



CITY OF PARK RIDGE

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April 15, 2009

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

This is an extremely difficult budget year. We are in the midst of a severe economic recession. Revenues are decreasing, yet the demand for city services increases. In this recommended budget, I have cut expenditures to an unprecedented level yet maintained the City's commitment to capital projects, particularly sewer rehabilitation.

The January 19, 2009 issue of Business Week quotes the book, Leadership in the Era of Economic Uncertainty by Ram Charan and notes that:

Plans and progress must be revisited almost daily. Big-picture, strategic-level thinking cannot be abandoned, but every leader now must be involved, visible, and in daily communication with employees, customers, and suppliers. In this world, CEOs need detailed, up-to-date, and unfiltered information. And they have to act decisively when trouble looms. "If you don't prepare for the worst," says Charan, "you will put both your company and career at risk."(Emphasis added.)

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 and senior staff 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**

We have twelve major goals for the next two fiscal years, 2009/10 and 2010/11.

Fiscal Year 2009/10 Goals

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.

How the budget relates to this vision: The 2009/10 Economic Development budget is \$1,631,100. The general operating fund portion is \$135,500.

Departmental goals related to this vision: The Economic Development and Community Preservation and Development Departments work together to formulate policies that encourage businesses to locate in Park Ridge.

Infrastructure

Goal (Part I): 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.

How the budget relates to this vision: Public Works budgeted \$75,000 of general operating funds to replace 25,000 square feet or 1,000 squares of sidewalk in FY 2009/10. The City plans on spending \$1 million to rehabilitate 5 miles of streets in 2009/10.

Park Ridge part of the economic stimulus package is roadway repair on Oakton (entire city) and Touhy, 6-corners east to city limits. A small part of Northwest Highway is also included.

Departmental goals related to this vision: The Public Works Department coordinates the sidewalk replacement and street maintenance programs. Finance helps administer sidewalk related claims.

Goal (Part I): 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.

How the budget relates to this vision: We budgeted \$530,000 in fiscal year 2009/10 to install relief storm sewers.

These relief sewers will be at Frances, Greenwood to Grace and Frances, Greenwood to Lincoln. In fiscal year 2009/10, we will install a cathodic protection system at the Sibley lift station for a cost of \$30,000. We will spend \$100,000 to divide the city into ten sections and over a ten-year period, jet clean the sewers and televiser sewers.

In fiscal year 2008/09, we will spend \$80,000 to identify and study areas prone to flooding and basement back-up. The city's last sewer study was completed in 1996.

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

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.

How the budget relates to this vision: \$1.6 million is the amount of annual debt service we would have levied for the 1998 Public Works Service Center/alley paving bonds.

Why do we need a new police station? The City needs a new police station because of crucial space and safety needs.

This is the most serious safety issue:

1. A "Sally Port" is desperately needed. A "Sally Port" is a bay that a police car can drive into, close the bay door, secure the area, remove the prisoner, and bring the prisoner to a secure lock-up area. This helps ensure both the officer's and prisoner's safety.

Currently, prisoners are removed from the police squad cars in the driveway, escorted down a flight of stairs in all weather conditions and brought through the public section of the police station to the secured area in the back. With our current facility, prisoners and the public are in common areas both inside and outside the police station.

The space needs are:

2. The storage requirements in the evidence property room exceed available capacity,
3. There are ventilation problems in the evidence property room,
4. State law requires police agencies to retain property for longer time periods putting excess strain on space needs,

5. 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,
6. 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. We cannot fit another piece of equipment in the room.
7. 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.
8. 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.
9. 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. These chairs can also be occupied by juveniles who under arrest but cannot be processed in the holding cell area because adults are in custody in the holding cells.

Departmental goals related to this vision: Police personnel are best situated to have input on their needs.

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.

How the budget relates to this vision: The City regularly provides funding to various community groups. More information can be found in the Community and Civic Services section of the budget.

Departmental goals related to this vision: The City has a Human Needs Task Force. The Human Needs Task Force unites various social service and volunteer agencies to improve the community's charitable needs. Goals include making the Task Force more visible to the community by marketing and educating the public of their activities.

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 is hoped that this format will result in a higher level of aldermen understanding issues resulting in more productive City Council meetings. This new format will be evaluated after six-months.

Departmental goals related to this vision: We held our first Committee of the Whole workshop on January 12, 2009. All the functional departments attend Committee of the Whole meetings. If the new format is successful, we will need to change the Municipal Code and the City Council Procedure Manual.

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.

How the budget relates to this vision: The Information Technology Department budgeted \$23,000 next year to install a customer service web based system. This system will track customer service requests. Staff budgeted \$4,000 in FY 2008/09 and \$1,000 in FY 2009/10 for citywide customer service training. The first customer training seminar was held on April 15, 2009.

Departmental goals related to this vision: All departments will be trained in a customer service protocol.

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.

How the budget relates to this vision: The budget maintains the General Fund Balance at the current rate.

Departmental goals related to this vision: The City Manager and Finance Director will spearhead efforts to curtail expenses, but success depends upon cooperation of all elected officials and staff. Recognizing that the City has limited funding, elected officials need to prioritize projects and direct staff on a mutually agreed upon direction.

Fiscal Year 2010/11 Goals

Economic Development

Goal (Part II): 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 near completion. Target Area 2 includes the former water reservoir and pump station area located in Uptown. The underground parking garage opened to the public on August 11, 2008. There are 286 free public parking spaces on the main level and 183 residential parking spaces on the lowest level of the garage. The surface parking lot opened on August 27, 2008. Several businesses opened in Target Area 2. They include: Amphora's, Trader Joe's, Chico's, Joseph A. Banks, Kriser's Pet Store, Lens Crafters Optique, Aveda Salon & Spa, Jason's Deli, and Noodles & Company. Trader Joe's, Chico's and Joseph A. Banks opened in 2007. The design and part of the construction of streetscape improvements on Summit Avenue between Prospect and Touhy Avenues were completed. Construction will be fully completed in 2009.

Once completed, the Higgins Road Corridor Plan will provide a long-term vision for the Corridor and will become an amendment to the Comprehensive Plan. The Corridor is located on the north side of Higgins Road and extends between Dee Road on the west and Canfield Road on the east.

Besides Uptown Target Area 2 and the Higgins Road Corridor, the City Council has identified other priority areas.

Target Area 4 is the southwest sector of Uptown, and encompasses the area generally 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.

There is redevelopment potential for several vacant properties formerly owned by an automobile dealer. These properties are located on Northwest Highway in Uptown. The location makes these properties influential to the City's Uptown Plan.

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.

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: The Community Preservation and Development budget for 2010/11 includes \$40,000 to begin implementation of the Higgins Road Corridor Plan. The City Council will adopt it as an amendment to the Comprehensive Plan and then staff will implement the plan. Redevelopment spans several years. Tax Increment Financing, Special Service Areas, and Grant Funding can facilitate development.

Departmental goals related to this vision: Staff will continue implementation of the Uptown and Dee Park Plan. CPD will begin implementation of the Higgins Road Corridor Plan in 2010/11.

Infrastructure

Goal (Part II): 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 \$78,800 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 \$1.1 million 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 (Part II): As dollars permit, install 1 or 2 relief sewers per year.

How the budget relates to this vision: In fiscal year 2010/11, we would like to resume sewer videotape and lining program. Videotaping enables the engineer to analyze the sewer system for maintenance and lining. We have budgeted \$264,000 in fiscal year 2010/11 for this purpose.

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

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 \$60,000 in 2010/11 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.

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. The capital plan lists \$510,100 for sidewalk replacement, \$3,092,200 for sewer rehabilitation, videotaping and lining, \$1,186,400 for reforestation, \$50,000 to replace cash parking boxes, \$7,400,000 for the Uptown streetscape, and \$1,065,000 of library maintenance projects.

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 2010/11 budget includes \$12,000 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.

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	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 2007/08 through 2009/10:

	07/08 Actual	08/09 Budget	08/09 Est Act.	09/10 Budget	10/11 Estimate
Revenues:					
Income	3,559,023	3,800,000	3,700,000	3,626,000	3,800,000
MFT	1,054,593	1,138,900	1,006,000	1,026,000	1,050,000
Property	14,431,000	14,902,500	14,902,500	15,384,000	16,153,200
HR Sales	1,452,305	1,650,000	1,510,000	1,550,000	1,650,000
Sales	3,754,466	3,970,000	3,490,000	3,500,000	3,600,000
Uptown Property Tax	764,238	2,812,700	1,658,700	2,073,200	2,994,500
Utility	4,778,256	4,750,000	4,500,000	4,750,000	4,900,000
Sewer	112,808	348,000	344,300	895,900	895,900
Water	6,138,664	6,929,300	6,500,000	7,000,000	7,255,000
Other	9,497,134	11,704,300	9,544,900	9,501,700	9,642,400
Bond Proceeds	19,400	-	-	-	-
Total	45,561,888	52,005,700	47,156,400	49,306,800	51,941,000
Expenses:					
Personal Services	24,900,787	27,088,100	26,219,500	27,175,600	28,625,200
Contractual Services	12,975,300	12,761,600	13,154,400	13,297,300	14,126,900
Commodities	2,243,897	2,276,000	2,658,100	2,337,900	2,461,000
Debt Service	3,484,799	5,038,700	5,053,200	3,436,400	3,588,500
Capital Budget	<u>4,478,530</u>	<u>5,335,700</u>	<u>5,452,000</u>	<u>4,855,600</u>	<u>5,025,500</u>
Total	48,083,313	52,500,100	52,537,200	51,102,800	53,827,100
Excess (Deficit) of Revenues over Expenses	(2,521,425)	(494,400)	(5,380,800)	(1,796,000)	(1,886,100)

The above chart shows all budgeted funds.

2008/09 –Two funds will have surpluses and seven funds will have deficits. Revenues will equal expenses in the remaining funds.

Surpluses

Emergency 911 \$43,000

Library \$1,800

Deficits

General Operating \$2,352,400 Deficit due to revenue shortfall primarily in building permit and sales taxes.

IMRF \$3,000

MFT \$389,300

Municipal Waste \$86,600

Parking \$109,300

Uptown TIF \$1,968,300

Water \$516,700

Total \$5,380,800

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

<u>Surpluses</u>	
Emergency 911	\$38,000
Parking	\$52,400
MFT	\$31,700
<u>Deficits</u>	
General	\$117,600
Library	\$52,300
Uptown TIF	\$1,343,800
<u>Water</u>	<u>\$404,400</u>
<u>Total</u>	<u>\$1,796,000</u>

2010/11 – Three funds will have surpluses and five funds will have deficits. Revenues will equal expenses in the remaining funds.

<u>Surpluses</u>	
Parking	\$6,000
Uptown TIF	\$47,600
Sewer	\$44,000
<u>Deficits</u>	
Emergency 911	\$12,000
General Operating	\$1,366,800
Library	\$21,400
MFT	\$44,200
<u>Water</u>	<u>\$539,300</u>
<u>Total</u>	<u>\$1,886,100</u>

REVENUE SUMMARY

The following revenues will fund the 2009/10 planned expenditures:

	<i>Total</i>	<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>Service</i>						<i>Waste</i>				
Inc	3,626,000		777,200	2,455,800		100,000						
MFT	1,026,000						1,026,000					
Prop	15,384,000	-		6,140,300	1,798,500	4,006,000		3,439,200				
HR Sls	1,550,000			1,550,000								
Sales	3,500,000			3,500,000								
Utility	4,750,000			4,750,000								
Water	7,000,000	885,400		800,000	166,100							5,148,500
Sewer	895,900										895,900	
Oth	10,397,600		525,000	8,106,200	55,200	315,600	5,700	-	385,300			161,000
Uptwn	2,073,200	2,464,000								(390,800)		
Fund Bal	1,796,000	-	(38,000)	117,600			(31,700)		(52,400)	1,343,800	-	404,400
Total	51,102,800	3,349,400	1,264,200	27,419,900	2,019,800	4,421,600	1,000,000	3,439,200	332,900	953,000	1,188,900	5,713,900

Expenses will be financed through a variety of revenues including \$3,626,000 of income taxes, \$3,500,000 of sales taxes, \$1,550,000 of home rule sales taxes, \$4,750,000 utility taxes and \$15,384,000 of property taxes.

Factors Influencing the Budget

General Economic Conditions

This budget was prepared with several assumptions regarding general economic conditions. We are in the midst of a severe economic recession. There is little or no good news to report.

The lead paragraph in the January 5, 2009 edition of Crain's Chicago Business reads: "The deepening recession, already more than a year old, will probably maintain its stranglehold on the Chicago economy for at least another year." The December 26, 2008 issue of the Government Finance Officers Association Newsletter reads: "Seven in 10 city officials said overall economic conditions are a problem, with nearly one in two reporting that their cities are having problems financing services."

The S&P 500 has dropped so much it has become one of the five worst bear markets since 1929. There is record volatility in the equity and commodity markets. We are encountering declining inflation as the recession continues; this means the cost of living is declining and commodity prices are dropping. (source: Northern Trust Perspective Newsletter, December 2008).

Referring to the National League of Cities, *City Fiscal Conditions in 2008 Report* "the decline in property tax revenues (3.6% from the prior year, in inflation-adjusted terms) is having an impact on the fiscal health of local governments. Unlike the previous economic downturn in 2001, when property tax revenues were able to buffer the effects of declining income and sales tax receipts, the weak housing market is likely to affect city budgets until 2010. Moreover, the report found that other sources of revenue are headed downward as well, with sales tax receipts declining by 4.2% and income tax revenues expected to decline by 3.3% in inflation-adjusted dollars in 2008 compared to 2007. As a result, 64% of city finance officers surveyed expect cities to have a harder time meeting fiscal needs in 2008, and 79% forecast even bigger problems ahead in 2009." (Source: Illinois Municipal Review, October 2008, page 9).

According to an article in the Pioneer Press, there were 81 foreclosures in Park Ridge in 2007 compared to 27 in 2006 and 30 in 2005. (Source: North Shore Barrington Association of Realtors, National Training and Information Center). As of March 2009, about 250 Park Ridge properties are vacant or in foreclosure status.

State of Illinois revenues are at a critical point. 100,700 jobs were lost in Illinois last calendar year; 36,000 jobs were lost in December 2008. The State unemployment rate is 7.6%, compared to 7.2% nationally. Tax collections dropped 6.2% in the last three months of 2008. Personal income taxes were down 2.4%, corporate taxes were down 10%, and sales taxes were down 6.7% in the last three months of 2008 compared to 2007. The State of Illinois has a nearly \$9 billion budget hole to fill. (Source: Illinois Government Finance Officers Legislative Committee Update, February 6, 2009).

Governor Quinn recently proposed increasing the Illinois income tax from 3% to 4.5%. Illinois Governor Quinn has proposed increasing the personal income tax rate from 3 to 4.5% and the corporate rate from 4.8 to 7.2%. This will generate approximately an additional \$6.35 billion for the State. Under the current 1/10 percentage distribution formula, municipalities would receive an additional \$49.60 per capita. However, current proposals do no plan to share the money with municipalities. The money will be used to fund education, environmental protection, energy conservation and economic development components of the proposed \$26 billion capital program.

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 \$1,550,000 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 paid a local automobile dealer \$400,000 sales rebate annually pursuant to the Dempster TIF revenue sharing agreement.

From April 2008 through September 2008, the City realized \$96,800 in Uptown sales taxes. In fiscal year 2007/08, the City paid School District \$45,600 of sales taxes and in fiscal year 2008/09, \$238,300 of sales taxes pursuant to the Uptown TIF revenue sharing agreement.

Income Taxes

The projection for income tax receipts is based on a forecast of \$95.99 per capita. Total projected revenues are \$3,626,000.

Utility Taxes

We budgeted \$4,750,000 of utility tax revenue next year, this includes water and gas utility taxes, electric use tax, and a telecommunications tax. The breakdown is as follows: \$1,175,00 for gas utility taxes, \$320,000 for water utility taxes, \$1,825,000 for telecommunications taxes, and \$1,430,000 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 \$1,000,000. 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).

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 budget includes a 5% increase in water rates. The City of Chicago increased water rates 15% effective January 1, 2008, 15% effective January 1, 2009, and will raise water rates 14% January 1, 2010. Water purchases from the City of Chicago constitute the single largest expense in the water fund. If we increase rates 5%, annual revenues should increase \$327,500. A typical household will pay approximately \$20 more per year under the proposal.

Rental Income

The City rents the former Public Works Service Center to NICOR. NICOR informed staff they will vacate the facility on October 31, 2009. Annual rental income was \$250,000.

Sewer Fees

These sewer projects are included in the FY 2009/10 budget:

Sewer Rehabilitation	\$530,000	See page 244
Levee 50 – Acquisition and Construction	102,000	
Jet Clean and Televiser Sewers	100,000	
Sibley Lift Station Cleaning	45,000	
State of Illinois Permit Fee	<u>21,000</u>	
Total	\$798,000	See page 193

To pay for these projects, we need to increase the sewer rate. The current rate structure is:

1 – 5,000 gallons	\$1.35
Each 1,000 gallons up to 30,000 gallons	\$.21
Each 1,000 gallons over 30,000 gallons	\$.24

The proposed rate structure is:

1 – 5,000 gallons	\$3.80
Each 1,000 gallons up to 30,000 gallons	\$.59
Each 1,000 gallons over 30,000 gallons	\$.68

This increase will cost a family of four who uses 97,000 gallons of water a year \$40 more annually.

	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
Water	\$416.10	\$437.04	\$20.94
Sewer	21.96	61.74	39.74
Utility	<u>20.82</u>	<u>21.90</u>	<u>1.08</u>
Total	\$458.88	\$520.68	\$61.76

This will increase City annual sewer revenue \$577,700; to \$895,900 from \$318,200.

Property Tax Levy

The budget includes a 3.2% increase in the property tax levy.

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

2008 Levy	1998 Debt	Library	Garbage	IMRF	General
\$14,902,500	\$1,632,800	\$4,190,500	\$3,199,000	\$1,638,700	\$4,241,500

Let's examine each component of the 2009 property tax.

We will not levy any amount for the public works service center/alley paving 1998 bonds.

We need to levy \$4,006,000 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. The 2009/10 library property tax levy is \$184,500 less than the 2008/09 levy.

We need to levy \$3,439,200 for the municipal waste fund next year. Municipal waste property taxes are increasing by \$240,200. Staff recommends the imposition of a commercial refuse collection franchise fee, which this takes 15 months to implement.

We need to levy \$1,798,500 for the Illinois Municipal Retirement fund next year. This is \$159,800 greater than last year's levy. 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 \$2,940,200 compared to \$2,511,000 last year for police and fire pensions. This is an additional \$427,600 or 17%.

The proposed property tax levy will increase 3.2% from \$14,902,500 to \$15,384,000. This is a \$481,500 increase.

	1998 Debt	Library	Mun. Waste	IMRF	General
2008	\$1,632,800	\$4,190,500	\$3,199,000	\$1,638,700	\$4,241,500
Inc (Dec)	(\$1,632,800)	(\$184,500)	\$240,200	\$159,800	1,898,800
2009		\$4,006,000	\$3,439,200	\$1,798,500	\$6,140,300

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

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

On an average home in Park Ridge with an equalized assessed valuation of \$93,059 (market value of \$581,617), the property tax levy will cost the homeowner \$727.56. This represents an increase of \$22.56 for the year. A home with a lower assessed valuation would pay less and one with a higher valuation would pay more. The following chart depicts seven-year trends for tax levies, tax rates and estimated costs for typical single-family homeowners:

Seven Year Trends Regarding Assessed Valuation,
Property Tax Levies and Property Tax Rates

	Equalized Assessed Valuation	Net Tax Levy	Tax Rate Per \$100	Total Cost for a Home	Percent Change	EAV	Market Value
2003/04	\$1,207,973,785	\$11,866,600	.98	\$563	5.0%	57,296	\$358,102
2004/05*	\$1,406,982,666	\$12,459,900	.88	\$591	5.0%	66,735	\$417,097
2005/06	\$1,502,128,908	\$13,082,900	.87	\$620	5.0%	71,248	\$445,303
2006/07	\$1,528,372,764	\$13,737,400	.90	\$652	5.0%	72,493	\$453,083
2007/08*	\$1,852,758,740	\$14,431,000	.78	\$684	5.0%	87,717	\$548,230
2008/09	\$1,908,341,502est	\$14,902,500	.78	\$705	3.3%	90,348	\$564,677
2009/10	\$1,965,591,747est	\$15,384,000	.78	\$727.56	3.2%	93,059	\$581,617

* Property was reassessed in 2004 and 2007.

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 following chart illustrates new growth within Park Ridge:

Dollar Value of New Development Per Year	
2003/04	\$9,624,252
2004/05	\$15,043,853
2005/06	\$19,232,818
2006/07	\$25,241,945
2007/08	\$33,764,684

Fund Balance

General Operating Fund

The City's unrestricted general operating fund balance as of April 30, 2008 was \$13,747,100. Estimated future fund balances are \$12,042,300 as of April 30, 2009, \$11,924,700 as of April 30, 2010, and \$10,557,900 as of April 30, 2011. The April 30, 2010 fund balance is based on revenues of \$27,302,300 and expenses of \$27,419,900.

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.

Preliminary estimates show that we will be below the minimum of our policy at April 30, 2009 (27%), 2010 (23%), and 2011 (18%).

Fund balance is not the same thing as cash. Fund balance is an accounting concept that represents assets minus liabilities. The General Operating Fund Balance is \$12 million. On March 19, 2009, the City had \$3.6 million of General Operating Fund cash. At the same time other funds owed the General Operating Fund \$4.8 million (Special Service Areas - \$340,000; Emergency 911 Fund - \$357,000; Library - \$210,000; Series 2006A Uptown Construction Capital Projects Fund - \$85,000; Uptown TIF Fund - \$3,813,000). Cash balances change daily. The difference between cash and fund balance is other assets and liabilities. This example illustrates that the City may have a \$12 million fund balance, but it has \$3.6 million in cash to run daily operations. 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.

Expenses are projected to exceed revenues in four funds next year.

General Operating

Amount - \$117,600

The General Operating budget is \$27.4 million. A projected deficit of \$117,600 represents less than 1% and is within a margin of error.

Library Fund

Amount - \$52,300

This amount is the sum of three amounts: 30% of the training budget (\$9,000), tuition reimbursement (\$12,000), and the amount budgeted for carpeting (\$40,000). The City Council approves the overall funding of the Library's annual budget and the Library Board has the authority to allocate that total funding within the various program areas contained in the Library Department's budget.

Water Fund

Amount - \$404,400

The City of Chicago increased water rates to the city of Park Ridge and other communities by 15% January 1, 2008 and 2009. Chicago will increase water rates by another 14% on January 1, 2010. This is the primary reason why Park Ridge needs to increase water rates. The city of Park Ridge raised water rates 6.7% May 1, 2008. This rate increase was not enough to cover increased operating and capital costs. This long-term trend as illustrated on page 70 is worrisome.

Uptown TIF Fund

Amount - \$1,343,800

Expenses will exceed revenues in the Uptown Tax Increment Fund until the property is fully assessed. Even though the Uptown TIF fund is projected to have a surplus at its conclusion, the practice of spending in advance of revenues is problematic in that there is a strain on the general operating fund cash to lend the Uptown TIF fund money. See pages 300 and 301 for more information.

Three funds are projected to have surpluses next year.

Emergency 911 Fund

Amount - \$38,000

This modest surplus is good news in that the fund currently has a negative fund balance.

Motor Fuel Tax Fund

Amount - \$31,700

The Public Works Department wants to limit on-going Motor Fuel Tax projects to current revenues.

Parking Fund

Amount - \$52,400

The City builds up surpluses in the parking fund for when it wants to complete capital projects.

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 as illustrated on page 11.

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 2009/10 general operating fund budget is solvent.

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 3% property tax levy, water rate increase, sewer fee increase, and a commercial refuse collection franchise fee.

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 expenditures continue to increase there will be no other option than to further reduce services.

EXPENDITURE SUMMARY

The 2009/10 expenditure budget totals \$51,102,800. The following chart illustrates the breakdown between the City and the Library and among the classification of expenses:

	<u>2008/09</u>	<u>2009/10</u>	<u>Percent Change</u>
City			
Operating Expenses	\$37,333,000	\$37,960,800	1.7%
Debt Service	5,038,700	3,436,400	(31.8%)
Capital	<u>5,006,900</u>	<u>4,746,800</u>	(5.2%)
Total	47,378,600	46,144,000	(2.6%)
Library			
Operating Expenses	4,792,700	4,850,000	1.2%
Capital	<u>328,800</u>	<u>108,800</u>	(66.9%)
Total	5,121,500	4,958,800	(3.2)%
City & Library			
Operating Expenses	42,125,700	42,810,800	1.6%
Debt Service	5,038,700	3,436,400	(31.8%)
Capital	<u>5,335,700</u>	<u>4,855,600</u>	(9.0%)
Total	\$52,500,100	\$51,102,800	(2.7%)

**Comparison of Budgets by Fund
2008/09 and 2009/10**

	2008/09	2009/10	\$ Inc (Dec)	% Inc (Dec)
General Operating	\$28,568,100	\$27,419,900	(\$1,148,200)	-4.0%
Municipal Waste	\$3,199,800	\$3,439,200	\$239,400	7.5%
IMRF	\$1,849,200	\$2,019,800	\$170,600	9.2%
1998 Debt Service	\$1,632,800	\$0	(\$1,632,800)	
Subtotal	\$35,249,900	\$32,878,900	(\$2,371,000)	-6.7%
Library^	\$4,627,600	\$4,421,600	(\$206,000)	-4.5%
Total Fd Levy Prop Tx	\$39,877,500	\$37,300,500	(\$2,577,000)	-6.5%
Water	\$5,638,000	\$5,713,900	\$75,900	1.3%
Parking	\$426,800	\$332,900	(\$93,900)	-22.0%
Sewer	\$0	\$1,188,900	\$1,188,900	
2004A&B Debt Service	\$1,920,000	\$1,925,000	\$5,000	0.3%
2005A Debt Service	\$321,100	\$321,100	\$0	0.0%
2006A&B Debt Service	\$1,103,300	\$1,103,300	\$0	0.0%
MFT	\$1,401,300	\$1,000,000	(\$401,300)	-28.6%
Uptown TIF	\$617,000	\$953,000	\$336,000	54.5%
Emergency 911	\$1,195,100	\$1,264,200	\$69,100	5.8%
Total All Funds	\$52,500,100	\$51,102,800	(\$1,397,300)	-2.7%

^ 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. PPO costs are expected to remain the same this year, HMO costs are expected to increase 8%, and dental costs are expected to increase 12.6%. Life insurance costs will increase \$.01 per \$1,000 of coverage. Total insurance costs will exceed \$2,300,000. Administration staff will review the medical design when rates become available to minimize any cost increases.

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 \$1,424,600 to the fire pension fund and \$1,556,600 to the police pension fund next year; this compares to \$1,135,100 and \$1,418,500 last year respectively. This is a \$289,500 increase for the fire pension fund and a \$138,100 increase for the police pension fund or \$427,600 total.

Total full time equivalents including the library are 284.57. Due to cost constraints, staff eliminated the Human Resources Director, Assistant Director of Community Preservation and Development, and the Urban Forester positions. Part-time help in the Finance department was reduced. The Fire Inspector was reduced from full-time to part-time. The extra-help Fire Inspector was reclassified a permanent part-time. As attrition occurs throughout the year, we will review our needs closely before authorizing replacement personnel.

There is no amount for contingency in the general operating fund; this is the first time the City has not included a line item for contingency. This saved \$140,000. We budgeted \$400,000 for snow removal supplies.

Pursuant to the City Council's request, \$25,000 was added to the Noise Abatement program budget to rent monitors from the city of Bensenville that will record the noise level from O'Hare airport.

Municipal Waste. We will levy \$3,439,200 in property taxes for garbage collection expenses next year. As of April 30, 2008, fund balance in the municipal waste fund increased from (\$241,349) to (\$217,574). While fund balance increased, it is a negative balance.

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 \$3,153,000 next fiscal year for garbage pickup and recycling services. This equates to \$15.00 per single family home (5% increase from \$14.29) and \$7.76 per multi-family residence. 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 10.67% from 9.49%. The City's contribution to the Illinois Municipal Retirement Fund is determined on a calendar basis. IMRF's aggregate funding was 100% as of January 1, 2008 and is projected to be 70% as of December 31, 2008. IMRF invests heavily in equities and the decrease is due to the market downturn. To accommodate an anticipated 20% rate increase in January 2010, staff used an 11.56% rate for fiscal year 2009/10 and 12.8% for fiscal year 2010/11. Besides the market downturn, the City needs to fund an early retirement incentive (ERI) in 2010. The ERI will cost \$2,000,000 over a ten-year period at 7.5% interest. The City Council approved the ERI on February 19, 2007. Total IMRF expenses are increasing by \$170,600. We need to increase the fund balance in the city's special revenue Illinois Municipal Retirement Fund; a reserve 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 \$1,039,600 on Series 2004A and \$885,400 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 2009/10. 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 2009/10, 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 2009/10, the Library would like to replace the carpet in the children's for a cost of \$40,000.

Water. In 2009/10, we plan to relocate the watermain and construct a right turn lane northbound on Potter Road at Dempster Street for a cost of \$250,000. We also plan to replace 2,800 lineal feet of watermain at Canfield, Higgins to 1900 Canfield and Potter, Busse Highway to Northwest Highway for a cost of \$725,000. In FY 2008/09, the City implemented a backflow protection program for commercial property owners. At the time we intended to bill the commercial property owners for the cost of this program. The City needs to bill the property owners, otherwise, the deficit in the water fund increases. Fiscal year 2009/10 estimated commercial backflow revenue is \$31,000.

Parking. No capital projects are planned in 2009/10.

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 and using general operating funds for alley resurfacing. This will help prevent the motor fuel tax fund from running a deficit.

Uptown TIF The Uptown TIF budget includes \$53,000 of operating and \$900,000 capital expenses. The capital expense next year is to complete the streetscape along Summit between Touhy and Prospect Avenues. This is the second year of a multi-year project. Total cost of redeveloping the streetscape is estimated at \$7,400,000. Additionally, the Uptown TIF will pay \$2,464,000 of debt service in 2009/10.

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 \$1,225,600 in service fees to the communications center next year. Total annual operating costs for providing emergency 911 services are estimated at \$1,264,200; this is a 6% increase from last year. In 2008/09, the North Suburban Emergency Communication Center purchased

software that provides for a mass notification system. The first-year cost of this system is \$23,000. Second-year maintenance cost is \$21,000 compared to \$9,000 for the old system.

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 \$777,200. The amount of this subsidy grows annually. 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.

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 2009/10, infrastructure programs consist of \$98,400 for reforestation, \$530,000 for sewer reconstruction, \$75,000 for sidewalk replacement, \$400,000 for sidewalk installation, \$1,000,000 for street resurfacing, and \$725,000 for watermain replacement. Contributions to the City computer replacement fund, library technology replacement fund and motor equipment replacement fund are budgeted at \$166,800, \$66,800 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. The financial projection on page 295 indicates the City may have difficulty replacing the \$1 million dollar fire pumper in 2015.

Next year, using general fund money, we plan to remove and replace 25,000 square feet of sidewalk or 1,000 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. In 2009/10, we plan to construct two new relief sewers at Frances, Greenwood to Grace and Frances, Cumberland to Grace. Routine replacement of sewers directly reduces operating budget expenses for sewer flushing. We plan to replace 365 trees as part of our annual reforestation program. Next year, we plan to use \$1,000,000 of motor fuel tax funds to resurface 5 miles of streets. In 2009/10, we plan to replace 2,800 linear feet of water main.

In total, \$3,505,200 will be spent on infrastructure next year.

Normally, the City undertakes several building repair projects each year. The 2009/10 building projects are:

- \$40,000 to re-carpet the Library.
- \$25,000 to improve the air quality at the Public Works Service Center.

Other one-time projects are as follows:

General Fund

- \$20,000 for a Dutch Elm tree protection program. Designed to protect the aging Dutch Elm tree population, the cost of this voluntary program will be shared with residents.
- \$60,000 to spray trees in order to protect against gypsy moth infestation. This is the second year of this program.
- \$55,400 for technology implementation. This includes the following projects: Fire Stations security cabinets for domain controller file servers, Fire Zoll EMS software upgrade, and installation of a Web customer service system.

Water Fund

- \$250,000 to relocate the water main and install a right turn lane at Potter and Dempster.

Uptown TIF

- \$900,000 to complete construction of the streetscape on Summit, Touhy to Prospect.

The Public Works Director proposed constructing an underground detention facility for Executive Plaza. Design and construction costs total \$2.7 million and would be paid by use of a Special Service Area. This means the City would issue general obligation bonds and the bonds would be repaid by levying taxes against the property owners living within the Special Service Area. This proposed capital project and accompanying debt service are not included in the Capital Budget.

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 nine communities, Park Ridge was the lowest in per capita spending. The average cost per capita of nine neighboring communities was \$1,513.28. The cost of government per capita in Park Ridge was \$1,264.97. The Budget Summary section shows a comparison of Park Ridge's spending per capita to other communities. The Full Time Equivalents section shows a comparison of full-time equivalents per population for various communities.

POLICY ISSUES

Referring to the January 19, 2009 issue of Business Week and the book Leadership in the Era of Economic Uncertainty by Ram Charan,

You (Leaders) must recognize reality. This is the single most important task confronting a CEO, and it is extremely difficult to do in this environment. Facing wrenching uncertainty, many become fearful. Others indulge in wishful thinking: "We'll soon be back to normal." Don't believe it. Though we don't know what the new world will look like, we can be certain it won't look the way it did before.

When preparing this budget, we cut expenses severely.

Reductions included:

- Reducing employee wages by \$832,800. When it became clear that we could not balance the 2009/10 budget without wage concessions and/or layoffs, management contacted various employee groups and asked for wage concessions.
- Reducing full-time equivalents by 4.30. This saved the City \$330,000 plus the cost of insurance and pensions.
- Reducing extra help expense in the Public Works Department. This saved the City \$45,000; the expense was reduced from \$72,300 to \$31,000 (plus \$3,200 for FICA and Medicare). Staff plans to limit hiring to a few workers to clean sewer inlets. Reducing the number of summer help employees means we will not be able to clean the Uptown area on weekends. We will also plant fewer flowers and weed the beautification areas less often.
- Eliminating \$45,000 by not displaying holiday lights.
- Eliminating the cost of having a full-time fire inspector. This will result in inspecting certain occupancies every other year instead of every year, cancelling the fire school safety program, and longer wait times for a certificate of occupancy.
- Eliminating employing an Urban Forester. Among other things, the City will no longer provide "free" advice to residents regarding trees located on private property.
- Redesigning the *Spokesman*, the City's newsletter to residents, thereby saving \$10,000.
- Discontinuing removing vermin for residents, thereby saving \$8,000.
- Eliminating \$140,000 contingency in the general operating fund.
- Eliminating paying for employee tuition reimbursement, thereby saving \$27,800.
- Reducing the training budget by 30% for a savings of \$27,400.
- Reducing contributions to community groups by 15%, saving \$41,900.
- Cancelling all employee appreciation events for a savings of \$7,500.
- Not conducting an aerial flyover of the City, thereby saving \$7,000 and not having an update for the geographic information system.
- Cancelling the Fire Open House, thereby saving \$4,600.
- Eliminating bottled water at City Hall (\$4,200), City provided coffee (\$1,000), and plants at City Hall (\$1,000).
- Cancellation of monetary awards for the Garden Club beautification program (\$1,000).
- Eliminating duplicate memberships in civic organizations.
- Restricting materials purchases to bare necessities and saving \$4,800.
- Reducing Fire Department Public Education overtime by \$10,000.
- Not purchasing banners to celebrate the fall season and the 100th anniversary of the City saving \$15,000.
- Not conducting a salary study and saving \$40,000.

- Not conducting a study of historical buildings for a cost of \$25,000.
- At the March and April budget workshops, the City Council considered the following issues.

Capital Budget

These savings are included in the budget.

- Fund the voluntary sidewalk program at 100% citizen cost instead of 50% city cost. This save the City \$75,000.
- At the March budget workshop, the City Council expressed a preference for rehabilitating sewers.

Revenues to Fund Operations

Water Rates

Total water fund expenses next year will be \$5,713,900. A 5% increase in water rates will help pay for the increase in water supply that the City of Park Ridge incurred from the City of Chicago.

The current water rates are:

Up to but not exceeding 5,000 gallons	\$25.68
Over 5,000 but not exceeding 30,000 gallons	\$3.97/1,000 gallons
Over 30,000 gallons	\$4.43/1,000 gallons

Effective May 1, 2009, the new water rates will be:

Up to but not exceeding 5,000 gallons	\$26.96
Over 5,000 but not exceeding 30,000 gallons	\$4.17/1,000 gallons
Over 30,000 gallons	\$4.65/1,000 gallons

Total annual revenues will increase \$327,500. It is estimated that a household that uses 97,000 gallons annually will pay \$20 more per year. With a 5% increase in water rates, the water fund is projected to have a \$404,400 deficit.

Sewer Fee

An increase in the sewer fee as listed on page 9 will pay for \$530,000 of sewer rehabilitation, \$102,000 Levee 50 work, \$100,000 sewer jet cleaning & televising, \$45,000 Sibley Lift Station cleaning, and a \$21,000 Illinois Combined Sewer Overflow Permit.

Commercial Refuse Collection Franchise Fee

Staff recommends that the City implement a franchise agreement for the collection and disposal of commercial waste and recyclable material. This will realize an additional \$100,000 to the Municipal Waste Fund. It takes 15 months to implement this fee; therefore if approved, it would not be effective until the 2010/11 fiscal year. The advantages of this program include:

- Lower and standardize collection and disposal costs within service areas;
- Stabilize yearly cost increases;
- Reduce greenhouse gas emissions and vehicle pollutant emissions
- Minimize and more effectively control the flow of heavy equipment on City alleys and streets; and
- Provide every customer with recycling services and reduce landfilled waste volumes.

User Charges and Other Fees

During the next fiscal year, staff will review adjudication court costs, parking ticket fees, business license fees, and permit fees to see if they should be adjusted to provide additional revenues.

The City spends a significant amount of time and labor costs cleaning and providing other services for special events. We can recoup our costs by charging a user fee for these special events. Here is a listing of the events and their associated costs. This listing excludes employee regular salary costs.

<u>Event</u>	<u>Cost</u>
Taste of Park Ridge	\$10,600
Rainbow Placement	\$2,600
Girl Scout Cookie Drop	\$1,300
Norwegian Day Parade	\$800
Anelise's Run	\$700
Maine Park Touch a Truck	\$600
Maine South High School Parade	\$500
Merchant's Open House	\$400
Rotary Club Grapefruit Delivery	\$300
Total	\$17,800

Having user charges reimbursed will improve the City's financial condition without placing an unfair burden on taxpayers. Similarly, charging for commercial backflow will improve the financial condition of the water fund.

The estimated revenue increases for a Park Ridge family to fund the 2009/10 budget are: \$22 Property Taxes, \$20 Water Rates, and \$40 Sewer Surcharge for an annual total of \$82.

STRATEGIC GOALS

The following is a matrix of 2009/10 and 2010/11 strategic goals:

<u>Element</u>	<u>Department</u>	<u>Action</u>	<u>Funding Source</u>
2009/10			
Economic Development	Economic Development	Attract New Businesses	General - \$135,500
Infrastructure	Public Works	Replace 25,000 square feet of sidewalk (mandatory program – 50% of cost)	General - \$75,000
Infrastructure	Public Works	Rehabilitate 5 miles of streets	Motor Fuel Tax - \$1,000,000
Infrastructure	Public Works	Install relief sewers	Sewer - \$530,000
Infrastructure	Public Works	Install cathodic protection system	Sewer - \$30,000
City Life	Info. Serv.	Promote Human Needs Task Force	
Way We Work	All	Establish "Committee of the Whole"	
Way We Work	Information Technology	Install courtesy program database	General - \$24,000; \$23,000 software + \$1,000 training
Resources and Financials	All	Balance General Operating Fund Budget	
2010/11			
Economic Development	CPD	Redevelop targeted areas	General - \$50,000 for studies. Additional funds needed for incentive programs.
Infrastructure	Public Works	Replace 25,000 square feet of sidewalk (mandatory program – 50% of cost)	General - \$78,800
Infrastructure	Public Works	Rehabilitate 5 miles of streets	Motor Fuel Tax - \$1,100,000
Infrastructure	Public Works	Line 1 mile of sewer	Sewer - \$264,000
City Life	Public Works	Traffic Study	General - \$60,000 (will seek grant funding)
Way We Work	Admin & Legal	Committee of the Whole – Change Municipal Code and Policy Manual (assumes trial period is successful)	
Way We Work	Administration	Vision 2025 Process	General - \$12,000
Resources and Financials	City Council	Prioritize infrastructure projects	

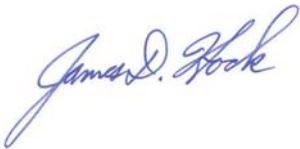
Distinguished Budget Presentation Award

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, 2008. 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 extremely challenging. Most revenues, excepting a few like ambulance fees and package liquor taxes, are decreasing. Police, Fire, and Illinois Municipal Retirement Fund pension costs are increasing at an alarming rate. Snow removal supplies costs multiplied a hundred fold and capital needs never end. Yet, throughout the process we held true to our values. We met our strategic goals, fulfilled our infrastructure needs, held the property tax levy to 3%, and met our pension obligations.

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, 2008

President

Executive Director

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