



CITY OF PARK RIDGE

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To The Mayor and Members of the City Council
of the City of Park Ridge, Illinois:

We've all seen the headlines. Economists declare the recession over, but revenues have not returned to historic levels. On September 1, 2009, Tami Luhby, from CNMONEY.com stated "City leaders know the worst is still ahead of them in terms of revenue declines and service cuts."*

The November 2009 issue of the [Journal of Accountancy](#) quoting a survey from the National League of Cities, states:

"While the overall economy appears to be recovering, the nation's cities are still in the early stages of registering the effects of the economic downturn, according to the National League of Cities' annual report on fiscal conditions.

According to the report, *City Fiscal Conditions in 2009*, the ability of cities to meet their financial needs will worsen through 2010 and beyond. Cities face significant budget gaps (-2.9%) this year, due to the decline of income tax (-1.3%) and sales tax (-3.8%) collections. These taxes are typically the earliest source of city revenue to decline as job losses in a community increase and consumer purchases decrease. Property taxes, which make up the bulk of city revenue nationwide, are beginning to slow (1.6% growth) as real property assessments are adjusted to reflect declining housing values.

Because most city tax revenue is collected only at a few specific points during the year, there is usually a time lag of 18 months to several years before economic shifts have an impact on city fiscal conditions, the report notes.

In the face of declining revenue and increasing expenses, city finance officers are pessimistic about cities' abilities to meet their financial needs. Almost nine out of 10 (88%) say this year will be difficult in meeting financial needs, while 89% expect the same in 2010. This is the worst outlook the report has detailed in 24 years. Cities are instituting hiring freezes or layoffs (67%), cancelling capital infrastructure projects (62%) and cutting services other than public safety (32%). Many are decreasing spending on non-personnel operating expenses.

To raise revenues, 42% of cities are increasing fees, and 25% are creating new fees for some services. The report says 25% of cities have increased property taxes."

To prepare a budget, we begin with the City's mission and strategic plan. In other words, what do we want to accomplish with our budget dollars?

THE CITY'S MISSION AND STRATEGIC PLAN

The City of Park Ridge is committed to providing excellence in City services in order to uphold a high quality of life, so our community remains a wonderful place to live and work.

On November 14 and 15, 2008 elected officials developed a strategic plan and goals for the city. Our vision for the City includes these key elements:

- **Economic Development**
- **Infrastructure**
- **City life**
- **The way we work**
- **Resources and financials**

On From this strategic planning session, elected officials developed twelve major goals for the fiscal years 2009/10 and 2010/11. On January 25, 2010, the City Council reviewed the strategic plan and stated that their number one goal for the City was to improve the condition of the City’s **sewers**, followed by making sure the City’s **financial condition and infrastructure** are secure.

Fiscal Year 2010/11 Goals

Goal: As dollars permit, install 1 or 2 relief sewers per year.

Vision: The City of Park Ridge’s vision is to have a community where basement backup/overload flooding is reduced, not eliminated since nature prevents total elimination.

Progress: In 2009/10,two relief sewers were constructed on Frances from Greenwood to Grace and from Greenwood to Lincoln.

Severe flooding occurred during a September 2008 rainfall. The City received 8.1 inches of rain in a 38-hour period. The City hired Burke Engineering, Ltd. to perform a flood study. The primary goals of the study were to determine the extent of the flooding damage, establish possible causes for flooding and provide potential solutions to reduce the risk of future flooding. The consultant determined the main reason for the flooding was due to excessive rainfall and not the result of insufficient maintenance or substandard development. The following chart shows the cost estimates and priorities. The \$6.1 million projects would benefit 500 – 600 residents at a cost of \$10,300 to \$12,400 per residence excluding interest. The areas are listed by priority by flood reduction benefit and cost.

Study Area	A	B	C	D	Recommendation	Cost
Northwest Park (neighborhood to the east)	144	12	5	28	Construct a storm basin in Northwest Park	\$1,872,720
PR Country Club (neighborhood to the west)	83	11	3	10	Increase the storage capacity on the golf course	\$590,760
Burton Lane (neighborhood west of North Park)	67	1	0	4	Create a storage basin at North Park	\$2,082,240
Mayfield Estates	65	2	0	1	Upgrade the pump evacuation system for increased discharge	\$337,000
					Re-grade roadside ditches and replace driveway culverts	\$395,000
					Establish defined overland flow paths	\$204,000
Lahon/Overhill Avenue	32	4	1	4	Construct a new relief sewer	\$595,440
St. James Place	11	0	0	11	Flood Control Systems Residents	\$110,000
Total						\$6,187,160

- A: Number of Homes with Reduced Flood Risk
- B: Number of Homes Flooded By Overland Flow
- C: Number of Homes Flooded B Reverse Slope Driveway
- D: Number of Homes Flooded By Sanitary Surcharge

The Public Works Director suggests we implement the following plan:

Program	Category	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Vactor Truck	One-Time	\$330,000				
Televising	One-Time	\$70,000				
Lining & Rebuilding	On-Going		\$330,000	\$330,000	\$330,000	\$330,000
1 Employee	On-Going	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Sewer Study	One-Time	\$400,000				
Design-NW Park	Capital	\$165,000				
NW Park Construction	Capital		\$1,725,000			
Design-Country Club	Capital		\$50,000			
Country Club Construction	Capital			\$550,000		
Design-North Park/Burton	Capital			\$180,000		
North Park/Burton Construction	Capital				\$1,910,000	
Design-Mayfield Estates	Capital				\$85,000	
Mayfield Estates Construction	Capital					\$865,000
Design-Lahon						\$50,000
Total		\$1,025,000	\$2,165,000	\$1,120,000	\$2,385,000	\$1,305,000

The Mayor's Flood Control Task Force recommended a regular sewer maintenance program to make sure our sewer lines are clean and free flowing and to continue to schedule rebuilding and lining projects. They also recommended a charge to all customers at \$3/month to fund this program. This increased revenue of \$50,000 annually is in the proposed budget.

In the first year of this five-year capital plan to address flooding we would purchase a new vactor truck and televising unit. Two employees would be dedicated to cleaning the sewer lines and televising that line right after it is cleaned. Staff then reviews the video to look at the condition of the lines and make a determination regarding future repair, replacement or to stretch it's life span, line the sewer on the inside of the pipe. Each year, beginning in fiscal year 25011/2012, we will dedicate \$330,000 to priority projects based upon the findings of our sewer cleaning and maintenance schedule. I am proposing to shift one of our existing Public Works Maintenance Workers to operate this equipment thus, this will reduce one position from the Public Works Department while adding it to the Sewer fund's expense. We will utilize existing employees to operate this equipment, there will be no additional staff hired.

Engineering consultants will be used to design the projects specified in the priority established in the Burke Report. In the next fiscal year we will be building one project while designing the following year's project so that we have an active construction project for the next five years.

In addition, the Flood Relief Task Force recommended a citywide sewer study. This is proposed over a two-year period starting in FY 2010/11. This study will then serve as a valuable guide for discussion of flood relief projects in future years.

We have dedicated an average of \$500,000 per year towards sewer capital projects. This amount will continue to be expended only directed towards funding these planned future projects. In FY 2010/11 the sewer fund is proposed to be a self-sufficient enterprise fund relying on sewer fees for it's total revenues. This requires transferring the funding from a General Fund contribution to increasing sewer rates to result in an equal revenue amount. Again, the \$3/month/meter charge recommended by the Flood Relief Task Force is also included. However, to fund the

construction projects outlined in this Capital Plan for the next five years, another \$7/month/meter charge would be necessary in FY 2011/12.

The “pay-as-you-go” style of capital plan rather than a bond issue to build all the projects outlined in the Burke report at once, allows for the following flexibilities:

1. Allows the City to perform the Citywide sewer study that may reprioritize some of the future planned projects.
2. Makes projects “shovel ready” for any available grant funding.
3. Allows time to coordinate and resolve concerns on Country Club and Park District property.
4. Saves bonding costs and annual expenses over many years.

Resources and Financials

Goal: Identify conservative base revenues, core services and their associated costs and develop a 2-year balanced budget.

Vision: Ideally, the City Council and senior staff would like to have a balanced budget; this means operating revenues equal operating expenses. For the past several years, the City incurred deficits in the general operating fund primarily due to revenue shortfalls. While it is all right to use reserves in the event of a “rainy day”, continued use of reserves eventually leads to depletion and weakened financial condition. The term “conservative base revenues” refers to not overestimating projected revenues.

We live in a different financial world than the one that existed a few years ago. We cannot assume that revenues will increase. This chart shows a history of major revenues from 2003 – 2009. “MFT” is an acronym for Motor Fuel Tax and “HMR” means Home Rule Sales Tax. Please note the variances. In fiscal year 2008/09, there were decreases in all the major revenue categories.

Fiscal Year	MFT	% Chg	Sales Tax	% Chg	HMR	% Chg	Income Tax	% Chg
2002/03	\$1,076,313		\$4,016,083		\$808,652		\$2,457,164	
2003/04	\$1,080,803	0%	\$4,176,418	4%	\$798,699	(1%)	\$1,969,064	(20%)
2004/05	\$1,095,709	1%	\$3,875,080	(7%)	\$1,037,744	30%	\$2,632,195	34%
2005/06	\$1,092,223	0%	\$3,765,435	(3%)	\$1,002,025	(3%)	\$2,921,955	11%
2006/07	\$1,092,858	0%	\$3,911,095	4%	\$1,240,532	24%	\$3,258,110	12%
2007/08	\$1,059,789	(3%)	\$4,200,064	7%	\$1,453,305	17%	\$3,559,023	9%
2008/09	\$994,878	(6%)	\$3,817,495	(9%)	\$1,403,156	(3%)	\$3,326,676	(7%)

Progress: Management has been extremely careful to budget conservatively. In the 2010/11 budget, we propose eliminating positions, adding 1 cent per gallon of gasoline tax, a 5% property tax increase, increasing sewer rates and imposing a \$3 per month sewer fee pursuant to the recommendation of the Flood Control Task Force.

Infrastructure

Goal: Keep the streets and sidewalks in good repair.

Vision: The City’s vision is to continue the sidewalk replacement program and limit “trip and fall” liability exposure. We want to limit expenditures to current motor fuel tax fund revenues and concentrate on the street program.

How the budget relates to this vision: Public Works budgeted \$80,000 of general operating funds to replace 25,000 square feet or 1,000 squares of sidewalk in FY 2010/11. The City plans on spending \$982,000 to rehabilitate 5 miles of streets in 2010/11.

Departmental goals related to this vision: The Public Works department coordinates the sidewalk replacement program. Finance helps administer sidewalk related claims.

Goal: As dollars permit, install 1 or 2 relief sewers per year.

How the budget relates to this vision: In fiscal year 2010/11, we propose purchase of television equipment to resume sewer videotape and plan for future lining program. Videotaping enables the engineer to analyze the sewer system for maintenance and lining. We have budgeted \$70,000 in fiscal year 2010/11 for this purpose.

Departmental goals related to this vision: The Public Works department coordinates this program.

Economic Development

Goal: Invest in providing the necessary tools to entice the redevelopment of targeted economic development areas within the City of Park Ridge.

The redevelopment of Uptown (Target Area 2) is complete with the exception of filling some vacant retail stores. It is now time to turn our attention to other areas in need of redevelopment.

Higgins Road: The Higgins Road Corridor is located on the north side of Higgins Road and extends between Dee Road on the west and Canfield Road on the east. Work is continuing on a new plan for the area that will provide a long-term vision for the corridor and become an amendment to the Comprehensive Plan.

Target Area 4: Target Area 4 is the southwest sector of Uptown, and encompasses the area bounded by Touhy Avenue, Main Street, Fairview Avenue, Garden Street and Cumberland Avenue. The City wants to encourage mixed land use in this area. Challenges for this area include land assembly, environmental clean-up, and accessibility from Touhy Avenue.

Northwest Highway: There is redevelopment potential for several vacant properties located on Northwest Highway in Uptown. The location makes these properties influential to the City's Uptown Plan.

Dee Park: The City approved a redevelopment plan for Dee Park. There are traffic flow challenges that need to be resolved. The Northwest Highway Shopping Center site needs improvement. There are other potential redevelopment opportunities in the area.

South Park: The next priority is to prepare a redevelopment plan for South Park. Challenges include finding additional parking spaces, financing façade improvements, and filling vacant retail buildings.

How the budget relates to this vision: Redevelopment spans several years. Tax Increment Financing, Special Service Areas, and Grant Funding can facilitate development.

Departmental goals related to this vision: CPD will begin implementation of the Higgins Road Corridor Plan in 2010/11.

City Life

Goal: Develop a plan that improves rush hour traffic flow without negatively impacting residential areas while expanding opportunities to utilize public transportation.

Vision: Improve traffic flow without negatively impacting residential areas.

How the budget relates to this vision: We plan to spend \$75,000 in 2011/12 to conduct a traffic study.

Departmental goals related to this vision: The Public Works department will supervise the traffic study. Staff will seek federal grant funding.

The Way We Work

Goal: Enroll other Park Ridge governmental bodies and our citizens and businesses in the development of a long-term vision and plan for the City of Park Ridge.

Vision: Form a Vision 2025 Committee consisting of business leaders, representatives from various taxing bodies, and community members at large.

How the budget relates to this vision: The Legislative general contractual services budget will provide funding in future years for the Vision 2025 planning process.

Departmental goals related to this vision: Administration staff will coordinate the Vision 2025 meetings and create a timetable and budget for the Vision 2025 Committee.

Goal: Establish a Committee of the Whole "workshop" operating by January 1, 2009.

Vision: The City Council changed from a Standing Committee to a Committee of the Whole format effective January 2009.

Departmental goals related to this vision: We held our first Committee of the Whole workshop on January 12, 2009. We need to change the Municipal Code and the City Council Procedure Manual to reflect this change in procedure.

Resources and Financials

Goal: Prioritize additional capital projects based on other achievable revenues.

Vision: Elected officials and senior staff envision a city where streets and sidewalks are in good repair, storm drainage is improved, power lines are improved, a new police station is built, the tree canopy is restored and improved, parking is improved, the Uptown streetscape is completed, and the Library meets current needs.

How the budget relates to this vision: A schedule showing all recommended capital improvements for the ensuing six fiscal years is part of the yearly budget process.

During **Fiscal Year 2009/10**, much progress was made on the year's goals. The following is a review of the year's goals, vision, and progress.

Economic Development

Goal: Develop a comprehensive long-term strategy for economic development enveloping a business-friendly philosophy intended to attract and retain business in Park Ridge.

Vision: Our vision is to have an economic development strategy that attracts new businesses, creates an appropriate blend of businesses, markets Park Ridge as a business friendly environment, and includes a business incentive program.

Progress: The City reached out to the Chamber of Commerce to partner in the marketing of our retail establishments. To that end, the Chamber established a Retail Committee, which implemented a planning strategy that will:

- Maximize public sector investments
- Promote cooperation
- Aim to create competitive advantage
- Be sustainable and profitable

Targeted audiences include residents, employers/employees and visitors/tourism. Marketing strategies include:

- Building an image/branding campaign and advertising
- Increasing visibility and improving merchandising
- Complimenting newly placed wayfinding signs
- Developing a marketing brochure for the benefit of both residents and visitors
- Inviting Rosemont Convention and Visitors Bureau and Rosemont Chamber members to "experience" Park Ridge – scheduled for late Spring

Infrastructure

Goal: Keep the streets and sidewalks in good repair.

Vision: The City's vision is to continue the sidewalk replacement program and limit "trip and fall" liability exposure. We changed our policy. The City will not subsidize the cost of replacing "voluntary" sidewalks; voluntary sidewalks are sidewalks replaced for cosmetic reasons. The City will continue paying 50% of the replacement cost of mandatory sidewalks. We want to limit expenditures to current motor fuel tax fund revenues and concentrate on the street program.

Progress: 1,051 mandatory sidewalk squares were replaced along with 151 under the 100% voluntary program. 5 miles of City owned streets were resurfaced. Additionally, the State of Illinois resurfaced Cumberland and Oakton. The State also resurfaced part of Touhy, Northwest Highway, and Canfield.

Goal: Build a police station that meets our needs and is manageable within our financial constraints.

Vision: Our vision is to have a modest and efficient police facility that works for the employees and citizens.

Progress: The idea of building a new police station was put on indefinite hold until the City's finances improve. However, we have several critical space needs that need to be addressed. A "Sally Port" is desperately needed. The storage requirements in the evidence property room exceed available capacity. There are ventilation problems in the evidence property room. State law requires police agencies to retain property for longer time periods putting excess strain on space needs. The property clerk is forced to have her work desk inside the property room that smells from marijuana evidence and other types of evidence that may have odorous smells. The evidence property room is slightly bigger than a closet. When Evidence Technicians process evidence, they are forced to work in a cramped area and an inefficient workspace. Another piece of equipment will not fit in the room. Stolen and/or confiscated vehicles are stored at the Public Works Service Center. This poses legal issues involving chain of custody and reduces usable workspace for Public Works. The men's locker room is crowded, but the women's locker room is

deplorable. Eight sworn and eight civilian uniformed female officers are forced to use a locker room built for ten people. The Traffic Officers' office was converted from two small holding cells and can only be accessed by squeezing through the foot and a half space between the desk of a reporting officer and the chairs that the citizens filing a report are using. Juveniles who are under arrest but cannot be processed in the holding cell area because adults are in custody in the holding cells can also occupy these chairs.

City Life

Goal: Reinforce Park Ridge's strength as a caring community by promoting and referring community social services offered.

Vision: Park Ridge wants to be known as a caring community.

Progress: The City approved the Rainbow Hospice "Two by Two" fundraising project displaying pairs of animals in the parkways of Uptown this summer. In addition, the Community Health Commission in cooperation with the Human Needs Task Force have developed a brochure that provides information on all of the social service organizations in the City, the services they provide with contact information. Due to the severe shortfall of revenues this year, there is no funding for community groups in the FY 2010/11 budget.

Way We Work

Goal: Establish a Committee of the Whole "workshop" operating by January 1, 2009.

Vision: The City Council decided to change from a Standing Committee to a Committee of the Whole format effective January 2009. It was hoped that this format would result in a higher level of aldermen understanding issues resulting in more productive City Council meetings.

Progress: The City held its first Committee of the Whole workshop on January 12, 2009 and continued holding Committee of the Whole meetings two times per month.

Goal: In continuing to develop an even more user-friendly government, implement a courtesy program, database, and training for municipal staff.

Vision: Our vision is to have a City staff that is courteous and in the event they refuse a request, they will do so in a manner that the customer understands the reason for the refusal.

Progress: In fiscal year 2009/10, staff began a major revision of the city's web page. A major component of the system will be a "Customer Service" module which will permit residents to enter their request or concern and receive immediate verification of receipt and eventual follow up. This should also give the city the ability to track the types of requests and concern and be pro-active to alleviate or anticipate an issue.

In the vein of developing a more user-friendly government, the Police Chief formed a Citizen Advisory Task Force that will examine police related citizen complaints and concerns and review neighborhood issues.

Besides the above, the City achieved several other accomplishments during the year.

The City registered residents for the Everbridge Aware Alerts system. This system delivers messages to citizens in the event of an emergency, such as flooding or other natural disaster, or non-emergency, such as parade closures or street cleaning changes. The Police department used this system in November 2009 to warn residents in a specific area about burglaries and to watch for a type of vehicle.

The Planning and Zoning Commission recommended several text amendments to the Zoning Ordinance. These changes included language regarding a nonconforming structure. In November 2009, the City Council passed by a 4 to 3 vote a policy that text and map amendment denials by the Planning and Zoning Commissions can be overturned by a super majority vote of the City Council.

The City Council passed a Historic Preservation Ordinance. The purpose of the Historic Preservation Commission and Ordinance is to help designate landmarks and historic districts. Over the last few decades, substantial re-development has taken place in the City. Historic preservation intends to enhance and respect Park Ridge's heritage and older neighborhoods.

The City Attorney monitored litigation between the Village of Deerfield, IL and Commonwealth Edison concerning losses relating to power outages. The City of Park Ridge has experienced numerous power outages.

An amendment was passed to the Easement and Operating Agreement for Uptown Phase II. Phase II is the loft building of the Uptown project. The second amendment changed the percentage of cost shared between the condominium and the commercial property owners for maintenance, repair and replacement of the roof.

Citizens voluntarily installed holiday lights when the \$46,000 cost of installation was cut from the budget. Fortunately, the City had lights in inventory. In 2010/11, we can consider installing LED lights on storefronts. This makes for an esthetically pleasing and ecologically efficient display.

BUDGET OVERVIEW

The City budgets for the following Governmental funds: General Operating, Library, Emergency Telephone 911, Illinois Municipal Retirement, Motor Fuel Tax, Municipal Waste, and Uptown Tax Increment Financing. With the exception of the General Operating Fund, the latter funds are termed Special Revenue funds. The City budgets for the following Debt Service funds: Series 2004A, 2004B, 2005A, 2006A, and 2006B. Debt service funds are termed Governmental funds. The City budgets for three Enterprise funds: the Water, Sewer and Parking funds. The City has three Capital Project Funds (Series 2005A Uptown TIF, Series 2006A Uptown TIF Construction, and Series 2006B Uptown TIF Construction). Whether the City budgets for these funds depends upon whether there is any activity in the fund.

The General Operating, Uptown TIF, Municipal Waste, and Library Funds are Major Governmental Funds. The Water Fund is a Major Proprietary Fund. The remaining budgeted funds are Minor Funds.

The following table shows the primary revenue sources of the above funds:

General Operating	Property taxes, followed by Utility and Telecommunication taxes, Sales taxes, and Income taxes
Library	Property taxes
E-911	Income tax transfer from the General Operating fund, not the Emergency Telephone surcharge
IMRF	Property taxes
Motor Fuel Tax	Motor Fuel taxes
Municipal Waste	Property taxes
Uptown TIF	Incremental Property taxes, Loan from General Operating Fund
Debt Service 2004A, 2005A, 2006A, 2006B	Uptown TIF Property Tax Increment
Debt Service 2004B	Water Sales
Water	Water Sales
Sewer	Sewer Surcharge
Parking	Parking Penalties

The following is a summary of revenues and expenses for all budgeted funds of the City and Library from 2008/09 through 2010/11:

	08/09 Actual	09/10 Budget	09/10 Est Act.	10/11 Budget	11/12 Estimate
Revenues:					
Income	3,326,676	3,626,000	3,250,000	3,122,100	3,300,000
MFT	985,749	1,026,000	973,000	833,000	700,000
Property	14,902,500	15,384,000	15,384,000	16,153,200	16,960,900
HR Sales	1,403,156	1,550,000	1,305,000	1,400,000	1,500,000
Sales	3,179,232	3,500,000	3,200,000	3,500,000	3,500,000
Uptown Property Tax	1,909,466	2,073,200	2,040,900	3,594,300	4,609,900
Utility	4,588,559	4,750,000	4,650,000	4,760,000	4,850,000
Sewer	319,520	895,900	845,000	1,603,700	2,622,500
Water	6,055,395	7,000,000	6,300,000	7,386,600	8,619,000
Other	9,110,767	9,501,700	9,218,700	10,884,000	9,285,900
Bond Proceeds	-	-	-	-	-
Total	45,781,020	49,306,800	47,166,600	53,236,900	55,948,200
Expenses:					
Personal Services	25,415,511	27,175,600	26,503,500	26,822,000	27,049,700
Contractual Services	13,089,652	13,297,300	14,465,300	15,576,100	15,759,000
Commodities	2,724,015	2,337,900	2,269,800	2,247,500	2,344,200
Debt Service	5,053,231	3,436,400	3,423,900	3,588,500	3,695,200
Capital Budget	4,673,336	4,855,600	4,180,500	4,536,000	7,087,800
Total	50,955,745	51,102,800	50,843,000	52,770,100	55,935,900
Excess (Deficit) of Revenues over Expenses	(5,174,725)	(1,796,000)	(3,676,400)	466,800	12,300

The above chart shows all budgeted funds.

2009/10 –Four funds will have surpluses and six funds will have deficits. Revenues will equal expenses in the remaining funds.

<u>Surpluses</u>	<u>Amount</u>	<u>Comment</u>
Emergency 911	\$50,000	
Illinois Municipal Retirement Fund	\$47,800	Expenses under budget
Motor Fuel Tax	\$67,700	
Parking	\$32,400	
<u>Deficits</u>		
General Operating	(\$1,252,800)	
Library	(\$18,700)	
Municipal Waste	(\$22,800)	Problematic because fund has negative fund balance
Uptown Tax Increment Financing District	(\$1,621,500)	Will be repaid when City receives incremental property taxes
Sewer	(\$92,800)	
Water	(\$865,700)	
Total	(\$3,676,400)	

2010/11 – Revenues will equal expenses in all funds, three funds will have surpluses.

2011/12 – Two funds may incur deficits. More work will be done on this budget in the near future. However, a one-time deficit in the Parking fund is acceptable to finance a one-time capital project.

REVENUE SUMMARY

The following revenues will fund the 2010/11 planned expenditures:

	<i>Debt</i>	<i>E-911</i>	<i>General</i>	<i>IMRF</i>	<i>Library</i>	<i>MFT</i>	<i>Mun</i>	<i>Parking</i>	<i>Uptown</i>	<i>Sewer</i>	<i>Water</i>	<i>Total</i>
	<i>Service</i>						<i>Waste</i>					
Inc		693,200	2,328,900		100,000							3,122,100
MFT						833,000						833,000
Prop	-		6,895,800	1,684,100	3,953,000		3,620,300					16,153,200
HR Sls			1,400,000									1,400,000
Sales			3,500,000									3,500,000
Utility			4,760,000									4,760,000
Water	885,600		800,000	157,300							5,543,700	7,386,600
Sewer				65,200					1,538,500			1,603,700
Oth		525,000	9,231,900	122,500	268,400	-	-	400,600			80,000	12,487,700
Uptwn	2,618,900								975,400			3,594,300
Fund Bal	-	-	(17,000)			-		(67,500)	(382,300)	-	-	(466,800)
Total	3,504,500	1,218,200	28,899,600	1,963,900	4,321,400	833,000	3,620,300	333,100	913,900	1,538,500	5,623,700	52,770,100

Expenses will be financed through a variety of revenues including \$3,122,100 of income taxes, \$3,500,000 of sales taxes, \$1,400,000 of home rule sales taxes, \$4,760,000 utility taxes and \$16,153,200 of property taxes.

Factors Influencing the Budget

General Economic Conditions

This budget was prepared with several assumptions regarding general economic conditions.

Economists tell us the recession is over. Now, we can move from recession to recovery. The question becomes what form the recovery will take or whether there will be a "V" shape recovery. This budget is prepared with the following economic assumptions*

- Growth: 3% in 2010.
- Unemployment Rate: 10% in 2010. Two-thirds of those who are unemployed for more than a year never rejoin the labor force. Job cuts by state and local governments are dominating job losses.
- Inflation: Expected to remain tame through the end of 2010, inhibited by excessively high unemployment.
- Consumer Spending: Expected to remain weak, but post gains, aided by a modest recovery in employment and pent-up demand.
- Housing: Expected to recover, but continue to operate at exceedingly low levels of activity – and home prices are expected to stabilize. Home values, in particular, are expected to bottom and post a modest gain (2%) by the end of 2010.
- Investment: Expected to increase, particularly in information technology.
- Commercial Construction: Expected to fall apart in response to falling property values, high vacancies, and an inability of developers to borrow capital.

*Source: Mesirow Financial, October 15, 2009 Newsletter, Diane C. Swonk, Chief Economist and Senior Managing Director

Implications for the City: Expect weak income tax receipts and sales taxes (high unemployment) and modest building permit revenues and property transfer fees (modest commercial construction and housing).

The past recession began in "the housing market and the shaky schemes put together by huge financial companies to profit from it. Because of that, it hasn't behaved like the recessions that economists are used to. It has been harder than usual to predict its evolution. . . Take a downturn where the decline of savings and home values has spooked families. Add the impact of these dual blows on consumer confidence. Consider the documented difficulty of predicting household spending, and you already have a prescription for many wrong guesses. Then add in the heavy dependence of state and local governments in the United States on personal income, sales and property taxes. Together, these three account for almost 80 percent of state and local revenue. In just the past decade, property tax collections alone have risen from 31 percent to 37 percent of all state and local government receipts. And that doesn't figure in the money these governments have come to depend on from other housing-related activity, such as transfer

taxes on real estate transactions. . . Then there's what public finance guru John Peterson calls the "food chain of uncertainty," with "the locals not knowing where the states are going, the states uncertain about where the feds are going, and the feds unable to address their huge, growing deficit." With health care costs at the core of so much federal spending, the uncertainty about health reform only adds more uncertainty to the food chain." Source: Governing magazine, "The Fog of Forecasting" by Donald F. Ketti, October 2009

The State of Illinois is in a precarious financial condition. The Pew Center in Washington D.C. includes Illinois as one of the 10 most financially troubled states in the nation. The Legislature deferred the decision making for budget cuts to the Governor, who in turn has not made any decisions. The General Assembly has increased borrowing for pensions. The bond rating agencies have downgraded the state's bond rating. State agencies wait a long time for payment and many are unsure whether they will receive payment at all. "According to the Civic Federation's latest calculations, Illinois' current budget deficit is \$4.8 billion. . . Next year's state budget roller coaster may mean huge spending cuts, enormous tax increases and massive layoffs – just in time for an election year." Source: Crain's Chicago Business, Laurence Msall, page 14, November 30, 2009

The City Council can use one or a combination of the following to deal with budget shortfalls:

- Cut staff
- Reduce services
- Defer Capital investment
- Raise taxes or fees
- Raid reserves or borrow funds, either long-term (bonds) or short-term (line of credit)

Use of reserves is not an option because General Operating Fund reserves have been used to supplement the operation of the Uptown Tax Increment Financing Fund. The disadvantage of reducing employee headcount or establishing furlough days is that this in turn reduces services. The disadvantage of raising taxes or fees is that citizens are suffering financially and local government does not wish to add to their burden. The disadvantage to borrowing funds is the incurrence of interest costs and possible downgrade of the City's bond rating particularly if the borrowing is for operating costs.

Non-Property Tax Revenues

Several revenue categories, including sales taxes, income taxes, building permit revenues and property transfer taxes are most visibly affected by changes in economic conditions.

Sales Taxes

Park Ridge is highly dependent upon a relatively small number of businesses for its sales tax receipts. Over half of our sales tax revenue derives from a limited number of car dealers and grocery stores. We budgeted \$3,500,000 for sales taxes and \$1,400,000 for home rule sales taxes.

Because Park Ridge is highly dependent upon automobile sales for sales taxes – automobile sales account for 43% of sales tax receipts – a special comment regarding automobile sales is warranted. Automobile sales declined in 2008. Since fiscal year 2003/04, the City has paid a local automobile dealer \$400,000 sales rebate annually pursuant to the Dempster TIF revenue sharing agreement.

This year, General Motors revoked Bredemann's Chevrolet dealership and an appeal is in process.

Income Taxes

The projection for income tax receipts is based on a forecast of \$82.65 per capita. Total projected revenues are \$3,122,100. Income taxes are distributed base on population. Under current law, municipalities are entitled to 10% of income tax receipts. This percentage allocation sometimes comes under threat from the State. On March 10, 2010, Governor Quinn advocated reducing municipalities share of income tax receipts from 10% to 7%. This potential reduction could reach \$946,600 depending upon actual receipts and would significantly impact city operations.

Utility Taxes

We budgeted \$4,760,000 of utility tax revenue next year, this includes water and gas utility taxes, electric use tax, telecommunications infrastructure maintenance fee, and a telecommunications tax. The breakdown is as follows: \$1,099,300 for gas utility taxes, \$330,000 for water utility taxes, \$1,830,700 for telecommunications taxes, and \$1,500,000 for electric use taxes. Due to the complex utility industry, legislative changes, and changing weather conditions, accurately predicting total revenues is extremely difficult.

Building Permits

The revenue projection for building permits is \$900,000. Building permits must be purchased prior to construction. Permit fees vary depending upon the nature of the construction. This revenue source functions in the same manner as the economy (if economic conditions are positive, the revenue is positive, and vice versa).

225 West Touhy Avenue; 111 South Washington Avenue was tabled for 18 months on September 21, 2009 pursuant to a request from the developer. The developer is having difficulty securing financing.

Property Transfer Taxes

The \$502,000 consists of \$490,000 for property transfers and \$12,000 for exempt transfers.

Interest Rates

Three revenues, building permits, property transfer taxes and interest income, are affected by changes in interest rates. The budget was prepared assuming interest rates would remain low.

Water Rates

The City of Chicago increased water rates 15% effective January 1, 2008, 15% effective January 1, 2009, and 14% January 1, 2010. Water purchases from the City of Chicago constitute the single largest expense in the water fund. The City increased water rates effective April 1, 2010. Water rates are:

Up to but not exceeding 5,000 gallons	\$30.20
Over 5,000 but not exceeding 30,000 gallons	\$4.67/1,000 gallons
Over 30,000 gallons	\$5.21/1,000 gallons

Rental Income

The City rents the one-half of the former Public Works Service Center to WOW Cable Installation. Annual rental income is \$60,000. The lease terminates after six months.

Vehicle Licenses

To augment expenses, during the budget workshops, the City Council agreed to increase vehicle licenses by \$5 to \$45. Estimated annual increase in revenues is \$130,300.

Sewer Fees

These sewer projects are included in the FY 2010/11 budget:

Levee 50 – Acquisition and Construction	\$35,000
Sewer Study	\$400,000
Sibley Lift Station Cleaning	\$45,000
State of Illinois Permit Fee	<u>\$21,000</u>
Total	\$501,000

See page 198 for more information.

The proposed sewer rates are:

\$1.22 per 1,000 water gallons.

Property Tax Levy

The budget includes a 5% increase in the property tax levy.

Last year's property tax levy (net levy shown) was allocated among several funds as illustrated by the following table:

2009 Levy	Library	Garbage	IMRF	General
\$15,384,000	\$4,006,000	\$3,439,200	\$1,798,500	\$6,140,300
0				

Let's examine each component of the 2010 property tax.

We need to levy \$3,953,000 to sustain library operations next year. The property tax is the major source of revenue for the library. Fluctuations in the annual property tax levy for the library often stem from the capital portion of the budget.

We need to levy \$3,620,300 for the municipal waste fund next year. Staff recommends review of the fees in the Municipal Waste fund next year since there seems to be no interest in establishing a commercial franchise charge for commercial pick-up of solid waste.

We need to levy \$1,684,100 for the Illinois Municipal Retirement fund next year. IMRF provides pension benefits for employees who work 1,000 hours per year and are not police officers or firefighters. It also provides Medicare coverage for police officers and firefighters.

We need to levy \$3,560,500 compared to \$2,938,600 last year for police and fire pensions. This is an additional \$621,900 or 21%.

The proposed property tax levy will increase 5% from \$15,394,000 to \$16,153,200. This is a \$769,200 increase.

	Library	Mun. Waste	IMRF	General
2009	\$4,006,000	\$3,439,200	\$1,798,500	\$6,140,300
2010	\$3,953,000	\$3,620,300	\$1,684,100	\$6,895,800
Inc (Dec)	(\$53,000)	\$181,100	(\$114,400)	\$755,500

The total property tax levy is allocated among the following funds:

2010 Levy	Library	Garbage	IMRF	General
\$16,153,100	\$3,953,000	\$3,620,300	\$1,684,100	\$6,895,800

A review of the history of the composition of the City's tax rate shows the increasing allocation to police and fire pension, the continuing allocation to garbage collection, and the decrease to general corporate purposes.

	General Corporate	Debt Service	Garbage	Police Pension	Fire Pension	IMRF	Social Security	Total
2004/05	0.16	0.12	0.20	0.05		0.09		0.62
2005/06	0.14	0.11	0.19	0.05	0.01	0.05	0.05	0.60
2006/07	0.16	0.11	0.20	0.06	0.01	0.05	0.05	0.64
2007/08	0.12	0.09	0.18	0.05	0.04	0.04	0.04	0.56

The following charts depict trends for tax levies, tax rates and cost of the city and library levies for a typical Park Ridge homeowner. They are taken from actual tax bills. EAV is an abbreviation for equalized assessed valuation.

	City EAV	House EAV	House Mkt Value	City Gross Levy	Library Gross Levy	City Tax Rate	Library Tax Rate	City Payment	Library Payment	Total Payment	% Inc
Dec 2004	2004/05	1,406,982,666		8,747,400	3,930,600	0.622	0.280				
Dec 2005	2005/06	1,502,128,908	226,019	13,311,800	4,379,200	0.595	0.292	488.18	239.58	727.76	
Dec 2006	2006/07	1,528,372,764	97,916	9,798,200	4,179,700	0.641	0.274	562.73	240.54	803.27	10%
Dec 2007	2007/08	1,852,758,740	122,510	10,429,700	4,253,300	0.563	0.230	528.85	216.05	744.90	-7%
Dec 2008	2008/09	1,994,642,145	128,312	10,899,600	4,263,700	0.547	0.214	559.65	218.95	778.60	5%
Dec 2009	2009/10	2,029,490,538	130,554	11,378,000	4,006,000	0.570	0.200	594.21	209.31	803.52	3%
Dec 2010	2010/11	2,090,375,254	134,471	12,218,800	3,934,300	0.585	0.188	638.12	205.56	843.68	5%

Dec 2009 and Dec 2010 are estimates

Dec 2009 and 2010 show Net Levy

The City is 9% and the Library is 3% for a total of 12% of the property tax bill.

This chart shows what this Park Ridge homeowner paid to the various taxing bodies over the years:

Year	Wtr Recl	Pk Dist	Oakton	Dist. 207	Dist. 64	Library	City	R&B Leyden	Gen. Asst. Leyden	Leyden Township
2005	\$258.45	\$271.58	\$129.63	\$1,441.57	\$2,118.45	\$239.58	\$488.18	\$87.79	\$3.28	\$60.71
2006	\$249.32	\$295.85	\$145.73	\$1,603.05	\$2,647.75	\$240.54	\$562.73	\$97.45	\$3.51	\$67.60
2007	\$247.05	\$268.65	\$132.45	\$1,504.84	\$2,677.15	\$216.05	\$528.85	\$92.06	\$2.82	\$63.88
2008	\$257.83	\$284.43	\$143.24	\$1,613.46	\$2,747.08	\$218.95	\$559.65	\$99.24	\$3.07	\$68.55

Year	Cook County Forest Preserve	Consolidated Elections	Cook County	Cook County Public Safety	Cook County Health	TB Sanitarium	Total	% Increase (Decrease)
2005	\$49.23	\$11.49	\$224.81	\$120.61	\$91.89	\$4.10	\$5,601.35	
2006	\$50.04		\$234.40	\$114.13	\$90.42	\$4.39	\$6,406.91	14%
2007	\$49.79	\$11.27	\$174.71	\$156.87	\$87.36		\$6,213.80	(3%)
2008	\$52.18		\$229.16	\$107.43	\$87.99		\$6,472.26	4%

In administering property taxes, the City may consider new growth. Under the tax cap law, communities are allowed to capture taxes from growth in the tax base from new development. The City has not included new growth when calculating the property tax increase in the past. The following chart illustrates new growth within Park Ridge:

Dollar Value of New Development Per Year

2004/05	\$15,043,853
2005/06	\$19,232,818
2006/07	\$25,241,945
2007/08	\$33,764,684
2008/09	\$22,910,239

On a home in Park Ridge with an equalized assessed valuation of \$134,471 (market value of \$282,160), the proposed property tax levy will cost the homeowner \$844 or \$40 more per year. A home with a lower assessed valuation would pay less and one with a higher valuation would pay more. The numbers listed in this paragraph are estimates.

Fund Balance

General Operating Fund

The City's unrestricted general operating fund balance as of April 30, 2009 was \$11,378,347. Estimated future fund balances are \$10,125,547 as of April 30, 2010, and \$10,142,547 as of April 30, 2011, and \$8,985,547 as of April 30, 2012. The April 30, 2011 fund balance is based on revenues of \$28,916,600 and expenses of \$28,899,600.

The City's target general balance at year-end is a range between four and six months of operating revenues of general, special revenue and debt service (where payment stems from the levying of property taxes) funds on a budgetary basis. Fund balance is defined as the excess of assets over liabilities. Also, at year-end, the City's target is to have cash reserves equal to a range of two to four months of operating expenses. A fund balance policy provides guidance to the City Council and senior staff regarding the appropriate balance between reserves, revenues and expenditures. Adherence to an appropriate policy will help the city maintain and improve its credit rating. Having adequate reserves will help the city maintain operations should unexpected emergencies arise, revenues not be realized or expenditures exceed expectations. Reserves help a municipality sustain both economic and natural disasters. The Governmental Finance Officer Association recommends governments maintain an unreserved fund balance in the general operating fund of 5 to 15% of general operating fund revenues. (Source: Public Management Magazine, p. 13, September 2009).

Preliminary estimates show that we will be below the minimum of our policy at April 30, 2010 (16%), 2011 (16%), and 2012 (16%).

Fund balance is not the same thing as cash. Fund balance is an accounting concept that represents assets minus liabilities. Cash balances change daily. The difference between cash and fund balance is other assets and liabilities. A monthly payroll costs the City and the Library \$1.8 million, add monthly warrants of approximately \$2.5 million, and annual debt service payments and you can quickly see the demands on cash flow. The way to improve the situation is to budget conservatively.

The Police, Fire, and ICOPS unions graciously agreed to reopen their labor agreements with the City during the last fiscal year, and we found ways to save the 4% increase that were provided in those agreements. The Public Works union did not which resulted in a layoff of four employees. I am proposing the elimination of the following positions:

ADMINISTRATION

Public Information Coordinator
Economic Development Director

Community Preservation & Development

Engineering Technician
Zoning Enforcement Officer

FINANCE

Fiscal Technician II
.75 Fiscal Technician II

FIRE

3 Firefighters

POLICE

2 Community Service Officers
4 Police Officers

PUBLIC WORKS

Maintenance Worker reassigned to Sewer Fund
Maintenance Worker
Pump Station Operator
Administrative Assistant – Public Works Building

LIBRARY

1.5 Library Assistants
.5 Library Pages

The following positions were vacated during the 2009/10 fiscal year, and will not be refilled:

Purchasing Agent
Deputy Police Chief
4 Maintenance Workers

Revenues will equal expenses in all funds, three funds will have surpluses.

THE CITY'S SOLVENCY

The City's budget can be analyzed in terms of solvency. The four relevant types of solvency are:

Cash Solvency

Cash solvency is defined as having adequate money on hand to pay expenses. Cash insolvency occurs when a city has a repeated history of budget insolvency money leading to long-range insolvency. Future cash solvency is a concern. Items that have contributed to cash insolvency include the general operating fund loaning money to other funds including the Uptown TIF, Municipal Waste, and Motor Fuel Tax funds and the delay in the receipt of property tax payments.

Budget Solvency

Budget solvency means estimated revenues are adequate to finance expenditures and programs. If operating expenditures exceed operating revenues, then the budget does not meet the test of budget solvency. The fiscal year 2010/11 general operating fund budget is solvent. However, the City of Park Ridge has experienced fiscal years when revenues were not sufficient to finance expenditures.

Long-Range Solvency

Long-range solvency means the municipality has the tools to finance its services on a perennial basis. A municipality that has revenues that offer long-term revenue growth will be well on its way to securing long-range solvency. The City of Park Ridge has a wide range of revenue sources to help maintain its future. To insure future solvency, I recommend that the City adopt a 5% property tax levy, \$5 vehicle license fee increase, water and sewer fee increases, and a \$.01 gas tax increase.

Service Delivery Solvency

Service delivery solvency means the funds budgeted for expenses are adequate to meet the demands for services. This budget meets the basic service needs of the City for the next twelve months. There remains a question of long-range service delivery solvency. If revenues continue to decrease and service demands continue to increase there will be no other option than to further reduce services.

EXPENDITURE SUMMARY

The 2010/11 expenditure budget totals \$52,770,100. The following chart illustrates the breakdown between the City and the Library and among the classification of expenses:

	<u>2009/10</u>	<u>2010/11</u>	<u>Percent Change</u>
City			
Operating Expenses	\$37,960,800	\$40,038,300	5.5%
Debt Service	3,436,400	3,588,500	4.4%
Capital	<u>4,746,800</u>	<u>\$4,258,000</u>	(10.3%)
Total	46,144,000	\$47,884,800	3.8%
Library			
Operating Expenses	4,850,000	\$4,607,300	(5.0%)
Capital	<u>108,800</u>	<u>\$278,000</u>	155.5%
Total	4,958,800	\$4,885,300	(1.5%)
City & Library			
Operating Expenses	42,810,800	\$44,645,600	4.3%
Debt Service	3,436,400	\$3,588,500	4.4%
Capital	<u>4,855,600</u>	<u>\$4,536,000</u>	(6.6%)
Total	\$51,102,800	\$52,970,100	3.3%

Comparison of Budgets by Fund 2009/10 and 2010/11

	2009/10	2010/11	\$ Inc (Dec)	% Inc (Dec)
General Operating	\$27,419,900	\$28,899,600	\$1,479,700	5.4%
Municipal Waste	\$3,439,200	\$3,620,300	\$181,100	5.3%
IMRF	\$2,019,800	\$1,963,900	(\$55,900)	-2.8%
1998 Debt Service	\$0	\$0	\$0	
Subtotal	\$32,878,900	\$34,483,800	\$1,604,900	4.9%
Library^	\$4,421,600	\$4,321,400	(\$100,200)	-2.3%
Total Fd Levy Prop Tx	\$37,300,500	\$38,805,200	\$1,504,700	4.0%
Water	\$5,713,900	\$5,623,700	(\$90,200)	-1.6%
Parking	\$332,900	\$333,100	\$200	0.1%
Sewer	\$1,188,900	\$1,538,500	\$349,600	
2004A&B Debt Service	\$1,925,000	\$2,080,100	\$155,100	8.1%
2005A Debt Service	\$321,100	\$321,100	\$0	0.0%
2006A&B Debt Service	\$1,103,300	\$1,103,300	\$0	0.0%
MFT	\$1,000,000	\$833,000	(\$167,000)	-16.7%
Uptown TIF	\$953,000	\$913,900	(\$39,100)	-4.1%
Emergency 911	\$1,264,200	\$1,218,200	(\$46,000)	-3.6%
Total All Funds	\$51,102,800	\$52,770,100	\$1,667,300	3.3%

^ Excludes library pension expenses.

General Operating. The general operating fund represents the single largest component of the total budget and as such, accounts for the majority of day-to-day operations. Much of the general fund expense involves wages and salaries and other personnel costs such as pensions and health insurance. Non-union employees and most supervisory employees are on a merit based pay plan. Other employees' wages and benefits are pursuant to union contracts.

In fiscal year 2009/10, non-union and bargaining unit employees received no salary increases for the year. There were two exceptions: fire employees received an increase, but were furloughed an amount of days that equaled the amount of the increase and public works employees received an increase, but four bargaining unit employees were laid off. Effective May 1, 2010, there is a wage reopener with the Illinois Council of Police and Sheriffs (ICOPS). ICOPS represents certain white-collar administrative and clerical positions. Contracts with the

International Association of Fire Fighters, AFL-CIO and with the Fraternal Order of Police expire April 30, 2010. The contract with the International Union of Operating Engineers, Local 150 calls for a wage adjustment of 4.25% effective May 1, 2010; the 4.25% includes a .25% equity adjustment. The budget includes no wage increases for non-union employees on May 1, 2010.

The insurance line item in the budget shows the cost of employee medical, dental, and life insurance. The City provides employees with the choice of two types of medical insurance coverage: a preferred provider option (PPO) or a health maintenance organization (HMO). PPO costs are expected to increase 7.5 % this year, HMO costs are expected to increase 7.9%, and dental costs are expected to increase 12.9%. To help mitigate these increases, the City intends to implement plan design changes. The City's PPO plan is partially self-funded and subject to a monthly allotment and yearly cap. The City offers two types of PPO plans. Employees contribute 10% of the total medical insurance premiums. Blue Cross Blue Shield provides the PPO and HMO coverage. Delta is the dental insurance provider and Aetna is the life insurance provider.

Pursuant to Governmental Accounting Standards, police and fire pension contributions are accounted for in the general operating fund. Police and fire pension costs are high. The city will contribute \$1,759,900 to the fire pension fund and \$1,843,200 to the police pension fund next year; this compares to \$1,424,600 and \$1,556,600 last year respectively. This is a \$335,300 increase for the fire pension fund and a \$286,600 increase for the police pension fund or \$621,900 total.

The City stopped collecting brush and branches for chipping on September 11, 2009. This was necessary due to cost-cutting measures and resulting staff layoffs.

Municipal Waste. We will levy \$3,620,300 in property taxes for garbage collection expenses next year. As of April 30, 2009, fund balance in the municipal waste fund decreased from (\$217,574) to (\$412,210).

The two primary expenses in the municipal waste fund are the collection of waste, which is paid to ARC Disposal, and the disposal of waste, which is paid to the Solid Waste Agency of Northern Cook County (SWANCC). We estimate that we will pay ARC \$3,317,800 next fiscal year for garbage pickup and recycling services. This equates to \$15.75 per single family home and \$8.15 per multi-family residence (5% increase cost). A garbage cart collection program became effective April 1, 2008. The garbage cart collection program increased costs.

Pension. The employer contribution rate to the Illinois Municipal Retirement Fund (IMRF) increased to 13.42% from 10.67%. The City's contribution to the Illinois Municipal Retirement Fund is determined on a calendar basis.

The 13.42% consists of two numbers: 10.79 + 2.63. The 2.63% funds an early retirement incentive (ERI). The City Council approved the ERI on February 19, 2007. The ERI will cost \$2,000,000 over a ten-year period at 7.5% interest.

Total IMRF expenses are decreasing by \$55,900. The decrease is because of the layoffs. A reserve in the IMRF fund helps keep the fund in balance during the interim between the receipts of spring and fall property taxes.

Debt Service. In 2004, the City issued bonds with a par value of \$16,770,000 to finance the pump station and reservoir relocation and expansion project as an improvement to the water supply and distribution system of the city. The bonds were issued in two series. The City will pay \$1,194,500 on Series 2004A and \$885,600 on Series 2004B. The payments for Series 2004A are abated with Uptown property tax increment and payments for Series 2004B are abated with water fund revenues.

In April 2005, the City issued \$7,005,000 of general obligation bonds for Target Area 2 (Series 2005A). We will pay \$321,100 of interest on these bonds in 2010/11. The interest payment is abated with Uptown property tax increment.

In June 2006, the City issued \$10,530,000 of tax-exempt bonds (series 2006A) and \$10,055,000 (series 2006B) to finance phase 3 of the Uptown TIF project, the Summit parking lot, and City Commons. In 2010/11, the City will pay \$523,500 of debt service for series 2006A and \$579,800 of debt service for series 2006B. Both series are intended to be paid from incremental Uptown TIF property taxes.

All of the above issues are general obligation issues.

Library. In 2010/11, the Library would like to repair the HVAC system for a cost of \$250,000 (partially grant funded).

Water. In 2010/11, we plan to relocate the watermain and construct a right turn lane northbound on Potter Road at Dempster Street for a cost of \$165,000. We plan to replace 1,760 lineal feet of water main at Weeg Way, Western to Luther for \$385,000.

Parking. In fiscal year 2011/12, the City would like to demolish the house next to City Hall and construct a parking lot at a cost of \$170,000. Estimated expenses to refurbish the house and rent it out ranged from \$35,000 to \$164,000. Once the City changes the use of the property from a governmental use to rental unit, the property goes back on the tax rolls for all other taxing jurisdictions, which makes any cost recovery of any investment an elusive goal. The City may lose a lot for commuters and the parking lot across the street from City Hall could be leased to make up that loss of parking spaces.

Motor Fuel Tax. Next year, pursuant to City Council priorities, we will resurface 5 miles of streets. Staff is limiting motor fuel tax receipts to street resurfacing. There are no alley projects planned. This will help prevent the motor fuel tax fund from running a deficit. The City's general fund has been loaning money for road projects to complete our capital plans. \$600,000 is owed to the general fund. In fiscal years 2011/12 and 2012/13, staff will propose a reimbursement of \$300,000 per year, which will reduce the number of resurfacing programs we can complete.

Uptown TIF The capital expense next year is to use \$320,800 grant from the State to complete the landscape planning of the Uptown TIF area. This will require a \$62,000 budgeted use of TIF funds as our portion of the plan.

Emergency 911. Principal costs of this fund are fees paid to the City of Des Plaines to participate in the North Suburban Emergency Communication Center. Members of the consortium are Des Plaines, Park Ridge, Niles and Morton Grove. The City prepaid \$158,000 for automatic line and number identification in November 2007 for the period 11/1/07 – 10/31/12. We expect to pay \$1,158,300 in service fees to the communications center next year. Total annual operating costs for providing emergency 911 services are estimated at \$1,218,200; this is a 4% decrease from last year.

Estimated revenues from the telephone surcharge are \$525,000. The general fund must transfer funds annually to the E-911 fund to sustain operations. The subsidy this year is \$693,200. If the City Council wants to increase the surcharge to make this fund self sufficient, we would have to sponsor a referendum. The referendum would only apply to land lines. The JETS Board has decided to employ a consulting firm to review the operations of the E-911 center for improvements and efficiencies. A presentation to all members City Councils will be scheduled upon completion, to review those findings.

CAPITAL BUDGET

Capital Budget Highlights

Capital improvements are fixed asset expenditures with a value of \$25,000 or more. Capital projects consist of a year-to-year ongoing infrastructure replacement program and one-time programs.

For 2010/11, infrastructure programs consist of \$102,200 for reforestation, \$165,000 for sewer reconstruction (design services), \$80,000 for sidewalk replacement, \$400,000 for sidewalk installation, \$982,000 for street resurfacing, \$385,000 for watermain replacement, and \$735,000 for street reconstruction. Contributions to the City computer replacement fund, library technology replacement fund and motor equipment replacement fund are budgeted at \$166,800, \$26,000 and \$443,200, respectively. The City reduced contributions to the internal service funds for several years. This is a source of concern in the Motor Equipment Replacement Fund.

Next year, using general fund money, we plan to remove and replace 32,500 square feet of sidewalk or 1,300 sidewalk squares under the mandatory program. We will also sponsor the voluntary sidewalk replacement program at 100% resident cost. This is a change from past policy; previously the City paid 50% of the voluntary sidewalk program. We plan to replace 365 trees as part of our annual reforestation program. Next year, we plan to use \$833,000 of motor fuel tax funds to resurface 5 miles of streets. In 2010/11, we plan to replace 2,800 linear feet of water main. In total, \$3,336,200 will be spent on infrastructure next year.

Normally, the City undertakes several building repair projects each year. The 2010/11 building project is:

- \$250,000 to replace the Library's heating and air conditioning system.

Other one-time projects are as follows:

General Operating Fund

- \$400,000 to complete the Dee road sidewalk installation.
- \$735,000 for Avondale and Main street.

Water Fund

- \$165,000 to relocate the water main and install a right turn lane at Potter and Dempster. \$92,000 was spent on this project last year.

Uptown TIF Fund

- \$383,800 to work on the Uptown streetscape.

CITY-WIDE POLICIES AND GOALS

Providing Services At A Low Cost

The Mayor and City Council have a long established policy that citizens should receive a full range of high quality services at the lowest possible cost per capita. Each year, Finance staff surveys neighboring communities and measures the costs of providing comparable services in Park Ridge with other suburbs. The January 2009 survey showed that, out of twelve communities, Park Ridge was the third lowest in per capita spending. The average cost per capita of nine neighboring communities was \$1,604.80. The cost of government per capita in Park Ridge was \$1,305.54. The Budget Summary section shows a comparison of Park Ridge's spending per capita to other communities. The Full Time Equivalent section shows a comparison of full-time equivalents per population for various communities.

POLICY ISSUES

Preparing a Balanced Budget

In this time of declining revenues and demanding service requests, there can be no more important or challenging policy issue than how to prepare a balanced budget. While this situation is not unique to Park Ridge, the following is a summary of the challenges facing the City:

- Revenues are stagnant or declining.
- Pension costs, particularly police and fire pensions, are increasing.
- The property tax levy to support this budget will be levied in December 2011. Property tax receipts are often delayed. The December 2009 property tax levy will not be received until January 2011 instead of fall or winter of 2010.
- The 2009/10, 2010/11, and 2011/12 budgets do not contain any amounts for contingency. Section 2-9-7 of the Municipal Code states the "annual budget may contain money set aside for contingency purposes not to exceed one percent (1%) of the total budget, less the amount set aside for contingency purposes, which monies may be expended for contingencies upon a majority vote of the corporate authorities then holding office." The 2009/10 and 2010/11 general operating budget fiscal budgets did not contain any amounts set aside for contingency because there were inadequate revenues to fund contingency. This creates a hardship as the year progresses.
- The funding for internal service funds has been reduced for several years. This will affect the City's ability to replace its motor and technology equipment. Staff has extended the useful life of all assets and delayed replacing assets as long as possible. Fire apparatus most likely will be refurbished instead of replaced.
- Fitch Ratings, downgraded the state of Illinois bond rating to A-, its fourth-lowest possible rating and the second lowest in the country. Moody's lowered the state of Illinois bond rating from A2 to A1 in December 2009. Illinois is considered the state with the worst financial condition, second to California. The City's bond rating could be lowered if it continually draws on its reserves. As a potential solution to its own problems, the state of Illinois repeatedly threatens municipal revenues.

To meet these challenges, elected officials and staff cut costs to the bone and introduced new revenues.

The most notable expense reduction was eliminating staff in every department. Compare the number of full-time equivalents in the City:

FY 2008/09	FY 2009/10	FY 2010/11
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288.87	284.57	258.82
	(4.30)	(25.75)

Even before this reduction in staff, Park Ridge had less staff per capita than neighboring communities. The City's ratio of full-time equivalents per population is 5; the average for neighboring communities is 7. Every capital project and every operating line item has been scrutinized and re-scrutinized. Department Heads were told to submit flat budgets and then told to cut their budgets and told to cut their budgets again. The approved budgets are for essential operations, such as snow removal, issuing vehicle stickers, approving permits, etc. We changed the way we do business. The hours and method of payment for crossing guards has changed significantly. The police traffic division has been incorporated in patrol. The administration and finance departments must restructure operations due to the elimination of several key positions (economic development director, public information officer, purchasing agent and cashier). Public Works has changed the brush pickup schedule due to the reduction in staff.

Revenues enhancements are: \$5 increase in the vehicle sticker fee from \$40 to \$45 for a passenger car, 5% increase in the property tax (property tax levied in the general, library, municipal waste and IMRF funds), 12% water rate increase, \$.01 increase in the gasoline tax from \$.03 to \$.04 per gallon, and a change in the calculation of the sewer tax. The sewer tax will be \$1.22 per 1,000 gallons of water instead of a flat fee per 5,000 gallons of water and other rates per 1,000 gallons after 5,000 gallons.

STRATEGIC GOALS

The following is a matrix of 2010/11 strategic goals:

<u>Strategic Goal</u>	<u>Responsible Department(s)</u>	<u>Action</u>	<u>Budget Impact (General Operating Fund Unless Otherwise Noted)</u>
Invest in providing the necessary tools to entice the redevelopment of targeted economic development areas within the City of Park Ridge.	Administration, Community Preservation & Development, Economic Development	Approve new plan for <u>Higgins Road Corridor</u> . Encourage mixed land use in <u>Target Area 4</u> . Consider land assembly. Complete redevelopment of <u>Northwest Highway property in Uptown</u> . Resolve traffic flow challenges in <u>Dee Park</u> and improve Northwest Highway Shopping Center site. Prepare redevelopment plan for <u>South Park</u> .	Review and implement Higgins Road Corridor Plan.
Keep the streets and sidewalks in good repair.	Public Works	Rehabilitate 5 miles of street. Replace 25,000 square feet or 1,000 squares of sidewalk.	\$833,000 Motor Fuel Tax Funds to repair streets and \$78,800 to replace sidewalks.
Enroll other Park Ridge governmental bodies and our citizens and businesses in the development of a long-term vision and plan for the City of Park Ridge.	Administration	Form a Vision 2025 Committee consisting of business leaders, representatives from various taxing bodies, and community members at large. Develop a timetable and budget for the Committee.	
Develop a plan that improves rush hour traffic flow without negatively impacting residential areas while expanding opportunities to utilize public transportation.	Public Works	Conduct a traffic study. Seek grant funding.	\$75,000. Project deferred until 2011/12.
Establish a "Committee of	Legal	Change the Municipal Code and the City	

the Whole” operating system.		Council Procedure Manual to reflect the change in practice effective January 1, 2009.	
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During the year, work will continue on these goals begun in fiscal year 2009/10:

<u>Strategic Goal</u>	<u>Responsible Department(s)</u>	<u>Action</u>	<u>Budget Impact (General Operating Fund Unless Otherwise Noted)</u>
Develop a comprehensive long-term strategy for economic development enveloping a business-friendly philosophy intended to attract and retain business in Park Ridge.	Economic Development	Partner with the Chamber of Commerce to market retail establishments. The strategy of the Chamber’s Retail Committee is to: maximize public sector investments, promote cooperation, create competitive advantage, and be sustainable and profitable.	
As dollars permit, install 1 or 2 relief sewers per year.	Public Works	Install relief sewers.	\$330,000 from the Sewer Fund starting in 2011/12
Reinforce Park Ridge’s strength as a caring community by promoting and referring community social services offered.		Fund community organizations when funds allow.	
In continuing to develop an even more user-friendly government, implement a courtesy program, database, and training for municipal staff.	Information Services, Information Technology	Complete upgrade of City web page that will have Customer Inquiry tracking Program	\$23,000
Identify conservative base revenues, core services and their associated costs and develop a 2-year balanced budget.	Administration, Finance	Operating revenues should equal operating expenses. An exception would be the Uptown Tax Increment Financing Fund which has borrowed cash from the General Operating Fund in advance of receipt of incremental property taxes.	

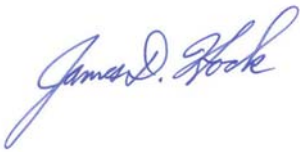
Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Park Ridge, Illinois for its annual budget for the fiscal year beginning May 1, 2009. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

CONCLUSION

Preparing this budget was more challenging than the previous fiscal year. It is an unfortunate situation to hire and invest in the training and development of employees, only to have to ask them to take their talents elsewhere. The recession may be officially over, but the pace of the recovery is painstakingly slow as indicated by income and sales tax receipts. I want to thank the employees, especially certain organized labor groups, who sacrificed wage increases in the 2009/10 and 2010/11 fiscal years and have agreed to sit down and discuss ways that we can attempt to preserve some jobs while maintaining the City in a fiscally sound condition. I also want to thank the elected officials for their efforts in controlling costs and helping the City realize its strategic goals. I look forward to embarking on the next fiscal year together.

Respectfully submitted,

A handwritten signature in blue ink that reads "James D. Hock". The signature is written in a cursive, flowing style.

James D. Hock
City Manager



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Park Ridge

Illinois

For the Fiscal Year Beginning

May 1, 2009

President

Executive Director

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