



## **Village of Lindenhurst**

### **FY 2011-2012 Operating & Capital Budget Summary**

## Budget Summary

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### INTRODUCTION

Please find enclosed the Operating and Capital Budgets for FY 2011-2012 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. Equipment Capital fund
8. Public Facility Capital fund
9. Miscellaneous Capital Projects fund
10. Water/Sewer Capital Projects fund
11. Public Works Fleet Replacement fund
12. Squad Car Replacement fund
13. 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 21st budget workshop.

### **FY 2010-2011 ESTIMATED YEAR END PERFORMANCE**

FY 2010-2011 saw a continuation of the Village's aggressive cost cutting measures with the elimination of one position in administration and one position in police has been left vacant until a further evaluation of staffing needs can be completed. Major highlights of the FY 10-11 estimated year-end performance include:

#### **General Fund**

- General Fund revenues were initially down due to delays in receiving income tax payments from the State. However, payments were received throughout the year and total revenues are projected to exceed budget projections by \$95,185.
- Cost cutting measures reduced spending in the General Fund by \$373,647.
- General Fund is projected to operate at a surplus of \$460,397 excluding miscellaneous capital projects. Budget numbers projected an \$11,401 deficit.
- When you include the \$289,800 in additional Board approved capital spending, the projected surplus is reduced to \$170,597.

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

- Water & Sewer Fund revenues projected to be down \$186,962 due to reductions in usage.
- Fund expenses are projected down \$313,694 from budget.
- Fund projected to operate at a deficit of \$272,102. This is down from the budget projected deficit of \$398,804.

## FY 2011-2012 Budget Overview

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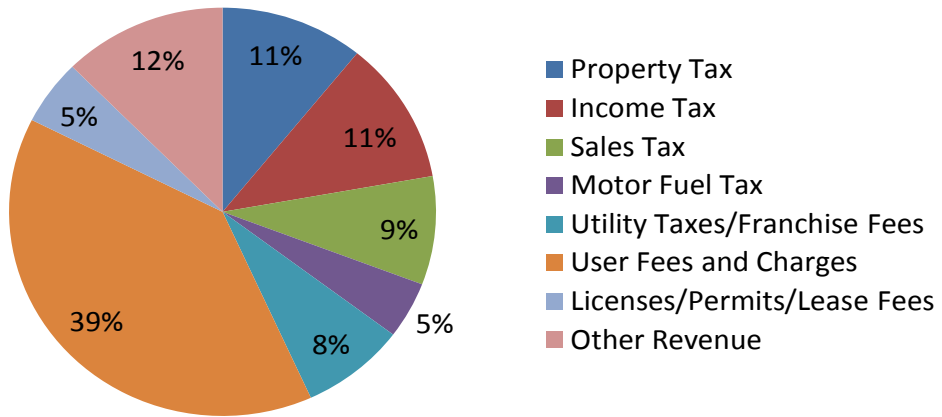
Please see the attached Budget Highlights sheet for information on the major points of the draft budget. In particular, the draft budget includes the following major points:

- General fund is projected to operate at a surplus of \$40,077
- Water & Sewer fund is projected to operate at a deficit of \$75,983
- Total operating spending is down \$432,842, 7% decline from 10/11.
  - Administration (\$91,217)
  - Engineering and Building \$1,126
  - Building and Grounds \$6,725
  - Streets \$12,417
  - Police (\$15,960)
  - Waterworks Administration (\$177,221)
  - Sewer (\$37,878)
  - Water (\$130,834)
  - Garbage \$8,292
- **Since 2008/2009, total operating spending has been reduced by \$1,618,432, a 20% reduction in total operating spending.**

### FY 2011-2012 Total Revenues All Funds By Type:

Property Tax:	\$1,011,328
Income Tax:	\$1,055,726
Sales Tax:	\$800,000
Motor Fuel Tax:	\$417,475
Utility Taxes/Franchise Fees:	\$740,000
User Fees and Charges:	\$3,651,464
Licenses/Permits/Fees:	\$480,240
<u>Other Revenue:</u>	<u>\$1,157,170</u>
<b>Total Revenue All Funds:</b>	<b>\$9,313,403</b>

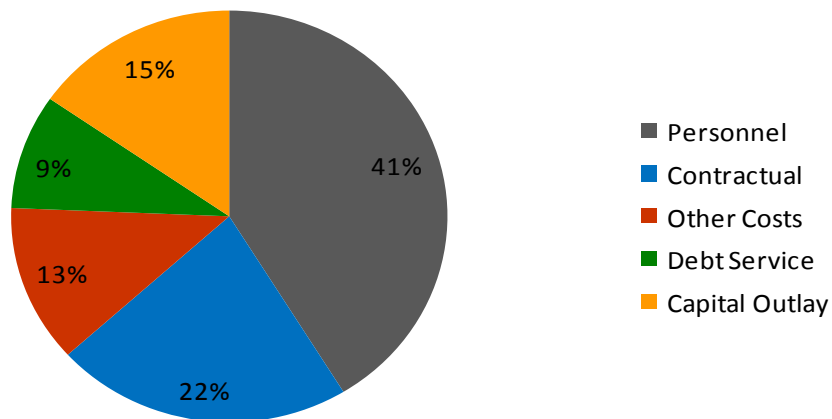
### FY 11-12 Revenues By Type



### FY 2011-2012 Total Expenses All Funds By Type:

Personnel:	\$3,773,842
Contractual:	\$2,001,331
Other Costs:	\$1,193,274
Capital Outlay:	\$1,403,900
<u>Debt Service:</u>	<u>\$825,314</u>
<b>Total Expenses All Funds:</b>	<b>\$9,197,661</b>

### FY 11-12 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 non-police functions. Since 2008, the Village has reduced total full and permanent part-time staffing by 17%.

<b>Personnel Count By Function (Full-Time and Permanent Part-Time)</b>				
	FY 08/09	FY 09/10	FY 10/11	FY 11/12
Administration	6.5	7.5	6.5	5.5
Police	22	22	22	21
Public Works	19.5	17	15	15
Engineering & Building	3.5	1	1	1
<b>Total</b>	<b>51.5</b>	<b>47.5</b>	<b>44.5</b>	<b>42.5</b>

Compared to FY 10/11, the Village’s overall personnel related costs (salaries, health insurance, training, etc.) are down \$176,918 across all funds, a 4.5% reduction. The draft budget assumes the elimination of the Office Manager position and one vacant police officer position. Salaries across all funds are down \$160,382.

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

	08/09	09/10	10/11	11/12
<b>PERSONNEL COSTS</b>	<b>\$4,045,940</b>	<b>\$3,795,091</b>	<b>\$3,950,760</b>	<b>\$3,773,842</b>
<b>% CHANGE</b>	<b>-</b>	<b>(6.3%)</b>	<b>4%</b>	<b>(4%)</b>

	08/09	09/10	10/11	11/12
<b>SALARIES</b>	<b>\$3,141,620</b>	<b>\$2,887,885</b>	<b>\$2,928,890</b>	<b>\$2,769,508</b>
<b>% CHANGE</b>	<b>-</b>	<b>(5.2%)</b>	<b>1.5%</b>	<b>(5%)</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 \$278,242, a 9% reduction.

## General Fund

General fund revenues are not completely in control of the Village. 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 2011/2012 General fund revenues are projected to be down \$24,756 from the 10/11 budget and \$119,918 above the 10/11 estimated year end. This is due to a projected decline in income tax receipts based upon the IML projection for 2011/2012. Total General Fund revenues are projected to be lower 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 BUDGET	10/11 EYE	11/12 PROPOSED
REVENUES	\$3,773,904	\$3,488,425	\$3,628,132	\$3,723,317	\$3,603,376
EXPENSES	\$4,163,482	\$3,587,916	\$3,639,533	\$3,262,920	\$3,563,299
NET INCOME	(\$389,578)	(\$99,491)	\$11,401	\$460,397	\$40,077

General fund expenses are projected to be down \$86,909 from the 10/11 budget, a 4% reduction. However, the draft budget now includes contributions from the operating funds (Police and Streets) to the Public Works Fleet Replacement fund and the Squad Car Replacement fund. The total of these two contributions is \$100,360. Not counting these two new payments, General Fund operating spending is down \$187,269.

### General Fund Expense History

	08/09 ACTUAL	09/10 ACTUAL	10/11 BUDGET	10/11 EYE	11/12 PROPOSED
ADMINISTRATION	\$582,879	\$577,623	\$581,175	\$515,839	\$498,133
POLICE	\$1,968,503	\$2,119,305	\$2,178,113	\$2,038,817	\$2,162,153
STREETS	\$1,338,975	\$698,018	\$683,940	\$576,049	\$696,357
ENG & BUILD	\$221,676	\$174,013	\$155,230	\$118,685	\$156,356
BUILDING & GRN	\$51,449	\$18,952	\$41,075	\$13,530	\$47,800

## Water & Sewer Operating Fund

Primary revenues in the Water and Sewer Operating fund are user fees and charges as set by the Village Board. 2011/12 revenues assume the 9.5% rate adjustment previously discussed by the Board and are projected at \$2,868,143, an increase of \$173,875 or 6.5% over the 2010/11 estimated year end. Water usage continues to fluctuate, which has impacted our ability to accurately project water usage.

Expenses in the Water and Sewer fund are down \$345,933 from the 2010/11 budget. This 10.5% decrease is attributed to continued cost cutting, zero-based budgeting approach to every line item and the partial retirement of the 1989 Sanitary District loan agreement. In FY 2011/2012, this fund is projected to operate at a deficit of \$75,983.

### Budget Summary

Total Revenues	\$2,868,143
Total Expenses	\$2,944,126
Net Income	(\$75,983)

### Operating Performance by Function Compared to 2010/11

▪ Waterworks Administration	(\$177,221)
▪ Sewer	(\$37,878)
▪ Water	(\$130,834)

### Water & Sewer Operating Fund Totals by Year

	08/09 <sup>1</sup> ACTUAL	09/10 ACTUAL	10/11 BUDGET	10/11 EYE	11/12 PROPOSED
REVENUES	\$2,813,828	\$2,674,688	\$2,881,230	\$2,694,268	\$2,868,143
EXPENSES	\$3,732,260	\$3,218,105	\$3,280,034	\$2,966,370	\$2,944,126
NET INCOME	(\$918,432)	(\$543,417)	(\$398,804)	(\$272,102)	(\$75,983)

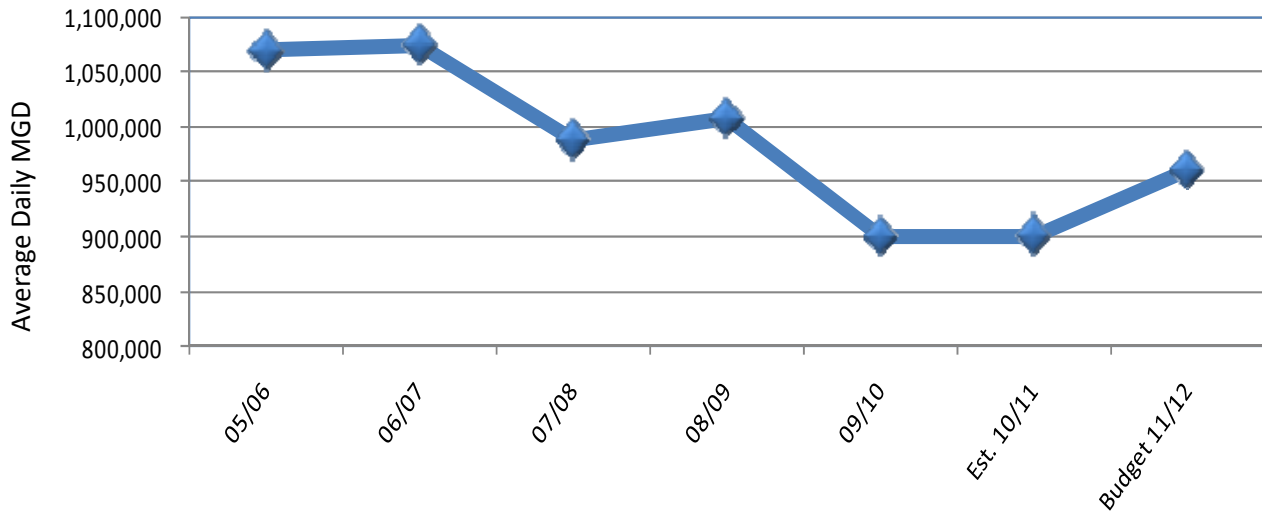
As you can see from the above chart, this fund continues to see substantial deficits, resulting in the continued depletion of the cash balance. Over the past three fiscal years, actual and anticipated deficits totaling \$1,733,951 have occurred.

<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.

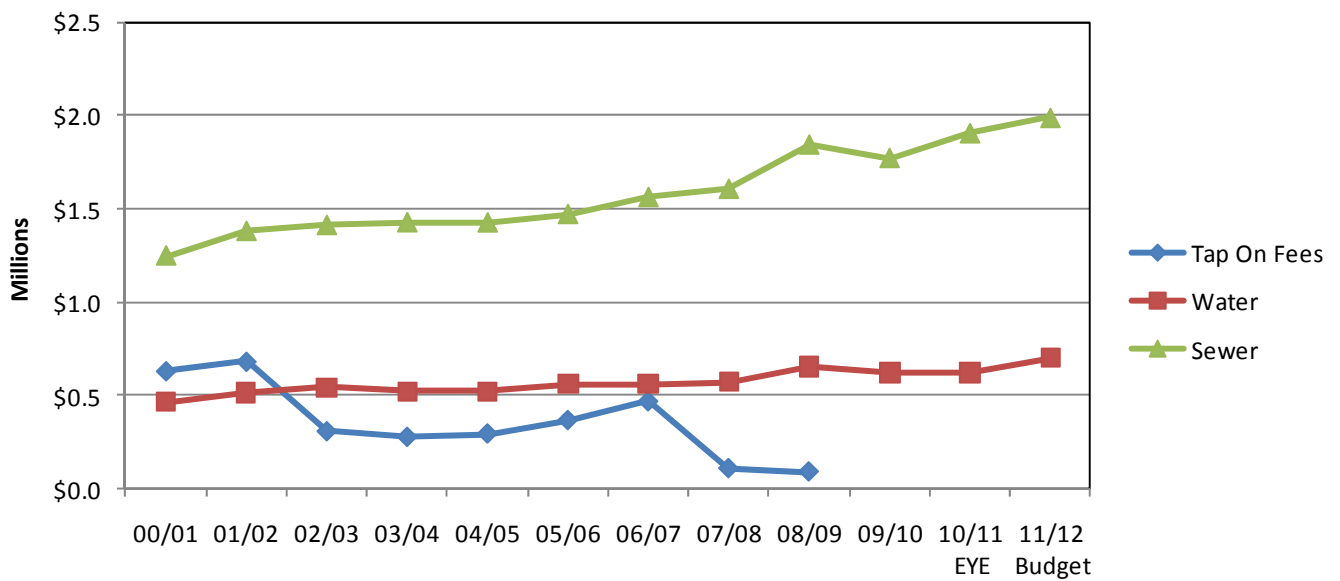


Water sales volume, or billed pumpage, has been declining for the last several years. Water usage can fluctuate based upon weather conditions and conservation efforts. A wetter 2009 and 2010, along with a weak local and national economy most likely have contributed to declining usage. We have taken a fairly conservative approach to future water sales projections for FY 11/12, assuming a slight increase from 10/11 based upon an average of the last six years.

### Water Sales Volume By Year



### Water & Sewer Fund Revenues 2000 - 2011



## 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 deficit of \$590. The proposed budget assumes a 4% increase in contractor costs and a 4% increase in refuse and recycling rates.

### **Budget Summary**

Total Revenues	\$1,035,759
Total Expenses	\$1,037,349
Net Income	(\$1,590)

## 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 2011/2012 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 67 years versus the desired 20-year program.

#### Budget Summary

Total Revenues	\$417,475
Total Expenses	\$1,066,700
Net Income	(\$649,225)

### 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 make retirement and social security contributions to pay their share of retirement and social security expenses. All non-sworn Police personnel are members of the Illinois Municipal Retirement Fund (IMRF). Police pension costs are listed separately.

#### Budget Summary

Total Revenues	\$420,204
Total Expenses	\$386,866
Net Income	\$33,338

**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 make contributions to the Insurance fund to pay their share of insurance costs.

**Budget Summary**

Total Revenues	\$201,746
Total Expenses	\$203,850
Net Income	(\$2,104)

## Capital Funds

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The FY 11/12 Draft budget maintains two separate capital funds, the Equipment Capital fund and the Public Facility 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.

Also new in FY 11/12 are two fixed asset replacement funds; the Public Works Fleet Replacement Fund and the Squad Car Replacement Fund and the Water/Sewer Capital Fund.

### Equipment Capital Fund

The Equipment 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	\$172,800
Total Expenses	\$105,500
Net Income	\$67,300

### Public Facility Fund

The Public Facility Fund receives revenue from cell antenna lease fees and the public facility donation fee charged to new development. Revenues from this fund have been pledged for the repayment of the 1998 debt obligation for the construction of the police facility and improvements to the municipal center campus.

#### Budget Summary

Total Revenues	\$197,500
Total Expenses	\$153,437
Net Income	\$44,063

### Public Works Fleet Replacement Fund

This fund establishes a 20-year program for the regular replacement of Public Works fleet vehicles. In 11/12, we propose adding two additional pieces of equipment to the fleet replacement schedule. First is the addition of a five yard dump truck for snow plowing operations. Second is the replacement of the Village’s vibratory roller used for pavement patching. The total anticipated cost is \$128,000.

**Squad Car Replacement Fund**

This fund establishes a 20-year program for the regular replacement of Police squad cars. In 11/12, the schedule calls for the replacement of one police squad car at an estimated price of \$25,000.

**Miscellaneous Capital Projects**

The Miscellaneous Capital Projects fund pays for one-time capital projects/special projects approved by the Board. Currently, there are no dedicated sources of revenue into this fund. Projects are paid using the General Fund cash balance.

In 2011/2012, the Miscellaneous Capital Projects Fund includes contingencies for the following projects:

- Curb Repair Contingency \$5,000
- Schiessle Lawsuit Contingency \$100,000
- 2011 Road Resurfacing Design Engineering \$19,600
- 2011 Road Resurfacing Construction Engineering \$20,000

**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.

In 2011/2012, the Water/Sewer Capital Projects fund includes the following projects:

- Water System Hydraulic Study \$47,000
- Replace Two Lift Station Pumps \$19,810

## Non-Operating Funds

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The Village operates two non-operating funds; the DUI Fund and the Prison Review 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 2011/2012 include:

- |                                  |          |
|----------------------------------|----------|
| • Vehicle Equipment/Installation | \$5,000  |
| • Miscellaneous Equipment        | \$5,000  |
| • Tasers                         | \$12,000 |

### 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 2011/2012 include:

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

## 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 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.

**Public Facility Capital Fund**

The Public Facility Capital Fund receives revenues from cell tower lease agreements that the Village has entered into with cellular companies for the use of Village towers for private purposes. In addition, this fund receives revenue from public donation fees charged to new residential subdivisions. Revenues collected in this fund have been pledged towards the repayment of the 1998 debt issued for the construction of the Police facility and renovations of the municipal center.

This fund does not have a cash balance reserve policy.

**Equipment Capital Fund**

The Equipment Capital Fund receives revenues from vehicle license fees charged to all households within the Village. This fund has historically provided for 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.