

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 FY19 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 was 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.

Budget Review and Approval Schedule

Budget Introduction at Village Council Meeting	Tuesday, October 2
Budget Discussion at Village Council Meeting	Tuesday, October 9
Budget Discussion at Village Council Meeting	Tuesday, October 16
Budget Coffee with the Council (Fire Station 2)	Saturday, October 27
Budget Public Hearing	Tuesday, November 13
Motion to Estimate Levy/Budget Discussion-Potential to Adopt	Tuesday, November 13
Budget Discussion at Village Council Meeting-Potential to Adopt	Tuesday, November 20
Tax Levy Public Hearing/Budget Adoption	Tuesday, December 4
Adopt Tax Levy	Tuesday, December 11

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 2017-2019 (2018 Update)
- Comprehensive Plan (2017 Update)
- 2014 Stormwater Project Analysis
- 2012 Stormwater Utility Study
- 2010 Water Rate Study

Summary

The FY19 Adopted Budget consists of 24 funds. Section 4 of this report includes the adopted budget for each of the funds. The key points of the budget are as follows:

Balanced General Fund with Recommended Fund Balance: The General Fund is balanced with revenues and expenses at \$48.2 million. The General Fund balance will be maintained at the recommended level of approximately 40% of annual expenses, \$19.1 million - 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 eighth 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 \$451,191 increase in the levy for police and fire pensions - a 6.9% increase in this portion of the levy (a 3.4% increase in the total levy). Per state law, the Village is required to make a contribution to the pension funds in this amount (See page 4-4).

Reduction in Staffing: The adopted budget reflects a net reduction in total staffing of 3.13 full-time equivalent (FTE) positions. The reduction in the General Fund is 5.13 FTE. Staffing in the Water Fund is budgeted to increase by 2.0 FTE to address increasing service demands for this utility. (See page 4-27)

Contribution to Other Post Employment Benefits (OPEB) Unfunded Liability: The FY19 Adopted Budget includes the continuation of funding for OPEB unfunded liability in the amount of \$300,000 from the Health Fund as discussed during Long Range Planning in the summer of 2018 (See page 4-7).

\$24.4 Million Investment in Infrastructure: The FY19 Adopted Budget allows for continued substantial improvements in the Village's infrastructure, including \$4.25 million in streets, \$8.11 million in stormwater (including annual bond payments) and \$8.53 million for water. The improvements are designed to reduce the total life cycle cost of owning and operating the infrastructure systems. A bond issuance of up to \$7 million, required to complete the stormwater capital projects planned for 2019-2020, is included in the adopted budget (See the *Community Investment Program* section).

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. With revenues and expenses at \$48.2 million, the budget is balanced. The General Fund balanced 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, FY15 to FY19 (in millions)

Fiscal Year	Revenues	Expenses	Difference	Fund Balance	Fund Balance % of Expenses
FY19 Adopted Budget	\$48.23	\$48.21	\$0.02	\$19.14	39.70%
FY18 Estimate	\$47.59	\$47.37	\$0.22	\$19.12	40.36%
FY18 Budget	\$47.37	\$47.37	--	\$18.92	39.88%
FY17 Actual	\$46.28	\$46.27	\$0.01	\$18.89	40.82%
FY16 Actual	\$46.02	\$45.84	\$0.18	\$18.88	41.19%
FY15 Actual	\$45.60	\$44.12	\$1.48	\$18.70	42.39%

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 \$48.23 million, an increase of about \$860,000 compared to the FY18 budget (1.8% increase) and about \$640,000 compared to the FY18 estimated revenues (1.3% increase). Notable changes in revenues from the 2018 budget include:

- \$451,191 increase in the property tax levy for required contributions to the Police and Fire pension funds
- \$200,000 increase in the food and beverage tax revenue compared to the FY18 budgeted amount
- \$200,000 increase in State income tax revenue compared to the FY18 budgeted amount.

Table 2 below summarizes the General Fund revenue for the FY19 budget and previous years.

Table 2: Top Ten General Fund Revenues

Rank	Source	FY19 Adopted Budget	FY 18 Budget	FY 18 Estimate	FY 17 Actual	FY 16 Actual
1	Sales Tax	\$11,600,000	\$11,400,000	\$11,600,000	\$11,652,631	\$11,468,741
2	Property Taxes - Pensions	\$6,981,356	\$6,530,165	\$6,530,165	\$6,024,762	\$5,534,009
3	Property Taxes - Operations	\$5,847,145	\$5,847,145	\$5,847,145	\$5,903,486	\$5,912,318
4	Utility Taxes	\$4,650,000	\$4,870,000	\$4,600,000	\$4,533,442	\$4,793,517
5	State Income Tax	\$4,600,000	\$4,400,000	\$4,400,000	\$4,488,393	\$4,756,910
6	Home Rule Sales Tax	\$1,950,000	\$1,950,000	\$1,950,000	\$1,978,047	\$1,989,897
7	Food and Beverage Tax	\$1,700,000	\$1,500,000	\$1,675,000	–	–
8	Building Related Permits	\$1,500,000	\$1,400,000	\$1,450,000	\$1,936,814	\$1,431,718
9	Ambulance Fees	\$1,355,000	\$1,340,000	\$1,340,000	\$1,126,157	\$1,342,002
10	State Shared Local Use Tax	\$1,350,000	\$1,250,000	\$1,300,000	\$1,264,020	\$1,186,902
	Sub-total	\$41,533,501	\$40,487,310	\$40,692,310	\$38,907,752	\$38,416,014
	All Other Total	\$6,697,110	\$6,884,150	\$6,898,200	\$7,370,832	\$7,607,552
	Total General Fund Revenues	\$48,230,611	\$47,371,460	\$47,590,510	\$46,278,584	\$46,023,566

Expenses

Total General Fund expenses are budgeted to be \$48.21 million. This is an increase of approximately \$835,000 compared to the FY18 budget (1.76% increase) and about \$1.04 million compared to the FY18 estimate of actual expenses (2.21% 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 FY18 vs. FY19

Category	FY19 Budget	FY18 Budget	Change	% Change
Personnel	\$36,532,983	\$36,159,997	\$372,986	1.03%
Non-Personnel	\$11,677,399	\$11,215,628	\$461,771	4.11%
Total	\$48,210,382	\$47,375,625	\$834,757	1.76%

The FY19 Adopted Budget aligns with the Long-Range Plan goal to limit personnel-related cost increases. While total personnel expenses are budgeted to increase by about \$373,000 compared to the FY18 budget, many components of personnel expenses are budgeted to decrease. The budgeted expenses include an increase of \$451,191 in the required contribution to the police and fire pension

funds. The adopted budget includes many off-setting decreases in personnel expenses. Much of the increase in non-personnel expenses are due to the privatization of residential building permit plan reviews.

Fund Balance Maintained at the Recommended Level

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 \$19.1 million which is about 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 27% 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 FY19 budget is \$13.80 million. This is an increase of \$451,191 over the FY18 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 FY19 vs. FY18

Tax Levy Component	FY19	FY18	Change	Percent Change
Corporate Levy	\$2,997,145	\$2,997,145	--	--
Fire Protection	\$2,850,000	\$2,850,000	--	--
Fire Pension	\$3,611,356	\$3,400,165	\$211,191	6.21%
Police Pension	\$3,370,000	\$3,130,000	\$240,000	7.67%
Capital	\$971,524	\$971,524	--	--
Total	\$13,800,025	\$13,348,834	\$451,191	3.38%

Levy for Operations

The property tax levy for operations, which consists of the Corporate Levy and Fire Protection Levy, will not increase in FY19. This is the eighth consecutive year of a flat or decreasing levy for operations, reflecting the Village's commitment to controlling operating expenses in alignment with the Long-Range Plan strategies.

Levy for Public Safety Pensions

In FY19, the Village will be required to contribute \$451,191 more than in FY18, an increase of approximately 6.9%.

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?

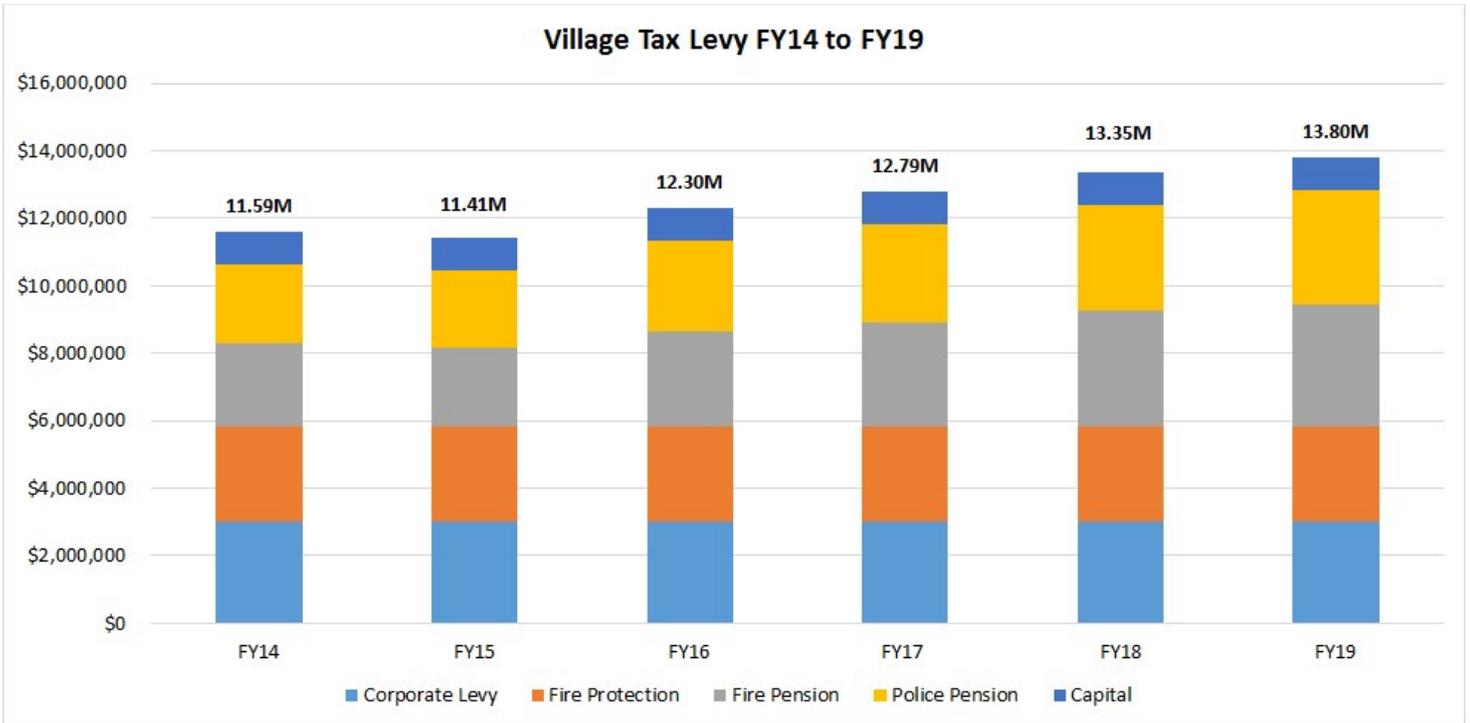
Both the employer and the employee are responsible for funding the public safety (police and fire) pension funds. Police officers contribute 9.91% and firefighters contribute 9.455% of their salary toward their pensions. This percentage is governed by State statute. The Village makes an annual contribution 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.



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 4%. 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

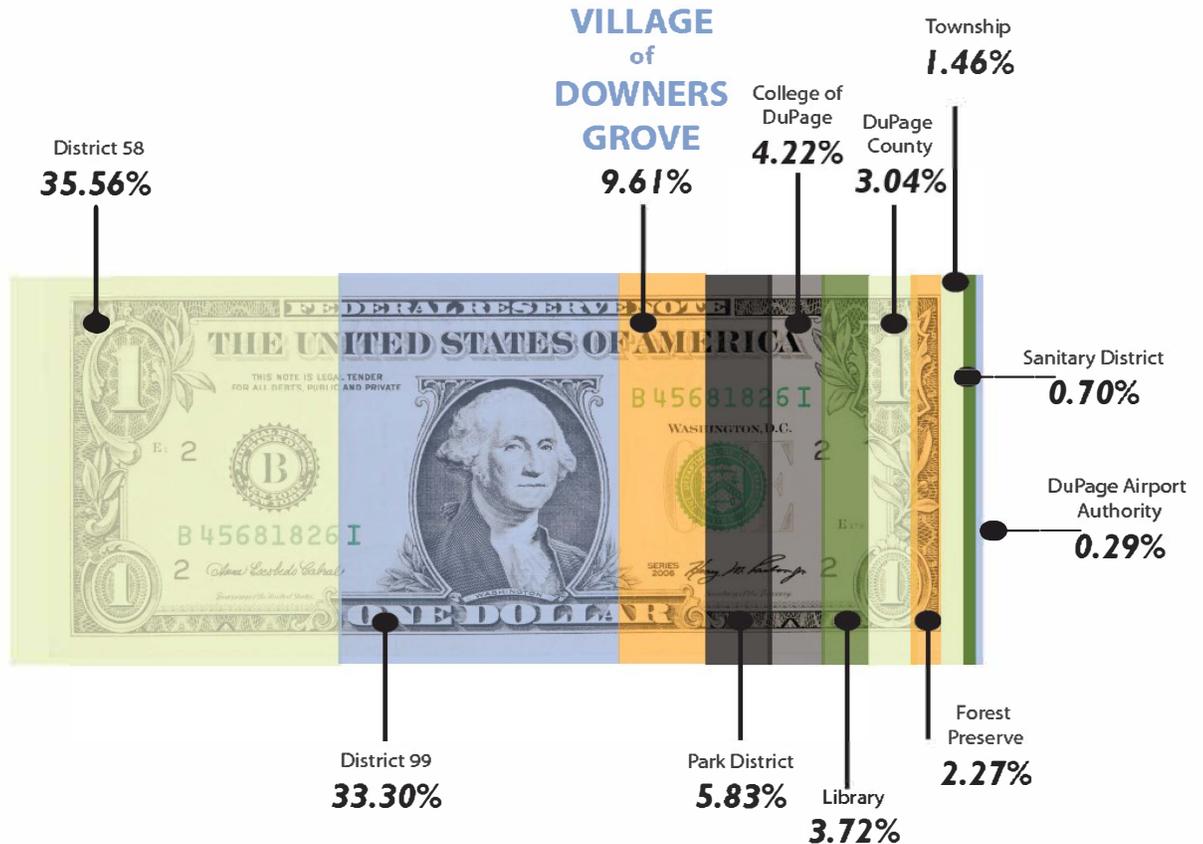
In 2018, a typical residential property with a market value of \$300,000 (taxable value of \$100,000) paid \$553.40 to the Village. The taxable value of the same property is expected to increase by 4% in 2019. With the increase in the Village property tax levy, a typical residential property is expected to pay about \$572.10 in Village property taxes, an increase of about \$18.70 (3.38%).

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

	FY19	FY18	Difference
Equalized Assessed Value	\$104,000	\$100,000	\$4,000
Village Tax Rate	.5501	.5534	(.0033)
Village Tax Amount	\$572.10	\$553.40	\$18.70

Village Manager's Budget Message

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.



Reduction in Staffing

The FY19 Adopted Budget calls for a net reduction of 3.13 FTE positions. The changes in staffing levels were prompted by several retirements in many departments and reflect restructuring which result in maintaining service levels at a lower personnel cost. These efficiency improvements are driven by:

- Using non-sworn personnel to do administrative work previously performed by sworn police officers
- Contracting with private companies for work previously performed by staff
- Increasing the use of technology
- Applying lean principles to work processes

Two FTE positions have been added to the Water Division of Public Works. A review of the water

Village Manager's Budget Message

system operations revealed that key activities such as testing large meters and administering the state-required back-flow prevention program are currently not being adequately performed. Staff time has been increasingly devoted to responding to customer service inquiries and the installation of new water services for new construction projects. The addition of two staff positions will allow the Village to provide the recommended service level. The cost of the two positions is expected to be offset by increasing revenue from improving the accuracy of large water meters.

Table 6: Staffing Changes

Eliminated Positions - 11.13 FTE	Added/Replacement Positions - 8.0 FTE
Village Operations Center Manager (1.0)	--
Police Lieutenant of Administration (1.0)	Support Services Manager (1.0)
Police Sergeant (1.0) Police Officer (1.0)	Training Coordinator (1.0)
Police Records Manager (1.0)	Management Analyst - Records (1.0)
Police Public Education Supervisor (1.0) Crime Prevention Specialist (0.63)	Public Education Specialist (1.0)
IT Systems Technician (1.0)	Intern (0.25)
Purchasing Agent (1.0) Communications Specialist (0.5)	Administrative Secretary (1.0)
Document Management Technician (1.0)	Document Management Technician (0.75)
Community Development Project Manager (1.0)	--
	Water Supervisor (1.0)
	Water Customer Service Specialist (1.0)

With the FY19 staffing reductions, total staffing is 304.35 FTE positions, down 70.43 FTE since 2008 (19% reduction).

Contribution to OPEB Unfunded Liability

Earlier this year, the Village developed a plan to address Other Post Employment Benefits Unfunded Liability (See the 2017-2019 Long Range Plan Update). The FY19 Adopted Budget implements the recommendations of this plan by:

- Providing a \$300,000 revenue contribution to the OPEB Fund from the Health Fund
- Reclassifying the OPEB Fund as a trust

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 FY19 Adopted Budget includes \$24.4 million for continued investment in the Village's water, streets, stormwater, sidewalk and other systems.

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)

Streets - The FY19 budget includes \$4.2 million for street maintenance projects, including resurfacing, crack-filling and patching. Street maintenance projects are funded by the Motor Fuel Tax, Home Rule Sales Tax, Property Tax and Telecommunications Tax. *(See pages 4-30 to 4-34)*

Stormwater - The FY19 budget includes \$10.5 million of investment in the stormwater management system including \$8.1 million for stormwater capital projects and over \$2 million for annual maintenance activities. A bond issuance of up to \$7 million, required to complete the stormwater capital projects planned for 2019-2020, is included in the adopted budget. Over \$4.5 million in revenues for stormwater expenses are provided by stormwater utility fees. The fees are budgeted to increase by 8.5% in FY19 (\$12.40 per ERU up from \$11.43 per ERU) pursuant to the [2016 Stormwater Utility Report](#). *(See page 4-22)*

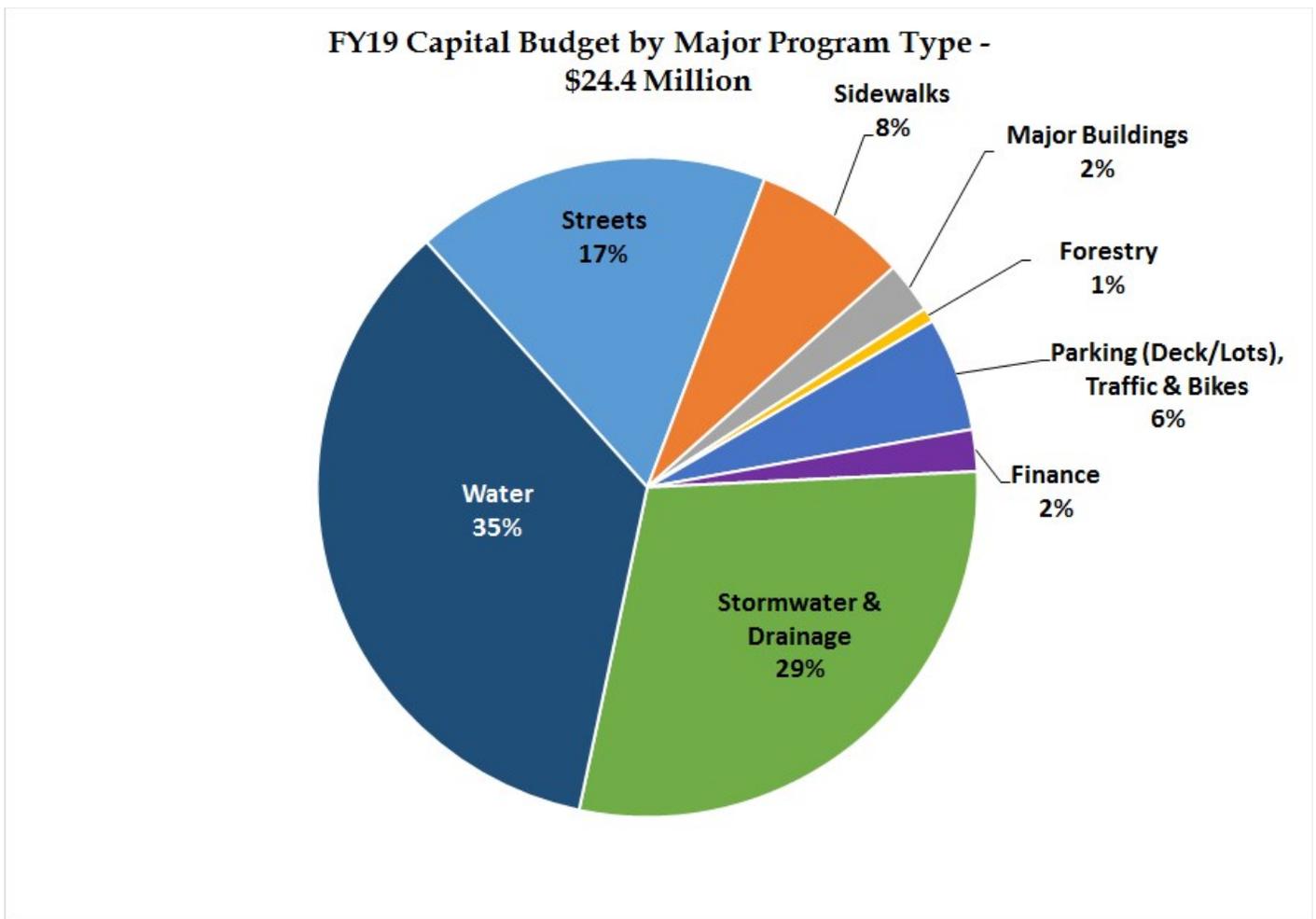
Water - The FY19 budget includes \$8.5 million for water infrastructure projects. A new water rate study will be completed in 2019. The 2010 Water Rate Study calls for regular rate increases to cover the costs of purchasing water from the DuPage Water Commission and the costs of maintaining the system infrastructure. There is no planned rate increase for the cost of maintaining the Village infrastructure. This is because the Village has reduced the cost of replacing watermains by financing the work with Illinois Environmental Protection Agency low-interest loans instead of traditional bond issuances. There may be a small increase in rates to cover the cost of purchasing water. The DuPage Water Commission indicated that they are planning to increase their rates in 2019 in response to expected increases in purchasing water from the City of Chicago. If the

DuPage Water Commission does increase their rates in 2019, the Village may propose a rate increase to cover the cost of purchasing water.

(See page 4-26).

Sidewalks - The FY19 budget includes \$460,000 for sidewalk maintenance and repair, \$500,000 for Ogden Avenue sidewalks, \$550,000 for West Burlington area sidewalks, \$250,000 for crosswalk and accessibility improvements and \$96,000 for Jefferson-Brookbank sidewalk connection. (See pages 4-30 to 4-32 and 4-40)

Parkway Trees - The FY19 budget includes \$172,000 for the installation of new parkway trees including funding for the removal and replacement of trees affected by the Emerald Ash Borer.



Risks to the Budget

The FY19 Budget was prepared with great care and attention to detail and reflects staff's best assessment of the revenues and expenses in each fund. However, there are several factors which could affect the budget, both positively and negatively over the course of the year.

Village Manager's Budget Message

Staff has identified two items which could pose a risk to the FY19 Adopted Budget.

Sales Tax Revenue - If the retail purchasing environment continues to change with more purchases made online rather than in physical stores located within the Village, the actual sales tax revenue could be lower than the budgeted amount.

Actions by the State of Illinois - The State of Illinois controls many of the Village's revenue sources. Given the State's on-going financial challenges, the General Assembly could take actions in 2019 which reduce the Village's revenue. 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 & 2017. 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 2017 in response to rapidly declining revenues.