

VILLAGE OF LAKE IN THE HILLS
Office of the Village Administrator

Memorandum

To: Village President Plaza and Members of the Village Board of Trustees
Copy:
From: Gerald D. Sagona, Village Administrator
Date: November 1, 2006
Subject: January 1, 2007 to December 31, 2007 Budget

The Village has been notified that it has once again received the Distinguished Budget Presentation Award from the Government Finance Officers Association for the FY2006 Budget. This is the **seventh (7th) year in a row** the Village has received the award. This achievement once again reflects the commitment of the governing body and staff to meeting the highest principles of governmental budgeting. In keeping with the standards established by the GFOA, I am pleased to present to you the Fiscal Year 2007 budget. This memorandum will provide you an executive summary of the budget and the various projects and programs contained therein.

OVERALL GENERAL FUND SUMMARY

The official start date of the budget season began on the afternoon of August 16, 2006 at a workshop for the Department Heads and support staff. An instruction manual was distributed containing worksheets and templates for the preparation of the individual department requests.

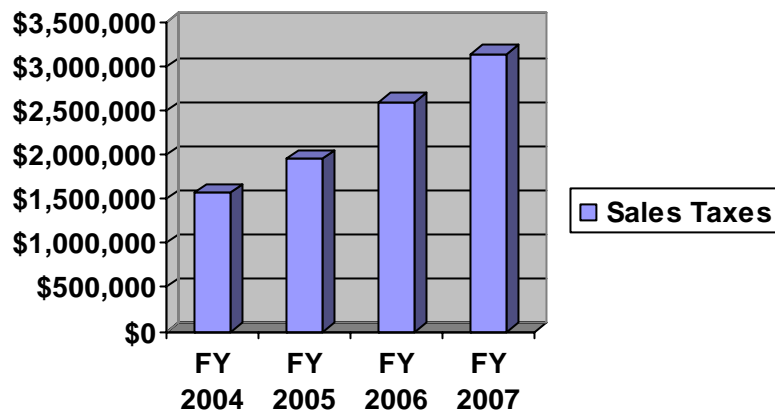
The departments submitted their requests on September 15, 2006 and later. During the months of September and October I met with the departments and reviewed the submissions. It was once again communicated that our General Fund Revenues were only increasing by approximately 2% and our personnel costs, which account for over 60% of the total general fund budget, are increasing by over 8% per year. The departments have the flexibility to develop their detailed line-item budgets as they saw fit, within the parameters of last fiscal year's expenditures. Based on these parameters I have been able to develop a balanced budget that provides the services that the residents of Lake in the Hills have come to expect.

GENERAL FUND REVENUES

General Fund Revenues are estimated to be \$16.16 million dollars during Fiscal Year 2006 which is approximately \$1.52 million dollars greater than the prior year. Estimated property taxes for FY2007 are \$5,051,600 which is an 8.45% increase over the FY2006 amount of \$4,658,102.79. The 2005 equalized assessed valuation (EAV) for the Village was \$713,775,474. The projected

EAV for 2006 is \$778,015,000 which is \$64,239,526 higher, and represents a 9% increase. However, this will not translate into a tax increase because the estimated tax rate is actually projected to decrease from .6526 to .6493 which represents a 0.51% decrease. The estimated tax rate of .6493 will be the thirteenth consecutive year that the tax rate has declined. Additionally, it will reflect a decrease of 34.5% in the tax rate since 1991.

Sales taxes are estimated to be \$3,144,000 which represents an increase of approximately 21% over revenues received in FY2006. The majority of the increase is attributable to the implementation of a .5% home Home Rule Sales Tax during FY 2006. The Home Rule Sales Tax is collected on sales of general merchandise only and is not collected on sales of food, drugs, or tangible personal property that is required to be licensed or registered with the State of Illinois. The following chart summarizes how the Village's Sales Tax (including Home Rule Sales Tax) revenue has **doubled** from January 1, 2004 to present:

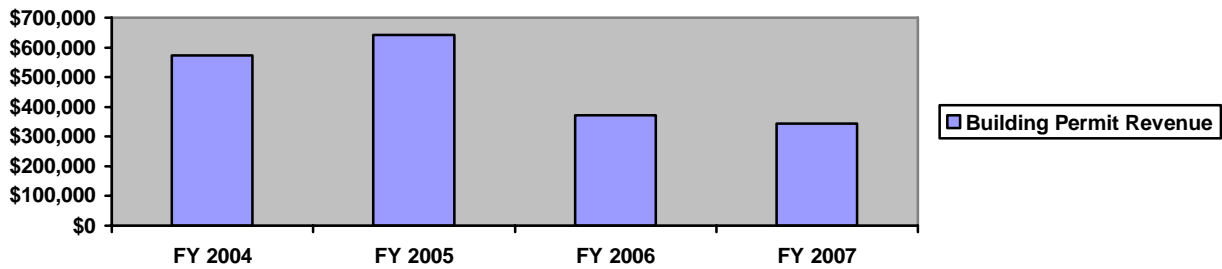


Use tax is a tax imposed on any item of tangible personal property that is purchased anywhere at retail. This revenue source is based on population. For the 2007 fiscal year, a 5% increase is projected which will result in \$370,770 in use tax revenue. Also based on population is the Income Tax. For fiscal year 2007, a 5% increase is projected which will result in \$2,408,580 in income tax revenue.

Electric usage tax revenue for the 2007 has been eliminated based on the addition of the .5% Home Rule Sales tax that was implemented during Fiscal Year 2006.

The Simplified Municipal Telecommunications Tax, which in 2003 combined the utility tax on telecommunications and the infrastructure maintenance fee, is estimated to generate a total of \$1,103,260 in revenue for the 2007 fiscal year. This is a 3% increase over last year's estimated revenues.

Building permit revenue is based on the construction of 95 new homes and other miscellaneous commercial and residential projects. This is projected to result in \$344,400 in building permit fees being collected. The following chart summarizes the decline in building permit fees since January 1, 2004:



Other development-related revenues including annexation fees, park fees, road impact fees, public building fees, transition fees, and administrative/platting fees are expected to generate an additional \$262,620 dollars in revenue. As we continue building out the remaining residential areas of the village, we need to be cognizant that **these development revenues will not be a consistant stream of funding for future general fund obligations.**

Grant revenue anticipated for the 2006 fiscal year totals \$126,150 and can be summarized as follows:

- Police Training Grant \$ 16,000
- Tobacco Enforcement Grant \$ 1,100
- Body Armor Grant \$ 780
- Universal Hiring Grant \$ 50,000
- Narcotics Task Force Grant \$ 7,000
- Reed/Haligus Roads/Grafton Farm Bike Path Grant \$ 44,170
- IEMA CERT Grant \$ 7,100

For providing police dispatching services to other municipalities, a total of \$154,580 is projected to be received; \$111,170 from the Village of Huntley and \$43,410 from the Village of Fox River Grove.

A total of \$410,000 is projected to be received for Parks & Recreation program registration fees. This is an increase of 20.6% over last fiscal year's estimated revenue. Increases are expected due to additional households in the Village using the services and increases in the number of programs being offered.

Finally, new this year are Red Light Photo Enforcement Fines, Vehicle Impoundment Fees, and Bail Bond Fees. Red Light Photo Enforcement fines will be generated from the automated traffic law enforcement system that will be installed at Miller and Randall Roads. The system will benefit the public health, safety and welfare by deterring drivers from entering intersections in violation of red light signals, thereby decreasing the potential for personal injury and property damage due to vehicle collisions caused by red light violations. The Vehicle Impoundment Fees and Bail Bond Fees will provide the village a mechanism to recoup the costs associated with seizure and impoundment of motor vehicles when the vehicle must be towed (i.e. driver is pulled over and is found to have a suspended or revoked license, driving under the influence, and any other violations of law which make the vehicle subject to seizure.) It is estimated that these fines and fees will generate an additional \$248,000 in revenue.

GENERAL FUND EXPENDITURES

The General Fund Budget as presented is balanced with revenues estimated at \$16,155,690 and expenditures estimated at \$15,983,350. The surplus monies (projected to be \$172,340) will increase the fund balance from approximately \$5.70 million dollars on December 31, 2006 to \$5.87 million dollars on December 31, 2007. The fund balance will be approximately 37% of the total General Fund expenditures. This amount exceeds our conservative policy of maintaining a fund balance of at least 25% of General Fund expenditures as provided for in section 3.13E of the Lake in the Hills Municipal Code.

The following provides a summary of budgeted expenditures by department:

Executive Department

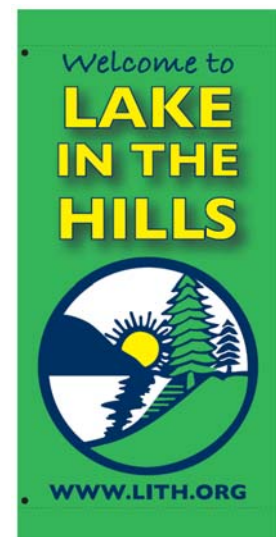
The Executive Department budget (\$571,320) includes monies to reimburse Costco an estimated \$402,010 in sales tax as part of the economic incentive agreement approved by the board in September of 2003. The agreement requires the Village to give back half of the sales tax generated by the store until \$1.6 million dollars is returned or 12 years elapse. As of December 31, 2006, the Village has reimbursed \$651,314.

In 2006 a special census was conducted which changed the official Village population from 27,728 to 29,195. With the project being complete, the Other Professional Services account has decreased from \$103,610 to \$38,400 to account for just the Pace Bus Service. The service is available to accommodate residents who are disabled or who are at least 60 years of age. Funding for the Village's 7th annual strategic planning conference is included.

Monies have been budgeted to allow the elected officials to attend the annual Illinois Municipal League conference in Chicago. The Village will also maintain memberships in the Northeastern Illinois Planning Commission, the McHenry County Council of Governments, the Illinois Municipal League, and the Algonquin/Lake in the Hills Chamber of Commerce. Finally, \$3,200 has been included in the budget to purchase 16 additional banners (picture on the right) which are located along our regional arterial roadways throughout the village.

Administration Department

The Administration Department budget (\$431,510) also includes the expenditures of the Business Relations Committee which was created in April, 2003. The committee has been active over the past year implementing the Gordon Larsen Business Achievement award and hosting workshops for the business community to present such topics as banking resources and business tax assistance. The budget provides for the day-to-day operational needs of the department and includes monies for the quarterly Village Newsletter and Resident Expo, and the last three lease purchase payments for the Village-wide postage meter. A fireproof file cabinet (\$1,420) is needed to provide additional storage of vital Village records. No additional employee positions are requested in this department.



Community Development Department

The Community Development Department budgets (\$861,350) provide for building inspection, code enforcement and community planning activities. The Department's budget includes the stipends for the Planning and Zoning Commission members. The Planning Division budget includes \$1,950 for the updating of the composite maps with overlays to provide accurate parcel identification information. The division budget also includes monies for the staff to attend training and educational conferences. There are no capital equipment purchases proposed.

The Building Division budget includes training, supplies and equipment needs for the seven members of the division. The budget includes the replacement of a division vehicle that is 7 years old with a fuel efficient pick-up truck. No additional employment positions are requested in this budget.

Finance Department and MIS

The Finance Department budget (\$526,810) and MIS Department budget (\$184,460) include the expenses related to our financial functions and general computer operations.

Included in the Finance Department budget is a request for a part-time, 20 hours per week, Accountant to assist with various functions in the department such as issuing the monthly Treasurer's Reports, fixed asset accounting, bank reconciliations, account analyses, and assisting with the annual audit and budget processes. A work station, telephone, and printer have also been included in the department budget for the new position.

Funding is being requested in the MIS Department for software training for the Village's employees. In order to adequately address the need for additional MIS support in the organization, I have eliminated the need for a MIS Coordinator by increasing the number of hours that the computer consultant will be working on our computer issues each month from approximately 70 hours to 96 hours. In order to improve the network's email spam filtering, \$1,570 has been included for Verity Three's spam filtering solution, which during the trial period, has remarkably decreased the amount of "junk mail" received by the organization.

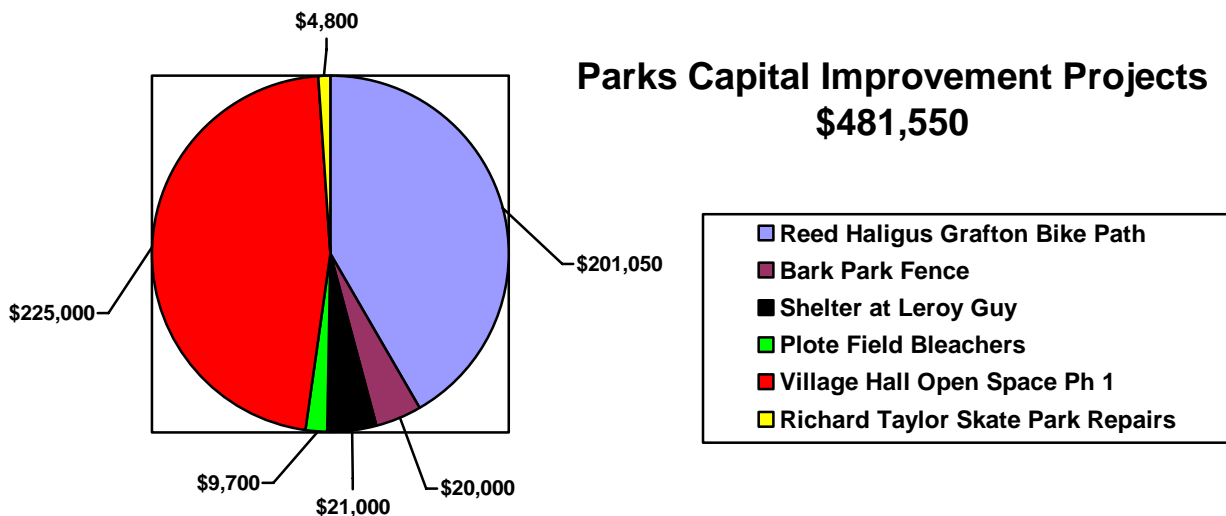
In keeping with the Village's policy to replace general use computers once every four years, six work stations will be replaced in the Police Department, twelve (12) computers will be replaced at the Village Hall, and two computers will be replaced at the Public Works Department for a total cost of \$23,300. In addition two servers will be replaced and additional switches, cards and other hardware are expected to cost \$18,710.

Parks and Recreation Department

The Parks and Recreation Department will celebrate its tenth year of operation in FY 2006. The budgets for the department total \$1,960,850. The Administration Division budget remains relatively unchanged from the prior year with only an increase for cost associated with the existing personnel services. A workstation in the amount of \$3,300 is needed for the part-time secretary that was hired during FY 2006.

The Parks Division staffing allocation is shown on the department narrative. New this year is an account called Personal Services Reimbursement. Work performed on Parks by Public Works employees will be charged to the Parks Division on a monthly basis as the work is performed. In prior years, the percentage of work to be performed on parks was estimated and charged to the Parks division through the Salaries Full Time account equally throughout the year based on those pre-determined percentages. An additional part-time seasonal parks worker has been added to cover the spring season.

The entire cost of the contracted mosquito abatement program which includes adulticiding is included in the budget for \$30,530. Fish stocking at Barbara Key Park, Woods Creek Lake, Larsen Park, and Goose Lake is requested in the amount of \$4,500. Professional Fees for the preparation of an OSLAD grant application for the final phase of the Sunset Park Project has been included for \$6,000. Also, \$20,940 has been included for to add playground surfacing material in all of the parks. Capital Improvement projects totaling \$481,550 are included in the budget for the following projects:



Equipment purchases totaling \$24,260 include:

- Picnic Tables (Sunset Park and Barbara Key) \$5,750
- Bleachers (Sunset Park and Plote Field) \$5,300
- Storage Sheds (Ryder Park Sunset Park, Leroy Guy) \$1,800
- Portable Hot Water Pressure Washer \$5,230
- Gas Utility Vehicle \$6,180

The Recreation Division budget includes a request for a full-time recreation supervisor. The position is justified based upon the twenty percent (20%) increase in programming revenues mentioned previously. The new position will assist with the current programs as well as enhanced programming in adult and youth sports, senior activities, a preschool program, and special events.

The budget also includes funding for the Summer Concert Series, the 9th Annual Run Thru the Hills 5k/10k run race, and the 9th Annual Splish, Splash and Dash swim race, and the first Village Triathlon. Each year these events set a new record for attendance. The division will once again offer a Day Camp program for the children in the community. Finally the 7th Annual Summer Sunset Festival is budgeted for the weekend of August 31st to September 2nd.

Police Department

The Police Department budgets will total approximately \$6,829,770 during the course of the fiscal year. The Police Commission budget of \$7,780 reflects the amount needed to perform their function. The Administration and Operations budget includes one additional officer to handle the future needs of the department. Due to the fact that the position is being partially funded by a \$50,000 Universal Hiring Grant, the position met the criteria under our constraint budgeting guidelines. A part-time dispatcher is also being proposed to cover gaps in staffing so that other employees are not taken away from their job duties to fill the staffing requirement.

As mentioned previously, the implementation of the Red Light Photo Enforcement program will require the installation of a camera system at the intersection of Miller and Randall Roads. The rental cost of the system is \$54,000. Equipment purchases in the department include:

Portable Radio TK-290 (2)	\$1,700
In-Squad Digital Camera (2)	\$13,800
Directional Radars for In-Squad Cameras	\$5,700
New Squad Setup	\$5,400
Squad LED Lightbars w/Directional Signal (7)	\$10,500
In-Squad Radio Repeater	\$1,400
Kenwood Mobile Radio TK-790H	\$1,440
Records Paper Shredder	\$2,200
Portable Truck Scales	\$9,000
Dispatch Control	\$325,000

The department budget includes the replacement of four squad cars at a cost of \$95,700 and a new squad that will be used primarily for traffic enforcement.

Public Works Department

The Public Works budgets, consisting of Administration, Streets and Public Properties total \$2,878,740. The administration division budget (\$290,380) includes funding for the overall administration of the department as well as the General Fund portion of the Contract Inspector’s salary. A new large format scanner/copier is requested to allow the Department to computerize and copy various drawings and plans. A small pick-up truck is needed for the Contract Inspector which is currently sharing the truck that was purchased for the Water Superintendent.

The Streets Division budget (\$1,394,050) provides for the maintenance of the Village’s infrastructure including streets, sidewalks, signage, flood control systems, detention, storm sewers, and fleet maintenance. An additional General Utility Worker is budgeted in the Streets Division to

keep up with the ever increasing workload in the division. The budget includes \$192,000 for the replacement of the eleven year old street sweeper. In order to help fund the purchase of the sweeper, all road salt purchases will be paid for out of the MFT Fund during FY 2007. The 2007 Drainage Improvement program will include:

East Oak St. (Crystal Lake Rd to Elm St)
Patton Ave (Miller Rd to Richard Taylor Park)
Clark Ave (Patton Ave to Decatur Ave)
West Oak St (Patton Ave to Decatur Ave)
Grant Ave (Patton Ave to Decatur Ave)
Pershing Ave (Patton Ave to Decatur Ave)
Miller Rd (Randall Rd to Monroe St)
Clayton Marsh Rd (Miller Rd to Lincoln St)
Washington St (Miller Rd to Lincoln St)
Monroe St (Miller Rd to Lincoln St)
Decatur Ave (Clark Ave to West Oak St)

The cost of the program has been budgeted at \$400,000.

The Public Properties budget (\$1,194,310) will provide the funds necessary to maintain the Village-owned buildings and public properties which include the Village Hall, Police Department facilities, Public Works facilities, park facilities, and our urban forestry program. Equipment purchases in the department include a utility work machine with an angle broom (\$44,020), one and one half ton dump truck (\$63,000) and a mat and carpet cleaning machine (\$1,730).

The Other Professional Services - Legal Services budget provides funding for our Village Attorney and Village Prosecutor. It is estimated that this cost will be \$208,600 during the course of the fiscal year.

The General Fund will be transferring \$1,160,200 to various funds to make the debt payments for the new Village Hall, the Larsen, Sullivan, and Susong property purchases, Public Works Expansion/Renovation, the Police Dispatch Console, and monies to augment the annual Air Expo in June.

MOTOR FUEL TAX FUND

Motor Fuel Tax is collected by the State of Illinois and then re-appropriated to the Village based on total population. The projected revenues are \$834,970 which represents a 2.2% increase over the FY06 amount. The budget includes \$60,000 for road salt, \$10,000 for crack filling, and engineering fees and construction related expenses for two major projects.

The first project is the reconstruction of the parking lot that serves Lynn Dillow Park. This project is estimated to cost \$60,000.

The second project is the annual street resurfacing program totaling \$526,000. In 2007 this work will include portions of Acorn Lane, Woody Way, Wander Way, Deer Path, Pheasant Trail, Oakleaf Road, Village Creek Drive North, Poplar Street, and Hilltop Drive in the original portion

of the Village. Additionally, Reed Road will also be resurfaced from Lakewood Road to Normandy Lane.

In all, MFT expenditures will be \$656,000. The fund balance will exceed \$1.8 million by the end of the fiscal year.

WATER CAPITAL IMPROVEMENT FUND

The Water Capital Improvement Fund was created to collect and disburse monies for the purpose of expanding the Village’s water system to accommodate new development. The primary revenue source is the water tap-on fee, which is a one-time charge for all new connections to the Village’s water system. In keeping with the Village’s commitment to provide a dependable supply of water to its customers, the following capital projects are scheduled to be completed as follows:

Project	2007	2008	2009	2010	2011
Drill Well 17	\$820,000				
Well 17 Treatment Plant		\$4,100,000			
Drill Well 18, Tower 5				\$1,000,000	
Well 18 Treatment Plant					\$2,950,000

To meet this schedule it appears that the current tap-on fee will not need to be increased this year to fund all the capital improvements necessary for the system. Each year it is the responsibility of the Superintendent of the Water Division to review development plans, water needs, and projected infrastructure costs to adjust this plan and recommend rate structure changes to ensure the availability of funds to meet all capital improvement requirements.

It should be noted that this information is our best attempt to gauge the future revenues and expenditures associated with this fund. The information is based upon what we believe are accurate estimates supplied by our consulting engineers and is subject to change based upon actual information. Any new annexations or developments should be studied carefully to determine their impact on the water system and the necessary improvements to be made prior to approving the annexation or development.

WATER OPERATING AND MAINTENANCE FUND

The Water Operating and Maintenance Fund provides monies for the maintenance of the Village’s water system. This includes maintenance to the wells, pumps, treatment equipment, towers, and mains that provide the community with clean potable water.

\$1,460,000 has been allocated to replace and upgrade the water mains in the original section of the Village during the course of the fiscal year. The following locations will be upgraded:

- Miller Road from Randall Road to Crystal Lake Road
- Pershing Avenue from Patton Avenue to Decatur Avenue
- Grant Avenue from Patton Avenue to Decatur Avenue
- West Oak Street from Patton Avenue to Decatur Avenue

- Clark Avenue from Patton Avenue to Decatur Avenue
- Patton Avenue from Miller Road to Clark Avenue
- Decatur Avenue from Miller Road to Clark Avenue

In order to fund these improvements a 5% increase in the water rates is included in the Water Sales revenue projection.

The revenue projections also include an increase in the water meter fee from \$590 to \$640 to allow for the purchase of the newest generation of water meters. The new water meters will provide information regarding backflows and will also assist in identifying water leaks. Although the new water meters will cost developers \$50 more than the current water meters, it is expected to save the developer \$200 to \$300 in labor, conduit, and materials costs because the new water meters have the radio transmitter included on the head of the meter thus eliminating the need to install a device on the exterior of each home.

Also included is funding for phases 2 and 3 of the SCADA Enhancements, Well 14 hydrogen sulfide rectification, repainting the exterior of Tower #1 located on Oak Leaf Road, the chlorination system at Tower #1, an automated altitude valve at Tower #3, and abandoning Wells 1, 2, & 5. These improvements and maintenance projects are expected to total \$439,560.

Vehicle purchases totaling \$61,260 include a one-ton four-wheel drive pick-up truck, a half-ton four-wheel drive midsize pick-up truck, and 50% of the cost of a half-ton four-wheel drive pick-up truck for the Contracts Inspector.

Equipment purchases totaling \$35,650 include six liquid chemical metering pumps, four replacement chlorinators, six chlorine ejectors, six chlorine switchover modules, two portable spectrophotometers, four level transducers for the SCADA system, and two automatic flushing systems.

Computer hardware purchases totaling \$4,400 include a laptop for water treatment plant data recording, a workstation replacement for the Senior Water Operator, and 50% of the cost of a new laptop for the Public Works Director. \$3,910 is also budgeted for the Water Operating and Maintenance Fund's portion of the new purchasing card module for the Pentamation software system.

MUNICIPAL AIRPORT FUND

The Village oversees the operation and maintenance of the Lake in the Hills Airport. The Airport has one paved runway, 139 based aircraft, and is estimated to receive 50,000 operations (takeoff or landing) next year. The Public Works Department maintains the airport infrastructure.

Municipal Airport Fund revenues reflect the tenant rate increase approved in November, 2006. The major projects in this budget include the purchase of land for a new terminal area and the relocation of Pyott Road to improve the runway safety area. The new terminal area will replace the existing main parking apron, aviation fuel system, and Airport Administration Building which will be displaced when the taxiway is relocated. The total cost of the land purchases is expected to be \$3,143,600. Phase 1 of the Pyott Road relocation will perform the drainage and fill work in

preparation for final grading and paving in FY08. This project is expected to cost \$2,249,750 including engineering and other professional services. \$210,000 is also included in the FY07 budget for the engineering costs for Phase 2 of the Pyott Road relocation.

In closing, I would like to acknowledge the time, effort, and support given to me by the department heads and their staff in compiling this budget. **Special acknowledgement is due to Director of Finance Pete Stefan and Assistant Village Administrator Shannon Andrews for the time that was spent assisting with the development and refinement of this document.**