

Acknowledgement

This document was prepared by a team of Village Staff members, the Village Treasurer, the Mayor and the Village Board of Trustees who worked very hard, and with pride to provide a meaningful and useful document for the benefit of the citizens, the business community, and the Village of Itasca organization.

This important policy document of the Village of Itasca not only touches on the current fiscal year, but also looks back and out into the future to address trends, fiscal decisions, service levels, and quality of life issues. It recognizes that the decisions of today impact the budgets and community for many years beyond the current scope of the document.

The following individuals are recognized for their significant contribution in the budget process:

Jeffery Pruyn, Mayor

Village Board of Trustees

Evan Teich, Village Administrator

Ross Hitchcock, Public Works Director

Nancy Hill, Community Development Director

Robert O'Connor, Chief of Police

Cristina White, Human Resources

William Fates, Treasurer

MEMORANDUM

To: Mayor Pruyn and Village Board of Trustees

From: Evan Teich, Village Administrator

Re: The 2015-16 Budget

Date: May 4, 2015

It is my pleasure to present the proposed budget of the Village of Itasca. This budget seeks to address changing service demands, minimize the tax impact felt by the community, and address our current capital needs. It prioritizes resources, looks at revenue streams both current and projected, and provides details on significant trends related to our operations. This budget also addresses the new reality of the Tollway's Elgin-O'Hare project with our continued engineering costs and capital expenditures related to this important project. The proposed budget allows the Village to maintain its current operations, provide for stormwater improvements and continues our progression towards solid financial footing,

This budget focuses on the following principals:

- The continuation of forecasting future economic conditions against the rising costs of service delivery and limited revenue generation
- Continuation of strategic capital expenditures including investments in the Elgin-O'Hare project, Village Properties and infrastructure like stormwater relief, bridges and paths
- Addresses quality of life issues such as special events, beautification of the downtown/broader community and the promotion of economic growth
- Enhanced usage of the Hotel tax to the betterment of the community
- Follows a balanced, measured/conservative approach to forecasting our main revenue sources
- Plans for the future and establishes the policy choices to achieve those goals in an orderly, timely fashion
- Provides for a comprehensive budget while also continuing the Village Board policy of maintaining the Village's General Fund Reserves at six months of operating expenses
- Maintains a full payment towards the Police Pension fund based upon the report provided by the Fund's actuarial
- Proposes positions that maintain our service levels and enhance accountability

This document and the budget process is continuously evolving. Over the years we have added new sections and more information about our organization and we have moved certain expenditures within the budget document to better reflect who supervises those activities. We believe that those changes will help our supervision of these revenues and expenditures and produce higher levels of accountability.

The Village of Itasca continues to provide excellent, high level services to its citizens for a reasonable value. We continue to face challenges from both the state in terms of the funding of LGDF (local government Distributive Fund) and our portion of the sales tax generated within our corporate boundaries. The Village Board's decisions will have a long term impact, especially as the community continues to face Levy Limit legislation, potential reductions in state funding, additional costs related to pensions and an internal desire to fund critical services and provide high levels of service.

I look forward to the discussion.

Mission Statement

The Village of Itasca is committed to preserving the high quality of life enjoyed by our residents, providing fiscally sound, responsive municipal services, and delivering those services in an effective, efficient and professional manner

Vision Statement

- Sustain appealing, safe, high-quality residential neighborhoods & business districts
- Develop & promote a strong sense of community by preserving a unique small town heritage
- Continually evaluate services and plan for the future of the Village
- Cooperate and work collegially with neighboring communities & governments
- Be responsive to individual concerns and needs while keeping in mind the good of the community as a whole

Village Board Goals

Goal 1: Improve Communications with the public and remain transparent

Goal 2: Provide excellent customer service and provide high service levels

Goal 3: Maintain the infrastructure of the community in excellent condition, including public lands, buildings, sidewalks, roads and bridges

Goal 4: Maintain Itasca as a value for its residents

Goal 5: Work with other local communities and the Illinois Tollway Authority to build a road that our residents and businesses can be proud of and that addressed the needs of the community and minimizes the impacts during the construction.

Goal 6: Plan for the future by maintaining a minimum of six months of general fund reserves

Goal 7: Gradually reduce the Police Pension fund rate of return from 8% down to 7%

Goal 8: Attract and retain a workforce capable of providing high levels of service

Goal 9: Address the reduction of state funding

Executive Budget Summary

The Economy

Economy - The past three fiscal years provides valuable data for the future economic forecast of the Village of Itasca. In those thirty six months we have seen a stabilization of several key areas such as; occupancy of businesses, and the stabilization and growth of the overall economic activities of the general economy. One area of concern is our reliance on sales tax receipts.

Stabilization and growth in these areas are vitally important, but, the main reasons are because these factors determine the revenue levels the Village can expect in order to pay for the services we provide. The Village's budget is heavily tied to the strength of the broader economy as we derive large percentages of our revenue from the business sector. For example, Sales Tax revenues have rebounded from 2008 to about \$4,600,000 million dollars per year. This amount represents approximately 36% of the Village's total general fund revenue. With the broader economy doing better we are seeing businesses purchasing again (sales tax), traveling again (hotel tax, sales tax, and food and beverage tax) and vacancy rates dropping in manufacturing (property tax, Utility tax, water and sewer revenues, permits etc). We are even seeing interest in office space and construction of new office buildings.

The economy affects the state revenue payment system. The state at one point was at least six months behind in state income tax distribution (LGDF). They are now only one month behind, and we still face proposed changes to the formulas for state shared revenues. The Governor in his budget address calls for a 50% reduction in our LGDF funding. State shared revenues account for 7.5% of our total general fund revenue. If this were to occur the Village would loses about \$420,000 of annual revenue. This unpredictability of state funding bares a watchful eye and continued conservatism both on projected funding levels and on expenses.

In FY 2015-16 we expect to see a continuation of the slow but steady broader economic recovery. The trend of lowered property values has abated as housing prices have rebounded and commercial property values are stabilizing. Our vacancies in the industrial sector remain low and lower than the area average. In the office sector, we will be losing Gogo and Gallagher Insurance in 2017 but have recently added Flexera Software, Houghton Mifflin Publishing and now look to add the Academy of American Pediatrics.

In the aggregate we are encouraged to see continued positive economic indicators:

- +5.6% national unemployment (December 2014)
 - Unemployment affects state Income tax revenue and our sales tax revenues as our top sales tax generators are tied to employment
 - The State's debt affects their ability to pay their bills on time, limits revenue sharing to the municipalities, and fuels rumors of restructuring long accepted funding formulas
- Foreclosure rates have been reduced and home values are rising

- O'Hare Airport activity continues to rise
 - This has an area wide affect as many local industries are associated with manufacturing and transportation
- Hotel stays and activity has risen
 - Business travel and conferences are trending upward which is another good sign for the broader economy and for our revenues such as the Hotel, Utility, and Food and Beverage taxes
 - The Westin Hotel is being purchased by a group that plans to invest in the property and looks to raise occupancy rates and room night charges
- Occupancy rates in Office space remains an issue with 20-25% vacancy rates- down from 30%
- Occupancy rates in Commercial/Manufacturing districts remains high (94.3%)
 - Provides for employment that helps support local businesses
 - Provides Utility and Telecommunications Tax and sales of sewer and water

Budget

Budget- The proposed budget shows a deficit for the fiscal year (pg 17). The proposed deficit was anticipated and is mainly due to short term capital expenses (3-5 years) and short-term operating expenses related to the Village's participation in the Illinois Tollway Authority's project known as the Elgin-O'Hare Western Access project and expenditures for economic development. There are also new expenses associated with legal fees associated with a lawsuit related to the treatment plant which is expected to last about two to three years. Long term expenses include proposed new positions for the organization.

There continues to be significant costs associated with the review of the Tollway's construction plans within the corporate limits. The Village is spending money to oversee the moving of Village utilities and to keep abreast of their contractors' activities and has entered into Intergovernmental Agreements to pay for certain upgrades within the project and accepted payment schedules which start in 2015 and will go past 2018.

Other capital projects are proposed to continue at slightly elevated funding levels in order to address a desire to address stormwater relief in an area south of Irving Park Road. There are also other capital needs that need to be addressed on Village properties such as the front stairs and patio of the current Village hall, costs associated with the establishment of a Quiet Zone and replacements of vehicles and equipment. See Page viii for a list of projects.

The proposed budget also includes increases in the Village's costs for waste removal (per contract) and salary increases consistent with contracts and previous experience.

We expect to fill positions when vacancies occur within the fiscal year in order to maintain current service levels. See personnel section.

Unexpended funds and revenue exceeding projections will likely reduce the proposed deficit. The Village will enter the fiscal year well above its goal of maintaining six months of reserves for its operating budget (\$6.4 million dollar target) and will maintain its desired goals of financial stability.

Budget Highlights:

- The proposed property tax levy increase will generate about \$40,000 new dollars
- benefit increases due per contracts; 2.75% for patrol officers, 2.5% for Public Works and anticipates a 2.65% base increase for non-union employees
- No new taxes are anticipated- but staff is recommending that the Administrative Towing fee be raised \$50 to \$400.
- The garbage contract fee increases in June 2015 per contract (CPI-U)
- Health Insurance has a placeholder 10% increase for premiums and a 10% increase in HRA expenses- new deductible contributions have started for patrol officers in January 2015.
- Staff proposes three new full time positions; Finance Director, Building Inspector, and Marketing/Public relations Coordinator. We also propose one part-time position-Deputy Clerk

What is New – The budget document reflects the activities and priorities of the Village but its format or location of expenses can change in order to reflect who is responsible for an activity or for better coordination/monitoring of those activities. We are also charged with maintaining the fiscal health of our enterprise funds such as the sewer and water fund and with that in mind we have made the following changes:

- In Administration we continue to delineate Human Resources functions and those by IT
- Community Development has money budgeted for an additional building inspector to deal with rising demand for permits and inspections.
- Nature Center
 - We continue capital improvements on the property-completing the paving of the paths
 - We budget \$90,000 for signage on the property
- Hamilton Lakes SSA
 - In December 2013 the Village adopted an ordinance establishing a Special Service Area for the Hamilton Lakes Business Park. In February we borrowed \$3,360,000 and in FY 2014-15 we resurfaced the roads within the park. These funds are located in a separate fund #24 on page 40.
- Spring Lake SSA
 - In 2013 we increased the tax rate for the Spring Lake SSA to include a maintenance component. This will show up as revenue in account #22 (page 38). These funds can only be used for road maintenance within the designated area.
- Executive Summary
 - New and updated charts

Police Department

- The current staffing level of sworn officers is set by policy at 23. Authorization to fill positions in anticipation of retirements was granted to maintain this level. This budget includes the funding of 50% of one officer in anticipation to fill another anticipated vacancy during the fiscal year.
- Includes the purchase of 2 vehicles
- We anticipate continuing at an overall average strength of 23 sworn officers

Public Works

- Includes the replacement of the hydraulic lift truck-known as a bucket truck
- Elgin-O'Hare engineering expense continues at \$435,000. This includes HR Green for plan review and process coordination and Robinson Engineering for field work coordination.
- One retirement is anticipated but no change in the total number of personnel is anticipated
- See CIP plan on page viii for capital expenditures.

Community Development

- One proposed new position: Building Inspector
- One position to be re-classified
- Permit revenue increases from previous levels to reflect recent averages in activity
- Continued budgeting for planning activities and updating old ordinances and development standards
- Continues to budget money for Economic Development activities

Administration

- Continued delineation of Human Resources activities-training, education, wellness, etc.
- Re-allocated IT funds from capital lines (800) into the proper budget accounts
- New expenses for economic incentives
- Loan and transfer to the water and sewer fund for legal expenses- this will require a resolution and the development of a loan agreement
- Two new positions: Full-time Finance Director and a part-time Deputy Clerk

- **Policy Question: does the Village Board wish to raise the administrative towing fee up to \$400 from \$350.00. This could generate \$11,000.**

General Fund Reserves

- In previous fiscal years the Village Board placed the strengthening of the General Fund reserve as one of their top priorities. To the credit of the Board and the employees, FY 2014-15, which had been proposed to spend \$1,050,000 from the reserves has only used roughly \$300,000-325,000 (pending final audit). We anticipate the village's fund balance to start its 2015-16 fiscal year at nearly \$9,000,000. This is fortuitous as it comes right at the time that we will transfer \$430,000 to the water and sewer fund to cover the costs of litigation, which would allow these expenditures to be paid for out of the Village's savings rather than from either operational cuts or a short-term loan. This money will be paid back over several years.

Capital Expenditures

We look to specifically do the following projects:

- Elgin-O'Hare: Inspectional services and infrastructure upgrades
- A southside stormwater project estimated at \$780,000. This is instead of our annual road program but whose cost is \$230,000 above annual general fund contribution of \$550,000
- Final payments for the construction of the Maple Street Bridge project (\$420,000). This portion is a cost participation with the state
- Vehicle and equipment replacements; 2 police cars, 1 Community Development car and one truck in Public Works
- Quiet Zone

Special Service Areas

- The budget anticipates expenditures within our Special Service Areas of the CMD and possible Old Thorndale. Within the budget we show these expenses in their respective line items but whose funding is covered through the special SSA property taxes.

Police and IMRF/Municipal Pensions

- Police: The police pension fund is a complicated formula that takes many factors into account including; a proposed rate of return on investments, a mortality table of life expectancies, and the actuarial equation of the expected amount to pay future benefits. This budget reflects a \$xxx increase to the Police Pension Fund. This is a reflection of actions taken to continue reducing the anticipated rate of return on investments down from 8% to ultimately 7.00% (this year 7.55%). The fund is 63% funded. It is too early to see the effects of the pension law changes that established tier two rules. Please refer to the pension section in this Executive Summary for a chart on our five year trend.
- IMRF: This year we are at a rate of 11.7% down from 13.42% last year. IMRF provides all of the computations similar to the police pension and determines the appropriate rate for the fiscal year. The lowering of the rate has to do with the changes IMRF instituted in 2011 as part of its pension reforms. New employees must work a minimum of ten years before being vested versus eight and they have extended the minimum retirement

age for receiving benefits from 55 to 62. Please refer to the new pension section in this Executive Summary for a chart on our five year trend.

Budget Assumptions

In preparing the budget, certain assumptions are made regarding operating and financial management policies, which would be a long-term benefit of the community. These include:

Projects and Services consistent with the Village Board goals: The Operating Budget shall be consistent with the goals of the Village Board. The Village Board plans to hold strategic planning sessions to identify and clarify these goals. These goals, plans, and visions are then incorporated as a foundation of our budget and the basis for future planning in the Village.

Compensation and Benefits: The budget includes a 2.5% wage adjustment for Public Works Union employees (contract under negotiation) and 2.75% for patrol officers per their contract and holds an amount of money (5%) for management and non-union personnel that deals with an average of the union contract and merit. This amount is a placeholder. Only the non-union and management salary increases require Village Board action.

We assume the continuation of the restructuring of the Health Insurance program as of January 01, 2014. We include a placeholder amount equal to last year's expenses plus a 10% increase in the premiums and a 10% increase in the HRA component. Renewal is in October. The long term, health insurance costs continue to be a significant concern for the Village.

Revenue: For 2015-16 we are hopeful that sales tax will rebound but are concerned with the merger of our top sales tax producer. Property tax represents 10.6% of our total revenue but recent appeal cases will now work their way through the system, sales tax represents 36%, utility tax 9% and state revenue 7.7%. We continue to be concerned with the state and the status of LGDF. On a bright note, permit fees are expected to be up as we see continued development up at Hamilton Lakes and throughout the community.

Operating Contingency: The operating budget does not include contingency funding to meet unexpected requirements that may arise during the year. However, it is customary to have unexpended funds at the end of every fiscal year. This coupled with revenues exceeding projections also contributes to the Village's reserves. Our operating budget also includes capital expenses. With capital included, the Village ordinarily attempts to save approximately \$300,000-\$350,000 a year to keep pace with its stated reserves policy. This year based upon our expenses related to the Elgin-O'Hare Tollway project and other capital needs we do not expect to save any money but will dip into our reserves.

New or Enhanced Programs: The proposed budget includes expanded funding for:

- Training, education, wellness and safety
- Elgin-O'Hare activities
- Technology upgrades- GIS
- Continued economic development activities

Employees: The budget includes all proposed positions and no net reductions to staffing levels

- We do anticipate retirements in the Police department but are not aware of the actual date. These vacancies are reviewed against the overall size and structure of the department and against the Village's current and future financial situation.
- We anticipate a retirement in the Public Works department but are not aware of the actual date. We plan to replace this position.
- Previously we have noted that we have budgeted for three full time positions, Finance Director, Building Inspector and Public Relations/Marketing, and one part-time position; Deputy Clerk. If the village Board does not approve a position(s), reductions will be made to the appropriate salary lines, FICA, IMRF, Health insurance, etc.

Fiscal Trends

The following pages attempt to address and represent trends in several key areas of the Village's finances and provide some insight into why they matter

SALES TAX

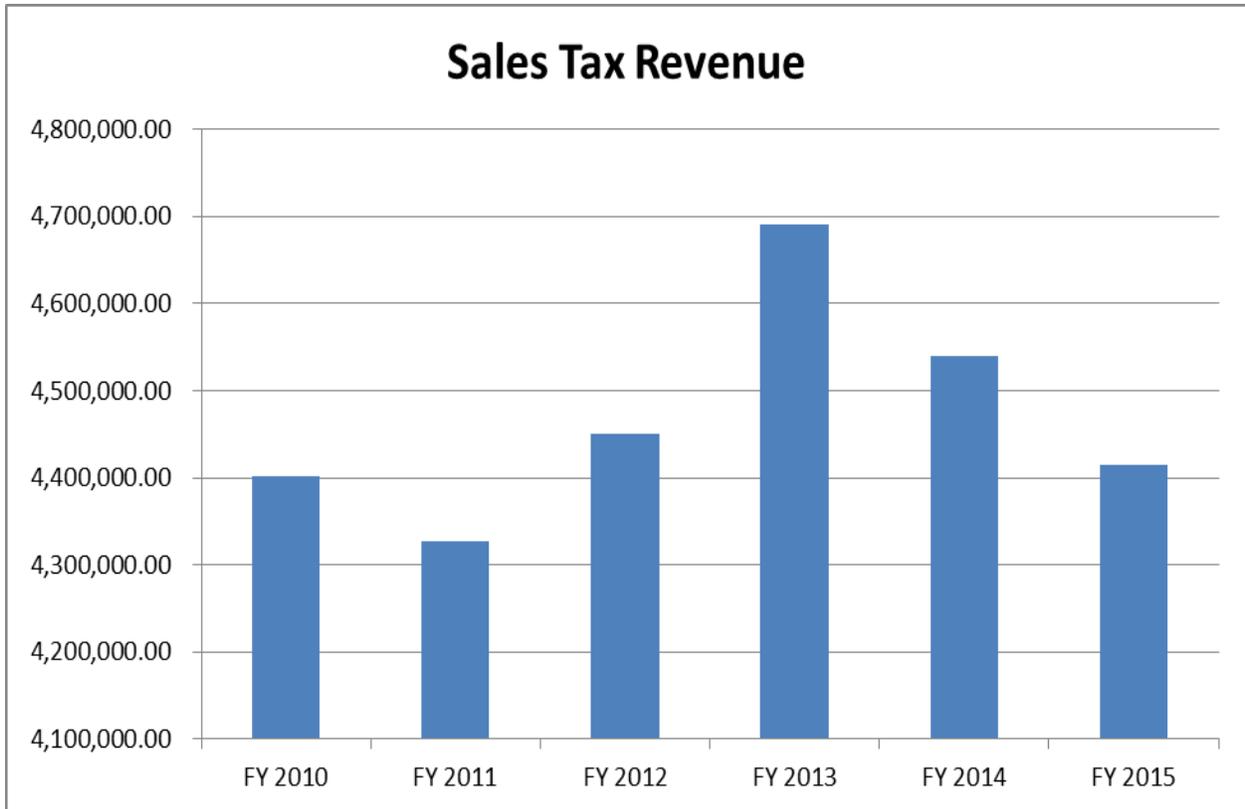
Sales tax accounts for nearly 36% of our total revenue. This percentage is down from well over 55-60% prior to the adoption of the Utility and Food and Beverage taxes in 2011. The Sales tax receipts did not grow in FY 2014-15. In fact they declined. All of our major contributors are still here but the overall contributions are down. See chart on next page. This year we reduced our expected revenue by \$100,000 to be conservative.

The Village does not have traditional areas for retail like Lake Street in Addison. Rather, a majority of our remitters are corporations located in warehouses and office buildings. In addition, the Village has limited space for more retail but is planning for corridors like Thorndale and Rohlwing Roads as well as sales from corporate offices.

In 2014 the Village entered into its first economic incentive agreement to help keep a major sales tax provider within the Village and help them to consolidate their sales force.

The impact of this trend – The Village has little to no control over sales tax generation or on the health of the broader economy. As the economy continues to rebound, we anticipate our businesses to rebound, but again, local government does not control these factors. Without moderate increases in sales tax receipts, Telecom tax and the Utility taxes, which combined account for over 56% of total revenue, there is the possibility of revenue stagnation. And, without this modest revenue growth, tough decisions will lie ahead in terms of service provision, capital expenditures and staffing levels.

The Village has several large sales tax providers, our top five represents 49 % of the total. The impact of any leaving the community would necessitate changes in personnel, service levels, and possibly changes in fees.



NON-PROPERTY TAX REVENUES

Non Property tax revenues, such as fees; business licensing, building permits, and state funding can be inconsistent based on how the state distributes funds as well as for other reasons beyond the Village's control. Due to state caps on the Property Tax and lack of control as a Non-Home Rule community we will be limited in our abilities to raise revenues significantly beyond what has already been approved without direct affect to our residents.

The largest non-property tax revenue is the Village's share of the state Income Tax. We derive about \$840,000 annually. The state remits this funding from it's Local Government Distributive Fund or LGDF. LGDF continues to be a source of concern for municipalities as state legislators consider these funds to be state funds, "given" to the municipalities rather than "our" funds collected by the state and distributed per the approved formula. This distinction places these funds in jeopardy of being drastically reduced or eliminated to help solve the state's fiscal crisis. The LGDF is a large sum of money, may be as high as \$1.2 billion dollars total and any monies the state does not have to transfer is a savings to them.

The impact of this trend Besides the Utility and Telecom taxes, the other taxes, on a percentage basis, do not move much or have great impact on the overall budget. **Examples include:** interest income, which is very low compared to the dollars invested, user fees are really small compared to the overall totals. It is the larger taxes, such as the Utility and Telecommunications tax that tend to grow in predictable ranges under improved economic conditions. Again, on a bright note, Building permit revenues are increasing and since 2013 have showed excellent growth in this area and this year may well exceed \$750,000 (we plan for \$625,000 to be conservative). Consistency in this area will bear watching.

EMPLOYMENT

The Village employees 73 people (full and part-time), not including summer help and the Village Board.

In 2013, the Village started the process of reviewing the salaries of non-union positions and management to determine if we are competitive in our goal of attracting and retaining quality employees, adjustments have been made in this area. The quality of our employees determines the quality of service that we can provide and will allow us to keep up with changes in technology as well as changes in the laws.

Since 2007 the Village has reduced its full time employees by 16 full time positions. We have replaced some of these positions with part-time employees at both 1000 hours and 600 hours (IMRF rules) and consultants in order to maintain service levels. The use of part-time employees provides a significant savings in the areas of health and pension benefits but does require a review of our policies and 998 hour per year employees only provides 48% of the hours of a full-time employee.

The Years of Service Chart is also of interest. The Village has 19 long time employees, defined as 20-30+ years. These employees either are or soon will be retirement eligible. Retirements provide an opportunity to re-evaluate positions and priorities.

The Police department remains the largest employment group of the Village. Sworn officers and Sergeants are represented by separate unions. As a suburban/urban community that provides 24/7/365 protection we encounter many forms of calls for service. These calls for service are answered by trained Telecommunicators and responded to by highly trained, dedicated and customer service driven sworn police officers. We are at a juncture where further reductions in full-time personnel will reduce levels of service and will have other affects upon our community that will not be easy to quantify. We also face the issue of retirements and the time it takes to hire and place an officer on the street. Recently the Village Board has addressed the time it takes to replace a retiring officer by giving administration the authority to place police candidates in the academy in advance of the known retirement. This has been quite beneficial.

The second largest employee group is Public Works. This group includes the water and sewer utilities as well as general personnel. These employees below superintendent are in union local #150. The personnel of these divisions maintain our infrastructure, public properties and fleet. Over the years their numbers have been reduced as we have out-sourced several functions and had retirements. Any further reductions in staffing will result in delayed service, extra time for snow plowing and/or the elimination of certain functions.

The Community Development department handles the Villages planning, code enforcement/permitting/code inspections, economic development and property maintenance functions. The inspectors, other than the lead inspector are part-time or contracted. This allows the Village scalability of work flow.

Administration includes the Village Administrator, Accounts Receivable, Accounts Payable, IT/Communications, Accounting, Human Resources and the Receptionist as well as special events.

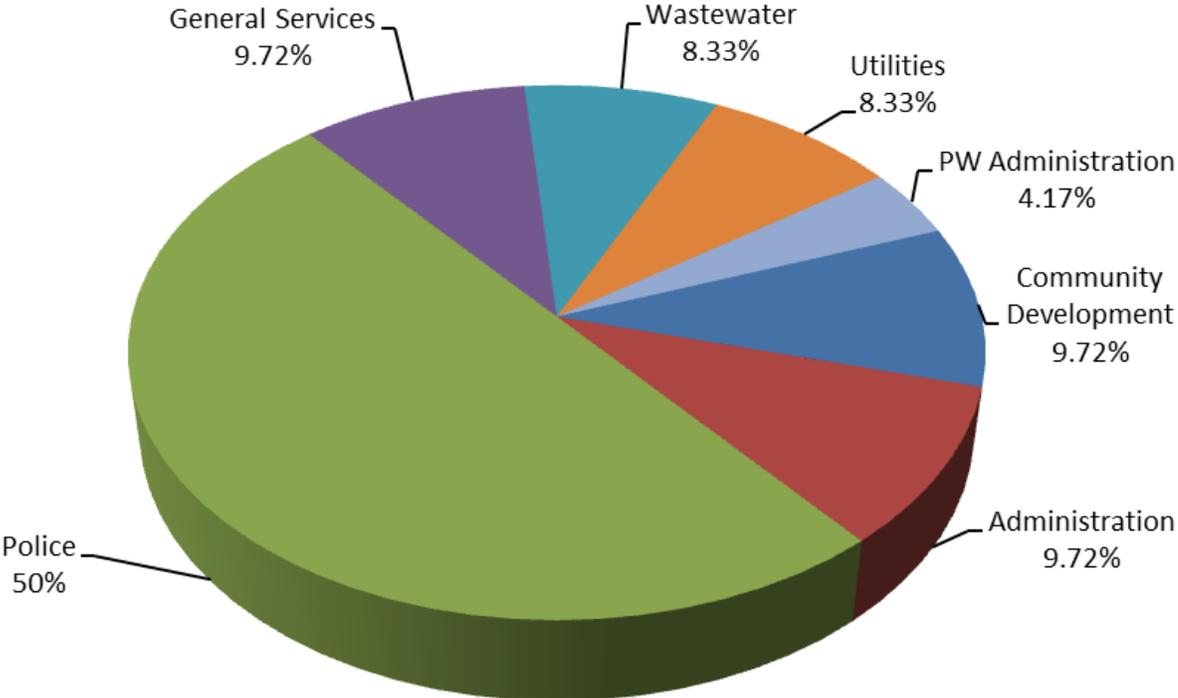
The Village now employs 17 part-time employees, two interns, and 6-8 seasonals in public works.

The impact – The organization continues to balance the requested levels of service with the staffing of employees with the right skills, experience and abilities. The rising cost of benefits is an issue we continue to work upon and will continue to seek ways to reduce our costs. Ultimately, like any business this is a balancing act.

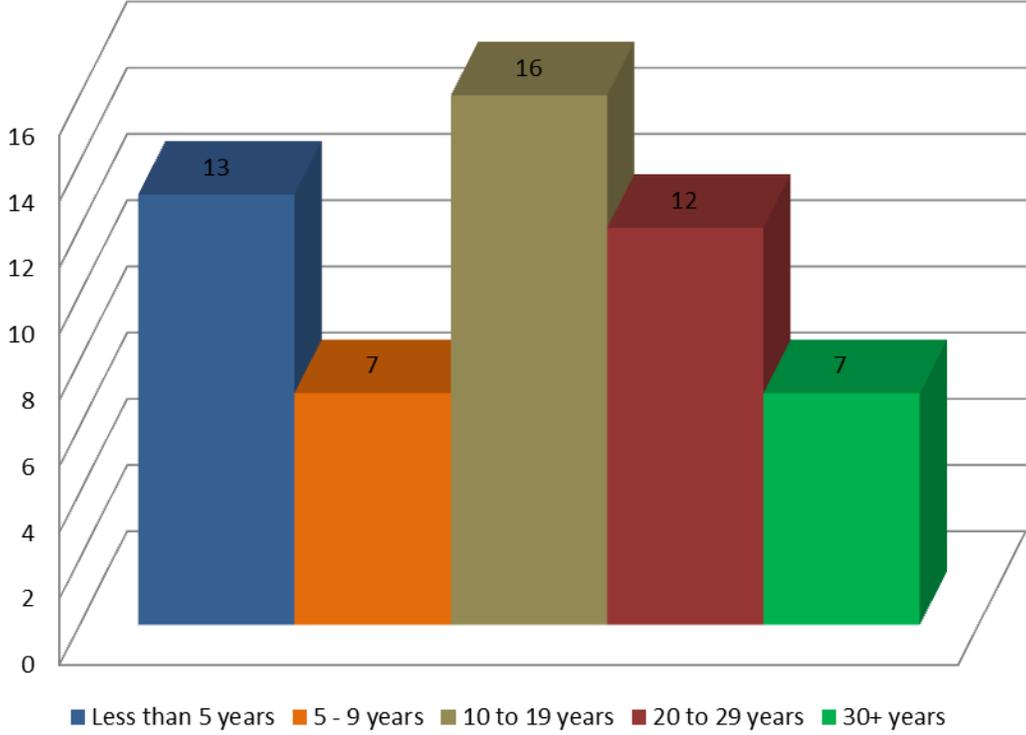
Number of Employees by Position

Position	Employees
Full Time	
Accounts Payable/Payroll Coordinator	1
Administrative Assistant	3
Administrator	1
Category 1 Maintenance Operator	1
Category 2 Maintenance Operator	2
Category 2 Wastewater Operator	3
Category 3 Lead Worker	3
Category 4 Fleet Coordinator	1
Category 4 Technical Specialist	3
Chief Inspector	1
Community Development Director	1
Deputy Police Chief	2
Human Resources Coordinator	1
IT/Communications Director	1
Planner III	1
Police Chief	1
Police Officers	14
Public Works Director	1
Public Works Superintendent	3
Receptionist	1
Records Clerk	1
Sergeants	6
Telecommunicators	4
Total Full Time	56
Part Time	
Administrative Assistant	1
Building Maintenance	1
Community Service Officer	1
Electrical Inspector	1
Maintenance Operator	1
Mayor	1
Nature Center/Environmental Services	1
Plumbing Inspector	1
Records Clerk	2
Special Events Coordinator	1
Telecommunicator	4
Trustee	6
Utility Billing/Accounts Receivables Coordinator	1
Village Clerk	1
Wastewater Operator	1

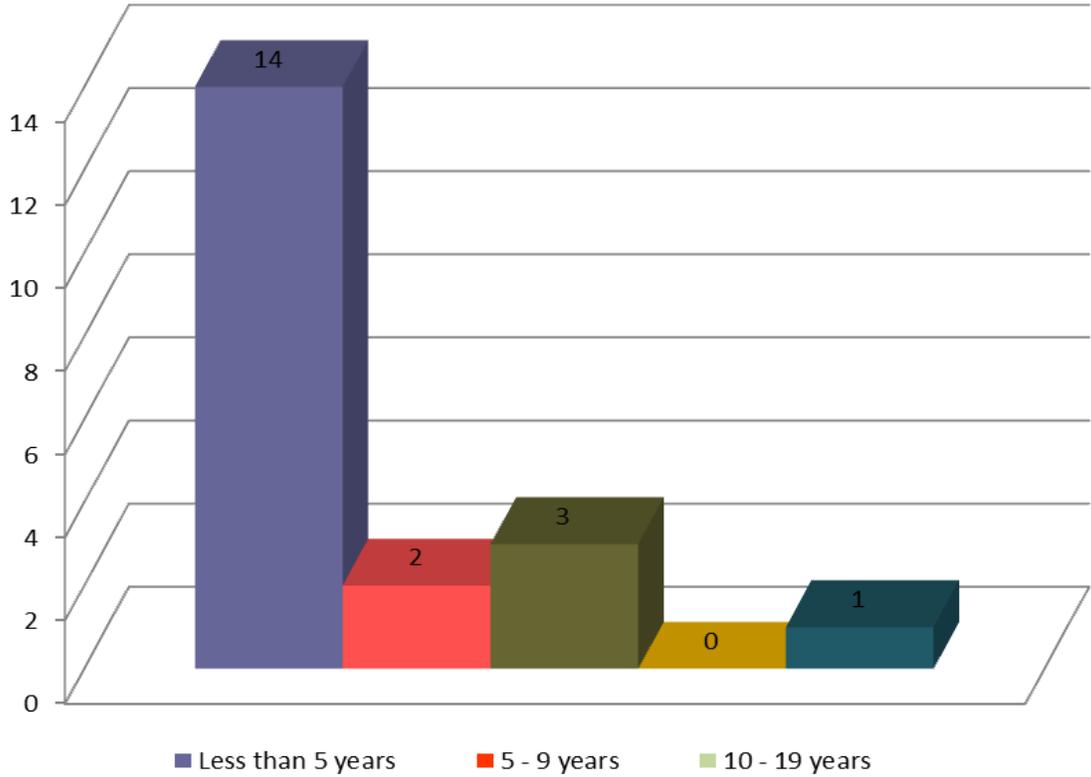
Employee Allocation By Department



Years of Service - Full Time Employees



Years of Service - Part Time Employees

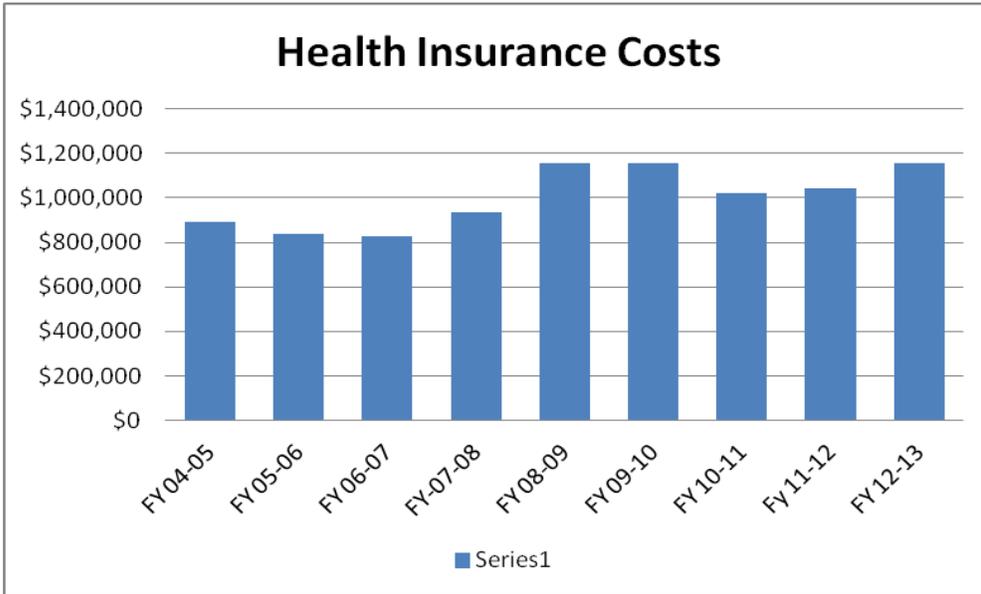


HEALTH INSURANCE

The Village has made a concerted effort to reduce costs in this area, including moving to a plan where employees will be paying first dollar contributions towards a deductible and paying higher premium percentages. These efforts will need to continue as we expect premium increases and medical usage levels to continue as our work force ages.

The impact of this trend –Continued premium rate increases of an average of 8-10% per year and HRA costs of 7-10% will necessitate a discussion on coverage options moving into the future. We are hopeful that the Affordable Care Act once fully installed, will help to reduce these trends but we must also look at providing different coverage options and other policies that help contain these costs.

Chart 1



<u>HEALTH INSURANCE COSTS</u>	
Fiscal Year Ending	Health Insurance
2003	\$854,635
2004	\$885,387
2005	\$892,921
2006	\$821,944
2007	\$837,626
2008	\$826,500
2009	\$933,945
2010	\$1,156,469
2011	\$1,019,725
2012	\$1,044,310
2013	\$1,156,957

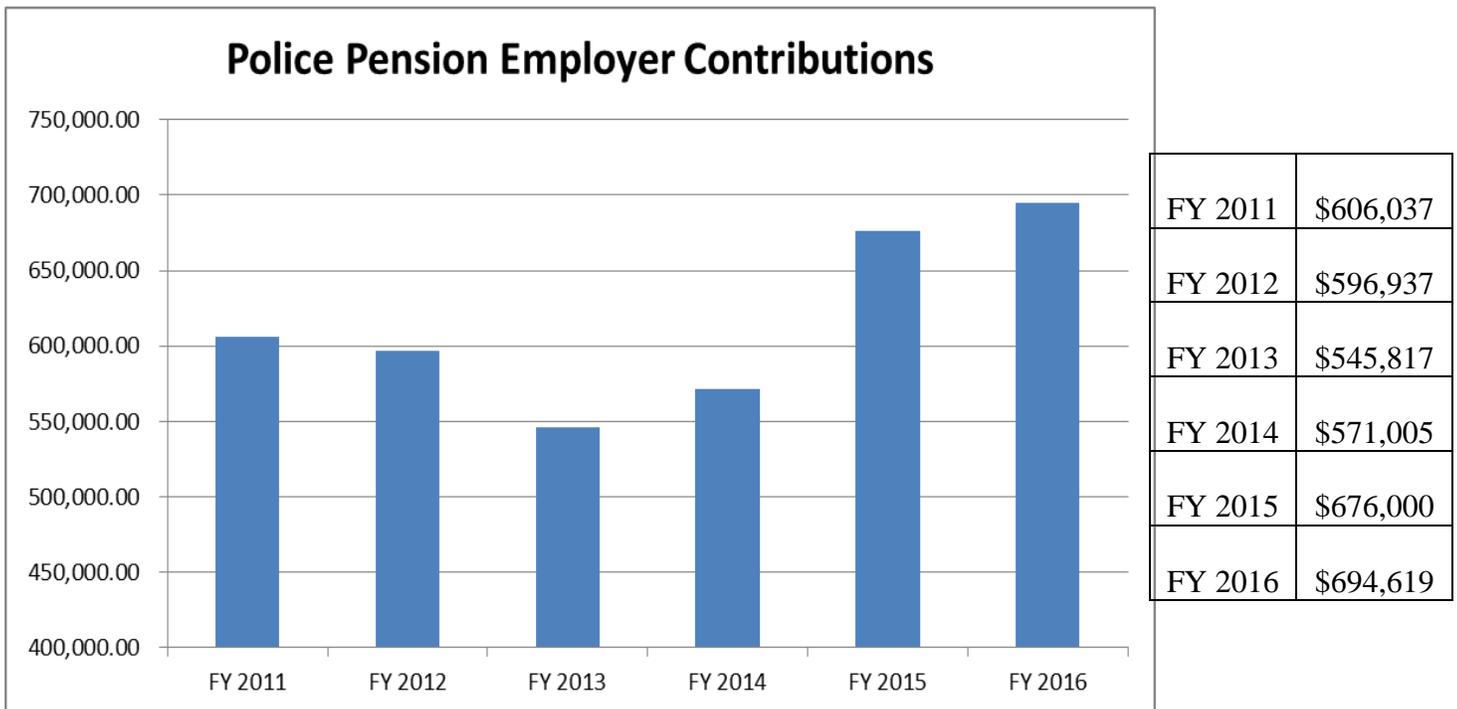
PENSIONS

The Village has been an active participant in seeking changes to the state’s pension laws, mainly because we believe the system is unsustainable. The Village believes that a proper level of benefit is appropriate but the current laws now include legislative “sweeteners” that have been added over the years but paid for by municipalities not the state. These sweeteners, laws requiring the full funding of the pension funds by 2040 and new life expectancy tables are driving up the cost of these benefits beyond the Village’s ability to pay.

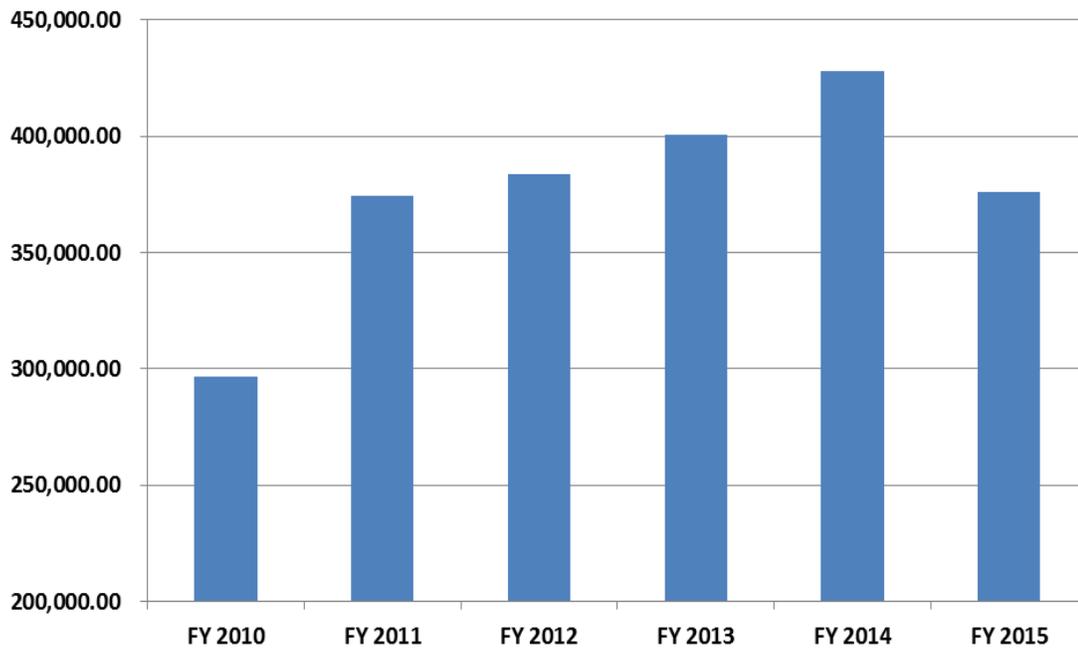
Pension Funds are a combination of employee contributions, Village/employer contributions and investment returns. In the case of IMRF, the non-sworn employees pay 4.5% of salary, IMRF does all the investments and IMRF establishes the Villages contribution as a percentage of salary for those employees over 1,000 hours per year. In fiscal 2014-15 the IMRF employer rate was 13.42%. For **FY 2015-16 that percentage is 11.7%**. For police pensions; the employee contribution rate is 9.1% of salary, the Itasca police pension fund does the investing and the Village contributes what it’s actuarial determines is proper per its policies.

In 2013 for the Police Pension Fund, the Village embarked on a policy initiative to reduce our projected rate of return from 8% down to 7%. This would be a multi-year process as each quarter point of interest reduced equals tens of thousands of dollars. These are dollars the Village would be required to remit unless investments came in well in excess of projections and all else remained equal. In 2013 we went to 7.75% and in 2014 we are at 7.65% for 2015 we propose a rate of 7.55%.

The Police pension fund is currently at 63% funding. But, previously the Village adopted the new mortality tables and is reducing its estimated rate of return on investments. We are also experiencing several retirements leading to hirer payments from the fund.



IMRF Employer Contributions



FY 2010	\$296,410.29
FY 2011	\$374,358.07
FY 2012	\$383,542.15
FY 2013	\$400,669.34
FY 2014	\$427,707.52
FY 2015	\$375,981.00

CAPITAL IMPROVEMENTS

Capital Expenditures are defined as the purchase of capital equipment such as cars, trucks, property rehabilitation and the maintenance of our public roadways and infrastructure. In FY 2011-12, the Village returned to funding a road program, limited to the use of MFT funds and about \$300,000 from the General Fund. In FY 2012-13 we expanded the funding to continue our work on our newly adopted five year capital plan, approving nearly \$1.4 million dollars; \$760,000 for roads (\$220,000 from MFT funds). For the FY 2013-14 budget we continued the funding for our annual road program (\$910,000), the Maple Street Bridge project (\$210,000), the payments to the state for Rohlwing Road, vehicle replacements, as well as monies to maintain our public buildings, IT purchases, and Village property maintenance. For FY 2014-15 we continued to reinvest in our infrastructure and budgeted for work associated with the Elgin-O'Hare project, the final phase of the Maple Street bridge replacement as well as several village property issues. We also continued our practice of replacing older vehicles and equipment as well making investments in technology.

Fiscal year 2015-16 has an emphasis on the Elgin-O'Hare project, a stormwater relief project and replacement of vehicles.

The staff has replacement schedules for our rolling stock of trucks, vehicles and equipment. This allows us to evaluate and better time the replacement of aging equipment and average their replacements to manageable levels within budget years.

Staff has also evaluated the need and necessities of public buildings and grounds and looks to prioritize anticipated work into future budget years.

Two projects on our horizon are: The resurfacing of Bloomingdale road and the undergrounding of the power lines along Irving Park Road. Both projects are several million dollars and will take two to three years of our annual road program dollars to complete. Therefore, the Village may wish to consider the use of funds from the General Fund Reserve for Bloomingdale Road and use of a Com Ed program for the power lines.

The impact of this trend - Staff recommends the continuation of the gradual replacement of needed equipment, the maintenance of our properties and our annual road program. Investment in these areas keeps manageable issues from becoming more expensive in the future.

Previous to 2008 the Village invested heavily in its road rehabilitation program and that work has allowed us to go through this period of time at a lower dollar amount without falling too far behind. Our practice is to attempt to maximize our investments in roads, bridges and property, especially if grant funding is available as a benefit to the taxpayers. It essentially has allowed us to do more for less cost.

The costs of the Elgin-O'Hare project for the next three fiscal years will consist of ongoing engineering costs to review Tollway Plans and inspect contractor work in the field. They also include dollars for agreed upon upgrades from the Tollway standards. Overall, we anticipate a total cost to be somewhere between \$3,000,000 and \$3,300,000 with some payments stretching out past 2018.

We also must continue to invest in technology and in working smarter.

Budgetary Options

The following information is included to show issues that we are reviewing or that are not listed elsewhere.

- Retirements:
 - Police: we anticipate the retirement of one sergeant and one patrol officer. These positions are 100% funded by the General Fund. While these vacancies will provide for some savings, their impact on operations and service levels will be very noticeable. The timing for filling these sworn positions in order to keep service levels at current levels is very important. Delays in filling positions do provide some savings but need to be weighed against service levels.
 - We anticipate one retirement in the Public Works department. This position is funded by the General Fund. There will be a short period between retirement and filling of the position. Staff recommends replacing this position.
- Use of Surplus on Capital Expenditures: The Village has a policy to maintain a six months' reserve of its General Fund annual expenditures. As we enter FY 2015-16, we exceed our dollar amount necessary to meet this policy requirement. However, with the Elgin-O'Hare Expressway we will continue to expend significant funds for engineering and upgrades to project elements not covered by the Illinois Tollway Authority. The funding for these expenditures can come from our savings or as part of our annual allocation from the general fund.
- Police Department Revenue: We have experienced a drop in revenue from tickets and administrative towing. The Village could look at our current fee for Administrative Towing, currently at \$350. Every \$50 increase would produce approximately \$11,500 in additional revenue. The area average is \$500.
- Several fees have not been addressed in the past five years and they include: Building Permit fees, Business licenses, and Liquor licenses.
- Charging of Garbage fees for owner occupied condominium units. The Village covers the cost of the first weekly collection at condominium properties. Eliminating this benefit would save \$10,000-15,000.
- Positions: The proposed budget includes 3 new full-time positions and 1 part-time position. the Village Board may choose to not authorize some or all of these new positions. Any position not authorized will reduce the budget.
- Capital:
 - The budget includes \$435,000 for engineering services related to the Elgin-O'Hare project. It could direct staff and its consultants to bring forth a plan to reduce this amount.

TAX VALUE ILLUSTRATION



The assessed value of a home is determined by the Township Assessor. This assessment is then used until a new assessment is done. For illustrative purposes we use a house with an assessed value of \$400,000.

To determine the annual Village portion of the property tax liability, multiply the fair value by 33.33% and then multiply that value by the tax rates for the Village and for the pension portion. The proposed tax rate for 2015-16 is \$.548%

$$\$400,000 \times 33.33\% = \$133,320 \times .548 = \$730.59$$

To determine the monthly expense for village services, divide the tax liability by 12 months.

$$\$730.59 / 12 = \$60.88$$

Value of Your Itasca Tax Dollar

The following list represents a sampling of the Village Services provided for the \$60.88 per month in taxes.

24 Hour Police Protection	Economic Development
Public open space	Snow Removal/salting of roads
Traffic Control	Special Events
Street Lighting	Road Maintenance
Sidewalk Repairs	Building Inspection
Community Newsletter	Senior Programs
Community Planning	Community Standards
Legal Counsel/Prosecution	Storm water Maintenance
Government Administration	Nature Center

For comparison purposes, these items denote common monthly expenses for an Itasca family.

Four 12 gallon tanks of unleaded fuel at \$3.00 per gallon:	\$144.00
One month of basic cable service with one movie channel:	\$ 90.00
One month of cell phone service with internet:	\$ 93.00
One Fast food meal (2 adults, 2 children)	\$ 29.00

Directory of Village Officials

Village Board

Jeffrey Pruyn, Mayor
Jeff Aiani, Village Trustee
Marty Hower, Village Trustee
Mike Latoria, Village Trustee
Ellen Leahy, Village Trustee
Frank Madaras, Village Trustee
Lucy Santorsola, Village Trustee

Village Clerk

Melody Craven

Management Team

Village Administrator

Evan Teich

Community Development Director

Nancy Hill

Chief of Police

Robert O'Conner

Director of Public Works

Ross Hitchcock

Village Attorney

Charles Hervas

Human Resources

Cristina Petitti

Treasurer

William Fates