

BUDGET OVERVIEW MAY 1, 2006-APRIL 30, 2007

The Honorable Village President and
Board of Trustees:

We are pleased to submit the proposed Operating Budget and Capital Improvement Program for the fiscal year beginning May 1, 2006. This budget represents a concerted effort on the part of all Village departments to meet service demands subject to available revenues, both in the current year and in the years to come.

Budget Philosophy and Process

Budget Philosophy

Serving the public trust requires that the annual budget provide the best possible balance of allocation to meet the varied needs of all citizens. The budget is a principal management tool for the Village administration, and in allocating the Village's resources, it both reflects and defines the annual work program. In this context, the budget provides a framework for us to create, enhance and preserve a human, natural, physical and economic environment that fosters our community's unique quality of life. The budget should also reflect organizational values of integrity, teamwork, service excellence, personal growth and innovation.

In addition to balancing allocations to meet community needs, a successful annual budget preparation process requires excellent communication, citizen outreach and a commitment to excellence. To this end, the process must be a cooperative effort of the entire Village organization. The overriding goals must be to support the high standards set by the community and to provide long-term value at a reasonable cost. The budget will be based upon timely, consistent and clearly articulated policies. It will be realistic and will include adequate resources to meet assigned work programs.

Budget Process

Preparation for the FY 2006-07 Village Operating Budget and FY 2007-16 Capital Improvement Program began in September 2005. A budget calendar was established to outline staff, management and elected official responsibilities within a specified time frame.

To assist departments in preparing their budgets, the Finance Department developed a Budget and CIP Preparation Manual. The manual provided personnel and benefit information, historical budget information and detailed instructions on the completion of several forms required with the budget submittals.

The manual was distributed to all Village departments in October at a budget kickoff meeting hosted by the Finance Department. This meeting provided an open forum for both discussion and questions regarding the upcoming budget and CIP process, as well as previewed all changes applicable to the budget and CIP process.

After the meeting, all departments were given approximately two months to prepare their budget and CIP requests in accordance with the instructions provided. In addition to these requests, departments also provided revenue and expense projections for the fiscal year ending April 30, 2006 and revenue projections for FY 2006-07.

In January 2006, the Village Manager and Finance Director met with representatives from each department to discuss their operating budget and CIP requests. After any changes resulting from these meetings were made, the proposed budget and CIP was submitted to the Village Board for their review beginning with the February Finance Committee meeting.

After the proposed documents were reviewed, a public hearing was held and the budget and CIP documents were officially approved prior to the beginning of the fiscal year.

The Finance Director is responsible for coordinating the development of the budget, monitoring financial transactions within each department, and providing cash flow and revenue/expenditure projections for the departments, Village Manager and Village Board. The Finance Director is responsible for coordinating the development of the CIP, monitoring progress with each department and providing analysis based on project status.

As a final step in the process, the Finance Department will conduct a debriefing session with representatives from all Village departments once the budget and CIP have been adopted. The debriefing session allows for an open discussion regarding the budget and CIP process and attempts to gather information to assist in improving both processes for the next year.

Significant Programs and Highlights - Prior Year

Personnel

The Village added multiple positions in order to maintain and enhance the level of services provided. Village Hall staff additions included an Administrative Analyst in the Village Manager's Office and a change in status from part-time to full-time for a Building Inspector and Building Clerk in the Building Department. The Police Department was authorized to add a Deputy Chief, two Police Officers, a Dispatcher and

a part-time Records Clerk. Finally, the Public Works Department saw two new positions, Water Plant Operator and Building Maintenance Technician, plus an increase from part-time to full-time for the Public Works Secretary.

Technology

The Community Development and Building Departments continued working to improve and expand the GIS and Land Management system projects which began in prior years.

In addition to expanding the CAD/RMS system, the Police Department implemented the Livescan Fingerprint system. This allows the department to take digital fingerprints and send them electronically to the State. This saves staff time and increases the accuracy of the process.

Finally, the Village installed T-1 lines between the Village's three main locations. This allows for greater communication and information sharing between departments, as well as giving the Police and Public Works Departments direct access to financial and HR information through Pentamation.

Professional Services

The Village created its second Strategic Plan during the year. With the assistance of a consultant, the Village Board and Village staff, as well as residents, business owners and other interested parties, created a plan outlining the Village's priorities for the near future. Some of the outcomes from this process can be seen in this year's budget and the extended CIP.

In addition to the overall Strategic Plan, the Public Works Department worked with a consultant to create a department-specific plan which will help them as they continue to provide high-quality services in our climate of rapid growth.

The Village conducted another Special Census during the year and estimates that this will result in increased State-shared revenues of \$200,000 for FY07.

The Village contracted for an Historic Conditions Report during the year. This report detailed the current condition of 209 Clinton, describe the original appearance of the building and provide the costs to restore the structure.

Two projects related to the Route 30 TIF District were conducted during the year. The first item, the TIF Eligibility Report, ensured that the Village met the requirements for creating the district and helped determine the project boundaries. In conjunction with that, a sub-area plan was developed for the general TIF District area to provide ideas for redevelopment of the area.

The Village provided funding to Kendall County for a Blackberry Creek study being performed.

Finally, the Village conducted a water rate study to determine the appropriate rate charges to ensure that the Village is recovering its operating costs as well as providing for future expansion.

Vehicles

As part of the vehicle replacement program, the Village replaced one patrol car, one Building Department vehicle and two Public Works trucks. Fleet additions included an SUV for the Building Department, a patrol unit and a car for the Police Chief in the Police Department, and a pickup truck and tandem-axle truck for Public Works.

Capital Projects

The Police Facility was completed and an official ribbon cutting was conducted in July. Numerous tours continue to be conducted of the facility and many of the Village meetings have been moved to this location.

Architects have been hired for the Village Hall project and the Village is currently working through the design phase of the process.

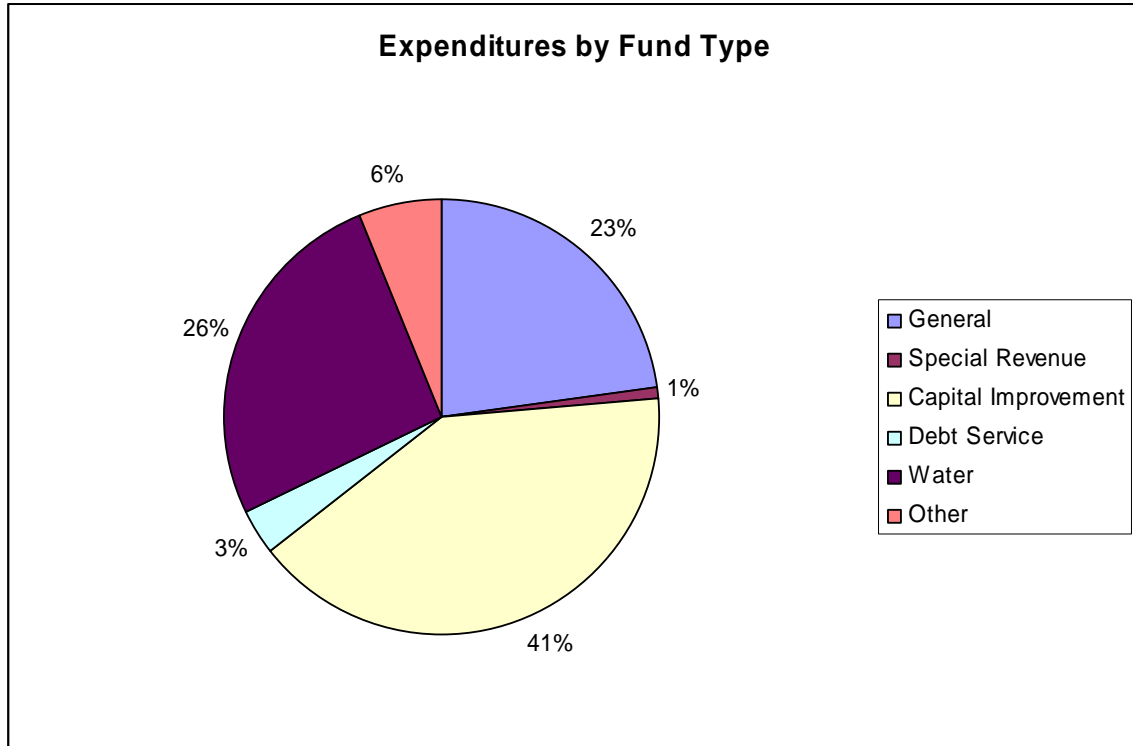
Completing a two-year project using Federal grant funds, the Village contracted for the repainting of the elevated storage tank located near the Dial Corporation.

Current Economic Environment

During the preparation of the proposed Operating Budget, the Finance Department considered both local and national economic conditions when projecting future revenues and expenditures. Items reviewed in creating this budget document include the status of both current and future commercial and residential developments, financial market conditions and any pending legislation.

While preparing the budget, Village staff worked to maintain financial stability, including adequate reserve levels, and still meet the demands being created by the ongoing growth. During FY07, the Village will need to record all of its utility tax revenue in the Capital Improvement Fund to meet debt requirements. The Special Census did not take place as early during FY06 as was estimated during the budget process. Also, some sales-tax producing projects have not occurred as quickly as was originally thought. These items were considered during the preparation of this document and as a result there were not large changes to the operating budget between FY06 and FY07.

Expenditure Overview (All Funds)



For FY06, the total budget was \$21.0 million and projected actual expenditures are \$17.8 million. Expenditures, including all funds, for FY 2006-07 total \$32.5 million, which represents an increase of 55% over budgeted expenditures and 83% over projected actual expenditures from FY06.

The primary reason for the substantial increase in the budget is related to the CIP, which totaled \$7.6 million in FY06 and \$18.6 for FY07. The Village is undertaking a number of large capital projects during the year, including road improvements to Orchard Road, Baseline Road and Route 30 to prepare for development, Village Hall construction, an elevated storage tank and related utilities at Ogden Hill, and improvements to the TIF District area.

Significant Programs and Highlights – Current Year

Personnel

The FY 2006-07 budget reflects three new positions and increased hours for a current position. During the year, the Public Works Department will add a Senior Civil Engineer to manage the CIP and a part-time Fleet Mechanic to help maintain the expanded fleet. The Police Department will add a Police Sergeant position and hire a replacement for the Police Officer who was promoted to Police Sergeant. Finally, the hours for the Executive Secretary in the Village Manager’s Office will increase from 30 to 40 hours per week.

Technology

The Police Department will implement a barcode system for evidence storage, which will allow them to track the storage location of items and when they are checked in or out. The department will also be replacing an old copy machine.

Professional Services

The Village will conduct a Pay and Compensation Study during the year to update the previous program. This will allow the Village to maintain competitive wages and benefits to attract and retain qualified employees.

The Police Department will undergo a strategic planning process to determine the priorities and needs of the department, and develop goals and actions plans for the near future.

Vehicles

As part of the annual replacement program, the Police Department will replace three patrol units including the paddy wagon. They will also add a squad to the fleet to meet service demands. Public Works will replace a backhoe, service truck and plow truck and add two units to the fleet: a wheel loader and a leaf vacuum. Finally, the Village Hall pool car will be replaced.

Capital Projects

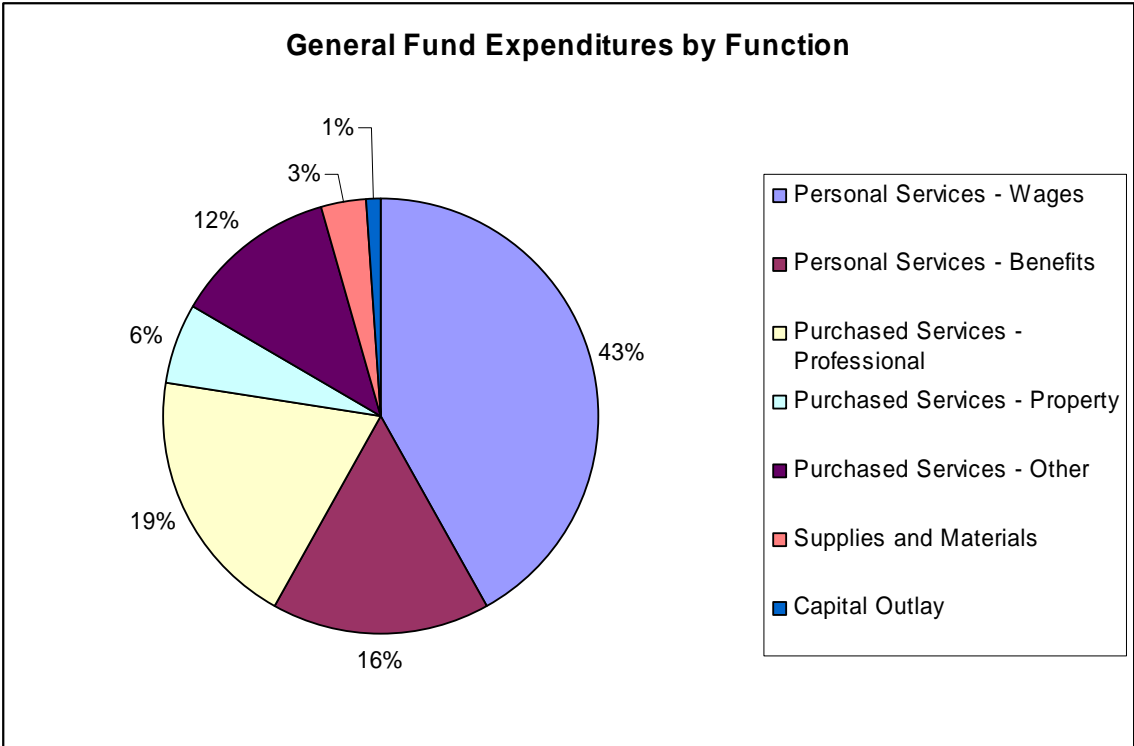
The proposed 2007-16 Capital Improvement Program (CIP) totaling \$82,315,900 summarizes all major capital expenditures planned over the next ten years. Projects included in the CIP must have a minimum value of \$25,000, a multi-year useful life and result in a fixed asset. This proactive program was prepared to address our capital needs while remaining fiscally responsible. The plan sets priorities and realistically identifies what can be accomplished in a given year.

Planned projects include Village Hall construction, road construction and maintenance, construction of an elevated storage tank and TIF area improvements.

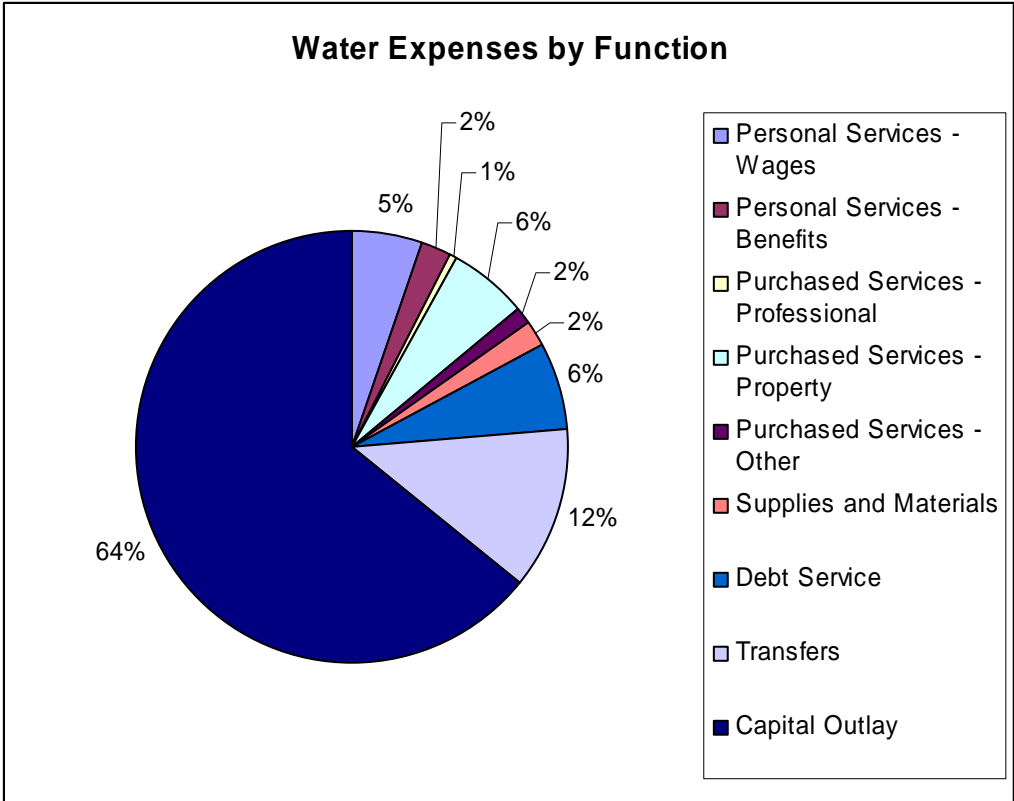
General Fund Expenditures

General Fund expenditures comprise 23% of the total budgeted expenditures for fiscal year 2006-07.

Overall, the General Fund budget for the current year represents an 8% increase over the FY06 projected actual expenditures and 6% over the prior year budget. The following chart provides a breakdown of the General Fund by expenditure element.

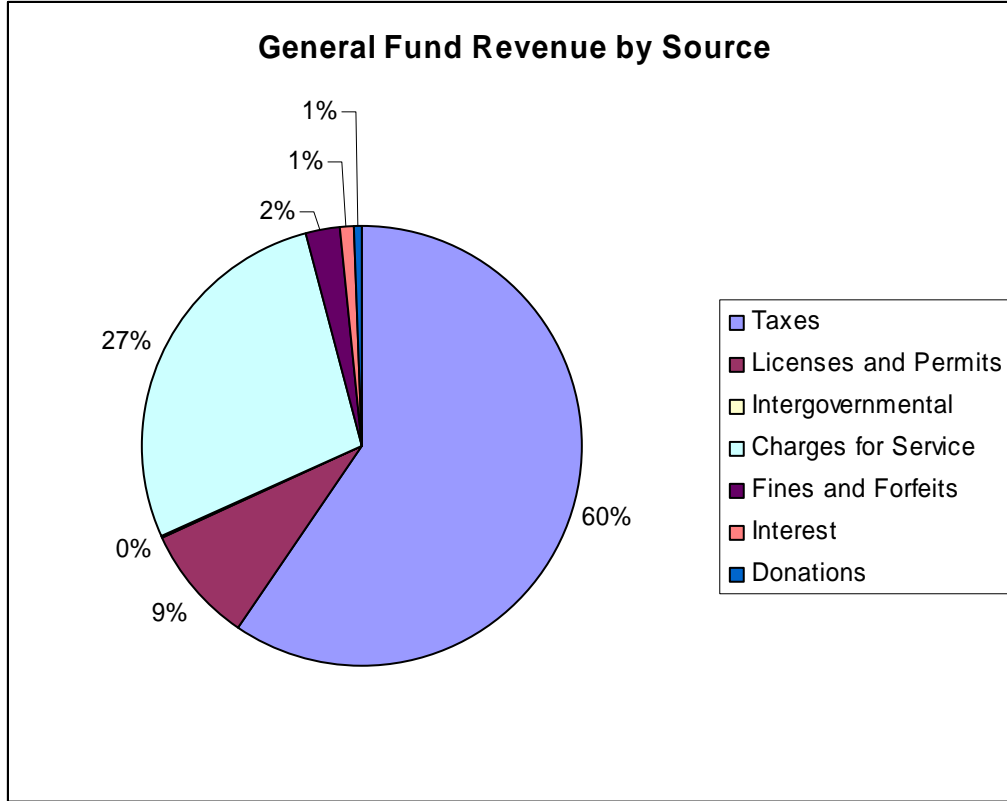


Water Fund Expenses



The Water Funds comprise 26% of the total Village budget for FY 2006-07. The Water Funds include water plant administration and operations, as well as capital improvement projects related to the water utility.

Revenue Overview (General Fund)



Total revenue for the General Fund is \$7.4 million. Taxes account for 60% of the total anticipated revenue for fiscal year 2006-07. The specific sources in this category include property tax, sales tax and income tax.

Conclusion

The FY 2006-07 Operating Budget represents a concerted effort on the part of all departments to meet service demands, subject to available revenues, both in the current year and in the years to come. Much credit and appreciation is given to the departmental management teams for their valuable contributions to this budget process.

Respectfully submitted,

Anne Marie Gaura
Village Manager

Jeff Zoepfel
Director of Finance