

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 9, 2010
Subject: January 1, 2011 to December 31, 2011 Budget

For the eleventh (11th) year in a row, the Village of Lake in the Hills has been notified by the Government Finance Officers Association that it has received the Distinguished Budget Presentation Award. The GFOA established the award in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting and then to recognize individual governments that succeed in achieving that goal.



In keeping with the standards established by the GFOA, I am pleased to present to you the Fiscal Year 2011 budget. This memorandum will provide you an executive summary of the budget and the various projects and programs contained therein.

OVERVIEW

The official start date of the budget season began on the morning of August 11, 2010 with the distribution of the instruction manual containing worksheets and templates for the preparation of the individual department requests.

The department requests were submitted on September 10, 2010. Over the next month, I met with the departments and reviewed the submissions with them. As in prior years, the departments have the flexibility to develop their detailed line-item budgets as appropriate, within the parameters of last fiscal year's expenditures. After adjusting the requests to meet the needs of the Village, I have developed a balanced budget that provides the services that the residents of Lake in the Hills have come to expect.

The Village, along with all other municipalities, is facing a very challenging economic environment. According to the U.S. Bureau of Labor Statistics, the Illinois unemployment rate peaked in January, 2010 at 12.2%. During the last 8 months the rate has dropped to just below 10%. In October, 2006 the rate was 3.8%. RealtyTrac, an online marketplace for foreclosure properties, reports that nationwide, 347,420 properties were in the foreclosure process as of September, 2010. Illinois has the tenth highest foreclosure rate in the United States with one in

every 333 households going through the process.

In order to cope with these issues, the budget presented includes:

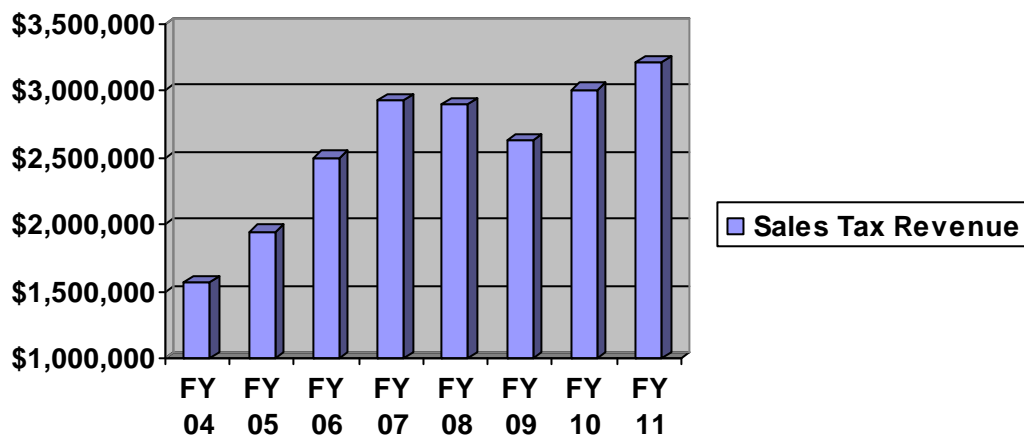
- No salary increases for all employee groups with the exception of the members of the Metropolitan Alliance of Police Union, Chapter 90. An arbitration award was granted that provides for step and cost of living increases during the fiscal year.
- Increased employee contribution expenses for the health insurance program.
- The elimination of two (2) vacant police officer positions, the lay-off of two (2) additional police officers, and the reassignment of a sergeant to the position of police officer.
- Reduction in hours for part-time staff.
- Limited equipment and vehicle purchases.

With these cost containment strategies, the budget presented is balanced.

GENERAL FUND REVENUES

General Fund Revenues are estimated to be \$15.28 million dollars during FY2011 which is approximately \$322,000 greater than the prior year. Estimated property taxes for FY2011 are \$5,789,450 which is the same levy as FY2010. The 2009 equalized assessed valuation (EAV) for the Village was \$837,906,529. The projected EAV for 2010 is \$764,000,000 which represents an 8.8% decrease. The estimated tax rate is projected to increase by 9.7% from .671657 to .736622. The projected rate of .736622 would reflect a decrease of approximately 25.7% in the Village's tax rate since 1991.

Sales taxes (1% base rate and .75% home rule rate) are estimated to be \$3,208,950 which represents an increase of approximately \$197,260 over revenues received in FY2010. The following chart summarizes the amounts received from Sales Tax (including Home Rule Sales Tax) from FY2004 to our estimates for FY2011.



It should be noted that the Village's sales tax rate is the lowest amongst municipalities with commercial developments along Randall Road. The Village's combined general merchandise rate is 7.75%. The following is a comparison of rates along the Randall Road corridor:

Elgin (Cook)

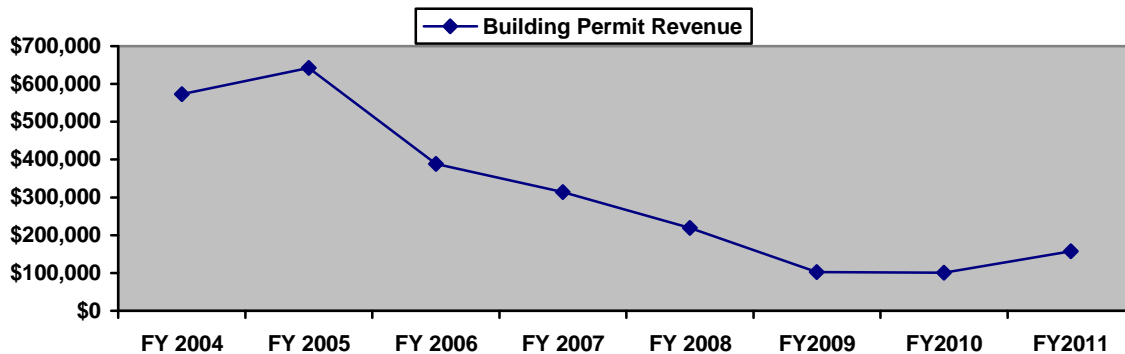
9.25%

West Dundee	8.50%
Carpentersville	8.50%
Algonquin (Kane & McHenry)	7.75%
Crystal Lake	7.75%
Elgin (Kane)	7.75%
Lake in the Hills	7.75%

Use tax is a tax imposed on any item of tangible personal property that is purchased anywhere at retail. This revenue source is collected by the Illinois Department of Revenue and forwarded to the Village on a per capita basis. For the 2011 fiscal year, a 6.3% decrease is projected which will result in \$321,140 in use tax revenue. Also based on population is the income tax. For FY2011, a 1% increase is projected which will result in \$2,224,330 in income tax revenue. It should be noted that in FY2008 the Village received \$2,763,715 in income tax revenues. Until the state unemployment rates improve, or the tax rate is increased, the continued down trend in this revenue source will result in additional financial implications for the Village.

The Simplified Municipal Telecommunications Tax, which on January 1, 2003 combined the utility tax on telecommunications and the infrastructure maintenance fee, is estimated to generate a total of \$1,002,620 in revenue for the 2011 fiscal year. This is a 1% decrease from last year's estimated revenues.

Building permit revenue is based on the estimated construction of 11 new homes, four commercial developments, and other miscellaneous commercial and residential projects. This level of activity is projected to result in \$157,200 in building permit fee revenue. The following chart summarizes building permit fees collected/anticipated from FY2004 to FY2011:



Other development-related revenues including park fees, road impact fees, public building fees, and administrative/platting fees that are expected to generate an additional \$33,210.

Grant revenue anticipated for the 2011 fiscal year totals \$133,850 and can be summarized as follows:

Tobacco Enforcement Grant	\$ 1,210
Body Armor Grant	\$ 2,650

IEMA CERT Grant	\$ 4,400
Traffic Enforcement Grant	\$ 25,590
DCEO Parks Grant	\$100,000
Total	\$133,850

For providing police dispatching services to other municipalities, a total of \$183,490 is projected to be received; \$136,300 from the Village of Huntley, and \$47,190 from the Village of Fox River Grove.

A total of \$425,170 is projected to be received for Parks & Recreation program registration fees. This is an increase of approximately 6.3% over last fiscal year's estimated revenue. Increases in registrations are expected as the economy emerges from the recession and marketing efforts are enhanced.

During FY2008 the Village began receiving revenue from the Red Light Photo Enforcement program. The cameras had been installed at the following intersections: Randall/Miller, Randall/Acorn, and Algonquin/ Hilltop. In FY2010, the cameras at Randall/Miller and Algonquin/Hilltop were deactivated. The FY2011 revenues are estimated to be \$88,700 for the camera at Randall/Acorn.

Vehicle Impoundment Fees and Bail Bond Fees were created in FY2007 and revenues are anticipated to exceed \$115,400 during the fiscal year.

GENERAL FUND EXPENDITURES

The FY2011 General Fund Budget as presented has a surplus \$1,730 with revenues estimated at \$15,278,350 and expenditures estimated at \$15,276,620. The fund balance is anticipated to be \$4,241,456. This amount meets our policy of maintaining a fund balance of at least 25% of General Fund expenditures in the prior fiscal year as provided for in section 3.13E of the Lake in the Hills Municipal Code.

The following provides a summary of budgeted expenditures.

Personnel

As previously stated, the FY2011 General Fund budget includes a reduction of four full-time police officer positions. In FY2010, a building inspector position was eliminated in the Community Development Department and a community service officer position in the Police Department budget. The village's approved full-time staffing from FY2005 to FY2011 can be seen on the chart below:



As previously stated, all budgets reflect a wage freeze with the exception of the police officers under their collective bargaining agreement. Due to the decline in asset values as a result of economic issues, the Illinois Municipal Retirement Fund (IMRF) has raised the Village's contribution level from 11.05% to 11.31%.

The health insurance program was changed to a partially self-funded plan in July, 2008. This saved the Village approximately 2% in annual premium costs in FY2009. Since that time, additional plan design changes including increasing out-of-pocket maximums, increasing office visit copays, increasing prescription copays, shifting more costs to the partially self-funded plan, eliminating the HMO plan stipends, increasing employee contributions, and adding an HSA compatible high-deductible health plan option have further reduced premium increases. Premium increases were reduced by 6% at the July, 2009 renewal and 13% at the July, 2010 renewal. The Village also converted its dental insurance plan to a partially self-funded plan, saving 18% in dental insurance premiums at the July, 2009 renewal. A ten percent increase in cost has been included in the budget, effective July 1, 2011. The employees' health insurance premiums are based on an employee contribution of 15% of the premium.

Executive Department

The Executive Department budget of \$97,950 includes the stipends for the elected officials. In 2010 the Village mourned the death of Trustee Joseph Murawski who served the Village with distinction in various elected and appointed positions. His position has been vacant and will be filled during the consolidated election on April 5, 2011. The part-time secretary position has been reclassified to a part-time office assistant. The hourly wage for the position was reduced by 13% and the number of hours worked per week has been reduced by 15%. Monies have been budgeted to allow the elected officials to attend the annual Illinois Municipal League conference in Chicago. In FY2010, due to non-participation, memberships in the McHenry County Historical Society and the Algonquin/Lake in the Hills Jaycees were eliminated. In FY2011, memberships in the Metropolitan Mayor's Caucus and the McHenry County Economic Development Corporation have been eliminated based on lack of involvement.

The Village will maintain memberships in the Illinois Municipal League, the McHenry County Convention and Visitor's Bureau, the McHenry County Council of Governments, and the Algonquin/Lake in the Hills Chamber of Commerce.

Administration Department

The Administration Department budget of \$448,760 includes the salaries of the Village Administrator, Assistant Village Administrator and Administrative Assistant. Also included are the expenses of the Business Relations Committee which was created in April, 2003. Approximately \$1,600 is being saved by the elimination of printing multiple copies of the annual budget and providing an electronic version.

No capital purchases are requested in this department.

Community Development Department

The Community Development Department budget of \$653,400 provides for building inspection, code enforcement and community planning activities. The Department's budget includes the stipends for the Planning and Zoning Commission members and monies for the staff to attend training and educational conferences.

In FY2010, a Building Inspector position was removed from the budget. The Building Commissioner (who also serves as the plumbing inspector) and the remaining building inspector have been able to handle the workload. When the Building Commissioner is away from the office, \$450 has been added in the Other Professional Services account to handle any plumbing inspections that are required.

No capital purchases are requested in this department.

Finance Department and MIS

The Finance Department budget of \$586,530 and MIS Department budget of \$100,000 include the expenses related to our financial functions and general computer operations.

The Finance Department is responsible for the administration of the fiscal operations of the Village. These responsibilities include the recording and reporting of all financial transactions, billing and collecting all monies due to the Village, making payments to employees and vendors, management of Village funds, assisting in the preparation of the annual operating budget, preparing the annual financial report, and financial forecasting. Additionally, Finance Department personnel administer the Village's medical benefit plan, the Police Pension plan, the risk management plan, and track letter of credit expiration dates, renewals, and draws. The Finance Department oversees the administration of water billing in the Village. The budget includes a reduction of six (6) hours per week for the part-time accountant position. No capital purchases are requested in this department.

The MIS budget includes the elimination of the Sungard Pentamation and GMIS Conferences. The consultant's cost for network support and maintenance reflects no increase in the hourly rate. Seven personal computer work stations and five laptop computers need to be replaced along with miscellaneous hardware for a total cost of \$13,390. No capital purchases are requested in this department.

Parks and Recreation Department

The Parks and Recreation Department will celebrate its fifteenth (15) year of operation in FY2011. The budgets for the department total \$1,652,260.

The Administration Division budget includes \$60,770 for the Village's membership in the Northern Illinois Special Recreation Association (NISRA). NISRA provides year round recreation activities for people with disabilities. Since 1976, children and adults of all ability levels have enjoyed socializing, building skills and having fun in hundreds of weekly programs, special events, camps and trips each year. The remainder of the budget remains relatively unchanged from the prior year.



In FY2007, an account was created 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. It is estimated that \$200,820 in labor costs will be associated with the maintenance of the park and recreation fields, equipment and facilities. The Village's contracted mosquito abatement program is included in the budget for \$30,230.

Since FY2009, the department has been using contracted employees through an area staffing agency to perform landscape maintenance at Sunset Park and the Bark Park. The FY2011 labor cost is estimated to be \$29,680. The budget also includes \$100,000 in capital improvements from the Department of Commerce and Economic Opportunity (DCEO) grant the Village was awarded in FY2010. A replacement tennis court at Leroy Guy Park in the amount of \$17,000 has also been included in the budget.

The Recreation Division budget includes funding for the Summer Concert Series, the 12th Annual Run Thru the Hills 5k/10k run race and the 5th annual Village Triathlon. Each year these events set a new record for attendance. The 11th Annual Summer Sunset Festival is budgeted for the weekend of September 2nd through 4th.

Police Department

The Police Department budgets will total approximately \$7,063,590 during the course of the fiscal year. The Police Commission budget of \$1,840 covers the operational costs of the commission.

In FY2010, the Administration and Operations budget eliminated a community service officer position and added a part-time dispatcher. As previously stated, four (4) police officer positions have been eliminated from the budget and a sergeant was placed in the position of police officer.

Rental Contracts includes \$53,940 for the cost of the lease for the Red Light Photo Enforcement program. Cameras are installed at the intersection of Randall and Acorn. The cameras at the intersections of Randall and Miller and Algonquin and Hilltop were deactivated in FY2010. Capital equipment purchases in the department include:

Replace Main and Local Receivers	\$11,700
Federal Signal LED Light Bar	\$1,690
Federal Signal Controller Box	\$650
10 – Kenwood portable radios	\$13,900
4 – Kenwood mobile radios	\$9,200
TOTAL	\$37,140

The department budget also includes \$103,560 to replace four squad cars. The vehicles being replaced have far in excess of 100,000 miles.

Public Works Department

The Public Works budgets, consisting of Administration, Streets and Public Properties total \$2,903,180. The administration division budget of \$286,920 includes funding for the overall administration of the department as well as the General Fund portion of the contract inspector's salary. No additional personnel or capital equipment purchases are planned for FY2010.

The Streets Division budget of \$1,108,150 provides for the maintenance of the Village's infrastructure including streets, sidewalks, signage, flood control systems, detention, storm sewers, and fleet maintenance. Ninety thousand dollars (\$90,000) has been included in the budget to resurface the Village Hall parking lot. A new trailer (\$6,500) and a storm sewer inspection camera (\$15,000) are proposed capital equipment purchases.

The Public Properties Division budget of \$1,508,110 provides for the maintenance of Village-owned buildings and public properties, which include: Village Hall, Police Department, Public Works facilities, including well houses, Airport facilities, rental properties, mechanical services, parks, and the urban forest. This Division is also responsible for costs associated with the maintenance and repairs in the special service areas (SSA's). Improvement projects totaling \$64,290 include a new furnace at the police department, asphalt driveway replacement at the Village-owned home at 290 Indian Trail, and roofing and parking upgrades at the Public Works Annex at 600 E. Oak Street. A 72 inch riding lawnmower is being replaced at a cost of \$10,500.

The Other Professional Services - Legal Services budget provides funding for our Village Attorney, Village Prosecutor, and Administrative Hearing Officer. It is estimated that this cost will be \$134,540 during the course of the fiscal year.

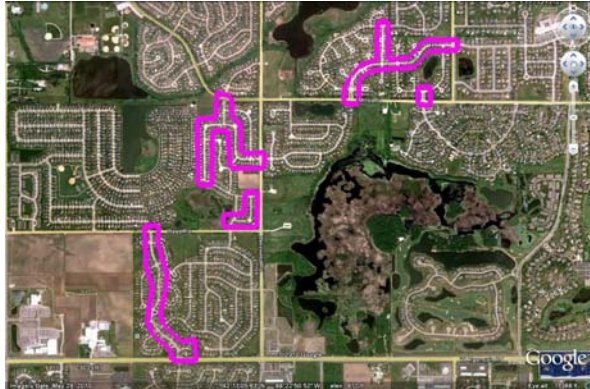
The Insurance Department will see a significant increase in premiums from \$354,900 in FY2010 to \$593,050 in FY2011 due to the village's experience under the general liability insurance and workmen's compensation insurance programs. The General Fund will be transferring \$1,030,730 to the Debt Service Fund to make the debt payments for the Larsen, Sullivan, and Susong property purchases, and the Public Works Expansion/Renovation.

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 \$712,330 which is based on \$24.40 per capita. The amount budgeted does not include the high growth city distribution. The Village has received this money (approximately \$44,000) year after year, however, for conservative budgeting purposes, the

revenue is left out. Also included in the budget is \$4,090 in grant revenue that will be received under the Local Area Pavement Preservation (LAPP) program and the American Recovery and Reinvestment Act (ARRA) administered by the McHenry County Council of Mayors.

The MFT budget includes \$115,500 for the cost of roadway salt to keep the Village's roads passable this winter. The 2011 Street Resurfacing program in the amount of \$558,000 includes the following streets that are depicted in the images below:



- DEER CREEK LANE
- GREENFIELD LANE
- KAY COURT
- JOSEPH COURT
- ANNANDALE DRIVE NORTH (ALGONQUIN RD TO REED RD)
- SPRING LAKE DRIVE (MILLER RD TO ROYAL OAK)
- LITCHFIELD LANE (MILLER RD TO NOELLE BEND)
- PARC COURT
- HASTINGS COURT
- NOELLE BEND
- ASH STREET (HILLTOP DR TO PLUM ST)
- POPLAR STREET (PLUM ST TO EAST OAK ST)
- PLUM STREET (ASH ST TO POPLAR ST)
- HILLTOP DRIVE (ASH ST TO POPLAR ST)

Thirty three thousand dollars (\$33,000) will be spent filling miles of cracks to help preserve the pavements.

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 (figures exclude engineering costs):

Project	2010	2011	2012	2013	Future*
Well 17 Treatment Plant	944,250	944,250	0	0	0
Tower 5 *	0	0	0	0	2,192,000
Well 18 *	0	0	0	0	299,000
Well 18 Treatment plant *	0	0	0	0	5,251,000

* Tower 5 and Well 18 are dependant on future growth and consumption rates

To meet this objective, it is recommended that the Village's tap-on fees be increased by 5% to \$13,780 for a 1" connection. Based on a minimum 5% annual increase in fees each year, and transferring approximately \$1,500,000 over the next 4 years to off-set capital improvement projects in the Water Operating and Maintenance Fund, we would anticipate having a fund balance of roughly \$2.2 million dollars at the end of FY 2015 based on projections.

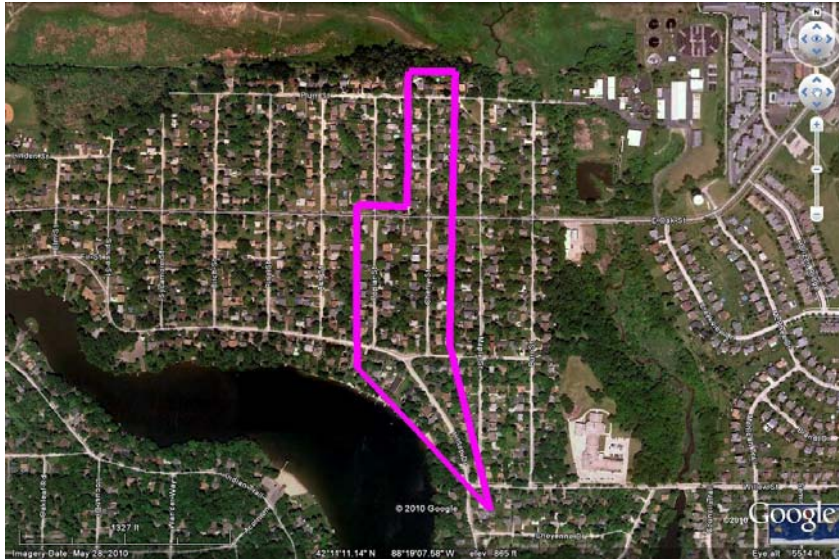


Each year, it is the responsibility of the Superintendent of the Water Division to review development plans, water needs, and projected infrastructure costs to adjust this plan and recommend rate structure changes to ensure the availability of funds to meet all capital improvement requirements.

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. The 2011 Water Main Replacement program is budgeted at \$675,000 and will replace the water mains in the area depicted below:



CEDAR ST. FROM CHERRY ST. TO HILLTOP DR.
POPLAR ST. FROM EAST OAK ST. TO HILLTOP DR.
CHERRY ST. FROM PLUM ST. TO CEDAR ST.
HILLTOP DR. FROM POPLAR ST. TO WILLOW ST.
PLUM ST. FROM POPLAR ST. TO CHERRY ST.

In order to fund these improvements, a 5% increase in the water rates is included in the water sales revenue projection. The increase would amount to 60 cents per month for a customer who uses 800 cubic feet of water per quarter (minimum bill).

Also included in the budget are a 3" trash pump, three dehumidifiers, three scales, two chlorine switchover modules, and three chlorine booster pumps in the amount of \$24,380.

AIRPORT OPERATING AND MAINTENANCE 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 40,000 operations (takeoff or landing) next year. The Public Works Department maintains the Airport infrastructure. The Airport Operating and Maintenance Fund revenues reflect a proposed tenant rate increase of .5% and an increase in commercial activity fees by .5% based on current Consumer Price Index data. The Airport Operating and Maintenance Fund also contains an interfund transfer into the Airport Capital Improvement Fund of \$102,060 to pay for the local share of the FY2011 capital projects.

AIRPORT CAPITAL IMPROVEMENT FUND

The purpose of the Airport Capital Improvement Fund is to segregate the costs of the Airport improvement projects from the normal operating and maintenance expenses of the Airport. It is funded through an interfund transfer from the Municipal Airport Fund as well as Federal and State grants.

Phase 1 of the Apron Construction project and the purchase of property for a new airport entrance road are scheduled to be completed during the fiscal year. The funding levels that are anticipated for these grant eligible projects are 95% Federal, 2.5% State, and 2.5% Village.

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 Assistant Village Administrator Shannon Andrews and Director of Finance Pete Stefan for the time that was spent assisting with the development and refinement of this document.**