

**M E M O R A N D U M**

TO: Village President and Board of Trustees  
Residents of the Village of Beecher

FROM: Robert O. Barber, Village Administrator

DATE: 4/25/16

**RE: MESSAGE FOR PROPOSED BUDGET, FY 2016/2017**

Attached is the proposed budget for the fiscal year beginning May 1, 2016 through April 30, 2017. This budget is the result of several staff meetings, three drafts, over six hours of Finance Committee deliberations, and a one hour budget workshop with the Board of Trustees on March 28, 2016 where the budget was reviewed by department and fund and amended. This is the final draft of the budget as recommended by the Village Board in workshop for public hearing.

Despite the poor fiscal condition of the State, this is the third year that the Village expects to see revenues for the General Fund slowly begin to rise. Building permits for new home construction will be negligible not only in the coming fiscal year but perhaps as long as two to three more years. Water and Sewer Revenues are based on actual billings from 2015 which was an average year having average temperatures and precipitation. The General Fund is balanced and no reserve cash is projected for operations. The exception is \$40,000 in reserves planned to enhance the old downtown area and a \$26,000 infusion into the Capital Equipment Sinking Fund to cover the purchase of the Boomer 41 and LX225 tractors. The Water and Sewer Funds (O+M) is projected to use a significant amount of reserve cash (\$76,369) but all of these amounts are tied directly to capital improvements.

**FUND BALANCES AT THE END OF EACH FISCAL YEAR  
APRIL 30, 2005 THROUGH APRIL 30, 2017 (PROJECTED)**

	General Fund	W/S Operations	W/S Capital	W/S Debt
4/30/05	\$303,233	\$156,770	\$ 685,168	\$108,060
4/30/06	\$454,351	\$179,333	\$1,125,515	\$170,918
4/30/07	\$427,442	\$205,083	\$ 943,001	\$202,162
4/30/08	\$153,597	\$ 49,572	\$ 380,427	\$258,506

	General Fund	W/S Operations	W/S Capital/Mains	W/S Debt
4/30/09	\$371,280	\$147,094	\$145,066	\$357,948
4/30/10	\$368,866	\$200,767	\$167,550	\$348,925
4/30/11	\$565,823**	\$205,051**	\$154,127	\$335,104
4/30/12	\$465,673***	\$240,715	\$196,223	\$321,000
4/30/13	\$592,976	\$328,687	\$128,542	\$289,804
4/30/14	\$324,605****	\$226,565****	\$112,993	\$364,430
4/30/15	\$373,474	\$160,202	\$155,004*****	\$380,255
4/30/16*	\$570,000*	\$ 80,000*	\$270,366*	\$326,988*
4/30/17*	\$493,000*	\$ 46,000*	\$385,000*	\$ 37,000*(1)

\* = projected

\*\* = \$100,000 moved out of General and \$50,000 moved out of W/S Operations in this fiscal year to create the Capital Equipment Replacement Sinking Fund in March, 2011.

\*\*\*=\$195,000 in reserves were used to pay off the OSLAD loan for Firemen's Park in October, 2011.

\*\*\*\*= \$390,000 moved from various funds into the 625 Dixie Highway Improvements Account.

\*\*\*\*\* = first year of funding in the Watermain Replacement Account which is a significant source of capital.

(1) = all of the reserves are pledged to sewer plant Phase II Design which will be reimbursed by IEPA loan.

The key objective to our entire budget process in the last nine years since the Great Recession was to preserve fund balance and prevent any type of deficit spending while minimizing the impact to Village residents in terms of cost increases and service reductions. The need to replace equipment in the public works department also had to be addressed. Despite these competing objectives, the Village Board was able to cut a sufficient amount from the operating expenses of these funds to accomplish the Board's goals. Several desired programs were reduced or eliminated, and the employees were asked to do more with less. Alternative revenue sources had to be found, such as funding the Village newsletter with ad revenue. So far we have

survived, and although some services were reduced, the public has not yet had to feel the service cuts other than some inconvenience. We now await to see what the State of Illinois is going to do us as the legislature struggles with huge deficits resulting from poor spending practices and the lack of producing a State budget.

A key component of the budget is the policy of freezing the Village property tax levy while balancing the budget. This will be the fifth year in which the tax levy has remained the same (2011, 2012, 2013, 2014 and 2015 levies), and the fourth straight year in which budgeted reserves are not used to meet operations. The General Fund is balanced for now, with the exception of using \$40,000 in reserves to spruce up the old downtown and \$26,000 in transfers to capital equipment. If the State does reduce our LGDF and does not provide alternative revenue, staff has produced a plan to deal with this during the course of the fiscal year.

There is the planned use of \$76,369 in reserve cash in the Water and Sewer Department budgets to replace the column pipe in Well #3, provide the third of five \$20,000 payments to General for the renovation of the new Village Hall, and complete the SCADA system upgrades. This is a planned use of operating reserves for capital improvements. \$10,620 was also budgeted in the Capital fund for the replacement of meters in the system.

There is also a planned use of \$290,000 in reserves in the Water and Sewer Debt Service Fund to finance the first half of the Phase II design of the Sewer Plant Rehabilitation. This second half will be paid for in FY17/18. 2019 is the target date for this project to commence. The \$600,000 spent on Phase II will be reimbursed to the Village when the loan is approved in 2019.

The table below compares the total expenditures of all funds from prior years to the proposed year:

<b>FISCAL YEAR</b>	<b>CORPORATE, ENTERPRISE, MFT, CAPITAL AND DEBT VILLAGE FUNDS</b>	<b>INTERNAL SERVICE, EXTERNAL FUNDS</b>	<b>ALL FUNDS</b>
2007/2008	\$ 7,151,957	\$ 418,400	\$ 7,570,357
2008/2009	\$ 6,491,486	\$ 510,020	\$ 7,001,506
2009/2010	\$ 6,653,899	\$ 378,240	\$ 7,032,139
2009/2010 (amended)	\$ 6,527,405	\$ 378,240	\$ 6,905,645
2010/2011	\$ 5,907,057	\$1,772,720	\$ 7,679,777
2011/2012	\$ 5,491,770	\$ 669,574	\$ 6,161,344
2012/2013	\$ 4,511,213	\$1,007,815	\$ 5,539,028

<b>FISCAL YEAR</b>	<b>CORPORATE, ENTERPRISE, MFT, CAPITAL AND DEBT VILLAGE FUNDS</b>	<b>INTERNAL SERVICE, EXTERNAL FUNDS</b>	<b>ALL FUNDS</b>
2013/2014	\$ 4,279,389	\$1,228,767	\$ 5,508,156
2013/2014(amended)	\$ 4,749,389	\$1,228,767	\$ 5,978,156
2014/2015	\$ 4,324,249	\$1,418,422	\$ 5,742,671
2015/2016	\$ 5,314,972	\$1,053,352	\$ 6,368,324
2016/2017	\$ 6,672,299	\$ 765,055	\$ 7,437,354
Change from non-amended prior year	+ 1,357,327 + 25.54%	- 288,297 - 27.37%	+ 1,069,030 + 16.79%

The increase in spending is due to several factors not related to the operating budgets. \$1,370,070,000 in IEPA loan proceeds are projected to be used for the Penfield/Birch/Elm Street watermain projects, and \$300,000 for Phase II design of the sewer plant. \$61,000 in MFT Reserves is also planned for use for the Penfield Street STP Phase II design work.

The following is a synopsis of each of the funds and the departments within each fund.

## GENERAL FUND

### Revenues

Overall revenues are finally showing signs of positive movement. Sales tax collections are increasing despite the drop in fuel prices. Use taxes are also higher due to the slow but steady imposition of internet sales taxes by delivery location. Video gaming taxes continue to increase, as well as the Comcast franchise fees. Court fines and telecommunications taxes remain stagnant. The real estate tax levy remains frozen by Board direction, and this is the fifth year that this has occurred.

The wild card in this year's budget is the local income tax, or LGDF. The Governor has proposed in the past taking 1/2 of this tax away from municipalities. In preparation for some type of reduction in this fund, or any other cuts to State funding, we have prepared a plan to deal with this reduction should it occur, but the impact to local governments across the State would be devastating. We are of the belief that the cut will be more like 10%, or \$29,595. In any event, we will continue to monitor this situation and make adjustments to the budget accordingly.

### President and Board of Trustees

We plan this year to implement the use of tablets by Village Board members to reduce the cost of duplicating Village Board packets. This program will be implemented in the Fall. We have also budgeted for up to four elected officials to attend the IML Conference in September. The newsletter will continue to be funded by advertising sales for one more year, and we have budgeted memberships in two COG's: the SSMMA and the WCGL.

### Advisory Boards and Commissions

No changes.

### Department of Administration

A new copier is funded for replacement in the Fall in the amount of \$8,200. We will be replacing our existing copier with an identical model but with color scan capability.

### Department of Inspectional Services

Charges by Safebuilt are based on building permit spreadsheet provided. We also have the code enforcement officer budgeted here for 1,000 hours of work.

### ESDA

NIXLE and the Smart Phone App become a permanent part of this Department's budget. \$13,300 is budgeted for replacing the radio transponders in the three warning sirens to conform to the new County radio system. This will be a one time expense. \$3,000 is also in the budget to create an ESDA with actual people in the department.

### Department of Police

This department is 51% of the General Fund's expenses; a decrease of 1% from last year's ratio. Wages for officers increased by 2%. The Teamster's health insurance plan increased by 10%. The total number of funded hours for police patrol and investigations remain the same as last year. There are very few new items in the proposed budget; \$6,000 for modifications to the evidence room \$1,145 for tire racks in the sally ports. Phone costs also increased. The Youth Commission is funded in the police department budget at \$4,000. Overall this is a very conservative budget for the department.

### Department of Environmental Health and Sanitation

The Animal Control program was reduced by \$250.

### Department of Streets and Alleys

The tractor in Firemen's Park and the skid steer loader were replaced and these initial purchases are being covered by General Fund reserves. \$4,000 is budgeted for PPE and this is being covered by a grant from our workers compensation program. \$8,000 is budgeted for Ash tree and stump removal and \$4,850 is budgeted for the ditch work completed by Lange behind Pine Street in Prairie Crossings.

### Department of Buildings and Public Properties

Some of the operating expense increases of the new Village Hall are here, including the janitorial service and building maintenance. The historic preservation commission was given \$2,000 for their activities. Despite a request from WPAL, the annual fee paid to this group was left the same at \$2,500 per year.

### Capital Improvements

\$10,000 is budgeted to connect the natural gas generator to the Village Hall and is offset by a grant from Com Ed that we hope to receive. \$40,000 is budgeted for downtown improvements, more specifically the Gould Street area.

### Comprehensive Expenses

The General Fund is repaying the Capital Equipment Sinking Fund \$26,000 for the initial purchase of the Boomer 41 and the L225 skid steer loader. The repayment schedule on the Boomer 41 will then be \$1,558 per year for 15 years and is reflected in this budget. The skid steer payments are taken out of O+M. \$20,000 is also shown in this department as a capital reserve contribution and this is used to offset the revenue coming into the General Fund from O+M as the third of five payments back to General for the new Village Hall.

Sales tax reimbursements include Walt's (\$135,000). Property tax reimbursements include Dutch American foods (\$6,447) and Ohlendorf Trust (\$775). \$9,850 in payments to the Capital Equipment sinking fund are also provided here as we pay back the sinking fund for equipment purchases made in the past. In lieu of lease-purchases, we borrow the funding from ourselves and pay the money back with interest into the sinking fund. This guarantees funding for the replacement of equipment in the future.

## Parks and Recreation Department

The Village plans to use existing materials for next year's ice rink and instead use the funding for an expanded ice rink to provide more security cameras to limit vandalism. Additional port-a-johns are budgeted for placement in Firemen's Park to supplement the bathrooms that are frequently closed due to vandalism. \$1,650 is budgeted for mulching the playgrounds.

Youth Commission and Developer's Escrow Accounts are shown in the budget merely as pass-through accounts.

## CAPITAL EQUIPMENT SINKING FUND

A total of \$27,493 is now being collected annually from payments due from other funds in the budget. The Fund will also receive \$26,000 from the General Fund to reimburse for advances on the purchase of the Boomer 41 and the L225. At this rate it will take four years of transfers into the fund to purchase a large dump truck. However, there is \$64,000 on account and \$26,000 in initial reimbursements. This, combined with the operating transfers for the year will bring the fund up to \$117,493.

However, in FY 16/17 public works will be replacing the 2001 C3500 mini-dump with an F450 mini-dump for \$54,210. This will bring the fund down to \$63,283. Another two years of transfers will bring the fund up to \$118,269 in FY 18/19 at which time we will be looking at replacing the F800 dump truck.

## REFUSE FUND

This fund is another pass-through for collections and payment to Homewood Disposal and reflects the rates to be charged which now go up an average of \$0.50 per month each year. \$8,000 is budgeted for the purchase of yardwaste bags which are sold out of the Village Hall to residents. \$24,835 is also transferred to the General Fund to assist in paying for brush and leaf collection.

## PARKS AND RECREATION CAPITAL FUND

This used to be a very active fund when park impact fees were paid for new housing permits. It is now quite dormant, and has a \$183,171 "due to" strapped to it when \$195,000 was borrowed from the General Fund to pay off the OSLAD loan. An explanation of the "due to" is also provided in the budget.

## MOTOR FUEL TAX FUND

This fund will experience quite a bit of activity in the coming year. Revenues have increased slightly from \$24.30 to \$25.90 per capita, and \$60,919 in reserve cash will be needed to fund the Village's portion of the Safe Routes to Schools Grant and to complete the Phase II design work for the Penfield STP Project. The Safe Routes to Schools Grant is a \$176,220 project funded by \$140,976 in state grant funding and a local (Village) match of \$35,244. The Penfield STP Design work will cost \$242,000 with \$193,600 coming from the federal government and \$48,400 in Village MFT funding. \$42,000 is budgeted for 600 tons of salt at \$70/ton. \$20,000 has been set aside to purchase concrete for an in-house sidewalk replacement program.

## JOINT FUEL FUND

This is also an intergovernmental pass-through fund for the purchase and sale of fuel to the other taxing bodies. The Village acts as fiduciary agent of this account. This year we are on the open market for pricing at \$0.099 over low rack FOB Chicago. We are estimating fuel to cost \$1.80 per gallon for 87 Octane UNL and \$2.11 for Cetane Diesel.

TREE DONATION ACCOUNT, FOURTH OF JULY ACCOUNT AND BEAUTIFICATION ACCOUNT are pass-through accounts. The Commissions established by the Village create their own budgets with the Village acting as fiduciary. Since the Village is required to appropriate for these accounts, we include them in our budgets but do not maintain an internal general ledger on these accounts. This now becomes the responsibility of each of the Commission's Treasurers.

## GENERAL OBLIGATION BOND ACCOUNT

This account receives property tax levies for bond and interest payments and makes the payments to the bondholders. These bonds were for the new public works facility built in 2009. Currently, payments remain consistent with the original tax levies established in 1988. In 2020, these levies dramatically increase and if the community does not grow the Village will need to either refinance these bonds or abate the levies. The plan now is to abate the levy using sales tax revenues which will be freed up from the Walt's sales tax reimbursement agreement which also expires in 2020, or the bonds can be re-financed at that time.

## PUBLIC INFRASTRUCTURE ACCOUNT

This account has as its revenue source the 1/2% infrastructure sales tax, which now generates about \$142,000 per year. This year road improvement program is dedicated to the completion of the Phase I Report on the Penfield Street and Bridge STP Project (\$135,000), \$32,000 as the second of 5 loan payments for the \$150,000 borrowed to complete the Phase I Report for the Penfield STP Project, and \$25,000 for annual crack-sealing. The road resurfacing program

scheduled for this coming year has been pushed back at least one more year as the Village ramps up the Penfield STP project.

## WATER FUND

Revenues projections were based on actual FY 14/15 collections plus \$21,808 in new \$0.10 rate collections in 2015 and 2016. \$50,544 in reserve cash is planned for capital improvements in the Water Department including the final installment of SCADA upgrades (\$7,544) pulling and replacing the well casing in Well #3 (\$43,000). We do not plan on replacing this casing until pumping rates tell us it is time to do so, but we are budgeting for the project in any event and will encumber the funds for future years until it is time to proceed with the project.

Other projects in the Water Department this year include turning 1/3 of the valves in the system as part of a three year program (\$7,000), the replacing of two hydrants, five valves, four b-boxes and two large commercial meters. The above ground storage tank is to be cleaned and inspected and the doors of the booster station are to be replaced. \$3,000 remains in the budget as an incentive for public works employees to attain their technical licenses. We plan to transfer \$148,613 to the Watermain Replacement Account and \$9,978 to the debt service fund as partial payment on the 2002 water tank and booster station loan. The first of 15 payments of \$4,970 will be made to the CESFA for the F450 dump, and \$5,600 will be transferred to the Sewer Fund to pay for one of two part-time Summer employees.

## SEWER FUND

Once again, FY14/15 collections were used in the water revenue projection and \$21,808 added to accommodate for the two rate increases which has occurred since that time. \$25,825 in reserves are planned for use and when combined with the water reserves the O+M fund balance is planned to drop from \$80,000 to \$46,631.

Projects in the Sewer Department this year include sludge removal (\$14,900), sewer license promotion training and specialty pay (\$3,900), replacing the RAS pumps (\$7,500), and pond aerator shaft replacement (\$2,300). We are trying to limp the existing sewer plant equipment along to 2019 when we plan to complete a total rehab of the plant using a 20 year, \$8 million IEPA loan.

\$107,900 is being transferred to the debt fund for payment of the 1996 IEPA loan and \$12,673 is being transferred to the capital equipment sinking fund as payment for two trucks and a skid steer loader purchased on behalf of this department. The \$20,000 transfer to the General Fund from O+M as the second of five payments for the 625 Dixie Highway project is also provided for in this department budget.

## WATER AND SEWER CAPITAL IMPROVEMENTS

This fund now only has tap-in fees as its source of revenue. Watermain replacement charges are no placed into a separate and distinct account. Since tap-in fees are not budgeted, reserves have to be used for all expenses in the fund. At the present rate, this fund will be depleted in three years. However, the Village does collect tap-ins each year which offset some of the expenses.

We have set aside \$9,000 for any type of water or sewer unforeseen emergency, and \$4,500 for economic development purposes. \$6,000 has been budgeted for Village Planner services and \$10,620 has also been budgeted for the purchase of 100 additional meters to be installed in the system.

## WATER AND SEWER DEBT SERVICE FUND

Revenue for this fund comes from the utility tax on natural gas and electric (\$210,164), transfers of debt charges on water and sewer billing collections (\$117,878), and \$289,529 in reserve cash which was collected in prior years when debt charges and utility taxes exceeded debt payments. These reserves will be used to pay off the first 1/2 of the Phase II design of the wastewater treatment plant project. There is about \$327,000 in unrestricted assets in this account and this will be brought down to \$37,000 by April 30, 2017.

There are only two loans left to pay off in the debt service fund. At one time, we had as many as 10 loans on the books from this account. The 2002 Installment contract has been refinanced to a 10 year loan at 2.5% from Midland States Bank which has reduced our overall P+I payments. \$83,458 will be paid in the coming year on this loan which matures in 2023.

The second loan is the 1996 IEPA loan which matures in after the last payment in December, 2016. Two annual payments totaling \$225,073 remain in 2016 and then we can burn the loan documents. However, it will be time to upgrade the sewer plant again by that time due to changes in IEPA regulations and we will face another 20 year loan. \$310,000 has been budgeted from the first half of Phase II WWTP Design using reserve cash accumulated after many years of saving. This will be reimbursed when the loan is approved in 2017.

## WATERMAIN REPLACEMENT ACCOUNT

This is a new account set up to separate the charges coming in for this specific purpose. This account will have annual operating revenues of \$148,613 and this year proceeds from the IEPA loan for Penfield/Birch/Elm will be \$1,370,070. After all is said and done, this fund will increase its reserves by \$156,463 barring any unforeseen project which will increase fund balance from \$191,000 to \$347,000. This funding will be sufficient to replace the mains on Gould Street in FY 17/18.

## Cost to Residents

How does the budget as a whole affect what the current resident will pay to the Village this year compared to last year? There is a combined water and sewer rate increase of \$0.20 per 1,000 gallons which went into effect on March 1<sup>st</sup>. This rate increase will pay for the increasing cost of pumping water, chemical injection, and overall maintenance of water and sewer systems. This will cost the average water customer \$2.80 per billing on an average 14,000 gallon water bill, or \$16.80 per year. The property tax levy was frozen for the coming year so the Village will not receive any new dollars from property taxes. However, declining assessed value may not mean there is no change in the Village property tax rate to residents. The property tax paid to the Village by a property owner is a function of the assessed value of the property and the tax rate. There will also be a \$0.50 per month (or \$1.00 per billing) increase in the refuse rates effective July 1, 2016. Therefore, a typical single family home valued at \$235,000 using 14,000 gallons of water per billing will pay on average \$22.80 more to the Village of Beecher in fiscal year 2016/2017 than it did in fiscal year 2015/2016.

This is a synopsis of the cost to the Village resident:

Increased water and sewer rates (\$0.20/1,000 gl x 14,000 gl)	\$ + 16.80
No change from prior year's levy And impact on a \$235,000 market value home	+ 0.00
Refuse rate increase of \$1.00 per billing beginning 7/1/14	+ 6.00
<b>NET INCREASE TO A TYPICAL FAMILY</b>	<b>\$ + 22.80</b>

## Summary

All funds of the Village are balanced for the coming year with the exception of \$66,000 in the General Fund for equipment replacement and downtown improvements, \$76,369 in reserves from the Water and Sewer O+M Fund for various capital improvement projects, \$29,970 in reserves from the Water and Sewer Capital Fund, and \$289,529 in Water and Sewer Debt Fund Reserves for completion of the Phase II wastewater treatment plant design, and \$60,919 in MFT Reserves for Safe Routes to Schools local match and Penfield STP Road and Bridge design work.

There are several projects scheduled for this year, which include the Safe Routes to Schools signage and flashing lighting, replacing over 100 aging meters, \$7,900 in SCADA upgrades, replacing the watermain on Penfield from Dixie to Reed and the Elm/Birch watermain, Phase II design of the Beecher WWTP and Phase II design of Penfield along with the bridge. One can say that this is the year Baxter and Woodman set up camp in town.

The use of conservative revenue estimates and the ability to spot trends in the five year financial plan have allowed the Village to achieve an AA+ rating from Standard and Poors. This rating is

contingent on the Village holding significant reserves in the future and this may not be obtainable due to our capital needs. However, this rating should be appreciated and cherished while we have it. This budget also does not foresee the use of any cash reserves to fund operations.

If this budget holds true in the coming year, the following fund balances are projected on April 30, 2017:

General Fund:	\$ 493,000
Refuse Fund:	\$ 52,000
Park Improvement Fund:	\$ -0-
Motor Fuel Tax Fund:	\$ 69,000
Joint Fuel Fund:	\$ 43,000
Bond Redemption	\$ 1,000
Public Infrastructure:	\$ 200,000
Capital Equipment Replac.	\$ 63,000
Operations and Maint.:	\$ 47,000
Water and Sewer Capital:	\$ 48,000
Watermain Replacement:	\$ 347 ,000
Water and Sewer Debt:	\$ 37,000

**TOTAL FUND BALANCE ON 4/30/17: \$ 1,400,000**

This compares to a current projected fund balance of \$1,730,000 on April 30, 2016. This amount is 18.82% of the total budget of \$7,437,354 and would fund about 60 days of operation. The 1996 Village Board target for fund balance was 60 days of operation and the municipal standard is 90 days of operation or 25% per fund. These fund balances will have to be watched closely in future years and efforts should continue to maintain fund balance while providing quality service to residents. This will be the most difficult task facing local elected officials in the years ahead, considering the fiscal condition of the State and its ability to transfer the burden to local governments.