


## BUDGET OFFICER'S COMMENTS

**TO:** Village Board  
**FROM:** Village Administrator -- Art Osten, Jr.   
**DATE:** April 22, 2011  
**RE:** Fiscal Year 2011/2012 Budget

A copy of next fiscal year's proposed budget has been available at the Village Hall since April 8<sup>th</sup> and will be available on the Village website by the end of May. It was prepared with much hard work by Village staff starting in January and reviewed and revised by Budget Committee members Trustee Menzel, Treasurer Toppel, and me. Reviews by the President and Trustees took place at the March 10 Finance & Administration, March 17 Village Board, and April 14 Finance & Administration meetings. The final version will be discussed and approved at the conclusion of the Public Hearing during the April 21 Village Board meeting.

The Budget binder lists all the expenditures by department and line item. There are also numerous sections of narrative -- Department Descriptions, Revenue Descriptions, and Justifications which help explain: the many services the Village provides, revenue sources which fund them, and need for various expenditures. The Charts and Appendices tabs also show budget and property tax breakdowns, expenditures for future consideration, 10-year budgets, and other useful evaluation tools. Below are the highlights.

The Village ends the year with healthy balances in all the funds. The two largest funds, General and Enterprise (Water & Sewer), ended the year with reserves of approximately \$2.9M and \$3.5M respectively. However, the General Fund reserve could drop to \$900K by the end of this coming fiscal year. This leaves 4.5 months of operating expenses -- still above our 3 month goal. The Water & Sewer Fund Reserve will drop to \$1.6M -- a 15 month reserve. Both are further described below. As intended, the use of reserves and debt certificates allows the Village to proceed with its major capital projects. Current revenues essentially cover current operating expenses. In other words, the Village's operating budget is balanced.

The most significant General Fund expenditures are building the public works garage, road repairs, and liability insurance premiums. The General and W&S Fund are each paying ½ of the \$3.6M Garage using the 2006 and 2010 Debt Certificates. Legal action could easily delay it another year and so greatly reduce the use of reserves this coming year. This year's delay is estimated to have already increased construction and material costs by 3.5%. The Road Program has been able to be

sustained at \$320K using leftover road bonds and General Fund revenues. A jump in loss claims over the last five years, mostly from workers compensation, from \$325K to \$625K added an unexpected \$100K to our MCMRMA premium -- which is being transferred from the General Fund to the Liability Insurance Fund. Fortunately, the pool absorbed \$200K in claims.

The largest W&S Fund expenditure will be the construction of the Public Works Garage. A number of smaller capital purchases are budgeted to rehab and maintain buildings and equipment. The 10 Year Public Works Budget in the Appendices itemizes our present and future needs and the anticipated rate increases needed to support them. It shows only the minimum 3 month reserve after 10 years.

Current expenses have been reduced by a drop in employee medical insurance premiums, reducing the number of full-time police officers through retirements, hiring a part-time employee to replace the building and zoning contractor, changing the work week in the Water & Sewer Division and Clerk's Office so that work regularly scheduled on weekends is no longer automatically paid as overtime, and cutting back on Village Hall holiday lighting.

Proposed new expenditures for items such as enhanced GIS capabilities, storm drainage improvements for the recently de-annexed Welch's subdivision, and right-of-way tree replacements have been cut. Programs we have long wanted to pursue, such as a façade loan program, remain on hold.

New revenues are being generated in a variety of ways. We anticipate slight increases in tax receipts and building permits. A 5% increase in water and sewer rates will generate \$67K -- which is an average increase of \$42 for each of the 1,600 utility accounts. While Redspeed camera fines are decreasing, they not only make the pedestrian crossing at the Rt. 22/14 intersection safer but net approximately \$100K per year for long delayed and sorely needed capital projects.

Positive initiatives include: hiring consultants to assist with the process of redeveloping the downtown for the purposes of beautification and generating future tax revenue, cooperation with METRA to build a new train depot, the use of grant funds to purchase an energy efficient WWTP blower, and the purchase of a camera to inspect the condition of our sewer and storm water pipes. The existing TIF fund balance might even be considered for strengthening the Rt. 14/22 and/or downtown shopping areas. Next year we also hope to begin a very modest program of repairing our water, sewer, and storm water lines.

The following issues, as well as any others the Village Board wishes to discuss, need to be addressed to finalize the FY 11/12 budget:

- Salary increases for employees.

- Transfer of Redspeed reserves to offset expenses for General Fund capital projects.

- Reinstating funds to hire a band for the fireworks festival.

Note that what has not been factored into this budget is any potential wage increase for police union employees. The cost will depend on upcoming negotiations.

The Village faces many ongoing concerns. After many years of postponing infrastructure repairs, not replacing employees, streamlining operations, frugal purchasing, and exploiting new revenue sources; any further cuts in revenues can only lead to cuts in services. What exactly will the new waste water standards be and when will they be imposed and force us to spend \$11M for plant improvements? The Road Program continues to be funded at about 50% of what is needed. It is repetitious to state that past voters approved a more expensive Police Pension but not the funds to pay for it but the constantly increasing cost is diverting more and more funds away from other needs -- such as the Road Program. While there are indications of possible reform, overly generous workers compensation and disability payments provided by the State Legislature continue to create expensive liabilities for the Village.

However, as the 11/12 Fiscal Year begins, Fox River Grove also has much to be proud of and look forward to. The budget is essentially balanced. Services continue to be provided in a very cost-effective manner. The regional economy is slowly recovering. Downtown redevelopment seems to be a bit closer to becoming a reality. The PEDC is pursuing exciting activities such as the Buy FRG discount card and downtown mural project to improve the business atmosphere. The Park Commission has almost completed its review of Superintendent Huizinga's park master plans and appears to have found a winning method of fundraising to spur park improvements. New opportunities continue to be pursued such as adding to our curbside recycling program and securing additional revenue from the cell phone antennas on our water tower. All of this has been made possible by the diligent efforts of Fox River Grove's elected and appointed officials, hard work by our employees, and the continuing support of our residents.