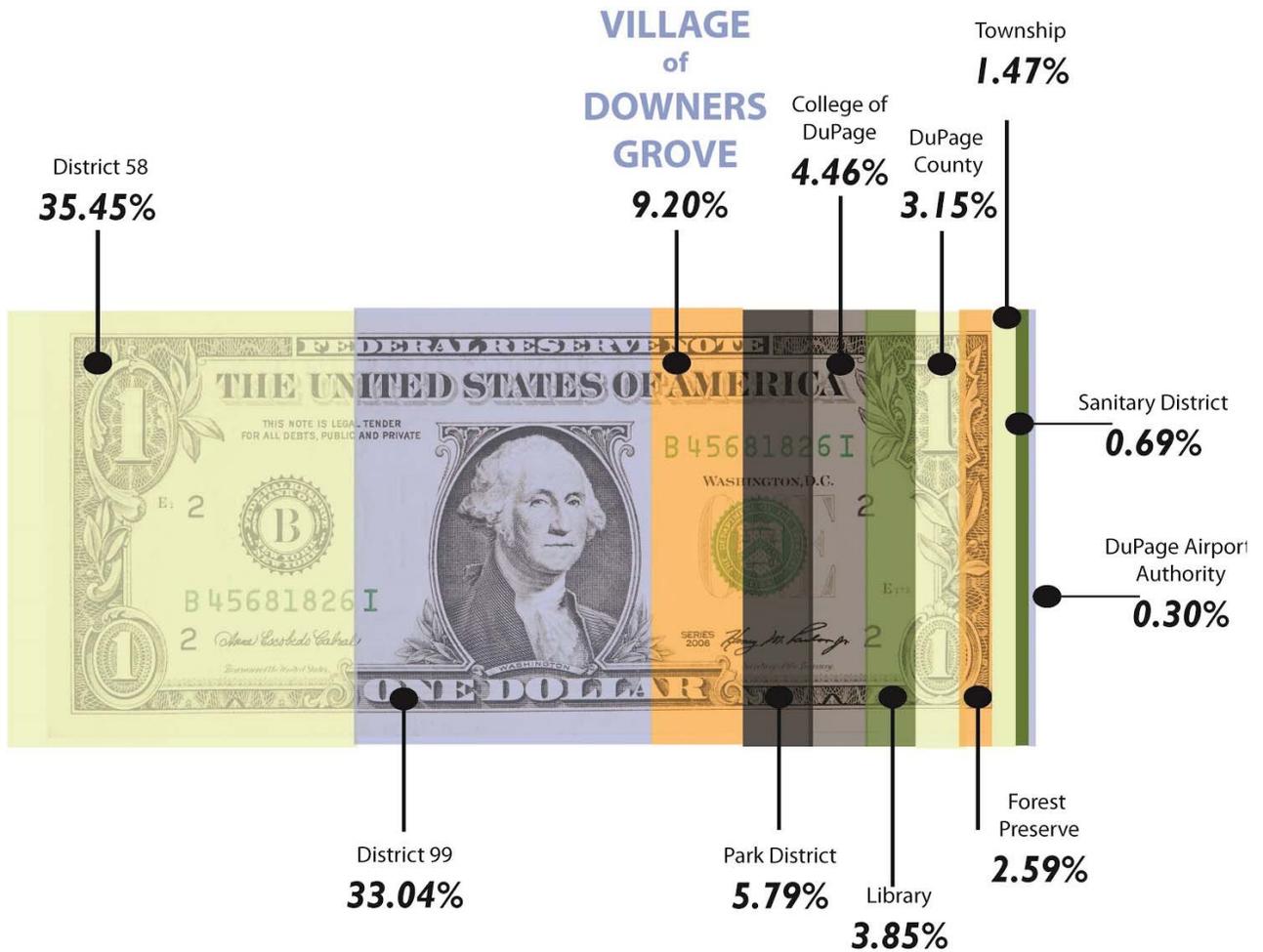
Village Tax Levy on a Typical Residential Property

In 2016, a typical residential property with a market value of \$300,000 (taxable value of \$100,000) paid \$575.30 to the Village. The taxable value of the same property is expected to increase by 6.25% in 2017. With the increase in the Village property tax levy, a typical residential property is expected to pay about \$598.31 in Village property taxes, an increase of about \$23 (4.0%).

Table 5: Impact of Property Tax Levy on a Typical House

| | FY17 | FY16 | Difference |
|---------------------------|-----------------|-----------------|----------------|
| Equalized Assessed Value | \$106,250 | \$100,000 | \$6,250 |
| Village Tax Rate | .5631 | .5753 | (.0122) |
| Village Tax Amount | \$598.31 | \$575.30 | \$23.01 |

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.



Transition to DU-COMM

On July 19, 2016, the Village Council [approved DU-COMM membership](#). The decision to join DU-COMM was made after a thorough analysis of the operational and financial impacts. Beginning on or around May 1, 2017, DU-COMM will provide emergency dispatching services for the Village.

The FY17 Adopted Budget reflects the transition to DU-COMM. FY17 is unique in that it is a transition year in which one-time expenses will be incurred. During the first four months of the year, the Village will continue to operate the Village Operations Center (VOC) to provide dispatching services. The Village of Westmont, for which the Village currently provides dispatching services, has indicated that they will transition to Addison Consolidated Dispatch Center (ACDC) on or around January 1, 2017. Therefore, it is likely that the VOC will be providing services only for Downers Grove during this four month period. For the last eight months of the year, DU-COMM will be providing services for the Village.

The net cost for emergency dispatching related services in FY17 is budgeted to be \$1,585,000. In FY18, the net cost is projected to be \$1,200,000.

Revenues

The adopted FY17 budget includes \$315,000 for all emergency dispatch related services. This is a reimbursement for one-time transition expenses from the DuPage Emergency Telephone Safety Board (ETSB). The budget does not include any revenue from the Village of Westmont as they plan to transition to ACDC on January 1, 2017.

Expenses

The adopted FY17 budget includes approximately \$1,914,000 for all emergency dispatching related services. The expenses include:

- \$676,000 in Direct Village Operational Expenses - expenses related to the operation of VOC from January through April.
- \$693,000 in DU-COMM Operational Expenses - expenses paid to DU-COMM for the provision of services from May through December.
- \$545,000 in One-Time Expenses - expenses related to the closing of the VOC and expenses paid to DU-COMM to become a member of the organization.

VOC personnel related expenses reflect the elimination of 16 FTE positions effective on May 1, 2017. All 15 FTE VOC Operator positions and the VOC Supervisor position will be eliminated on the transition date.

The VOC Manager position will be retained.

The VOC Manager will be responsible for completing all duties and tasks that DU-COMM will not provide for the Village including Illinois Law Enforcement Agencies Data System (LEADS) administration, severe weather emergency response coordination, Public Works dispatching management, fire alarm board program management, outdoor warning siren administration and County-wide Computer Aided Dispatching coordination (For more information, please see the [DU-COMM agreement report](#) and [DuJIS report](#)). In addition to performing these duties, the VOC Manager will be responsible for Temporary Use and Special Event permits. These duties are currently handled by planners in the Community Development Department.



Shift in Staffing to Community Development & Stormwater Management

The FY17 Adopted Budget includes additional staffing resources to address increasing demands for services related to new construction and stormwater management.

Staffing in Community Development is proposed to increase by:

1 Development Engineer - The addition of this position would increase the number of Development Engineers from one to two. This position is responsible for reviewing development engineering plans for residential and commercial construction, conducting some engineering related building permit inspections and responding to service requests including stormwater drainage related issues. The addition of this position should reduce building permit application review times and improve responsiveness to drainage related service requests.

0.5 Administrative Secretary - This part-time position would be responsible for administrative activities in support of the planners. Duties include preparing public notices, preparing and compiling agenda materials for Plan Commission, Zoning Board of Appeals and Architectural Design Review Board meetings, managing project files and responding to resident questions. The addition of this position should reduce the amount of time planners spend on administrative items and increase the amount of time planners spend on their primary duties.

Staffing in Public Works is proposed to increase by **0.25 FTE Stormwater Administrator**. This position currently exists and has historically been filled by one engineer. The Stormwater Administrator is responsible for the administration and implementation of the stormwater and floodplain regulations, support for the Stormwater & Floodplain Oversight Committee, responds to stormwater drainage service requests and plays a major role in the administration.

Beginning in September, the Stormwater Administrator position has been filled with two part-time employees. Both of them previously shared the Development Engineer position. To respond to increasing demands for service, the Stormwater Administrator position will be increased from 1.0 FTE to 1.25 FTE with both employees working more than 20 hours per week. The FY17 adopted budget reflects this staffing change.

Funding to Implement the Facility Sustainability Plan

The [Facility Sustainability Plan](#) was adopted by the Village Council on May 17, 2016. The plan calls for an addition and renovation of the Police Station with a budget of up to \$14.6 million. The construction plans for the police station improvements will be prepared by August 2017 with construction commencing in late summer or early fall. The adopted FY17 Budget includes \$1.75 million in the Asset Forfeiture Fund to cover all of the expenses expected to be incurred in 2017.



FY17 facility plan related expenses should consist primarily of design costs (preparation of construction drawings). Some construction related expenses may also be incurred in 2017. The majority of construction costs are likely to be incurred in 2018. The Facility Sustainability Plan calls for the Village to issue bonds in 2018. The bonds will be supported by existing revenues.

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 FY17 adopted budget calls for continued investment in infrastructure. The investment allocation is shown below.

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. (See Section 6)

The FY17 adopted budget includes \$18.6 million for continued investment in the Village's water, streets, stormwater, sidewalk and other systems.

Streets - The FY17 budget includes \$6.8 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. (See pages 4-28 to 4-31)

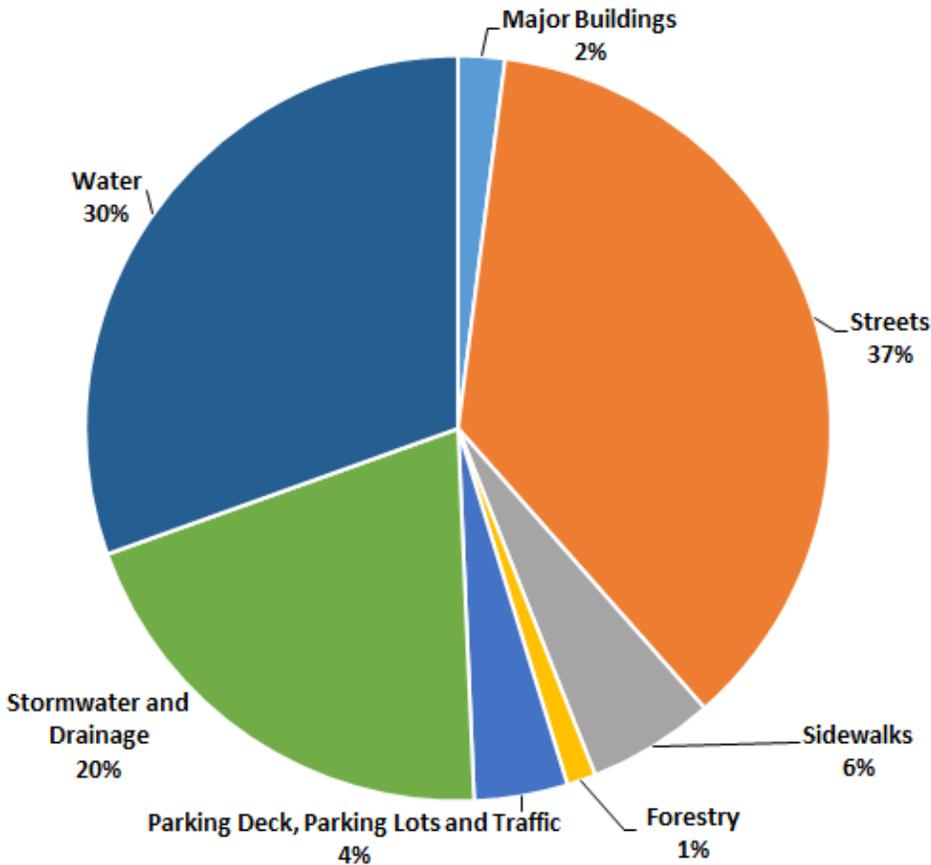
Stormwater - The FY17 budget includes \$3.8 million for stormwater capital projects. The \$3.9 million in revenues for stormwater expenses are provided by stormwater utility fees. The fees are budgeted to increase by 8.5% in FY17 (\$10.53 per ERU up from \$9.72 per ERU). (See page 4-21)

Water - The FY17 budget includes \$5.7 million for water infrastructure projects. The adopted budget includes no increase in water rates. The DuPage Water Commission indicated that they are not planning to increase their rates in 2017 (See page 4-25).

Sidewalks - The FY17 budget includes includes \$232,000 for sidewalk maintenance and repair, \$555,000 for Ogden Avenue sidewalks and \$238,000 for crosswalk and accessibility improvements. (See pages 4-28 to 4-30 and 4-36)

Parkway Trees - The FY17 budget includes \$233,000 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 third year of increased funding for this priority.

FY17 Capital Budget by Major Program Type



Stormwater Fund Revenue Decision

The Village owns and operates an extensive stormwater management system. All revenues and expenses related to the stormwater system are included in the Stormwater Fund (See pages 4-20 and 21).

In November or December of 2016, the Village Council will determine how residents will pay for the costs of owning and operating the stormwater management system. The Council is seeking resident input on this important issue. They will decide if these costs will continue to be paid for with monthly fees or if one of the options below should be implemented.

- Pay for the stormwater management system through property taxes
- Pay for the stormwater management system through a combination of property taxes AND monthly fees

Three advisory referendum questions will appear on the November 8, 2016 General Election ballot. The Council would like voters to answer all three questions.

In conjunction with the creation of the Stormwater Utility, the Village established a plan for bringing the stormwater system up to the recommended level of service over 15 years. To bring the stormwater system up to the recommended level by 2029, the Village would gradually increase its annual revenues from approximately \$3.6 million in 2016 to more than \$11 million.

The FY17 adopted budget includes \$3.9 million in revenue for the stormwater fund. This amount is consistent with stormwater system plan and was confirmed by Village Council during the Long Range Plan discussions earlier this year. The budget shows that this revenue will continue to be generated by monthly fees charged to all properties, except those that are exempt from property taxes.

If the Council decides to change to revenue source from monthly fees to property taxes, or a combination of both, the FY17 budget will be changed to reflect the selected revenue sources. However, the amount of revenue generated in FY17 is not expected to change. Therefore, the expenses are not expected to change either.

Table 6: FY17 Property Tax Levy Option Comparison

| Tax Levy Component | FY17 Levy | FY17 Levy With Stormwater Revenue Generated by Property Tax |
|--------------------|---------------------|---|
| Corporate Levy | \$2,997,145 | \$2,997,145 |
| Fire Protection | \$2,850,000 | \$2,850,000 |
| Fire Pension | \$3,060,616 | \$3,060,616 |
| Police Pension | \$2,915,699 | \$2,915,699 |
| Capital | \$971,524 | \$971,524 |
| Stormwater | -- | \$3,900,000 |
| Total | \$12,794,984 | \$16,694,984 |

Table 7: Comparison of Utility and Property Tax Models

| 2017 Analysis | Utility Model | Property Tax Model | Difference |
|--|-----------------|--------------------|----------------|
| Revenue Available for Stormwater Fund | \$3,900,000 | \$3,900,000 | \$0 |
| VoDG Tax Levy | \$12,794,984 | \$16,694,984 | \$3,900,000 |
| Annual SW Fee for Typical House (Tier 2) | \$126.36 | 0.00 | (\$126.36) |
| Annual VoDG Property Tax for Typical House (\$100,000 EAV) | \$598.31 | \$780.68 | \$182.37 |
| Total Paid by Typical House | \$724.67 | \$780.68 | \$56.01 |



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 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 Stopgap Budget

| Revenue Source - Annual Revenue | Potential Threat |
|--|--|
| State-Shared Income Tax (Local Government Distributive Fund) - \$5 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 full year state budget, the Village will continue to track potential threats. |
| Motor Fuel Tax - \$1.1 Million | Motor Fuel Tax payments were withheld by the state in 2015 during the budget impasse. If the State chooses to again withhold those payments to the Village in FY17, it will impact the Village's ability to complete planned resurfacing projects. |
| Property Tax Freeze - \$12.8 Million | A property tax freeze would limit the Village's ability to raise revenues if others revenues fall short of budget. |

The FY17 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.

Village Manager's Budget Message

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.