



May 1, 2005

Honorable President and Board of Trustees  
Village of Glen Ellyn

**Subject: Village Manager's Budget Message for FY 05/06**

Transmitted with this letter is the adopted budget for the Village of Glen Ellyn for fiscal year 2005/06, which begins May 1, 2005. This budget represents the end of a preparation process that began last November with the Village Board's adoption of the annual property tax levy. Two special Village Board workshops were held to discuss the proposed budget, plus a public hearing and public presentation of the proposed budget on April 11, 2005.

The total net expenditure budget for FY 05/06 is \$45,450,000. The total budget is made up of 15 individual "funds", each having a specific purpose and providing specific functions or services.

A brief, one page summary of the 2005/06 fiscal year budget "at a glance" identifies major sources of funding and scheduled programs and services and can be found on page 2 of this document.

**BASIC BUDGET OBJECTIVES**

During preparation of Village budgets, certain basic objectives are followed. These objectives are outlined below:

1. The budget is much more than columns of numbers and figures. Through the addition of substantial narrative, charts and footnotes, we strive for a document which is intended to assist the reader in understanding how and from where revenues are received, how they are spent, and what types of services and projects are delivered to the public.
2. Reliance on property taxes is minimized. Of the \$45.5 million net budget, \$5.4 million or 14% will be collected from property taxes. A total of \$3.0 million, almost 60% of the total property taxes collected, will pay off capital improvement bonds approved by voter referendum in 1987 (\$15 million) and 2000 (\$18 million). These various bonds will be paid off beginning in 2007, with final ones in 2013. The remaining \$2.4 million, or 40% of total property taxes, will be used to support the daily operations of Village government. These funds will pay for about 42% of the Police Department budgeted expenses for FY06.

This year the Village Board continued its commitment to minimizing property taxes in Glen Ellyn by abating a total of \$500,000 in bond principal and interest payments in February, 2005. This continues a long-standing commitment made by a prior Village Board to abate (not levy or collect) a total of \$10 million in principal and interest on bonds issued in 1987, 1988 and 1989 prior to voter-approval of the \$15 million 1987 street, water, storm sewer improvement bond referendum. To date, a total of almost \$9.3 million in property taxes have been abated or taken off of the tax rolls over the past 18 years. Our Fiscal 2005/06 budget provides for the continuation of this abatement.

The Village continued its commitment to minimizing the use of property taxes by self-imposing the State property tax cap rules even though under no obligation to do so. Following some positive revenue results combined with expenditure reductions in our 2004/05 fiscal year, the Village Board acted in February, 2005 to reduce requested property taxes to be received in FY05/06 by \$100,000.

The Village's portion of all property taxes paid by Glen Ellyn residents was 8.1% in 2004. The DuPage County Clerk's office indicates that this percentage will decrease to 7.6% of the total 2005 property tax bill. More than 75% of all property taxes paid support elementary schools, high schools, and the College of DuPage.

3. The key General Fund budget is balanced so that planned expenses do not exceed expected current revenues. That is, recurring expenditures are paid from recurring revenues.
4. Adequate cash reserve levels are maintained. Village Board policy is to maintain a cash reserve for daily operating funds of no less than 25% of the operating budget. In the General Fund, this 25% is about \$3.0 million. Assuming no extraordinary revenue losses or emergency expenses, it is expected that the General Fund cash balances will total about \$6.3 million at the end of FY 05/06, an amount equal to 52% of the operating expenses of the General Fund. Cash reserves provide a buffer for changes in cash flows, provide interest income, contribute toward the Village's high quality Aa2 bond rating, and protect against the unexpected that can happen with either income or expenses.
5. Enterprise Funds are self-supporting through their separate revenues/rate structures with no financial subsidies from other funds or property taxes. Enterprise funds, including Water/Sanitary Sewer, Recreation, Parking, and Residential Solid Waste, also pay the General Fund a service fee to pay for the costs of general administrative services such as accounting, personnel, and insurance.
6. Each staff position vacancy is carefully reviewed to determine possibilities for changing to part-time or elimination. The General Fund supports 78, or 71%, of our 110 full-time employees, including 47 in the Police Department, some public works staff, Planning and Development and Finance. Total full-time positions for FY06 have

been reduced by 2. Since 1992, total full-time Village staff have decreased by 18 positions or 14%. Glen Ellyn has the lowest ratio of full-time employees to total population of all DuPage County municipalities having a population greater than 2,500.

## **REVENUE HIGHLIGHTS**

1. The current year 2004/05 has shown some positive results in terms of recovery in some of our key General Fund revenues.
  - Glen Ellyn's 1% local **sales tax**, which makes up 25% of our General Fund revenue budget, has shown growth of 3.8% over actual receipts in our prior 2003/04 fiscal year. Our projection for FY06 beginning on May 1 assumes an additional increase of 3.0% over projected FY05 revenues.
  - Our receipt of **State-shared Income Taxes** have increased in FY05 by 7.8% compared to the prior fiscal year. We anticipate additional growth of 5% for our new fiscal year beginning May 1. Revenues from the State income tax represent 15% of total General Fund revenues.
  - **Interest income** earned on invested cash balances has begun to turn around during FY05 as the Federal Reserve has begun to gradually increase interest rates. Expected interest income for FY05 will be 2.5 times the amount of earnings in our 2003/04 fiscal year. We remain conservative in our estimates of interest earnings, using a general interest rate assumption of 3% on invested cash balances for FY06. Even with this estimate, interest earnings in the coming year should increase by 50% compared to our current year estimate.
2. On April 28, 2003, the Village Board approved a two-step rate increase in water and sanitary sewer charges based on recommendations presented by our Capital Improvements Commission (CIC). In early 2003, the CIC completed a review of the long-term capital needs of the Village's aging water and sanitary sewer system which resulted in the Village Board adopting a 10-year capital improvement program. Rate increases were recommended to provide funding to pay for:
  - ✓ Water and sanitary sewer system improvements associated with the 20 year street and storm sewer improvement program.
  - ✓ Capital improvements resulting from our water system master plan (12/02), and sanitary sewer evaluation study (SSES) (12/02).
  - ✓ Increased operating costs of the fund (The Consumer Price Index has increased by 22% in the last nine years, the last time water and sanitary sewer rates were increased).

The approved two-step rate increase became effective with utility bills prepared beginning July 1, 2003 (15%) and May 1, 2004 (7.5%) with an additional 5% adjustment planned for May 1, 2006. The DuPage Water Commission recently reduced the wholesale water rate charged to its member communities from \$1.65 to \$1.45 per 1,000 gallons. This action will save our Water and Sanitary Sewer Fund approximately \$200,000 in operating expenses annually. This decrease in expenses may allow the deferral of the next scheduled rate adjustment for two additional years (until May, 2008). Refer to the Public Works section of this budget document to review the Water and Sanitary Sewer Fund 10-year capital plan.

3. Total net Village revenues for FY06 are expected to increase by more than \$4 million or 12%. This includes the return of a full season's revenue at the Village Links Golf Course, a planned low-interest loan in our Water and Sanitary Sewer Fund of \$1 million to finance the proposed Hill Avenue water main extension (see Water and Sanitary Sewer Fund proposed budget), and an additional \$800,000 of interest income generated by invested cash balances.

### **EXPENDITURE HIGHLIGHTS**

1. The budget continues a significant focus on our capital improvement program scheduling an investment of \$17.3 million, not including debt payments (an increase of \$6.1 million from the current year FY05 budget). Capital projects comprise about 38% of the \$45.5 million total Village budget. Improvement projects remain at a high level as we continue to complete the 17 storm sewer improvement projects funded by the \$18 million 2000 bond referendum, as well as water and sanitary sewer system improvements. Major projects include:
  - Water system improvements in the amount of \$2,354,000.
  - Sanitary sewer system improvements in the amount of \$2,450,000.
  - Storm sewer improvements totaling \$2,335,000, representing year five of the 20 year, \$57 million (1999 dollars) repair and replacement program recommended by the Capital Improvements Commission and adopted by the Village Board in July of 2000. Funding for this 20 year program is planned through real estate transfer taxes (\$11 million, collection of 3% fee started 12/00), utility taxes (\$28 million) and general obligation bonds (\$18 million repaid by property taxes over 10 years), which were approved by voter referendum on November 7, 2000.
  - Street and other roadway improvement projects in the amount of \$6,770,000.
  - Community Enhancement Fund improvements in the amount of \$1,220,000 for Lake Ellyn water quality improvements, entryway enhancements at the Five Corners northern Village entryway, and undergrounding of overhead utility lines.

The balance of the capital improvements includes other improvements and equipment purchases throughout the Village. A summary of planned capital expenditures for FY06 can be found later in the Introduction section of this budget document.

2. The FY 05/06 budget includes a salary schedule increase of 2.5%. All pay increases for employees not at the top of their pay ranges are determined through a merit-based evaluation system. The total amount budgeted for personnel costs, including salary, pension and health insurance is \$11.1 million, or approximately 24% of the total net budget of \$45.5 million. This covers 110 full-time staff, plus many part-time and seasonal staff totaling 71.1 full-time equivalents.

### **ORGANIZATION OF THE BUDGET DOCUMENT**

The budget is an annual work plan and major policy document of the Village Board. It outlines funding for services, programs and projects that will be undertaken in the upcoming year.

As indicated earlier, the document includes extensive narrative, charts, graphs and footnotes, the intent of which is to help explain the various line items and functions. The document is organized along our functional and departmental lines, and is presented in four main parts:

1. Summary of Revenues and Resources - Section I, Introductory Section.
2. Summary of Expenses, Section I, Introductory Section.
3. Department narrative and expense budgets by function. Sections II through IX.
4. Other activities and supplementary information, Section X.

Sincerely,

Gary Webster,  
Village Manager