



**Village of Lindenhurst**

**FY 2014-2015  
Operating & Capital Budget  
Summary**

## Budget Summary

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### INTRODUCTION

Please find enclosed the Operating and Capital Budgets for FY 2014-2015 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. Water/Sewer Capital Projects fund
9. Public Works Fleet Replacement fund
10. Squad Car Replacement fund
11. 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 17th budget workshop.

**FY 2013-2014 ESTIMATED YEAR END PERFORMANCE**

FY 2013-2014 saw a continuation of the Village's aggressive cost cutting measures with the elimination of four positions in public works (through attrition) and the conversion of one full-time administrative position to part-time. Major highlights of the FY 13-14 estimated year-end performance include:

**General Fund**

- General Fund revenues are projected to fall below budget projections by \$23,002 due to lower than expected simplified municipal tax revenue.
- Cost cutting measures reduced spending in the General Fund by \$137,322.
- General Fund is projected to operate at a surplus of \$167,603. Budget numbers projected a \$74,328 surplus.

**Water & Sewer Fund**

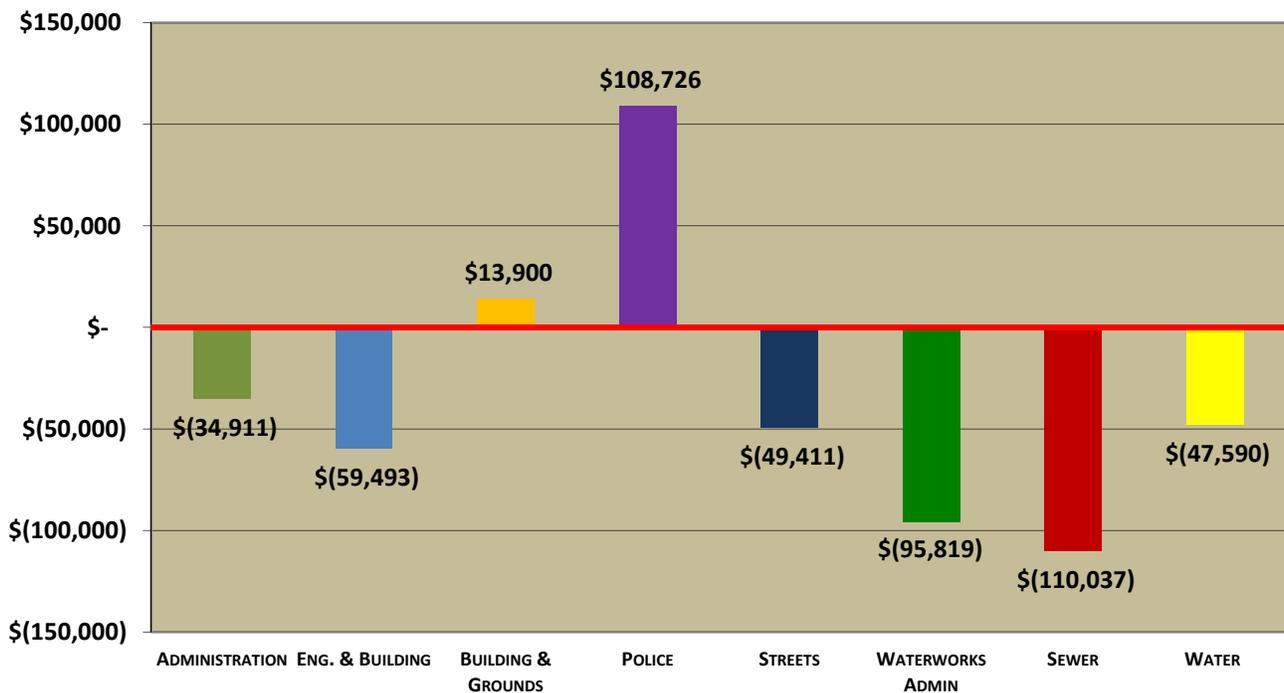
- Water & Sewer Fund revenues projected to be up \$215,892 due to higher collections.
- Fund expenses are projected down \$383,848 from budget.
- Fund is projected to operate at a surplus of \$647,464. This is improved from the budget projected surplus of \$64,440.

## FY 2014-2015 Budget Overview

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 \$110,766
- Water & Sewer Fund is projected to operate at a surplus of \$499,669
- Total operating spending is down \$274,635 from 13/14, which is a 4.2% decrease.
  - Administration (\$34,911)
  - Engineering and Building (\$59,493)
  - Building and Grounds \$13,900
  - Police \$108,726
  - Streets (\$49,411)
  - Waterworks Administration (\$95,819)
  - Sewer (\$110,037)
  - Water (\$47,590)
- Since 2008/2009, total operating spending has been reduced by \$1,806,440, a 22.5% reduction in total operating spending.

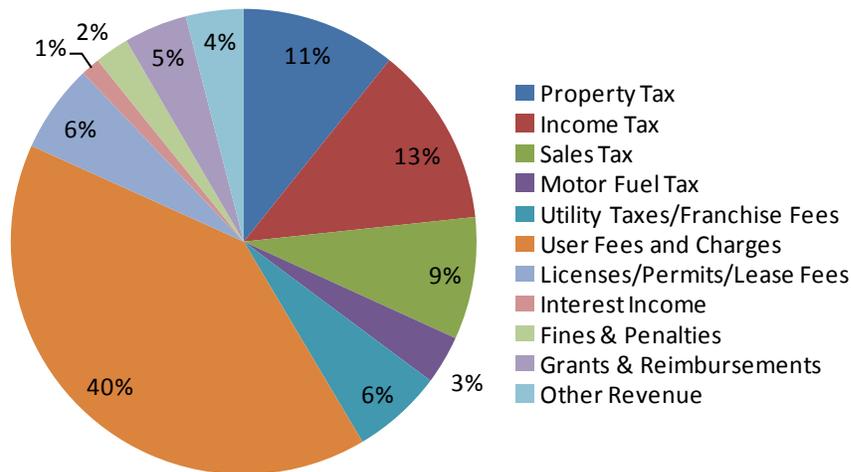
**FY 2014/2015 Spending Changes By Operating Area**



**FY 2014-2015 Total Revenues All Funds By Type:**

Property Tax:	\$1,138,898
Income Tax:	\$1,327,613
Sales Tax:	\$900,000
Motor Fuel Tax:	\$357,472
Utility Taxes/Franchise Fees:	\$665,000
User Fees and Charges:	\$4,263,313
Licenses/Permits/Fees:	\$649,200
Interest Income:	\$140,000
Fines & Penalties	\$251,900
Grants & Reimbursements	\$465,000
<u>Other Revenue:</u>	<u>\$424,400</u>
<b>Total Revenue All Funds:</b>	<b>\$10,582,796</b>

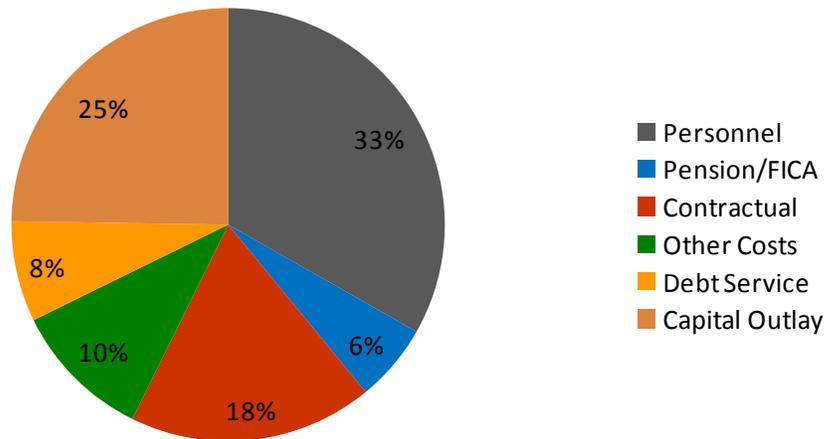
**FY 14-15 Revenues By Type**



**FY 2014-2015 Total Expenses All Funds By Type:**

Personnel:	\$3,714,576
Pension/FICA:	\$650,517
Contractual:	\$2,039,852
Other Costs:	\$1,166,952
Capital Outlay:	\$2,765,238
<u>Debt Service:</u>	<u>\$841,902</u>
<b>Total Expenses All Funds:</b>	<b>\$11,179,037</b>

**FY 14-15 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 27%.

	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
<b>Administration</b>	6.5	7.5	6.5	5.5	5.5	5.5	5.5
<b>Police</b>	26	26	26	25	26	23	24
<b>Public Works</b>	19.5	17	15	15	14	14	11
<b>Engineering &amp; Building</b>	3.5	1	1	1	1	1	0
<b>Total</b>	55.5	51.5	48.5	46.5	46.5	43.5	40.5

Compared to FY 13/14, the Village’s overall personnel related costs (salaries, health insurance, training, etc.) are down \$239,500 across all funds, a 6% reduction. The draft budget assumes the elimination of four Public Works positions (1 Director and 3 Operators through attrition). Salaries across all funds are down \$167,728, a 5.6% decline.

Year over year personnel costs are down in all operating areas with the exception of Police. Police personnel costs rise by \$108,476 in FY 14/15. Looking at all non-police personnel costs, FY 14/15 is down \$347,274 year over year, a 20% reduction.

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

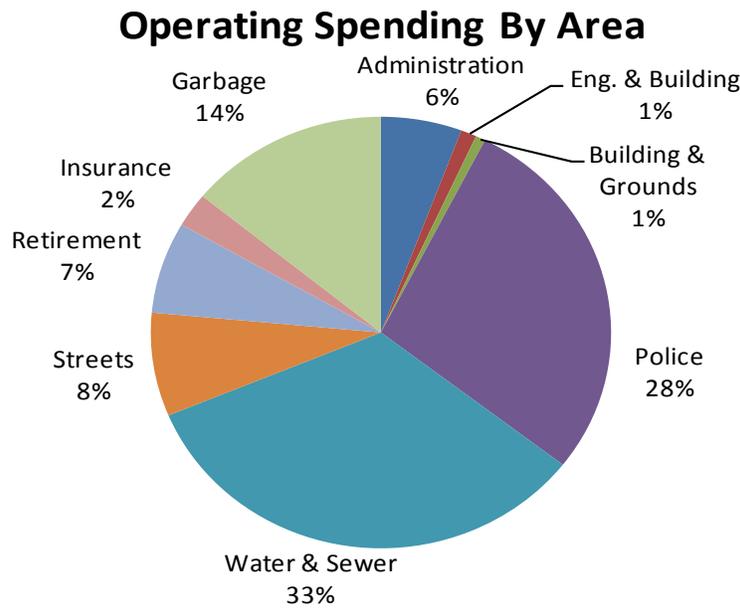
	08/09	09/10	10/11	11/12	12/13	13/14	14/15
<b>PERSONNEL</b>	\$4,045,940	\$3,795,091	\$3,950,760	\$3,817,047	\$3,840,345	\$3,954,076	\$3,714,576
<b>% CHANGE</b>	-	(6.3%)	4%	(4%)	0.6%	2.5%	(6%)

	08/09	09/10	10/11	11/12	12/13	13/14	14/15
<b>SALARIES</b>	\$3,141,620	\$2,887,885	\$2,928,890	\$2,887,867	\$2,941,915	\$2,983,166	\$2,815,438
<b>% CHANGE</b>	-	(5.2%)	1.5%	(1.5%)	1.8%	1.7%	(5.6%)

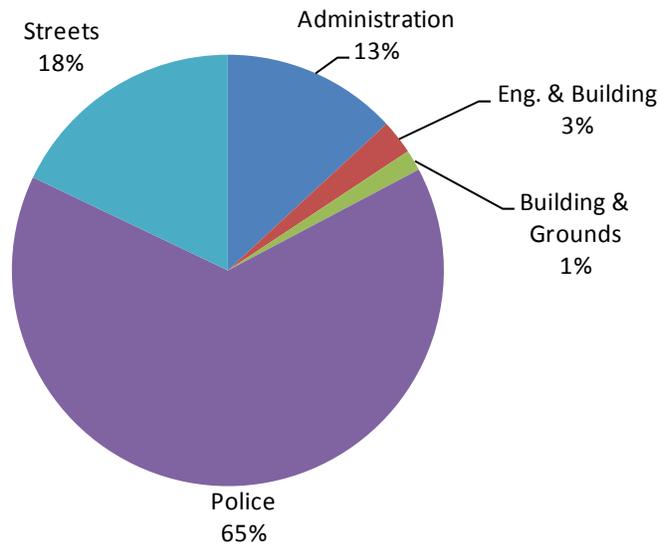
Despite significant increases in the cost of employee health insurance benefits and the Village has provided compensation adjustments every year, the Village has reduced overall personnel related expenses since FY 2008/2009 by \$330,662, an 8% reduction. Had the Village not reduced staffing levels, personnel expenses adjusted for inflation would have been \$785,125 higher in FY 2014/2015.

**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 2014/2015 General Fund revenues are projected to be down \$15,249 from the 13/14 budget and \$38,251 higher than the 13/14 estimated year end. This is due to reductions in simplified municipal tax receipts and fines and forfeits in 13/14 and conservative estimates for 14/15. 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 ACTUAL	13/14 EYE	14/15 PROPOSED
REVENUES	\$3,773,904	\$3,488,425	\$3,813,230	\$3,802,784	\$3,911,022	\$3,634,792	\$3,673,043
EXPENSES	\$4,163,482	\$3,587,916	\$3,614,988	\$3,511,808	\$3,413,086	\$3,467,189	\$3,562,277
NET INCOME	(\$389,578)	(\$99,491)	\$198,242	\$290,975	\$497,935	\$167,603	\$110,766

General Fund expenses are projected to decrease \$21,189 from the 13/14 budget, a .05% decrease.

### General Fund Expense History

	08/09 ACTUAL	09/10 ACTUAL	10/11 ACTUAL	11/12 ACTUAL	12/13 ACTUAL	13/14 EYE	14/15 PROPOSED
ADMINISTRATION	\$582,879	\$577,623	\$525,390	\$485,133	\$504,004	\$468,927	\$467,190
POLICE	\$1,968,503	\$2,119,305	\$2,069,941	\$2,101,202	\$2,213,149	\$2,208,411	\$2,309,494
STREETS	\$1,338,975	\$698,018	\$606,123	\$614,049	\$673,200	\$635,258	\$637,988
ENG & BUILD	\$221,676	\$174,013	\$124,547	\$151,34	\$123,190	\$109,348	\$91,910
BUILDING & GRN	\$51,449	\$18,952	\$14,019	\$31,805	\$49,670	\$45,245	\$55,695

## 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 2014/15 revenues assume the multi-year rate plan previously adopted by the Board and are projected at \$3,236,109, a decrease of \$34,109 or 1% from the 2013/14 estimated year end.

Expenses in the Water and Sewer fund are down \$270,162 from the 2013/14 budget. The reduction is due to continued cost containment and the elimination (through attrition) of four full-time positions. In FY 2014/2015, this fund is projected to operate at a surplus of \$499,669.

### Budget Summary

Total Revenues	\$3,236,109
Total Expenses	\$2,736,440
Net Income	\$499,669

### Operating Performance by Function Compared to 2013/14

▪ Waterworks Administration	(\$164,662)
▪ Sewer	(\$110,037)
▪ Water	(\$47,590)

### Water & Sewer Operating Fund Totals by Year

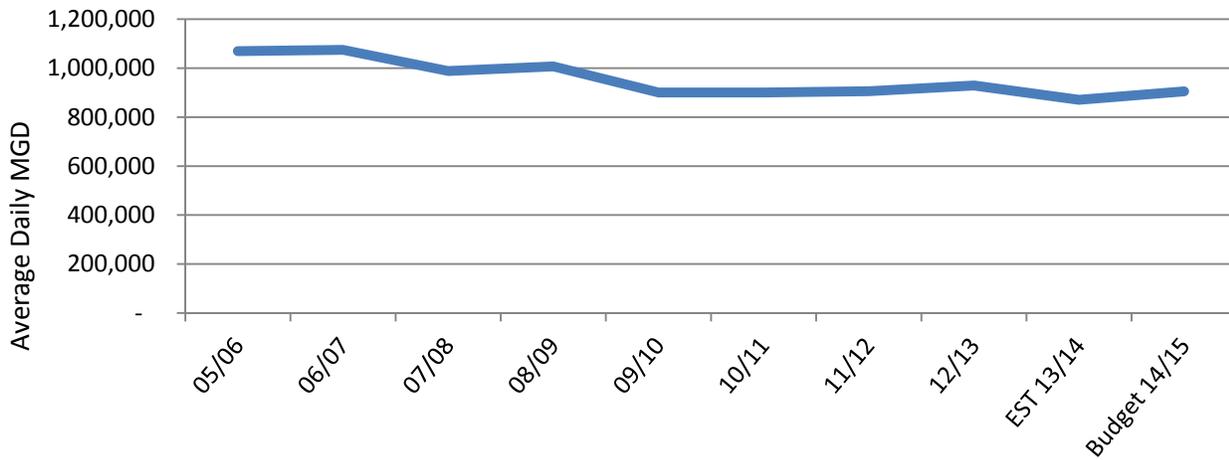
	08/09 <sup>1</sup> ACTUAL	09/10 ACTUAL	10/11 ACTUAL	11/12 ACTUAL	12/13 ACTUAL	13/14 EYE	14/15 PROPOSED
REVENUES	\$2,813,828	\$2,674,688	\$2,975,846	\$3,086,226	\$3,230,246	\$3,270,218	\$3,236,109
EXPENSES	\$3,732,260	\$3,218,105	\$2,840,314	\$2,805,480	\$2,572,389	\$2,622,754	\$2,736,440
NET INCOME	(\$918,432)	(\$543,417)	\$135,532	\$280,746	\$657,857	\$647,464	\$499,669

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.

<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, declined during the period of 05/06 through 09/10. Over the last several years, water usage has been relatively flat with an increase 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 14/15.

### Water Sales Volume By Year



### Water Sales Projection 2014/2015 (million gallons)

Month	FY 10/11	FY 11/12	FY 12/13	FY 13/14	4-Yr Average	Forecast FY 14/15
May	24.7	24.3	24.0	23.7	24.2	24.5
June	26.8	26.4	28.1	26.2	26.9	26.7
July	28.5	31.5	36.0	27.8	31.0	32.0
August	31.2	35.3	40.2	29.4	34.0	34.5
September	32.8	31.8	34.8	30.4	32.5	31.8
October	30.0	29.1	29.0	30.5	29.7	30.0
November	27.0	27.5	27.0	27.6	27.3	27.5
December	25.4	24.6	25.0	24.7	24.9	25.0
January	25.6	24.8	24.2	24.2	24.7	24.5
February	26.3	26.0	24.9	24.8	25.5	26.0
March	24.4	25.2	23.7		24.4	24.4
April	23.3	23.6	22.3		23.1	23.5
<b>Total</b>	<b>326.0</b>	<b>330.1</b>	<b>339.2</b>	<b>269.3</b>	<b>328.0</b>	<b>330.4</b>

## 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 \$10,305. The proposed budget assumes a 3% increase in contractor costs and a 4% increase in refuse and recycling rates.

### **Budget Summary**

Total Revenues	\$1,172,604
Total Expenses	\$1,162,299
Net Income	\$10,305

## 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 2015/2016 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	\$367,472
Total Expenses	\$135,000
Net Income	\$232,472

### 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	\$177,192
Total Expenses	\$170,854
Net Income	\$6,338

**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 pay their share of insurance costs directly from those funds.

**Budget Summary**

Total Revenues	\$98,237
Total Expenses	\$125,205
Net Income	(\$26,968)

## Capital Funds

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The FY 14/15 Draft Budget maintains two separate capital funds, the Community Capital fund and Water/Sewer Capital Fund. 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	\$860,524
Total Expenses	\$1,429,986
Net Income	(\$569,462)

In 2014/2015, the previously committed Community Capital Projects include the following:

• Grass Lake Road Underpass Contribution	\$170,500
• 2015 Road Resurfacing Design Engineering	\$25,000
• Lindenhurst Drive Flood Grant Local Share	\$298,000
• Village Board Remodeling	\$190,000
• Beck Road Phase I & II Engineering	\$217,316
• Pavement Patching	\$75,000
• Finance Software Replacement	\$47,000
• Tree Planting/EAB Year 2 of 15 Year Program	\$45,000
• Debt Service	\$246,170
• 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	\$469,000
Total Expenses	\$1,326,500
Net Income	(\$857,500)

In 2014/2015, the recommended Water/Sewer Capital Projects includes the following:

• Grand Avenue Pump Station Rehabilitation	\$544,000
• Treatment Plant Intake Pipe Structural Lining	\$414,000
• Village Board Room Remodeling	\$190,000
• Finance Software Replacement	\$47,000
• Pump Replacements – Lifts 7, 9, & 10	\$22,500
• Route 45 Pumping Station Starters	\$19,000
• Treatment Plant Landscape Restoration	\$20,000

**Public Works Fleet Replacement Fund**

This fund establishes a 20-year program for the regular replacement of Public Works fleet vehicles. In 14/15, the schedule calls for the replacement of truck #55, a five yard dump truck and the replacement of truck #40, a one-ton dump truck.

**Squad Car Replacement Fund**

This fund establishes a 20-year program for the regular replacement of Police squad cars. In 14/15, the schedule calls for the replacement of three police squad cars at an estimated price of \$94,066.

## 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 2014/2015 include:

- |                                       |          |
|---------------------------------------|----------|
| • Vehicle Equipment/Installation      | \$5,000  |
| • Miscellaneous Uniforms & Equipment  | \$5,900  |
| • Police Records Management (partial) | \$25,000 |
| • Speed Display Board                 | \$5,500  |

### 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 2014/2015 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 2014/2015 include:

- |                                       |          |
|---------------------------------------|----------|
| • MEG Participation                   | \$9,000  |
| • Police Records Management (partial) | \$25,000 |
| • Radio Replacements                  | \$2,500  |

## 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.

**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.