

## 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 Proposed FY20 Budget is consistent with the Village's strategic goals, specifically the goal to be a *Steward of Financial, Environmental and Neighborhood Sustainability*.

The proposed budget will be reviewed and discussed over multiple meetings 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*

<b>Budget Discussion at Village Council Meeting</b>	<b>Tuesday, November 5</b>
<b>Budget Discussion at Village Council Meeting/Budget Public Hearing</b>	<b>Tuesday, November 12</b>
<b>Budget Coffee with the Council (Fire Station 2)</b>	<b>Saturday, November 16</b>
<b>Budget Discussion at Village Council Meeting/Motion to Estimate Levy</b>	<b>Tuesday, November 19</b>
<b>Tax Levy Public Hearing/Budget Adoption</b>	<b>Tuesday, December 3</b>
<b>Adopt Tax Levy</b>	<b>Tuesday, December 10</b>

### *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 2019-2021
- Comprehensive Plan (2017 Update)
- 2014 Stormwater Project Analysis
- 2012 Stormwater Utility Study
- 2019 Update to the Water Rate Study

## Summary

The key points of the Proposed FY20 Budget are as follows:

**Balanced General Fund with Recommended Fund Balance:** The General Fund is balanced with revenues and expenses at \$49.6 million. The General Fund balance will be maintained at the recommended level of approximately 40% of annual expenses, \$19.5 million - an amount consistent with S&P's guidelines to maintain the Village's [AAA bond rating](#). (See page 4-3)

**Village Facilities Replacement & Sustainability:** In the early portion of 2020 the Village Council will prepare a plan to replace the 40-year old Police Station and 90-year old Village Hall. The Proposed FY20 Budget includes \$2 million in expenses in the Major Buildings Fund which could be used to design a replacement building and for other project costs. (See page 4- 35)

**\$175,000 Increase in the Property Tax Levy for Operations:** For the first time in eight years, the proposed budget includes an increase in the property tax levy for operations for \$175,000 (3% increase). This money will be used to support General Fund operations. This increase is consistent with the Long-Range Plan General Fund strategy "consider increasing the property tax levy for operations as necessary." (See page 4-2).

**Property Tax Levy Increase for Required Contributions to Public Safety Pensions:** The proposed budget includes a \$653,439 increase in the levy for police and fire pensions - a 9.4% increase in this portion of the levy (a 4.7% 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 4-2).

**Maintained Staffing Levels:** The proposed budget reflects no change in total staffing full-time equivalent (FTE) positions. Total staffing has been reduced from 374.78 FTE in 2008 to 304.35 FTE in 2019, a reduction of 23%. (See page 7-6)

**\$21.3 Million Investment in Infrastructure:** The Proposed FY20 Budget allows for continued substantial improvements in the Village's infrastructure, including \$4.45 million in streets, \$6.93 million in stormwater (including annual bond payments) and \$5.68 million for water. The improvements are designed to reduce the total life cycle cost of owning and operating the infrastructure systems. (See the Community Investment Program, Section 6).

**Aging Enterprise Resource Planning System (ERP):** The Proposed FY20 Budget includes \$1.2 million in the Capital Projects Fund for the replacement of the Enterprise Resource Planning System. An ERP system integrates all departments across an organization into a single system that can serve all the departments particular needs. The Village's current ERP is Eden, by Tyler

Technologies, which has been in place since 2006, and is quickly drawing near the end of its useful life. (See page 4-30)

### **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 \$49.6 million, the budget is balanced. 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, FY15 to FY20 (in millions)**

Fiscal Year	Revenues	Expenses	Difference	Fund Balance	Fund Balance % of Expenses
<b>FY20 Proposed Budget</b>	<b>\$49.67</b>	<b>\$49.64</b>	<b>\$0.03</b>	<b>\$19.50</b>	<b>39.28%</b>
<b>FY19 Estimate</b>	\$48.70	\$48.21	\$0.49	\$19.47	40.38%
<b>FY18 Actual</b>	\$49.01	\$48.93	\$0.08	\$18.97	38.77%
<b>FY17 Actual</b>	\$46.28	\$46.27	\$0.01	\$18.89	40.82%
<b>FY16 Actual</b>	\$46.02	\$45.84	\$0.18	\$18.88	41.19%
<b>FY15 Actual</b>	\$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 \$49.67 million, an increase of about \$1.44 million compared to the FY19 Budget (3.0% increase) and about \$967,000 compared to the FY19 estimated revenues (2.0% increase). Notable changes in revenues from the 2019 Budget include:

- \$653,439 increase in the property tax levy for required contributions to the Police and Fire pension funds
- \$353,000 increase in ambulance fee revenue compared to the FY19 budgeted amount. Ambulance fees are proposed to be increased by 25% to align with the fees charged by other municipalities and fire districts in DuPage County.
- \$270,000 increase in the food and beverage tax revenue compared to the FY19 budgeted amount

Table 2 below summarizes the General Fund revenue for the Proposed FY20 Budget and previous years.

**Table 2: Top Ten General Fund Revenues**

Rank	Source	FY20 Proposed Budget	FY 19 Budget	FY 19 Estimate	FY 18 Actual	FY 17 Actual
1	Sales Tax	\$11,600,000	\$11,600,000	\$11,500,000	\$11,526,462	\$11,652,631
2	Property Taxes - Pensions	\$7,634,795	\$6,981,356	\$6,981,356	\$6,591,751	\$6,024,762
3	Property Taxes - Operations	\$6,022,145	\$5,847,145	\$5,847,145	\$5,906,795	\$5,903,486
4	State Income Tax	\$4,700,000	\$4,600,000	\$5,100,000	\$4,679,801	\$4,488,393
5	Utility Taxes	\$4,375,000	\$4,650,000	\$4,345,000	\$4,524,932	\$4,533,442
6	Food and Beverage Tax	\$1,970,000	\$1,700,000	\$1,920,000	\$1,854,362	--
7	Home Rule Sales Tax	\$1,850,000	\$1,950,000	\$1,822,000	\$1,911,385	\$1,978,047
8	Ambulance Fees	\$1,708,000	\$1,355,000	\$1,500,000	\$1,667,899	\$1,126,157
9	State Shared Local Use Tax	\$1,500,000	\$1,350,000	\$1,500,000	\$1,435,492	\$1,264,020
10	Building Related Permits	\$1,400,000	\$1,500,000	\$1,400,000	\$1,994,718	\$1,936,814
	Sub-total	\$42,759,940	\$41,533,501	\$41,915,501	\$42,093,597	\$38,907,752
	All Other Total	\$6,909,663	\$6,697,110	\$6,786,892	\$6,919,892	\$7,370,832
	<b>Total General Fund Revenues</b>	<b>\$49,669,603</b>	<b>\$48,230,611</b>	<b>\$48,702,393</b>	<b>\$49,013,489</b>	<b>\$46,278,584</b>

**Expenses**

Total General Fund expenses are budgeted to be \$49.64 million. This is an increase of approximately \$1.43 million compared to the FY19 Budget (2.60% increase) and about \$1.50 million compared to the FY19 estimate of actual expenses (3.0% increase).

General Fund expenses fall into two major categories - Personnel and Non-Personnel. Personnel expenses account for about 77% of total expenses. Table 3 summarizes these expenses.

**Table 3: General Fund Expenses by Category FY19 vs. FY20**

Category	FY20 Proposed Budget	FY19 Budget	Change	% Change
Personnel	\$38,213,526	\$36,532,983	\$1,680,543	4.60%
Non-Personnel	\$11,423,644	\$11,677,399	(\$253,755)	(2.17%)
<b>Total</b>	<b>\$49,637,170</b>	<b>\$48,210,382</b>	<b>\$1,426,788</b>	<b>2.96%</b>

The Proposed FY20 Budget aligns with the Long-Range Plan goal to limit personnel-related cost increases. The increase in budgeted expenses are driven primarily by the \$653,439 increase in the required contribution to the police and fire pension funds. The remaining personnel costs increase by \$1.03 million, or 1.79% over the 2019 Budget. Non-Personnel Expenses are budgeted to decrease by \$253,755 from the 2019 Budget, driven by:

- \$462,000 decrease in workers compensation costs due to better claims experience
- \$200,000 decrease in costs for the purchase of road salt for snow operations. The additional tax dollars received by the Village in the Motor Fuel Tax Fund from the increased state motor fuel tax (page 4-32) are being used to pay for salt.

Non-personnel expense decreases were partially offset by inflationary increases in other expenses.

### **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, the fund balance is budgeted to be \$19.5 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 property tax levy for the Proposed FY20 Budget is \$14.63 million. This is an increase of \$828,439 over the FY19 property tax levy. The increase is due primarily to the levy for required public safety pension contributions (See table 4 on next page).

**Table 4: Village Property Tax Levy FY20 vs. FY19**

Tax Levy Component	FY20 Proposed	FY19	Change	Percent Change
Corporate Levy*	\$3,086,645	\$2,997,145	\$89,500	2.99%
Fire Protection*	\$2,935,500	\$2,850,000	\$85,500	3.00%
Fire Pension	\$4,014,795	\$3,611,356	\$403,439	11.17%
Police Pension	\$3,620,000	\$3,370,000	\$250,000	7.42%
Capital	\$971,524	\$971,524	--	--
<b>Total</b>	<b>\$14,628,464</b>	<b>\$13,800,025</b>	<b>\$828,439</b>	<b>6.00%</b>

\*NOTE: The Corporate Levy and Fire Protection Levy together are referred to as the Levy for Operations.

**Levy for Operations**

The property tax levy for operations, which consists of the Corporate Levy and Fire Protection Levy, will increase by \$175,000 in FY20. This is the first time for an increase in the operations levy after eight consecutive years 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 FY20, the Village will be required to contribute \$653,439 more than in FY19, an increase of approximately 9.36%.

## **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?**

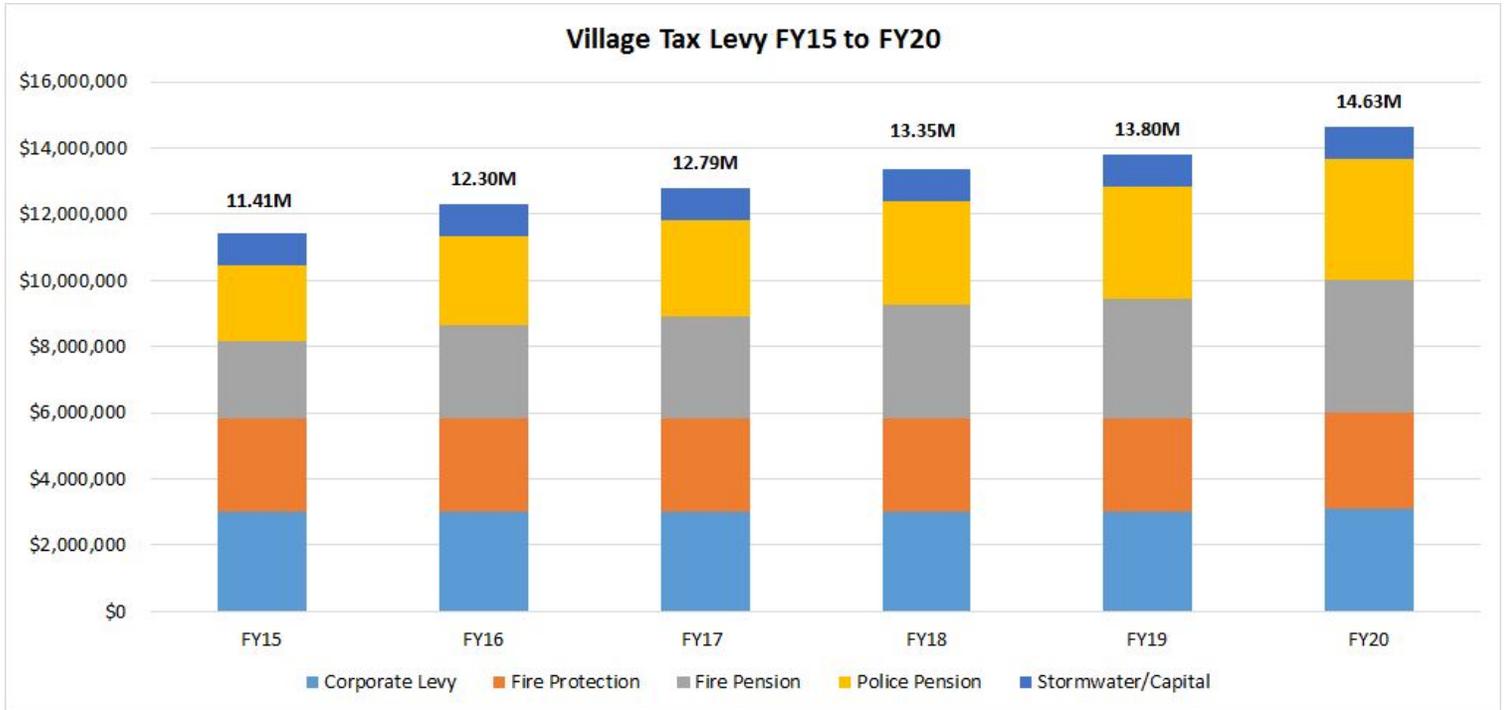
Both the employer and the employee are responsible for funding the public safety (police and fire) pension funds. Police officers contribute 9.91% and firefighters contribute 9.455% of their salary toward their pensions. This percentage is governed by State statute. The Village makes an annual contribution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

**Village Tax Levy on a Typical Residential Property**

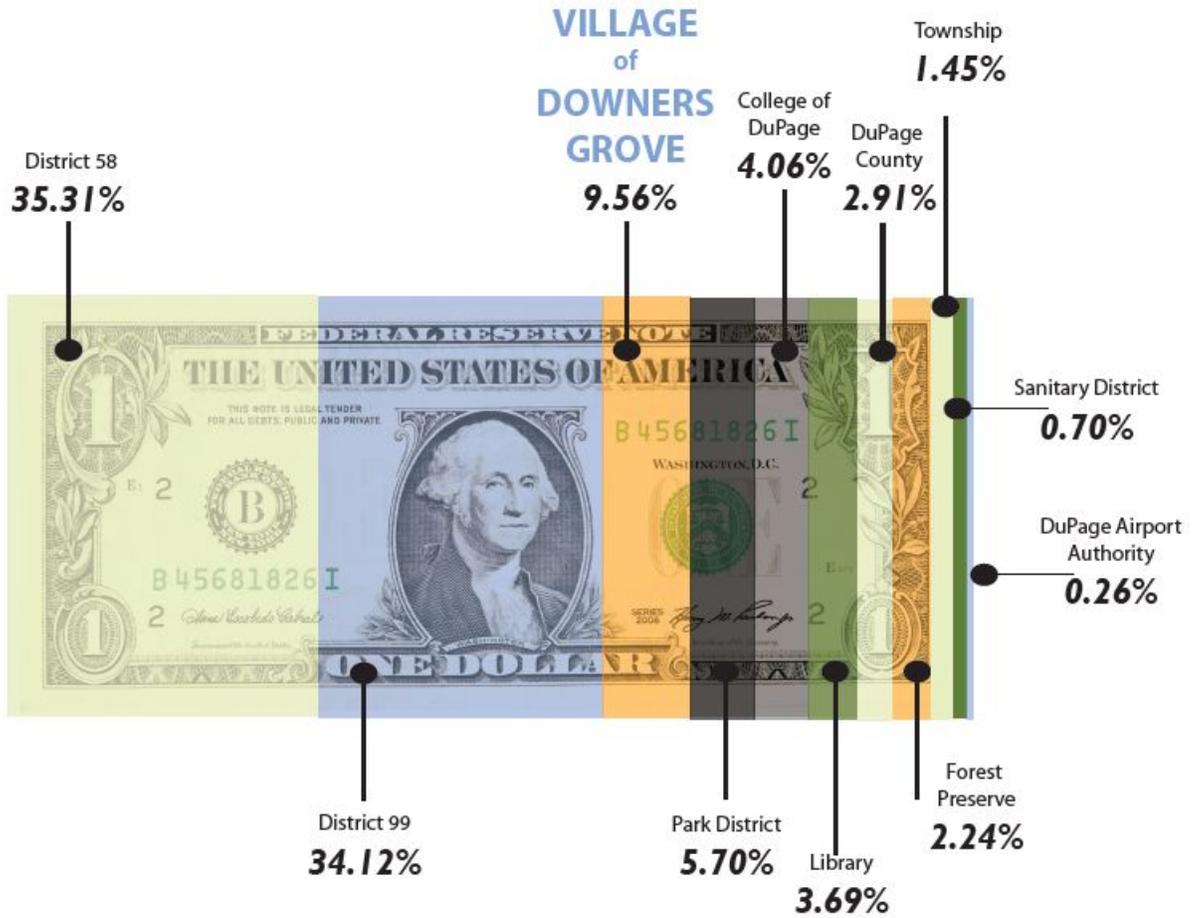
In 2019, a typical residential property with a market value of \$300,000 (taxable value of \$100,000) paid \$546.50 to the Village. The taxable value of the same property is expected to increase by 4% in 2020. With the increase in the Village property tax levy, a typical residential property is expected to pay about \$579.29 in Village property taxes, an increase of about \$32.79 (6%).

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

	FY20	FY19	Difference
Equalized Assessed Value	\$104,000	\$100,000	\$4,000
Village Tax Rate	.5570	.5465	.0105
<b>Village Tax Amount</b>	<b>\$579.29</b>	<b>\$546.50</b>	<b>\$32.79</b>

## 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](http://www.dupageco.org).



## **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 Proposed FY20 Budget includes \$21.3 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)

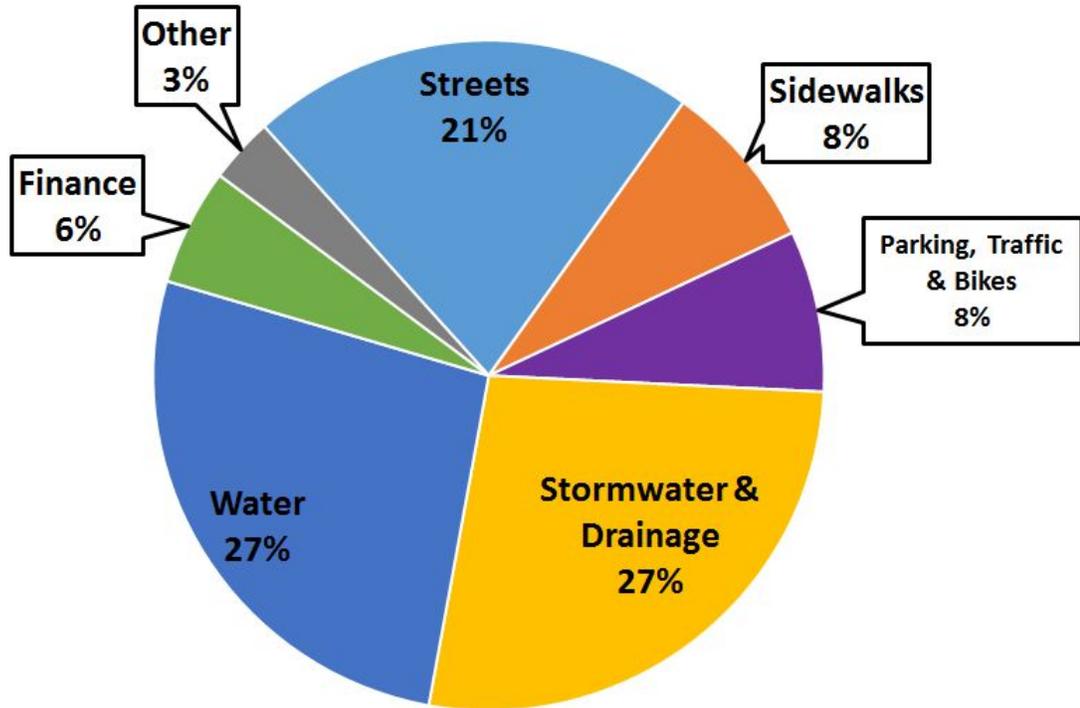
**Streets** - The Proposed FY20 Budget includes \$4.5 million for street maintenance projects, including resurfacing, crack-filling and patching. Street maintenance projects are funded by the Motor Fuel Tax, Home Rule Sales Tax, Property Tax and Telecommunications Tax. (See pages 4-30 to 4-34)

**Stormwater** - The Proposed FY20 Budget includes \$9.9 million of investment in the stormwater management system including \$6.9 million for stormwater capital projects and \$3 million for annual maintenance activities. Over \$5.0 million in revenues for stormwater expenses are provided by stormwater utility fees. The fees are budgeted to increase by 8.7% in FY20 (\$13.48 per ERU up from \$12.40 per ERU) pursuant to the [2016 Stormwater Utility Report](#). (See page 4-21)

**Water** - The Proposed FY20 Budget includes \$5.7 million for water infrastructure projects. A [water rate study](#) completed in 2019 recommended that water revenues should be increased in FY20 (effective 7/1/2020) and subsequent years by 4.6%. This is to continue proactive management of the water system through infrastructure investment, ensure the opportunity to utilize low interest rate loans from the IEPA, maintain minimum cash balances and offset the decline in usage. (See pages 4-24 to 4-25).

**Sidewalks** - The Proposed FY20 Budget includes \$269,000 for sidewalk maintenance and repair, \$100,000 for Ogden Avenue sidewalks, \$365,000 for crosswalk and accessibility improvements and \$600,000 for Jefferson-Brookbank sidewalk connection. (See pages 4-28 to 4-30 and 4-39)

FY20 Capital Budget by Major Program Type -  
\$21.3 Million



## ***Potential Impacts to the Budget***

The Proposed FY20 Budget was prepared with great care and attention to detail and reflects staff's best assessment of 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. Staff has identified four items which could impact to the Proposed FY20 Budget.

**Sales Tax Revenue from On-Line Sales** - The State of Illinois recently enacted the "Leveling the Playing Field for Illinois Retailers Act" which requires certain remote retailers to collect and remit state and locally-imposed sales taxes for the jurisdiction where the product is delivered (destination) starting on July 1, 2020. This is a structural change in state sales tax law which should increase the Village's annual sales tax revenue. The FY20 General Fund budget was not increased to reflect this change since this taxing process is new, will be in place for only half of the year, and may not achieve the desired result of collecting taxes from on-line sales in the initial months of the system.

**GEMT Reimbursement** - Ground Emergency Medical Transport (GEMT) is a supplemental Federal funding program which allows fire agencies to submit for additional reimbursement for unrecovered costs associated with emergency medical transports for Medicaid patients. Currently, Illinois reimburses municipalities a set amount for Medicaid transports, regardless of the actual cost of providing those services. Through this program the federal government will pay to the State the difference between the set amount and the actual costs incurred for the Medicaid transports. Once the State receives the funds from the federal government, it will reimburse the Village approximately 50% of the funds received. Since this program has just been established in the State of Illinois, the amount of funds that will be reimbursed to the Village is undetermined at this time.

**Legalized Recreational Cannabis** - The State of Illinois passed the Cannabis Regulation and Tax Act which has legalized the use of recreational marijuana beginning January 1, 2020. The Act will allow any Illinois resident over the age of 21 to possess and use recreational marijuana in limited quantities. With this change in state law, there is potential law enforcement impacts that could increase the cost of police operations. After using cannabis tax revenue to cover the cost of administration and record expungement, the State of Illinois will distribute 8% of the remaining revenue to local governments for the prevention and training of law enforcement.

**General Economic Conditions** - Most of the Village's revenue sources have the potential to be impacted by general economic conditions at the local, state, national or even international levels. The State of Illinois controls many of the Village's revenue sources and Illinois continues to take actions to solve the state's on-going financial challenges. Slowing economic growth and unresolved global trade negotiations have led to an increase in market volatility. Staff will continually monitor the general economic conditions locally and abroad, and staff will be prepared to implement any strategies needed to address any impacts to Village revenues.