

CAPITAL PROJECTS FUND

FUND SUMMARY AND REVENUE FOOTNOTES

The Capital Projects Fund is used primarily for the design, construction, and significant maintenance of streets, storm sewers and sidewalks within the Village. Funding is primarily obtained through taxes on the use of natural gas, electricity and telecommunications services. A real estate transfer tax was added in December of 2000 in connection with a 20 year street and storm sewer improvement plan. Beginning in FY09/10, the use of a portion of the Village property tax has been allocated to continue our investment in public infrastructure assets and to provide a stable revenue source into the future.

Other revenues include a stormwater “fee in lieu” which is collected on developments that add impervious surface area and are unable to provide adequate on-site detention of storm-water runoff. These impact fees are to be used to fund storm sewer system improvements in the Village. The Capital Projects Fund also generates some additional revenues through the periodic sale of unneeded Village-owned land / rights of way and applies these funds toward future Village property purchases, where desirable.

FY10/11 Budget Summary The FY10/11 Capital Projects Fund budget includes a full complement of projects and initiatives which continue our strong emphasis on reinvestment in the maintenance of the public infrastructure. Most of these programs also have a significant impact our Water and Sanitary Sewer Fund as we generally address many of these infrastructure components in concert, to optimize efficiency and minimize cost. Included in the budget is a planned drawdown of cash reserves totaling nearly \$2.3 million to support the completion of these projects and improvements. As we consider the use of cash reserves to complete current year projects, we are cognizant of the impact the depletion of these reserves has on our flexibility with respect to project scheduling as well as our ability to address unanticipated or emergency issues or new opportunities.

As this budget was prepared, there are a number of estimates for projects which have yet to go through the bidding process. Although we have received generally good results in terms of bid pricing compared to estimates prepared by our engineers, we are reluctant to decrease budget estimates on the hope that favorable bid pricing continues into the future.

Based on the aggressive project schedule for FY10/11, we will need to maintain a close eye on our cash reserve balances. Our hope is to maintain a minimum cash reserve balance of approximately \$500,000 by the end of FY10/11. In the event favorable bid pricing continues, and it appears we will be able to achieve a minimum cash reserve balance of \$500,000, we should be able to complete all of the scheduled projects identified in the budget. In the event, we fall short of our target cash reserve balance, we will consider deferral of the Braeside Area Lighting Improvements Project (\$700,000), the Roosevelt Road Street Light Painting Project (\$65,000), the Nicoll land bridge (100,000), Roosevelt Road undergrounding (\$50,000) or Lake Ellyn outfall channel (\$100,000) which are budgeted in the Construction Projects line item.

These projects are not scheduled for bidding until late in FY10/11 and the deferral of the Braeside project is not anticipated to impair our ability to receive planned CDBG funding assistance of \$300,000.

REVENUE FOOTNOTES

1. **Property Tax: (\$985,000)** Beginning in FY09/10, a portion of the Village property tax was allocated to the Capital Projects Fund as a new permanent revenue source needed to sustain the 20 year street improvement program. In 2000, in conjunction with a voter-approved referendum to issue bonds to complete storm sewer improvements, the Village Board committed to improving overall roadway surfaces by completing rehabilitations on a 20 year cycle versus the previous 30 year program.

Declining revenues combined with additional increases in the scope of scheduled construction projects significantly impacted our ability to maintain pace with the 20 year plan. After significant discussion of this problem, our Capital Improvements Commission (CIC) in the fall of 2008 proposed a plan to utilize a scheduled reduction in property taxes (from 1987 series capital bonds which are now paid off) to begin filling the gaps in our street improvement program. Instead of a general property tax reduction, we would maintain property taxes generally at current levels and use the amount previously paid to retire debt for direct financing of future road projects.

This proposal was communicated to the public through a special edition Village newsletter mailed to all Village residents in August 2008. The CIC hosted two televised special meetings in September 2008 to receive public input on the proposal. Additionally, the proposed property tax levy was reviewed on three separate meetings, including a formal public hearing, prior to adoption in November 2008, allowing maximum opportunity for public input and feedback.

Based on the CIC proposal, we will continue to infuse additional property tax dollars into the Capital Projects Fund as other Village bonds are retired. This is expected to continue through 2014 as property tax supported debt for capital improvements are reduced to zero. See Debt Service Fund budget for future debt service on Village issued general obligation bonds.

2. **Telecommunications Tax: (\$1,350,000)** This revenue source is derived from a 6% tax on telecommunication services within Glen Ellyn. Monthly payments are received from the Illinois Department of Revenue which, in January, 2003, took over as the centralized collection agent for all municipally-imposed telecommunications taxes.
3. **Electricity Use Tax: (\$975,000)** Prior to 1998, the Village imposed a utility tax of 5% of gross charges on electrical companies. Changes in State law at that time resulted in the conversion of this tax to a use tax based on the number of kilowatt hours of electrical

consumption per month (Village Ordinance VC-4618; 7-27-98). This revenue source is affected by weather and its impact on usage of electricity.

The amount budgeted for FY10/11 is an estimate of electricity use tax receipts based on "average" electricity consumption in a given year.

4. **Natural Gas Use Tax: (\$350,000)** In December, 2003 the Village converted its 5% utility tax on gross charges for natural gas to a use based tax of 2¢ per therm of natural gas used (effective 2-1-04) in order to:

- ✓ Provide equity among Glen Ellyn taxpayers. Those who purchased their natural gas from an out-of-state supplier did not pay tax on the gas they purchased. Under the new form of tax, all Glen Ellyn customers will pay the same tax.
- ✓ Provide some stabilization in the amount of tax collected from residents. The 2¢ per therm use tax is not tied to the market price of natural gas, therefore taxes collected will not change as gas prices fluctuate.

Our revenue projection for FY10/11 is based on 17.5 million therms of gas consumed in Glen Ellyn at a rate of 2¢ per therm for a total of \$350,000.

5. **Real Estate Transfer Tax: (\$400,000)** Collections of this tax, which is assessed at \$3 per \$1,000 of a property's sales value, first began on December 1, 2000. This revenue source is solely dedicated to help pay for the 20 year street/storm sewer program as recommended by the Capital Improvements Commission and approved by the Village Board in July, 2000. Specifically, this revenue source is allocated to pay for expenses incurred in the "Street Program" line item as defined in Ordinance 4872, adopted August 28, 2000.

Collections of this tax have dropped off significantly over the past two years due to the fallout from the sub-prime mortgage crisis and general state of the economy.

6. **Community Development Block Grant: (FY09/10 Estimated Actual - \$95,000)** A portion of the Braeside Area / Surrey Drive Improvements project is eligible for reimbursement from a Community Development Block Grant.

FY10/11 Budget - (\$300,000) A Community Development Block Grant in the amount of \$300,000 will help defray construction expenses for the installation of street lights throughout the Braeside subdivision.

7. **Miscellaneous Revenue:**

	<u>FY09/10</u> <u>Estimate</u>	<u>FY10/11</u> <u>Budget</u>
DuPage County Reimb. (Riford Rd.)	\$0	\$353,000
DuPage County Reimb. (Crescent Ave sidewalk)	139,000	0
County Grant – Riford Open Channel Stabilization	0	20,000
Community Initiative Grant (Turner)	0	45,000
Miscellaneous Other	<u>11,000</u>	<u>12,000</u>
	<u>\$150,000</u>	<u>\$430,000</u>

8. **Operating Transfer – General Fund: (FY08/09 Actual - \$3,000,000)** Available General Fund reserves were used to fill a short-term funding gap in the Capital Projects Fund.
9. **Operating Transfer – Corporate Reserve Fund: (FY07/08 Actual - \$2,500,000)** This was a one-time transfer of available Corporate Reserve Fund balances to continue pace with our 20 year street improvement program while we searched for a new revenue source to sustain the program on a long-term basis.