

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: 4/27/15

RE: MESSAGE FOR PROPOSED BUDGET, FY 2015/2016

Attached is the proposed budget for the fiscal year beginning May 1, 2015 through April 30, 2016. This budget is the result of several staff meetings, four drafts, over nine hours of Finance Committee deliberations, and a three hour budget workshop with the Board of Trustees on March 30, 2015 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 second 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 2014 which was an average year having average temperatures and precipitation. The General Fund is balanced and no reserve cash is projected for use. The Water and Sewer Funds (O+M) is projected to use a significant amount of reserve cash (\$95,031) 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, 2016 (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	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*	\$380,000	\$134,000	\$100,000	\$355,000
4/30/16*	\$380,000	\$ 80,000	\$100,000	\$309,000

* = 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.

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 with LGDF as the legislature struggles with huge deficits resulting from poor spending practices during and after the Great Recession.

A key component of the budget is the policy of freezing the Village property tax levy while balancing the budget. This will be the fourth year in which the tax levy has remained the same (2011, 2012, 2013, and 2014 levies), and the third straight year in which budgeted reserves are not used to meet the budget. The General Fund is balanced for now. 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 \$95,000 in reserve cash in the Water and Sewer Department budgets to replace the column pipe in Well #3, provide a \$20,000 payment to General for the renovation of the new Village Hall, complete the SCADA system upgrades, rebuild the RAS lift station at the sewer plant. 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 \$50,000 in reserves in the Water and Sewer Debt Service Fund to finance the completion of a Phase I Sewer Plant Rehabilitation Report to the IEPA to make the plant eligible for loan funding within the next five year period. 2019 is the target date for this project.

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

FISCAL YEAR	CORPORATE, ENTERPRISE, MFT, CAPITAL AND DEBT VILLAGE FUNDS	INTERNAL SERVICE, EXTERNAL FUNDS	ALL FUNDS
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
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	\$ 5,049,915	\$1,318,949	\$ 6,368,864
Change from non-amended prior year	+ 725,666 + 17.0%	- 99,473 - 7.0%	+ 626,193 + 11.0%

The increase in spending is due to several factors not related to the operating budgets. \$695,000 in IEPA loan proceeds are projected to be used for the Penfield Street watermain project, and \$50,000 for the Sewer Plant Phase I Report. \$53,000 in MFT Reserves is also planned for use and the Village's local share of the Safe Routes to Schools Grant and to complete the street sign replacement project. We also have \$100,000 remaining in loan proceeds to complete the STP Phase I report for the Penfield Street rehabilitation project.

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 due to the Beecher's competitive fuel pricing and two new retail establishments; Casey's and the Dollar General. 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, and the telecommunications tax will also increase as settlements are paid off by the State on various lawsuits for improper collections in prior years. The real estate tax levy remains frozen by Board direction, and this is the fourth year that this has occurred.

The wild card in this year's budget is the local income tax, or LGDF. The Governor has proposed taking 1/2 of this tax away from municipalities. In preparation for some type of reduction in this fund, we have under-estimated our share of LGDF by \$13,559; or 3.14%. IML projects \$99 per capita which would generate \$431,541 but the Village will budget \$417,982 (or \$95.89 per capita) which is the amount collected in 2013. This means that the Village's portion of the 50% LGDF reduction would be \$202,212. Staff has 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

No changes to this department in the coming year.

Advisory Boards and Commissions

No changes.

Department of Administration

There was a \$1,000 increase in telephone costs but otherwise no changes.

Department of Inspectional Services

Charges by Independent Inspections, Inc. based on building permit spreadsheet provided.

ESDA

NIXLE and the Smart Phone App become a permanent part of this Department's budget.

Department of Police

This department is 52% of the General Fund's expenses; a decrease of 2% from last year's ratio. Wages for officers only increased by 2% on the top step. 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. Some of the new items in the budget include LEXIPOL at \$4,950 which is offset by a \$2,789 grant, and a new MDT for one of the squads. A Chevy Tahoe is budgeted for the Lieutenant to replace the 1999 Suburban which will then become the code enforcement vehicle. The 2007 Ford Excursion will be relegated to the Beecher ESDA to pull the trailer and act as a back-up vehicle. Phone costs also increased. The Youth Commission is funded in the police department budget at \$4,000.

Department of Environmental Health and Sanitation

Mosquito abatement was reduced by \$1,000 and the Animal Control program was reduced by \$250.

Department of Streets and Alleys

The skid steer is due for a new set of tires this year. There is a plan to replace all of the lighting in the snowflakes with LED lights. \$3,000 is also in the budget for replacing parkway trees lost to the Ash Borer. Other than that nothing really exciting in this department.

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. \$5,000 has been provided to the police department for improvements to their new space. Despite a request from WPAL, the annual fee paid to this group was left the same at \$2,500 per year.

Comprehensive Expenses

The largest increase in this portion of the budget is the increase cost in insurance; from \$37,184 to \$69,044 to the General Fund, due to substantial increases in the value of workers compensation claims in the past year. The total increase in cost of insurance is \$64,440 from the prior year, with the remaining portions being in the Water and Sewer Funds. Unemployment insurance is also taking huge leap; from \$6,000 to \$11,625, and this is also due to one unemployment claim the Village had in 2014. \$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 second of five payments back to General for the new Village Hall.

Sales tax reimbursements include Walt's (\$130,000) and Beecher Hardware (\$5,250). Property tax reimbursements include Dutch American foods (\$8,783) and Children's Plus (\$2,450). \$8,292 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

A \$22,000 grant will be used to replace the lights in Firemen's #1. The Village is also assuming responsibility for the ice rink in this proposed budget at a cost of \$2,000. Additional port-a-johns are budgeted for placement in Firemen's Park to supplement the bathrooms that are frequently closed due to vandalism. Welton Stedt Park is scheduled to get a top coating of ag lime, and \$1,750 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 \$20,965 is now being collected annually from payments due from other funds in the budget. There are no planned purchases from the fund this year as we try to build up reserves in this account. The next item to be replaced will be one of the larger dump trucks and this will be a big ticket item.

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. \$24,640 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 \$187,888 “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 remain flat at \$24.30 per capita, and \$53,727 in reserve cash will be needed to fund the Village’s portion of the Safe Routes to Schools Grant and to complete the fourth phase of the street name sign replacement program. The Safe Routes to Schools Grant is a \$148,000 project funded by \$118,400 in state grant funding. \$66,000 is budgeted for 600 tons of salt at \$110/ton. \$18,000 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 one year purchase of fuel futures which locked in prices back in January for one year now appear to be a good deal for the local governments. The Village acts as fiduciary agent of this account.

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 \$144,000 per year. This year road improvement program plan calls for the resurfacing and curb repair on Fairway Drive, completion of the Phase I Report on the Penfield Street STP Project, \$32,000 as the first of 5 loan payments for the \$150,000 borrowed to complete the Phase I Report for the Penfield STP Project, and \$20,000 for annual crack-sealing.

WATER FUND

Revenues projections were based on actual 2013 collections plus \$22,970 in new \$0.10 rate collections in 2014 and 2015. \$48,900 of the available \$134,000 in unrestricted reserve cash is planned for capital improvements in the Water Department including the final installment of SCADA upgrades (\$7,900) pulling and replacing the well casing in Well #3 (\$41,000). 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 backhoe tires are scheduled for replacement, and \$3,000 remains in the budget as an incentive for public works employees to attain their technical licenses. We plan to transfer \$39,384 to the Watermain Replacement Account and \$9,846 to the debt service fund as partial payment on the 2002 water tank and booster station loan.

SEWER FUND

Once again, 2013 collections were used in the water revenue projection and \$22,970 added to accommodate for the two rate increases which has occurred since that time. \$46,131 in reserves are planned for use and when combined with the water reserves the O+M fund balance is planned to drop from \$134,000 to \$80,000.

Projects in the Sewer Department this year include its share of the final phase computer system (SCADA) upgrades (\$7,900), sludge removal (\$14,900), sewer license promotion training and specialty pay (\$4,080), re-build of the RAS lift station (\$24,000), and repairs to bar screen (\$5,000). 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 30 year, \$6 million IEPA loan.

\$106,124 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 has listed as revenue the \$39,384 in watermain replacement collections, \$30,000 in grant funds for updating the Village's land use plan to include the Illiana Expressway (if we obtain the Governor's release of these funds), \$695,000 in IEPA loan proceeds for the replacement of the Penfield St. watermain, and \$36,095 in reserve cash. This will bring the fund balance of the capital account down to \$63,095 assuming no new tap in fees are collected.

We have set aside \$9,000 for any type of water or sewer unforeseen emergency, \$4,500 for economic development. \$42,125 has been budgeted for Village Planner services including

\$36,125 for updating the Village's land use plan to accommodate the proposed Illiana Expressway. \$10,620 has also been budgeted for the purchase of 100 additional meters to be installed in the older part of town. \$110,000 in engineering fees and \$600,000 in actual construction dollars has also been budgeted for the replacement of the Penfield Street watermain.

WATER AND SEWER DEBT SERVICE FUND

Revenue for this fund comes from the utility tax on natural gas and electric (\$197,151), transfers of debt charges on water and sewer billing collections (\$115,970), and \$46,848 in reserve cash which was collected in prior years when debt charges and utility taxes exceeded debt payments. There is about \$365,000 in unrestricted assets in this account.

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. \$85,196 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 2016. Two annual payments of \$225,073 remain through 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 and more likely a 30 year loan.

One capital item is being funded out of debt reserves and this \$50,000 for the completion of a Phase I Alternatives Report for the expansion and rehabilitation of the wastewater treatment plant. This report, valid for five years, gives the Village the opportunity to borrow \$6 million from the IEPA for 30 years in order to bring the sewer plant into new regulatory compliance. This project is scheduled for 2019.

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 1st. 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, 2015. 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 2015/2016 than it did in fiscal year 2014/2015.

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
NET INCREASE TO A TYPICAL FAMILY	\$ + 22.80

Summary

All funds of the Village are balanced for the coming year with the exception of \$95,031 in reserves from the Water and Sewer O+M Fund for various capital improvement projects, \$36,095 in reserves from the Water and Sewer Capital Fund for replacing meters and Phase II design of the Penfield watermain, \$46,848 in Water and Sewer Debt Fund Reserves for completion of the Phase I wastewater treatment plant alternatives report, \$100,000 in Public Infrastructure Reserves for the Penfield STP design, and \$53,727 in MFT Reserves for Safe Routes to Schools local match and the street name sign replacement program. There is no planned use of reserve cash in the General Fund.

There are several projects scheduled for this year, which include the replacement of street name signs and poles in several subdivisions, Safe Routes to Schools signage and flashing lighting, replacing aging meters, \$15,800 in SCADA upgrades, rebuilding the RAS lift station, Fairway Drive loop resurfacing, and replacing the Penfield Street watermain from Dixie to Reed.

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, 2016:

General Fund:	\$ 380,000
Refuse Fund:	\$ 50,000
Park Improvement Fund:	\$ -0-
Motor Fuel Tax Fund:	\$ 58,000
Joint Fuel Fund:	\$ 34,000
Bond Redemption	\$ 1,000
Public Infrastructure:	\$ 135,000
Capital Equipment Replac.	\$ 64,000
Operations and Maint.:	\$ 80,000
Water and Sewer Capital:	\$ 100,000

Watermain Replacement: \$ 98,000
Water and Sewer Debt: \$ 309,000

TOTAL FUND BALANCE ON 4/30/16: \$ 1,309,000

This compares to a current projected fund balance of \$1,415,000 on April 30, 2015. This amount is 28.02% of the total budget of \$5,049,915 and would fund about 90 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.