

Village of Montgomery 2008-09 Proposed Budget Executive Summary

I. Introduction

The Village of Montgomery began a period of unprecedented growth in 2001. Current estimates place the Village's population at 16,500, which represents a 202% increase from the 2000 Census figure of 5,471. This growth provided the Village with both opportunities and obstacles in meeting the demands of these new residents.

With the growth has come an increase to Police service calls, more lane miles to repair and plow and more customers for water billing and collection. The increase to revenue sources such as property taxes and building permits helped the Village obtain additional staff and equipment in an effort to address the increased service demands. When this has proven insufficient, the Village has drawn down a portion of its fund balance to make up the difference.

The new growth also provided one-time revenue streams such as impact fees and tap-on fees which the Village used to acquire or construct capital assets and infrastructure. The Village also issued debt to fund the construction of a Police Facility and a new Village Hall. The principal and interest repayment for these comes from the Village's utility tax which has increased in proportion to the population increase.

The recent downturn in the housing market, and the economy as a whole, is having an effect on the Village's current and proposed budget. While revenue sources such as building permits are remaining static, or even declining, the Village must still maintain staffing and service levels. While the Village has seen increased commercial growth, the impact is lessened somewhat by the sales tax rebate agreements in place. Finally, the Village also went below its target of a 25% fund balance reserve due to a planned reduction during fiscal year 2007-08 and needs to work toward increasing the balance to the target percentage.

II. Fiscal Year 2007-08 Review

The final budget approved by the Board contained General Fund revenue totaling \$8,611,390 and associated expenditures of \$8,516,340. As of the date of this memo, revenues are projected to be \$8,997,570 at year end with expenditures being \$8,939,280. This would result in actual net income of \$59,290 compared to the budgeted amount of \$95,050.

The increased revenue is mainly due to two items. Property taxes were in excess of budget due to one bond issue not being abated. However, this additional \$142,780 has an equal expenditure due to the Village's decision to rebate this amount to residents. Fees reimbursed by developers for engineering services also exceeded budget by approximately \$300,000. Again, this item has a related expenditure for the Village's initial payment for these engineering services.

As stated above, the slowdown in housing starts has had an effect on the Village's budget. Fiscal year 2007-08 building permits are projected to be 37% below budget and plumbing and engineering inspections are anticipated to be 45% under budget.

In addition to the increases related to the tax refund and engineering costs mentioned above, the Village experienced increased cost for overtime as compared to budget. Total budgeted overtime in the General Fund is \$239,000, while projected actual overtime totals \$489,650. The majority of the total is for Police personnel related to maintaining service levels while positions were vacant or Officers were injured.

III. Fiscal Year 2008-09 General Fund

	2006-07 Actual	2007-08 Projected	2008-09 Proposed	FY08 vs. FY09 Difference	
				\$	%
Revenue	\$7,590,040	\$8,997,570	\$9,199,580	\$192,010	2.13%
Expenditures	8,045,840	8,938,280	9,053,170	114,890	1.29%

As shown in the table, the modest increases in revenue and expenditures mark this as a static budget. When inflationary figures are considered (the Municipal Cost Index was 3.1% in December and the Midwest Consumer Price Index was 4.1% for November) this is actually a declining budget.

The primary reasons for this, as discussed above, are the slowdown in housing-related revenues, not realizing the impact of the sales tax increase yet and the Village's commitment to maintaining appropriate fund balance levels. The proposed budget provides an ending fund balance of 22%.

Staff requests totaled \$10,707,480 which meant that it was necessary to cut \$1,654,310 (or 15%) of the requested amount. The measures that the Village took in balancing the proposed budget are discussed in the next section.

IV. Balancing The Budget

The Village made use of both conventional and creative methods to reduce costs, balance the budget and set fund balance at 22% for the coming year. These items have been broken down into categories below.

FY08 The Village reviewed the 2007-08 budget for projects that had not begun or equipment that had not been purchased and determined which, if any, could be eliminated. Among the items which were taken out of the current budget are Code Red, lighting improvements in the Public Works building and a pneumatic post driver. Amount saved - \$20,900

Staffing No new positions have been included in the proposed budget. A total of nine new positions were requested in the General fund. These included:

- Front Desk Clerk
- Police Officers (2)
- CSO (2)
- Crew Leader
- Maintenance Worker
- Fleet and Facilities Supervisor
- Custodian

Additionally, requests were denied to take two part-time positions (Records Clerk and Mechanic) to full-time and to change the title of two positions (Assistant to the Village Manager to Assistant Village Manager and Planner to Senior Planner) and to promote the employees in those positions currently.

Finally, departments requested crossover time between retiring employees and the replacement hires, which has been eliminated. Also, three currently vacant positions (Management Intern and Police Officer (2)) will not be filled during the fiscal year. Other positions which become vacant during the year will be evaluated on an individual basis. Amount saved - \$736,540

Wages and Benefits The Village had budgeted discretionary bonus pay for supervisors to award to employees who took on extra duties or completed a special project. Any monies not spent to-date in FY08 were eliminated and all bonus pay was removed in the proposed budget.

For its economic adjustment, the Village surveys its comparable communities and recommends adjusting the pay ranges by the average of the survey results. While the average for the proposed budget is 3.3%, the Village is recommending using a 3% adjustment. This would be equal to that negotiated by the Police Officers.

Finally, conference and training budgets (along with the associated travel costs) were reduced in the proposed budget. All State and national conferences which would require overnight stays were eliminated (with three exceptions which will be addressed later in the discussion). Amount saved - \$233,480

Equipment The Village changed its computer replacement policy from a 3 year to a four year life cycle. Also, equipment purchases which could be deferred were eliminated from the budget. These included:

- Equipment for new Village Hall (copier, video screens, computers for front counter, mobile vertical lift)
- Plotter for Community Development to print large scale maps (The Village will continue to utilize EEI for this)
- Temperature control system for the Police facility to electronically alert them to issues in remote parts of the building
- Video cameras for the front parking area of the Police facility
- Video projector for the Police Department

Amount saved - \$274,510

Projects Proposed projects were deferred and current projects were stopped or decreased in scope. Among the proposed projects which were eliminated are:

- Redesigning the Village's website
- Starting a regular street sweeping program
- Initiating a loan façade program for local businesses
- Performing a study to determine possible uses for the current Village Hall building once the Village moves

One current project which was reduced in scope is the Village newsletter. It is proposed to reduce the number of issues from six per year to four. Amount saved - \$73,390

V. Alternate Funding Sources The Village also looked for ways to finance operations using sources of revenue not usually found in the General Fund. One such item was using MFT funds to pay for road salt and calcium chloride used in snow plowing activities. The Village also made use of 911 wireless monies to finance the installation of two radio repeaters to extend the radio system and to fund the cost of a dispatcher. Amount saved - \$180,790

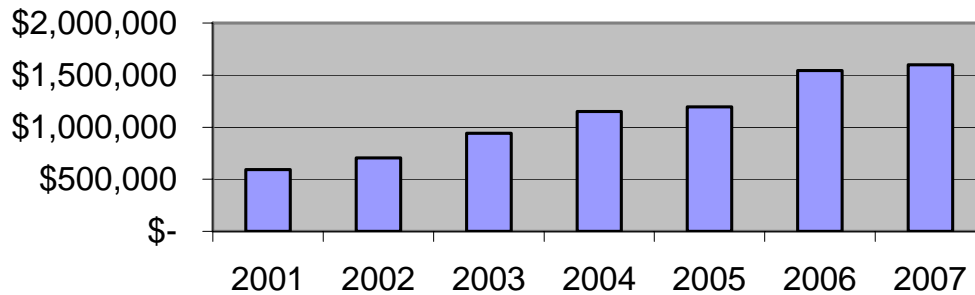
VI. General Fund Revenue

				FY08 vs. FY09 Difference	
	2006-07 Actual	2007-08 Projected	2008-09 Proposed	\$	%
Total	\$7,590,040	\$8,997,570	\$9,199,580	\$192,010	2.13%

Property Tax

For 2008-09, the Village tax levy is \$1,600,000, which represents a 4% increase over the prior year, excluding the bond and interest levy. This increase is smaller than recent years and is a result of the economic slowdown. The graph below shows the growth of the Village's tax levy during the housing boom from 2001 through the present.

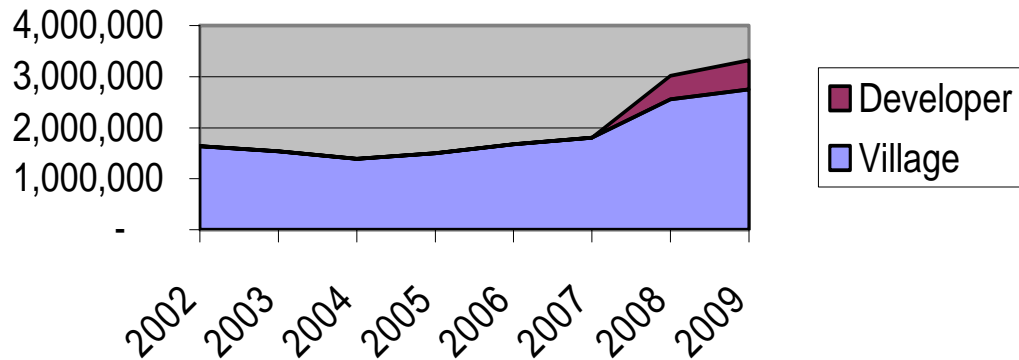
Property Tax Receipts



Sales Tax

During fiscal year 2007-08, the Village has seen a number of new retail stores open including Wal-Mart, JC Penney's, Menard's, Aldi, Firestone and Starbucks. This has caused an increase in gross sales taxes. However, a portion of these receipts must be rebated to developers per existing agreements. While the Village has not received tax data from the State at this time, estimates of the rebate amount have been made by the Village and are illustrated below.

Sales Tax Receipts



State Shared Revenue

The Village has used its increased population to gain a greater share of the state-shared revenue by conducting special censuses over the last few years. Both income tax and local use tax are distributed on a per capita basis (MFT funds are also distributed in this manner, but are accounted for in a different fund).

For FY09, the Illinois Municipal League is estimating income tax receipts to be \$90 per capita and \$13 for local use tax. This will result in a combined total of \$1,545,480.

Permit Fees

As mentioned above, permit fees decreased during fiscal year 2007-08. The Village expects the revenue source to rebound slightly during the coming year, partly due to increases to permit fees charged by the Village.

Dispatch Service Fees

The Chief of Police recently discussed a new method of distributing dispatch costs to the various districts that use its services. The new method would result in the districts paying their fair share which will result in greater revenue for the Village. The 2008-09 budget includes \$181,000 in reimbursements for services compared to \$69,950 for 2007-08.

VII. Elected Officials

	2006-07 Actual	2007-08 Projected	2008-09 Proposed	FY08 vs. FY09 Difference	
				\$	%
Total	\$116,170	\$114,750	\$123,220	\$8,470	7.38%

The increased budget is due in part to the purchase of a copier for the elected officials' area in the new Village Hall as well as costs for an open house at the new building.

VIII. Village Manager's Office

	2006-07 Actual	2007-08 Projected	2008-09 Proposed	FY08 vs. FY09 Difference	
				\$	%
Total	\$420,430	\$527,070	\$568,060	\$40,990	7.78%

The Village Manager's budget includes costs related to moving the Village into the new building. Such costs include supplies and labor costs for setting up the Village's IT system in the new building and moving the rolling file system.

Funds have also been included to hire a consultant to assist the Village in negotiating a new cable franchise agreement and insure that the Village realizes as much revenue as possible.

IX. Finance

	2006-07 Actual	2007-08 Projected	2008-09 Proposed	FY08 vs. FY09 Difference	
				\$	%
Total	\$424,490	\$543,960	\$461,270	(\$82,690)	(15.20%)

Fiscal year 2007-08 included the cost of refunding the bond and interest levy to residents, which accounts for the increase budget in that year compared to the others.

X. Community Development

	2006-07 Actual	2007-08 Projected	2008-09 Proposed	FY08 vs. FY09 Difference	
				\$	%
Total	\$939,550	\$1,426,680	\$1,617,700	\$191,020	13.30%

The 2008-09 budget includes 12 months of wages for the new Planner, compared to 4 months in the current budget. The Plan Review and Inspections division includes the addition of a Building Supervisor to replace the Director of Building after retirement. Both this division and the Planning and Zoning would report to the Director of Community Development at that point.

This budget also includes an increase of \$125,000 to the economic incentives given to developers through sales tax rebates and \$65,000 for the Village's annual contribution to the MEDC.

XI. Police Department

	2006-07 Actual	2007-08 Projected	2008-09 Proposed	FY08 vs. FY09 Difference	
				\$	%
Total	\$3,123,600	\$3,205,260	\$3,322,940	\$117,680	3.67%

During the discussion of initiative to balance the budget, it was mentioned that with three exceptions the training budgets were significantly reduced. The Administration division of the Police Department contains one of the exceptions. Funds are included to send the Deputy Chief to a 12 week training program at FBI facilities in Virginia. Funds have also been included to appoint an Acting Deputy Chief in his absence.

The FY09 budget also includes the purchase and installation of a radio repeater on the Ogden Hill elevated storage tank to allow better radio reception for Police Officers, especially when they are in one of the stores located there. Funds are being transferred from the 911 Wireless Fund to pay for this item.

XII. Public Works

	2006-07 Actual	2007-08 Projected	2008-09 Proposed	FY08 vs. FY09 Difference	
				\$	%
Total	\$1,791,050	\$1,843,500	\$2,012,980	\$169,480	9.19%

Part of the increase to Public Works is due to shifting the reporting location of some costs. The Village has moved all fuel costs from the individual departments to the Vehicle Maintenance division and shifted some building maintenance contracts from the Police budget to the Buildings and Grounds budget.

The Administration division is holding a full year of wages for the Assistant Director for the first time.

Funds were left in the budget for the Streets Supervisor and the Utilities Supervisor to attend the last year of a three-year supervisory training program at an approximate cost of \$1,300.

The Public Works budget includes some equipment purchases including a new server for the department as well as a floor scrubber and snow thrower for the new Village Hall. While the mobile vertical lift was eliminated to save money (\$11,500), funds were included to rent one twice during the year. Funds were also included to rent storage space for some of the Village equipment and vehicles to keep them from being stored outside.

Two new items are also included in the budget. The first is for contracted custodial services for the new Village Hall as well as the Police facility. The frequency and level of services will be determined upon approval of the budget. Minimal funds have also been included for the Village to dispose of the wood chips created through the chipper program. The nursery who formerly took the chips has gone out of business and the Village will incur costs to truck the chips to a new location.

The total budget for the Streets division actually decreased as a result of moving the snow plowing supplies to the Motor Fuel Tax Fund.

XIII. Legal and Engineering

	2006-07 Actual	2007-08 Projected	2008-09 Proposed	FY08 vs. FY09 Difference	
				\$	%
Total	\$1,230,550	\$1,277,060	\$947,000	(\$330,060)	(25.85%)

The decrease here is attributable to an anticipated decrease in developer activity. If that should change, there would be associated revenue to offset the increased costs.

XIV. Conclusion

The Village staff has worked very hard to bring a conservative, fiscally responsible budget to the Board for review. Tough decisions were made during the process, but the results are a balanced budget and maintaining adequate fund balance levels.