



## **Village of Lindenhurst**

### **FY 2013-2014 Operating & Capital Budget Summary**

## Budget Summary

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### INTRODUCTION

Please find enclosed the Operating and Capital Budgets for FY 2013-2014 for the Village of Lindenhurst. The Village operates on a fiscal year basis beginning May 1<sup>st</sup> and ending April 30<sup>th</sup> of each year. The annual budget is prepared through a collaborative effort by staff under the direction of the Village Administrator and is presented to the Village Board for review and adoption prior to the beginning of each fiscal year (May 1<sup>st</sup>).

### BUDGET FORMAT

The Village's budget utilizes fund accounting, creating separate funds based upon the various activities of the Village's operations. The Village's budget includes the following major funds:

1. General fund
2. Water & Sewer Operating (enterprise) fund
3. Garbage (enterprise) fund
4. Motor Fuel Tax fund
5. Retirement fund
6. Insurance fund
7. Community Capital fund
8. Miscellaneous Capital Projects fund
9. Water/Sewer Capital Projects fund
10. Public Works Fleet Replacement fund
11. Squad Car Replacement fund
12. Various Non-Operating funds

The Village budget includes hundreds of line items, some of which are fairly small. These are used to facilitate year to year and multi-year analysis. Please remember that much of the Village's actual revenues and spending are impacted by non village factors or are demand driven and often hard to predict. Budget numbers are best estimates based on history and/or ground up analysis of line items.

Budgeted expenditure line items are formatted into three categories: salaries and benefits, contractual and other costs. This facilitates further analysis of in-house versus contractual expenditures as the Village considers privatization options. Many individual line items are based on past needs and year-end numbers and may be different (higher or lower) based on demand for services from weather, emergencies or unpredictable factors.

The enclosed draft is intended for discussion purposes only. Refinements and adjustments will be made based on the Board's direction at the March 18th budget workshop.

### **FY 2012-2013 ESTIMATED YEAR END PERFORMANCE**

FY 2012-2013 saw a continuation of the Village's aggressive cost cutting measures with the elimination of one position in public works and one permanent part-time position in police. Major highlights of the FY 12-13 estimated year-end performance include:

#### **General Fund**

- General Fund revenues are projected to exceed budget projections by \$252,150 due to higher than expected sales and income tax.
- Cost cutting measures reduced spending in the General Fund by \$172,512.
- General Fund is projected to operate at a surplus of \$492,983. Budget numbers projected a \$68,321 surplus.

#### **Water & Sewer Fund**

- Water & Sewer Fund revenues projected to be up \$203,734 due to higher water collections.
- Fund expenses are projected down \$339,000 from budget.
- Fund projected to operate at a surplus of \$695,876. This is improved from the budget projected surplus of \$152,342.

## FY 2013-2014 Budget Overview

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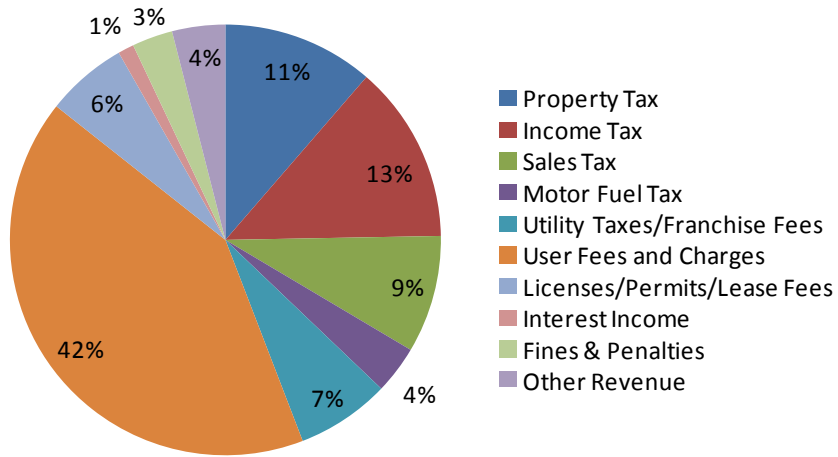
Please see the attached Budget Highlights sheet for information on the major points of the draft budget. In particular, the draft budget includes the following major points:

- General Fund is projected to operate at a surplus of \$290,486
- Water & Sewer Fund is projected to operate at a surplus of \$64,440
- Total operating spending is up \$93,796 from 12/13, which is a 1.4% increase.
  - Administration (\$1,903)
  - Engineering and Building \$28,213
  - Building and Grounds (\$4,875)
  - Streets \$14,199
  - Police (\$12,381)
  - Waterworks Administration \$84,733
  - Sewer (\$5,117)
  - Water \$9,843
  - Garbage \$41,766
- **New programs and initiatives in FY 13/14 total \$124,830. Excluding new programs, operating expenses are projected to decrease \$31,034 across all funds.**
- **Since 2008/2009, total operating spending has been reduced by \$1,532,605, an 18.5% reduction in total operating spending.**

### FY 2013-2014 Total Revenues All Funds By Type:

Property Tax:	\$1,106,761
Income Tax:	\$1,301,580
Sales Tax:	\$860,000
Motor Fuel Tax:	\$351,106
Utility Taxes/Franchise Fees:	\$685,000
User Fees and Charges:	\$4,044,436
Licenses/Permits/Fees:	\$595,750
Interest Income:	\$116,700
Fines & Penalties	\$297,650
<u>Other Revenue:</u>	<u>\$388,580</u>
<b>Total Revenue All Funds:</b>	<b>\$9,747,563</b>

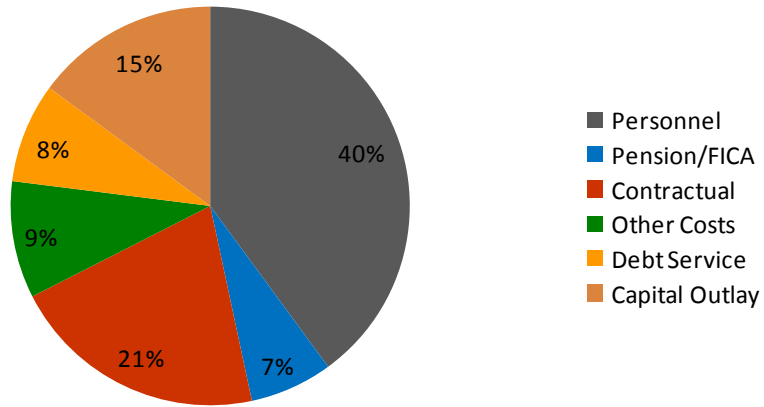
### FY 13-14 Revenues By Type



### FY 2013-2014 Total Expenses All Funds By Type:

Personnel:	\$3,889,519
Pension/FICA:	\$653,331
Contractual:	\$2,031,283
Other Costs:	\$924,153
Capital Outlay:	\$1,452,279
Debt Service:	\$788,605
<b>Total Expenses All Funds:</b>	<b>\$9,739,170</b>

### FY 13-14 Expenses By Type



#### PERSONNEL RELATED COSTS

Since FY 2008 -2009, the Village has made significant changes to operating approaches resulting in staff reductions in all functions. Since 2008, the Village has reduced total full and permanent part-time staffing by 22%.

	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14
<b>Administration</b>	6.5	7.5	6.5	5.5	5.5	5.5
<b>Police</b>	26	26	26	25	26	23
<b>Public Works</b>	19.5	17	15	15	14	14
<b>Engineering &amp; Building</b>	3.5	1	1	1	1	1
<b>Total</b>	55.5	51.5	48.5	46.5	46.5	43.5

Compared to FY 12/13, the Village’s overall personnel related costs (salaries, health insurance, training, etc.) are up \$95,870 across all funds, a 2.5% increase. The draft budget assumes the elimination of two part-time Records Clerk positions. Salaries across all funds are up \$49,918, a 1.7% increase.

**Personnel and Salary Costs by Year (Budget)**

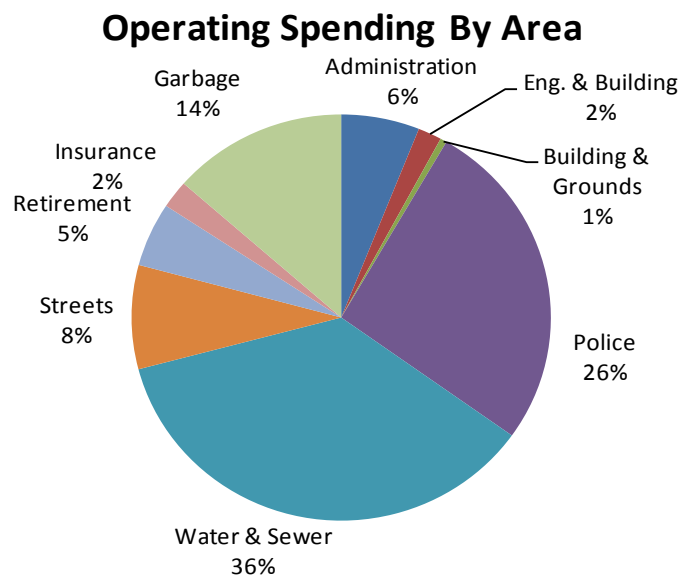
	08/09	09/10	10/11	11/12	12/13	13/14
<b>PERSONNEL COSTS</b>	<b>\$4,045,940</b>	<b>\$3,795,091</b>	<b>\$3,950,760</b>	<b>\$3,817,047</b>	<b>\$3,840,345</b>	<b>\$3,936,215</b>
<b>% CHANGE</b>	<b>-</b>	<b>(6.3%)</b>	<b>4%</b>	<b>(4%)</b>	<b>0.6%</b>	<b>2.5%</b>

	08/09	09/10	10/11	11/12	12/13	13/14
<b>SALARIES</b>	<b>\$3,141,620</b>	<b>\$2,887,885</b>	<b>\$2,928,890</b>	<b>\$2,887,867</b>	<b>\$2,941,915</b>	<b>\$2,991,833</b>
<b>% CHANGE</b>	<b>-</b>	<b>(5.2%)</b>	<b>1.5%</b>	<b>(1.5%)</b>	<b>1.8%</b>	<b>1.7%</b>

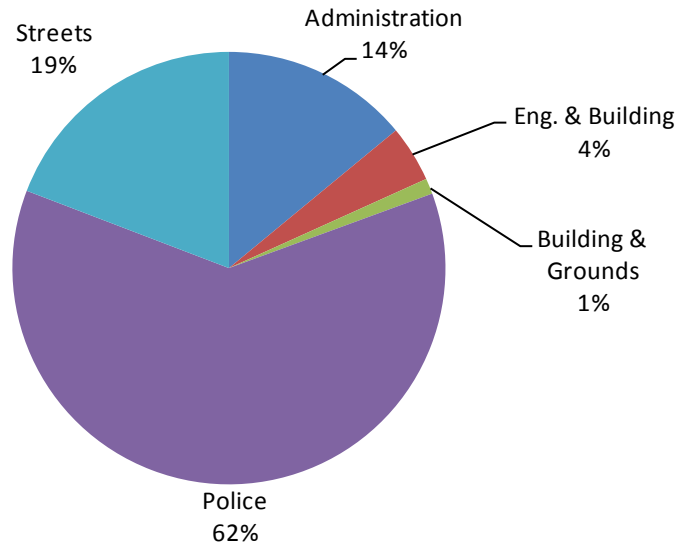
Despite major increases in the cost of employee health insurance benefits, the Village has reduced overall personnel related expenses since FY 2008/2009 by \$109,725, a 2.7% reduction. Had the Village not reduced staffing levels, personnel expenses adjusted for inflation would have been \$754,150 higher in FY 2013/2014.

**OPERATING SPENDING BY AREA**

The chart below depicts the percentage of spending by each operating area. As you can see, 62% of all Village operating spending goes toward police protection and water & sewer service.



### General Fund Operating Spending By Area





## General Fund

General Fund revenues are not completely in the Village’s control. Major revenue sources, including income tax, sales tax, use tax, and building permit fee revenue, are dependent on economic climate. Property tax revenues are capped by the tax cap law. On the cost side, this fund includes market driven increasing police personnel costs and unpredictable snow and ice control expenses. For these reasons, the Village must constantly analyze revenue levels and costs in the General Fund.

FY 2013/2014 General Fund revenues are projected to be up \$245,418 from the 12/13 budget and \$6,732 below the 12/13 estimated year end. This is due to higher than projected income tax receipts in 12/13 and a conservative estimate for 13/14. For the first year, total General Fund revenues are projected to be higher than revenues actually received in 2008/2009. Please refer to the specific revenue sheets included in the budget for more detailed information.

### General Fund Totals by Year

	08/09 ACTUAL	09/10 ACTUAL	10/11 ACTUAL	11/12 ACTUAL	12/13 BUDGET	12/13 EYE	13/14 PROPOSED
REVENUES	\$3,773,904	\$3,488,425	\$3,813,230	\$3,802,784	\$3,628,534	\$3,880,684	\$3,873,952
EXPENSES	\$4,163,482	\$3,587,916	\$3,614,988	\$3,511,808	\$3,560,213	\$3,387,701	\$3,583,466
NET INCOME	(\$389,578)	(\$99,491)	\$198,242	\$290,975	\$68,321	\$492,983	\$290,486

General Fund expenses are projected to increase \$23,253 from the 12/13 budget, a .06% increase.

### General Fund Expense History

	08/09 ACTUAL	09/10 ACTUAL	10/11 ACTUAL	11/12 ACTUAL	12/13 BUDGET	12/13 EYE	13/14 PROPOSED
ADMINISTRATION	\$582,879	\$577,623	\$525,390	\$485,133	\$504,004	\$479,912	\$502,101
POLICE	\$1,968,503	\$2,119,305	\$2,069,941	\$2,101,202	\$2,213,149	\$2,112,230	\$2,200,768
STREETS	\$1,338,975	\$698,018	\$606,123	\$614,049	\$673,200	\$611,603	\$687,399
ENG & BUILD	\$221,676	\$174,013	\$124,547	\$151,34	\$123,190	\$35,860	\$41,795
BUILDING & GRN	\$51,449	\$18,952	\$14,019	\$31,805	\$49,670	\$148,096	\$151,403

## Water & Sewer Operating Fund

Primary revenues in the Water and Sewer Operating fund are user fees and charges as set by the Village Board. FY 2013/14 revenues assume the multi-year rate plan previously adopted by the Board and are projected at \$3,054,326, a decrease of \$221,093 or 7% from the 2012/13 estimated year end. Drought like conditions resulted in an increase in water usage during 2012/13.

Expenses in the Water and Sewer fund are up \$70,543 from the 2012/13 budget, of which \$53,980 is the result of new programs and initiatives. In FY 2013/2014, this fund is projected to operate at a surplus of \$60,440.

### Budget Summary

Total Revenues	\$3,054,326
Total Expenses	\$2,989,886
Net Income	\$64,440

### Operating Performance by Function Compared to 2012/13

▪ Waterworks Administration	\$85,503
▪ Sewer	(\$5,117)
▪ Water	(\$9,843)

### Water & Sewer Operating Fund Totals by Year

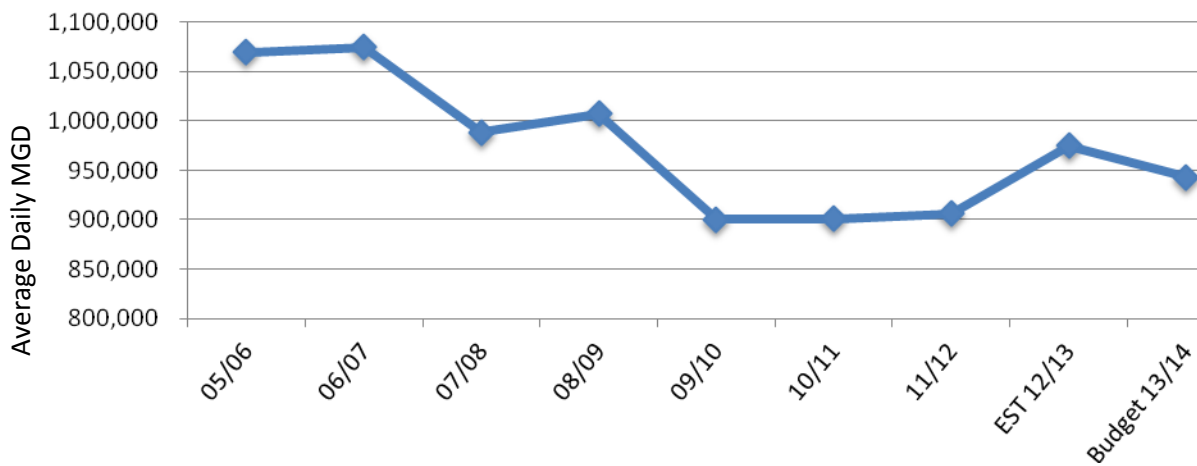
	08/09 <sup>1</sup> ACTUAL	09/10 ACTUAL	10/11 ACTUAL	11/12 ACTUAL	12/13 BUDGET	12/13 EYE	13/14 PROPOSED
REVENUES	\$2,813,828	\$2,674,688	\$2,975,846	\$3,086,226	\$3,071,685	\$3,275,419	\$3,054,326
EXPENSES	\$3,732,260	\$3,218,105	\$2,840,314	\$2,805,480	\$2,919,343	\$2,579,543	\$2,989,886
NET INCOME	(\$918,432)	(\$543,417)	\$135,532	\$280,746	\$152,342	\$695,876	\$64,440

<sup>1</sup> 08/09 actual revenue does not include the \$2,001,220 received from bond proceeds issued for the 2008 Grand Avenue water main replacement phase I and II.

As you can see from the above chart, the financial performance of this fund has significantly improved since FY 10/11. Prior to that time, the fund experienced actual deficits totaling \$1,461,849. Since that time, the fund performance has resulted in total surplus of \$416,278.

Water sales volume, or billed pumpage, declined during the period of 05/06 through 09/10. Over the last several years, water usage has been relatively flat with an increase projected in 12/13 due to a very hot and dry season. Water usage can fluctuate based upon weather conditions and conservation efforts. We have taken a fairly conservative approach to future water sales projections for FY 13/14.

### Water Sales Volume By Year



## Garbage Fund

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Revenues come from collection of the monthly fee for refuse and recycling. Expenses include the Groot contract and administrative expenses associated with issuing the utility bills. This account is projected to operate at a surplus of \$13,967. The proposed budget assumes a 4% increase in contractor costs and a 4% increase in refuse and recycling rates.

### **Budget Summary**

Total Revenues	\$1,137,810
Total Expenses	\$1,123,843
Net Income	\$13,967

## Special Operating Funds

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The Village has several special operating funds that receive funding from various sources and have specific expenses. The special operating funds include the Motor Fuel Tax (MFT) fund, Retirement Fund and the Insurance Fund.

### Motor Fuel Tax Fund (MFT)

This fund receives revenue from the state distributed motor fuel tax. Municipalities receive a per person amount based upon population. The uses of these funds are restricted by state statute to roadway and right-of-way maintenance.

The past practice has been to use this money for residential road resurfacing and the purchase of salt. Road resurfacing has been done every other year to allow for the accumulation of funds so that a larger resurfacing program can be completed. FY 2013/2014 will be a resurfacing year.

In 2010, the Village developed a 20-year rotation and financial projection for the resurfacing of residential streets. This was done to establish a plan for the regular resurfacing of streets. Unfortunately, MFT revenues alone are not sufficient to complete the 20-year rotation. As a result, streets are projected to be resurfaced every 42 years versus the desired 20-year program.

#### Budget Summary

Total Revenues	\$363,106
Total Expenses	\$757,600
Net Income	(\$394,494)

### Retirement Fund

The Retirement fund receives revenue from the property taxes levied for retirement and social security. In addition, the Water and Sewer and Garbage enterprise funds pay for their portions of retirement and social security expenses directly from those funds. All non-sworn Police personnel are members of the Illinois Municipal Retirement Fund (IMRF). Police pension costs are listed separately.

#### Budget Summary

Total Revenues	\$192,282
Total Expenses	\$186,471
Net Income	\$5,811

**Insurance Fund**

The Insurance fund receives revenue from the property taxes levied for property, liability and casualty insurance. In addition, the Water and Sewer and Garbage enterprise funds pay their share of insurance costs directly from those funds.

**Budget Summary**

Total Revenues	\$100,617
Total Expenses	\$100,536
Net Income	\$81

## Capital Funds

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The FY 13/14 Draft Budget maintains two separate capital funds, the Community Capital fund and Water/Sewer Capital Fund. In addition, because of the Village’s limited dollars for capital purposes, unfunded capital needs are listed in the Miscellaneous Capital budget, which uses dollars from the General Fund cash balance.

The Village also maintains two fixed asset replacement funds: the Public Works Fleet Replacement Fund and the Squad Car Replacement Fund.

### Community Capital Fund

The Community Capital fund receives revenue from the vehicle license fee assessed to every utility bill. In the past, this fund has been used for the purchase and replacement of operating equipment. However, with the creation of the fixed asset funds, this fund can now be used for community improvement projects/new equipment needs as determined by the Village Board.

#### Budget Summary

Total Revenues	\$506,750
Total Expenses	\$953,379
Net Income	(\$446,629)

In 2013/2014, the previously committed Community Capital Projects include the following:

• Grass Lake Road Underpass Contribution	\$170,500
• 2013 Road Resurfacing Construction Engineering	\$14,000
• Lindenhurst Drive Flood Grant Local Share	\$440,000
• Radio Tower Fence Replacement	\$4,000
• Debt Service	\$275,379
• Computer Replacements	\$6,000

### Water/Sewer Capital Projects Fund

The Water/Sewer Capital Projects fund receives revenue from one-time water and sewer tap-on fees generated from new building construction. These revenues are set apart from operational spending and reserved for one-time system improvements and replacements.

#### Budget Summary

Total Revenues	\$82,650
Total Expenses	\$402,000
Net Income	(\$319,350)

In 2013/2014, the recommended Water/Sewer Capital Projects includes the following:

- |                                |           |
|--------------------------------|-----------|
| • Lake Michigan Water Planning | \$202,500 |
| • Well Rehabilitation          | \$175,000 |
| • Miscellaneous Projects       | \$24,500  |

#### **Public Works Fleet Replacement Fund**

This fund establishes a 20-year program for the regular replacement of Public Works fleet vehicles. In 13/14, the schedule calls for the replacement of truck #55, a five yard dump truck. However, truck 55 is still operating effectively and we recommend deferral of the replacement for one year.

#### **Squad Car Replacement Fund**

This fund establishes a 20-year program for the regular replacement of Police squad cars. In 13/14, the schedule calls for the replacement of three police squad cars at an estimated price of \$96,900.



## Non-Operating Funds

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The Village operates three non-operating funds: the DUI Fund, Prison Review Fund and the Forfeiture Fund.

### DUI Fund

The DUI fund receives revenues from court imposed fines as a result of DUI arrests made within the Village by Lindenhurst Police personnel. The funds are restricted for use in the purchase of equipment and supplies related to the enforcement and handling of DUI arrests.

Proposed expenditures in FY 2013/2014 include:

- |                                       |          |
|---------------------------------------|----------|
| • Vehicle Equipment/Installation      | \$5,000  |
| • Miscellaneous Uniforms & Equipment  | \$8,420  |
| • Police Records Management (partial) | \$25,000 |

### Prison Review Fund

The Prison Review fund receives revenue from court imposed traffic citations and can only be used for specific purposes.

Proposed expenditures in FY 2013/2014 include:

- |                                     |          |
|-------------------------------------|----------|
| • Vehicle Maintenance & Replacement | \$10,000 |
| • Miscellaneous Contingency         | \$5,000  |

### Forfeiture Fund

The Forfeiture fund receives revenue from proceeds that result from the forfeiture of vehicles and other property. Funds can only be used for specific purposes.

Proposed expenditures in FY 2013/2014 include:

- |                                       |          |
|---------------------------------------|----------|
| • MEG Participation                   | \$9,000  |
| • Police Records Management (partial) | \$25,000 |

## Fund Structure and Format

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### INTRODUCTION

The Village's budget utilizes fund accounting and establishes separate funds based upon the various Village activities and functions. Some funds are segregated into separate accounts for better tracking of expenses by specific activity.

### FUND DESCRIPTIONS

#### **General Fund**

The General Fund receives revenues from a portion of the Village's property tax, sales tax, income tax, building permit fees, simplified municipal tax, and other miscellaneous fees and taxes. The General Fund provides several major municipal services and is segregated into several different accounts based upon function. These accounts include:

- **Administration** – provides for general administration and management support to the various operating functions of the Village. Also provides finance management, forecasting, accounting, customer service, human resources, risk management, IT support and postal substation.
- **Engineering & Building** – provides coordination of engineering services for Village infrastructure improvements and oversight of construction inspection for new building construction within the Village.
- **Building & Grounds** – this account provides for the maintenance, repair and upkeep of Village grounds and facilities, including facility cleaning, landscaping, system repairs and maintenance of the Veterans Memorial.
- **Police** – this account funds the provision of police protection and law enforcement services.
- **Streets** – provides for the maintenance and upkeep of Village maintained roadways, street signs, right-of-way areas, storm sewers and street and traffic lighting.

The cash balance reserve policy for this fund is 75% of the current year's operating expenses.

#### **Water & Sewer Enterprise Fund**

The Water and Sewer fund is an enterprise fund that functions as an independent business where user fees and charges should be sufficient to pay all operating expenses associated with the provision of the service. This fund provides the production, delivery and treatment of drinking water, and the collection, treatment and disposal of wastewater. The Water and Sewer fund is segregated into three different accounts based upon function. These accounts include:

- **Water & Sewer Administration** - provides for the general administration of the water and sanitary sewer systems including billing, accounting, financial management, customer service, and debt management.
- **Water** – provides for costs associated with the maintenance of well houses, water mains, water treatment, and laboratory testing to provide quality drinking water.
- **Sewer** – provides for costs associated with the maintenance of lift stations, sanitary sewer lines, operation of the wastewater treatment plant, and laboratory testing for the treatment of wastewater.

The cash balance reserve policy for this fund is two months of the current year's operating expenses.

#### **Garbage Fund**

The Garbage fund is an enterprise fund that functions as an independent business where user fees and charges should be sufficient to pay all operating expenses associated with the provision of the service. This fund provides for the collection and disposal of all residential refuse, recycling and yard waste. Revenues are received from monthly user charges and expenses include the contractual cost of providing the service through the Village's waste hauler contract.

The cash balance reserve policy for this fund is one month of the current year's operating expenses.

#### **Motor Fuel Tax Fund**

The Motor Fuel Tax fund receives revenues from the State-shared tax on motor fuel. This revenue is distributed to municipalities on a per capita basis. This is an encumbered fund where the revenues received can only be spent for specific purposes as outlined by State law. In the past, the Village has elected to spend these funds for residential road resurfacing and salt costs.

The cash balance reserve policy for this fund is \$100,000 to establish a snow emergency reserve.

#### **Retirement Fund**

The Retirement Fund receives revenues from a portion of the Village's property tax levied for the payment of employee retirement costs and from contributions from the Village's enterprise funds. This fund pays for the Village's portion of retirement and social security costs.

This fund does not have a cash balance reserve policy.

#### **Insurance Fund**

The Insurance Fund receives revenues from a portion of the Village's property tax levied for insurance costs and from contributions from the Village's enterprise funds. This funds pays for property, liability and casualty insurance costs.

This fund does not have a cash balance reserve policy.

**Community Capital Fund**

The Community Capital Fund receives revenues from vehicle license fees charged to all households within the Village, cell tower antenna lease fees and public facility donation fees charged to all new development. The purpose of this fund is to provide funding for major community infrastructure improvements.

This fund does not have a cash balance reserve policy.

**Water & Sewer Capital Fund**

The Water & Sewer Capital Fund receives revenues from connection (tap-on) fees charged to all new development within the Village. This fund has historically provided for water and sewer infrastructure needs, new equipment and equipment replacement needs.

This fund does not have a cash balance reserve policy.

**Miscellaneous Capital Fund**

The Miscellaneous Capital Fund does not have a dedicated revenue stream. This fund pays for Board approved capital projects and dollars are paid for from the General Fund cash balance.

**Public Works Fleet Replacement Fund**

The Public Works Fleet Fund is a fixed asset fund that reserves funds based upon the 20-year fleet replacement needs to ensure the regular replacement of major fixed assets. Costs are determined based upon the 20-year replacement schedule.

The cash balance reserve policy is the same buying power today as is anticipated in 20 years.

**Squad Car Replacement Fund**

The Squad Car Replacement Fund is a fixed asset fund that reserves funds based upon the 20-year fleet replacement needs to ensure the regular replacement of major fixed assets. Costs are determined based upon the 20-year replacement schedule.

The cash balance reserve policy is the same buying power today as is anticipated in 20 years.